

BANK OF PALESTINE P.L.C

UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

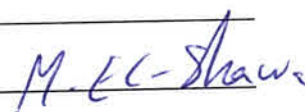
JUNE 30, 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023

	June 30, 2023 <u>(Unaudited)</u> <u>U.S. \$</u>	December 31, 2022 <u>(Audited)</u> <u>U.S. \$</u>
ASSETS		
Cash and balances with Palestine Monetary Authority	1,759,327,932	1,803,515,455
Balances and investments at Banks and financial institutions	639,724,779	592,297,476
Financial assets at fair value through profit or loss	7,453,830	9,168,285
Direct credit facilities and Islamic financing	3,702,088,522	3,572,054,865
Financial assets at fair value through other comprehensive income	63,105,848	59,526,233
Financial assets at amortized cost	219,819,999	241,306,472
Investment in associates and a joint venture	11,712,460	11,996,852
Investment properties	22,784,439	22,930,742
Property, plant and equipment and right of use assets	106,673,160	109,275,425
Projects in progress	1,648,604	649,543
Intangible assets	14,687,293	14,984,886
Other assets	66,517,144	50,254,623
Total assets	<u>6,615,544,010</u>	<u>6,487,960,857</u>
LIABILITIES AND EQUITY		
Liabilities		
Palestine Monetary Authority's deposits	124,013,319	199,103,950
Banks and financial institutions' deposits	138,924,626	93,668,011
Customers' deposits	5,050,302,159	4,966,613,355
Cash margins	310,435,643	300,110,487
Subordinated loan	52,500,000	60,000,000
Loans and borrowings	73,432,810	77,656,331
Istidama loans from Palestine Monetary Authority	30,000,891	32,110,614
Lease Liabilities	28,480,742	30,105,511
Sundry provisions	51,768,796	52,355,497
Taxes provisions	37,536,642	35,440,008
Other liabilities	125,726,055	94,874,472
Total liabilities	<u>6,023,121,683</u>	<u>5,942,038,236</u>
Equity		
Paid-in share capital	230,677,334	223,958,577
Additional paid-in capital	29,575,688	29,575,688
Perpetual bonds	30,000,000	-
Statutory reserve	67,974,894	67,974,894
Voluntarily reserve	246,361	246,361
General Banking risks reserve	8,374,676	8,374,676
Pro-cyclicality reserve	40,000,000	40,000,000
Fair value reserve	3,375,406	3,344,655
Retained earnings	115,735,212	107,929,885
Equity attributable to the Bank's shareholders	<u>525,959,571</u>	<u>481,404,736</u>
Non-controlling interests	66,462,756	64,517,885
Total equity	<u>592,422,327</u>	<u>545,922,621</u>
Total liabilities and equity	<u>6,615,544,010</u>	<u>6,487,960,857</u>

Bank of Palestine P.L.C

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three-month and six-month period ended June 30, 2023

	For the three-month period ended June 30		For the six-month period ended June 30	
	2023	2022	2023	2022
	(Unaudited) U.S. \$	(Unaudited) U.S. \$	(Unaudited) U.S. \$	(Unaudited) U.S. \$
Interest income	58,492,624	46,392,751	112,494,916	90,229,834
Interest expense	(8,443,699)	(6,621,988)	(16,584,074)	(14,063,717)
Net interest income	50,048,925	39,770,763	95,910,842	76,166,117
Net financing and investment income	14,863,316	13,789,233	28,986,117	27,084,769
Net commissions income	11,177,237	9,771,956	21,616,415	20,035,913
Net interest, financing, investment and commissions income	76,089,478	63,331,952	146,513,374	123,286,799
Foreign currencies gains	6,341,757	5,454,721	14,109,427	11,545,176
Net gains from financial assets portfolio	2,042,831	965,222	2,546,293	2,058,582
Bank's share of results of associates and a joint venture	(378,862)	(38,695)	31,352	100,811
Other revenues, net	764,450	3,145,418	4,292,711	6,392,199
Gross profit before expected credit losses provisions	84,859,654	72,858,618	167,493,157	143,383,567
Provision for expected credit losses on direct credit facilities and Islamic financing, net	(8,483,227)	(3,071,973)	(16,149,669)	(9,395,677)
Provision (Recovery) for expected credit losses on investments, and indirect credit facilities and Islamic financing, net	(558,670)	(1,656,919)	285,386	(1,448,777)
Gross profit	75,817,757	68,129,726	151,628,874	132,539,113
Expenses				
Personnel expenses	(22,878,453)	(20,779,039)	(46,081,691)	(41,214,710)
Other operating expenses	(15,292,829)	(15,321,627)	(32,767,785)	(28,250,853)
Depreciation and amortization	(4,459,469)	(4,374,118)	(8,946,340)	(8,872,058)
Losses of investment properties	-	(200,000)	-	(200,000)
Palestine Monetary Authority's fines	(20,000)	-	(40,000)	(25,000)
Total expenses	(42,650,751)	(40,674,784)	(87,835,816)	(78,562,621)
Profit before taxes	33,167,006	27,454,942	63,793,058	53,976,492
Taxes expense	(10,631,457)	(10,196,538)	(20,666,459)	(19,126,339)
Profit for the period	22,535,549	17,258,404	43,126,599	34,850,153
Attributable to:				
Equity holders of the Bank	20,598,603	15,502,792	39,114,889	31,210,049
Non-controlling interests	1,936,946	1,755,612	4,011,710	3,640,104
	22,535,549	17,258,404	43,126,599	34,850,153
Basic and diluted earnings per share attributable to equity holders of the Bank	0.09	0.07	0.16	0.14

[Handwritten signature]

M. El-Shaw

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month and six-month period ended June 30, 2023

	For the three-month period ended June 30		For the six-month period ended June 30	
	2023	2022	2023	2022
	(Unaudited) U.S. \$	(Unaudited) U.S. \$	(Unaudited) U.S. \$	(Unaudited) U.S. \$
Profit for the period	22,535,549	17,258,404	43,126,599	34,850,153
Items of other comprehensive income:				
<u>Items not to be reclassified to the consolidated income statement in subsequent periods:</u>				
Change in fair value of financial assets	(412,832)	2,230,180	(118,576)	3,172,725
Total other comprehensive income	(412,832)	2,230,180	(118,576)	3,172,725
Total comprehensive income for the period	22,122,717	19,488,584	43,008,023	38,022,878
Attributable to:				
Equity holders of the Bank	20,294,956	17,734,727	39,145,640	34,408,022
Non-controlling Interests	1,827,761	1,753,857	3,862,383	3,614,856
	22,122,717	19,488,584	43,008,023	38,022,878

S. L. H.

M. EC-Shaw

Bank of Palestine P.L.C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2023

	Reserves							Equity holders of the Bank	Non-controlling interests	Total equity		
	Paid-in share capital	Additional paid-in capital	Perpetual bond	Statutory	Voluntarily	General banking risks	Pro-cyclicality				Fair value	Retained earnings
June 30, 2023												
Balance, beginning of the period	223,958,577	29,575,688	-	67,974,894	246,361	8,374,676	40,000,000	3,344,655	107,929,885	481,404,736	64,517,885	545,922,621
Profit for the period	-	-	-	-	-	-	-	-	39,114,889	39,114,889	4,011,710	43,126,599
Other comprehensive income items	-	-	-	-	-	-	-	-	-	30,751	(149,327)	(118,576)
Total comprehensive income for the period	-	-	-	-	-	-	-	30,751	39,114,889	39,145,640	3,862,383	43,008,023
Issuance of perpetual bond	-	-	30,000,000	-	-	-	-	-	-	30,000,000	-	30,000,000
Interest on perpetual bond	-	-	-	-	-	-	-	-	(1,749,355)	(1,749,355)	-	(1,749,355)
Perpetual bond issuance fees	-	-	-	-	-	-	-	-	(450,000)	(450,000)	-	(450,000)
Fractions of stocks	-	-	-	-	-	-	-	-	4,408	4,408	-	4,408
Stock dividends	6,718,757	-	-	-	-	-	-	-	(6,718,757)	(6,718,757)	-	-
Cash dividends	-	-	-	-	-	-	-	-	(22,395,858)	(22,395,858)	(1,917,512)	(24,313,370)
Balance, end of the period (unaudited)	230,677,334	29,575,688	30,000,000	67,974,894	246,361	8,374,676	40,000,000	3,375,406	115,735,212	525,959,571	66,462,756	592,422,327

	Reserves							Equity holders of the Bank	Non-controlling interests	Total equity		
	Paid-in share capital	Additional paid-in capital	Statutory	Voluntarily	General banking risks	Pro-cyclicality	Fair value				Retained earnings	U.S. \$
June 30, 2022												
Balance, beginning of the period	217,433,527	29,575,688	-	61,883,607	246,361	10,311,877	40,000,000	(1,692,549)	77,612,532	435,371,043	60,728,386	496,099,429
Profit for the period	-	-	-	-	-	-	-	-	31,210,049	31,210,049	3,640,104	34,850,153
Other comprehensive income items	-	-	-	-	-	-	-	-	-	3,197,973	(25,248)	3,172,725
Total comprehensive income for the period	-	-	-	-	-	-	-	3,197,973	31,210,049	34,408,022	3,614,856	38,022,878
Transfers to reserves	-	-	-	-	-	(1,937,203)	-	-	1,937,203	-	-	-
Fractions of stocks	-	-	-	-	-	-	-	-	4,430	4,430	-	4,430
Stock dividends	6,525,050	-	-	-	-	-	-	-	(6,525,050)	(6,525,050)	-	-
Cash dividends	-	-	-	-	-	-	-	-	(19,569,017)	(19,569,017)	(1,917,509)	(21,486,526)
Balance, end of the period (unaudited)	223,958,577	29,575,688	61,883,607	246,361	8,374,674	1,505,424	40,000,000	1,505,424	84,670,147	450,214,478	62,425,733	512,640,211

Handwritten signature

M. El-Shawar

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended June 30, 2023

	For the six-month period ended June 30	
	2023	2022
	(Unaudited)	(Unaudited)
	U.S. \$	U.S. \$
Operating activities		
Profit for the year before taxes	63,793,058	53,976,492
Adjustments for:		
Depreciation and amortization	8,946,340	8,872,058
Net gains from financial assets portfolio	(2,546,293)	(2,058,582)
Finance cost on lease liabilities	369,971	381,919
Provision for expected credit losses on direct credit facilities and Islamic financing, net	17,530,414	10,148,705
(Recovery) Provision for expected credit losses on investments, and indirect credit facilities and Islamic financing, net	(285,386)	1,448,777
Sundry provisions	6,810,627	4,341,273
Losses of investment properties	-	200,000
Bank's share of results of associates and a joint venture	(31,352)	(100,811)
Gains on disposal of right of use assets	(190,940)	(75,780)
Gains on disposal of property, plant and equipment	(37,242)	(146,143)
Other non-cash items	(237,493)	(1,134,703)
	<u>94,121,704</u>	<u>75,853,205</u>
Changes in assets and liabilities:		
Direct credit facilities and Islamic financing	(147,417,768)	10,363,590
Statutory cash reserve	(6,454,400)	(39,465,586)
Other assets	(15,917,452)	(20,467,348)
Customers' deposits	83,688,804	(119,027,267)
Istidama loans from Palestine Monetary Authority	(2,109,723)	7,810,465
Cash margins	10,325,156	8,020,150
Other liabilities	29,902,826	(1,983,096)
	<u>46,139,147</u>	<u>(78,895,887)</u>
Net cash flows from (used in) operating activities before taxes and paid provisions		
Taxes paid	(17,981,128)	(19,615,952)
Sundry provision paid	(7,397,328)	(1,834,276)
Net cash flows from (used in) operating activities	<u>20,760,691</u>	<u>(100,346,115)</u>
Investing activities		
Purchase of financial assets at fair value through other comprehensive income	(3,698,194)	(458,480)
Purchase of financial assets at fair value through profit or loss	(430,606)	(7,649,223)
Sale of financial assets at fair value through profit or loss	1,996,687	1,666,269
Restricted balances of withdrawal	(1,217,096)	18,301,438
Purchase of financial assets at amortized cost	(42,249,155)	(43,800,693)
Matured financial assets at amortized cost	63,440,282	36,495,298
Deposits at Banks and financial institutions maturing in more than three months	(34,612,783)	(20,023,287)
Palestine Monetary Authority's deposits for a period more than three months	(66,378,971)	(82,296,931)
Banks and financial institutions' deposits maturing in more than three months	4,875,785	(2,000,000)
Commission on investments management	(241,096)	(285,530)
Stock dividends received	2,906,438	2,497,367
Intangible assets	(833,701)	(1,874,549)
Projects in progress	(1,227,371)	(173,871)
Purchase of property, plant and equipment	(3,595,769)	(2,851,732)
Sale of property, plant and equipment	179,915	306,203
Net cash flows used in investing activities	<u>(81,085,635)</u>	<u>(102,147,721)</u>
Financing activities		
Lease liabilities paid	(3,339,267)	(2,813,102)
Loans and borrowings received	-	7,500,000
Loans and borrowings paid	(4,490,521)	(3,510,522)
Fractions of stock dividends sold	4,408	4,430
Subordinated loan payment	(7,500,000)	(5,000,000)
Cash dividends paid	(25,078,535)	(20,647,586)
Issuance of perpetual bond, net of issuances fees	29,550,000	-
Net cash flows used in financing activities	<u>(10,853,915)</u>	<u>(24,466,780)</u>
Decrease in cash and cash equivalents	<u>(71,178,859)</u>	<u>(226,960,616)</u>
Cash and cash equivalents, beginning of the period	1,616,419,703	1,787,868,265
Cash and cash equivalents, end of the period	<u>1,545,240,844</u>	<u>1,560,907,649</u>
Interest expense paid	20,768,971	20,113,939
Interest revenue received	139,622,685	119,929,424