

**PALESTINE POLYTECHNIC UNIVERSITY
INSTITUTE OF GRADUATE STUDIES AND RESEARCH
BUSINESS ADMINISTRATION DEPARTMENT**

**THE IMPACT OF IMPLEMENTING IFRS13 (FAIR
VALUE) ON FINANCIAL PERFORMANCE IN THE
BANKING SECTOR :EMPIRICAL EVIDENCE " BANKS
IN PALESTINE EXCHANGE**

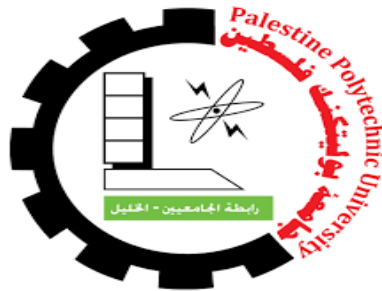
MBA THESIS

HANADI GHANEM

SUPERVISOR

DR. AHMAD ABU ALRUB

HEBRON 2024



**PALESTINE POLYTECHNIC UNIVERSITY
INSTITUTE OF GRADUATE STUDIES AND RESEARCH
BUSINESS ADMINISTRATION DEPARTMENT**

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The undersigned right here, by way of means of certifying that they have read, examined, and endorsed to the Deanship of Graduate Studies and Scientific Research at Palestine Polytechnic University a thesis entitled: "*The impact of implementing IFRS13 (fair value) on financial performance in the banking sector :empirical evidence " banks in Palestine exchange"*"

" Submitted via *Hanadi Fayze Ghanim* in partial achievement of the necessities for the diploma of master's in Accounting.

*Thesis defense date :

Jury members :	signature
Assoc. Prof. Dr.Ahmad Abu-Alrub (Supervisor)
Dr. (member)
Dr..... (member)
Dr. Nafez Naser Aldeen	
Dean of Graduate Studies and Scientific Research

DECLARATION

Name : Hanadi Ghanem

Title of thesis : " The impact of implementing IFRS13 (fair value) on financial performance in the banking sector :empirical evidence " banks in Palestine exchange,"

Supervisor: Assoc. Prof. Dr.Ahmad Abu-Alrub

Year :2024

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Abstract

Due to the development of the global accounting system, the fair value system has been developed to International Financial Reporting Standard 13(IFRS13), which aims to measure fair value in order to predict business performance and cash flows in a more appropriate way for decision-making and disclosing information also helps in making a comparison between organizations that use fair value. The bank sector on of the most important part of economic growth and its commit to applying these international standards, which will achieve and help in its financial stability in the countries .

The main purpose of this study is to examine the impact of implementing IFRS13 on the financial performance in the Palestinian banks listing in the exchange market .So its sough to attain its objectives include :explain the effect of the fair value model on the financial performance in the banking sector, analyze the relationship between fair value and profitability ratios ROA and ROE by the entire liquidity(LTA,LTD) ratio and credit performance ratio in the Palestinian bank listed in the exchange market , finally examine the effect of the fair value model on the financial performance in the Palestinian bank listed in the exchange market .

Therefore, the researcher using to collect information a relevant literatures and depend on quantitative analysis to examine the relationships by analyzed the semi-annual financial statements of the targeted banks to find the financial ratios, which using in this study . Five Palestinian banks which analyzed its financial data and examine the relationships between variables by using aggregate model and huasman tests to determines appropriate model fixed and random model , the number of observations was 120, which is the time dimension of the study, by using panel data analysis . The variables which used were fair value as dummy variable before IFRS 13 for two years and after the standard issued for long term period , dependent variable is profitability by using ROA and ROE , and control variables were liquidity (LTA,LTD) and credit performance by using LLP ratio .

From the previous studies which explained the reason for the emergence of the standard (IFRS13), and that it came to solve the problems of using fair value, but the use of the fair value model has been argued regarding the impact it may have, given that it depends on forecasting , especially at the level3, which is based on predictions , additionally the cost of implementing of the model and study the cost –benefit analysis related its models.

Through the data analysis , the results were drawn, the most important of which are: A positive relationship was found between fair value and financial performance depend on ROA ROE positive, and LLP is positive relationship that indicate the importance of credit performance and manage the loans of banks to avoid its credit risk ,While the liquidity ratio (LTD) had a limited impact in all cases and positive effect in LTA that's mean the importance of loans as total assets. The market conditions in Palestine country have affected the performance of banks, from the Corona pandemic in 2020 to the rise in interest rates globally in 2022 Therefore, the analysis results for individual groups were different as a result of unexpected market changes.

Through this study and its results, the researcher reached several recommendations, including: using case study to examine the negative effects appears in individual samples, attention in different sectors in economy to analysis the impact of implementing IFRS 13 ,expanding in study by using liquidity ratios other than LTD in Palestinian bank .

Keywords: *fair value ,financial performance , ratio analysis , liquidity, credit performance.*

DEDICATION

The sake of Allah , Education, and our parents who made their efforts and gave their support to move forward.

Hanadi Ghanim

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Thanks go to everyone who participated in preparing this distinguished work, and special thanks to my supervisors and to all those responsible for this academic program, and thanks to my family and friends, especially my mother, who provided all the support for me to reach this stage of study. Thanks to my husband, and first thanks to God.

Table of contents

Title	pages
Thesis approval certificate	I
Declaration	Ii
Statement of permission to use.....	Iii
Abstract	Iv
Dedication	Vi
Acknowledgement.....	Vii
Table of contents	Viii
List of tables.....	Xi
List of figures.....	Xii
list of Appreviations	Xiii
Chapter 1: introduction.....	1
1-1research background	1
1-1-1fair value concept.....	2
1-1-2financial performance in the bank sector.....	3
1-2research problem.....	4
1-3research questions.....	5
1-4research objectives	5
1-5research significance	6
1-6research limitations	6
1-7thesis structure	7
Chapter2:banking sector in Palestine.....	8
2-1introduction.....	8
2-2 reality of the banking sector in Palestine.....	8
2-3 banking listing in the exchange Palestinian.....	13
2-3-1- Arab Islamic Bank(AIB):.....	13

2-3-2-Palestine Islamic Bank(ISBK).....	14
2-3-3-Palestine Investment Bank(PIBC).....	16
2-3-4-Quds Bank.....	17
2-3-5-The National Bank(TNB).....	18
Chapter3: literature review.....	21
3-1 introduction	21
3-2 Fair value theories.....	22
3-3International financial reporting standard 13(IFRS 13),fair value	24
3-3-1About standard	24
3-3-2Valuation technique.....	25
3-3-3Fair value hierarchy :.....	25
3-3-4Disclosure	26
3-4 Empirical studies :.....	26
3-4-1Fair value	26
3-4-2Financial performance in the banking sector.....	28
(profitability , liquidity and credit performance)	
3-4-3 IFRS13 and profitability depend on liquidity ratio	31
3-4-4IFRS13 and profitability depend on credit performance ratio	32
3-4-5financial performance in the banking sector in Palestine.....	32
3-4-5 Adoption of IFRS13 in the financial performance	34
Ch4: methodology and method	37
4-1introduction	37
4-2 research design	38
4-3 variables	38
4-4 research model.....	39
4-5data & methodology.....	40
4-5-1 Data and sample :.....	40
4-5-2 Methodology:.....	41
4-6 Econometrics results and discussion.....	42
4-6-1econometrics results	42
4-6-1-1: Estimate the aggregate model.....	42

<i>4-6-1-1-1 -Estimating the effect of fair value on return on assets (ROA) in the presence of both liquidity ratios (LTA and LTD) and the expected credit loss ratio (LLP).....</i>	43
<i>4-6-1-1-2-Estimating the effect of fair value on return on equity (ROE) in the presence of both liquidity ratios (LTA and LTD) and the expected credit loss ratio (LLP):.....</i>	44
<i>4-6-1-2Hausman test</i>	44
<i>4-6-1-2-1 Hausman test and model estimation (fixed effect/random effects):.....</i>	44
<i>4-6-1-2-2 Estimating the model after the Hausman test (random effect/fixed effect).....</i>	45
<i>4-6-1-2-3Estimating the ROA model (random effect model):.....</i>	46
<i>4-6-1-2-4Estimating the return on equity (ROE) model (fixed effect model):.....</i>	47
<i>4-6-2discussion.....</i>	49
<i>Ch:5 finding, conclusions and recommendations:.....</i>	53
<i>5-1 Introduction.....</i>	53
<i>5-2findings.....</i>	53
<i>5-3conclusions.....</i>	54
<i>5-4recommendations</i>	55
<i>References</i>	56
<i>Appendix.....</i>	60

List of tables

Table	Pages
Table2.1.Local and global bank in Palestine.....	12
Table 2-2 :most important indicator of financial performance of AIB during 2011-2022	14
Table 2-3:most important indicator of financial performance of ISBK during 2011-2022	15
Table2-4 :most important indicator of financial performance of PIBC during 2011-2022	16
Table2-5:most important indicator of financial performance of QUDS BANK during 2011-2022	18
Table2-6 :most important indicator of financial performance of TNB during 2011-2022	19
Table4.1.Variables of the research	39
Table 4.2.The results of aggregate model ROA.....	43
Table 4.3.The result of aggregate model ROE.....	44
Table 4.4.Hausman test for fixed and random effects for the ROA model	45
Table 4.5.Hausman test for fixed and random effects for the ROE model	45
Table 4.6.Results of estimating the ROA model	46
Table 4.7.Results of estimating the ROE model.....	47
Table 4.8.Effect of section of each group.....	48
Table 4.9.The results of probability in aggregate model and Hausman test.....	49

List of figures

Figure	Pages
Figure 2-1 :customer's deposits in aggregate financial statement of the banks	10
Figure 2-2 :net direct credit facilities in aggregate financial statement of the banks	10
figure 2-3:net profit in aggregate financial statement of the banks	11

List of abbreviations

Full form	Abbreviations
Fair Value	FV
International Financial Reporting Standard	IFRS13
Return On Assets	ROA
Return On Equity	ROE
Loan To Assets	LTA
Loan To Deposit	LTD
Loan Loss Provision	LLP
Arab Islamic Bank	AIB
Palestine Islamic Bank	ISBK
Palestine Investment Bank	PIBC
The National Bank	TNB
Al Quds Bank	Quds Bank
International Accounting Standard Board	IASB
Financial Accounting Standard Board	FASB

Chapter one

introduction

1-1-research background.

This research talks about a global and modern topic in the global accounting system that has become clear and interest in it has increased recently. We are talking about the fair value model through developing a standard for measuring fair value and disclosure(IFRS13) and its impact on banks through financial ratios, so that empirical evidence shows " banks in Palestine exchange".

The banking sector is an important sector because of its effect on the economic growth of the countries , in Palestine especially in the stock market, as it ranked second in terms of trading after the investment sector about \$142 million, with a growth rate of 5.5% by the end of 2022. Although the challenges effect on the economic conditions of the country which including high interest rate ,the new government in Israel assumes its duties, and began its term by dealing a new blow to the budget of the Palestinian government ,it confiscated 139 million shekels in clearing revenues and high inflation, which, despite expectations that it will begin to decline by the end of 2022, remains at a high level, with the continued rise in energy and basic commodity prices. Despite all these challenges, the results of 2022 were very good, and are the best in 10 years, whether in trading volume, profits of listed companies, or distributions from these profits. (www.wafa.ps,2023). The investment in the Palestinian market is facing many barriers related to political conditions, economic ,legal and management barriers . (Sbeeh and Masharqah,2019), Banking sector in Palestine facing many crisis that effect on the local economy, during the subsequent years, customer deposits grew, despite Israel's war on Gaza in 2008 and 2012, and the 2014 war, in addition to the two military operations in 2021 and 2022.in 2020 .Due to the Corona pandemic the profits of the Palestinian banking sector in fell by almost half, to about \$89 million as a result of the forced closure of public facilities, in addition to the clearing crisis that occurred in the same year.(www.theminers.ps, 2022).

So the main objective of the research is to examine the impact of implementing IFRS 13 on the financial performance in Palestinians banks that are listed in the exchange market by using financial ratios including : ROA,ROE,LTA,LTD,LLP. With the presence of obstacles that may affect the performance of banks and also the implementation of international financial reporting standards , the most important of which is regarding the fair value principle.

1-1-1fair value concept

The expansion of globalization within the accounting framework has led to adoption of international financial reporting standard (IFRS) in many countries (Nwaogwugwu,2020).one of the standard issued in 2008 is IFRS13 which related to the measurement and disclosure of fair value accounting , the elements of the financial statement can be measured in various approach that's depend on nature of the element and the purpose of it, (Prochazka,2011),entities applied to IFRS 13 at the beginning in the annual report in 2013. (Busso,2014) .Since the development in the standard-setting process, fair value measurement has become pervasive to financial reporting and has resulted in unprecedented shifts in the content, significance and usefulness of information about financial position and performance (Prochazka,2011).

Fair value(FV) defined in IFRS13 as " 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 main objective of IFRS 13 is to enhance the comparability and consistency of FV measurement in financial reporting and to improve the disclosure about information used in estimation (Saksama,Saksama, kewangan & Islam,2021) ,to achieve consistency and comparability three level in input hierarchy was developed , and proposed three valuation techniques to estimate price of an assets and liabilities include market approach , cost approach and income approach. Finally the standard put the directions about disclosure, and the information needed to be disclosed in the financial statement to the users.

1-1-2 financial performance in the banking sector

The Credit or loan are domain assets and represent on average 50 to 75 percent of total assets in depository insinuations (Buchory,2021, as cited in Koch, 2014).

To measure financial performance there are two approaches ,accounting approach and econometric approach ,accounting approach which using financial ratio include profitability ,liquidity and credit performance (Adam,2014).

1-1-2-1Profitability

In the profitability ratio the company examines the abilities of profit generating based on sales assets and equity (Deleen, Kuzey & Uyar,2013). Based on previous study the most ratios used to measure profitability are: return on assets (ROA) and return on equity (ROE).

ROA =net income before taxes /total assets .

ROE= net income before taxes /total equity

1-1-2-2Liquidity

Liquidity is “the possibility that over a specific horizon the bank will become unable to settle obligations with immediacy” .(Golubeva,2019, as cited in Drehman & Nikolaou ,2013). The main ratios to measure it are :loan to assets (LTA) and loan to deposit (LTD) .(Adam,2014).

1-1-2-3Credit performance

Credit performance is reflecting the anticipated losses of the bank by the manager. Anandarajan,Hasan & McCarthy,2005),it depends on credit quality, credit risk is the degree of value fluctuations in debt instruments and derivatives due to changes in the underlying credit quality of borrowers and counterparties. (Funso , Kolade &Ojo,2012, as cited in Chen &Pan ,2012).

Credit risk is measure by loan loss provision ratio -LLP, its reflect the anticipated losses of bank by manager (Anandarajan , Hasan & McCarthy ,2005)

1-2-research problem

The study of fair value is one of the modern and important topics globally in the accounting field and has received great interest, especially in the banking sector , Banking and financial industry becoming the important in the growing economy whether in terms of their number, the size of the funds they manage, or the volume of its activities(Adam,2014)

This study focused on the banking sector in the State of Palestine, the importance of the banking sector in Palestine, especially in the stock market, as it ranked second in terms of trading after the investment sector about \$142 million, with a growth rate of 5.5% by the end of 2022. Although the challenges affect the economic conditions of the country. One of the most prominent challenges facing the Palestinian Stock Exchange ,high interest rates that encourage deposits with banks over investment accounts, including stocks. The other challenge the new government in Israel assumes its duties, and began its term by dealing a new blow to the budget of the Palestinian government ,it confiscated 139 million shekels in clearing revenues The third challenge is high inflation, which, despite expectations that it will begin to decline by the end of 2022, remains at a high level, with the continued rise in energy and basic commodity prices. Despite all these challenges, the results of 2022 were very good, and are the best in 10 years, whether in trading volume, profits of listed companies, or distributions from these profits, which are all indicators of the health of the market ,which will make a difference in 2023. (www.wafa.ps,2023).

Generally the investment in the Palestinian market is facing many barriers , the most important barriers that's related political conditions resulting from the Israeli siege through Israel's control over the crossings and external borders of the country by 92.3%. second barriers economic side resulting from the Israeli side's control over import and export procedures and the subsequent consequences of the Paris Agreement, third legal barriers because the duplication of laws and legislation between the West Bank and the Gaza Strip , finally management barriers related Slow government procedures in paying private sector dues, in addition to the weak ability to find external marketing outlets. (Sbeeh and Masharqah,2019).

Regarding the accounting system in Palestine ,according to Palestinian Law 9 of 2010, Palestinian banks are obligated to apply international standards in preparing financial statements , and during analyzing annual report which announced from the banks appears all of them using IFRS 13 in its financial report, by show the information related fair value measurement and disclosure .

As a result of the above, the main study question was reached and its will answer the following question "" how the implementation of international financial reporting standard 13 impacts on the financial performance in using ratio analysis?.

1-3-research questions

This study will be answer to following questions :

1-what is international financial reporting standard 13? And what are the benefits and challenges about implementing IFRS13?

2-how the financial performance is measured in the banking sector?

3-What is the reality of the financial performance of Palestinian banks and the challenges facing the Palestinian stock exchange?

4- What is the effect of fair value in the bank performance from ROA and ROE ratio in Palestine?

1-4-research objectives

the main objectives of the study is:

1-to explain the effect of the fair value model on the financial performance in the banking sector.

2-to analyze the relationship between fair value and ROA by the entire liquidity(LTA,LTD) ratio and LLP ratio in the Palestinian bank listed in the exchange market .

3- to analyzing the relationship between fair value and ROE by entire liquidity(LTA,LTD) ratio and LLP ratio in the Palestinian bank listed in the exchange market

4-to examine the effect of the fair value model on the financial performance in the Palestinian bank listed in the exchange market .

1-5-research significance

The fair value model is considered one of the modern topics facing the global accounting system. What distinguishes this study is the few numbers of studies that address the subject of the study, which contributes to providing information of distinctive value. Control variables included liquidity and credit performance to more accurate analysis .

The researcher used financial ratios and linked the result with fair value measurement and disclosure, and discussed the weak and strong point of using fair value and how the standard solved the problem of fair value to arrive at accurate financial reports and reflect relevant information about the financial performance.

1-6 study limitations

This study is limited to Palestinian banks which are listed in the exchange market, which are obligated to apply international accounting standards according to Palestinian law. Other sectors must be studied to obtain more accurate results, especially since the implementation of the fair value principle faces special challenges in developing countries.

On the other side we need to study other factors that reflect the relationship between fair value and banks performance including non-financial factors.

Finally the study excepting two banks in the exchange market because availability of the information of its banks and to arrive more accurate results ,include bank of Palestine and Al Safa Bank.

1-7-thesis structure

Thesis structure divides into the five chapters including :

Chapter one : its introduction about the study contains background ,research objective , problem ,study significance ,main questions ,study limitation and structure of study .

Chapter two : talking about the banking sector in Palestine , this part describes the reality of the banking sector in Palestine and explains about the banking listing in the Palestinian market .

Chapter three : Explains the theoretical aspect of the study and talking about IFRS13 and the literature discuss and evidence the relationship between fair value and financial performance.

Chapter four :present the research design , variables research model ,data and methodology finally discussion about data analysis.

Chapter five : in the last part show the finding , main conclusions and recommendation .

Chapter two

banking sector in Palestine

2-1 Introduction:

In this part we discuss the reality of the bank sector in Palestine which went through many crises as a result of internal and unexpected external circumstances during the past years, despite these circumstances, Palestinian banks were able to advance to keep up global developments, so that Palestinian law was concerned with enacting laws and regulations that organize the work of the sector. It consists of 7 local and 5 foreign banks.

The other topic is the banks listed on the Palestine Stock Exchange and the history of the banks that make up the study sample and describe some indicators about its performance in aggregate financial statement of banks and yearly financial statement of each bank in the study which are: Arab Islamic bank, Palestine Islamic bank, Palestine Investment bank, Quds bank and The National bank.

2-2 reality of the banking sector in Palestine

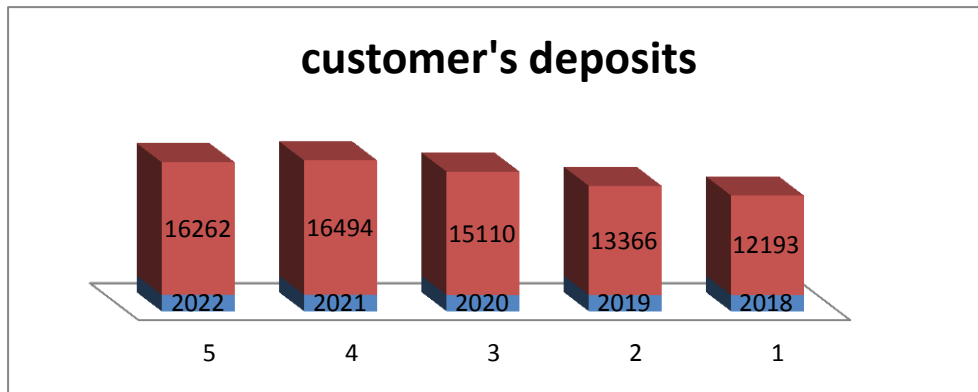
The banking sector has become one of the important and influential sectors in modern economies and contributes to value creation and total value added to the economy. However, this role varies from one country to another depending on the extent of development and modernity of this sector, the efficiency of its role, and the depth of the connection between it and the real economy. Therefore, the majority of developing countries including Palestine, are directly dependent on the banking system to finance development and provide the necessary liquidity for various economic activities. The Palestinian banking system is particularly important in economic activity as it is the main component of the financial system, and it's also a primary source of financing, whether for the private sector or the public sector (while ensuring that there is no competition between the public and private sectors in obtaining financial resources). The Palestinian Monetary Authority, since its

establishment, has been interested in reactivating the banking role through reopening and licensing, Arab banks that were operating in Palestine before the June 1967 war, in addition to their establishment and licensing new local (national) banks. While there was no presence of other institutions that are considered within the structure of the system, the Palestinian Financial Market, as the Palestine Stock Exchange was later established in 1997 and its activity is limited and restricted to a very small number of listed companies. It was also limited to stock trading only, recently, during the current year, trading in some bonds was introduced. (*Palestine Monetary Authority*,2011)

The most severe crisis faced by the Palestinian banking sector was during the invasion of Al-Aqsa Intifada in 2002, when banks recorded a sharp decline in their profits due to a decline in their operational operations. In 2002, customer deposits did not exceed \$3.5 billion, the deposits in 2000 (the beginning of the Al-Aqsa Intifada) recorded \$3.5 billion; and declined to \$3.39 billion in 2001, before beginning to rise in 2002 at \$3.4 billion, reaching \$4.2 billion in 2006, in 2006 the crisis occurs when the payment of salaries to public sector employees stopped, but the banking sector continued to grow, During the subsequent years, customer deposits grew, despite Israel's war on Gaza in 2008 and 2012, and the 2014 war, in addition to the two military operations in 2021 and 2022. In 2020. Due to the Corona pandemic the profits of the Palestinian banking sector in fell by almost half, to about \$89 million as a result of the forced closure of public facilities, in addition to the clearing crisis that occurred in the same year. (www.theminers.ps, 2022).

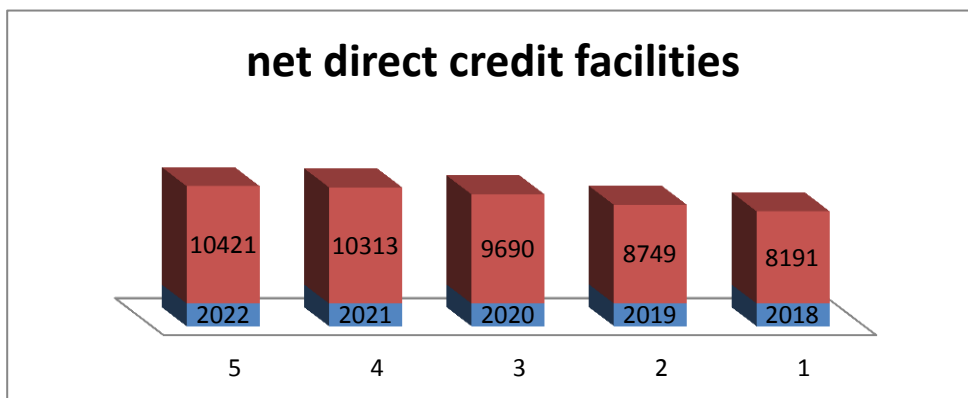
Regarding the financial performance of the Palestinian banking sector, according to aggregated financial statement and indicators announced by Association Of Bank in Palestine in 2022 during the period between 2018 to 2022. customer's deposits continued to rise during 2018 to 2021 from 12,193 to 16,494 million dollars but it then decreased to 16,262 in 2022 as shown in figure (2-1), This is for main reason, according to what was announced by Chairman of the Board of Directors of the Palestine Stock Exchange about rise in interest rates globally is the most difficult challenge facing the Palestinian economy, as it affects deposits in banks for the purpose of investment. (www.wafa.ps).

Figure 2-1 :customer's deposits in aggregate financial statement of the banks



While credit facilities continued to increase during this period until 2022, so that it increased annually and its became 10,421 million dollars in 2022 as shown in figure (2-2).

Figure 2-2 :net direct credit facilities in aggregate financial statement of the banks

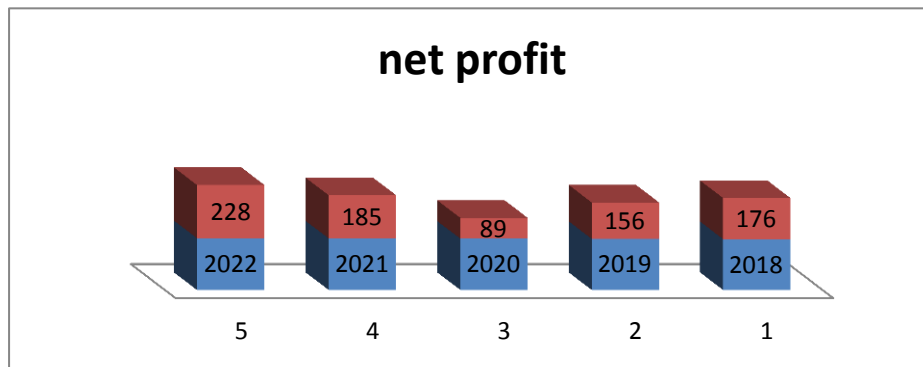


It is noticeable the significant decline in profits for the year 2020 where it reached 89 million dollars as shown in figure (2-3).

As stated in the annual comparison of the Capital Market Authority, the total trading volumes and values at the end of the year 2021 increased by 132.8% and 120.3%, respectively, compared to the end of the year 2020. This increase in trading volumes and values is led by the insurance and banking sectors, and is due to the noticeable increase in securities sector indicators at the end of the year 2021, compared to the year Previously, to the natural rebound of the trading curve, given that the year 2020 witnessed deteriorating economic performance as a result of the spread of the Corona

Virus, in addition to the weakness of the demand side for securities as a result of investors' reluctance to invest in securities, in addition to the suspension of trading in the Palestine Stock Exchange on 3/23/ 2020, until 5/3/2020 as a precautionary measure due to the repercussions of the Corona pandemic. This coincides with the rise in the share prices of most listed companies at the end of 2021 compared to 2022. (www.pcma.ps) . In 2022 the banking sector was the most profitable with about \$105 million as of the end of the third quarter, an increase of 17.2% over the corresponding period in 2021.(www.wafa.ps) .

figure (2-3):net profit in aggregate financial statement of the banks



Despite the crises and difficulties facing Palestine in general, Palestinian law, according to what was issued by the Palestine Monetary Authority, was concerned with issuing laws that would maintain financial stability, including Law No. 9 of 2010, Article No. 46 which states "All banks must register their operations and prepare their financial statements based on relevant international standards, such as international financial reporting standards, international accounting standards, and accounting, auditing, and controls standards for Islamic financial institutions, in accordance with what the Monetary Authority decides).

Table (2-1): local and foreign banks in Palestine

#	Name of bank	Year founded	number of branches
Local banks			
1	Bank of palestine	1960	72
2	Palestine Investment Bank	1995	21
3	Arab Islamic Bank	1996	29
4	Palestine Islamic Bank	1997	43
5	Al-Quds Bank	1995	39
6	National Bank	2006	35
7	Al Safa Bank	2016	9
Foreign banks			
1	Cairo Amman Bank	1986	22
2	Arab Bank	1994	33
3	Bank of Jordan	1994	43
4	Arab Banking Real Estate Bank	1994	7
5	Jordan National Bank	1995	10
6	Housing Bank for Trade and Finance	1995	15

Table (2-1) consists of seven local banks which are targeted in the study for five banks and sex foreign banks , and the year of establishment and the number of branches that spread in the cities in Palestine .

2-3 banking listed in the Palestinian Exchange:

Number of banks that are listed in the exchange Palestinian market is seven including three Islamic banks such as : Arab Islamic Bank, Palestinian Islamic Bank and Al Safa Bank, and four commercial banks (Palestine bank, Palestine Investment Bank, Al-Quds Bank and National Bank). All banks began implementing IFRS13 in 2013 according to the annual report of banks .

This study talking about five Palestinian banks related to the sample of the research include (Arab Islamic bank , Palestine Islamic bank , Palestine Investment bank ,Quds bank and The National bank) Two local banks were excluded from the study Bank of Palestine and ALSafa bank.

2-3-1- Arab Islamic Bank(AIB):

The Arab Islamic Bank was established in 1995 and is a public shareholding company. It began its banking activities at the beginning of 1996. It carries out banking and investment activities in accordance with the Islamic Sharia laws through its main center in Ramallah and Al-Bireh Governorate and its branches spread throughout Palestine, in addition to the representative office in the United Arab Emirates. and the mobile branch, “My Bank on the Road,” bringing the number of its branches to thirty branches and offices. The bank does not have any subsidiaries as of 12/31/2022.

According to the official website of the bank ,Financial statements are prepared periodically about the results of the bank’s work in appropriate with the standards issued by the Accounting and Auditing Organization for Islamic Institutions and based on the principles of Islamic Sharia, according to the report of the bank’s Sharia Supervisory Board and also in accordance with the applicable local laws and the instructions of the Palestine Monetary Authority. The bank's financial statements are audited and reviewed by an auditing company licensed in Palestine and approved by the Palestine Monetary Authority.

Table (2-2) :most important indicator of financial performance of AIB during 2011-2022

capital adequacy %	~million			Years
	TA	TD (customers')	net direct credit facilities	
81	300	235	133	2011
84.8	375	290	172	2012
86.75213675	468	352	191	2013
87.90035587	562	426	247	2014
89.40092166	651	517	311	2015
90.55415617	794	624	430	2016
89.72142171	1041	791	561	2017
89.73634652	1062	848	682	2018
90.80188679	1272	1024	758	2019
92.29287091	1557	1296	945	2020
92.45826137	1737	1420	1012	2021
91.57134256	1661	1392	1028	2022

*TL: Total liability

It is clear from the data on performance indicators that the AIB the net direct credit facilities and customers deposit increased until 2021, but in 2022 it decreased ,the same applies to the bank's assets ,there was a decline in performance in the last year , in the term of capital adequacy the liabilities increased that's indicated to increase in risk but in the last year the ratio decreased .

2-3-2Palestine Islamic Bank(ISBK) :

. The Palestine Islamic Bank, a limited public joint stock company was established in 1995. The bank began its banking activity in early 1997. Its authorized capital amounts to 100 million shares with a nominal value of one US dollar per share. Since the founding of the bank, its paid-up capital has been increased several times, most recently in 2023, when it became 100 million dollars, up from \$90 million in 2022.The bank carries out banking, financial, commercial and investment activities its appropriate with the Islamic Sharia, through 43 branches, offices and more than 100 ATMs throughout Palestine, which confirms its identity as the largest Islamic banking network in Palestine, achieving its vision of being the leading Palestinian

bank in activities and services. Islamic banking that meets the needs and requirements of customers.(/www.islamicbank.ps).

According to the ISBK website, The bank constantly seeks to meet the financial needs of all segments of the local community. It also harnesses its capabilities to achieve its mission of excellence in providing modern and safe banking and investment solutions that are appropriate with the Islamic Sharia, and works to achieve sustainable partnerships with stakeholders and society, with its keenness to develop and attract skilled human cadres. High efficiency in providing the best Islamic banking services to customers and creating banking products that meet their ambitions and provide them with a distinctive banking experience. As a result of these efforts, the bank received the award for “Best Bank Providing Banking Services and Products Compliant with Islamic Sharia in Palestine for the year 2022” by the International Union of Arab Bankers..

Table (2-3) :most important indicator of financial performance of ISBK during 2011-2022

capital adequacy %	~million			Years
	TA	TD (customers')	net direct credit facilities	
86.76844784	393	301	187	2011
86.28841608	423	336	209	2012
87.4501992	502	402	269	2013
88.7394958	595	456	353	2014
89.18518519	675	537	446	2015
88.25710754	809	652	540	2016
89.20792079	1010	810	619	2017
90.29038113	1102	904	680	2018
91.27465857	1318	1055	770	2019
91.85969557	1511	1165	885	2020
91.66666667	1656	1290	890	2021
90.23746702	1516	1237	898	2022

*Total liability

The table (2-3) shows the decrease in the customers deposits in 2022 and in the total assets but the credit facilities continue to rise that indicate increasing credit risk but

the capital adequacy in the 2021 was 90% decreased in 2022 to 90% but it remains a high percentage .

2-3-3Palestine Investment Bank(PIBC)

The Palestine Investment Bank (PIBC) was established as a public Palestinian joint-stock company with the participation of a group of bankers and businessmen from Palestine and the Arab countries. It is considered the first Palestinian bank to obtain the necessary licenses to conduct its business from the Palestinian National Authority. It was registered on 8/10/1994 with a capital Paid amount of 20 million US dollars. The bank's first branch was opened on 3/26/1995, and the bank's management continued to expand and spread throughout the main Palestinian cities and population centers, successively, and according to clear, specific plans, until the bank had a network of branches covering most of the Palestinian regions without exception. Since its establishment, the bank has built its strategy on deepening its presence in various regions of the Palestinian Authority, in order to develop the customer base, diversify the services provided to them, and strengthen the bank’s financial position through the network of branches spread in all major cities.

Table (2-4) :most important indicator of financial performance of PIBC during 2011-2022

capital adequacy %	market share ~million			Years
	TA	TD (customers')	net direct credit facilities	
73.66255144	243	136	79	2011
74.51737452	259	152	95	2012
76.38888889	288	182	99	2013
78.5046729	321	199	102	2014
77.43902439	328	209	142	2015
77.33711048	353	245	181	2016
79.45823928	443	298	211	2017
78.46153846	455	305	218	2018
80.07968127	502	365	226	2019
84.55538222	641	503	295	2020
86.06224628	739	554	317	2021
86.19302949	746	602	382	2022

Despite the increase in credit facilities during the years , there was a continuous increase in deposits. On the other hand, despite the market conditions that banks have faced in recent years between 2020 to 2022, the bank was able to maintain an increase in the level of performance and increase its assets.

2-3-4Quds Bank

Quds Bank was established in 1995, Al-Quds Bank's business has grown to become today one of the most important banking institutions in Palestine. It provides the Palestinian market with an integrated package of banking and investment services and commercial solutions designed to meet the requirements of corporate and individual clients and participate in supporting the national economy. It was established as a limited joint stock company with a capital equivalent to 20 million US dollars, which was increased during the years of the bank's operation to reach 100 million US dollars today. The credit for this success and development is due to the high professionalism in providing an integrated set of banking services and products to individual and corporate clients. And emerging institutions, making sure to employ the strong capital base and long-standing experience to play a distinguished role in the field of finance, offer to the customers distinguished and innovative banking and financing products and services through a network that includes 39 branches and offices and 55 automated teller machines. covering all governorates of the country. It is present as the first Palestinian bank in the Jordanian banking market through its representative office in the capital, Amman, as it is considered a platform to facilitate the transactions of the bank's customers between the Jordanian and Palestinian markets .(www.qudsbank.ps).

Table (2-5) :most important indicator of financial performance of QUDS BANK during 2011-2022

capital adequacy %	~million			years
	TA	TD (customers')	net direct credit facilities	
88.24786325	468	338	288	2011
87.94178794	481	354	293	2012
87.80487805	533	420	287	2013
89.53662182	669	514	336	2014
90.42288557	804	647	432	2015
90.72916667	960	778	616	2016
90.51162791	1075	855	659	2017
90.76669415	1213	959	698	2018
91.13448535	1331	1031	796	2019
91.33858268	1397	1100	847	2020
91.16517286	1562	1194	953	2021
89.1184573	1452	1166	932	2022

As shown in the table (2-5) , the increasing in credit facilities was matched by an increase in deposits, as the value of the deposits was greater than the credit facilities, which means an increase in the bank's liquidity, but in 2022 these numbers decreased, and liabilities raised , this is due to market conditions. but the bank keeps increasing during the Corona period in 2020 and 2021.

2-3-5The National Bank(TNB)

The National Bank was established in 2012 as a result of the merger of Al-Rafah Bank for Financing Small Projects and the Arab Palestinian Investment Bank and the strategic relationship that links it with its shareholders. Consequently, the bank transformed into a comprehensive commercial bank that provides all banking services and solutions to the individual and corporate sectors in addition to investment and treasury services, while maintaining its own larger portfolio of financing small and micro projects.

The National Bank is the second largest Palestinian bank in terms of capital, and one of the best providers of integrated, comprehensive and most innovative national banking services to the corporate and individual sectors in addition to providing investment and treasury services and financing medium, small and micro projects. The bank's paid-up capital amounted to 113.1 million US dollars, and its authorized capital was raised to 115 million dollars in the year 2022. The National Bank is managed by a board of directors that includes a group of major Palestinian companies, and a group of the most prominent and qualified businessmen and women, and it has a shareholder base of The largest bank in the country, with more than 8,000 shareholders.

The National Bank has implemented many successful acquisitions and mergers, the most recent of which was the acquisition of the assets and liabilities of the Jordan Commercial Bank in Palestine in the year 2020. This was preceded by leading a shareholders' coalition to acquire a controlling stake in the Palestine Islamic Bank (ISBK) in a deal that was considered the largest in the history of the Palestine Stock Exchange. timely. In 2015, the National Bank acquired the assets and liabilities of Union Bank of Jordan in Palestine, making this the first acquisition by a Palestinian bank of a Jordanian bank.([http:// www.tnb.ps](http://www.tnb.ps)).

Table (2-6) :most important indicator of financial performance of TNB during 2011-2022

capital adequacy %	market share ~million			Years
	TA	TD (customers')	net direct credit facilities	
88.25910931	247	130	76	2011
85.47008547	351	216	143	2012
89.62264151	530	303	228	2013
88.23529412	680	414	299	2014
89.02439024	820	539	402	2015
89.49152542	885	656	519	2016
91.01019462	1079	809	654	2017
91.55696777	2203	1716	1327	2018
91.90751445	2422	1972	1427	2019
92.23198594	2845	2330	1751	2020

91.04843654	1631	1212	877	2021
89.29503916	1532	1209	934	2022

*Total liabilities

As is clear in the table (2-6) the performance of the bank decline during the last period in 2021 and 2022, there was a decline in the value of customer deposits, as well as the bank's assets and credit facilities, credit facilities was 1751 in 2020 but decreased to 877 in 2021 then raised in 2022 but its less than 2020., this mean the bank effect on market conditions during last period .

Chapter three

literature review

3-1-Introduction

In this section of the study the researcher discuss the fair value measurement that has gained great attention due to the developments that have occurred in the global accounting system , fair value measurement is an old term start in 1925 and developed from Edwards and Bell, Chambers and Sterling.(Osho & Tokunbo 2018).

In 2008 both the financial accounting standard board (FASB) and international accounting standard board (IASB) transferred to use fair value then in 2011 issued improvement standard "international financial reporting standard 13 about measurement and disclosure fair value (Saksama et.al,2021) .

This section discusses several aspects ,the first important theory about the concept of fair value measurement include Theory of the measurement of enterprise income by sterling, Edwards and Bell on business income , Chambers on accounting theory. Second, explain the main issues about IFRS 13 . third review the study about fair value so its discussed the benefit and challenging of this term and how the new standard maintain the problem of fair value model , Saksama et al (2021) talk about the benefit of fair value measurement in attain consistency and comparability in the information of financial report to improve disclosure about fair value estimation to increase confidence about the information appear to the user .on another side many studies explain the challenges such as Hassan (2019) whose take more than one side ,manipulation and bias , reliability and accuracy .

forth review the empirical research about financial performance in the bank sector and the factor that effect on the financial performance , two approach using to evaluate financial performance its accounting approach and econometric approach, accounting approach which using financial ratio that adopted with our study such as profitability ,liquidity and credit performance (Adam,2014).

Then the effect of liquidity and credit performance on the profitability were discussed by literature in which the results were mixed depending on the variables, places, and study conditions . finally this study explain the adoption of IFRS13 in the financial performance, form Emerson et.al (2010) study discuss the items which must be evaluating in the fair value model ,and from Ghio et .al (2017) explain the effect of disclosure in treat the barriers of fair value implementation , The debate occurs in regarding the importance of applying the fair value principle in its developed form to financial performance in general and banks in particular.

In conclusion, since the application of fair value has recently spread globally with the development of the accounting system, there are problems that may face its application , and the impact of its application on the financial impact varies according to the sector, location, and other factors.

3-2-Fair value theories

According to Osho and Tokunbo (2018) ,Fair value recognition and measurement is old concept from 1925 before fair value measurement are developed conceptual roots of fair value may be traced to the influential theoretical works of (Edwards & Bell 1961; Chambers, 1966; Sterling, 1970) ,a main theories in fair value measurement are :

1-Theory of the measurement of enterprise income by sterling:

Sterling used a simple firm model and supported more time on details and rejected a little time related financial statement , that operating in a perfect market with a stable price level , he defined the income as " the difference between wealth at two points in time plus consumption during the period .(Schattke,1970).

The valuation approaches notes discussion by Sterling and the valid technique is current market price, he devoted that if the information will be used is relevant it must be useful but the constraint in the channel capacity to provide feedback , and he argued about discounted cash flow because its time confusing and unconvincing approach and the capital maintenance dismissed a little too easily . .(Schattke,1970).

The time dimension is used by sterling because it's used in eliminating expected sacrifice and he prefers present sacrifice that is relevant to present evaluation alternatives but the past sacrifice is of no relevance to the evaluation and not relevance to current decisions so he rejects the historical cost. He suggested the ex post income concept .(Schattke,1970).

2-Edwards and Bell on business income:

Edwards and Bell will be accept with the variation in the specific price and the variation in the level of price in any computation of income , they proposed the elements for the measurement of business income (Chambers,1965), the two dimensions of income is holding gain and operating gain ,in the first step the two dimensions are separated, this allows an accurate assessment of periodic income by adopting the current value of assets and liabilities then define clearly the income of the period and recognition for holding gain when the changing in the price occur immediately , while operating profit explains the difference between current revenues and current costs this reflects the change in prices in that period and the current value drives the decisions not expected value because it less reliability . (Whittington,2008)

Edward and Bell were not concerned with the balance sheet it used in illustrative effect only ,the role of accounting information as basis of evaluation (the evaluation depends on past decisions) , the decision may have mistakes . accounting data serve an internal function and successful management built on accurate data without know the fact related it .They determine the short run as an opportunity cost related to best price to sold assets immediately on other side the long run related to the current cost that the acquiring of input used to produce the assets being valued, they separated the two period, but later studies proved it the two period is the same and the effect of period is an extension of the previous period.(Chambers,1965).

The positive realizable profit is only when the firm operates on the short run and essentially constructed in the single investment and measured by opportunity cost that defined it as if the assets were sold ,the alternative of operating is discontinue business. .(Chambers,1965).

3-Chambers on accounting theory :

Chambers dealt with Edward and Bell about the effect of variation in specific price and a level of price on computation of income (Chambers,1965).they used the term of Financial position and defined it as the capacity of an entity at the appointed time to engage in indirect exchange . point of time related short time period and measured by current cash equivalent, the assets are measured at market resale's price ,monetary measurement of an assets and liabilities for Chambers by using current cash equivalent at a time , current cash equivalent to going concern is the sum of obtainable in the short run in the ordinary course of business , he recommend to using net realizable value to measure durable assets and to measure inventory by lower of net realizable value or current replacement cost in the short run .(Iselin,1968).

Monetary liabilities such as bonds measured by contractual amount of bond in the short run allow the immediate settlement in the particular statements, on the other hand the long run measured by face value (future payment discounted to present contractual interest rate. it seems that the future event measurement related to subjectivity estimation , the anticipated, destroys the factual result of calculation . doubtful debt and receivable were measured by count and he considered these as bad debts. (Iselin,1968).

3-3-International financial reporting standard 13(IFRS 13),fair value

3-3-1 About standard

International accounting standard board issued IFRS13 in 2011 related to fair value measurement , the main objective of standard is to define fair value , set a framework to measure it and to describe disclosure about fair value measurement .

The standard set a new definition about fair value as " 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".www.iasplus.com

In non- financial assets reflect the abilities of market participants to generate a benefit by using highest or best of use assets and take on account the physically possible , legally permissible and financially feasible. The valuation premise measures fair value using the assets or liabilities as a group , while the stand- alone premise basis is

the using fair value to maximum value to market participants as stand-alone.
www.iasplus.com

3-3-2 Valuation technique :

The main objective of valuation technique is to estimate the price to sell an assets or transfer liabilities, three main approach using to measure fair value , market approach ,cost approach and income approach ,first market approach uses prices and relevant information generated by market transaction that's identical or similar assets or liabilities ,second cost approach by using current replacement cost when measuring of fair value , finally income approach the measuring by convert future amount include cash flow or earning to one discounted amount , its reflects current market expectations about the future amount.(www.iasplus.com).

3-3-3 Fair value hierarchy :

According to IFRS Foundation ,the aim of fair value hierarchy is to increase consistency and comparability in fair value measurement and disclosure by set three level of inputs to estimate price and the highest priorities to quoted price in active market when the price is observable , from the three level are :

1-level 1 : which is in the active market ,the price of inputs is observable and assets and liabilities are the similarity . www.iasplus.com

2-level 2 : the inputs other than quoted price that are observable whether directly or indirectly ,active market or inactive market for identical or similar assets or liabilities . www.iasplus.com

3-level 3:the data is not available in the market that's not observable; it may contain the data related to the entity. www.iasplus.com

3-3-4 Disclosure

The entity must be disclose about the information that users need it for assets and liabilities measured by fair value and using in the statement of financial position such as valuation technique , input that using in measurement approach and in recurring fair value measurement in the level 3 the effect of measurement on the gain and loss in comprehensive income during the period and in non-recurring measurement the disclose about the reason .(IFRS Foundation).

3-4 Empirical studies :

3-4-1 Fair value

To understand and interpreting information in the financial statement that used to provide information about performance of the entity two type of principle using to reported it, historical cost and current value in general term or" fair value" ,historical cost is the original or nominal cost of an assets when that acquired by the entity , on other hand current value that the value which an asset or liability could be exchanged between knowledgeable willing parties in the transaction, its refer to fair value (Jayasekara , Perera. & Ajward,2018).

In the US general standard that used was the historical cost before instability and international inflation , in early 1970 deficiency appeared about disability of valuation in financial accounting after that began to pay attention to the fair value accounting(Shanklin , Hunter & Ehlen, 2011)

In 2008 due the global financial crisis in banking sector both the financial accounting standard board (FASB) and international accounting standard board (IASB) had collaboratively to set measures to solve new conditions , one of them is to transfer to use fair value not only cost approach ,in 2011 IASB issued international financial accounting standard 13 (IFRS13) that set approaches of the FV measurement and disclosure requirement (Saksama et.al,2021). Nwaogwugwu(2020) ,study confirmed that the financial crises its led to a sense of anxiety about the financial information announced by major companies, especially banks so the investors losing confidence in

the content of the financial reports ,however the guidance related to the disclosure of data are issued . ,

The main objective of IFRS 13 is to enhance both the comparability and consistency aspects of FV measurement in financial reporting and to improve the disclosure of estimates of the FV . (Saksama et al ,2021) .To achieve consistency and comparability in the measurement of fair value the standard provide a hierarchy of inputs which the input priorities into three level and the highest priority to quoted market price (applying international financial standard)

Despite the benefits of using the fair value model, there are challenges for the implementation of this approach , the main challenges are volatility and uncertainty in the introduction of the information in the financial statement ,on the other side the challenges in the potential manipulation or bias on the valuation process. The important aspect in using fair value accounting is understanding the difference between realized and unrealized gain and loss on securities and the effect of them on the income statement and balance sheet built on classification and purpose of securities . The second aspect is to evaluate the reliability and consistency of the valuation techniques and inputs used by the firm, and how they compare with the market expectations and benchmarks. (<http://www.linkedin.com>) .

In the previous studies discussion about the negative effect on implementing fair value measurement and disclosure on the information of financial report :

1-reliability: various techniques to evaluate fair value make the financial data more fluctuating , By(Hassan,2019). The value that fair value reflects is a prediction based assumption so reliability is hampered, especially in inactive markets (Prochazka,2011).

2-bias and manipulation :manipulation is related to interest of the management (Hassan,2019) , in addition subjectivity allows measurement manipulation (Prochazka,2011).bias related to the absence of an active market that gives away to personal.

3-complex to measure some items in the financial statement such as investment . (Hassan,2019)

4-Difficulty in determining the fair value of tangible fixed assets.

5- Measurement errors: These are unintentional errors in estimation(Hassan,2019). They may also introduce measurement error and require inputs (such as income or cash flow forecasts) that itself is subject to measurement error(Prochazka,2011) .

6-cost to benefit :the cost may be more than the benefits for implementing fair value measurement . (Hassan,2019)

7-The concept of fair value contrasts with the going concern assumption . (Hassan,2019)

3-4-2- Financial performance in the banking sector

There are three perspectives related to the bank performance first credit creation theory consider the bank can be create a money individually through accounting operations ,second fractional reserve theory that consider the bank can be create a money only in the bank system but in individual the bank is financial intermediation , in the last theory financial intermediation the banks are financial intermediaries, either individually or collectively (Jayasekara et.al,2018).

The main role of the banks is to take deposits and make loans (BUCHORY,2021). The Credit or loan are domain assets and represent on average 50 to 75 percent of total assets in depository insinuations, the growth of lending and the quality of payment on loan principal and interest will affect bank profitability and its high contribution on the profitability (Buchory,2021, as cited in Koch, 2014). It enhances the ability of investors to exploit desired profitable ventures. Among other risks faced by banks, credit risk plays an important role in banks' profitability since a major portion of banks' revenues is accumulated from loans from which they derive interest. However, interest rate risk is directly linked to credit risk which means that a higher or higher interest rate increases the chances of defaulting on loans.(Funso et.al,2012)..

Firm performance are evaluated by financial measures that's traditional tools using to analysis the financial health of the company for the decision makers include business analysts, creditors, investors, and financial manager and estimating the future

performance (Deleen, Kuzey & Uyar,2013),To measure bank performance there are two approaches first is accounting approach which using financial ratio and econometric approach(Adam,2014).when absolute measures from amounts in the financial statement may be not sufficient for the meaningful compassion the financial ratio used to improve useful performance (Zhang,2017 as cited in Aliabadi,Dorestani, & Balsara,2013).and to help stockholders to analyze the financial health of the company , generally this ratios include liquidity ,profitability , long term solvency and turnover ratio (Delen et.al,2013)

In the Adam(2014) study divide the bank ratio into the three type ,profitability ratio, liquidity ratio and credit performance

A-Profitability

The profitability in banking sector It makes banks more able to withstand shocks and keeping the stability in the financial system(Golubeva , Duljic& Keminen,2019) ,profitability is measured by using many financial ratio to bank performance explanation include (return on assets ,return on equity ,earning per shareand etc).

In the profitability ratio the company examines the abilities of profit generating based on sales ,assets and equity (Deleen el.al,2013), in this study return on assets and return on equity. Return of assets (ROA)ratio were adopted ,it is indicate about the company can be generate its profit and it's a positive effect on profit growth(Heikal,Khaddafi & Ummah,2014) and) reflects the investment of the financial resources and the extent of utilizing from the company's assets(Prabowo,Halim,Sarita, Syaifuddin,Sujono,Saleh, Hamid and Budi,2018). While Return on equity (ROE) ratio is the indicate about the company can able to manage its capital effectively and its effect on the profit growth (Heikal et.al,2014

B-Liquidity

liquidity is “the possibility that over a specific horizon the bank will become unable to settle obligations with immediacy" .(Golubeva et.al,2019 , as cited in Drehmann

& Nikolaou ,2013). The key roles of liquidity in the banking sector are ensuring the benefit of depositors and stabilizing the financial system .(Doan and Buia,2021).

Banks perform monetary activities on assets and liabilities beside the balance sheets ,on assets its enhance cash flow from lending to user and on liabilities side its accumulate liquidity organizing from the servers as a result of this activity, the bank's liquidity risks arise (Golubeva et.al,2019), Basel Committee on Banking Supervision (1997),discussed that liquidity risk arises from the inability of a bank to accommodate decreases in liabilities or to fund increases in assets ,usually liquidity ratio using to measure liquidity risk the banks depend on external fund it's have high liquidity risk so it's must be diversity in the sources of fund and less hold of risky liquidity assets to reduce liquidity risk ,from macroeconomic result the banks run down their liquidity buffer in boom because they increase their loans but in this period the deposits is less than other periods .(Shen.,Chen Kao &Yeh,2018).

Liquidity ratio related to the ability of a company to pay short term debt.(Deleen et.al,2013). The ratio that measure liquidity include total loan to total deposit ratio(LTD) and total loan to total assets ratio (Adam,2014)

Loan to deposit ratio (LTD) related to the risk this ratio indicates a potential source of illiquidity and insolvency because loans are riskier assets than other financial assets(Adam,2014), Loan to assets ratio (LTA) its measure the level of bank liquidity that indicate if the bank can be meet the demand for credit with its total assets, and its can improve the quality of assets that have sufficient provisions against potential losses, or avoid the concentration of assets in one economic sector (Prabowo et.al,2018)

C-Credit performance :

Nowadays, banks have become more vulnerable to the risk of failure due to the huge amounts of money that are offered to customers ,loans, which may threaten the stability and growth of banks, one of the solutions presented to the banking department to reduce this risk was set aside some amount of money known as a loan loss provision. Therefore, a loan loss provision is an important tool. It is used to reduce the risk of customers failing to pay their obligations to the bank.(Alhadab & Alshawneh,2016)..

According to Funso et.al(2012) as cited in Chen and Pan (2012), credit risk is the degree of value fluctuations in debt instruments and derivatives due to changes in the underlying credit quality of borrowers and counterparties .However, Buchory(2021) as cited in Ghosh(2012), there are credit risks related to non-payment of debts of loans ,the impact of credit risk is ultimately reflected through a loss of principal, loss of earnings, a decline in the market value of assets, burden of loan loss provisions

the credit performance ratios include loan loss provision-LLP, reflecting the anticipated losses of the bank by the manager (Anandarajan et.al,2005). According to Alhadab and Alsahawneh.(2016) the main objective of loan loss provision is to provide information about the future of the banks ,reduce taxes ,manage regulatory capital ,manage the volatility of earning and income and avoid fluctuations that affect bank risk and profitability .

3-4-3 profitability depend on liquidity ratio :

Attention increased in bank liquidity after the global financial crisis in 2007 that affected the financial system and rights of depositors .(Doan and Buia,2021).

From the previous study there are mixed results about the relationship between liquidity and bank performance , one group of scholars (Chen et al., 2018, Nguyen et al., 2017 as cited in Arif & Nauman Anees, 2012) suggest a negative relationship . Another group argues that higher liquidity risk has a positive effect (Trujillo-Ponce, 2013 ass cited in Molyneux & Thornton, 1992). but Bordeleau & Graham (2010) have suggested that liquid assets may have nonlinear relationship with bank profitability.(Golubeva et.al,2019),for example the result in Prabowo et.al (2018) study shows that the decrease or increase in the LTA has no effect on the performance of the bank by using ROA. According to Doan and Buia(2021) in Vietnamese commercial banks in the 2013-2018 period by using ROA. Suggest that the significant effect between liquidity and bank performance , the positive effect between loan to deposit ratio because the loans play important role to enhance business so support the economic growth that result of improve banks performance and increase profitability but if the ratio is too high liquidity risk may arise

3-4-4 profitability depend on credit performance ratio

The bank function not only accepts deposits but makes facilities to the customers to increase the credit risk ,credit risk is inability of the customer to pay obligation on maturity date so the success of business depends on accurate measurement(Funso et.al,2012). Mainly source of bank profitability is banking intermediation process from raising fund and channeling especially credit ,the bank pay interest cost from raising funds and earn interest income from distributing funds the structure of third-party funds will affect the cost of funds, so credit performance will affect bank revenues which in turn will affect bank profitability.(Buchory,2021).

Felix and Claudine study the relationship between bank performance and credit risk management and findings that return on equity (ROE) and return on assets (ROA) both measuring profitability were inversely related to the ratio of non-performing loan to total loan of financial institutions thereby leading to a decline in profitability(Funso et.al,2012 as cited in Felix & Claudine ,2008)

Ahmed, Takeda and Shawn (1998) study found that loan loss provision has a significant positive influence on non-performing loans. Therefore, an increase in loan loss provision indicates an increase in credit risk and the quality of the loan effect on the bank performance(Funso et.al,2012).

3-4-5financial performance in the banking sector in Palestine

The importance of the Palestinian banking sector is that it contributes to the development of the national economy that's required to work to subject the sector to oversight to maintain the integrity of the banks' financial positions and reach a strong banking sector that preserves the rights of customers.(Awad,2020).

Despite the challenges and obstacles facing the Palestinian economy, the Palestinian banking sector is particularly important in economic activity as the main component of the financial system, as in 2017 the number of licensed banks in Palestine reached 15 banks of the 7 local banks, 8 foreign commercial banks, and the number of branches amounted to 332 distributed between 204 branches of automatic banks and 128 branches , has continued its growth, proving its capacity for foreign banks, with an increase in the total number of branches of 10% over the year 2016 to deal with

many financial and regional risks, and to establish itself as one of the most important pillars of its supporting the Palestinian economy. The total assets of operating banks reached in Palestine, \$15,376.4 million in the year 2017, with a growth rate of 59% compared to the year 2012, which amounted to \$9,663.8 million dollars, and the total customer deposits with banks operating in Palestine in 2017 amounted to \$11,948.8 million, increasing by 60% over the year. (Awad,2020)

In Awad(2020) study which evaluating the efficiency of the financial performance of Palestinian Islamic banks :a comparative study of a sample of Islamic and commercial banks ,during the period between 2013 to 2017 by using profitability, liquidity and capital adequacy ratios , the results were indicated that the Islamic banks more exposed to liquidity risks and was close to the industry standard in profitability and capital adequacy, which means its commitment to implementing the regulations and laws issued by the regulatory authorities and implementing the decisions of the Basel Committee.

In the results of the same study about the market share of the samples, it is clear that the Islamic banks have achieved competitive positions ,good considering the share of Islamic banks (5.5%) of the total deposits (5.9%) of the Palestinian banking sector compared to the commercial banks, and the share of deposits amounted to (5.9%). Islamic Bank out of a comparison of (6.5%) of the total financing granted by the banking sector to commercial banks in the study, and it turns out that there is (7.2%) with a great convergence between the performance of those banks in the Palestinian banking system.

Taweel and Rashwan (2022) ,which examine the impact of evaluating the financial performance of banks listed on the Palestine Stock Exchange on the application of standards CAMELS during 2007 to 2019 found that there is no statistically significant relationship between the assessment of financial performance and the quality of liquidity of banks listed on the stock exchange Palestine ,which indicates that banks' assessment of financial performance does not affect the quality of liquidity.

3-4-6adoption of IFRS13 in the financial performance

Depend on three banks perspective, credit creation theory cannot be expanded based on the development of value accounting practices fair value because the theory

assumes that it is not necessary to collect deposits or build up reserves before lending, under the fair value system, banks generate higher returns through fair value adjustments when it works economy well ,under Fractional Reserve Theory, the banking system as a whole creates money, the reserves created by the central bank are be used by banks as inputs and then transferred to an amount much larger than the bank's money. Nowadays, the theory of financial mediation is common, and it assumes that the banks are just financial intermediaries, and they are no different from other non-bank financial institutions. Its gathering banks deposit and lend them ,conversion process can generate additional capital as a result to increase financial performance in periods of economic prosperity in a view of fair value accounting while providing opportunities to lend more in accordance with the capital adequacy requirements of the banks(Jayasekara et.al,2018)

The implementation of international financial reporting standard effect on interpretation of the financial data and enhancing the understanding of stakeholders ,investors creditors banks and agencies ,the annual report of the banks enhancing the stockholders to arrive to the financial information such as financial performance indicators to determine periodic performance.(Nwaogwugwu,2020) .Using fair value attain qualitative characteristic that's necessary in the financial reporting include relevance, comparability, consistency and timeliness (Emerson,Karim & Rutledge,2010)

Emerson et.al (2010) The item that may valuated at fair value in the financial statement listed by FASB: loans receivable and payable, Investments in equity securities Rights and obligations under insurance contracts, Rights and obligations related to warranty agreements, Host financial instruments that are separated from embedded derivative instruments, Firm commitments involving financial instruments and written loan commitments

The fair value depends on economic fluctuations, which leads to a change in the value of assets and liabilities based on financial cycles in different periods ,It works to build additional capital through unrealized gains, so banks resort to building more reserves, which gives them opportunities to increase and expand loan portfolios as a result of the increase in its capital (Jayasekara et.al,2018), The appropriateness value of assets and liabilities is measured depends on multiple components. measurement model,

type of assets, effectiveness of corporate governance, financial market conditions and the information environment (Ghio et.al,2017), for example the content of the information may affect fair value estimates of assets and liabilities for the investors and its effect to ability to anticipate the future performance of companies (Ghio et.al,2017 as cited in Magnan ,Menini &Parbonetti,2015). The studies related to fair value accounting focus on accounting quality , earning management ,loan loss provision and regularity behavior of banks .(Jayasekara el.al,2018).

disclosure plays an important role to the investor in the Level3 to interpret the estimation that reduces uncertainty and the risk around this level (Ghio et .al,2017).

Disclosure require in the financial statement must be include : 1-the level of fair value hierarchy,2-describe the valuation technique 3-quantitative information about unobservable inputs in level 3,4- narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs(Busso,2014).

The impact of IFRS as a financial tool that has reengineered business entities was argued by the researchers , The first one believed IFRS has positively impacted on business in the following areas in terms of: improved transparency, lower expenses of capital, improved cross-country speculations and improve comparability of accounting report, Another believed that the use of the IFRS can confine sharp activity by the active managers of the organizations, the limitations on administrative attentiveness in picking the strategy for estimation can decrease the capacity of the executives to give additionally accounting data that can portray an organization's financial condition.(Nwaogwugwu,2020)

Nwaogwugwu(2020),This study examined the effect of IFRS adoption on the financial performance and value of the listed banks in Nigeria from 2012 to 2015 and pre-IFRS period from 2008 to 2011,and the data analysis on Return on Asset, Return on Equity and earnings per share (EPS) and IFRS dummy variable as the independent variables into the model the results suggest that the adoption of IFRS in Nigeria has not lead to higher performance and increased value. This will enable relevant and reliable financial information to be passed to the capital market for investors to take an informed and relevant decision.

In Zheng(2017) study the effect of IFRS 13 on the five European country pre and post implementation of IFRS13 of the three ratio ROA, ROE and EPS and found in the operating performance these ratio are decreasing after implementing the standard

Nwaogwugwu(2020) as cited in Punda(2011),examined the impact of IFRS adoption on financial performance of UK firms and using 5 key performance ratios that incorporate operating profit margin (OPM), return on equity (ROE), return on invested capital (ROIC); liquidity ratio: current ratio (CR); and one market-based ratio were tried for a long time when IFRS adoption in the UK on 250 firms ,a mixed outcome was discovered, where all profit ratios demonstrated huge and material increment, liquidity ratios indicated insignificant increment, while market based ratio demonstrated an insignificant reduction which was totally ascribed to higher income articulation profit following IFRS adoption.

Chapter four

Methodology and method

4-1 Introduction

In this section we determined and discussed the methodology and method adopted with the research. So the research was designed in proportion to the quantitative data that was analyzed through the announced financial statements to study the financial ratios for building relationships. The variables were also determined and reviewed previous studies that support our results.

The banking sector in Palestine was selected in the period from 2011 to 2022 by analyzing the data of the semi-annual financial reports using the panel data model, and the relationship between the variables was tested using the aggregate model and the Huasman test, that's appropriate with the nature of the data used.

This chapter is divided into:

1-theoretical framework and research design , The theoretical aspect and the mechanism adopted by the study in collecting and analyzing data were clarified.

2-variables : The study variables were identified and clarified so that a dummy variable was used and control variables were introduced that control the main variables, which are dependent and independent variables.

3-research model: this part about building correlation between variables and attempts to establish cause- effect relationships among them.

4-data and methodology : So that the time and space border of the study, the data used, and the analysis method followed are clarified, In addition to clarifying the sample size , these are the Palestinian banks listed on the Palestinian Exchange Market, and five banks were selected out of 7.

5- discussion :finally we analyze data and select an estimating model such as aggregate and random effect and fixed effect model.

4-2 research design

The study is descriptive analysis technique to analyze data to describe the relationships between the variables ,that's the theoretical data was collected from relevant literature review ,to gather other related data that needed to be used quantitative method by analyzing financial information of period of time units analysis by cross sectional time by using Eviews program .

Aggregate model and Huasman test were used to analyze results to study the effect between variables ,and the effect on the individual group of the sample.

4-3 variables :

The variables that were adopted in this research are:

1-independent variable : independent variable in the study is fair value and is defined in IFRS13 as " 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.

2-dependent variable : Financial performance measures by using ROA and ROE .

3-control variable

-liquidity ratio: that measures an ability of the bank to pay the current obligation (Adam,2014) in this study the ratio will be used as total loan to total deposit ratio(LTD) and total loan to total assets ratio(LTA).

-credit performance :) its reflect the anticipated losses of bank by manager(

Anandarajan et al,2005) , the ratio used in the research is loan loss provision (LLP).

Table (4-1)

The variables of the research

Variable	Measure	Notation
Independent variable /dummy variable (fair value)	Measurement and disclosure	FV
Dependent variable(Profitability) Return on assets Return on equity	Net income before taxes /total assets Net income before taxes /total equity	ROA ROE
Liquidity ratios Loan to assets Loan to deposit	Loan/assets Loan /deposit	LTA LTD
Loan loss provision	Loan loss provision / loan	LLP

4-4 :research model

Many literature discussed the impact of the fair value model in the financial performance by using financial ratios , according to Zheng(2017) by using the profitability ratios (ROA,ROE) where it is found decreasing in performance after implementing IFRS standard . a mixed outcome was discovered in Nwaogwugwu(2020) study that examined the adoption of using IFRS on the financial performance , where all profit ratios demonstrated huge and material increment, liquidity ratios indicated insignificant increment, while market based ratio demonstrated an insignificant reduction which was totally ascribed to higher income articulation profit following IFRS adoption.

And literature examines the effect of liquidity and credit performance on profitability such as ,Prabowo et.al (2018) shows that the decrease or increase in the LTA, which is the liquidity ratio, has no effect on the performance of the bank by using ROA. Doana& Buia(2021) examine the impact of liquidity on bank profitability in Vietnam from 26 commercial banks between 2013 to 2018 and found significant effect between liquidity and probability, in addition the positive effect between total loan to total deposit ratio and profitability

Ahmed et .al(1998), found that loan loss provision has a significant positive influence on non-performing loans. Alhadab and Alshawneh(2016) examined the commercial banks of Jordan from 13 banks during 2004-2014 and found the negative relationship between profitability and LLP .

In this study Control variables were adopted to trace the effect of implementing IFRS13 on financial performance on the long period Its liquidity ratio and credit performance ratio .

4-5 Data and Methodology

4-5-1 Data and sample :

In our study we selected bank sector in Palestine country , its implementing and keep up with the changes in the international accounting system particularly international financial accounting standard s the main goals is to determine and using the data that support the study in the high value results , The listed banks in the Palestinian exchange market were chosen due to the availability of the necessary data and its large bank have the abilities to implementing the developments in fair value model

The researcher selected 5 banks from 7 that's are listed in the exchange market .Two banks were excluded to obtain more accurate results of the study ,The sample will be include: Arab Islamic Bank(AIB), Palestine Islamic Bank(ISBK), , Palestinian Investment Bank (PIB), The National Bank (TNB) and Quds Bank for the period 2011-2022 according to semi-annual data.to study a long term effect in implementing IFRS13 we select the period pre implementing it for two years So, it was applied in the Palestinian banking sector to the financial statements in 2013

The appropriate financial ratios for the study variables were calculated from the announced financial statements and analyzed by interval scale from the Eviews program in 95% confidence level .

From the literature the financial impact was discussed in implementing international financial reporting standard 13 related to fair value measurement and disclosure by using ratio analysis include :

1-profitability ratio :

-return to assets ratio (ROA): it's commonly defined as net income before taxes to total assets , higher value of ROA means high assets efficiency.

-return on equity (ROE): this ratio measures how much profit a company generates with the money shareholders have invested. The higher ratio indicates that the better company is at converting its equity financing into the profit .

2-liquidity ratio

-loan to assets (LTA): A high ratio of loans to assets means increased risks as a result of the bank's ability to collect loans

-loan to deposit (LTD): higher ratio that indicates the assets of banks are less liquid .

-credit performance

loan loss provision (LLP). It reflects the anticipated losses of the bank by the manager, calculated by dividing provision to net loan , a higher ratio that indicates the ability of banks to face loan losses .

4-5-2 Methodology:

The researcher will study the effect of fair value on both the return on assets (ROA) and the return on equity(ROE) in the presence of both the liquidity ratios (LTA and LTD) and the expected credit loss ratio (LLP).

From the structure of the data it includes the temporal dimension of data extending from the year 2011 to 2022, in addition to the spatial dimension that includes a

number of banks. In general, we find that we will work on analyzing longitudinal data (or panel data), which makes studying the impact of fair value on both the return on assets (ROA) and the return on equity (ROE) in the presence of both liquidity ratios (LTA and LTD) and the expected credit loss ratio (LLP), that's give way to options: an aggregate model that does not take into account the difference in banks or the change in time, or a model that attributes the effect to the difference between banks (fixed effects model). Or the time evolution of observations (random effects model), and therefore we will need the Hausman test to determine the appropriate statistical model to study the relationship between them (fixed or random effects model).

4-6- Econometrics results and Discussion.

4-6-1 econometrics results

To measure bank performance we adopt with traditional model by using financial ratio to evaluating profitability of bank sector ,most commonly ratio measure profitability is return on assets and return on equity ,we are discuss the result by estimate aggregate model and Hausman test that appropriate with analysis panel data to evidence the result of the positive / negative effect of implementing fair value by using a long period during developed standard on bank performance to determine long run effect .

4-6-1-1: Estimate the aggregate model

To estimate the aggregate model, we rely on the study data without taking into account the change in the temporal or spatial dimension of the variables, and we consider the indicators consisting of a sample of 120 observations. We will test the effect of fair value on both the return on assets and the return on ownership in the presence of both liquidity ratios (LTA). and LTD) and the expected credit loss ratio (LLP), Which takes the following equations :

Equation of regression model;

$$\gamma_{it} = \beta_{0it} + \beta_{1it}LLP_{it} + \beta_{2it}LTA_{it} + \beta_{3it}LTD_{it} + \beta_{4it}FV_{it} + \varepsilon_{it}$$

Where ; γ_{it} dependant variable, ROA and ROE of bank i at period t ; β_{0it} : population γ intercept ; $\beta_{1it} \beta_{2it} \beta_{3it} \beta_{4it}$ are population slope coefficieent ;

ε_{it} random error term

The results were as follows:

4-6-1-1-1 -Estimating the effect of fair value on return on assets (ROA) in the presence of both liquidity ratios (LTA and LTD) and the expected credit loss ratio (LLP).

Table (4-2):the results of aggregate model(ROA)

Variable	Coefficient	SDE	t-statistic	Prob .
LLP	0.169415	0.082131	2.062745	0.0414**
LTA	0.010985	0.004392	2.501150	0.0138**
LTD	-0.000111	0.000317	-0.351543	0.7258
FV	0.178420	0.097507	1.829824	0.0699*
C	0.080905	0.225467	0.358833	0.7204

Prob(f-statistic)=.0034 ,Note: *** significant at 1% , ** significant at 5% , * significant 10%.

From the estimation results shown in the table; the overall significance was achieved through the value of Prob(F-statistic) = 0.034, which is less than 0.05. We also note that partial significance was achieved for both the expected credit losses (LLP) variable and the liquidity ratio (LTA), which appears to have a positive moral impact on the return on assets (ROA) at the level 0.05, while we find that the significance of the fair value FV is achieved at the level of 0.1 with a positive impact on the return on assets (ROA) for all individuals in our study combined during the study period.

4-6-1-1-2-Estimating the effect of fair value on return on equity (ROE) in the presence of both liquidity ratios (LTA and LTD) and the expected credit loss ratio (LLP):

Table (4-3):the results of aggregate model(ROE)

Variable	Coefficient	SDE	t-statistic	Prob .
LLP	1.854533	0.728866	2.544411	0.0123**
LTA	0.244182	0.038978	6.264659	0.0000***
LTD	-0.001267	0.002809	-0.451142	0.6527
FV	2.116414	0.865315	2.445829	0.0160**
C	-7.622801	2.000897	-3.809692	0.0002

Prob(f-statistic)=0.0000.

Note: *** significant at 1% , ** significant at 5% , * significant 10%.

This is evident from the estimation results shown in the table, the overall significance is achieved through the value of Prob(F-statistic) = 0.0000, which is less than 0.05. We also note that partial significance is achieved for the expected credit loss variable (LLP), the liquidity ratio (LTA), and also the fair value (FV), which shows a positive moral impact on the return on equity. The ROE is at the 0.05 level, for all individuals in our study combined over the study period.

4-6-1-2Hausman test

4-6-1-2-1 Hausman test and model estimation (fixed effect/random effects):

During the previous element, we estimated the aggregate model for return on assets and return on equity, which treats the variables as a random sample without distinguishing between the variability of the data according to its spatial or temporal dimension.

Accordingly, this element comes to estimating the aforementioned models according to the fixed effect model, where the estimation results change from one bank to another, or the random effect model, which takes into account the change occurring over time.

Table (4-4): Hausman test for fixed and random effects for the ROA model

Test	Chi-sq	Df	Prob.
Cross-section random	0.000000	4	1.0000

By the Hausman test shown in the table. Above, the appropriate model is the random effect model, given that the prob. The value corresponding to the test is completely greater than 0.05, and therefore we accept the random effect hypothesis, which we will work to estimate the model for.

Table (4-5): Hausman test for fixed and random effects for the ROE model

Test	Chi-sq	Df	Prob.
Cross-section random	16.127884	4	0.0029

In the same way, it is evident through the Hausman test installed in the table. Above, the appropriate model is the fixed effect model, given that the prob. value corresponding to the test is completely less than 0.05. Accordingly, we reject the random effect hypothesis and thus confirm the fixed effect hypothesis, which we will work to estimate the model for.

4-6-1-2-2 Estimating the model after the Hausman test (random effect/fixed effect).

Through this element, we will work to estimate the random effect model for the return on assets (ROA), considering its stability according to the Hausman model. We will also estimate the fixed effect model for the return on equity (ROE), as the Hausman

test proved the stability of the fixed effect model during the period 2011-2022 for the banks taken in our study, where the results were as follows:

4-6-1-2-3-Estimating the ROA model (random effect model):

Table (4-6): Results of estimating the ROA model

Variable	Coefficient	SDE	t-statistic	Prob .
LLP	0.141802	0.084264	1.682831	0.0951*
LTA	0.003059	0.005555	0.550668	0.5829
LTD	-0.000142	0.000299	-0.475560	0.6353
FV	0.243636	0.097136	2.508182	0.0135**
C	0.462272	0.291214	1.587394	0.1152

Prob(f-statistic)=0.021391**

Effects specification

	SD	Rho
Cross section random	0.232735	0.2842
Idiosyncratic random	0.369396	0.7158

This is evident from the estimation results shown in the table. , the overall significance of the model was achieved through the value of Prob.(F-statistic) = 0.021391, which is less than (0.05). We also note that the partial significance of the fair value variable FV, which appears to have a positive significant effect on the return on assets (ROA), was achieved at the level of (0.05), and the partial

significance was achieved. The expected credit loss ratio (LLP) had a positive impact on the return on assets (ROA) at the level of(0.1) during the study period.

4-6-1-2-4-Estimating the return on equity (ROE) model (fixed effect model):

Table (4-7): Results of estimating the ROE model

Variable	Coefficient	SDE	t-statistic	Prob .
LLP	2.338779	0.723628	3.232018	0.0016***
LTA	0.057792	0.049473	1.168143	0.2453
LTD	-0.001381	0.002547	-0.542188	0.5888
FV	3.848051	0.835865	4.603673	0.0000***
C	0.673396	2.407920	0.279659	0.7803

Prob(f-statistic)=0.000000***

Effects specification

Cross section fixed (dummy variables)

As for estimating the fixed effect model for return on equity (ROE), this is evident from the estimation results shown in the table. On the one hand, the overall significance of the model was achieved through the value of Prob.(F-statistic) = 0.00000, which is less than (0.05). We also note that the partial significance of the fair value variable FV, which appears to have a positive significant effect on the return on equity (ROE), was achieved at the level of (0.05), and the significance was achieved. The partial impact of the LLP expected credit losses ratio had a positive impact on the return on equity (ROE) also at the level of 0.05 during the study period.

Table (4-8): Effect of sections for each group

CROSSID	Name of group	Effect
1	Arab Islamic Bank	0.022279
2	Palestinian Islamic Bank	3.092412
3	Palestinian Investment Bank	1.613819
4	Quds Bank	-3.692819
5	The National Bank	-1.035692

Through the table, The effect of each section individually on the group shows the weak effect of the first bank, which appears with a positive effect, while we find that the second and third banks have a positive and larger effect on the return on equity assets. On the other hand, we find that the fourth and fifth banks have negative effects on changes in the return on equity assets.

4-6-2 Discussion

This research examines the effect of implementing IFRS13 on the financial performance of the Palestinian banks and concerns of the period before two years and after the period of implementing the standard to study the long run effect .

The aims of this study to examine the impact of profitability by using ROA and ROE on FV depend on liquidity ratio and credit performance , liquidity ratio by using LTA and LTD ratio to measures the ability of banks to pay obligations , on other side credit performance using LLP ratio to measure the abilities of banks to face loan losses .

The results of aggregate model and Hausman test that shown in the following table:

Table (4-9) : the results of probability in aggregate model and Hausman test

variables	ROA		ROE	
	aggregate model	Hausman test	aggregate model	Hausman test
LLP	0.0414**	0.0951*	0.0123**	0.0016***
LTA	0.0138**	0.5829	0.0000***	0.2453
LTD	0.7258	0.6353	0.6527	0.5888
FV	0.0699*	0.0135**	0.0160**	0.000***
C	0.7204	0.1152	0.0002***	0.7803

The result shown by using credit performance include loan loss provision ratio statistically significant and positive relationships between LLP and profitability ratios (ROA , ROE) , in all case but the difference in the level of significance , in aggregate model the partial significance of ROA at level 5% by .041 and ROE by .012 , in Hausman test the statistically significance of ROA at 10% by .09 and the statistically significance of ROE at level 1% by.0016 that indicate the Palestinian banks must be able to face loan loss and using LLP on the right way by the reserves to reduce credit risk which may threaten the stability and growth of banks , this result opposite with Alhadad and Alsahawneh(2016) which examine the relationship using Jordanian banks for a period 2004-2014 that shown thee negative relationship between LLP and profitability by using ROA and ROE. And in Buchory(2021) study examine the effect of non-performing loans on the profitability based on ROA in Indonesia from the period between 2012 to 2020 and the result was a negative and partially significant effect on ROA. Funso et.al(2012) examine the relationship between credit risk and performance of commercial banks in Nigeria for a period 2000-2010 which measure performance by ROA, the findings show significant and negative relationship between ROA and LLP .

consistent with Buchory(2021), as cited in Kidane(2020) study that examined the relationship between credit quality by using non-performing loans and showed that

the credit risk management has a significant effect on profitability in Ethiopian banks.

By examining liquidity ratios by using LTA and LTD , the results related to LTA by using aggregate model ,showed that the partial significant and positive effect on ROA at level 5% by .013 and on ROE positive and statically significant at level 1% by 0.000. That indicates the importance of total loan as for the other assets in Palestine ,since it constitutes the largest percentage of banks' assets. The results of the Hausman test showed the nonlinear relationship between them . This result consists with Prabowo et.al(2018) that showed that no effect of LTA on the performance by using ROA , As is also in Bordeleau &Graham(2010) the study showed nonlinear relationship between liquid assets and profitability .A aggregate model consists with .(Trujillo-Ponce2013, as cited in Molyneux & Thornton,1992)..

By using LTD that shown no proven effect on ROA and ROE in all cases , in aggregate model the result by using ROA is 72% and 63% for ROE , the same results in Hausman test shown the result of ROA is 65% and 58% for ROE, Whether it was a aggregate model or Hausman test , the result opposite with Doan and Buia(2021) that shown the positive relationship between liquidity and bank performance in Vietnam by using LTD and agree with Taweel and Rashwan (2022) ,which examine the impact of evaluating the financial performance of banks listed on the Palestine Stock Exchange on the application of standards CAMELS during 2007 to 2019 in the result its no significant relationship between financial performance and quality of lequidity by using LTD ratio .The literature found mixed results about the relationship between liquidity and performance.

This result in our study related to LTD indicates the need to pay attention to measuring liquidity indicators that affect the profitability so that appropriate policies are put in place by bank management to solve liquidity problems in Palestinian banks other than LTD .

Meanwhile the results of the relationship between FV and profitability in the aggregate model of ROA at level 10% is .06 the partial significant and positive effect ,while the same result on the Hausman test at level 5% is .016 reflect positive relationship between them.

The finding related ROE in the aggregate model at level 5% is .013 is partial and positive effect and in the Hausman test at level 1% is 0.000 that is a statistical significant and positive effect between variables . the results of study related FV and profitability are positive impact that indicate the ability of Palestinian banks to Keeping pace with developments in the global accounting system although the challenges facing the Palestinian economic system and the special conditions related the period of study, and it used relevant information to estimating price that disclosures in the financial report. The results were opposite with some researchers for example Zheng(2017) found that the implementing IFRS13 had no effect on operating performance depending on ROA,ROE and EPS. On five European countries .in Nwaogwugwu(2020) study in Nigerian banks the results are the implemented of IFRS not lead to higher performance.in Nwaogwugwu(2020), as cited in Punda(2011 study that examine the impact of IFRS13 on the financial performance of UK firms by using many ratio such as ROE and the results were that mixed outcomes but it found all profit ratio are raised .

The results in this study in individually group are mixed outcomes ,so that there are banks that have a positive impact, which means that the importance of implementation IFRS 13 and its used it in effective way such as ISBK and PIBC , and there are banks that had a negative impact such as Quds and TNB . The data and information that are disclosed may be inaccurate or not appropriate. Therefore, special individual studies must be conducted for the banks that were negatively affected, on other hand there are banks whose profitability was weak by implementing the standard including AIB .

From the Palestinian banks performance indicators between 2011 to 2022 shown that the year 2020 was a turning point in financial performance because unexpected conditions that effect on the global market due the spread of the Corona Virus , the aggregate financial statement of the Palestinian banks indicated to decline in the net profit in this year .in the PIBC was increasing in the customer deposit that allow in the increasing in credit facilities that reflect on the bank performance ,in the ISBK was decreasing in the customer deposit in 2022 but the credit facilities increased. AIB was decreasing its deposit and assets in 2022 . Quds bank faced declines in deposit , credit facilities , assets and liabilities in 2022 , the most affected bank is TNB which faced high decreases in performance indicators in 2021 and a few increases in 2022 . From

this finding It is clear that market changes have affected the performance of banks, from the Corona pandemic to the rise in interest rates globally.

Chapter Five

finding, conclusions and recommendations

5-1 Introduction

The study concluded the result and determined the effect from the analysis of the relationship between fair value as a dummy variable and financial performance by entire control variables such as liquidity and credit performance ,so the researcher used the data found in the financial statements announced by the banks, and the required ratios were calculated. The number of groups was 5, namely the banks, and the number of observations was 120, according to the dividing period . In accordance with the panel data, the Eviews program was used to analyze the data and make conclusions , the tool used regression analysis and Huasman test depending on standard deviation , coefficient and probability .

5-2 Findings

By tracking the obtained results, we find in general that the aggregate model sometimes converges in its results with the random and fixed effect model estimated after conducting the Hausman test, The important finding in this study include :

1-The outcomes of aggregate model indicate the significant effect between fair value and profitability , $\text{prob}(f\text{-statisic}) = .003$ less than $.05$ by using ROA ratio, and positive moral effect depends on ROE ratio for all individuals in our study combined over the study period. and $\text{prob}(f\text{-ststistic})=0$ less than $.05$.in Hausman test where accept the random effect model on ROA ratio and fixed effect model on ROE ratio , the test evidence the positive relationship between FV and profitability , the $\text{prob}(f\text{-statisic})=.02$ by using ROA and $\text{prob}(f\text{-statisic})=0$ from ROE ratio. This results indicate the importance of using FV model in Palestinian banks and the ability of them to Facing obstacles that would limit the use of global accounting systems, such as fair value

2-as the models share in proving the positive impact of the fair value FV and also the expected credit loss ratio (LLP) on both return on assets and the return on equity, Prob. In aggregate model by using ROA is .041 and in Hausman test is .012 its less than 5% and for ROE ratio in aggregate model prob, is .09 less than 10% and in Hausman test .0016 less than 1% , that means the statistically significant effect between ROA, ROE and LLP that indicate the importance of decision related to face loss loans to keep stability of banks.

3- the results of liquidity ratio LTD according to analysis models not proven a significant effect in all cases ,that indicate the importance of this factor in affecting the profitability of Palestinian banks was weak and a lack of deposit effect on profitability , while the positive effect appeared in aggregate model by using LTA on ROA is 0.13 less than 5% and ROE is 0.00 less than 1% that indicate the importance of loan to other assets since it constitutes the largest percentage of the total assets of banks .

4-thee results of individual group are mixed This indicates the presence of internal factors that affect the relationship between variables in Palestinian banks, which affects the performance of individual banks

5-3 Conclusions

In this study we investigate the impact of implementing IFRS13 on the financial performance on the bank sector in Palestine This indicates the presence of internal factors that affect the relationship between variables in Palestinian banks, which affects the performance of individual banks .During the period in which IFRS 13 was adopted internationally, especially due to the challenges faced in applying the fair value model, this standard issued to solve the problems of fair value, which are related to the accuracy and consistency of the information, specifically at the level3, due to the lack of information available in the market and reliance on forecasting.

Previous studies argued about the importance of applying the fair value model related to reliability , manipulation and bias ,measurement errors, cost to benefit and other

,wherefore the standard brings to enhance comparability and consistency for FV measurement and improve the disclosure of estimate of the FV.

This study conclude the importance of fair value measurement and discourse , and the positive effect between fair value and profitability related (ROA,ROE) on the banking sector in Palestine after the importance of implementing international accounting standards, especially IFRS13 depend on credit performance (LLP) and liquidity ratio depend on LTA but the result not proven the significant effect of LTD ratio .

Built on the results of the groups of study The effect of applying the fair value principle differed individually we find the large effect on the Palestinian Islamic bank Palestinian Investment Bank on other hand that's negative effect on The National bank and Quds bank, While the effect appeared weak on the Arab Islamic Bank.

5-4 Recommendation

1-the researcher recommends and suggests more concern of study about the negative impact that appeared on banks and find out its causes through the use of the case study method.

2-Paying attention to studies in different sectors due to the economic conditions and obstacles that may be encountered in implementing this system to determine the impact of its application.

3-Expanding future studies on the factors influencing the application of IFRS 13 and its impact on the financial performance of Palestinian banks.

4-expanding in liquidity ratios that effect on the profitability of Palestinian banks other than LTD,

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Appendix

Ratio analysis depend on financial statement which announcement by the banks during 2011 to 2022 while fair value depend on the period of implementing IFRS13 SINCE 2013 so value 0 pre implementing the standard and 1 post implementing IFRS 13.

	liquidity ratio		credit performance	name of bank	years
	LTD	LTA	LLP RATIO		
22	55.22069099	43.44754728	0	Arab Islamic Bank (AIB)	2011-SEMI PERIOD
38	56.42103367	44.39569139	0		2011annual
25	54.31125608	43.75337944	-0.011568267		2012-SEMI PERIOD
25	56.05923884	45.77617616	0.082272552		2012annual
17	54.57762662	45.15094625	0		2013-SEMI PERIOD
19	48.4054438	40.85812695	0		2013annual
12	54.94648673	45.95357677	-0.002944172		2014-SEMI PERIOD
21	51.10056967	43.97969807	0		2014annual
95	55.18132631	48.16718253	0.003211149		2015-SEMI PERIOD
03	54.78112336	47.86241789	0		2015annual
78	59.03760887	52.19035346	0.000897718		2016-SEMI PERIOD
39	61.75870041	54.15535659	0.043586918		2016annual
35	64.0920659	55.76770602	0		2017-SEMI PERIOD
01	62.78519979	53.87775648	0.025706901		2017annual
92	72.15802507	63.29441705	0		2018-SEMI PERIOD
49	72.95982966	64.15910649	-0.122004536		2018annual
84	72.84317061	63.86759348	0.121291075		2019-SEMI PERIOD
99	67.81569138	59.573245	0.218358408		2019 annual
82	65.16407777	58.79273987	0.103583797		2020-SEMI PERIOD
83	67.96959285	60.6949427	0.42530888		2020 annual
64	64.03644237	57.71084044	0.168535494		2021-SEMI PERIOD
72	65.07441148	58.29411778	0.624909914		2021 annual
99	66.44503335	59.19205902	0.230292843	2022-SEMI PERIOD	
86	69.97380283	61.92110993	0.941244511	2022 annual	
57	61.60318157	51.7769765	0	Palestenian	2011-SEMI PERIOD
55	56.99372508	47.72121611	0.900621481		2011annual
98	61.03570345	50.634035	0		2012-SEMI PERIOD
81	59.40094514	49.49748549	0.289952004		2012annual
53	59.86764376	50.65036729	0.015862424		2013-SEMI PERIOD
63	63.54509976	53.51932396	0.117452345		2013annual
87	65.83265642	55.642197	0.007367289		2014-SEMI PERIOD
02	69.05645385	62.44228662	0.113150959		2014annual
52	69.96067154	60.52762543	0.09686878		2015-SEMI PERIOD
56	76.42005772	66.10634699	0.200120733		2015annual
66	78.32549062	66.71636352	0.135057575	2016-SEMI PERIOD	

				Islamic Bank	
77	78.4392867	66.7361913	0.535030879		
73	71.80429904	61.94446122	0.016304365		2016annual
38	70.73839763	61.30216509	0.208322271		2017-SEMI PERIOD
14	67.73565317	59.78152992	0.106725784		2017annual
41	70.57845001	61.66446757	0.680619654		2018-SEMI PERIOD
74	70.00304195	61.83831576	0.176782873		2018annual
93	66.05471258	58.44036139	0.71236914		2019-SEMI PERIOD
91	70.01888289	62.03954218	0.446868167		2019 annual
34	65.32455322	58.58917086	0.640652246		2020-SEMI PERIOD
24	61.34769851	54.57750932	0.293743398		2020 annual
88	60.42108338	53.75211304	0.665018995		2021-SEMI PERIOD
99	63.13025747	55.67864405	0.170056315		2021 annual
11	68.20013961	59.23617447	0.484102661		2022-SEMI PERIOD
53	46.76906433	34.21994192	1.469577791	2022 annual	
22	45.45149153	32.35306607	1.8715231	2011-SEMI PERIOD	
37	49.35634614	34.21730497	1.97351309	2011annual	
89	51.29529048	36.77028737	1.804722975	2012-SEMI PERIOD	
98	52.73208923	37.50003171	1.214468318	2012annual	
36	46.65424344	34.4133741	1.500203646	2013-SEMI PERIOD	
73	47.20346441	35.23167782	0.329793653	2013annual	
32	42.05040488	31.84067142	0.513167697	2014-SEMI PERIOD	
82	50.57259418	38.35502238	0.179189305	2014annual	
34	57.94487408	43.22250262	0.33475494	2015-SEMI PERIOD	
46	60.89175701	45.9264479	0.138387437	2015annual	
54	68.52694701	51.45130105	0.221322168	2016-SEMI PERIOD	
53	61.27249332	46.50976884	0.16584647	2016annual	
06	61.39109362	47.5033658	0.306060649	2017-SEMI PERIOD	
24	73.3568626	54.41149554	0	2017annual	
66	62.6838286	47.95010807	0.253750343	2018-SEMI PERIOD	
43	61.67641541	47.30446215	0.124448066	2018annual	
74	58.30397006	45.03443976	0.289108111	2019-SEMI PERIOD	
28	56.40869637	44.7827064	0.305719582	2019 annual	
35	56.14627634	45.99429772	0.587911294	2020-SEMI PERIOD	
71	50.10787754	41.41462094	0.269185433	2020 annual	
13	51.55957187	42.88527533	0.903813114	2021-SEMI PERIOD	
45	52.62782523	43.75173192	0.395440539	2021 annual	
25	61.4466174	51.23522196	0.539582857	2022-SEMI PERIOD	
64	68.11758609	58.53128893	0.380496296	2022 annual	
29	71.22902008	61.6609457	0.625824228	2011-SEMI PERIOD	
88	77.55303936	66.62013918	0.22095738	2011annual	
45	70.94171443	60.89808135	0.413159381	2012-SEMI PERIOD	
62	67.69535846	57.97527898	0.166639293	2012annual	
62	63.20056253	53.95409339	0.365156092	2013-SEMI PERIOD	
76	62.0316497	53.62825439	0.218899336	2013annual	
92	57.52118661	50.22268408	0.453164627	2014-SEMI PERIOD	
43	59.37675752	52.29410075	0.146631407	2014annual	
				Palesteanian Investment Bank (PIB)	2015-SEMI PERIOD

49	60.99170178	53.76995914	0.320305959	Quds Bank	2015annual	
13	72.17442208	62.87852259	0.164755918		2016-SEMI PERIOD	
12	73.07906877	64.17644963	0.38458315		2016annual	
82	69.84099269	60.59045689	0.172125287		2017-SEMI PERIOD	
71	70.18613541	61.22163274	0.585223823		2017annual	
24	70.49862628	61.61815158	0.762820226		2018-SEMI PERIOD	
58	65.47745723	57.52589035	0.679509485		2018annual	
52	69.56084989	59.33633054	0.758593338		2019-SEMI PERIOD	
27	69.8975599	59.78854319	1.071268257		2019 annual	
98	74.3489765	63.94593283	0.997104456		2020-SEMI PERIOD	
44	71.25250627	60.63275689	1.5025734		2020 annual	
59	70.56332315	60.44072687	0.656831496		2021-SEMI PERIOD	
21	73.27934991	61.01226903	1.248562681		2021 annual	
71	72.77173239	61.22580812	0.642583651		2022-SEMI PERIOD	
98	75.94592187	64.15133146	1.74021636		2022 annual	
34	51.82789112	36.2004229	0.9167488		The National Bank (TNB)	2011-SEMI PERIOD
09	39.245806	30.84082396	1.109277587			2011annual
92	49.16093533	40.03988642	0.117230664			2012-SEMI PERIOD
21	51.0705266	40.69434101	0.327522363			2012annual
14	62.63639267	46.98806571	0.137460954			2013-SEMI PERIOD
22	52.62585912	43.10610989	0.292419472			2013annual
93	44.7715811	38.6036677	0.075445432			2014-SEMI PERIOD
18	52.48712823	43.93517941	0.352033817	2014annual		
36	63.42071779	48.8082959	0.114980744	2015-SEMI PERIOD		
22	61.74025445	48.98167451	0.199839334	2015annual		
97	64.18298189	53.57618712	0.161637862	2016-SEMI PERIOD		
51	71.30261045	58.68820905	0.428438052	2016annual		
57	60.19320729	52.32182849	0.153850785	2017-SEMI PERIOD		
02	72.28276958	60.57512622	0	2017annual		
87	71.74022258	61.43814318	0.026041548	2018-SEMI PERIOD		
86	70.7573814	60.23723764	-0.087503219	2018annual		
36	69.07214372	59.53071875	0.135173327	2019-SEMI PERIOD		
09	68.48948083	58.91546416	0.38358004	2019 annual		
76	73.63873522	64.11761216	0.490576252	2020-SEMI PERIOD		
78	72.13723655	61.53609054	1.155191467	2020 annual		
37	70.92186124	60.24519395	0.444886266	2021-SEMI PERIOD		
62	64.52692938	53.7556797	1.363299034	2021 annual		
33	69.39996483	57.16043329	0.601580018	2022-SEMI PERIOD		
19	73.17708456	60.95791494	0.491778855	2022 annual		

