

BANK OF PALESTINE P.L.C

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DECEMBER 31, 2020

Bank of Palestine P.L.C

**Consolidated Statement of Financial Position**  
As at December 31, 2020

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
|   | Unaudited            | Audited              |
|   | U.S.\$               | U.S.\$               |
| <b>ASSETS</b>   |                      |                      |
| Cash and balances with Palestine Monetary Authority               | 1,323,410,056        | 1,361,087,532        |
| Balances at banks and financial institutions                      | 747,377,879          | 396,006,755          |
| Financial assets at fair value through profit and loss            | 18,735,305           | 10,654,320           |
| Direct credit facilities and Islamic financing                    | 3,268,554,722        | 2,983,385,227        |
| Financial assets at fair value through other comprehensive income | 28,559,024           | 37,317,641           |
| Financial assets at amortized cost                                | 205,499,230          | 242,744,683          |
| Investment in associates  | 5,946,380            | 5,503,519            |
| Investment properties   | 25,884,919           | 25,677,869           |
| Property, plant and equipment                                     | 87,821,040           | 89,535,086           |
| Right to use assets   | 33,609,337           | 34,794,263           |
| Projects in progress  | 2,680,297            | 3,175,677            |
| Intangible assets   | 15,428,395           | 15,297,116           |
| Other assets  | 47,267,275           | 59,764,952           |
| <b>Total Assets</b>   | <b>5,810,773,859</b> | <b>5,264,944,640</b> |
| <b>LIABILITIES AND EQUITY</b>                                     |                      |                      |
| <b>Liabilities</b>  |                      |                      |
| Palestine Monetary Authority's deposits                           | 168,347,302          | 243,522,869          |
| Banks and financial institutions' deposits                        | 82,088,200           | 238,742,403          |
| Customers' deposits   | 4,580,935,351        | 3,875,025,562        |
| Cash margins  | 253,088,880          | 243,597,937          |
| Subordinated loan   | 75,000,000           | 75,000,000           |
| Loans from banks and financial institutions                       | 27,636,180           | 3,679,566            |
| Istedamah loans   | 9,134,926            | -                    |
| Sundry provisions   | 48,851,375           | 46,976,344           |
| Tax provisions  | 5,109,732            | 1,421,119            |
| Lease Liabilities   | 33,453,914           | 33,671,658           |
| Other liabilities   | 93,142,513           | 72,642,989           |
| <b>Total Liabilities</b>  | <b>5,376,788,373</b> | <b>4,834,280,447</b> |
| <b>Equity</b>   |                      |                      |
| Paid-in share capital   | 208,080,000          | 204,000,000          |
| Additional paid-in capital  | 24,848,415           | 24,848,415           |
| Statutory reserve   | 56,994,535           | 54,982,241           |
| Voluntarily reserve   | 246,361              | 246,361              |
| General banking risks reserve                                     | 10,311,877           | 9,749,949            |
| Pro-cyclicality reserve   | 40,000,000           | 40,000,000           |
| Fair value reserve  | (4,999,792)          | (3,854,902)          |
| Retained earnings   | 43,980,899           | 46,828,335           |
| <b>Total equity holders of the Bank</b>                           | <b>379,462,295</b>   | <b>376,800,399</b>   |
| Non-controlling interests   | 54,523,191           | 53,863,794           |
| <b>Total Equity</b>   | <b>433,985,486</b>   | <b>430,664,193</b>   |
| <b>Total Liabilities and Equity</b>                               | <b>5,810,773,859</b> | <b>5,264,944,640</b> |

**Bank of Palestine P.L.C****Consolidated Income Statement**

For the year ended December 31, 2020

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
|   | Unaudited            | Audited              |
|   | U.S.\$               | U.S.\$               |
| Interest income   | 159,446,568          | 160,857,087          |
| Interest expense  | (42,650,597)         | (43,830,406)         |
| <b>Net interest income</b>  | <b>116,795,971</b>   | <b>117,026,681</b>   |
| Net financing and investment income   | 35,662,682           | 37,000,873           |
| Net commissions   | 43,156,485           | 47,640,933           |
| <b>Net interest, financing, investment and commissions income</b>             | <b>195,615,138</b>   | <b>201,668,487</b>   |
| Foreign currency gain   | 16,745,839           | 17,978,791           |
| Net gains from financial assets   | 611,729              | 2,214,059            |
| Change in fair value of investment properties                                 | 48,050               | 1,186,495            |
| Recovery (impairment) of expected credit losses on investments                | (969,994)            | 234,267              |
| Bank's share of results of associates   | 442,861              | 421,968              |
| Other revenues  | 8,783,826            | 6,422,883            |
| <b>Gross profit</b>   | <b>221,277,449</b>   | <b>230,126,950</b>   |
| <b>Expenses</b>   |                      |                      |
| Personnel expenses  | (73,595,572)         | (73,379,864)         |
| Other operating expenses  | (48,620,126)         | (54,968,234)         |
| Depreciation and amortization   | (18,858,916)         | (17,780,549)         |
| Expected credit losses on direct credit facilities and Islamic financing, net | (38,487,792)         | (30,691,140)         |
| Credit facilities not previously provided for and written off                 | (1,532,623)          | (1,497,114)          |
| Palestine Monetary Authority's fines  | (22,052)             | (15,000)             |
| <b>Total expenses</b>   | <b>(181,117,081)</b> | <b>(178,331,901)</b> |
| <b>Profit before taxes</b>  | <b>40,160,368</b>    | <b>51,795,049</b>    |
| Taxes expense   | (17,283,405)         | (12,858,327)         |
| <b>Profit for the year</b>  | <b>22,876,963</b>    | <b>38,936,722</b>    |
| <b>Attributable to:</b>   |                      |                      |
| Equity holders of the Bank  | 20,122,938           | 33,957,680           |
| Non-controlling interests   | 2,754,025            | 4,979,042            |
|   | <b>22,876,963</b>    | <b>38,936,722</b>    |
| <b>Basic and diluted earnings per share</b>                                   | <b>0.10</b>          | <b>0,17</b>          |

**Consolidated Statement of Comprehensive Income**

For the year ended December 31, 2020

|   | 2020              | 2019              |
|---|-------------------|-------------------|
|   | Unaudited         | Audited           |
|   | U.S. \$           | U.S. \$           |
| <b>Profit for the year</b>  | 22,876,963        | 38,936,722        |
| <b>Other comprehensive income:</b>  |                   |                   |
| Other comprehensive income items not to be reclassified to the consolidated income statement in subsequent periods: |                   |                   |
| Change in the fair value of financial assets  | (1,322,007)       | (399,017)         |
| Other comprehensive income  | (1,322,007)       | (399,017)         |
| <b>Total comprehensive income for the year</b>  | <u>21,554,956</u> | <u>38,537,705</u> |
| <b>Attributable to:</b>   |                   |                   |
| Equity holders of the Bank  | 18,978,048        | 33,599,837        |
| Non-controlling Interests   | 2,576,908         | 4,937,868         |
|   | <u>21,554,956</u> | <u>38,537,705</u> |

**Consolidated Statement of Changes in Equity**

For the year ended December 31, 2020

|  | Reserves                            |  |                      |                        |                          |                          |                            |                       |                                 |  | Total equity<br>U.S. \$ |   |
|--|-------------------------------------|--|----------------------|------------------------|--------------------------|--------------------------|----------------------------|-----------------------|---------------------------------|--|-------------------------|---|
|  | Paid-in share<br>capital<br>U.S. \$ | Additional<br>paid-in capital<br>U.S. \$ | Statutory<br>U.S. \$ | Voluntarily<br>U.S. \$ | General                  |                          | Pro-cyclicality<br>U.S. \$ | Fair value<br>U.S. \$ | Retained<br>earnings<br>U.S. \$ | Equity holders of<br>the Bank<br>U.S. \$ |                         | Non-controlling<br>interests<br>U.S. \$ |
|  |                                     |  |                      |                        | banking risks<br>U.S. \$ | banking risks<br>U.S. \$ |                            |                       |                                 |  |                         |   |
| <b>2020</b>                                  |                                     |  |                      |                        |                          |                          |                            |                       |                                 |  |                         |   |
| Balance, beginning of the year               | 204,000,000                         | 24,848,415                               | 54,982,241           | 246,361                | 9,749,949                | 40,000,000               | (3,854,902)                | 46,828,335            | 376,800,399                     | 53,863,794                               | 430,664,193             |   |
| Profit for the year                          | -                                   | -  | -                    | -                      | -                        | -                        | -                          | 20,122,938            | 20,122,938                      | 2,754,025                                | 22,876,963              |   |
| Other comprehensive income                   | -                                   | -  | -                    | -                      | -                        | -                        | (1,144,890)                | -                     | (1,144,890)                     | (177,117)                                | (1,322,007)             |   |
| Total comprehensive income                   | -                                   | -  | -                    | -                      | -                        | -                        | (1,144,890)                | 20,122,938            | 18,978,048                      | 2,576,908                                | 21,554,956              |   |
| Fair value reserve for sold financial assets | -                                   | -  | -                    | -                      | -                        | -                        | -                          | -                     | -                               | -  | -                       |   |
| Transfers to reserves                        | -                                   | -  | 2,012,294            | -                      | 561,928                  | -                        | -                          | (2,574,222)           | -                               | -  | -                       |   |
| Stock dividends                              | 4,080,000                           | -  | -                    | -                      | -                        | -                        | -                          | (4,080,000)           | -                               | -  | -                       |   |
| Cash dividends                               | -                                   | -  | -                    | -                      | -                        | -                        | -                          | (16,320,000)          | (16,320,000)                    | (1,917,511)                              | (18,237,511)            |   |
| Fractions of stocks                          | -                                   | -  | -                    | -                      | -                        | -                        | -                          | 3,848                 | 3,848                           | -  | 3,848                   |   |
| Balance, end of the year                     | 208,080,000                         | 24,848,415                               | 56,994,535           | 246,361                | 10,311,877               | 40,000,000               | (4,999,792)                | 43,980,899            | 379,462,295                     | 54,523,191                               | 433,985,486             |   |

## Reserves

|  | Reserves                            |  |                      |                        |                          |                          |                            |                       |                                 |  | Total equity<br>U.S. \$ |   |
|--|-------------------------------------|--|----------------------|------------------------|--------------------------|--------------------------|----------------------------|-----------------------|---------------------------------|--|-------------------------|---|
|  | Paid-in share<br>capital<br>U.S. \$ | Additional<br>paid-in capital<br>U.S. \$ | Statutory<br>U.S. \$ | Voluntarily<br>U.S. \$ | General                  |                          | Pro-cyclicality<br>U.S. \$ | Fair value<br>U.S. \$ | Retained<br>earnings<br>U.S. \$ | Equity holders of<br>the Bank<br>U.S. \$ |                         | Non-controlling<br>interests<br>U.S. \$ |
|  |                                     |  |                      |                        | banking risks<br>U.S. \$ | banking risks<br>U.S. \$ |                            |                       |                                 |  |                         |   |
| <b>2019</b>                                  |                                     |  |                      |                        |                          |                          |                            |                       |                                 |  |                         |   |
| Balance, beginning of the year               | 200,000,000                         | 24,848,415                               | 51,586,473           | 246,361                | 9,452,970                | 40,000,000               | (3,467,059)                | 43,529,095            | 366,196,255                     | 50,184,293                               | 416,380,548             |   |
| Profit for the year                          | -                                   | -  | -                    | -                      | -                        | -                        | -                          | 33,957,680            | 33,957,680                      | 4,979,042                                | 38,936,722              |   |
| Other comprehensive income                   | -                                   | -  | -                    | -                      | -                        | -                        | (357,843)                  | -                     | (357,843)                       | (41,174)                                 | (399,017)               |   |
| Total comprehensive income                   | -                                   | -  | -                    | -                      | -                        | -                        | (357,843)                  | 33,957,680            | 33,599,837                      | 4,937,868                                | 38,537,705              |   |
| Fair value reserve for sold financial assets | -                                   | -  | -                    | -                      | -                        | -                        | (30,000)                   | 30,000                | -                               | -  | -                       |   |
| Transfers to reserves                        | -                                   | -  | 3,395,768            | -                      | 296,979                  | -                        | -                          | (3,692,747)           | -                               | -  | -                       |   |
| Stock dividends                              | 4,000,000                           | -  | -                    | -                      | -                        | -                        | -                          | (4,000,000)           | -                               | -  | -                       |   |
| Cash dividends                               | -                                   | -  | -                    | -                      | -                        | -                        | -                          | (23,000,000)          | (23,000,000)                    | (1,258,367)                              | (24,258,367)            |   |
| Fractions of stocks                          | -                                   | -  | -                    | -                      | -                        | -                        | -                          | 4,307                 | 4,307                           | -  | 4,307                   |   |
| Balance, end of the year                     | 204,000,000                         | 24,848,415                               | 54,982,241           | 246,361                | 9,749,949                | 40,000,000               | (3,854,902)                | 46,828,335            | 376,800,399                     | 53,863,794                               | 430,664,193             |   |

**Consolidated Statement of Cash Flows**  
 For the year ended December 31, 2020

|  | 2020                 | 2019                |
|--|----------------------|---------------------|
|  | U.S. \$              | U.S. \$             |
| <b>Operating activities</b>  |                      |                     |
| Profit before taxes  | 40,160,368           | 51,795,049          |
| <b>Adjustments for:</b>  |                      |                     |
| Depreciation and amortization  | 18,858,916           | 17,780,549          |
| Net gains from financial assets  | (1,068,787)          | (2,869,558)         |
| Provision for expected credit losses   | 39,457,786           | 30,456,873          |
| Profits resulting from adjustments to deposits of the Monetary Authority                                 | (1,428,011)          | -                   |
| Expected credit losses on direct credit facilities and Islamic financing, net                            | 3,364,410            | -                   |
| Finance cost on lease liabilities  | 1,011,795            | 1,028,101           |
| Sundry provisions  | 5,982,147            | 6,292,825           |
| Valuation gains on investment properties   | (48,050)             | (1,186,495)         |
| Losses on disposal of property, plant and equipment  | 1,119                | 93,808              |
| Credit facilities not previously provided for and written off  | 1,532,623            | 1,497,114           |
| Bank's share of results of associates  | (442,861)            | (421,968)           |
| Other non-cash items   | (1,080,017)          | (753,035)           |
|  | <u>106,301,438</u>   | <u>103,713,263</u>  |
| <b>Changes in assets and liabilities:</b>  |                      |                     |
| Direct credit facilities and Islamic financing   | (328,639,273)        | (328,559,307)       |
| Statutory cash reserve   | (33,417,361)         | (28,526,680)        |
| Other assets   | 12,497,661           | 5,173,295           |
| Customers' deposits  | 708,249,644          | 337,224,853         |
| Istedamah loans  | 9,134,926            | -                   |
| Cash margins   | 9,490,943            | 43,180,609          |
| Other liabilities  | 16,625,073           | 18,234,822          |
|  | <u>500,243,051</u>   | <u>150,440,855</u>  |
| <b>Net cash flows from (used in) operating activities before taxes and sundry provision</b>              |                      |                     |
| Taxes paid   | (13,594,800)         | (15,072,078)        |
| Sundry provision paid  | (4,107,116)          | (2,329,205)         |
| <b>Net cash flows from (used in) operating activities</b>  | <u>482,541,135</u>   | <u>133,039,572</u>  |
| <b>Investing activities:</b>   |                      |                     |
| Purchase of financial assets at fair value through profit or loss and through other comprehensive income | (1,869,358)          | (4,702,373)         |
| Purchase of financial assets at amortized cost   | (70,082,642)         | (54,361,610)        |
| Sale of financial assets at fair value   | -                    | 5,090,000           |
| Matured financial assets   | 109,383,656          | 87,185,613          |
| Deposits at banks and financial institutions maturing in more than three months                          | 4,954,104            | (5,641,749)         |
| Deposits at Islamic banks maturing in more than three months   | (552,854)            | (1,459,597)         |
| Stocks dividends received  | 1,471,545            | 3,499,950           |
| Intangible assets  | (2,117,795)          | (1,550,214)         |
| Projects in progress   | (5,753,272)          | (4,282,009)         |
| Purchase of investment properties  | (159,000)            | (5,741,544)         |
| Purchase of property, plant and equipment  | (4,907,468)          | (9,079,517)         |
| Sale of property, plant and equipment  | 216,172              | 95,887              |
| <b>Net cash flows from (used in) investing activities</b>  | <u>30,583,088</u>    | <u>9,052,837</u>    |
| <b>Financing activities:</b>   |                      |                     |
| Lease liabilities paid   | (4,264,138)          | (2,203,378)         |
| Borrowed funds   | 23,947,092           | -                   |
| Cash dividends paid  | (17,457,248)         | (24,110,034)        |
| Fractions of stock dividends sold  | 3,848                | 4,307               |
| <b>Net cash flows used in financing activities</b>   | <u>2,229,554</u>     | <u>(26,309,105)</u> |
| <b>Increase (decrease) in cash and cash equivalents</b>  | 515,353,777          | 115,783,304         |
| Cash and cash equivalents, beginning of the year   | 906,530,732          | 790,747,428         |
| <b>Cash and cash equivalents, end of the year</b>  | <u>1,421,884,509</u> | <u>906,530,732</u>  |
| <b>Interest expense paid</b>   | 42,610,762           | 52,538,996          |
| <b>Interest revenue received</b>   | 153,506,552          | 206,525,647         |