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Palestine Market And Financial Sector Overview
MARKET REVIEW - DEMOGRAPHICS

PALESTINE TOTAL POPULATION: 12.70M
In Palestine: 4.88 M (38%)
In the Diaspora: 7.82M (62%)

LITERACY RATE
95%

CURRENCY
Jordanian Dinar JOD
American Dollar USD
Israeli Shekel ILS

60% UNDER THE AGE OF 24
75.6% UNDER THE AGE OF 34
39.1%
GDP | Capita

<table>
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<tbody>
<tr>
<td>GDP</td>
<td>$1,815</td>
<td>$2,185</td>
<td>$2,664</td>
<td>$2,787</td>
<td>$2,992</td>
<td>$2,973</td>
<td>$2,865</td>
<td>$2,781</td>
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GDP $13.39 billion (2016)

- New potential could unleash $5 billion/year infusion to GDP according to World Bank estimates
## Banks Operating in Palestine

<table>
<thead>
<tr>
<th>Local Banks (7)</th>
<th>Foreign Banks (8)</th>
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<tbody>
<tr>
<td>Commercial Banks (4)</td>
<td>Jordanian (7)</td>
</tr>
<tr>
<td>Bank of Palestine (BOP)</td>
<td>Arab Bank</td>
</tr>
<tr>
<td>Palestine Investment Bank (PIBC)</td>
<td>Cairo Amman Bank</td>
</tr>
<tr>
<td>Al Quds Bank (QUDS)</td>
<td>Jordan Ahli Bank</td>
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<td>The National Bank (TNB)</td>
<td>Bank of Jordan</td>
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<tr>
<td>Islamic Banks (3)</td>
<td>The Housing Bank for Trade &amp; Finance</td>
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<tr>
<td>Arab Islamic Bank (AIB)</td>
<td>Jordan Commercial Bank</td>
</tr>
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<td>Palestine Islamic Bank (ISBK)</td>
<td>Jordan Kuwaiti Bank</td>
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<td>AL-Safa Bank (SAFA)</td>
<td>Other Foreign Banks (1)</td>
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<table>
<thead>
<tr>
<th>Market Share of Palestinian Banks vs Foreign Bank (Assets)</th>
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<tbody>
<tr>
<td>2017</td>
</tr>
<tr>
<td>2010</td>
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BANKING SECTOR OVERVIEW - ASSETS | DEPOSITS | LOANS | BRANCHES

No. of Branches

$ Billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets (Billion)</th>
<th>Deposits (Billion)</th>
<th>Loans (Billion)</th>
<th>LTD 43%</th>
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<tbody>
<tr>
<td>2003</td>
<td>3.430</td>
<td>1.072</td>
<td>1.428</td>
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<td>3.824</td>
<td>1.428</td>
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<td>2014</td>
<td>13.859</td>
<td>15.4</td>
<td>15.4</td>
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<tr>
<td>2015</td>
<td>11.9</td>
<td>11.9</td>
<td>11.9</td>
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<tr>
<td>2017</td>
<td>8.306</td>
<td>7.9</td>
<td>7.9</td>
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<tbody>
<tr>
<td>2017</td>
<td>339</td>
<td>259</td>
<td>274</td>
<td>277</td>
<td>309</td>
<td>333</td>
<td>339</td>
<td>339</td>
<td>339</td>
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</table>
BANK OF PALESTINE
OVERVIEW
Growth Of Assets & Milestones

- 1960: Founding of the bank in Gaza
- 1961: First bank to introduce computers in Palestine
- 1967: Bank is closed after the Israeli invasion of Gaza and the West Bank
- 1981: First bank to introduce computers in Palestine
- 1994: Direct links are established with international banks
- 1995: First in Palestine to introduce SWIFT services with correspondent banks
- 1997: First in Palestine to introduce a card processing center in Palestine
- 2002: Establishment of international trade department and direct dealing with international banks.
- 2005: BoP’s shares are listed on the Palestine Stock Exchange.
- 2006: Acquisition of majority stake in Arab Islamic Bank, providing Islamic Solutions Banking.
- 2009: Launch of GPRS Point of Sale service and Through ATM’s.
- 2010: Introduction of ATM’s and Points of Sale to the banking system.
- 2011: Establishment of PalPay - Electronic Payment Solutions
- 2012: Opening of BOP’s 1st Representative Office in DIFC Dubai, UAE
- 2013: Opening of BOP’s 2nd Representative Office in DIFC Dubai, UAE
- 2014: Sustained Organic Growth
- 2015: Acquisition of majority stake in Arab Islamic Bank, providing Islamic Solutions Banking
- 2016: Became a Member of the Global Alliance of the Banking on Values (GABV)
- 2017: Opening of BOP’s 2nd Representative Office in China
- 2018: BoP becomes a Member of the Global Alliance of Banking on Values (GABV)
- 2019: Launch of QRBS Point of Sale service and Palestine’s first drive through ATMs.

Assets:
- 2012: US$2 billion
- 2013: US$2.35 billion
- 2014: US$2.43 billion
- 2015: US$2.78 billion
- 2016: US$4.11 billion
- 2017: US$4.88 billion
- 2018: US$4.11 billion
- 2019: US$4.88 billion
- 2020: US$4.88 billion
- 2021: US$4.88 billion

Banking Services:
- 1991: First bank to introduce computers in Palestine
- 1994: Direct links are established with international banks
- 1995: First in Palestine to introduce SWIFT services with correspondent banks
- 1996: First to establish a card processing center in Palestine
- 1998: First to establish a card processing center in Palestine
- 2000: Introduction of ATM’s and Points of Sale to the banking system.
- 2001: BoP’s shares are listed on the Palestine Stock Exchange.
- 2002: Establishment of international trade department and direct dealing with international banks.
- 2006: Acquisition of majority stake in Arab Islamic Bank, providing Islamic Solutions Banking.
Palestine’s largest banking network with **70 BRANCHES** across all major cities & underbanked areas

Yearly Branch Count:
- 2017: 70
- 2016: 67
- 2015: 57
- 2014: 54
- 2013: 50
- 2012: 50
- 2011: 48
- 2010: 46
- 2009: 42
- 2008: 40
- 2007: 32
- 2006: 30
- 2005: 29
- 2004: 26
- 2003: 22
- 2002: 22
- 2001: 21
- 2000: 19
BOP - FLAGSHIP BUILDINGS

BOP - RAMALLAH GENERAL MANAGEMENT HEADQUARTERS

BOP - BETHLEHEM FLAGSHIP BUILDING

BOP - JERICHO FLAGSHIP BUILDING

TRAINING, WORKSHOPS, & NON-FINANCIAL SERVICES

BUSINESS BANKING

RETAIL BANKING

DIGITAL BRANCHES
BOP - FLAGSHIP EAST JERUSALEM - DAHIYAT ALBARID BRANCH

OPENING 2017
BOP - INTERNATIONAL STRATEGY DIASPORA

- Brazil 59,000
- Algeria 4,030
- Germany 80,000
- El Salvador 70,000
- Egypt 270,245
- Columbia 12,000
- Canada 50,975
- Australia 45,000
- Qatar 100,000
- Yemen 55,000
- United Arab Emirates 170,000
- Saudi Arabia 280,245
- United Kingdom 20,000
- Sweden 7,000
- Netherlands 9,000
- Syria 630,000
- Lebanon 402,582
- Iraq 57,000
- Jordan 3,240,000
- Kuwait 80,000
- Qatar 100,000
- Pakistan 10,500
- United States 255,000
- Mexico 120,000
- Honduras 250,000
- El Salvador 70,000
- Columbia 12,000
- Peru 15,000
- Brazil 59,000
- Chile 500,000
- Spain 12,000
- Greece 4,000
- Algeria 4,030
- Libya 44,000
- Egypt 270,245
-

- France 5,000

-

-

-
DIASPORA UNIT

There are around 7.8 million Palestinians living in Diaspora with an estimated GDP of $100 billion.

BOP has established a dedicated Diaspora Unit, with the purpose of strengthening bonds with Palestinians living in Diaspora, in addition to offering them competitive services in:

· Retail Banking
· Corporate Banking
· Business Advisory Services
· Investment and Brokerage Services

BOP is planning to open a representative office in Chile by 2017, home to large Palestinian Diaspora population.
Dubai International Financial Center (DIFC) 2015

REPRESENTATIVE OFFICE SERVICES:

- FINANCIAL ADVISORY SERVICES.
- INVESTMENT ADVISORY SERVICES.
- NETWORKING AND RELATIONSHIP MANAGEMENT AMONG DIASPORA PALESTINIANS.
- FACILITATION OF FINANCIAL SERVICES IN PALESTINE (ACCOUNT OPENING, FIXED TIME DEPOSITS AND CREDIT CARDS).
- MORTGAGE LOANS AND OTHER LOANS IN PALESTINE.
- TREASURY SERVICES AND CUSTODY SERVICES FOR INVESTMENTS IN THE PALESTINE STOCK EXCHANGE (PEX).
Bank of Palestine
Representative Office - Chile
2017
Over $2.50 billion in loans granted by Bank of Palestine
NPL Ratio 2.66%

Diversefied Loan Portfolio

- Retail: 38.2%
- MSMEs: 16.24%
- Corporate: 28.66%
- Government: 16.89%
Early stage investment vehicle in youth and entrepreneurship

Specialized programs and employees to service Micro, Small, & Medium Sized Enterprizes (MSMEs)

Gender inclusion and women empowerment through a comprehensive program:
- Products
- Non-financial services
- Awareness
- CSR
BOP - DIGITAL & TECHNOLOGY INCLUSION

- Digital Banking
- Mobile Banking – e-Bank
- Cards
- E Commerce
- Cyber Security
A holistic sustainability strategy:
- Promoting Sustainable Finance
- Developing a Sustainable Economy
- Gender Inclusion
- Investing in Youth
- BOP – A Sustainable Business
- Corporate Social Responsibility (CSR)

We contribute 6% of our annual profits towards CSR

We hire 6% of all staff – Persons with Disabilities

Green Loans

BOP created a distinctive programme entitled Green Loans to enable residents of rural areas to invest in renewable access to energy and resources such as:
- Solar Energy
- Greywater Recycling
- Rainwater Harvesting
- Other environmentally friendly projects
BOP - MEMBERSHIPS & RECOGNITIONS

**Bank of Palestine (Palestine)**

"It's high time we get more serious about financial inclusion. We can do much more to position banks at the core of people’s lives so that we are meeting their real needs and the needs of the community as a whole."

- Ilham Saleh Baniyasef, Chairman and General Manager

**Bank of Palestine Key Statistics (2015)**

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<tr>
<th>Category</th>
<th>Value</th>
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<tbody>
<tr>
<td>No. of branches</td>
<td>12</td>
</tr>
<tr>
<td>No. of ATMs</td>
<td>691</td>
</tr>
<tr>
<td>No. of registered users</td>
<td>1,076,814</td>
</tr>
<tr>
<td>No. of foreign currency users</td>
<td>1,076,814</td>
</tr>
<tr>
<td>No. of non-cash transactions</td>
<td>91,095</td>
</tr>
<tr>
<td>No. of microfinance customers</td>
<td>26,024</td>
</tr>
<tr>
<td>No. of microfinance customers</td>
<td>3,402</td>
</tr>
</tbody>
</table>

**FINANCIAL INCLUSION STRATEGIES**

1. Bank financially with any innovation: Make the Bank of Palestine a target to serve underserved areas, a first step toward providing comprehensive services to the Bank's social base of customers, 10% of which are 'marginalized' in terms of access to financial services.
2. Enhance financial services to underserved populations: The Bank of Palestine plays a role in developing comprehensive solutions for social inclusion, including microfinance and other services that meet the needs of the underserved population.
3. Enhance financial education: Promote the importance of financial education and awareness among underserved populations.
4. Create a structure for financial inclusion: Establish an institutional framework to ensure that financial services are accessible to all segments of society, including the underserved.
5. Build lending institutions: By supporting lending institutions, the Bank of Palestine can further contribute to financial inclusion by increasing access to financial services for underserved populations.

**Bank of the Year for Financial Inclusion**

**Global Finance**

**Bank of the Year 2016**

**Best Bank Award 2017**

**IR Awards Winner 2017**

**Middle East Investor Relations Association**

**Empowerment Principles**

**Global Banking Alliance for Women**

**Building Women's Wealth Worldwide**

**World Economic Forum**

**Global Alliance for Banking on Values**

**Women’s Economic Principles**

**UN Women**

**United Nations Global Compact**

**Established 1960**
PalPay® – Palestine Payments – As the leading payment platform company PalPay has been successful since inception utilizing the many POS machines and enabling payment of bills from various outlets revolutionizing the payment systems in Palestine. The number of electronic transactions conducted during the year through PalPay® reached more than 14.4 million, an increase of 26% compared with 2016. The company also continued to sign agreements with additional utility companies in Palestine to allow their clients to make e-payments through the PalPay® system. PalPay® has raised to 65 entities the number of service customers using its platform.

Palpay® creates the first E-government payment platform for paying all tickets, this will help to collect small and big tickets for the government. This will lead to a huge transactions and banking services, this step and the entry of 3G to Palestine will enhance BOP strategy toward E-Banking through mobiles and online banking.

The company also promoted its services regionally, as it was one of the main sponsors of the Cards and Payments Middle East conference that took place in Dubai.
Al-Wasata Securities has been the fastest growing brokerage company in Palestine playing a major role in the acquisition of new investors into the Palestinian market. The company ranked number one (out of eight brokerage companies) in Palestine with respect to attracting new investors. It now has a 26.83% market share in terms of number of investors, USD 180 million trading volume in local & regional markets, and more than USD 486 million worth of shares under management.
ARAB ISLAMIC BANK (AIB), is the latest subsidiary addition to Bank of Palestine Group, and in essence is the Islamic banking arm for Bank of Palestine, allowing it to provide with its 18 branches Islamic Banking solutions to a growing segment of customers requiring such sharia’ compliant solutions. The bank has assets of USD 1,033,012,286, with net profits in 2017 of USD 6,402,924. Benchmarked against the banking sector AIB’s assets grew by 18.89% while the assets growth in the entire banking sector was 10% clearly indicating the potential for growth for AIB in the coming years. AIB AGM approved a capital raise in 2017 to meet its growth potential.
Risk management framework

Infrastructure
- People → Mandates, roles & responsibilities
- Organisational structure
- IT → Databases, systems

Processes
- Assessment
- Measurement (inc. tools)
- Monitoring and reporting
- Mitigation and control
- Optimisation

Policies
- Documentation & Implementation of procedures for all business units & product types

Day to day risk management
- Risk analysis
- Limits
- Pricing
- Capital management
- Learning and development
Bank of Palestine has a dedicated Compliance and AML Department.

Compliance and AML are independent and report to the Board Audit Committee.

Bank of Palestine is in compliance with Local AML and CFT regulations working with the Palestinian Monitory Authority (PMA) and Financial Follow Up Unit (FFU).

New AML and CFT law signed by the president in December 2015. For the first time the Palestinian law addresses combating financing of terrorism.

A presidential decree concerning the enforcement of UN security council resolutions.

Bank of Palestine is in compliance with International AML and CFT regulations and Standards.

Bank of Palestine as part of its compliance adheres to all correspondent banks’ lists including Israeli list, OFAC, EU regulations and other international lists.

Bank of Palestine through the regulatory authorities works with US Treasury (FATCA compliant), IMF and FATF on enhancing the compliance system within the bank.

AML and CFT program is continuously updated through technology and training.

Adhering to a strict policy on updating clients data on a regular basis.

Using advanced AML systems for monitoring accounts clients transactions to detect any potential suspicious transactions.

A third of our employees get intensive training in AML and CFT on a yearly basis.
BANK OF PALESTINE
FINANCIAL HIGHLIGHTS
BOP - KEY PERFORMANCE INDICATORS

Total Revenue
Million (USD)

Net Interest & Commissions Income
Million (USD)

growth 24.48%
growth 22.56%
BOP - KEY PERFORMANCE INDICATORS

Profit Before Tax

Net Profit

Million (USD)

growth 7.33%

Million (USD)

growth 1.80 %
### Loans

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<th>Year</th>
<th>Billion (USD)</th>
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<td>2010</td>
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<td>2011</td>
<td>720</td>
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<td>2012</td>
<td>976</td>
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<td>1,388</td>
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<tr>
<td>2016</td>
<td>2,213</td>
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### Shareholders' Equity

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<th>Year</th>
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<td>2013</td>
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<td>2014</td>
<td>305</td>
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<tr>
<td>2015</td>
<td>403</td>
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<tr>
<td>2016</td>
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**BOP - KEY PERFORMANCE INDICATORS**
Paid-Up Capital

Million (USD)

No. of Employees

SLIDE Nº 33
<table>
<thead>
<tr>
<th>Indicator</th>
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<tr>
<td>ROA</td>
<td>1.11%</td>
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<td>ROE</td>
<td>12.01%</td>
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<td>Net Interest and Commissions Income/Total Revenues</td>
<td>82.71%</td>
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<td>Cost to Income Ratio</td>
<td>66.98%</td>
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<tr>
<td>Market Share - Deposits</td>
<td>31.41%</td>
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<tr>
<td>Market Share - Loans</td>
<td>32.50%</td>
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<td>NPLs%</td>
<td>2.66%</td>
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<td>Loans/Deposits Ratio</td>
<td>66.71%</td>
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<tr>
<td>Capital Adequacy Ratio</td>
<td>14.55%</td>
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<td>Coverage Ratio</td>
<td>41.37%</td>
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<td>Dividend Yield 2016</td>
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<td>Book value</td>
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<td>(EPS) Earning Per Share</td>
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<td>2014</td>
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<tr>
<td>2013</td>
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<td>Cash Dividend-USD</td>
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<tr>
<td>2012</td>
<td>Stock Dividend</td>
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75% Young Population

75% mobile penetration

45% Internet Penetration

Major opportunity for infrastructure projects

New potential could unleash $5 billion/year infusion to GDP according to World Bank estimates

Reaching the Unbanked (World Bank Data: 2014)

- 24% of the population (age 15+) have accounts
- 5% of the population (age 15+) have formal savings
- 5% of the population (age 15+) have formally borrowed