INDEPENDENT AUDITOR'S REPORT

105180666
TO THE BOARD OF DIRECTORS
DEPOSIT INSURANCE CORPORATION
LEGAL CORPORATION WITH FINANCIAL
AND ADMINISTRATIVE INDEPENDENCE
AMMAN - THE HASHEMITE KINGDOM OF JORDAN

We have audited the accompanying financial statements of Deposit Insurance Corporation (Legal Corporation with Financial and Administrative Independence), which comprise the statement of financial position as at December 31, 2009, and the statement of revenue and expenses, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting polices 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 Corporation with Financial and Administrative Independence) as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Talal Abu-Ghazaleh & Co. International

Steve S. Karadsheh

(License # 756)

Amman, February 25, 2010

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

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2009

ASSETS	NOTES	2009	2008
Current Assets		JD	JD
Cash at Central Bank of Jordan	3	452,381	408,671
Accrued bonds and deposit interests		3,444,437	2,413,598
Other debit balances		6,709	27,072
Investments in held to maturity bonds -short-term	4	53,850,000	25,200,000
Total Current Assets		**57,753,527**	**28,049,341**
Non-current Assets			
Investments in held to maturity bonds	4	124,554,000	115,404,000
Other non-current debit balances	5	185,157	-
Property and equipment	6	4,608,400	4,751,523
Total Non-current Assets		**129,347,557**	**120,155,523**
TOTAL ASSETS		**187,101,084**	**148,204,864**
LIABILITIES AND EQUITY			
Current Liabilities			
Other credit balances	7	33,469	16,572
EQUITY			
Capital	8	3,200,000	3,200,000
Reserves	9	183,867,615	144,988,292
Total Equity		**187,067,615**	**148,188,292**
TOTAL LIABILITIES AND EQUITY		**187,101,084**	**148,204,864**

THE ACCOMPANYING NOTE CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

DEPOSIT INSURANCE CORPORATION
LEGAL CORPORATION WITH
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AMMAN-THE HASHEMITE KINGDOM OF JORDAN

STATEMENTE OF REVENUES AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2009

	NOTES	2009	2008
Revenues		**JD**	**JD**
Membership fees	10	27,600,516	21,410,812
Bonds interest		12,179,075	9,159,744
Bank deposit interest		114,921	155,471
(Loss) gain from disposal of property and equipment		(148)	21,254
Total revenues		**39,894,364**	**30,747,281**
Deduct: Administrative expenses	11	(1,015,041)	(990,500)
Surplus		**38,879,323**	**29,756,781**

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31,2009

	Capital	Reserves	Total
	JD	JD	JD
Balance as at January 1, 2008	3,200,000	115,231,511	**118,431,511**
Surplus	-	29,756,781	**29,756,781**
Balance as at December 31, 2008	**3,200,000**	**144,988,292**	**148,188,292**
Surplus	-	38,879,323	**38,879,323**
Balance as at December 31, 2009	**3,200,000**	**183,867,615**	**187,067,615**

THE ACCOMPANYING NOTE CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

DEPOSIT INSURANCE CORPORATION
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,2009

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES	**JD**	**JD**
Surplus	38,879,323	29,756,781
Adjustments for:		
Depreciation	145,148	142,806
(Loss) gain from disposal of property and equipment	148	(21,254)
Interest revenues	(12,293,996)	(9,315,215)
Changes in operating assets and liabilities:		
Other debit balances	20,363	(20,130)
Other credit balances	16,897	(56,470)
Net cash from operating activities	**26,767,883**	**20,486,518**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in held to maturity bonds	(37,800,000)	(28,410,000)
Other non-current debit balances	(185,157)	-
Interest received	11,263,157	8,333,973
Purchase of property and equipment	(2,173)	(56,820)
Proceeds from disposal of property and equipment	-	21,254
Net cash from investing activities	**(26,724,173)**	**(20,111,593)**
Net change in cash	**43,710**	**374,925**
Cash - beginning of the year	408,671	33,746
Cash - end of the year	**452,381**	**408,671**

THE ACCOMPANYING NOTE CONSTITUTE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS

1. LEGAL STATUS AND ACTIVITIES

- The Corporation was established by virtue of law number 33 for the year 2000 on September 17, 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 bank has been decided to be liquidated, which aims at reimbursing all small depositors up to JD 10,000 while encouraging grand 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 10,000 or less, and up to JD 10,000 if the deposit exceeds JD 10,000, except for branches of Jordanian banks operating outside the Kingdom and Islamic banks licensed to operate in the Kingdom unless anyone of them decides to join the Corporation.

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

- The Corporation's Board of Directors approved the financial statements in its session No.(1) held on February 25, 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards and the related interpretations originated by the International Financial Reporting Interpretations Committee. The following is a summary of the significant accounting policies applied:

A. Basis of measurement

The financial statements are prepared according to historical cost basis which is modified to other basis as mentioned below for some assets.

B. Cash and cash equivalents

Cash and cash equivalents comprise current account and demand deposits with Bank.

C. Held to maturity investments

- Held- to- maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Corporation has the positive intention and ability to hold to maturity.
- Held- to- maturity investments are measured at amortized cost using the effective interest rate method.

D. Property and equipment

- Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

- The Corporation uses the straight – line method in depreciating its property and equipment over their estimated useful lives at the following annual rates:

Building	3%
Vehicles	15%
Computers and telecommunication equipment	10% - 25%
Furniture and decoration	10-15%

- An asset is impaired when its carrying amount exceeds its recoverable amount. If indication of such impairment exists, the asset is written down to its recoverable amount.
- The gain or loss arising from the disposal of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. This gain or loss is included in the statement of revenues and expenses.
- The costs of day- to- day repair and maintenance for the property and equipment are recognized in the statement of revenues and expenses as incurred.
- Amounts paid to construct a property or equipment item are charged first to project in progress account. When project becomes ready to use, it is transferred to the related property and equipment caption.

E. Revenue recognition

Revenues from membership fees, investment in bonds and bank interests are recognized when accrued, provided that all of the following conditions have been satisfied:

- It is probable that the economic benefits associated with the transaction will flow to the Corporation.
- The amount of revenue can be measured reliably.

F. Financial instruments

- A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
- The Corporation's financial instruments principally comprise cash, bank, and investments.
- The above paragraphs present the accounting policies regarding these financial instruments.

3. CASH AT CENTRAL BANK OF JORDAN

	2009	2008
	JD	JD
Current account - JD	22,410	18,440
Deposit- JD	429,971	390,231
Total	**452,381**	**408,671**

4. INVESTMENTS IN HELD TO MATURITY BONDS

The following is Bonds Maturity dates:

	Short term	Long-term					
	2010	2011	2012	2013	2014	Total	Total
	JD	JD	JD	JD	JD	JD	JD
Treasury bonds	48,150,000	15,300,000	70,200,000	21,454,000	5,600,000	112,554,000	160,704,000
Public corporations bonds	5,700,000	5,000,000	7,000,000	-	-	12,000,000	17,700,000
Total	**53,850,000**	**20,300,000**	**77,200,000**	**21,454,000**	**5,600,000**	**124,554,000**	**178,404,000**

5. Other non-current debit balances

This item represents housing loans granted for the Corporation employees.

6. PROPERTY AND EQUIPMENT

	Land	Building	Vehicles	Computers and Telecommunication Equipment	Furniture and Decoration	Total
	JD	JD	JD	JD	JD	JD
Cost						
As at January 1, 2009	1,157,050	3,581,805	57,657	105,719	182,761	**5,084,992**
Additions	-	-	-	1,863	310	**2,173**
Disposals	-	-	-	**(196)**	-	(196)
As at December 31, 2009	**1,157,050**	**3,581,805**	**57,657**	**107,386**	**183,071**	**5,086,969**
Accumulated Depreciation						
As at January 1, 2009	-	214,804	20,680	52,114	45,871	**333,469**
Depreciation	-	107,424	6,000	13,047	18,647	**145,148**
Disposals	-	-	-	**(48)**	-	(48)
As at December 31, 2009	-	**322,258**	**26,680**	**65,113**	**64,518**	**478,569**
Net Book Value						
As at December 31, 2009	**1,157,050**	**3,259,547**	**30,977**	**42,273**	**118,553**	**4,608,400**
As at December 31, 2008	**1,157,050**	**3,367,001**	**36,977**	**53,605**	**136,890**	**4,751,523**

(*) The constructor claim regarding iron price differences for the Corporation's building amounted to JD 85,000 is amicably settled, and capitalized on the building account on January 19,2010

7. OTHER CREDIT BALANCES

	2009	2008
	JD	JD
Accrued expenses	30,339	12,732
Central bank of Jordan - deposits	2,730	-
Cash retentions	400	3,840
Total	**33,469**	**16,572**

8. 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.

9. 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’s reserves do not reach the limit established in its laws within 10 years of the law’s effective date, or if bank liquidation is decided, the Corporation's Board of Directors may increase the banks’ annual membership fee to not more than double of the annual membership fee. However, 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.

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’s expenses.

10. MEMBERSHIP FEES

This item represents the amount of the bank annual membership fee paid to the Corporation at the rate of 2.5 per thousand of the total deposits that are subject to the provisions of the law. 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.

Membership fees are computed on cash collaterals in excess of the facilities guaranteed by the said collaterals.

11. ADMINISTRATIVE EXPENSES

	2009	2008
	JD	JD
Salaries and wages	386,982	337,211
Contribution to social security	42,448	34,552
Contribution to end of service compensation	80,277	48,485
Contribution to saving fund	30,814	26,348
Depreciation	145,148	142,806
Training and conferences	50,066	21,333
Medical	47,325	50,000
Media campaign	36,475	134,890
Electricity and water	30,539	30,640
Security	23,232	22,409
Travel and transportation	22,525	21,595
Board of directors remunerations	18,600	18,600
Cleaning	16,417	17,911
Subscriptions	13,256	12,379
Stationery	9,790	8,366
Maintenance	9,431	2,856
Postage, telephone, and internet	9,198	6,739
Insurance	8,619	8,596
Professional fees	8,500	8,500
Fuel	7,333	8,934
Overtime	4,606	4,343
Gardening	3,166	2,185
Buildings fees	2,880	2,880
Entertainment	2,499	3,991
Social committee	1,432	1,517
Consumables	377	285
Vacations payment	49	998
Studies and consulting	-	6,006
Miscellaneous	3,057	5,145
Total	**1,015,041**	**990,500**

12. FINANCIAL INSTRUMENTS

a) Fair value

- Carrying value of financial assets and liabilities are approximately equal to their fair values.
- Notes to the financial statements indicate the fair value of those instruments. In addition, some of the accounting policies in note (2) present methods used in evaluating those instruments.

b) Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises the following risks:

- **Currency risk**
  - Currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
  - The Corporation is not subject to currency risk.

- **Interest rate risk**
  - Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
  - The financial instruments in the financial position are not subject to interest rate risk with the exception of deposits and held to maturity investments that are subject to interest rates prevailing in the market.

- **Other price risk**
  - Other price risk is defined as 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 instrument or its issuer or factors affecting all similar financial instruments traded in the market.
  - The financial instruments in the financial position are not subject to other price risk with the exception of investments.

c) Credit risk

- Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Corporation maintains cash at financial institutions with suitable credit rating.

d) 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 subject to liquidity risk.

13. COMPARATIVE FIGURES

Some comparative figures were reclassified to conform to the current year financial statements presentation.