



المؤسسة الفلسطينية لضمان الودائع
PALESTINE DEPOSIT INSURANCE CORPORATION

Annual Report

2024



المؤسسة الفلسطينية لضمان الودائع
PALESTINE DEPOSIT INSURANCE CORPORATION

Tel: +970 2 2977050

Fax: +970 2 2977052

P.O.BOX: 626, Ramallah, Palestine

www.pdic.ps

info@pdic.ps

The Contents

The contents

Glossary.....	5
Vision, Mission, Core Values, Objectives, Mandate.....	8
Chairman’s Speech.....	10
General Manager’s Speech	12
PDIC’s Governance	15
Board of Directors.....	17
Board Committees	25
PDIC Organization Chart	27
Deposit Insurance System in Palestine	28
- PDIC Executive and Administrative Staff.....	30
- The key features of Palestine deposit Insurance Corporation	32
- The PDIC’s main functions.....	33
PDIC’s performance during 2024	35
a. Deposits subject to the provisions of the Law	36
b. Fully- insured deposits.....	36
c. Partially insured deposits.....	37
d. Prompt Reimbursement	37
e. Membership Fees	37
f. PDIC Investment.....	39
g. Public awareness about deposit insurance system	40
h. PDIC Strategic Plan	41
Palestinian Banking Sector Indicators for 2024	42
Palestinian Economic Indicators for 2024	52
Financial Statements	57
- Independent Auditor’s Report	60
- Statement of Financial Position.....	63
- Statement of Income and Comprehensive Income	64
- Statement of Changes in Palestine Deposit Insurance Corporation’s Equity.....	65
- Statement of Cash Flows.....	66
- Notes on the Financial Statements.....	67



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 103 members, and 9 associates.

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.

2024

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 issued 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,

It is my honor, 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 11th annual report for the year 2024, which highlights the Corporation's efforts and achievements over the past year.

The year 2024 was a year full of challenges and opportunities, The PDIC remained steadfast in its commitment to achieving its strategic objectives and strengthening its vital role in preserving financial stability and protecting the depositors' rights within Palestine.

Considering the persistent and complex political situation in Palestine, in the line with the rapid economic and financial transformations observed across the region and the globe. The significance of the Corporation's role in fostering confidence and stability in the banking sector by safeguarding the funds that depositors entrust to member banks has grown.

In collaboration with the Palestine Monetary Authority, the PDIC has fostered its efforts to secure a strong banking system and ensure there is enough cash liquidity to secure financial stability and promote the sustainable economic development.

Performance indicators of the Palestinian banking system at the end of 2024 showed positive results.

The total customer deposits by the end of 2024 amounted to approximately \$18,776.6 million compared with \$17,589 million by the end of 2023 recording an increase of \$1,187.6 million and a growth of 6.75%, while the Assets of banks operating in Palestine amounted to \$23,145.1 million by the end of 2024, compared to \$21,734.4 by the end of 2023 reflecting an increase of \$1,410.7 million, and a growth of 6.49%.

The equity of banks operating in Palestine at the end of year 2024 amounted to \$2,311.6 million compared to \$2,225.1 million at the end of 2023, with an increase of \$86.50 million and a growth of %3.89. Furthermore, Total credit facilities amounted to \$11,947.1 million

at the end of 2024, Licensed banks provisions at the end of 2024 saw a significant increase of \$254.6 million 39.46% compared to 2023, reaching approximately \$899.7 million.

Also, the provisions to non performing facilities coverage ratio increased by 148.4% at the end of 2024, compared to 120% as recorded at the end of year 2023.

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 16.61% at the end of 2024.

The PDIC continued to strengthen its presence at the local and global levels. PDIC participated in many local 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 enhance and foster the corporation capacity and expertise, also 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 11th Annual Report of the Palestine Deposit Insurance Corporation. I hope that the year 2025 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.

Chairman

كيس هينا



General Manager's Speech

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

I am pleased to present the 2024 Annual Report of the Palestine Deposit Insurance Corporation (PDIC). This edition reflects our unwavering commitment to safeguarding the deposits of a broad segment of the public across both conventional and Islamic banks operating in Palestine.

Despite ongoing political and economic challenges, PDIC has remained steadfast in aligning with international best practices in deposit insurance. Our goal remains to elevate our performance standards and strengthen public confidence in the deposit insurance system.

Looking ahead, PDIC is preparing to implement a risk-based premium system in the second half of 2025. This initiative will ensure that member banks contribute premiums more equitably, in proportion to the risks they present.

It is also expected to help mitigate potential risks while fortifying the Corporation's reserves, thereby enhancing resilience against financial shocks.

The year 2024, posed significant economic challenges, particularly due to the conflict in Gaza and widespread infrastructure damage across all sectors. Nevertheless, PDIC recorded substantial growth in deposits and depositors. Deposits covered under the provisions of the PDIC Law rose to \$17,866.6 million by the end of 2024, compared to \$16,739.4 million in 2023, with an increase of 6.73%.

The number of depositors reached 2.45 million, with an average deposit of \$7,294 in 2024, up from 2.428 million depositors and an average of \$6,894 in 2023. Notably, 93.69% of depositors had their deposits fully insured within the coverage limit of \$20,000 or its equivalent in other currencies.

PDIC also delivered strong financial performance in 2024. Total revenues rose to \$31.5 million, reflecting a growth of 2.64% compared to \$30.7 million in 2023. Meanwhile, the Corporation's reserves increased by 13.59%, reaching \$343 million at year-end 2024, up from \$302 million in 2023. This growth enhances PDIC's financial capacity and ensures sufficient liquidity to respond to potential crises.

A core strategic priority for PDIC is enhancing public awareness of the deposit insurance system in Palestine. In pursuit of this, we annually design and execute targeted awareness campaigns aimed at educating diverse segments of the population about PDIC's vital role in financial stability and inclusion. These efforts help promote public trust and encourage a culture of savings.

On the international front, and in line with our strategic goal of building a global network with Deposit insurance corporations, PDIC actively engaged in both local and international conferences and events in 2024.

These platforms facilitated knowledge exchange and strengthened partnerships with peer institutions worldwide. PDIC also maintained active involvement in the International Association of Deposit Insurers (IADI), holding various positions on strategic committees. Additionally, we signed several memoranda of understanding with global counterparts to deepen cooperation and share expertise.

As we look forward, PDIC remains dedicated to realizing its vision of becoming a regional leader in deposit insurance.

We will continue to work closely with the Palestinian Monetary Authority to uphold the stability of the financial and banking sector, while ensuring the highest levels of protection for depositors.

In closing, I would like to express my sincere gratitude to the Chairman and members of the PDIC Board of Directors, all PDIC employees, our partners in the Financial Safety Net—including the Palestinian Monetary Authority and the Ministry of Finance—as well as our member banks and the Association of Banks in Palestine.

We reaffirm our commitment to continuous improvement, both locally and internationally, in line with global best practices. Our mission remains centered on preserving financial stability and protecting the depositor's funds of the Palestinian people.

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.

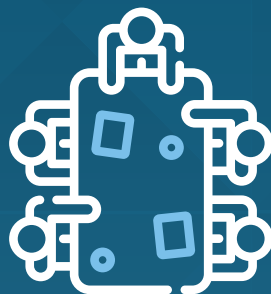
4

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



The Former Chairman of Board of Directors of PDIC, The Governor of Palestinian Monetary 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, he held as 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.

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.
Shunnari**



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. Tariq Al-Masri possesses over 29 years of extensive practical experience within the Palestinian Ministry of National Economy, where he has held various leadership and supervisory roles, recently he held General Director of Supervision. His career includes serving as Director General of Company Registration, he serves as the General Controller of Companies, and an Advisor to the Minister of National Economy. He currently holds the position of Deputy Minister in addition to his responsibilities as the Companies Registrar.

Mr. Al-Masri has made significant contributions to the formulation of national economic policy, the drafting of numerous legislative and regulatory frameworks for the business environment, and the leadership of institutional reform initiatives within the ministry. His extensive expertise encompasses financial management, institutional governance, administrative organization, business process development, and the highly effective management of multidisciplinary teams.

Mr. Al-Masri has actively participated in numerous specialized conferences, forums, and workshops both nationally and internationally. He has also represented the Ministry of National Economy and the State of Palestine in various regional and international platforms, enhancing his professional standing, network, and expertise in economic and development issues.

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.

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. Rabie boasts a distinguished career within the Ministry of Finance, steadily rising through the ranks. He currently holds the prestigious position of Accountant General. Previously, he served as Director General of Financial Control (2020-2023). His earlier accomplishments include Director General of Public Supplies and Chairman of the Central Tenders Committee (2017-2019), Director General of the Revenue System (2014-2016), and Deputy Director General of Customs and Excise (2013-2017). Mr. Rabie's strong foundation began within the General Administration of Customs, where he served as Director of Crossings and Trade Facilitation Centers (2010-2013) and earlier as Head of the Purchase Tax Department.

He actively shapes financial policy across national institutions. He chairs the Board of Directors of the Palestinian Fund for Compensation for Road Accident Victims, demonstrating his commitment to social responsibility. His leadership extends to numerous boards, including: the Foundation for the Management and Development of Orphans' Funds, the Management of the Municipal Lending Fund, the PALSAT Foundation, the Capital Market Authority, the Institution for Standardization and Metrology, and Al-Zaytoonah Islamic Finance. He serves as Vice Chairman of the Public Procurement Policy Council, further solidifying his influence on financial regulations. His dedication to public service extends to his role as a Member of the Board of Trustees of the Palestinian Institute for Public Health.

Mr. Rabie's passion extends to academia. A certified trainer and lecturer, he has made significant contributions, including developing a university course on public money management for Birzeit University and delivering numerous training programs for Palestinian students. His dedication includes reviving and revamping trainer programs.

Mr. Rabie possesses a master's degree in public administration with a focus on institution building and human resources development. He's nearing completion of his doctorate in strategic management.

Mr. Iyad Joudeh



Board member

Mr. Joudeh currently serving as the Chairman of the Board of Directors of the Palestine Investment Fund, where he previously served as a board member for nearly three years. He leads the Fund's strategy to advance key economic sectors like infrastructure, promote national products through quality industrial projects, and attract investment by enabling the Palestine Stock Exchange.

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. Mr. Joudeh served as its General Manager for over 15 years, playing a crucial role in providing specialized economic development and business consulting to numerous national and regional organizations. He brings over 30 years of experience in private sector development and business strategy formulation.

A well-known figure in Palestinian business, Mr. Joudeh actively participates in development initiatives that strengthen the private sector and encourage its engagement with the local community. He remains a strong advocate for a supportive business environment and government legislation aimed at boosting the competitiveness of Palestinian products both domestically and internationally. His extensive network and practical experience continue to be key in aligning the interests of the private and public sectors here in Palestine.

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 Monetary Authority.

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.
- Dr. Adel Zagha.
- Ms. Rula Shunnar.
- Mr. Loay Hawash- General Manager.

c. Audit and risk Committee

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

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

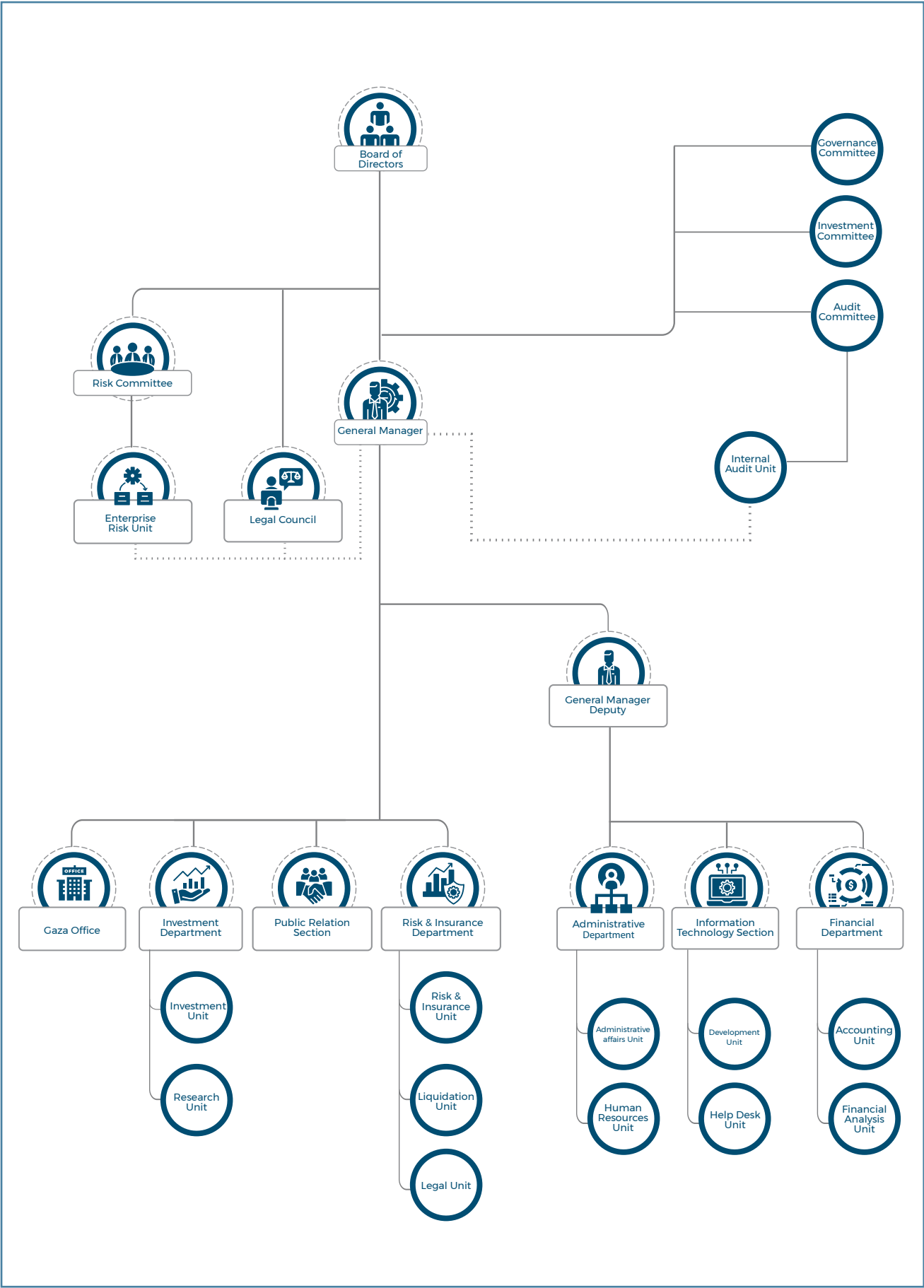
Liquidation Committee

- 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



Deposit Insurance System in Palestine

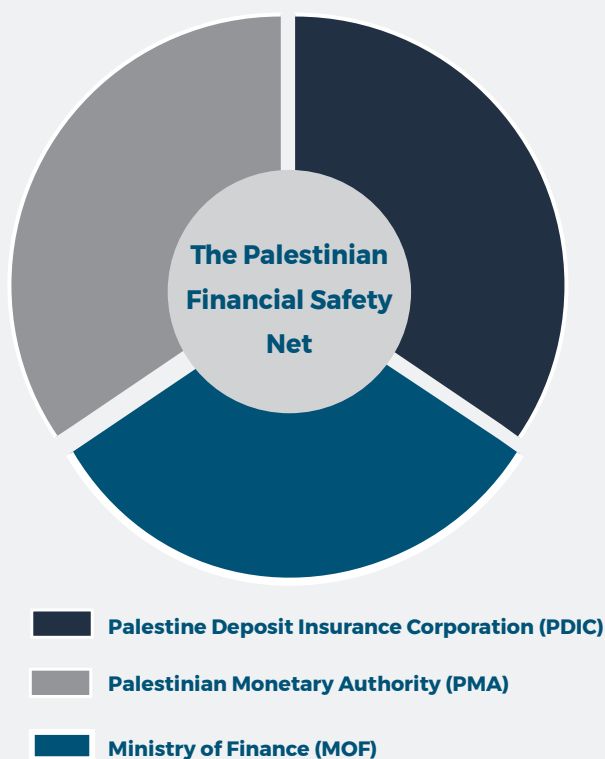
The “Deposit Insurance System” is a mechanism established by governments through laws and regulations, aimed at protecting depositors (particularly small depositors) from losing their deposits in the event of a bank failure, thereby enhancing the financial stability of the banking system as a whole and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



Figure (1): The Palestinian Financial Safety Net



The Palestinian Financial Safety Net

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.

PDIC Executive and Administrative Staff

PDIC had 18 employees at the end of 2024 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**

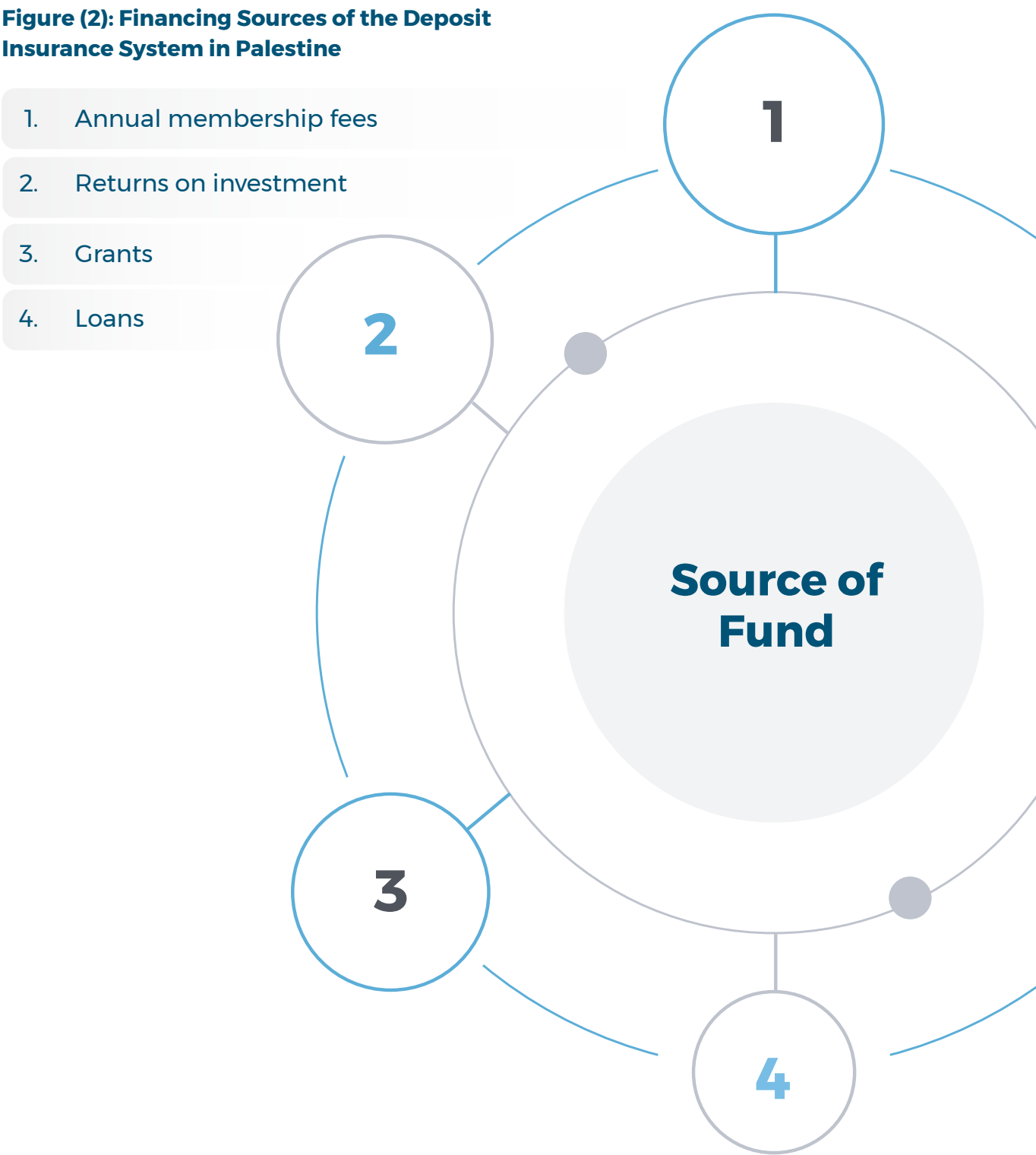
Gaza office implements and enforces PDIC's policies; it is the corporation's representative in Gaza Strip. The office promotes public awareness of the Palestinian deposit insurance system in terms of establishment of PDIC and its goals. In addition, the office holds workshops and represents PDIC in many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



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 filing 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.

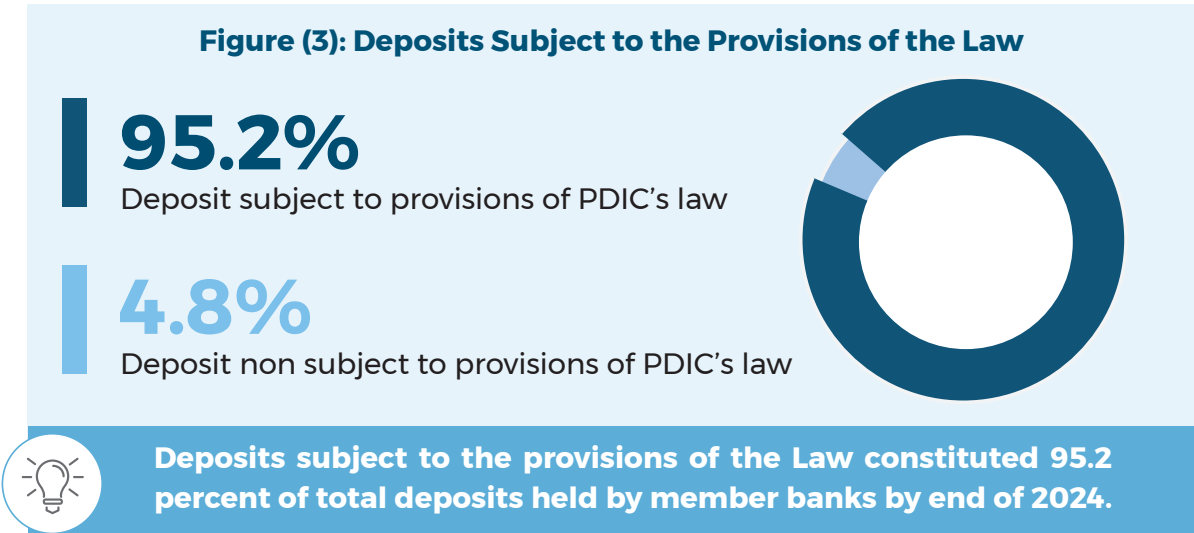
PDIC's **performance** **during 2024**



PDIC’s performance during 2024

a. Deposits subject to the provisions of the Law

Total deposits subject to the provisions of the law amounted to about 17,866.6 million USD at the end of 2024, compared to 16,739.4 million USD at the end of 2023, registering an increase of 6.73%. These deposits belong to about 2,450 thousand depositors with an average value of deposits of 7,294 USD in 2024 compared to 2,428 thousand depositors with an average deposit value of 6,894 USD in 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 20.58 % of total deposits subject to the provisions of the law by the end of 2024, amounting to \$ 3,677.5 million. They belong to 2,295 thousand depositors with an average deposit value of 1,603 USD compared to 3,568 million USD belong to 2,272 thousand depositors with an average deposit value of 1,571 USD by the end of 2023. The percentage of fully insured depositors was 93.69 % of total depositors whose deposits are subject to the provisions of the Law by the end of 2024.

The percentage of fully insured depositors reached 93.69 percent of total depositors whose deposits are subject to the provisions of PDIC’s Law by the end of 2024

Fully insured deposits represented 20.58 percent of total deposits subject to the provisions of PDIC’s Law by the end of 2024.

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 14,194.1 million USD by the end of 2024, compared to 13,171.4 million USD by the end of 2023, constituting 79.45% of total deposits subject to the provisions of the Law by the end of 2024.

These deposits belong to about 155 thousand depositors, constituting 6.32% of total depositors whose deposits are subject to the provisions of Law, with an average deposit value of 91,675 USD by the end of 2024, compared to 156 thousand depositors with an average deposit value of 84,349 USD by the end of 2023.



percentage of partially insured depositors represented 6.32 percent of total depositors whose deposits are subject to the provisions of PDIC’s Law by the end of 2024



Partially insured deposits represented 79.45 percent of total deposits subject to the provisions of PDIC’s Law by the end of 2024

d. Prompt Reimbursement

The concentration of prompt reimbursement amount with the largest bank was 29.99% percent by the end of 2024, 50.41% for the two largest banks and 60.33% for the three largest banks.

e. Membership Fees

Membership fees growth slowed in 2024, increasing by 2.65% to \$31.5 million, compared to the 2.97% rise that brought the total to \$30.7 million by the end of 2023.

Table (1): Main Indicators of deposits and depositors at member banks (2017-2024)

Indicators	17-Dec	18-Dec	19-Dec	20-Dec	21-Dec	22-Dec	23-Dec	24-Dec	Growth rate
Total deposits at member banks (USD million)	11,982.5	12,227.3	13,384.7	15,138.3	16,519.0	16,468.2	17,589.0	18,776.6	6.8%
Total depositors at member banks (in thousand)	1,604	1,636	1,730	1,806	2,180	2,350	2,438	2,460	0.9%
Average deposit value for total depositors at member banks (USD)	7,472	7,474	7,735	8,384	7,577	7,006	7,215	7,632	5.8%
Deposits subject to provisions of the law (USD million)	11,099	11,516	12,726	14,483	15,667	15,683	16,739	17,867	6.7%
Number of depositors whose deposits are subject to the provisions of the law (in thousand)	1,590	1,630	1,724	1,797	2,171	2,342	2,428	2,450	0.9%
Average deposit value for depositors whose deposits are subject to the provisions of the law (USD)	6,980	7,064	7,383	8,060	7,218	6,697	6,894	7,294	5.8%
Deposits subject to the provisions of the law to total deposits at member banks (%)	92.60%	94.20%	95.10%	95.70%	94.80%	95.23%	95.17%	95.15%	0.0%
Prompt reimbursement amount (USD million)	4,412	4,490	4,871	5,459	6,027	6,152	6,691	6,774	1.2%
Fully insured deposits (all deposits that are less than or equal to the coverage limit) (USD million)	2,459	2,592	2,760	3,136	3,280	3,447	3,568	3,678	3.1%
Number of fully insured depositors (in thousand)	1,493	1,535	1,618	1,681	2,033	2,207	2,272	2,295	1.0%
Average deposit value for fully insured depositors (USD)	1,648	1,688	1,706	1,866	1,613	1,562	1,571	1,603	2.0%
Partially insured deposits (all deposits that are in excess of coverage limit) (USD million)	8,640	8,924	9,966	11,347	12,387	12,236	13,171	14,194	7.8%
Number of partially insured depositors (in thousand)	98	95	106	116	137	135	156	155	-0.8%
Average deposit value for partially insured depositors (USD)	88,482	94,020	94,435	97,681	90,183	90,483	84,349	91,675	8.7%
Fully insured deposits to total deposit subject to the provisions of the law (%)	22.2%	22.5%	21.7%	21.7%	20.9%	21.98%	21.32%	20.58%	-3.43%
Partially insured deposits to total deposit subject to the provisions of the law (%)	77.8%	77.5%	78.3%	78.4%	79.1%	78.02%	78.68%	79.45%	1.00%
Number of fully insured depositors to total depositors whose deposits are subject to provisions of the law (%)	93.9%	94.2%	93.9%	93.5%	93.7%	94.23%	93.57%	93.69%	0.12%
Number of partially insured depositors to total depositors, whose deposits are subject to the provisions of the law (%)	6.1%	5.8%	6.1%	6.5%	6.3%	5.8%	6.4%	6.3%	-1.7%
Concentration of prompt reimbursement amount (the largest two banks) (%)	45.58%	44.64%	44.59%	44.12%	43.54%	44.11%	48.62%	50.41%	3.68%
Concentration of prompt reimbursement amount (the largest three banks) (%)	54.02%	54.49%	55.23%	54.73%	54.39%	54.33%	58.99%	60.33%	2.27%

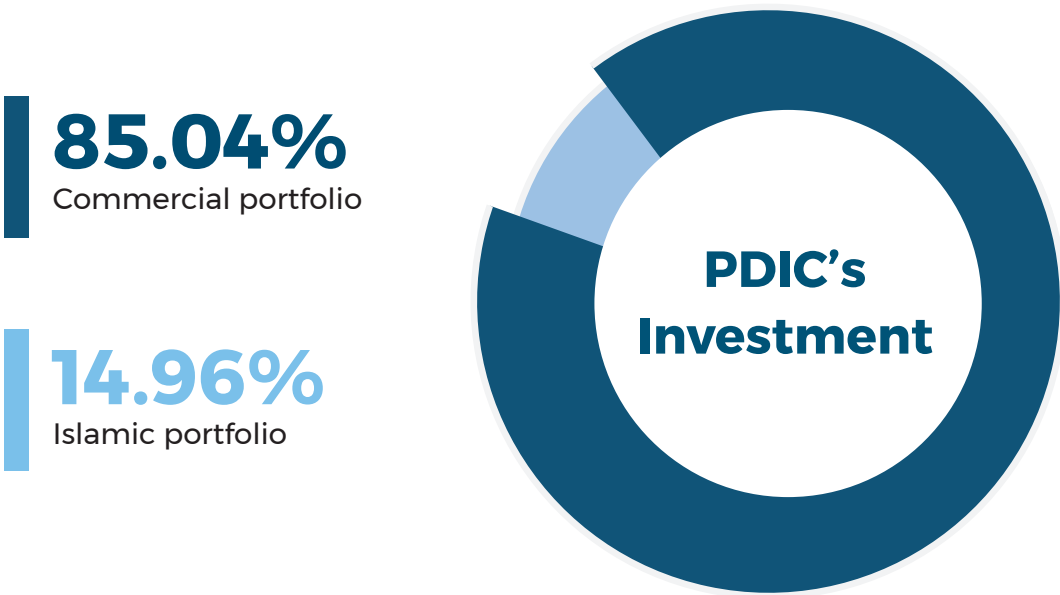
f. PDIC Investment

The net revenues of our investment portfolio displayed remarkable growth by the end of December 2024. Net revenues increased significantly, reaching \$10,713,857, reflecting a strong growth rate of 29.92% compared to the previous year (\$8,246,188.68). This includes;

- Total net revenues of \$8,834,270.39 from the Commercial Bonds Portfolio.
- Total net revenues of \$1,446,079.44 from the Islamic Sukuk Portfolio.
- Total net revenues of \$433,507.42 from Money Market deposits (Includes \$54,166.04 from Islamic deposits and includes \$379,341.38 from commercial deposits).

Additionally, the book value of the investment portfolio rose substantially from \$290,417,512.72 to \$332,143,900.97, marking an increase of 14.37%. As a result, the return on investment (ROI) improved from 2.84% to 3.23%, representing a growth of 13.73%. These figures underline the portfolio’s strong financial performance and the effectiveness of its investment strategies throughout the year.

Figure (4): Investment Portfolio



g. Public awareness about deposit insurance system

A key strategic goal for the Corporation is to enhance public understanding of Palestine's deposit insurance system. To this end, the Corporation is dedicated to creating and executing yearly awareness campaigns informed by research methods and statistical analysis of diverse demographic and geographic data. These studies are crucial for assessing public knowledge of the Corporation's function and significance in safeguarding savings and bolstering financial stability.

This is aligning with Principle (10) of the International Association of Deposit Insurers' Core Principles and Compliance Assessment which estate:

«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».

In 2024, the Corporation amplified its public outreach in Palestine through various initiatives, including workshops for Birzeit University students, also awareness workshops for PMS's Academy, oversight of disclosure practices, and joint educational efforts with member banks for both staff and the public.

The PDIC also launched its new website and a proactive social media awareness campaign that year to further increase public awareness and confidence.

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 2024. 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 an ambitious strategic plan to achieve its mission of boosting public awareness of Palestine's deposit insurance system and actively cultivating stronger relationships with supporting institutions, both locally and internationally, to ensure continuous performance improvement.

Guided by its vision of ongoing development, the Executive Management is dedicated to fulfilling the Corporation's mission: reinforcing the stability and soundness of the Palestinian banking sector, increasing public trust, and safeguarding depositor funds in member banks.

The strategic plan emphasizes technological advancement through the implementation of new systems designed to enhance the Corporation's operations and data/information exchange with banks and the Palestine Monetary Authority, ultimately improving the quality of periodic reports.

Recognizing its human resources as crucial to achieving strategic goals, the Corporation's management places significant importance on their development, implementing a comprehensive training and qualification plan across administrative, technical, financial, and technological domains for all employees.

Building on its numerous past accomplishments, the PDIC is strongly motivated to pursue further development and excellence in the years ahead, a testament to the dedication of its staff and the support of its astute Board of Directors.

The PDIC employs a clear methodology for performance measurement and achievement assessment, periodically defining key performance indicators and conducting thorough reviews through joint committees involving executive management and the Board. This approach aims to ensure objective attainment, address potential challenges, and implement 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 2028, 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 from the middle of the year 2025.

Medium-Term Key Indicators

Table (2): Medium-Term Key Indicators

Item	Actual		Expected			
	2023	2024	2025	2026	2027	2028
Deposit subject to the provisions of PDIC's law (USD million)	16,739.4	17,866.6	19,111.9	20,444.0	21,869.0	23,393.2
Prompt reimbursement amount (USD million)	6,691.1	6,774.1	6,978.7	7,193.9	7,417.1	7,648.7
PDIC's reserves (USD million)	302.02	343.07	402.92	480.03	563.98	655.29
PDIC's reserves to deposits subject to the provisions of the law (%)	1.804%	1.920%	2.108%	2.348%	2.579%	2.801%
PDIC's reserves to Prompt reimbursement amount (%)	4.5%	5.1%	5.8%	6.7%	7.6%	8.6%
PDIC's reserves to targeted reserve (%)	60.1%	64.0%	70.3%	78.3%	86.0%	93.4%
Prompt reimbursement amount to deposits subject to the provisions of the law (%)	40.0%	37.9%	36.5%	35.2%	33.9%	32.7%

Palestinian Banking Sector Indicators for 2024

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 2024 compared to 2023. Following is a summary of the most important improvements in performance indicators¹:

Total Deposits

Total customer deposits in the Palestinian banking sector amounted to 18,776.6 million USD at the end of 2024, compared to 17,598 million USD at the end of 2023, indicating an increase of 1,187.6 million USD or 6.75%. In comparison, deposits increased by 6.81% equivalent to 1,120.8 million USD during 2023.

¹ Preliminary data issued by the Palestine Monetary Authority

Figure (5) : Historical development of deposits in the banking system (2010 - 2024)

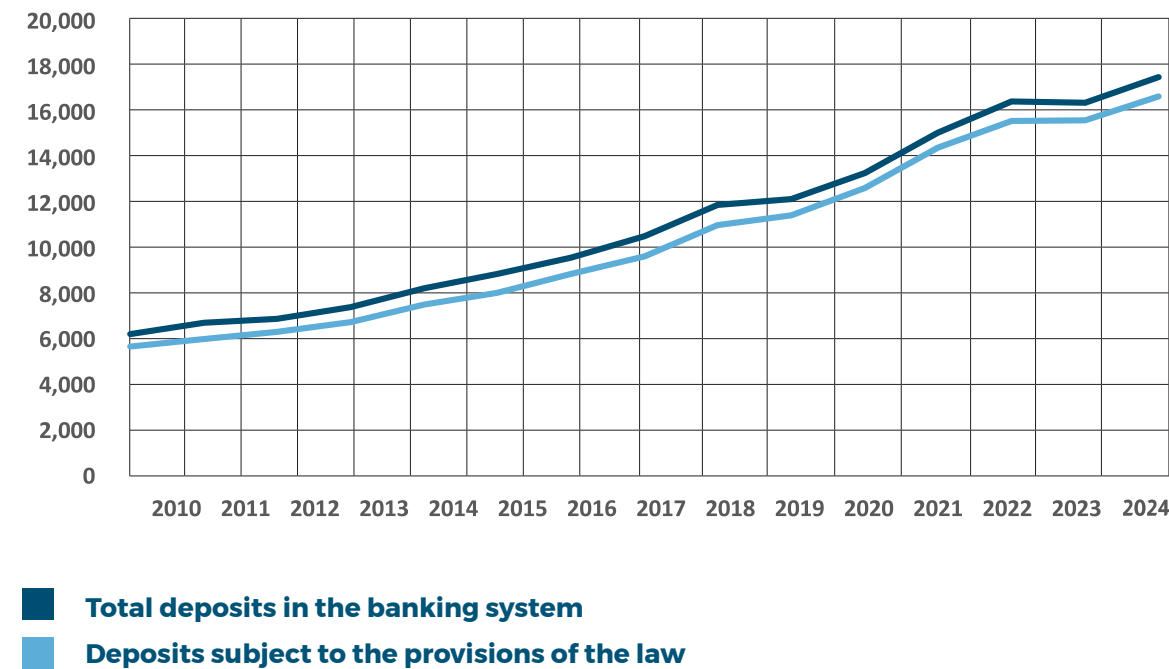
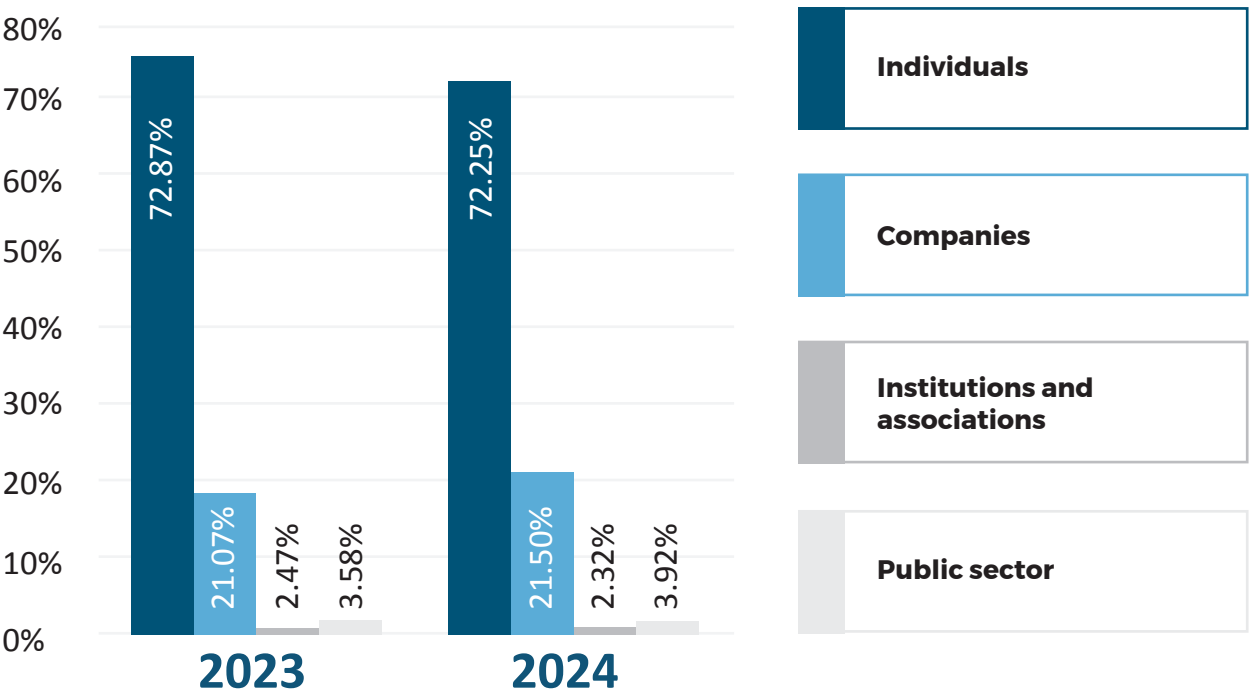


Figure (6): Distribution of Deposits by Sector (2023 - 2024)



In 2024, the share of companies, and the public sector in total deposits increased by 21.50% and 3.92%, respectively. Compared to 21.07% and 3.58% in 2023. On the other hand, the share of individuals and the institutions, associations 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 (2023-2024)

	Individuals	Companies	Institutions and associations	Public sector
2023	12,818.0	3,706.5	434.4	630.1
2024	13,566.2	4,037.8	436.5	736.1
Growth rates	5.8%	8.9%	0.5%	16.8%



Individuals’ deposits represented 72.25 percent of total deposits in the banking system by the end of 2024

Table (4): Distribution of customer deposits by currency and their growth rates (million Dollars) 2023-2024

	NIS deposits	JD deposits	USD deposits	Deposits in other currencies
2023	8,052.9	3,029.2	6,103.4	403.4
2024	8,171.7	3,055.1	7,049.9	499.9
Growth rates	1.5%	0.9%	15.5%	23.9%

Table (5): Development of deposits and depositors in Commercial banks versus Islamic banks (2015-2024)

Year	Deposits (in \$ million)		The number of depositors (in thousands)		Total	
	Commercial banks	Islamic banks	Commercial banks	Islamic banks	Deposits (million \$)	Depositors (in thousands)
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
2024	15,715	3,062	2,021	439	18,777	2,460

By the end of 2024, deposits held by commercial banks accounted for the lion's share of 83.7% of total deposits, compared to 82% at the end of 2023, indicating an increase of 2.1 percent. In contrast, deposits held with Islamic banks accounted for 16.3% of total deposits at the end of 2024 compared to 18% at the end of 2023, reflecting a decrease of 9.6%.

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

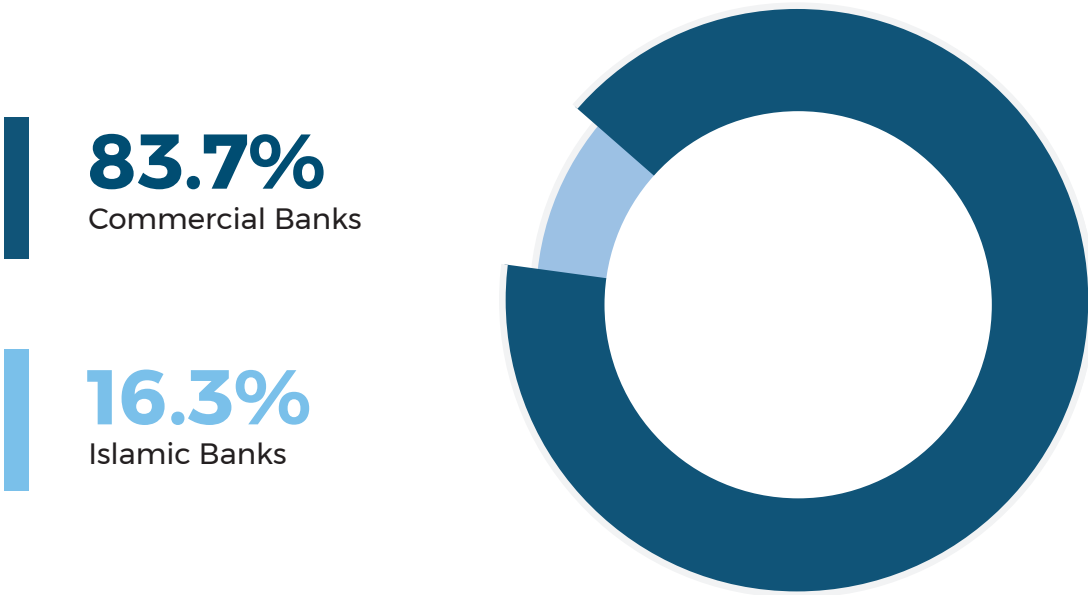
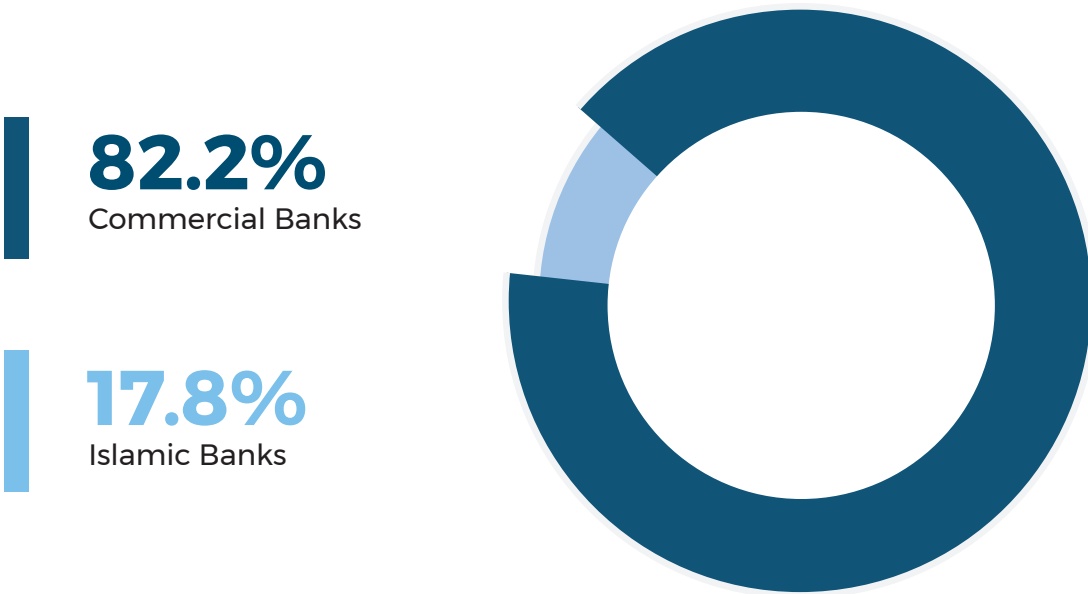


Figure (8): Percentage of Commercial Banks depositors in comparison to Islamic Banks depositors



The percentage of depositors with commercial banks increased by 0.4%, representing 82.2% of the total depositors at the end of 2024, compared to 81.8% at the end of 2023.

Credit Facilities Portfolio

- ☑ Direct (net) credit facilities amounted to about 11,047.4 million USD at the end of 2024 compared to 11,337.8 million USD at the end of 2023, indicating a decrease of 290.4 million USD or 2.56%. These facilities accounted for 47.73% of net assets at the end of 2024, compared to 52.17% at the end of 2023.
- ☑ Off balance sheet items (indirect credit facilities) of the banking system amounted to about 1,757 million USD at the end 2024 compared to 1,798.6 million USD at the end 2023, indicating a decrease of USD 41.5 million or 2.31%. These indirect credit facilities accounted for 7.59% of net assets at the end of 2024 compared to 7.88% at the end of 2023.

Non-performing loans

- ☑ The ratio of non-performing loans to total direct credit facilities increase by 13.04%. The percentage was 5.08% for banks operating in Palestine at the end of 2024, compared to 4.49% at the end of 2023.
- ☑ The coverage ratio of provisions for non-operating facilities was about 148.38% for banks operating in Palestine at the end of 2024, compared to 120% at the end of 2023, an increase of 23.66%.
- ☑ Credit facilities granted to related parties increased to total credit facilities by 26.84%, reaching 4.13% at the end of 2024, compared to 3.25% at the end of 2023.

Key Performance Indicators of the banking sector

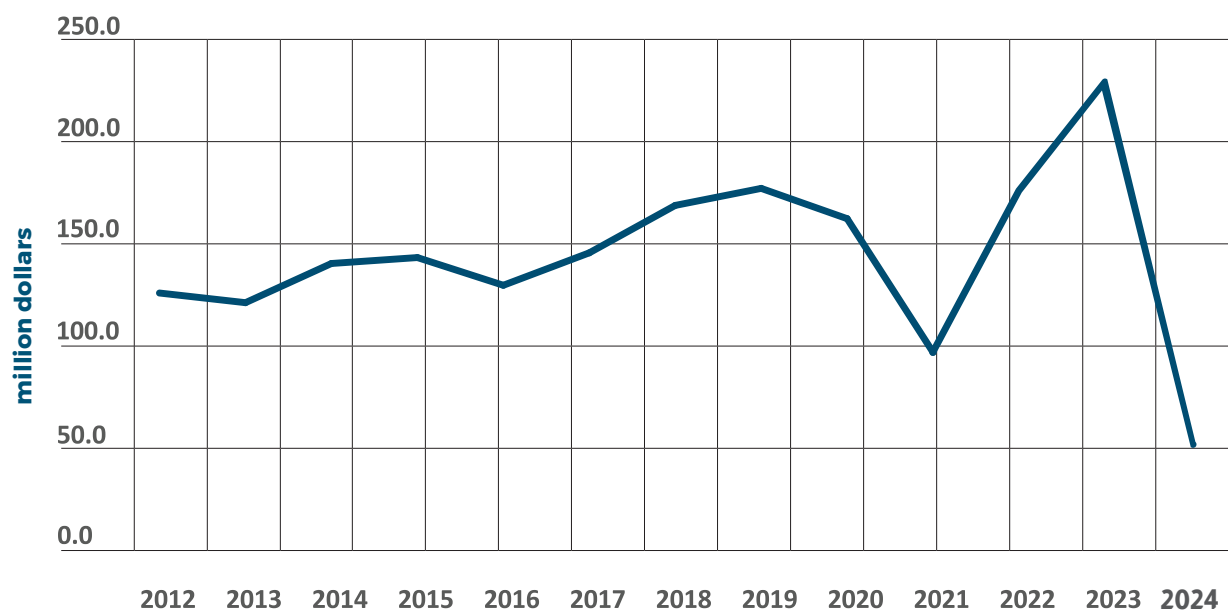
Capital Adequacy Ratio

The capital adequacy ratio for the overall banking system was about 16.61% at the end of 2024 compared to 16.21% at the end of 2023.

Profitability

- ☑ As for the income statement, the net profit after taxes for the banking system at the end of 2024 was 51.9 million USD, compared to 192 million USD at the end of 2023, registering decrease of 140.1 million USD, equivalent to 72.96%.
- ☑ The net profit after taxes to the net assets of the banking system amounted to 0.22% at the end of 2024, compared to 0.88% at the end of 2023.
- ☑ The net profit after taxes to the first tier of the banking system's capital amounted 2.66% at the end of 2024, compared to 10.12 % at the end of 2023.

Figure (9): Net income for banks operating in Palestine (2012-2024)



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 2024:

1. Number of branches and representative offices

The number of branches and representative offices of banks operating in Palestine decreased at the end of 2024 to 384, compared to 385 at the end of 2023.

2. Structure of assets and liabilities

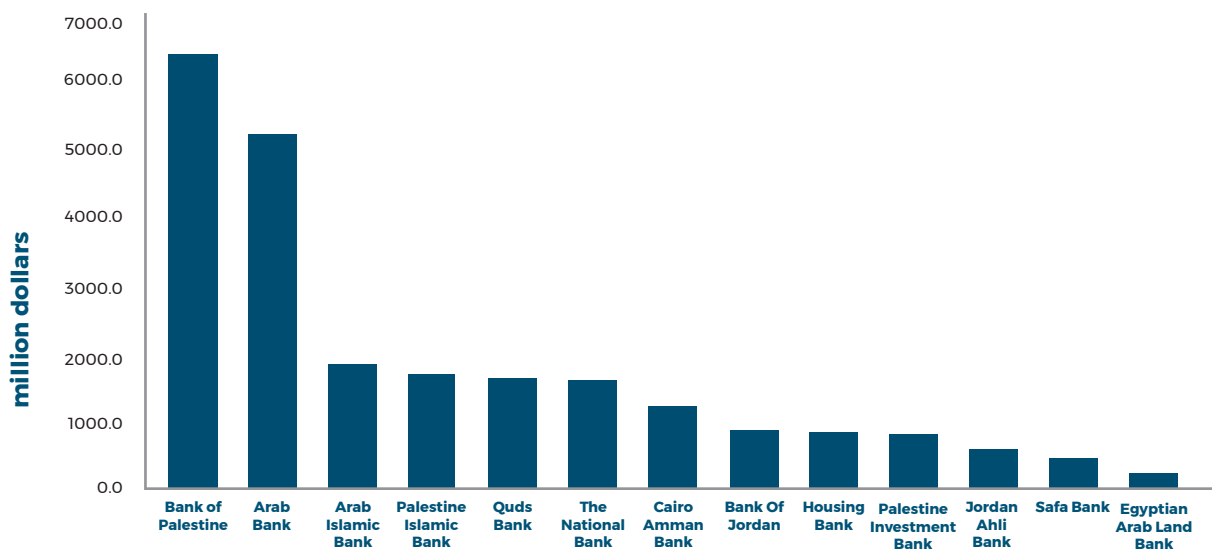
Net assets of banks operating in Palestine amounted to around 23,145.1 million USD at the end of 2024 compared to 21,734.4 million USD by the end of 2023, increasing by 1,410.7 million USD or 6.49% increase, compared to an increase by 1,179.5 million USD or a 5.74% decrease during 2023.

The liabilities for banks operating in Palestine amounted to about 20,833.5 million USD by the end of 2024 compared to 19,509.3 million USD by the end

of 2023, increasing by USD 1,324.2 million, or an increase of 6.78 %, compared to an increase of 1,184 million USD or a 6.46% increase during 2023.

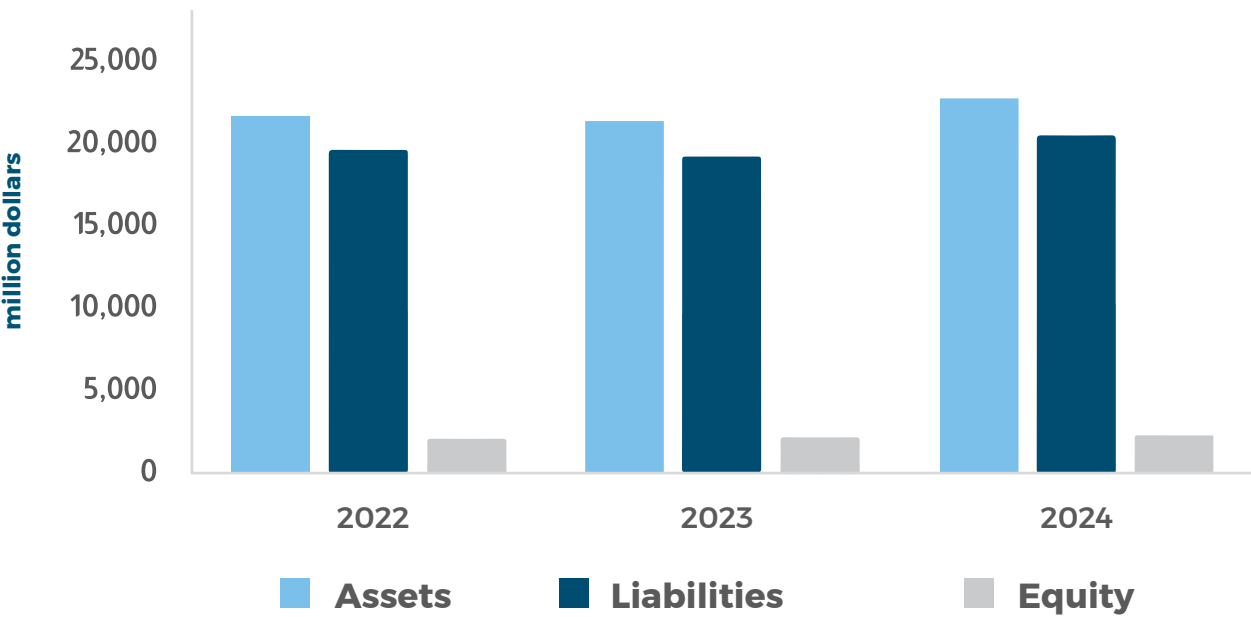
The owners’ equity of banks operating in Palestine amounted to around 2,311.6 million USD by the end of 2024 compared to 2,225.1 million USD by the end of 2023, increasing by 86.5 million USD or 3.89 % increase, compared to decrease of 4.5 million USD or a 0.2% decrease during 2023.

Figure (10): Total Assets of Banks Operating in Palestine, by the end of 2024



Member banks’ investments in financial assets (stocks and bonds inside Palestine and abroad) amounted to about 1,581.6 million USD by the end of 2024 compared to 1,480.7 million USD by the end of 2023, indicating an increase of 100.9 million USD or 6.82%. Investments represented 6.83% of net assets in 2024 compared to 6.81% by the end of 2023.

Figure (11): Change in Total assets, liabilities and Equity of Banks Operating in Palestine (2022 - 2024)



Key Financial Performance Indicators for Member Banks

Table (6): Key Financial Performance Indicators (2022 - 2024)

Ratio	2022	2023	2024
Credit facilities (net) to total assets	51.5%	52.2%	47.7%
Investments in financial assets ‘stocks and bonds inside Palestine and abroad” to total assets	7.21%	6.81%	6.83%
Non-performing facilities to total facilities	4.05%	4.49%	5.08%
Capital adequacy ratio	16.29%	16.21%	16.61%
Return on total assets (after tax)	1.11%	0.88%	0.22%

Table (7): Banks operating in Palestine, by the end of 2024

The member banks			
Operating banks in Palestine by the end of 2024	Year Of Establishment	Number of Branches & offices by the end of 2024	Net assets by the end of 2024 (USD million)
Local Banks			
Bank of Palestine	1960	75	6,801
Arab Islamic Bank	1996	29	1,716
Palestine Islamic Bank	1997	43	1,594
Quds Bank	1995	37	1,547
The National Bank	2006	39	1,408
Palestine Investment Bank	1995	22	817
Safa Bank	2016	9	399
Foreign Banks			
Arab Bank	1994	33	5,122
Cairo Amman Bank	1986	22	1,177
Bank Of Jordan	1994	43	926
Housing Bank	1995	15	838
Jordan Ahli Bank	1995	10	575
Egyptian Arab Land Bank	1994	7	225

Figure (12): Bank Branches and Representative Offices by the End Of 2024

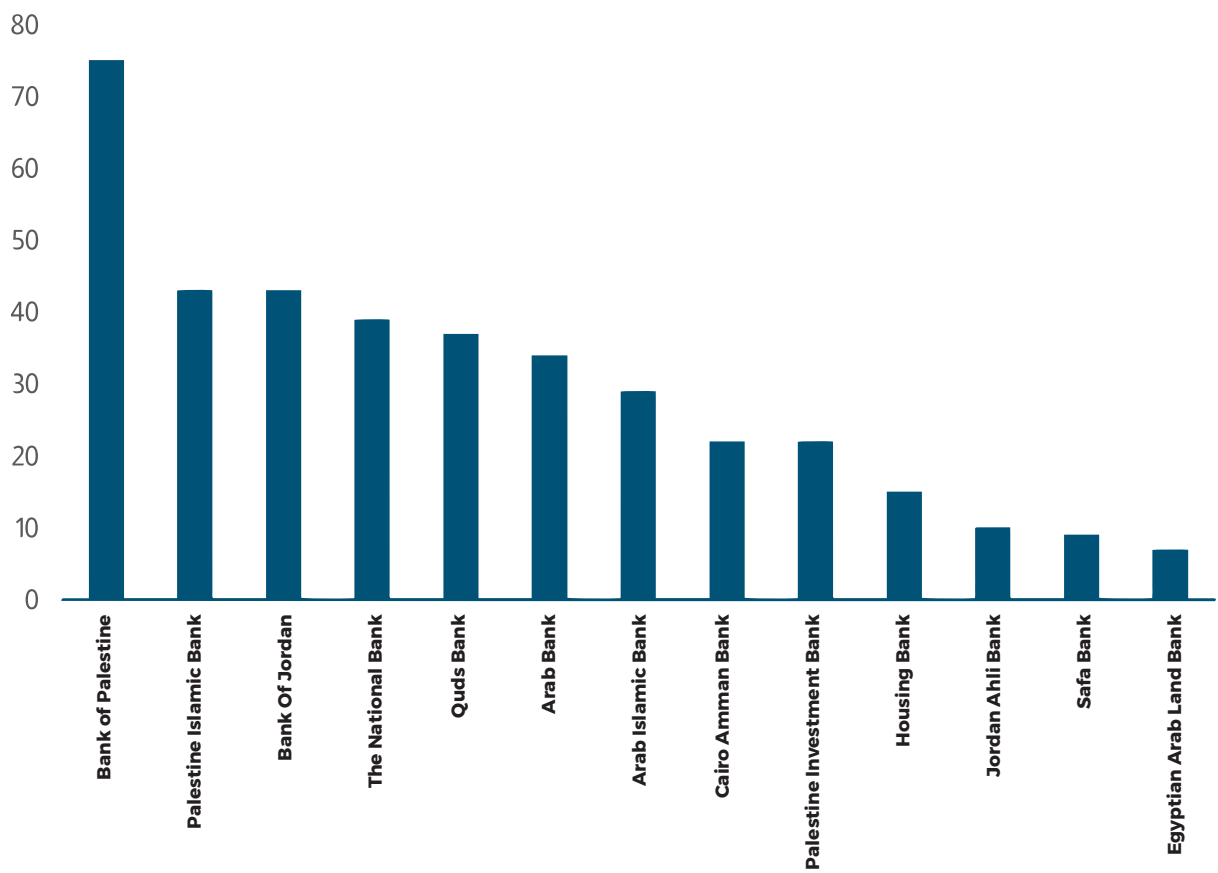


Table (8): Geographical Distribution of Gross Customer Deposits and Gross Direct Facilities by Region (USD Million)

Region	2023		2024	
	Gross Direct Facilities	Gross Customer Deposits	Gross Direct Facilities	Gross Customer Deposits
Ramallah	6,565	6,165	6,855	6,172
AL-Ram	151	685	144	693
AL-Azaria	254	663	248	660
Bethlehem	571	1,259	554	1,199
Beit Jala	54	130	49	135
Beit Sahour	32	47	34	48
Hebron	804	1,681	749	1,651
Jericho	241	221	233	227
Tol Karem	255	785	232	742

Region	2023		2024	
	Gross Direct Facilities	Gross Customer Deposits	Gross Direct Facilities	Gross Customer Deposits
Nablus	1,276	2,087	1,173	2,053
Salfeat	112	263	110	265
Topass	66	130	68	133
Qalqeliya	140	326	125	340
Jenine	455	1,107	426	1,103
West Bank	10,975	15,549	10,998	15,421
Gaza	652	1,320	599	1,840
Khan Younis	82	263	81	491
Rafah	67	130	66	329
Dear AL-balah	56	71	52	184
AL-Nosirat	77	115	75	216
Jabalia	68	123	68	272
Beit Lahiya	8	19	8	25
Gaza Strip	1,009	2,040	949	3,356
Grand Total	11,983	17,589	11,947	18,777

* Data Source: PMA

Palestinian Economic Indicators for 2024

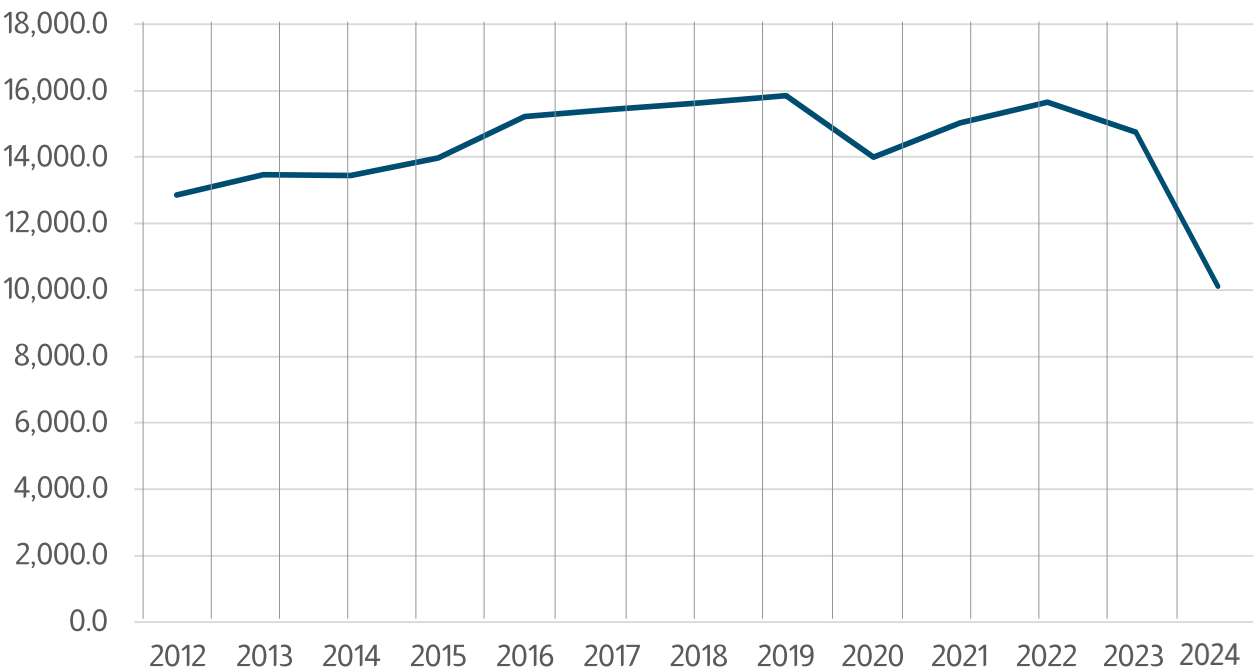
This section of the report will present the most important macroeconomic indicators for the year 2024. These indicators will be used to assess the performance of the Palestinian economy during this year. The indicators include²:

1. Gross Domestic Product (GDP)

The Palestinian GDP suffered a sharp decline by the end of 2024, with its Gross Domestic Product (GDP) contracting by 27% compared to 2023, falling to \$10,959.6 million. This substantial contraction across all economic sectors' contributions to Palestine's value added was a direct consequence of the ongoing war on Gaza during 2024.

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

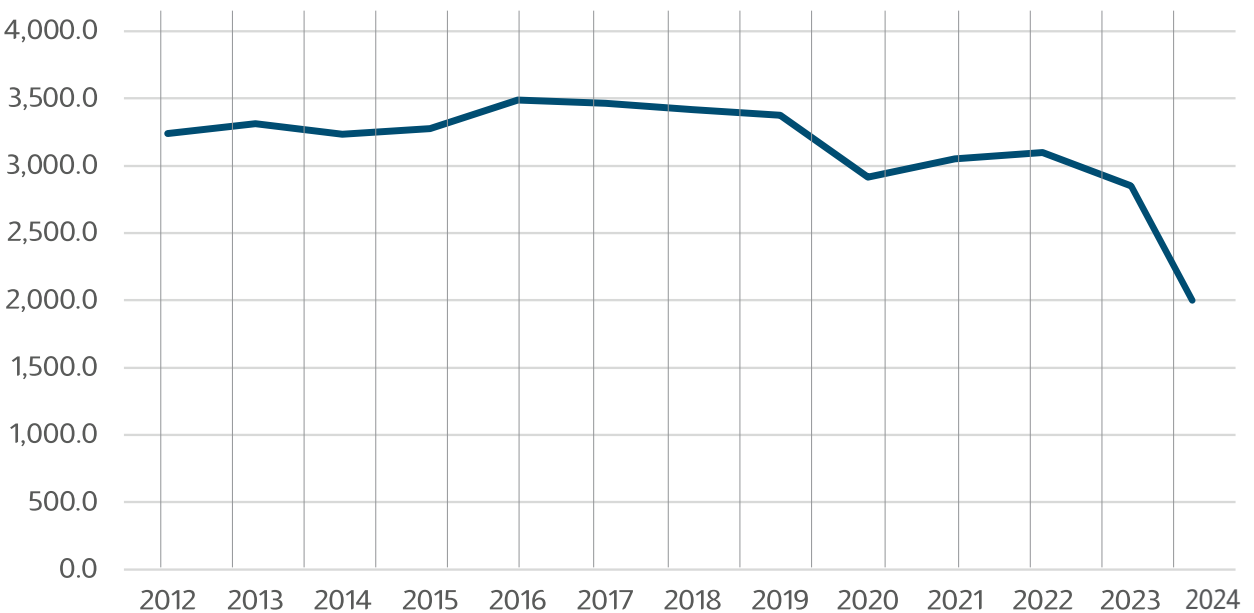
Figure (13): GDP in Palestine (2012 - 2024)



2. GDP Per Capita

In 2024, Palestine GDP per capita fell by 27.8% compared to 2023. This decline translates to a decrease in per capita income to approximately \$2,086.6. This significant decline suggests a considerable imbalance in per capita income, influenced by commercial and economic factors.

Figure (14): GDP per Capita in Palestine (2012 - 2024)

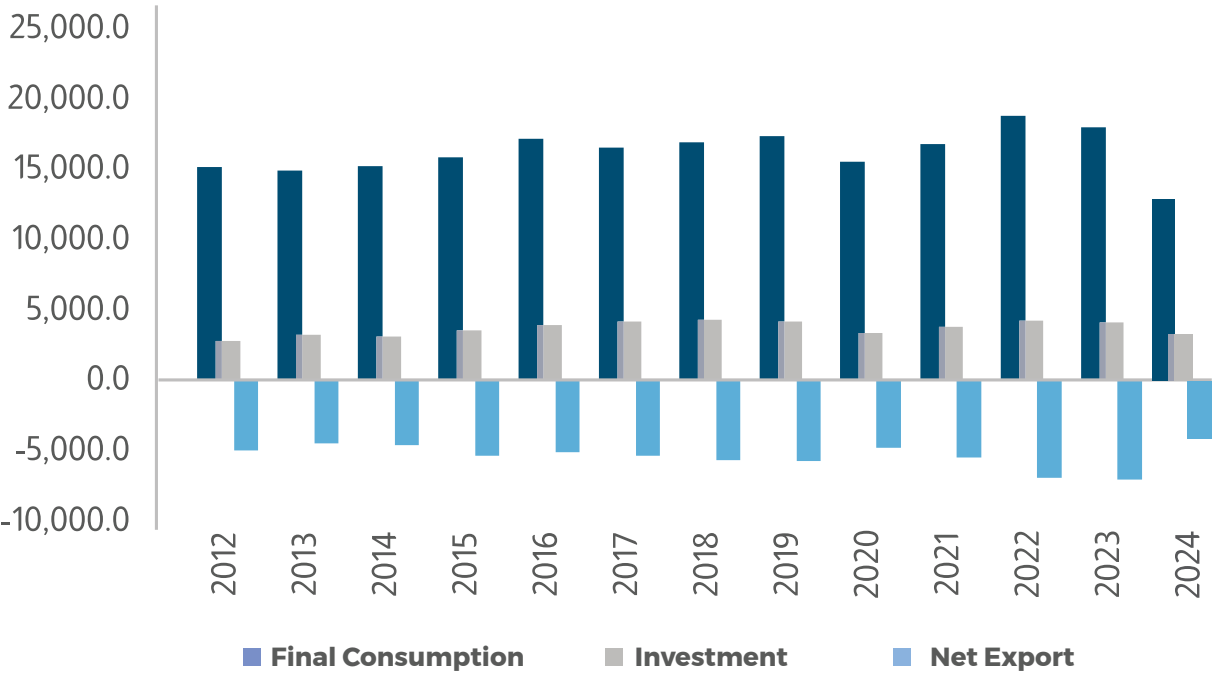


3. Aggregate Demand

In 2024, growth in overall demand slowed across most categories, including spending by consumers (final consumption), investment (investment volume), and net exports. Compared to 2023, final consumption fell by 31% and investment volume dipped by 30%.

However, there was a positive development on the trade front. The value of exports fell by 11.1% year-over-year, though the volume of imports also decreased by 31.1%.

Figure (15): Aggregate Demand in Palestine (2012 - 2024)

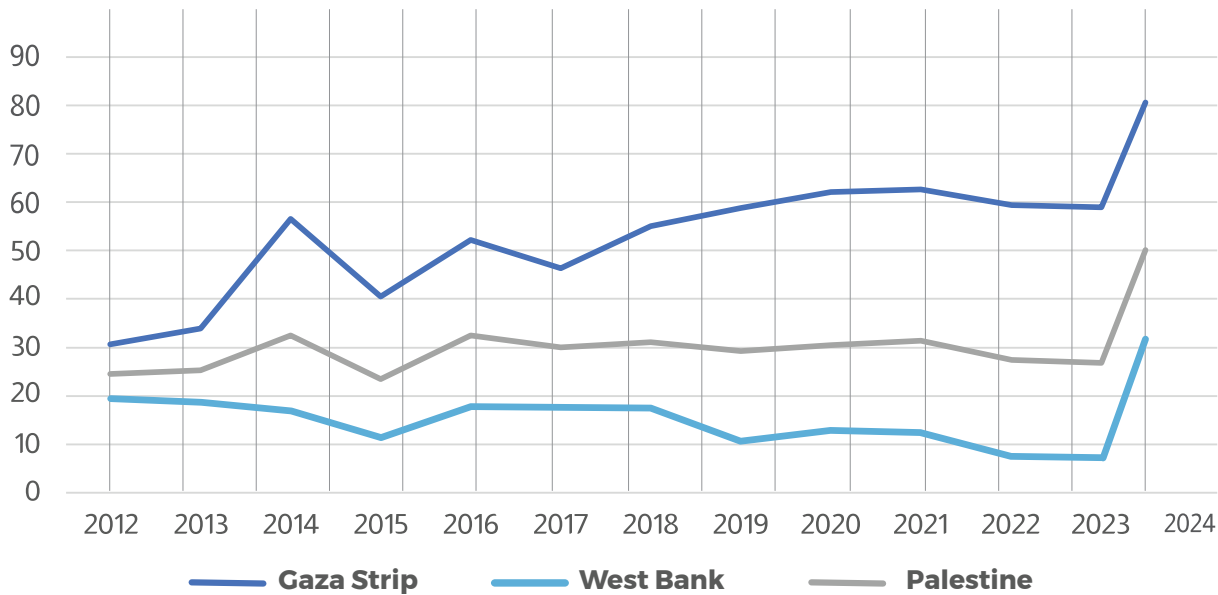


4. Labor Indicators

Palestine suffers from high levels of unemployment rates and a regional gap. During 2024, the unemployment rate in Palestine rose to 51% (35% in the West Bank and 80% in Gaza Strip). While it reached about 31% before the Israeli occupation aggression against Gaza Strip (18% in the West Bank and 53% in Gaza Strip) during 2023. The labour force participation rate in Palestine also declined during 2024 to reach 40% compared to 44% in 2023, while it reached 36% in Gaza Strip after it was 40% during 2023, while the labour force participation rate in the West Bank reached 43% compared to 47% during the same period³.

3 Labor force report, Palestinian Central Bureau of Statistics, 2024

Figure (16): Unemployment Rate in Palestine (2012-2024)

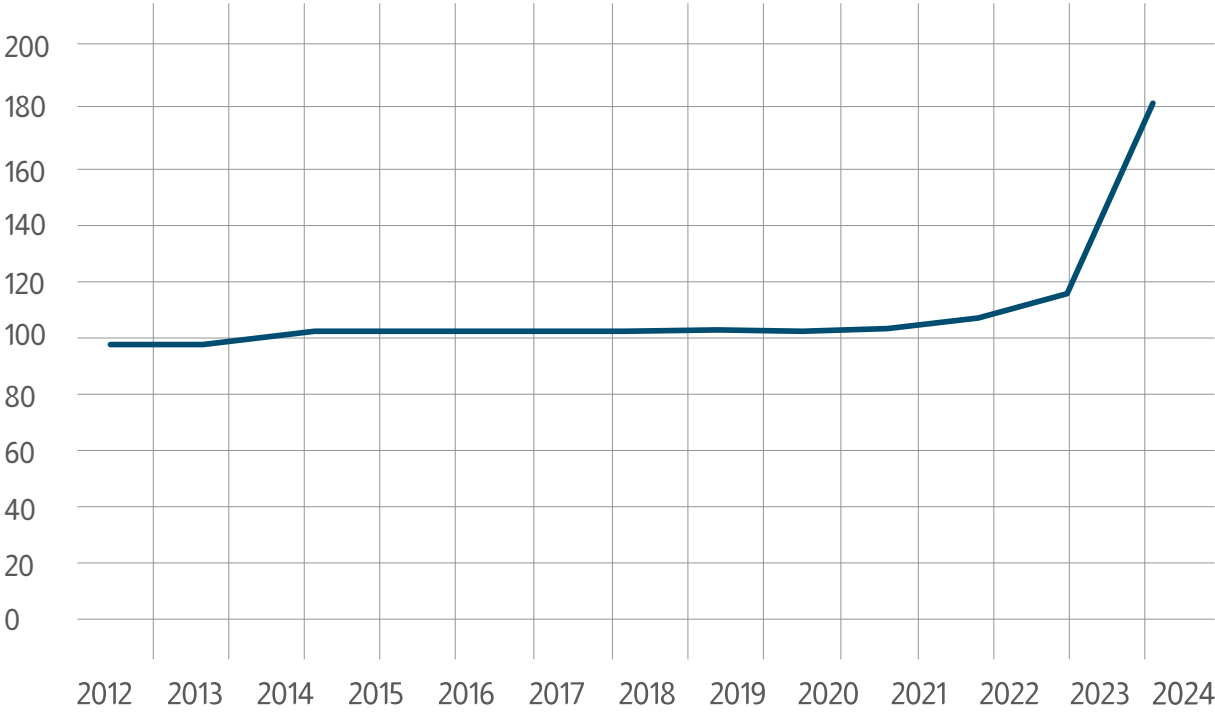


5. Consumer Price Index

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. At the level of prices in Palestine, the severe shortage of commodities entering the Gaza Strip, resulting from the ongoing Israeli occupation of the area, along with its subsequent repercussions on the West Bank and the regional situation's impact on the Gaza Strip, has led to a sharp increase in price levels in the Gaza Strip by more than 227%. Additionally, the consumer price index in the West Bank rose by 3%. This, in turn, caused a decline in the purchasing power of Palestinian consumers by 33% in 2024, with a 70% drop in Gaza Strip and a 3% decline in the West Bank.⁴

⁴ Palestinian Central Bureau of Statistics, Consumer Price Index, 2024.

Figure (17): Annual Consumer Price Index Number (2012 - 2024)
Base Year (2018 = 100)





Financial Statements

**Palestine Deposit Insurance Corporation
Ramallah - Palestine**

**Financial Sttements and Independent Auditor's Report
For the Year Ended December 31, 2024**

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Financial Statements and Independent Auditor's Report
For the Year Ended December 31, 2024**

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Table of Contents	Page(s)
Independent Auditor’s Report	1-3
Statement of Financial Position	4
Statement of Income and Comprehensive Income	5
Statement of Changes in Palestine Deposit Insurance Corporation’s Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-31

Independent Auditor's Report

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

Opinion

We have audited the financial statements of **Palestine Deposit Insurance Corporation** "the Corporation", which comprise statement of financial position as at December 31, 2024, 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, 2024 its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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.

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.

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.



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)

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke.

Deloitte & Touche (M.E.)
Ramallah – Palestine
May 27, 2025

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Statement of Financial Position
As at December 31, 2024**

	Note	2024 USD	2023 USD
Assets			
Cash on Hand and Balances at Banks and PMA	5	24,340,660	1,221,464
Membership Fees Receivable	6	6,966,387	7,905,746
Financial Assets at Amortized Cost – Net	7	307,864,508	289,805,273
Property and Equipment – Net	8	451,516	35,800
Investment Property	9	1,113,272	1,113,272
Intangible Assets	10	57,431	78,635
Other Assets	11	2,611,523	2,215,204
Total Assets		343,405,297	302,375,394
Liabilities and Palestine Deposit Insurance Corporation's Equity			
Liabilities			
End of Service Provision	12	256,326	245,027
Other Liabilities	13	85,735	107,862
Total Liabilities		342,061	352,889
Palestine Deposit Insurance Corporation's Equity			
Paid in Capital	1	14,184,814	14,184,814
Islamic Banks' Reserve	14	51,591,233	44,498,842
Commercial Banks' Reserve	14	277,287,189	243,338,849
Total Palestine Deposit Insurance Corporation's Equity		343,063,236	302,022,505
Total Liabilities and Palestine Deposit Insurance Corporation's Equity		343,405,297	302,375,394

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, 2024

	Note	2024 USD	2023 USD
Revenues			
Membership Fees Revenues	15	31,499,588	30,687,391
Profits and Interest on Deposits and Bonds – Net	16	10,713,857	8,246,189
Transferred from Deferred Revenues	13	22,670	55,876
Other Revenues		-	1,700
Total Revenues		42,236,115	38,991,156
Expenses			
Employees' Expenses	17	(726,524)	(682,010)
General and Administrative Expenses	18	(215,617)	(275,756)
Depreciation and Amortization	8,10	(68,057)	(79,179)
Provision for Expected Credit Loss	5,7	(27,126)	(213,826)
(Losses) \ Gains from Currency Exchange		(158,060)	25,858
Total Expenses		(1,195,384)	(1,224,913)
Excess for the Year		41,040,731	37,766,243
Other Comprehensive Income Items		-	-
Total Other Comprehensive Income		41,040,731	37,766,243

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, 2024

	Paid in Capital USD	Islamic Banks’ Reserve USD	Commercial Banks’ Reserve USD	Retained Earnings USD	Total USD
Balance as at December 31, 2023	14,184,814	44,498,842	243,338,849	-	302,022,505
Total Comprehensive Income for the Year	-	-	-	41,040,731	41,040,731
Transferred to Reserves (Note 14)	-	7,092,391	33,948,340	(41,040,731)	-
Balance as at December 31, 2024	14,184,814	51,591,233	277,287,189	-	343,063,236
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

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, 2024**

	2024 USD	2023 USD
Operating Activities		
Excess for the Year	41,040,731	37,766,243
Adjustments:		
Depreciation and Amortization	68,057	79,179
Provision for Expected Credit Loss	27,126	213,826
Provision for End of Service	46,995	41,746
Transferred from Deferred Revenues	(22,670)	(55,876)
Profits and Interest on Deposits and Bonds – Net	(10,713,857)	(8,246,189)
Cash Flows Generated from Operating Activities before Changes in Operating Assets and Liabilities	30,446,382	29,798,929
(Increase) / Decrease in Deposits at Banks Mature After 3 Months	(24,040,000)	4,318,461
Decrease / (Increase) in Membership Fees Receivable	939,359	(365,840)
Decrease in Other Assets	26,169	28,702
Increase in Other Liabilities	543	20,214
Cash Flows Generated from Operating Activities	7,372,453	33,800,466
End of Service Payments	(35,696)	(32,851)
Net Cash Flows Generated from Operating Activities	7,336,757	33,767,615
Investing Activities		
Net Changes in Property and Equipment	(452,109)	(3,809)
Net Changes in Intangible assets	(10,460)	(76,381)
Changes in Financial Assets at Amortized Cost	(17,686,388)	(40,982,349)
Received Profits and Interest on Deposits and Bonds	10,291,369	7,877,886
Net Cash Flows (Used in) Investing Activities	(7,857,588)	(33,184,653)
Net (Decrease) / Increase in Cash and Cash Equivalents	(520,831)	582,962
Cash and Cash Equivalent at the Beginning of the Year	1,221,464	638,502
Cash and Cash Equivalent at the End of the Year (Note 19)	700,633	1,221,464

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, 2024**

1- General

Palestine Deposit Insurance Corporation 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 million 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, 2024 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, 2024**

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 (18) employees as at December 31, 2024 and December 31, 2023, respectively.

The financial statements of the Corporation as at December 31, 2024 have been approved by the Corporation's Board of Directors in meeting No. 3/2025 on May 11, 2025.

2- Adoption of New and Revised Standards

A) New and amended IFRS Standards that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2024, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS (7) Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements.
- Amendments to IAS (1) Classification of Liabilities as Current or Non-current.
- Amendments to IAS (1) Presentation of Financial Statements— Non-current Liabilities with Covenants.
- Amendments to IFRS (16) Leases—Lease Liability in a Sale and Leaseback.

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2024

2- Adoption of New and Revised Standards (continued)

B) New IFRS Accounting Standards in issue but not yet effective

The Corporation has not applied the new and revised IFRS Accounting Standards that have been issued but are not yet effective, management is in the process of assessing the impact of the new requirements.

The new and revised (IFRS) for financial reporting preparation	Effective for annual periods beginning on or after.
Amendments to IAS 21 Lack of Exchangeability	January 1st, 2025
IFRS 18 Presentation and Disclosures in Financial Statements	January 1st, 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	January 1st, 2027

The management anticipates adopting these new standards, interpretations, and amendments in the Corporation's financial statements during the initial application period. Furthermore, they expect that adopting these new standards, interpretations, and amendments will not have significant impact on the Corporation's financial statements during the initial application period.

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

3- Material Accounting Policy Information

Statement of Compliance

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

Basis of Preparation

The 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 statement of income and comprehensive income.

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 assets 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.

Following are the details of these conditions:

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.

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

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 write-down 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, 2024**

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.

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)
Furniture and Fixture	5
Motor Vehicles	5
Office Equipment	2-5
Leasehold Improvements	10

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.

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

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

Investment 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 disposed 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 and the Corporation's Human Resources Management System.

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

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.

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

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 2023.

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 statement of income and comprehensive income 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 Palestinian Labor Law and the Corporation's Human Resources Management System.

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. Policies and estimates used by the Corporation's management are detailed in the notes to the accompanying financial statements.

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2024

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 disposed before maturity to understand why they were disposed 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

	2024 USD	2023 USD
Cash on hand	236	311
Current Accounts	694,315	1,221,115
Commercial deposits maturing after three months	19,820,000	-
Islamic deposits maturing after three months	4,220,000	-
Current Accounts at PMA	6,082	38
	<u>24,740,633</u>	<u>1,221,464</u>
Provision for expected credit loss	<u>(399,973)</u>	<u>-</u>
	<u>24,340,660</u>	<u>1,221,464</u>

The movement on the provision for expected credit loss for balances at banks during the years ended December 31, 2024 and 2023 as follows:

	2024				2023
	Stage (1) USD	Stage (2) USD	Stage (3) USD	Total USD	Total USD
Balance at the beginning of the year	-	-	-	-	64,333
Movement during the year	<u>399,973</u>	<u>-</u>	<u>-</u>	<u>399,973</u>	<u>(64,333)</u>
Balance at the end of the year	<u>399,973</u>	<u>-</u>	<u>-</u>	<u>399,973</u>	<u>-</u>

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2024

6- Membership Fees Receivable

This item represents the unreceived subscription fees from members. The membership fees receivable as at December 31, 2024 and December 31, 2023 were USD 6,966,387 and USD 7,905,746, respectively.

7- Financial Assets at Amortized Cost – Net

	2024 USD	2023 USD
Quoted bonds and Islamic sukuk in foreign markets*	300,603,884	282,917,496
Unquoted bonds in foreign markets**	7,500,000	7,500,000
	308,103,884	290,417,496
Provision for expected credit loss	(239,376)	(612,223)
	307,864,508	289,805,273

*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 0.63% to 7.5%.

** This item represents the Corporation's investment in bonds issued by local companies that mature within two years. Interest rates on the bonds range between 5% to 7.81%.

The movement in the provision for expected credit loss for financial assets at amortized cost during the years ended December 31, 2024 and 2023 represents the following:

	Stage (1) USD	Stage (2) USD	Stage (3) USD	Total USD	2023 Total USD
Balance at the beginning of the year	249,175	363,048	-	612,223	334,064
Transferred to stage (1)	363,048	(363,048)	-	-	-
Transferred to stage (2)	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-
Net movement during the year	(372,847)	-	-	(372,847)	278,159
Balance at the end of the year	239,376	-	-	239,376	612,223

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2024

8- Property and Equipment – Net

2024	Furniture and Fixture USD	Motor Vehicles USD	Office Equipment USD	Leasehold Improvements USD	Total USD
Cost					
Balance at beginning of the year	12,339	38,249	249,554	2,500	302,642
Additions	53,362	-	23,177	375,570	452,109
Disposals	(151)	-	(2,840)	-	(2,991)
Balance at end of the year	65,550	38,249	269,891	378,070	751,760
Accumulated Depreciation					
Balance at beginning of the year	11,884	38,249	216,709	-	266,842
Depreciation	2,896	-	30,282	3,215	36,393
Disposals	(151)	-	(2,840)	-	(2,991)
Balance at end of the year	14,629	38,249	244,151	3,215	300,244
Net book value	50,921	-	25,740	374,855	451,516

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

8- Property and Equipment – Net (Continued)

2023 Cost	Furniture and Fixture USD	Motor Vehicles USD	Office Equipment USD	Leasehold Improvements USD	Total USD
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	455	-	32,845	2,500	35,800

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

9- Investment Property

The Palestinian Cabinet decided in its meeting held on March 1, 2021, issued decision No. "2/98/18/1.م.و.م" to transfer the headquarter of the Corporation 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, 2024 and December 31, 2023 is USD 1,113,272. Management did not adjust the land revaluation results as there was no material difference with the average fair value of the land amounting to USD 1,276,625 as at December 31, 2024.

10- Intangible Assets

	2024 USD	2023 USD
Balance at beginning of the year	78,635	15,448
Additions	10,460	76,381
Amortization	(31,664)	(13,194)
Balance at end of the year	57,431	78,635

11- Other Assets

	2024 USD	2023 USD
Accrued interest on bond	2,479,065	2,110,902
Interest paid to bondholders	47,939	86,301
Accrued interest on deposits	54,325	-
Prepaid expenses	28,392	9,547
Others	1,802	8,454
	2,611,523	2,215,204

12- End of Service Provision

	2024 USD	2023 USD
Balance at beginning of the year	245,027	236,132
Additions during the year	46,995	41,746
Payments during the year	(35,696)	(32,851)
Balance at end of the year	256,326	245,027

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

13- Other Liabilities

	2024 USD	2023 USD
Deferred revenues*	2,182	24,852
Employees' vacation Provision	45,613	40,433
Due to suppliers and accrued expenses	37,940	42,577
	85,735	107,862

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

	2024 USD	2023 USD
Balance at beginning of the year	24,852	80,728
Transferred to revenue	(22,670)	(55,876)
Balance at end of the year	2,182	24,852

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 in the coming periods.

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

15- Membership Fees Revenues (Continued)

The details of membership fees revenues represent the following:

	2024 USD	2023 USD
Commercial banks subscription fees	26,056,035	24,964,579
Islamic banks subscription fees	5,443,553	5,722,812
	31,499,588	30,687,391

16- Profits and Interest on Deposits and Bonds – Net

	2024 USD	2023 USD
Interest from commercial financial assets at amortized cost	7,943,841	7,118,197
Return from Islamic financial assets at amortized cost	1,420,597	1,202,190
Interest from deposits at PMA	63,737	35,751
Interest from deposits at commercial banks	315,604	32,043
Revenues from deposits at Islamic banks	54,165	1,417
Amortization of bonds premium or discount – net	1,143,775	234,969
Brokerage firms' commissions	(227,862)	(221,467)
Repurchased bonds losses at specified percentages of the nominal amount by the issuing entity	-	(156,911)
	10,713,857	8,246,189

17- Employees' Expenses

	2024 USD	2023 USD
Salaries and wages	487,405	476,607
Employee bonuses	21,873	-
PDIC's contribution in provident fund	51,052	52,516
Employees' transportation	32,582	33,320
Provision of employees' end of service	46,995	41,746
Training, conferences, and meetings	38,731	26,885
Health insurance expenses	22,801	24,458
Telecommunication	7,146	8,764
Fuel	3,881	3,902
Accrued vacation	8,942	9,210
Others	5,116	4,602
	726,524	682,010

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2024

18- General and Administrative Expenses

	2024	2023
	USD	USD
Professional and legal fees	24,592	59,825
Fees and subscriptions	53,471	52,885
Bonuses for the board of directors and board committees	41,500	39,800
Advertising and marketing	6,376	38,348
Utilities	11,600	18,954
Telephone, internet and, mail	16,277	13,367
Cleaning and security	10,407	12,106
Office supplies	12,458	6,517
Commission and interest expenses	2,268	3,548
Maintenance	21,743	17,174
Hospitality	2,920	3,292
Annual reports and work plans	-	4,150
Vehicle maintenance, insurance, and licensing expenses	854	1,161
Fuel expenses	2,114	2,208
Stationery and printings	3,661	1,066
Others	5,376	1,355
	215,617	275,756

19- Cash and Cash Equivalent

	2024	2023
	USD	USD
Cash on hand and balances at banks	24,734,551	1,221,426
Balances at Palestine Monetary Authority	6,082	38
Less: Deposits at banks maturing after three months	(24,040,000)	-
	700,633	1,221,464

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

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:

		2024 USD	2023 USD
Current Accounts at PMA	Nature of Relation Board of Directors	6,082	38

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

		2024 USD	2023 USD
Hosting fees at PMA's Building	Nature of Relation Board of Directors	22,539	27,912
Board of Directors' bonuses and benefits	Board of Directors	41,500	39,800
Key management salaries and related benefits:			
Short term benefits		135,514	123,369
End of service		7,398	7,261

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

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:

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	USD	USD	USD	USD
Financial Assets				
Cash on Hand and Balances at Banks and PMA	24,340,660	24,340,660	1,221,464	1,221,464
Membership Fees Receivable	6,966,387	6,966,387	7,905,746	7,905,746
Financial Assets at Amortized Cost - Net	307,864,508	300,349,883	289,805,273	282,082,172
Other Assets	2,581,329	2,581,329	2,197,203	2,197,203
	<u>341,752,884</u>	<u>334,238,259</u>	<u>301,129,686</u>	<u>293,406,585</u>
Financial Liabilities				
Other Liabilities	37,936	37,936	42,577	42,577
	<u>37,936</u>	<u>37,936</u>	<u>42,577</u>	<u>42,577</u>

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

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, 2024 is EUR 950,000 (equivalent to USD 988,760) and EUR 834,032 (equivalent to USD 920,521) as at December 31, 2023.

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.

**Palestine Deposit Insurance Corporation
Ramallah – Palestine**

**Notes to the Financial Statements
For the Year Ended December 31, 2024**

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

During the last quarter of 2023, the war in the Gaza Strip led to the destruction of many economic facilities in the sector, in addition to the impact on many economic and commercial sectors in the West Bank due to repeated restrictions and closures, which increased the uncertainty and potential risks for the Corporation's operations in Palestine. Despite the decrease in the intensity of this war at the beginning of 2025, it is still too early to predict the full impact of this war on the financial situation in the future. The management continues to closely monitor the situation and effectively manage the potential impacts according to best practices and regulatory requirements.