

**Palestine Deposit Insurance Corporation
Ramallah-Palestine**

**Financial Statements and Independent
Auditor's report
For the year ended on December 31, 2019**

**Palestine Deposit Insurance Corporation
Ramallah-Palestine**

Table of Contents	Page
Independent Auditor's Report	--
Statement of Financial Position	1
Statement of Income and Other Comprehensive Income	2
Statement of Changes in Owner's Equity	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-37

Independent Auditors' Report

**To the Chairman and Members of the Board of Directors
Palestine Deposit Insurance Corporation
Ramallah- Palestine**

Report for Auditing the Financial Statements

Opinion

We have audited the accompanying financial statements of **Palestine Deposit Insurance Corporation** "the Corporation" which comprises the statement of financial position as of December 31, 2019, and the income statement, statement of comprehensive income, statement of changes in owners' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting 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 International Ethics Standards Board for Accountants' "Code of Ethics for Professional Accountants" together with the other ethical requirements that are relevant to our audit of the Corporation's financial statements in Palestine and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note (1) to the financial statements, the Palestinian National Authority (the "PNA") did not settle the remaining contribution in the share capital of the Corporation amounting to USD 7.6 million out of USD 20 million total contribution, per article no. 14 of the incorporation law of the corporation, the PNA should settle its contribution within thirty days from the effective day of the law.

Independent Auditors' Report (Continued)

Other Matter

The financial statements for the year ended December 31, 2018 were audited by another auditor who issued his unmodified report on auditing the financial statements for the year 2018 on May 29, 2019.

Responsibilities of Management and Those Charged with Governance for preparation of the Corporation's Financial Statements

Management are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in accordance with applicable local laws. This responsibility includes setting internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

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 entity 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 objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 International Standards on Auditing (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 made by users based on these financial statements.

As part of an audit in accordance with ISAs, 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 risk, 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 system 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.



Independent Auditors' Report (Continued)

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


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

We communicate with management and 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 system that we identify during our audit.

We also provide management and those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte & Touche (Middle East)
License # (208)

Ramallah - Palestine
July 16, 2020



Munther Al-Bandak
Partner
License No. (114/2015)

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Statement of Financial Position
As of December 31, 2019**

	Notes	2019 USD	2018 USD
Assets			
Cash on hand and at banks	5	2,945,857	2,742,843
Cash and balances at Palestine Monetary Authority	6	6,300,875	6,226,662
Membership fees receivable	7	8,963,217	8,061,099
Financial assets at amortized cost	8	167,360,826	132,416,072
Property and equipment- Net	9	77,806	116,608
Intangible assets	10	33,718	16,349
Right of use - assets	2	178,530	-
Lands	11	1,113,272	-
Other assets	12	1,357,921	1,011,519
Total Assets		<u>188,332,022</u>	<u>150,591,152</u>
Liabilities and Owners' equity			
Liabilities			
Lease liabilities	2	190,454	-
End of service provision	13	168,545	115,660
Other liabilities	14	63,265	61,929
Total liabilities		<u>422,264</u>	<u>177,589</u>
Owners' Equity			
Paid in capital	1	14,184,814	14,184,814
Islamic banks' reserve	15	23,427,876	17,258,509
Commercial banks' reserve	15	150,297,068	118,970,240
Total Owners' equity		<u>187,909,758</u>	<u>150,413,563</u>
Total liabilities and Owners' equity		<u>188,332,022</u>	<u>150,591,152</u>

The accompanying notes are integral part of these financial statements and should be read alongside.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Statement of Income and Comprehensive Income
For the year ended December 31, 2019**

	Notes	2019 USD	2018 USD
Revenues			
Membership fees revenue	16	34,309,575	31,791,125
Profits and interest revenues, net	17	4,000,756	2,843,532
Recoveries from ECL provisions	8	111,933	-
Currency exchange gain		171,011	-
Other revenues		131,590	-
Total Revenues		<u>38,724,865</u>	<u>34,634,657</u>
Employees' expenses	18	(697,388)	(622,258)
General and administrative expenses	19	(410,574)	(429,222)
Depreciation and amortization	9, 10	(61,423)	(64,076)
Amortization of Right of use - assets		(68,947)	-
Interest on lease liability		(13,935)	-
Allowance for expected credit losses	5	(309)	(1,356)
Currency exchange losses		-	(49,013)
Total Expenses		<u>(1,252,576)</u>	<u>(1,165,925)</u>
Excess for the year		<u>37,472,289</u>	<u>33,468,732</u>
Other comprehensive income items		-	-
Total comprehensive income		<u>37,472,289</u>	<u>33,468,732</u>

The accompanying notes are integral part of these financial statements and should be read alongside.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Statement of Changes in Owners' Equity
For the year ended December 31, 2019**

	Paid in capital USD	Islamic Banks' reserve USD	Commercial banks' reserve USD	Retained earnings USD	Total equity USD
Balance as of December 31, 2018	14,184,814	17,258,509	118,970,240	-	150,413,563
Amendment to the reserves for the year 2018	-	11,071	12,835	-	23,906
Total comprehensive income for the year	-	-	-	37,472,289	37,472,289
Transferred to reserves	-	6,158,296	31,313,993	(37,472,289)	-
Balance as of December 31, 2019	14,184,814	23,427,876	150,297,068	-	187,909,758
Balance as of December 31, 2017	14,184,814	12,325,710	90,742,307	-	117,252,831
Impact of applying IFRS 9	-	-	(308,000)	-	(308,000)
Balance at the beginning of the year- (adjusted)	14,184,814	12,325,710	90,434,307	-	116,944,831
Total comprehensive income for the year	-	-	-	33,468,732	33,468,732
Transferred to reserves	-	4,932,799	28,535,933	(33,468,732)	-
Balance as of December 31, 2018	14,184,814	17,258,509	118,970,240	-	150,413,563

The accompanying notes are integral part of these financial statements and should be read alongside.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Statement of Cash Flow
For the year ended December 31, 2019**

	Notes	2019 USD	2018 USD
Operating Activities			
Excess for the year		37,472,289	33,468,732
Adjustments:			
Depreciation and amortization		61,423	64,076
Amortization of Right to use assets		68,947	-
Interest on Lease Liability		13,935	-
Losses from intangible assets disposal		144	200
Provision for End of service		54,702	33,851
(Recoveries) Provision for expected credit loss		(111,624)	1,356
Profits and Interest revenues		(4,130,443)	(2,843,532)
		33,429,373	30,724,683
Cash flow before changes in operational assets and liabilities			
(Increase) decrease in Membership fees receivable		(902,118)	613,343
(Increase) decrease in Other assets		(17,854)	19,076
Increase in Other liabilities		1,336	13,190
		32,510,737	31,370,292
End of service payments		(1,817)	(8,422)
		32,508,920	31,361,870
Investing Activities			
Additions of property and equipment and intangible assets		(40,134)	(8,851)
Purchase of Lands		(1,113,272)	-
Change in financial assets at amortized cost		(34,832,822)	(28,467,762)
Profits and Interest received		3,815,719	2,628,213
		(32,170,509)	(25,848,400)
Financing Activities			
Paid from the lease contract liabilities		(60,875)	-
		(60,875)	-
Increase in cash and cash equivalents			
Cash and cash equivalents, beginning of the year		9,005,829	3,492,359
Cash and cash equivalents, end of the year	20	9,283,365	9,005,829

The accompanying notes are integral part of these financial statements and should be read alongside.

Palestine Deposit Insurance Corporation Ramallah- Palestine

Notes to the Financial Statements For the year ended December 31, 2019

1. General Information

Palestine Deposit Insurance Corporation (The Corporation) was established in accordance to law by decision No. 7 of 2013 issued on May 29, 2013 (the law) by the President of the State of Palestine and Chairman of the Executive Committee of the Palestine Liberation Organization and in effect on November 7, 2013.

Ownership of the deposit guarantee system

The ownership rights of the deposit guarantee system consist of the following:

- The Government's contribution in the amount of USD 20,000,000 or its equivalent, to be paid within thirty days of the effective date of the law. The Government paid USD 2 million out of this amount. During 2017, USD 10,384,814 of the Ministry of Finance's contribution to the Corporation's capital was paid by on its behalf by the German Development Bank, and the amount of USD 7,615,186 remains.
- Non-refundable establishment fees of \$ 100,000 or equivalent, to be paid by the member within a maximum period of fifteen days from the date on which he becomes a member of the deposit guarantee system.
- The reserves formed by the Corporation in accordance with the provisions of Article No. (20) of the Law, which provides for the creation of reserves used to achieve the Corporation's goals, so that they amount to no less than 3% of the total deposits subject to the provisions of the law.

The Corporation's sources of fund

The Corporation sources of fund consist of the following:

- Annual membership fees paid by members of the Corporation on a quarterly basis in accordance with the instructions issued for this purpose.
- Returns on investing the funds in the deposits Insurance system.
- Loans obtained by the Corporation under the provisions of the Law.
- Grants received by the Corporation from any party approved by the Board of Directors.

The objectives of the Corporation is to protect customers' deposits' held with the members banks within certain limits in order to encourage savings and strengthen confidence in the Palestinian banking system in addition to increasing the public awareness about the deposit insurance system.

The Corporation's number of employees as of December 31, 2019 was 21.

The financial statements have been approved by the Board of Directors and authorized for issuance according to their meeting number 3/2020) held on June 29, 2020.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

2. Application of new and revised International Financial Reporting Standards (IFRS)

2.1 The new standards and amendments to the standards effective on January 1, 2019 that have a material impact on the Corporation's financial statements

International Financial Reporting Standard 16 "Lease Contracts"

The Corporation has implemented IFRS (16) "leases contracts" that replaced existing guidance on lease contracts, including International Accounting Standard No. (17) "Lease Contracts" and International Interpretation (4) "Determine whether an arrangement What implies a lease contract "and the interpretation of the previous interpretations committee (15) "operating lease contracts - incentives" and the interpretation of the previous interpretations committee (27) "evaluation of the substance of the transactions that take the legal form of the lease contract".

The International Financial Reporting Standard No. (16) was issued in January 2016 and is valid for financial periods beginning on or after January 1, 2019. The International Financial Reporting Standard No. (16) states that all lease contracts, rights, and contractual obligations associated with them It should be generally recognized in the Corporation's financial position, unless the period is 12 months or less or a lease agreement for low-value assets. Consequently, the classification required under IAS 17 "leases" in operating or finance leases has been cancelled for lessees.

For each lease, the lessee recognizes an obligation in exchange for the future rental obligations. In contrast, the right to use the leased asset is capitalized, which is generally equivalent to the present value of future rental payments plus the costs directly attributable that are amortized over the useful life.

The Corporation chose to use the simplified approach permitted under the IFRS (16) when applying IFRS 16 for the first time on individual operating leases (for each lease separately), the right to use the leased assets was generally measured with an amount of Rental commitment to use the interest rate when applying for the first time.

The assets of the right to use have been measured at an amount equal to the lease obligations, after being modified with any prepaid or accrued rental payments related to a lease contract recognized in the statement of financial position as of December 31, 2018 and no record of any adjustments to the retained earnings as of January 1, 2019 have been produced under this method. There were no low lease contracts that required an adjustment to the right to use assets on the date of the initial application.

The recognized right to use assets relate to leased branches as of December 31, 2019 and January 1, 2019.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 The new standards and amendments to the standards effective on January 1, 2019 that have a material impact on the Corporation's financial statements (continued)

International Financial Reporting Standard 16 "Lease Contracts" (continued)

The Corporation's leasing activities and its accounting treatment mechanism:

The Corporation leases the General Administration's Headquarter in Ramallah, and the Corporation's office in Gaza to conduct its operations. Usually the lease contracts are for fixed periods ranging from a year and more, and some of them may include extension options and the terms of the lease are negotiated on an individual basis and contain a set of different terms and conditions, The rental contracts do not include any pledges and may not be used as collateral for borrowing purposes.

Until the end of 2018, the leases were classified as operating leases, with amounts paid against operating leases entered into the income statement according to the straight-line method during the lease term.

As of January 1, 2019, lease contracts have been recognized as right to use assets and related liabilities on the date when the asset is ready for use by the Corporation, the value of each lease payment is distributed between the lease obligations and financing costs, and financing costs are recorded in the income statement during the lease term to reach a fixed periodic interest rate on the remaining balance of the obligation for each period, right of assets are depreciated during the useful life of the asset or the lease term, whichever is shorter according to the straight-line method.

Assets and liabilities arising from lease contracts are measured initially on the basis of the present value, and the lease liabilities include the net present value of the following lease payments:

- Fixed payments (including built-in fixed payments) minus receivable rental incentives;
- Variable rental payments based on an index or rate;
- The amounts expected to be paid by the lessee under the residual value guarantees;
- Purchase option if the lessee is reasonably certain of this option, and
- Paying the contract termination fines if the terms of the lease include this option.

Lease payments are discounted using the interest rate of the implicit in the lease contract or the additional average borrowing rate of the lessee if it is not available, which is the price that the lessee must pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 The new standards and amendments to the standards effective on January 1, 2019 that have a material impact on the Corporation's financial statements (continued)

International Financial Reporting Standard 16 "Lease Contracts" (continued)

The Corporation's leasing activities and its accounting treatment mechanism:

Right of Use Assets are measured at cost, which includes the following:

- The value of the initial measurement of the lease liability;
- Any lease payments made on or before the start date minus any lease incentives received;
- Any initial direct costs, and
- Return costs (renewal and restoration).

Payments related to short-term lease contracts and contracts for rental of low-value assets are included on a straight-line basis as an expense in the income statement. Short-term leases are 12-month or less lease contracts as well as low-value assets such as low-value IT equipment and small elements of Office furniture.

When applying the IFRS 16 for the first time, the Corporation used the following:

- Use a single discount rate for a portfolio of rental contracts with reasonably similar characteristics;
- Building on previous evaluations of whether lease contracts are low;
- Accounting for operating leases with a remaining lease term of less than 12 months in January 2019 as short-term leases
- Excluding the initial direct costs for measuring the right to use assets at the date of the initial application, and
- Using the previous perception to determine the term of the lease, as the contract contains options for extending or terminating the lease.

The establishment also chose not to reassess whether or not the lease contains a lease on the date of the initial application. Instead, in relation to contracts concluded before the transfer date, the Corporation relied on its evaluation made through the application of International Accounting Standard No. (17) "Lease Contracts" and IFRC (4) "Determining whether an arrangement involves a lease contract."

The right to use shown in the statement of financial position includes the following assets:

	December 31, 2019
	USD
General Administration in Ramallah	128,337
Gaza's office	50,193
Total	178,530

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 The new standards and amendments to the standards effective on January 1, 2019 that have a material impact on the Corporation's financial statements (continued)

International Financial Reporting Standard 16 "Lease Contracts" (continued)

The movement on the right to use and the liabilities of the lease contracts during the year was as follows:

	Right to use USD	Liabilities* USD
Balance as of January 1, 2019	247,477	237,394
Interest on lease liability during the year	--	13,935
Paid from the lease contract liabilities during the year	--	(60,875)
Amortization of Right to use assets during the year	(68,947)	--
Balance as of December 31, 2019	<u>178,530</u>	<u>190,454</u>

* The Liabilities of the lease contracts as of December 31, 2019 are detailed as follows:

	December 31, 2019 USD
Lease Liability	<u>190,454</u>
Total	<u>190,454</u>

2.2 The new standards and amendments to the standards effective as of January 1, 2019 that did not have a material impact on the financial statements of the Corporation

New and revised IFRSs

Applicable for annual periods starting from or after

Amendments to IFRS 9 - Financial instruments related to prepayment features with negative compensation.

Amendments to IFRS 9 clarify that for the purpose of assessing whether the prepayment feature protects the only payment of the allocations and liabilities of the asset, the party exercising this option may pay or obtain reasonable compensation for prepayment regardless of the reason for prepayment, in other words, Prepaid features with passive compensation do not automatically fail the only payments for the amount and interest.

January 1, 2019

The amendment applies to annual periods beginning on or after January 1, 2019, with early application permitted. There are specific transitional provisions based on when the amendments are applied for the first time, in relation to the initial application of International Financial Reporting Standards No. (9).

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 The new standards and amendments to the standards effective as of January 1, 2019 that did not have a material impact on the financial statements of the Corporation (continued)

New and revised IFRSs (continued)	Applicable for annual periods Starting from or after
Amendments to IAS 28 - Investments in Associates and Joint Venture Companies relating to long-term benefits in associates and joint venture companies.	
These amendments clarify that any company that applies IFRS 9 - Financial Instruments to long-term transactions in an associate or joint company that forms part of the net investment in an associate or joint venture, but the equity method has not been applied.	January 1, 2019
Annual improvements session 2015-2017 on the International Financial Reporting Standards that include amendments to the International Financial Reporting Standard No. 3 - Business combinations and the International Financial Reporting Standard No. 11 - Joint arrangements and International Accounting Standard No. 12 - Income taxes and the International Accounting Standard No. (23) - borrowing costs. Annual improvements include adjustments to four criteria:	
- International Accounting Standard No. (12) Income Taxes The amendments clarify that the Corporation must leave the consequences of the income tax for dividends on profit or loss, comprehensive income or property rights according to the place in which the establishment originally recognized the transactions that led to the distributable profits. This is the case regardless of whether the different tax rates apply to distributed and un distributed profits.	January 1, 2019
- International Accounting Standard No. (23) borrowing costs The amendments clarify that if there is any specific borrowing that still exists after the relevant assets are ready for the intended use or sale, then this borrowing becomes part of the funds that the Corporation generally borrows when calculating the capitalization rate on public borrowings.	
IFRS 3 - Business Combinations The amendments to IFRS 3 clarify that when a firm obtains control over a jointly managed business, the Corporation applies the requirements for business combinations in stages, including a retained interest measurement Previously reported (PHI) in the joint operation at fair value. The previously held interest measurement (PHI) process includes any unlisted assets, liabilities or goodwill related to the joint operation.	January 1, 2019
IFRS 11 - Joint Arrangements The amendments to IFRS 11 (11) clarify that when a participating party, but does not have joint control, in a joint process is a business that obtains joint control over this joint process, The entity does not re-measure the interest previously held in the joint operation.	

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 The new standards and amendments to the standards effective as of January 1, 2019 that did not have a material impact on the financial statements of the Corporation (continued)

New and revised IFRSs (continued)	Applicable for annual periods Starting from or after
Amendments to IAS 19 - Amendment, Curtailment or Settlement of Employee Benefits Plan.	January 1, 2019
The IFRIC Interpretation Committee (23) Interpretation of Uncertainty in Income Tax Treatment: The interpretation deals with determining taxable profit (tax losses), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty about income tax treatment under IAS 12. It specifically addresses the following:	January 1, 2019
<ul style="list-style-type: none">• Whether tax treatments should be considered collectively.• Borrowings used in the examination of tax authorities.• Determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.• The effect of change on facts and circumstances.	

The implementation of these revised IFRSs has not had any material impact on the balances recorded in current and previous years, but it may affect some transactions or future arrangements.

2.3 New and revised IFRSs that are issued but not yet effective

New and revised IFRSs	Applies for annual periods beginning with or after
Fundamental Definition - Amendments to IAS 1 "Presentation of Financial Statements" and No. 8 Accounting policies, change in estimates, accounting errors. The new definition states that "information is essential if its omission, omission or concealment is expected to affect decisions made by the primary users of financial statements for general purposes based on those financial statements, which provide financial information about preparing reports for a particular entity".	January 1, 2020

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.3 New and revised IFRSs that are issued but not yet effective (continued)

New and revised IFRSs	Applies for annual periods beginning with or after
<p>Business Definition - Amendments to IFRS 3 - Business Combinations.</p> <p>The amendments clarify that in order for the business to be considered it must include an integrated set of activities and assets, as a minimum, inputs and an objective process that together contribute greatly to the ability to create outputs, the IASB also clarifies that business can exist without including all the inputs and processes needed to create Outputs. That is, the inputs and processes applied to these inputs must have "the ability to contribute to the creation of outputs" rather than "the ability to create outputs".</p>	January 1, 2020
<p>Amendments to International Financial Reporting Standards No. (2), (3), (6) and (14), International Accounting Standards (1), (8), (34), (37) and (38) and the interpretation of the Standards Interpretation Committee The International Financial Reporting No. (12), (19), (20) and (22) and the Standard Interpretations Committee No. (32) to update these statements regarding the aforementioned and quote from the framework or to determine where they indicate a different version of the conceptual framework.</p>	January 1, 2020
<p>IFRS 7 Financial Instruments: Disclosures and IFRS 9.</p>	January 1, 2020
<p>Modifications related to pre-replacement issues in the context of IBOR reform.</p>	January 1, 2020
<p>IFRS 17 - Insurance Contracts: IFRS 17 requires a measure of insurance liabilities at the present value to meet them and provides a more consistent approach to measuring and displaying all insurance contracts. These requirements are designed to achieve the goal of accounting based on the principle of insurance contracts. IFRS 17 (IFRS 17) revokes insurance contracts (IFRS4) until January 1, 2022.</p>	January 1, 2021
<p>Amendments to IFRS 10 - Consolidated Financial Statements and International Accounting Standard No. 28 Investments in Associates and Joint Venture Companies 2011 relating to the sale or contribution of the investor to assets in the associate and joint venture companies.</p>	The application effective date indefinitely. The application is still allowed.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.3 New and revised IFRSs that are issued but not yet effective (continued)

The management expects that these new standards, interpretations and amendments will be adopted in the Corporation's financial statements when applicable. The administration also expects that there will be no material impact on the Corporation's financial statements upon initial application.

3. Summary of significant accounting policies

3.1 Statement of Compliance

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

3.2 Basis of Preparation

The accompanying financial statements have been prepared in accordance with the historical cost principle, with the exception of some financial instruments measured by revaluation or fair value values as at the end of the financial period, as shown in the accounting policies below. Historical cost is generally based on the fair value of the consideration paid for the assets and services.

Fair value is known as the price that will be received to sell any of the assets or be paid to transfer any of the liabilities within a structured transaction between market participants at the measurement date, regardless of whether the price can be directly achieved or was estimated using another valuation method, and when estimating the fair value for any of the assets or liabilities, the Corporation takes into account these factors when pricing the asset or liability at the measurement date. The fair value has been determined for the purposes of measurement and / or disclosure in these financial statements on that basis, except for measurements that are similar to fair value but are not fair value, such as the value used in International Accounting Standard No. (36).

Fair value measurements are classified, for financial reporting purposes, to level (1), (2) or (3) based on the clarity of the inputs in relation to the fair value measurements and the importance of the inputs in relation to the full fair value measurements, and they are defined as follows:

- Level (1) inputs: These are the inputs derived from the quoted (unadjusted) prices of identical assets or liabilities in active markets that the entity can obtain at the measurement date,
- Level (2) inputs: These are the inputs derived from the data except for the listed prices used in Level (1) and observing the assets or liabilities, whether directly or indirectly, and
- Level (3) inputs: These are inputs to assets or liabilities that do not depend on observed market prices.

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

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

3. Summary of significant accounting policies (continued)

3.3 Financial Instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to contractual provisions specific to the instrument.

Financial assets and financial liabilities are measured initially at fair value, and transaction costs directly attributable to the acquisition or issue of financial assets and liabilities are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on Initial recognition.

3.4 Financial Assets

The financial assets of the Corporation include: cash and cash equivalents, accrued contributions fees, and other assets (except for prepaid expenses and advance payments to suppliers). Accrued and other contributions fees (other than prepaid expenses and advance payments to suppliers) are classified as "accounts receivable". The classification of financial assets in the aforementioned form is based on the nature and purpose of the acquisition of those financial assets, and this classification is determined at the time of initial recognition.

The effective interest rate method is a method for calculating the amortized cost of a financial asset and allocating interest income over the relevant periods. The effective interest rate is the rate that is discounted based on future cash payments received and expected during the expected life of the financial assets or when appropriate within a shorter period to the net book value at initial recognition.

Cash and cash equivalents

Cash and cash equivalents represent cash and demand deposits on banks and any short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Membership fees receivable

The fees for accrued contributions that have fixed payments or can be determined initially at fair value and are measured at amortized cost using the effective interest method, less any impairment in value.

Financial assets at fair value through other comprehensive income

Upon initial recognition, the Corporation can choose permanently (on a per instrument basis) to classify investments in equity instruments at fair value through other comprehensive income, and classification is not permitted at fair value through other comprehensive income if the investment in the equity instrument is held for a purpose Trading.

Financial assets are held for trading purpose if:

- It was originally purchased for the purpose of selling in the near future.
- Upon initial recognition, it was part of a portfolio of specific financial instruments that are run by the Corporation and have a real, recent nature of obtaining profits in short periods, or
- Derivatives were not classified and effective as a hedging instrument or as a financial guarantee.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

3. Summary of significant accounting policies (continued)

3.4 Financial Assets (continued)

Financial assets at fair value through other comprehensive income (continued)

Financial assets are measured at fair value through other comprehensive income, initially at fair value plus transaction costs, and are subsequently measured at fair value. Profits and losses arising from changes in the fair value are recognized under the other comprehensive income component and added to the reserve for revaluation of financial assets at fair value. On disposal of a financial asset, accumulated profits or losses that were previously added to the fair value revaluation reserve for financial assets are not transferred to the income statement, except that they are reclassified to retained earnings.

Dividends on these investments in equity instruments are recognized in the income statement when the Corporation's right to receive these dividends arises, unless these dividends clearly represent a recovery of a portion of the investment costs.

Financial assets at fair value through income statement (FVTPL)

Debt instruments that do not meet the amortized cost criteria are measured at fair value through the income statement. In addition, it is permissible to classify debt instruments that conform to the amortized cost criteria at fair value through the income statement upon initial recognition, if this classification eliminates or significantly reduces the accounting mismatch that arises from the measurement of assets or liabilities or recognition of profits and losses in them on different basis.

Debt instruments are reclassified from amortized cost to fair value through the income statement due to changes in the business model so that they no longer conform to amortized cost standards, and it is not permitted to reclassify debt instruments classified as fair value through the income statement upon initial recognition.

Financial assets are measured at fair value through the income statement and are included in the item of dividends of financial investments at fair value. Profits or losses resulting from the remeasurement are recognized in the income statement, and the recognized net profit and losses are included in the income statement under the "profits / losses" section. Unrealized evaluation of financial assets "in the income statement. Fair values are determined.

Dividend income on investments in equity instruments is recognized at fair value through the income statement when the Corporation's right to receive these dividends is established in accordance with International Accounting Standard No. (18) Revenue, and is included in the dividend distribution of financial assets.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

3. Summary of significant accounting (continued)

Financial assets at amortized cost

Debt instruments that meet these criteria are initially classified at fair value plus transaction costs (except if they are determined at fair value through the income statement), and are subsequently measured at amortized cost using the effective interest method less any impairment with recognized interest revenue Using it based on the actual return on interest income.

After initial recognition, the Corporation must reclassify debt instruments from amortized cost to fair value through the income statement, if the purpose of the business model changes.

The effective interest method is the method by which the amortized cost of an asset or a financial liability is calculated, and the interest income or expense is allocated to the periods to which it relates. The effective interest rate is precisely the rate at which the estimated cash received in the future is deducted over the expected term of the debt instrument or, wherever appropriate, over a shorter period to the net book value upon initial recognition.

The Corporation can finally choose upon initial recognition to recognize the debt instrument classification that meets the above amortized cost criteria at fair value through the income statement, if this classification eliminates accounting inconsistency or reduces it significantly in the event that the financial asset has been measured at amortized cost.

Reclassification of financial assets

Financial assets must be reclassified when the objective of the entity's business model for managing financial assets changes. It is expected that such changes will be very rare, and the Corporation will determine these changes through the management of the Corporation as a result of external or internal changes, and the changes must be fundamental to the operations of the Corporation and can be proven to external parties.

In the event that the Corporation reclassifies the financial assets, then the reclassification shall apply in the future from the date of the reclassification, and it is not required to re-include any profits, losses or benefits that were recognized in previous periods.

If the Corporation reclassifies a financial asset to be measured at fair value, the fair value of the financial asset referred to on the date of reclassification is determined. Any profits or losses arising from the difference between the previous book value and the fair value are recorded in the income statement.

If the Corporation reclassifies a financial asset to be measured at amortized cost, then the fair value of that financial asset at the date of reclassification becomes its new book value. The reclassification date is the date of the first day of the first reporting period after the business model that arises in the entity reclassifying the financial assets has changed.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

3. Summary of significant accounting (continued)

Impairment of financial assets

The Corporation recognizes the expected credit losses provisions on financial instruments that are measured at amortized cost, accrued contribution fees, receivables lease and contract assets. Provisions for expected credit losses are reviewed periodically in subsequent periods for the purpose of the change in credit risk since the initial recognition of the financial asset.

The Corporation always calculates the expected credit loss based on the life of the financial assets, contract assets and receivables that are due. The expected credit loss of these financial assets is also estimated based on historical information of credit losses according to the Corporation's records, and is adjusted after taking into account several factors related to the debtor parties, the current economic situation and the assessment of the current economic situation and the expected economic situation as of the date of preparing the financial statements taking into consideration the present value of cash at that time, wherever necessary.

Derecognition of financial assets

The Corporation derecognizes of a financial asset only when the contractual rights to cash flow from those financial assets expire or when it is transferred and therefore all the gains and risks related to ownership of the financial assets to another party. If the Corporation does not fully transfer those assets or it does not transfer all the gains and risks related to its ownership and continues to control it, the Corporation recognizes the accumulated returns and those related obligations that must be paid.

The Low value for the financial assets

After application of International Financial Reporting Standard No. (9) as of January 1, 2018, the provision for expected credit losses (allowance for impairment) for debt instruments that are not measured through the statement of income and comprehensive income is recognized.

The provision for expected credit losses is recognized in an amount equal to the expected credit losses over the life of the financial instrument, with the exception of the following, which is measured as expected credit losses over 12 months only:

- Investment debt securities with low credit risk (equivalent to investment grade classification) at the date of preparing the financial statements.
- Other financial instruments whose credit risk has not increased substantially since initial recognition.

The Corporation classifies its financial instruments, on the basis of stage (1), stage (2), and stage (3) according to the applied impairment methodology, as shown below:

- Stage (1): It includes financial instruments whose credit risk has not increased substantially since its initial recognition and that there has been no credit decrease since it was granted. The Corporation makes a minimum provision for expected credit losses over 12 months.
- Stage (2): It includes financial instruments whose credit risk has increased substantially since its initial recognition and that there has been no credit deterioration. The Corporation recognizes a provision for impairment of expected credit losses over the life of the financial instrument.
- Stage (3): Includes low credit financial instruments. The Corporation recognizes a credit impairment allowance over the expected life of these financial instruments.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

**3. Summary of significant accounting (continued)
The Low value for the financial assets (continued)**

Expected credit losses Stage (1): It is part of the expected credit losses that may result from the possibility of default on the financial instrument within 12 months after the date of preparing the financial statements.

Expected credit losses Stage (2): It is a weighted probability estimate of credit losses and is determined based on the difference between the current values of the entire monetary deficit. The cash deficit is the difference among all contractual cash flows due to the Corporation and the present value of the recoverable amount of the financial assets that are not credit impaired, as at the date of the financial statements.

Expected credit losses Stage (3): The provision for impairment of credit is determined on the basis of the difference between the net book value and the recoverable amount of the financial assets. The recoverable amount is measured as the present value of expected future cash flows, including recoverable amounts from collateral discounted on the basis of the interest rate when the loan is granted, or in relation to debt instruments, at the current market interest rate for a similar financial asset.

In the expected credit loss calculation model, and when necessary, the Corporation depends on future information used as inputs, such as an increase in GDP and unemployment rates.

The provision for impairment is recognized in the statement of income and comprehensive income and is shown in an allowance account against investment debt instruments. The financial assets are written off after all attempts at rescheduling and collection activities are fulfilled, and there is no realistic prospect of recovery in the future. Subsequent recoveries are credited to other revenue.

The financial assets measured at amortized cost are tested to determine whether they are credit impaired. The objective evidence that the financial asset is of a low credit includes the following: Failure to adhere to the terms of the contract, such as defaulting or late payment of interest or the amount of the original debt or granting discounts for economic or legal reasons related to the financial difficulties of the borrower. Regardless of the analysis described above, the Corporation believes that default occurs when the due date of any financial asset expires for a period of more than 90 days, unless the Corporation has any reasonable and supportive information indicating the existence of another more appropriate default criteria.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

3. Summary of significant accounting (continued)

3.5 Financial liabilities and equity instruments

Classification as debt or equity instrument

Equity instruments issued by the Corporation are classified as financial liabilities or as equity instruments in accordance with the basis and substance of the contractual arrangements, and according to the definition of financial liabilities and equity instruments.

Equity Instruments

An equity instrument is any contract that evidences the owner's right to the net assets of the Corporation after all its liabilities are presented. Equity instruments issued by the Corporation are recorded with the amounts received after deduction of the issuance expenses.

Financial liabilities

The financial liabilities of the Corporation include accounts payable and other current liabilities (except for payments made to suppliers).

Financial liabilities are initially measured at fair value less transaction costs and are subsequently measured at amortized cost using the effective interest rate method, where interest expense is recognized in terms of the actual rent basis except for short-term receivables where recognition of interest is not material.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that is discounted based on future cash payments expected in the expected life of the financial liabilities or when appropriate within a shorter period to the net book value at initial recognition.

Derecognition of financial obligations

The financial Corporation only derecognizes financial liabilities when they are discharged, canceled or they expire.

3.6 Revenues recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and that revenue is measured in a reliable manner, and that specific recognition criteria must be adhered to before recognizing any revenue:

Subscription revenue

Each member of the deposit insurance system pays the subscription fees on a quarterly basis, according to the specified percentages of the total deposits covered by the insurance. The Board of Directors may review and amend the annual subscription rates.

Interest income

Interest income is calculated based on the time periods due, outstanding original amounts and the effective interest rate, which is the rate that completely discounts future cash flows during the expected life of the financial assets to the net book value.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

3. Summary of significant accounting (continued)

3.7 Expenses recognition

Expenses are recognized according to the accrual principle in the year to which they relate.

3.8 Annual leave

An accrual is made for the estimated employee benefit obligations related to annual leave based on the services provided by qualified employees until the end of the year.

3.9 Provision for end of service indemnity

A provision for the liabilities incurred by the Corporation is made for employees' end of service indemnity in accordance with the applicable laws. The amounts of the provision are recognized as expense in the statement of income, and the compensation paid to employees who leave the service reduces on the account of the provision for end-of-service indemnity.

3.10 Property and equipment

Property and equipment, except for projects under construction, are stated at cost less accumulated depreciation and any losses arising from impairment. The cost of property and equipment is the historical purchase cost plus any acquisition costs.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that it will produce future economic benefits to the Corporation from the underlying asset and the cost can be measured reliably. All other repair and maintenance expenses are recognized in the profit or loss for the period in which they occurred.

Projects under construction that will be used in production, leasing, or for administrative purposes or for any purposes not yet identified, are recorded at cost less any losses arising from impairment (if any). The cost includes professional fees and borrowing costs in respect of eligible assets in line with the policy followed by the Corporation, and as with all other assets, the depreciation of these assets begins when they are ready for use in the purposes for which they were created.

Property, equipment, and equipment, except for the islands under construction, is depreciated using the straight-line method based on the expected service of the asset. At the end of each year, the expected useful life, the net recovered value and the depreciated method used are reviewed and the effect of any change in these estimates is shown during the financial period in which the change was made and future periods.

Depreciation is calculated according to the following estimated useful lives:

Years	Type
Leasehold improvement	7
Equipment	5
Furniture and fixture	5
Vehicles	5
Office Furniture	3

Profit and loss arising from the sale or disposal of any component of property and equipment is determined on the basis of the difference between the sales proceeds and the net book value of the asset, and this difference is recognized in the profit or loss.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

3. Summary of significant accounting (continued)

3.11 Intangible assets

This item represents computer programs and systems where the Corporation's management re-assesses the useful lives of intangible assets and adjusts them, if necessary, at the end of each fiscal year.

3.12 Impairment of tangible assets

At the date of the statement of financial position, the Corporation reviews the net tangible value of the assets to determine whether there is an indication that those assets suffer from impairment. If any such indication exists, the recoverable amount is estimated to determine the impairment loss (if any). In the absence of reasonable grounds for determining the recoverable amount of each asset separately, the Corporation estimates the recoverable amount from the cash-generating unit to which the asset belongs. When there are reasonable grounds for distribution, the Corporation's general assets are distributed to the cash-generating units individually or to the smallest group of cash-generating units.

The recoverable amount is the fair value, less cost to completion of the sale or value arising from use, whichever is higher. When assessing the value resulting from the use, the expected future cash flows to reach the present value are discounted using an appropriate discount rate to reflect their current market value, taking into account the effect of the passage of time on the value and the risks specific to the asset.

If the recoverable amount of the asset (or cash-generating unit) is expected to be less than its book value, the book value of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement, unless the asset is recognized in the revaluation amount, in which case the impairment is treated as a reduction in the revaluation reserve.

If the impairment loss is subsequently receded, then the book value of the asset (the cash-generating unit) is increased until it reaches the adjusted estimated value limit, so that the adjusted value of the asset does not exceed its book value if there is no decrease in the value of the asset (cash-generating unit) in previous years. An impairment loss is recognized as income immediately in the income statement, except when the asset is recognized by the revaluation amount, at which time the impairment loss decrease is treated as an increase in the revaluation reserve.

3.13 Projects under construction

Projects under construction are carried at cost, less any impairment loss (if any). Projects under construction are not depreciated upon completion of projects under construction. They are reclassified to property and equipment depending on their use and are depreciated according to their expected useful lives.

3.14 Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of past events, and it is probable that the Corporation will be required to pay this obligation and the cost of these allocations can be estimated reliably.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

3. Summary of significant accounting (continued)

3.15 Operating Leases

Accounting policy applied as of January 1, 2019:

The Corporations as a lessee:

The Corporation evaluates whether the contract contains a lease at the beginning of the contract. The Corporation recognizes the right to use assets and the corresponding lease obligations in relation to all rental arrangements in which it is a lessee, except for short-term lease contracts (defined as 12-month or less leases) and low-value assets leases (such as tablets, personal computers, and small items) Of office furniture and telephones). For these contracts, the Corporation recognizes lease payments as an operating expense on a straight-line basis over the term of the lease, unless another regular basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease requirement is initially measured at the present value of the lease payments that were not paid on the start date of the lease, deducted using the price implicit in the lease. If this rate cannot be determined easily, the additional borrowing rate is used.

The lease payments included in the rental requirement measurement include:

- Fixed rent payments (essentially including fixed payments), minus receivable rental incentives;
- Variable rental payments that depend on an index or rate, initially measured using the indicator or the rate at the date the contract begins;
- The amount expected to be paid by the lessee under the residual value guarantees;
- the price of exercising the purchase options, if the lessee is reasonably certain of the exercise of the options; and
- Paying the contract termination fines, if the lease reflects the exercise of the lease termination option.

Rental contract liabilities are presented as a separate item in the statement of financial position. Lease liabilities are subsequently measured by increasing the book value to reflect the interest on the lease liability (using the effective interest method) and by reducing the book value to reflect the paid rental payments.

The lease liabilities are re-measured (and a similar adjustment is made to the related right-to-use assets) when:

- The lease term is changed if there is an important event or change in the circumstances that lead to a change in the exercise of the purchase option assessment, in which case the lease liability is re-measured by deducting the adjusted lease payment using the discount rate.
- Rent payments change due to changes in an index, rate, or change in expected payments under the guaranteed residual value, in which cases the rental requirement is re-measured by deducting the modified rental payments using a non-variable discount rate (unless the rental payments change due to a change in the interest rate Floating point, in which case the adjusted discount rate is used).

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

3. Summary of significant accounting (continued)

3.15 Operating Leases (continued)

The lease contract is modified and the lease amendment is not accounted for as a separate lease, in which case the lease requirement is re-measured based on the duration of the modified lease contract by deducting the modified rental payments using the adjusted discount rate at the actual price at the date of the amendment.

The Corporation has not made any of these adjustments during the offered periods.

Right-of-use assets include an initial measurement of the liabilities of the corresponding lease contracts, the lease payments made on or before the start day, minus any lease incentives received and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses.

When the establishment incurs an obligation to dismantle and remove the leased asset, restore the site it is on, or restore the underlying asset to the condition required under the terms of the lease, a provision is recognized and measured in accordance with International Accounting Standard (37) to the extent that it relates to the costs of the right to use assets, these costs are recognized as part of the related right-to-use assets, unless these costs are incurred to produce goods.

The right to use assets are depreciated over the life of the lease or the useful life of the asset (whichever is shorter). If the lease transfers the ownership of the underlying asset or the cost of the right to use, reflecting that the Corporation expects to exercise the purchase option, then the relevant value of the right to use is depreciated over the useful life of the asset. Depreciation begins on the date of the start of the lease.

The right-to-use assets are presented as a separate line item in the statement of financial position.

The Corporation applies International Accounting Standard No. (36) to determine whether the value of the right to use has impaired and any impairment loss is calculated.

Variable rents that do not depend on an index or rate are not included in the measurement of lease liabilities and right-to-use assets. Related payments are recognized as an expense in the period in which the event or condition that leads to these payments occurs and are included in a separate line in the income statement.

Accounting policy applied up to December 31, 2018:

Operating lease payments are recognized as an expense in accordance with the straight-line rule and based on the lease term, except when there is a more systematic basis for the timeline in which economic benefits from the leased asset are exhausted. Possible rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

3. Summary of significant accounting (continued)

3.16 Foreign Currency

The financial statements are presented in US dollars, which is the currency of the prevailing economic environment in which the Corporation operates (the functional currency). Transactions that are made in currencies other than the functional currency of the Corporation are recognized at the transaction date prices at the end of each reporting period.

Balances of financial assets and financial liabilities are translated at the average foreign exchange rates prevailing at the date of the financial position, and non-financial assets and non-financial liabilities are presented at fair value are translated using the exchange rates prevailing at the date of their fair value measurement. Gains and losses arising from the translation of foreign currencies are recorded in the income statement. Translation differences are recognized for non-monetary assets and liabilities in foreign currencies (such as stocks) if any as part of a change in the fair value.

4. Critical Judgments and key source of estimation uncertainty

Through the application of the accounting policies by the Corporation as described in Note (3) to the financial statements, this requires that the management make estimates and assumptions about the values of assets and liabilities in the financial statements, the value of which cannot be clearly determined from other sources. The estimates and assumptions depend the management's historical experience and other factors are taken into account in making these estimates and assumptions. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed periodically. The effect of the amendment is included in the accounting estimates for the same period in which the amendment was made, in the event that such amendment affects only that period. Or on the period in which the amendment was made and subsequent periods, in the event that the effect of that amendment appears in the current period and subsequent periods.

The management believes that its use of the estimates in the financial statements is reasonable and detailed as follows:

4.1 The important assumptions used in applying the accounting policies

In the application of accounting policies, in the opinion of the management of the Corporation, there are no assumptions made that it is expected that it will materially affect the values included in the financial statements, except for those that include estimates as shown below.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

**4. Critical Judgments and key source of estimation uncertainty
(continued)**

4.2 Unconfirmed estimates

The main estimates for the future and other assumptions that are not confirmed at the date of the financial position and which have a risk ratio that may cause a material adjustment to the book value of assets and liabilities during the next financial year, are as follows:

4.2.1 Impairment of financial assets

The Corporation recognizes the provisions for expected credit losses on financial assets. Provisions for expected credit losses are reviewed periodically in subsequent periods to reflect the change in credit risk since the initial recognition of the financial asset.

The Corporation estimates the expected life of the credit loss for each financial asset. The expected credit loss is estimated based on the credit losses based on historical information according to the Corporation's records, and it is adjusted after taking into consideration several factors related to the debtor parties. In the current economic situation, and by evaluating the current economic situation and the expected economic situation, as of the date of preparing the financial statements, taking into consideration the present value of cash at that time, wherever necessary.

4.2.2 Depreciation of property and equipment

The cost of property and equipment is depreciated over the expected service life that is estimated based on the expected use of the asset, the maintenance and repair program in addition to technical obsolescence and the recoverable value considerations of the asset. The management of the Corporation did not include any residual value of the assets as they are not material.

4.2.3 Useful lives of tangible and intangible assets

The management periodically reassesses the useful lives of the tangible and intangible assets for the purposes of calculating the annual depreciation and amortization, depending on the general condition of those assets and the estimated useful lives in the future, and the impairment loss is recorded in the income statement for the year.

4.2.4 Provision for end-of-service indemnity

The provision for end-of-service indemnity is calculated in accordance with the labor law in enacted in the Palestinian Authority.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

5. Cash on hand and at banks

	2019 USD	2018 USD
Cash on hand	350	895
Current accounts	588,170	381,228
Time deposits	2,393,970	2,397,044
	2,982,490	2,779,167
Provision for expected credit loss	(36,633)	(36,324)
	2,945,857	2,742,843

The movement in the provision for expected credit losses represents the following:

	2019 USD	2018 USD
Balance at the beginning of the year	36,324	--
Additions during the year	309	36,324
Balance at the end of the year	36,633	36,324

6. Cash and balances at Palestine Monetary Authority

	2019 USD	2018 USD
Current accounts	1,300,875	1,226,662
Time Deposits	5,000,000	5,000,000
	6,300,875	6,226,662

7. Membership fees receivable

This item represents outstanding and unpaid contributions fees for the last quarter of 2019. The fees for outstanding and unpaid contributions as of December 31, 2019 and 2018 were USD 8,963,217 and USD 8,061,099, respectively.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

8. Financial assets at amortized cost

	2019 USD	2018 USD
Bonds and Islamic sukuk quoted in foreign markets*	162,021,207	125,774,580
Treasury bills and bonds – Central Bank of Jordan**	<u>5,500,718</u>	<u>6,914,524</u>
	167,521,925	132,689,104
Provision for expected credit loss	<u>(161,099)</u>	<u>(273,032)</u>
	<u>167,360,826</u>	<u>132,416,072</u>

* The maturity date of these bonds ranges from one to seven years, at an interest rate of 1% and 7%. The fair value of bonds listed in foreign financial markets was USD 162,584,762 as of December 31, 2019.

** The value of the bonds of the Central Bank of Jordan as of December 31, 2019 and 2018 amounted to USD 5,500,718 and USD 6,914,524, respectively. The due date of the treasury bonds issued by the Central Bank of Jordan ranges from one to three years at a discount rate of between 3% and 4.5%.

The movement in the provision for expected credit losses represents the following:

	2019 USD	2018 USD
Balance at the beginning of the year	273,032	-
Impact of applying IFRS 9	-	308,000
Balance at the beginning of the year after the adjustment	<u>-</u>	<u>308,000</u>
Expected Credit loss provision	<u>(111,933)</u>	<u>(34,968)</u>
Balance at the end of the year	<u>161,099</u>	<u>273,032</u>

Alaestine Deposit Insurance Corporation
Ramallah- Palestine

Notes to the Financial Statements
For the year ended December 31, 2019

3. Property and Equipment- Net

Cost	Leasehold improvement USD	Equipment USD	Furniture and fixture USD	Vehicles USD	Office Equipment USD	Projects under construction USD	Total USD
As of December 31, 2017	130,358	32,451	64,664	38,249	54,065	-	319,787
Additions	-	883	1,784	-	4,399	-	7,066
As of December 31, 2018	130,358	33,334	66,448	38,249	58,464	-	326,853
Additions	-	1,387	893	-	3,005	5,766	11,051
As of December 31, 2019	130,358	34,721	67,341	38,249	61,469	5,766	337,904
Accumulated Depreciation							
As of December 31, 2017	55,417	21,165	36,023	5,554	38,547	-	156,706
Depreciation for 2018	18,251	6,498	13,097	7,650	8,043	-	53,539
As of December 31, 2018	73,668	27,663	49,120	13,204	46,590	-	210,245
Depreciation for 2019	18,250	5,036	11,705	7,651	7,211	-	49,853
As of December 31, 2019	91,918	32,699	60,825	20,855	53,801	-	260,098
Net book value							
As of December 31, 2019	38,440	2,022	6,516	17,394	7,667	5,766	77,806
As of December 31, 2018	56,690	5,671	17,328	25,045	11,874	-	116,608

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

10. Intangible assets

Intangible assets represent the book value of computer programs and systems. Movement over intangible assets represents the following:

	2019 USD	2018 USD
Balance at the beginning of the year	16,349	25,301
Additions	29,083	1,785
Amortization	(11,570)	(10,537)
Disposals	(144)	(200)
Balance at the end of the year	<u>33,718</u>	<u>16,349</u>

11. Lands

During the year 2019, lands in the amount of USD 1,113,272 were purchased by the Palestinian Deposit Insurance Corporation in Al Masyoun area in Ramallah, with an area of 941 square meters.

12. Other assets

	2019 USD	2018 USD
Accrued bonds interest revenue	1,240,262	862,418
Accrued deposit interest revenue	6,160	69,280
Prepaid expenses	9,264	48,067
Interest paid to bondholders	102,107	31,660
Other	128	94
	<u>1,357,921</u>	<u>1,011,519</u>

13. End of service provision

	2019 USD	2018 USD
Balance at the beginning of the year	115,660	90,231
Additions during the year	54,702	33,851
Payments during the year	(1,817)	(8,422)
Balance at the end of the year	<u>168,545</u>	<u>115,660</u>

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

14. Other Liabilities

	2019 USD	2018 USD
Employees leaves provision	42,341	35,715
Accounts payable and accruals	20,924	26,214
	<u>63,265</u>	<u>61,929</u>

15. Reserves

In accordance with the provisions of Article No. (20) of the law, the Corporation creates reserves that are used to achieve the goals of the Corporation, reaching a limit of no less than 3% of the total deposits subject to the provisions of the law. The constituent elements of these reserves consist of annual subscription fees collected from banks, investment returns and any other returns after all expenses have been deducted. The surplus for the year is distributed to the "Islamic and commercial" reserves, each according to its percentage of total subscription fee income.

16. Membership fees revenue

	2019 USD	2018 USD
Commercial banks membership fees	28,671,048	27,105,581
Islamic banks membership fees	5,638,527	4,685,544
	<u>34,309,575</u>	<u>31,791,125</u>

17. Profits and interest revenues, net

	2019 USD	2018 USD
Interest revenue from financial assets at amortized cost	3,450,451	2,434,730
Profits from Islamic financial assets at amortized cost	578,684	335,458
Investment revenue – time deposits with PMA	114,125	114,239
Investment revenue – deposits at banks	77,660	50,080
Bonds premium/ discount amortization, net	(220,164)	(90,975)
	<u>4,000,756</u>	<u>2,843,532</u>

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

18. Employees' expenses

	2019 USD	2018 USD
Salaries and wages	458,380	428,271
Travel and transportation	763	3,247
Training, conferences and meetings	55,837	35,158
End of service indemnity	54,702	33,851
Corporation's contribution to provident fund	47,048	45,637
Employees transportation	43,406	42,976
Health insurance expenses	18,272	14,526
Employees' accrued vacations	7,104	8,706
Telecommunications expenses	4,315	3,992
Fuel	2,911	3,419
Employees' Rewards	2,326	--
Other	2,324	2,475
	<u>697,388</u>	<u>622,258</u>

19. General and administrative expenses

	2019 USD	2018 USD
Brokerage commissions	232,190	149,544
Office rent	-	77,053
Fees and subscriptions	53,499	49,589
Board of Directors Rewards	25,400	35,500
Advertising and promotion	10,190	21,808
Consultations and legal fees	24,610	30,019
Electricity and water	13,538	12,863
Telephone, internet and mail	7,436	8,249
Security and cleaning	9,361	8,568
Office supplies	4,383	6,233
Annual reports and work plans	3,833	1,639
Travel and accommodation of the Board of Directors	4,242	6,842
Commissions and bank interests	2,633	1,751
Hospitality	3,440	2,594
Building fees	2,167	2,167
Stationary and printings	2,959	2,473
Insurances	400	500
Vehicles	1,348	1,203
Fuel	1,863	1,281
Maintenance	4,023	3,411
Others	3,059	5,935
	<u>410,574</u>	<u>429,222</u>

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

20. Cash and cash equivalents

	2019 USD	2018 USD
Cash in hand and at banks	2,982,490	2,779,167
Balances at Palestine Monetary Authority	6,300,875	6,226,662
	<u>9,283,365</u>	<u>9,005,829</u>

21. Related parties transactions

This item represents the transactions that have taken place with related parties, which include members of the Board of Directors and senior management. Pricing policies and terms related to transactions with related parties are approved by the Corporation's Board of Directors.

The statement of financial position includes the following balances with related parties:

	Nature of the relation	2019 USD	2018 USD
Balances at PMA	Board of Directors	<u>6,300,875</u>	<u>6,226,662</u>

The statement of income and other comprehensive income includes the following transactions with related parties:

	Nature of the relation	2019 USD	2018 USD
Interest revenue from PMA	Board of directors	<u>114,125</u>	<u>114,239</u>
Board of Directors expenses and benefits	Board of directors	<u>29,642</u>	<u>42,342</u>
Key management bonuses and related expenses:			
Short term benefits		<u>162,186</u>	<u>141,064</u>
End of service		<u>13,919</u>	<u>7,352</u>

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

22. Fair value measurement

	Carrying amount		Fair value	
	2019 USD	2018 USD	2019 USD	2018 USD
Financial assets				
Cash in hand and at banks	2,945,857	2,742,843	2,945,857	2,742,843
Balances at PMA	6,300,875	6,226,662	6,300,875	6,226,662
Membership fees receivable	8,963,217	8,061,099	8,963,217	8,061,099
Financial assets at amortized cost	167,360,826	132,416,072	168,085,480	131,281,389
Other financial assets	1,246,422	931,792	1,177,671	931,792
	186,817,197	150,378,468	187,473,100	149,243,785
Financial liabilities				
Other financial liabilities	63,265	61,929	63,265	61,929
	63,265	61,929	63,265	61,929

The fair values of the financial assets and financial liabilities have been shown according to the values by which exchanges can take place between entities concerned, with the exception of forced sales or liquidations.

- The fair values of bank balances, balances with the Palestine Monetary Authority and fees for accrued contributions and other financial liabilities are materially close to their book values, as these instruments have short-term payment or collection periods.
- The fair value of the financial assets held at amortized cost, that are listed in financial markets, has been determined according to their trading prices at the date of the financial statements.
- The fair value of the financial assets held at amortized cost, that are not listed in financial markets and have no market prices, has been determined at cost, after deduction of impairment losses (if any) due to the inability to determine their fair value reliably.

23. Financial instruments

The Corporation is exposed to a set of financial risks through its financial assets and liabilities. The main risks to which the Corporation is exposed are the possibility of insufficient receipts related to its investments in the long term to finance the liabilities arising from investment contracts. The most important elements of this financial risk are the interest rate risk, equity instrument price risk, foreign currency price risk and credit risk.

These risks arise from exposure to interest rates, currencies and equity instruments, all of which are exposed to general and specific risks as a result of market movements. The primary risks to which the Corporation is exposed, due to the nature of its investments and financial assets, are interest rate risk and equity instruments price risk.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

23. Financial instruments (continued)

In Note No. (3) to the financial statements, significant accounting policies and principles followed, including the principles of recognition of revenues and expenses, and the bases for measuring each of the categories of assets, liabilities and owners' equity were explained.

	2019	2018
	USD	USD
Financial assets		
Cash on hand and at banks	2,945,857	2,742,843
Balances at PMA	6,300,875	6,226,662
Membership fees receivable	8,963,217	8,061,099
Financial assets at amortized cost	167,360,826	132,416,072
Other financial assets	1,357,921	1,011,519
	<u>186,928,696</u>	<u>150,458,195</u>
	2019	2018
	USD	USD
Financial liabilities		
Other financial liabilities	63,265	61,929
	<u>63,265</u>	<u>61,929</u>

Risk Management

The implicit risks related to the activities of the Corporation are managed, measured and monitored continuously to remain within the permissible limits, and given the importance of the risk management process over the profits of the Corporation, the tasks and control responsibilities associated with these risks are distributed on employees. The Corporation is exposed to credit, liquidity and market risks, which are the risks of trading and hedging operations in addition to operating risks. The risks related to the change and impact of technological factors on the industry sector are managed through the strategic planning process and not through the usual risk management process.

Risk management process

The Board of Directors of the Corporation is responsible for identifying and controlling risks, in addition to that there are several bodies in the Corporation responsible for the risk management process.

Risk Committee

The responsibility for developing the risk strategy and applying the principles, general frameworks and permissible limits rests with the Corporation's risk committee.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

**23. Financial instruments (continued)
Risk Management (continued)**

Risk measurement and reporting systems

The risks are monitored and controlled by controlling the permissible limits for each type of risk. These limits reflect the Corporation's business strategy and the surrounding various market factors as well as the acceptable level of risk, with a focus on specific financial sectors. Information is collected from various departments and analyzed to get early awareness of the potential risks that may arise. This information is presented to the Corporation's board of directors, the audit committee, and the direct head of each department of the Corporation, and the results of its work are presented to the Corporation's audit committee.

Internal audit

The risk management and operations of the Corporation are audited by the Corporation's internal audit department by examining the adequacy of the actions taken and the extent of compliance with the required procedures. The internal audit department discusses the results of the audit with the Corporation's management, and the results of its work are presented to the Corporation's audit and risk committee.

Risk reduction

As part of the risk management process, the Corporation uses financial instruments to manage positions resulting from changes in interest rates, foreign currencies, capital and credit risk. The Corporation's risk management department monitors the effectiveness of risk management.

Capital risk management

The Corporation manages the capital to ensure continuity and maximize return. The Corporation's policy in this field has not witnessed any change as it was in 2018.

The Corporation manages the capital structure and makes the necessary adjustments to it in light of changes in economic conditions. The capital of the Corporation consists of paid in capital and reserves, which amounted to USD 187,909,758 as of December 31, 2019 compared to USD 150,413,563 as of December 31, 2018.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

**23. Financial instruments (continued)
Risk Management (continued)**

Credit risk

Credit risk is the risk that may arise from the failure or failure of the other party to the financial instrument to fulfill its obligations to the Corporation, leading to losses. With regard to credit risk resulting from financial assets, which includes cash and cash equivalents, amortized cost financial assets and other current assets, the Corporation's exposure to credit risk results from the inability of the other party to meet its obligations which is the carrying amount of these financial assets.

Liquidity risk

The Corporation works to manage liquidity risk by providing cash to fulfill its potential obligations and to finance its operating and investment activities. Except for the end-of-service indemnity provision, most of the financial Corporation's liabilities are due within three months of the date of the financial statements.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to a change 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 adopts hedging strategies for these risks.

Operating risks

Operating risk represents the risk of direct or indirect losses as a result of a specific failure resulting from technological applications, operations or employee errors. The Corporation works to reduce the occurrence of these risks as possible through a framework of policies and procedures to assess, monitor and manage these risks. Monitoring these risks includes working on the effective separation of duties, powers and conformity procedures, in addition to increasing employee awareness of these risks and methods of evaluating them.

Other risks

Other risks include risks of non-compliance with regulatory requirements, legal risks, and reputation risks. The risk of failure to meet regulatory requirements is controlled through a framework of policies and procedures for discipline and follow-up. Reputation risk is managed through regular examination of factors related to the reputation of the Corporation in addition to issuing special instructions and policies where appropriate.

The Corporation practices 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 adversely affect its performance.

**Palestine Deposit Insurance Corporation
Ramallah- Palestine**

**Notes to the Financial Statements
For the year ended December 31, 2019**

**23. Financial instruments (continued)
Risk Management (continued)**

Interest rate risk management

The Corporation is exposed to interest rate risk related to fixed interest rates on demand deposits, short term deposits and borrowing at interest rate linked rates (LIBOR).

There has been no material change in the Corporation's sensitivity to the change in interest rates.

24. Subsequent Events

Subsequent to the date of the financial statements, the presence of Corona Virus (Covid-19) was confirmed during January 2020, which later spread to many countries around the world. The World Health Organization has declared this event a "global pandemic". This epidemic is expected to have many economic impacts during the year 2020 on all economic sectors. The management believes that this event is one of the following events, which does not require amendments to the financial statements included in the report and therefore has not made any changes to the financial statements.

The management has studied the risks and evaluation of the expected impacts on the Corporation's business in order to review and evaluate the potential risks arising from this event. The result of this event is unknown, and therefore cannot determine the impact on the Corporation reasonably on the date of issuance of these financial statements, the management will monitor the impact of this event on the work of the Corporation continuously and study the impact of the event on the estimates and assumptions used by the Corporation management-related risks the credit and inputs used to calculate the expected credit losses for financial assets and to assess investments during 2020.