



Palestine
Capital Market
Authority

2008

Annual
Report



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*His Excellency Mahmoud Abbas
President of the State of Palestine*

Board of Directors



Dr. Nabeel Kassis

Chairman



Mr. Tareq Al Masri

Vice-Chairman
Ministry of National Economy



*Mr. Mahmoud
Nofal*

Ministry of Finance



*Mr. Mohammad
Manasrah*

Palestinian Monetary Authority



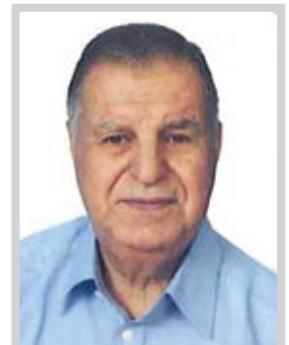
*Mr. Joseph
Nesnas*

Banking Sector



*Mr. Mohammad
Abu Ramadan*

Private Sector



*Dr. Abd El Fattah
Abu Shokr*

Private Sector

Strategic Plan 2016-2020

Vision

An effective regulatory authority that aims at developing a sound capital market and protecting the interests of stakeholders

Mission

Regulating, supervising, and overseeing the securities, insurance, financial leasing, and mortgage finance sectors in Palestine as well as ensuring that their work complies with the principles of transparency, fairness and integrity, in line with international best practices.

Strategic goals

- Strengthening Insurance sector through restructuring and organizing its status in a manner that contributes to the sector's stabilization and growth.
- Stimulating and deepening the securities sector and raise society awareness regarding the importance of investment in securities sector.
- Create the enabling environment for the work and growth of the mortgage finance sector.
- Develop services provided by financial leasing sector and raise its contribution to the economy.
- Prepare internal organizing developments that contributes to achieving PCMA goals.

Foreword by the Chairman

Dr. Nabeel Kassis



This is the fourth year in a row that I write a foreword for the annual PCMA report in my capacity as Chairman of the PCMA Board. I fully realize that a foreword cannot be a substitute for reading the report material, which has all the details of the past year's work that might be of interest to the reader. But before moving on to the body of the report, I would like to express my thanks to all Board members and standing and ad hoc committees for their hard work and cooperation during the year. I would also like to thank the General Director and management of the PCMA for a job well done. The past year was indeed a good one in which the PCMA did not face any unexpected issues. A special thank you goes to all the staff who prepared the material for the Board meetings, for keeping records of the proceedings and for following up on decisions taken.

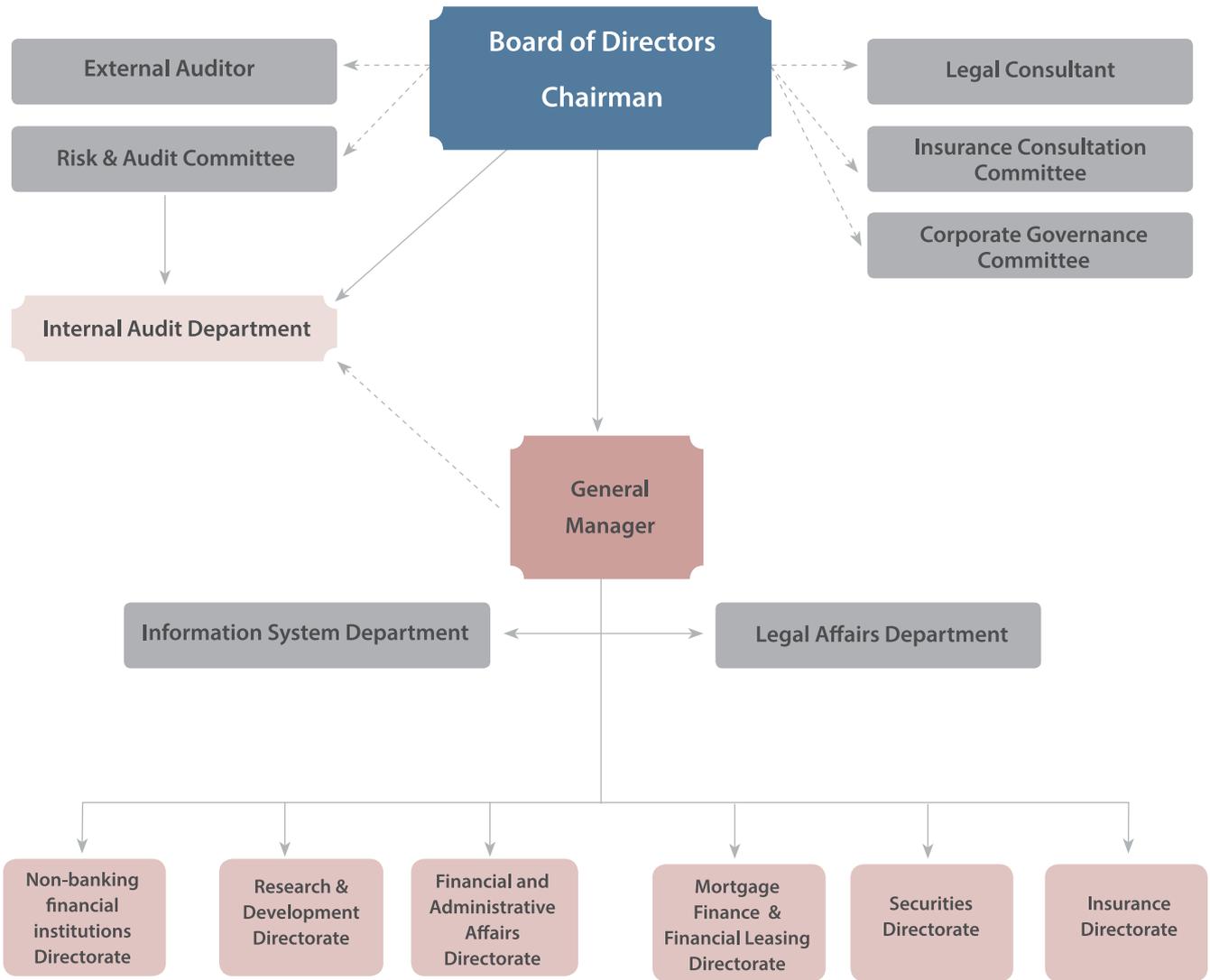
Apart from sub-committees' meetings that deliberated specific agenda items, the Board convened seven regular sessions, in which it dealt with routine business, such as review of financial statements, discussion of the budget and appointment of the external auditor. There were special instances that are worth pointing out, when the Board took important decisions on non-routine matters, such as approval of an amended organizational structure for the Insurance General Directorate, proposing necessary changes in some articles of the Insurance Law, appointing the General Director for Insurance, a post that had been filled with temporary assignments for over two years. During that time, acting general directors took

care of business, and I take this opportunity to thank them all for their great and selfless efforts. On another front, the PCMA Board decided to have the performance evaluation instrument reviewed and invited tenders from expert firms to this end. The Board also invited tenders to perform an actuary study of the insurance rates for motorcycles and submitted recommendations in this respect to the Cabinet for consideration and approval. The Board also reviewed reports on the work of the general directorates and on the progress in implementing the PCMA 2016-2020 development strategy.

One moment in 2018 that is worth highlighting is the launch of the Financial Inclusion Strategy, together with the Palestine Monetary Authority (PMA), PCMA's co-chair of the National Committee on Financial Inclusion. It is with pride that we point to this achievement, including the preparation of the National Plan for Financial Inclusion, and thank all those who contributed to this effort, in particular the coordinators from PCMA and PMA. On another front, PCMA is still working to secure funding for the erection of its premises on the plot of public land that has been allocated to it.

We look forward to more achievements and more stability in PCMA's work in the coming year and would like to recognize the support that HE the Prime Minister and the Cabinet have afforded PCMA, in particular the recent passing of the Administrative and Financial Regulations of the PCMA.

Organizational Chart



Palestine Capital Market Authority:

During 2018, PCMA has continued implementing its plans and programs according to its tasks stipulated in the law, in addition to strengthening its internal and international relations, and based on the objectives mentioned in PCMA strategic plan for the years 2016-2020. In the context, PCMA key achievements during 2018 were the following:

- **Decision for disseminating penalties and breaches imposed by PCMA.** The board of directors in its meeting No. (04/2018) held in the third quarter of the year 2018 issued a decision concerning classification of the penalties according to three levels, the penalties level reflects PCMA view on the seriousness of the breach.
- **Signing a memorandum of understanding (MoU) with Jordan Securities Commission.** In the first quarter of the year 2018, PCMA and Jordan securities commission signed a memorandum, which aims to exchange experience and knowledge in the fields of securities sector supervision and the development of legal and regulatory frameworks, especially those related to Islamic finance and Sukuk issuance.
- **Launching of insurance certification program.** PCMA developed the insurance certification program with the Cooperation with both Bahrain Institute of Banking and Finance (BIBF) and Chartered Insurance Institute (CII). This program mainly aims to develop the Insurance sector in Palestine by increasing the capabilities of its employees based on professional certificates issued by prestigious institutions in accordance with the best international standards in the insurance industry.
- **Launching Insurance awareness campaign, “Insurance is Protection and Safety”.** This campaign aims to enhance the awareness and knowledge of Palestinian citizens about the importance of the products and services provided by the insurance sector. The campaign will last for seven months starting in the beginning of 2019 and it will cover all of the governorates in the West Bank and Gaza Strip and uses different awareness tools.
- **World Investor Week in Palestine.** For the second year in a row, Palestine participated and supported the International Organization of Securities Commissions (IOSCO) in its efforts by conducting several activities and events targeting the Palestinian youth during the World Investor Week along with the participation of 82 countries around the World.

Corporate Governance:

The year 2018 had a number of achievements concerning Corporate Governance in Palestine due to PCMA's efforts in enhancing the Corporate Governance of the public shareholding companies listed on the Palestine Exchange in addition to increase the awareness and knowledge in this regard.

The following is a summary of the main developments in the year 2018 in terms of Corporate Governance:

- **Implementation of the Corporate Governance Scorecard.** PCMA has completed the actual implementation of (CG scorecard) during 2018 by receiving the initial data of the public shareholding companies listed on the Palestine Exchange, then reviewing, verifying the results and represent them to each company individually.

- **Signing a Memorandum of understanding to renew the cooperation with International Finance Corporation (IFC).** During the third quarter of the year 2018, as a completion of the strategic partnership between PCMA and IFC, they signed a memorandum of understanding which leads to enhance Corporate Governance in Palestine and the memorandum will last for the upcoming three years.
- **Conclusion of the first competition concerning Corporate Governance in Palestinian universities.** In cooperation with the International Finance Corporation (IFC), the PCMA has concluded this competition of a corporate governance case study in the second quarter of the year 2018, which was sponsored by the Palestinian Federation of Insurance companies. Five universities with 266 students participated in this competition, and a group of five students won from Al-Ahlia University.
- **PCMA enroll corporate governance course into Palestinian universities.** PCMA completed its efforts with International Finance Corporation (IFC) in raising the Palestinian youth awareness of the corporate governance and its importance within the market. With reference to this, PCMA has recently signed and renewed a cooperation agreement with different Palestinian universities in cooperation with the International Finance Cooperation "IFC"; this agreement aims to advance corporate governance practices and to integrate the corporate governance course into the teaching plan of the Faculty of Business and Economics. It is worth mentioning that by the end of the academic year 2018/2019, 1867 students have successfully passed the course.

Financial Inclusion:

The year 2018 witnessed an important national achievement in terms of the financial inclusion. The Council of Ministries approved the National strategy of financial inclusion in its meeting held on 12/9/2018. On the other hand, His Excellency Mahmoud Abbas –President of the state of Palestine- received the national strategy of the financial inclusion in Palestine from the national committee co-chairs jointly chaired by PCMA and PMA. Therefore, Palestine is considered one of the first Arab countries to develop and launch a national strategy for financial inclusion in accordance with international standards and best practices.

In addition, 2018 witnessed also the first meeting for the national committee of financial inclusion, which was appointed by the Council of Ministries in 2017, in joint leadership of the Palestine Monetary Authority (PMA) and Palestine Capital Market Authority (PCMA). And in a membership of: Ministry of Finance and Planning, Ministry of National economy, Ministry of Social Development, Ministry of Education & Higher Education, Palestine Stock Exchange, Association of Banks, The federation of Palestinian chambers of Commerce, Industry and Agriculture, Palestine Insurance Federation, Sharakeh in addition to two independent experts.

The national committee of financial inclusion, announced the starting phase for implementation of the national strategy for financial inclusion, this was announced in a huge ceremony held in the end of the year 2018 under His Excellency Mr. Mahmoud Abbas and in cooperation with the representative of the German government in Palestine, Alliance for financial inclusion and GIZ. The vision of the NFIS is to achieve "a developed financial sector that fully meets the financial needs of all segments of the Palestinian society to improve their welfare".

For the purpose of the NFIS, financial inclusion is defined as "Enhancing access to, and use of, financial products and services by all segments of the society via formal channels, while meeting their needs in a timely and affordable manner, protecting their rights and promoting their financial

knowledge to enable them to make well-informed financial decisions.”

This definition encompasses access, use and quality dimensions of financial inclusion while assigning a central importance to financial consumer protection, which is critically important in the local context to ensure sustainability and quality of financial inclusion.

The overarching goal of the National Financial Inclusion Strategy (NFIS) is to increase financial inclusion from the current level of 36.4% of adults to at least 50 % of adults by the end of 2025.

The NFIS aims to achieve multiple objectives.

1. Increase the level of financial capability in targeted segments of the population. The sub objectives related to this are:

- 1.1 Improve financial capability among students in schools, universities and community colleges.
- 1.2 Promote financial capability among women, youth and unemployed people.
- 1.3 Increase financial capability among MSMEs with special emphasis on women operated MSMEs.
- 1.4 Improve people’s trust in the financial service providers and in formal financial services in both banking and non-banking sectors.
- 1.5 Build the financial capability among the economic media.

2. Increase access to and usage of formal financial products and services by targeted segments that acutely suffer from a low level of financial inclusion. The sub-objectives related to this include the following:

- 2.1 Make demand-driven financial products and services available in the unserved rural areas of north and south of West Bank and of the Gaza Strip
- 2.2 Increase access to and usage of financial services by targeted segments of the society.
- 2.3 Promote usage of services provided by the formal financial sector.
- 2.4 Increase access to and usage of formal financial services by MSMEs including those operated by women.
- 2.5 Improve legal infrastructure for financial inclusion.
- 2.6 Improve the supply and quality of Sharia-compliant financial products and services in the market.

3. Strengthen and protect the right of consumers of financial products and services. The sub-objectives related to this are:

- 3.1 Promote a more conducive legal and judicial environment for financial consumer protection.
- 3.2 Improvement of the capabilities of financial consumer protection associations.
- 3.3 Promote transparency and disclosure of financial consumers’ rights and obligations.
- 3.4 Strengthen complaint management systems for financial consumers and increase awareness about these systems among people.
- 3.5 Promote the knowledge about rights and obligations associated with use of financial services among the unserved and underserved people.

4. Strengthen the role of information and communication technology to expand the access to and usage of formal financial services. This objective has two sub-objectives.

- 4.1 Enhance the technical and legal infrastructure for digital financial services.
- 4.2 Build a comprehensive database to promote financial inclusion.

Securities Sector:

During the year 2018, Palestine Capital Market Authority started implementing the plan for the sectors supervised by PCMA according to the recommendations of the National Group of Money Laundering and terrorist financing.

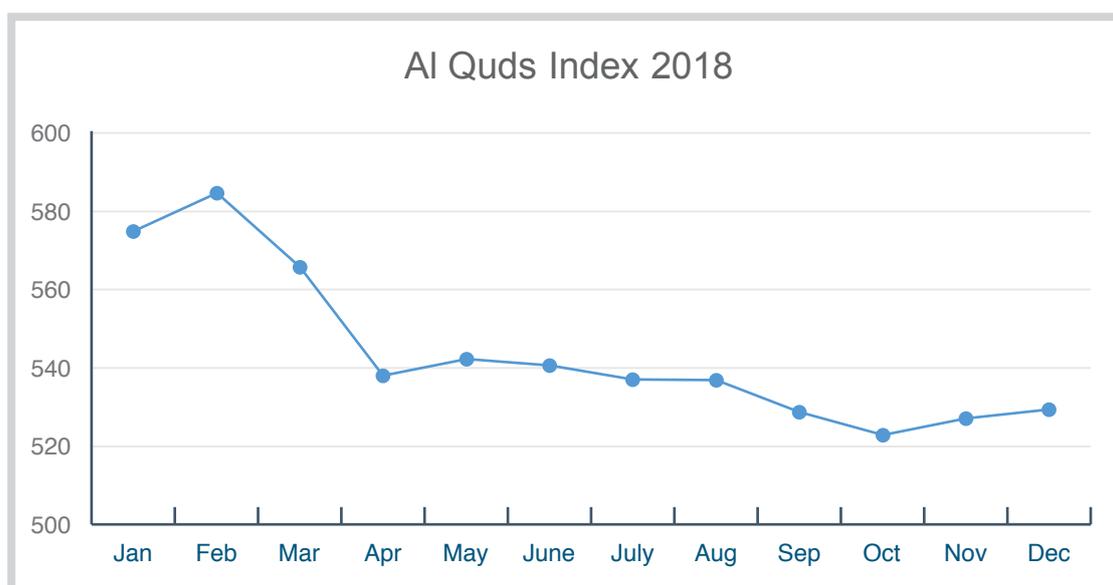
The Palestinian Capital Market Strategy group aimed to harmonize the strategies of PCMA, Palestine stock exchange and the financial listed companies in order to get back the competitive advantage of the securities sector.

At the end of 2018, Al-Quds index closed at 529.4 points, recording a decrease of 7.9% from its closing at the end of the year 2017, which is 574.6 points.

Key indicators of Palestine Securities Sector for the year 2018

Al-Quds Index Quarterly Performance 2018

| Period | Al-Quds index | Percentage change compared with previous quarter (%) | Percentage change compared with 31/12/2017 (%) |
|------------|---------------|--|--|
| 31/12/2017 | 574.6 | --- | --- |
| 31/3/2018 | 565.6 | -1.6 | -1.6 |
| 30/6/2018 | 540.7 | -4.4 | -5.9 |
| 30/9/2018 | 528.8 | -2.2 | -8.0 |
| 31/12/2018 | 529.4 | 0.1 | -7.9 |



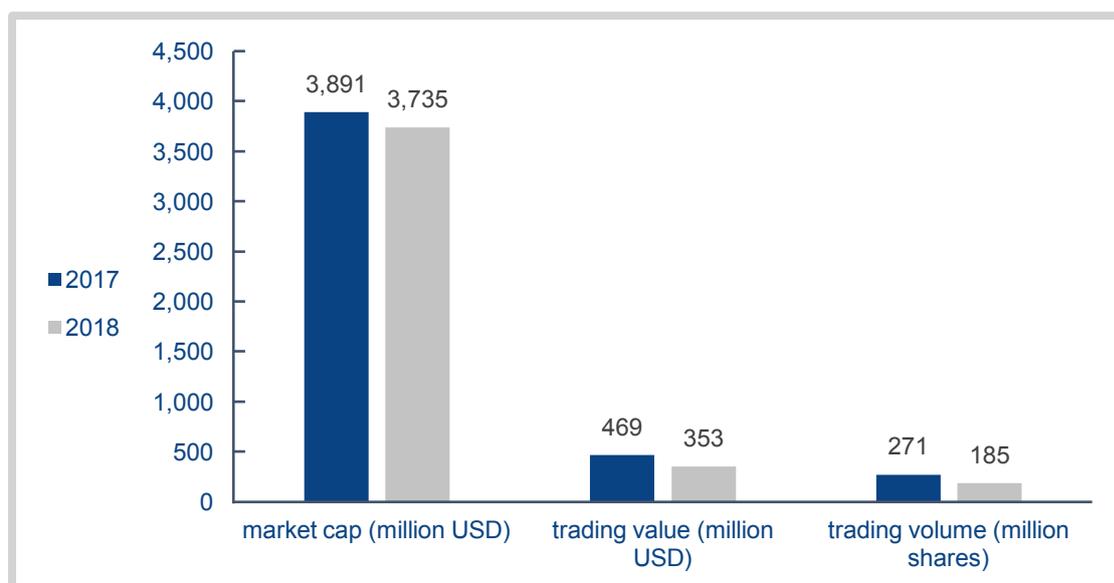
PEX trading activities, 2017-2018

| Year | Trading Sessions | Trading volume | Trading value(\$) | Number of transactions | Average daily trading value(\$) | Market Capitalization (\$) |
|------|------------------|----------------|-------------------|------------------------|---------------------------------|----------------------------|
| 2017 | 243 | 271,163,750 | 469,070,221 | 53,205 | 1,930,330 | 3,891,495,531 |
| 2018 | 243 | 185,071,060 | 353,476,019 | 35,030 | 1,454,634 | 3,734,921,019 |
| % | 0 | -31.7 | -24.6 | -34.2 | -24.6 | -4.0 |

Market capitalization trading value as percentage of GDP

| Description | 2017 (%) | 2018 (%) |
|--|----------|----------|
| Market capitalization as % of GDP (current prices) | 26.8 | 25.8 |
| Trading value as % of GDP (current prices) | 3.2 | 2.4 |

Market capitalization, trading value, and trading volume 2017-2018



Listed companies' performance for the period ending 31/12/2018

| | Company name | Symbol | Currency | Net Profit (Loss) |
|----|--|------------|----------|-------------------|
| 1 | Arab Islamic Bank | AIB | \$ | 7,103,320 |
| 2 | Bank of Palestine | BOP | \$ | 54,110,093 |
| 3 | Palestine Islamic Bank | ISBK | \$ | 15,131,604 |
| 4 | Palestine Investment Bank | PIBC | \$ | 4,342,324 |
| 5 | Al Quds Bank | QUDS | \$ | 11,595,841 |
| 6 | The National Bank | TNB | \$ | 19,255,855 |
| 7 | Palestine Securities | PSE | \$ | 419,515 |
| 8 | Arab Paint Products | APC | JD | 501,533 |
| 9 | Palestine Poultry | AZIZA | JD | 843,552 |
| 10 | Birzeit Pharmaceuticals | BPC | \$ | 7,967,506 |
| 11 | Al Shark Electrode | ELECTROD | JD | 94,572 |
| 12 | Jerusalem Cigarette | JCC | JD | 13,546 |
| 13 | Jerusalem Pharmaceuticals | JPH | \$ | 6,002,857 |
| 14 | Palestine Plastic Industries | LADAEN | JD | (87,658) |
| 15 | National Aluminum and Profile | NAPCO | JD | 570,189 |
| 16 | The National Cartoon Industry | NCI | \$ | (162,607) |
| 17 | The Vegetables Oil Industries | VOIC | JD | 6,384,343 |
| 18 | Dar Al-Shifa'a for the Manufacturing of Pharmaceuticals* | PHARMACARE | \$ | -- |
| 19 | Golden Wheat Mills | GMC | JD | 73,698 |
| 20 | Beit Jala Pharmaceutical Co. | BJP | JD | 772,790 |
| 21 | Ahliea Insurance Group | AIG | \$ | 2,122,596 |
| 22 | Global United Insurance | GUI | \$ | 2,760,610 |
| 23 | Al Mashriq Insurance | MIC | \$ | 2,418,576 |
| 24 | National Insurance | NIC | \$ | 3,767,697 |
| 25 | Palestine Insurance | PICO | \$ | (1,291,333) |

| | | | | |
|----|--|---------|----|-------------|
| 26 | Al-Takaful Palestinian Insurance | TIC | \$ | 2,774,100 |
| 27 | Trust International Insurance Company | TRUST | \$ | 5,886,968 |
| 28 | Al-Aqariya Trading Investment | AQARIYA | \$ | 9,460 |
| 29 | Arab Investors | ARAB | JD | 56,083 |
| 30 | Jerusalem Real Estate Investment | JREI | \$ | (39,498) |
| 31 | Palestine Development & Investments | PADICO | \$ | 15,539,000 |
| 32 | Palestine Investment & Development | PID | JD | 628,969 |
| 33 | Palatine Industrial Investment | PIIC | JD | 3,498,016 |
| 34 | Palestine Real Estate Investment | PRICO | JD | (3,940,505) |
| 35 | Sanad construction resources | SANAD | \$ | 317,002 |
| 36 | Union construction and Investment | UCI | \$ | 1,926,559 |
| 37 | Arab Palestinian Investment Company (APIC) | APIC | \$ | 16,038,336 |
| 38 | Al-Wataniah Towers | ABRAJ | \$ | 1,182,746 |
| 39 | The Arab Hotels | AHC | JD | (1,136,963) |
| 40 | Arab Real estate Establishment** | ARE | JD | -- |
| 41 | Globalcom Telecommunications** | GCOM | \$ | -- |
| 42 | Nablus Surgical Center | NSC | JD | 177,086 |
| 43 | PALAQAR For Real Estate Dev. & Management | PALAQAR | JD | 137,537 |
| 44 | Palestine Telecommunications | PALTEL | JD | 67,092,000 |
| 45 | Palestine Electric | PEC | \$ | 8,786,981 |
| 46 | The Ramallah Summer Resorts | RSR | JD | 348,551 |
| 47 | Palestinian Distribution & Logistics SRVs | WASSEL | \$ | 43,072 |
| 48 | WATANIYA Palestine Mobile Telecom | OOREDOO | \$ | 100,474 |

(*) The company did not disclose the audited financial statements until the date of submitting this report.

(**) Symbol is suspended.

PEX monthly trading activities, 2018*

| Month | Volume | Value (\$) | Trading Sessions | #of Transactions | AI-Quds Index |
|-----------|------------|-------------|------------------|------------------|---------------|
| January | 21,122,368 | 36,814,084 | 20 | 3,924 | 574.9 |
| February | 14,243,591 | 26,996,117 | 20 | 3,763 | 584.6 |
| March | 48,942,457 | 106,519,643 | 20 | 3,746 | 565.6 |
| April | 14,483,498 | 30,783,868 | 22 | 3,215 | 538.0 |
| May | 10,611,571 | 20,557,365 | 21 | 2,887 | 542.2 |
| June | 10,078,307 | 21,393,928 | 17 | 2,661 | 540.7 |
| July | 12,764,998 | 23,726,814 | 23 | 3,068 | 537.0 |
| August | 13,590,203 | 18,688,583 | 18 | 2,755 | 536.9 |
| September | 14,565,313 | 27,135,381 | 20 | 3,250 | 528.8 |
| October | 8,242,550 | 13,053,840 | 22 | 2,277 | 522.8 |
| November | 8,445,349 | 10,025,868 | 19 | 1,704 | 527.1 |
| December | 7,980,855 | 17,780,528 | 21 | 1,780 | 529.4 |

* Total activity includes over-the-counter transactions.

Insurance Sector:

In the year 2018, PCMA started working with the new organizational structure for the insurance directorate, which is approved by the Board of Directors in order to develop and enhance the work in this directorate by increasing the efficiency of the performance and this goes with the PCMA strategic objectives to develop and strengthen the Insurance sector in Palestine.

The PCMA was able to apply a risk-based supervision approach that is consistent with Insurance core principles (ICPs) issued by the International Association of Insurance Supervisors (IAIS).

Key indicators for Palestinian insurance sector for the year 2018:

A. Financial and operational performance for insurance sector 2017-2018

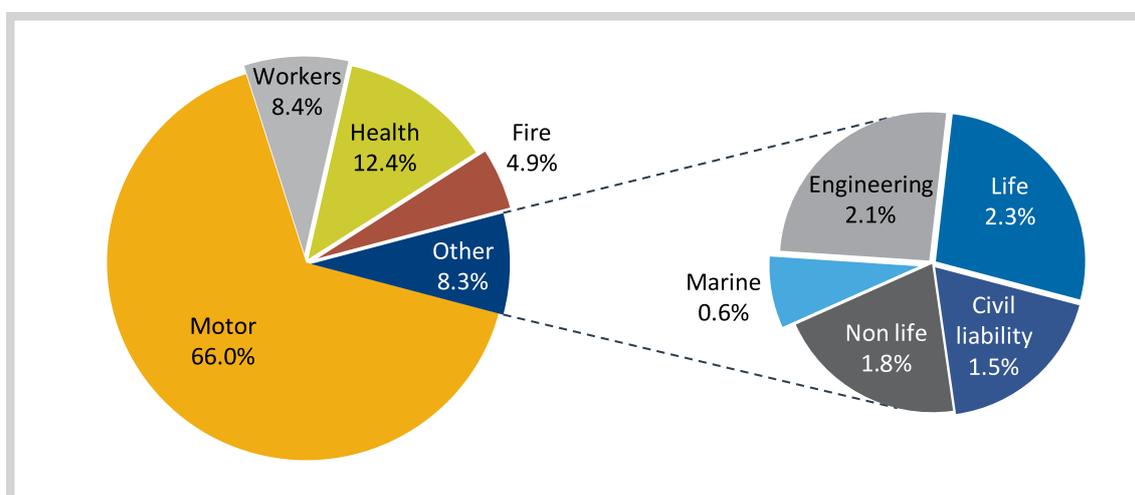
Currency: (US Dollar)

| | Description | 2017 | 2018 |
|--|--|-------------|-------------|
| General information | Number of insurance companies | 9 | 10 |
| | Number of insurance companies branches | 141 | 151 |
| | Number of insurance companies employees | 1,245 | 1,401 |
| | Number of insurance agents and producers | 262 | 271 |
| Insurance sector results | Motor insurance premiums | 168,650,018 | 184,407,507 |
| | Workers insurance premiums | 22,195,035 | 23,565,137 |
| | Health insurance premiums | 29,783,673 | 34,586,219 |
| | Fire insurance premiums | 13,292,980 | 13,824,848 |
| | Marine insurance premiums | 1,797,069 | 1,796,569 |
| | Engineering insurance premiums | 5,579,552 | 5,958,361 |
| | Civil liability insurance premiums | 4,322,873 | 4,308,065 |
| | Non-life insurance premiums | 4,340,844 | 4,601,928 |
| | Life insurance premiums | 5,459,685 | 6,321,964 |
| | Total insurance premiums | 255,421,729 | 279,370,598 |
| | Total paid- up claims | 144,320,228 | 166,307,996 |
| | Net incurred claims | 148,857,494 | 158,971,394 |
| | General and administrative expenses* | 37,935,099 | 54,597,762 |
| | Net income after tax | 25,963,459 | 15,442,849 |
| Net profit of technical insurance activities | 21,747,093 | 21,105,525 | |

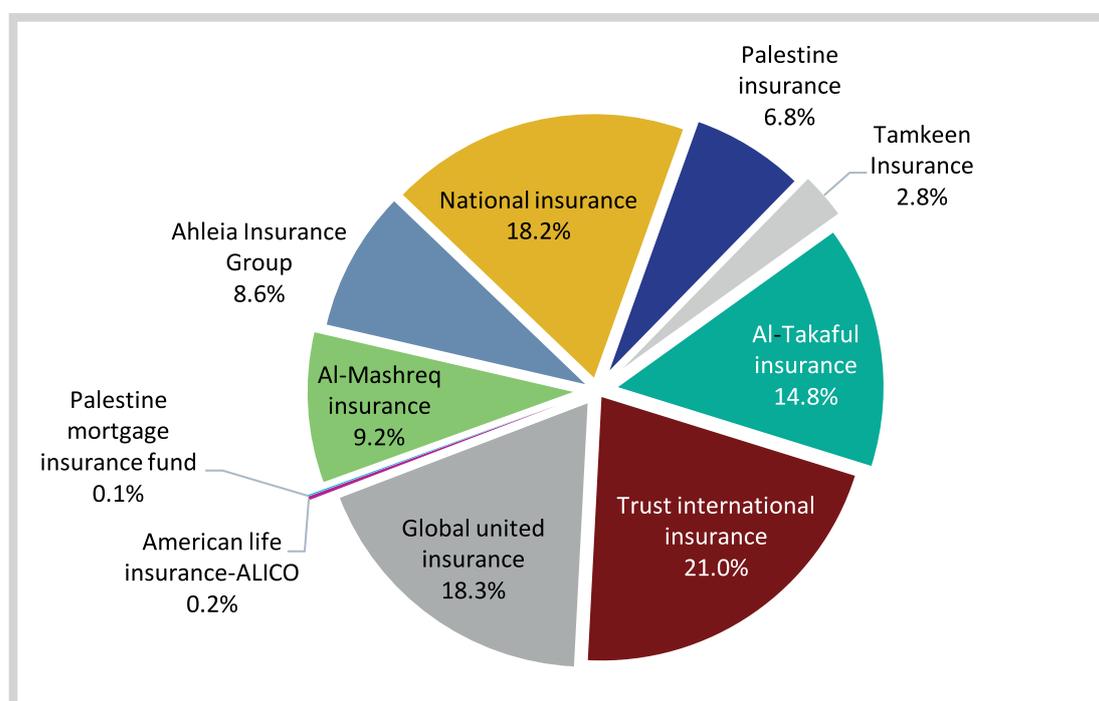
| Summary of assets and liabilities for insurance sector | Total current assets | 326,811,407 | 324,386,554 |
|--|--|--------------------|-------------|
| | Total non-current assets | 201,599,040 | 217,044,830 |
| | Total investments | 248,887,118 | 249,330,540 |
| | Total receivables | 82,458,333 | 84,907,919 |
| | Net receivables | 67,423,694 | 68,995,745 |
| | Accounts payable | 22,451,502 | 24,924,604 |
| | Total assets | 528,410,447 | 541,431,384 |
| | Total insurance policies assets | 46,047,196 | 48,830,985 |
| | Total non-current liabilities | 16,400,278 | 17,695,482 |
| | Total current liabilities | 323,370,361 | 337,483,380 |
| | Total insurance policies liabilities | 251,712,136 | 261,035,374 |
| | Paid-up capital | 71,200,000 | 90,000,000 |
| | Statutory reserve | 15,409,521 | 17,132,051 |
| | Optional reserve | 10,424,506 | 10,441,574 |
| | Cumulative change in assets fair value | 24,388,546 | 21,802,824 |
| | Retained earnings (losses) | 50,023,638 | 41,863,492 |
| Total shareholder's equity | 188,639,808 | 186,252,522 | |

*General and administrative expenses include both distributed and undistributed general and administrative expenses.

B. Total insurance portfolio per product as it is on 31/12/2018 (total value of 279,370,598 US Dollar)



C. Total insurance portfolio per company as it is on 31/12/2018 (total value of 279,370,598 US Dollar)



D. Aggregate balance sheet as it is on 31/12/2018

Currency: (US Dollar)

| Description | 2017 | 2018 |
|---|------------|------------|
| Non-current assets | | |
| Net property, plant and equipment | 43,253,080 | 47,212,102 |
| Real estate investments | 69,843,376 | 82,101,869 |
| Contributions in affiliated companies | 20,798,293 | 21,538,073 |
| Loans for related parties | 382,956 | 2,614,291 |
| Financial investments available for sale | 33,790,342 | 32,387,724 |
| Financial investments holding to maturity | 11,813,159 | 16,267,922 |
| Cheques under collections (due after more than 12 months) | 2,312,064 | 2,420,437 |
| Restricted deposits | 1,265,000 | 1,265,000 |
| Deferred tax assets | 4,455,686 | 5,072,137 |

| | | |
|---|--------------------|--------------------|
| Financial assets at amortized cost | 13,685,084 | 6,165,275 |
| Total non- current assets | 201,599,040 | 217,044,830 |
| Current assets | | |
| Financial investments for trading | 12,571,285 | 11,585,701 |
| Insurance policies, current risk- motor | 2,654,882 | 2,513,650 |
| Insurance policies, current risk- non-life | 6,732,939 | 6,769,893 |
| Insurance policies, reported claims- motor | 20,408,883 | 23,442,701 |
| Insurance policies, reported claims-non-life | 15,511,903 | 16,046,216 |
| Insurance policies- life | 738,589 | 58,525 |
| Total insurance policies | 46,047,196 | 48,830,985 |
| Accounts receivable for insurance & reinsurance companies | 4,574,954 | 6,325,466 |
| Accounts receivable | 82,458,333 | 84,907,919 |
| (Provision for accounts receivable) | (15,034,639) | (15,912,174) |
| Net accounts receivable | 67,423,694 | 68,995,745 |
| Other accounts receivable | 24,836,257 | 18,034,953 |
| Cheques under collections (due within 12 months) | 59,387,773 | 68,703,838 |
| Bank deposits | 72,820,887 | 73,818,568 |
| Cash and cash equivalent | 27,232,625 | 26,505,181 |
| Current Real estate investments | 11,916,736 | 1,586,117 |
| Total current assets | 326,811,407 | 324,386,554 |
| Total assets | 528,410,447 | 541,431,384 |
| Shareholder's equity and liabilities | | |
| Shareholder's equity | | |
| Paid-up capital | 71,200,000 | 90,000,000 |
| Statutory reserve | 15,409,521 | 17,132,051 |
| Optional reserve | 10,424,506 | 10,441,574 |
| Issuance premium (discount) | 655,390 | 655,390 |

| | | |
|---|--------------------|--------------------|
| Cumulative change in fair value | 24,388,546 | 21,802,824 |
| Changes in foreign currency exchange | 534,661 | (1,842,138) |
| Retained earnings (losses) | 50,023,638 | 41,863,492 |
| Minority interest | 7,183,156 | 6,917,381 |
| Treasury stocks | (436,638) | (174,465) |
| Head office current account | 9,257,028 | (543,587) |
| Total shareholder's equity | 188,639,808 | 186,252,522 |
| Surplus of Takaful fund subscribers | 0 | 0 |
| Non-current liabilities | | |
| Provision for end of services benefits | 12,805,870 | 14,468,951 |
| Long term loans | 1,510,901 | 921,902 |
| Deferred Tax liabilities-Long Term | 2,083,507 | 2,304,629 |
| Long term account Payable | 0 | 0 |
| Total non-current liabilities | 16,400,278 | 17,695,482 |
| Current liabilities | | |
| Insurance policies liabilities | | |
| Current risks reserve, motor | 55,373,765 | 58,546,703 |
| Current risks reserve, non-life | 20,958,295 | 22,567,881 |
| Mathematical reserve, life | 9,045,305 | 8,583,591 |
| Total | 85,377,365 | 89,698,175 |
| Outstanding reported claims reserve, motor (compulsory) | 63,886,325 | 67,612,829 |
| Outstanding reported claims reserve, motor (TP) | 37,545,283 | 44,700,503 |
| Outstanding claims reserve, non-life | 44,089,625 | 48,715,309 |
| Unreported outstanding claims reserve | 19,299,337 | 9,857,951 |
| Claims reserve, life | 1,514,201 | 450,607 |
| Total | 166,334,771 | 171,337,199 |
| Total current liabilities (insurance policies) | 251,712,136 | 261,035,374 |
| Accounts payable | 22,451,502 | 24,924,604 |

| | | |
|--|--------------------|--------------------|
| Accounts payable for insurance & reinsurance companies | 10,442,347 | 11,708,285 |
| Accrued expenses | 309,532 | 3,649,282 |
| Other provisions | 6,792,160 | 9,626,298 |
| Other accounts payable | 15,365,422 | 11,173,851 |
| Short term loans | 1,206,124 | 937,814 |
| Accounts payable, banks | 4,863,458 | 5,196,835 |
| Deferred cheques | 10,227,680 | 9,231,037 |
| Total current liabilities | 323,370,361 | 337,483,380 |
| Total shareholder's equity and liabilities | 528,410,447 | 541,431,384 |

E. Aggregate income statement for the year ended 31/12/2018

Currency: (US Dollar)

| Description | 2017 | 2018 |
|--|---------------|---------------|
| Written insurance premiums | 255,421,729 | 279,370,598 |
| (Reinsurer's share of written premiums) | (29,170,929) | (31,898,507) |
| Net insurance written premiums | 226,250,800 | 247,472,091 |
| ±Change in current risks reserve- mathematical life insurance reserve | (6,046,460) | (7,124,337) |
| ±Reinsurer's share in change of current risks reserve- mathematical life insurance reserve | (582,323) | (6,772) |
| Net earned premiums | 219,622,017 | 240,340,982 |
| Income from insurance activities | 251,851 | 225,547 |
| Reinsurance commission | 5,575,306 | 3,705,483 |
| (Paid-up commissions) | (16,448,266) | (16,881,996) |
| Other revenues from insurance activities | 11,363 | 0 |
| Net revenues from insurance activities | 209,012,271 | 227,390,016 |
| (Paid- up claims) | (144,320,228) | (166,307,996) |
| (Paid up premiums to cover loss's surplus) | 0 | 0 |

| | | |
|---|-------------------|-------------------|
| Reinsurer's share of paid up claims | 15,495,080 | 16,063,764 |
| ±Change in reserve of outstanding and unreported claims | (25,844,494) | (10,545,314) |
| ±Reinsurer's share of change in reserve of outstanding and unreported claims | 5,812,148 | 1,818,152 |
| Net incurred claims | (148,857,494) | (158,971,394) |
| (Losses) profits of currency exchange in converting technical reserves to US Dollar | 2,277,932 | 0 |
| (Distributed general and administrative expenses) | (34,327,756) | (36,826,357) |
| (Agency fees and speculation expenses)* | (6,357,860) | (10,486,740) |
| Total expenses of insurance activities | (187,265,178) | (206,284,491) |
| Net profit of technical insurance activities | 21,747,093 | 21,105,525 |
| Revenues (investments, rents,, interests,,etc) | 15,563,524 | 21,519,951 |
| ±Currency differences | (2,203,128) | (1,595,424) |
| Provisions of increase (decrease) in fair value of investments | 2,706,948 | 3,037,435 |
| (Undistributed administrative expenses) | (3,607,343) | (17,771,405) |
| (Allowance for doubtful account) | (976,205) | (2,016,913) |
| (Other expenses) | (1,658,029) | (385,669) |
| Provision (redemption), takaful fund subscribers loan** | 0 | (67,983) |
| Net income before tax | 31,572,860 | 23,825,517 |
| (Value added and income tax) | (5,609,401) | (8,382,668) |
| Net income | 25,963,459 | 15,442,849 |

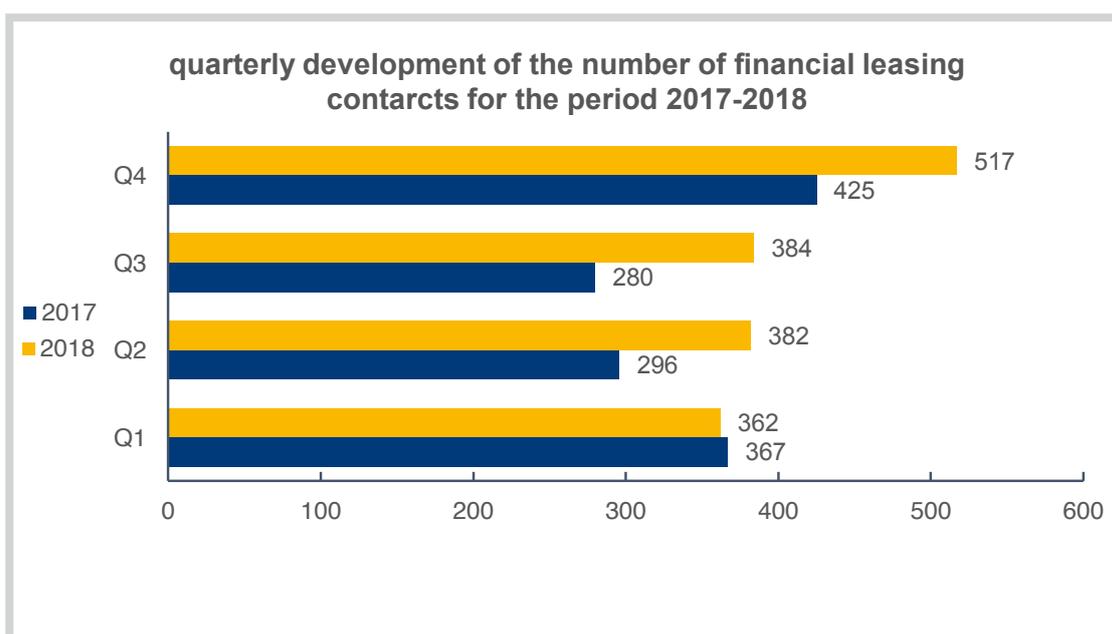
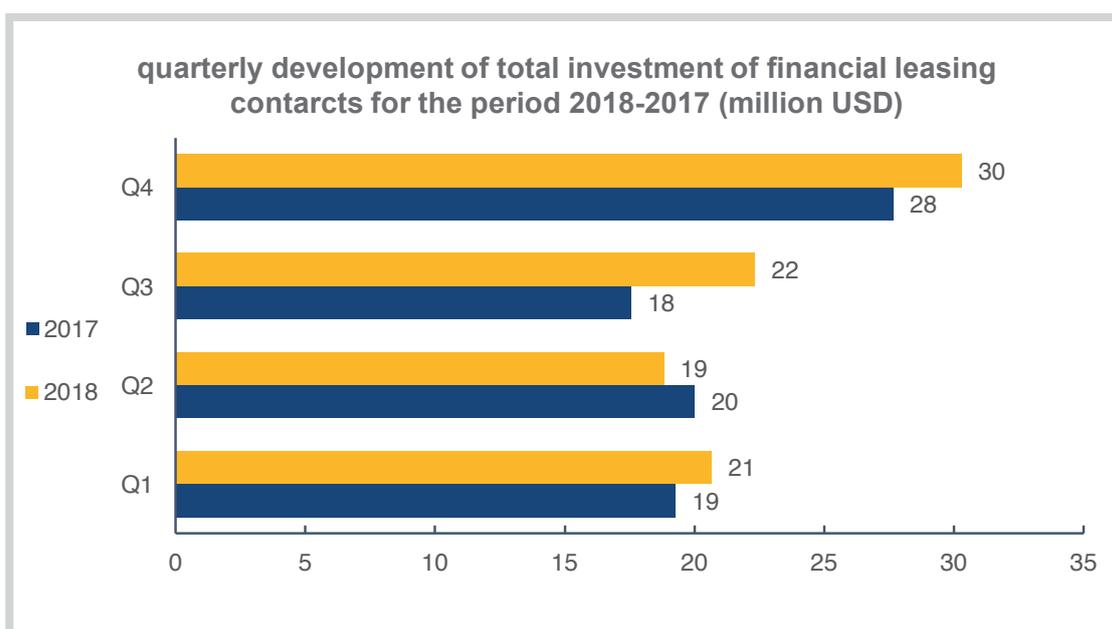
*Agency fees and speculation expenses are remunerations payable to shareholders for their efforts in managing the operations and the investments on behalf of Al Takaful participants.

** Provision (redemption)- Al-Takaful fund subscribers' loans is the remaining balance of the total contributions paid by policyholders during the year after deducting incurred claims, paid-up claims, expenses, technical reserves, and the agency fees.

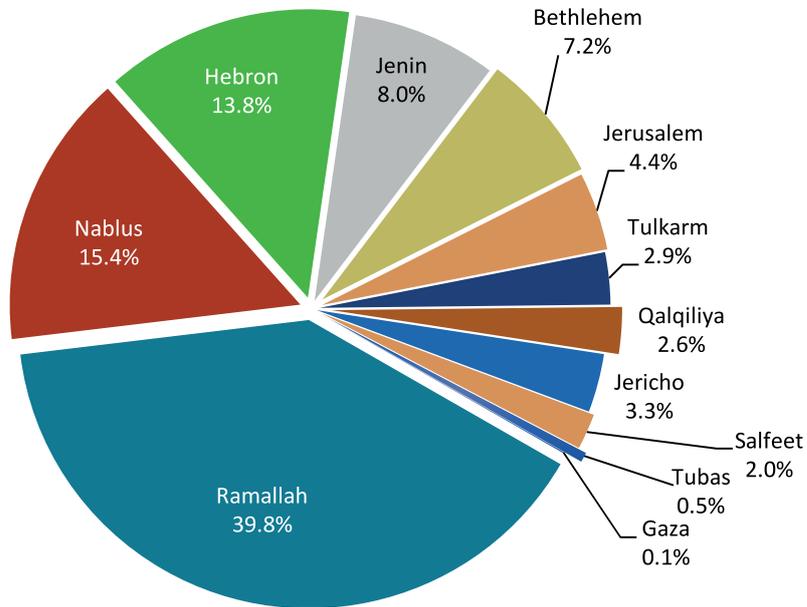
Mortgage Finance & Financial Leasing Sectors:

The number of financial leasing companies licensed by PCMA reached 13 at the end of the year 2018. The total value of investment contracts registered at PCMA were USD 92.1 million (through 1645 contracts) at the end of the year 2018, and this presents an increase in the value of the contracts by 9% and an increase in the number of the contracts by 20.2% comparing to the previous year.

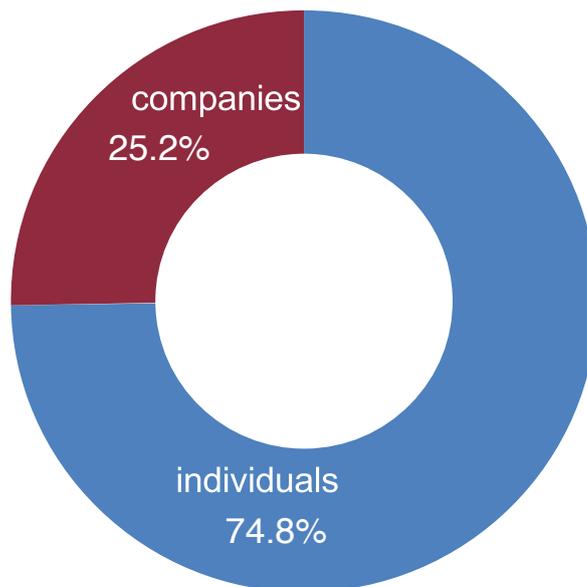
Concerning mortgage finance, Palestine Capital Market Authority participated as a member of the National Team for Sustainable Development; PCMA participated in the implementation of Goal 11: "Making cities and human settlements inclusive, safe, sustainable and sustainable". PCMA had a major role in formulating the draft of the report, also in making proposals on the indicators for the implementation of this goal.



distribution of financial leasing contracts across regions in 2018



distribution of financial leasing contracts based on the nature of contractees for 2018



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