

**To the Board of Directors of Deposit Insurance Corporation**  
**Amman – Jordan**

**Introduction**

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 2010 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 (IFRS), 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 accompanying financial statements give a true and fair view of the financial position of the corporation as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Other Matters**

The financial statements of the Company for the year ended 31 December 2009 were audited respectively by another auditor, whose report dated 25 February 2010, expressed unqualified opinions.

PricewaterhouseCoopers “Jordan”  
Samir Abu-Lughod  
License No. (228)

Amman, Jordan  
6 February 2011

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

**STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2010**

<b>ASSETS</b>	<u><b>NOTES</b></u>	<u><b>2010</b></u>	<u><b>2009</b></u>
		<b>JD</b>	<b>JD</b>
Cash at Central Bank of Jordan	4	383,551	452,381
Accrued interest on bonds and deposits		3,969,391	3,444,437
Investments in held to maturity bonds	5	223,061,175	178,404,000
Other debit balances		456,122	191,866
Property and equipment, net	6	<u>4,574,540</u>	<u>4,608,400</u>
<b>TOTAL ASSETS</b>		<u><b>232,444,779</b></u>	<u><b>187,101,084</b></u>
 <b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Other credit balances		<u>25,259</u>	<u>33,469</u>
 <b>EQUITY</b>			
Capital	7	3,300,000	3,200,000
Reserves	8	<u>229,119,520</u>	<u>183,867,615</u>
<b>Total Equity</b>		<u>232,419,520</u>	<u>187,067,615</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>232,444,779</b></u>	<u><b>187,101,084</b></u>

**THE ABOVE STATEMENT OF FINANCIAL POSITION SHOULD BE READ IN  
CONJUNCTION WITH ACCOMPANYING NOTES**

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**STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED  
31 DECEMBER 2010**

	<u>NOTES</u>	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		<b>JD</b>	<b>JD</b>
Membership fees	9	32,316,820	27,600,516
Interest on bonds		13,765,359	12,179,075
Interest on deposits		119,979	114,921
Interest on employees' loans		1,865	-
Loss on sale of equipment		-	(148)
<b>Total income</b>		<b>46,204,023</b>	<b>39,894,364</b>
Less:			
Administrative expenses	10	(952,118)	(1,015,041)
<b>Surplus of income over expenses</b>		<b>45,251,905</b>	<b>38,879,323</b>

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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED  
31 DECEMBER 2010**

	<u>Capital</u>	<u>Reserves</u>	<u>Total</u>
	<b>JD</b>	<b>JD</b>	<b>JD</b>
<b>2010</b>			
<b>Balance at 1 January 2010</b>	3,200,000	183,867,615	187,067,615
Increase in capital	100,000	-	100,000
Surplus	-	45,251,905	45,251,905
<b>Balance at 31 December 2010</b>	<b>3,300,000</b>	<b>229,119,520</b>	<b>232,419,520</b>
<b>2009</b>			
<b>Balance at 1 January 2009</b>	3,200,000	144,988,292	148,188,292
Surplus	-	38,879,323	38,879,323
<b>Balance at 31 December 2009</b>	<b>3,200,000</b>	<b>183,867,615</b>	<b>187,067,615</b>

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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>2010</u>	<u>2009</u>
<b><u>OPERATING ACTIVITIES</u></b>	<b>JD</b>	<b>JD</b>
Surplus of income over expenses	45,251,905	38,879,323
<b>Adjustments for:</b>		
Depreciation	147,835	145,148
Interest revenues	(13,885,338)	(12,293,996)
Loss from disposal of property and equipment	-	148
<b>Changes in operating assets and liabilities:</b>		
Accrued expenses and other credit balances	( 8,210 )	16,897
<b>Net cash provided from operating activities</b>	<b><u>31,506,192</u></b>	<b><u>26,747,520</u></b>
<b><u>INVESTING ACTIVITIES</u></b>		
Investments in financial assets held to maturity	( 44,657,175 )	(37,800,000)
Other debit balances	(264,256)	(164,794)
Interest received	13,360,384	11,263,157
Purchase of property and equipment	( 113,975 )	(2,173)
<b>Net cash used in investing activities</b>	<b><u>(31,675,022)</u></b>	<b><u>(26,703,810)</u></b>
<b><u>FINANCING ACTIVITIES</u></b>		
Increase in capital	100,000	-
<b>Net cash from financing activities</b>	<b><u>100,000</u></b>	<b><u>-</u></b>
Net (decrease) increase in cash and cash equivalents	( 68,830)	43,710
Cash and cash equivalents at the beginning of the year	<b><u>452,381</u></b>	<b><u>408,671</u></b>
<b>Cash and cash equivalents at the end of the year</b>	<b><u><u>383,551</u></u></b>	<b><u><u>452,381</u></u></b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**(1) General**

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

The major purposes of the Corporation are to protect depositors with banks by insuring their deposits in 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, when any bank has been decided to be liquidated, which aims at reimbursing all small depositors up to JD 10,000 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 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 any one of them decides to join the Corporation.

The Council of Ministers has decided on 5 December 2010 to raise the minimum insurance from JD 10,000 to JD 50,000 starting from 1 January 2011.

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 the International Financial Reporting Standards (IFRS).

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

The financial statements are presented in Jordanian Dinars.

The following new standards and amendments to standards and interpretations have been issued but are not effective and have not been early adopted:

- IAS 24, 'Related party disclosures', effective for the financial year of 2011.
- IFRS 9, 'Financial instruments, effective for the financial statements of 2013.

## 2.2 Cash and Cash equivalents

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

## 2.3 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated. Historical 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. as follows:

	<u>Depreciation Rate</u>
	%
Building	3
Vehicles	15
Computers and telecommunication	(10 – 25)
Furniture and decoration	(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.

## 2.4 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.

## 2.5 Revenue recognition

Revenue from membership fees, interest on deposits and interest on financial assets held to maturity are recognized when accrued, provided that all of the following condition, have been satisfied.

- It is probable that the economic benefit, as associated with the transaction will flow to the corporation.
- The amount of revenue can be measured reliably.

## **(3) FINANCIAL RISK MANAGEMENT**

### 3.1 Financial risk factors

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

#### a. Market risk

##### Foreign Currency risk

All Corporations' 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 have 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. All cash and financial assets held to maturity are maintained in the Central Bank of Jordan. Accordingly the Corporation is not exposed to credit risk.

## **(4) Cash at Central Bank of Jordan**

	<u>2010</u>	<u>2009</u>
	<b>JD</b>	<b>JD</b>
Current account - JD	383,551	22,410
Deposits- JD	-	429,971
<b>Total</b>	<b><u>383,551</u></b>	<b><u>452,381</u></b>

**(5) Financial assets held to maturity:**

Financial assets held to maturity consist of the following:

	<b>Maturity</b>					<b>Total</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	
	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>
Treasury Bonds	18,300,000	88,200,000	66,754,000	5,600,000	11,300,000	190,154,000
Public Institutions bonds	5,000,000	7,000,000	18,500,000	-	-	30,500,000
Public Institutions Bills	2,407,175	-	-	-	-	2,407,175
<b>Total</b>	<b>25,707,175</b>	<b>95,200,000</b>	<b>85,254,000</b>	<b>5,600,000</b>	<b>11,300,000</b>	<b>223,061,175</b>

- Interest rates on bonds and bills are fixed and range between 3.8% to 8.4%
- None of these financial assets either past due nor impaired.

**(6) PROPERTY AND EQUIPMENT**

	<u>Land</u>	<u>Building</u>	<u>Vehicles</u>	<u>Computers and Telecommunication Equipment</u>	<u>Furniture and Decoration</u>	<u>Total</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
<b><u>Cost</u></b>						
At 1 January 2010	1,157,050	3,581,805	57,657	107,386	183,071	<b>5,086,969</b>
Additions	-	106,160	-	7,698	117	<b>113,975</b>
<b>At 31 December 2010</b>	<b>1,157,050</b>	<b>3,687,965</b>	<b>57,657</b>	<b>115,084</b>	<b>183,188</b>	<b>5,200,944</b>
<b><u>Accumulated depreciation</u></b>						
At 1 January 2010	-	322,258	26,680	65,113	64,518	<b>478,569</b>
Depreciation	-	110,182	6,000	12,572	19,081	<b>147,835</b>
<b>At 31 December 2010</b>	<b>-</b>	<b>432,440</b>	<b>32,680</b>	<b>77,685</b>	<b>83,599</b>	<b>626,404</b>
<b><u>Net Book Value</u></b>						
<b>At 31 December 2010</b>	<b>1,157,050</b>	<b>3,255,525</b>	<b>24,977</b>	<b>37,399</b>	<b>99,589</b>	<b>4,574,540</b>

	<u>Land</u> JD	<u>Building</u> JD	<u>Vehicles</u> JD	<u>Computers and Telecommunication Equipment</u> JD	<u>Furniture and Decoration</u> JD	<u>Total</u> JD
<b>Cost</b>						
At 1 January 2009	1,157,050	3,581,805	57,657	105,719	182,761	<b>5,084,992</b>
Additions	-	-	-	1,863	310	<b>2,173</b>
Disposals	-	-	-	(196)	-	<b>(196)</b>
<b>At 31 December 2009</b>	<b>1,157,050</b>	<b>3,581,805</b>	<b>57,657</b>	<b>107,386</b>	<b>183,071</b>	<b>5,086,969</b>
<b>Accumulated Depreciation</b>						
At 1 January 2009	-	214,804	20,680	52,114	45,871	<b>333,469</b>
Depreciation	-	107,454	6,000	13,047	18,647	<b>145,148</b>
Disposals	-	-	-	(48)	-	<b>(48)</b>
<b>At 31 December 2009</b>	<b>-</b>	<b>322,258</b>	<b>26,680</b>	<b>65,113</b>	<b>64,518</b>	<b>478,569</b>
<b>Net Book Value</b>						
<b>At 31 December 2009</b>	<b>1,157,050</b>	<b>3,259,547</b>	<b>30,977</b>	<b>42,273</b>	<b>118,553</b>	<b>4,608,400</b>

## **(7) 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 2010 (2009" JD 2,200,000).

The increase by JD 100,000 during the current year is due to the establishment of Abu Dhabi National Bank on 7 February 2010.

## **(8) 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 by its laws within 10 years of the law's effective date, or if a 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 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's expenses.

## **(9) 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.

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

Total deposits subject to the provisions of the law amounted to JD 12,926,127,876 as of 31 December 2009.

## 1. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2010</u>	<u>2009</u>
	<b>JD</b>	<b>JD</b>
Salaries and wages	399,470	386,982
Contribution to social security	43,586	42,448
Contribution to end of service indemnity	55,923	80,277
Contribution to saving fund	31,958	30,814
Depreciation	147,835	145,148
Training and conferences	35,291	50,066
Medical	42,613	47,325
Media campaigns	1,021	36,475
Electricity and water	32,622	30,539
Security	23,922	23,232
Travel and transportation	18,323	22,525
Board of directors remunerations	18,490	18,600
Cleaning	15,825	16,417
Subscriptions	13,345	13,256
Stationery	10,542	9,790
Maintenance	9,299	9,431
Postage, telephone, and internet	5,365	9,198
Insurance	7,415	8,619
Professional fees	10,050	8,500
Fuel	7,405	7,333
Overtime	4,996	4,606
Gardening	3,000	3,166
Buildings fees	2,880	2,880
Hospitality	3,174	2,499
Social committee	2,919	1,432
Consumables	1,558	377
Vacations payment	623	49
Miscellaneous	2,668	3,057
<b>Total</b>	<b><u>952,118</u></b>	<b><u>1,015,041</u></b>