



جمعية البنوك في الأردن  
ASSOCIATION OF BANKS IN JORDAN

# Annual Report

## Thirty First

### 2009

Association of Banks in Jordan  
Jordan - Amman - Wadi Saqra  
Musa Ibn Nosair Street. - Building No. 62  
P.O.Box: 926174 Amman 11190 Jordan  
Tel: 5662258 - 5669328 - 5684261  
Fax: 5687011 – 5684316  
E-mail: [info@abj.org.jo](mailto:info@abj.org.jo)  
Website: [www.abj.org.jo](http://www.abj.org.jo)





***His Majesty King Abdullah II bin Al Hussein***





***His Royal Highness Prince Hussein bin Abdullah***



## *Our Vision*

To maintain our leadership as one of the most efficient association of banks in the region by providing services to member banks so as to uphold their capabilities and enable them to maximize their contribution towards achieving sustainable development in the Kingdom.

## *Our Mission*

We seek to upgrade and advance the banking business by keeping the interests of member banks and achieving the highest levels of coordination between them and with the other partners. We aspire to develop the process of delivering and updating banking services as well as deepening the understanding of banking functions and norms besides pursuing unified systems and measures for this purpose.

## *Our Values*

- **Collaboration:** We work with members in a team spirit for serving the society and the national economy.
- **Development and modernism:** We seek to upgrade the methods of delivering the banking services in accordance with the best international practices.
- **Innovation and distinctiveness:** We inspire innovative ideas that serve the members and marks their services with quality and distinctiveness.
- **Integrity and transparency:** Transferring of knowledge and exchanging information in accordance with the highest degrees of integrity and transparency.
- **Professionalism:** We practice our work with a high professionalism, comprehensive coverage and full vigilance to all what happens in the Jordanian, Arab and international banking environment.
- **Credibility:** We abide by accuracy and reliability and we verify our sources of information with high precision.
- **Continuity in training:** We endeavor to elevate the academic and practical levels as well as keeping up with all what is new in the banking and financial areas.

## ***Board of Directors***

The Association's Board of Directors comprised the following dignitaries at the end of 2009:

- **H.E. Marwan Awad** / Chairman / Jordan Ahli Bank.
- **Mr. Mohammed Yaser Al Asmar** / Vice Chairman / Jordan Kuwait Bank.
- **H.E. Dr. Michel Marto** / Member / The Housing Bank for Trade and Finance.
- **H.E. Dr. Tayseer Smadi** / Member / International Islamic Arab Bank.
- **Mr. Mohammed Mousa Dawoud** / Member / Arab Bank.
- **Mr. Kamal Bakri** / Member / Cairo Amman Bank.
- **Mr. Haitham Qumhiyeh** / Member / Capital Bank.
- **Mr. Khalil Nasr** / Member / Invest bank.
- **Mr. Ziyad Aqrouk** / Member / Citibank.
- **H.E. Kholoud Al Saqqaf** / Observer-Member / Central Bank of Jordan.

***Director General***  
**Dr. Adli Kandah**

***Auditors***  
**Messers Ma'moun  
Faroukah & Partners**



## Members

Membership in the Association is mandatory for all Jordanian banks and branches of non-Jordanian banks operating in Jordan. Membership in the Association at the end of 2009 comprised the following banks:

### First: Jordanian Banks:

#	Member Name	Established in	Website
1	Arab Bank	1930	<a href="http://www.arabbank.com.jo">www.arabbank.com.jo</a>
2	Jordan Ahli Bank	1956	<a href="http://www.ahli.com">www.ahli.com</a>
3	Cairo Amman Bank	1960	<a href="http://www.cab.jo">www.cab.jo</a>
4	Bank of Jordan	1960	<a href="http://www.bankofjordan.com">www.bankofjordan.com</a>
5	The Housing Bank for Trade & Finance	1974	<a href="http://www.hbtf.com">www.hbtf.com</a>
6	Jordan Kuwait Bank	1977	<a href="http://www.jordan-kuwait-bank.com">www.jordan-kuwait-bank.com</a>
7	Arab Jordan Investment Bank	1978	<a href="http://www.ajib.com">www.ajib.com</a>
8	Jordan Commercial Bank	1978	<a href="http://www.jgbank.com.jo">www.jgbank.com.jo</a>
9	Jordan Islamic Bank	1978	<a href="http://www.jordanislamicbank.com">www.jordanislamicbank.com</a>
10	Investbank	1989	<a href="http://www.jifbank.com">www.jifbank.com</a>
11	Arab Banking (Corporation) Jordan	1989	<a href="http://www.arabbanking.com.jo">www.arabbanking.com.jo</a>
12	Union Bank	1991	<a href="http://www.unionbankjo.com">www.unionbankjo.com</a>
13	Societe General _ Jordan	1993	<a href="http://www.sgbj.com.jo">www.sgbj.com.jo</a>
14	Capital Bank	1996	<a href="http://www.capitalbank.jo">www.capitalbank.jo</a>
15	International Islamic Arab Bank	1997	<a href="http://www.iiabank.com.jo">www.iiabank.com.jo</a>

### Second: Non-Jordanian Banks:

#	Member Name	Established in	website
1	HSBC	1949	<a href="http://www.jordan.hsbc.com">www.jordan.hsbc.com</a>
2	Egyptian Arab Land Bank	1951	<a href="http://www.arakari.com.jo">www.arakari.com.jo</a>
3	Rafidain Bank	1957	<a href="http://www.rafidain-bank.org">www.rafidain-bank.org</a>
4	Citi Bank	1974	<a href="http://www.citibank.com/jordan">www.citibank.com/jordan</a>
5	Standard Chartered	2002	<a href="http://www.standardchartered.com">www.standardchartered.com</a>
6	Bank Audi	2004	<a href="http://www.audi.com.lb">www.audi.com.lb</a>
7	National Bank of Kuwait	2004	<a href="http://www.nbk.com">www.nbk.com</a>
8	BLOM Bank	2004	<a href="http://www.blom.com.lb">www.blom.com.lb</a>

## Contents

Subject	Page
<b>Board Chairman's Foreword</b>	<b>15</b>
<b>Director General's address</b>	<b>17</b>
<b>Chapter One: Regional and international economic outlook and summary of global developments</b>	<b>19</b>
1. Regional and international economic outlook	21
2. 2009 ... the year of financial and economic crises	22
<b>Chapter Two: Jordanian economic developments during 2009</b>	<b>29</b>
1. Production, prices and companies	31
2. General budget	31
3. Public debt	32
4. External sector	32
5. Investment	33
6. Monetary and financial sector	33
<b>Chapter Three: Development of the banking sector during 2009</b>	<b>35</b>
1. Foreign reserves	37
2. Local liquidity	37
3. Assets/liabilities of banks operating in Jordan	38
4. Assets and liabilities in foreign currencies	41
5. Capital, reserves and provisions	41
6. Credit facilities extended by licensed banks	42
7. Deposits at licensed banks	51
<b>Chapter Four: Development of the number of banks and branches</b>	<b>55</b>
1. Development of number of branches	57
2. Development of number of offices	61
3. Development of number of ATMs	63
<b>Chapter Five: Performance of banks listed on the Amman stock exchange during 2009</b>	<b>67</b>
1. Share price index	69
2. Trading volume	72
3. Non-Jordanian ownership of banks' shares	74
<b>Chapter Six: Clearing of cheques</b>	<b>75</b>
<b>Chapter Seven: Structure of interest rates</b>	<b>79</b>
1. Development of interest rates on deposits	83
2. Development of interest rates on credit facilities	85
3. Interest rate margin	88
4. Development of interest rates on monetary policy tools	88
5. Interbank lending rates (JODIBOR)	90



Subject	Page
<b>Chapter Eight: Analysis of comparative performance of the banks operating in Jordan during 2009</b>	<b>95</b>
<b>1. Ranking of banks according to some balance sheet items</b>	<b>97</b>
A. Total assets of banks operating in Jordan at the end of 2009	97
B. Total credit facilities extended by banks operating in Jordan at the end of 2009	99
C. Total deposits at banks operating in Jordan at the end of 2009	100
D. Shareholders' equity of the banks operating in Jordan at the end of 2009	101
E. Capital of banks operating in Jordan at the end of 2009	102
<b>2. Ranking of banks according to some items in income statements</b>	<b>103</b>
A. Pre-tax profit of banks operating in Jordan at the end of 2009	103
B. Net profit after-tax of banks operating in Jordan at the end of 2009	104
<b>3. Ranking of banks according to profitability indicators</b>	<b>105</b>
A. Average return on assets for the banks operating in Jordan in 2009	105
B. Average return on shareholders' equity for the banks operating in Jordan in 2009	106
<b>4. Ranking of banks according to number of employees</b>	<b>107</b>
A. Number of employees in banks operating in Jordan at the end of 2009	107
<b>5. Summary of most important financial indicators of banks operating in Jordan</b>	<b>108</b>
<b>Chapter Nine: New banking services</b>	<b>111</b>
<b>Chapter Ten: Human resources working in banks</b>	<b>115</b>
1. Number of workers	117
2. Distribution of workers in banks by educational qualification	117
3. Distribution of workers in banks by age bracket	118
4. Social status of workers	118
5. Geographical distribution of workers in banks by governorate	119
6. Training courses	121
7. Resignations and appointments	122
<b>Chapter Eleven: Association's activities during 2009</b>	<b>123</b>
1. Central Bank of Jordan's instructions	125
2. Public policy issues	127
3. Seminars and lectures	132
4. Other activities and news	137
<b>Chapter Twelve: Financial statements and auditor's report for the year 2009</b>	<b>141</b>

## List of Tables

#	Tables	Page
1	Growth forecasts for the Middle East, North Africa, Afghanistan and Pakistan	21
2	Indicators of public debt and budget deficit in European countries	27
3	Consolidated balance sheet of licensed banks	40
4	Foreign currency assets of licensed banks	41
5	Foreign currency liabilities of licensed banks	41
6	Distribution of credit facilities according to its major types as the end of 2008, and 2009	42
7	Distribution of credit facilities by type of currency at the end of 2008, and 2009	43
8	Distribution of credit facilities by economic sectors at the end of 2008, and 2009	44
9	Credit cards extended by banks during 2009	45-46
10	Personal loans extended by banks during 2009	47
11	Terms and characteristics of personal loans extended during 2009	48
12	Car loans extended during 2009	49
13	Terms and characteristics of car loans extended during 2009	50
14	Syndicated loans in 2009	51
15	Distribution of deposits according to its major types as the end of 2008, and 2009	52
16	Distribution of deposits according to type of currency at the end of 2008, and 2009	53
17	Development of in number of banks and branches in Jordan (2002 – 2009)	57
18	Opening of branches during 2009	58
19	Number of branches inside and outside Jordan at the end of 2009	59
20	Distribution of branches among governorates at the end of 2009	60
21	Opening of offices during 2009	61
22	Number of offices inside and outside Jordan at the end of 2009	62
23	Distribution of offices among governorates at the end of 2009	63
24	Distribution of ATMs among governorates at the end of 2009	64
25	Services provided by banks' ATMs until the end of 2009	66
26	Some trading indices of banks listed at the Amman stock exchange during 2009	69
27	Development of the share price index of banks listed on the Amman stock exchange (2005 – 2009)	70
28	Monthly development of the share price index of banks listed on the Amman stock exchange during 2009	71
29	Trading volume of banks' shares listed at the Amman stock exchange (2005 – 2009)	72
30	Monthly trading volume of banks' shares listed at the Amman stock exchange during 2009	73



#	Tables	Page
31	Non-Jordanian ownership of banks' shares listed at the Amman stock exchange (2002-2009)	74
32	Circulated and returned cheques through the electronic clearing (2008-2009)	77
33	Weighted average of interest rates on all types of deposits (2002-2009)	83
34	Monthly weighted average of interest rates on all types of deposits in 2009	84
35	Monthly weighted average of interest rates on all types of credit facilities (2002-2009)	86
36	Weighted average of interest rates on all types of credit facilities in 2009	87
37	Interest rates on monetary policy tools (2002 - 2009)	89
38	Interest rates on monetary policy tools in 2009	90
39	Average inter-bank lending interest rates (JODIBOR – declared rates) (2006-2009)	91
40	Average inter-bank lending interest rates (JODIBOR – declared rates) in 2009	91
41	Volume of overnight inter-bank activity during 2009	92
42	Total assets of banks operating in Jordan at the end of 2009	98
43	Credit facilities extended by banks operating in Jordan at the end of 2009	99
44	Total deposits at banks operating in Jordan at the end of 2009	100
45	Shareholders' equity in banks operating in Jordan at the end of 2009	101
46	Capital of banks operating in Jordan at the end of 2009	102
47	Pre-tax profit of banks operating in Jordan at the end of 2009	103
48	Net after-tax profit of banks operating in Jordan at the end of 2009	104
49	Average return on assets for the banks operating in Jordan in 2009	105
50	Average return on equity for the of banks operating in Jordan in 2009	106
51	Number of employees at banks operating in Jordan at the end of 2009	107
52	New banking services during 2009	113-114
53	Distribution of bank employees by gender (2004 - 2009)	117
54	Distribution of bank employees by education level (2004 - 2009)	118
55	Distribution of bank employees by age group (2004 -2009)	118
56	Distribution of bank employees by social status (2004 -2009)	119
57	Geographical distribution of bank employees by governorate at the end of 2009	119
58	Distribution of bank employees by governorate and bank at the end of 2009	120
59	Number of employees who attended training courses in 2009	121
60	Appointments and resignations (2004 - 2009)	122

## List of Charts

#	Charts	Page
1	Central bank's foreign reserves	37
2	Local liquidity	38
3	Distribution of credit facilities by kind of lending at the end of 2009	42
4	Distribution of credit facilities by type of currency at the end of 2009	43
5	Distribution of direct credit facilities extended by licensed banks according to economic sectors at the end of 2009	44
6	Distribution of deposits by main types in 2009	52
7	Distribution of deposits by type of currency in 2009	53
8	Annual development of the share price index (2005 – 2009)	70
9	Monthly development of the share price index during 2009	71
10	Annual development of trading volume (2005 – 2009)	72
11	Monthly development of trading volume during 2009	73
12	Share of non-Jordanian equity in the ownership of bank shares (2002 –2009)	74
13	Weighted average of interest rates on all types of deposits (2002 – 2009)	84
14	Monthly development of interest rates on all types of deposits during 2009	85
15	Weighted average of interest rates on all types of credit facilities (2002 – 2009)	86
16	Monthly development of interest rates on all types of credit facilities during 2009	87
17	Annual development of the interest rate margin (2002 – 2009)	88
18	Monthly development of inter-bank lending interest rates (JODIBOR) during 2009	92
19	Development of the number of overnight inter-bank lending and borrowing transactions during 2009	93
20	Development of the total amount of overnight inter-bank lending during 2009	93
21	Weighted overnight inter-bank lending interest rates «JODIBOR» (declared and actual) during 2009	94
22	Summary of most important financial indicators of banks operating in Jordan	108-109



## Board Chairman's Foreword

### Honorable Members of the Association of Banks,,,

It is my pleasure to present to you the 31st annual report about the activities and accomplishments of the Association during 2009, the audited financial statements for the year ended 31-12-2009, and the report of the auditor addressed to your esteemed association on the results of examining those statements.



### Honorable Members of the Association,,,

Economic indicators confirmed that, during 2009, most economic sectors in the Kingdom were affected by the repercussions of the financial crisis which turned into an economic crisis manifested by an economic slowdown and a regression in general economic activity in the Kingdom. It is possible to note the slowdown by looking at the average growth in gross domestic product which declined to 2.3 percent during 2009 from 7.6 percent in the previous year. Although the banking sector remained distant from the direct consequences of the international financial crisis and maintained its soundness and stability, it was influenced by the economic situation that prevailed in the Kingdom during 2009. That showed in the decline of some banking indicators such as profitability and the slow rate of growth in credit facilities as well as the slight increase in doubtful loans.

At the end of 2009, local assets of licensed banks increased by 11.1 percent to about JD26.6 billion and credit facilities extended by the licensed banks totaled JD13.32 billion, 2.1 percent higher than the amount in the previous year. Considered as one of the most important indicators of trust in the Jordanian banking sector, the balance of deposits at the banks operating in Jordan went up by 12.1 percent from its level in the previous year reaching JD20.3 billion at the end of 2009.

Regarding the financial strength indicators of the banks operating in Jordan, the capital adequacy ratio came at 19.6 percent. This level, which is higher than the minimum required by the central bank and the Basel II standards, reflected the financial affluence of the Jordanian banking sector. The ratio of non-performing loans to total loans at the end of 2009 stood at 6.7 percent, a rate considered within the international accepted range. The liquidity ratio of the Jordanian banking sector came at 159.1 percent at the end of 2009, achieving high levels with a margin larger than the requirements of the Central Bank of Jordan.

### Honorable Members of the Association,,,

As 2009 comes to an end, we hope that the difficulties and challenges will be less severe in the coming year. Finally, please allow me to extend much thanks to the members of the association for the efforts they exerted throughout the year to achieve the objectives of the association. It is also my pleasure to express thanks and appreciation to the governor of the Central Bank of Jordan and all the cadres of the bank for their continued cooperation with the association in serving the interests of the national economy led by His majesty King Abdullah II, may God keep him and protect him.

**Marwan Awad**

Chairman of the Board of Directors



## Director General's Address

The Association discussed and followed up during 2009 on various issues submitted to it, especially those presented by member banks. Those issues were thoroughly discussed by the specialized technical committees in the Association and the remarks were forwarded to the concerned parties whose response was very encouraging by taking up many of the observations and proposals that the Association recommended in the name of the banks on different issues. Through its legal, financial and other technical committees, the Association debated 11 subjects and laws related to the central bank, bank control, public policy and legislation concerning macro economy and the Jordanian financial and banking system. The Association also hosted the meetings of the committee that the prime minister formed to look into the impediments that face the economic sectors in the Kingdom. Among the members of the committee was the Chairman of the Association's Board of Directors and the Association's Director General who served as the committee's rapporteur.

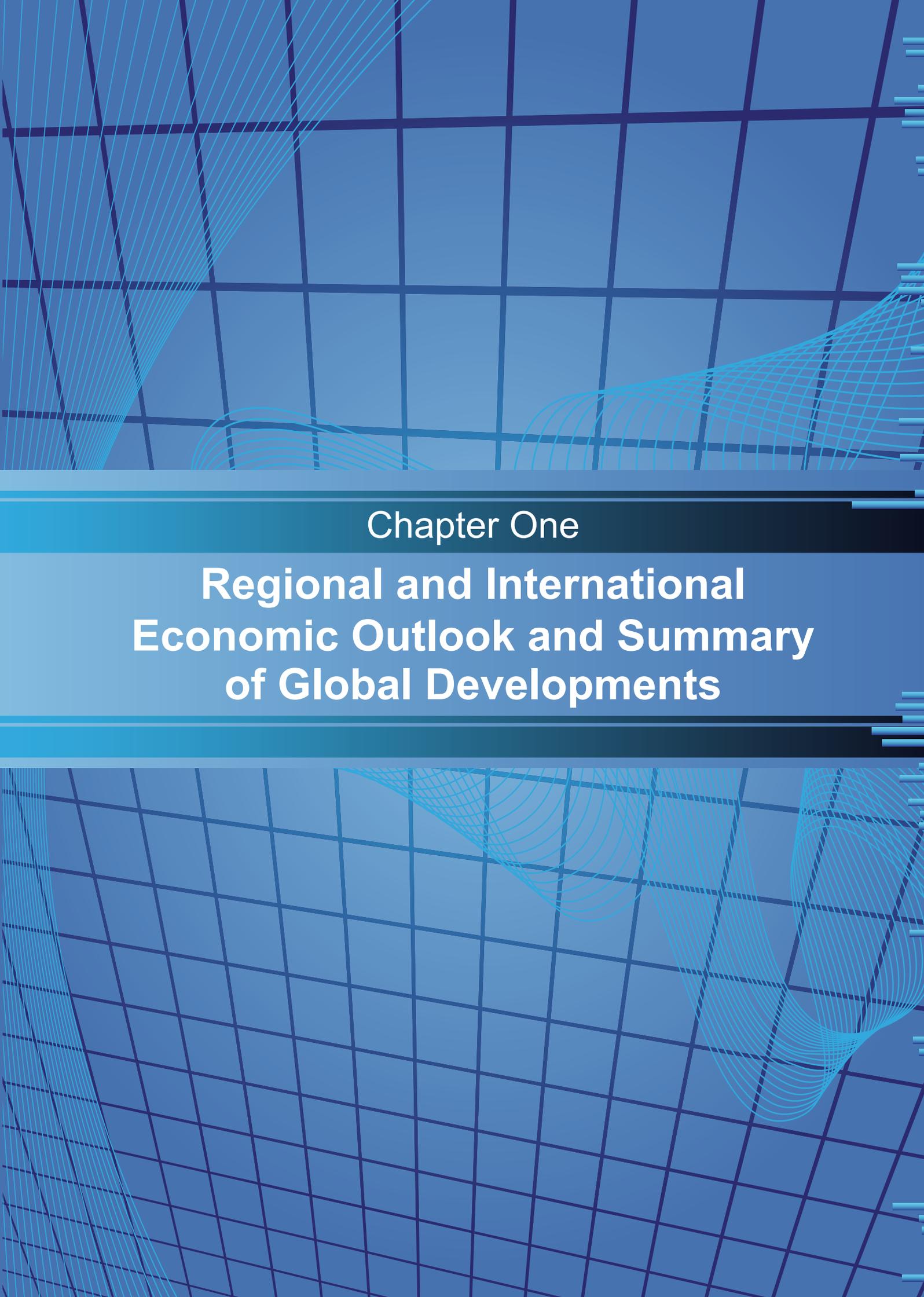


Within the sphere of training and financial / banking education, the Association held a series of lectures, seminars and workshops on various topics of interest to the banking sector. The association held two seminars and eight workshops in addition to organizing the "Third Forum for Retail Lending and financing Small and Medium Enterprises. It also organized a preparatory meeting for the "Role of Banking Sector in Environmental Financing" conference.

In the area of studies, the Association issued during 2009 a set of publications, reports and studies of concern to the Jordanian banking system. The Association issued a study in English entitled: "The system of Inter-Bank Lending Interest Rates (JODIBOR)". The Association also issued in both Arabic and English a booklet entitled "Banking and Financial Dialogue and a booklet entitled: "The Economic and Social Role of Banks in Jordan" besides the 30th annual report in both Arabic and English. Moreover, the Association published three issues of the Latest News in addition to a book entitled "The International Financial Crisis" which examines the origin and causes of the international financial crisis and its consequences as well as the main rescue plans that were adopted internationally and in the Arab world. The Association also issued the study "Development of the Jordanian Banking Sector (2000-2009)".

Finally, it is more than a courtesy to extend much thanks and gratitude to the Chairman and members of the Board of Directors who saved no effort in supporting the Association through their distinguished thoughts and experience, and to all bank members for their fruitful cooperation with the Association. I am also very thankful and appreciative to all the staff in the Association for their valuable efforts in advancing and improving the work of the Association.

**Dr. Adli Kandah**  
Director General

The background of the entire page is a dark blue grid. Overlaid on this grid are several lighter blue, wavy, mesh-like patterns that create a sense of depth and movement. These patterns are most prominent in the top-left and bottom-right corners, and also appear as horizontal bands across the middle section.

## Chapter One

# Regional and International Economic Outlook and Summary of Global Developments



This chapter reviews the international economic environment and the expected trajectory with an emphasis on the Middle East and North Africa region. Furthermore, this chapter highlights the most important international developments by mentioning the main economic crisis and problems that prevailed in 2009.

## 1- Regional and International Economic Outlook

International reports indicate that the global economy has entered the recovery phase from the repercussions of the global economic and financial crisis. These reports predict that economic performance for most world countries in 2010 will be better than 2009. The World Economic Outlook of April 2010 expects the global gross domestic product (GDP) to grow by an average 4.25 percent this year after a negative 0.6 percent average growth in 2009.

According to the electronic bulletin of the International Monetary Fund (IMF) issued on May 25, 2010, the average economic growth is expected to reach 4.2 percent in the Middle East, North Africa, Afghanistan and Pakistan during 2010 compared to 2.3 percent during 2009. Although the higher rate will be supported by a rise in the cash inflow and an increase in domestic consumption levels, the expectations pointed to the existence of some factors that pressure the growth rates, most notably resulting from a slowdown in credit activity of the banking system in these countries.

**Table (1)**  
**Growth Forecasts for the Middle East, North Africa, Afghanistan and Pakistan** (%)

Country Group	Annual Change			
	Actual		Expectation	
	2008	2009	2010	2011
Middle East, North Africa, Afghanistan and Pakistan	4.6	2.3	4.2	4.6
Oil exporting countries*	4.4	1.5	4.3	4.5
Oil importing countries**	5.0	3.8	4.1	4.8

\* Includes Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Sudan, United Arab Emirates and Yemen.

\*\* Includes Afghanistan, Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Syria and Tunisia.

- Source: The electronic bulletin of the International Monetary Fund issued on May 25, 2010.

### Oil Exporting Countries

The economies of the oil exporting countries within the Middle East, North Africa, Afghanistan and Pakistan region were severely damaged during 2009 as the average economic growth regressed to 1.5 percent from around 4.4 percent in 2008. This decline was amid the international financial crisis which turned economic and was accompanied by a fall in world oil prices to \$40 a barrel and a drop in the prices of real estate and assets besides the large shortage in external financing.

To ease the repercussions of the crisis, the oil exporting countries chose expansionary policies and stimulant measures, especially by raising government spending, enhancing local liquidity and pumping money from central banks to the banking sector. Thanks to that, these countries began to move out of the crisis assisted by an increase in oil prices to \$80 a barrel. As such, the expected average growth for 2010 becomes about 4.3 percent and for 2011 around 4.5 percent.

The IMF report emphasized that oil exporting countries still continue to face challenges in their banking systems in terms of slowdown in credit facilities to the private sector and the level of losses as a result of bad loans.

### Oil Importing Countries

Affected by the crisis, the oil importing countries – including Jordan – posted lower growth rates that



reached 3.8 percent in 2009 after reaching five percent during 2008. But the present expectations point to some recovery in these countries as the expected growth rate for 2010 is about 4.1 percent and for 2011 around 4.8 percent. This growth is a result of limited financial and economic exposure to the countries that were swept by the crisis in addition to the decline in oil prices as such a drop eased the pressure on those importing states.

## 2- 2009 ... the Year of Financial and Economic Crises

2009 can be considered as the year of financial and economic crises because in this year, the economic impact of the global financial crisis surfaced and spread to most world economies causing a recession that pulled down global growth rates to - 0.6 percent. The Dubai debt crisis also surfaced this year nearly shaking a number of international financial institutions and causing a second world crisis. At the end of 2009, the Greek debt crisis began to emerge heavily marring the European economy during the first months of 2010.

### A- International Financial - Economic Crisis

The last months of 2008 marked the beginning of the international financial crisis which was considered as the worst of its kind since the Great depression in 1929. The crisis flared up in the United States and spread later to world countries that included the European and Asian nations as well as the Gulf Arab states and developing countries whose economies are directly tied to the US economy. During 2008, a total of 25 banks went bankrupt in the United States before the number rose to 140 banks during 2009. Despite the signs of recovery that began to show in late 2009 and early 2010, it was not the end as around 78 banks in the United States had to close down during the first half of 2010. As such, a total of 240 banks ceased operations since the start of the crisis.

The crisis is rooted in 2007 when sub-prime borrowers started defaulting on their mortgage loans. This led to the first bankruptcies of specialized banking institutions. Following that, bourses started to crumble under the risk of a widening crisis. A number of major banks announced in late 2007 a big fall in the value of their shares because of the mortgage loan crisis.

The most significant mark of the crisis was Lehman Brothers bankruptcy announcement in September 2008. This institution was until that time the fourth largest bank in the US with assets of \$691 billion and 25,000 employees all around the world. The bankruptcy of Lehman Brothers was like a warning of another number of collapses among the banks and financial institutions in the US and other world countries, especially in view of the negative effects from globalizing financial and advisory services. The Lehman Brothers bankruptcy caused a financial shake-up around the world for being among the largest ten bankruptcies in the US history. This fallout triggered large negative financial effect on the international bourses including Arab ones which lost a significant portion of gains besides a regression in financial indices.

Because the Jordanian economy is an inseparable part of the global economy being linked with various world economies through commercial dealings (exports and imports), capital and investment transactions, transfers in the form of aid, grants and expatriate remittances, and tourism; it is only natural in light of these economic interactions with the world that the Jordanian economy be influenced, positively and negatively, with developments in the global economy.

Upon analyzing the impact of the international financial crisis on various economic sectors in Jordan, it is evident that the initial effect of the international financial crisis showed firstly on the stock exchange (Amman Bourse) despite of its weak linkage with western international bourses. The reason for that was more psychological than real factors. The weighted general average of the index at market value from the beginning of 2008 until August of the same year was around 8991 points compared to an average of 6373 points from September 2008 until the end of 2009. As such, the decline in the price index of traded shares at the bourse is about 29 percent.

The direct and initial impact on the Jordanian banking sector was very limited at the start of the crisis because of a number of factors most important of which was that banks in the Kingdom did not own any of

the high-risk toxic securities of mortgaged real estate in the US. It was those securities that triggered the financial crisis. By engaging in commercial banking more than investment banking, the Jordanian banking system was greatly protected from the effects of the international financial crisis. Also, the precautionary package of measures taken by the Jordanian government and the Central bank of Jordan played a major role in minimizing the negative effects of the repercussions and consequences of that crisis on the Jordanian banking sector and providing the necessary liquidity for it. Furthermore, the qualified administration of banks operating in Jordan demonstrated a clear role in containing the crisis and avoiding its harmful effects by following a number of protective arrangements. It should not be forgotten that the existence of an internal control system characterized by accuracy, prudence and soundness has kept the banks operating in Jordan away from being involved in low quality and high-risk financing.

Yet, the government and the central bank moved quickly by taking up a package of precautionary measures aimed at protecting the banking system and the Jordanian economy from the repercussions of the international financial crisis. Foremost of these Jordanian government measures was an announcement insuring all deposits at banks in Jordan for unlimited amounts until the end of 2009. This guarantee was extended until the end of 2010. Other measures were granting several tax exemptions to a number of sectors like tourism, exempting 260 industrial inputs from customs tariffs, and exempting residential apartments from registration fees until the end of 2009. Within this framework, a higher steering committee was formed headed by the prime minister and including as members the Central bank of Jordan, the Association of Banks in Jordan, the Deposit Insurance Corporation, the Ministry of Finance, the Ministry of Labour .... Etc. The committee's main task was to monitor the key financial and economic indicators in Jordan and to alert the authorities about any pressure that may arise (akin to an early warning system). The government also formed a committee, chaired by the prime minister, to weigh up the financing needs of various economic sectors and discuss / resolve the impediments that these sectors face without overburdening the state treasury and infringing on the independence of the central bank or breaching the international agreements it has signed. The committee was able to arrive at a number of recommendations that were submitted to the Prime Ministry.

Aiming to enhance the strength of the banking system, the central bank took a number of measures foremost of which was maintaining high levels of liquidity to spur national economy. To provide ample liquidity to the economy, the central bank halted the issuance of certificates of deposits from October 2008. It also lowered the interest rate on various monetary policy instruments and reduced the rate of mandatory reserve from 10 percent to seven percent. To safeguard the banking system and to stimulate the Kingdom's economic growth amid easing inflationary pressures, the central bank had resorted during the first six months from the eruption of the international crisis to a package of precautionary measures that were implemented over three phases. The measures included an easing of the conditions for classifying non-performing credits; an amendment of the instructions related to legal cash liquidity of banks, especially with regard to inter-bank market, until the end of 2009; and persuading banks to consolidate capital by capitalizing a portion of their 2008 profits instead of distributing them as cash dividends.

When the international financial crisis turned into an economic crisis with repercussions denting the economies of most world countries, the impact started to show on the real economy in the Kingdom. Marking this regression was a slowdown in the real average growth rates which declined from 7.6 percent in 2008 to 2.3 percent in 2009. The budget deficit also ballooned by 329 percent to JD1,450 million in 2009 compared to JD338 million in 2008. As a result of these pressures, Jordan's public debt swelled by 16.6 percent to JD10.955 billion in 2009 representing 67 percent of the GDP. The slowdown dented the external sector as overall exports fell by 19.8 percent and imports by 12.5 percent during 2009. Other weaknesses showed in lower remittances from Jordanian expatriates, whose transfers dropped by 5.2 percent, and in direct investment in Jordan as the volume fell markedly by 15.7 percent in 2009.

On a positive note, the Kingdom's foreign reserves surged by 40.5 percent during 2009. Other data showed that assets of licensed banks rose by 7.25 percent and that total deposits at licensed banks increased by 12.1 percent in 2009. The balance of credit facilities extended by licensed banks during 2009 edged up by 2.1 percent compared to a 15.5 percent growth rate in 2008. It is noteworthy that the banks



operating in the Kingdom did not resort to the central bank or the government for any sort of financial support. This attests to the banks' affluence and financial strength.

## **B- Dubai Debt Crisis**

During the past two decades, the emirate of Dubai was booming with massive development in all spheres one of which was the establishment of Dubai World, an investment conglomerate wholly-owned by the government of Dubai. The conglomerate's investments were spread over four basic areas: Transport and logistic services, drydocks and maritime services, urban development, and investment and financial services. The portfolio of the conglomerate comprises a number of prominent corporations and world-renowned projects such as DP World, Economic Zones World, Nakheel, Limitless, Leisurecorp, Dubai World Africa, and Istithmar.

Dubai's debt crisis followed the international financial crisis which was marked by a sharp drop in oil prices and in the US dollar as well as massive losses in bourses. As Dubai's financing depended to a great extent on selling property and real estate assets, the emirate suffered a setback when investors' purchasing power regressed, house prices fell by 24 percent during the second quarter of 2009 and rent went down sharply. With such severe blows to the real estate sector and a halt in high-cost investments, the debt repayment became a dilemma as the sale of assets faltered.

After the closing of Dubai markets on Wednesday, November 25, 2010, on the eve of Al Adha holiday, Dubai World announced a request for a six-month deferment to repay \$3.5 billion of debt due in December 2009 until at least May 30, 2010. Within a plan to restructure about \$59 billion of the corporation's debt, this announcement complemented a Dubai World request for a \$9 billion from the Abu Dhabi emirate which, at first, balked.

It can be said that the crisis flared up due to a number of factors namely excessive loans by the group, extensive investment with borrowed funds, low demand and the impact of the international financial crisis.

According to US Wall Street Journal, the sudden debt crisis of Dubai government aroused investors' fear and stirred up concern in world financial markets because the emirate was overburdened by tens of billions of dollars that the conglomerate spent on building mammoth real estate project.

Some experts attributed the cause of the crisis to extravagance in building colossal real estate projects and excessive borrowing, betting on the sale of property and real estate products to repay loans especially in view of high demand on real estate in Dubai and expectations that property prices will keep on rising.

The repercussions of the Dubai debt crisis cast a shadow directly on the stock exchanges in various countries. With Arab money markets closed for Al Adha holiday, the stock indices of international markets were regressing markedly. In the United States, the main stock indices Dow Jones, NASDAQ and Standard and Poor's 500 declined by 1.5 percent, 1.73 percent and 1.72 percent respectively. Losses were also posted in France, Germany and Britain at a rate close to 2.2 percent in each. The indices of Shanghai, Tokyo and Hong Kong bourses went down by 3.6 percent, 3.2 percent and 4.9 percent respectively.

When trading resumed at the Arab bourses after a relatively long holiday, there was yet no improvement in the situation. On the first day of trading after the crisis, the index of the Dubai Financial Market closed lower by 7.3 percent and the index of Abu Dhabi Securities Exchange lost 8.31 percent. The sharp fall defied an attempt by the central bank of the United Arab Emirates to calm down the market, and the banking sector in particular, with an announcement that it was placing additional liquidity at the disposal of local and foreign banks operating in the country.

In Kuwait, two banks had about \$118 million of exposure to Dubai World. Of this amount, \$98 million were indirect credit facilities maturing in June 2010 from the Gulf Bank to Dubai World. The remaining \$20 million in bonds were owed by Nakheel to Al Ahli Bank of Kuwait. As indicators showed no signs of direct exposure to the Dubai World indebtedness, the impact in Lebanon and Egypt was limited. Globally, the DBS Group, which is the largest bank in Singapore, revealed that its exposure to Dubai World indebtedness was about 1.8 Singaporean dollars (\$1.28 billion).

Because of links to Dubai World, the credit rating agency Standard & Poor's lowered the ranking of four banks to negative.

In Jordan, the exposure of Jordanian banks to Dubai World was limited to no more than \$100 million being a portion of a syndicated loan extended to the troubled conglomerate. According to a disclosure on the website of Amman Bourse, the decision of Dubai World to freeze debt repayments for six months does not include the mentioned loan which matures in June 2013.

As a result of the crisis and the drop in the indices of world stock markets, speculators turned to buying gold whose price ultimately shot up to \$1,196 an ounce.

On December 1, 2009, Moody's credit rating agency estimated the indebtedness of the Dubai government and its affiliate conglomerates at \$100 billion, much higher than the market estimates of \$80 billion.

On December 14, 2009, the Dubai emirate announced in a press statement that it had taken several comprehensive measures to deal with the debts of Dubai World. Most important of those government measures were:

**First:** Regarding Dubai World, the Dubai government was able to obtain an important and vital financial support from the Abu Dhabi government and the central bank of the emirates. Following a series of consultations, the Abu Dhabi government provided the Dubai Fund for Financial Support \$10 billion to be used for settling some of the Dubai World obligations. The Dubai government allocated \$4.1 billion for repaying the sukuk that were due and reserved the remaining amount of the support to pay for interest and operational expenses of Dubai World until April 30, 2010 on condition of securing successful negotiations for rescheduling of debt.

**Secondly:** The amount remaining from the support will be used to settle obligations to present lenders and contractors. Negotiations with contractors in difficulty are to start in a short while.

**Thirdly:** After consulting with the Abu Dhabi government, the central bank of the emirates announced its readiness to provide support to local banks in the United Arab Emirates.

After these measures, which were received very favourably, Dubai World entered into a series of negotiations with its creditors with the aim of rescheduling its outstanding debt on easy terms. This was widely heartening as it signaled a near end to the crisis.

### C- European Debt Crisis

When the international financial crisis began to fade and the indicators of a recovery in the global economy started to emerge, a new crisis appeared on the horizon but this time it had a European origin. This crisis emanated from the extremely high levels of public debt in a number of European Union (EU) countries, especially in 2009, as they tried to plug their chronic budget deficits.

It can be said that the roots of the financial problems in Europe are the result of the way the European governments financed their financial needs noting that the rate of budget deficit of EU countries was about at 6.3 percent of gross domestic product (GDP) and that the public debt represented around 78.7 percent of GDP.

In Greece, where the first signs of the European crisis appeared, the Greek government relied heavily on loans, by selling government bonds, for financing its spending. At 13.6 percent of GDP in 2009, the rate of budget deficit was the highest among EU countries after Ireland, and the Greek indebtedness was 115.1 percent in 2009. Yet, the EU forecast for Greece in 2010 is much worse as the public debt is predicted to reach 124.9 percent, which is the highest rate in the EU, and the deficit is expected at 9.3 percent of GDP.

What helped marginalize the extremely high Greek debt problems during the past periods was the fact that Greece is a member of the EU which is considered to have had the fastest economic growth in the 2000 – 2007 period. But the mood of caution and the wait-and-see-attitude following the international financial crisis shifted the focus towards the Greek indebtedness.

In December 2009, the credit rating agencies Standard and Poor's and Fitch lowered the rating of Greece



due to the worrying financial indicators. Greece also devised policies to reduce the mounting deficit in its budget and to try to regain the confidence of investors and EU partners. The government pledged to cut spending on social security by 10 percent during 2010 and to crack down on corruption and tax evasion.

On December 16, Standard and Poor's lowered the rating of Greece from A- to BBB+ and doubted the success of austerity measures that were announced by Prime Minister Papandreou for easing the public debt burden in a sustained manner. As a result, the return margin on 10-year Greek bonds widened from similar German ones by 272 basis points on December 19 marking the highest spread in more than eight months. As the nervous markets continued to sell Greek government bonds and shares, Moody's lowered on December 22 the classification of Greek debts from A1 to A2 due to higher deficit.

In April 2010, the classification of Greek bonds was lowered to junk status, the lowest credit ranking and the worst grade for any bond. The downgrading of Greek bonds by the rating agency also meant that the Greek government issuing these bonds is financially unsound and unreliable to repay the loan. This caused an increase in interest on 10-year Greek bonds to eight percent compared to four percent in the past.

In early May, Greece reached an agreement with the International Monetary Fund, European Commission and the European Central Bank on a consolidated programme to achieve economic stability, higher degree of competitiveness and market confidence through a financing plan amounting to 110 billion euros (\$145 billion).

In view of Greece's past situation, the reform became a very pressing matter to stay out of a vicious circle of debt going out of control. Subsequently, the Greek government intends to implement strict financial arrangements and wide-ranging structural policies as well as reforms in the financial sector. Following is the most important elements in the reform package that was decided on:

- Controlling public finances at about 11 percent of GDP over a period of three years with the aim of bringing down the government public deficit to less than three percent by 2014.
- Cutting down on spending so as to achieve savings at a rate of 5.25 percent of GDP until the end of 2013.
- The measures are expected to increase revenue by around four percent of GDP until the end of 2013.
- It is expected that the increase in revenue and the savings from spending cuts, resulting from structural reforms, would add up to 1.8 percent of GDP to be achieved gradually over the programme's period.
- A fund for financial stability financed from the external programme is to be established for ensuring an adequate level of banking capital.
- The plan projects a noticeable reduction in the military spending during the targeted period.

The Greek excessive borrowing reverberated beyond the borders because as soon as the Greek government bonds were downgraded, the indices of stock exchanges around the world fell immediately. Besides London, where the FTSE 100 dropped more than 150 points, indices also fell in New York, Frankfurt and Athens.

Worries about a default in Greece, raised immediate doubts about similar problems in Western countries like Portugal, Spain and Ireland. At 14.3 percent of GDP, the 2009 deficit in Ireland was the highest in the euro zone. In Spain, the deficit was 11.2 percent and in Portugal 9.4 percent.

For the record, the deficit allowed by the EU for member countries should not exceed three percent of GDP.

## Debt Crisis Impinges on Other Countries

### 1) Portugal

The Greek crisis led to closer observation of other countries in the euro zone and, amid concern that Portugal might be the second country on the brink of default in the euro zone after Greece, rating agencies

like Fitch and Standard and Poor's focused on investigating the financial situation of Portugal. The Portuguese bonds regressed by two points on the announcement that Greek bonds were downgraded to junk status.

The 2009 budget deficit was about 9.4 percent of GDP and the debt was 76.8 percent of GDP with a forecast that it might rise to around 85.8 percent during 2010. Although various studies concluded that Portugal and Greece should reduce spending immediately by 10 percent or more, the mere idea of doing that caused a public uproar.

## 2) Spain

Spain is one of the countries whose future financial conditions are intertwined with Greece and Portugal. The Spanish economy suffered since the beginning of the international financial crisis with unemployment reaching 20 percent (the second country after Latvia the jobless rate is the highest of any state of the euro zone). Worse than that, the overall economy was negative by 0.1 percent during the fourth quarter of 2009 marking the seventh consecutive quarter of negative growth in Spain. On April 28, Standard and Poor's downgraded the long-term Spanish bonds from AA+ to AA because of risks associated with the budget. In 2009, the budget deficit was 11.2 percent of GDP whereas the public debt was around 53.2 percent of GDP.

## 3) Ireland

On May 20, the New York Times newspaper mentioned that Ireland will suffer one of the highest budget deficits in the world (11.7 percent of GDP) during 2010 taking into consideration that the budget deficit in 2009 was about 14.3 percent of GDP.

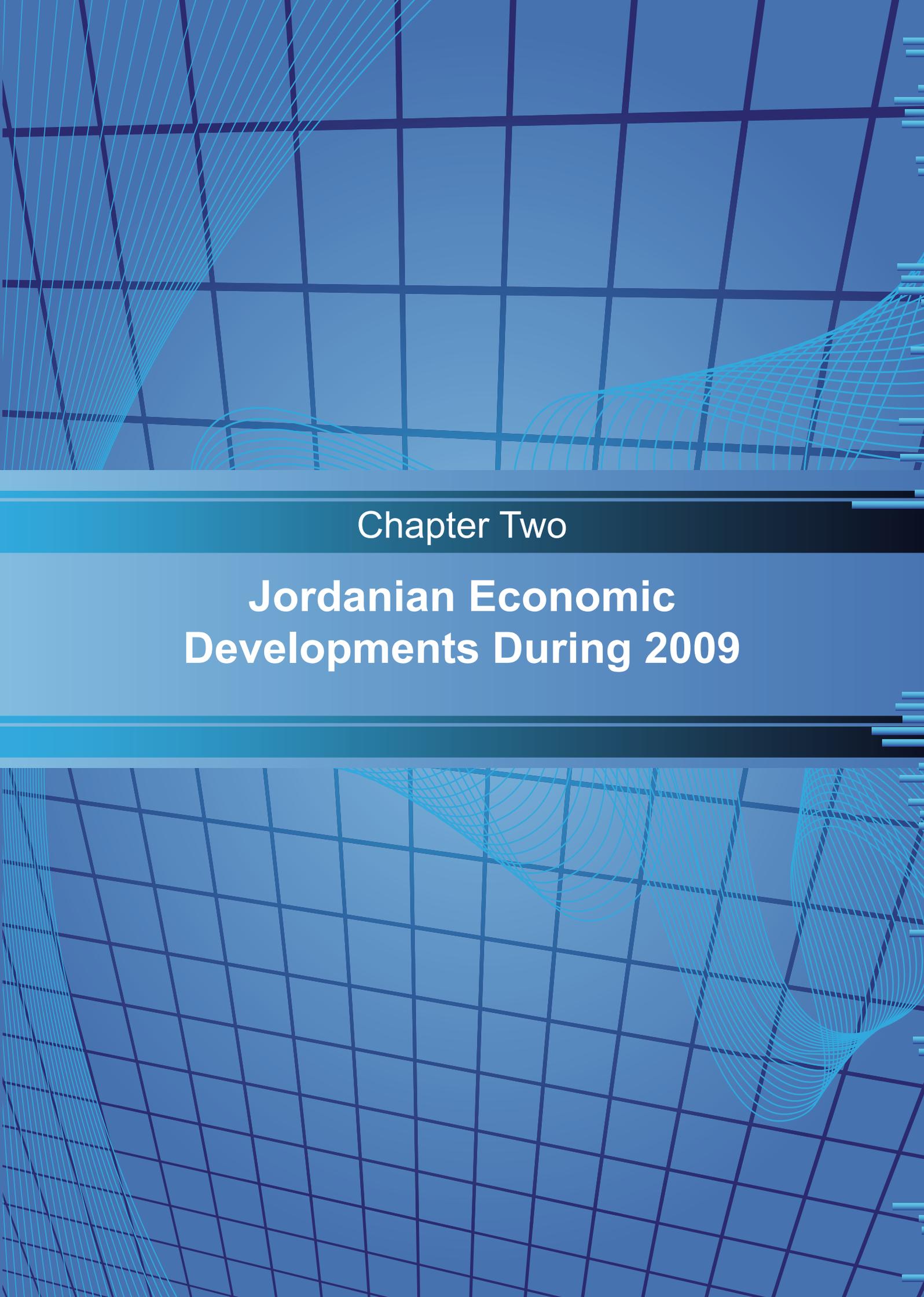
The level of Irish debt, at around 64 percent of GDP, is still worrying especially when it is expected to reach 77.3 percent in 2010.

**Table (2)**  
**Indicators of Public Debt and Budget Deficit in European Countries**

Country	Budget Deficit / GDP (%)					Public Debt / GDP (%)				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Ireland	0.1	-7.3	-14.3	-11.7	-12.1	25.0	43.9	64.0	77.3	87.3
Greece	-5.1	-7.7	-13.6	-9.3	-9.9	95.7	99.2	115.1	124.9	133.9
Spain	1.9	-4.1	-11.2	-9.8	-8.8	36.2	39.7	53.2	64.9	72.5
Portugal	-2.6	-2.8	-9.4	-8.5	-7.9	63.6	66.3	76.8	85.8	91.1
Euro Zone	-0.6	-2.0	-6.3	-6.6	-6.1	66.0	69.4	78.7	84.7	88.5

Source: European Central Bank, Financial Stability Review, June 2010.



The background of the entire page is a blue grid pattern. Overlaid on this grid are several wavy, light blue lines that create a sense of depth and movement, particularly on the left and right sides. The grid lines are dark blue, while the wavy lines are a lighter shade of blue.

## Chapter Two

# Jordanian Economic Developments During 2009



Economic indicators confirmed that during 2009, most economic sectors in the Kingdom were affected by the repercussion of the international financial crisis which turned into an economic crisis that showed in the form of a slowdown in the real economic growth rate and the regression in the Kingdom's general economic activity. It is possible to notice this slowdown through reading the following key macro-economic indicators:

## 1- Production, Prices and Companies

- **Gross Domestic Product:** The gross domestic product at fixed market prices amounted to JD9514.4 million during 2009 compared to JD9298.2 million during 2008. As such, the average growth stood at 2.3 percent during 2009 compared to a 7.6 percent growth rate during 2008 and to an average 8.3 percent growth annually, during the time period 2005-2007. This indicates that the Jordanian economy passed through an economic slowdown during 2009 due to repercussions of the global financial and economic crisis.

The slowdown showed in the growth rate of the largest economic sectors in the Kingdom as the average growth of the financial services, insurance, real estate and business services stood at -0.7 percent. The sector of trade, restaurants and hotels came at 3.9 percent while the average growth rate for the manufacturing industry stood at 1.8 percent. A noticeable regression of 25 percent marked the mining and quarries sector.

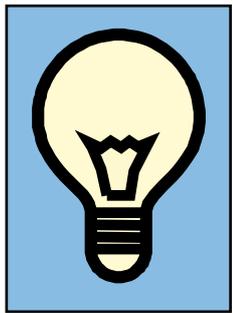
- **Consumer Price Index:** The consumer price index dropped from 119.3 in 2008 to 118.5 during 2009. This decline was due to the fall of international oil prices and the impact on the prices of fuel and electricity as well as transportation and communication by 1.7 percent and 10.8 percent respectively. As such, the inflation rate at the end of 2009 stood at the equivalent of -0.7 percent compared to 13.9 percent in 2008.
- **Industrial Producers' Price Index:** The industrial producers' price index declined by 16.5 percent in 2009 compared to a 55.7 percent increase during 2008.
- **Profitability of Public Shareholding Companies:** The net after tax profit of public shareholding companies in the Kingdom and for all sectors fell by 39.3 percent from JD1484.4 million in 2008 to JD901.7 million. Accordingly, the return on equity plunged from 12.2 percent in 2008 to 6.8 percent in 2009.

## 2- General Budget

- The government's domestic revenue went down by 4.2 percent from JD4375 million in 2008 to JD4193 million in 2009. This drop was coupled with lower amounts of foreign assistance to the Kingdom as the total fell by 53.6 percent from JD718.3 million to JD333.4 million in 2009.
- Government expenditure rose markedly by 10 percent reaching JD5976 million during 2009 from JD5433 million during 2008.
- As a result of the decline in domestic revenues and foreign assistance, and the rise in government spending, the budget deficit widened by 329 percent reaching JD1450 million in 2009 compared with a JD338 million deficit in 2008. Consequently, the budget deficit ratio to gross domestic product went up from -2.2 percent in 2008 to -8.9 percent in 2009.

### 3- Public Debt

- The gross internal debt of the central government jumped by 23.2 percent from JD5754 million in 2008 to JD7086 million in 2009. Consequently, the internal public debt ratio to the gross domestic product rose from 38.2 percent in 2008 to 43.6 percent in 2009.
- The outstanding balance of external debt amounted to approximately JD3.9 billion at the end of 2009; 6.3 percent higher than the JD3.6 billion at the end of 2008. Subsequently the ratio of external public debt to the gross domestic product eased from 24.2 percent in 2008 to 23.8 percent in 2009.
- The overall public debt of Jordan increased by 16.6 percent to reach JD10955 billion at the end of 2009 compared to JD9394 billion at the end of 2008. As such, the ratio of the overall debt to gross domestic product went up from 62.4 percent at the end of 2008 to 67.3 percent of the end of 2009.



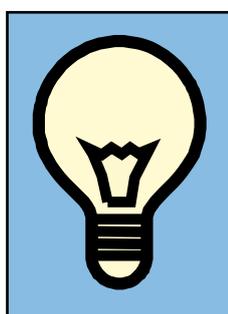
The public debt law and its administration No. 26 for the year 2001, states in article 21 that the net outstanding balance of internal debt should not exceed at any time 40 percent of gross domestic product at current prices. Article 22 states that the outstanding balance of external debt should not exceed at any time 40 percent of gross domestic product at current prices. Article 23 states that at no time should the balance of outstanding public debt exceed 60 percent of gross domestic product at current prices.

### 4- External Sector

- **Domestic Exports:** domestic exports fell during 2009 by JD858 million, or 19.4 percent from its level in 2008, to JD3.57 billion.
- **Re-Exports:** The value of re-exports dropped in 2009 to JD946 million, 17.1 percent or JD256 million lower than the level in 2008.
- **Total Exports:** The volume of total exports (national exports + re-exports) fell to JD4.52 billion during 2009, JD1.11 billion or 19.8 percent below the 2008 level.
- **Imports:** Imports dropped by JD2.07 or 12.5 percent from the level in 2008 reaching JD13.57 billion in 2009.
- **Trade Balance:** As imports declined more than the drop of overall exports, the trade deficit during 2009 narrowed to JD5.47 billion, 14.8 percent less than the trade deficit in 2008.
- The remittances of Jordanian expatriates working abroad declined by 5.2 from the 2008 level reaching around JD2.6 billion during 2009.

## 5- Investment

- Direct investment in Jordan was noticeably lower falling by 15 percent from JD2,006 million in 2008 to JD1,691 million during 2009.
- The overall volume of investments that benefited from the investment promotion law amounted during 2009 to JD1,859.8 million, of which 39.1 percent were foreign investment, compared to JD2,268 million during 2008 when foreign investment accounted for 34.7 percent.

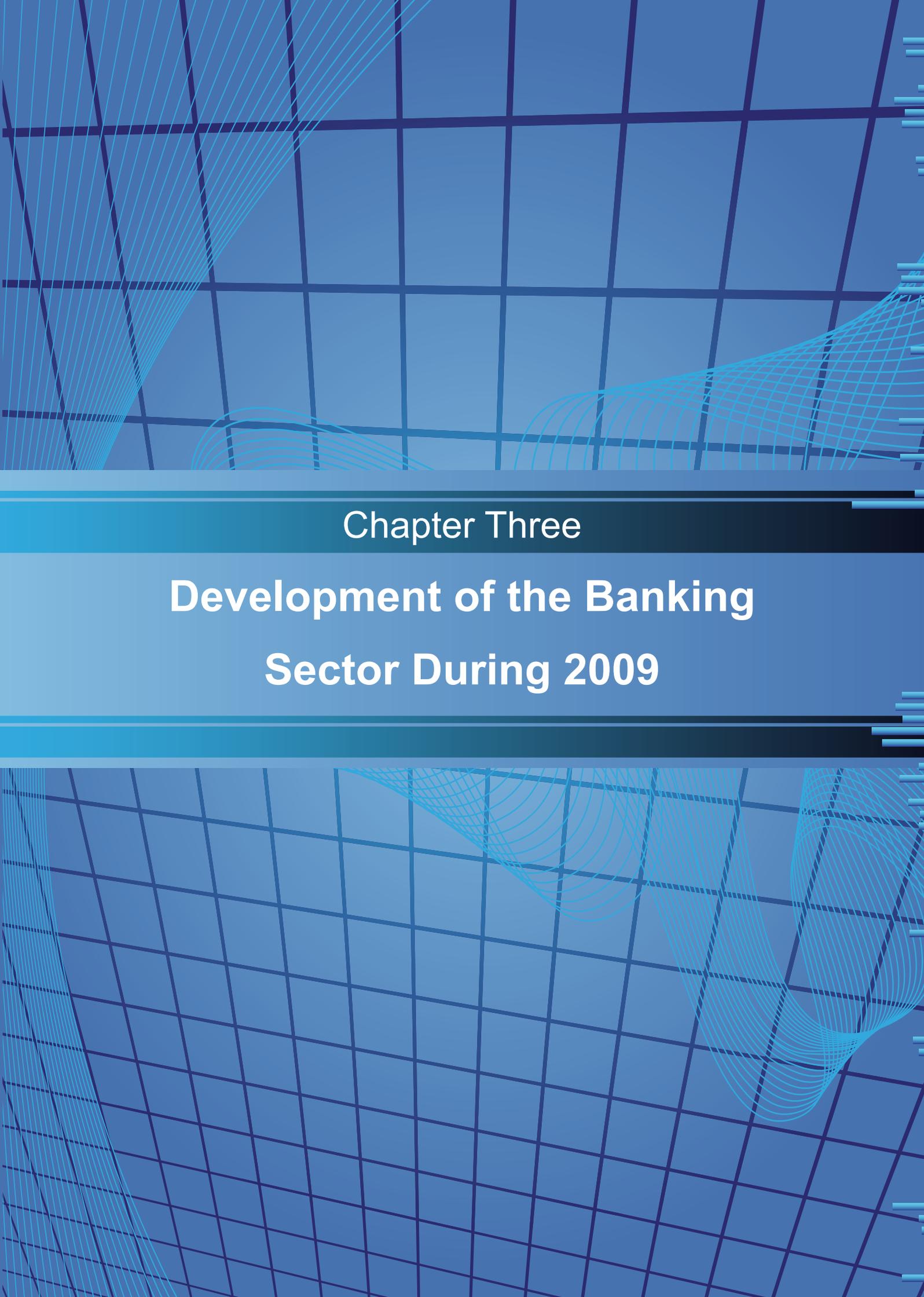


The largest share of investments that benefited from the investment promotion law during 2009 was in favour of the industrial sector with a 79.2 percent share. The hotels sector ranked second with a 9.3 percent share. The share of the remaining sectors, including transport, hospitals, agriculture, entertainment and tourism promotion, did not exceed 11.5 percent of the total investments.

## 6- Monetary and Financial Sector

- **Local Liquidity:** Local liquidity rose by JD1.71 billion or 9.3 percent from its level at the end of 2008 reaching JD20.01 billion during 2009.
- **Foreign Reserves at the Central Bank:** The balance of the central bank's reserves of foreign currencies surged by 40.5 percent from a JD7.74 billion balance in 2008 to a JD10.88 billion balance at the end of 2009.
- **Assets of Licensed Banks:** The balance of assets of the licensed banks increased by 7.25 percent reaching JD31.96 billion during 2009 from JD29.80 billion at the end of 2008.
- **Credit Facilities:** The balance of credit facilities extended by licensed banks increased by JD273 million, or 2.1 percent from the level at the end of 2008, reaching JD13.32 billion during 2009.
- **Deposits:** Total deposits at licensed banks went up by JD2.2 billion to JD20.31 billion at the end of 2009, 12.1 percent higher than the level at the end of 2008.
- **Price Index of Banks' Shares:** The annual average of the banks' share prices, weighted by free float, declined in 2009 by about 1378 points reaching 3805 points, 26.6 percent lower than its annual average in 2008.



The background of the entire page is a dark blue grid. Overlaid on this grid are several lighter blue, wavy, mesh-like patterns that create a sense of depth and movement. These patterns are most prominent in the top-left and bottom-right corners, and also appear as horizontal bands across the middle section.

## Chapter Three

# Development of the Banking Sector During 2009

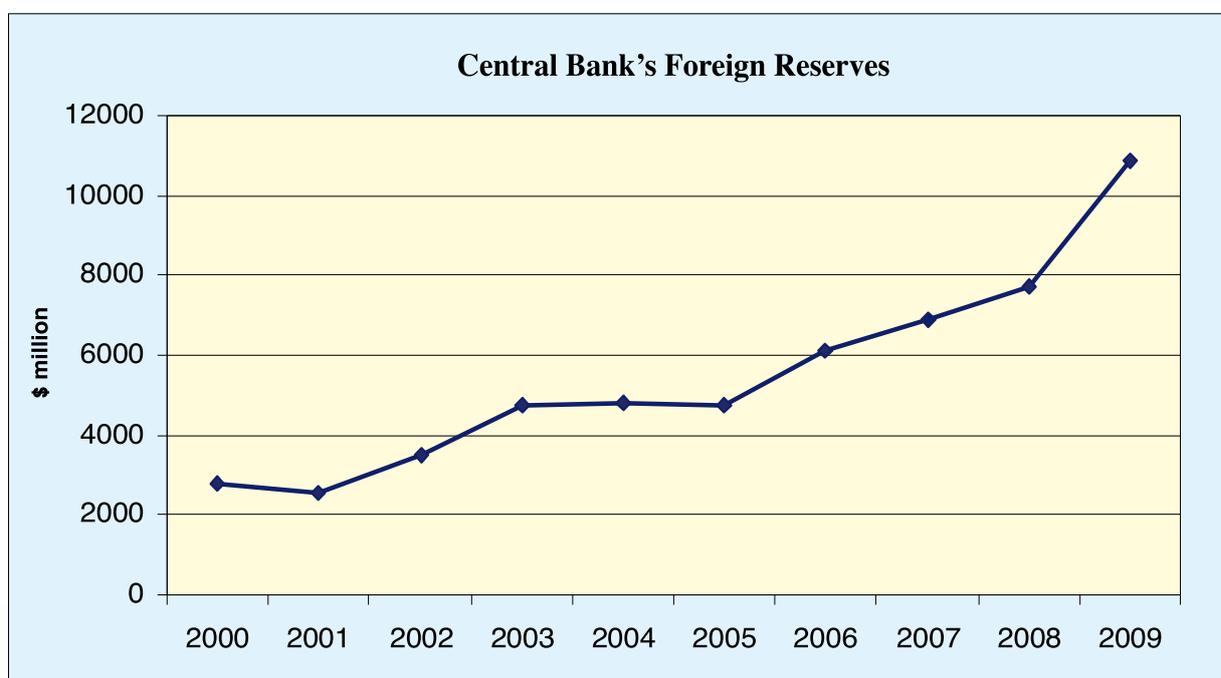


The monetary and banking indicators in Jordan showed major developments in most spheres. The developments came at a time when the banking sector everywhere in the world is suffering from severe problems in terms of financial position, rates of doubtful loans, and liquidity as well as profitability indicators. In this chapter we shall take up the indicators of the Jordanian banking system on its developments during 2009.

## 1- Foreign Reserves

The balance of foreign currency reserves at the Central Bank reached \$10,879 million at the end of 2009, an increase by \$3134.9 million (40.5 percent) over its level at the end of 2008. This level of reserves suffices the Kingdom's imports of goods and services for about 7.5 months approximately.

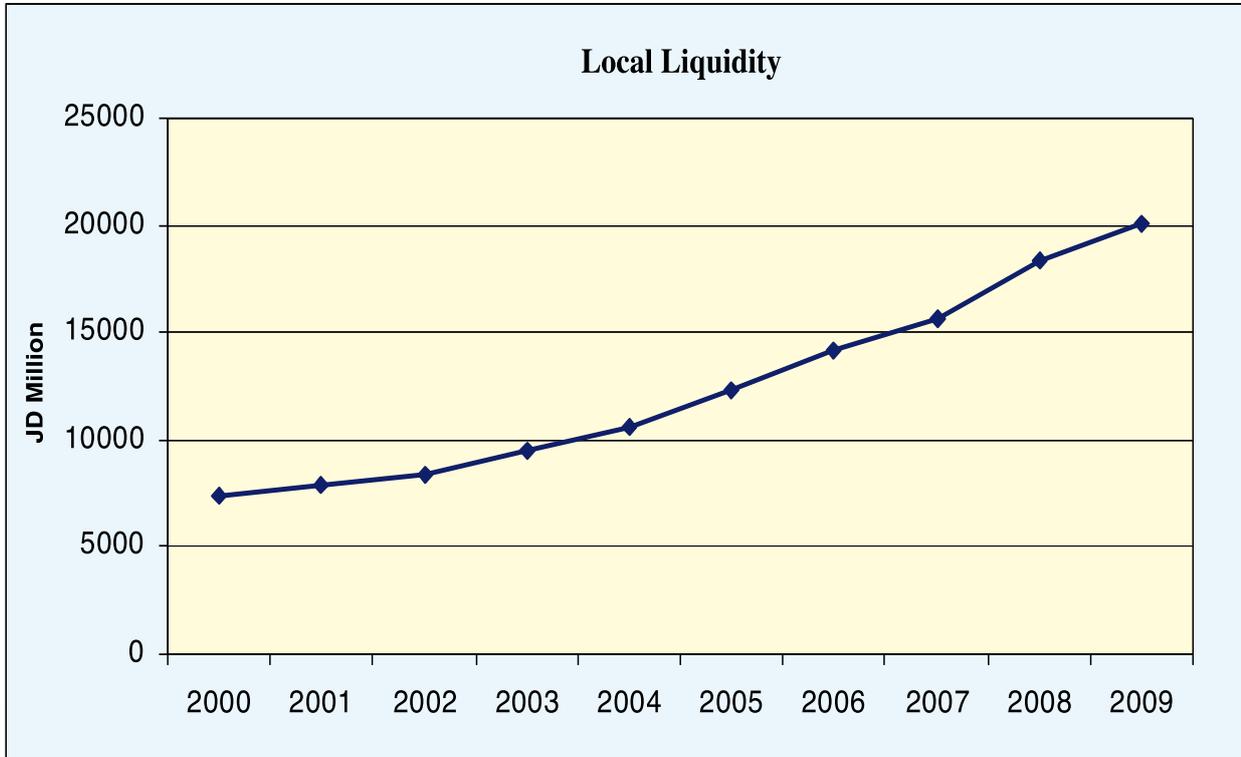
Chart (1)



## 2- Local Liquidity

Local liquidity (money supply – m2) reached JD20013.3 million at the end of 2009, JD1709.1 million or 9.3 percent higher than the level at the end of 2008. In the previous year, the increase in local liquidity amounted to JD2697.3 (17.3 percent).

Chart (2)



By comparing the developments of local liquidity components and the factors influencing them during 2009 with those at the end of 2008, the following can be noticed:

- An increase in deposits by JD1,694.4 million or 10.8 percent to JD17,333.8 at the end of 2009 compared to a JD2,204.9 million or 16.4 percent during 2008.
- An increase in currency circulation by JD14.7 million or 0.6 percent to JD2,679.5 million during 2009 compared to a JD492.4 million increase or 22.7 percent during 2008.

### 3- Assets / Liabilities of Banks Operating in Jordan

The balance of assets/liabilities of banks operating in Jordan rose by 7.3 percent to JD31956.9 million at the end of 2009 compared to JD29796.6 million at the end of 2008. Within this context, the indebtedness of the resident private sector went up by 1.3 percent from JD12514.5 million in 2008 to JD12674.4 million at the end of 2009. Also the balance of public sector loans jumped by 19.5 percent from JD4353.1 million in 2008 to JD5203.4 million at the end of 2009.

#### A- Domestic Assets

Net domestic assets of licensed banks jumped from its JD23986.3 million level at the end of 2008 by JD2660.9 million or 11.1 percent to JD26647.2 million at the end of 2009.

This large growth in local assets of banks operating in Jordan was due to higher reserves which amounted to JD6,009 million in 2009, a 49.7 percent increase over the year 2008. Also, loans to public sector went up by 19.5 percent to JD5203.4 million.



## **B- Foreign Assets**

Net foreign assets of licensed banks rose by 8.6 percent or JD500.6 million over the level at the end of 2008. Accordingly, the balance of net foreign assets of licensed banks amounted to JD5309.7 million at the end of 2009 compared to JD5810.3 million at the end of 2008.

This drop during 2009 was due to lower balances at foreign banks by JD1339.2 million (29.6 percent).



**Table (3)**  
**Consolidated Balance Sheet of Licensed Banks**

JD Million	2008	2009	Change	Change Percentage
<b>Assets</b>				
<b>Foreign Assets</b>	<b>5810.3</b>	<b>5309.7</b>	<b>-500.6</b>	<b>-8.6%</b>
Cash in Vaults (In Foreign Currencies)	125.7	98.1	-27.6	-22.0%
Balances with Foreign Banks	4531.6	3192.4	-1339.2	-29.6%
Portfolio (Non-Resident)	333.5	817.0	483.5	145.0%
Credit Facilities to Private Sector (Non-Resident)	536.4	945.3	408.9	76.2%
Other Foreign Assets	283.1	256.9	-26.2	-9.3%
<b>Domestic Assets</b>	<b>23986.3</b>	<b>26647.2</b>	<b>2660.9</b>	<b>11.1%</b>
Claims on Public Sector	4353.1	5203.4	850.3	19.5%
Claims on Private Sector (Resident)	12514.5	12674.4	159.9	1.3%
Claims on Financial Institutions	246.1	166.1	-80.0	-32.5%
Reserves	4013.4	6009.0	1995.6	49.7%
Deposits with CBJ in Foreign Currencies	573.0	409.3	-163.7	-28.6%
Unclassified Assets	2286.2	2185.0	-101.2	-4.4%
<b>Total of Assets</b>	<b>29796.6</b>	<b>31956.9</b>	<b>2160.3</b>	<b>7.3%</b>
<b>Liabilities</b>				
<b>Demand Deposits</b>	<b>3785.1</b>	<b>4436.7</b>	<b>651.6</b>	<b>17.2%</b>
Public Non-Financial Institutions	69.6	16.4	-53.2	-76.4%
Municipalities and Village Councils	16.4	35.3	18.9	115.2%
Non-Banking Financial Institutions	51.1	33.5	-17.6	-34.4%
Social Security Corporation	48.3	58.0	9.7	20.1%
Private Sector (Resident)	3599.7	4293.5	693.8	19.3%
<b>Time and Saving Deposits</b>	<b>11639.3</b>	<b>12816.5</b>	<b>1177.2</b>	<b>10.1%</b>
Public Non-Financial Institutions	595.4	445.7	-149.7	-25.1%
Municipalities and Village Councils	3.4	7.2	3.8	111.8%
Non-Banking Financial Institutions	85.3	115.7	30.4	35.6%
Social Security Corporation	262.8	284.7	21.9	8.3%
Private Sector (Resident)	10692.4	11963.2	1270.8	11.9%
<b>Foreign Liabilities</b>	<b>5522.2</b>	<b>5674.8</b>	<b>152.6</b>	<b>2.8%</b>
<b>Central Government Deposits</b>	<b>561.1</b>	<b>780.9</b>	<b>219.8</b>	<b>39.2%</b>
<b>Credit From CBJ</b>	<b>373.1</b>	<b>371.7</b>	<b>-1.4</b>	<b>-0.4%</b>
<b>Capital Accounts &amp; Allowances</b>	<b>3803.5</b>	<b>4374.8</b>	<b>571.3</b>	<b>15.0%</b>
<b>Unclassified Liabilities</b>	<b>4112.3</b>	<b>3501.5</b>	<b>-610.8</b>	<b>-14.9%</b>
<b>Total of Liabilities</b>	<b>29796.6</b>	<b>31956.9</b>	<b>2160.3</b>	<b>7.3%</b>

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

## 4- Assets and Liabilities in Foreign Currencies

The assets of licensed banks in foreign currencies declined by 15 percent from JD7858.7 million in 2008 to JD6677.1 million in 2009. This drop was basically a result of lower balances at banks by JD1369.9 million or 29 percent.

**Table (4)**  
**Foreign Currency Assets of Licensed Banks**

JD Million	2008	2009	Change	Change Percentage
Cash in Vaults	125.7	98.1	-27.6	-22.0%
Balances with CBJ	573	409.3	-163.7	-28.6%
Balances with Banks	4725.4	3355.5	-1369.9	-29.0%
Portfolio	468.9	942.2	473.3	100.9%
Credit Facilities	1602.5	1473.8	-128.7	-8.0%
Other	363.2	398.2	35	9.6%
<b>Foreign Currency Assets</b>	<b>7858.7</b>	<b>6677.1</b>	<b>-1181.6</b>	<b>-15.0%</b>

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

By contrast, the liabilities of licensed banks in foreign currencies fell by JD1,012.5 million or 13.2 percent to JD6663.9 million in 2009. This drop resulted from a 6.7 percent decline in customer deposits, and a 23.8 percent decline in deposits of banks.

**Table (5)**  
**Foreign Currency Liabilities of Licensed Banks**

JD Million	2008	2009	Change	Change Percentage
<b>Customers' Deposits</b>	<b>4754.1</b>	<b>4433.4</b>	<b>-320.7</b>	<b>-6.7%</b>
Central Government	6.4	19.4	13	203.1%
Public Entities	79.3	32.7	-46.6	-58.8%
Non-Banking Financial Institutions	42.8	30.3	-12.5	-29.2%
Private Sector	4625.6	4351	-274.6	-5.9%
<b>Cash Margins</b>	<b>483.4</b>	<b>355.1</b>	<b>-128.3</b>	<b>-26.5%</b>
<b>Deposits of Banks</b>	<b>2107.7</b>	<b>1605.2</b>	<b>-502.5</b>	<b>-23.8%</b>
<b>Other</b>	<b>331.2</b>	<b>270.2</b>	<b>-61</b>	<b>-18.4%</b>
<b>Foreign Currency Liabilities</b>	<b>7676.4</b>	<b>6663.9</b>	<b>-1012.5</b>	<b>-13.2%</b>

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

## 5- Capital, Reserves and Provisions

The account comprising capital, reserves and provisions for the banks operating in Jordan achieved a significant 15 percent growth reaching JD4,374.8 million at the end of 2009.

## 6- Credit Facilities Extended By Licenced Banks

The outstanding balance of credit facilities extended by licensed banks reached 13,317.2 million at the end of 2009; JD272.9 million (2.1 percent) higher than the level at the end of 2008.

The credit facilities extended by licensed banks in Jordan were mostly in the form of loans as they accounted for around 86 percent of the total credit facilities. Overdrafts for 12 percent leaving Discounted Bills & Bonds with about 2.2 percent share.

**Table (6)**

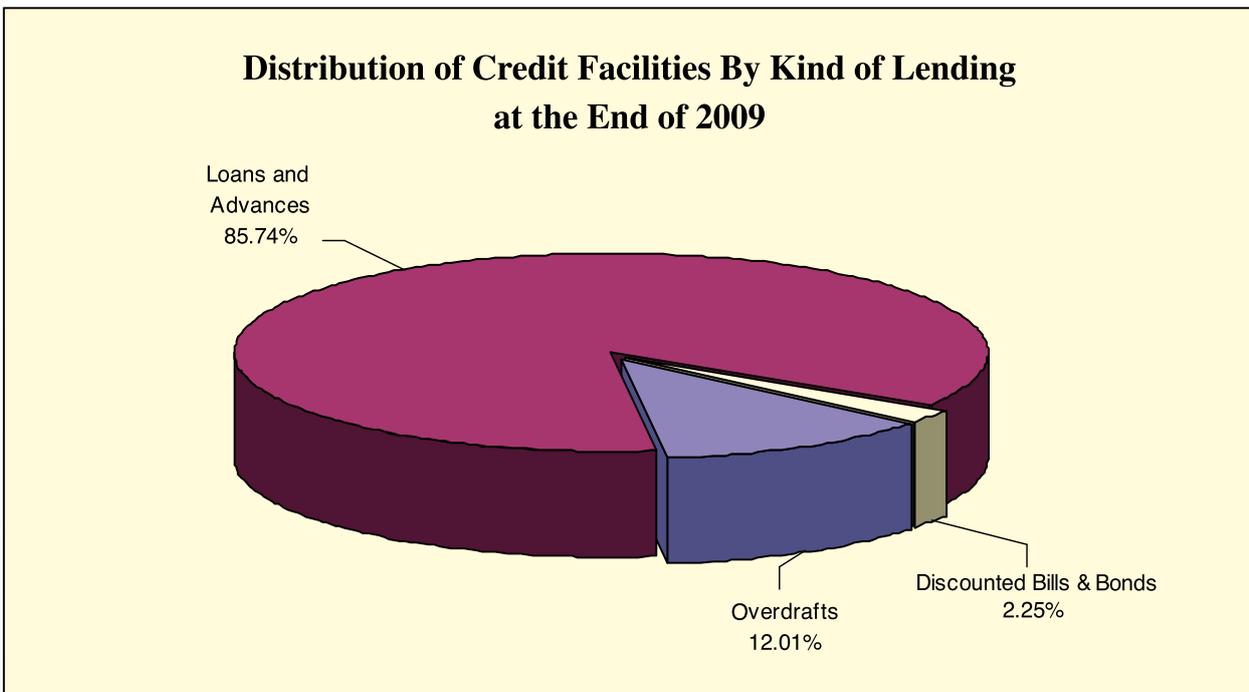
**Distribution of Credit Facilities According to its Major Types as the End of 2008, and 2009**

JD Million

Credit Facility Type	2008	2009	Change	Change Percentage
Overdrafts	1769.6	1599.6	-170	-9.6%
Loans and Advances	10859	11418	559	5.1%
Discounted Bills & Bonds	415.7	299.6	-116.1	-27.9%
<b>Total of Credit Facilities</b>	<b>13044.3</b>	<b>13317.2</b>	<b>272.9</b>	<b>2.1%</b>

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

**Chart (3)**



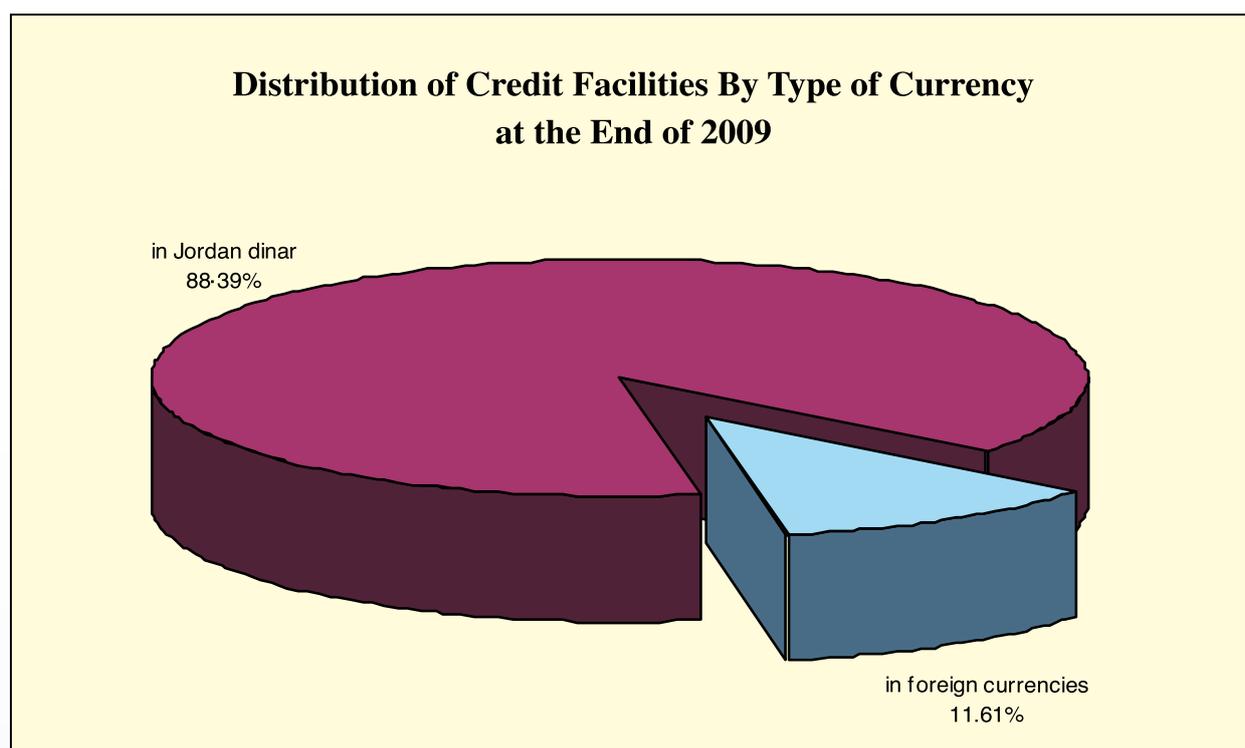
By type of currency, the credit facilities in Jordanian dinars accounted for 88.4 percent of the total credit facilities compared to 87.2 percent in the year 2008. Subsequently, the relative importance of credit facilities in foreign currencies regressed to 11.6 percent of the total credit facilities.

**Table (7)**  
**Distribution of Credit Facilities By Type of Currency at the End of 2008, and 2009**

Credit Facilities	2008		2009	
	JD Million	Relative Importance%	JD Million	Relative Importance%
Jordanian Dinars	11370.1	87.2%	11771.7	88.4%
Foreign Currencies	1674.2	12.8%	1545.5	11.6%
<b>Total</b>	<b>13044.3</b>	<b>100.0%</b>	<b>13317.2</b>	<b>100.0%</b>

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

**Chart (4)**



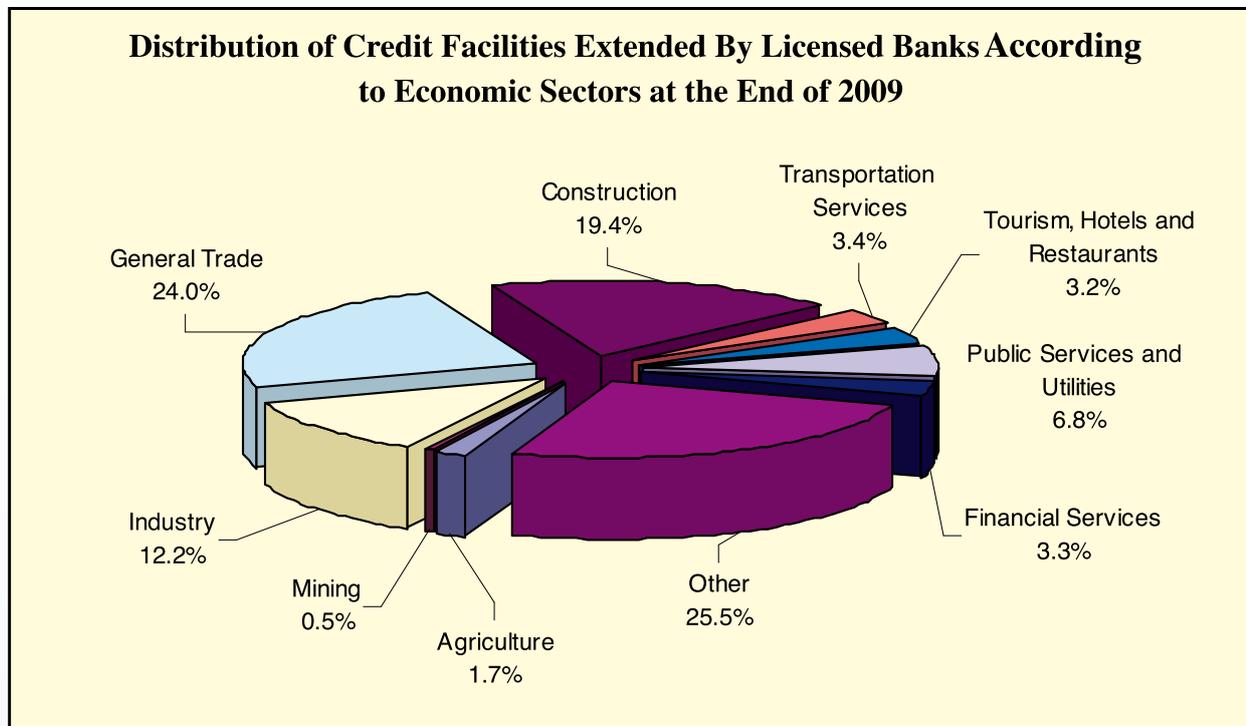
The distribution of credit facilities according to economic activity in 2009 showed that the trade, construction and industry sectors accounted for about 56 percent of the total credit facilities extended by the banks operating in Jordan. Credit facilities extended to the trading sector rose by JD297.9 million (10.3 percent) whereas the increase in credit facilities extended to the construction sector was JD289.4 million (12.6 percent). Both the transport services sector and the tourism/hotels/restaurants sectors were also higher by JD82.6 million (22.3 percent) and JD61.3 million (16.72 percent) respectively compared to the levels at the end of 2008. By contrast, credit facilities classified under item "other", as they are mostly loans to individuals, fell by JD560.6 million or 14.2 percent.

**Table (8)**  
**Distribution of Credit Facilities By Economic Sectors at the End of 2008, and 2009**

Sectors	2008		2009	
	JD Million	Percentage %	JD Million	Percentage %
Agriculture	210.0	1.6%	231.2	1.7%
Mining	48.3	0.4%	60.2	0.5%
Industry	1597.6	12.2%	1631.2	12.2%
General Trade	2897.5	22.2%	3195.4	24.0%
Construction	2293.1	17.6%	2582.5	19.4%
Transportation Services	370.5	2.8%	453.1	3.4%
Tourism, Hotels and Restaurants	366.6	2.8%	427.9	3.2%
Public Services and Utilities	870.3	6.7%	909.5	6.8%
Financial Services	437.7	3.4%	434.1	3.3%
Other	3952.7	30.3%	3392.1	25.5%
<b>Total</b>	<b>13044.3</b>	<b>100.0%</b>	<b>13317.2</b>	<b>100.0%</b>

- Source: Central Bank of Jordan / Monthly Statistical Bulletin.

**Chart (5)**



#### **A- Credit Cards**

The number of credit cards extended by the banks operating in Jordan reached more than 145,000 cards spread over four main credit cards: Visa, Master, Amex and National Express. The following table shows details of credit cards extended by banks operating in Jordan during 2009.

**Table (9)**  
**Credit Cards Extended By Banks During 2009**

Banks	Trade Mark	# of Extended Card	Cards Issuance Fees (JD)	Interest Rate (%) Profit Rate	Commission on Cash Withdrawal	Salary Transfer	Salary Minimum / Card Limit Max
Arab Bank	Visa	10,020	Classic: 25 JD Golden: 50 JD Platinum: 100 JD Arab bank card and Royal Classic: 35 JD Arab bank card and Royal Golden: 60 JD	Purchase 2% on Platinum credit card, 2.25% all types of cards, 2.49% on cash withdrawals.	3%, at minimum 4JD	unconditional	300 JD, 4 times salary
Jordan Ahli Bank	Master Visa	3,218	Exempted from the 1 <sup>st</sup> year Classic: 25 JD Golden: 50 JD	2%	4%	unconditional	Maximum 6 times salary
Cairo Amman Bank	Visa	4,716	15-50 JD	2%	4%, at minimum 3JD	conditional	5 times salary
Bank of Jordan	Visa	12,855	Free	1.99%	4%	unconditional	100JD upon government salary transfer, 250 JD without transfer.
The Housing Bank for Trade & Finance	Master Visa	13,452	15-60 JD	1.8%-2%	2-5 JD	conditional	150 JD
Jordan Kuwait Bank	Visa	139	150 infinite	No interest	4%	-	-
			100 Golden				
			50 silver				
	rotary	1,005	30 Golden	2%	4%	-	-
			15 silver				
	Amex	74	750 \$ Platinum	No interest	4% or 25\$ whichever is more	-	-
175 \$ Golden							
Master	44	95 \$ green	4%		-	-	
		30 Golden					
15 silver							
Visa electron	19,450	Free		0.500 fils other banks, 2JD from foreign banks	-	-	
Arab Jordan Investment Bank	Visa	3156	Free	1.5%	4%	unconditional	Double salary
Jordan Commercial Bank	Visa	1,800	At minimum 25 JD	1.5%	4%	Depends on targeted party	350JD
	Master National express	900	At minimum 25 JD				
		75	0				
Investbank	Visa	217	20-40 JD	2%	4%, at minimum 4JD	unconditional	250 JD



**Table (9) / Continued**

Banks	Trade Mark	# of Extended Card	Cards Issuance Fees (JD)	Interest Rate (%) Profit Rate	Commission on Cash Withdrawal	Salary Transfer	Salary Minimum / Card Limit Max
Arab Banking (Corporation) Jordan	Visa	1,610	Exempted for the 1 <sup>st</sup> year	2%	4%	-	200 JD
	Master	151					
Union Bank	Master	1,483	no fees on basic card, 12JD silver, 15 JD golden	15.5%	4%	unconditional	3 times salary
Societe General-Jordan	Master	3,016	Classic 35 JD Golden 50 JD	21%	4%	unconditional	3 times salary
	ATM	7,600	4 JD for ATM card	-			
Capital Bank	Visa electron	6,886	5 JD	-	0.5 JD on other ATMs	unconditional	-
	Visa revolving pri.	298	50 JD	Purchase 2%, cash withdrawals 2.25% monthly .			
	Visa revolving sup.		25 JD		4%		
	Visa charge pri.	50	100 JD	cash withdrawals 2.25% monthly.			
	Visa charge sup.		60 JD				
	Master revolving pri.	259	50 JD	Purchase 2%, cash withdrawals 2.25% monthly .	4%, at minimum 4JD		
	Master revolving sup.		25 JD				
	Master charge pri.	0	50 JD	cash withdrawals 2.25% monthly.			
	Master charge sup.		25 JD				
Web express	119	5 JD	-	-	unconditional	-	
Jordan Islamic Bank	visa	4,923	Local visa 10 JD	-	4%	unconditional	Depends on card limit
			Classic 15 JD				
			Golden 40 JD				
Master	20	Golden Master 40 JD					
International Islamic Arab Bank	visa	3127	Golden 50 JD	-	1.96%-2%	conditional	200 JD
			Classic 25 JD				
HSBC	-	38503	15/65/35	2.25%	4JD / 6JD	-	700 JD 400 JD
Egyptian Arab Land Bank	Master	3500	Silver 25 JD Golden 50 JD	2%	4%	conditional	Double salary
Rafidain Bank	None						
Citi Bank	None						
Standard Chartered	-	-	25-75 JD	1.99% - 2.22%	4% or 4 JD whichever is more	-	-
Bank Audi	visa Master	1916	25-80 JD	1.99%	4%	unconditional	3 times salary
National Bank of Kuwait	visa	590	-	2%	4%	conditional	750 JD
BLOM Bank	-	-	-	-	-	-	-

- Not Available.

## B- Personal Loans

Banks operating in Jordan extended more than 180,000 personal loans during 2009, whose amounts exceeded JD1.11 billion. The interest rates on personal loans ranged from 4.5 percent to 14.25 percent, and commissions ranged from zero to five percent. The credit period for personal loans ranged from one year to eight years and three months. Most banks required salary transfers as a requirement for extending personal loans whose.

**Table (10)**  
**Personal Loans Extended By Banks During 2009**

Banks	Number of Loans	Value of Loans (JD Million)
Arab Bank	9845	83
Jordan Ahli Bank	8740	51.4
Cairo Amman Bank	27728	110
Bank of Jordan	14415	67.5
The Housing Bank for Trade & Finance	103440	648.9
Jordan Kuwait Bank	1522	6.6
Arab Jordan Investment Bank	2187	11.3
Jordan Commercial Bank	1135	7.3
Investbank	709	5.4
Arab Banking (Corporation) Jordan	5039	38.8
Union Bank	193	1.5
Societe General - Jordan	1700	9
Capital Bank	395	5
Jordan Islamic Bank	-	-
International Islamic Arab Bank	-	-
HSBC	1701	31
Egyptian Arab Land Bank	2447	11.6
Rafidain Bank	93	0.279
Citi Bank	8	0.036
Standard Chartered	-	-
Bank Audi	1946	19.9
National Bank of Kuwait	-	-
BLOM Bank	-	-
<b>Total</b>	<b>183,243</b>	<b>1,108.515</b>

- Not Available.

**Table (11)**  
**Terms and Characteristics of Personal Loans Extended During 2009**

Banks	Salary Transfer	Income Multiples	Interest Rate (%)	Annual Commission (%)	Period of Repayment (Year)
Arab Bank	conditional	15-28	11.25	0.75%	6
Jordan Ahli Bank	conditional	Maximum limit 50 thousandth JD	11	1% for first year	8 years & 3 months
Cairo Amman Bank	conditional	45	10.75-13.5	1%	7-8
Bank of Jordan	conditional	Depends on debts burden, Maximum limit 50 thousandth JD	11	1%	7
The Housing Bank for Trade & Finance	conditional	Depends on debts burden, where income shouldn't be less 150JD monthly, and personal loans shouldn't be more 75 thousandth JD.	9.75-12.5	Maximum 1%	7
Jordan Kuwait Bank	conditional	20	9.5-12	0-1%	6
Arab Jordan Investment Bank	conditional	35 multiple as maximum	9-11	1%	1-7
Jordan Commercial Bank	conditional	30	9-10	1%	8
Investbank	conditional	20-30	10-12	1%	2-7
Arab Banking (Corporation) Jordan	conditional	-	11	1% for first year	9
Union Bank	conditional	Depends on debts burden	10-13.5	1% for first year	6
Societe General - Jordan	conditional	Installment 50% from net salary	12	1%	6
Capital Bank	employees / conditional	Employees 14-20, private business and careers 6-20	11-12 upon place of work	1% for first year	3-6 upon place of work
Jordan Islamic Bank	-	-	-	-	-
International Islamic Arab Bank	-	-	-	-	-
HSBC	conditional	-	10.75-14.25	2.5% - 5% once	6
Egyptian Arab Land Bank	transfer debtor's salary or cut transfer or transfer guarantor's salary	10-20	11.5-13.5	1%	6
Rafidain Bank	unconditional	12	8	0	4
Citi Bank	conditional	10	4.50	0	3
Standard Chartered	-	10-16	10.5-11.5	-	-
Bank Audi	conditional	25	11-12	1%	6
National Bank of Kuwait	conditional	-	11	1%	5
BLOM Bank	-	-	-	-	-

- Not Available.

## C- Car loans

Banks operating in Jordan extended during 2009 around 4,383 car loans whose amounts exceeded JD86 million. As such, the average financing per car ranged approximately between JD5,600 and JD24,400. The loans carried 4.5 percent – 13.5 percent interest rates and commissions between zero and one percent. Most banks did not require salary transfer for obtaining car loans whose repayments ranged between three years to eight years and three months.

**Table (12)**  
**Car loans Extended During 2009**

Banks	Number of Accepted Cars Loans During 2009			Total Value of Cars Loans Extended During 2009 (JD)	Finance Average Value Per One Car During 2009	Ratio of Delays in the Payment of Premiums
	New Cars	Used Cars	Total			
Arab Bank	146	84	230	3,911,762	17,008	0.10%
Jordan Ahli Bank	-	-	97	1,255,000	17,000	0.22%
Cairo Amman Bank	-	-	64	445,619	10,000	8%
Bank of Jordan	-	-	508	10,500,000	17,746	-
The Housing Bank for Trade & Finance	125	376	501	10,182,131	20,323	2.40%
Jordan Kuwait Bank	69	205	274	4,100,000	14,874	-
Arab Jordan Investment Bank	0	40	40	275,000	6,875	1%
Jordan Commercial Bank	12	27	39	531,097	20,427	-
Investbank	61	100	161	914,701	5,680	0.58%
Arab Banking (Corporation) Jordan	35	36	71	1,223,617	20,000	N/A
Union Bank	14	22	36	689,908	19,164	0.02
Societe General - Jordan	-	-	450	5,453,178	70% of car's value	-
Capital Bank	61	12	73	1,776,249	24,332	38%
Jordan Islamic Bank	-	-	-	-	-	-
International Islamic Arab Bank	316	206	522	25,182,556	7,000	*
HSBC	-	-	-	-	-	-
Egyptian Arab Land Bank	230	526	756	11,735,393	15,530	2%
Rafidain Bank	0	0	0	0	0	0
Citi Bank	0	2	2	17,000	8,500	0
Standard Chartered	-	-	-	-	-	-
Bank Audi	559	0	559	8,056,942	14,480	-
National Bank of Kuwait	-	-	-	-	-	-
BLOM Bank	-	-	-	-	-	-
<b>Total</b>			<b>4383</b>	<b>86,250,153</b>		

- Not Available.

\* The average day of delays in payments 60 days.

**Table (13)**  
**Terms and Characteristics of Car Loans Extended During 2009**

<b>Banks</b>	<b>Salary Transfer</b>	<b>Income Multiples</b>	<b>Interest Rate «New or Used» (%)</b>	<b>Annual Commission (%)</b>	<b>Payment Period «New or Used» (Year)</b>
Arab Bank	unconditional	unspecified	5.75-6.25	1%	5-6
Jordan Ahli Bank	unconditional	unspecified	9.5-11.25	0	8 years & 3 months
Cairo Amman Bank	conditional	Percentage of installments to salary	12.5-13.5	0	7-8
Bank of Jordan	unconditional	Doesn't depend on salary multiples	5.5-6.75	0	7
The Housing Bank for Trade & Finance	unconditional	debt burden doesn't exceed 50% of salary	6	0	5
Jordan Kuwait Bank	unconditional	unspecified	6.25	0	6
Arab Jordan Investment Bank	unconditional	unspecified	11% decreasing	0	7
Jordan Commercial Bank	unconditional	unspecified	5.50	0	6
Investbank	unconditional	unspecified	5.5-8	0	6
Arab Banking (Corporation) Jordan	unconditional	unspecified	5.75	0	7
Union Bank	unconditional	Upon debt burden	6.25-6.75	0	6
Societe General _ Jordan	unconditional	45% of net income	6.5% flat	0	5
Capital Bank	employees / conditional	Unspecified, Upon debt burden to net income	10.45-10.9	1% for first year	3-7
Jordan Islamic Bank	-	-	-	-	-
International Islamic Arab Bank	unconditional	no multiples, but not to exceed commitment ratio 45%	6	0	5
HSBC	-	-	-	-	-
Egyptian Arab Land Bank	unconditional	25 times	-	0	6
Rafidain Bank	-	-	-	-	-
Citi Bank	conditional	unspecified	4.50	0	6
Standard Chartered	-	-	-	-	-
Bank Audi	unconditional	unspecified	6	0	6
National Bank of Kuwait	conditional	unspecified	10	1%	5
BLOM Bank	-	-	-	-	-

- Not Available.

## D- Syndicated loans

Six banks participated in syndicated bank loans extended in 2009. These banks extended loans totaling JD25 million and \$32.5 million to various economic sectors especially tourism, industry and real estate. Jordan Ahli Bank came in the first place in term of its participation volume in syndicated banking loans extended during 2009.

**Table (14)**  
**Syndicated Loans in 2009**

Bank	# of Loans	Economic Sectors	Volume of Participation		Ratio to Total	
			Million JD	Million USD	JD%	USD %
Arab Bank	1	Tourism	1.5	5	50.0	50.0
Jordan Ahli Bank	1	Industry	0	22.5	0	100.0
Cairo Amman Bank	2	Industry+ Tourism	5.5	2	28.95	6.15
Jordan Kuwait Bank	1	Industry	8	0	50.0	0
Union Bank	3	Real State+ Tourism	6	3	5.31	30.0
Egyptian Arab Land Bank	1	Real State	4	0	3.64	0

- Banks that have been listed in the table are only the ones participate in the Syndicated banking loans during 2009.

## 7- Deposits at Licensed Banks

The balance of total deposits at the licensed bank reached JD20,298.4 million at the end of 2009, JD2,195.8 million (12.13 percent) higher than the balance e at the end of 2008.

This growth in the balance of total deposits during 2009 over the levels that were posted at the end of 2008 was due to an increase in the resident private sector deposits by JD1,964.7 million (13.75 percent); a JD71.0 million (4.6 percent) rise in the deposits of the public sector (central government and public institutions); a JD147.3 million (6.96 percent increase in the non-resident private sector deposits and a JD12.8 million (9.4 percent) rise in the deposits of non-banking financial institutions.

As to the structural development of the main types of deposits (demand, savings and time), the time deposits topped the list with a 61.2 percent importance compared to 63.2 percent in 2008. The regression in the importance of time deposits resulted from an increase in demand deposits by 17.6 percent, thereby

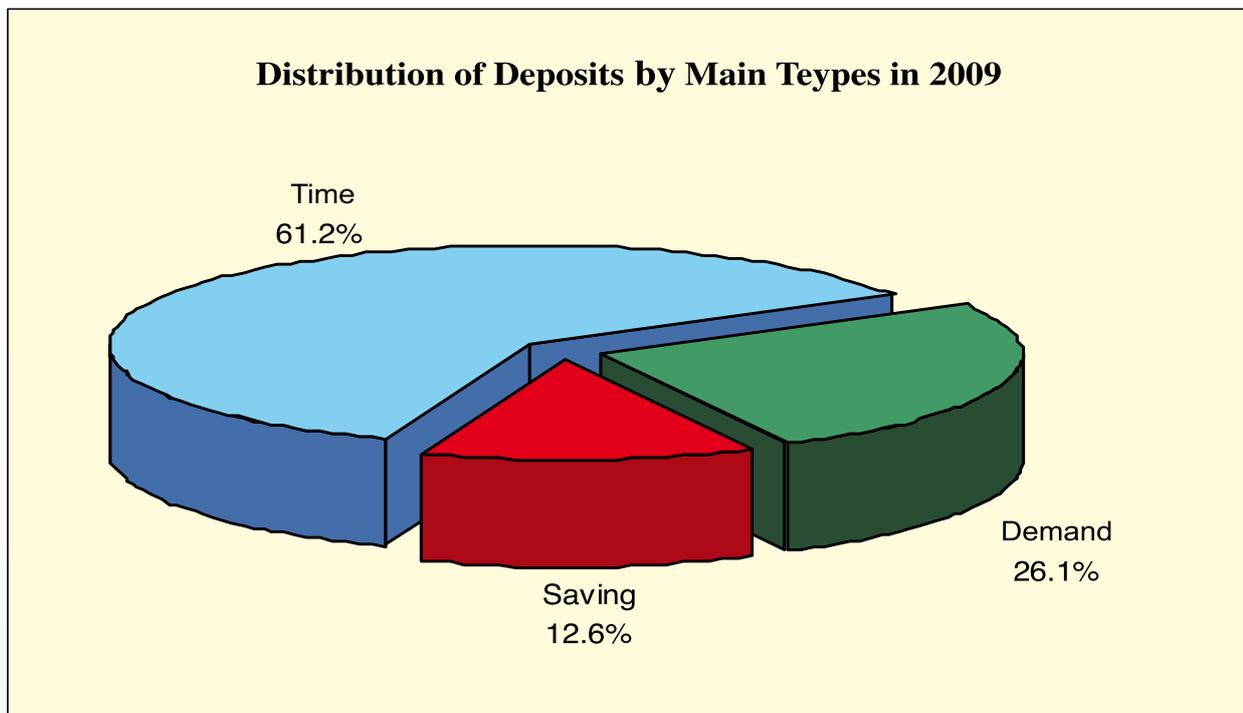
raising its importance from 24.9 percent in 2008 to 26.1 percent at the end of 2009. Also the change resulted from a rise in savings deposits by 19.7 percent, thereby bringing up its importance from 11.8 percent to 12.6 percent at the end of 2009.

**Table (15)**  
**Distribution of Deposits According to its Major Types as the End of 2008, and 2009**

Deposit Type	2008		2009		Percentage Change %
	JD million	Relative Importance %	JD million	Relative Importance %	
Demand	4512.0	24.9%	5307.4	26.1%	17.6%
Saving	2143.6	11.8%	2566.4	12.6%	19.7%
Time	11447.0	63.2%	12424.6	61.2%	8.5%
<b>Total Deposit</b>	<b>18102.6</b>	<b>100%</b>	<b>20298.4</b>	<b>100%</b>	<b>12.1%</b>

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

**Chart (6)**



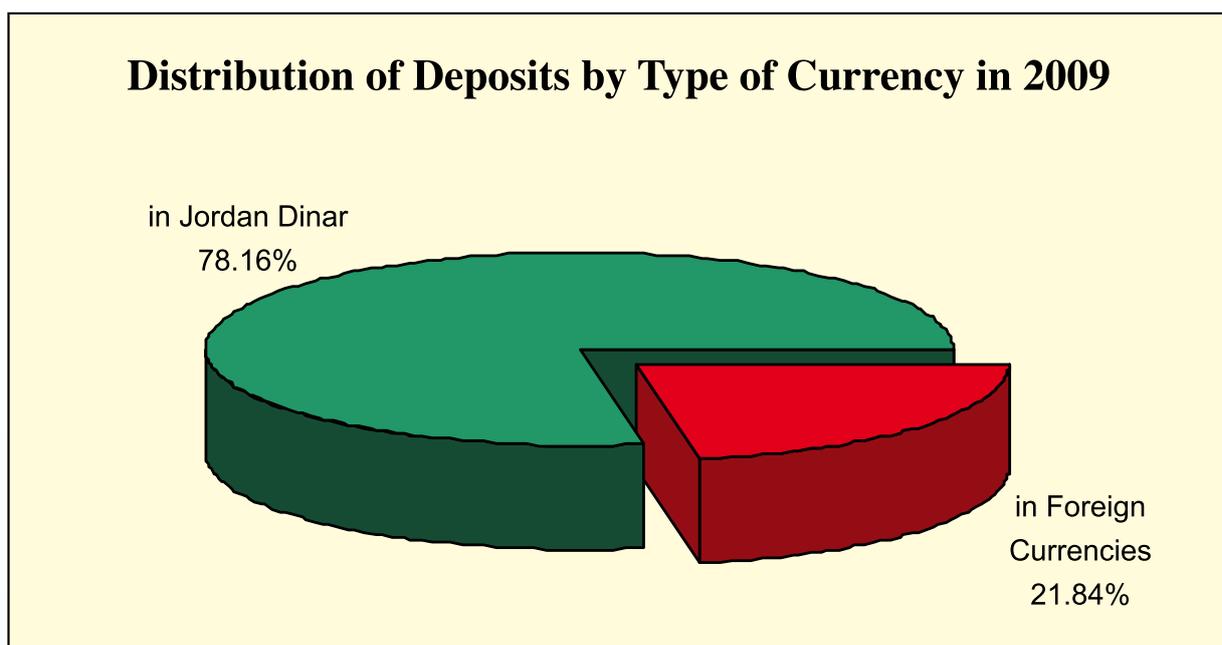
By examining the development of deposits during 2009 by the type of currency, it can be noticed that deposits in dinars increased by JD2,516.5 million or 18.9 percent above the level at the end of 2008 whereas deposits in foreign currencies dropped by JD320.7 million or 6.7 percent from the 2008 level.

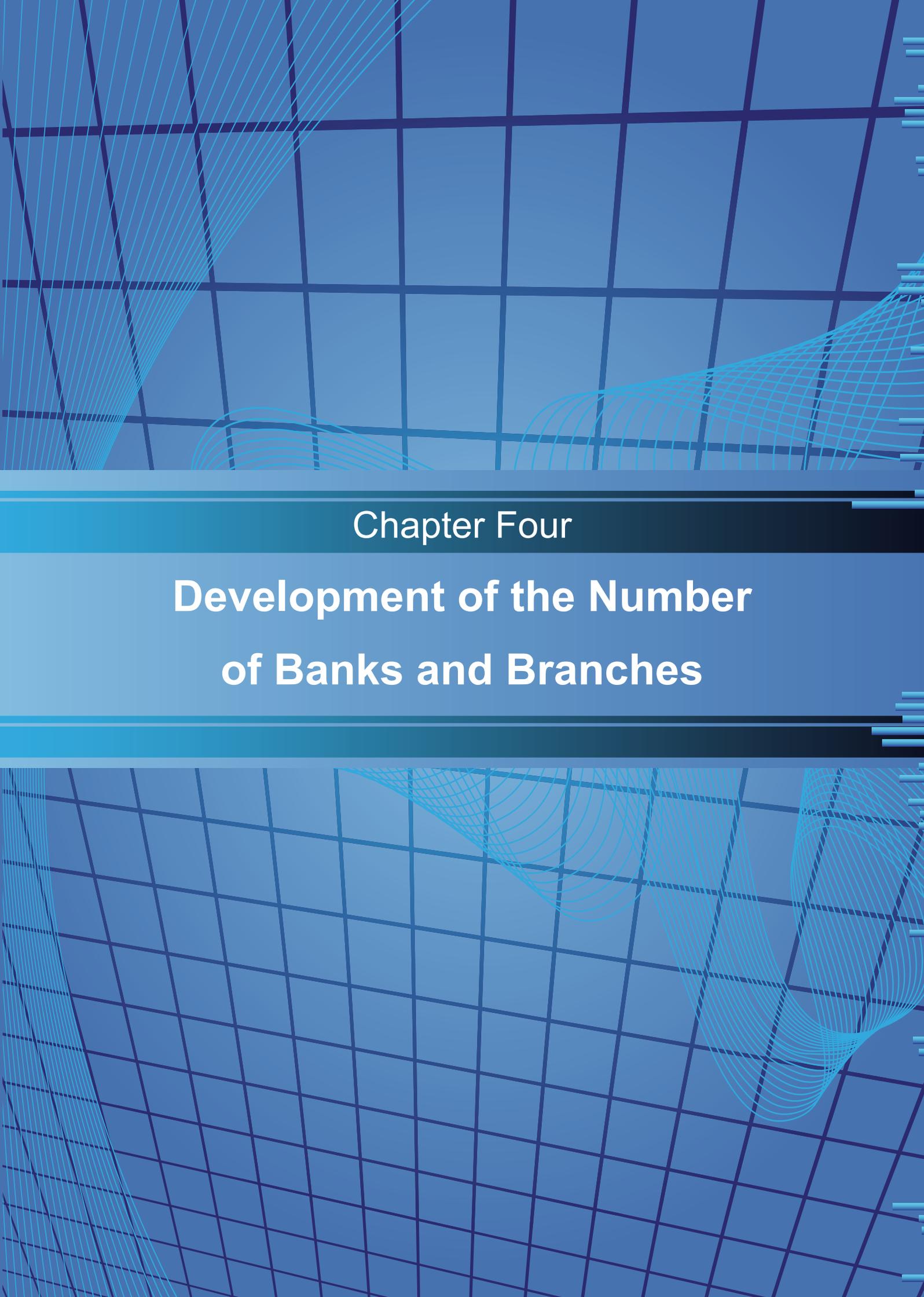
**Table (16)**  
**Distribution of Deposits According to Type of Currency at the End of 2008, and 2009**

Deposits	2008		2009		Percentage Change %
	JD Million	Relative Importance %	JD Million	Relative Importance %	
Jordanian Dinars	13348.5	73.7	15865.0	78.2	18.9
Foreign Currencies	4754.1	26.3	4433.4	21.8	-6.7
<b>Total Deposits</b>	<b>18102.6</b>	<b>100</b>	<b>20298.4</b>	<b>100</b>	<b>12.1</b>

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

**Chart (7)**



The background of the entire page is a dark blue grid. Overlaid on this grid are several lighter blue, wavy, mesh-like patterns that create a sense of depth and movement. These patterns are most prominent in the top-left and bottom-right corners, and also appear as smaller, more subtle elements in the center.

## Chapter Four

# Development of the Number of Banks and Branches



The number of banks operating in Jordan at the end of 2009 was 23 banks 15 of which were Jordanian banks (two Islamic) and nine foreign banks. The services of these banks cover most regions of the Kingdom through 619 branches and 66 offices. The index of banking density (population number divided by the overall number of branches of banks operating in the Kingdom) stood at around 9661 persons per branch at the end of 2009.

**Table (17)**  
**Development of Number of Banks and Branches in Jordan (2002 – 2009)**

Year	Number of Jordanian Banks	Number of Foreign Banks	Total	Number of Branches
2002	16	5	21	471
2003	16	5	21	449
2004	16	8	24	447
2005	15	8	23	506
2006	15	8	23	516
2007	15	8	23	559
2008	15	8	23	593
2009	15	8	23	619

## 1- Development of Number of Branches

### A- Branches that Opened During 2009

Keen to maintain close relations with customers and to facilitate providing them with best banking services, banks continuously expand their network of branches to cover various areas of the Kingdom. During 2009, 16 banks opened new branches inside Jordan bringing up the number of new branches inside Jordan to 30 new branches at the end of 2009. Three banks opened six branches outside Jordan during 2009.

**Table (18)**  
**Opening of Branches During 2009**

Banks	In Jordan			Abroad		
	#	Branch's Name	City	#	Branch's Name	City
Arab Bank	1	Al-Zaytoonah Branch	Amman	2	Zamalek	Cairo / Egypt
					Ma'adi Al-Jadidah	Cairo / Egypt
Jordan Ahli Bank	2	Ibn-Khaldoon	Amman	0		
		Wadi Saqra	Amman			
Cairo Amman Bank	1	Bani Kenanah	Irbid	0		
Bank of Jordan	1	Al-Yasmine Suburb	Amman	2	Beit lahm	Beit lahm / Palestine
					Tulkarm	Tulkarm / Palestine
The Housing Bank for Trade & Finance	1	Medical City	Amman	2	Tormosayya	Ramallah / Palestine
					Yatta	Khalil / Palestine
Jordan Kuwait Bank	1	Sport City	Amman	0		
Arab Jordan Investment Bank	1	Al-Yasmine Suburb	Amman	0		
Arab Banking (Corporation) Jordan	4	Al-Karak	Al-Karak	0		
		Queen Rania Street	Amman			
		Abu-Nsair	Amman			
		Al-Hashemi North	Amman			
Union Bank	2	Marj Al-Hamam	Amman	0		
		Madaba	Madaba			
Societe General - Jordan	1	Airport	Amman	0		
Capital Bank	4	Dabouq	Amman	0		
		Bayader	Amman			
		Majdi Mall	Amman			
		Free Zone	Zarqa			
Jordan Islamic Bank	1	Khalda	Amman	0		
International Islamic Arab Bank	5	Abu-Alanda	Amman	0		
		Al-Salt	Balqa			
		Al-Nuzha	Amman			
		Al-Hashemi North	Amman			
		Al-Karak	Al-karak			
HSBC	1	City Branch	Amman	0		
Bank Audi	2	Abdoun	Amman	0		
		Al-Madina Al-Monawara	Amman			
National Bank of Kuwait	2	Abdoun	Amman	0		
		Citi Mall	Amman			
<b>Total</b>	<b>30</b>			<b>6</b>		

\* Banks listed in the table are only those which opened new branches, whether inside or outside Jordan, during 2009.

## B- Number of Branches Inside and Outside Jordan

The number of branches of licensed banks operating in Jordan at the end of 2009 was 619 branches inside Jordan and 144 branches outside Jordan.

**Table (19)**  
**Number of Branches Inside and Outside Jordan at the End of 2009**

Banks	Number of Branches	
	In Jordan	Abroad
Arab Bank	79	87
Jordan Ahli Bank	44	6
Cairo Amman Bank	59	18
Bank of Jordan	62	10
The Housing Bank for Trade & Finance	100	13
Jordan Kuwait Bank	40	3
Arab Jordan Investment Bank	10	2
Jordan Commercial Bank	26	4
Investbank	8	0
Arab Banking (Corporation) Jordan	19	0
Union Bank	18	1
Societe General - Jordan	16	0
Capital Bank	12	0
Jordan Islamic Bank	57	0
International Islamic Arab Bank	23	0
HSBC	4	0
Egyptian Arab Land Bank	9	0
Rafidain Bank	2	0
Citi Bank	2	0
Standard Chartered	8	0
Bank Audi	10	0
National Bank of Kuwait	5	0
BLOM Bank	6	0
<b>Total</b>	<b>619</b>	<b>144</b>

### C- Geographical Distribution of Branches Inside Jordan

The 619 branches spread over various governorates in the Kingdom are concentrated in Amman which accounts for 62.5 percent of the total number of branches. Irbid comes in second place as it is home for 10.8 percent of the total branches followed by Zarqa with 8.9 percent of total branches. The remaining 17.8 percent of total branches are spread over the remaining governorates.

**Table (20)**  
**Distribution of Branches Among Governorates at the End of 2009**

Banks	Amman	Irbid	Zarqa	Balqa	Aqaba	Karak	Madaba	Maan	Jerash	Ajloun	Tafileh	Mafraq
Arab Bank	51	5	8	5	2	1	1	2	1	1	1	1
Jordan Ahli Bank	30	3	3	1	1	1	1	1	1	0	1	1
Cairo Amman Bank	32	9	5	5	1	2	1	1	1	0	0	2
Bank of Jordan	36	10	6	2	1	1	1	1	1	2	0	1
The Housing Bank for Trade & Finance	53	14	11	7	1	8	1	1	1	1	1	1
Jordan Kuwait Bank	31	3	3	1	1	0	1	0	0	0	0	0
Arab Jordan Investment Bank	7	1	1	0	1	0	0	0	0	0	0	0
Jordan Commercial Bank	17	3	1	2	1	1	1	0	0	0	0	0
Investbank	5	1	1	0	1	0	0	0	0	0	0	0
Arab Banking (Corporation) Jordan	15	1	1	0	1	1	0	0	0	0	0	0
Union Bank	12	3	1	0	1	0	1	0	0	0	0	0
Societe General-Jordan	11	1	1	0	1	1	1	0	0	0	0	0
Capital Bank	8	1	2	0	1	0	0	0	0	0	0	0
Jordan Islamic Bank	28	7	7	3	1	3	1	2	1	2	1	1
International Islamic Arab Bank	15	1	3	1	1	1	1	0	0	0	0	0
HSBC	4	0	0	0	0	0	0	0	0	0	0	0
Egyptian Arab Land Bank	5	1	1	0	1	0	0	0	0	0	0	1
Rafidain Bank	2	0	0	0	0	0	0	0	0	0	0	0
Citi Bank	2	0	0	0	0	0	0	0	0	0	0	0
Standard Chartered	6	1	0	0	1	0	0	0	0	0	0	0
Bank Audi	8	1	0	0	1	0	0	0	0	0	0	0
National Bank of Kuwait	4	0	0	0	1	0	0	0	0	0	0	0
BLOM Bank	5	1	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>387</b>	<b>67</b>	<b>55</b>	<b>27</b>	<b>20</b>	<b>20</b>	<b>11</b>	<b>8</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>8</b>

## 2- Development of Number of Offices

### A- Offices that Opened During 2009

To deliver their services to the largest number of clients, banks opened offices at hospitals, universities and commercial markets through which they provide several services. During 2009, only one office was opened inside Jordan and only one was opened abroad.

**Table (21)**  
**Opening of Offices During 2009**

Banks	In Jordan			Abroad		
	#	Office Name	City	#	Office Name	City
Cairo Amman Bank				1	Office of al-Nagah University	Nablus
Egyptian Arab Land Bank	1	Office of Princess Haya Military Hospital - Aqaba	Aqaba			
<b>Total</b>	<b>1</b>			<b>1</b>		

\* Banks listed in the table are only those which opened new offices, whether inside or outside Jordan during 2009.



### B- Number of Offices Inside and Outside Jordan

At the end of 2009, licensed banks operated 66 offices in various areas inside Jordan and 23 offices outside Jordan.

**Table (22)**  
**Number of Offices Inside and Outside Jordan at the End of 2009**

Banks	Offices	
	In Jordan	Abroad
Arab Bank	1	17
Jordan Ahli Bank	4	0
Cairo Amman Bank	4	0
Bank of Jordan	13	2
The Housing Bank for Trade & Finance	2	3
Jordan Kuwait Bank	8	0
Arab Jordan Investment Bank	10	1
Jordan Commercial Bank	1	0
Investbank	0	0
Arab Banking (Corporation) Jordan	0	0
Union Bank	1	0
Societe General _ Jordan	0	0
Capital Bank	1	0
Jordan Islamic Bank	12	0
International Islamic Arab Bank	0	0
HSBC	1	0
Egyptian Arab Land Bank	4	0
Rafidain Bank	0	0
Citi Bank	0	0
Standard Chartered	2	0
Bank Audi	2	0
National Bank of Kuwait	0	0
BLOM Bank	0	0
<b>Total</b>	<b>66</b>	<b>23</b>

### C- Geographical Distribution of Offices Inside Jordan

The 66 offices spread over most governorates of the Kingdom are concentrated in Amman and Irbid accounting for 47 percent and 18.2 percent of the total number of offices respectively. Aqaba came in third place with 12.1 percent. The remaining offices distributed over the remaining governorates except Madaba, Jerash, Ajloun and Tafileh where there were no offices in 2009.

**Table (23)**  
**Distribution of Offices Among Governorates at the End of 2009**

<b>Banks</b>	<b>Amman</b>	<b>Irbid</b>	<b>Zarqa</b>	<b>Balqa</b>	<b>Aqaba</b>	<b>Karak</b>	<b>Madaba</b>	<b>Maan</b>	<b>Jerash</b>	<b>Ajloun</b>	<b>Tafleh</b>	<b>Mafraq</b>
Arab Bank	1	0	0	0	0	0	0	0	0	0	0	0
Jordan Ahli Bank	1	2	0	1	0	0	0	0	0	0	0	0
Cairo Amman Bank	1	1	0	0	2	0	0	0	0	0	0	0
Bank of Jordan	2	5	1	2	2	0	0	0	0	0	0	1
The Housing Bank for Trade & Finance	0	1	0	0	0	0	0	1	0	0	0	0
Jordan Kuwait Bank	5	0	0	1	0	1	0	0	0	0	0	1
Arab Jordan Investment Bank	6	2	1	0	1	0	0	0	0	0	0	0
Jordan Commercial Bank	0	0	0	0	1	0	0	0	0	0	0	0
Investbank	0	0	0	0	0	0	0	0	0	0	0	0
Arab Banking (Corporation) Jordan	0	0	0	0	0	0	0	0	0	0	0	0
Union Bank	0	0	0	0	1	0	0	0	0	0	0	0
Societe General - Jordan	0	0	0	0	0	0	0	0	0	0	0	0
Capital Bank	0	0	0	1	0	0	0	0	0	0	0	0
Jordan Islamic Bank	7	1	3	0	0	1	0	0	0	0	0	0
International Islamic Arab Bank	0	0	0	0	0	0	0	0	0	0	0	0
HSBC	1	0	0	0	0	0	0	0	0	0	0	0
Egyptian Arab Land Bank	3	0	0	0	1	0	0	0	0	0	0	0
Rafidain Bank	0	0	0	0	0	0	0	0	0	0	0	0
Citi Bank	0	0	0	0	0	0	0	0	0	0	0	0
Standard Chartered	2	0	0	0	0	0	0	0	0	0	0	0
Bank Audi	2	0	0	0	0	0	0	0	0	0	0	0
National Bank of Kuwait	0	0	0	0	0	0	0	0	0	0	0	0
BLOM Bank	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>31</b>	<b>12</b>	<b>5</b>	<b>5</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>

### 3- Development of ATMs

#### A- Number of ATMs and their Distribution on Governorates

To keep up with the development of the financial sector and to absorb the increasing number of ATM users, banks are moving to raise the number of their ATMs. At the end of 2009, the number of ATMs reached 1023 machines compared to 944 machines at the end of 2008.

Although ATMs can be found in all the governorates of the Kingdom, the largest number is in Amman which accounts for 65.8 percent of the total number of machines. Irbid and Zarqa come in second and third place with 9.4 percent and 7.8 percent of the total number of ATMs respectively. The remaining machines are spread in the rest of the governorates.

**Table (24)**  
**Distribution of ATMs Among Governorates at the End of 2009**

<b>Banks</b>	<b>Amman</b>	<b>Irbid</b>	<b>Zarqa</b>	<b>Balqa</b>	<b>Aqaba</b>	<b>Karak</b>	<b>Madaba</b>	<b>Maan</b>	<b>Jerash</b>	<b>Ajloun</b>	<b>Tafileh</b>	<b>Mafraq</b>	<b>Total</b>	<b>of which in the builds of banks branches</b>
Arab Bank	98	7	12	5	3	1	2	2	1	1	1	1	134	87
Jordan Ahli Bank	45	3	2	3	2	1	1	1	1	0	1	1	61	-
Cairo Amman Bank	94	28	10	8	5	7	2	4	3	1	0	4	166	69
Bank of Jordan	55	13	9	4	2	1	1	1	1	2	0	3	92	69
The Housing Bank for Trade & Finance	92	17	19	6	4	8	8	5	1	2	3	2	167	102
Jordan Kuwait Bank	53	3	4	2	2	1	1	0	0	0	0	1	67	52
Arab Jordan Investment Bank	13	1	1	0	3	0	0	0	0	0	0	0	18	-
Jordan Commercial Bank	21	3	1	2	2	1	1	0	0	0	0	0	31	25
Investbank	6	0	3	0	2	0	0	0	0	0	0	0	11	6
Arab Banking (Corporation) Jordan	35	1	1	0	3	1	0	0	0	0	0	0	41	20
Union Bank	16	2	1	0	2	0	2	0	0	0	0	0	23	20
Societe General - Jordan	11	1	1	0	1	1	1	0	0	0	0	0	16	16
Capital Bank	21	3	3	0	3	0	0	0	0	0	0	0	30	12
Jordan Islamic Bank	42	9	8	3	3	4	1	2	2	2	1	1	78	59
International Islamic Arab Bank	11	0	4	1	0	0	0	0	0	0	0	0	16	-
HSBC	20	0	0	0	0	0	0	0	0	0	0	0	20	9
Egyptian Arab Land Bank	8	1	1	0	2	0	0	0	0	0	0	1	13	13
Rafidain Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Citi Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Standard Chartered	7	1	0	0	1	0	0	0	0	0	0	0	9	-
Bank Audi	14	2	0	0	1	0	0	0	0	0	0	0	17	-
National Bank of Kuwait	6	0	0	0	1	0	0	0	0	0	0	0	7	6
BLOM Bank	5	1	0	0	0	0	0	0	0	0	0	0	6	-
<b>Total</b>	<b>673</b>	<b>96</b>	<b>80</b>	<b>34</b>	<b>42</b>	<b>26</b>	<b>20</b>	<b>15</b>	<b>9</b>	<b>8</b>	<b>6</b>	<b>14</b>	<b>1023</b>	

- Not Available.

### **B- Types of Machines Used**

Banks operating in Jordan use several types of ATMs, but the most used in Jordan are NCR machines. Diebold, Wincor and other types are also used.

### **C- Operation Systems Used**

ATMs of banks operating in Jordan use various operation systems, but most ATMs in the Kingdom use Windows and Aptra operating systems.

### **D- Services Provided Through ATMs**

ATMs of banks operating in Jordan provide round-the-clock a wide range of banking services. All these machines enable customers to withdraw cash in Jordanian dinars and to check on the balance. Other important services that are available in most machines include a brief account statement, changing the PIN, transferring money to accounts in the same bank, requesting cheque-book and other services shown in the table below.

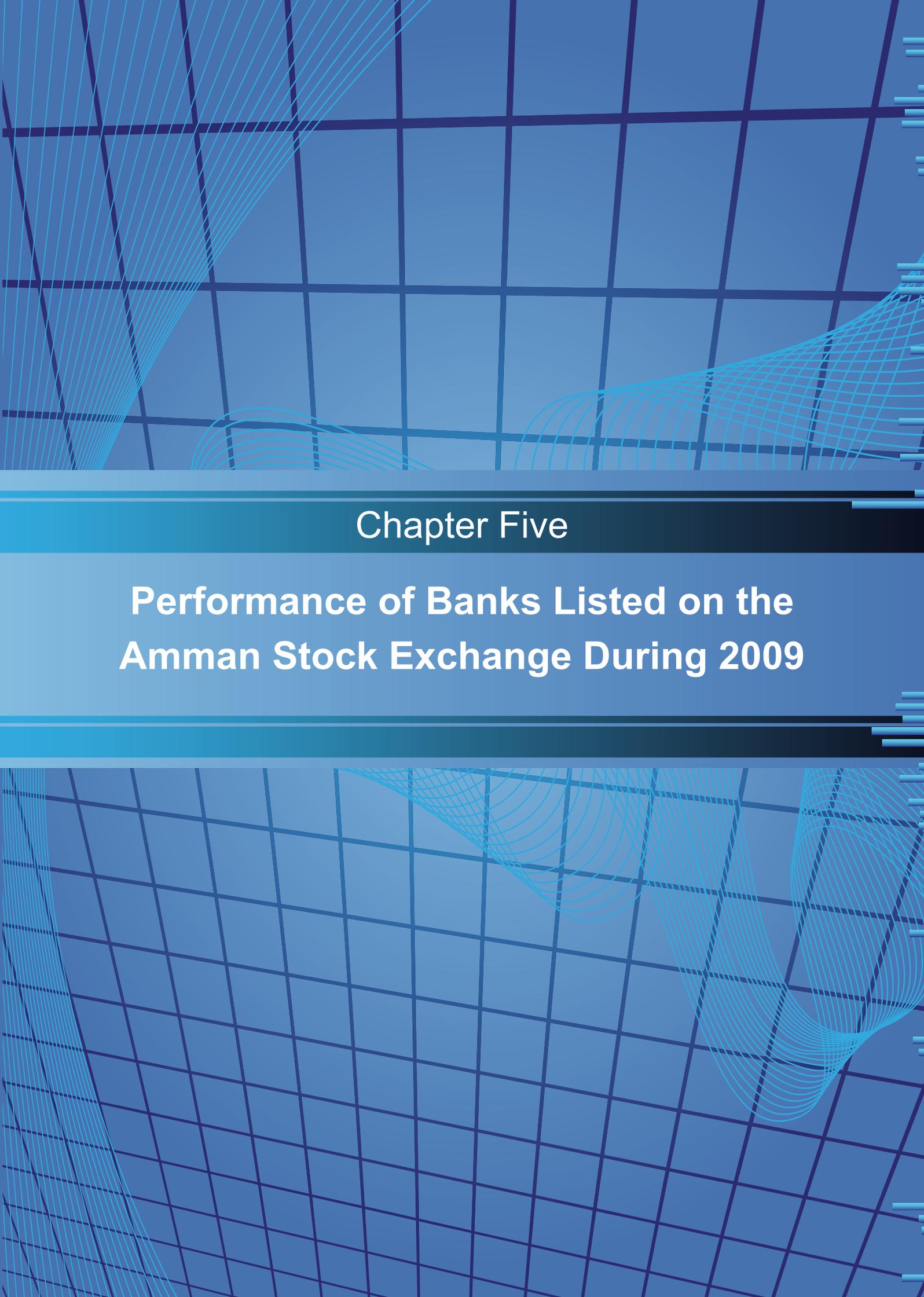
**Table (25)**  
**Services Provided by Banks' ATMs Until the End of 2009**

Banks	Cash Withdrawal in Jordanian Dinar	Cash withdrawal in Foreign Currencies	Direct Cash Deposit	Cash deposit Through Envelope	Cheques Deposit	Balance Inquiry	Brief Statement	Utility Bills Paying	Cash Transfer Within the Same Bank	Cash Transfer to Other Banks	Paying Credit Cards	Cheque Book Request	Apply for Loan	Statement Inquiry	Change (PIN)	Eye print	*Anti Skimming
Arab Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jordan Ahli Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cairo Amman Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bank of Jordan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
The Housing Bank for Trade & Finance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jordan Kuwait Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Arab Jordan Investment Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jordan Commercial Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Investbank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Arab Banking (Corporation) Jordan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Union Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Societe General - Jordan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Capital Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jordan Islamic Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
International Islamic Arab Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
HSBC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Egyptian Arab Land Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rafidain Bank**																	
Citi Bank**																	
Standard Chartered	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bank Audi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
National Bank of Kuwait	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
BLOM Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

\* An additional part placed on the card monitor to protect the date of the customer when using the ATM.

\*\* Does not have ATMs.

- Not necessarily that the ATMs in one bank provide the same services.

The background of the entire page is a dark blue grid. Overlaid on this grid are several light blue, wavy, mesh-like patterns that create a sense of depth and movement. These patterns are most prominent in the top-left and bottom-right corners, and also appear as horizontal bands across the middle of the page.

## Chapter Five

# Performance of Banks Listed on the Amman Stock Exchange During 2009



At the end of 2009, a total of 14 banks were listed at the Amman stock exchange. The average stock prices for those banks ranged from JD1.23 to JD13.3 during 2009. The following table shows the most important trading indicators of the banks listed on the bourse during 2009.

**Table (26)**  
**Some Trading Indicators of Banks Listed at the Amman Stock Exchange During 2009**

Banks	Symbol	Closing Price at End 2008	High Price During 2009	Low Price During 2009	Closing Price at End 2009	Price Ratio	Value Traded Million JD	Shares Traded (Million)
Arab Bank	ARBK	15.16	15.8	11.05	12.15	13.13	424.09	32.30
Jordan Ahli Bank	JONB	1.65	1.67	1.35	1.52	1.55	15.03	9.70
Cairo Amman Bank	CABK	2.52	2.75	1.59	2.47	2.07	11.65	5.64
Bank of Jordan	BOJX	2.2	2.35	1.98	2.15	2.13	12.54	5.87
The Housing Bank for Trade & Finance	THBK	8.33	8.4	6.6	7.15	7.34	23.46	3.20
Jordan Kuwait Bank	JOKB	4.69	4.83	3.61	3.8	4.13	4.96	1.20
Arab Jordan Investment Bank	AJIB	1.8	1.89	1.22	1.29	1.49	16.51	11.07
Jordan Commercial Bank	JOGB	2.27	2.25	1.44	1.62	2	33.05	16.56
Jordan Islamic Bank	JOIB	3.7	4.3	3.12	3.17	3.73	41.17	11.03
Investbank	JIFB	1.9	2.03	1.35	1.5	1.59	2.21	1.39
Arab Banking (Corporation) Jordan	ABCO	1.46	1.51	1.08	1.09	1.23	1.58	1.28
Union Bank	UBSI	3	3	1.76	1.8	2.27	37.58	16.55
Societe General - Jordan	MEIB	2.5	2.54	1.3	1.32	1.73	0.33	0.19
Capital Bank	EXFB	1.8	2.29	1.3	1.56	1.72	202.34	117.59

- Source: Amman stock exchange – monthly bulletin.

## 1- Shares Price Index

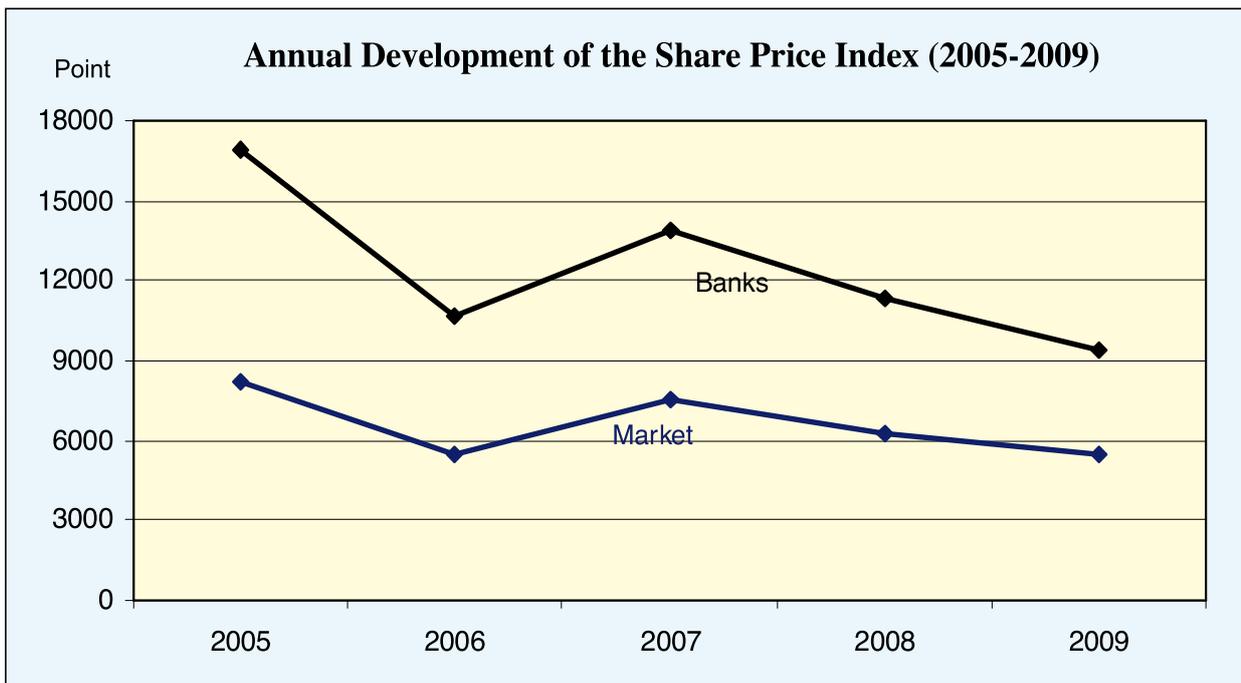
The shares price index of banks listed at Amman stock exchange declined by 2012.1 points (17.7 percent) reaching 9368 points at the end of 2009. The drop compared with a fall by 2506.6 points (18.1 percent) at the end of 2008. This regression was within the general downward trend of the market whose index went down by 11.6 percent during 2009 affected by the repercussions of the global financial and economic crisis on the Jordanian economy and its different sectors.

**Table (27)**  
**Development of the Share Price Index of Banks Listed on the Amman Stock Exchange**  
**(2005 – 2009)**

Year	The Weighted Shares Prices Index (Points)	
	Banks	General
2005	16892.0	8191.5
2006	10704.7	5518.1
2007	13886.7	7519.3
2008	11380.1	6243.1
2009	9368.0	5520.1

- Source: Amman stock exchange – monthly bulletin.

**Chart (8)**

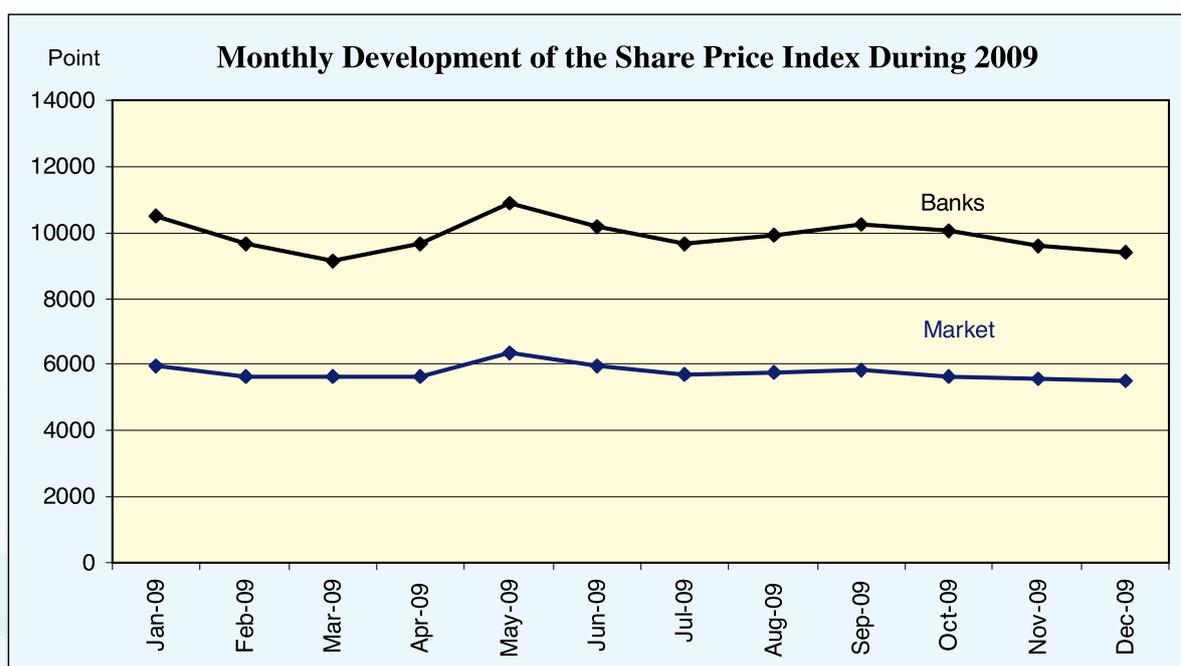


**Table (28)**  
**Monthly Development of the Share Price Index of Banks Listed on the Amman Stock Exchange**  
**During 2009**

Month	The Weighted Shares Prices Index (Points)	
	Banks	General
January	10517.1	5971.0
February	9654.7	5619.7
March	9129.5	5625.2
April	9684.5	5650.0
May	10920.4	6382.4
June	10202.0	5935.0
July	9646.2	5723.8
August	9905.5	5749.6
September	10220.1	5850.1
October	10051.5	5649.7
November	9621.7	5582.7
December	9368.0	5520.1

- Source: Amman stock exchange – monthly bulletin.

**Chart (9)**



## 2- Trading Volume

Trading volume at the Amman Bourse during 2009 was noticeably lower in general reflecting anxiety among investors towards the general economic situation in the Kingdom as a result of the global financial and economic crisis and its repercussions in general. Also, the large drop in the indices of international markets caused obvious jitters among the investors in Amman Bourse. This environment of uncertainty led investors to curtail their trading activities in the various shares of companies in the market. All these factors resulted in the trading volume falling in the whole market from JD20.3 billion during 2008 to JD9.1 billion during 2009. Trading volume in banks' shares in the Amman Bourse also dropped from JD2.98 billion in 2008 to JD0.83 billion during 2009.

**Table (29)**

**Trading Volume of Banks' Shares Listed at the Amman Stock Exchange (2005 – 2009)**

Year	Value Traded (JD Million)		
	Banks	General	Banks / General (%)
2005	6,043.4	16,871.0	35.8
2006	2,867.8	14,209.9	20.2
2007	2,460.8	12,348.1	19.9
2008	2,983.9	20,318.1	14.7
2009	826.5	9,134.2	9.0

- Source: Amman stock exchange – monthly bulletin.

**Chart (10)**

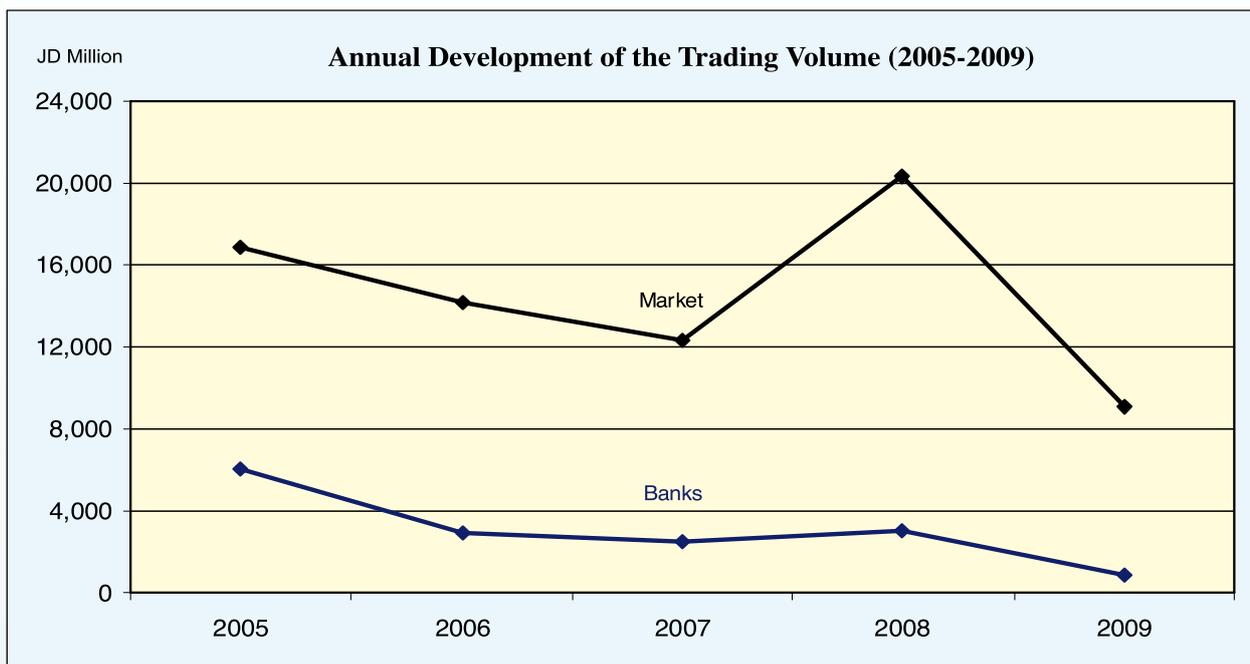


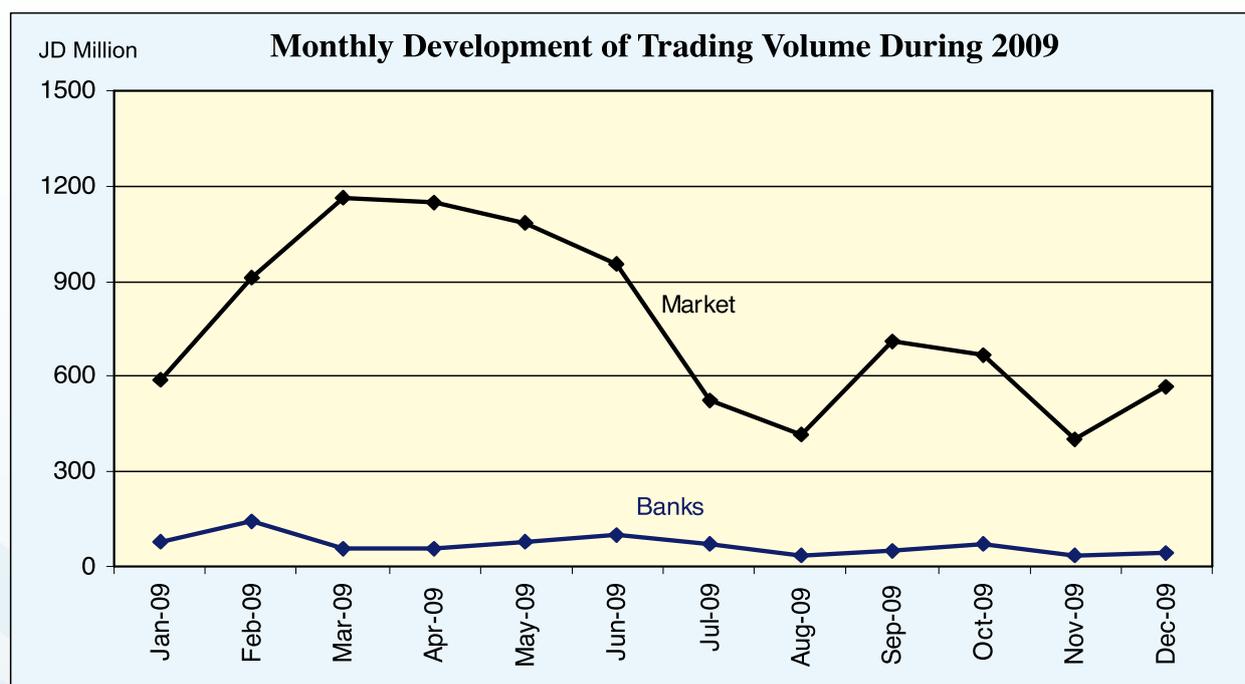
Table (30)

Monthly Trading Volume of Banks' Shares Listed at the Amman Stock Exchange During 2009

Month	Value Traded (JD Million)		
	Banks	General	Banks / General (%)
January	80.8	587.0	13.8
February	140.9	909.0	15.5
March	56.0	1,160.7	4.8
April	57.4	1,148.4	5.0
May	82.2	1,084.9	7.6
June	102.7	952.3	10.8
July	68.2	527.0	12.9
August	38.5	417.7	9.2
September	52.6	707.9	7.4
October	69.8	667.8	10.5
November	33.6	401.3	8.4
December	43.9	570.2	7.7
<b>Total</b>	<b>826.5</b>	<b>9,134.2</b>	<b>9.0</b>

- Source: Amman stock exchange – monthly bulletin.

Chart (11)



### 3- Non-Jordanian Ownership of Banks' Shares

Due to the good financial indicators of the Jordanian banking system, and due to its financial strength and soundness, the Jordanian banking sector has become a favoured investment for investors outside the Kingdom. Such interest showed in the ownership of non-Jordanian in banks' shares listed at the bourse as this stake reached on average about 54.4 percent between 2002 and 2009. This percentage peaked during the last two years hitting 58.8 percent during 2008 before easing to 58.3 percent during 2009.

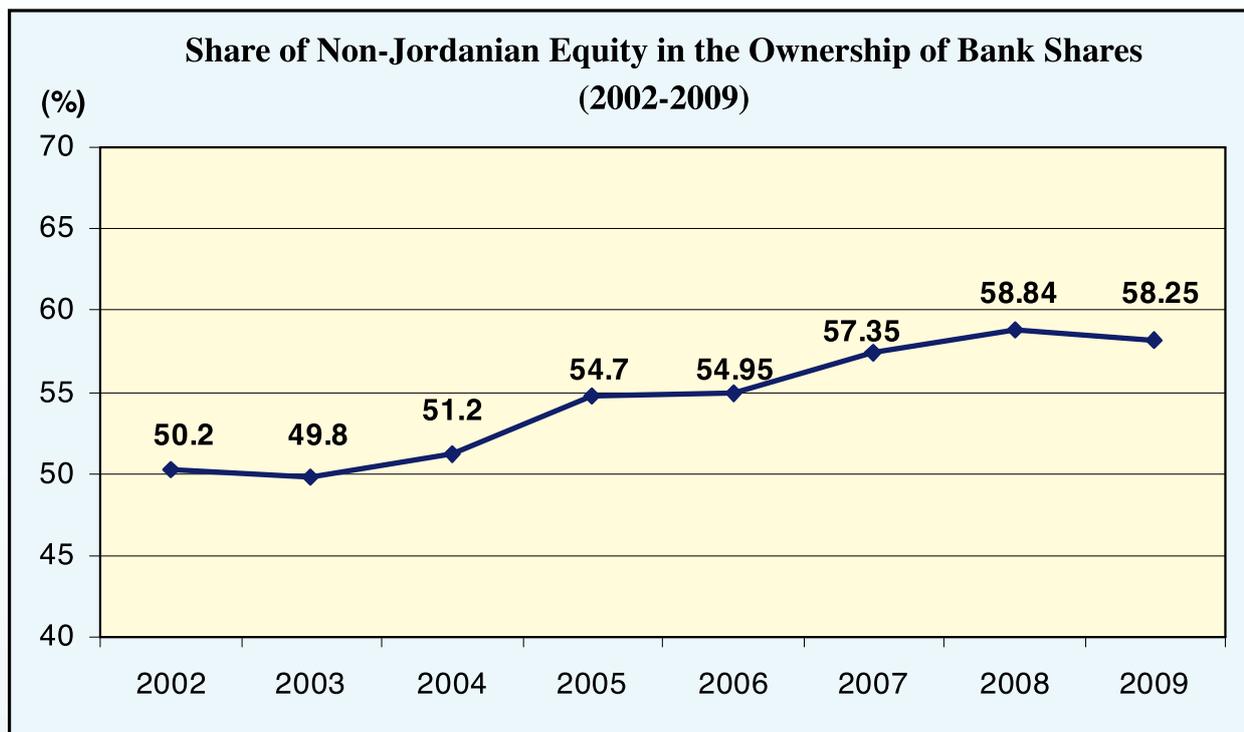
Table (31)

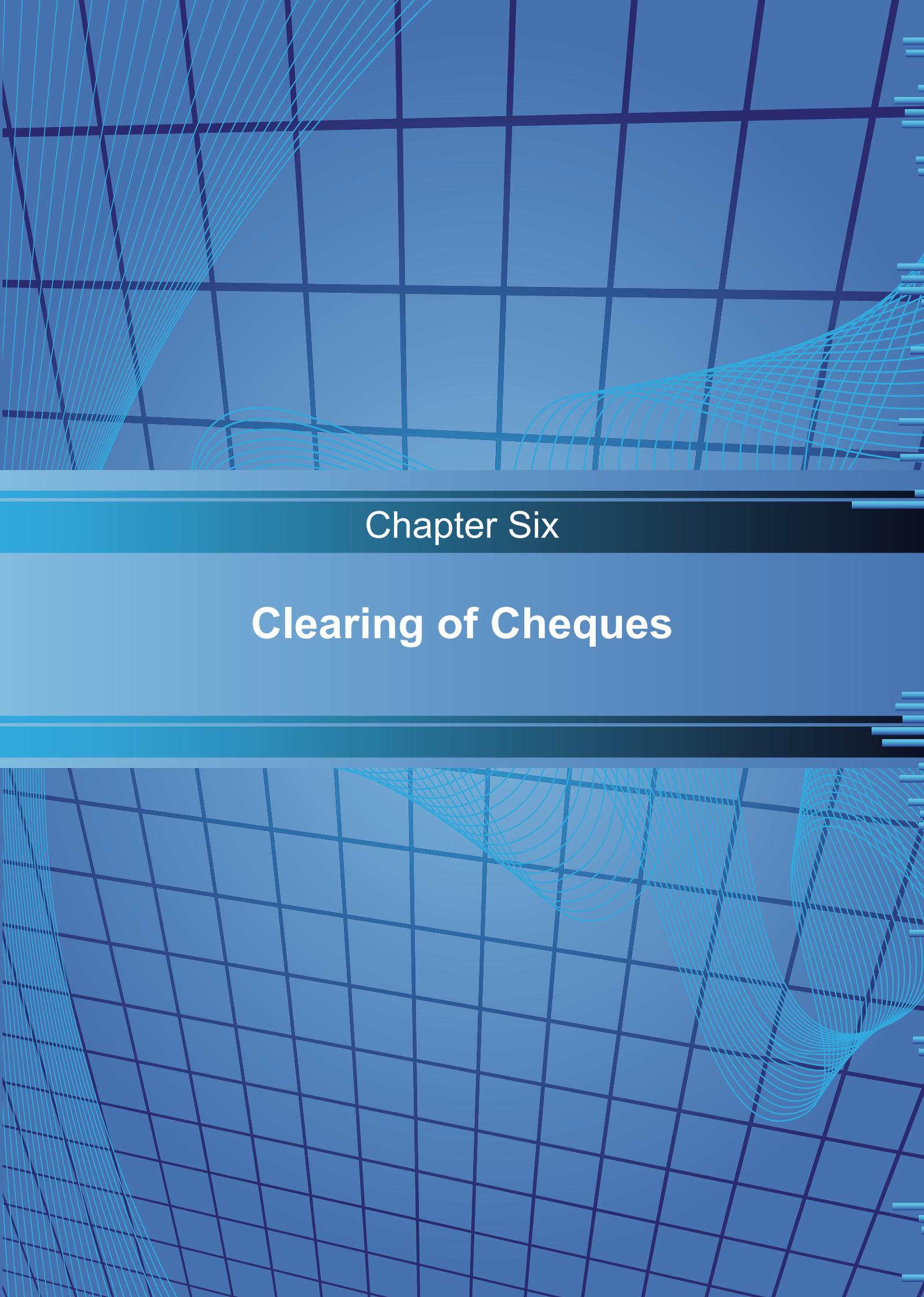
Non-Jordanian Ownership of Banks' Shares Listed at the Amman Stock Exchange (2002-2009)

Year	The Contribution of Non-Jordanians %
2002	50.20
2003	49.80
2004	51.20
2005	54.70
2006	54.95
2007	57.35
2008	58.84
2009	58.25

- Source: Amman stock exchange – monthly bulletin.

Chart (12)



The background of the entire page is a blue grid pattern. Overlaid on this grid are several wavy, light blue lines that create a sense of depth and movement. The lines are more densely packed in some areas and more sparse in others, giving the impression of a 3D wireframe or a stylized architectural structure.

## Chapter Six

# Clearing of Cheques



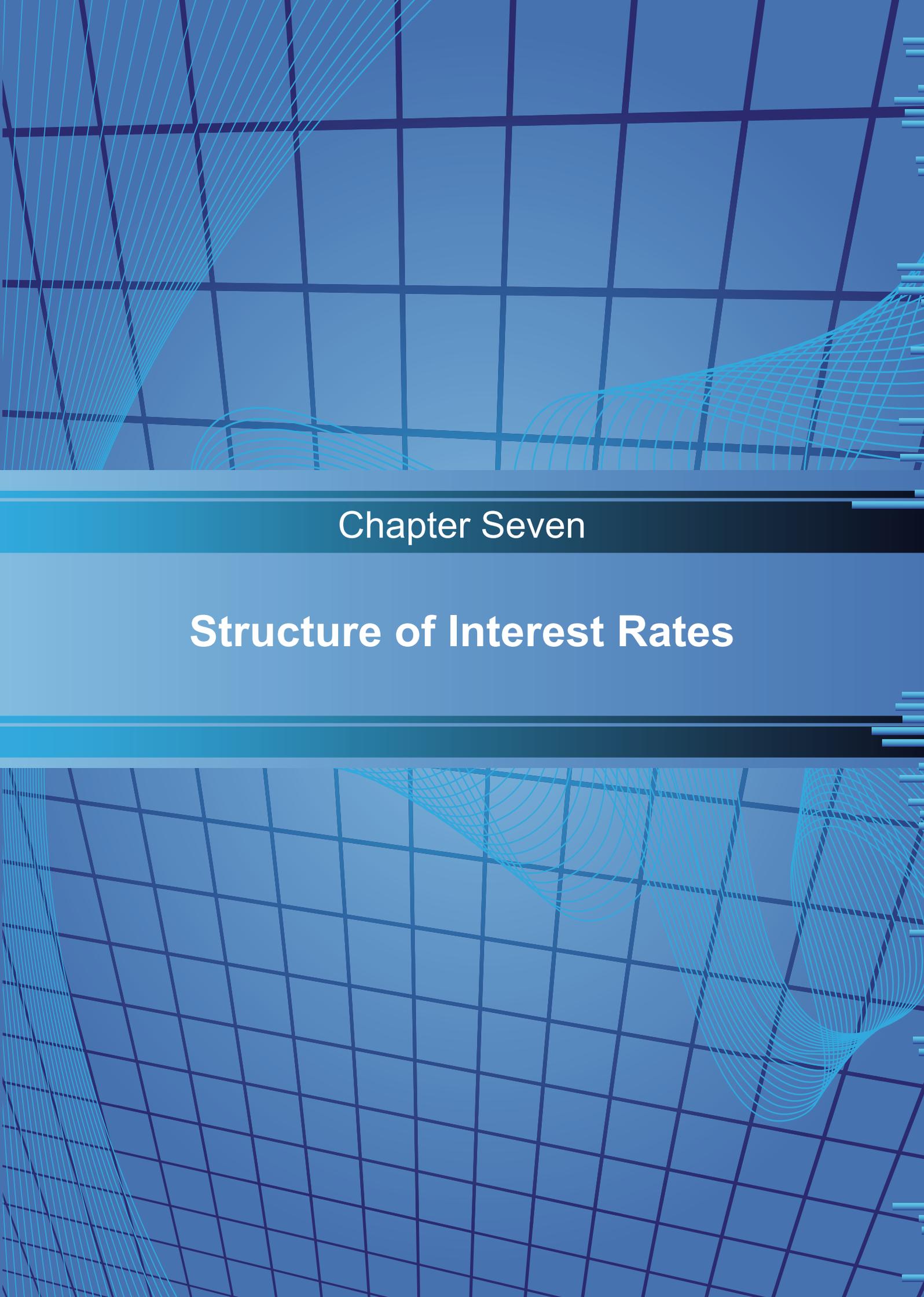
The number of Cheques presented for clearing regressed from 11,943.6 thousand cheques during 2008 to 11,484.9 thousand cheques during 2009. The value of the cheques presented for clearing dropped from JD40,175.8 million in 2008 to JD34,830.6 million during 2009.

**Table (32)**  
**Circulated and Returned Cheques Through the Electronic Clearing (2008–2009)**

Description	2008	2009	Percentage Change %
<b>Circulated Cheques</b>			
Number (Thousand)	11943.6	11484.9	-3.84
Value (JD Million)	40175.8	34830.6	-13.30
<b>Returned Cheques</b>			
Number (Tthousand)	732.0	738.2	0.85
Value (JD Million)	2124.5	2128.4	0.18
The Ratio to the Number of Circulated Cheques (%)	6.13	6.43	-
The Ratio to the Value of Circulated Cheques (%)	5.29	6.11	-
<b>Returned Cheques for Insufficient Balance</b>			
Number (Thousand)	418.9	462.2	10.34
Value (JD Million)	1056.9	1344.2	27.18
The Ratio to the Number of Circulated Cheques (%)	3.51	4.02	-
The Ratio to the Value of Circulated Cheques (%)	2.63	3.86	-
<b>Returned Cheques for Another Reasons</b>			
Number (thousand)	313.0	276.0	-11.82
Value (JD million)	1067.9	784.3	-26.56
The Ratio to the Number of Circulated Cheques (%)	2.62	2.40	-
The Ratio to the Value of Circulated Cheques (%)	2.66	2.25	-

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

It was also noticed that returned cheques were higher in terms of number and value by 0.85 percent and 0.18 percent respectively. As such, the percentage of returned cheques to the total number of cheques presented to clearing increased in terms of number to 6.43 percent and in terms of value to 6.11 percent. There was also an increase in returned cheques because of insufficient balance during 2009 as they accounted for 4.0 percent of the overall number of cheques presented to clearing and for 3.9 percent of the overall value of cheques presented for clearing.

The background of the entire page is a dark blue grid. Overlaid on this grid are several sets of lighter blue, wavy lines that create a sense of depth and movement, resembling a wireframe or a mesh. The lines are most prominent in the top and bottom corners, where they curve and converge.

## Chapter Seven

# Structure of Interest Rates







This chapter shows the development of the weighted average interest rates on all types of deposits and credit facilities as well as the development of the interest rate margin. It also shows the development of interest rates on monetary policy instruments and of interbank lending interest rates (JODIBOR).

## 1- Development of Interest Rates on Deposits

Interest rates on all types of deposits declined as follows during 2009:

- **Time Deposits:** The weighted average interest rates on time deposits dropped at the end of 2009 from its level at the end of 2008 by 143 basis points reaching 4.23 percent.
- **Saving Deposits:** The weighted average interest rates on saving deposits edged down at the end of 2009 from the level at the end of 2008 by 20 basis points reaching 0.84 percent.
- **Demand Deposits:** The weighted average interest rates on demand deposits declined at the end of 2009 from the level at the end of 2008 by 34 basis points reaching 0.67 percent.

**Table (33)**  
**Weighted Average of Interest Rates on all Types of Deposits (2002-2009)**

Year	Demand %	Saving %	Time %
2002	0.91	1.84	3.97
2003	0.50	0.88	2.75
2004	0.38	0.73	2.49
2005	0.47	0.83	3.52
2006	0.87	0.99	5.13
2007	0.94	1.10	5.56
2008	1.01	1.04	5.66
2009	0.67	0.84	4.23

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

Chart (13)

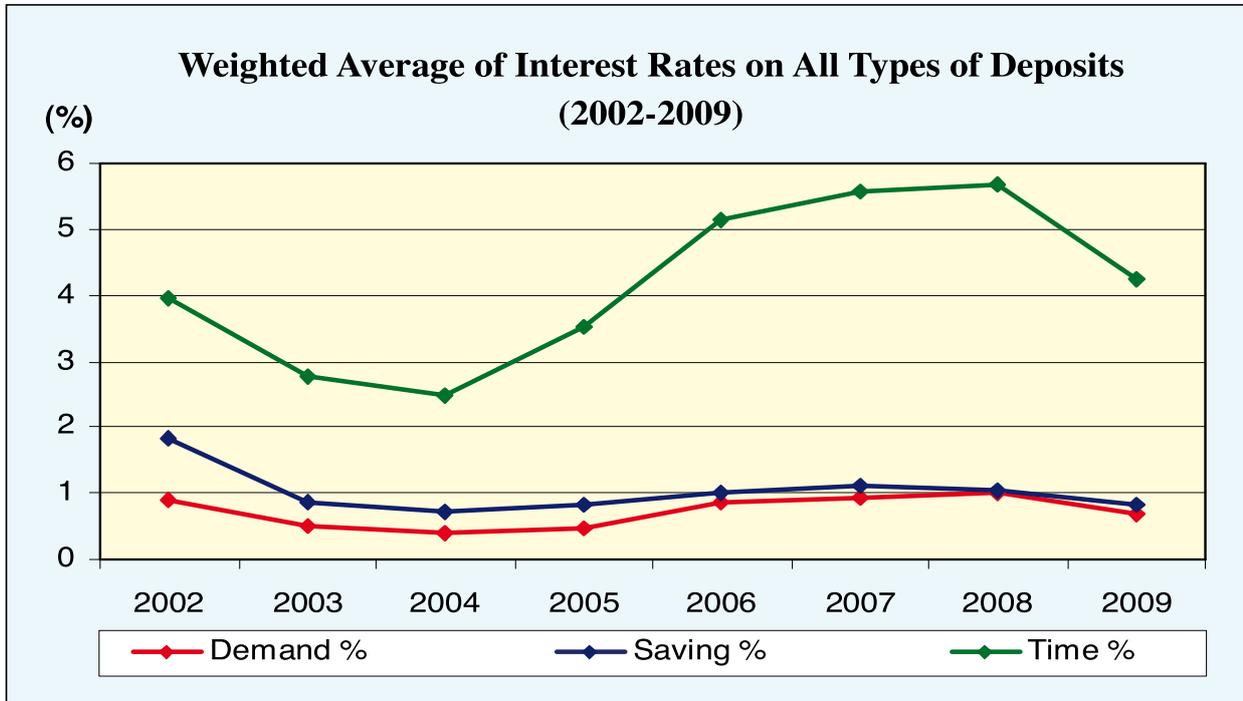


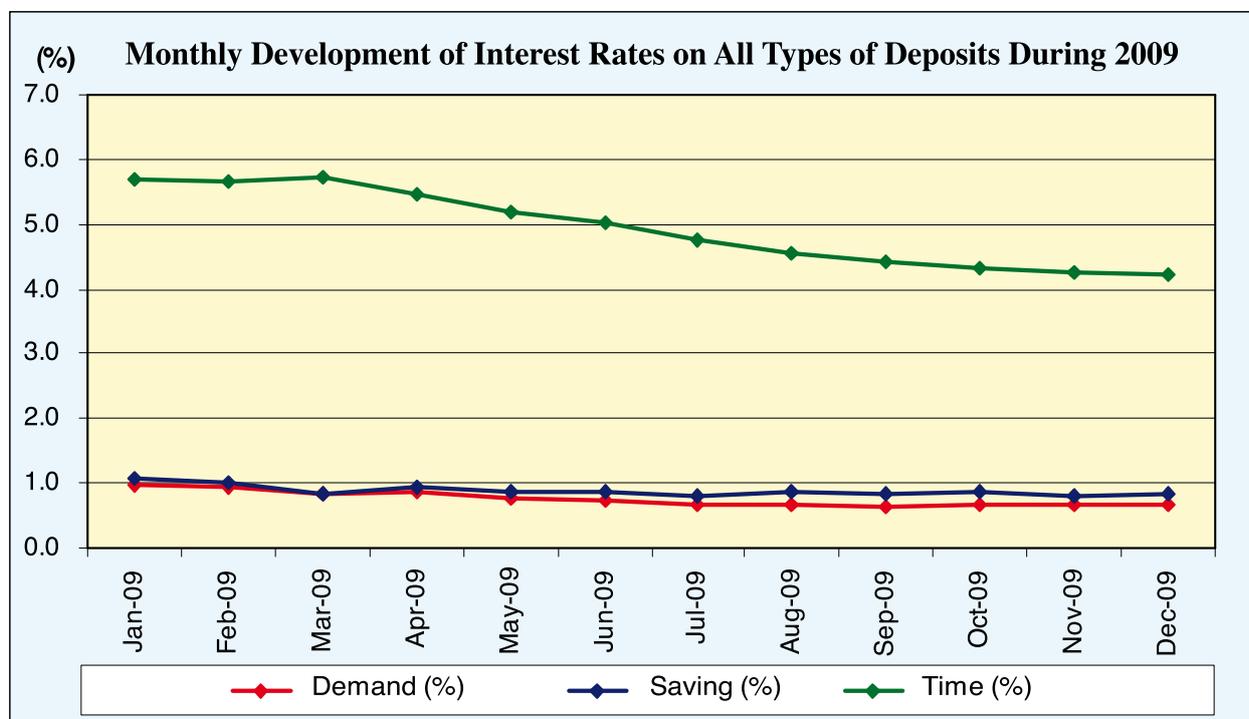
Table (34)

Monthly Weighted Average of Interest Rates on All Types of Deposits in 2009

Month	Demand (%)	Saving (%)	Time (%)
January	0.98	1.06	5.71
February	0.95	1.01	5.67
March	0.85	0.84	5.74
April	0.87	0.94	5.46
May	0.78	0.87	5.20
June	0.74	0.88	5.02
July	0.68	0.81	4.76
August	0.67	0.86	4.54
September	0.65	0.84	4.41
October	0.66	0.87	4.33
November	0.67	0.81	4.26
December	0.67	0.84	4.23
<b>Average</b>	<b>0.76</b>	<b>0.89</b>	<b>4.94</b>
<b>MAX</b>	<b>0.98</b>	<b>1.06</b>	<b>5.74</b>
<b>MIN</b>	<b>0.65</b>	<b>0.81</b>	<b>4.23</b>

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

Chart (14)



## 2- Development of Interest Rates on Credit Facilities

Interest rates on various types of credit facilities during 2009 changed as follows:

- **Overdrafts:** The weighted average interest rates on overdrafts dropped at the end of 2009 from its level at the end of 2008 by 28 basis points reaching 9.03 percent.
- **Loans and Advances:** The weighted average interest rates on loans and advances declined at the end of 2009 from its level at the end of 2008 by 41 basis points reaching 9.07 percent.
- **Discounted Cills and Bonds:** The weighted average interest rates on discounted bills and bonds rose at the end of 2009 from its level at the end of 2008 by 28 basis points reaching 9.17 percent.
- **Prime Lending Rate:** The lowest prime lending rate during 2009 can be shown in December 2009 at 8.34 percent, 11 basis points lower than the level recorded at the end of 2008.

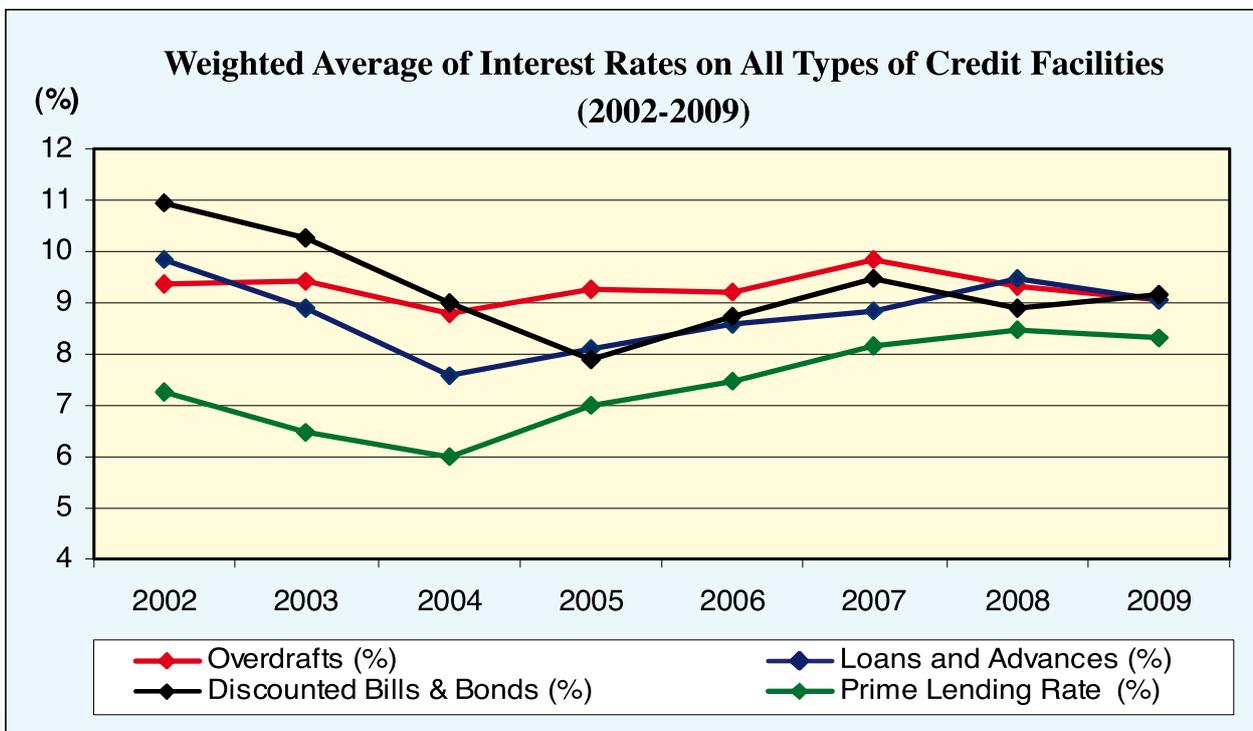
**Table (35)**

**Monthly Weighted Average of Interest Rates on All Types of Credit Facilities (2002-2009)**

Year	Overdrafts (%)	Loans and Advances (%)	Discounted Bills & Bonds (%)	Prime Lending Rate (%)
2002	9.35	9.85	10.95	7.25
2003	9.43	8.92	10.24	6.50
2004	8.79	7.59	8.98	6.00
2005	9.26	8.10	7.92	7.00
2006	9.23	8.56	8.72	7.50
2007	9.83	8.86	9.45	8.15
2008	9.31	9.48	8.89	8.45
2009	9.03	9.07	9.17	8.34

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

**Chart (15)**

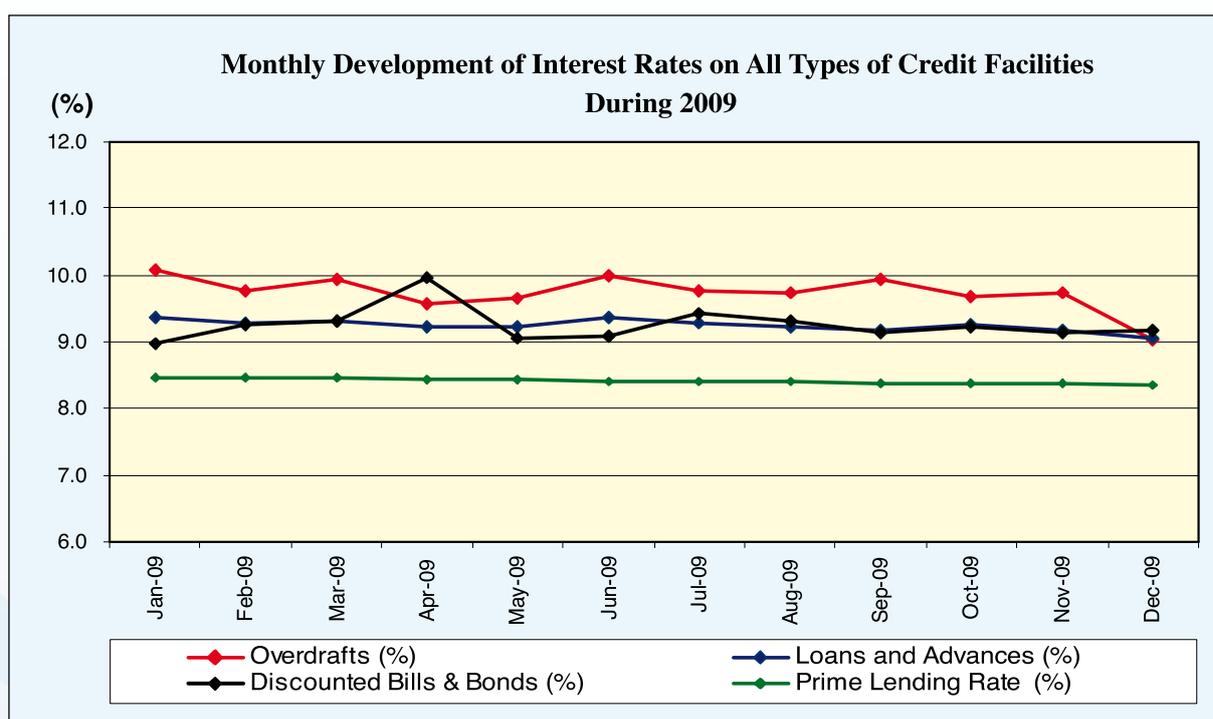


**Table (36)**  
**Weighted Average of Interest Rates on All Types of Credit Facilities in 2009**

Month	Overdrafts (%)	Loans and Advances (%)	Discounted Bills & Bonds (%)	Prime Lending Rate (%)
January	10.07	9.36	8.97	8.45
February	9.76	9.28	9.25	8.45
March	9.94	9.31	9.30	8.45
April	9.58	9.24	9.97	8.44
May	9.65	9.22	9.07	8.42
June	10.00	9.38	9.09	8.41
July	9.77	9.27	9.42	8.41
August	9.75	9.23	9.30	8.40
September	9.93	9.18	9.15	8.38
October	9.67	9.25	9.24	8.38
November	9.75	9.17	9.14	8.38
December	9.03	9.07	9.17	8.34
<b>Average</b>	<b>9.74</b>	<b>9.25</b>	<b>9.26</b>	<b>8.41</b>
<b>MAX</b>	<b>10.07</b>	<b>9.38</b>	<b>9.97</b>	<b>8.45</b>
<b>MIN</b>	<b>9.03</b>	<b>9.07</b>	<b>8.97</b>	<b>8.34</b>

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin.

**Chart (16)**

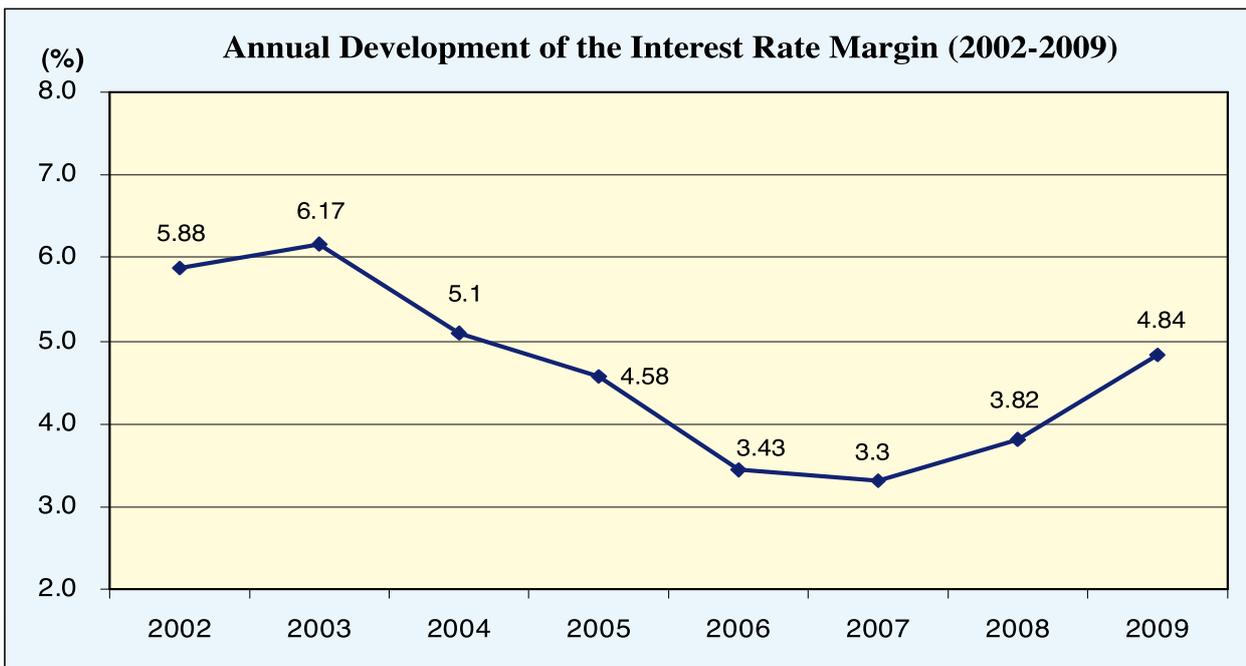


### 3- Interest Rate Margin

It is usually measured by the difference between the weighted average interest rates on loans and advances and the weighted average interest rates on time deposits as they are considered the largest and the most important types of credit facilities and deposits.

During 2009, the interest rate margin rose to 4.84 percent compared with 3.82 percent in 2008. This widening of the margin occurred despite the noticeable drop in the interest rates on time deposits and loans and advances. However, the drop in interest rates on time deposits was more than the drop in interest rates on loans and advances. Subsequently, the difference between the two widened. It should be noted here that the rise in liquidity and the accumulation of cash surpluses at the banks operating in Jordan during 2009 was due to an overall drop in demand for loans as well as the absence of certificates of deposits because the central bank stopped issuing these certificates which are one of the most important investments for the banks' liquidity. These mentioned factors had the most impact for the drop in interest rates on deposits.

Chart (17)



### 4- Development of Interest Rates on Monetary Policy Tools

In response to the developments in the international money markets and to keep up with the local economic developments, the central bank made in 2009 the following three interest rate changes on monetary policy tools:

- On 11/3/2009, the central bank lowered the interest rates on its monetary policy tools by 50 basis points on each of the rediscount rate, the window deposits the repurchase agreements. Accordingly, the interest rates on monetary policy tools become as follows:

- The rediscount rate: Lowered by 50 points to become 5.75 percent.
- The overnight repurchase agreements: Lowered by 50 basis points to become 5.50 percent.

- The overnight window deposit rate: Lowered by 50 basis points to become 3.50 percent.
  - On 19/4/2009, the central bank lowered for the second time the interest rates on the rediscount rate, the window deposit and the repurchase agreements. Subsequently, the interest rates became as follows:
- The rediscount rate: Lowered by 50 basis points to become 5.25 percent.
- The overnight repurchase agreements: Lowered by 50 basis points to become 5.00 percent.
- The overnight window deposit rate: Lowered by 50 basis points to become 3.00 percent.
  - On 20/12/2009, the central bank lowered the interest rates on its monetary policy tools by 50 basis points on each of the rediscount rate, the window deposit and the repurchase agreements. Subsequently, the interest rates on the monetary policy tools became as follows:
- The rediscount rate: Lowered by 50 basis points from 5.25 percent to 4.75 percent annually.
- The overnight repurchase agreements: Lowered by 50 basis points to become 4.50 percent.
- The overnight deposit rate: Lowered by 50 basis points to become 2.50 percent.
- The central bank did not issue certificates of deposit during 2009.

**Table (37)**  
**Interest Rates on Monetary Policy Tools (2002 - 2009)**

Year	Rediscount / Rate %	Repurchase Agreements %	Certificates of Deposit		Deposit Window (One Night) %
			(3) Months %	(6) Months %	
2002	4.500	5.500	3.000	3.450	2.750
2003	2.500	3.500	2.100	2.150	2.000
2004	3.750	4.750	2.850	3.200	2.250
2005	6.500	7.500	6.200	6.950	4.500
2006	7.500	8.500	6.700	6.862	5.250
2007	7.000	6.750	5.750	5.867	4.750
2008	6.250	6.000	5.641	5.936	4.000
2009	4.750	4.500	-	-	2.500

- Source: Central Bank of Jordan / Monthly Statistical Bulletin.

**Table (38)**  
**Interest Rates on Monetary Policy Tools in 2009**

Month	Rediscount / Rate %	Repurchase Agreements %	Deposit Window (One Night) %
January	6.250	6.000	4.000
February	6.250	6.000	4.000
March	5.750	5.500	3.500
April	5.250	5.000	3.000
May	5.250	5.000	3.000
June	5.250	5.000	3.000
July	5.250	5.000	3.000
August	5.250	5.000	3.000
September	5.250	5.000	3.000
October	5.250	5.000	3.000
November	5.250	5.000	3.000
December	4.750	4.500	2.500

- Source: Central Bank of Jordan / Monthly Statistical Bulletin.

## 5- Interbank Lending Rates (JODIBOR)

Following are the developments of interbank lending interest rates (JODIBOR) during 2009:

- A decline in the average overnight lending rates in 2009 compared to 2008 by 163 points reaching 3.438 percent.
- A decline in the average interbank lending rates for one week in 2009 compared to 2008 by 162 points reaching 3.797 percent.
- A decline in the average interbank lending rates for one month in 2009 compared to 2008 by 139 points reaching 4.363 percent.
- A decline in the average interbank lending rates for three months during 2009 to its average in 2008 by 119 points reaching 4.916 percent.
- A decline in the average interbank lending rates for six months during 2009 compared to its average in 2008 by 94 points reaching 5.459 percent.
- A decline in the average interbank lending rates for one year during 2009 compared to its level in 2008 by 76 points reaching 6.176 percent.

**Table (39)**

**Average Inter-Bank Lending Interest Rates (JODIBOR – Declared Rates) (2006 – 2009)**

Year	O/n	One Week	One Month	Three Months	Six Months	One Year
2006	5.552	5.885	6.372	6.814	7.364	7.780
2007	5.904	6.219	6.492	6.756	7.005	7.411
2008	5.066	5.419	5.748	6.107	6.397	6.939
2009	3.438	3.797	4.363	4.916	5.459	6.176

\* Source: The declared rates in the JODIBOR daily bulletin issued by the association.

The table below shows the monthly developments on average interbank lending interest rates during 2009. It shows that all maturities have reached their highest rates in the first month of the year and declined gradually reaching their lowest rates at the end of the year.

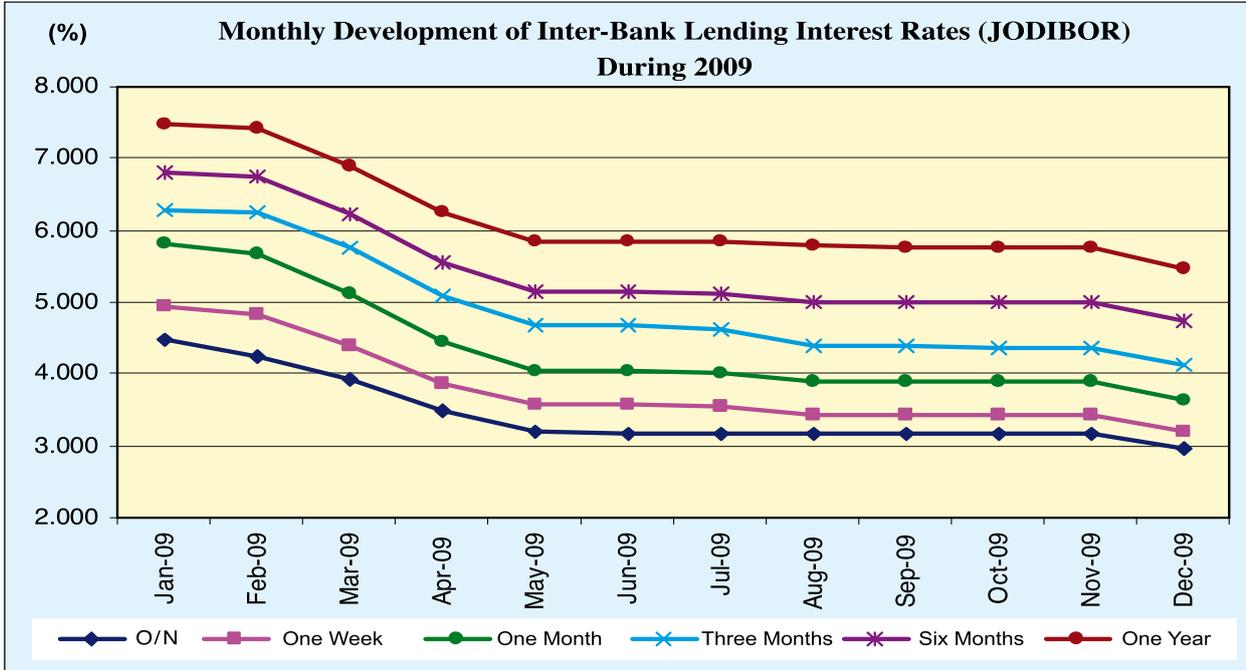
**Table (40)**

**Average Inter-Bank Lending Interest Rates (JODIBOR – Declared Rates) in 2009**

Month	O/N	One Week	One Month	Three Months	Six Months	One Year
January	4.474	4.953	5.809	6.285	6.805	7.473
February	4.239	4.831	5.681	6.261	6.761	7.417
March	3.920	4.375	5.123	5.757	6.211	6.903
April	3.490	3.852	4.451	5.078	5.546	6.252
May	3.192	3.575	4.038	4.677	5.156	5.856
June	3.175	3.575	4.038	4.674	5.144	5.856
July	3.174	3.544	4.011	4.630	5.127	5.858
August	3.163	3.431	3.898	4.400	5.011	5.789
September	3.157	3.413	3.896	4.379	4.997	5.750
October	3.156	3.413	3.890	4.372	4.993	5.744
November	3.156	3.413	3.884	4.366	5.013	5.744
December	2.959	3.186	3.633	4.116	4.748	5.471
<b>Average</b>	<b>3.438</b>	<b>3.797</b>	<b>4.363</b>	<b>4.916</b>	<b>5.459</b>	<b>6.176</b>
<b>MAX</b>	<b>4.474</b>	<b>4.953</b>	<b>5.809</b>	<b>6.285</b>	<b>6.805</b>	<b>7.473</b>
<b>MIN</b>	<b>2.959</b>	<b>3.186</b>	<b>3.633</b>	<b>4.116</b>	<b>4.748</b>	<b>5.471</b>

\* Source: The declared rates in the JODIBOR daily bulletin issued by the association.

Chart (18)



Regarding the volume of overnight interbank activity during 2009, it is clear that it fluctuated in terms of executed transactions and the total credit amount. The pricing margin (the difference between the actual prices announced by the central bank less than the declared price of the association – JODIBOR) went down from the beginning of the year reaching its lowest margin of 0.006 percent in October and November before heading upgrade again in December.

Table (41)  
Volume of Overnight Inter-Bank Activity During 2009

Month	# of Transactions	Total lent Amounts (JD Million)	Inter-Bank Weighted Lending Rates (Declared Price)*	Inter-Bank Weighted Lending Rates (Actual Price) **	Price Margin
January	325	1,459.90	4.474%	4.434%	-0.040%
February	130	532.00	4.239%	4.208%	-0.031%
March	194	749.15	3.920%	3.856%	-0.064%
April	96	394.35	3.490%	3.426%	-0.064%
May	131	582.30	3.192%	3.150%	-0.042%
June	83	367.25	3.175%	3.150%	-0.025%
July	201	855.20	3.174%	3.150%	-0.024%
August	148	661.75	3.163%	3.150%	-0.013%
September	82	373.00	3.157%	3.150%	-0.007%
October	42	167.50	3.156%	3.150%	-0.006%
November	13	53.00	3.156%	3.150%	-0.006%
December	21	82.00	3.010%	2.983%	-0.027%

\* The monthly interbank weighted lending interest rate (declared rate) from the daily JODIBOR bulletins issued by the association.

\*\* The monthly interbank weighted lending interest rate (actual price) from the daily interest rates bulletins on various dinar tools issued by the Central Bank of Jordan.

Chart (19)

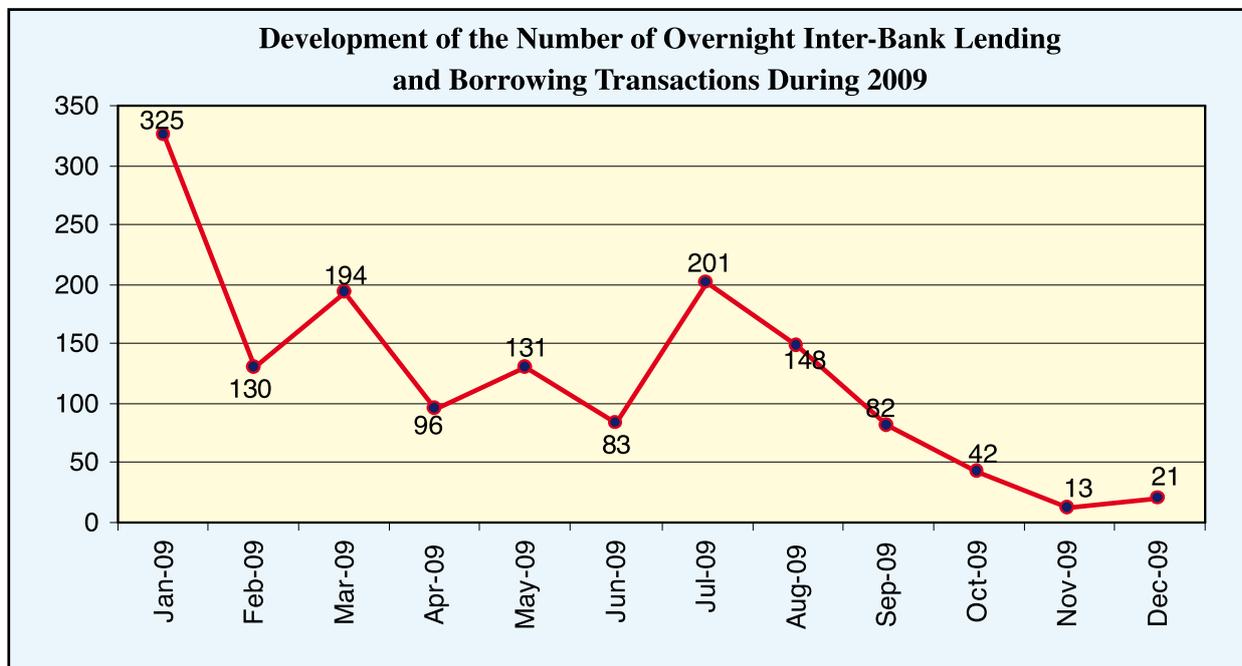


Chart (20)

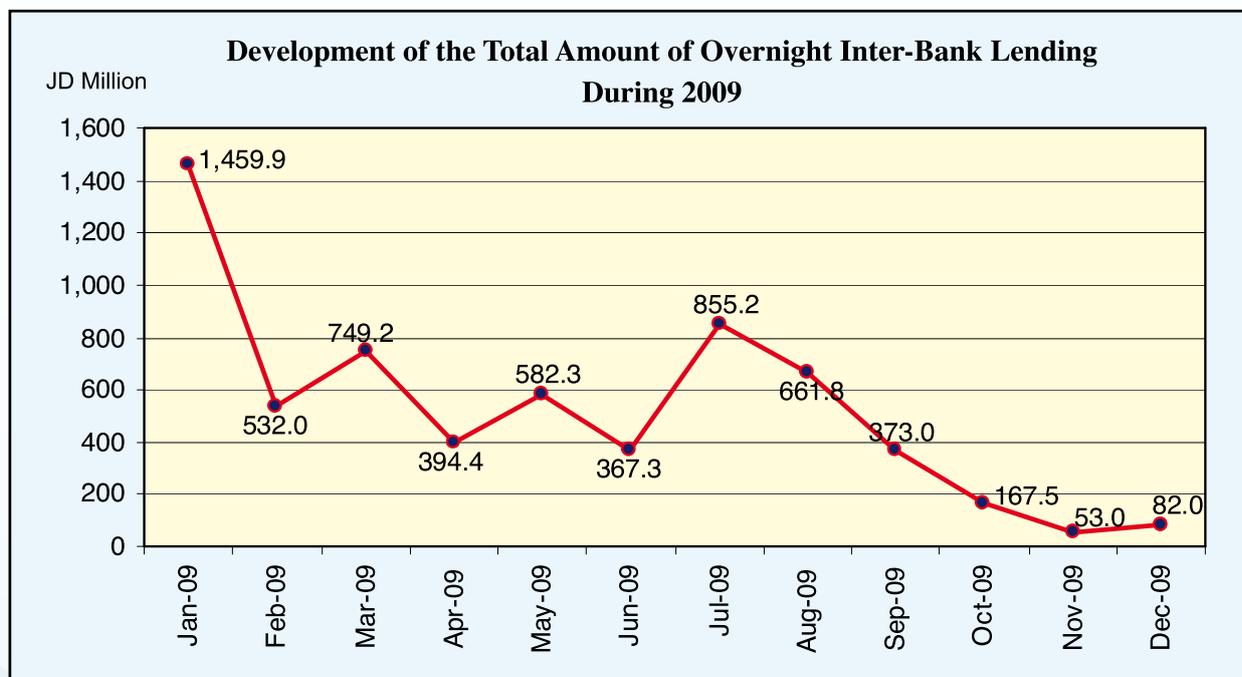
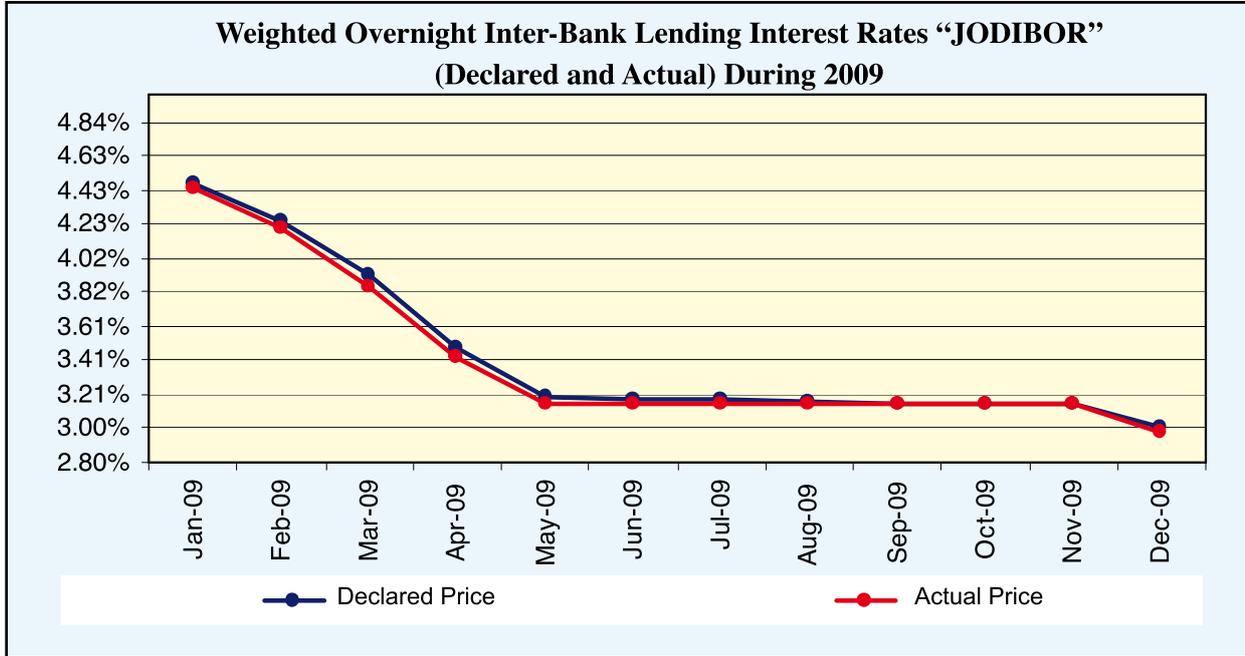
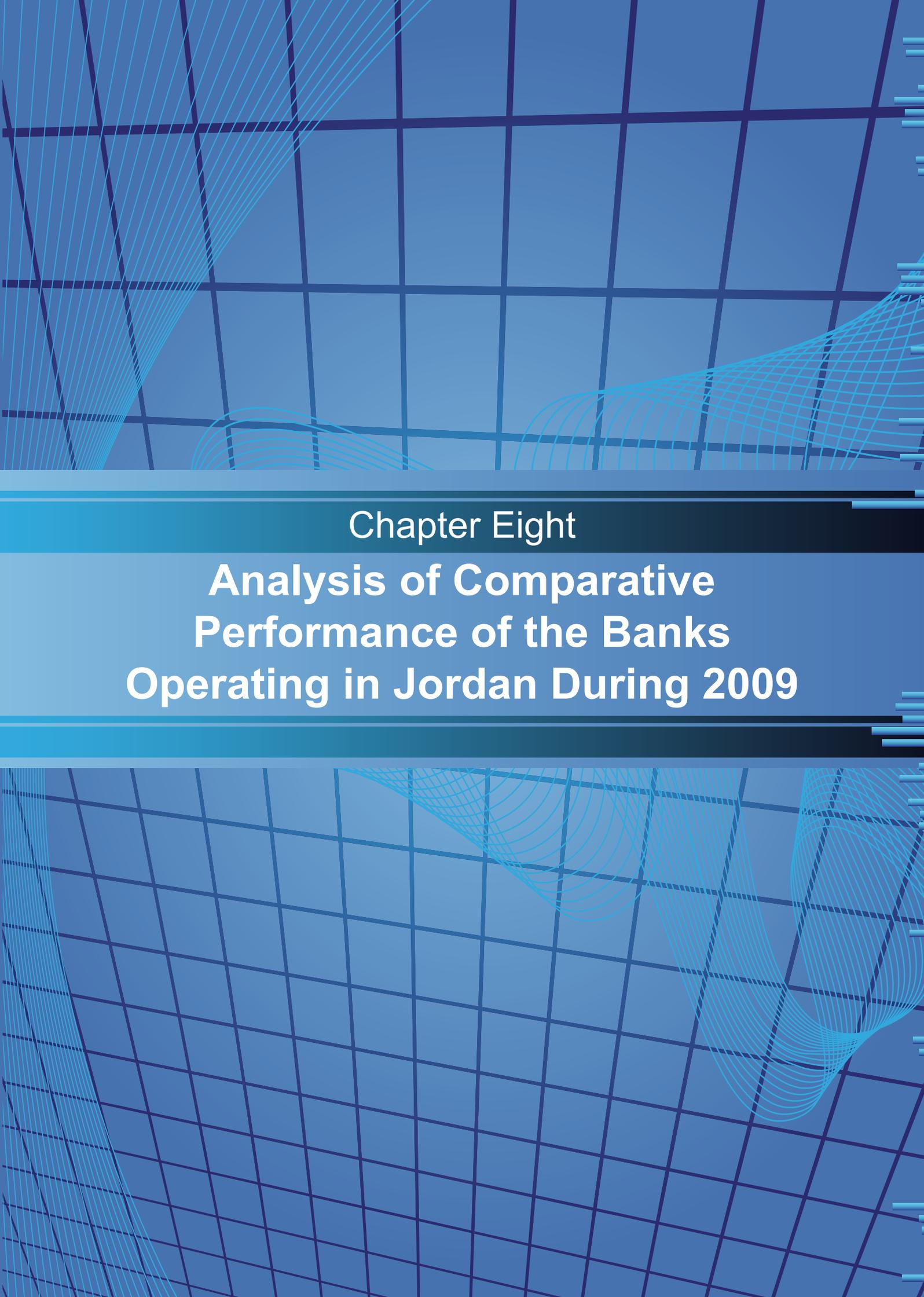


Chart (21)



The background of the entire page is a blue-toned abstract design. It features a grid of dark blue lines that recede into the distance, creating a sense of depth. Overlaid on this grid are several light blue wireframe structures, which appear to be curved surfaces or mesh-like forms, possibly representing data or architectural elements. The overall aesthetic is clean, modern, and technical.

**Chapter Eight**  
**Analysis of Comparative  
Performance of the Banks  
Operating in Jordan During 2009**



This chapter summarizes the overall developments of the banking sector during 2009. This chapter shows the developments of key items in the balance sheet including total assets, liabilities and deposits at the banks operating in Jordan, in addition to the shareholders' equity and capital. It also highlights the most important items of the income statement of banks operating in Jordan including pre and after tax profit. This chapter also overviews the most important profitability indicators that link the balance sheet and the income statement in terms of the average return on assets (ROA) and the average return on shareholders' equity (ROE) during 2009. Finally, this chapter shows the development and distribution of the human resources in the banks operating in Jordan at the end of 2009.

It should be noted here that we ranked the banks in a descendable manner (from the higher bank to the lower bank) according to each of the mentioned indicators in addition to calculating the relative importance for each bank in relation to the total operating banks. We divided the banks into three main categories to include the Jordanian commercial banks, the Islamic banks and the foreign banks. It is also important to indicate that the data included in this chapter belong to the Jordan branches of banks operating in Jordan and do not include outside branches.

## 1- Ranking of Banks According to Some Balance Sheet Items

### A- Total Assets of Banks Operating in Jordan at the End of 2009

The total assets of licensed banks at the end of 2009 amounted to approximately JD30.9 billion spread as follows: JD23.8 billion for the Jordanian commercial banks (77.11 percent of the total assets of banks operating in Jordan); JD3.5 billion for the Islamic banks (11.38 percent of total assets) and JD3.6 billion for foreign banks (11.51 percent of total assets).

**Table (42)**  
**Total Assets of Banks Operating in Jordan at the End of 2009**

Jordanian Commercial Banks	Bank	Ranking 2009	Assets (JD Million)	Ratio to Total Assets %
	Arab Bank	1	7,468.0	24.19
	The Housing Bank for Trade & Finance	2	4,727.6	15.32
	Jordan Kuwait Bank	3	1,818.0	5.89
	Jordan Ahli Bank	4	1,759.0	5.70
	Bank of Jordan	5	1,475.0	4.78
	Union Bank	6	1,436.4	4.65
	Cairo Amman Bank	7	1,287.0	4.17
	Capital Bank	8	1,016.0	3.29
	Investbank	9	666.7	2.16
	Arab Jordan Investment Bank	10	664.0	2.15
	Arab Banking (Corporation) Jordan	11	591.5	1.92
	Jordan Commercial Bank	12	590.9	1.91
Societe General - Jordan	13	301.0	0.98	
<b>Total</b>			<b>23,801.1</b>	<b>77.11</b>
Islamic Banks	Bank	Ranking 2009	Assets (JD Million)	Ratio to Total Assets %
	Jordan Islamic Bank	1	2,471.5	8.01
	International Islamic Arab Bank	2	1,040.8	3.37
<b>Total</b>			<b>3,512.3</b>	<b>11.38</b>
Foreign Banks	Bank	Ranking 2009	Assets (JD Million)	Ratio to Total Assets %
	HSBC	1	996.0	3.23
	Bank Audi	2	583.3	1.89
	Standard Chartered	3	530.0	1.72
	BLOM Bank	4	410.0	1.33
	Egyptian Arab Land Bank	5	358.0	1.16
	Citi Bank	6	282.2	0.91
	National Bank of Kuwait	7	257.3	0.83
Rafidain Bank	8	137.0	0.44	
<b>Total</b>			<b>3,553.8</b>	<b>11.51</b>

- Source: Banks' financial data.

### B- Total Credit Facilities Extended by Banks Operating in Jordan at the End of 2009

The outstanding credit facilities extended by the licensed banks amounted to JD12.55 billion of which JD9.65 billion belonged to the Jordanian commercial banks (76.84 percent of the total credit facilities); JD1.73 billion belonged to Islamic banks (13.79 percent of total credit facilities) and JD1.18 billion belonged to foreign banks (9.36 percent of total credit facilities).

**Table (43)**  
**Credit Facilities Extended by Banks Operating in Jordan at the End of 2009**

Jordanian Commercial Banks	Bank	Ranking 2009	Credit Facilities (JD Million)	Ratio to Total Credit Facilities %
	Arab Bank	1	2,272.000	18.10
	The Housing Bank for Trade & Finance	2	1,691.300	13.47
	Jordan Kuwait Bank	3	967.000	7.70
	Jordan Ahli Bank	4	836.000	6.66
	Bank of Jordan	5	727.000	5.79
	Union Bank	6	683.336	5.44
	Cairo Amman Bank	7	590.000	4.70
	Capital Bank	8	538.000	4.29
	Jordan Commercial Bank	9	338.298	2.70
	Investbank	10	299.598	2.39
	Arab Jordan Investment Bank	11	262.000	2.09
	Arab Banking (Corporation) Jordan	12	259.500	2.07
Societe General - Jordan	13	182.000	1.45	
<b>Total</b>			<b>9,646.031</b>	<b>76.84</b>
Islamic Banks	Bank	Ranking 2009	Credit Facilities (JD Million)	Ratio to Total Credit Facilities %
	Jordan Islamic Bank	1	1,556.554	12.40
	International Islamic Arab Bank	2	175.075	1.39
<b>Total</b>			<b>1,731.630</b>	<b>13.79</b>
Foreign Banks	Bank	Ranking 2009	Credit Facilities (JD Million)	Ratio to Total Credit Facilities %
	HSBC	1	314.000	2.50
	Bank Audi	2	236.309	1.88
	Egyptian Arab Land Bank	3	190.700	1.52
	BLOM Bank	4	186.500	1.49
	Standard Chartered	5	103.047	0.82
	National Bank of Kuwait	6	85.400	0.68
	Citi Bank	7	58.691	0.47
Rafidain Bank	8	0.428	0.00	
<b>Total</b>			<b>1,175.075</b>	<b>9.36</b>

- Source: Banks' financial data.

### C- Total Deposits at Banks Operating in Jordan at the End of 2009

The total deposits at the licensed banks amounted to JD21.34 billion of which JD15.94 billion belonged to Jordanian commercial banks (74.67 percent of total deposits); JD2.86 billion belonged to Islamic banks (13.42 percent of total deposits) and JD2.54 billion to foreign banks (11.91 percent of total deposits).

Table (44)

#### Total Deposits at Banks Operating in Jordan at the End of 2009

Jordanian Commercial Banks	Bank	Ranking 2009	Deposits (JD Million)	Ratio to Total Deposits %
	Arab Bank	1	4,782.522	22.40
	The Housing Bank for Trade & Finance	2	3,381.900	15.84
	Jordan Kuwait Bank	3	1,182.604	5.54
	Bank of Jordan	4	1,103.800	5.17
	Jordan Ahli Bank	5	1,063.000	4.98
	Union Bank	6	819.556	3.84
	Cairo Amman Bank	7	812.000	3.80
	Capital Bank	8	665.000	3.12
	Arab Jordan Investment Bank	9	626.820	2.94
	Investbank	10	519.422	2.43
	Arab Banking (Corporation) Jordan	11	423.700	1.98
	Jordan Commercial Bank	12	411.594	1.93
	Societe General - Jordan	13	149.000	0.70
<b>Total</b>			<b>15,940.918</b>	<b>74.67</b>
Islamic Banks	Bank	Ranking 2009	Deposits (JD Million)	Ratio to Total Deposits %
	Jordan Islamic Bank	1	2,187.454	10.25
	International Islamic Arab Bank	2	676.292	3.17
<b>Total</b>			<b>2,863.746</b>	<b>13.42</b>
Foreign Banks	Bank	Ranking 2009	Deposits (JD Million)	Ratio to Total Deposits %
	HSBC	1	800.000	3.75
	Bank Audi	2	460.054	2.16
	Standard Chartered	3	337.403	1.58
	BLOM Bank	4	295.800	1.39
	Egyptian Arab Land Bank	5	230.500	1.08
	Citi Bank	6	225.342	1.06
	Rafidain Bank	7	103.876	0.49
National Bank of Kuwait	8	89.600	0.42	
<b>Total</b>			<b>2,542.575</b>	<b>11.91</b>

- Source: Banks' financial data.

### D) Shareholders' Equity of the Banks Operating in Jordan at the End of 2009

The total shareholders' equity of licensed banks amounted to JD3,984.7 million of which JD3,260.2 million belonged to Jordanian commercial banks (81.82 percent of total shareholders' equity); JD294.4 million belonged to Islamic banks (7.39 percent of total shareholders' equity) and JD430.1 million to foreign banks (10.79 percent of total shareholders' equity).

Table (45)

#### Shareholders' Equity of Banks Operating in Jordan at the End of 2009

	Bank	Ranking 2009	Equity Rights (JD Million)	Ratio to total Equity Rights %
	Jordanian Commercial Banks	The Housing Bank for Trade & Finance	1	849.0
Arab Bank		2	767.0	19.25
Jordan Kuwait Bank		3	265.6	6.67
Union Bank		4	224.5	5.63
Jordan Ahli Bank		5	193.0	4.84
Capital Bank		6	189.0	4.74
Bank of Jordan		7	176.0	4.42
Cairo Amman Bank		8	154.0	3.86
Arab Jordan Investment Bank		9	124.0	3.11
Investbank		10	93.2	2.34
Jordan Commercial Bank		11	86.6	2.17
Arab Banking (Corporation) Jordan		12	85.2	2.14
Societe General - Jordan		13	53.0	1.33
<b>Total</b>			<b>3,260.2</b>	<b>81.82</b>
Islamic Banks	Bank	Ranking 2009	Equity Rights (JD Million)	Ratio to total Equity Rights %
	Jordan Islamic Bank	1	176.8	4.44
	International Islamic Arab Bank	2	117.6	2.95
<b>Total</b>			<b>294.4</b>	<b>7.39</b>
Foreign Banks	Bank	Ranking 2009	Equity Rights (JD Million)	Ratio to total Equity Rights %
	HSBC	1	110.0	2.76
	Standard Chartered	2	64.4	1.62
	National Bank of Kuwait	3	63.3	1.59
	Bank Audi	4	48.3	1.21
	BLOM Bank	5	42.9	1.08
	Egyptian Arab Land Bank	6	37.0	0.93
	Citi Bank	7	34.7	0.87
Rafidain Bank	8	29.6	0.74	
<b>Total</b>			<b>430.1</b>	<b>10.79</b>

- Source: Banks' financial data.

### E- Capital of Banks Operating in Jordan at the End of 2009

The total capital of licensed banks amounted to JD2,223.9 million of which JD1,770.4 million belonged to Jordanian commercial banks (79.61 percent of total capital); JD200 million belonged to Islamic banks (8.99 percent of total capital) and JD253.6 million to foreign banks (11.40 percent of total capital).

Table (46)

#### Capital of Banks Operating in Jordan at the End of 2009

	Bank	Ranking 2009	Capital (JD Million)	Ratio to Total Capital %
	Jordanian Commercial Banks	Arab Bank	1	534.0
The Housing Bank for Trade & Finance		2	252.0	11.33
Capital Bank		3	132.3	5.95
Jordan Ahli Bank		4	110.0	4.95
Bank of Jordan		5	100.0	4.50
Jordan Kuwait Bank		5	100.0	4.50
Arab Jordan Investment Bank		5	100.0	4.50
Union Bank		5	100.0	4.50
Cairo Amman Bank		9	88.0	3.96
Jordan Commercial Bank		10	73.1	3.28
Arab Banking (Corporation) Jordan		11	71.0	3.19
Investbank		12	70.0	3.15
Societe General - Jordan		13	40.0	1.80
<b>Total</b>			<b>1,770.4</b>	<b>79.61</b>
Islamic Banks	Bank	Ranking 2009	Capital (JD Million)	Ratio to Total Capital %
	Jordan Islamic Bank	1	100.0	4.50
	International Islamic Arab Bank	1	100.0	4.50
<b>Total</b>			<b>200.0</b>	<b>8.99</b>
Foreign Banks	Bank	Ranking 2009	Capital (JD Million)	Ratio to Total Capital %
	National Bank of Kuwait	1	50.0	2.25
	Standard Chartered	2	43.7	1.97
	Bank Audi	3	31.3	1.41
	Egyptian Arab Land Bank	4	30.0	1.35
	BLOM Bank	4	30.0	1.35
	HSBC	6	25.0	1.12
	Citi Bank	7	23.5	1.06
	Rafidain Bank	8	20.0	0.90
<b>Total</b>			<b>253.6</b>	<b>11.40</b>

- Source: Banks' financial data.

## 2- Ranking of Banks According to Some Items in Income Statement

### A- Pre-Tax Profit of Banks Operating in Jordan at the End of 2009

The total pre-tax profit of all licensed banks amounted JD462.4 million of which JD378.6 million belonged to Jordanian commercial banks (81.87 percent of total profit); JD43.3 million for Islamic banks (9.36 percent of total profit) and JD40.3 million for foreign banks (8.76 percent of total profit). It should be noted that the drop in the profits of most banks operating in Jordan was due to an increase in provisions that were deducted from profits during 2009 to face any challenges that may surface.

Table (47)

Pre-Tax Profit of Banks Operating in Jordan at the End of 2009

Bank	Ranking 2009	Net Pretax Profit (JD Million)	Ratio to Total Net Pretax Profit %
<b>Jordanian Commercial Banks</b>			
The Housing Bank for Trade & Finance	1	93.500	20.22
Arab Bank	2	93.000	20.11
Jordan Kuwait Bank	3	44.600	9.64
Bank of Jordan	4	33.300	7.20
Cairo Amman Bank	5	26.700	5.77
Jordan Ahli Bank	6	20.000	4.33
Union Bank	7	18.486	4.00
Arab Banking (Corporation) Jordan	8	12.570	2.72
Arab Jordan Investment Bank	9	11.300	2.44
Investbank	10	10.600	2.29
Societe General - Jordan	11	6.140	1.33
Capital Bank	12	4.600	0.99
Jordan Commercial Bank	13	3.800	0.82
<b>Total</b>		<b>378.596</b>	<b>81.87</b>
<b>Islamic Banks</b>			
Jordan Islamic Bank	1	38.900	8.41
International Islamic Arab Bank	2	4.400	0.95
<b>Total</b>		<b>43.300</b>	<b>9.36</b>
<b>Foreign Banks</b>			
HSBC	1	12.000	2.60
Bank Audi	2	7.500	1.62
BLOM Bank	3	6.900	1.49
National Bank of Kuwait	4	4.800	1.04
Citi Bank	5	4.554	0.98
Standard Chartered	6	3.869	0.84
Rafidain Bank	7	0.712	0.15
Egyptian Arab Land Bank	8	0.188	0.04
<b>Total</b>		<b>40.523</b>	<b>8.76</b>

- Source: Banks' financial data.

## B- Net Profit After Tax of Banks Operating in Jordan at the End of 2009

The total net profit after tax of the licensed banks amounted to JD334.3 million of which JD275.0 million belonged to Jordanian commercial banks (82.26 percent of the total net profit); JD30.5 million for Islamic banks (9.11 percent of the total net profit) and JD28.8 million for foreign banks (8.63 percent of the total net profit).

**Table (48)**  
**Net After-Tax Profit of Banks Operating in Jordan at the End of 2009 \***

	Bank	Ranking 2009	Net After Tax Profit	Ratio to Total
			(JD Million)	Net After Tax Profit %
Jordanian Commercial Banks	Arab Bank	1	70.000	20.94
	The Housing Bank for Trade & Finance	2	69.600	20.82
	Jordan Kuwait Bank	3	31.400	9.39
	Bank of Jordan	4	22.500	6.73
	Cairo Amman Bank	5	20.500	6.13
	Union Bank	6	15.375	4.60
	Jordan Ahli Bank	7	12.000	3.59
	Arab Banking (Corporation) Jordan	8	9.735	2.91
	Arab Jordan Investment Bank	9	7.300	2.18
	Investbank	10	7.200	2.15
	Societe General - Jordan	11	4.280	1.28
	Capital Bank	12	2.800	0.84
	Jordan Commercial Bank	13	2.300	0.69
<b>Total</b>			<b>274.990</b>	<b>82.26</b>
Islamic Banks	Bank	Ranking 2009	Net After Tax Profit (JD Million)	Ratio to Total Net After Tax Profit %
	Jordan Islamic Bank	1	27.880	8.34
	International Islamic Arab Bank	2	2.590	0.77
<b>Total</b>			<b>30.470</b>	<b>9.11</b>
Foreign Banks	Bank	Ranking 2009	Net After Tax Profit (JD Million)	Ratio to Total Net After Tax Profit %
	HSBC	1	9.000	2.69
	Bank Audi	2	5.500	1.65
	BLOM Bank	3	5.000	1.50
	Citi Bank	4	3.212	0.96
	National Bank of Kuwait	5	3.200	0.96
	Standard Chartered	6	2.460	0.74
	Rafidain Bank	7	0.471	0.14
Egyptian Arab Land Bank	8	...	...	
<b>Total</b>			<b>28.843</b>	<b>8.63</b>

\* Drop in profit of most banks operating in Jordan was due to an increase in credit facilities provisions during 2009.

- Source: Banks' financial data.

### 3- Ranking of Banks According to Some Profitability Indicators

#### A- Average Return on Assets for the Banks Operating in Jordan in 2009

The average return on the assets of licensed banks stood at 1.03 percent as it reached 1.18 percent for Jordanian commercial banks; 0.83 percent for Islamic banks and 0.96 percent for foreign banks.

Table (49)

#### Average Return on Assets for the Banks Operating in Jordan in 2009 \*

Jordanian Commercial Banks	Bank	Ranking 2009	Average Return on Assets %
	Jordan Kuwait Bank	1	1.75%
	Arab Banking (Corporation) Jordan	2	1.68%
	Cairo Amman Bank	3	1.67%
	Bank of Jordan	4	1.53%
	The Housing Bank for Trade & Finance	5	1.50%
	Societe General - Jordan	6	1.49%
	Union Bank	7	1.20%
	Arab Jordan Investment Bank	8	1.14%
	Investbank	9	1.07%
	Arab Bank	10	0.96%
	Jordan Ahli Bank	11	0.70%
	Jordan Commercial Bank	12	0.40%
	Capital Bank	13	0.29%
<b>Average</b>		<b>1.18%</b>	
Islamic Banks	Bank	Ranking 2009	Average Return on Assets %
	Jordan Islamic Bank	1	1.38%
	International Islamic Arab Bank	2	0.27%
<b>Average</b>		<b>0.83%</b>	
Foreign Banks	Bank	Ranking 2009	Average Return on Assets %
	National Bank of Kuwait	1	1.36%
	Citi Bank	2	1.30%
	BLOM Bank	2	1.30%
	Bank Audi	4	1.10%
	HSBC	5	0.90%
	Standard Chartered	6	0.43%
	Rafidain Bank	7	0.35%
Egyptian Arab Land Bank	8	...	
<b>Average</b>		<b>0.96%</b>	

\* The drop in profits of most banks operating in Jordan was due to higher provisions of credit facilities during 2009.

- Sources: Banks' Financial statements.

## B- Average Return on Shareholders' Equity for the Banks Operating in Jordan in 2009

The average return on shareholders' equity at the licensed banks stood at 7.94 percent as it reached 8.57 percent for Jordanian commercial banks; 9.49 percent for Islamic banks and 7.47 percent for foreign banks.

Table (50)

### Average Return on Equity for the Banks Operating in Jordan in 2009 \*

Jordanian Commercial Banks	Bank	Ranking 2009	Average Return on Equity Rights %
	Cairo Amman Bank	1	14.50%
	Bank of Jordan	2	13.30%
	Jordan Kuwait Bank	3	12.70%
	Arab Banking (Corporation) Jordan	4	12.30%
	Arab Bank	5	10.57%
	Societe General - Jordan	6	8.47%
	The Housing Bank for Trade & Finance	7	8.20%
	Investbank	8	8.08%
	Union Bank	9	7.00%
	Jordan Ahli Bank	10	6.40%
	Arab Jordan Investment Bank	11	5.94%
	Jordan Commercial Bank	12	2.50%
Capital Bank	13	1.50%	
<b>Average</b>		<b>8.57%</b>	
Islamic Banks	Bank	Ranking 2009	Average Return on Equity Rights %
	Jordan Islamic Bank	1	16.51%
	International Islamic Arab Bank	2	2.46%
<b>Average</b>		<b>9.49%</b>	
Foreign Banks	Bank	Ranking 2009	Average Return on Equity Rights %
	BLOM Bank	1	12.30%
	Bank Audi	2	12.11%
	Citi Bank	3	9.23%
	HSBC	4	8.16%
	National Bank of Kuwait	5	5.20%
	Standard Chartered	6	3.69%
	Rafidain Bank	7	1.59%
Egyptian Arab Land Bank	8	...	
<b>Average</b>		<b>7.47%</b>	

\* The drop in profits of most banks operating in Jordan was due to higher provisions of credit facilities during 2009.

- source: Banks' financial statements.

## 4- Ranking of Banks According to Number of Employees

### A- Number of Employees in the Banks Operating in Jordan at the End of 2009

The number of employees in the licensed banks stood at 15,790 persons of whom 11,985 worked in Jordanian commercial banks (75.90 percent of the total number of employees); 2,190 employees worked in Islamic banks (13.87 percent of the total number of employees) and 1,615 employees who worked in foreign banks (10.23 percent of the total number of employees).

Table (51)

#### Number of Employees at Banks Operating in Jordan at the End of 2009

Jordanian Commercial Banks	Bank	Ranking 2009	Number Of Employees	Ratio to Total Employees %
	Arab Bank	1	2687	17.02
	The Housing Bank for Trade & Finance	2	1857	11.76
	Cairo Amman Bank	3	1407	8.91
	Bank of Jordan	4	1360	8.61
	Jordan Ahli Bank	5	1302	8.25
	Jordan Kuwait Bank	6	817	5.17
	Union Bank	7	477	3.02
	Jordan Commercial Bank	8	472	2.99
	Arab Banking (Corporation) Jordan	9	399	2.53
	Arab Jordan Investment Bank	10	352	2.23
	Capital Bank	10	352	2.23
	Investbank	12	273	1.73
	Societe General - Jordan	13	230	1.46
<b>Total</b>			<b>11985</b>	<b>75.90</b>
Islamic Banks	Bank	Ranking 2009	Number Of Employees	Ratio to Total Employees %
	Jordan Islamic Bank	1	1755	11.11
	International Islamic Arab Bank	2	435	2.75
<b>Total</b>			<b>2190</b>	<b>13.87</b>
Foreign Banks	Bank	Ranking 2009	Number Of Employees	Ratio to Total Employees %
	HSBC	1	387	2.45
	Standard Chartered	2	338	2.14
	Egyptian Arab Land Bank	3	283	1.79
	BLOM Bank	4	203	1.29
	Bank Audi	5	185	1.17
	National Bank of Kuwait	6	136	0.86
	Citi Bank	7	53	0.34
Rafidain Bank	8	30	0.19	
<b>Total</b>			<b>1615</b>	<b>10.23</b>

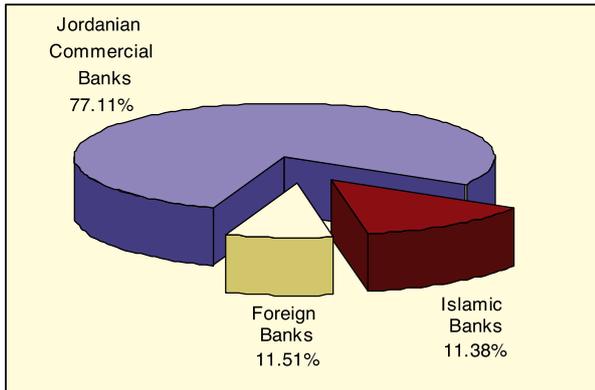
- Source: Banks' financial data.

## 5- Summary of Most Important Financial Indicators of Banks Operating in Jordan

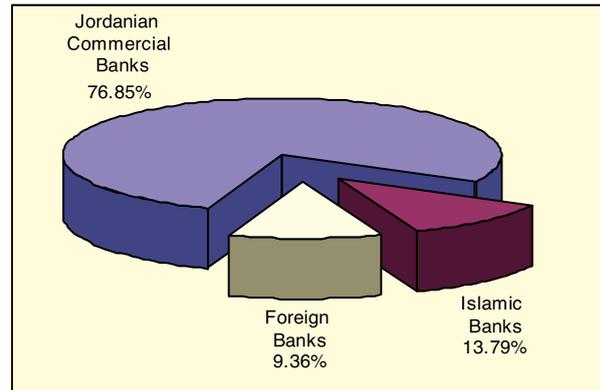
Chart (22)

### Summary of Most Important Financial Indicators of Banks Operating in Jordan

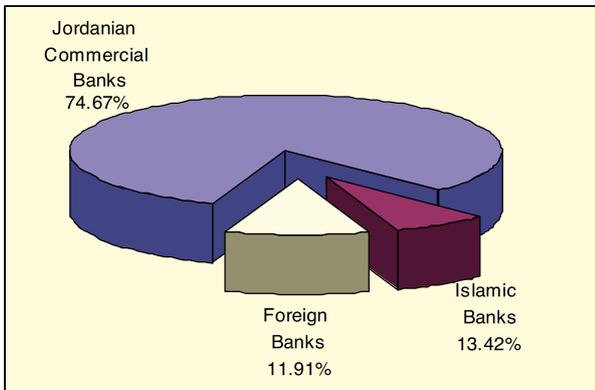
Total assets of banks operating in Jordan at the end of 2009



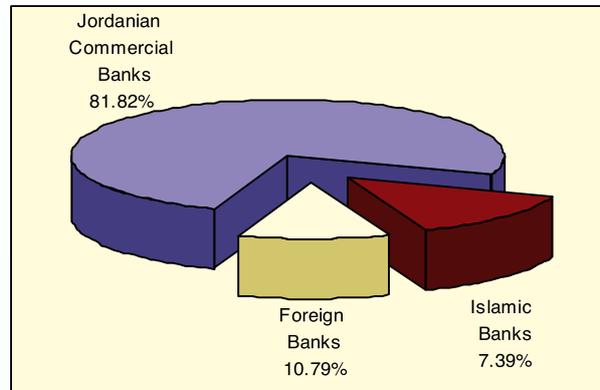
Total credit facilities extended at the end of 2009



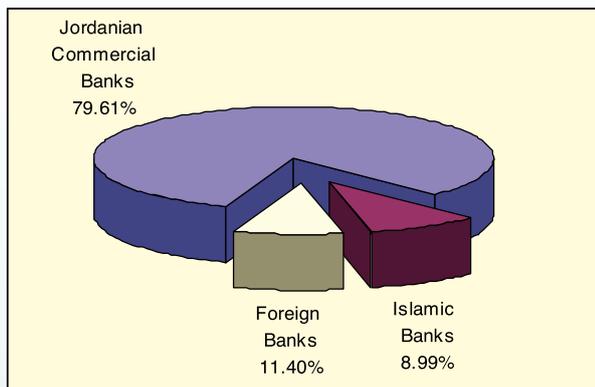
Total deposits at banks operating in Jordan at the end of 2009



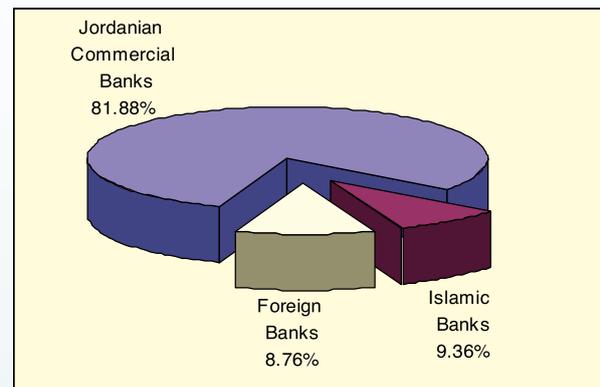
Shareholders' equity of banks operating in Jordan at the end of 2009



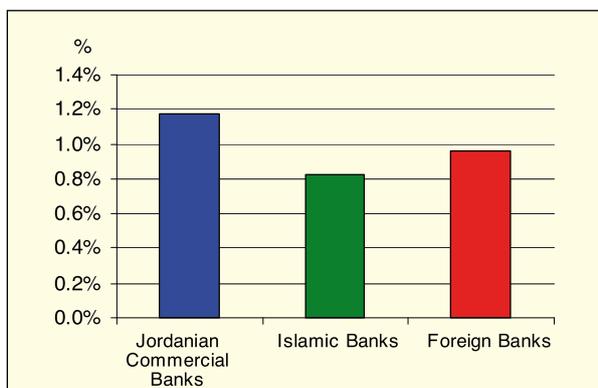
Capital of banks operating in Jordan at the end of 2009



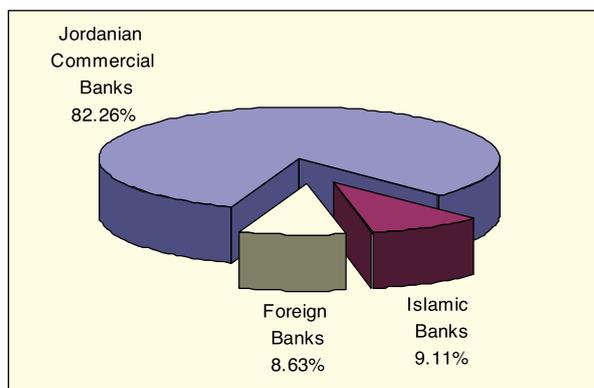
Pre-tax Profit of banks operating in Jordan in 2009



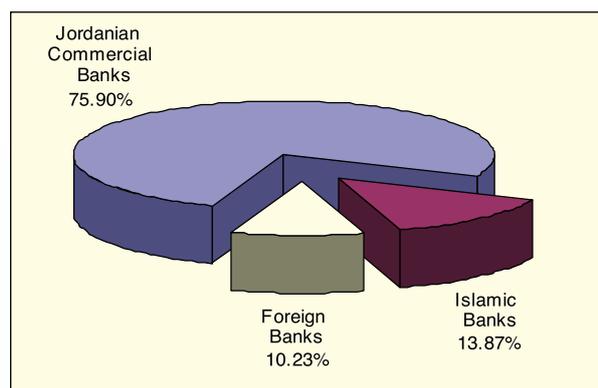
Return on assets for banks operating in Jordan in 2009



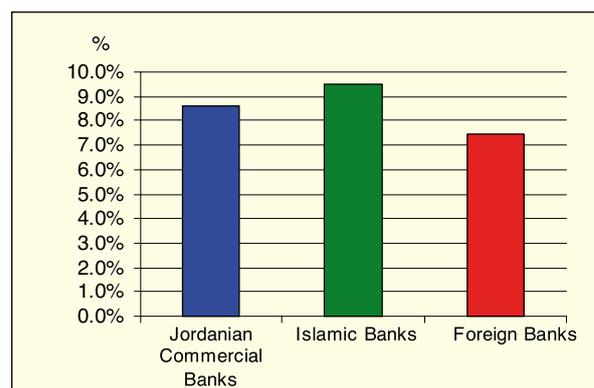
After tax profit of banks operating in Jordan in 2009



Number of employees in banks operating in Jordan at the end of 2009



Return on shareholders' equity for the banks operating in Jordan in 2009





The background of the entire page is a dark blue grid. Overlaid on this grid are several sets of lighter blue, wavy lines that create a sense of depth and movement, resembling a wireframe or a digital mesh. The lines are most prominent in the top-left and bottom-right corners, curving and converging towards the center.

## Chapter Nine

# New Banking Services



To improve and develop their services and keen to keep up-to-date with the latest technologies in banking industry, the banks operating in Jordan introduced several new banking services within the services they provide. The following table shows the most important new services that banks introduced during 2009.

**Table (52)**  
**New Banking Services During 2009**

Bank	The New Banking Services
Arab Bank	<ul style="list-style-type: none"> <li>- Update the Arabi Online</li> <li>- Update the SMS Banking</li> <li>- Self Enrolment service</li> <li>- "Together" platinum credit card</li> </ul>
Jordan Ahli Bank	<p><b>Bancassurance:</b></p> <ul style="list-style-type: none"> <li>- Life Bancassurance Programs: Hemaity ,Mustakbali,Osрати,Shehadi, Sindebad.</li> <li>- General Bancassurance Programs: My Clinic, My Office/Company, My Pharmacy, My Home, My Car.</li> </ul> <p><b>saving account:</b></p> <ul style="list-style-type: none"> <li>- Abna'i saving account.</li> <li>- Jame'ati saving account.</li> <li>- Goushan Al-Omor saving account.</li> <li>- "My Salary in Advance" program, which give the customers the option to withdraw up to 70% of their salaries in advance through ATMs.</li> </ul>
Cairo Amman Bank	<ul style="list-style-type: none"> <li>- «IRIS Guard» recognition.</li> <li>- Foreign exchange services through «CAB FX».</li> <li>- Providing housing loans for «decent housing for decent living» initiative.</li> <li>- Student loan program.</li> <li>- Paying Zain bills through direct deduction from the customer's account.</li> <li>- Easy installments program through credit cards.</li> <li>- Mobile bank, which contains ATM and customer service.</li> <li>- Withdrawals from ATMs through eye print without using cards or PIN code.</li> <li>- Direct ATM loan.</li> <li>- JD5000 Emergency aid to some clients, paid to the customer's heirs upon his death.</li> </ul>
Bank of Jordan	<ul style="list-style-type: none"> <li>- Direct cash deposit through ATM (BNA).</li> <li>- The issuance of chip cards.</li> </ul>

**Table (52) / Continued:  
New Banking Services During 2009**

Bank	The New Banking Services
Arab Jordan Investment Bank	<ul style="list-style-type: none"> <li>- Upgrade e-banking services to include more services.</li> <li>- SMS banking.</li> <li>- Queue System.</li> <li>- Underwriting IPOS in latin America in favor of clients.</li> <li>- Trading in gulf stock markets and near east market.</li> <li>- establishing a central department for incoming and outgoing transfers and checks.</li> <li>- Verified by Visa (VBV) service.</li> <li>- The usage of advanced and modern Banking softwares.</li> <li>- Using REUTER system to match Services with Treasury and investment.</li> </ul>
Jordan Commercial Bank	Renewal of saving accounts program.
Union Bank	<ul style="list-style-type: none"> <li>- Call center.</li> <li>- Personal loans program.</li> <li>- Deposit with interest paid in advance.</li> <li>- Saving accounts - awards for school premium.</li> </ul>
Capital Bank	<ul style="list-style-type: none"> <li>- Money Gram.</li> <li>- Bills paying service - Ejaby .</li> </ul>
Jordan Islamic Bank	<ul style="list-style-type: none"> <li>- Expanding ATMs network.</li> <li>- Expanding SMS service.</li> </ul>
International Islamic Arab Bank	Online banking services.
Egyptian Arab Land Bank	<ul style="list-style-type: none"> <li>- Recharge mobile through the website.</li> <li>- Prepaid cards through the website.</li> <li>- Social security payment through the website.</li> </ul>
Citi Bank	<ul style="list-style-type: none"> <li>- Online Trade Reporting .</li> <li>- Online Arabic Manger Cheeks Issuance.</li> </ul>
Standard Chartered	SME department.

- Source: Banks' data.

The background of the entire page is a dark blue grid. Overlaid on this grid are several light blue, wavy, mesh-like patterns that create a sense of depth and movement. These patterns are most prominent in the top-left and bottom-right corners, and also appear as horizontal bands across the middle of the page.

## Chapter Ten

# Human Resources Working in Banks



This chapter reviews selective indicators of human resources at the banks operating in Jordan. The indicators show the development of the number of employees according to gender (males and females), the distribution of the workers at banks according to the educational qualifications and the distribution of employees according to age bracket. Also the distribution is broken down by geographical areas and the number of workers with training courses according to the bank. Resignations and appointments are also included.

## 1- Number of Workers

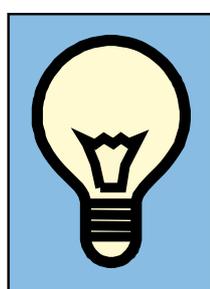
Around 15,790 employees worked at the banks operating in Jordan as of the end of 2009. Those who work at the banks represent about 1.3 percent of the total workforce in Jordan (The National Centre for Developing Human Resources / <http://almanar.jo>).

**Table (53)**  
**Distribution of Bank Employees by Gender (2004 – 2009)**

Year	Males	Relative Distribution (%)	Females	Relative Distribution (%)	Total	Change Percentage (%)
2004	8715	70.1	3714	29.9	<b>12429</b>	4.3
2005	9135	69.3	4047	30.7	<b>13182</b>	6.1
2006	9701	68.5	4464	31.5	<b>14165</b>	7.5
2007	10160	67.44	4905	32.56	<b>15065</b>	6.4
2008	10611	66.83	5267	33.17	<b>15878</b>	5.4
2009	10406	65.90	5384	34.10	<b>15790</b>	-0.6

- Source: Banks' data.

Breaking down the employees of banks by gender, the percentage of males dropped from 70.1 percent in 2004 to 65.9 percent at the end of 2009. As such, the percentage of females went up from 29.9 percent in 2004 to 34.1 percent at the end of 2009. These statistics point to a continued rise in the percentage of participation by both genders in the Jordanian banking sector positioning it with the highest rate among Jordanian economic sectors.



According to the Department of Statistics the percentage of females over 15 years of age to the total Jordanian workforce stands at about 15.4 percent. The percentage of women aged more than 15 years to the overall workforce was around 17.8 percent in 2008.

- Source: Jordan in Figures booklet, Department of Statistics issue 11, dated September 2009.

## 2- Distribution of Workers in Banks by Educational Qualification

Employees holding doctorate, masters and baccalaureate university degrees accounted for 65 percent of the total number of staff at the end of 2009 compared to 52.5 percent in the year 2004. The number of

workers who hold Tawjihi certificates or less continued to decline reaching 17.1 percent in 2009 compared to 23.6 percent in 2009. The number of diploma holders was on the decline from 2004 until 2008 but the percentage for those rose at the end of 2009 to 17.8 percent from 17.4 percent in 2008.

**Table (54)**

**Distribution of Bank Employees by Education Level (2004 – 2009)**

Year	Doctorate		Master		BA		Diploma		Tawjihi		Without Tawjihi		Total
	#	%	#	%	#	%	#	%	#	%	#	%	
2004	17	0.1	657	5.3	5853	47.1	2963	23.9	1520	12.2	1419	11.4	<b>12429</b>
2005	19	0.1	748	5.6	6582	50.0	2992	22.7	1389	10.6	1452	11.0	<b>13182</b>
2006	24	0.2	781	5.5	7654	54.0	2841	20.1	1347	9.5	1518	10.7	<b>14165</b>
2007	26	0.2	834	5.5	8638	57.3	2844	18.9	1268	8.4	1455	9.7	<b>15065</b>
2008	32	0.2	904	5.7	9402	59.2	2761	17.4	1224	7.7	1555	9.8	<b>15878</b>
2009	33	0.2	938	5.9	9304	58.9	2803	17.8	1206	7.6	1506	9.5	<b>15790</b>

- Source: Banks' data.

### 3- Distribution of Workers in Banks by Age Bracket

The rate of employees aged less than 25 years declined from 17.3 percent in 2008 to 14.4 percent in 2009 whereas the rate of workers aged between 25 years and 39 years rose from 56.3 percent in 2008 to 59 percent in 2009. Also the percentage of those aged above 60 years and still employed edged up from 0.6 percent in 2008 to 0.7 percent in 2009. The percentage of those aged between 40 and 59 years remained unchanged at 25.9 percent of the total number of workers in banks.

**Table (55)**

**Distribution of Bank Employees by Age Group (2004 -2009)**

Year	Less Than 25 Years		25-39 Years		40-59 Years		More Than 60 Years		Total
	#	%	#	%	#	%	#	%	
2004	1732	13.9	7018	56.5	3584	28.8	95	0.8	<b>12429</b>
2005	1897	14.4	7231	54.8	3938	29.9	116	0.9	<b>13182</b>
2006	2305	16.3	7812	55.1	3949	27.9	99	0.7	<b>14165</b>
2007	2541	16.9	8196	54.4	4251	28.2	77	0.5	<b>15065</b>
2008	2747	17.3	8944	56.3	4107	25.9	80	0.5	<b>15878</b>
2009	2277	14.4	9316	59.0	4089	25.9	108	0.7	<b>15790</b>

- Source: Banks' data.

### 4- Social Status of Workers

The percentage of employees who were single to the total number of workers in banks was 39.1 percent in 2009, lower than the 42.6 percent in 2008. Those who were married was higher rising from 57.4 percent of the total number of employees in 2008 to 60.9 percent.

**Table (56)**  
**Distribution of Bank Employees by Social Status (2004 -2009)**

Year	Singles		Married		Total
	#	%	#	%	
2004	4135	23.3	8294	66.7	<b>12429</b>
2005	4757	36.1	8425	63.9	<b>13182</b>
2006	6376	45.0	7789	55.0	<b>14165</b>
2007	6364	42.2	8701	57.8	<b>15065</b>
2008	6762	42.6	9116	57.4	<b>15878</b>
2009	6174	39.1	9616	60.9	<b>15790</b>

- Source: Banks' data.

## 5- Geographical Distribution of Workers in Banks by Governorates

The number of employees in banks in Amman totaled 13,250 workers or 83.91 percent of the total number of bank employees. The Irbid governorate accounted for 4.76 percent of the total number of bank workers followed by Zarqa (3.79 percent); Aqaba (1.45 percent); Balqa (1.39 percent) and the Karak governorate (1.30 percent). The rate at each of the remaining governorates in the Kingdom did not exceed one percent.

**Table (57)**  
**Geographical Distribution of Bank Employees by Governorate at the End of 2009**

Governorate	Number of Employees	Geographical Distribution of Employees (%)
Amman	13250	83.91
Irbid	751	4.76
Zarqa	599	3.79
Balqa'	219	1.39
Aqaba	229	1.45
Al Karak	206	1.30
Madaba	118	0.75
Maan	100	0.63
Jerash	84	0.53
Ajloun	74	0.47
Tafileh	54	0.34
Mafrq	106	0.67
<b>Total</b>	<b>15790</b>	<b>100.0</b>

- Source: Banks' data.

\* The concentration of workers for each governorate = number of bank employees in the governorate / (overall number of bank employees)\* 100%.

**Table (58)**  
**Distribution of Bank Employees by Governorate and Bank at the End of 2009**

<b>Banks</b>	<b>Amman</b>	<b>Irbid</b>	<b>Zarqa</b>	<b>Balqa</b>	<b>Aqaba</b>	<b>Karak</b>	<b>Madaba</b>	<b>Maan</b>	<b>Jerash</b>	<b>Ajloun</b>	<b>Tafileh</b>	<b>Mafraq</b>
Arab Bank	2508	37	64	7	18	7	9	11	6	5	6	9
Jordan Ahli Bank	1099	54	27	30	18	16	13	11	11	0	12	11
Cairo Amman Bank	1147	73	54	30	19	27	11	12	15	0	0	19
Bank of Jordan	1107	97	55	19	14	11	10	8	11	14	0	14
The Housing Bank for Trade & Finance	1457	126	93	36	13	36	13	26	11	18	13	15
Jordan Kuwait Bank	730	20	28	11	11	4	8	0	0	0	0	5
Arab Jordan Investment Bank	315	14	14	0	9	0	0	0	0	0	0	0
Jordan Commercial Bank	392	25	11	19	11	7	7	0	0	0	0	0
Investbank	243	9	10	0	11	0	0	0	0	0	0	0
Arab Banking (Corporation) Jordan	374	7	6	0	8	4	0	0	0	0	0	0
Union Bank	418	22	12	0	18	0	7	0	0	0	0	0
Societe General-Jordanv	206	5	6	0	5	4	4	0	0	0	0	0
Capital Bank	324	6	13	0	9	0	0	0	0	0	0	0
Jordan Islamic Bank	1046	212	164	56	24	83	26	32	29	37	23	23
International Islamic Arab Bank	370	10	25	7	9	7	7	0	0	0	0	0
HSBC	387	0	0	0	0	0	0	0	0	0	0	0
Egyptian Arab Land Bank	241	10	12	0	11	0	0	0	0	0	0	9
Rafidain Bank	25	1	0	2	0	0	1	0	0	0	0	1
Citi Bank	53	0	0	0	0	0	0	0	0	0	0	0
Standard Chartered	325	6	0	0	7	0	0	0	0	0	0	0
Bank Audi	171	8	0	0	6	0	0	0	0	0	0	0
National Bank of Kuwait	128	0	0	0	8	0	0	0	0	0	0	0
BLOM Bank	184	9	5	2	0	0	2	0	1	0	0	0
<b>Total</b>	<b>13250</b>	<b>751</b>	<b>599</b>	<b>219</b>	<b>229</b>	<b>206</b>	<b>118</b>	<b>100</b>	<b>84</b>	<b>74</b>	<b>54</b>	<b>106</b>

- Source: Banks' data.

## 6- Training Courses

To improve the skills of bank employees and to upgrade their capabilities and efficiency, the banks operating in Jordan organised a number of training courses for their staff. A total of 23,585 employees participated in the training courses that were held at training centres of the banks. The number of the participants in training courses that were held at local training centres was 4,248 employees whereas the number of those who attended training courses abroad stood at 404 workers.

**Table (59)**  
**Number of Employees Who Attended Training Courses in 2009**

Bank	Training Centres of the Banks		Local Training Centres		Training Courses Abroad	
	Male	Female	Male	Female	Male	Female
Arab Bank	876	321	117	42	12	7
Jordan Ahli Bank	2027	1958	376	197	13	2
Cairo Amman Bank	1055	570	225	90	7	3
Bank of Jordan	2797	1800	259	76	7	2
The Housing Bank for Trade & Finance	870	253	152	48	15	4
Jordan Kuwait Bank	1521	766	194	57	3	1
Arab Jordan Investment Bank	186	110	0	0	1	1
Jordan Commercial Bank	296	199	185	90	40	1
Investbank	0	0	54	52	0	0
Arab Banking (Corporation) Jordan	343	278	174	102	0	0
Union Bank	642	335	172	92	13	4
Societe General-Jordan	135	70	99	28	21	4
Capital Bank	221	133	158	79	12	5
Jordan Islamic Bank	2821	200	338	30	23	0
International Islamic Arab Bank	991	336	118	53	7	0
HSBC	291	321	70	64	0	0
Egyptian Arab Land Bank	59	35	91	80	36	12
Rafidain Bank	0	0	0	0	0	0
Citi Bank	0	0	23	15	3	4
Standard Chartered	45	22	7	2	77	33
Bank Audi	245	243	78	54	14	14
National Bank of Kuwait	48	45	16	22	0	3
BLOM Bank	74	47	45	24	0	0
<b>Total</b>	<b>15543</b>	<b>8042</b>	<b>2951</b>	<b>1297</b>	<b>304</b>	<b>100</b>

\* The above numbers may include duplication of the same employees who attended more than one course.

- Source: Banks' data.

## 7- Resignations and Appointments

Banks operating in Jordan appointed 2,026 employees during 2009, less than the 2,857 who were hired in 2008. The number of those who quit for all kinds of reasons reached 2,229 workers in 2009 compared to 2,200 workers in 2008.

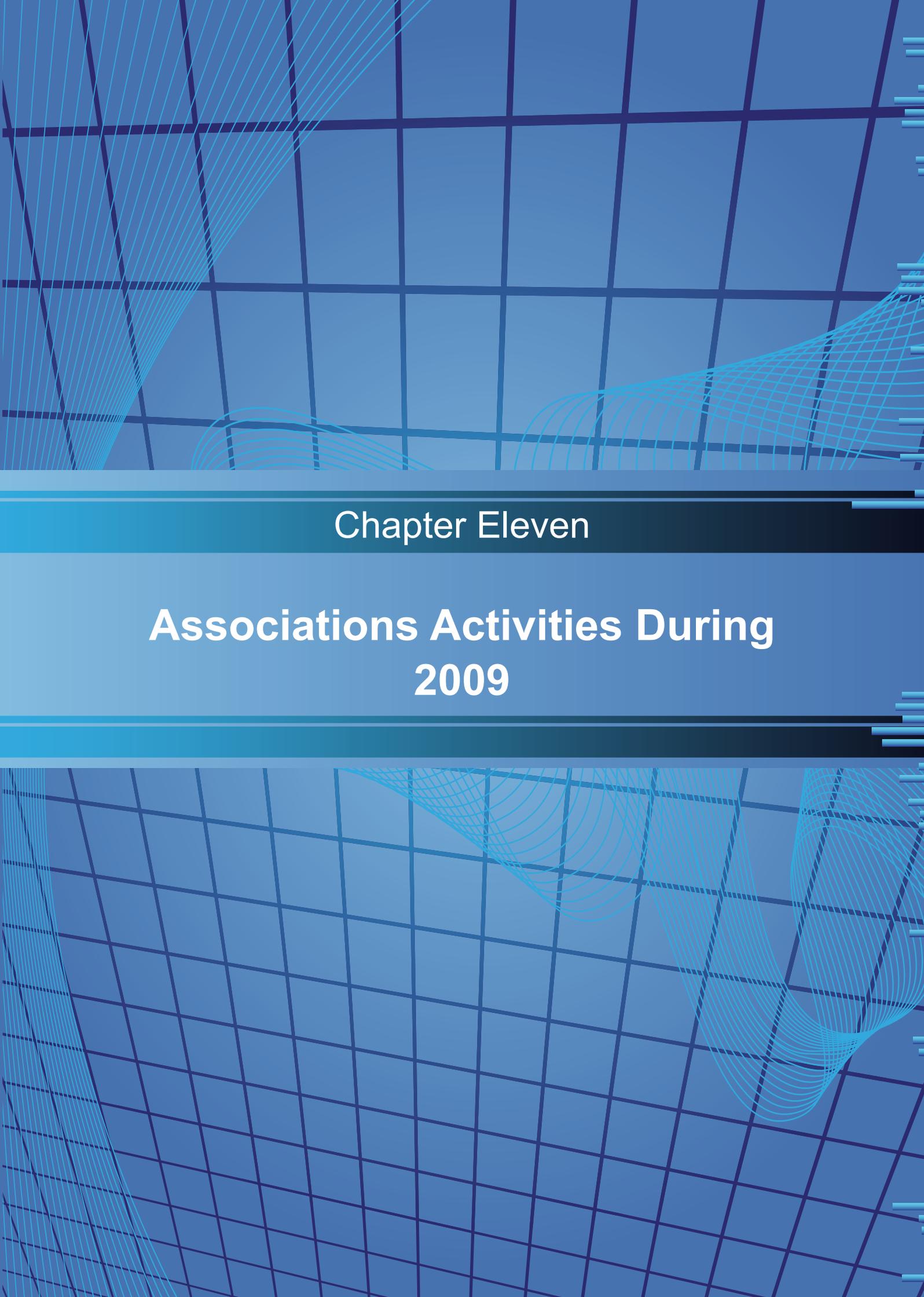
Subsequently, the 2009 staff turnover (total resignations / total employees x 100 percent) rose to 14.1 percent at the end of 2009 compared to 13.9 percent in 2008.

**Table (60)**  
**Appointments and Resignations (2004 – 2009)**

Year	Resignations*	Appointments	Staff Turnover Rate %
2004	1015	1554	8.17
2005	1341	2094	10.17
2006	1778	2761	12.55
2007	2131	3168	14.15
2008	2200	2857	13.86
2009	2229	2026	14.12

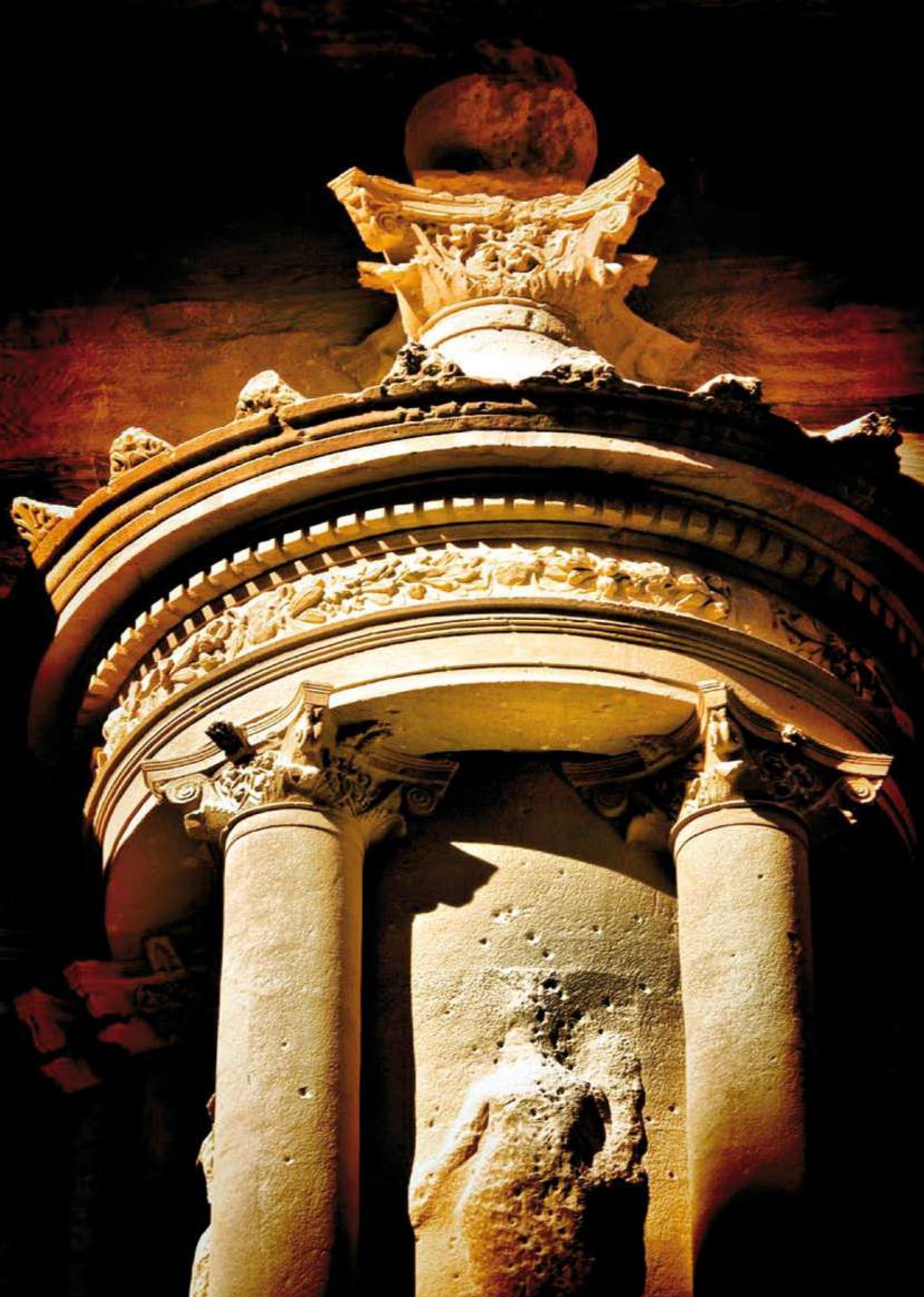
\* Resignations includes all those who quit working for all reasons,; voluntarily or retirement ... .

- Source: Banks' data.

The background of the entire page is a dark blue grid. Overlaid on this grid are several lighter blue, wavy, mesh-like patterns that create a sense of depth and movement. These patterns are most prominent in the top-left and bottom-right corners, and also appear as horizontal bands across the middle section.

## Chapter Eleven

# Associations Activities During 2009



The Association of Banks in Jordan discussed and followed up during 2009 on various issues submitted to it, especially those presented by member banks. Those issues were thoroughly discussed by the specialized technical committees in the Association and the banks' remarks were forwarded to the concerned parties whose response was highly valued by taking up many of the observations and proposals that the Association recommended in the name of the banks on different issues. Within the sphere of training, the Association held during 2009 a series of meetings, seminars, workshops, lectures, and training courses on various issues and topics of interest to the banking sector. In the area of studies, the Association issued during 2009 a set of publications, reports and studies of concern to the Jordanian banking system. In this chapter we shall review the most important activities that the Association carried out in 2009.

## 1- Central Bank of Jordan's Instructions

### ■ Draft of Instructions for the Second Pillar of Basel II Standards (Supervisory Review)

The Central Bank of Jordan prepared the draft of instructions for the second pillar of Basel II standards (Supervisory Review) and asked the association for comments about them. The association distributed the draft of instructions to member banks requesting their remarks on the draft. After receiving comments from 16 banks, the association unified similar responses and compiled them before forwarding the proposals to the central bank on August 11, 2009.

### ■ Central Bank Lowers Interest Rates by Half Percentage Point and the Mandatory Cash Reserve By One Percentage Point

The Central Bank of Jordan decided to lower key interest rates on monetary policy tools by 50 basis points (half percentage point) as of Thursday, March 12, 2009.

The reduction brought down the rediscount rate from 6.25 percent to 5.75 percent and the repurchase rate (repo) from six percent to 5.50 percent. The interest rate that banks receive from the central bank for excess liquidity in dinars on overnight funds came down from four percent to 3.50 percent

The central bank also reduced the mandatory cash reserve on local and foreign currency deposits at banks by one percentage point from nine percent to eight percent as of end of April 2009.

The decision of the central bank to lower the key interest rates by half percentage point was due to a drop in inflation and expectations of further declines. According to official figures issued by the central bank, the monthly inflation rate in January was 0.5 percent lower than the previous month. The inflation rate in Jordan reached 14.39 percent in 2008.

It is expected that these decisions, especially the reduction of the mandatory cash reserve on deposits, would divert more funds for lending and subsequently, activate economic growth.

These measures were the second move by the bank since the start of the international financial crisis in addition to other decisions most importantly was halting the issuance of certificates of deposit. This stoppage dispensed additional liquidity in excess of two billion dinars and took down the interest rates on treasury bills from six percent to four percent. The central bank also issued temporary new instructions until the end of this year with regard to bank supervision. The aim was to ease some requirements related to classification of credit facilities and allocation of necessary provisions for them from profits.



### ■ Central Bank Lowers Interest Rate by Half Percentage Point and the Reserve by one Percentage Point

The central bank decided to reduce the rediscount rate from 5.25 percent and the repurchase rate (overnight) from six percent to five percent starting Sunday April 19, 2009. The bank cut the interest rate that banks receive from the central bank for excess liquidity in dinars on overnight funds to three percent.

The central bank also reduced the mandatory cash reserve on local and foreign currency deposits at banks to seven percent starting Sunday April 19, 2009.

The central bank acted in view of the deepening recession in world economy and the lessening of global inflationary pressure. With the spread of impact to regional and national economies, the Jordanian economic growth rate regressed to four percent during the fourth quarter of 2008 compared to 5.4 percent during the same period of 2007. At the same time, the inflation rate eased to 8.2 percent during the first quarter of 2009 from 9.9 percent during the same period of 2008.

These developments provided the Central Bank of Jordan with a wider scope to take up an additional expansionary approach in the monetary policy to free up more liquidity to the banks operating in the Kingdom so as to persuade them to expand their credit extension at a lower cost for financing the various economic sectors.

Besides this third reduction of its kind to counter the repercussions of the international financial crisis, the central bank decided on a package of measures that eased the terms for classifying non-performing loans and modified the instructions related to legal liquidity of banks, especially with regard to inter-bank, until the end of 2009. The measures also urged banks to enhance their capital through capitalizing their profits instead of distributing them in cash dividends.

The central bank requested the banks to exclude the credit facilities extended for financing the purchase of residential apartments and also those extended to contractors within the Royal "Decent Housing for Decent living" initiative from the direct credit percentage for property construction or purchase.

Because the measures also included a halt to the issuance of certificates of deposit by the central bank from October 2008, the banks' surplus liquidity went up to more than JD3.3 billion

### ■ Central Bank Lowers Interest Rates by Half Percentage Point

The open market committee, headed by the governor of the Central bank of Jordan, decided to lower anew the interest rates on key monetary policy tools by 50 basis points from December 20, 2009. The reduction was as follows:

1. Cutting the window deposit interest rate from three percent to 2.5 percent annually.
2. Cutting the repurchase agreement rate from five percent to 4.5 percent annually.
3. Cutting the rediscount rate from 5.25 percent to \$.75 percent.

This enactment occurred in view of the negative inflation rate locally and the forecast that interest rates will stabilize internationally at their current low levels in the medium term. Also, this step was in line with the bank's policy to monitor local and world developments and to take any measure deemed necessary by the conditions in the interest of the national economy. Most important of such developments, as indicated recently by the central bank in the course of reconsidering the instructions on bank controls, was the noticeable slowdown in rates of real growth and its impact on most key economic changes.

## 2- Public Policy Issues

### ■ Amendment of Hypothecation Law No. 8 Year 2009

The amendment to the law of hypothecation number (8) year 2009, was published in the Official Gazette issue 4952 dated March 1, 2009 but, regrettably, the amendment did not tackle all the loopholes that the association cautioned about.

### ■ Draft of the 2009 Tax Law

During a broad meeting held by the association to debate the income tax law, legal and financial representatives of member banks discussed the draft that was proposed by the government and the suggestions that the banks recommended. The deliberations included the regional and international concept of taxation, the tax rate on banks, the operational and investment income, the exempted sources of income, the capital profits from trading in shares and real estate, the lump-sum compensation resulting from labour injuries and death, the provisions for bad debts and doubtful assets of banks and financial institutions, the exemption of donations which the present law sanctioned, and reinstating the exemption of pensions, lump-sum remuneration and end-of-service gratuity. Other issues that were examined covered reinstating the discount incentive currently granted and exempting the interest of treasury bills, development bonds, treasury corporate bonds and corporate bonds of public shareholding companies. All the following bank remarks were forwarded to the minister of finance:

Banks pointed out that lowering the tax on banks to 25 percent is not enough because actually remains higher for the following reasons:

- 1- Canceling the six percent discount incentive which represents around two percent of the tax bracket
- 2- Income tax pre-payment places additional burden on the bank and subsequently on the tax rate
- 3- Subjecting to tax profits from trading in shares and bonds
- 4- Subjecting the interest on bonds, corporate bonds and treasury bills that were exempted at a rate of 25 percent as they represent substantial amounts at the banks
- 5- Authorizing 20 percent of expenses related to income realized from external branches. This is not reasonable and violates the accounting and taxation principles.
- 6- Subjecting the interest earned on deposits at banks abroad to a five percent tax that should be disbursed to the Income Tax Department during 30 days from the day the income is received or the date it is due whichever comes first noting that this item is a contentious point disputed in courts between the banks and the Income tax Department as per the law currently in effect.
- 7- The draft did not authorize deducting more than 80 percent of the special provision related to non-performing loans and this violates the Banks Law.

Regarding exemptions, banks indicated the following:

- 1- Unfairness in taxing different types of legal entities, Article 233 of the draft stipulates a 12 percent tax rate of on the taxable income of some types of legal entities whereas in some other types, including banks, the tax rate is 25 percent of the taxable income. The draft exempted the sectors that pay a 12 percent tax from levies on the income they generate from trading in shares, bonds, corporate bonds, treasury bills investment funds and currencies; whereas such income for those sectors that pay a 25 percent tax, including banks, were subjected to tax. Typically, the opposite is correct because the entity that pays higher tax should get more exemptions.

- 2- The article 236 of the draft subjected to tax the unrealized profit from the shares and securities held for trading by valuing them at the market price on the last working day of the taxation period. Typically, the unrealized profit is not subject to tax to encourage banks to invest in Amman Bourse.
- 3- Not exempting the end-of-service gratuity and pensions from tax.
- 4- Handling the tax on an annual basis and obligating companies to pay the tax within 15 days after the second quarter and the fourth quarter without an incentive discount to cover the investment return that could be earned on these amounts.
- 5- Canceling the exemption related to interest on treasury bills, government bonds and corporate bonds. Under the present law currently in force, 25 percent of this type of income is exempted.
- 6- Canceling university fees and charges related to the vocational training fund and the scientific research fund, all of which account for 3 percent of profit.

As to dual taxation, the draft imposed a percentage on the income of an entity abroad meaning that the income tax on the branches of banks abroad will be double in many cases. In article (234-h) related to deducting from the source and obliging the banks to deduct five percent of the paid interest, the exemption was limited to interest realized by the banks and financial companies operating in the Kingdom. Subsequently, the deduction applies to interest paid to banks abroad. This will put the Jordanian banks in a disadvantage because it will be difficult for them to compete for attracting deposits from the banks abroad and will cause a flight of those deposits from the Kingdom. As such, the profits of local banks will be less reflecting negatively on the national economy and income tax revenue.

Regarding donations, a ceiling of not more than 10 percent of taxable income will be accepted as donations to not-for-profit organizations whereas in the present law currently in force, all donations are accepted without a specified ceiling.

Of the general remarks noted by the banks on the draft law were:

- 1- Because the Central Bank of Jordan issues instructions different in terminology from the wording used in the draft law, problems could arise in the application. For example, banks use the term "impairment provision" whereas the draft uses the term "non-performing loans".
- 2- The draft law used several terms to describe the same meaning such as the "legal entity" and "juridical person".
- 3- Repetitiveness in the articles of the draft (articles 205 - 222 with articles 223 - 238)
- 4- Shifting from the straight line method for depreciating fixed assets to a declining balance method which is more complicated.
- 5- The draft did not deal with the way for handling impairment in the value of securities.

#### ■ Instructions of Jordan Securities Commission

The Jordan Securities Commission (JSC) issued instructions regarding the accounting rules and the standards that should be applied regarding the fair value as per the decision of the board of commissionaires number 727/2007 dated 16-12-2007. The JSC instructions require that losses from the reevaluation of financial assets available for sale and held until maturity be acknowledged in the income statement in case the market value of these assets drop by 20 percent or more of the investment cost when purchased and remain so for nine months or more. The association called for holding a meeting to discuss the instructions and a letter was sent to the JSC asking that the second article of the instructions be reconsidered.

Taking into consideration, that the International Accounting Standards Board intends to reconsider the accounting standard number 34; that the US Financial Accounting Standards Board has issued clarifications on measuring the fair value of securities and acknowledging the impairment in the income statement; and that, based on actual practice, major auditing firms agree on approximately 30 percent as the rate that is most logical and suitable to deem the impairment in the value of securities as critical; then it is all but obvious that applying the JSC instructions would harm the banks and the companies especially when, at present, there is ambiguity regarding the fair value of investments in international financial markets.

Bank members asked that the JSC be contacted again to reconsider the second article of the instructions in a way that would serve the general interest of companies and the national economy and safeguard against unjustified losses by national corporations. Accordingly, another letter was sent to the JSC on 14-6-2009 detailing the banks' view on the instructions.

#### ■ Security of Credit and Debit Cards

During a meeting held on 9-7-2009 at the Association of Banks, discussions covered the security of credit and debit cards and the extent of awareness raised by banks' bulletins on how to use the cards and on what to do in case a card is lost, stolen or in any case of fraud. It was agreed to form a committee, comprising representatives of banks, for devising ways to thwart acts of fraud by educating cardholders and businessmen. This committee convened on 15-7-2009 in the presence of representative from the Central Bank in Jordan who stressed during the meeting on the need to confront what is called as "skimming" phenomenon which happens when fraudulent gangs place in an ATM slot, intended for putting cards, a special device that copies all information marked on the cards. The central bank representative noted that such fraudulent actions may cost the banks quite a lot of money especially as the banks compensate clients in these cases.

At the end of the meeting, the committee members recommended the following:

- 1- Have the association's management contact the banks so that they would name their representatives to the committee and facilitate approvals for them to attend the meetings whenever it is necessary.
- 2- Request the banks to provide the committee with all directives they circulate to clients and businessmen on how to use the cards and action required in case they are lost or stolen. These directives will be studied, compiled and adopted by the committee before issuing them in the form of recommendations and circulating them to all banks for application. The committee will also describe the best venues and means to deliver these directives easily and efficiently to customers and businessmen.
- 3- Consider the possibility of opening a special web page for the committee on the association's website so as it would be a focal point for authorized personnel in the concerned departments to exchange information should there be any hacking of information to the cards of any bank client or ATM.
- 4- Invite representatives of Visa, Master Card and National Express as well as representatives of security systems to attend any meeting that the committee deem necessary. Committee members have emphasised the importance of involving these parties as their attendance is crucial and beneficial in the information exchange between all parties to avoid any delay should a hacking takes place.

#### ■ Facilitating Banking Procedures for Blind Customers

The Association of Banks held a meeting on 3-8-2009 to discuss how to facilitate banking procedures for blind customers. During the meeting, which was attended by representatives of member banks, several

problems facing blind customers were identified. A seven-member committee representing the banks was formed and tasked with submitting suggestions and recommendations in this regard. On 13-8-2009, the committee held a meeting that was attended by the board member of the Higher Council for the Affairs of Persons with Disability / president of the Friendship Association for the Blind / president of the Asian Blind Union who indicated that Jordan ratified in 2008 the Convention on the Rights of Persons with Disabilities becoming the 18th country to do so and also joining the monitoring countries to implement the convention.

He said the Higher Council for the Affairs of Persons with Disability will contribute towards any financial costs that banks would incur as a result of extending assistance or facilities to blind persons. He mentioned the following two problems that blind persons encounter when dealing with banks:

- 1- Upon withdrawing any amount from a personal account, the bank requests a blind client to bring two witnesses to verify the transaction. This is much embarrassing and unnecessary as it is not easy to come by two witnesses besides being an infringement on the blind's privacy and the secrecy of his/her personal accounts. In many world countries, bank employees verify the transaction which could also be made under the supervision of the branch manager.
- 2- Banks refuse to give the blind a credit card or an ATM card. This rejection leaves the blind person with no option but to open an account in the name of the spouse or one of his/her children who, in turn, can obtain a credit or ATM card and authorize the blind to handle the account and to use the cards. Noting that banks allow illiterates to open accounts and to receive credit and ATM cards, Ahmad Al Lawzi demanded that the same treatment should be given the blind.

He expressed hope that banks would take up the two mentioned proposals because they are advantageous in the way banks deal with blind persons and are in line with what is practiced in many world countries besides upholding the dignity of the blind person, safeguarding the secrecy of his/her financial position and preventing others from obtaining confidential information.

During the meeting, members of the committee looked at the latest technologies which were devised by leading world companies to go with the needs of the blind and the handicapped; offering the banks the opportunity to explore ideas for discussion with suppliers and consider the possibility of modifying present devices or upgrades. Banks became aware of expected costs especially as some of them contemplate buying latest equipment that can identify a customer by finger print or eye print without using an ATM card. Moreover, banks can specify and equip some locations and neighbourhoods with devices that fit the needs of a blind person in an initial step to get a feedback about such facilities and their effectiveness.

#### ■ **Some Courts Tasking Banks' Lawyers With Payment of Revenue Stamp Fees on Account Statements**

A discussion took place regarding a letter received from a member bank stating that some courts have tasked banks' lawyers with payment of revenue stamp fees on account statements that show customers' balances although revenue stamp fees were paid in the first place on the loan contract. Some lawyers said they have not faced such a tasking by judges but the lawyers of some banks have been obliged to pay stamp fees. Some members of the committee said the Ministry of Finance should explain the reason for this tasking and its legality based on the response of the minister of justice in his letter number 20/11/9553 dated 8/11/2009. The director general of the association suggested that the legal committee submit a legal memorandum about the legality of some courts tasking banks' lawyers with payment of revenue stamp fees on account statements. He requested that the lawyer of the concerned bank be included in the committee that will prepare the memorandum in this regard.

### ■ Borrower's Denial of Indebtedness Substantiated by Real Estate Hypothecation

A discussion took place regarding a borrower's denial of indebtedness substantiated by real estate hypothecation as shown in the letter of a bank member regarding ruling number 40491/2009. This ruling by a seven-member panel was in favour of the banks as it rejected the denial of the borrower on the grounds that such a denial does not apply to hypothecation documents and cannot be negated because it is evidence that cannot be ignored except in the case of forgery. A member of the legal committee mentioned that a judge has issued a ruling that contravenes the one under discussion and promised to supply the legal committee with a copy of that decision. When the director general of the association questioned how judges can issue verdicts that contrast the rulings of higher judicial panels, the member of the legal committee replied that judges are not obliged to follow same subject precedence but rather it is just a reference for judges when settling conflicts and issuing their own decision.

### ■ Discussion of Cassation Court Ruling No. 3081/2008 Regarding a Letter of Credit

This issue, raised in a letter from a member bank, concerned the ruling No.3081/2008 by the Court of Cassation regarding some legal principles that deal with a letter of credit and the responsibility of banks in this regard. As one of the legal committee members was a court-appointed expert on the lawsuit, with the approval of all parties involved, he presented a brief about the lawsuit pointing out that according to the ruling the responsibility of the bank is contractual and not a shortcoming and that the acceptance of trans-shipment is considered an acceptance of the letter of credit. It was also ruled that the bank is not liable for the rejection of the correspondent bank to confirm the letter of credit.

### ■ Issuance of the General Terms for Guarantees by the International Chamber of Commerce

The committee looked at the study presented by one of the experts in the banks about the bank guarantees (letters of guarantee) in Jordan and at the attached letter about adopting general terms set by the International Chamber of Commerce and texts of unified guarantees. The committee decided to follow up on the subject and to invite the author of the study to a later meeting to clarify certain points. Some committee members pointed to some difficulties that may face the implementation of these terms and the unified texts because some official parties impose a guarantee text set separately by institutions and departments. As these guarantee texts do not carry a specified date and are not tied to execution of projects or the purpose for which they are issued, they violate the terms and objective of issuing them. As such, this matter requires consultation with those government institutions and departments to agree on texts acceptable to all parties concerned.

### ■ Annuling the Subpoenas Sent by Police Stations

The committee discussed the letter received from a member bank about the ruling No. 19641/2009 by the Amman Court of Appeals which annulled the subpoenas that were sent by police stations in the foreclosing process of mortgages. The said ruling considered the subpoenas from police stations in violation of the law although this ruling was issued after the latest modification on the hypothecation law. Noting that the ruling was issued after the modification of the law, the committee decided that the Court of Cassation would overrule the decision.

### ■ Security of ATMs

With reference to the midyear discussions of the ATMs security committee, which was lately formed in accordance with the requirement of the present stage, the committee members arrived at a semi-final text that lists the instructions for clients on how to use credit and ATM cards and how to safeguard them against theft and fraud. As banks take up these instructions and circulate them to all cardholders, the guidelines will be part of banks' strategy for ensuring the security of electronic services provided by banks.

### 3- Seminars and Lectures

#### A- Seminars

##### ■ Seminar on Information Security Systems

The Association of banks organized a seminar entitled Crisis Management Related to Information Security. The lecturer was engineer Ayman Ghannum, manager of information security and business continuity at Arab Bank's Risk Management. The association's director general said the importance of information security is derived from its correlation with the work of the public and private sectors and all economic fields. In introducing the lecturer, he indicated that a national committee for information security was formed in Jordan and that the banking sector, through the Association of banks in Jordan, seeks to submit recommendations to the national committee to ensure that it achieves the objective for which it was established in order to arrive at a national system to protect information security.

The lecturer reviewed the developments of information security since the first virus that targeted the US internet which was used for military purposes in 1988. He said when the use of internet spread to educational and commercial activities, the cases of hacking internet webs and intruding on companies' data have increased. As measures countering such attacks were not effective, the need became pressing for introducing national protection systems in which both the public and private sectors participate.

He indicated that some countries have applied national protection systems at an early stage like the United States as well as European and Far East nations. Arab countries introduced protection systems at a later period and, at present, they are limited to Qatar, Saudi Arabia, United Arab Emirates and Tunisia.

Engineer Ghannum said Jordan was one of the countries that are trying to set up a unit for protecting the national information system noting that the government has endorsed a strategy for protecting national information security and has started to apply national policies becoming the first country in the Arab World to adopt national policies to protect information security.

##### ■ Seminar on the Role of Banks in Financing Water Projects

On 15-6-2009, the Association of Banks in Jordan organized a seminar about the role of the banking sector in financing water projects in Jordan. Speaking at the seminar that was held at the association's premises was Lower House of Parliament member and former water minister Dr. Hazem Al Nasser who shed light on the importance of water projects that need financing to be implemented. He stressed the need for initiating an investment financing window in cooperation with the government and the central bank; and for dealing with the water projects as a national priority. He underlined the importance of banks investing in strategic water projects and called on the government at the same time to support the banks that participate in these projects through interest rates or other measures that contribute in facilitating their operations, lowering costs and minimizing risks they may shoulder.

He mentioned the most important challenges that the Kingdom faces in terms of water scarcity and the need to invest \$8.5 billion over the coming 12 at a rate of \$700 million a year to achieve sustainability of water supplies at the present level. This requires a larger contribution from banks on condition of receiving government support. He also presented scenarios for cooperation whether through initiating an investment window, in cooperation with the Ministry of Finance and the Central Bank of Jordan, with the participation of banks operating in the Kingdom or through providing interest support for banks that participate in water projects.

He said the government realizes the importance of having the private sector participate in water projects because of its efficiency and capability to manage and secure the financing. He gave as examples of such partnership the project of Khibet Al Samra water treatment station, which was executed on a build-operate-transfer basis, the Amman water management project and the Disi water conveyance project.

He added that the government encouraged local banks to participate in the Khibet Al Samra project but there was no interest to extend direct financing. He attributed the unwillingness of banks to participate in such projects to the long period of execution and the long-term financing.

He underlined the importance of investment in the water sector by the banks operating in Jordan in order to be in conformity with the millennium objectives of providing safe drinking water to the citizens despite the delay, caused by the international financial and economic crisis, in the implementation of these goals that aim at cutting the number of persons who do not get clean drinking water by half. He indicated that banks play an important role as their contribution to the strategic water projects will encourage regional banks to participate in the financing process. He finally called on the central bank to play a role in enabling banks to take part in these projects.

Dr. Kandah, the association's director general, said banks have to seriously study scenarios for financing water projects, build on previous studies that banks have conducted and consider forming a syndicate to enter these vital projects. He added that it is not possible to achieve a qualitative leap in Jordan without executing the projects specified by His Majesty the King, especially the water projects because their implementation ensures economic growth and prosperity for the citizens.

It is noteworthy to mention that the Kingdom is progressing in the implementation of two strategic water schemes. The first is conveyance of Disi water to Amman and the northern governorates while the second is the national project to bring Red Sea water to the Dead Sea going parallel with the Red-Dead Canal project the study of which is currently being financed by the World bank.

## **B- Workshops**

### **■ Workshop on Loans to Small and Medium-Size Enterprises (SMEs)**

The Association of Banks in Jordan and the USAID-funded Jordan Economic Development Programme (SABEQ) organized a workshop on 17-18/ 3/2009 at the association's premises to assess applications for SME loans. The workshop, which aimed at achieving better understanding of the procedures for accepting applications for SME loans, was attended by the credit managers at banks and financial institutions besides USAID staff in Jordan and interested people.

Besides exchanging views and information about the issuance practices and comparing them to similar ones in other countries, the participants had the chance to acquire valuable information about improving issuance procedures and loan guarantees.

### **■ Workshop on E-commerce Strategy**

Within the government plan to implement the e-commerce national strategy, the Association of Banks in Jordan held a workshop on 29/ 3 /2009 to discuss the subject of e-commerce strategy. It was attended by the heads of information technology departments and those concerned with e-commerce at member banks.

Within its role in the national team for e-commerce, the association will organize specialized workshops and training/ educative courses for employees of the banking sector. A working team will be formed from the association's information technology committee, which is formed from member banks, in order to engage the private sector in all the stages of implementing the national strategy.

### ■ “Financial Crime” Workshop

In cooperation with EJADA, the Association of Banks in Jordan held on 5/ 8 /2009 a workshop about financial crime. The latest developments on fighting financial crimes were presented and expert David Dickson relayed real experiences pointing out the challenges that face the financial services market in this regard. The workshop demonstrated the methods for fighting financial crime by using the Norkom solutions for countering financial crime and ensure compliance.

### ■ Workshop Presents “New Product from SEDCO”

The Association of Banks in Jordan organized a workshop on 11/ 8 /2009 to present a new product from SEDCO. During the presentation, the new product “ Infotrix” was highlighted as a specialized system that handles customers from the moment they enter the bank until they leave. The system is capable of identifying customers (through the ATM) when they request various services via “touch screen kiosks” and then manage the queuing according to priorities that depend on client’s category and the service required. The system includes a small touch screen to get the customer feedback directly after finishing the service, and the “digital signage” which can design and schedule media and advertising material in a centralized manner on LCD screens in various branches.

### ■ Disclosing “Focus Group” Results

On 9/ 9/ 2009, the Association of banks in Jordan disclosed the results of the study that the association carried out with the support from the USAID through the SABEQ programme . Through the “ Focusing Group”, one of the accredited tools in conducting field surveys for gauging public opinion, the association obtained customer’s evaluation of banks operating in the Jordanian banking sector.

The research and study covered the following key areas: Customers’ behaviour in terms of using banking products and services, customers’ level of saturation and loyalty, customers’ awareness of the extent of banks’ services and products meeting their needs and wishes, and the effect of media as a means in building a conception about banks in the Jordanian banking sector.

The study targeted the following categories:

- Owners of small and medium-size enterprises (males).
- Owners of small and medium-size enterprises (females).
- Employees.

### ■ Workshop on “Stress Testing”

In cooperation with the Central Bank of Jordan, the Association of Banks in Jordan held on 28/10/2009 a workshop about the instruction for “stress testing”. The workshop, attended by about 70 participants representing 18 of the 23 banks operating in Jordan, aimed at shedding light on the most important points related to stress testing which is considered an important tool used by banks as a part of their risk management process.

Dr. Adli Kandah, the Association’s Director General, delivered an opening address in which he stressed the increasing importance of these tests, especially in light of the present international financial and economic crisis. Later, lecturer Mohammad Amayreh from the Central bank of Jordan clarified the most important points related to the tests. He outlined the types of stress testing, their various methodologies and the main risks that should be taken into consideration such as the credit risk, credit concentrations, market risks, liquidity risks and operational risks. Besides those elements, the lecturer mentioned the role of boards

of directors and executive management in carrying out these tests and selecting the scenarios that will be applied for such tests. He indicated that these tests are not a statistical or mathematical exercise but rather derive their importance from assisting the banks in specifying credit policies and emergency plans to deal with various risks in addition to specifying the extent of capital adequacy for facing future potential risks.

#### ■ **Workshop on Outsourcing in Jordan's Banking Sector**

The USAID-funded Jordan Economic Development Programme (SABEQ) and the Association of Banks in Jordan organized at the association's premises a dialogue session about the possibilities of outsourcing in Jordan's banking sector.

Three international specialists in this field delivered lectures during the session that was attended by number of senior managers in Jordanian banks. Commenting on the dialogue session, the association's Director General Adli Kandah said the workshop is considered one in a long list of workshops and seminars that we usually conduct in cooperation with our partners the USAID-funded Jordan Economic Development Programme (SABEQ). He added that the content of the workshop is highly important for our members if we want the banks in Jordan to learn about the experiences of advanced countries with regard to outsourcing.

He said: "It is up to the banks to decide after that what activities could be outsourced to a third party having the expertise and experience in that field". The workshop presented a general outline about the services that outsourcing provides and the joint service centres. It showed the international trends in the outsourcing sector and the international outsourcing services available in the financial sector. The participants were able at the end of the workshop to draw up a traditional road map for outsourcing services that could be provided in Jordan as well as specify an outsourcing duration and methods.

#### ■ **Workshop on Managing Doubtful Retail Loans**

The Association of Banks in Jordan organized a workshop on managing doubtful retail loans. Nael Sunnaa and Ibrahim Kisht from Jordan Kuwait Bank lectured in the workshop which was attended by a number of representatives of local banks.

The lecturers mentioned a number of reasons that negatively affect the repayment of loans especially when salary transfers arrive late either because the financial situation of the employer is weak or because employees are laid off permanently. Negative effects also come from banks lending big amounts to borrowers who have obligations to more than one bank because there is no comprehensive data base about clients.

They mentioned high interest rate and new relatively high commissions for causing negative effects.

The Lecturers underlined during the workshop the importance of encouraging banks to establish central departments to follow up on credits especially those facilities to retail borrowers and individuals noting that such a step would revitalize retail lending which is an important tool to activate the economy and exit the economic slowdown that was caused by the international financial crisis.

They recommended that a cooperation mechanism be formed to liaise between the banks and the lending companies that are not under the central bank supervision in order to determine the size of credit facilities extended to their customers, their outstanding loans and their commitment to repayment through a banking information system so as to avoid scattering and default.

They also proposed asking the central bank to amend the banking information system, which discloses customers given credit facilities by licensed banks in Jordan, so that amounts equal to or exceeding JD5,000 are revealed instead of the present JD20,000 minimum threshold.

Both lecturers suggested that the central bank set up an integrated credit information system for assisting the licenced banks in terms of disclosing all obligations, regardless of amounts, a customer might have at other banks whether as a borrower or a guarantor. Details are to include present address of customer, his(her) phone number, any lawsuits against him (her), and any fixed property registered in the name of the customer.

They called for periodically studying the rates of defaults related to retail products and individuals. Upon noticing a higher rate than customary, a study should be conducted on a large scale at the company level the economy sector also to determine the reasons for the increase

### **C- Forums and Conferences**

#### **■ Third Forum for Retail Lending and Financing Small and Medium-Size Projects**

The Association of Banks in Jordan and the Jordan Today Centre for Development organized on 13-14/10/2009 the third forum for retail lending and financing small and medium-size projects.

The participants discussed over two days several working papers that dealt with the reality of retail lending and financing small and medium-size projects in Jordan, the monetary and financial policies and their effect on retail lending, and the risk management of retail lending and the legal aspects of it.

#### **■ Preparatory Meeting at the Association of Banks for “Role of Banking Sector in the Provision of Environmental Finance” Conference**

In cooperation with the Ministry of Environment, the French Development Agency, the central bank, the Ministry of Energy and Mineral Resources, and the International Finance Corporation; the association of Banks held a preparatory meeting for the “Role of Banking Sector in the Provision of Environmental Finance” Conference that will be held in Amman next February.

Attended by representatives of 14 local banks, the meeting discussed the importance of financing environmental projects, its impact on sustainable development, the challenges that faces it and the readiness of the banks to engage in this type of financing which falls under the banks’ corporate social responsibility.

The meeting was attended by the advisor to the minister of environment, an expert from the French Development Agency, and an energy expert at the Ministry of Planning and International Cooperation.

The meeting dealt with the subject of environmental finance as a new opportunity for banks especially at a time when the world is now turning to green energy projects as an alternative to energy produced by fossil fuels because of its negative effect on the environment.

Participants in the meeting stressed the need for banks to shift from black financing (meaning projects that spoil the environment) in favour of environment-friendly projects especially the clean energy which Jordan will be embarking on whether for nuclear energy or solar and wind energy.

The advisor to the minister of environment spoke about the importance of environmental finance in countering problems that face the environment in Jordan and in encouraging the use of alternative energy because of its positive effects in safeguarding the environment. He also highlighted the role of banks in providing the necessary financing to ensure a green clean environment.

He indicated that the environmental funding will contribute in reducing costs at rates ranging between 20 to 30 percent depending on the of the cost of any project and the sector it represents. As such, there will be a positive impact on the economy at a time when the Kingdom is embarking on alternative energy projects considered a cornerstone of the energy strategy adopted by the Kingdom until the end of 2020.

The expert from the French Development Agency spoke about the green credit finance lines and the alternative energy projects that are underway in cooperation with the French Development Agency.

The expert from the Ministry of Planning and International Cooperation pointed to pioneering projects underway in the Kingdom in the field of alternative energy, especially the solar, and its financing mechanism. He also stressed the importance of opening environment finance windows jointly between local banks and international finance institutions.

#### 4- Other Activities and News

##### ■ Annual Meeting With the Governor of the Central Bank of Jordan

Dr. Umayyah Toukan, governor of the central bank, said in a lecture that the priority of monetary policy in light of the international crisis is to safeguard the exchange rate of the Jordanian dinar, protect the banking system from the repercussions of the crisis and to contain inflationary pressures. He was speaking during the annual meeting held by the Association of Banks on 16/3/2009 under the title: "The Jordanian Economy- Opportunities and Challenges 2009". Copies of the lecture were circulated to the senior management of banks and it is published on the website of the Association of Banks in Jordan ([www.abj.org.jo](http://www.abj.org.jo)).

Marwan Awad, Chairman of the Association of Banks in Jordan and chief executive officer of Jordan Ahli Bank, said at the meeting that the monetary policies and banking supervision of the Central Bank of Jordan besides the credit and banking policies, risk management policies and corporate governance of the banks operating in Jordan, have all been prudent, healthy and sound enabling the Jordanian banking system from steering clear of the turbulences of the international financial crisis and easing its repercussions and consequences.

He stressed that banks are keen on safeguarding the money of shareholders and will work on upgrading their competence as well as their technical and human capabilities in order to keep up with latest international developments while adhering to the instructions, regulations and laws of the Central Bank of Jordan in addition to related standards and indicators. Noting that the banking sector is currently facing criticism and exaggerated campaigns from some parties which claim that banks are not extending loans to them, he clarified that the main task of the banks is to be an intermediate between the depositors and the borrowers whether investors or entrepreneurs. As such, the banks' main operation is to provide loans to all economic sectors in accordance with the regulations and instructions in force as long as they are justified by studies and credit analysis.

Participating in the meeting were the deputies of the governor, Mohammad Said Shahin and Khoulood Al Saqqaf, the director general of the Association of Banks in Jordan, Dr. Adli Kandah, and the board members of the Central Bank of Jordan.

##### ■ Association of Banks Signs Memorandum of Understanding With the Romanian Banking Association

On 6/4/2009, the Association of Banks in Jordan signed a memorandum of understanding with the Romanian Banking Association for building a framework of cooperation and for exchanging statistical and economic data especially that of banking. The memorandum was signed in the Romanian capital of Bucharest by Dr. Adli Kandah, director general of the Association of Banks in Jordan and by Radu Negrea, general secretary of the Romanian Banking Association for the Romanian side.

The signing of the memorandum of understanding coincided with the visit of His Majesty King Abdullah's visit to Romania and the signing of accords in several areas. The memorandum of understanding was signed

within the investment and economic forum organized by the investment unit of the Romanian Chamber of Industry and Commerce.

The memorandum of understanding aims at enhancing cooperation, exchanging statistical data and exploring new areas for economic rapprochement and financial collaboration between the two countries. The Romanian side expressed interest in the Jordanian banking experience and keenness to strengthen banking relations.

It is noteworthy that although Arab banking presence in Romania is weak, the presence of the Jordanian private sector is strong as there are more than 3060 companies owned by Jordanian businessmen operating in various fields. By building on this memorandum, there is a promising opportunity for Jordanian banks because Romania is considered an emerging economy and it is bustling with economic activity after the transformation process which culminated by joining the European Union.

#### ■ **The Committee Formed by the Prime Minister to Study the Financing Needs Holds a Number of Meetings at the Premises of the Association**

The committee formed by the prime minister held a number of meetings at the association's premises in order to look at the financing needs of different economic sectors, discuss the impediments that face these businesses and to find solutions without any additional burden on the Treasury , any infringement on the independence of the central bank or tampering with the international agreements that it signed. The committee was able to reach a number of recommendations that were forwarded to the Prime Ministry.

The committee was headed by His Excellency Dr. Rajai Muasher and comprised as members His Excellency Mr. Marwan Awad, chairman of the Association of Banks in Jordan; His Excellency Dr. Tayseer Smadi; and the honorables: Dr. Muntasser Oqlah; the economic advisor or at the Prime Ministry; Dr. Ezzeddin Kanakriyeh, secretary general of the Ministry of Finance; Mohammad Said Shahin, deputy governor of the Central Bank of Jordan; and Dr. Adli Kandah, the director general of the association of banks in Jordan, as the committee's rapporteur.

The committee also comprised the members of credit committees from the following largest seven banks: Arab Bank, Jordan Ahli Bank, Bank of Jordan, Jordan Kuwait Bank, Housing bank for Trade and Finance, Jordan Islamic bank and Cairo Amman Bank.

#### ■ **Association of Banks in Jordan and Association of Banks in Palestine Sign Agreement:**

The Association of Banks in Jordan signed on 7/10/2009, at its premises in Amman, an agreement with the Association of Banks in Palestine to set up a framework for cooperation between the two associations and for enhancing opportunities of cooperation between Jordan and Palestine.

The agreement was signed by Dr. Adli Kandah, director general of the Association of Banks in Jordan, and Nabil Abu Diab, director general of the Association of Banks in Palestine.

The agreement aims at cooperation in the areas in which both associations are engaged as well as exploring new spheres and developing suitable methods for economic rapprochement, financial cooperation, organisation of activities and joint banking events.

The agreement also aims at exchanging visits by board members and executive managers in addition to exchanging information and statistical data on macro economies in general and the banking sector in particular.

The agreement stipulated the exchange of all publications, booklets and studies issued by both sides.

Dr. Adli Kandah, director general of the Association of Banks in Jordan described the agreement as an important step to enhance cooperation between the Jordanian and Palestinian banks and to exchange banking experiences especially in the areas of training and specialized banking print.

He said: "We are proud that the first agreement signed by the Association of Banks in Jordan with an Arab banking association was with the brothers in Palestine. This underlines the deep ties between the two people and the banking sector in both countries".

Dr. Kandah stressed that the strong presence of Jordanian banks in Palestine encourages us to press ahead continuously for supporting them and for backing the Palestinian economy because it directly affects the Jordanian economy. He said: "The success of the Palestinian banking system is a success for the Jordanian banking system." He asked for supplying the Association of Banks with data and information about the banks in Palestine in general and the Jordanian banks there in particular so as to be informed about the latest developments on the Palestinian scene.

Abu Diab said Jordan is the strategic depth of Palestine and described the Jordanian banking presence as strong as there are eight banks out of 20 that operate in Palestine. The eight Jordanian banks have 90 branches that employ 2300 employees out of 4,500 employees who work in the banks in Palestine. He indicated that the market share of Jordanian banks in Palestine exceed 50 percent and that one third of the banking transactions is in Jordanian dinars. Underlining that the Jordanian banking experience is advanced and longer than the Palestinian experience, Abu Diab expressed hope that the agreement will be a beginning to benefit from the Jordanian expertise in the banking industry.

The Association of Banks was established in 1978 comprising as members the banks operating in the Kingdom. It is a member of the Union of Arab Banks.

The association aims at cooperating with related institutions in both the public and private sector to undertake whatever is necessary to serve the national economy and enhance it. The association also looks after its interests and those of the members by strengthening the bonds of cooperation between them and coordinating their activities to arrive at their common interests.

The Association of Banks in Palestine was established in 1998 as a non-profit institution representing the banking sector in the occupied Palestinian territories. It aims at providing a suitable environment for sound banking industry, helping its bank members and building/developing capabilities through cooperation and coordination with related institutions in order to provide technical assistance to banking sector employees. Also, the goal is also to build relations and develop ties with similar institutions abroad to benefit from their experience and viewpoints.

#### ■ Publications Issued by the Association of Banks in 2009

During 2009, the association published a number of pamphlets and publications such as:

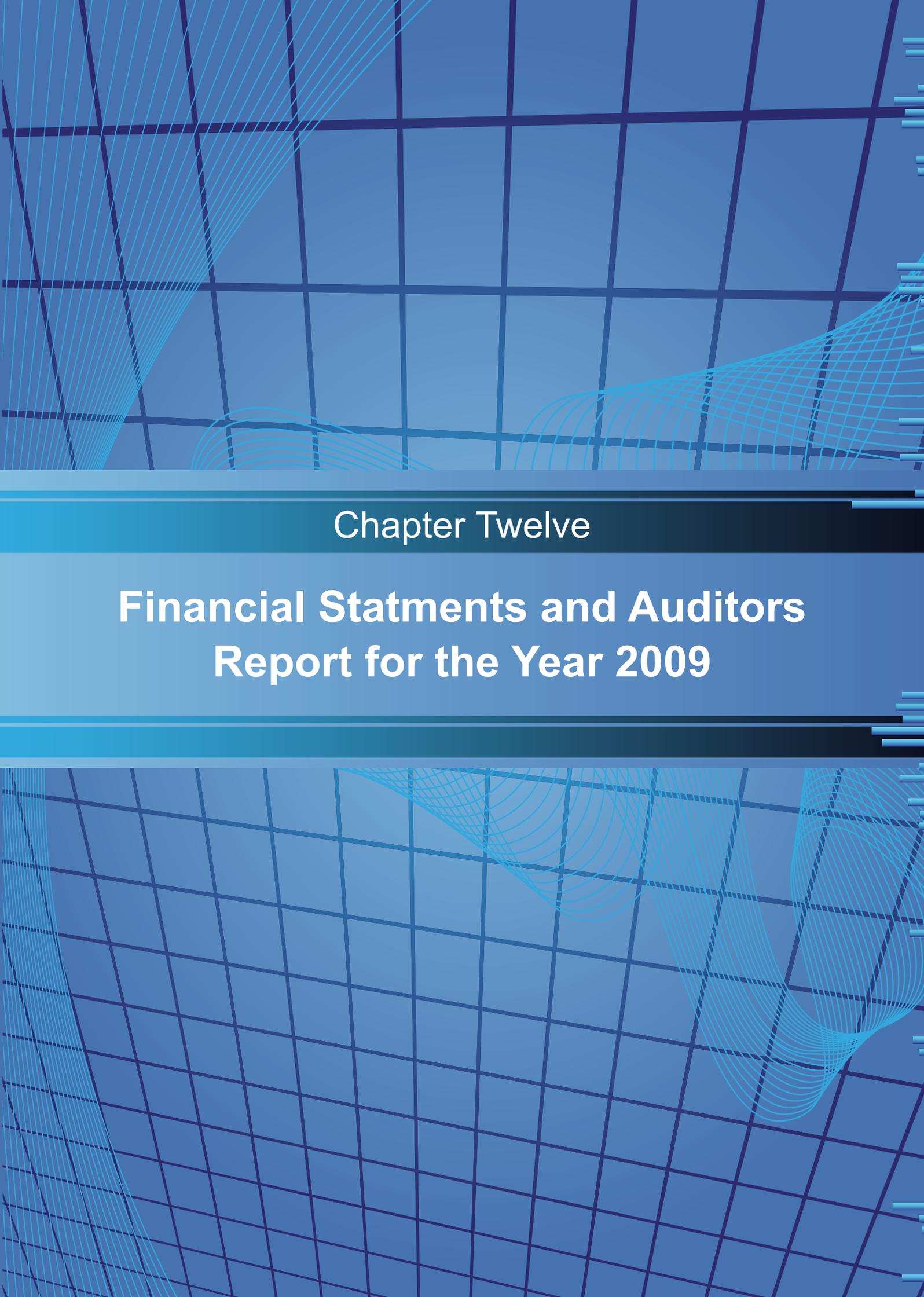
**1- Study "Inter-Bank Lending Interest Rates System (JODIBOR)" in English:** The Association of Banks had prepared a study to review and assess the Inter-bank lending interest rates system (JODIBOR) for the period (November 2005 until December 2007.) It formed a technical committee from the association, the member banks and the central bank to conduct a comprehensive review to the JODIBOR system. During 2009, the association translated the study to English giving an outline about the start of the JODIBOR project, the mechanism of calculating it and some of the international and Arab experiences in this regard.

**2- Booklet "Banking and Financial Dialogue":** The association issued a book that compiles the most important banking and financial dialogues with Jordanian bankers and financiers who were interviewed by Banks in Jordan magazine issued by the association between 2007 and 2008. The issuance of the



book shows the keenness of the Association of Banks to provide the rich scientific and important content that were contained in the dialogues and interviews to a wide-ranging segment of readers and interested people. To ensure that the benefit covers all levels, the association opted to publish the booklet in both Arabic and English.

- 3- Booklet “The Economic and Social Role of banks in Jordan”:** Published by the association about the economic and social role of banks in Jordan, the booklet highlighted the success stories that were achieved by Jordanian banks on the local, regional and international economic levels during the past eight decades.
- 4- Annual Report:** The association’s 2008 annual report, issued in both Arabic and English, contained the most important developments of the Jordanian banking system during 2008. It showed the development of the number of banks and branches and the development of deposits and credit facilities as well as the ranking of banks in accordance with some 2008 financial indicators. The report also included the association’s most important activities during 2008.
- 5- “The International Financial Crisis” book:** The Association of Banks in Jordan Director General Dr. Adli Kandah Published a book on the international financial crisis showing the roots and causes of the international financial crisis, its repercussions and the most important Arab and global rescue plans.
- 6- Latest News Bulletin:** The association issued three bulletins of Latest News which is a news pamphlet published quarterly. It contains the most important public policies, central bank instructions and the main economic and banking indicators. It was decided to merge the bulletin in the Banks in Jordan magazine effective 10/ 12 /2009.
- 7- Study on the Development of the Banking Sector (2000 - September 2009):** The association issued a study that highlighted the developments of the banking sector for the years 2000 until September 2009.

The background of the entire page is a blue grid pattern. Overlaid on this grid are several wavy, light blue lines that create a sense of depth and movement, particularly on the left and right sides. The text is centered in a white, sans-serif font.

## Chapter Twelve

# Financial Statements and Auditors Report for the Year 2009



## **Messrs Members of Association of Banks**

### **Association with juridical independent personality**

#### **Amman – The Hashemite Kingdom of Jordan.**

We have audited the accompanying financial statements of the Association of Banks – Association with juridical independent personality, which comprise the balance sheet as of December 31, 2009 Revenues and Expenses Statement and The Cash Flows for the year ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the Financial Statements**

The Associations management is responsible for the preparation and fair presentation of these financial statements in accordance with international Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements give a true and fair view of (or "present fairly, in all material respects"). The financial position of Association of Banks as of December 31 2009, and of its financial performance and its cash flows for the year ended in accordance with International Reporting Standards.

**MA'MOUN FAROUKA**

**LICENSED AUDITOR NO. 265**

**MA'MOUN FAROUKA & CO.**

**AMMAN, 11th January 2010**



Association of Banks  
An Association with Juridical Independent Personality  
Amman – The Hashemite Kingdom of Jordan

EXHIBIT A  
BALANCE SHEET AS OF DECEMBER 31ST 2009

		<u>2009</u>	<u>2008</u>
		<u>JD</u>	<u>J D</u>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
	<b><u>Note</u></b>		
Cash on hand		1,000	1,000
Cash at bank	3	1,621,112	1,906,255
Accounts Receivable	4	17,308	23,918
Refundable Deposits		1,132	1,132
Prepaid Expenses		<u>3,213</u>	<u>4,374</u>
Total Current Assets		<b><u>1,643,765</u></b>	<b><u>1,936,649</u></b>
<b><u>Non Current Assets</u></b>			
Total noncurrent Assets at Cost		2,285,507	2,275,297
Accumulated Depreciation		<u>(692,965)</u>	<u>(639,044)</u>
Net book value	5	<u>1,592,542</u>	<u>1,636,253</u>
<b>Total Assets</b>		<b><u>3,236,307</u></b>	<b><u>3,572,902</u></b>
<b><u>Liabilities &amp; Accumulated Surplus</u></b>			
<b><u>Current Liabilities</u></b>			
Credit Banks		6,304	5,133
Account Payable		3,605	740
Employee Income Tax Trustees		765	710
Accrued Expenses		<u>1,445</u>	<u>2,529</u>
<b>Total Current Liabilities</b>		<b><u>12,119</u></b>	<b><u>9,112</u></b>
Provision for Compensating the end of Employee Service		<u>32,685</u>	<u>26,277</u>
<b><u>Accumulated Surplus</u></b>			
Retained Surplus		3,537,513	3,107,591
Surplus(deficit) for this year-Exhibit B		<u>(346,010)</u>	<u>429,922</u>
Accumulated Surplus Total		<u>3,191,503</u>	<u>3,537,513</u>
<b>Total Liabilities &amp; Accumulated Surplus</b>		<b><u>3,236,307</u></b>	<b><u>3,572,902</u></b>

- The Accompanying Notes From 1-8 Constitute an Integral Part of This Statement.

Association of Banks  
An Association with Juridical Independent Personality  
Amman – The Hashemite Kingdom of Jordan

EXHIBIT B

REVENUES AND EXPENSES STATEMENT FOR THE YEAR ENDED DECEMBER 31st 2009

		<u>2009</u> <u>JD</u>	<u>2008</u> <u>JD</u>
<b><u>Revenues</u></b>			
Subscription Fees		000	807,849
Other Revenues		170	27,305
Halls Rent Revenue		6,050	4,950
Bank Interest Revenue		101,084	112,753
Conferences		<u>2,518</u>	<u>000</u>
<b><u>Total Revenues</u></b>		<b><u>109,822</u></b>	<b><u>952,857</u></b>
<b><u>Banks Magazine</u></b>			
Magazine Revenue	<b>6/A</b>	51,652	51,832
Less : Magazine Expenses	<b>7/A</b>	<u>(48,610)</u>	<u>(49,799)</u>
<b><u>Banks Magazine Profit</u></b>		<u>3,042</u>	<u>2,033</u>
<b><u>Training Courses</u></b>			
Training Courses Revenue	<b>6/B</b>	000	12,067
Less: Training Courses Expenses	<b>7/B</b>	<u>000</u>	<u>(3,802)</u>
<b><u>Profit (loss) from Training Courses</u></b>		<u>000</u>	<u>8,265</u>
Total Revenues & Gain from Banks Magazine and Training Courses		<u>112,864</u>	<u>963,155</u>
Less: General & Administrative Expenses	<b>8</b>	<u>(458,874)</u>	<u>(533,233)</u>
<b><u>Year's Surplus(Deficit) – Exhibit A</u></b>		<b><u>(346,010)</u></b>	<b><u>429,922</u></b>

- The Accompanying Notes From 1-8 Constitute an Integral Part of This Statement.



Association of Banks  
An Association with Juridical Independent Personality  
Amman – The Hashemite Kingdom of Jordan

EXHIBIT C  
CASH FLOWS STATEMENT FOR THE YEAR ENDED DECEMBER 31ST 2009

	<u>2009</u>	<u>2008</u>
	<u>JD</u>	<u>JD</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Surplus(Deficit) for the Year	(346,010)	429,922
End of service Compensating provision	6,408	(459)
Depreciation Expenses	<u>53,921</u>	<u>54,747</u>
<b>Net Surplus(Deficit) Before Changes in Working Capital</b>	(285,681)	484,210
<b><u>(Increase) Decrease In Current Assets</u></b>		
Subscription fees	6,610	(4,914)
Account Receivables	1,161	(1,571)
Prepaid Expenses		000
<b><u>Increase (Decrease) In Current Liabilities</u></b>		
Accounts Payable	2,865	(1,620)
Other Credit Balances	<u>(1,029)</u>	<u>(12,300)</u>
<b>Net cash flow from operating activities</b>	<u>(276,074)</u>	<u>463,805</u>
<b><u>Cash Flow From Investment Activities</u></b>		
Changes in Fixed Assets	<u>(10,210)</u>	<u>( 34,922)</u>
<b><u>Cash Flow From Financing Activities</u></b>		
Credit Bank	<u>1,171</u>	<u>3,109</u>
<b>Net increase(Decrease) in cash during the year</b>	(285,113)	431,922
Cash balance in the beginning of the year	<u>1,907,225</u>	<u>1,475,233</u>
<b>Cash balance in the end of the year</b>	<u>1,622,112</u>	<u>1,907,225</u>

- The Accompanying Notes From 1-8 Constitute an Integral Part of This Statement.

Association of Banks  
An Association with Juridical Independent Personality  
Amman – The Hashemite Kingdom of Jordan  
Notes to the financial statements

**1- The Registration And Objectives of The Association:**

The Association was registered on October 1st 1978 as an ordinary association which enjoys juridical personality and managerial & financial independency, under the associations and social societies law number (33) for the year 1966 and emendation number (9) for the year 1971, After the issuance of the Banks Law number (28) for the year 2000 the Association become an institution virtue the term of the banks law according to article (95) of that law. Where the reverence Council of Ministers issued in the March 29th 2005, (Association of Banks) regulation number (35) for the year 2005, and published it in the Official Gazette (4707 edition) of May 16th 2005.

The Association Aims at Raising and Uplifting the Banking Business by:

- A. Support the advantages of members and coordination between them to inquest their common behalf.
- B. Develop and modernize the banks services.
- C. Stabilize the concept of bank business and bank business customs and follow an unified regulations and procedures for this purpose

**2- Significant accounting Policies:**

A. Non current Assets are depreciated at the Cost According to Straight – Line Depreciation Method.

Lands

Constructions                      2%

Furniture                              10%

Equipments & Tools                15%

Computer devices                 20%

Books                                    10%

B. The Association follows Cash Basis in showing the Banks Magazine Subscription Revenue, whereas it follows the Accrual Basis to record other monetary treatments.



### 3- Cash at Banks:

This item consists of the following:-

	<u>2009</u>	<u>2008</u>
	<u>JD</u>	<u>JD</u>
Arab bank / Deposit account	359,128	721,444
Housing bank / Current account	4,246	2,337
Union bank / Deposit acc.	000	1,095,694
Islamic bank	2,060	000
Jordan commercial bank	1,165,477	000
Housing bank / Deposit account	<u>90,201</u>	<u>86,750</u>
<b>Total</b>	<b><u>1,621,112</u></b>	<b><u>1,906,225</u></b>

### 4- Accounts Receivable:

This item consists of the following:-

	<u>2009</u>	<u>2008</u>
	<u>JD</u>	<u>JD</u>
Members accounts	9,066	15,337
Employees accounts	600	50
Other accounts	<u>7,642</u>	<u>8,491</u>
<b>Total</b>	<b><u>17,308</u></b>	<b><u>23,918</u></b>

### 5- Noncurrent Assets:

This item consists of the following:-

Cost				
	<u>31/12/2008</u>	<u>Additions</u>	<u>Omissions</u>	<u>31/12/2009</u>
Association's land	326,477	000	000	326,477
Association's Construction	1,557,388	000	000	1,557,388
Equipment & tools	141,208	1,844	000	143,052
Furniture's & decorations	176,022	8,082	000	184,104
Books	8,822	284	000	9,106
Cars	65,380	000	000	65,380
<b>Total</b>	<b><u>2,275,297</u></b>	<b><u>10,210</u></b>	<b><u>000</u></b>	<b><u>2,285,507</u></b>

<b>Accumulated Depreciation</b>				
	<b>31/12/2008</b>	<b>Additions</b>	<b>Omissions</b>	<b>31/12/2009</b>
Association>s land	000	000	...	000
Association>s construction	342,578	31,148	...	373,726
Equipments & Tools	118,204	9,786	...	127,990
Furniture & Decorations	161,606	2,330	...	163,936
Books	4,198	850	...	5,048
Cars	12,458	9,807	...	22,265
<b>Total</b>	<b>639,044</b>	<b>53,921</b>	...	<b>692,965</b>
<b>Total Net Book value of Non current Assets</b>	<b><u>1,636,253</u></b>			<b><u>1,592,542</u></b>

## 6- Magazine & Training Courses Gains:

### A. Magazine Revenues.

This item consists of the following:-

	<b><u>2009</u></b>	<b><u>2008</u></b>
	<b><u>JD</u></b>	<b><u>JD</u></b>
Subscription Revenue	25,901	26,076
Advertisings Revenue	25,680	25,650
Sales Revenue	<u>71</u>	<u>106</u>
<b>Total Revenue from the Magazine</b>	<b><u>51,652</u></b>	<b><u>51,832</u></b>

### B. Training courses Revenues.

This item consists of the following:-

	<b><u>2009</u></b>	<b><u>2008</u></b>
	<b><u>JD</u></b>	<b><u>JD</u></b>
Money laundry Course	000	2,000
Letter of Credit Course	000	1,050
Corporate financing & risks Course	000	6,409
Public relations & protocol course	000	...
Building Course	000	...
Credit card fraud course	000	...
Leadership & motivation course	000	208
Total security program	<u>000</u>	<u>2,400</u>
<b>Total Training Courses Revenues</b>	<b><u>000</u></b>	<b><u>12,067</u></b>



## 7- Magazine & Training Courses Expenses

### A. Magazine Expenses.

This item consists of the following:-

	<u>2009</u>	<u>2008</u>
	<u>JD</u>	<u>JD</u>
Rewards	12,800	8,775
Printing	34,485	39,706
Miscellaneous	<u>1,325</u>	<u>1,318</u>
<b>Total Banks Magazine Expenses</b>	<b><u>48,610</u></b>	<b><u>49,799</u></b>

### B. Training courses Expenses

This item consists of the following:-

	<u>2009</u>	<u>2008</u>
	<u>JD</u>	<u>JD</u>
Money laundry Course	000	1,300
Letter of Credit Workshop	000	306
Total security program	<u>000</u>	<u>2,196</u>
<b>Total Training Courses Expenses</b>	<b><u>000</u></b>	<b><u>3,802</u></b>

## 8- General & Administrative Expenses:

This item consists of the following:-

	<u>2009</u>	<u>2008</u>
	<u>JD</u>	<u>JD</u>
Salaries and wages	183,345	182,398
Social Security	19,998	19,296
Saving fund	13,331	13,134
Traveling & Transportation	15,001	12,313
Medical Expenses	12,222	16,427
Electricity & Water.	11,929	10,833
Hospitality & Cleaning	11,520	13,803
Post , Telephone & Internet	17,399	13,785
Real Estate Tax	7,050	7,050
Bank Commissions and Charges	638	158
Stationary and Publications	34,594	27,648
Compensating the end of Service	6,408	6,170
Maintenance & Repair expenses	5,522	15,105
Cars & Motorbikes Expenses	5,956	6,547
Insurance	2,557	3,053
Garden Expenses	854	513
Depreciations	53,920	54,747
Auditing Fees	1,450	1,450
Public officer Notary Expenses	1,200	800
Tax on Deposit Expenses	4,516	4,770
Meetings & Parties	11,595	4,752
Donations	000	50,000
General Miscellaneous Expenses	2,154	9,917
Studies & Researches Expenses	16,414	23,000
Fuel Expenses	3,598	4,151
Employees Clothings Expenses	1,498	1,232
External membership	1,844	722
Translation Expenses	2,461	1,056
Rewards	000	12,870
Cases expenses	000	12,489
Gifts	4,410	1,163
Advertisements	000	724
Outer seminars	150	000
Extra work	<u>5,340</u>	<u>1,107</u>
<b>Total</b>	<b><u>458,874</u></b>	<b><u>533,233</u></b>

