

BANK OF PALESTINE P.L.C

UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

JUNE 30, 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2022

| | June 30, 2022 | December 31, 2021 |
|---|----------------------|----------------------|
| | (Unaudited) | (Audited) |
| | U.S. \$ | U.S. \$ |
| ASSETS | | |
| Cash and balances with Palestine Monetary Authority | 1,836,877,591 | 1,779,579,889 |
| Balances and investments at banks and financial institutions | 504,823,536 | 782,230,313 |
| Financial assets at fair value through profit or loss | 10,561,902 | 10,253,849 |
| Direct credit facilities and Islamic financing | 3,432,412,540 | 3,453,207,160 |
| Financial assets at fair value through other comprehensive income | 51,408,113 | 42,255,262 |
| Financial assets at amortized cost | 235,917,794 | 228,845,417 |
| Investment in associates and a joint venture | 9,771,863 | 9,671,052 |
| Investment properties | 25,961,678 | 25,962,178 |
| Property, plant and equipment and right of use assets | 111,855,554 | 115,897,814 |
| Projects in progress | 1,333,506 | 1,366,792 |
| Intangible assets | 15,509,252 | 14,613,893 |
| Other assets | 64,905,535 | 44,338,187 |
| Total assets | 6,301,338,864 | 6,508,221,806 |
| LIABILITIES AND EQUITY | | |
| Liabilities | | |
| Palestine Monetary Authority's deposits | 160,235,069 | 242,439,107 |
| Banks and financial institutions' deposits | 83,629,464 | 120,061,868 |
| Customers' deposits | 4,894,524,059 | 5,013,551,326 |
| Cash margins | 299,608,426 | 291,588,276 |
| Subordinated loan | 67,500,000 | 72,500,000 |
| Loans and borrowings | 52,431,978 | 48,442,500 |
| Istidama loans from Palestine Monetary Authority | 30,118,017 | 22,307,552 |
| Lease Liabilities | 30,344,976 | 31,900,160 |
| Sundry provisions | 53,490,320 | 50,983,323 |
| Taxes provisions | 21,002,701 | 21,492,314 |
| Other liabilities | 95,813,643 | 96,855,951 |
| Total liabilities | 5,788,698,653 | 6,012,122,377 |
| Equity | | |
| Paid-in share capital | 223,958,577 | 217,433,527 |
| Additional paid-in capital | 29,575,688 | 29,575,688 |
| Statutory reserve | 61,883,607 | 61,883,607 |
| Voluntarily reserve | 246,361 | 246,361 |
| General banking risks reserve | 8,374,674 | 10,311,877 |
| Pro-cyclicality reserve | 40,000,000 | 40,000,000 |
| Fair value reserve | 1,505,424 | (1,692,549) |
| Retained earnings | 84,670,147 | 77,612,532 |
| Total equity holders of the Bank | 450,214,478 | 435,371,043 |
| Non-controlling interests | 62,425,733 | 60,728,386 |
| Total equity | 512,640,211 | 496,099,429 |
| Total liabilities and equity | 6,301,338,864 | 6,508,221,806 |

The accompanying notes from 1 to 41 are an integral part of these interim condensed consolidated financial statements

Bank of Palestine P.L.C

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three-month and six-month periods ended June 30, 2022

| | For the three-month period ended June 30 | | For the six-month period ended June 30 | |
|---|---|---------------------|---|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Unaudited | | Unaudited | |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Interest income | 46,392,751 | 44,705,237 | 90,229,834 | 86,930,484 |
| Interest expense | (6,621,988) | (10,650,746) | (14,063,717) | (21,032,222) |
| Net interest income | 39,770,763 | 34,054,491 | 76,166,117 | 65,898,262 |
| Net Islamic financing and investment income | 13,789,233 | 10,720,806 | 27,084,769 | 21,590,742 |
| Net commissions income | 9,771,956 | 9,151,735 | 20,035,913 | 18,213,955 |
| Net interest, commissions, Islamic financing and investment income | 63,331,952 | 53,927,032 | 123,286,799 | 105,702,959 |
| Foreign currencies gains | 5,454,721 | 4,686,828 | 11,545,176 | 10,765,112 |
| Net gains from financial assets portfolio | 956,929 | 4,453,371 | 2,050,289 | 5,036,263 |
| Bank's share of results of associates and a joint venture | (38,695) | 55,665 | 100,811 | 169,380 |
| Other revenues | 3,906,739 | 2,857,212 | 7,153,520 | 5,771,167 |
| Gross profit before expected credit losses provisions | 73,611,646 | 65,980,108 | 144,136,595 | 127,444,881 |
| Provision for expected credit losses on direct credit facilities and Islamic financing and other receivables, net | (3,462,260) | (4,348,198) | (9,205,351) | (11,398,055) |
| Provision for expected credit losses on investments, and indirect credit facilities and Islamic financing, net | (1,599,428) | (285,674) | (1,448,777) | (254,595) |
| Gross profit | 68,549,958 | 61,346,236 | 133,482,467 | 115,792,231 |
| Expenses | | | | |
| Personnel expenses | (20,779,039) | (19,710,452) | (41,214,710) | (39,296,399) |
| Other operating expenses | (15,321,627) | (11,296,910) | (28,250,853) | (23,557,090) |
| Depreciation and amortization | (4,374,118) | (4,403,810) | (8,872,058) | (9,095,555) |
| Losses from revaluation of investment properties | (200,000) | - | (200,000) | - |
| Written-off credit facilities not previously provisioned for Palestine Monetary Authority's fines | (420,232) | (544,826) | (943,354) | (1,122,291) |
| | - | - | (25,000) | - |
| Total expenses | (41,095,016) | (35,955,998) | (79,505,975) | (73,071,335) |
| Profit before taxes | 27,454,942 | 25,390,238 | 53,976,492 | 42,720,896 |
| Taxes expense | (10,196,538) | (7,782,783) | (19,126,339) | (13,774,383) |
| Profit for the period | 17,258,404 | 17,607,455 | 34,850,153 | 28,946,513 |
| Attributable to: | | | | |
| Equity holders of the Bank | 15,502,792 | 15,991,227 | 31,210,049 | 26,070,694 |
| Non-controlling interests | 1,755,612 | 1,616,228 | 3,640,104 | 2,875,819 |
| | 17,258,404 | 17,607,455 | 34,850,153 | 28,946,513 |
| Basic and diluted earnings per share from profit of the period attributable to equity holders of the bank | 0.07 | 0.07 | 0.14 | 0.12 |

The accompanying notes from 1 to 41 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the three-month and six-month periods ended June 30, 2022

| | For the three- month period ended June 30 | | For the six- month period ended June 30 | |
|---|--|-------------------|--|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Unaudited | | Unaudited | |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Profit for the period | 17,258,404 | 17,607,455 | 34,850,153 | 28,946,513 |
| Other comprehensive income: | | | | |
| <u>Items not to be reclassified to the consolidated income statement in subsequent periods:</u> | | | | |
| Change in the fair value of financial assets | 2,230,180 | 2,490,467 | 3,172,725 | 3,694,916 |
| Other comprehensive income items for the period | 2,230,180 | 2,490,467 | 3,172,725 | 3,694,916 |
| Total comprehensive income for the period | 19,488,584 | 20,097,922 | 38,022,878 | 32,641,429 |
| Attributable to: | | | | |
| Equity holders of the Bank | 17,734,727 | 17,965,123 | 34,408,022 | 29,383,755 |
| Non-controlling Interests | 1,753,857 | 2,132,799 | 3,614,856 | 3,257,674 |
| | <u>19,488,584</u> | <u>20,097,922</u> | <u>38,022,878</u> | <u>32,641,429</u> |

Bank of Palestine P.L.C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended June 30, 2022

| | Reserves | | | | | | | | | | |
|---|-----------------------|----------------------------|-------------------|----------------|-----------------------|-------------------|------------------|-------------------|----------------------------|---------------------------|--------------------|
| | Paid-in share capital | Additional paid-in capital | Statutory | Voluntarily | General banking risks | Pro-cyclicality | Fair value | Retained earnings | Equity holders of the Bank | Non-controlling interests | Total equity |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | 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 | - | 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 |
| Transfer to reserves | - | - | - | - | (1,937,203) | - | - | 1,937,203 | - | - | - |
| Fractions of stocks distributed | - | - | - | - | - | - | - | 4,430 | 4,430 | - | 4,430 |
| Stock dividends | 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 | 40,000,000 | 1,505,424 | 84,670,147 | 450,214,478 | 62,425,733 | 512,640,211 |

| | Reserves | | | | | | | | | | |
|---|-----------------------|----------------------------|-------------------|----------------|-----------------------|-------------------|--------------------|-------------------|----------------------------|---------------------------|--------------------|
| | Paid-in share capital | Additional paid-in capital | Statutory | Voluntarily | General banking risks | Pro-cyclicality | Fair value | Retained earnings | Equity holders of the Bank | Non-controlling interests | Total equity |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| June 30, 2021 | | | | | | | | | | | |
| Balance, beginning of the period | 208,080,000 | 24,848,415 | 56,970,341 | 246,361 | 10,311,877 | 40,000,000 | (4,999,792) | 43,763,159 | 379,220,361 | 54,300,310 | 433,520,671 |
| Profit for the period | - | - | - | - | - | - | - | 26,070,694 | 26,070,694 | 2,875,819 | 28,946,513 |
| Other comprehensive income items | - | - | - | - | - | - | 3,313,061 | - | 3,313,061 | 381,855 | 3,694,916 |
| Total comprehensive income for the period | - | - | - | - | - | - | 3,313,061 | 26,070,694 | 29,383,755 | 3,257,674 | 32,641,429 |
| Fractions of stocks distributed | - | - | - | - | - | - | - | 3,231 | 3,231 | - | 3,231 |
| Stock dividends | 2,080,800 | - | - | - | - | - | - | (2,080,800) | - | - | - |
| Cash dividends | - | - | - | - | - | - | - | (8,323,200) | (8,323,200) | (1,229,604) | (9,552,804) |
| Balance, end of the period (unaudited) | 210,160,800 | 24,848,415 | 56,970,341 | 361,246 | 877,311,10 | 40,000,000 | (1,686,731) | 59,433,084 | 400,284,147 | 56,328,380 | 456,612,527 |

The accompanying notes from 1 to 43 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended June 30, 2022

| | For the six-month period ended June 30 | |
|---|--|----------------------|
| | 2022 | 2021 |
| | Unaudited U.S. \$ | Unaudited U.S. \$ |
| Operating activities | | |
| Profit for the period before taxes | 53,976,492 | 42,720,896 |
| Adjustments for: | | |
| Depreciation and amortization | 8,872,058 | 9,095,555 |
| Impairment on projects in progress | - | 234,480 |
| Net gains from financial assets portfolio | (2,050,289) | (5,036,263) |
| Finance costs related to lease liabilities | 381,919 | 479,562 |
| Provision for expected credit losses on direct credit facilities and Islamic financing and other receivables, net | 9,205,351 | 11,398,055 |
| Provision for expected credit losses on investments, and indirect credit facilities and Islamic financing, net | 1,448,777 | 254,595 |
| Loss from revaluation of deposit at below market interest rate | - | 819,342 |
| (Gains) losses from modification arising from Islamic financing of a subsidiary | - | (1,930,379) |
| Sundry provisions | 4,341,273 | 5,328,224 |
| Losses from revaluation of investment properties | 200,000 | - |
| Bank's share of results of associates and joint venture | (100,811) | (169,380) |
| Gains on disposal of right of use assets | (75,780) | - |
| Gains (losses) on disposal of property, plant and equipment | (146,143) | 16,845 |
| Written-off credit facilities not previously provisioned for | 943,354 | 1,122,291 |
| Other non-cash items | (1,134,703) | 21,574 |
| | <u>75,861,498</u> | <u>64,355,397</u> |
| Changes in assets and liabilities: | | |
| Direct credit facilities and Islamic financing | 10,363,590 | (85,050,370) |
| Statutory cash reserve | (39,465,586) | (34,946,072) |
| Other assets | (20,467,348) | (600,524) |
| Customers' deposits | (119,027,267) | 253,166,034 |
| Istidama loans from Palestine Monetary Authority | 7,810,465 | 1,137,425 |
| Cash margins | 8,020,150 | 10,875,694 |
| Other liabilities | (41,121,130) | (9,910,691) |
| Net cash flows from operating activities before taxes and sundry provisions | <u>(118,025,628)</u> | <u>199,026,893</u> |
| Taxes paid | (19,615,952) | (11,278,805) |
| Sundry provisions, paid | (1,834,276) | (5,131,693) |
| Net cash flows (used in) from operating activities | <u>(139,475,856)</u> | <u>182,616,395</u> |
| Investing activities: | | |
| Purchase of financial assets at fair value through profit or loss and through other comprehensive income | (8,107,703) | (277,205) |
| Sale of financial assets at fair value through profit or loss and through other comprehensive income | 1,666,269 | - |
| Restricted cash balances | 18,301,438 | 8,206,793 |
| Purchase of financial assets at amortized cost | (43,800,693) | (31,243,183) |
| Matured financial assets at amortized cost | 36,495,298 | 18,758,795 |
| Deposits at banks and financial institutions maturing in more than three months | (20,023,287) | (3,000,000) |
| Palestine monetary authority deposits for a period more than three months | (82,296,931) | - |
| Banks and financial institutions' deposits maturing in more than three months | (2,000,000) | - |
| Stocks dividends received | (285,530) | (298,689) |
| Investments management commissions | 2,489,074 | 3,314,668 |
| Investments in associates and a joint venture | - | (4,000,000) |
| Additions on intangible assets | (1,874,549) | (457,359) |
| Additions on projects in progress | (173,871) | (893,703) |
| Purchase of property, plant and equipment | (2,851,732) | (1,950,156) |
| Sale of property, plant and equipment | 306,203 | 154,978 |
| Sale of investment properties | - | 225,000 |
| Purchase of investment properties | - | (145,000) |
| Net cash flows (used in) investing activities | <u>(102,156,014)</u> | <u>(11,605,061)</u> |
| Financing activities: | | |
| Lease liabilities paid | (2,813,102) | (2,810,948) |
| Loans and borrowings received | 7,500,000 | 12,240,070 |
| Loans and borrowings paid | (3,510,522) | - |
| Fractions of stock dividends | 4,430 | 3,231 |
| Subordinated loan | (5,000,000) | - |
| Cash dividends paid | 18,490,448 | (9,049,538) |
| Net cash flows (used in) financing activities | <u>14,671,254</u> | <u>382,815</u> |
| (Decrease) Increase in cash and cash equivalents | (226,960,616) | 171,394,149 |
| Cash and cash equivalents, beginning of the period | 1,787,868,265 | 1,342,579,767 |
| Cash and cash equivalents, end of the period | <u>1,560,907,649</u> | <u>1,513,973,916</u> |
| Interest expense paid | 20,113,939 | 27,160,886 |
| Interest revenue received | 119,929,424 | 108,462,700 |