

**Independent Auditor's Report**  
**To the Board of Directors of Deposit Insurance Corporation**  
**Amman – Jordan**

**Report on the financial statements**

We have audited the financial statements of Deposit Insurance Corporation (Legal Corporation with financial and administrative independence) which comprise the statement of financial position as at 31 December 2012 and the statements of revenues and expenses, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's responsibility for the financial statements**

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

**Auditor's responsibility**

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

**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the corporation as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

PricewaterhouseCoopers "Jordan" L.L.C  
Osama Marouf  
License No. (718)

Amman, Jordan  
17 March 2013

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

**STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012**

<b>ASSETS</b>	<b><u>NOTES</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
		<b>JD</b>	<b>JD</b>
Cash at Central Bank of Jordan		547,586	1,063,756
Accrued interest on bonds		6,627,411	4,839,452
Investments in held to maturity bonds	4	325,235,290	270,783,630
Employees' housing loans		815,180	639,814
Other debit balances		5,813	5,872
Property and equipment, net	5	4,288,056	4,429,871
<b>TOTAL ASSETS</b>		<b><u>337,519,336</u></b>	<b><u>281,762,395</u></b>

<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Other credit balances		26,998	15,716
<b>EQUITY</b>			
Capital	6	3,300,000	3,300,000
Reserves	7	334,192,338	278,446,679
<b>Total Equity</b>		<b><u>337,492,338</u></b>	<b><u>281,746,679</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>337,519,336</u></b>	<b><u>281,762,395</u></b>

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

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

**STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED  
31 DECEMBER 2012**

	<u>NOTES</u>	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		<b>JD</b>	<b>JD</b>
Membership fees	8	37,903,103	35,608,612
Interest on held to maturity bonds		18,761,453	14,708,398
Employees' housing loans revenues		18,356	12,640
Interest on employees' loans		<u>2,881</u>	<u>2,140</u>
<b>Total income</b>		56,685,793	50,331,790
Less:			
Administrative expenses	9	<u>(940,134)</u>	<u>(1,004,631)</u>
<b>Surplus of income over expenses</b>		<u><u>55,745,659</u></u>	<u><u>49,327,159</u></u>

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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED  
31 DECEMBER 2012**

	<u>Capital</u>	<u>Reserves</u>	<u>Total</u>
	JD	JD	JD
<b>2012</b>			
<b>Balance at 1 January 2012</b>	3,300,000	278,446,679	281,746,679
Surplus of income over expenses	-	55,745,659	55,745,659
<b>Balance at 31 December 2012</b>	<b>3,300,000</b>	<b>334,192,338</b>	<b>337,492,338</b>
<b>2011</b>			
<b>Balance at 1 January 2011</b>	3,300,000	229,119,520	232,419,520
Surplus of income over expenses	-	49,327,159	49,327,159
<b>Balance at 31 December 2011</b>	<b>3,300,000</b>	<b>278,446,679</b>	<b>281,746,679</b>

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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012**

	<u>2012</u>	<u>2011</u>
	<b>JD</b>	<b>JD</b>
<b><u>OPERATING ACTIVITIES</u></b>		
Surplus of income over expenses	55,745,659	49,327,159
<b>Adjustments for:</b>		
Depreciation	144,432	146,753
Interest revenues	(18,761,453)	(14,708,398)
<b>Changes in operating assets and liabilities:</b>		
Other debit balances	59	-
Accrued expenses and other credit balances	11,282	(9,543)
<b>Net cash from operating activities</b>	<b><u>37,139,979</u></b>	<b><u>34,755,971</u></b>
<b><u>INVESTING ACTIVITIES</u></b>		
Investments in financial assets held to maturity	(54,451,660)	(47,722,455)
Employees' housing loans	(175,366)	(189,564)
Interest received	16,973,494	13,838,338
Purchase of property and equipment	(2,617)	(2,084)
<b>Net cash used in investing activities</b>	<b><u>(37,656,149)</u></b>	<b><u>(34,075,765)</u></b>
Net (decrease) increase in cash and cash equivalents	(516,170)	680,206
<b>Cash and cash equivalents at 1 January</b>	<b><u>1,063,756</u></b>	<b><u>383,551</u></b>
<b>Cash and cash equivalents at 31 December</b>	<b><u><u>547,586</u></u></b>	<b><u><u>1,063,756</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 Corporation Law).

The major purpose of the Corporation is 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, if any member bank is liquidated, by reimbursing all depositors up to JD 50,000 while encouraging large depositors to monitor banks with which they hold their deposits alongside the continuous supervision by the Central Bank of Jordan.

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

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

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

The financial statements of Deposit Insurance Corporation, have been prepared in accordance with 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.

**2.2 Changes in accounting policy and disclosures**

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

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Corporation's financial statements.

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in December 2009 and October 2010, effective 1 January 2015.
- Amendments to IFRS 7, 'Financial instruments: Disclosures' on asset and liability offsetting, effective 1 January 2013.

### **2.3 Cash and Cash equivalents**

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

### **2.4 Property and equipment**

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

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. 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.

### **2.5 Revenue recognition**

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

## 2.6 Financial assets held to maturity

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

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

## 2.7 Financial instruments by category

	<u>2012</u> <u>JD</u>	<u>2011</u> <u>JD</u>
<b>Assets as per statement of financial position</b>		
<b>Financial assets held to maturity</b>	325,235,290	270,783,630
<b>Loans and receivables and cash</b>		
Employees' housing loans	815,180	639,814
Accrued interest on bonds	6,627,411	4,839,452
Cash at Central Bank of Jordan	547,586	1,063,756
	<u>333,225,467</u>	<u>277,326,652</u>
<b>Liabilities as per statement of financial position</b>		
<b>Financial liabilities at amortized cost</b>		
Other credit balances	<u>26,998</u>	<u>15,716</u>

## (3) FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Corporation's activities expose it to a variety of financial risks: market risk (comprising: currency risk and Cash flow and fair value interest rate risk), liquidity risk and credit risk. The Corporation'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 carry fixed interest rate risk.

**b. Liquidity risk**

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

**c. Credit risk**

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

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

Financial assets held to maturity consist of the following:

	Maturity					Total	
	2013	2014	2015	2016	2017	2012	2011
	JD	JD	JD	JD	JD	JD	JD
Treasury Bonds	69,354,000	111,500,000	52,700,000	17,200,000	10,000,000	260,754,000	209,054,000
Treasury bills	8,081,290	-	-	-	-	8,081,290	2,884,800
Public Institutions bonds	34,000,000	16,400,000	6,000,000	-	-	56,400,000	57,400,000
Public Institutions Bills	-	-	-	-	-	-	1,444,830
<b>Total</b>	<b>111,435,290</b>	<b>127,900,000</b>	<b>58,700,000</b>	<b>17,200,000</b>	<b>10,000,000</b>	<b>325,235,290</b>	<b>270,783,630</b>

- Interest rates on bonds are fixed and range between 4.3% to 8.1%.
- Interest rates on bills are fixed and reached 5.2%.
- None of these financial assets either past due nor impaired.

**(5) PROPERTY AND EQUIPMENT**

	<u>Land</u>	<u>Building</u>	<u>Vehicles</u>	<u>Computers &amp; Telecommunication Equipment</u>	<u>Furniture &amp; Decoration</u>	<u>Total</u>
<b>2012</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>
<b>Cost</b>						
At 1 January 2012	1,157,050	3,687,965	57,657	110,032	183,188	5,195,892
Additions	-	-	-	2,427	190	2,617
<b>At 31 December 2012</b>	<b>1,157,050</b>	<b>3,687,965</b>	<b>57,657</b>	<b>112,459</b>	<b>183,378</b>	<b>5,198,509</b>
<b>Accumulated depreciation</b>						
At 1 January 2012	-	543,079	38,680	82,068	102,194	766,021
Depreciation	-	110,639	6,000	9,184	18,609	144,432
<b>At 31 December 2012</b>	<b>-</b>	<b>653,718</b>	<b>44,680</b>	<b>91,252</b>	<b>120,803</b>	<b>910,453</b>
<b>Net Book Value</b>						
<b>At 31 December 2012</b>	<b>1,157,050</b>	<b>3,034,247</b>	<b>12,977</b>	<b>21,207</b>	<b>62,575</b>	<b>4,288,056</b>

	<u>Land</u>	<u>Building</u>	<u>Vehicles</u>	<u>Computers &amp; Telecommunication Equipment</u>	<u>Furniture &amp; Decoration</u>	<u>Total</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
<b>2011</b>						
<b>Cost</b>						
At 1 January 2011	1,157,050	3,687,965	57,657	115,084	183,188	5,200,944
Additions	-	-	-	2,094	-	2,094
Disposals	-	-	-	(7,146)	-	(7,146)
<b>At 31 December 2011</b>	<b>1,157,050</b>	<b>3,687,965</b>	<b>57,657</b>	<b>110,032</b>	<b>183,188</b>	<b>5,195,892</b>
<b>Accumulated Depreciation</b>						
At 1 January 2011	-	432,440	32,680	77,685	83,599	626,404
Depreciation	-	110,639	6,000	11,519	18,595	146,753
Related to Disposals	-	-	-	(7,136)	-	(7,136)
<b>At 31 December 2011</b>	<b>-</b>	<b>543,079</b>	<b>38,680</b>	<b>82,068</b>	<b>102,194</b>	<b>766,021</b>
<b>Net Book Value</b>						
<b>At 31 December 2011</b>	<b>1,157,050</b>	<b>3,144,886</b>	<b>18,977</b>	<b>27,964</b>	<b>80,994</b>	<b>4,429,871</b>

## **(6) CAPITAL**

This item consists of the following:

- a. JD 1 million paid by the Government of Jordan.
- b. A non-refundable initiation fee of JD 100,000 paid by each member bank. Total initiation fees amounted to JD 2,300,000 as of 31 December 2012.

## **(7) RESERVES**

According to articles (18) and (19) of the Corporation's law, the Corporation must form reserves for itself amounting to 3% of total deposits that are subject to the provision of this law. If the Corporation'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.

## **(8) MEMBERSHIP FEES**

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

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

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

Total deposits subject to the provisions of the law amounted to JD 15,161,241,090 as of 31 December 2011 (2010: JD 14,243,407,184).

## (9) GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2012</u>	<u>2011</u>
	<u>JD</u>	<u>JD</u>
Salaries and wages	379,549	405,409
Contribution to social security	41,873	42,695
Contribution to end of service indemnity	79,990	118,010
Contribution to saving fund	30,376	31,987
Training and conferences	12,367	16,665
Depreciation	144,432	146,753
Medical	45,002	46,768
Media campaigns	20,180	10,937
Electricity and water	52,309	31,184
Security	16,507	19,480
Travel and transportation	6,250	8,798
Board of directors remunerations	18,508	18,600
Cleaning	12,472	11,018
Subscriptions	18,682	15,104
Stationery	3,294	4,015
Maintenance	10,643	11,231
Postage, telephone, and internet	4,995	6,842
Insurance	6,735	6,660
Professional fees	9,000	8,515
Fuel	13,202	11,980
Overtime	3,725	4,372
Buildings fees	2,880	2,880
Hospitality	2,474	2,483
Social committee	1,637	1,874
Consumables	459	435
Vacations payment	1,042	13,567
Miscellaneous	1,551	6,369
<b>Total</b>	<b><u>940,134</u></b>	<b><u>1,004,631</u></b>

## **(10) RELATED PARTY TRANSACTIONS**

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

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

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

The following transactions were entered into with related parties:

	<u>2012</u>	<u>2011</u>
	JD	JD
Investment in bonds held to maturity	54,451,660	47,722,455
Interest on bonds held to maturity	18,761,453	14,708,398
Year-end balances were as follows:		
	<u>2012</u>	<u>2011</u>
	JD	JD
Cash at Central Bank	547,586	1,063,756
Accrued interest income on bonds	6,627,411	4,839,452
Investments in held to maturity bonds	<u>325,235,290</u>	<u>270,783,630</u>
	332,410,287	276,686,838
<b>Compensation of key management</b>	<u><u>155,160</u></u>	<u><u>186,400</u></u>

## **(11) CONTRACTUAL COMMITMENT**

The contractual commitment balance for purchasing held to maturity investments during 2013 amounted to JD 89,300,000 as at 31 December 2012 (2011: zero)