



Q1 2019 Earnings Release

Bank of Palestine Group announces Q1 2019 Preliminary Financial Results

Macroeconomic conditions continue to have impact on Financial Results in First Quarter 2019

Bank maintains a positive outlook through risk management and diversification of income

Q1 2019 preliminary Financial Results Highlights

- Gross Income of USD 56.3 million for Q1 2019, up by 0.1% compared with USD 56.2 million for the same period in 2018.
- Profit before tax of USD 14 million Compared with USD 16 million in the same period of 2018.
- Net profit of USD 10.78 million for Q1 2019 compared to USD 12.42 million for the same period in 2018.
- Total assets at USD 4.86 billion compared with USD 4.66 billion at the end of 2018
- Gross Loans at USD 2.8 billion, up by 0.82% compared to USD 2.78 billion at the end of 2018.
- Customer deposits at USD 3.8 billion, compared to USD 3.74 billion at the end of 2018
- Total shareholders' equity reached USD 404 million, compared to USD 416 million at the end of 2018.
- Consolidated NPL Ratio at: 3.7%

(Ramallah, Palestine May 12th, 2019): Bank of Palestine Group (BOP), announced its Q1 2019 preliminary financial consolidated results reporting a gross income of USD 56,255,539 in Q1 2019, compared with USD 56,208,313 in Q1 2018, reflecting an increase of 0.1%. The bank's Profit before tax is USD 14,028,704 compared with USD 16,909,640 in Q1 2018, with a net profit achieved of USD 10,784,283. Total assets reached USD 4,856,137,611 compared with USD 4,657,182,978 at the end of Q1 2018. The Bank's total shareholders' equity reached USD 403,827,360 compared with USD 416,380,548 at the end of Q1 2018.

Commenting on the results, Mr. Hashim Shawa - Chairman of Bank of Palestine Group said: "We are operating in difficult macro-economic conditions because of external pressures that have impacted our operations. In reaction to these economic conditions and market stagnation, the bank has taken additional provisions to mitigate against risks.



Despite these operating conditions the NPL Ratios at group level remain at a healthy level."

Net Profit declined by 13.2% due to economic stagnation in market as pressures on the macro economy continue in the West Bank and Gaza. GDP Growth is at 0.3% almost flat and is expected to decrease after the temporary public sector salaries disruption in the West Bank as a result of the Tax Revenue impasse between the Palestinian Government and the Government of Israel. This has forced the bank to take more prudent measures to ensure the quality of its credit portfolio. Credit policy remains conservative with additional provisions added in order to ensure proper risk management early in the quarter of 2019 in order to cushion for future uncertainties as a result of external economic pressures on the macro economy with a decline in GDP per capita and diminishing purchasing power.

"The MSMEs are most vulnerable to such economic conditions. However, the MSMEs are the engine for the economy in Palestine. Therefore, the bank despite these external pressures remains committed to grow the economy while ensuring a more conservative approach of risk management. We will this do while continuing to look for risk guarantee programs to support our commitment in lending the MSME sector", added Mr. Shawa.

The Bank witnessed a slight increase of 0.82% in gross credit facilities in Q1 2019. Despite strain on deposits in the overall banking sector, Bank of Palestine continued to enjoy healthy net Loan to deposit ratio at 71.3% providing good liquidity. This is evidence of the confidence and trust in BOP. Q1 2019 also saw an increase in deposits evidence of the trust in the bank and the successful execution of the savings campaigns launched by the bank, in addition to sustained financial inclusion strategy; both physical and digital.

Mr. Rushdi Ghalayini, General Manager of Bank of Palestine said on the Q1 2019 results; "despite the fact that revenues are flat, the Bank of Palestine Group has continued with its diversification of income strategy through the group's companies in order to make up for sectors that are affected by the harsh economic conditions. Diversification of income from subsidiaries was positive in Q1 2019 especially from the Arab Islamic Bank."

Additionally, the diversification strategy by the bank in 2019 continues to yield positive results via investing in high quality investment portfolios abroad.

The outlook for 2019 is to ensure a robust bank with healthy indicators with continued risk mitigation; enhancement of the digitization strategy and achieving additional operational efficiencies.

"Continued investment in electronic banking channels and digitization both at bank and in fintech subsidiary Palpay continue to provide market access and new business via new billers. Customer acquisition will be aided in coming period through the Mobile Branch



under the retail segment focusing on rural areas and remote areas with increased numbers of potential clients that are unbanked," added Mr. Ghalayini.

The Bank of Palestine Board of Directors met in April 2019 and approved financials, while the Annual General Assembly (AGM) that met in March 2019 has approved board recommendation to distribute 13.5% profits from the paid up capital to shareholders split into 11.5% in cash dividends (USD 23 million) and 2% in stock Dividends (USD 4 million). This has raised capital of Bank of Palestine to USD 204 million as part of the capital plan of the bank in the coming years to meet demands by the growth in business.

In a more recent development in the first Quarter 2019, the Bank was served alongside 3 other banks operating in Palestine and 11 Lebanese banks with a lawsuit in the U.S. District Court for the Eastern District of New York. This lawsuit for the bank is called Singer, et al. v. Bank of Palestine. The lawsuit was brought under the U.S. Anti-Terrorism Act ("ATA"), and contains a single legal claim alleging "secondary liability" on the part of the Bank. There is no factual basis for the Plaintiffs' claim, and the Bank is aggressively defending itself. Bank of Palestine is committed to providing safe and sound financial services in compliance with best practices and governing law. There is also no legal basis for Plaintiffs' claim, and the Bank is taking prompt and strong measures to get the lawsuit dismissed. The Bank will file papers with the U.S. court on May 6, 2019, to initiate the process of dismissing the lawsuit. The Bank has retained the U.S. law firm Squire Patton Boggs to defend the case. Squire Patton Boggs has had numerous successes defending and defeating ATA claims, including cases brought by some of the same plaintiffs and plaintiffs' counsel. The Bank also has reached out to its correspondent banks among other stakeholders, and has received assurances of confidence in the Bank's operational soundness and adherence to international compliance standards as it relates to AML and ATF.

About Bank of Palestine (BOP)

Bank of Palestine has a long embedded presence and experience in Palestine dating back to 1960. Bank of Palestine is constantly growing to be financially inclusive, and socially responsible at the cutting edge of global financial practice and innovation. The bank has the most widespread branch network in Palestine (74 branches), a paid up capital of \$204 million, and assets of over USD 4.86 billion, with 1,731 employees serving more than 917,076 customers. BOP is engaged in retail, corporate, micro & SME, and Diaspora banking operations. BOP is the sole agent for issuing and acquiring Visa and MasterCard in Palestine with over 5,451 Point of Sale merchant terminals nationwide. BOP is involved in large project finance loan syndications. It adopts a holistic sustainability strategy; and has as such worked with the **International Finance Corporation (IFC)** to develop a stringent risk management & governance structure. BOP has been the leader in **Corporate**



Social Responsibility (CSR) in Palestine dedicating 5% of its net profit to community & human development.

Bank of Palestine's stock (**PEX: BOP**) has been listed on the Palestine Exchange (PEX) since 2005. It is among the market's blue chip stocks, and represents more than 11.88% of total PEX market capitalization.

Subsidiary Companies

PalPay® – Palestine Payments – As the leading payment platform company PalPay has been successful since inception utilizing the many POS machines and enabling payment of bills from various outlets revolutionizing the payment systems in Palestine. The number of electronic transactions conducted during the year through PalPay® reached more than 16.44 million, an increase of 6% compared with 2017. The company also continued to sign agreements with additional utility companies in Palestine to allow their clients to make e-payments through the PalPay® system. PalPay® has raised to 80 entities the number of service customers using its platform. The company also promoted its services regionally, as it was one of the main sponsors of the Cards and Payments Middle East conference that took place in Dubai. PalPay also was proudly the winner for the biggest worldwide contest in the field of “crisis management and aid” launched by Citi bank (MasterCard, Facebook, Microsoft, IBM and others) . PalPay E-Voucher and cash assistance Platform won the first place in the Citi Tech for integrity challenge; a global competition among 2000 international companies, where 103 finalists representing 25 countries vied for awards at six Demo Days. Overall, applicants came from more than 70 countries and 300 cities.

Al-Wasata Securities has been the fastest growing brokerage company in Palestine playing a major role in the acquisition of new investors into the Palestinian market. The company ranked number one (out of eight brokerage companies) in Palestine with respect to attracting new investors. It now has a 26.83% market share in terms of number of investors, USD 115 million trading volume in local & regional markets, and more than USD 502 million worth of shares under management.

Arab Islamic Bank (AIB), is the latest subsidiary addition to Bank of Palestine Group, and in essence is the Islamic banking arm for Bank of Palestine, allowing it to provide with its 23 branches Islamic Banking solutions to a growing segment of customers requiring such sharia' compliant solutions. The bank has assets of USD 1,102,955,462, with net profits in Q1 2019 of USD 2,281,870.

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