



Palestine Capital Market Authority

2017

Annual Report



Palestine
Capital Market
Authority

2017

Annual
Report



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

Board of Directors



Dr. Nabeel Kassis

Chairman



Mr. Nizam Ayoub

Vice-Chairman
Ministry of National Economy



Mr. Loay Hanash

Ministry of Finance



Mr. Eyad Nassar

Palestinian Monetary Authority



*Mr. Joseph
Nesnas*

Banking Sector



*Mr. Mohammad
Abu Ramadan*

Private Sector



*Dr. Abd El Fattah
Abu Shoker*

Private Sector

Strategic Plan

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 third year that I preface the annual report of the Palestine Capital Market Authority (the PCMA), and I would like to start by congratulating the Board members, the Management as well as the PCMA staff, and to thank each one individually, for the achievements realized during 2017. Indeed, these achievements are the result of team work.

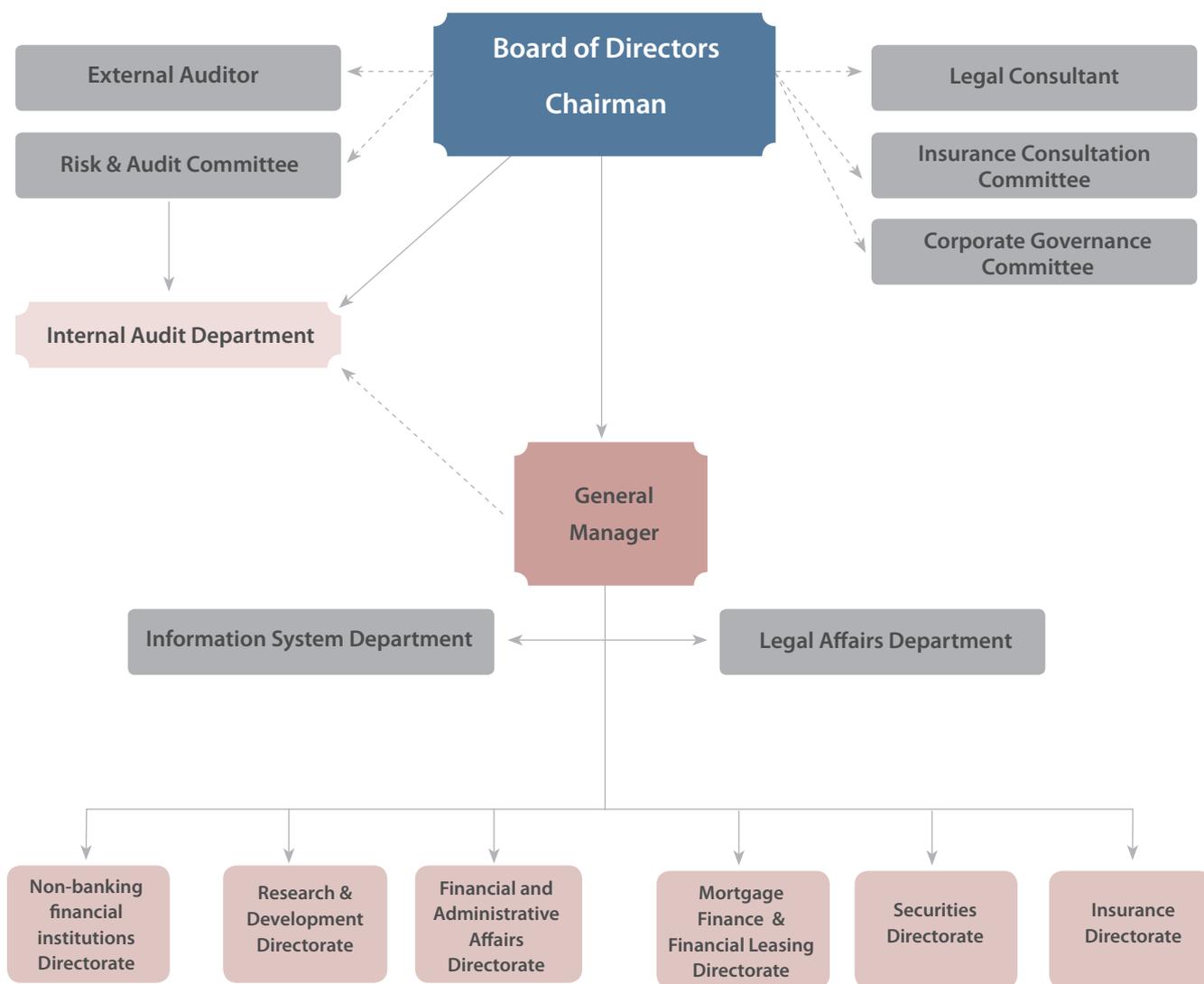
Like other Palestinian institutions, the PCMA needs to carry out its responsibilities under the difficult political and economic conditions prevailing in Palestine. This annual report shows that despite constraints, the two most important sectors supervised by the PCMA, namely the securities sector and the insurance sector, have achieved significant growth. The overall economic growth, however, remained below the target level, due to these conditions. Also, since the first encouraging signs that national reconciliation could be achieved, the PCMA has aspired to resume work under normal conditions in the Gaza Strip. As we prepare this report, we remain hopeful that the PCMA will be able to resume its duties and exercise its regulatory and supervisory roles over all of the non-banking financial sectors in the Gaza Strip. This will include not only the securities sector, but in particular the insurance sector, which touches upon the interests of all citizens. The PCMA has prepared to resume work in the Gaza Strip throughout 2017 and has allocated the necessary resources for this end in its 2018 budget.

Perhaps one of the most important milestones that the PCMA achieved in 2017 was developing the National Strategy for Financial Inclusion, done in partnership with the Palestine Monetary Authority. Upon completion, the strategy was presented to the Council of Ministers for approval. The implementation of the Financial Inclusion Strategy is considered one of the most important goals for the PCMA due to the role that it is expected to play in furthering social justice. Implementing the strategy is expected to ease access to financial services to the more vulnerable segments of the society. This will enable many individuals to benefit from these services and improve their living conditions. As the Council of Ministers has issued the decree forming the national committee for financial inclusion in December 2017, we look forward to seeing 2018 mark the beginning of the implementation phase, and the outcomes of the Financial Inclusion Strategy.

One development that deserves a mention in this foreword, is that the PCMA has finally taken the first and important step in acquiring its own premises, designed for its needs. This is welcomed progress for the PCMA that has since its founding been operating from two rented apartment buildings, which were not designed to serve its needs and functions. A plot of state owned land was allocated for this purpose in the latter half of 2017, and we hope to be able to prepare technical drawings and to lay its foundation stone in 2018. This correlates with the PCMA's strategic plan for 2016-2020.

This annual report demonstrates the extent to which the PCMA has been able to achieve the objectives set out in its strategic plan for this year, and those pending from the previous year, in accordance with the planned schedule, approved by the Board of Directors. No doubt, there are many tasks ahead and much more to accomplish. To this end, the PCMA remains firm in its commitment.

Organizational Chart



Palestine Capital Market Authority:

PCMA has continued implementing its plans and programs according to its tasks stipulated in the law, and based on the objectives mentioned in PCMA strategic plan for the years 2016-2020. In the context, PCMA key achievements during 2017 were the following:

- **Strengthening the role of the capital market sectors in Gaza Strip.** In line with the efforts of the national reconciliation and the instructions of both the government and PCMA's BOD towards strengthening the cohesion between the West Bank and Gaza Strip, a field visit to Gaza was carried out by a delegation from the executive management of PCMA and representatives from the capital market supervised sectors. The aim of the visit was to look closely at ways to enhance the important role of the capital market sectors and their contribution to the economic development in Gaza Strip, in addition to promote the supervisory role of PCMA.
- **Holding a specialized workshop on the Islamic Sukuk.** This workshop is part of a series of activities carried out by PCMA within the framework of the World Bank's technical assistance project, this project aimed at developing legal and regulatory frameworks for the Islamic financing instruments, particularly Sukuk. The aim of the workshop was to present and discuss proposed legislations concerning the Islamic Sukuk.
- **Completion of the World Bank's insurance sector development project.** The project aims at assisting PCMA in applying risk-based supervision, reinsurance arrangements in the insurance sector as well as drafting and reviewing legislations related to the insolvent of insurance companies "winding-up".
- **World Investor Week in Palestine.** With the participation of 81 countries around the world, Palestine participated in this international initiative, which was organized and launched by the International Organization of Securities Commissions (IOSCO), in which PCMA has a full membership since 2014.
- **Completion of the National Strategy for Financial Inclusion.** The year 2017 witnessed a significant development in terms of the financial inclusion. The strategy development took two years of organized efforts from all stakeholders in the financial sector, and the final draft was approved by the financial inclusion steering committee, which is jointly led, by Palestine Capital Market Authority (PCMA) and Palestine Monetary Authority (PMA) during the 3rd quarter of 2017. Following that, the resolution of the Council of Ministers in 5/12/2017 to form the National Committee for Financial Inclusion was issued. The national committee has been established according to the council resolution under the joint leadership of PCMA and PMA. The committee includes the membership of Ministry of Finance, Ministry of National Economy, Ministry of Social Development, Ministry of Higher Education, Palestine Exchange, Association of Banks in Palestine, Federation of Palestinian chambers of Commerce, Industry & Agriculture, Palestinian Insurance Federation and the Palestinian network for small and micro finance (Sharaka).

Corporate Governance:

During 2017, PCMA continued its efforts towards strengthening corporate governance in the public shareholding companies listed in Palestine Exchange, in addition to conducting awareness activities that raise awareness and knowledge in corporate governance.

The following is a summary of the most important developments in the year 2017 in terms of corporate governance:

- **Implementation of the Corporate Governance Scorecard.** Corporate governance scorecard was implemented to the public shareholding companies listed on the Palestine Exchange. This model aims to measure the compliance of public shareholding companies with the rules of corporate governance code on a quantitative, objective and scientific basis and in a systematic and transparent manner according to the latest international practices in this field.
- **Integration of the CG course in the Palestinian universities.** In cooperation with International Finance Corporation (IFC), the corporate governance course was successfully introduced in 5 Palestinian universities: Birzeit University, Al-Quds Open University, Palestine Ahliya University College, Palestine Technical university- Kadoorie, and the Arab American University. It is also worth mentioning that by the end of the 1st semester of the academic year 2017/2018, 1124 students have successfully passed the course.
- **Launching the CG competition in the Palestinian universities.** To complement PCMA efforts in raising awareness about corporate governance, PCMA launched a corporate governance competition in cooperation with the International Finance Corporation (IFC) during 2017, which targeted students of Faculties of Economics and Administrative Sciences at the 5 Palestinian universities who enrolled the CG course.

Securities Sector:

PCMA approved the implementation of the e-IPO system "EKTITAB" during 2017, the system was firstly implemented through the initial public offering of Sanad Co.

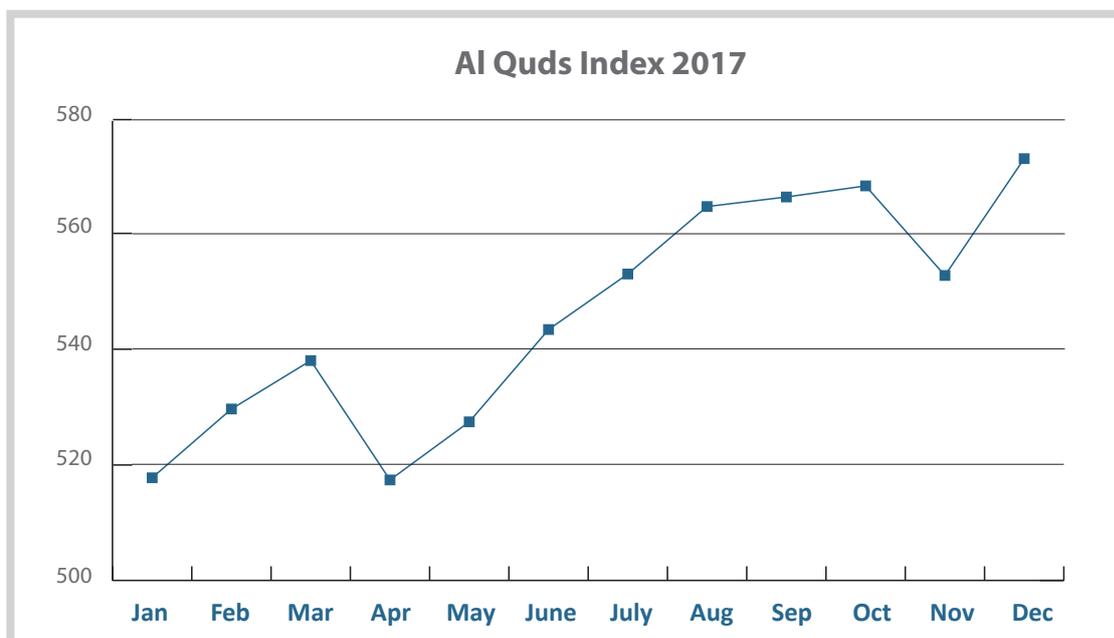
Within the context of PCMA and PEX efforts towards the development of the disclosure processes, "IFSAH" which is a non-financial disclosure electronic system was launched in 2017. This system allows companies to disclose non-financial information electronically and to be directly uploaded to PEX website.

At the end of 2017, Al-Quds index closed at 574.58 points, recording an increase of 8.38% from its closing at the end of the year 2016, which is 530.16 points.

Key indicators of Palestine Securities Sector for the year 2017

Al-Quds Index Quarterly Performance 2017

| Period | Al-Quds index | Percentage change compared with previous quarter (%) | Percentage change compared with 28/12/2016 (%) |
|------------|---------------|--|--|
| 28/12/2016 | 530.16 | --- | --- |
| 31/3/2017 | 538.87 | 1.64 | 1.64 |
| 30/6/2017 | 544.36 | 1.02 | 2.68 |
| 30/9/2017 | 567.80 | 4.31 | 7.10 |
| 31/12/2017 | 574.58 | 1.19 | 8.38 |



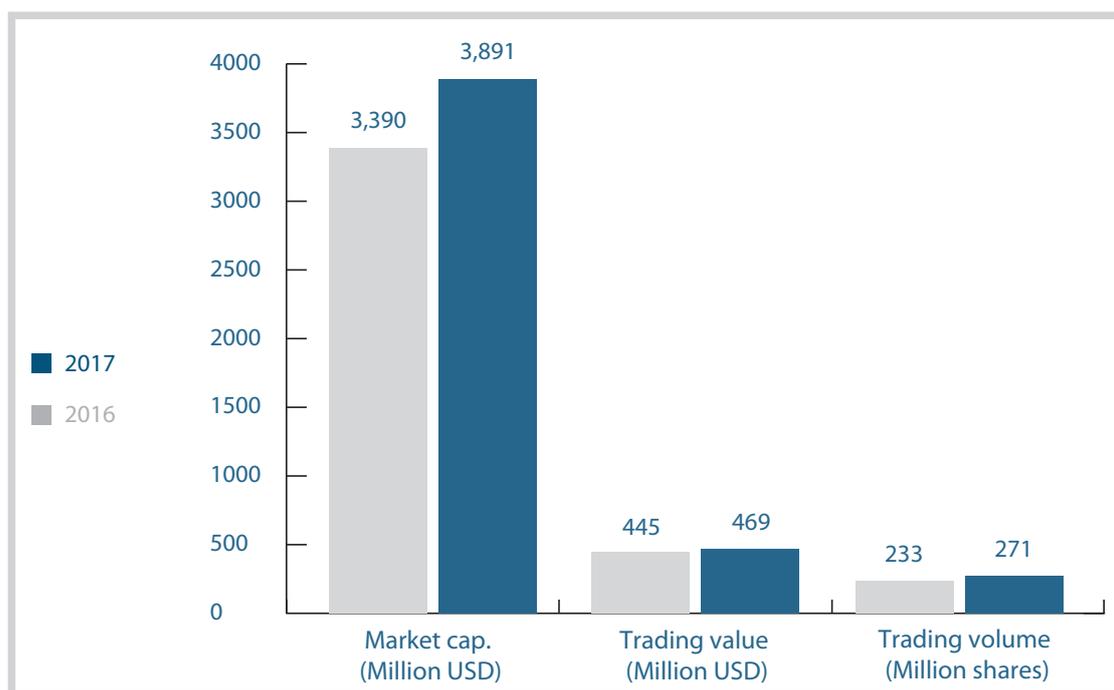
PEX trading activities, 2016-2017

| Year | Trading Sessions | Trading volume | Trading value (\$) | Number of transactions | Average daily trading value (\$) | Market Capitalization (\$) |
|-------------|------------------|----------------|--------------------|------------------------|----------------------------------|----------------------------|
| 2016 | 245 | 232,817,327 | 445,152,369 | 34,010 | 1,816,948 | 3,390,122,335 |
| 2017 | 243 | 271,163,750 | 469,070,221 | 53,205 | 1,930,330 | 3,891,495,531 |
| % | 0.82- | 16% | 5% | 56% | 6% | 15% |

Market capitalization trading value as percentage of GDP

| Description | 2016(%) | 2017(%) |
|--|---------|---------|
| Market capitalization as % of GDP (current prices) | 25.3 | 29.0 |
| Trading value as % of GDP (current prices) | 3.3 | 3.5 |

Market capitalization, trading value, and trading volume 2016-2017



Listed companies' performance for the period ending 31/12/2017

| | Company name | Symbol | Currency | Net Profit (Loss) |
|----|-------------------------------|----------|----------|-------------------|
| 1 | Arab Islamic Bank | AIB | \$ | 6,402,924 |
| 2 | Bank of Palestine | BOP | \$ | 54,008,928 |
| 3 | Palestine Islamic Bank | ISBK | \$ | 14,531,138 |
| 4 | Palestine Investment Bank | PIBC | \$ | 3,919,258 |
| 5 | Al Quds Bank | QUDS | \$ | 11,180,462 |
| 6 | The National Bank | TNB | \$ | 9,204,749 |
| 7 | Palestine Securities | PSE | \$ | 684,201 |
| 8 | Arab Paint Products | APC | JD | 1,202,581 |
| 9 | Palestine Poultry | AZIZA | JD | 3,181,696 |
| 10 | Birzeit Pharmaceuticals | BPC | \$ | 10,016,069 |
| 11 | Al Shark Electrode | ELECTROD | JD | 66,442 |
| 12 | Jerusalem Cigarette | JCC | JD | 393,014 |
| 13 | Jerusalem Pharmaceuticals | JPH | \$ | 6,163,670 |
| 14 | Palestine Plastic Industries | LADAEN | JD | (49,081) |
| 15 | National Aluminum and Profile | NAPCO | JD | 462,067 |
| 16 | The National Cartoon Industry | NCI | \$ | 157,729 |
| 17 | The Vegetables Oil Industries | VOIC | JD | 6,838,226 |

| | | | | |
|----|--|------------|----|--------------|
| 18 | Dar Al-Shifa'a for the Manufacturing of Pharmaceuticals* | PHARMACARE | \$ | 2,347,850 |
| 19 | Golden Wheat Mills | GMC | JD | 1,478,724 |
| 20 | Beit Jala Pharmaceutical Co. | BJP | JD | 1,645,697 |
| 21 | Ahliea Insurance Group | AIG | \$ | 2,637,510 |
| 22 | Global United Insurance | GUI | \$ | 2,898,440 |
| 23 | Al Mashriq Insurance | MIC | \$ | 3,273,056 |
| 24 | National Insurance | NIC | \$ | 7,699,993 |
| 25 | Palestine Insurance | PICO | \$ | 3,438,332 |
| 26 | Al-Takaful Palestinian Insurance | TIC | \$ | 2,193,584 |
| 27 | Trust International Insurance Company | TRUST | \$ | 5,435,845 |
| 28 | Al-Aqariya Trading Investment | AQARIYA | JD | 392,441 |
| 29 | Arab Investors | ARAB | JD | 56,264 |
| 30 | Jerusalem Real Estate Investment | JREI | \$ | 15,480 |
| 31 | Palestine Development & Investments | PADICO | \$ | 4,964,000 |
| 32 | Palestine Investment & Development | PID | JD | (27,699) |
| 33 | Palatine Industrial Investment | PIIC | JD | 5,504,548 |
| 34 | Palestine Real Estate Investment | PRICO | JD | (13,631,771) |
| 35 | Sanad construction resources | SANAD | \$ | 10,001,055 |
| 36 | Union construction and Investment** | UCI | \$ | 680,309 |
| 37 | Arab Palestinian Investment Company (APIC) | APIC | \$ | 17,461,978 |
| 38 | Al-Wataniah Towers | ABRAJ | \$ | 2,255,491 |
| 39 | The Arab Hotels | AHC | JD | (1,518,431) |
| 40 | Arab Real estate Establishment** | ARE | JD | -- |
| 41 | Globalcom Telecommunications** | GCOM | \$ | -- |
| 42 | Nablus Surgical Center | NSC | JD | 368,698 |
| 43 | PALAQAR For Real Estate Dev. & Management | PALAQAR | JD | 90,588 |
| 44 | Palestine Telecommunications | PALTEL | JD | 70,528,000 |
| 45 | Palestine Electric | PEC | \$ | 8,642,228 |
| 46 | The Ramallah Summer Resorts | RSR | JD | 480,887 |
| 47 | Palestinian Distribution & Logistics SRVs | WASSEL | \$ | 38,502 |
| 48 | WATANIYA Palestine Mobile Telecomm | WATANIYA | \$ | (6,645,620) |

(*) Based on preliminary disclosed financial statement.

(**) Symbol is suspended.

PEX monthly trading activities, 2017*

| Month | Volume | Value (\$) | Trading Sessions | #of Transactions | AI-Quds Index |
|-----------|------------|------------|------------------|------------------|---------------|
| January | 7,509,343 | 20,583,736 | 22 | 2,574 | 518.15 |
| February | 10,930,630 | 22,965,665 | 20 | 3,240 | 530.31 |
| March | 16,087,086 | 28,437,498 | 21 | 3,498 | 538.87 |
| April | 17,141,577 | 28,819,880 | 18 | 3,949 | 517.77 |
| May | 15,891,346 | 25,742,192 | 21 | 4,230 | 528.04 |
| June | 25,899,202 | 38,400,521 | 17 | 4,640 | 544.36 |
| July | 48,474,262 | 71,567,804 | 22 | 8,839 | 554.18 |
| August | 31,962,697 | 52,534,717 | 22 | 5,046 | 566.11 |
| September | 18,039,150 | 43,188,828 | 17 | 3,983 | 567.80 |
| October | 18,469,874 | 30,541,180 | 23 | 6,377 | 569.76 |
| November | 14,828,577 | 23,130,387 | 20 | 2,955 | 553.92 |
| December | 45,930,006 | 83,157,813 | 20 | 3,874 | 574.58 |

* Total activity includes over-the-counter transactions.

Insurance Sector:

Through 2017, and as stated in the PCMA strategic objectives, PCMA prepared a technical draft of "Management & Auditing Instructions in Insurance Companies". The draft aims at applying good management practices in order to ensure that the company's BOD is working in accordance with its powers and functions, which enables it to achieve independent supervision and control over the executive management of the company to protect the rights of stakeholder, shareholders and others in the company.

In accordance with the recommendations of the World Bank experts, the PCMA has adopted, during the second half of 2017, a risk-based supervision approach that is consistent with the international standards and best practices of the International Association of Insurance Supervisors (IAIS). This was a very important outcome of the World Bank funded project for strengthen the insurance market in Palestine.

Key indicators for Palestinian insurance sector for the year 2017:

A. Financial and operational performance for insurance sector 2016-2017

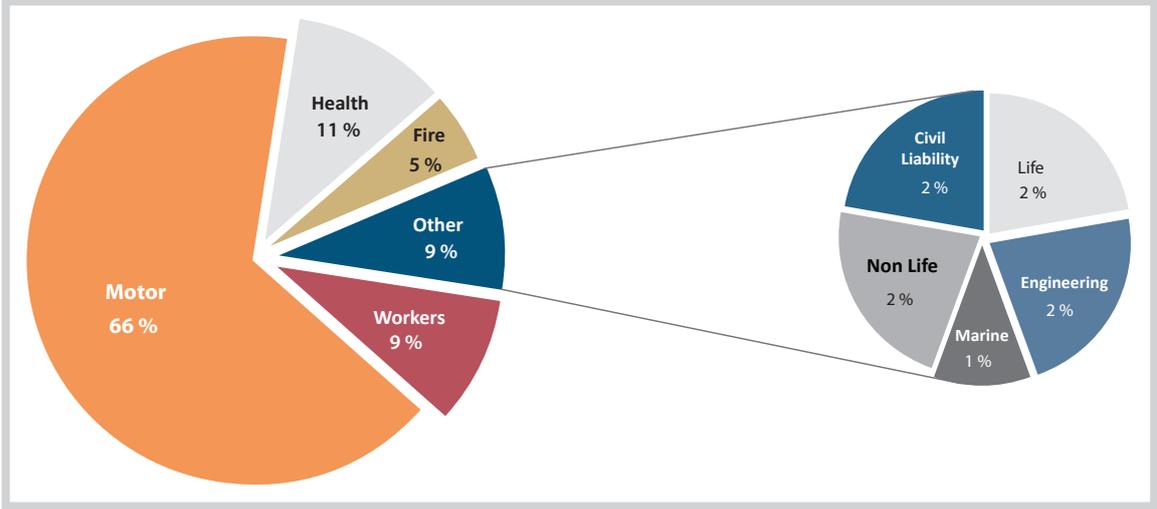
Currency: (US Dollar)

| | Description | 2016 | 2017 |
|---------------------|--|-------|-------|
| General information | Number of insurance companies | 9 | 9 |
| | Number of insurance companies branches | 128 | 141 |
| | Number of insurance companies employees | 1,192 | 1,245 |
| | Number of insurance agents and producers | 224 | 262 |

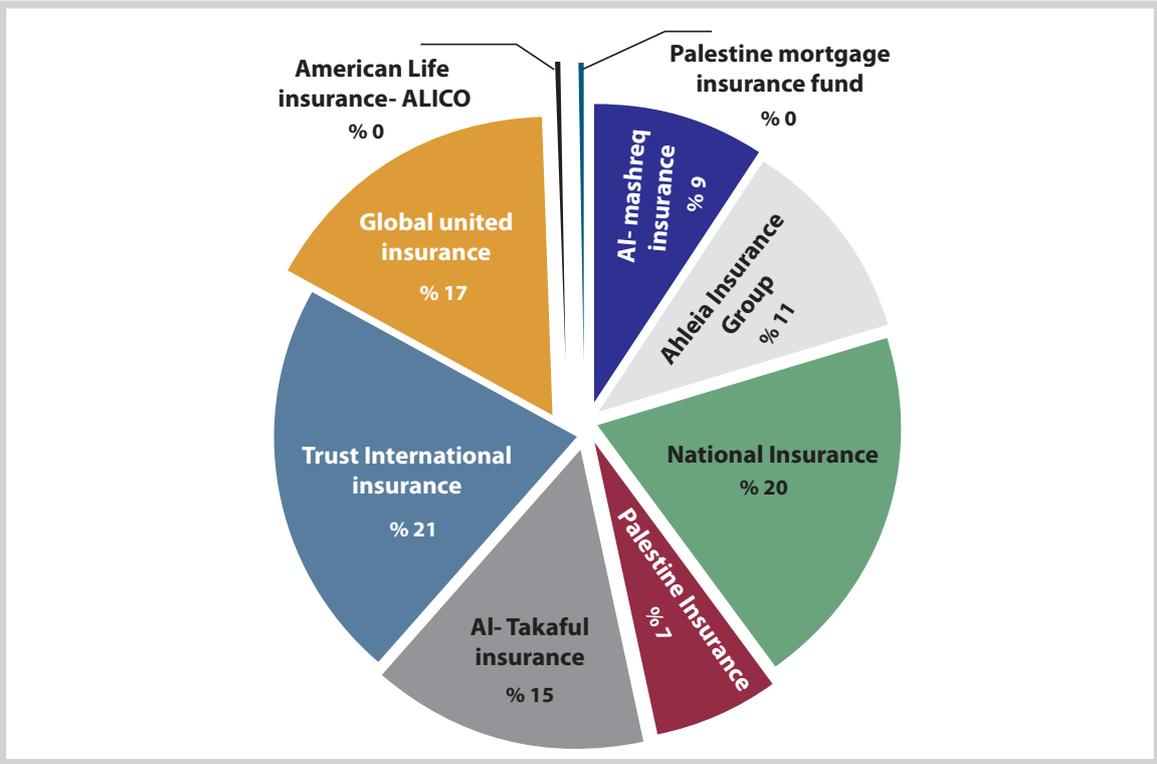
| | | | |
|--|--|----------------------|--------------------|
| Insurance sector results | Motor insurance premiums | 134,213,535 | 168,650,018 |
| | Workers insurance premiums | 19,167,932 | 22,195,035 |
| | Health insurance premiums | 30,351,609 | 29,783,673 |
| | Fire insurance premiums | 11,780,588 | 13,292,980 |
| | Marine insurance premiums | 1,577,480 | 1,797,069 |
| | Engineering insurance premiums | 4,882,896 | 5,579,552 |
| | Civil liability insurance premiums | 3,780,449 | 4,322,873 |
| | Non-life insurance premiums | 4,545,756 | 4,340,844 |
| | Life insurance premiums | 4,948,904 | 5,459,685 |
| | Total insurance premiums | 215,249,149 | 255,421,729 |
| | Total paid- up claims | 122,632,194 | 144,320,228 |
| | Net incurred claims | 115,371,827 | 148,857,494 |
| | General and administrative expenses* | 43,232,064 | 37,935,099 |
| | Net income after tax | 17,860,240 | 25,963,459 |
| | Net profit of technical insurance activities | 16,533,054 | 21,747,093 |
| | Summary of assets and liabilities for insurance sector | Total current assets | 253,114,949 |
| Total non-current assets | | 188,984,115 | 201,599,040 |
| Total investments | | 212,079,547 | 248,887,118 |
| Total receivables | | 78,401,860 | 82,458,333 |
| Net receivables | | 64,620,185 | 67,423,694 |
| Accounts payable | | 21,727,793 | 22,451,502 |
| Total assets | | 442,099,064 | 528,410,447 |
| Total insurance policies assets | | 36,266,963 | 46,047,196 |
| Total non-current liabilities | | 15,150,004 | 16,400,278 |
| Total current liabilities | | 271,950,004 | 323,370,361 |
| Total insurance policies liabilities | | 204,649,436 | 251,712,136 |
| Paid-up capital | | 69,550,000 | 71,200,000 |
| Statutory reserve | | 13,830,614 | 15,409,521 |
| Optional reserve | | 8,722,764 | 10,424,506 |
| Cumulative change in assets fair value | | 18,543,392 | 24,388,546 |
| Retained earnings (losses) | | 31,679,187 | 50,023,638 |
| Total shareholder's equity | | 154,999,056 | 188,639,808 |

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

B. Total insurance portfolio per product as it is on 31/12/2017 (total value of 255,421,729 US Dollar)



C. Total insurance portfolio per company as it is on 31/12/2017 (total value of 255,421,729 US Dollar)



D. Aggregate balance sheet as it is on 31/12/2017

Currency: (US Dollar)

| Description | 2016 | 2017 |
|---|--------------------|--------------------|
| Non-current assets | | |
| Net property, plant and equipment | 36,907,066 | 43,253,080 |
| Real estate investments | 66,152,025 | 69,843,376 |
| Contributions in affiliated companies | 25,820,374 | 20,798,293 |
| Loans for related parties | 2,646,895 | 382,956 |
| Financial investments available for sale | 28,741,124 | 33,790,342 |
| Financial investments holding to maturity | 5,904,158 | 11,813,159 |
| Cheques under collections (due after more than 12 months) | 1,574,606 | 2,312,064 |
| Restricted deposits | 1,250,000 | 1,265,000 |
| Deferred tax assets | 4,037,677 | 4,455,686 |
| Financial assets at amortized cost | 15,950,190 | 13,685,084 |
| Total non- current assets | 188,984,115 | 201,599,040 |
| Current assets | | |
| Financial investments for trading | 13,946,310 | 12,571,285 |
| Insurance policies, current risk- motor | 2,621,958 | 2,654,882 |
| Insurance policies, current risk- non-life | 6,671,865 | 6,732,939 |
| Insurance policies, reported claims- motor | 12,732,040 | 20,408,883 |
| Insurance policies, reported claims-non-life | 13,569,302 | 15,511,903 |
| Insurance policies- life | 671,798 | 738,589 |
| Total insurance policies | 36,266,963 | 46,047,196 |
| Accounts receivable for insurance & reinsurance companies | 4,399,143 | 4,574,954 |
| Accounts receivable | 78,401,860 | 82,458,333 |
| (Provision for accounts receivable) | (13,781,675) | (15,034,639) |
| Net accounts receivable | 64,620,185 | 67,423,694 |
| Other accounts receivable | 17,926,230 | 24,836,257 |
| Cheques under collections (due within 12 months) | 46,228,248 | 59,387,773 |
| Bank deposits | 49,508,949 | 72,820,887 |
| Cash and cash equivalent | 18,059,399 | 27,232,625 |
| Current Real estate investments | 2,159,522 | 11,916,736 |
| Total current assets | 253,114,949 | 326,811,407 |
| Total assets | 442,099,064 | 528,410,447 |

| Shareholder's equity and liabilities | | |
|---|--------------------|--------------------|
| Shareholder's equity | | |
| Paid-up capital | 69,550,000 | 71,200,000 |
| Statutory reserve | 13,830,614 | 15,409,521 |
| Optional reserve | 8,722,764 | 10,424,506 |
| Issuance premium (discount) | 330,390 | 655,390 |
| Cumulative change in fair value | 18,543,392 | 24,388,546 |
| Changes in foreign currency exchange | (2,055,999) | 534,661 |
| Retained earnings (losses) | 31,679,187 | 50,023,638 |
| Minority interest | 6,364,877 | 7,183,156 |
| Treasury stocks | (436,638) | (436,638) |
| Head office current account | 8,470,469 | 9,257,028 |
| Total shareholder's equity | 154,999,056 | 188,639,808 |
| Surplus of Takaful fund subscribers | 0 | 0 |
| Non-current liabilities | | |
| Provision for end of services benefits | 11,444,969 | 12,805,870 |
| Long term loans | 2,343,264 | 1,510,901 |
| Deferred Tax liabilities-Long Term | 1,361,771 | 2,083,507 |
| Long term account Payable | 0 | 0 |
| Total non-current liabilities | 15,150,004 | 16,400,278 |
| Current liabilities | | |
| Insurance policies liabilities | | |
| Current risks reserve, motor | 45,136,905 | 55,373,765 |
| Current risks reserve, non-life | 21,440,568 | 20,958,295 |
| Mathematical reserve, life | 9,507,636 | 9,045,305 |
| Total | 76,085,109 | 85,377,365 |
| Outstanding reported claims reserve, motor (compulsory) | 43,846,690 | 63,886,325 |
| Outstanding reported claims reserve, motor (TP) | 27,800,010 | 37,545,283 |
| Outstanding claims reserve, non-life | 40,671,174 | 44,089,625 |
| Unreported outstanding claims reserve | 15,036,620 | 19,299,337 |
| Claims reserve, life | 1,209,833 | 1,514,201 |
| Total | 128,564,327 | 166,334,771 |
| Total current liabilities (insurance policies) | 204,649,436 | 251,712,136 |
| Accounts payable | 21,727,793 | 22,451,502 |
| Accounts payable for insurance & reinsurance companies | 7,869,926 | 10,442,347 |
| Accrued expenses | 1,214,270 | 309,532 |

| | | |
|---|--------------------|--------------------|
| Other provisions | 5,538,092 | 6,792,160 |
| Other accounts payable | 17,225,286 | 15,365,422 |
| Short term loans | 3,292,763 | 1,206,124 |
| Accounts payable, banks | 1,659,848 | 4,863,458 |
| Deferred cheques | 8,772,590 | 10,227,680 |
| Total current liabilities | 271,950,004 | 323,370,361 |
| Total shareholder's equity and liabilities | 442,099,064 | 528,410,447 |

E. Aggregate income statement for the year ended 31/12/2017

Currency: (US Dollar)

| Description | 2016 | 2017 |
|--|---------------|---------------|
| Written insurance premiums | 215,249,149 | 255,421,729 |
| (Reinsurer's share of written premiums) | (31,426,476) | (29,170,929) |
| Net insurance written premiums | 183,822,673 | 226,250,800 |
| ±Change in current risks reserve- mathematical life insurance reserve | (9,603,199) | (6,046,460) |
| ±Reinsurer's share in change of current risks reserve- mathematical life insurance reserve | 3,043,887 | (582,323) |
| Net earned premiums | 177,263,361 | 219,622,017 |
| Income from insurance activities | 1,260,853 | 251,851 |
| Reinsurance commission | 7,071,880 | 5,575,306 |
| (Paid-up commissions) | (14,504,831) | (16,448,266) |
| Other revenues from insurance activities | (26,947) | 11,363 |
| Net revenues from insurance activities | 171,064,316 | 209,012,271 |
| (Paid- up claims) | (122,632,194) | (144,320,228) |
| (Paid up premiums to cover loss's surplus) | 0 | 0 |
| Reinsurer's share of paid up claims | 15,728,466 | 15,495,080 |
| ±Change in reserve of outstanding and unreported claims | (10,908,789) | (25,844,494) |
| ±Reinsurer's share of change in reserve of outstanding and unreported claims | 2,440,690 | 5,812,148 |
| Net incurred claims | (115,371,827) | (148,857,494) |
| (Losses) profits of currency exchange in converting technical reserves to US Dollar | 274,888 | 2,277,932 |
| (Distributed general and administrative expenses) | (30,482,488) | (34,327,756) |
| (Agency fees and speculation expenses)* | (8,951,835) | (6,357,860) |
| Total expenses of insurance activities | (154,531,262) | (187,265,178) |
| Net profit of technical insurance activities | 16,533,054 | 21,747,093 |

| | | |
|--|-------------------|-------------------|
| Revenues (investments, rents , interests.,etc) | 18,655,882 | 15,563,524 |
| ±Currency differences | (1,068,386) | (2,203,128) |
| Provisions of increase (decrease) in fair value of investments | 2,389,408 | 2,706,948 |
| (Undistributed administrative expenses) | (12,749,576) | (3,607,343) |
| (Allowance for doubtful account) | (1,266,504) | (976,205) |
| (Other expenses) | (218,046) | (1,658,029) |
| Provision (redemption), takaful fund subscribers loan** | 0 | 0 |
| Net income before tax | 22,275,832 | 31,572,860 |
| (Value added and income tax) | (4,415,592) | (5,609,401) |
| Net income | 17,860,240 | 25,963,459 |

*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.

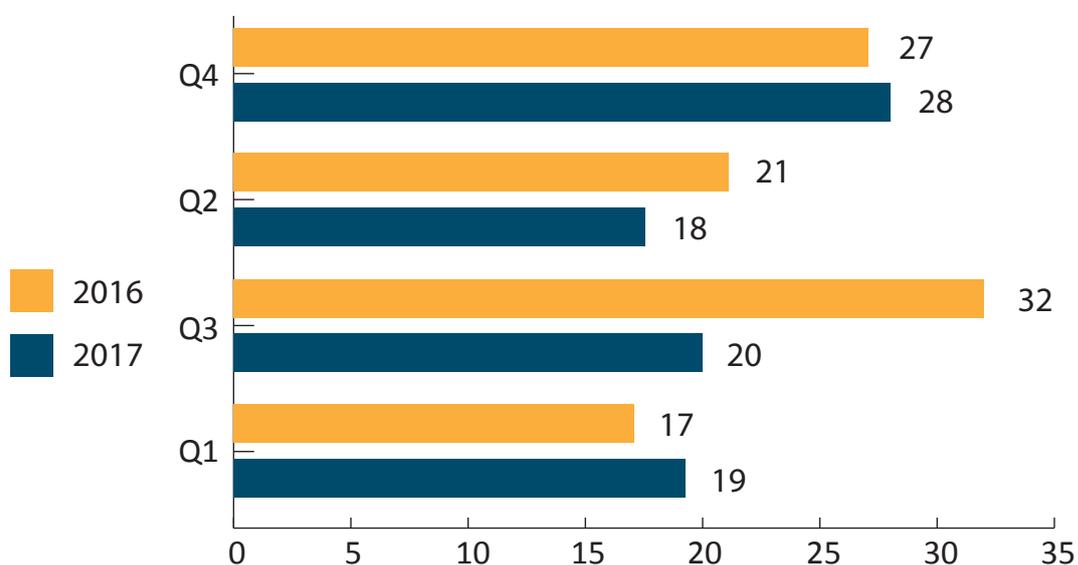
Mortgage Finance & Financial Leasing Sectors:

The year 2017 witnessed a wide trend towards investing in the financial leasing sector, where PCMA granted 3 leasing companies the license to practice financial leasing operations, thus reaching a total of 14 financial leasing companies operating in Palestine.

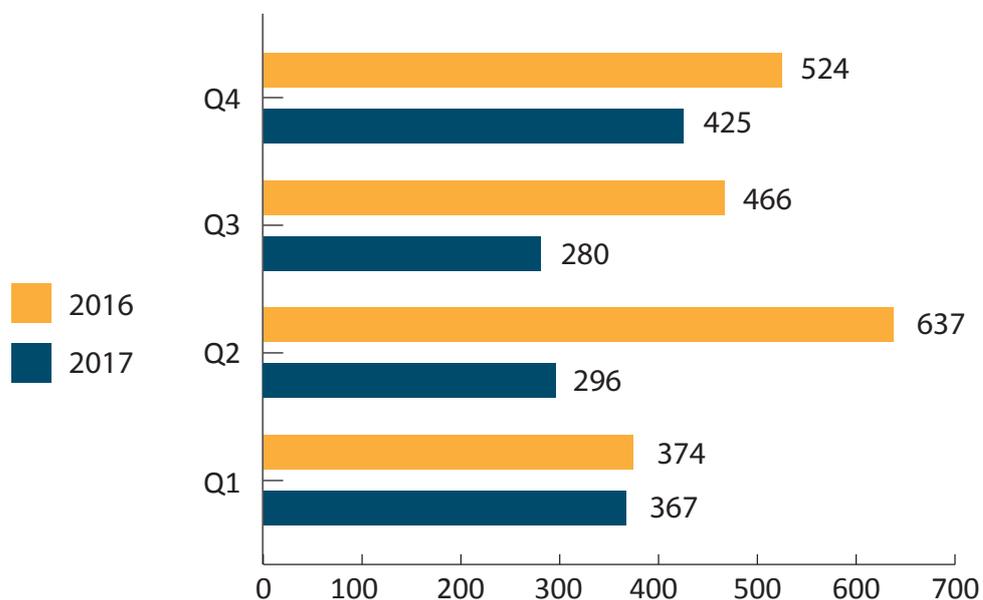
With regard to the mortgage financing sector, during the year 2017, a review of the instructions for the licensing of real estate appraisers No. 3 for the year 2012 has been initiated in order to ensure that they are conform to the developments in the Palestinian reality and market changes. While the draft mortgage law is still pending for approval at the Council of Ministers.



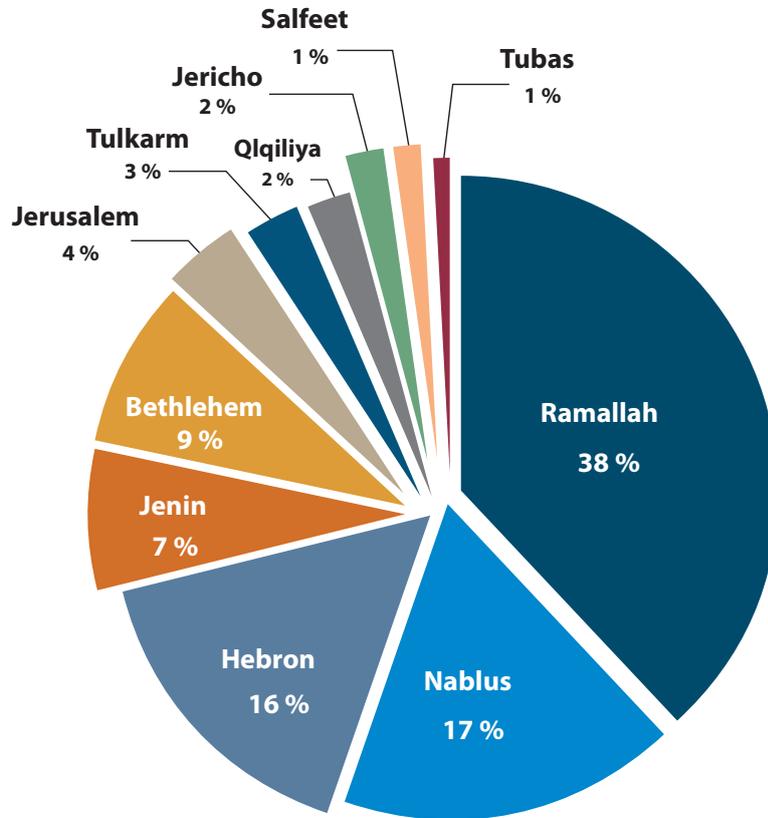
The quarterly development of total investment of financial leasing contracts for the period 2016-2017 (million USD)



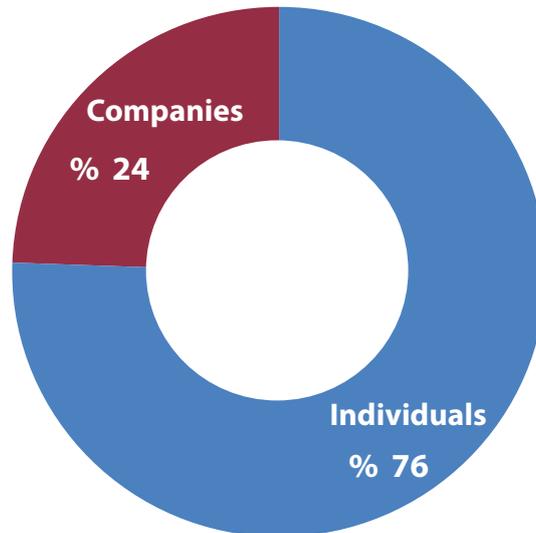
The quarterly development of the number of financial leasing contracts for the period 2016-2017



The distribution of financial leasing contracts across regions in 2017



The distribution of financial leasing contracts based on the nature of contractees for 2017



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