



# ANNUAL REPORT



**2017**

**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**

# TABLE OF CONTENTS

Chairman's Message	7
Foreword	9
Board of Directors	11
Organizational Structure	14
Member Banks and Non-Member Banks	15
Glossary	17
Overview	19
Development of Deposits in the Jordanian Banking System	30
The Corporation's Financial Performance, Capital And Investments	41
Financial Program – The Corporation's Strategic Plan	48
Public Awareness & Regional and International Contributions	53
Financial Statements & Independent Auditor's Report for the Year Ended 31 December 2017	57
• Independent Auditor's Report	59
• Statement of Financial Position as at 31 December 2017	62
• Statement of Revenues and Expenses for the Year Ended 31 December 2017	63
• Statement of Changes in Equity for the Year Ended 31 December 2017	63
• Statement of Cash Flows for the Year Ended 31 December 2017	64
• Notes to the Financial Statements 31 December 2017	65



## 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 2017, which illustrates the Corporation's key achievements and financial statements over the course of the year. JODIC is considered one of the main recognized pillars in the financial safety-net in the Kingdom and it plays a vital role in providing full protection to the vast majority of depositors by insuring their deposits held at member banks.

Jordan has taken significant steps towards the economic reform to preserve the macroeconomic stability by adopting a plan aligned with Jordan 2025 National Vision and Strategy in order to boost the economic growth. This Vision is supported by the IMF for the years 2016-2019, in pursuit of structural reforms to support the sustainable development and to ultimately propel the economic growth. Furthermore, Jordan has managed to stabilize the economic growth rates over the past years, in spite of the challenging regional conditions which burdened the public finance due to the large influx of Syrian refugees, noting, that the economic growth rate at constant market prices recorded 2% at the end of 2017.

It is worth mentioning that there was a progress on the economy performance in terms of some indicators during the year 2017, showing a recovery and positive growth in the future, thus total exports remained stable and the tourism revenue grew by 14.7%. Also, foreign direct investment registered JD 1182 million, and total workers' remittances receipts increased to reach JD 2635.4 million.

As for the monetary policy, the prudent policies adopted by the Central Bank of Jordan maintained the long term economic and monetary stability in the Kingdom which contributed in sustaining the attractiveness of Jordanian dinar (JD)-denominated assets; since the Jordanian dinar exchange peg to the U.S. dollar has protected the economy and attracted investments as well. The CBJ stipulated a convenient structure of interest rate, consistent with the recent trends and developments in the regional and global interest rates, which contributed at maintaining monetary and financial stability in the Kingdom, supporting the banks' performance and the competitiveness of local currency, and thus sustaining the appropriate level of foreign reserves covering the Kingdom's imports of goods and services for more than eight months.

## CHAIRMAN'S MESSAGE

In terms of JODIC's financial performance for the year 2017, JODIC's reserves level reached JD 690.9 million with a growth rate of 12.8% compared to 2016, and covered 9.3% of the insurance policy. The reserves' level underpinned JODIC's financial and operational capacity, and its readiness in order to face any potential risks. Also, deposits and depositors' indicators showed that the number of eligible depositors reached 1.9 million at member banks; 97.2% of them enjoy the full protection for their deposits within the coverage limit of JD 50,000.

In closing, I invite you to review the annual report of JODIC, which reflects the Corporation's developments and achievements accurately and transparently; hoping to continue onward towards further accomplishments guided by prudential policies and sound corporate governance. May God Almighty grant further progress and prosperity and protect our beloved and precious Jordan under the auspices of his majesty King Abdullah II Ibn Al Hussein; may God protect him.



## FOREWORD



Mu'taz I. Barbour

Ladies and Gentlemen,

On behalf of my colleagues at Jordan Deposit Insurance Corporation (JODIC), I'm pleased to present the 2017 annual report, which demonstrates the year's distinctive accomplishments and future aspirations to ultimately achieve the Corporation's mission in protecting depositors, encouraging savings and thus enhancing confidence in the banking system in the Kingdom.

The outstanding efforts of the Central Bank of Jordan played a key role in strengthening the banking regulatory structure to keep pace with the global developments in the banking industry and to mitigate systemic risk. These efforts were crowned by expanding JODIC's mandates reflected in the amended draft of the Banking Law along with JODIC's Law which granted JODIC a vital role to collaborate with the CBJ in the resolution process in line with the best international practices. Also, the amended draft of JODIC's Law included the mandatory membership of Islamic banks under the deposit insurance umbrella in accordance with the Shari'ah Principles for the purpose of protecting all depositors, ensuring fairness and competitiveness across banks in the Kingdom.

As for JODIC's financial performance during the year 2017, the Corporation's adopted professional practices and investment policy for assets management backboned by prudent management and efficient operational performance, resulted in a net income of JD 78.5 million thus increasing JODIC's reserves level by 12.8% to reach JD 690.9 million at the end of 2017. Mainly, the net income was generated from the returns on JODIC's investment portfolio amounted to JD 30.7 million registering a growth rate of 13.3% compared to a year earlier, and from levying premium fees from member banks amounted to JD 48.9 million in January 2017. It is worth noting that the Corporation has built up an appropriate reserves' level capable of facing potential risks to a member bank; JODIC's reserves level covered 9.3% of the insurance policy of member banks which amounted to JD 7,464.3 million.

In terms of the main indicators of deposits and depositors with member banks, JODIC provides full protection to 97.2% of eligible depositors whose deposits represent 25.6% of total deposits subject to the provisions of JODIC's Law, within the coverage limit of JD 50,000 per depositor per member bank, which is approximately five-fold the average deposit size subject to the provisions of the Law. Also, this coverage limit covered 97.6% of individuals' depositors, whose deposits represent 35.1% of total individuals' deposits and 24.0% of total deposits subject to the provisions of JODIC's law.



## FOREWORD

At the regional and international levels, JODIC was keen to participate in the relevant deposit insurance events, such as the IADI 16<sup>th</sup> Annual General Meeting and Annual Conference which was held in Canada in October 2017, and the MENA technical workshops which were held in Morocco and Tunisia in March and November 2017 respectively. Furthermore, JODIC maintained its membership in the International Association of Deposit Insurers (IADI), and continued chairing the Regional Committee of the Middle East and North Africa (MENA) of the IADI, in addition to its active membership in other IADI's Committees.

As for JODIC's endeavors relevant to the public awareness of the deposit insurance system in the Kingdom, the Corporation continued its efforts during the year 2017 to reach the target audience through holding regular lectures for employees at the banking system and students at the universities and updating the Corporation's website. Moreover, JODIC created its facebook page; since social media is an effective communications platform to reach the vast majority of the audience at the lowest cost.

Finally, I would like to extend my gratitude and appreciation to His Excellency the Chairman and the Members of the Board of Directors for their continued support for the Corporation stemmed from their beliefs in JODIC's vision and its vital role in promoting financial stability in the Kingdom. Also, I would like to extend my gratitude to my colleagues for their dedicated efforts, commitment and professionalism demonstrated in their work to ultimately achieve the Corporation's mission. May God Almighty guide us all to serve our precious and beloved Jordan under the auspices of His Majesty King Abdullah II Ibn Al Hussein; may God protect him.

# **BOARD OF DIRECTORS**





## BOARD OF DIRECTORS



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



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



**H.E. Dr. Izzeddin Kanakrieh**  
Secretary General of the Ministry of Finance<sup>1</sup>



**H.E. Mr. Ramzi Nuzha**  
General Controller of Companies at the Ministry of Industry and Trade



**H.E. Mr. Mu'taz Ibrahim Barbour**  
Director General of Jordan Deposit Insurance Corporation (JODIC)



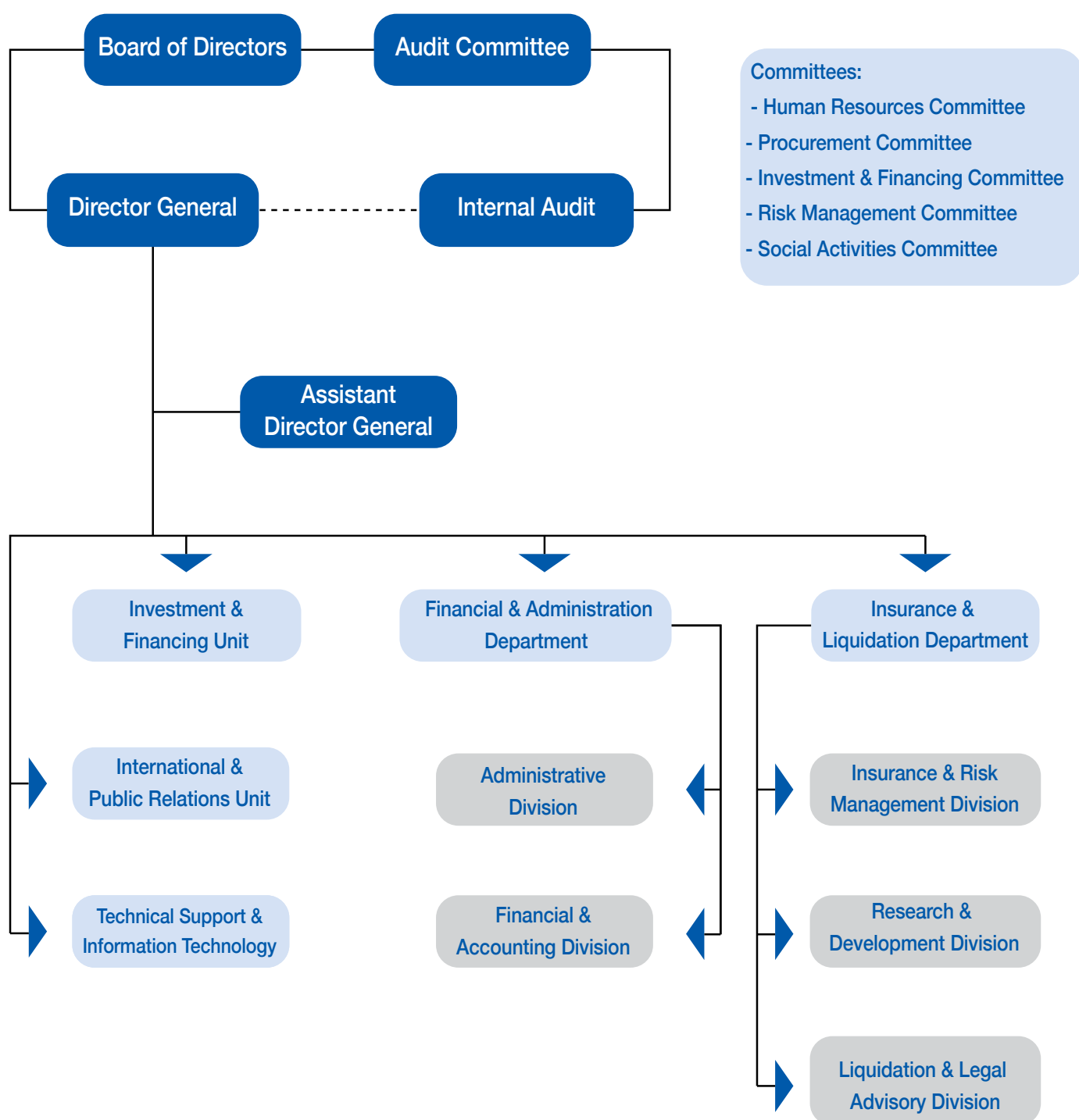
**H.E. Mr. Saleh Yacob Tayeh**  
Chairman of the Board of Directors of Al-Hekma for Financial Services Co.



**H.E. Mr. Issa H. Murad**  
Member of the Twenty Seventh Jordanian Senate  
Chairman of Amman Chamber of Commerce  
Board Member of Jordan Chamber Commerce  
Board Member of Arab British Chamber of Commerce

1- Dr. Abdelhakim Al-shibli was appointed as the secretary General of the Ministry of Finance on 30/4/2018.

# ORGANIZATIONAL STRUCTURE



## MEMBER BANKS AND NON-MEMBER BANKS

MEMBER BANKS	Year of Establishment	Number of Branches Inside the Kingdom	Total Assets (JD Million)	Deposits Subject to the Provisions of the Law (JD Million)
Jordanian Banks				
Arab Bank	1930	74	9263.1	3855.1
The Housing Bank for Trade & Finance	1973	117	7154.1	3866.6
Bank al Etihad	1978	44	2737.2	1264.3
Jordan Kuwait Bank	1976	63	2650.5	1235.5
Jordan Ahli Bank	1955	56	2511.3	1373.6
Bank of Jordan	1960	73	2295.4	1146.9
Capital Bank of Jordan	1995	12	1840.0	803.5
Cairo Amman Bank	1960	74	2197.8	993.2
Arab Banking Corporation - Jordan	1990	27	1138.4	465.8
Jordan Commercial Bank	1977	28	1320.8	708.2
Societe Generale de Banque - Jordanie	1965	17	1377.2	835.9
Arab Jordan Investment Bank	1978	18	1707.0	593.4
Invest Bank	1982	12	956.7	507.7
<b>Branches of Foreign Banks Operating in Jordan</b>				
Bank Audi S.A.L-Jordan Branches	2004	14	812.2	385.6
BLOM Bank S.A.L	2003	15	771.3	449.9
Egyptian Arab Land Bank	1951	14	352.7	159.6
Standard Chartered Bank	2002	5	475.3	158.5
National Bank of Abu Dhabi	2009	2	314.5	119.7
Citi Bank N.A	1974	2	316.8	119.9
National Bank of Kuwait	2003	1	298.7	50.9
Rafidain Bank	1963	2	133.9	0.34



## MEMBER BANKS AND NON-MEMBER BANKS

NON-MEMBER BANKS	Year of Establishment	Number of Branches Inside the Kingdom	Total Assets (JD Million)	Deposits Subject to the Provisions of the Law (JD Million)
Jordanian Banks				
Jordan Islamic Bank	1978	74	4283.5	3263.3
Islamic International Arab Bank	1997	42	2128.4	1512.8
Safwa Islamic Bank	2008	25	1017.9	672.6
Branches of Foreign Banks Operating in Jordan				
Al Rajhi Bank	2009	7	595.4	280.8

## GLOSSARY

## 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 (page no. (15) Includes the table of Member Banks).

- **Coverage Limit:**

The maximum amount which an insured depositor can claim from or be reimbursed by JODIC when a member bank is liquidated. The coverage limit is up to JD 50,000 (fifty thousand Jordanian Dinar) per depositor per member bank.

- **Eligible Deposits / Deposits Subject to the Provisions of the Corporation's Law:**

Deposits that fall within the scope of coverage according to JODIC's Law, i.e. 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.

- **Fully Insured Deposits:**

Eligible deposits that are equal or less than the maximum coverage limit of JD 50,000 (fifty thousand Jordanian Dinar).

- **Partially Insured Deposits:**

Eligible deposits that are in excess of the coverage limit of JD 50,000 (fifty thousand Jordanian Dinar).

- **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.

- **The Revised Core Principles for Effective Deposit Insurance Systems:**

An international set of (16) Principles for effective deposit insurance systems issued by the International Association of Deposit Insurers (IADI), and finally revised by a Joint Working Group including 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 forum for deposit insurers from around the world 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; it provides training and educational programs and produces research and guidance on matters related to deposit insurance. Currently, IADI has (84) Member organizations including JODIC, (8) Associates, and (14) Partners.



# OVERVIEW



## 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:

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



# OVERVIEW

## 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 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.

According to the Article (29) of its Law, JODIC may examine banks' closing financial statements and the results of their operations that are available at the CBJ, and according to the Article (30) of its Law, a joint inspection team comprising employees of JODIC and CBJ may be formed to review or examine the operations, records, and statements of any bank, based on JODIC's request and CBJ's approval. The team will prepare a joint report containing the results of a bank's activities and recommendations, after which it should be submitted to both the CBJ and JODIC.

## 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.

**21 banks are subject to the provisions of JODIC's Law at the year-end 2017, 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 per 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.

## OVERVIEW

### Insured Currency:

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

**The deposit insurance coverage limit is JD 50,000 (fifty thousand) which equals 4.8 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, well-governed, transparent, accountable, and insulated from external interference.

**Principle 3 (Governance) of the Core Principles for Effective Deposit Insurance Systems stipulates: The deposit insurer should be operationally independent, well-governed, transparent, accountable, and insulated from external interference.**

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

### **First: The Institutional and Legislative Framework:**

The salient features of the deposit insurance system have been clearly stated within a comprehensive legal framework. JODIC's Law 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 the 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 and units:**

#### **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 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. They also include developing and managing depositors' reimbursement procedures according to the provisions of JODIC's Law and to other relevant regulations and decisions.

#### **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 and public relations, the Corporation's membership in relevant regional and international committees, and public awareness campaigns. Responsibilities include also: maintaining communication lines with member banks, as well as organizing various relevant activities and events.

### 5. Internal Audit:

The Internal Audit reports directly to 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's departments performance in order to carry out their responsibilities efficiently and effectively.

### 6. Technical Support and Information Technology:

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 softwares. Responsibilities 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.

### Internal Committees:

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 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 the Corporation's 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 freely from any material misstatement that is resulted either from fraud or error. 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, achievements, recent and important indicators of deposits in the banking system and the financial performance of member banks in addition to the development of reserves' level, investment policy and income.

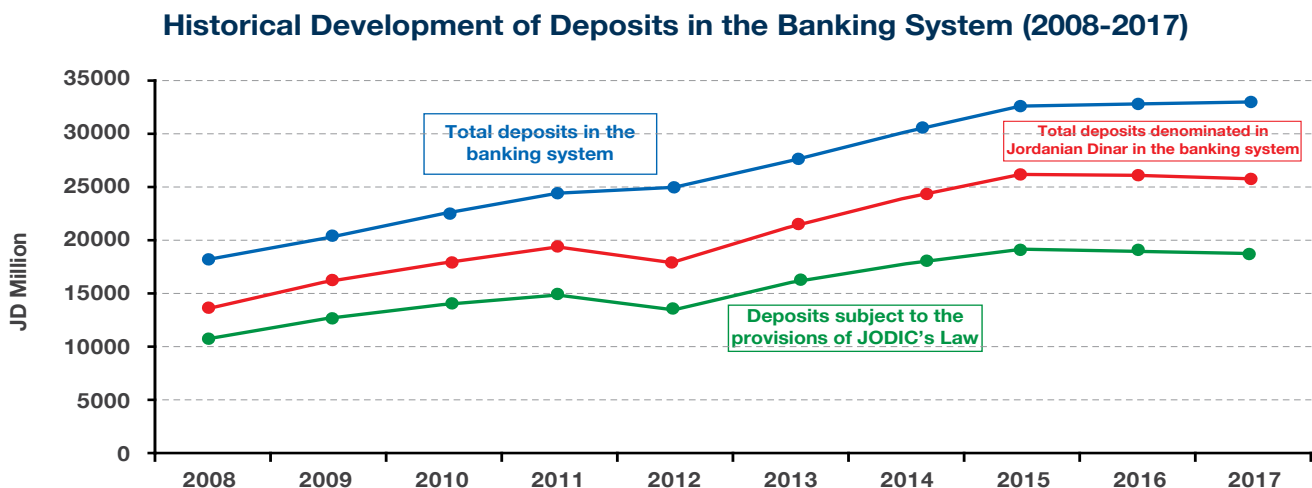
The background of the slide is a solid blue color with several diagonal lines of varying shades of blue, creating a sense of depth and movement. The lines are most prominent on the left side and extend towards the right.

# **DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM**

## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Total deposits denominated in Jordanian Dinar and Foreign Currencies in the Jordanian banking system reached JD 33213.9 million at the end of the year 2017, compared to JD 32912.6 million a year earlier, indicating an increase of 0.9% (JD 301.3 million), and the average annual growth rate in deposits for the last ten years was 7.6%.

Deposits denominated in Jordanian Dinar amounted to JD 25658.4 million representing 77.3% of total deposits in the banking system at the end of 2017, compared to 78.9% a year earlier, whereas foreign currency deposits amounted to JD 7555.5 million at the end of 2017, representing 22.7% of total deposits in the banking system, compared to 21.1% a year earlier.



**Total deposits denominated in Jordanian Dinar represented 77.3% of total deposits in the banking system at the end of 2017.**

## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

### Deposits in the Jordanian Banking System

Year	2016	2017
Total Deposits Denominated in Jordanian Dinar and Foreign Currencies (JD Million)	32912.6	33213.9
Deposits Denominated in Jordanian Dinar (JD Million)	25980.8	25658.4
Deposits Denominated in Foreign Currencies (JD Million)	6931.8	7555.5

### DEPOSITS DENOMINATED IN JORDANIAN DINAR:

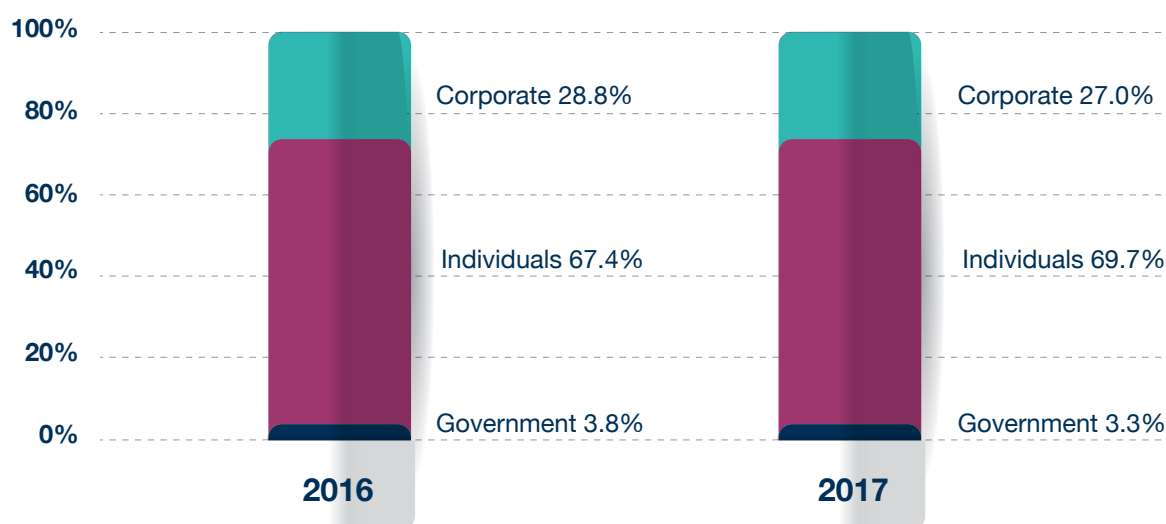
Total deposits denominated in Jordanian Dinar in the banking system reached JD 25658.4 million at the end of 2017 compared to JD 25980.8 million a year earlier, indicating a decrease of 1.2% (JD 322.4 million).

The distribution of these deposits in the banking system shows that individuals' deposits amounted to JD 17885.1 million representing 69.7% of total Jordanian Dinar deposits in the banking system, corporate deposits amounted to JD 6938.5 million representing 27.0%, and Government deposits amounted to JD 834.8 million representing 3.3%.

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)
2016	17505.0	6104.0	7483.0	76390.0	993.0	262942.0
2017	17885.0	5989.0	6939.0	73038.0	835.0	210540.0
Growth Rate	2.2%	-1.9%	-7.3%	-4.4%	-15.9%	-19.9%

## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

### Distribution of Deposits Denominated in Jordanian Dinar across Various Sectors



**Individuals' deposits denominated in Jordanian Dinar represented 69.7% of total JD deposits in the banking system at the end of 2017.**

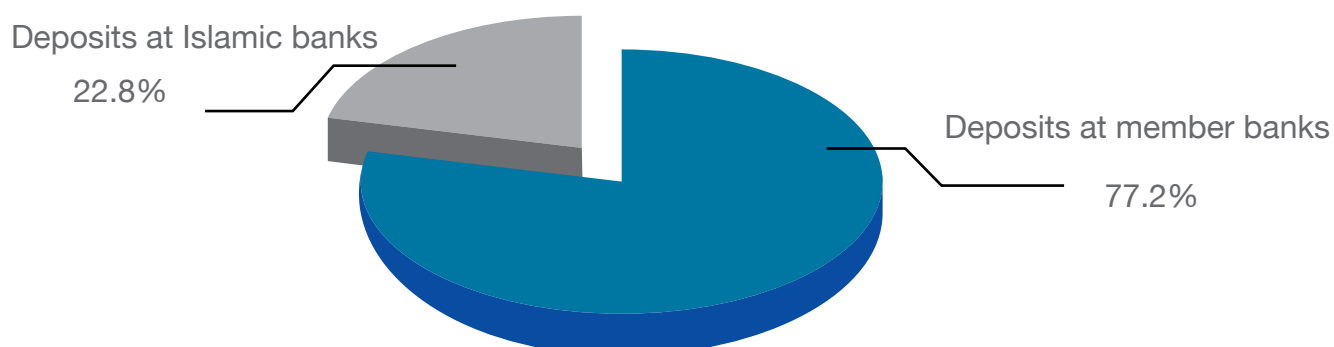
### DEPOSITS DENOMINATED IN JORDANIAN DINAR AT MEMBER BANKS:

Deposits denominated in Jordanian Dinar held by member banks <sup>2</sup> reached JD 19816.9 million at the end of 2017 compared to JD 20203.2 million at the end of 2016 with a decrease of 1.9%. These deposits, which represent 77.2% of total Jordanian Dinar deposits in the banking system, belong to 1883.8 thousand depositors with an average deposit value of JD 10520.0 compared to 1821.2 thousand depositors with an average deposit value of JD 11094.0 a year earlier.

2- All local banks and branches of foreign banks operating in the Kingdom except Islamic banks as none of them has decided to be a member at the year-end 2017.



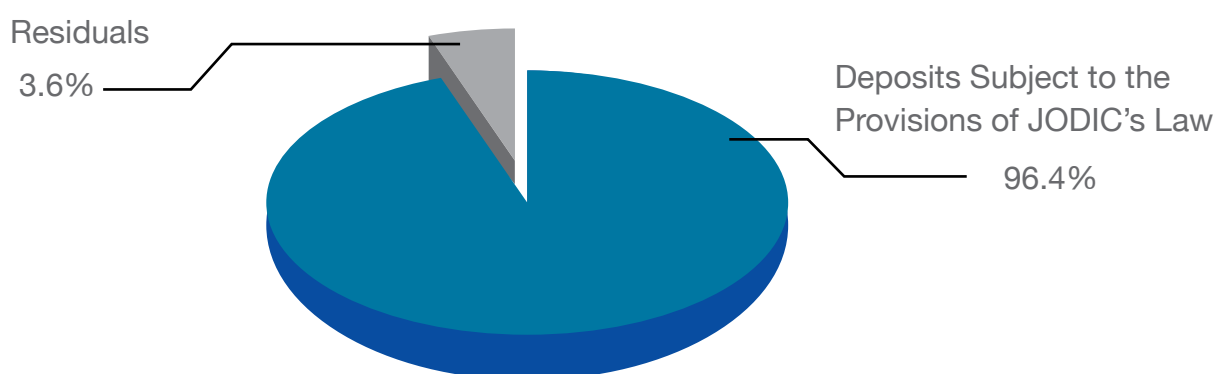
## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM



Total Jordanian Dinar Deposits in the Banking System Reached JD 25658.4 Million

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

The outstanding balance of deposits subject to the provisions of JODIC's Law, deposits denominated in Jordanian Dinar except Government deposits, interbank deposits, and cash collaterals within the limits of the value of extended facilities guaranteed by the said collaterals, reached JD 19094.2 million at the end of 2017 compared to JD 19312.8 million at the end of 2016, reflecting a decrease rate of 1.1%. These deposits represented 96.4% of total deposits denominated in Jordanian Dinar held by member banks which belong to 1880.0 thousand depositors with an average deposit value of JD 10156.0 at the end of 2017, compared to 1817.6 thousand depositors with an average deposit value of JD 10625.0 a year earlier.



Total Jordanian Dinar Deposits Held by Member Banks Reached JD 19816.9 Million

**Deposits subject to the provisions of JODIC's Law represented 96.4% of total JD deposits held by member banks at the end of 2017.**

## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

### FULLY INSURED DEPOSITS:

Fully insured deposits, equal or less than JD 50,000, represented 25.6% of total deposits subject to the provisions of JODIC's Law, and amounted to JD 4878.9 million at the end of 2017. They belong to 1828.3 thousand depositors with an average deposit value of JD 2669.0, compared to JD 4703.3 million belong to 1765.7 thousand depositors with an average deposit value of JD 2664.0 at the end of 2016. The ratio of fully insured depositors to total depositors whose deposits are subject to the provisions of JODIC's Law reached 97.2% at the end of 2017.

**The ratio of fully insured depositors reached 97.2% of total depositors whose deposits are subject to the provisions of JODIC's Law at the end of 2017.**



**Fully insured deposits represented 25.6% of total insured deposits at the end of 2017.**

### PARTIALLY INSURED DEPOSITS:

Partially insured deposits, in excess of JD 50,000, decreased from JD 14609.4 million at the end of 2016 to JD 14215.2 million at the end of 2017. These deposits represent 74.4% of total deposits subject to the provisions of JODIC's Law, which belong to 51.7 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 274919.0 at the end of 2017, compared to 51.9 thousand depositors with an average deposit value of JD 281378.0 a year earlier.

## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

The ratio of partially insured depositors reached 2.8% of total depositors whose deposits are subject to the provisions of JODIC's Law at the end of 2017.

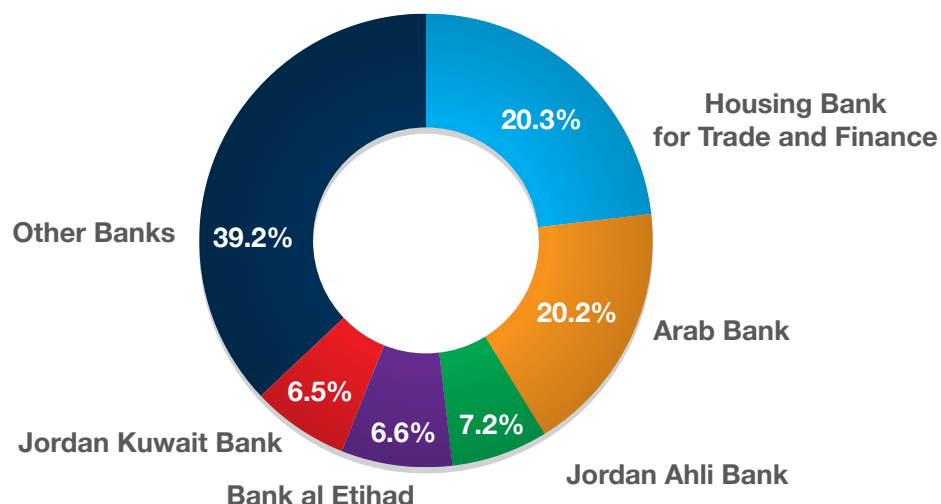


Partially insured deposits represented 74.4% of total deposits subject to the provisions of JODIC's Law at the end of 2017.

### CONCENTRATION OF DEPOSITS SUBJECT TO THE PROVISIONS OF JODIC'S LAW AT THE LARGEST FIVE MEMBER BANKS:

The concentration of deposits subject to the provisions of JODIC's Law at the largest five member banks, Housing Bank for Trade and Finance, Arab Bank, Jordan Ahli Bank, Bank al Etihad and Jordan Kuwait Bank; represented 20.3%, 20.2%, 7.2%, 6.6% and 6.5% respectively at the end of 2017.

**Concentration of Deposits Subject to the Provisions of JODIC's Law At The Largest Five Member Banks (End of 2017)**



### CORPORATION'S RESERVES:

JODIC continued to build up its reserves' level during 2017, which reached JD 690.9 million at the end of 2017 compared to JD 612.4 million at the end of 2016 representing 3.6% of total deposits subject to the provisions of JODIC's Law and 9.3% of the insurance policy.

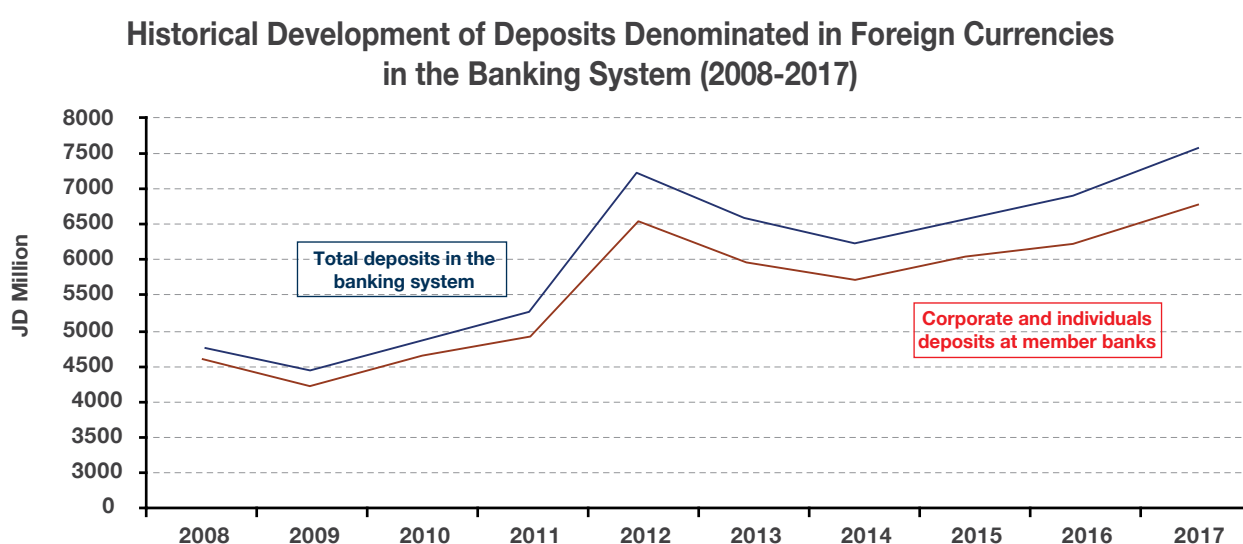
# DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Main Indicators of Jordanian Dinar Deposits and Depositors at Member Banks											
Item / End of the Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Growth Rate
Total deposits at member banks (JD million)	11,542.3	13,552.6	14,715.2	15,680.5	14,304.4	16,982.1	19,307.8	20,676.0	20,203.2	19,816.9	-1.9%
Total depositors at member banks (thousand)	1,681.8	1,684.0	1,691.1	1,707.0	1,687.0	1,733.8	1,692.1	1,726.3	1,821.2	1,883.8	3.4%
Average deposit value for total depositors at member banks (JD)	6.863	8.048	8.702	9.186	8.479	9.795	11.411	11.977	11.094	10.520	-5.2%
Deposits subject to the provisions of the law (JD million)	11,017.2	12,823.6	14,098.1	15,099.7	13,730.0	16,324.7	18,018.1	19,489.8	19,312.8	19,094.2	-1.1%
Estimated reimbursement amount (JD million)	2,451.4	2,720.8	2,854.6	5,790.4	5,567.1	6,161.2	6,543.9	6,996.9	7,299.4	7,464.3	2.3%
Estimated reimbursement amount to total deposits at member banks	21.2%	20.1%	19.4%	36.9%	38.9%	36.3%	33.9%	33.4%	36.1%	37.7%	4.3%
Estimated reimbursement amount to total deposits subject to the provisions of the Law	22.3%	21.1%	20.2%	38.3%	40.5%	37.7%	36.3%	35.4%	37.8%	39.1%	3.4%
Number of depositors whose deposits are subject to the provisions of the Law (thousand)	1,678.8	1,681.5	1,688.6	1,704.6	1,684.3	1,730.9	1,689.5	1,722.9	1,817.6	1,880.0	3.4%
Average deposit value for depositors whose deposits are subject to the provisions of the Law (JD)	6.562	7.626	8.349	8.858	8.152	9.431	10.665	11.312	10.625	10,156	-4.4%
Fully insured deposits (all deposits that are less than or equal to coverage limit) (JD million)	1,380.7	1,480.4	1,504.9	3,858.7	3,791.2	4,075.9	4,283.5	4,461.4	4,703.3	4,878.9	3.7%
Number of fully insured depositors (thousand)	1,571.8	1,557.4	1,553.6	1,666.0	1,648.8	1,689.2	1,644.3	1,674.2	1,765.7	1,828.3	3.5%
Average deposit value for fully insured depositors (JD)	879	951	969	2,316	2,299	2,413	2,605	2,665	2,664	2,669	0.2%
Partially insured deposits (all deposits that are in excess of coverage limit) (JD million)	9,636.5	11,343.2	12,593.2	11,241.0	9,938.9	12,248.8	13,734.5	15,028.4	14,609.4	14,215.2	-2.7%
Number of partially insured depositors (thousand)	107.1	124.0	135.0	38.6	35.5	41.7	45.2	48.7	51.9	51.7	-0.4%
Average deposit value for partially insured depositors (JD)	90,004	91,448	93,303	290,961	279,827	293,693	303,807	308,521	281,378	274,919	-2.3%
Estimated reimbursement value for partially insured deposits (JD million)	1,070.7	1,240.4	1,349.7	1,931.7	1,775.9	2,085.3	2,260.4	2,435.6	2,596.1	2,585.4	-0.4%
Fully insured deposits to total deposits subject to the provisions of the Law	12.5%	11.5%	10.7%	25.6%	27.6%	25.0%	23.8%	22.9%	24.4%	25.6%	4.9%
Partially insured deposits to total deposits subject to the provisions of the Law	87.5%	88.5%	89.3%	74.4%	72.4%	75.0%	76.2%	77.1%	75.6%	74.4%	-1.6%
Estimated reimbursement value for partially insured deposits to total partially insured deposits	11.0%	10.9%	10.7%	17.2%	17.9%	17.0%	16.5%	16.2%	17.8%	18.2%	2.3%
Fully insured deposits to total deposits at member banks	12.0%	10.9%	10.2%	24.6%	26.5%	24.0%	22.2%	21.6%	23.3%	24.6%	5.8%
Partially insured deposits to total deposits at member banks	83.5%	83.7%	85.6%	71.7%	69.5%	72.1%	71.1%	72.7%	72.3%	71.7%	-0.8%
Number of fully insured depositors to total depositors at member banks	93.5%	92.5%	91.9%	97.6%	97.7%	97.4%	97.2%	97.0%	97.0%	97.1%	0.1%
Number of partially insured depositors to total depositors at member banks	6.4%	7.4%	8.0%	2.3%	2.1%	2.4%	2.7%	2.8%	2.9%	2.7%	-3.7%
Number of fully insured depositors whose deposits are subject to the provisions of the Law	93.6%	92.6%	92.0%	97.7%	97.9%	97.6%	97.3%	97.2%	97.1%	97.2%	0.1%
Number of partially insured depositors whose deposits are subject to the provisions of the Law	6.4%	7.4%	8.0%	2.3%	2.1%	2.4%	2.7%	2.8%	2.9%	2.8%	-3.7%
Concentration of deposits subject to the provisions of the Law held by member bank (the largest share)	25.8%	24.8%	24.8%	25.9%	23.5%	23.1%	21.8%	21.5%	22.1%	20.3%	-8.4%
Concentration of deposits subject to the provisions of the Law held by member banks (the largest two shares)	45.3%	44.8%	44.8%	45.2%	43.7%	42.7%	41.8%	41.7%	42.0%	40.4%	-3.8%
Concentration of deposits subject to the provisions of the Law held by member banks (the largest five shares)	65.6%	64.6%	64.6%	63.9%	62.8%	61.6%	61.9%	63.2%	62.3%	60.7%	-2.5%
Corporation's reserves (JD million)	145.0	183.9	229.1	278.4	334.2	393.6	463.1	537.2	612.4	690.9	12.8%
Corporation's reserves to deposits that are subject to the provisions of the Law	1.30%	1.40%	1.60%	1.80%	2.40%	2.40%	2.6%	2.8%	3.17%	3.62%	14.1%
Corporation's reserves to estimated reimbursement amount	5.90%	6.80%	8.00%	4.80%	6.00%	6.40%	7.1%	7.8%	8.4%	9.3%	10.3%

## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

### DEPOSITS DENOMINATED IN FOREIGN CURRENCIES<sup>3</sup>:

Deposits denominated in foreign currencies in the banking system reached JD 7555.5 million at the end of 2017 compared to JD 6931.8 million at the end of 2016, with an increase of 9.0%, whereas, the number of depositors decreased to reach 241.4 thousand depositors at the end of 2017, compared to 250.1 thousand depositors a year earlier. The average deposit value of foreign currency deposits increased from JD 27720.0 at the end of 2016 to JD 31302.0 at the end of 2017.



The distribution of foreign currency deposits in the banking system at the end of 2017 shows that individuals' deposits amounted to JD 5355.0 million representing 70.9% of total foreign currency deposits. Corporate and Government deposits amounted to JD 2079.4 million and JD 121.1 million representing 27.5% and 1.6% of total foreign currency deposits respectively.

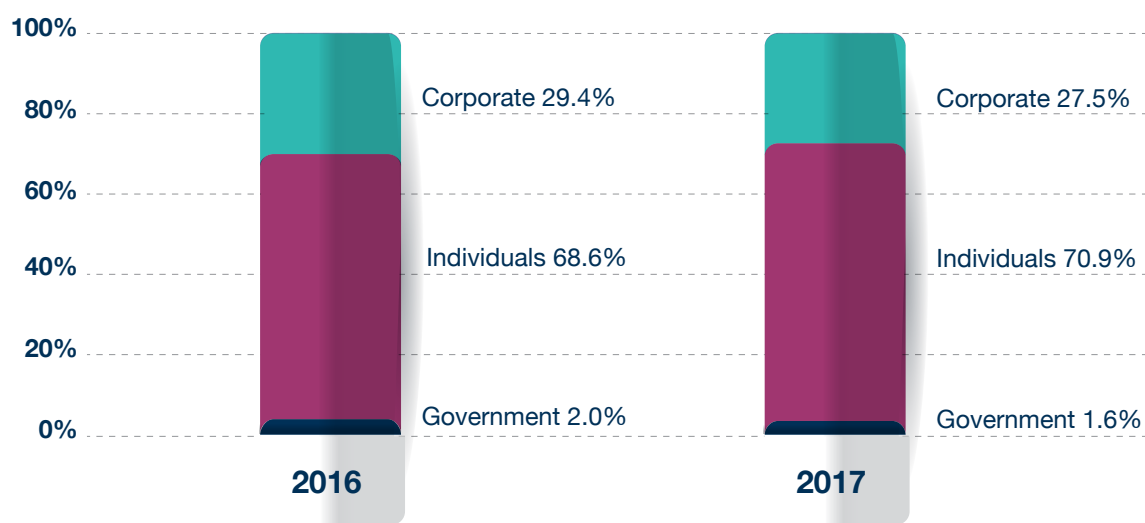
**Total individuals' deposits denominated in foreign currencies represented 70.9% of total foreign currencies deposits in the banking system at the end of 2017.**

<sup>3</sup>-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).

## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Total Deposits Denominated in Foreign Currencies in the Jordanian 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)
2016	4758.5	21402.0	2036.0	73668.0	137.4	1560852.0
2017	5355.0	24845.0	2079.4	80731.0	121.1	1614788.0
Growth Rate	12.5%	16.1%	2.1%	9.6%	-11.8%	3.5%

### Distribution of Deposits Denominated in Foreign Currencies Across Various Sectors



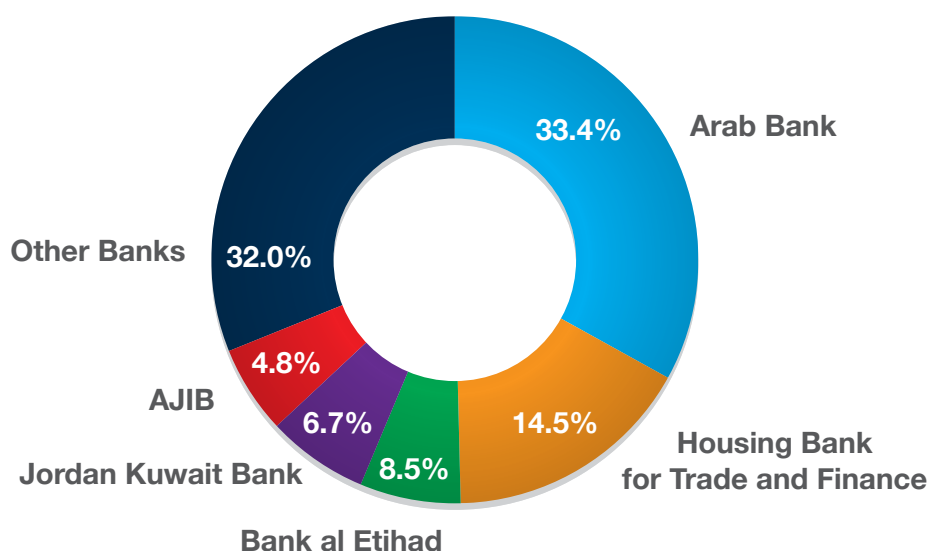
Deposits denominated in foreign currencies held at member banks reached JD 6899.7 million at the end of 2017, compared to JD 6376.5 million at the end of 2016 with an increase rate of 8.2%. These deposits represented 91.3% of total foreign currency deposits in the banking system. The number of foreign currency depositors at member banks reached 201.1 thousand depositors at the end of 2017 with an average deposit value of JD 34312.0, compared to 211.0 thousand depositors with an average deposit value of JD 30224.0 at the end of 2016.

The concentration of deposits denominated in foreign currencies at the largest five member banks; Arab Bank, Housing Bank for Trade and Finance, Bank al Etihad, Jordan Kuwait Bank, and AJIB, represented 33.4%, 14.5%, 8.5%, 6.7%, 4.8% respectively at the end of 2017.



## DEVELOPMENT OF DEPOSITS IN THE JORDANIAN BANKING SYSTEM

Concentration of Deposits Denominated in Foreign Currencies at the Largest Five Member Banks (End of 2017)



The background is a solid blue color with several diagonal lines of varying shades of blue, creating a sense of movement and depth. The lines are not perfectly straight, giving it an organic, flowing appearance.

## **THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS**



## THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

JODIC continued throughout the year 2017 to boost its reserves' level to ultimately achieve its mandatory requirements efficiently and effectively as deposit insurer and liquidator, and in protecting depositors by insuring their deposits, encouraging savings, as well as enhancing confidence in the Jordanian banking system.

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 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 is closely monitored when diversifying portfolio investments in order to achieve the best possible returns in both the medium and long terms.

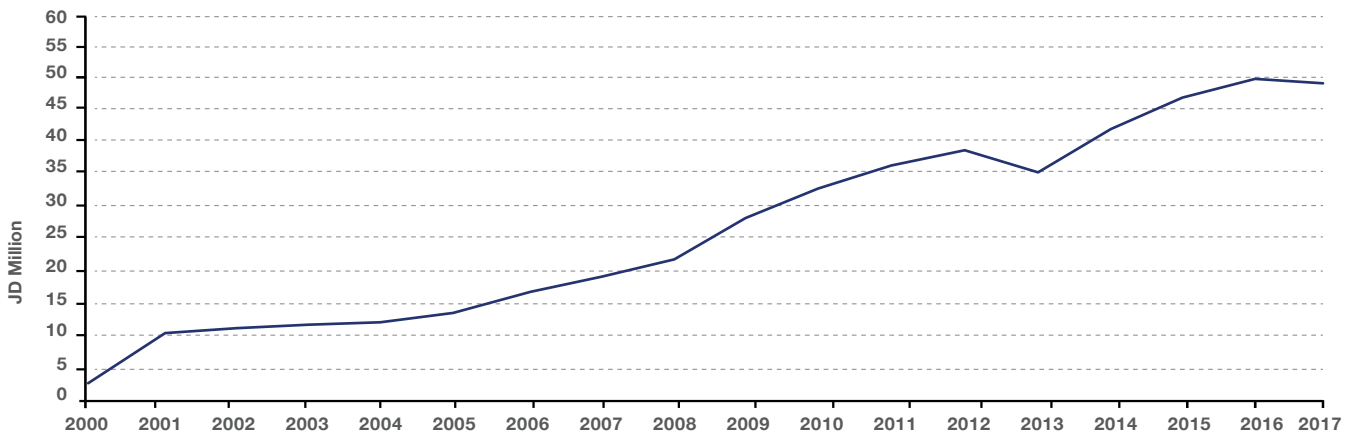
**JODIC continued to enhance its reserves' level to fulfill its mandatory requirements as deposit insurer and liquidator.**

### **The Financial Performance:**

Total owners' equity increased to reach JD 694.2 million by the end of 2017 compared with JD 615.7 million by the end of 2016. 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 2017, generated from the annual surplus and premiums (annual membership fees), formed the bulk of total owners' equity and reached JD 690.9 million with an increase of JD 78.5 million from the previous year. Annual membership fees collected from member banks amounted to JD 48.9 million during the year 2017, compared with JD 49.3 million collected a year earlier and reflected 0.8% decrease rate, while the net investments income amounted to JD 29.6 million, compared with JD 26 million during 2016 with an increase of 13.8%.

# THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

The Annual Membership Fees (2000-2017)



To further manage 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 3.8% by the end of 2017. 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's Portfolio and Investment's Income

The outstanding value of JODIC's Held-to-Maturity bonds portfolio increased to reach JD 656,7 million by the end of 2017 compared with JD 593 million a year earlier, with an increase of JD 63,7 million and a growth rate of 10.7%.

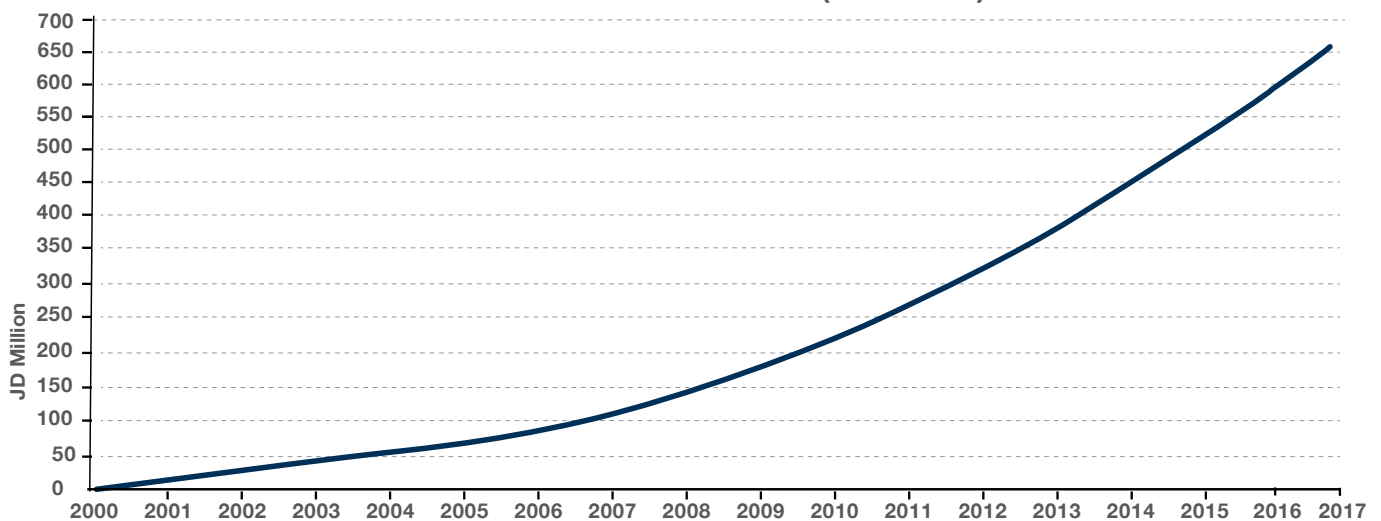
### The portfolio consists of:

- Treasury bonds with a value of JD 587.7 million; representing 89.5% of total value of the portfolio.
- Public entities bonds with a value of JD 59.1million; representing 9% of total value of the portfolio.
- Treasury bills with a value of JD 9.9 million; representing 1.5% of total value of the portfolio.

## THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

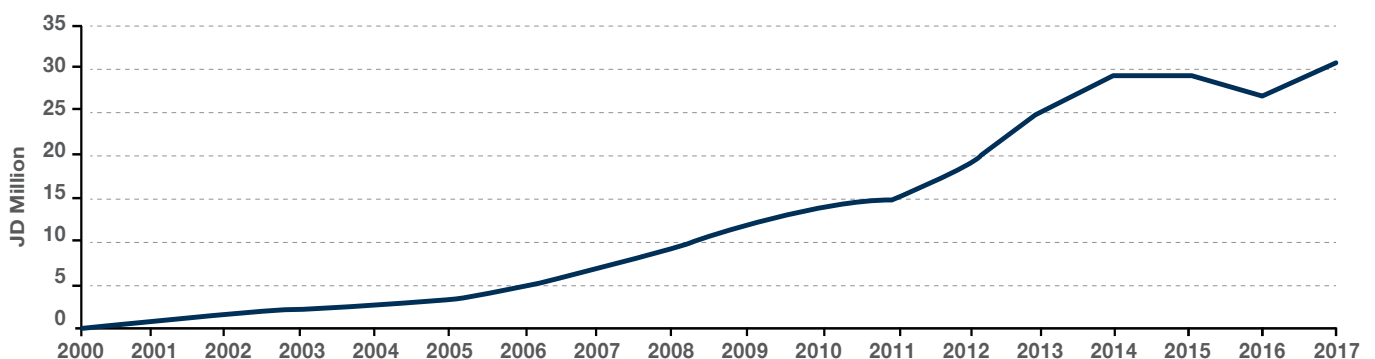
**Outstanding balance of public debt instruments portfolio amounted to JD 656,7 million representing 94.6% of the Corporation's total assets by the end of 2017.**

**JODIC's Investments Portfolio (2000-2017)**



JODIC's total investments portfolio income amounted to approximately JD 30.7 million during the year 2017 compared with JD 27.1 million during the year 2016, with an increase of 13.3%.

**JODIC's Total Investments Portfolio Income (2000-2017)**



**JODIC's investments income from public debt instruments amounted to approximately JD 30.7 million during the year 2017.**

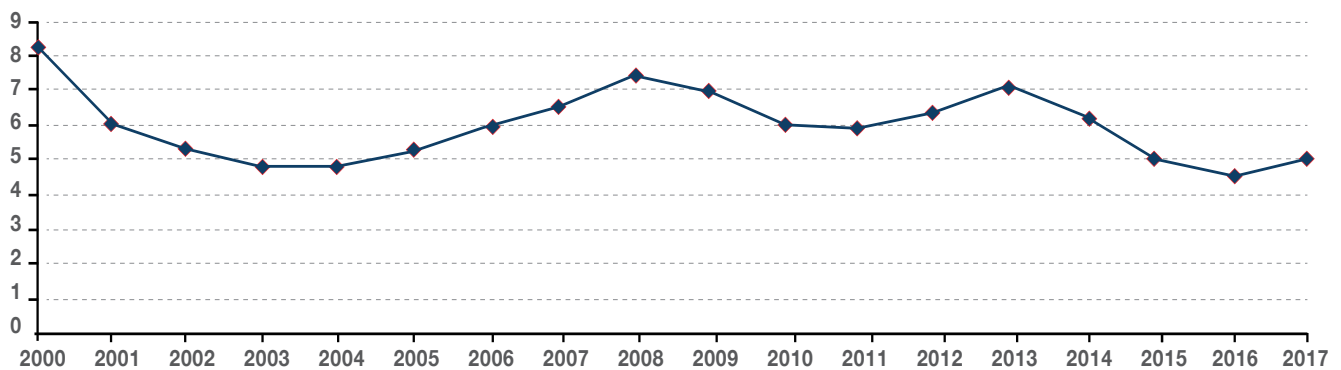


# THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

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

The Yield-to-Maturity (YTM) of the portfolio increase by (0.364%) to reach 4.917% by the end of 2017 compared with 4.553% a year earlier, and the modified duration increased to reach 2.6209 year by the end of 2017 compared with 2.2974 year from the previous year.

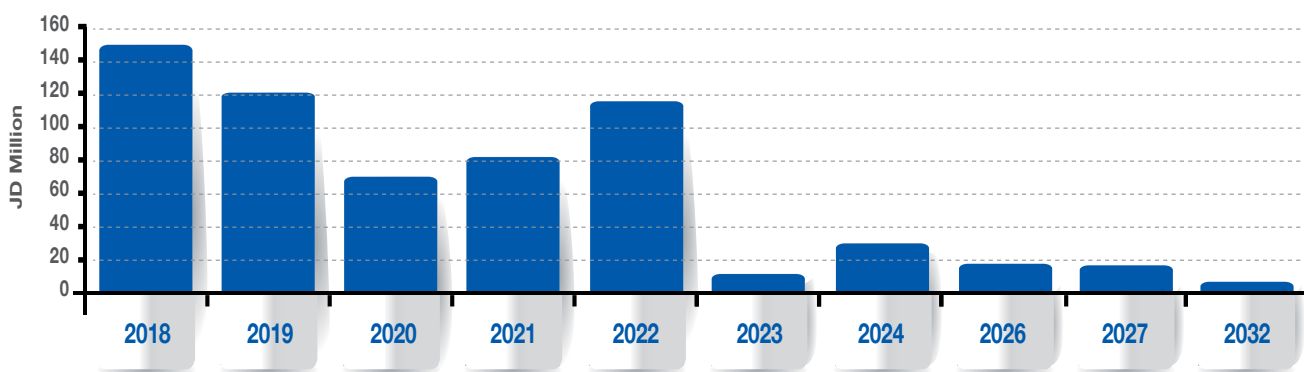
Yield-To-Maturity of the Corporation's Portfolio (2000-2017)



## Maturities of Financial Instruments:

By the end of 2017, the value of the redeemed bonds and bills amounted to approximately JD 152, 2 million. However, short term investments in JODIC's portfolio amounted to JD 157, 3 million by the end of 2017.

Corporation's Portfolio Redemption Schedule by the End of 2017



## THE CORPORATION'S FINANCIAL PERFORMANCE, CAPITAL AND INVESTMENTS

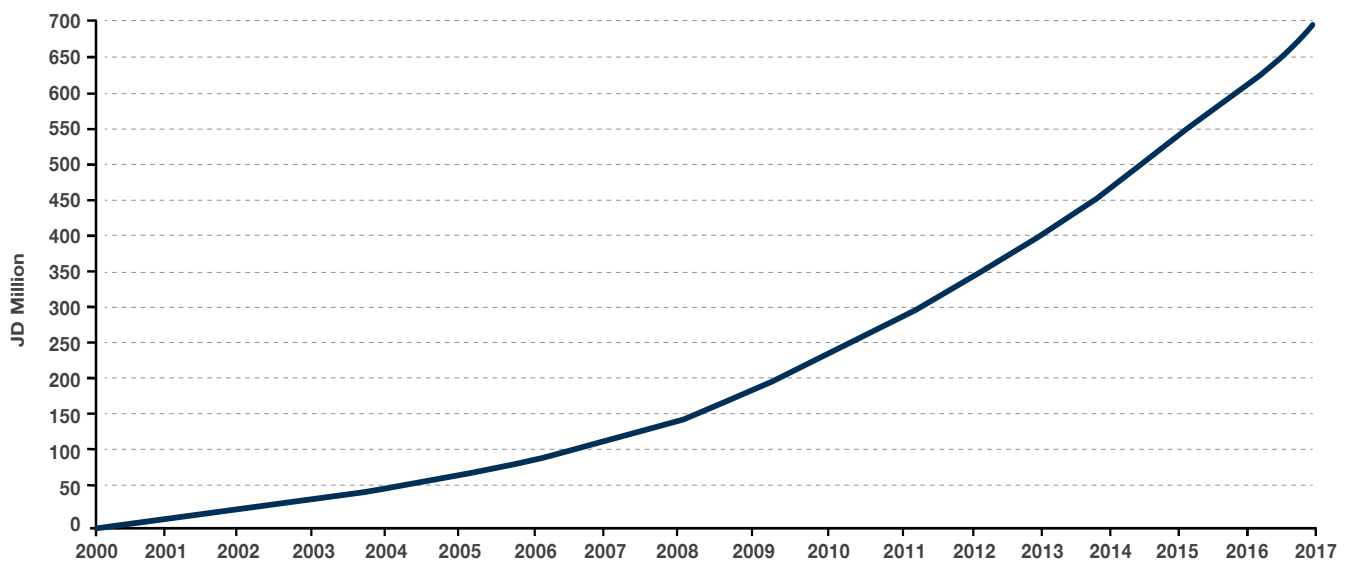
### Cash Account:

JODIC's cash balances not invested 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 23.5 million by the end of 2017.

### Total Reserves:

The premiums contributed by member banks and investments income resulted in raising JODIC's total reserves from JD 612.4 million by the end of 2016 to JD 690.9 million by the end of 2017 or by 12,8%. This level of reserves formed 3.62% of total eligible deposits amounting to JD 19094.2 million by the end of 2017, and 9.26% of estimated reimbursement amount being JD 7464.3 million.

JODIC's Reserves During (2000-2017)



The background of the slide is a solid blue color with a series of diagonal lines in a slightly darker shade of blue, creating a sense of movement and depth. The lines run from the top-left towards the bottom-right.

## **FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN**

# 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 2017, 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.**

# FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN

The financial program adopts both Guiding and Performance Indicators which operate through an integrated system which are as follows:

- **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.
- **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.

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 3.6% by the end of 2017 compared to 3.1% by the end of 2016, it's expected to increase annually under the assumption that long term average annual growth rate of deposits denominated in Jordanian Dinar is approximately 9.33%.

## 2- Reserves to estimated reimbursement amount:

This ratio reached 9.3% by the end of 2017 compared to 8.4% by the end of 2016, noting that estimated reimbursement amount increase from JD 7,299 million by the end of the year 2016 to JD 7,464 million by the end of the year 2017.

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 net and total investments income:

These two ratios are decreased to 4% and 3.8% by the end of 2017 compared to 4.6% and 4.4% respectively by the end of the year 2016.

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

This ratio decreased to 4.3% by the end of 2017 compared to 4.7% by the end of the year 2016, this ratio expected to decrease annually as a result of cost cutting policy adopted by JODIC.

# FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN

## 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 results, by 2017, indicate the possibility to increase reserves ratio annually.**

# FINANCIAL PROGRAM - THE CORPORATION'S STRATEGIC PLAN

## Medium Term Financial Program - Performance indicators:

Item	Actual		Expected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Deposits subject to the provisions of JODIC's Law (JD million)	19,553	19,340	21,144	23,117	25,274	27,632	30,210	33,029	36,110	39,479	43,163
Estimated reimbursement amount (JD million).	7,299	7,464	8,053	8,689	9,375	10,116	10,914	11,776	12,706	13,709	14,791
JODIC's reserves (JD million)	612	691	777	877	988	1,114	1,256	1,412	1,585	1,776	1,985
JODIC's reserves to deposits subject to the provisions of the Law (%).	3,1	3,6	3,7	3,8	3,9	4,0	4,2	4,3	4,4	4,5	4,6
JODIC's reserves to estimated reimbursement amount (%).	8,4	9,3	9,7	10,1	10,5	11,0	11,5	12,0	12,5	13,0	13,4
Targeted reserves to estimated reimbursement amount (%).	8,0	7,8	7,9	8,0	8,1	8,2	8,3	8,4	8,5	8,6	8,7
Estimated reimbursement amount to deposits subject to the provisions of JODIC's Law (%)	37,3	38,6	38,1	37,6	37,1	36,6	36,1	35,6	35,2	34,7	34,3
Overhead expenses to total revenues from investments (%).	4,4	3,8	3,2	2,8	2,7	2,4	2,3	2,2	2,2	2,1	2,1
Overhead expenses to net investments income (%).	4,6	4,0	3,3	2,9	2,8	2,5	2,4	2,3	2,2	2,2	2,1
Overhead expenses to cash flow from operations (%).	4,6	4,3	3,4	3,1	2,9	2,6	2,5	2,4	2,3	2,2	2,2



The background is a solid blue color with several diagonal lines of varying shades of blue, creating a sense of depth and movement. The lines are most prominent on the right side, where they appear to be receding into the distance.

## **PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTIONS**



## PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTIONS

As part of JODIC's public awareness plan for the year 2017, the Corporation continued its endeavors towards raising the awareness level about deposit insurance system in the Kingdom and the important role of the Corporation at both the regional and international levels.

In this respect, the Corporation maintained collaboration and interactive channels with related parties. It carried out communication activities such as holding regular lectures to the employees in the banking sector at the Institute of Banking Studies and to the students in the government and private universities, and distributing printed materials to the member and non member banks which included the annual report for the year 2016 and the 2017 calendar to the branches of the banks operating in the Kingdom.

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

Given the importance of acquainting the target audience and stakeholders with latest developments in the deposit insurance system, JODIC utilizes largely its website and its face book page on social media \_ which is initialized during this year\_ as a primary electronic communication channels. Both are updated continuously with the 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 continued chairing the Middle East and North Africa Regional Committee (MENA), in addition to its membership in the Member Relations Council Committee (MRC) and the technical committee of the Core Principles and Research Council Committee (CPRC) which include the Research and Guidance Technical Committee (RGTC) and its subcommittee Deposit Insurance Fund Target Ratio, in addition to the Islamic Deposit Insurance Technical Committee (IDITC).



## PUBLIC AWARENESS & REGIONAL AND INTERNATIONAL CONTRIBUTIONS

Also, JODIC had an active participation in the activities relevant to deposit insurance such as the 16<sup>th</sup> IADI Annual Conference entitled “Deposit Insurance For All –Adapting the Core Principles to Different Structures, Mandates and Types off Institutions” and the Annual General Meeting, EXCO Meeting and Standing and Regional Committees Meetings of the International Association of Deposit Insurers (IADI) that were hosted by Autorité des Marchés Financiers (AMF) October 2017 In Québec City in Canada and the IADI 1<sup>st</sup> and 2<sup>nd</sup> Technical Assistance Workshop with Africa Regional Committee (ARC) and Middle East and North Africa Regional Committee (MENA) which were hosted in Morocco and Tunisia and the 2017 Eurasia Regional Committee (EARC) Annual Meeting & International Technical Seminar-Conference on "Core Principles for Effective Deposit Insurance Systems and Islamic Deposit Insurance" which was hosted in Kazakhstan.



**FINANCIAL STATEMENTS & INDEPENDENT  
AUDITOR'S REPORT FOR THE YEAR ENDED  
31 DECEMBER 2017**



# **FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

## **INDEPENDENT AUDITOR'S REPORT**

**To Messrs. Board of Directors**

**Deposit Insurance Corporation**

**Legal entity with financial and administrative independence**

**Amman - The Hashemite Kingdom of Jordan**

### **Opinion**

We have audited the financial statements of Deposit Insurance Corporation (Legal entity with financial and administrative independence), which comprise the statement of financial position as at December 31, 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements comprising significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Corporation as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Talal Abu-Ghazaleh & Co. International

Mohammad Alazraq

License # (1000)

Amman, March 27, 2018

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## Statement of Financial Position as at 31 December 2017

	Notes	2017	2016
		JD	JD
<b>ASSETS</b>			
<b>Current Assets</b>			
Current account at Central Bank of Jordan		23,481,236	10,516,789
Accrued interests of financial assets at amortized cost		9,410,650	7,402,987
Other debit balances		6,950	6,844
Financial assets at amortized cost - short term	3	157,267,970	142,284,320
<b>Total Current Assets</b>		<b>190,166,806</b>	<b>160,210,940</b>
<b>Non-current Assets</b>			
Financing and loans of employees housing fund	4	1,051,107	930,798
Financial assets at amortized cost	3	499,270,109	450,804,051
Property and equipment	5	3,768,460	3,877,127
<b>Total Non-current Assets</b>		<b>504,089,676</b>	<b>455,611,976</b>
<b>TOTAL ASSETS</b>		<b>694,256,482</b>	<b>615,822,916</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Other credit balances	6	62,404	104,346
<b>EQUITY</b>			
Capital	7	3,300,000	3,300,000
Reserves	8	690,894,078	612,418,570
<b>Total Equity</b>		<b>694,194,078</b>	<b>615,718,570</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>694,256,482</b>	<b>615,822,916</b>

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## Statement of Revenues and Expenses for the Year Ended 31 December 2017

	Notes	2017	2016
		JD	JD
<b>Revenues</b>			
Membership fees	9	48,874,231	49,277,237
Interests of financial assets at amortized cost		30,753,204	27,129,954
Employee financing revenues		14,975	15,264
Employee loans interests		4,695	4,581
Others		449	1,350
<b>Total revenues</b>		<b>79,647,554</b>	<b>76,428,386</b>
Administrative expenses	10	(1,172,046)	(1,190,583)
<b>Surplus</b>		<b>78,475,508</b>	<b>75,237,803</b>

## Statement of Changes in Equity for the Year Ended 31 December 2017

	Capital	Reserves	Total
	JD	JD	JD
<b>Balance as at January 1, 2016</b>	<b>3,300,000</b>	<b>537,180,767</b>	<b>540,480,767</b>
Surplus	-	75,237,803	75,237,803
<b>Balance as at December 31, 2016</b>	<b>3,300,000</b>	<b>612,418,570</b>	<b>615,718,570</b>
Surplus	-	78,475,508	78,475,508
<b>Balance as at December 31, 2017</b>	<b>3,300,000</b>	<b>690,894,078</b>	<b>694,194,078</b>

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## Statement of Cash Flows for the Year Ended 31 December 2017

	2017	2016
	JD	JD
<b>Cash Flows From Operating Activities</b>		
Surplus	78,475,508	75,237,803
<b>Adjustments for:</b>		
Depreciation	116,017	124,587
Gain on sale of property and equipment	(449)	-
Interest revenues	(30,753,204)	(27,129,954)
<b>Changes in operating assets and liabilities:</b>		
Other debit balances	(106)	(25)
Other credit balances	(41,942)	62,458
<b>Net cash from operating activities</b>	<b>47,795,824</b>	<b>48,294,869</b>
<b>Cash Flows From Investing Activities</b>		
Financial assets at amortized cost	(63,449,708)	(65,096,921)
Financing and loans of employees housing fund	(120,309)	(14,501)
Interests received	28,745,541	26,741,567
Proceeds from sale of property and equipment	458	-
Purchase of property and equipment	(7,359)	(118,887)
<b>Net cash from investing activities</b>	<b>(34,831,377)</b>	<b>(38,488,742)</b>
<b>Net change in cash and cash equivalents</b>	<b>12,964,447</b>	<b>9,806,127</b>
Cash and cash equivalents - beginning of year	10,516,789	710,662
<b>Cash and cash equivalents - end of year</b>	<b>23,481,236</b>	<b>10,516,789</b>

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## Notes to the Financial Statements 31 December 2017

### (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 Fifty Thousand Jordanian Dinars 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.

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## **(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**

- A 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 STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

- 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/ financing 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 and its interests should be repaid during a 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.

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

### 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
Computer and Telecommunication	10 – 25
Furnitures and Decorations	10 – 15
Vehicles	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.

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

- Amounts paid to construct a property and equipment item are first charged to projects in progress account. When projects become ready to use, it is transferred to the related property and equipment caption.

### **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.

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## (3) Financial assets at amortized cost

- The maturity of treasury bills and bonds extends as follows:

	Short term	Long term										Total	
	2018	2019	2020	2021	2022	2023	2024	2026	2027	2032	Total	2017	2016
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Treasury bonds	145,300,000	128,602,272	73,800,000	81,500,000	74,868,602	15,000,000	22,500,000	20,000,000	17,999,235	8,000,000	442,270,109	587,570,109	567,304,051
Treasury bills	9,867,970	-	-	-	-	-	-	-	-	-	-	9,867,970	15,684,320
Public institutions Bonds	2,100,000	-	-	3,000,000	20,000,000	-	10,000,000	-	-	-	33,000,000	35,100,000	10,100,000
National Electric Power Company	-	-	-	-	24,000,000	-	-	-	-	-	24,000,000	24,000,000	-
	157,267,970	128,602,272	73,800,000	84,500,000	118,868,602	15,000,000	32,500,000	20,000,000	17,999,235	8,000,000	499,270,109	656,538,079	593,088,371

- The average interest rates on bonds ranges between 2,787% - 7,999% per year for 2017 (between 2,409% and 7,703% for 2016).
- The average interest rate on treasury bills ranges between 2,897% - 3,277% for 2017 (between 2,075% and 2,462% for 2016).

## (4) Financing and loans of employees housing fund

The movement in financing and loans of employees housing fund is as follows:

	2017	2016
	JD	JD
Financing and loans balance at beginning of year	930,798	916,297
The amount of financing and loans provided during the year	243,750	81,772
Islamic Financing	14,976	15,264
Interests added on loans balance during the year	4,695	4,581
The amount of financing and loans collected during the year	(143,112)	(87,116)
<b>Financing and loans balance at end of year</b>	<b>1,051,107</b>	<b>930,798</b>

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## (5) Property and equipment

2017	Land	Building	Computers and telecommunication	Furniture and decorations	Vehicles	Project under construction solar power	Total
	JD	JD	JD	JD	JD	JD	JD
<b>Cost</b>							
Balance - beginning of year	1,157,050	3,733,783	122,413	184,237	57,657	68,091	5,323,231
Additions	-	-	6,759	-	-	600	7,359
Transfers	-	2,443	-	-	-	(2,443)	-
Disposals	-	-	(11,868)	-	-	-	(11,868)
Balance - end of year	1,157,050	3,736,226	117,304	184,237	57,657	66,248	5,318,722
<b>Accumulated depreciation</b>	-	-	-	-	-	-	-
Balance - beginning of year	-	1,096,453	108,864	183,132	57,655	-	1,446,104
Depreciation	-	112,087	3,608	322	-	-	116,017
Disposals	-	-	(11,859)	-	-	-	(11,859)
Balance - end of year	-	1,208,540	100,613	183,454	57,655	-	1,550,262
<b>Net</b>	<b>1,157,050</b>	<b>2,527,686</b>	<b>16,691</b>	<b>783</b>	<b>2</b>	<b>66,248</b>	<b>3,768,460</b>

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

2016	Land	Building	Computers and telecommunication	Furniture and decorations	Vehicles	Project under construction solar power	Total
	JD	JD	JD	JD	JD	JD	JD
<b>Cost</b>							
Balance - beginning of year	1,157,050	3,689,559	116,079	183,999	57,657	-	5,204,344
Additions	-	44,224	6,334	238	-	68,091	118,887
Balance - end of year	1,157,050	3,733,783	122,413	184,237	57,657	68,091	5,323,231
<b>Accumulated depreciation</b>							
Balance - beginning of year	-	985,751	104,242	173,869	57,655	-	1,321,517
Depreciation	-	110,702	4,622	9,263	-	-	124,587
Balance - end of year	-	1,096,453	108,864	183,132	57,655	-	1,446,104
<b>Net</b>	<b>1,157,050</b>	<b>2,637,330</b>	<b>13,549</b>	<b>1,105</b>	<b>2</b>	<b>68,091</b>	<b>3,877,127</b>

## (6) Other credit balances

	2017	2016
	JD	JD
Accrued expenses	35,714	34,917
Deposits	26,690	69,129
Cash deposits	-	300
<b>Total</b>	<b>62,404</b>	<b>104,346</b>

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## (7) Capital

	2017	2016
	JD	JD
Government contribution	1,000,000	1,000,000
Non-refundable establishment fee (*)	2,300,000	2,300,000
<b>Total</b>	<b>3,300,000</b>	<b>3,300,000</b>

(\*) Non-refundable establishment fee of JD 100,000 is taken from banks that joined the corporation.

## (8) Reserves

According to articles 18 and 19 of the Corporation's law number 33 for the year 2000, 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 appropriate.
- Knowing that the ratio of the corporation to the total deposits that are subject to the law as at December 31, 2017 reached 3.6%, which exceeded the legal limited percentage amounted to 3%.

## (9) 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.



# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## (10) Administrative expenses

	2017	2016
	JD	JD
Salaries, wages and related benefits	504,381	511,184
End of service indemnity	124,166	160,052
Depreciation	116,017	124,587
Electricity and water	79,242	78,806
Social security contribution	57,343	50,578
Health insurance and medical treatments	55,303	50,404
Corporation's contribution on saving fund	39,845	37,188
Subscriptions	26,491	22,622
Security	21,514	20,053
Board of directors remunerations	18,600	18,574
Training	16,793	13,988
Advertisements	15,722	15,576
Professional fees	15,400	15,000
Cleaning	14,474	14,111
Maintenance	12,733	13,214
Insurance	9,872	8,984
Corporation's contribution on social activity committee	9,768	6,894
Fuel	7,709	6,296
Travel and transportation	7,691	4,258
Government fees	5,760	5,760
Hospitality	4,016	3,576
Stationery and printings	3,751	3,975
Communications	3,347	3,159
Miscellaneous	2,108	1,744
<b>Total</b>	<b>1,172,046</b>	<b>1,190,583</b>

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## **(11) Risk management**

### **a) Capital risk (equity)**

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.

## FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

- 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:

Description	Less than one year		One year and more	
	2017	2016	2017	2016
	JD	JD	JD	JD
<b>Financial assets:</b>				
Current account at Central Bank of Jordan	23,481,236	10,516,789	-	-
Accrued interests of financial assets at amortized cost	9,410,650	7,402,987	-	-
Other debit balances	865	865	-	-
Financial assets at amortized cost	157,267,970	142,284,320	499,270,109	450,804,051
Financing and loans of employees housing fund	-	-	1,051,107	930,798
<b>Total</b>	<b>190,160,721</b>	<b>160,204,961</b>	<b>500,321,216</b>	<b>451,734,849</b>
<b>Financial liabilities:</b>				
Other credit balances	62,404	104,346	-	-
<b>Total</b>	<b>62,404</b>	<b>104,346</b>	<b>-</b>	<b>-</b>

# FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

## (12) 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
<b>IFRS (9) – New</b> The corporation has adopted earlier application of IFRS (9)	Financial Instruments	Jan 1, 2018 or after
<b>IFRS (15) – New</b>	Revenue from contracts with customers	Jan. 1, 2018 or after
<b>IFRS (16) – New</b>	Leases – all leases are being recognized in the statement of financial position, without distinctions between operating and finance leases	Jan 1, 2019 or after
<b>IFRS (17)</b>	Insurance contracts.	Jan 1, 2021 or after
<b>IFRIC No. (22)</b>	Foreign currency transactions.	Jan 1, 2018 or after
<b>IFRIC No. (23)</b>	Uncertainty over income tax treatments.	Jan 1, 2019 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.

## (13) Reclassification

Certain 2016 balances were reclassified to conform with the classification used in 2017.



**Deposit Insurance Corporation**  
**P.O. Box: 940420 Amman 11194 Jordan**  
**Tel: +962 (6) 5204040 - Fax: +962 (6) 5669910**  
**[www.dic.gov.jo](http://www.dic.gov.jo) - [dicjor@dic.gov.jo](mailto:dicjor@dic.gov.jo)**