



البنك الإسلامي العربي
ARAB ISLAMIC BANK

Annual
Report

2023



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

(Al-Bakara, 278-279)



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Arab Islamic Bank Establishment

About Arab Islamic Bank

The Establishment

Arab Islamic Bank Public Shareholding Company (AIB) was established in 1995. The bank started its banking activity in early 1996. The Bank conducts banking and investment activities in accordance with the provisions of Islamic Sharia through its headquarter in Ramallah and Al-Bireh, as well as its branches throughout Palestine. In addition to the Representative Office in the United Arab Emirates (Emirate of Dubai) and the mobile branch “Mobi Bank”. The Arab Islamic Bank now has thirty-one branches and offices in addition to 64 ATM’s distributed throughout Palestine. The bank has no subsidiaries until December 31st, 2023.

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 consumers wherever they are safely.

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 goals.

Strategic Objectives

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



Sustainable Islamic banking...

Chairman's Letter



Rushdi Ghalayini
Chairman of the Board of Directors

Our dear Shareholders,Assalamu Alaikum wa Rehmatullah wa Barakatahu.

I am delighted to present to you, on my behalf and behalf of the members of the Board of Directors, the annual report of the Arab Islamic Bank, amidst challenging and exceptional circumstances that our people, especially in the Gaza Strip, have endured, along with the lingering effects of a genocide that has had a detrimental impact on the Palestinian economy as a whole and the banking sector in particular. We hope that Almighty God will alleviate this hardship from our people, have mercy on our martyrs, and heal our wounds. Despite these circumstances and difficult challenges, the bank has managed to achieve numerous accomplishments that we are proud of during the past year, which we share with you in this report, including audited financial statements for the year ended December 31, 2023.

With the guidance of God, and with your support, efforts, and our clients' steadfast trust in us, amidst a period marked by challenges faced by the banking sector in the year 2023, including global inflation in energy, commodity, and service prices, along with the subsequent interest rate hikes by central banks worldwide, the bank has continued to achieve accomplishments with efficiency and strength, maintaining its leadership in the Islamic banking sector within its strategic direction. It has managed to sustain continuous growth in its business volume, which positively reflected on the bank's performance at the end of the year 2023, with total income reaching approximately \$84,5 million, while net financing assets rose to \$1,108 billion, and customer deposits reached \$1,464 billion, in line with the bank's strategy of diversifying income sources and providing suitable financing solutions that meet customers' needs. Additionally, the bank has continued to control operating expenses and rely on a solid asset base supported by high liquidity levels to achieve better profitability. Considering the circumstances in the Gaza Strip, the bank took extreme precautions by increasing credit provisions for the Gaza portfolio to approximately \$18 million this year, underscoring the bank's integrated banking expertise in dealing with all variables and conditions.

As we live in a rapidly evolving and changing world, the bank has kept pace with this swift transformation by adopting digital transformation and strategies based on exceptional digital financial solutions. The bank has placed great importance on introducing products that contribute to meeting the needs and aspirations of a wide range of its clients, enhancing the completion of transactions in record time, and ensuring steadfast adherence to Shariah-compliant rules and regulations. The bank has undertaken several projects to bolster digital transformation, most notably updating the banking system to the latest

version, 14 lmal, which has allowed the bank to expand and modernize the electronic services provided to customers. Additionally, the bank has completed most of the procedures necessary to enable us, for the first time, to issue the first Islamic credit card, which will soon be available for customer use.

Our commitment to adopting a sustainability approach and our solid pillars of environmental, social, and governance (ESG) practices have collectively formed a driving force that has enhanced our operations and created significant added value for our customers, partners, and community. We have continued to invest in sustainability practices, community initiatives, and long-term partnerships, which have strengthened the bank's position locally and regionally. In 2023, we contributed over USD 680,000 towards sustainability and social responsibility across all sectors, focusing on education, health, relief, and poverty alleviation, as well as other cultural, sports, and social sectors. Achieving sustainability in its comprehensive sense has been one of the bank's objectives and strategies that it strives to implement in all its activities and operations. The well-being of individuals and the community is our top priority as a responsible Islamic financial institution distinguished by its ethical and social goals that benefit individuals and society as a whole.

The Board of Directors has continued its commitment to meeting regulatory requirements, ensuring a low-risk working environment, and achieving long-term positive impacts by implementing effective governance practices, risk management oversight, internal controls, and adherence to regulations at various levels.

Additionally, last year, the bank was awarded the title of Best Islamic Bank in Palestine by EMEA Finance magazine, which specializes in financial affairs. This award is a result of the bank's significant efforts in digitizing services and offering innovative financial products that meet its clients' aspirations, providing them with an exceptional banking experience. The bank's commitment to adhering to the highest standards of integrity, professionalism, transparency, and sound governance—values that guide its daily operations—was also recognized. This award adds valuable recognition to a series of accolades the bank has received in recent years from specialized global financial institutions.

At the Arab Islamic Bank, we are committed to continuing to create sustainable and shared added value for all stakeholders. We aim to focus on our customers, encourage leadership and innovation, provide digital banking services,enhance governance, and uphold social responsibility.

In conclusion, on behalf of myself and the members of the Board of Directors, I extend my greetings and thanks to all shareholders and valued customers for the trust you have placed in us. I also express my sincere gratitude and appreciation to the esteemed Palestinian Monetary Authority, the Palestinian Capital Market Authority, the Companies Controller, and the Palestine Stock Exchange for their cooperation and support of the bank's journey. Continuous thanks go to the brothers in the Fatwa and Sharia Supervisory Board of the bank and to the team of administrators and employees for their concerted efforts and for achieving positive results that fulfill the bank's goals and aspirations. We also pray for mercy for our martyrs, a swift and complete recovery for our wounded, and the near release of our prisoners.



General Manager's Message



Hani Nasser
General Manager

Dear shareholders,
Assalamu Alaikum wa Rehmatullah wa Barakatahu.

I present to you in this report a brief overview of the bank's performance for the past year, 2023, amidst the rapid developments in the banking environment, growing challenges, and the Palestinian economy's struggles due to the conditions of war. All governorates in the country are experiencing tensions that significantly impact the daily lives of residents and hinder economic growth. The bank has made continuous efforts to overcome these challenges and keep pace with rapid developments. The importance of the strategic vision and sound policies that the bank's management relies on has become evident through the development of products and services offered to customers and balanced growth across various sectors, with a continuous focus on rationalizing expenditures and maintaining prudent risk management practices. Over the past several years, we have focused our efforts on providing our customers with a distinguished banking experience that complies with Islamic Sharia, ensuring they have the appropriate products and tools to achieve success, while also creating significant value for our shareholders. I am immensely proud that the Arab Islamic Bank has played an important role in supporting our customers and the economy by offering the necessary support and actively participating in various community initiatives.

In terms of financial indicators, the bank, with God's grace, has achieved good financial results despite the severe conditions faced by the Palestinian economy and the impact of the war, which significantly affected the economy. The bank achieved net profits after tax and provisions amounting to approximately \$5.5 million by the end of 2023, after taking into account the substantial and conservative provisions made due to the effects of the war on both parts of the country, the West Bank, and Gaza. As for other financial indicators, the bank's assets reached \$1,738 million, while total customer deposits amounted to \$1,464 million, and the balance of direct financing reached \$1,108 million. The bank has maintained its distinguished market share and strong financial performance, with a market share of approximately 8% in assets, 9.4% in direct financing, and 8.7% in customer deposits. Additionally, the bank has retained sufficient credit provisions to face any potential credit losses, whether in direct financing or other financial instruments.

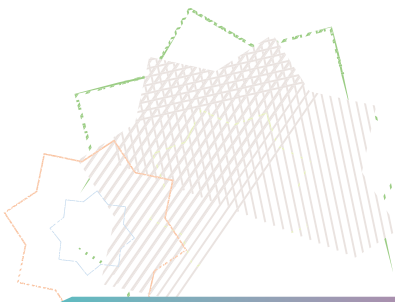
The bank has also diligently kept pace with the development of electronic financial services, as this aspect is a fundamental part of our strategy to provide a distinguished banking experience for our customers. Digital transformation is one of the bank's strategic goals that we strive to achieve through leveraging modern technology in this field. In this regard, we have undertaken several projects, most notably upgrading the bank's system from IMAL 12 to IMAL 14. This upgrade has enabled the bank to

offer advanced banking services that are in line with the best global banking services. The IMAL 14 banking system is a robust core banking platform that supports Sharia-compliant banking operations and provides the best Islamic banking services, making it one of the best banking systems in the region. Additionally, the bank has updated its online banking services and mobile banking app, adding many new features and services. This comprehensive range of banking services allows customers to manage their accounts and perform various banking transactions easily and securely through an advanced and user-friendly interface. This underscores the bank's ongoing strategy to introduce the most advanced electronic services, including the gradual transformation to partially or fully electronic branches.

Our customers, employees, shareholders, and community have always been our top priority. The path to success cannot be achieved without placing them at the forefront of our priorities. We have been keen to listen to our customers and community, designing products and services that help them meet their needs and achieve their goals. We renew our commitment to provide solutions that serve them in the best possible ways, anytime and anywhere.

As we begin our new year, our efforts focus on continuing to provide a distinguished experience and added value for our customers. We are committed to being the first-choice bank that they can rely on. I hope the new year brings you all, and our beloved country, prosperity and success.

In conclusion, I would like to thank all our shareholders and customers for their continued trust in us. I also express my gratitude to the Chairman and members of the Board of Directors for their support, empowerment, and valuable guidance to the executive management. I extend my heartfelt thanks to all the employees of the Arab Islamic Bank for their diligent work and dedication to this institution. We also honor our martyrs across the nation and pray for the swift recovery of the wounded, hoping that peace, security, and prosperity will prevail in our country and among our people.





Board of Directors Members



Rushdi Mahmoud Rashid Ghalayini

Chairman
Representative of Bank of Palestine Company

Educational Qualifications:

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

Date of Birth: 26-5-1962
Membership date: 2017

Experiences

General Manager of Bank of Palestine
Risk Management, Good Governance, Credit Facilities, and Banking Operations

Memberships

Chairman of the Board - Arab Islamic Bank 2021 until now
Member of the Board of Directors of the Investment Bank of the Hashemite Kingdom of Jordan 2014 - until now
Chairman of the Board of Directors of North Industrial International Company
Member of the Board of Directors of Pal Pay for Electronic Payment Company since 2017 till now
Member of the Board of Directors of The Palestinian Company for Cash and Valuables Transportation since 2014 till now
Member of the Board of Directors of the Arab Islamic Bank, 2017-2020
Member of the Board of Directors of the Association of Banks in Palestine, 2017-2020
Member of the Board of Directors of the Palestinian Banking Institute, 2017-2020
Member of the Board of Directors of the Union of Arab Banks, 2018-2020
Member of the Board of Directors of Education for Employment Foundation, 2015-2018



Dr. Mohamed Mahmoud Mohamed Nasr

Vice Chairman of the Board
Representative of the Palestinian Investment Fund

Educational Qualifications:

Ph.D. in Economics (Industrial Economics) - Ohio State University, 1986
MA in Economics - Ohio State University, 1985
MA in Business Administration (Marketing) - Wayne State University -Detroit -1982
BA of Commerce (Accounting), Beirut Arab University, 1969

Date of Birth: 27-9-1945
Membership date: 2017

Experiences

Professor of Economics - Birzeit University, -1994 till now
Dean of the College of Business and Economics - Birzeit University, 2011 - 2014, 1996 - 1999
Director General - Palestine Economic Policy Research Institute (MAS), 2007-2008
Head of the Department of Economics - Yarmouk University - Jordan, 1991-1993
Professor of Economics - Yarmouk University - Jordan, 1986-1994

Memberships

Member of the Board of Directors of the Palestine Investment Fund, 2012 – until now
Member of the Board of Directors of Sanad Construction Resources Company, 2016 until now
Member of the Board of Trustees of the Palestinian Economic Policy Research Institute (MAS), 2015 till today
Chairman of the Board of Trustees of the Palestinian Economic Policy Research Institute (MAS), 2018-2021
Chairman of the Board of Directors of Amar Real Estate Group, 2015-2019
Chairman of the Board of Directors of Grand Park Hotel, 2017-2019
Vice Chairman of the Board of Directors of Jericho Industrial Company 2012-2017
Chairman of the Board of Directors of the Palestinian Capital Market Authority 2014-2015
Chairman of the Board of Directors of the Palestinian Governance Institute, 2011-2015
Member of the National Anti-Money Laundering Committee, 2008-2012



Saqr Mahmoud Suleiman Jundia

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

Educational Qualifications:

Pre-PhD in Administrative Sciences Preliminary and Complementary Studies (Sadat Academy for Administrative Sciences, Cairo 1993
MA Economics, Faculty of Commerce, Zagazig University 1990

Date of Birth 1/2/1949
Membership date: 2021

Experiences

Advisor to the Board of Directors of Bank of Palestine Group - since 2020 - until now
Head of Compliance Control Department / Bank of Palestine 2009 - 2020
General Director of the Palestinian Banking Institute 2007- 2009
Executive Director and then Assistant Governor of the Palestinian Monetary Authority 1999-2007
Training Coordinator - Health Services Management Unit HSMU - Palestinian Ministry of Health, in coordination with the Higher Institute of Management, Rome and Hebron University, 1996-1999
Director General of Team Palestine Company
Expert in the Arab Experts Company in Engineering and Management (TEAM) Egypt 1987-1996
Lecturer at Al-Azhar University, and the Islamic University, Al-Quds open university / Gaza

Memberships

Member of the General Union of Palestinian Writers and Journalists
Founding member of the Palestine Forum for Democracy
Former President of the Industrial Pollution Control Association
Former Board Member and Secretary of the People's Assembly for Peace and Social Solidarity
Member of the Drafting Committee and the Scientific Committee to Present Papers and Research Papers of the Annual Conference for Training and Administrative Development in the Arab World in Cairo 1989-1995
Professional committees in the Monetary Authority, and Bank of Palestine



Wael Abdel Latif Khalil Al Sourani

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

Educational Qualifications:

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

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

Experiences

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

Board of Directors Members



Abdallah Qais Thunayan 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



Shady Adnan Ahmad Al-Khatib

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

Educational Qualifications:

MA in Finance and Investment from Western Sydney University/ Australia

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

Experiences

CEO of Aswaaq Investment Company
Portfolio Manager at the Palestine Investment Fund since 2007 – 2015

Memberships

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



Sam Sami Salem Bahour

Member of the Board of Directors
Independent Member

Educational Qualification:

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

Date of Birth: 18/10/1964
Membership Date: 2017

Representative of several companies since 2003

Experiences

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

Memberships

Member of the Board of Directors of “Just Vision”
Board Member, Open Society Organizations (Middle East and North Africa Program) since 2016 until 2022
Board Member, Friends Schools, 2017 - 2018
Member of the Board of Trustees, Birzeit University, 2004-2010



Mohammad Awni Mohammad Abu Ramadan

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

Educational Qualification:

BA of Business Administration, Syracuse University, USA

Date of Birth: 24/7/1953
Membership Date: 2017

Experiences

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

Memberships

Member of the Board of Directors of the Palestine Investment Fund
Former Member of the Board of Directors of the Palestinian Capital Market Authority

Board of Directors Members



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

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 – until now
Member of the Board of Directors of the Jerusalem Endowment Fund, 2014- 2020
Member of the EU Education Reform Expert Group and Erasmus Plus projects, 2014 - 2019
Member of the Board of Directors of the Supreme Council for Creativity and Excellence, Head of the Exploration and Stimulation Committee, as well as the Creativity Support Fund, Member of the Arab and International Cooperation Committee, 2013 – until now
Honorary President of the Society for Anti-Smoking and Health Education, 2013 – till now
President and Founder of the French Alumni Association, 2013 - 2019
Co-founder of the Palestinian Open-Source Community, 2009
Member of the Board of Directors for Girls in Technology
A well-known Palestinian leadership figure who dedicated her time to making Palestine a better place and volunteered in several other institutions serving youth and women



Samar Sawalhi Nakhleh

Member of the Board of Directors
A representative of Minority Shareholders

Educational Qualification:

BA in Accounting, Birzeit University, Palestine 2001
MBA, Birzeit University, Palestine, 2007
American Express Leadership Academy at Thunderbird School of Global Management in Arizona, USA – 2016

Date of birth 7/5/1980
Membership date: 2019

Experiences

Financial and Administrative Director - Women's Center for Legal and Social Guidance - Palestine, 2012 – present
Financial and Administrative Director, Palestine Economic Policy Research Institute (MAS), Palestine, 2002-2012
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 Mohammad 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

years of experience in the banking sector 35
Assistant General Manager, Bank of Palestine, 1983 - 2005
Deputy General Manager, Palestine Islamic Bank, 2005 to 2018
General Manager of Step Integrated Solutions Company

Memberships

Member of the Palestinian Businessmen Association
Member of the Palestinian Arbitrators Association
Member of the Coordinating Council for Palestinian Private Sector Enterprises

Executive Management



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



Mr. Ghassan "Mohammad Hashem Mustafa Jabr	Chief Operations Officer
Date of Birth	25/5/1964
Date of Appointment	8/11/2015
Scientific Certificates	BA of Business Administration - Birzeit University 1989
Previous Work Experience	Arab Bank, since 1994 until 2015 Cairo Amman Bank since 1990 until 1994



Mr. Muawiah Fahed Al-Qawasmi	Chief Corporate Investment Banking officer
Date of Birth	16/10/1971
Date of appointment	1/2/2023
scientific certificates	PhD Researcher in Islamic Economic Law, Istanbul Sabahattin Zaim University, Turkey Master of Business Administration (MBA), Birzeit University, 2005 Higher Diploma in Public Administration, Birzeit University, 2000 Bachelor's in Accounting / Business Administration, University of Jordan, 1993 Professional Certificates: CPA, CBM
Previous work experience	General Manager, Pal Pay :2023-2021 Deputy General Manager, Arab Islamic Bank :2018-2020 Manager of Dubai Representative Office, :2015-2018 Bank of Palestine Southern Region Manager, Bank of :2010-2015 Palestine 2005-Present: Part-time Lecturer, College of Finance and Management, Hebron University Deputy General Manager of International :2004-2005 Relations, Ministry of Finance Assistant General Manager of Customs and :1994-2004 Value Added Tax, Ministry of Finance Product Manager, Masrouji Trading Company :1994 Auditor, Dajani and Partners, and Ernst & :1993-1994 Young



Mr. Maysara Hatem Mustafa Salameh	Chief Financial Officer
Date of Birth	15/1/1981
Date of appointment	10/3/2013
Scientific Certificates	MBA Birzeit University BA in Accounting and Finance Birzeit University An American Certified Public Accountant (CPA) from Colorado, USA Certified Management Accountant (CMA) by the American Institute of Management Accountants (IMA) Arab Professional Accountant ACPA by Arab Society (of Certified Accountants (ACPA Palestinian Certified Accountant (PCPA Certified Credit and Financial Analyst (CBCA) – Corporate Finance Institute CFI CFI - Corporate Finance Institute
Previous Work Experience	Price Water House Coopers 2004- 2013 Senior Audit Manager Ernst & Young Global Limited 2003 – 2004 Auditor Cairo Amman Bank 2002 – 2003 Central Operations Department



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



Mr. Ibrahim Ismail Ahmad Abu Abdo	Chief of Internal Audit Officer
Date of Birth	1/5/1968
Date of Appointment	22/7/2009
Scientific Certificates	MA of Business Administration, Udaipur University India 1993 Higher Diploma in Banking Management Udaipur University India 1992 BA in Accounting Lucknow University India 1991
Previous Work Experience	Egyptian Arab Land Bank 1998 – 2009 Jordan Kuwait Bank 1995 - 1998 Bank of Jordan 1994 - 1995

Executive Management



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



Mr. Saed Miqdad Miqdadi	Chief Risk Officer
Date of Birth	29/4/1973
Date of appointment	22/5/2010
Scientific Certificates	BA in Business Administration, Eastern Mediterranean University, Cyprus 1996 Certified Risk Specialist Certified Operation Risk Executive
Previous Work Experience	Al Rafah Bank 2006 - 2010 Jordan Ahli Bank 2003 - 2006 Grandar Bank ANZ GRINDLAYS 2000 - 2003 Cairo Amman Bank 1996 - 2000



Mr. Hatem Fawzy Sobh	Chief of Financing Control Officer
Date of Birth	28/12/1970
Date of appointment	20/12/2009
Scientific Certificates	MA in Management and Marketing, University of Jordan 1995 BA in Finance and Banking, Yarmouk University 1993
Previous Work Experience	Bank of Jordan 2005 - 2009 An-Najah National University 2003 - 2005 Bank of Jordan 1998 - 2003 Cairo Amman Bank 1993-1998



Mrs. Fayrouz Fathi Ahmad Thabaleh	Chief Compliance Officer
Date of Birth	24/9/1974
Date of appointment	18/8/2010
scientific certificates	BA of Law, Al-Ahliyya Amman University, Jordan 1996
Previous work experience	Cairo Amman Bank 1997 - 2010



Mr. Nitham Ali Daoud Alzamel	Chief Retail Banking Officer
Date of Birth	20/8/1967
Date of appointment	19/7/2011
Scientific Certificates	BA in Business Administration, An-Najah National University 1992 Distinguished Management Diploma
Previous Work Experience	years of banking experience 30



Mr. Rateb Abdallah Atyani	Chief Human Resources and Training Officer
Date of Birth	15/11/1969
Date of appointment	12/5/2010
scientific certificates	MBA / Birzeit University 2005 BA in Computer Science / An-Najah National University 1996
Previous work experience	Cairo Amman Bank 1996 - 2010 Part-Time Lecturer at Al-Quds Open University 2007-2017



Mr. Taha Mohammad Abu Sariya	Anti-Money Laundering and Terrorist Financing Department Manager
Date of Birth	8/5/1968
Date of Appointment	1/12/1997
Scientific Certificates	MA degree in Quality Management, Arab American University 2018 BA of Economy, Gujarat University India 1993
Previous Work Experience	Cairo Amman Bank 1994 - 1997

Executive Management



Mr. Mustafa Sharif Mustafa Abu Khizran	Networks and Systems Department Manager
Date of Birth	26/4/1970
Date of appointment	3/2/2001
scientific certificates	MA of Computer Engineering, Birzeit University, 2008 BA of Electronic Engineering, Tishreen University, Syria 1993
Previous work experience	Palestinian Central Bureau of Statistics 1995-2001 Samco Inc 1993 – 1995



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



Mr. Ahmed Abdel Karim Ahmad Ayyad	Process and Procedures Re-engineering and Quality Department Manager
Date of Birth	5/10/1978
Date of Appointment	1/2/2005
Scientific Certificates	MA of Quality Management, Arab American University 2020 BA of Computer Information Systems, Al-Quds Open University 2004 Diploma in Programming and Systems Analysis, Al-Balqa Applied University 1997
Previous Work Experience	Arab Islamic Bank - Assistant Manager of the Internal Control and Audit Department 2005-2016 Bank of Jordan 1998-2004



Mr. Ahmed Mohammed Sartawi	Public Relations and Marketing Department Manager
Date of Birth	18/10/1980
Date of Appointment	21/1/2006
Scientific Certificates	MA degree in Management and Marketing, Arab Academy for Banking and Financial Sciences, Jordan 2005 BA degree of Marketing, An-Najah University 2003 Certified Islamic Banker CIP Administrative Skills Diploma Public Relations and Media Specialist Certificate Diploma in Sales and Marketing Management, Cambridge
Previous Work Experience	Part time Lecturer at Al-Quds Open University 2012-2013



Mr. Marwan Mohammad Badawi	Small and Medium Enterprise Sales Department Manager
Date of Birth	28/8/1966
Date of appointment	4/5/2008
scientific certificates	MA degree in financial and banking sciences, Barooda University India 1994 BA degree in Commerce Nagpur University, India 1992
Previous work experience	Al-Rafah Bank 2006-2008 Palestine Commercial Bank 1996-2006 Cairo Amman Bank 1994-1996



Mr. Ammar Younis Khudairi	Banking Business Systems Department Manager
Date of Birth	22/8/1970
Date of appointment	24/8/2008
scientific certificates	Master's in Computer Science, Birzeit University Higher Diploma in Computer Programming, Brilliants Institute, Bangalore, India, 1993 Bachelor's in Computer Science, Bangalore University, India, 1992
Previous work experience	Bank of Palestine International: 1996-2008 Cairo Amman Bank: 1994-1996

Executive Management



Mrs. Reem Mustafa Mohammad Juma	Electronic Channels and Digital Services Department Manager
Date of Birth	21/6/1985
Date of appointment	1/12/2008
Scientific Certificates	Master of Business Administration / Birzeit University 2012 BA of Computer Systems Engineering / Birzeit University 2008



Mr. Abdallah Saleh Sadeq Hamad	Real Estate and Supplies Department Manager
Date of Birth	3/9/1964
Date of Appointment	2/1/2011
Scientific Certificates	MA in Civil Engineering- University of Jordan 1993 BA in Civil Engineering- An-Najah National University 1989
Previous Work Experience	Director of Buildings Department, Palestine Telecommunications Company (PALTEL) 1997 - 2010 Supervising Engineer in Engineering Consulting Offices, Al-Sakhra Almusharifa, Engineers Association Consulting Office



Mr. Waseem Ahmad Hajj Asaad	Central Operations Department Manager
Date of Birth	11/5/1981
Date of appointment	20/8/2017
scientific certificates	MA in Economics and Law (Excellent Degree) Birzeit University – 2021 BA in Applied Mathematics in Economics Birzeit University 2004 2018 Banking and Financial Disputes Arbitrator (Palestinian Ministry of Justice) CIB - CIBAFI Certificate
Previous work experience	Foreign Operations Officer at National Bank 2012-2017 Head of Operations Department Jordan Ahli Bank 2010-2012 Head of Administration Department, Al-Quds Real Estate Investment Company 2008-2010 Chief Treasurer, International Bank of Palestine 2005-2008



Mr. Qais Atta Ibrahim Mohamad	Retail- Direct Sales Department Manager
Date of Birth	24/9/1989
Date of appointment	10/4/2011
Scientific Certificates	BA of Public Administration - Birzeit University 2011
Previous Work Experience	Assistant Director of Direct Sales Unit for Individuals at the Arab Islamic Bank Head of Personal Credit Department at Arab Islamic Bank



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



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



Mr. Mousa Abdel Rahim Asrawi	Finance Monitoring and Collection Department Manager
Date of Birth	10/7/1992
Date of Appointment	23/2/2014
Scientific Certificates	Master of Business Administration (MBA), Birzeit University Bachelor's in Accounting, An-Najah National University
Previous Work Experience	Assistant Director of Finance Monitoring and Collection Division, Arab Islamic Bank Head of Finance Monitoring and Collection Division, Arab Islamic Bank



Mrs. Linda Mahmoud Al-Sheikh Yousuf	Head of Shareholder Relations Division
Date of Birth	1/12/1972
Date of Appointment	27/2/2001
Scientific Certificates	Business Administration diploma, Ramallah Women's Training Center (RWTC) 1994
Previous work experience	Office of the President of the Palestinian Central Bureau of Statistics 1995-2001



Islamic Banking

Definition:

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

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

Islamic banks offer all other banking services provided by commercial banks, such as letters of credit and guarantees, with no difference in this regard. One notable aspect of Islamic banking is that it introduced to the market new mechanisms with different characteristics from traditional banking in mobilizing savings and attracting investments.

Origin:

The Islamic banking industry began nearly six decades ago, but has moved rapidly from experimentation and testing to expansion and proliferation as a result of raising awareness among clients and investors about Islamic banks and recognizing their importance as one of the most important pillars of the global banking system. Studies show that total Islamic financing assets amounted to 2.88 trillion dollars by the end of 2021. It is expected that the total value of Shariah-compliant financial assets will reach around 3.69 trillion dollars by 2024.

The Emergence of Islamic Banking in Palestine:

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

Board of Directors Report

Performance Indicators

Performance Indicators:

The bank continued its notable growth across all its financial indicators. Its assets increased by approximately \$77 million, reflecting a growth rate of 4.68%. Direct financing rose by about \$80 million, with a growth rate of 8%. Customer deposits grew by around \$72 million, representing a growth rate of 5.19%. The bank achieved a net profit of \$5.5 million in 2023, a decrease of \$7.5 million or 58%, after accounting for substantial and conservative provisions due to the effects of the war on both parts of the country, the West Bank and Gaza.



Amounts in millions of US dollars

Board of Directors Report

Performance Indicators

Performance indicators for the Arab Islamic Bank:

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

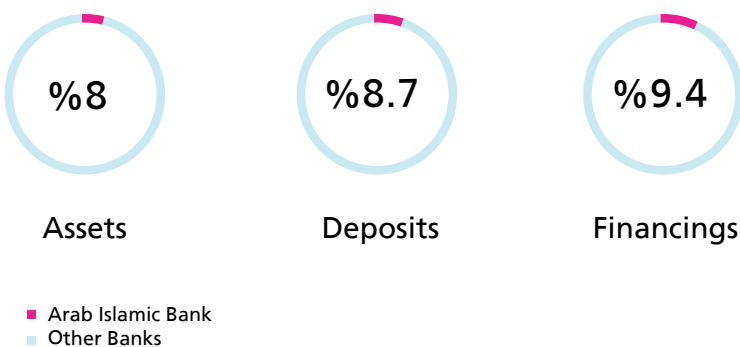
Capital Structure Indicators	2022	2023
The Liabilities and rights of owners of absolute investment ac- counts / Assets	91.61%	91.89%
Direct Financing/Equity	738.31%	786.33%
Retained Earnings/Equity	10.75%	7.06%
Liquidity Indicators		
Customer Deposits/Assets	83.82%	84.23%
Direct Financing / Assets	61.92%	63.78%
Direct Financing / Customer Deposits	73.87%	75.72%
Profitability Indicators		
Finance And Investment Revenue/Total Revenue	81%	82,14%
Return on Assets	0.79%	0.32%
Return on Equity	9.39%	3.94%
Volume Indicators		
Assets per branch	75,487,533	79,016,822
Customer deposit rate for each branch	63,274,944	66,555,905
Direct financing rate for each branch	46,742,719	50,397,739

Board of Directors Report

Performance Indicators

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 8%, while its market share in direct financing reached about 9.4%. As for customer deposits, the bank's market share reached around 8.7%.





Branches and ATMs Network

In 2023, the Bank made efforts to expand its network of branches and ATMs.

The bank worked on expanding its network of branches and ATMs during 2023. 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 31 branches and offices. Additionally, there are 64 ATMs spread across all governorates of the country.

Hebron

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

Gaza Strib

- 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
- Bethlehem office - industrial area

Jenin

- Jenin Branch
- Arab American University office
- Jenin office

Tulkarm

- Tulkarm Branch
- Attil Branch

Qalqilya

- Qalqilya branch

Nablus

- Sufyan Street Branch
- Faisal Street Branch



Board of Directors’ Report

Achievements and Activities

The Bank’s Achievements and Activities in 2023

Projects and Products

- The bank upgraded its banking system from IMAL 12 to IMAL 14, allowing the bank to offer advanced and world-class banking services.
- Launched an updated version of the mobile banking app with new features and functionalities.
- Launched the bank’s new website.
- Obtained compliance certification for information security standards and electronic data support (PCI-DSS).

Sponsorships

- The bank donated \$250,000 to our people in Gaza through the World Food Program (WFP).
- The bank was the main sponsor of the “Sustainability of the Economy in the Era of the 5.0 Industrial Revolution” conference at An-Najah National University.
- The bank was the main sponsor of the international conference titled “Digital Education and the Future of Educational Technology” at Palestine Ahliya University.
- The bank was the official sponsor of the first scientific conference on pediatrics organized by the Red Crescent Society.
- The bank was the main sponsor of the conference on “Outcomes and Reality of Palestinian University Education Between Available Job Offers and Unemployment Caravans.”
- The bank sponsored the first international conference on digital transformation at the Arab American University.
- The bank sponsored the international joint conference between Palestinian universities at Al-Istiqlal University.
- The bank sponsored the Men’s and Women’s Institutional Table Tennis and Chess Championships organized by the Palestinian Sports Federation.
- The bank provided food parcels for the elderly in cooperation with the Birzeit Community Cultural Center.
- The bank sponsored the printing of the book “Islamic Banking: Reality and Expectations” for the Islamic Banking Conference.

Events and Activities

- The bank organized a training program for students of An-Najah National University in Nablus.
- Held events to commemorate the Prophet’s birthday in several governorates.
- Participated in the AAOIFI Shariah Boards Conference in Bahrain 2023.
- Participated in the 43rd Al Baraka Symposium titled “Islamic Economics and the Authenticity of Sustainability” in Saudi Arabia.
- Participated in the technical workshop of the General Council for Islamic Banks and Financial Institutions (CIBAFI) titled “Digital Transformation Strategies in Islamic Financial Institutions.”
- Participated in the technical workshop of the General Council for Islamic Banks and Financial Institutions (CIBAFI) titled “Economics, Fintech, and Digital Transformation Strategies in Islamic Financial Institutions.”

Awards

The bank was awarded the title of Best Islamic Bank in Palestine for 2022 according to EMEA Finance magazine.

Campaigns:

The “Fill it up and Don’t Worry” campaign to encourage customers to use cards at gas stations instead of cash.



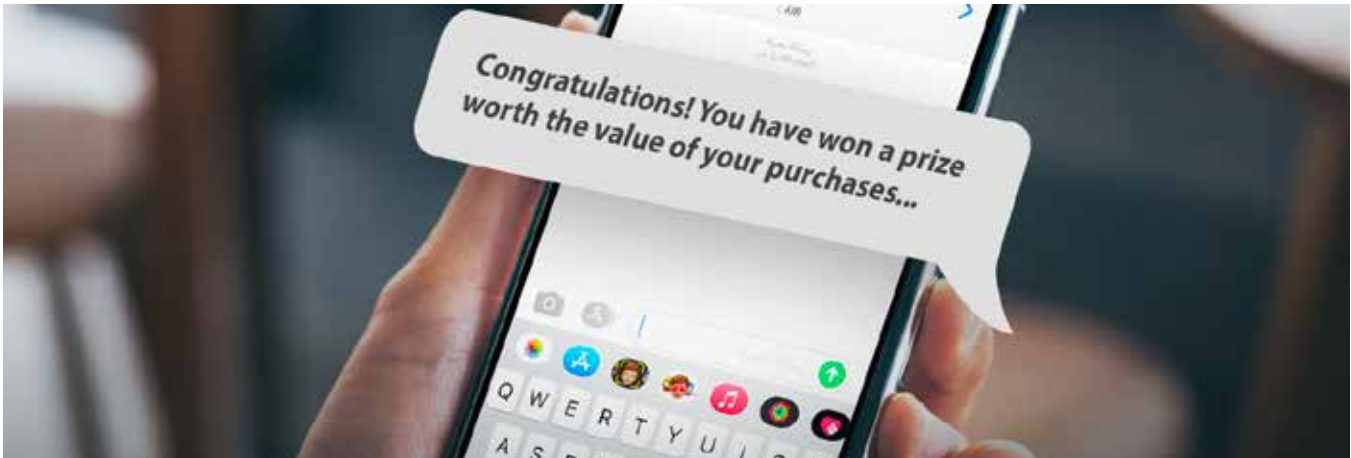
Fill it up... and don't worry

Enter the draw for 3 weekly prizes

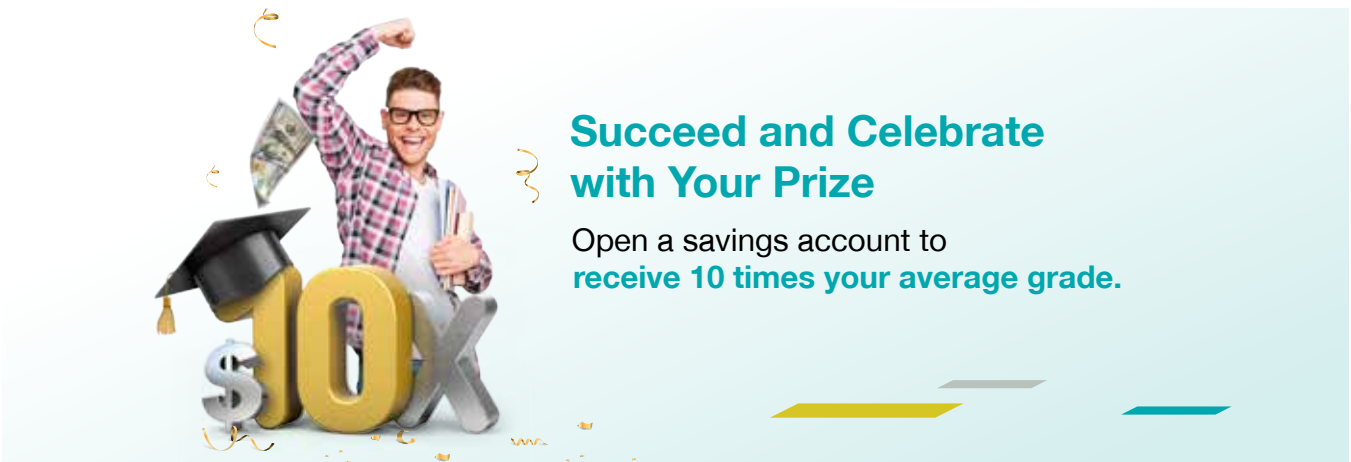
Worth the amount of fuel you fill in your car when paying with Arab Islamic Bank cards at gas stations

*A maximum of \$100 per prize

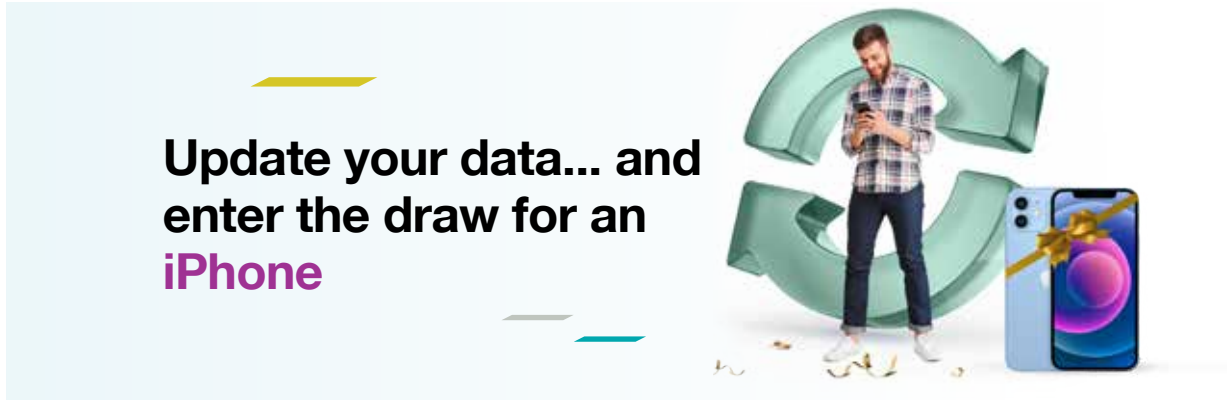
Pay with Your Cards and Win the Value of Your Purchases to encourage the use of bank cards instead of cash.



A special campaign for high school students: “Succeed and Celebrate with Your Prize. Open a savings account to receive 10 times your average grade.



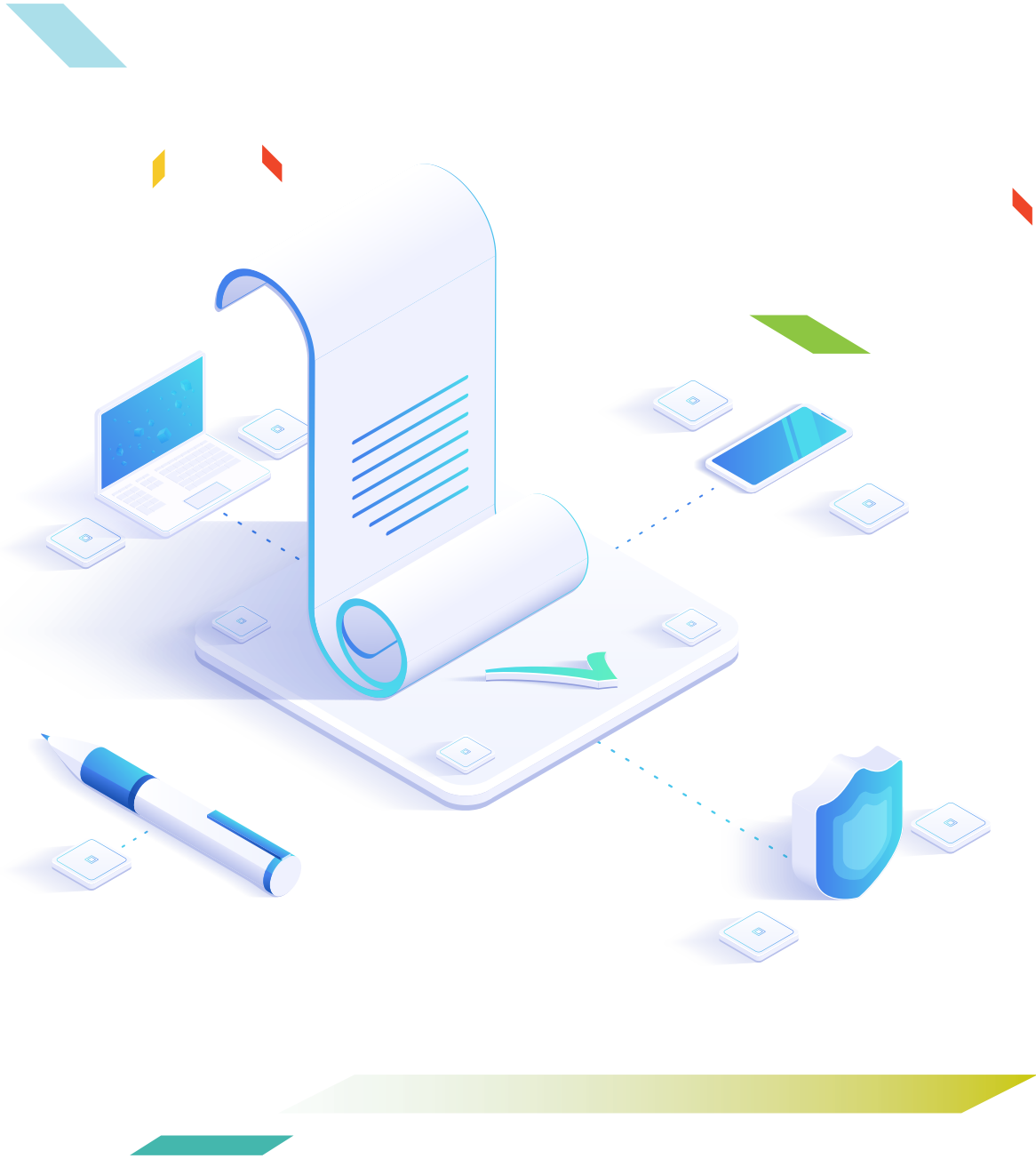
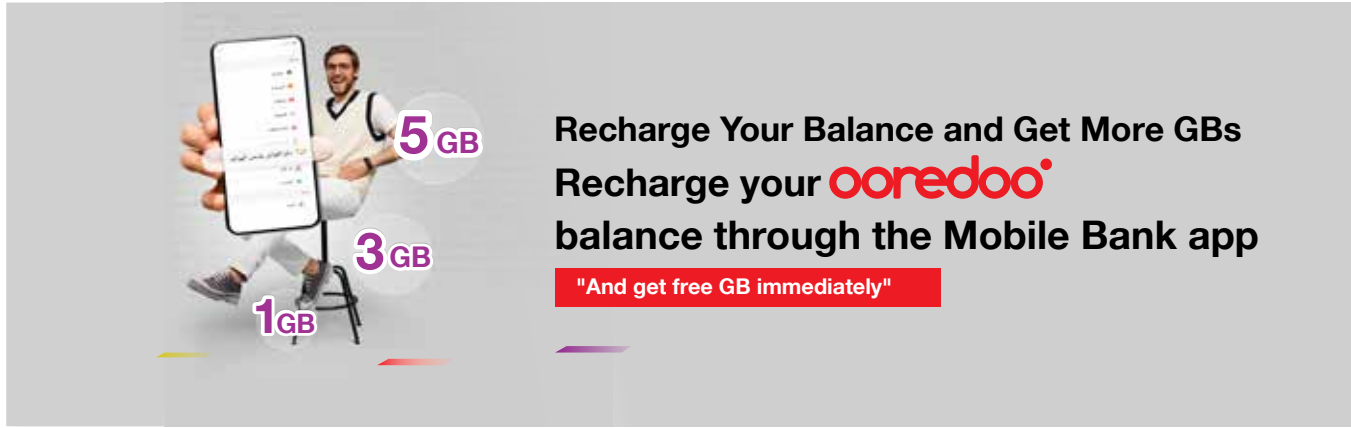
Special Campaign for Updating Customer Data: Update Your Data and Enter the Draw for an iPhone.



Special Campaign for Paying Ramallah Municipality Fees through the Bank's Cards and Entering the Draw for a Prize Worth the Paid Fees.



"Recharge Your Balance and Get More GBs" Campaign: Special for recharging Ooredoo balance through the banking app to receive specific packages with every recharge.



Board of Directors Report

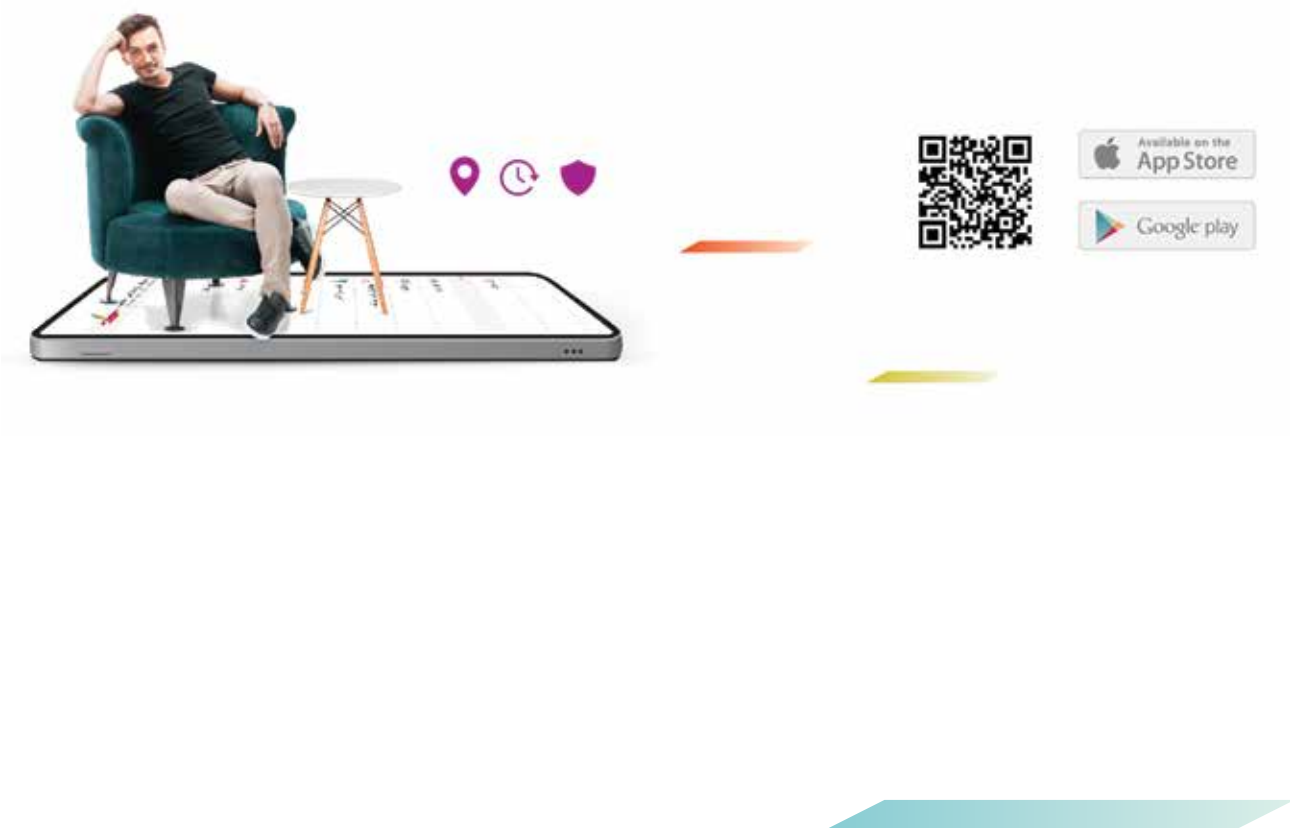
Banking Products and Services

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

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

Internet Banking and Mobile Banking Service

This service allows customers to access banking services from anywhere and at any time without the need to visit the bank, through online banking services or the mobile banking application. This service enables customers to manage their accounts and perform many banking services, such as checking balances of accounts and cards, transferring between accounts, requesting account opening or financing, obtaining special exchange rates, paying bills, and many other exclusive services. During the year 2023, the bank updated its mobile application and online banking services, introducing new features and services.



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.



Board of Directors Report

Banking Products and Services

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).



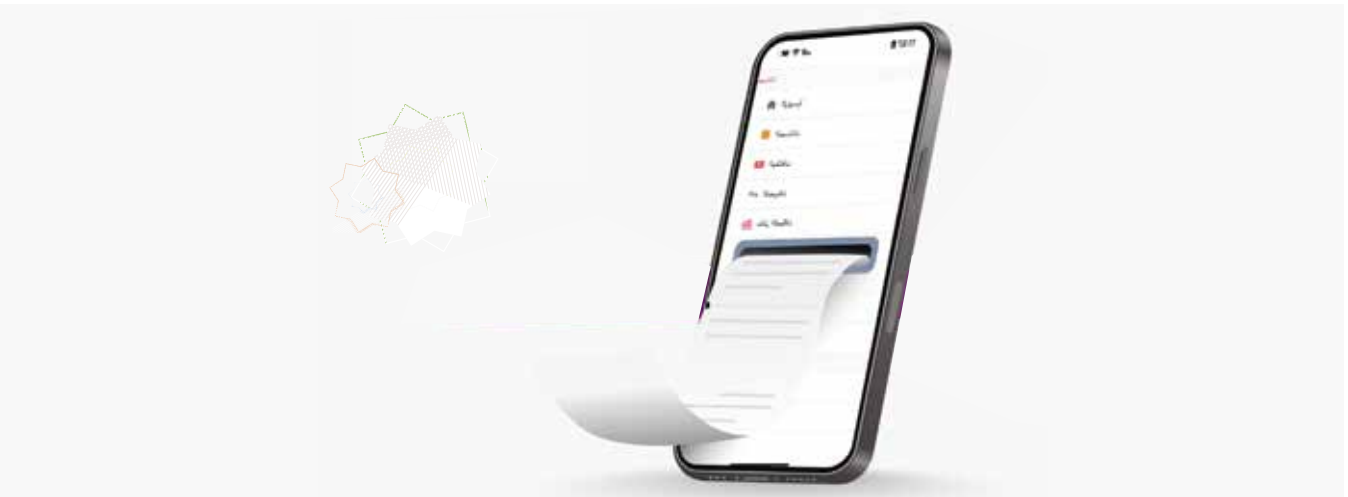
Pre-Booking Service CVM

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



Instant Bill Payment

Customers can quickly and easily pay their bills through electronic banking services.



Electronic Channels

These channels allow customers to communicate with the bank, get assistance, have their queries answered, and access some services through various communication mediums and popular apps like WhatsApp and Messenger.



Board of Directors Report

Banking Products and Services

Bank Cards:

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



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.



WesternUnion WU

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.



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

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:**

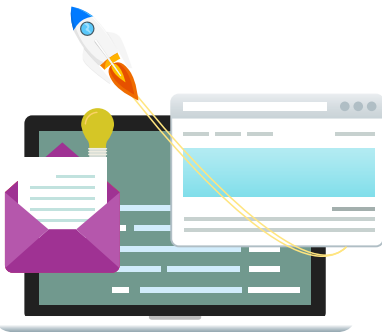
The Bank worked through the Treasury Department to provide financial services at the best competitive prices in the market for its clients and in compliance with the provisions of the noble Sharia. The Treasury Department provides currency exchange services, investment and savings deposit services. The 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 Hungarian 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.

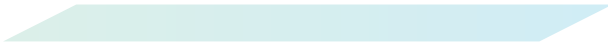
The Arab Islamic Bank currently offers various electronic banking services through several channels, aiming to enhance and expand them concurrently with enhancing its electronic service platform with higher levels of speed, efficiency, and security. Some of these channels include:

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:

- Online banking services
- Banking services through smartphone applications
- ATM banking services
- Banking services through call centers
- Banking services through social media channels

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:

- Establishment of digital branches (“Digital bank”) where customers can complete many banking operations.
- Enhancement of internet banking services for individuals and companies by expanding the services offered through them.
- Enhancement of ATM services to include contactless withdrawals, cardless withdrawals, and many other services.
- Development of digital service center services by adding new services to make it a comprehensive digital branch.
- Addition of “Google Pay” and “Apple Pay” services.
- Furthermore, internal operations at the bank will be automated to increase operational efficiency and effectiveness and improve customer service.



Proud of Our Awards....

A Palestinian Bank with an International Vision

The Best Islamic Bank in Palestine



Global Awards

2023	Award for Best Islamic Bank in Palestine, EMEA FINANCE Magazine.
2022	Best Islamic Bank in Palestine awarded by Palestine Financial Technology Summit Conference “Fintech”
2021	Best Islamic Bank in Palestine awarded by World Finance Magazine Best Islamic Financial Institution in Palestine awarded by Global Finance Magazine
2020	Best Islamic Bank in Palestine awarded by Global Finance Magazine Best Islamic Bank in Palestine awarded by EMEA Finance Magazine Best Islamic Bank in Palestine awarded by World Finance Magazine Best Islamic Bank in Palestine awarded by IFN Magazine
2019	Best Islamic Bank in Palestine awarded by The Banker Magazine Best Islamic Bank in Palestine awarded by IFN Magazine Best Islamic Bank in Palestine awarded by World Finance Magazine
2018	Best Islamic Bank in Palestine awarded by IFN Magazine Best Islamic Bank in Palestine awarded by World Finance Magazine
2017	Best Islamic Bank in Palestine awarded by Union of Arab Banks (UAB) Best Islamic Bank in Palestine awarded by IFN Magazine
2016	Best Islamic Bank in Palestine awarded by IFN Magazine
2012	Best Islamic Bank in Palestine awarded by IFN Magazine
2011	Best Islamic Bank in Palestine awarded by IFN Magazine
2010	Best Islamic Bank in Palestine awarded by IFN Magazine
2009	Best Islamic Bank in Palestine awarded by IFN Magazine

Sustainability

In recent decades, environmental and sustainability issues have become among the most prominent and important issues globally. These concepts have become integral parts of the business strategies of Islamic banks, reflecting their commitment to achieving sustainable development and improving the quality of life in the communities they serve. Islamic banks, as integral components of their societies, believe in their responsibility towards the community. They emphasize the importance of transparency and disclosing their social responsibility and sustainability activities. This helps stakeholders assess their commitment to the environment and society. In this regard, Arab Islamic Bank, operating under Islamic Sharia principles, adopts the principle of sustainability in its strategic plans and institutional culture. The bank is committed to balancing the key dimensions of sustainability – economic, social, and environmental – in accordance with Islamic Sharia boundaries, as well as local, regional, and international standards and principles. This includes fulfilling social responsibility, achieving sustainable development, and fostering comprehensive prosperity for society and the environment. The bank supports initiatives and projects that benefit society, such as education and training programs, supporting small and medium-sized enterprises, promoting healthcare, and addressing societal issues like poverty and hunger.

The sustainability strategy is part of the overall strategic plan of Arab Islamic Bank, reflecting the bank’s commitment to clear and long-term sustainability and social responsibility plans. It fully and earnestly commits to directing its efforts and investments to achieve a sustainable positive impact on society and the environment. The bank aspires to build a sustainable and bright future for all stakeholders, including customers, shareholders, communities, and the environment, by working responsibly to conserve natural resources, support the community, and achieve prosperity for it. The bank also aims to provide modern and innovative banking services that facilitate and streamline banking operations.

The sustainability strategy at Arab Islamic Bank is based on achieving three main objectives in the three sustainability dimensions:

• Environmental Sustainability

Through this dimension, the bank seeks to adopt goals aimed at reducing the environmental impact of its various activities and embracing environmentally friendly practices. This involves integrating sustainability into the bank’s operations, developing sustainable banking products and services, considering the bank’s operations’ impact on society and the environment, and reducing consumption by minimizing carbon emissions and conserving natural resources. The bank also aims to invest in green technology, raise awareness of environmental issues, and encourage the provision of financial services to support sustainable environmental projects such as clean energy projects. Moreover, it involves innovating and developing financial products that promote sustainability.

• Economic and Social Sustainability

- Through this dimension, Arab Islamic Bank aims to:
- Achieve economic growth in an efficient manner without causing harm to the environment.
 - Promote a green and sustainable economy by increasing green financing, environmental projects, and initiatives.
 - Enhance financial inclusion and ensure access to all banking services for all segments of society.
 - Embrace technological and digital transformation to contribute to providing innovative and sustainable banking solutions.
 - Strengthen social responsibility, social, and humanitarian activities, and human resource management in a way that ensures the growth and development of the bank’s human resources and creates job opportunities that guarantee a decent standard of living for all.
 - Invest in community development and prosperity by supporting social responsibility in health, education, and poverty reduction.

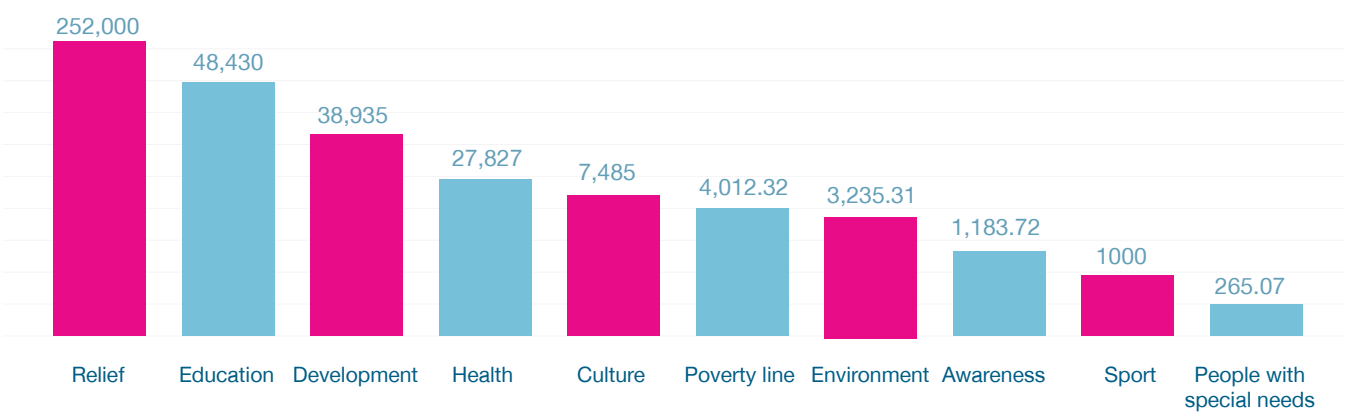
• Sustainability Governance

- Governance aims to ensure responsible and sustainable management of the bank’s activities by achieving the following:
- Enhancing transparency, disclosure, and regular reporting on the bank’s performance in sustainability and social responsibility, and engaging with stakeholders.
 - Committing to relevant local and international standards and regulations related to sustainability and reporting.
 - Partnering with other organizations to promote sustainability and enhance collaboration with external parties and initiatives supporting environmental projects.
 - Improving the management of sustainability-related risks, including environmental, social, and financial risks.
- Through its strategic vision, the bank aspires to be a leading institution in achieving sustainability and social responsibility, building a sustainable future, and playing an active role in supporting sustainable development and achieving comprehensive banking sustainability. This is accomplished by focusing on achieving a balance between financial, social, and environmental responsibility and providing innovative and sustainable banking products and services that contribute to achieving global sustainable development goals. The Bank’s contributions and donations are divided into two main sections.

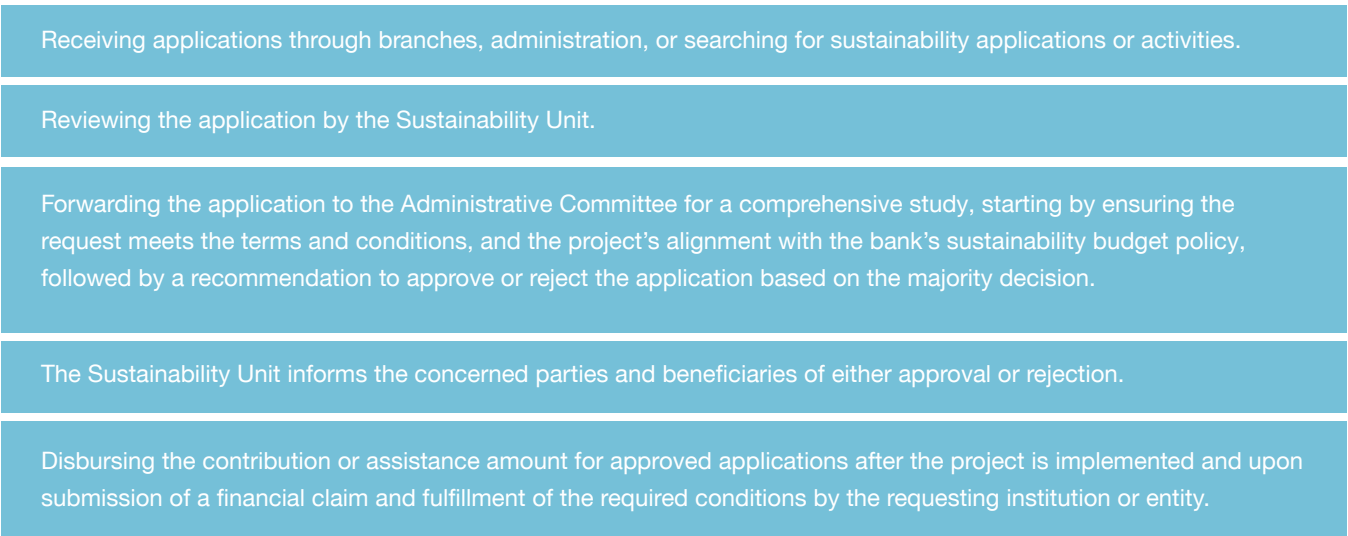
1- Sustainability and Social Responsibility:

- In 2023, the largest share of community contributions was allocated to support relief, development, and education. This reflects the bank’s commitment and interest in supporting the local community by enhancing social responsibility and achieving sustainability. The bank continuously monitors all sectors and groups that need support and assistance, with contributions in the field of sustainability and responsibility amounting to approximately 384,374 USD.
- The table below outlines the assistance according to the three sectors of sustainability:

Sector	Amount	Number of partnerships
Social		
Relief	252,000	2
Education	48,430	18
Development	38,935	8
Culture	7,485	6
Poverty line	4,012	4
People with special needs	265	1
Sports	1,000	1
Health	27,827	4
Environment		
Environment	3,235	1
Governance		
Awareness	1,184	2
Total	384,374	47



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:



For more information, you can refer to the separate sustainability report available on the bank’s website at www.aib.ps.

2- 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 Fatwa and 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 Fatwa and Sharia Supervisory Board, for disbursement to those in need through payments to suppliers.

Item	Amount	Number of partnerships
Relief	4,800	100
Education	90,792	38
Culture	2,899	2
Health	163,044	9
Poverty mitigation	35,051	12
Total	296,586	161

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:

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

Board of Directors Report

The Arab Islamic Bank activities



CIBAFI Workshop for the General Council for Islamic Banks and Financial Institutions



Printing of the book "Islamic Banking Conference: Between Reality and Aspirations"



AAOIFI Shari'ah Boards Conference - Bahrain 2023



\$250,000 for relief for our people in Gaza through the provision of food supplies through the World Food Program (WFP)
Donation of \$250,000 to Gaza through the World Food Program (WFP)



Conference on Economic Sustainability in the Era of the 5.0 Industrial Revolution at An-Najah University



International Conference titled "Digital Education and the Future of Educational Technology" at Palestine Ahliya University - Bethlehem



Conference on the Outcomes and Reality of University Education at the Red Crescent Society



Al Baraka Symposium (43) titled "Islamic Economy and the Authenticity of Sustainability in Saudi Arabia"



institutional Championship for Men and Women in Table Tennis and Chess



The First Scientific Conference on Pediatrics by the Red Crescent Society



Training Program for Students of An-Najah National University, Nablus



Activities for the Prophet's Mohammad Birthday



International Joint Conference between Palestinian Universities at Al-Istiqal University



Food Packages for the Elderly in Collaboration with the Birzeit Community Cultural Center



The Arab Islamic Bank Sponsors the First International Conference on Digital Transformation at the Arab American University

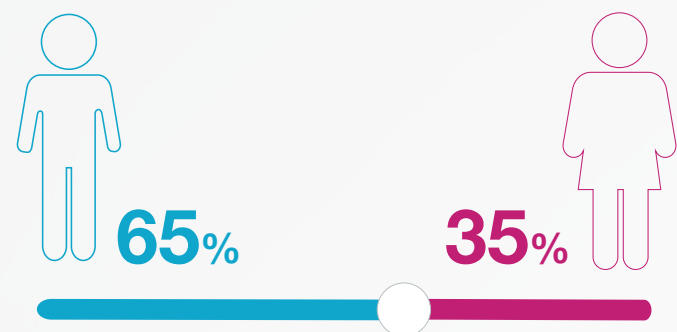


Best Islamic Bank in Palestine for the Year 2022 According to EMEA Finance

Human Resources & Training:

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

Due to an expansion in the number of the bank branches and a commitment to provide new services and products to clients, the number of employees at the Arab Islamic Bank has expanded from 684 at the end of 2022 to 706 by the end of 2023, from both genders. With the exception of the ungraded group of about 68, the female population accounts for 35%. The employees are divided between the Headquarter and the Bank's branches as follows:



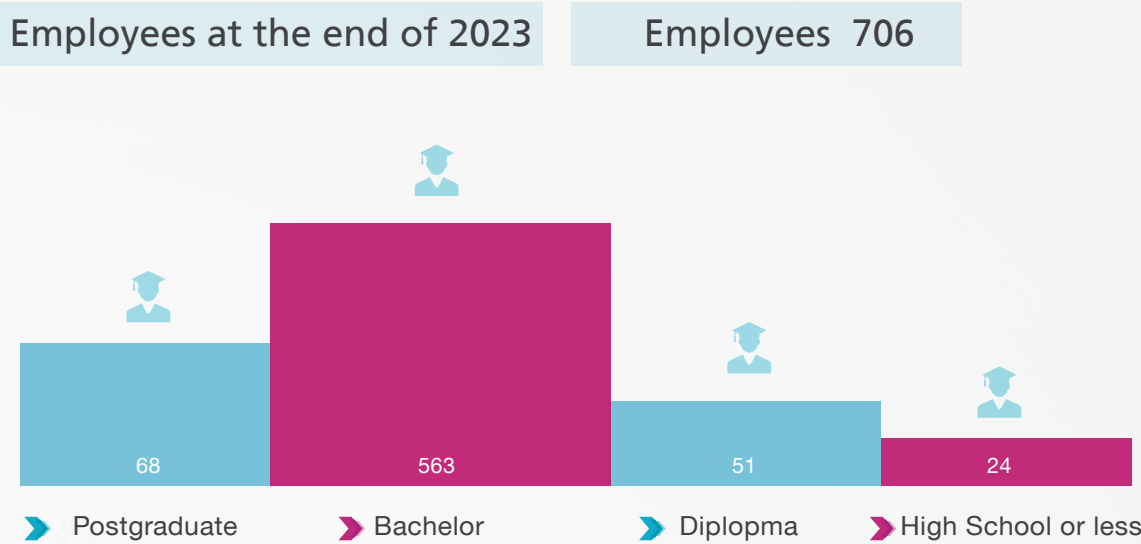
Employees are divided between the General Management and the branches as follows:

	Number of Employees 2022	Number of Employees 2023
Headquarter	262	280
Branches & Offices	422	426
Grand Total	684	706

In the recruitment processes, the Arab Islamic Bank has distinguished procedures and a reputation for attracting the best competencies from university graduates or experienced professionals. The number of employees holding BA degrees or higher increased to 614 by the end of 2023, compared to 590 in 2022. The table below depicts the distribution of employees based on their educational qualifications during the previous two years.

Educational Qualification	Number of Employees 2022	Number of Employees 2023
Postgraduate	46	51
BA	544	563
Diploma	28	24
High School or less	66	68
Total Employees	684	706

HUMAN RESOURCES & TRAINING



Arab Islamic Bank takes pride in its workforce, characterized by its youthfulness, with the age groups of employees concentrated in the young stages (20-30 years) making up approximately 50% of the total number of employees, according to the following distribution:

Age Group	Number of Employees 2022	Number of Employees 2023
20-30 years old	364	355
31-40 years old	218	241
41-50 years old	68	74
51-60 years old	34	36
Total Employees	684	706

Distribution of employees by age groups



Human Resources & Training:

According to the strategic plan for human resources management and the administrative approach adopted by the Arab Islamic Bank, the bank is committed to continually updating and developing policies and work mechanisms to improve employee benefits and enhance the bank's competitive advantage in retaining its competent and distinguished workforce. Several key human resource policies and systems have been developed and updated, including the employee financing policy. Additionally, some work mechanisms have been improved and developed to enhance the efficiency and effectiveness of operations through automation using programs and information systems tailored to the needs of the work. This includes automating general and specialized recruitment tests. Moreover, the MENA HRMS human resources system has been developed, transitioning to the new version of the system, "CURIO," to make it more modern and in line with technological advancements and modern applications, ensuring more transparency and easier access for employees to their data on dedicated screens within the human resources system.

Efforts have also been made to prepare the general framework for leadership competencies for all job levels in the bank and to gain approval from senior management. The project will be launched for implementation next year, including conducting awareness workshops for employees on the nature of competencies, tools for developing them among employees, and methods of using them in various development programs, as well as conducting gap measurement studies and identifying mechanisms for development and improvement among employees.

The bank's management and human resources management attach special importance to enhancing a positive work environment through organizing social activities, increasing cohesion among employees, including distributing gifts on various holidays and occasions, and distributing special gifts to female employees on Mother's Day and International Women's Day. In light of the current difficult circumstances facing our people, particularly the severe conditions experienced by our beloved Gaza Strip due to the war, the bank has supported its branches and employees in the sector, providing them with assistance and support. The Board of Directors approved a lump sum payment for all its employees twice to support them, standing with them in managing their affairs amidst harsh conditions, displacement from their homes, and loss of their belongings. Additionally, daily communication is maintained with them to ensure their well-being and provide possible support.

Training and Development

Arab Islamic Bank places great emphasis on the process of developing and enhancing its human resources, believing that the bank's excellence and prosperity depend on building and developing the performance and capabilities of its employees in line with the bank's aspirations and strategic goals to be at the forefront of banking institutions in Palestine. Continuing its approach to human resources development, which represents a key element for the bank's success, the Human Resources and Training Management has implemented a wide range of programs and training activities to meet the needs of the bank's employees. This includes organizing numerous training programs and enrolling employees in a variety of courses, conferences, and specialized seminars aimed at enhancing the efficiency and effectiveness of employees and fostering a positive work environment. This is done within a framework that seeks to implement the best practices in this regard within the banking sector.

During the year 2023, training and development focused on a range of key topics and areas, highlighted in the following axes:

■ Enhancing Banking Sustainability at the Bank:

- As part of the Arab Islamic Bank's strategic direction towards implementing sustainability practices across its various operations, efforts were made to create and develop an integrated sustainability system within the institutional framework. This system is based on a clear vision and mission for sustainability, contributing to empowering the bank to adopt a sustainable approach in all aspects of its work.
- In line with the bank's adoption of sustainability practices, a sustainability unit was established within the bank. The unit's staff underwent intensive and specialized training to enable them to actively commit to sustainability principles in all bank operations. Additionally, employees were appointed as sustainability ambassadors in branches and departments to emphasize adherence to the principles adopted in this regard.

- Furthermore, the bank contracted with a specialized external consultancy firm in the field of sustainable development to support the bank in consolidating sustainability, enhancing the efficiency of Arab Islamic Bank staff, and spreading the culture and concepts of banking sustainability and practices among bank employees. The consultancy aimed to raise awareness among staff about sustainable development, green banking, and their importance on economic, social, and environmental levels. It also aimed to promote social and environmental responsibility among employees as one of the bank's key priorities. This was done within a framework of building principles, tools, and visions aimed at developing a sustainable approach that would reflect on all the bank's operations. A series of training workshops were held over two months for groups of employees from various departments and branches, as well as for the sustainability unit, to adopt work procedures and generate reports on the bank's commitment to sustainability and how to fulfill its responsibilities in monitoring this commitment.

- **Investment in targeted training to support the implementation of new projects and systems according to the bank's outlined plans** is carried out through intensive training sessions and workshops. These sessions include the optimal application of these systems and new products for all bank employees and dissemination of the required culture among them. This includes training for the application of banking sustainability by spreading the culture and practices of sustainability to build principles, tools, and visions aimed at developing a sustainable approach that would reflect on all the bank's operations. Additionally, bank employees are trained to apply the updated version of the banking system. Specialized practical training sessions were conducted by the technical and business teams for all bank employees, including system users in the general administration and branches, to ensure an optimal and effective transition to the updated system. Furthermore, training sessions were conducted to highlight concepts and trends in digital transformation.

■ Continuous awareness for employees to support compliance with internal and external regulatory instructions:

Awareness efforts focused on several areas:

• Electronic assessment tests in the field of combating money laundering and terrorist financing:

A series of specialized electronic tests were conducted in the field of combating money laundering and terrorist financing, with the participation of the majority of employees from the general administration and branches. These tests aimed to measure the level of employees' culture, awareness, and knowledge regarding the topics of combating money laundering and terrorist financing, and to enhance compliance with them. Additionally, they aimed to identify areas for improvement that require training and knowledge reinforcement.

• Conducting internal training workshops and participating in local and international external programs:

This included areas such as combating money laundering, terrorist financing, risk management, and compliance, ensuring awareness in the field of information security to address fraud cases, in addition to compliance with quality standards.

• Training continuity teams and relevant employees in management and branches to equip them and enhance their readiness to deal with emergencies,

in accordance with the instructions of the Palestinian Monetary Authority and in line with the bank's management directives to adhere to all public safety regulations to preserve the health and safety of employees, customers, and bank property. This included:

- Conducting training on dealing with armed robbery cases through the Training Department of the Palestinian Police, involving branch managers, supervisors, financial services employees, and security staff in all branches. Additionally, a specialized training on institutional security was conducted targeting security personnel in bank branches and offices.
- Implementing specialized training for firefighting and rescue teams to enhance their readiness to deal with emergencies in coordination with the Palestinian Civil Defense Directorate.

- **Enhancing the Islamic banking identity of Arab Islamic Bank and commitment to Sharia supervision through training** and awareness in the field of Sharia supervision and its risks. This also involves reinforcing the Islamic banking attributes of bank employees and working to enhance their qualifications and knowledge in Islamic banking. This is achieved by granting specialized Islamic banking certificates to a group of first and second-tier officials in management and branches upon passing the exams for these certificates. Certificates include:

Certified Islamic Banker (CIB) certificate.
Certified Islamic Bank Manager (CIBM) certificate.
Certified Islamic Specialist in International Trade Finance (CISTF) certificate.

The number of employees who have obtained the Certified Islamic Banker (CIB) certificate issued by CIBAFI in Bahrain has reached 384 employees as of date.

■ **Investment in improving the performance of first-tier employees (Front Desk) in branches and offices** is being made through the implementation of an intensive comprehensive training program entitled “Excellence in Customer Service and Team Building.” This program targets new employees within 1 to 3 years of service in the first administrative tier in branches. The program aims to support and enhance the efficiency and capabilities of branch employees by building a system of modern concepts to apply best practices in developing the behaviors of branch employees in dealing with customers, thus improving their performance to achieve business objectives.

■ **Investment in qualifying and training new staff members is also being made through the implementation of “Banking Qualification Programs”** for a group of new employees in the general management and bank branches. This contributes to the development of the skills and knowledge level of new employees and equips them with a knowledge base that enables them to engage in bank operations and provide the best services to customers. Additionally, they are enrolled in training programs to cover their initial needs for courses necessary to perform their job duties effectively.

■ **Supporting employees with a range of professional certifications relevant to their field of work** by sending them to training programs and courses that support their attainment of internationally accredited specialized professional certifications. These certifications aim to enhance employees’ knowledge and qualifications to manage their tasks effectively.

These include:

- Certified Risk Specialist.
- Diploma in Bank Branch Management.
- Certified Internal Auditor (CIA) Qualification Program.
- COBIT (Control Objectives for Information and Related Technologies) Framework Program.
- Certified Penetration Tester (CPENT).
- Certified Technical Specialist Diploma.
- Certified Safety Specialist Diploma.
- Certified Anti-Money Laundering Specialist (CAMS).

■ **Supporting succession planning and career paths** is part of the bank’s development plan, aiming to identify potential successors for critical and key positions within the bank and to develop and prepare them for these roles. Additionally, the plan focuses on career path development by nurturing exceptional talents and competencies and creating an effective and motivating institutional environment.

■ **Investing in the development and enhancement of all employees’ banking, technical, administrative, and IT skills** across various positions in the administration and branches in the West Bank and Gaza to raise their readiness, improve performance levels, and bridge gaps in knowledge and competencies. This is achieved by providing them with job-related information, ensuring more effective business performance.

■ **Participating in external training programs and conferences** involves sending employees from different administrative levels to international banking conferences to keep abreast of the latest developments in local and international banking practices. This enhances employee efficiency and excellence, contributing to the bank’s objectives.

■ **Investment in cooperative training with universities:** A cooperative training program was implemented with An-Najah National University, titled “Pioneers in Islamic Banking Program.” Approximately 33 students from the Faculty of Management and Economics participated, aiming to prepare them for the job market and familiarize them with Islamic banking operations.

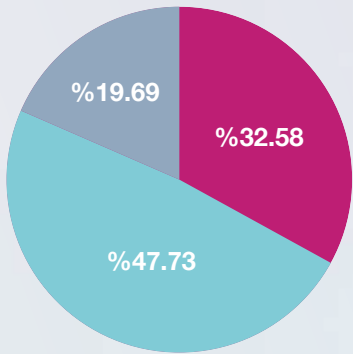
In 2023, many internal and external programs and workshops were conducted, achieving the main objectives of the annual training plan. The bank organized around 132 specialized training programs and courses covering all key topics and areas, benefiting 1,801 participants from various departments and branches of the bank, with a total of 1,719 training hours, as detailed in the following table:

Table of program and course distribution by training areas.

Training Field	Number of /courses workshops	Percentage of the total training	The number of employees/ trainees with repetition	Percentage of total workforce (706)
Banking Sustainability and Training for New Systems and Products	29	%21.97	512	%72.52
Banking Qualification Programs for New Employees	18	%13.64	119	%16.86
Training and Development in Risk Management, Compliance, and Anti-Money Laundering	10	%7.58	183	%25.92
Training and development in the field of control, internal auditing, and Shari’a supervision	20	%15.16	500	%70.82
Enhancing Employee Performance in Financial and Credit Sectors	15	%11.36	155	%21.95
Training to Ensure Business Continuity According to Monetary Authority Instructions	15	%11.36	272	%38.53
Training to Support Administrative, Behavioral, and Marketing Tasks	18	%13.63	47	%6.66
IT Training	7	%5.30	13	%1.84
Total	132	100%	1801	%255.11

Table of Program and Course Distribution by Training Areas:

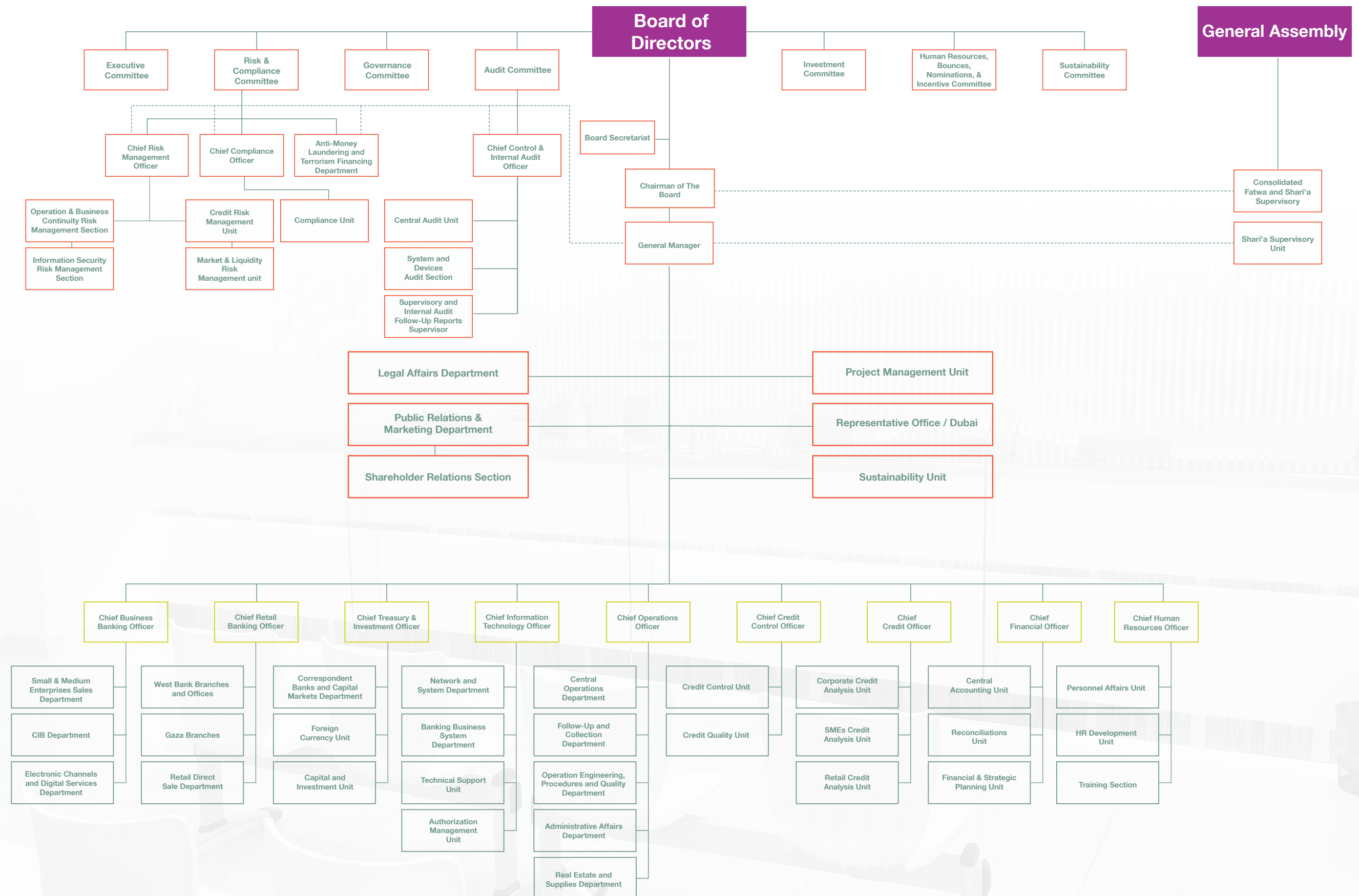
Training Providers	Number of Training Events/Activities
(Internal Training (within the bank	43
(Local Training (within Palestine	63
(International Training (Online, outside Palestine	26
Total	132



- International Training + Online (outside Palestine)
- Internal Training (within the bank)
- Local Training (Within Palestine)

Governance and Administrative Structure

Organizational Structure



Governance and Administrative Structure

Organizational Structure

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

1.General Assembly Meetings

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

2.Equal shareholder rights:

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

3.The Company's Management:

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

- In addition, the bank's board of directors formed several permanent committees, including:
- The Executive Committee
- The Audit Committee
- The Risk and Compliance Committee
- The Governance Committee
- The Investment Committee
- The Human Resources, Nomination, Rewards and Incentives Committee
- The Sustainability Committee

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

4.Risk Management:

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:

- Transfer risk
- Avoid risk
- Accept risk
- Mitigate risk

The purpose of risk management:

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

The bank applies the latest international banking standards in managing all types of risks, whether they are financing risks, operations, market and liquidity risks, business and reputation continuity, information security, in order to achieve transparency and compliance with regulatory decisions and instructions of the Palestinian Monetary Authority, and in accordance with international standards derived from the Basel II and III Committee guidelines, and in coordination with the Palestinian Monetary Authority, to provide sufficient hedging for the bank's capital from risks that may arise from granting external financing and investments, and the bank's operational activities according to Pillar I of Basel II guidelines. An internal assessment is also prepared for the sufficiency of capital adequacy (ICAAP) according to Pillar II of the Basel II guidelines, while reinforcing existing regulatory measures to ensure sufficient hedging of the bank's capital adequacy for all risks that may arise from the bank's various activities and that have not been hedged within Pillar I of Basel II guidelines. These risks may arise from expansion and/or concentration and/or entry into new markets and/or legal issues and/or changes in strategic planning, in order to maintain asset quality and liquidity adequacy to meet emergent requirements. Stress testing is conducted and its results are reflected in the bank's financial data to determine its impact on the bank's profits and expected risk assets. This is done to ensure sufficient capital adequacy and in accordance with the guidelines and recommendations of the Basel II Committee. In addition, continuity tests are conducted from the alternate site and the alternate site is tested to ensure that the bank's operations continue under exceptional circumstances and that the bank's business practices are ready to maintain the continuity of providing the best banking services to its customers in emergency situations. Workshops are also held for all bank departments to identify and determine the level of risk for each unit and to limit and/or mitigate them based on best banking practices. Additionally, tools are used to assist in identifying and evaluating the level of credit risk arising from loans granted to bank customers and market risks arising from investments in local and global capital markets.

The bank aims to develop and strengthen its supervisory role in managing liquidity risks by improving its current methodology and procedures for monitoring and assessing the liquidity position and the size of the mismatch between assets and liabilities. This is based on international measurement standards to provide a comprehensive and integrated view of the bank's assets and liabilities management, aiming to preserve the bank's assets and enhance its ability to meet the needs of its customers, especially in unusual circumstances. This is achieved by enhancing the supervisory role of the Risk Management Department over the treasury and money markets' daily operations and activities.

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

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

6.Compliance Management

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

Governance and Administrative Structure

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compliance with applicable laws and regulations. To achieve the above, the Compliance Department is responsible for:

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

7.Auditing

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

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

The Internal Audit Department, which reports directly to the Audit Committee established by the Board of Directors, is responsible for examining and evaluating the adequacy and effectiveness of the internal control system and the procedures used by all departments and divisions of the bank to perform their assigned tasks. The department prepares all internal audit reports and submits them to the aforementioned committee, which in turn directs these reports to the Board of Directors after attaching its own recommendations.

Given the importance of internal control and its role in supporting comprehensive banking supervision, both the bank's Board of Directors and the Audit Committee believe that having an internal audit function that is highly professional and independent is essential to increasing operational efficiency of the bank's processes and improving the performance of risk management, internal control, and corporate governance systems. The main objective of internal auditing is to examine and evaluate the adequacy and effectiveness of the internal control system and the mechanism by which tasks are assigned to all departments and divisions of the bank are achieved, ensuring that the executive management adheres to the approved plans, policies, and objectives of the bank set by the Board of Directors, as well as the extent of compliance with current instructions and laws, ensuring the bank's good performance, development, and stability. The internal auditing activity has been directed towards the highest levels of risk exposure of the bank (auditing operations are based on risk) and towards increasing efficiency and effectiveness in operations.

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

The Bank's commitment to regulatory and legal requirements, including instructions, resolutions, and guidelines issued by the Monetary Authority and other enforce legislations, despite the evaluation of this aspect by the compliance officer. The executive management's commitment to the bank's general policies, internal supervisory controls, risk controls, and work procedure guides, including all departments and branches of the bank.

The extent to which the bank's organizational structure is consistent with the needs and operations of the bank; the extent to which the job description is compatible with the organizational structure; and the commitment to tasks and responsibilities

Continuity, credibility, and accuracy of information systems, as well as the credibility and punctuality of financial statements and administrative information.

- The effectiveness and efficiency of risk management procedures and risk assessment approach.
- Accuracy and credibility of accounting records and financial reports.
- Audit processes and evaluate internal controls for implementation, as well as their economic feasibility.
- The Bank's system for assessing capital adequacy in terms of connecting it to estimating the levels of risk it faces.
- Compliance with the Board of Directors codes of ethics and conduct .
- Review and verify the existence of the bank's asset protection means.

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.

8.Disclosure and Transparency

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

9.Other stakeholders

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

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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.

Potential risks:

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

Subsidiaries & Sister Companies:

The bank has no subsidiaries nor sister companies.

Auditors:

Ernst & Young has been elected to audit the bank’s accounts for the year 2023.

The difference between previously disclosed preliminary data and final data:

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

Non-recurrent operations:

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

International Quality Standards:

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

Concessions:

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

Legal Procedures:

The number of cases filed against the bank was 29 and 33 cases as of December 31, 2023 and 2022, respectively, within the bank’s normal business activities.

The value of the cases filed against the bank was \$1,309,278 and \$371,900 as of December 31, 2023 and 2022, respectively. According to the bank’s management and lawyers’ estimation, the bank will not incur any liabilities except for what has been allocated to address those cases.

Foreign Investments:

Foreign investments in Sukuk (legal instruments) and investments in Islamic banks, funds, deposit certificates, bank assemblies, and shares on a local and international level totaled US \$143,616,668, as of 31/12/2023 while foreign investments in sukuks and investments in Islamic banks totaled US \$81,922,835 on 31/12/2022.

Capital Investment:

At the end of December 2023, the bank’s net capital investment was \$5,815,240 USD, while it was 2,321,527 USD at the end of December 2023.

Resolutions with Material Impact:

There have been no resolutions issued by executive, judicial, or legislative authorities, international organizations, the

occupation authority, or any other entity that have a material impact on the Bank’s work, products, competitiveness, or sustainability.

Reliance on Main Suppliers and Clients:

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

- Palestine Office Technology Company, OFFTEC, where our purchases from the company amounted to 11%.
- Experts Information Technology Company, where our purchases from the company amounted to 10%.
- Etkaidek Door Technology Company (ETCO), where our purchases from the company amounted to 7%.

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.
- Supervising policies and framework of human resources management and governance and adopting them.
- Selecting and nominating candidates for the board of directors for election by the shareholders.
- Selecting, preparing, and evaluating potential candidates for executive management positions and supervising the formulation of succession plans.
- Setting policies for board members’ compensation and senior executives.
- Evaluating the overall performance of the board and its members and taking necessary corrective actions when needed.
- Supervising the governance framework to ensure compliance with agreed-upon policies and provisions.
- Ensuring the maintenance of sound relationships with shareholders, protecting their rights, holding meetings in accordance with applicable laws and regulations
- Ensuring consideration of shareholders’ interests.

Governance and Administrative Structuring

Board of Directors’ Committees

Meetings of the Board of Directors and its committees

In 2023, 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 2023
Board of Directors	8
Risk and Compliance Committee	8
Investment Committee	5
Revision and Audit Committee	8
Executive Committee	26
Human Resources, Nomination, Bonuses and Incentives Committee	7
Governance Committee	8
Sustainability Committee	7

Board of Directors Meeting Attendance Record

Name	Number of attendances of (7) meetings	Attendance percentage of (7) meetings
Dr. Mohamed Mahmoud Nasr	8	100%
Mr. Mohammad Awni Abu Ramadan	8	100%
Mr. Shady Adnan Al-Khatib	8	100%
Mr. Rushdi Mahmoud Al-Ghalayini	8	100%
Mr. Sam Sami Bahour	8	100%
Dr. Safaa Naser Al-Din	8	100%
Ms. Samar Nakhleh	8	100%
Mr. Saeb Ibrahim Samour	8	100%
Mr. Saqer Mahmoud Jandia	8	100%
Mr. Abdallah Qais Al-Ghanim	4	50%
Mr. Wael Abdel Latif Al-Sourani	8	100%

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. Shady Al-Khatib – 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.

Governance and Administrative Structure

Organizational Structure

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 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 Fatwa and Shari'a Supervisory board and making the necessary recommendations
- Direct supervision of the internal audit and control department, taking the necessary measures to ensure the continuity of the internal audit function in a manner consistent with the nature and size of the activity.
- Directly contacting the internal and external auditors and the bank's advisors.
- Contacting any employee of the bank.
- Carrying out any investigations or inspections as it deems appropriate to perform its duties.
- Obtaining any specialized advice that may be required
- Requesting and receiving reports on the reappointment and fees of the external auditors and submitting the results of their work to the annual general meeting of shareholders, provided that the committee chairman shall attend to answer the shareholders' questions.
- Exoneration from its responsibilities: The committee is exonerated from its responsibilities during the General Assembly's Meeting every year.

The Risk Management and Compliance Committee – a Permanent Committee

Members & Rapporteurs:

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

The Committee's Tasks and Authorities:

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

Governance and Administrative Structuring

Board of Directors' Committees

The Governance Committee - a Permanent Committee

Members & Rapporteurs:

- Dr. Safaa Naser El Din - Board's member/ Committee's Chairman
- Mr. Sam Bahour -Board's member/ member
- Mr. Mohammad Ramadan - Board's member/ member
- Mr. Saqer Jundia - Board's member/ member
- Ms. Samar Nakhleh - Board's member/ member
- Mr. Jamal Al-Kilani- Chairman of Fatwa and Shari'a Supervisory Board
- Ms. 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 Fatwa and Shari'a Supervisory Board.
- Providing the Board with reports and recommendations results and outcomes of its duties, including assessing the extent of compliance with the Bank's governance guidelines and proposing amendments to conform to best practices.
- It is understood that the tasks and responsibilities of the Committee are not limited to those mentioned in this charter. The Committee may exercise additional functions or responsibilities and duties, and adopt additional policies and procedures in accordance with the rules of corporate governance and banks, and according to the changing work circumstances, legislative, regulatory, and legal conditions, or based on a mandate from the Board of Directors and in line with the goals, purposes, and requirements of institutional governance.



The Investment Committee – a Permanent Committee

Members & Rapporteurs:

- Mr. Abdallah Al-Ghanem – Board's Member/ Committee Chairman
- Mr. Shady Al-Khatib - 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

Governance and Administrative Structuring

Board of Directors’ Committees

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. Sam Bahour- Board’s member/ member
- Mr. Rateb Atyani – Chief Human Resources & Training Officer / 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:

1. 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.

2. 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.

3. Human Resources:

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

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.

Governance and Administrative Structuring

Board of Directors’ Committees

The Sustainability Committee

Members & Rapporteurs:

- Samar Sawalhi – 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/ 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:

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

Governance and Administrative Structuring

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

The Chairman’s and Board of Directors’ Concessions and Bonuses were granted in accordance with the Board of Directors’ bonuses system, which was approved in Board of Directors meeting No. 06/2023 on 05/11/2023.

- The bonuses and expenses of the Board’s members during 2023:

Name	Number of the Board's meetings	Transfers of board meetings	Bonuses of the Board's members	Amount before tax	Tax	Amount due to the members
Dr. Mohamad Mahmoud Mo-hamad Naser	8	29,050	20,952	50,002	5,000	45,002
Mr. Mohamed Awni Abu Ramadan	8	25,550	20,952	46,502	4,650	41,852
Mr. Shady Adnan Ahmad Al-Khatib	8	32,550	20,952	53,502	5,350	48,152
Mr. Rushdi Mahmud Rashid Alghalaini	8	47,850	20,952	68,802	6,880	61,922
Mr. Sam Bahur	8	31,050	20,952	52,002	5,200	46,802
Dr. Safaa Nasir El Din	8	29,050	20,952	50,002	5,000	45,002
Ms. Samar Nakhleh	8	29,050	20,952	50,002	5,000	45,002
Mr. Saqer Jandia	8	30,050	20,952	51,002	5,100	45,902
Mr. Abdallah Al-Ghanem	4	21,967	10,476	32,443	3,244	29,199
Mr. Wael Al Sourani	8	32,050	20,952	53,002	5,300	47,702
Mr. Saeb Samour	8	29,050	20,952	50,002	5,000	45,002
Total		337,267	220,000	557,267	55,727	501,540



The Policy for Determining the Allowance for Attending Board Meetings:

It is the amended Board of Directors bonuses system, which was adopted at the Board of Directors meeting No. 06/2023 on 05/10/2023.

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

1. A transportation allowance is provided for the chairman and members of the board of directors and its affiliated committees as follows:

- The chairman is granted a monthly transportation allowance of \$2,850 for attending regular meetings, with a deduction equal to the percentage of meetings missed compared to the total number of meetings in that month.
- Members: Each board member receives a monthly transportation allowance of \$1,550 for attending regular meetings, with a deduction equal to the percentage of meetings missed compared to the total number of meetings in that month.

B. For committees affiliated with the board:

- Executive Committee: Each member of the Executive Committee receives a monthly transportation allowance of \$1,000 for attending regular meetings held by the committee, with a deduction equal to the percentage of meetings missed compared to the total number of meetings in that month.
- Other committees: Each member of other committees receives \$500 for attending each session of the regular meetings held by the committee they are a member of.

The maximum number of paid sessions for board committees is eight sessions per year.

Representation of a board member on committees affiliated with the board is limited to a maximum of three committees.

Second: The annual bonuses “of the profits”:

- The Chairman and members of the Board of Directors shall be paid 3% of the profits prepared for distribution to shareholders, with a minimum of \$20,000 for each member, provided that it does not exceed 10% of the net profits planned for distribution, provided the approval of the Palestinian Monetary Authority and the final general assembly is obtained.
- A percentage of the annual bonus for the chairman or board member is deducted equal to the percentage of meetings missed by the chairman or member compared to the total number of regular meetings in that year.
- At the end of the fiscal year, the Human Resources Committee calculates the total annual bonus and the entitled bonus for each member of the board, and submits it to the board for approval.

Third: Travel Expenses and Daily Allowances:

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

The chairman and members of the Board of Directors are paid for first-class travel tickets, hotel bills, and a daily allowance of \$500 for all countries except Europe, where the amount becomes 500 euros per day, and £500 for Britain. Departure tax, fees, and actual transportation to and from the airport, as well as the expenses of crossing bridges and borders, are also paid. They are calculated as part of the daily allowance on the day of departure and return.

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

Fourth: In-kind benefits and other facilities:

- The chairman and members of the board of directors enjoy the same other benefits as those enjoyed by the senior executive management at the bank, including but not limited to, health insurance for themselves and their families, preferential interest rates and exchange rates on credit cards, executive airport services, and others.

Fifth: Payment Dates:

- Transportation allowances are disbursed before the end of the last working day of the month, while the annual bonus is disbursed after its approval by the General Assembly of Shareholders.

Sixth: Income Tax

- The aforementioned bonuses and transportation allowances are subject to income tax law.



Agenda for the Ordinary General Assembly Meeting of Arab Islamic Bank for the year 2023:

1. Reading the minutes of the session held on 28/03/2023.
2. Reading and discussing the Board of Directors' report on the bank's activities during the year 2023 and its future plan, and approving it.
3. Hearing the Fatwa and Sharia Supervisory Board report for the year 2023 regarding the financial statements and final accounts of the bank.
4. Hearing the auditors' report for the year 2023 regarding the financial statements and final accounts of the bank.
5. Discussing the financial statements for the fiscal year 2023 and approving them.
6. Approving the disbursement of a \$220,000 bonus to the members of the bank's board of directors for the year 2023.
7. Exonerating the board members from liability for the year ending on 31/12/2023 in accordance with legal provisions.
8. Approving the restructuring of the Fatwa and Sharia Supervisory Board.
9. Electing the bank's auditors for the year 2024 and authorizing the Board of Directors to determine their fees.

Agenda for the Extraordinary General Assembly Meeting:

1. Amending the Articles of Association and the Internal Regulations of Arab Islamic Bank.
2. Approving and adopting the amended Articles of Association and Internal Regulations of Arab Islamic Bank.
3. Authorizing the Board of Directors to complete the legal and official procedures with the relevant authorities.



Voting by a Category of Securities

Ordinary General Assembly Meeting for the 2022 Budget:

During the last Ordinary General Assembly meeting held on March 28, 2023, the shareholders voted to approve the financial statements and discharge the members of the Board of Directors for the fiscal year ending December 31, 2022.

The General Assembly unanimously agreed to allocate an amount of \$272,000 for the bank's performance in 2022, as stated in the annual report.

The General Assembly approved the distribution of cash dividends amounting to \$4,000,000, representing 4.15% of the nominal value of the share, to shareholders holding shares until the end of the business day on March 27, 2023.

The General Assembly also approved the distribution of bonus shares amounting to 4,900,000 shares, representing 5.09% of the nominal value of the share, to shareholders holding shares until the end of March 27, 2023.

Furthermore, Ernst & Young was elected as the auditor for the bank's accounts for the year 2023, and the General Assembly authorized the Board of Directors to determine their fees.

Extraordinary General Assembly Meeting on March 27, 2023:

The General Assembly approved the internal regulations of the Provident Fund for the employees of the Arab Islamic Bank. The General Assembly approved the policy on rewards, bonuses, incentives, and fees for the Board of Directors, executive management, and employees according to the new Companies Law.

The General Assembly also approved increasing the capital to 101,119,252 shares and amending the Articles of Association and the Bylaws concerning the capital and its associated matters, endorsing them, and authorizing the Board of Directors to complete the legal and official procedures with the relevant authorities to implement the decisions.



Shareholder Relations Management

Major Shareholders:

The number of shareholders of the Arab Islamic Bank reached 1,239 at the end of 2023, and the authorized, paid-up capital of the Arab Islamic Bank listed on the Palestine Exchange was \$101,119,252 / share as of December 31, 2023. The following table shows the investors who own 5% or more of the paid-up capital as of that date:

Name of Shareholder	Number of shares as of December 31, 2023	Percentage %	Number of shares as of December 31, 2023	Percentage %
Bank of Palestine	52,644,920	52.06%	50,093,872	52.06%
ASWAQ Investment Company	22,157,574	21.91%	24,604,578	25.57%
Palestine Investment Fund	9,598,203	9.49%	9,133,097	9.49%
Rawan Medical Center for Infertility treat- ment	6,942,327	6.86%	2,785,261	2.89%

Control of the Company:

Name of Shareholder	Number of shares as of December 31, 2023	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 Decem- ber 31, 2023	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 per- centage	Cash Distribu- tion	Shareholders’ Net right at the end of the year	Share Closing Price at the end of the year
2016	6,220,821	-	0%	12.0%	75,209,854	1.6
2017	6,402,924	-	0%	0%	106,995,915	1.8
2018	7,103,320	9,919,252	13.0%	4.0%	109,394,827	1.6
2019	9,010,282	3,550,000	4.0%	4.7%	116,563,640	1.7
2020	8,014,336	3,250,000	3.7%	2.9%	120,243,730	1.6
2021	11,689,174	4,500,000	4.9%	4.36%	130,978,505	1.8
2022	13,078,366	4,900,000	5.09%	4.15%	139,283,537	1.78
2023	5,519,706	-----	-----	-----	141,003,898	1.60

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

	2023	2022
Shares issued by the bank	101,119,252	100,000,000
Subscribed & Listed Shares	101,119,252	96,219,252
opening price \$	1.83	1.78
Maximum Price \$	2.00	1.95
Minimum Price \$	1.55	1.70
Closing Price \$	1.60	1.78
Share Trading Sessions	154	155
Number of shareholders	1239	1232
"Traded Shares value " USD	9,148,121	1,527,050
"Traded Shares Number " share	4,694,642	846,528
Executed transactions	482	500

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

A. Ownership of the Board’s Legal Members

Name of the Member	Position	Representative’s Nationality	Number of shares as of December 31,2023	Number of shares as of December 31,2022
Palestine Investment Fund Represented by Dr. Mohammad Mahmoud Nasr	Member	Palestinian	9,598,203	9,133,097
:Bank of Palestine- Represented by Mr. Rushdi Mahmoud Ghalayini Mr. Saqer Mahmoud Suleiman Jundia .Mr. Wael Abdel Latif Khalil Al Sourani Mr. Abdullah Qais Thunayan Al- Ghanim	Members 4	Palestinian	52,644,920	50,093,872
ASWAQ Investment Company – repre- sented by Mr. Shady Adnan Ahmed Al-Khatib Mr. Mohammad Awni Abu Ramadan	Two Members	Palestinian	22,157,574	24,604,578

B. Ownership of Board’s members and Company’s Representatives:

Name of the Member “representative	Name of the member company	Position	Number of shares as of December 31,2023	Number of shares as of December 31,2022
Dr. Mohammad Mahmoud Nasr	Palestine Investment Fund	Board's Vice Chair- man	35,000	31,641
Mr. Sam Bahour	Independent	Member	14,152	13,467
Ms. Samar Zuhdi Nakhleh	Small shareholders	Member	11,905	11,329
Dr. Safaa Taha Nasir El Din	Independent	Member	8,332	7,929
Mr. Saeb Ibrahim Mo- hamed Samour	Independent	Member	7,736	7,362
Mr. Saqer Mahmoud Suleiman Jundia	Bank of Palestine	Member	2,627	2500

C: Ownership of the Executive Management:

Name of the Person	Position	Nationality	Number of shares as of December 31, 2022	Number of shares as of December 31, 2022
Mr. Ghassan "Mohammed Hashem" Jabr	Chief Operations Officer	Palestinian	1,346	1,281
Mr. Saed Miqdad Miqdadi	Chief Risk Officer & Board's Secretary	Palestinian	6,765	6,438
Mr. Rateb Abdullah Atyani	Chief Human Resources and Training Officer	Palestinian	16,175	15,392
Mr. Muawiah Fahed ALQa-wasmi	Chief Corporate Investment Banking Officer	Palestinian	15,817	17,030

D.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, .2023	Number of shares as of December 31, .2022
Suzan Jamal Nasr	Wife of the Board's Vice Chairman	Palestinian	2,288	2,178

E.Funds ownership for bank employees:

Fund Name	Nationality	Number of shares as of December 31, 2021	Number of shares as of December 31, 2022
AIB Employees Provident Fund	Palestinian	220,496	209,812

There are no companies controlled by the executive management.

The form and mechanism of conveying information to the shareholders:

1. Arab Islamic Bank website, Shareholder Relations (aib.ps),
2. 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.
3. Official correspondence is in the official mail, and sometimes e-mail and fax are used.
4. Local newspapers in Palestine.
5. Phone call with the Shareholders' Department 0097022941823 and by e-mail (linda@aib.com).
6. Through all branches and offices of the Arab Islamic Bank located inside Palestine.
7. Annual reports issued by the bank.

Consolidated Fatwa and Shari’a Supervisory Board

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

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

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



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

- Member of the Consolidated Fatwa and Shari’a Supervisory Board at the AIB / Palestine .
- Lecturer at the Department of Banking and Financial Sciences at the College of Business and Economics at Palestine Technical University-Kadoorie
- Lecturer at the Faculty of Graduate Studies, Financial Economics Program, Palestine Technical University/Khadoori.
- Ph.D. and MA in Islamic Economics and Banking, Yarmouk University, Jordan, with an excellent grade.
- Bachelor’s degree in jurisprudence and legislation, Al-Quds University - Abu Dis.
- Certified Shariah monitor and auditor accredited by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- He has been hosted by universities and research centers in Malaysia, Britain, and Turkey to give lectures on Islamic economics and finance.”
- Published many peer-reviewed scientific researches in specialized journals.
- Participated in presenting scientific research at many local and international conferences about the economy and Islamic banking.



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

- Member of the Consolidated Fatwa and Shari’a Supervisory Board at the AIB since 2020 until now.
- Vice-Chairman of the Supreme Shari’a Supervisory Authority in the PMA since 2018 to 2020.
- A visiting colleague at the University of Cambridge in the UK in 2018-2019 to conduct research and activities in Islamic finance.
- Assistant Professor and Director of the Master’s Program at the College of Law and Public Administration at Birzeit University since 2009 until now.
- PhD in Islamic Banks and Financial Markets from the Arab Academy for Banking and Financial Sciences, Jordan.
- Published a set of peer-reviewed scientific research in specialized issues in Islamic finance and economics
- Participated in presenting scientific papers in many local and international conferences on Islamic economics and banking.



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

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

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

1. 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.
2. 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.
3. Preparing a guide for the legal procedures of work that includes the various operations of the bank, including the necessary rules to control dealing with traditional banks.
4. Settling the Shari’a interpretation disputes that may arise between internal Shari’a control and the bank’s management, and its ruling is binding on both parties.
5. Verifying the existence of a sound internal control system that ensures the application of Islamic financial transaction jurisprudence as approved by the bank’s Fatwa Board, and carrying out the annual Shari’a supervision program, which includes monitoring all of the bank’s activities in accordance with a specific annual plan.
6. Determining the disbursement aspects and authorizing the illicit gains Fund’s disbursement operations.
7. Approving contracts, agreements, policies, products, transactions, and financial statements required for the Bank’s business and activities
8. 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.
9. Providing all bank employees with guidance, counseling, training, education and awareness about Shari’a provisions and relevant fatwas.
10. Adopting a profit-distributing policy and charging losses to investment accounts.
11. Working on finding legal alternatives to any laws, regulations, contracts, and work applications that are presented to it, and not stopping at a fatwa regarding its approval or non-conformity with the provisions of Islamic transaction jurisprudence, so that it presents to the bank’s executive management what it deems appropriate of initiatives and suggestions for new products.

Sharia Compliance Unit

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

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

Tareq Ismail Sayed Ahmed - Head of Sharia Compliance Unit / Secretary of the Fatwa Committee

Resident Sharia Auditor at the Arab Islamic Bank from 2016 to the present.

Holds several international professional fellowships specialized in Islamic finance:

CIAE, CIFE, CIB, CSAA

Permanent professional fellowship in Sharia compliance from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Bahrain.

Certified trainer with the General Council for Islamic Banks and Financial Institutions (CIBAFI) in Bahrain.

Contributed to presenting scientific papers at various local and international conferences on digital financial technology and Islamic banking.



Published numerous peer-reviewed scientific research papers in specialized journals.

Duties and Powers of the Resident Shari’a Supervisor:

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

The Fatwa Board and the Duties of the Sharia Observer

Report of the Consolidated Fatwa and Shari’a Supervisory board for the period ending on December 31, 2023.

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, 2023 and December 31st, 2023 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)

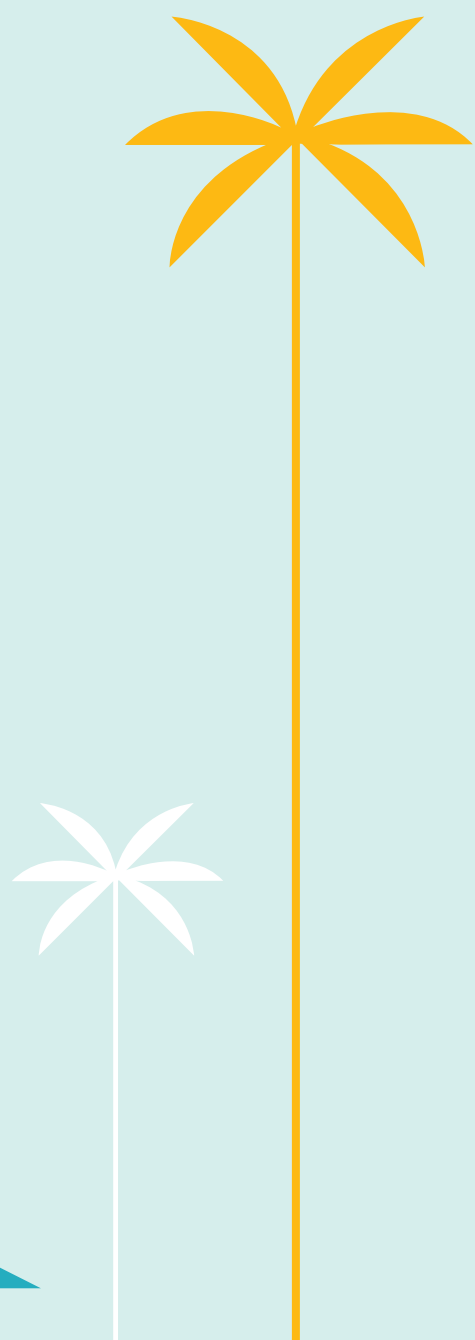
We ask Allah for guidance and rightness

Peace be upon you all,

Location and time: Ramallah – AIB HQ: 5/ Shaban/1445 Hijri, corresponding to FEB 15th,2024

Mr. Jamal Kilani
Dr. Anas Zaher Al-Masry
Dr. Mohammad Wajeeh Hanini

Chairman of Fatwa and Shari’a Supervisory Authority
Member & Rapporteur
Member



Financial Statements 2023

2023 /12/ 31

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, 2023, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows, and statement of earnings and disbursements prohibited by Shari'a for the year then ended, and notes to the financial statements, including information about material accounting policies.

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, 2023, and its financial performance and its cash flows, and earnings and disbursements prohibited by Shari'a for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Basis for the Qualified Opinion

With reference to note (53) to the accompanying financial statements, the net book value of the Bank's assets in the Gaza Strip as of December 31, 2023 amounted to U.S. \$ 102,047,170 after deducting impairment provisions in the amount of U.S. \$ 32,733,946. These provisions have been calculated by management 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 continuation of the war on Gaza Strip. As a result, we were unable to obtain sufficient audit evidence of the provisions recorded against the Bank's assets in Gaza Strip as of December 31, 2023. Consequently, we were unable to determine whether it was necessary to make any adjustments to the statement of financial position as of December 31, 2023 as well as the income statement for the year then ended.

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), 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

A member firm of Ernst & Young Global Limited

Key Audit Matter	Audit Procedures
<p>Provision for Expected Credit Losses "ECL":</p> <p>The process of estimating expected credit losses for direct islamic financing in accordance with Islamic Financial Reporting Standard for Islamic Financial Institutions No. (30) is important, complex and requires significant judgment.</p> <p>Financial Reporting Standard No. (30) requires the use of the expected credit losses model. This requires the Bank's management to use several assumptions and estimates to determine the timing and value of expected credit losses as well as applying judgment to determine the inputs to the impairment measurement process including assessing collaterals and determining the default date.</p> <p>Due to the importance of the judgements applied in Financial Reporting Standard No. (30) and credit exposures that form major portion of the Bank's assets, ECL was considered as Key Audit Matter.</p> <p>The total balance of direct islamic financing amounted to U.S. \$ 1,155,189,840 and the balance of the expected credit loss provision amounted to U.S. \$ 43,458,619 as at December 31, 2023.</p> <p>Accounting policies, estimates and significant accounting judgments, disclosure of provision for expected credit losses, and credit risk management are detailed in notes (2, 6, 46 and 53) in the accompanying financial statements.</p>	<p>Our audit procedures included an understanding of the nature of the credit 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.</p> <p>As part of the control testing procedures, we assessed whether the key controls in the above processes were designed, implemented and operated effectively, as well as procedures for assessing the following:</p> <ul style="list-style-type: none"> – The Bank's policy regarding the provision for expected credit losses in accordance with the Financial Reporting 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 2023 Annual Report

Other information consists of the information included in the Bank's 2023 annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2023 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.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements as at December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young - Middle East

License # 206/2012

Saeed Abdallah

Ernst + Young

Sa'ed Abdallah

License # 105/2003

April 18, 2024

Ramallah - Palestine

STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

	Notes	2023 U.S. \$	2022 U.S. \$
Assets			
Cash and balances with Palestine Monetary Authority	3	373,440,183	421,945,158
Balances at banks and financial institutions	4	109,290,665	94,009,823
Investments at Islamic banks	5	5,998,443	5,997,515
Direct Islamic financing	6	1,108,750,254	1,028,339,808
Financial assets at fair value through other comprehensive income	7	9,501,058	4,649,976
Financial assets at amortized cost	8	40,791,117	38,151,225
Investment properties	9	24,776,440	22,930,742
Property and equipment	10	19,701,588	20,620,587
Projects in progress	11	1,052,091	346,288
Right of use assets	12	5,293,641	6,033,023
Deferred tax assets	13	9,570,383	5,012,089
Intangible assets	14	1,545,353	1,366,517
Other assets	15	28,658,867	11,322,984
Total assets		1,738,370,083	1,660,725,735
Liabilities, unrestricted investment accounts and equity			
Liabilities			
Istidama loans from Palestine Monetary Authority	16	5,519,687	8,201,758
Palestine Monetary Authority's deposits	17	27,734,228	35,593,985
Banks and financial institutions' deposits	18	58,361,935	41,964,114
Customers' deposits	19	480,041,723	394,988,407
Cash margins	20	108,479,473	93,603,661
Sundry provisions	21	10,447,743	9,681,011
Tax provisions	22	8,287,973	6,948,648
Deferred tax liabilities	23	2,686,546	2,587,652
Lease liabilities	24	5,662,659	6,429,482
Other liabilities	25	14,435,511	17,986,785
Total Liabilities		721,657,478	617,985,503
Unrestricted investment accounts	26	875,708,707	903,456,695
Equity			
Paid-in share capital	1	101,119,252	96,219,252
Statutory reserve	27	10,368,072	9,816,101
General banking risk reserve	27	8,374,674	8,374,674
Pro-cyclicality reserve	27	5,200,696	4,113,369
Investment properties reserve	9	7,359,871	7,088,707
Cumulative change in fair value reserve	7	(1,369,860)	(1,299,351)
Retained earnings		9,951,193	14,970,785
Net equity		141,003,898	139,283,537
Total liabilities, unrestricted investment accounts and equity		1,738,370,083	1,660,725,735

INCOME STATEMENT

For the year ended December 31, 2023

	Notes	2023 U.S. \$	2022 U.S. \$
Revenues			
Financing and investment revenues	28	69,710,515	64,010,292
Less: return on unrestricted investment accounts	29	(9,031,559)	(8,697,519)
Bank's share of income from financing and investment		60,678,956	55,312,773
Net commission revenues	30	7,326,172	7,586,793
Foreign currency exchange gain		6,612,299	5,750,419
Gain from financial assets	31	226,590	5,073
Gain from sale of investment properties	9	-	1,362,713
Other revenues	32	992,068	490,562
Total revenues		75,836,085	70,508,333
Expenses			
Personnel expenses	33	(22,005,461)	(19,729,008)
Other operating expenses	34	(17,568,733)	(14,412,687)
Palestine Monetary Authority fines	35	(20,000)	(25,000)
Depreciation and amortization	36	(4,656,339)	(4,744,130)
Impairment loss, net	37	(25,027,436)	(9,679,192)
Total expenses		(69,277,969)	(48,590,017)
Profit before taxes		6,558,116	21,918,316
Taxes expense	22	(1,038,410)	(8,839,950)
Profit for the year		5,519,706	13,078,366
Basic and diluted earnings per share			
	41	0.055	0.129

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

	Notes	2023 U.S. \$	2022 U.S. \$
Profit for the year		5,519,706	13,078,366
Other comprehensive income items:			
Items not to be reclassified in the income statement in subsequent periods:			
Change in fair value of financial assets	7	(70,509)	(55,818)
Gains from revaluation of investment properties	9	370,058	633,147
Deferred taxes	23	(98,894)	(169,316)
Other comprehensive income		200,655	408,013
Total comprehensive income for the year		5,720,361	13,486,379

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

	Paid-in share capital	Reserves				Cumulative change in fair value	Retained earnings	Net equity
	U.S. \$	Statutory	General banking risk	Pro-cyclicality	Investment properties	U.S. \$	U.S. \$	U.S. \$
December 31, 2023								
Balance, beginning of the year	96,219,252	9,816,101	8,374,674	4,113,369	7,088,707	(1,299,351)	14,970,785	139,283,537
Profit for the year	-	-	-	-	-	-	5,519,706	5,519,706
Other comprehensive income	-	-	-	-	271,164	(70,509)	-	200,655
Total comprehensive income for the year	-	-	-	-	271,164	(70,509)	5,519,706	5,720,361
Transfers to reserves	-	551,971	-	1,087,327	-	-	(1,639,298)	-
Distributed stock dividends (note 43)	4,900,000	-	-	-	-	-	(4,900,000)	-
Distributed cash dividends (note 43)	-	-	-	-	-	-	(4,000,000)	(4,000,000)
Balance, end of 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
	Paid-in share capital	Reserves				Cumulative change in fair value	Retained earnings	Net equity
	U.S. \$	Statutory	General banking risk	Pro-cyclicality	Investment properties	U.S. \$	U.S. \$	U.S. \$
December 31, 2022								
Balance, beginning of the year	91,719,252	8,508,264	8,374,674	4,113,369	7,806,223	(1,243,533)	11,700,256	130,978,505
Profit for the year	-	-	-	-	-	-	13,078,366	13,078,366
Other comprehensive income	-	-	-	-	463,831	(55,818)	-	408,013
Total comprehensive income for the year	-	-	-	-	463,831	(55,818)	13,078,366	13,486,379
Gain from sale of investment properties	-	-	-	-	(1,181,347)	-	-	(1,181,347)
Transfers to reserves	-	1,307,837	-	-	-	-	(1,307,837)	-
Distributed stock dividends (note 43)	4,500,000	-	-	-	-	-	(4,500,000)	-
Distributed cash dividends (note 43)	-	-	-	-	-	-	(4,000,000)	(4,000,000)
Balance, end of year	96,219,252	9,816,101	8,374,674	4,113,369	7,088,707	(1,299,351)	14,970,785	139,283,537

STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

	Notes	2023 U.S. \$	2022 U.S. \$
Operating activities			
Profit before taxes		6,558,116	21,918,316
Adjustments for:			
Sundry provisions		2,093,977	2,489,326
Depreciation and amortization		4,656,339	4,744,130
Impairment Loss		25,027,436	9,679,192
Gain from sale of investment properties		-	(1,362,713)
Gain from financial assets		(226,590)	(5,073)
Gain from disposal of property and equipment		(1,607)	-
Gain from disposal of right of use assets		-	(2,003)
Finance costs on lease liabilities		123,583	122,103
		<u>38,231,254</u>	<u>37,583,278</u>
Changes in assets and liabilities:			
Statutory cash reserve		(3,792,882)	2,408,562
Direct Islamic financing		(137,555,195)	(23,330,191)
Balances at banks and financial institutions maturing after three months		(8,462,623)	2,581,219
Investments at Islamic banks maturing after three months		-	(3,000,000)
Banks and financial institutions' deposits maturing after three months		6,861,390	(8,170,121)
Other assets		(18,194,675)	8,273,839
Customers' deposits		85,053,316	12,543,401
Cash margins		14,875,812	2,688,636
Other liabilities		(3,551,274)	132,422
Net cash flows (used in) from operating activities before taxes and provisions		<u>(26,534,877)</u>	<u>31,711,045</u>
Taxes paid		(4,534,242)	(10,737,650)
Sundry provisions paid		(1,327,245)	(420,172)
Net cash flows (used in) from operating activities		<u>(32,396,364)</u>	<u>20,553,223</u>
Investing activities			
Purchase of financial assets at fair value through other comprehensive income		(4,921,591)	(1,279,706)
Matured financial assets at amortized cost		35,708,443	6,640,100
Purchase of financial assets at amortized cost		(37,520,821)	(12,400,000)
Purchase of investment properties		(1,810,161)	(492,288)
Proceeds from sale of investment properties		-	3,071,000
Purchase of property and equipment		(2,342,270)	(1,350,851)
Projects in progress additions		(1,709,430)	(397,482)
Proceeds from sale of property and equipment		67,071	50,614
Purchase of intangible assets		(639,990)	(80,906)
Received gains from financial assets		226,590	5,073
Net cash flows used in investing activities		<u>(12,942,159)</u>	<u>(6,234,446)</u>
Financing activities			
Cash dividends distributions		(4,000,000)	(4,000,000)
Lease liabilities paid		(1,282,153)	(1,236,827)
Istidama loans from Palestine Monetary Authority		(2,682,071)	1,713,542
Change in unrestricted investment accounts		(27,747,988)	(42,686,007)
Net cash flows used in financing activities		<u>(35,712,212)</u>	<u>(46,209,292)</u>
Decrease in cash and cash equivalents		<u>(81,050,735)</u>	<u>(31,890,515)</u>
Cash and cash equivalents, beginning of the year		324,459,845	356,350,360
Cash and cash equivalents, end of year	40	<u>243,409,110</u>	<u>324,459,845</u>

STATEMENT OF EARNINGS AND DISBURSEMENT PROHIBITED BY SHARI'A

For the year ended December 31, 2023

	2023 U.S. \$	2022 U.S. \$
Balance, beginning of the year	178,188	193,719
Sources of earnings prohibited by Shari'a		
Banking interest	111,945	463,249
Profit from direct Islamic financing	6,453	9,707
Total earnings prohibited by Shari'a	<u>118,398</u>	<u>472,956</u>
Gross earnings prohibited by Shari'a	<u>296,586</u>	<u>666,675</u>
Disbursements		
Donations	(296,586)	(488,487)
Total disbursements	<u>(296,586)</u>	<u>(488,487)</u>
Balance of earnings and disbursement prohibited by Shari'a, end of year	<u>-</u>	<u>178,188</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 Ordinary General Assembly decided, in its meeting held on April 17, 2022, to capitalize the amount of U.S. \$ 4,500,000 of profits, add it to the capital and distribute it as free shares to shareholders, so that the paid-up capital of the bank as on December 31, 2022 amounted to U.S. \$ 96,219,252. The Ordinary General Assembly decided, in its meeting held on March 28, 2023, to capitalize the amount of U.S. \$ 4,900,000 of profits, add it to the capital and distribute it as free shares to shareholders, so that the paid-up capital of the bank as on December 31, 2023 amounted to U.S. \$ 101,119,252.

The total number of the Bank's staff reached (706) and (685) as at December 31, 2023 and 2022, respectively.

The financial statements were approved by the Bank's Shari'a Supervisory Board during their meeting number (05/2024) held on February 15, 2024 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 (01/2024) held on February 13, 2024.

2. Accounting policies

2.1 Basis of preparation

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

The Bank's adhere to the laws in Palestine and Palestine Monetary Authority (PMA) regulations.

The financial statements have been prepared under a historical cost basis, except for financial assets at fair value through 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.

The standards issued by the International Accounting Standard Board and the interpretations issued by International Financial Reporting Interpretations Committee of the International Accounting Standards Board are applied in case of the absence of accounting standards issued by the Accounting and Auditing Organizations for Islamic Financial Institutions, until AAOIFI issues new relevant standards.

2.2 Changes in accountig policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2022. Except that the Bank has implemented the following policies as of January 1, 2023. The application of these amendments did not result in any material impact on the Bank's financial statements. The Bank has not applied any issued and ineffective standards, amendments or interpretations early.

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

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

The standard describes the principles of financial reporting that are applicable based on the obligation of Islamic financial institutions to pay Zakat. In addition, in the event that an Islamic financial institution is not required by law or charter to pay Zakat, it is still required to determine and disclose the amount of Zakat due to the benefit of various stakeholders. The implimentation of this standard has not had any material impact on the Bank's financial information.

Financial Accounting Standard No. 41 - Interim Financial Report

This standard sets out the principles for the preparation of condensed interim financial information and related presentation and disclosure requirements, with emphasis on minimum disclosures for Islamic financial institutions in line with the various financial accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). This standard also applies to organizations that prepare a complete set of financial statements at the date of periodic reporting in line with the relevant financial accounting standards. This standard applies to the financial statements for the period commencing on or after January 1, 2023. The Bank has implimented this standard as a basis for preparing its abbreviated financial information. The application of this standard has not had any material impact on the Bank's financial information.

New standards, interpretations and amendments issued and not yet in force

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

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

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIF) issued the revised Financial Accounting Standard 1 in 2021. This revised standard replaces the previous Financial Accounting Standard 1 - Public Presentation and Disclosure in the Financial Statements of Islamic Banks and Financial Institutions, and introduces concepts of off-balance sheet and managed quasi-equity assets and other comprehensive income to enhance the information provided to users of the financial statements.

The Court of Auditors (AAB) of the Accounting and Auditing Organization for Financial and Islamic Institutions (AAOIFI) decided to postpone the effective date of Financial Accounting Standard No. 1 "General Presentation and Disclosure in Financial Statements" issued recently from January 1, 2023 to January 2024. It also concluded that early adoption of the standard should be encouraged.

Financial Accounting Standard No. 40 – Financial Reporting for Islamic Finance Window

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued the revised Financial Accounting Standard No. 40 in 2021. The objective of this revised standard is to set financial reporting requirements for Islamic finance windows, and it applies to all conventional financial institutions that provide Islamic financial services through Islamic finance windows. This standard improves and replaces Financial Accounting Standard 18 "Islamic financial services provided through conventional financial institutions.

This standard will be implemented from January 1, 2024, allowing early application.

Islamic Financial Accounting Standard 44 "Determination of Control of Assets and Business Projects".

Islamic Financial Accounting Standard 44 aims to establish principles for assessing whether an enterprise controls assets and business projects both in the case of assets subject to a contract based on a participatory structure (so as to determine whether they are on or off balancesheet) as well as to enforce the consolidation of the financial statements of subsidiaries.

The date of implementation of the standard is immediately after its issuance, i.e. the beginning of January 2024, and it is not expected to have a material impact when it is applied.

Islamic Financial Accounting Standard No. 45 "Quasi-equity (including investment accounts)

Islamic Financial Accounting Standard 45 aims to set out the principles of financial reporting that relate to instruments classified as quasi-equity such as investment accounts and similar instruments invested in Islamic financial institutions. The standard develops and makes improvements to the quasi-equity requirements contained in the previous Islamic Financial Accounting Standard 27 "Investment Accounts" and is better aligned with the "AAOIFI Conceptual Framework for Financial Reporting" and IAS 1 "General Presentation and Disclosure in Financial Statements".

The standard will be implemented from January 1, 2026 and is not expected to have a material impact when applied.

Islamic Financial Accounting Standard No. 46 "Off-balance sheet assets under management

This standard aims to place the financial reporting principles related to off-balance sheet assets under management in line with AAOIFI's "Conceptual Framework for Financial Reporting", and develops and makes improvements to the requirements contained in the previous standards.

The standard will be implemented from January 1, 2026 and is not expected to have a material impact when applied.

Islamic Financial Accounting Standard No. 47 "Transfer of assets between investment vessels"

Islamic Financial Accounting Standard 47 "Transfer of Assets between Investment Vessels" replaces and makes improvements to the previously issued Islamic Financial Accounting Standard No. 21 "Disclosure of Asset Transfer". The standard aims to establish financial reporting principles and disclosure requirements that apply to all transfers of assets between investment vehicles (and where of relative importance, between material categories thereof) related to equity, quasi-equity and off-balance sheet assets under management in the Islamic financial institution. It also requires the adoption and consistent application of accounting policies for these transfers in accordance with the principles and provisions of Sharia, and describes the requirements for public disclosure in order to achieve a higher level of transparency.

The standard will be implemented from January 1, 2026 and is not expected to have a material impact when applied.

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

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

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

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

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

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

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

Dividends are recognized in profit or loss when the right of the payment has been established except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in the income statement.

The Bank applies the new category of debt instruments at FVTOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI testing.

Reclassification of financial assets and liabilities

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

International Financial Reporting Standard No. (9) Financial Instruments

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

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

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

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

Impairment of financial assets

Overview of the ECL principles

The application of Islamic Financial Accounting Standard No. (30) and International Financial Reporting Standard No. (9) "Financial Instruments" has fundamentally changed the method of calculating the impairment loss for the Bank's finances through the approach of the expected credit loss method with a forward-looking view instead of recognizing the loss when the loss is incurred according to International Accounting Standard No. (39) "Financial Instruments: Recognition and Measurement".

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

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.

Impairment of financial assets

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

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

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

Return on unrestricted investment accounts

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

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

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

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

Customer average profit reserve

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

Finance contracts

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

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

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

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

Murabaha receivables

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

Ijara receivables

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

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

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

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

Istisna'a financing

Istisna'a is a contract of sale between the Bank as maker or contractor and the owner of the contract (the buyer), where the Bank undertakes to build or manufacture the subject of the contract, upon request of the owner of the contract and according to his/her specifications, for the right price and in a manner agreed upon payment, whether paid in advance or by installments or deferring payment to a specific date in the future. Istisna'a is recoded 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.

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.

Earnings prohibited by Shari'a

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

Provisions

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

Tax provisions

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

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

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

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

Provision for employees' indemnity

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

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, 2023, 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 and continues to cause 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 unrestricted 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, as the Bank expects a growth of 3% on the financing portfolio.
- Credit risk is expected to continue to rise as the bank expects to take additional provisions to match the increase in credit risk.
- The Bank expects non-material growth in its operating expenses for 2024.
- 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 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:

1. Management has established thresholds for significant increases in credit risk based on movement in the customer's internal credit grade and the related PDs relative to initial recognition.
2. Islamic Financial Accounting Standard No. (30) and International Financial Reporting Standard No. (9) (Financial Instruments) include a presumption of a significant increase in the credit risk of financial instruments that have defaulted and matured for more than 30 days. In this regard, the Bank has adopted a 30-day period.
3. The Bank assumes a significant increase in financial instruments that have defaulted and matured for 30 days during the previous measurement period.
4. The Bank classifies the customers that the management deems to put them under surveillance within the second stage as an indicator of the significant increase in credit risk.
5. Any schedules or adjustments made to clients' accounts during the evaluation period are taken into consideration as an indicator of the significant increase in credit risk.
6. The Bank assumes a significant increase for clients whose economic sectors the management considers to be of high risk.
7. The Bank assumes a substantial increase for customers who are reported to the Bank by the regulatory authorities and government agencies that they are of high risk.
8. The Bank assumes a substantial increase for customers who breach debt covenants.
9. Customers of corporate sectors whose cash flows have fallen, the efficacy of their existing projects, and the breaches in the acceptable debt ratios have occurred.
10. A two-grade drop in the credit rating of financial assets.
11. 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:

	2023	2022
	U.S. \$	U.S. \$
Cash on hand	239,985,178	272,477,604
Balances at Palestine Monetary Authority:		
Current and demand accounts	3,279,634	5,807,209
Swap deposits maturing within 3 months or less	-	17,277,856
Statutory cash reserve	130,715,496	126,922,614
	373,980,308	422,485,283
Provision for expected credit losses	(540,125)	(540,125)
	<u>373,440,183</u>	<u>421,945,158</u>

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

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

	2023			
	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$
Balance, beginning of the year	150,007,679	-	-	150,007,679
Net change during the year	(16,012,549)	-	-	(16,012,549)
Balance, end of year	<u>133,995,130</u>	<u>-</u>	<u>-</u>	<u>133,995,130</u>

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

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

	2023			
	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$
Balance, beginning of the year	540,125	-	-	540,125
Net re-measurement of expected credit losses during the year	-	-	-	-
Balance, end of year	<u>540,125</u>	<u>-</u>	<u>-</u>	<u>540,125</u>

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

4. Balances at banks and financial institutions

This item represents the following:

	2023 U.S. \$	2022 U.S. \$
Local banks and financial institutions		
Swap deposits maturing within 3 months or less	21,964,615	8,603,667
	<u>21,964,615</u>	<u>8,603,667</u>
Foreign banks and financial institutions		
Current and demand accounts	54,074,300	42,265,401
Swap deposits maturing within less than 3 months	6,000,000	10,000,000
Deposits maturing within 3 months	-	14,104,372
Deposits maturing after 3 months	27,503,526	19,040,903
	<u>109,542,441</u>	<u>94,014,343</u>
Provision for expected credit losses	(251,776)	(4,520)
	<u>109,290,665</u>	<u>94,009,823</u>

- Non-profit bearing balances at banks and financial institutions amounted to U.S. \$ 82,038,915 and U.S. \$ 60,869,068 as at December 31, 2023 and 2022, respectively.

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

	2023			
	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$
Balance, beginning of the year	94,014,343	-	-	94,014,343
Net change during the year	(21,182,838)	36,710,936	-	15,528,098
Balance, end of year	<u>72,831,505</u>	<u>36,710,936</u>	<u>-</u>	<u>109,542,441</u>

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

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

	2023			
	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$
Balance, beginning of the year	4,520	-	-	4,520
Net re-measurement of expected credit losses during the year	228,046	19,210	-	247,256
Balance, end of year	<u>232,566</u>	<u>19,210</u>	<u>-</u>	<u>251,776</u>

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

5. Investments at Islamic banks

This item represents the following:

	2023	2022
	U.S. \$	U.S. \$
Investments maturing within 3 months	2,689,727	3,108,626
Investments maturing after 3 months	6,000,000	6,000,000
	8,689,727	9,108,626
Provision for expected credit losses	(2,691,284)	(3,111,111)
	5,998,443	5,997,515

The movement of Investments at Islamic banks is as follows:

	2023			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	6,000,000	-	3,108,626	9,108,626
Write-off	-	-	(418,899)	(418,899)
Balance, end of year	6,000,000	-	2,689,727	8,689,727

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

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

	2023			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	2,485	-	3,108,626	3,111,111
Net re-measurement of expected credit losses during the year	(928)	-	-	(928)
Write-off	-	-	(418,899)	(418,899)
Balance, end of year	1,557	-	2,689,727	2,691,284

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

6. Direct Islamic financing

This item represents the following:

	2023	2022
	U.S. \$	U.S. \$
Murabaha receivables	799,928,663	775,365,837
Tawarooq	180,063,573	124,618,896
Ijara muntahia bittamleek	100,283,230	95,271,487
Istisna'a financing	46,399,708	35,250,818
Mudaraba financing	26,064,740	16,808,497
Current overdraft accounts	2,449,926	2,413,867
	1,155,189,840	1,049,729,402
Suspended profits	(2,980,967)	(1,276,058)
Provision for expected credit losses	(43,458,619)	(20,113,536)
	1,108,750,254	1,028,339,808

- Direct Islamic financing is presented net of unearned profits which amounted to U.S. \$ 132,368,933 and U.S. \$ 91,694,422 as at December 31, 2023 and 2022, respectively.
- Non-performing and downgraded direct Islamic financing net of suspended profits according to PMA regulations amounted to U.S. \$ 61,390,414 representing %5.31 of gross Islamic financing and U.S. \$ 55,678,764 representing %5.30 of gross direct Islamic financing as at December 31, 2023 and 2022, respectively.
- Defaulted direct Islamic financing net of suspended profits according to PMA regulations amounted to U.S. \$ 52,834,290 representing %4.57 of gross Islamic financing and U.S. \$ 43,004,838 representing %4.10 of gross direct Islamic financing as at December 31, 2023 and 2022, respectively.
- Direct Islamic financing granted to Palestinian National Authority and by its guarantee amounted to U.S. \$ 163,875,036 representing %14.19 of gross Islamic financing and U.S. \$ 174,559,455 representing %16.63 of gross Islamic financing as at December 31, 2023 and 2022, respectively.
- Direct Islamic financing granted to employees of the Palestinian National Authority amounted to U.S. \$ 61,432,988 and U.S. \$ 58,606,015 as at December 31, 2023 and 2022, respectively, representing %5.31 and %5.58 of gross Islamic financing as at December 31, 2023 and 2022, respectively.
- Direct Islamic financing granted to the green line Palestinian workers amounted U.S. \$ 32,325,946 and U.S. \$ 19,484,457, respectively, representing %2.79 and %2.27 of gross Islamic financing as at December 31, 2023 and 2022, respectively.
- Fair value of customers' collaterals against direct Islamic financing according to PMA regulations amounted to U.S. \$ 573,452,751 and U.S. \$ 618,425,338 as at December 31, 2023 and 2022, respectively.
- Islamic financing granted to non-residents amounted to U.S. \$ 4,370,656 and U.S. \$ 2,906,923 as at December 31, 2023 and 2022, respectively.
- According to PMA circular number (1/2008), defaulted direct Islamic financing for more than 6 years were written off from financial statements. These defaulted direct Islamic financing amounted to U.S. \$ 1,181,111 and U.S. \$ 593,837 as at December 31, 2023 and 2022, respectively.
- The balance of the provision and the suspended profits for defaulted accounts as on December 31, 2023 and 2022 amounted to U.S. \$ 25,347,834 and U.S. \$ 13,905,188, respectively.

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

2023				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	594,522,755	410,925,751	44,280,896	1,049,729,402
Net change during the year	155,087,418	(44,691,516)	(4,447,089)	105,948,813
Transferred to stage 1	122,311,391	(122,201,732)	(109,659)	-
Transferred to stage 2	(72,721,128)	73,635,887	(914,759)	-
Transferred to stage 3	(2,603,425)	(14,883,541)	17,486,966	-
Excluding defaults for more than 6 years	-	-	(488,375)	(488,375)
Balance, end of year	<u>796,597,011</u>	<u>302,784,849</u>	<u>55,807,980</u>	<u>1,155,189,840</u>

2022				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	681,886,745	321,486,031	22,385,180	1,025,757,956
Net change during the year	32,581,111	1,913,619	(10,495,310)	23,999,420
Transferred to stage 1	38,241,749	(35,695,539)	(2,546,210)	-
Transferred to stage 2	(156,523,086)	159,829,841	(3,306,755)	-
Transferred to stage 3	(1,663,764)	(36,608,201)	38,271,965	-
Excluding defaults for more than 6 years	-	-	(27,974)	(27,974)
Balance, end of year	<u>594,522,755</u>	<u>410,925,751</u>	<u>44,280,896</u>	<u>1,049,729,402</u>

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

2023				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	3,916,270	3,568,136	12,629,130	20,113,536
Transferred to stage 1	980,957	(926,029)	(54,928)	-
Transferred to stage 2	(195,849)	521,090	(325,241)	-
Transferred to stage 3	(3,681)	(927,529)	931,210	-
Expected credit losses	401,218	16,733,674	11,448,089	28,582,981
Recovery of expected credit losses	(1,362,836)	(1,613,669)	(1,595,765)	(4,572,270)
Recovery of impaired Islamic financing	-	-	86,707	86,707
Excluding defaults for more than 6 years	-	-	(411,226)	(411,226)
Foreign currencies differences	-	-	(341,109)	(341,109)
Balance, end of year	<u>3,736,079</u>	<u>17,355,673</u>	<u>22,366,867</u>	<u>43,458,619</u>

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

The movement on suspended profits was as follows:

	2023	2022
	U.S. \$	U.S. \$
Balance, beginning of the year	1,276,058	1,183,379
Suspended profits during the year	2,156,653	338,254
Suspended profits transferred to revenues	(448,253)	(247,190)
Suspended profits written off for Islamic financing in default for more than 6 years	(77,149)	(614)
Foreign currencies differences	73,658	2,229
Balance, end of year	<u>2,980,967</u>	<u>1,276,058</u>

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

	2023	2022
	U.S. \$	U.S. \$
Balance, beginning of the year	593,837	639,936
Provision during the year	411,226	27,360
Recovery during the year	(86,707)	(73,459)
Balance, end of year	<u>918,356</u>	<u>593,837</u>

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

2023				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	83,793,986	181,211,176	9,704,810	274,709,972
Net change during the year	80,261,685	(47,395,475)	(2,923,517)	29,942,693
Transferred to stage 1	24,407,276	(24,331,794)	(75,482)	-
Transferred to stage 2	(32,393,120)	33,034,275	(641,155)	-
Transferred to stage 3	(2,158,200)	(3,668,318)	5,826,518	-
Balance, end of year	<u>153,911,627</u>	<u>138,849,864</u>	<u>11,891,174</u>	<u>304,652,665</u>

2022				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	115,551,025	150,716,437	6,775,689	273,043,151
Net change during the year	(15,169,240)	14,116,995	2,740,545	1,688,300
Transferred to stage 1	14,400,632	(12,146,917)	(2,253,715)	-
Transferred to stage 2	(30,436,442)	31,116,930	(680,488)	-
Transferred to stage 3	(551,989)	(2,592,269)	3,144,258	-
Excluding defaults for more than 6 years	-	-	(21,479)	(21,479)
Balance, end of year	<u>83,793,986</u>	<u>181,211,176</u>	<u>9,704,810</u>	<u>274,709,972</u>

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

2023				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	502,604	964,451	1,015,845	2,482,900
Transferred to stage 1	175,010	(137,783)	(37,227)	-
Transferred to stage 2	(83,103)	320,873	(237,770)	-
Transferred to stage 3	(3,592)	(13,270)	16,862	-
Expected credit losses	7,204	3,483,206	2,903,860	6,394,270
Recovery of expected credit losses	(122,910)	(309,358)	(332,590)	(764,858)
Balance, end of year	<u>475,213</u>	<u>4,308,119</u>	<u>3,328,980</u>	<u>8,112,312</u>

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

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

2023				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	81,725,397	48,084,709	1,977,151	131,787,257
Net change during the year	(627,626)	(3,850,419)	1,725,389	(2,752,656)
Transferred to stage 1	8,581,515	(8,549,502)	(32,013)	-
Transferred to stage 2	(13,086,170)	13,358,916	(272,746)	-
Transferred to stage 3	(381,768)	(4,819,882)	5,201,650	-
Balance, end of year	<u>76,211,348</u>	<u>44,223,822</u>	<u>8,599,431</u>	<u>129,034,601</u>

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

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

2023				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	294,632	529,867	544,996	1,369,495
Transferred to stage 1	84,700	(68,840)	(15,860)	-
Transferred to stage 2	(51,239)	137,971	(86,732)	-
Transferred to stage 3	(1,490)	(10,556)	12,046	-
Expected credit losses	63,280	4,308,960	1,945,389	6,317,629
Recovery of expected credit losses	(57,563)	(124,161)	(84,241)	(265,965)
Balance, end of year	<u>332,320</u>	<u>4,773,241</u>	<u>2,315,598</u>	<u>7,421,159</u>

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

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

2023				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	254,443,917	181,629,866	32,598,935	468,672,718
Net change during the year	86,226,158	6,554,378	(3,248,961)	89,531,575
Transferred to stage 1	89,322,600	(89,320,436)	(2,164)	-
Transferred to stage 2	(27,241,838)	27,242,696	(858)	-
Transferred to stage 3	(63,457)	(6,395,341)	6,458,798	-
Written-off	-	-	(488,375)	(488,375)
Balance, end of year	<u>402,687,380</u>	<u>119,711,163</u>	<u>35,317,375</u>	<u>557,715,918</u>

2022				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	287,324,307	135,213,969	11,306,549	433,844,825
Net change during the year	61,044,623	(17,612,502)	(8,597,733)	34,834,388
Transferred to stage 1	19,353,640	(19,104,468)	(249,172)	-
Transferred to stage 2	(112,524,723)	114,914,519	(2,389,796)	-
Transferred to stage 3	(753,930)	(31,781,652)	32,535,582	-
Written-off	-	-	(6,495)	(6,495)
Balance, end of year	<u>254,443,917</u>	<u>181,629,866</u>	<u>32,598,935</u>	<u>468,672,718</u>

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

2023				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	942,626	2,073,818	11,068,289	14,084,733
Transferred to stage 1	721,247	(719,406)	(1,841)	-
Transferred to stage 2	(61,507)	62,246	(739)	-
Transferred to stage 3	1,401	(903,703)	902,302	-
Expected credit losses	201,891	8,941,508	6,598,840	15,742,239
Recovery of expected credit losses	(1,182,363)	(1,180,150)	(1,178,934)	(3,541,447)
Excluding defaulted Islamic financing for more than 6 years	-	-	(411,226)	(411,226)
Recovery of impaired Islamic financing	-	-	86,707	86,707
Foreign currencies differences	-	-	(341,109)	(341,109)
Balance, end of year	<u>623,295</u>	<u>8,274,313</u>	<u>16,722,289</u>	<u>25,619,897</u>

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

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

2023				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	174,559,455	-	-	174,559,455
Net change during the year	(10,772,799)	-	-	(10,772,799)
Balance, end of year	<u>163,786,656</u>	<u>-</u>	<u>-</u>	<u>163,786,656</u>

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

2023				
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	2,176,408	-	-	2,176,408
Expected credit losses during the year	128,843	-	-	128,843
Balance, end of year	<u>2,305,251</u>	<u>-</u>	<u>-</u>	<u>2,305,251</u>

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

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

	2023 U.S. \$	2022 U.S. \$
Public Sector		
Palestinian National Authority	163,786,656	174,559,455
Manufacturing and Agricultural		
Manufacturing sector	48,385,493	30,741,743
Agricultural sector	4,273,521	3,607,964
Livestock	36,125,365	26,902,992
	<u>88,784,379</u>	<u>61,252,699</u>
Services Sector	20,875,409	26,842,144
Wholesale and Retail	210,573,451	197,382,652
Real Estate		
Constructions	9,227,683	10,743,033
Housing for permanent residence and improvement of housing conditions	297,978	24,502
Commercial and investment properties	195,601,004	179,693,822
	<u>205,126,665</u>	<u>190,461,357</u>
Land	195,404,912	170,589,276
Consumers' Financing		
Vehicles' financing	165,436,841	135,653,914
Consumer goods' financing	1,898,885	2,028,154
	<u>167,335,726</u>	<u>137,682,068</u>
Others	100,321,675	89,683,693
	<u>1,152,208,873</u>	<u>1,048,453,344</u>

7. Financial assets at fair value through other comprehensive income

Financial assets at fair value include the following:

	Domestic U.S. \$	Foreign U.S. \$	Total U.S. \$
December 31, 2023			
Quoted shares	-	6,198,858	6,198,858
Unquoted shares	3,048,179	254,021	3,302,200
	<u>3,048,179</u>	<u>6,452,879</u>	<u>9,501,058</u>
December 31, 2022			
Quoted shares	-	1,398,873	1,398,873
Unquoted shares	3,048,179	202,924	3,251,103
	<u>3,048,179</u>	<u>1,601,797</u>	<u>4,649,976</u>

Some of the Bank investments in unquoted shares as at December 31, 2023 and December 31, 2022 are shown at their fair value with an amount of U.S. \$ 254,021 and U.S. \$ 202,924, respectively. An amount of U.S. \$ 40,590 was recorded as a revaluation of foreign companies shares to reflect its market value. The Bank's management believes that fair values of such financial assets are not materially different from their carrying amounts at the financial statements.

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

	2023 U.S. \$	2022 U.S. \$
Balance, beginning of the year	(1,299,351)	(1,243,533)
Change in fair value	(70,509)	(55,818)
Balance, end of year	<u>(1,369,860)</u>	<u>(1,299,351)</u>

8. Financial assets at amortized cost

This item represents the Bank's investment in Islamic Sukuk at an expected rate of return range from %3.23 to %8.78, for a period of 1 month to 8 years.

	2023 U.S. \$	2022 U.S. \$
Financial assets at amortized cost - listed on global markets	43,485,703	41,673,325
Provision for expected credit losses of financial assets at amortized cost	(2,694,586)	(3,522,100)
	<u>40,791,117</u>	<u>38,151,225</u>

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

	2023			
	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$
Balance, beginning of the year	32,250,000	6,000,000	3,423,325	41,673,325
Net change during the year	4,711,556	(2,000,000)	-	2,711,556
Write off	-	-	(899,178)	(899,178)
Balance, end of year	<u>36,961,556</u>	<u>4,000,000</u>	<u>2,524,147</u>	<u>43,485,703</u>
	2022			
	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$
Balance, beginning of the year	25,750,000	6,500,000	3,663,425	35,913,425
Net change during the year	6,500,000	(500,000)	(240,100)	5,759,900
Balance, end of year	<u>32,250,000</u>	<u>6,000,000</u>	<u>3,423,325</u>	<u>41,673,325</u>

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

	2023			
	Stage 1 U.S. \$	Stage 2 U.S. \$	Stage 3 U.S. \$	Total U.S. \$
Balance, beginning of the year	3,143	95,632	3,423,325	3,522,100
Net remeasurement of expected credit losses for the year	129,640	(57,976)	-	71,664
Write off	-	-	(899,178)	(899,178)
Balance, end of year	<u>132,783</u>	<u>37,656</u>	<u>2,524,147</u>	<u>2,694,586</u>

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

9. Investment properties

Following is the movement of Investment properties:

	2023	2022
	U.S. \$	U.S. \$
Balance, beginning of the year	22,930,742	25,962,178
Additions during the year	1,810,161	418,755
Transfer to project in progress (Note 11)	-	73,533
Transfer to Islamic financing	(146,000)	(436,000)
Investment properties impairment loss	(188,521)	(400,000)
Sale of investment properties	-	(3,320,871)
Change in fair value during the year	370,058	633,147
Balance, end of year	24,776,440	22,930,742

Profits on sale of investment properties recorded in the income statement amounted to U.S. \$ 1,362,713 as at December 31, 2022.

Following is the movement on investment properties reserve:

	2023	2022
	U.S. \$	U.S. \$
Balance, beginning of the year	7,088,707	7,806,223
Unrealized gains on revaluation	370,058	633,147
Sale of investment properties	-	(1,181,347)
Deferred tax liabilities	(98,894)	(169,316)
Balance, end of year	7,359,871	7,088,707

10. Property and equipment

This item represents the following:

	December 31, 2023			
	Buildings	Furniture, equipment and leasehold improvements	Motor vehicles	Computers
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cost:				
Balance, beginning of the year	6,583,699	28,320,271	1,486,180	9,791,783
Additions and transfers from projects in progress	-	1,276,400	75,003	990,867
Disposals	-	(349,901)	-	(843,472)
Balance, end of year	6,583,699	29,246,770	1,561,183	9,939,178
Accumulated depreciation:				
Balance, beginning of the year	656,947	16,079,158	551,898	8,273,343
Depreciation for the year	115,804	1,878,829	153,950	872,053
Impairments of property and equipment	-	158,328	5,151	11,690
Disposals	-	(284,855)	-	(843,054)
Balance, end of year	772,751	17,831,460	710,999	8,314,032
Net book value as at December 31, 2023	5,810,948	11,415,310	850,184	1,625,146

	December 31, 2022			
	Buildings	Furniture, equipment and leasehold improvements	Motor vehicles	Computers
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cost:				
Balance, beginning of the year	6,583,699	27,487,340	1,294,962	9,429,688
Additions and transfers from projects in progress	-	832,931	286,218	362,095
Disposals	-	-	(95,000)	-
Balance, end of year	6,583,699	28,320,271	1,486,180	9,791,783
Accumulated depreciation:				
Balance, beginning of the year	541,143	14,221,340	453,190	7,299,708
Depreciation for the year	115,804	1,857,818	143,094	973,635
Disposals	-	-	(44,386)	-
Balance, end of year	656,947	16,079,158	551,898	8,273,343
Net book value as at December 31, 2022	5,926,752	12,241,113	934,282	1,518,440

Property and equipment, include fully depreciated assets with an amount of U.S. \$ 18,226,555 and U.S. \$ 17,921,215 that still used in the operations of the Bank as of December 31, 2023 and December 31, 2022, respectively.

11. Project in progress

This item represents the balance of branches and offices under construction as at 31 December 2023 and 2022. The value of the expansion and leasehold improvements of the Bank's headquarters and branches. The expected estimated cost of completion of the projects in progress is U.S. \$ 1,684,293. These projects are expected to be completed in 2024.

Movement on project in progress is as follows:

	2023	2022
	U.S. \$	U.S. \$
Balance, beginning of the year	346,288	307,407
Additions	1,709,430	397,482
Transferred to property and equipments	(960,207)	(130,393)
Transfer to intangible assets (Note 14)	(43,420)	(154,675)
Transfer to investment properties (Note 9)	-	(73,533)
Balance, end of year	1,052,091	346,288

12. Right of use assets

Following is the movement of right of use assets:

	2023	2022
	U.S. \$	U.S. \$
Balance, beginning of the year	6,033,023	6,822,166
Additions	391,747	328,429
Disposals	-	(25,600)
Depreciation for the year	(1,131,129)	(1,091,972)
Balance, end of year	5,293,641	6,033,023

13. Deferred tax assets

The movement on the deferred tax assets was as follows:

	2023	2022
	U.S. \$	U.S. \$
Balance, beginning of the year	5,012,089	4,252,402
Additions	4,912,988	871,974
Amortization	(354,694)	(112,287)
Balance, end of year	9,570,383	5,012,089

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

14. Intangible assets

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

	2023	2022
	U.S. \$	U.S. \$
Cost		
Balance, beginning of the year	6,948,314	6,712,733
Additions	639,990	80,906
Transfer to project in progress (Note 11)	43,420	154,675
Balance, end of year	7,631,724	6,948,314
Amortization		
Balance, beginning of the year	5,581,797	5,019,990
Amortization for the year	504,574	561,807
Balance, end of year	6,086,371	5,581,797
Net book value	<u>1,545,353</u>	<u>1,366,517</u>

15. Other assets

This item represents the following:

	2023	2022
	U.S. \$	U.S. \$
Clearing checks	19,869,753	2,953,460
Account receivable, advances and temporary expenses	5,423,642	4,170,119
Accrued revenues not received	1,084,357	1,317,214
Prepaid expenses	955,873	1,147,405
Assets obtained by the Bank in debts	900,241	1,455,572
Stationery and printings	425,001	279,214
	<u>28,658,867</u>	<u>11,322,984</u>

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, so that PMA meets a return of a percentage of 0.5% on the financing granted by it, and the Bank is committed to collecting a reducing return of a maximum of 3% from the borrowers. The balance of sustainability loans amounted to U.S. \$ 5,519,687 and U.S. \$ 8,201,758 as of December 31, 2023, and 2022.

17. Palestine Monetary Authority deposits

	2023	2022
	U.S. \$	U.S. \$
Swap deposits maturing within 3 months	-	15,593,985
Deposits maturing within 3 months	27,734,228	-
Motivational deposits maturing more than 3 months*	-	20,000,000
	<u>27,734,228</u>	<u>35,593,985</u>

* This item represents the value of incentivize deposits from PMA with the aim of mitigating the economic effects of the Coronavirus (COVID 19) crisis on the Bank's activities and the subsequent losses as a result of postponing customers' installments during the year 2020. These deposits are due on September 27, 2023, and PMA collects a return of 0.5% on it.

18. Banks and financial institutions' deposits

	2023	2022
	U.S. \$	U.S. \$
Local banks and financial institutions:		
Current and demand accounts	3,644,639	2,704,289
Swap deposits maturing within 3 months	22,000,000	8,724,700
Banks deposits and financial institutions maturing within 3 months	22,979,990	4,965,486
Banks deposits and financial institutions maturing after 3 months	1,511,819	8,373,209
	<u>50,136,448</u>	<u>24,767,684</u>
Foreign banks and financial institutions:		
Current and demand accounts	2,225,487	1,875,430
Deposits maturing within 3 months	-	5,321,000
Swap deposits maturing within 3 months	6,000,000	10,000,000
	<u>8,225,487</u>	<u>17,196,430</u>
	<u>58,361,935</u>	<u>41,964,114</u>

19. Customers' deposits

	2023	2022
	U.S. \$	U.S. \$
Current and demand accounts	<u>480,041,723</u>	<u>394,988,407</u>

- Total deposits comprise of customers' deposits (Note 19), cash margins (Note 20) and unrestricted investment accounts (Note 26) which amounted to U.S. \$ 1,464,229,903 and U.S. \$ 1,392,048,763 as at December 31, 2023 and 2022, respectively.
- Restricted deposits amounted to U.S. \$ 139,728,004 and U.S. \$ 67,453,032 representing %9.54 and %4.85 of the total deposits as at December 31, 2023 and 2022, respectively.
- Government deposits amounted to U.S. \$ 13,684,121 and U.S. \$ 9,689,611 representing %0.93 and %0.70 of the total deposits as at December 31, 2023 and 2022, respectively.
- Quasi-governmental deposits amounted to U.S. \$ 6,204,750 and U.S. \$ 5,278,283 representing %0.42 and %0.38 of the total deposits as at December 31, 2023 and 2022, respectively.
- Dormant deposits amounted to U.S. \$ 83,142,081 and U.S. \$ 15,992,997 representing %5.69 and %1.15 of the total deposits as at December 31, 2023 and 2022, respectively.
- Non-profit bearing deposits amounted to U.S. \$ 480,041,723 and U.S. \$ 394,988,407 representing %32.78 and %28.37 of the total deposits as at December 31, 2023 and December 31, 2022, respectively.

20. Cash margins

	2023	2022
	U.S. \$	U.S. \$
Direct Islamic financing	80,208,853	70,679,870
Indirect Islamic financing	20,130,033	14,815,680
Other margins	8,140,587	8,108,111
	<u>108,479,473</u>	<u>93,603,661</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 for the year	Payments during the Year	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2023				
Provision for employees' indemnity	9,658,548	2,093,977	(1,327,245)	10,425,280
Provision for legal cases	22,463	-	-	22,463
	<u>9,681,011</u>	<u>2,093,977</u>	<u>(1,327,245)</u>	<u>10,447,743</u>
December 31, 2022				
Provision for employees' indemnity	7,589,394	2,489,326	(420,172)	9,658,548
Provision for legal cases	22,463	-	-	22,463
	<u>7,611,857</u>	<u>2,489,326</u>	<u>(420,172)</u>	<u>9,681,011</u>

22. Tax provisions

The movement on tax provisions during the years ended December 31, 2023, and 2022 was as follows:

	2023	2022
	U.S. \$	U.S. \$
Balance, beginning of the year	6,948,648	8,086,661
Provision for the year	5,596,704	9,599,637
Payments during the year	(428,670)	(7,614,731)
Advance payments	(4,105,572)	(3,122,919)
Currency variance	276,863	-
Balance, end of year	<u>8,287,973</u>	<u>6,948,648</u>

Income tax expense reported in income statement represents the following:

	2023	2022
	U.S. \$	U.S. \$
Provision for the year	5,596,704	9,599,637
Deferred tax assets additions	(4,912,988)	(871,974)
Deferred tax assets amortization	354,694	112,287
Balance, end of year	<u>1,038,410</u>	<u>8,839,950</u>

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

	2023	2022
	U.S. \$	U.S. \$
Bank's accounting profit before tax	6,558,116	21,918,316
Unacceptable tax expenses	20,368,965	17,374,397
Profit subject to Value Added Tax (VAT)	26,927,081	39,292,713
VAT on income	3,224,591	4,937,166
Taxable income	19,077,288	24,485,933
Income tax	2,361,593	4,152,259
Total taxes for the year	5,586,184	9,089,425
Provision for the year	5,596,704	9,599,637
Effective tax rate	%85	%44

During the year 2022, the Bank reached a final settlement with the tax departments on the results of its business until 2021. The bank has submitted the tax return for the results of its operations for the year 2022 on time, and the tax advisor is continuing to conduct the final clearances.

The legal rate of income tax was 15%, and the legal rate of value-added tax was 16%, as on December 31, 2023 and 2022. In accordance with the provisions of Resolution No. (4) of 2014 amending Resolution No. (8) of 2011 regarding income tax, the income tax on profits resulting from financing small and medium enterprises shall be collected at the rate of 10% of those profits.

23. Deferred tax liabilities

The movement on the deferred tax liabilities is as follows:

	2023	2022
	U.S. \$	U.S. \$
Balance, beginning of the year	2,587,652	2,849,573
Additions	98,894	169,316
Disposals	-	(431,237)
Balance, end of year	2,686,546	2,587,652

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:

	2023	2022
	U.S. \$	U.S. \$
Balance, beginning of the year	6,429,482	7,243,380
Additions	391,747	328,429
Disposals	-	(27,603)
Payments	(1,282,153)	(1,236,827)
Cost of lease liabilities during the year (Note 34)	123,583	122,103
Balance, ending of year	5,662,659	6,429,482

The liabilities related to lease contracts are deducted using 3.4% discount rate as of December 31, 2023, total rent liabilities amount is U.S. \$ 10,581,024 as of December 31, 2023.

	2023	2022
	U.S. \$	U.S. \$
Short term liabilities	1,661,418	1,206,876
Long term liabilities	4,001,241	5,222,606
	5,662,659	6,429,482

25. Other liabilities

This item represents the following:

	2023	2022
	U.S. \$	U.S. \$
Temporary accounts and intermediary accounts	5,388,647	5,509,461
Certified checks	2,718,274	6,434,495
Return on unrestricted investment accounts	2,651,704	2,162,771
Trade payables	2,442,745	2,547,068
Accrued taxes	824,147	588,554
Board of Directors' bonuses	220,000	272,000
Provision for commitments and contingencies (Note 39)	138,836	243,686
Earnings prohibited by shari'a	-	178,188
Other credit balances	51,158	50,562
	14,435,511	17,986,785

26. Unrestricted investment accounts

This item represents the following:

	2023	2022
	U.S. \$	U.S. \$
Time deposits	282,141,561	301,717,287
Saving deposits	593,567,146	601,739,408
	875,708,707	903,456,695

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.\$ 20,544,570 as at December 31, 2023 and an amount of U.S. \$ 20,579,326 as at December 31, 2022. The reserve is not to be utilized or reduced without PMA's prior approval. During 2018 the Bank adopted IFRS (9) and recorded the impact of IFRS (9) from this reserve, in reference to Stage 1 and Stage 2 expected credit losses, as per PMA instructions number (2/2018). The reserve is not to be utilized or reduced without PMA's prior approval.

Pro-cyclicality reserve

The periodic fluctuations reserve item represents the value of the deductions made in accordance with the instructions of the Palestinian Monetary Authority No. (6/2015) at a rate of 15% of net profits after taxes, as the Bank stopped deducting this percentage and adding it to the reserve item according to instructions No. (01/2018), which specified A rate of 0.57% of the risk-weighted assets as an anti-cyclical capital source. The instructions allowed banks to use the amounts formed in the cyclical fluctuation reserve item for the purposes of this source. According to instructions No. (13/2019), a percentage of 0.66% of the Risk-weighted assets as an anti-cyclical capital source for the year 2019. During 2022, PMA issued Instructions No. (8/2022) regarding the anti-cyclical capital buffer, so that the percentage is 0.5% of risk-weighted assets, and the commitment to form the buffer within a maximum period of March 31, 2023, and disclosure within the interim and annual financial statements as of June 2023. The Bank is also prohibited from disposing of the amounts allocated in the periodic fluctuations reserve item, except for capitalization, after obtaining the prior written PMA's approval. During the year, the Bank deducted the pro-cyclicality reserve by US\$ 1,087,327, in compliance with the instructions of the Palestine Monetary Authority.

28. Financing and investment revenues

This item represents revenues from the following:

	2023	2022
	U.S. \$	U.S. \$
Murabaha investments revenues	52,548,704	47,128,863
Ijara muntahia bittamleek revenues	4,307,277	3,562,313
Tawarooq revenues	4,085,990	6,905,528
Income from investments at Islamic banks	2,830,050	1,438,032
Istisna'a financing revenues	2,693,733	2,544,650
Income from investments in Islamic Sukuk	2,429,483	1,631,690
Mudaraba revenues	815,278	799,216
	<u>69,710,515</u>	<u>64,010,292</u>

29. Return on unrestricted investment accounts

This item represents revenues as following:

	2023	2022
	U.S. \$	U.S. \$
Time deposits	8,708,682	7,569,714
Cash margins	170,177	618,808
Saving deposits	152,700	508,997
	<u>9,031,559</u>	<u>8,697,519</u>

30. Net commissions

This item represents the following:

	2023	2022
	U.S. \$	U.S. \$
Commissions received on:		
Accounts' management, cash withdrawals and deposits and outgoing transfers	3,542,283	3,943,834
Checks under collection, post-dated checks and checkbooks	1,871,296	1,590,234
ATMs and VISA cards	1,464,880	1,272,025
Indirect Islamic financing	592,395	865,097
Dormant accounts	179,297	243,379
Other	764,662	859,571
	<u>8,414,813</u>	<u>8,774,140</u>
Commissions paid	<u>(1,088,641)</u>	<u>(1,187,347)</u>
	<u>7,326,172</u>	<u>7,586,793</u>

31. Financial assets gain

This item represents the proceeds from the distribution of financial assets amounting to U.S. \$ 226,590 and U.S. \$ 5,073 as at December 31, 2023 and 2022.

32. Other revenues

This item represents revenues from the following:

	2023	2022
	U.S. \$	U.S. \$
Rental income from investment properties	230,000	230,000
Others	762,068	260,562
	<u>992,068</u>	<u>490,562</u>

33. Personnel expenses

This item represents the following:

	2023	2022
	U.S. \$	U.S. \$
Salaries and related benefits	15,418,921	13,155,919
VAT on salaries	2,467,027	2,104,947
Provision for employees' indemnity	2,093,977	2,489,326
Medical expenses	979,091	949,686
The Bank's contribution in the provident fund*	681,198	595,335
Training expenses	243,119	298,994
Travel, accommodation and transportation	122,128	134,801
	<u>22,005,461</u>	<u>19,729,008</u>

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

34. Other operating expenses

This item represents the following:

	2023	2022
	U.S. \$	U.S. \$
Deposit Insurance Corporation fees*	2,614,477	2,584,218
Paid banks' profits	2,407,957	185,170
Maintenance and cleaning	2,051,303	1,849,766
Telephone, fax and postage	1,666,806	1,612,984
Cash shipping costs	1,101,974	1,257,429
Fees, license and subscriptions	970,985	841,282
Insurance	786,568	802,112
Utilities	657,188	667,523
Stationery, printings and supplies	622,702	617,556
Board of Directors' remuneration	592,467	595,604
Professional and consultancy fees	477,939	326,727
Advertisements and marketing	436,947	230,499
Vehicles and transportation	412,968	382,381
Social responsibility (donations)**	384,373	155,081
Hospitality	131,877	140,655
Cost of lease liabilities	123,583	122,103
Guarding	107,818	67,609
Savings accounts gift box	56,223	389,296
VAT on leased properties	31,724	31,724
Sundry	1,932,854	1,552,968
	<u>17,568,733</u>	<u>14,412,687</u>

* The Palestine Deposit Insurance Corporation (the Corporation) was established by virtue of Law by Decree No. (7) of 2013, whereby banks were required to calculate an annual subscription fee starting from 2014 for the account of the Corporation at a specified rate of the total deposit balance determined under this law. On November 9, 2021, the Corporation issued Circular No. (2/2021) regarding raising the fixed subscription fee rate to 0.2% of the average total subject deposits, as of the beginning of 2022.

** The Bank receives donation applications in connection with its social responsibility covering all kinds of charities through its branches located in different cities. These applications are sent to the Planning and Research Department within the General Administration to be assessed by executive management, which studies applications, ensures accuracy of all information, and gives recommendations to the Shari'a Supervisory Board of the Bank to give their Shari'a opinion. If the application is accepted, beneficiaries are informed, and payments are made directly to suppliers. Donations comprise %6.96 and %1.19 of net income as at December 31, 2023 and 2022, respectively.

35. Palestine Monetary Authority fines

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

36. Depreciation and amortization

This item represents depreciation and amortization of the following:

	2023	2022
	U.S. \$	U.S. \$
Property and equipment	3,020,636	3,090,351
Right of use assets	1,131,129	1,091,972
Intangible assets	504,574	561,807
	<u>4,656,339</u>	<u>4,744,130</u>

37. Impairment loss, Net

This item represents impairment loss as of 31 December 2023, 2022:

	2023	2022
	U.S. \$	U.S. \$
Net revaluation of expected credit loss of balances at banks and financial institutions (Note 4)	247,256	(140,446)
Net revaluation of expected credit loss of investments at Islamic banks (Note 5)	(419,827)	267,938
Net revaluation of expected credit loss of investment at Palestine Monetary Authority (Note 3)	-	75,808
Net revaluation of expected credit loss of direct Islamic financing (Note 6)	24,010,711	7,936,403
Net revaluation of expected credit loss of financial assets at amortized cost (Note 8)	71,664	1,318,467
Net revaluation of expected credit loss of indirect Islamic financing (Note 39)	(104,850)	121,022
Investment properties impairment loss (Note 9)	188,521	400,000
Impairment of property and equipment (Note 10)	175,169	-
Expected credit loss for assets obtained by the Bank	560,331	-
Addition (recovery) expected credit loss provision for accounts receivable	298,461	(300,000)
	<u>25,027,436</u>	<u>9,679,192</u>

38. Zakat

Each shareholder bears the responsibility for Zakat payment, in which the Bank, with the consent of Shari'a Supervisory Board, annually informs the shareholders with the amount of Zakat due on each share. Zakat per share for the year 2023 amounted to U.S. \$. 0.0099 and U.S. \$ 0.02378 for 2022.

39. Commitments and Liabilities

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

	2023	2022
	U.S. \$	U.S. \$
Unutilized limits of direct Islamic financing	132,740,437	98,575,733
Letter of guarantees	59,892,045	52,987,493
Letter of credits	12,537,531	5,943,615
Savings accounts gift box	155,551	196,950
Acceptances	-	48,563
	<u>205,325,564</u>	<u>157,752,354</u>

The movement on expected credit loss for potential commitments and liabilities as following:

	2023			
	Stage 1	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	110,614	133,072	-	243,686
Net credit loss for the year end	5,499	(110,349)	-	(104,850)
Balance, end of year	<u>116,113</u>	<u>22,723</u>	<u>-</u>	<u>138,836</u>

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

40. Cash and cash equivalents

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

	2023	2022
	U.S. \$	U.S. \$
Cash and balances with Palestine Monetary Authority	373,980,308	422,485,283
Add: Balances at banks and financial institutions maturing within 3 months	82,038,915	74,973,440
Investments at Islamic banks maturing within 3 months	2,689,727	3,108,626
Less: PMA deposits maturing within 3 months	(27,734,228)	(15,593,985)
Banks and financial institutions' deposits maturing within 3 months	(56,850,116)	(33,590,905)
Statutory cash reserve	<u>(130,715,496)</u>	<u>(126,922,614)</u>
	<u>243,409,110</u>	<u>324,459,845</u>

41. Basic and diluted earnings per share

This item represents the following:

	2023	2022
	U.S. \$	
Profit for the year	5,519,706	13,078,366
	Shares	
Weighted average number of subscribed shares	101,119,252	101,119,252
	U.S. \$	
Basic and diluted earnings per share	0.055	0.129

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

This item represents the following:

	2023			2022		
	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	373,440,183	-	373,440,183	421,945,158	-	421,945,158
Balances at banks and financial institutions	109,290,665	-	109,290,665	94,009,823	-	94,009,823
Investments at Islamic banks	5,998,443	-	5,998,443	5,997,515	-	5,997,515
Direct Islamic financing	1,108,750,254	-	1,108,750,254	1,028,339,808	-	1,028,339,808
Financial assets at fair value through other comprehensive income	-	9,501,058	9,501,058	-	4,649,976	4,649,976
Financial assets at amortized cost	-	40,791,117	40,791,117	-	38,151,225	38,151,225
Investment properties	-	24,776,440	24,776,440	-	22,930,742	22,930,742
Property and equipment	-	19,701,588	19,701,588	-	20,620,587	20,620,587
Right of use assets	-	1,052,091	1,052,091	-	346,288	346,288
Project in progress	-	5,293,641	5,293,641	-	6,033,023	6,033,023
Deferred tax assets	-	9,570,383	9,570,383	-	5,012,089	5,012,089
Intangible assets	-	1,545,353	1,545,353	-	1,366,517	1,366,517
Other assets	19,869,753	8,789,114	28,658,867	2,953,460	8,369,524	11,322,984
	1,617,349,298	121,020,785	1,738,370,083	1,553,245,764	107,479,971	1,660,725,735

43. Cash and stock dividends

The General Assembly of the Bank approved, in its meeting held on March 28, 2023, the distribution of stock dividends to shareholders of 5.09% of the nominal value of the share, with a total amount of U.S. \$ 4,900,000, and the distribution of cash dividends to shareholders at a rate of 4.15% of the nominal value of the share, with a total amount of U.S. \$ 4,900,000 on the Bank's business results for the year 2022.

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

44. Related party transactions

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

	Nature of relationship	2023 U.S. \$	2022 U.S. \$
Statement of financial position items:			
Direct Islamic financing	Board of Directors and executive management	54,443,675	45,418,975
Deposits	Board of Directors and executive management	39,921,984	29,341,474
Board of Directors' accrued remuneration	Board of Directors	220,000	272,000
Statement of financial position items			
Indirect Islamic financing	Board of Directors and executive management	6,154,365	17,094,854
Income statement items:			
		2023 U.S. \$	2022 U.S. \$
Profits received	Board of Directors and executive management	2,723,184	2,315,723
Profits paid	Board of Directors and executive management	780,718	300,575

- Direct Islamic financing granted to related parties as at December 31, 2023 and 2022 represent %4.91 and %4.42 of the net Islamic financing, respectively.
- Direct Islamic financing granted to related parties as at December 31, 2023 and 2022 represent %38.88 and %34.10 of the Bank's regulatory capital respectively.
- Average profit on Islamic financing in U.S. \$ granted to related parties in 2023 ranges between %1.72 to %6.

The top management remuneration (Salaries, Bonus and other benefits) are as follows:

	2023 U.S. \$	2022 U.S. \$
Board of Directors' remuneration *	220,000	272,000
Board of Directors' travel and transportation expenses*	337,267	280,083
Executives' management salaries and related benefits	1,248,733	996,341
Executives' management end of service indemnity	91,074	73,069

* Following are the details of the Board of Directors' bonuses and travel expenses for the years 2023 and 2022:

	Representing	2023 U.S. \$	2022 U.S. \$
Rushdi Al-Ghalayeni	Bank of Palestine	68,803	64,229
Shadi Al-Khateeb	Aswaq Investment Portfolio	53,503	52,229
Wail AlSourani	Bank of Palestine	53,003	51,730
Sam Buhour	Individual	52,002	51,230
Saqer Jundiyah	Bank of Palestine	51,002	53,730
Mohammad Nasser	Palestine Investment Fund	50,003	48,729
Safa Nasser Eldeen	Individual	50,002	47,230
Samar Nakhleh	Small Shareholder	50,002	49,230
Saeb Samour	Individual	50,002	51,730
Mohammad			
AbuRamadan	Aswaq Investment Portfolio	46,502	45,730
Abdallah AlGhanem	Bank of Palestine	32,443	36,286
		557,267	552,083

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 and segment:

	Palestine U.S. \$	Jordan U.S. \$	Israel U.S. \$	Others U.S. \$	Total U.S. \$
December 31, 2023					
Cash and balances with Palestine Monetary Authority	373,440,183	-	-	-	373,440,183
Balances at banks and financial institutions	21,964,615	44,010,674	13,077,008	30,238,368	109,290,665
Investments at Islamic banks	-	-	-	5,998,443	5,998,443
Direct Islamic financing	1,105,612,808	3,137,446	-	-	1,108,750,254
Financial assets at fair value through other comprehensive income	3,048,179	6,198,858	-	254,021	9,501,058
Financial assets at amortized cost	-	-	-	40,791,117	40,791,117
Investment properties	24,776,440	-	-	-	24,776,440
Property and equipment	19,701,588	-	-	-	19,701,588
Projects in progress	1,052,091	-	-	-	1,052,091
Right of use assets	5,293,641	-	-	-	5,293,641
Deferred tax assets	9,570,383	-	-	-	9,570,383
Intangible assets	1,545,353	-	-	-	1,545,353
Other assets	28,658,867	-	-	-	28,658,867
Total assets	1,625,078,390	38,018,776	8,522,499	66,750,418	1,738,370,083
Off statement of financial position items:					
Unutilized Islamic financing limits	132,740,437	-	-	-	132,740,437
Letter of guarantees	59,892,045	-	-	-	59,892,045
Letter of credit	12,537,531	-	-	-	12,537,531
Savings accounts gifts box	155,551	-	-	-	155,551
Acceptances	-	-	-	-	-
	205,325,564	-	-	-	205,325,564
December 31, 2022					
Cash and balances with Palestine Monetary Authority	421,945,158	-	-	-	421,945,158
Balances at banks and financial institutions	8,603,667	43,043,083	12,789,506	29,573,567	94,009,823
Investments at Islamic banks	-	-	-	5,997,515	5,997,515
Direct Islamic financing	1,025,432,885	2,906,923	-	-	1,028,339,808
Financial assets at fair value through other comprehensive income	3,048,179	1,398,873	-	202,924	4,649,976
Financial assets at amortized cost	-	-	-	38,151,225	38,151,225
Investment properties	22,930,742	-	-	-	22,930,742
Property and equipment	20,620,587	-	-	-	20,620,587
Projects in progress	346,288	-	-	-	346,288
Right of use assets	6,033,023	-	-	-	6,033,023
Deferred tax assets	5,012,089	-	-	-	5,012,089
Intangible assets	1,366,517	-	-	-	1,366,517
Other assets	11,322,984	-	-	-	11,322,984
Total assets	1,526,662,119	47,348,879	12,789,506	73,925,231	1,660,725,735
Off statement of financial position items:					
Unutilized Islamic financing limits	98,575,733	-	-	-	98,575,733
Letter of credit	52,987,493	-	-	-	52,987,493
Letter of guarantees	5,943,615	-	-	-	5,943,615
Savings accounts gifts box	196,950	-	-	-	196,950
Acceptances	48,563	-	-	-	48,563
	157,752,354	-	-	-	157,752,354

	2023			2022		
	Assets U.S. \$	Liabilities and unrestricted investment accounts and equity U.S. \$	Commitments and contingencies U.S. \$	Assets U.S. \$	Liabilities and unrestricted investment accounts and equity U.S. \$	Commitment and contingencies U.S. \$
According to segment						
Retail	296,540,353	648,125,067	476,835	381,587,334	546,565,702	342,100
Corporate	693,706,270	742,744,318	181,936,089	516,162,006	741,140,518	137,468,662
Small and medium co.	121,613,442	220,220,410	22,912,640	130,417,762	186,474,233	19,941,592
Treasury	539,021,466	85,759,857	-	564,753,695	142,738,998	-
Others	87,488,552	41,520,431	-	67,804,938	43,806,284	-
Total	1,738,370,083	1,738,370,083	205,325,564	1,660,725,735	1,660,725,735	157,752,354

46. Risk management

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

Risk management process

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

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

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

I. Credit risks

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

	2023 U.S. \$	2022 U.S. \$
Statement of financial position Items:		
Balances with Palestine Monetary Authority	133,455,005	149,467,554
Balances at banks and financial institutions	109,290,665	94,009,823
Investments at Islamic banks	5,998,443	5,997,515
Direct Islamic financing	1,108,750,254	1,028,339,808
Financial assets at amortized cost	40,791,117	38,151,225
Other assets	26,377,752	8,440,793
Total statement of financial position items	1,424,663,236	1,324,406,718
Commitments and contingencies:		
Unutilized Islamic financing limits	132,740,437	98,575,733
Letter of guarantee	59,892,045	52,987,493
Letter of credit	12,537,531	5,943,615
Savings accounts gift box	155,551	196,950
Acceptances	-	48,563
Total commitments and contingencies	205,325,564	157,752,354

2023	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	133,995,130	-	-	540,125	-	0,40%	0,00%	0,00%
Balances at banks and financial institutions	72,831,505	36,710,936	-	232,566	19,210	0,32%	0,05%	0,00%
Investments at Islamic banks	6,000,000	-	2,689,727	1,557	-	0,03%	0,00%	100%
Direct Islamic financing:								
Retail	153,911,627	138,849,864	11,891,174	475,213	4,308,119	0,31%	3,10%	28,00%
Small and medium companies	76,211,348	44,223,822	8,599,431	332,320	4,773,241	0,44%	10,79%	26,93%
Corporate	402,687,380	119,711,163	35,317,375	623,295	8,274,313	0,15%	6,91%	47,35%
Public sector	163,786,656	-	-	2,305,251	-	1,41%	0,00%	0,00%
Financial assets at amortized cost	36,961,556	4,000,000	2,524,147	132,783	37,656	0,36%	0,94%	100%
Other assets	26,377,752	-	-	-	-	0,00%	0,00%	0,00%
Total	1,072,762,954	343,495,785	61,021,854	4,643,110	17,412,539	0,43%	5,07%	45,20%
Credit exposure related to off-balance sheet items:	200,165,782	5,159,782	-	116,113	22,723	0,06%	0,44%	-

2022	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	150,007,679	-	-	540,125	-	%0.36	%0.00	%0.00
Balances at banks and financial institutions	94,014,343	-	-	4,520	-	%0.00	%0.00	%0.00
Investments at Islamic banks	6,000,000	-	3,108,626	2,485	-	%0.04	%0.00	%100
Direct Islamic financing:								
Retail	83,793,986	181,211,176	9,704,810	502,604	964,451	%0.26	%0.53	%10.47
Small and medium companies	81,725,397	48,084,709	1,977,151	294,632	529,867	%0.36	%1.10	%27.56
Corporate	254,443,917	181,629,866	32,598,935	942,626	2,073,818	%0.66	%1.14	%33.95
Public sector	174,559,455	-	-	2,176,408	-	%1.23	%0.00	%0.00
Financial assets at amortized cost	32,250,000	6,000,000	3,423,325	3,143	95,632	%0.01	%1.59	%100
Other assets	8,440,793	-	-	-	-	-	-	-
Total	885,235,570	416,925,751	50,812,847	4,466,543	3,663,768	%0.50	%0.88	%37.71
Credit exposure related to off-balance sheet items:	141,464,935	16,287,419	-	110,614	133,072	%0.08	%0.82	-

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

2023	Total exposure			ECL			Net exposure		
	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Retail	138,849,864	11,891,174	150,741,038	89,277,546	6,378,954	95,656,500	49,572,318	5,512,220	55,084,538
Small and medium									
Companies	44,223,822	8,599,431	52,823,253	12,719,826	5,898,712	18,618,538	31,503,996	2,700,719	34,204,715
Corporate	119,711,163	35,317,375	155,028,538	44,994,841	6,925,883	51,920,724	74,716,322	28,391,492	103,107,814
Total	302,784,849	55,807,980	358,592,829	146,992,213	19,203,549	166,195,762	155,792,636	36,604,431	192,397,067
2022	Total exposure			ECL			Net exposure		
	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Retail	181,211,176	9,704,810	190,915,986	69,911,091	8,227,953	78,139,044	111,300,085	1,476,857	112,776,942
Small and medium									
Companies	48,084,709	1,977,151	50,061,860	13,807,487	1,186,872	14,994,359	34,277,222	790,279	35,067,501
Corporate	181,629,866	32,598,935	214,228,801	74,525,872	17,114,000	91,639,872	107,103,994	15,484,935	122,588,929
Total	410,925,751	44,280,896	455,206,647	158,244,450	26,528,825	184,773,275	252,681,301	17,752,071	270,433,372

A. Distribution of exposures by classification stages in accordance with Islamic Financial reporting standards (30) and IFRS (9) as of 31 December 2023:

	Stage 1	Stage 2	Stage 3	2023	2022
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balances with Palestine Monetary Authority	133,455,005	-	-	133,455,005	149,467,554
Balances at banks and financial institutions	72,598,939	36,691,726	-	109,290,665	94,009,823
Investments at Islamic banks	5,998,443	-	-	5,998,443	5,997,515
Public sector	161,481,405	-	-	161,481,405	172,383,047
Manufacturing and agricultural	44,262,374	20,192,044	2,005,822	66,460,240	61,191,948
Service sector	52,768,870	24,072,622	2,391,308	79,232,800	59,695,172
Wholesale and retail trade	139,739,906	65,067,489	6,463,623	211,271,018	197,188,649
Real estate	137,631,033	62,785,874	6,236,973	206,653,880	187,220,533
Land	123,271,084	56,235,013	5,586,229	185,092,326	169,995,959
Consumption financing	130,725,293	60,049,824	7,783,468	198,558,585	180,664,500
Financial assets at amortized cost	36,828,773	3,962,344	-	40,791,117	38,151,225
Other financial assets	26,377,752	-	-	26,377,752	8,440,793
Total	1,065,138,877	329,056,936	30,467,423	1,424,663,236	1,324,406,718

B. Distribution of exposures by classification stages in accordance with Islamic Financial reporting standards (30) and IFRS (9) as of 31 December 2023:

	Stage 1	Stage 2	Stage 3	2023	2022
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Palestine	956,518,285	312,646,457	26,152,755	1,295,317,497	1,191,944,897
Jordan	31,609,254	8,394,772	-	40,004,026	45,950,008
Israel	14,839,765	-	-	14,839,765	12,789,506
Other	62,171,573	8,015,707	4,314,668	74,501,948	73,722,307
Total	1,065,138,877	329,056,936	30,467,423	1,424,663,236	1,324,406,718

C. Collaterals Fair value for net credit exposures

December 31 ,2023	Fair value of collaterals						
	Total exposure U.S. \$	Accepted bank guarantees U.S. \$	Cash margins U.S. \$	Vehicles and equipment			Total collaterals U.S. \$
				Real Estate U.S. \$	Quoted stocks U.S. \$	Others U.S. \$	
Credit exposures relating to items on statement of financial position:							
Cash and balances at Palestine Monetary Authority	133,995,130	-	-	-	-	-	133,995,130
Balances at banks and financial institutions	109,542,441	-	-	-	-	-	109,542,441
Investments at Islamic banks	8,689,727	-	-	-	-	-	8,689,727
Direct Islamic financing:							
Retail	304,652,665	622,592	19,555,020	175,580,462	-	8,321,605	206,925,049
Small and medium companies	129,034,601	3,824,567	11,310,512	48,662,582	145,752	1,321,464	61,976,093
Corporate	557,715,918	10,400,607	42,907,190	161,717,416	21,800,220	59,796,476	258,246,724
Public sector	163,786,656	-	-	-	-	-	163,786,656
Financial assets at amortized cost	43,485,703	-	-	-	-	687	43,485,703
Total	1,450,902,841	14,847,766	73,772,722	385,960,460	21,945,972	7,486,286	877,450,090
Letters of credit	12,537,531	-	1,019,002	-	-	-	11,518,529
Letters of guarantee	59,892,045	-	2,755,124	-	-	-	57,136,921
Other exposures	132,895,988	-	16,355,876	-	-	-	116,540,112
							12,995
							1,725
							124,116
							49,636,390

December 31 ,2022	Fair value of collaterals						
	Total exposure U.S. \$	Accepted bank guarantees U.S. \$	Cash margins U.S. \$	Real Estate U.S. \$	Quoted stocks U.S. \$	Vehicles and equipment U.S. \$	Total collaterals U.S. \$
Credit exposures relating to items on statement of financial position:							
Cash and balances at Palestine Monetary Authority	150,007,679	-	-	-	-	-	150,007,679
Balances at banks and financial institutions	94,014,343	-	-	-	-	-	94,014,343
Investments at Islamic banks	9,108,626	-	-	-	-	-	9,108,626
Direct Islamic financing							
Retail	274,709,972	377,503	18,735,195	143,774,610	-	67,642,216	254,420,710
Small and medium companies	131,787,257	2,318,991	10,836,330	63,452,286	146,817	15,848,168	24,124,416
Corporate	468,672,718	6,306,312	41,108,347	149,445,876	21,959,541	13,713,438	212,231,931
Public sector	174,559,455	-	-	-	-	-	174,559,455
Financial assets at amortized cost	41,673,325	-	-	-	-	-	41,673,325
Total	1,344,533,375	9,002,806	70,679,872	356,672,772	22,106,358	97,203,822	726,009,037
Letters of credit	5,943,615	-	110,428	-	-	-	5,833,187
Letters of guarantee	52,987,493	-	2,366,824	-	-	-	50,620,669
Other exposures	98,821,246	-	14,050,723	-	-	-	84,770,523
							22,809
							3,028
							217,849
							27,291,392

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

December 31, 2023	Fair value of collaterals						Net Exposure U.S. \$	ECL U.S. \$
	Total exposure U.S. \$	Cash margins U.S. \$	Real estate U.S. \$	Quoted stocks U.S. \$	Vehicles and equipment U.S. \$	Others U.S. \$		
Credit exposures relating to items on statement of financial position: Direct islamic financing:								
Retail Small and medium companies	11,891,174	733,659	3,120,293	-	591,682	7,899	7,437,641	3,328,980
Corporate	8,599,431	815,989	784,602	-	810,599	806,670	5,381,571	2,315,598
	35,317,375	1,297,337	15,420,095	-	443,762	252,000	17,904,181	16,722,289
Total	55,807,980	2,846,985	19,324,990	-	1,846,043	1,066,569	30,723,393	22,366,867

December 31, 2022	Fair value of collaterals						Net Exposure U.S. \$	ECL U.S. \$
	Total exposure U.S. \$	Cash margins U.S. \$	Real estate U.S. \$	Quoted stocks U.S. \$	Vehicles and equipment U.S. \$	Others U.S. \$		
Credit exposures relating to items on statement of financial position: Direct islamic financing:								
Retail Small and medium companies	9,704,810	1,456,104	5,374,808	-	1,331,907	65,134	1,476,857	1,015,845
Corporate	1,977,151	676,278	429,275	-	77,528	3,791	790,279	544,996
	32,598,935	455,786	15,427,563	-	1,080,029	150,622	15,484,935	11,068,289
Total	44,280,896	2,588,168	21,231,646	-	2,489,464	219,547	17,752,071	12,629,130

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	2023	2022
	U.S. \$	U.S. \$
A- to AAA	17,000,000	17,996,857
B- to BBB+	22,829,664	19,654,368
Unrated	961,453	500,000
Total	40,791,117	38,151,225

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

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

During the year 2023, because of 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, 2023:

Macroeconomic factors	Scenario used	Weight weighted for each scenario (%)	2023 (%)	2024 (%)	2025 (%)	2026 (%)	2027 (%)	2028 (%)
<u>Growth rate (Contraction) of Gross domestic product</u>	Base scenario	40	(6)	(5)	2	2	2	2
	Best scenario	0	1.5	1.5	8.5	8.5	8.5	8.5
	Worst scenario	60	(12.5)	(11.5)	(4.5)	(4.5)	(4.5)	(4.5)
<u>Unemployment rates</u>	Base scenario	40	30.7	35.1	26.6	23.97	23.97	23.97
	Best scenario	0	32.5	36.9	28.4	25.73	25.73	25.73
	Worst scenario	60	28.9	33.3	24.8	22.16	22.16	22.16

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, 2022:

Macroeconomic factors	Scenario used	Weight weighted for each scenario (%)	2022 (%)	2023 (%)	2024 (%)	2025 (%)	2026 (%)	2027 (%)
<u>Growth rate (Contraction) of Gross domestic product</u>	Base scenario	50	6.00	4.10	2.40	2.05	2.05	2.05
	Best scenario	0	14.31	12.41	10.71	10.31	10.31	10.31
	Worst scenario	50	(2.31)	(4.21)	(5.91)	(6.31)	(6.31)	(6.31)
<u>Unemployment rates</u>	Base scenario	50	25.30	25.20	25.10	25.10	25.00	23.99
	Best scenario	0	20.95	20.85	20.75	20.75	20.75	20.95
	Worst scenario	50	29.65	29.55	29.45	29.45	29.45	29.65

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:

2023	Palestine Monetary Authority	Balances at banks and financial institutions	Retailers	SMEs	Corporate	Public sector	Indirect credit facilities and financing	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Base scenario (40%)	168,128	100,710	1,603,920	1,288,262	1,716,846	97,382	36,671	5,011,919
Best scenario (0%)	-	-	-	-	-	-	-	-
Worst scenario (60%)	371,997	151,066	6,508,392	6,132,897	23,903,051	2,207,869	102,165	39,377,437
Total	540,125	251,776	8,112,312	7,421,159	25,619,897	2,305,251	138,836	44,389,356

2022	Palestine Monetary Authority	Balances at banks and financial institutions	Retailers	SMEs	Corporate	Public sector	Indirect credit facilities and financing	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Base scenario (50%)	168,128	649	478,464	425,591	4,954,427	97,382	92,867	6,217,508
Best scenario (0%)	-	-	-	-	-	-	-	-
Worst scenario (50%)	371,997	3,871	2,004,436	943,904	9,130,306	2,079,026	150,819	14,684,359
Total	540,125	4,520	2,482,900	1,369,495	14,084,733	2,176,408	243,686	20,901,867

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

	Palestine Monetary Authority	Balances at banks and financial institutions	Retailers	SMEs	corporate	Public sector	Indirect credit facilities and financing	Total
2023	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Base scenario	420,320	136,715	4,009,800	3,220,655	4,292,115	243,455	91,677	9,194,082
Best scenario	525,400	170,894	5,012,250	4,025,819	5,365,144	304,319	114,596	11,492,603
Worst scenario	619,995	4,813,957	9,741,225	10,193,838	39,289,545	3,465,043	170,275	58,100,040

	Palestine Monetary Authority	Balances at banks and financial institutions	Retailers	SMEs	corporate	Public sector	Indirect credit facilities and financing	Total
2022	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Base scenario	336,256	1,298	956,928	851,182	9,908,854	194,764	185,734	12,435,016
Best scenario	136,656	252	503,139	485,492	3,754,129	165,549	100,616	5,145,833
Worst scenario	743,994	7,742	4,008,872	1,887,808	18,260,612	4,158,052	301,638	29,368,718

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:

	2023			2022		
	(Decrease)	Effect on	Effect on	(Decrease)	Effect on	Effect on
	Increase in	income	equity	Increase in	income	equity
	index	statement	U.S. \$	index	statement	U.S. \$
Market	%	U.S. \$	U.S. \$	%	U.S. \$	U.S. \$
Amman Stock Exchange	10	-	619,886	10	-	139,887
Amman Stock Exchange	(10)	-	(619,886)	(10)	-	(139,887)

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:

	2023			2022		
	Increase in	Effect on	Effect on	Increase in	Effect on	Effect on
	currency	income	on	currency	income	on
	rate	statement	equity	y rate	statement	equity
Currency	%	U.S. \$	U.S. \$	%	U.S. \$	U.S. \$
ILS	10	(160,116)	-	10	(94,269)	-
Other currencies	10	(3,902)	-	10	(5,706)	-

Foreign currency position of the Bank is as follows:

	Equivalent to U.S. \$			
	JOD	ILS	Other currencies	Total
December 31, 2023				
Assets				
Cash and balances with Palestine Monetary Authority	38,882,337	282,027,726	1,748,373	322,658,436
Balances at banks and financial institutions	58,444,923	20,075,576	225,304	78,745,803
Direct Islamic financing	122,387,192	478,501,034	13,220,846	614,109,072
Financial assets at fair value through comprehensive income	6,198,858	-	162,335	6,361,193
Investments properties	1,780,817	-	-	1,780,817
Other assets	12,022,560	22,894,691	424,712	35,341,963
Total assets	239,716,687	803,499,027	15,781,570	1,058,997,284
Liabilities				
Banks and financial institutions' deposits	-	31,062,411	2,979,990	34,042,401
Customers' deposits	59,601,216	296,396,743	4,914,001	360,911,960
Cash margin	4,494,828	66,389,539	2,121,882	73,006,249
Other liabilities	1,636,287	14,109,845	36,141	15,782,273
Total liabilities	65,732,331	407,958,538	10,052,014	483,742,883
Unrestricted investment accounts	173,138,700	397,141,652	6,614,234	576,894,586
Total liabilities and unrestricted investment account	238,871,031	805,100,190	16,666,248	1,060,637,469
Statement of financial position concentration	845,656	(1,601,163)	(884,678)	(1,640,185)
Commitments and contingencies	21,316,338	33,885,254	(2,041,270)	53,160,322
	Equivalent to U.S. \$			
	JOD	ILS	Other currencies	Total
December 31, 2022				
Total assets	250,059,121	703,860,797	26,147,525	980,067,443
Total liabilities	45,061,331	301,608,213	16,375,835	363,045,379
Unrestricted investment accounts	205,271,991	403,195,631	9,554,554	618,022,176
Statement of financial position concentration	(274,201)	(943,047)	217,136	(1,000,112)
Commitments and contingencies	25,078,045	39,865,005	(2,401,494)	62,541,556

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, 2023 and 2022:

December 31, 2023	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	
	U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$	
	U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$	
Assets																
Cash and balances with Palestine Monetary Authority	254,778,741		13,770,679		-		-		-		-		104,890,763		373,440,183	
Balances at banks and financial institutions	49,135,440		38,024,570		22,130,655		-		-		-		-		109,290,665	
Investment at Islamic banks	-		-		5,998,443		-		-		-		-		5,998,443	
Direct Islamic financing	43,086,527		94,159,235		69,573,573		190,515,627		208,789,687		502,625,605		-		1,108,750,254	
Financial assets at fair value through other comprehensive income	-		-		-		-		-		-		9,501,058		9,501,058	
Financial assets at amortized cost	3,834,207		2,138,391		3,742,184		1,909,566		17,010,793		12,155,976		-		40,791,117	
Investment properties	-		-		-		-		-		-		24,776,440		24,776,440	
Property and equipment	-		-		-		-		-		-		19,701,588		19,701,588	
Projects in progress	-		-		-		-		-		-		1,052,091		1,052,091	
Right of use assets	-		-		-		-		-		-		5,293,641		5,293,641	
Deferred tax assets	-		-		-		-		-		-		9,570,383		9,570,383	
Intangible assets	-		-		-		-		-		-		1,545,353		1,545,353	
Other assets	10,812,479		7,054,889		7,356,622		3,434,877		-		-		-		28,658,867	
Total assets	361,647,394		155,147,764		108,801,477		195,860,070		225,800,480		514,781,581		176,331,317		1,738,370,083	
Liabilities, unrestricted investment accounts and equity																
Liabilities																
Istidama loans from the Palestinian Monetary Authority	-		-		-		-		5,519,687		-		-		5,519,687	
Palestinian Monetary Authority deposits	-		12,150,568		-		-		15,583,660		-		-		27,734,228	
Banks and financial institutions' deposits	42,315,583		4,401,245		2,987,336		6,092,526		2,565,245		-		-		58,361,935	
Customers' deposits	480,041,723		-		-		-		-		-		-		480,041,723	
Cash margin	-		11,631,311		34,225,184		38,716,478		23,357,839		548,661		-		108,479,473	
Sundry provisions	-		-		-		-		-		10,447,743		-		10,447,743	
Tax provisions	-		-		-		8,287,973		-		-		-		8,287,973	
Deferred tax liabilities	-		-		-		-		-		-		-		2,686,546	
Lease liabilities	-		-		-		-		-		-		5,662,659		5,662,659	
Other liabilities	-		223,488		7,649,586		5,699,917		-		-		126,285		14,435,511	
Total liabilities	523,093,541		28,406,612		44,862,106		58,796,894		47,026,431		10,996,404		8,475,490		721,657,478	
Unrestricted investment accounts	175,641,472		192,907,385		225,034,931		277,078,976		5,045,943		-		-		875,708,707	
Equity																
Paid-in share capital	-		-		-		-		-		-		101,119,252		101,119,252	
Statutory reserve	-		-		-		-		-		-		10,368,072		10,368,072	
General banking risk reserve	-		-		-		-		-		-		8,374,674		8,374,674	
Pro-cyclicality reserve	-		-		-		-		-		-		5,200,696		5,200,696	
Investment properties reserve	-		-		-		-		-		-		7,359,871		7,359,871	
Cumulative change in fair value	-		-		-		-		-		-		(1,369,860)		(1,369,860)	
Retained earnings	-		-		-		-		-		-		9,951,193		9,951,193	
Total equity	-		221,313,997		-		-		-		-		141,003,898		141,003,898	
Total liabilities, unrestricted investment accounts and equity	698,735,013		221,313,997		269,897,037		335,875,870		52,072,374		10,996,404		149,479,388		1,738,370,083	
Maturity gap	(337,087,619)		(66,166,233)		(161,095,560)		(140,015,800)		173,728,106		503,785,177		26,851,929		-	
Cumulative maturity gap	(337,087,619)		(403,253,852)		(564,349,412)		(704,365,212)		(530,637,106)		(26,851,929)		-		-	

December 31, 2022	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	
	U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$	
	U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$	
Assets																
Cash and balances with Palestinian Monetary Authority	278,284,812		16,737,732		-		-		-		-		126,922,614		421,945,158	
Balances at banks and financial institutions	42,265,403		32,708,037		19,036,383		-		-		-		-		94,009,823	
Investment at Islamic banks	-		-		5,997,515		-		-		-		-		5,997,515	
Direct Islamic financing	39,957,098		87,320,331		64,520,357		176,678,236		193,625,028		466,238,758		-		1,028,339,808	
Financial assets at fair value through other comprehensive income	-		-		-		-		-		-		4,649,976		4,649,976	
Financial assets at amortized cost	3,586,067		2,000,000		3,500,000		1,785,984		15,909,900		11,369,274		-		38,151,225	
Investment properties	-		-		-		-		-		-		22,930,742		22,930,742	
Property and equipment	-		-		-		-		-		-		20,620,587		20,620,587	
Projects in progress	-		-		-		-		-		-		6,033,023		6,033,023	
Right of use assets	-		-		-		-		-		-		346,288		346,288	
Deferred tax assets	-		-		-		-		-		-		5,012,089		5,012,089	
Intangible assets	-		-		-		-		-		-		1,366,517		1,366,517	
Other assets	4,286,772		2,781,498		2,900,461		1,354,253		-		-		-		11,322,984	
Total assets	368,380,152		141,547,598		95,954,716		179,818,473		209,534,928		477,608,032		187,881,836		1,660,725,735	
Liabilities, unrestricted investment accounts and equity																
Liabilities																
Istidama loans from the Palestinian Monetary Authority	-		-		-		-		-		-		-		8,201,758	
PMA deposits	-		15,593,985		-		-		20,000,000		-		-		35,593,985	
Banks and financial institutions' deposits	30,426,269		3,164,637		2,147,991		4,380,723		1,844,494		-		-		41,964,114	
Customers' deposits	394,988,407		-		-		-		-		-		-		394,988,407	
Cash margin	-		10,036,307		29,531,878		33,407,279		20,154,774		473,423		-		93,603,661	
Sundry provisions	-		-		-		9,681,011		-		-		-		9,681,011	
Tax provisions	-		-		-		6,948,648		-		-		-		6,948,648	
Deferred tax liabilities	-		-		-		-		-		-		2,587,652		2,587,652	
Lease liabilities	-		-		-		-		-		-		6,429,482		6,429,482	
Other liabilities	-		-		-		-		-		-		157,352		17,986,785	
Total liabilities	426,332,032		29,073,397		41,211,326		61,519,813		50,201,026		473,423		9,174,486		617,985,503	
Unrestricted investment accounts	181,206,904		199,019,910		232,165,460		285,858,591		5,205,830		-		-		903,456,695	
Equity																
Paid-in share capital	-		-		-		-		-		-		96,219,252		96,219,252	
Statutory reserve	-		-		-		-		-		-		9,816,101		9,816,101	
General banking risk reserve	-		-		-		-		-		-		8,374,674		8,374,674	
Pro-cyclicality reserve	-		-		-		-		-		-		4,113,369		4,113,369	
Investment properties reserve	-		-		-		-		-		-		7,088,707		7,088,707	
Cumulative change in fair value	-		-		-		-		-		-		(1,299,351)		(1,299,351)	
Retained earnings	-		-		-		-		-		-		14,970,785		14,970,785	
Total equity	-		228,093,307		-		-		-		-		139,283,537		139,283,537	
Total liabilities, unrestricted investment accounts and equity	607,538,936		228,093,307		273,376,786		347,378,404		55,406,856		473,423		148,458,023		1,660,725,735	
Maturity gap	(239,158,784)		(86,545,709)		(177,422,070)		(167,559,931)		154,128,072		477,134,609		39,423,813		-	
Cumulative maturity gap	(239,158,784)		(325,704,493)		(503,126,563)		(670,686,494)		(516,558,422)		(39,423,813)		-		-	

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, 2023:

<u>Description</u>	<u>Amount before discount rates / Average flows U.S. \$</u>	<u>Amount after discount rates / Average flows U.S. \$</u>
High quality liquid assets	653,799,187	608,103,379
Retail deposits including small and medium corporates:		
A- Less stable deposits	920,503,016	97,501,264
B- Term deposits with a maturity of more than 30 days	308,169,061	-
Other deposits and other unguaranteed financing for companies:		
A- Operational deposits	215,668,955	53,917,239
B- non-operational deposits	-	-
Guaranteed financing and deposits	215,668,955	53,917,239
Governmental Deposits	13,684,121	5,473,648
Palestine Monetary Authority Deposits	33,253,915	13,301,566
Bank Deposits	58,361,935	58,361,935
Other financial institutions deposits	6,204,750	2,481,900
Guaranteed financing and deposits	327,173,676	133,536,288
Non-cancelled credit lines and required liquidity within 30 days	5,849,201	292,460
Binding credit and liquidity facilities provided to other companies	2,893,679	2,893,679
Long Term	207,148,338	11,177,665
	1,771,736,97	
Gross cash outflows	1	245,401,356
Guaranteed Islamic financing	31,688,614	15,844,307
Gross cash inflow	31,688,614	15,844,307
Net cash outflow after adjustments		229,557,049
Total high-quality liquid assets after adjustments		608,103,379
Net cash outflow after adjustment		229,557,049
Liquidity coverage ratio (%)		%265

The table below shows the calculation of the mentioned ratio as of December 31, 2022:

<u>Description</u>	<u>Amount before discount rates / Average flows U.S. \$</u>	<u>Amount after discount rates / Average flows U.S. \$</u>
High quality liquid assets	503,354,295	485,821,578
Retail deposits including small and medium corporates:		
A- Less stable deposits	1,185,420,793	92,101,716
B- Term deposits with a maturity of more than 30 days	-	-
Other deposits and other unguaranteed financing for companies:		
A- Operational deposits	138,174,719	3,839,591
B- non-operational deposits	48,207,071	41,964,115
Guaranteed financing and deposits	186,381,790	45,803,706
Governmental Deposits	9,689,611	3,875,844
Palestine Monetary Authority Deposits	43,795,743	17,518,297
Bank Deposits	41,964,114	41,964,114
Other financial institutions deposits	5,278,283	2,111,313
Guaranteed financing and deposits	287,109,541	111,273,274
Non-cancelled credit lines and required liquidity within 30 days	42,039,680	30,799,166
Other potential future financing commitments	165,198,251	11,082,738
Gross cash outflows	494,347,472	153,155,178
Guaranteed Islamic financing	61,388,519	30,694,260
Gross cash inflow	61,388,519	30,694,260
Net cash outflow after adjustments		214,562,634
Total high-quality liquid assets after adjustments		485,821,578
Net cash outflow after adjustment		214,562,634
Liquidity coverage ratio (%)		%226

Net Stable Funding Ratio (NSFR)

During 2018, PMA issued instructions No. (5/2018) in regard of applying Net Stable Funding Ratio (NSFR), The table below shows the calculation of the mentioned ratio as of December 31, 2023:

Description	2023	2022
	U.S. \$	U.S. \$
Regulatory capital	139,942,771	133,189,248
Less stable retail deposits	1,105,994,358	1,067,370,646
Guaranteed and unguaranteed financing	117,778,913	103,313,983
Gross funding available	1,363,716,042	1,303,873,877
Level 1 unrestricted high liquidity assets	150,000	100,000
Level 2 unrestricted high liquidity assets	31,140,002	31,461,126
Level 3 unrestricted high liquidity assets	36,319,182	31,987,809
Islamic Financing	490,873,285	405,148,899
Housing loans	215,628,664	170,446,790
Deposits in other financial institutions	23,264,715	20,825,769
Financial assets issued or guaranteed by banks and financial institutions	-	-
Non-performing Islamic Financing	1,822,775	2,167,614
Other assets	90,632,750	67,632,229
Non-cancellable credit financing and line of credits	6,637,022	4,928,787
Future obligations	626,877	299,609
Other non contractual obligations	2,994,602	2,649,375
Off balance sheet exposures that are included in prior years	7,778	9,846
Gross funding required	900,097,652	737,657,853
Net Stable Funding Ratio (NSFR)	%152	%177

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	1,738,370,083
Regulatory amendments related to investments in banks, financial institutions, insurance companies and commercial entities grouped for accounting purposes, but outside the scope of regulatory aggregation.	8,905,223
Amendments related to derivatives exposures	46,689,192
Total Leverage Exposure Scale	1,793,964,498
First tranche of capital net capital	123,724,000
Leverage Ratio	%6.90

47. Fair value measurement

The fair value measurement hierarchy of the Bank's assets and liabilities as at December 31, 2023:

	<u>Date of measurement</u>	<u>Fair value measurement using</u>			
		<u>Total</u>	<u>Quoted prices</u>	<u>Significant</u>	<u>Significant</u>
			<u>in active</u>	<u>observable</u>	<u>unobservable</u>
			<u>markets</u>	<u>inputs</u>	<u>inputs</u>
		<u>(Level 1)</u>	<u>(Level2)</u>	<u>(Level3)</u>	
		<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Assets measured at fair value:</u>					
Financial asset at fair value through equity (Note 7):					
Quoted	December 31, 2023	6,198,858	6,198,858	-	-
Unquoted	December 31, 2023	3,302,200	-	-	3,302,200
Financial assets at amortized cost disclosed (Note 8)	December 31, 2023	39,796,369	39,796,369	-	-
Investment properties (Note 9)	December 31, 2023	24,776,440	-	-	24,776,440

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

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

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, 2023 and 2022:

	Carrying amount		Fair value	
	2023	2022	2023	2022
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Financial assets				
Cash and balances with Palestine Monetary Authority	373,440,183	421,945,158	373,440,183	421,945,158
Balances at banks and financial institutions	109,290,665	94,009,823	109,290,665	94,009,823
Investment at Islamic banks	5,998,443	5,997,515	5,998,443	5,997,515
Direct Islamic financing	1,108,750,254	1,028,339,808	1,108,750,254	1,028,339,808
Financial assets at fair value through equity:				
Quoted shares	6,198,858	1,398,873	6,198,858	1,398,873
Unquoted shares	3,302,200	3,251,103	3,302,200	3,251,103
Financial assets at amortized cost	40,791,117	38,151,225	39,796,369	38,136,875
Other assets	26,377,752	8,440,793	26,377,738	8,440,793
Total assets	1,674,149,472	1,601,534,298	1,673,154,710	1,601,519,948
Financial liabilities				
Istidama loans from Palestine Monetary Authority	5,519,687	8,201,758	5,519,687	8,201,758
Palestine Monetary Authority's deposits	27,734,228	35,593,985	27,734,228	35,593,985
Banks and financial institutions' deposits	58,361,935	41,964,114	58,361,935	41,964,114
Current accounts	480,041,723	394,988,407	480,041,723	394,988,407
Cash margins	108,479,473	93,603,661	108,479,473	93,603,661
Lease liabilities	5,662,659	6,429,482	5,662,659	6,429,482
Other liabilities	14,296,675	17,743,099	14,296,675	17,743,099
Total liabilities	700,096,380	598,524,506	700,096,380	598,524,506
Unrestricted investment accounts	875,708,707	903,456,695	875,708,707	903,456,695

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, 2023.

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	2023
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenue	21,738,345	51,127,450	12,098,422	992,068	85,956,285
ECL allowance on Islamic financing	(5,629,412)	(18,381,299)	100,907	(1,117,632)	(25,027,436)
Segment results					60,928,849
Unallocated expenses					(54,370,733)
Profit before taxes					6,558,116
Taxes expense					(1,038,410)
Profit for the year					5,519,706
Other information					
Total segment assets	296,540,353	812,209,901	539,021,466	90,598,363	1,738,370,083
Total segment liabilities and unrestricted investment accounts	1,201,298,977	262,930,926	91,615,850	41,520,432	1,597,366,185
Capital expenditures					4,691,690
Depreciation and amortization					4,656,339
	Retail	Corporate	Treasury	Others	2022
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenue	25,553,375	44,161,336	8,825,213	1,853,275	80,393,199
ECL allowance on Islamic financing	506,238	(8,442,641)	(1,521,767)	(221,022)	(9,679,192)
Segment results					70,714,007
Unallocated expenses					(48,795,691)
Profit before taxes					21,918,316
Taxes expense					(8,839,950)
Profit for the year					13,078,366
Other information					
Total segment assets	383,371,474	644,968,334	564,753,697	67,632,230	1,660,725,735
Total segment liabilities and unrestricted investment accounts	1,027,028,249	365,020,514	85,759,857	43,633,578	1,521,442,198
Capital expenditures					2,321,527
Depreciation and amortization					4,744,130

b. Geographical distribution information

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

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

	Local		Foreign		Total	
	2023	2022	2023	2022	2023	2022
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Total revenues	80,696,752	77,323,928	5,259,533	3,069,271	85,956,285	80,393,199
Total assets	1,625,078,390	1,526,662,119	113,291,693	134,063,616	1,738,370,083	1,660,725,735
Capital expenditures	4,691,690	2,321,527	-	-	4,691,690	2,321,527

50. Capital management

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

The Bank manages its capital structure and adjusts it in light of changes in business conditions. The Bank did not make any adjustments to objectives and policies related to the capital structure during the year, except for raising the paid-in share capital by U.S. \$ 4,900,000 during 2023, and U.S. \$ 4,500,000 during 2022.

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

	2023			2022		
	Amount	Percentage to assets	Percentage to risk - weighted assets	Amount	Percentage to assets	Percentage to risk - weighted assets
	U.S. \$	%	%	U.S. \$	%	%
Regulatory capital	139,942,771	8.05	13.55	133,189,248	8.02	14.42
Basic capital	123,724,000	7.12	11.98	118,453,640	7.14	12.82

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 2023 is computed in accordance with PMA instructions No. (8/2018) derived from Basel III international regulations, as shown in the following table:

	December 31, 2023
	U.S. \$
Net common stocks	101,119,252
The first bracket of capital	123,724,000
The second bracket of capital	16,218,771
Capital base	139,942,771
Credit risk	908,515,511
Market risk	-
Operational risk	124,030,751
Total risk weighted assets	1,032,546,262
	%
Percentage of common stocks (CET 1) to risk weighted assets	9.80
Percentage of the first bracket of capital to risk weighted assets	11.98
Percentage of the second bracket of capital to risk weighted assets	1.57
Percentage of the first bracket to assets	7.12
Percentage of regulatory capital to assets	8.05
Capital adequacy ratio	13.55

51. Legal cases against the Bank

In the normal course of business, the number of litigations filed against the Bank was (29) and (33) as at December 31, 2023 and 2022, respectively. The litigations filed against the Bank amounted to U.S. \$ 1,309,278 and U.S. \$ 371,900 as at December 31, 2023 and 2022, 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).

Management actions

In response to the war on the Gaza Strip, and from the first day, the Bank declared a state of emergency and activated its business continuity committee, which carried out several measures as follows:

- Identifying possible closure scenarios in the West Bank and Gaza Strip to ensure the continuity of the Bank's functions and defining responsibilities for emergency teams.
- Activating the business continuity committee for the Bank.
- Conducting a risk study and stressful scenarios for the following axes:
 1. Cash and liquidity
 2. Credit financing portfolio and provision for expected credit losses
 3. Non-financial assets
 4. Long-term risks
 5. Capital adequacy ratios
- Monitor and follow up the financial conditions of customers to determine the extent to which their operations and activities are affected by the current conditions and determine their financing needs.

Bank exposures in the Gaza Strip

The net book value of the Bank's assets in the Gaza Strip as at December 31, 2023 amounted to U.S. \$ 102,047,170 after deducting impairment provisions in the amount of U.S. \$ 32,733,946. 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 continuation of the war on Gaza Strip.

Cash in vaults:

As of December 31, 2023, the total cash held in the vaults of the Bank's branches in the Gaza Strip was U.S. \$ 38,636,525. Due to the ongoing war, the Bank's management has been unable to perform a physical count of this cash. As of the financial statement's issuance date, no new information has been received by the management about potential damage to cash in vaults in the Gaza Strip, cash losses largely depend on the unpredictable development of the situation in the Gaza Strip. Management is actively monitors the developments and taking feasible steps to safeguard the cash held in the Gaza Strip.

Liquidity:

Management has conducted a thorough review of the Bank's current and anticipated liquidity ratios, continuity plans, and stress tests in response to evolving conditions. The Bank consistently tracks its liquidity status to maintain adequate levels to meet forecasted demands and sustain operations.

As of December 31, 2023, the proportion of liquid assets (including cash in safes at West Bank branches and net available balances with banking institutions) was 33% of the total customer deposits. The liquidity coverage ratio (LCR) and the net stable financing ratio (NSFR) are higher than the ratios set by the Palestine Monetary Authority as disclosed in Note (46).

Provision for expected credit losses:

The Bank carried out a study of the sectors impacted by the war, net direct credit financing in the Gaza Strip amounted to U.S. \$ 61,066,819 after deducting expected credit loss provision in the amount of U.S. \$ 31,809,925.

The Bank assessed its borrowers looking for indications of inability to pay, considering the underlying cause of any financial difficulty, and whether it is likely to be temporary as a consequence of the war or as a long-term financial difficulty. The Bank also updated the macroeconomic factors in addition to changing the weighted probabilities of the macroeconomic scenarios by assigning higher weight for the worst-case scenario. These changes lead to an increase in the provision of expected credit losses. The Bank also classified the portfolio of credit financing in Gaza Strip, Palestinian labor in Israel, and sectors most affected by the war, within stage 2 and 3 for the purpose of calculating expected credit losses taking into account the requirements of the Palestine Monetary Authority in particular, in addition to taking additional measures, more conservative scenarios, and individual assessments for many accounts.

Property, plant and equipment:

As of December 31, 2023, the net book value of property, plant and equipment located in Gaza Strip amounted to U.S. \$ 1,443,585. Management has not received any new information regarding damage to these fixed assets, potential impairment losses depend mainly on how the situation in the Gaza Strip evolves and cannot be predicted at this time.

Operational risks:

As at the date these financial statements were issued, the Bank's four branches in the Gaza Strip have been closed since the beginning of the war on October 7, 2023. The Bank believes that it has sufficient financial resources to continue its business in the West Bank by taking the necessary measures to adapt to emerging changes and ensure the Bank's ability to continue through the implementation of continuity plans. The Bank has activated business continuity plans to operate the Bank's branches in the West Bank, including feeding ATMs.

As a result, the effects of this ongoing war on the Bank remain uncertain and cannot be precisely predicted at this time. Management is actively monitoring this event and assessing its impact on the Bank's financial position. Management believes that there are no substantial doubts about the Bank's ability to continue its operations.

