



ANNUAL REPORT



2016

**Insuring Deposits
Protects Your Future Savings**



**HIS MAJESTY KING ABDULLAH II IBN AL HUSSEIN
KING OF THE HASHEMITE KINGDOM OF JORDAN**



**HIS ROYAL HIGHNESS
CROWN PRINCE AL HUSSEIN BIN ABDULLAH II**

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CHAIRMAN'S MESSAGE



Dr. Ziad Fariz

Ladies and Gentlemen,

It gives me great pleasure to present on behalf of the Board of Directors the Jordan Deposit Insurance Corporation's key achievements and financial statements demonstrated in its annual report for the year 2016.

JODIC has become one of the main pillars of the financial safety-net in the Kingdom and it plays a vital role in providing full protection to the vast majority of depositors since financial crises and economic difficulties in recent years have been a real test for banking protection systems in overcoming the obstacles of financial difficulties for banks.

Jordan's economy has continued to perform positively despite the regional turmoil and the impact of Syrian refugees' inflow on Jordan's economy. Real GDP growth registered 2.0% by the end of 2016 compared to 2.4% a year earlier, while the prices level deflated by 0.8% compared to 0.9% a year earlier, due to a decline in the oil price and basic goods. Public finance witnessed an improvement; budget deficit declined to reach 3.2% of GDP in 2016 compared to 8.3% of GDP in the year 2012. As for the external sector, the current account deficit reached 9.3% of GDP in 2016 compared to 9.1% in 2015.

Jordan adopted a new economic reform program supported by the IMF for the years (2016-2019). The program aims mainly to undertake financial and structural procedures to raise the economic competitiveness and growth as well as to create more job opportunities.

As for the monetary policy, the Central Bank of Jordan continued its procedures to strengthen the monetary and financial stability; it raised interest rates on certain monetary instruments by the end of 2016 in line with the developments of interest rates in the regional and international financial markets. However, the CBJ kept the interest rates of the refinancing program unchanged (1.75% for the projects within the capital Amman and 1.0% for the projects in the rest of Jordanian cities) and thus aims to support the high added-value economic sectors. Moreover, CBJ's foreign reserves have maintained at comfortable levels which cover the Kingdom's imports of goods and services for more than eight months.

CHAIRMAN'S MESSAGE

Furthermore, the CBJ has applied Basel III that is related to capital adequacy ratio and continued to develop the infrastructure of the national payment system in addition to update the electronic payment systems.

As for the licensed banks' performance during 2016, the total deposits increased by 0.9%, while the credit facilities increased by 8.6%. With respect to the financial soundness indicators, they have been stable and enjoyed a high degree of durability; the capital adequacy ratio reached 19%. Since the year 2011, the ratio of non-performing loans has continued to decline to reach 4.4% by the end of 2016, simultaneously, non-performing loan provisions increased to 76.1%, whereas the legal liquidity ratio remained stable at the level of 138%. All this indicates that the Jordanian banks have a solid and a stable system.

In terms of the Corporation's financial performance during the year 2016, JODIC levied JD 49.3 million as premium fees, which boosted JODIC's reserves level to reach JD 612.4 million with a growth rate of 14.0%, that ultimately enhanced its financial and operational capacity and its readiness to face any potential risks. JODIC's reserves cover 8.4% of the estimated reimbursement amount. Also, deposits and depositors' indicators showed that the number of insured depositors reached 1.8 million at member banks; 97.1% of them enjoy the full protection of their deposits with a coverage limit of JD 50,000.

Finally, I would like to extend my gratitude and appreciation to all colleagues at JODIC for their exerted efforts, dedication and professional commitment to work. May God Almighty crown our efforts with success, and grant further progress and prosperity to our beloved Jordan under the auspices of His Majesty King Abdullah II Ibn Al Hussein, may God protect him.

FOREWORD



Mu'taz I. Barbour

Ladies and Gentlemen,

On behalf of my colleagues at Jordan Deposit Insurance Corporation (JODIC), I am pleased to introduce the annual report of the Corporation for the year 2016 which reflects its mission to protect depositors with banks, encourage savings and enhance confidence in the Jordanian banking system. During the year 2016, JODIC continued its constant efforts to underpin the success that the Corporation has achieved since establishment to be a leading and professional national Corporation which performs its role distinctively.

JODIC's aspirations towards an effective deposit insurance system in line with the international best practices is backboned by the wide support of the Central Bank of Jordan (CBJ); the amended draft of the banking Law granted JODIC a vital role by expanding its responsibilities that enable the Corporation to collaborate with the CBJ in the resolution process. JODIC continued its efforts relevant to the approval of the amended Law which also included the mandatory membership of Islamic banks under the deposit insurance umbrella in accordance with the Shari'ah Principles.

As for JODIC's financial performance for the year 2016, JODIC has achieved an outstanding operational and financial performance based on the Corporation's approach to an efficient operational policy for assets management. The net income of JODIC amounted to JD 75.2 million at the end of 2016, mainly earned from levying premium fees from member banks, in addition to a JD 27.1 million generated from the returns on its investment portfolio, which supported the capital base of the Corporation and its reserves, that increased by 14.0% during the year to reach the level of JD 612.4 million by the end of 2016. This level of reserves covers approximately 8.4% of the estimated reimbursement amount, while the percentage of the estimated reimbursement amount to eligible deposits reached approximately 37.8%. The main indicators of deposits and depositors at member banks showed that the percentage of fully insured depositors, within the coverage limit of JD 50,000 (fifty thousand Jordanian Dinar) reached 97.1% of total depositors whose deposits are subject to the provisions of JODIC's Law by the end of 2016, a 93.4% of them are individuals.

In terms of the communications initiatives, JODIC continued its endeavors to increase the public awareness level about the deposit insurance system in the Kingdom. JODIC has been always keen to

FOREWORD

keep pace with technological developments; the Corporation's website was redesigned and updated continuously with the news and events of JODIC given the importance of acquainting the targeted audience and stakeholders with latest developments in the deposit insurance system. It also enables the visitors to access related sites particularly the member banks websites and the relevant international financial institutions.

At the regional and international levels, JODIC maintained its membership in the International Association of Deposit Insurers (IADI) and the Executive Council (EXCO) of the IADI. JODIC continued chairing the Middle East and North Africa Regional Committee (MENA), in addition to its membership in the IADI Standing Committees of the Membership and Communication Committee (MCC), the Data and Survey Committee (DSC), the Research and Guidance Committee (RGC), and its subcommittees; e.g. the Islamic Deposit Insurance Group (IDIG), and the Financial Inclusion Committee. Also, JODIC had an active participation in the activities relevant to deposit insurance such as the 15th IADI Annual Conference that was hosted by the Korea Deposit Insurance Corporation (KDIC) in October 2016.

Finally, I would like to extend my sincere gratitude and appreciation to H.E. the Chairman, the Members of the Board of Directors, and the Member Banks for their continued support, and to my colleagues for their dedication and professional commitment to achieve the Corporation's aspirations and to realize its vision that ultimately contribute to enhance the soundness of the banking system in the Kingdom. May God Almighty guide us all to serve our precious and beloved Jordan under the auspices of His Majesty King Abdullah II Ibn Al Hussein, may God protect him.

BOARD OF DIRECTORS

BOARD OF DIRECTORS



Chairman of the Board of Directors
H.E. Dr. Ziad Fariz
Governor of the Central Bank of Jordan

By Royal Decree, H.E. Dr. Ziad Fariz was appointed as Governor of the Central Bank of Jordan on January 10th, 2012.

Prior to that, H.E. Dr. Fariz held the position of Chairman of First Investment Group. Between August 2007 and February 2009, H.E. held the position of Chairman of the Board of Capital Bank, and served as Deputy Prime Minister and Minister of Finance during the period from November 28th, 2005 until September 2nd, 2007.

Between 2001 and November 27th, 2005, H.E. was Chief Executive Officer of the Arab Banking Corporation in Jordan. Prior to that, he served as Governor of the Central Bank of Jordan between 1996 until the end of the year 2000. In 1995, H.E. worked on establishing the Capital Bank, where he later became Chairman of its Board of Directors.

Previously, he served as Minister of Planning and International Cooperation from June 20th, 1991 until June 8th, 1994 and during the period December 6th, 1989 until June 20th, 1991 he was appointed as Minister of Industry and Trade.

In 1984, he was appointed as Secretary General of the Ministry of Planning and International Cooperation until April 1989, when he was appointed as Minister until December 6th, 1989.

H.E. started his professional career at the Central Bank of Jordan in 1966 as an Economic Researcher at the External Trade Division of the Research Department. After completing his Ph.D. in 1978, he rejoined the Central Bank of Jordan as an Economic Consultant and then as an Executive Director for both the Research and the Investment and Foreign Operations Departments.

H.E. Dr. Fariz holds a Ph.D. degree in Economics from Keele University, UK and a bachelor's degree from the University of Baghdad, Iraq. He is also a Member of the board of various educational, cultural and banking institutions.

BOARD OF DIRECTORS



Vice Chairman of the Board of Directors
H.E. Dr. Adel Ahmad Al-Sharkas
Deputy Governor of the Central Bank of Jordan

By Royal Decree, H.E. Dr. Adel Ahmad Al-Sharkas was appointed as the Deputy Governor of the Central Bank of Jordan on April 1st, 2012.

Dr. Al-Sharkas held several positions at the Central Bank of Jordan (CBJ), where he started his career as an Economist at the Research Department in February 1991. After that, Dr. Al-Sharkas moved to the USA, where he received his Ph.D. in 2002. In the same year, he was appointed as an Assistant Professor of Financial Economics at Alfred University, New York. In 2006, he was promoted to Associate Professor of Financial Economics at the same University.

Dr. Al-Sharkas rejoined the CBJ in June 2006 as Head of the Monetary Affairs Division at the Research Department. In 2009, he was promoted to Deputy Executive Director and then to Executive Director for the Research Department late 2011.

During his tenure at the Research Department, Dr. Al-Sharkas actively led the task force that worked on monetary policy formulation, and on providing consultancy and recommendations on issues relevant to the financial and economic stability. He also made extensive contributions, within the CBJ's mandate, as an Advisor to the Government on various economic policies. Dr. Al-Sharkas also represented the CBJ in several national and international events.

Dr. Adel Al-Sharkas is the Chairman of the Board of Directors of Jordan Mortgage Refinance Company, the Head of the Financial Services Team, and the Member of the Coordination Committee of Jordan Vision 2025. At the Central Bank of Jordan, he is the Chairman of the Credit Facilities Committee, the Vice Chairman of the Investment Committee and the Human Resources Committee, and Member of the IT Steering Committee.

Dr. Al-Sharkas research papers have been published extensively in several popular academic journals, and he lectured in economics and finance to Ph.D., master and bachelor students at Jordanian universities and several other academic institutions.

Dr. Al-Sharkas holds a Ph.D. degree in Financial Economics from the University of New Orleans, USA, a master's degree in Applied Statistics and Financial Economics from Yarmouk University, Jordan, and a bachelor's degree in Applied Statistics from the same University.

BOARD OF DIRECTORS



H.E. Dr. Izzeddin Kanakrieh **Secretary General of the Ministry of Finance**

By Royal Decree, H.E. Dr. Izzeddin Kanakrieh was appointed as Secretary General of the Ministry of Finance for the second time on June 5th, 2014 where he held the same position during the period 2007- 2012.

Dr. Kanakrieh worked as Director General of the Income and Sales Tax Department in March 2012. Afterwards, he decided to be full-time academic lecturer in Jordanian universities as well as to write economic and financial research papers and newspaper articles. Subsequently, he was appointed as Commissioner of the Jordan Securities Commission during the period 2012-2014.

Dr. Kanakrieh 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 the Cash Management Directorate at the Ministry. Moreover, he represented the Ministry of Finance in several companies and organizations in different capacities in the board of directors and its official committees. Besides, Dr. Kanakrieh participated mainly in drawing economic and financial policies as well as implementing important programs on the national and international levels.

He holds a Ph.D. degree in Finance from Amman Arab University for Higher Studies in 2010. A master's degree in Accounting and Financial Sciences from the Arab Academy for Banking and Financial Sciences/ Amman in 1997, and a bachelor's degree in economics from Yarmouk University in 1984.

In 2007, Dr. Kanakrieh was honored with the Independence Medal of the Second Class in recognition of his efforts and his service in the public sector.

BOARD OF DIRECTORS



H.E. Mr. Ramzi Nuzha

General Controller of Companies at the Ministry of Industry and Trade

By Royal Decree, H.E. Mr. Ramzi Nuzha was appointed as the General Controller of Companies in early July 2016. Prior to that, he was a freelance expert on enhancing integrity and anti-corruption working with international organizations such as the UNDP and the UNODC. Mr. Nuzha held the position of a Board Member at the Jordan Anti-Corruption Commission (ACC) from October 2010 until February 2015. Mr. Nuzha is a retired full Colonel Military Judge from the Military Jurisdiction - Jordanian Armed Forces. He later became a prosecutor at the State Security Court, and after that, he moved to the Legislation, Consultation and Contracting Department where he participated in drafting codes to include Jordan Economic Crime Code. In early 2010, he was seconded to the Prime Minister's Office.

Mr. Nuzha represented Jordan in many regional and international conferences, workshops, and seminars. He authored several published papers and articles covering various legal and anti-corruption, transparency and integrity aspects. The UN chose him as an anti-corruption expert to participate in reviewing Iraq and Bahrain compliance with the United Nations Convention against Corruption. At the ACC, Mr. Nuzha was heading the Social Media Team, and he was the project coordinator between the ACC and the UNDP, the UNODC and the OECD. Furthermore, he was assigned as a focal point for Interpol/ StAR platform and he headed the National Prevention Team and supervised the investigation of several grand corruption cases.

Mr. Ramzi Nuzha holds a bachelor's degree in Law from the University of Jordan and a high diploma in Law from the Jordanian Judicial Institute. He also holds a master's degree in Law from the Judge Advocate General's School, Virginia, USA. Mr. Nuzha also holds several medals of Honor.

BOARD OF DIRECTORS



H.E. Mr. Mu'taz Ibrahim Barbour
Director General of Jordan Deposit Insurance Corporation (JODIC)

Mr. Mu'taz Ibrahim Barbour assumed the position of the Director General of Jordan Deposit Insurance Corporation (JODIC) on June 6th, 2016. Prior to that, Mr. Barbour held several positions at the Central Bank of Jordan (CBJ), and most recently was as an Advisor at the Governor's office.

Mr. Barbour has an extensive experience in the banking industry gained through his work in the CBJ, serving on various specialized committees such as the Investment Committee, Open Market and Public Debt Committee, and the Credit Committee. He is an expert and lecturer in many specialized subjects mainly in investments, and foreign exchange, international trade and finance. He also participated in several conferences, seminars and training courses held by international financial institutions, such as the International Monetary Fund, the World Bank, and the Central Banks.

Mr. Barbour represented the Central Bank of Jordan in the committees that have completed the issuance of the Eurobonds in the last two years. He held several positions in different capacities: Member of the Board of Directors of Jordan Loan Guarantee Corporation and Jordan Mortgage Refinance Company, and Vice Chairman of Jordan Forex Association. At the regional level, he was a Member of the Executive Committee in the Interarab Cambist Association/ Beirut.

Mr. Mu'taz Ibrahim Barbour holds a bachelor's degree in Accounting, and a diploma in Banking Studies.

BOARD OF DIRECTORS



H.E. Mr. Saleh Yacob Tayeh **Chairman of the Board of Directors of Al-Hekma for Financial Services Co.**

Mr. Saleh Tayeh holds currently the position of Chairman of the Board of Directors of Al-Hekma Financial Services Company. Previously, he assumed different positions at the Central Bank of Jordan (CBJ), the latest was Deputy Governor of the CBJ, appointed by the Royal Decree in 2000, and he held this position for about four years.

Mr. Saleh Tayeh started his career at the CBJ in 1971 at the Foreign Banking Department where he was promoted in the year 1992 to become Head of the Department. In the year 1996, he established the Open Market Operations Department and was appointed as the Department's Executive Director.

During his work at the Central Bank of Jordan, he was deputed to several local and foreign institutions. Locally, he was appointed as Dean Deputy of the Institute of Banking Studies, where he established the Division of Islamic Banking Studies and lectured in several topics specialized in Islamic banking at the Institute. Also, Mr. Tayeh worked at the Housing Bank for Trade and Finance as Advisor in Foreign Operations Activities, and worked at the Jordan Security Exchange Commission - Security Depository Center. Mr. Tayeh worked abroad as Portfolio Manager and Investment Advisor at the Central Bank of the United Arab Emirates (UAE) - Abu Dhabi during the years 1986-1992. He also worked as IMF Resident Advisor at the Palestine Monetary Authority (PMA).

Mr. Tayeh holds D.E.S.S (Diploma des Etudes Supérieurs Spécialisées) in Economics and Finance from the University of Paris "1" - La Sorbonne in 1977, and a bachelor's degree in Economics and Statistics in 1970 from the University of Jordan.

BOARD OF DIRECTORS



H.E. Mr. Issa H. Murad

**Member of the Twenty Seventh Jordanian Senate
Chairman of Amman Chamber of Commerce
Board Member of Jordan Chamber Commerce
Board Member of Arab British Chamber of Commerce**

By Royal Decree, H.E. Mr. Issa H. Murad was appointed as a Member of the Twenty Seventh Jordanian Senate on 27 September 2016. Besides, Mr. Issa H. Murad is the Chairman of Amman Chamber of Commerce and he holds several positions in different capacities; the most significant positions are: Board Member of Jordan Chamber Commerce, and Arab British Chamber of Commerce, Board Member of Islamic Bank, and Jordan Hashemite Fund for Human Development.

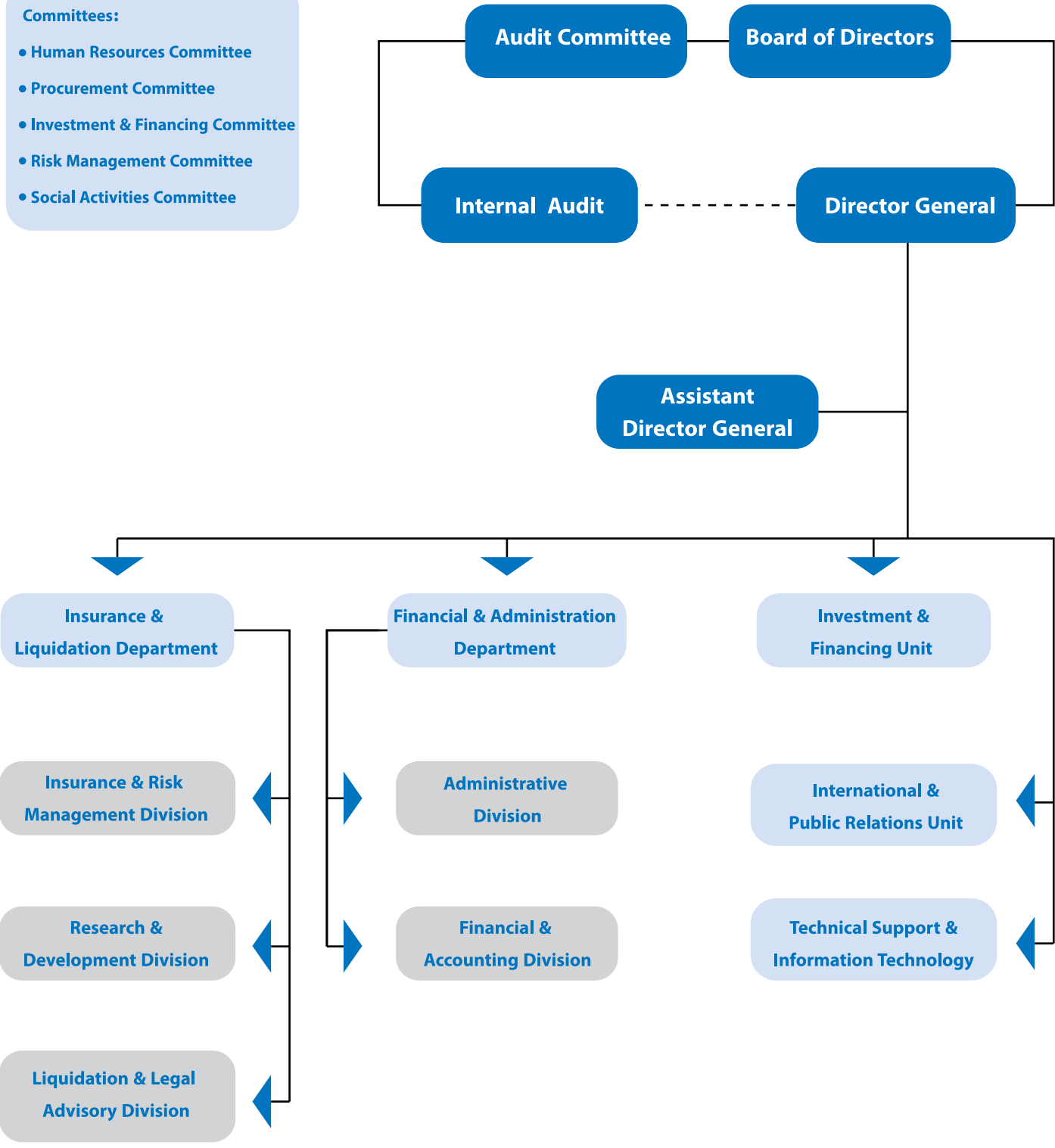
Mr. Murad is also Board Member and Partner of Haider Murad & Sons Investment Group (Electronics & House Hold Sector), Trusty Telecommunication Trading Company, Leaders Center (Electronics Store), and Clean Energy Concepts Co. (CEC).

Moreover, Mr. Issa H. Murad is Board Member of the Development and Employment Fund, Princess Sumaya University for Technology, and Jordanian Businessmen Association.

Mr. Issa H. Murad was honored with the Honor of Order of Knight of the Italian Star bestowed by the President of Italy on 14 July 2015. He holds a bachelor's degree in Economics – Business Administration and Accounting from the University of Jordan in 1985.

ORGANIZATIONAL STRUCTURE

- Committees:**
- Human Resources Committee
 - Procurement Committee
 - Investment & Financing Committee
 - Risk Management Committee
 - Social Activities Committee



MEMBER BANKS AND NON-MEMBER BANKS

MEMBER BANKS		Year of Establishment	Number of Branches Inside the Kingdom by the End of 2016	Total Assets (JD Million) by the End of 2016	Deposits Subject to the Provisions of the Law (JD Million) by the End of 2016
Jordanian Banks					
1	Arab Bank	1930	74	9561.7	4267.4
2	The Housing Bank for Trade & Finance	1973	129	6967.2	3852.0
3	Bank al Etihad	1978	41	2637.6	1188.0
4	Jordan Kuwait Bank	1976	61	2642.9	1197.5
5	Jordan Ahli Bank	1955	56	2626.9	1518.6
6	Bank of Jordan	1960	83	2060.9	960.6
7	Capital Bank of Jordan	1995	12	1882.3	813.6
8	Cairo Amman Bank	1960	88	2039.8	837.0
9	Arab Banking Corporation - Jordan	1990	27	1125.1	501.1
10	Jordan Commercial Bank	1977	30	1205.9	664.9
11	Societe Generale de Banque - Jordanie	1965	17	1325.5	875.0
12	Arab Jordan Investment Bank	1978	32	1691.0	591.6
13	Invest Bank	1982	12	877.8	472.3
Branches of Foreign Banks Operating in Jordan					
14	Bank Audi S.A.L-Jordan Branches	2004	16	862.3	420.7
15	BLOM Bank S.A.L	2003	14	798.7	497.0
16	Egyptian Arab Land Bank	1951	15	352.0	184.6
17	Standard Chartered Bank	2002	6	412.0	118.9
18	National Bank of Abu Dhabi	2009	2	356.6	148.8
19	Citi Bank N.A	1974	2	375.7	135.2
20	National Bank of kuwait	2003	3	287.0	67.5
21	Rafidain Bank	1963	2	133.9	0.33

MEMBER BANKS AND NON-MEMBER BANKS

NON-MEMBER BANKS		Year of Establishment	Number of Branches Inside the Kingdom by the End of 2016	Total Assets (JD Million) by the End of 2016	Deposits Subject to the Provisions of the Law (JD Million) by the End of 2016
Jordanian Banks					
1	Jordan Islamic Bank	1978	97	4166.7	3224.3
2	Islamic International Arab Bank	1997	41	2038.0	1488.5
3	Safwa Islamic Bank	2008	24	972.8	690.3
Branches of Foreign Banks Operating in Jordan					
4	Al Rajhi Bank	2009	7	521.1	272.0

GLOSSARY

GLOSSARY

- **Member Banks:**

All Jordanian banks and locally incorporated foreign banks, except for Islamic banks operating in the Kingdom and branches of Jordanian banks operating outside the Kingdom. The table of Member Banks page no. (21).

- **Coverage Limit:**

The maximum amount which an insured depositor can claim from or be reimbursed by JODIC when a member bank is liquidated. The coverage limit is up to JD 50,000 (fifty thousand Jordanian Dinar) per depositor per member bank.

- **Eligible Deposits / Deposits Subject to the Provisions of the Corporation's Law:**

Deposits that fall within the scope of coverage, according to JODIC's Law, i.e. its deposits denominated in Jordanian Dinar (JD) held by member banks, except for: Government deposits, interbank deposits, and cash collaterals within the limits of the value of extended facilities guaranteed by the said collaterals.

- **Fully Insured Deposits:**

Eligible deposits that are equal or less than the maximum coverage limit of JD 50,000 (fifty thousand Jordanian Dinar).

- **Partially Insured Deposits:**

Eligible deposits that are in excess of the coverage limit of JD 50,000 (fifty thousand Jordanian Dinar).

- **Estimated Reimbursement Amount:**

Deposits subject to the provisions of the Corporation's Law, not exceeding the limit of JD 50,000 (fifty thousand Jordanian Dinar) per depositor per member bank that is due to the entire depositors in case of liquidation.

- **The Revised Core Principles for Effective Deposit Insurance Systems:**

An international set of (16) Principles for effective deposit insurance practices issued by the International Association of Deposit Insurers (IADI), and finally revised by a Joint Working Group including representatives from the Basel committee for Banking Supervision (BCBS), the European Forum of Deposit Insurers (EFDI). The European Commission (EC), the Financial Stability Board (FSB), The International Monetary Fund (IMF), and the World Bank (WB).

- **International Association of Deposit Insurers (IADI):**

IADI is a forum for deposit insurers from around the world constituted under Swiss Law in May 2002, and domiciled at the Bank for International Settlements (BIS) in Basel, Switzerland. IADI's objectives are to enhance the effectiveness of deposit insurance systems by promoting guidance and international cooperation, as well as exchanging expertise in the deposit insurance field; it provides training and educational programs and produces research and guidance on matters related to deposit insurance. Currently IADI has 83 Member organizations, 10 Associates, and 14 Partners.

OVERVIEW

OVERVIEW

OUR VISION:

To be a leading professional deposit insurance corporation at the regional and international levels.

OUR MISSION:

To protect depositors with banks, to encourage savings, as well as to strengthen confidence in the Jordanian banking system.

OUR VALUES:

Loyalty

: Sense of responsibility and honesty towards the Corporation, staff and stakeholders.

Integrity

: Adherence to the highest ethical and professional standards.

Excellence

: Striving to apply the best international practices, skills, knowledge and expertise to carry out our responsibilities efficiently and effectively.

Team Spirit

: Consolidating relations among the staff and maintaining effective communication lines with related parties.

Continuous Education and Training

: Improving our professional skills and capabilities to keep up with the best international practices.

OUR OBJECTIVES:

- To provide full protection for the vast majority of depositors.
- To exhibit a high level of financial operational capacity and readiness, and to build up an appropriate level of reserves.
- To manage the reimbursement and the liquidation processes efficiently and effectively.
- To contribute in increasing awareness of risk management in banking sector.
- To promote public awareness of deposit insurance system in the Kingdom.



OVERVIEW

JODIC was established as a financially and administratively independent Corporation, with the aim of protecting depositors with member banks by insuring their deposits in order to encourage savings as well as to enhance confidence in the Jordanian banking system.

In accordance with the provisions of the Corporation's Law, JODIC carries out two primary mandates: deposit insurance and banks liquidation since JODIC is the sole insurer and the legal liquidator of any bank that has been decided to be liquidated by the Central of Jordan. The Corporation enjoys a wide range of powers and authorities to perform its mandates efficiently and effectively. It also has supervisory powers and authorities granted by its Law through participating in a joint inspection team with the Central Bank of Jordan, besides examining banks closing financial statements and the results of their operations that are available at the CBJ.

As per the Corporation's financial recourses, JODIC is mainly funded through annual membership fees collected from member banks as well as the returns of its investments. Moreover, the Corporation may borrow directly, or it may issue debenture bonds that enable it to pay its obligations owed thereby according to the provisions of its Law.

JODIC is keen to enhance its infrastructure capacity building and to manage its human resources, in order to carry out its functions efficiently and effectively towards achieving its mission and objectives particularly in protecting small depositors, preserving the rights of sophisticated depositors, as well as promoting public awareness about the Corporation's role in protecting their savings with banks; aspiring to realize its vision.

JODIC is the sole insurer and the legal liquidator of any bank that the Central of Jordan (CBJ) decides to liquidate.



MANDATES AND POWERS:

DEPOSIT INSURANCE:

JODIC is legally responsible for reimbursing insured depositors with any member bank that the Central Bank of Jordan decides to liquidate. Therefore, JODIC shall be obliged to pay the insurance sum from its own financial resources instead of being undertaken by the Treasury and taxpayers.

The insurance sum shall become payable under JODIC's Law if the CBJ decides to liquidate a bank. JODIC shall pay the insurance sum due to an insured depositor within 30 days from the date on which the depositor submits his/her claim.

LIQUIDATION:

According to JODIC's Law no. (33) of the year 2000, JODIC is the sole liquidator and the sole legal representative of any bank whose liquidation has been decided by the Central Bank of Jordan, including non-member banks. JODIC enjoys a wide range of powers and authorities to perform its responsibilities as a liquidator within two years from the date of the issuance of the liquidation decision. JODIC is authorized to offset the deposits against all obligations and liabilities owed by depositors when determining the sum of deposits subject to reimbursement.

The Board of Directors approved regulations related to the reimbursement and liquidation processes in line with JODIC's mandates. The regulations provide the general framework for the process of deposits reimbursement and assets disposition (liquidation).

The responsibilities of JODIC, as a liquidator, are not limited to the prompt reimbursement of the insured depositors within the deposit insurance coverage limit stipulated in its Law. It is also responsible for managing claims of remaining depositors, creditors, and shareholders in light of the residuals resulted from conducting a set-off between debts and obligations owed by the bank under liquidation, disposing of its assets as well as recovering the bank's rights.

RESERVES' MANAGEMENT:

Given the mandatory requirements that shall be met by JODIC in an efficient and effective manner to provide protection to depositors with member banks, JODIC must act to form accumulated targeted reserves' level of 3% of the total deposits subject to the provisions of JODIC's Law.

OVERVIEW

The sources of reserves are the membership fees (annual premiums) that are collected from member banks and the investments' income, in addition to any other surplus net of all expenses.

JODIC also adopts an integrated plan approved by the Board of Directors to strike the targeted reserves' level within a balanced time frame, whereas the Corporation invests its funds mainly in bonds issued or guaranteed by the Jordanian Government according to the provisions of Article 24(a) of JODIC's Law.

- MONITORING OPERATING BANKS IN THE KINGDOM:

To enable JODIC to perform its mandates as deposit insurer and liquidator and to ensure its readiness to manage the processes of reimbursement and liquidation efficiently and effectively, JODIC in collaboration with the Central Bank of Jordan (CBJ) monitors the financial positions of member banks.

According to the Article (29) of its Law, JODIC may examine banks closing financial statements and the results of their operations that are available at the CBJ, and according to the Article (30) of its Law, a joint inspection team comprising employees of JODIC and CBJ may be formed to review or examine the operations, records, and statements of any bank, based on JODIC's request and CBJ's approval. The team will prepare a joint report containing the results of a bank's activities and recommendations, after which it should be submitted to both the CBJ and the JODIC.

OVERVIEW

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. The membership for Islamic banks operating in the Kingdom is voluntary.

(21) banks are subject to the provisions of JODIC's Law at the year-end 2016, 13 of which are Jordanian banks.

- COVERAGE LIMIT:

The maximum coverage limit is JD 50,000 (fifty thousand of deposits denominated in Jordanian Dinar) per depositor at each member bank.

- SCOPE OF COVERAGE:

Insured Deposits:

JODIC insures all types of deposits denominated in Jordanian Dinar for individuals, institutions, residents and non-residents, including but not limited to:

- Current and demand deposits.
- Saving deposits.
- Term and subject to notice deposits.
- Certificates of deposits issued by member banks.
- Joint deposits accounts that belong to more than one person.

Uninsured Deposits:

- Government Deposits.
- Interbank Deposits.
- Cash collaterals within the limits of the value of extended facilities guaranteed by the said collaterals.

OVERVIEW

Insured Currency:

JODIC insures deposits in the local currency, which is the Jordanian Dinar. Besides, JODIC may insure any foreign currency that CBJ decides to subject according to the provisions of JODIC's Law.

The deposit insurance coverage limit is JD 50,000 (fifty thousand) which equals 5.7 folds of the average deposits amount held at the banking system.

- ANNUAL PREMIUMS (MEMBERSHIP FEES):

JODIC applies an annual flat fee of 2.5 per thousand of total deposits subject to the provisions of its Law paid by each member bank. However, this fee and the terms of calculating it can be adjusted by the Cabinet's approval upon the recommendation of the JODIC's Board of Directors, based on bank's rating applied by the CBJ.

CORPORATE GOVERNANCE:

For the sake of developing and improving the institutional and legislative structure as well as consolidating the financial safety-net in the Kingdom, JODIC was established in the year 2000 pursuing its endeavors to strengthen its institutional infrastructure. JODIC aims at realizing its mission represented in protecting depositors by insuring their deposits held with member banks in accordance with JODIC's Law, and benchmarked with Principle (3) (Governance) of the Core Principles for Effective Deposit Insurance Systems that stipulates the following: The deposit insurer should be operationally independent, transparent, accountable and insulated from undue political and industry influence.

Principle 3 (Governance) of the Core Principles for Effective Deposit Insurance Systems stipulates: The deposit insurer should be operationally independent, transparent, accountable and insulated from undue political and industry influence.

Towards this end, there exist four main thrusts of corporate governance that are applied by JODIC as follows:

First: The Institutional Legislative Framework:

The salient features of the deposit insurance system have been clearly stated within a comprehensive legal framework. JODIC's Law provisions stipulate the objectives, roles, responsibilities and procedures that JODIC has to adhere to in order to realize its mission and to carry out its functions efficiently and independently. Furthermore, JODIC's Law stipulates the rights of depositors, the relationship with the Central Bank of Jordan (CBJ) as well as the institutional framework with the related parties

Second: Strategic Objectives:

The Corporation's strategic objectives emerged from the national and institutional objectives designed to carry out its mission and to enhance its capabilities to be able to perform its functions efficiently and effectively. Towards that, JODIC adopted an integrated strategic plan based on the evaluation of alternative strategic plans and analysis that ultimately enhances its points of strengths and handles the points of weaknesses within the surrounding opportunities and challenges.

Within the framework of the strategic planning, JODIC adopts a medium-term financial program that contains Guiding and Performance Indicators to provide full protection for the vast majority of depositors and to build up the targeted reserves' level within a balanced time frame.

Third: JODIC's Management (Board of Directors, and Administrative and Functional Apparatus):

A- Board of Directors:

JODIC is managed and supervised by a Board of Directors chaired by the Governor of the Central Bank of Jordan and comprises four members from the public sector, including the Director General of JODIC, in addition to two members from the private sector appointed by the Cabinet. The two members must not be executives of any bank during the period of their membership on the Board and for the two years following the termination of their membership. Also, the Board's members are appointed, including the Director General, according to specific criteria.

JODIC's Law stipulates the Board's functions and authorities such as drawing the Corporation's general policy, approving the general policy for the investment of the Corporation's fund in accordance with the provisions of the Law, formulating the administrative organizational structure of JODIC and approving estimated annual budget. Moreover, the Board exercises the authorities of the board of directors of a public shareholding company stipulated in the Companies Law to the extent that they do not conflict with the provisions of the JODIC's Law. The Board meets upon the invitation of its Chairman once every two months or whenever the need arises. Additionally, the Board's decisions are taken unanimously or

by the majority of its members. In the event of a tie vote, the side with which the meeting's Chairman voted prevails.

Besides, the Corporation's Law stipulates the duties and authorities carried out by the Director General to manage the Corporation's affairs including the implementation of the policies and the decisions made by the Board, as well as the supervision of JODIC's administrative system.

B- Administrative and Functional Apparatus:

The administrative and functional apparatus consists of the following departments and units:

1. Insurance and Liquidation Department:

The department carries out the responsibilities of designing, implementing, and developing policies relevant to deposit insurance with the purpose of creating incentives for depositors to exercise market discipline and for banks to continuously improve their risk management. The department also carries out the liquidator's functions for any bank that the Central Bank of Jordan decides to liquidate according to the provisions of JODIC's Law and to other relevant regulations and decisions. Its responsibilities as a liquidator include the design and development of policies relevant to the liquidation process so that functions be performed efficiently and effectively, the responsibilities also include developing and managing depositors' reimbursement procedures according to the provisions of JODIC's Law and to other relevant regulations and decisions.

2. Financial and Administration Department:

The department's responsibilities include managing the Corporation's demand for human resources, as well as supplying the Corporation with the needed equipments and managing maintenance's work. The department is also responsible for covering administrative expenses, handling bookkeeping tasks, as well as maintaining the central books of accounts.

3. Investment and Financing Unit:

The unit carries out the responsibilities of investing JODIC's funds which includes deposits held with banks, as well as the management of JODIC's financing operations to meet any future obligation in accordance with JODIC's Law.

4. International and Public Relations Unit:

The Unit's responsibilities include managing JODIC's international relations and public awareness campaigns, maintaining communication lines with member banks, as well as organizing various relevant activities and events.

5. Internal Audit:

The Internal Audit reports directly to the Board of Directors. It carries out the responsibilities of ensuring the soundness for JODIC's various activities and business processes, and makes recommendations that are based on the analysis and evaluation of JODIC departments' performance in order to carry out their responsibilities efficiently and effectively.

6. Technical Support and Information Technology:

Information Technology's responsibilities include managing the computer systems, the information technology and the computer network for JODIC, in addition to managing the maintenance of computer hardware operating systems and software. They also include the preparation and implementation of security measures and the protection of devices, software, and data. Managing the building's system and its extensions.

Additionally, official internal committees are formed either on temporary or permanently basis; to review and administer the Corporation's functions and thereby make necessary recommendations. Among these committees is the Risk Management Committee which is the most important Committee, that carries out the responsibilities of identifying risks, its sources and impact on JODIC's performance as well as its financial position. It also recommends and develops on an ongoing basis the policies and procedures needed for managing risks, as well as ensures that JODIC's strategic objectives and operational readiness are well administered within an acceptable risk level.

Fourth: Disclosure and Transparency

In accordance with the provisions of its Law, JODIC keeps records and accounts according to the recognized accounting principles. The Corporation is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRSs). These responsibilities include designing, and maintaining an internal control in order to prepare and present the financial statements freely from any material misstatement that is resulted either from fraud or error. The financial statements are audited by an external auditor in accordance with the International Standards on Auditing, and the Corporation is accountable to the Audit Bureau. Also, JODIC discloses the closing financial statements, after being approved by the Board of Directors, in at least two daily newspapers, at JODIC's website and in its annual report. The latest is considered a key communication tool that details all the relevant information and needed knowledge about the deposit insurance system, achievements, recent and important indicators of deposits in the banking system and the financial performance of member banks in addition to the development of reserves' level, investment policy and income.

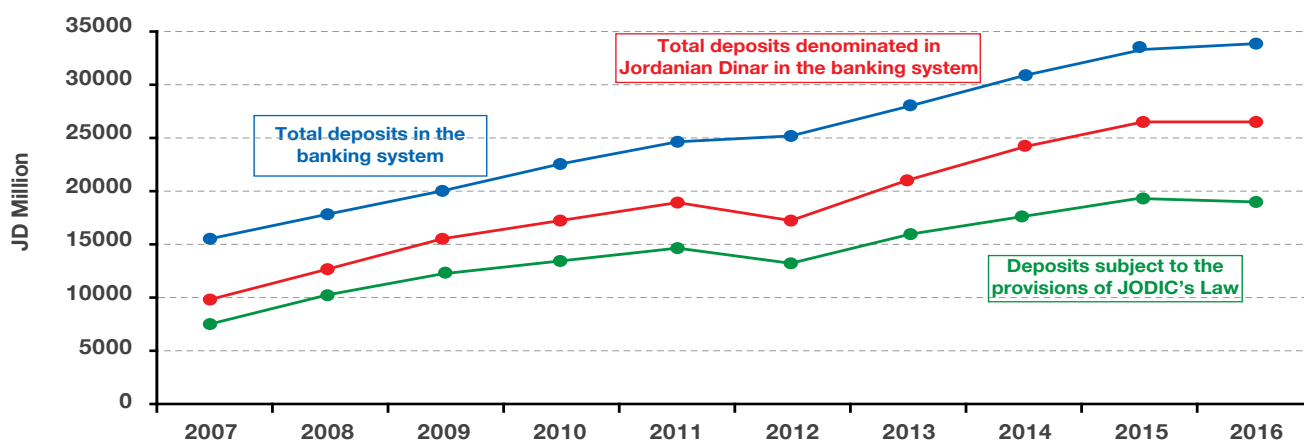
**DEVELOPMENT OF DEPOSITS
IN THE JORDANIAN BANKING SYSTEM**

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Total deposits in the Jordanian banking system reached JD 32912.6 million by the end of the year 2016, compared to JD 32613.4 million a year earlier, indicating an increase of JD 299.3 million or 0.9%. The average annual growth rate in deposits for the last ten years was 8.5%.

Deposits denominated in Jordanian Dinar amounted to JD 25980.8 million, representing 78.9% of total deposits in the banking system, whereas foreign currency deposits amounted to JD 6931.8 million or 21.1% of total deposits in the banking system by the end of the year 2016. The percentage of deposits denominated in Jordanian Dinar was 79.8% compared to 20.2% of deposits denominated in foreign currencies a year earlier.

Historical Development of Deposits in the Banking System (2007-2016)



Total deposits denominated in Jordanian Dinar represented 78.9% of total deposits in the banking system by the end of 2016.

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Deposits in The Jordanian Banking System

Year	2015 (JD Million)	2016 (JD Million)
Total Deposits Denominated in Jordanian Dinar and Foreign Currencies (JD Million)	32613.4	32912.6
Deposits Denominated in Jordanian Dinar (JD Million)	26029.4	25980.8
Deposits Denominated in Foreign Currencies (JD Million)	6584.0	6931.8

DEPOSITS DENOMINATED IN JORDANIAN DINAR:

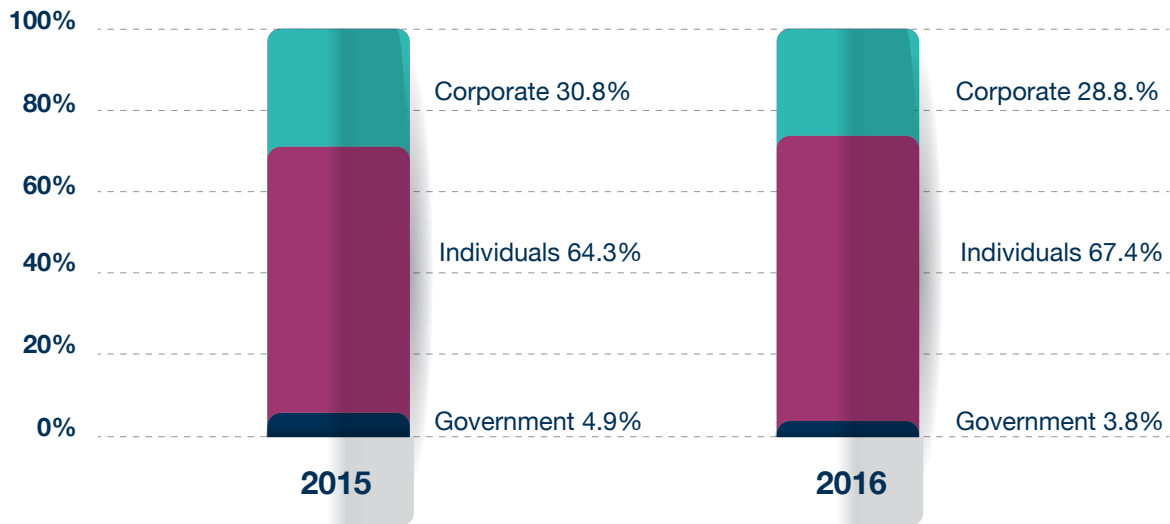
Total deposits denominated in Jordanian Dinar in the banking system reached JD 25980.8 million by the end of 2016 compared to JD 26029.4 million a year earlier, indicating a decrease of JD 48.6 million or 0.2%.

The distribution of these deposits in the banking system by the end of 2016 shows that individuals' deposits amounted to JD 17505.2 million representing 67.4% of total Jordanian Dinar deposits in the banking system, corporate deposits amounted to JD 7482.7 million representing 28.8%, and Government deposits amounted to JD 992.9 million representing the remaining 3.8%.

Total Deposits Denominated in Jordanian Dinar in the Banking System Across Various Sectors and Their Respective Growth Rates						
	Individuals		Corporate		Government	
	Deposits Amount (JD million)	Average Deposit (JD)	Deposits Amount (JD million)	Average Deposit (JD)	Deposits amount (JD million)	Average Deposit (JD)
2015	16730.0	6226.0	8033.0	73750.0	1267.0	356852.0
2016	17505.0	6104.0	7483.0	76390.0	993.0	262942.0
Growth Rate	4.6%	-2.0%	-6.9%	3.6%	-21.6%	-26.3%

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Distribution of Deposits Denominated in Jordanian Dinar Across Various Sectors



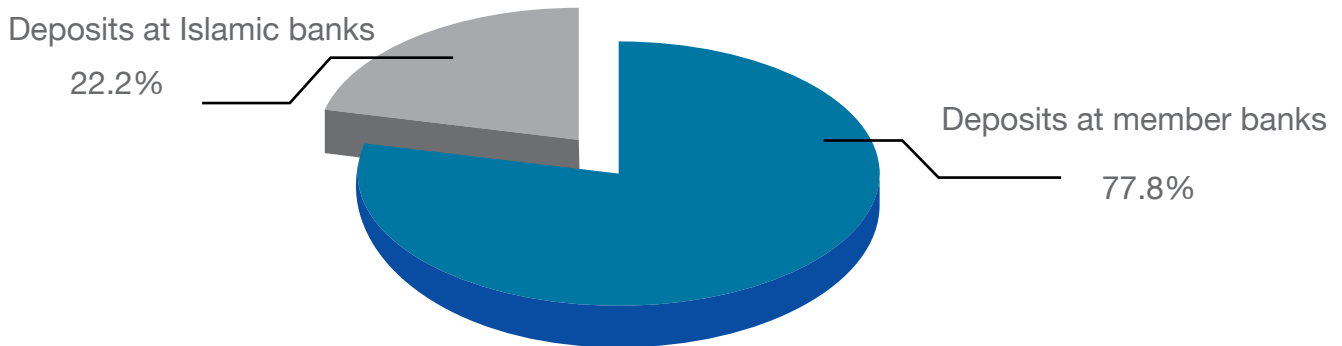
Individuals' deposits denominated in Jordanian Dinar represented 67.4% of total JD deposits in the banking system by the end of 2016.

DEPOSITS DENOMINATED IN JORDANIAN DINAR AT MEMBER BANKS:

Deposits denominated in Jordanian Dinar held by member banks¹ reached JD 20203.2 million by the end of 2016 compared to JD 20676.0 million by the end of 2015 with a decrease of 2.3%. These deposits, which represent 77.8% of total Jordanian Dinar deposits in the banking system which belong to 1821.2 thousand depositors with an average deposit value of JD 11094.0 compared to 1726.3 thousand depositors with an average deposit value of JD 11977.0 a year earlier.

1- All local banks and branches of foreign banks operating in the Kingdom except Islamic banks as non of them has decided to be a member at the year-end 2016.

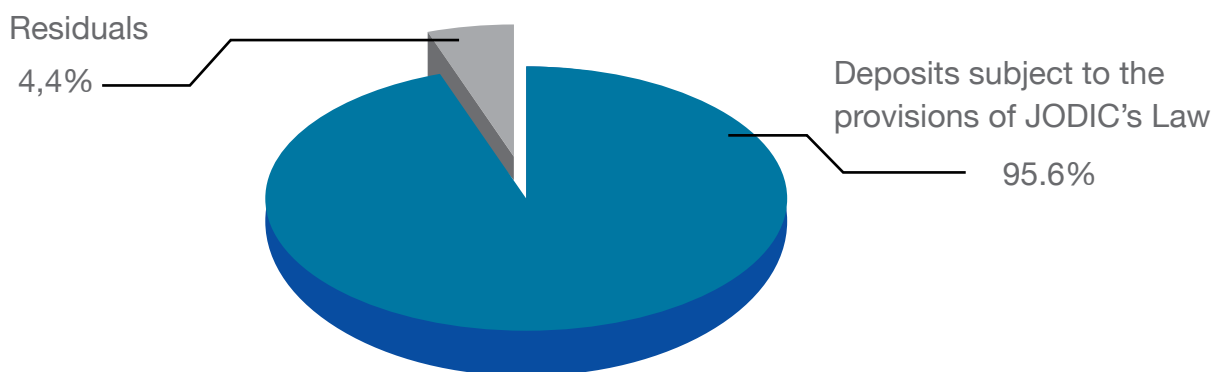
DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM



Total Jordanian Dinar Deposits in The Banking System Reached JD 25980,8 Million

DEPOSITS SUBJECT TO THE PROVISIONS OF JODIC'S LAW:

The outstanding balance of deposits subject to the provisions of JODIC's Law reached JD 19312.8 million by the end of 2016 compared to JD 19489.8 million by the end of 2015, reflecting a decrease rate of 0.9%. These deposits represented 95.6% of total deposits denominated in Jordanian Dinar held by member banks in the year 2016 which belong to 1817.6 thousand depositors with an average deposit value of JD 10625.0 by the end of 2016, compared to 1722.9 thousand depositors with an average deposit value of JD 11312.0 a year earlier.



Total Jordanian Dinar Deposits held by Member Banks reached JD 20203,2 Million

Deposits subject to the provisions of JODIC's Law represented 95.6% of total JD deposits held by member banks by the end of 2016.

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

FULLY INSURED DEPOSITS:

Fully insured deposits, equal or less than JD 50,000, accounted for 24.4% of total deposits subject to the provisions of JODIC's Law, and amounted to JD 4703.3 million by the end of 2016. They belong to 1765.7 thousand depositors with an average deposit value of JD 2664.0 by the end of 2016, compared to JD 4461.4 million belong to 1674.2 thousand depositors with an average deposit value of JD 2665.0 a year earlier. The percentage of fully insured depositors to total depositors whose deposits are subject to the provisions of JODIC's Law reached 97.1% by the end of 2016.

The percentage of fully insured depositors reached 97.1% of total depositors whose deposits are subject to the provisions of JODIC's Law by the end of 2016.



Fully insured deposits accounted for 24.4% of total insured deposits by the end of 2016

PARTIALLY INSURED DEPOSITS:

Partially insured deposits, in excess of JD 50,000, decreased from JD 15028.4 million by the end of 2015 to JD 14609.4 million by the end of 2016. These deposits represent 75.6 % of total deposits subject to the provisions of JODIC's Law, which belong to 51.9 thousand depositors representing 2.9% of total depositors whose deposits are subject to the provisions of JODIC's Law, with an average deposit value of JD 281378.0 by the end of 2016, compared to 48.7 thousand depositors with an average deposit value of JD 308521.0 a year earlier.

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

The percentage of partially insured depositors was 2.9% of total depositors whose deposits are subject to the provisions of JODIC's Law by the end of 2016.

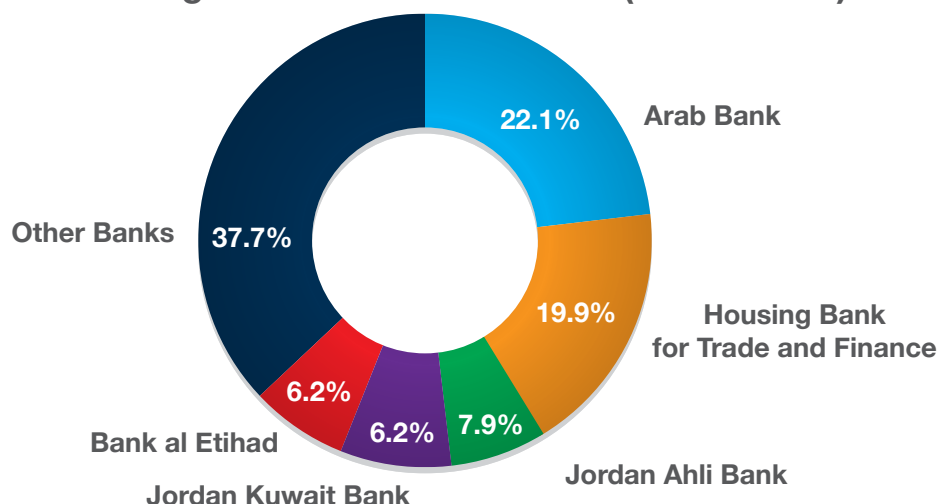


Partially insured deposits accounted for 75.6% of total deposits subject to the provisions of JODIC's Law by the end of 2016.

CONCENTRATION OF JORDANIAN DINAR (JD) DEPOSITS AT THE LARGEST FIVE MEMBER BANKS:

The largest five member banks accounted for almost two thirds of total deposits denominated in Jordanian Dinar: Arab Bank, Housing Bank for Trade and Finance, Jordan Ahli Bank, Jordan Kuwait Bank and Bank al Etihad held 22.1%, 19.9%, 7.9%, 6.2% and 6.2% of total JD deposits respectively by the end of 2016.

Concentration of Deposits Denominated in Jordanian Dinar At The Largest Five Member Banks (End of 2016)



CORPORATION'S RESERVES:

During 2016 JODIC continued to build up its reserves which increased from JD 537.2 million by the end of 2015 to JD 612.4 million representing 3.17% of total deposits subject to the provisions of JODIC's Law by the end of 2016.

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Main Indicators of Jordanian Dinar Deposits and Depositors at Member Banks											
Item / End of the period	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Growth Rate
Total deposits at member banks (in million)	9081.3	11542.3	13552.6	14715.2	15680.5	14304.4	16982.1	19307.8	20676.0	20203.2	-2.3%
Total depositors at member banks (in thousand)	1624.7	1681.8	1684.0	1691.1	1707.0	1687.0	1733.8	1692.1	1726.3	1821.2	5.5%
Average deposit value for total depositors at member banks (in Dinar)	5589.4	6863.2	8048.0	8702.0	9186.0	8479.0	9795.0	11410.5	11976.9	11093.6	-7.4%
Deposits subject to the provisions of the law (in million)	8584.1	11017.2	12823.6	14098.1	15099.7	13730.0	16324.7	18018.1	19489.8	19312.8	-0.9%
Estimated reimbursement amount (in million)	2232.1	2451.4	2720.8	2854.6	2790.4	2567.1	2616.2	2654.9	2689.9	2799.4	5.8%
Estimated reimbursement amount to total depositors at member banks	24.6%	21.2%	20.1%	19.4%	36.9%	38.9%	36.3%	33.9%	33.4%	36.1%	8.3%
Estimated reimbursement amount to total deposits subject to the provisions of the law	26.0%	22.3%	21.1%	20.2%	38.3%	40.5%	37.7%	36.3%	35.4%	37.8%	6.8%
Number of depositors whose deposits are subject to the provisions of the law (in thousand)	1621.6	1678.8	1681.5	1688.6	1704.6	1684.3	1730.9	1688.5	1722.9	1817.6	5.5%
Average deposit value for depositors whose deposits are subject to the provisions of the law (in Dinar)	5293.7	6862.4	7626.0	8349.0	8658.2	8151.6	9431.0	10665.0	11312.2	10625.4	-6.1%
Fully insured deposits (all deposits that are less than or equal to coverage limit) (in million)	1283.8	1380.7	1480.4	1504.9	1504.9	1504.9	1504.9	1504.9	1504.9	1504.9	5.4%
Number of fully insured depositors (in thousand)	1526.7	1571.8	1557.4	1553.6	1666.0	1648.8	1689.2	1644.3	1674.2	1765.7	5.5%
Average deposit value for fully insured depositors (in Dinar)	840.8	878.5	951.0	969.0	2316.2	2299.3	2413.0	2605.2	2664.8	2663.7	-0.04%
Partially insured deposits (all deposits that are in excess of coverage limit) (in million)	7300.4	9636.5	11343.2	12599.2	11241.0	9938.9	12248.8	13734.5	15028.4	14609.4	-2.8%
Number of partially insured depositors (in thousand)	94.8	107.1	124.0	135.0	38.6	35.5	41.7	45.2	48.7	51.9	6.6%
Average deposit value for partially insured depositors (in Dinar)	76977.0	90004.0	91448.0	93303.0	290961.0	279827.0	293693.0	303807.3	308521.2	281378.2	-8.8%
Estimated reimbursement value for partially insured deposits	948.4	1070.7	1240.4	1349.7	1931.7	1775.9	2085.3	2260.4	2435.6	2596.1	6.6%
Fully insured deposits to total deposits subject to the provisions of the law	15.0%	12.5%	11.5%	10.7%	25.6%	27.6%	25.0%	23.8%	22.9%	24.4%	6.4%
Partially insured deposits to total deposits subject to the provisions of the law	85.0%	87.5%	88.5%	89.3%	74.4%	72.4%	75.0%	76.2%	77.1%	75.6%	-1.9%
Estimated reimbursement value for partially insured deposits to total partially insured deposits	13.0%	11.0%	10.9%	10.7%	17.2%	17.9%	17.0%	16.5%	16.2%	17.8%	9.6%
Fully insured deposits to total deposits at member banks	14.1%	12.0%	10.9%	10.2%	24.6%	26.5%	24.0%	22.2%	21.6%	23.3%	7.9%
Partially insured deposits to total deposits at member banks	80.4%	83.5%	83.7%	85.6%	71.7%	69.5%	72.1%	71.1%	72.7%	72.3%	-0.5%
Number of fully insured depositors to total depositors at member banks	94.0%	93.5%	92.5%	91.9%	97.6%	97.7%	97.4%	97.2%	97.0%	97.0%	0.0%
Number of partially insured depositors to total depositors at member banks	5.8%	6.4%	7.4%	8.0%	2.3%	2.1%	2.4%	2.7%	2.8%	2.9%	1.0%
Number of fully insured depositors whose deposits are subject to the provisions of the law	94.2%	93.6%	92.6%	92.0%	97.7%	97.9%	97.6%	97.3%	97.2%	97.1%	-0.03%
Number of partially insured depositors whose deposits are subject to the provisions of the law	5.8%	6.4%	7.4%	8.0%	2.3%	2.1%	2.4%	2.7%	2.8%	2.9%	1.0%
Concentration of deposits subject to the provisions of the law held by member banks (the largest share)	24.6%	25.8%	24.8%	24.8%	25.9%	23.5%	23.1%	21.8%	21.5%	22.1%	2.8%
Concentration of deposits subject to the provisions of the law held by member banks (the largest two shares)	45.7%	45.3%	44.8%	44.8%	45.2%	43.7%	42.7%	41.8%	41.7%	42.0%	0.8%
Concentration of deposits subject to the provisions of the law held by member banks (the largest five shares)	66.7%	65.6%	64.6%	64.6%	63.9%	62.8%	61.6%	61.9%	63.2%	62.3%	-1.5%
Corporation's reserves (in million)	115.2	145.0	183.9	229.1	278.4	334.2	393.6	463.1	537.2	612.4	14.0%
Corporation's reserves to deposits that are subject to the provisions of the law	1.3%	1.3%	1.4%	1.6%	1.8%	2.4%	2.4%	2.6%	2.8%	3.2%	15.1%
Corporation's reserves to estimated reimbursement amount	5.2%	5.9%	6.8%	8.0%	4.8%	6.0%	6.4%	7.1%	7.8%	8.4%	7.7%

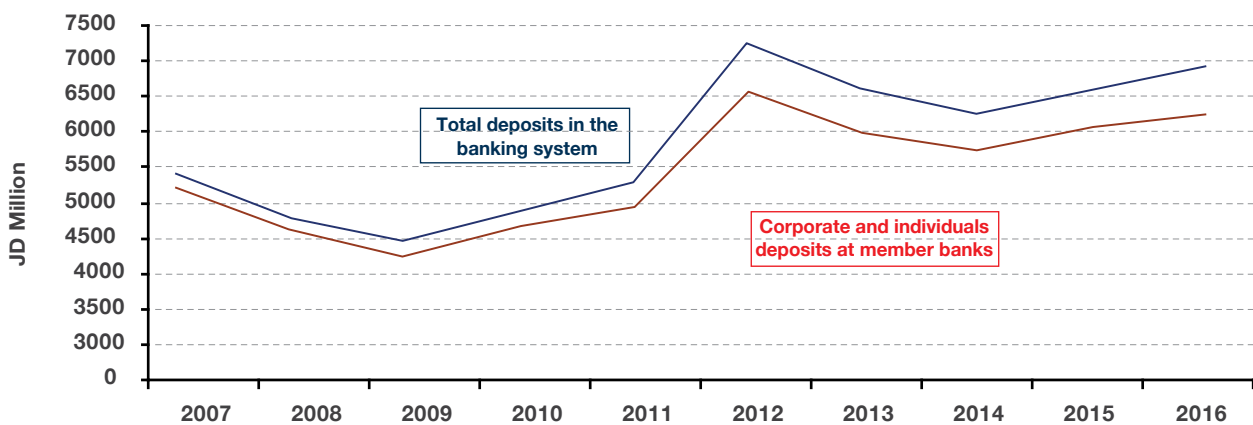
DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

DEPOSITS DENOMINATED IN FOREIGN CURRENCIES²:

Deposits denominated in foreign currencies in the banking system reached JD 6931.8 million by the end of 2016 compared to JD 6584.0 million by the end of 2015, with an increase of 5.3%.

Number of depositors increased to reach 250.1 thousand depositors by the end of 2016, compared to 243.4 thousand depositors a year earlier. Meanwhile, the average deposit value of foreign currency deposits increased from JD 27049.0 by the end of 2015 to JD 27720.0 by the end of 2016.

Historical Development of Deposits Denominated in Foreign Currencies in the Banking System (2007-2016)



The distribution of foreign currency deposits in the banking system by the end of 2016 shows that individuals' deposits amounted to JD 4758.5 million representing 68.6% of total foreign currency deposits. Corporate and Government deposits amounted to JD 2036.0 million and JD 137.4 million representing 29.4% and 2.0% of total foreign currency deposits respectively.

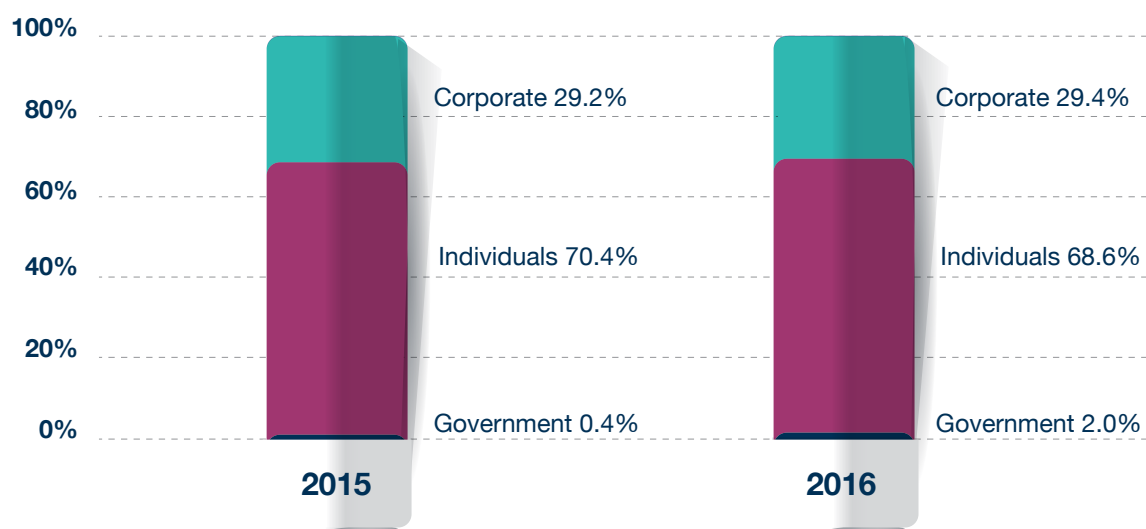
Total individuals' deposits denominated in foreign currencies represented 68.6% of total foreign currencies deposits in the banking system at the end of 2016.

²-Deposits denominated in foreign currencies are not insured by the Corporation. However, in accordance with the Article 32 (a) of JODIC's Law, these deposits may be insured upon the decision of the Central Bank of Jordan (CBJ).

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Total Deposits Denominated in Foreign Currencies in the Jordanian Banking System Across Various Sectors and Their Respective Growth Rates						
	Individuals		Corporate		Government	
	Deposits Amount (JD million)	Average Deposit (JD)	Deposits Amount (JD million)	Average Deposit (JD)	Deposits amount (JD thousand)	Average Deposit (JD)
2015	4633.9	21364.0	1919.6	72595.0	30557.0	442854.0
2016	4758.5	21402.0	2036.0	73668.0	137355.0	1560852.0
Growth Rate	2.7%	0.18%	6.1%	1.5%	349.5%	252.5%

Distribution of Deposits Denominated in Foreign Currencies Across Various Sectors

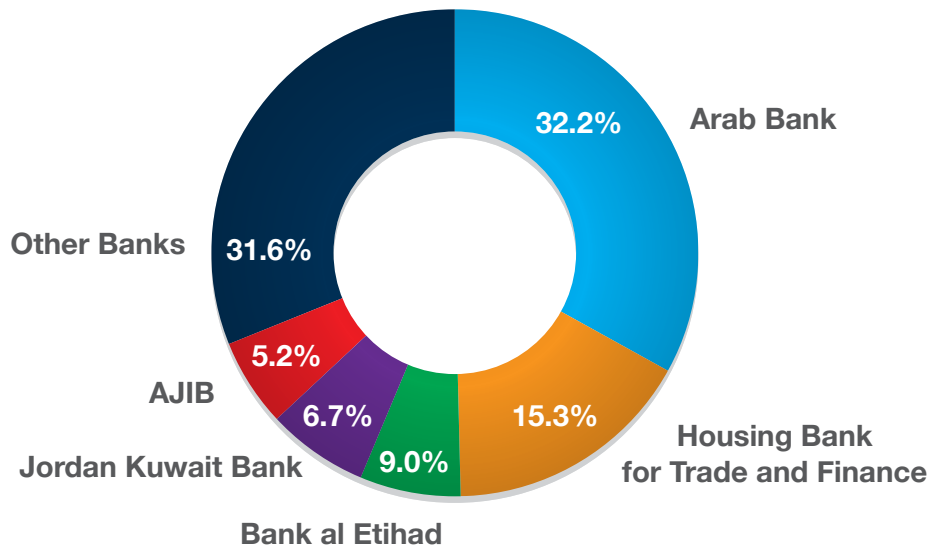


Deposits denominated in foreign currencies held at member banks reached JD 6376.5 million by the end of 2016, compared to JD 6083.6 million by the end of 2015 with an increase rate of 4.8%. These deposits represented 92.0% of total foreign currency deposits in the banking system. The number of foreign currency depositors at member banks reached 211 thousand by the end of 2016 with an average deposit value of JD 30224.0, compared to 205.7 thousand depositors with an average deposit value of JD 29563.0 by the end of 2015.

The largest five member banks of total deposits denominated in foreign currencies: Arab Bank, Housing Bank for Trade and Finance, Bank al Etihad, Jordan Kuwait Bank, and AJIB, held 32.2%, 15.3%, 9.0%, 6.7%, 5.2%, respectively by the end of 2016.

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Concentration of Deposits Denominated in Foreign Currencies at the Largest Five Member Banks (End of 2016)



**THE CORPORATION'S FINANCIAL
PERFORMANCE, CAPITAL AND INVESTMENTS**

THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

During the year 2016, JODIC reached and continue build up the targeted reserves' level of 3% of total eligible deposits to fulfill its mandatory requirements as deposit insurer and liquidator, and to ultimately achieve its objectives efficiently and effectively in protecting depositors by insuring their deposits, encouraging savings, as well as enhancing confidence in the Jordanian banking system, it represented 3.17% by the end of 2016

JODIC's financial resources consist mainly of the annual membership fees contributed by member banks (annual flat fee of 2.5 per thousand of total eligible deposits), in addition to the returns on its investments, and any obtained loans or financial grants given to the Corporation in accordance with the provisions of JODIC's Law.

JODIC invests its funds in securities issued or guaranteed by the Government in accordance with the provisions of Article 24(a) of JODIC's Law. It utilizes the best investment opportunities available in the primary market taking into account their term, yield-to-maturity (YTM) and JODIC's share of each issuance, along with the maturity structure of JODIC's portfolio for the purpose of managing the prospective opportunities as well as the reinvestment risk. The interest rate structure in the market is closely monitored when diversifying portfolio investments in order to achieve the best possible returns in both the medium and long terms.

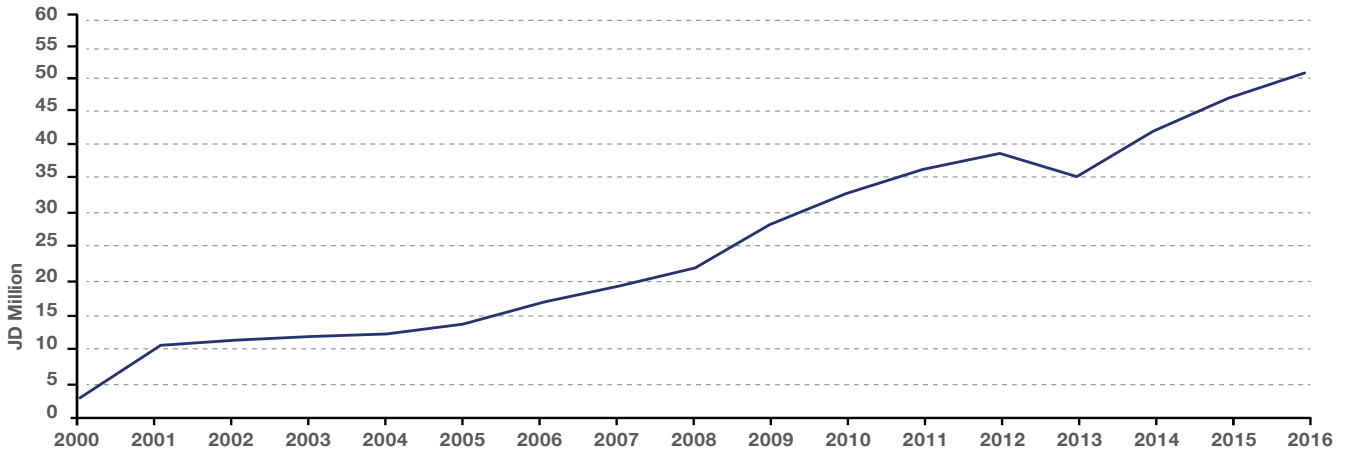
JODIC continued to enhance its reserves' level to fulfill its mandatory requirements as deposit insurer and liquidator.

The Financial Performance:

Total owners' equity increased to reach JD 615.7 million by the end of 2016 compared with JD 540.5 million by the end of 2015. JODIC's capital amounted to JD 3.3 million of which JD 1 million was paid by the Government and JD 2.3 million was paid by member banks (JD 100,000 as a non-refundable initiation fee paid by each member bank). The accumulated reserves by the end of 2016, generated from the annual surplus and premiums (annual membership fees), formed the bulk of total owners' equity and reached JD 612.4 million with an increase of JD 75.2 million from the previous year. Annual membership fees collected from member banks amounted to JD 49.3 million during the year 2016, compared with JD 45.8 million collected a year earlier and reflected 7.6% growth rate, while the net investments income amounted to JD 26 million, compared with JD 28.2 million during 2015 with a decrease of approximately 8.1%.

THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

The Annual Membership Fees (2000-2016)



To further manage its overhead expenses and enhance the reserves buildup, JODIC adopts a medium term financial program with the assumption of decreasing the ratio of total overhead expenses to investments income, this ratio reached to 4.4% . Furthermore, JODIC's revenues and expenses are monitored and evaluated on an ongoing basis to ensure the effective implementation of the annual budget that has been approved by the Board of Directors (BOD) in accordance with the Provisions of Article 7 (a/5) of JODIC's Law, as well as to ensure compliance with the performance indicators adopted in its medium term financial program.

Investment's Portfolio and Investment's Income

The outstanding value of JODIC's Held-to-Maturity bonds portfolio increased to reach JD 593 million by the end of 2016 compared with JD 528 million a year earlier, with an increase of JD 65 million and a growth rate of 12.3%.

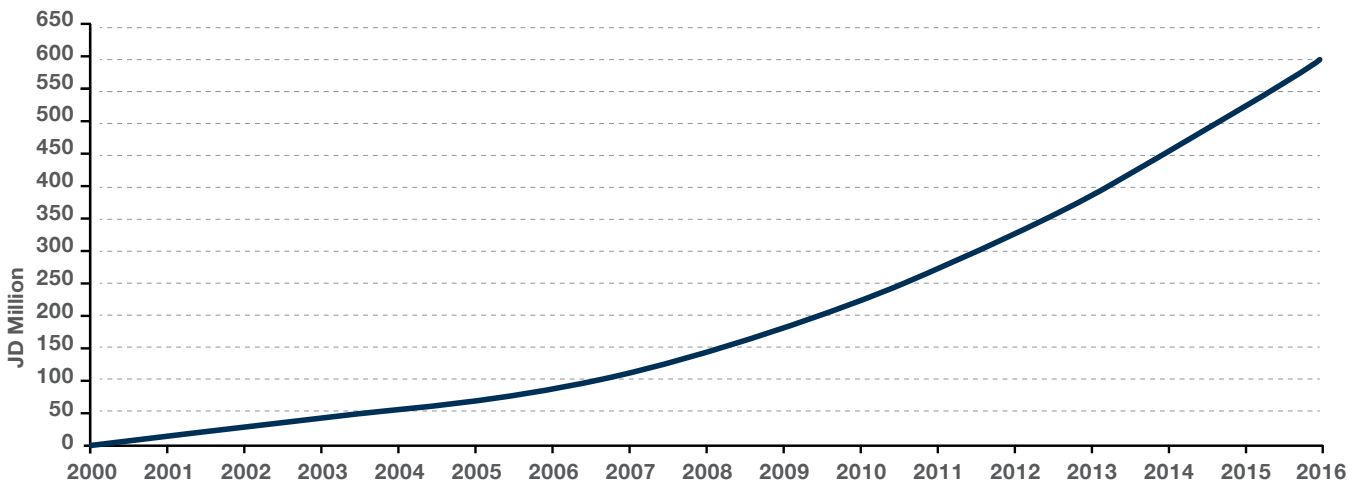
The portfolio consists of:

- Treasury bonds with a value of JD 567.3 million; representing 95.7% of total value of the portfolio.
- Public entities bonds with a value of JD 10.1million; representing 1.7% of total value of the portfolio.
- Treasury bills with a value of JD 15.7 million; representing 2.6% of total value of the portfolio.

THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

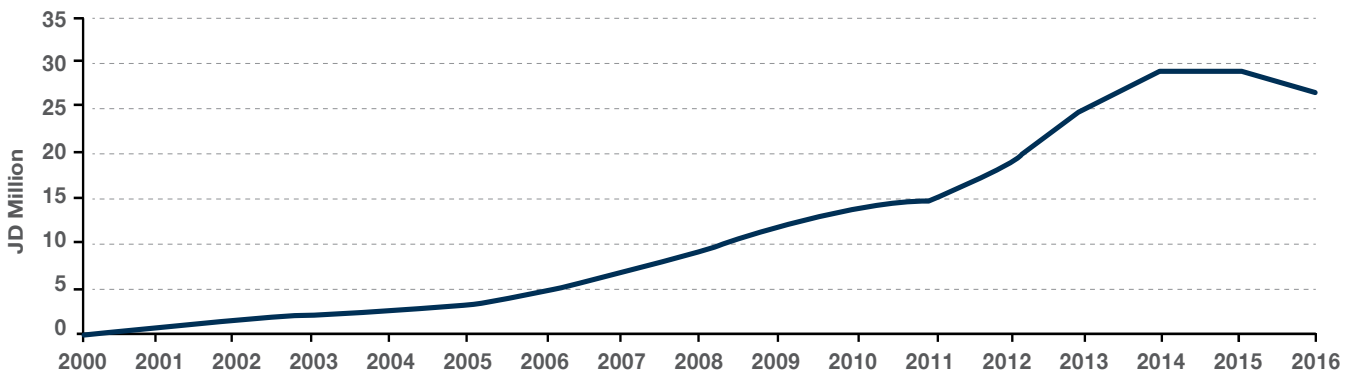
Outstanding balance of public debt instruments portfolio amounted to JD 593 million representing 96.3% of the Corporation's total assets by the end of 2016.

JODIC's Investments Portfolio (2000-2016)



JODIC's total investments portfolio income amounted to approximately 27.1 million during the year 2016 compared with JD 29.3 million during the year 2015, with a decrease of 7.5% due to the decrease in interest rates for public debt instruments.

JODIC's Total Investments Portfolio Income (2000-2016)



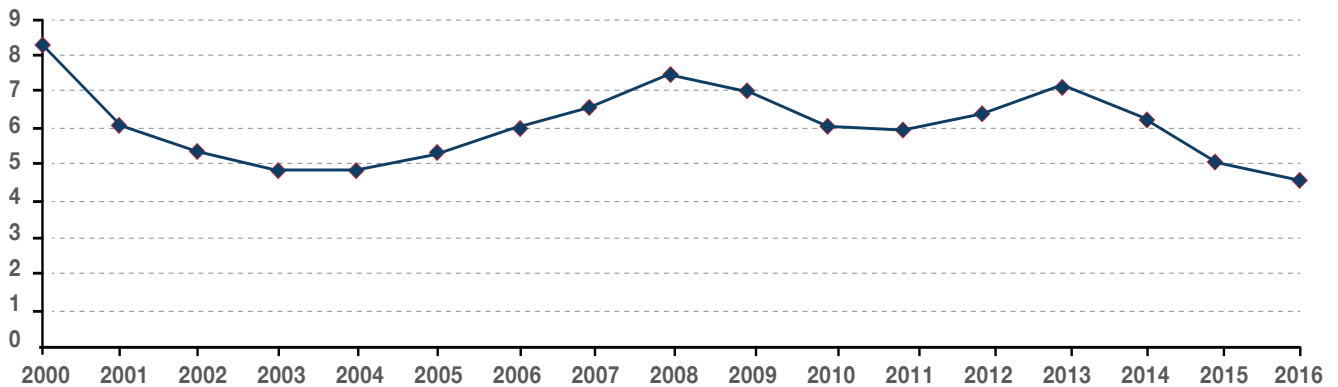
JODIC's investments income from public debt instruments amounted to approximately JD 27.1 million during the year 2016.

THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

Portfolio's Yield- to- Maturity and Modified Duration:

The Yield-to-Maturity (YTM) of the portfolio decrease by (0.496%) to reach 4.553% by the end of 2016 compared with 5.049% a year earlier, due to the decrease in interest rates for public debt instruments, and the modified duration increased to reach 2.2974 year by the end of 2016 compared with 2.1707 year from the previous year.

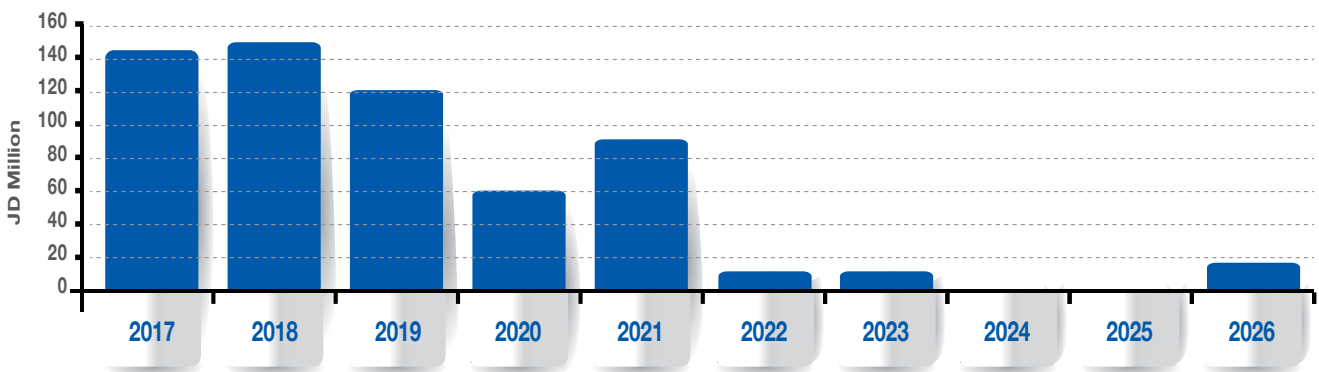
Yield-To-Maturity of the Corporation's Portfolio (2000-2016)



Maturities of Financial Instruments:

By the end of 2016, the value of the redeemed bonds and bills amounted to approximately JD 116 million. However, short term investments in JODIC's portfolio amounted to JD 142 million by the end of 2016 compared with JD 111 million a year earlier.

Corporation's Portfolio Redemption Schedule by the End of 2016



THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

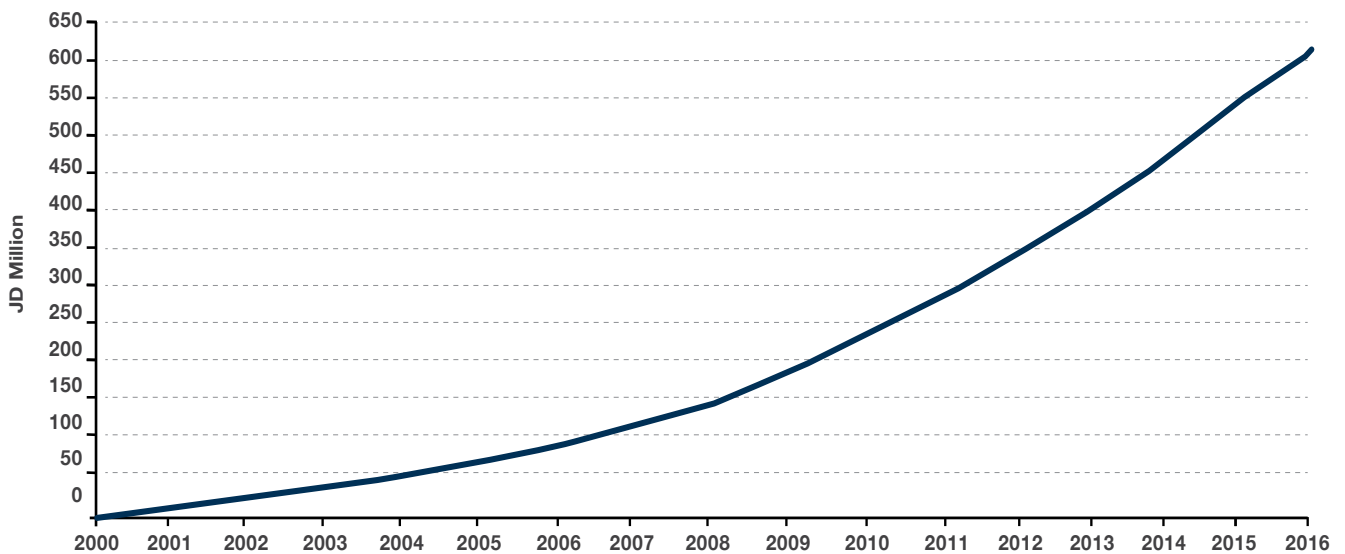
Cash Account:

JODIC's cash account not subject to investment in public debt instruments is deposited at the Central Bank of Jordan (CBJ) in accordance with the Provisions of Article 24(b) of JODIC's Law. The balance of this account amounted to JD 10.5 million by the end of 2016.

Total Reserves:

The premiums contributed by member banks and investments income resulted in raising JODIC's total reserves from JD 537.2 million by the end of 2015 to JD 612.4 million by the end of 2016 or by 14%. This level of reserves formed 3.17% of total eligible deposits amounting to JD 19312.8 million by the end of 2016, and 8.4% of estimated reimbursement amount being JD 7299.4 million.

JODIC's Reserves During (2000-2016)



**FINANCIAL PROGRAM -
THE CORPORATION'S STRATEGIC PLAN**

FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN

FINANCIAL PROGRAM:

With the aim of evaluating and monitoring its institutional performance, JODIC update its medium term financial program during the year 2016, as part of its strategic plan, to ultimately achieve its objectives within a balanced time frame, particularly those pertaining to JODIC's ability to build up a sufficient reserves level and to provide full protection for the vast majority of depositors as well as enhancing confidence in the banking sector.

The financial program and relevant assumptions are reviewed annually in the light of macroeconomic changes and JODIC's performance, with the purpose of projecting the future values for relevant variables such as the annual growth rate of deposits and annual fees collected from member banks, as well as the expected levels of interest rate on different debt instruments.

The financial program adopts both Guiding and Performance Indicators which operate through an integrated system that sets the relationship between the inputs and the outputs. Inputs are represented in relevant variables affecting JODIC's performance and based on subjective and qualitative assumptions to project the program's financial indicators that estimate

The financial program enables JODIC to manage its investments towards achieving its long - term strategic goals.

FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN

The financial program adopts both Guiding and Performance Indicators which operate through an integrated system which are as follows:

- **Performance Indicators:**
reflect the actual performance of JODIC, and are based on variables that are controllable by the Corporation and affect as well its mandates' fulfillment such as the return on JODIC's investments.
- **Guiding indicators:**
that are non-controllable by JODIC but affect directly its ability to fulfill its mandates such as the growth rate of deposits subject to the provisions of JODIC's Law.

As per the Performance Indicators, they include the following key indicators:

1- Reserves to total deposits subject to the provisions of JODIC's Law:

This ratio reached the targeted level of 3.1% by the end of 2016 compared to 2.7% by the end of 2015, this ratio is expected to increase annually under the assumption that long term average annual growth rate of deposits denominated in Jordanian Dinar is approximately 10%.

2- Reserves to estimated reimbursement amount:

This ratio reached 8.4% by the end of 2016 compared to 7.8% by the end of 2015, noting that estimated reimbursement amount increase from JD 6,897 million by the end of the year 2015 to JD 7,299 million by the end of the year 2016.

Moreover, this reserves' ratio is expected to increase annually which is harmonized with achieving JODIC's objectives in providing protection for the vast majority of depositors, encouraging savings, enhancing confidence in the banking system, and thus contributing in the financial stability in the Kingdom.

3- Overhead expenses to net and total investments income:

These two ratios reached 4.6% and 4.4% by the end of 2016 compared to 3.8% and 3.6% respectively by the end of the year 2015, as a result of JODIC's investments income decline during the year 2016, due to the decrease in interest rates for public debt instruments.

FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN

4- Overhead expenses to cash flow from operations:

This ratio reached 4.7% by the end of 2016, compared to 3.7% by the end of 2015; it's expected to decrease as a result of cost cutting policy adopted by JODIC.

As well as the Guiding indicators include the following indicators:

1. Estimated reimbursement amount to total deposits subject to the provisions of JODIC's Law:

This ratio reached 37.3% by the end of 2016, compared to 35.0% by the end of 2015; it's expected to decrease annually under the assumptions about deposit growth.

2. Targeted reserves to estimated reimbursement amount :

This ratio reached 8% by the end of 2016, compared to 8.6% by the end of 2015; it's expected to increase annually under the assumptions about deposit growth.

The desired Outcome

The financial program's desired outcome is represented in providing a mechanism of evaluating the Corporation's actual performance against the expected results of the financial program, with the purpose of fulfilling JODIC's mandates efficiently and effectively in accordance with its Law.

JODIC reached the targeted level of 3% ,from reserves to total deposits subject to the provisions of law, during the year 2016.

FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN

Medium Term Financial Program - Performance indicators:

Item	Actual		Expected								
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Deposits subject to the provisions of JODIC's Law (JD million)	19711	19553	21508	23659	26025	28628	31491	34640	38104	41914	46105
Estimated reimbursement amount (JD million).	6897	7299	7905	8561	9271	10041	10874	11776	12753	13811	14957
JODIC's reserves (JD million)	537	612	692	785	893	1012	1148	1300	1459	1627	1805
JODIC's reserves to deposits subject to the provisions of the Law (%).	2.7	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	3.9
JODIC's reserves to estimated reimbursement amount (%).	7.8	8.4	8.8	9.2	9.6	10.1	10.6	11.0	11.4	11.8	12.1
Targeted reserves to estimated reimbursement amount (%).	8.6	8.0	8.2	8.3	8.4	8.5	8.7	8.8	9.0	9.1	9.2
Estimated reimbursement amount to deposits subject to the provisions of JODIC's Law (%)	35.0	37.3	36.7	36.2	35.6	35.1	34.5	34.0	33.5	32.9	32.4
Overhead expenses to total revenues from investments (%).	3.6	4.4	4.0	3.4	3.0	2.9	2.6	2.5	2.7	3.0	3.2
Overhead expenses to net investments income (%).	3.8	4.6	4.1	3.5	3.1	3.0	2.7	2.6	2.8	3.0	3.3
Overhead expenses to cash flow from operations (%).	3.7	4.6	4.3	3.7	3.3	3.1	2.8	2.7	2.8	3.0	3.3

**PUBLIC AWARENESS & REGIONAL AND
INTERNATIONAL CONTRIBUTIONS**

PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTIONS

In line with JODIC's public awareness plan for the year 2016, the Corporation continued its endeavors towards raising the awareness level about deposit insurance system in the Kingdom and the important role of the Corporation at both the regional and international levels.

In this respect, the Corporation maintained collaboration and interactive channels with related parties. It carried out communication activities such as holding regular lectures to the employees in the banking sector at the Institute of Banking Studies, and distributing printed materials to the member and non member banks which included the annual report for the year 2015 and the 2016 calendar to the branches of the banks operating in the Kingdom.

Furthermore, JODIC is committed towards publishing an announcement in two daily local newspapers during February of each year in accordance with the provisions of Article (33) of its Law. The announcement states the names of the member banks, the type of currency of deposits covered by the Corporation's insurance, and the maximum amount insured.

Given the importance of acquainting the target audience and stakeholders with latest developments in the deposit insurance system, JODIC utilizes largely its website as a primary electronic communication channel which is newly redesigned by the Information Technology Centre. The website is updated continuously with the news and events of JODIC in addition to the links to the member banks websites and the relevant international financial institutions.

At the regional and international levels, JODIC maintained its membership in the Executive Council (EXCO) of the International Association of Deposit Insurers (IADI), and continued chairing the Middle East and North Africa Regional Committee (MENA), in addition to its membership in the IADI Standing Committee of the Membership and Communications Committee (MCC), the Research and Guidance Committee (RGC) and its subcommittees; e.g. the Islamic Deposit Insurance Group (IDIG), the Financial Inclusion Committee.



PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTIONS

Also, JODIC had an active participation in the activities relevant to deposit insurance such as the 15th IADI Annual Conference entitled “Gearing Up for the Next Crisis” and the Annual General Meeting, EXCO Meeting and Standing and Regional Committees Meetings of the International Association of Deposit Insurers (IADI) that were hosted by the Korea Deposit Insurance Corporation (KDIC) in October 2016.



**FINANCIAL STATEMENTS & INDEPENDENT
AUDITOR'S REPORT FOR THE YEAR ENDED
31 DECEMBER 2016**

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT

Deposit Insurance Corporation

Legal entity with financial and administrative independence

Amman - The Hashemite Kingdom of Jordan

Opinion

We have audited the financial statements of Deposit Insurance Corporation (Legal entity with financial and administrative independence), which comprise the statement of financial position as at December 31, 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements comprising significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Talal Abu-Ghazaleh & Co. International

Mohammad Alazraq

License # (1000)

Amman, March 23, 2017

**FINANCIAL STATEMENTS & INDEPENDENT
AUDITOR'S REPORT FOR THE YEAR
ENDED 31 DECEMBER 2016**

Statement of Financial Position as at 31 December 2016

	Note	2016	2015
		JD	JD
ASSETS			
Current Assets			
Current account at Central Bank of Jordan		10,516,789	710,662
Accrued bonds interests in held to maturity investments		7,402,987	7,014,600
Other debit balances		6,844	6,819
Investments in held to maturity- short term	4	142,284,320	111,091,450
Total Current Assets		160,210,940	118,823,531
Non-current Assets			
Financing and loans of employees housing fund	3	930,798	916,297
Investments in held to maturity- long term	4	450,804,051	416,900,000
Property and equipment	5	3,877,127	3,882,827
Total Non-current Assets		455,611,976	421,699,124
TOTAL ASSETS		615,822,916	540,522,655
LIABILITIES AND EQUITY			
Liabilities			
Other credit balances	6	104,346	41,888
EQUITY			
Capital	7	3,300,000	3,300,000
Reserves	8	612,418,570	537,180,767
Total Equity		615,718,570	540,480,767
TOTAL LIABILITIES AND EQUITY		615,822,916	540,522,655

**FINANCIAL STATEMENTS & INDEPENDENT
AUDITOR'S REPORT FOR THE YEAR
ENDED 31 DECEMBER 2016**

Statement of Revenues and Expenses for the Year Ended 31 December 2016

	Note	2016	2015
		JD	JD
Revenues			
Membership fees	9	49,277,237	45,833,807
Investments in held to maturity intersets		27,129,954	29,292,124
Employee housing loans revenues		15,264	11,716
Employee loans interests		4,581	4,439
Others		1,350	-
Total revenues		76,428,386	75,142,086
Administrative expenses	10	(1,190,583)	(1,060,866)
Surplus		75,237,803	74,081,220

Statement of Changes in Equity for the Year Ended 31 December 2016

	Capital	Reserves	Total
	JD	JD	JD
Balance as at January 1, 2015	3,300,000	463,099,547	466,399,547
Surplus	-	74,081,220	74,081,220
Balance as at December 31, 2015	3,300,000	537,180,767	540,480,767
Surplus	-	75,237,803	75,237,803
Balance as at December 31, 2016	3,300,000	612,418,570	615,718,570

**FINANCIAL STATEMENTS & INDEPENDENT
AUDITOR'S REPORT FOR THE YEAR
ENDED 31 DECEMBER 2016**

Statement of Cash Flows for the Year Ended 31 December 2016

	2016	2015
	JD	JD
Cash Flows From Operating Activities		
Surplus	75,237,803	74,081,220
Adjustments for:		
Depreciation	124,587	134,120
Loss from disposal of property and equipment	-	6
Interest revenues	(27,129,954)	(29,292,124)
Changes in operating assets and liabilities:		
Other debit balances	(25)	(1,016)
Other credit balances	62,458	9,463
Net cash from operating activities	48,294,869	44,931,669
Cash Flows From Investing Activities		
Investments in bonds held to maturity	(65,096,921)	(74,191,450)
Financing and loans of employees housing fund	(14,501)	5,561
Interests received	26,741,567	29,558,498
Purchase of property and equipment	(118,887)	(6,827)
Net cash from investing activities	(38,488,742)	(44,634,218)
Net change in cash and cash equivalents	9,806,127	297,451
Cash and cash equivalents - beginning of year	710,662	413,211
Cash and cash equivalents - end of year	10,516,789	710,662

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Notes to the Financial Statements 31 December 2016

(1) Legal status and activities

- The Corporation was established on September 17, 2000 as legal entity with financial and administrative independence by virtue of law number 33 for the year 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 banks has been decided to be liquidated, which aims at reimbursing all depositors alongside the continuous supervision by the Central Bank of Jordan.
- The following deposits are not subjected to the law:
 - Government deposits.
 - Interbank deposits.
 - Cash collaterals within the limits of the value of the extended facilities guaranteed by the said collaterals.
- The Corporation only insure deposits in Jordanian dinars that not exceeding JD 50,000 per depositor in each member bank, the member banks in the Corporation are all Jordanian banks and branches of foreign banks operating in the Kingdom, except:
 - Branches of Jordanian banks operating outside the Kingdom.
 - Islamic banks licensed to work in the Kingdom unless it decides to join the Corporation to insure its deposits.
- The Corporation insure deposits in any foreign currency subjected by the Central Bank to this law.
- The Corporation source of fund as follow:
 - The annual membership fees paid by banks to the corporation.
 - The returns on the investments of the corporation's funds.
 - Any loans obtained by the corporation in accordance with the provision of this law.
 - Any financial grants given to the corporation with the approval of the central bank's board of directors. The council of ministers approval must also be obtained if the grant is given by a non-Jordanian agency.

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

(2) Basis for preparation of financial statements and significant accountant policies

2.1 Financial statements preparation framework

- The financial statements have been prepared in accordance with International Financial Reporting Standards.

2.2 Measurement bases used in preparing the financial statements

- The financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

- The financial statements have been presented in Jordanian Dinar (JD), which is the functional currency of the entity.

2.4 Using of estimates

- When preparing of financial statements, management uses judgments, assessments and assumptions that affect applying the accounting policies and carrying amounts of assets, liabilities, revenue and expenses. Actual result may differ from these estimates.
- Change in estimates shall be recognized in the period of the change, and future periods if the change affects them.
- For example, estimates may be required for doubtful and bad debts, inventory obsolescence, useful lives of depreciable assets, provisions, projects reserve any legal cases against the entity.

2.5 Financial instruments

Financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

A. Financial assets

- Financial asset is any asset that is:
 - (1) Cash; or
 - (2) An equity instrument of another entity; or
 - (3) A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.
 - (4) A contract that will or may be settled in the entity's own equity instruments.

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

- Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.
- All recognized financial assets are subsequently measured either at amortized cost or fair value, on the basis of both:
 - (1) The entity's business model for managing the financial assets, and
 - (2) The contractual cash flow characteristics of the financial assets.
- A financial asset is measured at amortized cost if both of the following conditions are met:
 - (1) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
 - (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- All other financial assets are subsequently measured at fair value.
- A gain or loss on a financial asset that is measured of fair value and is not part of a hedging relationship is recognized in profit or loss unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.

B. Cash and cash equivalents

- Cash comprises cash on hand, current accounts and demand deposits with banks.
- Cash equivalents are short- term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

C. Loans

- Housing loans are given for the following purposes:
 - To build a house within the kingdom on land owned wholly or in a roof owned for this purposes
 - Buy a house or an apartment in the Kingdom.
 - Buy land and build a house in the Kingdom.
 - Buy partner shares on land or property in order to full ownership except buying shares of husband of wife.
 - Maintenance owned house or make improvement on it.
 - Pay banking loans or loans of any public parties provided that loan has been given for above purposes.
- Loan should be repay during period not exceeding 30 years from the date of granting, provided that employee age should not exceed seventy years old at end of the this period.

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

D. Impairment of financial assets

- Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each period.
- The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. The amount of the impairment loss shall be recognized as loss.

E. Property and equipment

- Property and equipment are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.
- After initial recognition, the property and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. Land is not depreciated.
- The depreciation charge for each period is an expense. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful life of the assets using the following rates :

Category	Depreciation Rate %
Building	3
Computer and Telecommunication	10 – 25
Furnitures and Decorations	10 – 15
Vehicles	15

- The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.
- The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with impairment of assets policy.
- On the subsequent de recognition (sale or retirement) of the property and equipment, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

F. Impairment of assets

- At each statement of financial position date, management reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been impaired.
- If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset.
- An impairment loss is recognized immediately as loss.
- Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.

G. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

H. Rendering of services

- Revenue from a contract to provide services is recognized by reference to the stage of completion of the transaction at the statement of financial position date.
- The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:
 - The amount of revenue can be measured reliably.
 - It is probable that the economic benefits will flow to the entity.

I. Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

(3) Financing and loans of employees housing fund

The movement in financing and loans of employees housing fund is as follows:

	2016	2015
	JD	JD
Financing and loans balance at beginning of year	916,297	921,858
The amount of financing and loans provided during the year	81,772	56,834
Interests added on loans balance during the year	4,581	4,439
Islamic murabaha	15,264	11,716
The amount of financing and loans collected during the year	(87,116)	(78,550)
Financing and loans balance at end of year	930,798	916,297

(4) Investments in held to maturity

	Short term	Long term							Total		2015
	2017	2018	2019	2020	2021	2022	2023	2026	Total	2016	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	
Treasury bonds	121,600,000	145,300,000	117,604,051	51,300,000	81,500,000	15,000,000	15,000,000	20,000,000	445,704,051	567,304,051	510,000,000
Treasury bills	15,684,320	-	-	-	-	-	-	-	-	15,684,320	4,891,450
Public institutions Bonds	5,000,000	2,100,000	-	-	3,000,000	-	-	-	5,100,000	10,100,000	13,100,000
	142,284,320	147,400,000	117,604,051	51,300,000	84,500,000	15,000,000	15,000,000	20,000,000	450,804,051	593,088,371	527,991,450

- The average interest rates on bonds ranges between 2,409% - 7,703% per year for 2016 (between 2,409% and 8,6% for 2015).
- The average interest rate on treasury bills ranges between 2,075% - 2,462% for 2016.

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(5) Property and equipment

2016	Land	Building	Computers and telecommunication	Furniture and decorations	Vehicles	Project under construction	Total
	JD	JD	JD	JD	JD	JD	JD
Cost							
Balance at beginning of year	1,157,050	3,689,559	116,079	183,999	57,657	-	5,204,344
Additions	-	44,224	6,334	238	-	68,091	118,887
Balance at end of year	1,157,050	3,733,783	122,413	184,237	57,657	68,091	5,323,231
Accumulated depreciation							
Balance at beginning of year	-	985,751	104,242	173,869	57,655	-	1,321,517
Depreciation	-	110,702	4,622	9,263	-	-	124,587
Balance at end of year	-	1,096,453	108,864	183,132	57,655	-	1,446,104
Net	1,157,050	2,637,330	13,549	1,105	2	68,091	3,877,127

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2015	Land	Building	Computers and telecom- munication	Furniture and decorations	Vehicles	Project under construc- tion	Total
	JD	JD	JD	JD	JD	JD	JD
Cost							
Balance at beginning of year	1,157,050	3,689,559	113,757	183,999	57,657	-	5,202,022
Additions	-	-	6,827	-	-	-	6,827
Disposals	-	-	(4,505)	-	-	-	(4,505)
Balance at end of year	1,157,050	3,689,559	116,079	183,999	57,657	-	5,204,344
Accumulated depreciation							
Balance at beginning of year	-	875,064	103,937	156,215	56,680	-	1,191,896
Depreciation	-	110,687	4,804	17,654	975	-	134,120
Disposals	-	-	(4,499)	-	-	-	(4,499)
Balance at end of year	-	985,751	104,242	173,869	57,655	-	1,321,517
Net	1,157,050	2,703,808	11,837	10,130	2	-	3,882,827

(6) Other credit balances

	2016	2015
	JD	JD
Deposits	69,129	2,412
Accrued expenses	34,917	38,072
Cash deposits	300	1,404
Total	104,346	41,888

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(7) Capital

	2016	2015
	JD	JD
Government contribution	1,000,000	1,000,000
Non-refundable establishment fee (*)	2,300,000	2,300,000
Total	3,300,000	3,300,000

(*) Non-refundable establishment fee of JD 100,000 is taken from banks that joined the corporation.

(8) 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 provision of this law the council of ministers based on the recommendation of the corporation's board of directors may increase limit of reserves, if corporations reserve don't reach the limit within ten years from the effectiveness of this law, or if reserves decrease below limits after it has been reached, or if a bank liquidation has been decided before corporation reserves reach limit, the Corporation's Board of Directors may increase the bank's annual membership fee to not more than double of the annual membership fee.
- 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 appropriate.

(9) Membership fees

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

- Government deposits.
- Interbank deposits.
- Cash collaterals within the limits of the value of the extended facilities guaranteed by the said collaterals.

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(10)Administrative expenses

	2016	2015
	JD	JD
Salaries, wages and related benefits	511,184	444,002
End of service indemnity	160,052	107,295
Depreciation	124,587	134,120
Electricity and water	78,806	74,861
Social security contribution	50,578	46,177
Health insurance and medical treatments	50,404	48,146
Corporation's contribution on saving fund	37,188	35,243
Subscriptions	22,622	19,713
Security	20,053	18,370
Board of directors remunerations	18,574	18,593
Professional fees	15,000	14,800
Cleaning	14,111	14,054
Training	13,988	8,954
Maintenance	13,214	12,883
Media campaigns	12,647	14,833
Insurance	8,984	7,491
Corporation's contribution on social activity committee	6,894	5,679
Fuel	6,296	9,854
Government fees	5,760	4,629
Travel and transportation	4,258	5,784
Stationery and printings	3,975	2,034
Hospitality	3,576	2,947
Communications	3,159	3,633
Advertisements	2,929	2,501
Miscellaneous	1,744	686
Confrences	-	3,584
Total	1,190,583	1,060,866

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(11) Risk management

a) Capital risk (equity)

Reserves is managed properly to ensure continuing as a going concern while maximizing the return through the optimization of the center liabilities return.

b) Currency risk:

- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- The risk arises on certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year.
- Certain procedures to manage the exchange rate risk exposure are maintained.
- The entity is not exposed to currency risk.

c) Interest rate risk:

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- The risk arises on exposure to a fluctuation in market interest rates resulting from depositing in banks.
- The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balances during the financial year.

d) Other price risk:

- Other price risk is 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 financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- The risk arises from investing in equity investments. However, this risk is insignificant since no active trading on these investments is occurred.
- The entity is not exposed to other price risk.

e) Credit risk:

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Regularly, the credit ratings of debtors and the volume of transactions with those debtors during the year are monitored.
- Ongoing credit evaluation is performed on the financial condition of debtors.

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- The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk without taking into account the value of any collateral obtained.
- The entity is not exposed to other credit risk.

f) Liquidity risk:

- Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.
- Liquidity risk is managed through monitoring cash flows and matching with maturity dates of the financial assets and liabilities.
- The following table shows the maturity dates of financial assets and liabilities as of December 31:

	Less than one year		One year and more	
	2016	2015	2016	2015
	JD	JD	JD	JD
Financial assets:				
Current account at Central Bank of Jordan	10,516,789	710,662	-	-
Accrued bonds interests in held to maturity investments	7,402,987	7,014,600	-	-
Other debit balances	865	1,885	-	-
Financing and loans of employees housing fund	-	-	930,798	916,297
Investments in held to maturity	142,284,320	111,091,450	450,804,051	416,900,000
Total	160,204,961	118,818,597	451,734,849	417,816,297
Financial liabilities:				
Other credit balances	104,346	41,888	-	-
Total	104,346	41,888	-	-

- The Corporation is not subject to liquidity risk

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(12) Standards and interpretations issued but not yet effective

Up to the date of these financial statements, the following Standards and Interpretations were issued by the International Accounting Standards Board but not yet effective:

Standard or Interpretation No.	Description	Effective date
IFRS (9) - New	Financial Instruments	Jan 1, 2018 or after
IFRS (15) – New	Revenue from contracts with customers	Jan. 1, 2018 or after
IFRS (16) – New	Leases – all leases are being recognized in the statement of financial position, without distinctions between operating and finance leases	Jan 1, 2019 or after
IAS (7) - Amendments	Additional disclosures enables users of financial statement to assess the required changes arising from financial operation	Jan 1, 2017 or after
IAS (12) - Amendments	Recognition to deferred tax assets for unrealized losses	Jan 1, 2017 or after

Management anticipates that the adoption of these Standards and Interpretations in current or future periods may not have material impact on the financial statements.

(13) Reclassification

Certain 2015 balances were reclassified to conform with the classification used in 2016.

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