



# ANNUAL REPORT



**2019**

**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 present the fourteenth's annual report of the Deposit Insurance Corporation, which highlights its achievements and accomplishments during the year 2019. This year represented a positive trend in the march of the Corporation, which approached its second decade, adding a new accomplishment to JODIC, which maintains its role as a vital pillar of the financial safety net in the Kingdom; through providing protection to the vast majority of depositors at the banks.

The Corporation's achievements have culminated by the issuance of the Royal Decree approving the Amended Law of the Corporation which includes the expansion of the deposit insurance umbrella to cover depositors at Islamic Banks and granting JODIC a vital role in the bank's resolution.

Jordan's economy maintained its growth rate during 2019 remaining at 2% despite the regional economic vulnerabilities and the geopolitical risks. The external sector continued its distinguished performance, registering a decrease in the current account deficit, including grants, to 2.3% of GDP, the lowest level registered from fifteen years ago. Despite the persistent efforts in pertaining economic reform and financial discipline, the public budget deficit increased to 3.4% of GDP, which contributed to the increase in the outstanding balance of the domestic and external public debt during 2019.

The effective monetary policy conducted by the Central Bank of Jordan has succeeded in maintaining monetary, banking, and financial stability, and building reserves at a comfortable level amounting to \$ 14.3 billion. This level is sufficient to cover the Kingdom's imports of goods and services for 8 months. Credit facilities extended by banks increased by 3.7% during 2019 while total deposits at the banks grew by 4.3%.

The macro-prudential indicators showed that the Jordanian Banks enjoy sound financial positions. The capital adequacy ratio reached 17.3% at the end of 2019, which is higher than the rate set by the Central Bank at 12.0% and it's one of the highest in the Middle East region. The non-performing loan registered 5%, while the coverage ratio is 70.1%, profitability indicators remained stable, as the rate of return on assets reached 1.2%, and the rate of return on equity reached 9.4%.



## CHAIRMAN'S MESSAGE

In terms of institutional performance, the Corporation continued to build its reserves and maintain its capacity and readiness to face any potential risks. JODIC's reserves amounted to JD 849.8 million, covering 10.9% of the insurance policy. The Corporation has continued to provide protection for the vast majority of depositors at commercial banks under the deposit insurance umbrella, which amounted to around 2 million depositors. The Corporation provides full protection for 97.2% of eligible depositors within the coverage limit of JD 50,000 per depositor per bank.

As for the Deposit Insurance Fund for Islamic Banks, the reserves level of the fund registered JD 9.9 million, including premium fees levied from Islamic Banks for the first time in 2019. Noting that the Fund's reserves covering 0.15% of the eligible deposits, which amounted to JD 6445.0 million, belong to 1.3 million depositors; 98.4% of them are fully insured.

In conclusion, I would like to extend my sincere gratitude and appreciation to all employees at the Corporation for their exerted efforts and dedication to achieving JODIC's goals. I hope further sustained efforts to maintain the Corporation as an ideal model in protecting depositors, and a main pillar to maintain the banking and financial stability in the Kingdom, to achieve its vision to be a pioneered and a leading professional Corporation in the field of deposit insurance system at the regional and international levels. May God Almighty support our beloved Jordan with further progress and prosperity under the auspices of His Majesty King Abdullah II Ibn Al Hussein, may God protect him.

## FOREWORD



Mu'taz I. Barbour

Ladies and Gentlemen,

I'm pleased to present JODIC's annual report for the year 2019, 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 maintains JODIC to reduce the membership fees from 2.5 per thousand to 1.75 per thousand for the second year successively.

The outstanding efforts of JODIC toward improving the deposit insurance system in line with the best international practices were culminated by the issuance of JODIC's amended Law at the beginning of the year 2019. 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 vast majority 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 financial stability in the Kingdom.

As for JODIC's financial performance during the year 2019, the levying premium fees from member banks amounted to JD 33.8 million during the year 2019, meanwhile the levying premium fees, for the first time, from Islamic Banks amounted to JD 9.9 million. The net income generated from the returns on JODIC's investment portfolio amounted to JD 42.9 million. JODIC's reserves level increased to reach JD 849.8 million at the end of 2019 registering a growth rate of 9.7% compared to a year earlier. This reserves level reflects a comfortable level that aligns with the best international levels. The efficient and prudent investment policy adopted by JODIC maintained the book value of JODIC portfolio to register JD 834.8 million at the end of 2019 compared to JD 760.8 million a year earlier, with an average return of (5.255%) and a growth rate of (9.7%).

In terms of the main indicators of deposits and depositors with JODIC's member banks, JODIC provides full protection to 97.2% of eligible depositors whose deposits represent 25.2% of total eligible deposits, within the coverage limit of JD 50,000 per depositor per member bank, which is approximately five times the average eligible deposit size.

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 2019 to reach the target audience through social media and participating in events in accordance with stakeholders. Moreover, JODIC carefully distributes its annual report to reach the vast majority of the stakeholders.

## FOREWORD

At the regional and international levels, JODIC was keen to participate in the relevant deposit insurance events, such as the IADI 18th Annual General Meeting and the 19th Annual Conference, which was held in Istanbul/ Turkey in October 2019. Furthermore, JODIC is an active member in IADI's Committees; MRC, CPRC, RGTC, IDITC, and WGNFO.

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 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**



# BOARD OF DIRECTORS



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



**Deputy 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. Dr. Wael Ali Armouti**  
Companies General Controller  
Ministry of Industry,  
Trade and Supply



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



**\* H.E. Mrs. Hala Bsaisu Lattouf**  
Partner in AYA for Consultancy &  
Development

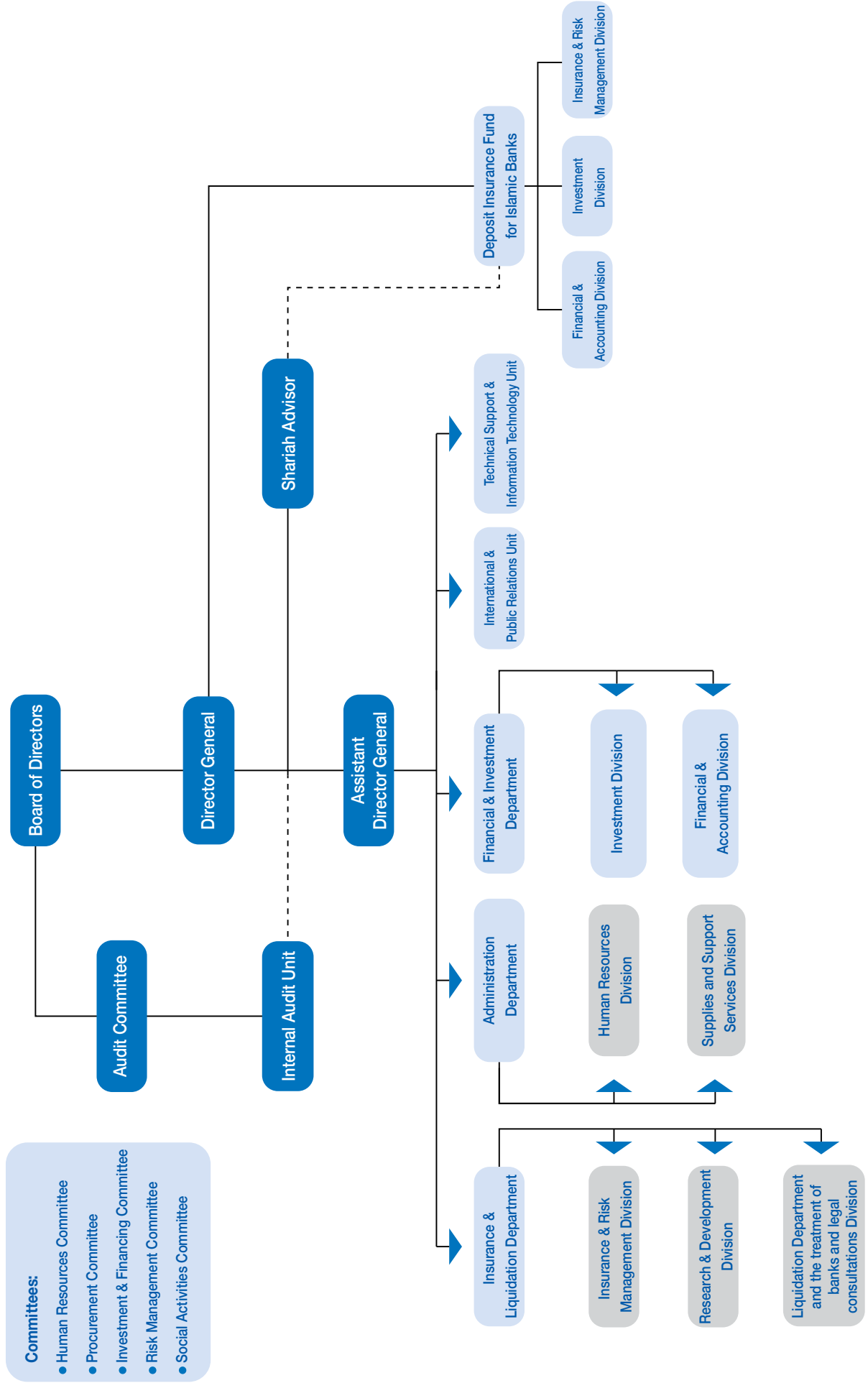


**\* H.E. Dr. Jamal Salah**  
Board Member of Islamic  
Microfinance Company

\* H.E. Mrs. Hala Bsaisu Lattouf and H.E. Dr. Jamal Moh'd Salah were appointed as Members at JODIC's Board of Directors to succeed H.E. Mr. Saleh Yacob Tayeh and H.E. Mr. Issa H. Murad on 10/4/2019. Also, H.E. Dr. Wael Ali Armouti was appointed as General Controller of Companies at the Ministry of Industry, Trade and Supply, succeeding H.E. Mr. Ramzi Nuzha on 9/12/2019.



# ORGANIZATIONAL STRUCTURE



## OPERATING BANKS IN THE KINGDOM AS END OF 2019

Member Banks at the Deposit Insurance Corporation	Year of Establishment	Number of Branches Inside the Kingdom	Total Assets (JD Million)	Eligible Deposits (JD Million)
<b>Jordanian Banks</b>				
Arab Bank PLC	1930	80	10554.1	4222.8
The Housing Bank for Trade & Finance	1974	125	7446.1	3610.3
Jordan Kuwait Bank	1977	64	2769.6	1350.8
Jordan Ahli Bank PLC	1956	52	2499.2	1279.9
Bank of Jordan PLC	1960	82	2447.6	1101.3
Cairo Amman Bank	1960	95	2363.9	1095.6
Bank al Etihad	1991	49	3171.5	1655.7
Capital Bank of Jordan	1996	14	2021.2	863.0
Jordan Commercial Bank	1978	34	1360.4	680.3
Arab Banking Corporation - Jordan	1989	27	1168.5	487.5
Invest Bank	1989	12	1071.0	617.0
Arab Jordan Investment Bank	1978	35	1997.1	631.1
Societe Generale de Banque - Jordanie	1993	19	1759.4	931.9
<b>Branches of Foreign Banks Operating in Jordan</b>				
Bank Audi S.A.L	2004	14	648.6	295.3
BLOM Bank S.A.L	2004	17	696.3	364.8
Egyptian Arab Land Bank	1951	16	590.5	339.6
Standard Chartered Bank	1969	3	519.4	122.2
Citibank N.A	1974	2	344.1	143.1
National Bank of Kuwait	2004	1	223.9	42.2
Rafidain Bank	1957	2	155.9	0.8

## OPERATING BANKS IN THE KINGDOM AS END OF 2019

Member Banks at the Deposit Insurance Fund for Islamic Banks	Year of Establishment	Number of Branches Inside the Kingdom	Total Assets (JD Million)	Eligible Deposits (JD Million)
<b>Jordanian Banks</b>				
Jordan Islamic Bank	1979	108	4539.4	3383.6
Islamic International Arab Bank PLC	1997	45	2398.7	1693.0
Safwa Islamic Bank	2010	36	1662.2	1047.9
<b>Branches of Foreign Banks Operating in Jordan</b>				
Al Rajhi Bank	2011	10	609.8	320.5

# GLOSSARY

# GLOSSARY

- **Deposit Insurance System:**

Refers to the deposit insurer and its relationships with the financial safety-net participants that support deposit insurance mandates through providing protection for depositors at the banks by insuring their deposits. DIS carried out other main mandates: Banks' Liquidation and Banks' Resolution.

- **Coverage Limit:**

The maximum amount which an eligible depositor can 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 bank.

- **Eligible Deposits:**

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.

- **Deposit Insurance Fund for Islamic Banks:**

A fund enjoys a corporate entity status. The relationship between the Fund and the Corporation is on the paid agency basis (Wakalah bi al ujr), the fund is based on the principle of solidarity and cooperation (Takaful and Ta'awun), and the contributions from all parties are considered donations (Tabarru').

- **Member Banks at Jordan Deposit Insurance Corporation**

All Jordanian commercial banks and locally incorporated foreign commercial banks, except for branches of Jordanian commercial banks operating outside the Kingdom.

- **Member Banks at Deposit Insurance Fund for Islamic Banks**

All Jordanian Islamic Banks and locally incorporated foreign Islamic Banks, except for branches of Jordanian Islamic Banks operating outside the Kingdom.

- **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 (Insurance Policy):**

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.

## GLOSSARY

- **Liquidation**

The Winding-Down of the business affairs and operations of any bank that the Central Bank decides to liquidate. The Corporation is the liquidator and the sole legal representative of any bank whose liquidation has been decided.

- **Payout**

The process of payoffs the insurance sums due to the eligible depositors at any bank that the Central Bank decides to liquidate. The Corporation shall pay the insurance sum due to an insured deposit holder within 30 days from the date of liquidation decision.

- **Banks' Resolution:**

A disposition plan and process for a non-viable bank, the resolution may include one action or more if the Corporation finds that such action is less costly than 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 (87) Member organizations, (8) Associates, and (14) Partners.



# OVERVIEW

# OVERVIEW

## OUR VISION:

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

## OUR MISSION:

To protect depositors with banks, to encourage savings, as well as to strengthen confidence in the banking system, and contribute to maintaining banking and financial stability in the Kingdom.

## 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 in the banking system.
- 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 to the resolution of banks that face problems with core effect on its financial position
- 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, and contribute to maintaining banking and financial stability in the Kingdom.

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. In addition the corporation enjoys powers to find solutions for banks that face problems with core effect on its financial positions, which have been granted to the Corporation according to the amending law of JODIC Law No (8/2019). The Corporation may, with the approval of the Central Bank, take any of the measures stipulated in its law to resolve any bank that faces problems with core effect on its financial position in order to avoid a bank's liquidation which mitigate the negative effects of the liquidation process.<sup>1</sup>

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 Bank of Jordan (CBJ) decides to liquidate.**



<sup>1</sup> The Corporation has been granted these powers according to the amending law of its Law No (8/2019) which was published in the Official Gazette No. 5569 on 1/4/2019.

## 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<sup>2</sup> 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 of the liquidation.**

### LIQUIDATION:

According to JODIC's Law no. (33) of the year 2000 and its amendments, JODIC is the sole liquidator and the sole legal representative of any bank whose liquidation has been decided by the Central Bank of Jordan. 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 reserves consisting of 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

2- The claim from depositor was canceled according to the amending law of JODIC Law No. (8/2019).

## OVERVIEW

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. (15/2019) in Nov.27, 2019 for the following second year, which states to reduce the annual membership fee from (2.5) per thousand to (1.75) per thousand for the member banks in the Corporation.

The Corporation shall invest its funds in Government Securities or deposits with the Central Bank by a decision of its board of directors according to the article (24/a) of the Corporation's Law.

### - BANKS' RESOLUTION<sup>3</sup>:

JODIC is the sole deposit insurer, it's a main participant in the financial safety net, contribute to maintaining banking and financial stability in the Kingdom, in addition to its role in mitigating the negative effects of liquidation and reducing its cost, the amending law of JODIC Law No. (8/2019) granted it with the approval of the Central Bank powers to resolve banks that face problems with core effect on its financial position. The Corporation may take one or more of the following measures, if it finds that such measure is less costly than liquidation:

1. Bear the financial cost of the bank's merger bank with another, or transfer all or some of its assets, rights, liabilities and obligations to a third person.
2. Subscribe to any new shares issued to increase the bank's capital.
3. Request a bridge bank license to which all or some of the bank's assets, rights, liabilities and obligations are transferred.

The corporation may, with the approval of the Central Bank, join in any committees it forms to study the conditions of that bank to enable it to take correct and least cost measures.

### - MONITORING OPERATING BANKS IN THE KINGDOM:

To enable JODIC to perform its mandates as deposit insurer, liquidator and other powers 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 JODIC.

<sup>3</sup>- The Corporation has been granted this power according to the amending law of JODIC's Law No. (8/2019).

# OVERVIEW

## MAIN FEATURES OF THE DEPOSIT INSURANCE SYSTEM IN JORDAN:

### - MEMBERSHIP:

Membership is mandatory for all Jordanian banks and branches of foreign banks operating in the Kingdom except the branches of Jordanian banks operating abroad.

**20 banks are subject to the provisions of JODIC's Law at the year-end 2019, 13 of which are Jordanian banks.**

### - COVERAGE LIMIT:

The maximum coverage limit is JD 50,000 (fifty thousand Jordanian Dinar) per depositor per member bank.

### - SCOPE OF COVERAGE:

#### **Insured Deposits:**

The Corporation insures all types of deposits at member banks in the Corporation denominated in Jordanian Dinar for individuals, corporate, 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.

#### **Uninsured Deposits:**

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



## OVERVIEW

### Insured Currency:

JODIC insures deposits in the local currency, which is the Jordanian Dinar. Also, 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 6.1 folds of the average deposits amount held at the banking system.**

### - ANNUAL PREMIUMS (MEMBERSHIP FEES):

The member bank in the Corporation shall pay an annual membership fee to the Corporation at the rate of 1.75 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 FUTURE 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 banking and 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 2019 showed that JODIC providing full protection to 97.2% of total eligible depositors at the member banks, while JODIC's reserves level registered JD 849.8 million, which covering 4.28% of eligible deposits, then the Board of Directors decided for the following second year to reduce annual premium fee for member banks in the Corporation from 2.5 per thousand to 1.75 per thousand of eligible deposits.

The year 2019 has culminated by the issuance of the amending law of JODIC Law No. (8/2019), which is published in the Official Gazette No. 5569 on 1/4/2019. The bill has three main amendments: First- the mandatory membership of Islamic Banks under the deposit insurance umbrella and the establishment of Deposit Insurance Fund for Islamic Banks, 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

## OVERVIEW

has been granted powers with the approval of the Central Bank to mitigate the negative effects of liquidation, 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: Cancellation of 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, well-governed, transparent, accountable, and insulated from external interference.

**Principle 3 (Governance) of the 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 manages Banks' resolution, in addition to 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. 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 managing and supplying the necessary support services for the Corporation.

### **3. Financing and Investment Department:**

The department's carries out the responsibilities of investing JODIC's funds which includes deposits held with banks, as well as the management of JODIC's borrowing operations to meet any future obligation in accordance with JODIC's Law. The department is also responsible for covering administrative expenses, handling bookkeeping tasks, as well as maintaining the main accounts.

### **4. International and Public Relations Unit:**

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

### **5. Internal Audit Unit:**

The unit 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 Unit:

The unit'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.

### Internal committees:

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.

# OVERVIEW

## Deposit Insurance Fund for Islamic Banks

The Deposit Insurance Fund for Islamic Banks was established at the Corporation by the virtue of the amending law of JODIC's Law No. (8/2019) as a fund has a corporate entity status that the Corporation manages. The Fund aims to "protect depositors with Islamic banks by insuring their deposits in accordance with the provisions of the law, in order to encourage savings and strengthen confidence in these banks". The relationship between the Corporation and the Fund is based on a paid agency basis (Wakalah Bi Alujr).

The provisions of the Corporation law shall apply to the Fund to the extent not contrary to the provisions related to the Fund in the same law. The Fund is based on the principle of solidarity and cooperation (Takaful and Ta'awun). Also, Sharia Advisor shall be appointed to the Fund by a decision of the Corporation's Board of Directors based on the recommendation of the Iftaa Board from among those with practical experience and specialization in the jurisprudence of transactions.

The Government has contributed to the Fund's capital in an amount of one hundred fifty thousand dinars. Also the Fund mainly funded through annual membership fees collected from Islamic member banks as well as the returns of its investments. Moreover; the Fund may borrow in the form of good loans (Qard hasan) from the Corporation or from any other party that enable it to pay its obligations owed thereby according to the provisions of Law.

**Shariah Fatwa No. (13/2012) was issued stating that it is permissible to establish a deposits insurance fund for Islamic banks.**

## Main Features Of The Deposit Insurance Fund For Islamic Bank:

### MEMBERSHIP:

Membership is mandatory for all Jordanian Islamic banks and branches of foreign Islamic banks operating in the Kingdom.

**4 Islamic banks are subject to the provisions of JODIC's Law at the year-end 2019, 3 of which are Jordanian Islamic banks.**

### COVERAGE LIMIT:

The maximum coverage limit is JD 50,000 (fifty thousand Jordanian Dinar) per depositor per Islamic member bank.

# OVERVIEW

## **SCOPE OF COVERAGE:**

### **Insured Deposits:**

The Fund insures credit accounts and mutual investment accounts at Islamic member banks denominated in **Jordanian Dinar** for individuals, corporate, residents and non-residents.

### **Uninsured Deposits:**

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

### **Insured Currency:**

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

## **ANNUAL PREMIUMS (MEMBERSHIP FEES):**

The Islamic bank shall pay an annual membership fee of 2.5 per thousand of the following balances to be calculated and collected on the basis of the total of such accounts at the end of each year:

1. On the balance of credit accounts or the like.
2. On the balance of mutual investment accounts or the like.

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 Islamic banks have been rated according to the rating system applied by the Central Bank of Jordan.

## **FUND'S INVESTMENT:**

The Fund sources shall be invested in Government securities that are compliant with the principles of Shariah, in accordance with the provisions of Article 35 bis of the Corporation's Law.

When the Fund is liquidated, its fund will transfer to the Zakat Fund in the Kingdom after covering all the expenses and losses incurred by it.

**The Fund is the sole insurer of any Islamic banks in the Jordanian Banking System in accordance with the provisions of JODIC's Law and compliant with Shariah principles.**



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

## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

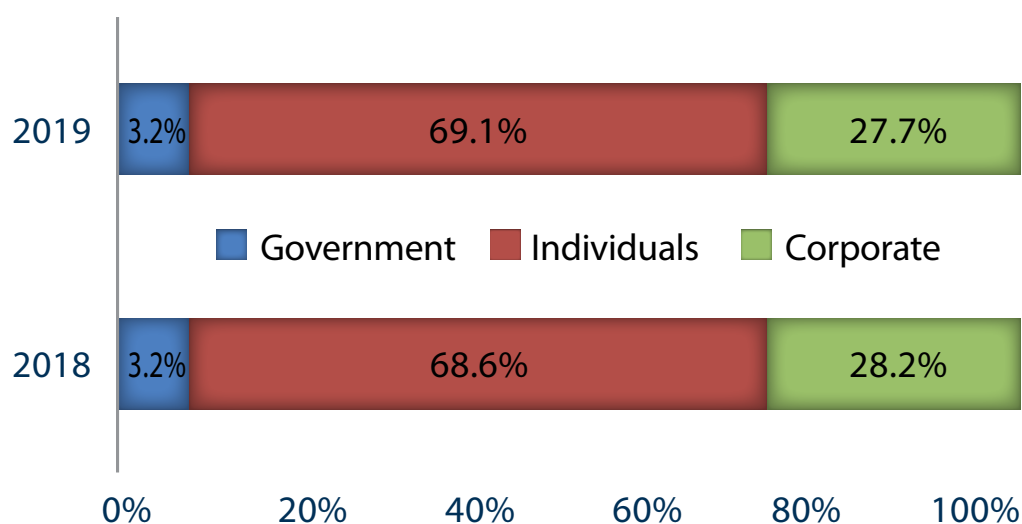
Total deposits denominated in Jordanian Dinar and Foreign Currencies in the Jordanian banking system reached JD 35332.9 million at the end of the year 2019, compared to JD 33868.9 million a year earlier, indicating an increase of 4.3% (JD 1464.0 million). The compound annual growth rate of deposits for the last ten years is 5.7%.

### DEPOSITS DENOMINATED IN JORDANIAN DINAR:

Total deposits denominated in Jordanian Dinar in the banking system reached JD 27135.0 million at the end of 2019 compared to JD 25688.3 million a year earlier, indicating an increase of 5.6% (JD 1446.6 million). The distribution of these deposits in the banking system shows that individuals' deposits amounted to JD 18753.4 million representing 69.1% of total Jordanian Dinar deposits in the banking system, corporate deposits amounted to JD 7526.9 million representing 27.7%, and Government deposits amounted to JD 854.6 million representing 3.2%.

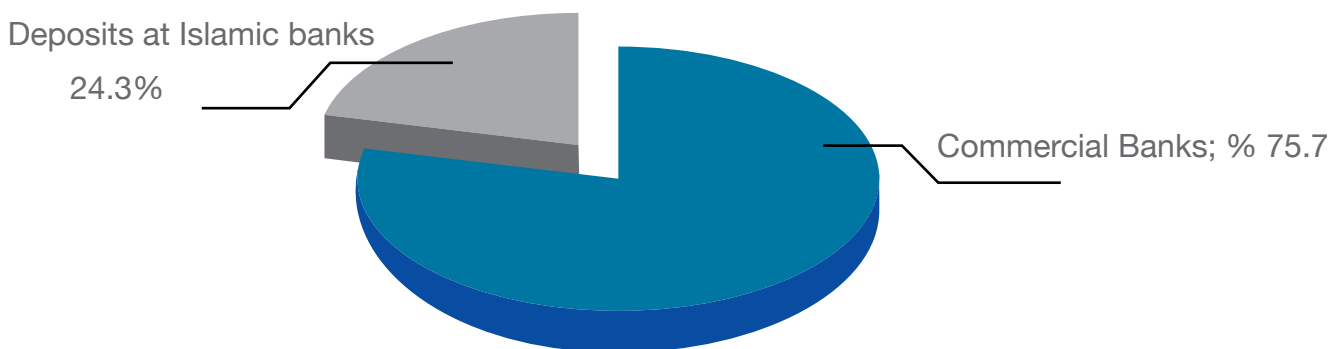
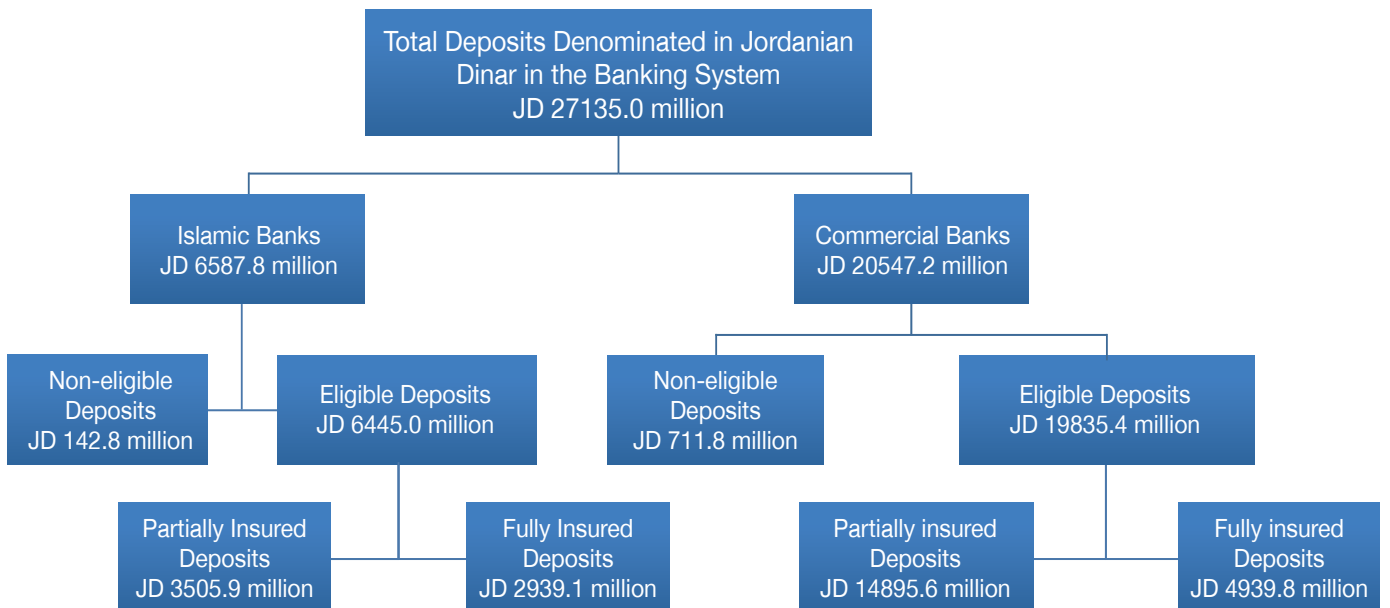
Total Deposits Denominated in Jordanian Dinar in the Banking System across Various Sectors and their Respective Growth Rates						
	Individuals		Corporate		Government	
	Deposits Amount (JD Million)	Average Deposit (JD)	Deposits Amount (JD Million)	Average Deposit (JD)	Deposits Amount (JD Million)	Average Deposit (JD)
2018	17633.2	5711.0	7231.3	72297.0	823.9	197819.0
2019	18753.4	5900.0	7526.9	71411.0	854.6	190382.0
Growth Rate	6.4%	3.3%	4.1%	-1.2%	3.7%	-3.8%

### Distribution of Deposits Denominated in Jordanian Dinar Across Various Sectors



# DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

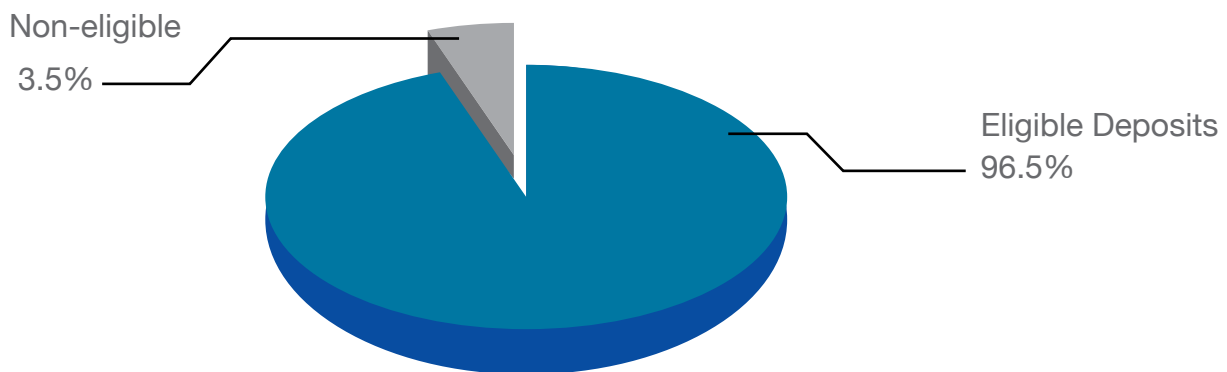
Individuals' deposits denominated in Jordanian Dinar represented 69.1% of total JD deposits in the banking system at the end of 2019.



## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

### ELIGIBLE DEPOSITS AT JODIC's MEMBER BANKS:

The outstanding balance of eligible deposits denominated in Jordanian Dinar at JODICS' member banks except: Government deposits, interbank deposits, and cash collaterals within the limits of the value of extended facilities guaranteed by the said collaterals, reached JD 19835.4 million at the end of 2019 compared to JD 19067.1 million at the end of 2018, reflecting an increase rate of 4.0%. These deposits represented 96.5% of total deposits denominated in Jordanian Dinar held by commercial banks which belong to 1996.2 thousand depositors with an average deposit value of JD 9937.0 at the end of 2019, compared to 1931.8 thousand depositors with an average deposit value of JD 9870.0 a year earlier.



**Eligible deposits at JODIC's member banks represented 96.5% of total JD deposits held by member banks at the end of 2019.**

### FULLY INSURED DEPOSITS:

Fully insured deposits, equal or less than JD 50,000, accounted for 24.9% of eligible deposits and amounted to JD 4939.8 million at the end of 2019, they belong to 1939.6 thousand depositors with an average deposit value of JD 2547.0 compared to JD 4808.6 million belong to 1881.4 thousand depositors with an average deposit value of JD 2556.0 at the end of 2018. The ratio of fully insured depositors to total eligible depositors reached 97.2% at the end of 2019.

# DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

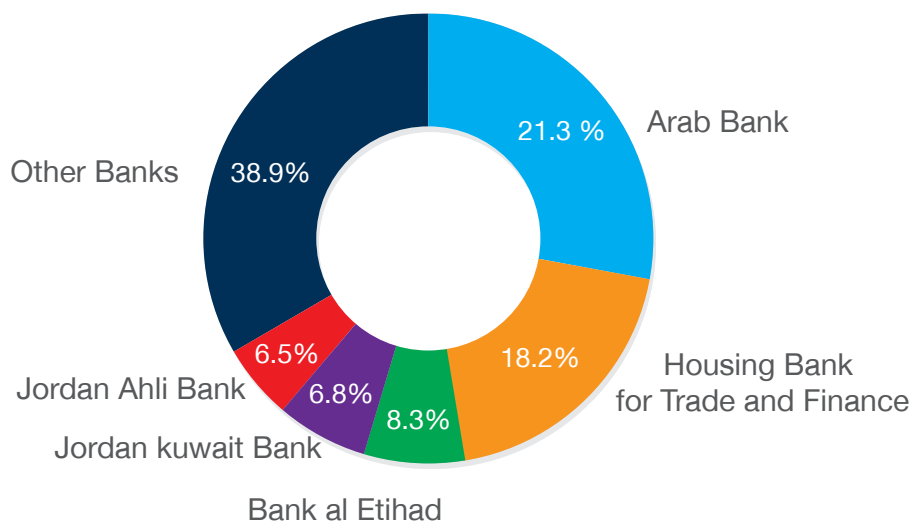
## PARTIALLY INSURED DEPOSITS:

Partially insured deposits, in excess of JD 50,000, increased from JD 14258.5 million at the end of 2018 to JD 14895.6 million at the end of 2019. These deposits represent 75.1% of eligible deposits which belong to 56.6 thousand depositors representing 2.8% of total eligible depositors with an average deposit value of JD 263192.0 at the end of 2019, compared to 50.4 thousand depositors with an average deposit value of JD 282929.0 a year earlier.

## THE MARKET SHARE OF ELIGIBLE DEPOSITS.

The market share of eligible deposits at the largest five-member banks: Arab Bank, Housing Bank for Trade and Finance, Bank al Etihad, Jordan Kuwait Bank, and Jordan Ahli Bank represented 21.3%, 18.2%, 8.3%, 6.8%, and 6.5% respectively at the end of 2019.

### Eligible Deposits Market Share at the Largest Five JODIC's Member Banks



## JODIC's RESERVES:

JODIC continued to build up its reserves' level during 2019, which reached JD 849.8 million at the end of 2019 with an increasing amount of JD 75.4 million representing 9.7% at the end of 2019. These reserves cover 4.28% of total eligible deposits and 10.94% of the insurance policy (reimbursement amount).

# DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Main Indicators of Jordanian Dinar Deposits and Depositors at JODIC's Member Banks											
Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Total deposits at member banks (JD million)	14715.2	15680.5	14304.4	16982.1	19307.8	20676.0	20203.2	19816.9	19794.4	20647.1	
Total depositors at member banks (in thousand)	1691.1	1707.0	1687.0	1733.8	1692.1	1726.3	1821.2	1883.8	1935.7	2000.3	
Average deposit value for total depositors at member banks (JD)	8702	9186	8479	9795	11411	11977	11094	10520	10226	10272	
Eligible deposits (JD million)	14098.1	15099.7	13730.0	16324.7	18018.1	19489.8	19312.8	19094.2	19067.1	19835.4	
Estimated reimbursement amount (JD million)	2854.6	5790.4	5567.1	6161.2	6543.9	6896.9	7299.4	7464.3	7328.4	7769.6	
Estimated reimbursement amount to total deposits at member banks	19.4%	36.9%	38.9%	36.3%	33.9%	33.4%	36.1%	37.7%	37.0%	37.8%	
Estimated reimbursement amount to total eligible deposits	20.2%	38.3%	40.5%	37.7%	36.3%	35.4%	37.8%	39.1%	38.4%	39.2%	
Number of eligible depositors (in thousand)	1688.6	1704.6	1684.3	1730.9	1689.5	1722.9	1817.6	1880.0	1931.8	1996.2	
Average deposit value for eligible depositors (JD)	8349	8858	8152	9431	10665	11312	10625	10156	9870	9937	
Fully insured deposits (all deposits that are less than or equal to coverage limit) (JD million)	1504.9	3858.7	3791.2	4075.9	4283.5	4461.4	4703.3	4878.9	4808.6	4939.8	
Number of fully insured depositors (in thousand)	1553.6	1666.0	1648.8	1689.2	1644.3	1674.2	1765.7	1828.3	1881.4	1939.6	
Average deposit value for fully insured depositors (JD)	969	2316	2299	2413	2605	2665	2664	2669	2556	2547	
Partially insured deposits (all deposits that are in excess of coverage limit) (JD million)	12,593.2	11,241.0	9,938.9	12,248.8	13,734.5	15,028.4	14,609.4	14,215.2	14,256.5	14,895.6	
Number of partially insured depositors (in thousand)	135.0	38.6	35.5	41.7	45.2	48.7	51.9	51.7	50.4	56.6	
Average deposit value for partially insured depositors (JD)	93303	290961	279827	293693	303,807	308,521	281,378	274,919	282,929	263,192	
Estimated reimbursement amount for partially insured deposits (JD million)	1349.7	1931.7	1775.9	2085.3	2260.4	2435.6	2596.1	2585.4	2519.8	2829.8	
Fully insured deposits to total eligible deposits	10.7%	25.6%	27.6%	25.0%	23.8%	22.9%	24.4%	25.6%	25.2%	24.9%	
Partially insured deposits to total eligible deposits	89.3%	74.4%	72.4%	75.0%	76.2%	77.1%	75.6%	74.4%	74.8%	75.1%	
Estimated reimbursement amount for partially insured deposits to total partially insured deposits	10.7%	17.2%	17.9%	17.0%	16.5%	16.2%	17.8%	18.2%	17.7%	19.0%	
Fully insured deposits to total deposits at member banks	10.2%	24.6%	26.5%	24.0%	22.2%	21.6%	23.3%	24.6%	24.3%	24.0%	
Partially insured deposits to total deposits at member banks	85.6%	71.7%	69.5%	72.1%	71.1%	72.7%	72.3%	71.7%	72.0%	72.5%	
Number of fully insured depositors to total depositors at member banks	91.9%	97.6%	97.7%	97.4%	97.2%	97.0%	97.0%	97.1%	97.2%	97.0%	
Number of partially insured depositors to total depositors at member banks	8.0%	2.3%	2.1%	2.4%	2.7%	2.8%	2.9%	2.7%	2.6%	2.8%	
Number of fully insured depositors to total eligible depositors	92.0%	97.7%	97.9%	97.6%	97.3%	97.2%	97.1%	97.2%	97.4%	97.2%	
Number of partially insured depositors to total eligible depositors	8.0%	2.3%	2.1%	2.4%	2.7%	2.8%	2.9%	2.8%	2.6%	2.8%	
The market share of eligible deposits held by member banks (the largest share)	24.8%	25.9%	23.5%	23.1%	21.8%	21.5%	22.1%	20.3%	20.3%	21.3%	
The market share of eligible deposits held by member banks (the largest two shares)	44.8%	45.2%	43.7%	42.7%	41.8%	41.7%	42.0%	40.4%	39.9%	39.5%	
The market share of eligible deposits held by member banks (the largest five shares)	64.6%	63.9%	62.8%	61.6%	61.9%	63.2%	62.3%	60.7%	60.8%	61.1%	
Corporation's reserves (JD million)	229.1	278.4	334.2	393.6	463.1	537.2	612.4	690.9	774.5	849.8	
Corporation's reserves to eligible deposits	1.6%	1.8%	2.4%	2.4%	2.6%	2.8%	3.17%	3.62%	4.06%	4.28%	
Corporation's reserves to estimated reimbursement amount	8.0%	4.8%	6.0%	6.4%	7.1%	7.8%	8.4%	9.3%	10.6%	10.9%	

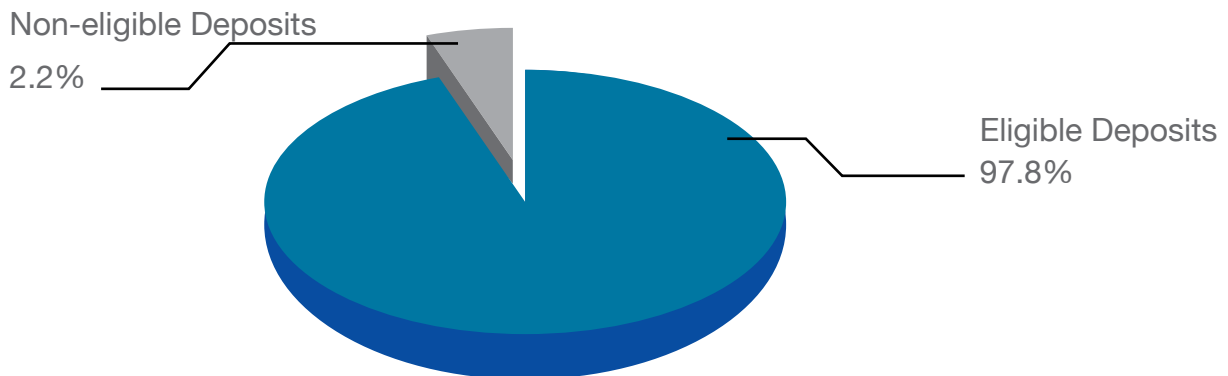
# DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

## DEPOSIT INSURANCE FUND FOR ISLAMIC BANKS:

Total deposits at the Islamic Banks registered JD 6587.7 million at the end of 2019 compared to JD 5894.0 million at the end of 2018 increased by 11.8% (JD 693.3 million). These deposits belong to 1288.1 thousand depositors at the end of 2019 compared with 1255.9 thousand depositors a year earlier. Total Jordanian dinar deposits at Islamic Banks represent 24.3% of total deposits in Jordanian Dinars, these deposits belong to 39.2% of total depositors at the banking system.

## ELIGIBLE DEPOSITS AT ISLAMIC BANKS:

Total eligible deposits in Jordanian Dinar at Islamic Banks amounted to JD 6445.0 million, belong to 1287.7 thousand depositors at the end of 2019, these deposits represent 24.5% of total eligible deposits in the banking system, these deposits belong to 39.2% of the total eligible depositors.



## FULLY INSURED DEPOSITS:

Fully insured deposits, equal or less than JD 50,000 (fifty thousand), accounted for 45.6% of total eligible deposits amounted to JD 2939.1 million at the end of 2019, they belong to 1267.4 thousand depositors with an average deposit value of JD 2319.0, compared to JD 2652.6 million belong to 1237 thousand depositors with an average deposit value of JD 2144.0 at the end of 2018. The ratio of fully insured depositors to total eligible depositors registered 98.4% at the end of 2019.



# DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

## **PARTIALLY INSURED DEPOSITS:**

Partially insured deposits, in excess of JD 50,000 (fifty thousand), increased from JD 3144.7 million at the end of 2018 to JD 3505.9 million at the end of 2019. These deposits represent 54.4% of total eligible deposits, which belong to 20.3 thousand depositors representing 1.6% of total eligible depositors, with an average deposit value of JD 172416.0 at the end of 2019, compared to 18.6 thousand depositors with an average deposit value of JD 168952.0 a year earlier.

## **THE FUND'S RESERVES:**

The reserves of Deposit Insurance Fund for Islamic Banks amounted to JD 9.9 million at the end of 2019. These reserves cover 0.15% of total eligible deposits and 0.25% of the insurance policy.

## **DEPOSITS DENOMINATED IN FOREIGN CURRENCIES<sup>4</sup>:**

Deposits denominated in foreign currencies in the banking system reached JD 8198.0 million at the end of 2019 compared to JD 8180.5 million at the end of 2018, with an increase of 0.2%, these deposits belong to 258.9 thousand depositors at the end of 2019, compared to 253.2 thousand depositors a year earlier. The average deposit value of foreign currency deposits decreased from JD 32307.0 at the end of 2018 to JD 31668.0 at the end of 2019.

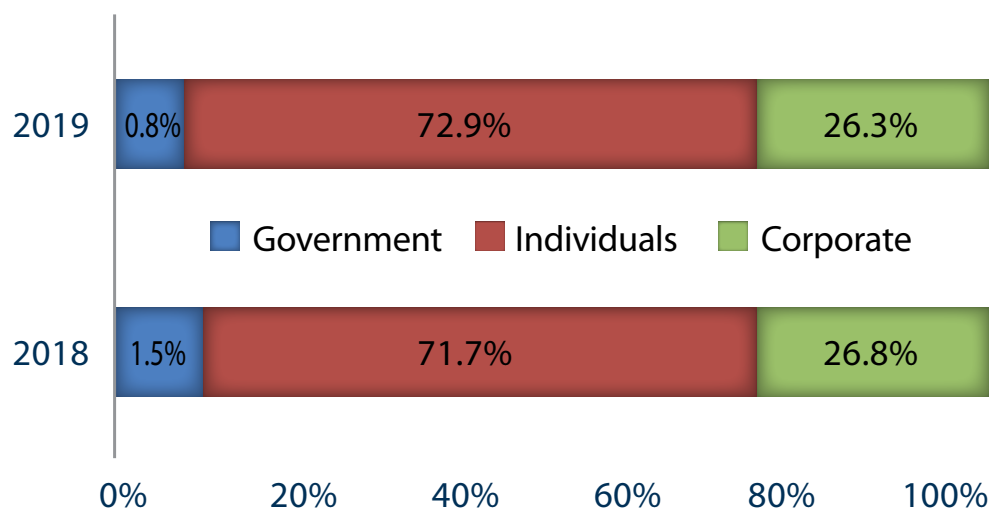
**Total individuals' deposits denominated in foreign currencies represented 72.9% of total foreign currencies deposits in the banking system at the end of 2019.**

<sup>4</sup>- Deposits denominated in foreign currencies are not insured by the Corporation. However, in accordance with the Article (32 /a) of JODIC's Law, these deposits may be insured upon the decision of the Central Bank of Jordan (CBJ).

## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Total Deposits Denominated in Foreign Currencies in the Jordanian Banking System						
	Individuals		Corporate		Government	
	Deposits Amount (JD Million)	Average Deposit (JD)	Deposits Amount (JD Million)	Average Deposit (JD)	Deposits Amount (JD Million)	Average Deposit (JD)
2018	5865.6	25816.0	2192.1	84547.0	122.9	1638034.0
2019	5979.7	25791.0	2157.4	80048.0	60.8	908188.0
Growth Rate	1.9%	-0.1%	-1.6%	-5.3%	-50.5%	-44.6%

### Distribution of Deposits denominated in Foreign Currencies Across Various Sectors



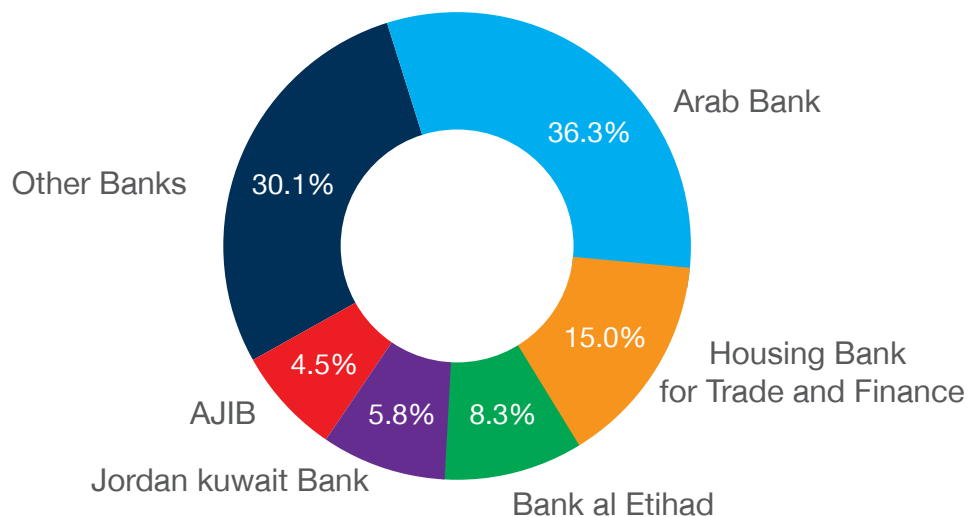
Deposits denominated in foreign currencies held at JODIC's member banks reached JD 7385.6 million at the end of 2019, compared to JD 7404.6 million at the end of 2018 with a decreasing rate of 0.3%. These deposits represented 90.1% of total foreign currency deposits in the banking system, these deposits belong to 220.2 thousand depositors at the end of 2019 with an average deposit value of JD 33539.0, compared to 210.6 thousand depositors with an average deposit value of JD 35160.0 at the end of 2018.

## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

The market share of deposits denominated in foreign currencies at the largest five JODIC's member banks: Arab Bank, Housing Bank for Trade and Finance, Bank al Etihad, Jordan Kuwait Bank and Arab Jordan Investment Bank, represented 36.3%, 15.0%, 8.3%, 5.8%, 4.5% respectively at the end of 2019.

Total Foreign Currency deposits at Islamic Banks amounted to JD 812.4 million at the end of 2019, compared to JD 775.9 million a year earlier, reflecting an increasing rate of 4.7%. These deposits represent 9.9% of total foreign currency deposits in the banking system. Foreign currency deposits at the Islamic Banks belong to 38.7 thousand depositors with an average deposit value of JD 21011.0 compared to 42.6 thousand depositors with an average deposit value JD 18209.0 a year earlier.

Foreign Currency Deposits Market Share at the largest Five JODIC's Member Banks



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



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

JODIC continued throughout the year 2019 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. Where the percentage of annual membership fees that will be collected during the year 2019 modified to 1.75 per thousand in accordance with the provisions of Article (12/c) of JODIC's Law and its amendments.

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.**

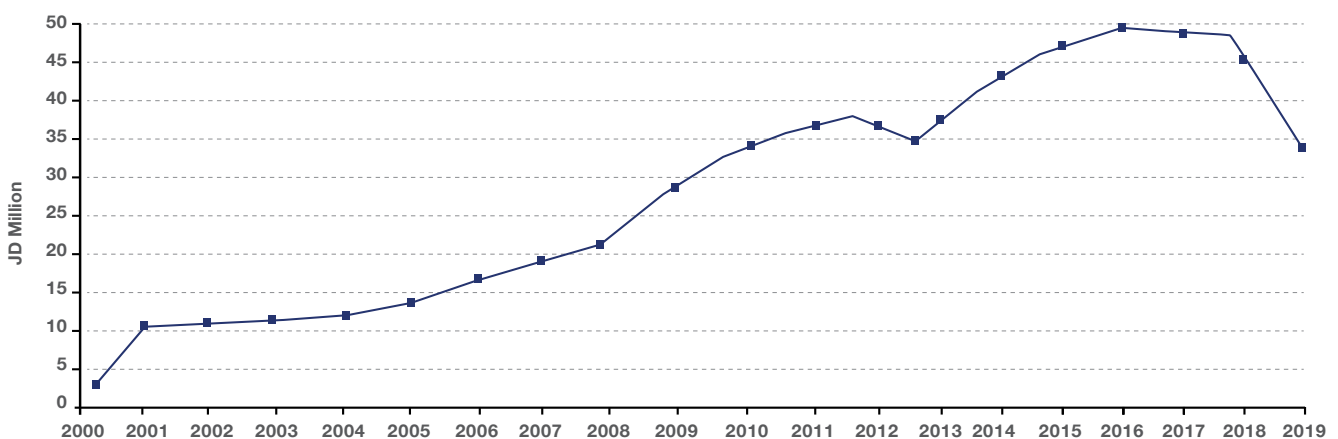
### **The Financial Performance:**

Total owners' equity increased to reach JD 853 million by the end of 2019 compared with JD 777.8 million by the end of 2018. JODIC's capital amounted to JD 3.15 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). During the year 2019 JODIC paid JD 150 thousand (which was deducted from the Government contribution of JODIC's capital) for the Deposit insurance fund for Islamic banks in accordance with the provisions of Article (32/a/1) (bis) of JODIC's law. The accumulated reserves by the end of 2019, generated from the annual surplus and premiums (annual membership fees), formed the bulk of total owners' equity and reached JD 849.8 million with an increase of JD 75.3 million from the previous year. Annual membership fees collected from member banks amounted to JD 33.8 million during the year 2019, compared with JD 48.3 million collected a year earlier and

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

reflected 30% decrease rate, the annual membership fees was collected during 2019 from member banks on the basis of 1.75 per thousand of total eligible deposits compared with 2.5 per thousand of total eligible during 2018, while the net investments income amounted to JD 41.6 million, compared with JD 35.2 million during 2018 with an increase of 18.2%.

**The Annual Membership Fees (2000-2019)**



To further manage its overhead expenses and enhance the reserves buildup, JODIC adopts a medium term financial program with the assumption of decreasing the ratio of total overhead expenses to investments income, this ratio reached to 3.08% by the end of 2019. 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 834.8 million by the end of 2019 compared with JD 760.8 million a year earlier, with an increase of JD 74 million and a growth rate of 9.7%.



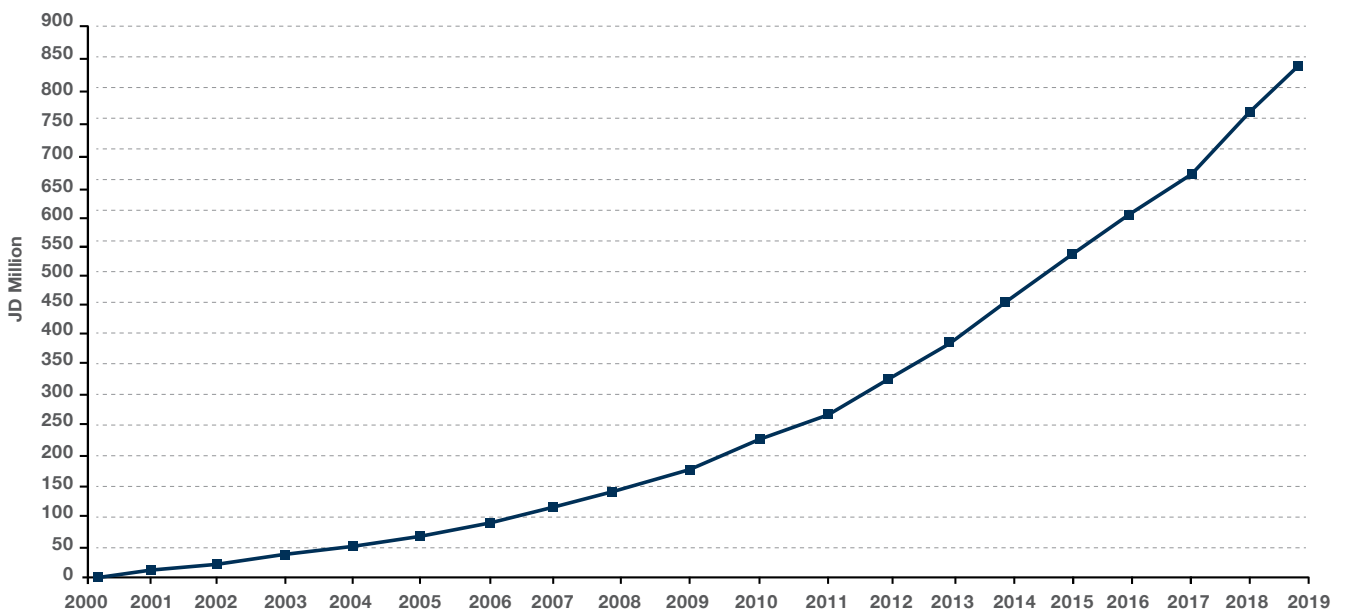
# THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

## The portfolio consists of:

- Treasury bonds with a value of JD 754.2 million; representing 90.4% of total value of the portfolio.
- Public entities bonds with a value of JD 57 million; representing 6.8% of total value of the portfolio.
- Treasury bills with a value of JD 23.6 million; representing 2.8% of total value of the portfolio.

**Outstanding balance of public debt instruments portfolio amounted to JD 834.8 million representing 97.9% of the Corporation's total assets by the end of 2019.**

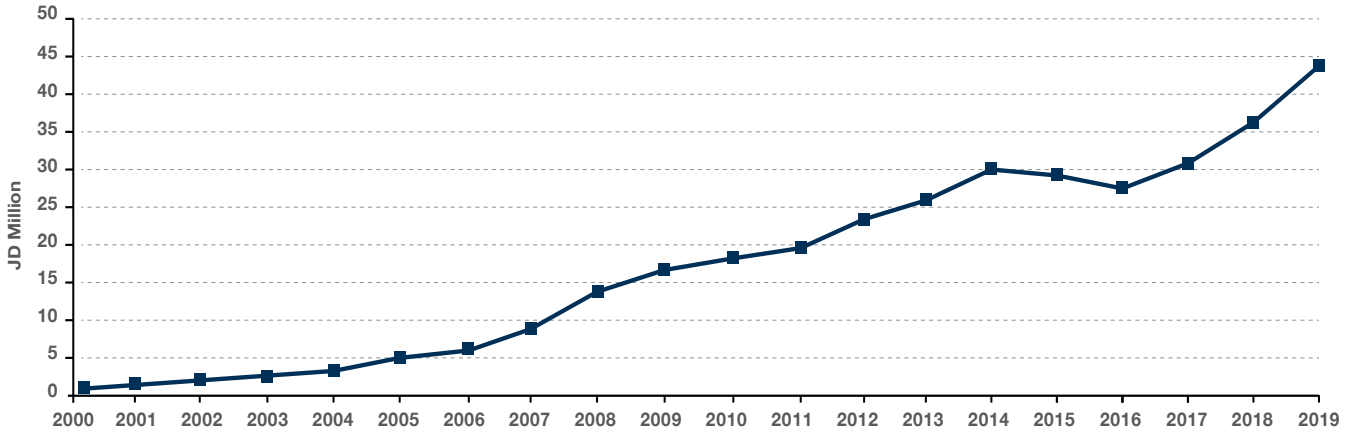
JODIC's Investments Portfolio (2000-2019)



JODIC's total investments portfolio income amounted to approximately JD 42.9 million during the year 2019 compared with JD 36.4 million during the year 2018, with an increase of 17.9%.

# THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

JODIC's Total Investments Portfolio Income (2000-2019)

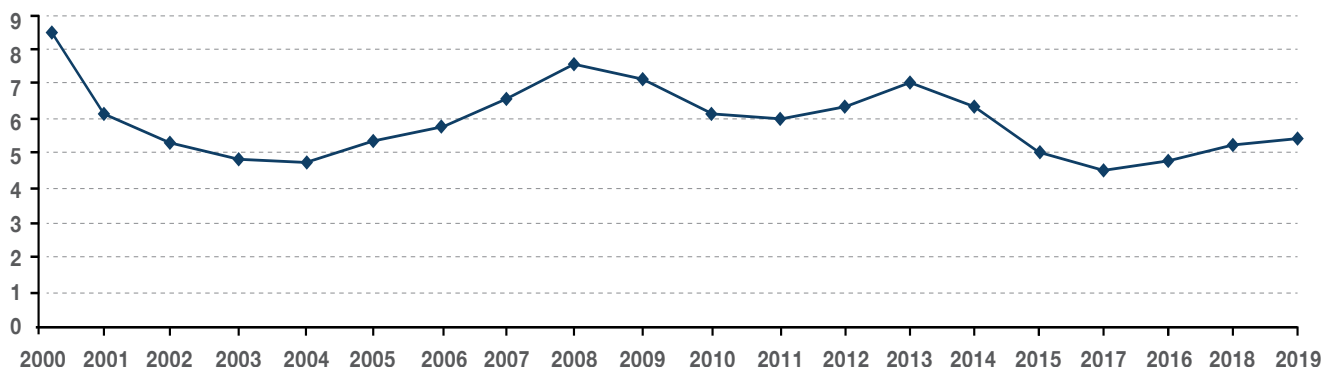


**JODIC's investments income from public debt instruments amounted to approximately JD 42.9 million during the year 2019.**

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

The Yield-to-Maturity (YTM) of the portfolio increase by 0.076% to reach 5.255% by the end of 2019 compared with 5.179% a year earlier, and the modified duration increased to reach 3.0733 year by the end of 2019 compared with 2.9436 year from the previous year.

Yield-To-Maturity of the Corporation's Portfolio (2000-2019)

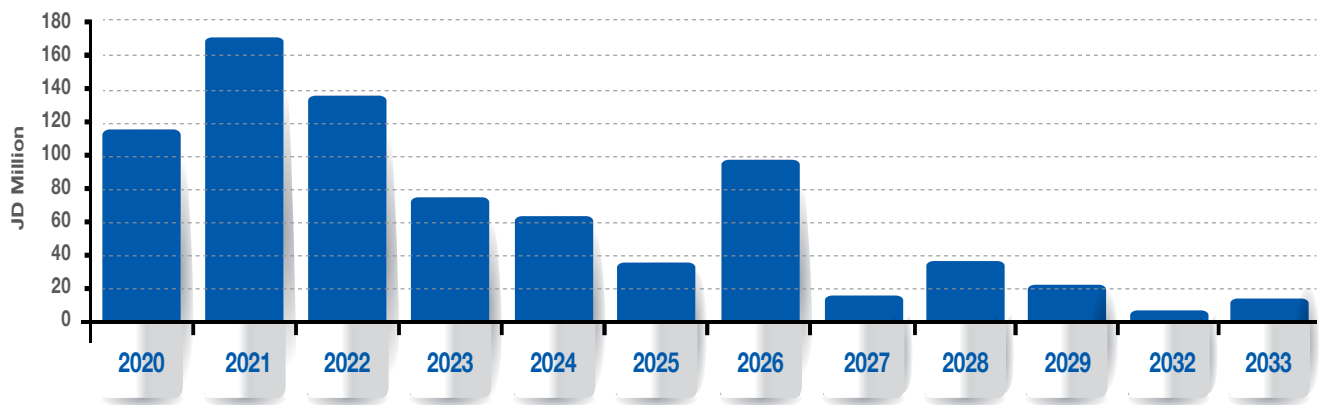


# THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

## Maturities of Financial Instruments:

By the end of 2019, the value of the redeemed bonds and bills amounted to approximately JD 165.4 million. However, short term investments in JODIC's portfolio amounted to JD 120.4 million by the end of 2019.

Corporation's Portfolio Redemption Schedule by the End of 2019



## Cash Account:

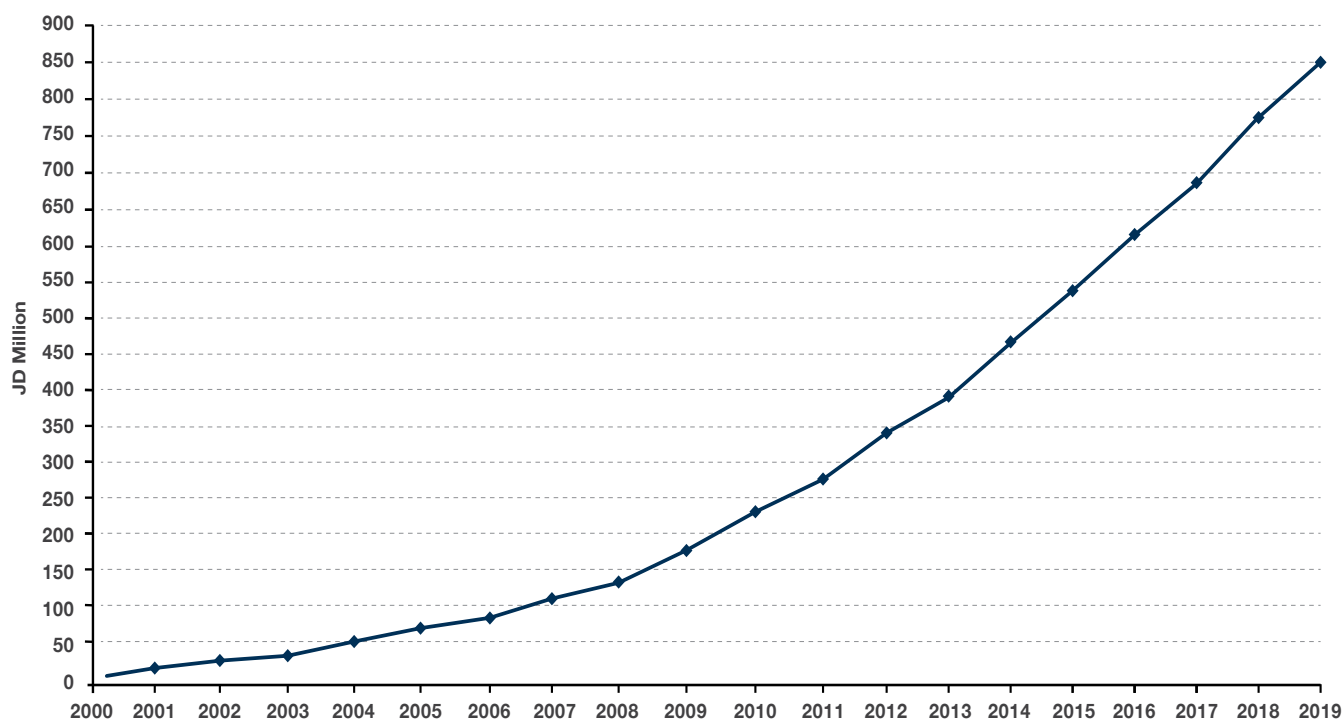
JODIC's cash balances not invested in public debt instruments is deposited at the Central Bank of Jordan (CBJ) in accordance with the Provisions of Article 24(b) of JODIC's Law. The balance of this account amounted to JD 0.6 million by the end of 2019.

## Total Reserves:

The premiums contributed by member banks and investments income resulted in raising JODIC's total reserves from JD 774.5 million by the end of 2018 to JD 849.8 million by the end of 2019. With an increase of JD 75.3 million, or by 9,7%. This level of reserves formed 4.28% of total eligible deposits amounting to JD 19835.4 million by the end of 2019, and 10.9% of estimated reimbursement amount being JD 7769.6 million.

# THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

JODIC's Reserves During (2000-2019)



**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 2019, 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 enables JODIC to manage its investments towards achieving its long - term strategic goals.**

# FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN

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.

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 4.28% by the end of 2019 compared to 4.1% by the end of 2018, it's expected to increase annually under the assumption that long term average annual growth rate of deposits denominated in Jordanian Dinar is approximately 3.7%.

## **2- Reserves to estimated reimbursement amount:**

This ratio reached 10.9% by the end of 2019 compared to 10.6% by the end of 2018. 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 3.3% and 3.1% by the end of 2019 compared to 3.5% and 3.4% respectively by the end of the year 2018.

## **4- Overhead expenses to cash flow from operations:**

This ratio decreased to 3.3% by the end of 2019 compared to 3.7% by the end of the year 2018, 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 2019, indicate the possibility to increase reserves ratio annually.**

# FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN

## Medium Term Financial Program - Performance indicators:

Item	Actual			Expected							
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Deposits subject to the provisions of JODIC's Law (JD million).	19,094	19,067	19,835	20,750	21,516	22,311	23,135	23,989	24,875	25,793	26,746
Estimated reimbursement amount (JD million).	7,464	7,328	7,770	8,336	8,435	9,050	9,710	10,417	11,177	11,991	12,865
JODIC's reserves (JD million).	691	774	850	938	1,038	1,148	1,268	1,399	1,541	1,696	1,863
JODIC's reserves to deposits subject to the provisions of the Law (%).	3.6	4.1	4.3	4.5	4.8	5.1	5.5	5.8	6.2	6.6	7.0
JODIC's reserves to estimated reimbursement amount (%).	9.3	10.6	10.9	11.3	11.6	12.0	12.3	12.7	13.0	13.3	13.7
Targeted reserves to estimated reimbursement amount (%).	7.8	7.9	7.7	7.5	7.2	7.0	6.7	6.5	6.3	6.0	5.9
Estimated reimbursement amount to deposits subject to the provisions of JODIC's Law (%).	38.6	38.0	38.8	40.2	41.6	43.0	44.5	46.0	47.6	49.3	51.0
Overhead expenses to total revenues from investments (%).	3.8	3.4	3.1	2.6	2.4	2.2	2.2	2.1	2.1	2.0	2.0
Overhead expenses to net investments income (%).	4.0	3.5	3.3	2.7	2.4	2.3	2.2	2.2	2.1	2.1	2.0
Overhead expenses to cash flow from operations (%).	4.3	3.7	3.3	2.9	2.6	2.4	2.3	2.2	2.2	2.1	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 it plays at the regional and international levels, particularly with the issuance of the Royal Decree ratifying the amended Law of Jordan Deposit Insurance Corporation (JODIC), Law No. (8) of the year 2019 that includes the mandatory membership of Islamic banks under the deposit insurance umbrella in accordance with Shariah Principles for the purpose of providing protection to depositors at banks operating in the Kingdom.

Over the operating banks in the Kingdom course of the year 2019, JODIC diversified its means of communication and maintained collaboration with banks and relevant parties through holding lectures, distributing its annual report for the year 2018 via electronic means, as well as distributing the membership sticker of the Deposit Insurance Fund to Islamic banks. JODIC is also 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.

Furthermore, as part of increasing the awareness level of the target audience about the establishment of the Deposit Insurance Fund, activities during the year 2019 included designing an introductory brochure and allocated area on the homepage of the JODIC's website, which is considered as the main electronic communication tool that introduces JODIC's business nature, news and events.

Also, to maximize the benefits of social media communications, JODIC is always keen to update and answer inquiries received on its official Facebook page.

At the international and regional levels, JODIC was elected as an Executive Council Member of the International Association of Deposit Insurers (IADI) during the Annual General Meeting (AGM) held in October 2019, and continued its membership in the Middle East and North Africa Regional Committee (MENA), the Member Relations Council Committee (MRC), as well as the technical committees of the Core Principles and Research Council Committee (CPRC) of the IADI.



## PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTIONS

To keep abreast about the field of deposit insurance, JODIC contributed actively during the year 2019 in various DI activities; conferences, seminars, regional and international workshops, in addition to the IADI EXCO meetings. For instance, it participated in the conference titled “Towards Building a More Resilient Financial System Challenges in Deposit Insurance and Bank Resolution” that was hosted by the Bank for International Settlements, (BIS) in Basel, Switzerland during May 2019, and the 18th IADI Annual General Meeting and Conference titled “Realizing Reforms: What has Changed in Deposit Insurance Systems since the Crisis?” that was hosted by the Savings Deposit Insurance Fund (SDIF) in Istanbul, Turkey, in October 2019.

It also participated in the International Conference “Promoting Communication, Financial Literacy and Transparency” that took place in Almaty, Kazakhstan at the end of February 2019, and the training programs that were organized by the Federal Deposit Insurance Corporation (FDIC) and the Korea Deposit Insurance Corporation during March and November of 2019.



**DEPOSIT INSURANCE CORPORATION  
LEGAL ENTITY WITH FINANCIAL AND  
ADMINISTRATIVE INDEPENDENCE  
AMMAN-THE HASHEMITE KINGDOM OF JORDAN**

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT FOR THE YEAR ENDED  
31 DECEMBER 2019**



# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

## 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, 2019, 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, 2019, 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.



# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

## 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.

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

- 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 Al-Azraq  
License # (1000)  
Amman, June 18, 2020

**FINANCIAL STATEMENTS & INDEPENDENT  
AUDITOR'S REPORT FOR THE YEAR  
ENDED 31 DECEMBER 2019**

**Statement of Financial Position as at 31 December 2019**

	Notes	2019	2018
		JD	JD
<b>ASSETS</b>			
<b>Current Assets</b>			
Current account at Central Bank of Jordan		595,541	729,649
Accrued interests of financial assets at amortized cost		13,007,817	11,435,568
Other debit balances		6,891	6,892
Financial assets at amortized cost - current	3	120,351,570	162,437,637
Housing financing and loans granted to employees - current	4	58,540	56,846
<b>Total Current Assets</b>		<b>134,020,359</b>	<b>174,666,592</b>
<b>Non-current Assets</b>			
Housing financing and loans granted to employees	4	1,004,474	1,057,664
Financial assets at amortized cost	3	714,434,494	598,409,863
Property and equipment	5	3,567,212	3,655,570
<b>Total Non-Current Assets</b>		<b>719,006,180</b>	<b>603,123,097</b>
<b>TOTAL ASSETS</b>		<b>853,026,539</b>	<b>777,789,689</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Other credit balances	6	48,992	33,995
<b>EQUITY</b>			
Capital	7	3,150,000	3,300,000
Reserves	8	849,827,547	774,455,694
<b>Total Equity</b>		<b>852,977,547</b>	<b>777,755,694</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>853,026,539</b>	<b>777,789,689</b>

**FINANCIAL STATEMENTS & INDEPENDENT  
AUDITOR'S REPORT FOR THE YEAR  
ENDED 31 DECEMBER 2019**

**Statement of Revenues and Expenses for the Year Ended 31 December 2019**

	Notes	2019	2018
		JD	JD
<b>Revenues</b>			
Membership fees	9	33,772,422	48,350,320
Inter-set of financial assets at amortized cost		42,888,862	36,420,198
Housing finance revenues		21,050	15,728
Granted loans interest		4,811	4,782
Others		<b>7,131</b>	<b>236</b>
<b>Total revenues</b>		<b>76,694,276</b>	<b>84,791,264</b>
Administrative expenses	10	(1,322,423)	(1,229,648)
<b>Surplus</b>		<b>75,371,853</b>	<b>83,561,616</b>

**Statement of Changes in Equity for the Year Ended 31 December 2019**

	Capital	Reserves	Total
	JD	JD	JD
<b>Balance as at January 1, 2018</b>	<b>3,300,000</b>	<b>690,894,078</b>	<b>694,194,078</b>
Surplus	-	83,561,616	<b>83,561,616</b>
<b>Balance as at December 31, 2018</b>	<b>3,300,000</b>	<b>774,455,694</b>	<b>777,755,694</b>
Amount paid to Deposit Insurance Fund at Islamic Banks from the government contribution to the corporation's capital	(150,000)	-	(150,000)
Surplus	-	75,371,853	75,371,853
<b>Balance as at December 31, 2019</b>	<b>3,150,000</b>	<b>849,827,547</b>	<b>852,977,547</b>

**FINANCIAL STATEMENTS & INDEPENDENT  
AUDITOR'S REPORT FOR THE YEAR  
ENDED 31 DECEMBER 2019**

**Statement of Cash Flows for the Year Ended 31 December 2019**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
<b>Cash Flows From Operating Activities</b>		
Surplus	75,371,853	83,561,616
<b>Adjustments:</b>		
Depreciation	120,718	118,358
Gain on sale of property and equipment	(311)	(236)
Interest revenues	(42,888,862)	(36,420,198)
<b>Changes in operating assets and liabilities:</b>		
Other debit balances	1	58
Other credit balances	14,997	(22,304)
<b>Net cash from operating activities</b>	<b>32,618,396</b>	<b>47,237,294</b>
<b>Cash Flows From Investing Activities</b>		
Financial assets at amortized cost	(73,938,564)	(104,309,421)
Housing financing and loans granted to employees	51,496	(63,403)
Interest received	41,316,613	34,395,280
Proceeds from sale of property and equipment	329	521
Purchase of property and equipment	(32,378)	(11,858)
<b>Net cash from investing activities</b>	<b>(32,602,504)</b>	<b>(69,988,881)</b>
<b>Cash Flows From Financing Activities</b>		
Amount paid to Deposit Insurance Fund at Islamic Banks from the government contribution to the corporation's capital	(150,000)	-
<b>Net cash from financing activities</b>	<b>(150,000)</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>	<b>(134,108)</b>	<b>(22,751,587)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>729,649</b>	<b>23,481,236</b>
<b>Cash and cash equivalents - end of year</b>	<b>595,541</b>	<b>729,649</b>
<b>Information about non-cash transaction</b>		
"Closing the remaining balance of solar system - project under construction in the deposits account"	-	6,105

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

## Notes to the Financial Statements For The Year Ended 31 December 2019

### (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 Corporation aims to protect bank depositors by insuring their deposits under the provisions of this law, in order to encourage savings, promote confidence in the banking system and contribute to maintain banking and financial stability in the Kingdom. This is done by ensuring that depositors have access to their deposits in any bank to be liquidated within the limits set by the law, which aims in its entirety to compensate the depositors up to fifty thousand Jordanian Dinars. Moreover, to urge senior depositors to impose their own and additional supervision on banks alongside the ongoing monitoring carried out 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 insures bank deposits in Jordanian Dinars with an amount not exceeding fifty thousand Jordanian Dinars per depositor per member bank. Member banks are represented in all Jordanian banks and the branches of foreign banks operating in the Kingdom, with exception to the branches of Jordanian banks operating outside the Kingdom.
- The Corporation shall as well insure bank deposits in any foreign currency that the Central Bank shall decide to make subject to the provisions of this law.
- The Corporation sources of fund consist of the following:
  - Annual membership fees paid by the banks to the Corporation.
  - Return on investments of the Corporation's funds.
  - Any loans obtained by the Corporation in accordance with the provisions of this law.
  - Any financial grants shall be given to the Corporation with the approval of the Central Bank's Board of Directors. In the event that these grants are provided by non-Jordanian parties, the approval of the Council of Ministers must be obtained.
  - Any refunds received by the Corporation from liquidation proceedings or as a result of any of the procedures stipulated in Article No. (38 bis) of this law.
- The financial statements were approved by the Board of Directors in its session held on June 18, 2020.

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 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, issued by International Accounting Standards Board.

#### - 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 Standard No. (16)

As of January 1, 2019, the entity adopted the International Financial Reporting Standard No. (16) Lease contracts, which replaces:

- IAS 17 Leases.
- IFRIC- 4 Determining whether an Arrangement contains a lease.
- SIC-15 Operating Leases - Incentives.
- SIC-27 Evaluating the Substance of Transactions Involving the legal form of a lease.

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The International Financial Reporting Standard No. (16) brings significant changes in accounting requirements and treatments of the operating leases, primarily for lessees, whereby all lease contracts were capitalized as assets and recognize an obligations against them with narrow exceptions to this recognition principle for leases where the underlying asset is of low value and for short term leases (i.e. those with a lease term of 12 months or less). The accounting treatment of the lease contracts has remains largely unchanged, as the lessor will continue to classify the lease contracts as either operating lease or finance lease, using principles similar to those in International Accounting Standard No. (17).

- The entity has chosen to apply this standard with modified retrospective approach (without adjusting the comparative figures) which is allowed by the standard.
- The most important impact of IFRS (16) on lease contracts in terms of:

### **Definition of lease contracts**

What distinguishes this standard is the concept of control, whereby lease and service contracts are classified on the basis of whether the customer has control over the use of an identified asset for a period of time in exchange for a consideration and this is opposite to what IAS no. (17) emphasize on risks and incentives.

### **Lessee's accounting treatments for lease contracts (operating lease)**

What distinguishes this standard is the way the entity account for operating lease contracts as they are outside the financial statements.

Applying the standard to all lease contracts with the exception for leases where the underlying asset is of low value and for short term leases (i.e. those with a lease term of 12 months or less). the entity does the following:

- A recognition of the right-of-use assets and liabilities of the lease contracts in the statement of financial position initially at the present value of future lease payments.
- The depreciation of the right-of-use assets and profits is recognized on the lease liabilities in the income statement.
- In the statement of cash flows, the payments that reduces lease liability are classified within financing activities and the amounts related to the interest expense of the lease liabilities are classified within operating or financing activities. As for short-term lease contracts or



low-value leases (non-capitalized) contracts, they are classified under operating activities.

- The principle amount of the lease contract within financing activities and profits on lease liabilities within operating activities.

For short-term lease contracts of one year or less, and lease contracts for low-value leased assets are recognized as an expense in the income statement on a straight-line basis.

The International Financial Reporting Standard No. (16) provides for testing the impairment of the right of use assets in accordance with Accounting Standard No. (36) Impairment of Assets, and this is different from the International Accounting Standard No. (17), which required recognition of a provision for onerous lease contracts.

### **Lessee's accounting treatments for lease contracts (finance lease)**

What distinguishes this standard is the residual value guarantees provided by the lessee to the lessor, whereby the expected amount to be paid is recognized as part of the lease liability, while International Accounting Standard No. (17) recognizes the maximum for the guaranteed amount.

- Based on management assessment there is no significant effect of applying IFRS (16) on the financial statements.

**FINANCIAL STATEMENTS & INDEPENDENT  
AUDITOR'S REPORT FOR THE YEAR  
ENDED 31 DECEMBER 2019**

**Standards and Interpretations issued but not yet effective**

<b>Standard number or Interpretation</b>	<b>Description</b>	<b>Effective date</b>
<p><b>Accounting Standard No. (1) Presentation of financial statements.</b></p> <p><b>Accounting Standard No. (8) Accounting policies, changes in accounting estimates and errors</b></p>	<p>Definition of material Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements</p>	<p>January 1, 2020 or after</p>
<p><b>International Financial Reporting Standard (17) Insurance Contracts</b></p>	<p>IFRS (17) replaces IFRS (4), which requires measuring insurance liabilities at the present value of the consideration and provides a more consistent approach to measurement and presentation of all insurance contracts.</p>	<p>January 1, 2022 or after</p>
<p><b>Amendments to IFRS (3) Business Combinations.</b></p>	<p>Modifications to the definition of business. In order to be considered business it must be an integrated set of activities and assets and include as a minimum inputs and an objective process that together contribute greatly to the ability to create outputs.</p> <p>It should have the ability to contribute to the creation of outputs rather than the ability to create outputs</p>	<p>January 1, 2020 or after</p>
<p><b>Amendments to the International Financial Reporting Standard No. (10) Consolidated Financial Statements and International Accounting Standard No. (28) Associates and Joint Ventures.</b></p>	<p>These amendments relate to the sale or contribution of assets between the investor, the associate and / or the joint venture.</p>	<p>Undetermined date</p>

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

## 2-4 Summary of significant accounting policies

### - 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.

### - Financial assets

- A financial asset is any asset that is:

- (a) Cash;
- (b) An equity instrument of another entity;
- (c) 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.
- (d) 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:
- (a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
  - (b) 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.

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

## Subsequent measurement of financial assets

Subsequently financial assets are measured as follows:

Financial assets	Subsequent measurement
Financial assets at amortized cost	<p>Are subsequently measured at amortized cost using effective interest method.</p> <ul style="list-style-type: none"> <li>- Amortized cost is reduced by impairment losses.</li> <li>- Interests income, gain and loss of foreign exchange and impairment loss are recognized in profit or loss.</li> <li>Gain and loss from disposal are recognized in profit or loss.</li> </ul>

### - Disposal of financial assets

Disposal 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.

### - Financial liabilities

- A financial liability is any liability that is:

- (a) 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

(b) 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.

### - Trade payables and accruals

Trade payables and accruals are liabilities to pay for goods or services that have been received

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

or supplied and have been either invoiced or formally agreed with the suppliers or not.

### - **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.

### - **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.

### - **Granted loans**

- Housing loan/ financing is given for the following purposes:
  - To build a house within the kingdom on a wholly owned land or a roof owned for this purpose.
  - To purchase a house or an apartment in the Kingdom.
  - To purchase a land and to build a residence on it in the Kingdom.
  - To buy a partner's share in the land or property for full ownership with the exception to the purchase of the husband's or wife's shares.
  - To maintain a house he owns, add any parts, or make any improvements to it.
  - To pay off any bank debts or debts owed to any public authority as long as the debt is given for any of the reasons mentioned in this paragraph.
- The loan and its interests/ financing shall be paid in a period not exceeding thirty years from the date of granting, provided that the employee's age should not exceed seventy years old at end of this period.

### - **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 recognizes 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

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

the entity's 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 asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The entity writes off the gross carrying amount of the financial asset in case of, liquidation, bankruptcy or issuance of a court ruling to reject the claim for financial asset.

### - **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 :

<b>Category</b>	<b>Depreciation rate</b>
Building	3
Computers and telecommunication	10-25
Furniture 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, impairment losses are calculated in accordance with impairment of assets policy.

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

- 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.

### **-Impairment of non-financial assets**

- At each statement of financial position date, management reviews the carrying amounts of its non-financial assets (property and equipment) 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.

### **- 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.

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

## - 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.

## - 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		
	2020 JD	2021 JD	2022 JD	2023 JD	2024 JD	2025 JD	2026 JD	2027 JD	2028 JD	2029 JD	2032 JD	2033 JD	Total JD	2019 JD	2018 JD
Treasury bonds	96,800,000	170,998,688	97,911,551	78,419,091	57,300,000	41,288,480	102,498,929	17,999,391	42,023,416	25,994,948	8,000,000	15,000,000	657,434,494	754,234,494	670,010,300
Treasury bills	23,551,570	-	-	-	-	-	-	-	-	-	-	-	-	23,551,570	33,837,200
National Electric Power Company	-	-	24,000,000	-	-	-	-	-	-	-	-	-	24,000,000	24,000,000	24,000,000
Public institutions bonds	-	3,000,000	20,000,000	-	10,000,000	-	-	-	-	-	-	-	33,000,000	33,000,000	33,000,000
<b>Total</b>	<b>120,351,570</b>	<b>173,998,688</b>	<b>141,911,551</b>	<b>78,419,091</b>	<b>67,300,000</b>	<b>41,288,480</b>	<b>102,498,929</b>	<b>17,999,391</b>	<b>42,023,416</b>	<b>25,994,948</b>	<b>8,000,000</b>	<b>15,000,000</b>	<b>714,434,494</b>	<b>834,786,064</b>	<b>760,847,500</b>

- The average interest rates on bonds ranging between 3,47% - 7,999% per year for 2019 (between 3,162% - 7,999% for 2018).
- The average interest rate on treasury bills ranging between 3,571% - 4,441% for 2019 (between 4,121% - 4,450% for 2018).
- 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).



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**(4) Housing financing and loans granted to employees**

**Movement on financing and housing loans provided to employees during the year is as follows:**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Financing and loans balance at the beginning of the year	1,114,510	1,051,107
"The amount of financing and loans provided during the year"	5,350	192,325
Interest added on loan balances during the year	4,811	4,782
Finance revenues	21,050	15,728
The amount of financing and loan proceeds during the year	(82,707)	(149,432)
Financing and loans balance at the end of the year	1,063,014	1,114,510
Housing financing and loans granted - current	58,540	56,846
Housing financing and loans granted - non-current	1,004,474	1,057,664
<b>Financing and loans balance at the end of the year</b>	<b>1,063,014</b>	<b>1,114,510</b>

- This item represents the remaining balance of housing financing and loans granted to eighteen employees of Deposit Insurance Corporation, loans were granted to employees with the guarantee of a real estate first-degree mortgage in favor of Deposit Insurance Corporation in accordance with the provisions of the article 116 – paragraph (B) of the Administrative Instructions for Personnel Affairs and its amendments.

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

### (5) Property and equipment

2019	Land	Building	Computers and telecommunication	Furniture and decorations	Vehicles	Project works for the second storey of the Corporation's building - under construction	Solar power project - under construction	Total
	JD	JD	JD	JD	JD	JD	JD	JD
<b>Cost</b>								
Balance - beginning of year	1,157,050	3,796,769	120,416	185,922	57,657			5,317,814
Additions			13,979	399		18,000		32,378
Disposals			(15,530)	(2,881)				(18,411)
Balance - end of year	1,157,050	3,796,769	118,865	183,440	57,657	18,000		5,331,781
<b>Accumulated depreciation</b>								
Balance - beginning of year		1,322,140	98,593	183,856	57,655			1,662,244
Depreciation		113,903	6,524	291				120,718
Disposals			(15,513)	(2,880)				(18,393)
Balance - end of year		1,436,043	89,604	181,267	57,655			1,764,569
<b>Net</b>	1,157,050	2,360,726	29,261	2,173	2	18,000		3,567,212

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

2018	Land	Building	Computers and telecommunication	Furniture and decorations	Vehicles	Project works for the second storey of the Corporation's building - under construction	Solar power project - under construction	Total
	JD	JD	JD	JD	JD	JD	JD	JD
<b>Cost</b>								
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)
<b>Balance - end of year</b>	1,157,050	3,796,769	120,416	185,922	57,657	-	-	5,317,814
<b>Accumulated depreciation</b>								
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)
<b>Balance - end of year</b>	-	1,322,140	98,593	183,856	57,655	-	-	1,662,244
<b>Net</b>	1,157,050	2,474,629	21,823	2,066	2	-	-	3,655,570

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**(6) Other credit balances**

	2019	2018
	JD	JD
Accrued expenses	46,180	31,583
Deposits	2,812	2,412
<b>Total</b>	<b>48,992</b>	<b>33,995</b>

**(7) Capital**

	2019	2018
	JD	JD
Non-refundable establishment fee (*)	2,300,000	2,300,000
Government contribution (**)	850,000	1,000,000
<b>Total</b>	<b>3,150,000</b>	<b>3,300,000</b>

(\*) Non-refundable establishment fee of JD 100,000 is taken from each member bank.

(\*\*) Based on what was stated in the law amending the Deposit Insurance Corporation law No. (8) for 2019, it was decided to establish the Deposit Insurance Fund at Islamic Banks and also, it was decided that the Corporation will pay an amount of JD 150,000 that will be deducted from the government's contribution to the Corporation's capital.

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

### **(8) Reserves**

According to the requirements of the articles 18 and 19 of the Deposit Insurance Corporation law No. 33 for the year 2000 and its amendments, the Corporation must:

- Act to form reserves for itself amounting to 3% of the total deposits subject to the provisions of this law. The Council of Ministers may, based on the recommendation of the Corporation's Board of Directors, decide to increase the set-limit for the Corporation's reserves. If the Corporation's reserves do not reach the set-limit within a period of ten years from the enforcement of this law, or if the Corporation's reserves fall short of the set-limit after having reached it, or if a bank is to be liquidated before the Corporation's reserves reach the set-limit, the Corporation's Board of Directors may increase the banks' annual membership fee to no more than double the annual membership fee for banks stipulated by the law.
- If the Corporation's reserves exceed the limit prescribed by law, the Corporation's Board of Directors may lower the annual membership fee or exempt banks from paying the fee for one year or more as the circumstances require.
- Knowing that the ratio of the Corporation's reserves to the total deposits that are subject to the law as at December 31, 2019 reached 4.2%, exceeding the legal set-limit of 3%.

### **(9) Membership fees**

During the year, the Corporation collected annual subscription fees from the banks at a rate of one hundred seventy-five thousandths of the total deposits subject to the provisions of the law, with the exception to the following deposits:

- 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. (12) of Deposit Insurance Corporation law have been reduced from (2.5 per thousand) to (1.75 per thousand) of the total deposits subject to the provisions of the law.

**FINANCIAL STATEMENTS & INDEPENDENT  
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**(10 )Administrative expenses**

	2019	2018
	JD	JD
Salaries, wages and related benefits	596,123	542,822
End of service indemnity	179,036	157,870
Depreciation	120,718	118,358
Social security contribution	67,975	61,557
Water and electricity	65,914	59,335
Health insurance and medical treatments	59,629	51,170
Corporation's contribution in saving fund	47,275	42,808
Subscriptions	25,302	25,314
Security	21,528	21,516
Members and secretary of the Board of Directors' remunerations	18,600	18,600
Professional fees	16,000	15,600
Cleaning	14,411	14,531
Training	13,506	19,912
Maintenance	12,787	19,585
Fuel	12,549	9,499
Insurance	11,589	10,363
Corporation's contribution on social activity committee	11,344	9,968
Travel and transportation	5,911	5,438
Government fees and licenses	5,760	5,760
Advertisements and subscription in local newspapers	4,235	6,303
Hospitality	3,682	3,972
Stationery and printings	3,325	2,476
Communications	3,324	3,388
Miscellaneous	1,900	3,503
<b>Total</b>	<b>1,322,423</b>	<b>1,229,648</b>

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

## (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, in addition to diversification of maturity.

### 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.

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**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	
	2019	2018	2019	2018
	JD	JD	JD	JD
<b>Financial assets:</b>				
Current account at Central Bank of Jordan	595,541	729,649	-	-
Accrued interests of financial assets at amortized cost	13,007,817	11,435,568	-	-
Other debit balances	865	865	-	-
Financial assets at amortized cost	120,351,570	162,437,637	714,434,494	598,409,863
Housing financing and loans granted to employees	58,540	56,846	1,004,474	1,057,664
<b>Total</b>	<b>134,014,333</b>	<b>174,660,565</b>	<b>715,438,968</b>	<b>599,467,527</b>
<b>Financial liabilities:</b>				
Other credit balances	48,992	33,995	-	-
<b>Total</b>	<b>48,992</b>	<b>33,995</b>	<b>-</b>	<b>-</b>

**(12) Reclassification**

Certain 2018 balances were reclassified to conform to the classification adopted in 2019.



**DEPOSIT INSURANCE FUND FOR ISLAMIC  
BANKS LEGAL ENTITY  
AMMAN-THE HASHEMITE KINGDOM OF  
JORDAN**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE PERIOD FROM INCEPTION  
ON APRIL 1, 2019 TO DECEMBER 31, 2019**

# Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019

## INDEPENDENT AUDITOR'S REPORT

**To Messrs. Board of Directors**  
**Deposit Insurance Fund for Islamic Banks**  
**Legal entity**  
**Amman - The Hashemite Kingdom of Jordan**

### Opinion

We have audited the financial statements of Deposit Insurance Fund for Islamic Banks (legal entity), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenses, changes in equity and cash flows for the period from inception on April 1, 2019 to December 31, 2019, 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 fund as at December 31, 2019, and of its financial performance and its cash flows for the period then ended in accordance with Islamic Shari'ah rules and principles as endorsed by the company's Shari'ah Supervisory Board and in accordance with Accounting Standards for Islamic Financial Institution issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

### 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 fund 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.

## **Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019**

### **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 Islamic Shari'ah rules and principles as determined by the Shari'ah Supervisory Board in accordance with Accounting Standards for Islamic Financial Institution issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), 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 fund'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 fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the fund's

### **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 fund's internal control.

## **Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019**

- 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 fund'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 fund 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 fund 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

Aziz Abdelkader

License # (867)

Amman, June 18, 2020

## Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019

### Statement of financial position as at December 31, 2019

	Notes	2019
		JD
<b>ASSETS</b>		
<b>Current Assets</b>		
Current account at Central Bank of Jordan		10,401,172
<b>TOTAL ASSETS</b>		<b>10,401,172</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Accrued expenses		1,000
<b>TOTAL LIABILITIES</b>		<b>1,000</b>
<b>EQUITY</b>		
Capital	3	550,000
Reserves	4	9,850,172
Total Equity		10,400,172
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,401,172</b>

### Statement of revenues and expenses for the period from inception on April 1, 2019 to December 31, 2019

	Notes	For the period from inception on April 1, 2019 to December 31, 2019
		JD
<b>Membership fees</b>	5	9,857,611
Administrative expenses	6	(7,439)
Surplus		9,850,172

## Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019

### Statement of changes in equity for the period from inception on April 1, 2019 to December 31, 2019

	Capital JD	Reserves JD	Total JD
Capital paid	550,000	-	550,000
Surplus	-	9,850,172	9,850,172
Balance as at December 31, 2019	550,000	9,850,172	10,400,172

### Statement of cash flows for the period from inception on April 1, 2019 to December 31, 2019

	For the period from inception on April 1, 2019 to December 31, 2019
	JD
<b>Cash Flows From Operating Activities</b>	
Surplus	9,850,172
Changes in operating assets and liabilities:	
Accrued expense	1,000
Net cash from operating activities	9,851,172
<b>Cash Flows From Financing Activities</b>	
Capital paid	550,000
Net cash from financing activities	550,000
Net change in cash and cash equivalents	10,401,172
Cash and cash equivalents - end of year	10,401,172

# Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019

Notes to the financial statements for the period from inception on April 1, 2019 to December 31, 2019

## 1. Legal status and activities

- The fund was established on April 1, 2019 as a legal entity by virtue of the amending law of the Deposit Insurance Corporation law number 8 for the year 2019, it will be managed by Deposit Insurance Corporation. The relationship between the fund and the corporation shall be on the basis of Wakalah bi al ajr “agency with fee”, and all matters of this relationship shall be governed by a decision of the board. The fund’s structure is compliant with the principles of Solidarity and cooperation Benefits (Takaful and Ta’awun). Therefore, the fund’s financial resources that are paid by Islamic banks, deposit holders and the corporation shall be considered as Tabarru’.
- The Corporation aims, through the Deposit Insurance Fund for Islamic Banks; to protect depositors at Islamic banks by insuring their deposits under the provisions of this law, in order to encourage savings, promote confidence in the banking system and contribute to maintain banking and financial stability in the Kingdom. This is done by ensuring that depositors have access to their deposits in any Islamic bank to be liquidated within the limits set by the law, which aims in its entirety to compensate depositors up to fifty thousand Jordanian Dinars. Moreover, to urge senior depositors to impose their own and additional supervision on Islamic banks alongside the ongoing monitoring carried out by the Central Bank of Jordan.
- The financial resources of the Fund consist of the following:
  - Annual membership fees paid by Islamic banks
  - Returns on the investments of the Fund.
  - Any Qard Hasan received by the fund.
  - Any financial grants given to the Fund with the approval of the Central Bank’s Board of Directors. The Council of Ministers’ approval must be also obtained if the grant is given by a non-Jordanian agency.
  - The fund of the Deposit Insurance Fund for Islamic Banks shall be transferred, in case of liquidation, to the Zakat Fund in the kingdom after covering all expenses and losses related to the Fund.
  - The financial statements were approved by the Board of Directors in its session held on June 18, 2020.

## 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 Accounting Standards for Islamic Financial Institutions issued by Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI). In the absence of Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions relating to financial statements items, the International Financial Reporting Standards and related interpretations are applied in conformity with the Shari’ah standards, pending the promulgation of Islamic Standards therefor.

## **Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019**

- **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 Standard No. (16)

As of January 1, 2019, the entity adopted the International Financial Reporting Standard No. (16) Lease contracts, which replaces:

- IAS 17 Leases.
- IFRIC- 4 Determining whether an Arrangement contains a lease.
- SIC-15 Operating Leases - Incentives.
- SIC-27 Evaluating the Substance of Transactions Involving the legal form of a lease.
- The International Financial Reporting Standard No. (16) brings significant changes in accounting requirements and treatments of the operating leases, primarily for lessees, whereby all lease contracts were capitalized as assets and recognize an obligations against them with narrow exceptions to this recognition principle for leases where the underlying asset is of low value and for short term leases (i.e. those with a lease term of 12 months or less). The accounting treatment of the lease contracts has remains largely unchanged, as the lessor will continue to classify the lease contracts as either operating lease or finance lease, using principles similar to those in International Accounting Standard No. (17).



## Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019

- The entity has chosen to apply this standard with modified retrospective approach (without adjusting the comparative figures) which is allowed by the standard.
- The most important impact of IFRS (16) on lease contracts in terms of:
  - **Definition of lease contracts**

What distinguishes this standard is the concept of control, whereby lease and service contracts are classified on the basis of whether the customer has control over the use of an identified asset for a period of time in exchange for a consideration and this is opposite to what IAS no. (17) emphasize on risks and incentives.

- **Lessee's accounting treatments for lease contracts (operating lease)**
- What distinguishes this standard is the way the entity account for operating lease contracts as they are outside the financial statements.
  - Applying the standard to all lease contracts with the exception for leases where the underlying asset is of low value and for short term leases (i.e. those with a lease term of 12 months or less). the entity does the following:
    - A recognition of the right-of-use assets and liabilities of the lease contracts in the statement of financial position initially at the present value of future lease payments.
    - The depreciation of the right-of-use assets and profits is recognized on the lease liabilities in the income statement.
    - In the statement of cash flows, the payments that reduces lease liability are classified within financing activities and the amounts related to the interest expense of the lease liabilities are classified within operating or financing activities. As for short-term lease contracts or low-value leases (non-capitalized) contracts, they are classified under operating activities.
    - The principle amount of the lease contract within financing activities and profits on lease liabilities within operating activities.

For short-term lease contracts of one year or less, and lease contracts for low-value leased assets are recognized as an expense in the income statement on a straight-line basis.

The International Financial Reporting Standard No. (16) provides for testing the impairment of the right of use assets in accordance with Accounting Standard No. (36) Impairment of Assets, and this is different from the International Accounting Standard No. (17), which required recognition of a provision for onerous lease contracts.

- **Lessee's accounting treatments for lease contracts (finance lease)**

## Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019

What distinguishes this standard is the residual value guarantees provided by the lessee to the lessor, whereby the expected amount to be paid is recognized as part of the lease liability, while International Accounting Standard No. (17) recognizes the maximum for the guaranteed amount.

- Based on management assessment there is no significant effect of applying IFRS (16) on the financial statements.

### Standards and Interpretations issued but not yet effective

Standard number or interpretation	Description	Effective date
Accounting Standard No. (1) Presentation of financial statements. Accounting Standard No. (8) Accounting policies, changes in accounting estimates and errors	Definition of material Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.	January 1, 2020 or after
International Financial Reporting Standard (17) Insurance Contracts	IFRS (17) replaces IFRS (4), which requires measuring insurance liabilities at the present value of the consideration and provides a more consistent approach to measurement and presentation of all insurance contracts.	January 1, 2022 or after
Amendments to IFRS (3) Business Combinations.	Modifications to the definition of business. In order to be considered business it must be an integrated set of activities and assets and include as a minimum inputs and an objective process that together contribute greatly to the ability to create outputs. It should have the ability to contribute to the creation of outputs rather than the ability to create outputs	January 1, 2020 or after
Amendments to the International Financial Reporting Standard No. (10) Consolidated Financial Statements and International Accounting Standard No. (28) Associates and Joint Ventures.	These amendments relate to the sale or contribution of assets between the investor, the associate and / or the joint venture.	Undetermined date

# Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019

## 2-4 Summary of significant accounting policies

### - 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.

### - Financial assets

A financial asset is any asset that is:

- (a) Cash;
- (b) An equity instrument of another entity;
- (c) 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.
- (d) A contract that will or may be settled in the entity's own equity instruments.

### - Financial liabilities

- A financial liability is any liability that is:
  - (a) 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
  - (b) 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.

### - 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.

## Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019

### - 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.

### - 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.

### - 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.

### - Membership fees

- Annual membership fees of banks are recognized at 2.5 per thousand of the total deposits subject to the provisions of this law with Islamic banks overtime, it is calculated and collected based on the year-end total of the following accounts:
  - 1- Credit accounts or their equivalents.
  - 2- Mutual Fund accounts or their equivalents.
- Private investment accounts or their equivalents shall be excluded from deposits subject to the provisions of the law.
- Two separate portfolios are established in the Fund, as follows:
  - “Takaful” Portfolio of Credit Accounts: the annual membership fees paid by Islamic banks for Credit Accounts or their equivalents, and for the portion of Mutual Fund Accounts-nonprofit sharing.
  - “Takaful” Portfolio of Mutual Fund Accounts: the annual membership fees paid by Islamic Banks shall be credited to the portfolio on behalf of the holders of Mutual Investment Accounts or their equivalents.

## Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019

### 3. Capital

	2019
	JD
Non-refundable establishment fee (*)	400,000
Government's contribution in the Fund's capital	150,000
<b>Total</b>	<b>550,000</b>

(\*) Non-refundable establishment fee of JD 100,000 is collected from every Islamic Bank member at the Fund.

### 4. Reserves

	2019
	JD
"Takaful" portfolio of Mutual Fund Accounts	5,248,317
"Takaful" portfolio of Credit Accounts	4,601,855
<b>Total</b>	<b>9,850,172</b>

### 5. Membership fees

	2019
	JD
Membership fees of "Takaful" portfolio of Mutual Fund Accounts	5,252,281
Membership fees of "Takaful" portfolio of Credit Accounts	4,605,330
<b>Total</b>	<b>9,857,611</b>

## Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019

### 6. Administrative expenses

	For the period from inception on April 1, 2019 to December 31, 2019
	JD
Wakalah bi al ajr "agency with fee" for Deposit Insurance Corporation	3,750
Professional fees	3,083
Advertisements and subscription to local newspapers	550
Stationery and printings	56
<b>Total</b>	<b>7,439</b>

### 7. 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) 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.

## Financial Statements and Independent Auditor's Report for the period from inception on April 1, 2019 to December 31, 2019

### d) 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 credit risk.

### e) 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:

## 5. Membership fees

Description	Less than one year
	2019
	JD
Financial assets:	
Current account at Central Bank of Jordan	10,401,172
Total	10,401,172
Financial liabilities:	
Accrued expense	1,000
<b>Total</b>	<b>1,000</b>

## 8. General

These are the first audited financial statements issued by the fund.

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