





# Insuring Deposits Protects Your Future Savings





HIS MAJESTY KING ABDULLAH II IBN AL HUSSEIN KING OF THE HASHEMITE KINGDOM OF JORDAN



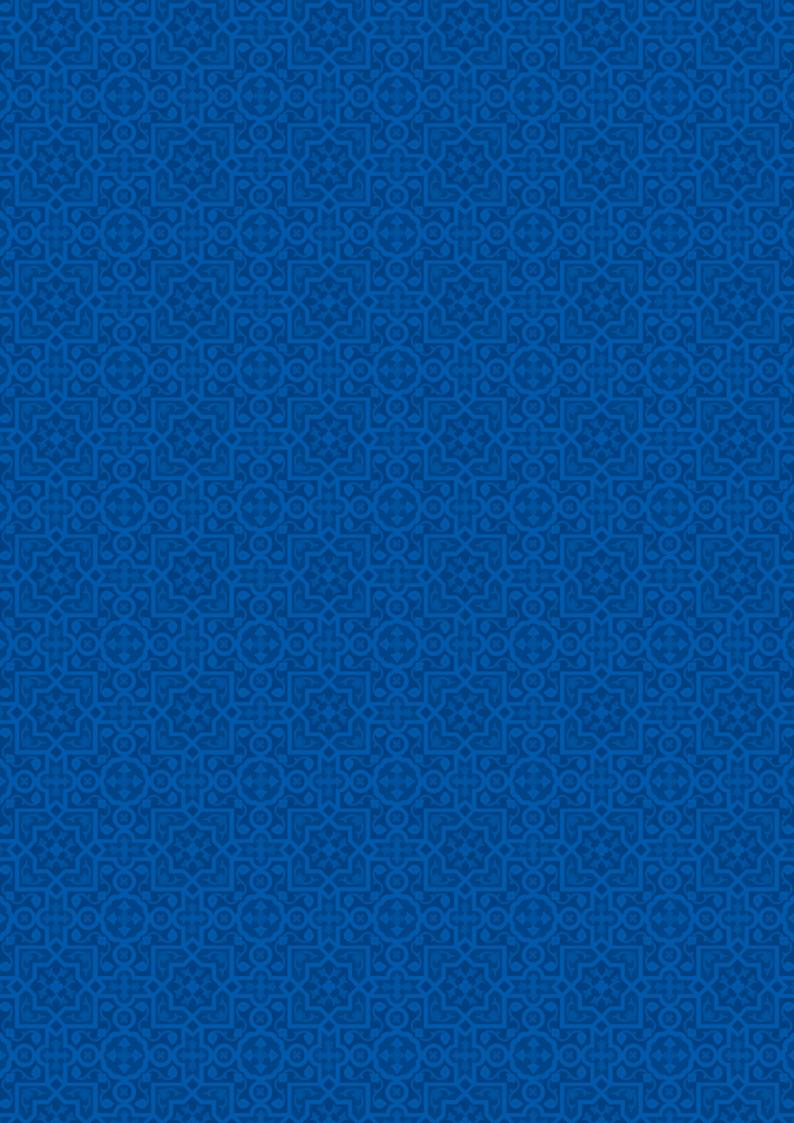


HIS ROYAL HIGHNESS CROWN PRINCE AL HUSSEIN BIN ABDULLAH II



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### **CHAIRMAN'S MESSAGE**



**Dr. Ziad Fariz** 

Ladies and Gentlemen,

It gives me great pleasure to present on behalf of the Board of Directors the annual report of Jordan Deposit Insurance Corporation (JODIC) for the year 2015. The report highlights the Corporation's key achievements over the course of the year backboned by the continuing endeavors since JODIC's establishment. Today, the Corporation becomes as one of the main recognized pillars of the financial safety-net in the Kingdom underpinned by its financial and operational capabilities as well as the growth and development of its indicators that are benchmarked against the relevant best international practices; thus enabling JODIC to boost its aspiration towards an integrated deposit insurance system in the Kingdom.

The year 2015 witnessed progress in the Jordanian economy performance; the current account deficit decreased to 9.2% of GDP at the end of the economic reform program in the year 2015, compared to 15.2% with the launching of the program in 2012. The CBJ's reserves of foreign currencies exceeded US \$ 14.2 billion. This level of reserves covers the Kingdom's imports of goods and services for approximately 8.2 months, which reflected positively on many of the monetary indicators most notably the savings in local currency, as the dollarization rate continued to decline during the last three years to reach 20.2% at the end of the year 2015, compared to 29.1% in 2012. The rate of the budget deficit reached 3.5% of GDP compared to 8.3% at the beginning of the program. In light of the success that the economic reform program has achieved, Jordan is adopting another program in order to make structural reforms to improve the business environment, performance of public institutions as well as the public debt management.

Yet, despite these developments, the Jordanian economy is still facing many difficulties and challenges that have an adverse impact on the economic growth and on creating sufficient job opportunities in the Jordanian market. The economic growth has continued to decrease to reach 2.4% at the end of the year 2015, and the unemployment rate remained at a high level of 13% in spite of the adopted employment programs and plans in this aspect, in addition to the significant challenge represented in the high level of domestic and external debt since the net public debt reached 85.8% of GDP at the end of 2015.

The main indicators of Jordanian banking system in the Kingdom have maintained noticeable growth despite the turmoil and challenges in the region. The total assets for banks operating in the Kingdom has increased by 5% and reached JD 47.1 billion at the end of 2015, net profits before taxes registered a growth rate by 4.9% and reached JD 862 million compared to JD 822 million at the end of 2014. The total of credit facilities has grown higher than the pace of growth of the previous two years; it has increased by 9.6% at the end of 2015. In addition, the capital adequacy ratio for the entire sector has reached 19.1% which is beyond the requirements of the CBJ and Basel II of 12% and 8% respectively. The legal liquidity ratio reached approximately 149%, and non-performing loans to total loans reached 4.9%, noting that its allocated provisions covered more than 74.7% of these loans.

As for JODIC's financial indicators, the Corporation has strengthened its financial capabilities during the year 2015; the premium fees from member banks reached JD 45.8 million with an increasing rate of 11.6% compared to a year earlier. The total



reserves amounted to JD 537.2 million, representing 2.8% of total deposits subject to the provisions of JODIC's Law and 7.8% of the estimated reimbursement amount by the end of 2015. It is worth mentioning that the number of fully insured depositors, whose deposits are equal or less than JD 50,000 at member banks, reached 1.7 million depositors representing 97.2% of total depositors whose deposits are subject to the provisions of JODIC's Law, noting that this ratio is comparable to or higher than those of other counterparts countries.

In closing, I invite you to review the annual report of Jordan Deposit Insurance Corporation (JODIC) for the year 2015, which emphasizes the high level of transparency and accuracy in demonstrating the Corporation's developments and achievements. May God Almighty grant further progress and prosperity to our beloved country under the guidance of his majesty King Abdullah II Ibn Al Hussein; may God protect him.



Director General Mu'taz I. Barbour

Ladies and Gentlemen,

It is my distinct honor and privilege to have been appointed by the Board of Directors to assume the responsibilities of leading the Corporation's affairs to continue marking a milestone besides the remarkable achievements that were recognized by former colleagues since JODIC's establishment. In this respect, I am pleased to introduce the annual report of JODIC for the year 2015 which details the key achievements and developments during the year 2015, in addition to the independent auditor's report that reflects JODIC's commitment to the principles of transparency and disclosure, and the sustainability of performing its national role effectively to ultimately achieve the desired financial and banking stability.

In view of the extensive efforts that have been exerted over the past years for the purpose of advancing and upgrading the deposit insurance system towards an integrated deposit insurance system to achieve the public policy objectives, and that are compatible with the best international practices demonstrated by " the Core Principles for Effective Deposit Insurance Systems" issued by the International Association of Deposit Insurers, in addition to JODIC's vision which is backboned by the wide support of the Central Bank of Jordan, it is worth mentioning that the amended draft of the banking Law, which is currently under the Parliament's review, granted JODIC additional mandate that will enable the Corporation to collaborate with the Central Bank of Jordan for the first time in the resolution process in order to ensure the soundness and the safety of the banking system.

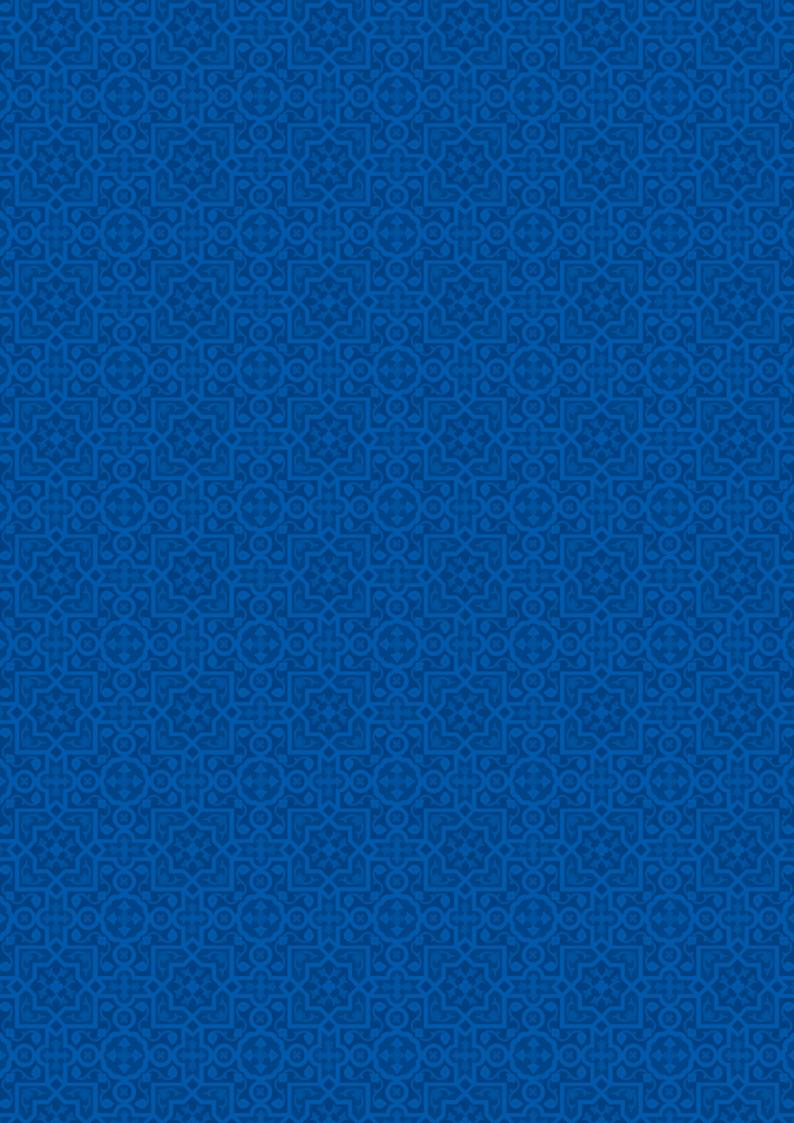
As for JODIC's financial performance for the year 2015, the net income recorded approximately JD 74 million, which enabled JODIC to promote the build-up of adequate reserves' level to reach approximately JD 537.2 million by the end of 2015 representing an increase of 16% compared to a year earlier. The reserves' level covered approximately 2.8% of total deposits subject to the provisions of JODIC's Law and approximately 7.8% of the estimated reimbursement amount by the end of 2015. In accordance with the studies and periodic reviews conducted by JODIC that are relevant to the main indicators of deposits at the member banks, its allocation and features, it is worth to indicate that the reserves' level is consistent with or even exceeds the best international practices in this aspect which also emphasizes the solvency and the strength of JODIC's financial position to carry out its legal mandates; being part of the financial safety-net in the Kingdom. These indicators showed that the percentage of fully insured depositors, with the coverage limit of JD 50,000 (fifty thousand) reached 97.2% of total depositors whose deposits are subject to the provisions of JODIC's Law by the end of 2015, the limit registered approximately 17.9 fold the 2015 per capita GDP, and the percentage of the estimated reimbursement amount reached 35.4% of total deposits subject to the provisions of JODIC's Law.

In terms of the communications initiatives, JODIC continued its endeavors to raise the public awareness about the nature of its business and its vital role in encouraging savings and enhancing confidence in the banking system in the Kingdom. JODIC adopted a strategic plan to communicate with the public and to strengthen its partnership with the member banks; being an effective and main channel to reach the targeted audience of depositors.

At the regional and international levels, the year 2015 was characterized with a distinctive contribution for JODIC in the deposit insurance field; the most prominent achievements were crowned with the success of the joint MENA & Africa Regional Committees' Meetings and Conference entitled: Building upon the Revised IADI Core Principles: DIS Compliance Lessons. The event was hosted by JODIC and sponsored by the International Association of Deposit Insurers (IADI) and it was held at the Dead Sea in February 2015. It is worth mentioning that there were many significant recommendations that came out of the conference. Furthermore, JODIC continued its active participation in the IADI's research and guidance through its membership in the Steering Committee for the Review and Update of the Core Principles for Effective Deposit Insurance Systems issued by the International Association of Deposit Insurers (IADI) and Basel Committee on Banking Supervision (BCBS).

Also, JODIC maintained its membership in the Executive Council (EXCO) of the IADI, and continued chairing the Middle East and North Africa Regional Committee (MENA), in addition to its membership in the IADI Standing Committee of the Membership and Communications Committee (MCC), the Data and Survey Committee (DSC), the Research and Guidance Committee (RGC), and its subcommittees; e.g. the Islamic Deposit Insurance Group (IDIG), the Financial Inclusion Committee, in addition to participating in several regional and international events in the deposit insurance field.

In closing, I would like to extend my sincere gratitude and appreciation to H.E. the Chairman and the Members of the Board of Directors for their continued support and guidance as well as to all current and former colleagues and directors. May God Almighty guide us to serve our beloved country under the auspices of His Majesty King Abdullah II Ibn Al Hussein, may God protect him.





#### Chairman of the Board of Directors H.E. Dr. Ziad Fariz Governor of the Central Bank of Jordan

By Royal Decree, H.E. Dr. Ziad Fariz was appointed as Governor of the Central Bank of Jordan on January 10<sup>th</sup>, 2012.

Prior to that, H.E. Dr. Fariz held the position of Chairman of First Investment Group. Between August 2007 and February 2009, H.E. held the position of Chairman of the Board of Capital Bank, and served as Deputy Prime Minister and Minister of Finance during the period from November 28<sup>th</sup>, 2005 until September 2<sup>nd</sup>, 2007.

Between 2001 and November 27<sup>th</sup>, 2005, H.E. was Chief Executive Officer of the Arab Banking Corporation in Jordan. Prior to that, he served as Governor of the Central Bank of Jordan between 1996 until the end of the year 2000. In 1995, H.E. worked on establishing the Capital Bank, where he later became the Chairman of its Board of Directors.

Previously, he served as Minister of Planning and International Cooperation from June 20<sup>th</sup>, 1991 until June 8<sup>th</sup>, 1994 and during the period December 6<sup>th</sup>, 1989 until June 20<sup>th</sup>, 1991 he was appointed as Minister of Industry and Trade.

In 1984, he was appointed as Secretary General of the Ministry of Planning and International Cooperation until April 1989, when he was appointed as Minister until December 6<sup>th</sup>, 1989.

H.E. started his professional career at the Central Bank of Jordan in 1966 as an Economic Researcher at the External Trade Division of the Research Department. After completing his Ph.D. in 1978, he rejoined the Central Bank of Jordan as an Economic Consultant and then as an Executive Director for both the Research and the Investment and Foreign Operations Departments.

H.E. Dr. Ziad Fariz holds a Ph.D. degree in Economics from Keele University, UK and a bachelor's degree from the University of Baghdad, Iraq. He is also a Member of the board of various educational, cultural and banking institutions.



#### Vice Chairman of the Board of Directors H.E. Dr. Adel Ahmad Al-Sharkas Deputy Governor of the Central Bank of Jordan

By Royal Decree, H.E. Dr. Adel Ahmad Al-Sharkas was appointed as the Deputy Governor of the Central Bank of Jordan on April 1<sup>st</sup>, 2012.

Dr. Adel Al-Sharkas held several positions at the Central Bank of Jordan (CBJ), where he started his career as an Economist at the Research Department in February 1991. After that, Dr. Al-Sharkas moved to the USA, where he received his Ph.D. in 2002. In the same year, he was appointed as an Assistant Professor of Financial Economics at Alfred University, New York. In 2006, he was promoted to Associate Professor of Financial Economics at the same University.

Dr. Al-Sharkas rejoined the CBJ in June 2006 as Head of the Monetary Affairs Division at the Research Department. In 2009, he was promoted to Deputy Executive Director and then to Executive Director for the Research Department late 2011.

During his tenure at the Research Department, Dr. Al-Sharkas actively led the task force that worked on monetary policy formulation, and on providing consultancy and recommendations on issues relevant to the financial and economic stability. He also made extensive contributions, within the CBJ's mandate, as an Advisor to the Government on various economic policies. Dr. Al-Sharkas also represented the CBJ in several national and international events.

Dr. Adel Al-Sharkas is the Chairman of the Board of Directors of Jordan Mortgage Refinance Company, the Head of the Financial Services Team, and the Member of the Coordination Committee of Jordan Vision 2025. At the Central Bank of Jordan, he is the Chairman of the Credit Facilities Committee, the Vice Chairman of the Investment Committee and the Human Resources Committee, and Member of the IT Steering Committee.

Dr. Al-Sharkas research papers have been published extensively in several popular academic journals, and he lectured in economics and finance to Ph.D., master and bachelor students at Jordanian universities and several other academic institutions.

Dr. Al-Sharkas holds a Ph.D. degree in Financial Economics from the University of New Orleans, USA, a master's degree in Applied Statistics and Financial Economics from Yarmouk University, Jordan, and a bachelor's degree in Applied Statistics from the same University.



#### H.E. Dr. Ezzedine Kanakrieh Secretary General of the Ministry of Finance

By Royal Decree, H.E. Dr. Ezzedine Kanakrieh was appointed as Secretary General of the Ministry of Finance for the second time on June  $5^{th}$ , 2014 where he held the same position during the period 2007-2012

Dr. Kanakrieh worked as Director General of the Income and Sales Tax Department in March 2012. Afterwards, he decided to be full-time academic lecturer in Jordanian universities as well as to write economic and financial research papers and newspaper articles. Subsequently, he was appointed as Commissioner of the Jordan Securities Commission during the period 2012-2014.

Dr. Kanakrieh held several positions at the Ministry of Finance during the period 1986-2007, the most significant of these were the posts of Assistant Secretary General and Director of the Cash Management Directorate at the Ministry. Moreover, he represented the Ministry of Finance in several companies and organizations in different capacities in the board of directors and its official committees. Besides, Dr. Kanakrieh participated mainly in drawing economic and financial policies as well as implementing important programs on the national and international levels.

He holds a Ph.D. degree in Finance from Amman Arab University for Higher Studies in 2010. A master's degree in Accounting and Financial Sciences from the Arab Academy for Banking and Financial Sciences/Amman in 1997, and a bachelor's degree in economics from Yarmouk University in 1984.

In 2007, Dr. Kanakrieh was honored with the Independence Medal of the Second Class in recognition of his efforts and his service in the public sector.



#### H.E. Mr. Ramzi Nuzha<sup>1</sup> General Controller of Companies at the Ministry of Industry and Trade

By Royal Decree, H.E. Mr. Ramzi Nuzha was appointed as the General Controller of Companies in early July 2016. Prior to that, he was a freelance expert on enhancing integrity and anti-corruption working with international organizations such as the UNDP and the UNODC. Mr. Nuzha held the position of a Board Member at the Jordan Anti-Corruption Commission (ACC) from October 2010 until February 2015. Mr. Nuzha is a retired full Colonel Military Judge from the Military Jurisdiction - Jordanian Armed Forces. He later became a Prosecutor at the State Security Court, and after that, he moved to the Legislation, Consultation and Contracting Department where he participated in drafting codes to include Jordan Economic Crime Code. In early 2010, he was seconded to the Prime Minister's Office.

Mr. Nuzha represented Jordan in many regional and international conferences, workshops, and seminars. He authored several published papers and articles covering various legal and anti-corruption, transparency and integrity aspects. The UN chose him as an anti-corruption expert to participate in reviewing Iraq and Bahrain compliance with the United Nations Convention against Corruption. At the ACC, Mr. Nuzha was heading the Social Media Team, and he was the Project Coordinator between the ACC and the UNDP, the UNODC and the OECD. Furthermore, he was assigned as a focal point for Interpol/ StAR platform and he headed the National Prevention Team and supervised the investigation of several grand corruption cases.

Mr. Ramzi Nuzha holds a bachelor's degree in Law from the University of Jordan, and a high diploma in Law from the Jordanian Judicial Institute. He also holds a master's degree in Law from the Judge Advocate General's School, Virginia, USA. Mr. Nuzha also holds several medals of Honor.

<sup>1-</sup> H.E. Mr. Ramzi Nuzha was appointed as the General Controller of Companies at the Ministry of Industry and Trade on July 3<sup>rd</sup>, 2016 succeeding H.E. Dr. Omar Al Zoubi.



#### H.E. Mr. Mu'taz Ibrahim Barbour<sup>2</sup> Director General of Jordan Deposit Insurance Corporation (JODIC)

Mr. Mu'taz Ibrahim Barbour assumed the position of the Director General of Jordan Deposit Insurance Corporation (JODIC) on June 6<sup>th</sup>, 2016. Prior to that, Mr. Barbour held several positions at the Central Bank of Jordan (CBJ), and most recently was as an Advisor at the Governor's office.

Mr. Barbour has an extensive experience in the banking industry gained through his work in the CBJ, serving on various specialized committees such as the Investment Committee, Open Market and Public Debt Committee, and the Credit Committee. He is an expert and lecturer in many specialized subjects mainly in investments, and foreign exchange, international trade and finance. He also participated in several conferences, seminars and training courses held by international financial institutions, such as the International Monetary Fund, the World Bank, and the Central Banks.

Mr. Barbour represented the Central Bank of Jordan in the committees that have completed the issuance of the Eurobonds in the last two years. He held several positions in different capacities: Member of the Board of Directors of Jordan Loan Guarantee Corporation and Jordan Mortgage Refinance Company, and Vice Chairman of Jordan Forex Association. At the regional level, he was a Member of the Executive Committee in the Interarab Cambist Association/ Beirut.

Mr. Mu'taz Ibrahim Barbour holds a bachelor's degree in Accounting, and a diploma in Banking Studies.



#### H.E. Mr. Saleh Yacob Tayeh Chairman of the Board of Directors of Al-Hekma for Financial Services Co.

Mr. Saleh Tayeh holds currently the position of Chairman of the Board of Directors of Al Hekma for Financial Services Company. Previously, he assumed different positions at the Central Bank of Jordan (CBJ), the latest was Deputy Governor of the CBJ, appointed by the Royal Decree in 2000, and he held this position for about four years.

Mr. Saleh Tayeh started his career at the CBJ in 1971 at the Foreign Banking Department where he was promoted in the year 1992 to become Head of the Department. In the year 1996, he established the Open Market Operations Department and was appointed as the Department's Executive Director.

During his work at the Central Bank of Jordan, he was deputed to several local and foreign institutions. Locally, he was appointed as Dean Deputy of the Institute of Banking Studies, where he established the Division of Islamic Banking Studies and lectured in several topics specialized in Islamic banking at the Institute. Also, Mr. Tayeh worked at the Housing Bank for Trade and Finance as Advisor in Foreign Operations Activities, and worked at the Jordan Security Exchange Commission - Security Depository Center. Mr. Tayeh worked abroad as Portfolio Manager and Investment Advisor at the Central Bank of the United Arab Emirates (UAE) - Abu Dhabi during the years 1986-1992 he also worked as IMF Resident Advisor at the Palestine Monetary Authority (PMA) - Gaza during the years 1995-1996.

Mr. Tayeh holds D.E.S.S (Diploma des Etudes Superiors Specializes) in Economics and Finance from the University of Paris "1" - La Sorbonne in 1977, and a bachelor's degree in Economics and Statistics in 1970 from the University of Jordan.

2- H.E. Mr. Mu'taz I. Barbour was appointed as the Director General of JODIC on June 6th, 2016 succeeding H.E. Mrs. Jumana Hamed.





#### Mr. Issa H. Murad <sup>3</sup>

Chairman of Amman Chamber of Commerce Board Member of Jordan Chamber Commerce Board Member of Arab British Chamber of Commerce Honorary Consul of the Republic of Slovenia – Amman

Mr. Issa H. Murad is the Chairman of Amman Chamber of Commerce. He also holds several positions in different capacities; the most significant positions are: Board Member of Jordan Chamber Commerce, and Arab British Chamber of Commerce, Honorary Consul of the Republic of Slovenia–Amman, Board Member of Islamic Bank, Jordan Enterprise Development Corporation (JEDCO), and Jordan Hashemite Fund for Human Development.

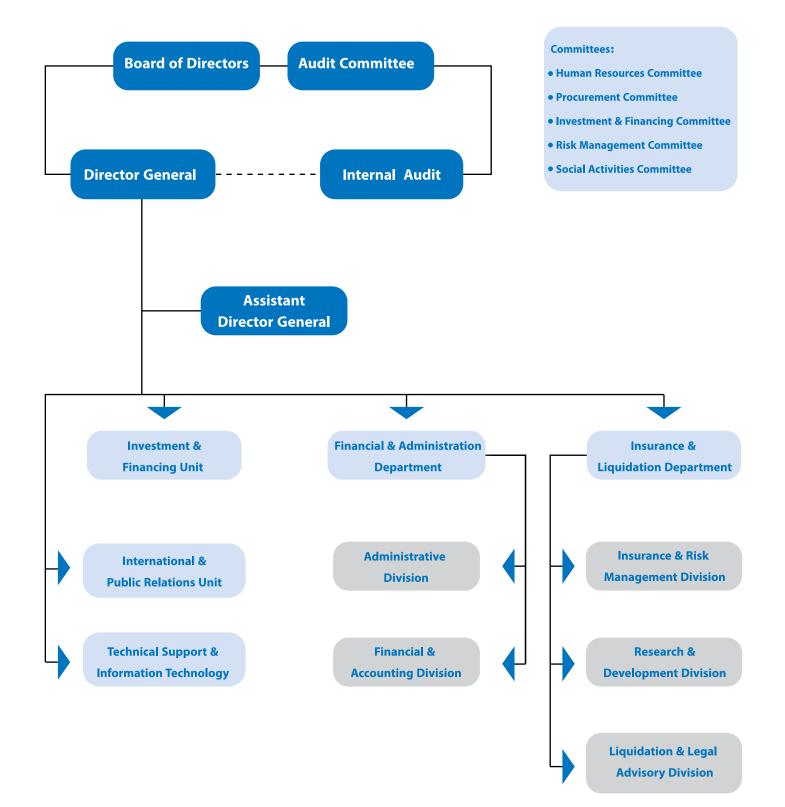
Mr. Murad is also Board Member and Partner of Haider Murad & Sons Investment Group (Electronics & House Hold Sector), Trusty Telecommunication Trading Company, Leaders Center (Electronics Store), and Clean Energy Concepts Co. (CEC).

Moreover, Mr. Issa H. Murad is Board Member of the Development and Employment Fund, Princess Sumaya University for Technology, Board Member of Trustees of the Hashemite University, and Jordanian Businessmen Association.

Mr. Issa H. Murad was honored with the Honor of Order of Knight of the Italian Star bestowed by the President of Italy on 14 July 2015. He holds a bachelor's degree in Economics – Business Administration and Accounting from the University of Jordan in 1985.



### **ORGANIZATIONAL STRUCTURE**



### MEMBER BANKS AND NON-MEMBER BANKS

MEMBER BANKS Jordanian Banks		Year of Establishment	Number of Branches Inside the Kingdom by the End of 2015	Total Assets (JD Million) by the End of 2015	Deposits Subject to the Provisions of the Law (JD Million) by the End of 2015	
1	Arab Bank	1930	75	8806.4	4183.5	
2	The Housing Bank for Trade & Finance	1973	126	6841.9	3946.6	
3	Bank al Etihad	1978	38	2392.9	1313.4	
4	Jordan Kuwait Bank	1976	56	2546.9	1404.7	
5	Jordan Ahli Bank	1955	56	2270.2	1330.8	
6	Bank of Jordan	1960	70	1872.7	898.1	
7	Capital Bank of Jordan	1995	12	1787.4	867.8	
8	Cairo Amman Bank	1960	85	2076.6	818.9	
9	Arab Banking Corporation - Jordan	1990	27	1015.6	488.9	
10	Jordan Commercial Bank	1977	29	1405.2	717.8	
11	Societe Generale de Banque - Jordanie	1965	16	1210.8	827.9	
12	Arab Jordan Investment Bank	1978	32	1657.1	597.0	
13	Invest Bank	1982	11	810.7	430.7	
Bra	nches of Foreign Banks Operating in Jord	lan				
14	Bank Audi S.A.L-Jordan Branches	2004	13	898.0	472.4	
15	BLOM Bank S.A.L	2003	14	818.0	524.0	
16	Egyptian Arab Land Bank	1951	10	368.9	188.9	
17	Standard Chartered Bank	2002	6	442.5	141.2	
18	National Bank of Abu Dhabi	2009	2	382.0	175.4	
19	Citi Bank N.A	1974	1	309.1	100.8	
20	National Bank of kuwait	2003	3	320.4	60.6	
21	Rafidain Bank	1963	2	132.5	0.37	
	NON-MEMBER BANKS	Year of Establishment	Number of Branches Inside the Kingdom by	Total Assets (JD Million) by the End of	Deposits Subject to the Provisions of the Law (JD Million) by the	
Jordanian Banks			the End of 2015	2015	End of 2015	
1	Jordan Islamic Bank	1978	73	3776.7	2994.1	
2	Islamic International Arab Bank	1997	41	1808.6	1385.5	
3	Jordan Dubai Islamic Bank	2008	21	781.6	570.8	
Brar	Branches of Foreign Banks Operating in Jordan					
4	Al Rajhi Bank	2009	6	442.3	322.8	

# GLOSSARY

#### Member Banks:

All Jordanian banks and locally incorporated foreign banks, except for Islamic banks operating in the Kingdom and branches of Jordanian banks operating outside the Kingdom. The table of Member Banks, page no. (19).

#### • Coverage Limit:

The maximum level of insurance sum per depositor per member bank, when a member bank is liquidated. The coverage limit is up to JD 50,000 (fifty thousand Jordanian Dinar).

#### • Eligible Deposits / Deposits Subject to the Provisions of the Corporation's Law:

Deposits denominated in Jordanian Dinar (JD) held by member banks, except for: Government deposits, interbank deposits, and cash collaterals within the limits of the value of extended facilities guaranteed by the said collaterals.

#### • Estimated Reimbursement Amount:

Deposits subject to the provisions of the Corporation's Law, not exceeding the limit of JD 50,000 (fifty thousand Jordanian Dinar) per depositor per member bank that is due to the entire depositors in case of liquidation.

#### • Fully Insured Deposits:

Deposits subject to full reimbursement according to the provisions of the Corporation's Law, equal or less than the coverage limit of JD 50,000, (fifty thousand Jordanian Dinar).

#### • Partially Insured Deposits:

Deposits subject to the provisions of the Corporation's Law that are in excess of the coverage limit of JD 50,000 (fifty thousand Jordanian Dinar).

#### • The Revised Core Principles for Effective Deposit Insurance Systems:

An international set of (16) Principles for effective deposit insurance practices issued by the International Association of Deposit Insurers (IADI), and finally revised by a Joint Working Group included representatives from the Basel Committee for Banking Supervision (BCBS), the European Forum of Deposit Insurers (EFDI), the European Commission (EC), the Financial Stability Board (FSB), the International Monetary Fund (IMF), and the World Bank (WB).

#### • International Association of Deposit Insurers (IADI):

IADI is a non-profit organization constituted under Swiss Law in May 2002, and domiciled at the Bank for International Settlements (BIS) in Basel, Switzerland. IADI's objectives are to enhance the effectiveness of deposit insurance systems by promoting guidance and international cooperation, as well as exchanging expertise in the deposit insurance field. Currently, Participants in the IADI represent (82) Members, including Jordan, (10) Associates and (14) Partners.

# **OVERVIEW**

### **OUR VISION:**

To be a leading professional deposit insurance corporation at the regional and international levels.

#### **OUR MISSION:**

To protect depositors with banks, to encourage savings, as well as to strengthen confidence in the Jordanian banking system.

OUR VALUES:	
Loyalty	: Sense of responsibility and honesty towards the Corporation, staff and stakeholders.
Integrity	: Adherence to the highest ethical and professional standards.
Excellence	: Striving to apply the best international practices, skills, knowledge and expertise to carry out our responsibilities efficiently and effectively.
Team Spirit	: Consolidating relations among the staff and maintaining effective communication lines with related parties.
Continuous Education and Training	: Improving our professional skills and capabilities to keep up with the best international practices.

#### **OUR OBJECTIVES:**

- To provide full protection for the vast majority of depositors.
- To exhibit a high level of financial operational capacity and readiness, and to build up an appropriate level of reserves.
- To manage the reimbursement and the liquidation processes efficiently and effectively.
- To contribute in increasing awareness of risk management in banking sector.
- To promote public awareness of deposit insurance system in the Kingdom.



### **OVERVIEW**

JODIC was established as a financially and administratively independent Corporation, with the aim of protecting depositors with member banks by insuring their deposits in order to encourage savings as well as to enhance confidence in the Jordanian banking system.

In accordance with the provisions of the Corporation's Law, JODIC carries out two primary mandates: deposit insurance and banks liquidation since JODIC is the sole insurer and the legal liquidator of any bank that has been decided to be liquidated by the Central Bank of Jordan. The Corporation enjoys a wide range of powers and authorities to perform its mandates efficiently and effectively. It also has supervisory powers and authorities granted by its Law through participating in a joint inspection team with the Central Bank of Jordan, besides examining banks closing financial statements and the results of their operations that are available at the CBJ. As per the Corporation's financial resources, JODIC is mainly funded through annual membership fees collected from member banks as well as the returns of its investments. Moreover, the Corporation may borrow directly, or it may issue debenture bonds that enable it to pay its obligations owed thereby according to the provisions of its Law.

JODIC is keen to enhance its infrastructure capacity building and to manage its human resources, in order to carry out its functions efficiently and effectively towards achieving its mission and objectives particularly in protecting small depositors, preserving the rights of sophisticated depositors, as well as promoting public awareness about the Corporation's role in protecting their savings with banks; aspiring to realize its vision.

JODIC is the sole insurer and the legal liquidator of any bank that the Central Bank of Jordan (CBJ) decides to liquidate.



<u>/ Ryan</u>

#### HIGHLIGHT OF THE YEAR 2015:

The joint MENA & Africa Regional Committees' Meetings Conference: Building upon the Revised IADI Core Principles: DIS Compliance Lessons".

During the period 16-17 February 2015, JODIC hosted the joint MENA & Africa Regional Committees' Conference entitled: Building upon the Revised IADI Core Principles: DIS Compliance Lessons". The event was sponsored by the International Association of Deposit Insurers (IADI) and was held at the Kempinski Hotel-Ishtar Dead Sea.



The conference covered more than (15) working papers in the areas of key issues in the revised version of the Core Principles issued by the International Association of Deposit Insurers (IADI) and the Basel Committee for Banking Supervision (BCBS), such as: Governance, Funding Sources, Reimbursement Process, Crisis Management, in addition to the key role played by the International Financial Institutions (IFI) (e.g. the World Bank and the Office of Technical Assistance/US Treasury Department) for technical assistance, and sharing experiences in newly set up DIAs or upgrading previously established schemes. Also, the experiences of the deposit insurance systems in the MENA Region were reviewed along with the compliance to the Core Principles.

Furthermore, the importance of the Islamic deposit insurance and the enriched experiences of the deposit insurance systems of Malaysia, Indonesia, and Sudan in this aspect were illustrated.

The most significant recommendations which came out of the conference were the important review of the deposit insurance systems in line with the recently revised Core Principles and the compliance assessment with these Principles, and the important review of the DISs' mandates, taking into consideration their jurisdiction's

### **OVERVIEW**

conditions, in order to contribute to the bank's resolution, in addition to the emphasis on the expanding the membership to include the insurance of depositors with the Islamic banks to achieve the public policy objectives that require providing protection to the vast majority of depositors at the banking system.

Furthermore, a workshop for the Islamic Deposit Insurance Group (IDIG) was organized in conjunction with the conference, in addition to the annual regional meetings for the Middle East and North Africa Regional Committee (MENA), and the Africa Regional Committee (ARC) to consolidate relationships and the subjects of common interest between the DISs in the regions.



#### MANDATES AND POWERS:

#### - DEPOSIT INSURANCE:

JODIC is legally responsible for reimbursing insured depositors with any member bank that the Central Bank of Jordan decides to liquidate. Therefore, JODIC shall be obliged to pay the insurance sum from its own financial resources instead of being undertaken by the Treasury and taxpayers.

The insurance sum shall become payable under JODIC's Law if the CBJ decides to liquidate a bank. JODIC shall pay the insurance sum due to an insured depositor within 30 days from the date on which the depositor submits his/her claim.

#### - LIQUIDATION:

According to JODIC's Law no. (33) of the year 2000, JODIC is the sole liquidator and the sole legal representative of any bank whose liquidation has been decided by the Central Bank of Jordan, including non-member banks. JODIC enjoys a wide range of powers and authorities to perform its responsibilities as a liquidator within two years from the date of the issuance of the liquidation decision. JODIC is authorized to offset the deposits against all obligations and liabilities owed by depositors when determining the sum of deposits subject to reimbursement.

The Board of Directors approved regulations related to the reimbursement and liquidation processes in line with JODIC's mandates. The regulations provide the general framework for the process of deposits reimbursement and assets disposition (liquidation).

The responsibilities of JODIC, as a liquidator, are not limited to the prompt reimbursement of the insured depositors within the deposit insurance coverage limit stipulated in its Law. It is also responsible for managing claims of remaining depositors, creditors, and shareholders in light of the residuals resulted from conducting a set-off between debts and obligations owed by the bank under liquidation, disposing of its assets as well as recovering the bank's rights.

#### - RESERVES' MANAGEMENT:

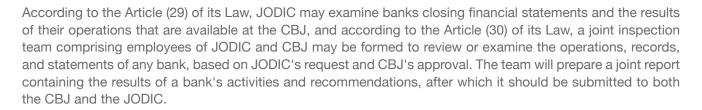
Given the mandatory requirements that shall be met by JODIC in an efficient and effective manner to provide protection to depositors with member banks, JODIC must act to form accumulated targeted reserves' level of 3% of the total deposits subject to the provisions of JODIC's Law.

The sources of reserves are the membership fees (annual premiums) that are collected from member banks and the investments' income, in addition to any other surplus net of all expenses.

JODIC also adopts an integrated plan approved by the Board of Directors to strike the targeted reserves' level within a balanced time frame, whereas the Corporation invests its funds mainly in bonds issued or guaranteed by the Jordanian Government according to the provisions of Article 24(a) of JODIC's Law.

#### - MONITORING OPERATING BANKS IN THE KINGDOM:

To enable JODIC to perform its mandates as deposit insurer and liquidator and to ensure its readiness to manage the processes of reimbursement and liquidation efficiently and effectively, JODIC in collaboration with the Central Bank of Jordan (CBJ) monitors the financial positions of member banks.



**OVERVIEW** 

#### MAIN FEATURES OF THE DEPOSIT INSURANCE SYSTEM IN JORDAN:

#### - MEMBERSHIP:

Membership is mandatory for all Jordanian banks and branches of foreign banks operating in the Kingdom except the branches of Jordanian banks operating abroad. The membership for Islamic banks operating in the Kingdom is voluntary, unless any of them decides to join the scheme.

(21) banks are subject to the provisions of JODIC's Law at the year-end 2015, 13 of which are Jordanian banks.

#### - COVERAGE LIMIT:

The maximum coverage limit is JD 50,000 (fifty thousand of deposits denominated in Jordanian Dinar) per depositor at each member bank.

#### - SCOPE OF COVERAGE:

#### Insured Deposits:

JODIC insures all types of deposits denominated in **Jordanian Dinar** for individuals, institutions, residents and non-residents, including but not limited to:

- Current and demand deposits.
- · Saving deposits.
- Term and subject to notice deposits.
- Certificates of deposits issued by member banks.
- · Joint deposits accounts that belong to more than one person.

#### Uninsured Deposits:

- Government Deposits.
- Interbank Deposits.
- Cash collaterals within the limits of the value of extended facilities guaranteed by the said collaterals.

#### • Insured Currency:

JODIC insures deposits in the local currency, which is the Jordanian Dinar. Besides, JODIC may insure any foreign currency that CBJ decides to subject according to the provisions of JODIC's Law.

The deposit insurance coverage limit is JD 50,000 (fifty thousand Jordanian Dinar) which equals 5.4 folds of the average deposits amount held at the banking system.

#### - ANNUAL PREMIUMS (MEMBERSHIP FEES):

JODIC applies an annual flat fee of 2.5 per thousand of total deposits subject to the provisions of its Law paid by each member bank. However, this fee and the terms of calculating it can be adjusted by the Cabinet's approval upon the recommendation of the JODIC's Board of Directors, based on bank's rating applied by the CBJ.

#### **CORPORATE GOVERNANCE:**

For the sake of developing and improving the institutional and legislative structure as well as consolidating the financial safety-net in the Kingdom, JODIC was established in the year 2000 pursuing its endeavors to strengthen its institutional infrastructure. JODIC aims at realizing its mission represented in protecting depositors by insuring their deposits held with member banks in accordance with JODIC's Law, and benchmarked with Principle (3) (Governance) of the Core Principles for Effective Deposit Insurance Systems that stipulates the following: The deposit insurer should be operationally independent, transparent, accountable and insulated from undue political and industry influence.

Principle 3 (Governance) of the Core Principles for Effective Deposit Insurance Systems stipulates: The deposit insurer should be operationally independent, transparent, accountable and insulated from undue political and industry influence.

Towards this end, there exists four main thrusts of the corporate governance that are applied by JODIC as follows:

#### First: The Institutional Legislative Framework:

The salient features of the deposit insurance system have been clearly stated within a comprehensive legal framework. JODIC Law's provisions stipulate the objectives, roles, responsibilities and procedures that JODIC has to adhere to in order to realize its mission and to carry out its functions efficiently and independently. Furthermore, JODIC's Law stipulates the rights of depositors, the relationship with the Central Bank of Jordan (CBJ) as well as the institutional framework with the related parties.

#### Second: Strategic Objectives:

The Corporation's strategic objectives emerged from the national and institutional objectives designed to carry out its mission and to enhance its capabilities to be able to perform its functions efficiently and effectively. Towards that, JODIC adopted an integrated strategic plan based on the evaluation of alternative strategic plans and analysis that ultimately enhances its points of strengths and handles the points of weaknesses within the surrounding opportunities and challenges.

Within the framework of the strategic planning, JODIC adopts a medium-term financial program that contains Guiding and Performance Indicators to provide full protection for the vast majority of depositors and to build up the targeted reserves' level within a balanced time frame.

#### Third: JODIC'S MANAGEMENT (Board of Directors, and Administrative and Functional Apparatus):

#### **A- Board of Directors:**

JODIC is managed and supervised by a Board of Directors chaired by the Governor of the Central Bank of Jordan and comprises four members from the public sector, including the Director General of JODIC, in addition to two members from the private sector appointed by the Cabinet. The two members must not be executives of any bank during the period of their membership on the Board and for the two years following the termination of their membership. Also, the Board's members are appointed, including the Director General, according to specific criteria.

JODIC's Law stipulates the Board's functions and authorities such as drawing the Corporation's general policy, approving the general policy for the investment of the Corporation's fund in accordance with the provisions of the Law, formulating the administrative organizational structure of JODIC and approving estimated annual budget. Moreover, the Board exercises the authorities of the board of directors of a public shareholding company stipulated in the Companies Law to the extent that they do not conflict with the provisions of JODIC's Law. The Board meets upon the invitation of its Chairman once every two months or whenever the need arises. Additionally, the Board's decisions are taken unanimously or by the majority of its members. In the event of a tie vote, the side with which the meeting's Chairman voted prevails.

Besides, the Corporation's Law stipulates the duties and authorities carried out by the Director General to manage the Corporation's affairs including the implementation of the policies and the decisions made by the Board, as well as the supervision of JODIC's administrative system.

#### **B-** Administrative and Functional Apparatus:

#### The administrative and functional apparatus consists of the following departments, units and activities:

#### 1. Insurance and Liquidation Department:

The department carries out the responsibilities of designing, implementing, and developing policies relevant to deposit insurance with the purpose of creating incentives for depositors to exercise the market discipline and for banks to continuously improve their risk management. The department also carries out the liquidator's functions for any bank that the Central Bank of Jordan decides to liquidate according to the provisions of JODIC's Law and to other relevant regulations and decisions. Its responsibilities as a liquidator include the design and development of policies relevant to the liquidation process so that functions be performed efficiently and effectively, the responsibilities also include developing and managing depositors' reimbursement procedures according to the provisions of JODIC's Law and to other relevant to other relevant regulations and managing depositors' reimbursement procedures according to the provisions of JODIC's Law and to other relevant to other relevant regulations.

#### 2. Financial and Administration Department:

The department's responsibilities include managing the Corporation's demand for human resources, as well as supplying the Corporation with the needed equipments and managing maintenance work. The department is also responsible for covering administrative expenses, handling bookkeeping tasks, as well as maintaining the central books of accounts.

#### 3. Investment and Financing Unit:

The unit carries out the responsibilities of investing JODIC's funds which includes deposits held with banks, as well as the management of JODIC's financing operations to meet any future obligation in accordance with JODIC's Law.

#### 4. International and Public Relations Unit:

The unit's responsibilities include managing JODIC's international relations and its membership in the relevant regional and international committees, in addition to managing the public awareness campaigns, maintaining communication lines with member banks, as well as organizing various relevant local activities and events.

#### 5. Internal Audit:

The Internal Audit reports directly to the Audit Committee of the Board of Directors. It carries out the responsibilities of ensuring the soundness for JODIC's various activities and business processes, and makes recommendations that are based on the analysis and evaluation of JODIC departments' performance in order to carry out their responsibilities efficiently and effectively.

#### 6. Technical Support and Information Technology:

The Technical Support and Information Technology's responsibilities include managing the computer systems, the information technology and the computer network for JODIC, in addition to managing the maintenance of computer hardware, operating systems and software. They also include the preparation and implementation of security measures and the protection of devices, software, and data. Managing the building's system and its extensions

Additionally, official internal committees are formed either on temporary or permanently basis; to review and administer the Corporation's functions and thereby make necessary recommendations. Among these committees is the Risk Management Committee which is the most important Committee, that carries out the responsibilities of identifying risks, its sources and impact on JODIC's performance as well as its financial position. It also recommends and develops on an ongoing basis the policies and procedures needed for managing risks, as well as ensures that JODIC's strategic objectives and operational readiness are well administered within an acceptable risk level.

#### Fourth: Disclosure and Transparency

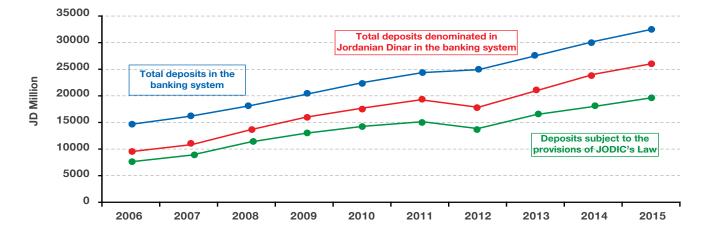
In accordance with the provisions of its Law, JODIC keeps records and accounts according to the recognized accounting principles. The Corporation is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRSs). These responsibilities include designing, and maintaining an internal control in order to prepare and present the financial statements are audited by an external auditor in accordance with the International Standards on Auditing, and the Corporation is accountable to the Audit Bureau. Also, JODIC discloses the closing financial statements, after being approved by the Board of Directors, in at least two daily newspapers, at JODIC's website and in its annual report. The latest is considered a key communication tool that details all the relevant information and needed knowledge about the deposit insurance system in the Kingdom, achievements, recent and important indicators of deposits in the banking system and the member banks in addition to the development of reserves' level, investment policy and income.

DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

### DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Total deposits in the Jordanian banking system reached JD 32613.4 million by the end of the year 2015, compared to JD 30277.3 million a year earlier, indicating an increase of JD 2336.1 million or 7.7%. The average annual growth rate in deposits for the last ten years was 9.5%.

Deposits denominated in Jordanian Dinar amounted to JD 26029.4 million, representing 79.8% of total deposits in the banking system, whereas foreign currency deposits amounted to JD 6584 million or 20.2% of total deposits in the banking system by the end of the year 2015. The percentage of deposits denominated in Jordanian Dinar was 79.4% compared to 20.6% of deposits denominated in foreign currencies a year earlier.



### Historical Development of Deposits in the Banking System (2006-2015)

### Deposits in The Jordanian Banking System

Year	2014 (JD Million)	2015 (JD Million)	
Total Deposits Denominated in Jordanian Dinar and Foreign Currencies (JD Million)	30277.3	32613.4	
Deposits Denominated in Jordanian Dinar (JD Million)	24029.4	26029.4	
Deposits Denominated in Foreign Currencies (JD Million)	6247.9	6584.0	

Total deposits denominated in Jordanian Dinar represented 79.8% of total deposits in the banking system by the end of 2015.

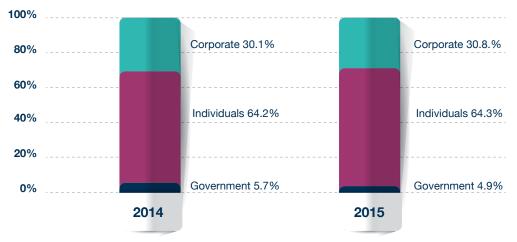


### **DEPOSITS DENOMINATED IN JORDANIAN DINAR:**

Total deposits denominated in Jordanian Dinar in the banking system reached JD 26029.4 million by the end of 2015 compared to JD 24029.4 million a year earlier, indicating an increase of JD 2000 million or 8.3%. The allocation of these deposits in the banking system by the end of 2015 shows that individuals' deposits amounted to JD 16729.6 million representing 64.3% of total Jordanian Dinar deposits in the banking system, corporate deposits amounted to JD 8033.3 million representing 30.8%, and Government deposits amounted to JD 1266.5 million representing 4.9%.

Total Deposits Denominated in Jordanian Dinar in the Banking System Across Various Sectors and Their Respective Growth Rates							
	Individuals		Corporate		Government		
	Deposits Amount (JD million)	Average Deposit (JD)	Deposits Amount (JD million)	Average Deposit (JD)	Deposits amount (JD million)	Average Deposit (JD)	
2014	15418.0	5920.0	7239.0	69821.0	1373.0	492958.0	
2015	16730.0	6226.0	8033.0	73750.0	1267.0	356852.0	
Growth Rate	8.5%	5.2%	11%	5.6%	(7.8%)	(27.6%)	

### Allocation of Deposits Denominated in Jordanian Dinar Across Various Sectors

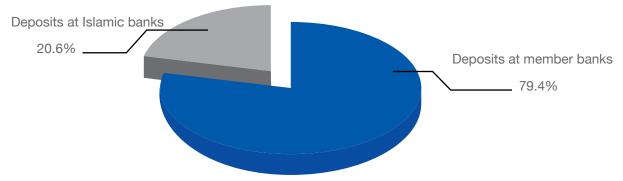


Individuals' deposits denominated in Jordanian Dinar represented 64.3% of total JD deposits in the banking system by the end of 2015.

# DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

### **DEPOSITS DENOMINATED IN JORDANIAN DINAR AT MEMBER BANKS:**

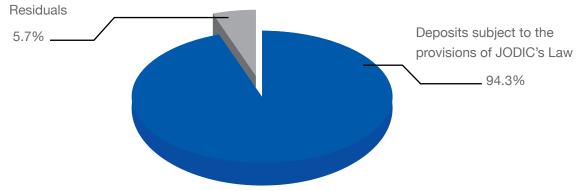
Deposits denominated in Jordanian Dinar held by member banks<sup>4</sup> reached JD 20676.0 million by the end of 2015 compared to JD 19307.8 million by the end of 2014 with an increase of 7.1%. These deposits, which represent 79.4% of JD deposits, are due to 1726.3 thousand depositors with an average deposit value of JD 11977.0 compared to 1692.1 thousand depositors with an average deposit value of JD 11411 a year earlier.



Total Jordanian Dinar Deposits in The Banking System Reached JD 26029.4 Million

# DEPOSITS SUBJECT TO THE PROVISIONS OF JODIC'S LAW:

The outstanding balance of deposits subject to the provisions of JODIC's Law reached JD 19489.8 million by the end of 2015 compared to JD 18018.1 million by the end of 2014, reflecting an increase rate of 8.2%. These deposits represented 94.3% of total deposits denominated in Jordanian Dinar held by member banks in the year 2015. They are due to 1722.9 thousand depositors with an average deposit value of JD 11312.0 by the end of 2015, compared to 1689.5 thousand depositors with an average deposit value of JD 10665.0 a year earlier.



Total Jordanian Dinar Deposits in The Banking System Reached JD 20676.0 Million

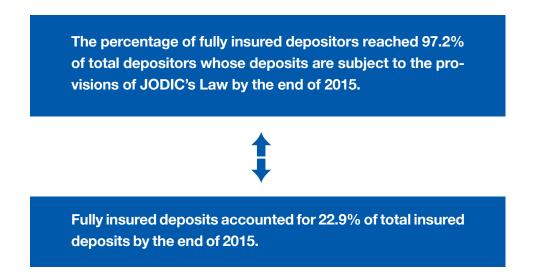
Deposits subject to the provisions of JODIC's Law represented 94.3% of total JD deposits held by member banks by the end of 2015.

4- All local banks and branches of foreign banks operating in the Kingdom except Islamic banks as non of them has decided to be a member at the year-end 2015.



### FULLY INSURED DEPOSITS:

Fully insured deposits, equal or less than JD 50,000, accounted for 22.9% of total deposits subject to the provisions of JODIC's Law, and amounted to JD 4461.4 million by the end of 2015. They belong to 1674.2 thousand depositors with an average deposit value of JD 2665.0 by the end of 2015, compared to JD 4283.6 million due to 1644.3 thousand depositors with an average deposit value of JD 2605.0 a year earlier. The percentage of fully insured depositors to total depositors whose deposits are subject to the provisions of JODIC's Law reached 97.2% by the end of 2015.



# PARTIALLY INSURED DEPOSITS:

Partially insured deposits, in excess of JD 50,000, increased from JD 13734.5 million by the end of 2014 to JD 15028.4 million by the end of 2015. These deposits represent 77.1 % of total deposits subject to the provisions of JODIC's Law, and they are due to 48.7 thousand depositors representing 2.8% of total depositors whose deposits are subject to the provisions of JODIC's Law, with an average deposit value of JD 308521.0 by the end of 2015, compared to 45.2 thousand depositors with an average deposit value of JD 303807.0 a year earlier.

The percentage of partially insured depositors was 2.8% of total depositors whose deposits are subject to the provisions of JODIC's Law by the end of 2015.

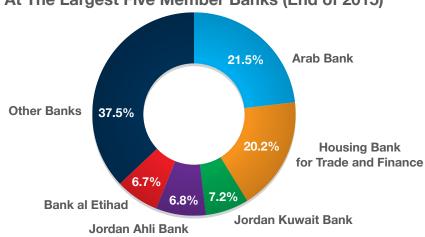


Partially insured deposits accounted for 77.1% of total deposits subject to the provisions of JODIC's Law by the end of 2015.

# DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

# CONCENTRATION OF JORDANIAN DINAR (JD) DEPOSITS AT THE LARGEST FIVE MEMBER BANKS:

The largest five member banks accounted for almost two thirds of total deposits denominated in Jordanian Dinar: Arab Bank, Housing Bank for Trade and Finance, Jordan Kuwait Bank, Jordan Ahli Bank, and Bank al Etihad held 21.5%, 20.2%, 7.2%, 6.8% and 6.7% of total JD deposits respectively by the end of 2015.



### Concentration of Deposits Denominated in Jordanian Dinar At The Largest Five Member Banks (End of 2015)

# **CORPORATION'S RESERVES:**

During 2015 JODIC continued to build up its reserves aiming to strike its targeted ratio of 3.0% of total deposits subject to the provisions of JODIC's Law. Reserves increased from JD 463.1 million by the end of 2014 to JD 537.2 million representing 2.76% of total deposits subject to the provisions of JODIC's Law by the end of 2015.

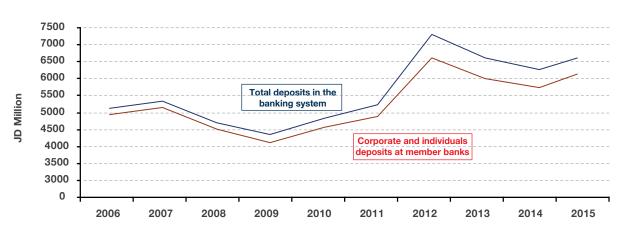
Main Indicators of Jordanian Dinar Deposits and Depositors at Member Banks for the Period 2006 to 2015	id Deposit	ors at M	ember E	anks for	the Peri	od 2006 t	o 2015				
Item / End of the period	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Growth Rate
Total deposits at member banks (in million)	8001.8	9081.3	11542.3	13552.6	14715.2	15680.5	14304.4	16982.1	19307.8	20676.0	7.1%
Total depositors at member banks (in thousand)	1570.0	1624.7	1681.8	1684.0	1691.1	1707.0	1687.0	1733.8	1692.1	1726.3	2.0%
Average deposit value for total depositors at member banks (in Dinar)	5097.3	5589.4	6863.2	8048.0	8702.0	9186.0	8479.0	9795.0	11410.5	11976.9	5.0%
Deposits subject to the provisions of the law (in million)	7567.0	8584.1	11017.2	12823.6	14098.1	15099.7	13730.0	16324.7	18018.1	19489.8	8.2%
Estimated reimbursement amount (in million)	2134.2	2232.1	2451.4	2720.8	2854.6	5790.4	5567.1	6161.2	6543.9	6896.9	5.4%
Estimated reimbursement amount to total deposits at member banks	26.7%	24.6%	21.2%	20.1%	19.4%	36.9%	38.9%	36.3%	33.9%	33.4%	-1.6%
Estimated reimbursement amount to total deposits subject to the provisions of the law	28.2%	26.0%	22.3%	21.1%	20.2%	38.3%	40.5%	37.7%	36.3%	35.4%	-2.6%
Number of depositors whose deposits are subject to the provisions of the law (in thousand)	1567.3	1621.6	1678.8	1681.5	1688.6	1704.6	1684.3	1730.9	1689.5	1722.9	2.0%
Average deposit value for depositors whose deposits are subject to the provisions of the law (in Dinar)	4834.2	5293.7	6562.4	7626.0	8349.0	8858.2	8151.6	9431.0	10665.0	11312.2	6.1%
Fully insured deposits (all deposits that are less than or equal to coverage limit) (in million)	1264.2	1283.8	1380.7	1480.4	1504.9	3858.7	3791.2	4075.9	4283.5	4461.4	4.2%
Number of fully insured depositors (in thousand)	1480.3	1526.7	1571.8	1557.4	1553.6	1666.0	1648.8	1689.2	1644.3	1674.2	1.8%
Average deposit value for fully insured depositors (in Dinar)	854.0	840.8	878.5	951.0	969.0	2316.2	2299.3	2413.0	2605.2	2664.8	2.3%
Partially insured deposits (all deposits that are in excess of coverage limit) (in million)	6312.8	7300.4	9636.5	11343.2	12593.2	11241.0	9938.9	12248.8	13734.5	15028.4	9.4%
Number of partially insured depositors (in thousand)	87.0	94.8	107.1	124.0	135.0	38.6	35.5	41.7	45.2	48.7	7.7%
Average deposit value for partially insured depositors (in Dinar)	72448.0	76977.0	90004.0	91448.0	93303.0		279827.0	293693.0	303807.3	308521.2	1.6%
Estimated reimbursement value for partially insured deposits (in million)	870.0	948.4	1070.7	1240.4	1349.7	1931.7	1775.9	2085.3	2260.4	2435.6	7.7%
Fully insured deposits to total deposits subject to the provisions of the law	16.7%	15.0%	12.5%	11.5%	10.7%	25.6%	27.6%	25.0%	23.8%	22.9%	-3.7%
Partially insured deposits to total deposits subject to the provisions of the law	83.3%	85.0%	87.5%	88.5%	89.3%	74.4%	72.4%	75.0%	76.2%	77.1%	1.2%
Estimated reimbursement value for partially insured deposits to total partially insured deposits	13.8%	13.0%	11.0%	10.9%	10.7%	17.2%	17.9%	17.0%	16.5%	16.2%	-1.5%
Fully insured deposits to total deposits at member banks	15.8%	14.1%	12.0%	10.9%	10.2%	24.6%	26.5%	24.0%	22.2%	21.6%	-2.7%
Partially insured deposits to total deposits at member banks	78.8%	80.4%	83.5%	83.7%	85.6%	71.7%	69.5%	72.1%	71.1%	72.7%	2.2%
Number of fully insured depositors to total depositors at member banks	94.3%	94.0%	93.5%	92.5%	91.9%	97.6%	97.7%	97.4%	97.2%	97.0%	-0.2%
Number of partially insured depositors to total depositors at member banks	5.5%	5.8%	6.4%	7.4%	8.0%	2.3%	2.1%	2.4%	2.7%	2.8%	5.6%
Number of fully insured depositors to total depositors whose deposits are subject to the provisions of the law	94.4%	94.2%	93.6%	92.6%	92.0%	97.7%	97.9%	97.6%	97.3%	97.2%	-0.2%
Number of partially insured depositors to total depositors whose deposits are subject to the provisions of the law	5.6%	5.8%	6.4%	7.4%	8.0%	2.3%	2.1%	2.4%	2.7%	2.8%	5.7%
Concentration of deposits subject to the provisions of the law held by member banks (the largest share)	25.7%	24.6%	25.8%	24.8%	24.8%	25.9%	23.5%	23.1%	21.8%	21.5%	-1.4%
Concentration of deposits subject to the provisions of the law held by member banks (the largest two shares)	46.4%	45.7%	45.3%	44.8%	44.8%	45.2%	43.7%	42.7%	41.8%	41.7%	-0.2%
Concentration of deposits subject to the provisions of the law held by member banks (the largest five shares)	70.0%	66.7%	65.6%	64.6%	64.6%	63.9%	62.8%	61.6%	61.9%	63.2%	2.1%
Corporation's reserves (in million)	90.8	115.2	145.0	183.9	229.1	278.4	334.2	393.6	463.1	537.2	16.0%
Corporation's reserves to deposits that are subject to the provisions of the law	1.2%	1.3%	1.3%	1.4%	1.6%	1.8%	2.4%	2.4%	2.6%	2.8%	7.2%
Corporation's reserves to estimated reimbursement amount	4.3%	5.2%	5.9%	6.8%	8.0%	4.8%	6.0%	6.4%	7.1%	7.8%	10.1%

# DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

# **DEPOSITS DENOMINATED IN FOREIGN CURRENCIES<sup>5</sup>:**

Deposits denominated in foreign currencies in the banking system reached JD 6584.0 million by the end of 2015 compared to JD 6247.9 million by the end of 2014, with an increase of 5.4%.

Number of depositors decreased to reach 243.4 thousand depositors by the end of 2015, compared to 245.5 thousand depositors a year earlier. Meanwhile, the average deposit value of foreign currency deposits increased from JD 25444.0 by the end of 2014 to JD 27049.0 by the end of 2015.



Historical Development of Deposits Denominated in Foreign Currencies in the Banking System (2006-2015)

The allocation of foreign currency deposits in the banking system by the end of 2015 shows that individuals' deposits amounted to JD 4633.9 million representing 70.4% of total foreign currency deposits. Corporate and Government deposits amounted to JD 1919.6 and JD 30.6 million representing 29.2% and 0.4% of total foreign currency deposits respectively.

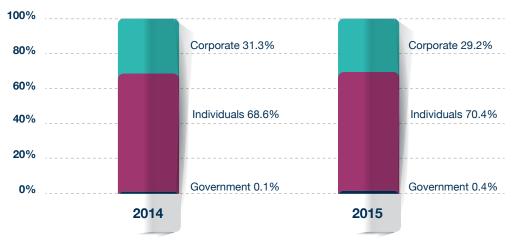
Total individuals' deposits denominated in foreign currencies represented 70.4% of total foreign currencies deposits in the banking system at the end of 2015.

5-Deposits denominated in foreign currencies are not insured by the Corporation. However, in accordance with the Article 32 (a) of JODIC's Law, these deposits may be insured upon the decision of the Central Bank of Jordan (CBJ).



Total	· · · · · · · · · · · · · · · · · · ·		eign Currencies s and Their Res		an Banking Sys ı Rates	tem Across
	Indivi	duals	Corp	orate	Gover	nment
	Deposits Amount (JD million)	Average Deposit (JD)	Deposits Amount (JD million)	Average Deposit (JD)	Deposits amount (JD thousand)	Average Deposit (JD)
2014	4284.0	20123.0	1957.0	60017.0	7139.0	97797.0
2015	4633.9	21364.0	1919.6	72595.0	30557.0	442854.0
Growth Rate	8.2%	6.2%	(1.9%)	21.0%	328.0%	352.8%

Allocation of Deposits Denominated in Foreign Currencies Across Various Sectors

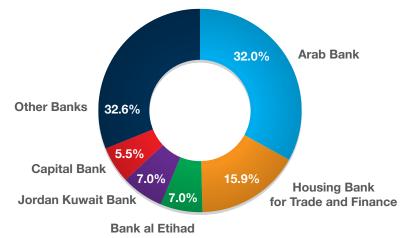


Deposits denominated in foreign currencies held at member banks reached JD 6083.6 million by the end of 2015, compared to JD 5737.2 million by the end of 2014 with an increase rate of 5.6%. These deposits represented 92.4% of total foreign currency deposits in the banking system. The number of foreign currency depositors at member banks reached 205.8 thousand by the end of 2015 with an average deposit value of JD 29563.0, compared to 206.0 thousand depositors with an average deposit value of JD 27852.0 by the end of 2014.

The largest five member banks of total deposits denominated in foreign currencies: Arab Bank, Housing Bank for Trade and Finance, Bank al Etihad, Jordan Kuwait Bank, and Capital Bank, held 32.0%, 15.9%, 7.0%, 7.0%, 5.5%, respectively by the end of 2015.

# DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

### Concentration of Deposits Denominated in Foreign Currencies at the Largest Five Member Banks (End of 2015)



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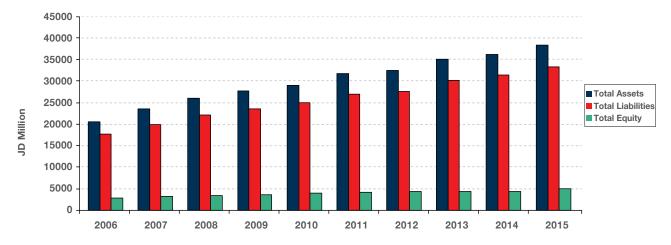
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FINANCIAL PERFORMANCE OF MEMBER BANKS

# FINANCIAL PERFORMANCE OF MEMBER BANKS

The main financial indicators for member banks –which represent 21 banks out of 25 banks operating in the kingdom- for the year 2015, showed the prudence of its financial performance, as nonperforming loans decreased compared to the previous year, and their net income improved, Also; the capital adequacy hiked to exceed the determined limits from Basel II and Central Bank of Jordan. And next are some of these indicators.

- Member banks' total assets reached JD 38365.8 million by the end of 2015 compared to JD 36843.5 million a year earlier, with an increase of JD 1522.3 million or 4.1% compared to an increase of JD 1839.4 million or 5.3% by the end of the year 2014.
- Total liabilities reached JD 33244.2 million by the end of 2015 compared to JD 31894.4 million by the end of 2014, with an increase of JD 1349.7 million or 4.2% compared to an increase of JD 1588.4 million or 5.2% by the end of the year 2014.
- Total owner's equity reached JD 5121.6 million by the end of 2015 compared to JD 4949.0 million by the end of 2014, with an increase of JD 172.6 million or 3.5% compared to an increase of JD 251 million or 5.3% a year earlier.



#### Historical Development of Total Assets, Liabilities and Owners' Equity

# Structure of Assets and Liabilities:

- Total deposits at member banks reached JD 26759.7 million by the end of 2015 compared to JD 25035.1 million by the end of 2014, with an increase of JD 1724.6 million or 6.9%. Deposits represented approximately 80.5% of total liabilities by the end of 2015 compared to 78.5% by the end of 2014.
- Direct credit facilities (net) granted by member banks reached JD 15158.1 million by the end of 2015 compared to JD 13910.5 million by the end of 2014, with an increase of JD 1247.6 million or 9.0%. Direct credit facilities to total assets ratio increased to reach approximately 39.5% by the end of 2015 compared to 37.8% a year earlier.



FINANCIAL PERFORMANCE

**OF MEMBER BANKS** 

Off balance sheet items (indirect credit facilities) reached JD 7576.6 million by the end of 2015 compared to JD 7398.0 million by the end of 2014, with a increase of JD 178.6 million or 2.4%, representing approximately 19.7% of total assets at member banks by the end of 2015 compared to 20.1% by the end of 2014.

#### **Credit Facilities :**

- The ratio of non-performing loans, suspended interests, and written off debts to total direct credit facilities granted by member banks reached 7.6% by the end of 2015 compared to 9.0% by the end of 2014.
- Loan loss provisions to non-performing loans reached 92.8% by the end of 2015 compared to 87.3% a year earlier.
- Loan loss provisions deducted from revenues during the year to interest revenues reached 6.0% by the end of 2015 compared to 10.3% by the end of 2014.
- Direct credit facilities granted to related parties to gross credit facilities reached 2.3% by the end of 2015 compared to 2.2% a year earlier.

#### **Capital Adequacy Ratio:**

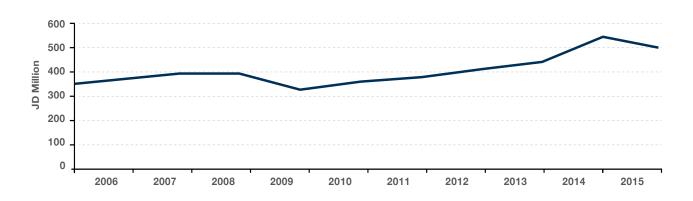
Member banks recorded a capital adequacy ratio of 18.4% by the end of the year 2015 compared to 17.5% by the end of the year 2014, whereas the minimum requirement ratio set by the Central Bank of Jordan is 12% and by Basel II is 8%.

#### **Profitability Indicators:**

- With regard to income statement indicators; the net profit before taxes reached JD 752.5 million by the end of 2015 compared to JD 733.8 million by the end of 2014, with an increase of JD 18.7 million or 2.5%.
- The income before taxes to average total assets at member banks (return on average assets (ROAA)) remained at 2.0% during the year 2015.
- The income before taxes to average owner's equity at member banks (return on average equity (ROAE)) reached 14.9% during the year 2015 compared to 15.2% during the year 2014.
- The net interest income to average direct credit facilities (net) granted by member banks reached 7.7% by the end of the year 2015 compared to 8.0% by the end of the year 2014.

# FINANCIAL PERFORMANCE OF MEMBER BANKS

#### Net Income for Member Banks



#### Key Indicators for Member Banks' Financial Performance (2010-2015):

Financial Performance Ratios	2010	2011	2012	2013	2014	2015
Direct Credit Facilities (Net) to Total Assets	37.6%	33.3%	39.4%	38.0%	37.8%	39.5%
Investments in Held to Maturity Financial Assets to Total Assets	6.0%	20.1%	21.9%	25.3%	26.2%	23.7%
Non-Performing Loans, Suspended Interest, and Written off Debts to total Credit Facilities	9.9%	9.6%	12.0%	10.6%	9.5%	7.6%
Loan Loss Provisions to Net Interest Income	22.1%	25.7%	24.5%	14.2%	10.3%	6.0%
Cash and Quasi Cash to Deposits (More than 100,000)	69.8%	61.0%	66.3%	51.3%	54.4%	32.3%
Capital Adequacy Ratio	19.8%	18.6%	18.4%	18.0%	17.9%	18.4%
Return on Average Assets (Before Tax)	1.7%	1.5%	1.6%	1.9%	2.0%	2.0%

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THE CORPORATION'S CAPITAL, INVESTMENTS AND FINANCIAL PERFORMANCE

# THE CORPORATION'S CAPITAL, INVESTMENTS AND FINANCIAL PERFORMANCE

JODIC continued to boost its reserves' level during the year 2015 to fulfill its mandatory requirements as deposit insurer and liquidator, and to ultimately achieve its objectives efficiently and effectively in protecting depositors by insuring their deposits, encouraging savings, as well as enhancing confidence in the Jordanian banking system. Out of this aspect, JODIC's investment portfolio is managed on methodological basis that is reflected in adopting an integrated plan oriented towards striking the targeted reserves' level of 3% of total eligible deposits within a balanced time frame, taking into consideration to keep pace with recent developments and best international practices.

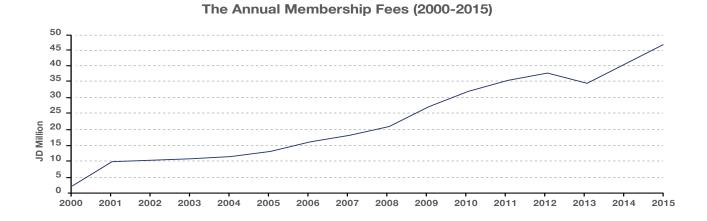
JODIC's financial resources consist mainly of the annual membership fees contributed by member banks (annual flat fee of 2.5 per thousand of total eligible deposits), in addition to the returns on its investments, and any obtained loans or financial grants given to the Corporation in accordance with the provisions of JODIC's Law.

JODIC invests its funds in securities issued or guaranteed by the Government in accordance with the provisions of Article 24(a) of JODIC's Law. It utilizes the best investment opportunities available in the primary market for Government securities taking into account their term, yield-to-maturity (YTM) and JODIC's share of each issuance, along with the maturity structure of JODIC's portfolio for the purpose of managing the prospective opportunities as well as the reinvestment risk. The interest rate structure in the market and the prevailing YTM are closely monitored when diversifying portfolio investments in order to achieve the best possible returns in both the medium and long terms.

JODIC continued to enhance its reserves' level towards striking the targeted level of 3%. It represented 2.76% by the end of 2015.

# The Financial Performance of JODIC's Portfolio:

Total owners' equity increased to reach JD 540.5 million by the end of 2015 compared with JD 466.4 million by the end of 2014. JODIC's capital amounted to JD 3.3 million of which JD 1 million was paid by the Government and JD 2.3 million was paid by member banks (JD 100,000 as a non-refundable initiation fee paid by each member bank). The accumulated reserves by the end of 2015, generated from the annual surplus and premiums (annual membership fees), formed the bulk of total owners' equity and reached JD 537.2 million with an increase of JD 74.1 million from the previous year. Annual membership fees collected from member banks amounted to JD 45.8 million during the year 2015, compared with JD 41.1 million collected a year earlier and reflected 11.6% growth rate, while the net investments income amounted to JD 28.2 million, compared with JD 28.4 million during 2014 with a decrease of approximately 0.6%.



THE CORPORATION'S CAPITAL, INVESTMENTS AND FINANCIAL PERFORMANCE

To further mange its overhead expenses and enhance the reserves buildup, JODIC adopts a medium term financial program with the assumption of decreasing the ratio of total overhead expenses to investments income, this ratio reached to 3.6% by the end of 2015. Furthermore, JODIC's revenues and expenses are monitored and evaluated on an ongoing basis to ensure the effective implementation of the annual budget that has been approved by the Board of Directors (BOD) in accordance with the Provisions of Article 7 (a/5) of JODIC's Law, as well as to ensure compliance with the performance indicators adopted in its medium term financial program.

#### **Investment Portfolio:**

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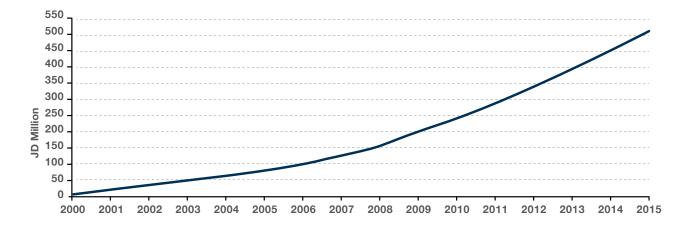
The outstanding value of JODIC's Held-to-Maturity bonds portfolio increased to reach JD 528 million by the end of 2015 compared with JD 453.8 million a year earlier, with an increase of JD 74.2 million and a growth rate of 16.3%.

#### The portfolio consists of:

- Treasury bonds with a value of JD 510 million; representing 96.6% of total value of the portfolio.
- Public entities bonds with a value of JD 13.1million; representing 2.5% of total value of the portfolio.
- Treasury bills with a value of JD 4.9 million; representing 0.9% of total value of the portfolio.

Outstanding balance of public debt instruments portfolio amounted to JD 528 million representing 97.7% of the Corporation's total assets by the end of 2015.

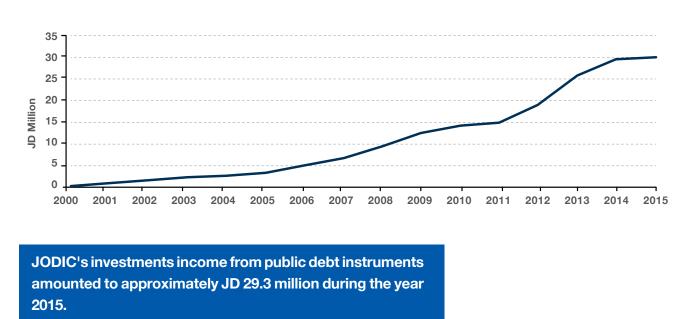
#### JODIC's Investments Portfolio (2000-2015)



# THE CORPORATION'S CAPITAL, INVESTMENTS AND FINANCIAL PERFORMANCE

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JODIC's total investments portfolio income amounted to approximately 29.3 million during the year 2015 compared with JD 29.5 million during the year 2014, with a decrease of 0.5% due to the decrease in interest rates for public debt instruments

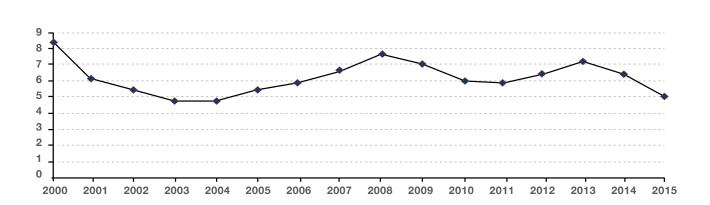


### JODIC's Total Investments Portfolio Income (2000-2015)

# Portfolio's Yield- to- Maturity and Modified Duration:

The Yield-to-Maturity (YTM) of the portfolio decreased to reach 5.049% by the end of 2015 compared with 6.309% a year earlier, due to the decrease in interest rates for public debt instruments, and the modified duration increased to reach 2.1707 year by the end of 2015 compared with 2.1310 year from the previous year.

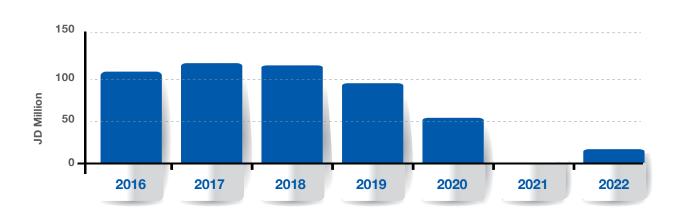
Yield-To-Maturity of the Corporation's Portfolio (2000-2015)





#### **Maturities of Financial Instruments:**

By the end of 2015, the value of the redeemed bonds and bills amounted to approximately JD 117 million. However, short term investments in JODIC's portfolio amounted to JD 111 million by the end of 2015 compared with JD 117 million a year earlier.



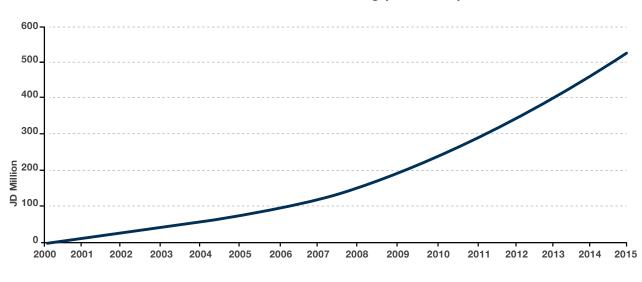
#### **Corporation's Portfolio Redemption Schedule by the End of 2015**

#### **Cash Account:**

JODIC's cash account not subject to investment in public debt instruments is deposited at the Central Bank of Jordan (CBJ) in accordance with the Provisions of Article 24(b) of JODIC's Law. The balance of this account amounted to JD 0.71 million by the end of 2015.

#### **Total Reserves:**

The premiums contributed by member banks and investments income resulted in raising JODIC's total reserves from JD 463.1 million by the end of 2014 to JD 537.2 million by the end of 2015 or by 16%. This level of reserves formed 2.76% of total eligible deposits amounting to JD 19489.8 million by the end of 2015, and 7.8% of estimated reimbursement amount being JD 6896.9 million.



#### JODIC's Reserves During (2000-2015)

FINANCIAL PROGRAM -THE CORPORATION'S STRATEGIC PLAN



#### FINANCIAL PROGRAM:

With the aim of evaluating and monitoring its institutional performance, JODIC update its medium term financial program during the year 2015, as part of its strategic plan, to ultimately achieve its national and strategic objectives stipulated in protecting the vast majority of depositors, encouraging savings, as well as enhancing confidence in the banking sector.

The financial program adopts both Guiding and Performance Indicators which operate through an integrated system that sets the relationship between the inputs and the outputs. Inputs are represented in relevant variables affecting JODIC's performance and based on subjective and qualitative assumptions to project the program's financial indicators that estimate achieving JODIC's objectives within a balanced time frame, particularly those pertaining to JODIC's ability to build up a sufficient reserves level and to provide full protection for the vast majority of depositors according to its mandates.

The financial program and relevant assumptions are reviewed annually in the light of macroeconomic changes and JODIC's performance, with the purpose of projecting the future values for relevant variables such as the annual growth rate of deposits and annual fees collected from member banks, as well as the expected levels of interest rate on different debt instruments.

The financial program enables JODIC to manage its investments towards achieving its long - term strategic goals.

# The financial program is based on two main sets of indicators to track the financial developments which are as follows:

#### Guiding indicators:

that are non-controllable by JODIC but affect directly its ability to fulfill its mandates such as the growth rate of deposits subject to the provisions of JODIC's Law.

#### Performance Indicators:

reflect the actual performance of JODIC, and are based on variables that are controllable by the Corporation and affect as well its mandates' fulfillment such as the return on JODIC's investments.

#### As per the Performance Indicators, they include the following key indicators:

#### 1- Reserves to total deposits subject to the provisions of JODIC's Law:

This ratio reached 2.7% by the end of 2015 compared to 2.5% by the end of 2014, where as the expectation to strike the targeted level of 3% still by the end of 2017, under the assumption that long term average annual growth rate of deposits denominated in Jordanian Dinar is approximately 10%.

# FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN

#### 2- Reserves to estimated reimbursement amount:

This ratio reached 7.8% by the end of 2014 compared to 7.1% by the end of 2014, noting that estimated reimbursement amount increase from JD 6,544 million by the end of the year 2014 to JD 6,897 million by the end of the year 2015.

Moreover, this reserves' ratio is expected to increase annually which is harmonized with achieving JODIC's objectives in providing protection for the vast majority of depositors, encouraging savings, enhancing confidence in the banking system, and thus contributing in the financial stability in the Kingdom.

#### 3- Overhead expenses to total and net investments income:

These two ratios reached 3.8% and 3.6% by the end of 2015 compared to 3.6% and 3.5% respectively by the end of the year 2014, these two ratios is expected to decrease as a result of cost cutting policy adopted by JODIC .

#### 4- Overhead expenses to cash flow from operations:

This ratio remains at 3.7% by the end of 2015, as it is at the end of 2014.

#### The desired Outcome

The financial program's desired outcome is represented in providing a mechanism of evaluating the Corporation's actual performance against the expected results of the financial program, with the purpose of fulfilling JODIC's mandates efficiently and effectively in accordance with its Law.

The financial program initial results indicate the possibility to achieve the targeted reserves level of 3% by 2017.



# Medium Term Financial Program - Performance indicators:

	Act	tual				E	xpecte	d			
Item	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Deposits subject to the provisions of JODIC's Law (JD million)	18,333	19,711	21,682	23,850	26,235	28,858	31,744	34,919	38,410	42,252	46,477
Estimated reimbursement amount (JD million).	6,544	6,897	7,485	8,123	8,815	9,566	10,381	11,266	12,226	13,268	14,398
JODIC's reserves (JD million)	463	537	621	715	819	935	1,065	1,209	1,369	1,538	1,717
JODIC's reserves to deposits subject to the provisions of the Law (%).	2.5	2.7	2.9	3.0	3.1	3.2	3.4	3.5	3.6	3.6	3.7
JODIC's reserves to estimated reimbursement amount (%).	7.1	7.8	8.3	8.8	9.3	9.8	10.3	10.7	11.2	11.6	11.9
Targeted reserves to estimated reimbursement amount (%).	8.4	8.6	8.7	8.8	8.9	9.1	9.2	9.3	9.4	9.6	9.7
Estimated reimbursement amount to deposits subject to the provisions of JODIC's Law (%)	35.7	35.0	34.5	34.1	34.6	34.1	33.2	32.7	32.3	31.8	31.4
Overhead expenses to total revenues from investments (%).	3.5	3.6	3.2	3.0	2.9	2.8	2.7	2.5	2.4	2.6	2.8
Overhead expenses to net investments income (%).	3.6	3.8	3.3	3.1	3.0	2.8	2.7	2.6	2.5	2.7	2.9
Overhead expenses to cash flow from operations (%).	3.7	3.7	3.5	3.2	3.1	2.9	2.8	2.7	2.6	2.7	2.9

PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTIONS



Throughout the year 2015, JODIC continued its efforts and endeavors towards achieving the objectives of its strategic plan to increase the level of public awareness in the deposit insurance system in the Kingdom. JODIC diversified the means of communication in addition to various events and activities that were held in collaboration with relevant parties. In this context, JODIC held regular lectures to the employees in the banking sector at the Institute of Banking Studies and to the students in the Jordanian universities including a lecture entitled "The Deposit Insurance System in Jordan" held in collaboration with the World Islamic Sciences and Education University for the students of the Faculty of Business and Finance at the University.

Also, JODIC benefited from the services provided by the Ministry of Communications and Information Technology, through sending electronic mails to the employees at the public sector that included primary information about the Corporation, its objectives, as well as the member banks.

The Corporation is always keen to enhance the partnership with the member banks in order to raise the awareness about the Corporation and to reach the targeted audience of the depositors. JODIC's printed materials were distributed to the branches of member banks including brochures, the annual report for the year 2014, and the 2015 calendar, in addition to indicating the coverage limit of the deposits subject to the provisions of JODIC's Law in the periodic account statements of the banks' clients and the sticker of the bank's membership.

Furthermore, JODIC is committed to publish an announcement in two daily local newspapers during February of each year in accordance with the provisions of Article (33) of JODIC's Law. The announcement states the names of the banks subject to the provisions of JODIC's Law, the type of currency of deposits covered by the Corporation's insurance, and the maximum amount insured.

It is also worth to indicate that JODIC is in the process of updating and redesigning its website in collaboration with the Information Technology Centre. JODIC's website is a primary means to communicate with the public and the academic researchers to keep them abreast of the latest developments in the deposit insurance system and the updated news and events of JODIC, in addition to the links to the member banks' websites and the relevant international financial institutions.

At the regional and international levels, JODIC maintained its membership in the Executive Council (EXCO) of the International Association of Deposit Insurers (IADI), and continued chairing the Middle East and North Africa Regional Committee (MENA), in addition to its membership in the IADI Standing Committee of the Membership and Communications Committee (MCC), the Data and Survey Committee (DSC), the Research and Guidance Committee (RGC), and its subcommittees; e.g. the Islamic Deposit Insurance Group (IDIG), the Financial Inclusion Committee, and the Steering Committee for the Review and update of the Core Principles for Effective Deposit Insurance System issued by the International Association of Deposit Insurers (IADI), And Basel Committee on Banking Supervision (BCBS), in addition to the working group for the differential fee structures.

# PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTIONS

Moreover, JODIC had an active participation in various relevant activities in the field of deposit insurance such as: the "14<sup>th</sup> IADI Annual General Meeting and Annual Conference, EXCO Meeting and Standing and Regional Committees Meetings, in addition to the Seminar entitled "Essential Elements for Effective Islamic Deposit Insurance Systems: Shariah Governance, Sources and Management of Funds that was hosted by Malaysia Deposit Insurance Corporation in October 2015.

Within the collaborative framework between the deposit insurance systems in the MENA region, a memorandum of understanding was signed between JODIC and the Palestine Deposit Insurance Corporation (PDIC). It aimed at exchanging expertise and sharing knowledge and information to ultimately enhance the financial stability in Jordan and Palestine. Moreover, JODIC hosted representatives from the Yemen Deposit Insurance Corporation and the Saudi Arabian Monetary Agency (SAMA) to benefit from JODIC's experience in the deposit insurance field.





### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors Deposit Insurance Corporation Legal entity with financial and administrative independence Amman - the Hashemite Kingdom of Jordan

We have audited the accompanying financial statements of Deposit Insurance Corporation (legal entity with financial and administrative independence), which comprise the statement of financial position as at December 31, 2015, and the statement of revenues and expenses, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### 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, 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.

#### **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 entity with financial and administrative independence) as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Other Matters**

The opening balances were audited by another public accountant, unqualified opinion was issued on it on April 19,2015.

Talal Abu-Ghazaleh & Co. International Aziz Abdelkader License # (867) Amman, March 24, 2016



### **Statement of Financial Position at 31 December 2015**

	Nete	2015	2014
	Note	JD	JD
ASSETS			
Current Assets			
Cash at Central Bank of Jordan		710,662	413,211
Accrued bonds interests		7,014,600	7,280,974
Other debit balances		6,819	5,803
Investments in held to maturity- short term	3	111,091,450	117,000,000
Total Current Assets		118,823,531	124,699,988
Non-current Assets			
Financing and loans of employees housing fund		916,297	921,858
Investments in held to maturity- long term	3	416,900,000	336,800,000
Property and equipment	4	3,882,827	4,010,126
Total Non-current Assets		421,699,124	341,731,984
Total Assets		540,522,655	466,431,972
Liabilities And Equity			
Liabilities			
Other credit balances	5	41,888	32,425
Equity			
Capital	6	3,300,000	3,300,000
Reserves	7	537,180,767	463,099,547
Total Equity		540,480,767	466,399,547
TOTAL LIABILITIES AND EQUITY		540,522,655	466,431,972

# Statement of Revenues and Expenses for the Year Ended 31 December 2015

	Note	2015	2014
	Note	JD	JD
Revenues			
Membership fees	8	45,833,807	41,085,979
Investments in held to maturity intersets		29,292,124	29,451,460
Employee housing loans revenues		11,716	10,555
Employee loans interests		4,439	3,799
Total revenues		75,142,086	70,551,793
Administrative expenses	9	(1,060,866)	(1,035,129)
Surplus		74,081,220	69,516,664

# Statement of Changes in Equity for the Year Ended 31 December 2015

	Capital	Reserves	Total
	JD	JD	JD
Balance at 1 January 2014	3,300,000	393,582,883	396,882,883
Surplus	-	69,516,664	69,516,664
Balance as at December 31, 2014	3,300,000	463,099,547	466,399,547
Surplus	-	74,081,220	74,081,220
Balance as at December 31, 2015	3,300,000	537,180,767	540,480,767



# Statement of Cash Flows for the Year Ended 31 December 2015

	2015	2014
	JD	JD
Cash Flows From Operating Activities		
Surplus	74,081,220	69,516,664
Adjustments for:		
Depreciation	134,120	140,831
Loss from disposal of property and equipment	6	-
Interest revenues	(29,292,124)	(29,451,460)
Changes in operating assets and liabilities:		
Other debit balances	(1,016)	27
Other credit balances	9,463	3,291
Net cash from operating activities	44,931,669	40,209,353
Cash Flows From Investing Activities		
Investments in bonds held to maturity	(74,191,450)	(69,604,900)
Financing and loans of employees housing fund	5,561	(72,136)
Interest received	29,558,498	29,456,768
Purchase of property and equipment	(6,827)	(1,285)
Net cash from investing activities	(44,634,218)	(40,221,553)
Net change in cash and cash equivalents	297,451	(12,200)
Cash and cash equivalents - beginning of year	413,211	425,411
Cash and cash equivalents - end of year	710,662	413,211



### Notes to the Financial Statements 31 December 2015

### (1) Legal status and activities

- The Corporation was established on September 17, 2000 as legal entity with financial and administrative independence by virtue of law number 33 for the year 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 banks has been decided to be liquidated, which aims at reimbursing all depositors alongside the continuous supervision by the Central Bank of Jordan.
- The following deposits are not subjected to 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 insure deposits in Jordanian dinars that not exceeding JD 50,000 per depositor in each member bank, the member banks in the Corporation are all Jordanian banks and branches of foreign banks operating in the Kingdom, except:
  - Branches of Jordanian banks operating outside the Kingdom.
  - -Islamic banks licensed to work in the Kingdom unless it decides to join the Corporation to insure its deposits.
- The Corporation insure deposits in any foreign currency subjected by the Central Bank to this law.
- The Corporation source of fund as follow:
  - The annual membership fees paid by banks to the corporation.
  - The returns on the investments of the corporation's funds.
  - Any loans obtained by the corporation in accordance with the provision of this law.
  - Any financial grants given to the corporation with the approval of the central bank's board of directors.
     The council of ministers approval must also be obtained if the grant is given by a non-Jordanian agency.

#### (2) Basis for preparation of financial statements and significant accountant policies

#### 2.1 Financial statements preparation framework

The financial statements have been prepared in accordance with International Financial Reporting Standards.

#### 2.2 Measurement bases used in preparing the financial statements

The financial statements have been prepared on the historical cost basis.

#### 2.3 Functional and presentation currency

The financial statements have been presented in Jordanian Dinar (JD), which is the functional currency of the entity.



#### 2.4 Using of estimates

- When preparing of financial statements, management uses judgments, assessments and assumptions that affect applying the accounting policies and carrying amounts of assets, liabilities, revenue and expenses. Actual result may differ from these estimates.
- Change in estimates shall be recognized in the period of the change, and future periods if the change affects them.
- For example, estimates may be required for doubtful and bad debts, inventory obsolescence, useful lives of depreciable assets, provisions, projects reserve any legal cases against the entity.

#### **2.5 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.

#### A. Financial assets

- Financial asset is any asset that is:
  - (1) Cash; or
  - (2) An equity instrument of another entity; or
  - (3) 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.
  - (4) 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.
- All recognized financial assets are subsequently measured either at amortized cost or fair value, on the basis
  of both:
  - (1) The entity's business model for managing the financial assets, and
  - (2) The contractual cash flow characteristics of the financial assets.
- A financial asset is measured at amortized cost if both of the following conditions are met:
  - (1) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
  - (2) 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.
- All other financial assets are subsequently measured at fair value.
- A gain or loss on a financial asset that is measured of fair value and is not part of a hedging relationship is recognized in profit or loss unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.



#### B. Cash and cash equivalents

- Cash comprises cash on hand, current accounts and demand deposits with banks.
- Cash equivalents are short- term, highly liquid investments that are readily convertible to known amounts
  of cash and which are subject to an insignificant risk of changes in value.

#### C. Loans

- Housing loans are given for the following purposes:
  - To build a house within the kingdom on land owned wholly or in a roof owned for this purposes
  - Buy a house or an apartment in the Kingdom.
  - Buy land and build a house in the Kingdom.
  - Buy partner shares on land or property in order to full ownership except buying shares of husband of wife.
  - Maintenance owned house or make improvement on it.
  - Pay banking loans or loans of any public parties provided that loan has been given for above purposes.
- Loan should be repay during period not exceeding 30 years from the date of granting, provided that employee age should not exceed seventy years old at end of the this period.

#### D. Impairment of financial assets

- Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each period.
- The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. The amount of the impairment loss shall be recognized as loss.

#### E. 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
Vehicles	15
Computer and Telecommunication	10 – 25
Furnitures and Decorations	10 – 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 de recognition (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.

#### F. Impairment of assets

- At each statement of financial position date, management reviews the carrying amounts of its assets 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.
- 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.

#### G. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

#### H. Rendering of services

- Revenue from a contract to provide services is recognized by reference to the stage of completion of the transaction at the statement of financial position date.
- The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits will flow to the entity.

#### I. Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.



	Short term			L	.ong term				Tot	al
	2016	2017	2018	2019	2020	2021	2022	Total	2015	2014
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Treasury bonds	100,200,000	121,600,000	123,300,000	98,600,000	51,300,000	-	15,000,000	409,800,000	510,000,000	436,700,000
Treasury bills	4,891,450	-	-	-	-	-	-	-	4,891,450	-
Public institutions Bonds	6,000,000	5,000,000	2,100,000	-	-	-	-	7,100,000	13,100,000	17,100,000
	111,091,450	126,600,000	125,400,000	98,600,000	51,300,000	-	15,000,000	416,900,000	527,991,450	453,800,000

- Interest rates on bonds is around 2,409% and 8,6% per year at 2015 (3,772% and 8,6% per year for 2014).

- Interest rate on treasury bills are 2,219% for 2015.



# (4) Property and equipment

2015	Land	Building	Vehicles	Computers & Tele- communication	Furniture& decoration	Total
	JD	JD	JD	JD	JD	JD
Cost						
Balance at beginning of year	1,157,050	3,689,559	57,657	113,757	183,999	5,202,022
Additions	-	-	-	6,827	-	6,827
Disposals	-	-	-	(4,505)	-	(4,505)
Balance at end of year	1,157,050	3,689,559	57,657	116,079	183,999	5,204,344
Accumulated depreciation						
Balance at beginning of year	-	875,064	56,680	103,937	156,215	1,191,896
Depreciation	-	110,687	975	4,804	17,654	134,120
Disposals	-	-	-	(4,499)	-	(4,499)
Balance at end of year	-	985,751	57,655	104,242	173,869	1,321,517
Net	1,157,050	2,703,808	2	11,837	10,130	3,882,827

2014	Land	Building	Vehicles	Computers & Tele- communication	Furniture& decoration	Total
	JD	JD	JD	JD	JD	JD
Cost						
Balance at beginning of year	1,157,050	3,689,559	57,657	112,989	183,482	5,200,737
Additions	-	-	-	768	517	1,285
Balance at end of year	1,157,050	3,689,559	57,657	113,757	183,999	5,202,022
Accumulated depreciation						
Balance at beginning of year	-	764,377	50,680	97,447	138,561	1,051,065
Depreciation	-	110,687	6,000	6,490	17,654	140,831
Balance at end of year	-	875,064	56,680	103,937	156,215	1,191,896
Net	1,157,050	2,814,495	977	9,820	27,784	4,010,126

# (5) Other credit balances

	2015	2014	
	JD	JD	
Accrued expenses	38,072	28,609	
Deposits	2,412	2,412	
Cash retentions	1,404	1,404	
Total	41,888	32,425	



# (6) Capital

	2015	2014	
	JD	JD	
Non-refundable initiation (*)	2,300,000	2,300,000	
Government of Jordan payment	1,000,000	1,000,000	
Total	3,300,000	3,300,000	

(\*) Each contributory bank in the Corporation pays a non-refundable initiation with total amount JD 100,000.

# (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 provision of this law the council of ministers based on the recommendation of the corporation's board of directors may increase limit of reserves, if corporations reserve don't reach the limit within ten years from the effectiveness of this law, or if reserves decrease below limits after it has been reached, or if a bank liquidation has been decided before corporation reserves reach limit, the Corporation's Board of Directors may increase the bank's annual membership fee to not more than double of the annual membership fee.
- 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.

#### (8) Membership fees

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



	2015	2014
	JD	JD
Salaries, wages and related benefits	556,976	551,585
Depreciation	134,120	140,831
Electricity and water	74,861	56,855
Health insurance and medical treatments	48,146	45,786
Social security contribution	46,177	43,962
Corporation's contribution on saving fund	35,243	33,270
Subscriptions	19,713	13,913
Board of directors remunerations	18,593	18,619
Security	18,370	16,961
Media campaigns	14,833	19,530
Professional fees	14,800	13,983
Cleaning	14,054	12,597
Maintenance	12,883	9,712
Fuel	9,854	8,561
Training	8,954	18,611
Insurance	7,491	7,003
Travel and transportation	5,784	5,980
Government fees	4,629	2,381
Communications	3,633	3,778
Confrences	3,584	-
Entertainment	2,947	3,173
Advertisement	2,501	2,488
Stationery and printings	2,034	3,847
Miscellaneous	686	1,703
Total	1,060,866	1,035,129

### (10) Risk management

#### a) Capital risk (equity)

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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 resulting from depositing in banks.
- The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balances during the financial year.

#### 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	
	2015	2014	2015	2014
	JD	JD	JD	JD
Financial assets:				
Cash at Central Bank of Jordan	710,662	413,211	-	-
Accrued bonds interests	7,014,600	7,280,974	-	-
Other debit balances	1,885	865	-	-
Financing and loans of employees housing fund	-	-	916,297	921,858
Investments in held to maturity	111,091,450	117,000,000	416,900,000	336,800,000
Total	118,818,597	124,695,050	417,816,297	337,721,858
Financial liabilities:				
Other credit balances	41,888	32,425	-	-
Total	41,888	32,425	-	-

- The Corporation is not subject to liquidity risk



# (11) Standards and interpretations issued but not yet effective

Up to the date of these financial statements, the following Standards and Interpretations were issued by the International Accounting Standards Board but not yet effective:

Standard or Interpretation No.	Description	Effective date
IFRS (9) - New	Financial Instruments	Jan 1, 2018 or after
IAS (16 and 38) - Amendments	Clarification of acceptable methods of depreciation and amortisation.	Jan. 1, 2016 or after
IAS (16 and 41) - Amendments	Agriculture - Bearer plants	Jan.1, 2016 or after
IAS (27) – Amendments	Accounting equity method in separate financial statements.	Jan. 1, 2016 or after
IFRS (11) – Amendments	Accounting for acquisition of interests in joint operation.	Jan. 1, 2016 or after
IFRS (14) – New	Regulatory deferral accounts – Applicable for entities which is first time adopter	Jan. 1, 2016 or after
IFRS (15) – New	Revenue from contracts with customers	Jan. 1, 2017 or after
IFRS (10) and IAS (28)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	Jan 1, 2016 or after
IFRS (10), IFRS (12) and IAS (28)	Investment Entities: Applying the Consolidation Exception	Jan 1, 2016 or after

Management anticipates that the adoption of these Standards and Interpretations in current or future periods may not have material impact on the financial statements.

# (12) Reclassification

Certain 2014 balances were reclassified to conform with the classification used in 2015.

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