المؤسسة الفلسطينية لضمان الودائع
PALESTINE DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT

2023

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PALESTINE DEPOSIT INSURANCE CORPORATION

Annual Report

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PALESTINE DEPOSIT INSURANCE CORPORATION

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Glossary

Member Banks

All Islamic and conventional Palestinian banks and branches of foreign banks operating in Palestine, licensed by Palestine Monetary Authority (PMA).

Deposits Subject to the Provisions of the Law

All Types of deposits held by member banks in all currencies except:

- Deposits of the government and its agencies, Deposits of the PMA, and Deposits between members.
- Cash collaterals up to the amount of guaranteed facilities.
- Deposits of related persons, in accordance with the provisions of the Banking Law currently in force.
- Deposits of the auditors of a member and/or members of its Sharia Supervisory Board.
- Restricted investment account deposits, as determined by the Board.
- Deposits of insurance, reinsurance companies and financial brokerage firms licensed by the Palestinian Capital Market Authority, and deposits of specialized lending companies licensed by the Palestine Monetary Authority.

Deposits subject to prompt reimbursement

Total deposits subject to the provisions of the law, not exceeding the coverage limit of 20,000 USD (twenty thousand US dollars) or its equivalent in other currencies per depositor per bank.

Fully insured deposits

Deposits subject to full reimbursement according to the provisions of the law, equal to or less than the coverage limit of 20,000 USD (twenty thousand US dollars) or its equivalent in other currencies.

Partially insured deposits

Deposits subject to the provisions of the Law that exceed the coverage limit of 20,000 USD (twenty thousand US dollars) or its equivalent in other currencies.

Coverage limit

The maximum amount of reimbursement per depositor to each member bank, upon liquidation, equal to 20,000 USD (twenty thousand US dollars) or its equivalent in other currencies.

International Association of Deposit Insurers (IADI)

IADI is a non-profit organization, with an independent legal entity, it's headquartered at the Bank for International Settlements in Basel, Switzerland. The organization's objectives are to contribute to the stability of financial systems by enhancing international cooperation and exchanging experiences in the field of deposit insurance. IADI currently has 97 members,11 associates and 17 partners.

Core Principles for Effective Deposit Insurance Systems

A set of 16 core principles published by the International Association of Deposit Insurers (IADI) and the Basel Committee on Banking Supervision (BCBS), used as a framework to support effective deposit insurance system practices.

Vision

To reach a leading professional position in regional and international insurance deposits.

Mission

To reinforce the stability of the Palestinian banking system, encourage savings, and provide protection for depositors' savings in member banks.

Core Values

- Credibility and transparency: Adhering to the highest ethical and professional standards when carrying out duties effectively and efficiently.
- Loyalty: Promoting the values of responsibility, loyalty and dedication towards PDIC and stakeholders.
- Professionalism and excellence: Applying the best international standards, practices, skills, knowledge and expertise.
- Teamwork: Working collaboratively in good spirits and maintaining effective communication lines with parties involved.
- Continuous training: providing continuous training opportunities for the staff to advance technically and professionally, and keep abreast of international best practices.

Objectives

- To enhance public confidence in the Palestinian banking system and contribute to maintain its stability.
- To increase public awareness of the deposit insurance system in Palestine.
- To build up an appropriate level of reserves to ensure providing protection to depositors of member banks.
- To promote risk management culture in the banking sector.
- To conduct reimbursement and liquidation processes efficiently and effectively
- To build an international network with deposit insurance institutions all over the world to strengthen our relations and exchange experiences.

2023

Mandate

The Palestine Deposit Insurance Corporation (PDIC) mandate is specified in the articles (21 and 30) of PDIC's Law No. 7 of 2013, which gives PDIC the authority to reimburse insured depositors and to liquidate member banks that have been issues a decision to liquidate it by the Palestinian Monetary Authority (PMA). This mandate is known as Pay Box Plus.

The Palestine Deposit Insurance Corporation (PDIC) has updated its Law to include Amendment No. 15 of 2021, which grants it the authority to finance the banking resolution of member banks-with the approval of the Palestinian Monetary Authority (PMA), which is the authority that has the jurisdiction to carry out banking resolution- that are experiencing disruptions or material problems that affect their financial position and threaten their breakdown. The PDIC can finance these resolutions from its own funds.

In addition, the PDIC and the PMA have set the necessary policies and measures to undertake banking reforms and handle banks that have collapsed or have a high potential for collapse.

Chairman's Speech

May the peace, blessings, and mercy of Allah be upon you,

I am pleased, in person and on behalf of the member ladies and gentlemen of the Board of Directors of the Palestinian Deposit Insurance Corporation (PDIC), to present the PDIC's 10th Annual Report for the year 2023, in compliance with the policy of disclosing the most important developments and achievements of the PDIC in 2023. Doing this, I stress the vital role that the PDIC plays as an essential pillar of the effective banking protection net in Palestine, and as the backbone for protecting depositors' funds.

The recent conflict in Gaza has caused significant economic hardship for Palestinians throughout the West Bank and Gaza Strip. Many economic sectors have been severely impacted. However, the Palestinian Monetary Authority is working hard to maintain a strong banking system and ensure there is enough cash flowing through the economy. PMA is working to secure financial stability and promote economic development in the long term.

The PDIC operates in a stable financial and banking environment. Performance indicators of the Palestinian banking system at the end of 2023 showed positive results. The total customer deposits by the end of 2023 amounted to approximately $17,589 million compared with $16,468.2 million by the end of 2022 recording an increase of $1,120.8 million and a growth of 6.81 %, while the assets of banks operating in Palestine amounted to about $21,767.0 million by the end of 2023, compared with $ 20,554.9 million, reflecting an increase of $1,212.1 million and a growth of 5.90%.

The equity of banks operating in Palestine at the end of 2023 amounted to $2,308.9 million compared to $2,230.9 million at the end of 2022, an increase of $78.0 million and a growth of 3.50%, in addition to an increase in the outstanding balance of net credit facilities granted by licensed banks at the end of 2023. By $747.5 million, or 7.06% from its level in 2022, reaching about $11,337.8 million.

Here, I point out that the banks' have continued to maintain high rates of capital adequacy, even higher than the rate set by the Palestinian Monetary Authority and international standards by 16.21% at the end of 2023, in addition to an increase in the coverage ratio of provisions to in-active facilities in the banking system to amount to 120% at the end of 2023, compared to its level of 95.88% recorded at the end of 2022.

The PDIC continued to strengthen its presence at the local and global levels. PDIC participated in many Arab and international conferences and events, enabling us to exchange experiences with the counterparts and keep abreast of the latest developments in the field of protecting depositors' funds. Such participation has contributed to enhancing financial stability and confidence in the banking system in Palestine and contributed to maintaining its stability.

In conclusion, I have the honor to invite you to review the 10th Annual Report of the Palestinian Deposit Insurance Corporation. I hope that the year 2024 will be a turning point forward in the process of developing our national economy. I emphasize my confidence in the integrity and robustness of the Palestinian banking system.

فراس ملحم

General Manager's Speech

May the peace, blessings, and mercy of Allah be upon you,

It is honored to present the Palestine Deposit Insurance Corporation's annual report for 2023. This report details the Corporation's most significant progress and main achievements over the past year. Our commitment remains: to protect depositor funds in member banks, foster a culture of saving, and bolster public trust in the Palestinian banking system. Through these efforts, we contribute to the overall financial and banking stability in Palestine.

Stepping up its role, the Palestine deposit insurance corporation expanded its responsibilities in 2023, -Building on its established reputation for following international best practices-, the corporation is now developing a comprehensive guide for the banking reform process. This new task complements their existing role of financing reform measures approved by the Palestine Monetary Authority.

The Palestine Deposit Insurance Corporation will implement a new system for member bank contributions As part of one of the corporation's key strategic directions for the upcoming phase. This "risk-based installment" ensures fairer contributions based on each bank's risk profile. The system will also strengthen the Corporation's reserves, better preparing it to respond to potential future financial crises.

Despite a challenging economic environment in 2023, marked by the war on Gaza and widespread infrastructure damage, the Palestinian Deposit Insurance Corporation saw significant growth in deposits and depositors. The customer's deposits subject to the provisions of the PDIC's law amounted to $ 16,739.4 million at the end of 2023 compared to $15,683.2 million as of year-end 2022, recording an increase of 6.73%. Noting that these deposits belong to 2,428 thousand depositors, with an average deposit of $6,894 by the end of 2023 compared to 2,342 thousand depositors and an average deposit of $6,697 by the end of 2022. While the percentage of the number of depositors whose deposits are fully insured at a coverage limit of $20000 or its equivalent amount in other currencies, reached 93.57% of total depositors whose deposits are subject to the provisions of the Law at the end of 2023.

PDIC had a remarkable financial performance during year 2023, The corporation's total revenues increased by $30.7 million, compared to $ 29.8 million and growth 3% as of year-end 2022, and its reserves grew by 14.29% from the end of the previous year to reach $302 million, compared to $ 264.3 million as of year-end 2022.

PDIC is committed to achieve its vision and objectives of raising public awareness of the deposit insurance system in Palestine. Annually, the PDIC develops and implements awareness campaigns for the Palestinian public regarding the corporation and its role importance. To develop these ads, the PDIC uses scientifically conducted market surveys, statistical treatments, and demographically representative samples. And the region to assess the level of public knowledge of the corporation as well as the significance of the corporation's role in the community.

The PDIC also participated in several conferences and events, locally and internationally, this is to enhance the PDIC's strategy and objectives aimed to build an international network of relations with deposit insurance systems around the world, in order to promote its relations and experience exchange between the PDIC and its regional and international counterparts.

In 2024, PDIC will continue to work hard to achieve its vision of being a leader in the deposit insurance system. The PDIC is committed in protecting depositors and to ensure the stability of the financial and banking sector in collaboration with the Palestine Monetary Authority (PMA).

In conclusion, I would like to extend my sincere thanks to the Chairman and the members of the PDIC Board of Directors, all PDIC employees, members of the Financial Safety Net (Palestine Monetary Authority and Ministry of Finance), all member banks of the PDIC and the Association of Banks in Palestine.

We can assure and guarantee our commitment to continuously improve our work, both locally and internationally, in accordance with the most recent international best practices in this sector. We also remain dedicated to achieve our mission and objectives to contribute stabilizing the Palestinian banking sector.

General Manger

PDIC's Governance

PDIC
is managed and supervised by a Board of Directors comprised of 7 members:

1. The Governor of the PMA, as Chairman, or in his absence, the Deputy Governor.
2. A representative of the Ministry of Finance, appointed by the Minister of Finance from among high-ranking staff with relevant expertise.
3. The companies' controller in the Palestine Ministry of National Economy.
4. Four independent members appointed by Presidential decree, upon the recommendation of the Board Chairman for a period of three years, renewable once.

PDIC's Board has several responsibilities, including developing PDIC's policies and strategies, approving the annual budget, approving plans and policies for investment of the PDIC's funds and specifying participating banks' annual membership fee, approving the organizational structure and job descriptions, endorsing internal regulations and operating procedures, passing and implementing bylaws, instructions, and procedures for conducting operations and determining coverage limits in addition to other duties.

Board of Directors

Board of Directors

Dr. Feras Milhem

Chairman of Board of Directors of PDIC, The Governor of Palestinian Monitory Authority

Feras Milhem is a PhD. holder of Law from the Vrije Universities Brussel in 2004, he got his master's degree from Birzeit University in 2000 at Commercial Law. He got his first degree in law from Fez-Morocco in 1993, he is also a member at Palestinian Bar Association.

He has gained in-depth experience in his field; he has served as the team leader of the Rule of Law (Justice and Security) in the International Quartet office for more than seven years, was in charge of the Economic Relationship File on fiscal leakages between the Palestinian Authority and Israel, was in charge of the Palestine Monetary Authority's Ombudsperson Office for four years, and served for two-time as a member in the PMA's Board of Directors before he was appointed as the PMA Governor.

For nearly eighteen years, Dr.Milhem worked as a researcher and consultant on several legislative and judicial projects. Dr.Milhem was a lecturer at Birzeit University Law School from 2004 to 2009, during that time he served as assistant dean of the faculty and was an adviser to the Palestinian Minister of Interior from 2007 to 2009. He has also contributed to several studies, including with the MAS Institute related to economic research.

Dr. Mohammad Al Ahmad

Board member

Mohammad Farouq Al-Ahmad holds a PhD in Private Law and is currently an assistant professor at the faculty of Law and Public Administration at Birzeit University. Dr. Mohammad Al-Ahmad is also the Dean of Student Affairs at Birzeit University and a legal consultant to many private and public institutions.

Dr. Mohammad was a member of the Board of Directors in some of public, private and official institutions .He worked on preparing and drafting many proposals, laws and regulations in several fields.

He also participated in many scientific visits to various Arab, regional, European and international universities where he delivered various training sessions in addition to being an active participant in local, regional and international conferences and forums.

Dr. Adel Zagha

Board member

He was born in Nablus in 1956, he holds a PhD in Economic Theory and Public Finance from the Free University of Berlin in 1994, a Master's degree in Economics from Vanderbilt University/USA in 1984, and a Bachelor's degree in Business and Economics from Birzeit University in 1981. He is professor of Economics at Birzeit University, where he held the position of the Chairman of the Department of Economics, and the Director of the Master's Program in Economics from 1994-1999, and Dean of the Faculty of Commerce and Economics from 1999 to 2004. He was appointed by Birzeit University as Director of Planning and Development in 2005, then Vice President for Planning, Development and Quality during the period 2006-2011. After that, he became the university Vice President for Administrative and Financial Affairs during 2011-2016 and during 2021-2023. He is currently working on a book on global political economy. During 2016-2018, he was a visiting scholar at the Arab Center for Research and Policy Studies and a visiting professor at the Doha Institute for Graduate Studies. His latest research work is part of a research team with UNFPA to draw up a report on the population in Palestine until 2050. He has research relationships with the Palestinian Economic Policy Research Institute (MAS), the Institute for Democracy and Human Rights (MUWATIN), and the Chris Michelsen Institute in Norway. His research themes include tax reforms and fiscal decentralization in developing countries, issues of higher education quality and institutional performance, and poverty and inequality issues. He also works as a consultant to numerous consulting institutions for the public and private sectors in Palestine.

Ms. Rula J. Shunnar

Board member

With over 20 years of experience in Project Management, Private Sector Development, Entrepreneurship, and Aid management, Ms. Shunnar is the Founder and Director of Forward company for business consultation, Previously she joined Welfare Association (Taawon) as Head of Programs. Prior to that, she has worked with Silatech for four years, first as a Country Representative for Palestine and Jordan, and then as the Director of Country Operations, overseeing Silatech's engagements across the MENA Region.

Her extensive work with US and international organizations has enabled her to acquire knowledge in multicultural business and work environments, and enriched her diverse experience in several fields.

In 2010, she served as the Senior Advisor to the Palestinian Minister of National Economy concerned with Private Sector Development, International Aide, and Donor Coordination, where she was responsible for bilateral and multilateral relations with all donors and International agencies. During this assignment, Miss Shunnar made significant contributions to formulating the national strategy for MSME's in Palestine, and she led negotiating teams for significant Economic Growth, Investment Climate Improvement, and Private Sector Development projects.

As an entrepreneur in the Sustainable energy field, Ms. Shunnar participated in Establishing a Palestinian company that turned out to be a pioneer in the sustainable energy field.

As an expert in Private Sector Development, Ms. Shunnar has chaired and participated in sessions on Youth, Technology, Innovation in Education, Entrepreneurship, and family business in various conferences in the US, Europe and Palestine.

Rula holds an MBA in International Business, from University of St. Thomas, and Bachelor's degree in Computer Information System from University of Houston, Texas.

In 2019, Rula became a board member of Trustees at An-Najah University and a board member at the Palestine Deposit Insurance Corporation.

Mr. Tareq El Masri

Board member

Mr. Masri has held several key positions in the Palestinian Ministry of National Economy, currently serving as the Deputy Minister in addition to his role as a Companies Registrar. From 2014 to 2018, he served as the Director General of Company Registration, and prior to that, he worked as an advisor to the Minister of National Economy.

Mr. Masri brings extensive expertise in various fields, having been a member of several prominent national institutions such as the Supreme Council for Public Procurement Policies, the Board of Directors of Palestinian Airlines, and the Palestinian Institute of Public Finance and Taxes. Furthermore, he served as the Financial and Administrative Rapporteur of the Arab Organization for Industrialization and Mining, and currently holds the position of Deputy Chairman of the Palestinian Capital Market Authority.

In addition to his positions, Mr. Masri possesses a diverse set of skills and experiences in financial management, accounting, and administrative organization. He is distinguished by his leadership abilities and effective strategies in enhancing organizational performance and developing economic policies. He also has deep expertise in commercial registration and corporate governance, contributing to the improvement of the business environment in Palestine.

Mr. Masri holds a Bachelor's degree in Accounting from An-Najah National University since 1995, and continues to enhance his skills and knowledge through participation in numerous international training courses and workshops in the fields of economics and management. Combining practical experience with academic knowledge, he leads significant economic projects and provides valuable consultations that contribute to driving economic development in Palestine.

Mr. Mohammad Rabee

Board member

Mr. Rabee has held several positions in the Ministry of Finance, currently serving as the Ministry's Chief Accountant. Previously, he was the Director General of Financial Control from 2020 to 2023, and from 2017 to 2019, he served as the General Manager of General Supplies and Chairman of the Central Tenders Committee. During the period 2014-2016, he was the Director General of Revenue System, and served as the Deputy Director General of Customs and Excise from 2013 to 2017. In the years 2010-2012, he held the position of Director of Crossings and Trade Facilitation Centers (General Customs Administration), and prior to that, he was the Head of the Purchase Tax Department within the same administration.

Mr. Rabee has represented the Ministry of Finance in numerous national and sovereign institutions, holding the position of Chairman of the Board of Directors of the Palestinian Fund for Compensating Road Accident Victims. He is also a board member of several institutions, including the Orphans' Funds Management and Development Foundation, the Municipal Loans Fund Management, PALSAT Foundation, Capital Market Authority, Standards and Metrology Institute, Olive for Islamic Finance, Deputy Chairman of the Public Procurement Policies Council, and a member of the Board of Trustees of the Palestinian Institute of Public Health.

On the academic side, he has served as a certified trainer and lecturer, contributing to the development of university courses on public financial management at Birzeit University's Faculty of Economics and Business Administration. He has conducted numerous training programs and lectures on public financial management tailored for Palestinian university students and has been involved in the rehabilitation of new trainer programs.

Mr. Rabee holds a Master's degree in Institutional Building and Human Resource Development - General Management, and is in the final stages of completing his Ph.D. in Strategic Management.

Mr. Iyad Joudeh

Board member

Iyad Joudeh is the founder and the Managing Director of Solutions for Development; a private consulting firm specializing in the field of economic development and business consulting.

Iyad has over 30 years of diversified experience in private sector development, business strategy and marketing. His knowledge covers many fields including financial services, manufacturing, agriculture and ICT.

During his professional career Iyad held many senior management positions including the Chief Executive Officer of Palestine Trade Center (PalTrade- The national export promotion agency), the Marketing Director of Bethlehem 2000, the General Manager of Development Resource Center and the General Director of the Economic Development Group.

Moreover, Iyad serves as a member in Bir Zeit University's Board of Trustees (the University's Treasurer), Mr. Joudeh is also a member of the Boards of Directors of the Palestine Deposit Insurance Corporation, and the Palestine Investment Fund.

He has also held several previous positions in Palestinian national institutions, including the Palestine Monetary Authority, Vice President of the Palestinian Export Council and Asala Credit Institution.

Iyad has a finance and management high Diploma through the Hubert Humphrey Fellowship Program, from Boston University and a Bachelor degree in Economics from BirZeit University.

Board Committees

1. PDIC Board Committees:

a. Governance Committee

- Dr. Mohammed Al Ahmad- Chairman
- Mr. Tareq El Masri
- Mr. Mohammad Rabee

b. Investment Committee

- His Excellency Dr.Feras Milhem - Chairman
- Ms. Rula Shunnar
- Dr. Adel Zagha
- Mr. Loay Hawash- General Manger

c. Audit Committee

- Mr. Tareq El Masri- Chairman
- Mr. Mohammad Rabee
- Dr. Mohammed Al Ahmad

d. Risks Committee

- Mr. Tareq El Masri – Chairman
- Mr. Mohammad Rabee
- Dr. Mohammed Al Ahmad

2. Committee(s) established by PDIC's law:

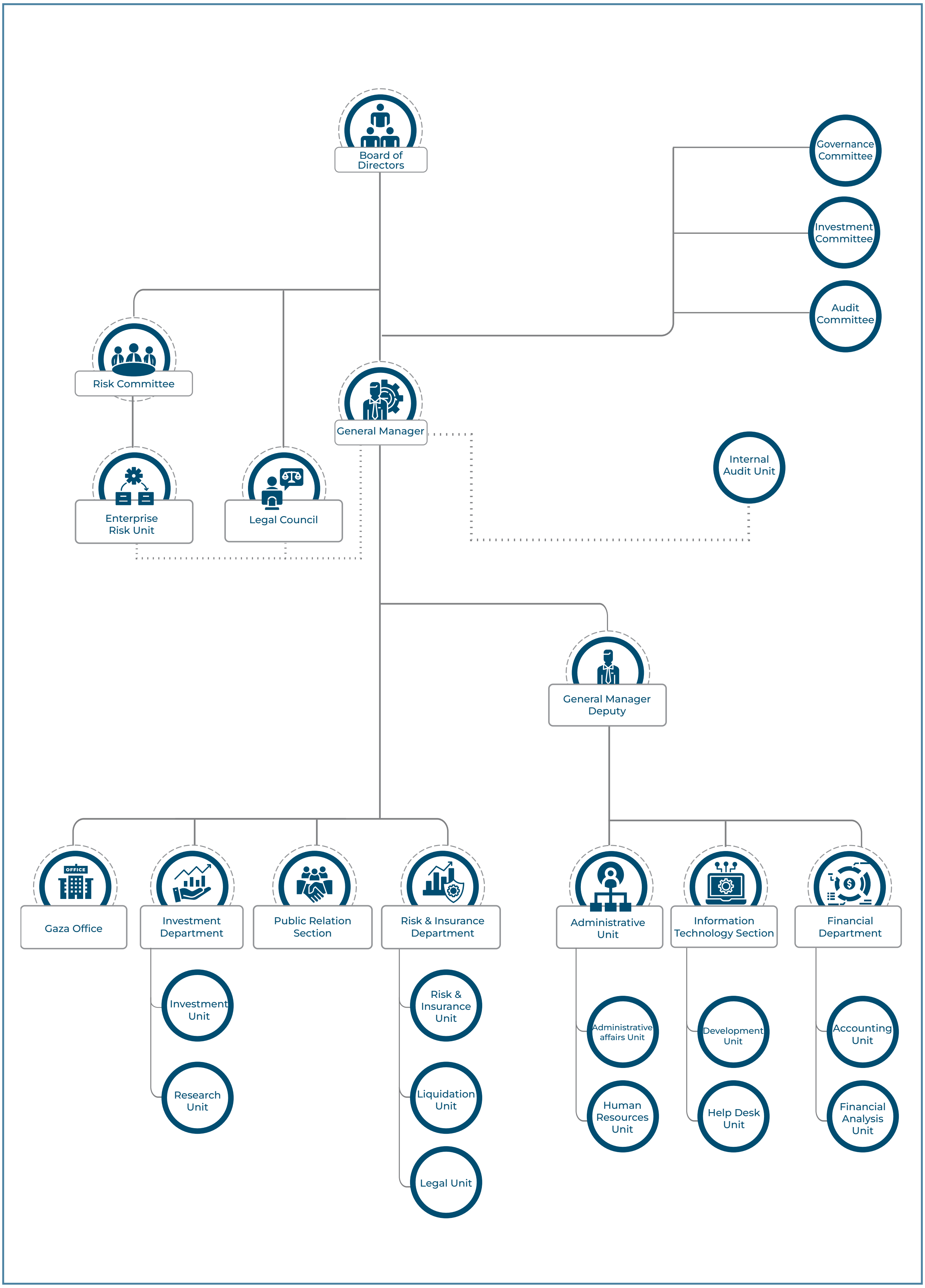
Liquidation Committee

- Mr. Loay Hawash-, General Manager / Chairman.
- Companies Controller Representative, Ministry of National Economy, Mr. Tareq Ouda allah
- PMA, Banking Supervision and Inspection and Control Department Representative Mr. Raed Obaid.
- External Advisors chosen by PDIC Board depending on their experience and competency in accounting, audit and law:

a. Financial Advisor, Samer Musleh.

b. Legal Advisor, Mr. Tariq Touqan

PDIC Organization Chart



Enterprise risk management

In terms of enabling work and strengthening PDIC's existing ERM processes in order to support the Corporation on an ongoing basis and to protect it from potential losses. PDIC have an ongoing process designed to identify and address significant risks that could affect the achievement of PDIC's objectives and mandate. ERM process had been consolidated and applied with the best means and tools according to available resources.

The Board-approved PDIC Risk appetite statement, Risk Matrix and operational risk loss events and incidents procedures in accordance with international best practices, that states and affirms PDIC's commitment to sound ERM practices and enhances their ability to deliver PDIC's mandate and objectives by ensuring that any risks that may impede the achievement of their mandate and objectives are identified and dealt with.

PDIC is still working on the development of PDIC's ERM effectiveness, which its aim is enhancing best methodologies, tools, approaches and systems to enhance ERM capabilities, and provide corporation with the roadmap to continuously improve our ERM practices and risk culture.

Deposit Insurance System in Palestine

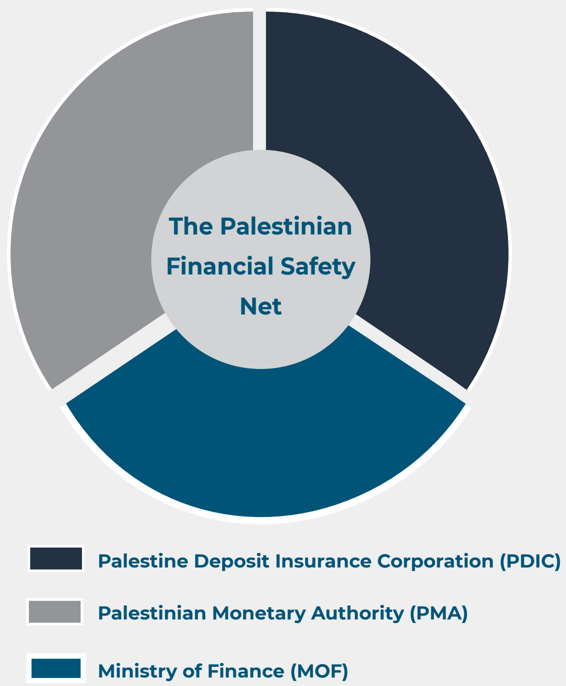
The "Deposit Insurance System" is a mechanism established by governments through laws and regulations, aimed at protecting depositors (particularly small depositors) from losing their deposits in the event of a bank failure, thereby enhancing the financial stability of the banking system as a whole and enhancing savings and economic growth.

Palestine Deposit Insurance Corporation (PDIC) was founded pursuant to the provisions of the Presidential Decree Law No. (7) Of 2013, and it is a legal entity that has legal capacity, as well as financial and administrative independence. It aims to protect depositors of member banks, encourage saving, enhance the risk culture and promote confidence in the Palestinian banking system.

The Palestine Deposit Insurance Corporation (PDIC) is a critical component of the Palestinian financial safety net. It is essential for the efficient operation of the financial system because it protects depositors from losing their money in the event of a bank collapse. This helps to promote economic growth and financial stability by ensuring that depositors have confidence in the banking system.

The Palestine Deposit Insurance Corporation (PDIC) plays a vital role in the banking sector by liquidating troubled banks, financing corrective measures which approved by the Palestinian Monetary Authority (PMA), and compensating depositors' funds. The Corporation consistently strives to comply with all international standards and principles.

Figure (1): The Palestinian Financial Safety Net



PDIC Executive and Administrative Staff

PDIC had 18 employees at the end of 2023 coming from different disciplines and specializations.

❖ General Manager

The General Manager of PDIC carries out duties and authorities assigned to him/her pursuant to the PDIC Law, in order to manage the Corporation's matters, including the implementation of the policies and decisions approved by the Board of Directors, supervising the Corporation's executive staff and monitoring the proper implementation of daily operations.

❖ Finance Department

This department is responsible for bookkeeping and accounting, maintaining adequate financial assets and resources and providing accurate and timely financial information to decision makers.

❖ Administrative department

The administrative department specializes in human resources, which is considered the most important resource for the organization to achieve its strategic goals and vision. The department's main goal is to attract and develop employees' skills through enrolling them in various training courses, workshops, and conferences held annually at the international level. The department also works to create the best work environment for employees by providing administrative services, supplies, and systems, as well as contracting with vendors and service providers in accordance with professional standards. This is to enhance employees' competencies and creativity, as well as raise their productivity and loyalty.

❖ Risk Analysis and Insurance Department

This department is assigned several important tasks and responsibilities that contribute to the development and implementation of PDIC's policies, as well as reinforcement of risk-management principles and promotion of confidence in the Palestinian financial system.

This department is mainly responsible for following up the fee collection from member banks. It is also charged with preparing the risk-based fee collection system. This department is responsible for carrying out the tasks and responsibilities entrusted to PDIC as the liquidator of any bank pursuant to PDIC Law, regulations, instructions and decisions issued for that purpose.

This department is responsible for handling all legal matters of PDIC, following-up on its progress with the related authorities, drafting PDIC's contracts and agreements and reporting periodically on the division's work.

❖ Internal Audit Unit

The activity of the Internal Audit Unit is closely linked with the Audit and Risk Committee of the Board of Directors. The Unit is in charge of assessing the validity and soundness of the PDIC's various activities, providing recommendations in view of the audit, as well as assessing and analyzing results of various departments in order to enable them to fulfil their responsibilities effectively and efficiently, to help the corporation in achieving its objectives.

❖ Enterprise Risk management Unit

The mission of this unit is to develop an integrated and effective framework for the management of financial, operational and strategic risks at the PDIC level and supervise the adequacy of risk management tasks and operations. In order to achieve its objectives, the unit uses risk assessment and mitigation techniques and works on minimizing variability and uncertainty in achieving objectives and best performance in the tasks and operations of the different departments.

❖ Investment Department

This department is responsible for providing data and information needed to support the planning and development of processes in PDIC.

This department is responsible for investing the PDIC's resources within a carefully considered investment policy and strategy approved by its Board of Directors.

❖ Information Technology Division

The Information Technology Division seeks to be an effective player in managing the development wheel in PDIC, at the organizational and administrative level, and at the level of services provided by the corporation by utilizing the most recent information technology advancements in the world that support the work environment.

❖ Public Relations Division

The public relations division is one of the basic support Divisions of PDIC. It is the Corporation's "window" to the local and international community. It reinforces the means of communication and cooperation locally and abroad with all targeted population of the society. It also disseminates PDIC's vision and mission by the best possible means.

❖ Gaza Office

Gaza office implements and enforces PDIC's policies; it is the corporation's representative in Gaza Strip. The office promotes public awareness of the Palestinian deposit insurance system in terms of establishment of PDIC and its goals. In addition, the office holds workshops and represents PDIC in many events in Gaza.

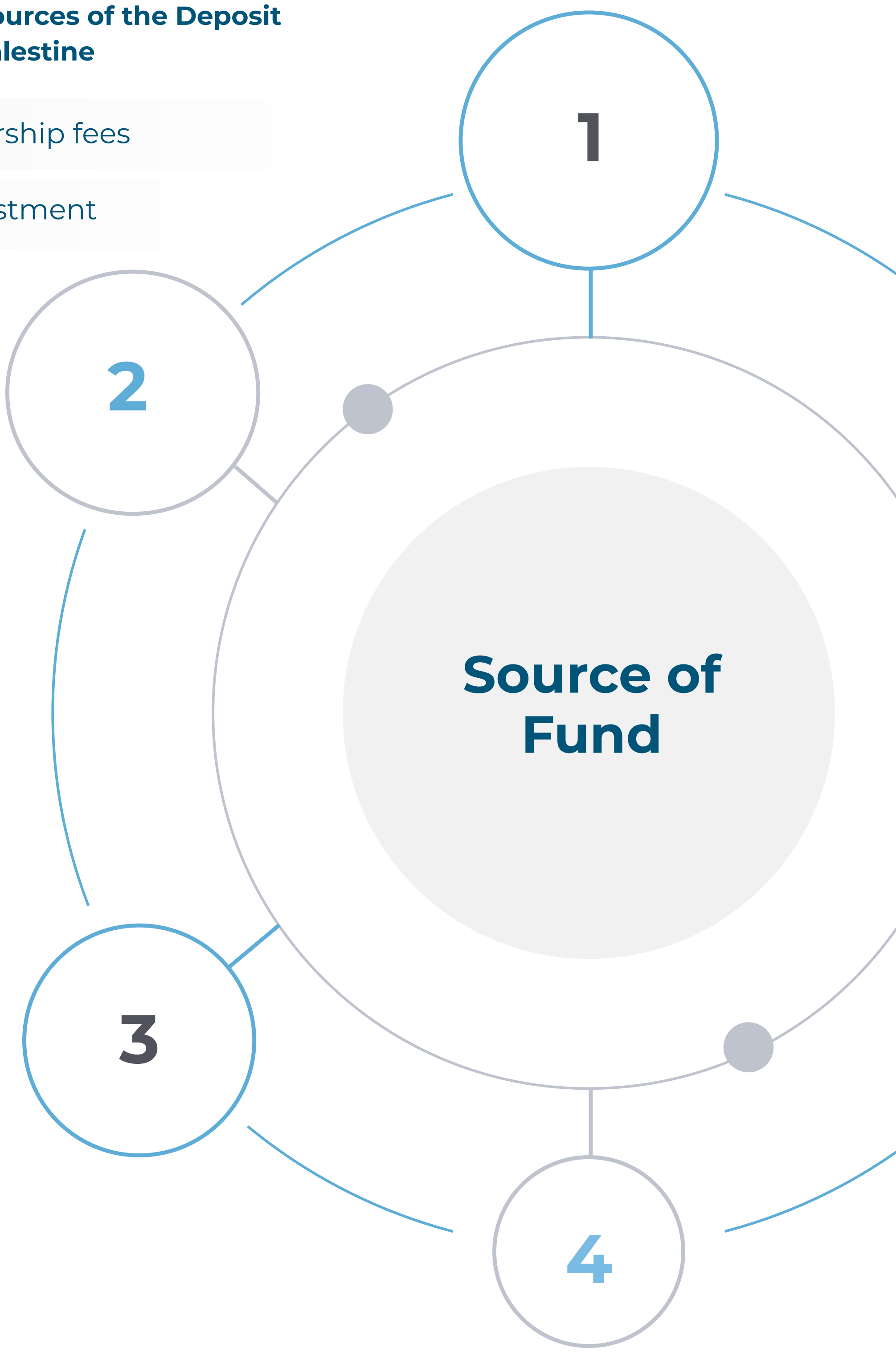
The key features of Palestine deposit Insurance Corporation

Equity of Deposit Insurance System and Financing Sources

PDIC's Equity is comprised non-refundable incorporation fees paid by each member bank within 15 days of the initiation of membership, in addition to the reserves established from annual membership fees collected from member banks, in addition to the returns on investments of the deposit insurance funds.

Figure (2): Financing Sources of the Deposit Insurance System in Palestine

1. Annual membership fees
2. Returns on investment
3. Grants
4. Loans



Moreover, the Corporation may accept financial grants from any entity approved by its Board, and may borrow if its financial resources fall short to meet its financial obligations.

Membership

PDIC membership is mandatory for all banks licensed by PMA, regardless of whether they are commercial or Islamic. The number of banks subject to the provisions of the Law reached Thirteen by the end of 2023. Seven of which are local, and six are foreign banks.

Membership Fees

The member bank is required to pay the membership fees on a quarterly basis. The membership fees equals an annual rate of 0.2% of the average of total value of the bank's deposits subject to PDIC Law. The Board of Directors may determine the membership fee rate based on the degree of risk of each member bank in line with the standards agreed upon with PMA, and in accordance with the instructions issued for this purpose. The BOD may also review and amend the annual membership rate and establish a fees calculation mechanism.

The PDIC's main functions

1. Depositors Reimbursement

PDIC becomes legally responsible for reimbursing insured depositors of that bank once the PMA publish the decision of liquidate a member bank. PDIC is obliged to compensate depositors in accordance with the specified coverage limit within 30 days from the date of the depositor's filling of his claim. The coverage limit for each depositor is calculated on all of their deposits combined with the bank under liquidation, including accrued interest or accrued return, up to the date of publication of the liquidation decision of the member bank in the official Gazette.

The reimbursement amount becomes payable once the liquidation decision is published and must be paid by PDIC within 30 days of filing the depositor claim.

2. Liquidation process

Pursuant to the Presidential Decree-Law No. (7) Of 2013, PDIC is the sole liquidator of a failing bank following the publication of a liquidation decision by Palestine Monetary Authority (PMA).

PDIC enjoys the authority to take all legal measures necessary to protect the bank's rights, and conclude the liquidation process. PDIC shall replace depositors in their claims against the bank with an amount equal to reimbursements paid. The reimbursed amounts shall be considered as debts owed to PDIC by the liquidated bank. PDIC claims have seniority over all other creditors and shareholders.

PDIC has full power to take the necessary measures to terminate a bank's operations, settle the bank's debts, collect its dues, take all necessary measures to protect its assets and rights, audit its accounts, and subsequently sell the bank's movable and immovable assets or part of them, or take any other action or measure required to conclude the liquidation proceedings in order to pay back depositors and settle bank debts.

3. Reserves Management

PDIC exerts every effort to grow its reserves to ensure the protection of depositors' rights with member banks. Hence, it aims to establish reserves of not less than 3% of total deposits subject to the provisions of its Law. The sources of reserves are membership fees that are collected from member banks on quarterly basis, returns on investments and other returns after deducting all expenses.

PDIC's performance during 2023

PDIC's performance during 2023

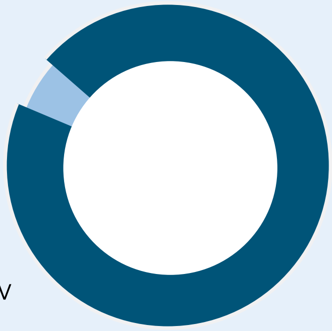
a. Deposits subject to the provisions of the Law

Total deposits subject to the provisions of the law amounted to about 16,739.4 million USD at the end of 2023, compared to 15,683.2 million USD at the end of 2022, registering an increase of 6.73%. These deposits belong to about 2,428 thousand depositors with an average value of deposits of 6,894 USD in 2023 compared to 2,342 thousand depositors with an average deposit value of 6,697 USD in 2022.

Figure (3): Deposits Subject to the Provisions of the Law

95.2%
Deposit subject to provisions of PDIC's law

4.8%
Deposit non subject to provisions of PDIC's law



Deposits subject to the provisions of the Law constituted 95.2 percent of total deposits held by member banks by end of 2023.

b. Fully- insured deposits

Fully insured deposits in accordance with the law - deposits with a balance less than or equal to 20,000 USD or its equivalent in other currencies - constituted 21.32 % of total deposits subject to the provisions of the law by the end of 2023, amounting to $ 3.568 million. They belong to 2,272 thousand depositors with an average deposit value of 1,571 USD compared to 3,447 million USD belong to 2,207 thousand depositors with an average deposit value of 1,562 USD by the end of 2022. The percentage of fully insured depositors was 93.57 % of total depositors whose deposits are subject to the provisions of the Law by the end of 2023.

The percentage of fully insured depositors reached 93.57 percent of total depositors whose deposits are subject to the provisions of PDIC's Law by the end of 2023

Fully insured deposits represented 21.32 percent of total deposits subject to the provisions of PDIC's Law by the end of 2023.

c. Partially insured deposits

Deposits subject to the provisions of the Law amounted to more than 20,000 USD or its equivalent in other currencies (partially insured deposits) amounted to about 13,171.4 million USD by the end of 2023, compared to 12,236.2 million USD by the end of 2022, constituting 78.68% of total deposits subject to the provisions of the Law by the end of 2023.

These deposits belong to about 156 thousand depositors, constituting 6.43% of total depositors whose deposits are subject to the provisions of Law, with an average deposit value of 84,349 USD by the end of 2023, compared to 135 thousand depositors with an average deposit value of 90,483 USD by the end of 2022.

The percentage of partially insured depositors represented 6.43 percent of total depositors whose deposits are subject to the provisions of PDIC's Law by the end of 2023

Partially insured deposits represented 78.68 percent of total deposits subject to the provisions of PDIC's Law by the end of 2023

d. Prompt Reimbursement

The concentration of prompt reimbursement amount with the largest bank was 28.41% percent by the end of 2023, 48.62% for the two largest banks and 58.99% for the three largest banks.

e. Membership Fees

Membership fees from member banks increased to $30.7 million by year-end 2023, reflecting a 3% rise from $29.8 million in 2022. This increase is significantly lower compared to the 108.1% jump observed in 2022, which followed the implementation of a new fixed subscription rate of 0.2% effective January 1, 2022 (previously 0.1%).

Table (1): Main Indicators of deposits and depositors at member banks (2016-2023)

Indicators	16-Dec	17-Dec	18-Dec	19-Dec	20-Dec	21-Dec	22-Dec	23-Dec	Growth rate
Total deposits at member banks (USD million)	10,604.7	11,982.5	12,227.3	13,384.7	15,138.3	16,519.0	16,468.2	17,589.0	6.8%
Total depositors at member banks (in thousand)	1,536	1,604	1,636	1,730	1,806	2,180	2,350	2,438	3.7%
Average deposit value for total depositors at member banks (USD)	6,902	7,472	7,474	7,735	8,384	7,577	7,006	7,215	3.0%
Deposits subject to provisions of the law (USD million)	9,713	11,099	11,516	12,726	14,483	15,667	15,683	16,739	6.7%
Number of depositors whose deposits are subject to the provisions of the law (in thousand)	1,531	1,590	1,630	1,724	1,797	2,171	2,342	2,428	3.7%
Average deposit value for depositors whose deposits are subject to the provisions of the law (USD)	6,343	6,980	7,064	7,383	8,060	7,218	6,697	6,894	2.9%
Deposits subject to the provisions of the law to total deposits at member banks (%)	91.60%	92.60%	94.20%	95.10%	95.70%	94.80%	95.23%	95.17%	-0.1%
Prompt reimbursement amount (USD million)	2,839	4,412	4,490	4,871	5,459	6,027	6,152	6,691	8.8%
Fully insured deposits (all deposits that are less than or equal to the coverage limit) (USD million)	1,382	2,459	2,592	2,760	3,136	3,280	3,447	3,568	3.5%
Number of fully insured depositors (in thousand)	1,386	1,493	1,535	1,618	1,681	2,033	2,207	2,272	3.0%
Average deposit value for fully insured depositors (USD)	997	1,648	1,688	1,706	1,866	1,613	1,562	1,571	0.5%
Partially insured deposits (all deposits that are in excess of coverage limit) (USD million)	8,331	8,640	8,924	9,966	11,347	12,387	12,236	13,171	7.6%
Number of partially insured depositors (in thousand)	146	98	95	106	116	137	135	156	15.5%
Average deposit value for partially insured depositors (USD)	57,174	88,482	94,020	94,435	97,681	90,183	90,483	84,349	-6.8%
Fully insured deposits to total deposit subject to the provisions of the law (%)	14.2%	22.2%	22.5%	21.7%	21.7%	20.9%	21.98%	21.32%	-3.02%
Partially insured deposits to total deposit subject to the provisions of the law (%)	85.8%	77.8%	77.5%	78.3%	78.4%	79.1%	78.02%	78.68%	0.85%
Number of fully insured depositors to total depositors whose deposits are subject to provisions of the law (%)	90.5%	93.9%	94.2%	93.9%	93.5%	93.7%	94.23%	93.57%	-0.70%
Number of partially insured depositors to total depositors, whose deposits are subject to the provisions of the law (%)	9.5%	6.1%	5.8%	6.1%	6.5%	6.3%	5.8%	6.4%	11.4%
Concentration of prompt reimbursement amount (the largest two banks) (%)	0.4522	45.58%	44.64%	44.59%	44.12%	43.54%	44.11%	48.62%	10.22%
Concentration of prompt reimbursement amount (the largest three banks) (%)	0.5332	54.02%	54.49%	55.23%	54.73%	54.39%	54.33%	58.99%	8.58%

f. PDIC Investment

In 2023, the net profit from investment was 8,246,189 USD, up 38.88 % from the previous year's value of 5,937,579 USD, with a return on investment reach 2.84%, increasing by 21.35 % compared with 2.34% at 2022.

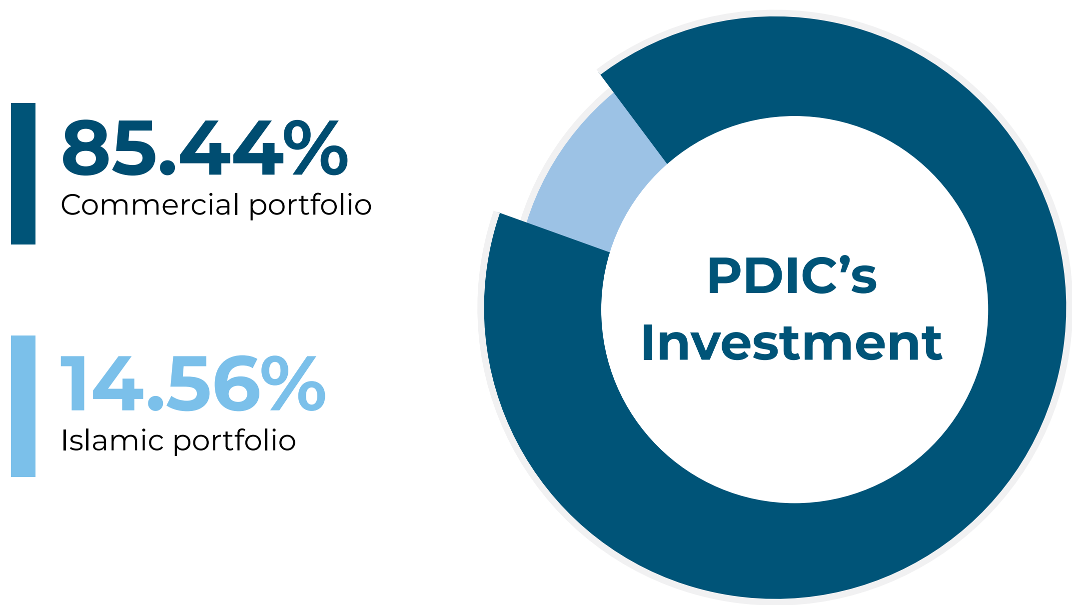
The investment portfolio (bonds + deposits) grew by 14.45%, reaching (290,417,513 US dollars - book value) at the end of the year 2023, after it was (253,753,625 US dollars - book value) at the end of 2022.

The total net profit for the bonds portfolio in 2023 was 8,176,979 USD, with 2.28% average return on investment, which was divided as follows:

1. A total net profit of 6,987,568 USD in the Commercial portfolio.
2. A total net profit of 1,189,411 USD in the Islamic portfolio.

The total net profit from deposit investing was 69,210 USD, 67,794 USD for the Commercial portfolio, and 1,417 USD for the Islamic portfolio.

Figure (4): Investment Portfolio



g. Public awareness about deposit insurance system

Principle No. (10) is one of the core principles and compliance assessment issued by International Association of Deposit Insurers (IADI), which states:

«Public awareness: In order to protect depositors and contribute to financial stability, it is essential that the public must be informed on an ongoing basis about the benefits and limitations of the deposit insurance system».

One of the PDIC's primary objectives is to ensure the Palestinian public understands and appreciates the deposit insurance system's benefits. To achieve this goal, the Corporation undertakes annual awareness campaigns.

Annually, the PDIC develops and implements awareness campaigns for the Palestinian public regarding the institution and its value. To develop these ads, the organization uses scientifically conducted market surveys, statistical treatments, and demographically representative samples. And the region to assess the level of public knowledge of the institution as well as the significance of the institution's role in the community

In 2023, the Palestinian Deposit Insurance Corporation (PDIC) successfully concluded its year-long public awareness campaign. The campaign employed a two-pronged approach to maximize its impact: The PDIC conducted workshops for all member bank employees in both the West Bank and Gaza Strip. Equipping bank staff with in-depth knowledge of deposit insurance allows them to effectively answer customer questions and serve as public educators.

The Palestinian Deposit Insurance Corporation (PDIC) recognized the power of social media for public outreach. In 2023, they launched a comprehensive awareness campaign on popular platforms. This campaign aimed to educate and reassure the Palestinian public about deposit insurance and its benefits.

In order to enhance the bonds of cooperation between the corporation and its counterparts, and in order to exchange and gain experiences and to build and maintain the network of international relations with other deposit insurance institutions, the Corporation participated in several local, regional and international conferences, events and workshops during the year 2023. The most important of which is the International Annual Conference of International Association of Deposit Insurers (IADI); where these participations are essential to develop the work of the organization and its employees in order to achieve its objectives and core values.

h. PDIC Strategic Plan

The PDIC has developed its strategic plan that aims to raise public awareness of the deposit insurance system in Palestine, in addition to promoting cooperation with local and international partner institutions to enhance PDIC performance.

The executive management plans aims to achieve PDIC's mission which aims to enhance Palestinian financial stability, increase public confidence in the banking system and provide depositors protection at the member banks.

The strategic plan focuses on integrating Information Technology innovations through implementing new systems that enhance the effectiveness of PDIC processes and data flow from the member banks and the Palestine Monetary Authority (PMA), as this will positively impact the quality of data and periodic reports.

The PDIC pays great attention to improving its human capital as a key factor in achieving strategic goals. As such, the administration has approved a training and capacity building plan for all PDIC staff in various managerial, technical, financial and Information Technology fields.

The PDIC was able to achieve many of its goals in the recent years, which provided motivation for superior performance in the coming years, supported by the hard work of PDIC staff under its Board of Directors supervision

PDIC periodically sets indicators to measure the achievement of its goals, and the processes of review and evaluation of the level of achievement are carried out by the committees at the level of the executive management and the institution's board of directors to address any deviations that may occur, within the methodology of monitoring and evaluation and making the necessary adjustments

In line with PDIC Law which allows collecting risk based membership fees from member banks, and in order to comply with the Core Principles for Effective Deposit Insurance Systems, In the middle of 2024, PDIC, in cooperation with the PMA and the Association of Banks in Palestine (ABP), will commence to direct work of a risk-based fee-collection system in line with PMA instructions and internationally approved-standards set by the Basel Committee on Banking Supervision (BCBS).

> **Preliminary results of the Strategic Plan showed that the target reserve level of 3% of total deposits subject to the provisions of the Law can be reached by 2029, as a result of increase the fees from 0.1% to 0.2% Starting from the beginning of the year 2022, and implementing the risk-based system starting for upcoming period.**

Medium-Term Key Indicators

Table (2): Medium-Term Key Indicators

Item	Actual			Expected		
	2022	2023	2024	2025	2026	2027
Deposit subject to the provisions of PDIC's law (USD million)	15,683.2	16,739.4	17,909.5	19,161.4	20,500.8	21,933.8
Prompt reimbursement amount (USD million)	6,151.6	6,691.1	6,905.1	7,127.2	7,357.7	7,597.2
PDIC's reserves (USD million)	264.26	302.02	354.44	419.32	489.96	566.83
PDIC's reserves to deposits subject to the provisions of the law (%)	1.685%	1.804%	1.979%	2.188%	2.390%	2.584%
PDIC's reserves to Prompt reimbursement amount (%)	4.3%	4.5%	5.1%	5.9%	6.7%	7.5%
PDIC's reserves to targeted reserve (%)	56.2%	60.1%	66.0%	72.9%	79.7%	86.1%
Prompt reimbursement amount to deposits subject to the provisions of the law (%)	39.2%	40.0%	38.6%	37.2%	35.9%	34.6%

Palestinian Banking Sector Indicators for 2023

The banking sector is a fundamental component of the Palestinian economy. As such, improvements in the banking sector indicators are an indication of improvement in the economy as a whole. Therefore, the Palestinian Monetary Authority (PMA) is doing its best to maintain financial stability in the economy by working on improving key financial indicators of banks operating in Palestine, which showed improved performance in 2023 compared to 2022. Following is a summary of the most important improvements in performance indicators[1]:

Total Deposits

Total customer deposits in the Palestinian banking sector amounted to 17,589 million USD at the end of 2023, compared to 16,468.2 million USD at the end of 2022, indicating an increased of 1,120.8 million USD or 6.81%. In comparison, deposits decreased by 0.31% equivalent to 50.8 million USD during 2022.

1 Preliminary data issued by the Palestine Monetary Authority

Figure (5): Historical development of deposits in the banking system (2009 - 2023)

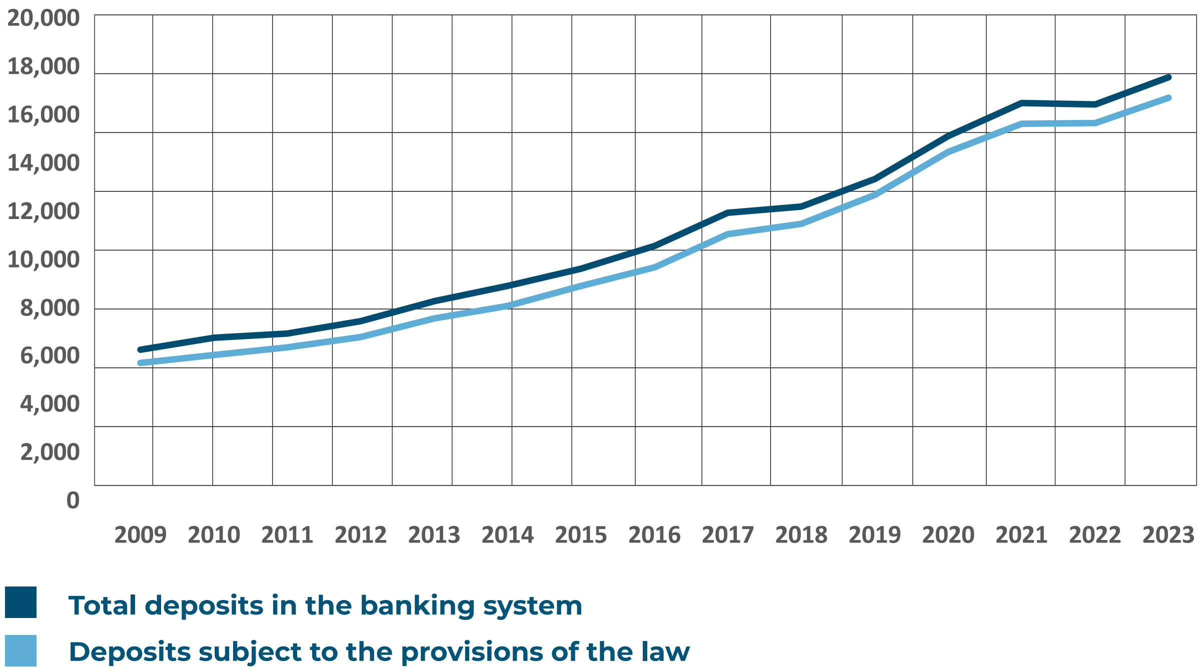
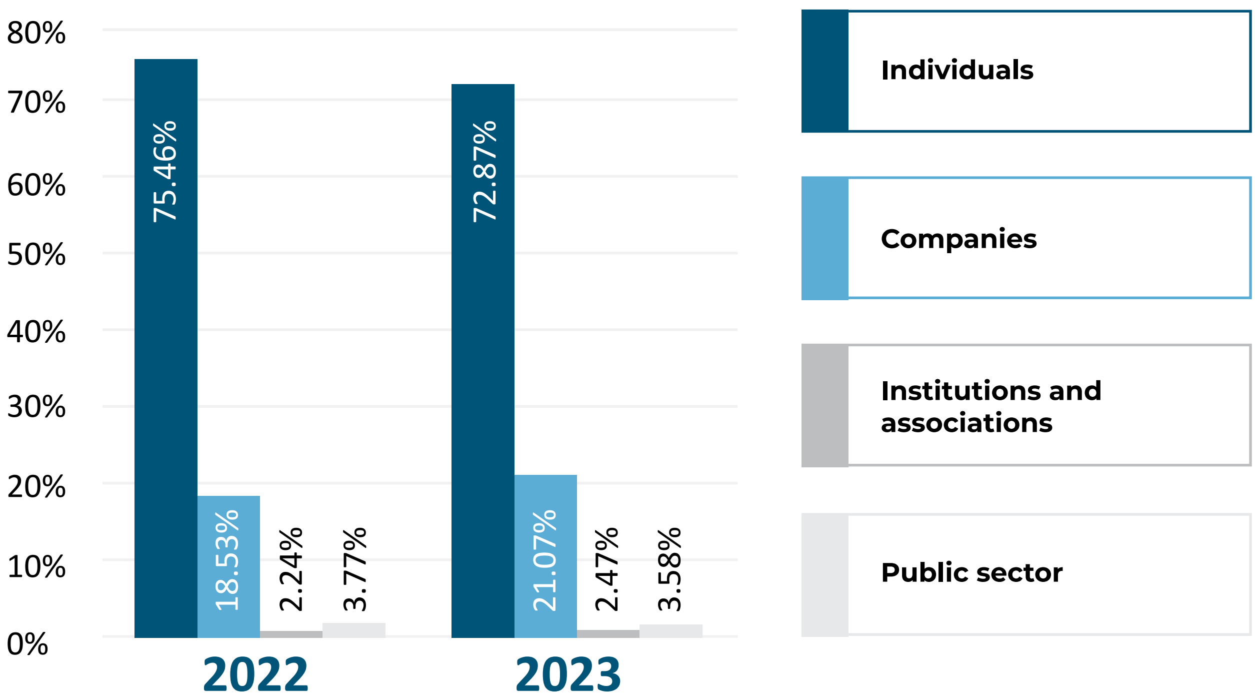


Figure (6): Distribution of Deposits by Sector (2022 - 2023)



In 2023, the share of companies, and the institutions, associations sector in total deposits increased by 21.07% and 2.47%, respectively. Compared to 18.53% and 2.24% in 2022. On the other hand, the share of individuals and the public sector decreased in total deposits during the same period.

Table (3): Distribution of deposits in the banking system across various sectors (million Dollars) and growth rates (2022-2023)

	Individuals	Companies	Institutions and associations	Public sector
2022	12,426.4	3,051.8	369.0	621.0
2023	12,818.0	3,706.5	434.4	630.1
Growth rates	3.2%	21.5%	17.7%	1.5%

Individuals' deposits represented 72.87 percent of total deposits in the banking system by the end of 2023

Table (4): Distribution of customer deposits by currency and their growth rates (million Dollars) 2022-2023

	NIS deposits	JD deposits	USD deposits	Deposits in other currencies
2022	6,780.3	3,334.3	5,912.4	441.1
2023	8,052.9	3,029.2	6,103.4	403.4
Growth rates	18.8%	-9.2%	3.2%	-8.5%

Table (5): Development of deposits and depositors in Commercial banks versus Islamic banks (2014-2023)

Year	Deposits (in $ million)		The number of depositors (in thousands)		Total	
	Commercial banks	Islamic banks	Commercial banks	Islamic banks	Deposits (million $)	Depositors (in thousands)
2014	8,053	882	1,245	222	8,935	1,467
2015	8,600	1,054	1,264	196	9,654	1,460
2016	9,319	1,285	1,314	223	10,605	1,536
2017	10,345	1,637	1,344	259	11,982	1,604
2018	10,391	1,836	1,355	281	12,227	1,636
2019	11,172	2,213	1,388	343	13,385	1,731
2020	12,468	2,670	1,447	359	15,138	1,806
2021	13,530	2,989	1,682	498	16,519	2,180
2022	13,524	2,944	1,822	528	16,468	2,350
2023	14,415	3,174	1,994	443	17,589	2,438

By the end of 2023, deposits held by commercial banks accounted for the lion's share of 82% of total deposits, compared to 82.1% at the end of 2022, indicating a decrease of 0.2 percent. In contrast, deposits held with Islamic banks accounted for 18% of total deposits at the end of 2023 compared to 17.9% at the end of 2022, reflecting an increase of 0.9%.

Figure (7): Deposits in Commercial Banks in Comparison with Deposits in Islamic Banks

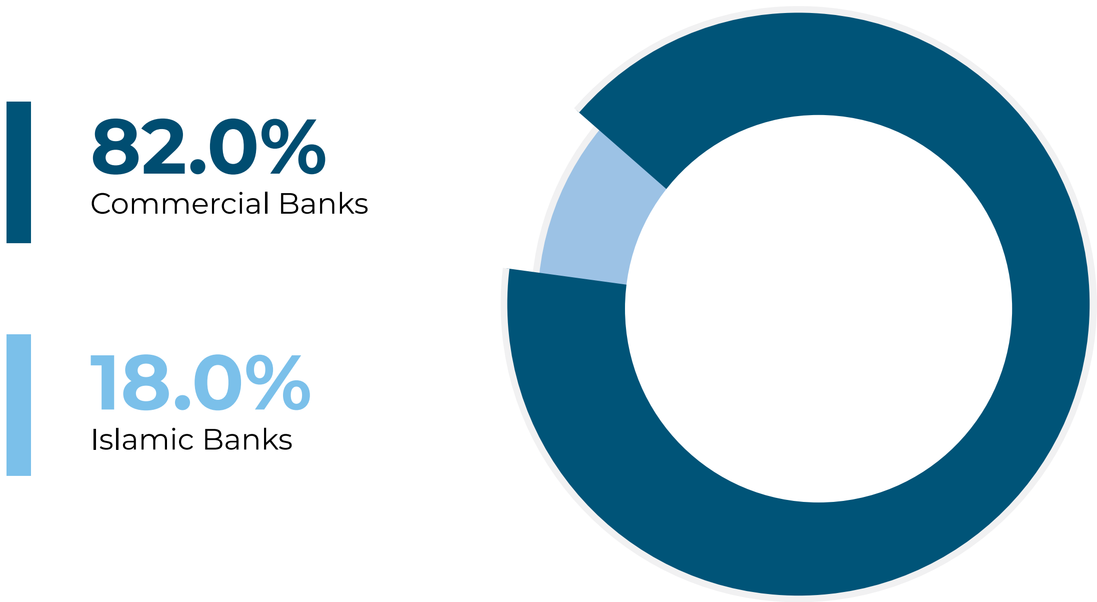
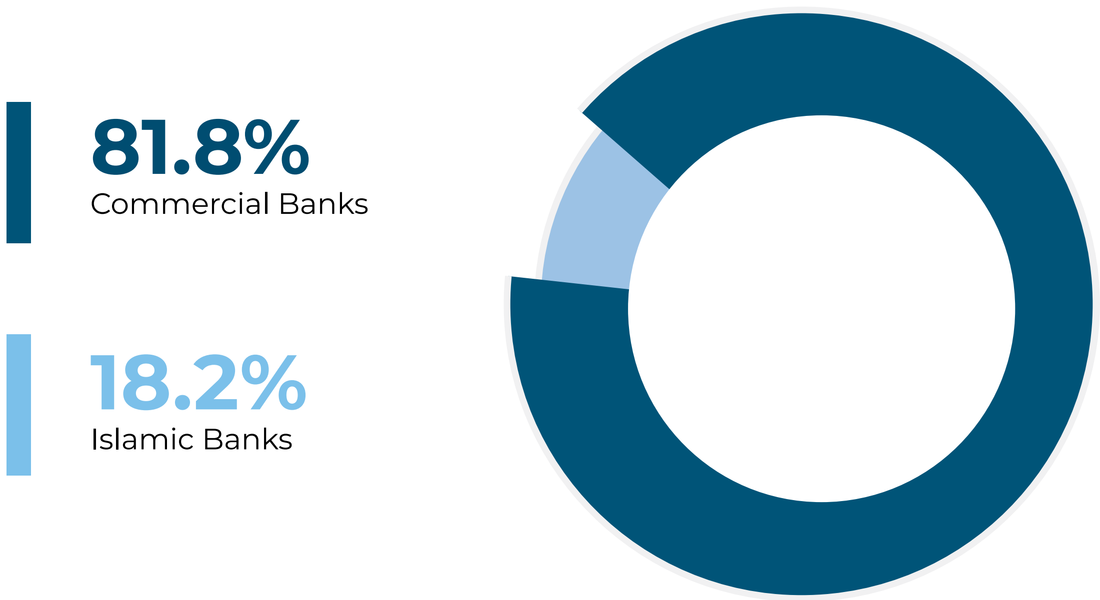


Figure (8): Percentage of Commercial Banks depositors in comparison to Islamic Banks depositors



The percentage of depositors with commercial banks increased by 5.5%, representing 81.8% of the total depositors at the end of 2023, compared to 77.5% at the end of 2022.

Credit Facilities Portfolio

- ☑ Direct (net) credit facilities amounted to about 11,337.8 million USD at the end of 2023 compared to 10,590.3 million USD at the end of 2022, indicating an increase of 747.5 million USD or 7.06%. These facilities accounted for 49.66% of total assets at the end of 2023, compared to 49.47% at the end of 2022.
- ☑ Off balance sheet items (indirect credit facilities) of the banking system amounted to about 1,798.6 million USD at the end 2023 compared to 1,770.5 million USD at the end 2022, indicating a increase of USD 28.1 million or 1.59%. These indirect credit facilities accounted for 7.88% of total assets at the end of 2023 compared to 8.3% at the end of 2022.

Non-performing loans

- ☑ The ratio of non-performing loans to total direct credit facilities increase by 4.50%. The percentage was 4.49% for banks operating in Palestine at the end of 2023, compared to 4.29% at the end of 2022.
- ☑ The coverage ratio of provisions for non-operating facilities was about 120% for banks operating in Palestine at the end of 2023, compared to 95.88% at the end of 2022, an increase of 25.2%.
- ☑ Credit facilities granted to related parties decreased to total credit facilities by 18.1%, reaching 3.25% at the end of 2023, compared to %3.97 at the end of 2022.

Key Performance Indicators of the banking sector

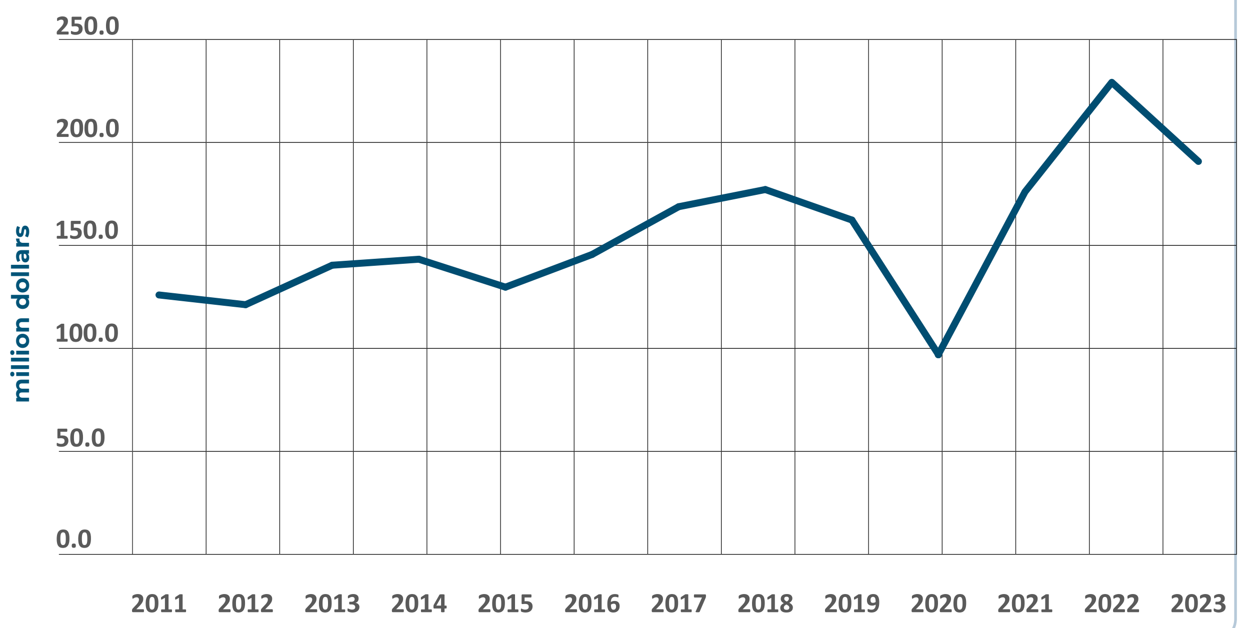
Capital Adequacy Ratio

The capital adequacy ratio for the overall banking system was about 16.21% at the end of 2023 compared to 16.25% at the end of 2022.

Profitability

- ☑ As for the income statement, the net profit after taxes for the banking system at the end of 2023 was 192 million USD, compared to 228.2 million USD at the end of 2022, registering a decrease of 36.2 million USD, equivalent to 15.88%.
- ☑ The net profit after taxes to the total assets of the banking system amounted to 0.84% at the end of 2023, compared to 1.07% at the end of 2022.
- ☑ The net profit after taxes to the first tier of the banking system’s capital amounted 10.12% at the end of 2023, compared to 12.74 % at the end of 2022.

Figure (9): Net income for banks operating in Palestine (2023- 2011)



Performance of Member Banks

Despite the difficult political and economic situation in Palestine, there was an improvement in the performance indicators of member banks (13 banks) in terms of total deposits and credits. Consequently, it reflects the growing public confidence in the safety and stability of the banking sector as a result of the establishment of the Palestinian Deposit Insurance Corporation, along with the instructions of the Palestine Monetary Authority and strict measures to enhance financial stability.

Following is a summary of the most important developments of member banks' key performance indicators in 2023:

1. **Number of branches and representative offices**

   The number of branches and representative offices of banks operating in Palestine Increased at the end of 2023 to 385, compared to 378 at the end of 2022.

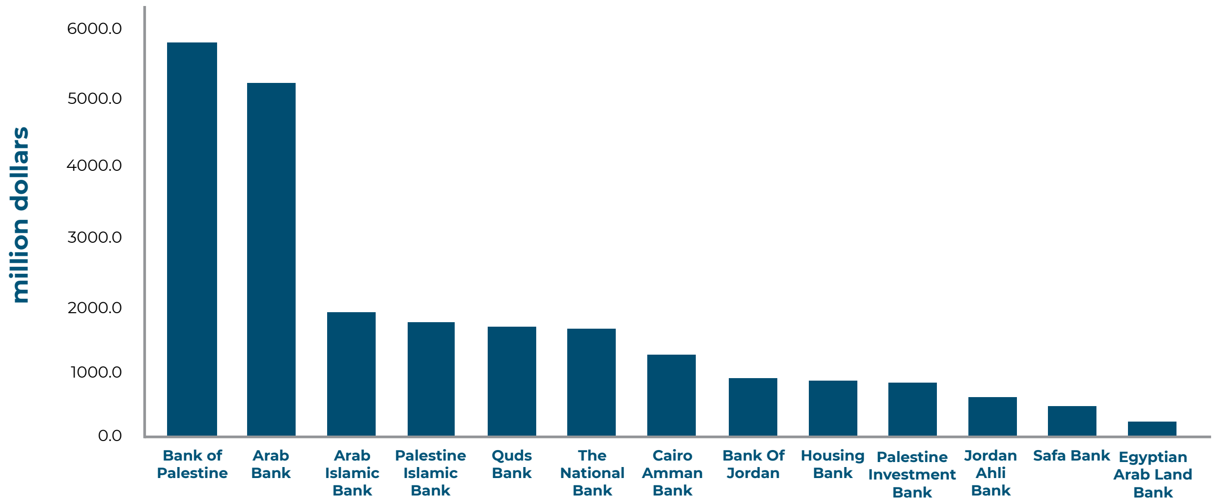
2. **Structure of assets and liabilities**

   Total assets of banks operating in Palestine amounted to around 22,831.3 million USD at the end of 2023 compared to 21,406.8 million USD by the end of 2022, increasing by 1,424.5 million USD or 6.65% increase, compared to a decrease by 268.5 million USD or a 1.2% decrease during 2022.

   Total liabilities for banks operating in Palestine amounted to about 20,522.4 million USD by the end of 2023 compared to 19,175.9 million USD by the end of 2022, increasing by USD 1,346.4 million, or an increase of 7.02 %, compared to a decrease of 398.1 million USD or a 2% decrease during 2022.

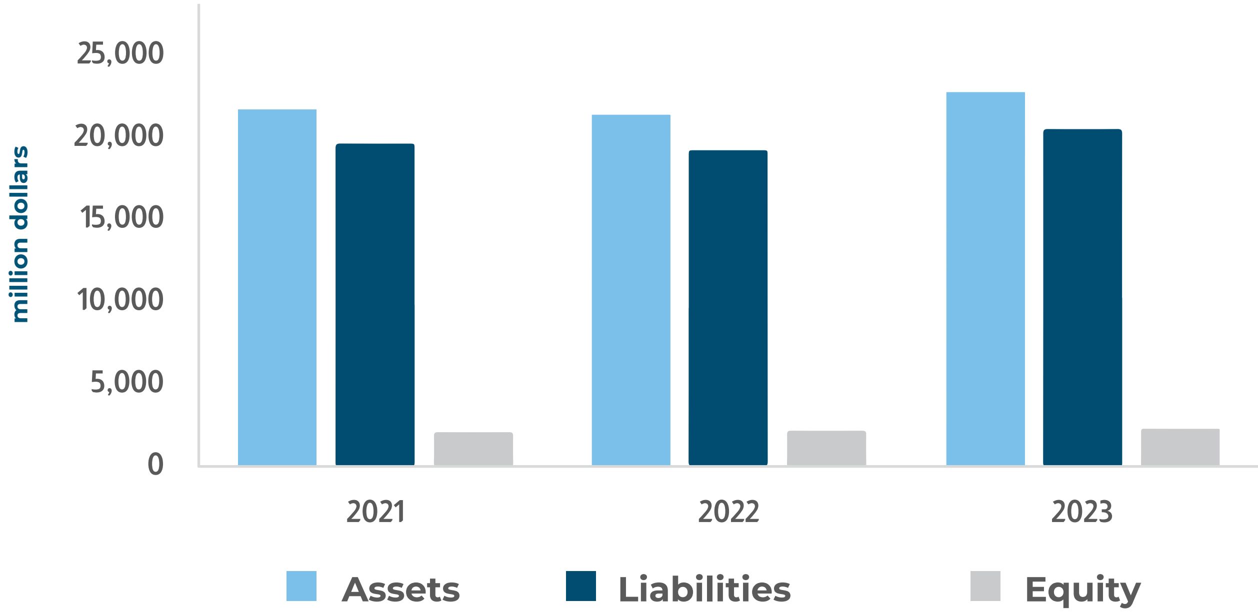
Total owners' equity of banks operating in Palestine amounted to around 2,308.9 million USD by the end of 2023 compared to 2,230.8 million USD by the end of 2022, increasing by 78 million USD or 3.50 % increase, compared to increase of 129.6 million USD or a 6.2% increase during 2022.

Figure (10): Total Assets of Banks Operating in Palestine, by the end of 2023



Member banks' investments in financial assets (stocks and bonds inside Palestine and abroad) amounted to about 1,480.7 million USD by the end of 2023 compared to 1,481.7 million USD by the end of 2022, indicating a decrease of 1.06 million USD or 0.07%. Investments represented 6.49% of total assets in 2023 compared to 6.92% by the end of 2022.

Figure (11): Change in Total assets, liabilities and Equity of Banks Operating in Palestine (2023 – 2021)



Key Financial Performance Indicators for Member Banks

Table (6): Key Financial Performance Indicators (2021 - 2023)

Ratio	2021	2022	2023
Credit facilities (net) to total assets	47.6%	49.5%	49.7%
Investments in financial assets ‘stocks and bonds inside Palestine and abroad” to total assets	6.8%	6.9%	6.5%
Non-performing facilities to total facilities	4.15%	4.29%	4.49%
Capital adequacy ratio	16.17%	16.25%	16.21%
Return on total assets (after tax)	0.82%	1.07%	0.84%

Table (7): Banks operating in Palestine, by the end of 2023

The member banks			
Operating banks in Palestine by the end of 2023	**Year Of Establishment**	**Number of Branches & offices by the end of 2023**	**Total assets by the end of 2023 (USD million)**
Local Banks			
Bank of Palestine	1994	75	5,845
Arab Islamic Bank	1986	29	1,828
Palestine Islamic Bank	1994	43	1,662
Quds Bank	1995	39	1,617
The National Bank	1995	37	1,573
Palestine Investment Bank	1994	22	829
Safa Bank	2016	9	461
Foreign Banks			
Arab Bank	1994	34	5,241
Cairo Amman Bank	1986	22	1,203
Bank Of Jordan	1994	43	886
Housing Bank	1995	15	841
Jordan Ahli Bank	1995	10	605
Egyptian Arab Land Bank	1994	7	239

Figure (12): Bank Branches and Representative Offices by the End Of 2023

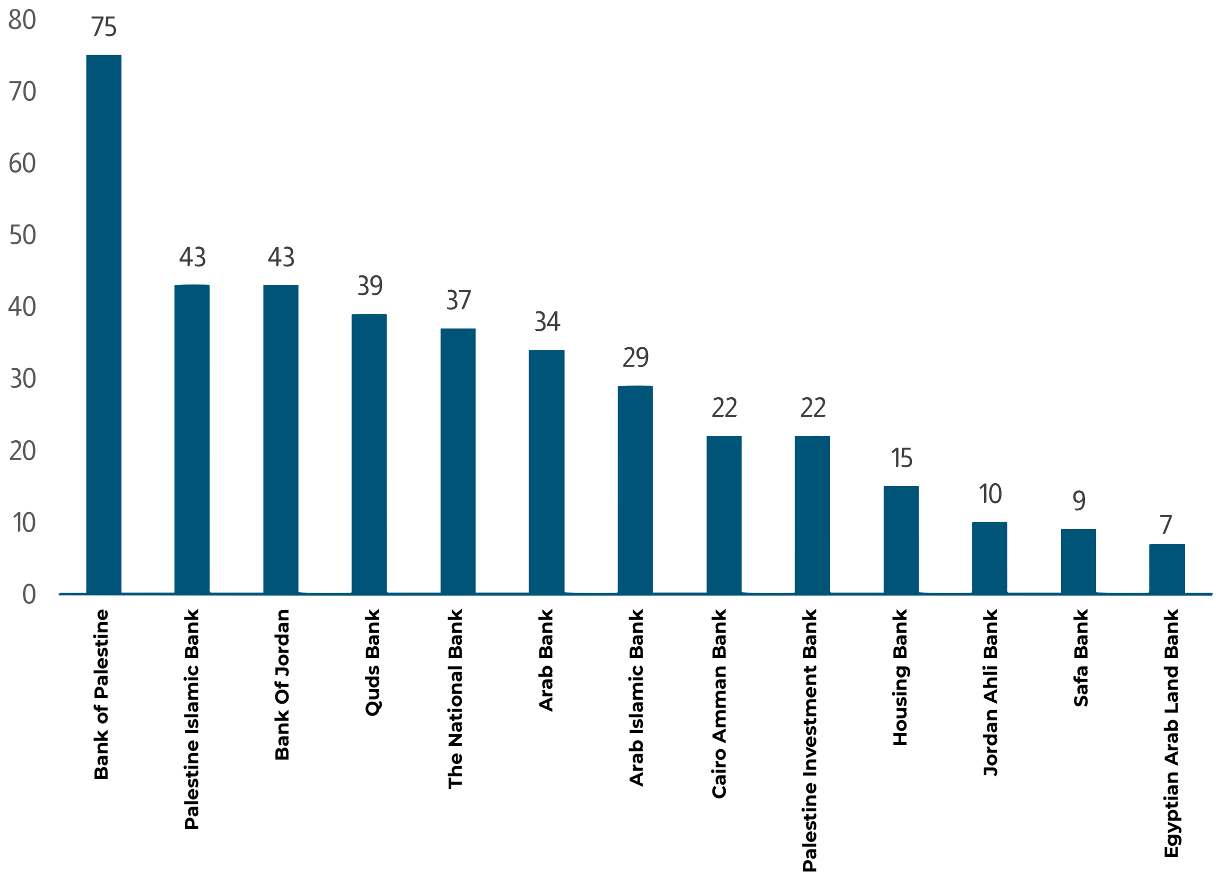


Table (8): Geographical Distribution of Gross Customer Deposits and Gross Direct Facilities by Region (USD Million)

Region	2022		2023	
	Gross Direct Facilities	Gross Customer Deposits	Gross Direct Facilities	Gross Customer Deposits
Ramallah	6,097	6,335	6,565	6,165
AL-Ram	134	550	151	685
AL-Azaria	234	548	254	663
Bethlehem	529	1,195	571	1,259
Beit Jala	40	93	54	130
Beit Sahour	20	41	32	47
Hebron	718	1,526	804	1,681
Jericho	213	299	241	221
Tol Karem	222	698	255	785

Region	2022		2023	
	Gross Direct Facilities	Gross Customer Deposits	Gross Direct Facilities	Gross Customer Deposits
Nablus	1,153	1,926	1,276	2,087
Salfeat	77	205	112	263
Topass	58	122	66	130
Qalqeliya	139	333	140	326
Jenine	431	1,057	455	1,107
West Bank	**10,065**	**14,930**	**10,975**	**15,549**
Gaza	623	993	652	1,320
Khan Younis	79	195	82	263
Rafah	66	89	67	130
Dear AL-balah	58	52	56	71
AL-Nosirat	80	91	77	115
Jabalia	67	101	68	123
Beit Lahiya	8	18	8	19
Gaza Strip	**981**	**1,538**	**1,009**	**2,040**
Grand Total	**11,045**	**16,468**	**11,983**	**17,589**

* Data Source: PMA

Palestinian Economic Indicators for 2023

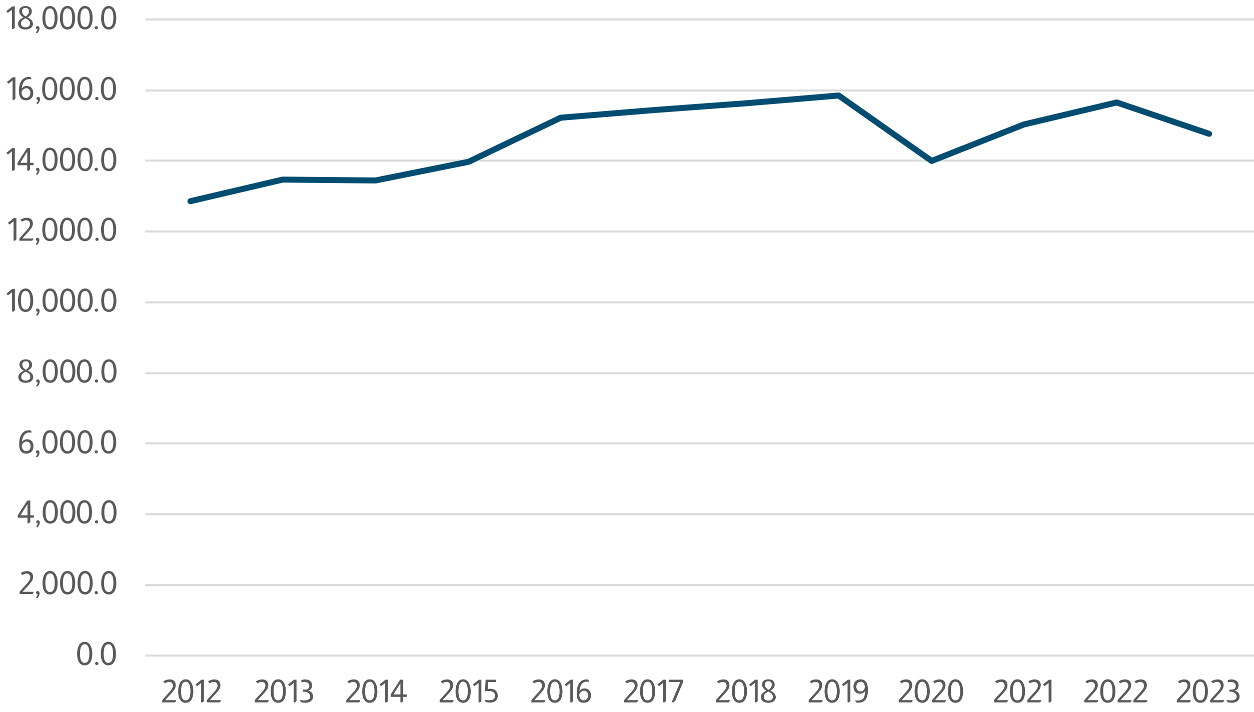
This section of the report will present the most important macroeconomic indicators for the year 2023. These indicators will be used to assess the performance of the Palestinian economy during this year. The indicators include[2]:

1. Gross Domestic Product (GDP)

The Palestinian economy suffered a sharp decline in 2023, with its Gross Domestic Product (GDP) contracting by 5.5% compared to 2022, to reach $ 14,773.7 million. This significant drop is attributed to the war in Gaza during the last quarter of 2023, which severely impacted all sectors of the Palestinian economy.

2 Preliminary data issued by Palestine Central Bureau of Statistics-base year 2015-.

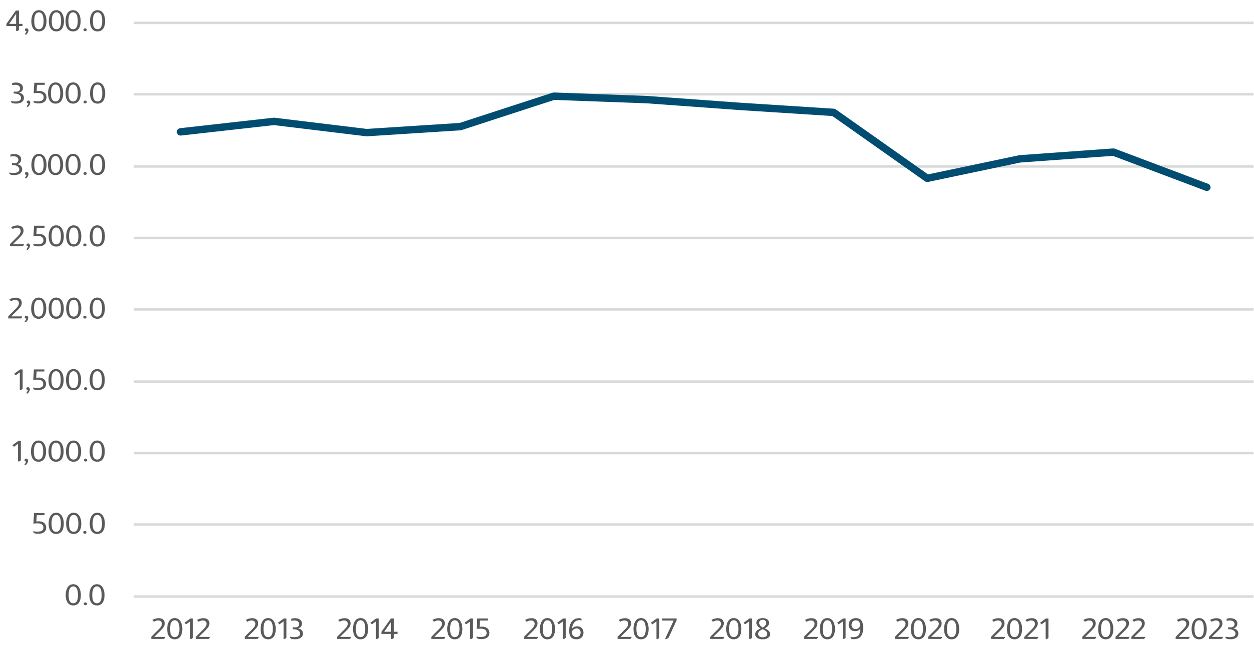
Figure (13): GDP in Palestine (2012 – 2023)



2. GDP Per Capita

In 2023, Palestine's GDP per capita, a key indicator of living standards, fell by 7.9% compared to 2022. This decline translates to a decrease in per capita income to approximately $2,852.2. The war on Gaza in the last quarter of 2023 is likely a major contributing factor to this drop.

Figure (14): GDP per Capita in Palestine (2012 - 2023)

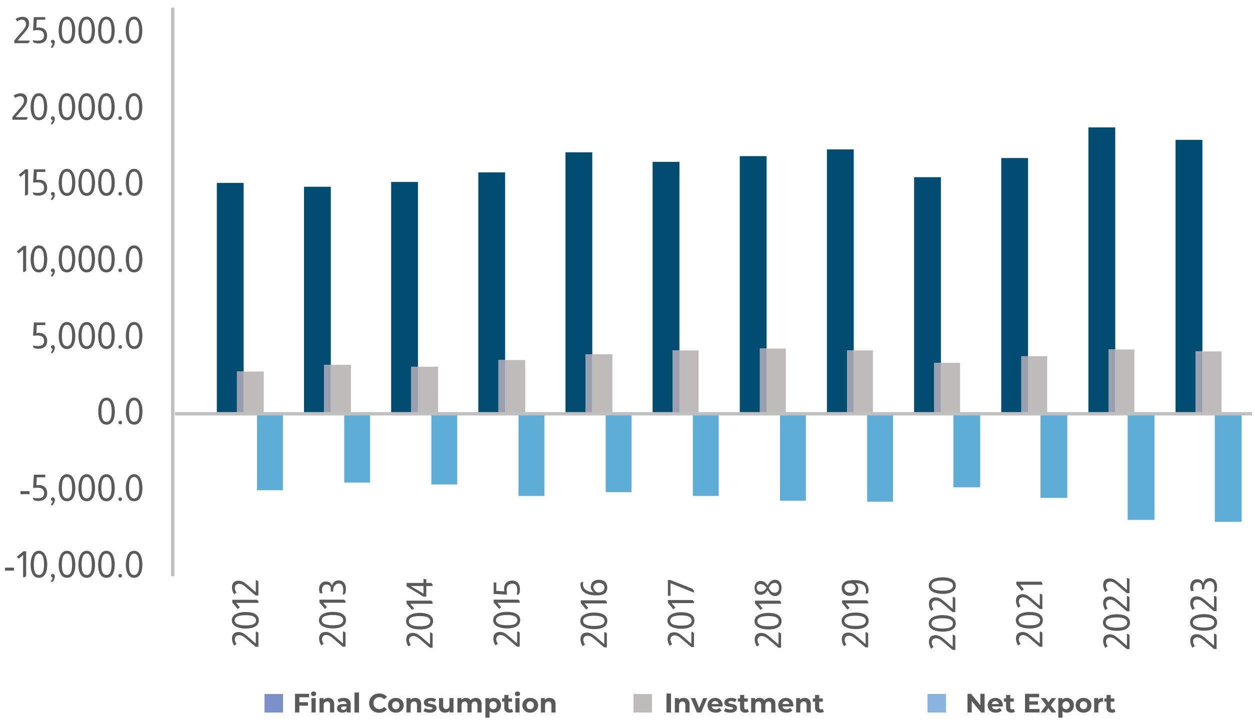


3. Aggregate Demand

In 2023, growth in overall demand slowed across most categories, including spending by consumers (final consumption), business investment (investment volume), and net exports. Compared to 2022, final consumption fell by 4.39% and investment volume dipped by 3.12%.

However, there was a positive development on the trade front. The value of exports increased by 5.7% year-over-year, though the volume of imports also grew by 2.97%.

Figure (15): Aggregate Demand in Palestine (2012 - 2023)



4. Labor Indicators

the labour force participants were unemployed in the 3rd quarter of 2023

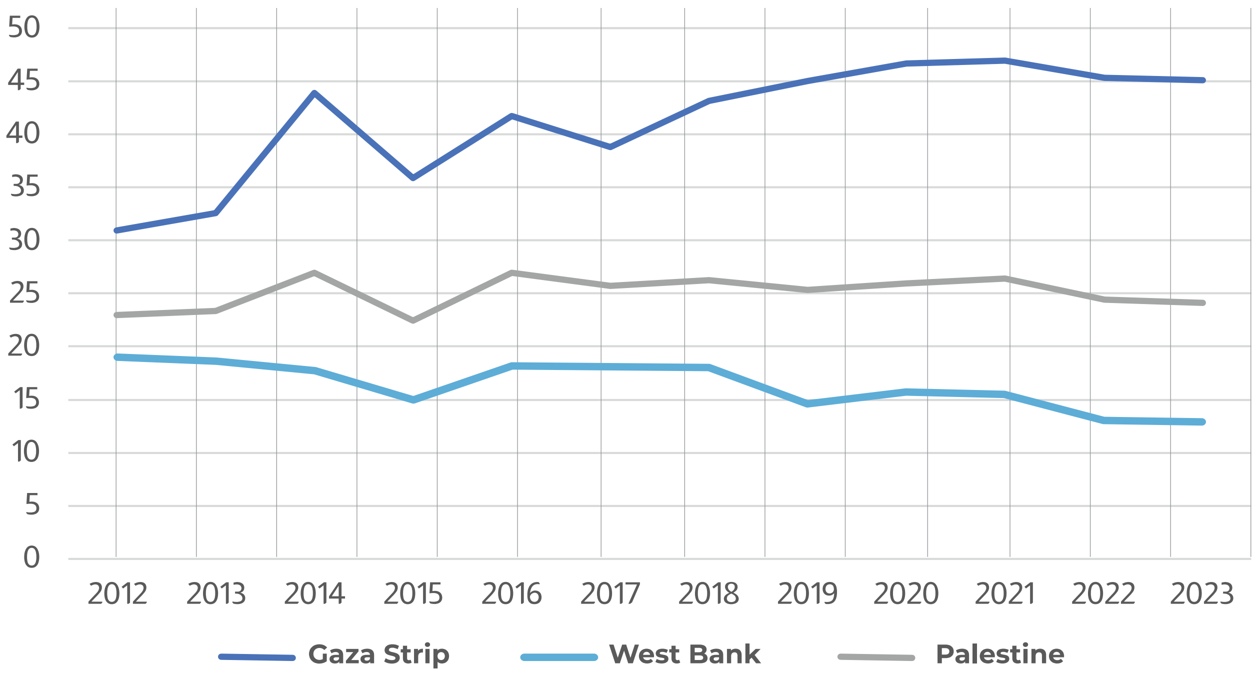
The unemployment rate among labour force participants (15 years and above) in the 3rd quarter of 2023 was about 24%, while the total underutilization of labour was about 29%, according to the International Labour Organization Standards (ICLS-19th).

There is still a large disparity in the unemployment rate between the West Bank and Gaza Strip, as this rate reached 45% in Gaza Strip compared to 12.9% in the West Bank.

The unemployment rate by sex reached 20% among males compared to 41% among females[3].

3 Labor force report, Palestinian Central Bureau of Statistics, 2023

Figure (16): Unemployment Rate in Palestine (2012-2023)



The number of persons who are participated in the labour force reached 1.532 million persons; 1.001 million persons in the West Bank and 531 thousand persons in Gaza Strip. In addition, the participation rate in the labour force was about 44%, about 47% in the West Bank, and about 40% in Gaza Strip.

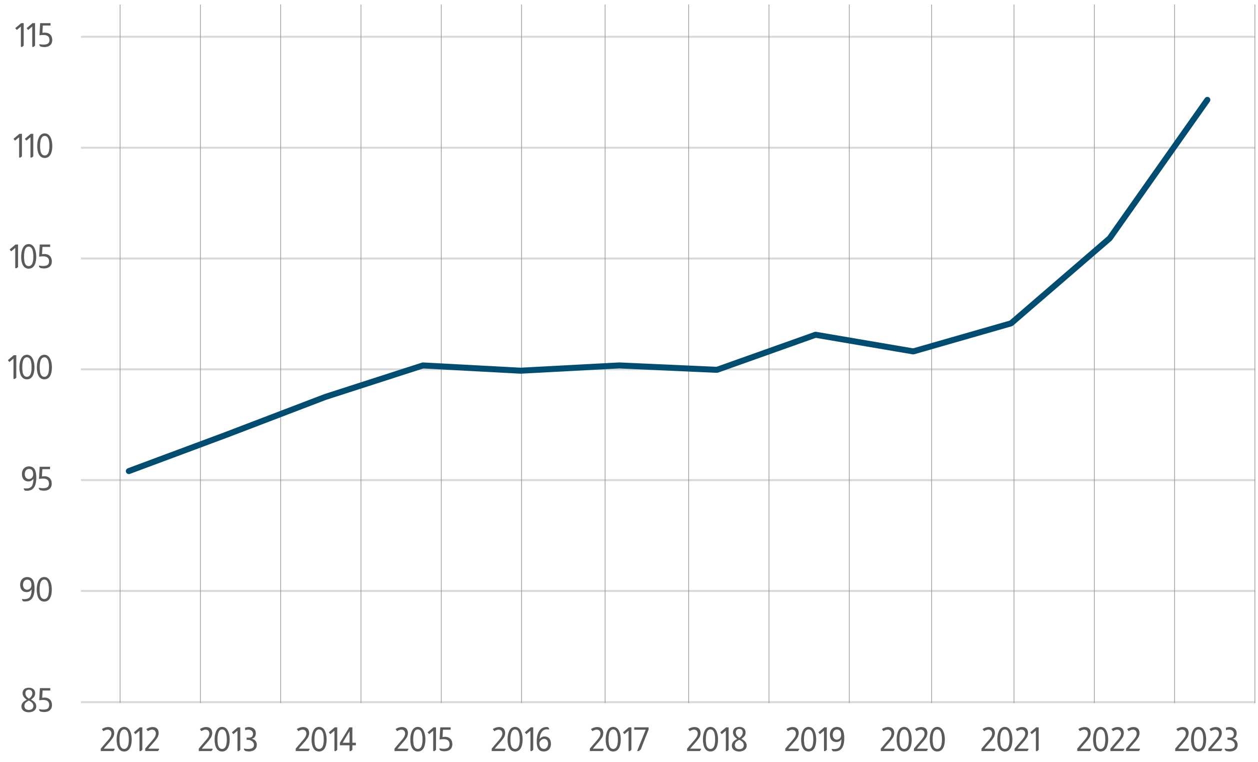
Among gender the participation rate in the labour force was about 71% for males compared to about 17% for females.

5. Consumer Price Index

The Consumer Price Index (CPI) is a statistical tool that measures the average changes in the prices of goods and services that households consume over time. The CPI in Palestine increased by 5.87% in 2023 compared to 2022, reaching a value of 112.[4]

4 Palestinian Central Bureau of Statistics, Consumer Price Index, 2023.

Figure (17): Annual Consumer Price Index Number (2012 – 2023)
Base Year (2018 = 100)



Financial Statements

Palestine Deposit Insurance Corporation
Ramallah - Palestin

Financial Ststements and Independent Auditor’s Report
For the Year Ended December 31, 2023

Palestine Deposit Insurance Corporation
Ramallah – Palestine

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Independent Auditor's Report

To the Chairman and Board of Directors
Palestine Deposit Insurance Corporation
Ramallah – Palestine

Opinion

We have audited the accompanying financial statements of **Palestine Deposit Insurance Corporation** "the Corporation", which comprise statement of financial position as at December 31, 2023, and the statement of income and comprehensive income, statement of changes in Palestine deposit insurance corporation's Equity, and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) (Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in areas under the jurisdiction of the Palestinian Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Corporation for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on July 03, 2023.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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Independent Auditor's Report (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continued)

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 Corporation'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 financial statements or, if such disclosure is 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 Corporation to cease to continue as a going concern.

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Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Munther Al Bandak
Partner
License no. (114/2015)

Deloitte & Touche (M.E.)
Ramallah – Palestine

August 11, 2024

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Statement of Financial Position
As at December 31, 2023

	Note	2023 USD	2022 USD
Assets			
Cash on Hand and Balances at Banks and PMA	**5**	**1,221,464**	4,892,630
Membership Fees Receivable	**6**	**7,905,746**	7,539,906
Financial Assets at Amortized Cost – Net	**7**	**289,805,273**	249,101,083
Property and Equipment – Net	**8**	**35,800**	97,976
Investment Property	**9**	**1,113,272**	1,113,272
Intangible Assets	**10**	**78,635**	15,448
Other Assets	**11**	**2,215,204**	1,875,603
Total Assets		**302,375,394**	264,635,918
Liabilities and Palestine Deposit Insurance Corporation's Equity			
Liabilities			
End of Service Provision	**12**	**245,027**	236,132
Other liabilities	**13**	**107,862**	143,524
Total Liabilities		**352,889**	379,656
Palestine Deposit Insurance Corporation's Equity			
Paid in Capital	**1**	**14,184,814**	14,184,814
Islamic Banks' Reserve	**14**	**44,498,842**	37,455,913
Commercial Banks' Reserve	**14**	**243,338,849**	212,615,535
Total Palestine Deposit Insurance Corporation's Equity		**302,022,505**	264,256,262
Total Liabilities and Palestine Deposit Insurance Corporation's Equity		**302,375,394**	264,635,918

Luay Hawash
General Manager

Qadri Amarneh
Financial Manager

The Accompanying Notes form an Integral Part of These Financial Statements and Should be Read with Them.

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Statement of Income and Comprehensive Income
For the Year Ended December 31, 2023

	Note	2023 USD	2022 USD
Revenues			
Membership Fees Revenues	**15**	**30,687,391**	29,801,361
Profits and Interest on Deposits and Bonds – Net	**16**	**8,246,189**	5,937,579
Transferred from Deferred Revenues	**13**	**55,876**	55,853
Other Revenues		**1,700**	404
Total Revenues		**38,991,156**	35,795,197
Expenses			
Employees' Expenses	**17**	**(682,010)**	(721,113)
General and Administrative Expenses	**18**	**(275,756)**	(281,223)
Depreciation and Amortization	**8,10**	**(79,179)**	(80,476)
(Provision) Recovery for Expected Credit Loss	**5,7**	**(213,826)**	410,861
Gains \ (Losses) from Currency Exchange		**25,858**	(272,238)
Total Expenses		**(1,224,913)**	(944,189)
Excess for the Year		**37,766,243**	34,851,008
Other Comprehensive Income Items		**-**	-
Total Other Comprehensive Income		**37,766,243**	34,851,008

The Accompanying Notes form an Integral Part of These Financial Statements and Should be Read with Them.

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Statement of Changes in Palestine Deposit Insurance Corporation's Equity
For the Year Ended December 31, 2023

	Paid in Capital USD	Islamic Banks' Reserve USD	Commercial Banks' Reserve USD	Retained Earnings USD	Total USD
Balance as at December 31, 2022	**14,184,814**	**37,455,913**	**212,615,535**	**-**	**264,256,262**
Total Comprehensive Income for the Year	**-**	**-**	**-**	**37,766,243**	**37,766,243**
Transferred to Reserves (Note 14)	**-**	**7,042,929**	**30,723,314**	**(37,766,243)**	**-**
Balance as at December 31, 2023	**14,184,814**	**44,498,842**	**243,338,849**	**-**	**302,022,505**
Balance as at December 31, 2021	14,184,814	30,932,196	184,288,244	-	229,405,254
Total Comprehensive Income for the Year	-	-	-	34,851,008	34,851,008
Transferred to Reserves (Note 14)	-	6,523,717	28,327,291	(34,851,008)	-
Balance as at December 31, 2022	14,184,814	37,455,913	212,615,535	-	264,256,262

The Accompanying Notes form an Integral Part of These Financial Statements and Should be Read with Them.

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Statement of Cash Flows
For the Year Ended December 31, 2023

	Note	2023 USD	2022 USD
Operating Activities			
Excess for the Year		**37,766,243**	34,851,008
Adjustments:			
Depreciation and Amortization		**79,179**	80,476
Provision / (Recovery) for Expected Credit Loss		**213,826**	(410,861)
Provision for End of Service		**41,746**	33,806
Transferred from Deferred Revenues		**(55,876)**	(55,853)
Losses on Disposal of Assets		**-**	32,227
Profits and Interest on Deposits and Bonds – Net		**(8,246,189)**	(5,937,579)
Cash Flows Generated from Operating Activities before Changes in Operating Assets and Liabilities		**29,798,929**	28,593,224
Decrease in Deposits at Banks Mature After Three Months		**4,318,461**	27,852,822
(Increase) in Membership Fees Receivable		**(365,840)**	(3,794,399)
Decrease / (Increase) in Other Assets		**28,702**	(64,172)
Increase / (Decrease) in Other Liabilities		**20,214**	(1,707)
Cash Flows Generated from Operating Activities		**33,800,466**	52,585,768
End of Service Payments		**(32,851)**	(100,859)
Net Cash Flows Generated from Operating Activities		**33,767,615**	52,484,909
Investing Activities			
Net Changes in Property and Equipment		**(3,809)**	(5,822)
Net Changes in Intangible assets		**(76,381)**	(2,973)
Changes in Financial Assets at Amortized Cost		**(40,982,349)**	(59,542,867)
Received Profits and Interest on Deposits and Bonds		**7,877,886**	6,602,465
Net Cash Flows (Used in) Investing Activities		**(33,184,653)**	(52,949,197)
Net Increase / (Decrease) in Cash and Cash Equivalents		**582,962**	(464,288)
Cash and Cash Equivalent at the Beginning of the Year		**638,502**	1,102,790
Cash and Cash Equivalent at the End of the Year	**19**	**1,221,464**	638,502

The Accompanying Notes form an Integral Part of These Financial Statements and Should be Read with Them.

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2023
1- General

Palestine Deposit Insurance Corporation (PDIC) was founded pursuant to the provisions of the Presidential Law by Decree No. (7) In 2013, having a legal entity and enjoying legal capacity as a financially and administratively independent corporation to fulfill its mandated function to protect depositors with member banks, encourage saving, and promote confidence in the Palestinian banking system.

Equity of the Corporation

Equity of the Corporation consists of the following:

- The Palestinian government contribution of USD 20 million or its equivalent to be paid within thirty days from the effective date of the Law. The government paid USD 2 millions only. During the year 2017, an amount of USD 10,384,814 from the contribution of the Ministry of Finance in paid-in capital was paid by the German Development Bank on behalf of the Ministry of Finance. the unpaid Palestinian government contribution as at December 31, 2023 was USD 7,615,186. (Subsequent to the date of the financial statements prepared on December 31, 2022, the Ministry of Finance stated its inability to fulfill its contribution to the Corporation's capital and requested the corporation to search for the possibility of securing funding sources from donors to cover the unpaid amount).

- Non-refundable incorporation fees of USD 100,000 or equivalent, to be paid by each member during a maximum period of 15 days from the joining date of the Corporation.

- The Corporation created reserves in accordance with the provisions of article No. (20) of the Law to be used in achieving the Corporation's objectives with a minimum 3% limit of total deposits subject to the provisions of the Law.

The Corporation Funding Sources

Sources of funding of the Corporation consist of the following:

- Annual subscription fees paid by members of the Corporation on a quarterly basis in accordance with the instructions issued for this purpose.

- The return on investment of the Corporation's fund.

- Loans obtained by the Corporation in accordance with the law.

- Grants received by the Corporation and approved by the Board of Directors.

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2023
1- General (Continued)

The objectives of the Corporation are to protect customers' deposits held with member banks within certain limits of compensation in order to encourage savings and strengthen confidence in the Palestinian banking system, in addition to increasing public awareness about Palestine Deposit Insurance Corporation system.

The number of the Corporation employees were (18) and (19) employees as at December 31, 2023 and December 31, 2022, respectively.

The financial statements of the Corporation as at December 31, 2023 have been approved by the Corporation's Board of Directors in meeting No. 3/2024 on August 8, 2024.

2- Application of New and Revised International Financial Reporting Standards

A. New and Revised IFRS Accounting Standards that are Effective for the Current Year

In the current year, the Corporation has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS (1) Presentation of Financial Statements and IFRS Practice Statement (2) Making Materiality Judgements— Disclosure of Accounting Policies

The Corporation has adopted the amendments to IAS (1) for the first time in the current year. The amendments change the requirements in IAS (1) with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS (1) are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2.

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2023
2- Application of New and Revised International Financial Reporting Standards (Continued)

A. New and Revised IFRS Accounting Standards that are Effective for the Current Year (Continued)

Amendments to IAS (8) Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Corporation has adopted the amendments to IAS (8) for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

B. New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorization of these financial statements, the Corporation has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

- **Amendments to IAS (1) Classification of Liabilities as Current or Non-current**
- **Amendments to IAS (1) Non-current Liabilities with Covenants**

The Board of Directors does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Corporation in future periods.

Amendments to IAS (1) Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS (1) published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether the Corporation will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS (1). If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

The Board of Directors does not anticipate that the application of these amendments may have an impact on the financial statements in future periods.

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2023

2- Application of New and Revised International Financial Reporting Standards (Continued)

B. New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

Amendments to IAS (1) Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that the Corporation is required to comply with on or before the end of the reporting period affect the Corporation's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the Corporation's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, the Corporation discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the Corporation is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the Corporation may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The Board of Directors does not anticipate that the application of these amendments may have an impact on the financial statements in future periods.

3- Material Accounting Policy Information

Statement of Compliance

The accompanying financial statements have been prepared in accordance with International Financial reporting standards (IFRSs).

Basis of Preparation

The accompanying financial statements have been prepared on the historical cost basis except for certain financial instruments measured at revalued amounts or at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for assets and liabilities.

The US Dollar is the currency of the financial statements, which is the functional currency of the Corporation.

Cash and Cash Equivalents

Represents cash and balances mature within three months, it includes cash on hand, bank balances, cash at Palestine Monetary Authority maturing within 3 months.

Membership Fees Receivable

Represents Subscription fees due and not received from member banks. Subscription fees are collected from member banks after each quarter.

Financial Assets Held to Maturity

Held to maturity financial assets are those non-derivative financial assets that have specific or determinable payments that mature on a specific date and that the Corporation has the intention and ability to hold to maturity. These financial assets are recorded upon purchase at fair value plus acquisition expenses, and subsequently, they are recorded at amortized cost, using the effective yield method, after deducting any accumulated impairment losses.

Financial Instruments

A. Recognition Date

Financial assets and liabilities are recognized on the date of the transaction, i.e. the date on which the Corporation becomes a party to the contractual provisions of the financial instruments. This includes ordinary transactions: purchases or sales of financial assets that require delivery of the assets within the time frame generally specified by market laws or agreements.

B. Initial Measurement of Financial Instruments

The classification of financial instruments upon initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value. Accounts receivables are measured at the transaction price. When the fair value of financial instruments differs from the transaction price at initial recognition, the Corporation recognizes the gain or loss in the income statement.

3- Material Accounting Policy Information (Continued)

Financial Instruments (Continued)

C. Measurement Categories for Financial Assets and Liabilities

The Corporation classifies financial assets (debt instruments) based on the business model for asset management and contractual terms and is measured at amortized cost.

Financial Assets and Liabilities

The Corporation measures financial assets at amortized cost only if both of the following conditions are met:

- Maintaining financial assets within the business model with the aim of collecting contractual cash flows.

- The contractual terms of the financial asset specify the dates on which the cash flows are considered payments of principal and interest cash flows on the amount outstanding.

Below are the details of these terms:

Business Model Evaluation

The Corporation defines the business model at the level that reflects how it will manage financial assets to achieve its objectives.

The Corporation's business model is not evaluated on an instrument-by-instrument basis, but is evaluated at the aggregate portfolio level and is based on observable factors such as:

- How to evaluate the performance of the business model and the financial assets held within the business model and communicate them to the key personnel in the Corporation's.

- The risks that affect the performance of the business model (and the financial assets held in the business model), and the way in which these risks are managed.

- The manner in which business managers are compensated (for example, if compensation is based on the fair value of assets managed or on contractual cash flows generated).

- The expected frequency of evaluating the Corporation, taking into account the value and timing of the sale.

Business model evaluation is based on reasonably predictable scenarios without taking "worst case" or "stress case" scenarios into account.

If cash flows are achieved after initial recognition in a manner different from the Corporation's original expectations, the Corporation does not change the classification of the remaining financial assets held in the business model but considers this information when evaluating newly acquired financial assets for subsequent periods.

3- Material Accounting Policy Information (Continued)

Expected Credit Losses

The Corporation records provisions for expected credit losses for all investments and cash at banks.

Equity instruments are not subject to impairment testing under IFRS 9.

The provision for expected credit losses is based on the credit losses expected to occur over the life of the asset. If there is no significant change in credit risk from the date of initial recognition, the provision is based on the expected credit loss for a period of 12 months.

The 12-month expected credit loss is part of the expected credit losses over the life of the asset resulting from default events on financial instruments that could occur within 12 months from the date of the financial statements.

Expected credit losses are calculated for the entire life of the credit exposure and expected credit losses within 12 months based on the nature of the financial instruments.

The Corporation has established a policy to periodically assess whether the credit risk of a financial instrument has increased significantly from the date of initial recognition, by taking into account the change in default risk over the remaining life of the financial instrument.

Accordingly, the Corporation classifies financial assets into stage (One), stage (Two) and stage (Three), as shown below:

Stage 1: Includes financial instruments whose credit risk has not increased significantly since their initial recognition, and which have not suffered any credit deterioration since they were granted. The Corporation records an allowance for expected credit losses over a 12-month period.

Stage 2: Includes financial instruments whose credit risk has increased significantly since their initial recognition and for which no credit impairment has occurred. The Corporation recognizes an allowance for expected credit losses over the life of the financial instrument.

Stage 3: Includes credit-impaired financial instruments. The Corporation records an allowance for credit losses over the expected life of those financial instruments.

For financial assets for which the Corporation does not have reasonable expectations of recovering either all or part of the outstanding amount, the book value of the financial assets is reduced and is considered a partial cancellation of the financial assets.

3- Material Accounting Policy Information (Continued)

Expected Credit Losses (Continued)

The Corporation calculates expected credit losses based on the weighted average of three scenarios to measure the expected cash shortfall, discounted at an approximation of actual earnings prices. The cash deficit is the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows expected to be collected.

The method for calculating expected credit losses is as follows:

Probability of Default	An estimate of the probability of default over a given period of time. Default may occur at a specific period during the evaluation period.
Exposure at Default	Exposure at default is an estimate of the outstanding amount subject to default at a future date, taking into account expected changes in the outstanding amount after the date of the financial statements, including principal and interest payments, whether scheduled within a contract, expected withdrawals from committed investments, interest due on late payments.
Loss Given Default	Loss-given default is an estimate of the loss arising at a given point in time. It represents the difference between the contractual cash flows due and the amount expected to be collected, taking into account guarantees. Loss given default is usually expressed as a percentage of the exposure at default.

When estimating expected credit losses, the Corporation takes into account three scenarios (normal scenario, best-case scenario, and worst-case scenario). Each is associated with different weights of probability of default, exposure at default, and loss given default.

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2023
3- Material Accounting Policy Information (Continued)

Expected Credit Losses (Continued)

Stage 1: Expected credit losses based on the probability of default for credit exposure within 12 months are calculated as part of expected credit losses over the life of the asset. Therefore, the Corporation calculates the provision based on the probability of default occurring on the financial instruments within 12 months after the date of the financial statements. These 12-month hypothetical probabilities are applied to the exposure at default multiplied by the LGD ratio discounted at the effective interest rate and this calculation is performed for each of the three scenarios.

Stage 2: When a significant increase in credit risk occurs from the date of initial recognition, the Corporation calculates the expected credit loss allowance for the entire life of the credit exposure. The method for calculating the allowance is the same, including the use of different scenarios, but the probability of default and the exposure at default are used for the entire life. Financial instrument, and the amount of the expected cash shortfall is discounted at the effective interest rate.

Stage 3: For financial assets that apply Impairment (default), the Corporation calculates the expected credit loss for the entire life of the credit exposure. The method for calculating the provision is similar to the method used in stage two, and the probability of default is set at 100% were a loss percentage assuming default is greater than the applied loss percentage in stages one and two.

Fair Value Measurement

The fair value of some financial instruments and non-financial assets is measured at the date of the financial statements. Fair value is the financial consideration for selling an asset or paying a liability through an organized process between market participants on the measurement date.

The Corporation uses appropriate valuation methods based on the circumstances that provide sufficient information to measure fair value, by increasing the use of relevant observable data and reducing the use of unobservable data.

All assets and liabilities measured at fair value declared in the financial statements are classified within the fair value pyramid, as shown below:

- The first level: using trading prices for completely similar financial instruments in active financial markets.

- The second level: using data other than trading prices, but which can be observed directly or indirectly.

- The third level: using data that is not based on observable market data.

Notes to the Financial Statements
For the Year Ended December 31, 2023
3- Material Accounting Policy Information (Continued)

Fair Value Measurement (Continued)

At the end of each financial period, the Corporation determines whether there have been transfers between levels in the hierarchy by reassessing the classification (based on the lowest data level that has a significant impact on the fair value measurement as a whole) of assets and liabilities and recognizing them in the financial statements on a recurring basis.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment includes the cost incurred to replace any components of the property and equipment and financing expenses for long-term construction projects if the recognition conditions are met. All other expenses are recognized in the statement of income and comprehensive income when incurred. Depreciation is calculated using the straight-line method according to the expected useful life as follows:

	Useful life (years)
Leasehold Improvements	7
Equipment	5
Furniture and Fixture	5
Motor Vehicles	5
Office Equipment and Computer Systems	2-5

Any item of property and equipment and any significant parts are derecognized upon disposal or when no economic benefit is expected from the use or disposal of the item. Any gain or loss resulting from the disposal of the item, which represents the difference between the proceeds on disposal and the net book value of the item, is recognized in the statement of income and comprehensive income.

The residual values of items of property and equipment, useful lives and depreciation methods are reviewed each fiscal year and subsequently adjusted, if necessary.

Intangible Assets

Intangible assets are classified based on their estimated useful life for a specified period or for an indefinite period. Intangible assets that have a specific life are amortized during this life, and the amortization is recorded in the statement of income and comprehensive income. As for intangible assets whose useful life is indefinite, the decline in their value is reviewed at the date of the financial statements, and any decline in their value is recorded in the statement of income and comprehensive income.

Intangible assets resulting from the Corporation's business are not capitalized and are recorded in the statement of income and comprehensive income in the same year.

3- Material Accounting Policy Information (Continued)

Intangible Assets (Continued)

Any indications of impairment of intangible assets are reviewed at the date of the financial statements. The estimate of the useful life of these assets is also reviewed and any adjustments are made for subsequent periods.

Intangible assets with a specific life are shown at cost after deducting annual amortizations. Intangible assets include computer systems and programs, and the Corporation's management estimates their useful life so that they are amortized using the straight-line method over the expected useful life, which ranges from three to five years.

Investment Property

investments Property are those assets that are acquired for the purposes of generating income from leasing or investment and not for the purpose of selling them through the Corporation's normal activities. Property investments are stated at cost less accumulated depreciation and any accumulated impairment losses (if any). Property investments (except land) are depreciated according to the straight-line method according to the expected useful life. Its fair value is disclosed in the financial statements annually by certified property experts based on market prices at the end of the year.

The book value of property investments is assessed for impairment when there are events or changes in circumstances that indicate that the book value is not recoverable. When one of this evidence exists and when the book value expected to be recovered increases, the book value is reduced to the value expected to be recovered, which is the fair value less selling expenses or the "value in use", whichever is higher.

Property investments are derecognized when they are no longer in use and no future economic benefits are expected from their sale. The difference between the proceeds from disposal of the asset and the carrying amount is recorded in the statement of comprehensive income in the period of disposal.

Transfers to or from investment properties are made only when there is a change in use. When transferring from property investments to an item of property and equipment that is used by the Corporation, the cost of the assets transferred for use is their book value on the date of transfer. If property and equipment are converted into investment properties, the Corporation continues to use the accounting policies for the property and equipment until the date of the change in use.

End of Service Provision

Provision is made for severance pay in accordance with the Palestinian Labor Law. The provision is calculated by accruing for one month compensation for each year of service based on the last salary paid during the year (excluding overtime).

3- Material Accounting Policy Information (Continued)

Deferred Revenues

Property and equipment obtained through grants are shown as deferred revenue at fair value and are recognized as revenue in the statement of income and comprehensive income on a regular basis according to their expected useful life.

Revenue Recognition

A. Membership Fees Revenues
Annual subscription fees for banks are recognized at a specific percentage of the average total deposits subject to the provisions of Law No. (7) of 2013 issued on May 29, 2013, in accordance with the circulars issued by the Corporation in this regard according to the accrual basis.

B. The Effective Interest Rate Method
Interest income is recognized using the effective interest rate method for all financial instruments designated at fair value through profit or loss and financial instruments carried at amortized cost. Interest income on interest-bearing financial assets measured at fair value is recognized through comprehensive income. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net book value of the financial asset.

The effective interest rate is calculated by taking into account any discount or premium upon acquisition, in addition to fees and costs that form an integral part of the effective interest rate. The Corporation recognizes interest income using a rate of return that represents the best estimate of the constant rate of return over the expected life of the asset. Then, the impact of different interest rates charged at different stages and other characteristics of the asset's life cycle (including prepayments, the imposition of penalties and fees) is recognized.

If the cash flow expectations on financial assets are modified for reasons other than credit risk. Adjustments are recognized as an addition or reduction to the carrying amount of the asset in the statement of financial position, with an increase or a decrease in the interest income. The settlement is subsequently amortized through interest and similar income in the statement of income and comprehensive income.

Foreign Currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing on the date of the transactions.
Balances of financial assets and liabilities are translated at prevailing average foreign currency rates into USD at the date of the statement of financial position. Non-financial assets and liabilities denominated in foreign currencies that are stated at fair value are translated into USD on the date their fair value is determined.

Gains and losses resulting from the conversion of foreign currencies into USD are recorded in the statement of income and comprehensive income.

Expenses Recognition

Expenses are recognized when incurred based on the accrual basis of accounting.

4- Significant Accounting Judgments and Uncertain Estimates

Critical Accounting Judgments and Key Sources of Uncertain Estimates

Preparing financial statements and applying accounting policies requires the Corporation's management to make judgments, estimates, and assumptions that affect the amounts of financial assets and financial liabilities. These estimates and judgments also affect revenues, expenses, and provisions in general, and expected credit losses, as well as changes in the fair value that appear in the statement of income and comprehensive income and within the Corporation's equity. In particular, it requires the Corporation's management to make important judgments to estimate the amounts and timing of future cash flows. The aforementioned estimates are necessarily based on multiple assumptions and factors that have varying degrees of estimation and uncertainty, and the actual results may differ from the estimates as a result of changes resulting from the conditions and circumstances of those estimates in the future.

Management believes that their estimates adopted in preparing the financial statements are reasonable and consistent with the estimates approved in preparing the financial statements for the year 2022.

Useful Lives of Tangible and Intangible Assets

Management periodically assesses the useful lives of tangible assets and intangible assets for the purposes of calculating annual depreciations and amortizations based on the general condition of those assets and estimates of their expected useful lives in the future, and the impairment loss is recorded in the income statement for the year.

End of Service Provision

End of Service Provision, which represents the Corporation's obligations towards employees, is calculated in accordance with the labor law applied in Palestine and the employees' affairs manual.

Provision for Expected Credit Loss

It is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows, estimate the risk of a significant increase in the credit risk of financial assets after their initial recognition, and future measurement information for expected credit losses. The most important policies and estimates used by the Corporation's management are detailed in the notes to the accompanying financial statements.

4- Significant Accounting Judgments and Uncertain Estimates (Continued)

Business model evaluation

The classification and measurement of financial assets is based on the principal payments test and interest on outstanding principal amount and the business model test. A company defines a business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment that reflects all relevant evidence including how the performance of the assets is assessed and measured, the risks that affect the performance of the assets and how they are managed and how asset managers are compensated. The Corporation monitors financial assets measured at amortized cost or fair value through comprehensive income that are derecognized before maturity to understand why they were derecognized and whether the reasons are consistent with the objective of the retained business. Monitoring is part of the Corporation's ongoing assessment of whether the business model under which the remaining financial assets are held is appropriate and, if it is inappropriate, whether there has been a change in the business model and therefore a future change in the classification of those assets.

5- Cash on Hand and Balances at Banks and PMA

	2023 USD	2022 USD
Cash on hand	**311**	725
Current Accounts	**1,221,115**	637,605
Commercial deposits maturing after three months	**-**	3,719,461
Islamic deposits maturing after three months	**-**	599,000
Current Accounts at PMA	**38**	172
	1,221,464	4,956,963
Provision for expected credit loss	**-**	(64,333)
	1,221,464	4,892,630

The movement on the provision for expected credit loss for balances at banks during the years ended December 31, 2023 and 2022 as follows:

	2023				2022
	Stage (1) USD	**Stage (2) USD**	**Stage (3) USD**	**Total USD**	Total USD
Balance at the beginning of the year	**64,333**	**-**	**-**	**64,333**	486,411
Movement during the year	**(64,333)**	**-**	**-**	**(64,333)**	(422,078)
Balance at the end of the year	-	**-**	**-**	-	64,333

Notes to the Financial Statements
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6- Membership Fees Receivable

This item represents the unreceived subscription fees from members. The membership fees receivable as at December 31, 2023 and December 31, 2022 were USD 7,905,746 and USD 7,539,906, respectively.

7- Financial Assets at Amortized Cost – Net

	2023 USD	2022 USD
Quoted bonds and Islamic sukuk in foreign markets*	**282,917,496**	241,935,147
Unquoted bonds in foreign markets**	**7,500,000**	7,500,000
	290,417,496	249,435,147
Provision for expected credit loss	**(612,223)**	(334,064)
	289,805,273	249,101,083

*This item represents the Corporation’s investment in bonds and sukuk issued by foreign commercial and Islamic institutions that mature within one to ten years. Interest rates and returns range between 0.625% to 7.5%.

** This item represents the Corporation's investment in bonds issued by local companies that mature within two to three years. Interest rates on the bonds range between 5% to 6.81%.

The movement in the provision for expected credit loss for financial assets at amortized cost during the years ended December 31, 2023 and 2022 represents the following:

	2023				2022
	Stage (1) USD	**Stage (2) USD**	**Stage (3) USD**	**Total USD**	Total USD
Balance at the beginning of the year	**299,534**	**34,530**	**-**	**334,064**	322,847
Transferred to stage (1)	**-**	**-**	**-**	**-**	-
Transferred to stage (2)	**(26,026)**	**26,026**	**-**	**-**	-
Transferred to stage (3)	**-**	**-**	**-**	**-**	-
Net movement during the year	**(24,333)**	**302,492**	**-**	**278,159**	11,217
Balance at the end of the year	**249,175**	**363,048**	**-**	**612,223**	334,064

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8- Property and Equipment – Net

2023	Furniture and Fixture USD	Motor Vehicles USD	Office Equipment USD	Renovation and Furnishing of the New Corporation's Headquarters USD	Total USD
Cost					
Balance at beginning of the year	12,339	38,249	248,245	-	298,833
Additions	-	-	1,309	2,500	3,809
Balance at end of the year	12,339	38,249	249,554	2,500	302,642
Accumulated Depreciation					
Balance at beginning of the year	11,581	38,249	151,027	-	200,857
Depreciation	303	-	65,682	-	65,985
Balance at end of the year	11,884	38,249	216,709	-	266,842
Net book value at end of the year	455	-	32,845	2,500	35,800

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Palestine Deposit Insurance Corporation
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Notes to the Financial Statements
For the Year Ended December 31, 2023

8- Property and Equipment – Net (Continued)

2022	Furniture and Fixture USD	Motor Vehicles USD	Office Equipment USD	Total USD
Cost				
Balance at beginning of the year	74,283	38,249	264,948	377,480
Additions	-	-	5,822	5,822
Disposals	(61,944)	-	(22,525)	(84,469)
Balance at end of the year	12,339	38,249	248,245	298,833
Accumulated Depreciation				
Balance at beginning of the year	66,694	36,175	98,914	201,783
Depreciation	303	2,074	66,951	69,328
Disposals	(55,416)	-	(14,838)	(70,254)
Balance at end of the year	11,581	38,249	151,027	200,857
Net book value at end of the year	758	-	97,218	97,976

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Notes to the Financial Statements
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9- Investment Property

The Palestinian Cabinet decided in its meeting held on March 1, 2021 to transfer the headquarter of the Corporation to Palestine Monetary Authority headquarter and to cancel the headquarter construction project. Based on this, the Corporation's Board of Directors decided to reclassify the land that was intended for headquarter construction to an investment property. The book value of the land as at December 31, 2023 and December 31, 2022 is USD 1,113,272. Management did not adjust the land revaluation results as there was no material difference.

10- Intangible Assets

	2023 USD	2022 USD
Balance at beginning of the year	**15,448**	29,569
Additions	**76,381**	-
Amortization	**(13,194)**	(11,148)
Disposals	**-**	(2,973)
Balance at end of the year	**78,635**	15,448

11- Other Assets

	2023 USD	2022 USD
Accrued interest on bond	**2,110,902**	1,694,672
Interest paid to bondholders	**86,301**	121,883
Accrued interest on deposits	**-**	47,927
Prepaid expenses	**9,547**	9,536
Others	**8,454**	1,585
	2,215,204	1,875,603

12- End of Service Provision

	2023 USD	2022 USD
Balance at beginning of the year	**236,132**	303,185
Additions during the year	**41,746**	33,806
Payments during the year	**(32,851)**	(100,859)
Balance at end of the year	**245,027**	236,132

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Notes to the Financial Statements
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13- Other Liabilities

	2023 USD	2022 USD
Deferred revenues*	**24,852**	80,728
Employees' vacation Provision	**40,433**	35,253
Due to suppliers and accrued expenses	**42,577**	27,543
	107,862	143,524

* This item represents deferred revenues from the German Development Bank. The movement on deferred revenues account during the year was as follows:

	2023 USD	2022 USD
Balance at beginning of the year	**80,728**	136,581
Transferred to recognized deferred revenue	**(55,876)**	(55,853)
Balance at end of the year	**24,852**	80,728

14- Reserves

According to the article No. (20) of the Corporation's Law, the Corporation must accumulate reserves until they reach at least 3% of total deposits that are subject to the provisions of this law.

Reserves at the Corporation are formed in two forms; Islamic reserve and commercial (traditional) reserve so that the net income is distributed on Islamic and commercial reserves on a proportional basis, based on the subscription fees for Islamic banks and commercial banks at the end of the financial year.

15- Membership Fees Revenues

This item represents banks' subscription fees, as banks are required to designate an annual subscription fee starting from 2014 to PDIC at a rate of 0.3% of the average total deposits subject to this law. On December 01, 2019, Circular No. (03/2019) was issued by the Corporation regarding reducing the minimum subscription fee to become (0.2% - 0.8%). As at January 01, 2020, the subscription fee rate became 0.2% of the average total deposits instead of 0.3% of average total deposits. Also, on October 27, 2020, a circular was issued by the Corporation No. (02/2020) regarding reducing the minimum subscription fee to (0.1% - 0.8%). As at October 1, 2020, the percentage of subscription fees became 0.1% of the total average deposits instead of 0.2% of the average total deposits. On November 9, 2021, the Corporation issued Circular No. (2/2021), which amended the fixed subscription fee rate to become (0.2%) of the average total deposits subject to this law, as at January 1, 2022. The circular will require the implementation of a risk-based fee collection system starting in July 2024.

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Notes to the Financial Statements
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15- Membership Fees Revenues (Continued)

The details of membership fees revenues represent the following:

	2023 USD	2022 USD
Commercial banks subscription fees	**24,964,579**	24,222,881
Islamic banks subscription fees	**5,722,812**	5,578,480
	30,687,391	29,801,361

16- Profits and Interest on Deposits and Bonds – Net

	2023 USD	2022 USD
Interest from commercial financial assets at amortized cost	**7,118,197**	5,920,688
Return from Islamic financial assets at amortized cost	**1,202,190**	716,417
Interest from deposits at PMA	**35,751**	-
Interest from deposits at commercial banks	**32,043**	333,703
Revenues from deposits at Islamic banks	**1,417**	179,791
Amortization of bonds premium or discount – net	**234,969**	(953,544)
Brokerage firms' commissions	**(221,467)**	(229,981)
Repurchased bonds losses at specified percentages of the nominal amount by the issuing entity	**(156,911)**	(29,495)
	8,246,189	5,937,579

17- Employees' Expenses

	2023 USD	2022 USD
Salaries and wages	**476,607**	527,958
PDIC's contribution in provident fund	**52,516**	53,234
Employees' transportation	**33,320**	37,042
Provision of employees' end of service	**41,746**	33,806
Training, conferences, and meetings	**26,885**	32,691
Health insurance expenses	**24,458**	18,900
Telecommunication	**8,764**	10,322
Fuel	**3,902**	3,489
Accrued vacation	**9,210**	1,742
Others	**4,602**	1,929
	682,010	721,113

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Notes to the Financial Statements
For the Year Ended December 31, 2023
18- General and Administrative Expenses

	2023 USD	2022 USD
Professional and legal fees	**59,825**	59,592
Fees and subscriptions	**52,885**	54,645
Bonuses for the board of directors and board committees	**39,800**	37,200
Loss on disposal of property, equipment, and intangible assets	**-**	32,227
Advertising and marketing	**38,348**	19,729
Utilities	**18,954**	15,033
Telephone, internet and, mail	**13,367**	9,754
Cleaning and security	**12,106**	9,115
Office supplies	**6,517**	8,864
Translation expenses	**-**	8,003
Commissions expenses and bank interests	**3,548**	7,123
Maintenance	**17,174**	3,488
Hospitality	**3,292**	2,496
Annual reports and work plans	**4,150**	1,945
Vehicle maintenance, insurance, and licensing expenses	**1,161**	1,787
Fuel expenses	**2,208**	1,734
Stationery and printings	**1,066**	1,460
Others	**1,355**	7,028
	275,756	281,223

19- Cash and Cash Equivalent

	2023 USD	2022 USD
Cash on hand and balances at banks	**1,221,426**	4,956,791
Balances at Palestine Monetary Authority	**38**	172
Less: Deposits at banks maturing after three months	**-**	(4,318,461)
	1,221,464	638,502

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Notes to the Financial Statements
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20- Related Party Transactions

Related parties include the board of director members and key management transactions. The Corporation's board of directors approves pricing policies and terms of these transactions.

Balances with related parties include in the statement of financial position the following:

	Nature of Relation	2023 USD	2022 USD
Current Accounts at PMA	**Board of Directors**	**38**	172

Transactions with related parties include in the statement of income and comprehensive income the following:

	Nature of Relation	2023 USD	2022 USD
Hosting fees at PMA's Building	**Board of Directors**	**27,912**	27,912
Board of Directors' bonuses and benefits	**Board of Directors**	**39,800**	37,200
Key management salaries and related benefits:			
Short term benefits		**123,369**	133,279
End of service		**7,261**	6,435

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Notes to the Financial Statements
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21- Fair Values of Financial Instruments

The following table shows a comparison between the carrying value and the fair value of financial instruments according to their classification in the financial statements:

	2023		2022	
	Carrying Amount USD	**Fair Value USD**	Carrying Amount USD	Fair Value USD
Financial Assets				
Cash on Hand and Balances at Banks and PMA	**1,221,464**	**1,221,464**	4,892,630	4,892,630
Membership Fees Receivable	**7,905,746**	**7,905,746**	7,539,906	7,539,906
Financial Assets at Amortized Cost - Net	**289,805,273**	**282,082,172**	249,101,083	235,410,749
Other Assets	**2,197,203**	**2,197,203**	1,864,482	1,864,482
	301,129,686	**293,406,585**	263,398,101	249,707,767
Financial Liabilities				
Other Liabilities	**42,577**	**42,577**	27,543	27,543
	42,577	**42,577**	27,543	27,543

21- Fair Values of Financial Instruments (Continued)

- The fair value of the financial assets and liabilities are included at an amount in which the instrument could be exchanged between willing parties, other than operational forced or liquidation sale.

- The fair values of cash on hand and balances at banks, balances at Palestine Monetary Authority, subscription fees receivables, other assets and other liabilities are very close to their book values because these instruments have short-term repayment or collection periods.

- The fair value of quoted financial assets at amortized cost in financial markets is determined by reference to quoted prices at the date of the financial statements.

- The fair values of unquoted financial assets at amortized cost in financial markets that do not have market value is measured at cost after deducting the impairment losses (if any) due to the inability to determine its fair value reliably.

22- Other Matters

During 2017, the Corporation signed an agreement with the German Development Bank for an amount of EUR 10,000,000. whereby the German Bank paid an amount of EUR 9,050,000 (equivalent to USD 10,384,814) of the grant on behalf of the Ministry of Finance to cover paid-in capital of the corporation. The bank will also provide technical support to the Corporation with the remaining balance of the grant in the amount of EUR 950,000 (equivalent to USD 1,090,119) through a consulting company.

The total amount transferred to the consulting company from the grant as at December 31, 2023 is EUR 834,032 (equivalent to USD 920,521) and EUR 824,032 (equivalent to USD 876,935) as at December 31, 2022.

The cost of office supplies, computer systems, software and networks that were purchased during 2021 for the corporation through the consulting company amounted to USD 172,046.

23- Risk Management

The main risks arising from financial instruments are credit risk, liquidity risk and foreign exchange risk. The Corporation's Board of Directors reviews and approves the policies for managing these risks, which are summarized as follows:

Credit Risk

Credit risk is the risk that may result from the failure or inability of the other party to fulfill its obligations to the Corporation which leads to losses. With regard to credit risks resulting from financial assets, it includes bank balances, balances and deposits at PMA, membership fees receivable, financial assets at amortized cost, and other assets, the Corporation’s exposure to credit risk results from the inability of the other party to fulfill its obligations, which is the book value of these financial assets.

23- Risk Management (Continued)

Liquidity Risk

The Corporation works to manage liquidity risks by providing cash to meet its potential obligations and to finance its operational and investment activities. Except for the end of service provision, most of the Corporations' financial liabilities are due within three months from the date of the financial statements.

Foreign Exchange Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The US dollar is the functional currency of the Corporation, and the Board of Directors regularly monitors the foreign currency position and follows hedging strategies for these risks.

Other Risks

Other risks include the risk of failure to meet regulatory requirements, legal risk and reputational risk. The risk of non-fulfillment of regulatory requirements is controlled through a framework of policies and procedures related to discipline and follow-up. Reputational risk is managed through regular examination of factors relating to the Corporation's reputation as well as issuing special instructions and policies where appropriate.

The Corporation carries out its activities in Palestine, and the instability of the political and economic situation in the region may increase the risk of the Corporation carrying out its activities and may negatively affect its performance.

24- The War on Gaza strip

The recent war in the Gaza Strip destroyed many economic facilities there, and also affected business sectors in the West Bank due to restrictions and closures between cities. Management believes that, given the ongoing conflict, it is too early at this stage to quantitatively estimate the impact of this event. However, management believes that there are no substantial doubts about the ability to sustain future work. The effects of this war are still unclear and depend on future developments that cannot be accurately predicted at the present time.