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 December 31, 2015

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Independent auditor's report

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We have audited the accompanying financial statements of **Deposit Insurance Corporation (legal entity with financial and administrative independence)**, which comprise the statement of financial position as at December 31, 2015, and the statement of revenues and expenses, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, 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.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Deposit Insurance Corporation (legal entity with financial and administrative independence**) as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The opening balances were audited by another public accountant, unqualified opinion was issued on it on April 19,2015.

Talal Abu-Ghazaleh & Co. International

Aziz Abdelkader
License # (867)
Amman, March 24, 2016

Deposit Insurance Corporation
Legal entity with financial and administrative independence
Amman-The Hashemite Kingdom of Jordan

Statement of financial position as at December 31, 2015

	Notes	2015	2014
ASSETS		JD	JD
Current Assets			
Cash at Central Bank of Jordan		710.662	413.211
Accrued bonds interests		7.014.600	7.280.974
Other debit balances		6.819	5.803
Investments in held to maturity- short term	3	111.091.450	117.000.000
Total Current Assets		**118.823.531**	**124.699.988**
Non-current Assets			
Financing and loans of employees housing fund		916.297	921.858
Investments in held to maturity- long term	3	416.900.000	336.800.000
Property and equipment	4	3.882.827	4.010.126
Total Non-current Assets		**421.699.124**	**341.731.984**
TOTAL ASSETS		**540.522.655**	**466.431.972**
LIABILITIES AND EQUITY			
Liabilities			
Other credit balances	5	41.888	32.425
EQUITY			
Capital	6	3.300.000	3.300.000
Reserves	7	537.180.767	463.099.547
Total Equity		**540.480.767**	**466.399.547**
TOTAL LIABILITIES AND EQUITY		**540.522.655**	**466.431.972**

Deposit Insurance Corporation
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Statement of revenues and expenses for the year ended December 31, 2015

	Notes	2015	2014
Revenues		JD	JD
Membership fees	8	45.833.807	41.085.979
Investments in held to maturity intersets		29.292.124	29.451.460
Employee housing loans revenues		11.716	10.555
Employee loans interests		4.439	3.799
Total revenues		**75.142.086**	**70.551.793**
Administrative expenses	9	(1.060.866)	(1.035.129)
Surplus		**74.081.220**	**69.516.664**

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Statement of changes in equity for the year ended December 31, 2015

	Capital	Reserves	Total
	JD	JD	JD
Balance as at January 1, 2014	3.300.000	393.582.883	**396.882.883**
Surplus	-	69.516.664	**69.516.664**
Balance as at December 31, 2014	**3.300.000**	**463.099.547**	**466.399.547**
Surplus	-	74.081.220	**74.081.220**
Balance as at December 31, 2015	**3.300.000**	**537.180.767**	**540.480.767**

Deposit Insurance Corporation
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Statement of cash flows for the year ended December 31, 2015

	2015	2014
Cash Flows From Operating Activities	JD	JD
Surplus	74.081.220	69.516.664
Adjustments for:		
Depreciation	134.120	140.831
Loss from disposal of property and equipment	6	-
Interest revenues	(29.292.124)	(29.451.460)
Changes in operating assets and liabilities:		
Other debit balances	(1.016)	27
Other credit balances	9.463	3.291
Net cash from operating activities	**44.931.669**	**40.209.353**
Cash Flows From Investing Activities		
Investments in bonds held to maturity	(74.191.450)	(69.604.900)
Financing and loans of employees housing fund	5.561	(72.136)
Interest received	29.558.498	29.456.768
Purchase of property and equipment	(6.827)	(1.285)
Net cash from investing activities	**(44.634.218)**	**(40.221.553)**
Net change in cash and cash equivalents	**297.451**	**(12.200)**
Cash and cash equivalents - beginning of year	413.211	425.411
Cash and cash equivalents - end of year	**710.662**	**413.211**

Notes to the Financial Statements

1. Legal status and activities

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

2. Basis for preparation of financial statements and significant accountant policies

- **Financial statements preparation framework**

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

- **Measurement bases used in preparing the financial statements**

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

- **Functional and presentation currency**

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

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

- **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; or
    (b) An equity instrument of another entity; or
    (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.
  - All recognized financial assets are subsequently measured either at amortized cost or fair value, on the basis of both:
    (a) The entity's business model for managing the financial assets, and
    (b) The contractual cash flow characteristics of the financial assets.
  - A financial asset is measured at amortized cost if both of the following conditions are met:
    (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.
  - All other financial assets are subsequently measured at fair value.
  - A gain or loss on a financial asset that is measured of fair value and is not part of a hedging relationship is recognized in profit or loss unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.

  Cash and cash equivalents

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

  Loans

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

  Impairment of financial assets

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

- **Property and equipment**

  - Property and equipment are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.
  - After initial recognition, the property and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. Land is not depreciated.

- The depreciation charge for each period is an expense. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful life of the assets using the following rates :

Category	Depreciation rate
	%
Building	3
Vehicles	15
Computers and telecommunication	10-25
Furniture and decorations	10-15

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

- **Impairment of assets**

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

- **Revenue recognition**

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

  Rendering of services

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

  Interest revenue

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

3. Investments in held to maturity

	Short term	Long term							Total	
	2016	2017	2018	2019	2020	2021	2022	Total	2015	2014
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Treasury Bonds	100.200.000	121.600.000	123.300.000	98.600.000	51.300.000	-	15.000.000	**409.800.000**	**510.000.000**	**436.700.000**
Treasury Bills	4.891.450	-	-	-	-	-	-	-	**4.891.450**	-
Publlic institutions Bonds	6.000.000	5.000.000	2.100.000	-	-	-	-	**7.100.000**	**13.100.000**	**17.100.000**
	111.091.450	**126.600.000**	**125.400.000**	**98.600.000**	**51.300.000**	**-**	**15.000.000**	**416.900.000**	**527.991.450**	**453.800.000**

- Interest rates on bonds is around 2,409% and 8,6% per year at 2015 (3,772% and 8,6% per year for 2014).
- Interest rate on treasury bills are 2,219% for 2015.

4. Property and equipment

	Land	Building	Vehicles	Computers and telecommunication	Furniture and decorations	Total
	JD	JD	JD	JD	JD	JD
2015						
Cost						
Balance at beginning of year	1.157.050	3.689.559	57.657	113.757	183.999	**5.202.022**
Additions	-	-	-	6.827	-	**6.827**
Disposals	-	-	-	(4.505)	-	**(4.505)**
Balance at end of year	**1.157.050**	**3.689.559**	**57.657**	**116.079**	**183.999**	**5.204.344**
Accumulated depreciation						
Balance at beginning of year	-	875.064	56.680	103.937	156.215	**1.191.896**
Depreciation	-	110.687	975	4.804	17.654	**134.120**
Disposals	-	-	-	(4.499)	-	**(4.499)**
Balance at end of year	**-**	**985.751**	**57.655**	**104.242**	**173.869**	**1.321.517**
Net	**1.157.050**	**2.703.808**	**2**	**11.837**	**10.130**	**3.882.827**
2014						
Cost						
Balance at beginning of year	1.157.050	3.689.559	57.657	112.989	183.482	**5.200.737**
Additions	-	-	-	768	517	**1.285**
Balance at end of year	**1.157.050**	**3.689.559**	**57.657**	**113.757**	**183.999**	**5.202.022**
Accumulated depreciation						
Balance at beginning of year	-	764.377	50.680	97.447	138.561	**1.051.065**
Depreciation	-	110.687	6.000	6.490	17.654	**140.831**
Balance at end of year	**-**	**875.064**	**56.680**	**103.937**	**156.215**	**1.191.896**
Net	**1.157.050**	**2.814.495**	**977**	**9.820**	**27.784**	**4.010.126**

5. Other credit balances

	2015	2014
	JD	JD
Accrued expenses	38,072	28,609
Deposits	2,412	2,412
Cash retentions	1,404	1,404
Total	**41,888**	**32,425**

6. Capital

	2015	2014
	JD	JD
Non-refundable initiation (*)	2,300,000	2,300,000
Government of Jordan payment	1,000,000	1,000,000
Total	**3,300,000**	**3,300,000**

(*) Each contributory bank in the Corporation pays a non-refundable initiation with total amount JD 100,000.

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 provision of this law the council of ministers based on the recommendation of the corporation's board of directors may increase limit of reserves, if corporations reserve don't reach the limit within ten years from the effectiveness of this law, or if reserves decrease below limits after it has been reached, or if a bank liquidation has been decided before corporation reserves reach limit, the Corporation's Board of Directors may increase the bank's annual membership fee to not more than double of the annual membership fee.
- If the Corporation's reserves exceed the established limit, the Corporation's Board of Directors may decrease the annual membership fee or exempt banks from paying the fee for one year or more as the circumstances require.

8. Membership fees

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

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

9. Administrative expenses

	2015	2014
	JD	JD
Salaries, wages and related benefits	556.976	551.585
Depreciation	134.120	140.831
Electricity and water	74.861	56.855
Health insurance and medical treatments	48.146	45.786
Social security contribution	46.177	43.962
Corporation's contribution on saving fund	35.243	33.270
Subscriptions	19.713	13.913
Board of directors remunerations	18.593	18.619
Security	18.370	16.961
Media campaigns	14.833	19.530
Professional fees	14.800	13.983
Cleaning	14.054	12.597
Maintenance	12.883	9.712
Fuel	9.854	8.561
Training	8.954	18.611
Insurance	7.491	7.003
Travel and transportation	5.784	5.980
Government fees	4.629	2.381
Communications	3.633	3.778
Confrences	3.584	-
Entertainment	2.947	3.173
Advertisement	2.501	2.488
Stationery and printings	2.034	3.847
Miscellaneous	686	1.703
Total	**1.060.866**	**1.035.129**

10. 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) <u>Currency risk:</u>

- 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) <u>Interest rate risk:</u>

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

d) <u>Other price risk:</u>

- 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) <u>Credit risk:</u>

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Regularly, the credit ratings of debtors and the volume of transactions with those debtors during the year are monitored.
- Ongoing credit evaluation is performed on the financial condition of debtors.
- The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk without taking into account the value of any collateral obtained.
- The entity is not exposed to other credit risk.

f) <u>Liquidity risk:</u>

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

– The following table shows the maturity dates of financial assets and liabilities as of December 31:

	Less than one year		One year and more	
	2015	2014	2015	2014
	JD	JD	JD	JD
Financial assets:				
Cash at Central Bank of Jordan	710.662	413.211	-	-
Accrued bonds interests	7.014.600	7.280.974	-	-
Other debit balances	1.885	865	-	-
Financing and loans of employees housing fund	-	-	916.297	921.858
Investments in held to maturity	111.091.450	117.000.000	416.900.000	336.800.000
Total	**118.818.597**	**124.695.050**	**417.816.297**	**337.721.858**
Financial liabilities:				
Other credit balances	41.888	32.425	-	-
Total	**41.888**	**32.425**	**-**	**-**

– The Corporation is not subject to liquidity risk

11. Standards and Interpretations issued but not yet effective

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

Standard or Interpretation No.	Description	Effective date
IFRS (9) - New	Financial Instruments	Jan 1, 2018 or after
IAS (16 and 38) - Amendments	Clarification of acceptable methods of depreciation and amortisation.	Jan. 1, 2016 or after
IAS (16 and 41) - Amendments	Agriculture - Bearer plants	Jan.1, 2016 or after
IAS (27) – Amendments	Accounting equity method in separate financial statements.	Jan. 1, 2016 or after
IFRS (11) – Amendments	Accounting for acquisition of interests in joint operation.	Jan. 1, 2016 or after
IFRS (14) – New	Regulatory deferral accounts – Applicable for entities which is first time adopter	Jan. 1, 2016 or after
IFRS (15) – New	Revenue from contracts with customers	Jan. 1, 2017 or after
IFRS (10) and IAS (28)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	Jan 1, 2016 or after
IFRS (10), IFRS (12) and IAS (28)	Investment Entities: Applying the Consolidation Exception	Jan 1, 2016 or after

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

12. Reclassification

Certain 2014 balances were reclassified to conform with the classification used in 2015.