

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 2013 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 2013, 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
15 April 2014

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

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013

ASSETS	<u>NOTES</u>	<u>2013</u>	<u>2012</u>
		JD	JD
Cash at Central Bank of Jordan		425,411	547,586
Accrued interest on bonds		7,286,282	6,627,411
Investments in held to maturity bonds	4	384,195,100	325,235,290
Employees' housing loans		849,722	815,180
Other debit balances		5,830	5,813
Property and equipment, net	5	4,149,672	4,288,056
TOTAL ASSETS		<u>396,912,017</u>	<u>337,519,336</u>
LIABILITIES AND EQUITY			
Liabilities			
Other credit balances		29,134	26,998
EQUITY			
Capital	6	3,300,000	3,300,000
Reserves	7	393,582,883	334,192,338
Total Equity		<u>396,882,883</u>	<u>337,492,338</u>
TOTAL LIABILITIES AND EQUITY		<u>396,912,017</u>	<u>337,519,336</u>

THE NOTES FROM 1 TO 11 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**DEPOSIT INSURANCE CORPORATION
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**STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED
31 DECEMBER 2013**

	<u>NOTES</u>	<u>2013</u>	<u>2012</u>
Revenues		JD	JD
Membership fees	8	34,772,821	37,903,103
Interest on held to maturity bonds		25,550,935	18,761,453
Employees' housing loans revenues		14,641	18,356
Interest on employees' loans		3,898	2,881
Total Income		60,342,295	56,685,793
Less:			
Administrative expenses	9	951,750	940,134
Net revenues		<u>59,390,545</u>	<u>55,745,659</u>

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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 DECEMBER 2013**

	<u>Capital</u>	<u>Reserves</u>	<u>Total</u>
	JD	JD	JD
2013			
Balance at 1 January 2013	3,300,000	334,192,338	337,492,338
Net revenues	-	59,390,545	39,390,545
Balance at 31 December 2013	3,300,000	393,582,883	396,882,883
2012			
Balance at 1 January 2012	3,300,000	278,446,679	281,746,679
Net revenues	-	55,745,659	55,745,659
Balance at 31 December 2012	3,300,000	334,192,338	337,492,338

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	<u>2013</u>	<u>2012</u>
	JD	JD
<u>OPERATING ACTIVITIES</u>		
Net revenues	59,390,545	55,745,659
Adjustments for:		
Depreciation	140,612	144,432
Interest on held to maturity bonds	(25,550,935)	(18,761,453)
Changes in operating assets and liabilities:		
Other debit balances	(17)	59
Accrued expenses and other credit balances	2,136	11,282
Net cash from operating activities	<u>33,982,341</u>	<u>37,139,979</u>
<u>INVESTING ACTIVITIES</u>		
Investment in financial assets held to maturity	(58,959,810)	(54,451,660)
Employees' housing loans	(34,542)	(175,366)
Interest received	24,892,064	16,973,494
Purchase of property and equipment	(2,228)	(2,617)
Net cash used in investing activities	<u>(34,104,516)</u>	<u>(37,656,149)</u>
Net decrease in cash and cash equivalents	(122,175)	(516,170)
Cash and cash equivalents at 1 January	<u>547,586</u>	<u>1,063,756</u>
Cash and cash equivalents at 31 December	<u>425,411</u>	<u>547,586</u>

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2013

(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 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) Standards have been adopted by the Corporation for the first time for the financial year beginning on or after 1 January 2013, which had no material impact on the financial statements of the Company:
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting.
 - IFRS 13, 'Fair value measurement'.

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2013, and have not been early adopted.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities issued 2010, effective 2015.

There are no other IFRSs or IFRIC interpretations that are effective and would be expected to have a material impact on the corporation.

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 based on depreciation rate as follows:

	<u>Depreciation Rate</u>
	%
Building	3
Vehicles	15
Computer and Telecommunication	10 - 25
Furnitures and Decorations	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.

(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.

3.2 Financial instruments by category

	<u>2013</u>	<u>2012</u>
	JD	JD
Assets as per statement of financial position		
Financial assets held to maturity	<u>384,195,100</u>	<u>325,235,290</u>
Loans and receivables and cash		
Employees' housing loans	849,722	815,180
Accrued interest on bonds	7,286,282	6,627,411
Cash at Central Bank of Jordan	425,411	547,586
	<u><u>392,756,515</u></u>	<u><u>333,225,467</u></u>
Liabilities as per statement of financial position		
Financial liabilities at amortized cost		
Other credit balances	<u><u>29,134</u></u>	<u><u>26,998</u></u>

(4) Financial Assets Held To Maturity

Financial assets held to maturity consist of the following:

	Maturity					Total	
	2014	2015	2016	2017	2018	2013	2012
	JD	JD	JD	JD	JD	JD	JD
Treasury bonds	140,500,000	111,000,000	56,200,000	10,000,000	36,100,000	353,800,000	260,754,000
Treasury bills	1,895,100	-	-	-	-	1,895,100	8,081,290
Public institutions Bonds	16,400,000	6,000,000	4,000,000	-	2,100,000	28,500,000	56,400,000
	<u>158,795,100</u>	<u>117,000,000</u>	<u>60,200,000</u>	<u>10,000,000</u>	<u>38,200,000</u>	<u>384,195,100</u>	<u>325,235,290</u>

- Interest rates on bonds are fixed and range between 4.346% to 8.6% (2012: 4.3% to 8.1%).
- Interest rates on bills are fixed and reached 5.535% (2012: 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 & Tele- communication equipment</u>	<u>Furniture & decoration</u>	<u>Total</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
2013						
Cost						
At 1 January 2013	1,157,050	3,687,965	57,657	112,459	183,378	5,198,509
Additions	-	1,594	-	530	104	2,228
At 31 December 2013	<u>1,157,050</u>	<u>3,689,559</u>	<u>57,657</u>	<u>112,989</u>	<u>183,482</u>	<u>5,200,737</u>
Accumulated depreciation						
At 1 January 2013	-	653,718	44,680	91,252	120,803	910,453
Depreciation	-	110,659	6,000	6,195	17,758	140,612
At 31 December 2013	<u>-</u>	<u>764,377</u>	<u>50,680</u>	<u>97,447</u>	<u>138,561</u>	<u>1,051,065</u>
Net book value						
at 31 December 2013	<u>1,157,050</u>	<u>2,925,182</u>	<u>6,977</u>	<u>15,542</u>	<u>44,921</u>	<u>4,149,672</u>

	Land	Building	Vehicles	Computers & Tele- communication equipment	Furniture & decoration	Total
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
2012						
Cost						
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
At 31 December 2012	<u>1,157,050</u>	<u>3,687,965</u>	<u>57,657</u>	<u>112,459</u>	<u>183,378</u>	<u>5,198,509</u>
Accumulated depreciation						
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
At 31 December 2012	<u>-</u>	<u>653,718</u>	<u>44,680</u>	<u>91,252</u>	<u>120,803</u>	<u>910,453</u>
Net book value at 31 December 2012	<u>1,157,050</u>	<u>3,034,247</u>	<u>12,977</u>	<u>21,207</u>	<u>62,575</u>	<u>4,288,056</u>

(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 2013 and 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 as of 31 December 2012.

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 13,908,967,353 as of 31 December 2012 (2011: JD 15,161,241,090).

(9) General And Administrative Expense

	<u>2013</u>	<u>2012</u>
	JD	JD
Salaries and wages	396,568	379,549
Contribution to social security	43,178	41,873
End of service indemnity	78,790	79,990
Contribution to saving fund	31,713	30,376
Training and conferences	20,032	12,367
Depreciation	140,612	144,432
Medical	45,626	45,002
Media campaigns	16,125	20,180
Electricity and water	53,086	52,309
Security	14,934	16,507
Travel and transportation	11,323	6,250
Board of Directors remuneration	18,419	18,508
Cleaning	11,479	12,472
Subscriptions	15,443	18,682
Stationery	1,568	3,294
Maintenance	8,870	10,643
Postage, telephone, and internet	4,377	4,995
Insurance	6,697	6,735
Professional fees	9,000	9,000
Fuel	9,756	13,202
Overtime	3,186	3,725
Buildings fees	2,314	2,880
Hospitality	3,056	2,474
Social committee	2,932	1,637
Consumables	404	459
Vacations payment	505	1,042
Miscellaneous	1,757	1,551
	<u><u>951,750</u></u>	<u><u>940,134</u></u>

(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>2013</u> JD	<u>2012</u> JD
Interest on bonds held to maturity	<u>25,550,935</u>	<u>18,761,453</u>
Investment in bonds held to maturity	<u>58,959,810</u>	<u>54,451,660</u>

Year-end balances were as follows

	<u>2013</u> JD	<u>2012</u> JD
Cash at Central Bank	425,411	547,586
Accrued interest income on bonds	7,286,282	6,627,411
Investments in held to maturity bonds	<u>384,195,100</u>	<u>325,235,290</u>
	<u>391,906,793</u>	<u>332,410,287</u>

The Company has compensation of key management as at 31 December 2013 amounting to JD 163,605 (2012: JD155,160).

(11) CONTRACTUAL COMMITMENT

The contractual commitment balance for purchasing held to maturity investments during 2014 amounted to JD 33,000,000 as at 31 December 2013 (2012: 89,300,000).