



FY 2019 Earnings Release

Bank of Palestine Group announces FY 2019 Preliminary Financial Results

Deep economic stagnation in West Bank and Gaza had a profound Impact on FY 2019 financials

Net Profits reported at USD 38.94 million for FY 2019

FY 2019 Preliminary Financial Results Highlights

- Gross Income of USD 234 million for Q4 2019, up by 4.94% compared with USD 223 million for the same period in 2018.
- Profit before tax down by 25.8% with USD 51.8 million Compared with USD 69.8 million in the same period of 2018.
- Net profit of USD 38.94 million for Q4 2019 compared to USD 54.11 million for the same period in 2018.
- Total assets at USD 5.27 billion up by 13.1% compared to USD 4.66 billion at the end of 2018
- Loans at USD 2.98 billion, up by 11.02% compared to USD 2.69 billion at the end of 2018.
- Customer deposits at USD 4.12 billion, up by 10.2% compared to USD 3.74 billion at the end of 2018
- Total shareholders' equity reached USD 430 million, up by 3.4% compared to USD 416 million at the end of 2018.
- Consolidated NPL Ratio at: 4.53%

(Ramallah, Palestine February 17, 2020): Bank of Palestine Group (BOP), announced its FY 2019 preliminary financial consolidated results reporting a gross income of USD 234 million in 2019, compared with USD 223 million in 2018, reflecting an increase of 4.94%. The bank's Profit before tax is USD 51.8 million compared with USD 69.8 million in 2018, with a net profit achieved of USD 38.94 million. Total assets reached USD 5.27 billion compared with USD 4.66 billion at the end of 2018. The Bank's total shareholders' equity reached USD 430 million compared with USD 416 million at the end of 2018.

Commenting on the results, Mr. **Hashim Shawa - Chairman of Bank of Palestine Group** said: "deep economic stagnation impacted the FY 2019 results despite growth in operational indicators in: deposits, revenues, and credit facilities. These external pressures have pushed for a higher need for provisioning to ensure the sustainability of the bank."

It is worth noting that GDP Growth of 1.2% was flat in the Palestinian Territories, and was the lowest ever in last 5 years as per IMF reports. This reality was caused by tax revenue



deductions imposed by government of Israel on Palestinian revenues coupled with decreased levels of donor assistance to public sector This double reality has created a liquidity crunch which impacted the entire economic cycle including the banks. Despite partial remedy of the public sector salary cuts as a result of the tax revenue deductions; the impact will not be felt in the coming period as it will take more time for rectification into 2020.

The political impasse between the Palestinian government and the government of Israel has created a retaliatory economic war in import and export of goods plus delay in cash transfers of surplus Israeli Shekels from Palestinian banks to Israeli banks which added another level of strain on the economy and liquidity at banks. However, Banks have stepped up to provide loans to government to honor its public sector employee salaries and also financing the main electricity distributor in the West Bank in a bid to restructure the distributor's mounting debts to the Israeli Electricity Co. This close coordination between the government and banks have enabled banks to continue to play a central role in sustaining the local economy despite the operational constraints and decrease in financial performance. Government has repaid the banks for the credit facilities reviving the financial cycle.

Mr. shawa added: "against these external macro-economic pressures, it was only natural that NPL Ratios at group level have increased. As a result of these political pressures we saw further provisions being added for cushioning against general conditions and as part of implementation of IFRS9 in 2019. These extra provisions have caused a steep decline in net profit by 28%. With the Basel 3 implementation underway in 2020 we will work on a confident capital plan for the bank exploring cooperation with Multinational Development banks and raising capital through stock dividends as well to position the bank for growth opportunities that remain innate in the local economy."

Mr. Rushdi Ghalayini, General Manager of Bank of Palestine said reference the FY 2019 results: "While we are aware of the economic pressures impacting our operations, we are also working towards diversification of Income from group companies' operations and making use of certain regulatory incentives. In Q4 2019 the Palestinian Monetary Authority-PMA, has provided banks with incentives to invest in Green energy, agri-business and entrepreneurship. As a result banks will reduce cost of capital providing higher profitability to the bottom line. Bank of Palestine is looking at investing in a major solar project to benefit from the PMA incentives in 2020."

Internally the bank remained focused on its segmentation drive and digitization drive focusing on financially including additional segments of the society. PalPay is finalizing plans to provide e-payment solutions to the unbanked leveraging the new direction by regulators towards allowing additional electronic transactions in the payments and financial eco system.



Leading HR consulting firm Korn Ferry is well underway in restructuring of the HR policies to help increase efficiency and staff motivation.

Mr. Ghalayini concluded: “As part of our internal alignment, we have hired a senior executive as our Chief Credit Officer towards end of 2019. Mr. Hanna Sahar, will bring to the bank a wealth of experience in credit management and financial intermediation. Mr. Sahar has had a long career with European Lending agencies and international banks operating in the Palestine context. We are looking forward to our Board of Directors meeting end of February 2020 to discuss financials and set a date for the Annual General Assembly Meeting.”

About Bank of Palestine (BOP)

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 company also continued to sign agreements with additional utility companies in Palestine to allow their clients to make e-payments through the PalPay® system. 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 one of the fastest growing brokerage companies in Palestine, playing a major role in the acquisition of new investors into the Palestinian market, and adding new markets to its dealing platform. The company is continuously committed to provide the latest technologies, noting that the company has launched its mobile trading application where it enables its clients to trade in the local, regional, and US markets via one platform, making Al Wasata Securities Co. the first broker in Palestine to provide this service. The company’s Trading volume in 2019 reached around \$110 million in the local, regional and US markets, about USD 500 Million assets under management, as well as having one of the highest registered capital between the Palestinian brokerage firms being USD 5 million.”

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 26



branches Islamic Banking solutions to a growing segment of customers requiring such sharia' compliant solutions. The bank has assets of USD 1,271,539,880 with net profits in Q4 2019 of USD 9,010,282.

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Date: February 17, 2020