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, 2019

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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.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

طلال أبوغزاله وشركاه الدولية
Talal Abu-Ghazaleh & Co. Intl.

Talal Abu-Ghazaleh & Co. International

Mohammad Al-Azraq
License # (1000)

Amman, June 18, 2020

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

Statement of financial position as at December 31, 2019

	Notes	2019	2018
ASSETS		JD	JD
Current Assets			
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
Total Current Assets		134,020,359	174,666,592
Non-current Assets			
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
Total Non-Current Assets		719,006,180	603,123,097
TOTAL ASSETS		853,026,539	777,789,689
LIABILITIES AND EQUITY			
Liabilities			
Other credit balances	6	48,992	33,995
EQUITY			
Capital	7	3,150,000	3,300,000
Reserves	8	849,827,547	774,455,694
Total Equity		852,977,547	777,755,694
TOTAL LIABILITIES AND EQUITY		853,026,539	777,789,689

The accompanying notes form part of these financial statements

Deposit Insurance Corporation
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Statement of revenues and expenses for the year ended December 31, 2019

	Notes	2019	2018
Revenues		JD	JD
Membership fees	9	33,772,422	48,350,320
Interset 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		7,131	236
Total revenues		**76,694,276**	**84,791,264**
Administrative expenses	10	(1,322,423)	(1,229,648)
Surplus		**75,371,853**	**83,561,616**

The accompanying notes form part of these financial statements

Deposit Insurance Corporation
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Statement of changes in equity for the year ended December 31, 2019

	Capital	Reserves	Total
	JD	JD	JD
Balance as at January 1, 2018	3,300,000	690,894,078	**694,194,078**
Surplus	-	83,561,616	**83,561,616**
Balance as at December 31, 2018	**3,300,000**	**774,455,694**	**777,755,694**
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**
Balance as at December 31, 2019	**3,150,000**	**849,827,547**	**852,977,547**

The accompanying notes form part of these financial statements

Deposit Insurance Corporation
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Statement of cash flows for the year ended December 31, 2019

	2019	2018
	JD	JD
Cash Flows From Operating Activities		
Surplus	75,371,853	83,561,616
Adjustments:		
Depreciation	120,718	118,358
Gain on sale of property and equipment	(311)	(236)
Interest revenues	(42,888,862)	(36,420,198)
Changes in operating assets and liabilities:		
Other debit balances	1	58
Other credit balances	14,997	(22,304)
Net cash from operating activities	**32,618,396**	**47,237,294**
Cash Flows From Investing Activities		
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)
Net cash from investing activities	**(32,602,504)**	**(69,988,881)**
Cash Flows From Financing Activities		
Amount paid to Deposit Insurance Fund at Islamic Banks from the government contribution to the corporation's capital	(150,000)	-
Net cash from financing activities	**(150,000)**	-
Net change in cash and cash equivalents	**(134,108)**	**(22,751,587)**
Cash and cash equivalents - beginning of year	729,649	23,481,236
Cash and cash equivalents - end of year	**595,541**	**729,649**
Information about non-cash transaction		
Closing the remaining balance of solar system - project under construction in the deposits account	-	6,105

The accompanying notes form part of these financial statements

Deposit Insurance Corporation
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Notes to the Financial Statements for the year ended December 31, 2019

1. Legal status and activities

- The Corporation was established on September 17, 2000 as a legal entity with financial and administrative independence by virtue of law number 33 and its amendments 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 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.
- 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.

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

<u>New and modified standards adopted by the entity</u>

- 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).

- 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

- 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.

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

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.

Subsequent measurement of financial assets

Subsequently financial assets are measured as follows:

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

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 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 recognizers loss allowance for expected credit loss (ECL) on:
    - Financial assets measured at amortized cost.
    - Debt investments measured at FVOCI.
    - Contract assets.
  - The entity measures loss allowances at an amount equal to lifetime ECLs.
  - Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.
  - When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Entity considers reasonable and supportable information that is relevant and available without undue cost or effort based in the entitys historical experience and forward looking information.
  - The entity considers a financial asset to be in default when:
    - The client is unlikely to pay its credit obligations to the entity in full, without recourse by the entity to actions such as realizing security (if any); or
    - The financial asset is more than 360 days past due.
  - Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.
  - A financial assets is written of when there is no reasonable expectation of recovering the contractual cash flows. The entity write of the gross carrying amount of the financial asset is in case of, liquidation, bankruptcy or issuance of a court ruling to reject the claim for financial asset.

- **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
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, impairments losses are calculated in accordance with impairment of assets policy.
  - On the subsequent derecognition (sale or retirement) of the property and equipment, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.

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

- **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.

- **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	2021	2022	2023	2024	2025	2026	2027	2028	2029	2032	2033	Total	2019	2018
	JD	JD		JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	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	667,434,494	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
Total	120,351,570	173,998,688	141,911,551	78,419,091	67,300,000	41,288,480	102,498,929	17,999,391	42,023,416	25,994,948	8,000,000	15,000,000	714,434,494	834,786,064	760,847,500

- 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).

4. Housing financing and loans granted to employees

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

	2019	2018
	JD	JD
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**
Hosuing financing and loans granted - current	58,540	56,846
Hosuing financing and loans granted - non-current	1,004,474	1,057,664
Financing and loans balance at the end of the year	**1,063,014**	**1,114,510**

- 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.

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
Cost								
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
Accumulated depreciation								
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
Net	1,157,050	2,360,726	29,261	2,173	2	18,000	-	3,567,212

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

6. Other credit balances

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

7. Capital

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

(*) 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.

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.

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
Total	**1,322,423**	**1,229,648**

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.

f) Liquidity risk:

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

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

	Less than one year		One year and more	
Description	2019	2018	2019	2018
Financial assets:	JD	JD	JD	JD
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
Total	134,014,333	174,660,565	715,438,968	599,467,527
Financial liabilities:				
Other credit balances	48,992	33,995	-	-
Total	48,992	33,995	-	-

12. Reclassification

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