



بنك فلسطين
BANK OF PALESTINE

Resilient Foundations for Growth & Prosperity

Banking for All
Annual Report 2025



Table of Content

03

Overview

- 03. Bank of Palestine Group at a Glance
- 09. Key Financial Highlights
- 10. Chairman's Statement
- 13. CEO's Statement
- 18. Highlights of 2025
- 20. Awards and Memberships
- 21. Branches and Network Footprint
- 22. Banking Sector Overview

26

Corporate Governance

- 26. Board of Directors and Board Committees
- 42. Executive Management
- 44. Risk Management
- 58. Anti-Money Laundering and Compliance
- 64. Disclosures
- 65. Investor Relations and Shareholders' Information

75

Strategic Review

- 75. The Bank's Five-Year Strategic Plan
- 80. Customer Service
- 82. Our Approach to Sustainability
- 92. Our Digital Transformation Strategy

95

Operational Review

- 95. Business Banking
- 101. Retail Banking
- 110. Our Employees

115

Bank of Palestine Group

- 115. The Arab Islamic Bank
- 118. Al Wasata Securities Company
- 120. PalPay Company
- 123. Qudra Renewable Energy Solutions Company
- 124. Intersect Innovation Hub
- 126. Ibtikar Fund – Youth and Startups

128

Financial Statements



About Bank of Palestine Group

Bank of Palestine was established in 1960 as a leading financial institution that seeks to upgrade banking services in Palestine, while focusing on financing small and medium-sized enterprise. The Bank developed its operations and expanded its services to respond to the financial needs of various Palestinian sectors and segments.

With its headquarters in Ramallah, Bank of Palestine stands today as the largest national banking institution in terms of assets, customer deposits, credit facilities, historical profits, number of employees, and market value. The Bank operates a comprehensive network of 100 branches and offices spread across Palestine, providing banking services to over one million customers through a wide and diverse range of distinguished banking and digital services. It plays a key role in promoting financial inclusion, sustainability and entrepreneurship, while working on expanding its international presence in the United Arab Emirates and the Arab Republic of Egypt as part of its regional expansion and growth strategy.

A Glimpse of Our Journey

1960

Establishment of Bank of Palestine



1981

The first bank in Palestine to use computers



1994

Relationship building with global banks

1995

SWIFT

The first bank in Palestine to adopt SWIFT

1998



The first and only bank in Palestine to establish a Visa and MasterCard center for banking card transactions

2009

Launched the GPRS and the first drive-thru ATM

2010

Established PalPay Company for electronic payment solutions



2015

- Launched the first Bank of Palestine Representative Office in Dubai, UAE
- Launched the Felsestineya Program for women's empowerment & financial inclusion



2016

- Merged with the P Commercial Bank
- Joined the Global for Banking on Value (GABV)
- Acquired a majority in the Arab Islamic

2020

- Upgraded corporate and retail banking services
- Established Qudra Renewable Energy Solutions in partnership with NAPCO
- Established Intersect Innovation Hub
- Signed USD 50 million loan agreements with the European Investment Bank and USD 15 million with EBRD to support SMEs and women-in-business

2021

- Completed the customer segmentation project
- FISEA, the AFD Group Investment Vehicle advised by Proparco, became a strategic partner and investor in Bank of Palestine



2022

- Invested in Mada Al Arab to advance digital transformation
- Launched the Climate Risk Conference in cooperation with EBRD
- Signed the SUNREF II (green loan) agreement with Proparco and the European Union
- Launched the first sustainability report

2025

- Opened a representative office in Cairo, Arab Republic of Egypt, to serve the Palestinian diaspora
- Established Taqa Company in partnership with APIC and Massader to develop sustainable energy projects
- Obtained In-principle approval for a Category 1 (CAT1) full banking license from ADGM, Abu Dhabi - UAE



2000

Introduced ATMs and Points of Sale (POS)

2002

Established an International Trade Department and began doing business with the Global Banking Network



بورصة فلسطين
Palestine Exchange

2005

Listed Bank of Palestine shares on the Palestine Exchange



2006

Established Al Wasata Securities Company, the investment arm of Bank of Palestine Group



2017

Launched the second Bank of Palestine Representative Office in Santiago, Chile

2018

- Participated in global environmental and community initiatives in cooperation with the International Finance Corporation (IFC) and the French Agency for Development (AFD)
- Launched the mobile branch – Banke Rahhal

2019

- Launched the USSD service
- Launched the automated banking service
- Launched the WhatsApp banking channel
- Launched the PointCom campaign to promote electronic banking services
- Launched the “Mahfazati” electronic wallet app

USSD



2023

- Signed an agreement with the Japan International Cooperation Agency (JICA) to invest \$30 million in BoP’s Additional Tier 1 Capital
- Joined CitiGroup’s Sustainable Deposits Solution
- Completed its five-year strategic plan



2024

- The IFC and the EBRD acquired an 8.92% stake in BoP through a special share issuance
- Strategic partnership with Bank of Africa, through which BOA acquired 1.2% equity stake in BoP
- Signed a \$65 financing agreements with IFC, Proparco and SANAD fund. other agreements were signed with the Arab Fund for \$30 million; with DFC for \$80 million; and with MEII for \$20 million, all aimed at supporting SME financing.



- Increased the Bank’s capital by USD 11.8 million through a special share issuance led by Proparco, with additional investments from EBRD and IFC to maintain their ownership stakes.
- Ranked among the top 100 banks in the Arab world by total assets in 2024

We draw our strength from...

Capital Adequacy Ratio
%16.29

Total Assets (\$)
10.7 billion

Liquidity Coverage Ratio
%899

The Strength of Our Financial Position

Largest Customer Base
over 1 million customers

Credit Facilities (\$)
4.0 billion

Customer Deposits (\$)
9.1 billion

Our Widespread Presence



100

Branches and offices **Locally**

Representative office in Dubai

Representative office in Cairo

Regionally

Obtained in-principle approval for a Category 1 (CAT1) full banking license from ADGM

- Advancing financial inclusion in Palestine
- Adhering to global standards and ESG principles
- Participating in Citi Group's Sustainable Deposits Program
- The largest lender to SMEs
- Investing in renewable energy projects
- Fostering an innovation-driven ecosystem

Our Approach to Sustainability



Our Regional and Global Strategic Partnerships

- Strategic engagements and investments with leading international financial and development institutions
- A broad and diversified network of correspondent banks

A Tribute to Our Founders



Late Mr. Hashim Atta Shawa

**Founder of
Bank of Palestine**

The late Hashim Atta Shawa managed to build a great economic edifice when he founded the Bank with an aim to support farmers and orchard owners in the Gaza Strip and encourage them to grow and expand their businesses. Shawa used the orange tree as a symbol to reflect the Bank's identity and that of Palestine. He devoted his life in service of his people and his homeland, and until his last days, worked persistently to develop and expand the Bank.

The late Hani Shawa continued along the path of building and developing Bank of Palestine by adopting an expansion strategy, staying abreast with technological advancements and elevating the level of business practices and professional performance. His footprints and legacy of wise and sound management live on until today, reflected in the Bank's will to best serve its customers, shareholders and stakeholders.

Late Dr. Hani Hashim Shawa



Former Chairman of Bank of Palestine



Our Vision

We aspire to be distinguished as the values-based, sustainable, modernized financial and banking institution on both the local and international levels.

Our Mission

Bank of Palestine undertakes a mission rooted in a value system dating back to 1960, encompassing the best sustainable global practices and modern digital banking, to impact economic and social development in Palestine, through innovative banking while preserving shareholders' rights and providing value to all stakeholders in a national partnership, with connections extending to the region and the world within a shared responsibility approach.



Our Values

- ◆ Pioneer
- ◆ Resilience
- ◆ Pride
- ◆ Trust
- ◆ Sustainability

Key Financial Highlights

Change in Key Performance Indicators (KPIs) during the last five years

USD / Million	2021	2022	2023	2024	2025
Gross Income Before Provisions	262.5	299.2	327.8	354.0	389.5
Gross Income After Provisions	237.9	271.1	192.1	127.5	259.6
Profit Before Tax	84.6	107.3	17.9	-45.5	66.3
Net Profit	56.3	66.6	16.5	-27.9	57.0
Total Assets	6,508	6,488	7,126	8,360	10,651
Customer Deposits	5,305	5,267	5,808	7,022	9,118
Credit Facilities	3,453	3,572	3,839	3,843	4,012
Shareholders' Equity	496.1	545.9	560.4	573.6	670.8
Paid-up Capital	217.4	224.0	230.7	260.6	268.8
Net Interest and Commission Income	223.6	256.3	290.0	305.9	315.1

Number of Customers (All Customers)	881,499	999,827	1,089,513	1,083,268	1,159,584
Number of Employees	2,430	2,577	2,572	2,653	2,626
Number of Branches	100	103	103	102	100
Market Share – Deposits	31.72%	31.78%	33.02%	37.40%	41.71%
Market Share – Credit Facilities	33.92%	34.21%	34.20%	34.81%	35.36%

Chairman's Statement

**Mr. Hashim Shawa**

Bank of Palestine will continue to advance responsible, purpose-driven banking, helping shape a sustainable future for generations to come and upholding its enduring mission since its establishment. For sixty-five years, we have been, and will remain, Banking for all ... at all times



Esteemed Bank of Palestine Shareholders,

In 2025, Bank of Palestine marked the sixty-fifth anniversary of its establishment, an occasion that coincided with a period of heightened challenges and adversity. Despite these conditions, the Bank remained steadfast in fulfilling its role, drawing strength and resilience from the core principles upon which it was founded, its deep-rooted connection to its land and people, and its unwavering commitment to its responsibilities toward the national economy. This has reinforced its ability to sustain growth and expansion through sound governance, prudent management, and a comprehensive sustainability approach.

As we build on a journey spanning more than six decades, we renew our commitment to delivering best-in-class banking services, contributing to economic development, and supporting our Palestinian community. We continue to enhance our services and advance the founders' vision embedded in the foundations of this institution, towards achieving a global presence. This is pursued through expanding into regional markets, strengthening our digital offerings, adopting international best practices, and leveraging advanced technologies to enhance our ability to anticipate the future and ensure the Bank's resilience for decades to come. At the core of our mission lies financial inclusion and strengthening connections with all segments of Palestinian society, both within Palestine and across the diaspora.

Our Customers and Community at the Core of Our Focus

Amid these complex circumstances, we have stood firmly alongside our customers and community. The Bank ensured the continuity of essential banking services while accelerating the development of digital services across all regions. We also significantly expanded our digital capacity and payment systems, enhancing access to banking services through digital platforms, enabling large number of customers to conduct their transactions securely and at any time.

The Bank continued to serve all customer segments by supporting businesses and providing appropriate financing, while maintaining acceptable asset quality and effective liquidity management. This was accompanied by sustained growth in the deposit base, reflecting continued customer confidence despite the second consecutive year of war and the resulting uncertainty.

Ensuring Business Continuity Amid Challenges

Bank of Palestine maintained operational continuity as an integral part of the Palestinian banking sector, which continued to function despite exceptional conditions, economic contraction, and increased operational risks. This required operating within a robust risk management framework that ensures business continuity under various scenarios, while further strengthening all financial indicators.

Continued Strengthening of the Capital Base

In reinforcing its financial position, the Bank continued to strengthen its capital adequacy to support its role in sustaining economic activity. This contributes to advancing economic recovery and reconstruction efforts, while moving forward with regional expansion plans. The Bank successfully increased its capital through private share issuances to its existing strategic partners, with Proparco (the investment arm of the French Development Agency, AFD) increasing its stake to become the second-largest institutional investor, while the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) made additional investments to maintain their strategic ownership levels.

A Strategic Milestone Toward Regional Expansion

In 2025, the Bank progressed in executing its regional expansion strategy, achieving key milestones. It inaugurated its representative office in Cairo, aiming to serve Palestinians abroad while strengthening its regional presence and engagement with investors. As a further strategic step toward international expansion, the Bank obtained in-principle approval (IPA) for a Category 1 (CAT-1) full banking license from Abu Dhabi Global Market (ADGM). This represents a pivotal milestone in expanding regionally and diversifying income streams by providing banking services to the global Palestinian community.

Strong International Partnerships

Over the years, the Bank has built solid strategic partnerships with leading financial and development institutions at the local, regional, and international levels. We take pride in these long-standing relationships and extend our sincere appreciation to all our partners. We deeply appreciate their continued support, particularly during this challenging period, as these partnerships have contributed to mobilizing financing, strengthening capital, and developing innovative financial instruments that support the sustainability of economic activity.

Looking Ahead: Supporting Recovery and Reconstruction

We look to the future with determination and confidence, committed to our responsibilities and to playing a leading role in supporting economic recovery and reconstruction efforts. Our priorities include mobilizing international financing, supporting private sector recovery, financing infrastructure and productive sectors, expanding digital financial services, and directing development finance toward the most vulnerable sectors and communities.

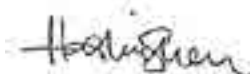
Banking for All... at All Times

Despite the surrounding challenges, our vision remains clear. Supported by our strong principles and trusted partnerships, Bank of Palestine will continue to play its role in sustainable development, as a pillar of stability and a driver of growth and prosperity. The Bank will continue to advance responsible and purposeful banking that meets the aspirations of its shareholders and partners, and the needs of its customers and community, both locally and internationally, working across all sectors to help shape a sustainable future for generations to come. For sixty-five years, we have been, and will remain committed to banking for all... at all times.

In closing, and in light of our achievements despite the challenges, I extend, on behalf of the Board of Directors, our sincere appreciation to the regulatory authorities, our shareholders, partners, employees, and customers for their continued trust and support. Their contributions have been instrumental in achieving these important milestones under exceptional circumstances, enabling us to continue serving our community and economy.

Hashim Shawa

Chairman of Bank of Palestine Group



CEO's Statement



Our Group has delivered remarkable achievements under unprecedented conditions, with a return to profitability, supported by the strength of our financial position. We are committed to move forward towards growth and prosperity

Dear Shareholders,

I am pleased to present to you the 2025 Annual Report, summarizing a year that marked a pivotal milestone in Bank of Palestine's journey. Throughout the year, we continued to operate with resilience and confidence amid unprecedented challenges, drawing on a deeply rooted legacy of values, national responsibility, prudent risk management, and a firm commitment to supporting the national economy and enhancing its stability.

Over the years, the Bank has demonstrated its ability to adapt to change and transform challenges into opportunities, maintaining its leading position within the Palestinian banking sector while reaffirming its developmental role under the most difficult conditions. The year 2025 witnessed a continuation of the war, with its ongoing humanitarian, social, and economic repercussions, which significantly impacted the Palestinian economy, leading to a sharp decline in economic activity and heightened instability.

Amid complex geopolitical conditions and the resulting structural challenges facing the banking sector, most notably the continued accumulation of excess ILS cash and developments related to correspondent banking relationships with Israeli banks, the Bank addressed these pressures through prudent risk management and strict adherence to the highest standards of compliance and transparency. These principles remain fundamental to maintaining trust and stable relations across all stakeholders, including customers, partners, and shareholders. The Bank ensured uninterrupted delivery of essential banking services across its network, stood firmly by its customers during exceptional circumstances, and preserved the strength of its financial position. Through a robust governance framework, disciplined risk management practices, and

sound capital management, we were able not only to withstand these challenges, but also to strengthen the Bank's role as a key economic enabler in Palestine and a vital lifeline for many sectors and communities. In parallel, the Bank continued to fulfill its social responsibility by supporting the healthcare sector, emergency relief efforts, education, and entrepreneurship, while advancing financial inclusion across all segments of society.

Strength of Our Financial Position

Bank of Palestine Group maintained a strong and resilient financial foundation, enabling it to navigate challenging conditions. During the past year, the Group announced its return to profitability following exceptional credit provisions related to the Gaza portfolio, particularly the cash losses incurred in 2024. Total assets grew by 27.4% to reach approximately USD 10.7 billion by the end of 2025. Customer deposits increased by 29.9% to USD 9.1 billion, reflecting continued customer confidence. Net credit facilities recorded a growth of 4.4% to reach USD 4.0 billion, driven by a selective lending policy focused on sectors with greater resilience and sustainability, as well as core economic activities.

The operational cost-to-income ratio stood at 49.63%, indicating sound operational efficiency. The capital adequacy ratio reached 16.29% at year-end, demonstrating the Bank's strength and robustness. The Bank also maintained strong liquidity levels, underscoring its ability to meet its obligations even under stressed scenarios. These indicators reflect not only the strength of financial performance, but also the continued trust of depositors and partners.

Our Strategic Priorities - Strengthening the Capital Base

As highlighted by the Chairman, one of the key milestones in 2025 was the continued strengthening of the Bank's capital base. Proparco increased its stake to 5.53%, reaffirming its long-term commitment to supporting the Bank and the Palestinian financial sector. In addition, both IFC and EBRD increased their investments in the Bank. These increases represent not only additional capital injections, but also a strong vote of confidence from international development finance institutions in the Bank's governance framework, transparency, and future strategic direction.

Digital Transformation

Digital transformation remains a core pillar of our strategy and a key driver of operational resilience and efficiency. In 2025, more than 56 million customer transactions were executed through digital channels, reflecting a growth of 310% compared to 2024. The number of users of the mobile banking application increased by 68%, driven by enhancements in user experience and the expansion of digital services. PalPay, one of the Group's subsidiaries, continued to play a central role in advancing financial inclusion through its expanding digital payments ecosystem. Its platform facilitated secure transactions for individuals, merchants, and humanitarian organizations, while extending services to unbanked and underbanked segments, thereby improving access to essential financial services. During this period, digital payments proved critical in ensuring business continuity and facilitating the distribution of aid. Financial inclusion is not a peripheral initiative for us, but a core component of our

institutional mission and our humanitarian and developmental role.

Regional Expansion

In July 2025, we opened a representative office in Cairo, reinforcing our presence within the Egypt market. Egypt serves as a key commercial gateway and a vital link for Palestinian businesses and diaspora communities. Our presence in Cairo enhances our ability to facilitate cross-border trade flows and expand investment opportunities.

In December 2025, the Bank achieved another strategic milestone by obtaining in-principle approval for a Category 1 full banking license from Abu Dhabi Global Market. This marks a turning point in our regional expansion journey, enabling the Bank to access investors across the Gulf and global markets, and to strengthen its presence in international capital markets.

Looking Ahead

We entered 2026 with strong determination to implement our strategic plans, while recognizing that economic stability remains closely tied to broader geopolitical developments. Accordingly, we are preparing for a gradual recovery phase through a growth strategy focused on supporting small and medium-sized enterprises, enhancing retail banking services, strengthening capital, and accelerating digital transformation, while maintaining a proactive risk management approach. Our regional expansion efforts in Egypt and Abu Dhabi Global Market will contribute to diversifying revenue streams and enhancing our strategic resilience, with the objective of delivering sustainable long-term value to our shareholders and stakeholders.

In closing, I extend my sincere appreciation to our employees for their exceptional dedication under unprecedented circumstances. I also thank our shareholders for their continued trust and support, and the regulatory authorities, namely the Palestine Monetary Authority and the Capital Market Authority, for their guidance and support. We further extend our gratitude to our international and local partners for their steadfast collaboration.

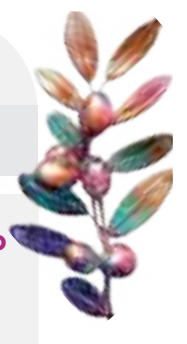
We renew our commitment to continuing our journey of growth and prosperity

Mahmoud Shawa

CEO



<p>Capital Adequacy Ratio</p> <p>16.29%</p>	<p>Operational Cost-to-Income Ratio</p> <p>49.63%</p>	<p>Net Profit</p> <p>USD 57.0 million</p>
<p>Non-Performing Loans (NPL) Ratio</p> <p>7.06%</p>	<p>Loans-to-Deposits Ratio</p> <p>44.00%</p>	<p>Liquidity Coverage Ratio</p> <p>899%</p>

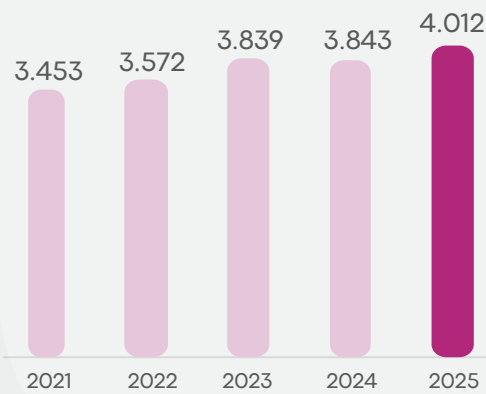


Financial Performance Analysis | 2025

Credit Facilities

USD 4.012 billion

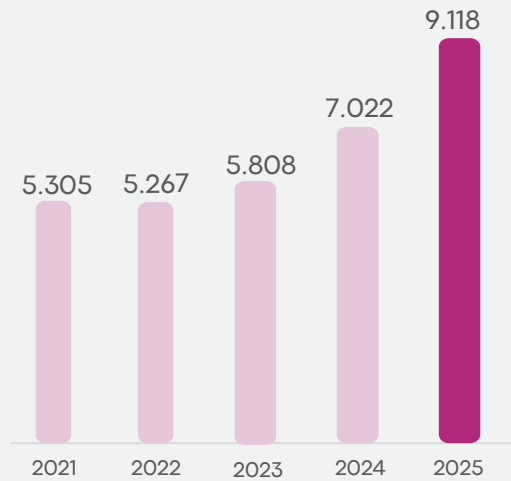
Annual growth | 4.4%



Customer Deposits

USD 9.118 billion

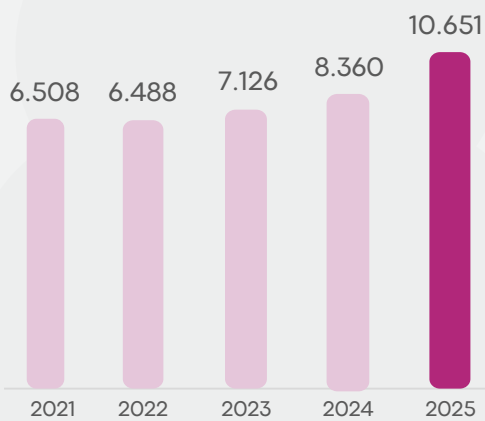
Annual growth | 29.9%



Total Assets

USD 10.651 billion

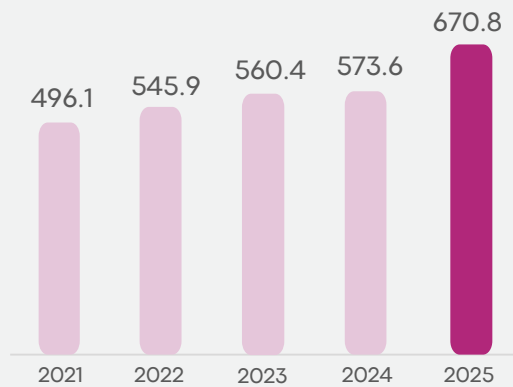
Annual growth | 27.4%



Shareholders' Equity

USD 670.8 million

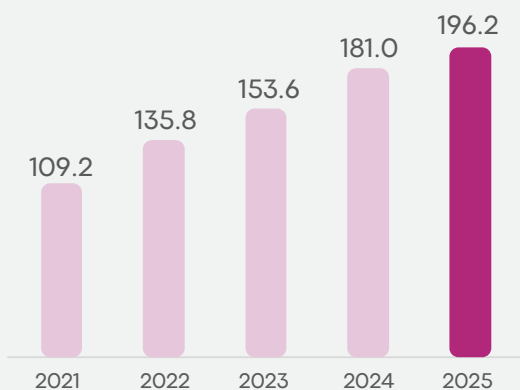
Annual growth | 17.0%



Profit Before Provisions and Tax

USD 196.2 million

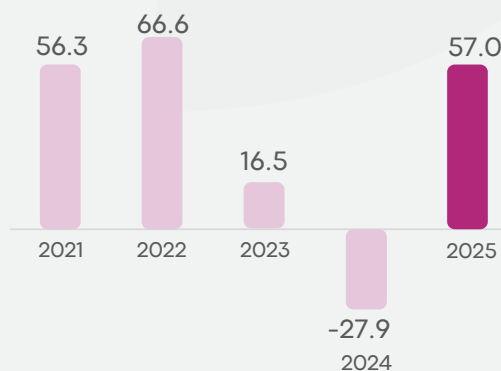
Annual growth | 8.4%



Net Profit

USD 57.0 million

Annual growth | 304.2%



Market Share

Customer Deposits

41.71%

Market Share

Credit Facilities

35.36%

Market Capitalization

Palestine Exchange

8.80%

Highlights of 2025

- Introduced monthly prizes to encourage customers to use electronic payment cards
- Participated in the launch of the 14th Palestinian Model United Nations Conference
- Provided hundreds of insulin pens to diabetes patients in Jenin in partnership with the Augusta Victoria Hospital
- Issued the second Sustainability Report for 2022–2023
- Launched campaigns to encourage customers to use cards for payments and benefit from cashback rewards
- Sponsored the Medical Hackathon at An-Najah National University
- Participated in Banking Week activities for children and youth

January

February

March

April

May

June

- Signed the first agreement to implement the “Israr” program to finance student tuition installments, in cooperation with the Palestine Monetary Authority and Al Quds University
- PalPay sponsored the “Artificial Intelligence Horizons” Forum and the “Digital Palestine” Conference
- Received two awards: Best Bank in Palestine, and Best Bank for Corporate Responsibility from Euromoney
- Achieved growth across key financial indicators despite the impact of the war on Gaza
- Sponsored Palestinian Heritage Day

- Increased the Bank's capital through a special share issuance valued at USD 11.8 million, including increased investments from Proparco, IFC, and EBRD to maintain their ownership stakes

- Participated in Sibos 2025 exhibition and conference

- Launched the 8th cohort of the Palestine Mini MBA program

- Obtained in-principle approval to grant the Bank a Category 1 full banking license from Abu Dhabi Global Market (ADGM)

- Provided support for the rehabilitation of the Children with Disabilities Department at Abu Raya Center

- Sponsored the "Your Health Matters 2025" event

July

August

September

October

November

December

- Opened a representative office in Cairo, Arab Republic of Egypt, to serve the Palestinian diaspora

- Provided emergency food assistance in Gaza in partnership with Taawon

- Established Taqa company in partnership with the Arab Palestinian Investment Company (APIC) and Massader to develop sustainable energy projects

- Provided mobile housing units for patient companions at the Augusta Victoria Hospital

- Ranked among the top 100 banks in the Arab world by total assets, according to First Bank

- Signed an agreement with the Augusta Victoria Hospital to support the diabetes mobile clinic

Awards and Memberships

Awards 2025-2024



Best Bank in Palestine 2025
Presented by Euromoney



Best Bank for Corporate Social Responsibility 2025
Presented by Euromoney



Best Bank in Palestine 2025
Presented by EMEA finance



Best IR Film Award 2024
Presented by the Middle East Investor Relations Association (MEIRA)



STP Excellence Award 2024
Presented by Citi Bank

Ranked 77th among the top 100 banks in the Arab world, according to First Bank

Memberships

- Member of the Global Alliance for Banking on Values (GABV)
First bank in the Arab World and the Middle East to obtain such membership
- Member of the Middle East Investor Relations Association (MEIRA)
- Member of the World Economic Forum (WEF)
- Member of the Global Banking Alliance for Women
- Member of the United Nations Global Compact
- Member of the Palestine Green Building Council
- Member of the Global Impact Investing Network (GIIN)
- Member of the United Nations Environment Programme Finance Initiative (UNEP FI)
- Member of the Institute of International Finance (IIF)
- Member of the Chairman’s Circle the Milken Institute
- Member of the Future Investment Initiative (FII) of PIF, KSA



| Our Branches and Offices | 71 Branches and Offices

General Management: **893 Employees**

Branches and Offices: **865 Employees**

Northern West Bank

Jenin Governorate

Jenin Branch

Maythalun Office

Yaabad Office

Al Yamun Office

Arab American University Office

Qabatiya Branch

Tubas Governorate

Tubas Branch

Nablus Governorate

Nablus Branch

Al Hisba Office

Huwara Office

Tulkarm Street Office

Northern Assira Office

Rafeedya Branch

Tulkarm Governorate

Tulkarm Branch

Khaduri Office

Downtown Branch – Tulkarm

Qalqilya Governorate

Qalqilya Branch

Azun Office

Representative Offices

Dubai

DIFC, Park Tours A

Cairo

Cairo, Cairo Festival City – Compound I

Mobile Branch – Banke Rahhal

Central West Bank

Ramallah & Al Bireh Governorate

Ramallah Branch

Tormosaya Office

Nalin Office

Deir Dibwan Office

Al Manara Office

Al Irsal Branch

Birzeit Office

Silwad Office

Al Masyun Branch

Bedo Office

Beitunya Office

Al Bireh Branch

Al Tireh Office

Lacasa Mall Office

Al Qasaba Branch

Jericho & the Valleys Governorate

Jericho Branch

Al Istiraha Office – Jericho

Salfit Governorate

Salfit Branch

Bidya Office

Jerusalem District

Al Ram Branch

Abu Dees Branch

Al Quds University (Abu Dis) Office

Dahyet Al Bareed Branch

Southern West Bank

Hebron Governorate

Hebron Branch

Hebron University Office

Saeer Office

Bab Al Zawiya Office

Al Salam Office

Tarqumia Branch

Dura Office

Yatta Office

Al Thahiriya Office

Bethlehem Governorate

Bethlehem Branch

Beit Jala Office

Beit Sahur Office

* Gaza Strip

Northern Gaza Governorate

Jabalia Branch

Beit Lahia Office

Beit Hanun Office

Gaza Governorate

Al Rimal Branch

Al Sarayah Office

Tal Al Hawa Office

Main Branch

Omar Al Mukhtar Office

Al Nasr Branch

Central Governorates

Deir Al Balah Branch

Al Nusseirat Branch

Al Zahra City Office

Northern Governorates

Khan Yunis Branch

Bani Suhaila Office

Rafah Branch

Western Rafah Office

* There are currently four branches operating in Gaza

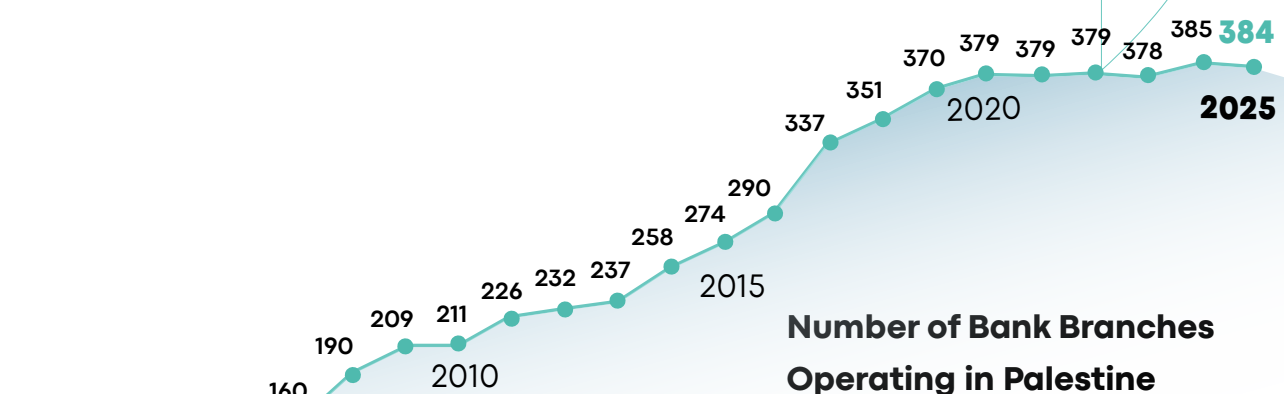
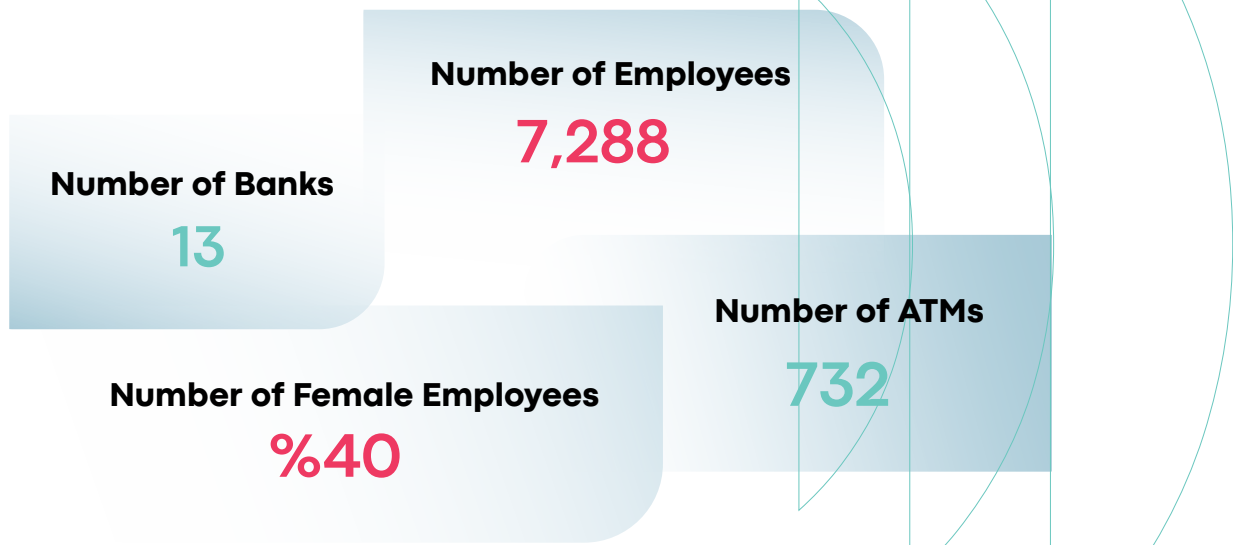
Banking Sector Overview

The Banking Sector in Palestine

The banking sector constitutes one of the core pillars of the financial and economic system in Palestine, given its central role in supporting financial stability, providing financing across various economic sectors, and facilitating payment transactions and commercial exchange.

The sector comprises a range of local commercial banks and Jordanian and Egyptian banks, alongside Islamic banks that offer financing services in compliance with Sharia principles. These banks provide a broad spectrum of banking services, including current accounts, savings accounts, deposits, credit facilities (including mortgage facilities), as well as payment and transfer services, in addition to the growing expansion of digital banking services.

Despite the challenges imposed by the economic and political landscape, including the absence of a national currency, the banking sector has demonstrated a high degree of resilience and stability. It has continued to support the private sector, provide credit facilities to small and medium-sized enterprises, and promote financial inclusion.



Bank of Palestine – Banking for All

Serving All Segments

- Individuals
- Corporates
- Small and medium enterprises (SMEs)

A Key Pillar in Supporting the Palestinian Economy

- Financing small and medium-sized enterprises
- Contributing to economic recovery and reconstruction

Digital Financial Services

- Banke mobile application
- Virtual assistant
- Point of Sale (POS) services
- SMS banking services
- USSD services
- IVR services

Innovation and Entrepreneurship

- Intersect Innovation Hub
- Ibtikar Fund

The Largest and Most Widespread Bank



Regional Expansion

Largest banking network in Palestine

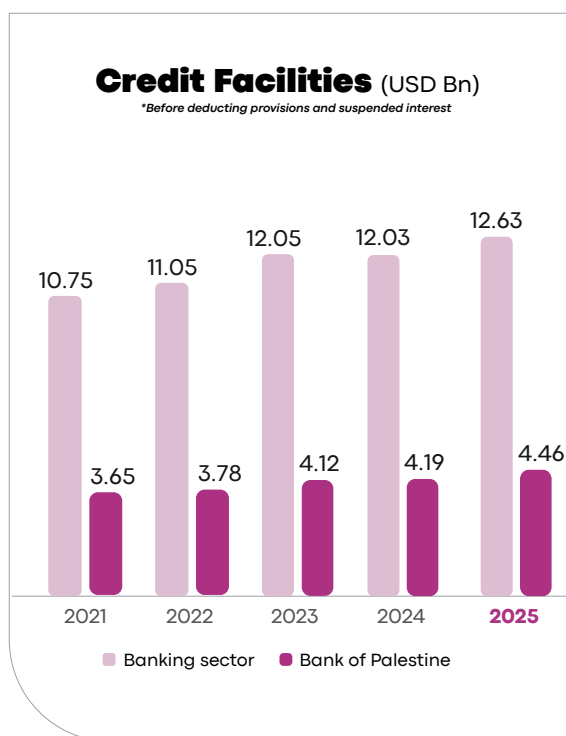
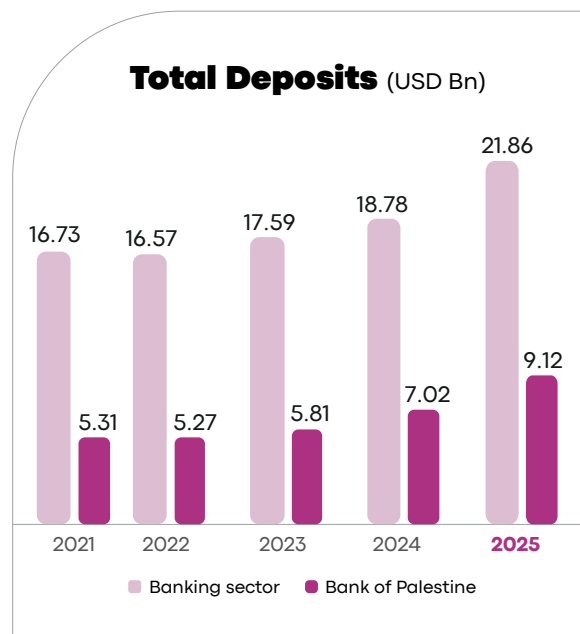
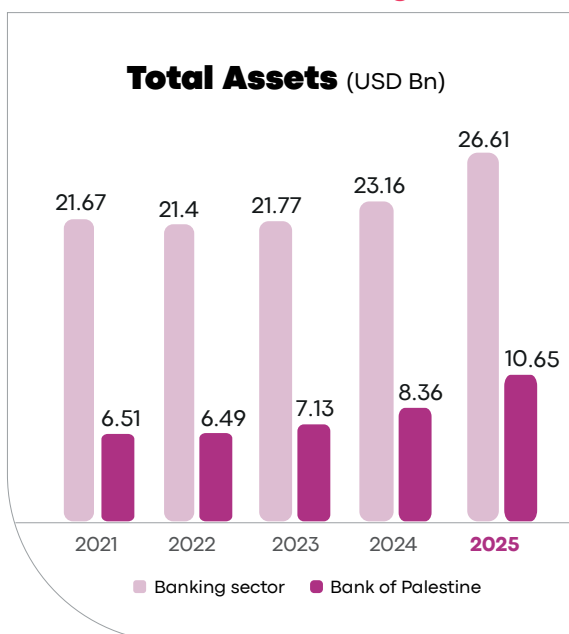
Largest customer base

Leadership in Social Responsibility

Highest level of social contribution among banks operating in Palestine

USD 4.2 million

Growth Indicators in the Banking Sector



Growth in Assets, Deposits and Credit facilities (year by year)

Total Assets	2021	2022	2023	2024	2025
Banking Sector	8.99%	-1.24%	1.69%	6.38%	14.92%
Bank of Palestine	12.02%	-0.31%	9.84%	17.32%	27.40%
Customer Deposits	2021	2022	2023	2024	2025
Banking Sector	9.70%	-0.93%	6.14%	6.75%	16.43%
Bank of Palestine	9.75%	-0.72%	10.27%	20.90%	29.86%
Credit Facilities	2021	2022	2023	2024	2025
Banking Sector	6.63%	2.77%	9.12%	-0.17%	4.97%
Bank of Palestine	6.03%	3.65%	9.09%	1.62%	6.60%

26

Corporate Governance

- 26. Board of Directors and Its Committees**
- 42. Executive Management**
- 44. Risk Management**
- 58. Anti-Money Laundering and Compliance**
- 64. Disclosures**
- 65. Investor Relations and Shareholders' Information**

The Board of Directors and Board Committees



Mr. Hashim Shawa
Chairman
Bank of Palestine Group

Experience

- 2017 – Present Chairman of Bank of Palestine Financial Group
- 2007 – 2017, General Manager of Bank of Palestine
- 2005 – 2007, Associate Director Middle East Gulf Region, HSBC Private Bank - Switzerland
- 2002 – 2005, Vice President, Middle East Region, Citigroup Private Bank, Geneva -Switzerland
- 1997 – 2002, Assistant Vice President Operations & Technology - Citigroup, London, UK

Academic Qualifications

- Bachelor of Engineering "University College London" 1997
Date of Birth: 25/01/1976
Membership Date: 2007

Memberships

- Chairman - Bank of Palestine Financial Group.
- Chairman - PalPay Electronic Payments
- Chairman - Alwasata Securities Company
- Chairman - Ibtikar Fund.
- Board Member - Arab Palestinian Investment Company (APIC) Palestine Board.
- Board Member - Pharmacare Company.
- Board Member - the Emerging Markets Advisory Council (EMAC)/ Institute of International Finance (IIF)



Mr. Abdullah Al Ghanim
Vice Chairman
Representative of Al Muhalab
Kuwaiti Real Estate Company

Experience

- 2016 - Consultant
- 2015 - 2016 – Assistant General Manager – Gulf Bank - Kuwait
- 2012 – 2015 - Director - ASIYA Investment Co - Kuwait
- 2011 - 2012 – GCC Business Development - International Finance Corporation - UAE
- 2010 - 2011 – Executive Manager- Boubyan Bank - Kuwait
- 2006 – 2010 – Associate Director - HSBC Private Bank - Kuwait
- 2001 – 2006 – Managing Director -Al-Muhalab Kuwaiti Real Estate – Kuwait

Academic Qualifications

- MBA - The Thunderbird School of Global Management - 2005
- B.S.- Boston University - 1996
Date of Birth: 08/02/1976
Membership Date: 2014

Memberships

- Board Member – Arab Islamic Bank – Palestine
- Board Member – Alwasata Securities Exchange Company – Palestine
- Board Member - Coretava



Mrs. Lana Abu Hijleh
Board Member
Representative of
Minority Shareholders

Experience

- 2003 - 2025: Country Director of Global Communities (Formerly known as CHF International – Palestine)
- 1986 – 2003: Assistant Resident Representative of the United Nations Development Program/Program of Assistance to the Palestinian People (UNDP/PAPP)

Academic Qualifications

- B.SC- Civil Engineering, University of Iowa, Iowa, USA – 1985
- MBA - leadership and Sustainability, University of Cumbria – United Kingdom
Date of Birth: 03/07/1963
Membership Date: 2014

Memberships

- Board Member - the Board of Directors - Palestine Investment Fund
- Chairwoman - the Board of Directors-Amaar Group and Massader
- Chairwoman - the Board of Directors of Palestine Power Generation Company
- Founding Member - Intersect Innovation Hub
- Board Member - Palestinian Businesswomen Forum
- Board Member - Business and Professional Women Network-Palestine
- Founder and Chairwoman - Shiam-Youth Make the Future Organization
- Board Member - Young Presidents' Organization (YPO/ WPO)
- Fellow of the Aspen Institute Middle East and Global Leadership Network



Mr. Tarek Aggad
Board Member

**Representative of the Arab
Palestinian Investment
Company (APIC)**

Experience

- Chairman & CEO - Arab Palestinian Investment Company (APIC) Palestine
- Executive Director - Aggad Investment Company (AICO) Saudi Arabia

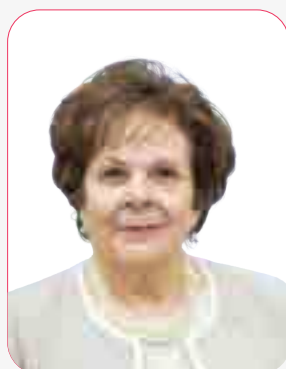
Academic Qualifications

- B.A – Economics - Harvard University – 1992
- Date of Birth: 24/01/1971
- Membership Date: 2014

Memberships

- Chairman - Siniora Food Industries Jordan/ Palestine
- Chairman - Unipal General Trading Company - Palestine
- Chairman – Gulf Taleed Commercial services Company – Saudi Arabia

- Chairman - Palestine Automobile Company - Palestine
- Chairman - Medical Supplies and Services (MSS) - Palestine
- Board Member - Palestine Electric Company (PEC)- Palestine
- Board Member - Palestine Power Generation Company (PPGC) - Palestine
- Member of the Board of Trustees and Board of Directors - The King Hussein Cancer Foundation - Jordan
- Mr. Aggad sits on the Board of Directors of several prominent investments, manufacturing, distribution and services companies in Palestine, Jordan and Saudi Arabia.



Dr. Tafeeda Jarbawi
Board Member

Experience

- 2011-to date Director General of Taawon (Welfare Association)
- 2010-2011 Deputy Director General of Taawon (Welfare Association)
- 2008-2010 Directors of Operations-Taawon (Welfare Association)
- 2006-2008 Director of Research and Planning - Taawon (Welfare Association)
- 1995-2006 Associate Prof. Director of Ramallah Women's College comprised of: Teacher Education as well as Vocational and Technical Training - UNRWA
- 1995 Visiting Research Professor for - University of Bonn/ Germany
- 1987 Visiting Research Professor- University of Minnesota /USA
- 1981-1994 Assistant Professor of chemistry/ Head of Chemistry Department -Birzeit University
- Author of more than 40 publications in chemistry, education, sustainability, and women's affairs

Academic Qualifications

- PhD in Analytical Chemistry, minor in Biochemistry, Ohio, USA
- University of Cincinnati
- Date of Birth: 08/03/1955
- Membership Date: 2019

Memberships

- Founder "Teach for Palestine" organization and its board chair
- Vice chair of Palestine Technical university Kadoorie
- Member of the Board of Trustees - Al-Quds University
- Member of the Board of Trustees - Al- Taawon organization.
- Member of the advisory board - Bard-Al Quds University
- Member of the advisory board - Global ambassadors of Sustainability
- Member of the Advisory Board - the Palestinian Anti-Corruption Commission
- Advisory Member to MEPLI Professional Education Program, Harvard Graduate School of Education
- Board Member - the Gov. Education Reform Committee
- Higher Council for Vocational and Technical Education
- Accreditation and Quality Assurance for Higher Education
- UNISCO-World Commission of the Ethics of Scientific Knowledge and Technology (COMEST)
- Bioethics Network on Women's Issues in the Arab Region



Mrs. Maha Awad
Board Member

Experience

- 1988 - Present: General Manager – Abu Shousheh contracting Co.
- 1997 – 2008: Chairwoman & General Manager – Abu Shousheh Trading Co.
- 2008 - present: Board Member Autozone Trading Co.
- Board Member - Izdehar Investing Co.
- Chairwoman - Riwaq (the Palestinian association for the preservation of architectural heritage)
- Honorary Consul of the State of Indonesia

Academic Qualifications

- B.SC- Economics – Birzeit University
- Date of Birth: 27/04/1962
Membership Date: 2018

Memberships

- Board Member - Palestinian Business Women Forum
- Board Member - Medical Relief Association
- Board Member - Council of Arab Business Women
- Board Member - the Palestinian Shippers Council
- Founding Partner in several Private Sector companies
- Member of the Board of Trustees - Al Quds University



Mr. Tewfic Habesch
Board Member

Experience

- Member of the board, Al-Mashreq Insurance Co.
- Member of the board, Pharmacare
- Vice Chairman, The Arab Chamber of Commerce & Industry – Jerusalem until February 2023.
- Member of the board, The French Arab Chamber of Commerce – Paris until February 2023.
- Vice Chairman, Aqariya Commercial & Investment Company-2022
- The Palestinian Securities Co. Ltd, Ramallah, Founder and Managing Director, September 1998 – August 2000
- Union Bank for Savings and Investment, Ramallah, Regional Manager Palestine, September 1997 – September 1998
- Arab Development and Credit Co., Jerusalem, General Manager, 1992 – 1996
- Arab Bank Limited, New York Branch, N.Y., Credit Officer, March 1988 – August 1990

Academic Qualifications

- New York University, Graduate School of Business Administration. New York - M.B.A. Finance/International Business, June 1987
 - The American University, Washington, D.C. , BS/BA Finance and Computers Systems applications in management, May 1984
- Date of Birth: 06/07/1962
Membership Date: 2022

Memberships

- National Insurance Co. founding committee member.
- Ex-chair of the Internal Audit committee of the National Insurance Co.
- Ex-member of the Advisory Committee of the Latin Patriarchate of Jerusalem.
- Ex-member of the board of directors of the Jerusalem International YMCA.
- Ex-member of the board of directors of the 3 Arches Hotel – Jerusalem.



Mrs. Lama Kanaan
Board Member

Experience

- Executive Director – Private Banking, August 2024 – Current - EFG Bank (Middle East) Limited - Private Banking
- Executive Director, Wealth Management, April 2022 – June 2024 - Hauberk Capital – ADGM Authority
- Consultant, April 2021 – February 2022 - Azura Asset Management - SAM
- Executive Director, Senior Relationship Manager, April 2017 – April 2019- Julius Bär MEA - Dubai, Key Client Team - Private Banking.
- Director, Senior Relationship Manager, November 2011 – March 2017 - Credit Suisse - Private Banking
- First Vice President, November 2010 – November 2011 - BSI Bank
- Executive Director: Wealth Management, November 2004 – November 2010 - Capinvest Equitable Alliance
- Relationship Manager: Investment & Treasury, April 1999 – October 2004 - Saudi Hollandi Bank
- Investment Marketing Manager: Ladies Banking Davison, August 1998 – April 1999 - The National

Commercial Bank

- Investment Marketing Officer: Private Banking Division, March 1996 – June 1998 - Al Bank Al Saudi Al Faransi

Academic Qualifications

- Diploma of Management 1987, S.S. College, UK
 - Anti Money Laundering Training 2009, Capinvest, Bahrain
 - High Net Worth Relationship Skills 2005 Euro Money London, UK
 - Anti Money Laundering Training 2005, BIBF, Bahrain
 - Banking Products, 2003 Saudi Hollandi Bank, Riyadh, Saudi Arabia
 - Intensive Course in FX, 2002, BIBF, Bahrain
 - Foreign Exchange Markets 1996, Al Bank Al Saudi Al Faransi, Riyadh, Saudi Arabia
- Date of Birth: 24/03/1969
Membership Date: 2022

Memberships

- Board Member - Hauberk Capital, under the ADGM Authority



Mr. Adel Dajani
Board Member

Experience

- 2004-2026 Maghreb Venture Partners/ Emergence Partners, Founding Partner Regional Investment Bank
Tripoli 2009-2014 Aman Bank Libya/ Banco Espirito Santo Group
Independent Member of the Board of Directors
Private Commercial Libyan Bank
- Tunis 1995-2002 International Maghreb Merchant Bank (IMBank)
Founder & Managing Director (1995-2002)
Advisor to the Board of Directors (2000-2002)
- London 1985-1994 London Court Ltd.
Founder & Managing Director
Member and Registered Representative of the Financial Services Authority (U.K.)
- Hong Kong 1981-1985 Corporate Finance Division of Investment Banking Subsidiary of HSBC
Executive Vice President

- London 1979-1980 HSBC International Officer
Credit training course and operational departmental experience

Academic Qualifications

- Barrister at Law, Inns of Court School of Law, Member of the UK Bar Association
- Honours Degree Bachelor of Laws in International and Comparative Laws (LLB), London University (School of Oriental & African Studies)
- Degré de langue et de Civilisation Française & Premier Degré Pedagogique (Alliance Française), Université de Paris (Sorbonne)
- 9 O Levels, 3 A Levels, 1 AS Level Eton College, (UK)
Date of Birth: 29/07/1955
Membership Date: 2022

Memberships

- Founding member of the Arab Bankers Association in London since 2012



Mr. Emad Eric Shehadeh
Board Member

Experience

- 2025- Group Head of Al Futtaim Financial Services Dubai, UAE
- 2024-2025 Founder of SH Capital Group – Advising family offices Dubai, UAE
- 2023-2023 Group Head of M&A at First Abu Dhabi Bank Abu Dhabi, UAE
- 2017-2022 President & CEO of My Money Group Paris, France.
- 1998 -2017 Global Executive roles at General Electric Company
Chief Executive Officer GE Money Bank France & DOMs Paris, France.
Chief Financial Officer Mubadala GE Capital Abu Dhabi, UAE.
Managing Director & CFO - M&A, GE Capital Middle East Dubai, UAE.
Chief Financial Officer, GE Money Thailand,

Bangkok, Thailand.

- Chief Financial officer, GE Money New Zealand, Auckland, New Zealand
- Finance Mgr. & Assistant Controller GE Healthcare Europe Paris, France
- Finance Six Sigma Black Belt GE Healthcare Europe Paris, France
- Financial Management Program (FMP) – GE Healthcare Europe

Academic Qualifications

- 2008 Harvard Business School Boston, USA
Executive Education Program Consumer Banking & Finance for Senior Executives
- 1995 – 1998 ESCP Business School Paris, France
Masters in finance
- 1991 – 1995 Point Park University Pittsburgh, USA
BA in Political Science

Date of Birth: 29/05/1971

Membership Date: 2020



Mrs. Linda Tarazi
Board Member

Experience

- Group Chief Transformation Officer. Capital Bank of Jordan - Dubai, UAE, July 2022 to 2025
- Executive Vice President – Head of Digital, MASHREQBANK – Dubai, UAE. Nov 2013 to 2022
- Vice President – Lean Practice / Business Excellence. MASHREQBANK – Dubai, UAE. Nov 2010 to Nov 2013
- Senior Manager – Transformation Approach & Methodology / Sustainability
- MASHREQBANK – Dubai, UAE. Nov 2006 to 2010
- Vice President – Program Head of Outsourcing (AOM Program)

- Vice President – Manager Operations Excellence
- Financial Analyst. JUMEIRAH CAPITAL – Dubai, UAE Sept 2005 to Oct 2006
- Assistant Manager – GTS Consulting Group. CITIGROUP – London, UK Sept 1998 to Jan 2005

Academic Qualifications

- Master of Mechanical Engineering, (1992-1996)
- Imperial College of Science, Technology & Medicine – London, UK.
Date of Birth: 05/01/1974
Membership Date: 2022

Resignation Date: 03/07/2025

Board of Directors and Board Committees

Attendance of Board Members 2025

Session Dates	90/02	03/02	04/05	02/06	03/07	10/08	14/09	23/10	22/11	21/12	Attendance per Member
Name	1	2	3	4	5	6	7	8	9	10	
Mr. Hashim Shawa	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	10
Mr. Abdullah Al Ghanim	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	10
Mr. Tarek Aggad	Attended	-	Attended	Attended	-	Attended	Attended	Attended	Attended	Attended	8
Mrs. Lana Abu Hijleh	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	10
Mrs. Maha Awad	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	10
Dr. Tafeeda Jarbawi	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	10
Mr. Eric Shehadeh	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	10
Mrs. Lama Kanaan	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	10
Mr. Adel Dajani	Attended	Attended	Attended	Attended	Attended	-	Attended	Attended	Attended	Attended	9
Mr. Tewfic Habesch	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	10
Mrs. Linda Tarazi *	Attended	Attended	Attended	Attended	Attended	-	-	-	-	-	5
Total Attendance per Session	11	10	11	11	10	9	10	10	10	10	

* Mrs. Linda Tarazi resigned from Board membership on 03/07/2025.

Board Members Remuneration for 2025 and 2024 in USD

Name	Position	2025 Remuneration	2024 Remuneration
Mr. Hashim Shawa	Chairman of the Board	186,236	-
Mr. Abdullah Al Ghanim	Vice Chairman of the Board	117,624	-
Dr. Tafeeda Jarbawi	Board Member	107,822	-
Mr. Emad Eric Shehadeh	Board Member	88,218	-
Mrs. Lana Abu Hijleh	Board Member	107,822	-
Mrs. Maha Awad	Board Member	88,218	-
Mr. Tewfic Habesch	Board Member	88,218	-
Mr. Adel Dajani	Board Member	68,614	-
Mr. Tarek Aggad	Board Member	88,218	-
Mrs. Lama Kanaan	Board Member	49,010	-
Total		990,000	-

* In accordance with the Bank's Bylaws, no remuneration was paid to the Board of Directors for the year 2024 as there were no profits.

Board Committees

The Board of directors

The Board shall take on full responsibility of the Bank's performance. Its members are elected by shareholders to oversee and guide management with the ultimate goal of increasing long-term shareholder value, taking the interest of other stakeholders into account. Following are the duties and activities assumed by the Board:

- Review, approve and monitor BOP's long-term strategic objectives and business plans of the Executive Management.
- Monitor the overall performance of the Bank and progress towards achieving its strategic objectives.
- Asses the major risks confronted by the Executive Management and the steps taken to monitor and control them.
- Set the level of 'Risk Appetite' and ensure the existence of a risk culture at the Bank.
- Oversee the integrity of financial statements to ensure compliance with legal and regulatory requirements, and ensure the qualitative performance and independence of the internal and external auditors.
- Review and approve major business transactions, including significant credit decisions, capital allocations and expenditures, in accordance with the approved chart of authorities.
- Oversee investment and financing activities and take major investment and financing decisions accordingly.
- Oversee and approve the policies and frameworks of human resources and corporate governance.
- Select and recommend BOD nominees to be elected by shareholders.
- Select, develop and evaluate potential candidates for senior Executive Management positions and oversee the development of succession plans.
- Determine remuneration policies for the Board of Directors and Senior Executives.
- Evaluate the overall performance and effectiveness of the Board and its members and take corrective actions as needed.
- Oversee the Bank's Corporate Governance framework and ensure compliance with agreed upon policies and provisions.
- Ensure that proper shareholder relations are maintained and their rights protected, and that shareholder meetings are conducted in accordance with applicable laws and regulations.
- Ensure shareholder interests are taken into consideration.

The Board Chairman and Vice-Chairman

The Board shall elect from among its members a Chairman and a Vice-Chairman, whereby the latter acts on behalf of the former in his/her absence in terms of exercising authorities and assuming duties. The Chairman shall be primarily responsible for the activities of the Board and its Committees, and he/ she shall be the official spokesperson on behalf of the Board, and shall head the Board and the General Assembly.

The Chairman of the Board shall ensure the following:

- The participation of Board Members, upon appointment, in the employee induction program and in additional education or training programs, if necessary.
- The Board implements the tasks entrusted to it.
- Board Members receive all information necessary to perform tasks assigned to them.
- Determine the agenda of the Board's meetings, preside over those meetings, and ensure the issuance of meeting minutes.
- Provide sufficient time for the Board to consult and make decisions.
- The Board Committees correctly perform the tasks assigned to them.
- Evaluate the performance of Board Members at least once a year.
- The Board elects a Vice-Chairman.

Board Committees

The Audit Committee**Committee Members**

Mr. Tewfic Habesch – Chairman

Mrs. Lana Abu Hijleh – Member

Mr. Eric Shehadeh – Member

Dr. Tafeeda Jarbawi – Member

The role of the Audit Committee is to assist the Board in overseeing the Bank's financial controls with particular emphasis on the following:

- The integrity of internal controls and financial reporting.
- The qualification and independence of the external auditor
- The performance of the internal audit and compliance functions and the Bank's external auditor.

In order to fulfill its role, the Audit Committee shall have the following authorities and responsibilities:

- Review internal controls.
- Review reports issued by the Inspection and Audit Department, Internal Auditor, and the Compliance Control Department, including financial and non-financial issues, and remedial procedures and means of controlling the risks faced by the Bank.
- Review and approve the annual plans of the Audit Department, the Compliance Department, and the Anti-Money Laundering Officer
- Review the accuracy of financial statements presented to the Board, shareholders and other stakeholders
- Review the Bank's commitment to laws and regulations of the Palestine Monetary Authority, the Board, and other regulations applicable in Palestine.
- Review the External Audit plan and ensure that it includes all activities implemented by the Bank.
- Ensure the accuracy and integrity of accounts and compliance with laws and regulations applicable to Bank activities.
- Develop disclosure and transparency standards and submit them to the Board for approval.
- Review notes mentioned in the PMA's reports and follow up on corrective measures adopted to ensure their implementation and offer relevant recommendations to the Board on the appropriate remedial steps.
- Coordinate with the Risk Management Committee to present the Bank's financial standing and performance.
- Study the financial system applied at the Bank and present recommendations to improve it, and ensure that these recommendations fairly represent the situation and that no false data are recorded.
- Apply a system that allows employees to report confidentially their concerns about potential violations and in a manner that makes it possible to independently investigate and follow up on such violations without being punished by their superiors or ill-treated by colleagues. The Audit Committee shall monitor the implementation of these procedures.
- Act as a liaison between the Board of Directors and the External Auditor, between the Board of Directors and the Internal Auditor, and between the Internal and External Auditors.
- Follow up on the Bank's adherence to its internal Code of Professional Conduct.

- Notify the Board of Directors on issues that require its immediate intervention and offer recommendations on the appropriate remedial steps.
- The audit committee shall submit reports to the Board of Directors on all matters that fall within its scope of work, thereby enabling it to carry out its function of monitoring the management of the Bank and submitting to shareholders and investors factual and documented information.
- Provide the Board of Directors with independent and objective advice regarding the adequacy of measures related to auditing, compliance, and the combating money laundering and terrorism financing.

Board Committees

The Risk and Compliance Committee**Committee Members**

Mr. Eric Shehadeh – Chairman

Mr. Adel Dajani – Member

Mr. Tewfic Habesch – Member

Mrs. Linda Tarazi – Member (until 03/07/2025)

The role of the Committee is to assist the Board of Directors in overseeing the following:

1. The risks inherent in Bank activities and the control processes with respect to such risks.
2. The assessment and review of all forms of risks, including credit, Treasury, and operational risks.
3. In terms of procedures related to risk management at the Bank and its subsidiary branches, and to enable the Committee to implement its role, it shall have the following responsibilities:

To fulfill its role, the Committee is entrusted with the following authorities and responsibilities:

- Approve general risk management policies and ensure the existence of an effective risk management framework to proactively identify, measure, mitigate, and monitor all types of risks and promote continuous dialogue about risk management throughout the Bank (i.e. promoting a 'Risk Culture').
- Determine the overall risk appetite of the Bank and ensure that the size of risks and level of their acceptance are in line with the approved level.
- Obtain assurance from the Executive Management and the Internal Auditor that risk management systems and processes are operating effectively, through sound control tools and adherence to approved policies.
- Ensure the Bank's compliance with effective laws and regulations related to risk management policies and procedures.
- Review the Bank's capital adequacy and provisions to ensure their compliance with regulatory guidelines and in line with the Bank's risk profile.
- Review reports received from the Executive Management on the state of the risk portfolio on a quarterly basis (at least) or as needed, and highlight the areas, trends and forecasts of major risks, and measures adopted by management to address particular ones.
- Review significant risk exposures and the steps taken by Management to follow up, monitor and record all types of risks, including credit, market, operational, liquidity, compliance, reputation and strategic risks, and all types of internal and external risks that affect the Bank.
- Provide direction and guidance to Management, as needed, to help it improve risk management practices and/or mitigate particular risks, and ensure the existence of qualified personnel at the managerial level to effectively carry out risk management activities.
- Notify the Board of Directors on a regular basis about the status of the risk portfolio, and immediately report substantial changes affecting it.
- Review the appointment, performance, and replacement of the Chief Risk Officer and monitor the efficiency of Risk Management departments in general.
- With the assistance of the Risk Management Officer, support the efforts of the Audit Committee in conducting monitoring and evaluation in accordance with the instructions set forth by the Palestinian Monetary Authority.

Board Committees

The Executive Committee

Committee Members

Mr. Hashim Shawa – Chairman

Mrs. Maha Awad – Member

Mr. Abdullah Al Ghanim – Member

Mr. Tarek Aggad – Member

- The Executive Committee is primarily responsible for overseeing activities, operations and business to ensure the Bank's continuous achievement of its long-term strategic goals. As such, the Committee directly supervises the main duties and functions of asset and liability management, asset growth, business development, annual budgets, capital adequacy, mergers and acquisitions, new markets, international agreements and representations, and social responsibility programs.
- The Committee reviews loan requests, investment decisions and all financial obligations to be construed upon the Bank from any other activities that exceed the authorities of the Executive Management, and accordingly, the entire Board is notified to take the appropriate decision. In the event that the requests are higher than the powers of the Committee, the latter reviews and evaluates them, and submits recommendations to the Board to take a decision accordingly.
- The Committee reviews and submits recommendations to the Board on business or restructuring plans, including material changes in key functions and positions, geographical distribution of branches and operations, and relations with correspondent banks.
- In this context, the Committee executes the aforementioned plans based on the reports submitted by the Bank's General Manager and Executive Team.
- The Committee determines its scope of work, programs, objectives and annual plans in a manner that enables it to define its responsibilities and evaluate the works and activities it supervises or takes decisions in respect of.

Board Committees

The Human Resources and Corporate Governance Committee**Committee Members**

Mrs. Lana Abu Hijleh – Chairwoman

Dr. Tafeeda Jarbawi – Member

Mr. Hashim Shawa – Member

Mr. Adel Dajani – Member

The role of the Committee is to monitor the Bank's corporate governance framework, the Board member nomination process and remuneration policies, evaluation of Board members and Executive Management, succession planning and human resource development policies. In order to carry out its role, the Committee is assigned the following powers and responsibilities:

- Review and approve major HR policies to ensure they are fair, competitive, complete, and in the best long-term interest of Bank of Palestine.
- Assist in monitoring major changes and improvements in the HR function to ensure their alignment with the Bank's strategy
- Prepare a chart of Management authorities and delegations to be reviewed annually and raised to the Board of Directors for approval.
- Consider possible conflicts of interest between Board Members and agreements with relevant parties, and raise recommendations to the Board of Directors in accordance with the Bank's Corporate Governance instructions
- Review all change in status (including fulfilment of member independence requirements) and the professional affiliation of current members, and make relevant proposals to the Board in accordance with the Bank's Corporate Governance instructions.
- Supervise the implementation of the induction process of new Board members and the continuous development and education program for current members, as necessary.
- Review Corporate Governance policies and practices throughout the Bank and raise relevant proposals to the Board to improve their efficiency and effectiveness.

Evaluation of Committees

The Human Resources and Corporate Governance Committee shall take charge of evaluating all Board Committees.

Board Committees

The Sustainability Committee**Committee Members**

Dr. Tafeeda Jarbawi – Chairwoman

Mr. Hashim Shawa – Member

Mrs. Lana Abu Hijleh – Member

Mrs. Lama Kanaan – Member

Committee Roles and Responsibilities:

- Adopt a governance structure for sustainability, its framework, policy and procedures, and the associated strategic sustainability priorities and agreed upon objectives, to guide the proper implementation of sustainability in all stages and functions of the Bank and the Group, and amend and/or update this structure periodically and when needed, in line with sustainability trends, risks, and up-to-date opportunities, according to the internationally recognized governance principles and foundations.
- Deep-root the concept and practice of sustainability in the Bank's strategy, policies, procedures, administrative systems, activities and culture, and ensure the application of best practices vis-à-vis the social and environmental dimension.
- Identify and support the most effective and impactful sustainability initiatives that aim to improve performance at the level of the Bank and the Group.
- Provide support and direction for the Sustainability Department and ensure that the latter completes its duties Bank-wide.

Specific Actions:

- Review and evaluate the short- and long-term sustainability goals, which include the most important sustainability issues in order of priority, a performance indicator record, and stakeholder expectations chart, and ensure that they are included in the Bank's annual business plan
- Approve sustainability policies and procedures necessary for the implementation and success of the Bank sustainability framework and plans.
- Measure and review performance, taking into consideration indicators on an annual and quarterly basis, and follow up on the implementation of the Committee's recommendations.
- Evaluate the Bank's response to major sustainability issues on an annual basis, with an aim to improve performance
- Discuss and approve sustainability programs and budgets that exceed the authorities of the relevant departments, and raise recommendations to the Board about the required annual program budgets.
- Review sustainability reports prepared by the competent Bank department, and prepare periodic reports for the Board on sustainability performance on a quarterly and annual basis, and approve the final annual report format before it is approved and published.
- Launch an ongoing and sustainable internal campaign, and engage stakeholders in sustainability issues.
- Verify that the Bank's policies and procedures, including risk management and credit lending policies.
- Comply with the sustainability principles approved by the Board of Directors.

Other Responsibilities:

- Verify that the objectives and elements of sustainability are reflected in all aspects of business performance, Bank management and governance, which include, for example, the governance structure, the structure of the Board of Directors and its Committees, the integration of sustainability into corporate governance and responsible business, growth and economic impact, risk assessment and risk management practices, compliance, monitoring commitment and transparency, and preparing a governance structure for the practice of responsible sustainability towards employees, the code of conduct, customers, society and the environment.
- Verify the Bank's commitment to design banking products that meet the needs of customers, protect the environment, and finance projects that support the community
- Monitor the Bank's commitment to consultation, participation and partnership with stakeholders in order to determine the issues that are most important to them and the materiality matrix, according to the classification of external and internal stakeholders, which is agreed upon during workshops, to include persons with special needs.
- Conduct continuous follow up to achieve "leadership in business and governance" and "contribute to sustainable economic development," and strive, as part of responsible business practices, to improve and develop operational activities, innovative projects and digital transformation, including but not limited to, robotic process automation, mobile banking services, online banking services, I Hub platform, etc.
- Strengthen the environmental protection policy as one of the Bank's most vital priorities by ensuring commitment to environmental responsibility, evaluating the environmental aspects of business activities, managing operations in a manner that contributes to water and electricity conservation, adopting trends for environmentally friendly buildings, heating/cooling systems, energy saving, and reducing the use of electricity and water and ensuring their optimum usage by means of automatic shutdown technologies, energy efficient heating and cooling , and energy saving lights.
- Promote and follow up on the participation (minimum 50% of total employees) of women in various Bank positions, including in leadership positions and in the Board of Directors.
- Ensure the Bank's commitment to the respect and development of employees at many levels including: talent management, gender diversity, inclusion, involvement in training and development programs, health and safety preservation, continuous communication, participation in community initiatives, participation in a diverse and inclusive selection of trainings, rehabilitation and development programs, and participation in the Innovation and Excellence Hub.
- Verify the Bank's keenness to achieve sustainable growth, contribute to the Palestinian National Development Plan, support initiatives and innovations, and finance micro, small and medium size enterprise.
- Enhance the Bank's pursuit and effective contribution to the development of the local community and maximize its social impact, within the framework of its solid and continuous track record in community giving, in accordance with its approved policy for social responsibility, which includes health care, youth and education, community participation, awareness, environment, sports and culture, and sponsorship of special activities and initiatives.

Governance and Risk Management

The Risk Management function at Bank of Palestine aims to establish mechanisms to effectively identify, measure, manage, control and monitor risks. The purpose of managing these risks is to enhance the principle of return - risk in Bank results by ensuring that the surrounding risks are within the parameters of the risk appetite set forth by the Board of Directors and which are included in the Bank's policies and procedures, have been hedged to maximize shareholder ownership over the long run and to protect relevant parties, including customers, suppliers, investors, employees and the Palestine Monetary Authority.

Risk management does not imply avoiding risks completely, as they form an intrinsic part of the banking business. Therefore, Bank of Palestine accepts a certain risk level as part of its strategy, but at the same time, expects financial and nonfinancial returns proportionate with the degree of these risks.

Risk Governance

The following principles define the Risk Governance structure at Bank of Palestine:

- The Risk Management function is an independent function at the Bank, and operates closely with all relevant units to ensure effective operations throughout the Bank.
- The Risk Management function uses its own independent information sources (Management Information Systems, Bloomberg, credit assessment reports/cards, and audited financial data).
- The Risk Management function may propose means to attain returns - based on the degree of risk, such as attaining optimum liquidity and optimum limits for the distribution of the credit portfolio
- The methodologies and tools that have been developed by the Risk Management function are considered compatible with the Bank's business environment.
- Risk Management represents the second line of defense in the control system of the Bank, and has a clear role in ensuring the effectiveness of controls in the first line of business units.

The Responsibilities of the Board of Directors

Setting the Risk Management Policy is one of the powers of the Board of Directors, which is responsible for approving the strategy and degree of risk appetite, as well as conduct the annual review. The Board delegates oversight of all Risk Management activities to the Board-level Risk Committee. Although this authority is delegated, the responsibility for effective Risk Management and adherence to this policy rests with the Board. The Board of Directors reviews the Risk Management framework at least once annually or as needed and according to internal and external incidents.

The Board of Directors' Risk Management responsibilities include the following aspects:

- Developing a business strategy based on draft proposals for the budget and capital planning (internal capital adequacy assessment).
- Adopting Risk Management policies and clarifying/detailing the degree of risk appetite as part of this policy, including limits and tolerances. Establishing the Risk Governance framework as part of the Risk Management policy.
- Reviewing cases with high risk levels highlighted by the Risk Committee at the level of the Board of Directors.
- Delegating authority to the Board-level Risk Committee for continuous review of the effectiveness of the Risk Management framework.
- Reporting to shareholders on the Risk Management function as part of the annual report on Bank activities.
- Approving public disclosures.

Governance and Risk Management

The Board delegates the following responsibilities to the Board level Risk Committee:

- Ensuring the application and development of the general framework for Risk Management at the Bank.
- Monitoring the effectiveness of Risk Management and following up on corrective actions.
- Reviewing the package of reports submitted by the Risk Management at least quarterly.
- Reviewing the Risk Management policy at least once a year and raise recommendations for amendments if necessary.
- Continuous monitoring of the exposure of significant risks in the bank.
- Monitoring compliance with the Risk Management policies at the Bank, compliance with the instruction of the Palestine Monetary Authority, and all other Risk Management requirements.
- Approving the appointment of the Risk Manager and the main officers in Risk Management and approving the organizational structure of Risk Management.

Risk Management Committee at the Executive Level

The Assets and Liabilities Committee

The Assets and Liabilities Committee at Bank of Palestine plays the role of the Risk Management Committee at the level of the Executive Management. The Committee takes charge of the banking risk control function by presenting the latest developments in the Bank's risk profile to Committee Members.

Following is a summary of the Committee's responsibilities:

- Review, at least once a year, the overall Risk Management framework (including policies, procedures, reports, and methodologies).
- Ensure that the Bank remains within an acceptable level of banking risk as defined in the Risk Management policy, approved by the Board, and recommend corrective actions in case deviation from this policy is observed.
- Analyze Risk Management reports and take administrative measures accordingly in order to maintain acceptable and optimum levels of risks at the Bank.
- Carry out assessment, supervision and management of basic risks across the Bank, including but not limited to risks pertaining to credit, operations, interest rates, liquidity and market risks – Treasury
- Annual review of the risk-based budget and capital planning, in connection with the Bank's financial budget.
- Study the relationship between economic, political and market variables and the competitive environment and their impact on BoP banking risks.
- Monitor and follow up on compliance with the requirements of the Palestine Monetary Authority and set time limits for compliance with this requirements.
- Report to the Board of Directors on important issues resulting from the review process.
- Develop awareness of the importance of Risk Management at the level of Management and staff and assist the Risk Management function in spreading the culture of banking risks Bank-wide.
- Recommend/supervise official training provided to Bank staff on banking risk management.

- Review the Bank Risk Management Policy prior to obtaining approval from the Board of Directors.
- Discuss/review important procedures, policies, products and operations that impact the banking risk file prior to obtaining final approval from the Board of Directors.

Risk Management Departments

- The Bank Risk Management departments report to the Risk Officer. These departments and are responsible for implementing and developing the general framework for banking risk management, and their responsibilities are limited to the following:
 - Develop procedures, methodologies and tools for managing risks throughout the Bank.
 - Monitor the banking risks file throughout the Bank and prepare reports accordingly
 - Conduct a pre and/or post review of some banking operations in accordance with the parameters indicated in the Risk Management Policy.
 - Submit a risk-based assessment of some procedures and submit results and recommendations to the Risk Committee
 - Support a Bank-wide risk culture, develop a common language based on this culture, and provide the necessary support and training to achieve this.
 - Provide explanations for risk-related regulations and practices and disseminate them at the level of business units.
 - Provide training for business branches and units on Risk Management and the strict monitoring of operations.
 - Review important procedures, policies, products and operations that impact the banking risk file prior to obtaining final approval.

Responsibilities of Business Units

Business units at BoP Headquarters take charge of the daily Risk Management process, and their responsibilities include the following:

- Identify, measure, evaluate, monitor and report on the various risks related to the business unit.
- Assess the effectiveness of systems and controls used to monitor daily work, and design, operate and monitor systems compatible with the nature of business operations.
- Recommend business proposals that are consistent with the degree of risk appetite stipulated in business policies.
- Report cases and incidents related to risks (losses related to operations) to the concerned risk departments on a regular basis.

Executive Management



Mr. Mahmoud Shawa
Chief Executive Officer

MS Finance and Banking
University of Wales
Date of Birth: 24/07/1982
Joined BOP in: 2005



Mr. Naser Bakeer
Chief Business Banking Officer

BS Accounting
Al Mansura University
Date of Birth: 23/07/1969
Joined BOP in: 1994



Mr. Salim Hodali
Chief Retail Banking Officer

BS Business Administration,
Bethlehem University
Date of Birth: 19/01/1984
Joined BOP in: 2005



Mr. Najeeb Yasser
Chief Treasury Officer

MBA
University of South California
Date of Birth: 30/05/1978
Joined BOP in: 2017



Mr. Ayman Jbail
Chief Financial Officer

BS Accounting
Birzeit University
Date of Birth: 21/10/1987
Joined BOP in: 2023



Mr. Hanna Sahar
Chief Credit Officer

MBA
Northwestern University
Date of Birth: 06/10/1972
Joined BOP in: 2020



Mrs. Amal Massis
Chief Operations Officer

MBA
Birzeit University
Date of Birth: 20/02/1978
Joined BOP in: 2014



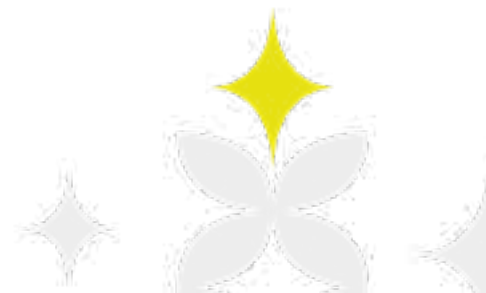
Mr. Suleiman Naser
Chief Compliance and
AML/CFT Officer

MBA
Birzeit University
Date of Birth: 25/10/1978
Joined BOP in: 2000



Mrs. Zeina Hudieb
Chief Risk Officer

PhD in Economics – Finance
and Banking Sciences
University of Sousse
Date of Birth: 22/03/1984
Joined BOP in: 2007





Mr. Sakhr Nammari
Chief Strategy and
Transformation Officer

BS Accounting and
Business Administration
The University of Edinburgh
Date of Birth: 17/12/1978
Joined BOP in: 2018



Mrs. Randa Musa
Chief Human Resources Officer

MBA
Birzeit University
Date of Birth: 14/05/1974
Joined BOP in: 2011



Mr. Kamel Hussein
Chief Strategic Relations
and Engagements Officer

MBA
The American University of
Washington D.C
Date of Birth: 11/02/1966
Joined BOP in: 2016



Mr. Yazan Al Masri
Chief Business Development
for Regional Expansion

BS Finance and Banking
Birzeit University
Date of Birth: 08/05/1990
Joined BOP in: 2012



Mr. Ibrahim Bani Shameh
Chief Audit Officer

BS Computer Science
Birzeit University
Date of Birth: 04/03/1981
Joined BOP in: 2016



Mrs. Dareen Abu Dayeh
Chief Information Technology Officer

MBA
Birzeit University
Date of Birth: 24/03/1985
Joined BOP in: 2016



Risk Management

Operating Framework of Risk Management Departments

The Bank adopts an integrated risk management framework through a group of specialized risk management departments that operate independently from executive and operational units, in line with best practices and sound governance. Each department is assigned clear responsibilities related to identifying, measuring, monitoring, and controlling risks within its respective scope, while adhering to approved policies and risk limits set by the Board of Directors. These departments operate in close coordination with the relevant units within the Bank, ensuring a comprehensive view of risks across the Bank and supporting informed decision-making.

These departments contribute to the development of assessment models, early warning indicators, and stress testing, as well as the preparation of periodic reports submitted to executive management and relevant risk committees. This enhances the Bank's financial resilience and its ability to navigate various economic conditions and scenarios. The departments include, among others, Operational Risk, Credit Risk, Treasury Risk, and Information Security Risk.

Operational Risk

Bank of Palestine places primary emphasis on the early identification and assessment of operational risks, enabling timely mitigation. This is complemented by the preparation of effective management reports and the continuous enhancement of the control environment. Operational risks refer to potential losses resulting from inadequate or failed internal processes, people, systems, or external events. Such risks may arise from all activities and operations conducted by the Bank. The Bank gives particular attention to managing operational risks and monitoring them proactively, ensuring that they remain within acceptable levels in line with the Bank's strategic objectives.

Governance

In line with its focus on operational risk management, the Bank has adopted policies that define the overall approach to managing operational risks. These policies are overseen by the Risk and Compliance Committee, a committee emanating from the Board of Directors. The Committee supervises the development of strategies for identifying, assessing, and monitoring risks in alignment with acceptable risk levels, and oversees the risk management framework in accordance with recommendations issued under Basel standards.

Three Lines of Defense

To establish a robust risk governance environment, the Bank adopts a model based on three lines of defense. This model defines management responsibilities and roles in managing risks and strengthening the control environment. It supports the Bank's risk management approach by clarifying accountability, promoting collaboration, and facilitating effective coordination between risk management and control activities.

Risk Culture and Awareness

A sound risk culture and effective communication across the three lines of defense are key attributes of effective operational risk management. At Bank of Palestine, operational risk culture is based on enhancing awareness among all employees of the importance of managing operational risks.

Best Practices in Risk Management

Risk management is considered one of the key pillars contributing to the sustainability of banking operations and the enhancement of the Bank's financial stability. This process requires a comprehensive approach and coordinated efforts, including the development of effective strategies for identifying, assessing, and managing potential risks faced by the Bank. Below are some of the best practices adopted by the Bank to strengthen governance and improve risk management methodologies:

1. Risk Identification: The Bank ensures the identification of various types of risks that may affect its operations, including operational, financial, and marketing risks. This step is recognized as the first and fundamental stage in building a comprehensive risk management approach.

2. Risk Assessment: The Bank recognizes the importance of assessing the likelihood of risks occurring and their impact on the institution. It employs quantitative and qualitative analysis techniques to provide a clear view of the severity and potential impact of risks.

3. Response Strategies: A range of available options is considered to mitigate, transfer, or adapt to risks. This includes defining preventive measures and operational frameworks required to reduce potential risks.

4. Continuous Monitoring and Review: Ongoing monitoring and periodic review of the risk profile are integral parts of risk management. These processes play a critical role in continuous development and improvement, as well as in the periodic formulation of policies and procedures to ensure effectiveness in addressing emerging challenges.

5. Governance Activation: The Bank is committed to strengthening governance culture by developing effective organizational structures and clear policies that guide decision-making processes, ensuring clearly defined roles and responsibilities.

6. Enhancing Risk Awareness Culture: Risk awareness is a fundamental component of risk management. The Bank promotes this awareness through continuous engagement, including organizing workshops and training programs to raise employees' understanding of risks and the importance of adhering to preventive measures.

7. Leveraging Technology: Technology contributes to improving risk management through the provision of data analysis tools that enhance the ability to continuously identify and assess risks, support ongoing review of the Bank's risk profile, and enable data-driven decision-making.

8. Collaboration and Coordination: The Bank promotes collaboration across different departments, contributing to a comprehensive and effective response to risks by ensuring open communication channels among various teams.

Risk Management

9. International Standards: Bank of Palestine is committed to applying international standards in risk management and adapting to the surrounding environment. This includes adopting Risk Control Self-Assessment (RCSA) methodologies, in alignment with Basel requirements and sound practices in operational risk management. These approaches aim to establish an integrated control environment where risks are identified and measured based on the likelihood of occurrence and potential impact, as well as assessing the effectiveness of control and supervisory procedures. Through this approach, the Bank can accurately identify weaknesses and areas for improvement. The Bank also ensures the engagement of a number of employees in evaluation processes, enhancing their initiative in risk assessment and reporting. This supports sound communication of risk-related events and reinforces risk management concepts across various levels within the Bank, making them an integral part of the Bank's organizational culture.

Risk Management

Risk management constitutes an integral part of the Bank's strategy to achieve sustainable growth and financial stability. The Bank is committed to continuously enhancing and developing its risk management approaches to ensure the delivery of high-quality services and to maintain the trust of its customers and partners.

Risk Indicators

The Operational Risk Department, through the implementation of the SAS EGRC system, has defined a set of risk indicators that enable the Bank to anticipate potential risks and future losses. These indicators vary in nature; some provide predictive signals of the likelihood of future risks, thereby supporting risk avoidance, while others serve as early warning signals that detect risks at their initial stages, enhancing the speed of response. Certain indicators are corrective in nature, helping to document the recurrence of such risks and their associated impact. Continuous monitoring of key risk indicators allows business units to respond promptly to any changes in the institution's risk and control environment.

Business Continuity Assurance

With respect to the development and updating of business continuity plans, Bank of Palestine adopts a methodology aligned with the complexity of banking operations and the potential scenarios within a region characterized by significant volatility. This approach is also aligned with the Bank's growing market position and its classification as a systemically important bank.

Business Impact Analysis (BIA) models have been designed in accordance with international standards and tailored to the local environment. These models assess potential risks in terms of operational and financial impact, as well as interdependencies among units. They also support the identification of strategies aligned with the Bank's risk appetite and the development of actionable plans to address these risks.

The Bank ensures that preparedness levels are aligned with the severity of potential incidents through testing and drills, including the testing of network readiness, systems, applications, and critical reports, as well as executing key

tasks from the alternative site. In addition, the Bank conducts full business continuity simulations at its primary site (Head Office in Ramallah) and verifies the successful execution of operations from the backup site located in Bethlehem – Bank of Palestine building.

Risk-Based Audit

In line with the integration between the Operational Risk Department and the Internal Audit and Inspection Department, and to activate a risk-based audit approach, the Risk Management System provides the Internal Audit and Inspection Department with access to risk profiles across all business units, key risk indicators (KRIs), and recorded incidents (Incident Register). This enables the development of audit plans that target high-risk units and operations, ensuring that these areas are prioritized within audit plans, in addition to the optimal allocation of departmental resources.

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Information Security Risk Management

As part of its risk management efforts, the Bank places strong emphasis on protecting its digital systems and services from cyber threats. Centralized security vulnerability management systems, a centralized monitoring system, and Security Information and Event Management (SIEM) solutions have been implemented in accordance with international standards. Encryption and protection measures are applied across all services to ensure the confidentiality and security of data and to safeguard against cyber fraud and theft risks.

The Bank has also strengthened its information security infrastructure through a robust network protection framework and high-quality communications systems, preventing unauthorized external access to internal banking systems. In addition, encryption protocols are applied to electronic payment card data to ensure its security.

To ensure that all premium services comply with international security standards (Visa & MasterCard, 3D Secure, E-Commerce), the Bank maintains full adherence to global protection requirements. The Information Security Risk Department has also been updated to implement and apply information security standards in accordance with ISO 27001, and to adopt information security policies derived from ISO 27002. This supports the application of governance in line with international best practices, contributes to achieving the Bank's digital transformation objectives, and ensures continuous monitoring, review, and ongoing development.

Payment Card Industry Data Security Standard (PCI DSS) Compliance Certification

Bank of Palestine has obtained certification confirming its compliance with information security standards for electronic payment cards as a financial institution fully committed to applying payment card data security

Risk Management

standards since 2018. This certification is issued by the Payment Card Industry Data Security Standards Council (PCI DSS), based in the United States.

This achievement reflects the Bank's commitment to implementing a strategic plan to protect customers and ensure the confidentiality of their information, placing it among its top priorities. The certification covers the protection and security of information at the Bank's primary and backup data centers, as well as all branches and offices in the West Bank and Gaza Strip. It also extends to the largest ATM network and all direct sales points across both regions, in addition to internet banking, mobile banking, payment cards, and e-commerce services.

This certification complements the Bank's broader achievements and those of its subsidiaries in the field of electronic services, by providing best-in-class solutions that reinforce customer trust. It supports the Bank's mission through the delivery of advanced services aligned with Visa and MasterCard requirements, strengthens the protection of cardholders' data, and ensures secure payment channels.

Obtaining PCI DSS certification is expected to yield significant benefits for Bank of Palestine and the broader e-commerce sector in Palestine. This is achieved by safeguarding the confidentiality of payment card data used by the Bank and the e-commerce sector, alongside the Bank's ongoing commitment to investing in the latest technological systems and keeping pace with developments related to protecting customer data. It also contributes to the development of modern systems that support the execution of banking operations through efficient, secure, and reliable mechanisms.

Adoption of Advanced Systems for Cyber Risk Management

During the past year, the Bank implemented the Group-IB system as part of its cybersecurity enhancement strategy. This included training the relevant teams to efficiently operate the system. These efforts have improved the Bank's ability to detect threats and respond effectively, contributing to maintaining operational stability and protection.

Group-IB System

The Group-IB system is considered one of the leading solutions in cybersecurity and data protection, offering a comprehensive suite of tools aimed at combating cybercrime and protecting digital assets of financial institutions. The following highlights the importance and benefits of adopting the Group-IB system in strengthening the Bank's cybersecurity posture:

- 1. Early Threat Detection:** The system relies on artificial intelligence and data analytics technologies to identify cyber threats and electronic crimes at an early stage, enabling the Bank to take proactive measures to protect its assets.
- 2. Rapid Incident Response:** The Group-IB system enables the security team to respond quickly and effectively to cyber incidents, reducing their impact and minimizing potential damage.

3. Advanced Threat Analysis: The system provides advanced tools for analyzing cyber threats, enabling a deeper understanding of the patterns and tactics used by attackers and supporting the development of tailored defensive strategies.

4. Compliance with International Standards: The Group-IB system supports compliance with international cybersecurity standards, ensuring the Bank's adherence to global best practices.

Benefits of Using the Group-IB System:

1. Increased Trust: The system enhances customer and partner confidence in the Bank's ability to protect their data and assets, supporting long-term relationships.

2. Improved Operational Efficiency: The Group-IB system enables the security team to focus on strategic tasks rather than handling recurring incidents, thereby enhancing operational efficiency.

3. Strengthening the Bank's Reputation: By adopting advanced cybersecurity solutions, the system contributes to reinforcing the Bank's reputation as a secure and reliable financial institution.

Crisis Recovery

Disaster Recovery Site

Bank of Palestine has developed a disaster recovery site and conducted the necessary technical testing. The site is equipped with the latest technologies that enable the Bank to restore services within less than one hour through the backup site in the event of a disruption at the primary site. These capabilities are the result of the Bank's investment in advanced technologies that ensure the immediate transfer and storage of data at the backup site, thereby maintaining the continuity and reliability of electronic services in line with international standards for business continuity and disruption risk management.

The Bank places strong emphasis on maintaining uninterrupted service delivery to customers, ensuring that services remain consistently available and reliable at all times.

Recovery Plan

The Bank's Recovery Plan: The development of a recovery plan is considered one of the critical steps to maintaining the Bank's stability and avoiding operational and financial challenges. The plan aims to establish strategies and procedures necessary to manage crises and risks, ensuring the continuity of banking operations smoothly and efficiently.

Objectives of the Recovery Plan:

1. Protecting the Interests of Depositors and Shareholders: By providing clear and effective procedures for handling crises and financial risks and ensuring the safety of depositors' funds.

2. Enhancing Business Continuity: Through the adoption of alternative plans that ensure the uninterrupted delivery of banking services, even in emergency situations.

Risk Management

3. Reducing Operational Risks: By identifying potential risks and developing strategies to address and mitigate their impact.

4. Ensuring Regulatory Compliance: By aligning with the requirements of regulatory authorities and providing the necessary reports to ensure transparency and credibility.

Challenges and Achievements

During the past year, the Bank conducted a comprehensive review of the recovery plan, through which it identified and assessed risks associated with banking operations and made the necessary adjustments to the plans and procedures in place. The recovery plan reaffirms the Bank's commitment to providing secure and reliable services, maintaining the stability of the financial system, and contributing to the development of the national economy. It also reflects Bank of Palestine's continued dedication to ensuring readiness to address any future challenges, while preserving the trust of its customers and partners.

Credit Risk Management

The Bank works diligently to mitigate credit risks, as they represent a primary source of risk and a direct threat to banking activities. This is achieved through the adoption of best practices and methodologies, as well as the implementation of appropriate tools and procedures.

A dedicated department is responsible for credit risk management, staffed by a highly qualified team with strong expertise in this field. The team relies on a range of risk management tools, including monitoring and steering the credit portfolio in alignment with the Bank's strategic sectors, while taking into account the risks surrounding the operating environment. This is complemented by the application of statistical methods, tracking default exposures, reviewing prohibited lending, controlling the credit cycle, and conducting periodic reviews of portfolio limits. The Bank also evaluates credit products and subjects the credit portfolio to stress testing exercises. In addition, it assesses the impact of emergency events, such as wars, disasters, and crises, on the credit portfolio.

As a systemically important bank within the Palestinian banking sector, Bank of Palestine continued, during the past year, to enhance its operations through the implementation of several procedures, updates, and initiatives that engage all relevant stakeholders.

In this context, the Credit Risk Department updated and developed the credit risk management policy and the business procedures manual to keep pace with local, regional, and international developments. To support this, the department prepared a risk appetite statement for key credit risk indicators based on sound scientific principles, which was approved by the Board of Directors. The document defines limits subject to periodic monitoring and is designed to reduce the level of credit risk exposure to the lowest possible level, in alignment with the Bank's strategic objectives.

The department also seeks to establish a comprehensive credit risk management system by developing and enhancing early warning indicators. This aims to support a proactive risk management approach and enable

management to detect any potential deterioration in the quality of the credit portfolio at an early stage. The framework relies on an integrated set of indicators tailored to each geographic region and sector, as well as customer-level indicators, including macroeconomic indicators for each region, sector performance indicators, and borrower repayment behavior. These indicators support credit decision-making processes and periodic portfolio reviews, ensuring timely intervention and reducing default rates.

The early warning indicators framework is subject to ongoing review and development by the specialized department under the supervision of the relevant risk committees. This contributes to strengthening the Bank's credit position and maintaining the sustainability of its financial performance.

Consistent with its proactive role in risk management and its demonstrated flexibility in adapting to changes in the operating environment and given the importance of the credit portfolio as the backbone of the Bank's revenues and activities, the department, together with senior management, continued to develop mechanisms for the periodic evaluation of the credit portfolio, particularly during periods of heightened uncertainty such as wartime conditions. The assessment also extends to the granular level of the Bank's customer portfolios, with a focus on certain high-risk segments, in addition to reassessing products linked to geopolitical developments.

In line with Basel Committee guidance and the stress testing instructions issued by the Palestine Monetary Authority, the Credit Risk Department conducted updated internal stress testing exercises in coordination with the Bank's portfolio. This included simulating new scenarios and conditions not previously covered under the Monetary Authority's guidelines, with the aim of assessing the impact of such scenarios under worst-case conditions on the Bank's capital adequacy and profitability.

Treasury Risk

The Treasury Risk Department conducts direct and effective monitoring of all treasury activities, including liquidity, investments, placements, and foreign exchange operations. This is carried out using internationally recognized measurement tools, in addition to assessing counterparty risk to regulate relationships with all counterparties. In this context, international standards are applied in identifying, assessing, and managing treasury risks to ensure transparency and accuracy in performance, and to control any risks arising from market price fluctuations or political conditions.

Recognizing the importance of monitoring treasury-related risks, the Department established a middle office tasked with overseeing risks arising from the daily operations of the treasury front office. The Bank's internal systems were also developed in line with the requirements and procedures of the middle office, thereby strengthening the Bank's protection against risks arising from treasury activities as a second line of defense.

The Treasury Risk Department has also developed internal stress testing scenarios, which serve as proactive indicators of market and liquidity risks that may affect the Bank. These scenarios assess the Bank's ability to withstand such risks if they materialize. The scenarios were designed to cover low-, moderate-, and high-severity situations and were incorporated into the emergency funding plan. These include available funding lines during

Risk Management

liquidity stress conditions, ensuring the Bank's ability to provide the required liquidity for all operations and to mitigate potential future risks arising from unexpected liquidity crises.

The Bank has also defined its risk appetite, which serves as a key metric for measuring all risks arising from treasury operations, including concentration risk, counterparty risk, interest rate risk, foreign exchange risk, and liquidity risk. This framework plays an early warning role in identifying additional risks that may result from excessive or unplanned exposure, and it is periodically approved by the Board of Directors.

As part of its efforts to maintain financial liquidity and meet customer requirements, the Treasury Risk Department, in collaboration with other risk departments, developed a comprehensive recovery plan aimed at strengthening the Bank's financial liquidity. This was achieved by designing stress testing scenarios related to liquidity and linking them to appropriate recovery measures.

Risk Management Team Expertise

The competencies of the Risk Management team have been enhanced in line with the highest international training and qualification standards. Team members have obtained internationally recognized certifications in risk management, including Certified Risk Specialist (CRS), ISO 27001 Certified Lead Auditor, Certified Information Security Professional (CISSP), and Certified Governance Risk Management. In addition, team members have obtained the Certified Governance, Risk and Compliance Specialist (CGRCS) certification, the Certified Risk Professional (CRMP) certification, and have completed specialized training programs in ISO 31000 (Risk Management Professional), awarded by relevant international bodies.

Executive Risk Management Committee

As part of Bank of Palestine's commitment to embedding a risk-aware culture across all banking activities, strengthening sound governance, and adopting a risk-based approach to achieve the highest levels of efficiency and effectiveness, the Bank has established an Executive Committee for Risk and Compliance Management. This committee is responsible for aligning the Bank's objectives with acceptable risk levels, overseeing risks, and ensuring that they remain within approved thresholds, in addition to supervising compliance risks.

Reporting to the Board of Directors

Reports are submitted to the Board of Directors through the Risk and Compliance Management Committee, enabling the Board to maintain continuous and comprehensive oversight of the risk management system, the Risk Profile, the risk register, and internal procedures related to control and monitoring. This system constitutes a key reporting mechanism that ensures the Board's understanding of the Bank's risk environment and its readiness to make informed and effective decisions. Through these reports, the Board is able to develop a clear view of current risk levels and the preventive measures adopted to address them.

This process enhances transparency and accountability within the Bank, supports financial and operational

stability, and contributes to safeguarding the interests of depositors and shareholders alike.

Role of Risk Management in Crisis Management During the War in the Gaza Strip

Crisis and Emergency Management Committee

Following the outbreak of war on 7 October 2023, Bank of Palestine promptly activated the Crisis and Emergency Management Committee. This committee comprises department heads, directors, and various business units, each with clearly defined roles and responsibilities, contributing significantly to effective crisis management. From the initial stages of the crisis, the committee focused on conducting analytical assessments of the developments and their impact on business continuity across the Bank's branches and departments. Despite the challenges arising from the war and its widespread negative effects across all sectors of life, the committee developed and implemented multiple scenarios addressing various aspects, including: analysis of the credit portfolio, evaluation of security and protection systems, assessment of infrastructure readiness, evaluation of employee safety and well-being, liquidity assessment, implementation of regulatory control measures requiring adjustments, managing communication disruptions and cyber threats, continuous coordination with sector employees, where possible, to ensure uninterrupted service delivery in Gaza, in addition to other operational, technical, and security-related factors affecting the Bank's activities.

Business Continuity

As part of its proactive operational risk management measures, the Bank prepared detailed contingency plans simulating a war scenario in Gaza, noting that similar events had occurred in previous years. The Bank maintained readiness to address such events by ensuring the continuity of critical banking operations and minimizing direct impacts on customers.

This included enabling customers to withdraw cash through ATMs and ensuring the execution of banking transactions through electronic channels. This also included USSD services that do not rely on internet connectivity, among others. A key feature of these plans was their dynamic adaptation to changing conditions, whether related to disruptions in the West Bank or the escalation of events in the Gaza Strip, which intensified with the continuation of the war.

In this context, the Risk Management Department conducted a Business Impact Analysis (BIA) in collaboration with the Bank's various business units, adopting a proactive approach. The objective was to analyze and assess the potential consequences of disruptions, using a set of criteria focused on measuring the impact of crises on business continuity and the expected financial implications of operational interruptions. This also included assessing the degree of interdependency among business units and with external entities, ensuring the availability of appropriate work teams and communication channels. This process represents a critical step, as its outputs define the key elements required for developing business continuity and crisis management plans, as well as the main considerations to be taken into account during crisis response, as summarized below:

Risk Management

Pre-Crisis Preparedness Phase

- Identifying critical banking operations provided to customers.
- Identifying critical systems.
- Determining primary and backup teams to ensure continuity of operations from the West Bank, along with the necessary training.
- Assigning roles and responsibilities across departments.
- Assessing the need to redistribute critical tasks among departments and staff.
- Establishing remote work teams, ensuring close coordination between Risk Management and department heads to assess workload, provide guidance, and allocate required resources.
- Assessing interdependencies among business units and with external institutions and defining appropriate communication channels and mechanisms.

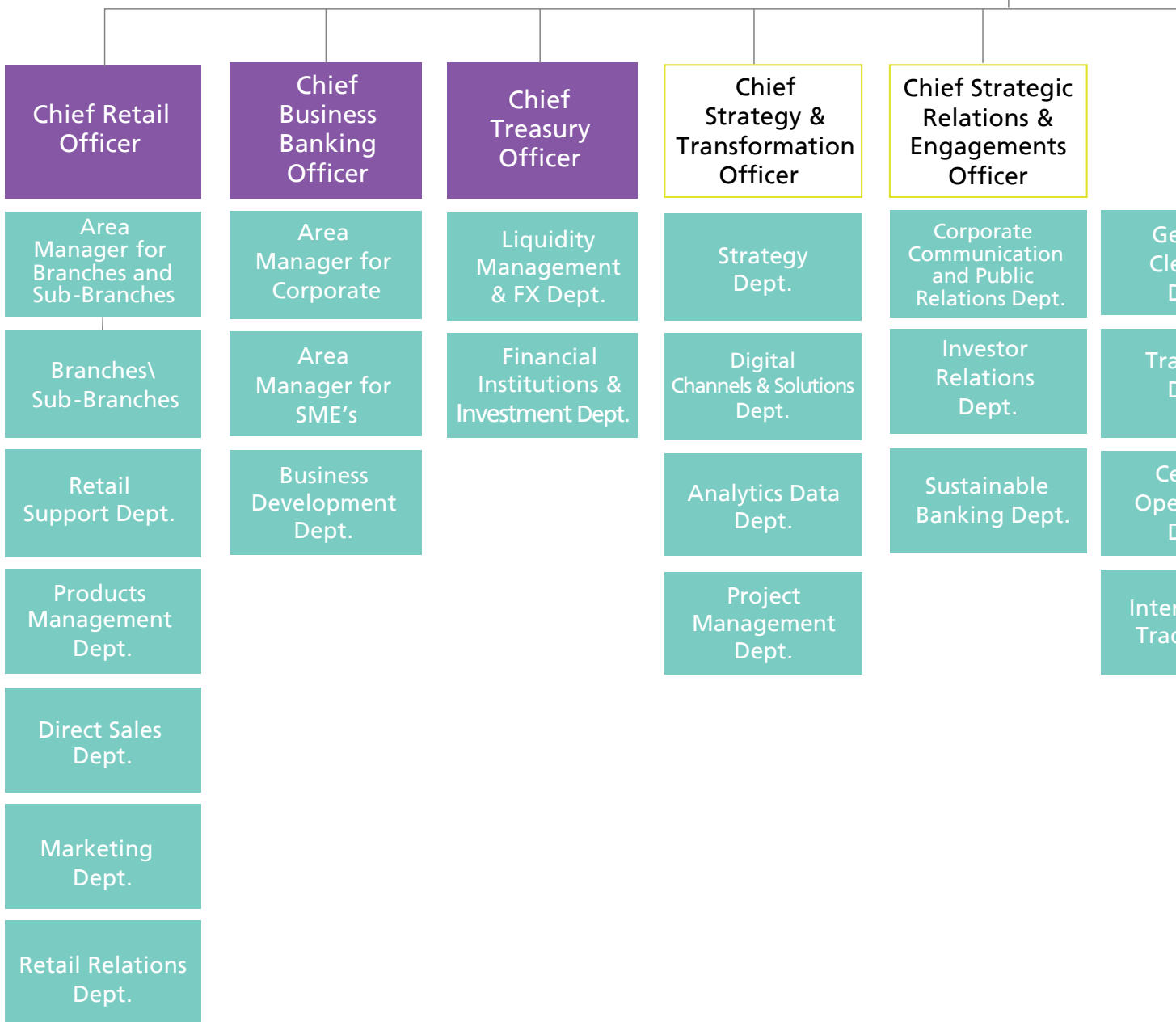
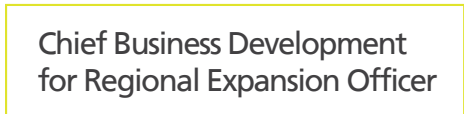
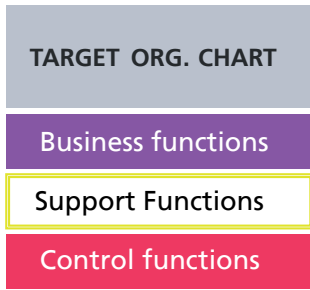
Crisis Management and Business Resumption Phase within Business Continuity Plans

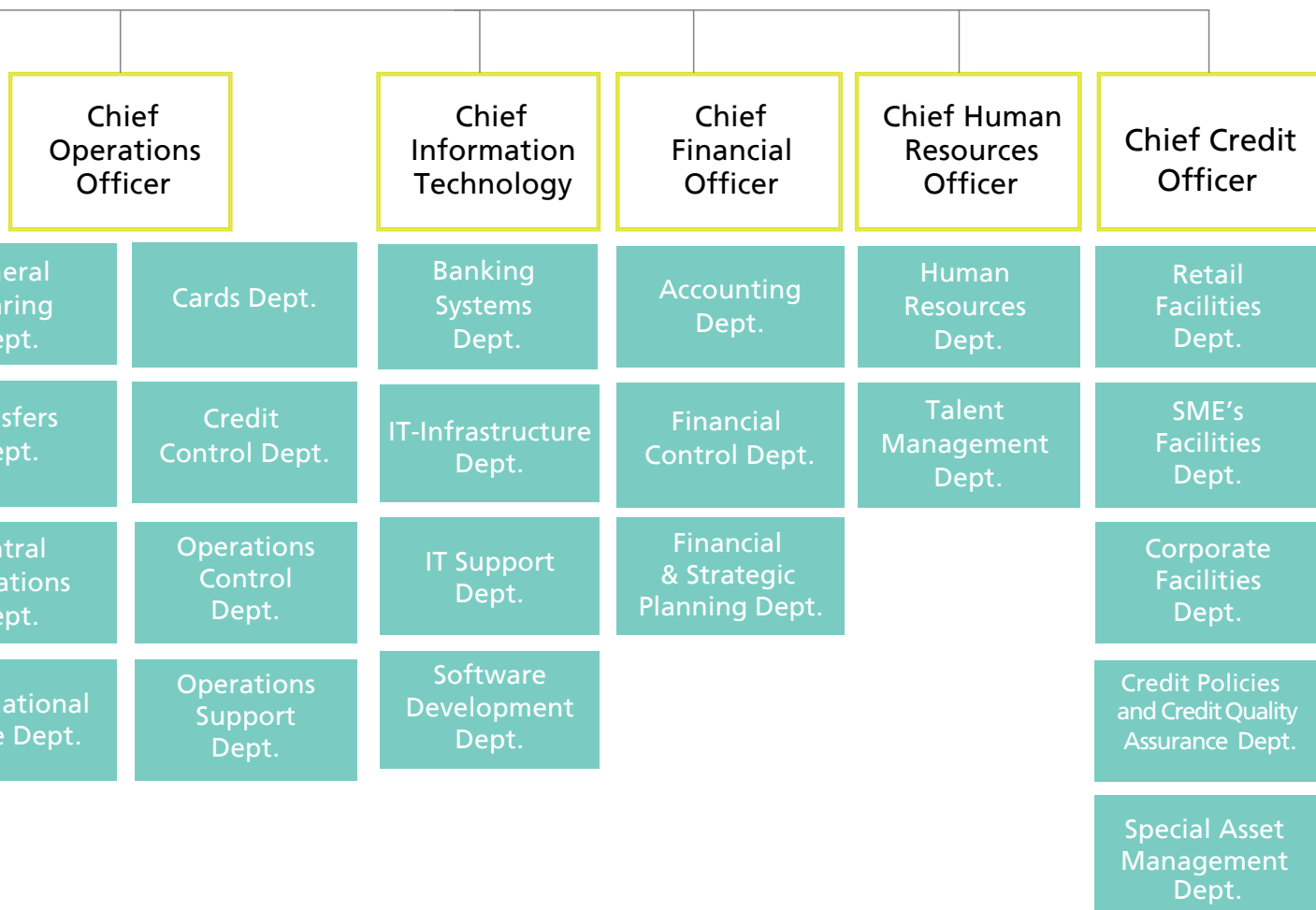
- Activating remote work mechanisms, including expanding VPN capacity and procuring laptops, while ensuring the implementation of all security controls and continuous evaluation to maintain service activation.
- Defining the roles and responsibilities matrix for the Crisis and Emergency Management Committee.
- Providing accommodation arrangements for employees.
- Enabling staff to work from locations close to their residences by utilizing nearby Bank facilities, and equipping these locations with the necessary resources, including computers, offices, and telecommunication tools.
- Activating the monitoring center in the West Bank to oversee ATMs and Bank locations in Gaza.
- Establishing procedures and workflows to ensure effective communication.
- Assessing pressure and demand on electronic channels.
- Assessing the validity of expired cards.
- Leveraging point-of-sale (POS) devices to deliver services.
- Activating the call center to serve Gaza customers and expanding its scope to meet diverse customer needs.
- Continuous monitoring of ATMs, including cash replenishment, maintenance, and fuel supply to ensure their operation.
- Ongoing monitoring of cyberattacks and implementation of protection systems to counter threats.

- Monitoring developments and responses, whether through adjustments to operational procedures or in response to directives issued by the Monetary Authority.
- Strengthening the role of the central control room in monitoring the Bank's locations.
- Tracking updates from external parties, including correspondent banks, insurance companies, guarantee funds, and key service providers.
- Activating communication channels with international institutions, shareholders, and partners.
- Providing donations and assistance as part of humanitarian response efforts.
- Identifying and assessing various risks and monitoring their occurrence.
- Conducting gap assessments in departmental operations and strengthening required expertise and staffing.
- Monitoring damages and losses.

These measures have collectively established a solid framework to ensure reliability and business continuity within the Bank during crises

Organizational Structure





Anti-Money Laundering and Compliance

Anti-Money Laundering, Counter-Terrorism Financing and Sanctions Policy

An organized approach to risk mitigation and the protection of the Bank and its customers constitutes a fundamental component of banking sustainability. Accordingly, Bank of Palestine is committed to safeguarding its services and products from being exploited in money laundering or terrorist financing activities. This is achieved through its approved internal policies and procedures in this field, which are updated and developed annually, and whenever necessary, to align with local regulatory requirements and international recommendations, such as those issued by the Financial Action Task Force (FATF), the Basel Committee guidelines, and leading practices in anti-money laundering and counter-terrorist financing.

In compliance with the Palestinian Anti-Money Laundering and Counter-Terrorism Financing Law, the instructions issued thereunder, and relevant international standards and recommendations, the Bank applies Know Your Customer (KYC) and Customer Due Diligence (CDD) policies. Accordingly, Bank of Palestine:

- Does not maintain accounts for anonymous persons or those using fictitious names.
- Does not maintain or open accounts for pass-through (transient) customers.
- Does not maintain or deal with shell banks or institutions.
- Does not open accounts or conduct banking transactions for customers listed on sanctions or blacklists.
- Conducts periodic screening of customer accounts to ensure none are listed on sanctions or blacklists.

The Bank also refrains from dealing with customers engaged in any of the following:

- Manufacturing, storing, or trading in weapons illegally.
- Human trafficking.
- Narcotic substances.
- Online gambling without a local license.
- Deliberate or attempted violations of laws, regulations, or policies related to financial crimes and/or fraud.
- Repeated unintentional or incidental violations of laws, regulations, or policies related to financial crimes and/or fraud.
- Misuse of accounts for money laundering, terrorist financing, or fraud.
- Facilitating business activities that may be interpreted as tax evasion.
- Refusal to provide sufficient information or documentation required by the Bank.
- Bribery and corruption.

- The Bank performs customer identification and verification (natural and legal persons), as well as beneficial owners, by verifying their identities through official documents and/or supporting data before and during account opening. In cases of doubt regarding the accuracy or completeness of identification data, the Bank seeks to verify the customer's identity prior to establishing any business relationship. In cases of suspicion of money laundering or terrorist financing, enhanced due diligence measures are applied.
- The Bank collects information regarding the purpose of current and expected account activity and the intended nature of the business relationship, using the approved account opening forms in accordance with KYC requirements and the instructions of the Palestinian Monetary Authority. This is in addition to specialized forms for various types of transactions conducted on customer accounts (such as deposits, withdrawals, transfers, etc.).
- The Bank identifies and assesses risks at the customer and account levels and manages them based on customer classification according to risk level, account type, customer profile, nature of activity, and countries of operation. Enhanced due diligence is applied to high-risk customers through obtaining information on sources of income, wealth, and residence, in addition to securing the necessary managerial approvals in line with the risk level.
- The Bank issues instructions, guidelines, and clarifications on the mechanisms for implementing Know Your Customer (KYC) policies and the requirements for opening accounts and conducting any transactions or establishing relationships with customers.
- The Bank applies KYC standards and due diligence measures for cross-border relationships with correspondent banks by collecting relevant information, assessing the reputation of the counterparty institution, and obtaining supervisory approval. This includes securing senior management approval prior to establishing such relationships and evaluating the counterparty's controls related to anti-money laundering and counter-terrorist financing.
- The Bank screens all incoming and outgoing transfers against sanctions and blacklist databases using the latest systems to ensure that customer accounts and beneficiary and/or remitting parties are not listed. Any transfer is rejected if any party involved is found to be listed.
- The Bank utilizes advanced systems to analyze customer accounts and monitor account activity and continuously updates these systems to align with developments in transaction monitoring. This is done through dedicated scenarios designed to detect patterns associated with money laundering and/or terrorist financing.
- The Bank applies a range of criteria to monitor transactions and activities using both primary and general alert indicators. These controls are applied at account opening and throughout the execution of various transactions, including incoming and outgoing transfers, deposits and cash withdrawals, granting of credit facilities, leasing of safe deposit boxes, investments, share purchases, bond transactions, trade finance activities, letters of credit and guarantees, activation of dormant accounts, and execution of electronic transactions.
- The Bank retains customer records and documentation for the legally required period in accordance with applicable laws and regulations.
- The Bank refrains from executing financial transactions suspected to involve money laundering, terrorist financing, or any predicate offenses, and reports such cases immediately to the Financial Follow-Up Unit.
- The Bank submits suspicious transaction reports promptly where reasonable grounds for suspicion exist that funds constitute proceeds of crime or that an activity may be linked to money laundering, terrorist financing, or any predicate offense.

Anti-Money Laundering and Compliance

- The Bank conducts training programs and discussion sessions on the standards and indicators of anti-money laundering and counter-terrorist financing, particularly for newly hired staff.
- The Bank ensures the dissemination of circulars and instructions issued by regulatory authorities to all departments and branches upon receipt, along with the necessary explanations and clarifications.
- The Bank maintains the independence of the Anti-Money Laundering function, which reports directly to the Audit and Review Committee of the Board of Directors. While its work intersects with compliance, internal audit, and risk management functions, it remains subject to internal audit review in a manner that does not compromise the confidentiality of suspicious transaction reporting.



We safeguard the interests of customers, shareholders, and stakeholders in accordance with the highest standards, policies, and practices of compliance and anti-money laundering.

Development

Driven by Bank of Palestine's commitment to maintaining a strong regulatory environment that deters money laundering, and to safeguarding customer deposits, as well as meeting the expectations of regulatory and global authorities, investors, correspondent banks worldwide, and ensuring the sustainability of its services, the Bank has worked to enhance the following areas in line with international best practices and leading external audit benchmarks:

- Developing the Anti-Money Laundering, Counter-Terrorism Financing, and Sanctions Policy.
- Enhancing the methodology for assessing customer risk in accordance with international best practices.
- Developing a methodology for assessing financial crime risks at the institutional level across all the Bank's products, services, and channels, including mechanisms for assessing inherent and residual risks.
- Enhancing reporting procedures for suspicious transaction reports in line with international best practices.
- Strengthening screening procedures against sanctions and prohibition lists in accordance with global standards.
- Developing transaction monitoring procedures and oversight of financial movements and patterns related to money laundering and terrorist financing, in addition to designing monitoring scenarios that incorporate globally recognized typologies of such activities.
- Enhancing account opening procedures to align with a risk-based approach.
- Upgrading banking systems to align with the risk management framework.

Compliance and Anti-Money Laundering

- The Compliance Department ensured close follow-up on the instructions and circulars issued by the Palestine Monetary Authority concerning the continuity of the economic cycle, including certain provisions related to the current situation in the Gaza Strip. It also monitored all sound banking procedures to ensure compliance with the requirements of those instructions.
- In line with the Department's plan and in harmony with the Bank's strategy, efforts are underway to follow up on the completion of the Bank's acquisition of the necessary licenses from regulatory authorities in host countries. This includes updating the instructions governing branch operations as issued by the regulatory authorities in those host countries, as well as developing policies and procedures that support a balance between regulatory compliance and the provision of secure and distinguished banking services.
- Protecting the Bank and ensuring the continuity of its services requires regulatory action that ensures the Bank's compliance with the instructions of supervisory authorities, as well as the handling of customer and employee complaints in a professional and independent manner. Accordingly, the Bank adopts an effective compliance system to identify and manage compliance requirements in order to meet the various regulatory requirements.
- Compliance risks are managed proactively, and the Bank remains fully committed to conducting banking activities in a manner consistent with all applicable regulations and laws in Palestine.
- The Bank is fully committed to preventing the use of the Bank in any unlawful activities, through the establishment of policies specifically dedicated to combating financial crimes, money laundering, and terrorist financing. These are complemented by Know Your Customer policies, through which the Bank ensures fulfillment of all legal requirements related to due diligence on an ongoing basis in order to determine the true identity and beneficial owner of the Bank's customers, verify customer names against prohibited persons lists, and report unusual activities that may threaten the environment and society, particularly money laundering crimes that threaten the security and safety of society. Environmental crimes and the financial proceeds arising from predicate offenses criminalized under Palestinian law are considered predicate offenses. The Bank reports any financial proceeds that may originate from such predicate offenses.
- The Compliance and Anti-Money Laundering units submit a report at least semi-annually, which includes an assessment of the Bank's procedures with reference to supervisory instructions, an evaluation of the degree of compliance, and the measures taken to reduce the risks identified.
- Training programs are provided on best practices related to anti-money laundering, counter-terrorist financing, and sanctions compliance, given their impact on business sustainability and continuity, the protection of stakeholders' and shareholders' interests from crime-related risks, and the preservation of the Bank's reputation from involvement in any suspicious activities.
- The Anti-Money Laundering Department focuses on managing exposure to money laundering and terrorist financing risks and protecting assets. This is achieved through assessing inherent and potential future risks to which the Bank's products, services, and channels may be exposed in relation to money laundering and terrorist financing risks. It also develops a plan to calculate residual risks and reduce these crimes to the minimum possible level, in a manner that ensures the achievement of the Bank's strategic objectives and the protection of stakeholders.
- Developing plans to expand outreach to all segments of society in order to promote financial inclusion, thereby contributing to overall economic stability. This is achieved by encouraging marginalized and low-income groups to open accounts and access financial services, and by simplifying procedures. This approach supports account opening for these segments while applying a risk-based approach, thereby

Anti-Money Laundering and Compliance

enhancing financial stability and avoiding the termination of business relationships without a proper understanding of customer risk or the Bank's risk appetite.

- The Compliance function addresses customer complaints and protects their interests by reviewing and handling complaints appropriately in a manner that satisfies the customer without exposing the Bank to risk. Mechanisms are in place to allow the public to submit complaints to an independent body separate from executive management, while ensuring follow-up on corrective actions and proper resolution of complaints. Complaints are also leveraged to improve the quality of services, products, and related operational procedures.
- The Bank maintains an internal whistleblowing mechanism through a dedicated committee that receives internal reports from employees regarding any violations they observe, without exposing them or their roles to risk. This aims to safeguard the internal environment, prevent any violations that could expose the Bank to risk, and develop preventive measures and procedures to address fraud, misconduct, violations, or suspicious activities.
- Policies and procedures are continuously updated to ensure their adequacy and alignment with developments arising from the instructions and circulars issued by supervisory authorities.
- Awareness messages on various risks are disseminated on an ongoing basis, reflecting day-to-day operational realities, to ensure that employees remain continuously informed of the risks that may affect the Bank.
- Training programs on compliance are delivered to all Bank employees across all managerial levels, with the objective of promoting and strengthening a culture of compliance throughout the Bank.



Regulatory Authorities



الهيئة النقدية الفلسطينية
PALESTINE MONETARY AUTHORITY

Scan the code
to visit the website



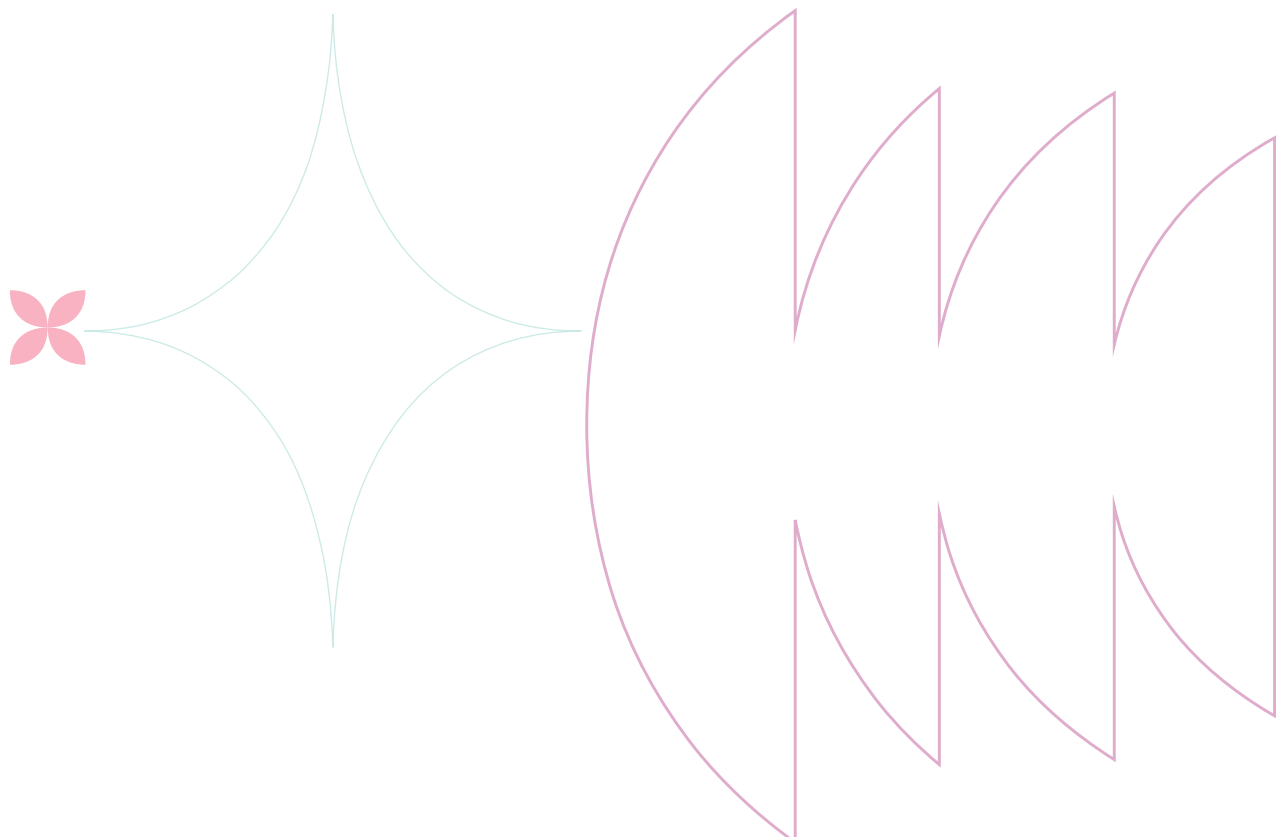
هيئة سوق رأس المال
Capital Market Authority

Scan the code
to visit the website



بورصة فلسطين
Palestine Exchange

Scan the code
to visit the website



Disclosures

Salaries and Bonuses for Executive Management

Total salaries and bonuses paid to the Group's Senior Executive Management amounted to USD 4,453,450.

Travel and Seminar Expenses for Executive Management

Travel and seminar expenses for executive management totaled USD 412,899 during 2025.

Facilities Granted to Executive Management

Total credit facilities granted to senior executive management amounted to USD 5,158,465.

Proposed Bonuses to Board Members

The proposed bonus for Board members for 2025 amounted to USD 990,000.

Dependence on Key Suppliers and Customers

The Bank has no local or international suppliers or customers that account for 10% or more of its total purchases or sales.

Privileges and Government Protection

The Bank and its products are not entitled to any governmental protections or privileges under applicable laws or regulations. The Bank also holds no patents or franchise rights.

Non-Recurring Transactions

The Bank's audited financial statements disclose the full financial impact, both actual or anticipated, of any non-recurring transactions that occurred during the fiscal year and fall outside the scope of the Bank's core activities, in light of recent developments.

Legal Proceedings

The number of cases filed against the Bank and its subsidiaries reached 205 cases and 198 cases as of December 31, 2025 and December 31, 2024 respectively, within the normal course of the Bank's operations.

The total value of these cases amounted to USD 86,848,592 and USD 83,809,062, respectively.

According to management and legal counsel, no liabilities are expected from these cases beyond the provisions already allocated.

Significant Decisions with Financial Impact

Israeli military decisions are considered one of the main constraints affecting the Bank's operations, particularly the blockade imposed on the Gaza Strip and the military checkpoints that disrupt connectivity between parts of the West Bank. Nevertheless, Bank of Palestine, through its operational capabilities, has been able to adapt to these conditions. The Bank, being the largest banking network in the Palestinian territories, has maintained the continuity of its operations under these circumstances.

Corporate Control

There are no entities exercising direct or indirect control over the company.

Board of Directors' Activities for 2025

The Board of Directors held 10 meetings during 2025 to carry out its assigned duties as stipulated in the Bank's Corporate Governance Code and internal regulations.

Shareholder Voting Items

There were no matters deferred or postponed for voting by shareholders during 2025.

Preliminary Financial Statements

There were no discrepancies between the preliminary financial statements previously disclosed and the final audited statements.

External Auditors

The financial statements for 2025 were audited by Ernst & Young.

Information Dissemination Mechanism

The annual report will be sent electronically to all shareholders at their registered addresses, along with the invitation to attend the General Assembly meeting. The report will also be available on the Bank of Palestine website.

Investor Relations and Shareholders' Information

Investor Relations

Given its pivotal and strategic role in strengthening relationships with investors, and in line with its commitment to transparency, the Investor Relations Department works to keep investors informed of all developments and updates related to the Bank. The Department translates its role into an effective two-way communication channel between the Bank and its current and potential investors, as well as the broader investment community. This is achieved by providing accurate, comprehensive, and clear information on the Bank's performance, achievements, and strategic direction, in addition to the latest developments and events, whether positive or negative.

Communication and Building Long-Term Relationships Based on Transparency

During 2025, the Investor Relations team continued its efforts to strengthen and enhance relationships with shareholders through ongoing communication and engagement with the Bank's shareholders and investors. The aim was to keep them informed of all key developments at the Bank, including its various activities, events, and achievements, as well as its financial and non-financial results.

The Department ensured continuous engagement with shareholders through diverse communication channels and tools, including the issuance of press releases, dissemination of news via email, publication of announcements on local, regional, and international news platforms, and sharing updates across the Bank's social media platforms such as LinkedIn and Facebook. In addition, both in-person and virtual meetings were organized with shareholders.

Communication During the War

In light of the challenging circumstances resulting from the war in the Gaza Strip, the Department maintained continuous communication with shareholders, reinforcing their confidence in the Bank's financial strength, resilience, and ability to adapt to crises, as well as its flexibility in addressing the implications of the war. The Department remained committed to providing periodic updates on the Bank's status and key developments, in addition to holding meetings with a large number of investors to keep them informed of the Bank's measures and to respond to their inquiries.

Achievements During 2025

Ongoing and effective communication with shareholders contributed to the successful establishment of new strategic partnerships during 2024 and 2025. A number of international development finance institutions joined the Bank's investor base, thereby strengthening the Bank's capital adequacy position and enhancing its capacity to address the implications of the war and move forward with its regional expansion strategy.

This was complemented by the signing of several strategic agreements with regional and international partners aimed at financing small and medium-sized enterprises, particularly those affected by the war.



Investor Relations and Shareholders' Information

Based on these agreements, during 2025, the Bank was able to increase its capital through a special share issuance to the following entities: FISEA (a subsidiary of PROPARCO – the investment arm of the French Development Agency (AFD), which increased its investment in Bank of Palestine by USD 10.8 million; in addition to the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), both of which increased their investments by USD 1.042 million, in order to maintain their ownership percentages at the levels of their initial investment in 2024.

Bank of Palestine Shares Prospectus	
27 July 2025	
Investors	<ul style="list-style-type: none"> ▪ FISEA (5.53%) ▪ International Finance Corporation (IFC) (5%) ▪ European Bank for Reconstruction and Development (EBRD) (3.81%)
Investment Value	USD 11,842,994
Number of Shares Issued	7,843,041 shares
Share capital before issuance	USD 260,943,026
Share capital after issuance	USD 268,786,067

Regional Expansion Towards Growth and Prosperity

As part of its regional expansion strategy, and leveraging its extensive network of relationships, the Bank seeks to broaden avenues of cooperation and strengthen its ambitious regional presence in a manner that benefits both the Bank and its partners. Through this expansion strategy, the Bank aims to facilitate communication and networking with regional and international partners, as well as to attract a broad segment of Palestinian diaspora. This includes plans to open new offices and branches, expand investment horizons, attract strategic investors to invest in its capital, and diversify sources of income.

The Bank has already achieved significant milestones in its regional expansion efforts. In July 2025, it opened a representative office in Cairo, Arab Republic of Egypt. It also obtained in-principle approval to license a fully integrated bank classified as Category 1 (CAT-1) within the Abu Dhabi Global Market (ADGM). The branch is expected to commence operations and provide services to customers by the end of 2026.

Our Investors and Strategic Partners

PROPARCO – AFD Group



- Equity investment of \$ 22.8 million, representing 5.53 % (through FISEA)
- \$ 44.5 million in financing under the SUNREF I & II Green Loan Programs
- \$ 50 million in financing to support SMEs under the ARIZ agreement
- \$ 20 million in financing to support SMEs

International Finance Corporation (IFC) – World Bank Group



- Subordinated loan of \$ 75 million
- Loan in the amount of \$ 35 million to support SMEs
- Equity investment of \$ 20.3 million, representing a 5 % ownership stake

European Bank for Reconstruction and Development (EBRD)



- \$ 45 million in loans to support SMEs and women-led businesses
- Equity investment of \$ 15.5 million, representing a 3.81 % ownership stake
- \$ 15 million under the International Trade Finance Program to enhance import/export activities and expand the Bank's correspondent banking network

European Investment Bank (EIB)



- Agreements totaling \$ 100 million to finance SMEs

Japan International Cooperation Agency (JICA)



- \$ 30 million investment in the Bank's Additional Tier 1 Capital to support SME development

Arab Fund for Economic and Social Development



- \$ 30 million loan to support SMEs
- \$ 30 million subordinated loan to further strengthen SMEs financing

U.S. International Development Finance Corporation (DFC)



- \$ 80 million in loan portfolio guarantee

SANAD Fund for SMEs



- \$ 10 million loan to support SMEs

KfW IPEX-Bank



- Agreements totaling \$ 118 million to finance SMEs

Middle East Investment Initiative (MEII)



- \$ 78 million in financing to guarantee SME loan portfolios

Islamic Development Bank (IsDB)



- \$ 10 million in financing under the Murabaha Program to support SME development

Bank of Africa (BMCE Group)



- Strategic shareholder with a stake of 1.06 %

Investor Relations and Shareholders' Information

Financial data and Events Calendar for 2025–2026

15 May 2025	Announcing the financial results for the first quarter of 2025
14 August 2025	Announcing the financial results for the first half of 2025
15 December 2025	Announcing the financial results for the third quarter of 2025
15 February 2026	Announcing the preliminary financial results for the year 2025
7 April 2026	The last day to participate in the dividends distribution for the year 2025
8 April 2026	Annual General Assembly Meeting

Bank of Palestine Share information

Listing Date:	22 September 2005
Exchange:	Palestine Exchange
Symbol:	BOP
ISIN:	PS1004112600
Number of shares issued:	268,786,067 shares
Par Value per share:	USD 1
Closing price as of 31/12/2025:	USD 1.61
Free float as of 31/12/2025	74.20%

Major Shareholders Ownership

Major Shareholders above 5% or more

Name	2024		2025	
	Number of Shares	Ownership %	Number of Shares	Ownership%
Al Muhalab Kuwaiti Real Estate Company	18,208,142	6.99%	18,232,782	6.78%
Hashim Hani Shawa*	17,976,166	6.90%	17,976,166	6.69%
FISEA	7,715,706	2.96%	14,868,023	5.53%
International Finance Corporation (IFC)	12,663,742	4.86%	13,439,302	5.00%

* Hashim Shawa shares and the shares under his trusteeship.

Shares owned by the members of the Board of Directors and their Relatives

Board Members' Ownership					
		2024		2025	
Citizenship	Member of the Board of Directors	Number of Shares	Ownership %	Number of Shares	Ownership %
Palestinian	Hashim Hani Shawa	11,141,432	4.28%	11,141,432	4.15%
Kuwaiti	Al Muhalab Kuwaiti Real Estate Company	18,208,142	6.99%	18,232,782	6.78%
Palestinian	Arab Palestinian Investment Company (APIC) Group	13,331,131	5.12%	13,331,131	4.96%
Palestinian	Maha Awad	141,238	0.05%	141,238	0.05%
Palestinian	Tafeeda Jarbawi	412,000	0.16%	412,000	0.15%
Palestinian	Lana Abu Hijleh	65,499	0.03%	65,499	0.02%
Palestinian	Imad Eric Shehadeh	687,338	0.26%	687,338	0.26%
Palestinian	Tewfic Habesch	96,159	0.04%	96,159	0.04%
Palestinian	Lama Kanaan	16,480	0.01%	16,480	0.01%
Palestinian	Linda Tarazi*	16,480	0.01%	16,480	0.01%
British	Adel Dajani	16,480	0.01%	16,480	0.01%

* Resignation date: 03/07/2025

Shares owned by first and second degree relatives of the members of the Board of Directors			
		2024	2025
Citizenship	Name	Number of Shares	Number of Shares
Palestinian	Huda Hani Shawa	6,307,316	6,307,316
Palestinian	Dina Hani Shawa	2,110,142	2,110,142
Swiss	Bernardita Vigano Shawa	200,037	200,037
Kuwaiti	Nabil Hani Qaddoumi	3,532,525	3,532,525
Kuwaiti	Yasmine Nabil Qaddoumi	1,652,983	1,652,983
Kuwaiti	Laila Nabil Qaddoumi	1,664,149	1,664,149
Palestinian	Omar Baha'a El-Din Bahig	112,158	112,158
Palestinian	Ali Bassam Jarbawi	515,000	515,000
Palestinian	Bassam Ali Jarbawi	68,500	75,000
Palestinian	Suad Ali Jarbawi	231,750	231,750
Palestinian	Claudette Tewfic Habesch	132,195	132,195
Palestinian	Nathalie Tewfic Habesch	2,710	2,710
Palestinian	Christine Tewfic Habesch	6,250	6,250

Investor Relations and Shareholders' Information

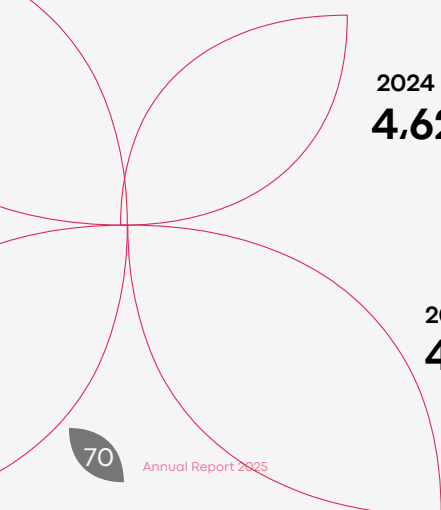
Shares owned by the Executive Management

Shares owned by the Executive Management					
			2024	2025	
Citizenship	Name	Position	Number of Shares	Number of Shares	
Palestinian	Mahmoud Maher Shawa	CEO	11,883	11,883	
Palestinian	Sakhr Rustom Nammari	Chief Strategy & Transformation Officer	4,652	4,652	
Palestinian	Kamel Aref Hussein	Chief Strategic Relations & Engagements Officer	23,252	24,566	
Palestinian	Najeeb Jasser Yaser	Chief Treasury Officer	30,000	30,000	
Palestinian	Yazan Hani Al Masri	Chief Business Development for Regional Expansion Officer	10,000	10,000	
Palestinian	Naser Mohammad Bakir	Chief Business Banking Officer	20,598	20,598	
Palestinian	Randa Saliba Abdallah	Chief Human Resources Officer	3,430	3,430	
Palestinian	Amal Patricia Massis	Chief Operations Officer	5,475	5,475	
Palestinian	Hanna Basil Sahhar	Chief Credit Officer	11,314	11,314	
Palestinian	Suleiman Mohammad Nasr	Chief Compliance and AML/CTF Officer	14,000	15,148	

Bank Capital Development during 2024-2025

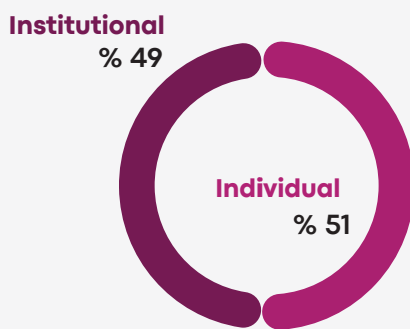
Type of Corporate Action (A.C)	Registration Date	Outstanding shares before .C.A	No. Of New Shares	Outstanding shares after .C.A	Percentage
Special Issuance	29/07/2025	260,943,026	7,843,041	268,786,067	3%
Special Issuance	24/02/2025	260,559,617	383,409	260,943,026	0.147%
Special Issuance	26/12/2024	253,274,850	7,284,767	260,559,617	2.43%
Special Issuance	27/08/2024	230,677,334	22,597,516	253,274,850	8.92%

Number of Shareholders and Ownership Structure

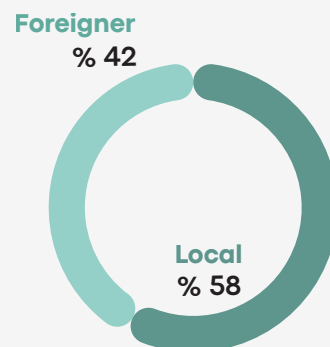


2024
4,629

2025
4,624



Investor by Type

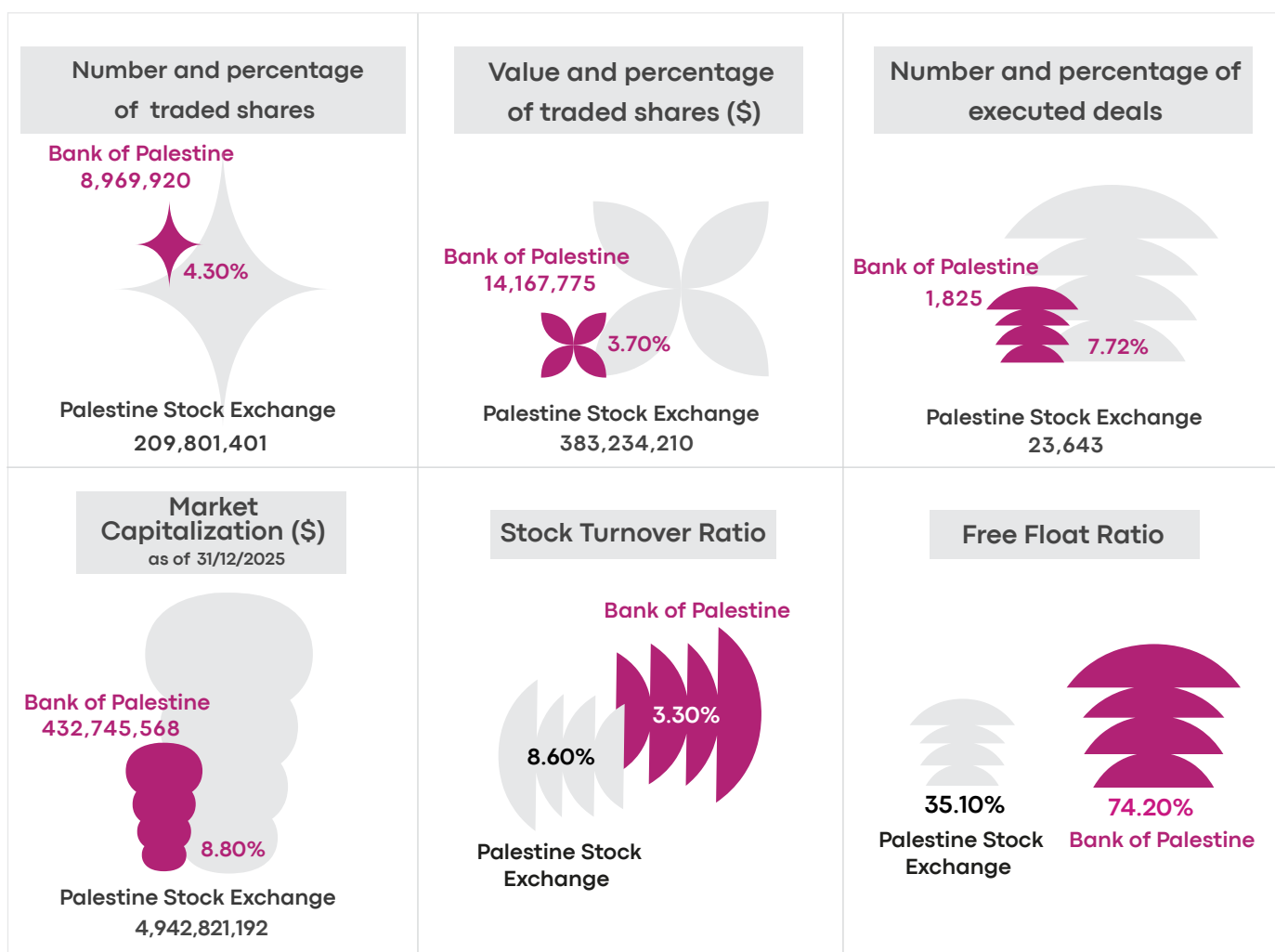


Investor by Nationality

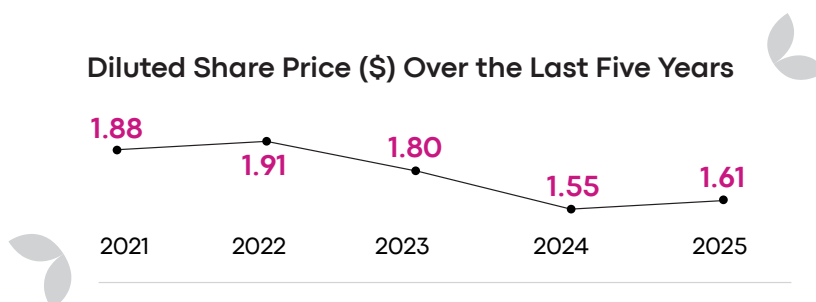
Distribution of Shareholders by Ownership Size as of 31/12/2025

Category	Number of Shareholders	Number of Shares Owned	% of Total Share Capital
Less than 10,000	3,533	6,698,052	2.49%
From 10,000 to less than 100,000	873	25,654,671	9.54%
From 100,000 to less than 500,000	150	27,940,680	10.40%
From 500,000 to less than 1,000,000	21	14,219,416	5.29%
More than 1,000,000	47	194,273,248	72.28%
Total	4,624	268,786,067	100%

Trading Activity for 2025

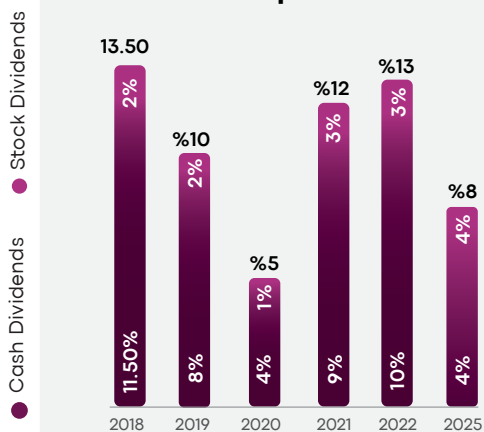


Diluted Share Price (\$) Over the Last Five Years



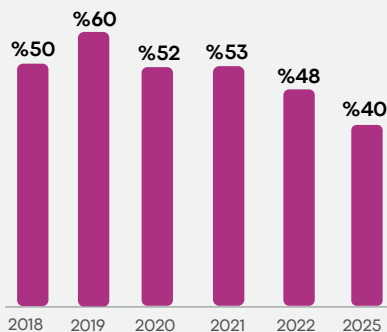
Investor Relations and Shareholders' Information

Dividends distribution and their percentages of the Bank's capital



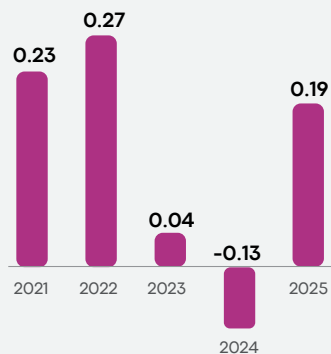
* No dividends were distributed in 2023 and 2024.

Dividends Payout Ratio*



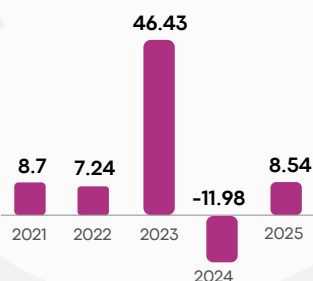
* No dividends were distributed in 2023 and 2024.

Earnings Per Share (\$)

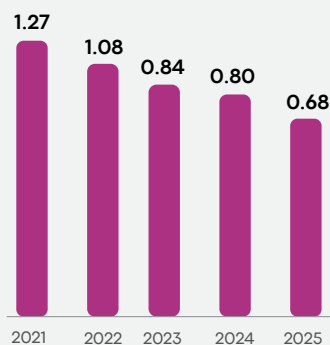


* The dividend payout ratio was calculated using total dividends, which include both cash and stock dividends.

Price to Earnings (PE) (X)



Price to Book Value (P/BV) (X)



The bank recorded extraordinary impairment provisions to mitigate against credit risk and cash losses in Gaza from the ongoing war. These exceptional and temporary provisions have resulted in a significant decline in net profits for the years 2023 and 2024.

AGM Agenda



Ordinary Meeting Agenda and Recommendations of the Board of Directors:

- Presenting, discussing and approving the Board of Directors' Report.
- Presenting the external auditor's report, discussing and endorsing the financial statements of the company for the financial year ended on 31/12/2025.
- Absolving the Chairman and Members of the Board of Directors from liability for the financial year ended on 31/12/2025.
- Appointing an external auditor for the financial year 2026 and appropriating their fees or authorizing the board to do so.
- Approving the recommendation of the Board of Directors to pay a bonus to the members of the Board of Directors for the year 2025.
- Discussing the Board of Directors' recommendation to distribute USD 21,502,886 as dividends for the year 2025, a percentage of 8% of the bank's paid-up capital for members in the general assembly and registered at the Palestine Exchange on April 7th, 2026 in proportion to each shareholder's share in the company's capital as follows:
 - USD 10,751,443 as cash dividends, equivalent to 4% of the paid-up capital;
 - USD 10,751,443 as stock dividends, equivalent to 4% of the paid-up capital.
- Electing a new Board of Directors for the next four years.

75

Strategic Review

- 75. The Bank's Five-Year Strategic Plan**
- 80. Customer Service**
- 82. Our Approach to Sustainability**
- 92. Our Digital Strategy**

The Bank completed its Five-Year Strategy, which involved the following pillars:

1 Regional Expansion

2 Digital Transformation

Expanding digital footprint across services and branches

3 Targeting the Unbanked

4 Strengthening Focus on the SMEs

5 Enhancing Retail Banking Services

by dividing them into segments and following up on them by specialized staff.



Regional Expansion



**Dubai Representative
Office
2015**

**Cairo Representative
Office
2025**



**Obtained an In-Principle approval
for a full banking license under
from Abu Dhabi Global CATI
Market (ADGM)**

2025

Cairo Representative Office

Since its establishment, Bank of Palestine has sought to strengthen its role in serving its customers and expand its presence as a full-service bank offering comprehensive banking solutions that meet the diverse needs of customers across different segments and sectors. This has formed a key pillar in supporting the Palestinian economy, particularly through financing small and medium enterprises.

As part of its commitment to serving Palestinians abroad, the Bank opened a representative office in Cairo, the capital of the Arab Republic of Egypt. The office serves as a vital link between expatriates and their homeland, contributing to business networking domestically and internationally, and fostering cooperation to enhance trade exchange.

Achievements and Outlook

- The Cairo Representative Office was inaugurated in July 2025, marking the Bank's first step toward expansion and regional growth in Egypt. The office aims to study the Egyptian market, identify key banking and financial sectors, and build connections with leading business figures, companies, investors, and financial institutions. This supports the development of strategic banking relationships with the Egyptian market, attracting investors and encouraging investment in Bank of Palestine.
- The Office successfully mobilized deposits from Diaspora customers and attracted new shareholders to invest in the Bank's shares, amounting to approximately USD 1.2 million since its launch in July 2025. This reflects the confidence of Diaspora Palestinian expatriates in the Bank and is expected to drive further achievements and growth across various performance indicators, benefiting all stakeholders.
- The Representative Office contributes to enhancing trade exchange between Palestine and Egypt, particularly in the import and export of various raw materials, while opening new avenues for collaboration between Palestinian and Egyptian business communities.
- During 2026, the Bank aims to establish a fully-fledged banking branch in Cairo to serve the Palestinian community, estimated at around 500,000 individuals, facilitating their banking transactions and attracting Palestinian expatriate customers.
- The importance of establishing both the Representative Office and the future banking branch in Egypt lies in supporting Gaza reconstruction efforts, through cooperation with government institutions and companies expected to lead reconstruction initiatives in the Gaza Strip.



Dubai Representative Office

Key Achievements During 2025

Despite the current circumstances arising from the war in the Gaza Strip and the deteriorating conditions in the West Bank, the representative office of Bank of Palestine in the United Arab Emirates remained committed to strengthening communication with expatriates. Staff maintained outreach with customers for the purpose of opening new accounts and updating existing account information, thereby ensuring continuity of customer engagement, promoting the Bank's products, and attracting deposits from both individuals and institutions. These efforts contributed to the achievement of significant results during 2025.

The number of customers contacted exceeded 3,500, contributing to growth in the number of new and renewed customers, as 485 requests were completed to update account information, 150 card requests were processed, and 200 transfer requests were submitted by customers, with a total value of approximately USD 2 million. In addition, nearly 800 requests were received from expatriate customers around the world.

In line with Bank of Palestine's vision toward digital transformation and the deployment of financial technology solutions to facilitate customer access and reduce the cost of banking transactions, the Dubai representative office continued to provide customers with a variety of digital services via email and SMS. This was intended to encourage greater use of digital banking services, particularly mobile banking, which contributed to a noticeable increase in the volume of deposits and transfers during 2025, reaching approximately USD 5 million, distributed among investments, deposits, and customer accounts.

The representative office in Dubai also achieved notable results in the area of investor relations, as it maintained communication with existing investors and attracted new investors residing in the United Arab Emirates, in cooperation with the Investor Relations Department to engage with them and provide shareholder services. These efforts contributed to an increase in the number of shareholders residing in the UAE, who represent 5.2% of the Bank's total shareholders, while the number of shares sold reached 1 million shares with a total value of approximately USD 1.5 million. All transactions were executed through the Bank's affiliated brokerage company for securities.

Regional Expansion

The Representative Office supported early days assistance in implementing the Bank's plan for regional expansion from Abu Dhabi, particularly through preparing the application for a Category 1 financial services license at Abu Dhabi Global Market, which the Bank obtained in-principle approval for at the end of 2025 from the Financial Services Regulatory Authority of Abu Dhabi Global Market (ADGM). This will enable the Bank to operate a fully integrated banking branch and conduct banking business, including deposit-taking, financing, and financial asset management. The office also oversaw logistical arrangements, including securing and preparing the Bank's premises.

Receiving Delegations and Networking

The Representative Office continued to coordinate and receive delegations of Palestinian businesspeople and representatives of Bank of Palestine during their visits to the United Arab Emirates, in addition to networking such delegations with our network in the UAE. This included coordinating, the mission Chairman of the Board of Directors of Bank of Palestine Group, to the United Arab Emirates, where high-level meetings were held with

businesspeople and a number of international financiers. These meetings aimed to explore avenues for joint cooperation and expand the Bank’s presence beyond national borders

Representing the Bank Locally and Regionally

As part of its efforts to strengthen Bank of Palestine’s presence in the United Arab Emirates, the Dubai representative office is keen to represent the Bank at conferences, seminars, and events held across the UAE. This includes actively engaging with participating entities at such events to promote awareness of the Bank, its strategic vision, and its future direction, as well as to highlight its achievements at both the local and international levels. These efforts contribute to showcasing the Bank’s effective role in advancing sustainable development in Palestine. Among the most prominent of these events:



Abu Dhabi Finance Week



Gulfood 2025



MEIRA 2025 Oman



Dubai FinTech Summit



Future Sustainability Forum- Dubai

The Representative Office of Bank of Palestine, headquartered in the Dubai International Financial Centre (DIFC), seeks to consolidate the Bank’s presence and expansion in the United Arab Emirates and across the Gulf Cooperation Council (GCC) countries. This aligns with the Bank’s strategic vision to expand its regional relationships and strengthen engagement with Palestinian expatriates residing in the Gulf.

The Representative Office was established in August 2015 as a Foreign Recognized Company, conducting its activities as a representative office. The office was officially inaugurated in April 2016.



Customer Service

Exceptional Performance Despite Challenges in 2025

Amid unprecedented conditions, the Treasury Department maintained its exceptional performance throughout 2025, leveraging innovative financial solutions, strengthening partnerships with international banks, and expanding digital transformation initiatives. The Department also continued to invest in human capital as a key driver of success. Despite political and economic challenges, the Department achieved strong financial performance by diversifying income streams and increasing external revenues, through expansion in international markets and strengthening banking relationships with global financial institutions, alongside improving the efficiency of financial operations.

Growth in treasury revenues stood at 43.7%



Total treasury revenues reached USD 121.6 million

Treasury profits accounted for 38% of the Bank's total profits



Enhanced Foreign Exchange Pricing and Competitive Margins Supporting Customers

The Bank continuously reviews foreign exchange pricing on an ongoing basis to ensure the most competitive rates for customers in the market. During 2025, the Bank maintained competitive FX pricing margins, enabling individuals and corporates to improve their financial performance and strengthen their competitiveness in both local and international markets.

In addition, the Bank introduced a range of pricing quotes from international correspondent banks, providing customers with broader options and more flexible pricing structures. The Bank also maintained its leading position among banks in terms of trading volume, reflecting its continued commitment to delivering competitive and customer-oriented financial solutions.

Effective Liquidity Management and Excellence in Risk Management

The Treasury Department achieved significant results during 2025, particularly in maintaining exceptionally strong liquidity levels that exceeded sector benchmarks. This enabled the Bank to navigate challenges effectively, while supporting its capacity for regional expansion and sustainable growth. The Bank also enhanced its readiness to contribute to economic recovery and reconstruction efforts, while strengthening compliance with regulatory standards and implementing robust risk control frameworks, supported by advanced analytical tools for risk management. These strategies contributed to strong and sustainable financial performance, reflecting the Bank's ability to manage financial challenges efficiently and ensure continued growth amid evolving economic conditions.

Digital Transformation: More Efficient and Sustainable Financial Services

The Bank made notable progress in digitizing banking operations and centralizing them, with the aim of strengthening financial sustainability and advancing digital transformation. Approximately 30% of total foreign exchange transactions were executed through digital channels, demonstrating the effectiveness of digital solutions in delivering sustainable financial services that meet customer needs under varying conditions.

The Bank's International Banking Network and Partnerships

During the past year, the Bank continued its efforts to strengthen and expand its international banking relationships network by signing a number of agreements and strategic partnerships with banks and reputable global financial institutions. These agreements included the development and expansion of the range of services offered in cooperation with correspondent banks, including advanced digital solutions, investment services, international trade services, and foreign exchange services, in line with the rapid developments in the banking sector and in response to the evolving needs of customers.

As part of its leading strategy to expand its global banking relationships network, the Bank entered into new agreements with a number of international banks aimed at diversifying cooperation channels and enhancing integration in the provision of financial services. This supports cross-border transactions and enables the delivery of comprehensive and integrated financial solutions to various customer segments.

The Bank also sought to strengthen its international presence through active participation in specialized global banking events and conferences. In this regard, it participated in a number of prominent international conferences, foremost among them the Sibos Conference held in Germany, which is considered one of the world's leading conferences in the financial and banking sector. This participation helped deepen the Bank's relationships with international financial institutions, facilitate the exchange of expertise, and provide exposure to global best practices and the latest innovations in the banking field.

In recognition of the Bank's excellence in treasury services and its commitment to applying the highest standards of operational efficiency, the Bank received the STP Excellence Award from The Bank of New York, in addition to an award it recently received from Citi Bank. This recognition came as a result of the Bank's achievement of high rates of fully automated transaction processing, which contributed to faster execution, reduced operational errors, and enhanced accuracy and reliability in the services provided, reflecting the Bank's continued commitment to delivering high-quality banking solutions in accordance with best international standards.

Outlook

Building on its significant achievements and strong performance, the Treasury Department aims to reinforce its investment strategies and expand the scope of treasury instruments through investing in opportunities available in financial markets to achieve further growth and sustainability.

The Department also continues to innovate in digital services and financial solutions to ensure the delivery of the best possible banking experience for customers.

Our Approach to Sustainability

Sustainability at Bank of Palestine During 2025

Bank of Palestine initiated its sustainability journey in 2021 as part of a strategic framework to embed sustainable development principles across its operations and core business activities, while strengthening its economic, social, and environmental impact. The Bank considers robust governance a foundational pillar of institutional sustainability and has therefore adopted an integrated sustainability framework aligned with stakeholder expectations and long-term value creation objectives.

Sustainability Strategy Framework

The Bank's sustainability strategy is structured around five core pillars:

- Sustainability Governance
- Creating Shared Value
- Environmental Responsibility and Commitment
- People-Centered Approach (Human Capital Development)
- Community Investment

In parallel, the Bank integrates Environmental, Social, and Governance (ESG) considerations as a cross-cutting framework underpinning decision-making and risk management, supporting its vision of a low-carbon, inclusive, and sustainable economy, in alignment with the UN Sustainable Development Goals (SDGs).

Governance and Disclosure

The Bank is committed to high standards of transparency and accountability through the issuance of periodic sustainability reports in accordance with the Global Reporting Initiative (GRI) Standards. These disclosures are subject to independent assurance, reinforcing the Bank's adherence to international best practices in ESG reporting, governance, and non-financial disclosure.

Environmental and Climate Performance

Despite macroeconomic pressures and exceptional operating conditions in Palestine, the Bank continued to advance its environmental agenda, achieving measurable progress in resource efficiency and operational footprint reduction. Key initiatives include:

- The commissioning of the Jammala Clean Energy Station in Jammala village (north of Ramallah), representing a strategic investment in renewable energy infrastructure and supporting the transition toward a low-carbon economy.
- The development and implementation of an Environmental and Social Management System (ESMS) to systematically identify, assess, and monitor environmental and social risks within the Bank's financing portfolio. This framework strengthens the Bank's commitment to responsible lending, ESG risk integration, and sustainable finance practices.

Social Dimension and Corporate Social Responsibility

Human Capital

The Bank places strong emphasis on human capital development, fostering an inclusive work environment and increasing female representation in leadership roles and decision-making positions. This is supported by sustained investment in training and institutional capacity building.

Corporate Social Responsibility

Corporate social responsibility remains a strategic priority for Bank of Palestine, with a commitment to allocate no less than 5% of annual profits to community and development initiatives. During the year, interventions focused on emergency response and strengthening community resilience in Palestine, alongside supporting projects aligned with the Sustainable Development Goals (SDGs).

Memberships and Strategic Partnerships

Bank of Palestine is a member of several leading international and regional platforms in sustainability and responsible finance, reflecting its commitment to global best practices. Key memberships include:

- United Nations Global Compact (UNGC)
- UN Environment Programme Finance Initiative (UNEP FI)
- Global Alliance for Banking on Values (GABV)
- World Economic Forum (WEF)
- Palestinian Green Building Council

Sustainability Ambassadors

To strengthen its internal sustainability culture, the Bank launched the “Sustainability Ambassadors” initiative, engaging employees across departments to embed sustainability principles into day-to-day operations, enhance internal alignment, and ensure long-term institutional impact.

The Bank is currently preparing its third sustainability report at the Bank level (its second at the Group level), as part of its ongoing commitment to strengthening ESG disclosure frameworks and stakeholder engagement.

The report will be published on the Bank’s official website, in line with its practice of ensuring transparent access to information and reinforcing institutional accountability.

Our Approach to Sustainability

Responsibility Toward Our Community

Since its inception, the Bank has positioned community service as a core priority, recognizing that meaningful progress cannot be achieved in isolation from society. Corporate social responsibility has evolved into a substantive, institutional commitment and a central pillar of the Bank's strategy.

In 2025, the Bank strengthened its community impact through partnerships with a broad network of local and international institutions. Interventions spanned key sectors, including education, environment, entrepreneurship, culture, and sports. In response to prevailing conditions in Palestine, priorities were recalibrated toward humanitarian support, addressing escalating needs across different governorates.

The Bank reaffirms its commitment to financial inclusion, targeting all segments of society without exception, including women, youth, children, and persons with disabilities. Program reach was expanded across the country, reinforcing the Bank's position as a leading national financial institution and deepening its developmental role across diverse geographic and social contexts.

Alignment with the Sustainable Development Goals (SDGs)

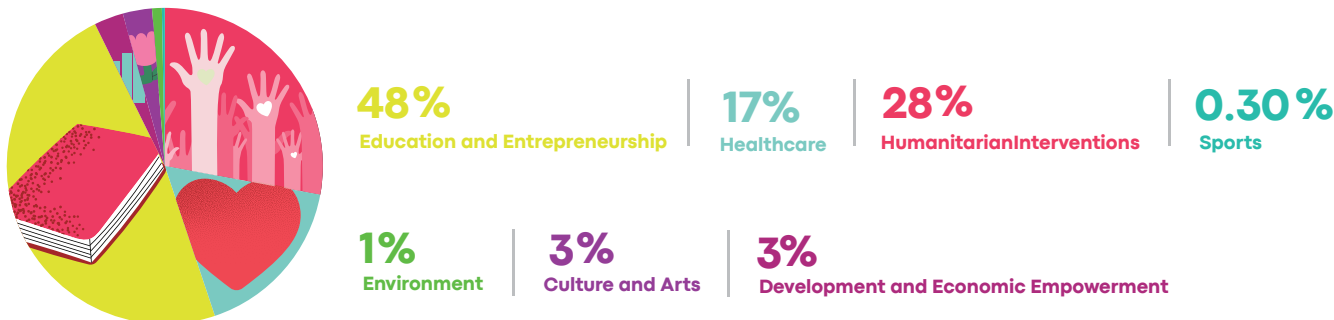
As part of its integrated sustainability framework, the Bank embeds the UN Sustainable Development Goals (SDGs) into its core operations and community investment strategy. This approach reflects a structured methodology for impact measurement and management, ensuring that social and environmental contributions generate measurable, long-term value aligned with global sustainability priorities.

Total Contribution to CSR Initiatives – 2025



\$ 4,174,731

Corporate Social Responsibility Allocation by Sector | 2025



Impact of CSR Interventions during 2025

- Over 250,000 indirect beneficiaries
- More than 100 women entrepreneurs supported
- More than 50 schools reached (directly and indirectly)
- Over 55,000 direct beneficiaries
- More than 50 job opportunities created through supported projects

Bank of Palestine was awarded “Best Bank for Corporate Responsibility in Palestine” by Euromoney as part of its Awards for Excellence 2025, in recognition of its leading role in implementing impactful CSR programs.

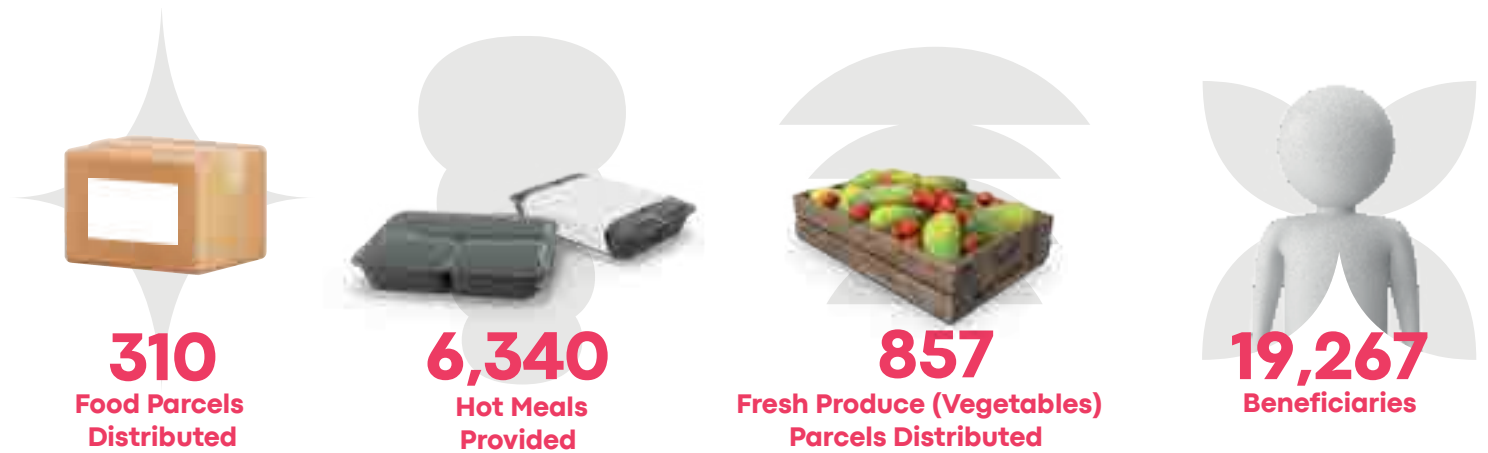


Our Approach to Sustainability

Humanitarian and Relief Interventions

The Bank continued its efforts to support communities in Gaza and the West Bank, implementing a range of humanitarian interventions during the holy month of Ramadan. These initiatives targeted multiple areas, with a focus on the most vulnerable communities and families affected by ongoing conditions in Palestine.

Key interventions included:



“Noor” Program for Orphan Care – Gaza

The Bank continued its support for the “Noor” orphan care program in Gaza, which aims to provide assistance to 20,000 orphans who have lost one or both parents during the ongoing conflict.

Support covered:

- Provision of essential humanitarian needs
- Access to healthcare services
- Psychosocial support and protection
- Education support



Strengthening the Health Sector as Part of Community Sustainability

- Support to St. Joseph Hospital (French Hospital) in Jerusalem through the establishment of an endoscopy unit serving approximately 30,000 patients annually.
- Provision of two mobile housing units to accommodate families of patients receiving treatment at Al Makassed Islamic Charitable Hospital in Jerusalem.
- Distribution of 500 insulin injections to diabetic patients from displaced families in Jenin, in partnership with Augusta Victoria Hospital.
- Contribution to establishing a rehabilitation unit for children with physical disabilities in partnership with Khalil Abu Rayyaa Rehabilitation Center in Ramallah.
- Organized a recreational activity for 140 children from SOS Children's Villages in Bethlehem on the occasion of International Children's Day, contributing to emotional relief and the provision of psychosocial support.
- Contributed to the 2025 diabetes campaign in partnership with Augusta Victoria Hospital and Juzoor for Health and Social Development, reaching over 5,000 beneficiaries through mobile clinic visits and outreach activities.
- Donated neonatal hearing screening devices to support early detection of hearing impairments, benefiting more than 900 newborns annually, in partnership with Think Palestine.

Supporting the Education and Entrepreneurship Sectors

- Sponsored the 12th Model United Nations Conference with the participation of 600 students.
- Supported Teach for Palestine in providing educational supplies to 10 schools across the West Bank and Jerusalem.
- Provided scholarships to Palestinian university students in refugee camps in Lebanon, benefiting approximately 80 students annually.
- Donated laptops to Tawjihi secondary students from Gaza receiving treatment at An-Najah National University Hospital in Nablus.
- Established a learning space in the village of Al-Nabi Saleh (northwest of Ramallah), benefiting more than 600 children, in partnership with Abdul Mohsen Al-Qattan Foundation.
- Distributed school bags to over 6,000 students in partnership with local institutions across various governorates in the West Bank.
- Supported various activities in partnership with the Lycée Français.
- Supported the establishment of an interactive learning lab in partnership with the Smart University College for Modern Education – Hebron, which will serve more than 800 students.

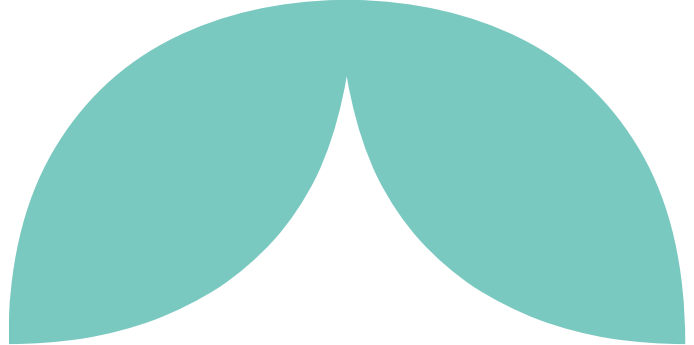
Preserving Our Cultural Identity

- Continued support for the Palestinian Museum programs for the seventh consecutive year.
- Partnered with Dar El Funoun Palestinian Popular Dance Troupe to support the production of artistic performances and activities for 2025–2026.
- Supported the traveling exhibition entitled "Bethlehem Reborn: The Wonders of the Nativity," held in Vatican City.

Our Approach to Sustainability

Economic Empowerment and Development

- Launched “A Bite Made by Palestinian Hands” initiative in partnership with the Palestinian Businesswomen’s Association – Asala and Al Shini Extra Supermarket, under the campaign “Together, We Support Products Made by Palestinian Women,” generating income for 12 women entrepreneurs and creating additional indirect employment opportunities.
- Supported the Best Entrepreneur Award 2025 in partnership with the Businesswomen Forum.
- Supported an economic empowerment program in partnership with the Charitable Society of Tubas, targeting 30 women.
- Supported the “habkeh” initiative in partnership with Ruwwad Foundation to build the skills of more than 70 women entrepreneurs.
- Donated production equipment to Ma’an lil-Hayat Association, which supports persons with disabilities in Bethlehem.



Environmental Stewardship

- Established an eco-park in Um Al-Tut Nature Reserve in partnership with Ma’an Development Center, including more than 100 trees and diverse plant species, contributing to biodiversity conservation.
- Supported Qalqilya Zoo through the construction of new bird enclosures, contributing to wildlife preservation.
- Supported a vocational training center in Dura (south of Hebron) through the establishment of an educational greenhouse under a sustainable agriculture program, which will serve 120 students annually.
- Supported a school environmental improvement program in partnership with the Directorate of Education in Qabatiya (south of Jenin), benefiting more than 40 schools.
- Supported a sustainable agriculture program at Al Quds University, benefiting 50 students and local farmers.

Sports for Better Health

- Supported the participation of the Palestinian national team in the UAE Taekwondo Championship, with 35 players across different age groups.
- Supported the women’s football team at the Palestinian Football Association, contributing to the development of more than 15 players.
- Supported the “Sports for Development” program in partnership with the Palestine Association for Children’s Encouragement of Sports (PACES) to promote children’s participation in sports and benefiting 240 children and 24 coaches.



In-Kind Contributions | 2025

- In line with the Bank's sustainability strategy across its operations, and its commitment to reducing its carbon footprint, the Bank implemented several environmental measures, most notably donating reusable items instead of disposing of or selling them.
- The Bank continued its 2022 initiative to donate surplus in-kind assets, including furniture, equipment, and electronic devices, to local community institutions, following technical inspection to ensure functionality and usability.
- The Bank ensured branch participation in the donation process through coordinated nomination of beneficiary entities. In 2025, approximately 131 items were donated to six institutions across various sectors, including government entities and non-profit organizations across multiple locations in the West Bank.

Financial Inclusion Programs and Strategic Partnerships | 2025

Efforts in financial inclusion this year shifted toward more targeted, outcome-driven interventions, with a strong focus on women's economic empowerment, financial literacy among youth, and improving access to formal financial services, in line with the Bank's regulatory commitments and sustainability objectives.

1. Empowering Women Entrepreneurs Economically

Focused on strengthening the financial and managerial capabilities of women entrepreneurs, enhancing the sustainability of their businesses and their readiness to engage with formal financial services, through the delivery of the seventh cohort of the Felestineya Mini-MBA Programme for Business Management, benefiting more than 30 women entrepreneurs. The program featured:

- Participation from women entrepreneurs across the West Bank and Jerusalem.
- Measurable improvement in business management and financial decision-making skills.
- Expansion of professional networks through structured networking and partnership-building components.
- Integration of private-sector partners to translate knowledge into practical opportunities and facilitate market and financial linkages.
- Direct contribution to advancing women's economic participation and supporting the sustainability of SMEs.

2. Financial Literacy and Financial Inclusion

Expanding access to financial knowledge for underserved segments and reinforcing the Bank's position as a leading financial institution in advancing financial inclusion, through:

Our Approach to Sustainability

- Implementation of seven national and international awareness campaigns aligned with Global Money Week, targeting diverse segments including women, youth, and persons with disabilities.
- Contribution of these campaigns to raising awareness, building trust, and enhancing engagement with the Bank's services and initiatives.
- Transition from general awareness campaigns to content focused on behavioral change in financial practices and linking knowledge to practical banking services.
- Promotion of financial literacy and the principle of equitable access to financial services.

3. Program Delivery through Strategic Partnerships

Maximizing the impact of financial inclusion programs through local and international partnerships, and expanding outreach to target segments more effectively.

Global Communities Foundation:

- Implementation of a comprehensive financial inclusion program, including:
 - The eighth cohort of the Mini-MBA Program, with the participation of 20 women entrepreneurs from across the West Bank and Jerusalem.
 - Financial literacy sessions benefiting 80 women entrepreneurs.
- The program contributed to strengthening participants' managerial and financial capabilities and supporting the sustainability of their businesses

European Bank for Reconstruction and Development (EBRD):

Implementation of four specialized training interventions focused on crisis management and resilience, targeting 102 women entrepreneurs, including:

- Financial management with coaching and follow-up sessions (12 participants).
- A workshop on risk management and crisis response (30 participants).
- A workshop on financial management during crises (30 participants).
- A workshop on mental health and coping with stress (30 participants).

These interventions strengthened business resilience and the capacity of enterprises to navigate economic challenges, while also improving financial literacy levels, with program design tailored to the needs of women entrepreneurs in Palestine.

INJAZ Palestine and the Young Women's Christian Association (YWCA):

- Promoted early financial awareness and responsible use of financial services among youth.



- Delivered financial literacy workshops across several Palestinian universities, reaching more than 290 students, in addition to recent graduates.

Qader for Community Development:

- Delivered financial literacy sessions for 10 persons with disabilities, aimed at facilitating access to financial services and strengthening their economic inclusion.

Ruwad Development Association:

- Delivered targeted financial literacy sessions for 42 women from rural areas, contributing to reducing geographic and awareness gaps in access to financial services.



4. Overall Impact and Reach

Target segments:

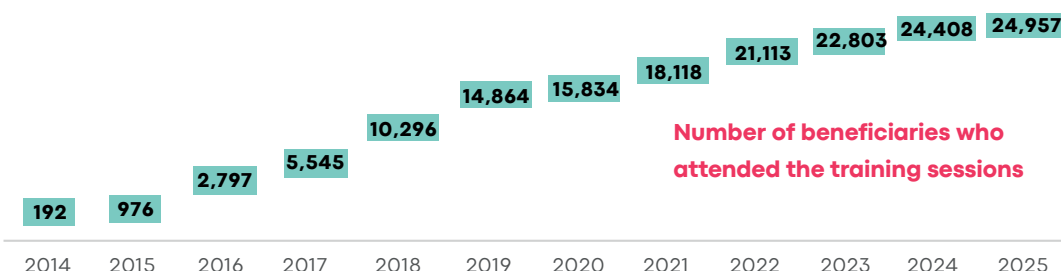
- Women entrepreneurs
- Youth and students
- Women in rural areas
- Persons with disabilities

Session outcomes:

- Measurable improvement in financial literacy and confidence in engaging with financial services.
- Expanded financial inclusion to underserved and marginalized groups.
- Efficient program delivery through partnerships, avoiding duplication of efforts.

5. Strategic Value to the Bank

- Strengthened the Bank’s social performance within the ESG framework through measurable outcomes.
- Provided data and evidence supporting regulatory reporting requirements.
- Reinforced the Bank’s position as a trusted partner in economic and social development programs.



Our Digital Transformation Strategy

Bank of Palestine continues to convert its digital vision into tangible, on-the-ground outcomes, keeping pace with digital leadership to ensure the sustainability of its operations. Digital services have become an integral part of the Bank’s offering, increasingly relied upon by a large segment of its customers, particularly in light of the challenging conditions faced by the Palestinian people. Customers now depend heavily on digital channels to execute a wide range of financial transactions without the need to visit branches.

Artificial Intelligence Technologies

In 2025, the Bank introduced artificial intelligence technologies across its digital contact center channels, including WhatsApp, the Bank’s website, Facebook Messenger, and the mobile application. This has driven a qualitative shift in how customer inquiries are handled. With approximately 85,000 monthly conversations conducted via chat, the smart assistant now provides instant responses to recurring and routine queries through a continuously updated knowledge base.

The AI system engages with customers immediately at the start of each interaction and currently handles more than 80% of total chat interactions without human intervention. More complex or exceptional cases are seamlessly escalated to specialized staff.

The team continuously monitors and enhances the AI system to ensure accuracy and alignment with the Bank’s policies. This first phase of chatbot automation has significantly improved operational efficiency, reduced pressure on staff, and established a scalable foundation for future expansion of AI use, supporting the Bank’s broader digital transformation strategy.

80% of total chat interactions without human intervention



Bank-e Application

Bank of Palestine has ensured that all services traditionally provided at branches are accessible and executable through digital channels. This has contributed to a marked reduction in customers’ reliance on branch visits and a corresponding increase in digital banking usage. This is clearly reflected in the number of registered users on the Bank-e application, which has grown steadily From 11.42% in 2018 to 68.30% in 2025.

Growth in the number of registered users of the Bank-e application



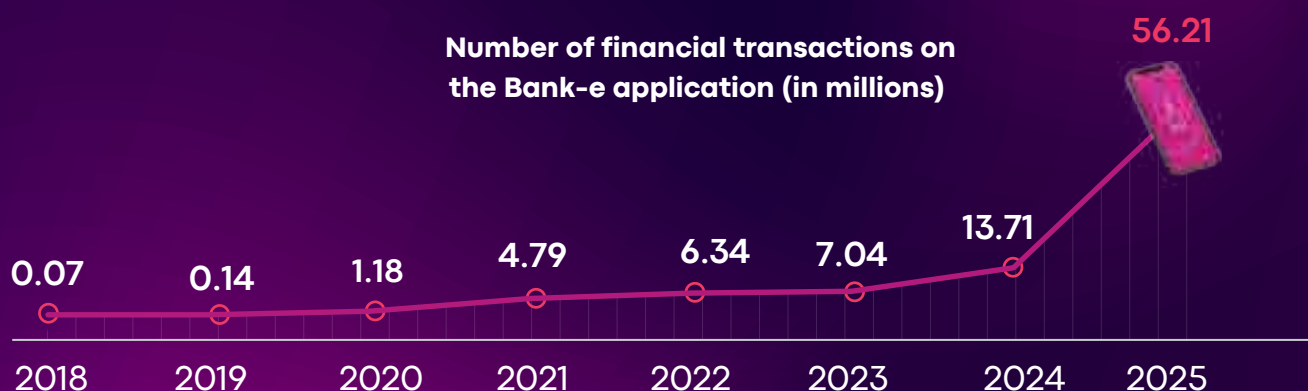
user growth rate in 2025 **%68.30**

The table below illustrates the significant shift toward digital channels, with transactions executed via the mobile application surpassing those conducted through branches, beginning in 2019. The gap has widened markedly in subsequent years in favor of the Bank-e application. Transactions primarily include transfers to other customers within the Bank, transfers between a customer’s own accounts, foreign currency transfers, and cheque book requests.

Year	Transactions via Branches	Transactions via Bank-e Application
2018	41,249	40,776
2019	44,310	94,847
2020	135,725	829,133
2021	405,802	3,396,694
2022	362,699	4,601,011
2023	359,010	4,826,721
2024	327,829	9,975,967
2025	378,677	30,573,348



The chart below shows the accelerated growth in the number of transactions executed through the application, particularly in 2025, reflecting the increasing reliance on digital banking services.



95

Operational Review

95. Business Banking

101. Retail Banking

110. Our Employees

Business Banking

Large Corporates and SMEs

Within its national commitment and central role in supporting the Palestinian economy, the Corporate Banking Segment at Bank of Palestine continues to deliver on its development mandate as a key partner in sustaining economic momentum and strengthening the private sector's capacity for growth and expansion. The Bank provides integrated banking and financing solutions tailored to the needs of companies across different sizes and sectors, grounded in a deep understanding of the Palestinian economic landscape and its challenges—thereby contributing to investment stimulation, production support, and job creation.



Building on its conviction that trust is the foundation of a sustainable banking relationship, the Bank places its corporate customers at the core of its strategy, focusing on long-term partnerships defined by transparency, flexibility, and service quality. Corporate Banking continues to develop innovative products and services, supported by specialized expertise and advanced banking systems, enabling companies to manage cash flows efficiently, access appropriate financing, and expand their operations with confidence and stability. This is reflected in the performance of credit facilities extended to corporates, which recorded growth of 1.82%. The Bank's financial resilience and capacity to navigate crises have further reinforced customer confidence, contributing to an increase in corporate deposits of 20.46%.

This approach reinforces the Bank's position as a leading national banking institution and a preferred partner for Palestinian corporates, not only in terms of business volumes and services delivered, but also in its tangible economic and developmental impact. Through balancing financial sustainability with social responsibility, Bank of Palestine continues to support economic resilience and advance inclusive development, in line with the aspirations of Palestinian society and the future of the business sector.

SME Financing Agreements

Arab Fund for Economic and Social Development

Bank of Palestine signed a subordinated loan agreement with the Arab Fund for Economic and Social Development to strengthen its strategic partnership, aimed at financing private-sector small and medium enterprises in Palestine. The facility amounted to USD 30 million and contributes to strengthening the Bank's capital base, enhancing its lending capacity to SMEs.

Business Banking



Palestine Investment Fund

Bank of Palestine signed an agreement with the Palestine Investment Fund to strengthen their strategic partnership, aimed at financing small and medium enterprises and supporting the innovation ecosystem in Jerusalem. The agreement includes a USD 2 million facility to finance Jerusalem-based projects through the Bank.

“Istidama” and Istidama Plus Programs

The Bank is committed to adopting policies and procedures that safeguard depositors’ rights, ensure credit quality oversight, promote transparency, and set ceilings for microfinance exposure per customers. These measures enabled the financing of 457 micro-enterprises in 2025 under the Istidama program, with a total portfolio of USD 37.8 million. The program also financed 21 women-led projects, with a total value of USD 804 thousand, reinforcing the Bank’s commitment to women’s economic empowerment and participation in the Palestinian labor market.

**Total financing of micro-enterprises under
“Istidama” in 2025**

USD 37.8 million

Sustainable Finance

Bank of Palestine is committed to advancing sustainable finance programs driven by its recognition of the need to equip various economic sectors with the capabilities required to remain resilient and continue growing despite the unprecedented challenges arising from the war. This contributes to strengthening the Palestinian economy and supporting the achievement of sustainable development, in line with the Bank's comprehensive sustainability approach and its role as an active contributor to economic and social development efforts in Palestine. Within this framework, the Bank focused its efforts during 2025 on implementing and developing sustainable finance programs that respond to the needs of these sectors, particularly those considered vital to the Palestinian economy and capable of generating meaningful impact toward sustainable development in Palestine.

To ensure the achievement of sustainable impact, the Bank has worked to align its sustainable finance programs with internationally recognized sustainability standards, drawing on the three ESG pillars (environment, social, and governance), as well as relevant sustainable finance guidelines. The Bank is committed to embedding sustainability as an operational practice in its investment decisions and business activities.

Green Finance Program (SUNREF)

Bank of Palestine continues to activate environmentally supportive systems and initiatives through its implementation of the SUNREF green finance program, in line with its policy of serving the Palestinian community. Building on the implementation of SUNREF I, the Bank is currently implementing SUNREF II, the second phase of the green lending program, in cooperation with PROPARCO, the European Union (EU), and the Palestinian Energy and Natural Resources Authority (PENRA). The program has a total envelope of USD 30 million and is implemented in partnership with ECONOLER and ESCOM, SUNREF program partners.

The Bank's contribution to green financing for micro, small, and medium enterprises, as well as individuals, has grown steadily between 2019 and 2025 under the SUNREF I and SUNREF II agreements. Total financing reached approximately USD 38.8 million, benefiting 237 customers. In 2025, the number of beneficiaries increased to 237, with the program targeting individuals investing in energy-efficient electrical equipment supplied by Sbitany for electrical appliances, in line with the Bank's commitment to strengthening financial support for sustainable green projects. The highest level of financing was recorded in 2022, reaching USD 15.9 million, disbursed to 38 beneficiaries.

Business Banking

Sustainable Finance to Support SMEs

Bank of Palestine continued to implement its sustainable finance programs, translating its commitment to sustainability into practice across all its banking operations and activities, as well as through its subsidiaries and partnerships. This includes its commitment to environmental protection and promoting reliance on renewable energy sources. In line with this commitment, the Bank has redirected its investments toward supporting technologies and sustainable projects that contribute to building an environmentally friendly economy, including efforts to reduce carbon emissions. The Bank has also maintained a clear focus on generating positive environmental impact and upholding sustainability principles to preserve natural resources for future generations.

To support business continuity under challenging conditions, the Bank has introduced a range of lending programs:

457 micro-enterprises financed

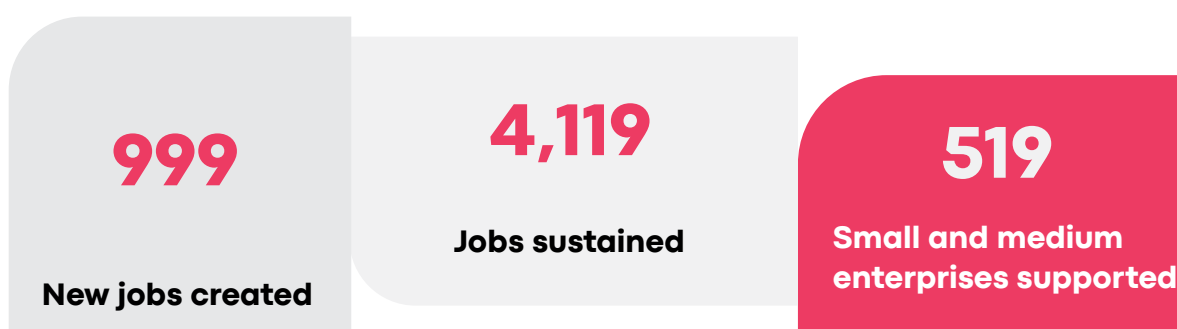
USD 37.8 million



- Bank of Palestine has adopted policies and procedures to safeguard depositors' rights, ensure prudent credit management, promote transparency, and set ceilings for microfinance exposure per customers. These policies enabled the financing of 457 micro-enterprises in 2025 under the Istidama program, with a total value of USD 37.8 million.
- The Bank is taking proactive steps to expand financing for micro, small, and medium enterprises (MSMEs), including restructuring its financial policies to align with financial inclusion objectives. Despite the challenges associated with financing SMEs, this segment is expected, over the long term, to contribute to diversifying the Bank's income streams and funding sources.
- The credit facilities portfolio extended under the "Istidama" microfinance program for SMEs reached USD 5.005 million, covering 591 projects.
- Total credit facilities disbursed under the "Istidama" microfinance program to start-up projects and women-led enterprises in marginalized areas amounted to USD 5.95 million.
- Providing credit facilities to 21 women-led projects with a total value of USD 804 thousand, reinforcing the Bank's commitment to women's economic empowerment and participation in the Palestinian labor market.
- Providing credit facilities to 116 projects for persons with disabilities under the Istidama microfinance program, with a total value of USD 871 thousand as of the end of 2025.
- Providing credit facilities to 7 projects in Jerusalem with a value of USD 199 thousand under the Istidama program for SMEs.

- Providing credit facilities to 29 projects through the Istadama Plus program for growth and recovery, targeting both affected and new projects, with a total portfolio of USD 26.3 million.
- Providing credit facilities to 101 projects through the green financing program under the SUNREF initiative, with a total portfolio of USD 1.61 million.
- Providing credit facilities to 107 projects affected by the war under the Istadama program, with a total portfolio of USD 1.1 million.
- Providing credit facilities to 55 projects through the “Israr” program supporting university students, implemented under the Istadama financing umbrella, with a total portfolio of USD 170 thousand

Enabling SMEs to sustain operations and generate employment



Within its commitment to supporting and enabling SMEs, the Bank has dedicated its programs to strengthening the capacity of these enterprises to sustain growth, expand operations, and generate employment opportunities, given their contribution to increasing employment rates and reducing unemployment—particularly under exceptional conditions and ongoing challenges. By the end of 2025, under the agreement with the Arab Fund for Economic and Social Development, the Bank contributed to sustaining 1,717 jobs (1,495 male; 222 female) and creating 622 new jobs (606 male; 16 female). The total financing under this program reached USD 30 million, supporting 280 MSMEs, of which 11.15% were start-ups.

Under an additional agreement with the Arab Fund, the Bank contributed to sustaining 2,402 jobs (1,946 male; 456 female) and creating 377 new jobs (309 male; 68 female). Total financing under this program also reached USD 30 million, supporting 239 MSMEs, of which 2.5% were start-ups.

Business Banking

Enhancing Knowledge and the Efficiency of the Workforce

As part of its efforts to strengthen knowledge across all parties involved in the credit process, particularly corporate banking teams that engage directly with customers, Bank of Palestine continued to deliver specialized training programs in credit and financial analysis. These programs aim to develop the professional competencies required to reinforce a partnership-based approach with customers and to ensure effective alignment among all stakeholders in the credit process.

The training programs covered both theoretical and practical aspects, including financial analysis tools, credit assessment, and corporate financing products. They also addressed applied skills related to identifying customer credit needs, structuring appropriate financial solutions, and presenting financing proposals tailored to customer requirements. This ensures the quality of the products offered, safeguards customer financial and credit positions, and reinforces a sustainable, partnership-driven relationship with the Bank.

In parallel, the Bank continued to update and develop its credit models and financial analysis tools used in conducting credit assessments and evaluating customers. This enhances the comprehensiveness, effectiveness, and reliability of credit evaluation outputs, supports informed credit decision-making, and contributes to reducing turnaround time for processing customer requests, while maintaining high levels of accuracy and robust analysis of financial and credit data required for sound credit decisions.

Sustainable Financing to Support Economic Sectors

As part of its central role in supporting sustainable and inclusive development, Bank of Palestine intensified its efforts to embed the principles of sustainable finance across various economic sectors, aiming to generate long-term impact. The Bank continued along this path by reducing the cost of banking transactions, improving service quality, and offering products that respond to customer needs, thereby supporting the sustainability of financed projects and expanding its portfolio of financial solutions aligned with sectoral growth and development.

According to available data, the Bank has successfully directed financing toward micro, small, and medium enterprises operating in sectors with lower environmental and social risk profiles, in line with its sustainable finance strategy.

Retail Banking

Product Management

Bank of Palestine places strong emphasis on developing its programs and banking products, recognizing them as a core pillar of its service offering. These products are designed to meet the diverse needs of its customers and align with financial inclusion objectives, while supporting the Bank's goals of expanding its customer base and reaching a broader range of target segments. During 2025, Product Management focused on continuously updating and enhancing banking products, particularly by leveraging digital solutions to enable individual customers, merchants, and micro-entrepreneurs to access banking services easily, efficiently, and securely.

Retail Banking Division

As part of its efforts to develop banking products tailored to the diverse needs of individual customers, the Bank implemented targeted programs focusing on university students and private sector employees, enabling them to meet their financial needs amid challenging economic conditions. These initiatives contributed to strengthening the Bank's retail customer base. Among the most notable offerings is the salary advance service available through the banking application for private sector customers classified under the Bank's A-LIST/B-LIST segments.

- Launch of the Israr program to finance university tuition for current and new students, in cooperation with the Palestinian Monetary Authority and Al Quds University, alongside signing and renewing agreements with several local universities to facilitate student lending and promote the program across campuses.
- Expansion of the private sector customer segment, including eligible customers for salary advances via the application, in addition to developing tailored offers for private sector employees to attract and grow this segment.
- Continued development of the retail portfolio, with expanded outreach to eligible customers across various sectors.

Small Business Banking

Despite the economic challenges facing the sector, particularly for small business owners who were forced to suspend or scale down operations, Bank of Palestine continued to support and empower these businesses to sustain operations. This reflects their role as a key driver of economic growth, employment generation, and job creation in Palestine. Through partnerships and targeted programs, the Bank launched a range of products and initiatives in 2025 aimed at enabling small business owners to develop and expand their businesses across the West Bank and Jerusalem, including:

- A financing program for SMEs under the Arab Fund for Economic and Social Development portfolio.
- A Jerusalem-focused financing program in partnership with the Palestine Investment Fund.
- A financing program for war-affected businesses under the Istadama portfolio, in cooperation with the Palestinian Monetary Authority.
- Continued implementation of the Bader program, in cooperation with the Palestinian Monetary Authority, aimed at financing businesses of workers who lost their jobs or whose livelihoods were affected along the Green Line due to the impact of the war, while also targeting new customer segments.
- A financing program for entrepreneurs, implemented in collaboration with Intersect Innovation Hub, supporting the continuity and growth of entrepreneurial ventures.

Retail Banking

- Continued rollout of diverse lending programs targeting women entrepreneurs, in addition to the Felestineya program packages, designed to address the full range of women's financing needs. These efforts form part of the Bank's broader initiatives to develop tools, programs, and services that support women entrepreneurs and business owners, strengthening their capacity to grow and scale their businesses.

Digital Channels Support Division



As part of executing the Bank's digital transformation strategy and expanding electronic payment channels across all economic sectors, and in line with the Palestinian Monetary Authority's directives on financial inclusion and digital financial services, the Bank developed a dedicated digital workflow in 2025 to process all requests for electronic services from both existing and prospective merchants. The process was standardized across all branches, offices, and in coordination with PayPal, enabling full tracking of requests throughout all stages of the digital workflow and ensuring efficient deployment within the shortest possible timeframe.

Total requests for POS terminals reached 15,000, bringing the total installed base to 30,000 terminals, with a 62% market share.

In parallel, the Bank conducted a series of training workshops to guide customers on submitting requests electronically and correctly, replacing previously used manual processes, including submission via email and internal routing to the relevant departments.

The division also continued to strengthen and expand electronic payment channels in 2025 through the following:

- Ongoing assessment of merchant needs and completion of the infrastructure required for POS terminals (stands) to enable higher transaction volumes among merchants and newly onboarded merchants across key economic sectors. These stands are provided as a direct incentive to merchants to protect devices from damage or falls, while also improving usability for cashiers. The number of stands deployed in the market reached 5,000, with strong growth potential.
- Signing agreements to supply POS terminals to sales representatives of major companies operating in Palestine, as well as merchants in the food and supply sectors. This supports a shift away from cash usage toward electronic payments and ensures consistent utilization of the service. A steady increase in transaction volumes was observed following the rollout of these terminals.

- To maintain service quality and performance measurement, a digital survey was developed for merchants. It is administered during field visits by PalPay teams, whether for terminal installation, replacement, maintenance, or routine visits. The survey is designed to capture and address any issues, inquiries, or feedback related to merchants' banking experience, and to enhance the quality and deployment of electronic services across all governorates and economic sectors.
- In the last quarter of 2025, and in line with Palestinian Monetary Authority directives, a joint initiative was launched with the Ministry of Finance to implement one of the largest digital transformation projects at the national level. This included deploying POS terminals across all ministries, directorates, public service centers, and authorized offices under the Ministry of Finance, based on a comprehensive rollout plan developed in coordination with the Ministry of Telecommunications and Digital Economy. The plan was informed by a series of weekly meetings and specialized working committees, prioritizing digital transformation and reducing reliance on cash. It targets the deployment of more than 1,300 POS terminals, in addition to integrating institutional accounting systems with POS infrastructure to minimize manual input errors and reduce human intervention.
- As part of efforts to raise awareness of electronic payment channels and increase transaction volumes, the Bank collaborated with the Marketing Department to design targeted campaigns aimed at increasing adoption. This included providing curated merchant lists based on sector-specific analysis to maximize campaign impact, alongside ongoing engagement with merchants through relationship managers to ensure full understanding of campaign terms and benefits—ultimately driving higher transaction activity and increased sales.

Retail Banking

Cards and Digital Services Products Division

As part of executing Bank of Palestine's digital transformation strategy and expanding the use of electronic payment instruments, 2025 saw the rollout and development of a range of key initiatives and projects within cards and digital services. These efforts focused on enhancing the customer experience, expanding electronic acceptance, and improving the efficiency of the digital payments infrastructure. Key initiatives included:

- Launch and implementation of multiple campaigns to promote electronic payments across various channels, including POS terminals, the e-payment gateway, the e-Sadad platform, and the Bank-e application. These campaigns varied in scope and objectives, covering seasonal campaigns, targeted campaigns for specific customer segments, sector-focused campaigns across different industries, and geographically targeted campaigns. The initiatives aimed to increase the adoption of cards and digital payment channels as a secure and efficient alternative to cash, in line with financial inclusion and digital transformation priorities, and contributing to reducing cash usage in the market.
- Development and enhancement of several digital services linked to the e-Sadad platform, including upgrades to the customer experience and improvements to merchant operational processes, ensuring greater flexibility and efficiency in service management and broader adoption among different customer segments.
- Continued development of the iDPlus service as a core component of digital identity verification, strengthening transaction security and linking it with multiple electronic services and digital channels offered by the Bank.
- On the transfers side, enhancements were implemented through the Bank-e application, including operational and functional improvements to iBuraq services, covering return payment processing (Return Payment), and the introduction of QR Code functionality within the Bank-e app, facilitating transfers and improving the overall digital customer experience.
- Ongoing review and enhancement of operational limits and controls, including foreign exchange limits (FX limits) within the Bank-e application, aligned with customer needs while maintaining an appropriate balance between operational flexibility and risk management requirements.
- For POS services, a project was implemented to reduce the volume of printed POS slips, including redesigning them in line with the Bank's new visual identity. This contributed to enhancing both the merchant and customer experience, while reducing operational costs associated with paper consumption.
- A comprehensive, unified agreement for digital payment solutions was developed, aimed at organizing relationships with partners and service providers, and standardizing legal and operational frameworks. This supports the future expansion of digital payment solutions and strengthens the Bank's readiness to keep pace with evolving technologies.

DIGITAL PAYMENT SOLUTIONS



POS

SoftPOS App

Cashier Connect

Self-Service Kiosk

Payment Links

E-Commerce

A Marketing Strategy That Reflects the Bank's Objectives

Key Marketing Achievements in 2025:

- The Marketing Department at Bank of Palestine delivered a series of high-impact initiatives during 2025 as part of executing its strategic marketing plan, aimed at strengthening the Bank's positioning as a leading national financial institution, expanding engagement with customers, and enhancing communication across diverse segments of society.
- Strengthened the Bank's media and advertising presence across both traditional and digital channels, contributing to stronger relationships with existing customers and attracting new segments.
- Increased awareness of banking products and digital services and expanding the user base of electronic solutions.
- Launched and implemented marketing campaigns to promote modern digital banking services, particularly electronic payment solutions via mobile devices and POS terminals (POS and SoftPOS), positively impacting the experience of customers, merchants, and businesses.
- Executed targeted marketing and awareness campaigns for the Bank-e application, contributing to increased adoption rates and facilitating customer access to banking services.
- Sponsored and supported a wide range of marketing and national events across different governorates, with a focus on initiatives that promote local products and strengthen direct engagement with the public.
- Launched incentive-based promotional campaigns and reward programs to encourage the use of electronic payment channels and expand their adoption.
- Implemented targeted awareness campaigns to educate customers on the risks of electronic fraud and methods of prevention.
- Established strategic partnerships with leading institutions and companies across multiple sectors to promote the use of electronic payment solutions and strengthen the Bank's presence at key customer touchpoints.
- Sponsored specialized events for school and university students, reflecting the Bank's focus on youth and emerging segments, and offering tailored banking products and services that meet their needs.

Conferences and Events With You Everywhere



EasyLife Campaign



Christmas Event



Doctors' Conference

Conferences

Events



Fraud Awareness Campaigns

Cash Back Campaigns



"You and the Merchant Win" Campaign



Promotional Partnerships



School Activities



Mother's Day Campaign



Children's Activities

Awareness Campaigns



University Activities

Partnerships



Electronic Payment Promotion Activities with Municipalities

Banking for All



Electronic Payment Promotion Activities (Cards)



AI Photo booth



Breast Cancer Awareness Month Event

Digital campaigns and online presence to strengthen the Bank's brand and raise awareness of banking services across social media platforms

Distinctive Cash Back Campaigns on Cards



High-engagement video content



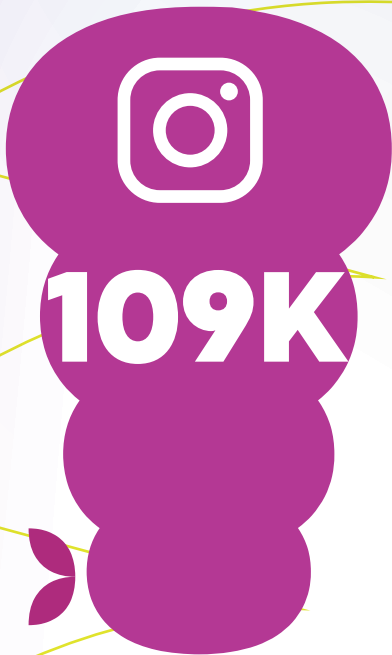
WE GROW EVERY DAY, THANKS TO YOU.

♥ Follow 

FOLLOW



f 1M



Instagram icon
109K



in
17K



YouTube icon
14.9K



X icon
6.8K

♥ Follow  

Our Employees

Human Resources Management

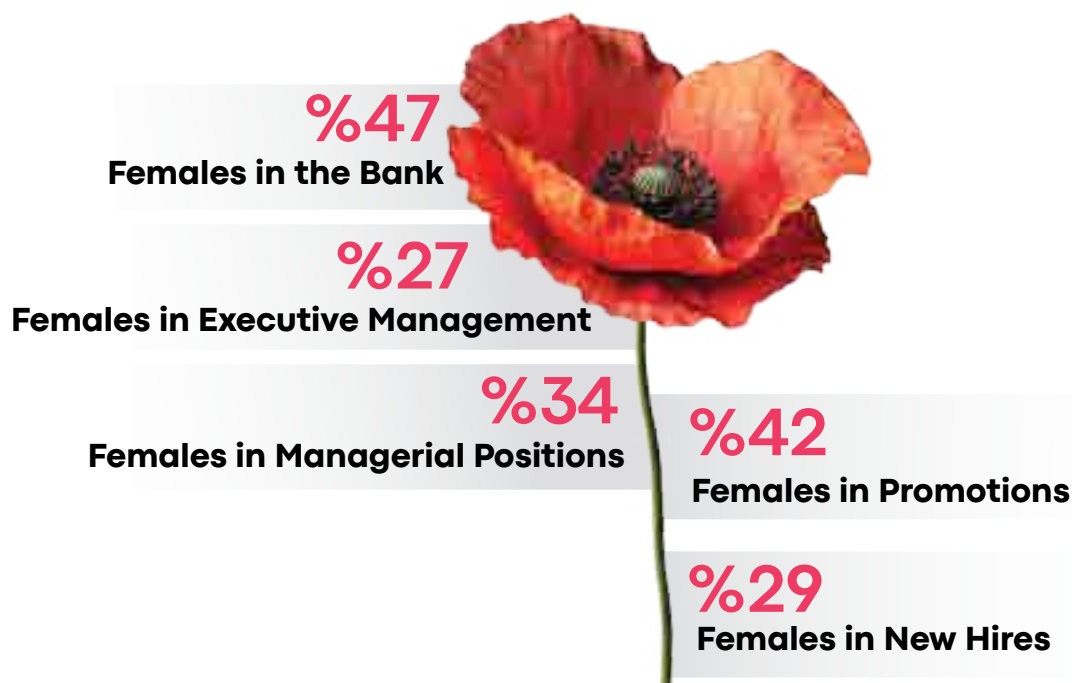
A Flexible and Supportive Work Environment Aligned with Institutional Goals

The Bank places strong emphasis on developing its human resources as a key driver of its strategic vision and ensuring the continuity of its operations. During 2025, the Human Resources Department continued to play a central role in supporting the institution and strengthening its readiness, particularly in light of the exceptional circumstances resulting from the Gaza war, where employees remained a top priority.

To ensure business continuity and enhance institutional readiness, the Human Resources Department worked on reorganizing and optimizing workforce distribution, strengthening human capital through internal mobility and recruitment, and expanding remote work arrangements. These efforts enabled the Bank to continue delivering its services efficiently while fostering a flexible and supportive work environment that helped employees adapt to changes and restore work-life balance.

At the strategic level, the Department continued to develop the Bank's organizational structure through the establishment of new units and departments that supported institutional modernization. This was accompanied by the review and development of policies and procedures, and the implementation of development initiatives aligned with digital transformation requirements and technological advancements in the banking sector.

Among the key achievements in 2025 in enhancing operational efficiency and institutional sustainability, the Bank launched an integrated digital system for managing health and life insurance, and automated health fund services and workplace injury claims. This transition contributed to reducing reliance on paper-based transactions and adopting a unified digital system that ensures accuracy of information and streamlined procedures, supporting the Bank's direction toward digital transformation and reducing environmental impact.



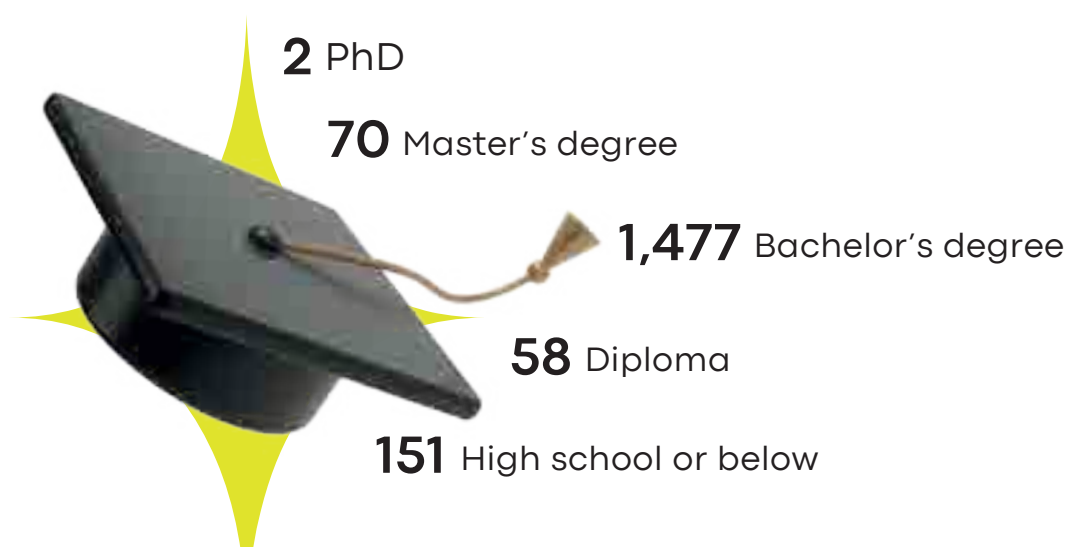
The Bank continued to invest in the development of its workforce, bringing the total number of employees to 1,758 by the end of 2025. This reflects its commitment to providing an attractive work environment and sustainable professional development programs, contributing to building a qualified workforce capable of supporting long-term growth and achieving institutional objectives.

In line with promoting equity and equal opportunity, the Bank made tangible progress in empowering women. Women represented 34.21% of leadership positions, and the overall share of women in the Bank reached 47.13%, reaffirming the Bank's commitment to expanding women's participation in decision-making roles and fostering an inclusive, diversity-driven institutional culture that supports sustainable success.

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Educational Qualifications



Talent Management Department

Leadership in Development and Reinforcing Institutional Values

In 2025, the Department achieved a comprehensive strategic shift in its operations, delivering qualitative improvements in training performance and workplace development, while effectively addressing surrounding challenges and reinforcing the concept of institutional flexibility. This progress was reflected in a significant increase in training outcomes, as the Department provided 7,118 training opportunities for employees through the implementation of 136 diverse training programs compared to previous years. This growth underscores the Bank's firm commitment to investing in its human capital as a key driver of growth and sustainability.

Our Employees

7,118 training opportunities for employees through 136 training programs

The table below shows the distribution of training programs and opportunities by training area:

Training Area	Number of Programs	Number of Training Opportunities
Finance and Investment	7	57
Compliance and Anti-Money Laundering	16	1,619
Credit and Lending	13	374
Technical and Logistics Services	2	35
Audit and Control	3	37
Banking Operations	24	1,095
Banking Risk	8	2,432
Administrative and Behavioral Skills	24	888
Human Resources	15	342
Information Technology	24	239
Total	136	7,118

Investing in Human Capital as a Key Driver of Growth and Sustainability

To further strengthen both the quality and quantity of these achievements, the Department placed strong emphasis during the year on internationally recognized professional certifications. A total of 19 specialized certifications were provided, benefiting 63 employees, contributing to enhancing technical competencies and reinforcing the Bank's position as a leading institution in developing specialized professional capabilities within the Palestinian banking sector, in line with best practices and international standards. In parallel, and to ensure consistent service quality and unified knowledge, the Department focused on advancing the knowledge base of employees across branches and offices, ensuring comprehensive familiarity with all banking products and services, thereby standardizing performance levels and enhancing the overall customer experience.



In line with advancing digital transformation and strengthening the Bank's security posture, the Department, in collaboration with the Information Security Risk Department, implemented a broad initiative to promote a culture of risk management and information security. Leveraging advanced technologies, this included a specialized platform for security awareness and phishing simulation, which contributed to a noticeable improvement in risk awareness across the Bank. In parallel with technological developments, the Department intensified its efforts to foster innovation by activating the role of the "Leadership and Innovation Center" and launching a series of programs to develop creative thinking. At the same time, work progressed on developing an artificial intelligence–

based platform, which has undergone final testing stages in preparation for its launch as a smart assistant for employees. This initiative forms part of a broader direction toward building an integrated digital ecosystem for knowledge management and operational support.

At the employee level, and with a focus on workplace quality of life, the Department implemented a range of initiatives centered on mental health and work-life balance, alongside institutional culture programs aimed at reinforcing loyalty and a sense of belonging. It also introduced a specialized e-learning program focused on performance management systems, in addition to awareness initiatives on governance and controls related to employees' personal financial transactions, ensuring a work environment grounded in transparency and compliance.

The Department also continued to strengthen its strategic partnerships with Palestinian universities, aiming to establish a mutually beneficial collaborative model. On one hand, the Bank leveraged academic expertise by delivering specialized training programs for its employees; on the other, it maintained its leading role in preparing students for the labor market through practical training programs. These partnerships contributed to creating real employment opportunities and attracting talent.



As part of its role in shaping institutional identity, the Department worked to embed the Bank's core values of leadership, resilience, honor, reliability, and sustainability, by translating them into practical initiatives. A total of 19 volunteer initiatives were implemented, generating 3,150 volunteer hours, covering a wide range of humanitarian and environmental activities. In its ongoing efforts to enhance the employee experience, the Department also focused on improving the work environment and strengthening internal communication channels, contributing to a healthy and motivating workplace built on trust and productivity.

These efforts are closely aligned with the Bank's strategic objectives, particularly in developing human capital, advancing digital transformation, and promoting sustainability, reinforcing the Bank's position as a leading institution capable of adapting to change and sustaining growth and positive impact.

115

Bank of Palestine Group

115. The Arab Islamic Bank

118. Al Wasata Securities Company

120. PalPay Company

123. Qudra for Renewable Energy Solutions

124. Intersect Innovation Hub

126. Ibtikar – Youth and Startups



Overview

Establishment

The Arab Islamic Bank was established in 1995 as a public shareholding company under license No. 563201011. It commenced banking operations in early 1996 and conducts banking and investment activities in accordance with the principles of Islamic Sharia. The Bank operates through its headquarters in Ramallah and Al Bireh Governorate, with branches across Palestine, in addition to a representative office in the United Arab Emirates (Dubai). Its network comprises 82 branches and offices, including a mobile branch "Mobi Bank", as well as 62 ATMs distributed across Palestinian governorates. As of 31 December 2025, the Bank has no subsidiaries.

Vision

A distinguished national Islamic bank, driven by digital innovation, modernity, banking sustainability, and exceptional human capital, delivering secure and efficient high-quality Sharia-compliant banking services to customers, anytime, anywhere.

Mission

To provide high quality modern, comprehensive, and competitive Islamic banking solutions and services, while supporting and developing innovative solutions for future generations and entrepreneurs. This is grounded in our values rooted in finance, business, and Islamic banking, contributing to economic development and promoting the principles of solidarity, cooperation, and social responsibility in line with Islamic objectives.

Strategic Objectives

- Digital transformation
- Investment in human capital development
- Maximizing shareholder value
- Financial inclusion
- Enhancing retail and SME services
- Increasing market share
- Strengthening Islamic banking identity and sustainable development

Key Performance Indicators | 2025

The Bank maintained a strong asset base, with total assets increasing to approximately USD 233.8 million, approaching USD 2 billion, reflecting a growth rate of 13.7%. Direct financing reached USD 1.12 billion, recording an increase of USD 15 million (1.3%). Customer deposits rose by USD 135.7 million to reach USD 1.55 billion, with a growth rate of 9.6%, reflecting customers' growing confidence in the Bank.

At the profitability level, the Bank recorded a net profit of USD 5.4 million, compared to USD 1.12 million in the previous year. The Bank also continued adopting a prudent approach by maintaining credit provisions exceeding USD 28 million, reinforcing the strength of its financial position and enhancing its ability to withstand potential risks with confidence and stability.

The Arab Islamic Bank

Item	2021	2022	2023	2024	2025
Assets	1,738	1,661	1,738	1,708	1,942
Customer Deposits	1,420	1,392	1,464	1,417	1,553
Direct Financing	1,012	1,028	1,108	1,104	1,119
Net Profit	11.7	13.1	5.52	1.12	5.4

(Amounts in USD millions)

Market Share

The Bank maintained its strong market position and consistent financial performance. In terms of assets, its market share reached approximately 7% of the Palestinian banking sector. For direct financing, the Bank's share stood at around 10%, while its share of customer deposits was approximately 7%.

Treasury and Financial Markets

Through its Treasury Department, the Bank provided financial services at competitive market rates to its customers, in compliance with Islamic Sharia principles. The Department offers foreign exchange services as well as investment and savings deposit products. It also achieved solid results in liquidity management, particularly amid challenging market conditions and liquidity constraints. In addition, the Department continued to generate strong returns through investments in capital markets, contributing to the Bank's overall performance and growth.

Key Achievements and Activities in 2025

First: Projects and Products

As part of its commitment to digital transformation, enhancing operational efficiency, and strengthening information security and compliance, the Bank implemented a number of key initiatives during 2025, including:

Information Security and Compliance

- Launch of the SWIFT Digital Hub system, making the Bank the first in Palestine to adopt this global standard (ISO 20022).
- Implementation of advanced endpoint detection and response (EDR) solutions using SentinelOne (an AI-powered enterprise cybersecurity platform).
- Upgrade of the SafeWatch V5 monitoring system.
- Implementation of a Data Classification System.
- Implementation of a Data Loss Prevention (DLP) system.
- Deployment of digital brand protection solutions.
- Development of an access control and authorization system (AAA System).
- Strengthening security controls for cloud service providers (CSP Security).

Channels and Banking Services

- Launch of cardless cash withdrawal via ATMs (Contactless ATM).
- Development of a technical support system for ATM operations (ATM System).
- Implementation of an ATM monitoring system.

Internal Systems and Operations / Digital Transformation

- Launch and development of a system for processing customer certificate requests and branch service requests.
- Implementation of a technical support system.
- Launch of a complaints management system.
- Implementation of a provisioning system.
- Implementation of an outgoing remittances management system.
- Implementation of an electronic archiving system.
- Launch of a courts and legal cases management system.

Governance and Committees

Implementation of a system for managing committee minutes and electronic meetings, along with a task management system.

Banking Systems

Implementation of a Customer Segmentation Reclassification project within the Bank's core system, R14 Core Banking System.

Second: Awards and Certifications

During 2025, the Arab Islamic Bank received several key awards and certifications, including:

- Best Islamic Bank in Palestine 2025, awarded by EMEA Finance.
- Best Islamic Bank in Palestine, awarded by Islamic Finance News (IFN).
- Best Islamic Bank for Digital Services in Palestine, awarded by Islamic Finance News (IFN).
- PCI-DSS certification (Payment Card Industry Data Security Standard) for the second consecutive year, one of the leading global certifications in securing payment card data and enhancing the security of financial transactions.
- ISO 27001 certification for Information Security Management Systems.



Al Wasata Securities Company



Over the past years, Al Wasata Securities Company has established itself as an active investment institution among brokerage firms in the local market and reinforced its presence across regional and international capital markets. The Company has successfully consolidated its presence in these markets and remains committed to meeting investor expectations and ensuring the success of their investments. In this context, it has focused on delivering optimal and advanced services that support sound investment decision-making, through:

- A professional and responsible team with a high level of competence and training.
- The use and optimal deployment of the best and latest trading technologies available regionally and globally.
- Providing investors with accurate information in a timely manner.
- Maintaining strict confidentiality in handling investors' data and trades.

2025 Achievements

- The Company acted as issuing agent for the Palestine Investment Fund bond issuance.
- Trading volume through Al Wasata in the Palestine Exchange and regional markets reached approximately USD 160 million, including USD 32 million traded on the Palestine Exchange. The value of client portfolios exceeded USD 500 million by the end of 2025. The Company also maintained growth in its annual revenues, which are characterized as operating revenues.
- The Company continued to expand its investor base, attracting 231 new accounts during 2025.

Distinctive Investment Services and Products

In line with its vision to keep pace with the latest developments in investment services and to meet investor needs, Al Wasata continues to provide investors with timely access to the latest news and updates, in addition to offering distinctive investment services and products that enable them to make sound investment decisions.

To this end, the Company is committed to adopting the latest secure technologies, including Al Wasata app that is accessible on mobiles and personal computers, enabling it to deliver advanced electronic services with competitive commissions across multiple external markets (Multi Markets), including major U.S. markets as well as regional markets.

In addition, the brokerage company offers investors a range of free services, including SMS alerts on daily closing prices, daily reports, electronic account inquiries, and stock balance statements through Bank of Palestine's Bank-e application, as well as the ability to transfer electronically between the bank account and the trading account.

Al Wasata at a Glance

Al Wasata Securities Company was established as a subsidiary of Bank of Palestine in 2005, with a paid-up capital of USD 5 million. The Company commenced operations at the beginning of 2007 after obtaining membership in the Palestine Exchange and securing a license from the Palestine Capital Market Authority,

the regulatory body governing the activities of member companies of the Palestine Exchange, to provide the following services:

- Brokerage on behalf of clients
- Brokerage for its own account
- Portfolio manager (licensed to carry out the business and activities of a financial advisor for managing investors' portfolios)
- Issuing agent

In addition to its core activity in securities brokerage for investors on the Palestine Exchange, the Company provides its clients with access to trading in a number of selected regional exchanges, including the Amman Stock Exchange, the Egyptian Exchange, Dubai Financial Market, Abu Dhabi Securities Exchange, the Saudi market, and U.S. exchanges.

In its efforts to reach all governorates across Palestine, Al Wasata leverages the branch network of Bank of Palestine Group, its parent company and the most widely distributed bank in Palestine. It also provides services to its clients outside Palestine through Bank of Palestine's representative offices in Dubai and Cairo, enabling it to reach Palestinians in the diaspora. This is in addition to the electronic trading program for the Palestine Exchange and the application for trading in external markets via mobile devices.



About the Company

PalPay is a leading Palestinian company in providing electronic payment solutions. It was established in 2010 as a subsidiary of Bank of Palestine and was among the pioneering companies that launched an advanced system for collection and electronic payments, marking one of the first steps toward digital transformation and bill automation in Palestine.

In 2020, PalPay successfully expanded its multi-channel electronic payment solutions through the launch of Mahfazati, the PalPay wallet application licensed by the Palestinian Monetary Authority. This application enables users to meet all their electronic payment needs from a single platform, including transfers, deposits, withdrawals, bill payments, balance top-ups, purchases, and online payments through websites and smart mobile applications.

Overall Performance

In 2025, PalPay continued to make tangible progress in developing the electronic payment ecosystem in Palestine by delivering advanced digital services and innovative financial solutions that contributed to supporting the national economy and enhancing financial inclusion. This was achieved within a clear strategy focused on expanding service offerings, improving user experience, and responding to the evolving needs of the market and customers.

PalPay also played a central role in supporting the Gaza Strip, particularly in light of the exceptional challenges imposed by the war, including damage to financial and technological infrastructure and a shortage of cash liquidity. The Company contributed to ensuring the continuity of electronic payment services and facilitating the disbursement of humanitarian aid within the Strip, helping to meet the essential needs of beneficiaries. This reflected PalPay's commitment to its national and community role and reinforced its position as a leading provider of trusted digital financial solutions serving various segments of society, especially the most vulnerable groups.

Strategic Achievements and Service Development

PalPay implemented comprehensive enhancements to its e-wallet, focusing on improving user experience and increasing customer satisfaction and loyalty. It also updated pricing policies to become more flexible and dynamic in line with the needs of individuals, merchants, and institutions. This included the development of new digital products and features, the design of innovative business models, and the establishment of supportive partnerships to deliver an advanced generation of digital solutions.

Digital Transformation, Technology, and Cybersecurity

The Company continued to play a key role in advancing digital transformation by developing the infrastructure of the electronic wallet to accommodate growing transaction volumes and improve system stability and performance. Key improvements were also implemented to financial transactions, including the automation of financial reconciliations, the management of reversal transactions, and enhancements to transaction details, in addition to launching financial aid disbursement services through the wallet.

The Company also completed source code reviews and penetration testing, addressing all identified observations, in addition to fulfilling the requirements of the Palestinian Monetary Authority.

As part of strengthening information security, PalPay adhered to the highest international standards and obtained certification in Payment Card Industry Data Security Standard (PCI DSS), issued by the PCI Security Standards Council (PCI SSC). This reflects the Company's commitment to providing secure and reliable electronic payment channels and enhancing customer and partner trust.

The Company also ensured alignment with the requirements of global payment networks such as Visa, supporting the growth of digital payments and e-commerce in Palestine.

As part of its commitment to protecting systems and technical services from cyberattacks, the Company strengthened its Information Security Risk Management function by adopting best practices and standards in information security. It implemented the ISO/IEC 27001 standard for Information Security Management Systems and adopted the related policies and procedures.

The Company also implemented a vulnerability management system to ensure data confidentiality and protect it from risks of breaches or theft. Within the framework of strengthening governance and secure digital transformation, it introduced security awareness and anti-fraud programs for employees to raise the level of security awareness and reduce risks associated with human factors, while ensuring continuous improvement and regular review of the information security framework.



Digital Channels and Customer Experience

During the year, the Company launched a new website for PalPay with a modern design reflecting its corporate identity, in addition to developing service websites linked to the Company using advanced technologies and an enhanced user experience. The PalPay wallet application was also further developed with new features, along with the integration of Company systems with Bank of Palestine's systems. Additional channels were introduced to enhance customer engagement, including chatbots and social media platforms, contributing to improved service quality and reduced pressure on contact centers.

The Company also strengthened its integration with national payment systems, including the instant payment system and the E-Sadad platform, making them available to all eligible segments of customers. It also continued to implement integration with Bank of Palestine's card management systems in its initial phases, alongside the development and testing of new systems and payment solutions.

Commercial Expansion and Merchant Services

PalPay continued expanding its merchant network and acceptance points. During 2025, 13,136 POS devices were installed, bringing the total number of devices to 29,717, in addition to expanding Soft POS applications. Field visits were also carried out for device maintenance, servicing, and replacement at merchant locations.

PalPay Company

In the e-commerce sector, agreements were signed with hundreds of new websites to integrate them with electronic payment services, and integration with accounting system providers was strengthened. The Company also implemented the EKYC Merchant project in Gaza and expanded QR-based payment acceptance.

Companies and Institutions

The Company strengthened its collaboration with local and international institutions, signing agreements with more than 50 institutions, in addition to cooperating with 20 institutions for salary transfers. This contributes to expanding the adoption of digital financial services and supports various economic sectors.



Sponsorships and Events

PalPay seeks to support its strategic objectives through well-planned and effectively executed sponsorships and events that contribute to advancing digital transformation and promoting the culture of electronic payments. The Company also worked to build effective partnerships with various institutional entities in line with its vision of financial inclusion and support for innovation in digital financial services. It also ensures the effective utilization of events, initiatives, and communication platforms to strengthen the trust of users and partners, contributing to reinforcing the position of the electronic wallet as a reliable digital financial solution that meets the needs of both individuals and merchants.



Future Outlook

PalPay confirms that a number of initiatives and products developed during 2025 have reached advanced stages of planning and implementation. Their rollout and expansion are expected to be completed during 2026, within a clear strategy aimed at achieving sustainable growth, fostering innovation, and delivering comprehensive and secure digital financial solutions that serve various segments of Palestinian society, in alignment with Bank of Palestine's vision for leadership and digital transformation.



Since its establishment, Qudra has worked to develop the renewable energy production sector in Palestine. To date, it has developed more than 19 megawatts of ground-mounted solar energy projects that generate electricity across several areas in Palestine.

The Company's largest plant is located in the village of Deir Abu Mish'al in the Ramallah Governorate, with a capacity of 8.3 megawatts, making it the largest in Palestine to date. It has been operational since September 2023. This is followed by the solar power plant in the village of Jammala, also in the Ramallah Governorate, with a capacity of 7.4 megawatts, which has been operational since mid-2024. Qudra holds the largest share in these projects and has signed several agreements to sell energy to local electricity distribution companies.

In 2025, a strategic partnership was established between APIC, Bank of Palestine, and Massader Company for the development of natural resources and infrastructure projects, resulting in the establishment of TAQA for Sustainable Projects Development, which is a private shareholding company that serves as the investment arm of the three entities in the renewable energy sector.

At a later stage, and following the completion of the required financial, technical, legal, and administrative procedures, ownership of Qudra - currently held by APIC and Bank of Palestine - will be transferred to TAQA. This will also include the transfer of Massader's shares in a number of solar energy projects and their affiliated companies.





Operating in a context shaped by exceptional socio-economic and humanitarian challenges, Intersect intensified its efforts in 2025, deploying its full capacity and resources across the West Bank and Gaza Strip to generate tangible economic impact. This was achieved by empowering Palestinian startups, nurturing innovative tech talent, and mobilizing high-quality investments and financial resources to support their growth. These efforts contribute to strengthening resilience and sustainability among target groups and to fostering sustained, innovation-driven growth in entrepreneurship.

Throughout 2025, Intersect delivered a range of impactful programs, initiatives, and activities, including STIR, RISE Palestine, OCIF, SAFE Palestine, TAQAT, Link, and Tech Pathway. These initiatives played a direct role in enhancing the readiness of early-stage companies, strengthening their capacity for growth, expansion, and market entry, and reinforcing the presence of Palestinian innovation at both regional and international levels.

STIR Incubation Program

12 Startups Graduated in the Seventh Cohort

Launched in 2021 as part of Intersect's programs, the STIR incubation program aims to support technology startups in their early stages by transforming ideas into viable products (MVPs). The program includes an intensive incubation journey and a comprehensive training experience over six months, covering company formation, product development, and go-to-market strategies, while strengthening startups' readiness for funding and investment.

In 2025, the program graduated 12 startups in its seventh cohort (STIR7). A Demo Day was organized to showcase the startups' ideas and products to an audience of more than 50 investors and ecosystem partners. The cohort demonstrated clear gender balance, with women founding or co-founding approximately half of the graduating startups. The eighth cohort (STIR8) received around 206 applications, marking the highest number of applications since the program's inception, reflecting Intersect's expanding geographic reach, including startups from the Gaza Strip. Through a partnership with the TAQAT initiative, 21 startups from diverse economic sectors were selected and continued to receive support through group training sessions and specialized one-on-one mentoring, enhancing their growth and development.

Orange Corners Innovation Fund | Palestinian Territories (OCIF-PT)

The OCIF-PT program is a technical financing initiative funded by the Kingdom of the Netherlands under the Orange Corners initiative and implemented locally by Intersect Innovation Hub, in partnership with Ibtikar Fund and Bank of Palestine. The program aims to bridge the early-stage financing gap through a blended model that combines performance-based funding with structured technical support, strengthening startups' investment readiness and improving their financial and operational performance.

In 2025, the program supported 34 startups through two complementary tracks. The first track provided grants exceeding EUR 120,000, while the second track supported 4 startups through financing packages exceeding EUR 175,000, combining grants with interest-free loans. Bank of Palestine played a key role in managing these loans, ensuring compliance and governance in line with banking standards. The total funding delivered through the program exceeded EUR 300,000 during the year.

SAFE Palestine

26 Companies Secured Investment

The SAFE Palestine program was launched as an innovative financing mechanism that combines grants and investment to address the funding gap faced by Palestinian startups. The program successfully mobilized more than USD 2.4 million in investments and grants to support 28 startups across diverse economic sectors.

During the second quarter of 2025, companies supported by SAFE attracted additional investments totaling approximately USD 2.9 million, and generated sales of nearly USD 2 million over the same period. These outcomes contributed to sustaining the operations of 26 companies out of the original 28, while preserving 272 full-time jobs within beneficiary companies. The performance of the SAFE portfolio reflects the program's central role in enhancing business continuity, resilience, and growth. It also strengthened the operational capacity of supported companies, improved their readiness for future investment rounds, and enabled them to navigate challenging economic conditions.

RISE Palestine

11 Startups and 12 Independent Contractors Benefited from Grants

In response to the war on Gaza, Bank of Palestine launched the RISE Palestine initiative in partnership with the Palestine Investment Fund, with implementation led by Intersect. The initiative primarily aims to support the technology sector in Gaza, which was severely impacted during the conflict. In 2025, the initiative disbursed approximately USD 91,450 in grants, benefiting 11 startups and 12 independent contractors, enabling them to sustain their operations and professional activities.

Since its launch, the program has received 1,375 applications, including 1,303 applications from Gaza. By the end of 2025, 52 applicants had been approved for support, while additional applications continue to be reviewed for 2026.

Tech Pathways MENA

468 Beneficiaries Graduated from the Program

Tech Pathways MENA is a regional initiative led by Village Capital with support from Google, with Intersect Innovation Hub serving as the local implementing partner in Palestine. The four-month program received 1,823 applications, of which 1,072 participants were enrolled. The program graduated a total of 468 beneficiaries, with women representing 72% of participants. Among them, 101 participants were from Gaza. The program also included a dedicated track implemented in partnership with the Ministry of Education, engaging 203 teachers and educators from the public sector.

An Integrated Model to Advance Entrepreneurship in Palestine

Intersect's programs in 2025 reflect a comprehensive model that brings together incubation, financing, and investment, alongside skills development and market access. These efforts have contributed to connecting Palestinian tech talent with regional and global markets. Despite complex and challenging economic conditions, these programs played a meaningful role in strengthening the readiness of beneficiary companies, supporting their business continuity, and expanding their regional footprint. This was achieved through direct and structured support, along with strategic partnerships with investors and sector stakeholders. Taken together, these initiatives have enhanced Intersect's role as a key enabler of entrepreneurship, reinforcing Palestine's position and competitiveness within the regional innovation ecosystem.

صندوق ابتكار

IBTIKAR FUND



Bank of Palestine is proud to have been among the founding investors of the Ibtikar Fund and continues to play an active role in advancing its mission. By strengthening connections between entrepreneurs and portfolio companies, the Bank contributes to the growth of Palestine's entrepreneurship ecosystem and the development of digital technology.

Ibtikar Fund seeks to generate meaningful impact within Palestine's entrepreneurial ecosystem by investing in high-potential startups in the digital technology sector. The Fund provides both capital and hands-on support to help these companies scale locally and expand into regional and international markets. It also aims to bridge critical funding gaps, particularly at the intersection between early-stage acceleration and subsequent venture capital investment rounds.

During the past year, Ibtikar invested in two new startups - MilkStraw and Quazelle - and continued to support a number of companies within its portfolio. In addition to Ibtikar's investment, these companies collectively succeeded in raising more than USD 4 million in 2025.

The Fund's portfolio companies contributed to the creation of more than 700 direct jobs for highly skilled talent, the majority of which (70%) were filled by youth, while women accounted for 30% of these roles.

Ibtikar's portfolio operates across a range of sectors, including financial technology, marketing technology, e-commerce, real estate, healthcare, and safety. These companies have successfully expanded their sales operations across the Middle East, as well as into North Africa, Europe, Latin America, and the United States.



128

Financial Statements

Bank of Palestine P.S.C

Consolidated Financial Statements

December 31, 2025

BANK OF PALESTINE P.S.C

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Independent Auditor's Report

To the Shareholders of Bank of Palestine P.S.C

Qualified Opinion

We have audited the consolidated financial statements of Bank of Palestine and its subsidiaries (collectively the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2025, consolidated income statement, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including information about material accounting policies and information.

In our opinion, except for the potential effects of the matters described in the paragraph of the basis for the qualified opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2025, and its financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) accounting standards as issued by the International Accounting Standards Board (IASB) .

Basis for the Qualified Opinion

The Bank disclosed its gross total exposures in Gaza Strip and the related impairment provisions and the net book value of these exposures in Note (55) to the accompanying consolidated financial statements. These provisions have been calculated by management according to their best estimates, which is based on the latest available information in light of the state of uncertainty beyond management's control due to the consequences of the war on Gaza Strip. As a result, we were unable to obtain sufficient audit evidence of the provisions recorded against the Bank's exposures in Gaza Strip as of December 31, 2025. Consequently, we were unable to determine whether it was necessary to make any adjustments to the consolidated statement of financial position as of December 31, 2025 as well as the consolidated income statement for the year then ended. The audit report on the consolidated financial statements for the year ended December 31, 2024, was qualified for the same reason.

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) (including International Independence Standards) as applied to audits of the consolidated financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

In addition to the matters described in the basis for the qualified opinion paragraph, we have identified the following issues as the key audit matters to be disclosed in our report. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.



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Adequacy of provision of expected credit losses for credit facilities and Islamic financing	
Key audit matter	How the key audit matter was addressed in the audit
<p>The process of estimating the expected credit losses of customers' receivables and credit facilities and Islamic financing in accordance with IFRS (9) is important, complex and requires a lot of diligence.</p> <p>IFRS (9) requires the use of the ECL model, which requires the Bank's management to use many assumptions and estimates on determining both the timing and value of expected credit losses, in addition to applying diligence to determine the inputs to the impairment measurement process, including the valuation of collateral and the determination of the date of default.</p> <p>Due to the importance of the provisions applied in IFRS (9) and credit exposures that form a major part of the Bank's assets, expected credit losses are considered as key audit matter.</p> <p>As at December 31, 2025, the Bank's gross direct credit facilities and Islamic financing amounted to U.S. \$ 4,464,999,733 and the provision of expected credit losses amounted to U.S. \$ 417,348,775.</p> <p>Accounting policies estimates and significant accounting judgments, disclosures of the ECL, and credit risk management are detailed in notes (3, 8, 49 and 55) to the consolidated financial statements.</p>	<p>Our audit procedures included assessing the controls on procedures for granting, recording and monitoring receivables and credit facilities and Islamic financing, and the process of measuring ECL, including the requirements of Palestine Monetary Authority (PMA) to verify the effectiveness of the main controls in place, which determine the impairment in payables and direct credit facilities, and required provisions against them.</p> <p>Our procedures for testing controls also included assessing whether key controls, in the aforementioned processes had been designed, applied and effectively implemented; in addition to performing the following assessment procedures:</p> <ul style="list-style-type: none"> – The Bank's policies related to the ECL provision in accordance with IFRS (9). – Key assumptions and judgments related to the material increase in credit risk, the definition of default, and the use of macroeconomic inputs to verify that the ECL amounts recorded reflect the underlying credit quality and macroeconomic trends. – The appropriateness of the Bank's staging. – The appropriateness of determining Exposure at Default (EAD), including the consideration of the cash flows repayments and the resultant arithmetical calculations. – The appropriateness of the Probability of Defaults (PD), Exposure at Default (EAD) and Loss Given Defaults (LGD) used for different exposures at different stages. – The appropriateness and objectivity of the internal evaluation of credit facilities. – The accuracy and appropriateness of ECL calculation process – Credit facilities transferred between stages, and the determination basis of significant increase in credit facilities and financing risk in regard to timely identification with a significant deterioration in credit quality. – ECL calculation for credit facilities determined to be individually impaired. We also obtained an understanding of the latest developments in estimated future cash flows, current financial position and any rescheduling or restructuring agreements. – Procedures followed for collaterals valuation in accordance with the evaluation policies of the Bank. – Assessed the adequacy of the disclosures to the consolidated financial statements to ensure compliance with IFRS (9). – With regard to the future assumptions used by the Bank to calculate ECL, we have discussed these assumptions with management and we have compared these assumptions with the available information.



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Other information included in the Bank's 2025 Annual Report

Other information consists of the information included in the Bank's 2025 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2025 Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs Accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



Shape the future
with confidence

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern, If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report; however, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Bank audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Bank as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Bank audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young - Middle East
License # 206/2012

A handwritten signature in blue ink, which appears to read 'Abdelkarim M.', is written over the EY logo. The signature is fluid and cursive.

Abdelkarim Mahmoud
License # 101/2017

March 24, 2026
Ramallah - Palestine

Consolidated Statement of Financial Position
 As at December 31, 2025

	Notes	2025 U.S. \$	2024 U.S. \$
ASSETS			
Cash and balances with Palestine Monetary Authority	5	4,115,920,889	2,236,071,862
Balances, deposits and investments at banks and financial institutions	6	1,772,936,462	1,719,713,863
Financial assets at fair value through profit or loss	7	5,828,030	5,445,800
Direct credit facilities and Islamic financing, net	8	4,012,032,827	3,842,640,449
Financial assets at fair value through other comprehensive income	9	98,634,819	63,636,115
Financial assets at amortized cost	10	316,712,192	195,345,429
Investment in associates and a joint venture	11	12,194,180	12,011,817
Investment properties	12	38,535,939	40,676,948
Property, plant and equipment and right of use assets	13	122,270,038	119,181,208
Deferred tax assets	26	61,972,648	52,098,683
Projects in progress	14	1,766,656	1,352,535
Intangible assets	15	14,117,420	14,388,305
Other assets	16	78,001,106	57,510,684
Total assets		10,650,923,206	8,360,073,698
LIABILITIES AND EQUITY			
Liabilities			
Palestine Monetary Authority's deposits	17	392,737,564	241,791,321
Banks and financial institutions' deposits	18	35,596,213	111,077,678
Customers' deposits	19	8,773,595,388	6,746,335,093
Cash margins	20	344,815,360	275,219,509
Subordinated loans	21	45,000,000	60,000,000
Loans and borrowings	22	92,778,959	104,927,195
Istidama loans from Palestine Monetary Authority	23	46,963,540	48,446,863
Deferred tax liabilities	26	4,348,364	4,135,563
Lease liabilities	24	18,723,527	19,193,970
Sundry provisions	25	61,473,601	59,702,555
Other liabilities	27	164,058,525	115,641,558
Total liabilities		9,980,091,041	7,786,471,305
Equity			
Paid-in share capital	1	268,786,067	260,559,617
Additional paid-in capital	28	48,938,899	44,743,409
Perpetual bonds	29	30,000,000	30,000,000
Statutory reserve	30	74,621,191	69,285,414
Voluntarily reserve	30	246,361	246,361
General banking risks reserve	30	8,374,676	8,374,676
Pro-cyclicality reserve	30	40,000,000	40,000,000
Fair value reserve	9	28,713,092	(2,214,932)
Retained earnings		100,055,051	55,584,071
Equity attributable to the Bank's shareholders		599,735,337	506,578,616
Non-controlling interests	4	71,096,828	67,023,777
Total equity		670,832,165	573,602,393
Total liabilities and equity		10,650,923,206	8,360,073,698

The accompanying notes from 1 to 57 are an integral part of these consolidated financial statements.

Bank of Palestine P.S.C

Consolidated Income Statement

For the year ended December 31, 2025

		2025	2024
	Notes	U.S. \$	U.S. \$
Interest income	32	275,526,985	261,103,916
Interest expense	33	(48,989,955)	(46,317,418)
Net interest income		226,537,030	214,786,498
Net financing and investment income	34	61,733,798	59,934,728
Net commissions income	35	26,835,806	31,164,485
Net interest, financing, investment and commissions income		315,106,634	305,885,711
Foreign currency gains		51,317,930	33,920,602
Net gains from financial assets portfolio	36	3,812,279	1,688,461
Bank's share of results of associates and a joint venture	11	(278,133)	153,696
Other revenues, net	37	19,537,210	12,342,311
Gross profit before expected credit losses provisions, modifications, and other losses		389,495,920	353,990,781
Provision for expected credit losses and modifications on direct credit facilities and Islamic financing, net	40	(127,214,256)	(87,661,411)
Other provisions for expected credit losses and other assets losses, net	41	(2,622,377)	(138,851,186)
Gross profit		259,659,287	127,478,184
Expenses			
Personnel expenses	38	(91,863,037)	(85,644,404)
Other operating expenses	39	(83,808,578)	(69,690,123)
Depreciation and amortization	13 & 15	(17,623,819)	(17,614,235)
Palestine Monetary Authority's fines	42	(22,693)	-
Total expenses		(193,318,127)	(172,948,762)
Profit (Loss) before taxes		66,341,160	(45,470,578)
Taxes (expense) benefit	26	(9,339,940)	17,559,122
Profit (Loss) for the year		57,001,220	(27,911,456)
Attributable to:			
Equity holders of the Bank		53,357,766	(28,901,957)
Non-controlling interests	4	3,643,454	990,501
		57,001,220	(27,911,456)
Basic and diluted earnings (losses) per share attributable to equity holders of the Bank	44	0.19	(0.13)

The accompanying notes from 1 to 57 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2025

		<u>2025</u>	<u>2024</u>
	<u>Note</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Profit (Loss) for the year		57,001,220	(27,911,456)
Items of other comprehensive income:			
<u>Items not to be reclassified to the consolidated</u>			
<u>income statement in subsequent periods:</u>			
Change in fair value of financial assets through			
other comprehensive income items		<u>31,410,121</u>	<u>(1,929,871)</u>
Other comprehensive income items for the year		<u>31,410,121</u>	<u>(1,929,871)</u>
Total comprehensive income for the year		<u><u>88,411,341</u></u>	<u><u>(29,841,327)</u></u>
Attributable to:			
Equity holders of the Bank		84,285,790	(31,010,720)
Non-controlling Interests	4	<u>4,125,551</u>	<u>1,169,393</u>
		<u><u>88,411,341</u></u>	<u><u>(29,841,327)</u></u>

Bank of Palestine P.S.C

Consolidated Statement of Changes in Equity
For the year ended December 31, 2025

	Equity attributable to the Bank's shareholders											
	Paid-in share capital	Additional paid-in capital	Perpetual bond	Reserves					Retained earnings	Equity holders of the Bank	Non-controlling interests	Total equity
				Statutory	Voluntarily	General banking risks	Pro-cyclicality	Fair value				
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
2025												
Balance, beginning of the year	260,559,617	44,743,409	30,000,000	69,285,414	246,361	8,374,676	40,000,000	(2,214,932)	55,584,071	506,578,616	67,023,777	573,602,393
Profit for the year	-	-	-	-	-	-	-	-	53,357,766	53,357,766	3,643,454	57,001,220
Other comprehensive income items	-	-	-	-	-	-	-	30,928,024	-	30,928,024	482,097	31,410,121
Total comprehensive income for the year	-	-	-	-	-	-	-	30,928,024	53,357,766	84,285,790	4,125,551	88,411,341
Transfer to reserves	-	-	-	5,335,777	-	-	-	-	(5,335,777)	-	-	-
Increase of the paid-in capital (note 1 & 28)	8,226,450	4,195,490	-	-	-	-	-	-	-	12,421,940	-	12,421,940
Interest on perpetual bond (note 29)	-	-	-	-	-	-	-	-	(3,551,009)	(3,551,009)	-	(3,551,009)
Cash dividends of a subsidiary (note 31)	-	-	-	-	-	-	-	-	-	-	(52,500)	(52,500)
Balance, end of the year	268,786,067	48,938,899	30,000,000	74,621,191	246,361	8,374,676	40,000,000	28,713,092	100,055,051	599,735,337	71,096,828	670,832,165
	Equity attributable to the Bank's shareholders											
	Paid-in share capital	Additional paid-in capital	Perpetual bond	Reserves					Retained earnings	Equity holders of the Bank	Non-controlling interests	Total equity
				Statutory	Voluntarily	General banking risks	Pro-cyclicality	Fair value				
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
2024												
Balance, beginning of the year	230,677,334	29,575,688	30,000,000	69,285,414	246,361	8,374,676	40,000,000	(106,169)	86,452,694	494,505,998	65,854,384	560,360,382
Loss for the year	-	-	-	-	-	-	-	-	(28,901,957)	(28,901,957)	990,501	(27,911,456)
Other comprehensive income	-	-	-	-	-	-	-	(2,108,763)	-	(2,108,763)	178,892	(1,929,871)
Total comprehensive income for the year	-	-	-	-	-	-	-	(2,108,763)	(28,901,957)	(31,010,720)	1,169,393	(29,841,327)
Increase of the paid-in capital (note 1 & 28)	29,882,283	15,167,721	-	-	-	-	-	-	-	45,050,004	-	45,050,004
Interest on perpetual bond (note 29)	-	-	-	-	-	-	-	-	(1,966,666)	(1,966,666)	-	(1,966,666)
Balance, end of the year	260,559,617	44,743,409	30,000,000	69,285,414	246,361	8,374,676	40,000,000	(2,214,932)	55,584,071	506,578,616	67,023,777	573,602,393

The accompanying notes from 1 to 57 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2025

	Note	2025 U.S. \$	2024 U.S. \$
Operating activities			
Profit (Loss) for the year before taxes		66,341,160	(45,470,578)
Adjustments for:			
Depreciation and amortization	13 & 15	17,623,819	17,614,235
Net gains from financial assets portfolio	36	(3,812,279)	(1,688,461)
Modification of assets and amortization of related grants	8	19,086,820	-
Finance cost on lease liabilities	24	511,293	663,397
Provision for expected credit losses and modifications on direct credit facilities and Islamic financing, net	40	127,214,256	87,661,411
Other provisions for expected credit losses and other assets losses, net	41	(648,114)	1,075,466
Sundry provisions	25	12,113,006	8,718,161
Gain from valuation of investment properties, net	12	(3,271,093)	(2,067,904)
Bank's share of results of associates and a joint venture	11	278,133	(153,696)
Gains from disposal of property, plant and equipment, right of use assets, and intangible assets		(207,646)	(901,056)
Amortization of discount and premium on issuance of financial assets at amortized cost		(11,766,523)	(1,812,220)
Other non-cash items		(779,526)	(705,528)
		<u>222,683,306</u>	<u>62,933,227</u>
Changes in assets and liabilities:			
Direct credit facilities and Islamic financing		(326,291,775)	(129,788,200)
Statutory cash reserve		(211,090,303)	(113,106,641)
Other assets		(15,153,123)	24,566,470
Customers' deposits		2,027,260,295	1,267,775,028
Istidama loans from Palestine Monetary Authority		(1,483,323)	25,041,329
Cash margins		69,595,851	(53,947,720)
Other liabilities		49,834,956	11,403,637
		<u>1,815,355,884</u>	<u>1,094,877,130</u>
Net cash flows from operating activities before taxes and paid provisions			
Taxes and advances payments	26	(24,610,473)	(27,602,927)
Sundry provision payments	25	(10,341,960)	(2,107,466)
Net cash flows from operating activities		<u>1,780,403,451</u>	<u>1,065,166,737</u>
Investing activities			
Purchase of financial assets at fair value through other comprehensive income		(3,303,664)	(4,714,328)
Purchase of financial assets at fair value through profit or loss		(4,330,552)	(264,637)
Sale of financial assets at fair value through profit or loss		5,705,005	2,264,674
Purchase of financial assets at amortized cost		(2,581,624,807)	(319,317,576)
Matured financial assets at amortized cost		2,470,675,693	285,617,918
Sale of financial assets at amortized cost		2,565,971	-
Investment in associates	11	(776,239)	-
Deposits at banks and financial institutions maturing in more than three months		(111,106,184)	(383,832,158)
Changes in restricted balances of withdrawal Palestine Monetary Authority deposits maturing in more than three months		(12,126,135)	(834,132)
		197,056,043	25,120,639
Investments management commission		(1,150,170)	(570,230)
Stock dividends received		3,154,170	2,659,923
Purchase of intangible assets		(2,276,926)	(2,074,504)
Projects in progress		(710,644)	(1,790,321)
Purchase of property, plant and equipment		(9,431,688)	(7,934,642)
Sale of property, plant and equipment		450,147	196,714
Net cash flows used in investing activities		<u>(47,229,980)</u>	<u>(405,472,660)</u>
Financing activities			
Payments of Lease liabilities	24	(4,248,762)	(4,818,458)
Increase in paid-in capital payments	51	12,421,940	45,050,004
Subordinated loan payment		(15,000,000)	(15,000,000)
Withdrawal of a subordinated loan		-	30,000,000
Repayment of loans and borrowings		(15,065,440)	(15,107,343)
Withdrawal of loans and borrowings		2,000,000	46,500,000
Interest paid on perpetual bond		(3,563,058)	(1,978,304)
Net cash flows (used in) from financing activities		<u>(23,455,320)</u>	<u>84,645,899</u>
Increase in cash and cash equivalents		<u>1,709,718,151</u>	<u>744,339,976</u>
Cash and cash equivalents, beginning of the year		2,553,549,466	1,809,209,490
Cash and cash equivalents, end of the year	43	<u>4,263,267,617</u>	<u>2,553,549,466</u>
Interest expense paid		59,856,992	53,648,359
Interest revenue received		336,389,063	282,832,581

The accompanying notes from 1 to 57 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2025

1. General

Bank of Palestine P.S.C (the Bank) was established in 1960 and was registered with the companies' controller office of the Palestinian National Authority in Gaza as a public shareholding limited company under registration No. (563200096) in accordance with Companies' Law of 1929 and its subsequent amendments. The Bank's shares were listed for trading at the Palestine Securities Exchange during 2005.

The authorized capital of the Bank consists of 350 million shares with a par value of U.S.\$ 1 per share, after it was increased from 300 million shares according to the decision of the extraordinary general assembly, which was held on June 2, 2025.

In 2024, the Bank signed an agreement with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), whereby both will invest a total of 22,597,516 shares in the Bank through a private share issuance. The bank also signed agreements with the Arab Palestinian Investment Company and Aswaq for Investment Portfolios, resulting in an investment of 7,284,767 shares in the Bank through a private share issuance, as a result, the Bank's paid-in capital reached U.S \$ 260,559,617 as of December 31, 2024.

According to the agreement signed with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), which stipulates their preemptive right to maintain their shareholding percentage in the bank, the International Finance Corporation (IFC) approved the issuance of 383,409 shares to maintain its percentage of investments in the bank. The International Finance Corporation (IFC) settled the amount of investment during the year.

During the period, the bank signed an agreement with the Proparco Corporation, in which the "Facilité d'Investissement et de Soutien aux Entreprises en Afrique" (FISEA), a subsidiary of the Proparco Corporation, invests through a private issuance of 7,152,317 shares. Both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) approved the issuance of 392,152 and 298,572 shares, respectively, to maintain their investments' percentages in the Bank. As a result, the Bank's paid-in capital amounted to U.S. \$ 268,786,067 as of December 31, 2025.

One of the most important objectives of the Bank is to carry out all of the banking activities including opening current accounts, letters of credit, accepting deposits and lending money through its branches spread in Palestine, which consists of (29) branches and (39) offices and one electronic office, as well as an external representative office of the bank in Dubai, United Arab Emirates, and a representative office in Egypt.

The number of branches of Arab Islamic Bank (a subsidiary) is (22) branches and (6) offices, in addition to one external representative office in Dubai in the United Arab Emirates, and a mobile branch.

Bank of Palestine has been classified as a systematically important bank at the local level in accordance with the general framework for banks of systemic importance approved by the Board of Directors of Palestine Monetary Authority (PMA).

The Bank's personnel (headquarters and branches) reached (1,758) employees and (1,835) employees as of December 31, 2025 and 2024, respectively. The subsidiaries' personnel reached (868) employees against (818) employees as of December 31, 2025 and 2024, respectively.

The consolidated financial statements were authorized for issuance by the Bank's Board of Directors during their meeting No. (03/2026) dated March 12, 2026.

2. Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at December 31, 2025 and 2024.

The Bank's ownership in the subsidiaries' share capital was as follows:

	Country of incorporation and operations	Ownership		Paid-in capital	
		%		U.S. \$	
		2025	2024	2025	2024
Arab Islamic Bank	Palestine	52.06	52.06	101,119,252	101,119,252
Al-Wasata Securities Company	Palestine	100	100	5,000,000	5,000,000
PalPay Company*	Palestine	85	85	1,500,000	1,500,000
2000 Company	Palestine	100	100	100,000	100,000

* In compliance with the instructions of the PMA No. (2) of 2021 regarding the amendment of Instructions No. (1) of 2018 regarding licensing of payment services companies, the instructions stipulate that the Bank's contribution to PalPay must be reduced to less than 50% by the end of 2021. Negotiations are still ongoing between the Bank and PMA on these instructions. The Bank has not, until the date of approval of the consolidated financial statements, reduced its shareholding in PalPay Company.

Moreover, the ordinary general assembly of PalPay, decided in its meeting held on May 7, 2025, to distribute dividends in the amount of U.S. \$ 350,000 from the results of its' operations of 2024. The non-controlling interest's share of dividends amounted to U.S \$52,500.

In addition, the Bank obtained preliminary approval from the Financial Services Regulatory Authority of Abu Dhabi Global Market (ADGM), the international financial center of the Emirate of Abu Dhabi, to obtain a Category 1 (CAT 1) license. This license will enable the Bank to operate a full-service banking branch, including the conduct of regulated banking and financial activities under the supervision of ADGM, in particular the acceptance of deposits and the execution of investment transactions, with a focus on serving the Palestinian diaspora communities worldwide.

Upon the issuance of the final license, which is expected to become fully effective in the second half of 2026, the Bank will be able to operate and deliver its services globally from Abu Dhabi Global Market (ADGM). This is expected to enhance the Bank's ability to offer its differentiated financial services and solutions, as well as to diversify its operations through the adoption of seamless digital banking services.

The financial statements of the subsidiaries are consolidated with the Bank's financial statements based on the consolidation of a line-by-line basis of assets, liabilities and result of the Bank with the assets, liabilities, and results of subsidiaries after eliminating all intercompany balances and transactions between the Bank and its subsidiaries.

The reporting dates of the subsidiaries and the Bank are identical. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Bank's accounting policies.

3. Basis of preparation and Accounting Policies

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) - as issued by the International Accounting Standards Board (IASB). The Bank complies with the applicable local laws and the instructions of the PMA.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial derivatives and investment properties that have been measured at fair value at the date of the consolidated financial statements.

The consolidated financial statements have been presented in US Dollar, which is the functional currency of the Bank.

3.2 Basis of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as of December 31, 2025 and 2024. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the subsidiaries.

Specifically, the Bank controls an investee if, and only if, the Bank has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

When the Bank's ownership percentage in the invested company's capital is less than the majority, the Bank shall take into account all the facts and circumstances to assess whether control has been achieved over the investee company which includes the following:

- Contractual agreements with other shareholders of the investee company
- Rights resulting from other contractual agreements
- Bank voting rights and potential voting rights

The Bank re-assesses whether or not it controls investees if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiaries begins when the Bank obtains control over the subsidiaries and ceases when the Bank loses control of the subsidiaries. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Bank gains control until the date the Bank ceases to control the subsidiary. The effect of a change in the percentage of ownership in subsidiaries (without losing control of them) is recorded as transactions between owners.

Profits or losses and each other item of other comprehensive income are charged to the shareholders' equity in the parent company and the rights of non-controlling interest, even if this results in a deficit in the rights balance of non-controlling interest. If necessary, the financial statements of the subsidiaries are amended to align their accounting policies with the accounting policies of the Bank. All assets, liabilities, equity, income and expenses, profit and loss and dividends related to transactions between the Bank and its subsidiaries are excluded.

All intra-Bank balances, transactions, unrealized gains and losses resulting from intra-Bank transactions and dividends are eliminated in full.

The non-controlling interest's share of losses is recorded even if there is a deficit in the non-controlling interest's equity.

In the event that the Bank loses control over its subsidiaries, the assets (including goodwill) and the liabilities of the subsidiary in addition to the book value of non-controlling interests are excluded. The surplus or deficit from disposal is recorded in the consolidated income statement. Any remaining investments are recorded at fair value.

3.3 Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements of the Bank are consistent with those used in the preparation of the annual consolidated financial statements for the prior year, except for the adoption of some amendments on the standards effective as of January 1, 2025 shown below:

Lack of exchangeability - Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability - Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" specifies how the Bank should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of the Bank's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the Bank's financial performance, consolidated financial position and consolidated cash flows.

The amendment had no material impact on the Bank's consolidated financial statements.

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

International financial standards and amendments issued but not yet effective until the date of the consolidated financial statements are listed below, and the Bank will apply these standards and amendments starting from the date of mandatory application:

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Bank is currently working to identify the impacts the standard will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted as long as it is disclosed.

The amendments are not expected to have a material impact on the Bank's consolidated financial statements.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognize financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments

- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only.

The amendments are not expected to have a material impact on the Bank's consolidated financial statements.

Contracts Referencing Nature-dependent Electricity - Amendments to IFRS 9 and IFRS 7

In December 2024, IASB issued amendments IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity to address the accounting and disclosure requirements for contracts that reference nature dependent electricity, such as wind, solar, and hydropower. These amendments aim to provide clearer guidance on the classification, measurement, and recognition of such contracts, which are characterized by natural variability due to their dependence on natural conditions. The amendments seek to enhance consistency and comparability of financial statements by clarifying whether these contracts should be accounted for as financial instruments or executory contracts, and how they should be measured. In addition, the amendments enhance disclosure requirements to provide greater transparency regarding the risks and financial effects associated with these contracts, thereby offering more relevant and reliable information to users of the financial statements. This initiative supports the global transition to renewable energy by addressing the unique accounting challenges posed by nature-dependent electricity contracts.

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed.

The amendments are not expected to have a material impact on the Bank's consolidated financial statements.

3.5 Material Accounting Policy Information

Revenues recognition

The effective interest rate method

According to IFRS (9) Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost, financial instruments designated at Fair value through profit or loss (FVTPL). Interest income on interest bearing financial assets measured at Fair value through other comprehensive income (FVOCI) under IFRS (9).

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the consolidated statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through interest and similar income in the consolidated other comprehensive income statement.

Interest and similar income and expense

For all financial instruments measured at amortized cost, financial instruments designated at FVOCI and FVTPL, interest income or expense is recorded using the EIR.

The calculation takes into account all of the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

When the recorded value of a financial asset or a Bank of similar financial assets has been reduced by an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income are recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fee and commission income from providing services where performance obligations are satisfied at a limited period of time

These fees include what is collected through services provided during a specific period of time, as they are calculated for the same period, and include credit commissions and fees for providing the custodian service so that the customer receives and benefits from the benefits provided by the Bank at the same time.

The Bank's fees and commissions for services that are recognized over a specific period of time include:

Custodian fees: The Bank charges a fixed annual fee for providing custodian services to its clients, which includes custody of the securities purchased and processing any income from dividends and interest payments. The customer's share of these services is transferred evenly over the service period, and this fee is recognized as revenue evenly over that period, based on the time elapsed.

Credit fees that are an integral part of financial instruments such as loan grant fees, potentially exploited loan commitment fees and other related credit fees. Since the benefit of the services is transferred to the customer equally over a specified period, the fee is recognized as revenue on a straight-line basis.

Fee and commission income from providing services where performance obligations are satisfied at a point in time

Fees and commissions from providing services are recognized at a particular time once the Bank fulfills the performance obligations and transfers control of these services to the customer. This typically occurs when a transaction or service is completed, or for a fee associated with a particular performance, after performance criteria have been met. These include fees and commissions arising from negotiating or participating in a negotiation for a third party, such as a brokerage, whereby the Bank is obligated to successfully complete the transaction specified in the contract.

Brokerage fees: The Bank buys and sells securities on behalf of its clients and charges a fixed commission for each transaction. The obligation of the Bank is to execute these trades on behalf of the customer and the revenue is recognized as soon as each trade is executed (on the trade date) so that the commission is paid on the trade date. The Bank pays sales commission to agents on each deal for some of the brokerage work it does.

The Bank has chosen to apply the optional practical method, which allows it to calculate the commission immediately because its amortization period is one year or less.

Contract balances

The following are recognized in the consolidated statement of financial position:

- 'Fees and commission receivables' included under 'Other assets', which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortized cost and subject to the provision of expected credit losses.

- ‘Unearned fees and commissions’ included under ‘Other liabilities’, which represent the Bank’s obligation to transfer services to a customer for which the Bank has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognized when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognized as revenue when (or as) the Bank performs.

Net trading income

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading.

Dividend income

Profits or losses from trading investments in financial assets are realized upon completion of the trading process, and dividends from investee companies are recognized when the right to receive the dividends is established.

Net loss on financial assets and liabilities designated at fair value through profit or loss

Net loss on financial instruments at FVTPL represents non-trading derivatives held for risk management purposes used in economic hedge relationship but not qualifying for hedge accounting relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets measured at FVTPL, as required by or elected under IFRS 9. The line item includes fair value changes, interest, dividends and foreign exchange differences.

Net loss on derecognition of financial assets measured at amortized cost or FVOCI

Net loss on derecognition of financial assets measured at amortized cost includes loss (or income) recognized on sale or derecognition of financial assets measured at amortized costs calculated as the difference between the book value (including impairment) and the proceeds received.

Service and rent revenues

Leases in which the risks and rewards of ownership are not transferred from the lessor to the lessee are classified as operating leases. The cost incurred in operating leases contracts is added to the carrying value of the leased asset and is recognized as rental income over the period of the lease contract.

Financial Instruments - Initial Recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognized when funds are transferred to the customers’ accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

Measurement categories of financial assets and liabilities

The Bank classifies its financial assets (Debt Instruments) based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- FVOCI
- FVTPL

The Bank classifies and measures its derivative and trading portfolio at FVTPL. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial Assets and Liabilities

The Bank only measures due from Banks, loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

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

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

Business model assessment

The Bank determines its business model at the level that best reflects how it manages Banks of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The Business model assessment depends on reasonably expected scenarios without taking into consideration the "worse case" or "stress test" scenarios.

If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets for latest periods.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, futures and cross-currency swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Equity instruments at FVOCI

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 definition of Equity under IAS (32) Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the consolidated income statement. Dividends are recognized in consolidated income statement as other operating income 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 OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets at fair value through profit or loss

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in Consolidated income statement with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the Consolidated income statement.

Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into consideration any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in Consolidated income statement as other operating income when the right to the payment has been established.

Financial assets at amortized cost

They are the financial assets that the Bank's management aims, according to its business model, to keep in order to collect contractual cash flows, which are represented by payments of principal and interest on the outstanding debt balance.

Financial assets are recognized upon purchase at cost plus acquisition expenses, and the premium/discount is amortized using the effective interest method, debited to or credited on the interest account, and any provisions resulting from impairment are deducted according to the calculation of the expected credit loss, and the expected credit loss is recorded in the consolidated income statement.

The amount of impairment in the value of financial assets at amortized cost represents the expected credit loss for financial assets at amortized cost.

It is not permissible to reclassify any financial assets from / to this item except in the cases specified in the International Financial Reporting Standards (and in the event that any of these assets is sold before its maturity date, the result of the sale is recorded in the consolidated income statement in a separate line item and disclosed in accordance with the requirements of the reporting standards international finance in particular).

Financial guarantees, letters of credit and unutilized facilities ceilings

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognized in the consolidated financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated income statement as provision for expected credit losses.

The premium received is recognized in the consolidated income statement net of fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

The Bank occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL and the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage (1) for ECL measurement purposes.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition.

Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification.

A. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Bank of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset

Or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase, the Bank continues to recognize the fair value of the transferred asset or a purchase option (whichever is lower).

B. Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in consolidated income statement.

Impairment of financial assets

Overview of the ECL principles

The Bank recorded the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts (financial instruments).

Equity instruments are not subject to impairment test under IFRS (9).

The expected credit loss allowance is based on the credit losses expected to occur over the life of the asset, and if there has been no significant change in credit risk from the date of initial recognition, the allowance is based on the expected credit loss for a period of 12 months.

The 12-month expected credit loss is the portion of the expected credit loss over the life of the asset resulting from default events in financial instruments that may occur within 12 months from the date of the consolidated financial statements.

Expected credit losses are calculated for the entire life of the credit exposure and 12-months expected credit losses based on the nature of the financial instruments.

The Bank 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 financial assets into stage (1), stage (2) and stage (3), as described below:

- Stage (1) When financial assets that its credit risk haven't increased dramatically since initial recognition, the Bank recognizes an allowance based on 12m ECLs.
- Stage (2) When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs.
- Stage (3) Financial assets considered credit impaired. The Bank records an allowance for the LTECLs.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a portion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation of the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from deferred payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as percentage of the EAD.

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

The mechanics of the ECL method are summarized below:

Stage (1)	The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
Stage (2)	When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage (3)	For financial assets considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage (2) assets, with the PD set at 100% and the PD is larger than stage (1) and 2.
Loan commitments and letters of credit	When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financial asset is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the commitment.

Credit cards and other revolving credit facilities

The Bank's products include a number of cards and credit facilities granted to individuals and companies, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit the credit losses exposed to the contractual notice period, but instead calculates the expected credit losses over a period that reflects the Bank's expectations of the customer's behavior, the possibility of default and the Bank's future risk mitigation measures, which can include limiting or canceling the facilities.

The continuous assessment of the existence of a significant increase in the credit risk of the revolving credit facilities is similar to the assessments applied to other loans. This is based on shifts in the customer's internal credit score.

The interest rate used to discount ECL for credit cards is the effective interest rate.

Expected credit losses, including the estimate of the expected period of exposure and the discount rate, are calculated on an individual basis.

Forward looking information

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

- GDP growth
- Unemployment rates
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated 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, financial securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS (9) is the same as it was under IAS (39) and PMA instructions.

Collateral, unless repossessed, is not recorded on the Bank's consolidated 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 regular basis. However, some collateral, for example, cash or financial securities relating to margining requirements, is valued daily basis.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using appropriate methods. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage appraisers.

Collaterals repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold taking into consideration the relevant PMA instructions. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are categorized as 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 consolidated statement of financial position.

Write-offs

The accounting policies used by the Bank regarding writ-offs are in line with International Financial Reporting Standard No. (9) and do not differ compared to International Accounting Standard No. (39) and the instructions of the PMA. Financial assets are written off either partially or completely only when the Bank ceases to recover. If the written-off amount is greater than the provision for accumulated losses, the difference is treated as an addition to the provision. Refunds are subsequently recorded in other revenues.

Bad debt not previously provided for and written off

The facilities and Islamic financing that its borrower passed away and do not have sufficient collaterals are written-off in accordance with PMA instructions.

Modification on facilities and financing

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to the otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties. Modifications may include extension of payments or agreeing to new financing terms. Classification decisions between Stage (2) and Stage (3) are determined on a case-by-case basis.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of a commercial restructuring activity, and not due to credit risk considerations or impairment, the Bank assesses whether such modifications result in the derecognition of the financial asset. For financial assets, this assessment is based on qualitative factors.

In assessing whether a loan granted to a customer should be derecognized, the Bank considers, among other things, the following factors:

- A change in the currency of the loan
- The introduction of an equity-related feature
- A change in the counterparty
- Whether the modification causes the financial instrument to fail the contractual cashflows criterion which represents the solely payments of principal and interest (SPPI).

If the modification does not result in substantially different cash flows, derecognition does not occur. Based on the change in the discounted cash flows using the original effective interest rate, the Bank recognizes a gain or loss arising from the modification, to the extent that such amount has not previously been recognized through an impairment loss.

When the modification of the terms of an existing financial asset is not considered substantial and therefore does not result in derecognition, the amortized cost of the financial asset is recalculated by computing the present value of the estimated future contractual cash flows, discounted using the original effective interest rate of the financial asset. Any resulting difference is recognized immediately in profit or loss.

Derecognition Due to Substantial Modification of Terms and Conditions: The Bank derecognizes a financial asset, such as a loan granted to a customer, when the renegotiation of the terms and conditions is substantial to the extent that, in substance, the loan is considered a new loan. Any resulting difference is recognized as a derecognition gain or loss, to the extent that an impairment loss has not previously been recognized.

Loans newly recognized as a result of such derecognition are classified as Stage 1 for the purposes of measuring expected credit losses, unless the new loan is considered a purchased or originated credit-impaired asset.

Lease Contracts

The Bank assesses at contract date whether it is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration paid.

The Bank applies a unified recognition and measurement methodology for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities of lease payments and right-of-use assets representing the right to use the underlying assets.

Operating lease payments are recognized as an expense on a straight-line basis over the useful life of the lease.

Right of use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank's exercising the option to terminate as per the lease contract.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Government grants

The Bank recognizes the government grant revenue if there is a reasonable assurance that it will be received, and the Bank will comply with the conditions associated with the grant. Government loan interest is considered as lower than market interest rate as a government income grant. The loan that carries a lower than market interest rate is recorded and measured in accordance with IFRS (9) 'Financial Instruments'. The interest income earned on this loan is measured by calculating the difference between the initial carrying amount of the loan in accordance with IFRS (9) and the amounts received. Grant revenue is calculated in accordance with IAS (20) "Accounting for Government Grants and Disclosures related to them." Government grant revenue is recognized in the consolidated income statement on a regular basis over the periods in which the Bank establishes the losses that the grant aims to compensate. Grant income is recognized only when the ultimate beneficiary is the Bank. If the final beneficiary is a third party and not the Bank, then the cash received from donors is recorded as liabilities when it exceeds the sums transferred to the beneficiaries, while it is recorded as due from donors when it is less than what was transferred to the beneficiaries.

Fair value measurement

The Bank measures some of its financial instruments, and non-financial assets such as investment properties, at fair value at the consolidated financial statements 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 aim to achieve economic benefits.

The Bank uses valuation techniques that are appropriate in the circumstances that provide sufficient information to measure fair value, by maximizing the use of relevant observable data and minimizing the use of unobservable data.

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: Using market prices for similar financial instruments in active markets.

Level 2: Using valuation techniques other than market prices which is directly or indirectly observable.

Level 3: Using valuation techniques that is not based on observable market data.

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.

Certified external appraisers participate in the valuation of material assets. After discussions with the appraisers, the Bank selects the methods and inputs to be used for the valuation in each case.

For the purpose of disclosing the fair value, the Bank has determined classes of assets on the basis of the nature, characteristics, risks and the level of fair value of the asset or liability.

Perpetual bond

A perpetual bond is a subordinated bond that is not backed by a guarantee and is classified as an equity item in accordance with International Accounting Standard IAS (32): Financial Instruments - Presentation. Interest payments related to these bonds may be canceled (in whole or in part) in accordance with the Bank's decision on the basis that the interest is not accumulating. Any cancellation will not be considered a delay in payment. Interest payments are treated as a reduction in equity and appear among other changes in the statement of changes in equity. These bonds do not have a maturity date and can be called (in whole or in part) at the nominal value according to the Bank's choice on the call date and on each interest payment date thereafter. These bonds appear at the original issued value and no amendments are made to them unless they are called in whole or in part, in which case they are reduced by the value of the amounts paid.

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 consolidated 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 the associate's results is recorded in the consolidated income statement. Unrealized gains and losses resulting from transactions between the Bank and its associate are eliminated to the extent of its interest 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 and their carrying value, then recognizes the difference in the consolidated income statement.

In the event that the Bank loses influence over the associate, it shows the remaining investment at fair value. Any differences between the book value of the associate and the fair value of the remaining investment and the proceeds from the sale at the date of loss of effective influence are recorded in the consolidated income statement.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investment in joint ventures is accounted for using the equity method. Under the equity method, investments in joint ventures appear in the consolidated statement of financial position at cost plus the subsequent changes in the Bank's share in the joint ventures net assets. Goodwill resulting from the purchase of joint ventures is recorded as part of the carrying value of the investment and is neither amortized nor individually tested for impairment.

The Bank's share in the operations of the joint ventures is recorded in the consolidated income statement. Unrealised profits and losses resulting from transactions between the Bank and the joint ventures are eliminated to the extent of the Bank's share in the joint ventures.

The financial statements for the joint ventures are prepared for the same reporting period as the Bank, using consistent accounting policies for transactions of similar nature. At the date of the consolidated financial statements, the Bank determines whether there is objective evidence indicating impairment in the value of the joint ventures. If such evidence exists, the Bank measures the impairment by deducting the carrying value of the investment from the expected recoverable amount and recognizes the difference in the consolidated income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost after deducting the accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes the cost incurred to replace any component of property, plant and equipment and financing expenses for long-term construction projects if the recognition conditions are met. All other expenditures are recognized in the consolidated income statement when incurred. Land is not depreciated. Depreciation is calculated using the straight-line method according to the expected useful life as follows:

	Useful life (Years)
Buildings and real estate	50
Furniture and equipment	6 - 17
Computers	5 - 10
Leasehold improvements	5
Vehicles	7 - 10

An item of property, plant and equipment and any significant parts thereof are derecognized upon disposal or when no future economic benefit is expected from the item's use or disposal. Any gain or loss on writing off the item, which is the difference between the proceeds from disposal and the net book value of the item, is recognized in the consolidated statement of income.

The residual values of items of property, plant and equipment, useful lives and methods of depreciation are reviewed each fiscal year and adjusted subsequently, if necessary.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost represents the total fair value of the consideration paid on the date of acquisition and the value of the non-controlling interests in the acquire. At any business combination, the Bank assesses the non-controlling interests' share of the acquired at fair value. Acquisition costs are recognized in the consolidated income statement.

Upon acquisition, the Bank evaluates and classifies the financial assets and liabilities of the acquired in accordance with the contractual terms and economic conditions at the date of acquisition.

In the case of a business combination as a result of the gradual acquisition, the investment previously classified as the acquired is measured at fair value on the date of acquisition. The difference between the fair value and the carrying amount of an investment previously recognized is recognized in the consolidated income statement.

Goodwill arising from the acquisition of subsidiaries is recognized at cost, which represents the increase in the consideration transferred from the Bank's share of net assets and liabilities acquired from the subsidiary. If the consideration is less than the fair value of the net assets of the subsidiary, the difference is recognized as gain in the consolidated income statement.

Subsequent to initial recognition, goodwill is recognized at cost less any accumulated impairment losses. For the purpose of carrying out a study on impairment of goodwill, goodwill is allocated at the acquisition date to the units or Bank of units generating cash and expected to benefit from the consolidation process, regardless of whether the other assets and liabilities of the Bank have been allocated to these units or not.

When an operating activity within a cash-generating unit is disposed of, the goodwill associated with the disposed operating activity is considered as part of the carrying amount of that activity to determine the amount of profit or loss. The amount of goodwill disposed of is determined according to the ratio of the carrying amount of the business disposed of to the net residual value of the cash-generating unit.

Investment properties

Properties held for rental, or for capital appreciation purposes, or both, are classified as investments properties, investments properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value and changes in fair value are recognized in the consolidated income statement.

Investment properties are derecognized when they are no longer in use and no future economic benefits are expected from their sale. The difference between the proceeds from the disposal of the asset and the book value is recorded in the consolidated income statement in the disposal period.

Transfers are made to or from investment properties only when there is a change in use. When transferring from investments properties to property, plant and equipment that is used by the Bank, the cost of the properties transferred for use is its book value on the date of transfer. If the property, plant and equipment is converted into investment properties, the Bank continues to use the accounting policies for property, plant and equipment until the date of the change in use.

Impairment of non-financial assets

The Bank assesses at the reporting date whether there is evidence that an asset is impaired. If there is any evidence, or when annual impairment testing is required, the Bank assesses the asset's recoverable amount. The asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or the Company's assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and reduced to its recoverable amount. In assessing the fair value in use, the future cash flows are discounted to their present fair value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into consideration if they are available. If it is not possible to identify such transactions, the evaluation form is used.

Intangible Assets

A- Goodwill

- Goodwill is recorded at cost, and represents the excess amount paid to acquire or purchase the investment in an associate or a subsidiary on the date of the transaction over the fair value of the net assets of the associate or subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is recorded as a separate item as part of intangible assets, subsequently, the cost of goodwill is reduced by any impairment in the investment value.
- Goodwill is distributed over the cash generating units for the purpose of testing the impairment in its value.
- The value of goodwill is tested for impairment on the date of the consolidated financial statements. Goodwill value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating units is less than book value. The decline in the values is recorded in the consolidated income statement as impairment loss.

B- Other intangible assets

- Intangible assets that are acquired through a merger are recorded at their fair value at the date of acquisition. Intangible assets that are acquired through a method other than the merger are recorded at cost.
- Intangible assets are classified on the basis of an estimate of their useful life for a definite period or an indefinite period. Intangible assets that have a finite life are amortized during this life and the amortization is recorded in the consolidated income statement. As for intangible assets with an indefinite life, the impairment is reviewed at the date of the consolidated financial statements, and any impairment in their value is recorded in the consolidated income statement.

Intangible assets resulting from the Banks operations are not capitalized. They are rather recorded in the consolidated income statement in the same period.

Any indications of impairment in the value of intangible assets as at the date of the consolidated financial statements are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.

Intangible assets with a finite life are recorded at cost less annual amortization. Intangible assets include computer software. These assets are amortized using the straight-line method over the useful life using rates estimated by the Bank and range from five to ten years.

Financial derivatives

Derivative financial instruments (such as foreign currencies forward deals, future interest contracts, swap contracts, foreign exchange options rights) are recognized in the consolidated statement of financial position at fair value.

Derivatives held for hedging purposes

Hedging of net investment in foreign units: If the hedging conditions apply to the net investment in foreign units, the profits or losses resulting from the change in the fair value of the hedging instrument are recorded within the items of other comprehensive income, and are transferred to the consolidated income statement when the investment in the foreign unit is sold.

Hedges for which the conditions for effective hedging do not apply to the gains or losses arising from the change in the fair value of the hedging instrument are recorded in the consolidated income statement.

Assets obtained by the Bank by calling on collateral

Assets obtained by the Bank by calling on collateral are stated under "Other assets" at the carrying value of the Bank or fair value of the assets (whichever is lower).

These assets are revaluated individually at the date of the consolidated financial statements at fair value (after deducting sales cost). Any impairment is recorded in the consolidated income statement as a loss. Subsequently, the gain resulted from the appreciation of the assets value is recorded in the consolidated income statement to the extent of the impairment loss previously recorded.

Projects in progress

The projects in progress represent the costs of establishing, finishing, expanding and improving the Bank new branches and other projects that have not ended up to the date of the consolidated financial statements. Upon completion of the execution of each project it will be transferred to property, plant and equipment or intangible assets. A decrease in the carrying amount of projects in progress is recorded when there is evidence that the carrying amount of the projects cannot be recovered. If such indicators exist, the carrying amount of the projects is reduced to the recoverable amount.

Offsetting

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

Capital cost of issuing or buying the Bank's shares

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 income statement.

Assets managed on behalf of customers

These represent the accounts managed by the Bank on behalf of its customers, but do not represent part of the Bank's assets. The fees and commissions on managing these accounts are taken to the consolidated income statement. Moreover, a provision is taken for the decline in the value of capital-guaranteed portfolios managed on behalf of its customers.

Provisions

Provisions are recognized when the Bank has an 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 provision

The Bank provides for income tax in accordance with IAS (12) and Palestinian Income Tax Law. IAS (12) requires recognizing the temporary differences, at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, as deferred tax assets or liabilities. Deferred tax is provided on temporary differences at the consolidated statement of financial position between the tax bases of assets and the liabilities and their carrying amounts for financial reporting purposes. The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income tax expense represents the accrued income tax, which is calculated based on the Bank's taxable income. Taxable income may differ from accounting income as the later includes non-taxable revenues or non-deductible expenses, such income/expense might be taxable/deductible in the following years.

Deferred tax assets and deferred tax liabilities are offset and the net amount is shown in the consolidated financial statements only when binding legal rights are available, as well as when they are settled on the basis of an offset, or the assets are realized and the liabilities are settled at the same time.

Provision for end of service indemnity

Allocating employees' end of service indemnity is made in accordance with the applicable labor law in Palestine and the Bank's personnel affairs system. The Bank prepares an actuarial study to ensure the consistency of the provisions made with the requirements of IAS (19).

Foreign currencies

The consolidated financial statements of the Bank are presented in US Dollars, which is the Bank's base currency. Affiliates determine their base currencies. Items in the financial statements of subsidiaries are measured using the subsidiaries' base currency. Transactions in currencies other than US dollars during the year are converted into US dollars according to the exchange rates as on the date of the transaction. Monetary assets and liabilities and those receivable or payable in other currencies at the end of the year are translated into US dollars at the exchange rates as at the date of the consolidated financial statements. Transfer differences from profit or loss are shown in the consolidated income statement.

Earnings per share

The basic earnings per share is calculated by dividing the profit for the year attributable to Equity holders of the Bank by the weighted average number of ordinary shares during the year.

The diluted earnings per share is calculated by dividing the profit for the year attributable to Equity holders of the Bank by the weighted average of the number of ordinary shares during the year plus the weighted rate of the number of ordinary shares that would have been issued if the convertible shares were converted into ordinary shares (after the treasury shares were deducted).

Dividends

The Bank recognizes liabilities in exchange for the cash dividends approved by the Bank's shareholders at the general assembly meeting, and this amount is recognized in the consolidated statement of changes in equity.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with PMA, balances with Banks and financial institutions, less balances with Banks and financial institutions maturing after three months and Banks and financial institutions' deposits and statutory cash reserve.

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 an economic environment exposed to risks and returns different from those of other segments working in other economic environments.

Use of estimates

The preparation of consolidated financial statements and the application of accounting policies require management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and the disclosure of the consolidated financial statements. Due to the use of these estimates and assumptions, actual results may differ from estimates and may require an adjustment to the carrying amounts of future assets or liabilities. The Bank's management is responsible to set, apply and assess the estimates and assumptions.

Other disclosures that indicate the Bank's exposure to risks include the following clarifications:

- Risk management (note 49)
- Capital management (note 51)

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

Impairment of goodwill

The determination of impairment of goodwill is based on an estimation of the value in use of the cash-generating units over which goodwill has been distributed. This requires estimating the future cash flows from the cash-generating units and choosing the proper discount rates to calculate the present value of those future cash flows.

Useful lives of tangible and intangible assets

The management periodically re-estimates the useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization, depending on the general condition of those assets and estimates of the expected useful lives in the future. The impairment loss (if any) is recorded in the consolidated income statement.

Provisions for other financial assets

Provisions on other financial assets are calculated according to management's best estimates so that their value is determined reasonably and objectively.

Legal case provision

The legal cases brought against the Bank are allocated to meet any legal liabilities based on the opinion of the Bank's legal advisor.

Provision for employees' benefits

The Bank management uses certain estimates and assumptions to determine the amount of employee benefits. Management believes that these estimates and assumptions are reasonable. Employees benefits expense for the year was charged in accordance with the Palestinian Labor Law and in line with international accounting standards.

Provision for income tax

The Bank's management uses certain estimates in determining the provision for income tax. The Bank's management believes that the estimates and assumptions used are reasonable. Income tax expense for the year is charged in accordance with the laws and regulation of the region at which the Bank operates, and in line with international accounting standards.

The deferred tax assets are calculated on the stage one and two expected credit losses balances related to direct credit facilities in addition to end-of-service provision balance, while the deferred tax liabilities are calculated on the gains from the revaluation of investment properties. These deferred taxes were recorded due to the presence of temporary time differences as at the date of the consolidated statement of financial position. Deferred taxes are recognized to the extent that it is probable that taxable profit will be available against which they can be utilized. This requires significant management judgment to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable earnings, along with future tax planning strategies.

The Bank used the expected value method to calculate the tax base for deferred tax assets, which represents the sum of the weighted amounts of several possibilities within the range of a number of possible outcomes, because this method helps better in the case of uncertainty if there is a group of possible outcomes that are neither binary nor concentrated in one value. Therefore, deferred tax assets were not fully recognized. Had the Bank recognized all unrecognized deferred tax assets, the Bank's profits and equity would be increased by U.S. \$7 million.

Fair Value of financial instruments

The determination of the ECL provision for credit facilities requires the Bank's management to make assumptions and judgments to estimate the amounts and timing of future cash flows, as well as to estimate any significant increase in the credit risk of financial assets after initial recognition, and to consider future measurement information for ECL.

Impairment of non-financial assets

Impairment is achieved when the carrying value of an asset or cash-generating unit exceeds its recoverable amount. The expected recoverable amount represents the fair value after deducting selling expenses or value in use, whichever is higher.

Determine the lease term for contracts with renewal and termination options

The Bank defines the term of the lease as the non-cancellable 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.

Investment properties

The management depends on the assumptions of accredited and licensed appraisers for the valuation of investment properties.

Provision for expected credit losses (ECL)

The provision for ECL is reviewed in accordance with the principles established by PMA and IFRS (9). The determination of provision for ECL expected from management requires judgments and judgments to be made to estimate the amounts and timing of future cash flows, as well as to estimate any significant increase in the credit risk of financial assets after initial recognition, taking into consideration future measurement information for ECL.

The Bank has calculated the provision for ECL for financial assets in accordance with international reporting standards and is consistent with the instructions of the PMA.

The Bank's policy of identifying the common elements to measure credit risk and ECL on an individual basis is based on:

- Retail portfolio: individual basis at facility/ country level (overdraft, overdrawn, and loans).
- Corporate portfolio: individual basis at facility /customer level.
- Deposits at Financial Institutions and PMA: individual basis at facility / Bank level.
- Debt instruments measured at amortized cost (bonds): individual basis at instrument level.

Going concern principle

These consolidated 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 to continue the operations in the current business environment and economic conditions as indicated in note (55), noting that the majority of the Bank's business, revenues and cash flows are achieved in the West Bank.

Climate-related matters

The Bank considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Bank due to both physical and transition risks. Even though the Bank believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Bank is closely monitoring relevant changes and developments, The items and considerations most directly affected by climate matters include the useful life of property, plant and equipment, impairment of non-financial assets, expected credit losses, fair value measurement, among others.

Inputs, assumptions and techniques used for ECL calculation - IFRS (9) methodology (financial instruments)

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

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

An assessment is made of whether there has been a significant increase in credit risk since the date of its inception, as the Bank compares the risk of default for the expected life of the financial instrument at the end of each financial period with the risk of default at the origin of the financial instrument using the main concepts of risk management processes available to the Bank.

The significant increase in credit risk is assessed once every three months and separately for each credit risk exposure and based on three factors. If one of these factors indicates a significant increase in credit risk, the financial instrument is reclassified from stage one to stage two:

- Limits are set to measure the significant increase in credit risk based on the change in the risk of default for the financial instrument compared to its inception date.
- IFRS 9 (Financial Instruments) includes a presumption of a significant increase in the credit risk of financial instruments that have been defaulted and matured for more than 30 days. In this regard, the Bank has adopted a 30-days period.
- The Bank assumes a significant increase in financial instruments that have been defaulted and matured for 30 days during the previous measurement period.
- The Bank classifies the customers that the management deems to put them under surveillance within the second stage as an indicator of the significant increase in credit risk.
- Any schedules or adjustments made to clients' accounts during the evaluation period are taken into consideration as an indicator of the significant increase in credit risk.
- The Bank assumes a significant increase for customers whose economic sectors are deemed by management to be recognized as high risk.
- The Bank assumes a significant increase for customers who are reported to the Bank by regulatory and governmental authorities as having high risks.
- The Bank assumes a significant increase for customers who violate the terms of granting debt.
- Corporate clients whose cash flows with a Bank have decreased and the efficiency of their existing projects has decreased.
- Two degrees lower in the credit rating of financial assets.
- The Bank examines the concept of the material increase related to the assumed 30-days period if the Bank has reasonable and supported information without incurring unnecessary costs or efforts that show that the credit risk has not increased significantly since the initial recognition.
- Non-performing credit facilities for government employees in Gaza Strip and West Bank.

The change between stage two and stage three depends on whether the financial instruments are defaulted as at the end of the financial period. The method for determining the default of financial instruments in accordance with IFRS (9) is similar to the method for determining the occurrence of default for financial assets in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). As shown in the definition of default below.

- **Macroeconomic factors, forward looking information**

Historical information and current conditions, in addition to expected future events, according to reliable information, must be taken into consideration when measuring expected credit losses for each stage. Measuring and applying expected future information requires the Bank's management to make substantial judgments based on cooperation with international bodies with expertise in this field.

The probability of default, the assumed default loss, the effect on default, and the inputs used in the first and second stage of the ECL provision are designed based on variable economic factors (or change in macroeconomic factors) that are directly related to the credit risk of the portfolio.

Each of the macroeconomic scenarios used in calculating the expected credit loss is associated with variable macroeconomic factors. The estimates were used in calculating the expected credit losses for stage 1 and stage 2 using discounted weighted scenarios, which include future macroeconomic information for later years.

The baseline scenario is based on macroeconomic forecasts (eg. GDP and unemployment rates). The ups and downs of economic factors are prepared on the basis of possible alternative economic conditions.

- **Definition of default**

The definition of default used in measuring expected credit losses and used in assessing the change between stages is consistent with the definition of default used by the internal credit risk department of the Bank. The default is not defined by the standard, and there is a rebuttable assumption that the payment has been stopped for a period of 90 days or more, in addition to some other qualitative factors such as the customer facing financial difficulties, Bankruptcy, death and others.

- **Expected Life**

When measuring expected credit losses, the Bank takes into consideration the maximum extent of the expected cash flows, which the Bank considers exposed to the risk of impairment. All contractual obligations for life expectancy are considered, including advance payment and extension options. The expected life of some of the revolving credit facilities that do not have a fixed repayment date is measured based on the period in which the Bank is exposed to credit risks that the management cannot avoid.

- **IFRS (9) governance**

To ensure compliance with the requirements of the application of the standard and to ensure the progress of the application, a special steering committee has been established consisting of risk management director, credit department director, the Bank's financial director, in addition to information systems department director. The committee takes the necessary decisions regarding the implementation mechanisms, ensures that the general policies, work procedures, and systems are updated in line with the requirements of the standard, and presents the results of calculating expected credit losses based on the standard to senior management and to the board of directors through its committees.

4. Material partially owned subsidiaries

The financial information of subsidiaries that are not fully owned and have material non-controlling interest are as follow:

Proportionate of equity interest held by non-controlling interests:

Company	Country of incorporation and operation	2025	2024
		%	%
Arab Islamic Bank	Palestine	47.94	47.94
PalPay	Palestine	15	15

Balances of non-controlling interests of the material subsidiaries:

	2025	2024
	U.S. \$	U.S. \$
Arab Islamic Bank	70,664,316	66,891,376
PalPay	432,512	132,401
	<u>71,096,828</u>	<u>67,023,777</u>

Profit/(Loss) allocated to non-controlling interest of the material subsidiaries:

	2025	2024
	U.S. \$	U.S. \$
Arab Islamic Bank	3,290,843	1,112,462
PalPay	352,611	(121,961)
	<u>3,643,454</u>	<u>990,501</u>
Share of non-controlling interest in comprehensive income items	482,097	178,892
	<u>4,125,551</u>	<u>1,169,393</u>

A summary of subsidiaries' financial information before eliminating all intra-Bank balances and transaction are as follow:

Summarized statement of financial position information as at December 31, 2025:

	Arab Islamic Bank	PalPay
	U.S. \$	U.S. \$
Total assets	1,941,959,899	148,864,665
Total liabilities	(1,792,094,540)	(138,965,284)
Total equity	<u>149,865,359</u>	<u>9,899,381</u>
Attributable to:		
Bank's shareholders	79,201,043	9,466,869
Non-controlling interests	70,664,316	432,512
	<u>149,865,359</u>	<u>9,899,381</u>

Summarized statement of financial position information as at December 31, 2024:

	Arab Islamic Bank	PalPay
	U.S. \$	U.S. \$
Total assets	1,708,402,875	37,771,210
Total liabilities	(1,565,508,906)	(34,230,788)
Total equity	<u>142,893,969</u>	<u>3,540,422</u>
Attributable to:		
Bank's shareholders	76,002,593	3,408,021
Non-controlling interests	66,891,376	132,401
	<u>142,893,969</u>	<u>3,540,422</u>

Summarized income statement information for the year ended December 31, 2025:

	Arab Islamic Bank	PalPay
	U.S. \$	U.S. \$
Revenues	88,859,025	19,196,416
General and administrative expenses	(49,662,112)	(10,965,375)
Depreciation and amortization	(4,624,858)	(304,714)
Provision for expected credit losses on investments, facilities, and indirect credit financing, net	(28,095,609)	-
Other revenues	1,615,504	229,961
Profit before tax	8,091,950	8,156,288
Income tax expense	(2,709,722)	(1,380,174)
Profit for the year	5,382,228	6,776,114
Other comprehensive income items for the year	1,589,162	-
Total comprehensive income for the year	<u>6,971,390</u>	<u>6,776,114</u>

Summarized income statement information for the year ended December 31, 2024:

	Arab Islamic Bank	PalPay
	U.S. \$	U.S. \$
Revenues	83,699,205	11,780,122
General and administrative expenses	(49,048,063)	(11,065,373)
Depreciation and amortization	(4,710,122)	(251,640)
Provision for expected credit losses on investments, facilities, and indirect credit financing, net	(32,179,868)	-
Other revenues	1,313,955	-
(Loss) Profit before tax	(924,893)	463,109
Income tax recovery (expense)	2,046,629	(72,000)
Profit for the year	1,121,736	391,109
Other comprehensive income items for the year	768,335	-
Total comprehensive income for the year	<u>1,890,071</u>	<u>391,109</u>

Summarized statement of cash flows information for the year ended December 31, 2025:

	Arab Islamic Bank	PalPay
	U.S. \$	U.S. \$
Operating activities	72,583,899	110,641,743
Investing activities	31,787,925	(548,709)
Financing activities	55,123,030	(88,135)
Increase in cash and cash equivalents	<u>159,494,854</u>	<u>110,004,899</u>

Summarized statement of cash flows information for the year ended December 31, 2024:

	Arab Islamic Bank	PalPay
	U.S. \$	U.S. \$
Operating activities	(26,176,940)	30,215,914
Investing activities	2,625,794	(185,240)
Financing activities	16,177,600	(37,918)
(Decrease) Increase in cash and cash equivalents	<u>(7,373,546)</u>	<u>29,992,756</u>

5. Cash and balances with Palestine Monetary Authority

This item comprises the following:

	<u>2025</u>	<u>2024</u>
	U.S. \$	U.S. \$
Cash on hand *	3,231,725,119	1,590,121,769
Balances with Palestine Monetary Authority:		
Current and On-demand accounts	21,036,003	15,500,880
Swap deposits maturing within 3 months or less	21,720,733	-
Statutory cash reserve	843,441,660	632,351,357
	<u>4,117,923,515</u>	<u>2,237,974,006</u>
Less: provision for expected credit losses	<u>(2,002,626)</u>	<u>(1,902,144)</u>
	<u><u>4,115,920,889</u></u>	<u><u>2,236,071,862</u></u>

- * This item is presented net of incurred cash losses due to the war on Gaza for the Bank and the subsidiary (Arab Islamic Bank) amounted to approximately U.S. \$ 190 million as of December 31, 2025 and approximately U.S. \$ 170 million as of December 31, 2024. During the year, the subsidiary (Arab Islamic Bank) recorded U.S. \$ 3,270,491 as cash losses due to the war (note 41). Additionally, the Bank and its subsidiary recorded an amount of U.S. \$ 137,775,720 as cash losses due to the war in 2024.
- This item includes amounts held by The Palestinian Company for Money and Valuables Transfer (Aman) (Associate) related to ATM feeding for the Bank and the Arab Islamic Bank (a subsidiary) which amounted to U.S. \$ 22,759,050 and U.S. \$ 21,455,700 as at December 31, 2025 and December 31, 2024, respectively.
 - According to Monetary Authority's instructions No. (10) of 2022 regarding the statutory cash reserve, the Bank should maintain a restricted-withdrawal compulsory reserve balance with Monetary Authority at 9% of the deposits included in the mandatory cash 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 cash reserve with Monetary Authority, with the exception of the settlement reserve, which the Bank is allowed to exploit in accordance with the instructions in force. In accordance with Instruction No. (2) for the year 2012, the outstanding balance for facilities granted in the city of Jerusalem for certain sectors is reduced before calculating the mandatory cash reserve.
 - The Palestine Monetary Authority does not pay any interest on the balances of the statutory cash reserve, current accounts and on-demand accounts.
 - As disclosed in note (49), the Palestinian banking sector, including the Bank and the subsidiary (Arab Islamic Bank), faces operational difficulties due to the accumulation of significant cash balances in Israeli Shekel (ILS). The net cash balance held in ILS amounted to the equivalent of U.S. \$ 2.9 billion as of December 31, 2025 (2024: U.S. \$ 1.5 billion), which represents 90.63% (2024: 93.75%) of the Bank's net cash on hand.

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

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	647,852,237	-	-	647,852,237
Net change during the year	238,346,159	-	-	238,346,159
Balance, end of the year	<u>886,198,396</u>	<u>-</u>	<u>-</u>	<u>886,198,396</u>

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	596,054,804	-	-	596,054,804
Net change during the year	51,797,433	-	-	51,797,433
Balance, end of the year	<u>647,852,237</u>	<u>-</u>	<u>-</u>	<u>647,852,237</u>

The movement on provision for expected credit losses on balances at Palestine Monetary Authority is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	1,902,144	-	-	1,902,144
Net re-measurement of expected credit losses	100,482	-	-	100,482
Balance, end of the year	<u>2,002,626</u>	<u>-</u>	<u>-</u>	<u>2,002,626</u>

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	2,007,282	-	-	2,007,282
Net re-measurement of expected credit losses	(105,138)	-	-	(105,138)
Balance, end of the year	<u>1,902,144</u>	<u>-</u>	<u>-</u>	<u>1,902,144</u>

6. Balances, deposits and investments at Banks and financial institutions

This item comprises the following:

	2025	2024
	U.S. \$	U.S. \$
Local Banks and financial institutions:		
Current accounts	22,209,772	1,330,804
Deposits maturing within 3 months or less	17,406,840	75,437,468
Deposits maturing after 3 months	18,869,089	-
Swap deposits maturing within 3 months or less	4,605,360	2,935,214
	<u>63,091,061</u>	<u>79,703,486</u>
Foreign Banks and financial institutions:		
Current and on-demand accounts	199,798,000	175,268,771
Money Market funds	150,000,000	-
Deposits maturing within 3 months or less	822,709,721	1,013,749,918
Deposits maturing after 3 months	531,572,780	439,335,685
Swap deposits maturing within 3 months or less	-	6,000,000
	<u>1,704,080,501</u>	<u>1,634,354,374</u>
Investments at foreign Islamic Banks:		
Investments maturing within 3 months	1,799,873	1,815,255
Investments maturing after 3 months	6,000,000	6,000,000
	<u>7,799,873</u>	<u>7,815,255</u>
	1,774,971,435	1,721,873,115
Less: provision for expected credit losses	(2,034,973)	(2,159,252)
	<u><u>1,772,936,462</u></u>	<u><u>1,719,713,863</u></u>

Non-interest or profits bearing balances at banks and financial institutions as at December 31, 2025 and 2024 amounted to U.S. \$ 226,613,132 and U.S. \$ 185,534,789, respectively.

Restricted balances at banks and financial institutions as at December 31, 2025 and 2024 amounted to U.S. \$ 87,867,749 and U.S. \$ 75,741,614, respectively.

The movement on the gross carrying amount of the balances at Banks and financial institutions, and investments with Islamic Banks is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	1,681,196,515	38,861,345	1,815,255	1,721,873,115
Net change during the year	52,123,188	990,517	(15,385)	53,098,320
Balance, end of the year	<u><u>1,733,319,703</u></u>	<u><u>39,851,862</u></u>	<u><u>1,799,870</u></u>	<u><u>1,774,971,435</u></u>
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	968,927,354	36,710,934	2,689,727	1,008,328,015
Net change during the year	712,269,161	2,150,411	(74,472)	714,345,100
Write off	-	-	(800,000)	(800,000)
Balance, end of the year	<u><u>1,681,196,515</u></u>	<u><u>38,861,345</u></u>	<u><u>1,815,255</u></u>	<u><u>1,721,873,115</u></u>

The movement on provision for expected credit losses on balances at Banks and financial institutions, and investments with Islamic Banks is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	338,559	5,438	1,815,255	2,159,252
Net re-measurement of expected credit losses	(126,710)	17,816	(15,385)	(124,279)
Balance, end of the year	<u>211,849</u>	<u>23,254</u>	<u>1,799,870</u>	<u>2,034,973</u>

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	411,368	19,210	2,689,727	3,120,305
Net re-measurement of expected credit losses	(72,809)	(13,772)	(74,472)	(161,053)
Disposals	-	-	(800,000)	(800,000)
Balance, end of the year	<u>338,559</u>	<u>5,438</u>	<u>1,815,255</u>	<u>2,159,252</u>

7. Financial assets at fair value through profit or loss

This item represents the following:

	2025	2024
	U.S. \$	U.S. \$
Shares quoted in Palestine securities exchange	513,012	484,643
Shares quoted in Foreign Financial Markets	1,400,314	1,257,005
Investments in financial portfolio	1,720,923	1,510,371
Unquoted shares	2,193,781	2,193,781
	<u>5,828,030</u>	<u>5,445,800</u>

The Bank recognized gains from the sale of financial assets at fair value through profit or loss amounting to U.S. \$ 1,459,322 as of December 31, 2025, compared to gains from the sale of financial assets at fair value through profit or loss amounting to U.S. \$ 138,160 as of December 31, 2024 (note 36).

The Bank recognized gains (losses) from revaluation of the financial assets at fair value through profit or loss amounting to U.S. \$ 297,361 as of December 31, 2025, compared to losses from revaluation of U.S. \$ 539,392 as at December 31, 2024 (note 36).

The Bank recognized cash dividends from financial assets at fair value through profit or loss amounting to U.S. \$ 78,540 as at December 31, 2025, compared to U.S. \$ 166,038 as at December 31, 2024 (note 36).

8. Direct credit facilities and Islamic financing, net

This item comprises the following:

	<u>2025</u>	<u>2024</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Retail</u>		
Loans*	929,047,630	891,368,665
Overdraft accounts	50,606,686	60,473,772
Credit cards	20,681,451	20,357,264
Current overdrafts	7,561,703	15,644,048
Islamic financing	317,906,733	294,730,693
<u>Large corporate and local regulators</u>		
Loans *	554,185,107	573,219,221
Overdraft accounts	115,216,012	116,926,265
Credit cards	362,061	335,690
Current overdrafts	1,624,396	3,049,210
Islamic financing	611,809,556	587,989,238
<u>Small and medium enterprises</u>		
Loans *	446,392,783	421,615,069
Overdraft accounts	89,768,568	91,419,005
Credit cards	7,253,049	6,192,084
Current overdrafts	4,718,098	4,559,725
Islamic financing	113,426,266	116,330,665
<u>Palestine National Authority</u>		
Loans *	714,640,793	459,147,764
Overdraft accounts and current overdrafts	316,052,203	358,083,183
Islamic financing	163,746,638	167,145,377
	<u>4,464,999,733</u>	<u>4,188,586,938</u>
Suspended interests, commissions and profits	(35,618,131)	(21,917,849)
Provision for expected credit losses	(417,348,775)	(324,028,640)
	<u>4,012,032,827</u>	<u>3,842,640,449</u>

A summary of the movement on suspended interests, commissions and profits during the year is as follows:

	<u>2025</u>	<u>2024</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the year	21,917,849	17,891,796
Suspended interests and profits during the year	22,810,684	11,387,708
Suspended interests and profits transferred to revenues during the year	(2,698,198)	(3,210,242)
Suspended interest and profits related to credit facilities and Islamic financing being default for more than 6 years and transfers to off-balance sheet	(6,083,236)	(4,028,966)
Suspended interests and profits written off	(350,503)	(190,771)
Currency variance	21,535	68,324
Balance, end of the year	<u>35,618,131</u>	<u>21,917,849</u>

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

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	2,176,534,174	1,782,134,711	229,918,053	4,188,586,938
Net change during the year	352,784,164	(17,628,783)	25,901,229	361,056,610
Transfers to stage (1)	179,715,294	(177,239,633)	(2,475,661)	-
Transfers to stage (2)	(846,713,631)	861,438,855	(14,725,224)	-
Transfers to stage (3)	(5,868,159)	(151,111,774)	156,979,933	-
Modifications on assets	-	(37,215,221)	-	(37,215,221)
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years and transfers to off-balance sheet	-	-	(45,696,347)	(45,696,347)
Facilities and Islamic financing written off	-	-	(1,732,247)	(1,732,247)
Balance, end of the year	<u>1,856,451,842</u>	<u>2,260,378,155</u>	<u>348,169,736</u>	<u>4,464,999,733</u>
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	2,373,341,890	1,516,645,740	231,626,661	4,121,614,291
Net change during the year	206,392,621	(103,911,647)	652,636	103,133,610
Transfers to stage (1)	91,708,549	(88,812,194)	(2,896,355)	-
Transfers to stage (2)	(479,209,424)	488,921,708	(9,712,284)	-
Transfers to stage (3)	(15,699,462)	(30,708,896)	46,408,358	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(34,793,470)	(34,793,470)
Facilities and Islamic financing written off	-	-	(1,367,493)	(1,367,493)
Balance, end of the year	<u>2,176,534,174</u>	<u>1,782,134,711</u>	<u>229,918,053</u>	<u>4,188,586,938</u>

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

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	21,950,446	170,743,131	131,335,063	324,028,640
Transfers to stage (1)	4,176,389	(3,173,531)	(1,002,858)	-
Transfers to stage (2)	(10,530,686)	15,585,048	(5,054,362)	-
Transfers to stage (3)	(23,160)	(81,506,454)	81,529,614	-
Net re-measurement of expected credit losses	(960,675)	84,293,466	40,415,107	123,747,898
Excluding defaulted direct credit facilities and Islamic financing provisions for more than 6 years and transfers to off-balance sheet	-	-	(39,613,111)	(39,613,111)
Recovery of written off facilities	-	-	70,879	70,879
Facilities and Islamic financing written off	-	-	(1,381,744)	(1,381,744)
Foreign currency exchange differences	2,316,103	3,944,914	4,235,196	10,496,213
Balance, end of the year	16,928,417	189,886,574	210,533,784	417,348,775
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	21,752,069	112,690,907	130,271,292	264,714,268
Transfers to stage (1)	1,658,987	(708,695)	(950,292)	-
Transfers to stage (2)	(1,913,760)	4,989,106	(3,075,346)	-
Transfers to stage (3)	(75,118)	(460,513)	535,631	-
Net re-measurement of expected credit losses	60,299	53,828,762	35,191,848	89,080,909
Excluding defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(30,764,504)	(30,764,504)
Recovery of written off facilities	-	-	137,577	137,577
Facilities and Islamic financing written off	-	-	(1,176,722)	(1,176,722)
Foreign currency exchange differences	467,969	403,564	1,165,579	2,037,112
Balance, end of the year	21,950,446	170,743,131	131,335,063	324,028,640

A summary on the movement on gross carrying amount on direct credit facilities and Islamic financing for retail is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	320,687,625	893,902,359	67,984,458	1,282,574,442
Net change during the year	45,332,480	31,981,177	12,372,459	89,686,116
Transfers to stage (1)	22,747,442	(21,129,677)	(1,617,765)	-
Transfers to stage (2)	(40,688,469)	46,913,239	(6,224,770)	-
Transfers to stage (3)	(2,008,631)	(65,727,995)	67,736,626	-
Modifications on Assets Excluding defaulted direct credit facilities and Islamic financing for more than 6 years and transfers to off-balance sheet	-	(37,215,221)	-	(37,215,221)
Facilities and Islamic financing written off	-	-	(1,479,836)	(1,479,836)
Balance, end of the year	<u>346,070,447</u>	<u>848,723,882</u>	<u>131,009,874</u>	<u>1,325,804,203</u>
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	356,721,372	867,124,287	62,004,086	1,285,849,745
Net change during the year	11,368,640	(10,425,677)	941,037	1,884,000
Transfers to stage (1)	35,800,933	(33,479,331)	(2,321,602)	-
Transfers to stage (2)	(76,387,807)	83,338,117	(6,950,310)	-
Transfers to stage (3)	(6,815,513)	(12,655,037)	19,470,550	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(3,791,810)	(3,791,810)
Facilities and Islamic financing written off	-	-	(1,367,493)	(1,367,493)
Balance, end of the year	<u>320,687,625</u>	<u>893,902,359</u>	<u>67,984,458</u>	<u>1,282,574,442</u>

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

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	921,996	72,367,612	41,775,015	115,064,623
Transfers to stage (1)	1,166,179	(368,234)	(797,945)	-
Transfers to stage (2)	(221,544)	2,891,268	(2,669,724)	-
Transfers to stage (3)	(12,384)	(39,621,781)	39,634,165	-
Net re-measurement of expected credit losses	(195,861)	45,491,849	12,226,109	57,522,097
Excluding defaulted direct credit facilities and Islamic financing provisions for more than 6 years and transfers to off-balance sheet	-	-	(5,621,705)	(5,621,705)
Facilities and Islamic financing written off	-	-	(1,286,337)	(1,286,337)
Foreign currency exchange differences	736,368	2,883,468	1,324,644	4,944,480
Balance, end of the year	<u>2,394,754</u>	<u>83,644,182</u>	<u>84,584,222</u>	<u>170,623,158</u>
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	959,111	45,358,657	31,962,974	78,280,742
Transfers to stage (1)	714,954	(240,335)	(474,619)	-
Transfers to stage (2)	(374,910)	1,649,687	(1,274,777)	-
Transfers to stage (3)	(11,144)	(138,113)	149,257	-
Net re-measurement of expected credit losses	(506,484)	25,616,579	16,043,655	41,153,750
Excluding defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(3,791,810)	(3,791,810)
Facilities and Islamic financing written off	-	-	(1,167,165)	(1,167,165)
Foreign currency exchange differences	140,469	121,137	327,500	589,106
Balance, end of the year	<u>921,996</u>	<u>72,367,612</u>	<u>41,775,015</u>	<u>115,064,623</u>

A summary of the movement on gross carrying amount of direct credit facilities and Islamic financing for large corporate and local regulators is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	556,717,079	630,710,413	94,092,132	1,281,519,624
Net change during the year	64,427,172	(46,069,312)	12,380,770	30,738,630
Transfer to stage (1)	119,435,225	(118,753,708)	(681,517)	-
Transfer to stage (2)	(82,359,158)	88,039,009	(5,679,851)	-
Transfer to stage (3)	(1,894,718)	(43,633,447)	45,528,165	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years and transfers to off-balance sheet	-	-	(29,051,033)	(29,051,033)
Facilities and Islamic financing written off	-	-	(10,089)	(10,089)
Balance, end of the year	656,325,600	510,292,955	116,578,577	1,283,197,132
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	817,590,528	425,603,614	95,972,908	1,339,167,050
Net change during the year	47,158,169	(86,851,325)	6,772,673	(32,920,483)
Transfer to stage (1)	30,655,214	(30,254,479)	(400,735)	-
Transfer to stage (2)	(332,661,160)	333,648,104	(986,944)	-
Transfer to stage (3)	(6,025,672)	(11,435,501)	17,461,173	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(24,726,943)	(24,726,943)
Facilities and Islamic financing written off	-	-	-	-
Balance, end of the year	556,717,079	630,710,413	94,092,132	1,281,519,624

A summary of the movement on provision for expected credit losses on direct credit facilities and Islamic financing for large corporate and local regulators is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	3,415,853	61,487,289	54,334,590	119,237,732
Transfer to stage (1)	2,351,600	(2,216,705)	(134,895)	-
Transfer to stage (2)	(476,677)	1,980,931	(1,504,254)	-
Transfer to stage (3)	(5,996)	(22,910,776)	22,916,772	-
Net re-measurement of expected credit losses	(1,633,001)	(4,664,028)	19,904,049	13,607,020
Excluding defaulted direct credit facilities and Islamic financing provisions for more than 6 years and transfers to off-balance sheet	-	-	(26,657,491)	(26,657,491)
Recovery of written off facilities	-	-	70,879	70,879
Facilities and Islamic financing written off	-	-	(10,089)	(10,089)
Foreign currency exchange differences	20,117	750,954	1,281,448	2,052,519
Balance, end of the year	3,671,896	34,427,665	70,201,009	108,300,570
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	1,857,280	44,602,176	61,892,823	108,352,279
Transfer to stage (1)	533,433	(256,659)	(276,774)	-
Transfer to stage (2)	(1,025,700)	2,040,626	(1,014,926)	-
Transfer to stage (3)	(49,221)	(175,639)	224,860	-
Net re-measurement of expected credit losses	1,913,409	15,115,821	13,559,309	30,588,539
Excluding defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(20,697,977)	(20,697,977)
Recovery of written off facilities	-	-	137,577	137,577
Foreign currency exchange differences	186,652	160,964	509,698	857,314
Balance, end of the year	3,415,853	61,487,289	54,334,590	119,237,732

A summary of the movement on gross carrying amount of direct credit facilities and Islamic financing for small and medium enterprises is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	314,753,146	257,521,939	67,841,463	640,116,548
Net change during the year	32,756,382	(3,335,828)	1,148,000	30,568,554
Transfer to stage (1)	37,532,627	(37,356,248)	(176,379)	-
Transfer to stage (2)	(65,926,406)	68,747,009	(2,820,603)	-
Transfer to stage (3)	(1,964,810)	(41,750,332)	43,715,142	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years and transfers to off-balance sheet	-	-	(8,884,016)	(8,884,016)
Facilities and Islamic financing written off	-	-	(242,322)	(242,322)
Balance, end of the year	317,150,939	243,826,540	100,581,285	661,558,764
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	413,538,164	223,917,839	73,649,667	711,105,670
Net change during the year	(51,018,686)	(6,634,645)	(7,061,074)	(64,714,405)
Transfer to stage (1)	25,252,402	(25,078,384)	(174,018)	-
Transfer to stage (2)	(70,160,457)	71,935,487	(1,775,030)	-
Transfer to stage (3)	(2,858,277)	(6,618,358)	9,476,635	-
Excluding defaulted direct credit facilities and Islamic financing for more than 6 years	-	-	(6,274,717)	(6,274,717)
Facilities and Islamic financing written off	-	-	-	-
Balance, end of the year	314,753,146	257,521,939	67,841,463	640,116,548

A summary of the movement on provision for expected credit losses on direct credit facilities and Islamic financing for small and medium enterprises is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	938,688	36,888,230	35,225,458	73,052,376
Transfer to stage (1)	658,610	(588,592)	(70,018)	-
Transfer to stage (2)	(284,600)	1,164,984	(880,384)	-
Transfer to stage (3)	(4,780)	(18,973,897)	18,978,677	-
Net re-measurement of expected credit losses	(218,135)	(686,090)	8,284,949	7,380,724
Excluding defaulted direct credit facilities and Islamic financing provisions for more than 6 years and transfers to off-balance sheet	-	-	(7,333,915)	(7,333,915)
Facilities and Islamic financing written off	-	-	(85,318)	(85,318)
Foreign currency exchange differences	17,306	310,492	1,629,104	1,956,902
Balance, end of the year	1,107,089	18,115,127	55,748,553	74,970,769
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	1,259,899	22,730,074	36,415,495	60,405,468
Transfer to stage (1)	410,600	(211,701)	(198,899)	-
Transfer to stage (2)	(513,150)	1,298,793	(785,643)	-
Transfer to stage (3)	(14,753)	(146,761)	161,514	-
Net re-measurement of expected credit losses	(344,756)	13,096,362	5,588,884	18,340,490
Excluding defaulted direct credit facilities and Islamic financing provisions for more than 6 years	-	-	(6,274,717)	(6,274,717)
Facilities and Islamic financing written off	-	-	(9,557)	(9,557)
Foreign currency exchange differences	140,848	121,463	328,381	590,692
Balance, end of the year	938,688	36,888,230	35,225,458	73,052,376

A summary of the movement on gross carrying amount of direct credit facilities and Islamic financing for Palestine National Authority is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	984,376,324	-	-	984,376,324
Net change during the year	210,063,310	-	-	210,063,310
Transfer to Stage (2)	(657,534,778)	657,534,778	-	-
Balance, end of the year	<u>536,904,856</u>	<u>657,534,778</u>	<u>-</u>	<u>1,194,439,634</u>

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	785,491,826	-	-	785,491,826
Net change during the year	198,884,498	-	-	198,884,498
Balance, end of the year	<u>984,376,324</u>	<u>-</u>	<u>-</u>	<u>984,376,324</u>

A summary of the movement on provision for expected credit losses on direct credit facilities and Islamic financing for Palestine National Authority is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	16,673,909	-	-	16,673,909
Expected credit losses during the year	1,086,322	44,151,735	-	45,238,057
Transfer to Stage (2)	(9,547,865)	9,547,865	-	-
Currency variance	1,542,312	-	-	1,542,312
Balance, end of the year	<u>9,754,678</u>	<u>53,699,600</u>	<u>-</u>	<u>63,454,278</u>

	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	17,675,779	-	-	17,675,779
Expected credit losses during the year	(1,001,870)	-	-	(1,001,870)
Balance, end of the year	<u>16,673,909</u>	<u>-</u>	<u>-</u>	<u>16,673,909</u>

A summary of the movement on the expected credit losses provision for direct credit facilities and Islamic financing that have been defaulted for more than 6 years and transfers to off-balance sheet is as follows:

	<u>2025</u>	<u>2024</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the year	73,274,039	43,948,455
Additions	39,613,111	30,764,504
Net recovery of provision for impairment of facilities and Islamic financing during the year	(4,063,722)	(1,419,498)
Provision written off	(725,826)	(19,422)
Currency variance	3,391,343	-
Balance, end of the year	<u>111,488,945</u>	<u>73,274,039</u>

* Loans are presented net of their related interest and commission received in advance which amounted to U.S. \$ 4,072,448 and U.S. \$ 4,346,606 as at December 31, 2025 and 2024, respectively. In addition, direct Islamic financing presented net of unearned profits amounted to U.S. \$ 114,036,051 and U.S. \$ 114,993,313 as at December 31, 2025 and 2024, respectively.

- Gross direct credit facilities and Islamic financing net of suspended interest, commissions and profits according to PMA regulations as at December 31, 2025 and 2024 amounted to U.S. \$ 705,088,896 and U.S. \$ 586,402,614 representing (15.92%) and (14.07%) of direct credit facilities and Islamic financing net of suspended interests, commissions and profits, respectively.
- Defaulted direct credit facilities and Islamic financing net of suspended interests, commissions and profits as at December 31, 2025 and 2024 amounted to U.S. \$ 312,551,605 and U.S. \$ 208,000,204 representing (7.06%) and (4.99%) of direct credit facilities and Islamic financing net of suspended interests, commissions and profits, respectively.
- According to PMA instructions No. (1/2008), defaulted credit facilities and Islamic financing for more than 6 years were excluded from the Bank's consolidated financial statements. The balance of provision and suspended interest and profits for the excluded credit facilities and Islamic financings amounted to U.S. \$ 139,884,715 and U.S. \$ 95,020,339 as at December 31, 2025 and 2024, respectively.
- Direct credit facilities and Islamic financing granted to Palestine National Authority as at December 31, 2025 and 2024 amounted to U.S. \$ 1,194,439,634 and U.S. \$ 984,376,324 representing (26.75%) and (23.50%) of gross direct credit facilities and Islamic financing, respectively.
- Direct credit facilities and Islamic financing guaranteed by Palestine National Authority as at December 31, 2025 and 2024 amounted to U.S. \$ 32,350,045 and U.S. \$ 10,983,997 representing (0.72%) and (0.26%) of gross direct credit facilities and Islamic financing, respectively.
- The fair value of collaterals obtained in lieu of direct credit facilities and Islamic financing amounted to U.S. \$ 1,840,425,898 and U.S. \$ 1,761,578,728 as at December 31, 2025 and 2024, respectively.
- Credit facilities and Islamic financing granted to non-residents amounted to U.S. \$ 11,637,126 and U.S. \$ 13,707,620 as at December 31, 2025 and 2024, respectively.
- Credit facilities and Islamic financing granted to the public sector employees as at December 31, 2025 and 2024 amounted to U.S. \$ 667,234,998 and U.S. \$ 655,038,473 representing (14.94%) and (15.64%) of gross direct credit facilities and Islamic financing, respectively. Which also represents (92.49%) and (99.16%) of regulatory capital as of December 31, 2025 and 2024, respectively.
- Credit facilities and Islamic financing granted to the green line Palestinian workers as at December 31, 2025 and 2024 amounted to U.S. \$ 74,214,187 and U.S. \$ 74,357,753 representing (1.66%) and (1.78%) of gross direct facilities and Islamic financing, respectively.

Instructions of the Palestinian Monetary Authority and related laws

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 interest rates, ensuring that the interest 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 granting a new loan to the borrowers, with the Bank collecting interest on the due amounts that does not exceed the interbank lending rate (6 Months SOFR).

The PMA also issued Instruction No. (11) of 2025, which stipulates extending the postponement of the repayment schedule for all instalments for borrowers in the Gaza Strip until the end of the year. The instructions stipulate postponing the deduction of instalments gradually, in which during the first phase, a fixed portion of the instalment is deducted, capped at 25% of the borrower's income and applicable until June 2026. Thereafter, the instalment amount will be increased, subject to a maximum cap of 50% of the borrower's income.

This event represents a modification to assets according to International Financial Reporting Standard (IFRS) No. 9, which requires the recognition of the difference between the present value of the modified contractual cash flows, discounted at the original effective interest rate, and the total book value prior to the modification as a loss in credit facility modifications within the consolidated income statement.

In accordance with International Financial Reporting Standard (IFRS) 9, determining whether a modification to an asset result in derecognition or should be treated as a modification of the existing asset depends on the significance of the changes made to the contractual terms. A modification is considered substantial if the terms of the asset have been altered to such an extent that it leads to the derecognition of the original asset and the recognition of a new one.

As a result of these instructions, the Bank deferred due installments amounting to U.S. \$ 143 million and accordingly recognized total modification losses of U.S. \$ 37 million during the year. Non-substantial modifications amounting to U.S. \$ 16.5 million were recognized within the interest income item (note 32) in the consolidated income statement. while substantial modifications amounting to U.S. \$ 20.5 million were recognized as a derecognition loss under modifications to direct credit facilities and Islamic financing in the consolidated income statement (Note 40). The total exposure to these customers before the modifications amounted to U.S. \$ 538 million as of December 31, 2025. Additionally, as a result of these modifications, the Bank updated the inputs used for calculating the expected credit loss provisions as of December 31, 2025.

In order to compensate for the related costs incurred by the Bank due to the requirements of Instructions No. (1/2025) regarding the treatment of loan maturity deferrals issued under Decision-Law No. (3) of 2025, the Bank and its subsidiary (Arab Islamic Bank) received two subsidized deposits from the Palestine Monetary Authority on May 22, 2025, with different maturity dates.

Based on correspondence from the Palestine Monetary Authority, management has decided that these non-interest deposits are primarily intended to compensate for losses arising from the modification losses related to the deferral of loan installments. The subsidized interest rate was calculated on a regular basis in accordance with the requirements of International Accounting Standard (IAS) 20 - "Accounting for Government Grants and Disclosure of Government Assistance", which resulted in a gain of U.S. \$ 13 million which was recognized within net modification of facilities in the consolidated income statement for the year ended 31 December 2025 (Note 40). Management also applied the necessary professional judgments and estimates for the purpose of recognizing and measuring the grant. An expense of U.S. \$ 2.5 million related to the amortization of the day-one gain was recognized in the consolidated income statement for the year 2025. This was done to align the accounting treatment between the settlement of government grants and the losses for which the Bank was compensated.

Following is the distribution of credit facilities and Islamic financing net of suspended interests, commissions and profits by economic sector:

	2025	2024
	U.S. \$	U.S. \$
Real estate and construction	1,070,992,174	1,035,434,679
Palestine National Authority	1,194,439,634	984,376,324
Consumer commodities	760,345,527	751,663,428
Retail and wholesale	731,835,589	719,464,782
Manufacturing	298,585,241	302,599,695
Services sector and local authorities	258,799,663	234,350,511
Transportation	53,302,043	29,334,654
Tourism	31,642,039	34,871,680
Agricultural	18,713,895	18,074,772
Financial sector	10,725,797	56,498,564
	<u>4,429,381,602</u>	<u>4,166,669,089</u>

The Bank grants credit facilities partially guaranteed by loan guarantee institutions. The distribution of these credit facilities is as follows:

Type of credit facilities	December 31, 2025			
	Granted amount	Outstanding balance	Guarantor share	Defaulted debts
	U.S. \$	U.S. \$	%	U.S. \$
Production loans	24,123,341	20,684,737	70	2,109,657
Operating loans	35,760,722	30,663,296	50-75	452,960
Development loans	22,559,002	19,343,383	50	6,353,732
Small and medium sized projects' loans	36,035,337	30,898,766	50-75	1,506,118
	<u>118,478,402</u>	<u>101,590,182</u>		<u>10,422,467</u>
Type of credit facilities	December 31, 2024			
	Granted amount	Outstanding balance	Guarantor share	Defaulted debts
	U.S. \$	U.S. \$	%	U.S. \$
Production loans	29,305,989	20,409,481	70	2,196,213
Operating loans	43,443,541	30,255,253	50-75	471,544
Development loans	27,405,569	19,085,977	50	6,614,415
Small and medium sized projects' loans	43,777,154	30,487,590	50-75	1,567,912
	<u>143,932,253</u>	<u>100,238,301</u>		<u>10,850,084</u>

9. Financial assets at fair value through other comprehensive income

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

	Quoted shares	Unquoted financial assets	Investments in financial portfolios	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31, 2025				
Local	26,389,012	8,904,204	-	35,293,216
Foreign	57,753,393	1,648,871	3,939,339	63,341,603
	<u>84,142,405</u>	<u>10,553,075</u>	<u>3,939,339</u>	<u>98,634,819</u>
December 31, 2024				
Local	19,464,144	8,904,204	-	28,368,348
Foreign	31,631,671	1,431,246	2,204,850	35,267,767
	<u>51,095,815</u>	<u>10,335,450</u>	<u>2,204,850</u>	<u>63,636,115</u>

The Bank recognized cash dividends from financial assets at fair value through other comprehensive income items totaling U.S. \$ 3,046,306 as at December 31, 2025, compared to U.S. \$ 2,493,885 as at December 31, 2024 (note 36).

Summary of the movement on fair value reserve during the year is as follows:

	2025	2024
	U.S. \$	U.S. \$
Balance, beginning of the year	(2,214,932)	(106,169)
Change in fair value through other comprehensive income items	30,928,024	(2,108,763)
Balance, end of the year	<u>28,713,092</u>	<u>(2,214,932)</u>

10. Financial assets at amortized cost

Financial assets at amortized cost compromise of the following:

	Treasury bills	Quoted bonds	Unquoted bonds	Islamic Sukuk	Provision for ECL	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2025						
Local	-	-	72,159,732	-	(351,010)	71,808,722
Foreign	197,362,581	3,275,548	-	47,024,147	(2,758,806)	244,903,470
	<u>197,362,581</u>	<u>3,275,548</u>	<u>72,159,732</u>	<u>47,024,147</u>	<u>(3,109,816)</u>	<u>316,712,192</u>
2024						
Local	-	-	20,500,000	-	(250,058)	20,249,942
Foreign	136,392,246	3,270,693	-	38,833,498	(3,400,950)	175,095,487
	<u>136,392,246</u>	<u>3,270,693</u>	<u>20,500,000</u>	<u>38,833,498</u>	<u>(3,651,008)</u>	<u>195,345,429</u>

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

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	171,417,886	25,054,404	2,524,147	198,996,437
Net change during the year	124,847,216	(4,021,645)	-	120,825,571
Transfer to stage (1)	5,000,000	(5,000,000)	-	-
Balance, end of the year	<u>301,265,102</u>	<u>16,032,759</u>	<u>2,524,147</u>	<u>319,822,008</u>
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	135,072,095	26,206,437	2,524,147	163,802,679
Net change during the year	39,283,994	(4,090,236)	-	35,193,758
Transfer to stage (2)	(2,938,203)	2,938,203	-	-
Balance, end of the year	<u>171,417,886</u>	<u>25,054,404</u>	<u>2,524,147</u>	<u>198,996,437</u>

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

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	372,773	754,088	2,524,147	3,651,008
Net re-measurement of expected credit loss provision during the year	(234,077)	(307,115)	-	(541,192)
Transfer to stage (1)	268,537	(268,537)	-	-
Balance, end of the year	<u>407,233</u>	<u>178,436</u>	<u>2,524,147</u>	<u>3,109,816</u>
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	517,063	1,407,236	2,524,147	4,448,446
Net re-measurement of expected credit loss provision during the year	(107,945)	(689,493)	-	(797,438)
Transfer to stage (2)	(36,345)	36,345	-	-
Balance, end of the year	<u>372,773</u>	<u>754,088</u>	<u>2,524,147</u>	<u>3,651,008</u>

The Bank recorded gains of U.S. \$ 80,920 for the year ended December 31, 2025, as a result of selling a bond before its maturity due to a decline in the credit rating of the bond issuer. It is noted that this sale is not considered part of the Bank's recurring or regular operations (note 36).

The yield on U.S. Dollar financial assets at amortized cost ranges between 3.35% and 8.80%. The yield on Jordanian Dinar financial assets at amortized cost ranges between 3.59% and 8.00%.

The yield on Kuwaiti Dinar financial assets at amortized cost is 7.00%.

The yield on Euro financial assets at amortized cost is 5.74%.

Financial assets at amortized cost mature within a period from one month to 5 years.

Profits on Islamic Sukuk ranges between 3.23 % and 8.78 % and matures within a period from two months to 6 years.

The fair value of financial assets at amortized cost and Islamic Sukuk amounted to U.S. \$ 318,531,621 and U.S. \$ 196,406,058 as at December 31, 2025, and 2024, respectively.

11. Investment in associates and a joint venture

Following are the details of investments in associates and joint venture, as at December 31, 2025 and 2024:

	Country of Incorporation	Ownership		Subscribed Share Capital	
		2025	2024	2025	2024
		%	%	U.S. \$	U.S. \$
Abraj Co, for Development & Investment (Abraj) *	Palestine	21	21	8,048,128	7,600,308
The Palestinian Company for Money Transportation and Valuables and Banking Services (Aman) **	Palestine	30	30	1,650,549	1,387,710
Qudra for energy solutions***	Palestine	50	50	2,245,503	3,023,799
Taqa Co. for Sustainable Projects Development****	Palestine	25	-	250,000	-
				<u>12,194,180</u>	<u>12,011,817</u>

* Abraj Company for Development and Investment (Abraj) was incorporated in 2008 in Palestine with goals of conducting all kinds of construction, real estate and commercial activities. Abraj's paid-in share capital consists of 25 million shares at a U.S. \$ 1 par value per share. During its extraordinary meeting held on November 23, 2025, the General Assembly decided to increase the Company's share capital by U.S. \$ 2,500,000, of which the Bank's share amounted to U.S. \$ 526,239.

During the year, the General Assembly of Abraj decided to distribute cash dividends amounting to U.S. \$ 1,500,000, with the Bank's share amounting to U.S. \$ 315,743.

** The Palestinian Company for Money and Valuables Transfer (Aman) was incorporated in 2008 in Palestine. Aman provides money transfer services alongside transferring valuable collectibles and commercial papers inside and outside Palestine. Aman's authorized and paid-in share capital consists of a million shares at a U.S. \$ 1 par value per share as at December 31, 2025 and 2024.

*** Qudra Energy Solutions Company (Qudra) was incorporated as a private limited stock company during 2020 with a capital of 8 million shares with U.S. \$ 1 par value per share. The bank owns 50% of the Qudra's shares. Qudra is jointly managed in cooperation with the National Aluminum & profile company (NAPCO), so the company has been classified as a joint venture. Qudra works to provide modern renewable energy solutions to individuals and organizations. The authorized and paid-in share capital of Qudra as of December 31, 2025 and 2024 amounted to U.S. \$ 8 million. During the year, the Bank signed an agreement to invest in the establishment of a new company with the purpose of managing the assets of Taqa Company and Masader for the Development of Natural Resources and Infrastructure Projects (Masader), in preparation for the merger of the two companies.

****During the year, the Bank signed an agreement with the Arab Palestinian Investment Company (APIC) and Masader Company to invest in the establishment of Taqa Co. for Sustainable Projects Development, with the purpose of managing the assets of Qudra Company and Masader, in preparation for the merger of the two companies with an initial capital of U.S. \$ 1 million. The Bank owns 25% of the company's shares, as during the year, the Bank paid its share of the capital amounting to U.S. \$ 250,000. The company had not commenced its operational activities as of December 31, 2025.

Following is the movement on investment in associates and a joint venture:

	<u>2025</u>	<u>2024</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	12,011,817	11,858,121
Bank's share of results of associates	500,163	816,968
Bank's share of results of joint venture	(778,296)	(663,272)
Investment payments in associates	776,239	-
Cash dividends	(315,743)	-
Balance, end of the year	<u>12,194,180</u>	<u>12,011,817</u>

Following is summarized information related to the Bank's investments in associates:

	Abraj		Aman	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>The financial position of associates:</u>				
Total assets	53,591,604	53,320,741	6,742,813	5,759,716
Total liabilities	(5,739,931)	(7,601,545)	(1,589,695)	(1,482,730)
Total equity	<u>47,851,673</u>	<u>45,719,196</u>	<u>5,153,118</u>	<u>4,276,986</u>
Bank's share	<u>10,048,851</u>	<u>9,601,031</u>	<u>1,545,935</u>	<u>1,283,096</u>
Book value before adjustments	10,048,851	9,601,031	1,545,935	1,283,096
Adjustments	(2,000,723)	(2,000,723)	104,614	104,614
Book value after adjustments	<u>8,048,128</u>	<u>7,600,308</u>	<u>1,650,549</u>	<u>1,387,710</u>
<u>Revenues and results of operations:</u>				
Net revenues	1,935,673	3,955,669	4,972,120	4,986,906
Operational, administrative and general expenses	(609,201)	(794,066)	(4,235,634)	(3,787,756)
Finance costs	(222,551)	(201,910)	(5,526)	(9,424)
Gains (Losses) from revaluation of financial assets at fair value through profit and loss	-	-	100,037	(68,852)
Other revenues (expenses), net	<u>157,065</u>	<u>34,768</u>	<u>270,988</u>	<u>(63,051)</u>
Profit before tax	1,260,986	2,994,461	1,101,985	1,057,823
Tax expense	(130,872)	(343,080)	(225,855)	(190,564)
Net profit after tax of the year	<u>1,130,114</u>	<u>2,651,381</u>	<u>876,130</u>	<u>867,259</u>
Comprehensive income items	-	-	-	-
Total comprehensive income	<u>1,130,114</u>	<u>2,651,381</u>	<u>876,130</u>	<u>867,259</u>
Bank's share	<u>237,324</u>	<u>556,790</u>	<u>262,839</u>	<u>260,178</u>

Following is the movement of the financial information related to the Banks' investment in Qudra (Joint Venture):

	2025	2024
	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Statement of financial position for joint venture</u>		
Total assets	20,153,757	21,691,086
Total liabilities	(15,662,752)	(15,643,488)
Net equity	<u>4,491,005</u>	<u>6,047,598</u>
Banks' share	<u>2,245,502</u>	<u>3,023,799</u>
Carrying amount of the investment	<u>2,245,502</u>	<u>3,023,799</u>
Carrying amount of the investment after adjustments	<u>2,245,502</u>	<u>3,023,799</u>
<u>Revenues and results of operations</u>		
Revenues	<u>1,486,897</u>	<u>1,670,828</u>
Results of operations	<u>(1,556,592)</u>	<u>(1,326,543)</u>
Banks' share of results of operations of a joint venture	<u>(778,296)</u>	<u>(663,272)</u>

12. Investment properties

Investment properties are presented at fair value and changes in fair value are recognized in the consolidated income statement. Following is the movement on investment properties:

	2025	2024
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the year	40,676,948	24,776,440
Additions during the year	-	6,942,866
Transfers from Property, Plant and Equipment (note 13)	-	7,322,238
Transfers to Property, Plant and Equipment (note 13)	(5,412,102)	-
Transferred to Islamic financing	-	(432,500)
Change in fair value during the year (note 37)	<u>3,271,093</u>	<u>2,067,904</u>
Balance, end of the year	<u>38,535,939</u>	<u>40,676,948</u>

The fair value of investment properties is determined based on an annual appraisal conducted by accredited independent appraisers, except for leased properties, which are valued using the discounted cash flow method and are immaterial.

13. Property, Plant and Equipment and right of use assets

	Buildings and real estate *	Furniture and Equipment	Computers	Leasehold improvements	Vehicles	Right of use assets	Total
2025	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cost:							
Balance, beginning of the year	69,100,587	134,034,613	19,828,212	16,636,174	5,601,087	39,690,511	284,891,184
Additions	-	6,755,282	1,132,657	5,410	1,538,339	3,555,244	12,986,932
Transfers from projects in progress (note 14)	-	-	154,380	78,279	-	-	232,659
Transferred from investment properties (note 12)	5,412,102	-	-	-	-	-	5,412,102
Disposals	-	(144,964)	(119,283)	-	(885,046)	(432,663)	(1,581,956)
Balance, end of the year	<u>74,512,689</u>	<u>140,644,931</u>	<u>20,995,966</u>	<u>16,719,863</u>	<u>6,254,380</u>	<u>42,813,092</u>	<u>301,940,921</u>
Accumulated Depreciation and Impairment:							
Balance, beginning of the year	10,707,779	100,295,064	17,534,473	13,488,761	2,346,375	21,337,524	165,709,976
Depreciation for the year	1,031,557	8,150,965	896,241	269,096	463,754	4,200,531	15,012,144
Disposals	-	(85,055)	(114,745)	-	(688,858)	(162,579)	(1,051,237)
Balance, end of the year	<u>11,739,336</u>	<u>108,360,974</u>	<u>18,315,969</u>	<u>13,757,857</u>	<u>2,121,271</u>	<u>25,375,476</u>	<u>179,670,883</u>
Net book value	<u><u>62,773,353</u></u>	<u><u>32,283,957</u></u>	<u><u>2,679,997</u></u>	<u><u>2,962,006</u></u>	<u><u>4,133,109</u></u>	<u><u>17,437,616</u></u>	<u><u>122,270,038</u></u>

	Buildings and real estate *	Furniture and Equipment	Computers	Leasehold improvements	Vehicles	Right of use assets	Total
2024	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cost:							
Balance, beginning of the year	48,597,490	121,848,897	18,865,044	16,268,172	5,753,414	47,379,623	258,712,640
Additions	28,317,211	10,830,003	591,055	7,367	173,207	1,409,783	41,328,626
Transfers from projects in progress (note 14)	-	1,624,921	452,884	454,433	-	-	2,532,238
Transferred to investment properties (note 12)	(7,322,238)	-	-	-	-	-	(7,322,238)
Property and Equipment written- off during the year	(491,876)	(216,424)	(74,793)	-	(54,310)	-	(837,403)
Disposals	-	(52,784)	(5,978)	(93,798)	(271,224)	(9,098,895)	(9,522,679)
Balance, end of the year	<u>69,100,587</u>	<u>134,034,613</u>	<u>19,828,212</u>	<u>16,636,174</u>	<u>5,601,087</u>	<u>39,690,511</u>	<u>284,891,184</u>
Accumulated Depreciation and Impairment:							
Balance, beginning of the year	10,329,641	92,363,420	16,686,161	13,105,523	2,032,496	21,538,173	156,055,414
Depreciation for the year	632,409	7,918,531	897,384	477,036	421,395	4,674,848	15,021,603
Impairment losses	135,774	270,000	30,000	-	-	-	435,774
Property and Equipment written- off during the year	(390,045)	(210,786)	(73,070)	-	(54,310)	-	(728,211)
Disposals	-	(46,101)	(6,002)	(93,798)	(53,206)	(4,875,497)	(5,074,604)
Balance, end of the year	<u>10,707,779</u>	<u>100,295,064</u>	<u>17,534,473</u>	<u>13,488,761</u>	<u>2,346,375</u>	<u>21,337,524</u>	<u>165,709,976</u>
Net book value	<u>58,392,808</u>	<u>33,739,549</u>	<u>2,293,739</u>	<u>3,147,413</u>	<u>3,254,712</u>	<u>18,352,987</u>	<u>119,181,208</u>

* Buildings and real estate include parcels of land owned by the Bank to carry out its banking activities amounted to U.S. \$ 16,421,489 and U.S. \$ 16,421,489 as at December 31, 2025 and 2024, respectively.

Property, plant and equipment include U.S. \$ 99,317,583 and U.S. \$ 94,455,215 of fully depreciated assets that are still used in the Bank's operations as at December 31, 2025 and 2024, respectively.

14. Projects in progress

The item includes the cost of the construction, expansion, renovation and improvements of the Banks' branches, as well as the construction, expansion, renovation and leasehold improvements for the building and branches of the Arab Islamic Bank (subsidiary). Following is the movement on the projects in progress:

	<u>2025</u>	<u>2024</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the year	1,352,535	2,268,294
Additions	710,644	1,790,321
Transfers to property, plant and equipment (note 13)	(232,659)	(2,532,238)
Transfers to intangible assets (note 15)	(63,864)	(173,842)
Balance, end of the year	<u>1,766,656</u>	<u>1,352,535</u>

As at December 31, 2025 the estimated cost to complete projects in progress amounted to U.S. \$ 2,017,573 These projects are expected to be completed during the year 2026.

15. Intangible assets

	<u>Goodwill*</u>	<u>Computer software</u>	<u>Total</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Cost			
Balance as at January 1, 2025	3,774,558	32,919,015	36,693,573
Additions	-	2,276,926	2,276,926
Disposals during the year	-	(1,295)	(1,295)
Transfers from projects in progress (note 14)	-	63,864	63,864
Balance as at December 31, 2025	<u>3,774,558</u>	<u>35,258,510</u>	<u>39,033,068</u>
Accumulated Amortization			
Balance as at January 1, 2025	-	22,305,268	22,305,268
Amortization for the year	-	2,611,675	2,611,675
Disposals during the year	-	(1,295)	(1,295)
Balance as at December 31, 2025	<u>-</u>	<u>24,915,648</u>	<u>24,915,648</u>
Net Book Value			
As at December 31, 2025	<u>3,774,558</u>	<u>10,342,862</u>	<u>14,117,420</u>
	<u>Goodwill*</u>	<u>Computer software</u>	<u>Total</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Cost			
Balance as at January 1, 2024	3,774,558	30,680,147	34,454,705
Additions	-	2,074,504	2,074,504
Disposals during the year	-	(9,478)	(9,478)
Transfers from projects in progress (note 14)	-	173,842	173,842
Balance as at December 31, 2024	<u>3,774,558</u>	<u>32,919,015</u>	<u>36,693,573</u>
Accumulated Amortization			
Balance as at January 1, 2024	-	19,719,105	19,719,105
Amortization for the year	-	2,592,632	2,592,632
Disposals during the year	-	(6,469)	(6,469)
Balance as at December 31, 2024	<u>-</u>	<u>22,305,268</u>	<u>22,305,268</u>
Net Book Value			
As at December 31, 2024	<u>3,774,558</u>	<u>10,613,747</u>	<u>14,388,305</u>

- * This item represents goodwill arising from the acquisition of Arab Islamic Bank. The Bank was unable to prepare a goodwill impairment assessment as of December 31, 2025, due to the inability to reliably determine the recoverable amount under the current circumstances resulting from the war on the Gaza, and due to the absence of appropriate and verifiable valuation inputs (note 55).

16. Other assets

This item comprises the following:

	2025	2024
	U.S. \$	U.S. \$
Accrued interests and commissions	26,105,453	16,695,102
Advance payments	11,354,169	10,298,626
Clearing checks	8,949,841	9,332,142
Accounts receivable and temporary advance payments, net*	8,361,333	11,531,331
Income tax advances (note 26)	7,775,681	1,349,486
Stationery and printings material and equipment in stores	3,529,690	3,943,902
Palestine national keys accounts	1,630,924	641,755
Assets obtained by the Bank by calling on collateral**	900,241	1,867,828
Unreceived cash dividends	315,745	29,326
Other current assets	9,078,029	1,821,186
	<u>78,001,106</u>	<u>57,510,684</u>

- * Accounts receivable and temporary advance payments are shown in net. A provision of U.S. \$ 407,728 has been recorded as of December 31, 2025, compared to U.S. \$ 72,018 as of December 31, 2024 (note 41).

** This item comprises the movement on assets obtained by Bank calling on collateral:

	2025	2024
	U.S. \$	U.S. \$
Balance, beginning of the year	3,520,370	3,520,370
Additions during the year	-	-
	3,520,370	3,520,370
Less: impairment losses	(2,620,129)	(1,652,542)
Balance, end of the year	<u>900,241</u>	<u>1,867,828</u>

17. Palestine Monetary Authority's deposits

This item comprises the following:

	2025	2024
	U.S. \$	U.S. \$
Current accounts	3,836,438	12,861,688
Term deposits maturing within 3 months or less	81,055,464	128,929,633
Deposits maturing in more than 3 months	195,556,043	100,000,000
Swap deposits maturing within 3 months or less	21,387,940	-
Subsidized deposits from PMA maturing in more than 3 months*	90,901,679	-
	<u>392,737,564</u>	<u>241,791,321</u>

- * This item represents the net present value for the two subsidized deposits placed by the Palestine Monetary Authority on May 22, 2025. These deposits were provided to support the liquidity of the Bank and its subsidiary and to assist them in bearing the financial impact resulting from their adherence to Instructions No. (01/2025) related to the handling of loans maturity dates, issued pursuant to Decision-Law No. (3) of 2025, regarding the deferral of loan maturities, installments, and finance lease payments (note 8).

18. Banks and financial institutions' deposits

This item comprises the following:

	Current and on-demand accounts	Term deposits maturing within 3 months or less	Swap deposits maturing within 3 months or less	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2025				
Local	6,633,576	2,000,000	4,679,141	13,312,717
Foreign	22,283,496	-	-	22,283,496
	<u>28,917,072</u>	<u>2,000,000</u>	<u>4,679,141</u>	<u>35,596,213</u>
2024				
Local	36,394,571	34,994,444	2,810,025	74,199,040
Foreign	30,878,638	-	6,000,000	36,878,638
	<u>67,273,209</u>	<u>34,994,444</u>	<u>8,810,025</u>	<u>111,077,678</u>

19. Customers' deposits

	2025	2024
	U.S. \$	U.S. \$
Customers' deposits		
Current and on-demand deposits	4,311,398,602	3,103,815,633
Saving deposits	2,780,575,211	2,040,284,000
Time deposits	710,961,893	696,684,867
Debit balances - temporarily credit	31,015,230	22,505,485
	<u>7,833,950,936</u>	<u>5,863,289,985</u>
Unrestricted investment accounts		
Saving deposits	625,270,954	586,104,424
Time deposits	314,373,498	296,940,684
	<u>939,644,452</u>	<u>883,045,108</u>
	<u>8,773,595,388</u>	<u>6,746,335,093</u>

- Public sector deposits amounted to U.S. \$ 249,530,607 and U.S. \$ 234,016,838 representing 2.84% and 3.47% of total deposits as at December 31, 2025 and 2024, respectively.
- Non-bearing interest and profit deposits amounted to U.S. \$ 7,252,011,642 and U.S. \$ 5,207,639,538 representing 82.66% and 77.19% of total deposits as at December 31, 2025 and 2024, respectively.
- Dormant deposits amounted to U.S. \$ 305,074,391 and U.S. \$ 212,677,533 representing 3.48% and 3.15% of total deposits as at December 31, 2025 and 2024, respectively.
- Restricted deposits amounted to U.S. \$ 150,141,440 and U.S. \$ 176,492,162 representing 1.71% and 2.62% of total deposits as at December 31, 2025 and 2024, respectively.

20. Cash margins

This item represents cash margins against:

	2025	2024
	U.S. \$	U.S. \$
Direct credit facilities and Islamic financing	246,563,382	199,230,515
Indirect credit facilities and Islamic financing	44,837,636	35,543,790
Others	53,414,342	40,445,204
	<u>344,815,360</u>	<u>275,219,509</u>

The interest and profit rates on these margins range between 0.1% and 5.25%, and they are due within a period of one month to five years.

21. Subordinated Loans

Details of this item are as follows:

	<u>2025</u>	<u>2024</u>
	U.S. \$	U.S. \$
Arab Fund for Economic and Social Development *	30,000,000	30,000,000
	<u>15,000,000</u>	<u>30,000,000</u>
International Finance Corporation (IFC) **	<u>45,000,000</u>	<u>60,000,000</u>

* During the year 2023, the Bank signed a subordinated loan agreement with the Arab Fund for Economic and Social Development for an amount of U.S. \$ 30 million. The bank withdrew the amount during the year of 2024 and the loan is subject to an annual interest rate of 6%, payable quarterly. The loan is to be repaid in a single installment on April 1, 2030.

** Additionally, during 2016, the Bank obtained the subordinated loan in accordance with a subordinated loan agreement, with International Finance Corporation (IFC) in the amount of U.S. \$ 50 million payable on 10 semiannual installments for 10 years with 5 years of grace period. In 2017, the Bank signed additional subordinated loan agreement with IFC according to which the subordinated loan was increased by U.S. \$ 25 million to become U.S. \$ 75 million under the same terms and conditions of the subordinated loan agreement stated above.

The first installment of the International Finance Corporation (IFC) was due on December 15, 2021 and the last installment is due on June 15, 2027. These loans from the International Finance Corporation are subject to an annual effective interest rate ranging from 6.960% to 8.088% and are repaid on a semi-annual basis starting from December 15, 2016.

During the period, the bank settled an amount of U.S. \$ 15 million of the International Finance Corporation (IFC) loans bringing the outstanding balance of the subordinated loans to U.S. \$ 15 million as of December 31, 2025, compared to U.S. \$ 30 million of December 31, 2024.

For purposes of calculating the Bank's capital adequacy, the Bank includes the subordinated loans that qualify as a part of the second bracket of capital for the Bank in accordance with the Palestine Monetary Authority instructions, amounting to U.S. \$ 39,000,000.

22. Loans and borrowings

Details of this item are as follows:

	<u>2025</u>	<u>2024</u>
	U.S. \$	U.S. \$
European Investment Bank *	44,285,715	45,714,286
French Agency for Development **	26,382,133	30,879,576
Arab Fund for Economic and Social Development ***	18,000,000	22,000,000
European Bank for Reconstruction and Development (EBRD)****	2,111,111	6,333,333
Palestinian Investment Fund*****	2,000,000	-
	<u>92,778,959</u>	<u>104,927,195</u>

* During 2021, the Bank signed an agreement with the European Investment Bank for an amount of U.S. \$ 50 million with the aim of financing credit facilities to support small and medium enterprises. An amount of U.S. \$ 10 million was withdrawn during 2021. This loan is to be settled through 14 semi-annual installments. The first installment was due on May 15, 2022, and the last settlement will be due on November 15, 2028. The loan is subject to average annual interest rate of 3.431%, in addition to 0.5% on the unutilized amount.

During 2024, the Bank withdrew the remaining amount of U.S. \$ 40 million making the total amount withdrawn U.S. \$ 50 million since the signing of the agreement until December 31, 2025. This loan is to be settled through 14 semi-annual installments with a 36 month grace period, as the first installment will be due on October 8, 2027, and the last settlement will become due on April 10, 2034. The loan was subject to an average annual interest rate of 7.24%.

During the year, an amount of U.S. \$ 1,482,571 was settled. The outstanding balance as of December 31, 2025 and December 31, 2024 amounted to U.S. \$ 44,285,715 and U.S. \$ 45,714,286, respectively.

** During 2018, the Bank signed a green project financing agreement with the French Agency for development (the Agency) and accordingly, the Bank initiated the "Sunref Palestine" project. The project aims to introduce the Agency's green project initiative which is supported by the European Union. The agreement grants the Bank facilities at a maximum amount of Euro 12,500,000. The loan is to be settled through 20 semiannual installments with a grace period of 36 months. The first installment was due on November 30, 2021 and the last installment will become due on May 31, 2031. The loan is subject to an annual interest rate ranging from 1.52% to 2.62%.

During 2021, the Bank signed new financing agreement with the Agency of a maximum amount of U.S. \$ 30 million. The loan is to be settled through 13 semiannual installments with a grace period of 18 months. During 2022, the Bank withdrew an amount of U.S. \$ 20 million on two payments of U.S. \$ 10 million each. During 2024, the Bank withdrew U.S. \$ 6.5 million making the gross amount withdrawn U.S. \$ 26.5 million since the signing of the agreement until December 31, 2025. The first installment on these loans was due on March 15, 2024 and the installments end on March 15, 2030. These loans are subject to an average interest rate range between 5.74% and 7.13%

During the year, an amount of U.S. \$ 4,076,924 and EUR 1,428,570 was settled. The outstanding balance as at December 31, 2025 and December 31, 2024 amounted to U.S. \$ 26,382,133 and U.S. \$ 30,879,576, respectively.

*** During 2020, the Bank signed an agreement with the Arab Fund for Economic and Social Development by the amount of U.S. \$ 30 million to finance credit facilities of small and medium entities. The loan to be settled through 15 semiannual installments with a grace period of 36 months. The first installment was due on June 30, 2023 and the last installment will become due on June 30, 2030. The loan is subject to average annual interest rate of 3%.

During the year, the Bank paid an amount of U.S. \$ 4 million. The outstanding balance as at December 31, 2025 and 2024 amounted to U.S. \$ 18 million and U.S. \$ 22 million, respectively.

**** During 2021, the Bank signed an agreement with the European Bank for Reconstruction and Development by the amount of U.S. \$ 15 million to finance credit facilities of small and medium enterprises. An amount of U.S. \$ 10 million was transferred during 2021, and U.S. \$ 5 million was transferred during 2023. The loan is to be settled through 9 semiannual installments with a grace period of 18 months. The first installment was due on June 15, 2022 and the last installment will become due on June 15, 2026. The loan is subject to an average annual interest rate range between 6.02% and 7.24452%.

During 2024, the Bank signed an agreement with the European Bank for Reconstruction and Development for an amount of U.S. \$ 30 million, till the date of the consolidated financial statements, the Bank hasn't withdrawn any amount from the granted ceiling.

During the year, an amount of U.S. \$ 4,222,222 was settled. The outstanding balance as at December 31, 2025 and December 31, 2024 amounted to U.S. \$ 2,111,111 and U.S. \$ 6,333,333, respectively.

***** During the year, the Bank signed an agreement with the Palestine Investment Fund for U.S. \$ 2 million to finance credit facilities supporting medium, small, and micro projects in the Jerusalem. The loan is to be settled through 8 semi-annual installments, following a 12-months grace period. The first installment is due on August 27, 2026, and the final repayment will be on February 27, 2030. The loan is subject to a declining annual interest rate of 2%, payable semi-annually, the outstanding balance as of December 31, 2025, amounting to U.S. \$ 2 million.

During 2024, the Bank signed a credit financing agreement with a group of international development agencies, the International Finance Corporation (IFC), PROPARCO - the investment arm of the French Development Agency, and Sanad Fund for financing micro, small and medium enterprises, with a ceiling of U.S. \$ 65 million. The agreement aims to provide a credit financing line to support the Bank's programs within the framework of economic recovery in Palestine, with a focus on supporting small and medium enterprises, up to the date of the consolidated financial statements, the Bank hasn't withdrawn any amount from the granted ceiling.

23. Istitidama loans from Palestine Monetary Authority

This item represents PMA's deposits granted to the Bank as per PMA instructions number (22/2020) and (8/2021) to mitigate the economic impacts of Coronavirus (COVID-19) outbreak on the economic activities and projects especially the small and medium projects. PMA charges an interest of 0.5% on the credit facilities and Islamic financing granted and the Bank earns a declining interest 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 Istitidama Fund Plus, with the aim of providing liquidity in the Palestinian economy to finance projects and contribute to the revival of the national economy within the framework of achieving sustainable economic development goals, along with other programs launched by the Palestinian Monetary Authority through banks and lending institutions.

Istitidama loans amounted to U.S. \$ 46,963,540 and U.S. \$ 48,446,863 as at December 31, 2025 and December 31, 2024, respectively.

24. Lease liabilities

Movement on lease liabilities are as follows:

	2025	2024
	U.S. \$	U.S. \$
Balance, beginning of the year	19,193,970	27,094,674
Additions during the year	3,555,244	1,409,783
Finance costs for the year	511,293	663,397
Disposals	(288,218)	(5,155,426)
Payments on lease contracts	(4,248,762)	(4,818,458)
Balance, end of the year	<u>18,723,527</u>	<u>19,193,970</u>

The liabilities related to rent contracts are deducted using a discount rate of 3.01% and return of 3.4%. The expected life of the lease liabilities has been calculated over a period of 10 years.

The amount of the lease expense for short-term contracts and lease contracts of low-value assets that were recognized in the consolidated income statement for the year ended December 31, 2025 and December 31, 2024 amounted to U.S. \$ 843,649 and U.S. \$ 557,240, respectively (note 39).

25. Sundry provisions

	Balance, beginning of the year <u>U.S. \$</u>	Provided during the year <u>U.S. \$</u>	Paid during the year <u>U.S. \$</u>	Balance, end of the year <u>U.S. \$</u>
<u>December 31, 2025</u>				
End of service provision	57,228,944	12,083,799	(10,285,986)	59,026,757
Lawsuits provision	2,473,611	29,207	(55,974)	2,446,844
	<u>59,702,555</u>	<u>12,113,006</u>	<u>(10,341,960)</u>	<u>61,473,601</u>
<u>December 31, 2024</u>				
End of service provision	50,618,249	8,718,161	(2,107,466)	57,228,944
Lawsuits provision	2,473,611	-	-	2,473,611
	<u>53,091,860</u>	<u>8,718,161</u>	<u>(2,107,466)</u>	<u>59,702,555</u>

End of service provision is calculated in accordance with the applicable labor law in Palestine and the Bank's personnel affairs system.

26. Taxes provisions

Movement on taxes provisions during the year ended December 31, 2025 and 2024 are as follows:

	<u>2025</u> <u>U.S. \$</u>	<u>2024</u> <u>U.S. \$</u>
Balance, beginning of the year	(1,349,486)	21,960,224
Additions	25,001,104	6,666,032
Tax settlement refunds	(6,000,000)	(2,660,230)
Payments during the year	(24,610,473)	(27,602,927)
Currency variance	(816,826)	287,415
Balance, end of the year	<u>(7,775,681)</u>	<u>(1,349,486)</u>
Income tax advances (note 16)	7,775,681	1,349,486
Balance, end of the year	<u>-</u>	<u>-</u>

Tax expenses as disclosed in the consolidated Income Statement are as follows:

	<u>2025</u> <u>U.S. \$</u>	<u>2024</u> <u>U.S. \$</u>
Provision for the year	25,595,598	7,414,791
Deferred tax assets additions	(9,873,965)	(23,013,941)
Deferred tax liabilities additions	212,801	1,449,017
Excess of tax settlement	(6,000,000)	(2,660,230)
Tax incentives discounts	(594,494)	(748,759)
Tax expenses (recovery) presented in the consolidated income statement for the year	<u>9,339,940</u>	<u>(17,559,122)</u>

Reconciliation between accounting income and taxable income for the Bank is as follows:

	<u>2025</u> <u>U.S. \$</u>	<u>2024</u> <u>U.S. \$</u>
Accounting profit	66,341,160	(45,470,578)
Profit not subject to value added tax	(10,887,180)	(14,378,366)
Non-deductible tax expenses	39,137,722	88,355,395
Gross profit subject to value added tax	94,591,702	28,506,451
Deduct: Value added tax	(13,047,131)	(3,931,924)
Value added tax on salaries	-	(8,710,994)
Adjustment for income tax calculation purpose	1,405,114	2,717,189
Taxable income	<u>82,949,685</u>	<u>18,580,722</u>
Income tax	<u>12,442,453</u>	<u>2,787,108</u>
Taxes payable for the year	<u>25,489,584</u>	<u>6,719,032</u>
Taxes provisions for the year	<u>25,595,598</u>	<u>7,414,791</u>
Effective tax rate	<u>23.1%</u>	<u>-</u>

During 2025, the Bank reached a final settlement with the tax departments on the results of its operations until 2023. The Bank submitted its tax return on the results of its operations for the year 2024 on time, and the tax advisor continues to finalize the settlements.

During 2024, the Arab Islamic Bank (a subsidiary) reached a final settlement with the tax departments on the results of its operations until 2023. The subsidiary submitted its tax return on the results of its operations for the year 2024 on time, and the tax advisor continues to finalize the settlement.

During 2025, PalPay (a subsidiary) reached a final settlement with the tax departments on the results of its operations until 2023. The subsidiary submitted its tax return on the results of its operations for the year 2024 on time, and the tax advisor continues to finalize the settlements.

Al-Wasata Securities Company (a subsidiary) did not reach a final settlement with the tax departments on the results of its operations since incorporation in 2005 up to 2024.

Deferred tax assets:

This item represents the balance of deferred tax assets which is calculated on the provision for expected credit losses related to direct credit facilities for stages one and two, and the end of service provision. These deferred taxes are calculated due to temporary timing differences as of the date of the consolidated statement of financial position.

Movement on deferred tax assets during the year is as follows:

	<u>2025</u> U.S. \$	<u>2024</u> U.S. \$
Balance, beginning of the year	52,098,683	29,084,742
Changes during the year	<u>9,873,965</u>	<u>23,013,941</u>
Balance, end of the year	<u><u>61,972,648</u></u>	<u><u>52,098,683</u></u>

The bank uses the expected value method to calculate the tax base for deferred tax assets, which represents the sum of amounts weighted by various probabilities within a range of potential outcomes. This method is more effective in situations of uncertainty where there are multiple potential outcomes that are neither binary nor concentrated in a single value. Consequently, not all deferred tax assets were recognized. If the Bank had recognized all unrecognized deferred tax assets, the bank's profits and equity could have increased by an amount of U.S. \$ 7 million.

Deferred tax liabilities:

This item represents the balance of deferred tax liabilities calculated on the profits from the valuation of real estate investments due to the existence of temporary timing differences as of the date of the consolidated statement of financial position.

Movement on deferred tax liabilities during the year ended December 31, 2025 and 2024 are as follows:

	<u>2025</u> U.S. \$	<u>2024</u> U.S. \$
Balance, beginning of the year	4,135,563	2,686,546
Changes during the year	<u>212,801</u>	<u>1,449,017</u>
Balance, end of the year	<u><u>4,348,364</u></u>	<u><u>4,135,563</u></u>

The income tax rate was 15% and value added tax rate was 16% as at December 31, 2025. 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% of profit. The actual rate used to calculate the deferred taxes was 26.72%.

27. Other liabilities

Details of this item are as follows:

	2025	2024
	U.S. \$	U.S. \$
Negative financial derivatives	37,579,345	120,043
Certified Bank checks	34,961,297	20,480,485
Cash margins for donors	11,973,510	10,707,107
Accrued expenses	10,859,296	8,750,772
Accrued and unpaid interests	9,707,301	9,895,633
Credit card accounts under settlement	7,332,645	6,559,154
Temporary deposits	6,266,823	7,408,308
Cash dividends payable	6,001,900	6,064,820
Provision for employee rewards	5,644,867	2,244,867
Payables to customers of subsidiaries	5,447,167	8,018,168
Return on unrestricted investment accounts	4,258,978	3,179,814
Interests and commissions paid in advance	4,072,448	4,346,606
Accrued taxes	3,654,952	4,241,096
Provision for expected credit losses on indirect credit facilities (note 52)	3,441,281	4,899,721
Outward Transfers	2,582,683	1,091,251
Board of Directors bonuses	990,000	-
Others	9,284,032	17,633,713
	<u>164,058,525</u>	<u>115,641,558</u>

The other liabilities include amounts of U.S. \$ 48,937,558 and U.S. \$ 36,288,436 as at December 31, 2025, and 2024, respectively, subject to the calculation of mandatory cash reserves with the Palestine Monetary Authority.

28. Additional paid-in capital

Details of this item are as follows:

Entity	Year	U.S. \$	References
French Development Agency (FISEA)	2025	3,647,682	a
International Finance Corporation (IFC)	2025	395,537	a,b
European Bank for Reconstruction and Development (EBRD)	2025	152,271	a
Arab Palestinian Investment Company	2024	1,688,742	b
Aswaq Investment Portfolios Company	2024	2,026,491	b
International Finance Corporation (IFC)	2024	6,458,508	c
European Bank for Reconstruction and Development (EBRD)	2024	5,066,225	c
French Development Agency (FISEA)	2021	4,727,273	d
Commercial Bank of Palestine (CBP)	2016	15,813,723	e
International Finance Corporation (IFC)	2008	8,384,692	f
Secondary public offering	2007	650,000	g
		<u>49,011,144</u>	
Less: registration expenses and professional fees		<u>(72,245)</u>	b,c
		<u>48,938,899</u>	

Additional paid in capital resulted from the following:

- a. During the year, the Bank issued new shares to increase its capital through an agreement signed with the French Proparco Corporation, in which the French Development Agency (FISEA) a subsidiary of the Proparco Corporation invests through a private issuance of 7,152,317 shares at a par value of U.S. \$ 1 per share, with an additional paid-in capital of U.S. \$ 0.51 per share. Additionally, according to the agreement signed on July 9, 2024, with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), which stipulates their preemptive right to maintain their shareholding percentage in the Bank, and the notifications sent to them by the Bank during the period, the IFC and EBRD approved the issuance of 392,152 and 298,572 shares, respectively, in order to maintain their investments percentages. The total number of shares issued amounted to 7,843,041 shares, with a total additional paid-in capital of U. S. \$ 3,999,951.
- b. During 2024, the Bank issued new shares to increase its capital through a private issuance for the Arab Palestinian Investment Company and the Markets Company for Investment Portfolios, amounting to 3,311,258 shares and 3,973,509 shares, respectively, with a nominal value of U.S. 1 per share and an additional paid-in capital of U.S. 0.51 per share. The total number of shares issued for both parties reached 7,284,767 shares, with a total additional paid-in capital of U.S. 3,715,233. An amount of U.S. 15,000 was deducted from the additional paid-in capital representing registration expenses and professional fees incurred by the Bank to raise capital. Additionally, according to the agreement signed on July 9, 2024, with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), which stipulates their preemptive right to maintain their shareholding percentage in the Bank, and the notifications sent to them by the Bank regarding the above agreements, the International Finance Corporation (IFC) approved the issuance of 383,409 shares with a nominal value of one US dollar per share and an additional paid-in capital of U.S. 0.51 per share to maintain its investment in the Bank. During the year, IFC paid a total of U.S. \$ 578,948, resulting in the recognition of U.S. \$ 195,539 as additional paid-in capital.
- c. During 2024, the Bank issued new shares to raise the capital through an investment agreement with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) joining as strategic partners and aiming to strengthen the Bank's capital, along with many other goals. The Bank, through a private stock issuance, issued a total of 22,597,516 shares with a nominal value of U.S. \$ 1 per share and additional paid in capital of U.S. \$ 0.51 per share according to the agreement. IFC's contributed in 5% of the Bank's capital, equivalent to 12,663,742 shares with a nominal value of U.S. \$ 1 per share, and the EBRD contributed in 3.92% of the Bank's capital, equivalent to 9,933,774 shares, with a nominal value of U.S. \$ 1 per share and a total additional paid-in capital by both parties amounting to U.S. \$ 11,524,733. An amount of U.S. \$ 57,245 was deducted from additional paid-in capital representing relevant registration expenses and professional fees incurred by the Bank to raise the paid in share capital.
- d. On July 15, 2021, the Bank signed an agreement with the French Proparco Corporation (the Corporation) in which the French Development Agency (FISEA) a subsidiary of the Proparco Corporation invests, according to which the Corporation was entered as a strategic partner to the Bank, with a contribution of 3.34% of the Bank's capital, equivalent to 7,272,727 shares with a nominal value of U.S. \$ 1 per share and an additional paid-in capital of U.S. \$ 0.65 per share, with a total additional paid-in capital amounting to U.S. \$ 4,727,273.

- e. The acquisition of the Bank's portfolio of the Commercial Bank of Palestine (CBP), which resulted in issuing 10,008,685 shares of Bank's shares to the shareholders of CBP. The share price of Bank of Palestine of U.S. \$ 1 par value was U.S. \$ 2.58. This resulted in additional paid-in capital of U.S. \$ 15,813,723. The acquisition was based on the Bank's extra -ordinary meeting held on March 25, 2016.
- f. The admission of the International Finance Corporation (IFC) as a strategic partner with 5% of the share capital which amounted to 4,070,239 shares of U.S. \$ 1 par value, each and an additional paid-in capital of U.S. \$ 2.06 for each share with total additional paid-in capital amounting to U.S. \$ 8,384,692. The admission was based on the Bank's Board of Director's decision in the meeting held on June 15, 2008.
- g. Offering 13 million shares exclusively for Banks' shareholders at U.S. \$ 1 par value for each share plus U.S. \$ 0.05 of additional paid-in capital, with a total additional paid-in capital amounted to U.S. \$ 650,000. The offer was based on extraordinary shareholders meeting on April 6, 2007.

29. Perpetual bond

During 2022, the Bank signed an agreement with the Japan International Cooperation Agency (JICA) to invest U.S. \$ 30 million in a perpetual bond within the additional first tier of the Bank's regulatory capital, after obtaining the approval of the Palestinian Monetary Authority and the Bank's General Assembly, in order to enhance the financial solvency of the Bank's capital and increase its ability to finance small and medium enterprises. The necessary procedures and agreement were completed and the value of the perpetual bond was transferred to the Bank during 2023. The bond is entitled to an annual interest rate of 7.5% plus LIBOR for 6 months. A perpetual bond is an unsecured sub-bond with vouchers that are paid at the end of every six months. The Bank has the right to decide whether to pay or not to pay interest, and the choice not to pay interest is not a default event. In the event that the Bank chooses not to pay, the Bank shall not be entitled to declare or pay any dividends.

Interest on the perpetual bond recorded in the consolidated statement of changes in equity amounted to U.S. \$ 3,551,009 for year ended December 31, 2025 and U.S. \$ 1,966,666 for the year ended December 31, 2024.

The accrued interest amounted to U.S. \$ 158,203 as at December 31, 2025 compared to U.S. \$ 170,252 as at December 31, 2024.

The Bank paid the due interest payments under the terms of the agreement for the first and second half of 2025 and the first half of 2024, while the Bank chose not to pay the interest for the second half of 2024.

30. Reserves

Statutory reserve

The amounts accumulated in this account represent what was deducted from profits over the years in accordance with the provisions of the Companies Law. Deductions from profits may not cease before the accumulated balance of the statutory reserve account reaches the minimum amount stipulated in applicable legislation. The reserve is not to be utilized nor available for distribution to shareholders without PMA's prior approval.

Voluntary reserve

Voluntary reserve represents cumulative deductions of the Bank's subsidiaries. The subsidiaries did not deduct voluntary reserves during the year.

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 credit facilities and financing after deducting impairment allowance for credit facilities and financing and suspended gain and interest and 0.5% of indirect credit facilities and financing. In accordance with PMA's circulation number (53/2013), no general banking risk reserve is created against the direct credit facilities and 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. The Palestinian Monetary Authority issued Circular No. (317/2022) regarding the amendment of Instructions No. (2/2018) concerning the calculation mechanism of the general banking risk reserve. This circular did not come into effect until the date of the consolidated financial statements.

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 buffer, so that the ratio is within (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.

31. Cash Dividends from a subsidiary

The ordinary general assembly of PalPay, decided in its meeting held on May 7, 2025, to distribute cash dividends in the amount of U.S. \$ 350,000 from their operating results for the year 2024. The non-controlling interests share of dividends amounted to U.S \$52,500 (note 11).

32. Interest income

This item comprises interest revenues earned on the following accounts:

	<u>2025</u>	<u>2024</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Loans*	135,438,493	140,030,274
Overdraft accounts	33,713,628	32,816,739
Balances, deposits and investments at Banks and financial institutions	73,711,277	66,173,922
Overdrawn accounts	10,983,158	11,610,499
Financial assets at amortized cost	18,491,031	7,288,981
Credit cards	3,189,398	3,183,501
	<u>275,526,985</u>	<u>261,103,916</u>

* Loan revenues are shown in net after deducting losses resulting from the non-substantial modifications to credit facilities and Islamic financing, which amounted to U.S. \$ 16.5 million (note 8).

33. Interest expense

This item comprises interest incurred on the following accounts:

	2025	2024
	U.S. \$	U.S. \$
Interest on customers' deposits		
Time deposits	24,914,119	23,339,558
Saving accounts	1,034,784	1,064,550
Current and on demand accounts	665,292	528,554
	<u>26,614,195</u>	<u>24,932,662</u>
Interest on Palestine Monetary Authority's deposits	12,361,442	8,962,039
Interest on Banks' and financial institutions' deposits	281,993	1,318,934
Interest on subordinated loans	3,817,993	4,622,763
Interest on loans and borrowings	5,403,039	5,817,623
Interest on lease liabilities	511,293	663,397
	<u>48,989,955</u>	<u>46,317,418</u>

34. Net financing and investment income

This item comprises net investment and financing income from Arab Islamic Bank (a subsidiary), below are details of this item:

	2025	2024
	U.S. \$	U.S. \$
Revenues from financing returns	67,526,784	64,441,358
Investment returns	5,551,190	5,145,222
	<u>73,077,974</u>	<u>69,586,580</u>
Less: return of unrestricted investment accounts	(11,344,176)	(9,651,852)
	<u>61,733,798</u>	<u>59,934,728</u>

35. Net commissions income

This item comprises commissions against the following:

	2025	2024
	U.S. \$	U.S. \$
Commissions income:		
Accounts management commission	9,299,050	9,482,698
Bank transfers	7,875,486	4,772,946
Checks	6,659,723	10,446,564
Indirect credit facilities	3,078,374	3,566,475
Salaries commission	2,662,870	2,566,152
Direct credit facilities	2,017,052	2,059,169
Other banking services	4,668,091	3,712,260
	<u>36,260,646</u>	<u>36,606,264</u>
Commissions expense	(8,662,189)	(7,843,579)
	<u>27,598,457</u>	<u>28,762,685</u>
Credit cards commission revenue, net	(762,651)	2,401,800
	<u>26,835,806</u>	<u>31,164,485</u>

36. Net gains from financial assets portfolio

This item comprises the following:

	2025	2024
	U.S. \$	U.S. \$
Dividends from financial assets at fair value through other comprehensive income items (note 9)	3,046,306	2,493,885
Realized gains from sale of financial assets at fair value through profit or loss (note 7)	1,459,322	138,160
Unrealized gains (losses) from revaluation of financial assets at fair value through profit or loss (note 7)	297,361	(539,392)
Realized gains from the sale of financial assets measured at amortized cost prior to their maturity (note 10)	80,920	-
Dividends from financial assets at fair value through profit or loss (note 7)	78,540	166,038
Investment management fees commission	(1,150,170)	(570,230)
	<u>3,812,279</u>	<u>1,688,461</u>

37. Other revenues, net

	2025	2024
	U.S. \$	U.S. \$
E-payment services net revenue	8,376,647	2,382,393
Revaluation of investment properties (note 12)	3,271,093	2,067,904
Recovery of less than six years suspended interest and profit	2,698,198	3,210,242
Recovery of excess in provisions	599,512	1,995,806
Safe boxes rental	284,413	253,352
Recovery of more than six years suspended interest and profit	239,891	415,554
Gains from selling and disposing of property, plant and equipment, and right of use assets	207,646	901,056
Sundry	3,859,810	1,116,004
	<u>19,537,210</u>	<u>12,342,311</u>

38. Personnel expenses

	2025	2024
	U.S. \$	U.S. \$
Salaries and related benefits	55,808,295	56,392,217
Provision for employees' end of service	12,083,799	8,718,161
Value added tax on salaries	8,474,293	8,710,994
Bonuses and rewards	5,541,381	3,124,393
Medical and insurance expenses	4,041,689	3,350,116
Bank's contribution to saving fund *	2,445,758	2,474,334
Employees training expenses	1,309,940	1,041,039
Transportation	1,204,472	819,502
Clothing allowances	953,410	1,013,648
	<u>91,863,037</u>	<u>85,644,404</u>

* The Bank deducted %5 of each employee's monthly basic salary and matched it with an additional %5 as the Bank's contribution for employees in service for less than 5 years, 8% for employees in service for the period from 5 years to less than 10 years, and 10% for employees in service for the period of more than 10 years.

39. Other operating expenses

	2025	2024
	U.S. \$	U.S. \$
Telephone, postage and fax	11,335,917	7,359,678
Subscriptions fees	9,540,066	5,644,691
Professional fees	9,087,786	4,577,001
Palestine Deposit Insurance Corporation fees*	8,821,048	10,519,530
Maintenance and repairs	7,086,413	7,244,353
Cash shipping expense	5,973,097	5,118,535
Advertising and promotions	5,867,799	4,324,300
Social responsibility **	4,508,295	4,622,524
Board of Directors bonuses and allowances	4,231,199	2,738,913
Insurance fees	2,393,139	2,558,321
Guarding and cleaning fees	2,385,328	2,603,319
Travel and seminars expense	1,789,214	1,446,674
Utilities	1,589,649	1,813,437
Stationery and printing	1,502,320	1,454,425
License fees	1,206,936	1,208,062
Rent (note 24)	843,649	557,240
Fuel	661,959	651,726
Hospitality and activities fees	440,638	419,047
Vehicles' expense	344,028	289,061
Sundry	4,200,098	4,539,286
	<u>83,808,578</u>	<u>69,690,123</u>

* Banks must accrue an annual subscription fee for Palestine Deposit Insurance Corporation (the Corporation) as specified under the law No. (7) for the year 2013. On November 9, 2021, the Corporation issued Circular No. (2/2021) regarding raising the fixed subscription fee rate to (0.2%) of the average total subject deposits as at January 1, 2022. The institution has issued Instruction No. (1/2023), (1/2024), and Circular No. (3/2023), and the risk-based fees system will be implemented later.

The institution issued a circular on January 9, 2025, numbered (1/2025), regarding the calculation of subscription fees for the last quarter of 2024 and the first half of 2025. It stipulates that the fixed subscription fees for customer deposits held at the branches of member banks operating in the Gaza Strip will be deducted, provided that the total percentage of subscription fees paid by the bank is not less than (0.1%) of the average deposits covered by the guarantee. The subscription fee percentage will continue to be calculated based on the fixed rate of (0.2%) of the average deposits covered by the guarantee in the West Bank. On July 1, 2025, the institution issued Circular No. (3/2025), which stipulates the continuation of the computation mechanism outlined in Circular No. (1/2025) for the second half of 2025 and for the year 2026.

** The Bank is committed to support social responsibility projects and activities in Palestine through contributions towards the development of various sectors including education, youth, innovation, sport, health and environment, culture and arts, development and economic, diaspora affairs, humanitarian effort and women empowerment. The Bank also encourages its employees to participate in voluntary work by engaging them in developmental projects in cooperation with partner organizations and humanitarian initiatives. Social responsibility represents 7.91% of profit for the year ended December 31, 2025.

40. Provision for expected credit losses and modifications on direct credit facilities and Islamic financing, net

	<u>2025</u>	<u>2024</u>
	U.S. \$	U.S. \$
Net re-measurement of expected credit losses on direct credit facilities and Islamic financing (note 8)	123,747,898	89,080,909
Loss arising from modifications on assets net of grants (note 8)	7,530,080	-
Net recovery of impairment provision for credit facilities and Islamic financing older than six years (note 8)	<u>(4,063,722)</u>	<u>(1,419,498)</u>
	<u><u>127,214,256</u></u>	<u><u>87,661,411</u></u>

41. Other provisions for expected credit losses and other assets losses, net

	<u>2025</u>	<u>2024</u>
	U.S. \$	U.S. \$
Realized cash losses (note 5)	3,270,491	137,775,720
Impairment losses on assets obtained by the Bank by calling on collateral (note 16)	967,587	-
Impairment losses on accounts receivable (note 16)	407,728	72,018
Balances with Palestine Monetary Authority (note 5)	100,482	(105,138)
Balances, deposits and investments at Banks and financial institutions (note 6)	(124,279)	(161,053)
Financial assets at amortized cost (note 10)	(541,192)	(797,438)
Indirect credit facilities and Islamic financing (note 52)	(1,458,440)	1,522,111
Impairment losses of property, plant, and equipment (note 13)	-	544,966
	<u><u>2,622,377</u></u>	<u><u>138,851,186</u></u>

42. Palestine Monetary Authority's fines

This item represents fines imposed by PMA on the Arab Islamic Bank (a subsidiary) amounted to U.S. \$ 22,693 during the year ended December 31, 2025, related to the subsidiary's non-compliance with some PMA instructions and the related laws and regulations.

43. Cash and cash equivalents

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

	<u>2025</u> U.S. \$	<u>2024</u> U.S. \$
Cash and balances with Palestine Monetary Authority	4,117,923,515	2,237,974,006
Balances, deposits and investments at Banks and financial institutions	<u>1,774,971,435</u>	<u>1,721,873,115</u>
	5,892,894,950	3,959,847,121
Less:		
Deposits at Banks maturing after 3 months	(550,441,869)	(439,335,685)
Investments at Islamic Banks maturing after 3 months	(6,000,000)	(6,000,000)
Restricted balances of withdrawal	(87,867,749)	(75,741,614)
Palestine Monetary Authority's deposits and balances maturing within 3 months or less	(106,279,842)	(141,791,321)
Banks and financial institutions' deposits maturing within a period of 3 months	(35,596,213)	(111,077,678)
Statutory cash reserve	<u>(843,441,660)</u>	<u>(632,351,357)</u>
	<u>4,263,267,617</u>	<u>2,553,549,466</u>

44. Basic and diluted earnings per share

	<u>2025</u> U.S. \$	<u>2024</u> U.S. \$
Profit (loss) for the year attributable to equity holders of the Bank	53,357,766	(28,901,957)
Deduct: Interest on perpetual bond (note 29)	<u>(3,551,009)</u>	<u>(1,966,666)</u>
Net profit (loss) after deducting interest on perpetual bond	<u>49,806,757</u>	<u>(30,868,623)</u>
	<u>Shares</u>	<u>Shares</u>
Weighted average of subscribed shares during the year	<u>264,166,529</u>	<u>238,639,823</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Basic and diluted earnings (loss) per share attributable to equity holders of the Bank	<u>0.19</u>	<u>(0.13)</u>

45. 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 represented by deposits and credit facilities and financing are as follows:

2025	<u>Associates</u> U.S. \$	<u>Joint Venture</u> U.S. \$	<u>Board of Directors and executive management</u> U.S. \$	<u>Others*</u> U.S. \$	<u>Total</u> U.S. \$
Consolidated statement of financial position items:					
Direct credit facilities and Islamic financing	<u>1,310,754</u>	<u>4,665,984</u>	<u>75,735,257</u>	<u>36,929,916</u>	<u>118,641,911</u>
Including:					
Non-performing credit facilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,274</u>	<u>336,274</u>
Deposits	<u>600,297</u>	<u>51,140</u>	<u>129,521,463</u>	<u>26,781,489</u>	<u>156,954,389</u>
Financial assets at amortized cost	<u>-</u>	<u>-</u>	<u>26,909,732</u>	<u>-</u>	<u>26,909,732</u>
Financial assets at fair value through other comprehensive income items	<u>-</u>	<u>-</u>	<u>6,528,951</u>	<u>-</u>	<u>6,528,951</u>
Prepaid expenses	<u>-</u>	<u>79,125</u>	<u>-</u>	<u>-</u>	<u>79,125</u>
Bank's Board of Directors bonuses	<u>-</u>	<u>-</u>	<u>990,000</u>	<u>-</u>	<u>990,000</u>
Subsidiaries' Board of Directors bonuses	<u>-</u>	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>900,000</u>
Commitments and contingencies					
Letters of guarantees	<u>-</u>	<u>-</u>	<u>6,499,796</u>	<u>3,205,679</u>	<u>9,705,475</u>
Letters of credit	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,620</u>	<u>37,620</u>
Unutilized limits	<u>1,800,310</u>	<u>1,576,390</u>	<u>375,728</u>	<u>13,972,147</u>	<u>17,724,575</u>
Consolidated Income statement items:					
Interest and commissions received	<u>202,425</u>	<u>309,148</u>	<u>3,899,835</u>	<u>1,837,288</u>	<u>6,248,696</u>
Interest and commissions paid	<u>-</u>	<u>-</u>	<u>2,902,976</u>	<u>249,725</u>	<u>3,152,701</u>

2024	<u>Associates</u> U.S. \$	<u>Joint Venture</u> U.S. \$	<u>Board of Directors and executive management</u> U.S. \$	<u>Others*</u> U.S. \$	<u>Total</u> U.S. \$
<u>Consolidated statement of financial position items:</u>					
Direct credit facilities and Islamic financing	<u>3,621,126</u>	<u>4,240,322</u>	<u>71,783,070</u>	<u>37,942,507</u>	<u>117,587,025</u>
Including:					
Non-performing credit facilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,100</u>	<u>232,100</u>
Deposits	<u>365,342</u>	<u>184,966</u>	<u>76,902,015</u>	<u>22,171,733</u>	<u>99,624,056</u>
Financial assets at amortized cost	<u>-</u>	<u>-</u>	<u>16,000,000</u>	<u>-</u>	<u>16,000,000</u>
Financial assets at fair value through other comprehensive income items	<u>-</u>	<u>-</u>	<u>3,839,283</u>	<u>-</u>	<u>3,839,283</u>
Prepaid expenses	<u>-</u>	<u>79,125</u>	<u>-</u>	<u>-</u>	<u>79,125</u>
Bank's Board of Directors bonuses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subsidiaries' Board of Directors bonuses	<u>-</u>	<u>-</u>	<u>325,000</u>	<u>-</u>	<u>325,000</u>
<u>Commitments and contingencies</u>					
Letters of guarantees	<u>-</u>	<u>-</u>	<u>7,347,334</u>	<u>3,157,234</u>	<u>10,504,568</u>
Unutilized limits	<u>309,085</u>	<u>1,799,905</u>	<u>389,130</u>	<u>10,402,922</u>	<u>12,901,042</u>
<u>Consolidated Income statement items:</u>					
Interest and commissions received	<u>233,298</u>	<u>323,569</u>	<u>4,043,594</u>	<u>2,208,720</u>	<u>6,809,181</u>
Interest and commissions paid	<u>-</u>	<u>-</u>	<u>1,714,817</u>	<u>282,615</u>	<u>1,997,432</u>

* Others include branches' managers, non-executive employees and their relatives, and shareholders with less than 5% of ownership in the Bank's capital as disclosed to PMA.

- Net direct credit facilities and Islamic financing granted to related parties as at December 31, 2025 and 2024 represent 2.96% and 3.06% respectively, from the net direct credit facilities and Islamic financing.
- Net direct credit facilities and Islamic financing granted to related parties as at December 31, 2025 and 2024 represent 16.45% and 17.80% respectively, from the Bank's regulatory capital.
- Interest on U.S. \$ direct credit facilities ranges between 3% to 24%.
- Interest on New Israeli Shekels direct credit facilities ranges between 3.75% to 21%.
- Interest on the Jordanian Dinar direct credit facilities ranges between 4.27% to 11%.
- Interest on U.S. \$ deposits ranges between 0.10% to 5%.
- The profit rate on loans granted in U.S. \$ to related parties during 2025 ranges between 1.9% to 4.5%

Following is summary of the compensation (salaries, bonuses and other compensation) of key management personnel and the Board of Directors:

	<u>2025</u>	<u>2024</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Executive management's salaries and related benefits (short term benefits)	<u>6,353,395</u>	<u>5,593,791</u>
Executive management's end of service provision (long term benefits)	<u>628,471</u>	<u>537,844</u>
Group Boards of Directors' bonuses	<u>1,890,000</u>	<u>475,419</u>
Group Boards of Directors' remunerations and expenses	<u>2,341,199</u>	<u>2,263,494</u>

Following are the details for the Board of Director of the Bank of Palestine remuneration (does not include the subsidiaries) for the years 2025 and 2024:

	<u>2025</u>	<u>2024</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Hashim Hani Shawa	186,236	-
Abdullah Al-Ghanim	117,624	-
Lana Abu Hijleh	107,822	-
Tafeeda Jarbawi	107,822	-
Emad Erik Shehadeh	88,218	-
Maha Awad	88,218	-
Tawfeeq Habash	88,218	-
Tariq Aqqad	88,218	-
Adel Dajani	68,614	-
Lama Kan'an	49,010	-
	<u>990,000</u>	<u>-</u>

Clause (1) of Article no. (21) of the Bank's bylaw, states that 5% of the Banks' annual net income shall be distributed to the members of the Board of Directors. Actual bonuses distributed were 1.74% and 0% of profit for the years 2025 and 2024, respectively.

46. Fair value of financial instruments

The table below represents a comparison between the carrying amounts and fair values of financial instruments as at December 31, 2025:

	Carrying value U.S. \$	Fair value			Total U.S. \$
		Level 1 U.S. \$	Level 2 U.S. \$	Level 3 U.S. \$	
Financial assets					
Cash and balances with Palestine Monetary Authority	4,115,920,889	4,115,920,889	-	-	4,115,920,889
Balances, deposits and investments at Banks and financial institutions	1,772,936,462	1,772,936,462	-	-	1,772,936,462
Financial assets at fair value through profit or loss:					
Quoted stocks	1,913,326	1,913,326	-	-	1,913,326
Unquoted stocks	3,914,704	-	-	3,914,704	3,914,704
Direct credit facilities and Islamic financing:					
Retails	1,134,157,915	-	-	1,134,157,915	1,134,157,915
Corporate, local regulators, institutions and small projects	1,746,889,556	-	-	1,746,889,556	1,746,889,556
Palestine National Authority	1,130,985,356	-	-	1,130,985,356	1,130,985,356
Financial assets at fair value through other comprehensive income items:					
Quoted stocks	84,142,405	84,142,405	-	-	84,142,405
Unquoted stocks	14,492,414	-	-	14,492,414	14,492,414
Financial assets at amortized cost:					
Treasury bills	197,155,674	182,126,549	-	16,945,697	199,072,246
Quoted bonds	3,274,664	3,262,083	-	-	3,262,083
Unquoted bonds	71,808,722	-	-	71,808,722	71,808,722
Islamic sukuk	44,473,132	44,388,570	-	-	44,388,570
Other financial assets	62,217,006	-	-	62,217,006	62,217,006
Total assets	10,384,282,225	6,204,690,284	-	4,181,411,370	10,386,101,654
Financial liabilities					
Palestine Monetary Authority deposits	392,737,564	392,737,564	-	-	392,737,564
Banks and financial institutions' deposits	35,596,213	35,596,213	-	-	35,596,213
Customers' deposits	8,773,595,388	8,773,595,388	-	-	8,773,595,388
Cash margins	344,815,360	344,815,360	-	-	344,815,360
Subordinated loan	45,000,000	-	-	45,000,000	45,000,000
Loans and borrowings	92,778,959	-	-	92,778,959	92,778,959
Istidama loans from Palestine Monetary Authority	46,963,540	-	-	46,963,540	46,963,540
Leased Liabilities	18,723,527	-	-	18,723,527	18,723,527
Other financial liabilities	156,544,796	-	37,579,345	118,965,451	156,544,796
Total liabilities	9,906,755,347	9,546,744,525	37,579,345	322,431,477	9,906,755,347

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

	Carrying value U.S. \$	Fair value			Total U.S. \$
		Level 1 U.S. \$	Level 2 U.S. \$	Level 3 U.S. \$	
Financial assets					
Cash and balances with Palestine Monetary Authority	2,236,071,862	2,236,071,862	-	-	2,236,071,862
Balances, deposits and investments at Banks and financial institutions	1,719,713,863	1,719,713,863	-	-	1,719,713,863
Financial assets at fair value through profit or loss:					
Quoted stocks	1,741,648	1,741,648	-	-	1,741,648
Unquoted stocks	3,704,152	-	193,612	3,510,540	3,704,152
Direct credit facilities and Islamic financing:					
Retails	1,160,932,277	-	-	1,160,932,277	1,160,932,277
Corporate, local regulators, institutions and small projects	1,714,005,757	-	-	1,714,005,757	1,714,005,757
Palestine National Authority	967,702,415	-	-	967,702,415	967,702,415
Financial assets at fair value through other comprehensive income:					
Quoted stocks	51,095,815	51,095,815	-	-	51,095,815
Unquoted stocks	12,540,300	-	-	12,540,300	12,540,300
Financial assets at amortized cost:					
Treasury bills	135,838,051	118,951,405	-	17,145,153	136,096,558
Quoted bonds	3,268,090	3,219,750	-	-	3,219,750
Unquoted bonds	20,249,942	-	-	20,249,942	20,249,942
Islamic sukuk	35,989,346	36,839,808	-	-	36,839,808
Other financial assets	41,400,328	-	-	41,400,328	41,400,328
Total assets	8,104,253,846	4,167,634,151	193,612	3,937,486,712	8,105,314,475
Financial liabilities					
Palestine Monetary Authority deposits	241,791,321	241,791,321	-	-	241,791,321
Banks and financial institutions' deposits	111,077,678	111,077,678	-	-	111,077,678
Customers' deposits	6,746,335,093	6,746,335,093	-	-	6,746,335,093
Cash margins	275,219,509	275,219,509	-	-	275,219,509
Subordinated loan	60,000,000	-	-	60,000,000	60,000,000
Loans and borrowings	104,927,195	-	-	104,927,195	104,927,195
Istidama loans from Palestine Monetary Authority	48,446,863	-	-	48,446,863	48,446,863
Leased Liabilities	19,193,970	-	-	19,193,970	19,193,970
Other financial liabilities	106,395,231	-	120,043	106,275,188	106,395,231
Total liabilities	7,713,386,860	7,374,423,601	120,043	338,843,216	7,713,386,860

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, deposits and investments at Banks and financial institutions, other financial assets, Palestine Monetary Authority deposits, Banks and financial institutions balances, customers' deposits, cash margins, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments or its interest rates are re-priced during the year.

Fair value for unquoted financial assets at amortized costs, loans and borrowings, subordinated loans, Istimada loans, lease liabilities was estimated by using expected cash flow by using the interest rates in financial markets.

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income items and financial assets at amortized cost listed and financial derivatives which have market prices at their trading prices at the date of the consolidated financial statements.

Fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are not actively traded in active financial markets is determined based on appropriate evaluation methods.

The fair value of the items in the investment portfolio was determined by the Bank's share in the net asset value of the portfolio, which includes tradable financial instruments.

Fair value of credit facilities and Islamic financing was determined through the study of different variables such as interest rates, risk factors and the debtor's solvency. The fair value of credit facilities does not differ from their carrying amounts as at December 31, 2025.

47. Fair value measurement

The Bank uses the following hierarchy for determining and disclosing the fair value of its financial instruments:

- 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.

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

	Date of evaluation	Total U.S. \$	Measurement of fair value by		
			Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant non-observable inputs (Level 3)
			U.S. \$	U.S. \$	U.S. \$
Assets measured at fair value					
Financial assets at fair value through profit or loss (note 7):					
Quoted	December 31, 2025	1,913,326	1,913,326	-	-
Unquoted	December 31, 2025	3,914,704	-	-	3,914,704
Financial assets at fair value through other comprehensive income (note 9):					
Quoted	December 31, 2025	84,142,405	84,142,405	-	-
Unquoted	December 31, 2025	14,492,414	-	-	14,492,414
Investment properties (note 12)	December 31, 2025	38,535,939	-	-	38,535,939
Financial assets accounted for in its fair value:					
Financial assets at amortized cost (note 10):					
Treasury bills	December 31, 2025	199,072,246	182,126,549	-	16,945,697
Quoted bonds	December 31, 2025	3,262,083	3,262,083	-	-
Unquoted bonds	December 31, 2025	71,808,722	-	-	71,808,722
Islamic Sukuk	December 31, 2025	44,388,570	44,388,570	-	-
Liabilities measured at fair value on a recurring basis					
Financial derivatives at fair value through profit or loss (note 27)	December 31, 2025	37,579,345	-	37,579,345	-

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

	Date of evaluation	Total U.S. \$	Measurement of fair value by		
			Quoted prices in active markets (Level 1) U.S. \$	Significant observable input (Level 2) U.S. \$	Significant non-observable inputs (Level 3) U.S. \$
Assets measured at fair value					
Financial assets at fair value through profit or loss (note 7):					
Quoted	December 31, 2024	1,741,648	1,741,648	-	-
Unquoted	December 31, 2024	3,704,152	-	193,612	3,510,540
Financial assets at fair value through other comprehensive income (note 9):					
Quoted	December 31, 2024	51,095,815	51,095,815	-	-
Unquoted	December 31, 2024	12,540,300	-	-	12,540,300
Investment properties (note 12)	December 31, 2024	40,676,948	-	-	40,676,948
Financial assets accounted for in its fair value:					
Financial assets at amortized cost (note 10):					
Treasury bills	December 31, 2024	136,096,558	118,951,405	-	17,145,153
Quoted bonds	December 31, 2024	3,219,750	3,219,750	-	-
Unquoted bonds	December 31, 2024	20,249,942	-	-	20,249,942
Islamic Sukuk	December 31, 2024	36,839,808	36,839,808	-	-
Assets measured at fair value on a recurring basis					
Financial derivatives at fair value through profit or loss (note 27)					
	December 31, 2024	120,043	-	120,043	-

The Bank has not made any transfers between the above levels during 2025 and 2024.

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

	Increase/ decrease in fair value %	Effect on fair value U.S. \$
2025		
Fair value per square meter	5+	1,926,797
Fair value per square meter	5-	(1,926,797)
2024		
Fair value per square meter	5+	2,033,847
Fair value per square meter	5-	(2,033,847)

The movement on investments whose fair value was measured using Level 3 was as follows:

	Balance, beginning of the year	Additions	Maturity/sale /transfer	Fair value reserve	Unrealized losses from revaluation of financial assets recognized in consolidated income statement	Balance, end of the year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
December 31 2025						
Financial assets at fair value through profit or loss (note 7):						
Unquoted	3,510,540	458,100	-	-	(53,936)	3,914,704
Financial assets at fair value through other comprehensive income items (note 9):						
Unquoted	12,540,300	1,322,909	-	629,205	-	14,492,414
Assets measured at Fair Value:						
Investment properties (note 12)	40,676,948	-	(5,412,102)	-	3,271,093	38,535,939
	<u>56,727,788</u>	<u>1,781,009</u>	<u>(5,412,102)</u>	<u>629,205</u>	<u>3,217,157</u>	<u>56,943,057</u>
December 31 2024						
Financial assets at fair value through profit or loss (note 7):						
Unquoted	3,997,119	254,000	(7,901)	-	(732,678)	3,510,540
Financial assets at fair value through other comprehensive income items (note 9):						
Unquoted	11,691,136	1,139,790	-	(290,626)	-	12,540,300
Assets measured at Fair Value:						
Investment properties (note 12)	24,776,440	14,265,104	(432,500)	-	2,067,904	40,676,948
	<u>40,464,695</u>	<u>15,658,894</u>	<u>(440,401)</u>	<u>(290,626)</u>	<u>1,335,226</u>	<u>56,727,788</u>

– Sensitivity of unobservable data (level three):

Certified external valuers are assigned to value the material assets such as investment properties. After discussion with these external evaluators, the Bank selects the methods and inputs that will be used for the evaluation in each case, which are mostly sales prices of similar land during the year which are calculated at the fair value of the square meter of the land multiplied by the number of square meters.

48. Concentration of Assets and Liabilities

Following is a breakdown of the Bank's assets, liabilities and items out of consolidated statement of financial position by geographical and sectoral areas:

	2025			2024		
	Assets	Liabilities and equity	Items out of consolidated financial position	Assets	Liabilities and equity	Items out of consolidated financial position
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
By geographical area						
Palestine	8,618,765,200	10,283,917,484	649,956,491	6,472,226,410	8,066,084,376	684,826,931
Israel	98,506,733	63,244,849	-	55,431,294	1,401,939	1,283,778
Jordan	471,623,086	32,687,377	148,000	400,909,469	1,499,839	46,200
Europe	876,012,583	93,163,574	7,453,388	892,927,299	109,199,035	15,348,132
USA	343,285,995	15,032,791	3,707,138	120,945,538	32,007,285	-
Others	242,729,609	162,877,131	10,685,182	417,633,688	149,881,224	9,756,599
Total	<u>10,650,923,206</u>	<u>10,650,923,206</u>	<u>671,950,199</u>	<u>8,360,073,698</u>	<u>8,360,073,698</u>	<u>711,261,640</u>
By sector						
Retail	1,134,157,915	6,163,155,667	62,663,205	1,160,932,277	4,602,230,483	62,675,205
Corporate, institutions and public sector	2,877,874,912	2,955,255,081	609,286,994	2,681,708,172	2,419,324,119	648,586,435
Treasury	6,322,226,572	613,076,276	-	4,232,224,886	566,243,057	-
Others	316,663,807	919,436,182	-	285,208,363	772,276,039	-
Total	<u>10,650,923,206</u>	<u>10,650,923,206</u>	<u>671,950,199</u>	<u>8,360,073,698</u>	<u>8,360,073,698</u>	<u>711,261,640</u>

49. Risk Management

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:

A- Palestinian Government and its' employees exposures

The assessment of credit exposures to the Palestinian Government and its employees is conducted within a sensitive financial and economic environment marked by ongoing challenges. The reduction and suspension of clearance revenue transfers by the Israeli authorities have created significant liquidity pressures, as these revenues represent a material component of the government's income. This has had a tangible impact on the government's capacity to manage its budget and available liquidity, increasing its reliance on external financing to cover liquidity shortfalls. This has led to arrears on public-sector salaries, and delays in settling obligations to the private sector. While the end of the war in Gaza may offer some opportunities for economic recovery, sustained economic activity and improved liquidity remain contingent on political stability, the resumption of the withheld revenue transfers from Israel, and donor support. This exposes Palestinian banks to risks related to the potential inability of the government to meet its obligations.

Direct credit facilities and Islamic financing granted to the government amounted to U.S. \$ 1,194,439,634 representing (26.75%) of gross direct credit facilities and Islamic financing as of December 31, 2025, compared to U.S. \$ 984,376,324, representing (23.50%) of gross direct credit facilities and Islamic financing as at December 31, 2024.

Also, direct credit facilities and Islamic financing granted to the public sector employees amounted to U.S. \$ 667,234,998 representing (14.94%) of gross direct credit facilities and Islamic financing as of December 31, 2025, compared to U.S. \$ 655,038,473 representing (15.64%) of gross direct credit facilities and Islamic financing as at December 31, 2024.

The facilities and financing granted to the Palestinian government through the Palestinian Ministry of Finance and the General Petroleum Corporation are as follows:

Syndicated Loan:

At the end of 2023, a syndicated loan was granted to the Palestinian Ministry of Finance, including an initial six-month grace period, with repayment scheduled to start in July 2024. The first installment was paid on schedule, and monthly payments continued according to the agreed schedule until November 2024.

Subsequently, the loan underwent two restructurings:

- January 2025: repayment of installments due from December 2024 to May 2025 was deferred for six months.
- August 2025: a second restructuring was completed to change the currency of part of the loan at the request of Palestinian banks and to defer additional monthly installments for a further six months.

Despite this, the Ministry of Finance paid the interest accrued during the grace period in June 2025 and the July 2025 installment on schedule. Interest payments related to the second restructuring continue.

The outstanding balance of this loan amounted to U.S. \$ 387 million and U.S. \$ 359 million as of December 31, 2025, and 2024, respectively.

Other loans granted to the Ministry of Finance:

The balance of other loans granted to the Ministry of Finance amounted to the equivalent of U.S. \$ 328 million as of December 31, 2025, and amounted to the equivalent of U.S. \$ 100 million as at December 31, 2024. No modifications or restructurings were made to these facilities; as 60% of the outstanding balance of these facilities is secured by cash collaterals.

Overdraft - Ministry of Finance:

The overdraft balance granted to the Ministry of Finance amounted to the equivalent of U.S. \$ 196 million as of December 31, 2025, and amounted to the equivalent of U.S. \$ 252 million as at December 31, 2024. No modifications or restructurings were made to these facilities; as they are secured by dedicated tax revenues from major local companies collected through domestic banking channels, with stable performance and no delays in repayment or breaches of contractual terms.

Overdraft - General Petroleum Corporation:

The overdraft balance granted to the General Petroleum Corporation amounted to the equivalent of U.S. \$ 120 million of December 31, 2025, and amounted to the equivalent of U.S. \$ 106 million as at December 31, 2024. No modifications or restructurings have been made to this facility; as the facility is secured by commercial checks from fuel stations, collected through local banking channels. Payments have been stable, with no delays or breaches of contractual terms. Despite the overall economic challenges, repayment remains regular, with no indications of elevated credit risk.

Islamic financing - Ministry of Finance:

At the end of 2023, the Arab Islamic Bank (a subsidiary), in conjunction with the syndicated loan extended by commercial banks operating in Palestine, granted financing to the Ministry of Finance amounting to ILS 347 million and U.S. \$ 53 million. These financings included a six-month grace period, with repayments scheduled to begin in July 2024. The first installment was paid on time, and monthly payments continued as scheduled until November 2024. Subsequently and during the year, the Arab Islamic Bank (a subsidiary) granted the Ministry of Finance financings amounting to ILS 45 million and U. S. \$ 6 million, which included a six-month grace period and were intended to settle the installments due on the original financings until May 2025. Thereafter, the Ministry of Finance resumed settlement of the original financings from its own sources until September 2025. After the date of the consolidated financial statements, the Bank provided the Ministry of Finance with further financing amounting to approximately ILS 57 million and approximately U.S. \$ 8 million, with a six-month grace period, for the purpose of settling the due and remaining installments through April 2026. The outstanding balance for these financings amounted to U.S. \$ 139 million as of December 31, 2025, and U.S. \$ 140 million as of December 31, 2024. The conditions surrounding these financings are similar to those related to the syndicated loan mentioned above.

Islamic financing - General Petroleum Corporation:

The gross outstanding financings granted to the General Petroleum Corporation by the Arab Islamic Bank (a subsidiary) amounted to the equivalent of U.S. \$ 25 million as of December 31, 2025, and amounted to the equivalent of U.S. \$ 27 million as of December 31, 2024. No modifications or restructurings were made to these financings; as the financings are secured by commercial checks from fuel stations collected through local banking channels, with stable performance, no delays in repayment, and no breaches of contractual terms. Despite overall economic challenges, repayments remain regular, and no indicators of increased credit risk have been observed.

Bank assessment and assumptions of government exposure:

The Bank assess credit risk and expected credit losses on its various exposures to the Palestinian Government individually at the financial instrument level, in accordance with the Bank's policy for identifying shared risk characteristics and the requirements of IFRS 9.

In accordance with IFRS 9, if the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized, the entity shall assess whether there has been a significant increase in the credit risk of the financial instrument by comparing:

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

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

The Bank estimates the Probability of Default (PD) for the Palestinian Government using proxy sovereign rating methodology, due to the absence of an official credit rating from international rating agencies. This estimate is based on a reference methodology consistent with practices adopted in the Palestinian banking sector since the implementation of IFRS 9, with quantitative adjustments to reflect relevant political risk levels. Through this methodology, through-the-cycle PDs (TTC PDs) are derived from historical studies published by global rating agencies, covering periods of economic growth and recession, and then converted to point-in-time PDs (PIT PDs) using a statistical model that incorporates forward-looking economic expectations, including World Bank forecasts, particularly regarding economic growth rates- which the bank updated during the year.

Due to the geopolitical circumstances mentioned above and the resulting financial difficulties, the Bank classified certain exposures to the Palestinian Ministry of Finance as high-risk under Stage 2 for the purpose of calculating expected credit loss (ECL) provisions. This resulted in the recognition of additional provisions based on management's estimates in the final calculation of expected credit losses for all exposures to the Ministry of Finance. These estimates included assigning a higher weighting to the worst-case scenario and increasing the probability of default. The Bank will continue to monitor these exposures and update the inputs used in calculating expected credit losses.

B- Relationship with Israeli Correspondent Banks and Restrictions on the Israeli Shekel currency

The Bank operates in an environment where the Israeli Shekel (ILS) is one of the mainly traded currencies and due to the lack of a Palestinian national currency, clearance of cash denominated in ILS kept held by the Bank is done through Israeli corresponding banks, Which are subject to regulatory restrictions imposed by the Israeli side. Israeli banks constitute the sole channel for ILS clearing and transfer operations in ILS currency, including check clearing, workers and merchant transfers, payments to the Israeli side for fuel, water, electricity, and medical transfers, as well as the transfer of clearing revenues collected by the Israeli government on behalf of the Palestinian government. These arrangements are subject to annual renewal with the approval of the Israeli government, exposing Palestinian banks to additional risks, including the potential non-renewal of this relationship, which could disrupt ILS clearing and transfer channels.

Historically, the Israeli Ministry of Finance provided letters of guarantee to Israeli banks engaged in banking relationships with Palestinian banks. These letters protected Israeli banks from certain legal and regulatory liabilities that might arise from transactions with Palestinian institutions.

Currently, there is uncertainty regarding the Israeli government's intention to renew the current letters of guarantee, which were planned to expire on March 26, 2026, as the Israeli government has recently been extending these letters on a bi-monthly basis. Some Israeli correspondent banks have informed their Palestinian banking clients that they will not renew the relationship unless they receive the letter of guarantee from the Israeli Ministry of Finance, as has been the practice.

The suspension or termination of services from Israeli correspondent banks could materially affect the Bank's ability to:

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

The Bank's management has assessed the potential impact of this risk on the Bank's operations and financial position. Although the Bank currently expects to be able to continue its operations, the uncertainty surrounding the renewal of these correspondent banking relationships represents a material risk and has been taken into account in the assessment of going concern, liquidity risk, and other operational risks.

The bank has taken the following measures to address this anticipated situation:

- Communicating with Israeli correspondent banks and regulatory authorities to clarify business continuity.
- Strengthening internal controls and compliance procedures to address the increasing risks related to anti-money laundering (AML) and counter-terrorism financing (CTF).
- Increasing liquidity reserves to mitigate potential disruptions in payment settlements.
- Exploring alternative banking arrangements and diversifying exposure to the Israeli shekel where possible.

Additionally, the restrictions imposed by the Israeli authorities in recent years have resulted in slowing down and restricting the acceptance of ILS cash deposits from Palestinian banks. As a result, significant amounts of ILS cash have accumulated along with a shortage in the Bank's electronic balances in the same currency for the bank to meet its operating transactions and activities and impose restrictions on check clearing and electronic transfers of the customers, alongside an increase of security and storage risks.

These factors affect the ability of Banks operating in Palestine to manage liquidity effectively and complete customer transactions which may negatively impact their financial performance and stability. The balance of cash on hand denominated ILS amounted to the equivalent of U.S. \$ 2.9 billion (2024: U.S. \$ 1.5 billion), representing 90.63% (2024: 93.75%) of the gross cash balances held at the Bank.

The Bank's exposures in ILS are disclosed under the Currency Risk section below.

The Bank will continue to monitor the situation, and any material impact on the financial position and income statement will be reflected in future reporting periods. The Bank also continues to cooperate with relevant authorities to address these challenges and explore alternative mechanisms to mitigate the associated risks.

C- Other risks to which the Bank is exposed to:

Risk management framework

Risks related to the Bank's activities is managed, measured and monitored continuously to remain within the permissible limits, and given the importance of the risk management process on the Bank's profits, tasks and monitoring responsibilities associated to these risks are distributed among employees.

Risk management process

The Board of Directors and the risk management committee are responsible for identifying and controlling risks; in addition, there are several parties which are responsible for managing and monitoring risks in the area in which the Bank operates.

Risk management committee

Risk management committee are responsible for developing risks strategies and applying the principles, general framework and allowed limits.

Risk measurement and reporting system

Monitoring and controlling risks are primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk the Bank is willing to accept, Information is collected from different departments and analyzed for early identification of potential risks. This information is presented to the Bank's Board of Directors, the risk management committee and the executive departments responsible for risk management committee.

Risks

The Bank follows different policies in managing various risks as part of determined strategies. The Bank's risk departments monitor and control risks and optimize strategic diversification of financial assets and financial liabilities. These risks include credit risk and market risk (interest rate risk, currency risk and equity price risk) and liquidity risk. The Bank has established the Credit Quality Unit, which aims to identify early deterioration in the quality of customers' credit or the drop in the fair value of their collateral. The Bank is also currently preparing a credit rating system for its clients.

I. Credit Risk

Credit risks are those risks resulting from the default or inability of counterparties to the financial instrument to repay their commitment to the Bank which leads to incurring losses. The Bank, through credit risk management, sets ceilings for direct credit facilities (retail or corporate) and total loans granted to each sector and each geographical area. The Bank also monitors credit risks and continuously evaluates the credit standing of customers. The Bank also obtains appropriate collaterals from customers.

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

	<u>2025</u>	<u>2024</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Consolidated statement of financial position items</u>		
Balances with Palestine Monetary Authority	884,195,770	645,950,093
Balances, deposits and investments at Banks and financial institutions	1,772,936,462	1,719,713,863
Direct credit facilities and Islamic financing:		
Retail	1,134,157,915	1,160,932,277
Corporate, institutions and local regulators	1,746,889,556	1,714,005,757
Palestine National Authority	1,130,985,356	967,702,415
Financial assets at amortized cost	316,712,192	195,345,429
Other financial assets	<u>62,217,006</u>	<u>41,400,328</u>
	<u>7,048,094,257</u>	<u>6,445,050,162</u>
<u>Items not included in the consolidated statement of financial position</u>		
Letters of guarantees	222,499,663	198,894,965
Letters of credit	21,967,558	34,176,725
Acceptances	9,413,871	5,246,675
Unutilized credit facilities limits	414,488,426	467,892,154
Other	<u>139,400</u>	<u>151,400</u>
	<u>668,508,918</u>	<u>706,361,919</u>

Guarantees and other credit enhancements

The amount and type of collateral required depends on the credit risk assessment of the counterparty. There are guidelines for how to accept and evaluate each type of guarantee.

Management monitors the market value of the collateral and additional collateral is requested in accordance with the basic agreement. In the normal course of business, the Bank uses outside agents to recover funds from repossessed property or other assets in its retail portfolio, e.g. auctions. Any excess funds are returned to customers. As a result, residential properties are neither recorded in the consolidated statement of financial position nor treated as non-current assets held for sale.

Although master nettings may significantly reduce credit risk, it should be noted that credit risk is excluded only to the extent of amounts owed to the same counterparty. The tables below show the maximum exposure to credit risk by class of financial assets. The total fair value of the collateral is shown, which is the excess of collateral (the difference between the fair value of the collateral held greater than the value of the exposure to which it relates), and the net exposure to credit risk.

Expected credit losses coverage rate:

	Gross Exposure			Expected credit losses			ECL Coverage Ratios		
	Stage (1) U.S. \$	Stage (2) U.S. \$	Stage (3) U.S. \$	Stage (1) U.S. \$	Stage (2) U.S. \$	Stage (3) U.S. \$	Stage (1) U.S. \$	Stage (2) U.S. \$	Stage (3) U.S. \$
2025									
Balances with Palestine Monetary Authority	886,198,396	-	-	2,002,626	-	-	0.23%	-	-
Balances, deposits and investments at Banks and financial institutions	1,733,319,703	39,851,862	1,799,870	211,849	23,254	1,799,870	0.01%	0.06%	100.00%
Direct credit facilities and Islamic financing:									
Retails	346,070,447	848,723,882	131,009,874	2,394,754	83,644,182	84,584,222	0.69%	9.86%	64.56%
SMEs	317,150,939	243,826,540	100,581,285	1,107,089	18,115,127	55,748,553	0.35%	7.43%	55.43%
Corporate and local regulators	656,325,600	510,292,955	116,578,577	3,671,896	34,427,665	70,201,009	0.56%	6.75%	60.22%
Palestine National Authority	536,904,856	657,534,778	-	9,754,678	53,699,600	-	1.82%	8.17%	-
Financial assets at amortized cost	301,265,102	16,032,759	2,524,147	407,233	178,436	2,524,147	0.14%	1.11%	100.00%
Other financial assets	62,217,006	-	-	-	-	-	-	-	-
Total	4,839,452,049	2,316,262,776	352,493,753	19,550,125	190,088,264	214,857,801	0.40%	8.21%	60.95%
Credit exposure related to off-balance sheet items	448,766,667	223,183,532	-	615,445	2,825,836	-	0.14%	1.27%	-

	Gross Exposure			Expected credit losses			ECL Coverage Ratios		
	Stage (1)	Stage (2)	Stage (3)	Stage (1)	Stage (2)	Stage (3)	Stage (1)	Stage (2)	Stage (3)
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2024									
Balances with Palestine Monetary Authority	647,852,237	-	-	1,902,144	-	-	0.29%	-	-
Balances, deposits and investments at Banks and financial institutions	1,681,196,515	38,861,345	1,815,255	338,559	5,438	1,815,255	0.02%	0.01%	100.00%
Direct credit facilities and Islamic financing:									
Retails	320,687,625	893,902,359	67,984,458	921,996	72,367,612	41,775,015	0.29%	8.10%	61.45%
SMEs	314,753,146	257,521,939	67,841,463	938,688	36,888,230	35,225,458	0.30%	14.32%	51.92%
Corporate and local regulators	556,717,079	630,710,413	94,092,132	3,415,853	61,487,289	54,334,590	0.61%	9.75%	57.75%
Palestine National Authority	984,376,324	-	-	16,673,909	-	-	1.69%	-	-
Financial assets at amortized cost	171,417,886	25,054,404	2,524,147	372,773	754,088	2,524,147	0.22%	3.01%	100.00%
Other financial assets	41,400,328	-	-	-	-	-	-	-	-
Total	4,718,401,140	1,846,050,460	234,257,455	24,563,922	171,502,657	135,674,465	0.52%	9.29%	57.92%
Credit exposure related to off-balance sheet items	452,855,789	258,405,851	-	460,427	4,439,294	-	0.10%	1.72%	-

Analysis of stage (2) loans reflecting the criteria for inclusion in stage 2:

Below is an analysis of the exposures for stage 2 at the reporting date that reflects the reasons for inclusion in stage (2) by class of loans to customers (total book value and corresponding expected credit losses). For the purposes of this analysis, when exposures meet more than one criterion for determining a significant increase in credit risk, the total carrying amount and the corresponding ECL are provisioned in order with these categories.

The indicators of significant increases in credit risk (SICR) are explained in note (3)

	Retail		SMEs		Corporate and local regulators		Palestine National Authority		Total stage (2)	
	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2025										
Less than 30 DPD Qualitative factors	175,130,306	25,750,844	166,296,343	5,447,922	409,859,624	16,777,864	523,968,531	42,302,408	1,275,254,804	90,279,038
More than 30 DPD	673,593,576	57,893,338	77,530,197	12,667,205	100,433,331	17,649,801	133,566,247	11,397,192	985,123,351	99,607,536
Total	<u>848,723,882</u>	<u>83,644,182</u>	<u>243,826,540</u>	<u>18,115,127</u>	<u>510,292,955</u>	<u>34,427,665</u>	<u>657,534,778</u>	<u>53,699,600</u>	<u>2,260,378,155</u>	<u>189,886,574</u>
	Retail		SMEs		Corporate and local regulators		Palestine National Authority		Total stage (2)	
	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2024										
Less than 30 DPD Qualitative factors	16,772,228	10,975,729	3,574,494	812,997	103,838,241	14,500,325	-	-	124,184,963	26,289,051
More than 30 DPD	877,130,131	61,391,883	253,947,445	36,075,233	526,872,172	46,986,964	-	-	1,657,949,748	144,454,080
Total	<u>893,902,359</u>	<u>72,367,612</u>	<u>257,521,939</u>	<u>36,888,230</u>	<u>630,710,413</u>	<u>61,487,289</u>	<u>-</u>	<u>-</u>	<u>1,782,134,711</u>	<u>170,743,131</u>

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

2025	Fair value of collaterals									
	Total value of exposure U.S. \$	Cash margins U.S. \$	Precious metals and others U.S. \$	Quoted stocks and letter of guarantees U.S. \$	Loan guarantee funds U.S. \$	Vehicles, equipment and others U.S. \$	Real estate U.S. \$	Total value of collaterals U.S. \$	Exposure net of collaterals U.S. \$	Expected credit loss U.S. \$
Credit exposures related to items in the consolidated statement of financial position:										
Balances with Palestine Monetary Authority	886,198,396	-	-	-	-	-	-	-	886,198,396	2,002,626
Balances, deposits and investments at Banks and financial institutions	1,774,971,435	-	-	-	-	-	-	-	1,774,971,435	2,034,973
Direct credit facilities and Islamic financing:										
Retails	1,325,804,203	51,007,011	1,335,863	2,266,231	5,384,837	59,511,562	279,603,348	399,108,852	926,695,351	170,623,158
SMEs	661,558,764	81,430,449	536,502	11,014,590	62,694,271	37,092,522	330,058,364	522,826,698	138,732,066	74,970,769
Corporate and local regulators	1,283,197,132	131,237,645	-	43,861,848	6,246,061	84,352,316	421,122,101	686,819,971	596,377,161	108,300,570
Palestine National Authority	1,194,439,634	196,214,245	-	-	-	-	-	196,214,245	998,225,389	63,454,278
Financial assets at amortized cost	319,822,008	-	-	-	-	-	-	-	319,822,008	3,109,816
Other financial assets	62,217,006	-	-	-	-	-	-	-	62,217,006	-
Total	7,508,208,578	459,889,350	1,872,365	57,142,669	74,325,169	180,956,400	1,030,783,813	1,804,969,766	5,703,238,812	424,496,190
Credit exposure related to off-balance sheet items	671,950,199	44,837,636	7,878	600,634	950,537	324,739	20,319,535	67,040,959	604,909,240	3,441,281

2024	Fair value of collaterals									
	Total value of exposure	Cash margins	Precious metals	Quoted stocks and letter of guarantees	Loan guarantee funds	Vehicles, equipment and others	Real estate	Total value of collaterals	Exposure net of collaterals	Expected credit loss
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Credit exposures related to items in the consolidated statement of financial position:										
Balances with Palestine Monetary Authority	647,852,237	-	-	-	-	-	-	-	647,852,237	1,902,144
Balances, deposits and investments at Banks and financial institutions	1,721,873,115	-	-	-	-	-	-	-	1,721,873,115	2,159,252
Direct credit facilities and Islamic financing:										
Retails	1,282,574,442	50,370,896	4,372,252	1,407,941	5,925,772	53,253,056	282,869,944	398,199,861	884,374,581	115,064,623
SMEs	640,116,548	67,827,677	3,032,967	9,884,701	55,376,037	31,263,287	355,290,440	522,675,109	117,441,439	73,052,376
Corporate and local regulators	1,281,519,624	97,890,753	4,347,285	73,196,406	6,525,232	69,304,478	489,439,604	740,703,758	540,815,866	119,237,732
Palestine National Authority	984,376,324	100,000,000	-	-	-	-	-	100,000,000	884,376,324	16,673,909
Financial assets at amortized cost	198,996,437	-	-	-	-	-	-	-	198,996,437	3,651,008
Other financial assets	41,400,328	-	-	-	-	-	-	-	41,400,328	-
Total	6,798,709,055	316,089,326	11,752,504	84,489,048	67,827,041	153,820,821	1,127,599,988	1,761,578,728	5,037,130,327	331,741,044
Credit exposure related to off-balance sheet items	711,261,640	35,543,790	5,473	664,394	826,799	295,097	23,683,449	61,019,002	650,242,638	4,899,721

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

2025	Fair value of collaterals									
	Total exposure	Cash margins	Precious metals	Real estate	Loan guarantee funds	Quoted stocks	Vehicles, equipment and others	Total value of collaterals	Exposure net of collaterals	Expected credit loss
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Credit exposures related to items in the consolidated statement of financial position:										
Direct credit facilities and Islamic financing:										
Retail	131,009,874	2,344,785	29,491	6,945,607	2,920,104	3,795	11,707,722	23,951,504	107,058,370	84,584,222
Corporate and institutions	217,159,862	10,243,968	15,963	68,059,245	12,019,816	2,105,342	1,689,964	94,134,298	123,025,564	125,949,562
Total	348,169,736	12,588,753	45,454	75,004,852	14,939,920	2,109,137	13,397,686	118,085,802	230,083,934	210,533,784

<u>2024</u>	Total exposure	Cash margins	Precious metals	Fair value of collaterals				Total value of collaterals	Exposure net of collaterals	Expected credit loss
				Real estate	Loan guarantee funds	Quoted stocks	Vehicles, equipment and others			
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Credit exposures related to items in the consolidated statement of financial position:										
Direct credit facilities and Islamic financing:										
Retail	67,984,458	2,205,715	74,339	10,980,609	1,433,640	-	3,806,935	18,501,238	49,483,220	41,775,015
Corporate and institutions	161,933,595	8,351,881	9,027	56,311,919	2,128,660	1,413,317	951,878	69,166,682	92,766,913	89,560,048
Total	229,918,053	10,557,596	83,366	67,292,528	3,562,300	1,413,317	4,758,813	87,667,920	142,250,133	131,335,063

Concentration of credit risk exposures according to the geographical area, net is as follows:

	Palestine	Arab Countries	Israel	Europe	USA	Others	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balances with Palestine Monetary Authority	884,195,770	-	-	-	-	-	884,195,770
Balances, deposits and investments at Banks and financial institutions	63,087,726	418,134,476	98,475,145	871,822,169	182,001,239	139,415,707	1,772,936,462
Direct credit facilities and Islamic financing	3,999,945,701	10,923,509	31,588	-	427,534	704,495	4,012,032,827
Financial assets at amortized cost	71,808,722	79,775,029	-	-	154,442,203	10,686,238	316,712,192
Other financial assets	62,217,006	-	-	-	-	-	62,217,006
Total as at December 31, 2025	5,081,254,925	508,833,014	98,506,733	871,822,169	336,870,976	150,806,440	7,048,094,257
Total as at December 31, 2024	4,595,887,107	628,819,930	55,431,294	911,632,338	122,429,073	130,850,420	6,445,050,162

Concentration of credit risk exposures according to IFRS (9) Stages as at December 31, 2025 and 2024 is as follows:

	Stage (1) U.S. \$	Stage (2) U.S. \$	Stage (3) U.S. \$	2025 U.S. \$
Palestine	2,937,174,528	2,042,062,576	102,017,821	5,081,254,925
Arab countries	427,664,729	81,168,285	-	508,833,014
Israel	98,506,733	-	-	98,506,733
Europe	871,822,169	-	-	871,822,169
USA	336,870,976	-	-	336,870,976
Others	147,862,789	2,943,651	-	150,806,440
Total	4,819,901,924	2,126,174,512	102,017,821	7,048,094,257

	Stage (1) U.S. \$	Stage (2) U.S. \$	Stage (3) U.S. \$	2024 U.S. \$
Palestine	2,907,830,386	1,611,391,580	76,665,141	4,595,887,107
Arab countries	569,816,293	59,003,637	-	628,819,930
Israel	55,431,294	-	-	55,431,294
Europe	911,632,338	-	-	911,632,338
USA	122,429,073	-	-	122,429,073
Others	126,697,834	4,152,586	-	130,850,420
Total	4,693,837,218	1,674,547,803	76,665,141	6,445,050,162

Concentration of credit risk exposures according to economic sectors is as follows:

	Financial U.S. \$	Industrial U.S. \$	Commercial U.S. \$	Real estate U.S. \$	Palestine National Authority and other Governmental bonds U.S. \$	Others U.S. \$	Total U.S. \$
Balances with Palestine Monetary Authority	884,195,770	-	-	-	-	-	884,195,770
Balances, deposits and investments at Banks and financial institutions	1,772,936,462	-	-	-	-	-	1,772,936,462
Direct credit facilities and Islamic financing	10,298,192	227,337,587	640,413,639	938,363,868	1,130,985,356	1,064,634,185	4,012,032,827
Financial assets at amortized cost	89,504,453	7,958,457	18,818,941	2,276,275	197,155,674	998,392	316,712,192
Other	12,580,188	-	-	-	-	49,636,818	62,217,006
December 31, 2025	<u>2,769,515,065</u>	<u>235,296,044</u>	<u>659,232,580</u>	<u>940,640,143</u>	<u>1,328,141,030</u>	<u>1,115,269,395</u>	<u>7,048,094,257</u>
December 31, 2024	<u>2,483,270,161</u>	<u>268,218,451</u>	<u>634,094,468</u>	<u>916,783,589</u>	<u>1,103,540,467</u>	<u>1,039,143,026</u>	<u>6,445,050,162</u>

Concentration of credit risk exposures according to IFRS (9) Stages as at December 31, 2025 and 2024 is as follows:

	Stage (1)	Stage (2)	Stage (3)	2025
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Financial sector	2,723,860,476	45,654,589	-	2,769,515,065
Industrial	131,404,739	91,896,461	11,994,844	235,296,044
Commercial	373,500,644	254,955,170	30,776,766	659,232,580
Real estate	378,367,063	540,237,123	22,035,957	940,640,143
Palestine National Authority and other governmental bonds	709,448,840	618,692,190	-	1,328,141,030
Others	503,320,162	574,738,979	37,210,254	1,115,269,395
Total	4,819,901,924	2,126,174,512	102,017,821	7,048,094,257

	Stage (1)	Stage (2)	Stage (3)	2024
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Financial sector	2,435,844,226	47,425,935	-	2,483,270,161
Industrial	134,002,012	121,560,040	12,656,399	268,218,451
Commercial	353,095,022	259,587,751	21,411,695	634,094,468
Real estate	303,761,449	594,443,285	18,578,855	916,783,589
Palestine National Authority and other governmental bonds	1,084,971,224	18,569,243	-	1,103,540,467
Others	382,163,285	632,961,549	24,018,192	1,039,143,026
Total	4,693,837,218	1,674,547,803	76,665,141	6,445,050,162

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

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

Following are the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2025:

Macro-economic variables	Scenario used	Assigned weight for each scenario (%)	Percentage change in macro-economic variables (%) 2025	Percentage change in macro-economic variables (%) 2026	Percentage change in macro-economic variables (%) 2027	Percentage change in macro-economic variables (%) 2028	Percentage change in macro-economic variables (%) 2029	Percentage change in macro-economic variables (%) 2030
<u>GDP</u>	Base case	40	3.9	5.1	11.6	4.97	0.17	0.32
	Best case	-	17.35	18.55	25.05	18.42	13.62	13.77
	Worst case	60	(9.55)	(8.35)	(1.85)	(8.48)	(13.28)	(13.13)
<u>Inflation</u>	Base case	40	(0.11)	3.02	3.04	3.34	3.36	3.39
	Best case	-	(0.11)	1.10	1.13	1.42	1.45	1.48
	Worst case	60	(0.11)	4.93	4.96	5.25	5.28	5.31

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

Macro-economic variables	Scenario used	Assigned weight for each scenario (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)	Percentage change in macro-economic variables (%)
			2024	2025	2026	2027	2028	2029
<u>GDP</u>	Base case	40	(28.00)	4.86	9.74	10.31	9.30	3.93
	Best case	-	(14.07)	18.79	23.67	24.24	23.23	17.86
	Worst case	60	(41.93)	(9.07)	(4.19)	(3.62)	(4.63)	(10.00)
<u>Unemployment rates</u>	Base case	40	51.00	49.12	35.53	31.00	25.70	25.02
	Best case	-	40.16	38.28	24.69	20.16	14.86	14.18
	Worst case	60	61.84	59.96	46.37	41.84	36.54	35.86

* The Bank calculated a 100% weighting for the worst scenario for customers affected by the war on Gaza Strip during the years 2025 and 2024.

Classification of debt securities based on risk rating:

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

	2025	2024
	Financial assets at amortized cost	Financial assets at amortized cost
Credit rating	U.S. \$	U.S. \$
Private sector:		
From A- to AAA	27,208,208	16,000,000
From B- to BBB+	21,931,587	25,582,846
Unrated	73,319,632	21,021,345
Governments and public sector	197,362,581	136,392,246
Total	319,822,008	198,996,437

II. Market risk

Market risk arises from changes in interest rates, exchange rates of foreign currencies and stock prices. The Bank's Board of Directors sets the limits for acceptable risks. This is periodically monitored by the Bank's management through risk management.

Interest rate risk

Interest rate risk arises from the effects of changes in interest rates on the value of financial instruments. The Bank is exposed to interest rate risk as a result of mismatch or the existence of a gap between assets and liabilities according to their maturities, or re-pricing interest rates in certain periods. The Bank manages those risks by reviewing the interest rate on assets and liabilities through its strategy on risk management.

Interest rates on assets and liabilities are reviewed periodically and the Bank regularly follows up the actual cost of funds and takes appropriate decisions regarding pricing based on the prevailing prices.

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

	2025		2024	
	Increase in interest rate (basis points)	Interest income sensitivity (consolidated income statement) U.S. \$	Increase in interest rate (basis points)	Interest income sensitivity (consolidated income statement) U.S. \$
Currency				
US Dollar	10	1,890,683	10	1,717,606
Jordanian Dinar	10	248,138	10	239,093
New Israeli Shekels	10	816,039	10	771,594
Other currencies	10	147,222	10	146,986

Interest rate re-pricing sensitivity gap

December 31, 2025

	Interest rate re-pricing sensitivity gap						Total U.S. \$
	Less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than a year	Non-interest- bearing items	
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Assets							
Cash and balances with Palestine Monetary Authority	-	-	-	-	-	4,115,920,889	4,115,920,889
Balances, deposits and investments at Banks and financial institutions	882,914,665	299,281,902	177,417,141	167,079,125	19,630,497	226,613,132	1,772,936,462
Financial assets at fair value through profit or loss	-	-	-	-	-	5,828,030	5,828,030
Direct credit facilities and Islamic financing	889,815,768	350,434,905	444,968,022	558,869,139	1,767,944,993	-	4,012,032,827
Financial assets at fair value through other comprehensive income items	-	-	-	-	-	98,634,819	98,634,819
Financial assets at amortized cost	88,636,820	32,544,944	38,129,376	15,051,207	142,349,845	-	316,712,192
Investment in associates and a joint venture	-	-	-	-	-	12,194,180	12,194,180
Investment properties	-	-	-	-	-	38,535,939	38,535,939
Property, plant and equipment and right of use assets	-	-	-	-	-	122,270,038	122,270,038
Deferred tax assets	-	-	-	-	-	61,972,648	61,972,648
Projects in progress	-	-	-	-	-	1,766,656	1,766,656
Intangible assets	-	-	-	-	-	14,117,420	14,117,420
Other assets	-	-	-	-	-	78,001,106	78,001,106
Total assets	1,861,367,253	682,261,751	660,514,539	740,999,471	1,929,925,335	4,775,854,857	10,650,923,206
Liabilities							
Palestine Monetary Authority deposits	74,628,310	43,111,271	34,666,907	86,222,229	20,000,000	134,108,847	392,737,564
Banks and financial institutions' deposits	2,000,000	-	-	-	-	33,596,213	35,596,213
Customers' deposits	132,976,005	270,190,402	213,788,916	280,669,088	623,959,335	7,252,011,642	8,773,595,388
Cash margins	77,716,559	12,497,334	36,892,156	35,207,693	182,501,618	-	344,815,360
Subordinated loan	-	-	7,500,000	5,000,000	32,500,000	-	45,000,000
Loans and borrowings	-	-	730,544	2,971,925	89,076,490	-	92,778,959
Istidama loans	2,950,277	3,641,530	5,283,851	8,138,889	26,948,993	-	46,963,540
Deferred tax liability	-	-	-	-	-	4,348,364	4,348,364
Sundry provisions	-	-	-	-	-	61,473,601	61,473,601
Taxes provisions	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	18,723,527	18,723,527
Other liabilities	-	-	-	-	-	164,058,525	164,058,525
TOTAL LIABILITIES	290,271,151	329,440,537	298,862,374	418,209,824	974,986,436	7,668,320,719	9,980,091,041
Equity							
Paid-in share capital	-	-	-	-	-	268,786,067	268,786,067
Additional paid-in capital	-	-	-	-	-	48,938,899	48,938,899
Perpetual bond	-	-	-	-	-	30,000,000	30,000,000
Statutory reserve	-	-	-	-	-	74,621,191	74,621,191
Voluntarily reserve	-	-	-	-	-	246,361	246,361
General banking risks reserve	-	-	-	-	-	8,374,676	8,374,676
Pro-cyclicality reserve	-	-	-	-	-	40,000,000	40,000,000
Fair value reserve	-	-	-	-	-	28,713,092	28,713,092
Retained earnings	-	-	-	-	-	100,055,051	100,055,051
Total equity holders of the Bank	-	-	-	-	-	599,735,337	599,735,337
Non-controlling interests	-	-	-	-	-	71,096,828	71,096,828
Total equity	-	-	-	-	-	670,832,165	670,832,165
Total liabilities and equity	290,271,151	329,440,537	298,862,374	418,209,824	974,986,436	8,339,152,884	10,650,923,206
Interest rate re-pricing sensitivity gap	1,571,096,102	352,821,214	361,652,165	322,789,647	954,938,899	(3,563,298,027)	-
Cumulative gap	1,571,096,102	1,923,917,316	2,285,569,481	2,608,359,128	3,563,298,027	-	-

December 31, 2024

	Interest rate re-pricing sensitivity gap						Total U.S. \$
	less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than a year	Non-interest- bearing items	
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Total assets	955,944,116	969,243,366	633,740,851	866,977,919	2,202,671,866	2,731,495,580	8,360,073,698
Total liabilities and equity	1,002,526,724	392,066,513	387,651,553	525,338,710	445,715,988	5,606,774,210	8,360,073,698
Interest rate re-pricing sensitivity gap	(46,582,608)	577,176,853	246,089,298	341,639,209	1,756,955,878	(2,875,278,630)	-
Cumulative gap	(46,582,608)	530,594,245	776,683,543	1,118,322,752	2,875,278,630	-	-

Foreign currency risk

These are the risks of the change in value of financial instruments resulting from the change in foreign exchange rates. The US Dollar is the functional currency of the Bank. The Bank's Board of Directors annually sets the limits of the financial position for each currency, and such position is monitored on daily basis and hedging strategies are used to ensure maintaining the foreign currency position within the set limits.

The Jordanian Dinar (JOD) exchange rate is pegged to US Dollar exchange rate, so foreign currency risk of JOD is not material on the Bank's consolidated financial statements.

The effect of the expected decrease in exchange rates is equal and opposite to the effect of the increase stated below:

Currency	2025		2024	
	Increase in currency rate	Effect on consolidated income statement	Increase in currency rate	Effect on consolidated income statement
	(%)	U.S. \$	(%)	U.S. \$
New Israeli Shekels	10	(26,640)	10	76,181
Other currencies	10	401,087	10	22,948

Following is the foreign currencies position of the Bank:

	JOD U.S. \$	ILS U.S. \$	Others U.S. \$	Total U.S. \$
December 31, 2025				
Assets				
Cash on hand	40,211,580	2,912,979,141	162,169	2,953,352,890
Balances with Palestine Monetary Authority	108,917,633	366,953,305	21,550,980	497,421,918
Balances, deposits and investments at Banks and financial institutions	386,787,647	163,333,129	155,648,164	705,768,940
Direct credit facilities and Islamic financing	257,077,081	1,942,582,063	56,898,905	2,256,558,049
Financial assets at fair value through other comprehensive Income	69,450,344	-	4,295,729	73,746,073
Financial assets at amortized cost	22,859,714	-	5,792,199	28,651,913
Other assets	8,160,686	52,577,164	1,435,268	62,173,118
Total assets	893,464,685	5,438,424,802	245,783,414	6,577,672,901
Liabilities				
Palestine Monetary Authority deposits	-	196,585,885	-	196,585,885
Banks and financial institutions' deposits	1,073,228	787,900	2,615,971	4,477,099
Customers' deposits	837,812,647	3,680,114,135	198,051,224	4,715,978,006
Cash margins	13,425,342	179,024,999	8,246,605	200,696,946
Istidama loans	-	35,124,613	-	35,124,613
Loans and borrowings	-	-	8,035,980	8,035,980
Other liabilities	38,912,157	7,184,434	12,450,058	58,546,649
Total liabilities	891,223,374	4,098,821,966	229,399,838	5,219,445,178
Net consolidated statement of financial position concentration	2,241,311	1,339,602,836	16,383,576	1,358,227,723
Consolidated off-balance sheet potential commitments	799,436	1,339,869,234	12,372,704	1,353,041,374
Net position	1,441,875	(266,398)	4,010,872	5,186,349
December 31, 2024				
Total assets	742,985,589	3,724,811,974	205,592,628	4,673,390,191
Total liabilities	733,766,765	3,602,697,114	193,103,495	4,529,567,374
Net consolidated statement of financial position concentration	9,218,824	122,114,860	12,489,133	143,822,817
Consolidated off-balance sheet potential commitments	500,000	121,353,050	9,264,059	131,117,109
Net position	8,718,824	761,810	3,225,074	12,705,708

Equity price risk

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

Market index	Increase in index	2025		2024	
		Effect on consolidated income statement	Effect On equity	Effect on consolidated income statement	Effect on equity
		U.S. \$	U.S. \$	U.S. \$	U.S. \$
Local markets - Quoted	10	51,301	2,638,902	48,464	1,946,415
Local markets - Unquoted	10	172,092	890,420	151,037	890,420
Foreign markets - Quoted	10	140,032	5,775,339	125,701	3,163,167
Foreign markets - Unquoted	10	219,378	558,821	219,378	363,610

III. 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 has arranged diversified funding sources, manages assets with liquidity in mind, and monitors future cash flows and liquidity and maintains sufficient amount of cash and cash equivalents.

The table below summarizes the assets and liabilities on the basis of the remaining contractual maturities as at December 31, 2025 and 2024, respectively:

	Less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
December 31, 2025	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets								
Cash and balances with Palestine Monetary Authority	3,969,479,684	-	-	-	-	-	146,441,205	4,115,920,889
Balances, deposits and investments at Banks and financial institutions	1,087,276,401	315,249,800	177,417,141	178,362,623	4,317,127	10,313,370	-	1,772,936,462
Financial assets at fair value through profit or loss	-	-	-	-	-	-	5,828,030	5,828,030
Direct credit facilities and Islamic financing	889,815,768	350,434,905	444,968,022	558,869,139	670,154,976	1,097,790,017	-	4,012,032,827
Financial assets at fair value through other comprehensive income items	-	-	-	-	-	-	98,634,819	98,634,819
Financial assets at amortized cost	88,636,820	32,544,944	38,129,376	15,051,207	21,236,314	121,113,531	-	316,712,192
Investment in associates and a joint venture	-	-	-	-	-	-	12,194,180	12,194,180
Investment properties	-	-	-	-	-	-	38,535,939	38,535,939
Property, plant and equipment and right of use assets	-	-	-	-	-	-	122,270,038	122,270,038
Deferred tax assets	-	-	-	-	-	-	61,972,648	61,972,648
Projects in progress	-	-	-	-	-	-	1,766,656	1,766,656
Intangible assets	-	-	-	-	-	-	14,117,420	14,117,420
Other assets	39,567,489	5,277,983	6,565,679	6,065,415	19,574,197	-	950,343	78,001,106
Total assets	6,074,776,162	703,507,632	667,080,218	758,348,384	715,282,614	1,229,216,918	502,711,278	10,650,923,206
Liabilities								
Palestine Monetary Authority deposits	89,254,367	61,094,061	34,666,907	87,722,229	120,000,000	-	-	392,737,564
Banks and financial institutions' deposits	10,988,390	3,890,052	20,717,771	-	-	-	-	35,596,213
Customers' deposits	7,384,987,647	270,190,402	213,788,916	280,669,088	248,135,004	375,824,331	-	8,773,595,388
Cash margins	77,716,559	12,497,334	36,892,156	35,207,693	125,790,914	56,710,704	-	344,815,360
Subordinated loan	-	-	7,500,000	5,000,000	2,500,000	30,000,000	-	45,000,000
Loans and borrowings	-	-	730,544	2,971,925	27,891,320	61,185,170	-	92,778,959
Deferred tax liabilities	-	-	-	-	-	-	4,348,364	4,348,364
Istidama loans	2,950,277	3,641,530	5,283,851	8,138,889	17,096,343	9,852,650	-	46,963,540
Sundry provisions	-	-	-	-	-	-	61,473,601	61,473,601
Taxes provisions	-	-	-	-	-	-	-	-
Lease liabilities	1,278,204	396,249	285,974	2,170,793	10,359,064	4,233,243	-	18,723,527
Other liabilities	78,236,473	45,027,138	9,625,408	6,374,990	7,326,289	17,468,227	-	164,058,525
Total liabilities	7,645,411,917	396,736,766	329,491,527	428,255,607	559,098,934	555,274,325	65,821,965	9,980,091,041
Equity								
Paid-in share capital	-	-	-	-	-	-	268,786,067	268,786,067
Additional paid-in capital	-	-	-	-	-	-	48,938,899	48,938,899
Perpetual bond	-	-	-	-	-	-	30,000,000	30,000,000
Statutory reserve	-	-	-	-	-	-	74,621,191	74,621,191
Voluntarily reserve	-	-	-	-	-	-	246,361	246,361
General banking risks reserve	-	-	-	-	-	-	8,374,676	8,374,676
Pro-cyclicality reserve	-	-	-	-	-	-	40,000,000	40,000,000
Fair value reserve	-	-	-	-	-	-	28,713,092	28,713,092
Retained earnings	-	-	-	-	-	-	100,055,051	100,055,051
Total equity holders of the Bank	-	-	-	-	-	-	599,735,337	599,735,337
Non-controlling interests	-	-	-	-	-	-	71,096,828	71,096,828
Total equity	-	-	-	-	-	-	670,832,165	670,832,165
Total liabilities and equity	7,645,411,917	396,736,766	329,491,527	428,255,607	559,098,934	555,274,325	736,654,130	10,650,923,206
Maturity gap	(1,570,635,755)	306,770,866	337,588,691	330,092,777	156,183,680	673,942,593	(233,942,852)	-
Cumulative gap	(1,570,635,755)	(1,263,864,889)	(926,276,198)	(596,183,421)	(439,999,741)	233,942,852	-	-

	Less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
December 31, 2024	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Assets								
Cash and balances with Palestine Monetary Authority	2,106,711,556	-	-	-	-	-	129,360,306	2,236,071,862
Balances, deposits and investments at Banks and financial institutions	584,805,911	701,546,518	375,820,588	54,000,000	3,540,846	-	-	1,719,713,863
Financial assets at fair value through profit or loss	-	-	-	-	-	-	5,445,800	5,445,800
Direct credit facilities and Islamic financing	488,446,671	210,090,617	246,950,548	792,332,648	871,240,973	1,233,578,992	-	3,842,640,449
Financial assets at fair value through other comprehensive income items	-	-	-	-	-	-	63,636,115	63,636,115
Financial assets at amortized cost	11,813,157	57,606,231	10,969,715	20,645,271	51,638,113	42,672,942	-	195,345,429
Investment in associates and a joint venture	-	-	-	-	-	-	12,011,817	12,011,817
Investment properties	-	-	-	-	-	-	40,676,948	40,676,948
Property, plant and equipment and right of use assets	-	-	-	-	-	-	119,181,208	119,181,208
Deferred tax assets	-	-	-	-	-	-	52,098,683	52,098,683
Projects in progress	-	-	-	-	-	-	1,352,535	1,352,535
Intangible assets	-	-	-	-	-	-	14,388,305	14,388,305
Other assets	28,571,160	2,587,718	6,932,594	9,408,718	-	-	10,010,494	57,510,684
Total assets	3,220,348,455	971,831,084	640,673,445	876,386,637	926,419,932	1,276,251,934	448,162,211	8,360,073,698
Liabilities								
Palestine Monetary Authority deposits	102,015,134	39,776,187	-	20,000,000	80,000,000	-	-	241,791,321
Banks and financial institutions' deposits	82,396,653	28,681,025	-	-	-	-	-	111,077,678
Customers' deposits	5,569,318,500	303,958,584	330,775,786	437,242,734	92,925,795	12,113,694	-	6,746,335,093
Cash margins	82,581,988	17,883,126	42,928,679	47,613,122	60,309,131	23,903,463	-	275,219,509
Subordinated loan	-	-	7,500,000	7,500,000	15,000,000	30,000,000	-	60,000,000
Loans and borrowings	-	-	3,411,997	7,523,108	28,727,354	65,264,736	-	104,927,195
Deferred tax liabilities	-	-	-	-	-	-	4,135,563	4,135,563
Istidama loans	712,620	1,767,591	3,035,091	5,459,746	29,855,093	7,616,722	-	48,446,863
Sundry provisions	-	-	-	-	-	-	59,702,555	59,702,555
Taxes provisions	-	-	-	-	-	-	-	-
Lease liabilities	585,301	386,538	278,966	1,109,015	7,079,460	4,129,499	5,625,191	19,193,970
Other liabilities	75,408,980	6,082,983	8,245,565	7,274,383	12,155,976	2,173,302	4,300,369	115,641,558
Total liabilities	5,913,019,176	398,536,034	396,176,084	533,722,108	326,052,809	145,201,416	73,763,678	7,786,471,305
Equity								
Paid-in share capital	-	-	-	-	-	-	260,559,617	260,559,617
Additional paid-in capital	-	-	-	-	-	-	44,743,409	44,743,409
Perpetual bond	-	-	-	-	-	-	30,000,000	30,000,000
Statutory reserve	-	-	-	-	-	-	69,285,414	69,285,414
Voluntarily reserve	-	-	-	-	-	-	246,361	246,361
General banking risks reserve	-	-	-	-	-	-	8,374,676	8,374,676
Pro-cyclicality reserve	-	-	-	-	-	-	40,000,000	40,000,000
Fair value reserve	-	-	-	-	-	-	(2,214,932)	(2,214,932)
Retained earnings	-	-	-	-	-	-	55,584,071	55,584,071
Total equity holders of the Bank	-	-	-	-	-	-	506,578,616	506,578,616
Non-controlling interests	-	-	-	-	-	-	67,023,777	67,023,777
Total equity	-	-	-	-	-	-	573,602,393	573,602,393
Total liabilities and equity	5,913,019,176	398,536,034	396,176,084	533,722,108	326,052,809	145,201,416	647,366,071	8,360,073,698
Maturity gap	(2,692,670,721)	573,295,050	244,497,361	342,664,529	600,367,123	1,131,050,518	(199,203,860)	-
Cumulative gap	(2,692,670,721)	(2,119,375,671)	(1,874,878,310)	(1,532,213,781)	(931,846,658)	199,203,860	-	-

The following table shows the balances of the Bank's undiscounted consolidated financial liabilities as on December 31, 2025 and 2024 according to the contractual maturity period:

	Less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
December 31, 2025	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Liabilities								
Palestine Monetary Authority deposits	92,425,366	64,634,149	36,059,207	90,167,278	121,694,275	-	-	404,980,275
Banks and financial institutions' deposits	10,994,434	3,890,052	20,717,771	-	-	-	-	35,602,257
Customers' deposits	7,516,883,285	127,621,659	71,424,884	121,301,091	1,260,668	-	-	7,838,491,587
Cash margins	78,314,357	12,501,046	37,000,760	35,207,693	126,744,482	57,277,811	-	347,046,149
Subordinated loan	300,000	300,000	8,525,963	6,301,963	6,302,200	31,950,000	-	53,680,126
Loans and borrowings	-	20,000	825,676	3,312,102	37,828,123	73,169,022	-	115,154,923
Istidama loans	2,978,685	3,649,997	5,296,784	8,161,601	17,163,093	9,894,421	-	47,144,581
Lease liabilities	635,520	419,703	302,901	2,238,084	10,788,619	4,483,805	-	18,868,632
Sundry provisions	-	-	-	-	-	-	61,473,601	61,473,601
Deferred tax liabilities	-	-	-	-	-	-	4,348,364	4,348,364
Other liabilities	78,236,474	45,027,138	9,625,408	6,374,990	7,326,289	17,468,227	-	164,058,526
Total liabilities	7,780,768,121	258,063,744	189,779,354	273,064,802	329,107,749	194,243,286	65,821,965	9,090,849,021
	Less than a month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months up to 1 year	More than 1 year to 3 years	More than 3 years	Without maturity	Total
December 31, 2024	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Liabilities								
Palestine Monetary Authority deposits	102,151,429	39,776,187	2,839,222	22,792,931	85,641,411	-	-	253,201,180
Banks and financial institutions' deposits	82,465,820	28,721,257	-	-	-	-	-	111,187,077
Customers' deposits	5,569,613,999	304,619,226	331,845,626	441,687,785	99,624,946	12,731,220	-	6,760,122,802
Cash margins	83,377,262	17,949,632	43,050,513	47,832,240	60,616,610	24,142,498	-	276,968,755
Subordinated loan	150,000	300,000	8,525,963	8,975,963	19,780,125	33,750,000	-	71,482,051
Loans and borrowings	-	-	4,316,561	8,902,712	34,081,852	77,592,479	-	124,893,604
Istidama loans	716,183	1,776,429	3,050,266	5,487,045	29,926,153	7,654,806	-	48,610,882
Lease liabilities	924,755	440,119	359,338	1,189,387	7,240,203	4,671,553	5,312,528	20,137,883
Sundry provisions	-	-	-	-	-	-	59,702,555	59,702,555
Deferred tax liabilities	-	-	-	-	-	-	4,135,563	4,135,563
Other liabilities	75,408,980	6,082,983	8,245,565	7,274,383	12,155,976	2,173,302	4,300,369	115,641,558
Total liabilities	5,914,808,428	399,665,833	402,233,054	544,142,446	349,067,276	162,715,858	73,451,015	7,846,083,910

Liquidity Coverage Ratio (LCR)

During 2018, PMA issued instructions No. (4/2018) regarding 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 ending December 31, 2025:

	Amount before discount rates / average flows	Amount after discount rates / average flows
	U.S. \$	U.S. \$
Total high quality liquid assets *	<u>4,244,074,890</u>	<u>4,218,356,280</u>
Retail deposits including small institutions' deposits:		
A- Stable deposits	2,305,573,757	115,278,688
B- Less stable deposits	5,055,303,363	421,523,990
Deposits and other unguaranteed facilities for companies without retail and small institutions' customers:		
A- Operational deposits	287,677,154	71,919,289
B- Non-operational deposits	<u>1,903,504,102</u>	<u>548,806,656</u>
Guaranteed financing and deposits	9,552,058,376	1,157,528,623
Non-cancelled and cancelled credit lines and required liquidity within 30 days	511,476,606	182,424,291
Any other cash outflows	<u>214,539,052</u>	<u>12,753,755</u>
Total cash outflows	<u>10,278,074,034</u>	<u>1,352,706,669</u>
Guaranteed lending	52,042,045	26,021,023
Cash inflow from performing loans	<u>1,016,063,639</u>	<u>857,656,164</u>
Total cash inflow	<u>1,068,105,684</u>	<u>883,677,187</u>
Net cash outflow after adjustments **		<u>469,029,482</u>
Total high-quality liquid assets after adjustments		4,218,356,280
Net cash outflow after adjustment		<u>469,029,482</u>
Liquidity Coverage Ratio (%)		<u>899%</u>

* Based on the Palestinian Monetary Authority Instructions No. (4/2018), high-quality liquid assets include cash and balances with the Palestinian Monetary Authority (note 5), investments in stocks and listed bonds after deducting any investments in financial institutions.

** Net cash outflow after adjustments represents the total cash outflows less the total cash inflows or 75% of the total cash outflows, whichever is lower.

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

	Amount before discount rates / average flows	Amount after discount rates / average flows
	U.S. \$	U.S. \$
Total high quality liquid assets *	<u>2,358,392,667</u>	<u>2,337,778,815</u>
Retail deposits including small institutions' deposits:		
A- Stable deposits	1,879,155,834	93,957,791
B- Less stable deposits	3,785,716,683	371,494,023
Deposits and other unguaranteed facilities for companies without retail and small institutions' customers:		
A- Operational deposits	245,012,855	61,253,213
B- Non-operational deposits	<u>1,627,068,010</u>	<u>525,858,055</u>
Guaranteed financing and deposits	7,536,953,382	1,052,563,082
Non-cancelled and cancelled credit lines and required liquidity within 30 days	537,348,951	187,905,578
Any other cash outflows	<u>244,841,213</u>	<u>14,269,115</u>
Total cash outflows	<u>8,319,143,546</u>	<u>1,254,737,775</u>
Guaranteed lending	48,325,707	24,162,854
Cash inflow from performing loans	<u>1,048,152,501</u>	<u>924,106,925</u>
Total cash inflow	<u>1,096,478,208</u>	<u>948,269,779</u>
Net cash outflow after adjustments		<u>313,684,444</u>
Total high-quality liquid assets after adjustments		2,337,778,815
Net cash outflow after adjustment		<u>313,684,444</u>
Liquidity Coverage Ratio (%)		<u>745%</u>

* Based on the Palestinian Monetary Authority Instructions No. (4/2018), high-quality liquid assets include cash and balances with the Palestinian Monetary Authority (note 5), investments in stocks and listed bonds after deducting any investments in financial institutions.

** Net cash outflow after adjustments represents the total cash outflows less the total cash inflows or 75% of the total cash outflows, whichever is lower.

Net Stable Funding Ratio (NSFR)

The PMA's instructions No. (5/2018) have been issued regarding the application of the stable net financing ratio, as the net stable financing ratio aims to enhance the Bank's liquidity risk management by maintaining more stable sources of financing to align the maturities of assets inside and outside the budget and reduce the Bank's dependence on short-term and unstable sources of financing in financing its assets.

The table below shows the calculation of the net stable financing ratio for the year ending on December 31, 2025:

	2025
	U.S. \$
Regulatory capital	721,425,245
Stable retail deposits and small institutions	2,203,883,505
Less stable retail deposits and small institutions	4,068,933,679
Guaranteed and unguaranteed financing (deposits)	709,431,942
Other deposits and financing	93,238,117
Other commitments (not included in the previous categories)	223,077,311
Gross stable financing available	8,019,989,799
Level 1 unrestricted high quality liquid assets	7,833,551
Level 2 -type (A) unrestricted high quality liquid assets	2,542,497
Level 2 -type (B) unrestricted high quality liquid assets	17,243,620
Loans	2,500,786,640
Debt instruments issued or guaranteed by banks and financial institutions	28,513,700
Other unquoted investments (not included in the previous categories)	98,139,470
Other quoted investments (not included in the previous categories)	77,182,454
Non-performing loans	48,400,258
Other assets	832,377,359
Contingent non-cancelled and cancelled credit facilities and liquidity	20,586,048
Other future and potential financing commitments:	9,541,687
Other non-contractual commitments	3,324,911
Off balance sheet exposures not included in the previous categories	6,970
Total stable financing required	3,646,479,165
Net stable financing ratio	220%

The table below shows the calculation of the net stable financing ratio for the year ending on December 31, 2024:

	2024
	U.S. \$
Regulatory capital	660,595,304
Stable retail deposits and small institutions	1,798,897,890
Less stable retail deposits and small institutions	2,989,711,599
Guaranteed and unguaranteed financing (deposits)	723,955,955
Other deposits and financing	-
Other commitments (not included in the previous categories)	174,924,678
Gross stable financing available	6,348,085,426
Level 1 unrestricted high quality liquid assets	4,054,724
Level 2 -type (A) unrestricted high quality liquid assets	2,538,787
Level 2 -type (B) unrestricted high quality liquid assets	12,151,228
Loans	2,458,293,583
Debt instruments issued or guaranteed by banks and financial institutions	15,279,796
Other unquoted investments (not included in the previous categories)	47,195,951
Other quoted investments (not included in the previous categories)	53,939,196
Non-performing loans	27,547,479
Other assets	836,667,954
Contingent non-cancelled and cancelled credit facilities and liquidity	23,394,608
Other future and potential financing commitments:	9,366,150
Other non-contractual commitments	2,794,754
Off balance sheet exposures not included in the previous categories	7,570
Total stable financing required	3,493,231,780
Net stable financing ratio	182%

Financial 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, 2025:

	<u>2025</u>
	<u>U.S. \$</u>
Total Exposure Scale	11,359,342,755
Regulatory amendments related to investments in banks, financial institutions, insurance companies, and commercial entities combined for accounting purposes, but outside the scope of the regulatory assembly	-
Amendments related to derivatives exposures	(980,712)
Amendments related to securities financing operations	-
Amendments related to items outside the statement of financial position	(424,466,944)
Other amendments/exposures	<u>(19,884,909)</u>
Total Leverage Exposure Scale	10,914,010,190
First tranche of capital	<u>614,322,263</u>
Leverage Ratio as at December 31, 2025	5.63%
Minimum percentage according to PMA instructions (%)	<u>4%</u>

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

	<u>2024</u>
	<u>U.S. \$</u>
Total Exposure Scale	9,104,405,981
Regulatory amendments related to investments in banks, financial institutions, insurance companies, and commercial entities combined for accounting purposes, but outside the scope of the regulatory assembly	-
Amendments related to derivatives exposures	(11,191,154)
Amendments related to securities financing operations	-
Amendments related to items outside the statement of financial position	(461,176,178)
Other amendments/exposures	<u>(17,752,112)</u>
Total Leverage Exposure Scale	8,614,286,537
First tranche of capital	<u>531,920,339</u>
Leverage Ratio as at December 31, 2024	6.17%
Minimum percentage according to PMA instructions (%)	<u>4%</u>

50. Segment information

Information on the Bank's business segments

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

Retails: Includes handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and other services.

Corporates, institutions and public sector: includes following up on customer deposits, credit facilities and other banking services for corporate, institutional and public sector clients.

Treasury: includes providing trading and treasury services and managing Bank's funds and investments.

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

December 31, 2025	Retail	Corporate, institutions and public sector	Treasury	Other	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenues	<u>144,591,823</u>	<u>173,013,042</u>	<u>154,033,877</u>	<u>16,599,121</u>	<u>488,237,863</u>
Provision of expected credit losses and other assets losses	<u>(65,052,177)</u>	<u>(61,111,367)</u>	<u>564,989</u>	<u>(4,238,078)</u>	<u>(129,836,633)</u>
Segment results					358,401,230
Unallocated expenses					(292,060,070)
Profit before taxes					66,341,160
Taxes expense					(9,339,940)
Profit for the year					<u>57,001,220</u>
Other information					
Depreciation and amortization					<u>17,623,819</u>
Capital expenditures					<u>12,419,258</u>
Gross segment assets	<u>1,134,157,915</u>	<u>2,877,874,912</u>	<u>6,322,226,572</u>	<u>316,663,807</u>	<u>10,650,923,206</u>
Gross segment liabilities	<u>6,163,155,667</u>	<u>2,955,255,081</u>	<u>613,076,276</u>	<u>248,604,017</u>	<u>9,980,091,041</u>
December 31, 2024	Retail	Corporate, institutions and public sector	Treasury	Other	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenues	<u>142,131,446</u>	<u>172,782,452</u>	<u>116,432,134</u>	<u>8,716,515</u>	<u>440,062,547</u>
Provision of expected credit losses and other assets losses	<u>(41,225,768)</u>	<u>(48,029,772)</u>	<u>1,063,629</u>	<u>(138,320,686)</u>	<u>(226,512,597)</u>
Segment results					213,549,950
Unallocated expenses					(259,020,528)
Profit before taxes					(45,470,578)
Taxes expense					17,559,122
Profit for the year					<u>(27,911,456)</u>
Other information					
Depreciation and amortization					<u>17,614,235</u>
Capital expenditures					<u>43,783,668</u>
Gross segment assets	<u>1,160,932,277</u>	<u>2,681,708,172</u>	<u>4,232,224,886</u>	<u>285,208,363</u>	<u>8,360,073,698</u>
Gross segment liabilities	<u>4,602,230,483</u>	<u>2,419,324,119</u>	<u>566,243,057</u>	<u>198,673,646</u>	<u>7,786,471,305</u>

Geographical distribution information

The following is the geographical distribution of the Bank's businesses. The Bank mainly carries out its business in Palestine, in addition to foreign operations.

The following is the distribution of the Bank's revenues and asset according to geographical sector:

	Domestic		Foreign		Total	
	2025	2024	2025	2024	2025	2024
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Gross revenues	<u>387,645,024</u>	<u>362,577,133</u>	<u>100,592,839</u>	<u>77,485,414</u>	<u>488,237,863</u>	<u>440,062,547</u>
Gross segment assets	<u>8,618,765,200</u>	<u>6,472,198,856</u>	<u>2,032,158,006</u>	<u>1,887,874,842</u>	<u>10,650,923,206</u>	<u>8,360,073,698</u>
Capital expenditures	<u>12,419,258</u>	<u>43,783,668</u>	<u>-</u>	<u>-</u>	<u>12,419,258</u>	<u>43,783,668</u>

51. Capital management

The main objective of managing the Bank's capital is to maintain appropriate capital ratios in a way that supports the Bank's activity and maximizes shareholders' equity. The Bank manages the capital structure and makes the necessary adjustments to it in light of changes in economic conditions and the nature of the business. The Bank did not make any amendments to the objectives, policies and procedures related to capital structuring during the current period and the previous year, except for the Bank's adherence to the agreement signed with both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), which stipulates their preemptive rights to maintain their shareholding percentage in the Bank. The International Finance Corporation (IFC) approved the issuance of 383,409 shares to maintain its investment in the Bank, the International Finance Corporation (IFC) settled the investment payment during the year.

During the year, the bank signed an agreement with the French Proparco Corporation, in which the French Development Agency (FISEA), a subsidiary of the Proparco Corporation, invests through a private issuance of 7,152,317 shares. Both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) approved the issuance of 392,152 and 298,572 shares, respectively, to maintain their investments' percentages in the Bank. As a result, the Bank's paid-in capital amounted to U.S. \$ 268,786,067 as of December 31, 2025.

In 2024, the Bank issued new shares to raise the capital by signing an agreement during the period, to include the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), whereby IFC invested with a contribution of 5% of the Bank's capital, and the EBRD invested with a contribution of 3.92% of the Bank's capital, that resulted in the issuance of 22,597,516 shares with a nominal value of U.S. \$ 1 per share and a total additional paid in capital of U.S. \$ 11,524,733 by both parties. In addition, the Bank signed two agreements with both the Arab Palestinian Investment Company and the Aswaq Portfolio Investment Company, resulting in the issuance of a total of 7,284,767 shares to both parties at a nominal value of U.S. \$1 per share, and a total additional paid-in capital of U.S. \$ 3,715,233 (note 28).

Bank of Palestine has been classified as a Bank of systemic importance at the local level in accordance with the general framework of Banks of systemic importance approved by the Board of Directors of the PMA.

The capital adequacy ratio for the year 2025 is computed in accordance with the PMA's instructions No. (8/2018).

The following are the capital adequacy rates:

	2025			2024		
	Amount	Percentage to assets	Percentage to risk - weighted assets	Amount	Percentage to assets	Percentage to risk - weighted assets
	U.S. \$	%	%	U.S. \$	%	%
Regulatory capital	<u>721,425,245</u>	<u>6.77</u>	<u>16.29</u>	<u>660,595,304</u>	<u>7.90</u>	<u>15.30</u>
Basic capital	<u>614,322,263</u>	<u>5.77</u>	<u>13.88</u>	<u>531,920,339</u>	<u>6.36</u>	<u>12.32</u>

The Bank manages its capital in a way that ensures the continuity of its operations and achieves the highest possible return on shareholders' equity. The capital for the year ended 2025 and 2024 is computed in accordance with PMA instructions No. (8/2018), as shown in the following table:

	2025	2024
	U.S. \$	U.S. \$
Net common stocks (CET 1)	<u>576,656,660</u>	<u>494,567,695</u>
The first bracket of capital	<u>614,322,263</u>	<u>531,920,339</u>
The second bracket of capital	<u>107,102,982</u>	<u>128,674,965</u>
Capital base	<u>721,425,245</u>	<u>660,595,304</u>
Credit risk	3,748,260,083	3,695,846,624
Market risk	11,656,060	10,891,600
Operational risk	<u>667,603,494</u>	<u>610,835,882</u>
Total risk weighted assets	<u>4,427,519,637</u>	<u>4,317,574,106</u>
Percentage of common stocks (CET 1) to risk weighted assets	<u>13.02%</u>	<u>11.45%</u>
Percentage of the first bracket of capital to risk weighted assets	<u>13.88%</u>	<u>12.32%</u>
Percentage of the second bracket of capital to risk weighted assets	<u>2.42%</u>	<u>2.98%</u>
Percentage of the first bracket to assets	<u>5.77%</u>	<u>6.36%</u>
Percentage of regulatory capital to assets	<u>6.77%</u>	<u>7.90%</u>
Capital adequacy ratio	<u>16.29%</u>	<u>15.30%</u>

52. Commitments and contingent liabilities

The total outstanding commitments and contingent liabilities are as follows:

	2025	2024
	U.S. \$	U.S. \$
Letters of guarantees	<u>225,900,399</u>	<u>203,680,375</u>
Letters of credit	<u>22,008,103</u>	<u>34,291,036</u>
Acceptances	<u>9,413,871</u>	<u>5,246,675</u>
Unutilized direct credit facilities limits	<u>414,488,426</u>	<u>467,892,154</u>
Others	<u>139,400</u>	<u>151,400</u>
	<u>671,950,199</u>	<u>711,261,640</u>
Less:		
Provision of expected credit losses (note 27)	<u>(3,441,281)</u>	<u>(4,899,721)</u>
	<u>668,508,918</u>	<u>706,361,919</u>

Outstanding forward deals contracts for the sale and purchase of currencies for existing customers as at December 31, 2025 and 2024 amounted to U.S \$ 990,618 and U.S. \$ 11,304,196, respectively. Those contracts are not disclosed as part of commitments and contingent liabilities as the Bank hedges risks of these contracts with other Banks. In addition, the Bank obtains cash margin up to 10% of contract value to cover unforeseen price changes and customers' non-compliance with the signed contracts.

The summary of the movement on the gross carrying amount of indirect credit facilities and Islamic financing is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	452,855,789	258,405,851	-	711,261,640
Net change during the year	(4,089,122)	(35,222,319)	-	(39,311,441)
Balance ending of the year	<u>448,766,667</u>	<u>223,183,532</u>	<u>-</u>	<u>671,950,199</u>
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	469,746,872	166,308,576	-	636,055,448
Net change during the year	(16,891,083)	92,097,275	-	75,206,192
Balance ending of the year	<u>452,855,789</u>	<u>258,405,851</u>	<u>-</u>	<u>711,261,640</u>

The movement on expected credit losses provision on indirect credit facilities and Islamic financing is as follows:

	2025			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	460,427	4,439,294	-	4,899,721
Net re-measurement of expected credit losses for the year	155,018	(1,613,458)	-	(1,458,440)
Balance ending of the year	<u>615,445</u>	<u>2,825,836</u>	<u>-</u>	<u>3,441,281</u>
	2024			
	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance, beginning of the year	172,483	3,205,127	-	3,377,610
Net re-measurement of expected credit losses for the year	287,944	1,234,167	-	1,522,111
Balance ending of the year	<u>460,427</u>	<u>4,439,294</u>	<u>-</u>	<u>4,899,721</u>

The related provision is recorded in other liabilities (note 27).

53. Lawsuits against the Bank

The number of lawsuits filed against the Bank and its subsidiaries as at December 31, 2025 and 2024 was (205) and (198), respectively and that's within the normal course of business with a total amount of U.S. \$ 86,848,592 and U.S. \$ 83,809,062, respectively. The Bank's management and lawyer believe that no additional provision is required other than what was provided.

A lawsuit was filed against the Bank on January 1, 2019 by certain individuals in the United States District Court for the Eastern District of New York. By this lawsuit, the plaintiffs brought a single claim against the Bank for secondary liability pursuant to the United States Anti-Terrorism Act. On August 17, 2019 the Bank filed a motion to dismiss the lawsuit on the bases that the Bank is not subject to personal jurisdiction in New York, and that the Plaintiffs have not asserted a legally sufficient claim against the Bank. In response to the motion, the plaintiffs filed an amended complaint. The Bank accordingly filed a motion to dismiss the amended complaint on December 24, 2019. Subsequently, on February 4, 2020, the plaintiffs responded on the Bank's motion to dismiss the amended complaint. The Bank filed its reply papers in support of its motion to dismiss on March 10, 2020.

On May 3, 2021, the Court entered an order denying the portion of the Bank's motion to dismiss the lawsuit on jurisdictional grounds, but "without prejudice" to the Bank renewing that motion following a 120-period of jurisdictional discovery. The Court limited the scope of jurisdictional discovery to determine whether the Bank sent or received any transfers through its U.S. correspondent accounts for a small number of alleged Bank customers during the relevant (2001-2003) time-period. The Court's order also specifically reserved decision on the Bank's separate argument that the plaintiffs have failed to state a legally sufficient claim against the Bank. Jurisdictional discovery is now underway. Thereafter, the Bank intends to renew its motion to dismiss on jurisdictional grounds, and to press its pending motion to dismiss on legal-sufficiency grounds, most likely during the year 2026.

On November 18, 2025, a lawsuit was filed against the Bank and another Defendant, Qatar Charity, in the United States District Court for the Southern District of New York. As in the case discussed above, this lawsuit asserts a single claim against the Bank for secondary liability pursuant to the Anti-Terrorism Act.

The Bank intends to file a motion to dismiss this lawsuit in its entirety, likely in the spring of 2026. While it is too early to predict the outcome of the motion to dismiss, the Bank's defenses to the lawsuit are strong.

Consistent with the commitment of Bank management, the Bank complies fully with Palestinian laws and international best practices. In addition, the Bank fully complies with the Palestinian Anti-Terrorism and Money Laundering Law No. (20) of the year 2015 and the Palestinian requirements to maintain secrecy of customers and Banking transactions. According to the Bank's legal advisor, the lawsuits above are in their early stages and any financial effect is not predictable at the date of the consolidated financial statements, as the Bank's defenses are strong ones.

54. Development policy

The Bank's development policy includes the following:

- Continue cooperating with the International Financial Institutions to design SME's finance programs.
- Develop finance programs and services for women to meet their banking needs.
- Focus on risk management to maintain performance and sustainable growth.
- Develop the Bank's computer systems and information technology including the requirements of the international standards reporting.
- Provide training opportunities for the Bank's employees at different levels.
- Continue to develop the Bank's electronic apps.

55. War on Gaza Strip

At the beginning of October 2023, the Gaza Strip was exposed to a war, which significantly affected all economic activities and damaged a large number of facilities and properties. Moreover, various business sectors in the West Bank were also affected by closures and restrictions between cities, as well as the repeated closure of external crossings.

These events have negatively affected the economic activities in Palestine and have led to a decrease in private sector revenues, green line workers' earnings, government revenue 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 credit facilities and Islamic financing granted to the government, its employees, and green line workers are disclosed in note (8).

Managements actions

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

- Identifying possible closure scenarios in the West Bank and Gaza Strip to ensure the continuity of the Bank's functions and defining responsibilities for emergency teams for different scenarios.
- Activating the business continuity committee at the subsidiary company level.
- Conduct risk assessments and stress scenarios for the following:
 - 1- Cash and liquidity
 - 2- The credit facilities portfolio and the provision for expected credit losses
 - 3- Non-financial assets
 - 4- Long term risks

The Bank's management believes that this event impacted some of the Bank's operational activities, revenues, and investments, especially those derived from Gaza strip.

The Bank's exposures in Gaza Strip

As of December 31, 2025, the net book value of the Bank's assets in Gaza amounted to U.S. \$ 425 million (2024: U.S. \$ 484 million) net of impairment provisions amounted to U.S. \$ 390 million (2024: U.S. \$ 348 million). These provisions were calculated by management according to its best estimate and based on available information in light of the state of uncertainty that is beyond management's control due to ongoing consequences of the war on Gaza Strip.

Following are the details of the Bank's exposure and related impairment provisions in Gaza as at December 31, 2025 and 2024:

December 31, 2025	Nearest U.S. \$ million		
	Exposure	Impairment provision / losses*	Net book value
Sector			
Cash in vaults (A)	211	(190)	21
Direct facilities (B)	589	(196)	393
Non-financial assets (C)	15	(4)	11
	<u>815</u>	<u>(390)</u>	<u>425</u>
December 31, 2024	Nearest U.S. \$ million		
	Exposure	Impairment provision / losses*	Net book value
Sector			
Cash in vaults (A)	193	(170)	23
Direct facilities (B)	627	(175)	452
Non-financial assets (C)	12	(3)	9
	<u>832</u>	<u>(348)</u>	<u>484</u>

* This item includes suspended interest, commissions, and profits amounting to U.S. \$ 12 million and U.S. \$ 3 million as of December 31, 2025 and 2024, respectively.

A- Cash in vaults:

The total cash in the vaults at branches of the Bank and Arab Islamic Bank (a subsidiary) in Gaza Strip amounted to approximately U.S. \$ 211 million as of December 31, 2025 (2024: U.S. \$ 193 million). The Bank's and its subsidiary's branches in the Gaza Strip were subject to significant damage and attacks, including cash in vaults and ATMs. The amount of provisions for cash losses as of December 31, 2025 was U.S. \$ 190 million (2024: U.S. \$ 170 million). In the management's opinion, the provisions made against cash are sufficient to address the risks related to cash exposures and that the remaining balances are recoverable and have not been damaged.

B- Credit facilities and Islamic financing:

The Bank conducted a study of the sectors affected by the war, the net credit facilities in Gaza Strip amounted to U.S. \$ 393 million (2024: U.S. \$ 452 million) net of provisions in an amount of U.S \$ 196 million (2024: U.S. \$ 175 million). This amount includes net credit exposures of U.S. \$311 million and U.S. \$ 337 million as of December 31, 2025 and 2024, respectively, belonging to individuals employed by the Palestinian Authority. These exposures represent 79% and 74% of the net book value of credit facilities and financing in the Gaza Strip as at December 31, 2025 and 2024, respectively, while most of the remaining credit exposure is related to the Bank's employees and to individuals employed by international institutions or large private sector companies that have strong financial solvency, and it is expected that these parties will fulfill their obligations.

In addition, the total indirect credit facilities and Islamic financing in the Gaza Strip amounted to U.S. \$ 78 million, of which U.S. \$ 38 million represented unutilized limits as of December 31, 2025, compared to approximately U.S. \$ 88 million, of which U.S. \$ 43 million represented unutilized limits as of December 31, 2024. The provisions recognized against these exposures amounted to approximately U.S. \$ 8.3 million and U.S. \$ 5.9 million as of December 31, 2025 and 2024, respectively.

The Bank continues to evaluate its borrowers for other indications of inability to pay, considering the underlying cause of any financial difficulty, and whether it is likely to be temporary as a consequence of the war or as a long-term financial difficulty. Since the beginning of the war, the Bank updated the macroeconomic factors in addition to changing the weighted probabilities of the macroeconomic scenarios by assigning a 100% weighting for the worst-case scenario for Gaza Strip exposures and a 60% weighting for the worst-case scenario for the West Bank exposures starting from December 31, 2023. These changes negatively affected the calculation of the allowance for expected credit losses. The Bank also classified the portfolio of credit facilities and Islamic financing in Gaza Strip, Palestinian labor in Israel, and sectors most affected by the war, such as the tourism sector, within stage 2 and 3 for the purpose of calculating expected credit losses, ECL taking into account the requirements of the Palestine Monetary Authority in particular, in addition to taking additional measures, more conservative scenarios, and individual assessments for many accounts. During the year, the Bank classified exposures amounting to approximately U.S. \$ 83 million under Stage 3, based on the most recent information available. Following the ceasefire, the Bank reopened a number of its branches in the Gaza Strip and is currently attempting to contact all customers in the area to assess the recoverable amounts. During the year, the Bank was able to reactivate collection mechanisms and was able to reduce exposures in the Gaza Strip, in addition to excluding a portion of uncollectible balances from the financial statements. Subsequent to the date of the financial statements, the Bank and Arab Islamic Bank (the subsidiary) began resuming partial deductions of customer installments in the Gaza Strip starting January 2026, in accordance with the regulations and instructions of the Palestine Monetary Authority. The Bank continues to update the inputs used in calculating expected credit loss provisions as soon as new information becomes available.

C- Other assets:

The Bank and its subsidiaries own other assets in Gaza amounting to a net book value of U.S. \$ 11 million as at December 31, 2025 (2024: U.S. \$ 9 million), representing goodwill amounting to U.S. \$3.7 million (note 15) and some investments at fair value through the statement of comprehensive income, properties, equipment, and assets seized by the Bank, investment properties and other assets. Due to the consequences of this war, the Bank and its subsidiaries recorded provisions for possible impairment in the value of these assets amounting to U.S. \$ 4 million, noting that part of these assets are covered by valid war risks insurance policies. The recoverable value of other assets cannot be measured at the present time nor can a detailed impairment test be performed for these assets due to the ongoing consequences of the war and the lack of appropriate and verifiable valuation inputs.

Cash Liquidity

Management has reviewed current and expected liquidity ratios, continuity plans and stress tests in accordance with changing circumstances. The Bank regularly monitors the liquidity status to ensure that there are sufficient levels of liquidity to meet its expected needs and continue its operations .

The liquidity coverage ratio (LCR) is (899%) and the net stable financing ratio (NSFR) is (220%), which is higher than the percentages specified by the Palestine Monetary Authority of 100%, as shown in note (49).

Operational risks

Since the beginning of the events on October 7, 2023, the Bank branches in the northern areas of Gaza Strip have remained closed. However, branches in the central and southern areas have opened their doors to the public during the first and second temporary ceasefires. Following the announcement of the war ending, the Palestinian Monetary Authority instructed banks operating in Gaza to gradually begin providing banking services starting from October 16, 2025. Accordingly, the Bank is currently providing banking services through Al-Saraya branch, Deir Al-Balah branch, Nuseirat branch, and Al-Nasr branch. In addition, the Arab Islamic Bank is currently providing banking services through Nuseirat branch and Al-Rimal branch.

From the first day of the war, the management is making efforts 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 any other Banks, through the Palestinian National Switch 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 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 consequences of this continuous war remain unclear in some sectors of the Bank's operations and cannot be accurately predicted at the current time. The management continues to monitor this event and study its potential impact. The management believes that there are no substantial doubts about the ability of the Bank or its subsidiaries to continue their operations, and that the measures taken will ensure the preservation of the Bank's financial strength and solvency.

56. Concentration of risk in geographical area

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

57. Comparative figures

Some of the balances of the consolidated financial statements as at December 31, 2024 have been reclassified to match the presentation of the balances of the consolidated financial statements as at December 31, 2025. These reclassifications do not affect the profits of previous years or equity.



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