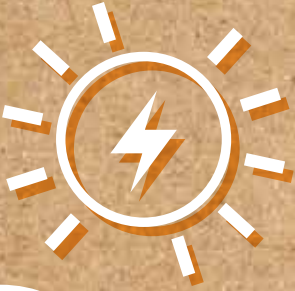




بنك فلسطين
BANK OF PALESTINE

تأسس عام 1960 Established 1960



Sustainability Report 2021

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List of Acronyms

AFD	French Development Agency
AGM	Annual General Meeting
AIB	Arab Islamic Bank
AML	Anti-money Laundering
APIC	Arab Palestinian Investment Company
BOD	Board of Directors
BOP	Bank of Palestine
BOPG	Bank of Palestine Group
BRC	Board Risk Committee
CDD	Customer Due Diligence
CSO	Civil Society Organizations
CSR	Corporate Social Responsibility
CTF	Counter-Terrorism Financing
DBR	Debt Burden Ratio
E&S	Environmental & Social
EC	Executive Committee
EMEA	Europe, Middle East & Africa
EQA	Environmental Quality Authority
ESG	Environmental, Social, and Governance
ESOP	Employee Stock Ownership Plan
FISEA	Fonds d'investissement et de soutien aux entreprises en Afrique
GABV	Global Alliance for Banking on Values
GRI	Global Reporting Initiative's
KPIs	Key Performance Indicators

KYC	Know Your Client
LCA	Life Cycle Assessment
MEIRA	Middle East Investor Relations Association
NAPCO	National Aluminum and Profiles Company
NGO	Non-governmental Organizations
P/E	Price-to-earnings
PCMA	Palestine Capital Markets Authority
PEX	Palestinian Stock Exchange
PMA	Palestinian Monetary Authority
POS	Point-of-sale
SDG	Sustainable Development Goals
SME	Small and Medium-sized Enterprises
UNGC	United Nation's Global Compact
UNICEF	United Nations Children's Fund
UNRWA	The United Nations Relief and Works Agency
WHO	World Health Organization

Message from the Chairman



I am extremely proud of the Bank of Palestine and its dedication to implementing a comprehensive sustainability strategy in accordance with international standards and best practices. This commitment builds on years of our bank's values-based services to the real economy and all segments of our society. The year 2021 marked the serious decision of the board of directors to enshrine these values in a sustainability strategy, with a sustainability committee at the board level, a dedicated sustainability team, and ESG commitments across operations. This year, we are releasing our first sustainability report. This report will be inclusive of our commitments for measuring our environmental impact, setting up more structured mechanisms to report the environmental impact of our lending facilities, and working across our stakeholder map to factor in the materiality of topics of community concern. We have also realigned our corporate responsibility strategy, which has served as a powerful instrument in serving the community and reducing inequalities and vulnerabilities among different segments of our society through the past decade. This undercurrent strategic thrust ensures that our bank is accountable to its stakeholders, remains environmentally conscious, is actively inclusive of all people, and contributes to prosperity.

We operate in a difficult environment, restricted by political and economic constraints, which frequently impose other priorities on our agenda than environmental and sustainability practices. While we remain vigilant and work to mitigate these risks and challenges, we remain equally focused on our responsibilities to the environment, our people, and our governance. These commitments have existed in various forms and formats within the bank since its inception. This year, however, we will properly report them and align them with the business strategy. Our disclosure of our ESG and sustainability commitments will evolve as we begin to take steps to reduce our carbon footprint both within and beyond bank as a result of our operations. We are proud to have met incontestable goals, including attaining gender balance on the board of directors and continuing to make significant strides for women's financial inclusion. Alongside these achievements, we must keep working to raise the bar on other metrics. Our priority will be to meet important

milestones in scope one, while also collaborating with our staff, partners, suppliers, and vendors to achieve similar results in scope two in regard to the environment. In 2021, we will continue to invest in our community by resuming our financial inclusion activities for women, including face-to-face meetings and workshops, all while improving our Mini MBA program. We have decided to broaden our engagement with youth and entrepreneurs by investing in the expansion of our Intersect Innovation Hub outside of Ramallah. By financing the real economy through a diverse portfolio of lending to small and medium-sized businesses, we will maintain our economic development leadership.

We are committed to strengthening our commitment to sustainability as we proceed with disclosing our impacts in accordance with international best practices. We look forward to continuing to engage with our stakeholders as we go through this process. We are looking forward to expanding our knowledge from global trends and practices within the ESG sphere. Our participation in the World Economic Forum Stakeholder Capitalism initiative and our membership in the Global Alliance for Banking on Values, allow us to collaborate with like-minded organizations and businesses.

We are deeply appreciative of the trust, participation, and partnership of our stakeholder community and look forward to making even greater advancements in sustainability and economic growth.

Hashim Shawa,
Chairman

Bank of Palestine Group



Message from Head of Sustainability Committee

As Chairwomen of the Board Sustainability Committee at Bank of Palestine, I am honored to contribute a message on behalf of my colleagues at the committee to the Bank's first Sustainability Report, governed by the principles and standards of the Global Reporting Initiative (GRI).

The bank has had a long rooted history with sustainability since its inception, inspired by the values of founders and by the responsibility of the governing bodies towards its community, planet and prosperity. I would like to shed light on the principles that underpin the rising power of sustainability and good practices at our bank and among all peers in the corporate and financial sectors. From a human perspective, the concept of sustainability is intimately intertwined with the world's capacity to sustain humankind with the resources necessary for high quality living for generations to come. These resources include pure air, clean water, and soil that can produce nutritious food and biodiversity. As such, sustainability is not a new concept. Initially, humans were able to breathe fresh air, drink water from clean rivers and springs, eat the produce of the land, hunting animals, and from the wood they collected, they used it to cook and keep warm. What they produced was sufficient to meet their needs. Our planet earth was able to provide all these resources and supported humankind for millions of years when the sustainability of these resources was not an issue. That is until human consumption became excessive and far exceeded the needs. The excessive and irresponsible abuse of natural resources brought about incremental shortages in our plant's resources, depleting the quantity and even quality of these natural resources. What is happening is a dangerous rate of consumption that will threaten the next generation. These challenges while global, but in the Palestine context, take on an added measure of importance due to the occupation and the limited resources of the Palestinian government. With these external challenges, it is hoped that attention to sustainability practices among key stakeholders in Palestine would be elevated. That is why in Palestine we have to be leaders of change and implementers of our values and commitments. We have to engage all stakeholders and we have to be serious about sustainability, by way of disclosing our sustainability practices in a systematic matter and as per international standards of reporting.

As such, it is incumbent upon us as leaders of change to be responsible and instill policies, practices and ensure awareness and attention to sustainability at our own institutions, especially institutions that play a leading role in the economy and the community. That is why bank of Palestine this year took it upon itself to lead by its own example on the subject of sustainability. We have started with governance and putting sustainability at the helm at the board and as a priority in the management and operations of the bank. The bank will start looking at its own practices internally vis vis use of plastic, reducing carbon footprint by replacing fossil fuel electricity with renewable, measuring water consumption, onboarding electric cars to the fleet, and reducing travel to essential need, while encouraging digital banking and paperless transactions. At the external level, the bank is augmenting its green loan programs with grants and technical assistance packages to encourage customers to borrow for energy efficiency and renewable energy projects in partnership with Proparco of the French Development Agency. The demand for such loans is oversubscribed, a sign of the elevation of the climate topic among the community. We are also working with other partners within the government and all stakeholders to ensure we create initiatives and inroads on the subject matter of climate change and environment.

On the community and social investment levels, the bank is leading with its gender balance policies, internally by continuing to raise the percentage of female employees, achieving a regional milestone of 50%-50% gender balance at the board, the highest decision making body of the bank. Externally, the bank is working with community partners to ensure additional financial inclusion of women via specifically design loans targeting women business owners and entrepreneurs. The bank has expanded its financial inclusion to provide interest free loans to people with special needs. Additionally, the bank has streamlined its Corporate Responsibility Strategy towards the sustainability objectives of the bank, donating 5% of profits towards interventions with the most impact on the well-being of society through education and health, on the protection of the environment and planet via green projects, and the prosperity of people by way of financial intermediation to small businesses and micro enterprises.

Although we are taking small steps, but these steps are fundamental in creating the change and proving the concept that sustainability is good not only for the community and the environment but good for business as well. If we deplete our resources and are careless about the footprint of our operations on the environment, on our community, on our staff and clients, we will not have economic development and we shall suffer from depression and stagnation. But if we adopt sustainability measures and enhance investment in the circular economy, with recycling, conservation and reuse, we shall guarantee that our operations are steadfast and our environment and resources are infinite and our generations are preserved. Together we can create hope and together we can be sustainable.

Dr. Tafeeda Jarbawi

Head of Sustainability Committee

Bank of Palestine

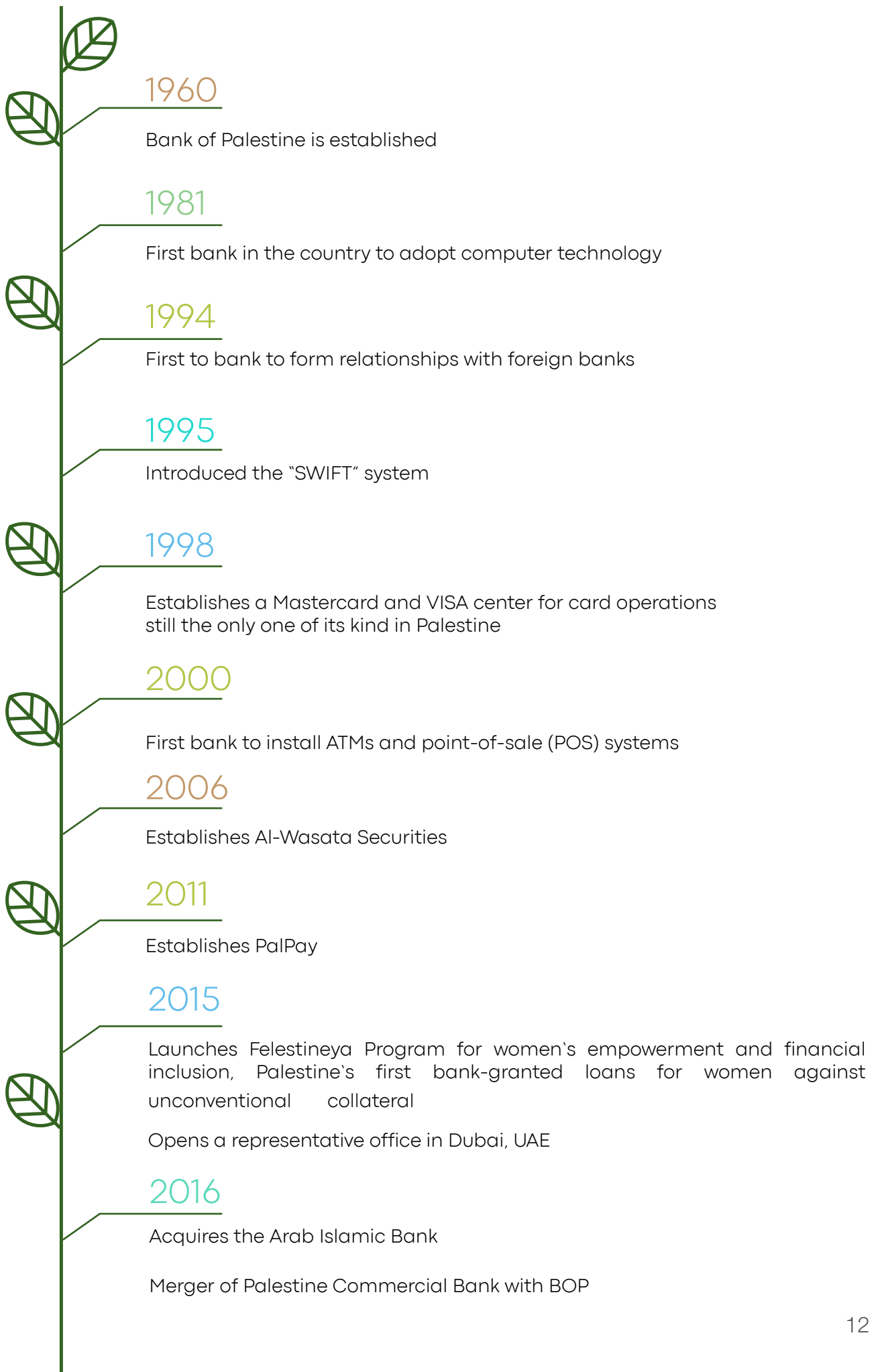
About the Bank of Palestine

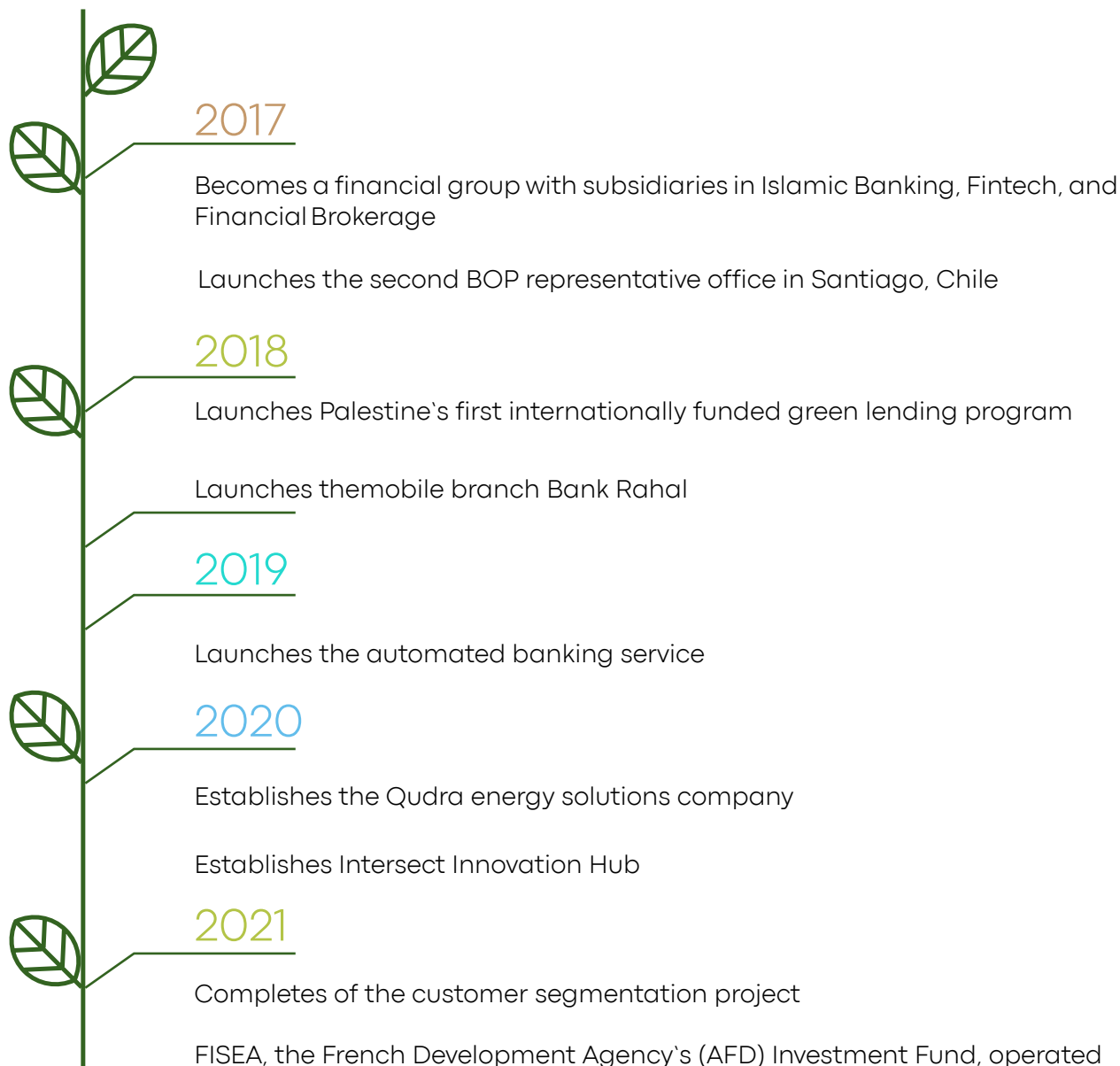
Bank of Palestine (BOP) has, and continues to, play an exemplary role in Palestine's financial history for a variety of reasons. Up until 1960, there were no national entities to respond to the growing demand by Palestinians for financial services and institutional lending. This urgent call for financial intermediation inspired the founders of the bank to create the country's first financial establishment, Bank of Palestine. Our bank was the first national entity to actively provide basic financial services to individuals and small enterprises. In doing so, we established ourselves as leaders within the financial market as BOP, in essence, helped create Palestine's national banking system.

Despite operating in a volatile market, we continue to act as Palestine's largest bank, offering a multitude of personal and business banking services to over 750,000 individual and institutional customers. BOP's diverse clientele includes everyone from leading local and international companies and notable Palestinian businesspeople to disadvantaged and marginalized community members; we serve everyone equally and to the best of our abilities. Since our establishment in 1960, we have created the largest network of branches across the country (governorates in the West Bank and Gaza, and the Holy City of Jerusalem), making BOP best suited to provide fast, convenient, and personalized attention for our clients.

Our services include a vast array of banking products and services which include but are not limited to current and savings accounts; deposits; loans and credit facilities; foreign currency exchange; international money transfers; credit and debit cards; trade finance services; treasury services; custody services; and special programs for financial inclusion and green lending. We have also integrated ourselves within the global economy by establishing international trade relations and offering services for customers that require foreign transaction services. These efforts have been successful in connecting Palestinians in the diaspora with the local economy, despite their accounting for only a small portion of our overall operations.

Timeline


















Today, BOP owns and manages the largest and most comprehensive branch network in Palestine, where we manage most of our operations. Our 73 branches currently account for 19.3% of all bank branches in the country, allowing us to cover all Palestinian cities and towns. Our ATMs and POS networks are also the largest in Palestine, with a total of 159 ATMs and 9,700 POSs across the country, representing 22 percent of the entire network in Palestine. BOP also has two representative offices in Dubai, UAE and Santiago, Chile that primarily focus on connecting diaspora communities outside Palestine with their country and promoting investments and trade with Palestine.

Awards



Over the years, BOP has been extensively recognized for its achievements. In 2021, EMEA Finance magazine awarded us two awards for Best Bank in the Middle East and Best Bank in Palestine. Global Finance also recognized us as the best bank in Palestine for international trade. The bank has also received recognition as best bank in Palestine and the region in CSR and community support numerous times.

Awards over the last few years include:

-  Best Global Bank in Financial Inclusion (The Banker)
-  Best Bank in Palestine (The Banker)
-  Best Bank in Palestine (Euromoney Award for Excellence)
-  Best CEO in the Middle East (EMEA finance)
-  Best Bank in Palestine (Asiamoney)
-  Best Bank in Palestine (CPI Financial/Banker ME)
-  Best Company for Investor Relations in Palestine (Middle East Investor Relations Society)
-  Best IR professional in Palestine (Middle East Investor Relations Society)
-  Performance Excellence Award for Outstanding Achievement in Straight-through Processing (Citibank)
-  Ranked as One of the Top 100 Banks in the Middle East by CPI Financial 100
-  Outstanding Crisis Leadership during Covid 19 (Global Finance)
-  Green Finance Award (EMEA Finance)
-  Best CSR and Financial Inclusion Programs in the Middle East (EMEA Finance)

Bank of Palestine Group

Today, BOP is a part of a larger holding company: the Bank of Palestine Group (BOPG), which also comprises four other subsidiaries: the Arab Islamic Bank, PalPay, Al-Wasata Securities, and Qudra Renewable Energy Solutions. The group has some shares in other Palestinian businesses, and further information regarding that can be found in our most recent financial report for the year 2021.

The diagram below displays the group's organizational structure.

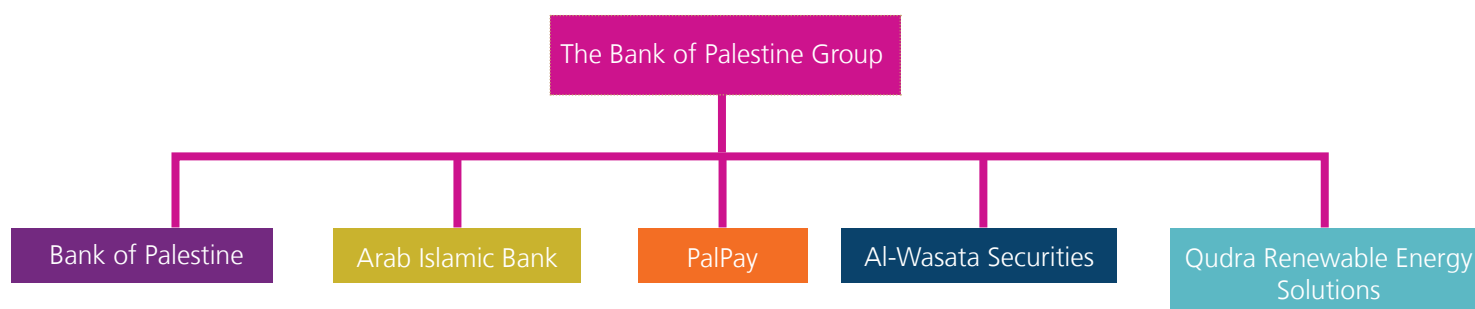


Figure 1: The Bank of Palestine Group



The Arab Islamic Bank

www.aib.ps

Founded in 1995, the Arab Islamic Bank (AIB) offers banking and investment services conforming to Islamic Sharia. Its headquarters are based in Ramallah, and it operates thirty branches across Palestine (including a representative office abroad and one mobile branch). After its acquisition of AIB in 2016, BOPG was able to penetrate the Sharia banking market.

The table below highlights AIB's key performance indicators during the last five years. The table shows that AIB has consistently maintained exceptional growth across all major performance indicators over the reporting period. For additional information regarding AIB, please consult our annual report.

Table 1: Basic Indicators for the Arab Islamic Bank 2017–2021

Year	2017	2018	2019	2020	2021
Assets	1,041	1,062	1,272	1,557	1,737
Deposits	791	848	1,024	1,296	1,420
Profit	6.4	7.1	9.0	8.0	11.7



PalPay—Palestine Payments

www.palpay.ps

PalPay is an innovative electronic wallet and payment system that was created in 2010 and has played a crucial role in promoting financial digitalization and supporting our business continuity plan during the COVID-19 pandemic.

In 2021, PalPay facilitated roughly NIS 2.1 billion in electronic transactions, an increase from NIS 1 billion in 2020. This success expanded company volume by 20% within the last year. Furthermore, this platform has provided alternative banking for over sixty new billers and service providers who now collect their fees and receivables through PalPay's e-commerce platforms.

PalPay has also enabled BOP to promote financial inclusion in Palestine. Its e-Wallet, for instance, enables unbanked users to send and receive money to and from others, pay merchants, withdraw funds, and pay utility bills to PalPay billers. In September 2021, PalPay enhanced this aspect of its services by creating a new system to assist donors and non-governmental organizations (NGOs) in Palestine in disbursing payments directly to their recipients. For additional information regarding PalPay, please consult our annual report.

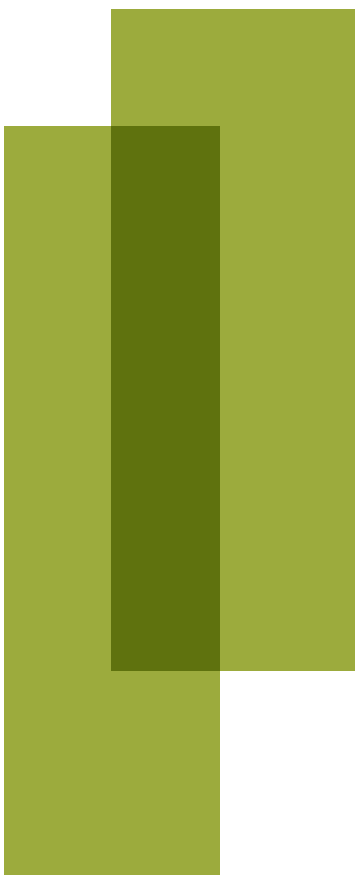


Al-Wasata Securities

www.alwasata.ps

Al-Wasata was founded in 2005 to offer stock brokerage, amongst other financial services, and has continuously been rated as the top broker for attracting new investors in Palestine over the last 15 years.

The company's trading volume increased from USD 158 million in 2020 to USD 283 million in 2021 (including USD 158 million transacted inside Palestine). The value of the company's client portfolio surpassed USD 500 million in 2021, a significant increase from USD 450 million in 2020. Additionally, Al-Wasata established 592 new accounts in 2021, as compared to 392 in 2020.



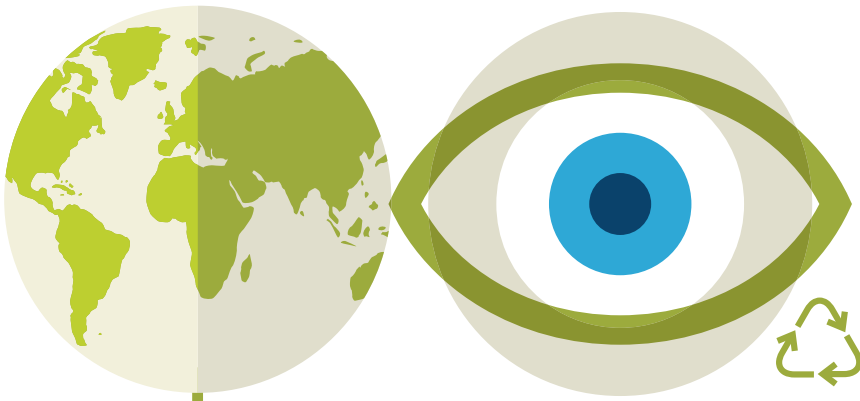


Qudra Renewable Energy Solutions

www.qudra.ps

Qudra was launched from a unified vision, as a joint project between the National Aluminum and Profiles Company (NAPCO) and the BOPG and aims to provide modern renewable energy solutions at low cost to Palestinian citizens, institutions, and companies.

It was established in 2020 to provide modern renewable energy solutions to individuals and institutions with a long-term guarantee at fair and affordable prices and relying on the latest international technologies.



Our Mandate

One of BOP's early goals was to help create a formal banking sector in the country. We are pleased to have been pioneers in creating the space and platform that allowed for the establishment of many Palestinian banks and will continue to strive to collectively advance the country's banking sector.

Today, we continuously seek to be innovative in our financial services and products to initiate advancement and change within Palestine. We will continue to lead through financial inclusion and investment in the real economy, our community, and our planet.

Vision

Our vision is to be the leading national Palestinian bank distinguished by the provision of sustainable services with a global footprint and horizon.

Mission

We strive to be the leading Palestinian bank distinguished by the development of sustainable financial products and services backed by evidence and innovation and that deepen our impact on Palestine's development and welfare.

Objectives

Our strategic objective is to offer excellent products and services to all our stakeholders and to achieve prosperity while staying committed to global standards of sustainability. Our strategy is based on the triple bottom line, which considers financial, social, and environmental factors as integral for holistic business profitability and long-term success. This outlook has helped us reassess our activities and ensure the objectives of our bank are stakeholder driven, business expansive, of high service quality, community serving, professional, and innovative.

Values

We aim to embed the values of a holistic sustainability paradigm that encompasses international best practices in social, environmental, economic, and governance practices within the Bank's DNA. Our values revolve around respect, excellence, innovation, collectiveness, and prosperity. These values ensure that the activities of our different organizational entities and staff are aligned and oriented towards achieving our vision and fulfilling the needs of our stakeholders.



About this Report

To improve our sustainability management system and adhere to the industry's best practices, BOP has made strides towards adopting a comprehensive sustainability strategy in 2021. Engaging our stakeholders on sustainability practices and evaluating our own performance through a sustainability lens are at the core of this strategy. This report is our primary tool for engaging our different stakeholders on sustainability and is aligned with the **Global Reporting Initiative (GRI) Sustainability Reporting Standards**. The GRI standards are the world's most widely used and accepted reporting framework, whose standards are designed to offer an integrated and inclusive approach. The standards are used to highlight and report on an organization's operational activities and measure their impacts on the economy, the environment, and different stakeholders through comparable and reliable parameters. This report also fulfills the requirements of our Communication on Progress as members of the United Nations Global Compact.

This report was developed by our newly established Sustainable Banking Department, with the support of an external consulting team, which provided guidance on measures relating to the GRI standards. The data presented in this report was collected by a team of experts within BOP, including representatives from different departments including Sustainability, Corporate Affairs, Risk Management, Operations, Human Resources, Finance, Compliance, and Audit. The Board of Directors (BOD) and senior management reviewed and approved this report in August 2022.

We are publishing this report to attest to our commitment to responsible business management and to disclose our environmental, social, and governance (ESG) performance to our stakeholders or to any other interested entities. We intend to publish sustainability reports at least once every two years to keep our stakeholders informed and updated on our ESG developments and impacts.



Scope

This report addresses our performance between 01/01/2021 and 31/12/2021. There are also references to historical performance data to offer a better understanding of the bank's development over time. Any information or indicators relating to different periods will only be presented to offer a more informed view of our performance and progression and will be marked accordingly.

As explained in the previous sub-section, BOP is the major subsidiary of the Bank of Palestine Group (BOPG). The report only focuses on BOP and will not address nor aim to evaluate the ESG performance of BOPG's other subsidiaries, while financial information pertains to consolidated financial results of the entire group as per the disclosed financial information.

On occasion, the report may analyze intersecting activities that relate to BOPs' ESG initiatives. BOPG is evaluating different approaches for communicating their sustainability impacts, either through one consolidated report or through each subsidiary independently publishing its own sustainability report within an agreed upon period. We will decide on the best path before the end of 2023.

Finally, this report will only focus on BOP's activities within Palestine. Despite having representative offices overseas, the bank's activities outside Palestine are generally immaterial to the topics discussed in this report.

A vertical decorative strip on the left side of the page featuring a repeating pattern of green line-art icons. These icons represent various sustainability themes: water droplets, a lightbulb, a leaf, a recycling symbol, a person, a gear, a bicycle, and a leaf with a drop. The icons are arranged in a grid-like fashion, creating a textured background element.

Data and Content Development

This report has been prepared in accordance with the GRI Standards: Core Option. We used both quantitative and qualitative data to develop the report. Data was collected from interviews and focus groups with key internal and external stakeholders, as well as from our records and information systems.

We used the materiality principle to prioritize topics most significant to our stakeholders or of most relevance and influence to our company. To validate these topics, we also conducted a series of online stakeholder engagement sessions with a diverse group of internal and external stakeholders at the end of 2021.

The data acquired allowed us to evaluate our performance concerning most of material topics identified. We were unable to gather quantitative data to evaluate performance related to some of our direct environmental impacts, including energy use, greenhouse gas emissions, water usage, and solid waste. We intend to monitor these variables going forward and to present our findings by the next reporting period. This will likely be done by completing a Life Cycle Assessment (LCA) for our key consumables, which will be used to quantify our impacts on greenhouse gas emissions, water consumption, and solid waste. Doing so will better prepare us to analyze the impacts of our special environmental programs, such as our green financing programs. BOP is also planning to digitize all its sustainability data. Creating a digital record will allow us to share our data with stakeholders and other organizations, such as rating agencies and investors, more efficiently. We plan to finalize this system by 2025.

Report Assurance and Verification

BOP has been focused on integrating and improving its sustainability management system and disclosure practice which has not given us the opportunity to formulate a process to verify and audit the content of our sustainability reports. The BOD and senior management have approved the final content for this report, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report. We plan to seek independent review and assurance for our reports at the beginning of our second or third reporting cycle.

Contact Point

The point of contact for this report is our Chief Strategic Relations & Engagements Officer, Mr. Kamel Hussein and Head of the Sustainable Banking Department, Ms. Hiba Tantash. They can be reached at kamel.husseini@bankofpalestine.com and hiba.tantash@bankofpalestine.com. BOP looks forward to receiving feedback on this report from any and all interested stakeholders.



Our Sustainability Approach

Evolution

We have been conscious of the integral role that we play in Palestine's economy and society since our establishment. This has meant that we have been continuously evolving our approach to doing business in a manner that equally prioritizes financial returns and the welfare of our employees, customers, business partners, surrounding communities, and planet. Over the past two years, we have been working on re-thinking our approach to doing business and combining the different initiatives that we have already adopted into a solid and comprehensive sustainability mandate and strategy.

Our ESG contribution was, previously, regarded as a contribution we made towards society through our Corporate Social Responsibility (CSR) department. This is even though we had been adopting multiple other core-business related endeavors to enhance the social and environmental returns of our business activities. While we continue to dedicate up to 5% of our profits to community development projects, we are working on maximizing the socio-economic value we create through better management and planning of ESG risks and opportunities across our entire organization. In doing so, our understanding of sustainability has expanded to much more than "giving back" to society.

Today, we realize and operate from the stand point that our services are our core sustainability drivers and are an integral part of the design and implementation of our sustainability approach. We also aspire to maximize their positive economic, environmental, and social impacts and to mitigate the risks associated with them.

In other words, the impacts of our operations are multi-faceted as we provide job opportunities via our operations; foster the well-being of our staff members; support disadvantaged and marginalized communities across the country through our services and social investments; support the local economy; and leverage finance and investment operations to enhance the protection of the environment across Palestine.

Sustainability Governance at BOP

After re-conceptualizing our sustainability management framework, we upgraded our sustainability governance framework to reflect this shift. Specifically, we incorporated the following key changes:

Board-Level Sustainability Committee

We established a sustainability committee at the board level, which is responsible for overseeing the sustainability management function in the bank, monitoring sustainability performance, and approving sustainability strategies. It is also responsible for providing the bank with effective and timely feedback on its sustainability strategy and operations. This committee will also act as a vehicle for ensuring the proper discussion of sustainability affairs at the highest governance level in the bank.

Sustainable Banking Department

We revamped our CSR department into a full-fledged Sustainable Banking Department in 2021. The dedicated department is responsible for overseeing BOP's day-to-day sustainability activities, developing and implementing processes to monitor and improve our ESG performance across operational departments, including rallying the support of BOP's top management and board.

These changes guided the bank to develop and adopt its first sustainability strategy and issue its first sustainability report (this report). The new strategy conceptualizes the mission of the entire bank in terms of the bank's triple bottom line: economic, environmental, and social performance.

Strategy Formulation

We institutionalized a system to formulate and control our sustainability strategy, which involves conducting regular analysis of related performance areas and deploying effective mechanisms to set our ESG goals and objectives. The ultimate purpose of this new system is to optimize our shared value creation process.

Managing Risks

The Risk Management Policy of BOP is under the authority of the BOD, which is responsible for approving the bank's risk appetite and strategy and formally reviewing it annually or more often if required. The BOD delegates specific oversight of all risk management activities in the bank to the Board Risk Committee (BRC), however, ultimate responsibility for the bank's effective risk management and adherence to this policy rests with the BOD. The board formally reviews the Risk Management Framework and the bank's risk profile at least annually or as internal or external events may dictate.

As a commercial bank, we are exposed to a range of risks that can negatively impact our business, reputation, and ability to create value for our stakeholders. We, therefore, seek to identify, assess, and manage these risks proactively and responsibly. Credit risk is the first issue we are exposed to and can result from defaults on loans or deterioration in our borrowers' financial conditions. We can also experience loss from our day-to-day operations from errors, omissions, fraud, or other adverse events. These operational risks can also arise from non-compliance with laws and regulations. These risks can have a material impact on our business. We, therefore, seek to mitigate these risks through a combination of risk management practices and good governance. Moreover, political challenges often create hurdles for bank operations outside normal business risk. Despite these challenges, the bank remains resilient, agile, and adaptive to various political and operational challenges. BOP's possession of the oldest and largest banking network in Palestine has always enabled it to manage its operations and their continuity even under these exceptional circumstances.

Compliance

BOP adopts stringent risk management and governance structures, as stated above. Moreover, the bank manages an effective compliance department that follows the instructions of the Palestinian Monetary Authority. The purpose of our compliance department is to control the bank's performance, ensure that it follows regulations, and continuously monitor and report on the compliance of its various operations. This improves the bank's ability to identify potential problems and take prompt actions to address them. More information about our compliance and risk management frameworks are included in the next section on Governance.

Stakeholder Engagement

To ensure the alignment of our sustainable banking efforts with the needs and expectations of our stakeholders, we initiate regular engagement. This includes dialogue with shareholders, customers, employees, regulators, and civil society. We also seek to engage with our stakeholders through our website and social media channels, as discussed in the next section. In 2021, we reviewed and improved our mechanisms of stakeholder engagement regularly and will continue to do so in the future. Our stakeholder engagement mechanisms are discussed in more detail in the next section of the report.

Sustainability Reporting

We consider reporting to form a crucial part of our approach to sustainability as it allows us to engage with and stay accountable to our different stakeholders. We disclose our progress in meeting together with our overall business goals and targets in our annual report. We also publish a separate sustainability report (this report) that provides more detailed information on our sustainable banking practices.

Our Sustainability Strategy

In line with our commitment to sustainable banking practices, we have adopted a holistic approach to managing our social, economic, and environmental impacts. This approach is based on the following three pillars: integrated governance (our sustainability committee is chaired by a member of the board); sustainable business strategy (embedding ESG risks and targets into our business strategy); and sustainable business operations (promoting energy efficient solutions and re-organizing our services from the perspective of enhancing financial inclusion).

Our sustainability strategy is organized around the following five pillars:

Sustainability Governance within the Bank

Continuing to solidify ESG governance across the bank through instating a comprehensive sustainability strategy, integrating ESG KPIs into our business strategy, and digitalizing ESG data collection, among other key milestones.

Creating Shared Value

We aim to create shared value through the prioritization of green and inclusive growth as part and parcel of our business objectives and strategy, products and services, and approach to doing business. We are therefore committed to increasing access to banking services and products for all segments of society, including low-income individuals, women, people with disabilities, and small businesses. In parallel, we plan on continuing to launch products and services that facilitate more environmentally sustainable growth within the Palestinian economy. This includes reducing our ecological footprint by adopting energy-efficient technologies and practices, promoting the use of renewable energy, and financing projects that contribute to sustainable development. These include providing financing for renewable energy projects, green buildings, and environmental protection and supporting small businesses and women-owned enterprises.

Environmental Stewardship and Responsibility

In addition to facilitating green growth with our own products and services, we plan on enhancing our own responsibility by mitigating the impacts of our own operations. We strive to build an environmental monitoring and reporting system and to adopt international best practices and guidelines of relevance for managing environmental risks in banking operations.

Human Resource Management

Ensuring the continuous growth and development of our workforce; creating clear pathways for growth and development; and ensuring greater gender diversity and inclusion are our top priorities for the coming phase.

Social Investments

We aim to launch a focused social investment strategy that targets three priority sectors, while maintaining our essential engagement in crisis responses, health care and well-being, and entrepreneurship.

Sustainability Goals

To actualize our Sustainability Strategy, we have identified a set of goals and targets based on the identified pillars that we want to achieve by 2025. These include:

Table 2: Sustainability Goals

Area	Targets
ESG Governance	<ul style="list-style-type: none"> - Introduce a dedicated E&S Officer by 2022. - Include ESG KPIs in BOP's upcoming Strategic Plan (informed by a planning and strategizing workshop with our most senior executives) by 2022. - Digitize sustainability data by 2025.
Environmental Responsibility	<ul style="list-style-type: none"> - Introduce the required reporting systems and mechanisms to track energy, fuel, and water consumption rates by 2023. - Set and achieve resource use reduction targets for the year 2024, including: <ul style="list-style-type: none"> - 30% decrease in carbon emissions - 30% increase in reliance on renewable energy sources - 25% increase in water efficiency - 30% decrease in waste generated from operations
Product Responsibility	<ul style="list-style-type: none"> - Pilot and mainstream a supplier environmental & social (E&S) screening mechanism by 2024. - Pilot and mainstream a client/borrower E&S due diligence and screening mechanism by 2024. - Introduce at least 2 new shared value product / service streams by 2023.
Human Resource Management	<ul style="list-style-type: none"> - Conduct a comprehensive gender audit by 2023. - Introduce tailored women's leadership career advancement program by 2024.
Social Investments	<ul style="list-style-type: none"> - Launch a focused social investment strategy that focuses on three priority sectors by 2022.

Stakeholders

The term “stakeholder” can refer to any person or organization that has the potential to impact or be affected by our actions or is interested in our operation. They include but are not limited to customers, shareholders, regulatory authorities, workers, suppliers, and the communities in which we operate. At BOP, we believe it is our responsibility to address their needs and concerns as well as make every effort to include their interests in our decision-making process and management strategy. We aspire to develop positive relationships with our stakeholders based on trust, respect, and mutual understanding. We believe this is the best way to create long-term value for our shareholders while promoting the sustainable development of our business and the communities where we do business. Our commitment to addressing stakeholder concerns stems from our conviction that incorporating our stakeholders into our ESG management approach will positively impact our bottom line.

Engaging our Stakeholders

In 2021, we revised our stakeholder engagement strategies with different groups, considering their interests in our decision-making process, and communicating with them throughout the process. In addition, we developed a new mechanism for consulting with our stakeholders to identify our material topics and build our sustainability management approach. Our drive to involve our stakeholders also impacted our decision to communicate our sustainability performance to the broader public in accordance with GRI standards.

As illustrated in Figure 2, we implement three methods to involve our stakeholders in our sustainability decisions. First, we have established channels to engage with them regularly. Second, we have developed and implemented a consultation process to include them in determining our material topics and management approach. Last, we adopted a new strategy to report our performance to the broader public in accordance with GRI Sustainability Reporting Standards.

Stakeholder Engagement Mechanisms and Priorities

The following table summarizes the mechanisms and the frequency of engagement with each of our stakeholder groups. It also identifies gaps and lays out how we intend to augment these methods in the future.

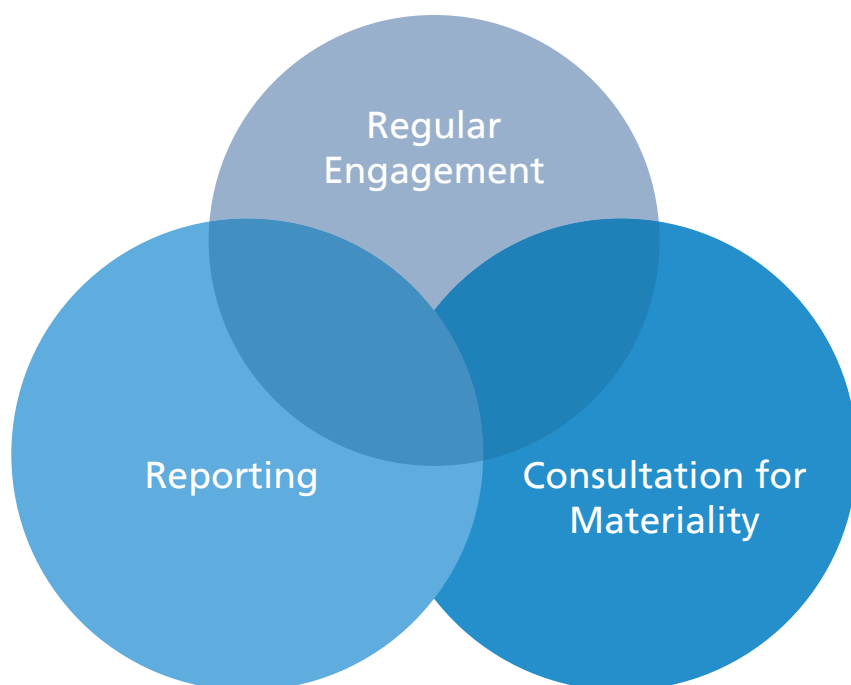


Figure 2: Our Stakeholder Engagement Approach

Table 3: Stakeholder Engagement Mechanisms & Priorities

Stakeholder Group	Modes of Engagement	Topics of Engagement	Frequency of Engagement	Key Insights & Needs	Future Plans
Shareholders	Earnings releases	Financial results	Quarterly	Continue to mainstream ESG within the organization	Instate a business strategy that mainstreams best ESG principles
	Phone calls	Updates on the bank and its operations	Per need during crisis or major developments	Continue to mitigate risks and manage growth while affording close attention to the ever- changing social, economic, and political realities in Palestine	
	Physical visits	Financial Results Management decisions	Annual		
	Annual General Meeting (AGM)				
Clients	Social media channels	Information on services	Daily, weekly, monthly, quarterly and/or as needed.	Enhance communication channels and the overall customer service experience.	Build a stronger presence on social media including LinkedIn and Facebook Conduct more formal customer surveys to continuously capture feedback and enhance performance
	Press releases	Business news			
	Ad campaigns	New products and services			
	Email circulars	New developments			
	Business WhatsApp				
	Complaints channels				

Stakeholder Group	Modes of Engagement	Topics of Engagement	Frequency of Engagement	Key Insights & Needs	Future Plans
Employees	Monthly bulletin	News about the BOP family	Daily, weekly, monthly, quarterly, annually and/or as needed.	<p>Ensure more clarity around career paths and salary scales</p> <p>Measure satisfaction annually</p> <p>Resume recreational events and health interventions which were interrupted by COVID-19, especially the distribution of healthy food</p>	<p>Introduce an innovation hub for employees</p> <p>Establish a leadership academy</p> <p>Revisit maternity leave and flexible work schemes</p> <p>Allow for rotation between departments</p> <p>Enhance the overall office environment</p>
	365 portal Yammer	News			
	Employee Facebook	Social and BOP-related news			
	WhatsApp groups	Emergencies			
	Email circulars	Management decisions; letters from the Chairman and CEO			
	Videos, face-to-face meetings, recreational events	Team building and continuous open communication			
	Employee satisfaction surveys	Measurement of satisfaction and capture of new ideas for enhancement			
Civil society organizations (CSOs); Local and surrounding communities	Meetings	<p>Social investment programs</p> <p>Emergency needs and crises</p>	<p>Ad hoc for new partners</p> <p>Systematic annual reviews with existing partners as governed by agreements</p>	<p>A more focused agenda driven by the newly instated sustainability strategy</p> <p>A more proactive approach to engagement</p>	<p>Zoom in on the financial inclusion of marginalized groups</p> <p>Further the creation of shared value</p>
	Calls				
	Partnerships with CSOs				
	Outreach from community				

Stakeholder Group	Modes of Engagement	Topics of Engagement	Frequency of Engagement	Key Insights & Needs	Future Plans
Palestinians in the diaspora	Emails	Updates on available services	Quarterly, annually and/or as needed		
		Updates on bank news			
	Circulars and letters	Updates on financial performance		Ensure more regular and consistent communication with members of the diaspora	Utilize of technology better to actively engage members of the diaspora
	Earnings releases	Solutions for issues and the provision of advice		Gather deeper business insights and provide new products accordingly	Initiate creative partnerships on sustainability, ESG and the transfer of know-how
	Phone calls				
	Roadshows; sponsorship of diaspora events and conventions	Networking visibility		Enhance the involvement of members of the diaspora in social investment programs	Develop new products for the diaspora
	Partnerships	Community support			

Stakeholder Group	Modes of Engagement	Topics of Engagement	Frequency of Engagement	Key Insights & Needs	Future Plans
Business Community	<p>Memberships in and engagement with business networks and associations</p> <p>Sponsoring events and conferences with the business community</p> <p>Thought leadership with local and international partners</p>	<p>Dialogue creation on issues impacting the Palestinian business sector</p> <p>Thought leadership to encourage and influence banking players to adopt international best practices</p>	<p>Annual events and needs-based engagements</p>	<p>Review relationships and dialogue priorities based on the newly instated sustainability strategy</p>	<p>Lead discussions with peers from the banking sector around the adoption and integration of sustainability within the banking sector</p>
Suppliers	<p>Face-to-face</p>	<p>General feedback and sustainability practices</p> <p>Publication of bids and award of services</p>	<p>As needed</p>	<p>The need to align procurement practices with ESG standards</p>	<p>Gradually adopt E&S supplier screening mechanisms</p>

Stakeholder Group	Modes of Engagement	Topics of Engagement	Frequency of Engagement	Key Insights & Needs	Future Plans
Government and regulators	Government	Lobbying to ensure policy issues affecting banks are friendly	Daily, weekly, monthly, quarterly, annually and/or as needed	Continue to influence other banks and financial players	Proactively act as a thought leader to influence the government and regulators towards furthering environmental, climate change and key material sustainability topics
	Regulators	Advocacy to change policies			
	Government agencies	Compliance with regulations		Continue to ensure the sector's alignment with the Sustainable Development Goals (SDGs)	
	International Agencies and Countries	Improvement of conditions and participation in economic initiatives		Continue to ensure a proactive presence	
		Establishment of relationships and partnerships to sustain BOP's contribution to economic development			

Memberships and Associations

We continuously engage industry peers through our membership in and engagement with multiple associations. We are a part of the Global Alliance for Banking on Values (GABV), a network of banks that are committed to delivering sustainable development. This movement is composed of banks that are dedicated to ensuring that their activities contribute to sustainable development. BOP was the first Arab bank to join this alliance.

We are signatories of Stakeholder Capitalism Charter of the World Economic Forum, we are also a member of the Middle East Investor Relations Association (MEIRA), the World Economic Forum, the Global Banking Alliance for Women, and the United Nations Global Compact (UNGC).

Our memberships in these networks allow us to participate in global dialogues about the role of banks in sustainable development. They also provide us with the opportunity to learn from the best practices of other international banks.



**Global Alliance for
Banking on Values**



**middle east
investor relations
association**



Materiality

As mandated by GRI standards, our material topics are those judged necessary for correctly representing our economic, environmental, and social impacts and those that affect our stakeholders' perceptions of our performance or can influence their related decisions. We define "impact" in this case as the effect that our activities may have, whether positive or negative, on the economy, the environment, society, and the potential of our operations for sustainable development. Accordingly, we regard a topic as material if it ranks highly in terms of economic, environmental, or social impact or significantly influences our stakeholders' sustainability decisions and perceptions.

Identifying material topics

We use a variety of methods to identify material topics, including:

-  analyzing the ESG risks and opportunities associated with our operations. This involves assessing how our activities could affect the economy, the environment, and society and the likelihood that such potential effects would occur;
-  reviewing our performance against global and sector-specific best practices. This helps us identify topics that may significantly impact our stakeholders' perceptions of our performance;
-  consulting with key stakeholders to identify issues that are important to them;
-  monitoring major events and developments that could impact our stakeholders or our business. This allows us to stay informed of potential material topics as they emerge, which played an instrumental role in guiding us to respond to the effects of the COVID-19 pandemic.

Our Material Topics

We identified several material topics through the methods identified above. These are summarized in the Materiality Matrix illustrated in the diagram below. The Materiality Matrix is a tool that we use to set the relative importance of each topic. We developed it by assigning a score to each topic based on the perceived magnitude of its potential impact from our perspective and that of our stakeholders. The scores are then weighted to prioritize topics with the highest scores, as illustrated in the figure. This approach allows us to focus our attention on the most important topics while also considering the likelihood that they will have an impact.

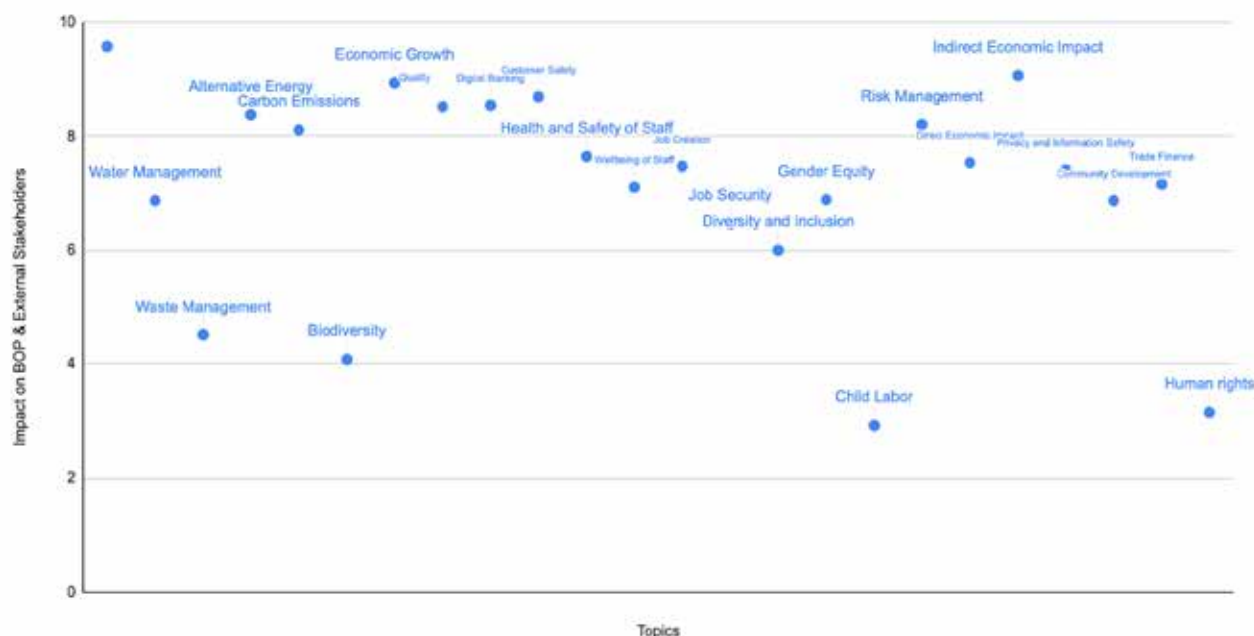


Figure 3: 2021 Materiality Matrix

Moreover, we follow the precautionary approach outlined in the Rio Declaration. We are therefore committed to implementing cost-effective steps to avoid environmental degradation when there is a potential danger of harm to the environment, even if we lack information on the nature or degree of that harm.

Governing Growth & Success

Effective sustainability management requires committed leadership, clear direction, the formulation of robust sustainability strategies across the entire bank, adoption of effective sustainability goals, enforcement of good ESG compliance and reporting processes, cultivation of excellent relations with external stakeholders, and assurance of ESG accountability wherever needed. Satisfying these requirements would not be possible without a solid corporate governance system. Good corporate governance provides the framework within which we operate to decide upon the best interests of the bank, our stakeholders, and society. The upcoming section provides an overview of governance at BOP.

Overview

We deploy the notion of “corporate governance” as a set of policies, systems, and processes for directing and controlling our business, including our relationships with our stakeholders. The main functions of our governance system are to:

- 🌱 ensure that our business is conducted in a manner that protects and enhances shareholder value;
- 🌱 promote the sustainable growth of the bank;

- ✍ foster transparency, accountability, and public trust;
- ✍ enable the bank to focus on its strategic objectives and business goals;
- ✍ provide an oversight mechanism for how we operate; and
- ✍ help us manage risk effectively.

To exercise our responsibilities as a sustainable and responsible business, we have implemented an effective governance system designed to direct the bank towards yielding the best financial results possible while meeting our sustainability objectives and commitments. This system is deployed over four tiers, as illustrated in the Figure 4.

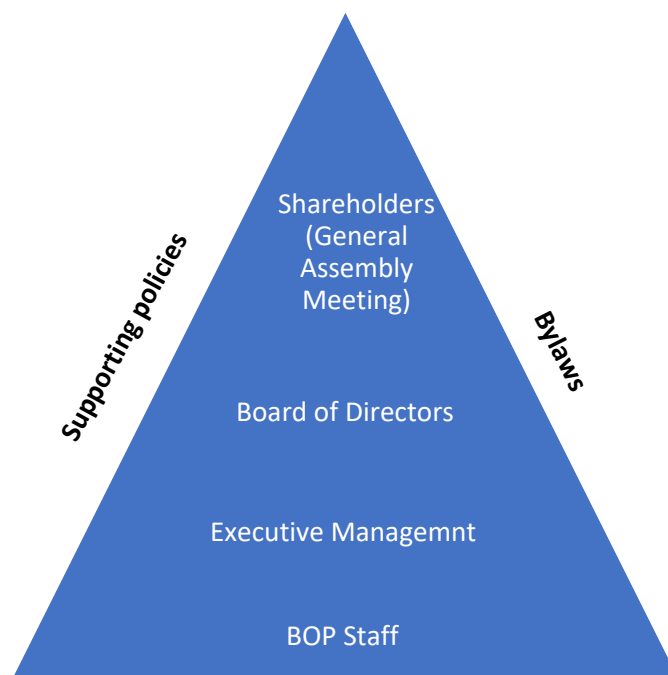


Figure 4: BOP Governance System

Tier 1 – Our shareholders are the ultimate decision-makers in our company. Accordingly, they reside at the highest level of our governance system. Our Annual General Meeting (AGM) is the institutional set-up that brings them together to articulate their concerns and vote on the issues at hand. The AGM is convened once a year for the purpose of among other things, electing the Board of Directors (BOD) and approving the annual report, financial statements, and plans for the future.

Tier 2 – Our BOD occupies the second tier of our governance hierarchy. Our board is the institution through which BOP deploys shareholder oversight of the entire bank. It oversees and governs bank strategies and policies, approves all major transactions, and is responsible for ensuring that the bank complies with internal rules and relevant external regulations and applicable laws.

Tier 3 – BOP has recruited able executives to manage the bank's regular operations. At this level, our CEO and Executive Committee (EC) are responsible for ensuring the effective deployment of our day-to-day operations. The EC consists of our senior managers, all reporting to the CEO. The EC also reports to the BOD, but on a less regular basis. Our governance system also includes various committees supporting and advising the BOD, the CEO, and the EC on specific matters.

Tier 4 – BOP staff report through clear lines of responsibility as per our organizational structure to ensure effective operations, transparency and compliance with policies and bylaws. For more detail, please refer to the section "Our People".

Our corporate bylaws are formalized in our "Code of Corporate Governance," which acts as a constitution for our company and governs how our BOD is elected, operates, and is maintained. It also sets regulations to ensure the fairness, accountability, and transparency of the board's actions and how it manages its oversight function (please refer to the next section for additional details). We have also developed and adopted multiple policies and procedures to align our different governance instruments and ensure they work effectively towards BOP's strategic goals.

Our Charter: Code of Corporate Governance

BOP's "Code of Corporate Governance" provides bylaws that lay out the bank's key governance policies. It is reviewed and updated at least once every three years by the BOD, with the most recent update in December 2020. Key policy instruments governed by our bylaws include the composition, election, roles, and responsibilities of the BOD; committees and meeting frequencies for the BOD; the Annual General Meeting; risk management; internal controls; and disclosure and transparency mechanism.

In adopting this code, BOP confirms its commitment to demonstrably promote and implements good governance throughout the bank's departments and activities. To encourage the trust of our stakeholders, our code not only satisfies the regulatory requirements of the Palestine Capital Markets Authority (PCMA) and the Palestinian Monetary Authority (PMA), but it also incorporates globally accepted corporate governance ideas and practices.

Core Governance Principles

BOP's corporate governance framework is broadly based on the following principles, which form part of our bylaws.

Accountability

Our bylaws were designed to ensure accountability of the BOD and senior management to our shareholders. The board is responsible for guiding BOP to achieve its goals and is accountable to the shareholders for this guidance. Likewise, our executive management team is accountable to the board, and by extension, the shareholders, for BOP's day-to-day performance. Given that accountability is a material topic for our governance function, our bylaws include articles to strengthen the sense of accountability throughout the bank, including but not limited to:

- ✍ requiring the board to hold at least four regular meetings each year (with additional special meetings as needed) and to document the proceedings of these meetings;
- ✍ regulating the communication between the board and the general assembly;
- ✍ requiring the board to establish committees to oversee the audit and governance functions;
- ✍ defining a code of conduct for the BOD and the executive officers, setting out the standards by which they are expected to perform their duties while avoiding conflict of interest.

Fairness & Equity

BOP obligates itself to protect shareholder rights and ensure the equitable treatment of all shareholders, including minority shareholders. Our bylaws ensure that all shareholders are granted effective redress for any potential violation of their rights through the board.

Transparency

BOP is committed to ensuring timely and accurate disclosure on all material matters, including the bank's financial results, market performance, ownership, and, recently, ESG performance. BOP strives to disclose these issues in a manner that is easily accessible to all interested parties through mass distribution lists.

Responsibility

BOP recognizes the rights of other stakeholders as established by laws and regulations and encourages cooperation between the bank and its stakeholders in creating a sustainable and financially rewarding enterprise.

Respect for Human Rights

BOP obligates itself to respect human rights as a core value and adopts a zero-tolerance strategy toward any form of human rights violation.

Integrity & Ethical Behavior

BOP is committed to the highest ethical conduct and integrity standards in all its dealings, including with shareholders, employees, customers, suppliers, and other business partners.

Ownership & Legal Form

BOP is a public joint-stock company incorporated in Palestine. BOP's stocks are listed on the Palestine Stock Exchange and are subject to its listing requirements, which are based, in turn, on international best practices. The bank has issued 217,433,527 shares with a par value of USD 1.00, of which 79.4% were freely tradable as of December 31, 2021. The per-share closing price on December 31, 2021, was USD 2.00.

In 2021, there were 4,708 stockholders, up from 4,660 in 2020. BOP's largest shareholder, Al Muhalab Kuwaiti Real-estate Company, held 15,538,907 shares at the start of 2021, up from 15,181,997 shares a year earlier. However, despite increasing its BOP holdings between 2020 and 2021, Al Muhalab's ownership percentage decreased from 7.3% in 2020 to 7.15% in 2021. FISEA, the French Development Agency's (AFD) Investment Fund, operated by Proparco, acquired 3.14% of BOP's shares in 2021 and is now regarded as a strategic shareholder in BOP.

Local entities hold approximately 64.88% of BOP's shares compared to 35.12 % owned by entities outside Palestine. Similarly, 61.41% of the bank's shares are held by individuals, compared to 38.59% by institutions.

BOP stock ownership is, therefore, spread across many small shareholdings. The top five shareholders together hold only 22.62% of bank shares. No shareholder other than Al Muhalab has more than 5% of BOP's stock. This diffusion of ownership rights helps protect the bank from undue influence and ensures that its decisions are made in the best interest of all shareholders. Accordingly, the BOP ownership structure supports the bank's mission to serve all shareholders equally. Likewise, no external entity has direct or indirect control over the company, and no supplier or major customer locally or abroad constitutes 10% or more of BOP's total purchases or sales. BOP is, therefore, organized to pursue only the best interest of its shareholders, including the holders of the smallest shares.

Moreover, BOP's bylaws ensure that all shareholders have the right to provide input as to governance and are entitled to the earned profits of the bank. In conformance with the stipulations of BOP's Articles of Association, the bank has institutionalized a system of registering shareholder complaints and ensuring that they are discussed and solved effectively. No issues were raised or referred to by any of the shareholders during 2021.

The Board of Directors











Our board is headed by a non-executive chairman, elected by the members of the BOD. The bylaws require the board to meet at least four times a year to discuss strategy, performance, risks, compliance, sustainability, and other matters that the board deems essential. In 2021, nine BOD meetings were held.












The chairman leads the board and is responsible for its effectiveness, assisted in this task by a non-executive director who acts as the board's deputy chairman. The deputy chairman is also elected by the BOD.

The board organizes itself into several standing committees, discussed in more detail below. BOP's bylaws regulate the roles and responsibilities of these committees to ensure that they play their role effectively. The board also has the right to form ad hoc committees when needed. Managing the bank's day-to-day activities is the responsibility of the executive team, headed by BOP's CEO.

Responsibilities of the Board







The responsibilities of the BOD are to:

-  ensure the development and execution of business strategies aligned with BOP's purpose and mission;
-  review, approve, and monitor the bank's long-term strategic objectives and business plans set by executive management;
-  monitor the overall performance of the bank and its progress towards its strategic objectives;
-  ensure the bank has adequate resources to pursue its business strategies;
-  assess the major risks that BOP faces and the actions taken by the executive management to monitor, control, and mitigate these risks;
-  set the level of 'risk appetite' for the bank and ensure the prevalence of a risk management culture throughout the organization;
-  oversee the integrity of the financial statements and ensure compliance with legal and regulatory requirements;
-  ensure the appointment of an able and independent external auditor;
-  establish an able and independent internal audit function;
-  review and approve major business transactions, including significant credit decisions, capital allocations, and major expenditures, in line with the approved policies;

-  oversee the investment and financing activities of the bank and its human resource policies;
-  select, develop, and evaluate potential candidates for senior management positions and approve the succession plan of senior executive officers;
-  oversee the governance system of the bank and ensure its effectiveness and compliance with approved policies and provisions;
-  nominate candidates for the position of director to the shareholders;
-  determine remuneration policies for the BOD and senior executives;
-  evaluate the overall performance and effectiveness of the board and its members and take corrective actions as needed;
-  ensure compliance with laws, regulations, codes of conduct, and ethical standards;
-  protect the bank's reputation and safeguard its assets;
-  maintain relations with shareholders, strive to protect their rights, and ensure that shareholder meetings follow applicable laws and regulations;
-  ensure stakeholder interests are considered, and the bank conducts its business in a socially responsible manner to the maximum extent practical; and
-  oversee the work of the Anti-Money Laundering (AML) Department through the Audit Committee

Responsibilities of the Chairman

The responsibilities of the chairman are to:

-  lead the board and its committees in carrying out their duties in an effective manner;
-  ensure that the board has access to accurate, timely, and relevant information;
-  encourage constructive shareholder engagement;
-  oversee the evaluation of the BOD's performance and that of its members at least once a year;
-  determine the agenda of the board's meetings, preside over these meetings, and ensure that the minutes are properly documented; and
-  guide the board in electing a deputy chairman.

Responsibilities of the Deputy Chairman

The responsibilities of the deputy chairman are to:

✍ assist the chairman in leading the board and its committees; and

✍ fill in for the chairman in case of absence.

Members of the Board

Our Code of Corporate Governance specifies that the bank shall be governed by a BOD composed of 7 to 13 members. It also sets out the mechanism for electing them, defines their roles and responsibilities, and identifies the mechanisms by which they shall report to and communicate with the shareholders.

Today, the BOD of the Bank of Palestine is composed of nine members, including three women. BOP is committed to achieving gender equality at all levels of management and aspires to improve the rate of women's participation on the board. Following is a list of our board members and their affiliations.

1. Mr. Hashim Shawa: Chairman

2. Mr. Maher Farah: Deputy Chairman

3. Mrs. Lana Abu Hijleh: Member | Small Shareholder Representative

4. Prof. Dr. Hani Nigim: Member

5. Mr. Abdullah Al-Ghanim: Member | Representative of Al-Muhalab Real Estate Company

6. Mr. Tarek Al Aggad: Member | Representative of the Arab Palestinian Investment Company (APIC)

7. Dr. Tafeeda Jarbawi: Member

8. Mrs. Maha Awad: Member

9. Mr. Eric Shehadeh: Member

Our board is composed of highly qualified and experienced professionals from various fields. We believe this diversity enriches our board's deliberations and helps us better serve our stakeholders. Likewise, 33% of our board members are women, reflecting our commitment to gender equality. Finally, eight of our board members are Palestinian, underscoring our commitment to providing our people with leadership positions in our business. Members from the region and the diaspora provide diversity of experience and provide networking opportunities with regional banks, investors, and development organizations.

Board Committees

Our board is organized into the following five committees:

1. **Audit Committee**
2. **Risk and Compliance Committee**
3. **The Executive Committee**
4. **The Human Resources and Governance Committee**
5. **The Sustainability Committee**

These committees play an essential role in overseeing management performance, ensuring that business is conducted responsibly and ethically, and enabling us to make better and more focused decisions and operate more efficiently.

The Audit Committee

Committee members: Mrs. Lana Abu Hijleh – Chairwoman; Mrs. Maha Awad – Member; Mr. Eric Shehadeh – Member

The purpose of the audit committee is to oversee the financial control function in the bank, govern the work of the internal and external auditors, and ensure the preparation of accurate and transparent financial statements for the bank following applicable standards and regulations.

The Risk and Compliance Committee

Committee members: Mr. Eric Shehadeh – Chairman; Mrs. Lana Abu Hijleh – Member; Mr. Hani Nigim – Member

The purpose of the risk committee is to govern the processes for managing risk throughout the bank to ensure that the bank has a practical risk management framework in place. The committee also oversees the bank's compliance with all applicable laws and regulations, including internal policies, and ensures that the bank has an effective compliance management system.

The Executive Committee

Committee members: Mr. Hashim Shawa – Chairman; Mr. Maher Farah – Member; Mr. Abdullah Al-Ghanim – Member; Mr. Tarek Al-Aggad – Member

The EC is responsible for overseeing bank operations to guarantee business continuity and the attainment of the bank's strategic goals. It exerts direct oversight over the primary duties and responsibilities of asset and liability management; budgets; capital sufficiency; mergers and acquisitions; foreign exchanges; and decisions to enter new markets.

The Human Resources & Governance Committee

Committee members: Dr. Hani Nigim – Chairman; Dr. Tafeeda Jarbawi – Member; Mr. Eric Shehadeh – Member

The purpose of the human resources committee is to oversee the bank's human resources policies and practices and to ensure that these are aligned with the bank's business strategy. The committee is also responsible for ensuring that the bank has an effective system in place for succession planning and management development. The committee is also responsible for checks and balances within the bank, including the limits to management powers at different levels. Moreover, the committee strives to ensure that top executives and board members avoid conflict of interest.

The Sustainability Committee

Committee members: Dr. Tafeeda -Jarbawi – Chairwoman; Mr. Hashim Shawa – Member; Mrs. Lana Abu Hijleh – Member

BOP established this committee in 2021 to develop and oversee the implementation of the sustainability strategy. The committee is responsible for setting goals and targets, monitoring progress, and reporting to the board on a regular basis. It is also responsible for ensuring that staff are adequately educated on sustainability management topics relevant to their work and for steering our organizational culture in a more sustainable direction.

Stocks Owned by Directors

The members of the BOD own roughly 4–5% of total shares, the largest portion of which belongs to Mr. Hashim Shawa, the Chairman of the Board. The table below lists the shares owned by each board member.

Table 4: Stock Ownership – BOD Members, 2020–2021

Member of the Board	Number of Shares			Percentage Ownership		
	2019	2020	2021	2019	2020	2021
Hashim Shawa	7,644,527	7,797,417	8,625,391	3.74%	3.75%	3.97%
Maher J. Farah	954,537	723,627	630,863	0.47%	0.35%	0.29%
Hani H. M. Nigim	221,340	225,766	228,023	0.10%	0.11%	0.10%
Tarek Aggad	25,801	26,317	26,580	0.01%	0.01%	0.01%
Lana Jamal Abu Hijleh	28,372	28,939	59,228	0.01%	0.01%	0.03%
Abdullah Al-Ghanim	24,182	24,665	27,794	0.01%	0.01%	0.01%
Maha Subhi Awad	50,000	72,975	123,704	0.02%	0.04%	0.06%
Tafeeda Jarbawi	150,000	153,000	254,530	0.07%	0.07%	0.12%
Emad Eric Shehadeh	--	20,218	556,175	--	0.01%	0.26%
Total	9,098,759	9,072,924	10,532,288	4.4%	4.4%	4.9%

Likewise, some first-degree relatives of BOD members have maintained shares in the bank. The table below lists these shares, which amounted to roughly 8% during 2019 and 2020. In total, BOD members and their first-degree relatives own roughly 12–13% of total shares.

Table 5: Stock Ownership – First-degree Relatives of BOD Members, 2020–2021

Name of First Degree Relative	Number of Shares			Percentage Ownership		
	2019	2020	2021	2019	2020	2021
Huda Hani Shawa	5,770,916	5,886,334	5,945,197	2.82%	2.83%	2.74%
Dina Hani Shawa	2,258,548	2,258,548	2,258,548	1.10%	1.09%	1.04%
Linda Patrick Shawa	1,516,311	1,546,637	1,565,103	0.74%	0.74%	0.72%
Bernardita Vigano Shawa	152,296	155,341	156,894	0.07%	0.07%	0.07%
Nabeel Hani Qaddoumi	3,232,105	3,296,747	3,329,714	1.58%	1.59%	1.53%
Yasmeen Nabil Qaddoumi	1,512,407	1,542,655	1,558,081	0.74%	0.74%	0.72%
Laila Nabil Qaddoumi	1,522,625	1,553,077	1,568,607	0.74%	0.75%	0.72%
Omar Baheig	96,384	143,481	101,434	0.05%	0.07%	0.05%
Genevieve Boimond	201,270	455,295	559,847	0.10%	0.22%	0.26%
Total	16,262,862	16,838,115	17,043,425	7.96%	8.10%	7.84%

Lastly, the shares owned by BOP executives were less than 1% in total.

Transparency & Accountability within BOP


At the Board level, BOP bylaws require board members to act in good faith, with due care, and in the best interest of the company and its shareholders—not in the interests of any particular shareholder—based on all relevant information. At the same time, every director must uphold the bylaws fully.







The board's composition (competencies, skills, and appropriate mix) is such that it is adequate for oversight of duties, the development of the company's direction and strategy, and the company's equity vision. Each board member must have the experience, knowledge, qualifications, expertise, and integrity necessary to effectively discharge board duties and enhance the board's ability to serve the long-term interests of the company and its shareholders.

To ensure the impartiality of decisions and maintain the balance of interests among various groups of shareholders, the Code of Governance requires at least 25% of the members to be independent directors. Furthermore, to ensure effectiveness and the ability of the directors to discharge their duties properly, the code also requires the board to meet according to a fixed schedule, no less than six times a year.

Supporting Policies & Procedures

In addition to the bylaws, BOP also adopts several policies and procedures that guide management on how to implement bylaw provisions and follow good governance best practices. The following is a non-exhaustive list of these policies and procedures:

-  **nomination and Remuneration Policy:** this policy sets out the criteria and processes for nominating and remunerating directors, as well as the procedure for setting the compensation of the CEO and other members of senior management.
-  **disclosure Policy:** this policy sets out BOP's commitment to disclose accurate and timely information to shareholders and potential investors and treat all shareholders fairly and equitably.

-  evaluate the overall performance and effectiveness of the board and its members and take corrective actions as needed;
-  ensure compliance with laws, regulations, codes of conduct, and ethical standards;
-  protect the bank's reputation and safeguard its assets;
-  maintain relations with shareholders, strive to protect their rights, and ensure that shareholder meetings follow applicable laws and regulations;
-  ensure stakeholder interests are considered, and the bank conducts its business in a socially responsible manner to the maximum extent practical; and
-  oversee the work of the Anti-Money Laundering (AML) Department through the Audit Committee.

Management Control Practices

BOP places great importance on its management control framework to ensure that its operations are conducted soundly. Its BOD is also responsible for establishing effective internal control systems, which include developing a comprehensive risk management system and adopting control measures such as:

- ✎ establishing the Audit Committee to control the executive functions of the company;
- ✎ establishing the Internal Audit and Inspection Department that reports to the board on the effectiveness of the company's internal controls;
- ✎ establishing an active compliance department to ensure adherence to all applicable laws and internal codes and policies; and
- ✎ engaging a publicly recognized and licensed auditing firm, which is also fully independent of the company, the company's management, and major shareholders.

Addressing Conflicts of Interest

All BOP directors and employees are expected to always act ethically and to acknowledge their adherence to the BOP Code of Ethics. A potential conflict of interest may exist when the company seeks to enter a transaction with a related party. When such a conflict exists, the bylaws require members of the board and the management to disclose information about any potential conflict of interest to the board and to abstain from deliberating and voting on such issues. The bylaws identify the Audit Committee as the entity responsible for managing and resolving any such conflicts and lay out the procedure for doing so.

Unless required to do so by law, no board member or employee is allowed—during his or her membership on the board or afterward—to disclose any information of a confidential nature regarding the business of the company and/or any companies in which it holds a stake, that came to his or her knowledge in the capacity of his or her work for BOP and which he/she knows or should know to be of a confidential nature. A board member is also forbidden from using such confidential information for his or her benefit.

BOP also strives to maintain a high standard of corporate transparency to its shareholders and stakeholders, including timely and accurate information disclosure. BOP's policy is to disclose all material information, including the financial situation, performance, ownership, and the governance structure of the company to its shareholders and the broader public as appropriate.

Moreover, the bank is also committed to publishing a comprehensive annual report that includes a corporate governance section and strives to disclose its corporate governance practices, corporate events calendar, and other material information on its internet site. The Annual Report will be sent to all shareholders at their registered email address with an invitation to attend the Annual General Meeting. These reports will also be available electronically on the website.

Remuneration Policies

The board's HR and Corporate Governance Committee is responsible for overseeing the director remuneration policy for the bank. The remuneration policy is set to attract, motivate, reward, and retain directors of high integrity and superior ability to focus on enhancing and maintaining the long-term shareholder value without jeopardizing a director's independence or encouraging unjustified short-term risk-taking.

Article no. (56) of the bank's bylaw stipulates that 5% of the Banks' annual net income shall be distributed to the members of the Board of Directors. Actual bonuses distributed were 3.57%, 2.54%, and 1.7% of profit for 2020, 2019, 2021 respectively. Following are the details of the Board of Director remuneration for December 31, 2020, 2019, and 2021.

Table 6: Remuneration of BOD Members, 2019–2021 (USD)

	2019	2020	2021
Hashim Hani Shawwa	94,787	80,000	108,659
Hani Hasan Nigim	94,787	80,000	108,659
Maher Jawad Farah	94,787	80,000	108,659
Abdullah Al-Ghanim	94,787	62,222	96,586
Lana Abu Hijleh	94,787	80,000	108,659
Maha Awad	94,787	80,000	108,659
Tariq Aggad	84,255	80,000	84,514
Tafeeda Jarbawi	10,534	80,000	108,659
Erik Shehadeh	-	35,556	108,659
Total	663,511	657,778	941,713

Our remuneration system is based on all board members receiving the same compensation, regardless of age, gender, or nationality. In 2021, the compensation was set at USD 108,659. The difference in pay shown in the table is the result of the difference in the participation of each member. In total, 9 BOD meeting sessions were held in 2021, in addition to committee meetings to carry out the tasks entrusted to the members as stated in the Code of Governance and the bank's internal procedures. However, not all directors were able to attend all sessions, and thus the compensation varied among them.

The average salary and bonuses for executive managers is now based on a KPI metric and is provided based on meeting these KPIs. This measurement system allows fairness and reward to executives who achieve certain KPIs. Executives also enjoy credit facilities but this is done in a way that does not exceed their financial abilities and is governed by a Debt Burden Ratio (DBR) of not more than 50% of salary.

Regulatory Entities & Requirements

From a legal and regulatory perspective, the bank is directly governed by the regulations and frameworks maintained by the Palestine Capital Markets Authority (PCMA) and the Palestinian Monetary Authority (PMA). Thus, BOP is obliged to operate in strict compliance with ATMAML policies per the stipulations of the Palestinian AML and CTF laws. In addition, BOP also adheres to international AML, CTF, and banking recommendations and frameworks such as FATF 40, Basel Guidelines for AML and CTF, Wolfsburg Principles, and implements know your client (KYC) and customer due diligence (CDD) measures.

BOP is also obliged to observe all banking regulations set by the PMA and the general regulations for managing companies listed in the stock market as set by the PCMA, including financial disclosure regulations.

The bank enjoys excellent relationships with the regulatory bodies mentioned, the Palestinian Government in general, most of Palestine's large corporations, and donor organizations operating in Palestine. However, the bank does not have any governmental protection rights, nor does it enjoy any special privilege by law or any other means.

Legal Actions

The number of cases brought against the bank and its subsidiaries amounted to (248) and (206) cases as of December 31, 2021, and 2020, respectively. These cases are within the bank's normal activities. The value of the cases amounted to the equivalent of USD 366,672.69 and USD 846,469.62 as of December 31, 2021, and 2020, respectively. The bank's management and lawyers are of the opinion that the bank will not have any obligations to meet these demands except for what has already been allocated to handle them. None of those legal actions are related to anti-competitive behavior, anti-trust, and monopoly practices.

Auditors

The 2021 financial report and statements are included in Annex 2 and were audited by Ernst & Young.

Economic Impact

At the Bank of Palestine Group (BOPG), we recognize that our long-term success is inextricably linked to the prosperity of the economy in which we operate. As such, we have an active role in promoting sustainable economic development through our business activities and giving back to our communities. Our most felt impact is in the real economy, supporting productive economic activity versus consumerism.

We principally contribute to the economy via our banking services, which are our most important value-creation tools. They create better financial returns for our shareholders while generating substantial economic value for our stakeholders by enabling economic and commercial transactions, supporting small and medium enterprises (SMEs), corporate and retail customers, and supporting economic development.

Like most banks, BOPG engages in standard retail and business banking operations, serving individual customers and business clients of all sizes (micro, small, and medium-sized companies, and large corporations, including Palestine's largest). Our core services include, but are not limited to providing bank accounts, transfers, check-related services, digital banking, and card services.

The banking group also provides different types of credit facilities and trade finance services to Palestinian companies, in addition to tailored loans and electronic payment and transfer services to both businesses and individuals. Our trade financing services help large corporations maintain a healthy trading position inside Palestine and globally. Additionally, our electronic payment systems have facilitated vast trade transactions for small and micro businesses and individuals and were particularly beneficial during the COVID closures.

Overall, our services offer many benefits to the economy. They secure people's savings, maintain the value of these savings, and fund business enterprises to start, grow, and maintain their day-to-day operations. They also promote increased efficiency and transparency of commercial transactions, greater financial inclusion, and a deeper and more sophisticated financial system. Moreover, they reduce costs associated with cash transactions and increase access to financing. These factors combine to stimulate economic activity and growth.

Following the GRI Standards, we categorize the effects of our services as indirect economic impacts, which, as previously stated, we consider essential for economic development and employment generation. Our direct economic impact, albeit less substantial than our indirect economic impact, is nevertheless considerable: we produce substantial income for our suppliers, employees, and shareholders; contribute to the government's budget via our tax payments; and invest in areas where we can have the most impact.

2017–2021: Five Years of Growth

Despite the many challenges imposed by the COVID-19 pandemic, BOPG has continued to expand its client base in 2021 with an 8% increase from 896,592 to 969,064 customers. We proudly continue to be Palestine's largest banking group and are diligently working towards our goal of serving one million customers by 2025.

Table 7: BOPG Customer Growth, 2017–2021

Year	2017	2018	2019	2020	2021
Number of Customers	785,181	744,783	830,845	896,592	969,064

Similarly, BOPG controlled a 31.2% stake of total bank assets in Palestine (BOP accounts for roughly 22.9% while AIB accounts for 8.3%). As indicated in the below table, the group has continuously owned around 30% of all banking assets over the last five years, demonstrating its capacity to protect its leading position against all forms of risks and obstacles, including those presented by the COVID-19 outbreak.

Table 8: Changes in BOPG Assets, 2017–2021 (USD)

Year	2017	2018	2019	2020	2021
Banking Sector	15,472,566,496	15,637,763,079	17,347,170,110	19,235,659,589	20,884,891,756
BOPG	4,884,822,851	4,657,182,978	5,264,944,640	5,809,809,988	6,508,221,806
Our Market Share	31.6%	29.8%	30.4%	30.2%	31.2%

Since 2005, BOP's shares have been listed on the Palestinian Stock Exchange (PEX: BOP). BOP is the largest bank in Palestine and BOPG is one of the largest private companies in the country with a market value representing 9.7% of the PEX. BOPG's paid-up capital and equity value are the largest in the Palestinian banking sector, with USD 217,433,527 and USD 496,099,427, respectively (in 2021). BOP employs 1,745 employees, the largest workforce in the Palestinian banking sector.

Table 9: Changes in BOPG's Equity, Paid-Up Capital & Number of Employees, 2017–2021 (USD)

	2017	2018	2019	2020	2021
Owners' Equity	449,961,687	416,380,548	430,664,193	433,520,671	496,099,429
Paid Up Capital	200,000,000	200,000,000	204,000,000	208,080,000	217,433,527
BOPG Employees	2,239	2,318	2,375	2,447	2,477
BOP Employees	1,705	1,728	1,731	1,749	1,745

Similarly, BOPG deposits (deposits at BOP and AIB) increased by 8.9%, from USD 4.8 billion to USD 5.3 billion, while its credit facilities increased by 5.4%, from USD 3.27 billion to USD 3.45 billion over the past five years. As a result, BOPG currently dominates both sectors, with market shares of 32.12% for deposits (BOP accounts for 23.52% while AIB accounts for 8.6%) and 33.44% for credit (BOP accounts for 23.64% while AIB accounts for 9.8%), respectively.

Table 10: Changes in BOPG Deposits & Credit Facilities, 2017–2021 (in USD)^I

	2017	2018	2020	2019	2021
Deposits: Sector Total	11.97	12.23	13.38	15.14	16.52
Deposits: Our Group	3.77	3.74	4.12	4.83	5.31
Our Market Share (Deposits)	31.5%	30.5%	30.7%	31.9%	32.1%
Credit Facilities: Sector Total	8.03	8.44	9.04	10.08	10.33
Credit Facilities: Our Group	2.55	2.78	2.98	3.27	3.45
Our Market Share (Credit)	31.8%	33.0%	33.0%	32.4%	33.4%

Over the previous decade, BOPG's exceptional success has allowed it to retain strong profitability for its stockholders, resulting in USD 56.3 in net profits in 2021. The following table shows the price-to-earnings ratio of the bank over the previous five years. As demonstrated, except for 2019 and 2020, BOPG has consistently maintained a solid price-to-earnings (P/E) ratio. The COVID-19 downturn pushed the ratios down in 2019 and 2020, but they rebounded to their average level in 2021 as the economy recovered from the pandemic.

Table 11: BOP Profit Payout, 2017–2021 (USD)

	2017	2018	2019	2020	2021
Share Price	2.65	2.32	2.00	1.65	2.00
Dividends Percent	50%	50%	52%	46%	46%
Earnings per Share	0.25	0.25	0.16	0.10	0.23
P/E Ratio	10.6	9.28	12.5	16.5	8.7

BOP is classified as a bank of regulatory importance per the Palestine Monetary Authority (PMA) regulations based on its size, economic effect, and overall performance. This indicates that our activities are large enough to affect the economy's performance. Consequently, we continuously hold ourselves to stricter prudential scrutiny and regulation than other banks in the country. We also attempt to connect closely with the financial authorities to align our strategies with their plans.

^I Values provided are for the entire group, including the deposits and credit facilities of BOP and Arab Islamic Bank, both subsidiaries of the Bank of Palestine Group.

Table 12: Distribution of BOPG Domestic & Foreign Revenues & Assets, 2020–2021 (Mil USD)

Items	Domestic USD mil			Foreign USD mil			Total USD mil		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Gross Revenues	299.05	262.5	268.3	17.5	16.1	18.3	316.6	278.6	286.6
Total Assets	5587.5	4796.4	4671	920.6	1013.4	593.9	6508	5809	5264.9
Capital Expenditures	12.4	15.8	14.9	---	---	---	12.4	15.8	14.9

The bulk of BOPG's revenues and capital expenditures is produced and incurred within Palestine, as indicated in the table above.

Growth Outlook

Currently, there are only 379 bank branches across Palestine, serving a rapidly growing population of 5 million. The number of branches in Palestine would need to double to meet the financial needs of the present population. In addition, approximately 60% of Palestinians do not have bank accounts which is also illustrative of the growth potential of the country's banking sector. Growth does not mean only the expansion of our physical footprint; it can also be achieved by acquisition of customers through digital banking, thus helping us reduce our carbon footprint.

We are confident in our growth potential, especially within the Palestinian banking sector, and the substantial opportunities to offer financially inclusive and innovative services. We are also confident that our associated competencies will enable us to grow and continue to lead the Palestinian banking industry as a group.

Moving forward, it is likely that our subsidiaries in the financial sector (AIB, PalPay and Al-Wasata Securities) will also become more integrated. AIB, for instance, has a large client base in the Islamic Sharia market which complements BOP's activities and addresses a market BOP had not yet tapped. On the other hand, BOP has an advantage in that it can deliver new digital banking products because of PalPay's status as the largest e-payment provider. Likewise, Al-Wasata's brokerage services complement BOP's financial activities acting as the investment banking arm of the bank.

Diversification has enabled the BOPG to become one of Palestine's most renowned banking organizations and has enhanced our stability by reducing risks and increasing growth potential. Our organization will continue to prioritize diversification as a strategy to maintain our leadership over the banking industry in Palestine.

Products & Services

Bank Accounts

BOP offers a variety of account types. Our clients can choose from current, savings, special-purpose, and business accounts. Our account holders have access to many benefits, including the ability to deposit, withdraw, obtain Debit Cards (ATM cards), initiate and receive transfers, issue check books and write checks. Furthermore, our clients have the option to manage transactions through the online banking service, or our mobile banking application "Banke." Digital services can be used to pay and collect bills electronically, conduct business, and manage trade transactions.

Exclusion from the formal financial sector is known to perpetuate poverty and limit economic growth. Unbanked individuals are often forced to engage in economic activity using informal financial services which often come at higher costs and are riskier. As part of our commitment to sustainability, our management took a stance that stipulates having a bank account as a fundamental right for all Palestinian citizens. This strategy is likely to extend access to more unbanked people and encourage financial inclusion, a key foundation of sustainable economic growth. This program will be discussed in greater detail throughout the following sections.

Volume of Accounts

The following table illustrates the growth of our account volume from 2017 to 2021. To simplify the discussion, it categorizes all BOP accounts into current and savings.

Table 13: BOPG Accounts 2020–2021

	2017	2018	2019	2020	2021
Current	436,074	416,558	445,102	469,240	522,760
Savings	370,422	344,547	419,120	471,030	547,714
Total	806,496	761,105	864,222	940,270	1,070,474
Growth		%-6	14%	9%	14%

As the table shows, BOPG has opened more than one million accounts to date, 522,760 of which are current and 547,714 of which are savings accounts. While most of BOP's clients currently have both types of accounts, this was not always the case. In 2017, saving accounts represented 45% of all accounts but grew more rapidly over time to account for 51% of total accounts in 2021.

The proportion of saving accounts increased partly due to the acquisition of new customers and partly due to a growing trend among clients who only have current accounts to open savings accounts over time. BOP sales teams have strongly supported this trend due to the higher rewards savings accounts provide our customers, the added value they provide to our communities, and the increased domestic savings available for investment.

The table also shows that our accounts have grown more rapidly during the past three years, at an average of 12% for 2019–2021. This rapid growth was the direct result of our focus on financial inclusion. Our success in achieving this growth improved our earnings while increasing the value we generate for our community by reducing the number of unbanked people.

Deposits

Our total deposits increased at an even higher rate than our accounts, as shown in the table below. Our deposits rose from \$3,768 million at the end of 2017 to more than \$5 billion at the end of 2021, consistently scoring impressive growth rates throughout the past six years. Increasing our deposits in this manner allowed us to finance more loans, expand our economic activities, foster economic growth, and provide our depositors with a greater sense of security.

Table 14: Total Deposits, 2017–2021 (Mn USD)

	2017	2018	2019	2020	2021
BOPG Deposits	3,768	3,735	4,115	4,834	5,305
Growth		-1.00%	10%	17%	10%

Much like with accounts, the growth in deposits can be attributed to both new and existing customers. We acquired many new clients who were not previously banked, notably from rural areas where BOPG has placed great emphasis on expanding its presence. As mentioned before, the banking group has developed special accounts to serve relatively disadvantaged members of various communities in Palestine. This effort has also significantly increased the number of savings accounts opened at BOPG, attracting new deposits and enabling the banking group to attain better social and economic results. Second, our clients who already had accounts with us have made increasingly larger deposits over time as their confidence in the bank has grown, and they became more comfortable utilizing our services.

As shown in the table below, the increase in our deposits has enabled us to maintain a market share between 31% and 32% of the total value of deposits in Palestine during the previous six years. Notable here is that we were able to preserve this share despite the intense marketing and promotional efforts of competing banks.

Table 15: Deposits Market Share, 2017–2021 (Bn USD)

	2017	2018	2019	2020	2021
Deposits: Sector Total	11.97	12.23	13.38	15.14	16.52
Deposits: Our Group	3.77	3.74	4.12	4.83	5.31
Our Market Share (Deposits)	31.5%	30.5%	30.7%	31.9%	32.1%

The table below shows the growth of deposits for each account type. We are excited to share that our standard savings accounts and Ana Ou Shatarti accounts, which encourage customers to save in small, regular amounts, drove our growth. The significant increase in the number of small savings accounts is evidence of the effectiveness of our marketing activities—which offer generous savings campaigns and rewards—in enhancing the economic prospects of low- and middle-income households.

Credit Products

Credit is instrumental for economic growth and wellbeing. It allows businesses to finance investments and expand their activities, which drives economic growth and creates jobs. It also enables individuals to meet urgent financial needs and buy commodities that need to be financed over long durations. The lack of access to credit, on the other hand, can constrain businesses and limit their ability to invest and grow, as well as limit the ability of individuals to purchase houses, cars, and the like.

BOPG offers a wide range of credit products designed to meet the needs of different businesses and individuals. As shown in the table below, our credit portfolio has grown from USD 2,554 Million in 2017 to USD 3,453 Million in 2021. This impressive growth has resulted from our commitment to financing the Palestinian economy and supporting businesses in their efforts to invest and grow. Our portfolio of SME lending is the highest in the country. This is supported by our rural presence and the non-financial and financial advisory provided to SMEs as well as by the growth in our deposits, as discussed above.

Table 16: Growth in BOPG Credit Facilities & Related Market Share, 2017–2021 (Mn USD)

	2017	2018	2019	2020	2021
Banking Sector	8,025,978,869	8,437,900,129	M231,9,037,905	10,075,069,420	10,325,885,419
BOP	2,554,216,880	2,782,226,225	2,983,385,227	3,266,748,588	3,453,207,160
BOP Market Share	32%	33%	33%	32%	33%

To fulfill these economic development goals, the bank has designed credit facilities with repayment flexibility and quick and easy procedures. In addition, the bank accepts unconventional credit guarantees that suit the needs of previously unbanked segments of the community. These segments are known to suffer from the lack of access to standard bank guarantees. For example, women who work in the informal sector may lack access to formal bank guarantees but may own valuable jewelry, so BOPG devised a program that provides them with loans guaranteed by the value of their jewelry.

Doing so allows the bank to maintain a high growth rate and market share. It also serves the developmental goals of the Palestinian community, as many of these credit facilities finance the new economic enterprises and support the operational needs of existing ones, and thus, contribute to the creation new income generation streams and employment opportunities.

As a result of these initiatives, the bank has maintained a healthy growth rate relative to the comparable rate of the banking sector in Palestine, as indicated in the table below

Table 17: Growth of BOPG Credit Facilities, 2017-2021

	2018	2019	2020	2021
Sector Total	5%	7%	11%	2%
BOPG	9%	7%	9%	6%

Cards, Payment Systems & Transfers

Cards

As mentioned before, BOP is the first agent for Visa and MasterCard in Palestine. With over 6,000 point-of-sale terminals, BOP also provides its customers with the most widespread card network in the country. The bank issues several types of cards, each providing its users with unique features.

Our customers are more likely to issue debit and prepaid cards than credit cards. Debit and prepaid cards help them spend responsibly and within their means while also allowing them to conduct their financial transactions quickly, conveniently, and securely, which currently seems to be the main need in our market. In addition, the COVID-19 pandemic has also forced people to change their payment habits, guiding them to become more inclined to conduct their transactions electronically. The availability of our cards has thus helped many businesses continue to function during these troubling times.

Payment Facilitation

BOPG is also seeking to expand e-payment options in Palestine. As mentioned above, we are the first agent of Visa and Mastercard in the country, are integrated with PalPay, and possess the largest point- of-sale network. As a result, we are in a position to play an instrumental role in increasing the market penetration of e-payments in the country. The benefits of our payment systems were clear during the Covid-19 pandemic and helped businesses mitigate some of the negative impacts of the shutdown. The following table illustrates how the number of our point-of-sale devices evolved over time.

Table 18: Number of Points-of-Sale, 2018–2021

Year	2018	2019	2020	2021
Number	5,502	6,314	7,069	8,128

Our e-payment business grew rapidly during the past year. This rapid growth is largely attributable to our strategy of expanding into new markets and increasing our marketing efforts. Our expansion into new markets has been very successful, as we have seen significant growth in both the number of transactions and the value of those transactions in the new markets we have entered. In addition, our marketing efforts have also been very effective, as evidenced by the significant increase in traffic to our website and the number of new customers we have acquired. As discussed above, our e-payment systems presented practical solutions for our customers during the COVID -19 pandemic.

Looking forward, we are confident that our e-payment business will continue to be a major growth driver for our company and an excellent tool for creating value for our clients and the business community in the country. We believe that the combination of our expansion into new markets, our focus on customer satisfaction, and our continued commitment to innovation will allow us to continue to grow and maintain our position as a leading provider of e-payment solutions.

Transfers

Bank transfer services allow clients to move funds between accounts quickly and easily. This type of service is often used to pay bills, make online purchases, or send money to friends and family. The benefits of such systems to society are many, including the fact that they provide a secure and efficient way to move money around.

Our local transfers dropped during the reporting period because they were largely replaced by other FinTech services. In contrast, the volume of our international transfers increased as Palestinians connected more to the outside world. We pride ourselves on helping Palestinians meet this crucial need.

Commercial Facilities

Commercial loans can help companies finance their business activities and expand their operations. At BOPG, we offer commercial loans to finance new investments, working capital, trade, purchase of equipment, and more. We also offer a special financing program for women-owned businesses.

SMEs are the backbone of any economy and supporting their growth is essential for economic development. In Palestine, SMEs make up about 95 percent of all registered businesses and account for 60 percent of total employment. However, they often face difficulties in accessing financing.

BOPG has therefore devised several credit products specifically for SMEs. These products are designed to meet the unique financing needs of SMEs and help them overcome some of their challenges. BOP also offers several value-added services to help SMEs grow and succeed, including counseling and guidance.

Our corporate segment accounts for the largest share of our portfolio due to the substantial loan amounts large companies require. They are followed by public sector organizations for the same reason. However, our SME sector displays the largest number of loans, albeit with a much smaller average loan size than the other two segments.

The following figure demonstrates a presentation of our credit facilities across the different sectors of the Palestinian economy.

Sector

Agriculture & Livestock

Associations

Banking Sector

Central Government

Centers & Offices

Chambers

Charities

Clubs

Committees

Consumer

Education

Embassies & Consulates

Energy & Utilities

Financial Services

Health

IT & Professional Services

Insurance Services

International NGOs

Local Government

Manufacturing

Media

Political Parties

Property & Construction

Religious Organizations

Telecoms

Tourism & Entertainment

Transportation & Shipping

UN & International Organizations

Unions

Wholesale & Retail Trade

Trade Finance & Facilitation

Trade finance is an overarching term for services that seek to facilitate trade transactions, especially those across national borders (import/export activities). It often involves issuing documents, insurance, loans, and guarantees necessary to effect a transaction between importers and exporters.

Banks ensure that this process proceeds smoothly by offering services that guarantee the transactions such as the issuance of letters of credit and letters of guarantee. Trade finance services thus play an instrumental element in enabling international trade and also local trade where transaction guarantees are necessary. This is the standard case; the situation in Palestine is much more complex given the restrictions imposed on movement of goods and services

within and without Palestinian territories. BOP has invested considerable effort to create a trade finance function that can fulfill the trade needs of the Palestinian economy and society despite impediments. That is why we regard our trade finance services to be unlike any other bank in relation to the enormous social and economic value they create for the Palestinian people: our services keep Palestine connected to the global economy.

Responsible Finance & Financial Inclusion

We realize that our core business and services have significant direct and indirect positive impacts on our customers, communities, and the entire Palestinian economy. We discuss some of these impacts, and our plans to enhance them, in this section of the report.

Indicators

In 2021, we continued to expand our financial inclusion programs, which focus on providing financial services to people who are excluded from the mainstream financial system, including women, youth, and people in marginalized locations.

Share of bank accounts and deposits segmented by age, gender and location can be used as a measure for the success of the bank's financial inclusion policy. As discussed in previous chapters, in 2021, we achieved impressive results in increasing the number of accounts held by our clients. This was largely due to our financial inclusion vision and our efforts to provide financial services to Palestinians who are not in the mainstream financial system. Most of the people who are unbanked in Palestine belong to low-income groups. Women are also more likely to be unbanked than men are.

Gender

Women in Palestine are less likely than men to open a bank account. Also, they have unique needs that banks in the country were not able to address. As part of our efforts to provide financial inclusion to this segment, we expanded our services and customized them to meet their needs. We also launched various non-financial programs designed to meet women's specific needs under the Felestineya program (refer to next section for details). These efforts have resulted in a substantial increase in the number of accounts that women hold at BOP.

The tables below show the evolution of women-owned accounts and deposits between 2017 and 2021, and demonstrate the bank's double bottom line strategy of increasing the number of female clients while also growing our profits.

Table 19: Percent of BOPG Accounts Held by Women, 2017–2021 (USD)

	2017	2018	2019	2020	2021
Percent of current accounts	22.31%	21.12%	21.04%	21.10%	22.14%
Percent of saving accounts	37.98%	39.11%	39.20%	39.49%	40.62%
Percent of all accounts	30.18%	30.63%	30.97%	31.30%	32.39%

Age

In Palestine, gender is not the only type of financial exclusion. Exclusion based on age is also common. According to recent statistics, the median age of people in the country is 19.3 years, while the life expectancy has increased to 71.4 years. However, the younger and older segments of the population are more prone to experiencing financial exclusion.

Despite the increasing number of skilled youth in Palestine, they are still unable to find work or start new businesses. They also lack the necessary financial services to pursue their goals. Likewise, senior citizens are unable to access the financial services they need for a decent retirement.

To address these issues, BOP has launched various programs and initiatives aimed at helping youth and seniors. It also provides special accounts for young entrepreneurs and supports their entrepreneurial projects, providing them with all the needed services to transform their ideas into new businesses. In addition, it has launched various savings schemes for senior citizens.

While we have still not managed to achieve our goals with respect to senior citizens, we have made significant progress with youth entrepreneurs. We have formed a special group to study the reasons for the lack of progress with seniors and to develop new strategies to address their needs.

Location

In Palestine, greater financial inclusion by geographical locations is much needed. We have made some progress in all regions, but there is still a long way to go. We are working on increasing our presence in all regions and providing more services through our electronic channels to better reach all Palestinians.

Jerusalem presents a noteworthy case of dire need for greater financial inclusion. Despite many Palestinians living in Jerusalem, Israel does not permit Palestinian banks to operate in Jerusalem. This prevents many Palestinians from opening bank accounts. Despite being an issue outside of BOP's scope of activities, as the bank is not permitted to operate in Jerusalem, it illustrates additional forms of exclusion that limit the economic prospects of Palestinian communities. BOP has attempted to address aspects of the problem by opening a special branch in Dahiyat Al

Bareed area outside the city but within the walls, providing banking services to the city's residents. However there remain operational obstacles in meeting the financial needs of all Palestinians due to the restrictions placed by Israel.

Our regions remained more or less steady during the reporting period. However, Jerusalem exhibited a marked increase, albeit still representing only a small fraction of our business.

Programs & Projects

Ensuring financial inclusion and more gender-equitable economic integration rates is essential for the growth of the Palestinian economy. Being a financial service provider ourselves, we realize the value that we can bring to this essential aspect of Palestine's development; we also realize the value that this sector can bring to us as a bank. Our efforts in this sphere include pioneering digital payment and financial service access points, as well as gender-sensitive service suites and support programs. The sections below highlight our investments in these areas and achievements over the past year.

PalPay: Facilitating Digital Inclusion

We pioneered the introduction of much-needed digital payments in Palestine through PalPay– Palestine Payments, which we introduced in 2010. This step was integral for facilitating the movement of money, as well as the growth of businesses as it expanded the opportunities for receiving payments and made the process much faster. For instance, through our PalPay services, we were able to help small businesses and individuals send money to their friends and family members who don't have a bank account, collect their bills, and pay their dues. Previously, similar transactions were mainly conducted in cash, which stifled the money transaction process. Such services are essential within the context of Palestine, where movement is highly restricted by the occupation, which made the process of doing business or running simple errands cumbersome.

PalPay offers a swift solution to these challenges as it offers Palestinians a fast and efficient solution. The service was also essential over the last year when the mobility of Palestinians was further restricted by the COVID-19 pandemic. PalPay transaction reached NIS 1 billion in 2020 alone.

In 2020, we also added e-Wallets to PalPay's set of services, creating an avenue for greater financial inclusion in Palestine. Today 45,000 customers capitalize on our e-Wallet services and have used them to complete thousands worth of transactions.

Felestineya

Felestineya is our flagship program for the effective integration of women within our bank, and the economy as a whole. Since its introduction, the program has conducted extensive research to better understand the experience of women within the banking sector, as well as the experience of female entrepreneurs, and to better cater to them. Since then, the program has trained our staff on how to better serve female clients and has launched a series of technical and financial products and services that cater to the needs and realities of female clients. The program has served 12,500 clients to date.

Among Felestineya's non-financial offerings is the Mini-MBA program, a 6-month capacity development program that covers the areas of business development, marketing, customer service skills, human resource management, financial management, and taxes and registration.

A 2017 evaluation² of the program revealed that graduates of the program were able to double their revenues, as well as expand their workforce by close to 30%. Such results are achieved by expanding their technical knowledge, as well as their networks and capacity to access finance, among other benefits. The year 2020 witnessed the graduation of the program's 5th cohort. To date a total of 140 women have graduated from the program since its establishment.

Felestineya also offers Non-Financial Advisory Services (NFAS) to young female entrepreneurs and female founders of startups and MSMEs. Felestineya has extended NFAS to 4,000 Palestinian women to date.

Youth Empowerment and Entrepreneurship

Youth is another integral segment of Palestine's economic expansion and growth. Hence, investing in young Palestinian talents has been at the core of our shared value creation endeavors. Specifically, we have launched a series of efforts and interventions to foster a vibrant entrepreneurial ecosystem in Palestine.

Ibtikar Fund

We founded Ibtikar Fund to enable Palestinian entrepreneurs, both within and outside Palestine, to reach their full potential, and actively contribute to economic growth and job creation in Palestine. The USD 11 million Ibtikar Fund invests in teams at different stages, including idea stage, early stage, and scale-up.

To date, Ibtikar has invested in and supported over 29 companies across the sectors of marketing technology, financial technology, real estate, health and wellness, and e-commerce. Ibtikar's portfolio has created over 300 employment opportunities for highly skilled Palestinians (30% women and 50% aged 18–30). Ibtikar is currently in the process of raising a second fund, valued at USD 30 million.

2 International Finance Corporation – IFC. (2017). "Evaluation Report: Bank of Palestine Strengthens Women-Owned Businesses and the Economy", https://www.ifc.org/wps/wcm/connect/85ab284b-12a5-4345-ad8b-4a41131cf0d9/Bank_of_Palestine_Eval_Report_FINAL.pdf?MOD=AJPERES&CVID=m-6mdDM1, accessed September 15, 2022.

Intersect Innovation Hub

In 2020, we decided to take our contributions to Palestine's innovation and entrepreneurship ecosystem a step further by investing in innovation in general to help fill a gap and provide a pipeline of incubated startups for investment by Ibtikar. We launched the Intersect Innovation Hub, which will comprise a series of offline and online meeting spaces that are designed to nurture much-needed innovation. In its first stage, Intersect will focus on supporting innovations in the spheres of FinTech and Financial Inclusion, Circular Economies, and other impact-driven innovations. It will do so through the provision of space, as well as opportunities for networking, pre-acceleration, incubation, and mentorship opportunities designed to allow innovators to test out and transform their ideas for social change into viable business models.

The Diabetes Impact Bond

The goal of the initiative is to combat the rise of Type II Diabetes Mellitus in Palestine, a disease that affects around 15% of its population. In Palestine, patients with Type II Diabetes can take five years to be diagnosed by which time they have lost 60% of their insulin production.

The United Nations Relief and Works Agency (UNRWA), the second largest provider of health services in Palestine, already allocates 22% of its annual medical budget for this disease. The cost of insulin alone absorbs 15% of the budget.

Due to the lack of a cure, living with this condition requires daily care and is considered expensive to manage. This has caused the health system to be overloaded. Without behavioral changes, the amount of money needed to fight the disease will continue to increase.

Through the launch of a social impact bond, BOP and the Paltel Group Foundation are seeking to improve the health of Palestinians by preventing Type II Diabetes. The project was the first social bond in the region. BOP acts as the financier in this project, while the Paltel Group Foundation has taken up the role of the outcome payer.

The project consists of two parts: a nutrition education program and a physical education program. The first part seeks to teach participants good eating habits and the second one promotes exercise as a lifestyle. In so doing, the project aims to prevent diabetes among 150 prediabetic women living in the West Bank.

SME Finance

Small and medium-sized enterprises (SMEs) are expected to play a vital role in the development of Palestine's economy, provided they have access to the right support mechanisms. Supporting SMEs is crucial for the country's long-term economic growth as they contribute heavily to employment growth in Palestine. SME products are also known to help us reduce our costs and enhance our ability to develop better products and services for our customers.

The banking group has, thus, focused during the past two years on expanding outreach and improving the efficiency of its SME operations. Our SME finance programs allow us to diversify our sources of revenue and ensure the success of our financial inclusion policy.

In 2021, we supported over 460 additional SMEs through our sustainable finance framework, offering credit facilities that totaled USD 60 million. We also signed several agreements with various partners to encourage employment and support start-up projects. These agreements included joint finance projects with the European Investment Bank and the European Bank for Reconstruction and Development, as well as the development of a financial services agreement with the Arab Fund for Social Development.

BOPG also provides microloans through our collaboration with the Palestinian Monetary Authority's Estidama Fund. Through this partnership, we have supported over 45 women's projects. These projects were also part of our efforts to encourage and support women in businesses and reduce poverty in Palestine.

Our financial literacy programs also provide free financial training to women and small businesses. This includes helping small businesses develop their loan request cases, a requirement that used to stifle their access to finance.

The table below provides a summary of the microloans that we disbursed through our Estidama Loans Program.

Table 20: Estidama Microloans Disbursed by Gender, 2021 (USD)

Female	418,900
Male	3,577,926
Total	3,996,826

Other Support to Small Businesses

BOPG has also taken steps to provide loans to support the Palestinians affected by the COVID-19 pandemic. The bank partnered with the UNDP to provide additional support to SMEs. The project, known as Monshati, is designed to provide SMEs with access to suitable sources of credit

Additionally, the banking group implemented a financial portfolio of USD 1 million to specifically support and assist small businesses of people with special needs. The bank implemented this project in partnership with the Ministry of Labor and the PMA. The program provided between USD 460 and USD 485 million in loans for these small businesses in 2020 and 2021, respectively.

In addition, we launched new programs designed to provide financial services to Palestinian workers within the Green Line, new car loans, and new mortgage programs targeting the lower income segments of Palestinian society. We also launched the Personal Loan for the Public Sector program, which we expanded to include all public sector employees (previously, the program targeted certain types of public sector employees). This service is designed to provide lower-income customers with more sustainable financial solutions. Furthermore, we extensively expanded our support to micro-enterprises, now offering personal loans for the owners of these businesses and their employees.

Our People

In 2021, our workforce consisted of an impressive 1,745 employees throughout our facilities in Palestine, 551 at our headquarters in Ramallah and Gaza and 1194 in our branch offices.

While this gives us a broad pool of talent pool to implement our strategy and undertake business operations, it also places an obligation on us to meet our employees' expectations. We believe it is our responsibility to provide out team members with a competitive income, good working conditions, training and development, health and safety services, opportunities for career advancement, and an inclusive and respectful work environment.

Our human resources are the foundation of our productivity, growth, and continuity, and they are essential to the success of our sustainability initiatives. Therefore, we endeavor to offer them rewarding careers, a safe environment, and appropriate working conditions. In addition, we have joined the United Nations Global Compact (UNGC) and incorporated its labor and human rights principles into our internal bylaws, therefore committing ourselves to ethical workplace practices.

Organizational Structure

In 2021, BOP sought assistance from one of the foremost consulting firms to strengthen our human resource management activities. This initiative led to various changes within the bank. To create inclusive and effective career development opportunities for all our workers, we re-evaluated and improved our organizational structure and analyzed the roles and responsibilities of each position within the bank. Additionally, we made consistent efforts to enhance our performance evaluation system and employee benefits program.

The following diagram depicts our new organizational structure:

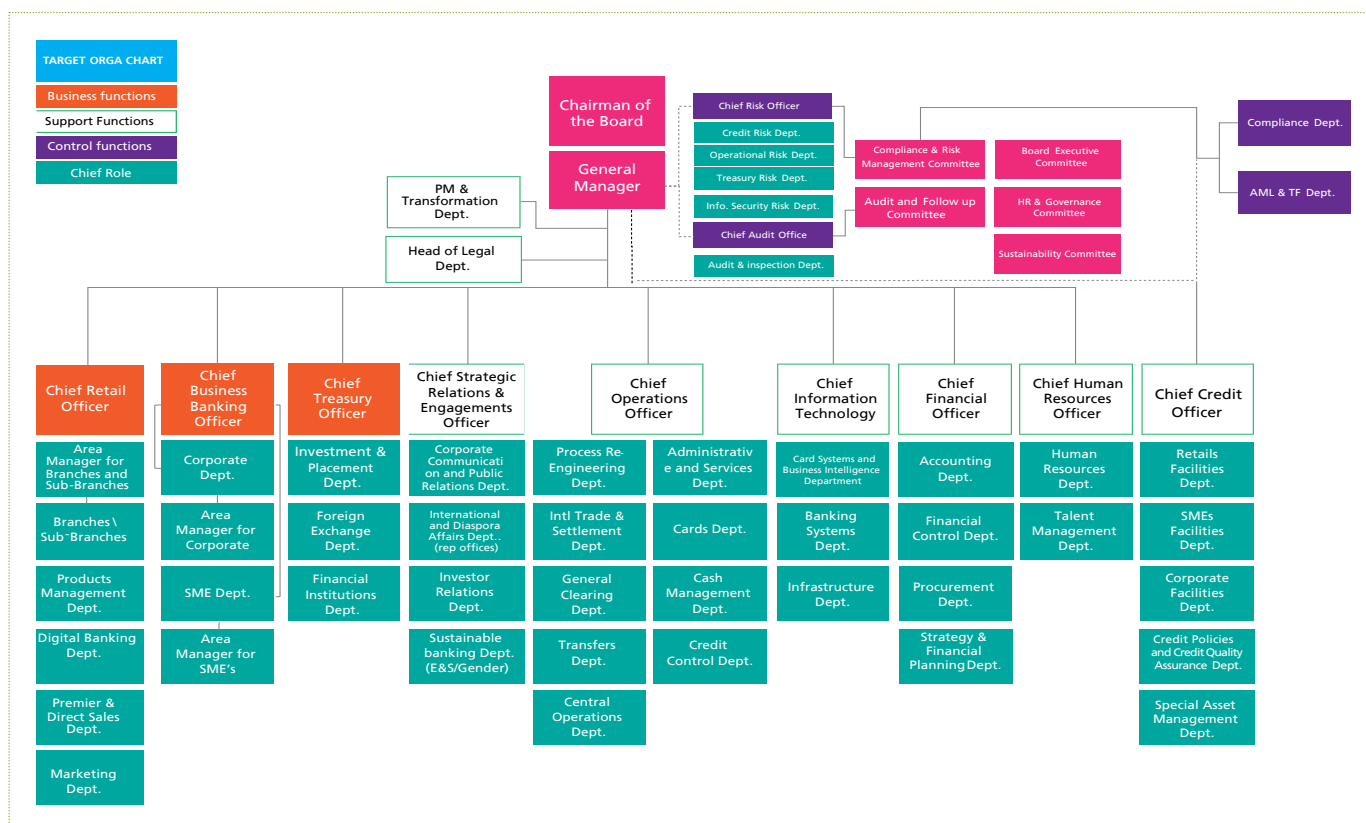


Figure 5: BOP Organizational Structure

What is noteworthy within our new organizational structure is the establishment of a new Talent Management Department (to replace our Training Department). This department is responsible for training and development and succession planning. One of the main objectives of this shift is to better ensure that all our employees are granted the opportunity to develop their skills, further their knowledge, and progress within their careers.

The above organizational structure also includes the newly established Sustainable Banking Department, which takes initiative in leading and coordinating our different sustainability efforts. The presence of a direct communication channel to the CEO and the BOD underscores the importance we attach to sustainability within the Bank.

Recruitment & Talent Development

BOP has a long-standing reputation as one of the top employers in Palestine. We offer a challenging and dynamic work environment, attractive salaries, and comprehensive benefits. In addition, we provide our employees with opportunities for career advancement and professional development.

BOP recruits personnel from a wide range of sources, including universities, job fairs, and through open announcements. In 2021, we received a total of 11,505 applications, of which 51.5% were submitted by women and 48.5% by men. The following table shows the number of new recruits, disaggregated by gender and age group.

Most of our recruits, as shown in the table below, are young, with 62% and 60% under 24 years of age in 2020 and 2021, respectively. This is consistent with our strategy of focusing on and investing in young talent. Furthermore, the table also demonstrates our commitment to gender equity, with female recruits accounting for 44% and 55% of all new hires in 2020 and 2021, respectively. Our gender performance in Gaza and the North West Bank, as mentioned earlier, continues to lag behind the rest of the bank. Nevertheless, we are taking steps to improve such ratios seeing as the 42.8% of overall bank staff are women.

Table 21: Recruitment by Age & Gender, 2020–2021

Region	Women	Age (years)								
		24–18		34–25		44–34		54–45		
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Gaza	0	3	0	8	0	10	0	0	0	0
North West Bank	3	2	2	7	2	5	0	0	0	0
Middle West Bank	22	23	35	34	18	31	1	5	1	2
South West Bank	6	5	6	11	4	7	0	0	0	0

We also strive to provide our staff with the best training and development programs. The creation of the new Talent Management Department required expanding the previous Training Department's scope and goals and directing it to focus more on sustainably investing in our people. The new department conducted 98 training sessions with 1,431 participants in 2021, a third of whom were women. Therefore, each of our staff participated in an average of three training programs in the past year.

In 2021, our training programs also included sustainability-related training for all senior executives and the introduction of new sustainability management and reporting skills at the board level. Moreover, our Sustainable Banking Department personnel received specialized and intensive training to enhance their skills and knowledge in this area.

Compensation & Benefits










BOP is well-known for paying above-market wages and offering attractive benefits to recruit and retain the best human resources in Palestine. In 2021, the wages and benefits to our employees reached a 54% of total expenses. This represents an increase of 2% compared to 2020. We continue to strive to achieve equity in wages between women and men in the bank and are taking action to rectify wage discrepancies across the board in line with new evaluation and salary adjustment project we undertook in 2021.

Table 22: Distribution of Salaries by Gender & Position, 2021

Employee Category	Percent of Women in the Workforce	Percent Earned by Women of Total Salaries
Executive management	17%	12%
Department and branch managers	19%	15%
Sub-Branch managers and supervisors	21%	21%
Heads of Sections	28%	23%
Officers and secretaries	47%	40%

While the bank recognizes that it needs to bridge the gender gap in higher management positions as per its commitment to close it in 2025, the bank pay scale to both men and women has no gap or discrepancy. The pay gap is a result of the job evaluation itself based on the functions and has nothing to do with gender.

In addition to the compensation discussed above, BOP also provides a variety of benefits which play an important role in attracting, motivating, and retaining our employees and help them maintain a healthy work-life balance. Our benefits include:

-  Healthcare: A comprehensive health insurance policy covers all BOP employees and their families.
-  Education: Employees and their families can benefit from educational loans to cover the cost of tuition fees at accredited institutions.
-  Housing Assistance: Our employees can apply for housing loans with attractive interest rates to buy or build homes.
-  Life Insurance: Our employees are automatically enrolled in a life insurance policy upon joining the bank.
-  Retirement: Our employees can join the BOP pension scheme, which offers them a retirement income after reaching the age of 60.
-  Parental Leave: BOP offers paid parental leave for both men and women (3 months for women, one week for men); see table below.
-  Stock Ownership: BOP employees can access BOP shares through the Employee Stock Ownership Plan (ESOP), which regulates who can access these shares in addition to how and when.
-  Allowances and Bonuses: BOP offers its staff family allowances for husband, wife, and children, for both male and female employees; BOP also offers bonuses in celebration of feasts and provides dress code allowances.
-  Discounted Services: Our employees can generally access our services and products at a discounted rate.

The following table summarizes the number of employees who took paternity and maternity leave during 2020 and 2021. It is noteworthy that the bank now offers its female employees the same child allowance previously offered only to male employees.

Table 23: Number of Full-Time Employees Who Took Paid Parental Leave, 2020–2021

	Males	Females	Total
Number of employees who took parental leave in 2020	110	104	214
Number of employees who took parental leave in 2021	110	81	191

Performance Appraisal & Grievances

All our employees received performance appraisals and guidance in 2020 and 2021. In terms of grievances, our bylaws have clear and transparent grievance mechanisms. The system encourages employees to communicate with their management through email, discuss their concerns with senior managers through an open-line policy and suggestions email, and raise their issues with the HR department confidentially and without fear of retaliation.

The bank's HR department thoroughly reviews all complaints and takes the necessary steps to address them following the bylaws and policies. It also handles various types of discrimination and sexual harassment complaints. During 2020 and 2021, all cases involving harassment and discrimination were dealt with as per our bylaws and internal procedures.

Turnover

The table below shows the number of employees who left the bank, disaggregated by age group and gender. BOP's turnover rate was 3.5% in 2020 and decreased to 2% in 2021. The bank's turnover is considerably lower than its new recruitment among younger employees, with those aged 20–24 accounting for 21% of the total number of employees who left the bank. Turnover among our female staff was also visibly lower than our female recruitment rate, standing at 34% in 2020 and 2021.

Table 24: Turnover by Age & Gender, 2020–2021

Region	Women	Age (years)										
		24–18		34–25		44–34		54–45		55		
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Gaza	1	3	0	N/A	1	10	0	0	0	0	5	4
North WB	0	2	0	N/A	0	5	0	0	0	0	1	2
Middle WB	18	32	12	17	18	31	1	5	5	5	6	0
South WB	2	5	1	N/A	4	7	0	0	0	0	0	0

Diversity & Inclusion

A diverse and inclusive workplace is essential for attracting and retaining top talent. It is also important for ensuring the wellbeing of our employees, which is a priority at BOP. Consequently, our workforce and executive ranks are composed of members of all of Palestine's social segments and religious groups.

People with Disabilities

Currently, 0.7% of our positions are dedicated to staff members with special needs, and we want that number to increase over the next decade. To do that we are exploring ways to help invest in the capacities of potential hires. Additionally, we are committed to ensuring that our workplace is accessible to everyone, including individuals with special needs. We will continue to offer training and development opportunities catered to staff with special needs, and create awareness amongst all employees about diversity and inclusion.

Gender

BOP is committed to achieving gender equality. We have a set of policies and procedures in place to ensure that our hiring process is unbiased. Furthermore, we offer training and support within the bank to make sure that women have the opportunity to advance their careers with us. These efforts allow us to respond better to the issues and needs of our female staff and clients.

Within our inclusive environment, the proportion of women working in core positions at BOP (excluding security and housekeeping services) increased from 40% in 2018 to 42.8% in 2021, as reflected in the table below. By contrast, only 36% of all BOP jobs (core and support jobs) are held by women because support services, such as security and housekeeping, continue to be male-dominated and are outsourced to external suppliers. We are currently developing a program to address this issue.

Table 25: Percentage of Women in Core Jobs at BOP, 2018–2021

2018	2019	2020	2021
40%	41%	42%	42.8%

In the next five years, BOP aims to increase the proportion of women working in core BOP jobs to 50% of the core workforce. We feel that this goal is achievable despite significant challenges. Additionally, we want to achieve gender parity in our support workforce in the next ten years. Despite our ambitious vision, the bank recognizes that this is a challenging objective as it requires altering the organizational cultures of external service providers. Nonetheless, we are adamant about continuing to make strides to improve gender equality.

Currently, we are focused on improving our performance in the regions that display our lowest gender performance. As the table below indicates, Gaza and, to some extent, the North West Bank regions warrant special attention, and we are already working on pushing both areas to catch up with the rest of the bank.

Table 26: Gender Distribution by Region, 2020–2021

Region	Women	
	2020	2021
Gaza	22.8%	27%
North West Bank	36.9%	45%
Middle West Bank	44.4%	50%
South West Bank	42.2%	54%
BOP Overall	36.0%	42.8%

The following table illustrates the distribution of BOP workforce by region to provide context for the previous discussion on the performance of our human resources function.

Table 27: Workforce Distribution by Region

Region	Percent
Gaza	27%
North West Bank	14%
Middle West bank	35%
South West Bank	10%

We also want to improve the percentage of women in BOP management. The following table shows the percentage of women in management positions today.

Table 28: Workforce Distribution by Gender & Managerial Position, 2021

Employee Category	Women
Executive management	17%
Department and branch managers	19%
Sub-branch managers and supervisors	21%
Heads of sections	28%
Officers and secretaries	47%
Support staff (security, housekeeping, etc.)	0%
Total	43%

We aim to increase the percentage of female executives at BOP to 25% of all executives in the next five years as a milestone in our journey to reach total gender equity in the long term. Our new policies have already yielded improvements in gender parity at the branch manager and section head level, as shown in the table above.

Nevertheless, the table also shows a significant opportunity for BOP to award higher management positions to women. While BOP has a long-term goal to reach gender equity in core employment during the next five years, attaining the same management level will require more time as we strive to recruit our management personnel internally. However, programs to instill leadership skills in BOP younger staff (discussed below) should significantly help close the gap by providing a bigger pipeline of women on leadership tracks.

Youth

In 2021, we implemented the "Future Managers" program to instill leadership and technical skills among our young staff. The program provides technical and leadership training to staff members between the ages of 25 and 30. By investing in them we are also investing in the future of the bank.

We also launched the "Heads of Departments Club for Excellence in Customer Service," which strives to develop the skills and competencies needed to steer the bank towards operational excellence. This program has targeted many of BOP's young staff during the reporting year.

Moreover, we launched an internship program in 2021 to attract fresh university graduates. This program targets youth as they are the highest segment that suffers from unemployment within Palestine. The internship is designed to prepare young people for the workplace and create a talent pipeline for the bank.

The following table illustrates the distribution of our workforce by age and region. As the table shows, we do not employ staff below 20 years old, as our line of business does not allow it. Most of our employees are in the age bracket of 25–44 years old.

Table 29: Distribution of Workforce by Age & Region, 2020–2021

Region	Age									
	20-24		25-34		34-44		45-54		≥55	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Gaza	0.2%	1.7%	32.6%	34.8%	41.4%	38.6%	19.2%	20.0%	6.6%	4.9%
North West Bank	4.1%	1.9%	51.3%	27.2%	31.7%	18.9%	11.1%	4.9%	1.8%	0.4%%
Middle West Bank	14.6%	14.0%	54.2%	72.4%	23.7%	35.9%	5.7%	7.2%	1.8%	1.7%
South West Bank	6.3%	3.4%	62.0%	24.2%	26.2%	10.2%	5.1%	1.1%	0.4%	0.0%
BOP Overall	7.3%	6.5%	47.9%	49.0%	30.9%	32.0%	10.7%	10.2%	3.1%	2.2%

We are committed to creating a diverse and inclusive workplace reflective of the communities we serve, and we have are planning numerous initiatives to promote diversity and inclusion within the bank. These include unconscious bias training, an Employee Resource Group for women, opportunities for our youth, and skills training for students with disabilities.

Investing in Local Communities

Our strategy has been, and continues to be, dedicating approximately 5% of our profits to community human development and to support the less advantaged sectors of our society. Our strategy encompasses support for the environment, women, people with disabilities, youth, education and several other segments. We aim to reach our goals by implementing special programs that include initiatives such as our enterprise incubator, health campaigns, and relief campaigns. We also seek to maximize our impact through collaboration with local and international NGOs, donor agencies, social investment organizations, and other groups interested in pursuing similar objectives.




Over its history, BOP has amassed extensive experience in dealing with humanitarian and community issues and addressing health problems owing to its continuous partnership with civil society organizations in Palestine. The bank aspires to deepen these partnerships grow even more to realize its goals of building a better future. The impact of BOP programs is felt in every part of Palestine thanks to the bank's innovative initiatives and community development programs.

The bank also promotes a culture of volunteerism among its employees and encourages their participation in the developmental projects and humanitarian endeavors implemented with partner organization.

BOP develops an annual CSR plan based on country needs and the economic situation at the time. The past two years have presented us all with exceptional circumstances as the COVID-19 pandemic put everyone's health and well-being at risk. These exceptional circumstances called for exceptional measures. We dedicated most of our social investment and shared value creation wallet to the health sector, particularly in 2020. This has enabled us to support the Palestinian government and essential civil society organizations to mobilize effective prevention and treatment responses to the pandemic. More importantly, we capitalized on our traditional and digital media efforts, and diaspora networks to mobilize as many resources as possible towards Palestine's COVID-19 response. We were able to successfully raise a significant amount in funds from our resource mobilization campaign. Our contribution, as well as that of our staff, to the crisis response efforts amounted to USD 500,000. This is in addition to in-kind donations that we made as a bank to frontline medical staff.

In parallel, we partnered with the Ministry of Health, the World Health Organization (WHO), the United Nations Children's Fund (UNICEF), and multiple other key players to raise awareness about prevention of the spread of the pandemic, as well as to ensure that health facilities were well-equipped and prepared to deal with emerging cases. Collaboration efforts included the launch of a series of 25 awareness-raising videos.

In 2021, we expanded our focus to additional areas, including:

-  Relief assistance
-  Health
-  Education
-  Community development
-  Women's empowerment
-  Youth and creativity
-  Childhood
-  Culture and arts
-  Sports
-  Environmental issues
-  People with disabilities

The table below provides a breakdown of our investments in essential development efforts over the past two years:

Table 30: BOP Expenditures on Community Development Projects by Type, 2020–2021 (USD)

Area	2020		2021	
	Amount Spent	Percent of Budget	Amount Spent	Percent of Budget
Relief Assistance	348,445.30	18.4%	221,195.47	12.5%
Health	922,379.20	48.7%	514,899.52	29.1%
Education	214,635.36	11.4%	116,326.68	6.6%
Community Development	52,000.00	2.8%	378,153.85	21.4%
Women's Empowerment	83,529.63	4.4%	22,798	1.3%
Youth and Creativity	30,000.00	1.6%	47,581.22	2.7%
Childhood	125,000.00	6.6%	253,684.12	14.3%
Culture and arts	104,589.00	5.6%	105,000	5.9%
Sports	10,000	0.5%	56,443.79	3.2%
The Environment	0.00	0.0%	11,537.89	0.7%
People with Disabilities	0.00	0.0%	40,920.35	2.3%
Total	1,890,578.49	100.0%	1,768,540.89	100.0%

The table below details the main projects funded by our CSR funds in 2021.

Table 31: Main Community Development Projects, 2021

Project	Description
The Wajd Program	The Wajd Program was established in partnership with the Qatar Fund for Development and the Taawon Foundation. Through this initiative, BOP was able to provide financial and psychological support to orphans and youth who suffered from the 2014 aggression on the Gaza Strip. The program also offered professional and career skills development. Additionally, BOP was able to provide healthcare to over 2,000 individuals.
Palestine in the Heart campaign	In May 2021, BOP partnered with various international organizations and local communities to launch a campaign to raise funds and provide relief to the Palestinians affected by the aggression in Gaza.
The Palestinian Museum	Through a strategic partnership with the Palestinian Museum, BOP was able to support the organization's activities for a period of 10 years. The goal of the partnership is to promote the culture and history of Palestine at the international and local levels. It also aims to create new narratives about the country's history and culture. The museum's facilities and programs are also used to develop educational programs and creative projects.
Diabetes campaign	Over the years, BOP has partnered with various community organizations to raise awareness about the harms of diabetes and ways to prevent it.
TEDx Women	BOP supported the TED Talks event held in Palestine, where inspirational individuals from the country discussed their experiences and lessons learned. The goal of the event was to inspire and motivate people to make a lasting change in the community.
Ramadan campaign	During Ramadan, BOP partnered with various community organizations to provide food baskets to underprivileged families. They were also able to distribute gifts to children receiving treatment at local hospitals.

Augusta Victoria Hospital in Jerusalem	Due to the limited resources and the high cost of transportation, a bus was provided to Gaza Strip patients to transport them to the Augusta Victoria Hospital in Jerusalem for free. This helped them reduce their financial burden and improve their treatment journey.
Post-war recreational activities for children and adolescents in Gaza	The goal of this project was to provide psychological support to individuals with disabilities following the recent operation by the Israeli military in Gaza. Through various recreational activities and educational programs, BOP was able to help these individuals better deal with their traumas.
Supporting the Palestinian sailing and rowing federation in Gaza	BOP was able to help the rowing and sailing federation in Gaza organize many of their sports activities.
Global Entrepreneurship Week	Through its sponsorship of Global Entrepreneurship Week, BOP was able to encourage young entrepreneurs to develop their business ideas and solutions. The event is a global initiative that aims to motivate start-up companies to deliver innovative products and services.
Eco-friendly schools	In line with its mission to promote the concept of sustainability, BOP partnered with several schools in the city of Ramallah to recognize their efforts to become eco-friendly. These schools were encouraged to adopt various environmental measures and contribute to the improvement of the environment. Through this program, BOP was also able to support and encourage outstanding individuals and organizations in the field of environmental protection. the project was implemented in partnership with the municipality of Ramallah.

Environmental Performance

BOP has a longstanding commitment to environmental protection. We have repeatedly made significant efforts to improve our environmental performance, primarily by initiating and expanding green lending programs and reducing the energy consumed by our operations. In 2021, we embarked on a new journey to develop and implement a unified environmental approach that we intend to use to integrate and maximize the impact of our environmental interventions. While we are still in the early stages of this journey, we have already taken steps and made commitments to systematize our work and consolidate our environmental management efforts.

Our environmental management approach comprises four components: sustainable energy, water conservation, energy preservation, and waste management. These components were developed as we engaged with the environmental standards of the GRI as a means of addressing our material environmental topics.

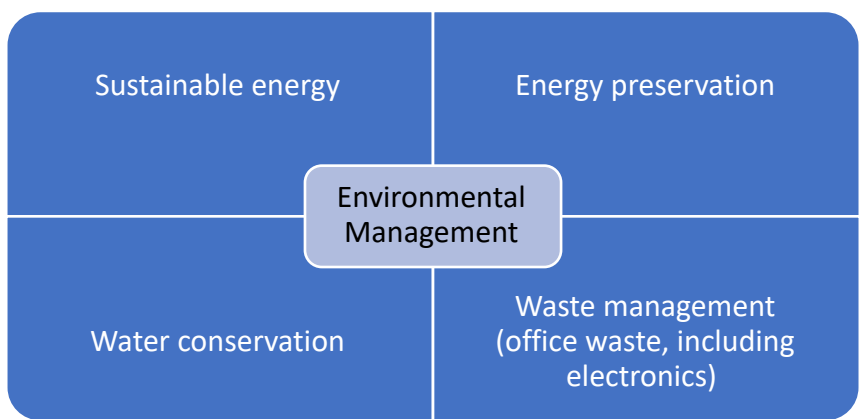


Figure 6: BOP Environmental Management Approach

This approach involves strengthening four management elements:

1. Environmental due diligence
2. Green lending & Investment
3. Reducing our direct environmental footprint
4. Monitoring our environmental performance

We are confident that this approach will help us achieve our goal of becoming a leading institution in environmental protection. Our aim is to lead by example, encouraging other financial institutions to implement similar programs and work with us to achieve tangible goals in the fight against environmental degradation.

Environmental Due Diligence

At BOP, we have decided to expand our exclusion list policy, which lists actions and items that have the potential to cause substantial environmental impact, in an effort towards becoming more environmentally conscious in our business activities. Whilst our current policy forbids us from funding projects that lack the required environmental approval, it does not specifically address how customers could potentially enact environmental impact. Expanding our exclusion list policy will help us focus more on projects with a lower risk of causing negative environmental impact. In tandem, we aim to expand our current due diligence procedure to include an environmental component. This will help us ensure that the projects we finance will not have significant negative impacts on the environment.

Additionally, we plan to engage closely with the Palestinian Environmental Quality Authority (EQA) in verifying that the projects we fund do not inflict damage to the environment. Through this partnership, we hope to capitalize on their technical expertise to be able to make better-informed decisions about the projects we choose to finance.

Finally, while we want to delegate complex environmental assessments to specialized institutions, such as the EQA we want the BOP team to be able to conduct simple environmental impact assessments for requests for medium- to large-sized loans. Many of these endeavors are still in progress; nevertheless, we plan to finalize these goals by the end of 2023.

Green Lending

In addition to our direct environmental impacts, we have substantial indirect impact through the new projects and business ventures that we finance. We are working to better understand these impacts by expanding our due diligence procedures to include an environmental component, however, BOP manages millions of transactions that serve industries and services of all types and sizes. Therefore, we cannot estimate the total indirect environmental impact of our services, as it lies beyond both our control and our monitoring ability. Our goal is to harness our position as a supplier of financial services to encourage our customers and prospective clients to enhance their environmental performance. Accordingly, we will continue to create and deploy green loan products that support our customers' investments in eco-friendly technology and processes.

Since 2011, our green lending program has dispersed loans used to finance investments in renewable energy, green buildings, water conservation, and other environmentally friendly projects.

Table 32: BOP Green Loans, 2013–2021 (USD)

Year	Amount Disbursed	Number of Loan Recipients
2013	67,000	7
2014	579,740	15
2015	1,322,486	20
2016	165,157	19
2017	484,291	59
2018	339,274	39
2019	3,974,770	34
2020	5,512,218	72
2021	5,379,656	15

As the table shows, the value of our green loans increased over 100-fold over the past decade. This is a testament to the growing importance of environmental issues and to our commitment to financing projects with a positive environmental impact. In addition, the average loan size increased dramatically, indicating that our customers are increasingly financing larger projects.

Although we cannot quantify the environmental impact of these loans today, we are certain that the program has had a positive environmental impact by supporting green investments that would not have otherwise been possible. The targeted investments are known to yield reductions in greenhouse gas emissions, water consumption, and energy use. Our green loans have also helped create jobs and support the growth of the green economy as they have generated substantial income for the suppliers of this nascent market.

We plan to continue focusing on environmental sustainability by expanding our green lending program and increasing our due diligence on potential borrowers' environmental impact. In addition, as discussed before, we also hope to improve our ability to report on the indirect environmental impacts of the projects we finance.

In addition to our general green lending activities, we have two programs that specifically aim to increase access to funding for green initiatives: The SUNREF Program and Qudra. Both involve synergistic partnerships designed to maximize impact and encourage green investment in Palestine.

The SUNREF Program

BOP established the SUNREF program in 2019 with the French Agency for Development and the European Union to provide green and renewable energy loans. In 2021, the program concluded its first phase. Due to its success, preparations to launch a second phase are underway.

The program seeks to fund environmental projects implemented by individuals, households, private companies, public companies operating under market conditions, and local energy contractors and leasing companies. Projects financed by SUNREF include initiatives in the following areas:

Renewable energy projects:

- o Solar
- o Wind
- o Biogas & Biomass
- o Geothermal

Energy Efficiency projects:

- o Building retrofit
- o Replacement and modernization of industrial and agricultural machinery

Environment improvement projects

The program has already disbursed USD 13,697,078 million to 106 projects, including 25 in Gaza and 81 in the West Bank. The following table provides summary statistics of these loans.

Table 33: Summary of SUNREF Performance (USD)

Type of Investment	Total Loans	Number of Borrowers
Renewable energy	10,699,168	68
Reducing energy consumption	633,415,1	11
Other energy efficiency	1,582,275	27
Total	13,697,078	106

Projects financed by the SUNREF program created 51,140 kilowatts of electric capacity, which generate 28,250 megawatt-hours of energy annually.

Qudra

The Qudra Energy Solutions Company is a joint venture between BOP and external partners. The company was established in 2020 to deliver solar assets with a targeted capacity of 100MW. Its goal is to supply Palestinians with clean, affordable energy. This is especially important for Palestine since 95.9% of its electricity is imported.

The new company seeks to deploy solar assets that would replace up to 30% of the total annual consumption in Palestine. BOP also entered this partnership with the conviction that it has a central role to play, as it can help fund Qudra projects and contribute to the development of the energy sector in Palestine.



In 2021, Qudra continued to develop solar energy projects in various governorates. It also provided integrated solutions and services, such as designing, constructing, and operating solar power plants. The company was able to build a solar power plant with a capacity of 1 megawatt, the company's largest to date. Qudra has also signed multiple agreements to deliver energy solutions in 2022, including constructing new solar power plants for multiple electricity distribution companies. Through our partnership with Qudra, BOP has also been able to provide solar power generation facilities to low-income households. Our stakeholder consultation process indicated that this service allowed them to secure their energy needs in a clean and risk-free manner.






Qudra will reduce carbon emissions by over 100,000 tons through its projects over the projects' lifetime. This will contribute to protecting the environment in Palestine as well as towards the fulfillment of global climate goals as articulated in the SDGs.

Reducing our Direct Environmental Footprint

BOP recognizes that our operations impact the environment and are committed to reducing their environmental footprint and enhancing the environmental sustainability of our operations. We plan, therefore, to continue to invest in energy efficiency improvements at our branches and offices. We have also committed to using only renewable energy for our electricity needs by 2030.

Despite lacking the ability to quantify our environmental performance and impacts, we have continued to implement environmental protection projects and have invested in various enhancement efforts over the past five years, including:

-  Converting lighting to LED lights in all offices and ATM units – All new facilities are equipped with LED lighting which are 80% more energy-efficient than traditional incandescent lights.
-  Employing smart building control systems – Since we started using KNX 4 years ago, we have been able to control the lighting and mechanical loads in our new bank facilities. KNX is an Energy Performance Class 4 certified product, which means that it can provide up to 50% energy savings and lower greenhouse gas emissions.

-  Using energy conservation and cleaner energy systems to decrease carbon emissions and reduce energy waste in building heating and cooling systems – Selecting an efficient mechanical system, such as a VRF HVAC system, is a key component in designing and implementing our new facilities, which are 40–50% more efficient than the standard ASHRAE 90.1 system.
-  Employing a more effective fire extinguishing system – New fire systems have a much smaller environmental impact than older ones and use extinguishing agents that don't deplete the ozone layer.
-  Using better quality insulation in buildings and facilities – Better insulation of walls, ceilings, and floors helps reduce building energy consumption by up to 25%.
-  Planting trees in the vicinity of our branch offices – Trees not only beautify the environment but also help reduce carbon dioxide emissions, one of the greenhouse gases that contribute to climate change.
-  Including water-saving fixtures in all new buildings and facilities – Water-saving fixtures can help save thousands of gallons of water each year.

Our Paper-Saving Project

In 2021, we concluded a bank-wide paper-saving project which entailed conducting a survey to understand our paper usage and developing paper saving and usage reduction policies. All employees were encouraged to migrate to digital alternatives, and a task force was created to monitor the impacts of the introduced policies and the initiatives. This project saved 1.5 million sheets of papers in 2021 alone.

Monitoring our Environmental Performance

In the past, our general environmental strategy focused on introducing new solutions to enhance the positive environmental impact of our products and services. As a result, we have paid less attention to monitoring and assessing the environmental impacts of our direct operations since they were neither energy-intensive nor created substantial environmental impacts.

We recognize that there are issues in our systems that make us unable to measure our direct environmental footprint as we cannot track indicators such as office waste and energy consumption from staff commutes, amongst a variety of other factors. However, BOP decided to report its environmental outcomes and plans to develop a monitoring system to help with reporting environmental performance by 2023.

The Way Forward

With a long-embedded presence dating back to 1960, the Bank of Palestine continues to lead the Palestinian banking sector. BOP is both the largest and the most comprehensive banking network in the country, with 73 branches accounting for 19.3% of all bank branches. Our journey stated in response to the Palestinian people's desire for financial freedom and liberation, and we are proud to have created a national banking market (formerly non-existent) to serve them. Our mandate has evolved to providing inclusive and sustainable financial products and services that are community-serving, stakeholder-driven, and innovative.

Through our electronic payment platform, PalPay, BOP's payment facilitation options have revolutionized financial transactions across the country by serving people from all segments of Palestine who may not have access to physical banking facilities. Being first to market with digital payment methods was especially important in having readily available solutions to mitigate some of the negative effects of COVID-19 on businesses. Our green lending activities, work to incentivize to address pressing local needs and to facilitate survival and growth within the Palestinian community and economy.

As our bank expands, we intend to continue to give back to our communities and employees. BOP views inclusion and diversity as critical to promoting equity, increased productivity, and innovation. That is why, over the next phase, we will be working on enhancing policies, procedures and strategies for greater diversity within our bank.

This is all facilitated by our updated sustainability governance framework, and our upcoming business and sustainability strategy. Our pledges to have an ESG strategy plan. As we continue on this prosperous era for the bank, we are proud to showcase and report transparently on our sustainability efforts in line with internationally recognized GRI standards. We hope that reporting on our sustainable management efforts will incentivize other financial institutions within Palestine to follow suite.

Over the next phase, we will be introducing a series of additional changes across the bank, which are summarized in the table below.

Our Commitments

Table 34: BOP Sustainability Commitment Table 2021

Commitment Table	
ESG	<ul style="list-style-type: none"> • Introducing a dedicated E&S Officer by 2022 • Including ESG KPIs in our upcoming Strategic Plan (informed by a planning and strategizing workshop with our most senior executives) • Digitalize all sustainability data by 2025
Environmental Responsibility	<ul style="list-style-type: none"> • Introducing the required reporting systems and mechanisms to track energy, fuel, and water consumption rates by 2023 • Setting and achieving reduction targets for the year 2024, including: <ul style="list-style-type: none"> – 30% decrease in carbon emissions – 30% increase in reliance on renewable energy usage – 25% increase in water efficiency – 30% decrease in waste generated from our operations
Product Responsibility	<ul style="list-style-type: none"> • Piloting and mainstreaming a supplier E&S screening mechanism • Piloting and mainstreaming a client/borrower E&S due diligence and screening mechanism by 2024 • Introducing at least 2 new shared value product/service streams by 2023 • Become the largest bank in the country and serve one million customers
Human Resource Management	<ul style="list-style-type: none"> • Conducting a comprehensive gender audit by 2023 • Introducing tailored women's leadership career advancement program by 2024
Social Investment	<ul style="list-style-type: none"> • Launching a social investment strategy that focuses on three priority sectors

Annex 1 – GRI Content IndexThe index below is a reference tool to help readers locate the information they need to make informed decisions about our sustainability performance. The table is organized according to the GRI standards, where each row is used to indicate where to locate information in our sustainability report about a given GRI standard.

For the Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report.



CONTENT INDEX SERVICE

2022

GRI Standard	Disclosure	Our Response	Page number	Omission
Universal Standards				
GRI 101	Foundation 2016	This report was created in accordance with GRI Standards. Our management approach and materiality methodology are both addressed in detail in the following standards.	This report.	
GRI 102: General Disclosures 2016				
GRI 102-1	Name of the organization	Bank of Palestine	NA	
GRI 102-2	Activities, brands, products, and services	The bank offers many banking services, including current and savings accounts, deposits, loans and various credit facilities, credit and debit cards, and transfers, to name a few. Refer to the section titled "About Bank of Palestine" in this report for a brief overview. Detailed accounts are available throughout the report.	Pages: 61-67	
GRI 102-3	Location of headquarters	BOP is headquartered in Ramallah, Palestine. The bank also has extensive administrative presence in Gaza City, Palestine. Our Gaza facility functioned as our initial headquarters until we moved to Ramallah.	NA	
GRI 102-4	Location of operations	BOP has operations in all Palestinian governorates in the West Bank and Gaza Strip. We also operate two representative offices in the UAE and Chile, but our operations in these countries do yield material ESG impacts. Refer to the section titled "About this Report" for a brief overview.	Pages: 9-13, 68-69	
GRI 102-5	Ownership and legal form	BOP is a public shareholding company, traded on the Palestine Exchange (PEX). The bank is subject to all banking regulations in Palestine. Refer to the section titled "Ownership & Legal Form" in this report for a brief overview.	Page: 44	
GRI 102-6	Markets served	We provide banking services to private individuals, small businesses, large enterprises, and the public sector throughout Palestine.	Pages: 7-8	
GRI 102-7	Scale of the organization	BOP is the largest and oldest bank in Palestine. It was founded in 1960 and has been the leading bank in Palestine since then. It has the largest branch network and the largest market share in Palestine. Refer to the sections titled "About Bank of Palestine" and "Our Services" in this report for a more detailed account of the scale of our business.	Pages: 11-19; 58-65	
GRI 102-8	Information on employees and other workers	We employ 1750 staff members in the West Bank and Gaza. Refer to the section titled "Our People" in this report for more information about our employees.	Pages: 73-80	

GRI 102-9	Supply chain	The total value of procurement at BOP in 2021 was \$12,388,494. Of these expenditures, 2.5% went to the purchase of local goods. Our purchases in 2021 can also be divided into 22% services and 87% goods. The total purchase orders delivered to any one supplier were always below 10% of our total budget. We do not monitor our suppliers' ESG performance.	NA	
GRI 102-10	Significant changes to the organization and its supply chain	There have been no significant changes to our organization or its supply chain during the reporting period, or between this period and the previous one.	NA	
GRI 102-11	Precautionary principle or approach	The precautionary principle is embedded in our approach to sustainability and risk management. We aim to proactively identify and mitigate risks associated with our activities, products, and services. Our approach is based on the understanding that some risks are impossible to eliminate completely but can be managed to an acceptable level. More information about our approach to risk management is available in the section titled "Managing Risks" in this report. We also discuss our Precautionary Approach in the section of this report titled "Materiality."	Page 41	
GRI 102-12	External initiatives	We are a signatory of the United Nations Global Compact, and we support the ten principles of the Global Compact in the areas of human rights, labor, environment, and anti-corruption. We have also adopted several guidelines for responsible financing which we discuss throughout the report.	NA	
GRI 102-13	Memberships in associations	BOP is a member of several associations. Related details are discussed in the section titled "Memberships & Associations" in this report.	Page: 38	
GRI 102-14	Statement from senior decision-maker	Statements from both our chairman and the head of our sustainability committee are published in this report. They provide an overview of our business activities and performance as well as a discussion of some of the challenges we faced during the reporting period.	Page 7-10	
GRI 102-15	Key impacts, risks, and opportunities	This is discussed in detail in the sections of this report titled "Our Sustainability Approach"	Pages: 26-37	
GRI 102-16	Values, principles, standards, and norms of behavior	BOP is committed to the highest standards of ethical conduct. We have adopted a code of conduct and a set of corporate values which all our directors, managers, and employees are expected to follow. More details are available in the section of this report titled "Our Mandate."	Pages: 21; 42-44	

GRI 102-17	Mechanisms for advice and concerns about ethics	We have several mechanisms in place for employees to raise concerns about ethical issues. These include an anonymous hotline and a confidential e-mail address. We have also adopted a code of conduct which sets out the expectations for ethical behavior. More information can be found in the sections of this report titled "Governing Growth & Success."	Pages: 40-56	
GRI 102-18	Governance structure	BOP is a public shareholding company. The Board of Directors is the highest authority in the bank, and it is responsible for guiding the bank and practicing oversight over its management. We disclose and discuss all details related to our governance system in the chapter titled "Governing Growth & Success" in the report.	Pages: 40-56	
GRI 102-22	Composition of the highest governance body and its committees	Refer to the discussion on "The Board of Directors," in the section titled "Governing Growth & Success" in this report for more detail.	Pages: 45-51	
GRI 102-23	Chair of the highest governance body	Refer to the discussion on "The Board of Directors," in the section titled "Governing Growth & Success" in this report for more detail.	Pages: 45-51	
GRI 102-25	Conflicts of interest	Our bylaws include provisions to manage conflicts of interest. We have also adopted a policy on related party transactions. Refer to the section titled "Transparency & Accountability within BOP" in this report for more detail.	Pages: 52-54	
GRI 102-30	Effectiveness of risk management processes	We have a risk management system in place which is designed to identify, assess, and manage risks. We discuss this system in detail in the section titled "Governing Growth & Success."	Pages: 40-56	
GRI 102-32	Highest governance body's role in sustainability reporting	The board follows the development of our sustainability reports through the Sustainability Committee. The board also reviewed this report and approved its release to the public.	NA	
GRI 102-33	Communicating Critical Concerns	We have mechanisms in place for employees and managers to raise all concerns. We also have solid two-way communication channels to communicate with our shareholders. In addition, we have robust compliance and auditing functions. More information can be found in the section titled "Governing Growth & Success" that discusses our governance system and our communication with our shareholders. Also see also see the discussion on our stakeholder engagement approaches.	Pages: 28; 31-37; 40-56	
GRI 102-35	Remuneration Policies	BOP's Board of Directors adopts a transparent policy on the remuneration of its members. This policy is discussed in detail in the section titled "Governing Growth & Success."	Pages: 55	

GRI 102-36	Process for determining remuneration	Our process for determining remuneration is set by our bylaws in consultation with our shareholders. Our directors are entitled collectively to a bonus of 5% of the net profits of the bank. They generally opt to receive less than half this ratio. More information can be found in the section titled "Governing Growth & Success."	Pages: 55	
GRI 102-37	Stakeholders' involvement in remuneration	With the exception of our shareholders, our stakeholders are not involved in our remuneration system.	NA	
GRI 102-40	List of stakeholder groups	A detailed list is included in the section titled "Stakeholders" in this report.	Pages: 15; 18-22	
GRI 102-41	Collective bargaining agreements	Currently, we do not have collective bargaining agreements to report on.	NA	
GRI 102-42	Identifying and selecting stakeholders	We deploy several processes to identify and engage our stakeholders. We discuss all details related to our stakeholder management system in the section titled "Stakeholders" in this report.	Pages: 31-37	
GRI 102-43	Approach to stakeholder engagement	We engage our stakeholders using a participatory and transparent approach. We discuss all details related to our stakeholder engagement system in the section titled "Stakeholders."	Pages: 33-37	
GRI 102-44	Key topics and concerns raised	We discuss this in detail in the section on "Materiality" in this report.	Pages: 30-31	
GRI 102-45	Entities included in the consolidated financial statements	This is discussed in detail in our Audited Financial Report.	Page: 106	
GRI 102-46	Defining report content and topic Boundaries	We have adopted a systematic and structured approach to defining the content of our sustainability report. We discuss this approach in detail in the section of our report titled "About this Report."	Pages: 22-24	
GRI 102-47	List of material topics	A list of material topics is included in the section on "Materiality" in this report.	Page 31	
GRI 102-48	Restatements of information	None. This is our first report. We do not have reporting periods, measurement methods or definitions to disclose.	NA	
GRI 102-49	Changes in reporting	None. This is our first report.	NA	
GRI 102-50	Reporting period	This report covers the period from January 1, 2021 to December 31, 2021. For more details please refer to the section titled "About this Report."	Pages: 22-24	
GRI 102-51	Date of most recent report	None. This is our first report.	Pages: 22-24	
GRI 102-52	Reporting cycle	We plan to issue similar reports on a biannual basis. For more details, please refer to the section titled "About this Report."	Pages: 22-24	

GRI 102-53	Contact point for questions regarding the report	The points of contact for this report are our Chief Sustainability Officer, Mr. Kamel Hussein, and our Head of the Sustainable Banking Department, Ms. Hiba Tantash. They can be reached at: kamel.hussein@bankofpalestine.com Hiba.Tantash@bankofpalestine.com. BOP looks forward to receiving feedback on this report from any and all interested stakeholders.	Page 25	
GRI 102-54	Claims of reporting in accordance with GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.	NA	
GRI 102-55	GRI content index	Our GRI Content Index is included at the end of this report.	This table	
GRI 102-56	External assurance	BOP has been focused on integrating and improving its sustainability management system and disclosure practice which has not given us the opportunity to formulate a process to verify and audit the content of our sustainability reports. We plan to seek independent review and assurance for our reports at the beginning of our second or third reporting cycle. The board of directors and senior management have approved the final content of this report.	Page 25	
GRI 103: Management Approach 2016 (GRI 201, GRI 202, GRI 203, GRI 204, GRI 205, GRI 206, GRI 207, GRI 302, GRI 303, GRI 305, GRI 306, GRI 307, GRI 401, GRI 402, GRI 403, GRI 404, GRI 405, GRI 406, GRI 407, GRI 408, GRI 409, GRI 412, GRI 413, GRI 415, and GRI 418)				
GRI 103-1	Explanation of material topic and its boundaries	Material topics and the process for their determination are defined in the section labeled "materiality" and "identifying material topics," respectively.	Pages: 30-31	
GRI 103-2:	The management approach and its components	We discuss our management approach, strategy, relevant materiality issues, and stakeholder consultation mechanisms in detail in the section titled "Our Sustainability Approach."	Pages: 25-31	
GRI 103-3	Evaluation of the management approach	We have developed a sustainability governance system, with components at the board and executive levels. We have also developed new sustainability strategy formulation and reporting mechanisms. These mechanisms are designed to continuously monitor and evaluate our management approach and to tailor our sustainability strategy according. The sections titled "Sustainability governance at BOP," and "Sustainability Strategy" describe these mechanisms in detail.	Pages: 25-31	
GRI 200: Economic				
GRI 201: Economic Performance 2016				
GRI 201-1	Direct economic value generated and distributed	We distribute the economic value that we generate (mainly in interest revenues and fees) through operating costs, wages and benefits, taxes to the Palestinian government, payments to providers of capital, community investment, purchases from the community, and working capital. Our audited financial report and statement provides detailed information on the economic value generated and distributed by BOP. This report is available on our website and is also available as an annex to our annual report.	Audited Financial Report Page 106	

GRI 201-2	Financial implications and other risks and opportunities due to climate change	Efforts and opportunities to adapt to climate change are included in the Green Lending sub-section of the report.	Page 86	Information about the financial implications and risks of climate change is currently unavailable. Efforts are in place to create a feasible timeframe for their calculation.
GRI 201-3	Defined benefit plan obligations and other retirement plans		Page 75-77	Confidentiality constraints. We are unable to disclose this information at the Bank level at this moment in time.
GRI 201-4	Financial assistance received from government	We have not received any financial assistance from the government during the reporting period.	NA	
GRI 202: Market Presence 2016				
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Standard entry level wages are above the national minimum wage, which is set at around USD 400.		
GRI 202-2	Proportion of senior management hired from the local community	All of our senior managers are from the local community.		
GRI 203: Indirect Economic Impacts 2016				

GRI 203-1	Infrastructure investments and services supported	No significant infrastructure investments were directly made during the reporting period.		Information about the impact of our products on national infrastructure is not currently being calculated but will be aggregated by the next reporting cycle.
GRI 203-2	Significant indirect economic impacts	We produce indirect economic impacts through the provision of our services and through our supply chain, our employee spending, and the taxes we pay to the Palestinian government. We discuss these matters in detail in the report.	57-69 and throughout this report.	
GRI 204: Procurement Practices 2016				
GRI 204-1	Proportion of spending on local suppliers		NA	Information about proportion of spending on local suppliers is currently unavailable. A team was formed to start tracking this data and report on it by our next reporting cycle.
GRI 205: Anti-Corruption 2016				
GRI 205-1	Operations assessed for risks related to corruption	Our compliance and auditing departments continuously assess our operations for risks related to corruption. No such risks have been observed or reported during the reporting period.	NA	
GRI 205-2	Communication and training on anti-corruption policies and procedures	Our code of conduct has been shared with all employees and contractors, and we have an anti-corruption policy in place. Employees receive training on these policies and procedures on an annual basis.	NA	

GRI 205-3	Confirmed incidents of corruption and actions taken	No such incidents were confirmed during the reporting period.	NA	
GRI 206: Anti-competitive Behavior 2016				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None.	Page 65. Audited Financial Report Page 106	
GRI 207: Tax 2019				
GRI 207-1	Approach to Tax		Audited Financial Report Page 106	
GRI 207-2	Tax governance, control, and risk management		Audited Financial Report Page 106	
GRI 300: Environment				
GRI 302: Energy 2016				
GRI 302-1	Energy consumption within the organization		NA	Information about energy consumption within the organization is currently unavailable. A team was formed to start tracking this data and report on it by our next reporting cycle.
GRI 302-3	Energy intensity		NA	Information about energy intensity within the organization is currently unavailable. A team was formed to start tracking this data and report on it by our next reporting cycle.

GRI 302-4	Reduction of energy consumption	Efforts made to reduce consumption are listed in the "Reducing our Direct Environmental Footprint" sub-section of the report.	Pages: 89-90	Information about the amount of energy reduced as a result of these effort is currently unavailable. A team was formed to start tracking this data and report on it by our next reporting cycle.
GRI 303: Water and Effluents 2018				
GRI 303-1	Total water withdrawal by source		NA	Information about water withdrawal is currently unavailable. A team was formed to start tracking this data and report on it by our next .reporting cycle
GRI 303-2	Water sources significantly affected by withdrawal of water		NA	Not applicable. None of our operations significantly impact water sources.
GRI 303-3	Water recycled and reused		NA	Information about water savings is currently unavailable. A team was formed to start tracking this data and report on it by our next reporting cycle.

GRI 305: Emissions 2016				
GRI 305-1	Direct GHG Emissions		NA	Information about direct GHG emissions currently unavailable. A team was formed to start tracking this data and report on it by our next reporting cycle.
GRI 305-2	Energy indirect (Scope 2) GHG emissions		NA	Information about indirect GHG emissions currently unavailable. A team was formed to start tracking this data and report on it by our next reporting cycle.
GRI 306: Waste 2020				
GRI 306-1	Waste generation and significant waste-related impacts		NA	Not applicable. We only produce municipal waste.
GRI 306-2	Waste by type and disposal method	We currently do not monitor this data. We plan to start tracking this data in our next reporting cycle.	NA	Information about Waste is currently unavailable. A team was formed to start tracking this data and report on it by our next reporting cycle.
GRI 307: Environmental Compliance 2016				
GRI 307-1	Non-compliance with environmental laws and regulations	We have not received any notice of non-compliance with environmental laws and regulations during the reporting period.	NA	
GRI 400: Social 2016				
GRI 401: Employment 2016				
GRI 401-1	New employee hires and employee turnover	Details of our new hires disaggregated by gender and age are presented in the section on "Our People" in this report.	Pages: 73-80	
GRI 401-2	Benefits provided to full-time employees that are not provided to parttime employees	Benefits provided to full-time employees are presented in the section on "Our People" in this report. Part-time employees are not entitled to receive these benefits.	Pages: 73-80	

GRI 401-3	Parental leave	We offer our parental leaves to both male and female employees. Details are presented in the section on "Our People" in this report.	Pages: 73-80	
GRI 402: Labor/Management Relations 2016				
402-1	Minimum notice periods regarding operational changes	Two weeks.		
GRI 403: Occupational Health and Safety 2018				
GRI 403-1	Workers representation in formal joint management– worker health and safety committees	Workers are not currently represented in such committees; their materiality and formation will be considered by the next reporting cycle.	NA	
GRI 403-2	Types and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	There have been no fatalities.	NA	Information about injuries, occupational diseases, lost days and absenteeism is currently unavailable. A team was formed to start tracking this data and report on it by our next reporting cycle.
GRI 403-3	Workers with high incidence or high risk of diseases related to their occupation	We do not have jobs that will subject our workers to high incidence or high risk of diseases related to their occupation.	NA	
GRI 403-4	Health and safety topics covered in formal agreements with trade unions	We do not have formal agreements with trade unions	NA	
GRI 404: Training and Education 2016				
GRI 404-1	Average hours of training per year per employee	Details of our training processes are presented in the section on "Our People" in this report.	Pages: 73-80	
GRI 404-2	Programs for up-grading skills and transition assistance programs	We do not have such programs.	NA	

GRI 404-3	Percentage of employees receiving regular performance and career development reviews	All employees receive regular performance reviews. Only members of the management receive career development reviews.	NA	
GRI 405: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees		Page: 47; 74-76	
405-2	Ratio of basic salary and remuneration of women to men		Page: 76	
GRI 406: Non-discrimination 2016				
GRI 406-1	Incidents of discrimination and corrective actions taken	We have recorded a few incidents of discrimination during the reporting period, which were addressed immediately. Details are available in the section on "Our People" in this report.	Pages: 74-76	
GRI 407: Freedom of association and collective bargaining 2016				
GRI 407-1	Operations and suppliers in which the right to exercise freedom of association and collective bargaining may be at risk.	At BOP, we encourage all our staff members to express themselves, and we have an open-door policy for complaints. Management encourages staff members to engage and holds periodic meetings with staff and line management.	NA	
GRI 408: Child Labor 2016				
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	Our line of business and the nature of our supply chain needs do not allow for the recruitment of child labor. There were no such cases observed or reported during the reporting period.	NA	
GRI 409: Forced or Compulsory Labor 2016				
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Our line of business and the nature of our supply chain needs do not allow for the utilization of forced or compulsory labor. There were no such cases observed or reported during the reporting period.	NA	

GRI 412: Human Rights Assessments 2016				
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	As signatories of the UNGC, our operations have not been subject to any human rights reviews or impact assessments during the reporting period. We plan to conduct such an exercise in the next reporting period.	NA	
GRI 413: Local Communities 2016				
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	We have not observed such impacts during the reporting period.	NA	
GRI 415: Public Policy 2016				
GRI 415-1	Political contributions	We do not engage in political contributions.	NA	
GRI 418: Customer Privacy 2016				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	We did not record any substantiated complaints concerning breaches of customer privacy and losses of customer data during the reporting period.	NA	

BANK OF PALESTINE P.L.C

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

Independent Auditor's Report
To the Shareholders of Bank of Palestine P.L.C

Opinion

We have audited the consolidated financial statements of Bank of Palestine and its subsidiaries (collectively the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2021, consolidated income statement, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters, accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adequacy of provision of expected credit losses for credit facilities and Islamic financing	
<p>Key audit matter</p> <p>This is considered as a key audit matter as the Management exercises significant judgement to determine when and how to record expected credit losses (ECL).</p> <p>Direct credit facilities and Islamic financing form a major portion of the Banks' assets, there is a risk that inappropriate expected credit losses are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying direct credit facilities and Islamic financing into various stages according to IFRS 9 and determining related ECL requirements, this audit area is considered a key audit matter.</p> <p>The Coronavirus (COVID-19) pandemic has affected the expected credit losses calculation process. Therefore, during 2021 and 2020 the Bank adjusted the microeconomic factors and allocated more weight to the worst-case scenarios during the years 2021 and 2020.</p> <p>As at December 31, 2021, the Bank's gross direct credit facilities and Islamic financing amounted to U.S. \$ 3,645,076,092 and the provision of expected credit losses amounted to U.S. \$ 169,770,971.</p> <p>The policy for the provision of expected credit losses is presented in the accounting policies adopted for the preparation of these consolidated financial statements in note (3).</p>	<p>How the key audit matter was addressed in the audit</p> <p>Our audit procedures included assessing the controls on procedures for granting, recording and monitoring credit facilities and financing, and the process of measuring ECL, including the requirements of Palestine Monetary Authority (PMA) to verify the effectiveness of the main controls in place, which determine the impairment in direct credit facilities and Islamic financing, and required provisions against them.</p> <p>In addition, our audit procedures included the following:</p> <ul style="list-style-type: none"> - We gained an understanding of the Bank's key direct credit facilities and Islamic financing processes, in addition to examination of internal controls system of granting, booking, and evaluating the effectiveness of the main procedures followed in the granting and booking processes. - We studied and understood the Bank's policy in calculating provisions in comparison with the requirements of IFRS 9 and the relevant regulatory guidelines and instructions. - We evaluated the Bank's expected credit losses model, with special emphasis on alignment with the expected credit losses model and the basic methodology within the requirements of IFRS 9. <p>We have studied a sample of direct credit facilities and Islamic financing individually, and carried out the following procedures to assess the following:</p> <ul style="list-style-type: none"> - The appropriateness of staging. - The appropriateness of the process of determining exposure at default, including consideration of the cash flows resulting from repayment and the resulting calculations. - The appropriateness of the probability of default, and the exposure at default and the loss given default for the different stages. - Validity and accuracy of the model used in the process of calculating expected credit losses.

	<ul style="list-style-type: none"> – Assessing the appropriateness of the Bank's estimation process for an increase in credit risks and the basis for transferring credit exposure between stages, for the exposures that have been transferred between stages, in addition to evaluating the process in terms of appropriate timing to determine the significant increase in credit risk of credit exposures. – Recalculating of the expected credit losses for direct credit facilities and Islamic financing individually, in addition to understanding the latest developments in terms of cash flows and financial position, and if there is any scheduling or structuring. – In relation to the forward-looking assumptions used by the Bank for calculating ECL, we have discussed these assumptions with management and compared these assumptions to available information including the impact of the coronavirus. – Procedures for evaluating collateral in accordance with the evaluation rules approved by the Bank. <p>We evaluated the disclosures to the consolidated financial statements to ensure their compliance with IFRS 9. Accounting policies, significant accounting estimates and judgments, disclosure of credit facilities and Islamic financing and credit risk management are detailed in the notes (3, 8, 47 and 55) to the consolidated financial statements.</p>
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Other information included in the Bank's 2021 Annual Report

Other information consists of the information included in the Bank's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report; however, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements as at December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young – Middle East
License # 206/2012

Saeed Abdallah

Ernst + Young

Sa'ed Abdallah
License # 105/2003

March 31, 2022
Ramallah – Palestine

Bank of Palestine P.L.C

Consolidated Statement of Financial Position
As at December 31, 2021

	Note	2021 U.S. \$	2020 U.S. \$
<u>ASSETS</u>			
Cash and balances with Palestine Monetary Authority	5	1,779,579,889	1,323,410,056
Balances at Banks and financial institutions	6	782,230,313	747,858,727
Financial assets at fair value through profit or loss	7	10,253,849	18,735,305
Direct credit facilities and Islamic financing	8	3,453,207,160	3,266,748,588
Financial assets at fair value through other comprehensive income	9	42,255,262	28,559,024
Financial assets at amortized cost	10	228,845,417	205,499,230
Investment in associates and a joint venture	11	9,671,052	5,946,380
Investment properties	12	25,962,178	25,884,919
Property, plant and equipment and right of use assets	13	115,897,814	121,430,377
Projects in progress	14	1,366,792	2,680,297
Intangible assets	15	14,613,893	15,428,395
Other assets	16	44,338,187	47,628,690
Total assets		<u>6,508,221,806</u>	<u>5,809,809,988</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities			
Palestine Monetary Authority's deposits	17	242,439,107	168,347,302
Banks and financial institutions' deposits	18	120,061,868	82,088,201
Customers' deposits	19	5,013,551,326	4,580,935,374
Cash margins	20	291,588,276	253,088,880
Subordinated loan	21	72,500,000	75,000,000
Loans and borrowings	22	48,442,500	27,636,180
Istidama loans from Palestine Monetary Authority	23	22,307,552	9,134,926
Lease Liabilities	24	31,900,160	33,453,914
Sundry provisions	25	50,983,323	48,851,375
Taxes provisions	26	21,492,314	4,610,652
Other liabilities	27	96,855,951	93,142,513
Total liabilities		<u>6,012,122,377</u>	<u>5,376,289,317</u>
Equity			
Paid-in share capital	1	217,433,527	208,080,000
Additional paid-in capital	28	29,575,688	24,848,415
Statutory reserve	29	61,883,607	56,970,341
Voluntarily reserve	29	246,361	246,361
General Banking risks reserve	29	10,311,877	10,311,877
Pro-cyclicality reserve	29	40,000,000	40,000,000
Fair value reserve	9	(1,692,549)	(4,999,792)
Retained earnings		77,612,532	43,763,159
Total equity holders of the Bank		<u>435,371,043</u>	<u>379,220,361</u>
Non-controlling interests	4	60,728,386	54,300,310
Total equity		<u>496,099,429</u>	<u>433,520,671</u>
Total liabilities and equity		<u>6,508,221,806</u>	<u>5,809,809,988</u>

The accompanying notes from 1 to 57 are an integral part of these consolidated financial statements

Bank of Palestine P.L.C

Consolidated Income Statement
For the year ended December 31, 2021

		2021	2020
	Note	U.S. \$	U.S. \$
Interest income	31	166,252,374	161,289,379
Interest expense	32	(38,906,250)	(42,650,597)
Net interest income		127,346,124	118,638,782
Net financing and investment income	33	50,166,699	35,662,682
Net commissions	34	46,085,241	43,156,485
Net interest, financing, investment and commissions income		223,598,064	197,457,949
Foreign currencies gains		22,094,579	16,745,839
Net gains from financial assets	35	7,951,831	611,729
(Losses)/gains from revaluation of investment properties	12	(285,740)	48,050
Bank's share of results of associates and a joint venture	11	460,415	442,861
Other revenues, net	36	8,429,423	6,941,015
Gross profit before expected credit losses provisions		262,248,572	222,247,443
Provision for expected credit losses on direct credit facilities and Islamic financing and other receivables, net	8&16	(22,768,138)	(38,968,640)
Provision for expected credit losses on investments, and indirect credit facilities and Islamic financing, net	39	(1,846,010)	(489,146)
Gross profit		237,634,424	182,789,657
Expenses			
Personnel expenses	37	(82,172,194)	(73,595,572)
Other operating expenses	38	(50,857,509)	(48,620,126)
Depreciation and amortization	13&15	(17,927,102)	(18,858,916)
Written off credit facilities not previously provided for	8	(2,052,766)	(1,532,623)
Palestine Monetary Authority's fines	40	(20,000)	(22,052)
Total expenses		(153,029,571)	(142,629,289)
Profit before taxes		84,604,853	40,160,368
Taxes expense	26	(28,350,526)	(17,748,220)
Profit for the year		56,254,327	22,412,148
Attributable to:			
Equity holders of the Bank		49,132,664	19,881,004
Non-controlling interests	4	7,121,663	2,531,144
		56,254,327	22,412,148
Basic and diluted earnings per share	42	0.23	0.09

The accompanying notes from 1 to 57 are an integral part of these consolidated financial statements



Published in December 2022