DEPOSIT INSURANCE CORPORATION
(LEGAL CORPORATION WITH FINANCIAL AND ADMINISTRATIVE INDEPENDENCE)

FINANCIAL STATEMENTS

31 DECEMBER 2014

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INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF DEPOSIT INSURANCE CORPORATION

Report on the financial statements

We have audited the financial statements of Deposit Insurance Corporation (Legal Corporation with financial and administrative independence) which comprise the statement of financial position as at 31 December 2014 and the statements of revenues and expenses, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, We conducted our audit in accordance with International Standards on Auditing, Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement, An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements, We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the corporation as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

PricewaterhouseCoopers "Jordan" L.L.C.

Osama Marouf
License No. (718)

Amman, Jordan
19 April 2015

	Note	2014	2013
		JD	JD
Assets			
Cash at Central Bank of Jordan		413,211	425,411
Accrued interest on bonds		7,280,974	7,286,282
Investment in held to maturity bonds	4	453,800,000	384,195,100
Employees' housing loans		921,858	849,722
Other debit balances		5,803	5,830
Property and equipment, net	5	4,010,126	4,149,672
Total Assets		466,431,972	396,912,017
Liabilities And Equity			
Liabilities			
Other credit balances		32,425	29,134
Equity			
Capital	6	3,300,000	3,300,000
Reserves	7	463,099,547	393,582,883
Total Equity		466,399,547	396,882,883
Total Liabilities And Equity		466,431,972	396,912,017

The notes from 1 to 11 are an integral part of these financial statements

	Note	2014	2013
		JD	JD
Revenues			
Membership fees	8	41,085,979	34,772,821
Interest on held to maturity bonds		29,451,460	25,550,935
Employees' housing loans revenues		10,555	14,641
Interest on employees' loans		3,799	3,898
TOTAL INCOME		70,551,793	60,342,295
Less: administrative expenses	9	1,035,129	951,750
Net revenues		69,516,664	59,390,545

The notes from 1 to 11 are an integral part of these financial statements

	Capital	Reserves	Total
	JD	JD	JD
2014			
Balance at 1 January 2014	3,300,000	393,582,883	396,882,883
Net revenues	-	69,516,664	69,516,664
Balance at 31 December 2014	3,300,000	463,099,547	466,399,547
2013			
Balance at 1 January 2013	3,300,000	334,192,338	337,492,338
Net revenues	-	59,390,545	59,390,545
Balance at 31 December 2013	3,300,000	393,582,883	396,882,883

The notes from 1 to 11 are an integral part of these financial statements

	2014	2013
	JD	JD
OPERATING ACTIVITIES		
Net revenues	69,516,664	59,390,545
Adjustments for:		
Depreciation	140,831	140,612
Interest on held to maturity bonds	(29,451,460)	(25,550,935)
Changes in operating assets and liabilities:		
Other debit balances	27	(17)
Accrued expenses and other credit balances	3,291	2,136
Net cash from operating activities	40,209,353	33,982,341
INVESTING ACTIVITIES		
Maturity of held to maturity bonds	158,795,100	111,435,290
Purchases investment in financial assets held to maturity	(228,400,000)	(170,395,100)
Employees' housing loans	(72,136)	(34,542)
Interest received	29,456,768	24,892,064
Purchases of property and equipment	(1,285)	(2,228)
Net cash used in investing activities	(40,221,553)	(34,104,516)
Net decrease in cash and cash equivalents	(12,200)	(122,175)
Cash and cash equivalents at 1 January	425,411	547,586
Cash and cash equivalents at 31 December	413,211	425,411

The notes from 1 to 11 are an integral part of these financial statements

(1) GENERAL

The Corporation was established by virtue of law number 33 for the year 2000 on 17 September 2000 (the Corporation Law).

The major purpose of the Corporation is to protect depositors with banks by insuring their deposits accordance with the provisions of the Corporation Law in order to encourage savings and strengthen confidence in the Kingdom's banking system. Consequently, the Corporation would promptly reimburse depositors of member banks within certain limits, if any member bank is liquidated, by reimbursing all depositors up to JD 50,000 while encouraging large depositors to monitor banks with which they hold their deposits alongside the continuous supervision by the Central Bank of Jordan.

All deposits in Jordanian Dinars held with member banks are fully insured if the amount deposited is JD 50,000 or less, and up to JD 50,000 if the deposit exceeds JD 50,000, except for branches of Jordanian banks operating outside the Kingdom and Islamic banks licensed to operate in the Kingdom unless any one of the islamic banks decides to join the Corporation.

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below, These policies have been consistently applied to all the years presented, unless otherwise stated,

2.1 Basis of preparation

The financial statements of Deposit Insurance Corporation, have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Jordanian Dinars.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the corporation:

The following standards have been adopted by the corporation the first time for the financial year beginning on or after 1 January 2014, which had material impact on the financial statements of the corporation:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the corporation financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the corporation.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the corporation, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.
Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The corporation did not assess the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the corporation.

2.3 Cash and Cash equivalents

Cash and cash equivalents comprise current account at Central Bank of Jordan.

2.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to revenues and expenses during the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives based on depreciation rate as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the statement of revenues and expenses.

2.5 Revenue recognition

Revenue from membership fees, interest on financial assets held to maturity and interest on housing loans granted to employees are recognised when accrued.

2.6 Financial assets held to maturity

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the corporation has the positive intention and ability to hold to maturity.

When investments are classified as held to maturity they are initially recognised at cost, being the fair value of consideration given including directly attributable transaction costs, After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest method.

(3) FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The corporation activities expose it to a variety of financial risks: market risk (comprising: currency risk and Cash flow and fair value interest rate risk), liquidity risk and credit risk. The corporation overall risk management programme focuses on minimising potential adverse effects on the Corporation's financial performance.

a. Market risk

Foreign Currency risk

All corporation transactions are in Jordanian Dinar. Accordingly it is not exposed to foreign exchange risk

Cash flow and fair value interest rate risk

The corporation has interest bearing bonds and bills. All bonds and bills carry fixed interest rate risk.

b. Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The corporation is not exposed to liquidity risk.

c. Credit risk

Credit risk in the corporation arises from the employees' loans and other debit balances. Cash is maintained in the Central Bank of Jordan and financial assets held to maturity are issued or guaranteed by the Jordanian government. Accordingly the corporation is not exposed to credit risk.

3.2 **Financial instruments by category**

	2014	2013
	JD	JD
Assets as per statement of financial position		
Financial assets held to maturity	453,800,000	384,195,100
Loans and receivables and cash		
Employees' housing loans	921,858	849,722
Accrued interest on bonds	7,280,974	7,286,282
Cash at Central Bank of Jordan	413,211	425,411
	462,416,043	392,756,515
Liabilities as per statement of financial position		
Financial liabilities at amortized cost		
Other credit balances	32,425	29,134

(4) INVESTMENT IN HELD TO MATURITY BONDS

Financial assets held to maturity consist of the following:

	Maturity					Total	
	2015	2016	2017	2018	2019	2014	2013
	JD	JD	JD	JD	JD	JD	JD
Treasury bonds	111,000,000	100,200,000	73,800,000	53,100,000	98,600,000	436,700,000	353,800,000
Treasury bills	-	-	-	-	-	-	1,895,100
Public institutions Bonds	6,000,000	6,000,000	3,000,000	2,100,000	-	17,100,000	28,500,000
	117,000,000	106,200,000	76,800,000	55,200,000	98,600,000	453,800,000	384,195,100

- Interest rates on bonds are fixed and range between 3.772% to 8.6% (2013: 4.346% to 8.6%.).
- None of these financial assets either past due nor impaired.

(5) PROPERTY AND EQUIPMENT

	Land	Building	Vehicles	Computers & Tele-communication equipment	Furniture & decoration	Total
2014	JD	JD	JD	JD	JD	JD
Cost						
At 1 January 2014	1,157,050	3,689,559	57,657	112,989	183,482	5,200,737
Additions	-	-	-	768	517	1,285
At 31 December 2014	1,157,050	3,689,559	57,657	113,757	183,999	5,202,022
Accumulated depreciation						
At 1 January 2014	-	764,377	50,680	97,447	138,561	1,051,065
Depreciation	-	110,687	6,000	6,490	17,654	140,831
At 31 December 2014	-	875,064	56,680	103,937	156,215	1,191,896
Net book value at 31 December 2014	1,157,050	2,814,495	977	9,820	27,784	4,010,126

	Land	Building	Vehicles	Computers & Tele-communication equipment	Furniture & decoration	Total
2013	JD	JD	JD	JD	JD	JD
Cost						
At 1 January 2013	1,157,050	3,687,965	57,657	112,459	183,378	5,198,509
Additions	-	1,594	-	530	104	2,228
At 31 December 2013	1,157,050	3,689,559	57,657	112,989	183,482	5,200,737
Accumulated depreciation						
At 1 January 2013	-	653,718	44,680	91,252	120,803	910,453
Depreciation	-	110,659	6,000	6,195	17,758	140,612
At 31 December 2013	-	764,377	50,680	97,447	138,561	1,051,065
Net book value at 31 December 2013	1,157,050	2,925,182	6,977	15,542	44,921	4,149,672

(6) CAPITAL

This item consists of the following:

a. JD 1 million paid by the Government of Jordan.
b. A non-refundable initiation fee of JD 100,000 paid by each member bank. Total initiation fees amounted to JD 2,300,000 as of 31 December 2014 and 2013.

(7) RESERVES

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

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

(8) MEMBERSHIP FEES

This item represents the amount of the bank annual membership fee paid to the corporation at the rate of 0.25 % of the total deposits that are subject to the provisions of the law as of 31 December 2013.

The following are excluded from the deposits subject to the provisions of the law:

a. Government deposits.
b. Inter bank deposits.
c. Cash collaterals within the limits of the value of the extended facilities guaranteed by the said collaterals.
d. Credit balances of overdraft facilities.

Total deposits subject to the provisions of the law amounted to JD 16,434,316,011 as of 31 December 2013 (2012: JD 13,908,967,353).

(9) GENERAL AND ADMINISTRATIVE EXPENSE

	2014	2013
	JD	JD
Salaries and wages	415,869	396,568
Contribution to social security	43,962	43,178
End of service indemnity	128,685	78,790
Contribution to saving fund	33,270	31,713
Training and conferences	18,611	20,032
Depreciation	140,831	140,612
Medical	51,186	45,626
Media campaigns	20,491	16,125
Electricity and water	56,855	53,086
Security	16,961	14,934
Travel and transportation	5,980	11,323
Board of Directors remuneration	18,619	18,419
Cleaning	12,597	11,479
Subscriptions	15,441	15,443
Stationery	3,547	1,568
Maintenance	9,712	8,870
Postage, telephone, and internet	3,778	4,377
Insurance	7,003	6,697
Professional fees	8,583	9,000
Fuel	8,562	9,756
Overtime	3,430	3,186
Buildings fees	2,381	2,314
Hospitality	3,173	3,056
Social committee	3,600	2,932
Consumables	278	404
Vacations payment	0	505
Miscellaneous	1,724	1,757
	1,035,129	951,750

(10) RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Government of the Hashemite Kingdom of Jordan and public institutions in Jordan are related parties to the Corporation.

Deposit Insurance Corporation had transactions with Central Bank of Jordan within the ordinary course of business.

The following transactions were entered into with related parties:

	2014	2013
	JD	JD
Interest on bonds held to maturity	29,451,460	25,550,935
Maturity of bonds held to maturity	158,795,100	111,435,290
Purchases of investments in bond held to maturity	(228,400,000)	(170,395,100)

Year-end balances were as follows

	2014	2013
	JD	JD
Cash at Central Bank	413,211	425,411
Accrued interest income on bonds	7,280,974	7,286,282
Investments in held to maturity bonds	453,800,000	384,195,100
	461,494,185	391,906,793

The corporation has compensation of key management as at 31 December 2014 amounting to JD 174,285 (2013: JD 163,605).

(11) CONTRACTUAL COMMITMENT

The contractual commitment balance for purchasing held to maturity investments during 2015 amounted to JD 9,100,000 as at 31 December 2014 (2013: 33,000,000).