H.R.H. CROWN PRINCE AL HUSSEIN BIN ABDULLAH II
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Ladies and Gentlemen,

I am pleased to introduce the annual report of the Deposit Insurance Corporation of Jordan (JODIC) for the year 2009; the year that has tested the abilities of different economies to deal with the consequences of the global financial crisis which was erupted in the second half of the year 2008. The crisis has tested also different systems’ abilities to restore growth in a vast pace as the prolonged slowdown in economic activity might have negative social implications particularly for low and middle-income countries.

The developments during the year reflected the structural dissimilarities between economies of different countries and their sensitivities to the global economic downturn. It also reflected the variation in possible policy choices to deal with the crisis. Countries that depend on limited resources were more vulnerable than those characterized by diversified production base. Different stimulus packages were adopted based on the severity of the crisis impact on growth, size of the economy along with its fiscal position and the soundness of the balance of payments.

The global and regional developments during the year have affected clearly the performance of the Jordanian economy. However, and despite the acute effects of the crisis on the region in general, the diversified structure of the Jordanian economy and its financial resources have enabled the economy to achieve a GDP growth rate of 2.8%. All quarterly growth rates were in the positive territory with the registered growth during the last quarter exceeding the growth rates realized during the second and the third quarter of the year, thus enhancing the chances of achieving higher growth rates during the following periods. It is also expected that the economic growth rate would increase to reach a level of 4% in 2010 and continues to rise during the subsequent years, which supports the recovery from the implications of the global financial crisis.

The banking system in particular has proved its soundness and resilience. Thanks to its institutional architecture, prudential regulations and sound banking practices and compliance, by which the system has managed to withstand the implications of the crisis on the Jordanian economy. The total assets of licensed banks operating in the country have increased by 7.3% during the year and the total deposits have registered an increase of 12.1% while the credit facilities reported a modest growth of 2.1%. Noticeably, banks have increased their capital, reserves and provisions by a significant rate of 15% during the year to support further their financial safety and soundness despite being sufficiently capitalized before the crisis by reference to the regulatory capital requirements and international standards.

The crisis has also highlighted the important role of the deposit insurance in promoting financial stability. The government has renewed its blanket deposit guarantee until the end of 2010, which reflects clearly the vital role of the deposit insurance as an integral component of the financial safety-net in the Kingdom. The Deposit Insurance Corporation was created with the objectives of providing protection to banks’ depositors and promoting confidence in the banking and financial system in the Kingdom.
Based on several positive economic indicators during the last quarter of the year 2009 and many of the leading indicators available for the first quarter of this year 2010, it is expected that Jordan will be able in 2010 to register an economic growth rate exceeds the rate recorded in 2009. We hope that the Jordanian economy would reflect strong recovery during 2010 and would be able to resume the envisaged growth rates that would enable the country to elevate the employment levels and improve the standards of living. This aspect has been considered as top priority by His Majesty King Abdullah II, may God protect him. His Majesty directs the government persistently to intensify the endeavors to improve the quality of life for all Jordanians.

Once again I am pleased to introduce the annual report of the Deposit Insurance Corporation of Jordan, and I hope that this report provides a clear picture of the Corporation’s role, objectives and its institutional achievements during the year 2009.
Given the importance of deposit insurance role in promoting financial stability and maintaining the confidence in the Jordanian banking system, the Prime Minister announced on November 4, 2009, the renewal of the blanket government guarantee to all deposits in the Kingdom until the end of 2010. This step was mainly motivated by the need to wipe out any concerns related to potential implications of the global financial crisis on our banking system.

JODIC continued during the year its follow up and evaluation of the financial soundness of banks and its monitoring of the regional and international developments related to the banking system. JODIC has managed over the year to enhance its reserves to reach about JD 184 million by the end of the year 2009; representing 1.4% of the total deposits subject to the provisions of the law. Investment income reached JD 12.2 million during the year or 7% of the outstanding balance of JODIC's portfolio. This level of reserves which are invested in risk-free instruments mainly government securities enables JODIC to assume its statutory responsibilities as the sole deposit insurer and liquidator. The prevailing premium policy also allows JODIC to enhance further these reserves within a reasonable and balanced frame time.

As for the related financial indicators at the macro level, the most important developments during the year 2009 represented in the high growth rate of JD deposits accompanied by an increase in both the average size of deposit and per capita GDP. Despite these increases, the current coverage limit of JD 10,000 still provides full coverage for 92.5% of the JD depositors at member banks. The total value of the fully insured deposits comprised 11.5% of the total JD deposits subject to the provisions of the law by the end of the year. JODIC also provides a coverage of an additional 10.9% of the JD deposits belonging to the partially insured depositors which brings the average coverage rate to 21.2% of the total deposits subject to the provisions of the law. It is worth mentioning, in this respect, that JODIC evaluates the coverage limit in assessing the need and the implications for probable future increases.

JODIC also continued to play a leading role at the regional and international levels through its membership in the International Association of Deposit Insurers IADI. JODIC continues to chair the Membership and Communications Committee and the Middle East and North Africa Regional Committee. JODIC also contributes actively to the research, guidance and core principles development effort that IADI undertakes through its membership in the Research and Guidance Committee of the Association.

JODIC organized the second regional conference in cooperation with the IADI and Financial Services Volunteer Corps FSVC on "The Role of Deposit Insurance in promoting financial stability in the Middle East and North Africa: Enhancing Confidence".

Finally, I would like to extend my deep gratitude and appreciation to His Excellency the Chairman and the Members of the Board of Directors for their continued support and guidance. Gratitude and appreciation are also extended to all colleagues at JODIC for their dedication and professional commitment to work. May God Almighty guide us all to serve our beloved country under the auspices of His Majesty King Abdullah II; may God protect him.
Chairman of the Board of Directors
HE Dr. Umayya Salah Toukan
Governor of the Central Bank of Jordan

Dr. Toukan has served his country in several capacities within his specialization. He held the posts of Economic Adviser to the Prime Minister, Director General of the Stock Exchange and Head of the Economic Research Department at the Central Bank of Jordan. On the regional level, Dr. Toukan held the post of Senior Economist at the Arab Monetary Fund in Abu Dhabi. On the international level, Dr. Toukan represented his country at the United Nations in New York (Economic and Financial Committee) during the period 1973 - 1978 and as Ambassador of the Hashemite Kingdom of Jordan to the Kingdom of the Netherlands, the Kingdom of Belgium, the Grand Duchy of Luxembourg and the European Union for the period 1996 - 2000.

Dr. Toukan holds a doctorate degree in economics from Columbia University in the city of New York, and his doctoral dissertation was in the area of monetary economics (Money and Financial Markets). He completed his undergraduate and MBA studies at the American University of Beirut. His career started at the Central Bank of Jordan in 1967 where, after few years, he completed further postgraduate studies in Economic Development at Oxford University.


Dr. Toukan was named "Central Bank Governor of the Year 2009" for the Middle East region by "The Banker" publication of London.

Vice Chairman of the Board of Directors
HE Mrs. Kholoud Saqqaf
Deputy Governor of the Central Bank of Jordan

Mrs. Saqqaf has held several positions at the Central Bank of Jordan (CBJ) during the periods 1993-2004, 2006 till present. In the years 2004-2006 Mrs. Saqqaf held the post of Director of the Research Department at the Insurance Commission of Jordan and held the post of Researcher at Jordan Mines Company prior to joining the CBJ in 1993.

Mrs. Saqqaf serves in different capacities in the board of directors of several local organizations, and as Chairman of Jordan Mortgage Refinance Company and Deputy Chairman of the National Committee for Anti-Money Laundering.

Mrs. Saqqaf holds both master’s and bachelor’s degrees in Economics from the University of Jordan.
HE Mr. Ezzeldeen Kanakria  
Secretary General of the Ministry of Finance

Mr. Kanakria has held several positions at the Ministry of Finance during the period 1986 - 2007. The most significant of these were the posts of Assistant Secretary General and Director of Cash Management Department at the Ministry.

Mr. Kanakria serves in different capacities on boards of directors of different local and international organizations and specialized committees.

Mr. Kanakria holds a master’s degree in Accounting and Financial Sciences from the Arab Academy for Banking and Financial Sciences/Amman and a bachelor’s degree in Economics from Yarmouk University. Currently Mr. Kanakria is completing his doctoral studies in Finance at Amman Arab University for Graduate Studies.

HE Mr. Saber Rawashdeh  
Controller of Companies at the Ministry of Industry and Trade

Mr. Rawashdeh has held several positions in the field of law and legal profession. The most significant of these were the post of Amman Prosecutor and Chief of Public Prosecution Department during the period 2002-2007, Assistant Chief of Public Prosecution during the period 2001-2002, and Attorney at Law during the period 1984-2001. Mr. Rawashdeh worked at Audit Bureau during the period 1977-1979.

Mr. Rawashdeh serves as board member at different public organizations. He holds a master’s degree and higher diploma certificate in Private Law and a bachelor’s degree in Law. Mr. Rawashdeh has participated in courses related to law and general prosecution development and he is a lecturer in specialized courses at the Juridical Institute of Jordan.

HE Dr. Mohammed Al-Ja’fari  
Director General of Jordan Deposit Insurance Corporation (JODIC)

Dr. Al-Ja’fari holds the position of Director General of the Corporation (JODIC) since the beginning of the year 2004. Prior to joining JODIC, Dr. Al-Ja’fari held the post of Commissioner for Finance and Administration at Aqaba Special Economic Zone Authority (ASEZA) during the period 2002-2003, and he held several positions at the Central Bank of Jordan during the period 1986-2002.

Dr. Al-Ja’fari serves as board member at different public shareholding companies. He represents JODIC at the International Association of Deposit Insurers (IADI) where he is a member of the Executive Council, Research and Guidance Committee and Chairperson of the Membership and Communications Committee (MCC) and the Regional Committee for the Middle East and North Africa (MENA).

Dr. Al-Ja’fari holds a doctorate degree in Finance from Manchester Business School/England, and master’s and bachelor’s degrees in Economics from Jordanian universities.
Mr. Mohammad Belbeisi
Chairman of the National Portfolio Securities Plc.
Chairman of the Real Estate Investment Portfolio Company

Mr. Belbeisi holds several positions in different capacities; the most significant posts are: The post of Chairman of the National Portfolio Securities and the Real Estate Investment Portfolio Company, the post of Vice Chairman of the Board of Directors at the National Insurance Company, Member of Board of Directors at BLOK Company and at the Securities Depository Center. Mr. Belbeisi held the post of Chief Executive Officer of the Arab Financial Investment Company during the period 1982-1986, and the post of Member of Management Committee/Managing Director of Forum Furniture Company during the period 1977-1982.

Mr. Belbeisi holds a bachelor’s degree in Business Administration from the University of Jordan and serves in different capacities on boards of directors of several public shareholding companies.

HE Mr. Isam Bdeir
Chairman of the Jordanian Electric Power Co. Ltd.

Mr. Bdeir took part in establishing several public shareholding and private trading and industrial companies. He serves in different capacities on boards of directors of several public shareholding companies, financial and educational institutions.

Mr. Bdeir is a board member of the National Aid Fund (NAF) and a former member of the Jordanian Senate, the Board of the Central Bank of Jordan and the Board of Trustees of the University of Jordan.

Mr. Bdeir was honoured to be a Member of the Royal Committee for the Formulation of the National Charter during the period 1990-1991 and was Swedish Vice Honorary Consul in 1968 and then Consul General during the period 1975-1981.

Mr. Bdeir holds a master’s degree in Business Administration and Accounting from the University of Michigan / USA and a bachelor’s degree in the same field from the American University of Beirut.

Mr. Bdeir was honoured with the Decorations of: Independence-Third Degree in 1985, Independence - First Degree in 1991 and an Italian Decoration in 1987.
Committees:
- Human Resources Committee
- Procurement Committee
- Investment & Financing Committee
- Enterprise Risk Management Committee
- Social Activities Committee
## MEMBER BANKS

### Jordanian Banks

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Year of Establishment</th>
<th>Branches Inside Kingdom</th>
<th>Total Assets</th>
<th>Deposits Subject to the Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jordan Kuwait Bank</td>
<td>1976</td>
<td>48</td>
<td>1,817,830,454</td>
<td>910,056,180</td>
</tr>
<tr>
<td>Jordan Commercial Bank</td>
<td>1977</td>
<td>27</td>
<td>590,928,592</td>
<td>351,859,740</td>
</tr>
<tr>
<td>Bank of Jordan</td>
<td>1960</td>
<td>62</td>
<td>1,474,527,663</td>
<td>800,191,518</td>
</tr>
<tr>
<td>Arab Jordan Investment Bank</td>
<td>1978</td>
<td>10</td>
<td>663,723,819</td>
<td>236,505,211</td>
</tr>
<tr>
<td>The Housing Bank for Trade &amp; Finance</td>
<td>1973</td>
<td>102</td>
<td>4,727,571,805</td>
<td>2,558,837,150</td>
</tr>
<tr>
<td>Societe General - Jordan</td>
<td>1993</td>
<td>16</td>
<td>301,151,612</td>
<td>125,995,452</td>
</tr>
<tr>
<td>Arab Banking Corporation - Jordan</td>
<td>1990</td>
<td>19</td>
<td>591,466,289</td>
<td>268,814,149</td>
</tr>
<tr>
<td>Capital Bank of Jordan</td>
<td>1995</td>
<td>13</td>
<td>1,016,292,275</td>
<td>451,430,628</td>
</tr>
<tr>
<td>Cairo Amman Bank</td>
<td>1960</td>
<td>63</td>
<td>1,286,960,024</td>
<td>681,546,425</td>
</tr>
<tr>
<td>Union Bank</td>
<td>1991</td>
<td>21</td>
<td>1,436,350,515</td>
<td>642,681,725</td>
</tr>
<tr>
<td>Arab Bank</td>
<td>1930</td>
<td>80</td>
<td>7,467,600,000</td>
<td>3,186,093,530</td>
</tr>
<tr>
<td>Jordan Ahli Bank</td>
<td>1955</td>
<td>44</td>
<td>1,759,224,675</td>
<td>830,670,048</td>
</tr>
<tr>
<td>Invest Bank</td>
<td>1982</td>
<td>8</td>
<td>659,317,760</td>
<td>331,198,935</td>
</tr>
</tbody>
</table>

### Branches of Foreign Banks Operating in Jordan

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Year of Establishment</th>
<th>Branches</th>
<th>Total Assets</th>
<th>Deposits Subject to the Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSBC Bank Middle East</td>
<td>1963</td>
<td>4</td>
<td>996,290,881</td>
<td>405,838,159</td>
</tr>
<tr>
<td>Egyption Arab Land Bank-Jordan</td>
<td>1951</td>
<td>9</td>
<td>358,476,663</td>
<td>160,649,787</td>
</tr>
<tr>
<td>Standard Chartered Bank-Jordan</td>
<td>2002</td>
<td>5</td>
<td>530,122,809</td>
<td>158,313,248</td>
</tr>
<tr>
<td>Bank Audi S.A.L-Jordan Branches</td>
<td>2004</td>
<td>10</td>
<td>583,260,359</td>
<td>337,161,250</td>
</tr>
<tr>
<td>BLOM Bank S.A.L-Jordan</td>
<td>2003</td>
<td>6</td>
<td>410,000,964</td>
<td>257,759,794</td>
</tr>
<tr>
<td>Citi Bank N.A Jordan</td>
<td>1974</td>
<td>2</td>
<td>282,247,924</td>
<td>64,145,777</td>
</tr>
<tr>
<td>National Bank of Kuwait- Jordan</td>
<td>2003</td>
<td>5</td>
<td>257,268,896</td>
<td>63,307,920</td>
</tr>
<tr>
<td>Rafidain Bank Jordan</td>
<td>1957</td>
<td>2</td>
<td>137,012,282</td>
<td>548,377</td>
</tr>
</tbody>
</table>

*National Bank of Abu Dhabi membership started at the date of operation 7/2/2010*
OVERVIEW

ESTABLISHMENT

JODIC was established by virtue of the law No. 33 for the year 2000 as a financially and administratively Independent Corporation.

CORPORATION MISSION

To protect depositors with banks by insuring their deposits in accordance with the provisions of the JODIC's law in order to encourage savings and strengthen confidence in the Jordanian banking system.

CORPORATION VISION

To become a leading professional risk minimizing organization that promotes the stability of the financial system in accordance with provisions of the law.

CORPORATE VALUES

Integrity, excellence, unity of purpose, efficiency and effectiveness.

FUNCTIONS & MANDATES

DEPOSIT INSURANCE

JODIC is legally responsible for compensating insured depositors in case of bank liquidation. The insurance sum becomes eligible once the liquidation decision is taken, and JODIC shall pay it within 30 days from the date of claims submission.

RESERVE MANAGEMENT

Given the mandatory requirements, JODIC must act to form accumulated reserves amounting to three percent (3%) of the total deposits subject to provisions of the law.

The sources of reserve accumulation are the membership fees (annual premiums) that are collected from member banks, investment income and any other surplus net of all expenses.

JODIC adopts an integrated investment plan approved by the board of directors to reach a target reserve level within a balanced time frame. It should be noted that JODIC invests its funds in bonds issued or guaranteed by the Jordanian government.
OVERVIEW

LIQUIDATION
According to JODIC law No. 33 of the year 2000, JODIC is the sole liquidator and the only legal representative of any bank whose liquidation has been decided by the Central Bank of Jordan.

JODIC enjoys wide powers and various authorities to perform its responsibility as a liquidator within 2 years from the date of the issuance of the liquidation decision. JODIC is authorised to offset the customer deposits against all obligations when determining deposits subject to reimbursement.

It should be noted here that the board of directors has approved the bylaws related to liquidation processes. These bylaws provide the general framework for the process of deposit reimbursement and asset disposition.

The responsibilities of JODIC as a liquidator are not limited to the prompt reimbursement of the insured depositors within the maximum amount set by the law, it is also responsible for managing all claims of depositors, debtors and the remaining stakeholders.

The insurance sum shall become payable under this law if the Central Bank decides to liquidate a bank in accordance with the provisions of the Banking law and JODIC shall pay the insurance sum due to an insured deposit holder within 30 days from the date on which the deposit holder submits his claim.

To enable JODIC to perform its role as deposit insurer and liquidator, JODIC in coordination and collaboration with the Central Bank of Jordan monitors the financial position of member banks.

According to the article 29 and Article 30 of its law, JODIC may examine a banks' financial statements and the results of their operations that are available at the Central Bank. Based on JODIC request and Central Bank’s approval, a joint inspection team comprising employees of JODIC and the Central Bank may be formed to review or examine the operations, records, and statements of any bank. The team shall prepare a joint report containing the results of a bank’s activities and recommendations for the submission to the Central Bank and JODIC.

MAIN FEATURES OF THE DEPOSIT INSURANCE SYSTEM IN JORDAN

MEMBERSHIP
Membership is mandatory for all Jordanian banks and branches of foreign banks operating in the kingdom except the branches of Jordanian banks operating abroad and Islamic banks operating in the kingdom unless any of the Islamic banks decides to join the scheme.

COVERAGE LIMIT
A maximum protection of JD 10,000 of deposits denominated in Jordanian dinar per depositor in each member bank.
OVERVIEW

SCOPE OF COVERAGE

INSURED DEPOSITS
JODIC protects all types of deposits denominated in Jordanian dinar for individuals, institutions, residents and non-residents, including:
1. Current deposits and demand deposits.
2. Saving deposits.
3. Term and subject to the notice deposits.
5. Joint deposits accounts that belong to more than one person.

UNINSURED DEPOSITS
2. Interbank Deposits.
3. Cash Collaterals within the limits of the value of extended facilities guaranteed by the said collateral.

INSURED CURRENCY
JODIC insures deposits in Jordanian Dinar and may insure any foreign currency deposits that the Central Bank decides to subject to JODIC’s insurance.

PREMIUMS
JODIC applies an annual flat fee of 2.5 per thousand of total deposits subject to provision of the law. However, this fee and the terms of calculating it can be adjusted by the Council of Ministers upon a recommendation from the board of directors based on bank rating.

CORPORATION MANAGEMENT

The Board of Directors
JODIC is managed and supervised by a board of directors chaired by the governor of the Central Bank of Jordan and membership of four members from the public sector including the General Director of JODIC and two members from the private sector appointed by decision of the Council of Ministers. JODIC’s law details board duties and authorities. It is responsible for drawing the general policy and administrative organizational structure of JODIC, approving the internal regulations and the annual budget, supervising the liquidation process in accordance with the provisions of law, and any other matters and responsibilities presented by the board of directors related to JODIC’s mandates.

The general director of JODIC has the necessary authority to manage the administration of JODIC including the implementation of the policies and the decisions taken by the Board of Directors and to supervise the administrative corporation system.

Organizational & Functional Structure
The organizational structure of JODIC comprises four departments and two units:

1. Liquidation Department: The department carries out the functions of JODIC as a liquidator for any bank that is decided to be liquidated and working on designing and developing the needed policies and procedures for the liquidation process for implementing its duties efficiently and effectively. The department is also responsible for developing and managing the procedures for depositor’s reimbursement according to the provisions of the law and any related regulations and decisions.

2. Insurance & Risk Management Department: The department is responsible for insuring deposit safety in the banking system. It is responsible for implementing and improving all policies in this regard including premium collection, bank monitoring in addition to following up and overseeing all financial and economic developments.
3. **Finance & Administration Department**: The department is responsible for all accounting and financial activities besides managing all human resources related functions, procurement and IT support functions.

4. **International & Public Relations Department**: The department is responsible for managing JODIC’s relations and organizing its activities with internal and external parties. It contributes in designing and developing the needed policies and plans related to public awareness, direct communications with target audience and member banks, and other events and activities. At the regional and international levels, the department is responsible for managing foreign relations with deposit insurers and other related stakeholders in different deposit insurance aspects.

5. **Investment and Financing Unit**: The unit undertakes the responsibilities of managing the investments of JODIC’s reserves according to the provisions of the law. It is also responsible for managing financing operations for JODIC. The planning function and continuous monitoring of all investment related indicators are all critical activities for the unit.

6. **Internal Audit Unit**: The unit carries out its responsibilities to ensure the compliance of corporate activities with the related regulations and bylaws. It reports periodically to the management the comment and evaluation of business processes as the adopted audit plan to ensure the soundness of the internal control system and the proper accurate implementation of different policies so as to improve annual enterprise risk management within the existing corporate structure.
Development of Deposits in the Jordanian Banking System
DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Deposits denominated in Jordanian dinar continued to achieve high levels of growth during 2009 despite the global financial crisis and the slow down in economic growth. These high levels of growth may be attributed to the public confidence in the Jordanian dinar as a store of value, and in the Jordanian banking system. In this context, it is worthy to point out that the prudent regulations adopted by the Central Bank of Jordan has contributed clearly in sustaining the financial stability in the country by insuring the soundness of banks financial position during the high economic growth period (2005 – 2008). The regulations also maintained the safety of the system during the financial crisis erupted late 2008. The regulations have clearly created sound, safe and attractive banking system for national savings.

TOTAL DEPOSITS IN THE BANKING SYSTEM

Total deposits in the banking system reached JD 20298.4 million by the end of 2009, compared to JD 18103.6 million a year earlier, indicating an increase of JD 2194.8 million or 12.1%. The average annual growth rate in deposits for the last five years was 11.5%.

Deposits denominated in Jordanian dinar amounted to JD 15865.1 million, representing 78.2% of the total deposits in the banking system by the end of 2009, whereas foreign currency deposits amounted to JD 4433.4 million or 21.8% of the total deposits in the banking system by the end of the year. A year earlier the percentage of deposits denominated in Jordanian dinar was 73.7% compared to 26.3% of deposits denominated in foreign currencies, reflecting the continued confidence in the Jordanian dinar as a store of value compared to foreign currencies.

The total Jordanian dinar deposits represented 78.2% of the total deposits in the banking system by the end of 2009.

TOTAL DEPOSITS DENOMINATED IN JORDANIAN DINAR

Total deposits denominated in Jordanian dinar in the banking system reached JD 15865.1 million by the end of 2009 compared to JD 13349.4 million a year earlier; indicating an increase of JD 2515.6 million or 18.8%.

ALLOCATION OF DEPOSITS DENOMINATED IN JORDANIAN DINAR

Individuals’ deposits amounted to JD 10373.0 million representing 65.4% of the total deposits in the banking system, corporate deposits amounted to JD 4730.6 million representing 29.8% of the total deposits in the banking system, finally the government deposits amounted to JD 761.5 million representing the remaining 4.8% of the total deposits.
DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

TOTAL DEPOSITS DENOMINATED IN JORDANIAN DINAR IN THE BANKING SYSTEM ACROSS VARIOUS SECTORS AND THEIR RESPECTIVE GROWTH RATES

<table>
<thead>
<tr>
<th></th>
<th>INDIVIDUALS</th>
<th>CORPORATE</th>
<th>GOVERNMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deposits amount (in million JD)</td>
<td>No. of depositors (in thousands)</td>
<td>Average Deposit (JD)</td>
</tr>
<tr>
<td>2008</td>
<td>8,354</td>
<td>2,936</td>
<td>2,846</td>
</tr>
<tr>
<td>2009</td>
<td>10,373</td>
<td>3,063</td>
<td>3,387</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>24.2%</td>
<td>4.3%</td>
<td>19.0%</td>
</tr>
</tbody>
</table>

ALLOCATION OF DEPOSITS DENOMINATED IN JORDANIAN DINAR ACROSS VARIOUS SECTORS (END OF 2009)

- CORPORATE 29.8%
- GOVERNMENT 4.8%
- INDIVIDUALS 65.4%

Individuals’ deposits denominated in Jordanian dinar represented 65.4% of the total JD deposits in the banking system by the end of 2009.

DEPOSITS DENOMINATED IN JORDANIAN DINAR AT MEMBER BANKS

Deposits denominated in Jordanian dinar held by banks subject to the provisions of the corporation’s law\(^1\) (member banks) reached JD 13,552.6 million by the end of 2009 compared to JD 11,542.3 million at the end of 2008 with a growth rate of 17.4%. These deposits, that represent 85.4% of JD deposits, belong to 1,684.0 thousand depositors with an average deposit value of JD 8,048 compared to 1,681.8 thousand depositors with an average of JD 6,863 a year earlier.

\(^1\) All local banks and branches of foreign banks operating in Jordan except Islamic banks.
DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

INSURED DEPOSITS

The outstanding balance of (insured deposits)\(^{(2)}\) reached JD 12823.6 million by the end of 2009 compared to JD 11017.2 million by the end of 2008 reflecting a growth rate of 16.4 %. These deposits represented 94.6 % of the total deposits denominated in Jordanian dinar held by member banks in 2009. They belong to 1681.5 thousand depositors with an average deposit value of JD 7626 by the end of 2009, compared to 1678.8 thousand depositors, and with an average deposit of JD 6562 a year earlier.

Deposits subject to the provisions of the law represented 94.6 % of the total JD deposits held by member banks by the end of 2009.

HISTORICAL DEVELOPMENT OF DEPOSITS IN THE BANKING SYSTEM (2002 - 2009)

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(2) Insured deposits are total deposits held by member banks except Government and interbank deposits.
DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

FULLY INSURED DEPOSITS

Deposits subject to full reimbursement according to the provisions of the law (deposits less than or equal to JD 10,000), accounted for 11.5% of the total deposits subject to the provisions of the law and amounted to JD 1480.4 million by the end of 2009. They belong to 1557.4 thousand depositors with an average deposit value of JD 951 by the end of 2009 compared to JD 1380.7 million belong to 1571.8 thousand depositors with an average of JD 878 a year earlier. The percentage of fully insured depositors was 92.6% of the total depositors whose deposits are subject to the provisions of the corporation’s law by the end of 2009.

The percentage of totally insured depositors was 92.6% of insured depositors by the end of 2009.

PARTIALLY INSURED DEPOSITS

On the other hand, deposits subject to the provisions of the corporation’s law in excess JD 10,000, or partially insured deposits, increased from JD 9636.5 million by the end of 2008 to JD 11343.2 million by the end of 2009, representing 88.5% of total deposits subject to the provisions of the law. These deposits belong to 124.0 thousand depositors representing 7.4% of the total depositors whose deposits are subject to the provisions of the corporation’s law, with an average deposit of JD 91448 by the end of 2009, compared to 107.1 thousand depositors with an average deposit of JD 90004 a year earlier.

CONCENTRATION OF JD DEPOSITS AT LARGEST FIVE MEMBER BANKS

The largest five member banks accounted for almost 63% of total JD deposits; Arab Bank, Housing Bank for Trade and finance, Jordan Kuwait Bank, Bank of Jordan and Jordan Ahli Bank held 23.7%, 19.7%, 7.0%, 6.4% and 6.3% of the total JD deposits respectively.

CONCENTRATION OF DEPOSITS DENOMINATED IN JORDANIAN DINAR AT LARGEST FIVE BANKS SUBJECT TO THE PROVISIONS OF THE LAW (END OF 2009)
JODIC reserves increased from JD 145.0 million to JD 183.9 million during the year 2009, representing 1.4% of the total insured deposits by the end of the year, compared to 3.0% targeted level as stipulated in the corporation's law. The corporation collected JD 32.3 million in premiums during 2010, which brings the total reserves to JD 216.2 million by the end of the first quarter of 2010 and the said ratio to 1.7% of total deposits subject to the provisions of the law.
### Development of Deposits in the Jordanian Banking System

**Main Indicators of Jordanian Dinar Deposits and Depositors at Member Banks for the Period 2002 to 2009**

<table>
<thead>
<tr>
<th>ITEM/END OF THE PERIOD</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>GROWTH RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total deposits at member banks (in million)</td>
<td>4878.0</td>
<td>5213.8</td>
<td>5885.3</td>
<td>7173.0</td>
<td>8001.8</td>
<td>9081.3</td>
<td>11542.3</td>
<td>13552.6</td>
<td>15.7%</td>
</tr>
<tr>
<td>Total depositors at member banks (in thousand)</td>
<td>1373.7</td>
<td>1355.2</td>
<td>1397.7</td>
<td>1476.1</td>
<td>1570.0</td>
<td>1624.7</td>
<td>1681.8</td>
<td>1684.0</td>
<td>3.0%</td>
</tr>
<tr>
<td>Average deposit value for total depositors at member banks (in Dinar)</td>
<td>3550.3</td>
<td>3847.4</td>
<td>4210.6</td>
<td>4859.5</td>
<td>5097.3</td>
<td>5569.4</td>
<td>6663.2</td>
<td>8048.0</td>
<td>12.4%</td>
</tr>
<tr>
<td>Deposits subject to the provisions of the law (in million)</td>
<td>4653.5</td>
<td>4991.2</td>
<td>5585.0</td>
<td>6795.2</td>
<td>7567.0</td>
<td>8584.1</td>
<td>11017.2</td>
<td>12823.6</td>
<td>15.6%</td>
</tr>
<tr>
<td>Estimated reimbursement amount (in million)</td>
<td>1478.8</td>
<td>1634.7</td>
<td>1616.1</td>
<td>1949.0</td>
<td>2134.2</td>
<td>2232.1</td>
<td>2451.4</td>
<td>2720.8</td>
<td>9.1%</td>
</tr>
<tr>
<td>Estimated reimbursement amount to total deposits subject to provisions of the law</td>
<td>31.8%</td>
<td>32.3%</td>
<td>32.5%</td>
<td>28.7%</td>
<td>28.2%</td>
<td>26.0%</td>
<td>22.3%</td>
<td>21.2%</td>
<td>-5.7%</td>
</tr>
<tr>
<td>Number of depositors whose deposits are subject to provisions of the law (in thousand)</td>
<td>1372.2</td>
<td>1352.8</td>
<td>1395.0</td>
<td>1473.5</td>
<td>1567.3</td>
<td>1621.6</td>
<td>1678.8</td>
<td>1681.5</td>
<td>2.9%</td>
</tr>
<tr>
<td>Average deposit value for depositors whose deposits are subject to provisions of the law (in Dinar)</td>
<td>3391.2</td>
<td>3689.5</td>
<td>4003.5</td>
<td>4617.7</td>
<td>4834.2</td>
<td>5293.7</td>
<td>6562.4</td>
<td>7625.0</td>
<td>12.3%</td>
</tr>
<tr>
<td>Fully insured deposits (all deposits that are less than or equal to JD 10,000) (in million)</td>
<td>915.6</td>
<td>1005.2</td>
<td>1114.3</td>
<td>1172.3</td>
<td>1264.2</td>
<td>1283.8</td>
<td>1380.7</td>
<td>1480.4</td>
<td>7.1%</td>
</tr>
<tr>
<td>Number of fully insured depositors (in thousand)</td>
<td>1315.9</td>
<td>1289.9</td>
<td>1324.8</td>
<td>1395.8</td>
<td>1480.3</td>
<td>1526.7</td>
<td>1571.8</td>
<td>1557.4</td>
<td>2.4%</td>
</tr>
<tr>
<td>Average deposit value for fully insured depositors (in Dinar)</td>
<td>695.8</td>
<td>779.3</td>
<td>841.1</td>
<td>839.8</td>
<td>854.0</td>
<td>840.8</td>
<td>878.5</td>
<td>951.0</td>
<td>4.6%</td>
</tr>
<tr>
<td>Partially insured deposits (deposits in excess of JD 10,000) (in million)</td>
<td>3737.9</td>
<td>3986.1</td>
<td>4470.7</td>
<td>5622.9</td>
<td>6312.8</td>
<td>7300.4</td>
<td>9636.5</td>
<td>11343.2</td>
<td>17.2%</td>
</tr>
<tr>
<td>Number of partially insured depositors (in thousand)</td>
<td>56.3</td>
<td>63.0</td>
<td>70.2</td>
<td>77.7</td>
<td>87.0</td>
<td>94.8</td>
<td>107.1</td>
<td>124.0</td>
<td>11.9%</td>
</tr>
<tr>
<td>Average deposit value for partially insured depositors (in Dinar)</td>
<td>66366.8</td>
<td>83313.9</td>
<td>63703.8</td>
<td>72396.3</td>
<td>72447.8</td>
<td>76977.4</td>
<td>90003.5</td>
<td>91448.0</td>
<td>4.7%</td>
</tr>
<tr>
<td>Fully insured deposits to total deposits subject to provisions of the law</td>
<td>19.7%</td>
<td>20.1%</td>
<td>20.0%</td>
<td>17.3%</td>
<td>16.7%</td>
<td>15.0%</td>
<td>12.5%</td>
<td>11.5%</td>
<td>-7.4%</td>
</tr>
<tr>
<td>Partially insured deposits to total deposits subject to provisions of the law</td>
<td>80.3%</td>
<td>79.9%</td>
<td>80.0%</td>
<td>82.7%</td>
<td>83.3%</td>
<td>85.0%</td>
<td>87.5%</td>
<td>88.6%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Fully insured deposits to total deposits at member banks</td>
<td>18.8%</td>
<td>19.3%</td>
<td>18.9%</td>
<td>16.3%</td>
<td>15.8%</td>
<td>14.1%</td>
<td>12.0%</td>
<td>10.9%</td>
<td>-7.5%</td>
</tr>
<tr>
<td>Partially insured deposits to total deposits at member banks</td>
<td>76.6%</td>
<td>76.5%</td>
<td>76.0%</td>
<td>78.4%</td>
<td>78.8%</td>
<td>80.4%</td>
<td>83.5%</td>
<td>83.7%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Number of fully insured depositors to total depositors whose deposits are subject to provisions of the law</td>
<td>95.9%</td>
<td>95.3%</td>
<td>95.0%</td>
<td>94.7%</td>
<td>94.4%</td>
<td>94.2%</td>
<td>93.6%</td>
<td>92.6%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Number of partially insured depositors to total depositors whose deposits are subject to provisions of the law</td>
<td>4.1%</td>
<td>4.7%</td>
<td>5.0%</td>
<td>5.3%</td>
<td>5.6%</td>
<td>5.8%</td>
<td>6.4%</td>
<td>7.4%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Concentration of deposits subject to provisions of the law held by member banks (the largest share)</td>
<td>28.9%</td>
<td>29.9%</td>
<td>28.9%</td>
<td>27.2%</td>
<td>25.7%</td>
<td>24.6%</td>
<td>25.8%</td>
<td>24.8%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Concentration of deposits subject to provisions of the law held by member banks (the largest two shares)</td>
<td>47.3%</td>
<td>50.4%</td>
<td>50.2%</td>
<td>48.3%</td>
<td>46.4%</td>
<td>45.7%</td>
<td>45.3%</td>
<td>44.8%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Concentration of deposits subject to provisions of the law held by member banks (the largest five shares)</td>
<td>69.0%</td>
<td>72.3%</td>
<td>71.0%</td>
<td>69.1%</td>
<td>70.0%</td>
<td>66.7%</td>
<td>65.6%</td>
<td>64.6%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Corporation's reserves (in million)</td>
<td>26.5</td>
<td>39.4</td>
<td>53.6</td>
<td>69.9</td>
<td>90.8</td>
<td>115.2</td>
<td>145.0</td>
<td>183.9</td>
<td>31.9%</td>
</tr>
<tr>
<td>Corporation's reserves to deposits that are subject to provisions of the law</td>
<td>0.6%</td>
<td>0.8%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>13.7%</td>
</tr>
<tr>
<td>Corporation's reserves to estimated reimbursement amount</td>
<td>2.7%</td>
<td>2.4%</td>
<td>3.0%</td>
<td>3.6%</td>
<td>4.3%</td>
<td>5.2%</td>
<td>5.9%</td>
<td>6.8%</td>
<td>14.1%</td>
</tr>
</tbody>
</table>
With respect to foreign currency deposits in the banking system, they reached JD 4433.4 million by the end of 2009 down from JD 4754.1 million by the end of 2008, reflecting a decline of 6.7% compared to a growth rate in Jordanian dinar deposits by 18.8% during the same year as mentioned earlier.

Number of depositors has declined to reach 267.1 thousand depositors by the end of the year, compared to 308.2 thousand depositors by the end of 2008. Accordingly, the average value of foreign currency deposits increased from JD 15424 by the end of 2008 to JD 16600 by the end of 2009.

The distribution of foreign currency deposits in the banking system by the end of 2009 shows that individuals' deposits stand at JD 3040.6 million and account for 68.6% of the total foreign currency deposits. Corporate and government deposits were JD 1373.3 million and JD 19.4 million representing 31.0% and 0.4% of the total foreign currency deposits respectively.

Total foreign currency deposits for individuals represented 68.6% of the total foreign currency deposits in the banking system.

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(3) Deposits denominated in foreign currencies are not insured by the corporation. However, it may be insured upon the Central Bank of Jordan decision.
**DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM**

**TOTAL DEPOSITS IN FOREIGN CURRENCIES IN THE BANKING SYSTEM ACROSS VARIOUS SECTORS AND THEIR GROWTH RATES**

<table>
<thead>
<tr>
<th></th>
<th>INDIVIDUALS</th>
<th>CORPORATE</th>
<th>GOVERNMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deposits amount (in million JD)</td>
<td>No. of depositors (in thousands)</td>
<td>Average Deposit (JD)</td>
</tr>
<tr>
<td>2008</td>
<td>3,391</td>
<td>274</td>
<td>12,389</td>
</tr>
<tr>
<td>2009</td>
<td>3,041</td>
<td>230</td>
<td>13,232</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>-10.3%</td>
<td>-16.1%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

**ALLOCATION OF DEPOSITS DENOMINATED IN FOREIGN CURRENCY ON THE DIFFERENT SECTORS**

(By the end of 2009)

- **INDIVIDUALS**: 68.6%
- **CORPORATE**: 31.0%
- **GOVERNMENT**: 0.4%

Deposits denominated in foreign currency held by member banks decreased from JD 4577.2 million by the end of 2008, to JD 4209.3 million by the end of 2009; a negative growth rate of 8.0%. These deposits accounted for 94.9% of total foreign currency deposits in the banking system. The number of foreign currency depositors at member banks reached 214.6 thousand by the end of 2009 with an average deposit value of JD 19612, compared to 231.9 thousand depositors with an average deposit value of JD 19739 by the end of 2008.
THE CORPORATION'S CAPITAL, FUNDING SOURCES, INVESTMENTS & FINANCIAL PERFORMANCE
Endeavoring the enhancement of it’s ability to achieve national and institutional goals effectively and efficiently, JODIC continued its efforts to strengthen its reserve level, where as owners’ equity increased to reach JD 187.1 million by the end of 2009 compared with JD 148.2 million by the end of 2008. JODIC’s capital amounted to JD 3.2 million of which JD 1 million was paid by the government, and JD 2.2 million paid by member banks as a non-refundable initiation fee. The accumulated reserves at the end of 2009 generated from annual surplus and premiums have formed the bulk of the owners’ equity and reached JD 183.9 million; an increase of JD 38.9 million from the previous year. Annual membership fees collected from member banks amounted to JD 27.6 million during the year 2009 compared with JD 21.4 million collected a year earlier, reflecting a 29% growth rate, while the net investment of income 2009 amounted to JD 11.3 million compared with JD 8.4 million for the year 2008.

In accordance with article no. 24/a of JODIC Law, JODIC invests its funds, including collected premiums and investment income, in bonds issued or guaranteed by the government. JODIC follows a methodological approach for portfolio management aiming to reach the targeted reserve level within a balanced timeframe. It utilizes best investment opportunities available in the primary market for government securities taking into account the term, Yield-to-Maturity (YTM) and JODIC’s share from each issue. It closely monitors the interest rate structure in the market and prevailing YTM when diversifying portfolio investments to achieve the best possible returns in the medium and long terms.

Investment income reached JD 12.3 million during the year 2009.

To enhance further the reserve buildup effort, JODIC adopts a decreasing growth rate for the ratio of total overhead expenses to investment income; the ratio declined from 10.6% at the end of 2008 to 8.3% at the end of 2009. It also monitors and evaluates revenue and expense items continuously to ensure effective implementation of the annual budget approved by the board of directors in accordance with article 7/a/5 of the law and to ensure compliance with performance indicators adopted in its medium term financial program.
OUTSTANDING VALUE OF JODIC’S HELD-TO-MATURITY BONDS PORTFOLIO INCREASED TO REACH JD 178.4 MILLION BY THE END OF 2009 COMPARED TO JD 140.6 MILLION A YEAR EARLIER, AN INCREASE OF JD 37.8 MILLION, REFLECTING A GROWTH RATE OF 26.9%.

THE PORTFOLIO CONSISTS OF:
- Treasury bonds with a value of JD 160.7 million; a 90.1% of the total value of the portfolio.
- Public entity bonds with a value of JD 17.7 million; a 9.9% of the total value of the portfolio.

JODIC ACHIEVED JD 12.2 MILLION INVESTMENT INCOME FROM BONDS PORTFOLIO IN THE YEAR 2009 COMPARED TO JD 9.2 MILLION IN THE YEAR 2008, 33% GROWTH RATE.

THE CORPORATION’S CAPITAL, FUNDING SOURCES, INVESTMENTS & FINANCIAL PERFORMANCE

<table>
<thead>
<tr>
<th>YEAR</th>
<th>JODIC’S INVESTMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3,830,000</td>
</tr>
<tr>
<td>2001</td>
<td>15,688,695</td>
</tr>
<tr>
<td>2002</td>
<td>27,875,895</td>
</tr>
<tr>
<td>2003</td>
<td>40,562,166</td>
</tr>
<tr>
<td>2004</td>
<td>52,459,976</td>
</tr>
<tr>
<td>2005</td>
<td>67,901,690</td>
</tr>
<tr>
<td>2006</td>
<td>87,494,000</td>
</tr>
<tr>
<td>2007</td>
<td>112,194,000</td>
</tr>
<tr>
<td>2008</td>
<td>140,604,000</td>
</tr>
<tr>
<td>2009</td>
<td>178,404,000</td>
</tr>
</tbody>
</table>

Because of the decrease in bonds YTM during the year 2009 compared with the average JODIC’s portfolio yield, the YTM of the portfolio declined to 7.001% by the end of 2009 compared with 7.428% a year earlier. Given the retreat in the prevailing yields during the year, JODIC reduced the modified duration for its portfolio to 1.7518 year at the end of 2009 down from 2.003 year by the end of 2008. The following table shows both the changes in YTM and the modified duration for JODIC’s portfolio over the period 2000-2009:
Short term bonds in JODIC portfolio increased from JD 25.2 million at the end of 2008 to JD 53.8 million at the end of 2009, indicating a higher re-investment risk, given the continuous decline of interest rate structure.

Outstanding value of JODIC’s bonds portfolio increased to reach JD178.4 million by the end of the year 2009.
THE CORPORATION’S CAPITAL, FUNDING SOURCES, INVESTMENTS & FINANCIAL PERFORMANCE

JODIC deposits cash surpluses not invested in public debt instruments at the Central Bank at a rate equivalent to the latest three-month Certificates of Deposits Rate. These deposits amounted to JD 452.4 thousands by the end of 2009 compared with JD 408.7 thousand at the end of 2008. Interest income on the varying balance of these deposits registered JD 114.9 thousand during 2009 compared with JD 155.5 thousand during the previous year.

In light of the above mentioned developments in premiums collected and investment income during the year, JODIC’s total reserves increased from JD 145 million at the end of 2008 to JD 184 million at the end of the year 2009 or by 26.8%. This reserve level amounted to 1.4% of the total deposits subject to the provisions of the law which amounted JD 12823.6 million at the end of 2009.

JODIC continued to enhance its reserves toward achieving targeted reserves level.

DEVELOPMENT IN JODIC’S RESERVES DURING (2000-2009) (JD)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>RESERVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3,075,395</td>
</tr>
<tr>
<td>2001</td>
<td>14,362,881</td>
</tr>
<tr>
<td>2002</td>
<td>26,525,523</td>
</tr>
<tr>
<td>2003</td>
<td>39,449,268</td>
</tr>
<tr>
<td>2004</td>
<td>53,592,092</td>
</tr>
<tr>
<td>2005</td>
<td>69,962,267</td>
</tr>
<tr>
<td>2006</td>
<td>90,774,444</td>
</tr>
<tr>
<td>2007</td>
<td>115,231,911</td>
</tr>
<tr>
<td>2008</td>
<td>144,988,293</td>
</tr>
<tr>
<td>2009</td>
<td>183,867,615</td>
</tr>
</tbody>
</table>
THE CORPORATION'S CAPITAL, FUNDING SOURCES, INVESTMENTS & FINANCIAL PERFORMANCE

FINANCIAL PROGRAM

Based on the comprehensive strategic plan adopted for the years 2009-2013, to fulfill its mandate and to achieve its national and institutional objectives, JODIC has prepared the financial program to follow up and evaluate its performance, this medium-term model has based on specific assumptions that are related to critical indicators and performance measures.

The financial program enables JODIC to direct its investment toward long-term strategic goals.

The financial program identifies both performance indicators such as (growth rate of total insured deposits) and indicative measures as the JD interest rates. Each of them impacts directly the performance, where only the performance indicators are directly controllable by JODIC.

Adopted performance indicators include mainly the following ratios:-
1. Reserves to total deposits subject to provisions of the law.
2. Reserves to insured deposits.
3. Targeted reserves to insured deposits.
4. Administrative expenses to total net investment revenues.
5. Administrative expenses to cash flow from operations.

The financial program enables JODIC to evaluate and review actual performance relative to its plan, toward fulfilling its mandate efficiently and effectively.

The financial program initial consequences indicate the possibility to achieve targeted reserve by 2018.

JODIC follows up, evaluates and reviews actual performance by using the financial program, on an ongoing basis, relative to its plan and best international practices and standards, to identify variances and causes, make necessary improvement and evaluate the ability of JODIC to fulfill its legal responsibilities in providing full protection, for less financially sophisticated depositors.

The initial finding of the financial program, given the significant increase in growth of deposits during the year 2009, indicates the possibility of reaching targeted reserve levels of 3% of total deposits subject to provisions of the law by 2018, under the assumption that JD deposits growth rate will return to the long-term rate.

Despite these facts the financial model still clearly reveals the possibility of increasing the current coverage limit JD 10,000 in the near future taking into consideration expected reserves levels, the average value of deposits, distribution of deposits value among depositors and the distribution of total deposits among member banks.
## PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total deposits at banks subject to provisions of the law (in million dinar)</td>
<td>11,017</td>
<td>12,824</td>
<td>14,284</td>
<td>15,784</td>
<td>17,441</td>
<td>19,273</td>
<td>21,296</td>
<td>23,532</td>
<td>26,003</td>
<td>28,734</td>
<td>31,751</td>
</tr>
<tr>
<td>Totally insured deposits (in million dinar)</td>
<td>2,451</td>
<td>2,721</td>
<td>2,813</td>
<td>2,982</td>
<td>3,152</td>
<td>3,321</td>
<td>3,490</td>
<td>3,659</td>
<td>3,826</td>
<td>3,998</td>
<td>4,167</td>
</tr>
<tr>
<td>JODIC’s reserves (in million dinar)</td>
<td>145</td>
<td>184</td>
<td>226</td>
<td>277</td>
<td>339</td>
<td>410</td>
<td>491</td>
<td>584</td>
<td>690</td>
<td>811</td>
<td>9,47</td>
</tr>
<tr>
<td>JODIC’s reserves to the deposits at banks subject to provisions of the law (%)</td>
<td>1.3</td>
<td>1.4</td>
<td>1.6</td>
<td>1.8</td>
<td>1.9</td>
<td>2.1</td>
<td>2.3</td>
<td>2.5</td>
<td>2.7</td>
<td>2.8</td>
<td>3.0</td>
</tr>
<tr>
<td>JODIC’s reserves to the insured deposits (%)</td>
<td>5.9</td>
<td>6.8</td>
<td>8.0</td>
<td>9.3</td>
<td>10.8</td>
<td>12.4</td>
<td>14.1</td>
<td>16.0</td>
<td>18.0</td>
<td>20.3</td>
<td>22.7</td>
</tr>
<tr>
<td>Targeted reserves to the insured deposits (%)</td>
<td>13.5</td>
<td>14.3</td>
<td>15.2</td>
<td>15.9</td>
<td>16.6</td>
<td>17.4</td>
<td>18.3</td>
<td>19.3</td>
<td>20.4</td>
<td>21.6</td>
<td>22.9</td>
</tr>
<tr>
<td>The insured deposits to the total deposits subject to provisions of the law (%)</td>
<td>22.21</td>
<td>21.05</td>
<td>19.7</td>
<td>18.9</td>
<td>18.07</td>
<td>17.23</td>
<td>16.39</td>
<td>15.55</td>
<td>14.720</td>
<td>13.91</td>
<td>13.12</td>
</tr>
<tr>
<td>Administrative expenses to the total revenues from investment (%)</td>
<td>10.63</td>
<td>8.26</td>
<td>9.89</td>
<td>7.27</td>
<td>5.36</td>
<td>4.78</td>
<td>4.3</td>
<td>3.90</td>
<td>3.57</td>
<td>3.28</td>
<td>3.03</td>
</tr>
<tr>
<td>Administrative expenses to the net revenues from investment (%)</td>
<td>11.87</td>
<td>9.0</td>
<td>10.98</td>
<td>7.84</td>
<td>5.66</td>
<td>5.02</td>
<td>4.49</td>
<td>4.06</td>
<td>3.70</td>
<td>3.39</td>
<td>3.13</td>
</tr>
<tr>
<td>Administrative expenses to the operating cash flow (%)</td>
<td>13.59</td>
<td>10.05</td>
<td>10.13</td>
<td>8.58</td>
<td>6.18</td>
<td>5.26</td>
<td>4.70</td>
<td>4.24</td>
<td>3.85</td>
<td>3.53</td>
<td>3.25</td>
</tr>
</tbody>
</table>
PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTION
In line with JODIC’s endeavors to communicate effectively with the depositors and other related parties and updating them with information related to the deposit insurance, JODIC continued developing its website, as one of the main interactive communication means, and utilizing it more effectively to enable all stakeholders to obtain the needed information from the website. Furthermore, JODIC’s site on the e-government portal facilitates a series of communication chains with different public institutions and depositors whose comments and inquiries are channeled through JODIC’s site. Those efforts aimed at increasing public awareness of the deposit insurance system so as to encourage savings and enhance confidence in the banking system in the Kingdom.

On the regional and international levels, JODIC had a significant contribution and important role in the International Association of Deposit Insurers (IADI), a matter that contributed greatly in exchanging knowledge and experiences and in developing JODIC’s performance on the domestic and international levels.

JODIC maintained its membership in the Executive Council of the IADI, with the heading of the Membership and Communications Committee (MCC), the Middle East and North Africa Regional Committee (MENA) and being a member of the Research and Guidance Committee (RGC) and participated in many of its research papers for subcommittees including: Coverage Limit, Insuring Deposits from Shariah Perspective, Risk Premiums, and General Policy Objectives of Deposit Insurance.

In addition, JODIC is participating in the development of the methodology of the “Core Principles for Effective Deposit Insurance Systems”. The methodology development is conducted by working groups including representatives from the IADI, the Basel Committee on Banking Supervision (BCBS), the European Forum for Deposit Insurance (EFDI), the European Commission (EC), the International Monetary Fund (IMF), in addition to the World Bank in order to be included in the Financial Sector Assessment Program (FSAP).

JODIC is currently supporting the World Bank’s initiative “The Financial Sector Flagship for the MENA Region”, a major project that assesses the status of financial development of the countries in the MENA region and identifies a roadmap for resilient, effective and inclusive financial systems in the region. The project team from the World Bank assigned the work on the deposit insurance chapter to JODIC and Canada Deposit Insurance Corporation (CDIC).

JODIC is always keen to keep abreast of the latest developments in the deposit insurance through participating in regional and international conferences and seminars. In 2009, JODIC has participated in the Eighth Annual Conference of the IADI (Switzerland), the regional conferences (Kenya, Kazakhstan), the regional seminar on Global Turmoil and the Changing Face of Financial Sector Supervision (Egypt), the seminar on Islamic Deposit Insurance - Understanding the Fundamentals of Islamic Banking and Deposit Insurance (Malaysia) and the Modeling Risk Based Contribution Seminar (Italy).
The Second Regional Conference on "The Role of Deposit Insurance in Promoting Financial Stability in the Middle East and North Africa Region: Enhancing Confidence"

The conference was organized by JODIC in cooperation with the International Association of Deposit Insurers (IADI) and the Financial Services Volunteer Corps (FSVC) in November 2009 in Amman - Jordan. About 120 experts and practitioners from regional and international deposit insurance corporations, the International Monetary Fund, the World Bank and officials from the Arab central banks have participated in the conference.

The conference highlighted the important role of deposit insurance in enhancing financial stability, protecting small depositors, and strengthening the confidence in the banking system as a member in the financial safety-net. Many countries in the region are considering the development of a deposit insurance system, which specifies the responsibility of the authorities toward depositors, sets coverage limits, strengthens the confidence of depositors and contributes in reducing the cost of troubled banks resolution, as well as providing a systematic mechanism to deal with bank failure.

Various topics were addressed in the conference; one of the most important is the impact of the global financial crisis on the economies of the Middle East and North Africa region and their responses to the crisis by adopting several fiscal, monetary and financial policies such as decreasing interest rates, injecting liquidity in the markets, providing financial assistance to banks and initiating temporary blanket deposit insurance guarantees such as Jordan, United Arab of Emirates and Kuwait.

At the international level, 47 countries in the world adopted or modified their deposit insurance systems either through increasing the coverage limit (in 21 countries) or providing a blanket guarantee (temporarily in 19 countries for a period ranging between one and three years).

On the other hand, the main features of deposit insurance systems were discussed; in terms of funding arrangements, funds investments, membership fees, limit and scope of coverage, reserve sufficiency and its evaluation, through information sharing and the exchange of experiences between countries. In addition to the transitioning mechanisms from blanket guarantee to an explicit one, its prerequisites, timing of transitioning and the potential trade-offs and risks during transitioning were discussed.

The conference included a special session about insuring Shariah-based deposits, their definition, objectives, the permissibility of Islamic deposit insurance from Shariah perspective, Islamic banking distribution in the world and the challenges that are exposed to. The experiences of Malaysia, Indonesia and Sudan were highlighted in this regard.

The final area addressed was the establishment of an effective deposit insurance system based on IADI/BCBS core principles through sound governance, specified mandates and responsibilities and interrelationships among financial safety-net participants as well as the coordination of deposit insurance systems.
CORE PRINCIPLES FOR EFFECTIVE DEPOSIT INSURANCE SYSTEMS
CORE PRINCIPLES FOR EFFECTIVE DEPOSIT INSURANCE SYSTEMS

EXECUTIVE SUMMARY

INTRODUCTION & OBJECTIVES

1. The Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience (April 2008) pointed out that events during the recent international financial turmoil illustrate the importance of effective depositor compensation arrangements. The report stressed the need for authorities to agree on an international set of principles for effective deposit insurance systems.

2. In July 2008 the Basel Committee on Banking Supervision (BCBS) and the International Association of Deposit Insurers (IADI) decided to collaborate to develop an internationally agreed set of Core Principles using the IADI Core Principles for Effective Deposit Insurance Systems as a basis. A joint working group was established to develop Core Principles to be submitted to the BCBS and IADI for their respective review and approval. This joint working group is comprised of representatives from the BCBS’s Cross-border Bank Resolution Group (CBRG) and IADI’s Guidance Group. The following Core Principles for Effective Deposit Insurance Systems represent the work of the joint CBRG-IADI working group in developing Core Principles.

CORE PRINCIPLES & PRECONDITIONS

3. Policymakers have choices regarding how they can protect depositors and contribute to financial system stability. Explicit deposit insurance has become the preferred choice compared to other alternatives such as reliance on implicit protection. A deposit insurance system clarifies the authority’s obligations to depositors (or if it is a private system, its members), limits the scope for discretionary decisions, can promote public confidence, helps to contain the costs of resolving failed banks and can provide countries with an orderly process for dealing with bank failures and a mechanism for banks to fund the cost of failures.

4. The introduction or the reform of a deposit insurance system can be more successful when a country’s banking system is healthy and its institutional environment is sound. In order to be credible, and to avoid distortions that may result in moral hazard, a deposit insurance system needs to be part of a well-constructed financial system safety net, properly designed and well implemented. A financial safety net usually includes prudential regulation and supervision, a lender of last resort and deposit insurance. The distribution of powers and responsibilities between the financial safety-net participants is a matter of public policy choice and individual country circumstances.

5. A deposit insurance system is not intended to deal, by itself, with systemically significant bank failures or a “systemic crisis”. In such cases all financial system safety-net participants must work together effectively. In addition, the costs of dealing with systemic failures should not be borne solely by the deposit insurance system but dealt with through other means such as by the state.

6. The Core Principles are reflective of, and designed to be adaptable to, a broad range of country circumstances, settings and structures. The Core Principles are intended as a voluntary framework for effective deposit insurance practices; national authorities are free to put in place supplementary measures that they deem necessary to achieve effective deposit insurance in their jurisdictions. The Core Principles are not designed to cover all the needs and circumstances of every banking system. Instead, specific country circumstances should be more appropriately considered in the context of existing laws and powers to fulfil the public policy objectives and mandate of the deposit insurance system.
Principle 1 – Public policy objectives: The first step in adopting a deposit insurance system or reforming an existing system is to specify appropriate public policy objectives that it is expected to achieve. These objectives should be formally specified and well integrated into the design of the deposit insurance system. The principal objectives for deposit insurance systems are to contribute to the stability of the financial system and protect depositors.

Principle 2 – Mitigating moral hazard: Moral hazard should be mitigated by ensuring that the deposit insurance system contains appropriate design features and through other elements of the financial system safety net.

7. An effective deposit insurance system needs to be based on a number of external elements or preconditions. These preconditions, although mostly outside the direct jurisdiction of the deposit insurance system, have a direct impact on the system. These preconditions include:

- an ongoing assessment of the economy and banking system;
- sound governance of agencies comprising the financial system safety net;
- strong prudential regulation and supervision; and
- a well developed legal framework and accounting and disclosure regime.

8. The 18 Core Principles are broadly categorised into ten groups: Setting objectives (principles 1 to 2); Mandates and powers (principles 3 to 4); Governance (principle 5); Relationships with other safety-net participants and cross-border issues (principles 6 to 7); Membership and coverage (principles 8 to 10); Funding (principle 11); Public awareness (principle 12); Selected legal issues (principles 13 to 14); Failure resolution (principles 15 to 16); and Reimbursing depositors and recoveries (principles 17 to 18).

SETTING OBJECTIVES

- **Principle 1 – Public policy objectives:** The first step in adopting a deposit insurance system or reforming an existing system is to specify appropriate public policy objectives that it is expected to achieve. These objectives should be formally specified and well integrated into the design of the deposit insurance system. The principal objectives for deposit insurance systems are to contribute to the stability of the financial system and protect depositors.

- **Principle 2 – Mitigating moral hazard:** Moral hazard should be mitigated by ensuring that the deposit insurance system contains appropriate design features and through other elements of the financial system safety net.

MANDATES & POWERS

- **Principle 3 – Mandate:** It is critical that the mandate selected for a deposit insurer be clear and formally specified and that there be consistency between the stated public policy objectives and the powers and responsibilities given to the deposit insurer.

- **Principle 4 – Powers:** A deposit insurer should have all powers necessary to fulfill its mandate and these powers should be formally specified. All deposit insurers require the power to finance reimbursements, enter into contracts, set internal operating budgets and procedures, and access timely and accurate information to ensure that they can meet their obligations to depositors promptly.

GOVERNANCE

- **Principle 5 – Governance:** The deposit insurer should be operationally independent, transparent, accountable and insulated from undue political and industry influence.
CORE PRINCIPLES FOR EFFECTIVE DEPOSIT INSURANCE SYSTEMS

RELATIONSHIPS WITH OTHER SAFETY-NET PARTICIPANTS & CROSS-BORDER ISSUES

- **Principle 6 – Relationships with other safety-net participants:** A framework should be in place for the close coordination and information sharing, on a routine basis as well as in relation to particular banks, among the deposit insurer and other financial system safety-net participants. Such information should be accurate and timely (subject to confidentiality when required). Information-sharing and coordination arrangements should be formalized.

- **Principle 7 – Cross-border issues:** Provided confidentiality is ensured, all relevant information should be exchanged between deposit insurers in different jurisdictions and possibly between deposit insurers and other foreign safety-net participants when appropriate. In circumstances where more than one deposit insurer will be responsible for coverage, it is important to determine which deposit insurer or insurers will be responsible for the reimbursement process. The deposit insurance already provided by the home country system should be recognized in the determination of levies and premiums.

MEMBERSHIP & COVERAGE

- **Principle 8 – Compulsory membership:** Membership in the deposit insurance system should be compulsory for all financial institutions accepting deposits from those deemed most in need of protection (eg retail and small business depositors) to avoid adverse selection.

- **Principle 9 – Coverage:** Policymakers should define clearly in law, prudential regulations or by-laws what an insurable deposit is. The level of coverage should be limited but credible and be capable of being quickly determined. It should cover adequately the large majority of depositors to meet the public policy objectives of the system and be internally consistent with other deposit insurance system design features.

- **Principle 10 – Transitioning from a blanket guarantee to a limited coverage deposit insurance system:** When a country decides to transition from a blanket guarantee to a limited coverage deposit insurance system, or to change a given blanket guarantee, the transition should be as rapid as a country’s circumstances permit. Blanket guarantees can have a number of adverse effects if retained too long, notably moral hazard. Policymakers should pay particular attention to public attitudes and expectations during the transition period.

FUNDING

- **Principle 11 – Funding:** A deposit insurance system should have available all funding mechanisms necessary to ensure the prompt reimbursement of depositors’ claims including means of obtaining supplementary back-up funding for liquidity purposes when required. Primary responsibility for paying the cost of deposit insurance should be borne by banks since they and their clients directly benefit from having an effective deposit insurance system. For deposit insurance systems (whether ex-ante, ex-post or hybrid) utilizing risk-adjusted differential premium systems, the criteria used in the risk-adjusted differential premium system should be transparent to all participants. As well, all necessary resources should be in place to administer the risk-adjusted differential premium system appropriately.

PUBLIC AWARENESS

- **Principle 12 – Public awareness:** In order for a deposit insurance system to be effective it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system.
SELECTED LEGAL ISSUES

- Principle 13 – Legal protection: The deposit insurer and individuals working for the deposit insurer should be protected against lawsuits for their decisions and actions taken in “good faith” while discharging their mandates. However, individuals must be required to follow appropriate conflict-of-interest rules and codes of conduct to ensure they remain accountable. Legal protection should be defined in legislation and administrative procedures, and under appropriate circumstances, cover legal costs for those indemnified.

- Principle 14 – Dealing with parties at fault in a bank failure: A deposit insurer, or other relevant authority, should be provided with the power to seek legal redress against those parties at fault in a bank failure.

FAILURE RESOLUTION

- Principle 15 – Early detection and timely intervention and resolution: The deposit insurer should be part of a framework within the financial system safety net that provides for the early detection and timely intervention and resolution of troubled banks. The determination and recognition of when a bank is or is expected to be in serious financial difficulty should be made early and on the basis of well defined criteria by safety-net participants with the operational independence and power to act.

- Principle 16 – Effective resolution processes: Effective failure-resolution processes should: facilitate the ability of the deposit insurer to meet its obligations including reimbursement of depositors promptly and accurately and on an equitable basis; minimize resolution costs and disruption of markets; maximize recoveries on assets; and, reinforce discipline through legal actions in cases of negligence or other wrongdoings. In addition, the deposit insurer or other relevant financial system safety-net participant should have the authority to establish a flexible mechanism to help preserve critical banking functions by facilitating the acquisition by an appropriate body of the assets and the assumption of the liabilities of a failed bank (eg providing depositors with continuous access to their funds and maintaining clearing and settlement activities).

REIMBURSING DEPOSITORS & RECOVERIES

- Principle 17 – Reimbursing depositors: The deposit insurance system should give depositors prompt access to their insured funds. Therefore, the deposit insurer should be notified or informed sufficiently in advance of the conditions under which a reimbursement may be required and be provided with access to depositor information in advance. Depositors should have a legal right to reimbursement up to the coverage limit and should know when and under what conditions the deposit insurer will start the payment process, the time frame over which payments will take place, whether any advance or interim payments will be made as well as the applicable coverage limits.

- Principle 18 – Recoveries: The deposit insurer should share in the proceeds of recoveries from the estate of the failed bank. The management of the assets of the failed bank and the recovery process (by the deposit insurer or other party carrying out this role) should be guided by commercial considerations and their economic merits.
CORE PRINCIPLES FOR EFFECTIVE DEPOSIT INSURANCE SYSTEMS

REFERENCES


FINANCIAL STATEMENTS & INDEPENDENT AUDITOR’S REPORT FOR THE YEAR ENDED DECEMBER 31, 2009
INDEPENDENT AUDITOR'S REPORT

105180666

To The Board of Directors
Deposit Insurance Corporation
Legal Corporation With Financial
And Administrative Independence
Amman - The Hashemite Kingdom of Jordan

We have audited the accompanying financial statements of Deposit Insurance Corporation (Legal Corporation with Financial and Administrative Independence), which comprise the statement of financial position as at December 31, 2009, and the statement of revenue and expenses, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Deposit Insurance Corporation (Legal Corporation with Financial and Administrative Independence) as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Talal Abu-Ghazaleh & Co. International
Steve S. Karadsheh (License # 756)
Amman, February 25, 2010
## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2009

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Notes</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td></td>
<td>JD</td>
<td>JD</td>
</tr>
<tr>
<td>Cash at Central Bank of Jordan</td>
<td>3</td>
<td>452,381</td>
<td>408,671</td>
</tr>
<tr>
<td>Accrued bonds and deposit interests</td>
<td></td>
<td>3,444,437</td>
<td>2,413,598</td>
</tr>
<tr>
<td>Other debit balances</td>
<td></td>
<td>6,709</td>
<td>27,072</td>
</tr>
<tr>
<td>Investments in held to maturity bonds - short-term</td>
<td>4</td>
<td>53,850,000</td>
<td>25,200,000</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td></td>
<td>57,753,527</td>
<td>28,049,341</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in held to maturity bonds</td>
<td>4</td>
<td>124,554,000</td>
<td>115,404,000</td>
</tr>
<tr>
<td>Other non-current debit balances</td>
<td>5</td>
<td>185,157</td>
<td>-</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>6</td>
<td>4,608,400</td>
<td>4,751,523</td>
</tr>
<tr>
<td><strong>Total Non-current Assets</strong></td>
<td></td>
<td>129,347,557</td>
<td>120,155,523</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>187,101,084</td>
<td>148,204,864</td>
</tr>
</tbody>
</table>

### LIABILITIES AND EQUITY

| Current Liabilities                   |       |         |         |
| Other credit balances                 | 7     | 33,469  | 16,572  |

### EQUITY

| Capital                                | 8     | 3,200,000 | 3,200,000 |
| Reserves                               | 9     | 183,867,615 | 144,988,292 |
| **Total Equity**                      |       | 187,067,615 | 148,188,292 |
| **Total Liabilities And Equity**      |       | 187,101,084 | 148,204,864 |
## STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2009

<table>
<thead>
<tr>
<th>Notes</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>JD</td>
<td>JD</td>
</tr>
<tr>
<td>Membership fees</td>
<td></td>
<td>27,600,516</td>
</tr>
<tr>
<td>Bonds interest</td>
<td></td>
<td>12,179,075</td>
</tr>
<tr>
<td>Bank deposit interest</td>
<td></td>
<td>114,921</td>
</tr>
<tr>
<td>(Loss) gain from disposal of property and equipment</td>
<td></td>
<td>-148</td>
</tr>
<tr>
<td>Total revenues</td>
<td></td>
<td>39,894,364</td>
</tr>
<tr>
<td>Deduct: Administrative expenses</td>
<td></td>
<td>(1,015,041)</td>
</tr>
<tr>
<td>Surplus</td>
<td></td>
<td>38,879,323</td>
</tr>
</tbody>
</table>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2009

<table>
<thead>
<tr>
<th>Capital</th>
<th>Reserves</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>JD</td>
<td>JD</td>
<td>JD</td>
</tr>
<tr>
<td>Balance as at January 1, 2008</td>
<td>3,200,000</td>
<td>115,231,511</td>
</tr>
<tr>
<td>Surplus</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Balance as at December 31, 2008</td>
<td>3,200,000</td>
<td>144,988,292</td>
</tr>
<tr>
<td>Surplus</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Balance as at December 31, 2009</td>
<td>3,200,000</td>
<td>183,867,615</td>
</tr>
</tbody>
</table>
1. LEGAL STATUS AND ACTIVITIES

The Corporation was established by virtue of law number 33 for the year 2000 on September 17, 2000. The major purposes of the Corporation are to protect depositors with banks by insuring their deposits in accordance with the provision of the Corporation law in order to encourage savings and strengthen confidence in the Kingdom’s banking system. Consequently, the Corporation promptly reimburses depositors of member banks within certain limits, when any bank has been decided to be liquidated, which aims at reimbursing all small depositors up to JD 10,000 while encouraging grand depositors to monitor banks with which they hold their deposits alongside the continuous supervision by the Central Bank of Jordan.
All deposits in Jordanian Dinars held with member banks are fully insured if the amount deposited is JD 10,000 or less, and up to JD 10,000 if the deposit exceeds JD 10,000, except for branches of Jordanian banks operating outside the Kingdom and Islamic banks licensed to operate in the Kingdom unless anyone of them decides to join the Corporation.

The Corporation is the sole liquidator and legal representative of any bank under liquidation.

The Corporation’s Board of Directors approved the financial statements in its session No.(1) held on February 25, 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards and the related interpretations originated by the International Financial Reporting Interpretations Committee.

The following is a summary of the significant accounting policies applied:

a. Basis of measurement
   The financial statements are prepared according to historical cost basis which is modified to other basis as mentioned below for some assets.

b. Cash and cash equivalents
   Cash and cash equivalents comprise current account and demand deposit with bank.

c. Held to maturity investments
   - Held- to - maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Corporation has the positive intention and ability to hold to maturity.
   - Held- to - maturity investments are measured at amortized cost using the effective interest rate method.

d. Property and equipment
   - Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.
   - The Corporation uses the straight – line method in depreciating its property and equipment over their estimated useful lives at the following annual rates:
     - Building: 3%
     - Vehicles: 15%
     - Computers and telecommunication equipment: 10% - 25%
     - Furniture and decoration: 10% - 15%

   - An asset is impaired when its carrying amount exceeds its recoverable amount. If indication of such impairment exists, the asset is written down to its recoverable amount.
   - The gain or loss arising from the disposal of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. This gain or loss is included in the statement of revenues and expenses.
   - The costs of day- to- day repair and maintenance for the property and equipment are recognized in the statement of revenues and expenses as incurred.
   - Amounts paid to construct a property or equipment item are charged first to projects in progress account. When project becomes ready to use, it is transferred to the related property and equipment caption.

e. Revenue recognition
   Revenues from membership fees, investment in bonds and bank interests are recognized when accrued, provided that all of the following conditions have been satisfied:
   - It is probable that the economic benefits associated with the transaction will flow to the Corporation.
   - The amount of revenue can be measured reliably.
f. Financial instruments
   • A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
   • The Corporation’s financial instruments principally comprise cash, banks and investments.
   • The above paragraphs present the accounting policies regarding these financial instruments.

3. CASH AT CENTRAL BANK OF JORDAN

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current account - JD</td>
<td>22,410</td>
<td>18,440</td>
</tr>
<tr>
<td>Deposit - JD</td>
<td>429,971</td>
<td>390,231</td>
</tr>
<tr>
<td>Total</td>
<td>452,381</td>
<td>408,671</td>
</tr>
</tbody>
</table>

4. INVESTMENTS IN HELD TO MATURITY BONDS

The following is bonds maturity dates:

<table>
<thead>
<tr>
<th></th>
<th>Short term</th>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Treasury bonds</td>
<td>JD</td>
<td>JD</td>
</tr>
<tr>
<td>Public corporations</td>
<td>48,150,000</td>
<td>15,300,000</td>
</tr>
<tr>
<td>bonds</td>
<td>5,700,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>53,850,000</td>
<td>20,300,000</td>
</tr>
</tbody>
</table>

5. OTHER NON-CURRENT DEBIT BALANCES

This item represents housing loans granted for the Corporation employees.
## 6. PROPERTY AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>Land</th>
<th>Building</th>
<th>Vehicles</th>
<th>Computers and telecommunication equipment</th>
<th>Furniture and decoration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COST</strong></td>
<td>JD</td>
<td>JD</td>
<td>JD</td>
<td>JD</td>
<td>JD</td>
<td>JD</td>
</tr>
<tr>
<td>As at January 1, 2009</td>
<td>1,157,050</td>
<td>3,581,805</td>
<td>57,657</td>
<td>105,719</td>
<td>182,761</td>
<td>5,084,992</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,863</td>
<td>310</td>
<td>2,173</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(196)</td>
<td>-</td>
<td>(196)</td>
</tr>
<tr>
<td>As at December 31, 2009</td>
<td>1,157,050</td>
<td>3,581,805</td>
<td>57,657</td>
<td>107,386</td>
<td>183,071</td>
<td>5,086,969</td>
</tr>
</tbody>
</table>

|                      | JD        | JD        | JD       | JD                                       | JD                       | JD       |
| **ACCUMULATED DEPRECIATION** |          |          |          |                                           |                          |          |
| As at January 1, 2009    | -         | 214,804   | 20,680   | 52,114                                   | 45,871                   | 333,469  |
| Depreciation            | -         | 107,454   | 6,000    | 13,047                                   | 18,647                   | 145,148  |
| Disposals               | -         | -         | -        | (48)                                     | -                        | (48)     |
| As at December 31, 2009 | -         | 322,258   | 26,680   | 65,113                                   | 64,518                   | 478,569  |

|                      | JD        | JD        | JD       | JD                                       | JD                       | JD       |
| **NET BOOK VALUE**    |           |           |          |                                           |                          |          |
| As at December 31, 2009| 1,157,050 | 3,259,547 | 30,977   | 42,273                                   | 118,553                  | 4,608,400|
| As at December 31, 2008| 1,157,050 | 3,367,001 | 36,977   | 53,605                                   | 136,890                  | 4,751,523|

(*) The constructor claim regarding iron price differences for the Corporation’s building amounted to JD 85,000 is amicably settled, and capitalized on the building account on January 19, 2010.

## 7. OTHER CREDIT BALANCES

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accrued expenses</strong></td>
<td>JD</td>
<td>JD</td>
</tr>
<tr>
<td>Central bank of Jordan - deposits</td>
<td>30,339</td>
<td>12,732</td>
</tr>
<tr>
<td>Cash retentions</td>
<td>JD</td>
<td>JD</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33,469</td>
<td>16,572</td>
</tr>
</tbody>
</table>
8. CAPITAL
This item consists of the following:

a. JD 1 million paid by the Government of Jordan.

b. A non-refundable initiation fee of JD 100,000 paid by each member bank.

9. RESERVES
According to articles (18) and (19) of the Corporation’s law, the Corporation must form reserves for itself amounting to 3% of total deposits that are subject to the provision of this law. If the Corporation’s reserves do not reach the limit established by its laws within 10 years of the law’s effective date, or if bank liquidation is decided, the Corporation’s Board of Directors may increase the banks’ annual membership fee to not more than double of the annual membership fee. However, if the Corporation’s reserves exceed the established limit, the Corporation’s Board of Directors may decrease the annual membership fee or exempt banks from paying the fee for one year or more as the circumstance require.

The Corporation reserves consist of the annual membership fees paid by banks, the return on the investments and any other returns, net of the Corporation’s expenses.

10. MEMBERSHIP FEES
This item represents the amount of the bank annual membership fee paid to the Corporation at the rate of 2.5 per thousand of the total deposits that are subject to the provisions of the law. The following are excluded from the deposits subject to the provisions of the law:

a. Government deposits.

b. Inter bank deposits.

c. Cash collaterals within the limits of the value of the extended facilities guaranteed by the said collaterals.

d. Credit balances of overdraft facilities.
Membership fees are computed on cash collaterals in excess of the facilities guaranteed by the said collaterals.
## 11. Administrative Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>386,982</td>
<td>337,211</td>
</tr>
<tr>
<td>Contribution to social security</td>
<td>42,448</td>
<td>34,552</td>
</tr>
<tr>
<td>Contribution to end of service compensation</td>
<td>80,277</td>
<td>48,485</td>
</tr>
<tr>
<td>Contribution to saving fund</td>
<td>30,814</td>
<td>26,348</td>
</tr>
<tr>
<td>Depreciation</td>
<td>145,148</td>
<td>142,806</td>
</tr>
<tr>
<td>Training and conferences</td>
<td>50,066</td>
<td>21,333</td>
</tr>
<tr>
<td>Medical</td>
<td>47,325</td>
<td>50,000</td>
</tr>
<tr>
<td>Media campaign</td>
<td>36,475</td>
<td>134,890</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>30,539</td>
<td>30,640</td>
</tr>
<tr>
<td>Security</td>
<td>23,232</td>
<td>22,409</td>
</tr>
<tr>
<td>Travel and transportation</td>
<td>22,525</td>
<td>21,595</td>
</tr>
<tr>
<td>Board of directors remunerations</td>
<td>18,600</td>
<td>18,600</td>
</tr>
<tr>
<td>Cleaning</td>
<td>16,417</td>
<td>17,911</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>13,256</td>
<td>12,379</td>
</tr>
<tr>
<td>Stationery</td>
<td>9,790</td>
<td>8,366</td>
</tr>
<tr>
<td>Maintenance</td>
<td>9,431</td>
<td>2,856</td>
</tr>
<tr>
<td>Postage, telephone, and internet</td>
<td>9,198</td>
<td>6,739</td>
</tr>
<tr>
<td>Insurance</td>
<td>8,619</td>
<td>8,596</td>
</tr>
<tr>
<td>Professional fees</td>
<td>8,500</td>
<td>8,500</td>
</tr>
<tr>
<td>Fuel</td>
<td>7,333</td>
<td>8,934</td>
</tr>
<tr>
<td>Overtime</td>
<td>4,606</td>
<td>4,343</td>
</tr>
<tr>
<td>Gardening</td>
<td>3,166</td>
<td>2,185</td>
</tr>
<tr>
<td>Buildings fees</td>
<td>2,880</td>
<td>2,880</td>
</tr>
<tr>
<td>Entertainment</td>
<td>2,499</td>
<td>3,991</td>
</tr>
<tr>
<td>Social committee</td>
<td>1,432</td>
<td>1,517</td>
</tr>
<tr>
<td>Consumables</td>
<td>377</td>
<td>285</td>
</tr>
<tr>
<td>Vacations payment</td>
<td>49</td>
<td>998</td>
</tr>
<tr>
<td>Studies and consulting</td>
<td>-</td>
<td>6,006</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>3,057</td>
<td>5,145</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,015,041</td>
<td>990,500</td>
</tr>
</tbody>
</table>
12. FINANCIAL INSTRUMENTS

a. Fair value
   - Carrying value of financial assets and liabilities are approximately equal to their fair values.
   - Notes to the financial statements indicate the fair value of those instruments. In addition, some of the
     accounting policies in note (2) present methods used in evaluating those instruments.

b. Market risk
   Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will
   fluctuate because of changes in market prices. It comprises the following risks:

   Currency risk
   - Currency risk is defined as the risk that the fair value or future cash flows of a financial instrument
     will fluctuate because of changes in foreign exchange rates.
   - The Corporation is not subject to currency risk.

   Interest rate risk
   - Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument
     will fluctuate because of changes in market interest rates.
   - The financial instruments in the financial position are not subject to interest rate risk with the excep-
     tion of deposits and held to maturity investments that are subject to interest rates prevailing in the
     market.

   Other price risk
   - Other price risk is defined as the risk that the fair value or future cash flows of a financial instrument
     will fluctuate because of changes in market prices (other than those arising from interest rate risk or
     currency risk), whether those changes are caused by factors specific to the individual instrument or
     its issuer or factors affecting all similar financial instruments traded in the market.
   - The financial instruments in the financial position are not subject to other price risk with the
     exception of investments.

c. Credit risk
   - Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for
     the other party by failing to discharge an obligation.
   - The Corporation maintains cash at financial institutions with suitable credit rating.

d. Liquidity risk
   - Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations asso-
     ciated with financial liabilities.
   - The Corporation is not subject to liquidity risk.

13. COMPARATIVE FIGURES
   Some comparative figures were reclassified to conform to the current year financial statements
   presentation.