



Development of the Jordanian Banking Sector (2000 – 2009)

Amman-Jordan
2010



Development of the Jordanian Banking Sector **(2000 –2009)**

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Deposit No. at the National Library of Jordan
288/1/2010

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.

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Chairman's Foreword

The Jordanian banking sector remained distant from the direct repercussions of the global financial crisis, maintained its soundness and stability, and was able to record progressive growth in all its key financial indicators. This success was enabled by a number of factors most important of which was the prudent policy followed by the central bank to protect the Jordanian economy from the ramifications of the crisis, the competent management of banks operating in Jordan and the intensive efforts exerted by the Jordanian government.

The assets of banks operating in Jordan expanded markedly since the year 2000 and this growth continued even through the international financial crisis reaching slightly over JD31 billion at the end of September 2009. The balance of credit facilities extended by the operating banks at the end of September 2009 was triple the amount registered in the year 2000. As one of the most important indicators of trust in the Jordanian banking sector, the balance of deposits at the banks operating in Jordan rose steadily since the year 2000 reaching around JD20 billion at the end of September 2009.

Regarding the financial strength indicators of the banks operating in Jordan, the capital adequacy ratios confirmed the soundness of the Jordanian banking sector by registering levels higher than those required by the central bank and Basel II standards. Also, the ratio of non-performing loans to total loans remained at low levels and did not show any abnormal increase due to the crisis. As to the liquidity of the Jordanian banking sector, its percentage was higher by wide margin above the requirements of the central bank.

In terms of profitability indicators, there has been some relapse during the first half of 2009 compared with previous years, reflecting the slowdown that has spread to most real economic sectors in the Kingdom this year.

Finally, we hope that economic performance would improve in various economic sectors in 2010 so that it would ultimately reflect on the activities of the banking sector in general.

Marwan Awad

Chairman of the Board of Directors

Director General's Address

As the Association is keen to continuously update the information, data and statistical indicators about the Jordanian banking sector, we considered issuing the third edition of the study “Development of the Jordanian Banking Sector”. Besides updating all the data of the previous editions to the nearest date, the study examines the international financial crisis and its implications on the macro economy and the Jordanian banking sector.

In accordance with the methodology applied in the first and second editions of this study, this edition was also divided into 12 sections. The first one looks at the role of the Central Bank of Jordan in managing the monetary policy, whereas the second section gives facts about the Jordanian banking system in terms of the structure and the growth in the number of banks and branches. The third section examines the development of assets, capital / reserves / provisions / deposits, credit facilities and the indicators of financial strength. The fourth and fifth sections deal with the shares of commercial banks and Islamic banks as well as the shares of Jordanian and non-Jordanian banks in the assets, deposits and credit facilities. The sixth section looks at the banking concentration in the Jordanian banking system and the seventh section traces the ranking of banks and their shares of assets / deposits / credit facilities / shareholders' equity / capital / profits and number of workers. The eighth section traces the progress in the performance of banks listed on the Amman Bourse covering issues related to the price index of shares listed on the stock exchange, the volume of trade and the investments of non-Jordanian in the banks listed on the bourse. The development of the interest rates structure in the Jordanian banking market can be seen in the ninth section followed by the clearing of checks and the development of banking services in the tenth and eleventh sections. In the twelfth and final section, the study analyses the performance of the Jordanian banking system in light of the international financial crisis.

By issuing this edition, we hope that this study would contribute in boosting the performance of the Jordanian banking system especially during the eruption of the international financial crisis.

We also hope to be a reference for all concerned and interested persons.

Dr. Adli Kandah
Director General

First
The Central Bank of Jordan and the monetary policy

- **Monetary policy tools**
- **Monetary policy trends from the year 2000 until September 2009**
- **Most important instructions issued by the Central Bank from the year 2000 until September 2009**
- **Banking control tools used by the Central Bank of Jordan**
- **Implementation of Basel II in Jordan**

First: The Central Bank of Jordan and the monetary policy

The Central Bank of Jordan was established as an independent legal entity in 1964 with a capital fully paid by the Jordanian government. The central bank carries out several tasks most important of which are issuing of banknotes and coinage in the Kingdom, maintaining monetary stability, providing necessary liquidity for licensed banks and managing reserves of banks. It also seeks to enhance the security of the banking system institutions through various means of control. The Central Bank also maintains and manages the Kingdom's gold and foreign currency reserves and acts as a bank and a consultant for the government.

The Central Bank of Jordan focuses on achieving three national objectives which are: Contributing to ensure monetary and financial stability, contributing to achieve comprehensive economic and social development and contributing to provide attractive investment environment. To achieve those, the central bank formulated six institutional goals that include:

- 1 – Preserving monetary stability in the Kingdom: By maintaining stability of inflation rates and exchange rate and the formation of an interest rate structure and liquidity levels that correspond with the size of economic activity. Furthermore, providing suitable environment to mobilize savings and finance investments, and retaining / managing the Kingdom's gold and foreign currency reserves.
- 2 – Ensuring the dinar's convertibility: By meeting the requirements of the local market for foreign currency, preserving / managing the Kingdom's gold and foreign currency reserves, and monitoring the exchange rates and the money changing business.
- 3 – Maintaining the security and strength of the banking system: By verifying the operations and the performance of the banking system institutions and the genuineness of their financial positions as well as their adherence to implementing institutional governance rules according to central bank instructions.
- 4 – Keeping up a developed and secure national payments system: Through managing a real time gross settlement system (RTGS) and clearing and settling incoming and outgoing bank cheques via the electronic cheques clearing system.
- 5 – Protecting and maintaining confidence in Jordanian currency: Through providing high security standards in the currency issued, upholding the quality of the currency issued, withdrawing from circulation the corrupted money, following up on and seizing forgeries of the national currency and supplying the Jordanian market with sufficient quantities of banknotes and coinage.
- 6 – Spreading and deepening banking and financial knowledge: Through

providing sources of information , publishing data and reports, and awareness campaign.

- Monetary policy tools:

The Central Bank of Jordan relied in its management of monetary policy in the Kingdom on two types of tools: Direct traditional tools and indirect tools.

1- Direct traditional policy:

Until the early 90's of the past century, the Central Bank controlled the volume and growth of liquidity in the national economy by relying on direct traditional tools for managing the monetary policy in the Kingdom. These tools were represented by the rediscount rate, the percentage of the mandatory cash reserve and, in certain cases, direct ceilings on credit expansion. Moreover, the bank resorted during that period to administrative measures to influence the banking credit structure and its cost through specifying interest rates on loans and deposits and obliging the banks to direct a portion of their financial portfolios to certain specific investments.

2- Indirect monetary policy:

After experience proved that the use of direct traditional tools by the central bank were not effective as desired to influence the size of liquidity in the national economy, and realising that such usage resulted in price and structural distortions in the banking sector and, consequently, reduced the efficiency of allocating the resources in the national economy; the central bank adopted from the end of 1993 the indirect approach for managing the monetary policy Through open market operations, which is the method most used by the central banks in developed countries for managing monetary policy, the central bank used certificates of deposit that it issued specifically for this purpose as a tool to manage local liquidity Issuing certificates of deposit, helps absorb excess liquidity from the national economy and, subsequently, nullifies the effect on the price levels and on the exchange rate. By contrast, the repurchase operations of certificates of deposit help in pumping liquidity, whenever needed, in the national economy besides its role in facilitating the banks' management of their

financial portfolios in the short term. In addition to the certificates of deposit, the central bank uses also the rediscount rate and the overnight deposit window for one night for managing its monetary policy.

- Monetary policy trends from the year 2000 until September 2009:

year	Most important monetary policy
2000	The central bank adopted a series of monetary measures and arrangements to provide an adequate volume of local liquidity to enhance economic activity in the Kingdom, to ensure exchange rate stability and contain inflationary pressures in addition to strengthening the soundness and safety of the Jordanian banking system. In this regard, the central bank gradually reduced interest rates on key monetary tools and slashed the mandatory reserve rate.
2001	The monetary policy safeguarded the stability of the dinar exchange rates and the general price levels besides ensuring an adequate interest rate structure. To that end , the central bank used indirect tools, particularly certificates of deposit. The central bank also lowered interest rates on its monetary tools.
2002	The central bank continued managing the monetary policy to maintain the dinar exchange rate stability against the dollar and control prices at low levels in addition to provide interest rates that are more suitable to surrounding conditions. The central bank used open market operations through certificates of deposit and continued to lower interest rates on its monetary tools.
2003	The central bank was keen to preserve monetary stability represented by the stability of general price levels and an interest rate structure that corresponds with economic conditions. The central bank continued to use open market operations through certificates of deposit and also lowered several times the interest rates on its monetary tools. The central bank continued its measures to enhance the security and soundness of the Jordanian banking system by raising the minimum capital of licensed banks and taking all market and country risks when calculating the capital adequacy rate. The last stage of the national payments system related to payment against payment and aimed at reducing inter-bank liquidity risks was also executed.

<p>2004</p>	<p>The central bank raised interest rates on its monetary tools several times during the year in line with interest rate developments in international money markets. The central bank also continued its measures to develop and upgrade the efficiency of the Jordanian banking sector through issuing new instructions that regulate the Jordanian banking presence abroad and the electronic money transfer operations. The last stage of the national payments system related to payment against payment and aimed at reducing inter-bank liquidity risks was also executed.</p>
<p>2005</p>	<p>In line with interest rate developments in international money markets, the central bank raised interest rates on its monetary policy tools several times during the year. The outstanding balance of the certificates of deposit also declined. The central bank policies resulted in higher local liquidity and in containing inflation within acceptable rates. The central bank also continued its measures to enhance the strength of the Jordanian banking sector through a number of additional measures and arrangements for regulating the operations of banks and boosting its capability to keep up with developments in the international banking industry especially the requirements of the Basel II. committee.</p>
<p>2006</p>	<p>The central bank continued to manage its monetary policy and raised interest rates on its monetary policy tools several times during the year. The central bank also applied more measures to upgrade the performance of the banking system and enhance its capability to manage risks in accordance with best international practices, especially the requirements of Basel II committee.</p>
<p>2007</p>	<p>The central bank continued to use indirect tools represented basically by certificates of deposit. The bank also amended the interest rate structure of repurchase agreements allowing licensed banks to execute repurchase agreements with the central bank for one night instead of one week.</p>

<p>2008</p>	<p>The monetary policy followed by the Central Bank of Jordan was marked by flexibility and interaction with local economic developments and the repercussions of the international financial crisis that followed the increase in prices of basic commodities. The bank was keen to achieve the highest balance between containing inflationary pressures and safeguarding the exchange rate on the one hand and stimulating economic activity on the other. The central bank continued to use certificates of deposit to control and regulate the volume of local liquidity. The bank also twice lowered interest rates on all monetary tools and reduced the mandatory reserve rate. The central bank also applied more measures to upgrade the performance of the banking system and enhance its capability to manage risks in accordance with best international practices, especially the requirements of Basel II committee. It also took a number of precautionary measures that contributed in shielding local banks from the risks faced by international banks</p>
<p>September 2009</p>	<p>The central bank continued managing the monetary policy to ease the repercussions of the international financial crisis on the Jordanian banking system. The central bank stopped issuing certificates of deposit in order to enhance local liquidity in the national economy and lowered interest rates on monetary policy tools.</p>

- Most important instructions issued by the Central Bank from the year 2000 until September 2009:

The Central Bank of Jordan issued a number of instructions that regulate the banking operations and enhance the strength and soundness of the Jordanian banking system. Following are principal instructions issued by the central bank during the 2000 – September 2009 period.

<u>2000</u>	<u>2005</u>	<u>2007</u>
<ul style="list-style-type: none"> Acquisition of real estate Banks' acquisition of insurance companies 	<ul style="list-style-type: none"> Returned cheques unit Licensing the insurance agent and regulating his operations and responsibilities Cash fines on violations of credit concentrations and credit facilities in foreign currencies Cash fines on banks' investments in securities 	<ul style="list-style-type: none"> Managing and marketing portfolios and investment funds in foreign currencies on behalf of clients Internal control systems Liquidity Licensed banks' branching inside Jordan Amendments to internal control systems Corporate governance for banks in Jordan
<p><u>2001</u></p> <ul style="list-style-type: none"> Conducting Banks' activities via electronic means Bonded services Credit limits "credit concentration" 		
<p><u>2002</u></p> <ul style="list-style-type: none"> Acquisition of shares and stakes in capital of companies Interest on deposits and credit facilities 	<ul style="list-style-type: none"> Rules and regulations pertaining to electronic clearing Management of banks' assets/liabilities in foreign currencies Margin trading in foreign currencies and major precious metal for the benefit of clients Compliance Treasury stocks Business continuity plan Classification of credit facilities and calculating impairment provisions and reserve for general banking risks Compliance Management of banks' assets/liabilities in foreign currencies 	<p><u>2008</u></p> <ul style="list-style-type: none"> Liquidity for Islamic banks Amendments to liquidity based on maturity ladder Liquidity based on maturity ladder for Islamic banks Ratio of investments in Jordanian dinar to sources of funds in Jordanian dinar Amendments to classification of credit facilities and calculating impairment provisions and reserve for general banking risks Anti-money laundering and terrorism financing
<p><u>2003</u></p> <ul style="list-style-type: none"> Minimum capital for banks operating in Jordan Organizational capital and capital adequacy 		
<p><u>2004</u></p> <ul style="list-style-type: none"> Electronic transfer of funds Cross-border establishment for Jordanian banks Mandatory cash reserve 		
		<p><u>2009</u></p> <ul style="list-style-type: none"> Ownership of influential interest in capital of Jordanian banks Stress test

- Banking control tools used by the Central Bank of Jordan

The central bank carries out its role of controlling banks operating in Jordan through a number of means that include the following:

1. **Licensing:** The Central Bank of Jordan stands out as the only entity that holds the authority to license banks and their branches inside and outside the Kingdom.
2. **Desk work supervision:** The central bank supervises and follows up on the financial situation of banks through the data and statements it receives periodically. This information gets analysed and most important ratios and financial indicators are calculated to arrive at the financial situation of banks and the extent of their adherence to rules, regulations and instructions.
3. **Field control:** This type of oversight includes visits to banks to ensure their abidance by the laws, regulations and instructions in force and to evaluate the situation of banks in a comprehensive way especially the qualitative and administrative aspects that cannot be measured through financial and reports and lists. Examples in this regard cover administrative systems and adequacy of internal audit and controls. It should be noted that the central bank uses the “CAMEL” system in the assessment of local banks.

- Implementation of Basel II in Jordan

In 2005, a higher committee was formed chaired by the deputy of the central bank and a number of general managers of banks as members. This panel set up a joint technical committee and secondary working teams from the central bank and the banks entrusting each with one aspect of the new standard. The committees included specialists on credit risks, market risks, operational risks, market discipline and oversight review. A decision was taken to start implementing the Basel II standard from the data of the first quarter of 2008 considering 2007 as an experimental implementation period. As a first step, the simple methods permissible under the Basel II capital adequacy decisions were applied. These included the standardised approach regarding credit and market risks and the application of the basic index method for measuring the operational risk. Implementation of more sophisticated means to measure the aforementioned risks was pushed by five years from the date of starting the actual application.

The committees readied the instructions for credit, operational and market risks, and the central bank issued instructions on the scope of application that shows the components of organizational capital in Basel II standard.

As to the actual implementation of the new standard, the central bank issued instructions to the banks asking them for capital adequacy forms according to the requirements of Basel II from the first quarter of 2008. The banks were asked to continue sending in parallel the adequacy forms according to Basel I until March 31, 2009. The central bank started to verify the accuracy of the computation in accordance with the new instructions by sending a specialized team who conducted field checks on data of 15 banks until September 2009. The work is currently underway to complete the checking at the rest of the banks.

Among the most significant difficulties and challenges facing the banks and control authorities in the application of the new standard is the absence of local credit rating agencies. This deficiency restricts the capability of banks to benefit from preferential weights of customers who possess a high credit rating. Other impediments are the scarcity of clients rated by foreign credit rating agencies, the newly established risk management at some banks especially the small ones, and the need to upgrade the efficiency of employees at banks and at control authorities in order to qualify them for implementing of the requirements of the new standard.

Second

The status of the banking system

- The structure of the Jordanian banking system**
- Number of licensed banks**
- Banking embranchment**

Second: The status of the banking system

- The structure of the Jordanian banking system

The Jordanian banking system comprises the Central Bank of Jordan and the licensed banks which consist of all Jordanian banks (commercial and Islamic) and foreign banks (non-Jordanian) that operate in Jordan and accept deposits. This definition does not cover financial institutions.

The banks operating in the Kingdom are divided as follows at the end of September 2009:

First: Jordanian banks

1. Commercial banks:

Table (1)
Jordanian commercial banks operating in Jordan as of Sep.2009

#	Member Name	Established in
1	Arab Bank	1930
2	Jordan Ahli Bank	1956
3	Cairo Amman Bank	1960
4	Bank of Jordan	1960
5	The Housing Bank for Trade & Finance	1974
6	Jordan Kuwait Bank	1977
7	Arab Jordan Investment Bank	1978
8	Jordan Commercial Bank	1978
9	Investbank	1989
10	Arab Banking Corp./ Jordan	1989
11	Union Bank	1991
12	Societe General - Jordan	1993
13	Capital Bank	1996

2. Islamic banks.

Table (2)
Jordanian Islamic banks operating in Jordan as of Sep.2009

#	Member Name	Established in
1	Jordan Islamic Bank	1978
2	International Islamic Arab Bank	1997

Second: Foreign (non-Jordanian) banks: all of them are commercial banks

Table (3)
Non- Jordanian banks operating in Jordan as of Sep. 2009

#	Member name	License year
1	HSBC	1949
2	Egyptian Arab Land Bank	1951
3	Rafidain Bank	1957
4	Citi Bank	1974
5	Standard Chartered	2002
6	Bank Audi	2004
7	National Bank of Kuwait	2004
8	BLOM Bank	2004

- Number of licensed banks

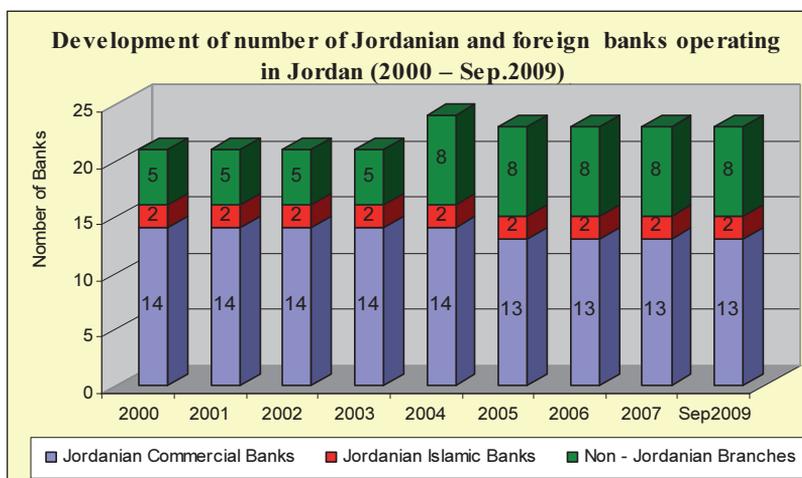
The number of licensed banks operating in Jordan rose from 21 banks in 2000 to 23 banks at the end of September 2009. Of the total, 15 banks are Jordanian (two of them are Islamic banks) and eight banks are foreign (five of them are Arab banks and three are foreign). This rise in the number of banks was the result of an increase in the number of foreign banks operating in Jordan from five banks in 2000 to eight banks as the Central Bank of Jordan granted licenses to three foreign banks to operate in Jordan in 2004. These banks were: BLOM Bank, Audi Bank and the National Bank of Kuwait. By contrast, the number of national banks declined from 16 banks to 15 banks as a result of a merger between Philadelphia Bank and Jordan National Bank on 12/1/2005.

Table (4)
Number of Jordanian and foreign banks operating in Jordan (2000 – Sep.2009)

Year	# of National Banks		#of Foreign Banks	Total
	Commercial Banks	Islamic Banks		
2000	14	2	5	21
2001	14	2	5	21
2002	14	2	5	21
2003	14	2	5	21
2004	14	2	8	24
2005	13	2	8	23
2006	13	2	8	23
2007	13	2	8	23
Sep-2009	13	2	8	23

Source: Association of Banks in Jordan, Annual Reports

Chart (1)



- Banking embranchment

a) Number of branches

At the end of 2008, the licensed banks operated 593 branches inside the Kingdom. As such, the banking density index (number of people/ total number of branches of banks operating in the Kingdom) stood at around 9,900 persons per branch at the end of 2008 compared to 10,200 persons per branch in 2007 and 10,900 persons per branch in 2006.

Table (5)
Development of banking density index (2000 - 2008)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
banking density index **	10890	10728	10824	11648	11969	10816	10853	10238	9865

** banking density index is the census divided by the number of branches of banks operating in Jordan.

The expansion and spread of banks outside Jordan shows a total of 222 branches outside the borders of the Kingdom at the end of 2008. This strategic option, namely expansion abroad, by a number of Jordanian banks in some of the neighboring and regional markets was due to the limited local market. By seeking new and vital outlets for business and investments, the banks sought to benefit from growth opportunities and new scopes to develop their operations and activities and be able to compete besides widening their clientele base.

Table (6)
Number of branches, offices and automated teller machines (2000 – 2008)

year	Number of Branches		Number of offices		Number of (ATMs)
	In Jordan	Abroad	In Jordan	Abroad	
2000	446	124	153	24	377
2001	464	139	153	24	377
2002	442	129	157	14	534
2003	444	137	138	25	577
2004	448	136	156	27	617
2005	506	127	96	20	663
2006	516	124	83	22	724
2007	559	137	79	19	846
2008	593	222	65	20	944

Source: Association of Banks in Jordan, Annual Reports

Chart (2)

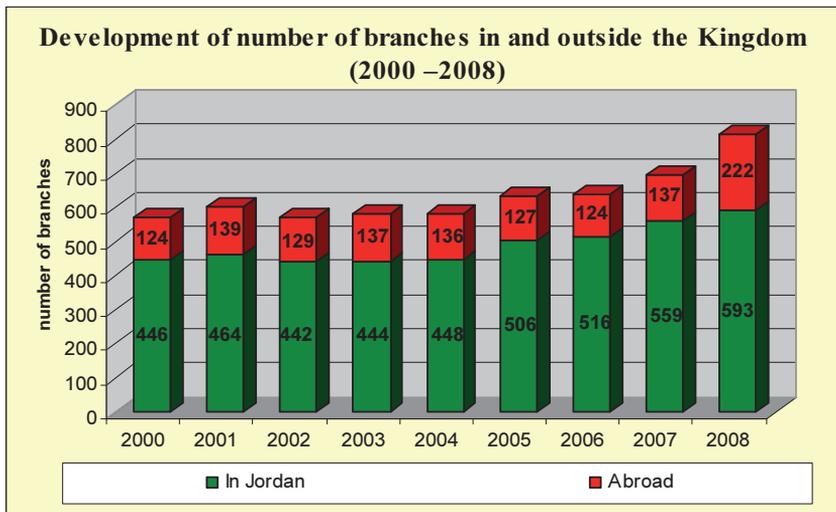
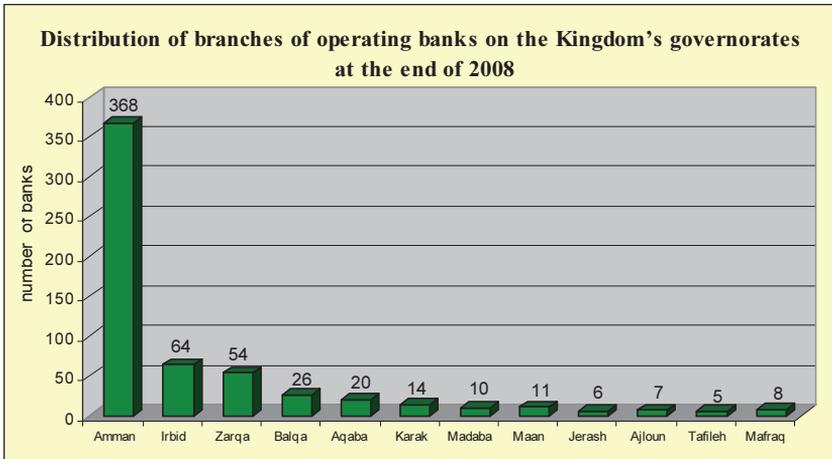


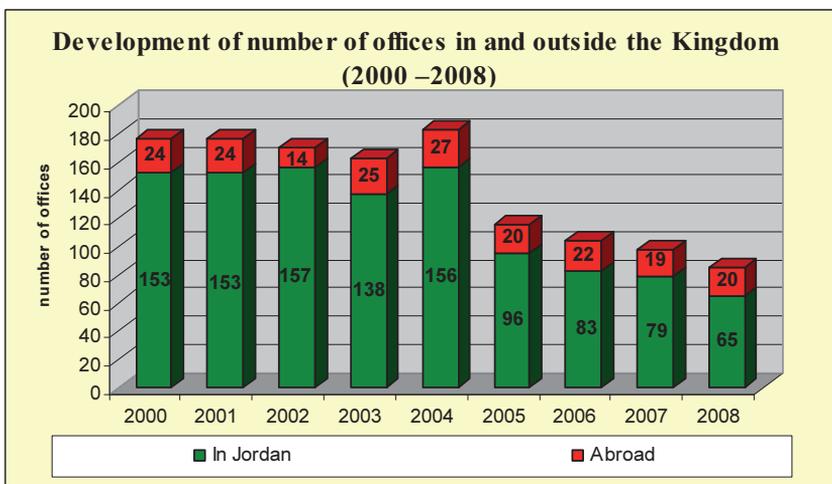
Chart (3)



b) Number of offices

The licensed banks operated 65 offices inside the Kingdom and 20 offices outside the borders at the end of 2008.

Chart (4)



c) Number of Automated Teller Machines (ATMs)

Banks operating in the Kingdom were pioneers in introducing and using the most advanced technologies in their various operations. ATMs were first used in the Kingdom in the early 80s of the past century. Today, ATMs and points of sale are spread all over the regions of the Kingdom and at the branches of banks as well as major commercial centers, hospitals and universities. At the end of 2008, the total of ATMs all over the Kingdom reached 944 units. The annual growth

rate of ATMs stood at about 12.6 percent per year during the past three years. It should be noted here that that the number of ATMs for every million inhabitants in Jordan has increased from 121 units in 2005 to 161 units at the end of 2008. By comparing this figure with the world average of 240 ATMs for each million, we can see that there is more room for the ATM market in Jordan to grow, expand and increase the number of ATMs in the Kingdom.

Chart (5)

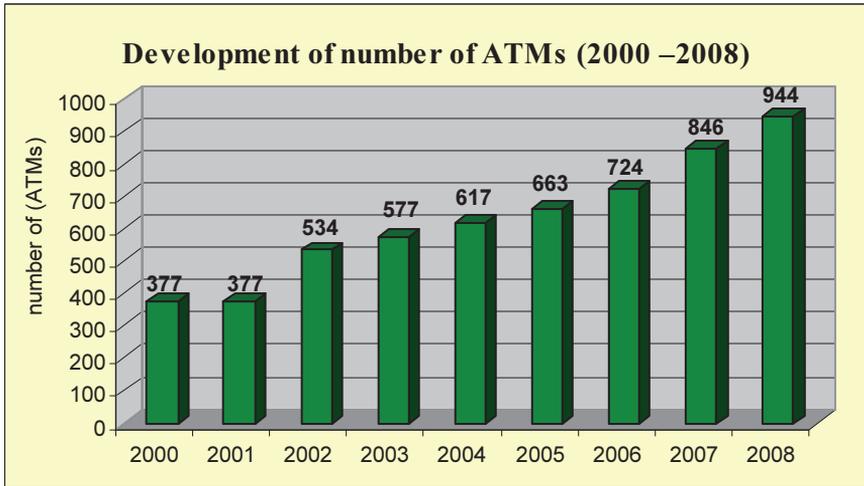
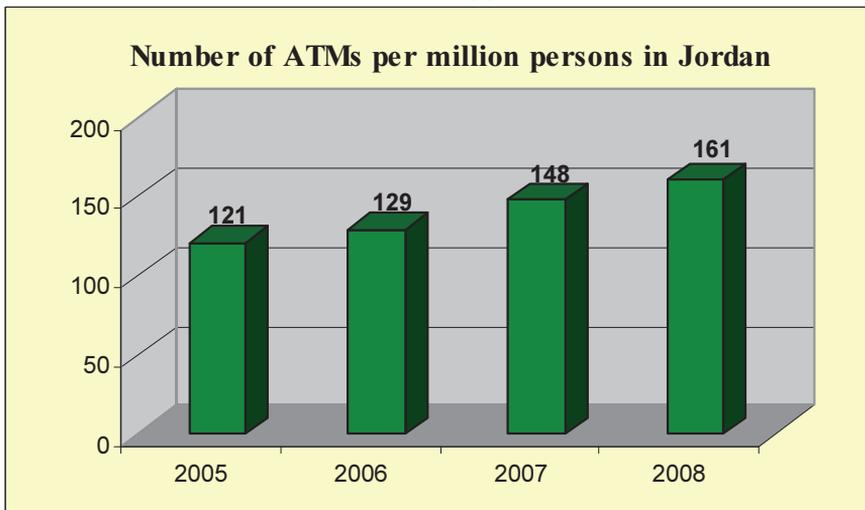
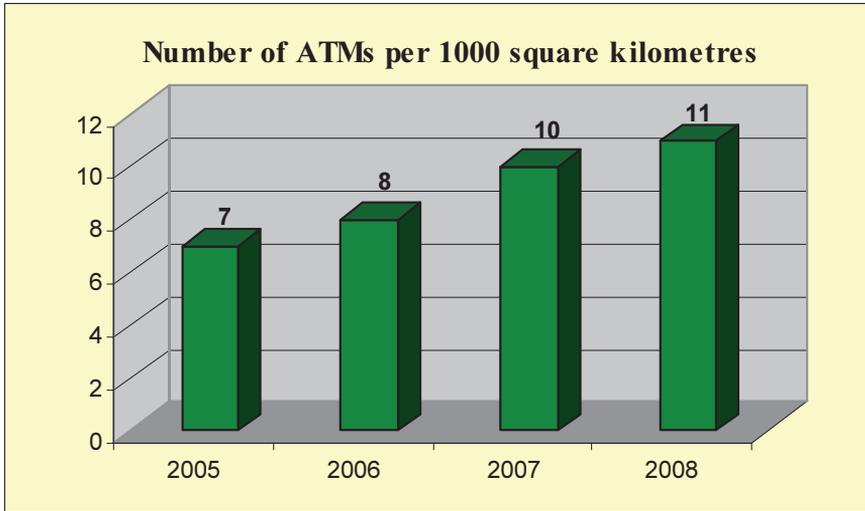


Chart (6)



In terms of ATMs for each 1,000 square meters, the number has increased from seven per 1,000 square meters in 2005 to 11 ATMs per 1,000 square meters in 2008

Chart (7)



Geographically, statistics show that 67 percent of all ATMs exist in the Amman governorate. Irbid comes in second place with nine percent followed by eight percent in Zarqa. The share of remaining governorates does not exceed four percent.

Within this context, and by dividing the Kingdom into three regions, ATMs in the central region account for 80 percent of the total. The northern region follows with 12 percent and the southern region trails with eight percent. It is evident that there is high concentration in the central region due the high population density compared to other regions.

Chart (8)
Distribution of ATMs in the Kingdom according to governorates (%)

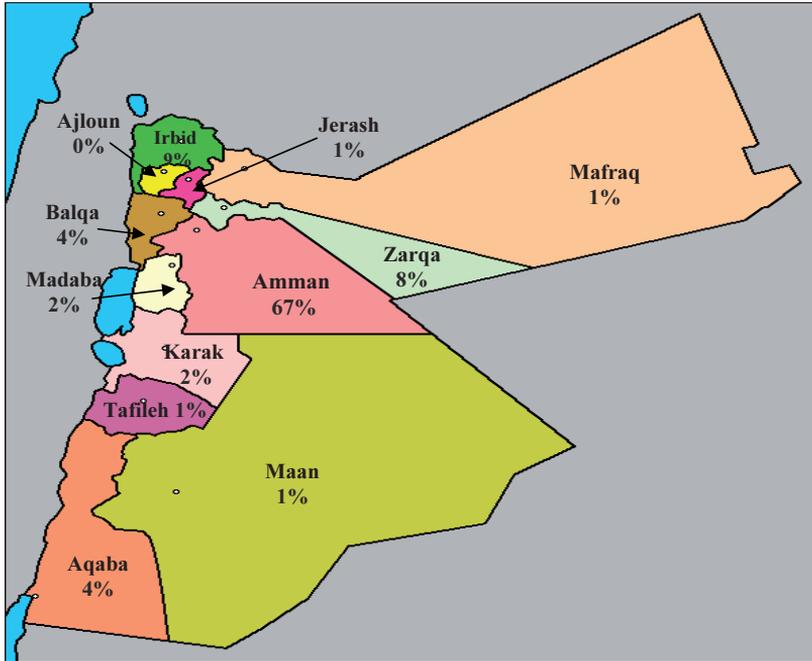
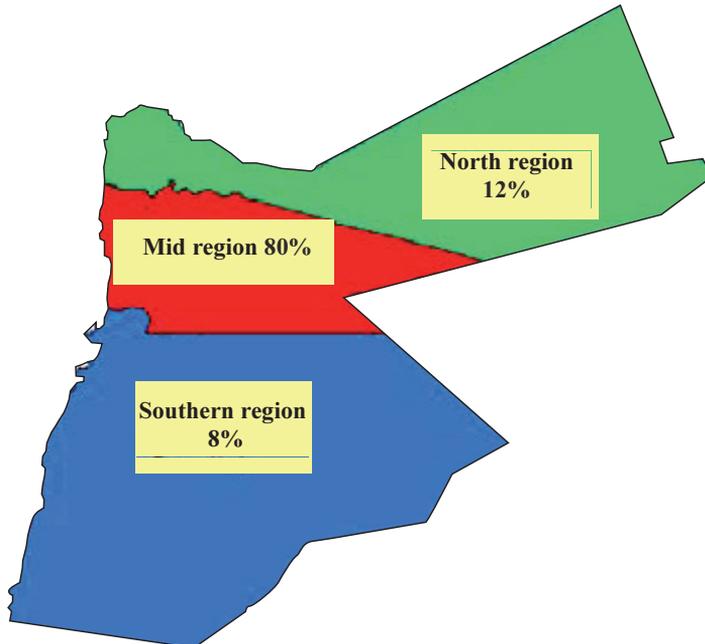


Chart (9)
Distribution of ATMs in the Kingdom according to region (%)



Third

Development of the banking system

- **Development of assets**
- **Development of capital, reserves and allowances**
- **Development of credit facilities**
- **Development of deposits**
- **Indicators of financial soundness of the Jordanian banking system.**

Third: Development of the banking system

- Development of assets

Assets of banks operating in Jordan rose markedly by JD18.3 billion or approximately a 141.9 percent growth rate between the year 2000 and September 2009. The total increased from JD12.9 billion at the end of 2000 to JD31.2 billion at the end of September 2009 at a growth rate of 10.4 percent annually. The licensed banks' overall assets as a percentage of gross domestic product stood at about 221 percent during the 2000-2008 period reflecting the importance and size of the Jordanian banking system in relation to the Jordanian economy as a whole.

An evident growth was achieved in the rate of local assets to the overall assets of banks operating in Jordan since 2005 until the end of September 2009 when it reached 82.7 percent. The rate of foreign assets regressed noticeably to 17.3 percent at the end of September 2009. One of the main reasons for the change in the structure of banks' assets could be the international financial crisis and its effects on the external sector in terms of lower exports and imports. For banks operating in Jordan, this led to reduced foreign assets that were mostly directed to finance the external sector.

Table (7)

Assets of banks operating in Jordan in millions of dinars and its ratio to GDP (2000 – Sep.2009)

year	Total Assets	Domestic Assets		Foreign Assets		percentage change of total assets	Total Assets/ GDP
	JD Million	JD Million	In percent of total Assets (%)	JD Million	In percent of total Assets (%)	%	%
2000	12913.5	9201.8	71.30	3711.7	28.70	11.80	215.28%
2001	14153.6	9825.6	69.40	4328	30.60	9.60	222.43%
2002	15119.3	10626.6	70.30	4492.7	29.70	6.80	222.54%
2003	15701.5	11319.7	72.10	4381.8	27.90	3.90	217.21%
2004	17821.1	12819	71.90	5002.1	28.10	13.50	220.59%
2005	21086.5	15724.7	74.60	5361.8	25.40	18.30	236.25%
2006	24237.6	18034.2	74.40	6203.4	25.60	14.90	233.55%
2007	26815.6	20299.1	75.70	6516.5	24.30	10.64	222.41%
2008	29796.6	23986.3	80.50	5810.3	19.50	11.12	197.89%
Sep-09	31233.6	25833.4	82.71	5400.2	17.29	4.82	-

Source: Central Bank of Jordan

Chart (10)

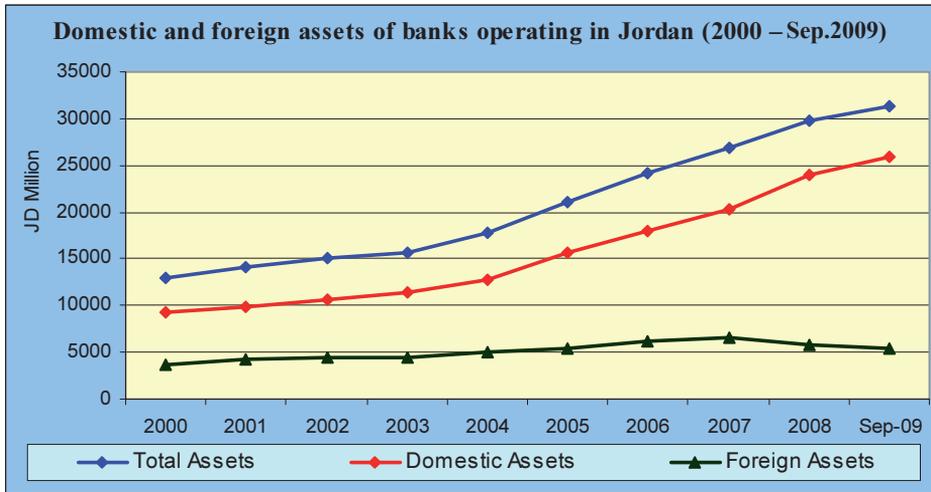
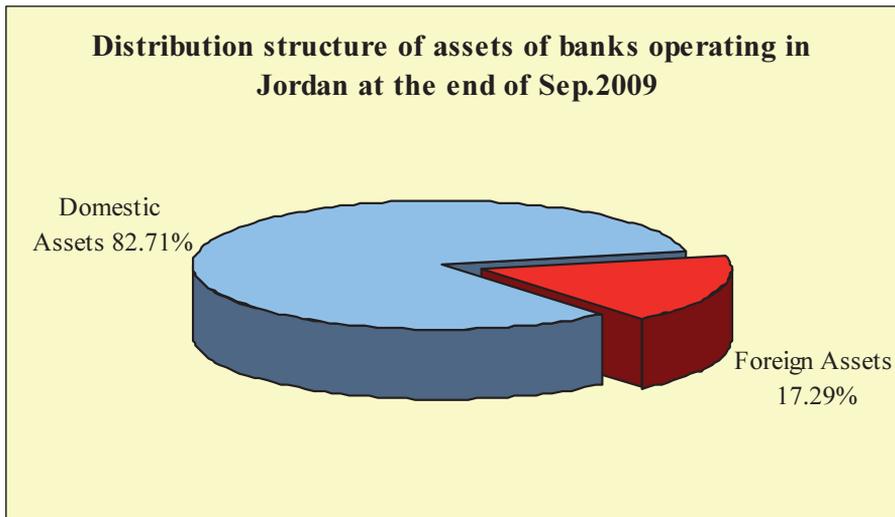


Chart (11)



- Development of capital, reserves and allowances

The considerable growth in capital, reserves and provisions of licensed banks in Jordan since the year 2000 until September 2009 points to one of the most important indicators of the strength and soundness of the Jordanian banking sector because that directly enhances the financial capabilities of banks and boosts their competence to counter various risks and, consequently, provide better protection to depositors.

The capital, reserves and allowances account went up, from the year 2000 until

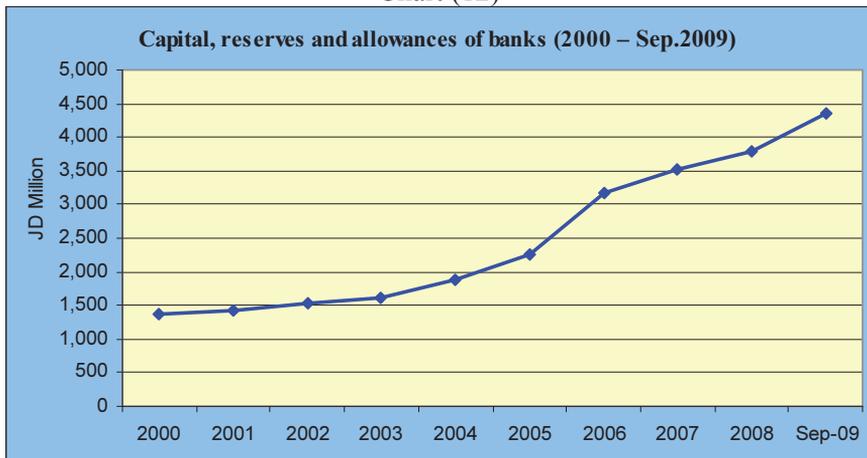
the end of the third quarter of 2009, by around JD3 billion at a average growth rate of 13.14 percent annually. This growth markedly accelerated starting 2004 until 2006 when the average growth in capital, reserves and provisions account of banks operating in Jordan peaked at 41.3 percent, approximately JD931 million higher than the level in 2005. It should be noted here that the main reasons for the growth in this account was the central bank's request to Jordanian banks on 20-8-2003 to raise their minimum capital from JD20 million to JD40 million by the end of 2007. All the banks, except for one, were able to increase their capitals to more than JD40 million in 2005 and 2006 before the 2007 deadline.

Table (8)
Development of capital, reserves and allowances (2000 – Sep.2009)

year	Capital, reserves and provisions of banks	Growth Rate %
	JD Million	
2000	1,377.9	4.66%
2001	1,436.2	4.23%
2002	1,545.1	7.58%
2003	1,623.2	5.05%
2004	1,874.3	15.47%
2005	2,252.6	20.18%
2006	3,183.3	41.32%
2007	3,523.0	10.67%
2008	3,803.5	7.96%
Sep-09	4,345.3	14.24%

Source: Central Bank of Jordan

Chart (12)



- Development of credit facilities

a) Development of credit facilities extended by banks operating in Jordan in Jordanian dinars and in foreign currencies:

- The overall balance of credit facilities extended by banks operating in Jordan increased from JD4.6 billion in 2000 to JD13.2 billion at the end of September 2009. The JD8.6 billion rise represents a 187 percent surge at an annual growth rate of 12.89 percent.

- Credit facilities extended by banks operating in Jordan in Jordanian dinars went up from JD3.9 billion in 2000 to JD11.6 billion at the end of September 2009. The JD7.7 billion rise represents a 197 percent surge at an annual growth rate of 13.3 percent. Credits in foreign currencies increased by the equivalent of JD929 million at an annual average growth of 12 percent.

- Credit facilities in local currency at the end of September 2009 represented 88.3 percent of the overall credit facilities extended by banks operating in Jordan. Credit facilities in foreign currencies represented around 11.7 percent of total credits. facilities from 13.4 percent in 2000 to 13.2 percent as of the end of August 2008 to the gross domestic product at current market prices from 75.8 percent in 2000 to 96.4 percent in 2007.

- The continued growth in the percentage of credit facilities to the gross domestic product (GDP) can be well noticed especially in the last years as it exceeded the 85 percent mark of GDP. This substantiates the importance of the banking system in the Jordanian economy.

Table (9)

Total credit facilities extended by banks operating in Jordan and its ratio to GDP (2000 – Sep.2009)

year	Total Credit Facilities	Domestic Credit Facilities		Foreign Credit Facilities		percentage change of Total Credit facilities %	Total Credit Facilities/GDP %
	JD Million	JD Million	In percent of Total Credit Facilities(%)	JD Million	In percent of Total Credit Facilities(%)		
2000	4,546.5	3,936.8	86.59%	609.7	13.41%	1.80%	75.80%
2001	4,948.9	4,251.9	85.92%	697.0	14.08%	8.90%	77.77%
2002	5,130.0	4,311.9	84.05%	818.1	15.95%	3.70%	75.51%
2003	5,262.4	4,333.0	82.34%	929.4	17.66%	2.60%	72.80%
2004	6,189.2	5,227.9	84.47%	961.3	15.53%	17.60%	76.61%
2005	7,744.3	6,887.4	88.94%	856.9	11.06%	25.10%	86.77%
2006	9,761.9	8,761.8	89.76%	1,000.1	10.24%	26.10%	94.07%
2007	11,295.6	10,199.7	90.30%	1,095.9	9.70%	15.71%	93.69%
2008	13,044.3	11,370.1	87.17%	1,674.2	12.83%	17.39%	86.63%
Sep-09	13,163.9	11,625.4	88.31%	1,538.5	11.69%	0.92%	

Source: Central Bank of Jordan

Chart (13)

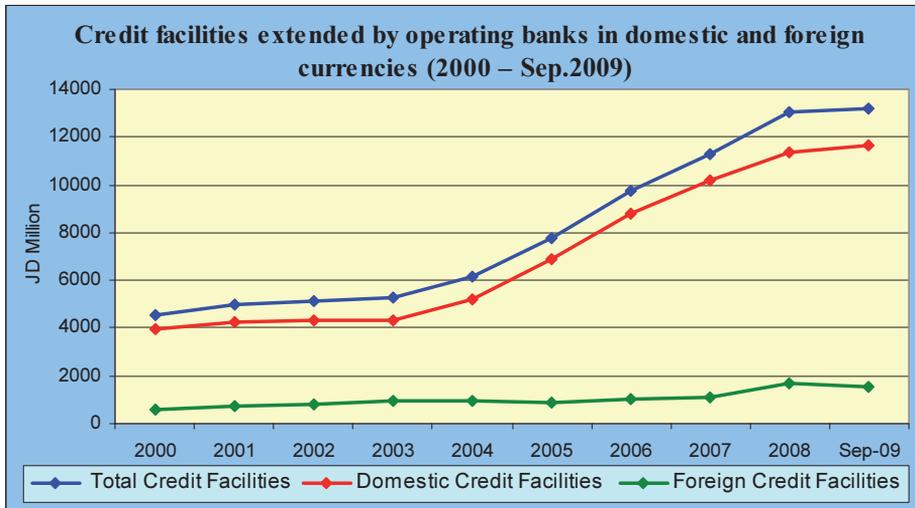
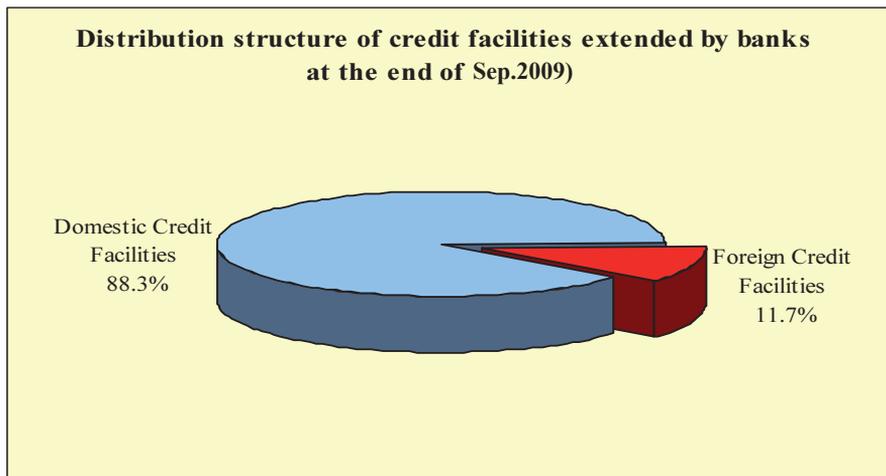


Chart (14)



b) Development of credits according to type

- The rate of loans to total facilities went up progressively from the year 2000 until September 2009 climbing from 59.6 percent in 2000 to 85 percent at the end of September 2009. This rise reflects the fact that retail banking is gaining more ground in the operations of banks operating in Jordan
- The rate of overdrafts and advances under current accounts to overall credits declined markedly dropping from 31.2 percent in the year 2000 to 12.6 percent at the end of September 2009. The rate of promissory notes also dropped from 9.1 percent in 2000 to 2.4 percent at the end of September 2009.

Table (10)

Development of types of credit facilities extended by licensed banks (2000 – Sep.2009)

year	Overdraft		Loans & Advances		Bills Discounted		Total
	JD Million	%	JD Million	%	JD Million	%	
2000	1419.8	31.20	2711.4	59.60	415.3	9.10	4546.5
2001	1368.2	27.60	3115.1	62.90	465.3	9.40	4948.6
2002	1304.2	25.40	3428.6	66.80	397.2	7.70	5130
2003	1304.7	24.80	3620.5	68.80	337.2	6.40	5262.4
2004	1343.4	21.70	4499.6	72.70	346.2	5.60	6189.2
2005	1572.9	20.30	5813.9	75.10	357.5	4.60	7744.3
2006	1580.5	16.20	7722.1	79.10	459.3	4.70	9761.9
2007	1658.6	14.68	9199.8	81.45	437.2	3.87	11295.6
2008	1769.6	13.60	10859	83.2	415.7	3.2	13044.3
Sep-09	1652.8	12.60	11196.5	85.0	314.6	2.4	13163.9

Source: Central Bank of Jordan

Chart (15)

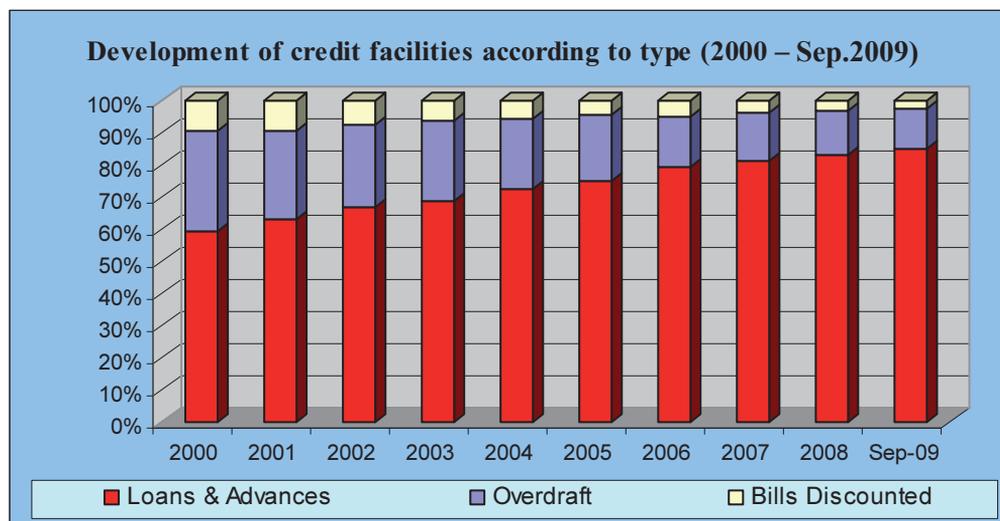
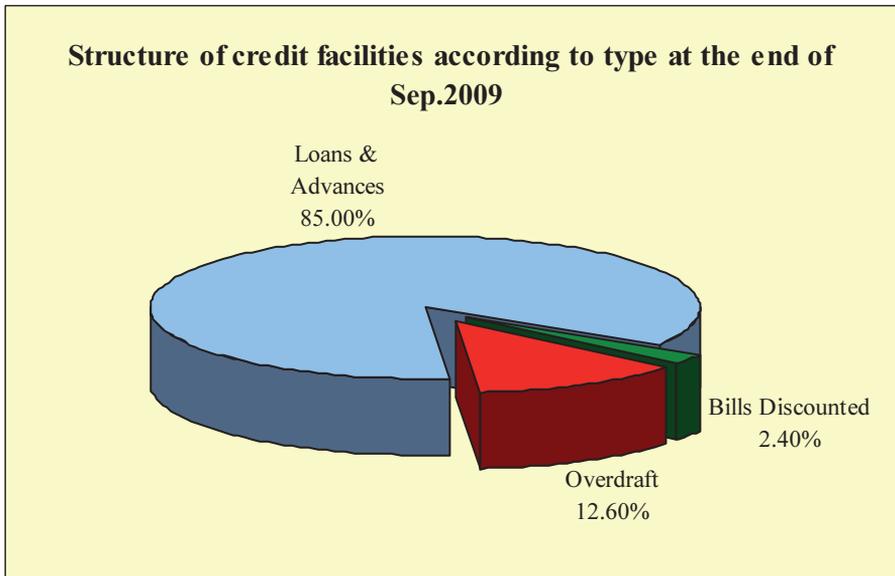


Chart (16)



c) Distribution of credits on economic sectors

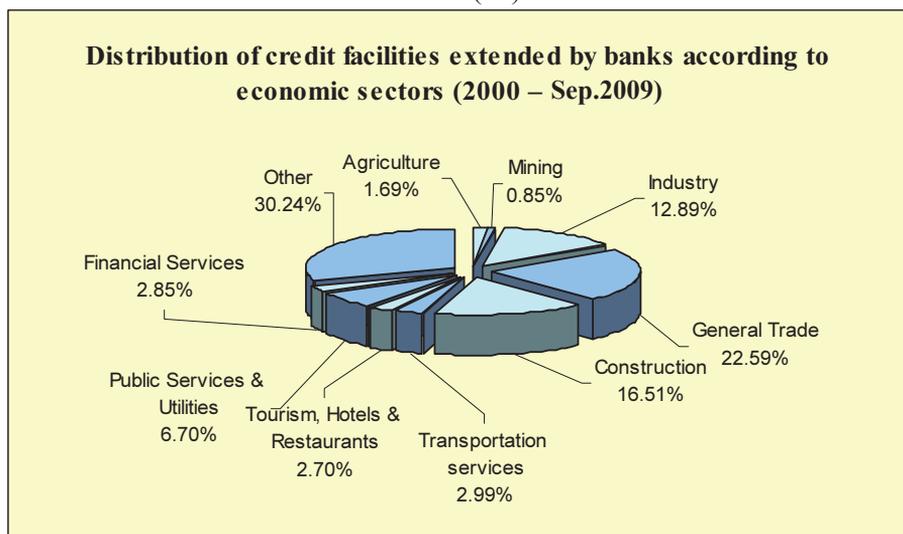
Three main economic sectors (general trade, construction and industry) accounted for 52 percent of the credit facilities extended by banks operating in Jordan during the 2000- September 2009 period. 22.6 percent went for general trade, 16.5 percent benefited the construction sector and 12.9 percent was the share for industry. The mining, agriculture, financial services, transport services and tourism sectors did not get more than 17.8 percent of the total facilities extended by banks between 2000 and September 2009. The remaining 30.2 percent of the total facilities were “other credits.”

Table (11)
 Distribution of credit facilities extended by licensed banks over economic sectors
 (2000 – Sep.2009)

Sectors	JD Million									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	Sep.2009
Agriculture	128	105.5	102.9	98.8	113.6	110.9	140.9	156.2	210	203.7
Mining	100.7	77.7	95.3	78	77.7	56.5	42.8	65.7	48.3	50.3
Industry	683.4	728.6	789.8	801.4	895.3	981.6	1093.1	1348.1	1597.6	1529.3
General Trade	1112.5	1206.1	1250.9	1327.3	1472.9	1585	1916.6	2434.7	2897.5	3110.8
Construction	744.9	728.9	764.9	804.5	953.2	1162.1	1560.8	1942.1	2293.1	2431.9
Transportation services	134.2	132.1	163.6	166.6	174.1	219.6	291	352.3	370.5	424.3
Tourism, Hotels & Restaurants	155.2	171	173.5	172.8	154.9	181.2	195.1	255.8	366.6	361.5
Public Services & Utilities	240	326.4	349.7	349	494.3	554.1	637.3	733.7	870.3	875.8
Financial Services	152.8	150.9	139.7	133.1	97.2	176.1	242.1	390.1	437.7	389.1
Other	1094.8	1321.7	1299.7	1330.9	1756	2717.2	3642.2	3616.9	3952.7	3787.2

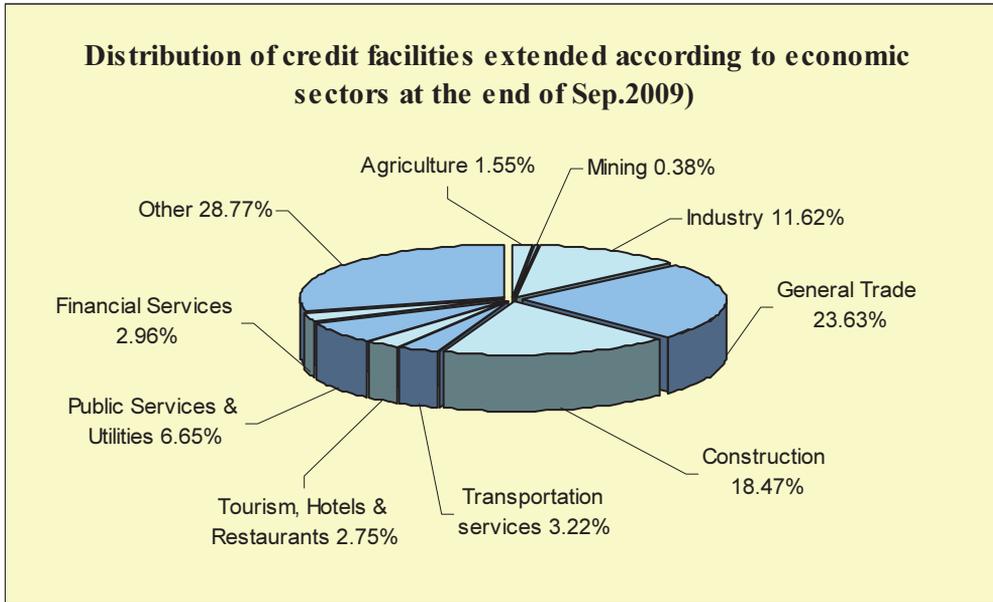
Source: Central Bank of Jordan

Chart (17)



* Rates shown in this chart were computed by adding all credit facilities extended to each sector from the year 2000 until September 2009 and then dividing the resulting amount by the total credits extended during the same period

Chart (18)



- Development of deposits

a) Deposits in Jordanian dinars and in foreign currencies:

The balance of deposits at the banks operating in Jordan rose gradually between 2000 and September 2009 from JD8.2 billion in 2000 to JD19.7 billion at the end of September 2009. The JD11.5 billion increase or 139.1 percent translates into a 10.2 percent annual growth rate. The percentage of deposits at the banks to the gross domestic product at current market prices slipped from 137.1 percent in 2000 to 120.22 percent at the end of 2008.

Regarding the structure of deposits by currency, the rate of local currency deposits to total deposits rose from 60.8 percent in 2000 to 77.4 percent at the end of September 2009. This progressive and noticeable growth in this rate began to show since 2005. The rate of foreign currency deposits to total deposits regressed considerably from 39.2 percent in 2000 to 22.6 percent at the end of September 2009. It is clear that the structural change of the deposits was in favor of deposits in Jordanian dinars, indicating the attractiveness of the Jordanian dinar as a saving currency.

Table (12)
Total deposits at banks operating in Jordan and its ratio to GDP (2000 – Sep.2009)

Year	Total Deposits		Domestic Deposits		Foreign Deposits		percentage change of Total Deposits %	In percent of Total Deposits (%)
	JD Million	JD Million	In percent of Total Deposits (%)	JD Million	In percent of Total Deposits (%)			
2000	8224.5	5000.2	60.80	3224.3	39.20	6.04	137.11	
2001	8721.3	5203.7	59.67	3517.6	40.33	7.41	137.06	
2002	9367.7	5532.6	59.06	3835.1	40.94	6.42	137.88	
2003	9969.4	6082.9	61.02	3886.5	38.98	16.00	137.91	
2004	11564.1	6878.7	59.48	4685.4	40.52	13.45	143.14	
2005	13119.3	8364.5	63.76	4754.8	36.24	11.22	146.99	
2006	14591.9	9427.1	64.61	5164.8	35.39	9.57	140.61	
2007	15988.1	10618.0	66.41	5370.1	33.59	13.23	132.61	
2008	18102.6	13013.6	71.83	5103.8	28.17	8.62	120.22	
Sep-2009	19662.9	15217.0	77.39	4445.9	22.61	6.04	-	

Source: Central Bank of Jordan

Chart (19)

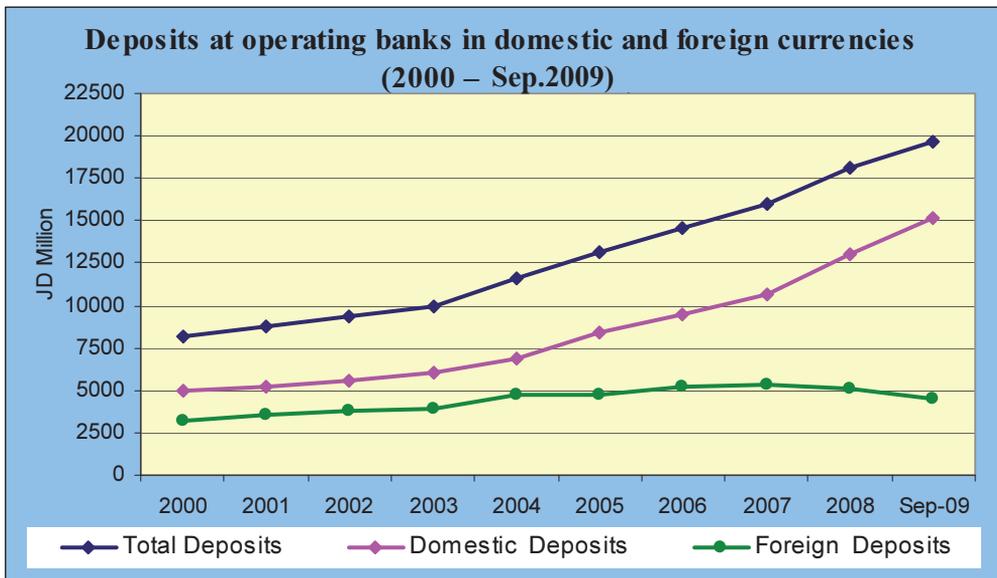
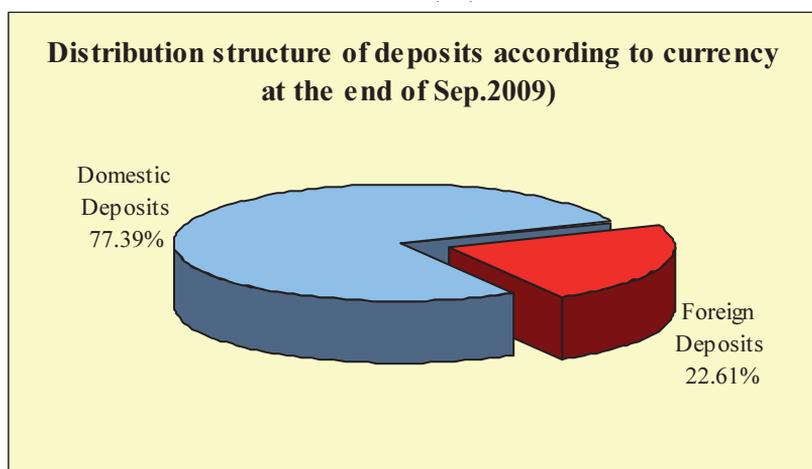


Chart (20)



b) Development of deposits according to type

The structure of deposits in terms of type changed significantly during the 2000-September 2009 period. The percentage of demand deposits to total deposits increased from 16 percent in 2000 to 25.9 percent as of the end of September 2009 whereas the time deposits dropped from 72.2 percent in 2000 to 61.7 percent as of the end of September 2009. Savings edged up slightly to 12.4 percent at the end of September 2009 compared to 11.8 percent in the year 2000.

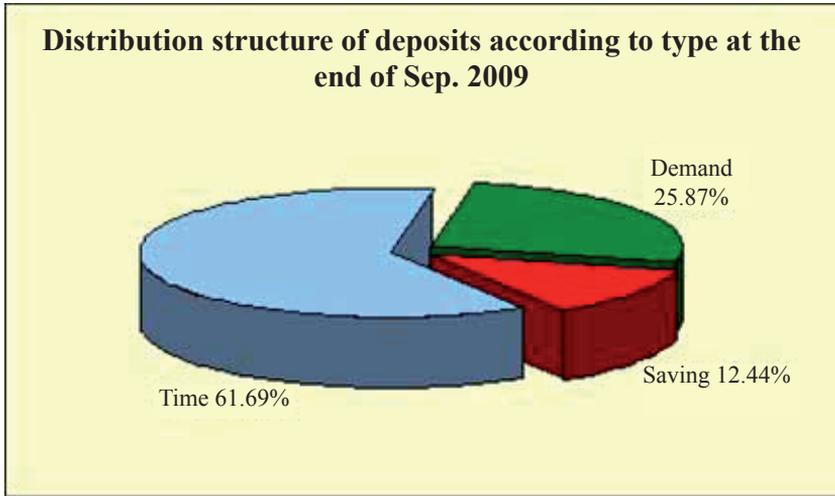
Table (13)

Development of types of deposits at banks operating in Jordan (2000 – Sep.2009)

year	Demand		Saving		Time		Total
	JD Million	%	JD Million	%	JD Million	%	
2000	1313.7	15.97	970.8	11.80	5940	72.22	8224.5
2001	1529.3	17.54	1067.2	12.24	6124.8	70.23	8721.3
2002	1920.4	20.50	1233.8	13.17	6213.5	66.33	9367.7
2003	2338.8	23.46	1510.6	15.15	6120	61.39	9969.4
2004	3244.1	28.05	1828.6	15.81	6491.4	56.13	11564.1
2005	3674.4	28.01	1956.6	14.91	7488.3	57.08	13119.3
2006	3835.4	26.28	1997.1	13.69	8759.4	60.03	14591.9
2007	4001.9	25.03	2002.9	12.53	9983.3	62.44	15988.1
2008	4512	24.92	2143.6	11.84	11447	63.23	18102.6
Sep-2009	5086.4	25.87	2445.5	12.44	12131	61.69	19662.9

Source: Central Bank of Jordan

Chart (21)



- Indicators of financial soundness of the Jordanian banking system.

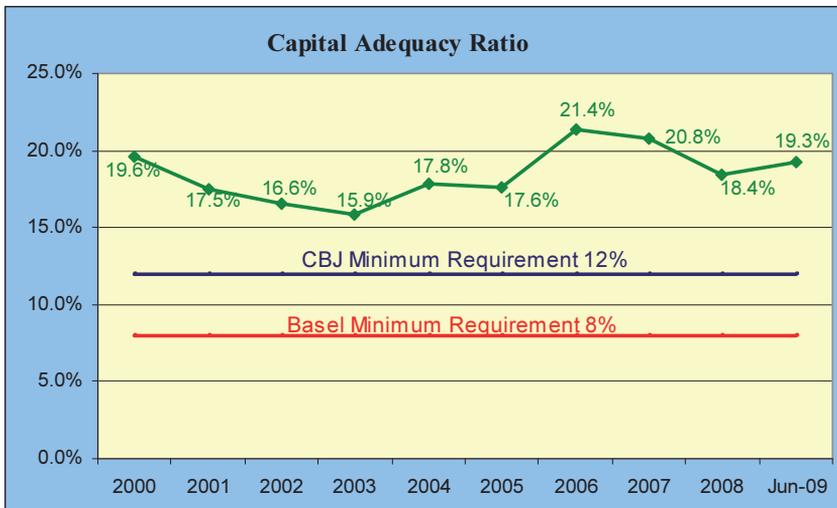
1- Capital adequacy ratio

This ratio measures the extent of capital sufficiency held by the bank to confront the risks it may face. According to the instructions of the Central Bank of Jordan, the regular capital should not be less than 12 percent of assets and off balance sheet items weighted by risks as well as market risks. This rate is considered the minimum for capital adequacy. The rate's numerator comprises the bank's regular capital which includes (the paid-up capital, reserves, retained earning/ losses and other items such as supporting debts, the accumulated change in the fair value of shares available for sale and the reserve of general banking risks after excluding the bank's investments in the capital of other banks and financial companies). The denominator comprises the credit risks that include (assets and off-balance sheet items weighted by proper risks) and market risks.

Despite the fluctuations of this rate between 2000 and June 2009, it remained throughout the period within a comfortable range above the 12 percent minimum set by the central bank and the eight percent minimum set by the Basel Committee. This rate reached its lowest level at the end of 2003 when the average for all banks stood at 15.9 percent. The highest level was reached at the end of 2006 when it stood at 21.4 percent. This noticeable increase was mainly the result of banks raising their capital during 2006 and the posting of higher profits which reflected positively on the capital adequacy of banks. By maintaining a comfortable margin of capital adequacy that is above the minimum

required by the central bank and the Basel Committee, during the 2000- June 2009 period; banks have asserted holding enough capital to face risks despite the big expansion in the usage of funds, especially in credit extension. This strengthens the stability of the banking system in particular and the financial stability in general.

Chart (22)

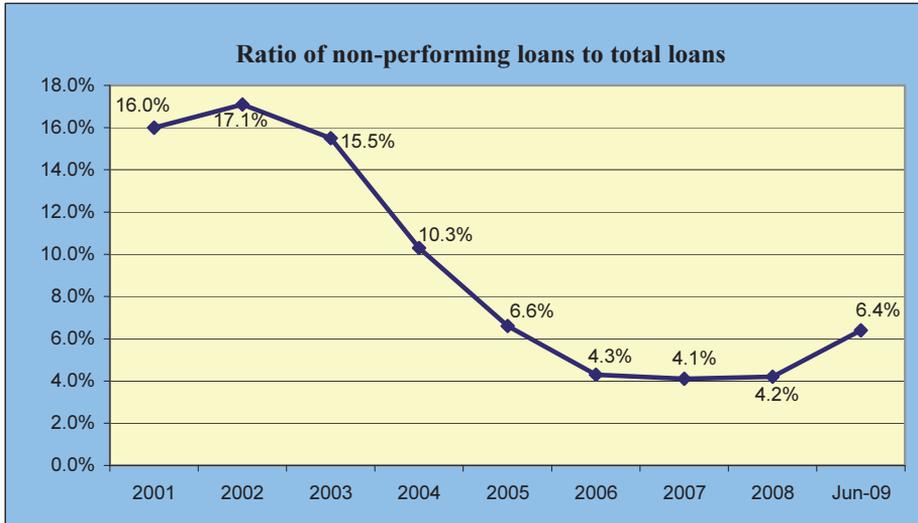


2- Percentage of non-performing loans/ total loans

The regulations of the Central Bank define non-performing loans as the loans that have been due for 90 days or more. The percentage of net non-performing loans/ total loans has dropped from 17.1 percent at the end of 2002 to the lowest level in 2007 when it reached 4.1 percent. This drop in the rate resulted from several factors most important of which is the improvement in the Kingdom's economic performance which reflected positively on the capabilities of clients to repay their obligations. Other factors were the higher efficiency of banks in managing their assets and collecting their dues besides another significant step namely the write-offs by banks of non-performing loans for which full provisions have been taken.

This rate, however, moved higher to 4.2 percent in 2008 and further to 6.4 percent during the first half of 2009 reflecting the impact of the international financial crisis which caused a slowdown in most economic sectors in Jordan and prompted a number of borrowers to delay repaying their obligations to banks.

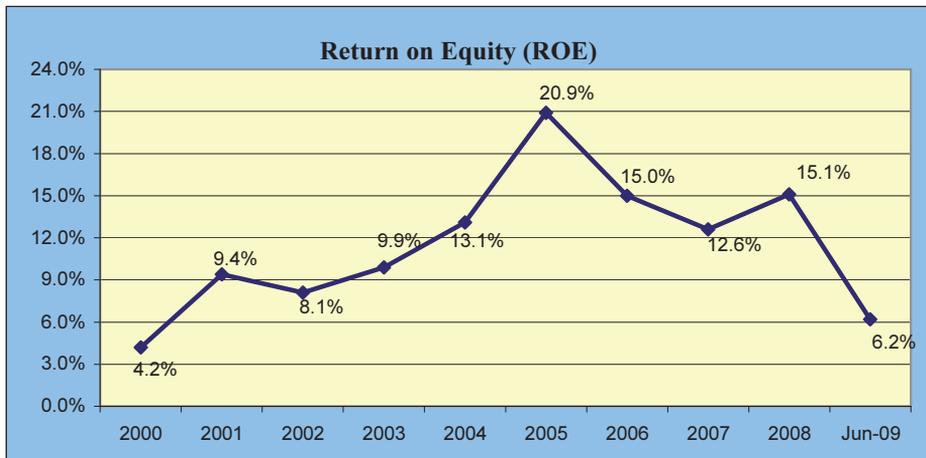
Chart (23)



3- Return on equity

As a result of continued growth in banks' profits, this ratio went up from 4.2 percent at the end of 2000 to the highest level of 20.9 percent at the end of 2005. Due to a rise in the shareholders' equity of banks, this ratio fell back to 15.0 percent in 2006 and 12.6 percent in 2007 before improving slightly to 15.1 percent in 2008. But the international financial crisis and its repercussions on the Jordanian economy pulled back the return on equity ratio down to 6.2 percent during the first half of 2009.

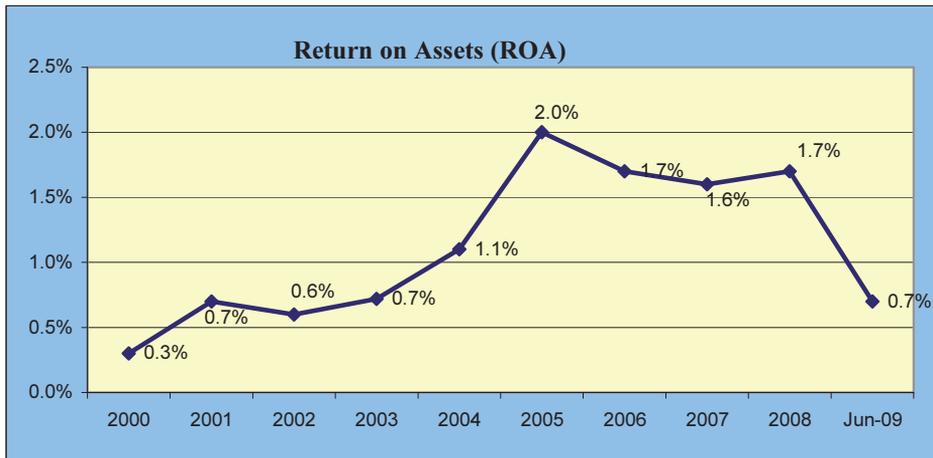
Chart (24)



4- Return on assets

The return on assets also reached its highest level at the end of 2005 when it stood at two percent before declining slightly at the end of 2006 to 1.7 percent because the growth in the assets of banks was higher than the profits. It further dropped to 1.6 percent at the end of 2007. The return on assets showed some improvement in 2008 by reaching 1.7 percent again but before long regressed to 0.7 percent in the first half of 2009 due to the financial crisis and its consequences.

Chart (25)

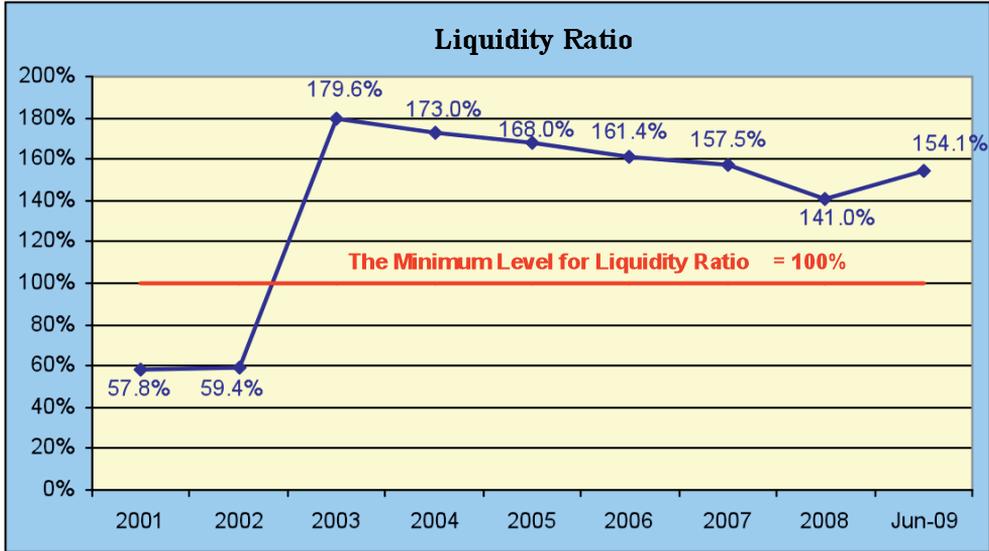


5- Liquidity

The legal liquidity ratio measures the liquid assets available at the bank against its obligations that are due. At the end of 2003, the legal liquidity ratio of Jordanian banks reached the highest level of 179.6 percent before going down continuously to 141.0 percent at the end of 2008. The percentage edged up slightly in the first half of 2009 to 154.1 percent. From 2003 until now, the liquidity ratio is considered much higher than the 100 percent minimum required by the central bank. The decline in liquidity ratio during the past six years can be explained as being a result of banks' continued expansion of credit facilities (which are not considered liquid assets) at the expense of cash balances and other liquid assets. It is worth mentioning that, in general, a big increase in the liquidity ratios reflects inefficiency of banks in utilizing their resources of funds. Whereas, a big drop is considered a negative indicator reflecting high liquidity risks. Consequently, banks have to balance between security, liquidity and profitability giving priority to security and liquidity over profitability. In this regard, the central bank, through its control over the banking system, focuses on sound management of liquidity by stressing the instructions

issued in 2000 on liquidity based on maturity ladder. These instructions take into consideration balancing the tenures between the resources of funds and its uses without depending on fluctuating and short term resources of funds to finance long term assets.

Chart (26)



Fourth

Islamic banks operating in Jordan

- **Islamic banks' share of assets**
- **Islamic banks' share of deposits**
- **Islamic banks' share of credit facilities**

Fourth: Islamic banks operating in Jordan

Two Islamic banks operate in Jordan and both are Jordanian

- Islamic banks' share of assets

Data shown in table 14 indicate that Islamic banks' share of total assets of banks operating in Jordan went up from 7.59 percent in 2000 to the highest level of 10.71 percent at the end of 2008. This increase in the share of Islamic banks brought about a reduction in the share of assets of commercial banks operating in Jordan from 92.41 percent in 2000 to 89.29 percent at the end of 2008

Table (14)

Distribution of the assets of the banking system between the commercial banks and the Islamic banks (2000 – 2008)

year	Assets of Commercial banks/total assets %	Assets of Islamic banks/total assets %
2000	92.41	7.59
2001	92.28	7.72
2002	91.35	8.65
2003	90.14	9.86
2004	90.53	9.47
2005	91.13	8.87
2006	91.18	8.82
2007	92.00	8.00
2008	89.29	10.71

Source: Banks in Jordan

Chart (27)

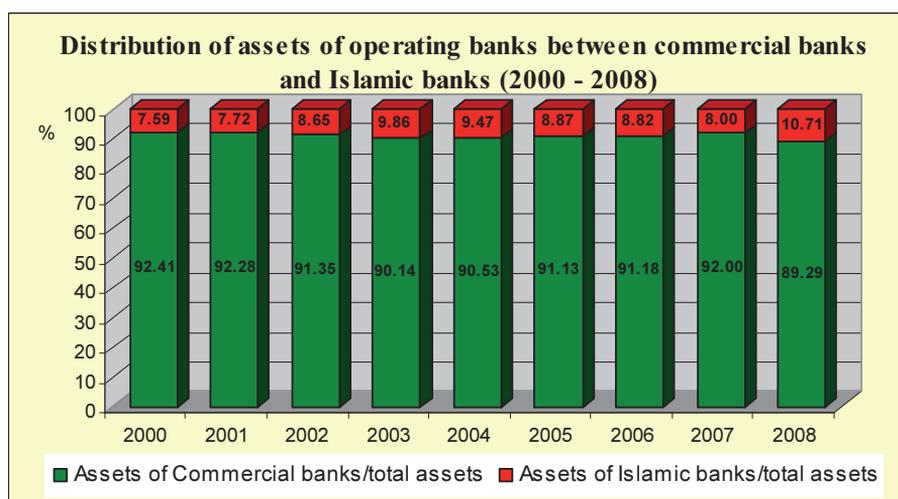
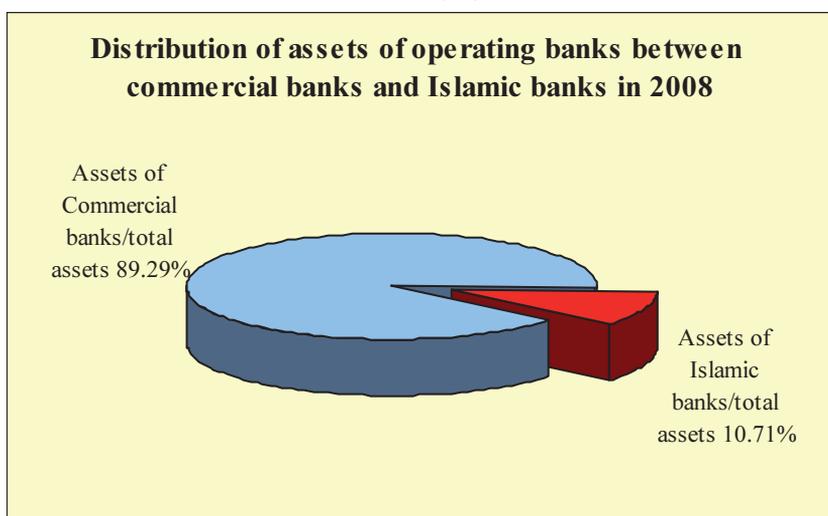


Chart (28)



- Islamic banks' share of deposits

Islamic banks' share of total deposits of banks operating in Jordan increased from 7.33 percent in 2000 to the highest level of 11.91 percent at the end of 2008. Conversely, the share of commercial banks' deposits to overall deposits of banks operating in Jordan declined from 92.67 percent in 2000 to 88.09 percent at the end of 2008.

Table (15)

Distribution of the deposits at the banking system between the commercial banks and the Islamic banks (2000 – 2008)

Year	Deposits of Commercial banks/total deposits %	Deposits of Islamic banks/total deposits %
2000	92.67	7.33
2001	93.34	6.66
2002	91.31	8.69
2003	89.82	10.18
2004	90.10	9.90
2005	90.60	9.40
2006	96.40	3.60
2007	94.00	6.00
2008	88.09	11.91

Source: Banks in Jordan

Chart (29)

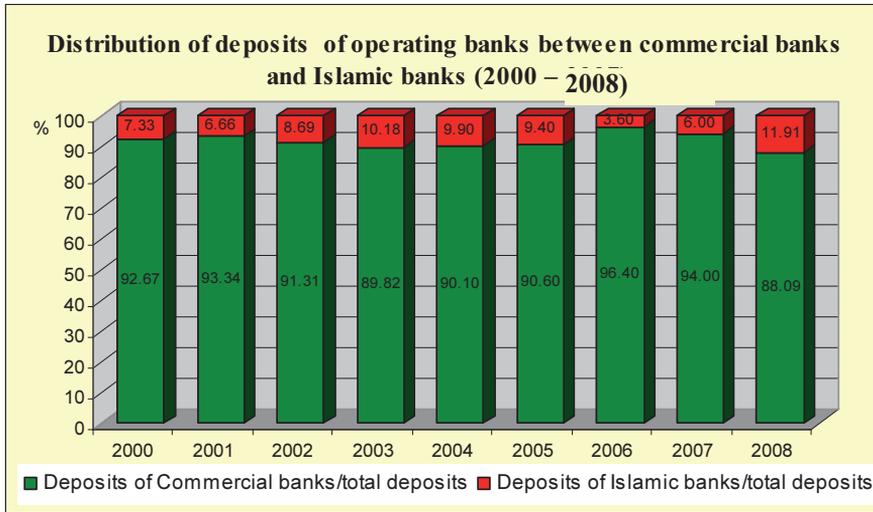
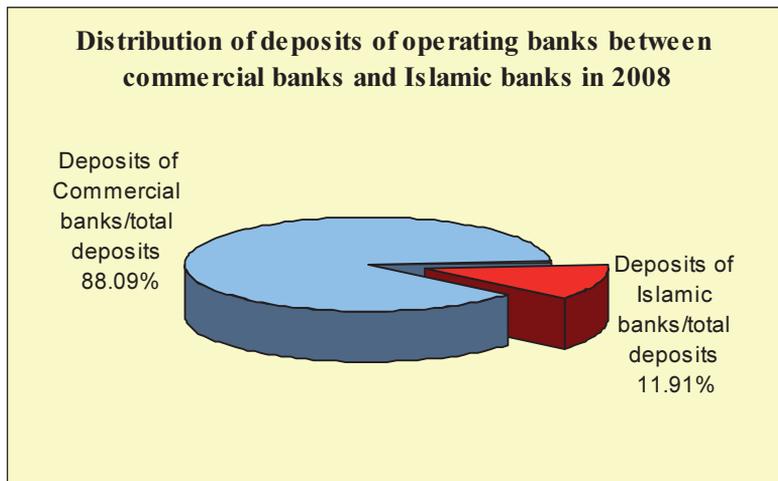


Chart (30)



- Islamic banks' share of credit facilities

Data shown in table 16 indicate that Islamic banks' share of total credit facilities extended by banks operating in Jordan rose markedly from 7.68 percent in 2000 to the highest level of 13.54 percent at the end of 2008, a 76.3 percent growth rate. This increase in the share of Islamic banks yielded a reduction in the share of credits of commercial banks from 92.32 percent in 2000 to 86.46 percent at the end of 2008.

Table (16)

Distribution of the credit facilities extended by the banking system between the commercial banks and the Islamic banks (2000 – 2008)

Year	Credit facilities of Commercial banks/total Credit facilities %	Credit facilities of Islamic banks/ total Credit facilities %
2000	92.32	7.68
2001	92.77	7.23
2002	91.83	8.17
2003	91.38	8.62
2004	91.28	8.72
2005	91.69	8.31
2006	91.67	8.33
2007	92.00	8.00
2008	86.46	13.54

Source: Banks in Jordan

Chart (31)

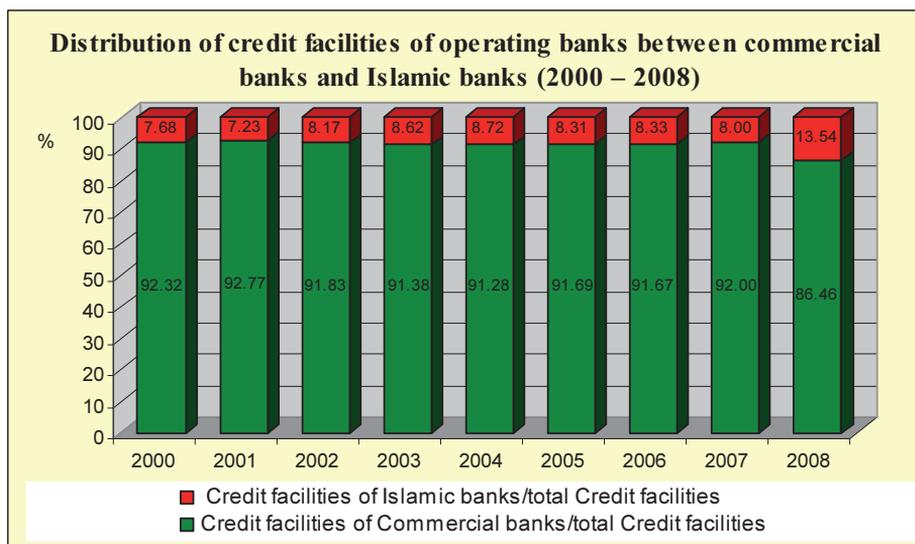
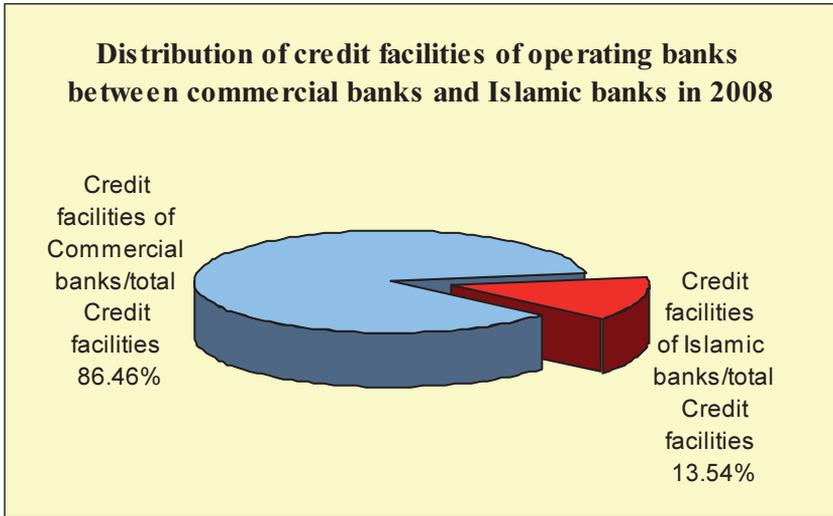


Chart (32)



Fifth

Foreign banks operating in Jordan

- **Non-Jordanian (foreign) banks' share of assets**
- **Non-Jordanian (foreign) banks' share of deposits**
- **Non-Jordanian (foreign) banks' share of credit facilities**

Fifth: Foreign banks operating in Jordan

The number of foreign banks operating in Jordan rose from five banks in the year 2000 to eight banks at the end of September 2008. These banks consist of five Arab banks and three foreign banks

- Non- Jordanian (foreign) banks' share of assets

The foreign banks' share of total assets of banks operating in Jordan increased from 10.04 percent in the year 2000 to the highest level of 11.14 percent at the end of 2008. Conversely, the assets of Jordanian banks represented around 88.86 percent at the end of 2008.

Table (17)

Distribution of the assets of the banking system between Jordanian banks and non-Jordanian banks (2000 – 2008)

Year	Assets of Jordanian banks/total assets %	Assets of non-Jordanian banks/ total assets %
2000	89.96	10.04
2001	91.03	8.97
2002	89.43	10.57
2003	91.78	8.22
2004	90.71	9.29
2005	90.56	9.44
2006	90.02	9.98
2007	91.00	9.00
2008	88.86	11.14

Source: Banks in Jordan

Chart (33)

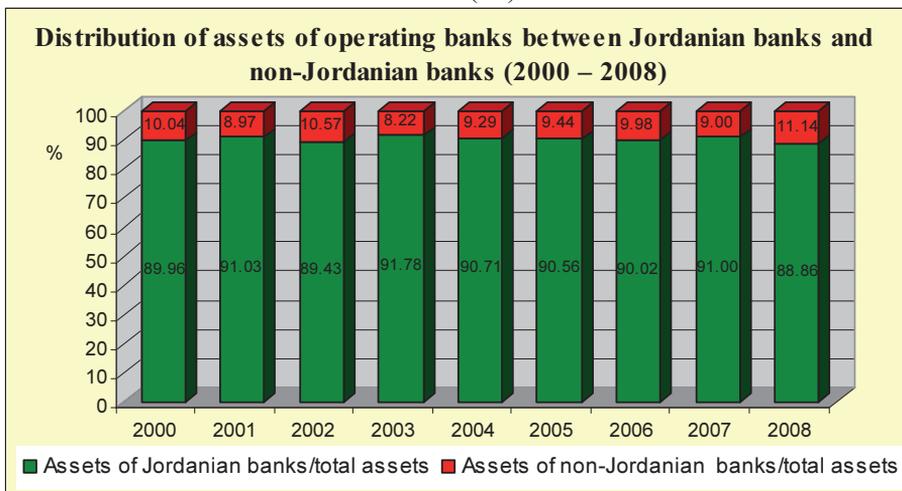
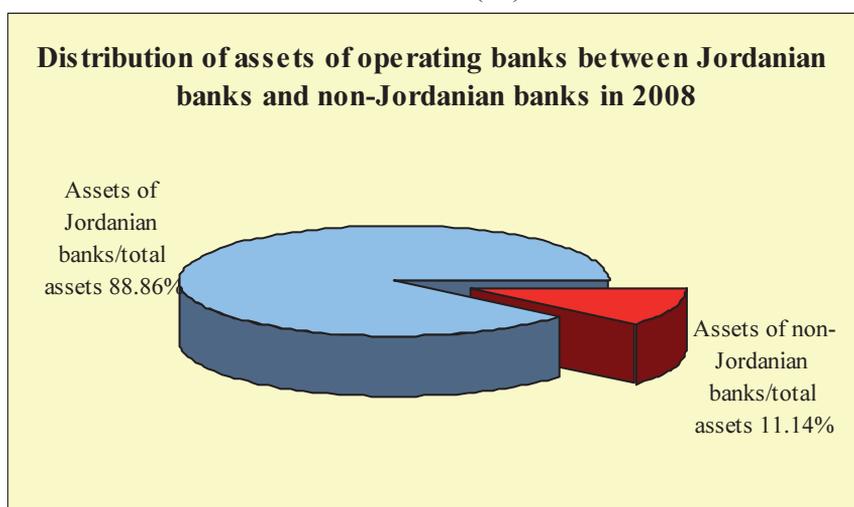


Chart (34)



- Non- Jordanian (foreign) banks' share of deposits

The foreign banks' share of total deposits of banks operating in Jordan increased from 10.03 percent in the year 2000 to 11.14 percent at the end of 2008. Conversely, the deposits of Jordanian banks represented around 88.86 percent at the end of 2008.

Table (18)

Distribution of the deposits at the banking system between Jordanian banks and non-Jordanian banks (2000 – 2008)

Year	Deposits of Jordanian banks/total deposits %	Deposits of non-Jordanian banks/total deposits %
2000	89.97	10.03
2001	91.06	8.94
2002	89.49	10.51
2003	92.12	7.88
2004	91.41	8.59
2005	90.74	9.26
2006	88.58	11.42
2007	89.00	11.00
2008	88.86	11.14

Source: Banks in Jordan

Chart (35)

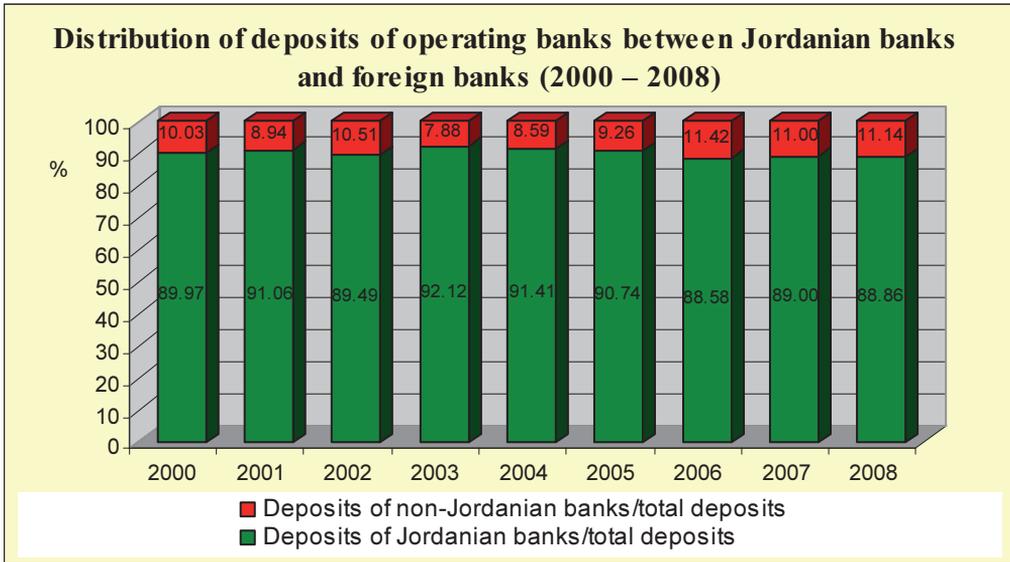
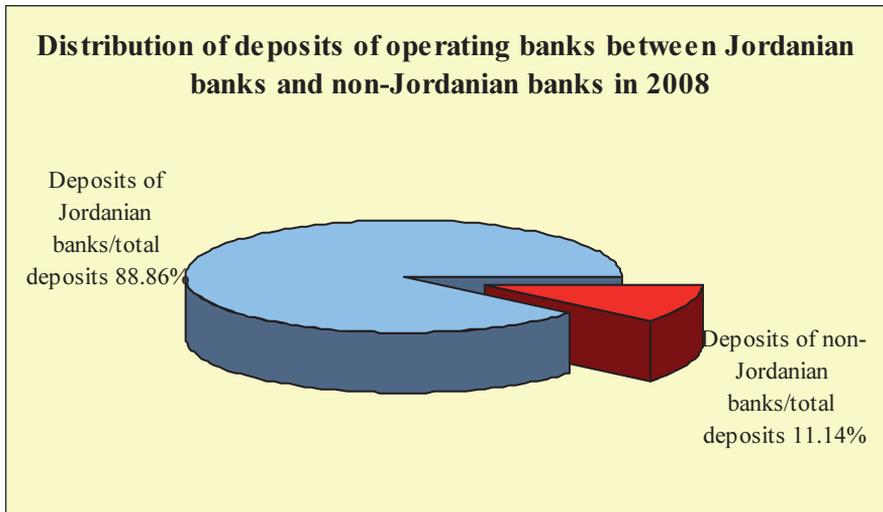


Chart (36)



- Non- Jordanian (foreign) banks’ share of credit facilities

The rate of credit facilities extended by foreign banks fluctuated widely between 2000 and 2008. The highest level was reached in 2007 with a 14.0 percent of the overall balance of credits extended by the banking system. The rate, however, regressed falling back to 10.66 percent at the end of 2008.

Table (19)

Distribution of the credit facilities extended by the banking system between Jordanian banks and non-Jordanian banks (2000 – 2008)

Year	credit facilities of Jordanian banks/total credit facilities %	credit facilities of non-Jordanian banks/total credit facilities %
2000	90.00	10.00
2001	92.05	7.95
2002	90.80	9.20
2003	91.26	8.74
2004	91.22	8.78
2005	91.31	8.69
2006	90.61	9.39
2007	86.00	14.00
2008	89.34	10.66

Source: Banks in Jordan

Chart (37)

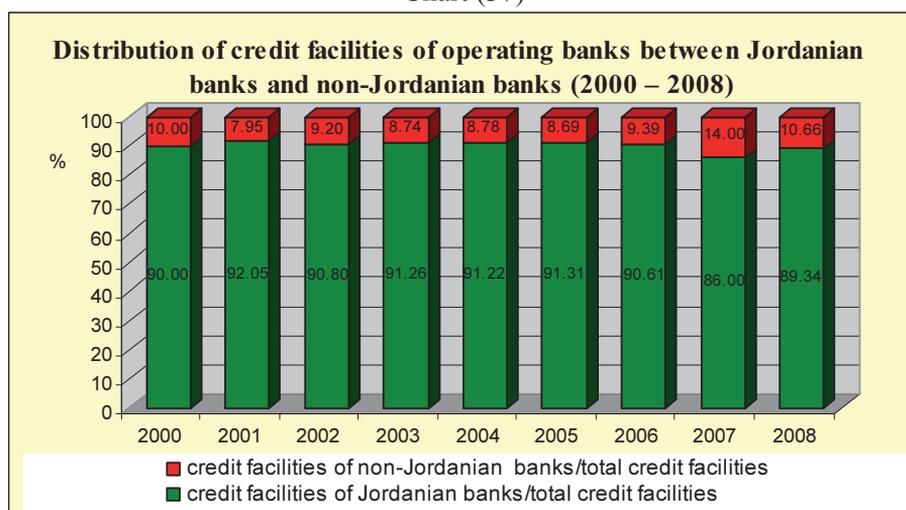
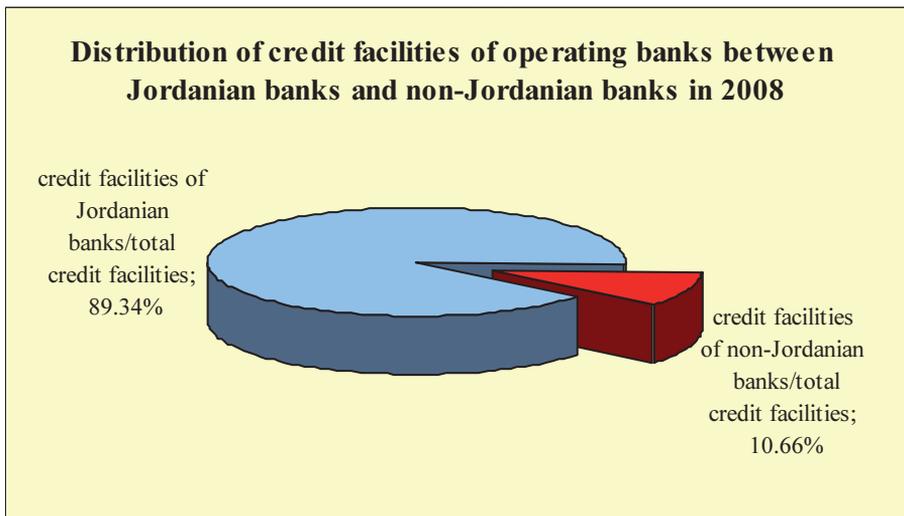


Chart (38)



Sixth
Banking concentration

- **Concentration of assets**
- **Concentration of deposits**
- **Concentration of credit facilities**

Sixth: Banking concentration

Banking concentration is measured by calculating the shares of the largest three banks in terms of total assets, deposits and credit facilities. (Studies show that if the rate of concentration of the largest three banks is more than 40 percent, than there is a state of monopoly in the banking sector). According to data available on Jordan, the concentration rate has noticeably declined during the past decade, signaling a higher degree of competition in the Jordanian banking system.

- Concentration of assets:

The largest three banks' share of the total assets of licensed banks declined from 53.2 percent in 2000 to 47.7 percent in 2008.

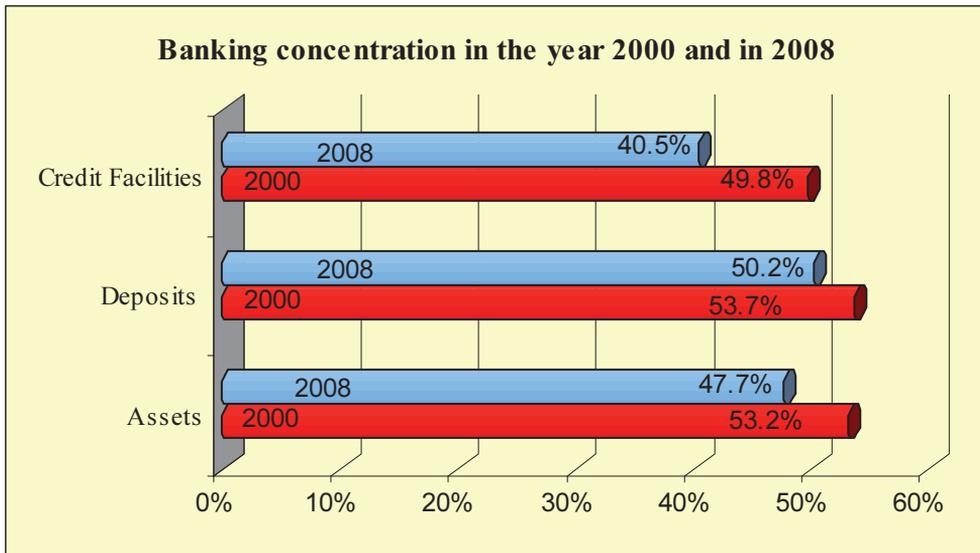
- Concentration of deposits:

The largest three banks' share of the total deposits of licensed banks went down from 53.7 percent in 2000 to 50.2 percent in 2008.

- Concentration of credit facilities:

The largest three banks' share of the total credit facilities extended by licensed banks fell from 49.8 percent in 2000 to 40.5 percent in 2008.

Chart (39)



Seventh
Ranking of banks according to some financial indicators in
2008

- Ranking of banks according to total assets
- Ranking of banks according to the average return on assets
- Ranking of banks according to total deposits
- Ranking of banks according to total credit facilities
- Ranking of banks according to shareholders' equity
- Ranking of banks according to average return on shareholders' equity
- Ranking of banks according to capital
- Ranking of banks according to pretax profit
- Ranking of banks according to profit after tax
- Ranking of banks according to number of employees
- Ranking of banks according to the average assets per employee
- Ranking of banks according to net profit (before tax) per employee

Ranking of banks according to some financial indicators in 2008

1. Total assets of licensed banks amounted to JD28,735.408 million of which JD22,457.524 million belonged to Jordanian commercial banks (78.15 percent of total assets), JD3,076.650 million to Islamic banks (10.71 percent of total assets) and JD3,201.234 million to foreign banks (11.14 percent of total assets).
2. Return on assets of licensed banks stood at 1.36 percent while for Jordanian commercial banks the rate was 1.39 percent, for Islamic banks 1.36 percent and for foreign banks 1.32 percent.
3. Total deposits of licensed banks amounted to JD22,300.952 million of which JD17,161.375 million belonged to Jordanian commercial banks (76.95 percent of total deposits), JD2,656.212 million to Islamic banks (11.91 percent of total deposits) and JD2,483.365 million to foreign banks (11.14 percent of total deposits).
4. The balance of credit facilities extended by licensed banks amounted to JD12,750.985 million of which JD9667.524 million belonged to Jordanian commercial banks (75.80 percent of total facilities), JD1725.377 million to Islamic banks (13.54 percent of total facilities) and JD1358.084 million to foreign banks (10.66 percent of total facilities).
5. Total shareholders equity of licensed banks amounted to JD3600.341 million of which JD2944.548 million belonged to Jordanian commercial banks (81.79 percent of total shareholders equity), JD253.199 million to Islamic banks (7.03 percent of total shareholders equity) and JD402.954 million to foreign banks (11.20 percent of total shareholders equity).
6. Return on assets of licensed banks stood at 10.68 percent while for Jordanian commercial banks the rate was 10.19 percent, for Islamic banks 15.94 percent and for foreign banks 10.15 percent.
7. Total capital of licensed banks amounted to JD1958.867 million of which JD1561.036 million belonged to Jordanian commercial banks (79.69 percent of total capital), JD154.250 million to Islamic banks (7.88 percent of total capital) and JD243.581 million to foreign banks (12.83 percent of total capital).
8. Total pretax profit of licensed banks amounted to JD553.521 million of which JD423.871 million belonged to Jordanian commercial banks (76.57 percent of total profits), JD61.433 million to Islamic banks (11.10 percent of total profits) and JD68.217 million to foreign banks (12.33 percent of total profits).

9. Total after-tax profit of licensed banks amounted to JD378.647 million of which JD290.681 million belonged to Jordanian commercial banks (76.77 percent of total net profits), JD41.649 million to Islamic banks (11.00 percent of total net profits) and JD46.317 million to foreign banks (12.22 percent of total net profits).
10. Total number of employees at licensed banks totaled 15,878 of whom 12,326 worked at Jordanian commercial banks (77.62 percent of the total number of employees), JD2,024 at Islamic banks (12.75 percent of total number of employees) and 1,528 at foreign banks (9.62 percent of total number of employees).
11. Average assets per employee at licensed banks stood at JD2157.784 thousand per employee while at Jordanian commercial banks the amount was JD1792.12 thousand , at Islamic banks JD2179.51 thousand and at foreign banks 2746.56 thousand.
12. Average net profit per employee at licensed banks stood at JD38.9 thousand per employee while at Jordanian commercial banks the amount was JD33.38 thousand, at Islamic banks JD30.57 thousand and at foreign banks JD49.95 thousand.

1. Ranking of Banks According to Total Assets for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	Assets (JD million)	Ratio to Total Assets %
Arab Bank	1	7189.000	25.02
The Housing Bank for Trade & Finance	2	4528.000	15.76
Jordan Kuwait Bank	3	1772.000	6.17
Jordan Ahli Bank	4	1640.000	5.71
Bank of Jordan	5	1465.450	5.10
Cairo Amman Bank	6	1161.782	4.04
Union Bank	7	1121.894	3.90
Capital Bank	8	919.196	3.20
Jordan Investment & Finance Bank	9	689.000	2.40
Jordan Commercial Bank	10	610.916	2.13
Arab Banking (Corporation) Jordan	11	568.000	1.98
Arab Jordan Investment Bank*	12	516.000	1.80
Societe General _ Jordan	13	276.286	0.96
Total		22457.524	78.15

* 2007 Data

Ranking of Islamic Banks

Bank's Name	Ranking 2008	Assets (JD million)	Ratio to Total Assets %
Jordan Islamic Bank	1	2170.338	7.55
International Islamic Arab Bank	2	906.312	3.15
Total		3076.650	10.71

Ranking of Foreign Banks

Bank's Name	Ranking 2008	Assets (JD million)	Ratio to Total Assets %
HSBC	1	923.000	3.21
Standard Chartered	2	601.800	2.09
Bank Audi	3	431.329	1.50
BLOM Bank	4	346.000	1.20
Egyptian Arab Land Bank	5	330.000	1.15
National Bank of Kuwait	6	213.200	0.74
Citi Bank	7	212.669	0.74
Rafidain Bank	8	143.236	0.50
Total		3201.234	11.14

2. Ranking of Banks According to Average Return on Assets for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	Average return on assets %
Jordan Kuwait Bank	1	2.05
The Housing Bank for Trade & Finance	2	2.05
Bank of Jordan	3	1.90
Arab Banking (Corporation) Jordan	4	1.60
Societe General _ Jordan	5	1.55
Jordan Commercial Bank	6	1.34
Union Bank	7	1.33
Arab Jordan Investment Bank*	8	1.20
Jordan Investment & Finance Bank	9	1.20
Capital Bank	10	1.13
Arab Bank	11	1.10
Cairo Amman Bank	12	1.05
Jordan Ahli Bank	13	0.54
Average		1.39

* 2007 Data

Ranking of Islamic Banks

Bank's Name	Ranking 2008	Average return on assets %
Jordan Islamic Bank	1	1.72
International Islamic Arab Bank	2	1.00
Average		1.36

Ranking of Foreign Banks

Bank's Name	Ranking 2008	Average return on assets %
HSBC	1	2.79
Citi Bank	2	2.09
National Bank of Kuwait	3	1.46
Standard Chartered	4	1.23
BLOM Bank	5	1.20
Bank Audi	6	1.15
Rafidain Bank	7	0.55
Egyptian Arab Land Bank	8	0.06
Average		1.32

3. Ranking of Banks According to Total Deposits for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	Deposits(JD million)	Ratio to Total Deposits %
Arab Bank	1	6165.000	27.64
The Housing Bank for Trade & Finance	2	3367.000	15.10
Jordan Kuwait Bank	3	1278.000	5.73
Jordan Ahli Bank	4	1197.000	5.37
Bank of Jordan	5	995.320	4.46
Cairo Amman Bank	6	941.338	4.22
Union Bank	7	771.100	3.46
Capital Bank	8	561.504	2.52
Jordan Investment & Finance Bank	9	522.058	2.34
Jordan Commercial Bank	10	442.155	1.98
Arab Banking (Corporation) Jordan	11	413.000	1.85
Arab Jordan Investment Bank*	12	343.000	1.54
Societe General _ Jordan	13	164.900	0.74
Total		17161.375	76.95

* 2007 Data

Ranking of Islamic Banks

Bank's Name	Ranking 2008	Deposits(JD million)	Ratio to Total Deposits %
Jordan Islamic Bank	1	1881.687	8.43
International Islamic Arab Bank	2	774.525	3.47
Total		2656.212	11.91

Ranking of Foreign Banks

Bank's Name	Ranking 2008	Deposits(JD million)	Ratio to Total Deposits %
HSBC	1	740.369	3.32
Standard Chartered	2	496.000	2.22
Bank Audi	3	349.530	1.57
BLOM Bank	4	254.000	1.14
Egyptian Arab Land Bank	5	238.000	1.07
Citi Bank	6	153.991	0.69
National Bank of Kuwait	7	149.550	0.67
Rafidain Bank	8	101.925	0.46
Total		2483.365	11.14

4. Ranking of Banks According to Total Credit Facilities for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	Credit Facilities (JD million)	Ratio to Total Credit Facilities %
Arab Bank	1	2279.000	17.87
The Housing Bank for Trade & Finance	2	1745.000	13.69
Jordan Kuwait Bank	3	1062.000	8.33
Jordan Ahli Bank	4	774.000	6.07
Bank of Jordan	5	752.000	5.90
Union Bank	6	591.388	4.64
Capital Bank	7	576.859	4.52
Cairo Amman Bank	8	561.487	4.40
Jordan Commercial Bank	9	383.019	3.00
Jordan Investment & Finance Bank	10	298.920	2.34
Arab Banking (Corporation) Jordan	11	244.000	1.91
Arab Jordan Investment Bank*	12	235.000	1.84
Societe General _ Jordan	13	164.851	1.29
Total		9667.524	75.80

* 2007 Data

Ranking of Islamic Banks

Bank's Name	Ranking 2008	Credit Facilities (JD million)	Ratio to Total Credit Facilities %
Jordan Islamic Bank	1	1434.002	11.25
International Islamic Arab Bank	2	291.375	2.29
Total		1725.377	13.54

Ranking of Foreign Banks

Bank's Name	Ranking 2008	Credit Facilities (JD million)	Ratio to Total Credit Facilities %
HSBC	1	385.000	3.02
Standard Chartered	2	259.000	2.03
Bank Audi	3	212.402	1.67
Egyptian Arab Land Bank	4	185.000	1.45
BLOM Bank	5	161.000	1.26
National Bank of Kuwait	6	89.160	0.70
Citi Bank	7	66.522	0.53
Rafidain Bank	NA	NA	NA
Total		1358.084	10.66

5. Ranking of Banks According to Shareholders' Equity for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	Equity Rights (JD million)	Ratio to Total Equity Rights %
The Housing Bank for Trade & Finance	1	856.000	23.79
Arab Bank	2	576.400	16.02
Jordan Kuwait Bank	3	228.000	6.34
Union Bank	4	214.727	5.91
Jordan Ahli Bank	5	186.000	5.17
Capital Bank	6	183.774	5.11
Bank of Jordan	7	161.240	4.48
Cairo Amman Bank	8	128.343	3.57
Arab Jordan Investment Bank*	9	118.000	3.28
Jordan Investment & Finance Bank	10	85.302	2.37
Jordan Commercial Bank	11	85.112	2.37
Arab Banking (Corporation) Jordan	12	73.500	2.04
Societe General _ Jordan	13	48.150	1.34
Total		2944.548	81.79

* 2007 Data

Ranking of Islamic Banks

Bank's Name	Ranking 2008	Equity Rights (JD million)	Ratio to Total Equity Rights %
Jordan Islamic Bank	1	160.990	4.47
International Islamic Arab Bank	2	92.209	2.56
Total		253.199	7.03

Ranking of Foreign Banks

Bank's Name	Ranking 2008	Equity Rights (JD million)	Ratio to Total Equity Rights %
HSBC	1	101.000	2.81
Standard Chartered	2	69.000	1.92
National Bank of Kuwait	3	60.100	1.67
Bank Audi	4	42.862	1.19
BLOM Bank	5	38.000	1.06
Citi Bank	6	34.903	0.97
Rafidain Bank	7	29.729	0.83
Egyptian Arab Land Bank	8	27.000	0.75
Total		402.594	11.2

6. Ranking of Banks According to Average Return on Shareholders' Equity for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	Average return on equity rights %
Bank of Jordan	1	16.77
Jordan Kuwait Bank	2	16.72
Arab Banking (Corporation) Jordan	3	13.10
Arab Bank	4	12.79
The Housing Bank for Trade & Finance	5	10.57
Societe General _ Jordan	6	10.23
Jordan Investment & Finance Bank	7	10.00
Cairo Amman Bank	8	9.47
Jordan Commercial Bank	9	9.26
Union Bank	10	6.58
Arab Jordan Investment Bank*	11	6.40
Capital Bank	12	5.97
Jordan Ahli Bank	13	4.65
Total		10.19

* 2007 Data

Ranking of Islamic Banks

Bank's Name	Ranking 2008	Average return on equity rights %
Jordan Islamic Bank	1	23.87
International Islamic Arab Bank	2	8.00
Total		15.94

Ranking of Foreign Banks

Bank's Name	Ranking 2008	Average return on equity rights %
HSBC	1	25.21
Citi Bank	2	13.87
Standard Chartered	3	12.04
Bank Audi	4	11.82
BLOM Bank	5	10.30
National Bank of Kuwait	6	4.80
Rafidain Bank	7	2.43
Egyptian Arab Land Bank	8	0.72
Total		10.15

7. Ranking of Banks According to Capital for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	Capital (JD million)	Ratio to Total Capital %
Arab Bank	1	356.000	18.17
The Housing Bank for Trade & Finance	2	252.000	12.86
Capital Bank	3	132.280	6.75
Jordan Ahli Bank	4	110.000	5.62
Bank of Jordan	5	100.000	5.10
Arab Jordan Investment Bank*	6	100.000	5.10
Jordan Kuwait Bank	7	100.000	5.10
Union Bank	8	95.000	4.85
Cairo Amman Bank	9	80.000	4.08
Jordan Commercial Bank	10	69.575	3.55
Arab Banking (Corporation) Jordan	11	64.400	3.29
Jordan Investment & Finance Bank	12	61.325	3.13
Societe General _ Jordan	13	40.456	2.07
Total		1561.036	79.69

* 2007 Data

Ranking of Islamic Banks

Bank's Name	Ranking 2008	Capital (JD million)	Ratio to Total Capital %
Jordan Islamic Bank	1	81.250	4.15
International Islamic Arab Bank	2	73.000	3.73
Total		154.250	7.88

Ranking of Foreign Banks

Bank's Name	Ranking 2008	Capital (JD million)	Ratio to Total Capital %
National Bank of Kuwait	1	50.000	2.55
Standard Chartered	2	43.733	2.23
Bank Audi	3	31.328	1.60
BLOM Bank*	4	30.000	1.53
HSBC	5	25.000	1.28
Citi Bank	6	23.520	1.20
Egyptian Arab Land Bank	7	20.000	1.02
Rafidain Bank	8	20.000	1.02
Total		243.581	12.43

* 2007 Data

8. Ranking of Banks According to Pretax Profit for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	Net pretax profit (JD million)	Ratio to Total Net pretax profit %
The Housing Bank for Trade & Finance	1	121.000	21.86
Arab Bank	2	105.740	19.10
Jordan Kuwait Bank	3	52.000	9.39
Bank of Jordan	4	36.710	6.63
Union Bank	5	19.061	3.44
Jordan Ahli Bank	6	15.000	2.71
Cairo Amman Bank	7	14.131	2.55
Capital Bank	8	13.671	2.47
Arab Banking (Corporation) Jordan	9	12.400	2.24
Jordan Investment & Finance Bank	10	10.713	1.94
Jordan Commercial Bank	11	9.833	1.78
Arab Jordan Investment Bank*	12	8.000	1.45
Societe General _ Jordan	13	5.612	1.01
Total		423.871	76.57

* 2007 Data

Ranking of Islamic Banks

Bank's Name	Ranking 2008	Net pretax profit (JD million)	Ratio to Total Net pretax profit %
Jordan Islamic Bank	1	50.061	9.05
International Islamic Arab Bank	2	11.372	2.05
Total		61.433	11.10

Ranking of Foreign Banks

Bank's Name	Ranking 2008	Net pretax profit (JD million)	Ratio to Total Net pretax profit %
HSBC	1	33.000	5.96
Standard Chartered	2	11.076	2.00
Citi Bank	3	6.809	1.23
Bank Audi	4	6.787	1.23
BLOM Bank	5	5.000	0.90
National Bank of Kuwait	6	4.200	0.76
Rafidain Bank	7	1.313	0.24
Egyptian Arab Land Bank	8	0.032	0.01
Total		68.217	12.33

9. Ranking of Banks According to Profit After Tax for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	Net After Tax Profit (JD million)	Ratio to Total Net After Tax Profit %
The Housing Bank for Trade & Finance	1	89.000	23.50
Arab Bank	2	73.170	19.32
Jordan Kuwait Bank	3	36.000	9.51
Bank of Jordan	4	25.980	6.86
Union Bank	5	14.064	3.71
Cairo Amman Bank	6	11.831	3.12
Capital Bank	7	10.217	2.70
Arab Banking (Corporation) Jordan	8	9.200	2.43
Jordan Investment & Finance Bank	9	8.310	2.19
Jordan Ahli Bank	10	6.400	1.69
Societe General _ Jordan	11	3.854	1.02
Jordan Commercial Bank	12	2.655	0.70
Arab Jordan Investment Bank	NA	NA	NA
Total		290.681	76.77

Ranking of Islamic Banks

Bank's Name	Ranking 2008	Net After Tax Profit (JD million)	Ratio to Total Net After Tax Profit %
Jordan Islamic Bank	1	35.141	9.28
International Islamic Arab Bank	2	6.508	1.72
Total		41.649	11.00

Ranking of Foreign Banks

Bank's Name	Ranking 2008	Net After Tax Profit (JD million)	Ratio to Total Net After Tax Profit %
HSBC	1	23.000	6.07
Standard Chartered	2	7.098	1.87
Bank Audi	3	4.782	1.26
Citi Bank	4	4.755	1.26
BLOM Bank	5	3.000	0.79
National Bank of Kuwait	6	2.800	0.74
Rafidain Bank	7	0.691	0.18
Egyptian Arab Land Bank	8	0.191	0.05
Total		46.317	12.22

10. Ranking of Banks According to Number of Employees for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	Number Of Employees	Ratio to Total Employees %
Arab Bank	1	2974	18.73
The Housing Bank for Trade & Finance	2	1813	11.42
Cairo Amman Bank	3	1417	8.92
Jordan Ahli Bank	4	1391	8.76
Bank of Jordan	5	1365	8.60
Jordan Kuwait Bank	6	856	5.39
Jordan Commercial Bank	7	476	3.00
Union Bank	8	463	2.92
Arab Banking (Corporation) Jordan	9	412	2.59
Arab Jordan Investment Bank	10	372	2.34
Capital Bank	11	331	2.08
Jordan Investment & Finance Bank	12	243	1.53
Societe General _ Jordan	13	213	1.34
Total		12326	77.62

Ranking of Islamic Banks

Bank's Name	Ranking 2008	Number Of Employees	Ratio to Total Employees %
Jordan Islamic Bank	1	1656	10.43
International Islamic Arab Bank	2	368	2.32
Total		2024	12.75

Ranking of Foreign Banks

Bank's Name	Ranking 2008	Number Of Employees	Ratio to Total Employees %
HSBC	1	424	2.67
Egyptian Arab Land Bank	2	275	1.73
Standard Chartered	3	265	1.67
BLOM Bank	4	180	1.13
Bank Audi	5	174	1.10
National Bank of Kuwait	6	132	0.83
Citi Bank	7	56	0.35
Rafidain Bank	8	22	0.14
Total		1528	9.62

11. Ranking of Banks According to The Average Assets Per Employee for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	One thousand Dinars per employee
Jordan Investment & Finance Bank	1	2,835.39
Capital Bank	2	2,777.03
The Housing Bank for Trade & Finance	3	2,497.52
Arab Bank	4	2,417.28
Union Bank	5	2,281.43
Jordan Kuwait Bank	6	2,070.09
Arab Jordan Investment Bank	6	1,387.10
Arab Banking (Corporation) Jordan	8	1,378.64
Societe General _ Jordan	9	1,297.12
Jordan Commercial Bank	10	1,283.44
Jordan Ahli Bank	11	1,179.01
Bank of Jordan	12	1,073.59
Cairo Amman Bank	13	819.89
Average		1792.12

Ranking of Islamic Banks

Bank's Name	Ranking 2008	One thousand Dinars per employee
International Islamic Arab Bank	1	3,048.43
Jordan Islamic Bank	2	1,310.59
Average		2179.51

Ranking of Foreign Banks

Bank's Name	Ranking 2008	One thousand Dinars per employee
Rafidain Bank	1	6,510.73
Citi Bank	2	3,797.66
Bank Audi	3	2,478.90
Standard Chartered	4	2,270.94
HSBC	5	2,176.89
BLOM Bank	6	1,922.22
National Bank of Kuwait	7	1,615.15
Egyptian Arab Land Bank	8	1,200.00
Average		2746.56

12. Ranking of Banks According to Net Profit (Before Tax) Per Employee for the Year 2008 (Only Jordan Branches)

Ranking of Jordanian Commercial Banks

Bank's Name	Ranking 2008	One thousand Dinars per employee
The Housing Bank for Trade & Finance	1	66.74
Jordan Kuwait Bank	2	60.75
Jordan Investment & Finance Bank	3	44.09
Capital Bank	4	41.30
Union Bank	5	39.24
Arab Bank	6	35.55
Arab Banking (Corporation) Jordan	7	30.10
Bank of Jordan	8	26.89
Societe General _ Jordan	9	26.35
Arab Jordan Investment Bank	10	21.51
Jordan Commercial Bank	11	20.66
Jordan Ahli Bank	12	10.78
Cairo Amman Bank	13	9.97
Average		33.38

Ranking of Islamic Banks

Bank's Name	Ranking 2008	One thousand Dinars per employee
International Islamic Arab Bank	1	30.90
Jordan Islamic Bank	2	30.24
Average		30.57

Ranking of Foreign Banks

Bank's Name	Ranking 2008	One thousand Dinars per employee
Citi Bank	1	121.59
HSBC	2	77.83
Rafidain Bank	3	59.68
Standard Chartered	4	41.80
Bank Audi	5	39.01
National Bank of Kuwait	6	31.82
BLOM Bank	7	27.78
Egyptian Arab Land Bank	8	0.12
Average		49.95

Eighth

Development in the performance of banks listed on the bourse

- **Share price index of banks listed on the bourse.**
- **Trading volume of bank's shares listed on the bourse.**
- **Ownership of non-Jordanians in the equity of banks listed on the bourse.**

Eighth: Development in the performance of banks listed on the bourse

- The share price index of banks listed on the bourse

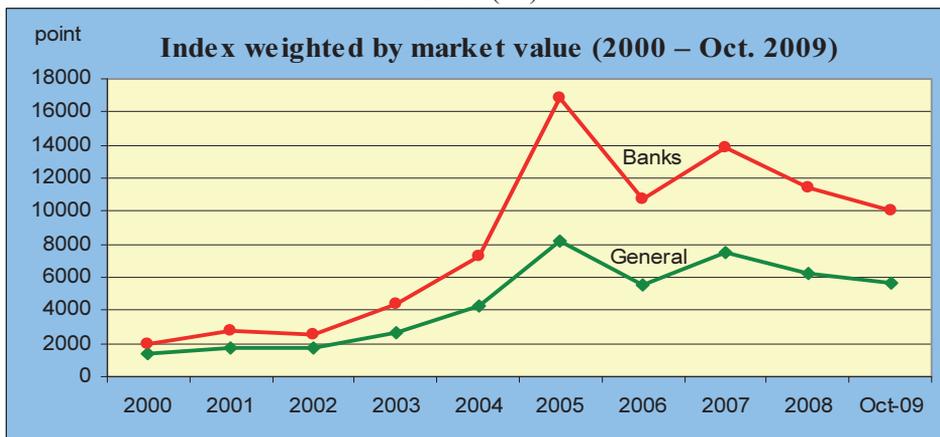
At the end of October 2009, the share price index of banks listed on the Amman Bourse stood at 10051.5 points compared to 11380.1 points at the end of 2008. This shows an 11.67 percent decline whereas the drop in the general price index of the bourse reached 9.50 percent.

Table (20)
Share price index weighted by market value (2000 – Oct.2009)

Year	Share price index weighted by market value	
	General	Banks
2000	1331.0	1987.0
2001	1727.0	2752.0
2002	1700.2	2556.6
2003	2614.5	4433.6
2004	4245.5	7230.9
2005	8191.5	16892.0
2006	5518.1	10704.7
2007	7519.3	13886.7
2008	6243.1	11380.1
Oct-09	5649.7	10051.5

Source: Amman Stock Exchange

Chart (40)



- The trading volume of bank's shares listed on the bourse

Between 2004 and October 2009, the ratio of the trading volume of bank shares to the total trading volume of the bourse declined gradually recording the lowest level of 8.77 percent at the end of October 2009.

Table (21)

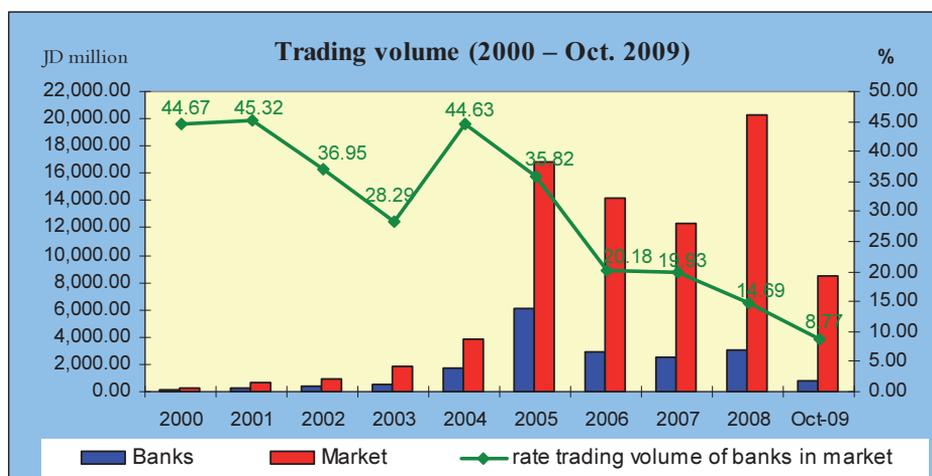
Trading volume of bank shares listed on the bourse (2000 – Oct.2009)

Year	Trading volume (JD million)		
	Banks	Market	Market/Banks (%)
2000	128.56	287.80	44.67
2001	300.28	662.55	45.32
2002	349.78	946.70	36.95
2003	524.84	1,855.17	28.29
2004	1,693.00	3,793.25	44.63
2005	6,043.41	16,871.05	35.82
2006	2,867.83	14,209.87	20.18
2007	2,460.80	12,348.10	19.93
2008	2,983.90	20,318.00	14.69
Oct-09 *	748.94	8,536.10	8.77

Source: Amman Stock Exchange

* Cumulative up to October 2009

Chart (41)



- Ownership of non- Jordanians in the equity of banks listed on the bourse

The share of non- Jordanians in the equity of banks listed on the bourse rose from 55.17 percent in 2000 to 58.84 percent at the end of 2008 before reverting to 58.23 percent in October 2009.

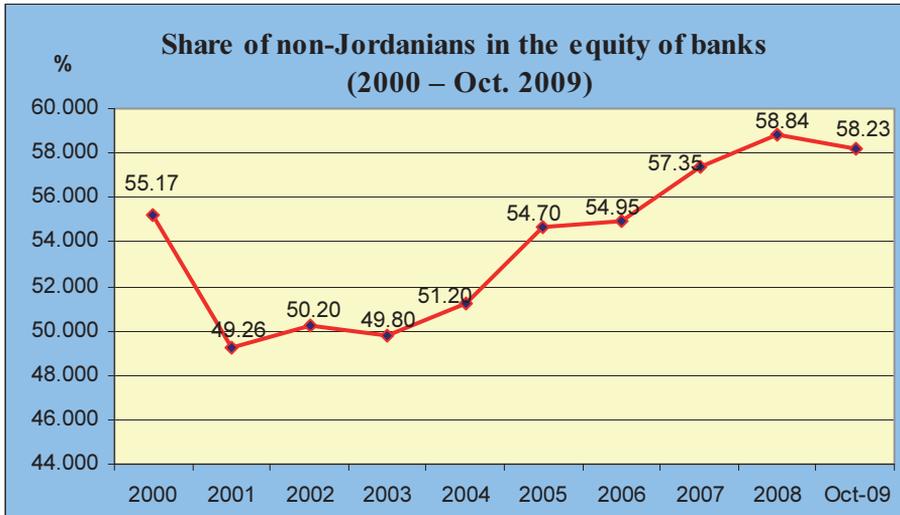
Table (22)

Share of non-Jordanians in the equity of banks (2000 – Oct.2009)

Year	Share of non-Jordanians in the equity of banks %
2000	55.172
2001	49.255
2002	50.200
2003	49.800
2004	51.200
2005	54.700
2006	54.950
2007	57.350
2008	58.835
Oct-09	58.234

Source: Amman Stock Exchange

Chart (42)



Ninth

Development on the interest rates structure in the Jordanian banking market

- **Changes of interest rates on deposits**
- **Changes of interest rates on credit facilities**
- **Interest rate margin**
- **Prime interest rate**
- **Changes of interest rates on monetary policy tools**
- **Development of inter-bank lending rates (JODIBOR)**
- **Development of inter-bank lending and borrowing interest rate for one night (actual /declared price)**

Ninth: Development on interest rates structure in the Jordanian banking market

- Changes of interest rates on deposits

The weighted average of interest rates on all types of deposits declined noticeably between 2000-2004 before rising gradually until 2008. The increase of weighted average of interest rates was noticeable on the time deposits in 2006 when it went up 161 basis points above the level registered in 2005. Despite the increase of interest rates on all forms of deposits, it did not reach the level registered in 2000. Interest rates reverted markedly during the first nine months of 2009 by 36, 20, and 125 basis points on demand deposits, savings and time deposits respectively compared to levels during 2008.

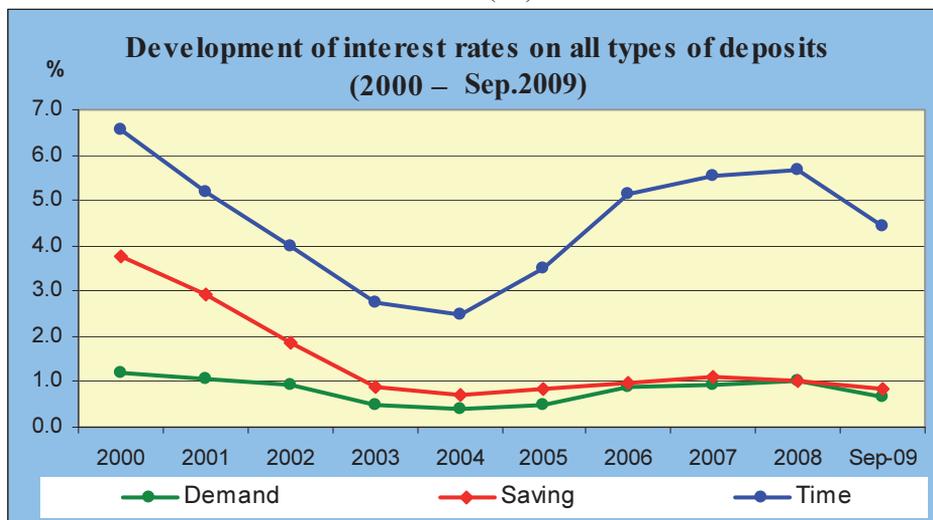
Table (23)

Weighted average of interest rates on deposits at banks (2000 – Sep.2009)

Year	Demand %	Saving %	Time %
2000	1.200	3.760	6.550
2001	1.060	2.910	5.190
2002	0.910	1.840	3.970
2003	0.500	0.880	2.750
2004	0.380	0.730	2.490
2005	0.470	0.830	3.520
2006	0.870	0.990	5.130
2007	0.940	1.100	5.560
2008	1.010	1.040	5.660
Sep-09	0.650	0.840	4.410

Source: Central Bank of Jordan

Chart (43)



- Changes of interest rates on credit facilities

The weighted average of interest rates on all types of credit facilities dropped between 2000-2004 before moving back up gradually until 2008. Interest rates on overdrafts, discounted bills and bonds continued to rise while interest rates on loans and advances dropped during the first nine months of 2009. Despite the interest rate increase on all kinds of credits, it did not reach the level registered in 2000.

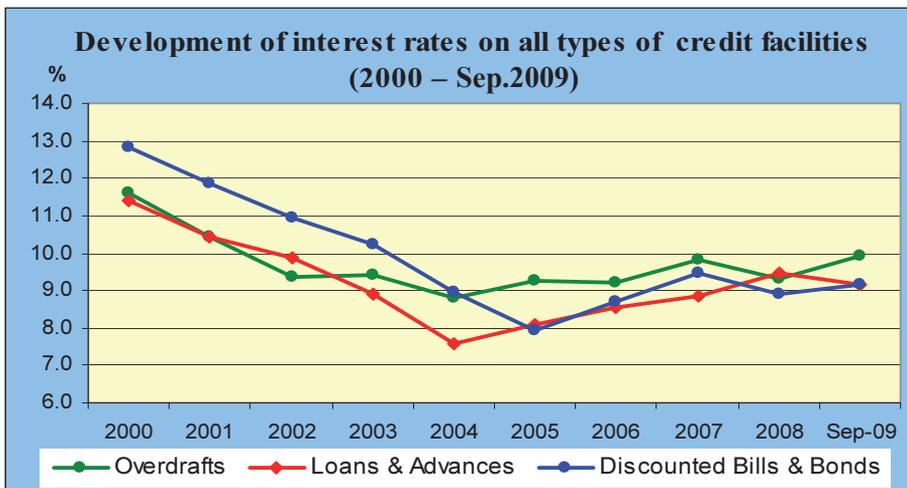
Table (24)

Weighted average of interest rates on credit facilities extended by banks (2000 – Sep.2009)

Year	Overdrafts %	Loans & Advances %	Discounted Bills & Bonds %
2000	11.6	11.38	12.81
2001	10.42	10.45	11.88
2002	9.35	9.85	10.95
2003	9.43	8.92	10.24
2004	8.79	7.59	8.98
2005	9.26	8.1	7.92
2006	9.23	8.56	8.72
2007	9.83	8.86	9.45
2008	9.31	9.48	8.89
Sep-09	9.93	9.18	9.15

Source: Central Bank of Jordan

Chart (44)



- Interest rate margin

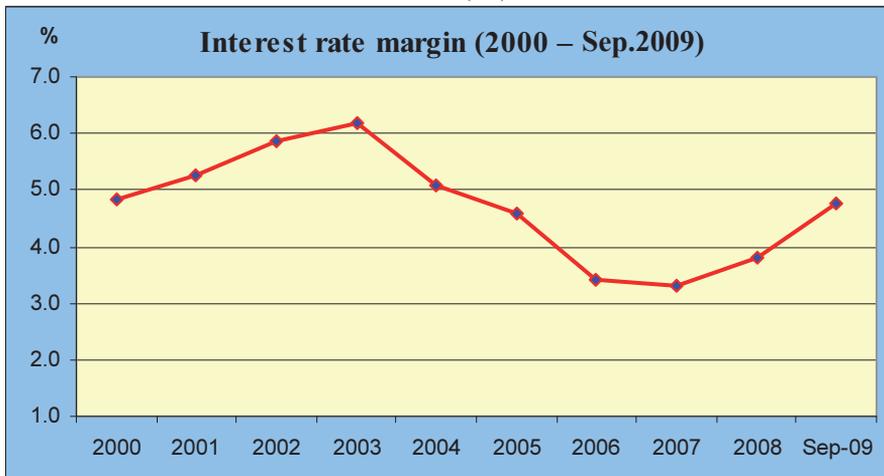
In light of interest rate changes on deposits and credit facilities, the interest rate margin, measured by the difference between the interest rate on loans and advances and the interest rate on time deposits, fluctuated between 2000 and 2008. The highest interest rate margin was in 2003 when it stood at 6.17 percent. It gradually declined since then to 3.30 percent in 2007 before increasing up to 3.82 percent in and on to 4.77 percent in September 2009.

Table (25)
Interest rate margin (2000 – Sep.2009)

Year	Loans & Advances %	Time deposit %	Interest rate margin %
2000	11.380	6.550	4.830
2001	10.450	5.190	5.260
2002	9.850	3.970	5.880
2003	8.920	2.750	6.170
2004	7.590	2.490	5.100
2005	8.100	3.520	4.580
2006	8.560	5.130	3.430
2007	8.860	5.560	3.300
2008	9.480	5.660	3.820
Sep-09	9.180	4.410	4.770

Source: Central Bank of Jordan

Chart (45)



- Prime interest rate

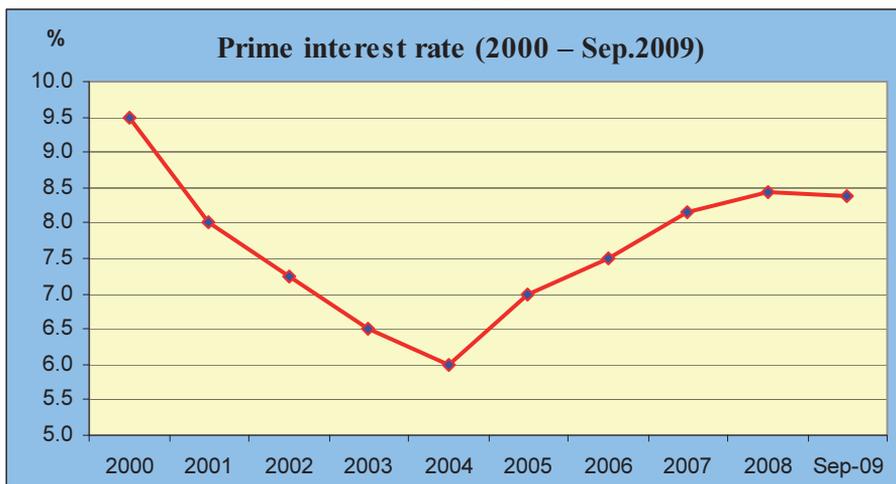
The prime interest rate dropped gradually since the beginning of 2000 until the end of 2004 before rising again gradually to 8.45 percent in 2008. The rate regressed slightly to 8.38 percent in September 2009.

Table (26)
Prime interest rate (2000 – Sep.2009)

Year	Prime interest rate %
2000	9.500
2001	8.000
2002	7.250
2003	6.500
2004	6.000
2005	7.000
2006	7.500
2007	8.150
2008	8.450
Sep-09	8.380

Source: Central Bank of Jordan

Chart (46)



- Changes of interest rates on monetary policy tools

In response to developments in the international money markets and in keeping up with the local economic developments, the Central Bank made several changes on the interest rates of monetary policy tools. During the year 2000, the

Central Bank of Jordan lowered the rediscount rate by 1.5 percentage points to 6.5 percent and the rate of repurchase agreement of certificates of deposit in dinars by 1.75 percentage points to 7.5 percent. The Central Bank of Jordan continued during 2001, 2002 and 2003 to make reductions on different monetary policy tools until 2004 when it upped interest rates on monetary policy tools five times during the second half of the year by 25 basis points each time on the rediscount rate and repurchase agreements. The increase continued in 2005 when rates were hiked nine times by 25 or 50 basis points each time on the rediscount rate and repurchase agreements. During 2006, four consecutive additions were effected by 25 basis points each time on the central bank's monetary policy tools except the interest rate on overnight "window deposits" which was raised only three times during 2006. The central bank reverted to lowering interest rates in 2007 when it reduced interest rates on all monetary policy tools by 50 basis points besides modifying the interest rate structure of repurchase agreements in early May 2007. Under the amendment, the licensed banks were allowed to execute repurchase agreements with the central bank for one night instead of a week at an interest rate that stood then at 7.25 percent. The central bank continued to lower interest rates on monetary policy tools by reducing them twice by 75 basis points in 2008 and twice by 50 basis points each time during the first nine months of 2009.

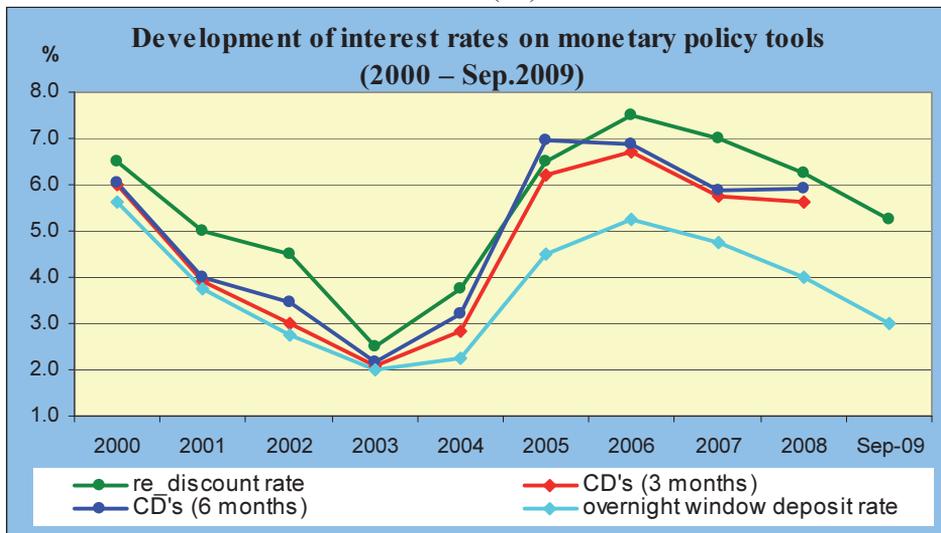
Table (27)
Interest rates on monetary policy tools (2000 – Sep.2009)

Year	Re-Discount Rate %	Repurchase Agreements		Certificates of Deposit			Overnight window deposit rate
		Overnight	One Week	Three Months %	Six Months %	Twelve Months %	
2000	6.500		7.500	6.000	6.050		5.625
2001	5.000		6.000	3.900	4.000		3.750
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	4.000	4.750	2.850	3.200		2.250
2005	6.500		7.500	6.200	6.950	6.850	4.500
2006	7.500		8.500	6.700	6.862	6.850	5.250
2007	7.000	6.750		5.750	5.867	-	4.750
2008	6.250	6.000		5.641	5.936		4.000
Sep-09	5.250	5.000					3.000

Source: Central Bank of Jordan

* The Central Bank stopped issuing certificates of deposit for three and six months maturities from Nov.2008.

Chart (47)



- Development of inter bank lending rates (JODIBOR)

The Association of Banks proposed during the first half of 2005 to member banks the idea of forming a reference interest rate for inter-bank lending in Jordanian dinars because there was no reference interest rate for inter-bank lending. Joint efforts between the Association of Banks, the Central Bank of Jordan and the banks operating in Jordan focused on forming a local benchmark rate for short-term (one day to 12 months) inter bank lending rates in Jordanian dinars. The objective of this step was to come up with a yield curve for the money market in Jordanian dinars. Through such a curve, it would be possible to compare the returns of the money market and also prepare to find tools and derivatives for the interest rates in the Jordanian dinar.

Banks agreed on JODIBOR as a name for the key short-term interest rate reference used between banks, financial institutions and investors to specify the cost of borrowing in Jordanian dinars in the monetary and capital market. JODIBOR was officially launched on 1-11-2005 after a trial period that started on 1-8-2005.

By agreement among all parties concerned, standards were introduced as a code of conduct that morally binds all the banks participating in this scheme, and forms a framework for dealing within moral values commonly practiced.

The mechanism of calculating the JODIBOR reference interest rate was based on the following:

- **Number of participating banks:** Ten banks were chosen and entrusted with pricing for all maturities. These banks represented all the banks operating in the Kingdom and included Jordanian and non-Jordanian banks whether

small and big. (Arab Bank, the Housing Bank for Trade and Finance, Capital Bank, Jordan Ahli Bank, Bank of Jordan, Union Bank, Jordan Kuwait Bank, Cairo Amman Bank, Egyptian Arab Land Bank and Audi Bank).

- **Pricing all maturities:** The ten banks price all maturities by using three decimals (for one night, one week, one month, three months, six months and one year).
- **Mechanism of calculation:** The Association calculates the JODIBOR average for each maturity after excluding the highest two prices and the lowest two prices and working out the simple mathematical average for the remaining six prices. The methodology of calculation was amended to exclude only the highest and lowest prices and working out the simple mathematical average for the remaining eight prices.
- **Calculation of the coefficient of variation:** To measure the price discrepancy, the coefficient of variation for the ten banks is calculated by dividing the deviation for the ten banks by the prices average of the ten banks and multiplying the result by hundred.
- **Extracting the yield curve:** On that day also, the yield curve is extracted and its direction compared to the previous day and to the 29-8-2005 that was considered the base day.
- **Announcing the JODIBOR rates:** At 11:00am of each working day, the JODIBOR rates are announced. The rates are published also at the website of the Association and the website of the Central Bank.

It can be noted that the JODIBOR for all maturities began declining gradually since the beginning of 2007 reaching its lowest levels during the first ten months of 2009.

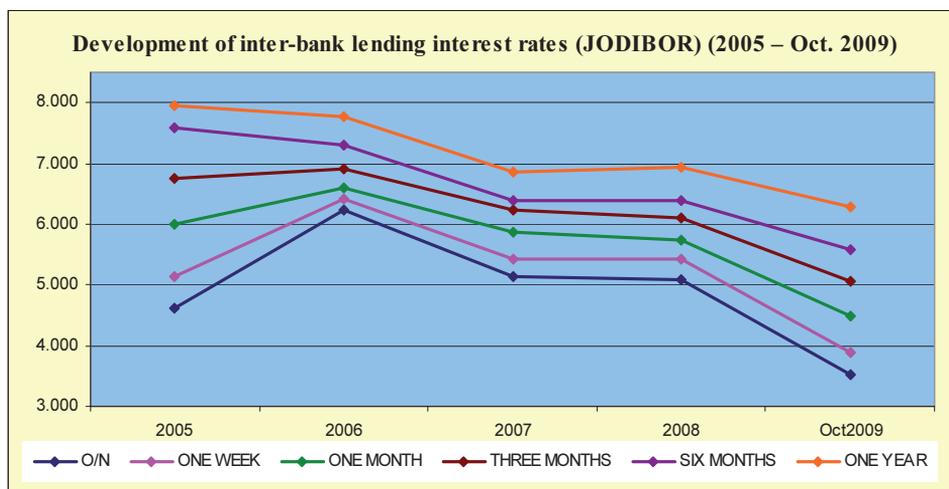
Table (28)

Development of inter-bank lending interest rates (JODIBOR) as of the end of (2005 –Oct.2009)

	2005	2006	2007	2008	Oct2009
O/N	4.625	6.242	5.138	5.079	3.511
ONE WEEK	5.142	6.425	5.425	5.428	3.893
ONE MONTH	6.008	6.608	5.872	5.744	4.480
THREE MONTHS	6.742	6.900	6.244	6.100	5.049
SIX MONTHS	7.583	7.300	6.388	6.387	5.572
ONE YEAR	7.942	7.758	6.850	6.927	6.287

Source: Association of Banks in Jordan

Chart (48)



- Development of inter bank lending and borrowing rates for one night (actual and declared price)

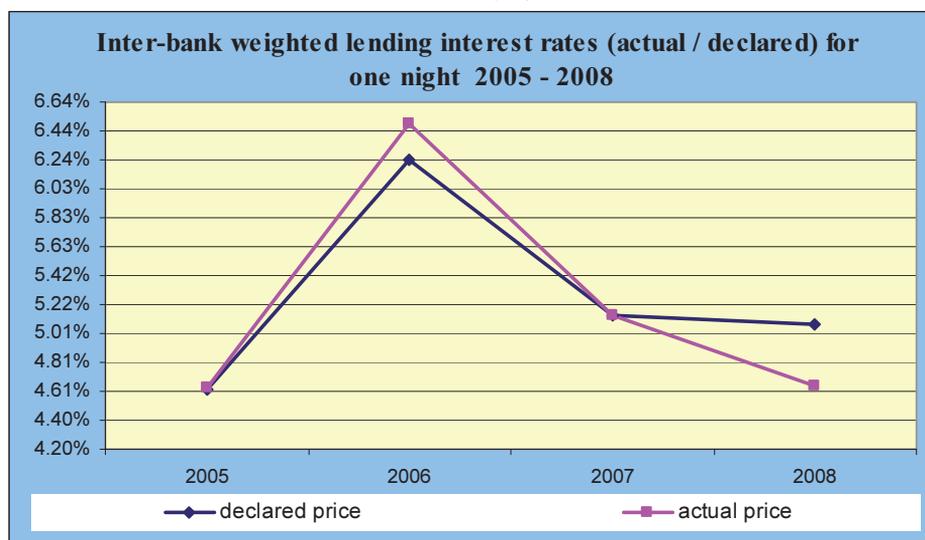
Regarding the inter bank lending interest rate for one night (actual and declared rate), the pricing margin was calculated by the difference between the actual rate issued by the central bank and the declared rate (JODIBOR) issued by the Association. It was noticed that the margin between the two rates fluctuated between 2005 and 2008 as its (margin) stood at 0.004 percent in 2005, rose to 0.253 percent in 2006, declined back to 0.009 percent in 2007 and up again to 0.430 percent in 2008 registering the highest margin for the period.

Table (29)

Inter-bank weighted lending interest rate for one night (actual /declared price) (2005 – 2008)

Month	Inter-bank weighted lending interest rate for one night (declared price)	Inter-bank weighted lending interest rate for one night (actual price)	pricing margin
2005	4.625%	4.629%	0.004%
2006	6.242%	6.495%	0.253%
2007	5.138%	5.147%	0.009%
2008	5.079%	4.649%	-0.430%

Chart (49)



Tracking the monthly pricing path during 2009, it can be seen that the margin gradually declined reaching 0.006 percent at the end of November 2009, which means that there is agree between the declared price and the actual price, this will encourage banks to adopt (JODIBOR) as an index of interest rates in the banking system.

Table (30)

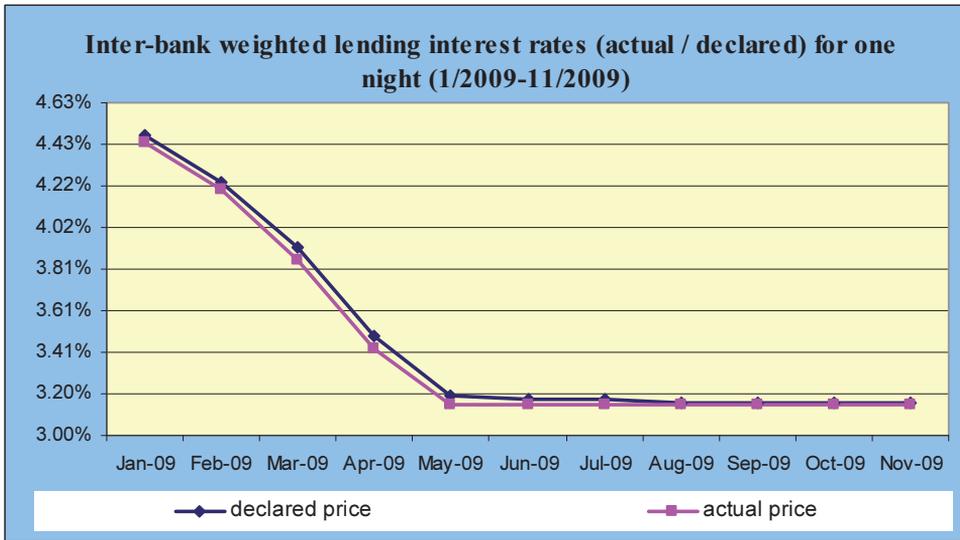
Inter-bank weighted lending interest rate for one night (actual /declared price)
(1/2009 - 11/2009)

Month	Inter-bank weighted lending interest rate for one night (declared price) *	Inter-bank weighted lending interest rate for one night (actual price) **	pricing margin
1/2009	4.474%	4.434%	-0.040%
2/2009	4.239%	4.208%	-0.031%
3/2009	3.920%	3.856%	-0.064%
4/2009	3.490%	3.426%	-0.064%
5/2009	3.192%	3.150%	-0.042%
6/2009	3.175%	3.150%	-0.025%
7/2009	3.174%	3.150%	-0.024%
8/2009	3.163%	3.150%	-0.013%
9/2009	3.157%	3.150%	-0.007%
10/2009	3.156%	3.150%	-0.006%
11/2009	3.156%	3.150%	-0.006%

* the monthly average of the inter-bank weighed interest rates (declared price) from (JODIBOR) daily bulletins issued by the Association.

** the monthly average of the inter-bank weighed interest rates (actual price) from the Central Bank daily bulletins of interest rates on monetary policy tools

Chart (50)



The table below shows that the activity volume of inter bank activity has regressed from the beginning of August 2009 as the total lending amount dropped gradually from JD855.20 million executed through 201 transactions during July 2009 to JD53.0 million executed through 13 transactions during November 2009.

Table (31)

Inter-bank activity volume for one night (1/2009 - 11/2009)

Month	Transaction #	Total lent amount (JD million)
Jan-09	325	1,459.90
Feb-09	130	532.00
Mar-09	194	749.15
Apr-09	96	394.35
May-09	131	582.30
Jun-09	83	367.25
Jul-09	201	855.20
Aug-09	148	661.75
Sep-09	82	373.00
Oct-09	42	167.50
Nov-09	13	53.00

Chart (51)

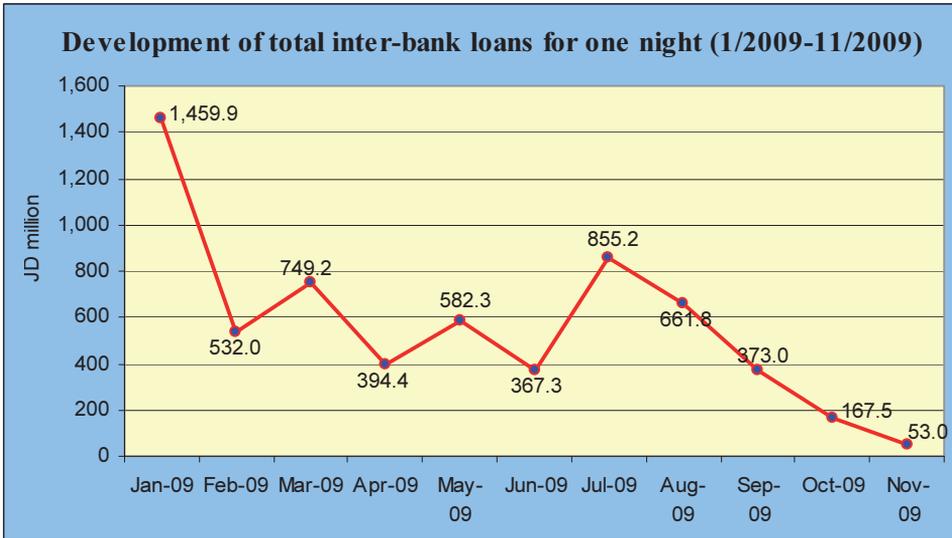
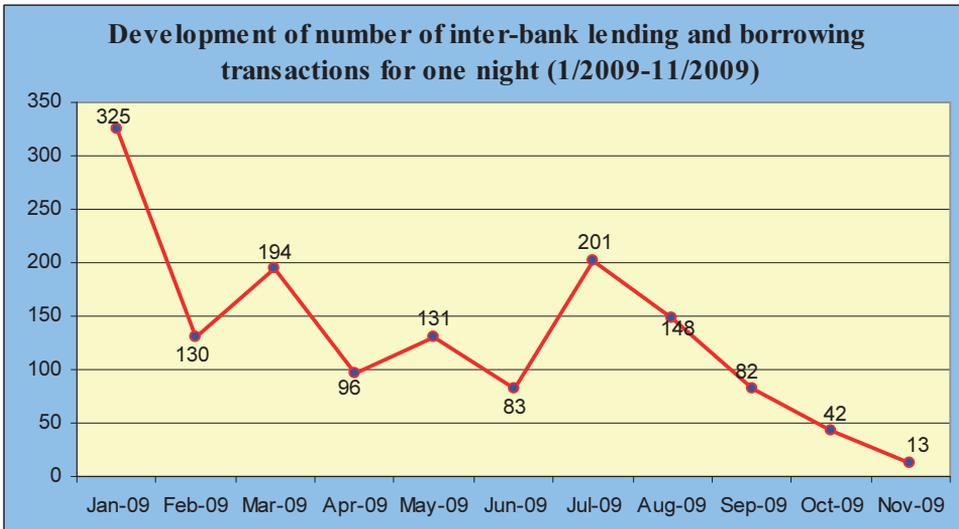


Chart (52)



Tenth
Clearing of checks

Tenth: Clearing of Checks

Checks were of the most important tools that were historically used, since the late 19th century, to execute payments between different parties whether in trade or at the consumer level. The system of clearing checks in the Kingdom was developed over several stages from manual to automatic in 1997. Now, the current system is an electronic clearing one that depends on exchanging electronically the copies and data of checks between member banks and the clearing centre. Launched on Thursday , July 5, 2007 ; the project is considered of the pioneering steps that aim at reducing the period for collecting checks to same working day of depositing a check in the account of a beneficiary instead of three working days at least under the previous system.

Checks presented for clearing rose during 2008 in terms of number and value by 9.6 percent and 32.9 percent respectively. The number of checks presented for clearing went up from 10901.9 thousand in 2007 to 11943.6 thousand in 2008 whereas the value of checks increased from JD30233.7 million in 2007 to JD40175.8 million in 2008.

The number and value of checks that bounced during 2008 also increased by 16.8 percent and 51.2 percent respectively. As such, the rate of bounced checks to the total presented for clearing stood at 6.13 percent in terms of number and 5.29 percent in terms of value. Checks that bounced because of insufficient funds represented 3.5 percent of the of total number checks presented for clearing and 2.63 percent of their value.

Table (32)
Clearing of checks (2000 – 2008)

Description	2000	2001	2002	2003	2004	2005	2006	2007	2008
Circulated Cheques									
Number (thousand)	8,891.7	8,958.2	8,577.4	8,475.4	8,516.4	9,588.9	10,931.9	10,901.9	11,943.6
Value(JD million)	11,622.6	12,584.6	12,904.7	14,269.2	17,058.4	22,732.2	26,521.6	30,233.7	40,175.8
Returned Cheques									
Number (thousand)	549.2	536.7	472.2	423.9	364.1	386.4	429.4	626.6	732.0
Value(JD million)	494.0	515.5	486.5	497.1	466.4	626.8	797.1	1,404.6	2,124.5
The ratio to the number of Circulated Cheques (%)	6.18	5.99	5.51	5.00	4.28	4.03	3.93	5.75	6.13
The ratio to the value of Circulated Cheques (%)	4.25	4.10	3.77	3.48	2.73	2.76	3.01	4.65	5.29
Returned Cheques for insufficient balance									
Number (thousand)	...	...	255.2	237.3	204.1	209.4	240.8	357.3	418.9
Value(JD million)	...	...	252.1	260.0	249.0	297.3	380.6	733.2	1,056.9
The ratio to the number of Circulated Cheques (%)	...	...	2.98	2.80	2.40	2.18	2.20	3.28	3.51
The ratio to the value of Circulated Cheques (%)	...	...	1.95	1.82	1.46	1.31	1.44	2.43	2.63
Returned Cheques for other reasons									
Number (thousand)	...	...	217.0	186.6	160.0	177.0	188.6	269.3	313.0
Value(JD million)	...	...	234.4	237.1	217.4	329.5	416.5	671.4	1,067.9
The ratio to the number of Circulated Cheques (%)	...	...	2.53	2.20	1.88	1.85	1.73	2.47	2.62
The ratio to the value of Circulated Cheques (%)	...	...	1.82	1.66	1.27	1.45	1.57	2.22	2.66

Source: Central Bank of Jordan

Regarding the development of checks' clearing until the end of September 2008 and comparing the third quarter of 2009 with the same period of the previous year (third quarter of 2008), the following was observed:

- A decline in the number and value of checks presented for clearing. The number of checks presented for clearing dropped by 251.3 thousand from 3069.1 thousand during the third quarter of 2008 to 2817.8 thousand during the third quarter of 2009. The value of checks presented for clearing fell by JD2149.5 million from JD10454.3 million during the third quarter of 2008 to JD8304.8 million during the third quarter of 2009.
- Checks that bounced increased in terms of number and declined in terms of value. By number, checks that bounced were higher by 11.9 thousand checks as the total increase from 169.3 thousand checks during the third quarter of 2008 to 181.2 thousand checks during the third quarter of 2009. The value of such checks fell by JD99.8 million from JD584.5 million during the third quarter of 2008 to JD484.7 million during the third quarter of 2009.
- Checks that bounced because of insufficient funds increased in terms of number and value. The total number of bounced checks for insufficient funds rose by 25.4 thousand checks from 90.9 thousand checks during the third quarter of 2008 to 116.3 thousand checks during the third quarter of 2009. The value of such checks went up by JD34.3 million from JD272.6 million during the third quarter of 2008 to JD306.9 million during the third quarter of 2009.

Table (33)
Cheques in processing and returned cheques

period	Circulated Cheques			Returned Cheques			Returned Cheques for insufficient balance			Returned Cheques for another reasons			
	Number (thousand)	Value JD million	The ratio to the number of Circulated Cheques (%)	Number (thousand)	Value JD million	The ratio to the value of Circulated Cheques (%)	Number (thousand)	Value JD million	The ratio to the value of Circulated Cheques (%)	Number (thousand)	Value JD million	The ratio to the number of Circulated Cheques (%)	The ratio to the value of Circulated Cheques (%)
Jul-08	1033.2	3747.2	5.79	59.8	237	6.32	32.8	84.6	54.85	27	152.4	45.15	64.3
Aug-08	974.8	3476	5.77	56.2	160	4.6	30.7	83.4	54.63	25.5	76.6	45.37	47.88
Sep-08	1061.1	3231.1	5.02	53.3	187.5	5.8	27.4	104.6	51.41	25.9	82.9	48.59	44.21
Q3-2008*	3069.1	10454.3	5.52	169.3	584.5	5.59	90.9	272.6	53.69	78.4	311.9	46.31	53.36
Oct-08	1109.4	3182.8	6.33	70.2	201.2	6.32	41.3	119.3	58.83	28.9	81.9	41.17	40.71
Nov-08	988.9	3157.9	6.49	64.2	197.7	6.26	38.7	105.2	60.28	25.5	92.6	39.72	46.84
Dec-08	918.4	2799.6	7.63	70.1	226.3	8.08	44.6	118.4	63.62	25.5	108	36.38	47.72
Q4-2008*	3016.7	9140.3	6.78	204.5	625.2	6.84	124.6	342.9	60.93	79.9	282.5	39.07	45.19
Jan-09	809	2778.7	6.12	49.5	170.4	6.13	28.8	113.5	58.18	20.7	56.9	41.82	33.39
Feb-09	1010.5	2749.5	5.86	59.2	172.2	6.26	33.5	109.3	56.59	25.7	62.9	43.41	36.53
Mar-09	1126.1	3097.2	6.79	76.5	220.8	7.13	47.8	145.2	62.48	28.7	75.6	37.52	34.24
Q1-2009*	2945.6	8625.4	6.29	185.2	563.4	6.53	110.1	368	59.45	75.1	195.4	40.55	34.68
Apr-09	955.2	2999.6	6.17	58.9	182.4	6.08	34.7	122.5	58.91	24.2	59.9	41.09	32.84
May-09	936.1	2888.3	6.28	58.8	205.8	7.13	36	125.8	61.22	22.8	80	38.78	38.87
Jun-09	966	2977.1	6.16	59.5	182.5	6.13	37	114.4	62.18	22.5	68.1	37.82	37.32
Q2-2009*	2857.3	8865	6.2	177.2	570.7	6.44	107.7	362.7	60.78	69.5	208	39.22	36.45
Jul-09	944	2860.1	6.04	57	162.5	5.68	35.4	94.5	62.11	21.7	68	38.07	41.85
Aug-09	1009.8	2807.6	6.46	65.2	172.1	6.13	41.5	114.6	63.65	23.7	57.5	36.35	33.41
Sep-09	864	2637.1	6.83	59	150.1	5.69	39.4	97.8	66.78	19.6	52.3	33.22	34.84
Q3-2009*	2817.8	8304.8	6.43	181.2	484.7	5.84	116.3	306.9	64.18	65	177.8	35.87	36.68

Source: Central Bank of Jordan

Note: the data in the table are monthly and not accumulative

*represents quarterly data

Chart (53)

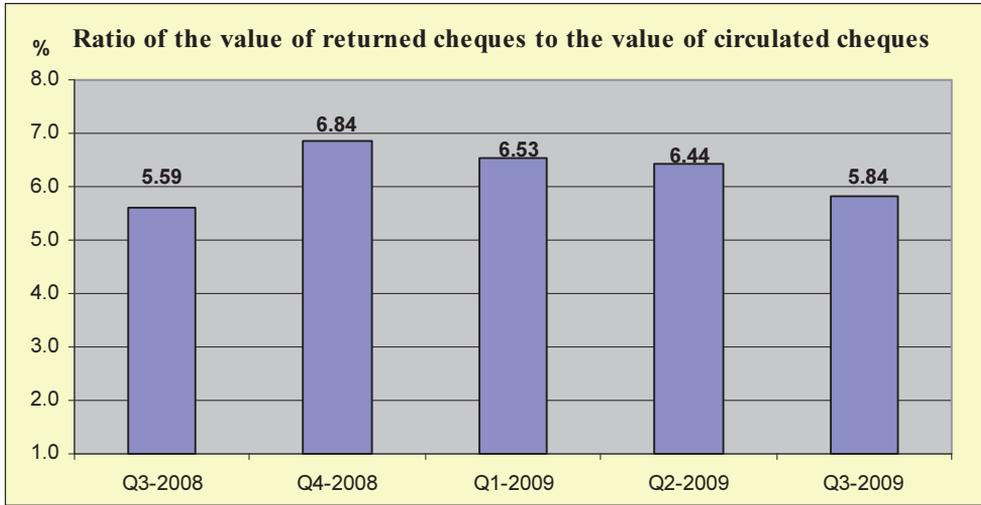
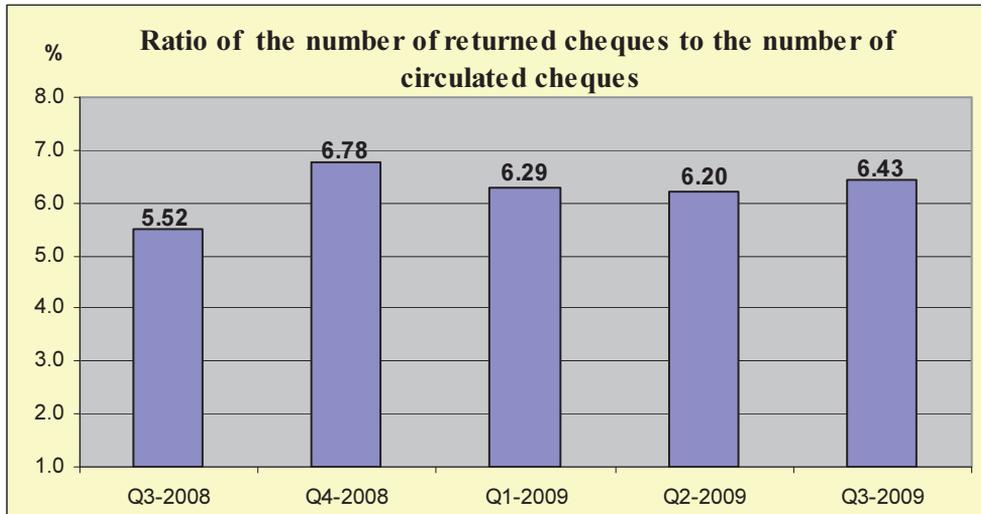


Chart (54)



Eleventh
Development of banking services

- **New banking services**

Eleventh: Development of banking services

- New banking services

The banks operating in Jordan achieved important quality leaps and conducted speedy steps to upgrade and develop their products in order to keep up with the international banking industry. The banks initiated quality measures in developing their services and diversifying products that conform with the results and output of the telecommunications and information technology revolution. During 2008, the banks introduced 40 new services which fully utilized the technology for servicing clients.

Table (34)
The New Banking Services Introduced by the Banks in 2008

Bank's Name	No. of Services	The New Banking Services
Arab Bank	8	A direct participation in "Hala Arabi" service through the ATMs. Issuing two cash deposit cards for clients of the corporate sector and "Kids" product. Installation of new 14 BNA instruments. Issuance of an updated version of the banking services through the mobile phone. The launching of "Arab Generation" product. The launching of "Express Loan" product. The launching of "Zain Co-branded Credit Card" product.
Jordan Ahli Bank	5	Amendment in granting personal loans. Modify the terms of housing loans product. Amending the limits of revolving credit cards and advantages. Launch an online financial transfers
Cairo Amman Bank	1	Withdrawal service through the eye-mark.
Bank of Jordan	3	The launch of saving accounts with extra advantages. Launch the VISA credit cards campaign. The establishment of a new direct sales centers.
The Housing Bank for Trade and Finance	1	Business-E-Banking
Jordan Kuwait Bank	4	Travel loans product Refrain from Smoking product Vision Correction Product VIP Cards product

Arab Jordan Investment Bank	-	-
Jordan Commercial Bank	-	-
Jordan Islamic Bank	-	-
Jordan Investment & Finance Bank	-	-
Arab Banking Corp. /Jordan	-	-
Union Bank	1	VISA card
Societe General – Jordan	2	Crystal Product for retails Diamond Product for corporate
Capital Bank	4	SMS Service Visa Elecron Visa Revolving Social Security Payment Project
International Islamic Arab Bank	5	SMS Service PCs Finance Service Talking Bank Service Opening new branches Installation of a new ATMs
HSBC	-	-
Egyptian Arab Land Bank	2	Internet Bank SMS Service
Rafidain Bank	-	-
CitiBank	-	-
Standard Chartered	2	Online Banking Services Platinum Master Card
Bank Audi	-	-
National Bank of Kuwait	-	-
BLOM Bank	2	Call Center Petra Fund

Twelfths

The Jordanian banking system in light of the global financial crisis

- **The financial crisis in brief.**
- **The Jordanian economy and its linkage with the international economy.**
- **Impact of the global financial crisis on the Jordanian economy**
- **Impact of the global financial crisis on the balance sheet of the Central Bank of Jordan**
- **Impact of the global financial crisis on the licensed banks**

Twelfth: The Jordanian banking system in light of the global financial crisis

- The financial crisis in brief

September 2008 was the month when the global financial crisis flared up in the world in what was considered to be the worst since the Great Depression of 1929. The crisis started in the United States and spread afterwards to world countries across Europe, Asia, Gulf and developing countries whose economies are directly tied to the US economy. A total of 28 banks went bankrupt in the US during 2008 before the number increased to around 100 banks in 2009.

The crisis emerged in February 2007 when debtors with questionable creditworthiness defaulted on real estate mortgage loans and triggered the first bankruptcies of specialized banking institutions. Subsequently, the bourses started to crumble in August 2007 as the risks intensified from the widening crisis. At the end of 2007, a number of large banks announced substantial falls in the value of their shares due to the real estate mortgage crisis.

Thereafter, the US Federal Reserve started at the onset of 2008 to lower its key interest rate by a three quarter point to 3.50 percent and then gradually down to two percent between January and the end of April. Furthermore, the British government nationalized the Northern Rock bank and J P Morgan Chase announced purchasing the US business bank Bear Sterns at a reduced price with financial help from the Federal Reserve.

In September 2008, The US Treasury placed Freddy Mac and Fannie May, the two giant groups in the area of real estate mortgage lending, under custody for as long as needed for financial restructuring and guaranteed their debts up to \$200 billion.

The most significant indication of the crisis was probably the bankruptcy of Lehman Brothers bank on September 15, 2008 due to the financial difficulties which unsettled it as a result of the mortgage crisis that rocked the US. The fall of Lehman Brothers bank, which until recently was considered the fourth largest investment bank in the US with \$691 billion in total assets and a workforce in excess of 25,000 employees all over the world, was considered as a warning signal of the demise of another number of banks and financial institutions in the US and other countries of the world. Bearing in mind the negative effects of the globalization in financial and investment services and the scope beyond the boundaries of the original country, the bankruptcy of Lehman Brothers bank caused a state of financial upheaval on the international level. Such an impact signified the gravest of ten largest bankruptcies in the US history and the major negative financial effects that shattered the world stock markets including Arab bourses which lost a sizeable portion of gains besides the regression of indices.

- The Jordanian economy and its linkage with the international economy

As the Jordanian economy is an inseparable part of the global economy linked with the economies of various countries by commercial transactions (exports and imports) as well as capital and investment dealings besides transfers in the form of aid, grants, expatriate remittances and tourism; it is only natural that, in view of these economic interactions with the world, the Jordanian economy be affected either positively and negatively with developments in the international economy.

Upon analyzing the impact of the international financial crisis on the various economic sectors in Jordan, the initial effects of the international financial crisis appeared at first at the Amman Stock Exchange (Amman Bourse) despite its weak link with the international bourses in the West. Although the reason was more psychological than real factors, the price index of shares listed on the bourse dropped by 30 percent during the first months that followed the crisis. This regression was, however, the least compared to the losses that marked the bourses in the countries of the region.

Chart (55)



With regard to the initial direct effects on the Jordanian banking sector, it can be said that they were very limited at the beginning of the crisis due to a number of factors foremost of which was that banks operating in the Kingdom did not possess any high risk toxic securities related to US mortgages that were the spark behind the flare up of the international crisis. By distancing themselves from dealing in high-risk securities known as financial derivatives and by

practicing the commercial banking more than investment banking, banks in Jordan played an important role in protecting the Jordanian banking system from the repercussions of the financial crisis.

Moreover, the package of precautionary measures taken by the Jordanian government and the Central Bank of Jordan was very helpful in minimizing the negative effect of the repercussions and consequences of this crisis on the Jordanian-banking sector and in providing the necessary liquidity for it. Additionally, the qualified management at the banks operating in the Jordan showed a clear role in containing the crisis and avoiding its unpleasant impact by adopting a number of precautionary arrangements. It should be mentioned that the implementation of an internal control system characterized by accuracy, prudence and strength has kept our banks out of involvement in high-risk and substandard financing transactions.

Nevertheless, the government and the central bank were quick to embrace a package of precautionary measures in order to safeguard the banking system and the Jordanian economy from the possible consequences of the global financial crisis. Most important measures were:

- A government announcement guaranteeing unlimited deposits at banks in Jordan until the end of 2009. This guarantee was renewed recently for another year until the end of 2010.
- Lowering the rediscount rate from six percent to 4.5 percent.
- Reducing the mandatory cash reserve on deposits from 10 percent to seven percent.
- Halting the issuance of certificates of deposit from October 2008.
- Granting many tax exemptions to a number of sectors, such as tourism, and exempting 260 industrial inputs from custom tariffs.
- Exempting residential apartments from registration fees until the end of 2009.

The central bank also took a package of preventive and precautionary measures during the first six months since the eruption of the international financial crisis in order to safeguard the security of the banking system and stimulate the Kingdom's economic growth in light of waning inflationary pressures. The package of measures, implemented over three phases, comprised the following:

- Easing the terms for classifying non-performing credit facilities.
- Modifying the instructions related to legal cash liquidity of banks especially the inter-bank market until the end of 2009.
- Encouraging banks to enhance their capitals by capitalizing a portion of profits instead of dividend distribution.

- Impact of global financial crisis on the Jordanian economy

After the global financial crisis shifted from being a crisis of credit and liquidity to a financial and then an economic crisis that tarnished the real economy in most world countries, we started to feel the effects on the real economy in the Kingdom with a slowdown in the real growth rate. The official Jordanian statistics showed a decline in the growth rate of the gross domestic product at constant market prices from 8.8 percent in the first half of 2008 to three percent in the first half of 2009. The effects of this economic slowdown influenced most economic sectors, including the banking sector, at varied degrees.

In terms of public finance, the gross domestic revenue and foreign assistance amounted to around JD3.25 billion during the first nine months of 2009, 17.3 percent less than the same period in 2008. Despite the relative stability of local revenue until September 2009, as the amount remained close to the same level during the same period of the previous year, it was foreign assistance that posted an unprecedented decline to JD103 million, 78.6 percent lower than the JD481 million received during the same period of the previous year.

Contrary to the gross revenue, overall expenditure expanded noticeably during the first nine months of 2009 to JD4.12 billion, 18.6 percent higher than the amount during the corresponding period of the previous year. This increase is basically due to higher capital spending by 57.8 percent because the budget was approved at an early stage and spending began in January at the start of the year instead of March. In view of the regress in revenue and the expansion in expenditure, the final outcome was an excessive budget deficit that reached JD865 million (after aid), 687.3 percent higher than the figure in the same period of the previous year.

In terms of net external and internal public debt, the outstanding balance stood at JD9.5 billion with the ratio of net public debt to the gross domestic product at 58.6 percent, close to the 60 percent ceiling allowed under the public debt law. Data of external debt at the end of September 2009 showed a slight rise by JD141 million, or 3.9 percent above the level at the end of August 2008. As for long-term bilateral loans extended to Jordan by the US and Germany, the amounts declined by 5.2 percent and 7.3 percent respectively. By contrast French loans shot up by 47.8 percent. It should be noted that International Monetary Fund long-term credits went down by 75.3 percent and those from the World Bank declined by 4.8 percent.

Regarding internal debt, the amount climbed sharply by 33.2 percent from JD5.13 billion at the end of August 2008 to JD6.83 billion at the end of September 2009. This upsurge in internal debt was due to higher indebtedness of the central government (within the budget) by 32.8 percent and higher indebtedness of

government institutions with independent budgets by 40.5 percent.

As for the external sector, the Kingdom's exports dropped by 19.1 percent during the first eight months of 2009 from the level during the same period of 2008. The volume of imports also fell by 21.5 percent. As a result of the decline in exports and imports, the trade deficit during the first eight months of 2009 narrowed by 23.5 percent compared to the corresponding period in the previous year. It should be mentioned here that the contraction of trade deficit does not necessarily mean an improvement because the overall volume of external trade was down by about 21 percent until August 2009 compared to the balance in August 2008.

Concerning remittances of Jordanian expatriates working abroad, the amount declined by 5.8 percent during the first eight months of 2009 although the number of Jordanian expatriates who returned from working abroad was not large. The reason for the lower remittances could be that their salaries were not raised or that they did not receive remunerations from the countries where they work especially in light of the repercussions of the international financial crisis whose impact extended to the markets and economies of most world countries including the Gulf states where companies there were clearly affected.

Pertaining to tourism income, the sector achieved a slight 0.5 percent growth over the past year whereas the net inflow of foreign investment to the Kingdom amounted to around JD310 million during the first half of 2009, 65.3 percent lower than the JD894 million attained during the first half of 2008.

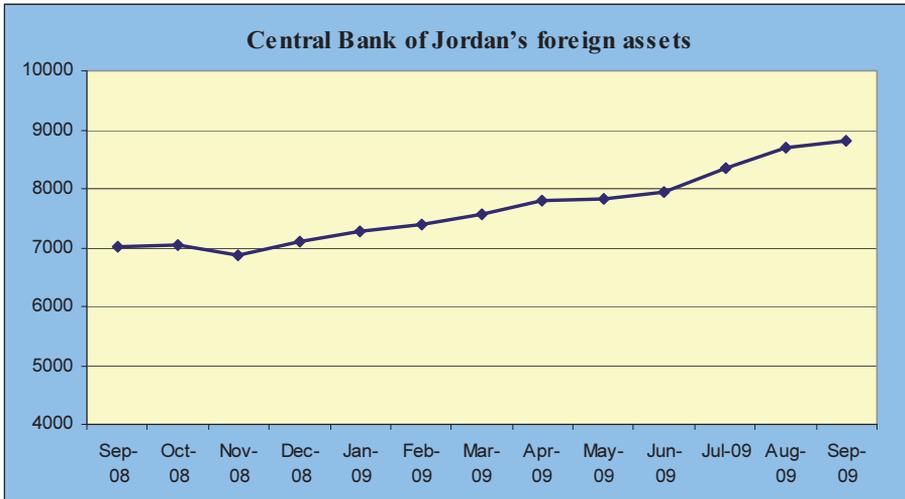
In terms of price indices, figures showed an increase in the consumer price index by 1.6 percent during the first eight months of this year compared to 13.5 percent during the same period of the previous year.

From all the mentioned indicators, it can be detected that there is a regression or slowdown in most Jordanian sectors and economic indicators whether in terms of growth, exports, expatriate remittances or tourism income. The scope even extended to the profits of banks and reflected on the Treasury revenue.

- Impact of the global financial crisis on the balance sheet of the Central Bank of Jordan

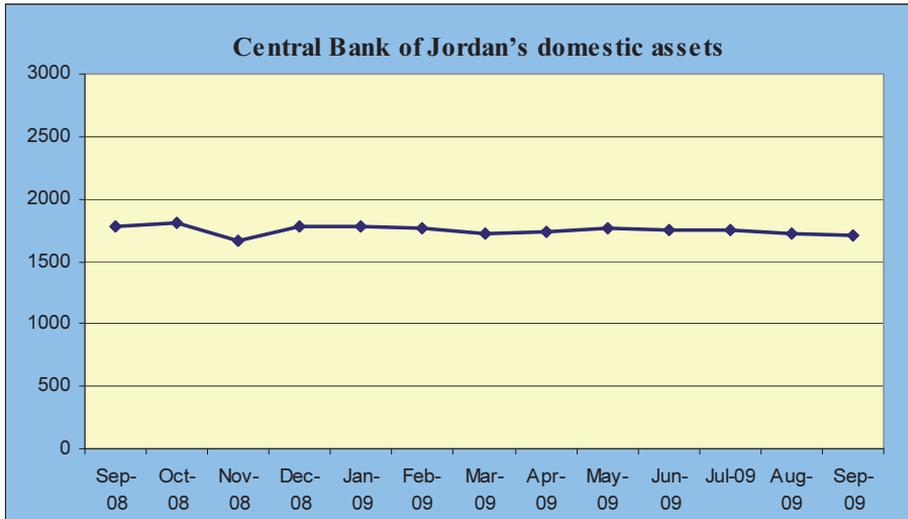
Despite the economic slowdown in Jordan, the balance sheet of the central bank showed major developments during the first nine months of this year, most importantly was the rise in the central bank's balance of foreign exchange reserves at the end of September 2009 by around \$1.7 billion. This unprecedented rise in reserves by about 31.1 percent from the level at the end of 2008, led to an increase in the foreign assets held by the central bank to around \$8.8 billion at the end of September 2009, 24 percent higher than the amount in 2008.

Chart (56)



The local assets of the central bank went down by about JD78 million to approximately JD1.7 billion, at a rate of 4.4 percent from 2008, due to a drop in public sector debt by about JD59 million at the end of September 2009 in addition to a decline in the debt balance of financial institutions by around 19.8 percent.

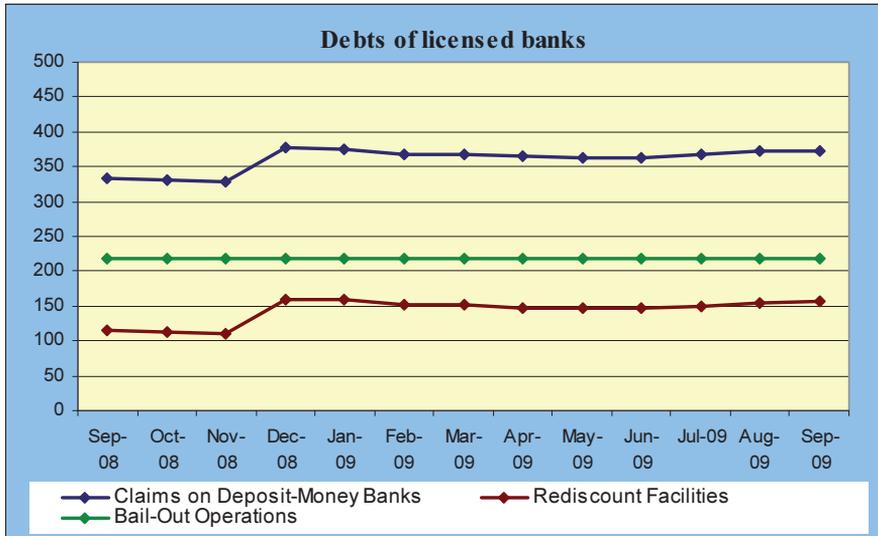
Chart (57)



There was no increase worth mentioning in the debts owed by the licenced banks to the central bank whether in rediscount facilities or credits for troubled

banks. To the contrary, debts edged down slightly by 2.8 percent reaching JD374 million in September 2009. This clearly points to financial stability of licensed banks.

Chart (58)



Regarding deposits of licensed banks at the central bank, the amount rose sharply by about 31 percent or JD1.4 billion from the end of 2008 to approximately JD5.8 billion at the end of September 2009. The main important reason for this growth could have been an increase in the balance of interest-bearing funds deposited by licensed banks at the central bank from around JD1 billion to JD3.7 billion, at a rate of 251 percent, because the central bank stopped issuing certificates of deposits.

Chart (59)

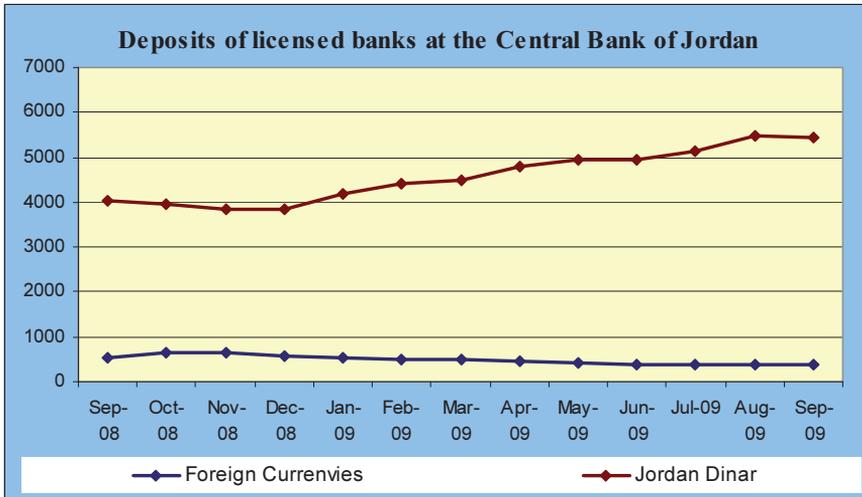


Chart (60)

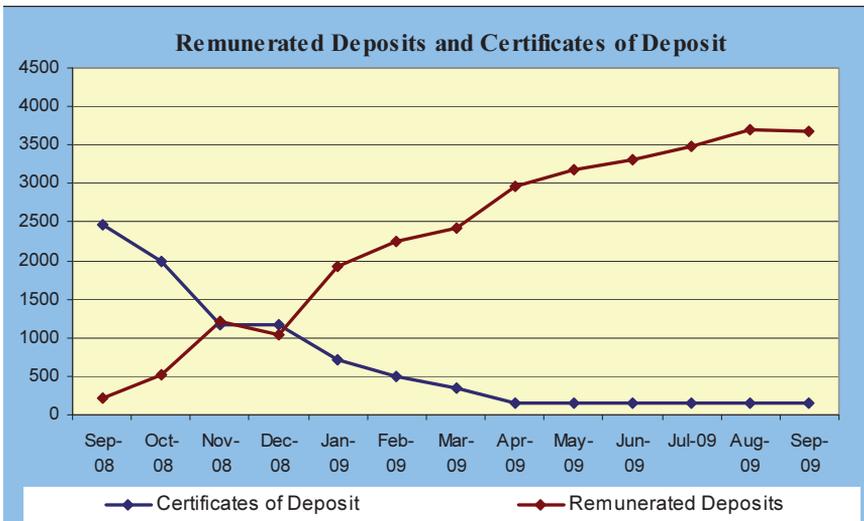


Table (35)
Central Bank of Jordan's quarterly balance sheet from Sep.2008 until Sep.2009
JD Million

Assets / Liabilities	2008		2009		
	September	December	March	June	September
Foreign Assets	7000.9	7090	7567.1	7942.2	8797.3
Gold	254.4	252.8	267.4	274.2	289.9
SDRs	3.1	2.6	2.4	2.3	164.5
Cash, Balances & Deposits	3472.6	1994	2519.4	1959.4	2427.8
Bonds & Treasury Bills	2503.9	4073.7	4011.0	4939.4	5148.2
Other Foreign Assets	766.9	766.9	766.9	766.9	766.9
Domestic Assets	1779.4	1781.9	1722.4	1747.6	1703.8
Claims on Public Sector	1256.8	1243.3	1203.3	1227.4	1184.7
Claims on Deposit-Money Banks	332.2	376.3	368.0	363.8	373.5
Rediscount Facilities	115.2	159.2	150.9	146.8	156.5
Bail-Out Operations	217	217.1	217.1	217.0	217.0
Claims on Financial Institutions	92.3	89	87.7	85.8	71.4
Claims on Private Sector	18.7	19	18.8	19.0	19.0
Unclassified Assets	79.4	54.3	44.6	51.6	55.2
Assets = Liabilities	8780.3	8871.9	9289.5	9689.8	10501.1
Currency Issued	2924.8	2871.5	2778.7	2804.9	2948.8
Banks Deposits	4563.6	4433.2	4976.0	5321.8	5809.2
In Jordan Dinar	4049.6	3855.9	4484.5	4936.2	5432.0
Certificates of Deposit	2467	1166	345.0	150.0	150.0
Legal Reserve	1155.6	1296.7	1247.1	1020.0	1050.6
Excess Reserve	221	344.7	463.9	446.2	548.9
Remunerated Deposits	206	1048.5	2428.5	3320.0	3682.5
In Foreign Currencies	514	577.3	491.5	385.6	377.2
Demand Deposits	67.379	205.3	188.4	167.4	94.2
Quasi-Monetary Deposits	19.5	9.7	5.6	0.7	11.2
Foreign Liabilities	251.8	257.2	255.0	283.3	266.4
Central Government Deposits	230	281.7	352.1	266.8	333.3
Capital, Reserves and Allowances	184.3	297.4	247.3	297.4	339.9
Unclassified Liabilities	538.9	516	486.4	547.5	698.1

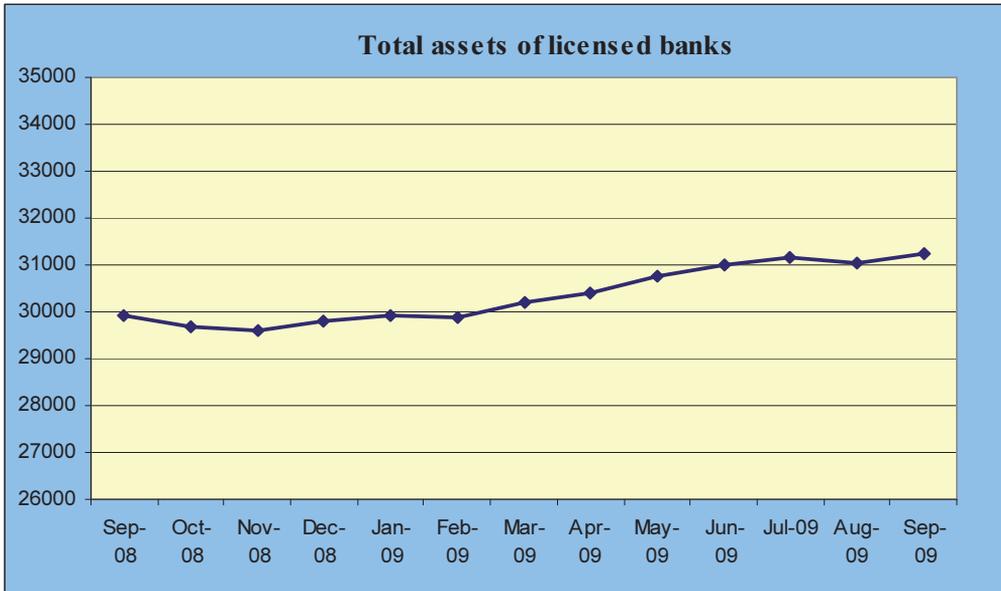
Source: Central Bank of Jordan

- Impact of global financial crisis on licensed banks

Because of their real safe and sound financial situations, banks operating in the Kingdom did not resort to the central bank or the government to obtain any form of financial support.

Gross assets of licensed banks in Jordan went up from around JD29.8 billion at the end of 2008 to JD31.2 billion at the end of September 2009, a growth of 4.8 percent.

Chart (61)



Foreign assets of licensed banks dropped markedly at the end of September 2009 by about JD410 million or 7.1 percent from the amount at the end of 2008. The main reason for the fall in foreign assets is due to the regression in activity of the external sector in Jordan, including exports and imports. This reflected on the foreign assets of licensed banks which contribute considerably in financing this sector. It should be noted here that the balances of licensed banks at banks outside Jordan fell by about 20 percent from JD4.5 billion at the end of 2008 to JD3.6 billion at the end of October 2009.

As for local assets of licensed banks, the amount expanded from around JD24 billion at the end of 2008 to approximately JD26 billion at the end of September 2009, a 7.7 percent growth rate. This increase was due to a rise in public sector debts by about 17.7 percent and an upsurge in the reserves of licensed banks by around 41 percent.

Chart (62)

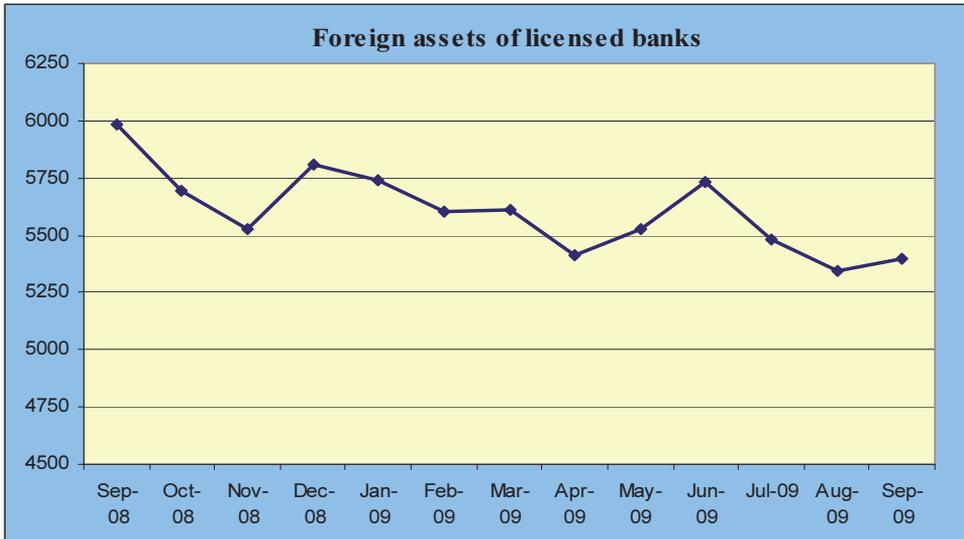
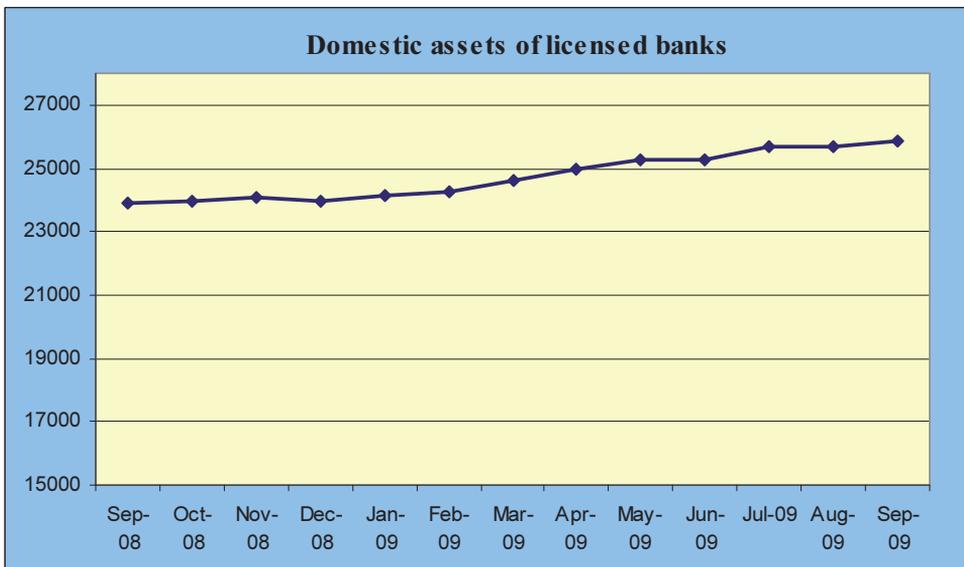


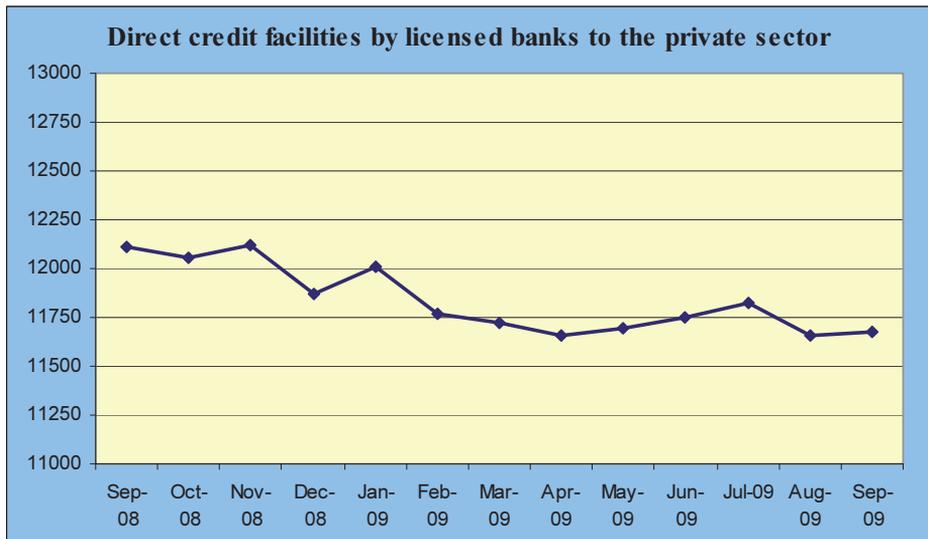
Chart (63)



The balance of total local credits extended by licensed banks edged up slightly by 3.5 percent from JD16.6 billion at the end of 2008 to JD17.1 billion at the end of September 2009 although there was a slight decline of about JD196 million in direct credit facilities extended by licensed banks to the private sector, at a rate of about 1.65 percent from the level in 2008. The decline or slowdown

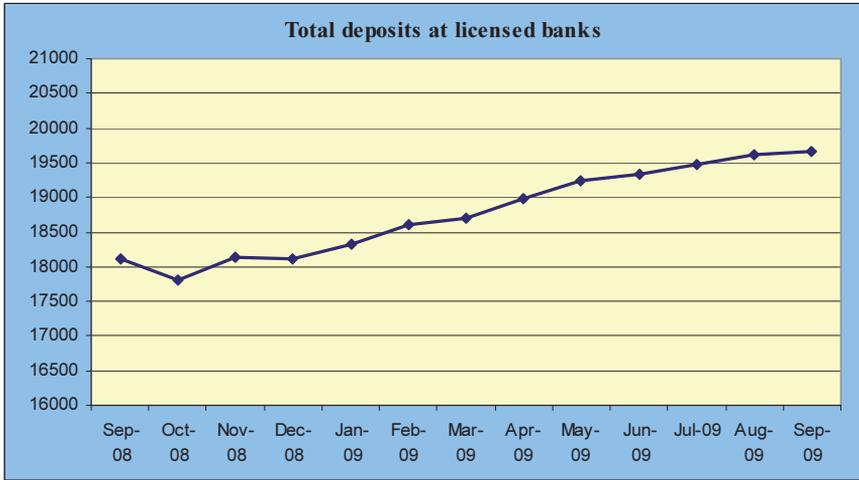
in the credit facilities can be considered as a result of several factors most importantly the slackness in growth rates that mark various economic sectors in the Kingdom and the regression in prices as well as local and external demand besides and the cutback in expansion activities that were not carefully studied. Another factor for the contraction was the result of strict policy applied by banks for credit extension after reconsidering their credit and financing policies for all projects and economic sectors out of keenness to conduct periodic reviews for risk evaluation policies and to respect and abide by central bank instructions.

Chart (64)



Regarding liabilities, gross deposits at licensed banks went up markedly especially in light of the financial crisis and the lack of confidence in the largest international banks. Gross deposits at banks operating in Jordan increased by 8.6 percent from JD18.1 billion at the end of 2008 to JD19.7 billion at the end of September 2009. This confirms a higher degree of trust in the licensed banks which have become more attractive for depositors. One of the reasons for the higher degree of trust could be the decision of the Jordanian government to guarantee unlimited deposits at licensed banks until the end of 2009 and the extension of this guarantee until the end of 2010.

Chart (65)



May be one of the major indicators of financial affluence of licensed banks in Jordan is the high capital, reserves and provisions that these banks possess, as the amount reached about JD4.35 billion at the end of September 2009, a 14.2 percent growth over the amount in 2008.

Enhancing and raising shareholders' equity, including capital, reserves and provisions, is considered among the good indicators of the banks' healthy financial situation, especially in light of the current financial crisis. Also, there is a special significance to boost the provisions held by a bank because it represents an additional line of defense before reserves and capital. This ensures a higher degree of immunity to shareholders and provides the bank with higher capability to face any losses that the bank may incur especially from investing in high risk assets.

Chart (66)



Table (36)
Quarterly consolidated balance sheet of licensed banks from Sep.2008 until Sep.2009
JD Million

Assets / Liabilities	2008		2009		
	September	December	March	June	September
Foreign Assets	5982.7	5810.3	5610	5733	5400
Cash in Vaults (In Foreign Currencies)	101.3	125.7	140	133	124
Balances with Foreign Banks	4571.3	4531.6	4142	4054	3626
Portfolio (Non-Resident)	349.5	333.5	417	508	550
Credit Facilities to Private Sector (Non-Resident)	659.3	536.4	644	766	833
Other Foreign Assets	301.3	283.1	266	271	267
Domestic Assets	23931.4	23986.3	24607	25285	25833
Claims on Public Sector	3641	4353.1	4550	4726	5123
Claims on Private Sector (Resident)	12805.3	12514.5	12540	12537	12533
Claims on Financial Institutions	232.8	246.1	206	192	190
Reserves	4254.1	4013.4	4617	5093	5643
Currency	231.9	206.7	196	200	233
Deposits with CBJ in Jordan Dinar	4022.2	3806.7	4422	4893	5411
Deposits with CBJ in Foreign Currencies	509.1	573	478	382	368
Unclassified Assets	2489.1	2286.2	2216	2355	1977
Assets = Liabilities	29914.1	29796.6	30217	31018	31234
Demand Deposits	4039.2	3785.1	3768	4081	4246
Public Non-Financial Institutions	113.8	69.6	97	81	106
Municipalities and Village Councils	8	16.4	14	13	9
Non-Banking Financial Institutions	29.1	51.1	20	14	36
Social Security Corporation	42.1	48.3	65	55	61
Private Sector (Resident)	3846.2	3599.7	3572	3920	4034
Time and Saving Deposits	11273.3	11639.3	12141	12290	12487
Public Non-Financial Institutions	570.8	595.4	593	590	647
Municipalities and Village Councils	5	3.4	4	4	4
Non-Banking Financial Institutions	94.7	85.3	93	117	108
Social Security Corporation	98.3	262.8	312	278	235
Private Sector (Resident)	10504.5	10692.4	11140	11302	11493
Foreign Liabilities	5373.7	5522.2	5559	5569	5590
Central Government Deposits	649.9	561.1	658	707	710
Credit From CBJ	411.3	373.1	373	372	372
Capital Accounts & Allowances	3809.4	3803.5	4021	4241	4345
Unclassified Liabilities	4357.3	4112.3	3697	3758	3483

Source: Central Bank of Jordan

