مؤسسة ضمان الودائع

DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT

2018

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 on behalf of the Board of Directors to extend my best wishes to you, and present the thirteenth's annual report of the deposit insurance corporation, which highlights the JODIC's activities and its achievements and accomplishments during the year 2018.

At this time; as the fruits of the return of regional security and political stability, which is followed by the reopening cross borders with Iraq and Syria being visible, the national export hiked, and the tourism sector improved positively registering a growth rate exceeding 13.0% for the following second year, which contributed to achieving positive economic growth rate of 1.9%, despite the challenges that burdened Jordan's economy.

As for monetary policy; the Central Bank of Jordan adopting a monetary policy characterized by transparency, flexibility, and it also fits smoothly to fulfill its functions and ready to respond properly to any internal or external shocks. Moreover, the foreign reserves remained at a comfortable level, registering US$ 13.4 billion at the end of 2018, covering 7.3 months of the Kingdom's imports of goods and services, which reflecting the attractiveness of the Jordanian Dinar denominated assets, and the confidence in the Jordanian economy. Besides that, the financial soundness indicators during the first half of 2018 showed that the Jordanian banking system remains sound and solvent, as the capital adequacy ratio registered 17.2%, which is beyond the requirements of the CBJ and Basel III. In addition; the indicators showed that the banks maintained the non-performing loans to total loans at low level registering at 4.6%, while the provision coverage ratio for it reached 74.1%. The CBJ is keen to keep liquidity ratio high, as it registered 126.7%, which exceeding the level of 100% that imposed by CBJ.

At the institutional level, the corporation continued its sustained efforts during 2018 protecting at the vast majority of depositors at the banks, thus enhancing its role as a main pillar in the financial safety net, and contributing to maintaining financial stability in the kingdom, as total eligible depositors at member banks reached 1.9 million, JODIC providing full protection to a 97.4% of them, within JD 50,000 coverage limit. As for JODIC's financial performance for the year 2018, JODIC continued its ongoing efforts to build up a sufficient level of reserves during 2018, that is able protecting at the vast majority of depositors, noting that JODIC's financial statements showed an increase in the reserves level to JD 774.5 million, covering 10.6% of the insurance policy.

In conclusion, I would like to extend my deep gratitude and appreciation to all colleagues at the Corporation at their outstanding efforts. Also, I would like to extend my most sincere gratitude and appreciation to all Government institutions, banks, financial and non-financial institutions for their contribution in preparing this report. 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.

FOREWORD

Mu’taz I. Barbour

Director General

I am pleased to present the 2018 JODIC's annual report, which demonstrates the year’s distinctive accomplishments and highlights its contribution as a part of the financial safety net to maintain the banking and financial stability in the Kingdom. One of the most important accomplishments was exceeding its reserve ratio stipulated in Law. The sufficient level of its reserves reflected in reducing the membership fees from 2.5 per thousand to 1.75 per thousand.

The outstanding efforts of JODIC to improve the deposit insurance system in line with the best international practices were crowned at the beginning of the year 2019 by the issuance of JODIC's amended Law. JODIC's amended law included the mandatory membership of Islamic banks under the deposit insurance umbrella in accordance with the Shariah Principles for the purpose of protecting a wide category of depositors at Islamic banks. Also JODIC's amended law expanded its mandates to have a vital role in collaborating with the CBJ in the resolution process to maintain the financial stability in the Kingdom.

As for JODIC's financial performance during the year 2018, the levying premium fees from member banks amounted to JD 48.4 million during the year 2018, compared to JD 48.9 a year earlier. The net income generated from the returns on JODIC's investment portfolio amounted to JD 36.4 increasing JODIC's reserves level to reach JD 774.5 million at the end of 2018 registering an annual growth rate of 12.1% . The ratio of JODIC's reserves level reached about 4.06% of the eligible deposits at the end of 2018. As a result of adopting its professional practices and investment policy for assets management backboned by prudent management and efficient operational performance, the Corporation's portfolio registered a book value of JD 760.8 million by the end of 2018 compared to JD 656.7 million a year earlier, with an average return of (5.179%) and a growth rate of (15.9%).

In terms of the main indicators of deposits and depositors with member banks, JODIC provides full protection to 97.4% of eligible depositors whose deposits represent 25.2% of total deposits subject to the provisions of JODIC's Law, within the coverage limit of JD 50,000 per depositor per member bank, which is approximately five-fold the average deposit size subject to the provisions of the Law.

FOREWORD

As for JODIC's endeavors relevant to the public awareness of the deposit insurance system in the Kingdom, the Corporation continued its efforts during the year 2018 to reach the target audience through social media and participation in events in accordance with stakeholders . Moreover, JODIC distributed its annual report for the year 2018 to reach the vast majority of the stakeholders.

At the regional and international levels; JODIC was keen to participate in the relevant deposit insurance events, such as the IADI 17th Annual General Meeting and the 18th Annual Conference which was held in Basel in October 2018. Furthermore, JODIC continued chairing the Regional Committee of the Middle East and North Africa (MENA) of the IADI until October 2018, in addition to its active membership in other IADI's Committees.

Finally, I would like to extend my gratitude and appreciation to His Excellency the Chairman and the Members of the Board of Directors for their continued support for the Corporation stemmed from their beliefs in JODIC's vision and its vital role in promoting financial stability in the Kingdom. Also, I would like also to extend my gratitude to my colleagues for their dedicated efforts, commitment and professionalism demonstrated in their work to ultimately achieve the Corporation's mission. 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

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

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

H.E. Dr. Abdelhakim Shibli
Secretary General of the Ministry of Finance

H.E. Mr. Ramzi Nuzha
General Controller of Companies at the Ministry of Industry and Trade

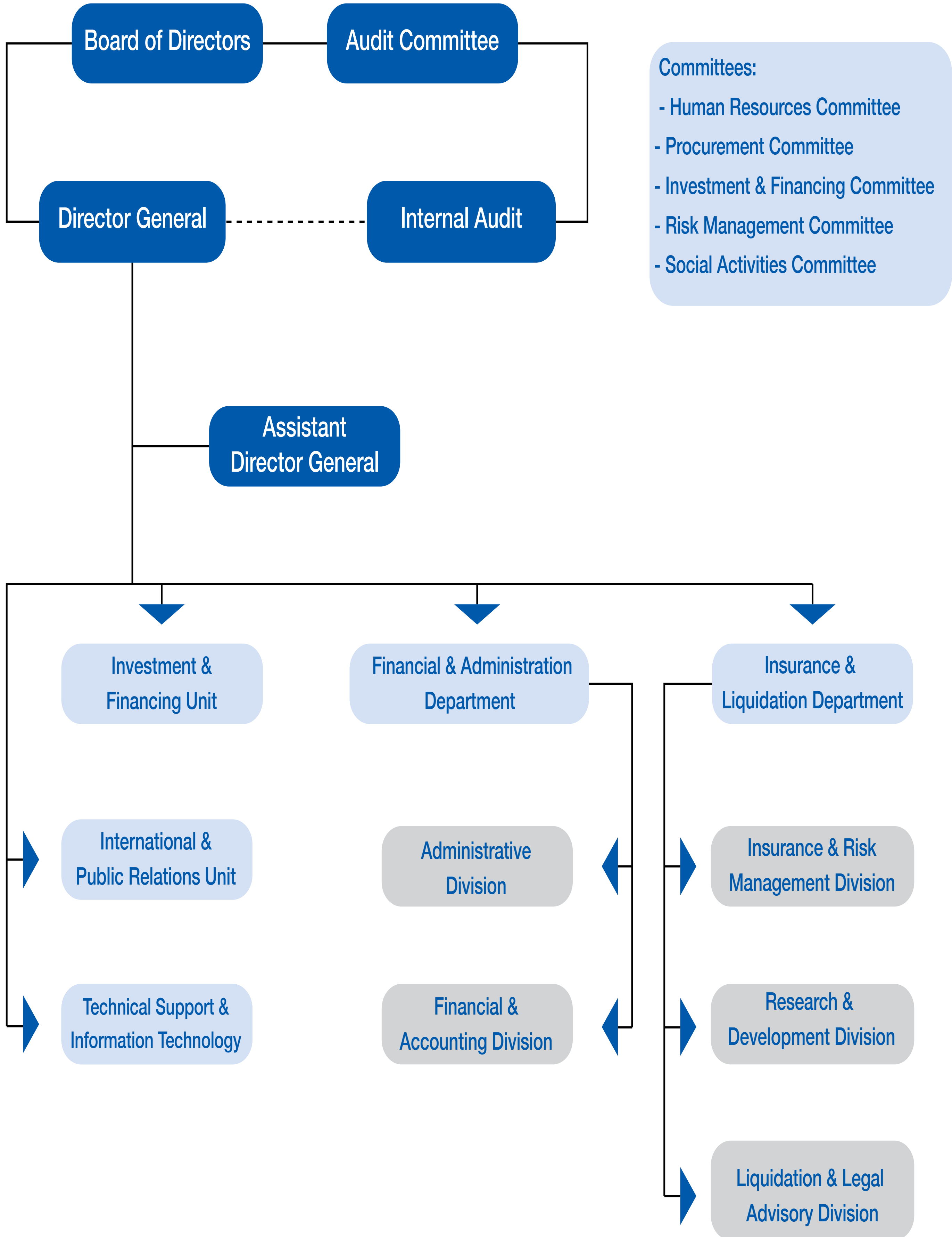
H.E. Mr. Mu'taz Ibrahim Barbour
Director General of
Jordan Deposit Insurance Corporation (JODIC)

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

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

*H.E. Ms. Hala Bsaisu Lattouf and H.E. Dr. Jamal Moh'd Salah were appointed as members at JODIC's Board of Directors on 11/4/2019 succeeding H.E. Mr. Saleh Yacob Tayeh and H.E. Mr. Issa H. Murad.

ORGANIZATIONAL STRUCTURE



MEMBER BANKS AND NON-MEMBER BANKS

MEMBER BANKS	Year of Establishment	Number of Branches Inside the Kingdom	Total Assets (JD Million)	Deposits Subject to the Provisions of the Law (JD Million)
Jordanian Banks				
Arab Bank	1930	78	9925.6	3872.0
The Housing Bank for Trade & Finance	1973	129	7268.7	3736.2
Jordan Kuwait Bank	1976	64	2669.4	1244.1
Jordan Ahli Bank	1955	55	2552.9	1328.9
Bank of Jordan	1960	80	2363.2	1074.7
Cairo Amman Bank	1960	91	2239.7	1069.4
Bank al Etihad	1978	47	2888.1	1410.1
Capital Bank of Jordan	1995	14	1886.8	814.1
Jordan Commercial Bank	1977	30	1350.0	652.6
Arab Banking Corporation - Jordan	1990	27	1161.2	460.1
Invest Bank	1982	12	1054.2	593.6
Arab Jordan Investment Bank	1978	34	1907.8	577.0
Societe Generale de Banque - Jordanie	1965	19	1757.1	924.7
Branches of Foreign Banks Operating in Jordan				
Bank Audi S.A.L	2004	14	745.9	345.2
BLOM Bank S.A.L	2003	16	757.1	403.8
Egyptian Arab Land Bank	1951	15	365.2	212.5
Standard Chartered Bank	2002	4	524.7	179.4
Citi Bank N.A	1974	2	295.8	121.7
National Bank of Kuwait	2003	1	256.8	46.4
Rafidain Bank	1963	2	140	0.6

MEMBER BANKS AND NON-MEMBER BANKS

NON-MEMBER BANKS Jordanian Banks	Year of Establishment	Number of Branches Inside the Kingdom	Total Assets (JD Million)	Deposits Subject to the Provisions of the Law (JD Million)
Jordan Islamic Bank	1978	105	4246.3	3173.7
Islamic International Arab Bank	1997	45	2250.1	1590.9
Safwa Islamic Bank	2008	33	1205.6	755.8
Branches of Foreign Banks Operating in Jordan				
Al Rajhi Bank	2009	10	557.1	277.0

GLOSSARY

GLOSSARY

- **Member Banks:**

All Jordanian banks and locally incorporated foreign banks, except for branches of Jordanian banks operating outside the Kingdom and Islamic banks operating in the Kingdom, as the end of 2018. (Page no.15 includes the table of Member Banks).

- **Coverage Limit:**

The maximum amount which an eligible 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 Dinars) 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. 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 do not exceed the maximum coverage limit of JD 50,000 (fifty thousand Jordanian Dinars).

- **Partially Insured Deposits:**

Eligible deposits that exceed the coverage limit of JD 50,000 (fifty thousand Jordanian Dinars).

- **Estimated Reimbursement Amount:**

Deposits subject to the provisions of the Corporation's Law, not exceeding the limit of JD 50,000 (fifty thousand Jordanian Dinars) 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 systems 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 (86) Member organizations, (10) Associates, and (14) Partners.

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 Bank 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 resources, 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. The JODIC is authorized to set-off 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. 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. It's worth mentioning that the Corporation adopted an integrated financial plan that had been approved by the Board of Directors, aiming at reaching the target reserve ratio within a reasonable timeframe. In accordance with the article (19/b) of JODIC's Law, and as the Corporation's reserves level exceeded the target reserve ratio stipulated in the Law, the Board of Directors issued resolution no. (7/2018) in Nov.19, 2018, which states to reduce the annual membership fee from (2.5) per thousand to (1.75) per thousand of eligible deposits at the bank.

The Corporation shall invest its funds in bonds issued or guaranteed by the Jordanian Government according to the article (24/a) of the Corporation'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.

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, unless any of them decides to join the scheme.

20 banks are subject to the provisions of JODIC's Law at the year-end 2018, 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:

The Corporation 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.

Insured Currency:

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

The deposit insurance coverage limit is JD 50,000 (fifty thousand) which equals 6.2 folds of the average deposits amount held at the banking system.

- ANNUAL PREMIUMS (MEMBERSHIP FEES):

The bank shall pay an annual membership fee to the Corporation at the rate of 1.75[1] per thousand of eligible deposits. It's worth mentioning that the annual membership fee may be amended, and the rules for calculating same may be changed by a decision of the council of ministers based on the Board of Directors' recommendation after the banks have been rated according to the rating system applied by the Central Bank of Jordan.

JODIC's MAIN ACHIEVEMENTS AND ITS FUTUR PROSPECTS:

The Corporation seeks to achieve its vision, as it plays an important role in deposit insurance system, to be an ideal model regionally and internationally, and to be a main pillar in the financial safety net formulating an integrated partnership aiming at enhancing confidence in the banking system to maintain financial stability in the kingdom, through implementing the JODIC's legal requirements, mainly providing protection to the vast majority of depositors at the banks through insuring their deposits efficiently and effectively.

The development of deposits and depositors in 2018 showed that JODIC providing full protection to 97.4% of total eligible depositors at the member banks, while JODIC's reserves level registered JD 774.5 million, which covering 4.06% of eligible deposits, then the Board of Directors decided to reduce banks' annual premium fee from 2.5 per thousand to 1.75 per thousand of eligible deposits.

The Corporation seeks the approval of JODIC's amended draft Law and its issuance during the year 2019. The amended draft Law currently in the Parliament, as many meetings held with representatives in preparation for passage the amendments through essentially the same

1 According to the article no. (19/b) of JODIC's law, the Board of Directors issued resolution No. (7/2018) in Nov.19, 2018 which stipulates to reduce the annual membership fee.

stages. The bill has three main amendments: First- the mandatory membership of Islamic Banks under the deposit insurance umbrella, aiming at providing protection to the vast majority of depositors at the banks in the kingdom. Second: granting the Corporation a vital role in the failed banks' resolution process, as JODIC looking forward to cooperate with the CBJ and all financial safety net parties in the resolution process, and to contribute in enhancing the strategic planning to manage the financial crisis and providing the full readiness to avoid risk, to maintain the soundness of the financial system. Third: Cancelation the requirement that the deposit holder submits a claim to pay the insurance sum due to the depositor, which will accelerate and facilitate the depositors' payout.

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 revised 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 revised Core Principles for Effective Deposit Insurance Systems stipulates: The deposit insurer should be operationally independent, well-governed, transparent, accountable, and insulated from external interference.

The JODIC's key elements of Corporate Governance

First: The Institutional and 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. Public Relations Division:

The division'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:

The Technical Support and 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

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Development of Deposits in the Banking System

Total deposits denominated in Jordanian Dinar and Foreign Currencies in the Jordanian banking system reached JD 33868.9 million at the end of the year 2018, compared to JD 33213.9 million a year earlier, indicating an increase of 2.0% (JD 655.0 million), and the compound annual growth rate of deposits for last ten years is 6.5%.

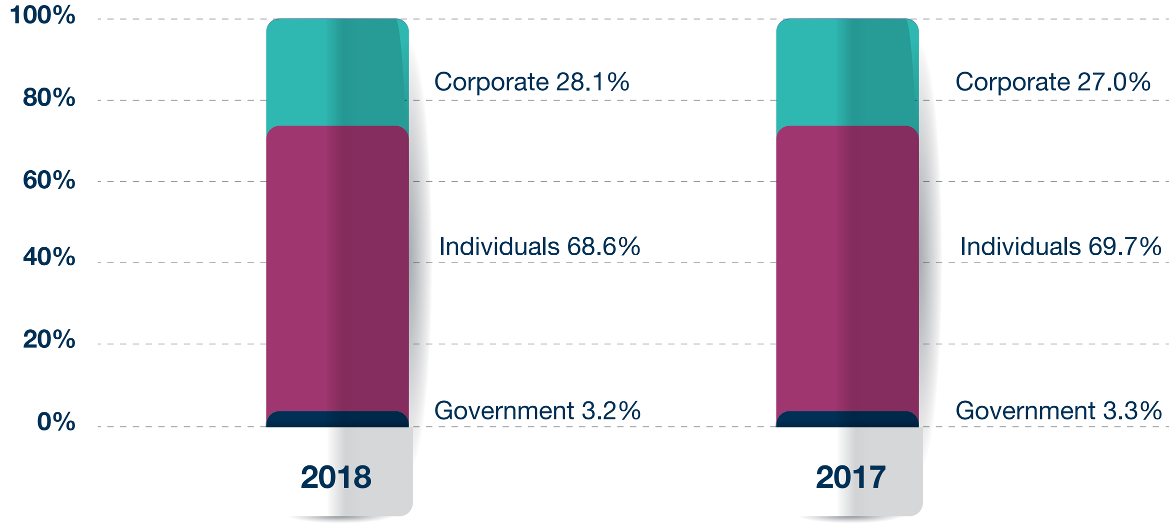
DEPOSITS DENOMINATED IN JORDANIAN DINAR:

Total deposits denominated in Jordanian Dinar in the banking system reached JD 25688.3 million at the end of 2018 compared to JD 25658.4 million a year earlier, indicating an increase of 0.1% (JD 29.9 million). The distribution of these deposits in the banking system shows that individuals' deposits amounted to JD 17633.2 million representing 68.6% of total Jordanian Dinar deposits in the banking system, corporate deposits amounted to JD 7231.3 million representing 28.1%, and Government deposits amounted to JD 823.9 million representing 3.2%.

Total Deposits Denominated in Jordanian Dinar in the Banking System across Various Sectors and their Respective Growth Rates

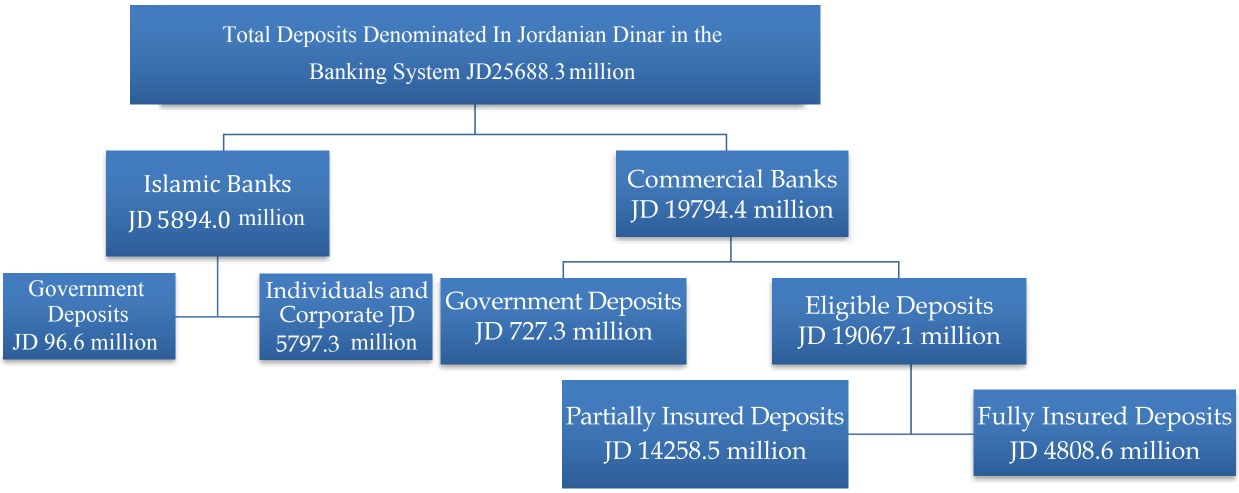
	Individuals		Corporate		Government	
	Deposits Amount (JD Million)	Average Deposit (JD)	Deposits Amount (JD Million)	Average Deposit (JD)	Deposits Amount (JD Million)	Average Deposit (JD)
2017	17885.0	5989.0	6939.0	73038.0	835.0	210540.0
2018	17633.2	5711.0	7231.3	72297.0	823.9	197819.0
Growth Rate	-1.4%	-4.6%	4.2%	-1.0%	-1.3%	-6.0%

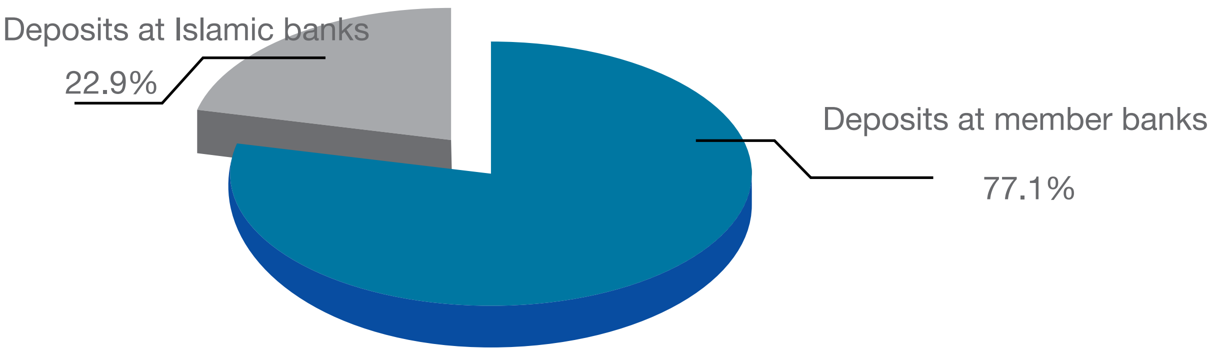
Distribution of Deposits Denominated in Jordanian Dinar across Various Sectors



Individuals' deposits denominated in Jordanian Dinar represented 68.6% of total JD deposits in the banking system at the end of 2018.

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

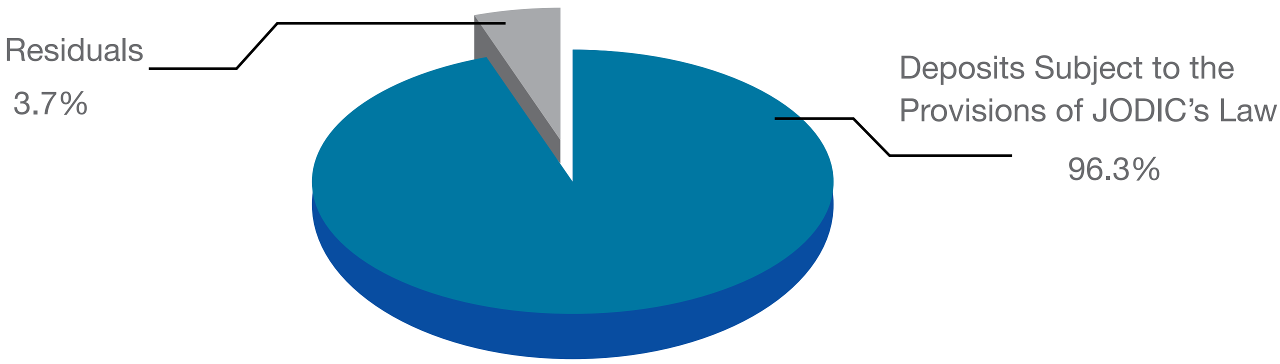




DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

DEPOSITS SUBJECT TO THE PROVISIONS OF JODIC'S LAW (Eligible Deposits):

The outstanding balance of deposits subject to the provisions of JODIC's Law, deposits denominated in Jordanian Dinar except Government deposits, interbank deposits, and cash collaterals within the limits of the value of extended facilities guaranteed by the said collaterals, reached JD 19067.1 million at the end of 2018 compared to JD 19094.2 million at the end of 2017, reflecting a decrease rate of 0.1%. These deposits represented 96.3% of total deposits denominated in Jordanian Dinar held by member banks which belong to 1931.8 thousand depositors with an average deposit value of JD 9870.0 at the end of 2018, compared to 1880.0 thousand depositors with an average deposit value of JD 10156,0 a year earlier.



Deposits subject to the provisions of JODIC's Law represented 96.3% of total JD deposits held by member banks at the end of 2018.

FULLY INSURED DEPOSITS:

Fully insured deposits, equal or less than JD 50,000, accounted for 25.2% of total deposits subject to the provisions of JODIC's Law, and amounted to JD 4808.6 million at the end of 2018. They belong to 1881.4 thousand depositors with an average deposit value of JD 2556, compared to JD 4878.9 million belong to 1828.3 thousand depositors with an average deposit value of JD 2669.0 at the end of 2017. The ratio of fully insured depositors to total depositors whose deposits are subject to the provisions of JODIC's Law reached 97.4% at the end of 2018.

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

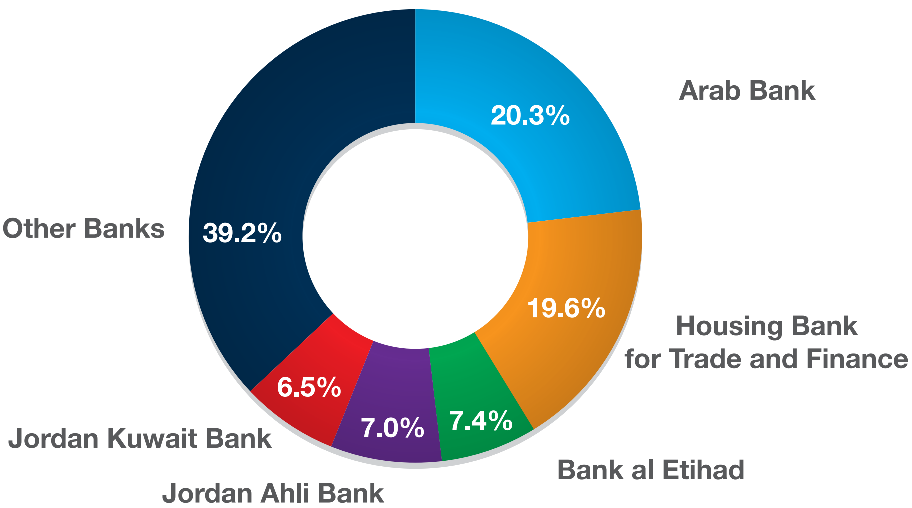
PARTIALLY INSURED DEPOSITS:

Partially insured deposits, in excess of JD 50,000, increased from JD 14215.2 million at the end of 2017 to JD 14258.5 million at the end of 2018. These deposits represent 74.8% of total deposits subject to the provisions of JODIC's Law, which belong to 50.4 thousand depositors representing 2.6% of total depositors whose deposits are subject to the provisions of JODIC's Law, with an average deposit value of JD 282929.0 at the end of 2018, compared to 51.7 thousand depositors with an average deposit value of JD 274919.0 a year earlier.

CONCENTRATION OF DEPOSITS SUBJECT TO THE PROVISIONS OF JODIC's LAW AT THE LARGEST FIVE MEMBER BANKS:

The concentration of deposits subject to the provisions of JODIC's Law at the largest five-member banks: Arab Bank, Housing Bank for Trade and Finance, Bank al Etihad, Jordan Ahli Bank and Jordan Kuwait Bank; represented 20.3%, 19.6%, 7.4%, 7.0%, and 6.5% respectively at the end of 2018.

Concentration of Deposits Subject to the Provisions of JODIC's Law At The Largest Five Member Banks (End of 2018)



CORPORATION'S RESERVES:

JODIC continued to build up its reserves' level during 2018, which reached JD 774.5 million at the end of 2018 with an increasing amount of JD 83.6 million representing 12.1% at the end of 2018. These reserves cover 4.06% of total deposits subject to the provisions of JODIC's Law and 10.6% of the insurance policy.

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Main Indicators of Jordanian Dinar Deposits and Depositors at Member Banks

Item / End of the Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total deposits at member banks (JD million)	13,552.6	14,715.2	15,680.5	14,304.4	16,982.1	19,307.8	20,676.0	20,203.2	19,816.9	19794.4
Total depositors at member banks (thousand)	1,684.0	1,691.1	1,707.0	1,687.0	1,733.8	1,692.1	1,726.3	1,821.2	1,883.8	1935.7
Average deposit amount for total depositors at member banks (JD)	8,048	8,702	9,186	8,479	9,795	11,411	11,977	11,094	10,520	10226
Deposits subject to the provisions of the law (JD million)	12,823.6	14,098.1	15,099.7	13,730.0	16,324.7	18,018.1	19,489.8	19,312.8	19,094.2	19067.1
Estimated reimbursement amount (JD million)	2,720.8	2,854.6	5,790.4	5,567.1	6,161.2	6,543.9	6,896.9	7,299.4	7,464.3	7328.4
Estimated reimbursement amount to total deposits at member banks	20.1%	19.4%	36.9%	38.9%	36.3%	33.9%	33.4%	36.1%	37.7%	37.00%
Estimated reimbursement amount to total deposits subject to the provisions of the Law	21.1%	20.2%	38.3%	40.5%	37.7%	36.3%	35.4%	37.8%	39.1%	38.40%
Number of depositors whose deposits are subject to the provisions of the Law (thousand)	1,681.5	1,688.6	1,704.6	1,684.3	1,730.9	1,689.5	1,722.9	1,817.6	1,880.0	1931.8
Average deposit amount for depositors whose deposits are subject to the provisions of the Law (JD)	7,626	8,349	8,858	8,152	9,431	10,665	11,312	10,625	10,156	9870
Fully insured deposits (all deposits that are less than or equal to coverage limit) (JD million)	1,480.4	1,504.9	3,858.7	3,791.2	4,075.9	4,283.5	4,461.4	4,703.3	4,878.9	4808.6
Number of fully insured depositors (thousand)	1,557.4	1,553.6	1,666.0	1,648.8	1,689.2	1,644.3	1,674.2	1,765.7	1,828.3	1881.4
Average deposit amount for fully insured depositors (JD)	951	969	2,316	2,299	2,413	2,605	2,665	2,664	2,669	2556
Partially insured deposits (all deposits that are in excess of coverage limit) (JD million)	11,343.2	12,593.2	11,241.0	9,938.9	12,248.8	13,734.5	15,028.4	14,609.4	14,215.2	14258.50
Number of partially insured depositors (thousand)	124.0	135.0	38.6	35.5	41.7	45.2	48.7	51.9	51.7	50.4
Average deposit amount for partially insured depositors (JD)	91,448	93,303	290,961	279,827	293,693	303,807	308,521	281,378	274,919	282929
Estimated reimbursement amount for partially insured deposits (JD million)	1,240.4	1,349.7	1,931.7	1,775.9	2,085.3	2,260.4	2,435.6	2,596.1	2,585.4	2519.8
Fully insured deposits to total deposits subject to the provisions of the Law	11.5%	10.7%	25.6%	27.6%	25.0%	23.8%	22.9%	24.4%	25.6%	25.20%
Partially insured deposits to total deposits subject to the provisions of the Law	88.5%	89.3%	74.4%	72.4%	75.0%	76.2%	77.1%	75.6%	74.4%	74.80%
Estimated reimbursement amount for partially insured deposits to total partially insured deposits	10.9%	10.7%	17.2%	17.9%	17.0%	16.5%	16.2%	17.8%	18.2%	17.70%
Fully insured deposits to total deposits at member banks	10.9%	10.2%	24.6%	26.5%	24.0%	22.2%	21.6%	23.3%	24.6%	24.30%
Partially insured deposits to total deposits at member banks	83.7%	85.6%	71.7%	69.5%	72.1%	71.1%	72.7%	72.3%	71.7%	72.00%
Number of fully insured depositors to total depositors at member banks	92.5%	91.9%	97.6%	97.7%	97.4%	97.2%	97.0%	97.0%	97.1%	97.20%
Number of partially insured depositors to total depositors at member banks	7.4%	8.0%	2.3%	2.1%	2.4%	2.7%	2.8%	2.9%	2.7%	2.60%
Number of fully insured depositors to total depositors whose deposits are subject to the provisions of the Law	92.6%	92.0%	97.7%	97.9%	97.6%	97.3%	97.2%	97.1%	97.2%	97.40%
Number of partially insured depositors to total depositors whose deposits are subject to the provisions of the Law	7.4%	8.0%	2.3%	2.1%	2.4%	2.7%	2.8%	2.9%	2.8%	2.60%
Concentration of deposits subject to the provisions of the Law held by member bank (the largest share)	24.8%	24.8%	25.9%	23.5%	23.1%	21.8%	21.5%	22.1%	20.3%	20.30%
Concentration of deposits subject to the provisions of the Law held by member banks (the largest two shares)	44.8%	44.8%	45.2%	43.7%	42.7%	41.8%	41.7%	42.0%	40.4%	39.90%
Concentration of deposits subject to the provisions of the Law held by member banks (the largest five shares)	64.6%	64.6%	63.9%	62.8%	61.6%	61.9%	63.2%	62.3%	60.7%	60.80%
Corporation's reserves (JD million)	183.9	229.1	278.4	334.2	393.6	463.1	537.2	612.4	690.9	774.5
Corporation's reserves to deposits that are subject to the provisions of the Law	1.40%	1.60%	1.80%	2.40%	2.40%	2.6%	2.8%	3.17%	3.62%	4.06%
Corporation's reserves to estimated reimbursement amount	6.80%	8.00%	4.80%	6.00%	6.40%	7.1%	7.8%	8.4%	9.3%	10.60%

Development of Deposits at the Islamic Banks

Total deposits at the Islamic Banks registered JD 5894.0 million by the end of 2018 compared to JD 5841.5 million by the end of 2017 increased by 0.9% (JD 52.5 million). These deposits belong to 1255.9 thousand depositors by the end of 2018 compared to 1201.5 thousand depositors a year earlier. Total Jordanian dinar deposits of Islamic Banks composed 22.9% of total deposits in Jordanian Dinar, these deposits belong to 39.3% of total depositors at the banking system. Total individuals and corporates deposits in Jordanian Dinar at Islamic Banks amounted to JD 5797.3 million, belong to 1255.6 thousand depositors at the end of 2018. These deposits compose 23.3% of total individuals and corporate deposits in Jordanian dinar in the banking system. These deposits belong to 39.4% of the total depositors of the banking system.

DEPOSITS DENOMINATED IN FOREIGN CURRENCIES[2]

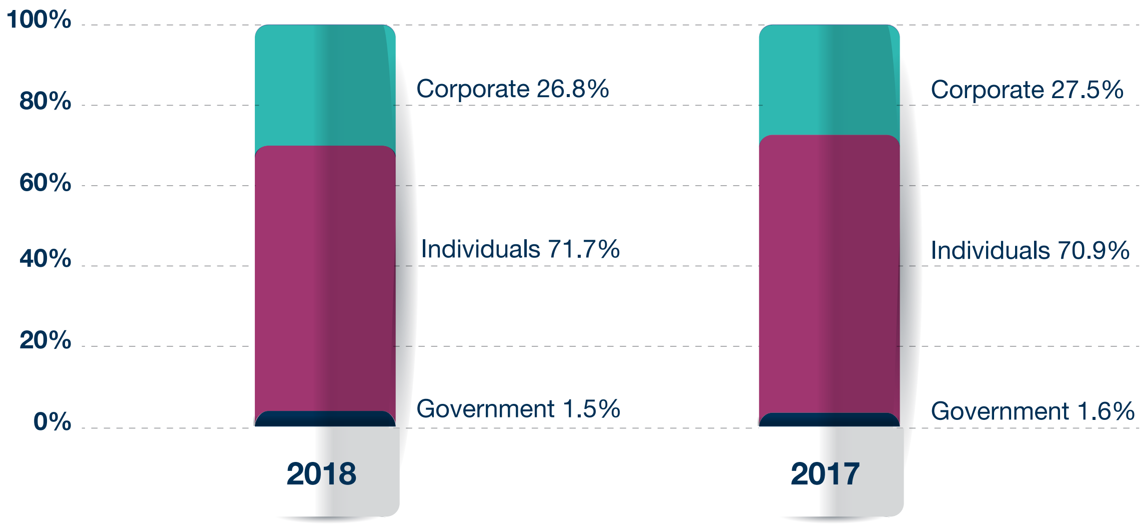
Deposits denominated in foreign currencies in the banking system reached JD 8180.5 million at the end of 2018 compared to JD 7555.5 million at the end of 2017 with an increase of 8.3% whereas the number of depositors increased to reach 253.2 thousand depositors at the end of 2018, compared to 241.4 thousand depositors a year earlier. The average deposit amount of foreign currency deposits increased from JD 31302.0 at the end of 2017 to JD 32307 at the end of 2018.

Total individuals' deposits denominated in foreign currencies represented 71.7% of total foreign currencies deposits in the banking system at the end of 2018.

[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).

Total Deposits Denominated in Foreign Currencies in the Jordanian Banking System						
	Individuals		Corporate		Government	
	Deposits Amount (JD Million)	Average Deposit (JD)	Deposits Amount (JD Million)	Average Deposit (JD)	Deposits Amount (JD Million)	Average Deposit (JD)
2017	5355.0	24845.0	2079.4	80731.0	121.1	1614788.0
2018	5865.6	25816.0	2192.1	84547.0	122.9	1638034.0
Growth Rate	9.5%	3.9%	5.4%	4.7%	1.4%	1.4%

Distribution of Deposits Denominated in Foreign Currencies Across Various Sectors

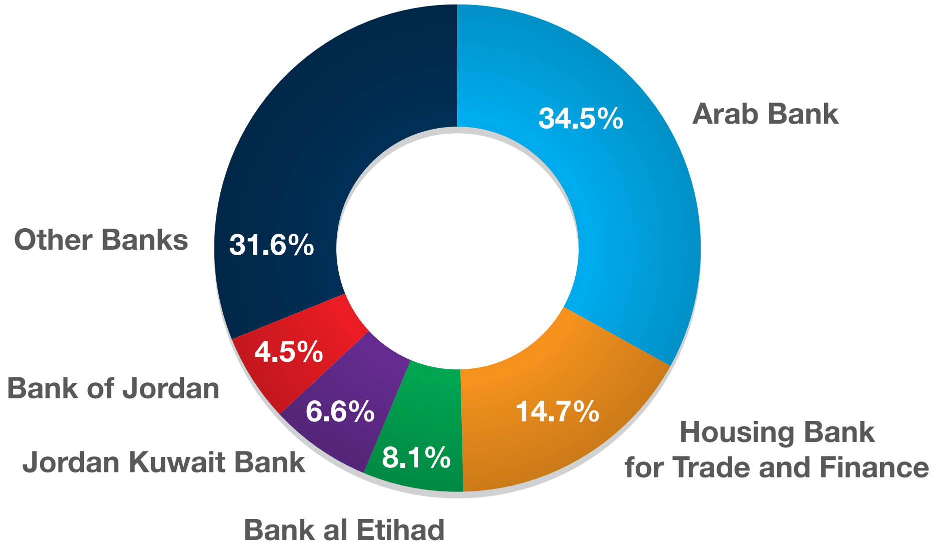


Deposits denominated in foreign currencies held at member banks reached JD 7404.6 million at the end of 2018, compared to JD 6899.7 million at the end of 2017 with an increase rate of 7.3%. These deposits represented 90.5% of total foreign currency deposits in the banking system. The number of foreign currency depositors at member banks reached 210.6 thousand depositors at the end of 2018 with an average deposit amount of JD 35160.0, compared to 201.1 thousand depositors with an average deposit amount of JD 34312.0 at the end of 2017.

The concentration of deposits denominated in foreign currencies at the largest five-member banks: Arab Bank, Housing Bank for Trade and Finance, Bank al Etihad, Jordan Kuwait Bank, and Bank of Jordan represented 34.5%, 14.7%, 8.1%, 6.6% and 4.5% respectively at the end of 2018.

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Concentration of Deposits Denominated in Foreign Currencies at the Largest Five Member Banks (End of 2018)



THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

JODIC continued throughout the year 2018 to boost its reserves' level to ultimately achieve its mandatory requirements efficiently and effectively as deposit insurer and liquidator, and in protecting depositors by insuring their deposits, encouraging savings, as well as enhancing confidence in the Jordanian banking system.

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 777.8 million by the end of 2018 compared with JD 694.2 million by the end of 2017. 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 2018, generated from the annual surplus and premiums (annual membership fees), formed the bulk of total owners’ equity and reached JD 774.5 million with an increase of JD 83.5 million from the previous year. Annual membership fees collected from member banks amounted to JD 48.3 million during the year 2018, compared with JD 48.9 million collected a year earlier and reflected 1.2% decrease rate, while the net investments income amounted to JD 35.2 million, compared with JD 29.6 million during 2017 with an increase of 18.9%.

To further mange 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 3.4% by the end of 2018. 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 760.8 million by the end of 2018 compared with JD 656.7 million a year earlier, with an increase of JD 104.1 million and a growth rate of 15.9%.

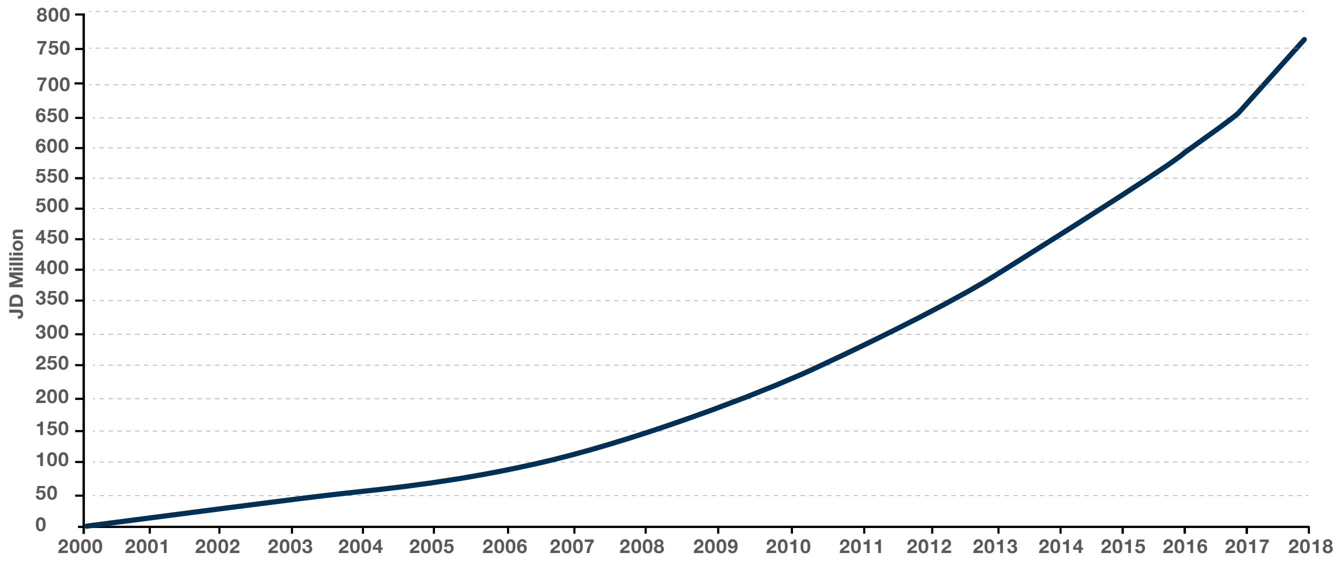
The portfolio consists of:

1. Treasury bonds with a value of JD 670 million; representing 88.1% of total value of the portfolio.
2. Public entities bonds with a value of JD 57 million; representing 7.5% of total value of the portfolio.
3. Treasury bills with a value of JD 33.8 million; representing 4.4% of total value of the portfolio.

THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

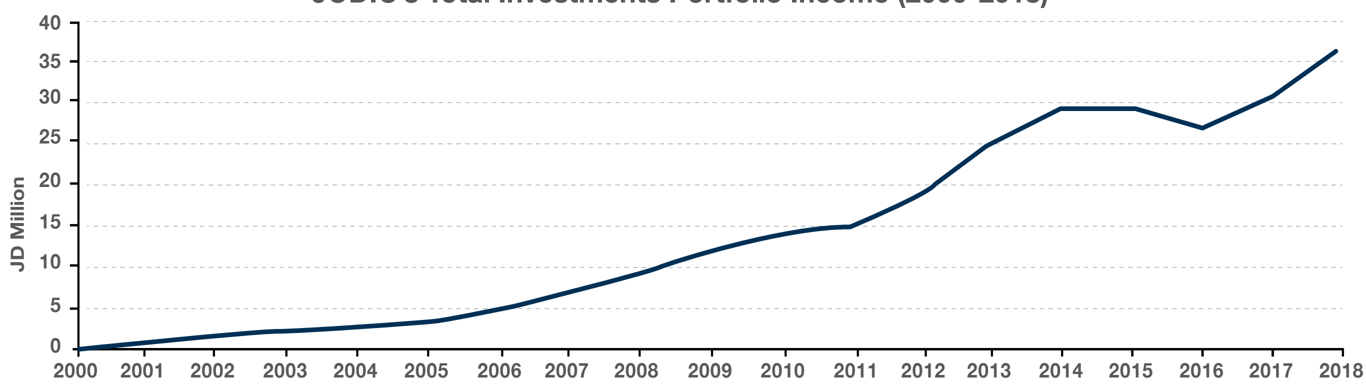
Outstanding balance of public debt instruments portfolio amounted to JD 760.8 million representing 97.8% of the Corporation's total assets by the end of 2018.

JODIC’s Investments Portfolio (2000-2018)



JODIC’s total investments portfolio income amounted to approximately JD 36.4 million during the year 2018 compared with JD 30.7 million during the year 2017, with an increase of 18.6%.

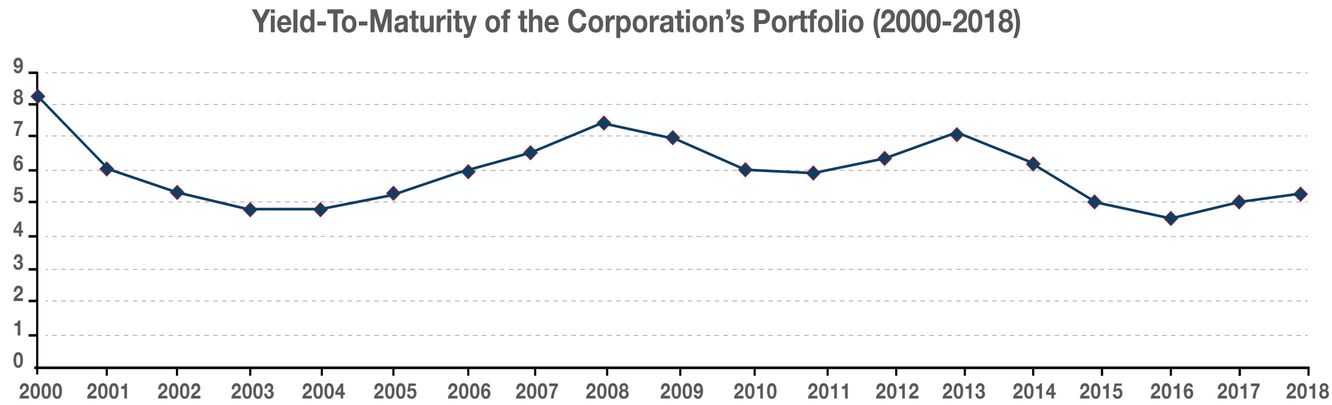
JODIC’s Total Investments Portfolio Income (2000-2018)



JODIC's investments income from public debt instruments amounted to approximately JD 36.4 million during the year 2018.

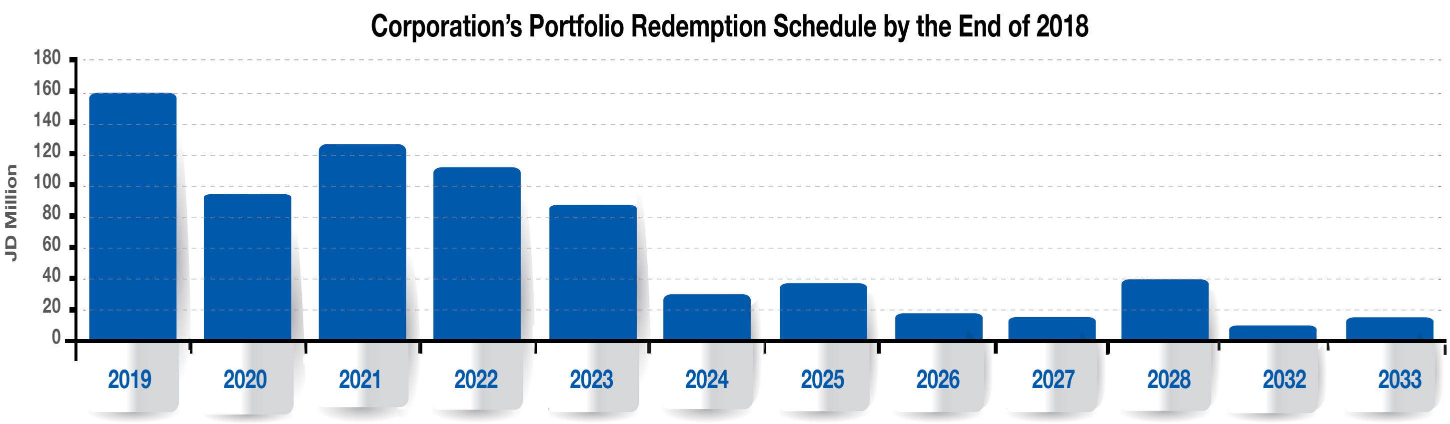
Portfolio's Yield- to- Maturity and Modified Duration:

The Yield-to-Maturity (YTM) of the portfolio increase by (0.262%) to reach 5.179% by the end of 2018 compared with 4.917% a year earlier, and the modified duration increased to reach 2.9436 year by the end of 2018 compared with 2.6209 year from the previous year.



Maturities of Financial Instruments:

By the end of 2018, the value of the redeemed bonds and bills amounted to pproximately JD 184.9 million. However, short term investments in JODIC's portfolio amounted to JD 162.4 million by the end of 2018.

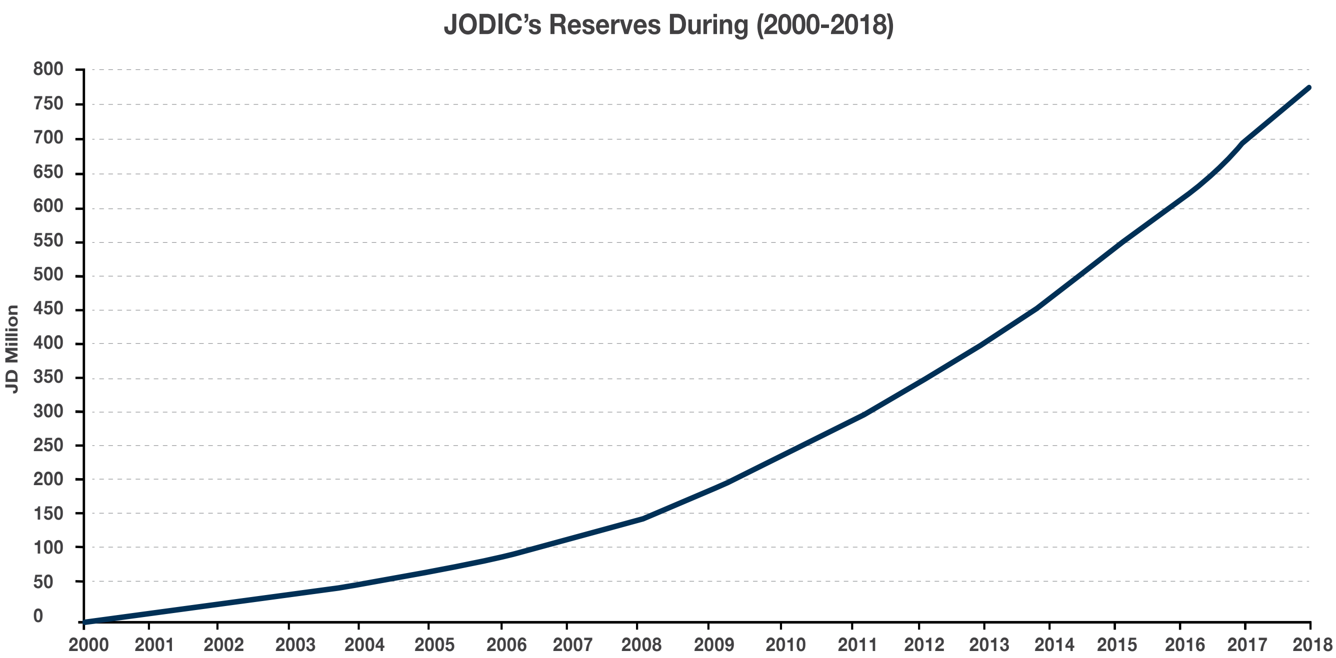


Cash Account:

JODIC's cash balances not invested 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 0.73 million by the end of 2018.

Total Reserves:

The premiums contributed by member banks and investments income resulted in raising JODIC's total reserves from JD 690.9 million by the end of 2017 to JD 774.5 million by the end of 2018 or by 12,1%. This level of reserves formed 4.06% of total eligible deposits amounting to JD 19067.1 million by the end of 2018, and 10.6% of estimated reimbursement amount being JD 7328.4 million.



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 updated its medium term financial program during the year 2018, as part of its strategic plan, to ultimately achieve its national and strategic objectives stipulated in protecting the vast majority of depositors, encouraging savings, as well as enhancing confidence in the banking sector.

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 achieving JODIC's 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 according to its mandates.

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 is based on two main sets of indicators to track the financial developments which are as follows:

- **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.

- **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.

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

FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN

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 4.1% by the end of 2018 compared to 3.6% by the end of 2017, it's expected to increase annually under the assumption that long term average annual growth rate of deposits denominated in Jordanian Dinar is approximately 3.0%.

2- Reserves to estimated reimbursement amount:

This ratio reached 10.6% by the end of 2018 compared to 9.3% by the end of 2017. 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 are decreased to 3.5% and 3.4% by the end of 2018 compared to 4.0% and 3.8% respectively by the end of the year 2017.

4- Overhead expenses to cash flow from operations:

This ratio decreased to 3.7% by the end of 2018 compared to 4.3% by the end of the year 2017, this ratio expected to decrease annually as a result of cost cutting policy adopted by JODIC.

FINANCIAL PROGRAM - THE CORPORATION’S STRATEGIC PLAN

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.

The financial program results, by 2018, indicate the possibility to increase reserves ratio annually.

Medium Term Financial Program - Performance indicators:

Item	Actual			Expected							
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Deposits subject to the provisions of JODIC's Law (JD million)	19,312	19,094	19,067	19,920	20,518	21,133	21,767	22,420	23,093	23,786	24,499
Estimated reimbursement amount (JD million).	7,299	7,464	7,328	7,862	8,435	9,050	9,710	10,417	11,177	11,991	12,865
JODIC's reserves (JD million)	612	691	774	855	943	1,043	1,152	1,271	1,401	1,542	1,694
JODIC's reserves to deposits subject to the provisions of the Law (%).	3.1	3.6	4.1	4.3	4.6	4.9	5.3	5.7	6.1	6.5	6.9
JODIC's reserves to estimated reimbursement amount (%).	8.4	9.3	10.6	10.9	11.2	11.5	11.9	12.2	12.5	12.9	13.2
Targeted reserves to estimated reimbursement amount (%).	7.9	7.7	7.8	7.6	7.3	7.0	6.7	6.5	6.2	6.0	5.7
Estimated reimbursement amount to deposits subject to the provisions of JODIC's Law (%)	37.8	39.1	38.4	39.5	41.1	42.8	44.6	46.5	48.4	50.4	52.5
Overhead expenses to total revenues from investments (%).	4.4	3.8	3.4	2.7	2.6	2.4	2.3	2.2	2.1	2.1	2.0
Overhead expenses to net investments income (%).	4.6	4.0	3.5	2.8	2.7	2.4	2.3	2.2	2.2	2.1	2.1
Overhead expenses to cash flow from operations (%).	4.6	4.3	3.7	3.0	2.8	2.6	2.4	2.3	2.2	2.2	2.1

PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTIONS

PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTIONS

JODIC 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. During the year 2018, 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 2017 and the 2018 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.

JODIC utilizes largely its website, which includes the links to the member banks' websites and the relevant international financial institutions, its page on e-government portal as well as its Facebook page as a social media tool. These interactive communication platforms are employed to answer any inquiries received in the field of deposit insurance, and updated continuously with the news and events of JODIC; given the importance of acquainting the target audience and stakeholders with the latest developments in the deposit insurance system.

At the regional and international levels, JODIC continued chairing the Middle East and North Africa Regional Committee (MENA), in addition to its membership in the Member Relations Council Committee (MRC) and the technical committee of the Core Principles and Research Council Committee (CPRC) which include the Research and Guidance Technical Committee (RGTC) and its subcommittees, the Deposit Insurance Fund Target Ratio and the Islamic Deposit Insurance Technical Committee. JODIC is also member of the working Group on New Funding Options (WGNFO).

PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTIONS

JODIC had an active participation in the activities relevant to deposit insurance such as: the IADI Annual Conference and the Annual General Meeting (AGM) that were hosted by the IADI at the Bank for International Settlements in Basel, Switzerland on 15-19 October 2018. The International Conference on "Crisis Management: Traditional versus New Approaches" and Technical Assistance Workshop held in Turkey during the period 7-9 May 2018; the Global Training Program, basic and intensive, hosted by Korea Deposit Insurance Corporation in May and November 2018 to provide the participants with a general overview about deposit insurance system; the IADI EXCO Meeting and Standing and Regional Committees Meetings that were held in Russia in June 2018. The first meeting of the Core Principles for Islamic Finance Regulation held in Kuala Lampur in August 2018; the program “An Introduction to Deposit Insurance, Bank Supervision, and Resolutions” held in USA in November 2018, and the conference entitled” Deposit Guarantee System: Challenges and Prospects” held in Belarus in November 2018.

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT

To Messrs. Board of Directors
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, 2018, and the statements of revenues and expenses, 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 Corporation as at December 31, 2018, 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 Corporation 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 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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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 Corporation’s internal control.

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

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Corporation 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.

Report on Other Legal and Regulatory Requirements

The Corporation has proper accounting records which are, in all material respects, consistent with the accompanying financial statements, accordingly, we recommend to approve these financial statements by the board of directors.

Talal Abu-Ghazaleh & Co. International

Mohammad Alazraq
License # (1000)

Amman, March 31, 2019

Statement of Financial Position as at 31 December 2018

	Notes	2018	2017
		JD	JD
ASSETS			
Current Assets			
Current account at Central Bank of Jordan		729,649	23,481,236
Accrued and uncollected interests of financial assets at amortized cost		11,435,568	9,410,650
Other debit balances		6,892	6,950
Financial assets at amortized cost - short term	3	162,437,637	157,267,970
Total Current Assets		**174,609,746**	**190,166,806**
Non-current Assets			
Housing Financing and loans granted to employees	4	1,114,510	1,051,107
Financial assets at amortized cost	3	598,409,863	499,270,109
Property and equipment	5	3,655,570	3,768,460
Total Non-current Assets		**603,179,943**	**504,089,676**
TOTAL ASSETS		**777,789,689**	**694,256,482**
LIABILITIES AND EQUITY			
Liabilities			
Other credit balances	**6**	**33,995**	**62,404**
EQUITY			
Capital	7	3,300,000	3,300,000
Reserves	8	774,455,694	690,894,078
Total Equity		**777,755,694**	**694,194,078**
TOTAL LIABILITIES AND EQUITY		**777,789,689**	**694,256,482**

The accompanying notes part of these financial statement

Statement of Revenues and Expenses for the Year Ended 31 December 2018

	Notes	2018	2017
		JD	JD
Revenues			
Membership fees	9	48,350,320	48,874,231
Intersets of financial assets at amortized cost		36,420,198	30,753,204
Housing financing revenues		15,728	14,975
Employee loans interests		4,782	4,695
Others		**236**	**449**
Total revenues		**84,791,264**	**79,647,554**
Administrative expenses	10	(1,229,648)	(1,172,046)
Surplus		**83,561,616**	**78,475,508**

Statement of Changes in Equity for the Year Ended 31 December 2018

	Capital	Reserves	Total
	JD	JD	JD
Balance as at January 1, 2017	**3,300,000**	**612,418,570**	**615,718,570**
Surplus	-	78,475,508	**78,475,508**
Balance as at December 31, 2017	**3,300,000**	**690,894,078**	**694,194,078**
Surplus	-	83,561,616	83,561,616
Balance as at December 31, 2018	**3,300,000**	**774,455,694**	**777,755,694**

The accompanying notes part of these financial statement

Statement of Cash Flows for the Year Ended 31 December 2018

	2018	2017
	JD	JD
Cash Flows From Operating Activities		
Surplus	83,561,616	78,475,508
Adjustments for:		
Depreciation	118,358	116,017
Gain on sale of property and equipment	(236)	(449)
Interest revenues	(36,420,198)	(30,753,204)
Changes in operating assets and liabilities:		
Other debit balances	58	(106)
Other credit balances	(22,304)	(41,942)
Net cash from operating activities	**47,237,294**	**47,795,824**
Cash Flows From Investing Activities		
Financial assets at amortized cost	(104,309,421)	(63,449,708)
Housing financing and loans granted to employees	(63,403)	(120,309)
Interests received	34,395,280	28,745,541
Proceeds from sale of property and equipment	521	458
Purchase of property and equipment	(11,858)	(7,359)
Net cash from investing activities	**(69,988,881)**	**(34,831,377)**
Net change in cash and cash equivalents	**(22,751,587)**	**12,964,447**
Cash and cash equivalents - beginning of year	23,481,236	10,516,789
Cash and cash equivalents - end of year	**729,649**	**23,481,236**
Non-cash transaction		
Closing the remaining balance of the solar system project under construction in the deposits account	**6,105**	-

The accompanying notes part of these financial statement

Notes to the Financial Statements for the year ended 31 December 2018

(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 Fifty Thousand Jordanian Dinars 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 parties.
  - The financial statements were approved by the Board of Directors in the session held on March 31,2019

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

2-1 Basis for financial statement preparation

- Financial statements preparation framework

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

Measurement bases used in preparing the financial statements

The financial statements have been prepared on the historical cost basis except for measurement of certain items at bases other than historical cost.

- Functional and presentation currency

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

2-2 Using of estimates

- When preparing of financial statements, management uses judgments, assessments and assumptions that affect applying the accounting policies and currying amounts of assets, liabilities, revenue and expenses. Actual result may differ from these estimates.

Change in estimates are reviewed on a constant basis and shall be recognized in the period of the change, and future periods if the change affects them.

For example, estimates may be required for expected credit losses, useful lives of depreciable assets, provisions, and any legal cases against the entity.

2-3 Application of new and modified International Financial Reporting Standards

New and modified standards adopted by the entity

- International Financial Reporting standers no. (9).

IFRS (9) replaced “incurred losses” model under IAS (39) with “Expected credit losses” impairment model. The new impairment model require the entity to calculate the expected credit losses and the changes in expected credit losses at each reporting date, in other words, its no longer require a credit event to have occurred before credit losses are recognized.

IFRS (9) require the entity to recognize expected credit losses on debts instruments measured at mortised cost or at fair value through other comprehensive income, but not for other debts instruments and equity investments which are subsequently measured at fair value through profit or loss.

International Financial Reporting standards no. (15) “Revenues from contracts with customers”

International Financial Reporting Standard no. (15) Issued on May 2014, which establishes a comprehensive model for the use of accounting for revenues from customers, IFRS (15) replaces the guidance of current revenue recognition including IAS (18) “revenues” and IAS (11) “construction contracts” and the related interpretations as of January 1, 2018.

The core principle of IFRS (15) is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard present a five-step model to recognize revenue:

Step 1: Identify the contract (s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

According to IFRS (15) the entity recognizes revenues when (or as) it satisfies a performance obligation by transferring “control” of the promised goods or services based on the specific performance obligation to the customer. More mandatory requirements have been added to the standard to deal with different cases, and also the standard requires comprehensive disclosures.

According to management estimates, there is no material impact from the application of IFRS (9) and IFRS (15) on the financial statements.

Standards and Interpretations issued but not yet effective

Standard or Interpretation No.	Description	Effective date
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
IFRS (17) - New	Insurance contracts.	Jan 1, 2021 or after
IFRIC No. (23)	Uncertainty over income tax treatments.	Jan 1, 2019 or after

2-4 Summary of significant accounting policies

(A) - 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.

(B) - Financial assets

A financial asset is any asset that is:

(1) Cash;

(2) An equity instrument of another entity;

(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 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, but for financial assets at fair value through profit or loss, transaction costs are recognized in profit or loss.

- Financial assets are classified to three categories as follows:
- Amortized cost.
- Fair value through other comprehensive income.
- Fair value through profit or loss.
- A financial asset is measured at amortized cost if both of the following conditions are met:
- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- 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.

(C) - Subsequent measurement of financial assets

Subsequently financial assets are measured as follows:

Financial assets	Subsequent measurement
Financial asserts at amortized cost	Are subsequently measured at amortized cost using effective interests method. -Amortized cost is reduced by impairment losses. -Interests income, gain and loss of foreign exchange and impairment loss are recognized in profit or loss. -Gain and loss from disposal are recognized in profit or loss.

(D) - Derecognition of financial assets

Derecognition of financial assets (or a part of a group of similar financial assets) when:

- The contractual rights to the cash flow from the financial assets expire; or
- It transfers the contractual rights to receive the cash flows of the financial assets or assume a contractual obligation to pay the cash flows entirely to a third party.

(E) - Financial liabilities

- A financial liability is any liability that is:
  1- A contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
  2- A contract that will or may be settled in the entity’s own equity instruments.

- Financial liabilities are initially recognized at fair value less transaction costs, directly attributable to the acquisition or issue of those liabilities, except for the financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.
- After initial recognition, the entity measures all financial liabilities at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss which are measured at fair value and other determined financial liabilities which are not measured under amortized cost method.
- Financial liabilities at fair value through profit or loss are stated at fair value, with any resulting gain or loss from change in fair value is recognized through profit or loss.

(F) - Trade payables and accruals

Trade payables and accruals are liabilities to pay for goods or services that have been received or supplied and have been either invoiced or formally agreed with the suppliers or not.

(G) - Offsetting financial instruments

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, an entity currently has a legally enforceable right to set off amounts and intends either to settle in a net basis, or through realize the asset and settle the liability simultaneously.

(H) - Cash and cash equivalents

Cash comprises cash on hand, current accounts and short term deposits at banks with a maturity date of three months or less, which are subject to an insignificant risk of changes in value.

(I) - Loans

- Housing loans/ financing are given for the following purposes:
- To build a house within the kingdom on land owned wholly or in a roof owned for this purpose
- 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 and its interests should be repaid during a 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.

(J) - Impairment of financial assets

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost and debt securities at FVTOCI are credit – impaired. A financial assets is “credit impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

- The entity recognizers loss allowance for expected credit loss (ECL) on:
  - Financial assets measured at amortized cost.
  - Debt investments measured at FVOCI.
  - Contract assets.
- The entity measures loss allowances at an amount equal to lifetime ECLs.
- Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Entity considers reasonable and supportable information that is relevant and available without undue cost or effort based in the entitys historical experience and forward looking information.

- The entity considers a financial asset to be in default when:
  - The client is unlikely to pay its credit obligations to the entity in full, without recourse by the entity to actions such as realizing security (if any); or
  - The financial asset is more than 360 days past due.
  - Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.
  - A financial assets is written of when there is no reasonable expectation of recovering the contractual cash flows. The entity write of the gross carrying amount of the financial asset is in case of, liquidation, bankruptcy or issuance of a court ruling to reject the claim for financial asset.

(K) - 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 derecognition (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.

- Amounts paid to construct a property and equipment item are first charged to projects in progress account. When projects become ready to use, it is transferred to the related property and equipment caption.

(L) - Impairment of non-financial assets

- At each statement of financial position date, management reviews the carrying amounts of its non-financial assets (property, plant and equipment and investment property) 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.
- For the purpose of impairment valuation, assets are grouped at the lower level that have cash flow independently (cash generating unit), previous impairment for non-financial assets (excluding goodwill) is reviewed for the possibility of reversal at the date of the financial statements.
- 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.

(M) - Revenue recognition

- The entity recognize revenue from sale of good and rendering of service when control is transferred to the customer.
- Revenues are recognized based on consideration specified in contract with customer that expected to be received excluding amounts collected on behalf of third parties.

(N) - Subscription fees

Annual subscription fees from banks are recognized in the rate of two and a half in a thousand of the total deposits at the banks over time.

(O) - Interest revenue

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

(3) Financial assets at amortized cost

The maturity of treasury bills and bonds extends as follows:

	Short term	Long term												Total	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2032	2033	Total	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD		
Treasury bonds	128,600,437	96,798,655	124,499,871	74,898,624	78,399,461	22,500,000	41,287,204	20,000,000	17,999,317	42,026,731	8,000,000	15,000,000	541,409,863	670,010,300	587,570,109
Treasury bills	33,837,200	-	-	-	-	-	-	-	-	-	-	-	-	33,837,200	9,867,970
Public institutions Bonds	-	-	3,000,000	20,000,000	-	10,000,000	-	-	-	-	-	-	33,000,000	33,000,000	35,100,000
National Electric Power Company	-	-	-	24,000,000	-	-	-	-	-	-	-	-	24,000,000	24,000,000	24,000,000
Total	162,437,637	96,798,655	127,499,871	118,898,624	78,399,461	32,500,000	41,287,204	20,000,000	17,999,317	42,026,731	8,000,000	15,000,000	598,409,863	760,847,500	656,538,079

- The average interest rates on bonds ranges between 3,162% - 7,999% per year for 2018 (between 2,787% and 7,999% for 2017).
- The average interest rate on treasury bills ranges between 4,121% - 4,450% for 2018 (between 2,897% and 3,277% for 2017).
- Pursuant to the instructions issued by the Central Bank of Jordan No. (13/2018) concerning the application of International Financial Reporting Standard (9), which states that "Debt instruments issued by the Government of Jordan or its guarantee shall be excluded, as provided for in the measurement of the probability of default paragraph).

(4) Financing and loans of employees housing fund

The movement in financing and Housing loans granted to employees was as follows:

	2018	2017
	JD	JD
Financing and loans balance at beginning of year	1,051,107	930,798
The amount of financing and loans provided during the year	192,325	243,750
Interets added on loans balance during the year	4,782	4,695
Finance gains	15,728	14,976
The amount of financing and loans collected during the year	(149,432)	(143,112)
Financing and loans balance at end of year	**1,114,510**	**1,051,107**

- This item represents the remaining balance of housing financing and loans granted to nineteen employees of Deposit Insurance Corporation, loans were granted to employees with a guarantee of real estate first-degree mortgage in favor of Deposit Insurance Corporation in accordance with the provision of the article 103 – paragraph (B) of personnel affairs administrative instructions.

(5) Property and equipment

2018	Land	Building	Computers and telecom-munication	Furniture and decorations	Vehicles	Project under con-struction solar power	Total
	JD	JD	JD	JD	JD	JD	JD
Cost							
Balance - beginning of year	1,157,050	3,736,226	117,304	184,237	57,657	**66,248**	5,318,722
Additions	-	-	9,773	1,685	-	**400**	11,858
Transfers	-	60,543	-	-	-	**(60,543)**	-
Disposals	-	-	(6,661)	-	-	**(6,105)**	**(12,766)**
Balance - end of year	1,157,050	3,796,769	120,416	185,922	57,657	**-**	**5,317,814**
Accumulated depreciation	-	-	-	-	-	-	-
Balance - beginning of year	**-**	**1,208,540**	**100,613**	**183,454**	**57,655**	**-**	**1,550,262**
Depreciation	-	113,600	4,356	402	**-**	**-**	118,358
Disposals	-	-	(6,376)	-	**-**	**-**	(6,376)
Balance - end of year	-	1,322,140	98,593	183,856	57,655	**-**	1,662,244
Net	**1,157,050**	**2,474,629**	**21,823**	**2,066**	**2**	**-**	3,655,570

2017	Land	Building	Computers and telecom-munication	Furniture and decorations	Vehicles	Project under con-struction so-lar power	Total
	JD	JD	JD	JD	JD	JD	JD
Cost							
Balance - beginning of year	1,157,050	3,733,783	122,413	184,237	57,657	**68,091**	**5,323,231**
Additions	-	-	6,759	-	-	**600**	**7,359**
Transfers	-	2,443	-	-	-	**(2,443)**	**-**
Disposals	-	-	(11,868)	-	-	**-**	**(11,868)**
Balance - end of year	1,157,050	3,736,226	117,304	184,237	57,657	**66,248**	**5,318,722**
Accumulated depreciation	-	-	-	-	-	**-**	**-**
Balance - beginning of year	-	**1,096,453**	**108,864**	**183,132**	**57,655**	**-**	**1,446,104**
Depreciation	-	112,087	3,608	322	-	**-**	116,017
Disposals	-	-	(11,859)	-	-	**-**	(11,859)
Balance - end of year	-	1,208,540	100,613	183,454	57,655	**-**	1,550,262
Net	**1,157,050**	**2,527,686**	**16,691**	**783**	**2**	**66,248**	3,768,460

(6) Other credit balances

	2018	2017
	JD	JD
Accrued expenses	31,583	35,714
Deposits	2,412	26,690
Total	**33,995**	**62,404**

(7) Capital

	2018	2017
	JD	JD
Non-refundable establishment fee (*)	2,300,000	2,300,000
Government contribntion	1,000,000	1,000,000
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 number 33 for the year 2000, 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.

- Knowing that the ratio of the corporation reserves to the total deposits that are subject to the law as at December 31, 2018 reached 4.01%, which exceeded the legal limited percentage amounted to 3%.

(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.
- Pursuant to the corporation's board of directors' decision number (7/2018) on November 16, 2018, the annual subscription fees paid by the banks to the corporation under the provisions of paragraph (A) of article no. (2) of Deposit Insurance Corporation law have been reduced from two and a half in a thousand to one seventy-five in a thousand of the total deposits subject to provisions of the law.

(10)Administrative expenses

	2018	2017
	JD	JD
Salaries, wages and related benefits	542,822	504,381
End of service indemnity	157,870	124,166
Depreciation	118,358	116,017
Social security contribution	61,557	57,343
Electricity and water	59,335	79,242
Health insurance and medical treatments	51,170	55,303
Corporation's contribution on saving fund	42,808	39,845
Subscriptions	25,314	26,491
Security	21,516	21,514
Training	19,912	16,793
Maintenance	19,585	12,733
Board of directors remunerations	18,600	18,600
Professional fees	15,600	15,400
Cleaning	14,531	14,474
Insurance	10,363	9,872
Corporation's contribution on social activity committee	9,968	9,768
Fuel	9,499	7,709
Advertisements	6,303	15,722
Government fees and licenses	5,760	5,760
Travel and transportation	5,438	7,691
Hospitality	3,972	4,016
Miscellaneous	3,503	2,108
Communications	3,388	3,347
Stationery and printings	2,476	3,751
Total	**1,229,648**	**1,172,046**

(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.
- 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.
- 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:

Description	Less than one year		One year and more	
	2018	2017	2018	2017
Financial assets:	JD	JD	JD	JD
Current account at Central Bank of Jordan	729,649	23,481,236	-	-
Accrued and uncollected interests of financial assets at amortized cost	11,435,568	9,410,650	-	-
Other debit balances	865	865	-	-
Financial assets at amortized cost	162,437,637	157,267,970	598,409,863	499,270,109
Housing financing and loans granted to employees	-	-	1,114,510	1,051,107
Total	174,603,719	190,160,721	599,524,373	500,321,216
Financial liabilities:				
Other credit balances	33,995	62,404	-	-
Total	33,995	62,404	-	-

(12) Reclassification

Certain 2017 balance were reclassified to conform with the classification used in 2018.

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