المؤسسة الفلسطينية لضمان الودائع

PALESTINE DEPOSIT INSURANCE CORPORATION

Annual Report

2025

المؤسسة الفلسطينية لضمان الودائع
PALESTINE DEPOSIT INSURANCE CORPORATION

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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 108 members, and 11 associates.

Core Principles for Effective Deposit Insurance Systems

A set of 18 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

A leading deposit insurance institution that bolsters public confidence in the Palestinian banking sector and contributes to its stability.

Mission

To provide protection for depositors' funds within the Palestinian banking system up to the specified coverage limit, to enhance public awareness of the deposit insurance system, and to effectively fulfill its role within the Palestinian Financial Safety Net.

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.

Mandate

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

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

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

Chairman's Speech

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

It is my pleasure, on my own behalf and on behalf of the esteemed members of the Board of Directors of the Palestine Deposit Insurance Corporation, to present to you the Corporation's Twelfth Annual Report for the year 2025. During this year, we continued our journey with steady steps and a clear vision toward strengthening the stability of the banking system and safeguarding depositors' rights, despite the exceptional economic and political challenges surrounding us.

Throughout the past year, the Board of Directors placed strong emphasis on reinforcing the pillars of institutional governance and enhancing the Corporation's operational and regulatory frameworks in line with international best practices, based on our firm belief that a strong financial safety net constitutes the cornerstone for sustaining confidence in the Palestinian banking sector.

In this context, the Board closely monitored the implementation of the Corporation's strategic plans, with particular focus on strengthening operational readiness and advancing risk management policies to ensure a flexible and effective response to the rapidly evolving regional and global financial landscape.

The Palestinian banking sector demonstrated positive performance indicators by the end of 2025. Total customer deposits reached approximately USD 21,862.3 million at year-end 2025, compared to USD 18,776.6 million at the end of 2024, reflecting an increase of USD 3,085.6 million and a growth rate of 16.43%. Total assets of banks operating in Palestine amounted to approximately USD 26,580.8 million at the end of 2025, compared to USD 23,145.1 million at the end of 2024, representing an increase of USD 3,435.7 million and a growth rate of 14.84%.

In addition, total equity of banks operating in Palestine increased to approximately USD 2,385 million at the end of 2025, compared to USD 2,311.6 million at the end of 2024, reflecting an increase of USD 73.3 million and a growth rate of 3.17%. Total credit facilities reached USD 12,587.6 million by the end of 2025, compared to USD 11,947.1 million at the end of 2024, recording an increase of USD 640.5 million and a growth rate of 5.36%.

Furthermore, the net income of banks operating in Palestine increased by USD 80.9 million, or 155.8%, compared to its level in 2024, reaching USD 132.8 million by the end of 2025. Provisions constituted by licensed banks also increased by USD 236.6 million, or 26.3%, compared to their level in 2024, reaching USD 1,136.3 million by the end of 2025. Moreover, the coverage ratio of provisions to non-performing facilities in the banking sector rose to 149.4% at the end of 2025, compared to 148.4% recorded at the end of 2024.

It is also worth highlighting that banks continued to maintain capital adequacy ratios above the minimum requirements set by the Palestine Monetary Authority and international standards, reaching 17.03% by the end of 2025.

The Palestine Deposit Insurance Corporation also continued to strengthen its active presence at both the local and international levels through its pivotal participation in a series of specialized meetings and conferences. These engagements provided a strategic platform for exchanging expertise and exploring the latest international practices in the field of deposit protection.

In conclusion, I extend my sincere appreciation and gratitude to the members of the Board of Directors for their continued support and wise guidance, and to the executive management and all employees of the Corporation for their dedicated efforts and unwavering commitment throughout the year. We also reaffirm the Corporation's ongoing commitment to fulfilling its national and professional mandate in protecting depositors' rights, strengthening banking stability, and supporting the resilience of the Palestinian national economy.

Chairman

General Manager's Speech

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

It is my honor to present to you the 12th Annual Report of the Palestine Deposit Insurance Corporation, which highlights the Corporation's achievements and key accomplishments during 2025 — a year that reflected sustained efforts and continuous institutional work aimed at strengthening confidence in the Palestinian banking sector and safeguarding depositors' rights amid a highly complex economic and financial environment.

The 2025 Annual Report reflects the Corporation's most significant achievements and initiatives undertaken during the year within the framework of implementing its strategic vision to further develop the deposit insurance system in Palestine and enhance institutional and operational readiness in line with international best practices and standards.

During the year, the Corporation continued implementing its Strategic Plan for 2025–2027, which focuses on advancing digital and electronic infrastructure, enhancing operational efficiency, strengthening risk management and business continuity frameworks, and updating reimbursement procedures and technologies to ensure faster response mechanisms and higher levels of preparedness in times of emergencies and banking crises.

In this regard, the Corporation is working on implementing a risk-based differential premium system, carefully considering the appropriate timing for its actual deployment. This system aims to ensure fairness in the premiums collected from member banks, while simultaneously incentivizing them to mitigate potential risks. Furthermore, this system will strengthen the Corporation's reserves to effectively counter any future crises or risks.

Despite the considerable challenges faced by the Corporation during 2025, particularly the economic repercussions resulting from the continued war on the Gaza Strip and the widespread destruction affecting infrastructure and various economic sectors, the Corporation's indicators demonstrated notable growth in both deposits and depositors. Deposits subject to the provisions of the Corporation's Law reached approximately USD 20,846 million by the end of 2025, compared to USD 17,866.6 million at the end of 2024, reflecting an increase of 16.68%. These deposits belong to approximately 2.6 million depositors, with an average deposit amount of USD 8,023 by the end of 2025, compared to 2.45 million depositors with an average deposit amount of USD 7,294 at the end of 2024. Moreover, fully covered depositors — under the compensation ceiling of USD 20,000 or its equivalent in other currencies — represented 93.49% of the total number of depositors whose deposits are covered under the provisions of the Law as of the end of 2025.

On the financial front, the Corporation succeeded during 2025 in strengthening its reserves, which increased to approximately USD 385 million by the end of 2025, compared to USD 343 million at the end of 2024, representing a growth rate of 12.21%. This enhancement further reinforces the Corporation's financial capacity and provides the necessary liquidity to confront potential future crises.

Throughout 2025, the Corporation also continued to strengthen its presence at both the local and international levels through active participation in meetings and activities organized by the International Association of Deposit Insurers (IADI), while maintaining its representation in the Association's governing bodies, including the Executive Council (EXCO) and the Chairmanship of the Middle East and North Africa Regional Committee (MENA Committee). These engagements contributed significantly to the exchange of expertise and exposure to international best practices in the field of deposit protection.

Enhancing public awareness of the deposit insurance system in Palestine remains one of the Corporation's strategic objectives. In this context, the Corporation continued implementing its comprehensive awareness strategy by developing awareness programs and digital content through its official website and social media platforms, thereby promoting public awareness and strengthening confidence in the Palestinian banking sector.

The Corporation will continue dedicating all its capabilities, guided by an ambitious vision and a sound institutional approach, to advancing the deposit insurance system toward the highest levels of excellence and leadership, while ensuring the highest degree of protection for depositors. This commitment further reinforces the Corporation's role as a key partner within the financial safety net in safeguarding and strengthening the stability of the banking sector.

In conclusion, I extend my sincere appreciation and gratitude to His Excellency the Chairman and Members of the Board of Directors for their continuous support and wise guidance, to all colleagues within the Corporation for their dedication and commitment in fulfilling the Corporation's mission, to the members of the financial safety net represented by the Palestine Monetary Authority and the Ministry of Finance, as well as to all member banks and the Association of Banks in Palestine. We reaffirm our commitment to continuously advancing our performance locally, regionally, and internationally in line with the latest international best practices, in pursuit of our mission and objectives to preserve the stability and soundness of the Palestinian banking sector and safeguard depositors' rights.

General Manage

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

Mr.Yahya J. Shunnar

The Chairman of Board of Directors of PDIC, The Governor of Palestine Monetary Authority

Mr. Yahya Jawdat Shunnar has an extensive and distinguished record, with over thirty years of local and international experience in economics, finance, and the public sector. His career spans various roles in Palestine, the Arabian Gulf, and the United States. He possesses extensive expertise in the banking sector and a deep understanding of designing, implementing, and managing financial systems, particularly in real estate financing, securitization, financial leasing, investment fund management, Islamic banking, portfolio management, financial valuation for mergers and acquisitions, underwriting operations, and securities promotion.

In terms of regional and international experience, Mr. Yahya Shunnar led the Real Estate Investments division at Ibdar Islamic Investment Bank in Bahrain from 2011 to 2016. He also served as Chief Investment Officer at Capivest Islamic Investment Bank in Bahrain starting in 2008. During this tenure, he obtained a license from the Central Bank of Bahrain to conduct financial investment activities and successfully completed the financial analysis requirements, earning FAP1 and FAP2 certifications. In 2011, he founded YJS Consulting, a firm specializing in financial advisory, mergers, and acquisitions based in Bahrain.

Previously, Mr. Shunnar served as Head of Marketing for the Nassar Group across Palestine, Jordan, Oman, and the UAE. He later became the Executive Director of Nassar Stone in Dubai during 2006 and 2007.

In Palestine, Mr. Yahya Shunnar has held various leadership roles in both the private and public sectors. He served as Chairman of the Board of the Establishment of Manage and Development Orphans Fund with the rank of minister until his appointment as Governor of the Monetary Authority. In addition, he was Vice Chairman of the Board of Directors at Tamkeen Insurance Company and a member of the Board of Directors of the Palestine Islamic Bank.

Previously, he was the Investment Manager at the Palestine Development and Investment Company (PADICO) and served as Assistant General Director of the Palestine Stock Exchange. He played a significant role in the listing of Palestine public shareholding companies and made a notable impact in training, qualifying, and registering brokerage firms within the Palestine financial market.

In the Public Sector, Mr. Shunnar served as the Director General of the Secretariat of the Palestine Council of Ministers, where he played a significant role in institutionalizing the Palestine Council of Ministers. He was actively involved in various ministerial committees, serving as Secretary for several key committees, including the Ministerial Administrative Committee, which restructured ministries, authorities, and institutions of the Palestine National Authority. His work included aligning public sector staffing with approved organizational structures based on administrative standards, academic qualifications, and professional experience, in accordance with the law.

Mr. Shunnar also participated in Palestine negotiations, including the transfer of civil authorities and the transitional phase negotiations of the Oslo II Agreement. He led the logistical team from the secret negotiations in Italy to the signing of the Oslo II Agreement at the White House in Washington, D.C.

Mr. Shunnar holds a Master of Business Administration (MBA) degree from the University of Arkansas, USA, and a Bachelor's degree in Business Administration and Economics from Yarmouk University in Jordan.

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.

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 Rabie

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 (2016-2014), 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. Mohammed Rabie.

b. Investment Committee

- His Excellency Mr. Yehya Shunnar - Chairman.
- Dr. Adel Zagha
- Mr. Loay Hawash- General Manger

c. Audit and risk Committee

- Mr. Tareq El Masri- Chairman
- Mr. Mohammed Rabie.
- Dr. Mohammed Al Ahmad

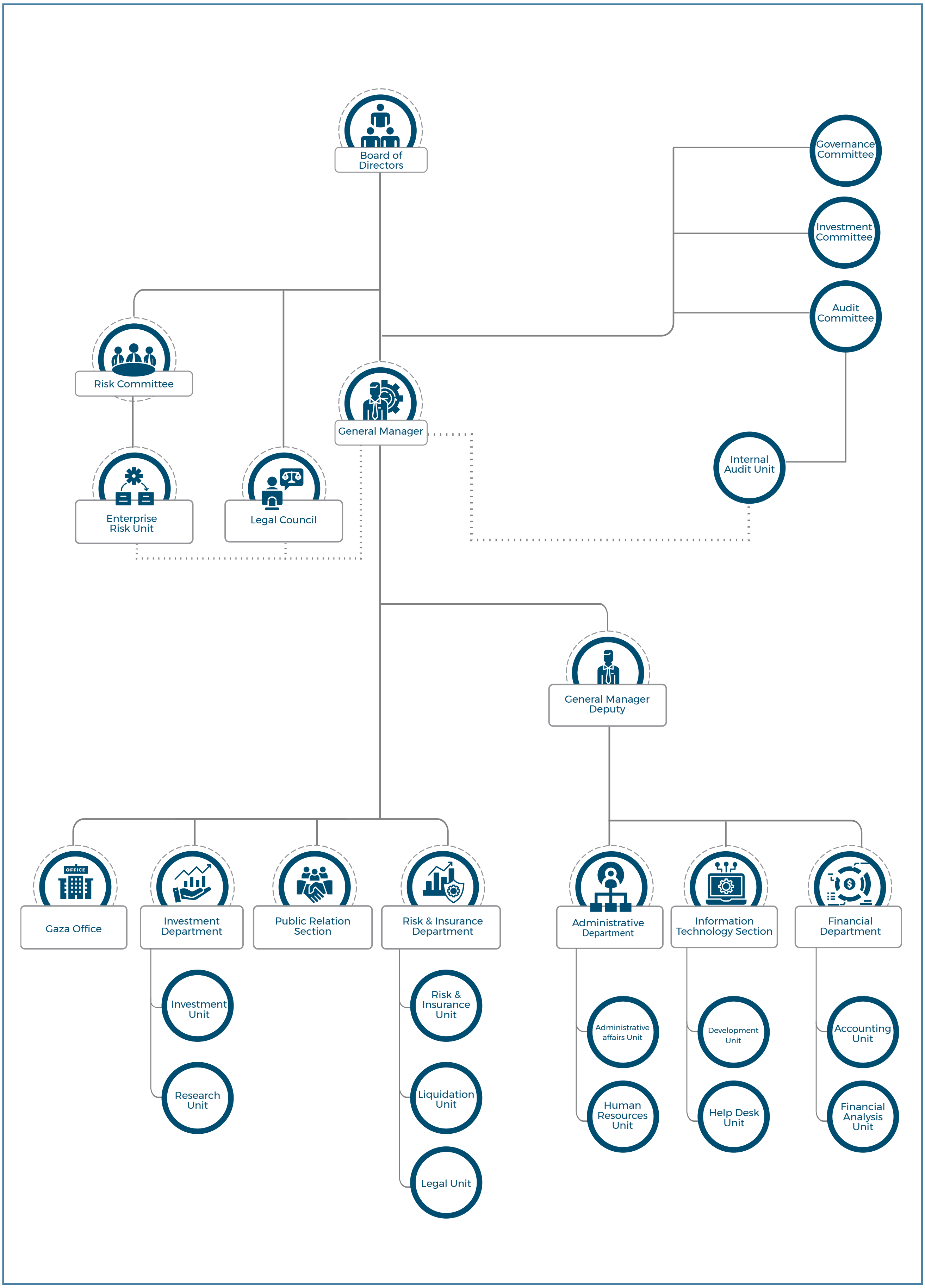
1. Committee(s) established by PDIC's law: Liquidation Committee

- 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.**

  a. **Legal Advisor, Mr. Tariq Touqan**

PDIC Organization Chart



Deposit Insurance System in Palestine

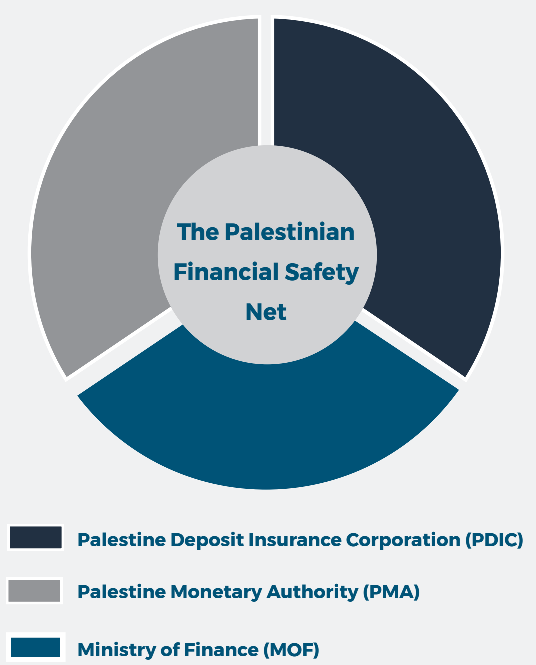
The “Deposit Insurance System” is a mechanism established by governments through laws and regulations, aimed at protecting depositors (particularly small depositors) from losing their deposits in the event of a bank failure, thereby enhancing the financial stability of the banking system as a whole and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

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 Palestine Monetary Authority (PMA), and compensating depositors’ funds. The Corporation consistently strives to comply with all international standards and principles.

Figure (1): The Palestinian Financial Safety Net



PDIC Executive and Administrative Staff

PDIC had 20 employees at the end of 2025 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

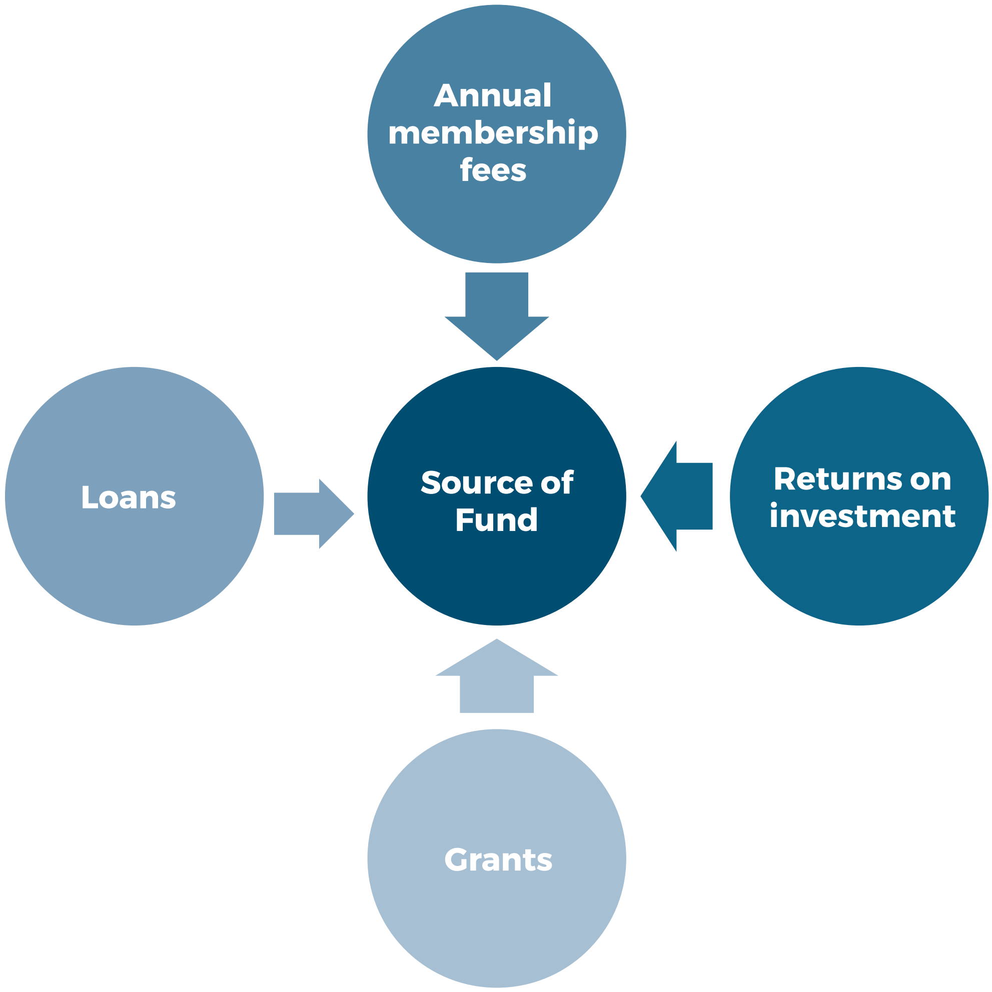
Gaza office implements and enforces PDIC's policies; it is the corporation's representative in Gaza Strip. The office promotes public awareness of the Palestinian deposit insurance system in terms of establishment of PDIC and its goals. In addition, the office holds workshops and represents PDIC in many 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 2025. 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 equal an annual rate of 0.2% of the average of total value of the bank's deposits subject to PDIC Law. The Board of Directors may determine the membership fee rate based on the degree of risk of each member bank in line with the standards agreed upon with PMA, and in accordance with the instructions issued for this purpose. The BOD may also review and amend the annual membership rate and establish a fees calculation mechanism.

The PDIC's main functions

1. Depositors Reimbursement

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

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

2. Liquidation process

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

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

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

3. Reserves Management

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

PDIC's performance during 2025

PDIC's performance during 2025

a. Deposits subject to the provisions of the Law

Total deposits subject to the provisions of the law amounted to about 20,846 million USD at the end of 2025, compared to 17,866.6 million USD at the end of 2024, registering an increase of 16.68%. These deposits belong to about 2,598 thousand depositors with an average value of deposits of 8,023 USD in 2025 compared to 2,450 thousand depositors with an average deposit value of 7,294 USD in 2024

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

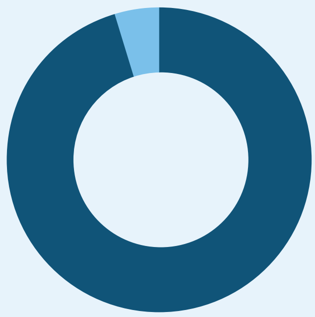
Customer deposits with member banks 21,862.3 million dollars

%95.4

Deposit subject to provisions of PDIC's law

%4.6

Deposit non subject to provisions of PDIC's law



Deposits subject to the provisions of the Law constituted 95.35 percent of total deposits held by member banks by end of 2025.

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 18.65 % of total deposits subject to the provisions of the law by the end of 2025, amounting to $ 3,888.3 million. They belong to 2,429 thousand depositors with an average deposit value of 1,601 USD compared to 3,677.5 million USD belong to 2,295 thousand depositors with an average deposit value of 1,603 USD by the end of 2024. The percentage of fully insured depositors was 93.49 % of total depositors whose deposits are subject to the provisions of the Law by the end of 2025.

The percentage of fully insured depositors reached 93.49 percent of total depositors whose deposits are subject to the provisions of PDIC's Law by the end of 2025

Fully insured deposits represented 18.65 percent of total deposits subject to the provisions of PDIC's Law by the end of 2025.

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 16,960 million USD by the end of 2025, compared to 14,194.1 million USD by the end of 2024, constituting 81.36% of total deposits subject to the provisions of the Law by the end of 2025.

These deposits belong to about 169 thousand depositors, constituting 6.52% of total depositors whose deposits are subject to the provisions of Law, with an average deposit value of 100,176 USD by the end of 2025, compared to 155 thousand depositors with an average deposit value of 91,675 USD by the end of 2024.

The percentage of partially insured depositors represented 6.52 percent of total depositors whose deposits are subject to the provisions of PDIC's Law by the end of 2025

Partially insured deposits represented 81.36 percent of total deposits subject to the provisions of PDIC's Law by the end of 2025

d. Prompt Reimbursement

The concentration of prompt reimbursement amount with the largest bank was 34.12% percent by the end of 2025, 54.40% for the two largest banks and 64.74% for the three largest banks.

Table (1): Main Indicators of deposits and depositors at member banks (2020-2025)

Indicators	20-Dec	21-Dec	22-Dec	23-Dec	24-Dec	25-Dec	Growth rate
Total deposits at member banks (USD million)	15,138.3	16,519.0	16,468.2	17,589.0	18,776.6	21,862.3	16.4%
Total depositors at member banks (in thousand)	1,806	2,180	2,350	2,438	2,460	2,609	6.0%
Average deposit value for total depositors at member banks (USD)	8,384	7,577	7,006	7,215	7,632	8,380	9.8%
Deposits subject to provisions of the law (USD million)	14,483	15,667	15,683	16,739	17,867	20,846	16.7%
Number of depositors whose deposits are subject to the provisions of the law (in thousand)	1,797	2,171	2,342	2,428	2,450	2,598	6.1%
Average deposit value for depositors whose deposits are subject to the provisions of the law (USD)	8,060	7,218	6,697	6,894	7,294	8,023	10.0%
Deposits subject to the provisions of the law to total deposits at member banks (%)	95.70%	94.80%	95.23%	95.17%	95.15%	95.35%	0.2%
Prompt reimbursement amount (USD million)	5,459	6,027	6,152	6,691	6,774	7,274	7.4%
Fully insured deposits (all deposits that are less than or equal to the coverage limit) (USD million)	3,136	3,280	3,447	3,568	3,678	3,888	5.7%
Number of fully insured depositors (in thousand)	1,681	2,033	2,207	2,272	2,295	2,429	5.8%
Average deposit value for fully insured depositors (USD)	1,866	1,613	1,562	1,571	1,603	1,601	-0.1%
Partially insured deposits (all deposits that are in excess of coverage limit) (USD million)	11,347	12,387	12,236	13,171	14,194	16,960	19.5%
Number of partially insured depositors (in thousand)	116	137	135	156	155	169	9.3%
Average deposit value for partially insured depositors (USD)	97,681	90,183	90,483	84,349	91,675	100,176	9.3%
Fully insured deposits to total deposit subject to the provisions of the law (%)	21.7%	20.9%	22.0%	21.3%	20.58%	18.65%	-9.4%
Partially insured deposits to total deposit subject to the provisions of the law (%)	78.4%	79.1%	78.0%	78.7%	79.45%	81.36%	2.4%

Number of fully insured depositors to total depositors whose deposits are subject to provisions of the law (%)	93.5%	93.7%	94.2%	93.6%	93.69%	93.49%	-0.2%
Number of partially insured depositors to total depositors, whose deposits are subject to the provisions of the law (%)	6.5%	6.3%	5.8%	6.4%	6.3%	6.5%	3.1%
Concentration of prompt reimbursement amount (the largest two banks) (%)	44.12%	43.54%	44.11%	48.62%	50.41%	54.40%	7.9%
Concentration of prompt reimbursement amount (the largest three banks) (%)	54.73%	54.39%	54.33%	58.99%	60.33%	64.74%	7.3%

e . PDIC Investment

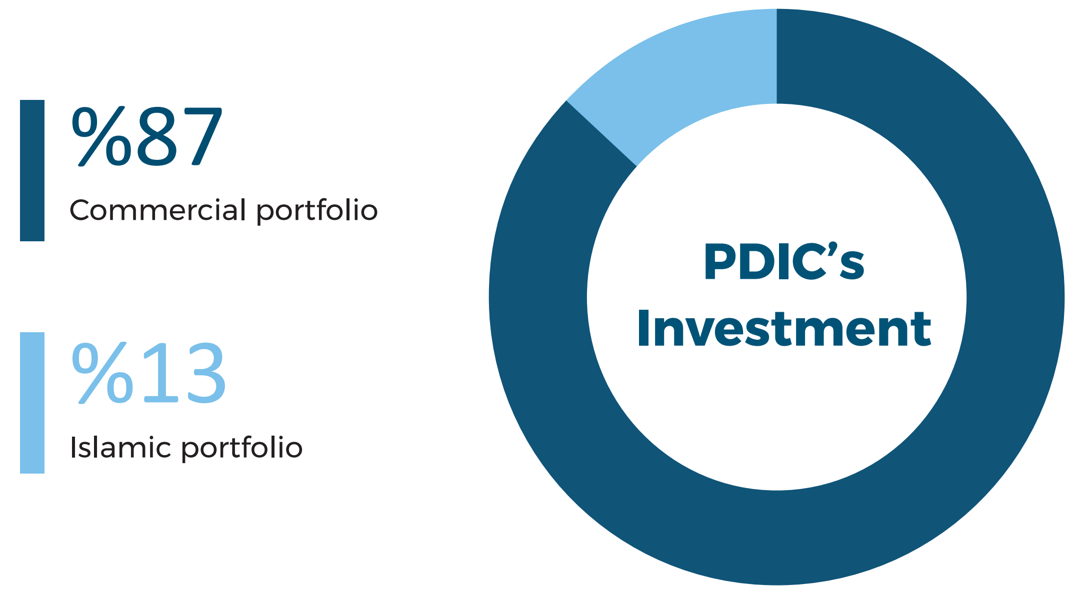
Portfolio Net Income and Return on Investment (ROI): by the end of 2025

By the end of 2025, our investment portfolio demonstrated solid growth in net income, which rose to $13.17 million, reflecting a 22.92% increase compared to the same period in 2024 ($10.71 million). This performance was driven by;

- Total net revenues of $10.25 million from the Commercial Bonds Portfolio.
- Total net revenues of $1.75 million from the Islamic Sukuk Portfolio.
- Total net revenues of $1.17 million from Money Market deposits (Includes $0.153 million from Islamic deposits and includes $1.017 from commercial deposits).

Furthermore, the book value of the investment portfolio increased from $332.14 million to $372.66 million marking a 12.20% growth. As a result, the return on investment (ROI) improved to 3.53%, up from 3.23%, representing a 9.29% increase. These results reflect the institution's strong investment performance and the effectiveness of its diversification and risk management strategy, delivering sustainable growth in profits while maintaining asset quality.

Figure (4): Investment Portfolio



f. Public awareness about deposit insurance system

Enhancing public awareness of the deposit insurance system remains a fundamental pillar of the Corporation's strategy aimed at protecting depositors and reinforcing financial stability in Palestine. To ensure the effectiveness of this role, the Corporation adopts a scientific approach in designing its awareness campaigns, relying on research studies and statistical analyses targeting diverse demographic and geographic samples to assess public awareness levels. This approach is aligned with the Core Principles issued by the International Association of Deposit Insurers (IADI), particularly Core Principle 10, which emphasizes the importance of continuously informing the public about the benefits and limitations of the deposit insurance system as a preventive tool against financial crises.

At the international level, 2025 witnessed the Corporation's active and distinguished participation in global forums, most notably through its participation in the International Association of Deposit Insurers (IADI) meetings held in Lisbon, Portugal. These meetings provided a strategic platform to discuss current challenges facing global financial stability, particularly the implications of digital transformation on the banking sector and the accelerated flow of information. The participation also contributed to strengthening cooperation among financial safety-net participants at both the regional and international levels, while exploring ways to further develop deposit insurance systems in line with emerging technological developments.

In this context, the Corporation continued to expand its international presence through active representation in IADI's governing bodies, particularly the Executive Council (EXCO), as well as through chairing the Middle East and

North Africa Regional Committee (MENA Committee). These engagements contributed to enhancing knowledge exchange on international best practices in depositor protection and deposit insurance systems.

At the local level, the Corporation continued throughout 2025 to implement its awareness and communication strategy by further developing digital content across its new website and social media platforms. These efforts aimed to deliver awareness messages to all segments of society through modern and effective channels, thereby strengthening public confidence in the Palestinian banking sector.

As part of its social responsibility and commitment to fostering teamwork and institutional belonging, the Corporation's team participated in the Companies and Syndicates Five-a-Side Football Championship. This initiative reflected the Corporation's dedication to strengthening communication, team spirit, and active community engagement, contributing positively to the work environment and overall institutional performance.

g. PDIC Strategic Plan

The Corporation adopts an ambitious strategic orientation that prioritizes raising public awareness of the deposit insurance system in Palestine, recognizing the pivotal role of public confidence in fostering banking system therefore enhancing the financial stability. To this end, the Corporation is actively strengthening its cooperation and consolidating partnerships with supporting institutions at both local and international levels, seeking to exchange expertise and modernize its institutional framework to ensure a sustainable enhancement of its operational performance.

The 2025–2027 Strategic Plan represents a fundamental turning point in the journey of the Palestine Deposit Insurance Corporation (PDIC). The Corporation has developed a new Vision and Mission aligned with its aspirations to bolster financial stability. The updated Vision aims to solidify the Corporation's position as a pillar of trust within the Palestinian banking system, while the Mission focuses on protecting depositors' rights and enhancing crisis-response readiness in accordance with international best practices. This shift reflects the Corporation's evolution toward a more dynamic role within the Financial Safety Net. The formulation of this plan was grounded in a comprehensive assessment of performance over previous years, leveraging lessons learned to chart more precise and realistic future directions.

In pursuit of operational excellence, the Corporation is adopting an advanced risk management methodology within its current plan, transitioning toward a "Risk-Based Premium" system. Expected to be implemented in the near future, this system aims to establish equity in the assessment of premiums from member banks based on rigorous quantitative and qualitative evaluations. In parallel, the Corporation is enhancing its capabilities in bank resolution and liquidation to ensure full readiness for both preventive and remedial interventions. This approach adheres to the "Loss Minimizer" mandate, protecting depositors' funds at the lowest possible cost, while continuously developing and monitoring financial projections to ensure the sustainability of necessary financial resources.

To further institutional readiness, the plan emphasizes the development of a comprehensive Contingency Plan to ensure business continuity and enhance coordination with financial safety net partners. Regarding digital transformation and data quality, the Corporation prioritizes the establishment of an integrated "Single Customer View" (SCV) system, which serves as the foundation for reducing the reimbursement period to seven working days. Through this initiative, the Corporation seeks to bolster public confidence by ensuring data accuracy and conducting periodic simulation tests to measure the systems' capacity for immediate response. These efforts aim to achieve robust financial sustainability, reflected in a balanced investment portfolio designed to reach the target reserve by As defined at the end of the strategic plan period, while maintaining strong collaborative ties with international organizations to ensure alignment with the International Association of Deposit Insurers (IADI) core principles.

> **Preliminary results indicate that the PDIC could achieve the target reserve level of 3% of total deposits subject to the provisions of the law by 2032**

Medium-Term Key Indicators

Table (2): Medium-Term Key Indicators

Item	Actual		Expected			
	2024	2025	2026	2027	2028	2029
Deposit subject to the provisions of PDIC's law (USD million)	17,866.6	20,846.0	21,888.3	22,982.8	24,131.9	25,338.5
Prompt reimbursement amount (USD million)	6,774.1	7,274.3	7,520.4	7,777.2	8,044.0	8,321.3
PDIC's reserves (USD million)	343.07	384.94	440.02	498.90	561.79	628.91
PDIC's reserves to deposits subject to the provisions of the law (%)	1.920%	1.847%	2.010%	2.171%	2.328%	2.482%
PDIC's reserves to Prompt reimbursement amount (%)	5.1%	5.3%	5.9%	6.4%	7.0%	7.6%
PDIC's reserves to targeted reserve (%)	64.0%	61.6%	67.0%	72.4%	77.6%	82.7%
Prompt reimbursement amount to deposits subject to the provisions of the law (%)	37.9%	34.9%	34.4%	33.8%	33.3%	32.8%

Palestinian Banking Sector Indicators for 2025

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 2025 compared to 2024. Following is a summary of the most important improvements in performance indicators[1]:

Total Deposits

Total customer deposits in the Palestinian banking sector amounted to 21,862.3 million USD at the end of 2025, compared to 18,776.6 million USD at the end of 2024, indicating an increased of 3,085.6 million USD or 16.43%. In comparison, deposits increased by 6.75% equivalent to 1,187.6 million USD during 2024.

1 Preliminary data issued by the Palestine Monetary Authority

Figure (5): Historical development of deposits in the banking system (2011 - 2025)

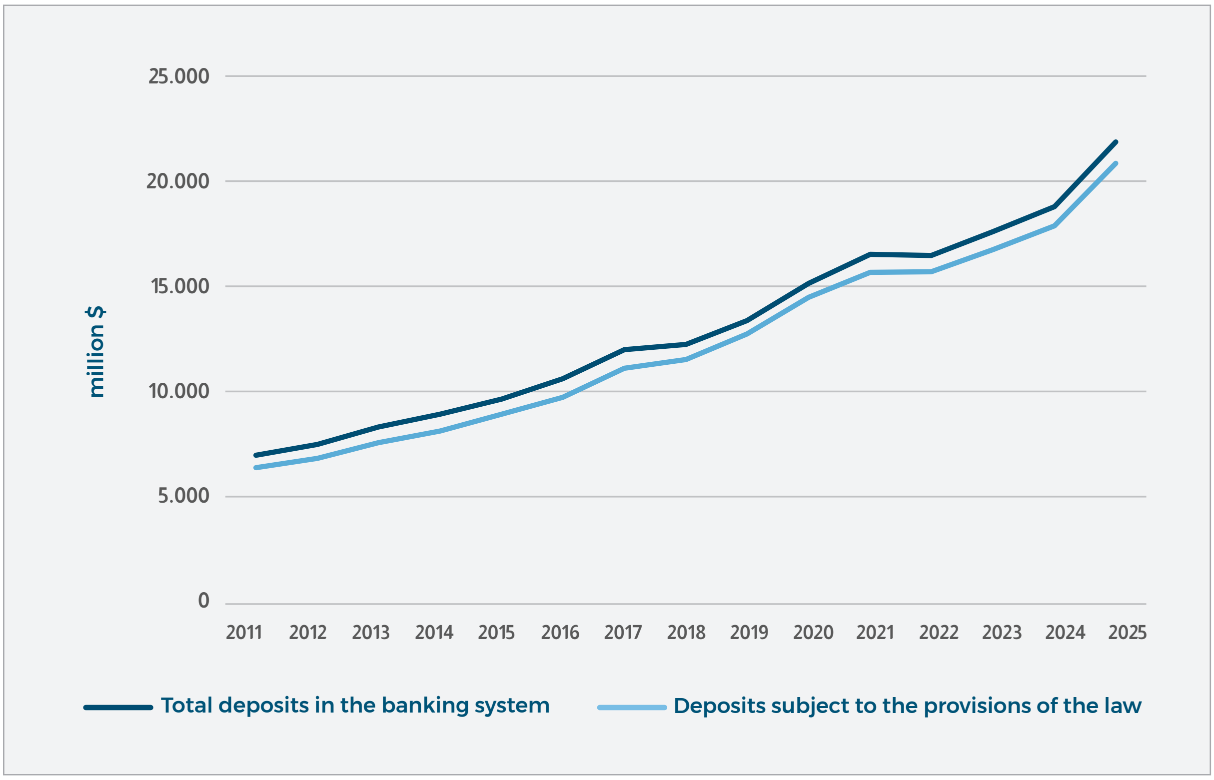
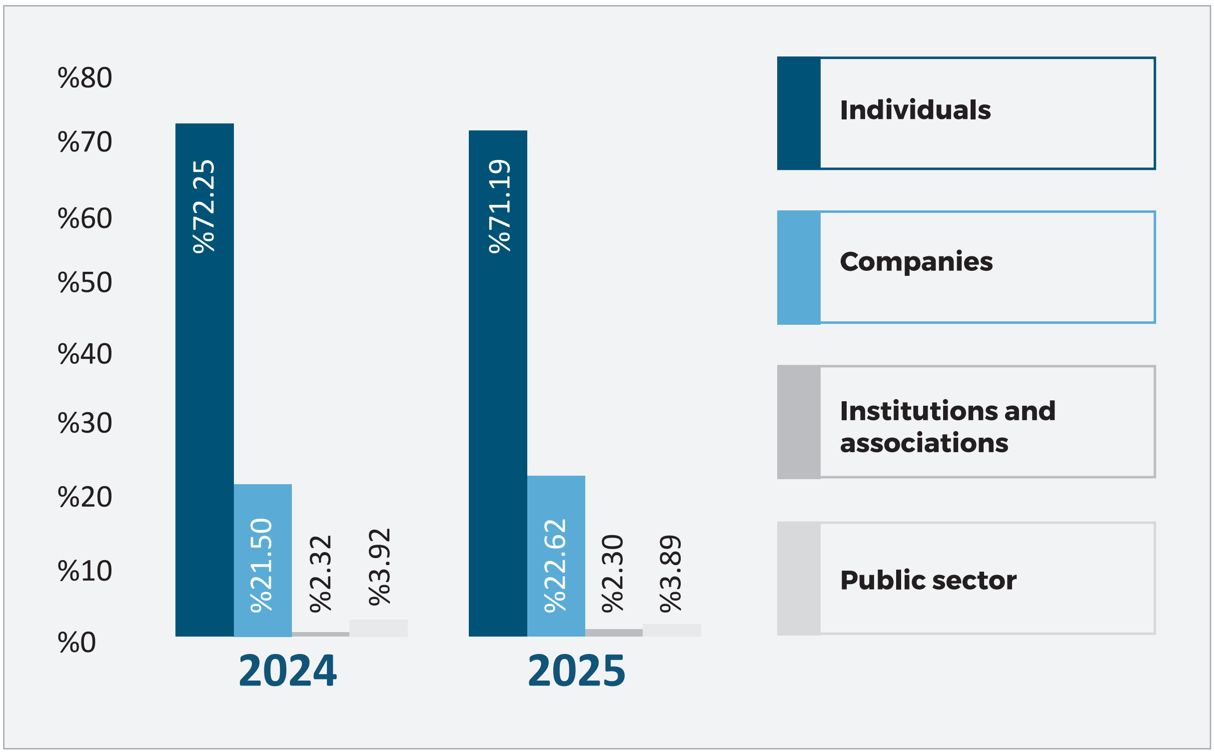


Figure (6): Distribution of Deposits by Sector (2024 - 2025)



In 2025, the share of companies in total deposits increased by 22.62%. Compared to 21.50% in 2024. On the other hand, the share of individuals and the institutions and the public sector, 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 (2024 - 2025)

	Individuals	Companies	Institutions and associations	Public sector
2024	13,566.2	4,037.8	436.5	736.1
2025	15,563.5	4,945.5	501.9	851.3
Growth rates	14.7%	22.5%	15.0%	15.7%

Individuals' Individuals' deposits represented 71.19 percent of total deposits in the banking system by the end of 2025

Table (4): Distribution of customer deposits by currency and their growth rates (million Dollars) 2024 - 2025

	NIS deposits	JD deposits	USD deposits	Deposits in other currencies
2024	8,171.7	3,055.1	7,049.9	499.9
2025	8,450.7	3,508.3	9,235.6	667.6
Growth rates	3.4%	14.8%	31.0%	33.5%

Table (5): Development of deposits and depositors in Commercial banks versus Islamic banks (2016-2025)

Year	Deposits (in $ million)		The number of depositors (in thousands)		Total	
	Commercial banks	Islamic banks	Commercial banks	Islamic banks	Deposits (million $)	Depositors (in thousands)
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
2025	18,479	3,383	2,156	452	21,862	2,609

By the end of 2025, deposits held by commercial banks accounted for the lion's share of 84.5% of total deposits, compared to 83.7% at the end of 2024, indicating a increase of 1 percent. In contrast, deposits held with Islamic banks accounted for 15.5% of total deposits at the end of 2025 compared to 16.3% at the end of 2024, reflecting an decrease of 5.1%.

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

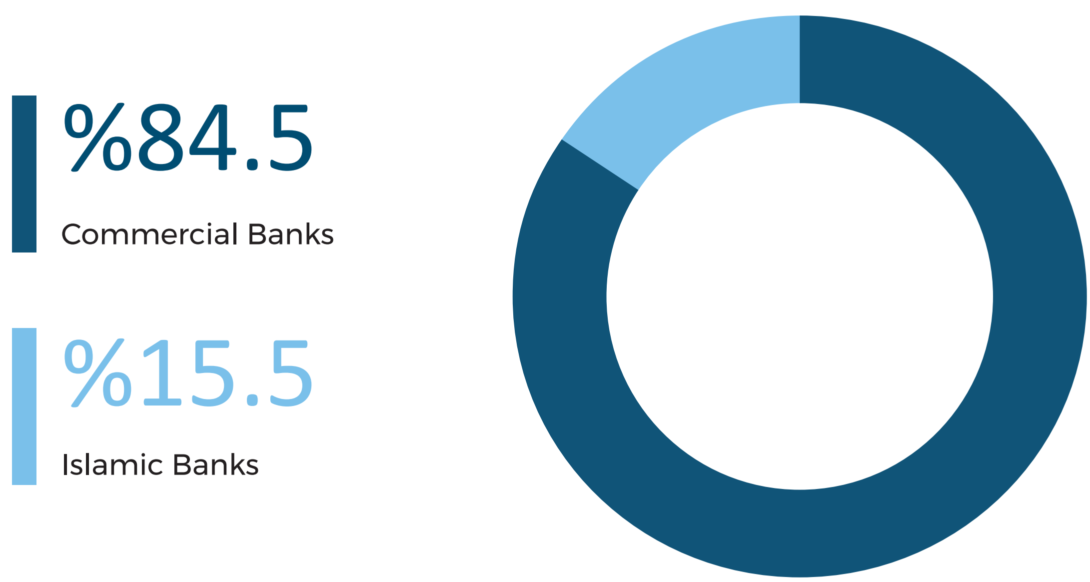
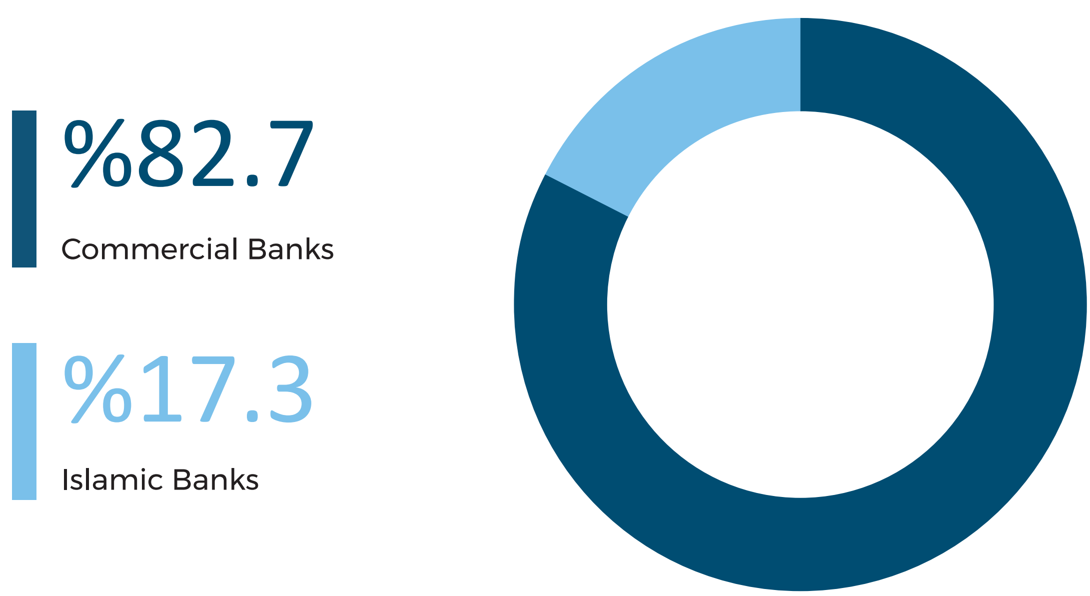


Figure (8): Percentage of Commercial Banks depositors in comparison to Islamic Banks depositors



The percentage of depositors with commercial banks increased by 0.6%, representing 82.7% of the total depositors at the end of 2025, compared to 82.2% at the end of 2024.

Credit Facilities Portfolio

- ☑ Direct (net) credit facilities amounted to about 11,451.3 million USD at the end of 2025 compared to 11,047.4 million USD at the end of 2024, indicating an increase of 403.9 million USD or 3.66%. These facilities accounted for 43.08% of net assets at the end of 2025, compared to 47.73% at the end of 2024.
- ☑ Off balance sheet items (indirect credit facilities) of the banking system amounted to about 1,708.7 million USD at the end 2025 compared to 1,757 million USD at the end 2024, indicating a decrease of USD 48.4 million or 2.75%. These indirect credit facilities accounted for 6.43% of net assets at the end of 2025 compared to 7.59% at the end of 2024.

Non-performing loans

- ☑ The ratio of non-performing loans to total direct credit facilities increase by 19.04%. The percentage was 6.04% for banks operating in Palestine at the end of 2025, compared to 5.08% at the end of 2024.
- ☑ The coverage ratio of provisions for non-operating facilities was about 149.41% for banks operating in Palestine at the end of 2025, compared to 148.38% at the end of 2024, an increase of 0.69%.

Key Performance Indicators of the banking sector

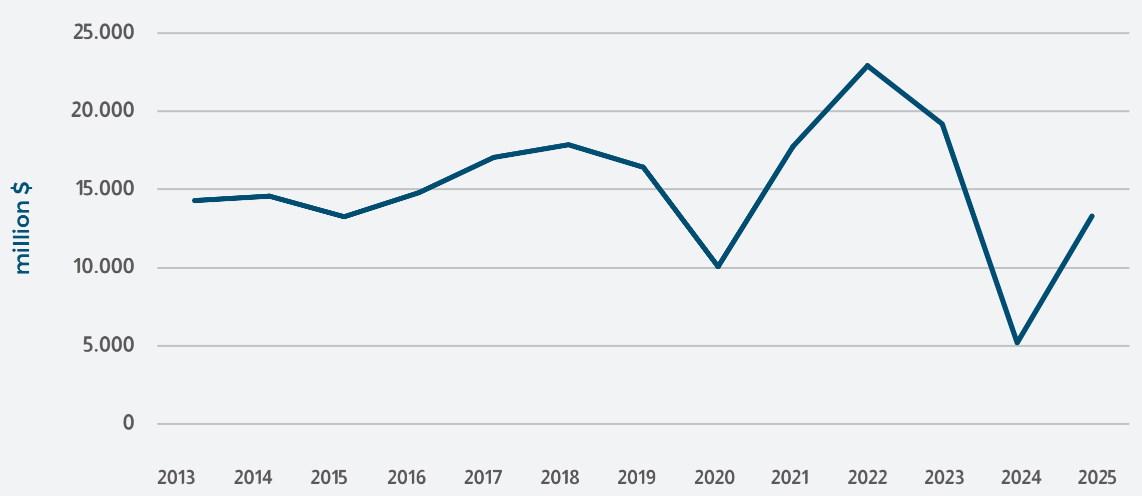
Capital Adequacy Ratio

The capital adequacy ratio for the overall banking system was about 17.03% at the end of 2025 compared to 16.61% at the end of 2024.

Profitability

- ☑ As for the income statement, the net profit after taxes for the banking system at the end of 2025 was 132.8 million USD, compared to 51.9 million USD at the end of 2024, registering an increase of 80.9 million USD, equivalent to 155.78%.
- ☑ The net profit after taxes to the net assets of the banking system amounted to 0.50% at the end of 2025, compared to 0.22% at the end of 2024.
- ☑ The net profit after taxes to the first tier of the banking system's capital amounted 6.49% at the end of 2025, compared to 2.66 % at the end of 2024.

Figure (9): Net income for banks operating in Palestine (2013-2025)



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 2025:

1. Number of branches and representative offices

☑ The number of branches and representative offices of banks operating in Palestine stabilized at the end of 2025 to 384, compared to 384 at the end of 2024.

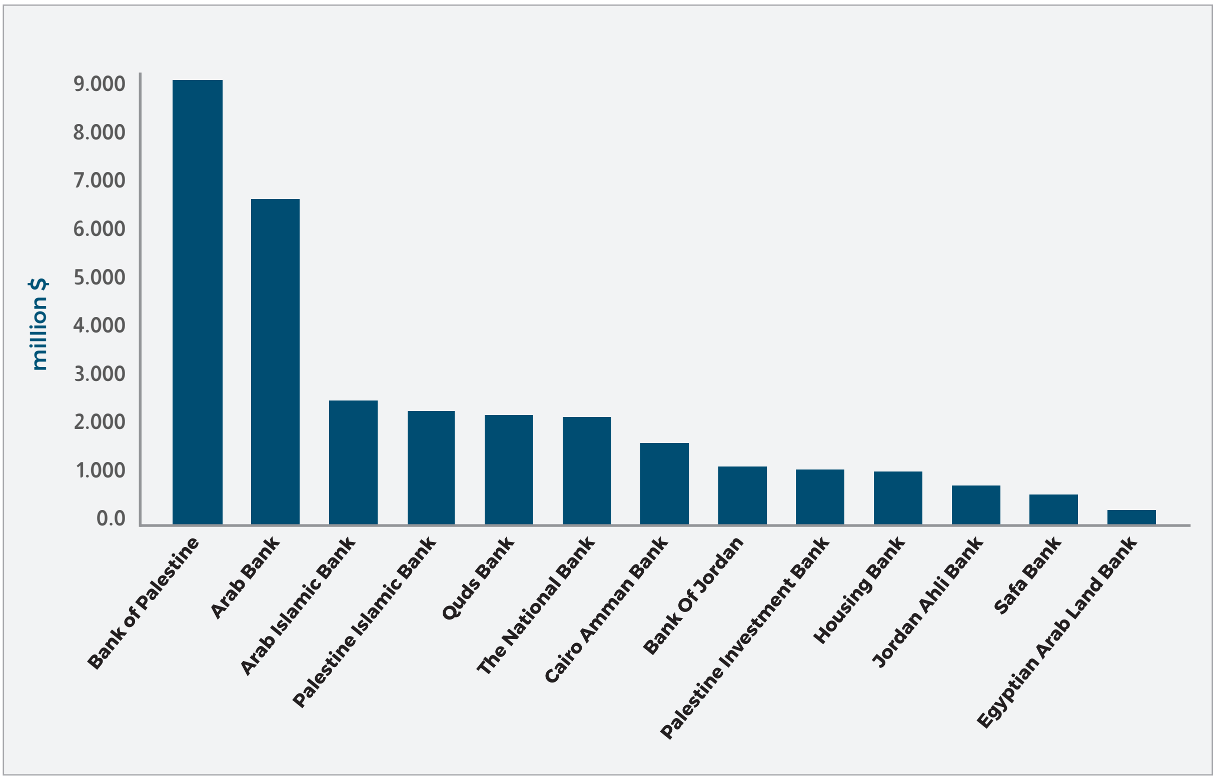
2. Structure of assets and liabilities

☑ Net assets of banks operating in Palestine amounted to around 26,580.8 million USD at the end of 2025 compared to 23,145.1 million USD by the end of 2024, increasing by 3,435.7 million USD or 14.84% increase, compared to an increase by 1,410.7 million USD or a 6.09% decrease during 2024.

☑ The liabilities for banks operating in Palestine amounted to about 24,195.8 million USD by the end of 2025 compared to 20,833.5 million USD by the end of 2024, increasing by USD 3,362.3 million, or an increase of 16.14 %, compared to an increase of 1,324.2 million USD or a 6.36% increase during 2024.

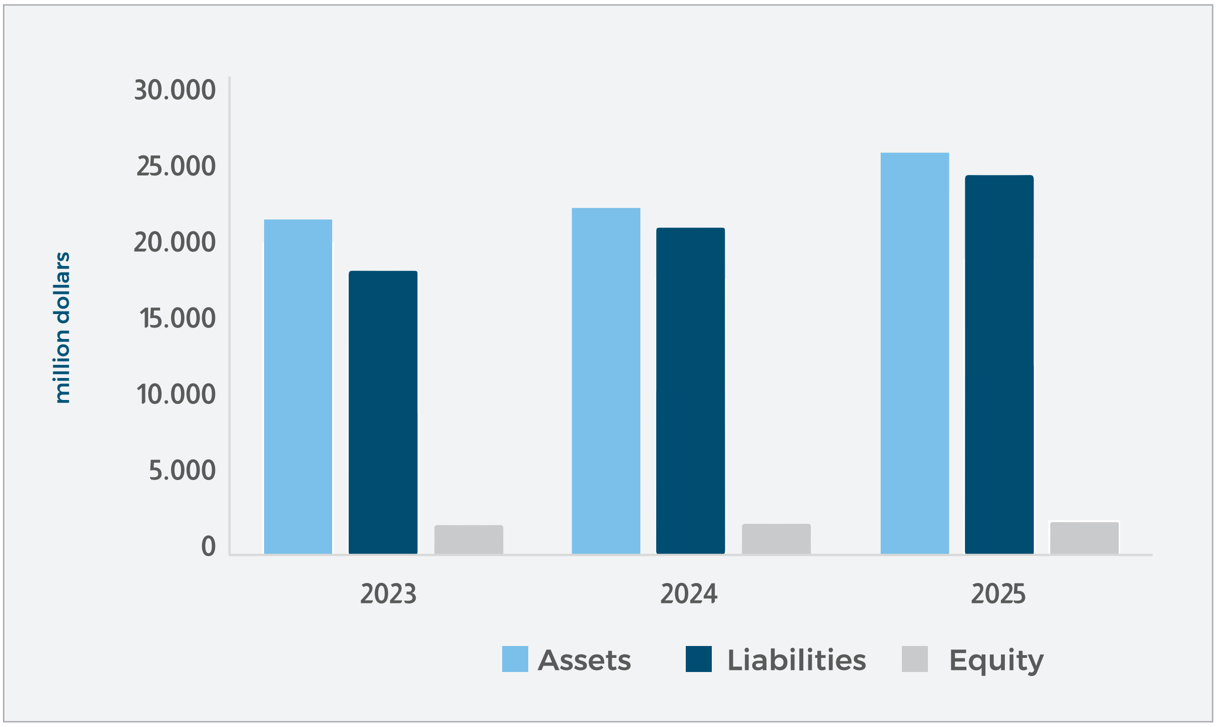
☑ The owners' equity of banks operating in Palestine amounted to around 2,385 million USD by the end of 2025 compared to 2,311.6 million USD by the end of 2024, increasing by 73.3 million USD or 3.17 % increase, compared to increase of 86.5 million USD or a 3.89% decrease during 2024.

Figure (10): Net Assets of Banks Operating in Palestine, by the end of 2025



Member banks' investments in financial assets (stocks and bonds inside Palestine and abroad) amounted to about 1,918.4 million USD by the end of 2025 compared to 1,581.6 million USD by the end of 2024, indicating an increase of 336.8 million USD or 21.3%. Investments represented 7.22% of net assets in 2025 compared to 6.83% by the end of 2024.

Figure (11): Change in Net Assets, liabilities and Equity of Banks Operating in Palestine (2023 – 2025)



Key Financial Performance Indicators for Member Banks

Table (6): Key Financial Performance Indicators (2023 - 2025)

Ratio	2023	2024	2025
Credit facilities (net) to net assets	52.2%	47.7%	43.1%
Investments in financial assets 'stocks and bonds inside Palestine and abroad" to net assets	6.81%	6.83%	7.22%
Non-performing facilities to total facilities	4.49%	5.08%	6.04%
Capital adequacy ratio	16.21%	16.61%	17.03%
Return on net assets (after tax)	0.88%	0.22%	0.50%

Table (7): Banks operating in Palestine, by the end of 2025

The member banks			
Operating banks in Palestine by the end of 2025	Year Of Establishment	Number of Branches & offices by the end of 2025	Net assets by the end of 2025 (USD million)
Local Banks			
Bank of Palestine	1960	75	8,898
Arab Islamic Bank	1996	28	1,950
Palestine Islamic Bank	1997	43	1,788
Quds Bank	1995	37	1,677
The National Bank	2006	38	1,484
Palestine Investment Bank	1995	22	891
Safa Bank	2016	9	443
Foreign Banks			
Arab Bank	1994	33	5,468
Cairo Amman Bank	1986	22	1,219
Bank Of Jordan	1994	44	1,024
Housing Bank	1995	15	860
Jordan Ahli Bank	1995	11	647
Egyptian Arab Land Bank	1994	7	231

Figure (12): Bank Branches and Representative Offices by the End Of 2025

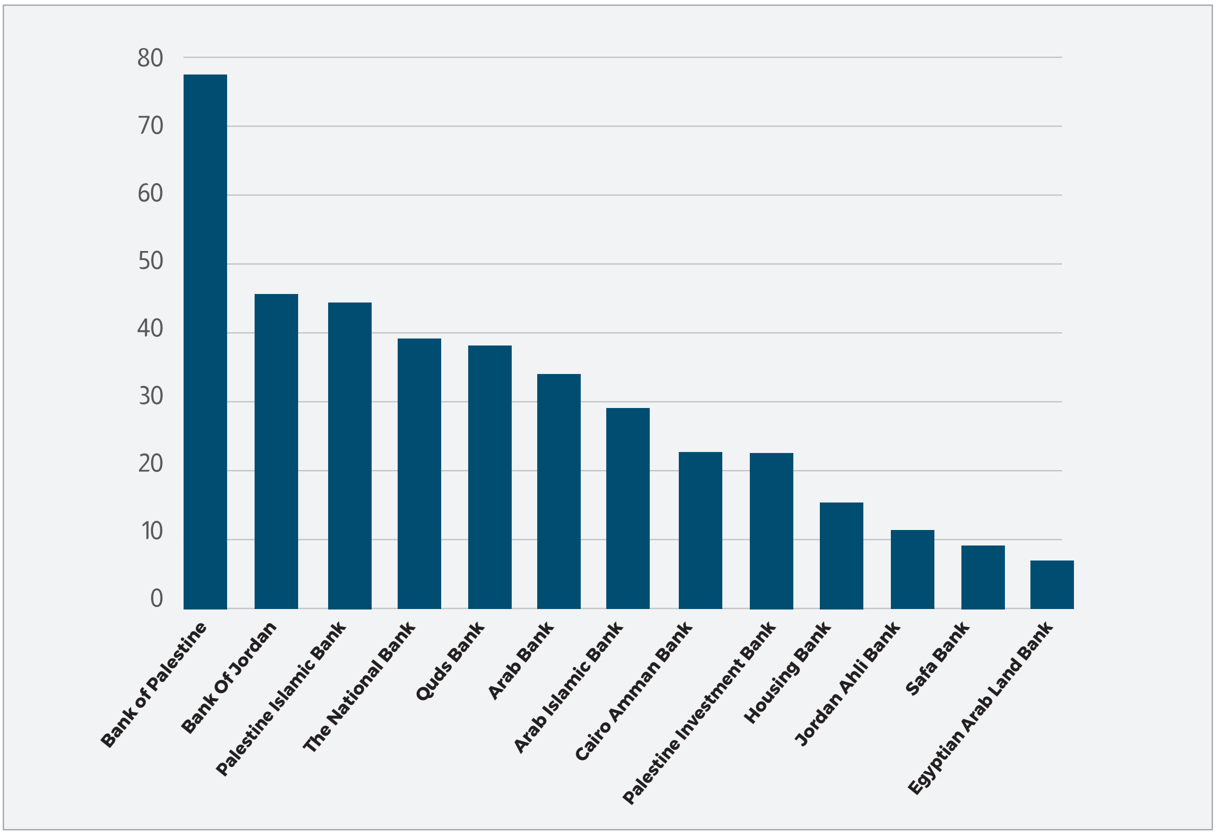


Table (8): Geographical Distribution of Gross Customer Deposits and Gross Direct Facilities by Region (USD Million)

Region	2024		2025	
	Gross Direct Facilities	Gross Customer Deposits	Gross Direct Facilities	Gross Customer Deposits
Ramallah	6,855	6,172	7,475	6,683
AL-Ram	144	693	141	719
AL-Azaria	248	660	259	721
Bethlehem	554	1,199	562	1,246
Beit Jala	49	135	50	154
Beit Sahour	34	48	34	51
Hebron	749	1,651	735	1,831
Jericho	233	227	230	206
Tol Karem	232	742	239	868
Nablus	1,173	2,053	1,253	2,264
Salfeat	110	265	113	308
Topass	68	133	71	149
Qalqeliya	125	340	119	387
Jenine	426	1,103	420	1,216
West Bank	10,998	15,421	11,701	16,805
Gaza	599	1,840	543	2,749
Khan Younis	81	491	83	720
Rafah	66	329	69	447
Dear AL-balah	52	184	47	369
AL-Nosirat	75	216	71	365
Jabalia	68	272	66	375
Beit Lahiya	8	25	9	32
Gaza Strip	949	3,356	887	5,057
Grand Total	11,947	18,777	12,588	21,862

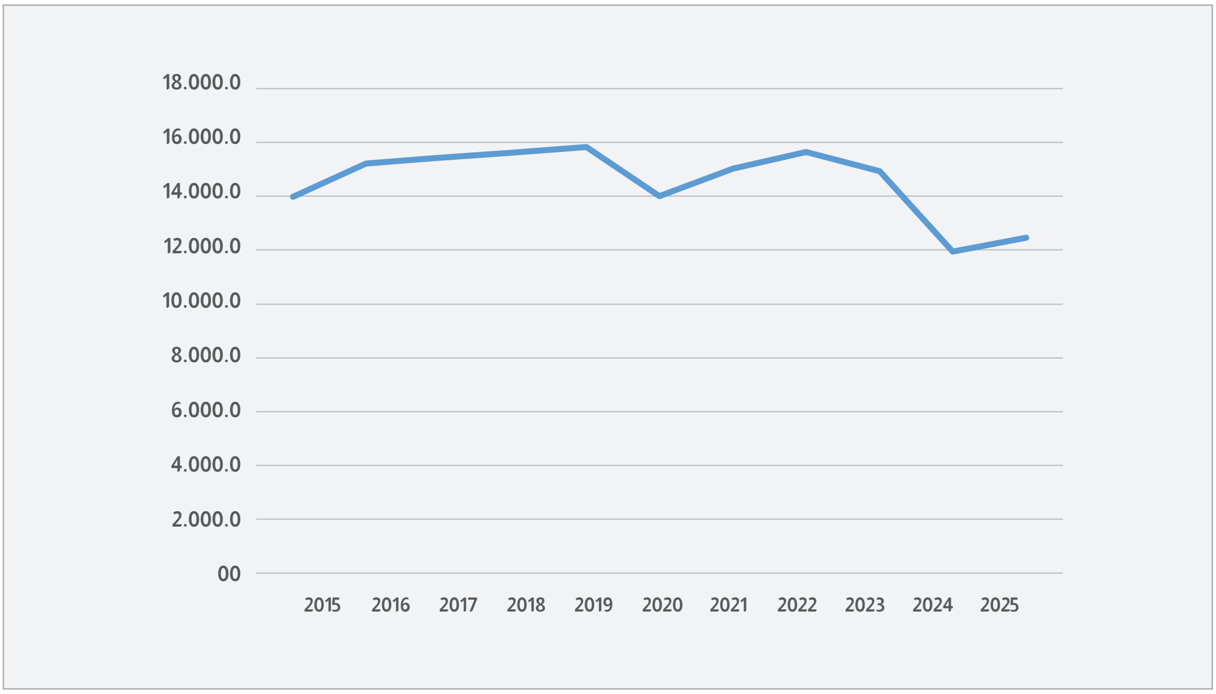
Palestinian Economic Indicators for 2025

This section reviews the key features of the Palestinian macroeconomic performance during 2025, through an analysis of a set of vital indicators that reflect the economic landscape, most notably the Gross Domestic Product (GDP), developments in aggregate demand, and unemployment rate trends[2]:

1. Gross Domestic Product (GDP)

The Palestinian Gross Domestic Product (GDP) recorded a gradual recovery by the end of 2025, growing by 3.4% compared to 2024 to reach approximately $12,462.9 million. This limited growth is attributed to the adaptation of certain economic sectors to ongoing challenges and the nascent recovery of value-added activities across several productive sectors. This follows the sharp contraction witnessed in the previous year due to extraordinary circumstances that impacted all aspects of the national economy.

Figure (13): GDP in Palestine (2015 – 2025)

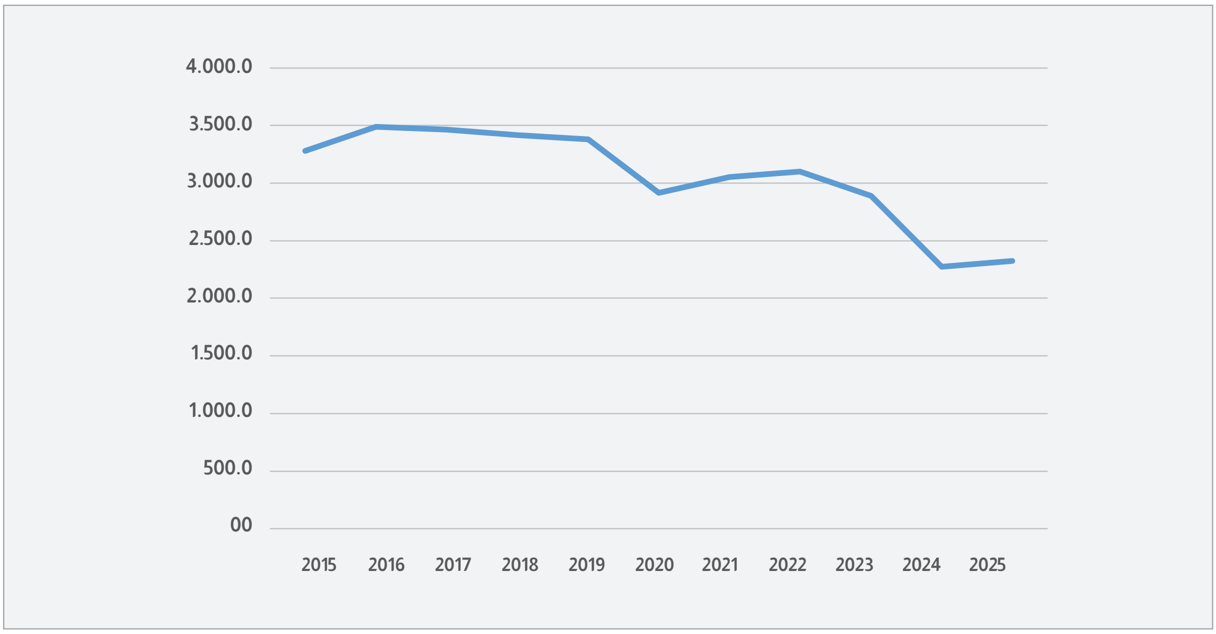


2. GDP Per Capita

In 2025, GDP per capita rose by 2.29%, reaching $2,326.5. This improvement reflects a recovery in individual income levels driven by increased value-added across economic activities compared to the previous year.

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

Figure (14): GDP per Capita in Palestine (2015 - 2025)

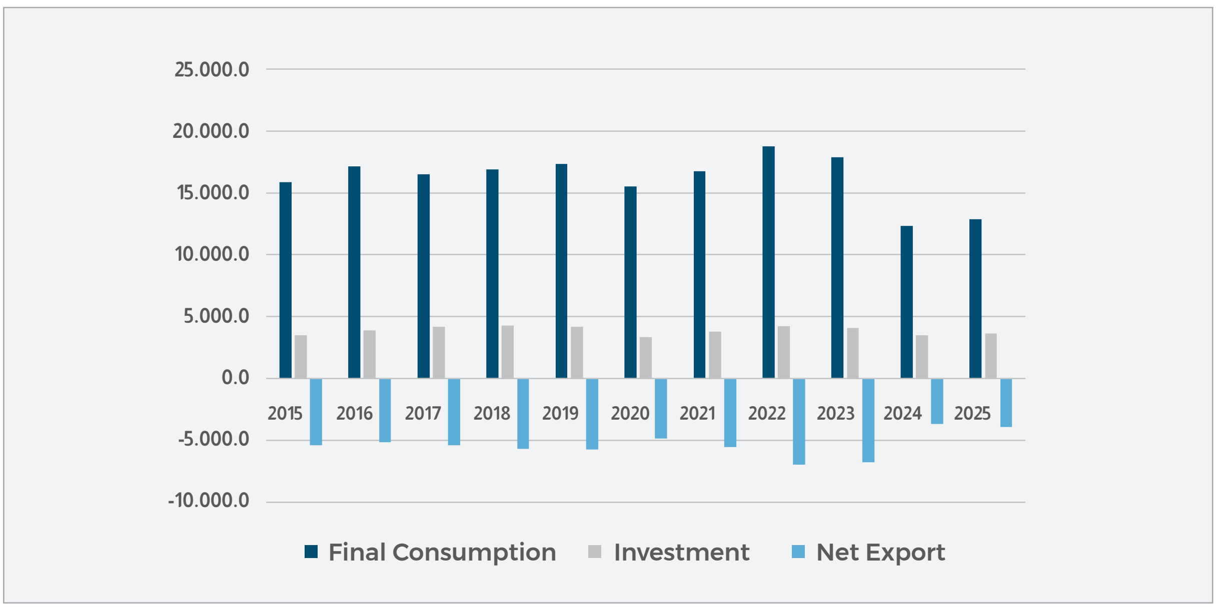


3. Aggregate Demand

The Palestinian economy witnessed a relative improvement in aggregate demand indicators in 2025 compared to the previous year. Final consumption recorded a growth of 4.2%, indicating a gradual recovery in consumer spending levels. Additionally, gross capital formation (investment) rose by 4.6%, reflecting a slight uptick in investment activities.

On the foreign trade front, exports registered an 8.3% decline compared to the previous year, while imports saw a marginal decrease of 0.2%. This disparity in trade performance led to a widening of the trade balance deficit, which increased by 6.1% by the end of 2025.

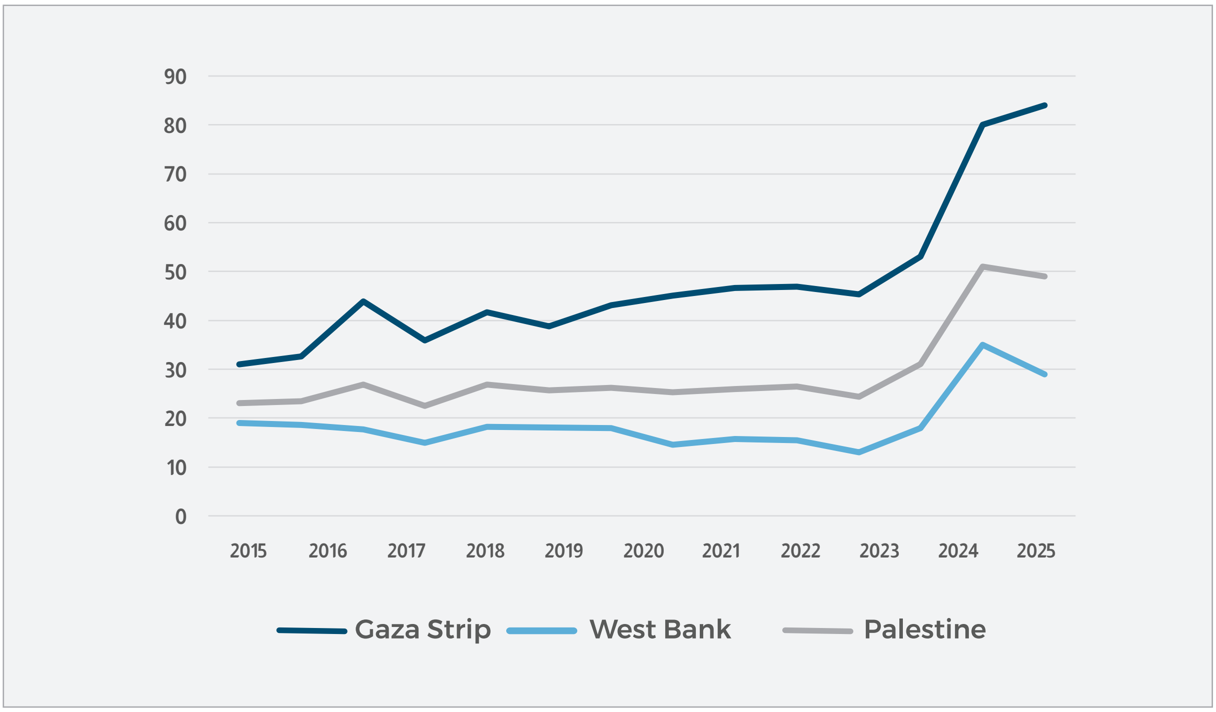
Figure (15): Aggregate Demand in Palestine (2015 - 2025)



4. Labor Market Indicators

Palestine continued to face severe labour market challenges in 2025, as regional disparities deepened and unemployment rates remained at unprecedented levels. By the end of 2025, the overall unemployment rate in Palestine stood at approximately 49%, compared with 51% in 2024. This was driven by the near-collapse of the labour market in the Gaza Strip, where unemployment reached around 84%, up from 80% in 2024, while unemployment in the West Bank remained elevated at 29%, compared with 35% at the end of 2024[3].

Figure (16): Unemployment Rate in Palestine (2015-2025)



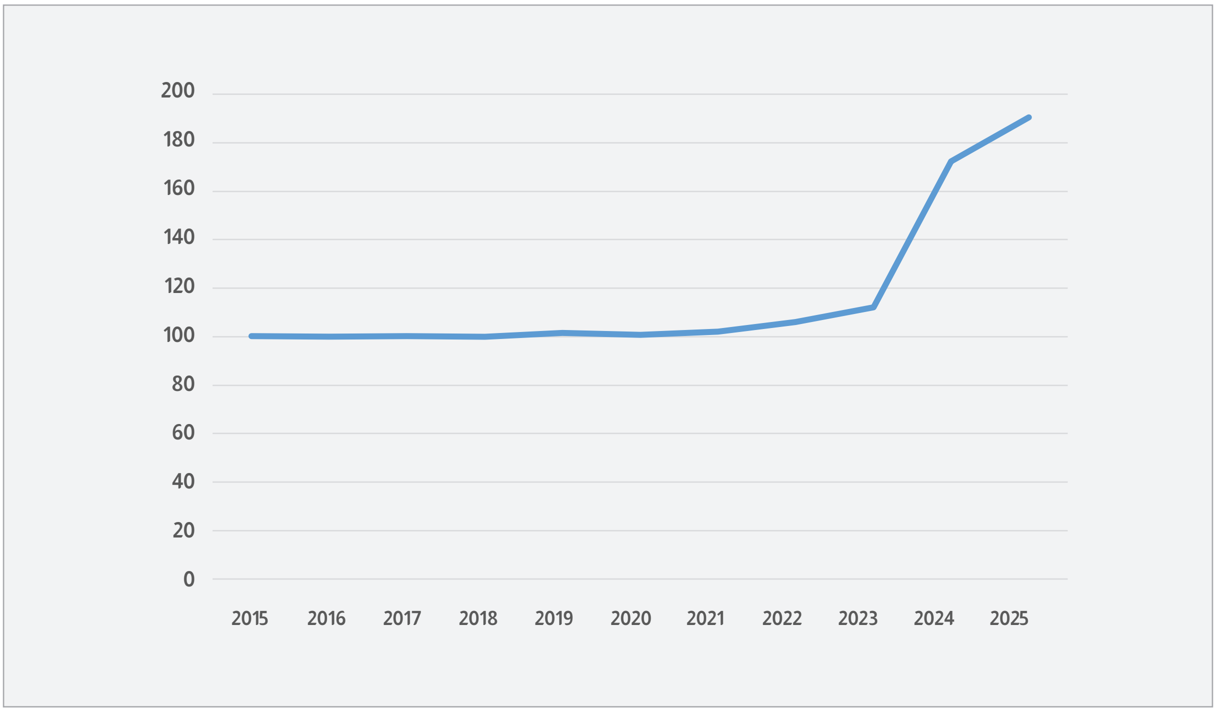
5. Consumer Price Index

The Palestine's Consumer Price Index (CPI) witnessed a sharp increase during 2025 compared to the previous year, recording a growth of 10.54%. This increase is primarily attributed to significant rises in the costs of housing, water, electricity, gas, and fuel, driven by unprecedented inflation levels in the Gaza Strip as a result of the ongoing repercussions of the Israeli aggression since October 2023.

Consumer Price Index in the Gaza Strip saw a record jump of 21.93%, while Jerusalem experienced an increase of 1.64%. In contrast, the index recorded a slight decrease of 0.11% in the West Bank.[4]

3 Labor force report, Palestinian Central Bureau of Statistics, 2025
4 Palestinian Central Bureau of Statistics, Consumer Price Index, 2025.

Figure (17): Annual Consumer Price Index Number (2015 – 2025) Base Year (2018 = 100)



Financial Statements

Palestine Deposit Insurance Corporation
Ramallah - Palestine

Financial Ststements and Independent Auditor’s Report
For the Year Ended December 31, 2025

Palestine Deposit Insurance Corporation
Ramallah – Palestine

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of **Palestine Deposit Insurance Corporation** "the Corporation", which comprise statement of financial position as at December 31, 2025, and the statement of Profit or Loss and Other 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, 2025 its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

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

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

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Independent Auditor's Report (Continued)

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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Independent Auditor's Report (Continued)

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

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

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

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

ديلويت
Deloitte.

Deloitte & Touche (M.E.)
Ramallah – Palestine
June 9,2026

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Statement of Financial Position
As at December 31, 2025

	Note	2025 USD	2024 USD
Assets			
Cash on Hand and Balances at Banks and PMA	5	**55,731,677**	24,340,660
Membership Fees Receivable	6	**7,618,959**	6,966,387
Financial Assets at Amortized Cost – Net	7	**317,386,389**	307,864,508
Property and Equipment – Net	8	**402,205**	451,516
Investment Property	9	**1,113,272**	1,113,272
Intangible Assets	10	**41,663**	57,431
Other Assets	11	**3,075,714**	2,611,523
Total Assets		**385,369,879**	343,405,297
Liabilities and Palestine Deposit Insurance Corporation's Equity			
Liabilities			
End of Service Provision	12	**313,718**	256,326
Other Liabilities	13	**114,022**	85,735
Total Liabilities		**427,740**	342,061
Palestine Deposit Insurance Corporation's Equity			
Paid in Capital	1	**14,184,814**	14,184,814
Islamic Banks' Reserve	14	**58,245,484**	51,591,233
Commercial Banks' Reserve	14	**312,511,841**	277,287,189
Total Palestine Deposit Insurance Corporation's Equity		**384,942,139**	343,063,236
Total Liabilities and Palestine Deposit Insurance Corporation's Equity		**385,369,879**	343,405,297

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.

4

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended December 31, 2025

	Note	2025 USD	2024 USD
Revenues			
Membership Fees Revenues	**15**	**29,254,666**	31,499,588
Profits and Interest on Deposits and Bonds – Net	**16**	**13,169,965**	10,713,857
Transferred from Deferred Revenues	**13**	**2,182**	22,670
Total Revenues		**42,426,813**	42,236,115
Expenses, net			
Employee's Expenses	**17**	**(786,670)**	(726,524)
General and Administrative Expenses	**18**	**(228,804)**	(215,617)
Depreciation and Amortization	**8,10**	**(89,476)**	(68,057)
Recovery (Provision) for Expected Credit Loss	**5,7**	**364,383**	(27,126)
Gains (Losses) from Currency Exchange		**192,657**	(158,060)
Total Expenses, net		**(547,910)**	(1,195,384)
Excess for the Year		**41,878,903**	41,040,731
Other Comprehensive Income Items		**-**	-
Total Other Comprehensive Income		**41,878,903**	41,040,731

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, 2025

	Paid in Capital USD	Islamic Banks' Reserve USD	Commercial Banks' Reserve USD	Retained Earnings USD	Total USD
Balance as at December 31, 2024	**14,184,814**	**51,591,233**	**277,287,189**	**-**	**343,063,236**
Total Comprehensive Income for the Year	-	-	-	**41,878,903**	**41,878,903**
Transferred to Reserves (Note 14)	-	**6,654,251**	**35,224,652**	**(41,878,903)**	-
Balance as at December 31, 2025	**14,184,814**	**58,245,484**	**312,511,841**	-	**384,942,139**
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

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, 2025

	2025 USD	2024 USD
Operating Activities		
Excess for the Year	**41,878,903**	41,040,731
Adjustments:		
Depreciation and Amortization	**89,476**	68,057
(Recovery) Provision for Expected Credit Loss	**(364,383)**	27,126
Provision for End of Service	**89,267**	46,995
Transferred from Deferred Revenues	**(2,182)**	(22,670)
Profits and Interest on Deposits and Bonds, Net	**(13,169,965)**	(10,713,857)
Amortization of the premium/discount on financial assets at amortized cost.	**(1,906,017)**	(873,850)
Cash Flows Generated from Operating Activities before Changes in Operating Assets and Liabilities	**26,615,099**	29,572,532
Decrease in Deposits at Banks Mature After 3 Months	**(31,069,000)**	(24,040,000)
(Increase) Decrease in Membership Fees Receivable	**(652,572)**	939,359
(Increase) Decrease in Other Assets	**(16,320)**	26,169
Increase in Other Liabilities	**30,469**	543
Cash Flows (Used in) Generated from Operating Activities	**(5,092,324)**	6,498,603
End of Service Payments	**(31,875)**	(35,696)
Net Cash Flows (Used in) Generated from Operating Activities	**(5,124,199)**	6,462,907
Investing Activities		
Net Changes in Property and Equipment	**(11,507)**	(452,109)
Net Changes in Intangible assets	**(12,890)**	(10,460)
Purchase of financial assets at amortized cost.	**(73,912,035)**	(50,716,146)
Maturity of financial assets at amortized cost.	**66,366,391**	33,903,608
Received Profits and Interest on Deposits and Bonds	**12,722,094**	10,291,369
Net Cash Flows Generated From (Used in) Investing Activities	**5,152,053**	(6,983,738)
Net Increase Decrease in Cash and Cash Equivalents	**27,854**	(520,831)
Cash and Cash Equivalent at the Beginning of the Year	**700,633**	1,221,464
Cash and Cash Equivalent at the End of the Year (Note 19)	**728,487**	700,633

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, 2025

1- General

The Palestinian Deposit Insurance Corporation - (the Corporation) was established pursuant to Decision by Law No. (7) of 2013, issued on 29 May 2013 by the President of the State of Palestine and Chairman of the Executive Committee of the Palestine Liberation Organization, and effective as of 7 November 2013.

Equity of the Palestine Deposit Insurance 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.

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 (20) and (18) employees as at December 31, 2025 and December 31, 2024, respectively.

The financial statements of the Corporation as at December 31, 2025 have been approved by the Corporation's Board of Directors in meeting No. 02/2026 on May 7,2026.

2- Adoption of New and Revised International Financial Reporting Standards

2-1 New and Amended IFRS Accounting Standards that are effective for the current year

In the current year, the corporation has applied the following amendments to IFRS Accounting Standards issued by the IASB which is mandatorily effective for an accounting period that begins on or after 1 January 2025. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendment	Description	Application Date
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled (Lack of Exchangeability)	The corporation has adopted the amendments to IAS 21 for the first time in the current year. The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.	1 January 2025

The application of this amendment has not had any material impact on the amounts disclosed for the current or prior periods in the financial statements but may affect the accounting treatments for future transactions or arrangements.

2-2 New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorization of these financial statements, the corporation has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective and, in some cases, have not yet been adopted by the relevant body:

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

2-2 New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

Amendment	Description	Application Date
- Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments.	1 January 2026
- Annual Improvements to IFRS Accounting Standards - Volume 11	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows.	1 January 2026
- Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity.	1 January 2026
- IFRS 18	Presentation and Disclosures in Financial Statements.	1 January 2027
- IFRS 19	Subsidiaries without Public Accountability: Disclosures.	1 January 2027
- Amendments to IFRS 10 and IFRS 28	Sales or contribution of assets between an investor and its associate or joint venture.	Postponed

The Board of directors does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the corporation in future periods.

Climate-related Matters

The corporation considers climate-related matters when making judgments and applying accounting estimates and assumptions, as appropriate. This assessment encompasses a wide range of potential impacts on the corporation arising from both physical and transition risks. Most climate-related risks are expected to materialize over a longer term, generally extending beyond the contractual maturity of most exposures. However, climate-related matters increase the level of uncertainty associated with the estimates and assumptions underpinning certain items in the financial statements. At present, climate-related risks do not have a material impact on measurement. Nevertheless, the corporation closely monitors relevant changes and developments.

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. 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 three months.

Membership Fees Receivable

Represents Subscription fees due and not received from member banks. Subscription fees are collected from member banks on quarterly basis.

Financial Assets at amortized Cost

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 Profit or Loss.

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2025

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

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

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

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

3- Material Accounting Policy Information (Continued)

Expected Credit Losses

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

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

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

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

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

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

Accordingly, the Corporation classifies financial assets into stage (one), stage (two) and stage (three), as shown below:

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

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

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

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

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, as explained above.

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 way as described above, 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 Profit or Loss and other 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 profit or loss and other 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 profit or loss and other comprehensive income.

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

Palestine Deposit Insurance Corporation
Ramallah – Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2025

3- Material Accounting Policy Information (Continued)

Intangible Assets (Continued)

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

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

Investment Property

Investments Property are those assets that are acquired for the purposes of generating income from leasing or investment and not for the purpose of selling them through the Corporation's normal activities. Its fair value is disclosed in the financial statements annually by certified property experts based on market prices at the end of the year.

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.

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3- Material Accounting Policy Information (Continued)

Deferred Revenues

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

Revenue Recognition

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

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

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

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

Foreign Currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing on the date of the transactions.

Balances of financial assets and liabilities are translated at prevailing average foreign currency rates into USD at the date of the statement of financial position.

Non-financial assets and liabilities denominated in foreign currencies that are stated at fair value are translated into USD on the date their fair value is determined.

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

Expenses Recognition

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

4- Significant Accounting Judgments and Uncertain Estimates

Critical Accounting Judgments and Key Sources of Uncertain Estimates

Preparing financial statements and applying accounting policies requires the Corporation's management to make judgments, estimates, and assumptions that affect the amounts of financial assets and financial liabilities. These estimates and judgments also affect revenues, expenses, and provisions in general, and expected credit losses. 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 2024.

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

Notes to the Financial Statements
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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

	2025 USD	2024 USD
Cash on hand	**662**	236
Current Accounts	**727,660**	694,315
Commercial deposits maturing after three months	**8,148,000**	19,820,000
Islamic deposits maturing after three months	**46,961,000**	4,220,000
Current Accounts at PMA	**165**	6,082
	55,837,487	24,740,633
Provision for expected credit loss	**(105,810)**	(399,973)
	55,731,677	24,340,660

The movement on the provision for expected credit loss for balances at banks during the 2025 and 2024 is as follows:

	2025				2024
	Stage (1) USD	**Stage (2) USD**	**Stage (3) USD**	**Total USD**	Total USD
Balance at the beginning of the year	**399,973**	**-**	**-**	**399,973**	-
Movement during the year	**(294,163)**	**-**	**-**	**(294,163)**	399,973
Balance at the end of the year	**105,810**	**-**	**-**	**105,810**	399,973

Notes to the Financial Statements
For the Year Ended December 31, 2025

6- Membership Fees Receivable

This item represents the unreceived subscription fees from members. The membership fees receivable as at December 31, 2025 and December 31, 2024 were USD 7,618,959 and USD 6,966,387 respectively.

7- Financial Assets at Amortized Cost – Net

	2025 USD	2024 USD
Quoted bonds and Islamic sukuk in foreign markets*	**312,555,545**	300,603,884
Unquoted bonds in foreign markets**	**5,000,000**	7,500,000
	317,555,545	308,103,884
Provision for expected credit loss	**(169,156)**	(239,376)
	317,386,389	307,864,508

*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 range between 0.63% to 7.5%.

** This item represents the Corporation's investment in bonds issued by local companies that mature within five years. Interest rate on the bonds was 7%.

The movement in the provision for expected credit loss for financial assets at amortized cost during the years ended December 31, 2025 and 2024 represents the following:

	2025				2024
	Stage (1) USD	Stage (2) USD	Stage (3) USD	Total USD	Total USD
Balance at the beginning of the year	**239,376**	-	-	**239,376**	612,223
Transferred to stage (1)	-	-	-	-	-
Transferred to stage (2)	-	-	-	-	-
Transferred to stage (3)	-	-	-	-	-
Net movement during the year	**(70,220)**	-	-	**(70,220)**	(372,847)
Balance at the end of the year	**169,156**	-	-	**169,156**	239,376

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8- Property and Equipment – Net

2025	Furniture and Fixture USD	Motor Vehicles USD	Office Equipment USD	Leasehold Improvements USD	Total USD
Cost:					
Balance at beginning of the year	65,550	38,249	269,891	378,070	751,760
Fixed Assets Reclassification	(531)	-	-	531	-
Additions	799	-	10,708	-	11,507
Disposals	-	-	-	-	-
Balance at end of the year	65,818	38,249	280,599	378,601	763,267
Accumulated Depreciation:					
Balance at beginning of the year	14,629	38,249	244,151	3,215	300,244
Depreciation	10,857	-	12,101	37,860	60,818
Disposals	-	-	-	-	-
Balance at end of the year	25,486	38,249	256,252	41,075	361,062
Net book value	40,332	-	24,347	337,526	402,205

Notes to the Financial Statements
For the Year Ended December 31, 2025

8- Property and Equipment – Net (Continued)

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

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) for the year 2021 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, 2025 and December 31, 2024 is USD 1,113,272. Management did not adjust the land revaluation results as there was no material difference.

10- Intangible Assets

	2025 USD	2024 USD
Balance at beginning of the year	**57,431**	78,635
Additions	**12,890**	10,460
Amortization	**(28,658)**	(31,664)
Balance at end of the year	**41,663**	57,431

11- Other Assets

	2025 USD	2024 USD
Accrued interest on bond	**2,955,162**	2,479,065
Interest paid to bondholders	**77,161**	47,939
Accrued interest on deposits	**26,099**	54,325
Prepaid expenses	**14,017**	28,392
Others	**3,275**	1,802
	3,075,714	2,611,523

12- End of Service Provision

	2025 USD	2024 USD
Balance at beginning of the year	**256,326**	245,027
Additions during the year	**89,267**	46,995
Payments during the year	**(31,875)**	(35,696)
Balance at end of the year	**313,718**	256,326

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Notes to the Financial Statements
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13- Other Liabilities

	2025 **USD**	2024 USD
Deferred revenues*	**-**	2,182
Employees' vacation Provision	**60,022**	45,613
Due to suppliers and accrued expenses	**54,000**	37,940
	114,022	85,735

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

	2025 **USD**	2024 USD
Balance at beginning of the year	**2,182**	24,852
Transferred to revenue	**(2,182)**	(22,670)
Balance at end of the year	**-**	2,182

14- Reserves

According to article No. (20) of the 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 Palestine Deposit Insurance 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 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. Pursuant to Board of Directors Resolution No. (484/06/2024), banks operating in the Gaza Strip were exempted from paying the contributions related to customer deposits held at their branches in the Gaza Strip, effective from the last quarter of 2024 through the end of the second quarter of 2025, provided that the exemption does not exceed 0.1% of the average total deposits as determined in accordance with the provisions of the law. The Board of Directors further resolved, under Resolution No. (499/04/2025), to extend the applicability of this resolution until December 31,2025.

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Notes to the Financial Statements
For the Year Ended December 31, 2025

15- Membership Fees Revenues (Continued)

The details of membership fees revenues represent the following:

	2025 USD	2024 USD
Commercial banks subscription fees	**24,606,314**	26,056,035
Islamic banks subscription fees	**4,648,352**	5,443,553
	29,254,666	31,499,588

16- Profits and Interest on Deposits and Bonds, net

	2025 USD	2024 USD
Interest from commercial financial assets at amortized cost	**8,943,728**	7,943,841
Return from Islamic financial assets at amortized cost	**1,669,436**	1,420,597
Interest from deposits at PMA	**16,240**	63,737
Interest from deposits at commercial banks	**1,000,934**	315,604
Revenues from deposits at Islamic banks	**152,384**	54,165
Amortization of bonds premium or discount, net	**1,657,044**	1,143,775
Brokerage firms' commissions	**(269,801)**	(227,862)
	13,169,965	10,713,857

17- Employees' Expenses

	2025 USD	2024 USD
Salaries and wages	**517,071**	487,405
End of service Provision	**89,267**	46,995
PDIC's contribution in provident fund	**54,671**	51,052
Training, conferences, and meetings	**36,888**	38,731
Employees' transportation	**32,797**	32,582
Health insurance expenses	**20,951**	22,801
Accrued vacation	**15,546**	8,942
Telecommunication	**9,463**	7,146
Fuel	**4,202**	3,881
Employee bonuses	**-**	21,873
Others	**5,814**	5,116
	786,670	726,524

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18- General and Administrative Expenses

	2025	2024
	USD	USD
Fees and subscriptions	**56,570**	53,471
Bonuses for the board of directors and board committees	**30,100**	41,500
Professional and legal fees	**27,376**	24,592
Maintenance	**21,471**	21,743
Telephone, internet and, mail	**19,245**	16,277
Office supplies	**17,572**	12,458
Cleaning expenses	**13,482**	10,407
Ammar Tower hosting expenses	**11,571**	2,893
Utilities	**8,973**	11,600
Advertising and marketing	**8,028**	6,376
Hospitality	**3,621**	2,920
Commission and interest expenses	**3,557**	2,268
Stationery and printings	**2,363**	3,661
Fuel expenses	**1,818**	2,114
Vehicle maintenance, insurance, and licensing expenses	**848**	854
Others	**2,209**	2,483
	228,804	215,617

19- Cash and Cash Equivalent

	2025	2024
	USD	USD
Cash on hand and balances at banks	**55,837,322**	24,734,551
Balances at Palestine Monetary Authority	**165**	6,082
Less: Deposits at banks maturing after three months	**(55,109,000)**	(24,040,000)
	728,487	700,633

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20- Related Party Transactions

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

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

	Nature of Relation	2025 USD	2024 USD
Current Accounts at PMA / Ammar Tower	Board of Directors	165	6,082
Accounts Payable	Board of Directors	4,410	1,610
End of Service Provision	key management	30,487	19,282
Vacations Provision	key management	16,771	14,127

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

	Nature of Relation	2025 USD	2024 USD
Hosting fees at PMA's Building	Board of Directors	11,571	22,539
Board of Directors' bonuses and benefits	Board of Directors	30,100	41,500
Key management salaries and related benefits:			
Short term benefits		134,757	135,514
End of service		11,184	7,398

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21- Fair Values of Financial Instruments

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

	2025		2024	
	Carrying Amount USD	**Fair Value USD**	Carrying Amount USD	Fair Value USD
Financial Assets				
Cash on Hand and Balances at Banks and PMA	**55,731,677**	**55,731,677**	24,340,660	24,340,660
Membership Fees Receivable	**7,618,959**	**7,618,959**	6,966,387	6,966,387
Financial Assets at Amortized Cost - Net	**317,386,389**	**315,674,473**	307,864,508	300,349,883
Other Assets (Except Prepaid Expenses and Others) (Note 11)	**3,058,422**	**3,058,422**	2,581,329	2,581,329
	383,795,447	**382,083,531**	341,752,884	334,238,259
Financial Liabilities				
Suppliers payable and accrued expenses (Note 13)	**54,000**	**54,000**	37,940	37,940
	54,000	**54,000**	37,940	37,940

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 million. 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.

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.

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.

23- Risk Management (Continued)

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.