

DEPOSIT INSURANCE FUND FOR ISLAMIC BANKS

LEGAL ENTITY

FINANCIAL STATEMENTS

31 DECEMBER 2023



Ernst & Young Jordan
P.O.Box 1140
Amman 11118
Jordan
Tel : 00 962 6580 0777/00 962 6552 6111
Fax: 00 962 6553 8300
www.ey.com/me

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Deposit Insurance Fund for Islamic Banks
Legal Entity
Amman - Jordan

Opinion

We have audited the financial statements of Deposit Insurance Fund for Islamic Banks, (the Fund), which comprise the statement of financial position as at 31 December 2023, and the statement of revenues and expenses and statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Islamic Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, 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.

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 Islamic Financial Accounting Standards as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), 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 Fund'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 Fund's or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 ISAs will always detect a material misstatement when it exist. 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 ISAs, 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.

- 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's 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 auditor's report. However future events or conditions may cause the Fund 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.

For and on behalf of Ernst & Young – Jordan.

Osama Shakhathreh
License No. 1079

Amman – Jordan
25 April 2024



ERNST & YOUNG
Amman - Jordan

Deposit Insurance Fund For Islamic Banks
Legal Entity
Statement of Financial Position
As at 31 December 2023

	Notes	31 December 2023 JD	31 December 2022 JD
<u>Assets</u>			
Current assets			
Current account at Central Bank of Jordan		8,337,230	3,749,058
Accrued returns and not received		940,239	447,838
Non-Current Assets			
Financial assets at amortized cost	4	79,656,600	60,953,100
Total Assets		<u>88,934,069</u>	<u>65,149,996</u>
<u>Liabilities and Equity</u>			
Liabilities			
Accrued expenses		1,000	1,000
Total Liabilities		<u>1,000</u>	<u>1,000</u>
Equity			
Paid-in capital	5	550,000	550,000
Reserves	6	88,383,069	64,598,996
Total equity		<u>88,933,069</u>	<u>65,148,996</u>
Total liabilities and equity		<u>88,934,069</u>	<u>65,149,996</u>

The attached notes from 1 to 12 form part of these financial statements

Deposit Insurance Fund For Islamic Banks
Legal Entity
Statement of Revenues and expenses
For the year ended 31 December 2023

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
		JD	JD
Membership fees	7	21,111,571	20,080,056
Gains from Islamic Sukuk		2,686,735	1,117,257
Administrative expenses	8	(14,233)	(12,397)
Excess of revenues over expenses for the year		<u>23,784,073</u>	<u>21,184,916</u>

The attached notes from 1 to 12 form part of these financial statements

Deposit Insurance Fund For Islamic Banks
Legal Entity
Statement of Changes in equity
For the year ended 31 December 2023

	<u>Paid-in capital*</u>	<u>Reserves</u>	<u>Total</u>
	JD	JD	JD
2023 -			
Balance at 1 January 2023	550,000	64,598,996	65,148,996
Excess of revenues over expenses	-	23,784,073	23,784,073
Balance as at 31 December 2023	<u>550,000</u>	<u>88,383,069</u>	<u>88,933,069</u>
2022 -			
Balance at 1 January 2022	550,000	43,414,080	43,964,080
Excess of revenues over expenses	-	21,184,916	21,184,916
Balance as at 31 December 2022	<u>550,000</u>	<u>64,598,996</u>	<u>65,148,996</u>

* This account represents non-refundable amounts of JD 100,000 collected from each Islamic bank member at the Fund, in addition to a payment of JD 150,000 from the government's contribution to deposit insurance corporation's capital.

The attached notes from 1 to 12 form part of these financial statements

Deposit Insurance Fund For Islamic Banks
Legal Entity
Statement of Cash flows
For the year ended 31 December 2023

	<u>2023</u>	<u>2022</u>
	JD	JD
<u>Operating activities</u>		
Excess of revenues over expenses	23,784,073	21,184,916
Gains from Islamic Sukuk	<u>(2,686,735)</u>	<u>(1,117,257)</u>
Net cash from operating activities	<u>21,097,338</u>	<u>20,067,659</u>
<u>Investing activities</u>		
Collected gains from Islamic Sukuk	2,194,334	669,419
Purchase of financial assets at amortized cost	(32,097,000)	(45,383,000)
Matured Islamic Sukuk	<u>13,393,500</u>	<u>2,008,900</u>
Net cash used in investing activities	<u>(16,509,166)</u>	<u>(42,704,681)</u>
Net increase (decrease) in cash and cash equivalents	4,588,172	(22,637,022)
Cash and cash equivalents at the beginning of the year	<u>3,749,058</u>	<u>26,386,080</u>
Cash and cash equivalents at the end of the year	<u>8,337,230</u>	<u>3,749,058</u>

The attached notes from 1 to 12 form part of these financial statements

(1) GENERAL

The fund was established on 1 April 2019 as a legal entity by virtue of the amending law of the Deposit Insurance Corporation law number 8 for the year 2019, it will be managed by Deposit Insurance Corporation. The relationship between the fund and the corporation shall be on the basis of Wakalah bi al ajr "agency with fee", and all matters of this relationship shall be governed by a decision of the board. The fund's structure is compliant with the principles of Solidarity and cooperation Benefits (Takaful and Ta'awun). Therefore, the fund's financial resources that are paid by Islamic banks, deposit holders and the corporation shall be considered as donations (tabarru').

The corporation aims, through the Deposit Insurance Fund for Islamic Banks; to protect depositors at Islamic banks by insuring their deposits under the provision of this law, in order to encourage savings, promote confidence in the banking system and contribute to maintain banking and financial stability in the Kingdom. This is done by ensuring that depositors have access to their deposits in any Islamic bank to be liquidated within the limits set by the law, which aims in its entirety to compensate depositors up to fifty thousand Jordanian Dinars. Moreover, to urge senior depositors to impose their own and additional supervision on Islamic banks alongside the ongoing monitoring carried out by the Central Bank of Jordan.

The financial resources of the Fund consist of the following:

- Annual membership fee paid by Islamic banks.
- Returns on the investments of the Fund.
- Any Qard Hasan received by the Fund.
- Any financial grants given to the Fund with the approval of the Central Bank's Board of Directors and the Council of Ministers' approval must be also obtained if the grant is given by a non-Jordanian agency.

The fund of the Deposit Insurance Fund for Islamic Banks shall be transferred, in case of liquidation, to the Zakat Fund in the kingdom after covering all expenses and losses related to the Fund.

(2) BASIS of PREPARATION of FINANCIAL STATEMENT

The accompanying financial statements of the Fund have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and in the absence of Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions relating to financial statements items, the International Financial Reporting Standards and related interpretations are applied in conformity with the Shari'a standards, pending the promulgation of Islamic Standards therefor.

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

The financial statements have been presented in Jordanian Dinars "JD", which is the functional currency of the Fund.

Deposit Insurance Fund For Islamic Banks
Legal Entity
Notes to the financial Statements
31 December 2023

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Fund financial statements for the year ended 31 December 2022, except for the adoption of the following standards:

Financial Accounting Standard No. 39 "Financial Reporting on Zakat"

This standard improves and replaces the previously issued Financial Accounting Standard 9 "Zakat". This standard aims to determine the accounting treatment of Zakat in the records of Islamic financial institutions, including presentation and disclosure in their financial statements.

The standard describes the principles of financial reporting that are applicable based on the obligation of Islamic financial institutions to pay Zakat. In addition, in the event that an Islamic financial institution is not required by law or charter to pay Zakat, it is still required to determine and disclose the amount of Zakat due to the benefit of various stakeholders.

This standard does not apply to the Fund's financial statements.

MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and bank balances.

Revenues and expenses recognition:

It is recognized that the annual membership fees collected from banks by law is two and a half per thousand of total deposits subject to the provisions of the law.

Other income is recognized according to the accrual basis.

Expenses are recognized according to the accrual basis.

Impairment of financial assets

The Fund recognizes a provision for expected credit losses for all debt instruments not held at fair value through the profit or loss statement. Expected credit losses are based on the difference between the contractual cash flows due under the contract and all cash flows that the Company expects to receive, discounted when estimating the original effective interest rate. Projected cash flows include cash flows from the sale of retained collateral or other credit improvements that are an integral part of the contractual terms (if any).

Foreign Currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing on the date of the transactions. The balances of financial assets and liabilities in foreign currencies are also transferred at the rates of exchange prevailing on the date of the statement of financial position.

Any gains or losses are recognized within the statement of revenues and expenses.

Provisions

Provisions are recognized when the fund has a present obligation (legal or constructive) at the date of the financial statements arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Financial assets at amortized cost

Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the assets to collect their contractual cash flows which represent fixed or determinable payments for the capital and profits of these assets.

Assets at amortized cost is recorded at cost upon purchase plus acquisition expenses and re-evaluated at the end of the current period using the effective profit rate method. Any gains or losses resulting from the amortization process appear in the statement of revenues and expenses, and any impairment in its value is recorded in the statement of revenues and expenses.

The amount of impairment in the value of these assets represents the difference between the value recorded in the records and the present value of the expected cash flows discounted at the original effective profit rate, so that any provision for expected credit losses calculated from it is deducted from the value of these assets. No financial assets may be reclassified to/from this item.

In the event of selling any of these assets financed by the fund's own funds - before their maturity date, the result of the sale is recorded in the statement of comprehensive income in a separate item and that is disclosed.

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Fair value

The closing prices (purchase of assets / sale of liabilities) on the date of the financial statements in active markets represent the fair value of the instruments that have market prices. In the absence of advertised prices, no active trading of some instruments, or inactivity of the market, their fair value is estimated in a number of ways, including:

- comparing it to the current market value of a financial instrument that is substantially similar to it.
- Analyzing future cash flows and discounting the expected cash flows with a percentage used in a similar financial instrument.
- Option pricing models.

Valuation methods aim to obtain a fair value that reflects market expectations and takes into account the market factors and any expected risks or benefits when assessing the value of financial instruments.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to set off the recognized amounts and the Fund intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

(3) Use of ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as fair value changes reported in shareholders' equity and unrestricted account holders' equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ as a result of changes in conditions and circumstances of those estimates in the future.

(4) FINANCIAL ASSETS AT AMORTIZED COST

	31 December 2023	31 December 2022
	JD	JD
Sukuk accounts (Credit)	36,669,044	28,186,439
Sukuk accounts (Mutual)	42,987,556	32,766,661
Total	79,656,600	60,953,100

Deposit Insurance Fund For Islamic Banks
Legal Entity
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(5) CAPITAL

This account represents non-refundable amounts of JD 100,000 collected from each Islamic bank member at the Fund, in addition to a payment of JD 150,000 from the government's contribution to deposit insurance corporation's capital. Therefore, The total capital became 550,000 JD

(6) RESERVES

The amounts accumulated in this item represent the transfer of surplus revenues over expenditures during the years.

	<u>31 December 2023</u>	<u>31 December 2022</u>
	JD	JD
Reserves takaful portfolio of Mutual Fund Accounts	47,975,593	34,756,670
Reserves takaful portfolio of Credit Accounts	40,407,476	29,842,326
Total	<u>88,383,069</u>	<u>64,598,996</u>

(7) MEMBERSHIP FEES

The Fund meets an annual subscription fee from Islamic banks of 2.5 per 1,000 of the total deposits subject to the provisions of Law No. (33) of 2000 and its amendments and the subscription fee consists as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
	JD	JD
Membership fees of "Takaful" portfolio of Mutual Fund Accounts	11,781,017	10,878,977
Membership fees of "Takaful" portfolio of Credit Accounts	9,330,554	9,201,079
Total	<u>21,111,571</u>	<u>20,080,056</u>

Deposit Insurance Fund For Islamic Banks
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31 December 2023

(8) ADMINISTRATIVE EXPENSES

	31 December 2023	31 December 2022
	JD	JD
Wakaleh bi al-ajir *	5,000	5,000
Professional fees	5,825	6,000
Advertisements	3,378	1,397
Stationery	30	-
Total	14,233	12,397

* This item represents an annual payment of JD 5,000 as Wakaleh bi al-ajir to the Deposit Insurance Corporation.

(9) INCOME TAX

In accordance with the Deposit Insurance Corporation Act No. (33) of 2000 and its amendments, the Fund has been exempted from income tax, in accordance with Article (27) of the Act.

(10) CONTINGENT LIABILITIES

Letters of credits and Bank guarantees

The Fund does not have potential liabilities for the letters of credits and the bank guarantees as of 31 December 2023 and 31 December 2022.

Lawsuits against the Fund:

There are no cases against the Fund as of 31 December 2023 and 31 December 2022.

(11) Risk MANAGEMENT

Interest rate risk

The Fund is not exposed to interest rate risks on its assets that includes interest such as bank deposits.

The sensitivity of the statement of comprehensive income represents the impact of expected changes in interest rate on the Fund's one-year profit, calculated based on financial assets with a variable interest rate as at 31 December 2023 and 2022.

Deposit Insurance Fund For Islamic Banks
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Credit risk

Credit risk is the risk arising from the default or inability of debtors and other parties to fulfill their obligations towards the fund.

The fund is not exposed to credit risk as it maintains balances with leading banking institutions (at the Central Bank of Jordan).

Liquidity risk

The Fund manage its liquidity risk by ensuring bank facilities are available.

The table below summarises the maturities of the Fund's financial liabilities (undiscounted) as at 31 December 2023 and 2022 based on remaining contractual maturity and current market interest rates:

	Less than 3 months <u>JD</u>	<u>Total</u> JD
As at 31 December 2023		
Accrued expenses	1,000	1,000
Total	<u>1,000</u>	<u>1,000</u>
	Less than 3 months <u>JD</u>	<u>Total</u> JD
As at 31 December 2022		
Accrued expenses	1,000	1,000
Total	<u>1,000</u>	<u>1,000</u>

(12) CAPITAL MANAGEMENT

The main objective of managing the fund's capital is to ensure that appropriate capital ratios are maintained in a way that supports the fund's activity and maximizes equity.

The corporation manages the capital structure and makes the necessary adjustments to it in light of changes in working conditions. The corporation has not made any adjustments to the objectives, policies and procedures relating to capital structure during the current year and the previous year.

The items included in the capital structure are paid-in capital and reserves which amounted to JD 88,933,069 as of 31 December 2023 and JD 65,148,996 as of 31 December 2022.