

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

	Paid-in share capital	Additional paid-in capital	Reserves				Retained earnings	Equity holders of the Bank	Non-controlling interests	Total equity	
			Statutory	Voluntarily	General banking risks	Pro-cyclicality					Fair value
			U.S. \$	U.S. \$	U.S. \$	U.S. \$					U.S. \$
<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

	Paid-in share capital	Additional paid-in capital	Reserves				Retained earnings	Equity holders of the Bank	Non-controlling interests	Total equity	
			Statutory	Voluntarily	General banking risks	Pro-cyclicality					Fair value
			U.S. \$	U.S. \$	U.S. \$	U.S. \$					U.S. \$
<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><u>Operating activities</u></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><u>Investing activities:</u></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><u>Financing activities:</u></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