



Q1 2020 Earnings Release

Bank of Palestine Group announces Q1 2020 Preliminary Financial Results

Impact of Covid -19 on operational results being assessed dictating more prudent measures and extra provisions in Q1

Net Profits reported at USD 7.7 million for Q1 2020

Q1 2020 Preliminary Financial Results Highlights

- Gross Income of USD 59 million for Q1 2020, up by 5.6% compared with USD 56 million for the same period in 2019.
- Profit before tax down by 18.4% with USD 11.4 million compared with USD 14 million in the same period of 2019.
- Net profit of USD 7.7 million for Q1 2020 compared to USD 10.7 million for the same period in 2019.
- Total assets at USD 5.21 billion down by 1.1% compared to USD 5.26 billion at the end of 2019.
- Net Loans at USD 2.97 billion, down by 0.5% compared to USD 2.98 billion at the end of 2019.
- Customer deposits at USD 4.09 billion, down by 0.7% compared to USD 4.12 billion at the end of 2019.
- Total shareholders' equity reached USD 421 million, down by 2.4% compared to USD 431 million at the end of 2019.
- Consolidated NPL Ratio at: 4.01%

(Ramallah, Palestine May 11, 2020): Bank of Palestine Group (BOP), announced its Q1 2020 preliminary financial consolidated results reporting a gross income of USD 59 million in Q1 2020, compared with USD 56 million in Q1 2019, reflecting an increase of 5.6%. The bank's Profit before tax is USD 11.4 million compared with USD 14 million in Q1 2019, with a net profit achieved of USD 7.7 million. Total assets declined to USD 5.21 billion compared with USD 5.26 billion at the end of 2019. The Bank's total shareholders' equity declined to USD 420 million compared with USD 430 million at the end of 2019. The Bank in Q1 has taken extra provisions to cushion against expected impact of Covid-19 as bank begins assessment of loan portfolio.

Commenting on the results, **Mr. Hashim Shawa - Chairman of Bank of Palestine Group** said: "Although we have not seen the full impact of Covid -19 yet on our operations, however; we have taken precautions and mitigation measures to ensure business continuity and staff Safety. March 2020 results did not accurately reflect the full impact of Covid -19 on our operating results as our management is continuing its assessment of



the impact of Covid -19 with additional stress testing and all indicators show that there will be an increased probability for defaults and a corresponding increase in credit risk. As such, Management has taken extra cushioning steps and added more provisions for corporate loans and SME loans in line with adhering to IFRS9."

Mr. Shawa added: "We have seen a collaboration of all parties in government and the international community to aid economic recovery. Our banking regulator, the PMA took measures early on by delaying loan payments of all borrowers for 4 months and 6 months for the tourism sector borrowers, decreasing rates of defaults for the time being and giving our customers breathing space.

The PMA has also created an SME lending fund providing the banks with a USD\$ 300 million credit line at 0.5% interest rate to be lent to SMEs at a ceiling of 3% interest rates by the banks. This step has provided a cheap source of funds for banks to lend to SMEs at affordable rates acting as a stimulus fund. The SME liquidity Fund will go to support working capital and running expenses of the SMEs who shut down during lockdown and had operational difficulties."

Liquidity at the bank is sufficient; as the bank is working with MDBs to get additional sources of liquidity at affordable rates to on lend to customers. The Bank had earlier received a very affordable loan for USD\$ 30 million from a GCC based MDB to support its SME portfolio. This loan was developed prior to Covid-19 and its arrival now is very important for the bank's continued involvement with SMEs.

Mr. Rushdi Ghalayini, General Manager of Bank of Palestine said reference the Q1 2020 results: "As the chairman had said earlier; we are aware that the full impact will be seen in next quarters as the economy begins to reopen and commercial activities resume. Our credit department is conducting a full credit review with stress testing of current portfolio with a focus on maintaining our books taking care of existing clients and ensuring that our loan book remains healthy. New client acquisitions are being assessed as the lockdown is easing up and certain sectors will witness more growth i.e. pharmaceutical, e commerce, digital and supply chains and trade."

The Private Sector has worked with the government to create a fund supporting needy families and laborers out of a job as a collective social safety net. A concerted effort is now being focused on economic recovery as the government is easing the lockdown and several business are opening up again. Hardest hit remains the tourism sector, which is being studied by the bank, the government and international donor community for special remedies.

Mr. Ghalayini concluded: "We see hope for growth in certain sectors where Covid -19 has sped the demand for needed digital services in the age of social distancing. PalPay the Fintech subsidiary of the bank has received a license to launch the first E Wallet in the



country targeting the 50% of population that is still unbanked. The government has published its bid documents for the E Government project. We are in very intense talks with European MDBs on enhancing cooperation with various financial schemes to ensure the Bank remains engaged with SME financing and the real economy. All of this will constitute our multi-tier effort to regain traction of our operations and our customers' financial health."

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