



جمعية البنوك في الأردن
ASSOCIATION OF BANKS IN JORDAN

Annual Report Thirty Third 2011

Association of Banks in Jordan
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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 of the Association of Banks in Jordan

The Association's Board of Directors comprised the following dignitaries at the end of 2011:

- H.E. Mr. Bassem Khalil Al-Salem / Capital Bank of Jordan / Chairman
- H.E Ms. Nadia Al-Saeed / Bank Al-Etihad / Vice Chairman
- Mr. Nemeh Sabbagh / Arab Bank / Member
- Mr. Omar Malhas / The Housing Bank for Trade and Finance / Member
- Mr. Mohammed Yaser Al Asmar / Jordan Kuwait Bank / Member
- Mr. Shaker Fakhoury / Bank of Jordan / Member
- Mr. Kamal Al-Bakri / Cairo Amman Bank / Member
- Mr. Mahdi Allawi / Jordan Commercial Bank / Member
- Mr. Jabra Ghandour / National Bank of Kuwait / Member
- H.E. Dr. Maher Al-Sheikh Hasan / Central Bank of Jordan / observer

Director General
Dr. Adli Kandah

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 2011 comprised the following banks:

First: Jordanian banks

#	Member Name	Established in	Website
1	Arab Bank	1930	www.arabbank.com.jo
2	Jordan Ahli Bank	1956	www.ahli.com
3	Cairo Amman Bank	1960	www.cab.jo
4	Bank of Jordan	1960	www.bankofjordan.com
5	The Housing Bank for Trade & Finance	1974	www.hbtf.com
6	Jordan Kuwait Bank	1977	www.jordan-kuwait-bank.com
7	Arab Jordan Investment Bank	1978	www.ajib.com
8	Jordan Commercial Bank	1978	www.jgbank.com.jo
9	Jordan Islamic Bank	1978	www.jordanislamicbank.com
10	Investbank	1989	www.jifbank.com
11	Arab Banking (Corporation) Jordan	1989	www.arabbanking.com.jo
12	Bank Al-EtiHAD	1991	www.unionbankjo.com
13	Societe General _ Jordan	1993	www.sgbj.com.jo
14	Capital Bank	1996	www.capitalbank.jo
15	International Islamic Arab Bank	1997	www.iiabank.com.jo
16	Jordan Dubai Islamic Bank	2009	www.jdib.jo

Second: Non-Jordanian banks

#	Member Name	licensed in	Website
1	HSBC	1949	www.jordan.hsbc.com
2	Egyptian Arab Land Bank	1951	www.arakari.com.jo
3	Rafidain Bank	1957	www.rafidain-bank.org
4	Citi Bank	1974	www.citibank.com/jordan
5	Standard Chartered	2002	www.standardchartered.com
6	Bank Audi	2004	www.audi.com.lb
7	National Bank of Kuwait	2004	www.nbk.com
8	BLOM Bank	2004	www.blom.com.lb
9	National Bank of Abu Dhabi	2009	www.nbad.com
10	Al Rajhi Bank	2011	www.alrajhibank.com.jo

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Chairman's Message

Dear members of the Association of Banks in Jordan,,

I am pleased to present to you the 33rd annual report of the ABJ's activities, achievements of the year 2011, and the audited financial statements of the fiscal year that ended on Dec.31, 2011, along with the auditors' report of their work addressed to your esteemed Association.

Dear members,

Available data indicate that Jordanian economy had been able to register a slight recovery in 2011 compared to the previous year, albeit growth levels remained below what was achieved during the period of 2005-2009. Growth rate in GDP in 2011 registered approximately 2.6%, compared to 2.3% in 2010.

Jordan's banking sector maintained its stability and strength, and could even register tangible developments during 2011. Assets of registered banks went up by 7.76% to reach the amount of 37.69 Billion JDs. The balance of credit facilities granted by registered banks registered an increase of 9.7%, reaching 15.85 billion JD by the end of 2011. The balance of overall deposits at registered banks went up by 8.3% to become 24.38 billion JD.

As for indicators of the financial strength of banks operating in Jordan, the capital adequacy ratio proved the strength of Jordan's banking sector as it registered levels higher than the minimum requirements of the Central Bank of Jordan's instructions and Basel II standards. The ratio of non-performing loans to the overall loans remained at acceptable levels, where it reached 8.5% until the end of 2011. Finally, the liquidity ratio of banks operating in Jordan greatly surpassed the margin required by the CBJ: it reached 152.0% by the end of 2011.

Honorable members of the Association,

Allow me to extend my heartfelt thanks to all members of the ABJ for the efforts they exerted throughout the year to accomplish the goals of the association. I also extend my thanks and appreciation to the Governor of the Central Bank of Jordan and all employees and apparatus of member banks of the association for their constant cooperation with the association for the benefit of the banking sector in particular and Jordanian economy in general under the guidance of His Majesty King Abdullah II.

Bassem Khalil Al-Salem
Chairman of the Board of Directors

Director General's Foreword

During 2011, the ABJ continued to carry on its mandate of discussing and following up the different issues that were submitted to it, especially those submitted by member banks. Specialized technical committees of the ABJ discussed in depth those issues and presented their comments and feedback to the concerned parties which showed a response characterized with a high degree of seriousness. The ABJ's legal, financial and other technical committees discussed a variety of issues and laws regarding the Central Bank, public policy and legislations dealing with the work of macro-economy and the Jordanian financial and banking system.

In the field of training and financial and banking education, the association organized a series of lectures, seminars and workshops that dealt with different issues of concern to the banking sector. The association held 5 workshops and 12 training courses and organized the Amman Banking Forum and the Second Forum of the Corporate Social Responsibility of Banks.

As for studies, the association issued a number of publications, reports and studies that pertain to Jordan banking system. It published three booklets dealing with a number of banking issues in the series of ABJ's Booklets. Furthermore, the association issued its 32nd annual report in both Arabic and English about the year 2010. In addition to that, it issued a Study on The Development of Jordan's Banking Sector (2000-2010).

Finally, I extend my greatest gratitude and thanks to the chairman and members of the board of directors who never spared a breath to support the association with their enlightened ideas and distinguished experiences. I also thank all member banks for their fruitful cooperation with the association, in addition to all employees of the association for their efforts to develop and upgrade the ABJ's work.

Dr. Adli Kandah
Director General

Chapter One
Prospects of International and
Regional economy and a Summary
of International Developments



This chapter deals with the global economic environment and its expected trends, and the prospects of regional economy in the Middle East and North Africa (MENA) region. It discusses economic developments of oil exporting countries as well as oil importing countries.

1. Prospects of Global Economy

Recent international reports¹ pointed out that the growth rates of world economy witnessed a distinct setback during the year 2011. Global growth rate decreased from 5.3% in 2010 to 3.9% in 2011.

Economies of the developed world showed a noticeable slowdown from 3.2% to 1.6% in 2011. This downturn is the result of the slowdown of the US economy from 3% to 1.6%, the poor performance of the Euro zone in which growth went down from 1.9% to 1.4%, the decline in growth of the UK economy from 2.1% to 0.7%, and the sharp decline in Japan's economy from 4.4% to -0.7%.

Growth rates in emerging and developing countries went down from 7.5% in 2010 to 6.2% in 2011. Despite the increase registered in the growth rates of mid and Eastern European countries from 4.5% to 5.3%, and the Commonwealth countries from 4.8% to 4.9%, growth rates declined in the Latin American and Caribbean countries from 6.2% to 4.5%, in the Asian developing countries from 9.7% to 7.8%. Growth rates of the MENA region also went down from 4.9% to 3.5%.

As for the growth rates of the two coming years, prospects indicate that the average growth rate of the global economy will experience more slowdown during the year 2012, reaching 3.5%, before it starts to recover and register an expected growth rate of 4.1% in 2013, surpassing growth rates of 2011 and 2012. Reasons for this expected economic recovery are due to various factors, including the general improvement of financial conditions, adopting lenient fiscal policies and the tough policies of financial expenditure by governments. However, the recovery process will generally remain slow because of the many risks of a setback, the most important of which are the risks coming from the Euro zone, including the risks of sovereign debts, and risks of pressures on the banking system of the Euro zone.

2. Prospects of Regional Economy

The Middle East and North Africa region witnessed a number of unprecedented developments and changes, especially in what is called the countries of the "Arab Spring". Political changes accompanied by the increased social demands led to more risks that threaten the macro-economic stability.

Political changes witnessed, and are still being witnessed, by a number of countries in the region increased the state of incertitude which in turn affected the volume of investments in those countries, activity of the tourism sector and the overall economic performance. The growth rate in Gross Domestic Product (GDP) of the MENA region went down from 4.4% in 2010 to 3.5% in 2011. The GDP of the MENA region is expected to grow by about 4.2% in 2012.

Price increases at the global level had negative impacts on the levels of inflation at the countries of the region. Consumer price index in the MENA region rose by almost 9.6% during 2011. Inflation level is expected to remain close to this rate in 2012.

Price hikes had negative impacts on the budgets of the MENA region's countries. Budget deficit reached

¹ World Economic Outlook, International Monetary Fund, April 2012

approximately 8% of the GDP, pushing the public debt to rise and the rivalry between public and private sectors on getting funding to increase. The performance of the external sector suffered a setback and the volume of official reserves of the MENA region countries decreased noticeably with the downturn of the financial markets' activity.

In spite of the difficulties that face the countries of the Middle East and North Africa in 2012, efforts should be exerted to achieve financial and fiscal stability and create job opportunities to reduce the high unemployment rates. Tourism sector, which is one of the most important sectors in oil importing countries, should be reinforced. It is also important to continue the reform and development efforts to include providing an efficient and more just and transparent economic environment, and to restructure social safety networks in such a way that insures that governmental subsidies reach those who deserve them and who are really in need.

At the same time, increases in both unemployment rates and food prices, accompanied by other reasons, led to a situation of social upheaval in some countries, which might hinder their growth process at the short term.

Table (I)
Regional and international growth forecasts (%)

Change in Real GDP %	Annual change			
	Actual		Expectation	
	2010	2011	2012	2013
World	5.3	3.9	3.5	4.1
Advanced economies	3.2	1.6	1.4	2.0
Emerging economies	7.5	6.2	5.7	6.0
Middle east and North Africa	4.4	3.5	4.2	3.7
Oil Exporting Countries*	4.4	4.0	4.8	3.7
Oil Importing Countries**	4.5	2.0	2.2	3.6

- Source: International Monetary Fund's World Economic Outlook issued in April 2011.

* Includes Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Sudan, United Arab Emirates and Yemen excluding Libya from the 2011 and 2012 forecasts due to political instability in the country.

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

Oil-Exporting Countries

Increases in oil prices helped oil-exporting countries in the Middle East and North Africa to alleviate the effects of global economic slowdown during 2011. Economic growth rate of oil-exporting countries went down from 4.4% in 2010 to 4% in 2011. Meanwhile, inflation rate in the same countries rose to reach 10.3% in 2011, with predictions that the same inflation rate will continue in 2012.

2011 witnessed an increase in the levels of governmental expenditures in the oil-exporting countries as a result of increased social pressures. Nevertheless, the hikes in oil prices toned down the negative effects of the increased expenditures on the budgets of those countries.

Economic growth in oil-exporting countries is expected to reach 4.8% during 2012, against the backdrop of expected increases in oil prices internationally.

Oil-Importing Countries

Oil-importing countries suffered from severe slowdown in economic activity during 2011. Their growth rate decreased from 4.5% in 2010 to 2.0% in 2011. However, growth rates are expected to slightly improve in 2012 to register 2.2%. This slowdown is due to social and political upheavals in Egypt, Syria and Tunisia which caused a setback in the performance of tourism sector, the decline in the volume of investments, increase in unemployment rates and, in general, a retreat in macro-economy.

Governments of oil-importing countries adopted a series of procedures to handle social pressures that led to an increase in governmental expenditures, especially those allocated to salary increases and subsidies of basic goods. This in turn led to a great deterioration in the public budgets of these countries, an increase in internal debts as a result of the governments' dependency on local funding. Furthermore, the lenient fiscal policies and the pressures that the currencies of those countries faced imposed great challenges on international reserves which noticeably went down during 2011.

Economic prospects of 2012 and 2013 are still unclear as a result of the continued social disorder and the incomplete political stability until now. Increased oil prices also remain one of the most important challenges that the economies of oil-importing countries face. It is noteworthy to say that inflation rates in those countries reached 7.5% in 2011, although expected to slightly go down to 6.9% in 2012.

Chapter Two
Economic Developments in
Jordan in 2011



Although Jordanian economy was able to register a slight recovery in 2011 compared to the year before, growth rates remained below the rates registered earlier during the period of 2005-2009. Macro-economic indicators registered an increase in the budget deficit, in the public debt and the trade balance deficit. Expatriates transfers retreated and the volume of direct investment in Jordan declined.

As for fiscal and banking indicators, there had been a decline in the Central Bank's balance of foreign currencies, while the balances of assets, facilities and deposits of licensed banks registered a visible growth in 2011. The most important economic, financial, fiscal and banking indicators in Jordan during 2011 will be presented hereunder.

1. Productions, Prices, and Companies

■ **Gross Domestic Product (GDP):** Gross domestic product at fixed market prices amounted to 10.24 billion JD by the end of 2011, compared to 9.98 billion JD during 2010. Therefore, growth rate in GDP reached 2.6% in 2011 in comparison with a growth rate of 2.3% in 2010. We can observe in this regard that Jordanian economy was able to achieve a slight recovery in 2011 compared with the previous year, but nevertheless it remained below the rates achieved during the period of 2005-2009 in which the average growth rate registered 7.4%.

On a sector by sector basis, all economic sectors of the kingdom registered positive growth rates except for the constructions sector which declined by 4.25% and the non-profit private service providers sector, which slightly declined by -0.2%.

The sector of financial services, insurance, real estate and business services and the sector of mining industries maintained their status as the most important pillars of GDP, as their contribution to GDP registered 19.4% and 17.2% in 2011 consecutively, which forms 36.5% of GDP.

■ **Consumer price index:** Consumer price index during 2011 rose to the level of 130.0, compared with 124.5 in 2010. This rise was the result of the hike in food prices by 4.1%, especially the price of meat, poultry, fish and sugar, in addition to the hikes in house prices by almost 3.8%. Therefore, inflation rate reached 4.4% by the end of 2011, compared to 5.0% in 2010.

■ **Industrial producer's price index:** Industrial Producer's price index registered visible increase during 2011 to reach the rate of 14.7% compared to a decrease that reached 2.4% during 2010.

2. General Budget

■ **Domestic Revenues:** Domestic revenues of the government witnessed a slight setback of 1.46% during 2011, to become 4.20 billion JD compared to 4.26 billion JD in 2010. The volume of Foreign Aid to the kingdom rose significantly in 2011 to reach 202.5%: it went up from 401.7 million JD in 2010 to 1215 million JD in 2011. The total value of domestic revenues and foreign aid registered an increase of 16.1% in 2011 to become 5.41 billion JD.

■ **Public expenditure:** The total value of public expenditure rose tangibly in 2011 by 19.2%, reaching 6.802 billion JD, compared to 5.708 billion JD in 2010. The rise in public expenditures was due to the increase in the current expenditures by 21% and the increase in capital expenditures by 10.1%.

- **Budget Deficit:** As the increase in governmental expenditure surpassed the increase in local revenues and external aid, deficit in 2011 budget grew by 32.8% to reach -1.388 billion JD compared to a deficit of -1.045 billion JD in 2010. Thus the ratio of the balance deficit to the Gross Domestic Product reached 6.8% in 2011 compared to a deficit rate of 5.6% in 2010.

Jordan's Prime Minister Fayez Tarawneh pointed out that the financial and economic situation in Jordan deteriorated since the issuance of the general budget law to surpass all safe limits. He clarified that the government had taken a number of measures to deal with this situation in a way that does not affect the middle and lower classes. The prime minister stressed that the rise in budget deficit is closely linked to the main challenge that faces the country, namely, the energy problem. The subsidy that the Jordanian government gives became out of control: every dollar of crude oil price means the government bears 40 million dinars of subsidies. There are other factors that contributed to the increase in the budget deficit, among which are regional developments which affected the tourism sector, and the interruption of Egyptian gas supply, and the decline in expatriates' transfers.

3. Public Debt

- **Internal Public Debt:** The total of internal public debt of the central government rose from 7.980 million JD in 2010 to 9.996 billion JD in 2011, which means a rise of 25.3%. Thus the ratio of internal public debt to the GDP rose from 42.5% in 2010 to 48.8% in 2011.
- **External Public Debt:** The balance of external public debt decreased from 4.611 billion JD in 2010 to 4.487 billion JD in 2011, with a minor decrease of 2.7%. The ratio of external public debt to GDP decreased from 24.6% in 2010 to 21.9% in 2011.
- **Total Public Debt:** The balance of the total public debt increased in 2011 by 15% to reach 14.483 billion JD compared to 12.591 billion JD in 2010. Therefore, the ratio of total debt to GDP rose from 67.1% in 2010 to 70.7% in 2011. It is observed here that the ratio of total public debt to the GDP exceeds the 60%, the maximum limit set by the Management of Public Debt law.

The Public Debt Law and its administration no 26 for the year 2001 stipulates in Article no. 21 that the net outstanding balance of internal public debt should not exceed in any time 40% of the gross domestic product in current prices. Article 22 thereof also stipulates that the net outstanding balance of external public debt should not exceed in any time 40% of the gross domestic product in current prices. Article 23 thereof stipulated that the total outstanding balance of public debt should not exceed in any time 60 of gross domestic product in current prices.

4. External sector

- **National exports:** National exports rose in 2011 by 14% to amount to 4.806 billion JD compared to 4.217 billion JD in the previous year of 2010.
- **Re-exports:** The value of re-exports increased during 2011 by 13.7% to reach 879 million JD, in comparison with 773 million JD in 2010.
- **Overall exports:** The volume of overall exports (national exports + re-exports) went up during 2011 by 13.9%, to reach the amount of 5.685 billion JD, as compared to 4.990 billion JD in 2010.
- **Imports:** Imports rose in 2011 by 21.6%, reaching 13.440 billion JD, up from 11.050 billion JD in 2010.
- **Trade balance deficit:** Despite the apparent increase in the volume of exports, the growth in imports was bigger in percentage and value. Thus deficit in trade balance went up in 2011 by 28%, reaching 7.756 billion JD, in comparison with a deficit of 6.060 billion JD in 2010.
- **Expatriates' Remittances:** Expatriates' remittances regressed in 2011 by 4.24%, reaching 2.152 billion JD, down from 2.247 billion JD in 2010.

5. Investment

- **Direct Investment:** The volume of direct investments in Jordan decreased in 2011 by 11%, reaching 1043 million JD, down from 1172 million JD in 2010.

6. Financial and Banking Sector

- **Local liquidity:** Local liquidity (M2) went up in 2011 by almost 1.812 billion JD, amounting to 24.76 billion JD, thus registering an increase of 8.12% of the level it reached in 2010.
- **Foreign Reserves Balance at the Central Bank:** The balance of foreign reserves at the Central Bank decreased by 1.735 billion JD by the end of 2011, which amounts to a decline of 14.2% from the reserves balance in 2010. The balance regressed from \$12.24 billion by the end of 2010 to \$10.51 billion at the end of 2011. This amount of reserves is enough to cover the kingdom's imports of goods and services for approximately 6.2 months.
- **Licensed banks' Assets:** Licensed banks' assets registered by the end of 2011 an increase of 7.76%, reaching 37.686 billion JD, as compared to 34.973 billion JD at the end of 2010.
- **Credit facilities:** The balance of Credit facilities granted by licensed banks rose at the end of 2011 by 1.4 billion JD, reaching 15.85 billion JD, thus registering an increase of 9.7% compared with the end of 2010.
- **Deposits:** The balance of total deposits at licensed banks increased at the end of 2011 by almost 1.87 billion JD, reaching 24.38 billion JD. Thus, an increase of 8.3% was registered compared to that of the end of 2010.



■ **Price index of shares' prices weighted by market value of free float:** The price index of shares' prices weighted by market value of free float regressed at the end of 2011 by about 378.5 points, reaching 1995.1 points. This meant a regression of 15.9% from what it registered at the end of 2010.

Free float are shares available for circulation by investors. They represent the total number of shares listed in the stock market, minus shares owned by each member of the board of directors and their relatives, parent companies, subsidiaries, or associate companies, and shareholders who own 5% or more of the company's capital, the government, public firms and the company itself owning the shares.

Chapter Three
Development of the banking
System in 2011



Monetary and banking indicators continued to develop during 2010 in different fields. Those developments reflected the strength and soundness of Jordan's banking system and its ability to achieve constant growth throughout the years; it is an indicator of stability. This chapter will deal with the most important monetary and banking indicators along with the developments in such fields during 2011, including the developments of fiscal policy during 2011 and the developments witnessed by indicators such as foreign reserves, local liquidity, assets, facilities and deposits at banks operating in Jordan.

I. Developments of Fiscal policy during 2011

■ **The Central Bank raises the main interest rates on instruments of monetary policy by 25 base points**

The governor of the Central Bank of Jordan decided to raise policy interest rates by 25 base points as from June 1st, 2011, as follows:

- Raising the rate of window deposit from 2.00% to 2.25% annually.
- Raising the rate of re-purchase agreements from 4.00% to 4.25% annually.
- Raising the re-discount rate from 4.25% to 4.50% annually.

The CBJ decision aimed at ensuring monetary stability and creating an environment suitable to contain inflation pressures. It also aimed at maintaining the competitive revenue of monetary instruments in Jordanian dinar in such a way that enhances the pillars of monetary stability and contributes to regain internal balance, represented in the increased deficit in the country's public budget and the external balance that is reflected in the increased deficit in the trade balance of payments balance.

This decision stresses the importance of maintaining the wise monetary policy that aims at protecting national savings in Jordanian dinar and their importance in enhancing the exchange rate of Jordanian dinar and maintaining an environment conducive to local and foreign investments.

The decision will also enable Jordanian economy to continue to register higher growth rates. The CBJ will continue to follow up the main economic and financial changes on the local and international arenas and to adopt the appropriate measures.

■ **Issuance of instructions of direct facilities in foreign currencies given to the exports and re-exports sectors no. (53/2011)**

Out of the Central Bank's keenness on encouraging the external sector and promoting export and re-export activities, the CBJ issued on Feb.9, 2011 the instructions of direct facilities in foreign currencies given to the exports and re-exports sectors no (53/2011). These instructions allow licensed banks to grant credit facilities in foreign currencies for the purposes of export and re-export under a number of conditions clarified in the mentioned instructions.

Instructions stressed that these facilities should never be used to finance buildings or fixed assets except for machineries, equipment, and tools related to export purposes. They also stipulated that these facilities are limited to clients allowed to perform trade activities in the kingdom including the free zones, development zones, and special zones. These facilities, the instructions underlined, should be subject to the instructions of credit concentrations and that the facilities given by virtue of which are within the rates relevant to facilities in foreign currencies.

■ **Issuance of the instructions of med-term loans no. (54/2011)**

Seeking to provide med-term funding for licensed banks to re-lend the industrial sector in order to enhance the economic growth of the kingdom, the Central Bank of Jordan issued on March 14, 2011

the instructions of med-term loans for licensed banks no. 54/2011. These instructions permit the Central Bank to grant licensed banks loans for a term that does not exceed nine months at the rate of rediscounts valid at the date of granting the loan which should not be more than 5 million dinar per loan. The outstanding balance of the loan may be renewed after extinguishing it for a similar period and for five years maximum at the same interest rate. The instructions provided that the maximum limit of the total loans that can be granted to any one bank is 5% of the bank's total direct facilities in Jordanian dinar, with the possibility of exceeding this rate after having the written approval of the Central Bank. The instructions stressed that these loans should be re-lent to industrial companies and firms according to the definition of the Ministry of Industry and Trade, by funding exclusively industrial activities. The instructions clarified the conditions that should be met in the guarantees that licensed banks provide to the Central Bank and the terms relevant to the loan's settlement and other banks' obligations that are related to these loans.

■ **Issuance of instructions of returned checks unit no. (55/2011)**

The Central Bank of Jordan issued on Oct.24, 2011 the instructions of returned checks unit no. 55/2011, which stem from the bank's keenness to organize work with returned checks via the CBJ's Returned Checks Unit.

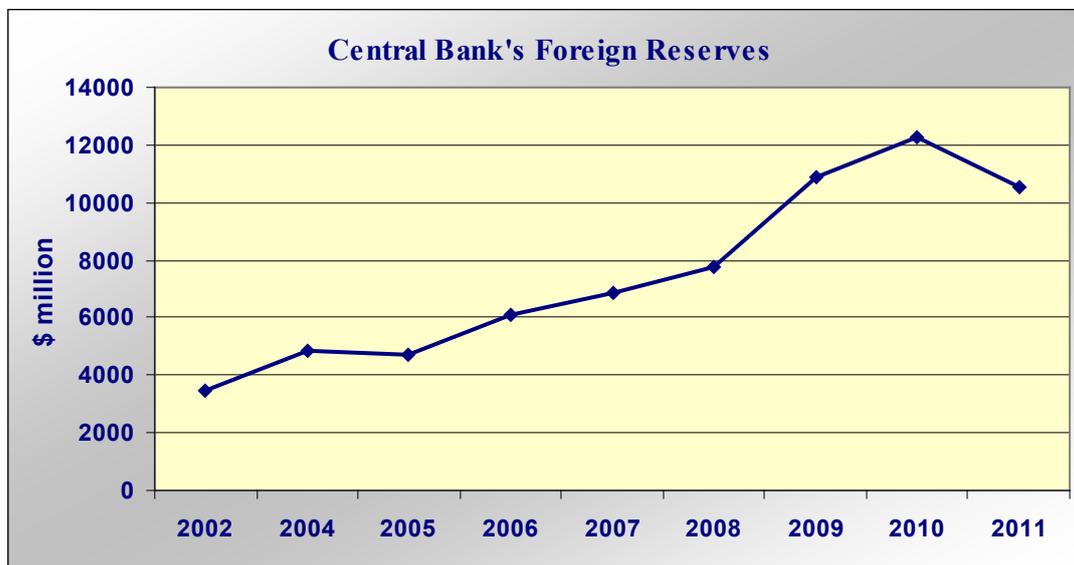
The instructions specified that the implementation thereof will be on all returned checks whether they were submitted through electronic clearing or at a bank's counter. The provisions of these instructions will be enforced on all banks' clients whether they are natural or legal persons and the joint accounts owners.

2. Foreign Reserves

Central Bank's reserves of foreign currencies regressed at the end of 2011 to reach \$10.506 billion, down by \$1735.1 million of the registered level at the end of 2010. This equals a regression rate of 14.2%. This level of reserves is enough to cover the kingdom's imports of goods and services for almost 6.2 months.

Central bank of Jordan defines CBJ's reserves of foreign currencies as the ready cash, balances and deposits in convertible foreign currencies, and bonds and securities in foreign currencies, and cash, balances and deposits in non-convertible foreign currencies, subtracted from them the deposits of all licensed banks and non-residents in foreign currencies at the Central Bank. The CBJ's official reserves of foreign currencies' coverage of goods and services imports represent the CBJ's ready-to-use reserve divided by the monthly average value of imports in goods and services and subtracted from them the monthly average value of re-exports.

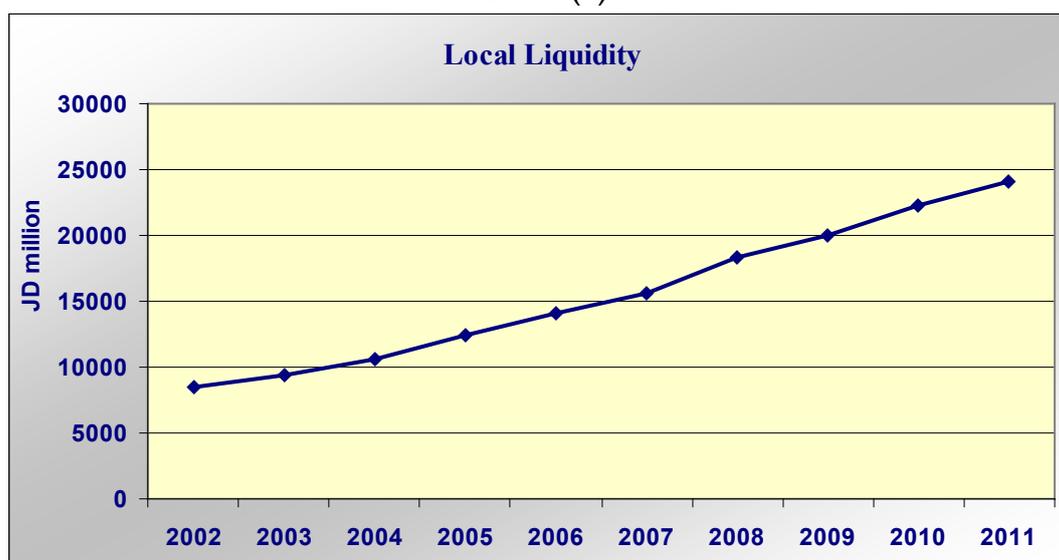
Chart (1)



3. Local liquidity

Local liquidity (money supply-m2) rose at the end of 2011 by 1812.2 million dinar, or by the percentage of 8.1%, compared with its level at the end of 2010, reaching 24.119 billion dinar. This is compared to another increase in the local liquidity that amounted to 2293.4 million dinar (11.5%) in the previous year.

Chart (2)



By comparing the components of local liquidity and the factors that influence them in 2011 with those of the end of 2010, the following can be noticed:

- Deposits rose at the end of 2011 by 1636.5 million JD (8.4%) from its level at the end of 2010 to reach



21.100 billion JD, compared to an increase of 2129.3 million JD (12.3%) during 2010.

- Currency circulation rose at the end of 2011 by 175.7 million JD (6.2%) from its level at the end of 2010, reaching 3.019 billion JD, compared with an increase of 164.1 million JD (6.1%) at the end of 2010.

4. Assets/Liabilities of banks operating in Jordan

The balance of assets/liabilities of banks operating in Jordan registered at the end of 2011 an increase of 7.8%, reaching the amount of 37.686 billion JD, in comparison with 34.973 billion JD at the end of 2010. Debts on the private sector (resident) rose from 13.594 billion JD at the end of 2010 to 14.905 billion JD at the end of 2011, or by 9.6%. The debt balance on the public sector also increased from 5.686 billion JD at the end of 2010 to 7.403 billion JD at the end of 2011. The rate scaled up to 30.2%.

A. Local Assets

The net local assets of licensed banks rose at the end of 2011 by the amount of 2.532 billion JD (8.8%) compared to their level of the end of 2010, thus reaching 31.400 billion JD at the end of 2011, in comparison with 28.869 billion JD at the end of 2010.

This rise in the local assets of banks operating in Jordan was the result of the increase of debts due on the public and private sectors by 30.2% and 9.6% respectively.

B. Foreign Assets

The net foreign reserves of licensed banks rose at the end of 2011 by 181.4 million JD (3%) from their level at the end of 2010, registering as a result the amount of 6.286 billion JD at the end of 2011, in comparison with 6.104 billion JD in 2010.

The increase registered in 2011 is the outcome of the growth in the item of cash in vaults (in foreign currencies) by the amount of 20.8 million JD or the percentage of 18.2%, as well as the increase in the item of balances at banks abroad by the amount of 401 million JD or the percentage of 10.3% of the balance of 2010.

Table (2)
Consolidated Balance Sheet of Licensed Banks

JD Million	2010	2011	Change	Change percentage
Assets				
Foreign Assets	6104.5	6285.9	181.4	3.0%
Cash in Vaults (In Foreign Currencies)	114.5	135.3	20.8	18.2%
Balances with Foreign Banks	3897.5	4298.6	401.1	10.3%
Portfolio (Non-Resident)	816.2	637.5	-178.7	-21.9%
Credit Facilities to Private Sector (Non-Resident)	1020.1	974.0	-46.1	-4.5%
Other Foreign Assets	256.2	240.5	-15.7	-6.1%
Domestic Assets	28868.6	31400.5	2531.9	8.8%
Claims on Public Sector	5686.3	7402.7	1716.4	30.2%
Claims on Private Sector (Resident)	13593.7	14905.2	1311.5	9.6%
Claims on Financial Institutions	146.4	128.1	-18.3	-12.5%
Reserves	6477.8	5639.0	-838.8	-12.9%
Deposits with CBJ in Foreign Currencies	6243.0	5291.4	-951.6	-15.2%
Unclassified Assets	2553.2	2798.1	244.9	9.6%
Total of Assets	34973.1	37686.4	2713.3	7.8%
Liabilities				
Demand Deposits	5053.8	5807.1	753.3	14.9%
Public Non-Financial Institutions	25.2	29.7	4.5	17.9%
Municipalities and Village Councils	20.2	3.4	-16.8	-83.2%
Non-Banking Financial Institutions	57.8	88.0	30.2	52.2%
Social Security Corporation	45.6	43.5	-2.1	-4.6%
Private Sector (Resident)	4905.0	5642.5	737.5	15.0%
Time and Saving Deposits	14377.3	15272.2	894.9	6.2%
Public Non-Financial Institutions	276.7	299.0	22.3	8.1%
Municipalities and Village Councils	15.3	13.0	-2.3	-15.0%
Non-Banking Financial Institutions	144.9	189.0	44.1	30.4%
Social Security Corporation	501.5	507.9	6.4	1.3%
Private Sector (Resident)	13438.9	14263.3	824.4	6.1%
Foreign Liabilities	5990.8	6164.0	173.2	2.9%
Central Government Deposits	665.8	637.4	-28.4	-4.3%
Credit From CBJ	414.6	449.0	34.4	8.3%
Capital Accounts & Allowances	4949.7	5397.2	447.5	9.0%
Unclassified Liabilities	3521.1	3959.5	438.4	12.5%
Total of Liabilities	34973.1	37686.4	2713.3	7.8%

- Source: Central Bank of Jordan/ Monthly Statistical Bulletin

5. Assets and Liabilities in Foreign Currencies

The assets of licensed banks in foreign currencies rose from 7.449 billion JD in 2010 to 8.030 billion JD, which makes an increase percentage of 7.8% compared to the previous year's balance. This increase was substantially the result of the increase in the item of balances at banks by the amount of 488 million JD, or the percentage of 19.3%, in addition to the increase in the item of balances at the CBJ with the amount of 116 million JD (28.3%), and the rise in the item of credit facilities with the amount of 106 million JD (6.5%).

Table (3)
Foreign Currency Assets of Licensed Banks

JD Million	2010	2011	Change	Change percentage
Cash in Vaults	114.5	135.3	20.8	18.2%
Balances with CBJ	411.2	527.4	116.2	28.3%
Balances with Banks	4004.0	4492.1	488.1	12.2%
Portfolio	932.9	759.3	-173.6	-18.6%
Credit Facilities	1629.2	1734.9	105.7	6.5%
Other	357.6	381.3	23.7	6.6%
Foreign Currency Assets	7449.4	8030.3	580.9	7.8%

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

Liabilities of licensed banks in foreign currencies rose with the amount of 742.7 million JD to reach 7.956 billion JD in 2011; this makes an increase percentage of 10.3% from the year before. This increase is due to the increase in the clients' assets with the percentage of 7.6%, and the banks' deposits with the percentage of 11.3%.

Table (4)
Foreign Currency Liabilities of Licensed Banks

JD Million	2010	2011	Change	Change percentage
Customers' Deposits	4887.6	5258.8	371.2	7.6%
Central Government	4.9	6.2	1.3	26.5%
Public Entities	23.9	22.4	-1.5	-6.3%
Non-Banking Financial Institutions	50.0	87.6	37.6	75.2%
Private Sector	4808.9	5142.6	333.7	6.9%
Cash Margins	343.8	505.0	161.2	46.9%
Deposits of Banks	1678.1	1867.7	189.6	11.3%
Other	303.8	324.5	20.7	6.8%
Foreign currency liabilities	7213.3	7956.0	742.7	10.3%

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

6. Capital Accounts and Allowances

Capital accounts and allowances of banks operating in Jordan registered significant growth during 2011 that reached 5.397 billion JD (9.1%) by the end of 2011.

7. Credit facilities Granted by Licensed Banks

The outstanding balance of the total credit facilities granted by licensed banks amounted to 15.851 billion JD by the end of 2011, an upturn by 1.400 billion JD (9.7%) from its level at the end of 2010.

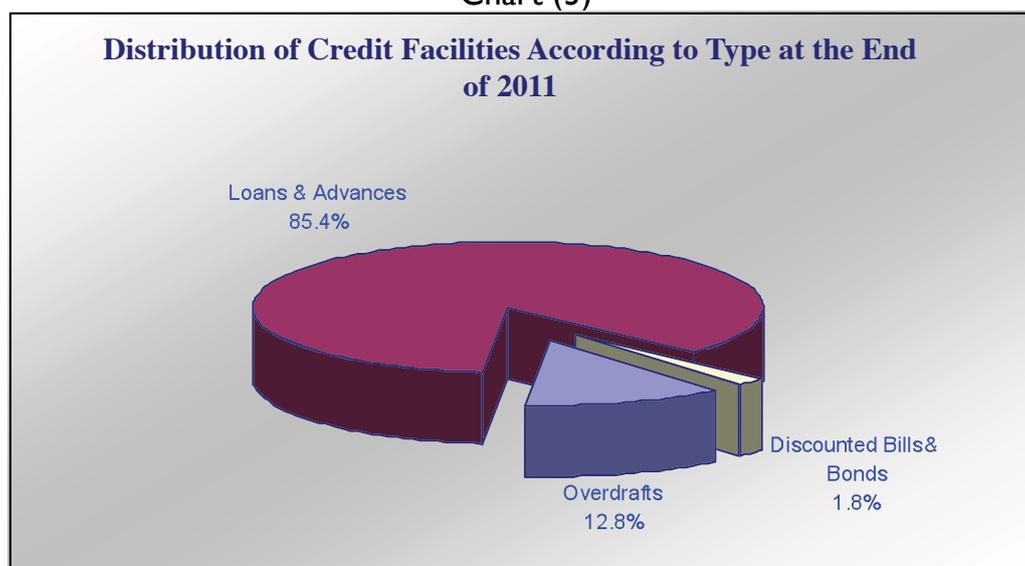
Credit facilities granted by banks operating in Jordan were mainly in the form of loans and advances, which represent approximately 85.4% of the total credit facilities, while the overdrafts stood at the percentage of 12.8%, and discounted bills and bonds at about 1.8%.

Table (5)
Distribution of Credit Facilities According to Type as the End of 2011 (JD Million)

Credit Facility Type	2010	2011	Change	Change percentage
Overdrafts	1782.0	2025.5	243.5	13.7%
Loans and Advances	12403.8	13538.0	1134.2	9.1%
Discounted Bills & Bonds	265.6	287.7	22.1	8.3%
Total of credit facilities	14451.4	15851.2	1399.8	9.7%

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

Chart (3)



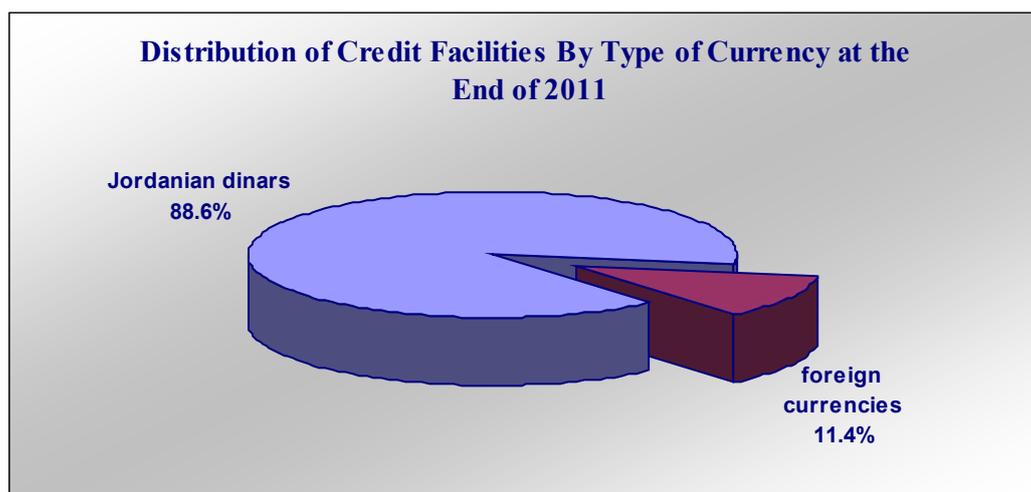
In what concerns the development of credit facilities according to the currency used, facilities in Jordanian dinar accounted for 88.6% of the total facilities at the end of 2011, compared to 88.2% at the end of the year before. Consequently, the relative importance of credit facilities in foreign currencies registered 11.4% of the total facilities of 2011.

Table (6)
Distribution of Credit Facilities By Type of Currency at the End of 2011

Credit Facilities	2010		2011	
	JD million	Relative Importance%	JD million	Relative Importance%
Jordanian dinars	12750.7	88.2%	14044.9	88.6%
foreign currencies	1700.7	11.8%	1806.3	11.4%
Total	14451.4	100.0%	15851.2	100.0%

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

Chart (4)



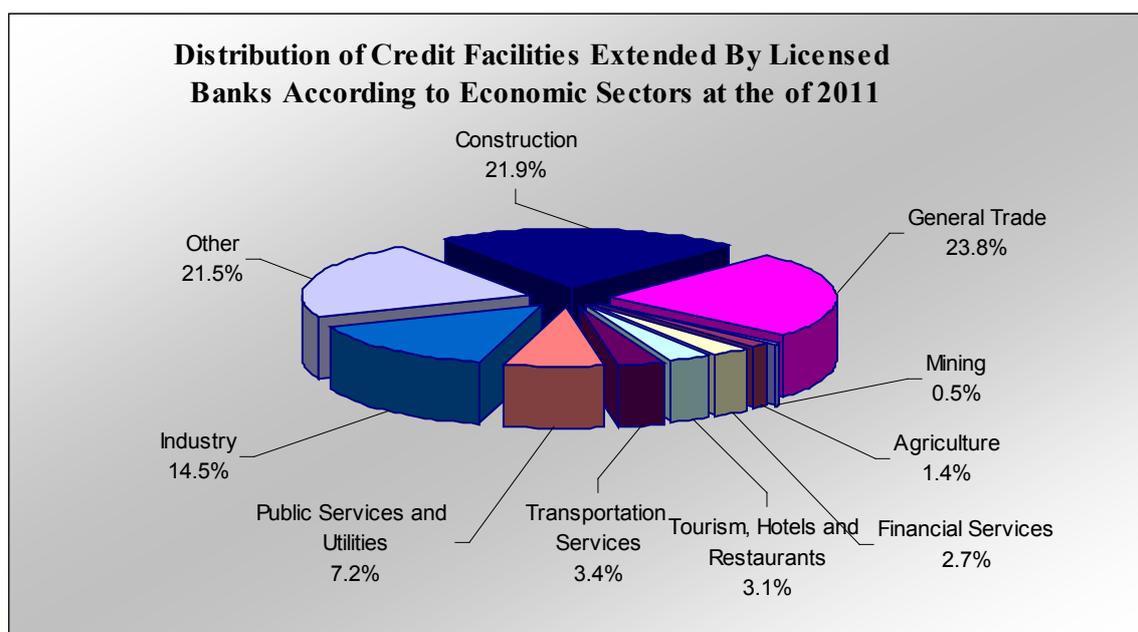
The distribution of credit facilities according to the kind of economic activity at the end of 2011 shows that the sectors of trade, construction and industry account for about 60% of the total facilities granted by banks operating in Jordan. The balance of credit facilities granted to the industrial sector rose by the amount of 368.2 million JD (19.1%); facilities granted to the constructions sector rose by 295.9 million JD (9.3%) and; finally, the facilities granted for the general trade sector rose by 185 million JD (5.1%).

Table (7)
Distribution of Credit Facilities by Economic Sectors at the End of 2011

Sectors	2010		2011	
	JD million	Percentage%	JD million	Percentage%
Agriculture	211.8	1.5%	229.2	1.4%
Mining	55.4	0.4%	79.5	0.5%
Industry	1929.0	13.3%	2297.2	14.5%
General Trade	3594.0	24.9%	3779.0	23.8%
Construction	3167.7	21.9%	3463.6	21.9%
Transportation Services	484.1	3.3%	531.6	3.4%
Tourism, Hotels and Restaurants	457.3	3.2%	493.7	3.1%
Public Services and Utilities	1050.0	7.3%	1135.3	7.2%
Financial Services	408.3	2.8%	430.5	2.7%
Other	3093.8	21.4%	3411.6	21.5%
Total	14451.4	100.0%	15851.2	100.0%

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

Chart (5)



A. Credit Cards

The number of credit cards granted by banks operating in Jordan exceeded 87 thousand cards. These cards consist of four main kinds: Visa Card, Master card, American Express and national Express. The following table provides some information about the market of credit cards issued by banks operating in Jordan during 2011.

Table (8)
Credit Cards Extended by Banks During 2011

Banks	Trade Mark	# of extended card	Cards issuance fees (JD)	Interest rate / Murabaha%	Commission on cash withdrawal	Salary transfer	Salary minimum*	Card limit max**
Arab Bank	-	-	JD 0 – JD100	2-2.25%	2.49%	According to Client's income source	According to Client's income source	According to Client's income source
Jordan Ahli Bank	Master Card Visa Card	8823	Free for the first year JD 25 for Standard JD 50 for Gold	2% Monthly	4%	unconditional	JD 200 (Government sector) if the salary is transferred to the bank JD 300 (Private sector) if the salary is transferred to the bank JD 350 (Government and private sector) if the salary is not transferred to the bank JD 500 for entrepreneurs and professionals if the salary is not transferred to the bank	Maximum 6 times transferred salary Maximum 4 times for non transferred salary and for entrepreneurs and professionals.
Cairo Amman Bank	Visa Card	46583	JD15–JD75	2%	4%, minimum JD 3	conditional	Maximum 5 times salary	JD 10000 for transferred salary or 90% of cash margins
The Housing Bank for Trade & Finance	Visa International	10586	JD 30	2%	4%	according to the bank's terms and conditions	according to the bank's terms and conditions	There are no maximum limit, but a minimum limit
	Visa Gold	1875	JD 60					JD 200 for Visa international JD 3500 for Visa Gold
	Visa Platinum	1028	JD 80					JD 7000 for Visa Platinum
	Master International	255	JD 30	2%	4%	according to the bank's terms and conditions	according to the bank's terms and conditions	There are no maximum limit, but a minimum limit
	Master Gold	207	JD 60					JD 500 for Master international
	Master Card Platinum	53	USD 350					JD 3500 for Master Gold
	Master Local	110	JD 15					JD 7000 for Master Platinum JD 200 for Master Local

Continued / Table (8): Credit Cards Extended by Banks During 2011

Banks	Trade Mark	# of extended card	Cards issuance fees (JD)	Interest rate / Murabaha%	Commission on cash withdrawal	Salary transfer	Salary minimum*	Card limit max**
Jordan Kuwait Bank	Visa revolving	1226	Gold JD 30, silver JD 15	2%	4%			
	Visa Charge	84	Gold JD 100, silver JD 50	0%	4%			
	Visa Infinite	16	JD 150		4%			
	Master	729	Gold JD 50 silver JD 25 Platinum JD 75	2.20%	4%			
	Amex	29	Gold USD 175, Green USD 95, Platinum USD 750	0%	No cash withdrawal			
	Visa electron	15827	Free	0%	JD 0.500 from other banks, JD 2 from foreign banks			
Bank of Jordan	Visa Card	6452	Free for the first year renewal fee is JD 30 for Visa Gold and JD 20 for Visa silver	2.24%	4%, minimum JD 2	unconditional	JD 100 if the salary is transferred to the bank JD 250 if the salary is not transferred (for Government sector)	10 times transferred salary for approved companies
Arab Jordan Investment Bank	Visa Revolving	623	Free	1.5% Monthly	4%	unconditional	JD 300	JD 30000
	Visa Charge	61	Local JD 15 silver JD 50 Gold JD 100	0%	4%	unconditional	JD 300	JD 50000
Jordan Commercial Bank	Visa Card	1640	(25,50)	1.75	4%		JD 350	JD 350 and above
	Master Card	800	(25,50)	1.75	4%		JD 350	JD 350 and above
	National	35	Free	1.5	4%			
Investbank	Visa Card		Gold JD 40 silver JD 25	2%	4%, minimum JD 4			
Arab Banking (Corporation) Jordan	Visa Card	2563	Gold JD 50 silver JD 25 Local JD 10	2% monthly	4%	unconditional	Public sector JD 200 Private sector JD 300	JD 15000
	Master Card		Gold JD 50 silver JD 25 Local JD 10	2% monthly	4%	unconditional	Public sector JD 200 Private sector JD 300	JD 15000
Bank Al-Etihad	Visa Classic	631	Free	2%	4%, minimum JD 3	unconditional	JD 300	Up to JD 3500
	Master gold	122	JD 30	1.75%	4%, minimum JD 3	unconditional	JD 300	Up to JD 50000
	Visa Card Platinum	116	JD 70	1.75%	4%, minimum JD 3	unconditional	JD 1000	Up to JD 50000
	Visa Card Business	22	JD 25	1.5%	-	Bank relation with the Firm	JD 1000	Up to JD 50000

Continued / Table (8): Credit Cards Extended by Banks During 2011

Banks	Trade Mark	# of extended card	Cards issuance fees (JD)	Interest rate / Murabaha%	Commission on cash withdrawal	Salary transfer	Salary minimum*	Card limit max**
Societe General - Jordan	Master Card Charge	44	JD 35	0%	2%	conditional	Public sector JD 200 Private sector JD 350	JD 1000
	Master Card Revolving	129	JD 35	21%	2%	conditional	Public sector JD 200 Private sector JD 350	JD 1000
	Master Card Co Brand	237	JD 35	21%	2%	conditional	Public sector JD 200 Private sector JD 350	JD 1000
	Master Card USD	66	JD 60	0%	2%	unconditional	Public sector JD 200 Private sector JD 350	USD 5000
	Master Card EURO	39	JD 60	0%	2%	unconditional	Public sector JD 200 Private sector JD 350	5000 Euro
	Master Card E Surf	85	JD 12	0%	0	unconditional	Public sector JD 200 Private sector JD 350	-
	Visa Card	64	JD 35	0%	2%	unconditional	Public sector JD 200 Private sector JD 350	JD 1000
Capital Bank	Master Card	1040	Free	2.25%	4%	unconditional	JD 350	JD 150
	Visa Card	2020	Free	2.25%	4%	unconditional	JD 350	JD 150
Jordan Islamic Bank	Gold MasterCard	52	JD 50	-	A lump-sum commission according to class	unconditional	According to Card Limit	According to customer's creditworthiness
	Gold Visa Card	1351	JD 50					
	Norma Visa (Silver)	3022	JD 25					
	local Visa	1674	JD 15					
International Islamic Arab Bank	Visa Card	3303	JD25-JD50	-	2% + JD 1.96	Salary Transfer / Cash Margins / Without Salary Transfer	JD 150	JD 50000
Jordan Dubai Islamic Bank	Visa Card	465	JD 0-JD50	-	4%	According to class	JD 300	JD 15000
Al-Rajhi Bank	-							

Continued / Table (8): Credit Cards Extended by Banks During 2011

Banks	Trade Mark	# of extended card	Cards issuance fees (JD)	Interest rate / Murabaha%	Commission on cash withdrawal	Salary transfer	Salary minimum*	Card limit max**
HSBC	-	-	-	-	-	-	-	-
Egyptian Arab Land Bank	Master Card	982	silver JD 25 Gold JD 50	2.4%	4%, minimum JD 4	conditional	JD 300	JD 200 and above
	Visa Card	281	silver JD 25 Gold JD 50	2.5%	4%, minimum JD 4	conditional	JD 300	JD 200 and above
Rafidain Bank	-	-	-	-	-	-	-	-
Citi Bank	-	-	-	-	-	-	-	-
Standard Chartered	Classic & Gold Master Card Master Card Platinum	MASTER CARD 37	Classic 25 Gold 50 Platinum 75	2.55% monthly Platinum 1.99%	4%, minimum JD 4	unconditional	JD 500	3 times transferred salary
	Classic & Gold Visa Card	VISA 254	Classic 25 Gold 50	2.55%	4%, minimum JD 4	unconditional	JD 500	3 times transferred salary
Bank Audi	Visa Card	1102	JD 20	1.99%	%	unconditional	-	-
	Master Card	845	JD 20	1.99%	%	unconditional	-	-
National Bank of Kuwait	Visa Card	685	-	2% Monthly	1%, minimum JD 4	conditional	JD 750	-
BLOM Bank	Master Card	Gold 1666	Free	2 %	4 %	-	-	-
		Classic 49	Free	1.5 %	4 %	-	-	-
National Bank of Abu Dhabi	Visa Classic	29	JD 35	2%	4 %	conditional	JD 600	JD 6000
	Visa Card gold	40	JD 65	2%	4 %	conditional	JD 3000	30 thousand
	Infinite Visa	81	Free	2%	4 %	unconditional	N/A	50 thousand

- Not Available

* The minimum income limit is the client's lowest income amount for granting the card to him/her.

** Is the card's highest amount limit allowed (in dinars or salary multiples...)

B. Personal Loans

Banks operating in Jordan granted more than 207 thousand personal loans during 2011, the value of which exceeded 1231 million JD, at an interest rate that varied between 5.5% and 12%, and at a commission rate that varied between zero and 2%, and with a settlement period that is between one year and 10 years. Most banks demanded as a prior condition the transfer of salary to grant the personal loan.

Table (9)
Personal Loans Extended by Banks During 2011

Bank	Number of applications for personal loans Introduction from Banks during 2011	Number of personal loans Extended by Banks during 2011	value of loans (JD million)
Arab Bank	-	-	-
Jordan Ahli Bank	15585	14100	80.900
Cairo Amman Bank	51386	34679	132.500
Bank of Jordan	19785	16452	112.900
The Housing Bank for Trade & Finance	33177	32689	279.857
Jordan Kuwait Bank	2539	2056	11.400
Arab Jordan Investment Bank	968	862	8.555
Jordan Commercial Bank	3364	2377	18.000
Investbank	880	729	8.855
Arab Banking (Corporation) Jordan	10480	10195	57.824
Bank Al-Etihad	902	579	10.069
Societe General - Jordan	1441	972	5.900
Capital Bank	1887	1508	26.643
Jordan Islamic Bank ⁽¹⁾	43493	42309	403.000
International Islamic Arab Bank ⁽¹⁾ *	384	258	0.145
Jordan Dubai Islamic Bank ⁽¹⁾	917	722	4.013
Al-Rajhi Bank ⁽¹⁾	1447	1193	13.512
HSBC	-	-	-
Egyptian Arab Land Bank	3330	2775	17.300
Rafidain Bank	12	39260	-
Citi Bank	-	-	-
Standard Chartered	670	559	7.642
Bank Audi	2630	1400	16.500
National Bank of Kuwait	157	108	1.200
BLOM Bank	1485	723	9.035
National Bank of Abu Dhabi	80	75	5.252
Total	196999	206580	1231.002

- Not available

* The funds under this Title include (good loan (Al Qard Al Hassan) / staff advances)

(1) represents individuals' personal finances

Table (10): Terms and Characteristics of Personal Loans Extended During 2011

Bank	Salary transfer	required collaterals	maximum amount of loan *	Interest rate Murabaha (%)	Annual commission (%)	Payment period (year)
Arab Bank	according to source of income	according to source of income	50 thousand	10.5%	1% Annually	6
Jordan Ahli Bank	conditional	salary transfer	At maximum 50 thousand	9.5%-10%	1% for first year	8.3
Cairo Amman Bank	conditional	salary transfer	100 thousand	11.0%	Without	10
Bank of Jordan	conditional	a pledge letter of salary transfer continuity, ID proof, updated salary certificate with details	50 thousand	10.99% - 12%	1%	7
The Housing Bank for Trade & Finance	conditional	Real Estate, vehicle, shares, cash, personal guarantees	100 thousand and more by the power of the credit supreme committee	8.5% - 9%	0 – 1%	8-10
Jordan Kuwait Bank	conditional	salary transfer	50 thousand	9.5% - 12%	0-1%	6
Arab Jordan Investment Bank	conditional	salary transfer, guarantor	50 thousand	government sector 8%, and Private sector 9%	1%	7
Jordan Commercial Bank	conditional	salary transfer + guarantor	25 thousand	10.5%-11.5	0	10
Investbank	conditional		50 thousand	10% - 11%	1%	6
Arab Banking (Corporation) Jordan	unconditional	salary transfer or guarantor	50 thousand	11.25%-11.75%	1%	Public sector 9 year; and 6 year for Private sector
Bank Al-Etihad	unconditional	Salary transfer only, but in some cases guarantor is requested	30 times the salary & up to 50 thousand JD	10% - 12.5% according to client sector	0.75% annual received in advance	7
Societe General - Jordan	conditional	Salary transfer, and a guarantor as needed	20 thousand	11.00%	1%	6
Capital Bank	conditional	guarantor of the non-certified companies	70 thousand	Lowest price 9.5% decreasing	1% or 2%	8.3
Jordan Islamic Bank	conditional	guarantor, and other guarantees	As the monthly installment dose not exceed 50% of income	5.5%	-	5
International Islamic Arab Bank**	conditional	salary transfer	-	Murabaha 0%	0	One year
Jordan Dubai Islamic Bank	Conditioned for those with Salaries, but does not apply for self-employed	salary transfer, Promissory upon request	50 thousand	From 5.75%	75 JD once	5
Al-Rajhi Bank	conditional	salary transfer	50 thousand	6-6.5	0	8 year for government sector; and 7 year for Private sector
HSBC	-	-	-	-	-	-

Continued / Table (10): Terms and Characteristics of Personal Loans Extended During 2011

Bank	Salary transfer	required collaterals	maximum amount of loan *	Interest rate Murabaha (%)	Annual commission (%)	Payment period (year)
Egyptian Arab Land Bank	conditional	Personal guarantees & mortgages	50 thousand	9-11%	1%	5-9
Rafidain Bank	conditional	Government guarantor	4000	8%	-	4
Citi Bank	-	-	-	-	-	-
Standard Chartered	conditional	Salary transfer or Cash collateral	60 thousand or 350 thousand in case Cash collateral	9.50%	1%	5
Bank Audi	conditional	Salary transfer + guarantor + insurances	At maximum 40 thousand or 25 times the salary	11%	1%	6
National Bank of Kuwait	conditional	depend on client	-	depend on guarantees	1%	-
BLOM Bank	conditional	-	-	10.75%	-	5
National Bank of Abu Dhabi	conditional	salary transfer	50 thousand	10.75%	1%	6

- Not Available

*A personal loan's maximum amount that a client can borrow in dinars or salary multiples.

** The funds under this Title include (good loan (Al Qard Al Hassan) / staff advances)

C. Car loans

During 2011, banks operating in the kingdom granted more than 31900 loans to buy a car, whose value surpassed 262 million JD, so the average funding of any one car ranged from 7 thousand JD to about 31 thousand JD. The interest rate varied between 4.99% and 12.0%, while the commission rate varied between zero and 1.5%. The settlement period varied between 3 years and 10 years, in addition to the condition of mortgaging the car by most banks.

Table (11): Car Loans Extended During 2011

Bank	Number of accepted cars loans during 2011	Total value of cars loans extended during 2011 (JD)	Finance average value per one car during 2011
Arab Bank	-	-	16435
Jordan Ahli Bank	148	2590000	16928
Bank of Jordan	292	4100000	14151
The Housing Bank for Trade & Finance	200	3835696	19178
Jordan Kuwait Bank	801	12468339	15565
Arab Jordan Investment Bank	8	56100	7000
Jordan Commercial Bank	37	800000	22277
Investbank	227	3930103	17300
Arab Banking (Corporation) Jordan	4	127000	31000
Bank Al-Etihad	16	321520	20095
Societe General – Jordan	215	3192000	12000
Capital Bank	110	2274806	20680
Jordan Islamic Bank	17623	127300000	7200
International Islamic Arab Bank	5487	30364547	5533
Jordan Dubai Islamic Bank	494	5379268	11000
Al-Rajhi Bank	77	1423115	18596
HSBC	-	-	-
Egyptian Arab Land Bank	476	7869455	10000
Rafidain Bank	-	-	-
Citi Bank	-	-	-
Standard Chartered	-	-	-
Bank Audi	193	349000	18000
National Bank of Kuwait	-	-	-
BLOM Bank	5524	55460000	10040
National Bank of Abu Dhabi	-	-	-
Total	31961	262340949	310218.7

- Not Available

Table (12)
Terms and Characteristics of Car Loans Extended During 2011

Bank	Terms of Car loans	financing ratio (New and used car)	Interest rate Murabaha (%) (New and used car)	Annual commission (%)	Payment period (year)
Arab Bank	salary transfer + car mortgage + Comprehensive insurance	Up to 100%	5%-5.5%	1% for first year	6
Jordan Ahli Bank	Car mortgage	with salary transfer 100% for new and used car	9.25%-10.5%	No commission	8.3
		Without salary transfer 90% for new car and 80% used car			
Cairo Amman Bank	vehicle Mortgage + salary transfer + comprehensive insurance + pay to the order of the seller + get a vehicle price estimate from certified centers	75%-100%	Public sector 8.5%, and Private sector 12%	No commission	3-8.3
Bank of Jordan	A Comprehensive program including registration and License fees, excluding Car rentals and Driving School	New Car 90% - 50% used car 75% - 65%	4.49% - 5.99%	1% 1.25% 1.50%	7
The Housing Bank for Trade & Finance	Car mortgage + Comprehensive insurance	Up to 90%	5.5% - 6%	No commission	7
Jordan Kuwait Bank	Car mortgage	New Car 90%, used car 75%	5.50%	No commission	6
Arab Jordan Investment Bank	Car mortgage	70%	7.00%	No commission	7
Jordan Commercial Bank	Car mortgage + Comprehensive insurance	New Car 90%, used car 75%	5.25% - 5.75%	No commission	6
Investbank	Vehicle Mortgage	New Car 80%, used car 70%	5.5% flat	No commission	5
Arab Banking (Corporation) Jordan	Car mortgage	New Car 90%, used car 80%	10% - 11.5%	No commission	New Car 7 year, used car 6 year
Bank Al-Etihad	Car mortgage	according to client sector, New Car 100%, used car 90%	New Car: 9.5% decreasing, used car: 10.5%	1% for first year	New Car 7 year, used car 6 year
Societe General - Jordan	Salary transfer, mortgage or cash margins	New Car 90%, used car 80%	8.15%	No commission	7
Capital Bank	Car mortgage, salary transfer or checks	Financing ratios vary depending on the slides associated with source of income and the workplace, lowest ratio is 50% and a highest ratio is 100% for each of the new cars and used cars, according to the slide	Lowest price 10% decreasing	1%	8.3
Jordan Islamic Bank	Car mortgage + salary transfer	75%-100%	5.50%	No commission	5
International Islamic Arab Bank	- companies classified A, and governmental sector. - salary transfer or deduction + mortgage for cars that exceed the amount of financing for 6000 JD + required comprehensive insurance + Adding guarantor has salary		4% - 6%	No commission	No commission
Jordan Dubai Islamic Bank	Car mortgage	Up to 100%	from 5%	No commission	7
Al-Rajhi Bank	Salary transfer	certified companies 90%, non certified Companies 80 %	certified companies 4.5%, non certified Companies 5.5 %	No commission	certified companies 8 year, non certified Companies 7 year

Continued / Table (12): Terms and Characteristics of Car Loans Extended During 2011

Bank	Terms of Car loans	financing ratio (New and used car)	Interest rate Murabaha (%) (New and used car)	Annual commission (%)	Payment period (year)
HSBC	-	-	-	-	-
Egyptian Arab Land Bank	Mortgage, insurance, personal guarantees, bank checks, transfer of salaries	New Car 70 - 90%, used car 40 - 60%	5-7%	No commission	7
Rafidain Bank	-	-	-	-	-
Citi Bank	-	-	-	-	-
Standard Chartered	-	-	-	-	-
Bank Audi	Car mortgage	New Car 90%, used car 80%	5-5.5% flat	No commission	6
National Bank of Kuwait	-	-	-	-	-
BLOM Bank	Car mortgage	80%	5.75%	No commission	6
National Bank of Abu Dhabi	-	-	-	-	-

- Not Available

D. Syndicated Bank Loans

Nine banks took part in the syndicated bank loans extended in 2011. These banks extended more than 147 million JD to various economic sectors, the most important of which were the constructions, tourism, services, industrial and mining sectors.

Table (13)
Syndicated bank loans extended during 2011

Bank	# of loans	Economic Sectors	Volume of Participation		Volume of Participation	
			Million JD	Million USD	(%) Million JD	(%) Million USD
The Housing Bank for Trade & Finance	2	Services, construction	19	26.8	30.6	30.7
Jordan Kuwait Bank	1	Tourism	3	0	11.8	0
Arab Banking Corporation (Jordan)	1	industry	6	8.45	20.0	20.0
Bank Al-Etihad	4	Tourism , services	21	3	24.0	8.3
Societe General - Jordan	1	Tourism	2	2.82	7.8	7.8
Capital Bank	1	Industry, Mining	42	0	49.4	0
HSBC	1	services	0	8.5	0	40.5
Egyptian Arab Land Bank	1	construction	3	0	15.0	0
Bank Audi	3	Public Services and Utilities, Tourism	26	10.1	34.7	21.7

- Banks that have been listed in the table are only the ones that participated in the syndicated banking loans during 2011.

8. Deposits at Licensed Banks

The balance of total deposits at licensed banks rose by the end of 2011 to reach 24.378 billion JD, an increase amounting to 1873 million JD (8.3%) compared with the deposits' balance at the end of 2010.

This increase in the balance of total deposits during 2011 was due to the increase in the resident private sector's deposits by 1562 million JD (8.5%), the increase in the non-resident private sector's deposits by 253 million JD (10.5%), as well as the increase in the deposits of non-banking financial institutions by 74 million JD (36.6%), compared to the levels they reached at the end of 2010. Deposits of the public sector (the central government and public institutions) witnessed a slight regress of 16.5 million JD (1.1%).

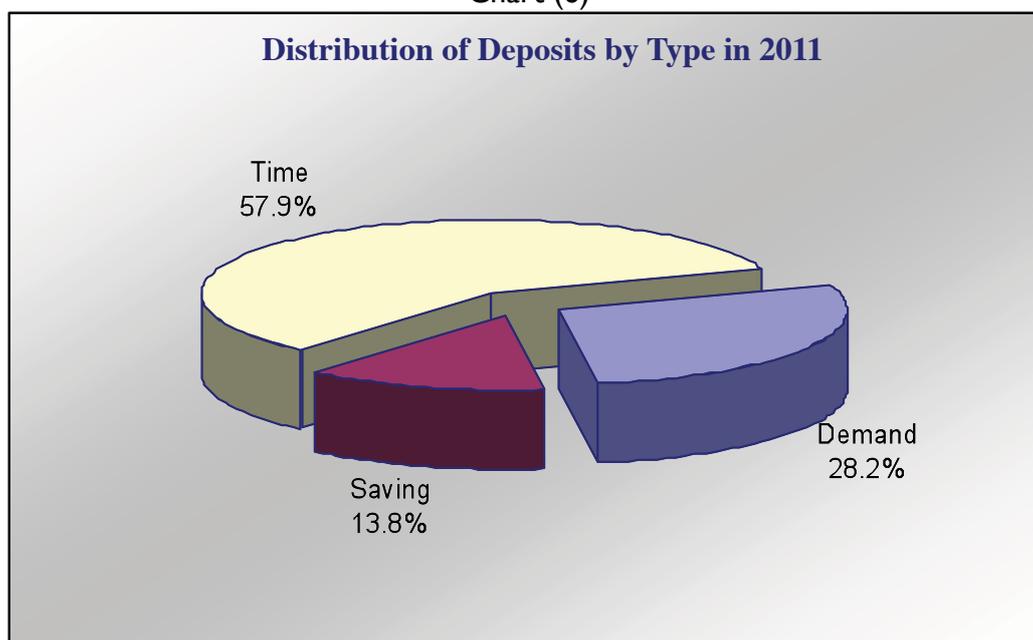
As for the structural development of the main types of deposits (demand, savings, and time deposits), time deposits had the highest percentage among deposits and accounted for 57.9% of total deposits at the end of 2011, compared to 60.3% in 2010. This slight regress in the importance of time deposits was due to the increase in the demand deposits whose percentage reached 28.2%, and the increase in the savings deposits to reach 13.8% at the end of 2011.

Table (14)
Distribution of Deposits According to Type as the End of 2011

Deposit Type	2010		2011		Percentage Change%
	JD million	Relative Importance %	JD million	Relative Importance %	
Demand	5971.1	26.5%	6876.8	28.2%	15.2%
Saving	2976.9	13.2%	3374.7	13.8%	13.4%
Time	13556.8	60.3%	14126.4	57.9%	4.2%
Total Deposit	22504.8	100%	24377.9	100%	8.3%

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

Chart (6)



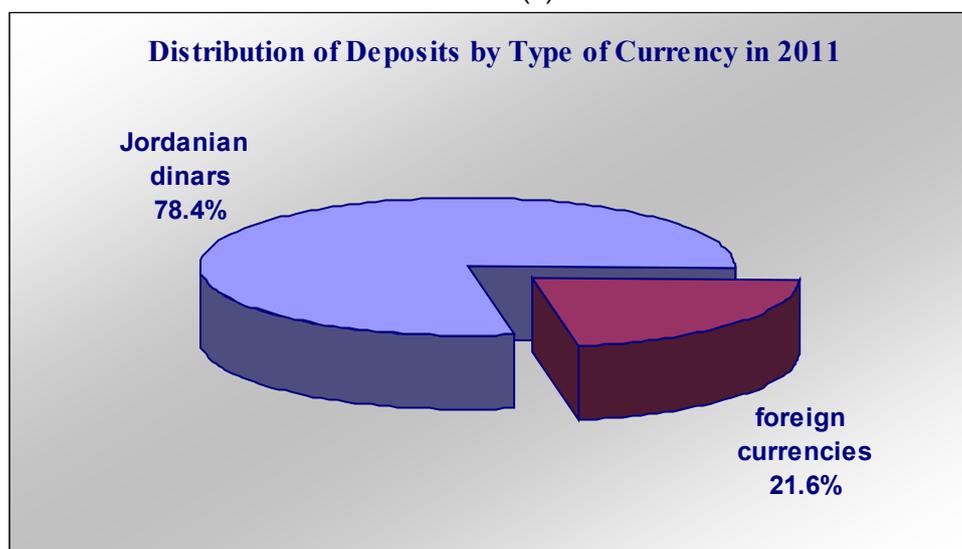
In light of the developments in deposits in terms of the currency types during 2011, an increase is noticed in the deposits in Jordanian Dinar amounting to 1502 million JD, with a percentage of 8.5% of their value at the end of 2010. The item of deposits in foreign currencies registered an increase of 371 million JD, or the percentage of 7.6% of what they registered at the end of 2010.

Table (15)
Distribution of Deposits According to Type of Currency at the end of 2011

Deposits	2010		2011		Percentage Change%
	JD million	Relative Importance %	JD million	Relative Importance %	
Jordanian dinars	17617.2	78.3%	19119.1	78.4%	8.5%
foreign currencies	4887.6	21.7%	5258.8	21.6%	7.6%
Total Deposits	22504.8	100%	24377.9	100%	8.3%

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

Chart (7)



Chapter Four
Development in the Number
of Banks and their Branches



The number of banks operating in Jordan reached 26 banks at the end of 2011, 16 of which are Jordanian banks (3 of which are Islamic banks), 10 of them are foreign banks (of which one is an Islamic bank). The services of these banks cover most parts of the kingdom through a network of branches that consist of 702 branches and 72 offices. The banking density indicator (the population to the total number of branches of banks operating in the kingdom) reached about 8902 people for each branch by the end of 2011.

Table (16)
Development of Number of Banks and Branches in Jordan (2002 – 2011)

Year	Number of Jordanian Banks		Number of Foreign Banks		Total	Number of Branches
	Commercial Banks	Islamic Banks	Commercial Banks	Islamic Banks		
2002	14	2	5	0	21	471
2003	14	2	5	0	21	449
2004	14	2	8	0	24	447
2005	13	2	8	0	23	506
2006	13	2	8	0	23	516
2007	13	2	8	0	23	559
2008	13	2	8	0	23	593
2009	13	2	8	0	23	619
2010	13	3	9	0	25	666
2011	13	3	9	1	26	702

I. Development of the Number of Branches

A. Branches opened in 2011

In an endeavor to keep in touch with their clients and facilitate the process of the client's getting the best banking services, the banks constantly try to increase the number of their branches to cover the whole kingdom. During 2011, new branches were opened by 15 banks; therefore, the number of new branches inside Jordan reached 40, whereas the number of branches opened outside Jordan during 2011 reached 9. Branches outside Jordan belonged to three banks.

Table (17)
Opening of Branches During 2011

Bank	In Jordan			Abroad		
	#	Branch's Name	City	#	Branch's Name	City
Arab Bank	0			6	Oran branch	Algeria
					Sheraton branch	Egypt
					Mansoura branch	Egypt
					Mohandeseen branch / League of Arab States	Egypt
					Tubas branch	Palestine
					Salfit branch	Palestine
Jordan Ahli Bank	4	Taj Mall branch	Amman	0		
		Um Uthaina market branch	Amman			
		Arabella Mall branch	Irbid			
		Balqa University branch	Balqa			
Cairo Amman Bank	4	Salt Branch / King Abdullah St.	Balqa	0		
		Karak branch / AL- Thaniya	Karak			
		Western Hussein Branch	Amman			
		Medical City Street Branch	Amman			
Bank of Jordan	3	Taj Mall branch	Amman	2	Araba branch	Jenin / Palestine
		Sport City branch	Amman		Convert Qabatiya Office to Branch	Jenin / Palestine
		Um Al Amad branch	Madaba		-	-
The Housing Bank for Trade & Finance	1	Mecca Street branch	Amman	0		
Jordan Kuwait Bank	3	Mecca Street branch	Amman	0		
		Al-Rawnaq Branch	Amman			
		Southern Sweileh branch	Amman			
Arab Jordan Investment Bank	1	Tabarbour branch	Amman	0		
Jordan Commercial Bank	2	Mafraq branch	Mafraq	1	Bethlehem branch	Palestine
		Yajouz branch	Zarqa		-	-
Bank Al-Etihad	4	Abdoun branch	Amman	0		
		North Abdoun branch	Amman			
		Um Uthaina branch	Amman			
		Taj Mall branch	Amman			

Continued / Table (17): Opening of Branches During 2011

Bank	In Jordan			Abroad		
	#	Branch's Name	City	#	Branch's Name	City
Jordan Islamic Bank	2	Dhulail branch	Zarqa	0		
		Stone Valley branch	Zarqa			
International Islamic Arab Bank	5	Jarash Branch	Jarash	0		
		Marj Al Hamam Branch	Amman			
		Hashemi Branch - Irbid	Irbid			
		Al Madina Al Munawwara branch	Amman			
		City Mall branch	Amman			
Jordan Dubai Islamic Bank	5	Sweifieh Branch	Amman	0		
		Khalidi Branch	Amman			
		Khalda branch	Amman			
		Taj Mall branch	Amman			
		Jubaiha Branch	Amman			
Al-Rajhi Bank	2	Main Branch (Shmeisani)	Amman	0		
		Abdullah Ghosheh Street Branch	Amman			
Standard Chartered	1	Sixth Circle branch	Amman	0		
BLOM Bank	2	Wadi Saqra branch	Amman	0		
		Taj Mall branch	Amman			
National Bank of Abu Dhabi	1	Abdoun branch	Amman	0		
Total	40			9		

* Banks listed in the table are only those which opened new branches, whether inside or outside Jordan, during 2011.

B. The number of Branches inside and Outside Jordan

The number of branches of licensed banks operating all over Jordan reached 702 branches inside Jordan, whereas the number of branches outside Jordan reached 165 at the end of 2011.

Table (18)
Number of Branches Inside and Outside Jordan at the End of 2011

Bank	Number of Branches	
	In Jordan	Abroad
Arab Bank	79	105
Jordan Ahli Bank	50	6
Cairo Amman Bank	66	18
Bank of Jordan	67	13
The Housing Bank for Trade & Finance	106	13
Jordan Kuwait Bank	44	3
Arab Jordan Investment Bank	11	1
Jordan Commercial Bank	28	5
Investbank	9	0
Arab Banking (Corporation) Jordan	25	0
Bank Al-Etihad	24	1
Societe General - Jordan	16	0
Capital Bank	15	0
Jordan Islamic Bank	62	0
International Islamic Arab Bank	34	0
Jordan Dubai Islamic Bank	12	0
Al-Rajhi Bank	2	0
HSBC	6	0
Egyptian Arab Land Bank	9	0
Rafidain Bank	2	0
Citi Bank	2	0
Standard Chartered	6	0
Bank Audi	12	0
National Bank of Kuwait	4	0
BLOM Bank	9	0
National Bank of Abu Dhabi	2	0
Total	702	165

C. Geographical Distribution of Branches inside Jordan

The 702 local branches of banks are spread to all governorates. The capital Amman has the lion's share of the branches with a percentage of 62.8% of the total number of branches. Irbid Governorate follows Amman with 10% of the total number; Zarqa governorate accounts for 9% of the total branches. The rest, 18.2%, are distributed to the remaining 9 governorates.

Table (19)
Distribution of Branches Among Governorates at the End of 2011

Bank	Amman	Irbid	Zarqa	Balqa	Aqaba	Karak	Madaba	Maan	Jerash	Ajloun	Tafleeh	Mafraq
Arab Bank	52	5	7	5	2	1	1	2	1	1	1	1
Jordan Ahli Bank	31	4	4	4	1	1	1	1	1	0	1	1
Cairo Amman Bank	36	9	5	6	2	3	1	1	1	0	0	2
Bank of Jordan	42	10	6	1	1	1	1	1	1	2	0	1
The Housing Bank for Trade & Finance	56	13	13	8	1	4	1	4	1	2	2	1
Jordan Kuwait Bank	33	3	4	2	1	0	1	0	0	0	0	0
Arab Jordan Investment Bank	8	1	1	0	1	0	0	0	0	0	0	0
Jordan Commercial Bank	16	3	2	3	1	1	1	0	0	0	0	1
Investbank	6	1	1	0	1	0	0	0	0	0	0	0
Arab Banking (Corporation) Jordan	18	1	1	1	1	1	1	0	0	0	0	1
Bank Al-Etihad	17	3	2	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	11	1	2	0	1	0	0	0	0	0	0	0
Jordan Islamic Bank	31	8	7	3	1	4	1	2	1	2	1	1
International Islamic Arab Bank	18	2	5	2	1	1	1	0	1	1	1	1
Jordan Dubai Islamic Bank	10	1	1	0	0	0	0	0	0	0	0	0
Al-Rajhi Bank	2	0	0	0	0	0	0	0	0	0	0	0
HSBC	6	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	4	1	0	0	1	0	0	0	0	0	0	0
Bank Audi	10	1	0	0	1	0	0	0	0	0	0	0
National Bank of Kuwait	4	0	0	0	0	0	0	0	0	0	0	0
BLOM Bank	8	1	0	0	0	0	0	0	0	0	0	0
National Bank of Abu Dhabi	2	0	0	0	0	0	0	0	0	0	0	0
Total	441	70	63	35	20	18	12	11	7	8	6	11

2. Development of the number of Offices

A. Offices opened during 2011

For the sake of extending their services to the largest number of customers in the kingdom, banks tend to open offices in commercial centers, malls, universities and many other places. Six offices were opened inside Jordan by four banks during 2011.

Table (20)
Offices Opened During 2011

Bank	In Jordan			Abroad		
	#	Office Name	City	#	Office Name	City
Cairo Amman Bank	2	Office of the University of Jordan Aqaba Branch	Aqaba	0		
		Office-Hussein Bin Talal University	Ma'an			
The Housing Bank for Trade & Finance	1	Prince Nayef Office	Irbid	0		
Arab Jordan Investment Bank	1	Taj Mall Office	Amman	0		
Jordan Islamic Bank	2	Bsaira Office	Tafila	0		
		Al-Taiba Office	Irbid			
Total	6			0		

*Banks listed in the table are only those which opened new offices, whether inside or outside Jordan during 2011.

B. The number of offices inside and outside Jordan

The number of offices of licensed banks amounted to 72 offices in different parts of the kingdom, in addition to 9 offices outside Jordan by the end of 2011.

Table (21)
Number of Offices Inside and Outside Jordan at the End of 2011

Bank	Number of Offices	
	In Jordan	Abroad
Arab Bank	0	0
Jordan Ahli Bank	2	1
Cairo Amman Bank	7	3
Bank of Jordan	13	1
The Housing Bank for Trade & Finance	6	3
Jordan Kuwait Bank	9	0
Arab Jordan Investment Bank	11	1
Jordan Commercial Bank	2	0
Investbank	0	0
Arab Banking (Corporation) Jordan	0	0
Bank Al-Etihad	3	0
Societe General - Jordan	0	0
Capital Bank	1	0
Jordan Islamic Bank	13	0
International Islamic Arab Bank	0	0
Jordan Dubai Islamic Bank	0	0
Al-Rajhi Bank	0	0
HSBC	0	0
Egyptian Arab Land Bank	3	0
Rafidain Bank	0	0
Citi Bank	0	0
Standard Chartered	0	0
Bank Audi	2	0
National Bank of Kuwait	0	0
BLOM Bank	0	0
National Bank of Abu Dhabi	0	0
Total	72	9

C. Geographical distribution of offices inside Jordan

The 72 offices of Banks are spread in most governorates of Jordan; the capital, Amman, took possession of 43.1% of the total number of these offices, followed by Irbid Governorate with the percentage of 22.2%, and Aqaba governorate by the percentage of 12.5%. The rest is distributed to the rest of the governorates with the exception of Madaba, Jarash and Ajloun governorates which did not have any bank office during 2011.

Table (22)
Distribution of Offices Among Governorates at the End of 2011

Bank	Amman	Irbid	Zarqa	Balqa	Aqaba	Karak	Madaba	Maan	Jerash	Ajloun	Tafileh	Mafraq
Arab Bank	0	0	0	0	0	0	0	0	0	0	0	0
Jordan Ahli Bank	0	2	0	0	0	0	0	0	0	0	0	0
Cairo Amman Bank	2	1	0	0	3	0	0	1	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	3	2	0	0	0	0	0	1	0	0	0	0
Jordan Kuwait Bank	6	0	0	1	0	1	0	0	0	0	0	1
Arab Jordan Investment Bank	7	2	1	0	1	0	0	0	0	0	0	0
Jordan Commercial Bank	0	1	1	0	0	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
Bank Al-Etihad	2	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	0	1	0	0	0	0	0	0	0
Jordan Islamic Bank	6	3	2	0	0	1	0	0	0	0	1	0
International Islamic Arab Bank	0	0	0	0	0	0	0	0	0	0	0	0
Jordan Dubai Islamic Bank	0	0	0	0	0	0	0	0	0	0	0	0
Al-Rajhi Bank	0	0	0	0	0	0	0	0	0	0	0	0
HSBC	0	0	0	0	0	0	0	0	0	0	0	0
Egyptian Arab Land Bank	1	0	1	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	0	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
National Bank of Abu Dhabi	0	0	0	0	0	0	0	0	0	0	0	0
Total	31	16	6	3	9	2	0	2	0	0	1	2

3. Development of the number of ATMs

A. The number of ATMs and their distribution in governorates

In order to keep up with the developments in the financial services sector and to absorb the growing numbers of ATM users, banks always opt to increase the number of ATMs they have. By the end of 2011, the number of ATMs amounted to 1219, compared to 1129 ATMs at the end of 2010. These ATMs are spread in different numbers in all governorates. The capital Amman has the biggest share amounting to 66.5% of the total number of ATMs, followed by the Irbid governorate with the share of 10.3%, then the Zarqa governorate with the share of 6.9% of the total number of ATMs. The rest is distributed over the remaining governorates.

Table (23)
Distribution of ATMs Among Governorates at the End of 2011

Banks	Amman	Irbid	Zarqa	Balqa	Aqaba	Karak	Madaba	Maan	Jerash	Ajloun	Tafilah	Mafraq	total	of which in the builds of banks branches
Arab Bank	102	8	10	6	3	1	3	2	1	1	1	1	139	89
Jordan Ahli Bank	52	5	4	5	2	1	1	1	1	0	1	1	74	48
Cairo Amman Bank	97	34	8	12	7	6	2	4	2	2	0	5	179	80
Bank of Jordan	76	14	7	3	2	1	2	1	1	2	0	3	112	74
The Housing Bank for Trade & Finance	116	25	17	8	5	9	3	6	1	2	3	3	198	118
Jordan Kuwait Bank	59	3	4	2	2	1	1	0	0	0	0	1	73	57
Arab Jordan Investment Bank	19	1	1	0	3	0	0	0	0	0	0	0	24	-
Jordan Commercial Bank	20	4	3	3	2	1	1	0	0	0	0	1	35	29
Investbank	10	1	2	0	2	0	0	0	0	0	0	0	15	7
Arab Banking (Corporation) Jordan	36	2	2	2	3	1	2	0	0	0	0	1	49	26
Bank Al-Etihad	25	3	2	0	2	0	2	0	0	0	0	0	34	29
Societe General - Jordan	11	1	1	0	1	1	1	0	0	0	0	0	16	15
Capital Bank	30	4	3	0	3	0	0	0	0	0	0	0	40	16
Jordan Islamic Bank	53	14	13	2	3	5	2	3	4	3	2	2	106	78
International Islamic Arab Bank	21	0	4	1	0	0	1	0	0	0	0	0	27	23
Jordan Dubai Islamic Bank	12	1	1	0	0	0	0	0	0	0	0	0	14	13
Al-Rajhi Bank	4	0	0	0	0	0	0	0	0	0	0	0	4	-
HSBC	23	0	0	0	0	0	0	0	0	0	0	0	23	10
Egyptian Arab Land Bank	7	1	2	0	2	0	0	0	0	0	0	1	13	12
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	5	1	0	0	1	0	0	0	0	0	0	0	7	-
Bank Audi	16	2	0	0	1	0	0	0	0	0	0	0	19	-
National Bank of Kuwait	7	0	0	0	0	0	0	0	0	0	0	0	7	-
BLOM Bank	8	1	0	0	0	0	0	0	0	0	0	0	9	9
National Bank of Abu Dhabi	2	0	0	0	0	0	0	0	0	0	0	0	2	2
Total	811	125	84	44	44	27	21	17	10	10	7	19	1219	735



B. Kinds of ATM used

Banks operating in Jordan use different kinds of ATMs. However, the most frequently used kind is the NCR machine. Wincor and Diebold machines are also used, among others.

C. Operating systems used

ATMs owned by banks operating in Jordan work with different operating systems. Nevertheless, most ATMs inside Jordan are operated with the Windows and Aprta systems.

D. Services Provided by the ATM

ATMs owned by banks provide a large spectrum of banking services round the clock. They enable customers to withdraw cash in Jordanian dinar, inquiring about the balance, in addition to other services that are available in most ATMs, the most important of which is having a brief account statement, changing the PIN Code, money transfers to accounts at the same bank, applying for a check book, and other services detailed in the table below.

Table (24): Services Provided by Banks' ATMs Until the End of 2011

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	√		√	√		√			√			√		√	√		√
Bank Al-Etihad	√		√	√	√	√	√		√			√		√	√		√
Societe General - Jordan	√					√	√		√			√			√		
Capital Bank	√		√	√	√	√	√		√			√		√	√	√	
Jordan Islamic Bank	√					√	√		√			√		√	√		√
International Islamic Arab Bank	√			√	√	√	√		√			√		√	√		√
Jordan Dubai Islamic Bank	√					√	√								√		√
Al-Rajhi Bank	√					√	√		√					√	√		√
HSBC	√	√	√	√	√	√	√		√		√	√		√	√		√
Egyptian Arab Land Bank	√					√	√		√			√		√	√		√
Rafidain Bank**																	
Citi Bank**																	
Standard Chartered	√			√	√	√	√		√		√	√		√	√		√
Bank Audi	√					√	√		√						√		
National Bank of Kuwait	√					√	√		√			√			√		√
BLOM Bank	√					√									√		
National Bank of Abu Dhabi	√			√	√	√	√		√			√			√		

* An additional part 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.

In addition to the afore-mentioned services, there are other services that banks provide through their ATMs as is shown in the table below.

Table (25): Other Services Provided Through ATMs

Bank	Other services provided through ATMs
Arab Bank	Register for Hala Arabi the Phone Banking Service
	Instructions Deposit
	Donation within the program together (for non-profit institutions)
	Query for credit card information
	Query from credit card transactions
	Credit card payment (Instant Cash Deposit)
	Order an Account Statement to be mailed to your address
Cairo Amman Bank	Cash withdrawals in dollars (one device)
Bank of Jordan	Recharge the prepaid cards in advance
The Housing Bank for Trade & Finance	Applying for a credit card
Jordan Kuwait Bank	Sale of prepaid cards (Zain)

*Banks listed in the table are only those which provide other services through ATMs.

Chapter Five
Performance of Banks Listed in
Amman Stock Exchange during 2011



The number of banks listed in Amman stock exchange reached 15 banks by the end of 2011, the closing stock prices of which ranged between 1.21 JD and 8.00 JD. It is noticed that the market value of Jordanian banks' shares declined during 2011 in comparison with the year before. The number of bank shares traded in the stock exchange totaled 139.5 million shares, while the trading value of these shares reached 405.8 million JD. The following table shows the most important trading indicators of the banks listed in Amman Bourse during 2011.

Table (26)
Some Trading Indicators of Banks Listed at the Amman Stock Exchange During 2011

Banks	Symbol	Closing price At end 2010	High price during 2011	low price during 2011	Closing price At end 2011	Price ratio	Value traded Million JD	Shares traded (Million)
Arab Bank	ARBK	9.98	10.20	7.17	7.85	8.54	175.90	20.6
The Housing Bank for Trade & Finance	THBK	8.10	8.40	7.80	8.00	8.01	6.02	0.8
Bank of Jordan	BOJX	2.96	3.38	1.99	2.05	2.56	27.10	10.6
Jordan Ahli Bank	AHLI	1.92	2.28	1.30	1.43	1.81	17.37	9.6
Capital Bank	EXFB	1.54	1.50	1.24	1.36	1.35	4.27	3.2
Jordan Islamic Bank	JOIB	3.00	3.37	2.58	2.75	2.90	7.05	2.4
Cairo Amman Bank	CABK	3.18	3.44	2.53	2.77	3.08	7.00	2.3
Arab Jordan Investment Bank	AJIB	1.42	1.50	1.25	1.31	1.35	2.88	2.1
Jordan Dubai Islamic Bank	JDIB	1.28	1.38	0.80	0.87	0.96	23.22	24.2
Bank Al-Etihad	UBSI	2.01	2.51	1.40	1.44	1.94	92.72	47.7
Arab Banking (Corporation) Jordan	ABCO	1.15	1.27	0.98	0.98	1.14	1.51	1.3
Investbank	INVB	1.61	1.92	1.30	1.34	1.58	9.53	6.0
Jordan Kuwait Bank	JOKB	4.32	5.21	3.50	3.62	4.79	27.97	5.8
Societe General - Jordan	SGBJ	1.08	1.21	0.85	0.95	1.03	0.73	0.7
Jordan Commercial Bank	JCBK	1.75	1.73	1.00	1.10	1.25	2.55	2.0

Source: Amman Stock Exchange

I. Shares Price Index

The price index (weighted by market value) of shares of banks listed in Amman Stock Exchange went down by about 1306 points (14.8%), reaching 7542.3 points at the end of 2011, compared with a decline of 519.7 points (5.5%) in 2010. This decline comes simultaneously with the decline in the price index of the stock exchange in general which regressed by 12.6% during 2011. It is worth mentioning that the performance of shares listed in Amman Stock Exchange declined significantly since the world financial crisis and shares did not recover their previous price levels until 2011.

Table (27)

Development of the Share Price Index of Banks Listed on the Amman Stock Exchange (2005 – 2011)

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
2010	8848.3	5318.0
2011	7542.3	4648.4

Source: Amman Stock Exchange

Chart (8)

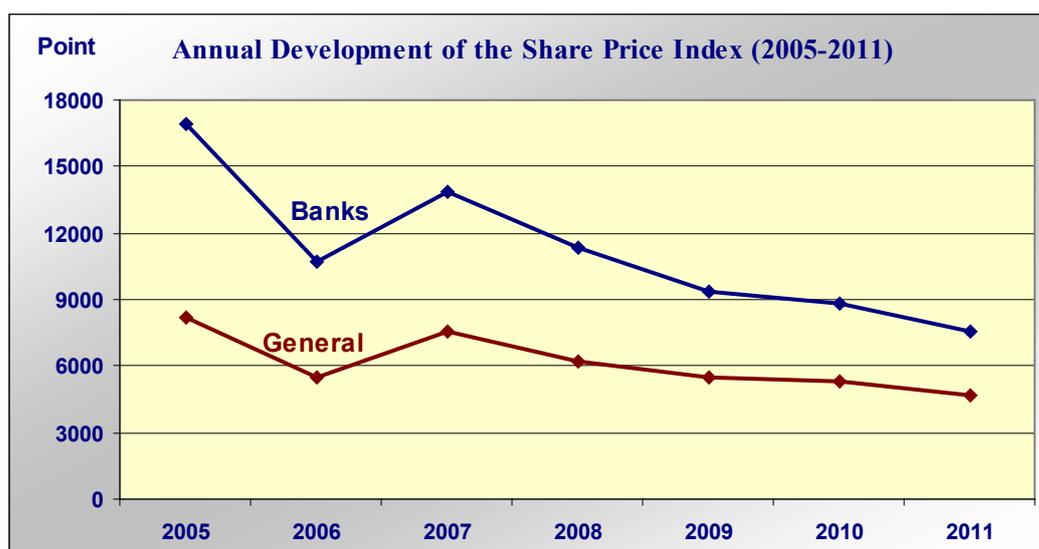
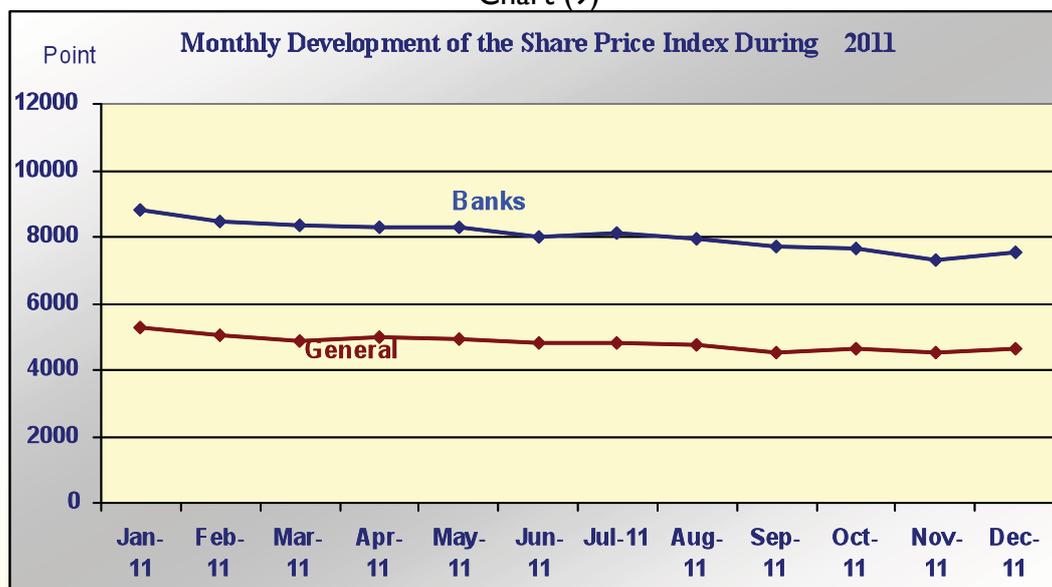


Table (28)
Monthly Development of the Share Price Index of Banks Listed on the Amman Stock Exchange During 2011

MONTH	The weighted shares prices index (points)	
	Banks	General
January	8808.8	5302.1
February	8464.5	5042.6
March	8339.0	4883.5
April	8284.4	4962.1
May	8287.2	4902.3
June	8002.9	4787.3
July	8100.6	4838.5
August	7970.9	4727.4
September	7698.0	4545.4
October	7644.7	4658.6
November	7293.5	4493.0
December	7542.3	4648.4

Source: Amman Stock Exchange

Chart (9)



2. Trading Volume

The trading volume of Amman Stock Exchange continued to decline during 2011, reflecting in this trend the fears that prevailed within the investors' ranks towards the general economic conditions in the kingdom since the international financial crisis. The substantial decline that the Amman bourse suffered from reflected a condition of incertitude on the side of investors that pushed them to reduce their trading in the companies' shares in the market. The previous factors led to a decline in the volume of trading in the market as a whole from 6.089 billion JD during 2010 to 2.763 billion during 2011. The trading volume in the shares of banks listed in the bourse dropped from 515 million JD during 2010 to 406 million JD in 2011.

Table (29)
Trading Volume of Banks' Shares Listed at the Amman Stock Exchange
(2005 – 2011)

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
2010	514.8	6,088.6	8.5
2011	405.8	2,762.7	14.7

Source: Amman Stock Exchange

Chart (10)

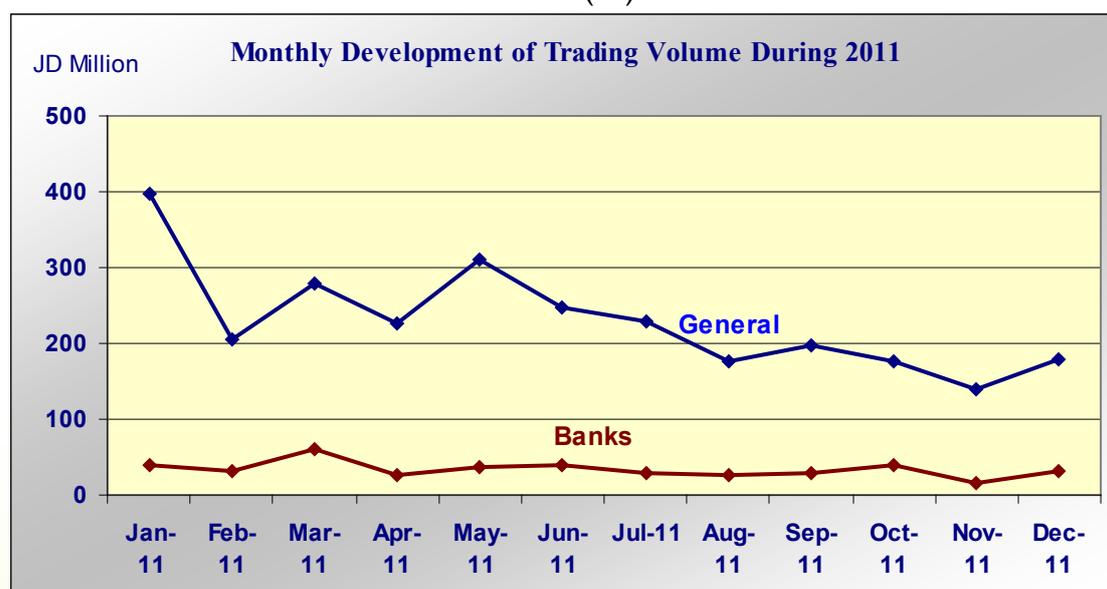


Table (30)
Monthly Trading Volume of Banks' Shares Listed at the Amman Stock Exchange During 2011

MONTH	Value Traded (JD million)		
	Banks	General	Banks/ General (%)
January	39.61	396.83	10.0
February	31.25	206.34	15.1
March	60.79	278.88	21.8
April	26.28	225.84	11.6
May	37.66	309.66	12.2
June	38.69	248.50	15.6
July	30.08	229.76	13.1
August	25.65	176.13	14.6
September	28.46	198.25	14.4
October	40.77	175.93	23.2
November	16.18	138.32	11.7
December	30.38	178.24	17.0
Total	405.80	2762.68	14.7

Source: Amman Stock Exchange

Chart (11)



3. Non-Jordanian ownership of Jordanian banks' shares

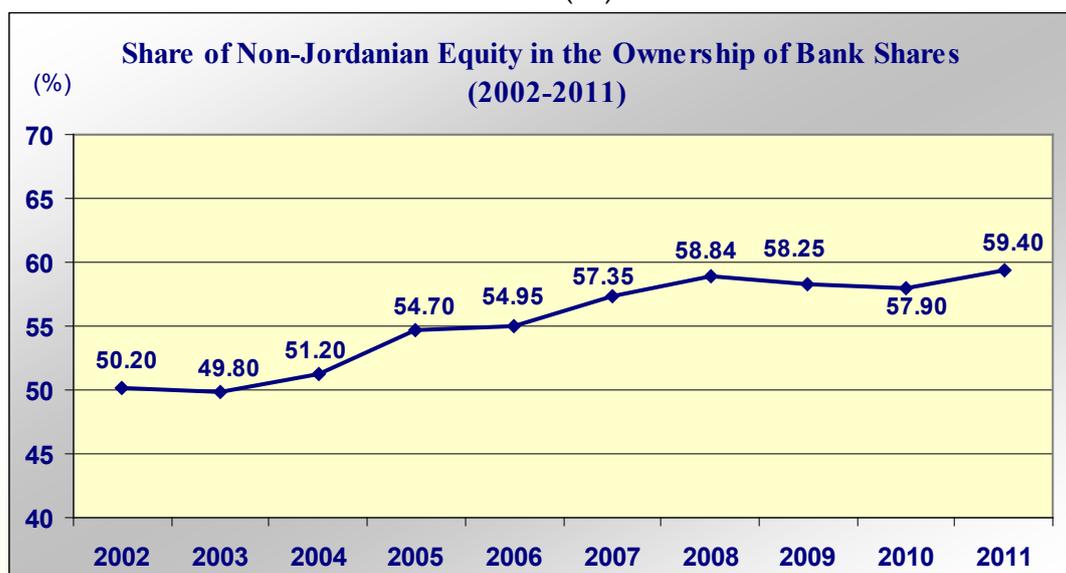
The non-Jordanian ownership of Jordanian banks' shares had evidently been stable during the recent years, even during the international financial crisis and its aftermath. This is due to the good financial indicators of Jordan's banking system, and the financial strength and soundness that the system enjoys, which made it a destination for investors from outside Jordan. The average of non-Jordanian ownership of shares of banks listed on Amman bourse during the period from 2002-2011 comes close to 55.3%; this percentage reached 59.4% in 2011.

Table (31)
Non-Jordanian Ownership of Banks' Shares Listed at the Amman Stock Exchange (2002-2011)

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
2010	57.90
2011	59.40

Source: Amman Stock Exchange

Chart (12)



Chapter Six

Clearing of Checks



The number of checks presented for clearing grew from 10498.8 thousand checks during 2010 to 10908.8 thousand checks during 2011. However, the value of checks presented for clearing dropped from 34305.3 million JD during 2010 to 37448.7 million JD during 2011.

Table (32)
Circulated and Returned Cheques Through the Electronic Clearing (2010 – 2011)

Description	2010	2011	Percentage Change %
Circulated Cheques			
Number (thousand)	10498.8	10908.8	3.91
Value(JD million)	34305.3	37448.7	9.16
Returned Cheques			
Number (thousand)	712.5	603.8	-15.26
Value(JD million)	1877.7	1566.8	-16.56
The ratio to the number of Circulated Cheques (%)	6.79	5.53	-
The ratio to the value of Circulated Cheques (%)	5.47	4.18	-
Returned Cheques for insufficient balance			
Number (thousand)	405.7	367.7	-9.37
Value(JD million)	1079.4	939.0	-13.01
The ratio to the number of Circulated Cheques (%)	3.86	3.37	-
The ratio to the value of Circulated Cheques (%)	3.15	2.51	-
Returned Cheques for another reasons			
Number (thousand)	306.8	236.1	-23.04
Value(JD million)	798.3	627.8	-21.36
The ratio to the number of Circulated Cheques (%)	2.92	2.16	-
The ratio to the value of Circulated Cheques (%)	2.33	1.68	-

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

The number of returned checks also fell during 2011 compared to the year before in terms of both the number and value by 15.26% and 16.56% respectively. The number and value of returned checks for the reason of insufficient funds also fell during 2011 compared to the year before; their percentage amounted to 3.4% of the total number of checks presented for clearing and 2.5% of the total value of checks presented for clearing.

Chapter Seven
The Structure of Interest Rates



This chapter depicts the developments in the weighted average of interest rates on all types of deposits and credit facilities, in addition to the development in the interest rate margin. It will also deal with the development of interest rates on the monetary policy instruments, and the development of interbank lending interest rates (JODIBOR).

I. The development of interest rates on deposits

Interest rates on all types of deposits experienced a tangible decrease during 2011, which went as follows:

- **Demand Deposits:** The weighted average of interest rates on demand deposits went down at the end of 2011 by one base point compared to its level at the end of 2010 to reach 0.43%.
- **Saving deposits:** The weighted average of interest rates on saving deposits went down at the end of 2011 by 7 base points compared to the level it registered at the end of 2010 to reach 0.70%.
- **Time deposits:** The weighted average of interest rates on time deposits increased at the end of 2011 by 6 base points compared to its level at the end of 2010 to reach 3.46%.

Table (33)
Weighted Average of Interest Rates on All Types of Deposits (2002-2011)

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
2010	0.44	0.77	3.40
2011	0.43	0.70	3.46

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

Chart (13)

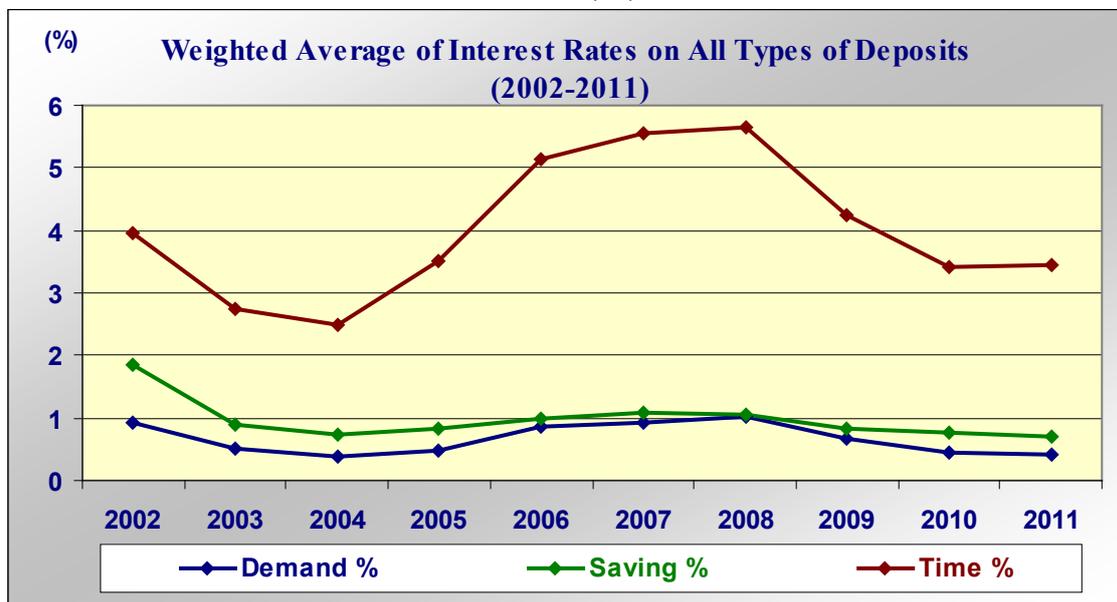


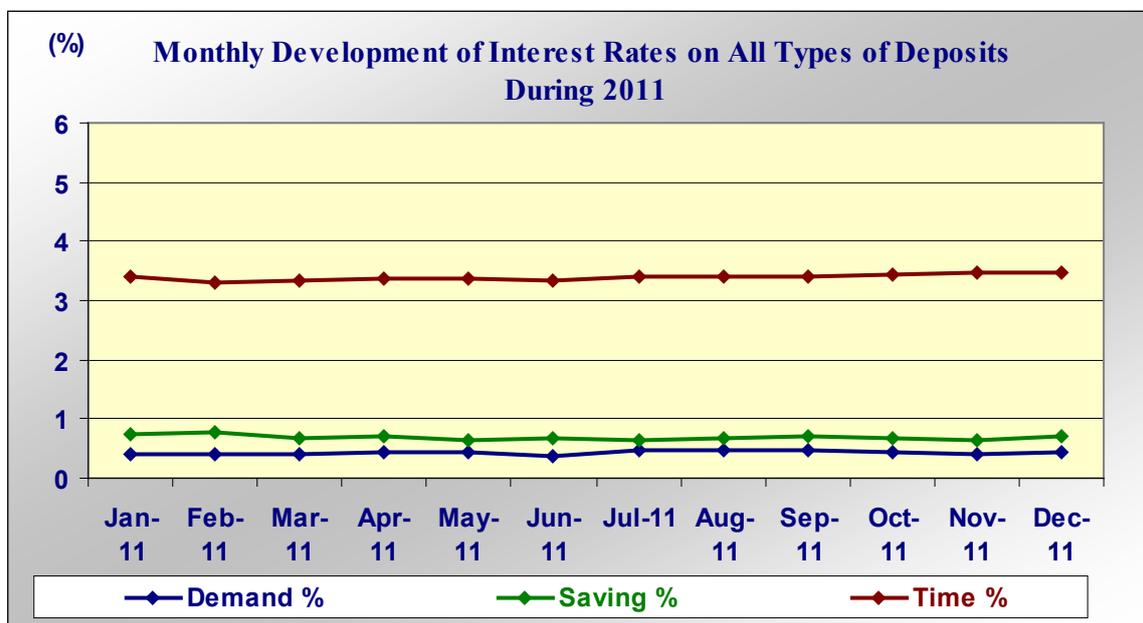
Table (34)

Monthly weighted Average of Interest Rates on All Types of Deposits in 2011

MONTH	Demand %	Saving %	Time %
January	0.42	0.74	3.39
February	0.42	0.76	3.31
March	0.42	0.69	3.35
April	0.44	0.70	3.36
May	0.44	0.64	3.37
June	0.38	0.69	3.35
July	0.48	0.65	3.42
August	0.47	0.66	3.42
September	0.47	0.71	3.41
October	0.43	0.66	3.44
November	0.41	0.64	3.46
December	0.43	0.70	3.46
Average	0.43	0.69	3.40
MAX	0.48	0.76	3.46
MIN	0.38	0.64	3.31

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

Chart (14)



2. Development of Interest Rates on Credit Facilities

Interest rates on the different types of Credit facilities witnessed the following changes:

- **Overdrafts:** The weighted average of interest rates on overdrafts dropped at the end of 2011 by 32 base points from its level at the end of 2010 to become 8.8%
- **Loans and Advances:** The weighted average of interest rates on loans and advances dropped at the end of 2011 by 34 base points from its level at the end of 2010 to become 8.67%
- **Discounted Bills and Bonds:** The weighted average of interest rates on discounted bills and bonds rose at the end of 2011 by 7 base points from its level at the end of 2010 to become 9.34%
- **Prime Lending Rate:** The prime lending rate rose at the end of 2011 by two base points from the level it registered at the end of 2010 to reach 8.22%

Table (35)
Weighted Average of Interest Rates on All Types of Credit Facilities (2002-2011)

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
2010	9.12	9.01	9.41	8.20
2011	8.80	8.67	9.34	8.22

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

Chart (15)

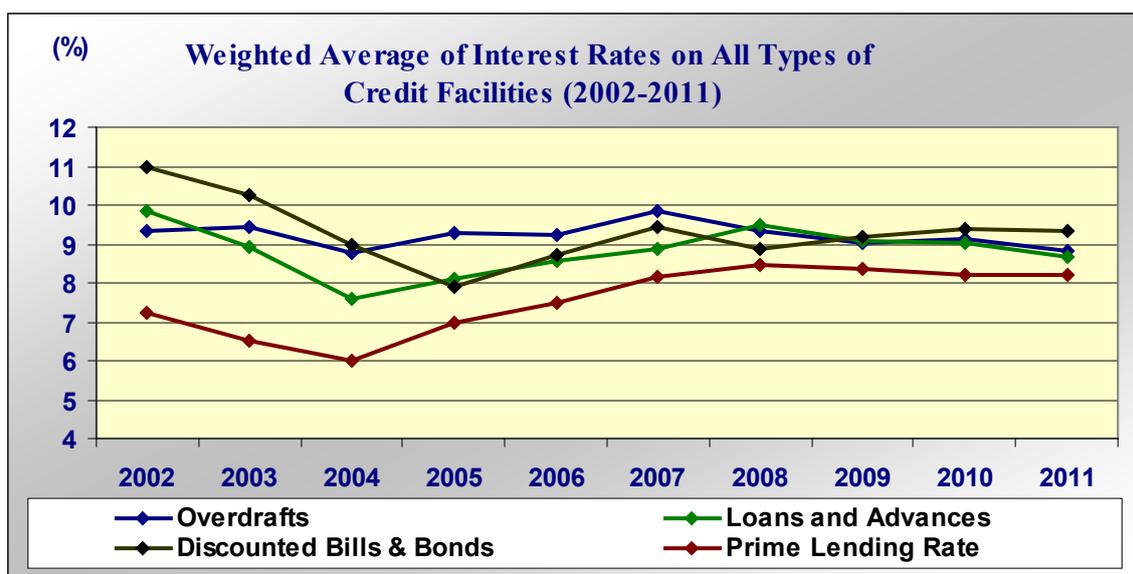
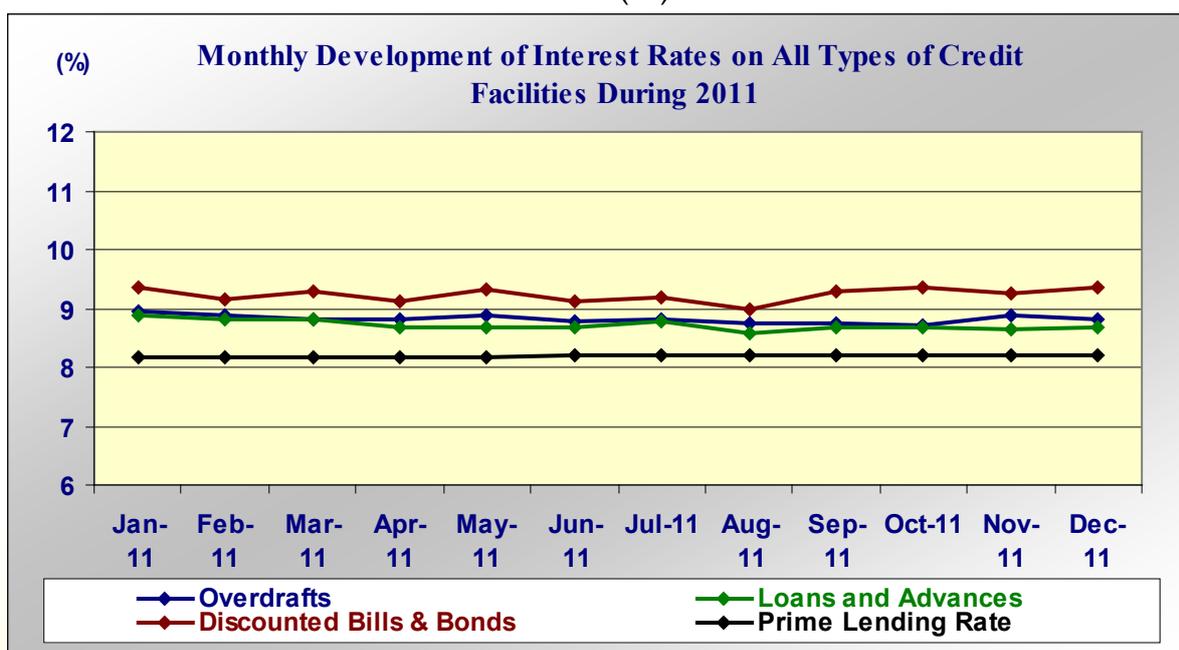


Table (36)
Weighted Average of Interest Rates on All Types of Credit Facilities in 2011

MONTHE	Overdrafts (%)	Loans and Advances (%)	Discounted Bills & Bonds (%)	Prime Lending Rate (%)
January	8.94	8.87	9.34	8.18
February	8.89	8.80	9.16	8.18
March	8.83	8.83	9.28	8.18
April	8.80	8.69	9.11	8.18
May	8.89	8.67	9.32	8.18
June	8.79	8.67	9.13	8.19
July	8.83	8.78	9.19	8.19
August	8.73	8.57	9.00	8.19
September	8.76	8.68	9.28	8.22
October	8.72	8.69	9.36	8.22
November	8.88	8.64	9.26	8.22
December	8.80	8.67	9.34	8.22
Average	8.82	8.71	9.23	8.20
MAX	8.94	8.87	9.36	8.22
MIN	8.72	8.57	9.00	8.18

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

Chart (16)

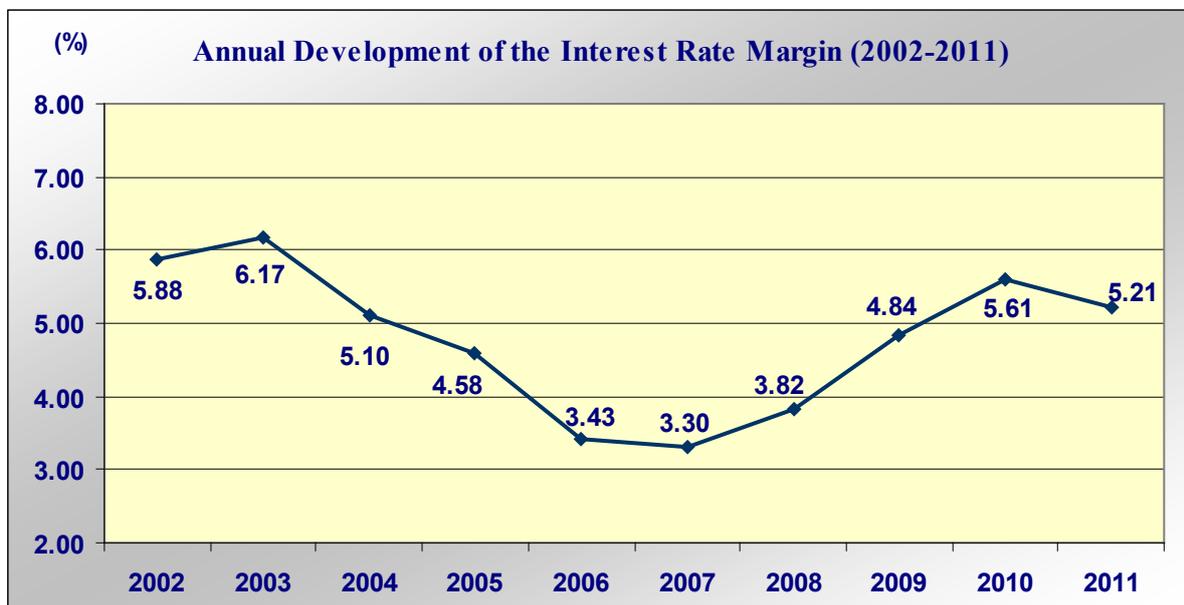


3. Interest Rate Margin

Interest rate margin is usually calculated as the difference between the weighted average of interest rates on loans and advances and the weighted average of interest rates on time deposits as they are the biggest and most important types of facilities and deposits.

The interest rate margin suffered during 2011 a set-back of 40 base points to reach 5.21% in comparison with a margin of 5.61 in 2010. This setback happened despite the increase in the interest rates on time deposits by 6 base points. This is due to the big decrease in the interest rates on loans that amounted to 34 base points.

Chart (17)



4. Development of Interest Rates on Monetary Policy Instruments

In its strives to increase the attractiveness and competitiveness of the revenue of monetary instruments saved in Jordanian Dinar, and to contain inflation pressures stemming from global hikes in oil and basic goods, the Central Bank of Jordan raised interest rates on monetary policy instruments once in June 2011 by 25 base points to become as follows:

- **Rediscount Rate:** It was raised by 25 base points to reach 4.5%, compared with 4.25% at the end of 2010.
- **Interest rate on Overnight Repurchase Agreements:** It was raised by 25 base points to become 4.25% instead of 4.0% at the end of 2010.
- **Interest rate on Overnight Window Deposit:** It was raised by 25 base points to become 2.25% instead of 2.0% at the end of 2010.

Table (37)
Interest Rates on Monetary Policy Tools (2002 - 2011)

Year	Rediscount /Rate %	Repurchase Agreements %	Certificates of Deposit		Certificates of Deposit
			(3) Months %	(3) 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
2010	4.250	4.000	–	–	2.000
2011	4.500	4.250	–	–	2.250

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

Table (38)
Interest Rates on Monetary Policy Tools in 2011

MONTH	Rediscount /Rate %	Repurchase Agreements %	Deposit Window (One Night) %
January	4.25	4.00	2.000
February	4.25	4.00	2.000
March	4.25	4.00	2.000
April	4.25	4.00	2.000
May	4.25	4.00	2.000
June	4.50	4.25	2.250
July	4.50	4.25	2.250
August	4.50	4.25	2.250
September	4.50	4.25	2.250
October	4.50	4.25	2.250
November	4.50	4.25	2.250
December	4.50	4.25	2.250

Source: Central Bank of Jordan/ Monthly Statistical Bulletin

5. Interbank Lending Interest Rates (JODIBOR)

Interbank lending interest rates (JODIBOR) during 2011 points out to the following:

- An increase in the average overnight lending interest rates in 2011 compared to 2010 by 43 points, reaching 2.668%.
- An increase in the average lending interest rates for one week in 2011 compared with 2010 by 66 points to become 3.073%.
- An increase in the average lending interest rates for one month in 2011 compared with 2010 by 65 points to become 3.435%.
- An increase in the average lending interest rates for three months during 2011 compared with its average in 2010 by 58 points to reach 3.840%.
- An increase in the average lending interest rates for six months during 2011 compared with its average in 2010 by 49 points to reach 4.235%.
- An increase in the average lending interest rates for one year during 2011 compared with its average in 2010 by 46 points to reach 4.871%.

Table (39)
Average Inter-Bank Lending Interest Rates (JODIBOR – Declared Rates)
(2006 – 2011)

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
2010	2.236	2.409	2.783	3.257	3.745	4.414
2011	2.668	3.073	3.435	3.840	4.235	4.871

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

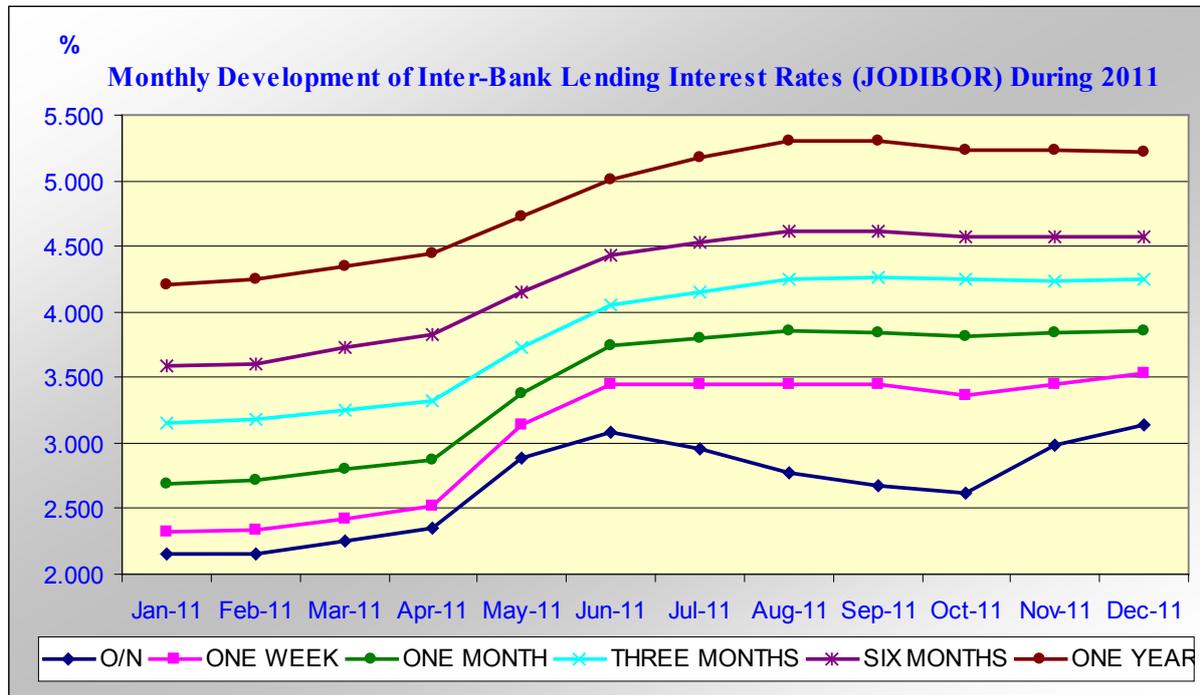
The table below shows the monthly developments on interbank average lending interest rates during 2011. It reveals that all maturities registered their lowest rates in the first month of the year, and then they gradually began to increase until the lending interest rates of short term maturities registered their highest rates in the last month of the year. On another sphere, lending interest rates of long term maturities registered their highest rates in August and September of the same year.

Table (40)
Average Inter-Bank Lending Interest Rates (JODIBOR – Declared Rates) in 2011

MONTH	O/N	ONE WEEK	ONE MONTH	THREE MONTHS	SIX MONTHS	ONE YEAR
January	2.156	2.327	2.688	3.150	3.584	4.213
February	2.156	2.344	2.724	3.181	3.601	4.247
March	2.260	2.424	2.802	3.253	3.730	4.345
April	2.347	2.518	2.873	3.323	3.831	4.450
May	2.885	3.141	3.384	3.728	4.156	4.724
June	3.078	3.443	3.741	4.050	4.436	5.003
July	2.952	3.445	3.805	4.151	4.527	5.179
August	2.771	3.445	3.851	4.250	4.613	5.304
September	2.672	3.441	3.848	4.260	4.611	5.301
October	2.622	3.365	3.814	4.253	4.578	5.236
November	2.981	3.448	3.839	4.238	4.572	5.226
December	3.135	3.531	3.857	4.242	4.577	5.219
Average	2.668	3.073	3.435	3.840	4.235	4.871
MAX	3.135	3.531	3.857	4.260	4.613	5.304
MIN	2.156	2.327	2.688	3.150	3.584	4.213

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

Chart (18)



As for the volume of overnight interbank activity during 2011, it fluctuated in terms of the number of executed transactions as well as the total credit amount, in addition to the fluctuation in the pricing margin (the difference between the actual prices announced by the Central Bank less the declared price of the association – JODIBOR) which registered the lowest margin in January and February (0.006%), and the highest margin in September (0.25%).

Table (41)
Volume of Overnight Inter-Bank Activity During 2011

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	186	816.00	2.156%	2.150%	-0.006%
February	322	1,497.70	2.156%	2.150%	-0.006%
March	354	1,933.00	2.260%	2.212%	-0.048%
April	355	1,771.50	2.347%	2.322%	-0.025%
May	511	2,477.50	2.886%	2.837%	-0.049%
June	465	2,346.90	3.079%	3.053%	-0.026%
July	390	2,116.25	2.953%	2.803%	-0.150%
August	307	1,792.75	2.771%	2.559%	-0.212%
September	167	858.00	2.672%	2.422%	-0.250%
October	271	1,324.50	2.622%	2.539%	-0.083%
November	352	1,615.50	2.981%	3.106%	0.125%
December	364	1,722.95	3.135%	3.026%	-0.109%

* 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)

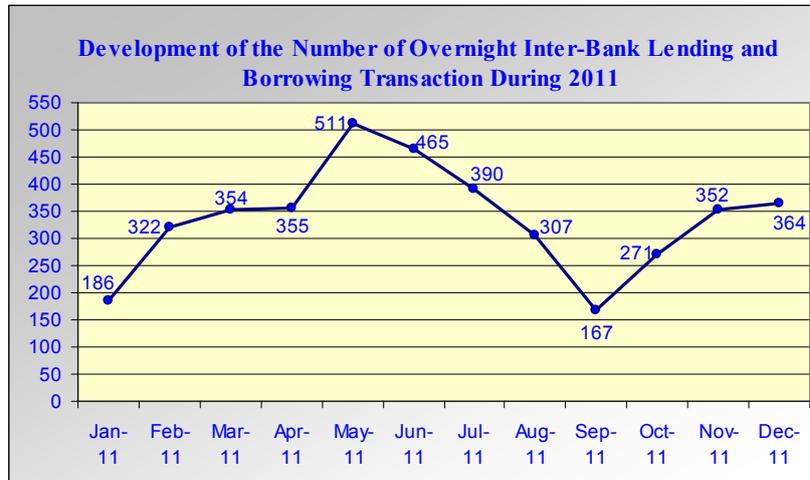


Chart (20)



Chart (21)



Chapter Eight
Analysis of the Comparative
Performance of Banks Operating in
Jordan During 2011



This chapter contains a full summary of the overall developments experienced by banks operating in Jordan during 2011. The first part of the chapter handles the developments of the main items in the balance sheet in terms of total assets, liabilities and deposits at the banks operating in Jordan, in addition to the shareholders' equity and capital. The second part contains the most important items of the income statement of banks operating in Jordan, which are the pretax profit and the net after-tax profit. The third part deals with the most important profitability measurements of banks operating in Jordan that link the balance sheet and the income statement, which are the average return on assets (ROA) and the average return on shareholders' equity (ROE) during 2011. The fourth part shows the indicators of banks' branching in Jordan, including the number of branches and that of ATMs. The fifth and final part reflects the development and distribution of the volume of human resources in the banks operating in Jordan at the end of 2011.

It is noteworthy here that the banks are ranked in a descending manner (from the highest bank to the lowest bank) according to each of the previous criteria, in addition to calculating the relative importance for each bank in relation to the total operating banks. We also took into consideration the division of 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 only to the branches of banks operating in Jordan and do not include outside branches.

First: Banks' Ranking According to Some Balance Sheet Items:

A. Banks' Ranking According to the Total Assets as at the end of 2011

The total assets of licensed banks operating in Jordan at the end of 2011 amounted to almost 36.1 billion JD, distributed as follows: 27.3 billion JD for Jordanian commercial banks (75.5% of the total assets of banks operating in Jordan); 4.8 billion JD for the Islamic banks (13.2% of total assets) and 4.1 billion JD for foreign banks (11.33% of total assets).

Table (42): Total Assets of Banks Operating in Jordan at the End of 2011

Jordanian Commercial Banks	Bank	Ranking 2011	Assets (JD million)	Ratio to Total Assets %
	Arab Bank	1	8,563.00	23.71%
	The Housing Bank for Trade & Finance	2	5,507.20	15.25%
	Jordan Ahli Bank	3	2,043.00	5.66%
	Jordan Kuwait Bank	4	1,949.50	5.40%
	Bank of Jordan	5	1,591.30	4.41%
	Cairo Amman Bank	6	1,510.00	4.18%
	Bank Al-Etihad	7	1,441.79	3.99%
	Capital Bank	8	1,321.69	3.66%
	Arab Jordan Investment Bank	9	790.00	2.19%
	Jordan Commercial Bank	10	751.00	2.08%
	Arab Banking (Corporation) Jordan	11	741.00	2.05%
	Investbank	12	685.46	1.90%
Societe General - Jordan	13	361.66	1.00%	
Total			27,256.60	75.47%
Islamic Banks	Bank	Ranking 2011	Assets (JD million)	Ratio to Total Assets %
	Jordan Islamic Bank*	1	3,149.80	8.72%
	International Islamic Arab Bank	2	1,127.48	3.12%
	Jordan Dubai Islamic Bank	3	350.42	0.97%
	Al-Rajhi Bank	4	137.87	0.38%
Total			4,765.57	13.20%
Foreign Banks	Bank	Ranking 2011	Assets (JD million)	Ratio to Total Assets %
	HSBC	1	1,011.00	2.80%
	Bank Audi	2	751.00	2.08%
	BLOM Bank	3	563.00	1.56%
	Standard Chartered	4	467.80	1.30%
	Egyptian Arab Land Bank	5	385.00	1.07%
	Citi Bank	6	308.07	0.85%
	National Bank of Kuwait	7	292.96	0.81%
	National Bank of Abu Dhabi	8	175.87	0.49%
Rafidain Bank	9	136.59	0.38%	
Total			4,091.28	11.33%

* Including the total balances and the balances of accounts managed for third parties off balance "restricted investments and the Muqaradah and proxy investment bonds"

B. Banks' Ranking According to the Total Credit facilities as at the end of 2011

The balance of credit facilities granted by the banks operating in Jordan amounted to 15.1 billion JD, of which 11.1 billion JD were granted by Jordanian commercial banks (74% of the total credit facilities); 2.4 billion JD by Islamic banks (16% of total credit facilities) and 1.5 billion JD by foreign banks (10% of total credit facilities).

Table (43): Credit Facilities Extended By Banks Operating in Jordan at the End of 2011

	Bank	Ranking 2011	Credit Facilities (JD million)	Ratio to total Credit Facilities %
	Jordanian Commercial Banks	Arab Bank (Net)	1	2,448.00
The Housing Bank for Trade & Finance		2	1,879.50	12.47%
Jordan Kuwait Bank		3	1,159.90	7.69%
Jordan Ahli Bank		4	948.00	6.29%
Bank of Jordan		5	865.70	5.74%
Cairo Amman Bank		6	792.00	5.25%
Bank Al-Etihad		7	775.13	5.14%
Capital Bank		8	669.18	4.44%
Jordan Commercial Bank		9	432.00	2.87%
Arab Banking (Corporation) Jordan		10	389.00	2.58%
Investbank		11	363.31	2.41%
Arab Jordan Investment Bank		12	294.00	1.95%
Societe General - Jordan		13	135.59	0.90%
Total			11,151.31	73.98%
Islamic Banks	Bank	Ranking 2011	Credit Facilities (JD million)	Ratio to total Credit Facilities %
	Jordan Islamic Bank **	1	1,779.10	11.80%
	International Islamic Arab Bank	2	462.34	3.07%
	Al-Rajhi Bank	3	111.67	0.74%
	Jordan Dubai Islamic Bank	4	52.42	0.35%
Total			2,405.52	15.96%
Foreign Banks	Bank	Ranking 2011	Credit Facilities (JD million)	Ratio to total Credit Facilities %
	HSBC	1	382.00	2.53%
	Bank Audi	2	275.00	1.82%
	BLOM Bank	3	265.00	1.76%
	Egyptian Arab Land Bank	4	224.00	1.49%
	Standard Chartered	5	218.64	1.45%
	National Bank of Kuwait	6	64.36	0.43%
	National Bank of Abu Dhabi	7	54.89	0.36%
	Citi Bank	8	33.31	0.22%
Rafidain Bank	9	0.24	0.00%	
Total			1,517.45	10.07%

** Including the balances of funding and self investment, liabilities and joint investment and investment deposits at Islamic banks, and what is invested from the balances of accounts managed for third parties "restricted investments and Muqaradah and proxy investment bonds."

C. Banks' Ranking according to the Total Deposit as at the end of 2011

The total deposit at the banks operating in Jordan reached approximately 24.9 billion JD by the end of 2011. These deposit are divided as follows: 18 billion JD at Jordanian commercial banks (72.2% of total deposit), 4 billion JD at Islamic banks (16.3% of total deposit), and 2.8 billion JD for foreign commercial banks (11.4% of total deposit).

Table (44): Total Deposits at Banks Operating in Jordan at the End of 2011

	Bank	Ranking 2011	Deposits (JD million)	Ratio to Total Deposits %
Jordanian Commercial Banks	Arab Bank	1	5,651.00	22.69%
	The Housing Bank for Trade & Finance	2	3,868.00	15.53%
	Jordan Kuwait Bank	3	1,362.10	5.47%
	Jordan Ahli Bank	4	1,198.00	4.81%
	Bank of Jordan	5	1,042.10	4.18%
	Cairo Amman Bank	6	950.00	3.81%
	Capital Bank	7	856.91	3.44%
	Bank Al-Etihad	8	804.35	3.23%
	Jordan Commercial Bank	9	575.00	2.31%
	Arab Banking (Corporation) Jordan	10	561.00	2.25%
	Investbank	11	471.53	1.89%
	Arab Jordan Investment Bank	12	395.00	1.59%
	Societe General - Jordan	13	263.28	1.06%
Total			17,998.27	72.25%
Islamic Banks	Bank	Ranking 2011	Deposits (JD million)	Ratio to Total Deposits %
	Jordan Islamic Bank *	1	2,858.30	11.47%
	International Islamic Arab Bank	2	956.12	3.84%
	Jordan Dubai Islamic Bank	3	163.50	0.66%
Al-Rajhi Bank	4	82.29	0.33%	
Total			4,060.21	16.30%
Foreign Banks	Bank	Ranking 2011	Deposits (JD million)	Ratio to Total Deposits %
	HSBC	1	777.00	3.12%
	Bank Audi	2	565.00	2.27%
	BLOM Bank	3	441.00	1.77%
	Standard Chartered	4	350.68	1.41%
	Egyptian Arab Land Bank	5	265.00	1.06%
	Citi Bank	6	159.54	0.64%
	National Bank of Abu Dhabi	7	121.74	0.49%
	National Bank of Kuwait	8	99.85	0.40%
Rafidain Bank	9	72.04	0.29%	
Total			2,851.85	11.45%

* Including the balances of Amanah (deposits in trust) and absolute investments accounts, cash securities and restricted investments and Muqaradah (loans) and proxy investment bonds.

D. Banks' Ranking According to Equity Rights as at the end of 2011

Equity rights in the banks operating in Jordan totaled 4.7 billion JD at the end of 2011. These are distributed as follows: 3.6 billion JD in Jordanian commercial banks (76.9% of total equity rights), 454 million JD in Islamic banks (9.7% of total equity rights), and 633 million JD in foreign commercial banks (13.5% of total equity rights).

Table (45)
Shareholders' Equity of Banks Operating in Jordan at the End of 2011

	Bank	Ranking 2011	Equity Rights (JD million)	Ratio to total Equity Rights %
Jordanian Commercial Banks	The Housing Bank for Trade & Finance	1	868.100	18.48%
	Arab Bank	2	796.000	16.94%
	Jordan Kuwait Bank	3	330.300	7.03%
	Bank of Jordan	4	248.400	5.29%
	Jordan Ahli Bank	5	242.000	5.15%
	Bank Al-Etihad	6	220.810	4.70%
	Cairo Amman Bank	7	198.000	4.21%
	Capital Bank	8	189.003	4.02%
	Investbank	9	128.900	2.74%
	Arab Jordan Investment Bank	10	128.000	2.72%
	Arab Banking (Corporation) Jordan	11	109.000	2.32%
	Jordan Commercial Bank	12	93.000	1.98%
	Societe General - Jordan	13	59.750	1.27%
Total			3,611.262	76.86%
Islamic Banks	Jordan Islamic Bank	1	206.900	4.40%
	Jordan Dubai Islamic Bank	2	115.058	2.45%
	International Islamic Arab Bank	3	90.135	1.92%
	Al-Rajhi Bank	4	42.318	0.90%
Total			454.410	9.67%
Foreign Banks	HSBC	1	118.000	2.51%
	Standard Chartered	2	84.929	1.81%
	Bank Audi	3	69.000	1.47%
	National Bank of Kuwait	4	68.891	1.47%
	BLOM Bank	5	61.000	1.30%
	Rafidain Bank	6	60.454	1.29%
	Egyptian Arab Land Bank	7	60.000	1.28%
	Citi Bank	8	58.707	1.25%
	National Bank of Abu Dhabi	9	52.115	1.11%
Total			633.096	13.47%

E. Banks' Ranking According to Capital as at the end of 2011

The total capital of banks operating in Jordan amounted to 2714 million JD, distributed as follows: 1940 million JD at Jordanian commercial banks (71.5% of total capital), 339 million JD at Islamic banks (12.5% of total capital), and 435 million JD at foreign banks (16% of total capital).

Table (46)
Capital of Banks Operating in Jordan at the End of 2011

	Bank	Ranking 2011	Capital (JD million)	Ratio to Total Capital %
Jordanian Commercial Banks	Arab Bank	1	534.00	19.68%
	The Housing Bank for Trade & Finance	2	252.00	9.29%
	Bank of Jordan	3	155.10	5.72%
	Capital Bank	4	150.00	5.53%
	Jordan Ahli Bank	5	126.00	4.64%
	Cairo Amman Bank	6	100.00	3.69%
	Jordan Kuwait Bank	6	100.00	3.69%
	Arab Jordan Investment Bank	6	100.00	3.69%
	Investbank	6	100.00	3.69%
	Bank Al-Etihad	6	100.00	3.69%
	Arab Banking (Corporation) Jordan	11	89.60	3.30%
	Jordan Commercial Bank	12	83.00	3.06%
	Societe General - Jordan	13	50.00	1.84%
Total			1939.70	71.48%
Islamic Banks	Jordan Islamic Bank	1	100.00	3.69%
	International Islamic Arab Bank	1	100.00	3.69%
	Jordan Dubai Islamic Bank	3	89.00	3.28%
	Al-Rajhi Bank	4	50.00	1.84%
Total			339.00	12.49%
Foreign Banks	Standard Chartered	1	61.43	2.26%
	HSBC	2	50.00	1.84%
	Egyptian Arab Land Bank	2	50.00	1.84%
	Rafidain Bank	2	50.00	1.84%
	Bank Audi	2	50.00	1.84%
	National Bank of Kuwait	2	50.00	1.84%
	BLOM Bank	2	50.00	1.84%
	National Bank of Abu Dhabi	2	50.00	1.84%
	Citi Bank	9	23.52	0.87%
Total			434.95	16.03%

Second: Banks' Ranking According to some Items of Income Statement

A. Banks' Ranking According to Pre-Tax Profit in 2011

The total pre-tax profit of banks operating in Jordan amounted in 2011 to 546.3 million JD, of which 434 million JD went to Jordanian commercial banks (79.4% of total profit); 55.6 million JD for Islamic banks (10.2% of total profit) and 56.7 million JD for foreign banks (10.4% of total profit).

Table (47)
Pre-Tax Profit of Banks Operating in Jordan at the End of 2011

	Bank	Ranking 2011	Net pretax profit (JD million)	Ratio to Total Net pretax profit %
Jordanian Commercial Banks	Arab Bank	1	118.000	21.60%
	The Housing Bank for Trade & Finance	2	94.000	17.21%
	Jordan Kuwait Bank	3	47.500	8.69%
	Bank of Jordan	4	44.400	8.13%
	Cairo Amman Bank	5	38.000	6.96%
	Jordan Ahli Bank	6	29.000	5.31%
	Arab Banking (Corporation) Jordan	7	17.000	3.11%
	Bank Al-Etihad	8	15.704	2.87%
	Arab Jordan Investment Bank	9	13.000	2.38%
	Investbank	10	12.845	2.35%
	Societe General - Jordan	11	4.792	0.88%
	Jordan Commercial Bank	12	1.500	0.27%
	Capital Bank	13	-1.665	-0.30%
Total			434.076	79.45%
Islamic Banks	Bank	Ranking 2011	Net pretax profit (JD million)	Ratio to Total Net pretax profit %
	Jordan Islamic Bank	1	39.700	7.27%
	International Islamic Arab Bank	2	15.202	2.78%
	Jordan Dubai Islamic Bank	3	5.022	0.92%
Al-Rajhi Bank	4	-4.357	-0.80%	
Total			55.567	10.17%
Foreign Banks	Bank	Ranking 2011	Net pretax profit (JD million)	Ratio to Total Net pretax profit %
	HSBC	1	15.000	2.75%
	Bank Audi	2	14.000	2.56%
	Standard Chartered	3	11.904	2.18%
	BLOM Bank	4	9.000	1.65%
	National Bank of Kuwait	5	3.551	0.65%
	National Bank of Abu Dhabi	6	2.631	0.48%
	Citi Bank	7	1.893	0.35%
	Rafidain Bank	8	1.692	0.31%
Egyptian Arab Land Bank	9	-3.000	-0.55%	
Total			56.671	10.37%

B. Banks' Ranking According to the After-Tax Net Profit

The total after tax net profit of banks operating in Jordan amounted to 389.5 million JD, of which 303 million JD went to Jordanian commercial banks (77.8% of the total net profit), 39.9 million JD went to Islamic banks (10.2% of the total net profit) and 46.6 million JD for foreign banks (12% of the total net profit).

Table (48)
Net After-Tax Profit of Banks Operating in Jordan at the End of 2011

	Bank	Ranking 2011	Net After Tax Profit (JD million)	Ratio to Total Net After Tax Profit %
Jordanian Commercial Banks	Arab Bank	1	72.000	18.48%
	The Housing Bank for Trade & Finance	2	69.300	17.79%
	Jordan Kuwait Bank	3	32.600	8.37%
	Bank of Jordan	4	31.500	8.09%
	Cairo Amman Bank	5	30.000	7.70%
	Jordan Ahli Bank	6	23.000	5.90%
	Arab Banking (Corporation) Jordan	7	12.600	3.23%
	Bank Al-Etihad	8	11.625	2.98%
	Arab Jordan Investment Bank	9	9.000	2.31%
	Investbank	10	8.801	2.26%
	Societe General - Jordan	11	3.250	0.83%
	Jordan Commercial Bank	12	0.437	0.11%
	Capital Bank	13	-1.099	-0.28%
Total			303.015	77.79%
Islamic Banks	Jordan Islamic Bank	1	28.300	7.27%
	International Islamic Arab Bank	2	10.641	2.73%
	Jordan Dubai Islamic Bank	3	5.352	1.37%
	Al-Rajhi Bank	4	-4.357	-1.12%
Total			39.936	10.25%
Foreign Banks	Standard Chartered	1	11.320	2.91%
	HSBC	2	10.000	2.57%
	Bank Audi	3	9.551	2.45%
	BLOM Bank	4	6.000	1.54%
	Egyptian Arab Land Bank	5	3.000	0.77%
	National Bank of Kuwait	6	2.317	0.59%
	National Bank of Abu Dhabi	7	1.828	0.47%
	Citi Bank	8	1.303	0.33%
	Rafidain Bank	9	1.265	0.32%
Total			46.583	11.96%

Third: Banks' Ranking According to most Important Profitability Indicators

A. Banks' Ranking According to the Average Return on Assets in 2011

The average return on the assets of all banks operating in Jordan stood at 0.86% in 2011. The average for Jordanian commercial banks was 1.17%, -0.18% for Islamic banks and 0.86% for foreign commercial banks. The drop in the average return on Islamic banks' assets is the result of the losses incurred by Al Rajhi Bank due to the costs of founding in 2011. Without AlRajhi bank, the Islamic banks' return on assets would rise to 1.3%.

Table (49)
Average Return on Assets for the Banks Operating in Jordan in 2011

	Bank	Ranking 2011	Average Return on Assets %
Jordanian Commercial Banks	Cairo Amman Bank	1	2.100%
	Bank of Jordan	1	2.100%
	Arab Banking (Corporation) Jordan	3	1.770%
	Jordan Kuwait Bank	4	1.700%
	The Housing Bank for Trade & Finance	5	1.330%
	Investbank	6	1.300%
	Jordan Ahli Bank	7	1.200%
	Arab Jordan Investment Bank	7	1.200%
	Societe General - Jordan	9	0.920%
	Arab Bank	10	0.860%
	Bank Al-Etihad	11	0.790%
	Jordan Commercial Bank	12	0.060%
	Capital Bank	13	-0.090%
Average			1.172%
Islamic Banks	Bank	Ranking 2011	Average Return on Assets %
	Jordan Dubai Islamic Bank	1	1.860%
	Jordan Islamic Bank	2	1.030%
	International Islamic Arab Bank	3	1.000%
Al-Rajhi Bank	4	-4.600%	
Average			-0.178%
Foreign Banks	Bank	Ranking 2011	Average Return on Assets %
	Bank Audi	1	1.330%
	National Bank of Abu Dhabi	2	1.200%
	BLOM Bank	3	1.150%
	HSBC	4	1.000%
	Egyptian Arab Land Bank	5	0.900%
	National Bank of Kuwait	5	0.900%
	Rafidain Bank	7	0.800%
	Citi Bank	8	0.431%
Standard Chartered	9	0.020%	
Average			0.859%

B. Average Return on Equity Rights in Banks Operating in Jordan in 2011

The average return on equity rights in all banks operating in Jordan stood at 6.9% at the end of 2011. The average reached 8% for Jordanian commercial banks, 5.4% for Islamic banks and 5.9% for foreign commercial banks.

Table (50)
Average Return on Shareholders' Equity for the Banks Operating in Jordan in 2011

	Bank	Ranking 2011	Average Return on Equity Rights %
Jordanian Commercial Banks	Cairo Amman Bank	1	15.800%
	Bank of Jordan	2	14.000%
	Arab Banking (Corporation) Jordan	3	12.200%
	Jordan Kuwait Bank	4	10.300%
	Jordan Ahli Bank	5	10.200%
	Arab Bank	6	9.200%
	The Housing Bank for Trade & Finance	7	8.000%
	Investbank	8	7.500%
	Arab Jordan Investment Bank	9	7.000%
	Societe General - Jordan	10	5.570%
	Bank Al-Etihad	11	5.160%
	Jordan Commercial Bank	12	0.470%
	Capital Bank	13	-0.600%
Average		8.062%	
Islamic Banks	Bank	Ranking 2011	Average Return on Equity Rights %
	Jordan Islamic Bank	1	14.150%
	International Islamic Arab Bank	2	12.000%
	Jordan Dubai Islamic Bank	3	5.120%
Al-Rajhi Bank	4	-9.800%	
Average		5.368%	
Foreign Banks	Bank	Ranking 2011	Average Return on Equity Rights %
	Bank Audi	1	15.410%
	BLOM Bank	2	10.850%
	HSBC	3	8.200%
	Egyptian Arab Land Bank	4	6.400%
	National Bank of Abu Dhabi	5	3.600%
	National Bank of Kuwait	6	3.400%
	Citi Bank	7	2.850%
	Rafidain Bank	8	2.700%
Standard Chartered	9	0.140%	
Average		5.950%	

Fourth: Banks' Ranking According to Bank Branching

A. Banks' Ranking According to the number of Branches inside Jordan as at the end of 2011

The total number of bank branches inside Jordan totaled 702 branches at the end of 2011. These are distributed as follows: 540 branches of Jordanian commercial banks (76.9% of total number of branches), 110 branches of Islamic banks (constituting 15.7% of total branches) and 52 branches of foreign commercial banks (7.4% of total branches).

Table (51): The Number of Branches of Banks Operating in Jordan at the End of 2011

Bank	Ranking 2011	Number of Branches In Jordan	Ratio to Total Number of Branches %	
	Bank	Ranking 2011	Number of Branches In Jordan	Ratio to Total Number of Branches %
Jordanian Commercial Banks	The Housing Bank for Trade & Finance	1	106	15.10%
	Arab Bank	2	79	11.25%
	Bank of Jordan	3	67	9.54%
	Cairo Amman Bank	4	66	9.40%
	Jordan Ahli Bank	5	50	7.12%
	Jordan Kuwait Bank	6	44	6.27%
	Jordan Commercial Bank	7	28	3.99%
	Arab Banking (Corporation) Jordan	8	25	3.56%
	Bank Al-Etihad	9	24	3.42%
	Societe General - Jordan	10	16	2.28%
	Capital Bank	11	15	2.14%
	Arab Jordan Investment Bank	12	11	1.57%
	Investbank	13	9	1.28%
Total		540	76.92%	
Islamic Banks	Jordan Islamic Bank	1	62	8.83%
	International Islamic Arab Bank	2	34	4.84%
	Jordan Dubai Islamic Bank	3	12	1.71%
	Al-Rajhi Bank	4	2	0.28%
Total		110	15.67%	
Foreign Banks	Bank Audi	1	12	1.71%
	Egyptian Arab Land Bank	2	9	1.28%
	BLOM Bank	2	9	1.28%
	HSBC	4	6	0.85%
	Standard Chartered	4	6	0.85%
	National Bank of Kuwait	6	4	0.57%
	Rafidain Bank	7	2	0.28%
	Citi Bank	7	2	0.28%
	National Bank of Abu Dhabi	7	2	0.28%
Total		52	7.41%	

B. Banks' Ranking According to the Number of ATMs inside Jordan as at the end of 2011

The total number of ATMs at banks inside Jordan reached 1219 machine as at the end of 2011. These are distributed as follows: 988 machines belonging to Jordanian commercial banks (constituting 81% of the total number of ATMs), 151 machines belonging to Islamic banks (12.4% of total ATMs), and 80 ATMs belonging to foreign commercial banks (6.6% of the total number of ATMs).

Table (52): The Number of ATMs of Banks Operating in Jordan at the End of 2011

	Bank	Ranking 2011	Number of ATMs	Ratio to Total Number of ATMs %
Jordanian Commercial Banks	The Housing Bank for Trade & Finance	1	198	16.24%
	Cairo Amman Bank	2	179	14.68%
	Arab Bank	3	139	11.40%
	Bank of Jordan	4	112	9.19%
	Jordan Ahli Bank	5	74	6.07%
	Jordan Kuwait Bank	6	73	5.99%
	Arab Banking (Corporation) Jordan	7	49	4.02%
	Capital Bank	8	40	3.28%
	Jordan Commercial Bank	9	35	2.87%
	Bank Al-Etihad	10	34	2.79%
	Arab Jordan Investment Bank	11	24	1.97%
	Societe General - Jordan	12	16	1.31%
	Investbank	13	15	1.23%
Total			988	81.05%
Islamic Banks	Jordan Islamic Bank	1	106	8.70%
	International Islamic Arab Bank	2	27	2.21%
	Jordan Dubai Islamic Bank	3	14	1.15%
	Al-Rajhi Bank	4	4	0.33%
Total			151	12.39%
Foreign Banks	HSBC	1	23	1.89%
	Bank Audi	2	19	1.56%
	Egyptian Arab Land Bank	3	13	1.07%
	BLOM Bank	4	9	0.74%
	Standard Chartered	5	7	0.57%
	National Bank of Kuwait	5	7	0.57%
	National Bank of Abu Dhabi	7	2	0.16%
	Rafidain Bank	8	0	0.00%
	Citi Bank	8	0	0.00%
Total			80	6.56%

Fifth: Human Resources of Banks Operating in Jordan

A. Banks' Ranking According to the Number of Employees as at the end of 2011

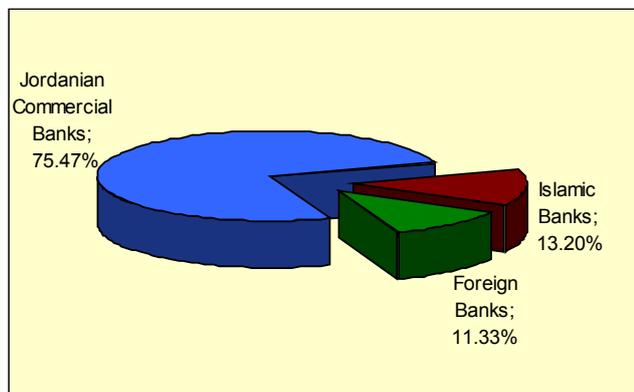
The total number of employees in all banks operating in Jordan amounted to 17347 male and female employees, of whom 12,830 people work in Jordanian commercial banks (74% of the total number of employees), 2871 employees work in Islamic banks (16.5% of the total number of employees), and 1,646 employees work in foreign commercial banks (9.5% of the total number of employees).

Table (53)
Number of Employees at Banks Operating in Jordan at the End of 2011

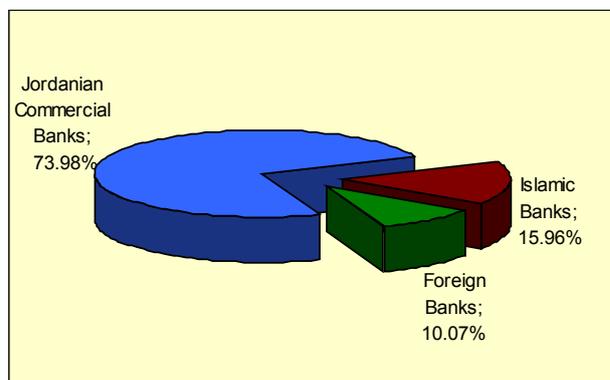
	Bank	Ranking 2011	Number Of Employees	Ratio to Total Employees %
Jordanian Commercial Banks	Arab Bank	1	2808	16.19
	The Housing Bank for Trade & Finance	2	2017	11.63
	Cairo Amman Bank	3	1457	8.40
	Bank of Jordan	4	1454	8.38
	Jordan Ahli Bank	5	1317	7.59
	Jordan Kuwait Bank	6	893	5.15
	Bank Al-Etihad	7	603	3.48
	Jordan Commercial Bank	8	530	3.06
	Arab Banking (Corporation) Jordan	9	450	2.59
	Capital Bank	10	393	2.27
	Arab Jordan Investment Bank	11	363	2.09
	Investbank	12	325	1.87
	Societe General - Jordan	13	220	1.27
Total			12830.00	73.96
Islamic Banks	Bank	Ranking 2011	Number Of Employees	Ratio to Total Employees %
	Jordan Islamic Bank	1	1904	10.98
	International Islamic Arab Bank	2	647	3.73
	Jordan Dubai Islamic Bank	3	262	1.51
Al-Rajhi Bank	4	58	0.33	
Total			2871	16.55%
Foreign Banks	Bank	Ranking 2011	Number Of Employees	Ratio to Total Employees %
	HSBC	1	315	1.82%
	BLOM Bank	2	294	1.69%
	Egyptian Arab Land Bank	3	292	1.68%
	Standard Chartered	4	269	1.55%
	Bank Audi	5	205	1.18%
	National Bank of Kuwait	6	135	0.78%
	Citi Bank	7	60	0.35%
	National Bank of Abu Dhabi	8	41	0.24%
Rafidain Bank	9	35	0.20%	
Total			1646	9.49%

Sixth: Summary of the Most Important Financial Indicators of Banks Operating in Jordan

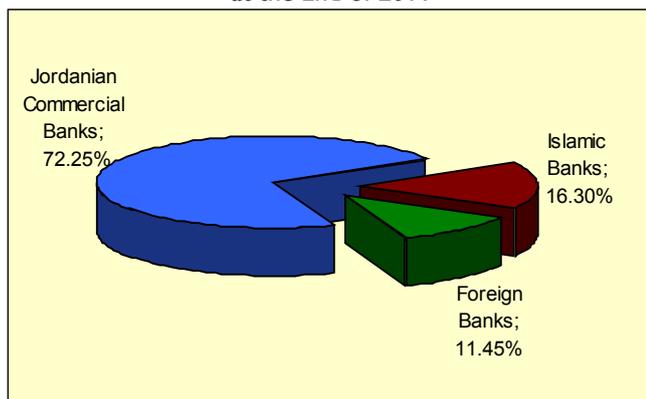
Distribution of Total Assets of Banks Operating in Jordan at the End of 2011



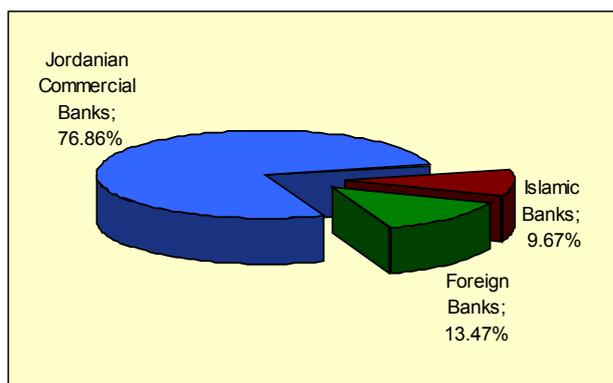
Distribution of Total Credit Facilities Extended at the End of 2011



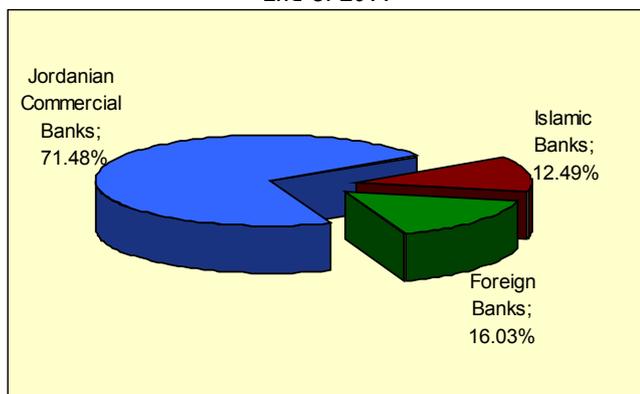
Distribution of Total Deposits at Banks Operating in Jordan at the End of 2011



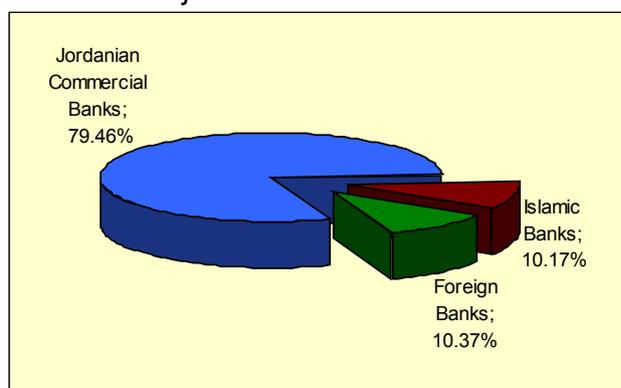
Distribution of Shareholders' Equity of Banks Operating in Jordan at the End of 2011



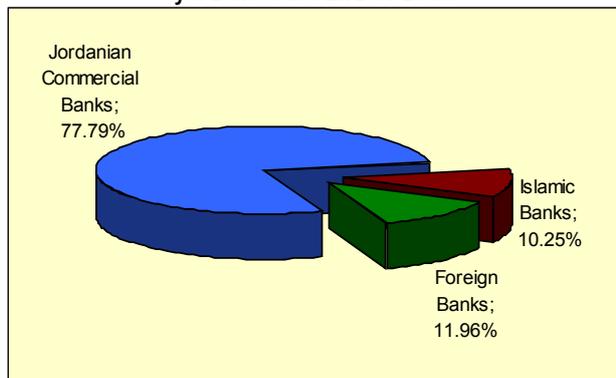
Distribution of Capital of Banks Operating in Jordan at the End of 2011



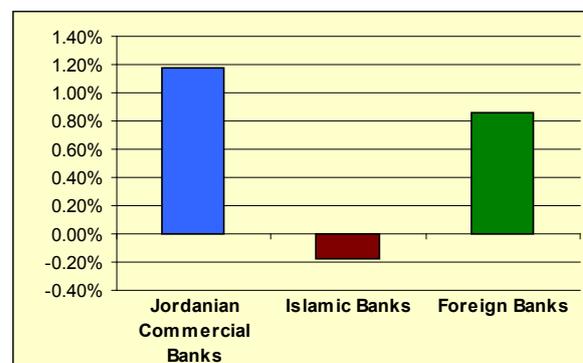
Distribution of Pre-Tax Profit of Banks Operating in Jordan at the End of 2011



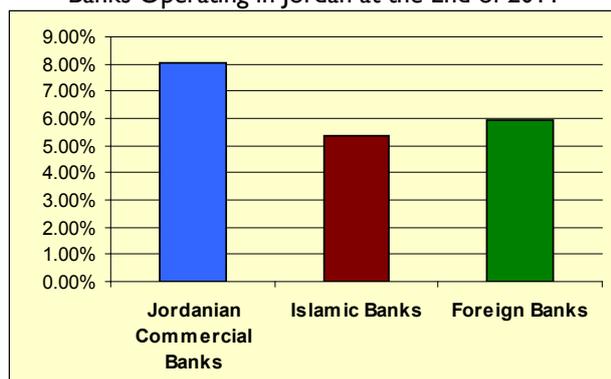
Distribution of After Tax Profit of Banks Operating in Jordan at the End of 2011



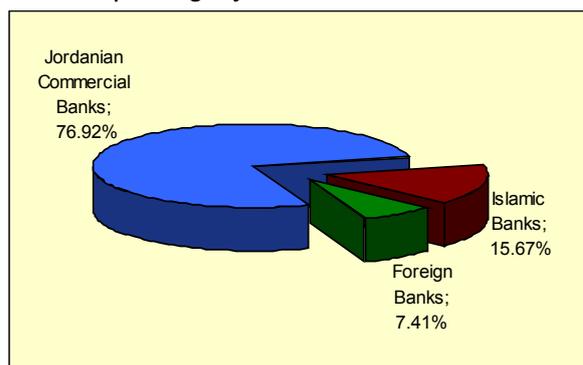
Distribution of Return on Assets for Banks Operating in Jordan at the End of 2011



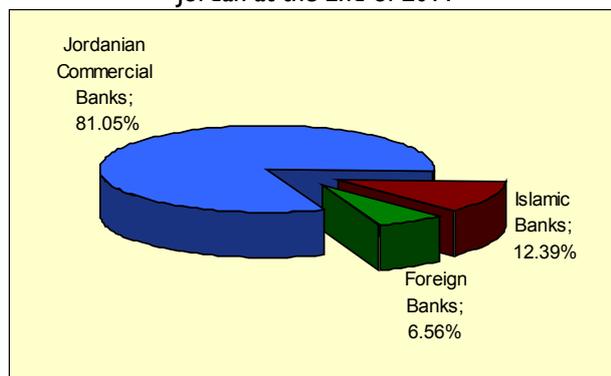
Distribution of Return on Shareholders' Equity for the Banks Operating in Jordan at the End of 2011



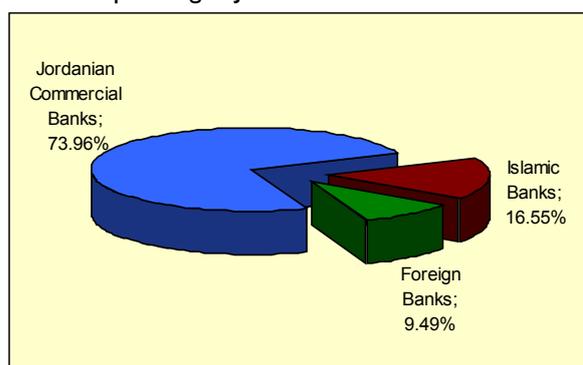
Distribution of Number of Branches of Banks Operating in Jordan at the End of 2011



Distribution of Number of ATMs of Banks Operating in Jordan at the End of 2011



Distribution of Number of Employees in Banks Operating in Jordan at the End of 2011



Chapter Nine

New Banking Services



In an attempt to improve and upgrade their services and to keep up with the latest developments in banking services, the banks operating in Jordan introduced a number of new banking services into the types of services they provide to customers. The following table shows the most important new services that banks introduced during 2011.

Table (54)
New banking services introduced by banks in 2011

Bank	Name of service	Brief Description of the Service	Service Provider
Arab Bank	Master Card Credit Cards	A credit card that enables the client to settle the value of his purchases or to effect cash withdrawals from Arab Bank's ATMs or any other ATMs in the world that are connected to Master Card network.	Arab Bank in cooperation with Master Card Company
	Electronic Bank Statement	Enabling the client to get an electronic bank statement through Arabi on line, and to dispense of the paper bank statement sent to the client's postal address.	Arab bank/ Internal Development
	AB Bay	Instant settlement of the visa credit card balance through the branch and electronic channels	Arab bank in cooperation with AFS company
Jordan Ahli Bank	Visa Platinum Card	A new card distinguished with the advantages and services it provides to a limited category of clients, namely the premium clients who have high incomes and financial solvency. The card gives its holder a package of offers in the whole world that includes some discounts and benefits.	
	Savings Loan	The first of its kind in Jordan. It helps you save regularly and makes saving easier. There are 3 types of savings products: 1. The instant saving loan: you can deposit in cash and have a savings loan doubled 10 times than the sum deposited. 2. Saving loan against a salary transfer: you can get the saving loan as soon as you transfer your salary to the bank. 3. Saving loan against cash collateral.	

Continued / Table (54): New banking services introduced by banks in 2011

Bank	Name of service	Brief Description of the Service	Service Provider
Cairo Amman Bank	Charging mobile credit cards	Charging credit cards of mobile phones through ATMs.	ATMs
	Platinum Visa Cards	Wala program for holders of platinum visa cards.	Branches
	Productive loans	Funding of productive projects for individuals and small enterprises' owners.	Branches
Bank of Jordan	Telephone call center	A center specializing in answering the clients' inquiries and demands round the clock the whole week, 24/7, in addition to providing a number of services.	IST CISCO
	The new vocal bank	A number of self services that the client can benefit from just by entering the number of his ATM card and its pin code, so that he/ she can inquire about balances, cards, settle bills and make different transfer transactions.	IST
	e-queue service at some branches	The e-queue system was initiated in 6 branches. The system acts to arrange the clients' waiting period at the branch in addition to providing the bank with statistics on the volume of work, the period of clients' waiting and service at the branches.	SEDCO
The Housing Bank for Trade and Finance	"My Clinic" loan program	A diminishing loan that targets doctors for the purposes of funding the purchase of real estate (the clinic), and/or funding medical and office equipment, tools, machines and making clinic decorations in a resettlement period that can reach 10 years at an easy terms and conditions.	Internal
	Business Loans	A diminishing loan that provides wide and various funding choices to companies, small enterprises, professionals, vocational, individual businessmen without a guarantor or mortgage, with the benefit of free life insurance certificate and free insurance certificate on the project's assets against fire and theft for a resettlement period that may reach 5 years within easy and expedient terms and procedures.	Internal
Jordan Kuwaiti Bank	Visa Card for Cosmo Stores in particular	A service that enables its holder to shop and buy with incentives.	Information Systems Department
	Signature of electronic linkage with the Customs Department	Facilitates processes and procedures of bank guarantees and their negotiation electronically.	Information Systems Department

Continued / Table (54): New banking services introduced by banks in 2011

Bank	Name of service	Brief Description of the Service	Service Provider
Arab Jordan Investment bank	Transferring visa credit cards to chips	All visa credit cards were changed according to Chips system; it became safer for usage than magnetized tape.	
	Internet Bank	This service was developed to include a bigger number of banking services provided to clients; programs safer for usage were introduced.	
	Initial underwritings	The bank participated in initial underwritings for clients in international markets.	
	Product development	New products related to treasury department were developed (preventive measures, trading for clients). Expansion in the market of financial derivatives.	
	New soft wares	New applications of the current banking system in use were developed. New banking soft wares related to internal work (the bank) and external work (clients) were introduced.	
	Development of programs	Specialized programs in money laundry were developed to make them linked to global networks.	
	Electronic Archives	A transfer was made from manual archiving to electronic archives. Documents archived manually were transferred to electronic forms. Specialized software was developed for this qualitative development.	
Jordan Commercial Bank	Eye print system	The client can benefit from this system in all banking services that the bank provides without having to present any identification document. Just by scanning the eye print by the scanner, all data related to the client appear on the screen in front of the employee. This system is the most secure of all since earlier system depending on passwords can be easily hacked. This system depends on scanning the iris of the eye and saving it so that it is impossible to be forged.	IRIS GUARD
Bank Al-Etihad	Banking service via internet	A service that allows the client to be in constant touch with his/her accounts. It allows the client to run his/her bank accounts any time and at utmost security.	Oracle
	Banking service via cell phone	A service that allows holders of intelligent phones to monitor their accounts and administer their money any time and at utmost security.	Ubanquity

Continued / Table (54): New banking services introduced by banks in 2011

Bank	Name of service	Brief Description of the Service	Service Provider
Societe-General / Jordan	Offsite ATM	An ATM was placed in one of the most important electronic showrooms (Smart Buy) to provide bank services to the showroom visitors, this and other banks' clients.	Diebold AGILIS 2.3
Capital Bank	Capital Car Loans Program	A product that is keen on providing a package of advantages that suit the desires and aspirations of our clients.	Internal
	Capital Credit Cards program	A program of credit cards was launched with a new look and special preferential treatment.	Internal
	Capital Platinum Cards	Launch of Capital cards that are suitable to our prime clients' desires.	Internal
Jordan Islamic Bank	Upgrading Bank Services	A number of services that the bank offers to its clients through the internet and cell phone.	Arab Company for Internet services (A2A)
	Expansion in ATMs	It aims at raising the efficiency of service offered to clients, providing special service by placing more ATMs. The total number of our ATMs reached 106 machine spread in the whole kingdom.	Internal
	Upgrading and modernizing bank services in the branches	Upgrading and modernizing the bank system as it offers the best bank services to clients.	Internal
International Islamic Arab Bank	Educational program	A product to fund education interest in the system of Morabaha	Internal
	Business Centers	Funding centers specialized in SMEs	Internal
Jordan Dubai Islamic Bank	Personal Funding/ Funding of travelling services lease	The product of travelling service lease includes funding family tours in addition to Hajj and Omrah tours.	Developed in the bank
	Lands' Funding	Financing those who want to possess lands and farms according to the morabaha system.	Developed in the bank
	The product of funding commercial offices	Funding commercial offices according to the system of lease ending in ownership for those who want to own commercial offices like clinics, engineering offices, etc.	Developed in the bank
	Visa cards with monthly settlements	A limited ceiling card that the client can use to settle the costs of his purchases and make cash withdrawals within the limit set in the card. The total amount of withdrawals is settled at the end of each month.	Developed in the bank

Continued / Table (54): New banking services introduced by banks in 2011

Bank	Name of service	Brief Description of the Service	Service Provider
HSBC	Bank services through the cell phone	A review of the balance and the details of accounts with the possibility of transfers among HSBC accounts and credit cards.	
	SMS Service of accounts and credit cards	Instant notice of any deposit or withdrawal from accounts or credit cards.	
Egyptian Arab Land Bank	Your deposit becomes Two	Annual deposit certificate whose interest due is paid in advance so that another annual deposit certificate is issued with the interest paid in advance.	Arab-Egyptian Land Bank/ Jordan
	Bank insurance/ Life insurances	<ul style="list-style-type: none"> - Providing life insurance to clients if they want to. - Providing insurance on clients against personal accidents in case they want to. 	Middle East Insurance Company
	Bank insurance/ general insurance	<ul style="list-style-type: none"> - Providing the service of insurance on construction and contents if clients want to. - Providing travel insurance if a client wants to. - Providing the service of road help insurance if clients want to. - Providing travel insurance for clients' vehicles if they wish to. 	Middle East Insurance Company
Citi Bank	Electronic inquiry	Providing clients with bank statements electronically. Electronic inquiry on DCs.	CitiBank
Standard Chartered Bank	Debit Cards – Visa Electron	Electronic withdrawal cards from the client's account directly.	Visa
BLOM Bank	Pull SMS	A service that enables the client to know the card's limit, the current balance, the total of pending movements, due payment and available balance.	CSC Bank
	E Blom	Bank service via internet that enables the client to review the summary of accounts' balances and other orders of his bank account.	Blom Bank

Chapter Ten
Human Resources in Banks
Operating in Jordan



This chapter reviews some selected indicators of human resources in the banks operating in Jordan, including the development of the number of employees according to gender (males and females); the distribution of employees of banks according to the educational qualifications; and the distribution of employees according to age groups, in addition to the distribution of employees according to the marital status; to the geographical area; and, finally, according to the number of employees enrolled in training courses and according to the bank. Resignations and appointments are also included.

I. Number of Employees

The number of employees in banks operating in Jordan increased in 2011 by 4.4% compared with 2010, thus reaching the number of 17347 employees of both genders.

Table (55)
Distribution of Bank Employees by Gender (2004 – 2011)

Year	Males	Relative Distribution %	Females	Relative Distribution %	Total	Change percentage (%)
2004	8715	70.1	3714	29.9	12429	4.3
2005	9135	69.3	4047	30.7	13182	6.1
2006	9701	68.5	4464	31.5	14165	7.5
2007	10160	67.44	4905	32.56	15065	6.4
2008	10611	66.83	5267	33.17	15878	5.4
2009	10406	65.90	5384	34.10	15790	-0.6
2010	10938	65.84	5675	34.16	16613	5.2
2011	11434	65.91	5913	34.09	17347	4.4

Source: Banks' data

As for the distribution of bank employees according to gender, the percentage of males dropped from 70.1% in 2004 to 65.9% at the end of 2011. As such, the percentage of females went up from 29.9% in 2004 to 34.1% at the end of 2010. These statistics indicate a continued rise in the percentage of participation by both genders in the Jordanian banking sector positioning it with the highest gendered sector among Jordanian economic sectors.

According to the Statistics Department, the percentage of women older the 15 years of age is approximately 16.8% of the total workers, while the percentage of women older than 15 years of age amounted to 18.5% of the total work force in 2011.

- Source: Jordan in Figures in 2011, Booklet, Statistics Department.

2. Distribution of Bank Employees according to Academic Qualifications

The educational level of bank employees continued to improve as those holding doctorate, masters, bachelor and higher diploma university degrees accounted for 68.7% of the total number of employees at the end of 2011 compared to 52.5% in the year 2004. The number of diploma holders declined reaching 16.1 percent at the end of 2010. Meanwhile, the number of workers with a diploma from a 2-year community college regressed to reach 15% at the end of 2011. Furthermore, the percentage of workers who hold Tawjihi certificates or less stood at 16.3% at the end of 2011.

Table (56)
Distribution of Bank Employees by Education Level (2004 – 2011)

year	Doctorate		Master		Bachelor and higher diploma		Diploma		Tawjihi		Without Tawjihi		Total
	#	%	#	%	#	%	#	%	#	%	#	%	
2004	17	0.1	657	5.3	5853	47.1	2963	23.9	1520	12.2	1419	11.4	12429
2005	19	0.1	748	5.6	6582	50.0	2992	22.7	1389	10.6	1452	11.0	13182
2006	24	0.2	781	5.5	7654	54.0	2841	20.1	1347	9.5	1518	10.7	14165
2007	26	0.2	834	5.5	8638	57.3	2844	18.9	1268	8.4	1455	9.7	15065
2008	32	0.2	904	5.7	9402	59.2	2761	17.4	1224	7.7	1555	9.8	15878
2009	33	0.2	938	5.9	9304	58.9	2803	17.8	1206	7.6	1506	9.5	15790
2010	38	0.2	1043	6.3	10125	60.9	2677	16.1	1113	6.7	1617	9.7	16613
2011	38	0.2	1103	6.3	10781	62.2	2607	15.0	1119	6.5	1699	9.8	17347

Source: Banks' data

3. Distribution of Bank Employees by Age Groups

The percentage of employees aged less than 25 years increased from 13.4% in 2010 to 14% in 2011, whereas the percentage of employees aged between 25 years and 39 years decreased from 59.9% in 2010 to 59.3% in 2011. The percentage of those above 60 years of age and still employed also went down from 0.6% in 2010 to 0.5% in 2011. The percentage of those aged between 40 and 59 years of age remained unchanged at 26.1%.

Table (57)
Distribution of Bank Employees By Age Group (2004 -2011)

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	12429
2005	1897	14.4	7231	54.8	3938	29.9	116	0.9	13182
2006	2305	16.3	7812	55.1	3949	27.9	99	0.7	14165
2007	2541	16.9	8196	54.4	4251	28.2	77	0.5	15065
2008	2747	17.3	8944	56.3	4107	25.9	80	0.5	15878
2009	2277	14.4	9316	59.0	4089	25.9	108	0.7	15790
2010	2218	13.4	9956	59.9	4340	26.1	99	0.6	16613
2011	2431	14.0	10295	59.3	4534	26.1	87	0.5	17347

Source: Banks' data

4. Marital Status of Employees

The percentage of single employees to the total number of workers in banks went down to 38.7% in 2011 compared with 40.3% in 2010, while the percentage of married employees went up to 61.3% of the total employees, compared to 59.7% in 2010.

Table (58)
Distribution of Bank Employees By Marital Status (2004 -2011)

Year	Singles		Married		Total
	#	%	#	%	
2004	4135	23.3	8294	66.7	12429
2005	4757	36.1	8425	63.9	13182
2006	6376	45.0	7789	55.0	14165
2007	6364	42.2	8701	57.8	15065
2008	6762	42.6	9116	57.4	15878
2009	6174	39.1	9616	60.9	15790
2010	6703	40.3	9910	59.7	16613
2011	6708	38.7	10639	61.3	17347

Source: Banks' data

5. Geographical Distribution of Bank Employees by Governorate

The number of employees in banks in the governorate of the capital totaled 14499 male and female workers, or 83.58% percent of the total number of bank employees. The Irbid governorate accounted for 4.73% of the total number of bank workers followed by the Zarqa governorate which accounted for 3.89%. The Balqaa Governorate contributed with 1.56% of bank employees; the Karak Governorate with 1.41%, the Aqaba Governorate with 1.39%; while the remaining six governorates contribution to bank workers did not exceed 1% for each.

Table (59)
Geographical Distribution of Bank Employees by Governorate at the End of 2011

Governorate	Number Of Employees	Geographical distribution of employees (%)
Amman	14499	83.58%
Irbid	820	4.73%
Zarqa	674	3.89%
Balqa'	270	1.56%
Aqaba	241	1.39%
Al Karak	245	1.41%
Madaba	123	0.71%
Maan	105	0.61%
Jerash	95	0.55%
Ajloun	89	0.51%
Tafleh	58	0.33%
Mafraq	128	0.74%
Total	17347	100.0

Source: Banks' data

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

Table (60)
Distribution of Bank Employees by Governorate and Bank at the End of 2011

Banks	Amman	Irbid	Zarqa	Balqa	Aqaba	Karak	Madaba	Maan	Jerash	Ajloun	Tafleeh	Mafrq
Arab Bank	2618	34	59	28	19	9	8	10	4	5	6	8
Jordan Ahli Bank	1092	60	30	39	23	16	14	12	11	0	11	9
Cairo Amman Bank	1138	86	53	52	29	37	11	11	17	0	0	23
Bank of Jordan	1196	96	57	21	13	11	11	9	10	18	0	12
The Housing Bank for Trade & Finance	1597	128	108	24	14	48	13	30	12	18	9	16
Jordan Kuwait Bank	784	27	37	16	12	4	8	0	0	0	0	5
Arab Jordan Investment Bank	329	12	12	0	10	0	0	0	0	0	0	0
Jordan Commercial Bank	426	31	19	18	13	8	9	0	0	0	0	6
Investbank	297	9	10	0	9	0	0	0	0	0	0	0
Arab Banking (Corporation) Jordan	403	7	8	6	8	7	5	0	0	0	0	6
Bank Al-Etihad	533	28	17	0	17	0	8	0	0	0	0	0
Societe General - Jordan	195	5	6	0	6	4	4	0	0	0	0	0
Capital Bank	362	7	15	0	9	0	0	0	0	0	0	0
Jordan Islamic Bank	1127	230	191	55	23	93	25	33	34	40	26	27
International Islamic Arab Bank	545	19	25	7	9	8	7	0	7	8	6	6
Jordan Dubai Islamic Bank	240	10	10	2	0	0	0	0	0	0	0	0
Al-Rajhi Bank	58	0	0	0	0	0	0	0	0	0	0	0
HSBC	315	0	0	0	0	0	0	0	0	0	0	0
Egyptian Arab Land Bank	246	9	16	0	11	0	0	0	0	0	0	10
Rafidain Bank	35	0	0	0	0	0	0	0	0	0	0	0
Citi Bank	60	0	0	0	0	0	0	0	0	0	0	0
Standard Chartered	253	6	0	0	10	0	0	0	0	0	0	0
Bank Audi	193	6	0	0	6	0	0	0	0	0	0	0
National Bank of Kuwait	135	0	0	0	0	0	0	0	0	0	0	0
BLOM Bank	285	9	0	0	0	0	0	0	0	0	0	0
National Bank of Abu Dhabi	37	1	1	2	0	0	0	0	0	0	0	0
Total	14499	820	674	270	241	245	123	105	95	89	58	128

Source: Banks' data

6. Training Courses

In order to improve the skills of bank employees and develop their capacities and efficiency, banks operating in Jordan organized in their training centers a number of training courses for the employees in which 31740 male and female employees took part in 2011. The number of participants in training courses held in local training centers reached 5449 male and female employees, while the numbers of employees participating in training courses held abroad amounted to 418 male and female employees.

Table (61)
Number of Employees who attended training courses in 2011

Bank	training centers of the banks		local training centers		training courses abroad	
	Males	Females	Males	Females	Males	Females
Arab Bank	4618	3515	238	97	9	1
Jordan Ahli Bank	3327	2565	231	132	100	53
Cairo Amman Bank	1123	600	177	127	12	8
Bank of Jordan	903	542	161	84	25	5
The Housing Bank for Trade & Finance	2228	990	405	136	17	7
Jordan Kuwait Bank	1505	533	184	49	8	1
Arab Jordan Investment Bank	62	62	42	42	0	0
Jordan Commercial Bank	140	102	226	116	17	6
Investbank	0	0	38	25	3	1
Arab Banking (Corporation) Jordan	693	377	208	109	2	0
Bank Al-Etihad	128	60	121	50	2	3
Societe General - Jordan	364	141	46	13	8	3
Capital Bank	100	73	49	70	6	2
Jordan Islamic Bank	3012	104	478	32	22	0
International Islamic Arab Bank	2091	896	92	24	17	0
Jordan Dubai Islamic Bank	142	57	635	286	6	1
Al-Rajhi Bank	0	0	0	0	0	0
HSBC	131	184	25	25	5	5
Egyptian Arab Land Bank	34	14	185	100	1	1
Rafidain Bank	0	0	1	0	0	0
Citi Bank	8	4	40	27	0	0
Standard Chartered	0	0	23	9	13	15
Bank Audi	0	0	100	60	20	8
National Bank of Kuwait	31	26	17	12	1	0
BLOM Bank	156	63	76	18	2	0
National Bank of Abu Dhabi	19	17	6	2	2	0
Total	20815	10925	3804	1645	298	120

* 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 2774 male and female employees during 2011, compared to 3202 in 2010. The number of those who quit for all kinds of reasons reached 1909 male and female employees in 2011 compared to 2,240 workers during 2010.

The 2011 staff turnover (total resignations / total employees x 100%) declined to 11% at the end of 2011 compared to 13.5% in 2010

Table (62)
Appointments and Resignations (2004 – 2011)

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
2010	2240	3202	13.48
2011	1909	2774	11.00

* Resignations includes all those who quit working for all reasons,; voluntarily or retirement
Source: Banks' data

Chapter Eleven
The ABJ's Activities During 2011



During 2011, the ABJ continued to discuss and follow up the different issues that were submitted to it, especially those proposed by member banks. The concerned issues were discussed in depth in the technical committees and remarks thereon were submitted to concerned parties whose response had been highly serious. Many remarks and suggestions on different issues proposed by the ABJ in the name of member banks were taken into consideration.

In the field of training, the ABJ held a number of brainstorming meetings, seminars, workshops, training courses and lectures during 2011 that dealt with issues of concern to the banking system.

As for studies, the ABJ published in 2011 a number of booklets, reports and studies of concern to the Jordanian banking system. The following is the most important activities of the Association in 2011.

A. Public Policy Issues

➤ **The draft Instructions on Direct Facilities in Foreign Currencies extended for the sake of exports and re-exports**

The ABJ addressed its members in writing to have their feedback on the Central Bank's draft Instructions on Direct Facilities in Foreign Currencies extended for exports and re-exports, which the CBJ drafted and sent to the ABJ on Jan. 23, 2011.

The ABJ gathered and edited remarks and notes sent by member banks about the draft instructions and sent them back to the CBJ on Jan. 27, 2011.

➤ **Draft Instructions on mid-term advances to licensed banks**

The ABJ addressed its members in writing to have their feedback on the Central Bank's draft Instructions on mid-term advances to licensed banks, which the CBJ drafted and sent to the ABJ on Feb. 16, 2011.

The ABJ gathered and edited remarks and notes sent by member banks about the draft instructions and sent them back to the CBJ on Feb. 23, 2011.

➤ **Draft Instructions on Outsourcing**

The ABJ held on Thursday, Dec. 1st 2011 an expanded meeting to discuss the draft instructions on outsourcing that the Central Bank prepared. The meeting was attended by three representatives of the CBJ and representatives of all member banks.

Attendees of the meeting reviewed all the notes and remarks that the banks have on the draft instructions. Consequently, the banks sent their final remarks on the draft instructions to the ABJ which in turn gathered and edited them and sent them back to the CBJ on Dec. 11, 2011. The CBJ pledged to consider carefully those remarks and adopt what is possible from them at the final redrafting of the instructions.

B. Accomplishments of the ABJ Executive Plan in 2011

As part of the efforts exerted to implement the executive plan adopted by the Administrative Board on Jan. 24, 2010, the ABJ followed up and implemented the plan items relevant to 2011 according to its five main pillars as follows:

1. First strategic Pillar: Upgrade the level of coordination and cooperation among members and with concerned parties:

- The ABJ held the annual meeting of chairmen of boards of directors, CEOs and general directors of member banks with the Central Bank Governor Sharif Faris Sharaf at the ABJ's headquarters on Aug.15, 2011.
- The ABJ organized a number of meetings between relevant departments of member banks and their counterparts at the CBJ during 2011 to discuss issues and subjects of concern, including meetings on counterfeit checks, the consultative meeting on the establishment of a credit bureau company, and the meetings that included the Minister of Planning and the director general of Jordan Enterprises Development Corporation (JEDCO) to discuss the mechanisms of implementing the funding program of the small and medium sized enterprises (SMEs), the meetings on following up the establishment of a credit bureau, and the meeting of IT representatives in banks concerning the national project of electronic trade.
- A gathering was held in the ABJ that included the prime minister, chairmen of boards of directors, CEOs and general directors of member banks on April 28, 2011.
- The ABJ took part in the conferences held by the Jordan Chamber of Commerce during 2011; namely, the Economic Forum of Public Sector Activities on Feb. 26, 2011, and the conference on Investment in Islamic Countries on May 19, 2011.

2. The 2nd Strategic Pillar: Upgrading the level of banking services provided by member banks and the standardization of banking terms and forms

- The ABJ is working now on issuing a guidebook on services, products and banking solutions provided currently by banks operating in Jordan. The ABJ prepared a standardized matrix form containing the services, products and banking solutions and distributed it on April 13, 2011 to member banks to be filled. The ABJ received responses from all banks and it is working now on drafting the guidebook expected to be issued in the first quarter of 2012.

3. 3rd Strategic Pillar: Promoting the banking system and spreading banking awareness

- The ABJ organized the Amman Banking Forum in the period of 20-21 March 2011. After that, the ABJ collected, standardized and edited the feedback it received from member banks.
- The ABJ took part in some conferences and meetings held by relevant parties in the kingdom and abroad, including the meetings of the Housing and Urban Development Corporation to discuss the marketing problems of the Decent housing for a decent living initiative; attending the workshops concerning the services' sector development plan; a visit to Spain by a delegation comprised of the ABJ's chairman of the board of directors, the director general and representatives of Jordan banking sector to boost cooperation between the two banking systems; taking part in the meeting of the National Team of Electronic Trade, held

at the Jordan Chamber of Commerce on Oct.24, 2011; taking part in a meeting with officials of electronic government at the headquarters of the Ministry of Communications on Oct. 26, 2011; participating in the Forum of Youth 2011 held by the King Abdullah II Fund for Development on June 15, 2011; participating in the Union of Arab Banks Conference “Arab International Banking Summit 2011” in Rome on 23-24 June 2011; taking part in the Arab Banking Conference of 2011 “A New Vision for Economic Reform”, which was held in Qatar on 18-19 April 2011; participating in the EUROMONEY Conference on May 3, 2011; participating in the Jordanian-Iraqi Business Meeting during May 2011; participating in the conference of ShamGen conference held in Istanbul in the period of 28-29 March 2011.

- ❑ The ABJ signed a memorandum of understanding (MoU) with the Association of Banks in Lebanon on Feb. 11, 2011. A similar MoU was signed with the four countries constituting the ShamGen Alliance (Jordan, Lebanon, Turkey and Syria) on March 28, 2011 in Istanbul. The ABJ also signed another MoU with the Jordan Enterprise Development Corporation (JEDCO) on May 16, 2011 to facilitate the SMEs access to funding.
- ❑ The ABJ conducted a joint study with the Association of Banks in Palestine to understand the standing of the Jordanian and Palestinian banking systems.
- ❑ The ABJ went on in dispatching its publications, pamphlets and reports to the different local, regional and international parties as soon as they were out.
- ❑ Within the objective of contributing to raising bank awareness and building a vast banking education, the ABJ issued a number of studies of concern to the banking system under the title of The ABJ's Booklets Series. It issued in 2011 a booklet titled The Comparative Performance of Banks Operating in Jordan during 2010, the booklet of The Corporate responsibility of Banks operating in Jordan during 2009 and 2010, and the booklet of Publications of Association of Banks in Jordan (2006-2011).
- ❑ The ABJ worked to enhance the continued approach of transparency and openness on different media outlets. The ABJ's general director participated in many interviews and dialogues in TV and radio talk shows about issues relevant to Jordan's banking system.
- ❑ The ABJ issued in 2011 its 32nd Annual Report for the year 2010 in Arabic and English. The report was distributed to different parties.
- ❑ The ABJ continued to prepare and publish the complete indicators of JODIBOR during 2011. The indicators were daily published on the ABJ website, and monthly published in the Banks Magazine.
- ❑ The ABJ continued to issue the Banks magazine during 2011, while ensuring continued improvement of the layout and ways of funding. The ABJ adopted a plan that ensures member banks' sponsorship of the magazine's issues. 12 issues were published in 2011, some of them with banks' sponsorship.
- ❑ An electronic version of the Banks' magazine was issued on the ABJ's website. Passwords were given to subscribers.

- ❑ The ABJ organized in 2011 the Second Forum for Corporate Responsibility at the association's headquarters on Sep. 18, 2011. All member banks and other concerned parties in the issue of corporate responsibility took part in the forum.

4. The Fourth Strategic Pillar: Contributing to the Development and Raising the Efficiency of Human Resources in the Banking System and Potential Human Resources

- ❑ The ABJ held a workshop on July 4, 2011, in cooperation with Deloitte and Touche on the subject of taxes imposed on foreign accounts (FATCA), incorporated with the American taxes law. Higher administration members of member banks attended the workshop.
- ❑ The ABJ continued to organize specialized training courses for the employees of member banks. A course on legal and procedural aspects of banking contracts was held during the period of 27-21 March 2011; a course on what bankers should know about insurance was held during the period of 13-17 July 2011; a course on Financial architecture was held during the period of 27-31 March 2011; a seminar on the professional health of bank workers was held between 3-4 April 2011; a course on the legal aspects related to bank contracts was held during the period of 24-27 April 2011; the program of Applied and Legal Aspects of Mortgage and possessive mortgage in the banks' processes and means of providing bank guarantees was held during the period of 3-5 Oct. 2011; a course on orders issued by the Central Bank in the field of Credit Facilities was held during the period of 10-13 July 2010; a program named discovering counterfeit and bank fraud was held during the period of 1-19 Oct. 2011; a program on the provisions and applications of combating the processes of money laundry and funding terrorism was held during the period of 28-30 Nov. 2011.
- ❑ The ABJ organized a number of workshops for the employees of member banks that included a workshop on the Strategic Characteristics of Banks during the period of 15-19 May 2011; a workshop on Clear Priority on 23 May 2011, a workshop with Deloitte on FATCA on July 4th, 2011; a workshop to evaluate the pricing mechanism of JODIBOR on July 6th, 2011; a workshop on ways of circumvention in credit cards and electronic crime on 26 July 2011; a workshop on modern bank crimes and training challenges to face them on 20 Oct. 2011; and, finally, a workshop on bank Insurances against financial crimes and loans' risks on 21 Nov. 2011.

C. Meetings of ABJ's Committees

➤ Two Meetings of ABJ's Committee of Compliance Supervision and Combating Money Laundry

The ABJ held two meetings for the committee of compliance supervision and combating money laundry. These meetings were part of the meetings the ABJ holds within the frame of "What is new of issues and suggestions" that the members of the committee propose to be done to advance the banking work in Jordan. The first meeting, which was held on 20 Dec. 2011, focused on discussing Instructions nos. 1 and 2 for the year 2010, to implement the obligations set in the Security Council Decision no. 1267/1999 and Decision no. 1373/2001 issued by the national Committee to Combat Money Laundry and Funding of Terrorism. The second meeting, held on 21 Dec. 2011, focused on Central Bank's Instructions no. 51/2010 on combating Processes of Money Laundry and Funding of Terrorism.

Members of the Compliance and Combating Money Laundry Committee attended the two meetings that were co-chaired by the head of the ABJ's legal department Yazan Al Mostafa and the representative of the Arab Bank Mohammad Dabboor.

Provisions of the instructions issued by the National Committee to Combat Money Laundry and Funding of Terrorism, and CBJ's instructions no. 51/2010 were reviewed and member banks operating in Jordan expressed their remarks and inquiries on these instructions.

The committee agreed on the inquiries and the practical revisions that hinder the work of the departments of compliance supervision and combating money laundry. It was agreed to draft a letter to concerned authorities containing the main remarks, requesting the explanation of the banks' inquiries and revisions about the instructions subject of the Committee's meetings.

➤ **Meeting of the Information Security and Risk management Committee**

The third meeting of the Information Security and Risk management Committee recommended the formation of a permanent committee on information security and computer crimes. The recommendation was the result of a meeting dealing with ways of facing risks related to information security and computer crimes.

Attendees of the meeting also recommended a preparation for a meeting that includes the heads of information security and risks departments in all banks in order to urge them to address their managements on this issue that is considered of utmost importance. The Central Bank of Jordan should also be represented at the committee and in all other issues as well, they recommended.

The meeting agreed on organizing a specialized forum on information security and computer crimes to which all concerned parties would be invited, including the CBJ, taking into consideration that the majority of participants be from banks.

The meeting also recommended having a column run at the Banks Magazine that illuminates on the issue of information security and computer crimes, to be supervised by the committee.

In addition to that, the committee agreed to send prepared letters to all banks to make use of, as well as preparing a charter of tasks to the committee.

At the opening of the meeting, the General Director of the association Dr. Adli Kandah underlined the ABJ's interest in the issue of information security as it was listed on the ABJ's agenda.

Attendees who represented the CBJ and a number of member banks discussed the letters that had been prepared within the framework of the four pillars: whether they are all important and how to redraft and rearrange them, or to issue a leaflet of 12 pages out of these letters.

However, attendees pointed out that the letters cannot be summarized and can be addressed in their current form to all banks to make use of them in what concerns the quality of their clients. They also stressed the importance of establishing a permanent committee for information security and computer crimes, suggesting listing the issue on the agenda of the ABJ's Board of Directors' meeting the coming Friday. They specified the tasks of the proposed committee, including issuing public awareness leaflets to stress the proactive role of the committee, and preparing its list of tasks. They suggested electing a head for each of the permanent committees, organizing lectures for universities, merchants, school students in the field of information security and risk, although the proposed committee, they went on, should have a say in this issue.

➤ **Information Security and Risk Committee's Meeting**

The Information Security and Risk Committee discussed in its meeting of Dec. 8th, 2011 at the headquarters of the association the work progress at the committee, its previous meetings and its most important recommendations and achievements. The participants, amounting to 27 representatives of member banks and

the ABJ, proposed that a number of articles in the field of information security be received and that the best of them be published at the Banks Magazine. It was agreed to design a virtual group on the internet, so Mr. Ali Khleifat of Standard Chartered volunteered to implement the idea in cooperation with the association. Attendees discussed the situation of Jordanian education in the field of information security and proposed that lectures and workshops be organized at Jordanian universities as a first step, to be followed by contacting the Ministry of Higher Education to recommend adding this subject to university curricula.

Members also suggested arranging for a media campaign with specialists to raise awareness on the subject of information security through media outlets and the ABJ website in cooperation with member banks. Furthermore, they suggested that bank employees be trained and educated about information security and risk. Formation of sub-committees was also proposed to distribute roles according to qualifications to stimulate the committee's role in this field.

Attendees nominated eng. Ayman Ghannoom of the Arab Bank as president of the committee, and Abeer Bataineh from Blom Bank was elected by 18 votes as a vice-president. The representative of the Association of Banks was nominated a coordinator/rapporteur of the committee.

Committee members agreed that the committee coordinator, the president and his deputy to coordinate the organization of the coming meeting and to provide members with the minutes of the present meeting and some documents related to the committee.

➤ **A meeting on the role of the banking sector in the draft electronic trade law**

Participants in the meeting held on Oct. 10, 2011 to discuss the role of the banking sector in the draft electronic trade law recommended to hold an expanded meeting comprising all banks' representatives, members of IT committee at the association, in addition to representatives of the Central Bank, Ministries of Communications and Trade and Industry, and STS company, as well as representatives of legal departments at member banks. Attendees suggested asking the central bank to sponsor the coming meeting, which will include parties from outside the banking system to make it gain the appropriate momentum in light of the substantial importance of the electronic trade law and the role of the banking sector in it. Attendees also suggested the election of the supervisory committee so that it comprises of the association's representative and three representatives of banks. The committee was charged with supervising and negotiating with the national team, and requesting the recommendation of a committee from the ministry to coordinate with the afore-mentioned supervisory committee to guarantee the banks' interests in some technical details. Attendees also recommended delegating a mini team or the supervisory committee itself to get acquainted with the experiences of neighboring countries in the implementation of electronic trade. They also recommended to upgrade the infrastructure of the project and to include the invitation to the suggested meeting in the minutes of the current meeting. Attendees requested explanations from the Ministry of Industry and Trade concerning the applying of the project on external trade: will that be done gradually? They also demanded to call a representative of the MoIT's policies and strategies department to review some technical details.

Participants discussed the national project of electronic trade and the role of the banking sector in the national strategy for electronic trade. They were provided with a summary of the strategy and the project's vision, objectives and progress made up to date. A request was made to set the coming meeting at an earlier date so that the committee can be informed of some details by the MoIT, and some points can be discussed, and required courses and workshops can be specified according to the outcomes of the suggested meeting.

D. Seminars, Lectures and Training Courses

I. Workshops

The association of banks in Jordan held a number of workshops that can be summarized as follows:

➤ **On the results of a survey on the usage of IT in the banking Sector**

The ABJ held a workshop to present “the results of a survey on the usage of IT in the banking Sector;” which showed that the total balance of information technology at the banking sector for the years 2008, 2009 and 2010 amounted to 110 million JD, with an average of 37 million JD annually.

The new survey study of IT in the banking sector in Jordan, completed by the Arab Advisors Group on Jan. 30, 2011 gave an analysis of the policies adopted in the field of IT at the banking sector. It illustrated that 90% of banks mentioned in the study have disaster recovery sites.

The substantial survey study on the usage of IT at the Jordanian banking sector demonstrated that NCR Company is the most popular provider of ATMs to banks, followed by Diebold and Wincor-Nizdorf. It also showed that the average cost of an ATM used in Jordanian banks is approximately \$28.4 thousand. The survey also gives in-depth and comprehensive outlook into the usage of IT at the Jordanian banking sector, as it included several fields such as: usage of networks of information, internet, web sites, e-banking services, phone banking services, and the policies of ITC.

In addition to the above, the study analyzed banks’ ways of expenditure on ATMs, internet, digital information services, audio-visual media, maintenance and upgrading of computer equipment, tools and software, the annual licenses of programs and training on programs and information networks.

➤ **On applications of The Foreign Account Tax Compliance Act**

The ABJ, in cooperation with Deloitte organized on July 4, 2011 a workshop on applications of the Foreign Account Tax Compliance Act (FATCA). The workshop aimed at briefing the participants on the new law issued by US Internal Revenue Service (IRS) on the tax compliance of foreign accounts, whose requirements Jordanian banks are obliged to apply and implement, such as documentation and information reporting of accounts that are subject to provisions of this act.

The act that US Treasury Department issued seeks to get information on American citizens who have foreign accounts, stipulating that non-American entities disclose information on any American owner. Otherwise, they will be subject to withholding on certain types of payments relating to U.S. investments. The American government postponed the enforcement of this act from the beginning of 2013 to Dec.1, 2014, in order to give foreign financial institutions sufficient time for resolving local law limitations to which they may be subject.

Chairman of the Board of Directors Marwan Awadh said this statute came as a result of the increased focus by the international community on exchanging tax information about the abuse of tax laws by having foreign accounts to evade paying their dues. He pointed out that the law will be applied to any non-American financial institution which receives payments from an American source as of the first of January 2013. Foreign Financial Institutions will have to enter into an agreement with the IRS to report certain information regarding U.S. accounts; otherwise, a 30-percent tax on certain payments of U.S. source income will be withheld when paid to non-participating financial institutions. Awadh went on to say that many financial institutions around the world are currently reviewing the potential consequences of the proposed act and trying to ascertain the possible costs and the sources required to enable them to comply by the statute by the beginning of January 2013. The new system, he said, will affect the current processes of opening accounts and the transactions processing systems and the procedures of “Know your Client” that foreign banks apply. John Pilsey and Tom

Schief the representatives of Deloitte and Touche said financial institutions have to start to evaluate the effects of this law by way of identifying a team to administrate the implementation of compliance rules and ensure governance procedures that adapt with the required changes in implementation. They also called for concentrating on risk management and gap analysis between the implementation of the current compliance processes and those expected, as well as the operational processes and electronic systems. They advised the development of a plan to implement compliance throughout the current year and the coming one that works as a road map to compliance implementation to meet the requirements of the American law.

➤ **On ways of evasion in credit cards and electronic crime**

The ABJ organized in cooperation with Ernest and Young- Jordan a detailed workshop about “ways of evasion in credit cards and electronic crime”. The workshop dealt with all aspects and developments related to counterfeiting credit cards, including the evasion on smart cards and electronic cards.

Eng. Bassil Mohammad, head of Technology and Business Risks Department at Ernest and Young, the main lecturer, gave the 60 participants from different banks, a general outlook into the criteria of the security and protection of credit cards, their importance, and the related laws to the Jordanian Electronic Crimes Law and the instructions related thereto issued by the central bank. The workshop, held on July 26, 2011, handled ways of counterfeiting and forging credit cards and electronic crimes, ways of digital evasion, how to be protected from them, ciphering, hiding information, water marks, and a look at the criteria of the security and protection of credit cards and their importance, and Jordan’s criminal law and electronic processes.

➤ **On Modern Banking Crimes and Training Challenges to face them**

In cooperation with the Specialized Company to Manage Risks, Training and Consultations, the ABJ held a training course on Modern Banking Crimes and Training Challenges to face them on Thursday, Oct. 20, 2011. The course, where Hosam el Abed lectured, contained several subjects the most important of which are: conventional banking crimes, electronic banking crimes, the role of technology in facilitating the commitment of the two types of bank crimes, and the training needs and mechanisms of confrontation.

Participants in the workshop included directors of training, heads of risk management, compliance, combating money laundry, fraud, security sectors in banks operating in Jordan.

➤ **On Bank Insurances against Financial Crimes and Loan Risks**

The ABJ, in cooperation with APEX held a workshop on Bank Insurances against Financial Crimes and Loan Risks on Monday, Nov. 21, 2011.

A number of issues were discussed including: a briefing on insurance crimes, life insurance on loans and facilities, property insurance on commercial and housing loans, and the comprehensive insurance on bank processes.

2. Training Courses and Programs

The ABJ held a number of training courses and programs during 2011 on the following issues:

➤ **Legal and Procedural Aspects of Banking Contracts and their Implementation**

The ABJ held during the period of 6-9 Feb. 2011, a training program on the Legal and Procedural Aspects of Banking Contracts and their Implementation. HE Salem Khazaaleh lectured in this program.

➤ **What Bankers Should Know about Insurance**

The ABJ organized a training course under the title of What Bankers Should Know about Insurance, in which insurance expert Mithqal Mqattash lectured participants from the banks operating in Jordan.

The courses aimed at raising insurance awareness among new bank employees in the different facilities departments and old bankers of different ranks in local, Arab and regional banks. The program also aimed at stressing the importance of risk management in modern managements, and linking the target with insurance coverage, enhancing and boosting the relationship between the two sides of the equation: banks and insurance companies. Another target of the course was to identify the principles of insurance, risks, insurance contracts, and the general and special terms, and exceptions. In addition to that, the program reviewed the similarities and differences between the work of banks and that of insurance and reinsurance companies. The program's agenda also included the main concepts of risk management, identifying risks, what is the best way to contain damages after a risk is realized. Furthermore, it included the procedures before referring to insurance; what probable loss means; what the sources of risk and the factors helping them to occur are; what the precautionary measures are, can we make insurance on expected losses for one kind of insurance or for all kinds, is coverage limited to conventional types of insurance or can it be extended to more modern types of it that are compatible with the expansion in international trade, debts, loans and profit losses. Participants also learned about the legal principles of insurance, insurance contract, legal principles, their importance and role, and the possibility of providing coverage without referring to them, their role in inspections, loss evaluation, bases of compensation and the principles of arbitration and justice. Subjects also included the main parts of the insurance document and the insurance contract in terms of inspections, loss settlement. It further dealt with liabilities, loss compensation, and the different kinds of liabilities, civil liability, and legal dimension of contracting, insurance coverage of banks and their employees, insurance coverage of facilities given by banks to special clients, current and future ones and banking insurance.

➤ **Financial Derivatives**

The ABJ held during the period of 27-31 March 2011 a training program on financial derivatives, in which Mr. Suhail Hanna lectured.

➤ **Professional Health for Bank Workers**

The ABJ, in cooperation with the Al Tatweer for Public Safety, held a training program titled Professional Health for Bank Workers, where Dr. Madhi Jaghbeer from the Faculty of Medicine at the Jordan University gave lectures on this issue. The program, attended by a number of employees in banks operating in Jordan, was held in the period of 3-4 April, 2011 at the ABJ's offices in Amman.

The program's agenda included an introduction to the concept of professional health, the safety system in banks and financial institutions, the integration of professional safety considerations in the planning and designing stages of the new branches of banks, and the professional problems in banks.

The program also focused on ways of identifying professional risks in banks, ways to prevent them, the risks of fire, electricity, and noise and preventive measures relating to this, the health working place for tellers and the health measures for manual work at banks.

➤ **Legal Aspects related to Banking Contracts in light of Provisions related to Companies**

The ABJ held in the period of 24-27 April 2011 a training program titled Legal Aspects related to Banking Contracts in light of Provisions related to Companies.

The program, given by HE Salem Khaza'leh, aimed at reviewing the provisions and legal aspects in the Jordanian Companies' Law that are related to banking processes, and the procedural, practical and legal aspects that should be complied with by banks before granting bank credit, and the signature, renewal, execution, and termination of banking contracts. In addition to that, the lecturer gave an analysis of the legal effects of the Articles of Association, the company's bylaws, the amendments, the decisions of their general assemblies, the decisions of their boards of directors on the bank credits given to companies and on the banking contracts signed with them. The course also aimed at analyzing the effects that the company's conversion from one type to another, the merges and possessions of companies, have on the bank's rights in banking contracts; the voluntary and compulsory liquidation of companies having contracts with banks and its effect on the bank's financial rights, and means to protect the banks' rights, in addition to the guarantees given by companies to banks and ways of dealing with the financial statements of the companies having bank credits or engaged in any kind whatsoever of banking contracts and monitoring them.

➤ **Strategic Features of Banks**

The ABJ held from 15 to 19 May 2011 a training course under the title of Strategic Features of Banks, given by the Dutch expert Hanno W.E. Riedlin, under the agreement signed between ABJ and Jordan Europe Business Association (JEBA), which provided for benefiting from the Dutch Experts Program (PUM).

Mr. Riedlin said that the management of assets and liabilities requires a comprehensive look to all banking activities whether they were in the past, are in the present or expected to be in the future. He went on to say that the Assets and Liabilities Committee is the most important component in banks because it is entrusted with translating public policies of any bank into daily technical and operational processes. He urged that the head of the Assets and Liabilities Committee should be the CEO or the director of Financial Management in the bank, and the members to be of senior employees in the higher management of the bank.

The Dutch bank expert posed some questions that he considered important and difficult since they touch on the core of banking work in terms of clients, employees, organization and information. These questions are: what are the cases in which the higher management is required to get modern ITC systems, how can this be implemented and used, and the allocation of balances. Discussions in the workshop, which was attended by bank experts and introduced by Dr. Adli Kandah the general director of ABJ, handled all applications of modern banking systems, not only in higher and commercial managements but also the middle management, operations management and even workers in the IT departments, "but they are not a priority".

➤ **Comprehensive Insurance for Banks**

The association organized during the period from 19 May to June 2, 2011 a training course on Comprehensive Insurance of Banks given by Mr. Mithqal Mqattash.

The course gave a definition of the essential concepts in risk management and the legal principles of insurance. It also revised some of the types of insurance, and explained the concept of the total bank insurance, and coverage and exceptions it includes. The course also discussed the subject of risk evaluation, the bank's compliance with the terms and conditions of issuing the instrument and the underwriting, the instrument's validity, terms of dealing with the coverage and damages in case the instrument's validity was for more than a year, and the conditions and cases in which insurance stops, in addition to the issues of deductions, the liability amount, and the time and financial requirements of proving loss.

➤ **Instructions and orders issued by the CBJ in the field of Credit Facilities**

The Association of Banks in Jordan organized during the period of 10-13 July 2011 a training course on Instructions and orders issued by the CBJ in the field of Credit Facilities. Lecturer HE Salem Khaza'leh reviewed the provisions and legal, organizational and procedural aspects in Central bank of Jordan's Law no. 23 for the year 1973 and its amendments, and Banks' Law no. 28 for the year 2000 and its amendments that are related to granting bank credits.

Procedural, practical and legal aspects provided for in the CBJ's instructions, orders and circulars and memorandums that are related to credit facilities were reviewed and clarified. The bank and its employees are obliged to meet the provisions of these instruments before carrying on any banking operations, granting bank credits, the concluding, renewal, execution, and termination of banking contracts, whether they were concluded with companies or individuals in fields that included granting credit facilities and their requirements whether upon granting, extension, termination, becoming due, or claims, and the requisite technical, monitoring and legal conditions and interest rates, commissions, limits and concentrations of credits, guarantees, bills, banking risks, and not pleading CBJ instructions when refusing credits, investment, possession and ownership, banking work, banks' doing their work electronically, facilities categories, preparing allocations, procedures of correction, penalties on banks' contraventions, fighting money laundry and funding of terrorism acts that are related to credit facilities.

The training course also included explanation of the legal, contractual, and monetary consequences, the obligations and duties that the banks and their employees bear, and the violations and their penalties, and the ways in which to deal with the instructions, memorandums and orders issued by the CBJ.

The course aimed at deepening the participants' knowledge of the CBJ's instructions, memorandums and orders; and the practical, legal and procedural aspects relating thereto, especially what has to do with credit facilities, granting bank credits, bank contracts and taking guarantees and the consequences related thereto so as to protect the banks' rights; and enhancing the participants' knowledge of the consequences and risks of breaching the CBJ's instructions, orders and memorandums; raising the capacities of workers at bank operations and credit granting and management of bank contracts in what has to do with dealing with CBJ's instructions, memorandums and orders; encouraging participants to discover and identify the points that should be met in the different bank contracts that have to do with credit facilities; and building a base of points of reference of the CBJ's instructions, memorandums and orders that the bank has to review periodically; in addition to enhancing the participants' knowledge of how to draft the special terms in banks contracts so as to meet the terms of the CBJ's instructions, orders and memorandums and providing workers in credits departments for both companies and individuals with the necessary knowledge and capacity in evaluating the bank's position in light of the requirements of the CBJ.

The course targeted directors, heads of units and sections, and employees working in departments specialized in granting bank credits, credit facilities, bank contracts, and corporate credits, workers in auditing and internal review at the legal departments in banks.

➤ **Legal and Practical Aspects of Mortgage and Possessive Mortgage in Banks' Operations and Ways of Providing Bank Guarantees**

The ABJ organized during the period of 3-5 Oct. 2011 a training course under the title of Legal and Practical Aspects of Mortgage and Possessive Mortgage in Banks' Operations and Ways of Providing Bank Guarantees, which was given by HE Salem Khaza'leh. The course contained subjects in the issue of security and possessive mortgage: the definition, ways of providing bank guarantees and mortgages as security in case of real estate and cars, and as possessive mortgage in case of immovable property.

It also included the consequences of security and possessive mortgages as for the client, the bank, and third parties, as well as the rights of priority, pursuit, and lien on the subject of mortgage; the types of possessive mortgage to guarantee banks' rights such as deposits', accounts' and goods' mortgage and the mortgage of rights, shares, bonds, checks, commercial documents, commercial site, ships, planes and the like, and ways of documenting them; the bank's and the client's obligations in security and possessive mortgage according to contractual and legal rules; ways of execution, collecting banks' rights decided on pledged moneys; and risks that banks face in security and possessive mortgage, how to face them and problems arising in execution.

The course targeted deepening participants' knowledge in the practical, procedural and legal aspects of security and possessive mortgage and banks' guarantees; enhancing participants' knowledge of banking, legal, and procedural rules adopted in taking bank guarantees and placing moveable properties as a security for clients' obligation to the bank, and its legal and contractual consequences; raising the capacity of workers at banking operations, inducing them to discover and identify breaches in the fields of mortgage, guarantees, real securities and ways of documenting them; deepening the participants' knowledge in drafting terms and conditions, agreements, pledges and correspondence related to issuing those securities, amending, renewing, construing and dealing with the same.

The course also targeted providing the necessary capacity and knowledge for workers in the field of banks' contracts and operations to evaluate the bank's position towards procedures, operations, correspondence, and documents related to the execution thereof, and to cover all aspects of bank guarantees so that the participants are fully aware of the terms, concepts, rights, obligations, and means of dealing with this issue.

Participants in the course included workers at the bank operations, contracts, documentation, granting credits, auditing and internal review at the banks' legal departments.

➤ **Uncovering Counterfeit and Bank Fraud**

The association organized a course on Uncovering Counterfeit and Bank Fraud during the period from 18-19, Oct. 2011. The course's first day comprised of lectures on: checks counterfeit and fraud in regards the security marks used to protect bank checks, traveler's checks, documents of identification, ways of checks counterfeit and fraud, international banks' experience in dealing with checks counterfeit and fraud, security diagnosis which means identifying the behavioural characteristics of the forger and fraud. The course also included subjects about the security assessment of banks and exchange offices; ways of robbing bank clients, security procedures to faces operations of robbing clients. The course discussed ways of electronic bank fraud in what concerns corporate account take over, stealing clients' bank statements, call centers fraud, security evaluation of ATMs, sale points, and security measures that should be taken to overcome fraud operations. The two days' training was given by training expert Hosam El Abed.

➤ **Provisions and Applications of Combating Money Laundry in light of both: Combating Money Laundry and Funding terrorism Law no. 46 for the Year 2007 and its amendments, and CBJ's Instructions**

The association held during the period of 28-30 Nov. 2011 a training course titled Provisions and applications

of Combating money laundry in light of both: Combating Money Laundry and Funding terrorism Law no. 46 for the Year 2007 and its amendments, and CBJ's Instructions, which was lectured by HE Salem Khaza'leh. The course reviewed the provisions and the legal, operational and procedural aspects of Combating Money Laundry and Funding Terrorism Law no. 46 for the Year 2007 and its amendments. It also clarified the legal, operational and procedural aspects provided for in the instructions, orders, circulars and memorandums issued by the central bank that are related to combating operations of money laundry and funding of terrorism; and the directions and guidelines necessary to combat money laundry and funding terrorism.

The course explained to participants the legal, contractual, and monetary consequences and the obligations and duties borne by banks and their employees; the violations and the penalties on breaching the legal provisions and the instructions issued by the central bank related to money laundry. It also explained ways and means of dealing with the said law and the instructions, memorandums and orders issued by the CBJ.

➤ **Preparing, Documenting, and Drafting Contracts in Credit Facilities and their Annexes**

The association organized during the period of 19-21 Dec. 2011 a course on Preparing, Documenting, and Drafting Contracts in Credit Facilities and their Annexes, in which HE Salem Khaza'leh lectured. The course reviewed the legal rules and aspects of the Jordanian Civil Code, Trade Law, Companies' Law, Evidence Law, and Banks' Law related to ways and styles of preparing, documenting, and drafting contracts.

The procedural, operational, and legal aspects that the banks should abide by were reviewed in preparing and documenting the operations of granting bank credits and signing bank contracts, renewing, executing and termination thereof that relates to natural or judicial persons in regards with the legal capacity, and capacity impediments that prevents signing, and the legal capacity of judicial persons in what concerns the company's articles of incorporation and bylaws that should be abided by before signing legal contracts and their annexes; the legal capacity of those authorized to sign, their eligibility to sign contracts for their companies, and the limits and validity of their mandates.

Furthermore, the way of drafting bank contracts were reviewed in addition to the ways of contracting that should be met and the main components, elements and facts that should be mentioned in the bank contracts whether at the stage of drafting, final adoption of the contract, or the stage of signing at each stage of contracting, starting from submitting an application to get a credit, issuing the initial approval, preparing the contract and agreement, and the basic conditions, documenting and signing the same, and the amendments on the contract, extension, renewal, rescheduling and restructuring, changing terms and conditions and termination thereof.

3. Forums

The association organized the following forums and gatherings during 2011:

➤ **The Amman Banking Forum**

The Governor of the Central bank of Jordan (CBJ) Sharif Fares Sharaf launched on March 20, 2011 the Amman First Banking Forum (ABF) organized by the Association of Banks in Jordan (ABJ) under the title of “Banking and Financial Stability”, with the participation of bank experts from Jordan, Egypt, the United Arab Emirates, Lebanon, Palestine, Germany and the U.S.A.

Sharif Sharaf said in his inaugural speech that the ABF is timely to evaluate monetary policies after the crisis that hit the world, to build long-term policies and hypotheses.

He pointed out that the economic and financial crisis demonstrated the extent of weakness that systems of banking monitoring and supervision suffer from in many countries in the world, the same as it demonstrated the extent of integration and connection between global economy and any country’s financial markets.

Sharaf added that changes in global markets made the aim of achieving banking and financial stability the first priority in the world, especially as the pace of globalization is accelerating and markets are closely connected in their expansion and the free movement of capital.

“Achieving stability requires constant efforts, and a vigilance to take precautions against any possible risks,” the governor said, adding that there should be some work on the constant upgrading and revision of monetary procedures taken.

The governor stressed that the fiscal stability and the dinar exchange rate are a basic pillar in the work of the CBJ as well as in the economic, financial and fiscal policies.

He highlighted the CBJ’s keenness on adhering by the most recent international criteria in bank monitoring, and its keenness on encouraging banks to pay the necessary care to risk managements, internal monitoring systems and combating money laundry operations, in addition to applying the principles of corporate governance and improve the quality of services they offer their clients.

Sharif Sharaf confirmed the soundness and strength of the Jordanian banking system that allowed it to face the global monetary crisis with confidence and efficiency, along with the support of a number of policies and measures that the CBJ adopted in monitoring banks.

“Jordanian banks adopt wise banking policies that guarantee the maintenance of balanced financial positions,” he said while stressing that the close cooperation between the CBJ and licensed banks in the field of precautionary management of risks had the biggest role in protecting the banking sector and increasing its immunity to internal and external shocks, reviewing in this regard the most important indicators of the financial soundness of banks.

On his part, the ABJ’s Chairman of the Board of Directors Marwan Awadh mentioned the international economic and financial crisis and its destructive consequences on the global economy as well as the major financial centers and institutions of the world. However, he went on to say, measures that have been taken to resuscitate the economic and financial performance in the world led to a number of repercussions and side effects and created some gaps in the financial system.

The huge and direct support for the financial system, the reduction in the interest rates, and the expansion in the budgets of central banks, he explained, had their consequences and great side effects.

“Continuing to use unusual programs, atop of which is the direct subsidy,” he went on to say, “slows down the start of the post-crisis adaptation stage, and promotes the risks of creating vulnerable and weak financial corporations.”

The reduced interest rates in the center of international economy do not encourage the required reductions

in the rates of debts; consequently, he said, they contribute to increased distortions and disorders in the financial system and give rise to new problems. Furthermore, he added, the accelerated inflation in the budgets of central banks creates price distortions in bonds and loans, and inhibits the mechanisms of market making by some individuals and private institutions.

The financial incentives, he continued to explain, led to an increase in the governmental debts which, in some countries, became a big problem whose repercussions cannot be borne.

Awadh stressed that the success of the ongoing economic reform and adjustment requires cooperation between all organizational and monitoring entities to ensure the safety of the components of the financial system which are the financial instruments, markets and financial institutions.

He called for the establishment of a comprehensive preventive framework to enhance the stability of the financial system as a whole and the safety of each one of its components. He also urged financial authorities to seek long-term sustainability and ensure that their policies are meant to absorb shocks rather than amplifying them. This is possible only if, he said, we build reserves in clear times for rainy days, stressing that the central banks should face hikes in the prices of assets and credits as threats to the stability of prices and growth.

Awadh explained that the process of building a more resilient, efficient and stable financial system requires facing risks arising from two kinds of factors: general or regular risks and economic cycles.

Awadh pointed out to the changes in the roles of the central banks around the world, saying that the independence of central banks from political pressures makes them more capable of achieving their goals. He also stressed that the full recovery process of the repercussions of the international financial crisis was slow and below the required or expected level, referring this to a number of factors, on top of which is the setbacks and crises that arose in the aftermath of the international crisis, such as the Dubai debts crisis, the European sovereign debts, and the great pressures that the currencies of major countries were subject to within what is called the currencies war.

As for the performance of the Jordanian economy, Awadh demonstrated the kingdom's ability to pass the repercussions of the direct international financial and economic crisis, saying that the Jordanian economy began to recover since the beginning of 2010, although the recovery was slight and within levels close to those achieved in 2009.

As for the banking sector, Awadh stressed its strength and stability, as it recorded tangible developments during 2010. The balance of banks' assets rose to 35 billion JD approximately; the balance of credit facilities rose to 14.5 billion JD, while the total deposits amounted to 22.5 billion JD at the end of 2010.

Indicators of banks' financial strength prove the strength of Jordan's banking sector, including the ratio of capital adequacy, the ratio of non-performing debts to the total debts and the ratio of liquidity.

On the other hand, the secretary general of the Union of Arab banks Wissam Hassan Fattooh indicated the concerns of Arab banks nowadays because of the changes in the political structure of the region, stressing the role of the Union in closing the ranks between Arab banks, and enhancing economic, banking and financial links and building a wide network of strategic relations and alliances with institutions and organizations that are active regionally and internationally.

Fattooh reviewed some statistics related to Arab banking sector; he said it is comprised of 430 banking institutions that run \$3.4 trillion of assets, and has deposits of over \$1.5 trillion and a capital base of more than \$400 billion.

He added that the Arab banking sector funded both the public and private sectors with about \$1.1 trillion during 2010. "84 Arab banks entered the list of the biggest 1000 banks in the world in terms of assets," Fattooh said, adding that the "overall budget of those banks reached approximately \$1.35 trillion."

Assets of Arab Islamic banks, he said, increased from \$150 billion to more than \$700 billion.

Fattooh praised the Jordanian banking sector's ability "not only to maintain its strength and stability but

also to record tangible developments during the past year,” he said, adding that those developments were reflected in the increase in the balances of assets, credit facilities and deposits of the banks operating in Jordan.

“Financial, banking and economic stability is the pillar on which economic openness is based,” he stressed. He described this stability as a key approach to improve the investment climate and a firm foundation for a sustainable economic and social development in the Arab world.

However, he said, economic stability needs reform, growth, enhancing of financial monitoring, good governance and disclosure, in addition to raising capacities of human resources and governments’ proactive measures to financial and economic reforms and creating developmental projects and boosting financial institutions at the national level.

The ABF discussed over two days a number of specialized banking issues that have to do with Basel III, strategic management, strategic planning in banking sectors, the management of banking risks; pressing situations tests adopted by the CBJ; compliance and fighting fraud and money laundry of all types.

The ABF also discussed the creation of Credit Bureau Companies, in addition to payments and settlements systems, management of excess liquidity, corporate governance, Islamic banking operations, and the changes that arise in the local, regional and international banking arenas.

➤ **The Second Gathering for Corporate Social Responsibility**

The Association of Banks in Jordan organized on Sep. 18, 2011 the Second gathering for Corporate Social Responsibility, in which bankers and experts highlighted the importance of improving and stimulating the role of corporate responsibility that local corporations should assume.

They said it is important to move from the concept of voluntary service to a more sophisticated level that is based on responsible performance, the spirit of citizenship, and community service. “There is a need to get the concept of corporate responsibility out of the frames of cooperatives and charities to a wider space of systematic work and institutional culture,” they repeatedly confirmed.

The ABJ’s Chairman of the Board of Directors Marwan Awadh stressed at the opening of the event the necessity to improve the roles of banks in what is good and beneficial to other sectors in the kingdom.

Awadh said that the most important objective of this event is to effect some kind of change in the understanding of what corporate social responsibility means, so that we can move the concept of voluntary service from volunteerism and charity to a higher and more noble level based on responsible action, good citizenship and community service. This means to get the concept of corporate social responsibility out of the frames of cooperative societies and charities to a wider space of systematic work and institutional culture.

Awadh called for keeping the concept of corporate social responsibility alive, with its strength and acceptance stemming from its free will and voluntary nature. As such, there should be no meaning in imposing it on corporations because this will destroy the spirit of initiative and transform it to a new type of taxes.

Corporate responsibility, Awadh said, is not new to Jordan which was one of the first countries to adopt this concept and integrate it into all economic, social and political practices. He referred in this case to the great role played by their majesties King Abdullah and Queen Rania el Abdullah in enhancing the concept of social responsibility in Jordan.

Awadh pointed out the increasing role and contribution of the private sector in the comprehensive economic and social development in the kingdom, so that it became an efficient partner with the public sector in leading change and achieving the goals of sustainable development.

He stressed that the concept of social responsibility is still in the phase of good faith towards society, that it has not been refined as it should to become a common denominator and a point of consent by Jordan’s institutions in the public as well as the private sectors.

Awadh reviewed some of the suggestions and factors that can induce more involvement in corporate responsibility and expand its role to surpass the tax incentives which are not up to the required size and roles of corporate responsibility. The door should be open for new ideas that enhance and boost practices of social responsibility, he stressed.

Banks operating in Jordan had a leading role in assuming responsibility towards their society and extending support to the different segments of Jordanian society within the limits of their social responsibility which they adopted as an institutional approach and a culture. Banks operating in Jordan spent almost 27.2 million JD on corporate social responsibility initiatives in 2009, he said, adding that this amount grew by more than 19% in 2010 to become 32.4 million JD. Between 2009 and 2010, he continued to illustrate, banks' annual contributions in initiatives of corporate responsibility formed 8-9% of the total annual net profit.

Corporate responsibility activities spread into many fields: education, development, poverty alleviating, children, the disabled and women, sports and health fields, cultural, artistic and professional fields, environment, tourism, heritage and religious issues, in addition to supporting national cultural, social and economic institutions.

The central bank also plays a role in adopting initiatives with social content as well as economic and financial, he said. The CBJ's support of SMEs is expressed in its circulars and incentives, which led to promoting the funding of those enterprises.

The CBJ also sought to activate the royal initiative of decent housing for a decent living by liberating double the facilities extended to individuals within this initiative from the compulsory reserves. It also allowed banks to extend direct credit facilities in foreign currencies for exports and re-exports.

The CBJ encouraged banks, through a circular issued, to contribute to the project of the green ring.

Awadh called for the creation of sector funds for the corporate responsibility in Jordan such as the Corporate Responsibility Fund for Banks, instead of the current practice of the joint projects and initiatives adopted collectively by banks, or through individual projects support by each bank on its own.

On his part, the ABJ's General Director Dr. Adli Kandah said that banks play substantial role in employment and training. The number of bank employees reached in 2009 more than 16600 male and female employees. Banks contribute to the kingdom's economic development by providing different kinds of bank services to projects in the different sectors, distributing economic resources with efficiency, activating public-private partnership and the continued coordination with different parties.

Kandah confirmed banks' interest in funding SMEs, establishing special departments to browse the funding needs of these enterprises, taking care of environmental funding, supporting green projects that are environment-friendly, and giving sponsorships and support to corporate responsibility initiatives in all fields. Dr. Kandah presented the outcomes of the study conducted by the association on the most important aspects of corporate responsibility for banks in Jordan.

On the other side, Director of the Studies and Policies Department at the Social and Economic Council (SEC) Dr. Radhi Otoum said that an Arab governmental interest in the issue of corporate responsibility was defined in the meeting of Arab ministers of social development in 2008. This was followed, Dr. Otoum said, by a Jordanian governmental interest as the prime ministry requested the SEC to draw a general framework to institutionalize corporate responsibility so that this concept is adopted by the government as a voluntary action for companies, banks and business institutions, without the public budget having to bear any financial burdens.

The government, Otoum went on to say, approved the establishment of a coordination committee for corporate responsibility at the Social Security Corporation, while the general Union of Welfare Societies adopted the establishment of a micro and small-size finance institution that targets the pockets of poverty, the unemployed and the poor all over the kingdom.

On his side, the director of New Jordan Center for Studies Hani Hourani presented a working paper on the

corporate responsibility for companies in Jordan, after which he called for the companies to go public on their social role or performance as it improves their image with the audience, and provides specific data on the companies' social responsibility.

He further called for the companies to define a vision, a message and objectives that have to do with their social role, and publishing reports thereon on their annual reports and websites.

Marketing manager at HSBC Maria Qsous presented the bank's vision of the institutional sustainability that is represented in fighting the climate change, community investment in education and environment, sustainability of funding and the roles that the bank assumes at the local, regional and international levels.

Director of Jordan Children Villages (SOS) Lina Maula stated that the SOS association established closely linked communication channels, and a base of partnership, with civil society institutions and banks on all levels. Donors took part in inducing more donors to the list of SOS partners.

Maula pointed out that individuals and big corporations and banks contribute to providing different kinds of support to the SOS, including the financial support which reached 15 thousand dinars to cover the basic expenses of homes related to accommodation, food and education, in addition to the health, social and cultural expenses that are incurred by family homes.

She said that corporate responsibility program at a number of civil society institutions and banks do not only focus on charity and donations, but also on inducing employees to take part in the voluntary work initiatives to boost the employees' sense of social responsibility towards the society and to promote the sense of belonging to their society.

Ahmad Al Lawzi of the friendship Society with the Blind demonstrated the importance of relying on SMEs and expanding the individuals' services, saying that institutions working with the disabled are an integral part of the economic developmental movement. To empower them, we should act on finding common denominators between economic and financial systems, represented by banks which are the linking parts between developmental institutions on the one hand and local and international economies on the other.

He called for the banks to provide services for people with special needs to empower them to participate in developing the economy and especially to give them full freedom to open and run their own accounts, to provide a speaking ATM for the visually impaired, to cancel the request for witnesses and replace it either with the electronic fingerprint or to ask for the help of the bank manager to make sure of the safety of withdrawal according to the measures that the bank adopt to attain the privacy and independence of the visually impaired, just like anyone else.

The Arab bank's representative in presenting the sustainability report of 2010 affirmed that the advantages that the sustainability achieves help to develop a vision and a sustainable organizational strategy, boost the administrative system and the internal strategic and operational objectives, boost and encourage creativity and ensure competitive advantages to the bank.

On her part, Dr. Mona Hindeyyeh of the German Jordanian University said that the Global Reporting Initiative is a suitable framework to discuss the outcome of reports on the obligations of organizations and their strategies and administrative approaches. It also measures sustainability in the Global Funding Report and pays attention to the environment and the intangible economic and social outcomes.

Finally, the advisor of the minister of environment, Eng. Raouf Dabbas briefed attendees on the importance of the green funding instruments for banks, and the importance of triggering green economy through soft loans, discounts, Private shares funds and adventure capital, while the INJAZ establishment presented the many facets of cooperation with banks in different fields such as support, volunteering to train students beneficiaries of INJAZ programs which aim to train university students to bridge the gap between the theoretical part and the applied part in the job market.

E. Other Activities and News

➤ **Deloitte organizes a conference on organizational approaches of Basel III**

Under the sponsorship of Marwan Awadh, the chairman of board of directors of the ABJ, Deloitte organized a conference on the organizational approaches of Basel III that was attended by banks' directors, officials and representatives in Jordan.

The conference, which was also attended by the partners and directors of Deloitte in Jordan and Lebanon, discussed the challenges that will face the banking sector as a result of implementing the rules of Basel III.

Attendees brainstormed reasons behind these new standards and their potential consequences on the banking sector in Jordan and the world. They were briefed on the revised definition of the qualified base capital in order to calculate the first pillar of the financial solvency ratio as well as the minimum limit in enhanced requirement imposed by the expected rules at 7% which is the minimum of the capital required in the first category and the core extra capital reserve by 2.5%, which in turn works to deal with periodical economic changes by imposing the core extra capital reserve in time of excess credit growth..

An essential part of the discussion centered on the new guidelines to manage risks of liquidity ovulation, which will have the greatest influence on the business models and the strategic approach of many banks around the world. The main outcomes of studies on the quantitative consequences conducted at the European level were presented to attendees to shed light on the possible consequences that these new standards, which will come into force between the years 2015 and 2018, will have on the banking sector.

The quantitative outcomes demonstrated that 291 billion Euros more from the essential first class capital will be requested to meet the new requirements as from the end of 2009, in addition to an estimated deficit of liquid assets of a trillion Euros.

These outcomes shed light on the deep changes in the comprehensive strategic investment policies that are expected to be adopted by some investors, companies and banks. At the local level, the listing of debt instruments issued by the central bank under the list of qualified liquid assets will be a substantial element in compliance to Basel standards.

➤ **ABJ Hosts the Delegation of French Employers Association (M.E.D.E.F.)**

The ABJ hosted on Jan.31, 2011 at its offices a delegation of the French Employers Association (M.E.D.E.F.). The ABJ's chairman of board of directors Marwan Awadh briefed the delegation on the economic and financial developments that Jordan witnessed last year after the world financial crisis.

Awadh said that the gross domestic product (GDP) severely decreased in 2009, however, he said, it edged up to 2.85% at the end of the third quarter of 2010. The pace of inflation accelerated reaching 5% by the end of the year because of hikes in the prices of oil and foodstuff.

Despite the regress of many indicators of the macro economy, he added, the banking sector maintained its strength and the foreign currencies reserves went up to \$12 billion. He pointed out that the government succeeded in managing the issue of Euro Bond in the world market.

The chairman, in the presence of the ABJ's members of board of directors and its general director Dr. Adli Kandah, said that the expected growth of GDP for the current year is 4.25%, contrary to the prevailing economic conditions in the world. However, this is still below the hoped for growth percentage.

Awadh expected the gap in the current account of this year to grow and reach 6.25% of the GDP because of the rise in the value of imports of basic goods. He also expected the financial performance to improve because of the government's support plans, reflected explicitly in the budget project which targets enhancing economic recovery.

Awadh said that the financial policy is adequate to the alleviation measures adopted by the central bank since the start of the world financial crisis, which witnessed a regress in the demand of credits.

He stressed that the progress in structural reforms contributed to boosting the Jordanian economic performance in general, as the government worked on boosting public-private sector partnership.

Dr. Kandah highlighted the main developments in the banking sector in Jordan as regards the spread, the capital and the profitability. He said that the banks operating in the kingdom spread to reach 640 branches in 2010, while the stake of Arab and foreign investors in Jordanian banks grew from 49% in 1997 to 58% in 2010. He pointed out that the banks' assets experienced substantial increases from 2000 to 2010, reaching 34.4 billion JD at the end of Oct. 2010, compared to 12.9 billion JD in the year 2000. He said that deposit more than doubled to amount to 22.3 billion JD, while facilities grew to reach 14.2 billion JD.

Kandah pointed out that the percentage of non-performing loans went down from 16% in the year 2000 to 7.9% by the end of Oct. 2010, adding that the interest rates on loans and credits tangibly decreased during the past ten years, however, he went on to say, the interest rate margin grew from 4.8% to 5.7%.

The representative of the French delegation Thierry Cortine gave a briefing on the MEDEF, saying that it is comprised of many sectors, including French banks.

He added that MEDEF has strong links with Jordan that go back to 20 years, stressing that Jordanian banks and businessmen are partners to the French in investments.

He expressed the French businessmen's interest in making Jordan a base from which they run the investments they look forward to in the Iraqi market, praising the ability of the Jordanian economy to surpass the financial and economic crisis that affected the whole world.

Members of the delegation posed a number of questions on the volume of cash transactions in comparison with electronic transactions in the domestic market; the possibility of Jordanian banks funding French investments in Iraq; the government's contribution to public-private sector projects; the percentage of concentration of credit facilities, especially in the real estate sector; and, finally, the funding of exports from Jordan to Iraq.

Awadh affirmed that local banks follow the instructions of the central bank in what regards the funding of external activities, noting that the central bank is precautious in this regard the matter that protected banks from the repercussions of the crisis.

He went on to say that the Jordan Ahli Bank contributed to funding projects in Iraq, but, he stressed, this was done through Iraqi banks that have links with local banks as well as the funding of Iraqis living in Jordan and running their investments from Amman.

As for the possibility of funding French companies interested in working at the Iraqi market, Awadh said Jordanian banks are ready for that and "we have a long experience in the Iraqi market that enables us to contribute to funding."

Chairman of the board of directors of the Housing Bank for Trade and Funding Dr. Michel Marto said banks study the feasibility of any project, and if it has the ability to repay its dues the funding decision will be taken. He pointed out that the governmental support of any company working in implementing projects takes the form of tax facilities and exemptions rather than direct financial support.

The director general of Capital Bank Haitham Qamhie explained that money circulation, whether in cash or checks, has the biggest share in the financial transactions in the kingdom.

He confirmed that banks' tendency to fund mega projects in the kingdom depends on the kind of project, its size and the sector it belongs to. He pointed out that Jordanian banks fund Iraqis who reside in the kingdom and have guarantees in the local market.

The French delegation comprised of presidents and directors of companies from various economic sectors such as engineering, contracting, energy and electricity, electronic equipment, telecommunications and information technology, electric and mechanical contracting, industrial maintenance, transportation means, building stadiums, engineering consultations, water, environment, defence equipment and banking sector.

➤ **ABJ holds a Meeting to Discuss Forged Checks and Bank-related Crimes**

The association held on 24 March 2011 a meeting in cooperation with the Criminal Investigation Department attended by the ABJ general director Dr. Adli Kandah, Lieutenant Colonel Hussein Abbadi and Captain Nart Sharkas from the Criminal Investigation Directorate and representatives from the Central Bank and member banks.

The meeting was a result of correspondence by the criminal investigation department related to the subject of forged checks and crimes related to banks.

Lieutenant Colonel Abbadi said a number of new criminal methods emerged lately which make use of new technologies, especially in the banking sector which he described as the main pillar in building safe investments, the matter that requires cooperation between concerned parties to consider the gaps that criminals exploit to commit counterfeit or robbery crimes.

The meeting also handled the subject of forged checks, credit cards and surveillance cameras. Lieutenant Colonel Abbadi pointed out that many banks complained to the directorate about receiving forged checks either through the direct cashing on counter, or through electronic clearing. These checks usually passed the scrutiny done at banks as regards the determined security marked (water image, maker, and signature) and the counterfeiters had been able to cash these checks. Only the direct scrutiny between the bank and the client revealed the counterfeit.

He said it was evident from the cases coming to the department that the mechanism of forging those checks depends on forging the UV light marks (the logo), the water marks and the sentence that has the bank's name, the maker line and the quality of paper used in checks.

He said the circulation of the excellently forged checks is due to the poor protection measures at the printing houses which design, print and transfer the checks to banks, which make it possible to break into some printing workers to get more check papers than those supplied to banks. He did not rule out the reason of intentional human error that might cause to lose the paper and the security inks used in printing checks, and the usage of developed techniques in forgery similar to those used in the security printing of checks, in addition of the lack of an original check sample at the teller's that enables him to compare it with the presented check under the UV light. This is a source of confusion and difficulty for the banks' employees. Abbadi added that the criminal investigation department dealt with the total of 105 cases of this kind during 2010 and 2011, the result of which was apprehending 200 people. He pointed out some difficulties that are related to the not so prompt complaints filed by some banks in visiting the criminal investigation sections to file complaints in such cases, the matter that gives people with precedents in the forgery and counterfeiting crimes time to do the same with other banks.

In some cases the officer authorized to file the complaint might not be fully informed in the subject of the complaint, or there might be some procrastination from the side of the employee mandated to secure the CDs, check notes and special technical reports pertaining thereto, Abbadi said.

He added that in some cases where the bank does not suffer a material loss, its administration would not press charges; the object of the bank's letter would be only to inform the criminal investigation department of what happened according to the CBJ's instructions in this regards. This results in the escape of people implicated in those crimes from disincentive penalties because there is no civil law suit filed by banks.

As for the cases of credit cards forgery, Abbadi indicated that the criminal investigation department dealt with 25 cases during 2010 and 2011, which led to the arrest of 28 people.

The criminal investigation department recommended the speedy notification by banks and credit cards companies on the cases of forged checks and credit cards that they face. They also recommended that the officer authorized to press charges in such cases be fully informed of all the details and events of the case.

Some of the recommendations given by the department had to do with supplying the mandated criminal investigation office where the charges are pressed with all the technical stuff related to the case as regards

the CDs that have the photos of persons (defendants), and statements of all withdrawals, where they were effected, the forged checks papers, and the necessary expertise reports; the nomination of a liaison officer by banks and credit cards companies to follow up the cases filed at the criminal investigation department; boosting the protection measures on check notes by adding new water and light marks that prevent forgery. It also recommended tightening up protection measures on ATMs against the operations of electronic breaking in.

The department stressed the importance of cooperation between the criminal investigation offices and Jordanian banks through seminars or workshops on the cases of bank counterfeit; the credit cards companies forcing merchants and owners of department stores who have contracts with them to take all necessary measures to verify the identity of the card's user.

➤ **The ABJ Represented at the National Dialogue Committee**

In implementation of the Royal Letter of Designation, and with the government's full conviction in the dialogue approach, and after conducting in depth and intensive dialogues with a number of political, economic and social forces, the council of ministers decided to approve the formation of the National Dialogue Committee, with the objective of safeguarding the neutrality of the committee and giving it the civil capacity to work in an independent and objective atmosphere.

The committee, presided over the Senate Speaker Taher al Masri, is composed of 52 personalities representing political and social forces throughout the spectrum. The director general of the Association of Banks in Jordan Dr. Adli Kandah was mandated by the ABJ's board of directors to represent the association in the committee. The council of ministers' decision defined the committee's tasks as conducting an intensive national dialogue on all legislations pertaining to political action and reviewing them to reach the objectives that the government seeks, namely, creating a progressive and democratic partisan conditions; forming parliamentary governments based on political parties; and, presenting two draft laws on general elections and political parties that enjoy consensus and meet these objectives.

The committee enjoyed the support of His Majesty King Abdullah II, who met its members urging them to work in a team spirit and in full seriousness to reach outcomes that are comprehensive and for the welfare of all because reform is the goal of all Jordanians.

His Majesty the King called the committee members to communicate to the different elements of the spectrum and the components of the people as well as to look at the governorates to hear their voice. He also called them to focus on the youth and their issues since they are the biggest segment in the society.

He expressed support for the committee that was charged with the task of launching a comprehensive national dialogue to develop regulations and legislations that govern the political life. He said: "you as a committee play an important role in getting Jordan into a new phase known by reform, modernization and development, and I am the guarantor of the outcomes of your dialogues."

➤ **The ABJ takes part in the ShamGen banking conference**

The Association of Banks in Jordan took part in the ShamGen banking conference that was held in Istanbul at the end of March 2011.

The conference, organized by the Bank and Investor Group, was attended by Jordanian, Syrian, Lebanese and Turkish delegations to boost the banking cooperation between the four countries.

The governor of the central bank of Jordan Sharif Fares Sharaf said that the importance of this conference lies in achieving economic integration between the four countries, which he stressed is described as the "union of financial systems" and has substantial influence on the trade and economic relations between these countries in the future.

Chairman of the ABJ's board of directors Marwan Awadh said at the opening session of the conference that this is a big chance to exchange expertise in boosting banking cooperation between the ShamGen countries. This alliance, he pointed out, comes on the heels of signing a free trade zone between the four countries, which boosts joint investments and makes the ShamGen one of the most important economic alliances at the regional level.

Awadh stressed that the ABJ realized at an early stage the importance of cooperation with different countries, and, to achieve this goal, signed a number of memorandums of understanding with their counterparts in Romania, Syria, Lebanon, Turkey and Palestine.

Awadh went on to say that boosting mutual economic relations between our countries will help economic growth and contribute to solve some problems that we face, especially as the four countries together form a big integrated market with a population of 100 million people and a gross product of \$900 billion.

Awadh briefed the delegations on the ABJ, its inception, services and fields of cooperation with the different official authorities locally and regionally. He also highlighted the most important economic and financial developments that the kingdom witnessed after the international financial crisis.

The ABJ's general director Dr. Adli Kandah said the conference aims at boosting banking cooperation between Jordan, Syria, Lebanon and Turkey after the four countries agreed to establish a free trade area between them. He added that this is the first meeting at the level of central banks governors in those four countries and the banks represented by their associations.

The Jordanian banking delegation was comprised of CBJ Governor Sharif Fares Sharaf and his deputy Kholoud Saqqaf, the ABJ's chairman of the board of directors Marwan Awadh, chairman of the board of directors of the Arab Islamic Bank Salem Borqan, the general director of Cairo-Amman Bank Kamal Bakri, the general director of Capital Bank Haitham Qamhieh, the general director of the ABJ and representatives of a number of local banks.

The conference resulted in a number of recommendations that included encouraging banks working at the ShamGen countries to use unified standards as regards the payments systems and banks operations to facilitate their cooperation; to work on protecting their operations against the funding of terrorism and money laundry and corruption by using unified standards; and to work for achieving the commercial, industrial and banking integration between the ShamGen countries; expanding cooperation to include cultural, social and humanitarian issues in addition to the banking and financial sectors.

They also recommended paying special attention to Islamic banking operations which witnessed remarkable growth in the past few years.

Delegations agreed to prepare for the creation of a regional bank, calling the fiscal authorities to issue laws that promote joint investments especially in the banking sector, and signing more agreements that promote across the border funding, the financial stability and the payments systems, as well as encouraging banks operating in all the ShamGen countries to implement the Basel standards, and encouraging cooperation between all monitoring entities in the said countries to adopt international standards of monitoring and organization.

The delegations recommended the creation of working groups comprising of experts in the ShamGen countries to develop joint cooperation approaches as well as the establishment of a board of directors for the ShamGen conference that they recommended to be held regularly.

➤ **The ABJ Hosts a Meeting between the Prime Minister and the Banking Sector**

Prime minister Maarouf el Bakheet met on 28 April 2011 at the headquarters of the Association of Banks in Jordan representatives of the Jordan banking sector in the presence of the Minister of Industry and Trade Dr. Hani Mulki, Minister of Finance Dr. Mohammad Abu Hammour, and the CBJ Governor Sharif Fares Sharaf.

Bakhit said the government will announce the members of the Economic Dialogue Team after the full consultations with all economic sectors, expecting the team to be composed of 20-30 personalities representing the different sectors to work with the governmental economic team on drawing two parallel plans, the first of which will be expedient measures to address pressing issues and challenges until the end of the year, while the second will deal with measures that should be taken over the next two years.

Bakhit stressed that economic dialogue is as important as the political one at this stage, as the two tracks of reform are interconnected, expressing hope that the recommendations and outcomes of the economic dialogue committee, which will represent all economic activities in the kingdom including banks, will end up with drawing economic policies that alleviate the negative effects of regional developments.

He also hoped that the committee outcomes and recommendations will have tangible and positive consequences on the local climate in the social and developmental arenas before the end of the current year. The prime minister said the meeting with the representatives of the banking sector in the kingdom comes within the strives to find the framework for a national dialogue that backs the track of economic reform and opens new horizons for planning and finding the best ideas to face economic challenges and push the wheel of growth upward.

The conditions which the kingdom and the region experience necessitate that we all cooperate, back up each other and invest in the things we have whether they are initiatives, proposals, measures or efforts that contribute to achieving economic reform, he said.

He underlined the need for the objective reading of reality that can achieve stability and equilibrium away from social emotions and political calculations.

Bakhit stressed that the government pays the fiscal and banking sector full attention because it is a substantial pillar of Jordanian economy; it mobilizes domestic and foreign savings and fund investments that are the backbone of economy.

He also stressed the necessity of safeguarding economic stability and facing economic challenges, on top of which are the increase in the budget deficit, the decrease in public revenues, the big increase in debts, and the increase in unemployment rates and the slowdown in economic growth.

He referred to the increase in the kingdom's energy bill as a result of hikes in oil prices and of the risks and financial burdens as a result of the continued subsidy to oil prices during the first quarter of 2011. He drew attention to the sabotage of the Egyptian gas pipeline that supplies Jordan with its needs of gas, saying this led to an urgent session of the council of ministers on Thursday, 28 April 2011, to discuss the repercussions of the interruption in the gas supplies. The government decided a number of measures to minimize the energy consumption, especially in the transport sector and public buildings.

As for SMEs, Bakhit said the government adopted a number of measures to encourage the banking sector to fund these enterprises, as well as the activation of the role of Loan Guarantee Corporation in the issue of guarantees and banking securities relevant to SMEs.

Bakhit revealed that the government is considering the idea of establishing a fund to finance the industrial sector with soft interest, drawing on the experience of Industrial Development Bank, and the possibility of launching a fund for adventurous capital to back small productive and services projects through the donations of the private sector, including banks.

He told attendees that there are thoughts to reduce compulsory reserves of commercial banks to get an increase in credit facilities extended to small and medium sized enterprises and the possibility of creating a fund specialized in risks to back struggling companies and institutions, provided that it is fully administered

with experiences from the private sector.

Bakhit expressed sincere thanks to national banks that responded to the government's plans to plant trees on the sides of the international highway from Aqaba on the Red Sea to Jaber at the Syrian borders. He said this response reveals the sense of corporate social responsibility that we encourage and promote.

Bakhit hailed the banks' role in the social responsibility issues, encouraging the banking sector to direct the money saved for corporate social responsibility issues to industries and backing SMEs in the governorates. He also hailed the Arab Bank's initiative two months ago to establish a fund for corporate social responsibility, saying it is important that all banks follow in the footsteps of the Arab bank.

He highlighted the successful experience of the Development and Employment Fund that contributes substantially to initiating sustainable development and creating real job opportunities for people in the governorates. The percentage of settlement of debts given by the fund reaches more than 95% and amounts to about 98% in loans given to women. "Banks can make use of this experience," he said.

Bakhit told attendees that the public-private partnership draft law is at its final stages at the legislation and Opinion bureau currently, drawing attention that the government will send it to the Lower House of parliament as soon as it is adopted.

Bakhit said that Jordan is capable of overcoming challenges and transfer them to opportunities because of its wise and enlightened leadership and its people, noting that the current situation in many Arab countries allows Jordan to attract more tourists, especially Arab tourists, and Arab students to study at Jordanian universities and colleges.

In this regard, Bakhit said the government adopted a number of measures at border points to facilitate the return of Jordanian expatriates, and the entry of tourists, especially from the Arabian Gulf countries, that include facilities to allow the tourists into Jordan to get more than one car for each family.

The prime minister revealed that he held on 27 April 2011 a meeting with the heads of border points to urge them to facilitate entry procedures for businessmen. The new measures include granting them instant visas at border points if they have valid residency in the Arabian Gulf countries.

On his part, the minister of industry and trade Dr. Hani Mulqi said that the government is keen on backing SMEs and spreading the benefits of the services sector to all the governments in order to create more job opportunities and alleviate the bad economic conditions of people.

Mulqi said the government paid \$5 million as a contribution from Jordan in the Fund for Backing and Funding private Sector's SMEs, which was established by an initiative of the Emir of Kuwait.

He added that a delegation from the fund will visit Jordan in the near future to coordinate with the Jordanian Corporation to Develop Economic Projects which will follow up giving support to SMEs in the kingdom.

Mulqi asked the banking sector to reduce the consumption of electricity and lighting inside banks as the kingdom experiences difficult times because of the interruption of the Egyptian gas supplies and the hikes in oil prices that add new financial burdens to the public budget.

The minister underlined the necessity of providing financial guarantees for the constructions sector to be able to carry out projects outside the kingdom, pointing out that Kuwaitis are interested in having Jordanian contractors carrying out projects in South Iraq.

Minister of Finance Dr. Mohammad Abu Hammour stressed that Jordan currently has big and promising opportunities in many sectors because of the conditions that some regional countries pass through. "We should work hard to seize them," he said.

He stressed that the budget deficit and debts are issues that should be addressed quickly and not to be moved to coming years, although this requires difficult decisions. "We should go on with reforms although the current circumstances are not suitable," he said.

Abu Hammour sounded optimistic when he said the economic situation in the kingdom is stable and secure because of the wise policies adopted to mitigate the consequences of the international economic and financial

crisis. He gave example of the CBJ foreign currency reserves that cover Jordan's imports for eight months. He also pointed out to the new Income Tax Law, a modern law that aims at attracting foreign investments, increasing the competitiveness of the Jordanian economy and building true public-private sectors partnership, he said. The law reduced income tax percentage on banks from 38% to 30%.

CBJ governor Sharif Fares Sharaf said the Jordanian banking system is efficient, open to all and competitive, meets all international standards of risk management and good corporate governance, and capable of meeting the funding needs that back economic development.

On his part, Chairman of the ABJ's board of directors Marwan Awadh reviewed some facts about Jordanian banking sector: it has been able during the past years to attract more foreign investments in the form of shares in local banks through the stock exchange market and opening branches of new non-Jordanian banks. This was done at a time when giant banks in developed countries went down, he said.

In the past ten years, six new licenses were given to Arab banks to work at the local market, bringing the number of banks operating in Jordan to 26 banks, 16 of which are Jordanian and ten are foreign banks that work in a healthy and competitive market that benefits the depositor, the borrower, the investor and the economy, and are governed by advanced legislations and standards that meet the most recent international standards.

Awadh went on to say that Jordanian banks offer varied products and bank services, commercial and Islamic. He pointed out that Jordanian banks have a vast network of branches that reach 600 branches in Jordan and 155 branches outside the kingdom; that the number of ATMs reached 1130 machines in all governorates.

He stressed that the performance of the Jordanian banking sector was good in all standards during the past ten years: the total assets of banks operating in Jordan doubled by 2 times and a half; credit facilities tripled; deposits doubled by more than two times and a half; bank credits grew last year by more than 8.5%, while they registered from the beginning of this year until the end of last February a growth of approximately 10%, which is acceptable and is in accordance with the usual growth rate of credits in Jordan across the years.

Awadh explained that Jordanian banks approved more than 90% of borrowing requests submitted, which is a percentage close to that of other countries. This percentage refutes the criticism that Jordanian banks are hard to give loans, he said.

Awadh said the reasons for refusing credit facilities are the position of the borrowers; the feasibility of their projects; their ability to resettle debts; and providing the necessary guarantees according to the proper standards of giving credits.

However, he said that local banks are aware of the growing importance of the role of SMEs whose labor force forms 60% of the total labor force in the kingdom, and whose contribution to the Domestic Product is more than 50% with the number of their firms is 98.5% of the total number of firms.

Most banks introduced departments and sections specializing in this activity to guarantee providing the required funding to this sector at an appropriate price and a desired term, he said.

Awadh briefed government officials on the averages of interest rates, the interest margin and the regress in the banks' net profit to levels that are much less than other sectors. The average revenue on banks' assets went down from 1.5% during the period from 2007-2009 to 1.1% at the end of 2010. The revenue on shareholders equity in banks edged down during the same period from 12.2% to 8.8% in 2010.

Awadh said banks' contributions are considered pioneering in economy as they gather savings; provide the required funding; provide the treasury with tax revenues which surmounted during the past three years 420 million JD. He underlined that banks in Jordan took the lead at an early stage in contributing to the different fields of social responsibility, which include education, culture, arts, sports, health, support of local institutions, tourism and tradition, support of entities and charities, providing social services, child, woman and family and disabled persons. The total amounts spent by banks on corporate responsibility initiatives reached in 2009 and 2010 more than 38 million JD, i.e. almost 5.5% of the banks' net profits during the same

period, in addition to the fact that this provided about 16500 job opportunities.

Attendees gave some remarks on the vital need that economic decisions adopted by the government in the coming period take into consideration the social dimension, i.e., to take into consideration the living conditions of people, especially the energy prices.

They stressed that the economic dialogue that the government will conduct after the formation of the committee will be a positive and essential step to put an end to the series of big distortions that Jordanian economy suffers from, especially the budget deficit and the debts.

Attendees also demanded that there be a serious consideration of backing SMEs and micro enterprises since they are important instruments to fight poverty and provide job opportunities, stressing that banks which back this funding be exempted from the income tax.

A proposal was made to create a fund by banks in which a percentage of banks' deposits are allocated for investment in SMEs established in the governorates to create job opportunities and fight poverty and unemployment.

Attendees pointed out to the concerns they have of the current economic situation, calling the government to draw vision and mechanisms to stimulate it whether by attracting more investments, reviewing government expenditure, or by continuing to improve the legislations governing the economic sector, especially the legislation of credit information.

➤ **The ABJ Receives the Delegation of the Fund for private and SMEs sectors support**

A delegation representing the Fund for the Support of the Private and SMEs sectors paid a visit to the association of Banks in Jordan as part of the initiative of His Excellency Sheikh Sabah El Ahmad El Jaber el Sabah, the Prince of the State of Kuwait that was announced at the Kuwait Economic, Developmental and Social Summit with the amount of \$5 million, to be paid over five years starting from 2011.

The Fund's delegation discussed with the general director of the ABJ Dr. Adli Kandah the mechanism to benefit from the initiative, as they were informed of the local funding terms and conditions and the legal rules and procedures that local banks require.

The fund aims at supporting and funding small and medium sized enterprises (SMEs) to ensure the realization of social and economic development, especially as the size of these enterprises surpasses 85% of Arab countries economies in general.

➤ **The ABJ Takes Part in the Jordanian-Iraqi Business Gathering**

The ABJ's chairman of board of directors Marwan Awadh and its general director Dr. Adli Kandah took part in the gathering organized in May 19, 2011 by the chambers of Commerce and Industry of Jordan to the Iraqi trade delegation that visited Jordan to participate in the meetings of Islamic Chamber of Commerce and Industry.

The gathering aimed at developing and upgrading economic relations between the kingdom and Iraq to the benefit of both sides: to increase trade exchange and create joint investments.

The ABJ's chairman of board of directors and its general director stressed the keenness of Jordanian banks to cooperate with the Private trade and industry sectors in both Jordan and Iraq to fund its activities and contribute to enhancing the trade exchange in both directions.

Dr. Kandah pointed out the importance of this meeting in browsing the needs of businessmen and investors in both countries; to know what is required from the Jordanian banking sector to boost the investment environment, especially the joint projects that benefit the economies of both countries; and, finally, the development of the relationship between the ABJ and Iraqi Banks' Union to serve the banking sectors of both countries.

➤ **The ABJ holds a Consultative Meeting to create a credit bureau company**

The association held in its headquarters on 27 April 2011 a consultative meeting that comprised representatives of financial institutions, insurance companies, and companies of financial services, companies of financial leasing or future sale of any movable or immovable property or any services, for the purpose of consulting with those concerned on the subject of establishing a credit bureau in the Hashemite Kingdom of Jordan.

The meeting, called for in an ad run in the local dailies, comes in preparation for the enforcement of the Credit Information temporary Law no. 15 for the year 2010, which gives the mandate to license a credit bureau company to a decision by the Central Bank of Jordan pursuant to the terms and provisions defined by a special regulation issued for this purpose.

Article 5/B. H of the said credit information law stipulates that the company should be either of limited responsibility or a private shareholding company, provided that participating in it or shareholding, as the case would be, are exclusive to banks or any other judicial persons with the consent of the central bank.

Any changes in the ownership of shares or stakes of the company may not be effected except with the prior approval of the central bank. Article 13-A, B of the said law stated that any credit provider or data supplier may not own neither directly nor indirectly more than 5% of the company's capital, and that the credit providers' and data suppliers' joint ownership of shares may not exceed 49% of the company's capital.

➤ **The ABJ signs an MOU with JEDCO to Facilitate funding SMEs**

The Association of Banks in Jordan signed on May 16, 2011 a memorandum of understanding (MOU) with the Jordanian Enterprises Development Company (JEDCO) which guarantees the two parties' cooperation to appoint a committee that provides funding consultancy to small and medium sized enterprises (SMEs) in order to ease the procedure of getting funding by those enterprises.

The MoU is part of the efforts made by the ABJ to enhance partnerships with different local institutions in the public and private sectors. It also reflects the banking sector's response and great interest with all the components of Jordanian companies whether they are individuals, 'big companies, public sector institutions or SMEs.

It is worth mentioning that banks in Jordan recognize the importance of SMEs in economy and their contribution to development, creating job opportunities and production. Most banks created departments and units specialized in SMEs' performance, and were able to provide for them a matrix of products and banking solutions at terms and prices that are fit for their capabilities and aptitude.

The CBJ adopted recently a number of initiatives related to SMEs. It issued a circular on 11 Jan. 2011 that defines SMEs and sets clear standards to classify those SMEs

It also issued another circular to licensed banks on Jan. 12th to encourage the funding of those enterprises by way of liberating the balances of the compulsory financial reserves of banks at a rate that equals the value of facilities given to SMEs. This is done if the interest or Morabaha (sale on mutually agreed profit) rates are less by 1% of the interest rates given to prime clients.

The committee composed by the MOU will conduct a number of studies and field surveys to establish a scientific data basis that decision makers can rely on, especially as there is a dire need to have data on the SMEs sector. This is expected to help the banking sector in drawing funding mechanisms that are the most capable to achieve the objectives of the banks and SMEs at the same time.

➤ **The ABJ Participates in the Arab Banking Conference “A New Vision for Economic Reform”**

The ABJ's chairman of board of directors Marwan Awadh and general director Dr. Adli Kandah took part in the works of the Arab Banking Conference 2011 that was organized in Doha, Qatar on 18 April 2011.

The conference theme, organized by the Union of Arab Banks, was “A New Vision for Economic Reform.”

The conference was held under the sponsorship of Qatari prime minister in cooperation with the International Union of Arab Bankers, Central Bank of Qatar, and the Union of Chambers of Gulf Cooperation Council States.

Almost 300 high caliber economic, financial and banking personalities attended the conference, including central banks' governors, chairmen of boards of directors of Arab and Islamic banks, heads and representatives of Arab bank associations and regional and international financing institutions.

Qatari prime minister and minister of foreign affairs Sheikh Hamad bin Jassem bin Jaber Al Thani called in the inaugural speech countries of the Middle East and North Africa to draw a model of an economic system that is in accordance with the real state of affairs and the needs of the region.

He explained the necessity to take into consideration that reforms should be in grown, and that unemployment rates in a number of countries in the MENA region are high and exceed those of international rates.

The Sheikh remarked the risks linked to the expensive living conditions and hikes in the prices of foodstuffs that have inflationary consequences on a number of countries in the region because of their limited financial capabilities.

The main session of the conference titled “a New Vision for Economic Reform” discussed a number of topics including the strategies of economic reform in the Arab world, crisis management in the financial and banking sectors, political developments and their influence on Arab economies, in addition to Arab integration and investment climate: Arab partnership for development. This session was moderated by Dr. Jamal Bayyouni, the Secretary General of the Union of Arab Investors.

The ABJ's chairman of board of directors Marwan Awadh said in this session that the conference is timely with the big changes witnessed by the Arab region calling for comprehensive reform, which he stressed is very important as the theories of partial or elective reforms proved their incompetence.

He went on to say that economic reform policies should move from the macro level to the micro level in defining problems that should be solved, and to move from the micro to the macro level at the time of implementing solutions and reform policies.

He stressed that reform should begin from the top of the economic pyramid, i.e. identifying the most important economic problems that a country faces and then drawing a number of proposed solutions that should be detailed and multi-faceted and include all economic units at the micro level; then necessary reforms should be implemented at the level of economic units: enterprises and institutions, and at the level of sectors.

Awadh underscored the importance of unifying Arab efforts to face all problems that confront Arabs. He called for serious endeavours to build real partnerships between Arab countries that realize our dreams of integration or economic cooperation, especially as the Arab World has all the elements of economic integration.

Awad reviewed the most important Arab economic indicators, demonstrating that economic development is still weak in general: the average economic growth rate in the Arab World went down to 2.4% in 2009 as a result of the repercussions of the international financial crisis. Then this growth edged up again in 2010 according to primary estimates to reach 4.5%. It is expected that 2011 will witness slow down in the Arab growth rates because of regional instability.

Awadh considered that any endeavours for economic reform should target a raised productivity level,

investment in productive assets and increasing the capital component in the state, especially as the capital expenditure in Arab countries stands for one quarter of their public expenditures. Concentrating on current expenditures, which constitute about 74% of the total Arab public expenditures, will not have any positive returns on the long run, he said. On the contrary, he added, it will contribute to overwhelming deficit in the budgets of Arab states and an increase in their public debt, a problem that we have suffered, and are still suffering, from. External public debt of the Arab countries constitutes about 23% of the Arab domestic product, whereas the internal debt constitutes 30% approximately.

Awadh pointed out to the main development challenges that confront Arab countries, including the unemployment issue and the challenges related to the inflation rates, which is considered an imported inflation in most cases. He stressed that although the budgets of five Arab oil countries showed an excess in the public budget, the budgets of 14 Arab countries showed explicit deficit and the percentage of domestic product ranged between 2.2% in Morocco and 22.6% in Iraq. And, he continued to say, if 2010 brought with it an improvement in the budgets of Arab states in general, it is not expected that the situation will be better in 2011 as outlooks talk about an increase in deficit because of the policies of expansion in government expenditures which most Arab countries adopted because of the political conditions of the region, energy problems and lack in water resources.

He said that changes and upheavals that our Arab World witnessed lately carry as their seeds a tendency for reform and a search for sustainable and just development. These upheavals made most Arab governments take a number of measures atop of which is the clear increase in public expenditures, which constitutes almost 35% of the Gross Arab Domestic Product. It is expected that this percentage will grow by the end of this year.

The recent expansion in the Arab public expenditure targeted increasing subsidies of basic goods of foodstuffs and energy, raising salaries especially those of the low-income employees, increasing social aid and transfers of the unemployed, reducing taxes on some basic goods and backing some productive sectors, and the expansion in employment to reduce unemployment rates.

Awadh wondered whether these measures could make a noticeable development in regards economic reform or they would just be strives to mitigate popular unrest. He also wondered about the ability of Arab budgets to bear more expenditures especially as the budgets of many Arab countries showed conspicuous deficit during the recent past that reached an average of 4.8% of GDP in 2009 in non-oil countries. By adding the oil countries, the total deficit will come near to zero.

Awadh stressed that the main lessons to be learned from recent upheavals in Arab countries relate to governments' paying special attention to achieve comprehensive, sustainable and just development, providing support to poor families, protecting the middle class, fighting unemployment with all its types, and fighting administrative and economic corruption.

Some of the lessons to be learnt are that what we need at the level of economic reform is to have work plans that are clear and well contemplated that contribute to making sustainable development at the long run.

He also stressed the necessity to expand Arab economic cooperation out of the stage of inter-Arab trade into the stages of production, common investment, creating companies and mega projects inside Arab borders, with a focus on sectors that have double interest to Arab economies and investors at the same time, in addition to opting for industrialization at all levels as it has great consequences for the Arab trade balance.

Industrial imports, he explained, constitute the highest percentage of Arab imports that reach 61% of total imports. Available investment opportunities in the Arab World, he said, are various and promising and big all over Arab territories. The most important sectors available to investment are energy and water, information and communication technology, business services, transportation, real estate and tourism sectors.

He stressed that Arab countries have a strong and stable banking system that proved clear immunity in the face of the hardest international financial crisis, and made strong presence at the international arena: the

volume of Arab commercial banks assets exceeded \$2.2 trillion, and the volume of deposits at Arab banks reached \$1.3 trillion.

The pioneering role of the Arab banking sector in development is clear from the volume of loans and credit facilities which reached \$1.2 trillion, 74% of which is given to the Arab private sector.

Arab banks have been able to achieve a good solvency ratio by the rise in their capital to reach 11% of the total assets; however, he went on to say, safeguarding the stability and safety of the Arab banking sector is closely linked to the general economic situation of the economy of Arab countries, and the extent to which strives of economic reform succeed. Experience indicates that the Arab banking sector is directly affected by economic performance and that the process of economic reform contributes to boosting the financial and banking performance.

On his side, the secretary general of the Union of Chambers of GCC countries Abdel Raheem Hasan AL Naqi said the bad conditions of the Arab economy are due to the lack of scientific research centers in the Arab World as well as the absence of economic statistics in its countries.

He added that Arab countries do not spend money on scientific research and economic researches that can improve their situation, in addition to the lack of the very statistics on which the researcher can rely.

He stressed that the repercussions of the international financial crisis deeply affected Arab economies because of the lack of managements that can deal with economic crises.

He pointed out that economic reforms in Arab countries are not well contemplated but they are rather dictated by pressing situations and conditions, stressing the importance of security and stability in the development of Arab economy. He highlighted in this regard the experience of the Gulf Cooperation Council (GCC) as a successful experience because of the homogeneous nature of their societies in many substantial issues which led to economic integration.

He pointed out the growing role of the private sector in the Arab countries, calling Arab governments to assign some roles to the private sector such as the energy and other strategic sectors.

On the other hand, chairman of the board of directors of the Union of Banks in Egypt Tareq Amer said reforms taken by the Central Bank of Egypt in 2004 saved Egyptian banks from collapsing, after the substantial losses they suffered because of the erroneous lending policies they adopted and the unpractical or anti-banking measures they followed in credits.

He added that the central bank of Egypt initiated a reform of fiscal policy with the help of banking experts from outside the public sector in carrying out these policies. This led to a general improvement in the performance of banks, and limited the repercussions of the international financial crisis on Egyptian banks.

He told the conference that Egyptian banks recorded tangible profits last year, expecting that the banks will register profits in the future but not at the same level because of the current slowdown in Egyptian economy. Amer drew attention to the fact that reforms and growth in Egyptian economy which registered almost 7% did not touch the lives of ordinary Egyptians who suffered from inflation and numerous problems. The relatively high development rates that Egypt recorded in the last years did not prevent the revolution from breaking up in that country, he said.

Participants in the conference ended up to a number of recommendations that included the stimulation of the track of sustainable economic and social development; giving the public and private sectors a role in rectifying the economic and social reform programs to fight poverty, unemployment and social marginalization.

They also recommended that companies and institutions adhere to economic and financial standards that can enhance the level of disclosures and transparency, underscoring the necessity to unify the Arab legislations of investment, and adopting tax incentives, lifting obstacles facing the movement of joint Arab investments.

They also advised that job generating investment projects for qualified young Arabs be given high priority, that health and social care system be universal, that private sector institutions commit themselves to performing

the required social roles, and that private Arab investments be directed towards developing the different educational levels and rehabilitating human resources.

They called for the creation of a common financial Arab market and increasing the volume of inter-Arab trade balance as a first step to the creation of the common Arab economic market; as well as the creation of a common fund for energy between Arab countries.

They also called for urging investment banks to have a consultative and steering role for individual investors, and to make Arab industries diversified and upgraded, and transforming them from traditional industries to modern high tech industries. Islamic banks should also create new inventions, products and services, they recommended.

They underlined that the system of monitoring and supervision on Islamic banks should be developed, in addition to the independence of religious (shariah) entities from the boards of directors of Islamic banks. They also called for complying with the terms and conditions of corporate governance and transparency and reaching unified standards for the Islamic banking industry.

They stressed that Islamic banks should comply with the international standards in risk management, capital adequacy ratio, disclosure, transparency and the decisions of Basel III, as well as the directions of auditing and revision commission of Islamic financial institutions and the board of Islamic financial services.

They also urged cooperation between monetary fiscal authorities and banking units to come up with preemptive solutions to risks and disorders that might affect the banking unit and focus on conducting pressure tests and adopting the testing programs of deteriorating loans and assets to enable banks to dynamically make savings and consider the kind of loans portfolios and developing them, varying and diversifying membership in the boards of directors by bringing in young elements and experiences.

They also recommended the creation and development of Arab Risk Classification Institutions that embrace specified principles to create a council for Arab financial stability.

➤ **Banks and Donors Discuss the 1st Draft of SMEs Funding Program mechanisms**

Ministry of Planning and International Cooperation (MoPIC) and the Association of Banks in Jordan (ABJ) organized a workshop to discuss the first draft of the implementation mechanisms of the funding program of small and medium sized enterprises (SMEs).

Minister of Planning and International Cooperation Dr. Jaafar Hassan, ABJ's Chairman of the board of directors Marwan Awadh, ABJ's general director Dr. Adli Kandah, the CEO of the Jordanian Enterprise Development Corporation (JEDCO) Yaarob Qudah, and representatives of international donors and member banks attended the workshop.

Hassan said the workshop aims to discuss implementation mechanisms of the funding programs of SMEs and to identify the technical assistance instruments for banks to be able to expand their funding basis, as well as to enable ongoing as well as new projects to benefit from these funding opportunities.

He stressed that the ministry seeks to find a bridge between SMEs and banks, giving in this regard a briefing on the program's elements.

The mechanism of loans' guarantees, he said, is composed of 70% guarantee through the Overseas Private Investment Corporation (OPIC), and the rest is 50% guaranteed by the International Funding Corporation (IFC) to reach a total of loans guarantees that amount to 85% by the allocations of these guarantees with a value of \$300-350 million.

He said the guarantee mechanism can reduce the risk element that the bank bears which in turn reduces interest rates so that the revenue is proportionate with the risk.

He affirmed that the program includes the creation of a fund to support the funding of SMEs through grants that are used to cover the loans' guarantees and provide a reasonable grace period for some enterprises, and to support them by way of extending grants according to requirements with an initial value that amounts to \$70 million.

He said the grant can reduce the cost that the bank bears in lending and encourage the increase in grace periods to reach three years according to the SMEs needs, while the fund will provide financial services and the necessary technical assistance to rehabilitate the SMEs that desire to have funding. Thus, he said, the requisite technical and financial assistance is guaranteed for those enterprises, which will consequently boost their sustainability and continuity, especially the SMEs with creative ideas that take into consideration the reduction of energy consumption and developing technology.

Hassan clarified that the program includes providing soft loans by Arab and international development institutions so that funding is directly provided through banks or development and employment fund to SMEs at an interest rate that does not exceed 2% without the need to sovereign guarantees from governments, and by using the guarantees that the program offers with a value of \$50 million.

The program also includes technical assistance to support SMEs and banks part of the program from parties that include OPIC, CHF, the World Bank, the European Investment Bank, International Funding Corporation (IFC), European Union programs, and USAID programs. These programs were coordinated through JEDCO and MoPIC.

The ABJ's Chairman of board of directors Marwan Awadh said the government's initiative to create a fund for supporting SMEs in the kingdom is a move to support this vital sector and boost its contribution to comprehensive economic development.

Awadh stated that moves targeting SMEs sector witnessed essential transformation on the level of implementation that are characterized with seriousness and extremely urgency. We have wide responses from both the public and private sectors, which have constructive partnership, to support this sector.

He told participants that the ABJ signed a memorandum of understanding with JEDCO to cooperate in forming a consultative committee that offers funding consultations to SMEs and reaching mechanisms that facilitate the process of SMEs getting the necessary funding.

He said banks in Jordan recognize the importance of SMEs to the kingdom's economy and their share in development, employment and production. Therefore, he added, most banks provided an infrastructure to serve this sector .and provide it with diversified funding alternatives that include many banking products and solutions at terms and prices that are proportionate with their funding cost.

He also pointed out that the central bank announced initiatives relevant to SMEs.

He considered the creation of the SMEs Fund a great achievement which will have great impact on the SMEs ability to get the necessary funding to carry on their work and expand their activities and improve their production cycles.

Awadh was positive that the presence of such a fund will attract more funding to those enterprises and will be a big step in the right direction. He predicted that the move will be quick to implement and will have positive results as the banking sector, from one hand, is ready and willing to cooperate, and the government, from the other hand, has a strong tendency to make this initiative a success, as well as the many parties that support the move.

"We hope that this fund will embody the active partnership between our banking sector and the public sector's institutions that will be beneficial to all parties, especially the SMEs," Awadh said, also expressing hope that discussions will end up to drawing a clear framework of the fund's creation and its work mechanisms.

The primary workshop aimed at presenting the operation mechanism of the SMEs funding program, and the loans' funding conditions, as well as identifying targeted groups, and presenting a proposal to administer the operations to facilitate funding and the instruments and tools that support the implementation process in the different sectors.

It also aimed at increasing the impact on governments, attracting investments, expansion in providing job opportunities, finding a mechanism to offer credit facilities to these enterprises through tools that include loans guarantees, technical assistance and, sometimes, grants to empower those enterprises to get the liquidity available at local banks.

Targeted groups by this funding program include all SMEs in Jordan, companies and individual firms existing or being established, where their employees are up to 250 persons, in addition to individuals who want to establish an enterprise. Bigger incentives are to be given to enterprises with extensive labour that are found in governorates and regions with the highest percentages of unemployment.

Lending program will support these groups with soft loans and reduced interest rates in the range of 4-6%, without annual commission and with a grace period that may reach 3 years and total settlement periods of 10 years depending on the nature and needs of the enterprise, in addition to identifying the guarantees requirements of borrowers so that they range as a maximum from 15-30% of the loan's value.

According to the proposed mechanism, upper limits will be fixed from the fund's allocations to banks to be chosen according to principal standards the most important of which are: the interest rate offered, the volume of SMEs credit portfolio, their share of the total credit portfolio of the banks, and providing special departments to serve SMEs, in addition to the geographic distribution of the credit centers of the bank and its branches in governorates.

The tasks of the program will be the distribution of the Fund's allocations and the guarantees programs and technical assistance on participating banks, follow up of the banks' commitment as regards granting loans to targeted groups according to lending standards agreed upon in the program.

The program works on providing advice, financial services and technical assistance to companies in what concerns the preparation of credit studies and reports, economic feasibility studies, the necessary work plans and marketing plans and submitting them to participating banks, the financial management of the Fund's allocations to have the best return, preparation of economic and sector studies and researches that define the structure of the fund's loans.

The program also works to market the mandate of the Fund, receiving funding requests from SMEs via representation offices in the governorates.

As for parties and persons eligible for borrowing, the draft mechanism suggests defining these parties according to the fund's definition of the targeted groups and its lending standards that include the applicant of the funding request, so that the loan's amount range from 3.5 thousand JD to 1 million JD, provided that the amount of requested loan does not exceed 85% of the total cost of the project; that the employment rate for non-Jordanians does not surpass 20% in all categories; and that applicant for the loan of up to 70 thousand JD is of Jordanian nationality. In case the requested amount is 70 thousand JD and more, and the applicant or the existing company registered in the kingdom only for the purpose of establishing the project, the nationality of the company's owner will be overlooked.

The borrower should be either with a recognized academic certificate or with a proven professional experience; the age of shareholders or guarantors should not exceed 60 years; all requisite documents should be submitted by the applicant; and, the economic impact of the project should be demonstrated by stating how many new job opportunities it will create, and the highly added value it will achieve.

As regards financial requirements, the program will provide technical assistance to enterprises applying for funding and help them to provide the basic requirements for funding for enterprises that are being established; to identify the purpose for requesting the loan, and to attach the detailed financial plan and the economic and technical feasibility study that prove the enterprise's competence and that it will have a good investment return.

As for the existing enterprises, financial statements during the period of the project's operation, or for the last three years should be submitted, and that the technical and economic feasibility study should prove the project's competence and that the cash flow list shows that it makes good investment return, as well as providing work plans that indicate the implementation of the project. Another condition pertains to the financial lists indicating the rates of liquidity, profitability and competence to repay the guarantees of financial obligations.

Legal requirements include submitting all legal documents related to private information about the applicant and the company's registration; that the name of the applicant is not on the blacklist of companies; and that he does not have any link to legal claims.

The draft mechanism suggests extending loans to small and micro enterprises that range between 3.5 thousand and 70 thousand JD through the Development and Employment Fund and through a portfolio specialized in lending small businesses and individuals for establishing businesses and expanding the existing ones.

➤ **The ABJ holds meetings to follow up the issue of Jordanian Credit Bureau Company**

Since the issuance of Credit Information Law no. 15 for the year 2010, the association exerted substantial efforts to push for the creation of a credit bureau company in Jordan.

In this regard, the ABJ conducted a study during 2010 on the credit bureau and credit scoring: the experience of Egypt and Bahrain compared to the said Jordanian law.

The study was presented to the ABJ's Board of Directors' session held on 31 Oct. 2010. The board decided to distribute it to member banks to be informed and to get their feedback.

On 5 Dec. 2010 the ABJ sent letters to the banks to have their feedback on their initial willingness to take part in creating a Jordanian credit bureau. The association received positive answers from most banks to take part in the establishment of this company, stressing the demand that the credit information law becomes a permanent one and that the central bank issues detailed regulations and instructions to approve their contribution in the bureau to be.

As for the year of the report, 2011, and following up the ABJ's efforts to create the credit bureau, the following steps were taken:

❑ A meeting was held at the central bank on 24 March 2011 with Sharif Fares Sharaf, the CBJ governor to discuss the subject of creating a credit bureau company. As a consequence of this meeting and according to the directives of the governor, the ABJ's chairman of board of directors Marwan Awadh decided by letter no 252/16 dated 12 April 2011 to form a temporary steering committee under his presidency and the membership of:

- HE Nadia Said, General Director of Ittihad bank
- Mrs. Kholoud Saqqaf, deputy governor of the CBJ
- Mr. Kamal Bakri, General Director of Cairo Amman Bank
- Mr. Haitham Qamhieh, General Director of Capital Bank
- Dr. Adli Kandah, General Director of the Association of Banks in Jordan;

Provided that this issue be listed on the agenda of the board of directors to discuss and approve the committee membership. It was also decided that the first meeting of the committee be held on Sunday, 8 May 2011 at the ABJ's offices.

❑ The first meeting of the steering committee was held on Sunday, 8 May 2011 at the ABJ's offices. It ended with a recommendation to call parties relevant to the credit bureau issue for a consultative meeting for the purpose of creating a credit bureau company.

❑ On 29 May 2011, the ABJ addressed an invitation through an ad run in local dailies for all parties interested in the subject of creating a credit bureau company, namely, financial institutions, insurance companies, financial companies, lease funding companies and future sale companies, to attend a consultative meeting. It also called member banks to attend the said meeting for the purpose of creating a credit bureau.

❑ On 8 June 2011, a consultative meeting on the creation of a credit bureau in Jordan was held at the

offices of the association. During the meeting, names of those interested in contributing to the company to be were registered, without suffering any future obligations to the company. During the meeting, representative of the International Funding Corporation (IFC) Dr. Ahmad Ateeqa expressed the IFC interest in contributing to the bureau because there is a possibility that the IFC contributes to the capital of the credit bureau (subject for consideration), and to provide technical assistance during the stages of establishing the company, especially in what has to do with attracting a strategic partner. The IFC indicated many possibilities to attract the strategic partner, some of which are:

- Running an international tender to attract international companies experienced in the field of credit bureaus, so that the offers can be studied and the best of them taken based on the results of technical and financial studies of them.
- With the help of the IFC, choosing a strategic partner directly without running a tender.

As for the strategic partner, the ABJ suggested that the percentage of its contribution be studied in a consultative meeting that joins in all those interested, including the ABJ, the CBJ, member banks, and IFC as strategic experts.

The ABJ also proposed that the percentage of the strategic partner's contribution be linked with the role it is expected to play technically and in the management, although the ABJ expects this role to be substantial and big for the following reasons:

- The administrative and technical expertise that the strategic partner has because of the years of working in the field of credit bureaus in other countries.
 - Its potential to present suitable programs and solutions in the project of credit bureau company in Jordan.
 - Training local human resources and transferring the necessary skills and know how to develop them.
- On 8 June 2011, the Association of Banks in Jordan hosted a consultative meeting for banking experts and workers at the local financial market to study the creation of a credit bureau company stipulated in the temporary credit information law no 15 for the year 2010. Attendees stressed the need that the credit bureau also includes those of clients of financial brokerage companies. The ABJ's chairman of Board of directors Marwan Awadh who chaired the meeting said the objective of the meeting is to consult on the moves to establish a credit bureau company according to the law's stipulations. He added that the CBJ finished drafting of regulations and instructions to implement the law, which will be presented soon to the council of ministers to approve them and start the procedures to establish a company that is either of limited responsibility or a private shareholding company. This will decide the nature of the credit information that the company will deal with. Awadh suggested that the company's capital be 2 million JDs divided according to the shares set by the law, so that until 49% are allocated to credit providers, data suppliers, while the remaining percentage would be given to legal persons.

Awadh asked participants in the meeting who are willing in taking part in the credit bureau to be established to register their names without having any future obligations to the company.

The IFC representative in Jordan Dr. Ahmad Ateeqa said the objective for creating the bureau is to include banks, communications, insurance, lease funding, micro finance companies in information, and to force banks to inquire about the client and exchange information between the credit bureau and the bank. He stressed that the best way to attract international companies with experience in credit bureaus is to run an international tender by the CBJ. Awadh highlighted the main articles of the temporary credit information law and representatives of banks and financial companies expressed their remarks on them.

- On 6 July 2011, the head and members of the credit information committee met with the CBJ governor Sharif Fares Sharaf to follow up the issue of creating a credit bureau in Jordan, discuss the contributions and shares of banks and all parties of credit providers and information suppliers, in addition to the share of the strategic partner. The association submitted to the governor a study and an initial concept to establish such a company.

Pursuant to the powers and mandates granted to the central bank through the credit information law no. 15 for the year 2010 and the provisions of paragraph B of Article 5 therein, which stipulates that the company should be either of limited responsibility or a private shareholding company, provided that shareholding or stocks in the company be limited to banks and any other legal persons with the approval of the central bank, Paragraph C of the said article states that no change in the ownership of shares of stocks in the company may be effected unless with the prior approval of the central bank, the CBJ governor Sharif Sharaf gave the following proposals:

- A) All parties contribute to the capital of the credit bureau to be established, so that it includes all banks operating in Jordan, Loans Guaranty Corporation, communications and electricity companies operating in Jordan, the General Corporation of Social security, the IFC and the strategic partner. The ABJ, accordingly, contacted the communications and electricity companies, the social security fund and Loans Guaranty Corporation to have their feedback on this suggestion. All of them, with the exception of the social security fund, expressed their initial willingness to participate.
 - B) It was decided that the steering committee contact the IFC regional representative Dr. Ahmad Ateeqa to discuss the type of contribution and participation that the IFC envisages in the credit bureau's capital and the form of technical support that the corporation can extend to complete the procedures of establishing the bureau and attracting the strategic partner.
 - C) It was also decided that the committee contact a member of the ABJ's legal committee to study the subject of completing procedures of creating a credit bureau company, and considering all legal, administrative and financial requirements to do this.
 - D) Sharif Fares Sharaf told the committee that regulations relevant to the credit information law were adopted by the Legislation and Opinion Bureau as they were submitted by the central bank. He expected that the council of ministers will adopt them in the coming week.
- On 31 July 2011, it was decided to call members of the steering committee to convene on Tuesday 9 August 2011 and discuss the "road map" to complete the establishment of a private credit bureau company in Jordan.
 - On 9 August 2011, the second meeting of the steering committee was convened. The committee decided to call the International Funding Corporation (IFC) to attend the meeting of the steering committee. Dr. Ahmad Ateeqa was contacted to attend the meeting of the next day, 10 Aug. 2011. After a detailed and lengthy discussion, Dr. Ateeqa suggested to call an expert from the IFC to brief the committee on other countries' experiences in this regard. Attendees also discussed the IFC proposal to the central bank on drawing a road map for the establishment of the credit bureau.
 - On 16 Aug. 2011, the third meeting of the steering committee was convened in the presence of the IFC expert. He briefed the committee on experiences of other countries and the steps they took to establish a private credit bureau. At the end of the meeting, other scenarios were submitted as to the type of the company's ownership from banks and the strategic partner so that an agreement can be ultimately reached on shares after the attracting of the strategic partner.
 - On 4 Sep. 2011, a letter was sent from the CBJ Governor to the ABJ's chairman of the board of directors, in which he refers to the subject of establishing a steering committee to follow up the issue of creating a credit bureau company. Sharif Sharaf, the ex-CBJ governor said: "there is no need for the Central Bank of Jordan to be represented in this committee in light of the tasks entrusted with it according to your letter mentioned above. In this context, as we stress the importance of giving licenses to companies whose mandate is related to credit information, and our keenness on making all efforts to achieve this a success, we express our willingness to provide all types of support necessary for this as regards participating in seminars and presentations relevant to this issue and answering any inquiries thereon."

- ❑ On 19 Sep. 2011, the fourth meeting of the steering committee was convened, and, based on the IFC's study recommendations as an advisor to the committee; the recommendation of founding a "technical committee for implementation" was adopted. HE Nadia Saeed was named to head this committee and she was given full liberty to choose committee members to complete the establishment of the company. Ms. Saeed made some calls to form the committee whose members were the following:
 - HE Nadia saeed, general director of Al Ittihad Bank
 - Mr. Haitham Qamhie, general director of Capital Bank
 - Dr. Adli Kandah, ABJ's general director
 - Dr. Ahmad Ateeqa, Head of IFC office in Jordan
 - Mr. Khaled Hodhod, representative of Information and communications technology sector
 - Ms. Mona Sokhtian, representative of micro finance sector.
- ❑ On 9 Oct. 2011, the first meeting of the technical committee was held. Members were briefed on the draft RFI presented by the IFC. Members gave some remarks and amendments on the draft.
- ❑ On 19 Oct. 2011 the second meeting of the technical committee was convened to discuss five required amendments on the on the credit bureau's bylaws, and how important is each amendment. Also discussed was a proposal of discussing a temporary credit bureau company that can be merged in the future with the strategic partner. The committee refused this proposal made by the IFC and it was agreed that the steering committee remains currently the representative party of the establishment of a credit bureau company. The committee further discussed addressing the beneficiary parties and data suppliers with an official letter and signing a memorandum of understanding with them. All remarks on the RFI draft were discussed to present them to the steering committee the next day, 10 Oct. 2011. Finally, the committee discussed the need to ask for the help of a legal advisor to review the required amendments on the bylaws.
- ❑ On 20 Oct. 2011, the fifth meeting of the steering committee was convened in the presence of Dr. Ahmad Ateeqa and IFC experts. The following was adopted:
 1. Approval of the recommendations of the technical committee which held its meeting on 19 Oct. 2011. An agreement was reached to draft an official letter to be sent by the association of banks to beneficiary parties and data suppliers to express their desire to contribute to the company and provide it with the credit information relevant to their clients. This will be used to feed the credit data base and benefit from the other available credit information. It was also agreed to request the steering committee to nominate a legal advisor to look into the required amendments on the bylaws of the credit bureau company, especially in what relates to the Offshore Data Transfer, in addition to discussing all IFC remarks. It was agreed to send these remarks to the steering committee to take the necessary approvals to send them to companies, stressing that the association of banks sign an agreement with the IFC. All required amendments on the credit bureau's bylaws were also discussed to be presented to the steering committee.
 2. A memorandum of understanding was signed between the ABJ and IFC. Requests for Expression of Interest will be sent to a number of international companies in the field of credit bureau companies.
 3. Agreement on contacting a legal firm to inquire about the legality of the data off shoring: the Hub and Spoke approach, how legal it is to select this approach in establishing a credit bureau company.

➤ **The ABJ Participates in the Arab Banking Conference**

Director General of the Association of Banks in Jordan (ABJ) Dr. Adli Kandah presented a working paper to the Arab Banking Conference held in Rome on 23-24 June 2011 under the title of "the Future of Middle Eastern and North African Economies and Rome in World Economy."

Kandah pointed out the role of SMEs in the economy of the MENA region, which is considered the most important growth engines as it contributes to providing job opportunities and guarantees diversity in economic activities.

He added that SMEs sector enjoys hegemony on the MENA economy as it constitutes about 85% of companies in the region.

He went on to explain the composition of those SMEs: 50% of them employ less than 50 workers; they contribute in employing three fourths of the working labour; they have a substantial share in the GDP that amounts to 60%.

Dr. Kandah presented the credit situation of the SMEs in the MENA countries and the extent to which banks contribute to their funding, the banks' reasons for lending, obstacles that face enterprises when borrowing, and moveable and immovable guarantees. He also pointed out the lending risks to SMEs, the selection criteria adopted at targeting SMEs and the techniques of risk evaluation.

The economic figure also presented funding opportunities provided by the IFC, the investment branch of the World Bank. He indicated that the IFC works, in cooperation with 38 financial institutions in 14 MENA countries, to develop solutions to bridge the gap between funding of big institutions on the one hand, and funding of the SMEs on the other hand. He mentioned that in June 2010, the IFC committed a \$1 billion to fund SMEs in the region; \$140.7 million for 2010. The international corporation in 2009 funded the MENA countries with about 68 thousand loans that are still unsettled, with a total amount of \$8.4 billion.

Dr. Kandah highlighted the challenges facing the SMEs funding, the most important of which are the marginalization of these enterprises for the sake of big institutions in the MENA region; however, the intensity of marginalization differs from one country to another according to the banking system used, the handling of monetary liquidity, and the governmental standards that the banking monitoring systems use.

Those challenges, he said, led to the increase of banks' requirements as regards guarantees and the high percentage of loans' refusals. As for the situation in Jordan, he said SMEs play a vital role in making growth and sustainable development, especially as they constitute 95% of the components of the Jordanian economy, contribute by 40% of the GDP and employs 70% of the labour force in the Jordanian market.

Dr. Kandah went on to say that SMEs in the Jordanian market also face a number of challenges that include the access to funding resources; the lack of securities for repayment and financial guarantees, the matter that makes their funding a source of risk for funders, especially as small enterprises in particular do not enjoy the required transparency and do not disclose their data periodically.

To face these challenges, he said, the central bank of Jordan adopted a number of measures to facilitate the funding of these enterprises to empower them to play their supposed role in achieving development goals and increase their contribution to the Gross Domestic Product, especially as they have high efficiency in investing the capital they have.

The CBJ also encouraged the lending of SMEs by issuing a decision to consider the outstanding balances of direct credit facilities given in Jordanian dinar for the purposes of funding SMEs exempt from the compulsory fiscal reserves by 100%.

➤ **Iftar Banquet for Bankers**

The Association of Banks in Jordan hosted an Iftar banquet on the honour of the CBJ governor in the presence of chairmen of boards of directors, the general directors, and the CEOs of member banks.

CBJ governor Sharif Fares Sharaf said there are positive developments in the banking business that can be

summarized in the fact that banks in cooperation with the central bank were able to create a credit bureau company that will start to work by the end of this year or the beginning of 2012 on the utmost and the attraction of a strategic partner to contribute to the company.

The governor revealed that the central bank is developing nowadays a mechanism to pay through mobile phones, so that this service can be provided by all banks and by companies of cellular communications services without the monopoly of any one party.

Sharif Sharaf said that social economy requires all to take a part in increasing productivity, investing in resources, building on achievements already made. He added that part of solution of the unemployment problem is for the government to create the suitable environment for the private sector as it is the one capable of creating productive job opportunities that can contribute in an efficient and comprehensive way in the economic growth.

Sharaf pointed out to disorders in the oil subsidization policy, which are that 40% only of the least income persons in Jordan get only less than a fourth of the total subsidy of oil products.

On his part, the ABJ chairman of board of directors Marwan Awadh said that the ABJ took the initiative with concerned parties to create the credit bureau company in Jordan in cooperation with the central bank and the International Funding Corporation, and that it reached a clear vision as to the establishment procedures, shares division between parties desiring to join the company, and the search for a strategic partner of the company.

He stressed the banks' keenness on complying by the instructions of the CBJ and having full cooperation with it to serve and enhance the strength of the banking system.

As regards the working plan it set for three years, Awadh said the ABJ is fully committed to carry out the plan and constantly review its progress through the board of directors. It is also committed, he insisted, to its essential role of coordinating between member banks, defending their interests and boosting their relations with the different authorities.

As for the relationship with the central bank, Awadh stressed that the ABJ fulfills its role as the honest and efficient linking point between the central bank on the one hand and the other banks on the other.

The chairman presented guests with what the ABJ did concerning the credit bureau. He said the association had the leading role in this endeavour; it composed a steering committee representing all parties to follow up the subject of establishing the company; it hosted a number of relevant parties, including data suppliers and credit providers, and had been able to reach a clear vision on the establishment procedures, shares division between parties interested in contribution and in the subject of attracting a strategic partner. This was done with the help of the central bank and the International Funding Corporation.

He described the relationship between the central bank and licensed banks as the "best example on productive and constructive cooperation for the sake of higher national interest." He said that flexibility and responsiveness that characterized banks' reaction to the central banks' requests, and the appreciated positive responsiveness of the central bank towards the requests of banks were fruitful and led to a stronger banking sector in Jordan.

He expressed hope that the range of cooperation and dialogue between the CBJ, banks operating in Jordan, and the ABJ would be expanded, stressing the banks' keenness on complying with the CBJ instructions. He added that "our great ambitions push us forward to achieve more progress, development and growth, and this, he said, requires will and determination to achieve success.

➤ **The Third Meeting of the Initiative to Create SMEs Fund**

The ABJ organized in cooperation with the Jordanian Enterprises Development Corporation (JEDCO) the third meeting of the initiative to found a fund to support SMEs in Jordan with the participation of many banks' managements and employees and the presence of the deputy CBJ governor and representatives of OPIC and international CHF.

The ABJ's Chairman of board of directors Marwan Awadh thanked the Jordanian government, and the central bank for their continued support of the ABJ and the banking sector as a whole.

He also expressed thanks to the CHF international and Overseas Private Investment Corporation (OPIC) for the initiative that will enhance economic development in Jordan, create more job opportunities and encourage creativity and innovation.

Awadh said the initiative to create the SMEs fund in Jordan constitutes a big added value to guarantee the SMEs loans, as it will cover 60-70% of the required guarantees to lend those enterprises. He added that the coverage will reach 80% of guarantees for enterprises outside the capital of Amman.

"These guarantees will reduce risks that the banks bear and will consequently reduce the interest rates on the SMEs loans," he said, adding that this program along with the establishment of credit bureau company and a registry will help enhance the volume of credits given to SMEs.

On his part, CEO of JEDCO Yaarob Qudah said getting a funding is one of the most challenging problems facing SMEs sector in Jordan, indicating that this issue is not the sole responsibility of banks but a whole spectrum of legislations and incentives that were not at the level required to develop this sector.

Qudah said the present program plays a part in providing the necessary funding for SMEs in Jordan, pointing out that it has three main pillars: providing technical support to SMEs before getting the loan and after that which guarantees the continuity and sustainability of the enterprise; providing financial grants to creative and innovative enterprises; and, finally, providing guarantees that are appropriate to SMEs.

Qudah stated that OPIC offered a package of guarantees which amounts to \$250 million to cover 65% of the loan value, adding that they work with the Ministry of Planning to raise the guarantee percentage to 80% for enterprises outside the capital.

Representative of CHF International in Jordan Aaron Show gave a presentation that explained that the program revolves around three main objectives: developing the private sector in Jordan; job creation; and, supporting banks to extend the right funding for SMEs.

Show said the guarantees program includes the allocation of \$250 million to guarantee the loans to SMEs, explaining standards adopted to classify enterprises to small or medium sized: the number of employees should be less than 300, and the total assets or revenues should not exceed \$15 million. Those two conditions make the enterprise eligible for the program's guarantee.

As regards the mechanisms to guarantee loans, Show said the program guarantees 65-70% of the loan's value; that the amount of the loan should range between \$25-750 thousand; and that the loan's term would be about five years.

Enterprises eligible for those guarantees should be, according to Show, privately owned. Loans should be directed to finance the purchase of equipment or to expand. The program will not cover loans for project that negatively affect the environment, Show insisted, adding that neither will it cover refinancing loans or the overdrafts facilities, revolving or renewable documentary credits to finance performing capital or loans purchased from other financial institutions.

In case of the client's failure to repay, the process requires 180-360 days of the client's default. During the first 180 days, the bank will take a number of moves to collect its money from the client, and after the end of this period, the bank is reimbursed with the remaining amount of the loan in addition to due interest for six months.

In an intervention on the subject of debt classification, Awadh said the CBJ's instructions classify the debts into non-performing after 90 days of the client's default; so the 180 days is a rather very long period and does not adhere to the CBJ instructions; so this should be reconsidered.

On the other hand, he stressed the importance of accepting loans to fund performing capital because of their importance to SMEs, as well as taking exchange rate risks into consideration, as the loan is extended in Jordanian dinar while the guarantee is in the US dollar.

Member banks delivered many notes on the bases and mechanisms included in the program, drawing attention to the necessity to take Islamic banks into consideration because of their special nature.

By the end of the meeting, Awadh summarized the banks' remarks on the initiative in the following points:

1. The term to approve the loan should be short and not exceed 7 days, as is enforced in Jordan.
2. The CBJ demands the debt to be classified as non-performing 90 days after default, which is shorter than the period fixed in the program, i.e. 180 days.
3. The banks' withdrawal of the guarantees' amount should be unconditional and be done within 10 days at the most along with due interest.
4. Exchange rate risks should be taken into consideration.
5. A demand to reconsider the type of loans to be covered by the program to include loans on performing capital.
6. The program should take the nature and approaches of Islamic banks into consideration.

➤ **ABJ Meeting with PSUT**

The ABJ discussed in a meeting with the Princess Sumaya University for Technology (PSUT) on 10 Oct. 2011 fields of cooperation between the two sides, especially those related to teaching courses that meet the needs of banks operating in the kingdom.

The meeting was attended by the ABJ's general director Dr. Adli Kandah, the PSUT President Dr. Issa Batarseh, Dr. Jalal Otoum and Dr. Arafat Awajan.

Dr. Kandah stressed there is a possibility to cooperate with the university in many fields to serve the banking system and the university as well, while Dr. Batarseh stated that the PSUT plans to teach a masters degree in Information and Monitoring Systems as there are growing numbers of electronic crimes.

"There should be efficient people with an experience that can face such crimes," Dr. Batarseh said.

An agreement was reached with the ABJ's general director to organize a meeting between PSUT representatives and concerned parties in banks to present the masters program to them.

Dr. Kandah proposed the possibility to sign a memorandum of understanding with PSUT that covers two main elements: training university students who finished no less than 99 credit hours in banks, and, second, the bank employees can benefit from the masters programs that PSUT runs.

PSUT President welcomed the idea that would increase cooperation between the banking sector and the university. An agreement was reached to draw a draft memorandum of understanding.

The meeting touched on the possibility of providing teachers from banks to teach some courses and make use of their technical and practical experience. Dr. Kandah said a number of bank employees have PhDs and there is a possibility of cooperation with them.

In response to a question on the banks' contribution or support to education in Jordan, the general director said banks play a role in this field through the Al Hussein Creativity Fund whose capital reaches 10 million JD, as well as through programs of corporate responsibility that banks implement in common or individually, that demonstrate their interest in social issues.

He pointed out that banks provided support in the recent years to education that reached 1.25 million JD.

➤ **A Meeting between the Banks' Representatives and MoTA, JTB**

The Association of Banks in Jordan held on Oct. 24, 2011 a meeting with the Minister of Tourism and Antiquities Nayef el Fayez and a number of representatives of Jordan Tourism Board (JTB) and the ministry in the presence of a number of representatives of member banks. The meeting aimed at having a briefing from the minister on moves taken by the JTB to help promote the event of nominating the Dead Sea to win the vote as one of the Seven Natural Wonders of the world.

The ABJ's general director Dr. Adli Kandah welcomed those present and hailed the role played by the JTB in promoting Jordan as a touristic site, which helps Jordanian economy as a whole.

Dr. Kandah said banks offer the biggest percentage of their profits to develop economic sectors in Jordan, stemming from the sense of corporate responsibility towards society.

The general director stressed that voting for the Dead Sea to become one of the seven natural wonders in the world is very important because it positively affects tourism that creates job opportunities and attracts new investments and new projects. This, ultimately, will benefit banks, he said.

Minister Al Fayez praised the role played by the banking sector in supporting and developing Jordanian economy through corporate responsibility.

He added that banking sector is one of the most important sectors that have interest in Jordan's tourism.

The minister gave a description of the characteristics of the Dead Sea, the lowest point on earth. He said it has a number of natural characteristics and the nominating of it to the list of the seven wonders will have a big impact on tourism to Jordan and the number of tourists.

This, he added, will lead to a growth in Jordan's economy as there will be more foreign currency reserves, more job opportunities and attracting of touristic investments.

He indicated in this regard the benefits that Jordanian economy enjoyed after the nomination of Petra as one of the Seven Wonders of the World.

The minister urged all sectors and the banking sector in particular, to back this event and the national campaign whose success will benefit the Jordanian economy as a whole.

➤ **The ABJ meets its Spanish counterpart**

The association of banks in Jordan met the Association of Banks in Spain on 6 Oct. 2011. The ABJ chairman of board of directors Marwan Awadh said Spain and Jordan enjoy strong bilateral relations that go back to 1956, when a bilateral cultural agreement was signed which developed later to scientific, cultural and technological cooperation agreement that constitutes a framework for the bilateral cooperation.

Awadh indicated that Jordan signed the agreement to join the Euro-Mediterranean Free Trade Agreement that set a comprehensive framework for cooperation in the political, economic, trade, investment arenas in addition to the cultural, social and financial cooperation.

Awadh added that this agreement is part of the Barcelona process launched in 1995 to establish a region that enjoys peaceful economic prosperity in the Middle East.

He said this agreement made it possible for Jordanian exports to enter the European Union's markets within standards that led to the development of Jordanian industrial, agricultural and service products to meet the European standards. It also widely opened the door for European products into Jordan.

As regards Spanish-Jordanian relations, Awadh said the two countries signed an agreement that went into force in the year 2000 to promote and protect investments to enhance the bilateral economic cooperation and establish joint investments.

The chairman pointed out to the developmental cooperation between the two countries which helps to develop the institutional structure in Jordan and enhance scientific, educational and technical cooperation through the Spanish Agency for International Cooperation and Development which opened an office in Amman in 2008.

Awadh said the purpose of the visit to Spain is to discuss ways of establishing cooperation between the associations of banks and the banking systems in both countries. He gave a presentation on the activities of the ABJ and its role in serving banks operating in the kingdom and the banking sector in general.

In a meeting with the President of the Association of Banks in Spain Miguel Martine attended by the ABJ's general director Dr. Adli Kandah and a number of financial and banking experts from both sides, Awadh briefed the Spanish side on the economic situation in Jordan and the developments that the kingdom witnessed in

the past years as an example of an emerging economy that suffers the limited industrial base and the scarcity in natural resources.

He said Jordanian economy had contradictory trends and regressed because of the consequences of the international financial and economic crisis and its repercussions. Despite that, he went on to say, the GDP in the fixed market prices went up from \$13.9 billion in 2009 to \$14.2 billion in 2010. But as result of this, the pace of growth slowed down in 2010 and remained around 2.3%, a decrease from 5.5% in 2009, noting that the slowdown in growth came after the economic growth registered an average of 8% in the period of 2004-2008.

On the level of sectors, all economic sectors registered positive economic growth in 2010, with the exception of the sector of constructions, trade, restaurants and hotels, while the sectors of financial services, insurance, real estate, business services and the industrial sector retained the same level of growth and contributed to making growth in general.

As for the growth expectations, he said they are still positive as the International Monetary Fund expected the Jordanian economy to grow by 2.5% in 2011 and 2.9% in 2012. In contrast, inflation reached 4.2% by the end of July 2011 in comparison with a negative growth of 1% in 2009 that was caused by the hikes in foodstuff and oil prices and the consequent hikes in electricity and transportation prices.

He mentioned another challenge faced by Jordan after the international economic and financial crisis, which is the increase in the unemployment rate to 12.5% at the end of 2010.

As regards the general budget, Awadh pointed out to the increase in the external debt, the increase in expenditures in contrast to the slowdown in the revenues' growth, which led to an increase in the public budget deficit as a percentage from the GDP, and in absolute value which reached 1.5 billion JD in 2010 and about 1.1 billion JD in 2011.

As for the external sector, the overall exports went up by 10.2% in 2010, to reach \$7.1 billion, while the imports went up by 8.2% to reach \$15.5 billion. Because the imports' value was bigger than the exports', the deficit in the trade balance went up by 6.5% and reached about \$8.4 billion by the end of 2010.

However, he added, the Jordanian economy overcame the limited resources and market by signing a number of regional and international agreements such as the Pan Arab Free trade Agreement, the Euro-Mediterranean Association Agreement, the Free Trade Agreement with the U.S.A, and Singapore. It acceded to the World trade Organization. In the field of Trade exchange between Spain and Jordan, exports registered an increase by 12.2% in 2010 to reach \$25 million, and approximately \$18.6 million in the first half of the current year, while the Jordanian imports from Spain reached \$120 million in 2010 and \$77 million in the first half of 2011. Despite the disparities in the performance of Jordanian economy, he said, the banking sector maintained its strength and stability and achieved tangible developments. The banks' assets grew in the past five years by 11% and reached \$52.3 billion by the end of July 2011. Credit facilities also went up by 13.5% in the past five years to reach \$22.1 billion, while deposits grew by 11.4% to reach \$33.5 billion.

➤ **EIB Delegation Visit the Association of Banks**

Representatives of the European Investment Bank (EIB) Catherine Barbarez, head of EIB's Loans Department and Javier Gotarez, the head of section, paid a visit to the Association of Banks in Jordan to shed light on the bank's programs to fund SMEs.

The EIB representatives held a meeting with the ABJ's director general Dr. Adli Kandah to introduce him to the main points that will be focused on in giving support which includes loans for SMEs, technical aid in terms of training banks on how to develop new products and services, and develop the products and services they already have, and their training on how to grant loans and required guarantees.

➤ **ABJ General Director talks to Ro'ya on SMEs Funding program**

The ABJ's general director Dr. Adli Kandah said the program of SMEs funding launched by the government and implemented by Jordan Enterprise Development Corporation (JEDCO) will help overcome the main obstacles that face the small and medium sized enterprises and hinder their getting the necessary funding from banks or lending institutions.

Dr. Kandah, who was talking along with the CEO of JEDCO Ya'rob Qudah to the talk show "Nabdh el balad" aired by the Jordanian satellite channel Ro'ya, added that just having technical assistance provided by JEDCO to the enterprises to help them meet the banks' requirements to get loans through economic feasibility studies and preparing accurate financial statements is a great help to companies that do not have organized registers and guarantees to get loans.

This is a chance for those enterprises that are a big factor in making economic growth; they employ about two thirds of the labour force, he said. The program, known as the Jordan loan guaranty facility, is about the Overseas Private Investment Corporation (OPIC) providing guarantees that range between 60-75% of the loan value according to the size of the enterprise. An enterprise outside Amman is guaranteed by 75%.

He stressed that the program will help SMEs overcome obstacles that hinder them from getting the appropriate funding.

Defending the banks' position in the face of an accusation that they refrain from funding SMEs, Dr. Kandah stressed that despite the slowdown in growth, facilities extended by banks grew by almost 7% since the beginning of the year. This refutes the accusation about banks refraining from funding; rather, he added, they are keen on extending funding to economically feasible projects that can work and repay their settlements to banks that themselves work with the deposits of people, whether they are shareholders or depositors. Banks' deposits reached 36 billion JD, 23 billion JD of which is deposits for individuals. Therefore, banks are the keepers of those deposits and should be careful not to extend any loans without scrutiny, especially in the circumstances of crisis and economic stagnation, where the percentage in defaults grows.

In Jordan, he added, the percentage of default grew up from 4% before the financial crisis to about 9%. "This is dangerous," he said, pointing out that the red line is 10%.

He expressed hope that the program will help overcome obstacles facing SMEs and banks alike.

The program targets Jordanians who want to start a productive project that creates real job opportunities to Jordanians, whether they are existing companies or companies that want to start a new project. Priority is to be given to projects in the governorates to distribute the revenues of development and increase the governorates' share in increasing job opportunities.

Dr. Kandah said one of the positive points of this program is the high level of coordination between the government and the private sector, especially the banking sector through the Ministry of Planning and International Cooperation, the Ministry of Industry and Trade, JEDCO, the Association of Banks in Jordan, the Central bank of Jordan and banks. Meetings are continuous. The interest rate was studied but no decision was reached thereon. There is a tendency to take an indicator subject to change, which ranges almost between 6 -8%, but what decides the indicator is the interest rate on the treasury bonds for 3 years, to which is added 0.750% , in addition to a commission rate to be covered.

This indicator is not final, and in case there is no issuance of bonds for long periods, another mechanism is adopted that might be the prime lending rate deducted from it a certain margin or the JODIBOR indicator for the inter-bank lending interest rate in Jordan. This indicator, that the ABJ prepares and runs on its website as well as the CBJ's site and some international financial institutions, is relatively recent. The indicator might give an idea about the levels of interest rates in the market.

As regards feasibility studies for the project, Dr. Kandah said every bank will do its job to carry out its credit policy. This is done by having a feasibility study for the project.

“What is new in this program,” he said, is that JEDCO will help companies requesting funding to prepare feasibility studies, financial statements and the cash flows of the project. However, he added, the banks will do their job of scrutinizing requests.

In response to a question on the lending risks in the program, he said that the risks in this program are less than those in ordinary lending, as the program has a guaranty mechanism. Nevertheless, an agreement should be reached as to the mechanism of recovering the guaranty amount in case of default. Risks exist in the stumbling of the project; this is the responsibility of the owner of the idea as well as JEDCO. I think the challenge in front of JEDCO is always to have a demand on projects by the private sector. We need to support existing projects that need expansion or new projects through business incubators.

“There is a need to study the demand on lending,” he said, adding that there is liquidity and banks welcome borrowing requests because they are a source of profit.

He reiterated that “we need studies and surveys to look for feasible projects; they need to be studied thoroughly; the economic feasibility should be proved, otherwise it will not be given funding.” In case the project stumbles, the program guarantees the bank is reimbursed through OPIC by 60% in Amman and 75% in the governorates; the rest is recovered from the liquidation of guarantees the bank took from the project’s owner.

Dr. Kandah expressed optimism that the program will be a success. He said “the ball is now with the private sector. They are the owners of projects and ideas. The ball is with industrial schools which graduate qualified people, and with the universities which graduate people with ideas that can be transformed into implementable projects, and banks are ready to cooperate and there is a very positive dialogue in this respect and I am optimistic about the success of the program if there is a demand by the private sector.”

➤ **The ABJ takes part in the Arab Banking Conference: the \future of the Arab World in Light of Current Changes**

The ABJ took part in the annual Arab Banking Conference for 2011 that was organized by the Union of Arab Banks in Beirut on 24-25 Nov. 2011 under the title of “the Future of the Arab World in Light of the Current Changes.”

The ABJ also participated in the activities that took place on the sidelines of the conference, which was inaugurated by the Lebanese Prime Minister Najeeb Meeqati.

Head of the International Union of Arab bankers, head of the Association of Banks in Lebanon Dr. Joseph Tarabeih, in addition to the chairman of board of directors of the Union of Arab Banks Adnan Youssef and the ABJ’s chairman of board of directors Marwan Awadh took part in the conference.

The two-day conference discussed issues dealing with the change trends in the Arab World; the role of banks in coping with the change; the reality and challenges in the banking sector; lessons to be learnt; and the future vision of the financial organizational map. Participants also discussed the crisis of sovereign debts; the consequences of international debts on Arab economies; and mechanisms and opportunities to redirect Arab and foreign investments to the region.

In the session that discussed the crisis of sovereign debts, presided over by the secretary general of the Union of Arab Securities Commissions Salah Salem el Halyan, the ABJ general director Dr. Adli Kandah said the crisis of European sovereign debts began in 2008 in a number of European countries that include Greece, Ireland, Italy, Spain and Portugal. A number of problems stemmed from this crisis such as the collapse of some financial institutions, the accumulation of governmental debts that surpassed the percentages decided by the European Union which is 60% of the GDP, in addition to the acceleration in the increase in interest margin on bonds and government securities.

Dr. Kandah stressed that the crisis that started in Europe from Iceland, generated a confidence crisis in the economies and business of the Euro Zone countries. Despite the acceleration of volume of sovereign debts

in a number of countries, it affected the remaining countries of the Euro Zone.

He said that fears that the infection might move outside the Euro zone to become an international problem are what pushed the G20 to pressure the Euro Zone countries to hurry in finding solutions to the crisis of sovereign debts.

Dr. Kandah referred the roots of the sovereign debts crisis to 2008 when European countries started to expand in borrowing, especially from banks and foreign countries, by way of selling their government bonds. He said that the look of international financial markets to European countries in regards the crisis was individualistic, like Greece. This is certain to increase the concerns of sovereign debts in a number of countries that were forced to adopt plans to protect their banking sectors affected by the international economic and financial crisis that hit the world in the autumn of 2008, especially banks whose financial statements include toxic assets.

As regards the crisis impact on European economies, Dr. Kandah explained that their impact was in the form of an increase in the deficit of budgets of countries, in which the crisis happened, by about 2% of the GDP than that targeted by those countries. This is a big indicator that the crisis is becoming severer.

He pointed out that numerous researchers believe that the real problem of the sovereign debts crisis is due to the presence of a real problem in the European banking systems which transferred banks from a broker between depositors and borrowers, into investors in financial derivatives and toxic assets and speculation in international financial markets.

Dr. Kandah reached a conclusion in the paper he presented: the problem lies in funding and not in the sovereign debts. To understand the European problem we have to go farther than governmental plans of salvation, to go and look for the reasons of the real problem, namely, the vulnerability of banking systems in some European countries.

Although the debts in European countries are not high as a percentage of GDP of the Euro Zone countries (84.6%) in 2010, and less than in some industrialized countries like the U.S.A. (90%), he said, it still constitutes a big challenge to the European Union countries because they do not have the choice to devalue the currency since they do not use national currencies.

As for the volume of sovereign debts and the level of vulnerability that the countries and banking systems have towards them, Dr. Kandah said data of the Bank of International Settlements indicate that infection risks are still there and are still serious, although limited to the European banking sector and did not spread internationally. The European banking system owns 89% of the sovereign debts of Greece, Portugal, Iceland and Italy, with a total amount that reached \$4.1 trillion at the end of the second quarter of 2010. He said there are different plans that have been adopted by European countries and international organizations that were until now successful in making Greece evade the risks of default to repay debts. However, they did not put Greece on a track for clear improvement or containing the crisis.

The conference came out with a number of recommendations. They called Arab banks for launching back their developmental, investment and expansion programs and employ their big capabilities in pushing the wheel of development forward in the Arab countries that face grave challenges.

They called for the establishment of Arab banking trusts and finding stronger mechanism of cooperation to evade or get prepared for any crises or future developments stemming from the sovereign debts crisis and its consequences on the Arab banking sector.

They also advised to stimulate the communication mechanisms of the Arab banking sector with the international entities and legislative and organizational organizations to contribute to drafting the new international banking rules and organizational standards to address the structural problems in the developed economies.

The conference also advised Arab banking sectors to seize existing opportunities to draw a new role for them to enable them to attract Arab financial resources, manage them and steer them towards employment

in the real economic sectors by way of building strategic partnerships between banks, and to found mega financial consortiums that facilitate across Arab borders investments.

➤ **ABJ's General Director a member of the Consultative Group for the Board of Directors of International IDEA**

The ABJ's General Director Dr. Adli Kandah was appointed a member of the Consultative Group for the Board of Directors of International IDEA, located in Stockholm, Sweden. The said foundation is an international institution specialized in the field of democracy and elections.

➤ **ABJ's Director General takes part in the Forum for Democracy in 2011**

The ABJ's Director General Dr. Adli Kandah took part in the Forum for Democracy in 2011, held in Madrid, Spain under the title of Sustaining the Momentum of Democratic Transfer in the Arab World, during the period from 28-29 Nov. 2011.

The forum brought together a number of decision takers, politicians, academics, representatives of civil society organizations and the private sector from different parts of the world to discuss challenges facing the building of a democratic culture at the time of Arab spring, and the extent of its achievement of expectations related to the increase in the rates of development, justice, transparency and popular participation.

Dr. Kandah's participation was due to the ABJ's membership in the National Dialogue Committee which the council of ministers decided to form in March 2011.

➤ **ABJ's Chairman of Board of Directors a Member of the International Union of Arab Bankers**

The board of directors of the International Union of Arab bankers appointed the ABJ's chairman of board of directors and the CEO of Jordan Ahli Bank Marwan Awadh a member of the board in his personal capacity. The Union was established in 2006 to include as members leaders of Arab economic, financial and banking sectors and established businessmen and experts in their fields. The Union, the sister establishment of the Union of Arab Banks is the meeting point between entrepreneurs to create business networks and exchange experiences since it gathers a group of Arab businessmen and bankers.

The Union, whose headquarters are located in Beirut, is headed by Dr. Joseph Tarabeih, head of the Association of Banks in Lebanon and the president of the Lebanese Bank of Credits.

➤ **The ABJ participates in the 2nd Conference of the City of Amman**

The ABJ participated in the Second Conference of the City of Amman that was held under the title of Sustainability, Participation and Urban Governance during the period of 4-8 Dec. 2011.

The ABJ presented a working paper on the Corporate Responsibility of Banks in a workshop called for by the New Jordan Studies Center. The paper was presented by the Director of the Studies Department Fadi Mashharawi on behalf of the general director Dr. Adli Kandah.

The paper reviewed efforts exerted by banks to support local communities in which they work in the framework of corporate social responsibility. The Association of Banks and member banks look with utmost care at assuming the corporate responsibility; this is evidence by the organization of an annual conference to shed light on efforts done by banks to serve the community and upgrade the concept of social responsibility to an institutionalized level, and implementing it in cooperation with local institutions and beneficiaries.

➤ **The ABJ holds a meeting between member banks and Jordanian Exchange Society**

The ABJ held on 18 Dec. 2011 a meeting to discuss problems that face cooperation between banks and exchange offices in Jordan.

The meeting was headed by the ABJ chairman of board of directors Marwan Awadh, in the presence of the head of Jordanian exchange offices society Alaa Diraneyyeh, the ABJ's general director Dr. Adli Kandah, director of the monitoring department at the CBJ Ziyad Ghanma and Sulaiman Hawwari from the central bank.

The meeting was also attended by representatives of compliance departments in member banks, financial institutions and correspondence banks, in addition to representatives of exchange offices operating in Jordan. The ABJ chairman of board of directors Marwan Awadh pointed out to a number of pressures that the banks are subject to which forced them to adopt a number of measures and precautionary steps in their financial transactions, especially with exchange offices.

Exchange offices aired a number of remarks concerning their relationship with banks, such as the closure of exchange companies' accounts that deal with some Syrian parties without having instructions by the CBJ in this respect. They pointed out that this measure even included accounts in Jordanian dinar and accounts in foreign currencies alike without mentioning the real reasons behind closing the accounts of exchange companies at the banks.

The remarks also included the necessity to activate the compliance committee in the association of banks in cooperation with the central bank to evaluate the compliance of exchange offices. Exchange offices expressed concern over the continuity of their relationship with banks operating in Jordan and their ability to open accounts in banks during the coming period. They also drew attention to the banks' refrain from accepting traveler checks submitted by exchange offices.

Exchange offices stressed that banks demand from them a profile, and what is required is to have a clear definition to this concept, and describing conditions that should be met so that exchange offices can work to meet them.

After listening to the points of view of the money changers, Awadh said that despite competitiveness between banks operating in Jordan, most of them adopted a similar stand towards procedures concerning exchange offices' accounts.

The chairman posed a question: as long as transfers from and into Jordan are subject to regulations and instructions in force and complied with, what is the problem with having an account for the exchange office into which money is transferred from outside? And as long as cash transfers are within permitted instructions and within the limits of cash withdrawals, what hinders allowing exchange offices to open accounts at banks in what complies with international and local instructions?

In an intervention by Dr. Kandah, he said the formation of a compliance committee to oversee the work of exchange offices is not within the mandate of the ABJ. Awadh reaffirmed this and asked the representatives of banks a question: the reasons behind not opening accounts for exchange offices in Jordanian dinar? The bank representatives stressed that their transactions are subject to the CBJ's instructions as well as the instructions of their managements. They said the most important problems they face with exchange offices deal with the lack of a clear profile for those companies and their not providing the sufficient documents and data about their clients.

As for traveler checks, banks' representatives said their institutions have reservations to accept them locally because correspondent banks refuse to accept them in cases related to not accepting checks with serial numbers that are in consequence; or if they are in consequence in amounts or date. Correspondent banks refuse endorsed checks.

The meeting ended with approving that there is nothing to prevent the opening of accounts in Jordanian dinar

for exchange offices, provided that they conform to the CBJ instructions. They recommended the central bank to change the term of “intermediary bank in instructions related to transfers to become “Jordanian intermediary financial institutions that are subject to the terms and instructions of the central bank, because this enables exchange offices to be dealt with as an intermediary.

They said there is nothing in the central bank’s instructions or the foreign currency monitoring instructions that prevents opening accounts in foreign currencies for Jordanian clients and companies. However, there are conditions that should be met, including knowing all parties of the transfer.

They stressed that transit transfers are not acceptable for banks. They recommended the creation of a joint committee from banks and the central bank, or through the compliance committee at the ABJ to set procedures taken in dealing with these companies in both dinar and dollar.

They charged the ABJ general director to follow up the work of the committee, provided that it defines the meaning of profile and the other concepts required from exchange offices, stressing that the committee should comply with the CBJ instructions when drafting the detailed procedure.

➤ **ABJ’s General Assembly Meeting on March 13, 2011**

The ordinary general assembly of the Association of Banks on Jordan held on March 13, 2011 a meeting in which it endorsed the closing accounts and the estimated budget of 2011.

The general assembly approved the exemption of member banks of 50% of the annual subscription fee adopted by the ABJ.

ABJ’s chairman of board of directors Marwan Awadh said data show that Jordanian economy had been able to surpass the repercussions of the international economic and financial crisis in 2010, although the improvement was slight and within its levels of the year 2009.

He stressed that the local banking sector maintained its stability and strength and was able to record tangible developments that were reflected in the increase in the balance of assets for licensed banks to 35 billion JD, the increase in the balance of credit facilities extended by banks to 14.45 billion JD, and the increase in total deposits to about 22.5 billion JD.

He said that capital adequacy ratio proved the strength of the banking sector as it registered higher levels than required by the central bank instructions and the Basel II standards.

On his part, the ABJ’s general director Dr. Adli Kandah said the ABJ in 2010 followed up the different issues that member banks presented, pointing out that these issues had been subject for discussion and the banks’ remarks on them had been submitted to concerned authorities, whose response was very serious and high leveled.

He told members of the general assembly that the ABJ issued a number of publications, reports and studies and held workshops on subjects of concern to the banking sector, as well as organizing the First Gathering for Corporate Responsibility for Banks and the gathering for Environmental Funding.

➤ **An Information Meeting on “Clear Priority” Product**

The ABJ held on Monday, 23 May 2011 an information meeting on “Clear Priority” product, a program to monitor and protect banks. It is of multi-purposes and covers different fields. It is specialized in the continued monitoring of risks and following up of the most important indicators (K.B.Is). It is adaptable and capable of working on what banks need to be protected from the different risks and providing what they need of legal conformity.

The presentation on Clear priority’s work in monitoring the weighted indicators and the most important of impact on the progress of work was given by Clear Priority sales manager in Jordan and the Middle East Mr. Denis Topin.

➤ **Dr. Qaqish lectures on the Evaluation of JODIBOR Pricing Mechanism**

The ABJ held on July 6, 2011 a lecture on evaluating the JODIBOR pricing mechanism, given by Dr. Sahar Qaqish of the central bank of Jordan.

Dr. Qaqish presented the outcomes of her study on the pricing mechanism of JODIBOR which recommended the improvement of pricing for one month by using the anticipation theory which helps in building a pricing structure of more than one month and finally leads to efficient prices through the structure of delayed JODIBOR.

She stressed the necessity of having enter-banks guaranteed transactions since this will improve prices in the secondary market.

The lecture discussed the principle characteristics of delayed structure of interest rates and the ability to anticipate for the long-term interest structure, especially its ability to anticipate of the future movements of the short term interest rates, and providing an explanation for the anticipation theory and its important consequences such as predicting the future movements (shifts) in the short term interest rates.

It also discussed the test of the ability of the time structure of interest rates to anticipate future changes in short term interest rates which is done through testing the correctness of the anticipations for JODIBOR that represent the time structure of interest rates in inter-bank market for different terms, provided that the techniques of standard economy be used for the empirical test.

Dr. Qaqish said that the study focused on the anticipation power for short term interest rates depending on a number of data that concern the Jordanian inter banks interest rates market starting from the different due dates and exploring the development of the main players in the market behaviour, which requires concentrating on and studying the “players’ market” in the market.

The study’s outcomes provide an evidence that the anticipation hypotheses of a short ending for JODIBOR structure is considered effective if we adopt a pricing between one night and one week.

➤ **Hewitt Presents Final Results of Jordan Banking Forum**

The ABJ held on 19 Dec. 2011 a presentation given by Hewitt on the Final Result Presentation for Jordan Banking Forum, 2011. The presentation included the results of the study that Hewitt conducted on the compensations and remunerations of employees of Jordanian banking sector during the period from May to August 2011.

The study aimed at ascertaining the levels of the total compensations of employees in the market in the different ranks and posts, and consequently testing the banks’ ability to attract and keep the best candidates for jobs. It also aimed at facilitating the process of decision taking in what regards the initiatives of employees’ compensations and remunerations.

F. ABJ’s Publications in 2011

The Association of Banks in Jordan published the following in 2011:

- **The Annual Report:** The ABJ published its 32nd annual report which included the developments of the banking system in 2010 in terms of liquidity, assets and liabilities, and the capital. It also included an analysis of compared performance of banks operating in Jordan and the new banking services launched by banks; the development of the working forces in Jordanian banks and the number of branches all over the kingdom. The report shed light on the prospects of regional and international economies as well as the Jordanian economic developments and the main activities carried out by the ABJ during that year.



- A Study of the Development of the Jordanian Banking Sector (2000- Oct. 2010): This is an annual study conducted by the ABJ to shed light on the developments witnessed by Jordan's banking sector since the year 2000 until October 2010. This study was published in both Arabic and English.
- **The series of the ABJ Booklets:**
- Booklet no. 1: The comparative Performance of Banks Operating in Jordan during 2010. This booklet offers a full summary of the developments witnessed by Jordan's banking sector during the year 2010. It discusses the development of the performance of banks as regards the financial status, income statement and the profitability indicators during 2010.
- Booklet no. 2: Corporate Responsibility of banks operating in Jordan in the years 2009, 2010. This study shows the big role that the banks assume in contributing to their societies' development and welfare in what is known as corporate responsibility.
- Booklet no. 3: Publications of the Association of banks in Jordan (2006-2011). This booklet includes a comprehensive and abridged description of all the publications of the ABJ during the past five years.

Chapter Twelve
Financial Statements and
Auditors' Report for year 2011



INDEPENDENT AUDITOR'S REPORT

**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 31st, 2011 Revenues and Expenses Statement and The Cash Flow Statement 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 fair view of (or "present fairly, in all material respects.") the financial position of Association of Banks as of December 31st 2011, and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

**Ma'moun Farouka
Licensed Auditor No. 265
Ma'moun Farouka & Co.
Amman, 18Th January 2012**



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

EXHIBIT A

BALANCE SHEET AS OF DECEMBER 31ST 2011

		2011	2010
		JD	JD
Assets			
Current Assets			
	Note		
Cash on hand		1,000	1,000
Cash at bank	3	1,783,164	1,748,392
Accounts Receivable	4	20,098	22,582
Refundable Deposits		1,132	1,132
Prepaid Expenses		3,230	2,850
Total Current Assets		<u>1,808,624</u>	<u>1,775,956</u>
Non Current Assets			
Cost		2,327,653	2,302,106
Accumulated Depreciation		(796,860)	(744,450)
Net book value	5	<u>1,530,793</u>	<u>1,557,656</u>
Total Assets		<u>3,339,417</u>	<u>3,333,612</u>
Liabilities & Accumulated Surplus			
Current Liabilities			
Credit Banks		10,628	9,589
Accounts Payable	6	20,559	2,975
Employee Income Tax Trustees		000	686
Membership fees Trustees		000	52,214
Accrued Expenses		1,707	1,410
Total Current Liabilities		<u>32,894</u>	<u>66,874</u>
Provision for Compensating the end of Employee Service		<u>29,315</u>	<u>39,661</u>
Accumulated Surplus			
Retained Surplus		3,227,077	3,191,502
Surplus for this year-Exhibit B		50,131	35,575
Total Accumulated Surplus		<u>3,277,208</u>	<u>3,227,077</u>
Total Liabilities & Accumulated Surplus		<u>3,339,417</u>	<u>3,333,612</u>

- The Accompanying Notes From 1-9 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 2011

		<u>2011</u>	<u>2010</u>
		<u>JD</u>	<u>JD</u>
<u>Revenues</u>	<u>Note</u>		
Subscription Fees		457,823	401,997
Bank Interest Revenue		66,012	73,414
Banker's Guide Revenue		000	7,460
Halls Rent Revenue		1,500	1,550
Other Revenues		198	23
<u>Total Revenues</u>		<u>525,533</u>	<u>484,444</u>
<u>Banks Magazine</u>			
Magazine Revenue	7/A	77,884	98,040
Less: Magazine Expenses	8/A	(50,940)	(64,859)
<u>Banks Magazine Profit</u>		<u>26,944</u>	<u>33,181</u>
<u>Training Courses & Seminars</u>			
Training courses Revenue	7/B	67,233	43,150
Less: Training courses Expenses	8/B	(44,321)	(14,911)
<u>Profit from Training Courses & Seminars</u>		<u>22,912</u>	<u>28,239</u>
Total Revenues & Gain from Banks Magazine and Training Courses & Seminars		<u>575,389</u>	<u>545,864</u>
Less: General & Administrative Expenses	9	(524,848)	(508,515)
Prior Years Adjustments		(410)	(1,774)
<u>Year's Surplus – Exhibit A</u>		<u>50,131</u>	<u>35,575</u>

-The Accompanying Notes From 1-9 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 2011

	2011	2010
	JD	JD
<u>Cash Flows from Operating Activities</u>		
Surplus for the Year	50,131	35,575
Depreciation Expenses	<u>52,410</u>	<u>51,485</u>
Net Surplus Before Changes in Working Capital	102,541	87,060
<u>(Increase) Decrease In Current Assets</u>		
Accounts Receivable	2,484	(5,274)
Prepaid Expenses	(380)	363
<u>Increase (Decrease) In Current Liabilities</u>		
Accounts Payable	17,584	(630)
End of service Compensating provision	(10,346)	6,976
Other Credit Balances	<u>(52,603)</u>	<u>52,099</u>
Net cash flow from operating activities	<u>59,280</u>	<u>140,594</u>
<u>Cash Flow From Investment Activities</u>		
(Purchase) of Fixed Assets	<u>(25,547)</u>	<u>(16,599)</u>
<u>Cash Flow From Financing Activities</u>		
Credit Bank	1,039	3,285
Net increase in cash during the year	34,772	127,280
Cash balance in the beginning of the year	<u>1,748,392</u>	<u>1,621,112</u>
Cash balance in the end of the year	<u>1,783,164</u>	<u>1,748,392</u>

-The Accompanying Notes From 1-9 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:

- Support the advantages of members and coordination between them to inquest their common behalf.
- Develop and modernize the banks services.
- 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	0%
Constructions	2%
Furniture	10%
Equipments & Tools	15%
Computer devices	20%
Books	10%
Software	20%

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:-

	2011	2010
	JD	JD
Arab bank / Deposit account	396,394	419,734
Housing bank / Current account	14,307	6,717
Housing bank / Deposit account	95,007	92,629
Islamic bank	787	4,477
Jordan commercial bank	<u>1,276,669</u>	<u>1,224,835</u>
Total	<u>1,783,164</u>	<u>1,748,392</u>

4. Accounts Receivable

This item consists of the following:-

	2011	2010
	JD	JD
Members accounts	14,581	13,190
Other accounts	<u>5,517</u>	<u>9,392</u>
Total	<u>20,098</u>	<u>22,582</u>

5. Noncurrent Assets

This item consists of the following:-

	Cost			
	31/12/2010	Additions	Omissions	
Association's land	326,477	000	000	326,477
Association's Construction	1,557,388	000	000	1,557,388
Equipment & tools	146,745	15,054	000	161,790
Furniture's & decorations	195,605	275	000	195,880
Books	9,525	135	000	9,660
Cars	65,380	000	000	65,380
Software	986	10,092	000	11,078
Total	<u>2,302,106</u>	<u>25,547</u>	<u>000</u>	<u>2,327,653</u>

6. Accumulated Depreciation

	31/12/2010	Additions	Omissions	31/12/2011
Association's construction	404,874	31,148	000	436,022
Equipments & Tools	133,936	6,515	000	140,451
Furniture & Decorations	167,159	3,868	000	171,027
Books	5,892	875	000	6,767
Cars	32,072	9,807	000	41,879
Software	517	197	000	714
Total	744,450	51,485	000	796,860
Total Net Book value of Non current Assets	<u>1,557,656</u>			<u>1,530,793</u>

7. Accounts Payable

This item consists of the following:-

	<u>2011</u>	<u>2010</u>
	<u>JD</u>	<u>JD</u>
Members accounts	1,380	1,549
Mamoun Farouka co.	1,740	1,426
INFOFORT	10,092	000
PCDOCTOR	4,547	000
Al-Shabaka for Office Supplies & Equip	<u>2,800</u>	<u>000</u>
Total Accounts Payable	<u>20,559</u>	<u>2,975</u>

8. Magazine & Training Courses Gains.

A. Magazine Revenues

This item consists of the following:-

	<u>2011</u>	<u>2010</u>
	<u>JD</u>	<u>JD</u>
Magazine Sponsorship	19,000	39,970
Subscription Revenue	27,480	28,188
Advertising Revenue	31,370	29,760
Sales Revenue	<u>34</u>	<u>122</u>
Total Revenue from the Magazine	<u>77,884</u>	<u>98,040</u>

B. Training Courses & Seminars Revenues

This item consists of the following:-

	<u>2011</u>	<u>2009</u>
	<u>JD</u>	<u>JD</u>
Amman Banking Seminar	22,033	000
Financial Derivatives Course	1,250	000
Professional Care Course	1,200	000
Strategic Aspects Course	9,000	000
Fraud & Bank Fraud Detection Course	2,750	000
Provisions & Applications of Money Laundering Course	5,250	000
Preparation & Documentation of Contract Course	3,000	000
Bank Guarantees & Letters of Guarantee Course	000	3,600
Electronic Signature Course	000	1,600
Legal aspects Course	12,000	11,000
Uniform Rules of insurance Course	000	1,150
Practical aspects for letter of credits Course	000	4,000
Tags Security Checks Course	000	2,800
Bankers Around Insurance Course	2,000	4,250
Central Bank Instructions Course	<u>8,750</u>	<u>14,750</u>
Total Training Courses & Seminar Revenues	<u>67,233</u>	<u>43,150</u>

8. Magazine & Training Courses & Seminar Expenses

A. Magazine Expenses

This item consists of the following:-

	<u>2011</u>	<u>2010</u>
	<u>JD</u>	<u>JD</u>
Rewards	13,900	12,775
Printing	35,915	46,870
Miscellaneous	<u>1,125</u>	<u>5,214</u>
Total Banks Magazine Expenses	<u>50,940</u>	<u>64,859</u>

B. Training courses & seminar Expenses

This item consists of the following:-

	<u>2011</u>	<u>2010</u>
	<u>JD</u>	<u>JD</u>
Amman Banking Seminar	25,295	000
Financial Derivatives Course	849	000
Professional Care Course	1,287	000
Strategic Aspects Course	1,779	000
Fraud & Bank Fraud Detection Course	1,678	000
Provisions & Applications of Money Laundering Course	2,529	000
Preparation & Documentation of Contract Course	948	000
Bank Guarantees & Letters of Guarantee Course	000	1,675
Electronic Signature Course	000	63
Legal aspects Course	5,942	3,853
Uniform Rules of insurance Course	000	300
Practical aspects for letter of credits Course	000	1,905
Tags Security Checks Course	000	418
Bankers Around Insurance Course	1,027	1,452
Central Bank Instructions Course	<u>2,987</u>	<u>5,245</u>
Total Training Courses & Seminar Expenses	<u>44,321</u>	<u>14,911</u>



9. General & Administrative Expenses

This item consists of the following:-

	<u>2011</u>	<u>2010</u>
	<u>JD</u>	<u>JD</u>
Salaries and wages	219,570	203,576
Social Security	20,480	21,055
Saving fund	14,933	14,807
Traveling & Transportation	32,631	12,183
Medical Expenses	13,352	21,066
Electricity & Water.	11,366	12,625
Hospitality	6,020	10,018
Post , Telephone & Internet	15,925	16,364
Real Estate Tax	7,050	7,050
Bank Commissions and Charges	159	193
Stationary and Publications	24,754	37,562
Compensating the end of Service	7,867	6,976
Maintenance & Repair expenses	7,191	6,512
Cars & Motorbikes Expenses	6,941	8,139
Insurance	2,912	2,726
Garden Expenses	6	191
Depreciations	52,411	51,485
Auditing Fees	1,740	1,450
Public officer Notary Expenses	1,800	1,450
Tax on Deposit Expenses	3,306	3,557
Meetings & Parties	11,110	13,885
Training Course Remunerations	1,000	000
General Miscellaneous Expenses	935	7,295
Prior Years Expense	000	1,774
Fuel Expenses	4,336	4,108
Employees Clothing's Expenses	1,596	1,740
Translation Expenses	1,522	2,324
End of service Compensating	17,700	000
Gifts	4,955	12,302
Judicial Cases	500	000
Overtime	4,411	5,406
Advertisements	7,180	6,660
External membership	2,346	1,540
Banker's Guide Expense 2010	000	8,104
Cleaning & Security Expenses	<u>16,843</u>	<u>6,166</u>
TOTAL	<u>524,848</u>	<u>510,289</u>

