PALESTINE ISLAMIC BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2024

STATEMENT OF FINANCIAL POSITION
As at December 31, 2024

	Notes	December 31, 2024 U.S. $	December 31, 2023 U.S. $
Assets			
Cash and balances with Palestine Monetary Authority	3	348,635,863	349,972,820
Balances at banks and financial institutions	4	138,249,659	67,474,125
Direct Islamic financing	5	940,177,188	984,828,284
Financial assets at fair value through profit or loss	6	1,343,865	1,634,979
Financial assets at fair value through other comprehensive income items	7	64,990,636	45,965,003
Financial assets at amortized cost	8	22,214,807	26,007,720
Investment in associates	9	11,526,690	11,385,844
Investment properties	10	8,567,919	10,429,797
Property, plant and equipment	11	30,912,066	29,646,128
Projects in progress	12	404,106	3,001,416
Right-of-use assets	13	4,314,210	5,111,907
Deferred tax assets	20	15,328,327	11,621,992
Intangible assets	14	1,602,079	1,673,691
Other assets	15	11,298,083	20,523,849
Total assets		1,599,565,498	1,569,277,555
Liabilities, quasi-equity and equity			
Liabilities			
Banks and financial institutions’ deposits	16	56,235,252	22,325,170
Customers’ deposits	17	391,380,081	340,586,811
Cash margins	18	77,439,514	75,491,965
Sundry provisions	19	11,851,062	11,733,517
Tax provisions	20	457,210	9,611,575
Lease liabilities	21	4,508,073	5,234,203
Other liabilities	22	40,838,268	36,361,849
Total liabilities		582,709,460	501,345,090
Quasi-equity			
Participatory investment accounts	23	868,782,281	919,896,457
Equity			
Paid-in share capital	1	100,000,000	100,000,000
Additional paid-in capital		3,200,000	3,200,000
Statutory reserve	24	13,726,646	13,625,739
General banking risk reserve	24	4,384,678	4,384,678
Pro-cyclicality reserve	24	6,023,917	6,023,917
Investment properties reserve	10	328,902	301,798
Cumulative change in fair value	7	(1,042,109)	(43,686)
Retained earnings		21,451,723	20,543,562
Net equity		148,073,757	148,036,008
Total liabilities, quasi-equity and equity		1,599,565,498	1,569,277,555
Contingent liabilities and commitments	36	65,055,407	97,792,036

The accompanying notes from 1 to 51 are an integral part of these financial statements.

INCOME STATEMENT
For the year ended December 31, 2024

	Note	2024 U.S. $	2023 U.S. $
Revenues			
Net income from financing activities	25	53,770,750	60,145,543
Net income from investing activities	26	8,143,392	5,648,114
Net income from financing and investing activities		61,914,142	65,793,657
Fees and commissions income	28	9,809,978	11,242,915
Fees and commissions expense	28	(2,194,014)	(3,207,932)
Net fees and commissions income		7,615,964	8,034,983
Foreign currency exchange gains		2,621,648	3,239,375
Bank's share of the associates' results of operations	9	521,249	219,663
Other revenues	29	2,259,459	2,731,233
Gross revenues		74,932,462	80,018,911
Expenses			
Personnel expenses	30	(22,141,900)	(21,081,416)
Other operating expenses	31	(13,057,372)	(14,403,771)
Depreciation and amortization	11, 13 & 14	(4,576,847)	(4,548,844)
Finance costs on lease liabilities	21	(136,395)	(151,877)
Palestine Monetary Authority penalties	33	(50,000)	(52,313)
Gross expenses		(39,962,514)	(40,238,221)
Impairment losses, net	32	(26,461,987)	(25,984,664)
Net profit for the year before tax and attribution to quasi-equity		8,507,961	13,796,026
Less: Net profit attributable to quasi-equity holders	27	(7,479,099)	(7,003,755)
Profit before taxes		1,028,862	6,792,271
Taxes expense	20	(19,794)	(1,946,252)
Profit for the year		1,009,068	4,846,019
Basic and diluted earnings per share of the profit for the year	38	0.01	0.05

STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2024

	Notes	2024	2023
		U.S. $	U.S. $
Profit for the year		1,009,068	4,846,019
Other Comprehensive Income Items:			
Items that will be reclassified to income statement in subsequent periods:			
Change in fair value of debt instruments through other comprehensive income items		(313,657)	384,908
Gains from the valuation of investment properties	10	294,011	-
Deferred taxes	22	(78,560)	-
		(98,206)	384,908
Items that will not be reclassified to income statement in subsequent periods:			
Change in fair value of financial assets through other comprehensive income items		(763,613)	(656,030)
Bank's share of the associate companies' other comprehensive income items	9	78,847	-
		(684,766)	(656,030)
Net other comprehensive income items		(782,972)	(271,122)
Net comprehensive income for the year		226,096	4,574,897

STATEMENT OF INCOME AND ATTRIBUTION RELATED TO QUASI-EQUITY

For the year ended December 31, 2024

	Notes	2024	2023
		U.S. $	U.S. $
Net profit for the period before tax and net profit attributable to quasi-equity		8,507,961	13,796,026
Less: Income not attributable to quasi-equity		(12,788,720)	(16,048,531)
Add: Expenses not attributable to quasi-equity		44,670,756	43,065,232
Net profit attributable to quasi-equity before Bank's Mudaraba income		40,389,997	40,812,727
Less: Mudarib's share		(39,359,105)	(40,123,540)
Add: Support provided by the bank		6,448,207	6,314,568
Net profit attributable to quasi-equity holders	27	7,479,099	7,003,755

The accompanying notes from 1 to 51 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2024

			Reserves						
	Paid-in share capital	Additional paid-in capital	Statutory	General banking risk	Pro-cyclicality	stment prope	Cumulative change in fair value	Retained earnings	Net equity
December 31, 2024	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, as at January 1, 2024	100,000,000	3,200,000	13,625,739	4,384,678	6,023,917	301,798	(43,686)	20,543,562	148,036,008
Profit for the year	-	-	-	-	-	-	-	1,009,068	1,009,068
Other comprehensive income items	-	-	-	-	-	215,451	(998,423)	-	(782,972)
Total comprehensive income for the year	-	-	-	-	-	215,451	(998,423)	1,009,068	226,096
Transfers to reserves	-	-	100,907	-	-	-	-	(100,907)	-
Investment properties reserve recognized in the income statement (note 10)	-	-	-	-	-	(188,347)	-	-	(188,347)
Balance, as at December 31, 2024	100,000,000	3,200,000	13,726,646	4,384,678	6,023,917	328,902	(1,042,109)	21,451,723	148,073,757

			Reserves						
	Paid-in share Capital	Additional paid-in capital	Statutory	General banking risk	Pro-cyclicality	Investment properties	Cumulative change in fair value	Retained earnings	Net equity
December 31, 2023	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance, as at January 1, 2023	90,000,000	3,200,000	13,141,137	4,384,678	11,023,917	301,798	227,436	26,182,145	148,461,111
Profit for the year	-	-	-	-	-	-	-	4,846,019	4,846,019
Other comprehensive income items	-	-	-	-	-	-	(271,122)	-	(271,122)
Total comprehensive income for the year	-	-	-	-	-	-	(271,122)	4,846,019	4,574,897
Transfers to reserves	-	-	484,602	-	-	-	-	(484,602)	-
Stock dividends (note 34)	10,000,000	-	-	-	(5,000,000)	-	-	(5,000,000)	-
Cash dividends (note 34)	-	-	-	-	-	-	-	(5,000,000)	(5,000,000)
Balance, as at December 31, 2023	100,000,000	3,200,000	13,625,739	4,384,678	6,023,917	301,798	(43,686)	20,543,562	148,036,008

The accompanying notes from 1 to 51 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2024

	Note	2024 U.S. $	2023 U.S. $
Operating activities			
Profit before taxes		1,028,862	6,792,271
Adjustments for:			
Losses from revaluation of financial assets at fair value through profit or loss		291,114	220,028
Impairment losses, net		22,683,175	25,984,664
Sundry provisions		3,548,294	2,404,738
Depreciation and amortization		4,576,847	4,548,844
Bank's share of the associate companies' results of operations		(521,249)	(219,663)
Cash dividends		(376,587)	(502,116)
Gains from sale of investment properties		(405,807)	(432,596)
(Gains) losses from disposal of lease liabilities and plant and equipment		(7,459)	103,013
Amortization of net discount and premium on financial assets at amortized cost and at fair value through other comprehensive income items		(473,239)	(170,629)
Finance costs paid on lease liabilities		136,395	151,877
Other non-cash items		604,562	429,519
		31,084,908	39,309,950
Changes in assets and liabilities:			
Statutory cash reserve		13,875,988	27,688,328
Restricted balances with Banks and financial institutions		477,960	(56,641)
Deposits at banks and financial institutions maturing within a period of more than three months		(7,052,186)	16,052,186
Banks and financial institutions deposit maturing within a period of more than three months		-	(25,000,000)
Direct Islamic financing		24,510,595	(109,046,218)
Other assets		9,465,766	(8,447,915)
Customers' deposits		50,793,270	45,515,192
Cash margins		1,947,549	8,371,484
Other liabilities		4,599,191	8,908,321
Net cash flows from operating activities before provisions and paid taxes		129,703,041	3,294,687
Taxes paid		(13,485,056)	(4,343,273)
Sundry provisions paid		(3,430,749)	(1,882,491)
Net cash flows from (used in) operating activities		112,787,236	(2,931,077)
Investing activities			
Purchase of property, plant and equipment and intangible assets		(1,751,438)	(6,342,149)
Sale of property, plant and equipment		12,040	-
Projects in progress additions		(1,476,152)	(3,210,017)
Cash dividends received from associates		459,250	417,501
Cash dividends received		376,587	502,116
Matured financial assets at amortized cost		3,820,874	5,641,749
Purchase of financial assets at amortized cost		–	(9,873,060)
Sale of investment properties		1,078,043	250,061
Purchase of investment properties		-	(1,473,589)
Matured financial assets at fair value through other comprehensive income items		3,000,000	7,000,000
Purchase of financial assets at fair value through other comprehensive income items		(22,705,233)	(27,024,074)
Net cash flows used in investing activities		(17,186,029)	(34,111,462)
Financing activities			
Cash dividends paid		(195,158)	(4,814,009)
Lease liabilities paid		(1,215,682)	(1,328,865)
Participatory investment accounts		(51,114,176)	45,478,956
Net cash flows (used in) from financing activities		(52,525,016)	39,336,082
Increase in cash and cash equivalents		43,076,191	2,293,543
Cash and cash equivalents, beginning of the year		184,733,366	182,439,823
Cash and cash equivalents, end of the year	37	227,809,557	184,733,366

The accompanying notes from 1 to 51 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

1. General

Palestine Islamic Bank P.L.C. (the Bank) was incorporated in Gaza City on December 16, 1995 in accordance with the Companies Law of 1929 and was registered under registration number (563200922).

The Bank commenced operations in early 1997. The Bank is licensed to provide banking services, financing, trading and investing activities in accordance with the directives of the Islamic Shari'a Rules through its headquarters in Ramallah and its twenty-four branches and nineteen offices that are spread through Palestine.

The Bank's operations are subject to the supervision of Shari'a Supervisory Board (the Board), consisting of three members appointed by the General Assembly of the Bank. 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 Bank carries out banking, financial, commercial and investment activities in accordance with Islamic Shari'a Rules. During 2022, its paid-in share capital increased to U.S. $ 90,000,000, and during the year 2023, the Bank's paid-in share capital was increased to U.S. $ 100,000,000 through stock dividends. In addition, the General Assembly also approved authorizing the Board of Directors to increase the Bank's capital by U.S. $ 10,000,000 within a period not exceeding five years; in one payment or in stages. Hence, the Bank's capital after the increase would become U.S. $ 110,000,000. The Board of Directors was authorized to choose the implementation mechanism and take decisions to determine the mechanism, method of coverage, and timing of the increase at each stage. Subsequent to the date of the Bank's financial statements, the Bank's Board of Directors approved in the meeting number (1/2025) held on February 18, 2025, the increase of capital by U.S. $ 6,000,000 through a secondary subscription.

The total number of the Bank's staff is (657) and (721) as at December 31, 2024 and December 31, 2023, respectively.

The financial statements were authorized for issuance by the Bank's Board of Directors on March 9, 2025.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Financial Accounting and Auditing Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), 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 Bank follows the gradation of Shariah principles and regulations as defined in paragraph 165 of Financial Accounting Standard No. 1 "Overview and Disclosures of Financial Statements".

The financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income items, and 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, 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 Significant accounting policies

The accounting policies adopted in the preparation of the Banks financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2023, except for the adoption of the following amendments effective starting from January 1, 2024. The adoption of these amendment has no material impact on the Bank's financial statements. The Bank did not apply early adoption to any standards, amendments and interpretations issued but not yet effective.

FAS (1) (Revised 2021) - General presentation and disclosures in the Financial Statements

AAOIFI has issued a revised FAS (1) in 2021. The revised FAS (1) supersedes the earlier FAS (1) General Presentation and Disclosures in the Financial statements of Islamic Banks and Financial Institutions and introduces the concepts of quasi-equity, off-balance-sheet asset under management and other comprehensive income to enhance the information provided to the users of the financial statements. The Bank has adopted the standard and applied changes in certain presentation and disclosures in the financial statements for the year. The adoption of this standard did not have any significant impact on recognition and measurement.

Some of the significant revisions to the standard are as follows:

1. Revised conceptual framework is now an integral part of the AAOIFI FASs;
2. Definition of quasi-equity is introduced as a broader concept that will include the "unrestricted investment accounts" and other transactions under similar structures. Similarly, the wider term of "off-balance sheet assets under management" is now being used instead of "restricted investment accounts";
3. Definitions have been modified and improved;
4. Concept of comprehensive income has been introduced, with the option to prepare one statement that is a combination of statement of income and statement of other comprehensive income, or to prepare the two statements separately. The Group elected to prepare the two statements separately;
5. Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
6. Disclosure of Zakah and Charity have been relocated to the notes to the financial statements;
7. True and fair override has been introduced;
8. Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
9. Disclosures of related parties, subsequent events and going concern have been improved;
10. Improvement in reporting for foreign currency and segment reporting; and
11. Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to Islamic banks and similar IFIs and third part prescribes the authoritative status, effective date and amendments to other AAOIFI FASs.

FAS 40 - Financial Reporting for Islamic Finance Windows

AAOIFI has issued FAS 40 in 2021. The objective of this revised standard is to establish financial reporting requirements for Islamic finance windows and applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window. This standard improves upon and supersedes FAS 18 "Islamic Financial Services Offered by Conventional Financial Institutions".

The adoption of this standard did not have any significant impact on the Bank's financial statements.

FAS (44) – Determining Control of Assets and Business

FAS (44) aims to establish principles for assessing whether the Bank controls assets and business projects, whether in the case of assets subject to a contract based on a participatory structure (so as to determine whether they are on or off-balance sheet) as well as to enforce the consolidation of the financial statements of subsidiaries.

The adoption of this standard did not have any significant impact on the Bank's financial statements.

New standards, amendments and interpretations issued and not yet effective

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

FAS (45) – Quasi-Equity (Including Investment Accounts)

AAOIFI has issued FAS 45 in 2023. This standard prescribes the principles of financial reporting related to the participatory investment instruments (including investment accounts) in which an Islamic financial institution controls the underlying assets (mostly, as a working partner), on behalf of the stakeholders other than the owners' equity. Such instruments (including, in particular, the unrestricted investment accounts) normally qualify for on-balance-sheet accounting and are reported as quasi-equity. This standard also provides the overall criteria for on-balance-sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure of quasi-equity. It further addresses financial reporting related to other quasi-equity instruments and certain specific issues.

The concept of quasi-equity has been introduced in FAS 1 "General Presentation and Disclosures in the Financial Statements" (Revised 2021).

This standard shall be effective for the financial reporting periods beginning on or after January 1, 2026.

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

FAS (46) - Off-Balance-Sheet Assets Under Management

AAOIFI has issued FAS 46 in 2023. This standard prescribes the criteria for characterization of off-balance sheet assets under management, and the related principles of financial reporting in line with the "AAOIFI Conceptual Framework for Financial Reporting". The standard encompasses the aspects of recognition, derecognition, measurement, selection and adoption of accounting policies, related to off-balance sheet assets under management, as well as certain specific aspects of financial reporting such as impairment and onerous commitments by the institution. The standard also includes the presentation and disclosure requirements particularly aligning the same with the requirements of the revised FAS (1) "General Presentation and Disclosures in the Financial Statements" in respect of the statement of the changes in off-balance sheet assets under management. This standard, along with, FAS (45) "Quasi-Equity (Including Investment Accounts)", supersedes the earlier FAS (27) "Investment Accounts".

This standard shall be effective for the financial periods beginning on or after 1 January 2026 and shall be adopted at the same time of adoption of FAS (45) – Quasi-Equity (Including Investment Accounts).

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

FAS (47) – Transfer of Assets between Investment Pools

AAOIFI has issued FAS (47) in 2023. This standard prescribes the financial reporting principles and disclosure requirements applicable to all transfers between investments pools related to (and where material, between significant categories of) owners' equity, quasi equity and off-balance sheet assets under management of an institution. It requires adoption and consistent application of accounting policies for such transfers in line with Shari'ah principles and rules and describes general disclosure requirements in this respect.

This standard shall be effective for the financial periods beginning or after 1 January 2026 and supersedes the earlies FAS (21) "Disclosure on Transfer of Assets".

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

FAS 48 – Promotional Gifts and Prizes

AAOIFI has issued FAS 48 in 2024. This standard prescribes accounting and financial reporting principles for recognition, measurement, presentation and disclosures applicable to promotional gifts and prizes awarded by the Islamic financial institutions to their customers, including quasi-equity and other investment accountholders.

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

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

FAS 49 – Financial Reporting for Institutions Operating in Hyperinflationary Economies

AAOIFI has issued FAS 49 in 2024. This standard outlines the principles governing financial reporting, including accounting treatments, presentation of financial statements and necessary disclosures for institutions applying AAOIFI Financial Accounting Standards (FAS), operating within hyperinflationary economies. This standard is developed taking into account the applicable Shari'ah principles and rules, as well as, the unique business models of such institutions while stipulating appropriate principles of financial reporting. The standard also prescribes a definition of a hyperinflationary economy and provides guidance on as to how to determine whether an economy qualifies as hyperinflationary. This standard shall be effective for the financial periods beginning on or after 1 January 2026.

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

FAS 50 – Financial Reporting for Islamic Investment Institutions (Including Investment Funds)

AAOIFI has issued FAS 50 in 2024. This standard outline financial reporting principles applicable to the Islamic investment institutions (IIIs). In particular, it emphasises on bringing harmony and standardisation with regard to the form and contents of the financial statements of IIIs. This standard prescribes the overall requirements for the presentation, minimum contents and recommended structure of their financial statements in a manner that facilities truthful and fair presentation in line with Shari'ah principles and rules.

This standard shall be effective for the annual financial statements of an III beginning on or after 1 January 2027 and is not expected to have a material impact on the Bank when implemented.

2.3 Segments information

A business segment consists of assets and operations providing goods or services that are exposed to risks and returns different from those of other business segments.

A geographic segment relates to goods or services within a specific economic environment that are exposed to risks and returns different from those of other segments working in other economic environments.

Material accounting policy information

Revenues and expenses recognition

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

Income from Islamic financing is recognized based on the accrual basis of accounting and using the effective profit method. 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:

1- The financial assets is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

2- 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 that meets the amortized cost criteria as at FVTPL.

Upon initial recognition, the Bank classifies equity instruments at fair value through profit or loss except for investments that are not held for trading for which the Bank can classify it at fair value through other comprehensive income (FVOCI).

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

Dividends from investments in financial assets are recognized when the right of the payment has been 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 FVOCI 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, FVOCI instruments are subsequently measured at fair value with gains or losses arising due to changes in fair value recognized at OCI in the fair value reserve. When the Bank decided to dispose of such instruments, gains or losses recorded previously in the fair value reserve are reclassified directly to retained earning not through profit or loss.

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

The Bank classifies debt instruments at FVOCI when both of the following conditions are met:

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

2- The contractual terms of the financial asset meet the SPPI testing.

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

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

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

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

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

Impairment of financial assets

Overview of the ECL principles

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

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

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 the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

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, 2 and 3, as described below:

Stage (1)	Financial instruments whose credit risk has not significantly increased since their initial recognition and which has not been impaired since being granted, the Bank has recorded a provision for impairment of ECL over a period of 12 months.
Stage (2)	Financial instruments whose credit risk has significantly increased since their initial recognition and which has not been impaired since being granted, the Bank recorded a provision for impairment of ECL over the life of the financial instruments.
Stage (3)	Financial instruments that considered credit-impaired. The Bank records a provision for impairment of ECL over the life of the financial instruments.

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.

<u>The calculation of ECLs</u>

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 profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit 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, an upside and a mild downside). Each of these is associated with different 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 an Islamic financing 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 financial assets. 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.
Contingent liabilities and commitments	When estimating LTECLs for undrawn commitments, the Bank estimates the expected portion of the 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 commitments 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.

Forward looking information

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

- GDP growth
- Inflation rates

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

Collateral valuation

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

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 methods. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers.

Repossessed collaterals

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value of the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date, in line with the Bank's policy.

In its normal course of business, the Bank engages external agents to recover funds from repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customer/ obligators. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are recorded in other revenues.

Forborne and modified Islamic financing

The Bank sometimes makes concessions or modifications to the original terms of Islamic financing as a response to the customer financial difficulties, rather than taking possession or to the otherwise enforce collection of collateral. The Bank considers a forborne when such concessions or modifications are provided as a result of the customer present or expected financial difficulties. Conditions may include extension of payments or agreement on new financing terms. It is the Bank's policy to monitor forborne Islamic financing to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between stage (2) and stage (3) are determined on a case-by-case basis.

Islamic financing

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

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

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

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

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

Return on participatory investment accounts

Returns are distributed to participatory investment accounts according to the Bank's policy, after deducting the Bank's share as a Mudarib according to predetermined rates.

Profits from jointly financed Islamic financing and investments are distributed from participatory investment accounts and the Bank's own sources according to the average monthly balances of such investments. The distribution for all currencies is as follows:

	Deposits' share in profits		Bank's share		Participatory investment accounts' share	
	2024	2023	2024	2023	2024	2023
	(%)	(%)	(%)	(%)	(%)	(%)
Saving deposits	40	40	85	85	15	15
Cash margins sharing profits	40	40	70	70	30	30
Deposits maturing within 1 month	40	40	70	70	30	30
Deposits maturing within 3 months	40	40	70	70	30	30
Deposits maturing within 6 months	65	65	65	65	35	35
Deposits maturing within 1 year	75	75	35	35	65	65
Annual Islamic deposit certificates	75	75	35	35	65	65

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

Finance Contracts

Finance contracts are recorded at cost after deducting suspended profits and the provision for doubtful Islamic financing (net amount).

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

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

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 profit). The Bank applies a binding promise in accordance with standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

Ijara contracts

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 owning the leased asset.

Ijara muntahia bittamleek: are lease contracts that end with the lessee owning the leased asset and take several forms in accordance with the Financial Accounting and Auditing Standards for Islamic Financial Institutions.

Ijara assets net of provision for doubtful Islamic financing and suspended profits are recorded at cost including direct cost to make ready for intended use. 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 buyer's specifications, for the right price and in a manner agreed upon payment, whether paid in advance or by installments or deferring payment to a specific date in the future. Istisna'a is recorded at fair value after deducting the suspended profits and provision for doubtful Islamic financing.

Musharaka

Musharaka is when the Bank and the customer contribute capital in equal or different amounts 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 provision for doubtful 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 net suspended profits and provision for doubtful Islamic financing.

Musawama

Musawama is a contract to sell a commodity to the Bank's customer (the buyer) at a specified increase over cost after specifying this increase (Murabaha profit) where the Bank's capital does not appear to the buyer. The Bank applies the principal of binding promises in Musawama contracts in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

Tawaroq

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.

Bad debts without a provision

Islamic financing related to died owners with insufficient guarantees are written off.

<u>Financial assets investments</u>

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 follows:

<u>Financial assets at fair value</u>

They are equity instruments and financial derivatives that are recognized at FVTPL. The entity can irrevocably elect to designate equity instruments not held for trading through other comprehensive income items.

If the Bank elects to designate equity instruments at fair value through other comprehensive income items (FVOCI), the Bank recognizes change in fair value in a special account in equity. Where the asset is disposed of, the gain or loss is reclassified to the income statement.

Dividends on these investments in equity instruments are recognized in the income statement when the Bank’s right to receive the dividends is established.

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 profit 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 or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or Liability.

The principal or the most advantageous market must be accessible to by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best profit.

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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.

Investment in associates

Investment in an associate is accounted for using the equity method. An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, investment in an associate is carried in the statement of financial position at cost plus post acquisition changes in Bank's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Bank's share in associate's results is recorded in the income statement. Unrealized gains and losses resulting from transactions between the Bank and its associate are eliminated to the extent of its profit in the associate.

The reporting dates of the associates and the Bank are identical and the associates' accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Bank determines whether there is objective evidence that the investments in the associates are impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amounts of the associates their carrying value, then recognizes the difference in the income statement.

Investments properties

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

Property, plant and equipment

Property, plant 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, plant 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 as following:

	Useful life (Years)
Real estate	33
Furniture, equipment, and leasehold improvements	6-16
Motor vehicles	6
Computers	5

An item of Property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the 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.

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.

Projects in progress

Projects in progress represent all the cost related to preparing branches and offices, development costs of the new banking system and other projects not completed as of the date of the financial statements. Upon completion of each project it’s transferred to the Property, plant and equipment or intangible assets.

A decrease in the carrying amount of projects in progress is carried out when there is evidence that the carrying amount of such projects cannot be recovered. If such indicators exist, the carrying amount of the projects is reduced to the expected 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 during the period in which the expenditure incurred.

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

Intangible assets comprise computer software. Bank’s management estimates the useful lives of the intangibles. Intangibles are amortized using the straight-line method based on the expected useful life of 5 years.

Earnings prohibited by Sharia’

The Bank records earnings prohibited by Sharia’ 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 Sharia’ Supervisory Board.

Zakat

According to the Bank's articles of association, the Bank's shareholders are responsible to pay their zakat.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment in the value of financial assets

An assessment is made at the date of the financial statements to determine whether there is an objective evidence for specific financial assets impairment. If such evidence exists, any impairment loss is recognized in the income statement.

Equity instruments classified as financial assets at fair value through statement of comprehensive income – the objective evidence includes a significant or prolonged decline in value. The materiality of the decrease is measured by reference to the original cost of the investment, and the length of the decline is measured by reference to the period during which the fair value has been below its original value. The decrease represents the difference between the original cost and the fair value, after downloading any previously recognized impairment loss in the income statement.

Debt instruments classified as financial assets at amortized cost - the decrease represents the difference between the amortized cost and the fair value, net of any previously recognized impairment loss in the income statement.

Provisions

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

Taxes provisions

The Bank deducts tax provisions in accordance with International Accounting Standard No. (12) and the tax rates determined in accordance with the laws, regulations and instructions in force in Palestine.

IAS (12) recognizes temporary differences in time as at the balance sheet date, as deferred taxes. As a result, the Bank may have deferred tax assets or liabilities.

Deferred taxes are taxes expected to be paid or recovered as a result of temporary differences in time between the value of assets or liabilities in the financial statements and the amount on which the taxable profit is calculated. Deferred taxes are accounted for using the liability method of the statement of financial position. Deferred taxes are accounted for in accordance with the tax rates expected to be applied when the tax liability is settled, or the deferred tax asset is realized.

Taxable profits are calculated on the basis of taxable profits. The taxable profits differ from the profits declared in the financial statements because the declared profits include non-taxable income or non-deductible expenses in the financial period but in subsequent years or cumulative taxable losses or items not subject to Acceptable for tax purposes.

Deferred tax assets and 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.

Provision for employees' indemnity

Provision for employee's end of service benefits is provided for in accordance with the labor law prevailing in Palestine and the Bank's human resources policies. The current law obliges the employer to settle the end of service benefits for the periods preceding the application of the provisions of the Law.

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 profit 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 profit 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.

Significant judgement in determining the lease term of contracts with renewal options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has the option, under some of its leases to lease the assets for additional terms. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank included the renewal period as part of the lease term due to the significance of these assets to its operations. These leases are considered to have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Capital cost

Cost arising from the issuance or purchase of the Bank's shares are charged to retained earnings (net of the tax effect of these costs if any). If the shares issuance or purchase process is incomplete these costs are recorded as expenses in the consolidated statement of income.

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 the statutory reserve, restricted balances at PMA, 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 denominated 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 denominated in foreign currencies are translated using the exchange rates prevailing at the date of determining their fair value.

Any foreign currency exchange gains or losses are recognized in the income statement.

Use of estimates

The preparation of financial statements requires to use estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosures in the financial statements. Because of the use of these estimates and assumptions, actual results may differ from estimates and may require an adjustment to the carrying amount of assets or liabilities in the future.

Details of the Bank's significant judgments are as follows:

Fair value of Investment properties

Investment properties are appraised by using real estate appraisers registered at Palestine Capital Market Authority.

Provision for legal cases

Provision for legal cases is established to provide for legal obligations, if any, based on the opinion of the Bank's lawyer.

Provisions for employees' indemnity

The Bank's management uses certain estimates to determine the amount of employees' indemnity. The Bank's management believes that these estimates and assumptions are reasonable.

The useful lives of tangible and intangible assets

The Bank's management reassess the useful lives of tangible and intangible assets and adjusts them, if necessary, at the end of each financial year.

Income tax Provision

The Bank's management uses certain estimates to determine the amount of the income tax provision. The Bank's management believes that these estimates and assumptions are reasonable.

Determine the lease term for contracts with renewal and termination options

The Bank defines the lease term as the non-cancelable lease term, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

<u>Fair value of financial instruments</u>
The determination of the ECL provision expected from the Banks's management requires significant judgment and assumption to estimate the amounts and timing of future cash flows, as well as any significant increase in the credit risk of financial assets after its initial recognition and taking into account future measurement information for ECL.

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

<u>Provision for expected credit losses</u>
Financial assets are assessed for impairment on the basis described in the "Impairment of financial assets" section.

The determination of expected credit losses (ECL) provision require the management of the Bank to make judgments and assumption to estimate the amounts and timing of future cash flows, as well as an estimate of any significant increase in the credit risk of financial assets after initial recognition, and taking into account future measurement information for expected credit losses.

The Bank's policy of identifying the common elements (s) on which credit risk and ECL are measured on an individual basis are based on the following:

- Retail Portfolio: individual basis at facility level/customer
- Corporate Portfolio: individual basis at facility level/customer
- Banks Portfolio: individual basis at facility level /bank
- Debt instruments measured at amortized cost (sukuk): individual basis at debt instrument level.

<u>Going concern principle</u>

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

<u>Inputs, assumptions and techniques used for ECL calculation – Islamic Financial Reporting Standards (30) and IFRS (9) methodology</u>
Key concepts that have the most significant impact and require a high level of judgment, as considered by the Bank while determining the impact assessment, are:

- **Assessment of significant increase in credit risk (SICR)**

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

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

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- FAS (30) and IFRS 9 (Financial Instruments) includes a presumption of a significant increase in credit risk for financial instruments that have defaulted and matured for more than 30 days. In this regard, the Bank has approved a 30-day period.

3- Any client identified by the senior management / Board as having significant increase in credit risk and enhanced monitoring is required.

4- All facilities that have been restructured in the past due to credit risk related factors or which were NPL in the past 12 months to be considered Stage 2.

5- All facilities working in high credit risk industries (identified at assessment date if any)

6- All facilities identified by regulatory authorities or government to have an SICR.

7- All customer exposures breaching debt covenants.

8- All corporate customers that have decrease in Expected Cash flow and liquidity issues, assessing feasibility studies for new projects, increase in debt ratios etc.

9- Two or more notches decrease in the financial assets rating.

10- The Bank rebuts the 30 days past due rule if the Bank has reasonable and supportable information that is available without undue cost or effort and demonstrates that the credit risk has not increased significantly since initial recognition.

Movements between Stage (2) and Stage (3) are based on whether financial assets are credit - impaired as at the reporting date. The determination of credit-impairment under FAS (30) and IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS (39), as mentioned in the "Definition of default" below.

- **Macroeconomic Factors, Forward Looking Information (FLI) 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 variables.

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, etc.). Upside and downside scenarios will be set relative to our 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. IFRS 9 does not define default but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

- **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 Islamic financing that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

FAS 30 implementation Governance

To ensure proper governance of the FAS 30 implementation, a steering committee was formed consisting of the Risk Manager, Credit Manager , Financial Manager, and IT Manager with the responsibilities to provide decisions/ feedback on the work plan regarding implementation and adoption of FAS 30 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 Bank Management and related Committees of the Board of Directors.

3. Cash and balances with Palestine Monetary Authority

This item represents the following:

	2024	2023
	U.S. $	U.S. $
Cash on hand *	171,914,370	159,248,597
Balances with Palestine Monetary Authority:		
Current and on demand accounts	57,294,018	73,266,355
Statutory cash reserve	119,828,535	117,732,186
Restricted balances	147,000	147,000
	349,183,923	350,394,138
Provision for expected credit losses	(548,060)	(421,318)
	348,635,863	349,972,820

* This item is shown in net after deducting realized cash losses, in which the Bank recorded U.S. $ 3,778,812 as cash losses due to the war on Gaza Strip during the year ended December 31, 2024 (notes 32 and 49).

- According to Palestine Monetary Authority's instructions No. (10) of 2022 regarding the statutory cash reserve, the Bank should maintain a restricted-withdrawal compulsory reserve balance with Palestine Monetary Authority at 9% of the deposits included in the mandatory reserve pool, in addition to 100% of the dormant balances. A percentage of 20% of this reserve is allocated to meet the results of clearing and settlements under the name "Settlement Reserve". The Bank may not dispose of the mandatory reserve with Palestine Monetary Authority, with the exception of the settlement reserve, which the Bank is allowed to exploit in accordance with the instructions in force.
- The Palestine Monetary Authority does not pay profit on statutory cash reserves, or current and on demand accounts.
- Restricted balances as at December 31, 2024 and 2023 amounted to U.S. $ 147,000.

A summary of the movement on the gross carrying amount of the balances at Palestine Monetary Authority is as follows:

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2024	191,145,541	-	-	191,145,541
Net change during the year	(13,875,988)	-	-	(13,875,988)
Balance as of December 31, 2024	177,269,553	-	-	177,269,553

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2023	218,833,869	-	-	218,833,869
Net change during the year	(27,688,328)	-	-	(27,688,328)
Balance as of December 31, 2023	191,145,541	-	-	191,145,541

A summary of the movement of provision for expected credit loss on balances at Palestine Monetary Authority is as follows:

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2024	421,318	-	-	421,318
Net re-measurement of expected credit losses during the year	126,742	-	-	126,742
Balance as of December 31, 2024	548,060	-	-	548,060

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2023	374,763	-	-	374,763
Net re-measurement of expected credit losses during the year	46,555	-	-	46,555
Balance as of December 31, 2023	421,318	-	-	421,318

4. Balances at banks and financial institutions

This item comprises the following:

	2024	2023
	U.S. $	U.S. $
Local banks and financial institutions:		
Current and on demand accounts	24,393,553	20,677,350
Swap deposits maturing within a period of three months	-	16,642,700
Cash margin	50,000	50,000
	24,443,553	37,370,050
Foreign banks and financial institutions:		
Current and on demand accounts	22,095,137	10,489,889
Deposits maturing within a period of three months	65,641,749	-
Deposits maturing within a period of more than three months	28,208,744	21,156,558
Cash margin	27,500	505,460
	140,416,683	69,521,957
Provision for expected credit losses	(2,167,024)	(2,047,832)
	138,249,659	67,474,125

- Non-profit bearing balances at banks and financial institutions amounted to U.S. $ 46,566,190 and U.S. $ 48,365,399 as of December 31, 2024 and 2023, respectively.

A summary of the movement on the gross carrying amount of the balances at banks and financial institutions is as follows:

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2024	67,832,054	-	1,689,903	69,521,957
Net change during the year	70,894,726	-	-	70,894,726
Balance as of December 31, 2024	138,726,780	-	1,689,903	140,416,683

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2023	143,605,688	-	1,689,903	145,295,591
Net change during the year	(75,773,634)	-	-	(75,773,634)
Balance as of December 31, 2023	67,832,054	-	1,689,903	69,521,957

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

	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2024	357,929	-	1,689,903	2,047,832
Net re-measurement of expected credit losses during the year	119,192	-	-	119,192
Balance as of December 31, 2024	477,121	-	1,689,903	2,167,024

	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2023	386,811	-	1,689,903	2,076,714
Net re-measurement of expected credit losses during the year	(28,882)	-	-	(28,882)
Balance as of December 31, 2023	357,929	-	1,689,903	2,047,832

5. Direct Islamic financing

This item represents the following:

	December 31, 2024	December 31, 2023
	U.S. $	U.S. $
Murabaha receivables	680,198,404	782,047,898
Tawaroq	245,683,303	163,813,586
Istisna’a financing	27,445,085	33,552,674
Islamic credit cards	24,708,022	24,391,387
Ijara muntahia bittamleek	20,593,709	18,478,094
Musawama financing	9,836,367	13,463,251
Current overdraft accounts	2,869,167	2,874,814
Qard Hasan	2,497,251	2,270,614
	1,013,831,308	1,040,892,318
Suspended profits	(3,279,282)	(2,754,779)
Provision for expected credit losses	(70,374,838)	(53,309,255)
	940,177,188	984,828,284

- Islamic financing net of unearned profits amounted to U.S. $ 121,298,901 as of December 31, 2024 and amounted to U.S. $ 135,809,448 as of December 31, 2023.
- Downgraded direct Islamic financing net of suspended profits according to Palestine Monetary Authority regulations amounted to U.S. $ 160,933,635 and representing (15.93%) of the direct Islamic financing net of the suspended profits as of December 31, 2024, compared to U.S. $ 297,504,473 representing (28.66%) of direct Islamic financing net of the suspended profits at the end of the previous year.
- Defaulted direct Islamic financing net of suspended profits according to Palestine Monetary Authority regulations amounted to U.S. $ 64,362,511 representing (6.37%) of the direct Islamic financing net of the suspended profits as of December 31, 2024, compared to U.S. $ 53,554,805 representing (5.16%) of the direct Islamic financing net of the suspended profits granted at the end of the previous year.
- Direct Islamic financing granted to Palestine National Authority and by its guarantee amounted to U.S. $ 193,531,594 representing (19.09%) of direct gross Islamic financing as of December 31, 2024, compared to U.S. $ 182,315,384 representing (17.52%) of direct gross Islamic financing granted at the end of the previous year.
- Direct Islamic financing granted to Palestinian National Authority's employees amounts to U.S. $ 147,061,704 representing (14.51%) of the direct gross Islamic financing as of December 31, 2024, compared to U.S. $ 146,376,566 representing (14.06%) of the direct gross Islamic financing at the end of the previous year.
- Direct Islamic financing granted to the green line Palestinian workers amounts to U.S. $ 20,724,715 representing (2.04%) of the direct gross Islamic financing as of December 31, 2024, compared to U.S. $ 22,637,328 representing (2.17%) of the direct gross Islamic financing at the end of the previous year.
- Fair value of customers' collaterals against Islamic financing according to Palestine Monetary Authority regulations amounted to U.S. $ 393,631,972 as of December 31, 2024, compared to U.S. $ 429,512,918 as of December 31, 2023.
- According to Palestine Monetary Authority circular number (1/2008), defaulted direct Islamic financing for more than 6 years were excluded from the Bank's financial statements. These defaulted direct Islamic financing amounted to U.S. $ 6,450,630 representing (0.64%) of the direct gross Islamic financing as of December 31, 2024, compared to U.S. $ 2,927,771 representing (0.28%) of the direct gross Islamic financing at the end of the previous year.
- The balance of suspended profits for excluded accounts was U.S. $ 523,008 as of December 31, 2024, compared to U.S. $ 210,827 as of December 31, 2023. The balance of provision for excluded accounts was U.S. $ 5,927,622 as of December 31, 2024, compared to U.S. $ 2,716,944 as of December 31, 2023.
- The balance of provision and suspended profits for defaulted accounts amounted to U.S. $ 29,263,360 as of December 31, 2024, compared to U.S. $ 24,885,522 as of December 31, 2023.

A summary of the movement on the gross carrying amount of direct Islamic financing is as follows:

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2024	625,268,914	359,313,820	56,309,584	1,040,892,318
Transferred to stage (1)	20,316,641	(17,645,637)	(2,671,004)	-
Transferred to stage (2)	(148,069,651)	157,347,021	(9,277,370)	-
Transferred to stage (3)	(10,510,771)	(24,792,983)	35,303,754	-
Net change during the year	33,426,903	(48,464,742)	(8,494,856)	(23,532,695)
Write off for defaulted Islamic financing for more than 6 years	-	-	(3,528,315)	(3,528,315)
Balance of December 31, 2024	520,432,036	425,757,479	67,641,793	1,013,831,308

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2023	731,377,807	151,046,255	48,769,321	931,193,383
Transferred to stage (1)	18,485,755	(15,925,914)	(2,559,841)	-
Transferred to stage (2)	(219,204,988)	226,987,566	(7,782,578)	-
Transferred to stage (3)	(10,769,399)	(15,306,512)	26,075,911	-
Net change during the year	105,379,739	12,512,425	(7,950,368)	109,941,796
Write off for defaulted Islamic financing for more than 6 years	-	-	(242,861)	(242,861)
Balance as of December 31, 2023	625,268,914	359,313,820	56,309,584	1,040,892,318

A summary of the movement of provision for expected credit losses on balances of direct Islamic financing is as follows:

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2024	5,244,111	25,934,401	22,130,743	53,309,255
Transferred to stage (1)	1,071,542	(248,648)	(822,894)	-
Transferred to stage (2)	(1,141,650)	1,966,705	(825,055)	-
Transferred to stage (3)	(81,869)	(879,645)	961,514	-
Net re-measurement of expected credit losses during the year	1,360,466	11,165,347	7,755,734	20,281,547
Write off provision for defaulted Islamic financing for more than 6 years	-	-	(3,215,964)	(3,215,964)
Balance as of December 31, 2024	6,452,600	37,938,160	25,984,078	70,374,838

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2023	4,573,709	7,508,077	18,708,001	30,789,787
Transferred to stage (1)	1,120,470	(95,016)	(1,025,454)	-
Transferred to stage (2)	(2,119,480)	4,287,883	(2,168,403)	-
Transferred to stage (3)	(47,689)	(709,596)	757,285	-
Net re-measurement of expected credit losses during the year	1,717,101	14,943,053	6,099,624	22,759,778
Write off provision for defaulted Islamic financing for more than 6 years	-	-	(240,310)	(240,310)
Balance as of December 31, 2023	5,244,111	25,934,401	22,130,743	53,309,255

A summary of the movement on the provision for doubtful Islamic financing defaulted for more than 6 years is as follows:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	2,716,944	2,582,208
Additions during the year	3,215,964	240,310
Written off during the year	(5,286)	(105,574)
Balance, end of the year	5,927,622	2,716,944

The movement on the suspended profits is as follows:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	2,754,779	2,184,199
Suspended profits during the year	2,510,664	1,671,005
Suspended profits recovered during the year	(1,673,810)	(1,097,874)
Write off for suspended profits for defaulted Islamic financing for more than 6 years	(312,351)	(2,551)
Balance, end of the year	3,279,282	2,754,779

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

	2024	2023
	U.S. $	U.S. $
Public sector		
Palestine National Authority	193,531,594	182,315,384
Manufacturing and Agricultural		
Manufacturing	20,074,100	15,097,859
Agricultural	25,890,250	25,734,050
	45,964,350	40,831,909
Services sector	21,878,204	16,828,107
Trade		
Internal trade	136,980,053	83,984,796
External trade	71,568,180	71,862,481
	208,548,233	155,847,277
Real Estate and Construction		
Constructions	70,011,284	83,211,472
Permanent residence and houses improvement	102,688,571	124,684,783
	172,699,855	207,896,255
Lands	148,862,420	173,407,974
Consumers' Financing		
Vehicles financing	137,776,146	148,342,629
Consumable goods financing	46,332,345	65,139,123
	184,108,491	213,481,752
Others	34,958,879	47,528,881
	1,010,552,026	1,038,137,539

6. Financial assets at fair value through profit or loss

This item represents the Bank's investment in quoted financial assets at Palestine Securities Exchange amounted to U.S. $ 1,343,865 as of December 31, 2024 compared to U.S. $ 1,634,979 as of December 31, 2023.

The Bank recorded losses on revaluation in the income statements in an amount of U.S. $ 291,114 for the year ended December 31, 2024 compared to losses on revaluation in the income statements in an amount of U.S. $ 220,028 for the year ended December 31, 2023 (Note 26).

Also, the Bank recorded gain on cash dividends from financial assets at fair value through profit or loss in an amount of U.S. $ 101,552 for the year ended December 31, 2024 compared to U.S. $ 135,402 for the year ended December 31, 2023 (Note 26).

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

	2024	2023
	U.S. $	U.S. $
Quoted debt instruments in foreign financial markets – Sukuk*	58,704,498	38,912,752
Quoted financial assets in local financial markets**	5,080,533	6,004,367
Quoted financial assets in foreign financial markets	1,205,605	1,047,884
	64,990,636	45,965,003

* This item represents the Bank's investment in financial sukuk issued by governments and foreign Islamic companies maturing within a year to nine years, with profit rates on sukuk ranging from 2.17% to 5.72%. Income from debt instruments in the income statements amounted to U.S. $ 2,643,420 as of December 31, 2024 compared to U.S. $ 1,384,997 as of December 31, 2023 (Note 26).

** The Bank recorded income on cash dividends from quoted local financial assets at fair value through other comprehensive income in an amount of U.S. $ 275,035 and U.S. $ 366,714 as of December 31, 2024, and 2023, respectively (Note 26).

The movement on the cumulative change in fair value during the year is as follows:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	(43,686)	227,436
Change in fair value of financial assets at fair value through other comprehensive income items	(1,077,270)	(271,122)
Bank's share of the associate companies' other comprehensive income items	78,847	-
Balance, end of the year	(1,042,109)	(43,686)

8. Financial assets at amortized cost

	2024	2023
	U.S. $	U.S. $
Unquoted foreign financial securities – Islamic Deposit certificates*	19,746,122	22,566,995
Financial securities quoted at foreign financial markets – Sukuk**	2,752,808	3,771,338
	22,498,930	26,338,333
Provision for expected credit losses	(284,123)	(330,613)
	22,214,807	26,007,720

* This item represents the Bank's investment in Islamic Deposit Certificates issued by a Jordanian Bank maturing within one year, with expected profit rates on certificates ranging from 5.75% to 6.10%.

** This item represents the Bank's investment in financial Sukuk issued by foreign Islamic companies maturing within two months to three years, with profit rates on sukuk ranging from 1.31% to 5.15%.

Income from investments at amortized cost amounted to U.S. $ 1,536,192 for the year ended December 31, 2024 and U.S. $ 1,569,668 for the year ended December 31, 2023 (Note 26).

A summary of the movement on the gross carrying amount of financial assets at amortized cost is as follows:

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2024	26,338,333	-	-	26,338,333
Additions during the year	-	-	-	-
Matured during the year	(3,820,874)	-	-	(3,820,874)
Net change in the premium and discount during the year	(18,529)	-	-	(18,529)
Balance as of December 31, 2024	22,498,930	-	-	22,498,930

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2023	22,149,529	-	-	22,149,529
Additions during the year	9,873,060	-	-	9,873,060
Matured during the year	(5,641,749)	-	-	(5,641,749)
Net change in the premium and discount during the year	(42,507)	-	-	(42,507)
Balance as of December 31, 2023	26,338,333	-	-	26,338,333

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

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2024	330,613	-	-	330,613
Net re-measurement of expected credit losses	(46,490)	-	-	(46,490)
Balance as of December 31, 2024	284,123	-	-	284,123

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balance as of January 1, 2023	202,381	-	-	202,381
Net re-measurement of expected credit losses	128,232	-	-	128,232
Balance as of December 31, 2023	330,613	-	-	330,613

9. Investment in associates

The following table shows the Bank's investment in associates as of December 31, 2024 and December 31, 2023:

	Country of Incorporation	Ownership %	2024 U.S. $	2023 U.S. $
Al-Takaful Palestinian Insurance Company *	Palestine	28 %	7,171,737	7,068,769
Palestine Ijara Company **	Palestine	33 %	4,354,953	4,317,075
			11,526,690	11,385,844

* Al-Takaful Palestinian Insurance Company (Al-Takaful) has been established at the end of 2006. It provides in all insurance and reinsurance services according to Islamic Sharia' rules. Al-Takaful operates through its headquarter in Ramallah and its branches in Palestine. During the year 2023, Al-Takaful increased its paid in capital in an amount of U.S. $ 1,000,000 through stock dividends, increasing the company paid-in capital to U.S. $ 11,000,000 as of December 31, 2024.

** Palestine Ijara Company (PIC), which mainly provides Islamic leases for small and medium institutions according to Islamic Sharia' rules, has been established in Ramallah. As at December 31, 2024, PIC's paid-in capital amounted to U.S. $12,000,000.

A summary of the movement on the value of the investment in associates is as follows:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	11,385,844	11,583,682
Bank's share of the associates' results of operations	521,249	219,663
Bank's share of the associate companies' other comprehensive income items	78,847	-
Cash dividends	(459,250)	(417,501)
Balance, end of the year	11,526,690	11,385,844

The following table summarizes the financial information related to the Bank's investment in its associates as of December 31, 2024 and 2023:

	Al-Takaful		PIC	
	2024	2023	2024	2023
The financial position of associates:	U.S. $	U.S. $	U.S. $	U.S. $
Total assets	57,601,650	69,031,006	32,651,797	32,296,376
Total liabilities	33,338,268	45,137,613	19,586,938	19,345,152
Total equity	24,263,382	23,893,393	13,064,859	12,951,224
Book value before adjustments	6,752,499	6,649,531	4,354,953	4,317,075
Adjustments	419,238	419,238	-	-
Book value after adjustments	7,171,737	7,068,769	4,354,953	4,317,075
Revenues and results of operations:				
Net revenues	10,441,723	11,744,640	3,353,798	3,209,623
Operational, administrative and general expenses	(7,630,652)	(7,908,954)	(1,738,429)	(1,066,594)
Depreciation and amortization	(590,699)	(644,417)	(82,346)	(72,834)
Finance costs	-	-	(1,173,546)	(863,100)
Foreign currency (losses) gains	(156,863)	(1,110,990)	(38,893)	(325,998)
Other revenues	908,556	1,079,020	-	-
Income before tax	2,972,065	3,159,299	320,584	881,097
Tax expense	(1,235,192)	(1,127,906)	(206,949)	(222,108)
Net income for the year after tax	1,736,873	2,031,393	113,635	658,989
Adjustments	-	(2,031,393)	-	-
Net income for year after tax-adjusted	1,736,873	-	113,635	658,989
Bank's share from the year's results of operations	483,372	-	37,877	219,663
Bank's share of the associate companies' other comprehensive income items	78,847	-	-	-

10. Investment properties

Following is the movement on Investment properties:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	10,429,797	9,906,120
Additions during the year	-	2,545,523
Transferred from property, plant and equipment	-	(10,000)
Investment properties sold during the year	(1,310,306)	(1,211,846)
Loss on impairment of investments properties	(845,583)	(800,000)
Change in fair value during the year through other comprehensive income	294,011	-
Balance, end of the year	8,567,919	10,429,797

Following is the movement on investment properties reserve:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	301,798	301,798
Investment properties reserve recognized in the income statement	(188,347)	-
Unrealized revaluation gains	294,011	-
Deferred tax liabilities	(78,560)	-
Balance, end of year	328,902	301,798

The Bank recorded gain on sale of investment properties in the amount of U.S. $ 405,807 for the year ended December 31, 2024 compared to U.S. $ 432,596 for the year ended December 31, 2023 (note 26).

11. Property, plant and equipment

	Real Estate	Furniture, equipment and leasehold improvements	Motor vehicles	Computers	Total
December 31, 2024	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cost:					
Balance, beginning of the year	20,836,931	25,628,541	139,433	7,365,208	53,970,113
Additions during the year	-	489,977	-	802,497	1,292,474
Transferred from projects in progress (note 12)	2,350,992	1,719,618	-	2,852	4,073,462
Disposals during the year	-	(7,513)	(39,550)	-	(47,063)
Balance, end of the year	23,187,923	27,830,623	99,883	8,170,557	59,288,986
Accumulated depreciation and Impairment:					
Balance, beginning of the year	4,699,365	14,333,855	96,295	5,194,470	24,323,985
Depreciation for the year	456,066	1,662,159	13,405	768,368	2,899,998
Impairment losses on properties, plant and equipment	330,204	735,649	-	134,147	1,200,000
Disposals during the year	-	(7,513)	(39,550)	-	(47,063)
Balance, end of the year	5,485,635	16,724,150	70,150	6,096,985	28,376,920
Net book value as at December 31, 2024	17,702,288	11,106,473	29,733	2,073,572	30,912,066
Net book value as at December 31, 2023	16,137,566	11,294,686	43,138	2,170,738	29,646,128

12. Projects in progress

Project in progress represents payments related to the improvements on the Bank's branches. Following are the details of the movement on the project in progress during the year:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	3,001,416	3,705,537
Additions during the year	1,476,152	3,210,017
Transferred to property, plant and equipment (note 11)*	(4,073,462)	(470,622)
Transferred to intangible assets (note 14)	-	(930,019)
Write off**	-	(2,513,497)
Balance, end of the year	404,106	3,001,416

* The transfer from projects in progress mainly represents the Central Archive Building project, which was completed and capitalized to properties, plant and equipment during the year.

** During the year 2023, the Bank disposed the new banking system, the Write Off represents the payments incurred by the Bank on the new banking system during the previous years until the date of amortization.

The expected cost to complete the projects in progress as of December 31, 2024, is estimated to U.S. $ 260,000, and these projects are expected to be completed during the year 2025.

13. Right-of-use assets

This item represents the right to use branch rentals, rental cars and ATMs. The life expectancy of buildings, ATMs and cars was calculated over a period of 10, 5 and 4 years, respectively. The movement on the right to use the assets is as follows:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	5,111,907	5,670,183
Additions during the year	358,556	586,011
Disposals during the year	(9,980)	(10,074)
Amortization for the year	(1,146,273)	(1,134,213)
Balance, end of the year	4,314,210	5,111,907

14. Intangible assets

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

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	1,673,691	834,081
Additions during the year	458,964	400,788
Transferred from projects in progress during the year (note 12)	-	930,019
Amortization during the year	(530,576)	(491,197)
Balance, end of the year	1,602,079	1,673,691

15. Other assets

This item represents the following:

	2024	2023
	U.S. $	U.S. $
Accrued revenues and profits	3,148,569	1,938,465
Cash margin and balances against credit cards	3,050,616	5,004,455
Receivables, advances and temporary accounts*	1,938,636	9,438,314
Prepaid expenses	1,616,512	1,309,191
Stationery and printings	875,991	785,245
Clearing checks	69,298	-
Others	598,461	2,048,179
	11,298,083	20,523,849

* This item consists of account receivables against financing customers with an amount of U.S. $ 895,716 and U.S. $ 7,793,274 as of December 31, 2024 and 2023, respectively, with advanced payments an amount of U.S. $ 837,533 and U.S. $ 1,117,722 as at December 31, 2024 and 2023, respectively.

16. Banks and financial institutions' deposits

	2024	2023
	U.S. $	U.S. $
Swap deposits maturing within a period of three months	-	16,778,550
Deposits maturing within a period of three months	56,235,252	5,546,620
	56,235,252	22,325,170

17. Customers' deposits

	2024	2023
	U.S. $	U.S. $
Current and on demand account	391,380,081	340,586,811

- Total deposits comprise customers' current and on demand account (note 17), cash margins (note 18) and participatory investment accounts (note 23), amounting to U.S. $ 1,337,601,876 and U.S. $ 1,335,975,233 as of December 31, 2024 and 2023, respectively.
- Governmental deposits amounted to U.S. $ 23,224,995 and U.S. $ 17,934,138 representing %1.74 and %1.34 of the total deposits as of December 31, 2024 and 2023, respectively.
- Quasi-governmental deposits amounted to U.S. $ 5,263,027 and U.S. $ 1,975,645 representing %0.39 and %0.15 of the total deposits as of December 31, 2024 and 2023, respectively.
- Dormant deposits amounted to U.S. $ 93,704,796 and U.S. $ 79,336,496 representing %7.01 and %5.94 of the total deposits as of December 31, 2024 and 2023, respectively.
- Non-profit bearing deposits amounted to U.S. $ 421,398,819 and U.S. $ 370,829,705 representing %31.50 and %27.76 of the total deposits as of December 31, 2024 and 2023, respectively.

18. Cash margins

This item represents cash margins against the following:

	2024	2023
	U.S. $	U.S. $
Cash margins against direct Islamic financing *	50,938,011	49,729,266
Cash margins against indirect Islamic financing	4,551,321	5,665,797
Others	21,950,182	20,096,902
	77,439,514	75,491,965

* Cash margins on direct Islamic financing include cash margins participating in profits amounting to U.S. $ 47,420,776 and U.S. $ 45,258,312 as of December 31, 2024 and 2023, respectively.

19. Sundry provisions

This item represents the following provisions:

	Balance, beginning of the year	Additions (Recoveries) during the year	Payments during the year	Balance, end of the year
	U.S. $	U.S. $	U.S. $	U.S. $
December 31, 2024				
Employees' end of service provision	11,054,148	3,638,436	(3,335,107)	11,357,477
Provision for legal cases	679,369	(90,142)	(95,642)	493,585
	11,733,517	3,548,294	(3,430,749)	11,851,062
December 31, 2023				
Employees' end of service provision	10,541,889	2,385,807	(1,873,548)	11,054,148
Provision for legal cases	669,381	18,931	(8,943)	679,369
	11,211,270	2,404,738	(1,882,491)	11,733,517

Provision is made for employees' end of service indemnity in accordance with the Labor Law effective in Palestine and the Bank personnel's policy. The Bank is also conducting an actuarial study to verify that there are no material differences in the calculation of provisions in accordance with International Accounting Standard No. (19).

20. Tax provisions

The movement on tax provisions during the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	9,611,575	6,222,334
Provision for the year	5,153,169	7,302,995
Tax settlement refunds	(1,427,040)	-
Payments during the year	(13,485,056)	(4,343,273)
Foreign currencies differences	604,562	429,519
Balance, end of the year	457,210	9,611,575

The movement on deferred tax assets during the year ended December 31, 2024 and 2023 is as follows:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	11,621,992	6,265,249
Additions during the year	3,706,335	5,356,743
Balance, end of the year	15,328,327	11,621,992

Tax expense as disclosed in the Income Statement

	2024	2023
	U.S. $	U.S. $
Provision for the year	5,153,169	7,302,995
Tax settlement refunds	(1,427,040)	-
Deferred tax assets *	(3,706,335)	(5,356,743)
	19,794	1,946,252

* Deferred tax assets are calculated on the provision for expected credit losses related to direct and indirect Islamic financing, balances with the Palestinian Monetary Authority, investments with Islamic banks, financial assets at amortized cost, in addition to some other accounts.

Following is the reconciliation between accounting income and taxable income:

	2024	2023
	U.S. $	U.S. $
Bank's accounting profit before taxes	1,028,862	6,792,271
Profit subject to Value Added Tax (VAT)	22,182,263	25,277,874
Value added tax	3,059,622	3,486,603
Profit subject to income tax	16,514,609	16,981,667
Income tax	2,050,802	2,547,250
Taxes payable for the year	5,110,424	6,033,853
Provision for the year	5,153,169	7,302,995

The effective tax rate after deducting deferred tax assets was 140.62% as at December 31, 2024 compared to 28.65% as at December 31, 2023.

The Bank has reached a final settlement with the tax departments for the results of its operations until 2023. The actual amounts of taxes that may be paid depend on the results of final clearances with the tax departments.

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

21. Lease liabilities

Following is the movement on lease liabilities:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	5,234,203	5,843,612
Additions	358,556	586,011
Disposals	(5,399)	(18,432)
Payments	(1,215,682)	(1,328,865)
Finance costs on lease liabilities	136,395	151,877
Balance, end of the year	4,508,073	5,234,203

The liabilities related to rent contracts are deducted using 3% discount rate.

Analysis on lease liabilities maturity:

	2024	2023
	U.S. $	U.S. $
Within less than a year	1,212,450	1,329,409
From one year to five years	3,295,623	3,904,794
More than five years	-	-
	4,508,073	5,234,203

The amount of the lease expense for short-term contracts and lease contracts of low-value assets that were recognized in the income statement in the personnel expenses (note 30) and other operating expenses (note 31) amounted to U.S. $ 31,539 and U.S. $ 61,567 for the year ended December 31, 2024 and 2023, respectively.

22. Other liabilities

	2024	2023
	U.S. $	U.S. $
Palestine Monetary Authority Fund –Estidama program *	26,830,486	13,385,948
Bank's transfers and certified checks	5,532,526	6,632,268
Temporary accounts and intermediary accounts	2,511,122	6,673,431
Accrued expenses	1,363,368	1,834,485
Accrued cash dividends	1,221,198	1,387,315
Return on participatory investment accounts	781,025	1,110,789
Palestinian Deposit Insurance Corporation insurance provision	571,634	671,952
Board of Directors' bonuses	250,000	244,444
Provision for expected credit losses on indirect Islamic financing (Note 36)	186,739	124,236
Social responsibility provision	177,302	10,249
Deferred tax liabilities **	120,035	110,152
Earnings prohibited by Sharia' ***	54,956	46,666
Provision for employees vacations	28,116	28,727
Clearance checks	-	2,866,406
Other credit balances	1,209,761	1,234,781
	40,838,268	36,361,849

* In accordance with the instructions of the Palestinian Monetary Authority No. (8/2021) with the aim of mitigating the economic effects of the Corona virus pandemic (Covid-19) on economic activities and projects, especially on small and medium projects, and micro entities. Palestinian Monetary Authority charges an profit of 0.5% on the Islamic financing granted and the Bank earns a declining profit at a maximum rate of 3% from borrowers, this excludes borrowers within the microenterprise financing program. This item also includes the PMA deposits granted to the Bank in accordance with instructions No. (15/2023) regarding the Istidama (+) fund, with the aim of providing liquidity to the Palestinian economy to finance projects and contribute to the revival of the national economy within the framework of achieving sustainable economic development goals.

** The balance of deferred tax liabilities represents the result of the valuation of the investment properties which is included under the investment properties reserve in statement of changes in equity. Following is the movement on deferred tax liabilities:

	2024	2023
	U.S. $	U.S. $
Balance, beginning of the year	110,152	110,152
Additions	78,560	-
Write offs	(68,677)	-

Balance, end of the year	120,035	110,152

*** The change in this item represents the amounts received by the Bank from sources or through means that are not in compliance with the provisions and principles of Islamic Shari'a. The related profits, amounting to U.S. $ 133,367, were segregated from the Bank's income during the year 2024 and transferred to the earnings prohibited by Shari'a. An amount of U.S. $ 125,077 was disbursed for charitable purposes during the year 2024.

23. Participatory investment accounts

This item represents the following:

	2024	2023
	U.S. $	U.S. $
Saving deposits	631,675,439	673,117,183
Time deposits	237,106,842	246,779,274
	868,782,281	919,896,457

24. Reserves

Statutory reserve

As required by the Companies' Law and Banking Law, 10% of the net profit 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 PMA's prior approval.

General banking risk reserve

The item represents the amount of general Banking 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 Islamic financing and suspended profit and 0.5% of indirect Islamic financing. In accordance with PMA's circulation number (53/2013), no general Banking risk reserve is created against the direct Islamic financing granted to small and medium enterprises if the conditions mentioned in the circular are met. During 2018, the Bank applied IFRS (9) and utilized this reserve for the ECL of stage (1) and (2) in accordance with PMA instructions No. (2/2018). The reserve will not to be utilized or reduced without PMA's prior approval.

Pro-cyclicality reserve

This reserve represents 15% of net profit after tax in accordance with PMA's instruction number (6/2015), as the Bank stopped deducting this percentage and adding it to the reserve item according to the instructions No. (01/2018) that specified a rate of 0.57% of the risk-weighted assets as a capital buffer against cyclical fluctuations, and the instructions allowed Banks to use the amounts formed in the item of the cyclical fluctuation reserve for the purposes of this buffer. In accordance with Instructions No. (13/2019), 0.66% of the risk-weighted assets were calculated as the anti-cyclical capital buffer for the year 2019. During the year 2022, the Palestinian Monetary Authority issued Instructions No. (2022/8) regarding the anti-cyclical capital buffe, so that the ratio is between (0.5%) of the risk-weighted assets. The instructions require the bank to commit to forming a capital buffer for cyclical fluctuations within a maximum period of March 31, 2023, and to disclose in the interim and final financial statements as of June 2023. The Bank is prohibited from disposing of the amounts allocated in the cyclical fluctuations reserve item, except for capitalization, after obtaining the prior written approval of Palestinian Monetary Authority. Based on the decision of the Bank's General Assembly and the approval of the Palestine Monetary Authority, the Bank capitalized an amount of U.S. $ 5,000,000 during 2023 from the reserve balance to the capital through the distribution of stock dividends.

25. Investment and financing revenues

	2024	2023
	U.S. $	U.S. $
Murabaha financing revenues	37,391,834	53,304,669
Tawaroq financing revenues	12,357,718	2,900,877
Istisna’a financing revenues	1,970,449	2,131,351
Ijara muntahia bittamleek revenues	1,249,012	811,126
Musawama financing revenues	801,737	997,520
	53,770,750	60,145,543

26. Net Income from investment activities

	2024	2023
	U.S. $	U.S. $
Returns from deposits at Islamic banks	3,472,500	1,978,765
Net gains from financial assets at fair value through other comprehensive income items	2,643,420	1,384,997
Net gains from financial assets at amortized cost	1,536,192	1,569,668
Gains from sale of investment properties	405,807	432,596
Gains from cash dividends from financial assets at fair value through other comprehensive income items	275,035	366,714
Gains from cash dividends from financial assets at fair value through profit or loss	101,552	135,402
Losses from the evaluation of financial assets at fair value through profit or loss	(291,114)	(220,028)
	8,143,392	5,648,114

27. Net profit attributable to quasi-equity holders

	2024	2023
	U.S. $	U.S. $
Time deposits	6,977,963	5,881,246
Saving deposits	461,827	1,023,370
Cash margins participating in profits	39,309	99,139
	7,479,099	7,003,755

28. Net commissions revenues

	2024	2023
	U.S. $	U.S. $
Commissions received		
Islamic cards	2,966,645	3,374,662
Accounts’ management	2,660,734	3,536,547
Returned, post-dated and checks books	2,287,296	1,956,418
Cash deposits	578,576	636,034
Indirect financing	547,804	699,287
Transfers	137,687	273,291
Other banking services	631,236	766,676
	9,809,978	11,242,915
Commissions paid	(2,194,014)	(3,207,932)
	7,615,964	8,034,983

29. Other revenues

	2024	2023
	U.S. $	U.S. $
Recovery of suspended profits	1,673,810	1,097,874
Safe boxes rental revenue	163,633	153,118
Recovery of provisions no longer needed	324,811	700,000
Recovery of balances related to operational event	-	703,492
Others	97,205	76,749
	2,259,459	2,731,233

30. Personnel expenses

	2024	2023
	U.S. $	U.S. $
Salaries and related benefits	13,597,628	13,576,286
Employees' end of service	3,638,436	2,385,807
Value added tax on salaries	2,405,346	2,102,123
Medical insurance	912,415	1,080,932
Bank's contribution to the provident fund *	878,863	871,643
Travel and accommodation	392,881	468,640
Clothing	206,268	245,241
Training expenses	40,000	93,000
Car rentals	7,668	36,178
Others	62,395	221,566
	22,141,900	21,081,416

* The Bank contributes 10% of the basic salary of the employee and the employee contributes 5% of the basic salary to the provident fund.

31. Other operating expenses

	2024	2023
	U.S. $	U.S. $
Fees, licenses and subscriptions	3,080,773	2,671,059
Palestine Deposit Insurance Corporation Fees *	2,401,594	2,504,677
Telephone, fax and postage	2,302,419	2,242,534
Maintenance and cleaning	1,746,314	2,067,213
Insurance	729,762	540,548
Utilities	511,172	628,863
Stationery and printings and supplies	489,850	440,171
Professional and consultancy fees	483,128	652,158
Guarding	320,658	361,757
Board of Directors' bonuses and expenses	354,484	360,441
Archiving expenses	132,514	499,687
Social responsibility **	100,000	-
Hospitality	66,972	79,817
Advertising and marketing	44,426	841,081
Rents	23,871	25,389
Reef project expenses	14,834	29,129
Sundry expenses	254,601	459,247
	13,057,372	14,403,771

* Banks are required to calculate an annual subscription fee for the account of the Palestine Deposit Insurance Corporation (the Corporation) in accordance with law No. (7) of 2013. On November 9, 2021, the Corporation issued Circular No. (2/2021), which amends the fixed subscription fee rate to become (0.2%) of the average total deposits subject to the provisions of the law, as of January 1, 2022. The Corporation also issued instructions No. (1/2023), (1/2024) and Circular No. (3/2023) where the risk-based fees collection system will be implemented as of July 1, 2025.The Corporation issued circular No. (1/2025) on January 9, 2025, regarding the calculation of subscription fees for the last quarter of 2024 and the first half of 2025. According to this circular, subscription fees for customer deposits held at member bank branches operating in Gaza Strip will be waived, provided that the total subscription fees paid by the bank are not less than 0.1% of the average insured deposits. The fixed subscription rate of 0.2% of the average insured deposits will continue to apply to deposits in the West Bank.

** The Bank provides donations in different social, religious and other areas according to the Bank's policy for community support. Donations and sponsorships represent %9.91 of net income as of December 31, 2024.

32. Impairment losses, net

This item represents net re-measurement for impairment losses:

December 31, 2024	Stage (1)	Stage (2)	Stage (3)	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Direct Islamic financing (note 5)	1,360,466	11,165,347	7,755,734	-	20,281,547
Realized cash losses (note 3)	-	-	-	3,778,812	3,778,812
Impairment on property, plant and equipment (note 11)	-	-	-	1,200,000	1,200,000
Impairment on Investment properties (note 10)	-	-	-	845,583	845,583
Balances at banks and financial institutions (note 4)	119,192	-	-	-	119,192
Balances at Palestine Monetary Authority (note 3)	126,742	-	-	-	126,742
Financial assets at fair value through other comprehensive income	94,098	-	-	-	94,098
Indirect Islamic financing (note 36)	(3,391)	65,894	-	-	62,503
Financial assets at amortized cost (note 8)	(46,490)	-	-	-	(46,490)
	1,650,617	11,231,241	7,755,734	5,824,395	26,461,987

December 31, 2023	Stage (1)	Stage (2)	Stage (3)	Other	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Direct Islamic financing (note 5)	1,717,101	14,943,053	6,099,624	-	22,759,778
Impairment on projects in progress (note 12)	-	-	-	2,513,497	2,513,497
Investment properties impairment losses (note 10)	-	-	-	800,000	800,000
Financial assets at amortized cost (note 8)	128,232	-	-	-	128,232
Balances at Palestine Monetary Authority (note 3)	46,555	-	-	-	46,555
Financial assets at fair value through other comprehensive income	10,267	-	-	-	10,267
Balances at banks and financial institutions (note 4)	(28,882)	-	-	-	(28,882)
Indirect Islamic financing (note 36)	(38,826)	(205,957)	-	-	(244,783)
	1,834,447	14,737,096	6,099,624	3,313,497	25,984,664

33. Palestine Monetary Authority fines

This item represents fines imposed by Palestine Monetary Authority (PMA) on the Bank due to non-compliance with some of PMA instructions for the year ended December 31, 2024 and 2023.

34. Cash and stock dividends

On April 10, 2023, the Bank's General Assembly approved the distribution of stock dividends at a rate of 11.11% of the share par value for a total amount of U.S. $ 10,000,000, in addition to the distribution of cash dividends at a rate of 5.56% of the share par value for a total amount of U.S. $ 5,000,000 for the Bank's 2022 business results. During the year, the Bank obtained the approval of the Palestine Monetary Authority to capitalize U.S. $ 5,000,000 from the pro-cyclicality reserve balance and utilize it as part of stock distributions during the year. In addition, the General Assembly also approved in its meeting held on April 10, 2023 authorizing the Board of Directors to increase the Bank's capital by U.S. $ 10,000,000 within a period not exceeding five years; in one installment or in stages. Hence, the Bank's capital after the increase would become U.S. $ 110,000,000. The Board of Directors was authorized to choose the implementation mechanism and take decisions to determine the mechanism, method of coverage, and timing of the increase at each stage.

Subsequent to the date of the Bank's financial statements, the Bank's Board of Directors approved in meeting number (1/2025) held on February 18, 2025, the increase of the capital by U.S. $ 6,000,000 through a secondary subscription.

35. Zakat

Each shareholder bears the responsibility for Zakat payment. The Bank, with the consent of Shari'a Supervisory Board, annually informs the shareholders of the amount of Zakat due on each share. The Zakat per share for 2024 and 2023 amounted to U.S. $ %5.27 and U.S. $ %5.18, respectively.

36. Commitments and contingencies

	2024	2023
	U.S. $	U.S. $
Unutilized limits of direct Islamic financing	28,314,250	50,876,457
Letters of guarantee	36,927,896	46,295,706
Letters of credits	-	744,109
	65,242,146	97,916,272
Provision for expected credit losses (note 22)	(186,739)	(124,236)
	65,055,407	97,792,036

A summary of the movement on provision for expected credit losses on balances of indirect Islamic financing is as follows:

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2024	84,698	39,538	-	124,236
Net re-measurement of expected credit losses	(3,391)	65,894	-	62,503
As of December 31, 2024	81,307	105,432	-	186,739

	2023			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
As of January 1, 2023	123,524	245,495	-	369,019
Net re-measurement of expected credit losses	(38,826)	(205,957)	-	(244,783)
As of December 31, 2023	84,698	39,538	-	124,236

37. Cash and cash equivalents

Cash and cash equivalents depicted in the statement of cash flows comprise items presented in the statement of financial position as follows:

	2024	2023
	U.S. $	U.S. $
Cash and balances with PMA	349,183,923	350,394,138
Balances at Banks and financial institutions	140,416,683	69,521,957
Less: Cash margins	(77,500)	(555,460)
Less: Deposits at Banks maturing within a period of more than three months	(28,208,744)	(21,156,558)
Less: Statutory cash reserve and restricted balances at PMA	(177,269,553)	(191,145,541)
Banks and financial institutions' deposits maturing within a period of three months	(56,235,252)	(22,325,170)
	227,809,557	184,733,366

38. Basic and diluted earnings per share

This item represents the following:

	2024	2023
	U.S. $	
Profit for the year	1,009,068	4,846,019
	Share	
Weighted average number of subscribed shares	100,000,000	100,000,000
	U.S. $	
Basic and diluted earnings per share from profit of the year	0.01	0.05

39. Sources of financing the Bank's assets and investments

The following are the details of the sources of financing for the assets and investments of the Bank:

	2024			2023		
	Joint financing	Self- financing	Total	Joint financing	Self- financing	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with Palestine Monetary Authority	348,635,863	-	348,635,863	349,972,820	-	349,972,820
Balances at banks and financial institutions	138,249,659	-	138,249,659	67,474,125	-	67,474,125
Direct Islamic financing	940,177,188	-	940,177,188	984,828,284	-	984,828,284
Financial assets at fair value through profit and loss	1,343,865	-	1,343,865	1,634,979	-	1,634,979
Financial assets at fair value through other comprehensive income	870,359	64,120,277	64,990,636	-	45,965,003	45,965,003
Financial assets at amortized cost	22,214,807	-	22,214,807	17,331,339	8,676,381	26,007,720
Investment in associates	-	11,526,690	11,526,690	-	11,385,844	11,385,844
Investment properties	-	8,567,919	8,567,919	-	10,429,797	10,429,797
Property, plant and equipment	-	30,912,066	30,912,066	-	29,646,128	29,646,128
Projects in progress	-	404,106	404,106	-	3,001,416	3,001,416
Right-of-use assets	-	4,314,210	4,314,210	-	5,111,907	5,111,907
Deferred tax assets	-	15,328,327	15,328,327	-	11,621,992	11,621,992
Intangible assets	-	1,602,079	1,602,079	-	1,673,691	1,673,691
Other assets	-	11,298,083	11,298,083	-	20,523,849	20,523,849
	1,451,491,741	148,073,757	1,599,565,498	1,421,241,547	148,036,008	1,569,277,555

40. Related party transactions

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

	Nature of relationship	2024 U.S. $	2023 U.S. $
Statement of financial position items:			
Direct Islamic financing	Associate companies	9,007,193	4,330,317
	Executive Management	534,731	564,992
	Chairman and Board of Directors Members	6,351,739	1,763,257
	Others*	7,273,054	7,415,894
Customers deposits	Associate companies	1,232,904	1,210,813
	Executive Management	57,368	100,713
	Board of Directors Members	546,060	143,709
	Major shareholder	369,823	160,781
	Others*	8,735,771	10,997,133
Participatory investment accounts	Associate companies	5,098,637	11,180,000
	Executive Management	224,797	199,918
	Board of Directors Members	70,427	666,217
	Others*	14,944,556	17,753,306
SWAPs, net	Major shareholder	-	59,372
Balances at banks and financial institutions	Major shareholder	4,830,173	1,681,958
Cash margins	Associate companies	3,629,950	3,652,096
	Board of Directors Members	6,518	13,946
	Others*	2,374,312	351,683
Board of directors' bonuses	Chairman and Board of Directors Members	250,000	244,444

	Nature of relationship	2024 U.S. $	2023 U.S. $
Statement of Income items:			
Profit received	Associate companies	399,931	146,674
	Executive Management	19,828	16,239
	Chairman and Board of Directors Members	144,173	44,293
	Others*	251,407	375,680
Net profit related to Quasi-Equity	Associate companies	342,827	300,671
	Executive Management	2,658	55
	Chairman and Board of Directors Members	35	1,132
	Others*	153,171	4,397

Off-balance sheet items:		2024 U.S. $	2023 U.S. $
Indirect Islamic financing	Chairman and Board of Directors Members	67,198	142,761
	Associate companies	210,743	177,115

* Other includes branch managers, employees other than executive management, their relatives, non-main shareholders, as disclosed to the Palestine Monetary Authority.

- Direct Islamic financing granted to related parties as of December 31, 2024 and 2023 represent %2.46 and %1.43 of the net Islamic financing, respectively.
- Direct Islamic financing granted to related parties as of December 31, 2024 and 2023 represent % 14.97 and %9.08 of the regulatory Bank's capital, respectively.
- Returns on Islamic financing granted to related parties ranges between %1.10 to %5.5.
- Return on credit cards financing granted to related parties ranges between %14.29 to 17.51%.

Board of Directors and key management remuneration (salaries, bonuses and other benefits) are as follows:

	2024 U.S. $	2023 U.S. $
Board of Directors' bonuses and expenses	354,484	360,441
Executive management salaries and related benefits	811,925	815,762
Executive management end of service benefits	72,526	77,009

The Board of Director’s bonuses for 2024 and 2023 are as follows:

	2024	2023
	U.S. $	U.S. $
National Islamic Investment Company represented by Mr. Maher Al-Masri	31,900	36,256
National Islamic Investment Company represented by Mr. Omar Al-Masri	21,910	22,306
Birzeit Pharmaceutical Company represented by Mr. Talal Nassereldeen	21,910	22,306
Mr. Salah Al-Daghmeh- Independent Member	21,910	22,306
Mr. Abdulhameed Fayez Al-Obweh- Independent Member	21,910	22,306
Mr. Majid Al-Helu- Independent Member	21,910	22,306
National Islamic Investment Company represented by Mr. Alaa Saleem Mousa Sisalem	21,910	22,306
Mr. Suhail Sultan- Independent Member	21,910	22,306
Mr. Ashraf Yaseen - Independent Member	21,910	22,306
Rozan Specialized Medical Center for Infertility and IVF represented by Mr. Mohammad Abul Khaizaran	21,910	22,306
Institution of Management and Development of Orphans Money represented by Mr. Yahya Al-Shunnar	20,910	-
Institution of Management and Development of Orphans Money represented by Mr. Rafiq Shaker Al-Natsheh	-	7,434
	250,000	244,444

41. 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:

December 31, 2024	Inside Palestine	Jordan	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with Palestine Monetary Authority	348,635,863	-	-	348,635,863
Balances at banks and financial institutions	24,443,553	51,536,501	62,269,605	138,249,659
Direct Islamic financing	940,177,188	-	-	940,177,188
Financial assets at fair value through profit or loss	1,343,865	-	-	1,343,865
Financial assets at fair value through other comprehensive items	5,080,533	1,205,605	58,704,498	64,990,636
Financial assets at amortized cost	-	19,461,999	2,752,808	22,214,807
Investment in associates	11,526,690	-	-	11,526,690
Investment properties	8,567,919	-	-	8,567,919
Property, plant and equipment	30,912,066	-	-	30,912,066
Projects in progress	404,106	-	-	404,106
Right-of-use assets	4,314,210	-	-	4,314,210
Deferred tax assets	15,328,327	-	-	15,328,327
Intangible assets	1,602,079	-	-	1,602,079
Other assets	11,298,083	-	-	11,298,083
	1,403,634,482	72,204,105	123,726,911	1,599,565,498
Off statement of financial position items:				
Unutilized limits of direct Islamic financing	28,233,208	-	-	28,233,208
Letters of guarantee	36,822,199	-	-	36,822,199
Letters of credit	-	-	-	-
	65,055,407	-	-	65,055,407

December 31, 2023	Inside Palestine	Jordan	Others	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Cash and balances with Palestine Monetary Authority	349,972,820	-	-	349,972,820
Balances at banks and financial institutions	37,370,050	24,284,129	5,819,946	67,474,125
Direct Islamic financing	984,828,284	-	-	984,828,284
Financial assets at fair value through profit or loss	1,634,979	-	-	1,634,979
Financial assets at fair value through other comprehensive items	6,004,367	1,047,884	38,912,752	45,965,003
Financial assets at amortized cost	-	22,236,382	3,771,338	26,007,720
Investment in associates	11,385,844	-	-	11,385,844
Investment properties	10,429,797	-	-	10,429,797
Property, plant and equipment	29,646,128	-	-	29,646,128
Projects in progress	3,001,416	-	-	3,001,416
Right-of-use assets	5,111,907	-	-	5,111,907
Deferred tax assets	11,621,992	-	-	11,621,992
Intangible assets	1,673,691	-	-	1,673,691
Other assets	20,523,849	-	-	20,523,849
	1,473,205,124	47,568,395	48,504,036	1,569,277,555
Off statement of financial position items:				
Unutilized limits of direct Islamic financing	50,811,905	-	-	50,811,905
Letters of guarantee	46,236,966	-	-	46,236,966
Letters of credit	743,165	-	-	743,165
	97,792,036	-	-	97,792,036

Following is the allocation of the Bank's assets, liabilities, participatory investment accounts, equity and off-balance sheet items by sectoral area:

	2024			2023		
	Assets	Liabilities and participatory investment accounts	Off statement of financial position items	Assets	Liabilities and participatory investment accounts	Off statement of financial position items
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
According to segment						
Retails	462,468,578	1,129,914,259	5,911,836	502,328,444	1,123,573,516	10,218,442
Corporates and institutions	286,573,685	207,687,617	59,143,571	302,147,321	212,330,038	87,035,149
Government	191,134,925	-		180,352,519	71,679	538,445
Treasury	595,529,439	56,235,252	-	502,440,491	22,325,170	-
Others	63,858,871	57,654,613	-	82,008,780	62,941,144	-
Total	1,599,565,498	1,451,491,741	65,055,407	1,569,277,555	1,421,241,547	97,792,036

42. Fair value measurement

The Bank uses the following hierarchy for determining and disclosing the fair value:

- Level 1: Using the trading prices (unadjusted) for completely similar financial instruments in active financial markets for the financial instruments.
- Level 2: using data other than trading prices, but it can be observed directly or indirectly.
- Level 3: using data that is not based on observable market data.

Following are quantitative disclosures fair value measurement hierarchy for assets as at December 31, 2024:

			Fair value Measurement using		
	Date of evaluation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
		U.S. $	U.S. $	U.S. $	U.S. $
Assets at fair value:					
Financial assets at fair value through profit or loss (note 6):					
Quoted	December 31, 2024	1,343,865	1,343,865	-	-
Financial assets at fair value through other comprehensive income (note 7):					
Quoted	December 31, 2024	64,990,636	64,990,636	-	-
Investment properties (note10):	December 31, 2024	8,567,919	-	-	8,567,919
Financial assets with disclosed fair value:					
Financial assets at amortized cost (note 8)					
Quoted	December 31, 2024	2,730,742	2,730,742	-	-
Unquoted	December 31, 2024	19,461,999	-	-	19,461,999

Following are quantitative disclosures fair value measurement hierarchy for assets as at December 31, 2023:

			Fair value Measurement using		
	Date of evaluation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
		U.S. $	U.S. $	U.S. $	U.S. $
Assets at fair value:					
Financial assets at fair value through profit or loss (note 6):					
Quoted	December 31, 2023	1,634,979	1,634,979	-	-
Financial assets at fair value through other comprehensive income (note 7):					
Quoted	December 31, 2023	45,965,003	45,965,003	-	-
Unquoted	December 31, 2023				
Investment properties (note10):	December 31, 2023	10,429,797	-	-	10,429,797
Financial assets with disclosed fair value:					
Financial assets at amortized cost (note 8):	December 31, 2023				
Quoted	December 31, 2023	3,674,690	3,674,690	-	-
Unquoted	December 31, 2023	22,236,382	-	-	22,236,382

The Bank has not made any transfers for financial instruments between levels 1 and 2, also there has been no transfers from and to level 3 during the year ended December 31, 2024.

The Bank transferred financial assets at fair value through other comprehensive income items, listed in Palestine Securities Exchange, from level 3 to level 1 during the year ended December 31, 2023

– Sensitivity of unobservable inputs (Level 3):

Authorized external appraisers are assigned to assess the significant assets such as investments properties. After discussion with these external appraisers, the Bank selects the methods and inputs to be used for the valuation in each case, which are mostly sale prices for similar land during the year which are calculated at fair value per square meter of land multiplied by the number of square meters.

The following table represents the sensitivity of the fair value of investment properties:

	Increase / decrease in fair value	Impact on fair value
2024	%	U.S. $
Fair value per square meter		
Fair value per square meter	5+	428,396
	5-	(428,396)
2023		
Fair value per square meter	5+	521,490
Fair value per square meter	5-	(521,490)

43. Fair value of financial instruments

The table below represents a comparison of the carrying amounts and fair values of financial instruments as at December 31, 2024 and 2023:

	Carrying amount		Fair value	
	2024	2023	2024	2023
	U.S. $	U.S. $	U.S. $	U.S. $
Financial assets				
Cash and balances with Palestine Monetary Authority	348,635,863	349,972,820	348,635,863	349,972,820
Balances at banks and financial institutions	138,249,659	67,474,125	138,249,659	67,474,125
Direct Islamic financing	940,177,188	984,828,284	940,177,188	984,828,284
Financial assets at fair value through profit or loss	1,343,865	1,634,979	1,343,865	1,634,979
Financial assets at fair value through other comprehensive income items	64,990,636	45,965,003	64,990,636	45,965,003
Financial assets at amortized cost	22,214,807	26,007,720	22,192,741	25,911,072
Other financial assets	7,968,047	16,840,229	7,968,047	16,840,229
	1,523,580,065	1,492,723,160	1,523,557,999	1,492,626,512
Financial liabilities				
Banks and financial institutions' deposits	56,235,252	22,325,170	56,235,252	22,325,170
Customers' deposits	391,380,081	340,586,811	391,380,081	340,586,811
Cash margins	77,439,514	75,491,965	77,439,514	75,491,965
Lease Liabilities	4,508,073	5,234,203	4,508,073	5,234,203
Other financial liabilities	40,503,378	36,098,734	40,503,378	36,098,734
	570,066,298	479,736,883	570,066,298	479,736,883
Quasi-equity	868,782,281	919,896,457	868,782,281	919,896,457

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 Palestine Monetary Authority, balances at banks and financial institutions, other financial assets, banks and financial institutions' deposits, customers' deposits, cash margins, other financial liabilities and participatory investment accounts approximate their carrying amounts largely due to the short–term maturities of these instruments.
- Fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income items that are actively traded in active financial markets is determined by reference to quoted prices at the date of the financial statements.
- The fair value of financial assets at amortized cost and lease liabilities were disclosed through discounting forecasted cash flows using the discount rate prevailing at the market.
- The fair value of direct Islamic 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, 2024 and 2023.

44. Risk management process

The Bank's Board of Directors is responsible for identifying and controlling risks. In addition, there are several entities responsible for the Bank's risk management process in each department. The responsibility for developing the risk strategy and permissible limits lies on the Bank's Risk Committee, Governance Committee and Compliance Committee which are appointed by the Board of Directors of the Bank.

The Bank has established policies and procedures to control the risks, and to mitigate its effects as much as possible. The risk management department monitors the effectiveness of risk management on a monthly basis.

The Bank discloses information to help the users of the financial statements to assess the nature and level of risk the Bank is exposed to as a result of its financial instruments as at the date of the financial statements as follows:

I. Credit risks

Credit risks are those risks resulting from the default of counterparties to the financial instrument to repay their commitment to the Bank. The Bank sets ceilings for direct Islamic financing (retail or corporate) and total Islamic 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.

A. Gross exposures to credit risk (net of ECL provisions and profit in suspense and prior to collaterals and other risk mitigations):

	2024	2023
	U.S. $	U.S. $
Statement of financial position items:		
Balances with Palestine Monetary Authority	176,721,493	190,724,223
Balances at banks and financial institutions	138,249,659	67,474,125
Direct Islamic financing	940,177,188	984,828,284
Financial assets at amortized cost	22,214,807	26,007,720
Debt instruments through other comprehensive income	58,704,498	38,912,752
Other assets	7,968,047	16,840,229
Total statement of financial position items	1,344,035,692	1,324,787,333
Off statement of financial position items:		
Unutilized limits of Islamic financing	28,233,208	50,811,905
Letters of guarantee	36,822,199	46,236,966
Letters of credit	-	743,165
Total off statement of financial position items	65,055,407	97,792,036

B. Concentration of risk exposures according to FAS (30) and IFRS (9) as at December 31, 2024 and 2023:

2024	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balances with PMA	177,269,553	-	-	177,269,553
Balances at banks and financial institutions	138,726,780	-	1,689,903	140,416,683
Direct Islamic financing:				
Public sector	193,531,594	-	-	193,531,594
Manufacturing and Agricultural	20,878,231	20,262,545	5,008,061	46,148,837
Service sector	12,568,683	9,013,296	384,038	21,966,017
Trade	95,322,742	92,047,344	22,015,199	209,385,285
Real estate and constructions	47,059,711	111,282,957	15,050,354	173,393,022
Lands	60,717,472	80,106,446	8,635,992	149,459,910
Consumers' Financing	70,894,515	99,670,296	14,282,638	184,847,449
Others	19,459,088	13,374,595	2,265,511	35,099,194
Financial assets at amortized cost	22,498,930	-	-	22,498,930
Debt instruments through other comprehensive income	58,704,498	-	-	58,704,498
Other financial assets	7,968,047	-	-	7,968,047
Total	925,599,844	425,757,479	69,331,696	1,420,689,019

2023	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Balances with PMA	191,145,541	-	-	191,145,541
Balances at banks and financial institutions	67,832,054	-	1,689,903	69,521,957
Direct Islamic financing:				
Public sector	182,315,384	-	-	182,315,384
Manufacturing and Agricultural	20,140,462	13,988,894	6,833,987	40,963,343
Service sector	9,245,899	6,006,393	1,629,982	16,882,274
Trade	96,502,224	44,798,562	15,048,143	156,348,929
Real estate and constructions	84,041,929	114,834,144	9,689,373	208,565,446
Lands	92,748,612	75,014,865	6,202,674	173,966,151
Consumers' Financing	120,512,589	79,770,995	13,885,337	214,168,921
Others	19,761,815	24,899,967	3,020,088	47,681,870
Financial assets at amortized cost	26,338,333	-	-	26,338,333
Debt instruments through other comprehensive income	38,912,752	-	-	38,912,752
Other financial assets	16,840,229	-	-	16,840,229
Total	966,337,823	359,313,820	57,999,487	1,383,651,130

C. Concentration of risk exposures according to FAS (30) and IFRS (9) as at December 31, 2024 and 2023:

2024	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Inside Palestine	730,113,189	425,757,479	67,641,793	1,223,512,461
Jordan	71,746,946	-	1,689,903	73,436,849
Others	123,739,709	-	-	123,739,709
Total	925,599,844	425,757,479	69,331,696	1,420,689,019

2023	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $	U.S. $	U.S. $	U.S. $
Inside Palestine	870,624,734	359,313,820	56,309,584	1,286,248,138
Jordan	47,906,008	-	1,689,903	49,595,911
Others	47,807,081	-	-	47,807,081
Total	966,337,823	359,313,820	57,999,487	1,383,651,130

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

December 31, 2024	Total credit risk exposure	Cash margins	Letters of guarantee	Real estate	Quoted stocks	Vehicles and equipment	Total collaterals	Net Exposure after collaterals	Expected credit losses
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures relating to items on statement of financial position:									
Balances with PMA	177,269,553	-	-	-	-	-	-	177,269,553	548,060
Balances at banks and financial institutions	140,416,683	-	-	-	-	-	-	140,416,683	2,167,024
Direct Islamic financing:									
Retails	493,738,212	12,393,151	138,750	135,819,603	-	87,403,239	235,754,743	257,983,469	29,629,993
Small and medium-sized institution	72,460,332	13,595,012	381,556	21,070,955	-	2,496,303	37,543,826	34,916,506	7,069,328
Corporates	254,101,170	11,821,493	3,533,730	92,599,851	325	12,378,004	120,333,403	133,767,767	31,278,848
Government and public sector	193,531,594	-	-	-	-	-	-	193,531,594	2,396,669
Financial assets at amortized cost	22,498,930	-	-	-	-	-	-	22,498,930	284,123
Debt instruments through othe comprehensive income	58,704,498	-	-	-	-	-	-	58,704,498	94,098
Other financial assets	7,968,047	-	-	-	-	-	-	7,968,047	-
	1,420,689,019	37,809,656	4,054,036	249,490,409	325	102,277,546	393,631,972	1,027,057,047	73,468,143
Credit exposures relating to items off statement of financial position:	65,242,146	4,551,321	-	-	-	-	4,551,321	60,690,825	186,739
	1,485,931,165	42,360,977	4,054,036	249,490,409	325	102,277,546	398,183,293	1,087,747,872	73,654,882

December 31, 2023	Total credit risk exposure	Cash margins	Letters of guarantee	Real estate	Quoted stocks	Vehicles and equipment	Total collaterals	Net Exposure after collaterals	Expected credit losses
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Credit exposures relating to items on statement of financial position:									
Balances with PMA	191,145,541	-	-	-	-	-	-	191,145,541	421,318
Balances at banks and financial institutions	69,521,957	-	-	-	-	-	-	69,521,957	2,047,832
Direct Islamic financing:									
Retails	528,501,286	7,087,665	39,410	145,406,740	20,000	97,873,199	250,427,014	278,074,272	17,513,002
Small and medium-sized institution	79,176,039	11,568,847	452,920	30,389,069	-	3,056,518	45,467,354	33,708,685	1,235,909
Corporates	250,899,609	15,247,964	3,628,514	101,396,832	325	13,344,915	133,618,550	117,281,059	32,597,479
Government and public sector	182,315,384	-	-	-	-	-	-	182,315,384	1,962,865
Financial assets at amortized cost	26,338,333	-	-	-	-	-	-	26,338,333	330,613
Debt instruments through othe comprehensive income	38,912,752	-	-	-	-	-	-	38,912,752	10,267
Other financial assets	16,840,229	-	-	-	-	-	-	16,840,229	-
	1,383,651,130	33,904,476	4,120,844	277,192,641	20,325	114,274,632	429,512,918	954,138,212	56,119,285
Credit exposures relating to items off statement of financial position:	97,916,272	5,665,797	-	-	-	-	5,665,797	92,250,475	124,236
	1,481,567,402	39,570,273	4,120,844	277,192,641	20,325	114,274,632	435,178,715	1,046,388,687	56,243,521

E. Fair value of collaterals obtained against Stage (3) credit exposures is as follows:

December 31, 2024	Total credit risk exposure	Cash margins	Real estate	Vehicles and equipment	Total collaterals	Net Exposure	Expected credit losses
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Direct Islamic financing:							
Retails	32,457,603	746,520	9,192,246	7,106,554	17,045,320	15,412,283	10,270,736
Small and medium-sized institution	8,383,256	208,718	2,994,623	152,845	3,356,186	5,027,070	3,299,984
Corporates	26,800,934	211,347	9,490,474	691,839	10,393,660	16,407,274	12,413,358
Total	67,641,793	1,166,585	21,677,343	7,951,238	30,795,166	36,846,627	25,984,078

December 31, 2023	Total credit risk exposure	Cash margins	Real estate	Vehicles and equipment	Total collaterals	Net Exposure	Expected credit losses
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Direct Islamic financing:							
Retails	25,531,163	697,722	9,475,075	3,887,983	14,060,780	11,470,383	7,501,525
Small and medium-sized institution	9,766,857	244,506	5,177,182	125,919	5,547,607	4,219,250	3,668,258
Corporates	21,011,564	316,063	7,100,609	255,598	7,672,270	13,339,294	10,960,960
Total	56,309,584	1,258,291	21,752,866	4,269,500	27,280,657	29,028,927	22,130,743

Macroeconomic factors, expected future events and the use of more than one scenario

In estimating the ECL the Bank takes into account three scenarios (the normal scenario, the best scenario and the worst scenario), each with different weights of the probability of default and credit exposure at default and excepted loss at default.

Following are the effects of macroeconomic factors on expected future events using more than one scenario as of December 31, 2024:

Macroeconomic factors	Scenario used	Weight weighted for each scenario	Percentage change in Macroecono-mic factors (%)	Percentage change in Macroecono-mic factors (%)	Percentage change in Macroecono-mic factors (%)	Percentage change in Macroecono-mic factors (%)	Percentage change in Macroecono-mic factors (%)	Percentage change in Macroecono-mic factors (%)
		(%)	2024	2025	2026	2027	2028	2029
Gross domestic product	Base scenario	40	(27.40)	1.80	13.01	7.39	0.83	(0.05)
	Best scenario	–	(19.96)	9.24	20.45	14.83	8.28	7.39
	Worst scenario	60	(34.84)	(5.64)	5.57	(0.05)	(6.61)	(7.49)
Inflation rates								
	Base scenario	40	4.11	3.68	3.47	3.39	3.35	3.34
	Best scenario	–	1.57	1.15	0.94	0.85	0.82	0.80
	Worst scenario	60	6.64	6.22	6.01	5.92	5.89	5.87

Following are the impact of macroeconomic factors on expected future events using more than one scenario as of December 31, 2023:

Macroeconomic factors	Scenario used	Weight weighted for each scenario	Percentage change in Macroecono-mic factors (%)	Percentage change in Macroecono-mic factors (%)	Percentage change in Macroecono-mic factors (%)	Percentage change in Macroecono-mic factors (%)	Percentage change in Macroecono-mic factors (%)	Percentage change in Macroecono-mic factors (%)
		(%)	2023	2024	2025	2026	2027	2028
Gross domestic product	Base scenario	40	(3.70)	(6.80)	0.40	4.45	4.26	3.07
	Best scenario	-	3.28	0.18	7.38	11.43	11.25	10.05
	Worst scenario	60	(10.68)	(13.78)	(6.59)	(2.54)	(2.72)	(3.92)
Inflation rates								
	Base scenario	40	3.31	3.33	3.31	3.31	3.31	3.31
	Best scenario	-	1.57	1.59	1.57	1.57	1.56	1.56
	Worst scenario	60	5.06	5.07	5.06	5.05	5.05	5.05

During the years 2024 and 2023, the Bank calculated a 100% weighting for the worst scenario for customers affected by the war on Gaza Strip.

F. Classification of debt securities facilities and deposit certificates 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	2024	2023
	U.S. $	U.S. $
Private sector:		
AAA to A-	29,304,782	13,184,984
BBB+ to B-	32,152,524	28,310,446
Unrated	19,746,122	23,755,655
Total	81,203,428	65,251,085

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:

	2024		
	Increase in index	Effect on income statement	Effect on equity
Market	%	U.S. $	U.S. $
Palestine Securities Exchange	10	134,387	508,053
Foreign financial markets	10	-	120,561

	2023		
	Increase in index	Effect on income statement	Effect on equity
Market	%	U.S. $	U.S. $
Palestine Securities Exchange	10	163,498	600,437
Foreign financial markets	10	-	104,788

III. Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The U.S. Dollars is the functional currency for the Bank. The Board of Directors sets limits on positions by currency. 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 exchange rate, so foreign currency risk of JOD is not material on the Bank's financial statements.

The effect of decrease in currency exchange rate is expected to be equal and opposite to effect of increase shown below:

	2024		2023	
	Increase in currency	Effect on income statement	Increase in currency	Effect on income statement
Currency	(%)	U.S. $	(%)	U.S. $
New Israeli Shekel (ILS)	10	(91,927)	10	(1,088,154)
Other currencies	10	-	10	-

Foreign currencies position of the Bank is as follows:

	Equivalent to U.S. $			
December 31, 2024	JOD	ILS	Other currencies	Total
Assets				
Cash and balances with PMA	47,698,652	205,443,695	1,898,170	255,040,517
Balances at banks and financial institutions	37,974,996	20,052,382	5,439,056	63,466,434
Direct Islamic financing	151,417,247	464,168,728	3,845,885	619,431,860
financial assets at fair value through profit or loss	1,343,865	-	-	1,343,865
financial assets at fair value through other comprehensive income items	4,845,239	-	-	4,845,239
Financial assets at amortized cost	19,746,121	-	-	19,746,121
Investment properties	4,701,764	-	-	4,701,764
Projects in progress	-	395,556	-	395,556
Other assets	1,983,096	418,042	183,550	2,584,688
Total assets	269,710,980	690,478,403	11,366,661	971,556,044
Liabilities				
Banks and financial institutions' deposits	-	56,235,252	-	56,235,252
Customers' deposits	63,120,868	228,984,720	4,321,681	296,427,269
Cash margin	7,965,007	28,633,062	2,173,630	38,771,699
Lease liabilities	1,407,300	62,745	-	1,470,045
Other liabilities	4,059,888	5,764,945	311,270	10,136,103
Total liabilities	76,553,063	319,680,724	6,806,581	403,040,368
Participatory investment accounts	193,157,917	371,716,950	4,560,080	569,434,947
Total liabilities and participatory investment account	269,710,980	691,397,674	11,366,661	972,475,315
Statement of financial position concentration	-	(919,271)	-	(919,271)
Commitments and contingencies	6,191,580	22,039,748	3,775,364	32,006,692

	Equivalent to U.S. $			
December 31, 2023	JOD	ILS	Other currencies	Total
Total assets	271,943,263	697,559,467	15,426,527	984,929,257
Total liabilities	60,782,521	288,309,403	10,968,457	360,060,381
Participatory investment accounts	206,352,656	420,131,608	4,458,070	630,942,334
Statement of financial position concentration	4,808,086	(10,881,544)	-	(6,073,458)
Commitments and Contingencies	5,134,474	32,015,344	10,220,658	47,370,476

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, and maintain an adequate balance of cash and cash equivalents.

The table below summarizes the allocation of assets and liabilities on the basis of the remaining contractual entitlement as at December 31, 2024 and 2023:

December 31, 2024	Less than 1 month	More than 1 month up to 3 months	More than 3 months up to 6 months	More than 6 months up to 1 year	More than 1 year	Without maturity	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Assets							
Cash and balances with PMA	229,208,388	-	-	-	147,000	119,280,475	348,635,863
Balances at banks and financial institutions	72,617,970	32,765,978	-	32,789,715	75,996	-	138,249,659
Direct Islamic financing	160,648,220	131,361,858	66,393,971	143,666,597	438,106,542	-	940,177,188
Financial assets at fair value through profit or loss	-	-	-	-	-	1,343,865	1,343,865
Financial assets at fair value through other comprehensive income items	-	-	-	2,635,832	56,068,666	6,286,138	64,990,636
Financial assets at amortized cost	-	1,001,654	750,063	9,745,604	10,717,486	-	22,214,807
Investment in associates	-	-	-	-	-	11,526,690	11,526,690
Investment properties	-	-	-	-	-	8,567,919	8,567,919
Property, plant and equipment	-	-	-	-	-	30,912,066	30,912,066
Projects in progress	-	-	-	-	-	404,106	404,106
Right-of-use assets	-	-	-	-	-	4,314,210	4,314,210
Deferred tax assets	-	-	-	-	15,328,327	-	15,328,327
Intangible assets	-	-	-	-	-	1,602,079	1,602,079
Other assets	173,464	-	3,971,725	2,182,878	-	4,970,016	11,298,083
Total assets	462,648,042	165,129,490	71,115,759	191,020,626	520,444,017	189,207,564	1,599,565,498
Liabilities, quasi-equity and equity							
Banks and financial institutions' deposits	56,235,252	-	-	-	-	-	56,235,252
Customers' deposits	391,380,081	-	-	-	-	-	391,380,081
Cash margin	2,408,227	7,125,191	6,580,699	41,045,167	20,280,230	-	77,439,514
Sundry provisions	-	-	-	-	-	11,851,062	11,851,062
Tax provisions	-	-	-	457,210	-	-	457,210
Lease liabilities	26,643	183,253	159,678	842,876	3,295,623	-	4,508,073
Other liabilities	1,124,585	-	320,057	2,621,021	13,936,951	22,835,654	40,838,268
Total liabilities	451,174,788	7,308,444	7,060,434	44,966,274	37,512,804	34,686,716	582,709,460
Participatory investment accounts	657,348,849	58,894,837	58,507,955	84,386,312	9,644,328	-	868,782,281
Equity							
Paid-in share capital	-	-	-	-	-	100,000,000	100,000,000
Additional paid- in capital	-	-	-	-	-	3,200,000	3,200,000
Statutory reserve	-	-	-	-	-	13,726,646	13,726,646
General banking risk reserve	-	-	-	-	-	4,384,678	4,384,678
Pro-cyclicality reserve	-	-	-	-	-	6,023,917	6,023,917
Investment properties reserve	-	-	-	-	-	328,902	328,902
Cumulative change in fair value	-	-	-	-	-	(1,042,109)	(1,042,109)
Retained earnings	-	-	-	-	-	21,451,723	21,451,723
Net equity	-	-	-	-	-	148,073,757	148,073,757
Total liabilities, quasi-equity and equity	1,108,523,637	66,203,281	65,568,389	129,352,586	47,157,132	182,760,473	1,599,565,498
Maturity gap	(645,875,595)	98,926,209	5,547,370	61,668,040	473,286,885	6,447,091	-
Cumulative maturity gap	(645,875,595)	(546,949,386)	(541,402,016)	(479,733,976)	(6,447,091)	-	-

December 31, 2023	Less than 1 month U.S. $	More than 1 month up to 3 months U.S. $	More than 3 months up to 6 months U.S. $	More than 6 months up to 1 year U.S. $	More than 1 year U.S. $	Without maturity U.S. $	Total U.S. $
Assets							
Cash and balances with PMA	232,514,952	-	-	-	147,000	117,310,868	349,972,820
Balances at banks and financial institutions	43,239,239	4,570,700	-	-	19,664,186	-	67,474,125
Direct Islamic financing	122,569,358	122,995,550	100,273,785	136,340,167	502,649,424	-	984,828,284
Financial assets at fair value through profit or loss	-	-	-	-	-	1,634,979	1,634,979
Financial assets at fair value through other comprehensive income items	-	2,990,850	-	-	35,924,401	7,049,752	45,965,003
Financial assets at amortized cost	-	-	2,820,874	-	23,186,846	-	26,007,720
Investment in associates	-	-	-	-	-	11,385,844	11,385,844
Investment properties	-	-	-	-	-	10,429,797	10,429,797
Property, plant and equipment	-	-	-	-	-	29,646,128	29,646,128
Projects in progress	-	-	-	-	-	3,001,416	3,001,416
Right-of-use assets	-	-	-	-	-	5,111,907	5,111,907
Deferred tax assets	-	-	-	-	11,621,992	-	11,621,992
Intangible assets	-	-	-	-	-	1,673,691	1,673,691
Other assets	16,490,948	1,938,465	-	1,309,191	-	785,245	20,523,849
Total assets	414,814,497	132,495,565	103,094,659	137,649,358	593,193,849	188,029,627	1,569,277,555
Liabilities, quasi-equity and equity							
Banks and financial institutions' deposits	17,689,630	4,635,540	-	-	-	-	22,325,170
Customers' deposits	340,586,811	-	-	-	-	-	340,586,811
Cash margin	2,347,662	6,945,998	6,415,200	40,012,914	19,770,191	-	75,491,965
Sundry provisions	-	-	-	-	-	11,733,517	11,733,517
Tax provisions	-	-	-	9,611,575	-	-	9,611,575
Lease liabilities	110,755	221,540	332,360	664,754	3,904,794	-	5,234,203
Other liabilities	19,795,487	1,723,847	3,479,812	2,360,083	9,002,620	-	36,361,849
Total liabilities	380,530,345	13,526,925	10,227,372	52,649,326	32,677,605	11,733,517	501,345,090
Participatory investment accounts	687,923,661	90,433,187	47,236,656	80,199,727	14,103,226	-	919,896,457
Equity							
Paid-in share capital	-	-	-	-	-	100,000,000	100,000,000
Additional paid- in capital	-	-	-	-	-	3,200,000	3,200,000
Statutory reserve	-	-	-	-	-	13,625,739	13,625,739
General banking risk reserve	-	-	-	-	-	4,384,678	4,384,678
Pro-cyclicality reserve	-	-	-	-	-	6,023,917	6,023,917
Investment properties reserve	-	-	-	-	-	301,798	301,798
Cumulative change in fair value	-	-	-	-	-	(43,686)	(43,686)
Retained earnings	-	-	-	-	-	20,543,562	20,543,562
Net equity	-	-	-	-	-	148,036,008	148,036,008
Total liabilities, quasi-equity and equity	1,068,454,006	103,960,112	57,464,028	132,849,053	46,780,831	159,769,525	1,569,277,555
Maturity gap	(653,639,509)	28,535,453	45,630,631	4,800,305	546,413,018	28,260,102	-
Cumulative maturity gap	(653,639,509)	(625,104,056)	(579,473,425)	(574,673,120)	(28,260,102)	-	-

During 2018, PMA issued instructions No. (4/2018) in regard to Liquidity Coverage Ratio (LCR) which is considered one of the quantitative corrective tools issued by Basel Committee. LCR should not be lower than 100% in any case. LCR objective is to promote the short-term resilience of the liquidity risk profile of the Bank by ensuring that they have sufficient High-quality liquid assets to survive a significant stress scenario lasting 30 calendar days, and to keep the Bank services from the day of the stress until the Bank initiates corrective procedures in an efficient way.

The table below shows the calculation of the liquidity coverage ratio for the year ended December 31, 2024:

Item	Value before applying discount rates/ Cash flows (average)	Value after applying discount rates/ Cash flows (average)
	U.S. $	U.S. $
Total high-quality assets *	417,152,304	382,894,083
Retail deposits including deposits of small enterprises:		
A-Stable deposits	624,494,440	31,224,722
B -Less stable deposits	488,523,314	40,411,719
Deposits and unsecured forms of financing for legal persons other than retail customers and small-scale enterprises:		
A-Operating deposits	17,535,963	4,383,991
B-Non-operating deposits	99,520,603	46,391,881
Guaranteed financing and deposits	1,230,074,320	122,412,313
Credit lines, non-cancellable credit lines and cancellable lines within a 30-day period		
Any other external contractual cash flows	253,602,915	191,622,876
Total cash outflows	1,483,677,235	314,035,189
Secured granting		
Other inflows based on the counterparty	210,648,086	127,886,989
Total cash inflows	210,648,086	127,886,989
Net cash outflow - after adjustments**		186,148,200
Total high-quality assets - after adjustments		382,894,083
Net cash outflow - after adjustments		186,148,200
Liquidity Coverage Ratio (%)		%206
Minimum percentage according to PMA instructions (%)		%100

* Based on the Palestinian Monetary Authority Instructions No. (4/2018), high-quality liquid assets, include cash and balances with the Palestinian Monetary Authority (note 3), investments in stocks and listed sukuk after deducting any investments in financial institutions.

** The net cash outflows after adjustments represent the total cash outflows minus the total cash inflows, or 75% of the total cash outflows, whichever is less.

The table below shows the calculation of the liquidity coverage ratio for the year ended December 31, 2023:

Item	Value before applying discount rates/ Cash flows (average)	Value after applying discount rates/ Cash flows (average)
	U.S. $	U.S. $
Total high-quality assets *	389,969,984	369,971,402
Retail deposits including deposits of small enterprises:		
A-Stable deposits	589,910,577	29,495,529
B -Less stable deposits	430,019,056	27,335,618
Deposits and unsecured forms of financing for legal persons other than retail customers and small-scale enterprises:		
A-Operating deposits	57,919,760	14,479,940
B-Non-operating deposits	35,448,252	14,179,301
Guaranteed financing and deposits	1,113,297,645	85,490,388
Credit lines, non-cancellable credit lines and cancellable lines within a 30-day period		
Any other external contractual cash flows	360,385,635	312,053,001
Total cash outflows	1,473,683,280	397,543,389
Secured granting		
Other inflows based on the counterparty	166,170,737	90,406,671
Total cash inflows	166,170,737	90,406,671
Net cash outflow - after adjustments**		307,136,718
Total high-quality assets - after adjustments		369,971,402
Net cash outflow - after adjustments		307,136,718
Liquidity Coverage Ratio (%)		%120
Minimum percentage according to PMA instructions (%)		%100

* Based on the Palestinian Monetary Authority Instructions No. (4/2018), high-quality liquid assets, include cash and balances with the Palestinian Monetary Authority (note 3), investments in stocks and listed sukuk after deducting any investments in financial institutions.

** The net cash outflows after adjustments represent the total cash outflows minus the total cash inflows, or 75% of the total cash outflows, whichever is less.

PMA issued instructions number (5/2018) regarding the application of the net stable financing ratio, which must not be less than 100% in all cases; the following table shows the calculation of the net stable financing ratio for the year ended December 31, 2024:

	2024
	U.S. $
Regulatory capital	154,815,690
Retail deposits and small institutions (stable)	593,269,718
Retail deposits and small institutions (less stable)	541,155,692
Secured and unsecured financing (deposits)	24,160,701
Total stable funding available	1,313,401,801
High quality liquid assets of the second level / category (A) not mortgaged	12,813,897
High quality liquid assets of the second level / category (B) not mortgaged	31,226,716
High quality liquid and mortgaged assets	12,221,776
Islamic financing	559,684,804
Unquoted investments other than the mentioned above	6,790,733
All other assets	29,905,692
Credit and liquidity financing not subject to cancellation and subject to conditional cancellation	1,415,713
Other potential future financing commitments	1,846,395
Total required stable financing	655,905,726
Net stable financing ratio	%200
Minimum percentage according to PMA instructions (%)	%100

Net stable financing ratio for the year ended December 31, 2023:

Item	2023
	U.S. $
Regulatory capital	155,083,096
Retail deposits and small institutions (stable)	560,415,048
Retail deposits and small institutions (less stable)	540,288,736
Secured and unsecured financing (deposits)	42,292,561
Total stable funding available	1,298,079,441
High quality liquid assets of the second level / category (A) not mortgaged	2,650,543
High quality liquid assets of the second level / category (B) not mortgaged	15,735,231
High quality liquid and mortgaged assets	9,810,433
Islamic financing	624,931,982
Unquoted investments other than the mentioned above	6,675,828
All other assets	36,061,868
credit and liquidity financing not subject to cancellation and subject to conditional cancellation	2,543,823
Other potential future financing commitments	2,351,991
Total required stable financing	700,761,699
Net stable financing ratio	185%
Minimum percentage according to PMA instructions (%)	100%

Leverage ratio

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

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

Item	2024
	U.S. $
Total Exposure Scale	1,668,086,927
Regulatory amendments related to investments in banks and financial institutions	-
Amendments related to derivative exposures	-
Amendments related to securities financing operations	-
Amendments related to items off statement of financial position	(65,242,147)
other amendments /exposures	(1,602,079)
The total exposure scale for the purpose of calculating the leverage ratio	1,601,242,701
First tranche of capital net capital	141,758,098
Leverage Ratio as at December 31, 2024	8.85%
Minimum percentage according to PMA instructions (%)	4.00%

The table below shows the calculation of the financial leverage ratio as at December 31, 2023:

Item	2023
	U.S. $
Total Exposure Scale	1,570,477,779
Regulatory amendments related to investments in banks and financial institutions	-
Amendments related to derivative exposures	-
Amendments related to securities financing operations	-
Amendments related to items off statement of financial position	(49,876,843)
other amendments /exposures	(1,673,691)
The total exposure scale for the purpose of calculating the leverage ratio	1,518,927,245
First tranche of capital net capital	141,675,840
Leverage Ratio as at December 31, 2023	9.02%
Minimum percentage according to PMA instructions (%)	4%

46. Segment information

A. Information on the Bank's business segments

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

- **Retail accounts**: Includes handling individual customers' deposits and providing them with Islamic financing and other services.
- **Corporate accounts:** Includes handling Islamic financing, deposits and other banking services for corporate and corporate customers.
- Government Accounts: This includes handling deposits, credit financing, and other banking services related to the government.
- **Treasury:** Includes providing trading and treasury services and the management of the Bank's funds and investments.

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

	Retails	Corporate	Government	Treasury	Others	Total 2024	Total 2023
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Gross revenues	33,935,046	21,805,425	9,514,067	11,577,403	585,649	77,417,590	83,746,871
Impairment losses, net	(12,116,991)	(7,793,255)	(433,804)	(4,917,937)	(1,200,000)	(26,461,987)	(25,984,664)
Segment results	21,818,055	14,012,170	9,080,263	6,659,466	(614,351)	50,955,603	57,762,207
Unallocated expenses						(49,926,741)	(50,969,936)
Profit before taxes						1,028,862	6,792,271
Taxes expense						(19,794)	(1,946,252)
Profit for the year						1,009,068	4,846,019
Other information							
Depreciation and amortization						4,576,847	4,548,844
Capital expenditures						3,227,590	9,552,166
						2024	2023
						U.S. $	U.S. $
Total segment assets	462,468,578	286,573,685	191,134,925	595,529,439	63,858,871	1,599,565,498	1,569,277,555
Total segment liabilities and quasi-equity	1,129,914,259	207,687,617	-	56,235,252	57,654,613	1,451,491,741	1,421,241,547

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 revenues, assets and capital expenditures according to geographical sector:

	Local		Foreign		Total	
	2024	2023	2024	2023	2024	2023
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Total revenues	69,765,478	78,813,441	7,652,112	4,933,430	77,417,590	83,746,871
Capital expenditures	3,227,590	9,552,166	-	-	3,227,590	9,552,166

	Local		Foreign		Total	
	2024	2023	2024	2023	2024	2023
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Total assets	1,403,634,482	1,473,205,124	195,931,016	96,072,431	1,599,565,498	1,569,277,555

47. 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 shareholders value.

The Bank manages its capital structure and adjusts it in light of changes in business conditions. The Bank did not make any adjustments to objectives and policies related to the capital structure during the year.

The capital adequacy ratio for the year 2024 is computed in accordance with the PMA's instructions No. (8/2018).

The following is the capital adequacy ratio for the year 2024 and 2023:

	2024			2023		
	Amount	Percentage to assets	Percentage to risk – weighted assets	Amount	Percentage to assets	Percentage to risk – weighted assets
	U.S. $	Percent	Percent	U.S. $	Percent	Percent
Regulatory capital	154,815,690	9.68%	14.99%	155,083,096	9.88%	14.09%
Basic capital	141,758,098	8.86%	13.73%	141,675,840	9.03%	12.87%

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 2024 is computed in accordance with PMA instructions No. (8/2018), as shown in the following table:

	December 31, 2024
	U.S. $
Net of common shares issued	100,000,000
The first bracket of capital	141,758,098
The second bracket of capital	13,057,592
Capital base	154,815,690
Credit risk	909,531,634
Market risk	-
Operating risk	123,235,277
Total risk weighted assets	1,032,766,911
Percentage of common stocks to risk weighted assets	9.68%
Percentage of the first bracket of capital to risk weighted assets	13.73%
Percentage of the second bracket of capital to risk weighted assets	1.26%
Percentage of the first bracket to assets	8.86%
Percentage of regulatory capital to assets	9.68%
Capital adequacy ratio	14.99%

In 2018, the Palestinian Monetary Authority issued Instruction No. (4/2018) regarding the implementation of the liquidity coverage ratio, which is considered a tool of the quantitative reforms mandated by the Basel Committee on Banking Supervision. This ratio must not be less than 100% under any circumstances. The liquidity coverage ratio aims to enhance the Bank's ability to face short-term liquidity risks by ensuring the availability of a sufficient stock of high-quality liquid assets to meet liquidity needs that may arise according to stress scenarios for a duration of 30 days. This is intended to allow the Bank to continue providing its services during the specified period from the onset of the stress event until the Bank takes measures to resolve the issue in an orderly manner.

48. Development strategy

The Bank’s development policy includes the following:

- Providing innovative financial solutions and products that are modern, Sharia-compliant, to meet the needs of all targeted segments.
- Focus on customer service and the allocation of services and products to suit their individual needs.
- Design and update all bank operations in order to raise performance and improve the quality of service.
- Flexibility and efficiency in the introduction of new products and services and increase the efficiency of operations and enhance the access of banking services to customers in a safe and effective way, through leading digital transformation and the benefit from technological development.
- Utilizing the data available in performance analysis, needs, product development, services, and increasing the effectiveness and quality of business development activities.
- Developing the human recourses, supportive work environment and enhancing belonging. Continue to focus on reducing business risks and compliance with relevant domestic and international regulatory requirements.
- Optimize existing partnerships and build new work collaborations.
- Active participation by the Shari’a Supervisory Board in seminars, conferences and workshops, which enhances the dissemination of the culture of Islamic banking.
- Developing the Bank’s contributions in the field of sustainable social responsibility and playing a leadership role in this field.

49. Legal cases against the Bank

The number of litigations filed against the Bank were (78) and (90) in the amount of U.S. $ 12,454,847 and U.S. $ 12,907,637 as at December 31, 2024 and 2023, respectively. The Bank’s management and lawyer believe that the Bank will not have any obligations in return for these cases, except for what has been provision against these litigations.

50. War on Gaza Strip

At the beginning of October 2023, Gaza Strip was exposed to a war, which significantly affected all economic activities in the sector, in addition to the complete or partial 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 outside the country, preventing tens of thousands of Palestinian workers from reaching their workplaces.

These events negatively affected economic activities in Palestine, and lead to a decrease in revenues from private sector, green-line workers’ earnings, government revenues from taxes and local fees, clearance revenues, and consequently, the ability of customers to meet their obligations on time. The Bank's exposure to the Islamic financing granted to the government, its employees, and green-line workers is disclosed in note (5).

Management Procedures

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

- Conduct a study of risk assessments and stress scenarios for the operational risks of the Bank.
- Monitor field conditions periodically.
- Limiting the monitoring mission under these circumstances to West Bank employees
- Keeping cash and important documents in the branch or offices storeroom without exposing them to high risks, and not leaving them outside the main storeroom in order to preserve the Bank's interests.
- Strengthening oversight of external ATMs and evaluating their security and safety conditions in light of any developments that may affect the surrounding environment or the Bank's ability to operate them without high risks, and feeding them with cash on an ongoing basis to provide customers' cash needs, while taking into account the security situation of the area in which the ATM is located.
- Strengthening communication with the Gaza Strip management to periodically follow up on the conditions of customers who received financing from the Bank and the collaterals status.
- Branches and offices do what is necessary to reduce requests for withdrawal deposits and adhere to the Bank's instructions related to this matter.
- Activating remote work systems and distributing employees to the branches closest to their places of residence

In general, the Bank's management believes that this event affected some of the Bank's operational activities, revenues and investments, especially those derived from the Gaza Strip.

The Bank's exposures in the Gaza Strip

As of December 31, 2024, the net book value of the Bank's assets in Gaza Strip amounted to U.S. $ 92.9 million (2023: U.S. $ 135.4 million) net of impairment provisions which amounted to U.S. $ 40.1 million (2023: U.S. $ 27.8 million). Management calculated these provisions based on its estimates derived from the latest available information, given the uncertainties due to the consequences of the war in Gaza Strip.

Below are the details of the Bank's exposures in Gaza Strip and the impairment provisions against them as of December 31, 2024 and 2023:

	Million U.S. $		
	Exposure	Impairment provision	Net book value
Sector			
Cash in vaults (A)	4.0	(3.8)	0.2
Islamic financing (B)	118.6	(33.5)	85.1
Investment properties (C)	6.0	(1.6)	4.4
Non-financial assets (D)	4.4	(1.2)	3.2
	133.0	(40.1)	92.9

	Million U.S. $		
	Exposure	Impairment provision	Net book value
Sector			
Cash in vaults (A)	20.6	-	20.6
Islamic financing (B)	131.6	27.0	104.6
Investment properties (C)	6.2	0.8	5.4
Non-financial assets (D)	4.8	-	4.8
	163.2	27.8	135.4

A- Cash in vaults:
The net cash in vaults in the Bank's branches and ATMs in the Gaza Strip as of December 31, 2024 amounted to U.S $ 0.2 million (2023: U.S $ 20.6 million). Additionally, the value of actual cash losses incurred as a result of the damages and attacks on the Bank's branches, amounted to U.S $ 3. 8 million during the year ended December 31, 2024.

B- Islamic financing:
The Bank conducted a study on the sectors affected by the war, where the net Islamic financing in Gaza Strip amounted to U.S $ 85.1 million (2023: U.S $ 104.6 million), net of expected credit losses provisions of U.S. $ 33.5 million (2023: U.S. $ 27 million). Out of which 79.6% and 63.8% as of December 31 2024 and 2023, respectively, of this amount are granted to individuals employed by the Palestinian Authority, Bank's employees and individuals of international institutions with financial solvency, and it is expected that these entities will continue to meet their obligations.

The Bank assessed the borrowers looking for indicators of inability to pay, taking into account the underlying cause behind any financial difficulty and whether it is likely to be temporary as a result of the war or in the long term. During this year and the previous year, the Bank has updated the macroeconomic factors in addition to changing the probabilities of macroeconomic scenarios by assigning a higher weight to the worst-case scenario, leading to an increase in the provision for expected credit losses. Furthermore, the Bank classified the Islamic financing portfolio in Gaza Strip, Palestinian workers in Israel and most affected sectors, such as the tourism sector, within stage (2) and (3) of credit loss provisions, taking into consideration the requirements of the Palestinian Monetary Authority, in addition to taking additional measures and more stressful scenarios and individual studies for many accounts.

Additionally, the Bank suspended the recognition of all profits from its financing portfolio in Gaza Strip during the year ended December 31, 2024, amounted to U.S. $ 6.64 million.

C. Investment properties:
The Bank owns investment properties in Gaza Strip consisting solely of lands. As of December 31, 2024, the net book value of these investment properties in Gaza Strip amounted to U.S. $ 4.4 million (2023: U.S. $ 5.4 million) after deducting Impairment losses provision on investment properties in the amount of U.S. $1.6 million (2023: U.S. $ 0.8 million). During the years ended December 31, 2024 and 2023, the Bank has recorded impairment losses on investment properties in the amount of U.S. $ 0.80 million according to its estimates. Additionally, during the year, the Bank sold a piece of land in Gaza Strip, which resulted in recognizing a gain of approximately U.S. $ 87 thousand in the income statement for the year ended December 31, 2024. As of the date of issuance of these financial statements, the Bank's management was unable to estimate the value of these lands due to the consequences of the war on Gaza Strip. Impairment losses on investment properties primarily depend on the developments in Gaza Strip.

D. Non-financial assets:

The net book value of non-financial assets in Gaza Strip amounted to approximately U.S. $ 3.2 million as at December 31, 2024 (2023: U.S. $ 4.8 million), which represent some properties, equipment and other assets.

As a result of this war, during the year ended December 31, 2024, the bank recorded an impairment provision against the expected impairment on these assets in an amount of U.S. $ 1.20 million.

Part of these assets are covered by valid insurance policies. The recoverable value of non-financial assets cannot be measured at the current time due to the consequences of the war.

Cash flow

The management has reviewed current and expected liquidity ratios, continuity plans, and stress tests in accordance with changing conditions. The Bank conducts regular monitoring of liquidity positions to ensure sufficient levels of liquidity to meet its anticipated needs and continue operations.

Liquid assets (cash in vaults in West Bank branches and net balances available with financial institutions) as of December 31, 2024 amounted to U.S. $ 367,633,763, representing 29.17% of the total customer deposits and participatory investment accounts. The liquidity coverage ratio and stable financing ratio are higher than the ratios set by Palestine Monetary Authority, as disclosed in note (44).

Operational risk

Since the beginning of the events on October 7, 2023, most of the Bank branches in the Gaza Strip have remained closed. However, the Bank reopened its branches in the central and southern areas to the public during the first temporary ceasefire in November 2023. Subsequently, and after the date of the financial statements, the Palestine Monetary Authority (PMA) announced the resumption of operations in Gaza Strip as a result of the second temporary ceasefire, with services being provided starting January 28, 2025, and a phased reopening of branches.

The management is making efforts since the first day of war to continue feeding and operating ATMs in areas where field conditions allow, enabling customers to conduct their cash banking transactions, whether they are Bank customers or customers of other Banks, within the Palestinian National Key program under the supervision of the Palestine Monetary Authority.

As for the West Bank, business operations are managed through the main headquarters of the General Administration in Ramallah, with customer service provided in all areas. The Bank believes it has sufficient financial resources to continue its operations efficiently by taking necessary measures to adapt to emerging changes and ensure the Bank's ability to maintain continuity through the implementation of continuity plans.

As a result, the ongoing effects and consequences of this war remain unclear and cannot be accurately predicted at the current time. The management continues to monitor this event and study its potential impacts. The management believes that there are no substantial doubts about the ability of the Bank and its associates to continue its operations.

Subsequent events

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

In accordance with the accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and based on the above instructions, the agreed profit share remaining with the customer must be distributed over the new or expected financing period, taking into account the value and timing of expected cash flows using the effective profit method. According to the preliminary estimates of the management, no material impact on the bank's financial statements is expected, as the bank has ceased recognizing the earned revenue in Gaza Strip, as mentioned above. In response to these instructions, the bank has updated the inputs used to calculate the Expected Credit Loss (ECL) provision for the year 2024.

51. 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.

52. Comparative Figures

Some accounts in the financial statements for the previous year have been reclassified to match the presentation of the financial statements for the current year. The reclassification does not affect the profits or the equity for the previous year.