

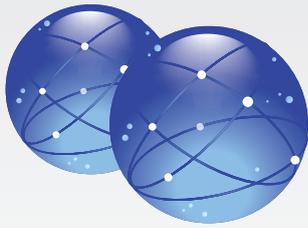


جمعية البنوك في الأردن
ASSOCIATION OF BANKS IN JORDAN

Development of the Jordanian Banking Sector (2000 – 2010)

Association of Banks in Jordan

Jordan - Amman - Wadi Saqra
Musa Ibn Nosair Street - Building Number 62
P.O Box: 926174 Amman 11190 Jordan
Tel: 5662258 - 5669328 - 5684361
Fax: 5687011 - 5684316
Email: info@abj.org.jo
website: WWW.ABJ.ORG.JO



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. Weaspire 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.

CONTENTS

Subject	Page
Chairman's Foreword	11
Director General's Address	13
CHAPTER ONE: THE CENTRAL BANK OF JORDAN AND THE MONETARY POLICY	15
1-1 Introduction	17
1-2 Monetary Policy Tools	18
1-3 Monetary Policy Trends (2000-October 2010)	19
1-4 Most Important Instructions Issued By The Central Bank of Jordan (2000-October 2010)	20
1-5 Banking Control Tools Used By The Central Bank of Jordan	21
1-6 Implementation Of Basel II in Jordan	21
CHAPTER TWO: BANKS OPERATING IN JORDAN	23
2-1 Banks Operating in Jordan	25
2-2 Number of Licensed Banks	26
2-3 Banking Embranchments	27
CHAPTER THREE: DEVELOPMENT OF INDICATORS OF BANKS OPERATING IN JORDAN	33
3-1 Development of Assets	35
3-2 Development of Capital Accounts and Allowances	36
3-3 Development of Credit Facilities	38
3-4 Development of Deposits	43
3-5 Financial Soundness Indicators of Banks Operating in Jordan	46
CHAPTER FOUR: ISLAMIC BANKS OPERATING IN JORDAN	51
4-1 Introduction	53
4-2 Islamic Banks' Share of Assets	53
4-3 Islamic Banks' Share of Deposits	54
4-4 Islamic Banks' Share of Credit Facilities	56
CHAPTER FIVE : FOREIGN BANKS OPERATING IN JORDAN	59
5-1 Introduction	61
5-2 Non-Jordanian (Foreign) Banks' Share of Assets	61
5-3 Non-Jordanian (Foreign) Banks' Share of Deposits	62
5-4 Non-Jordanian (Foreign) Banks' Share of Credit Facilities	64



CONTENTS

CHAPTER SIX: BANKING CONCENTRATION	67
6-1 Introduction	69
6-2 Concentration of Assets	69
6-3 Concentration of Deposits	69
6-4 Concentration of Credit Facilities	69
CHAPTER SEVEN: COMPARATIVE PERFORMANCE OF BANKS OPERATING IN JORDAN DURING 2009	71
7-1 Introduction	73
7-2 Ranking Of Banks By Some Balance Sheet Items	73
7-3 Ranking Of Banks By Some Items in Income Statements	79
7-4 Ranking Of Banks By Most Important Profitability Indicators	81
7-5 Ranking Of Banks By Number Of Employees	83
7-6 Summary Of Most Important Financial Indicators Of Banks Operating in Jordan	84
CHAPTER EIGHT: PERFORMANCE OF THE BANKS LISTED ON AMMAN STOCK EXCHANGE	87
8-1 Share Price Index of Banks Listed on Amman Stock Exchange	89
8-2 Trading Volume of Banks' Shares Listed on Amman Stock Exchange	90
8-3 Ownership of Non-Jordanians in the Equity of Banks Listed on Amman Stock Exchange	91
CHAPTER NINE: DEVELOPMENT OF INTEREST RATES STRUCTURE IN JORDAN	93
9-1 Changes of Interest Rates on Deposits	95
9-2 Changes of Interest Rates on Credit Facilities	96
9-3 Interest Rate Margin	97
9-4 Prime Lending Rate	98
9-5 Changes of Interest Rates on Monetary Policy Tools	99
9-6 Development of Inter-Bank Lending Rates (JODIBOR)	100
9-7 Development of Inter-Bank Lending and Borrowing Interest Rate for One Night (Actual, Declared Price)	102
CHAPTER TEN: CLEARING OF CHEQUES	107
10-1 Introduction	109
10-2 Clearing of Cheques	109
CHAPTER ELEVEN: DEVELOPMENT OF BANKING SERVICES	113
11-1 New Banking Services	115

List of Tables

Table No.	Subject	Page No.
1	Jordanian and Non- Jordanian banks operating in Jordan as of Oct.2010	25
2	Number of Jordanian and foreign banks operating in Jordan (2000 – Oct..2010)	26
3	Development of banking density index (2000 - 2009)	27
4	Number of branches, offices and automated teller machines (2000 – 2009)	27
5	Total Assets of Banks Operating in Jordan in Millions of Dinars and It's Ratio to GDP (2000 - Oct. 2010)	35
6	Development of Capital Accounts and Allowances (2000 – Oct. 2010)	37
7	Total Credit Facilities Extended By Banks Operating in Jordan and Its Ratio to GDP (2000 - Oct.2010)	38
8	Development of Types of Credit Facilities Extended By Licensed Banks (2000 - Oct. 2010)	40
9	Distribution of Credit Facilities Extended By Licensed Banks over Economic Sectors (2000 - Oct. 2010)	41
10	Total Deposits with Liccensed Banks Operating in Jordan and its Ratio to GDP (2000 - Oct.2010)	43
11	Types of Deposits at the Banks Operating in Jordan (2000 - Oct. 2010)	45
12	Distribution of Assets between Commercial Banks and Islamic Banks (2000 – 2009)	53
13	Distribution of Deposits between Commercial Banks and Islamic Banks (2000 – 2009)	55
14	Distribution of Credit Facilities between Commercial Banks and Islamic Banks (2000 – 2009)	56
15	Distribution of Assets between Jordanian Banks and Non-Jordanian Banks (2000 – 2009)	61
16	Distribution of Deposits between Jordanian Banks and Non-Jordanian Banks (2000 – 2009)	63
17	Distribution of Credit Facilities between Jordanian Banks and Non-Jordanian Banks (2000 - 2009)	64
18	Total Assets of Banks Operating in Jordan at the End of 2009	74
19	Credit Facilities Extended By Banks Operating in Jordan at the End of 2009	75
20	Capital of Banks Operating in Jordan at the End of 2009	76
21	Total Deposits at Banks Operating in Jordan at the End of 2009	77
22	Shareholders' Equity of Banks Operating in Jordan at the End of 2009	78
23	Pre-Tax Profit of Banks Operating in Jordan at the End of 2009	79
24	Net After-Tax Profit of Banks Operating in Jordan at the End of 2009	80
25	Average Return on Assets for the Banks Operating in Jordan in 2009	81
26	Average Return on Equity for the Banks Operating in Jordan in 2009	82
27	Number Of Employees At Banks Operating in Jordan At The End of 2009	83



List of Tables

28	Share Price Index Weighted By Market Value (2000 – Oct. 2010)	89
29	Trading Volume of Bank Shares Listed on Amman Stock Exchange (2000 – Oct. 2010)	90
30	Share Of Non-Jordanians in The Equity Of Banks (2000 – Oct.2009)	91
31	Weighted Average Interest Rates On Deposits (2000 – Oct. 2010)	95
32	Weighted Average Of Interest Rates On Credit Facilities Extended By Banks (2000 – Oct. 2010)	96
33	Interest Rate Margin (2000 – Oct. 2010)	97
34	Prime Lending Rate (2000 – Oct. 2010)	98
35	Interest Rates On Monetary Policy Tools (2000 – Oct. 2010)	99
36	Development Of Inter-Bank Lending Interest Rates (JODIBOR) as of the end of (2005 –Oct. 2010)	101
37	Inter-Bank Weighted Lending Rates for One Night (Actual /Declared Price) (2005 – 2009)	102
38	Inter-Bank Weighted Lending Rates For One Night (Actual, Declared Price) During 2010	103
39	Inter-Bank Activity Volume For One Night During 2010	104
40	Clearing of Cheques (2000 – 2009)	109
41	Cheques in Processing And Returned Cheques	110
42	New Banking Services During 2009	115-116

List of Figures

Table No.	Subject	Page No.
1	Development of number of Jordanian and foreign banks operating in Jordan (2000 - Oct.2010)	26
2	Development of number of branches in and outside Jordan (2000 - 2009)	28
3	Distribution of branches of operating banks on the Kingdom's governorates at the end of 2009	28
4	Development of number of offices in and outside Jordan (2000 - 2009)	29
5	Development of number of ATM's (2000 - 2009)	29
6	Number of ATMs per million persons in Jordan (2005 - 2009)	30
7	Number of ATMs per 1,000 square kilometers	30
8	Distribution of ATMs in Jordan according to governorates (%)	31
9	Distribution of ATMs in Jordan according to region (%)	31
10	Domestic and Foreign Assets of Banks Operating in Jordan (2000 - Oct. 2010)	36
11	Distribution of Licensed Banks' Assets at the End of Oct. 2010	36
12	Capital Accounts and Allowances of Banks Operating in Jordan (2000 - Oct. 2010)	37
13	Credit Facilities Extended By Banks Operating in Jordan in Domestic and Foreign Currencies (2000 - Oct. 2010)	39
14	Distribution of Credit Facilities Extended By Banks Operating in Jordan at the End of October 2010	39
15	Development of Credit Facilities According To Type (2000 - Oct. 2010)	40
16	Distribution of Credit Facilities According To Type at the End of October 2010	41
17	Distribution of Credit Facilities Extended By Licensed Banks according to Economic Sectors (2000 - Oct. 2010)	42
18	Distribution of Credit Facilities According to Economic Sectors at the End of Oct. 2010	42
19	Deposits with licensed Banks in Jordanian Dinars and in Foreign Currencies (2000 - Oct. 2010)	44
20	Distribution of Deposits According To Currency at the End of October 2010	44
21	Distribution of Deposits According To Type at the End of October 2010	45
22	Capital Adequacy Ratio	46
23	Ratio of Non-Performing Loans to Total Loans	47
24	Return on Equity (ROE)	48
25	Return on Assets (ROA)	48
26	Liquidity Ratio	49
27	Distribution of Assets between Commercial Banks and the Islamic Banks (2000 - 2009)	54
28	Distribution of Assets between Commercial Banks and the Islamic Banks in 2009	54
29	Distribution of Deposits between Commercial Banks and Islamic Banks (2000 - 2009)	55



List of Figures

30	Distribution of Assets between Commercial Banks and the Islamic Banks in 2009	56
31	Distribution of Credit Facilities between Commercial Banks and Islamic Banks (2000 - 2009)	57
32	Distribution of Credit Facilities between Commercial Banks and Islamic Banks in 2009	57
33	Distribution of Assets between Jordanian Banks and Non-Jordanian Banks (2000 - 2009)	62
34	Distribution of Assets between Jordanian Banks and Non-Jordanian Banks In 2009	62
35	Distribution of Deposits between Jordanian Banks and Non-Jordanian Banks (2000 - 2009)	63
36	Distribution of Deposits between Jordanian Banks and Non-Jordanian Banks In 2009	64
37	Distribution of Credit Facilities between Jordanian Banks and Non-Jordanian Banks (2000 - 2009)	65
38	Distribution of Credit Facilities between Jordanian and Non-Jordanian Banks in 2009	65
39	Banking concentration in 2000 and in 2009	69
40	Summary Of Most Important Financial Indicators Of Banks Operating in Jordan	84
41	Index Weighted By Market Value (2000 - Oct. 2010)	89
42	Trading Volume (2000 - Oct. 2010)	90
43	Share Of Non-Jordanians in The Equity Of Banks (2000 - Oct.2010)	91
44	Development of Interest Rates on All Types of Deposits (2000 - Oct. 2010)	95
45	Development Of Interest Rates On All Types Of Credit Facilities (2000 - Oct. 2010)	96
46	Interest Rate Margin (2000 - October 2010)	97
47	Prime Lending Rate (2000 - Oct. 2010)	98
48	Development Of Interest Rate On Monetary Policy Tools (2000 - Oct. 2010)	100
49	Development of Inter-bank Lending Rates - JODIBOR- (2005 - Oct. 2010)	101
50	Inter-Bank Weighted Lending Rates (Actual /Declared) for One Night (2005 - 2009)	102
51	Inter-Bank Weighted Lending Rates (Actual /Declared) For One Night During 2010	103
52	Development of Total Inter-bank Loans for One Night During 2010	104
53	Development of Number of Inter-bank Lending and Borrowing Transactions for One Night During 2010	105
54	Ratio of the Value of Returned Cheques to the Value of Circulated Cheques	111
55	Ratio of the Number of Returned Cheques to the Number of Circulated Cheques	111

Chairman's Foreword

Although Jordanian economy was visibly affected by the repercussions of the World Financial Crisis during 2009 and 2010, demonstrated by the increase in budget deficit, the decline in public revenues, the soaring public debt in absolute value, the increase in unemployment rates and the slowing down of economic growth rate to below 3 per cent, the Jordanian banking sector has been able to surpass the pitfalls of the financial crisis with vigor and steadiness that exceeded all expectations as it safeguarded its solvency and stability and was able to register an increasing growth in all principal financial indices.



By the end of October 2010, assets of banks working in Jordan witnessed a notable growth that reached JD34.3b; the balance of credit facilities granted by these banks reached JD14.2b; and, the balance of deposits at Jordanian banks reached JD22.2b.

As for the indices of financial solvency of these banks, the rates of capital adequacy proved the strength of Jordanian banking sector as they registered levels that are higher than the minimum level required by the directives of the Central Bank of Jordan (CBJ) and the Basel II regulations. Furthermore, the rate of non-performing loans to overall loans remained at acceptable levels that did not exceed 8 per cent by the end of June 2010. Jordanian banks' liquidity percentage reached 159.5 per cent by the end of June 2010, which is a margin far higher than the CBJ's requirements.

However, profitability indices showed some decline during 2009 and the first half of 2010, compared with previous years. This decline is due to the banks' deduction of some of their profits as provisions for impairment in credit facilities. This measure has been taken to boost the banks' potential to face credit risks that they might confront in the circumstances of economic slowdown in Jordan and in case some clients' ability to repay their debts is not ascertained.

Finally, we are hopeful that the year of 2011 will witness a better performance for all sectors of Jordanian economy that will be reflected on the performance of the banking sector in general.

H.E Mr. Marwan Awad
Chairman of the Board of Directors

Director General's Address

As the Association of Banks in Jordan is keen to provide the latest data, information and indices on the Jordanian banking sector, we considered issuing the 4th edition of the study on The Development of the Jordanian Banking Sector, to update all data to the most recent date available.

As was the case with the previous editions, this edition's methodology was to divide it into eleven chapters. The 1st chapter handled The Role of the Central Bank of Jordan in Running Monetary Policy, while the 2nd chapter discussed the status of Banks Operating in Jordan in terms of Structure and Growth in the Numbers of Banks and their Branches.

The 3rd chapter dealt with the Developments in Assets, Capital accounts and allowances, Deposits, credit Facilities, and indicators of Financial Solvency.

The 4th and 5th chapters discussed the shares of commercial and Islamic banks, as well as the share of Jordanian and non-Jordanian banks in total assets, deposits and credit facilities.

The 6th chapter handled the issue of concentration in the Jordanian banking market; it reviewed the shares of the three largest banks in terms of assets, deposits and credit facilities.

The 7th chapter focused on the comparative analysis of the performance of banks operating in Jordan during 2009 according to a number of financial indicators.

The 8th chapter reviewed the performance of banks listed in Amman Stock Exchange in terms of the price index, trading Volume, and the share of non-Jordanian ownership in banks listed in the stock exchange.

The 9th chapter discussed the development of the interest rates structure in the Jordanian banking market, while the 10th chapter discussed the checks clearance and the 11th chapter reviewed the development in banking services.

As we issue this study, we hope that it will contribute to shed more light on the performance of the Jordanian banking sector during the first decade of the 21st century, especially in light of the financial and economic crises that hit most countries in the world. We also hope that this study will be a complete reference for all those concerned.



Dr. Adli Kandah
Director General

CHAPTER ONE

THE CENTRAL BANK OF JORDAN AND THE MONETARY POLICY

- 1-1 Introduction**
- 1-2 Monetary Policy Tools**
- 1-3 Monetary Policy Trends
(2000-October 2010)**
- 1-4 Most Important
Instructions Issued By The
Central Bank of Jordan
(2000-October 2010)**
- 1-5 Banking Control Tools
Used By The Central Bank
of Jordan**
- 1-6 Implementation Of Basel II
in Jordan**

1-1 Introduction

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 towards maintaining monetary and financial stability, promoting the sustained economic growth and social development of the kingdom in accordance with the general economic policy of the government, and contributing towards enhancing the investment environment. To achieve the above-mentioned objectives, the Central Bank formulated six institutional goals that include:

1. Maintaining monetary stability by:

- a. Maintaining a stable and appropriate inflation rate.
- b. Maintaining exchange rate stability and ensuring the convertibility of the Jordanian Dinar.
- c. Maintaining an interest rate structure consistent with the level of economic activity.
- d. Establishing the appropriate environment to accumulate savings and finance investment.
- e. Holding and managing the Kingdom's reserve in foreign currencies and gold.

2. Ensuring the convertibility of the Jordanian dinar By:

- a. Supplying the domestic market with an adequate supply of foreign currency.
- b. Holding and managing the Kingdom's reserve in foreign currencies and gold.
- c. Continuous monitoring over the exchange rates of the major currencies.
- d. Supervising money exchangers and banks to ensure their compliance with CBJ regulations.

3. Ensuring the soundness of the banking sector by:

- a. Verifying the healthy conduct and performance of the banking sector institutions and the soundness of their financial positions according to CBJ regulations, which are based on international core principles.
- b. Verifying the banking sector's compliance with corporate governance principles.

4. Maintaining a secure and well developed domestic payments system by:

- a. Monitoring and managing the Real Time Gross Settlement System (RTGS-JO).
- b. Clearing of incoming and outgoing Cheques through the Electronic Cheques Clearing System (ECCS-JO).

5. Maintaining the integrity and confidence in the Jordanian currency by:

- a. Applying high security features in the banknotes.
- b. Maintaining high quality banknotes by withdrawing and destroying the unfit banknotes from circulation.
- c. Providing the Jordanian market with adequate supply of banknotes and coins to accommodate normal demand and exceptional demand in case of emergencies.
- d. Combating counterfeit of the national currency.

6. Promoting monetary and financial knowledge by:

- a. Managing the bank's library and providing it with proper sources of information.

- b. Publishing local economic data and statistics on daily, weekly, bi-weekly, semi-annually, and annually basis.
- c. Holding public awareness campaigns to educate people about jobs of the Central Bank and its role in the national economy. Furthermore, designing brochures, pamphlets, and booklets concerning related topics.
- d. Supporting the Institute of Banking Studies.

1-2 Monetary Policy Tools

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

1- Direct (Traditional) Tools:

Until the early 90's of the past century, the Central Bank managed the monetary policy and controlled the volume and growth of liquidity in the national economy by using the direct (or traditional) tools. These tools included the rediscount rate, the required reserve ratio, and, sometimes, direct ceilings on credit facilities. Moreover, during that period, the Central Bank used the administrative measures to influence the banking credit structure and its cost through specifying the interest rate on loans and deposits, and obliging the banks to direct a portion of their financial portfolios to specific investments.

2- Indirect Monetary Policy:

Because of the inefficiency of direct tools in achieving the desired influence on liquidity level in the national economy, and because of its negative impacts on the prices and the structure of the banking sector, the Central Bank of Jordan adopted from the end of 1993 the indirect approach in managing the monetary policy through the open market operations, which is commonly used by the Central Banks in developed countries for managing monetary policy. The Central Bank uses certificates of deposit as a tool for managing domestic liquidity. Issuing certificates of deposit helps in absorbing excess liquidity from the national economy and, subsequently, nullifies the effect on prices and exchange rate. By contrast, the repurchase of certificates of deposit helps in pumping more liquidity, whenever needed, in the national economy, besides its role in facilitating the banks' management of their 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 managing monetary policy.

1-3 Monetary Policy Trends (2000-October 2010)

year	Most important monetary policy
2000	The Central Bank of Jordan adopted a series of monetary measures that aimed to provide an adequate volume of liquidity to enhance economic activity in Jordan, 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 policy tools and slashed the required reserve ratio.
2001	The monetary policy safeguarded the stability of the Jordanian dinar exchange rates and the general price level, 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 policy tools.
2002	The Central Bank continued managing the monetary policy to maintain the dinar exchange rate stability against dollar and control prices at low levels, in addition to maintain interest rates in line with the general economic conditions. The Central Bank used open market operations through certificates of deposit and continued to lower interest rates on its monetary policy tools.
2003	The Central Bank was keen to preserve monetary stability represented by the stability of the general price level 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 the interest rates on its monetary policy tools. The Central Bank continued its measures to enhance the security and soundness of the Jordanian banking system through; raising the minimum capital of licensed banks, and extending capital adequacy ratio to include market risk as well as country risk. Moreover, the last stage of the national payments system was executed, which aimed to reduce inter-bank liquidity risks.
2004	The Central Bank raised interest rates on its monetary policy tools several times during the year in line with interest rate movements in the 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.
2005	In line with interest rate movements in the 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 acceptable inflation rate. The Central Bank also continued its measures to enhance the strength of the Jordanian banking sector through a number of measures that regulate the operations of banks and boost its capability to keep up with developments in the international banking industry, especially the requirements of Basel II committee.
2006	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 risk management techniques in accordance with the best international practices, especially the requirements of Basel II committee.
2007	The Central Bank continued to use the indirect tools represented basically by certificates of deposit. The Central Bank also amended the interest rate on repurchase agreements allowing licensed banks to execute repurchase agreements with the Central Bank for one night instead of one week.
2008	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 global 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 Central Bank also twice lowered interest rates on all monetary tools and reduced the required reserve ratio. 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.
2009	The Central Bank followed an expansionary monetary policy to ease the repercussions of the global financial crisis on the Jordanian economy, and to maintain monetary stability. The Central Bank cut interest rates on all monetary policy tools for three times during 2009, by 50 basis points a time. Also, the Central Bank reduced the required reserve ratio two times to reach 7%, and stopped issuing certificates of deposit since Oct. 2008 in order to enhance local liquidity in the national economy.
October 2010	During the first ten months of 2010, the Central Bank reduced interest rates on all monetary policy tools by 50 basis points. Also, the Central Bank did not issue any certificates of deposit during that period of 2010.

1-4 Most Important Instructions Issued By the Central Bank of Jordan (2000-October 2010)

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 - October 2010 period.

2000	2006	2008
<ul style="list-style-type: none"> • Acquisition of real estate. • Banks' acquisition of insurance companies. 	<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. 	<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.
2001		
<ul style="list-style-type: none"> • Conducting Banks' activities via electronic means. • Bonded services. • Credit limits "credit concentration". 	<ul style="list-style-type: none"> • Compliance. • Management of banks' assets/liabilities in foreign currencies. 	<ul style="list-style-type: none"> • Ownership of influential interest in capital of Jordanian banks. • Stress test.
2002		
<ul style="list-style-type: none"> • Acquisition of shares and stakes in capital of companies. • Interest on deposits and credit facilities. 		
2003	<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. 	<ul style="list-style-type: none"> • Acquiring Effective Interest. • Anti-money laundering and terrorist financing.
2004		
<ul style="list-style-type: none"> • Electronic transfer of funds. • Cross-border establishment for Jordanian banks. • Mandatory cash reserve. 		
2005		
<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. 		
2007		
		2009
		<ul style="list-style-type: none"> • Ownership of influential interest in capital of Jordanian banks. • Stress test.
		October 2010
		<ul style="list-style-type: none"> • Acquiring Effective Interest. • Anti-money laundering and terrorist financing.

1-5 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 analyzed 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.

1-6 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 standardized 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 regulators 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 departments 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.

In addition to the above, other challenges appear to surface including the lack of a comprehensive and complete historical data that can be relied on for the application of advanced methods in measuring risks, poor coordination between regulatory authorities in other countries.

CHAPTER TWO

BANKS OPERATING IN JORDAN

2-1 Banks Operating in Jordan

2-2 Number of Licensed Banks

2-3 Banking Embranchments

2-1 Banks Operating in Jordan

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 October 2010:

Table (1)

Jordanian and Non- Jordanian Banks Operating in Jordan as of Oct.2010

	#	Bank's Name	Established in	
Jordanian Banks	Commercial Banks	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
Jordanian Banks	Islamic Banks	1	Jordan Islamic Bank	1978
		2	International Islamic Arab Bank	1997
		3	Jordan Dubai Islamic Bank	2009
Foreign Banks	1	HSBC	1949	
	2	Egyptian Arab Land Bank	1951	
	3	Rafidain Bank	1957	
	4	CitiBank	1974	
	5	Standard Chartered	2002	
	6	Bank Audi	2004	
	7	National Bank of Kuwait	2004	
	8	BLOM Bank	2004	
	9	National Bank of Abu Dhabi	2009	

2-2 Number of Licensed Banks

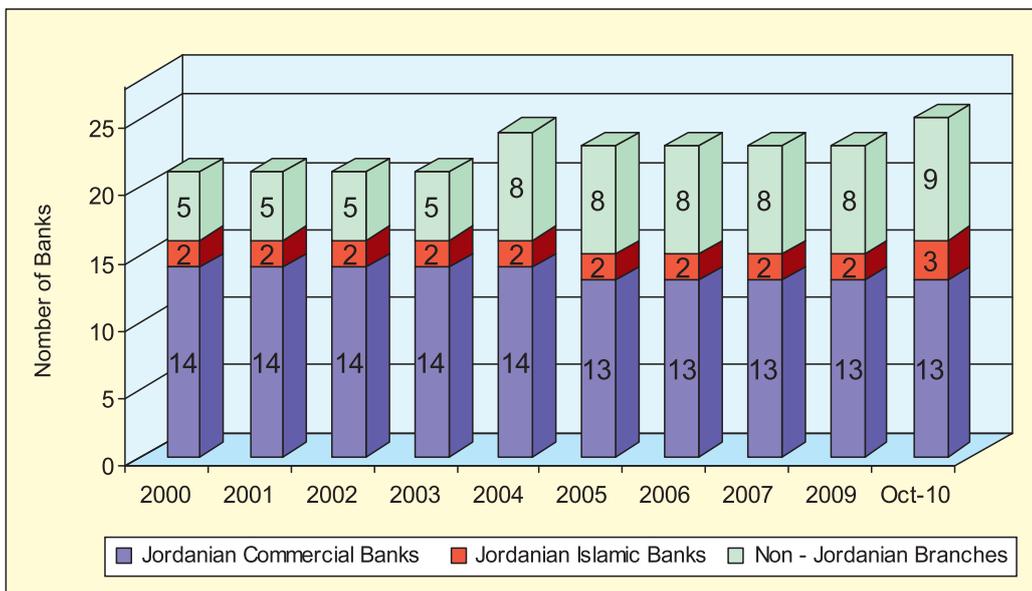
The number of licensed banks operating in Jordan rose from 21 banks in 2000 to 25 banks at the end of October 2010. Of the total, 16 banks are Jordanian (three of them are Islamic banks), and nine banks are foreign (six of them are Arab banks). This rise in the number of banks was the result of an increase 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 Jordanian 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. However, in 2009, number of licensed banks reached to 25 banks, after the central bank has granted licenses to two banks (Jordan Dubai Islamic Bank and National Bank of Abu Dhabi).

Table (2)
Number of Jordanian and Foreign Banks Operating in Jordan
(2000 - Oct.2010)

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
2008	13	2	8	23
2009	13	2	8	23
Oct.2010	13	3	9	25

- Source: Association of Banks in Jordan, Annual Reports

Figure (1)
Development of Number of Jordanian and Foreign Banks Operating in Jordan
(2000-Oct.2010)



2-3 Banking Embranchments

a) Number of Branches

At the end of 2009, the licensed banks operated 619 branches inside the Kingdom. As such, the banking density index (number of people/ total number of branches of banks operating in Jordan) stood at around 9661 persons per branch at the end of 2009 compared to 9865 persons per branch in 2008 and 10238 persons per branch in 2007.

Table (3)

Development of Banking Density Index (2000 - 2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Banking Density Index *	10890	10728	10824	11648	11969	10816	10853	10238	9865	9661

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

The expansion and spread of banks outside Jordan shows a total of 144 branches outside the borders of the Kingdom at the end of 2009. 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 (4)

Number of Branches, Offices and Automated Teller Machines (2000 – 2009)

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
2009	619	144	66	23	1023

- Source: Association of Banks in Jordan, Annual Reports

Figure (2)

Development of Number of Branches In and Outside Jordan (2000-2009)

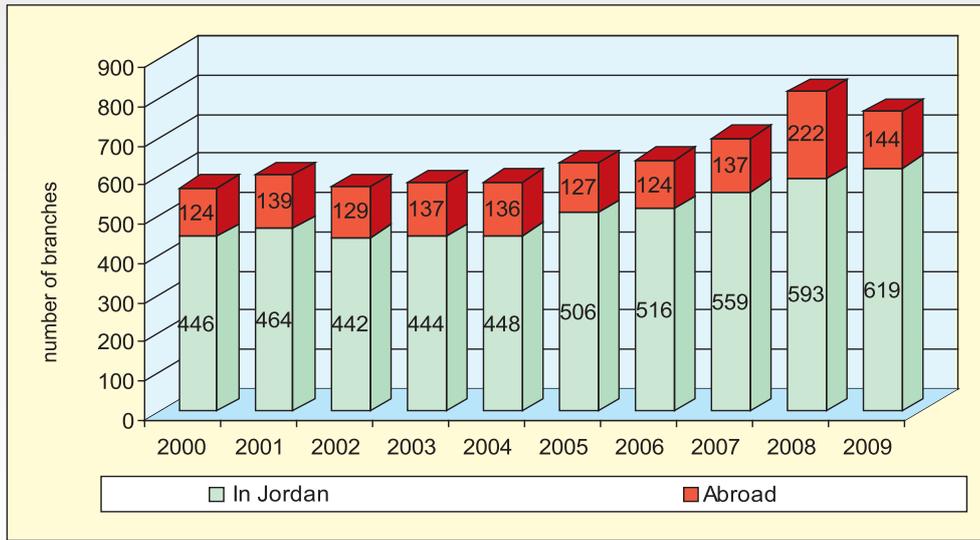
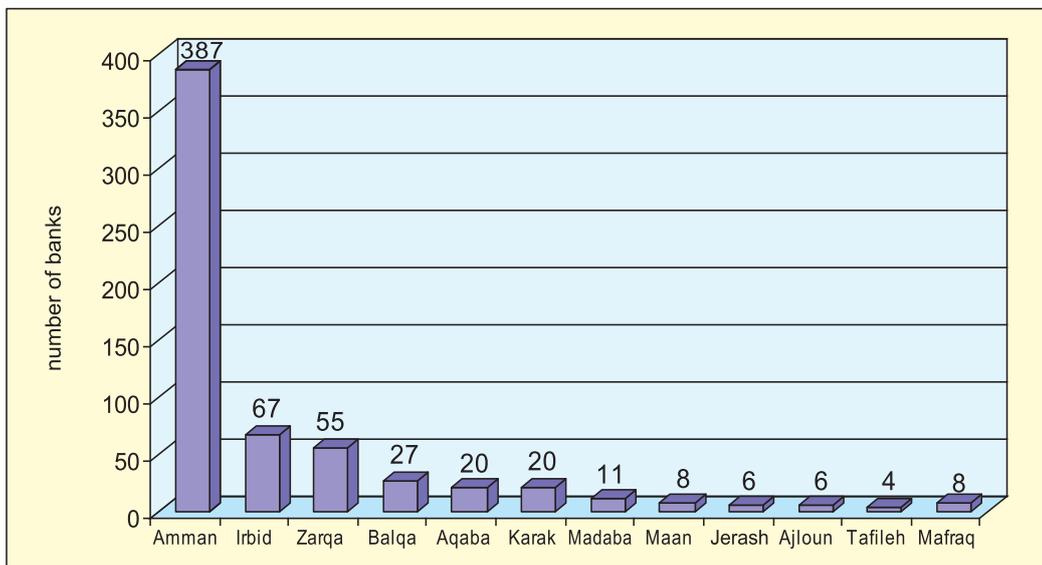


Figure (3)

Distribution of Branches of Operating Banks on the Kingdom's Governorates at the end of 2009

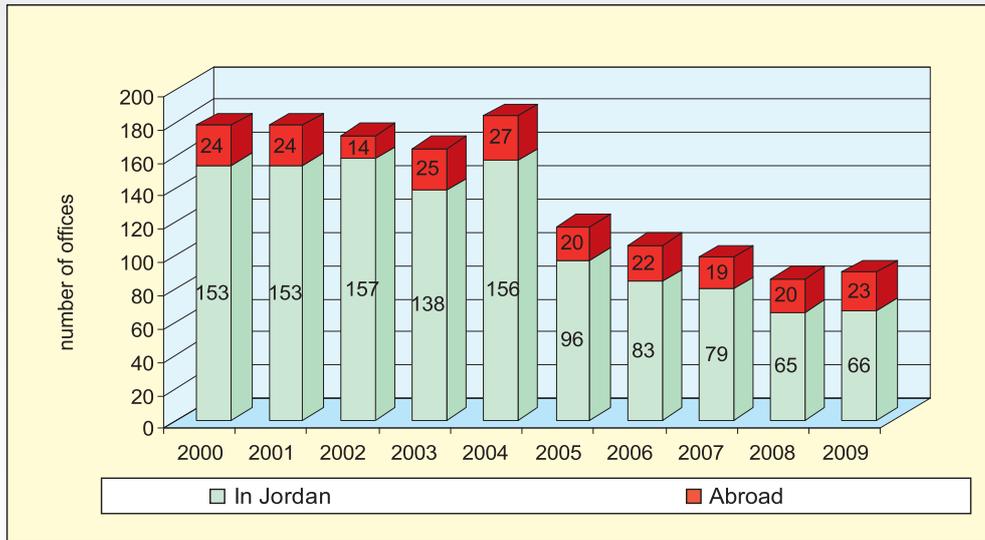


b) Number of Offices

The licensed banks operated 66 offices inside the Kingdom and 23 offices outside the borders at the end of 2009.

Figure (4)

Development of Number of Offices in and Outside Jordan (2000-2009)



c) Number of Automated Teller Machines (ATMs)

Banks operating in Jordan 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 governorates of the Kingdom and at the branches of banks as well as major shopping centers, hospitals and universities. At the end of 2009, the total number of ATMs all over the Kingdom reached to 1023 machines.

It should be noted that the number of ATMs for every million inhabitants in Jordan has increased from 121 units in 2005 to 171 units at the end of 2009.

Figure (5)

Development of Number of ATM's (2000-2009)

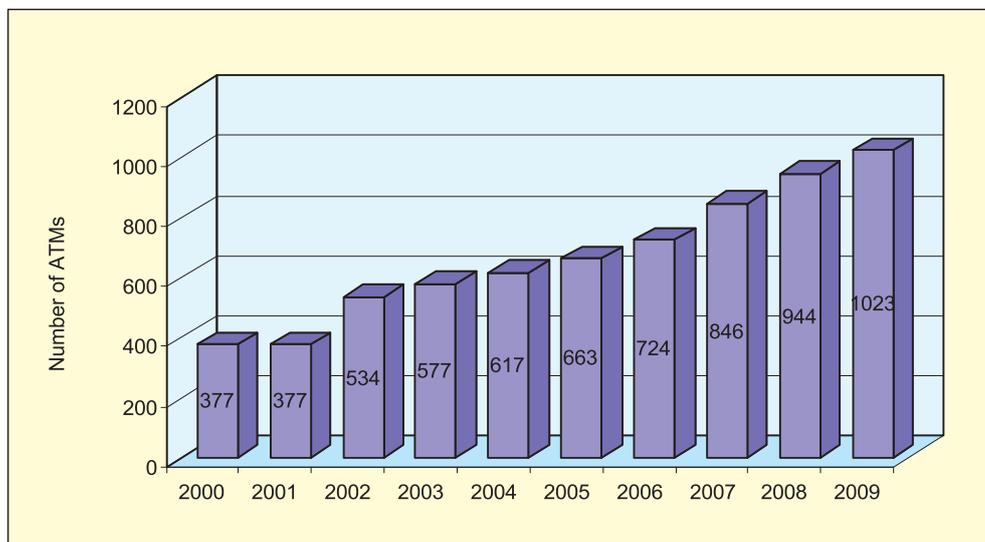
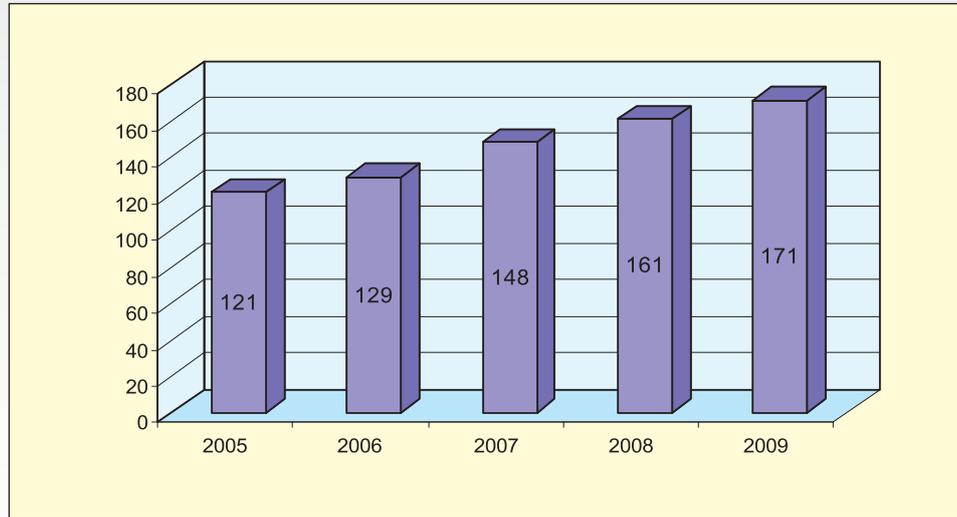


Figure (6)

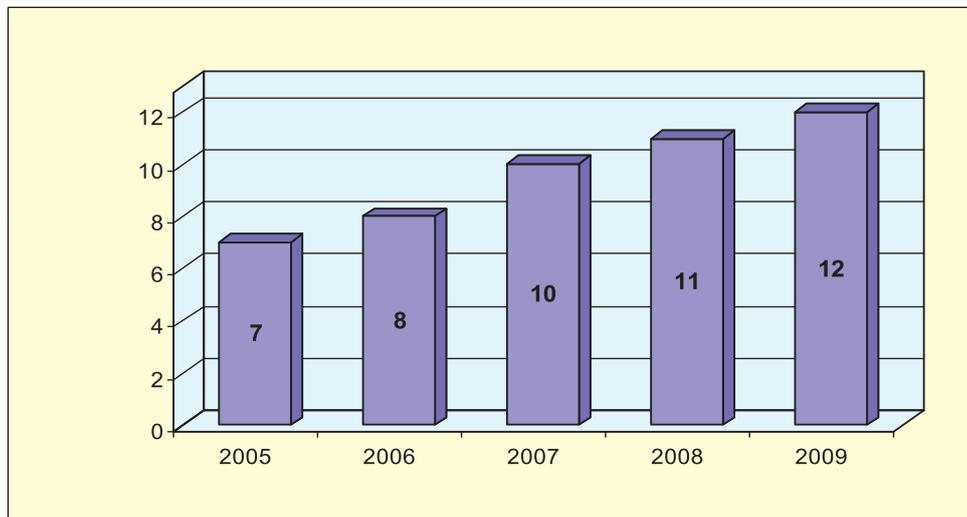
Number of ATMs per Million Persons in Jordan (2005-2009)



In terms of ATMs for each 1,000 square Kilometers, the number has increased from seven per 1,000 square Kilometers in 2005 to 12 ATMs per 1,000 square kilometers in 2009.

Figure (7)

Number of ATMs per 1,000 Square Kilometers



Geographically, statistics show that 65.8 percent of all ATMs exist in the Amman governorate. Irbid comes in second place with 9.4 percent, followed by 7.8 percent in Zarqa. The share of the remaining governorates does not exceed 4 percent.

Within this context, and by dividing the Kingdom into three regions, ATMs in the central region account for 78.9 percent of the total, the northern region follows with 12.4 percent and the southern region trails with 8.7 percent. It is evident that there is high concentration in the central region due to the high population density compared to other regions.

Figure (8)

Distribution of ATMs in Jordan According to Governorates (%)

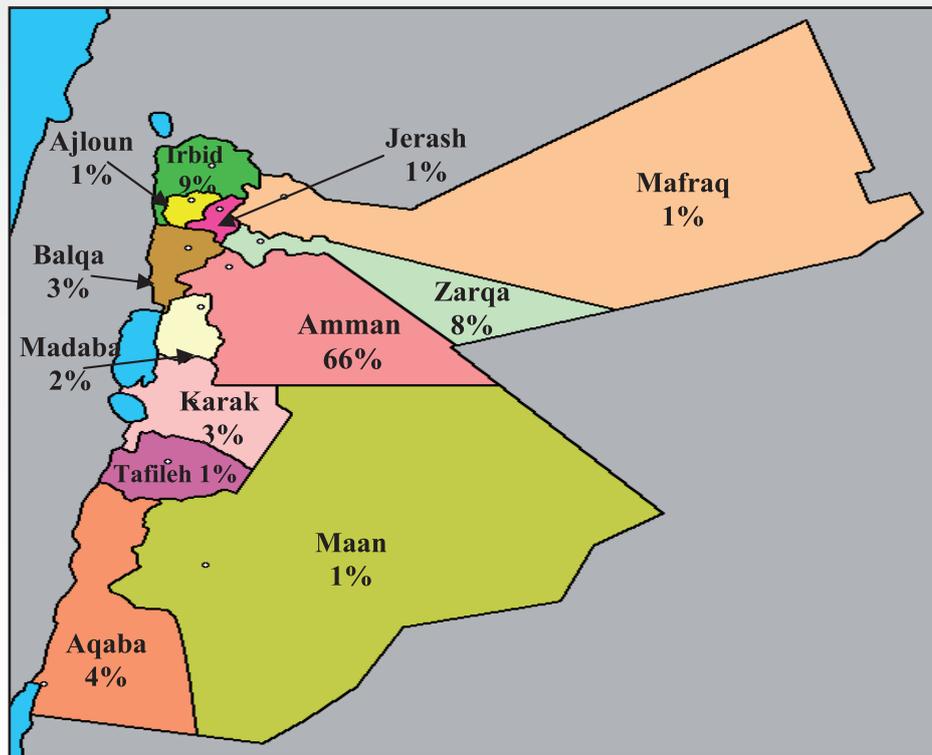
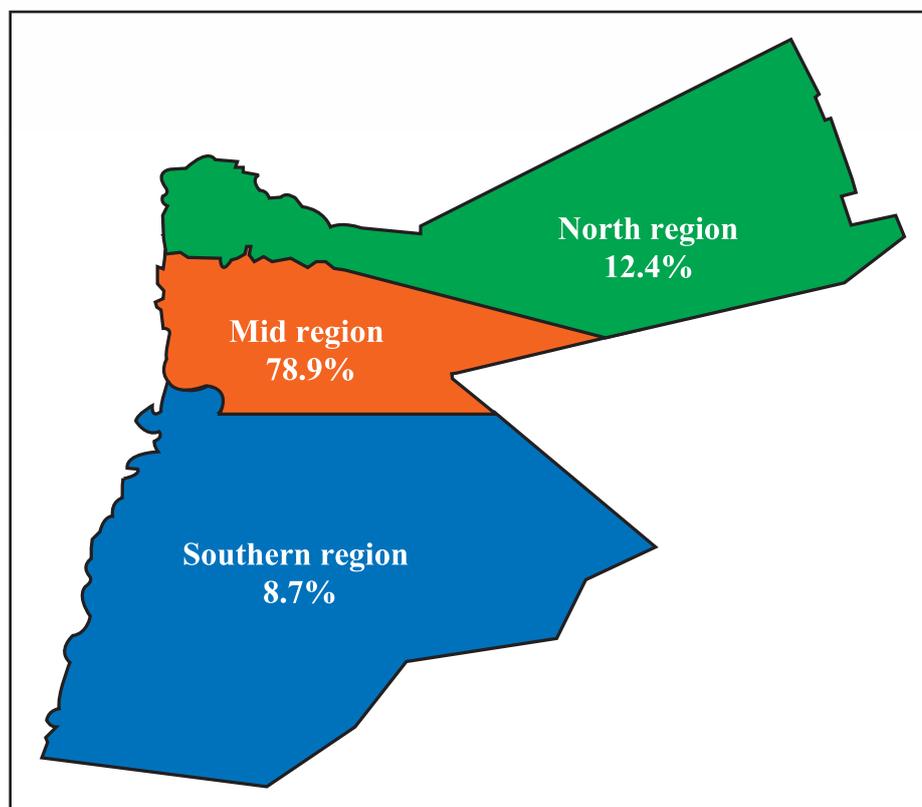


Figure (9)

Distribution of ATMs in Jordan According to Region (%)



CHAPTER THREE

DEVELOPMENT OF INDICATORS OF BANKS OPERATING IN JORDAN

3-1 Development of Assets

**3-2 Development of Capital
Accounts and Allowances**

**3-3 Development of Credit
Facilities**

3-4 Development of Deposits

**3-5 Financial Soundness
Indicators of Banks
Operating in Jordan**

3-1 Development of Assets

Assets of banks operating in Jordan rose markedly by JD21.5 billion or approximately a 166 percent growth rate between the year 2000 and October 2010. The total assets increased from JD12.9 billion at the end of 2000 to JD34.3 billion at the end of October 2010 at a growth rate of 12 percent annually. Total assets of licensed banks as a percentage of GDP stood at about 213 percent during the period 2000-2009, reflecting the importance and the size of the Jordanian banking sector in relation to the Jordanian economy as a whole.

An evident growth was achieved in the rate of domestic assets to total assets of banks operating in Jordan since 2005 until the end of October 2010 as it reached 82 percent. The rate of foreign assets regressed noticeably from 28.7 in 2000 to 18 percent at the end of October 2010. One reason for the change in the structure of banks' assets could be the global financial crisis and its effects on the external sector in terms of lower exports and imports. For banks operating in Jordan, this led to reduce foreign assets that were mostly directed to finance the external sector.

Table (5)
Total Assets of Banks Operating in Jordan in Millions of Dinars
and It's Ratio to GDP (2000 - Oct. 2010)

year	Total Assets JD Million	Domestic Assets		Foreign Assets		Change in Total Assets (%)	Total Assets/ GDP (%)
		JD Million	% of total Assets	JD Million	% of total Assets		
2000	12913.5	9201.8	71.26	3711.7	28.74	11.80	215.28
2001	14153.6	9825.6	69.42	4328	30.58	9.60	222.43
2002	15119.3	10626.6	70.28	4492.7	29.72	6.80	222.54
2003	15701.5	11319.7	72.09	4381.8	27.91	3.90	217.21
2004	17821.1	12819.0	71.93	5002.1	28.07	13.50	220.59
2005	21086.5	15724.7	74.57	5361.8	25.43	18.30	236.25
2006	24237.6	18034.2	74.41	6203.4	25.59	14.90	218.50
2007	26815.6	20299.1	75.70	6516.5	24.30	10.64	212.89
2008	29796.6	23986.3	80.50	5810.3	19.50	11.12	184.98
2009	31956.9	26647.2	83.38	5309.7	16.62	7.25	179.38
Oct. 2010	34362.0	28205.8	82.08	6156.2	17.92	7.53	-

- Source: Central Bank of Jordan

Figure (10)

Domestic and Foreign Assets of Banks Operating in Jordan (2000 – Oct. 2010)

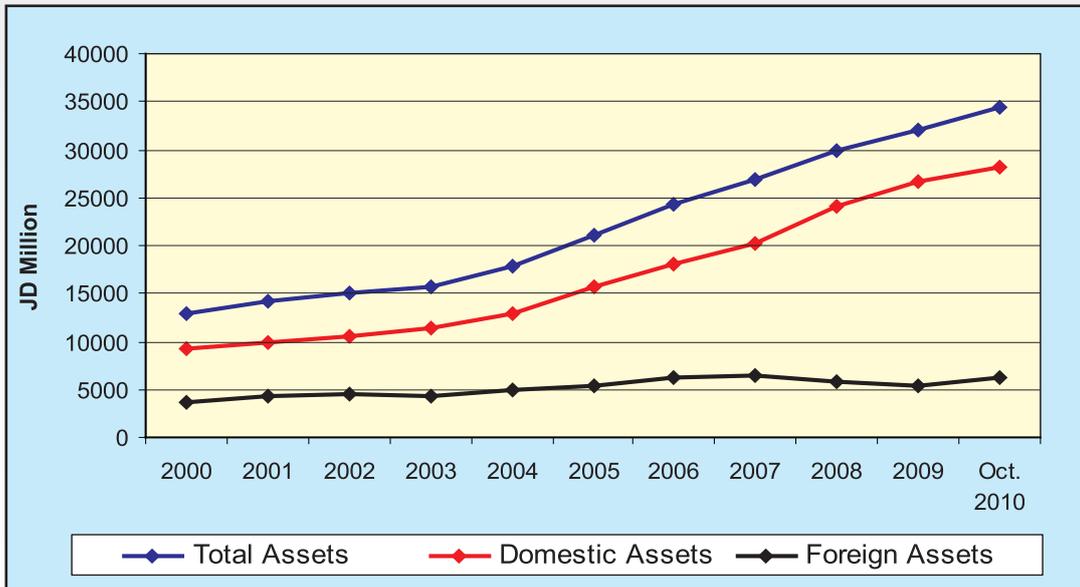
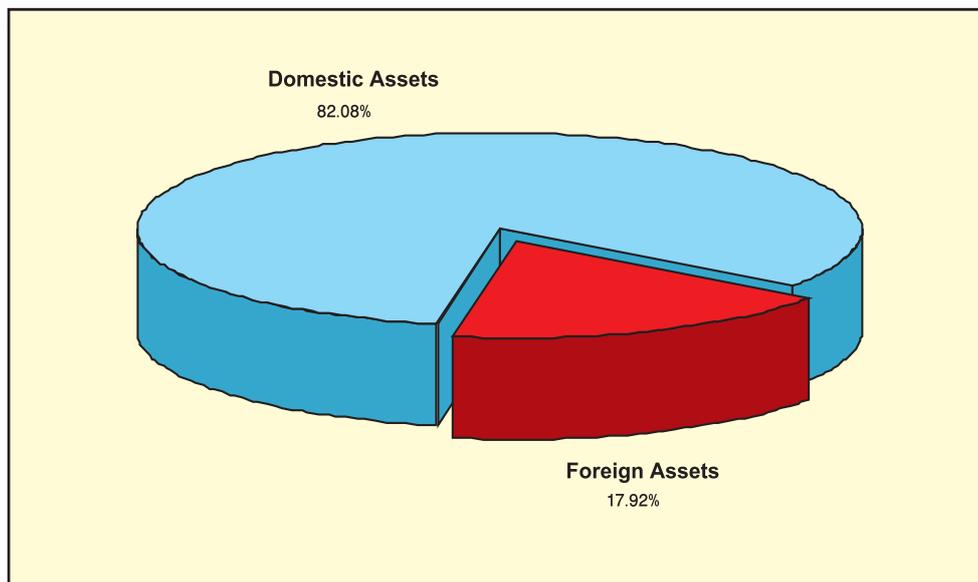


Figure (11)

Distribution of Licensed Banks' Assets at the End of Oct. 2010



3-2 Development of Capital Accounts and Allowances

The considerable growth in capital accounts and allowances of licensed banks in Jordan since the year 2000 until October 2010 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 accounts and allowances went up, from the year 2000 until the end of October 2010, by around JD3.5 billion at an average growth rate of 13 percent annually. This growth markedly accelerated starting from 2004, and reached its highest level in 2006 when the growth rate in capital accounts and allowances

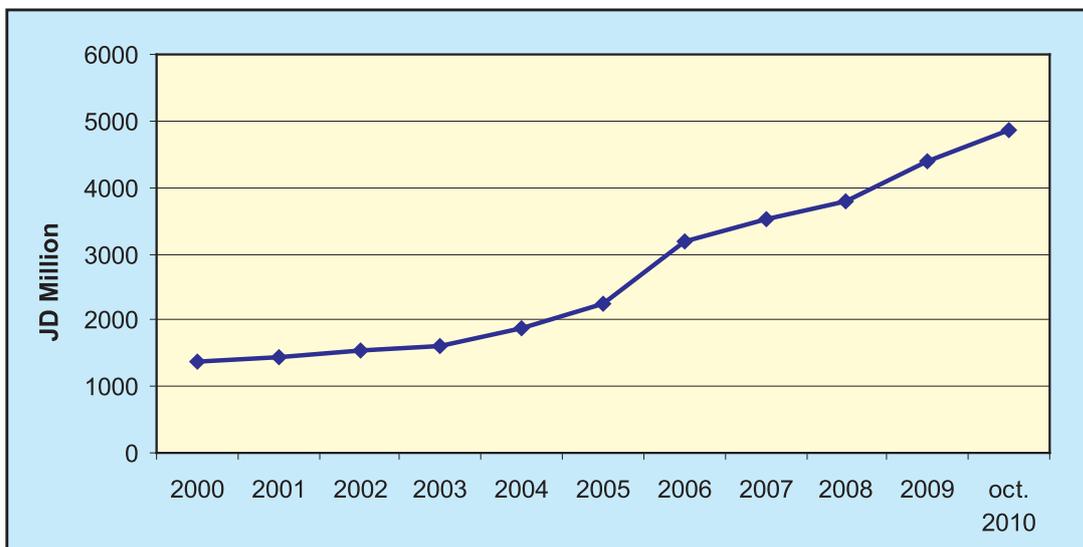
raised to 41.3 percent. It should be noted that the main reasons for the growth in this account was due to the central bank's request from the Jordanian banks on 20-8-2003 to raise their minimum capital from JD20 million to JD40 million by the end of 2007. All the banks, except for one, were able to increase their capitals to more than JD40 millions in 2005 and 2006 before the 2007 deadline. In addition, the continuous increase in the banks' capital complies with the Central Bank efforts to increase the capital of banks, which led to issuing the instructions of the minimum capital of licensed banks No. 52/2010 in 16/12/2010. The new instructions set the minimum required capital for Jordanian banks at JD100 million, and for branches of foreign banks at JD50 million.

Table (6)
Development of Capital Accounts and Allowances (2000 - Oct. 2010)

year	Capital Accounts and Allowances (JD Million)	Growth Rate (%)
2000	1377.9	4.66
2001	1436.2	4.23
2002	1545.1	7.58
2003	1623.2	5.05
2004	1874.3	15.47
2005	2252.6	20.18
2006	3183.3	41.32
2007	3523.0	10.67
2008	3803.5	7.96
2009	4374.8	15.02
Oct. 2010	4856.6	11.01

- Source: Central Bank of Jordan.

Figure (12)
**Capital Accounts and Allowances of Banks Operating in Jordan
(2000 - Oct. 2010)**



3-3 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 JD14.2 billion at the end of October 2010. The JD9.7 billion rise represents a 213 percent surge at an annual growth rate of 11.4 percent.
- Credit facilities extended by banks operating in Jordan in Jordanian dinars went up from JD3.9 billion in 2000 to JD12.6 billion at the end of October 2010. The JD8.7 billion rise represents a 220 percent surge at an annual growth rate of 12.8 percent. Credit facilities in foreign currencies increased by JD1 billion at an annual average growth rate of 11.5 percent.
- Credit facilities in local currency at the end of October 2010 represented 88.5 percent of total credit facilities extended by banks operating in Jordan. Credit facilities in foreign currencies represented around 11.5 percent of total credit facilities.
- The continued growth in the percentage of credit facilities to GDP can be well noticed especially in the last few years. This substantiates the importance of the banking sector in the Jordanian economy.

Table (7)

Total Credit Facilities Extended By Banks Operating in Jordan and Its Ratio to GDP (2000 - Oct.2010)

year	Total Credit Facilities	Domestic Credit Facilities		Foreign Credit Facilities		Change in Total Credit facilities (%)	Total Credit Facilities/ GDP (%)
	JD Million	JD Million	% of Total Credit Facilities	JD Million	% 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	8.85	77.77
2002	5,130.0	4,311.9	84.05	818.1	15.95	3.66	75.51
2003	5,262.4	4,333.0	82.34	929.4	17.66	2.58	72.80
2004	6,189.2	5,227.9	84.47	961.3	15.53	17.61	76.50
2005	7,744.3	6,887.4	88.94	856.9	11.06	25.13	86.77
2006	9,761.9	8,761.8	89.76	1,000.1	10.24	26.05	88.00
2007	11,295.6	10,199.7	90.30	1,095.9	9.70	15.71	89.68
2008	13,044.3	11,370.1	87.17	1,674.2	12.83	15.48	80.98
2009	13,317.2	11,771.7	88.39	1,545.5	11.61	2.09	74.75
Oct. 2010	14,228.4	12,591.2	88.49	1,637.2	11.51	6.84	-

- Source: Central Bank of Jordan

Figure (13)
Credit Facilities Extended By Banks Operating in Jordan
in Domestic and Foreign Currencies (2000 – Oct. 2010)

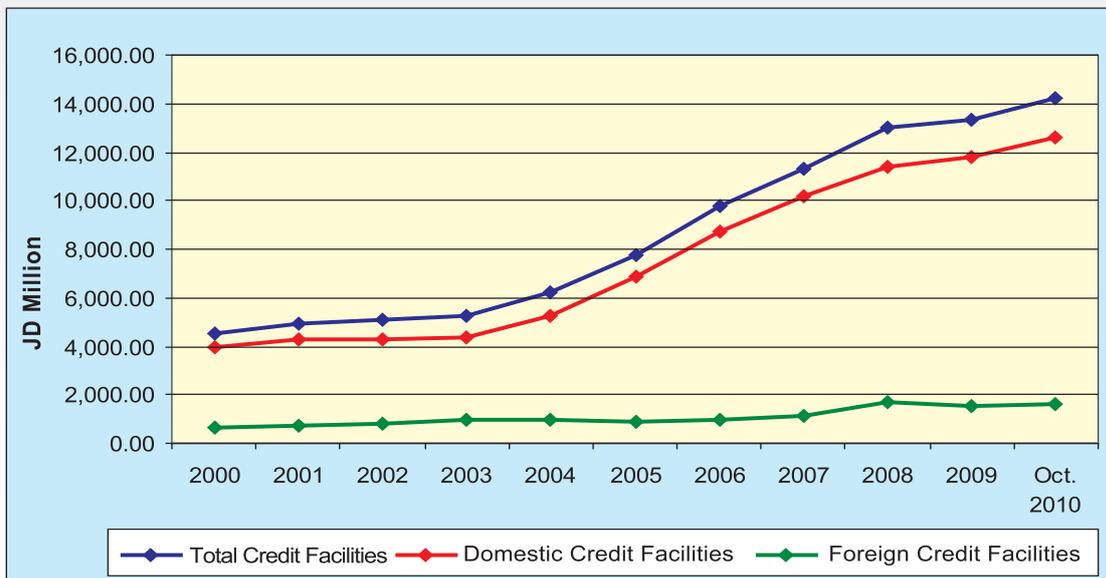
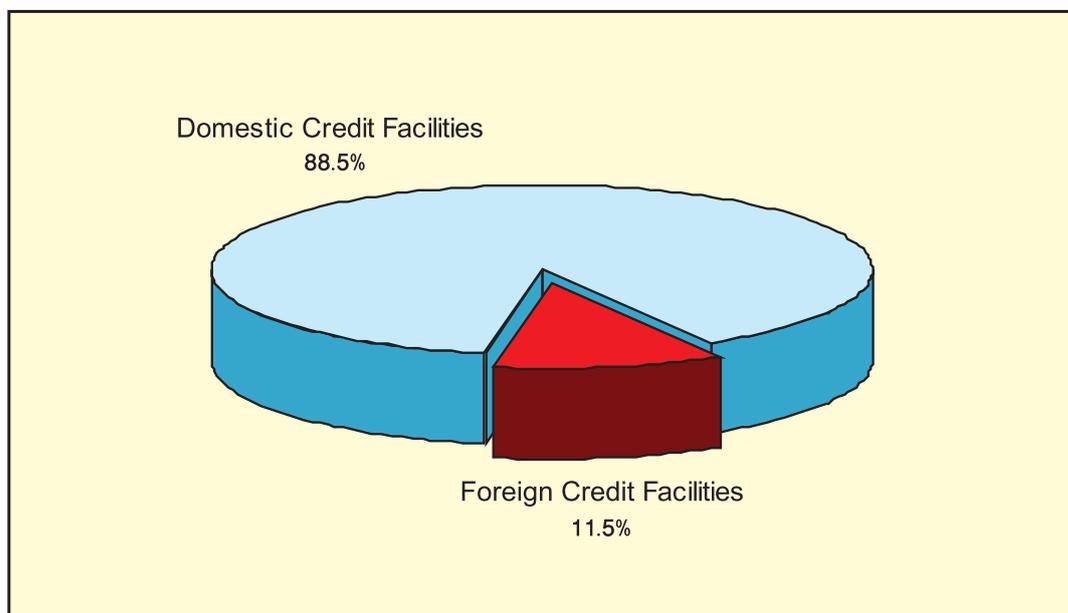


Figure (14)
Distribution of Credit Facilities Extended By Banks Operating in Jordan
at the End of October 2010



B) Development of Credit Facilities According to Type:

- The rate of loans and advances to total credit facilities went up progressively from 59.6 percent in 2000 to 86.1 percent at the end of October 2010. This rise reflects the fact that retail banking is gaining more ground in the operations of banks in Jordan.
- The rate of overdrafts to total credit facilities declined markedly from 31.2 percent in 2000 to 11.9 percent at the end of October 2010. Also, the rate of bills discounted to total credit facilities has dropped from 9.1 percent in 2000 to 2.0 percent at the end of October 2010.

Table (8)

**Development of Types of Credit Facilities Extended By Licensed Banks
(2000 - Oct. 2010)**

year	Overdraft		Loans & Advances		Bills Discounted		Total
	JD Million	%	JD Million	%	JD Million	%	
2000	1419.8	31.2	2711.4	59.6	415.3	9.1	4546.5
2001	1368.2	27.6	3115.1	62.9	465.3	9.4	4948.6
2002	1304.2	25.4	3428.6	66.8	397.2	7.7	5130.0
2003	1304.7	24.8	3620.5	68.8	337.2	6.4	5262.4
2004	1343.4	21.7	4499.6	72.7	346.2	5.6	6189.2
2005	1572.9	20.3	5813.9	75.1	357.5	4.6	7744.3
2006	1580.5	16.2	7722.1	79.1	459.3	4.7	9761.9
2007	1658.6	14.7	9199.8	81.4	437.2	3.9	11295.6
2008	1769.6	13.6	10859.0	83.2	415.7	3.2	13044.3
2009	1599.6	12.0	11418.0	85.7	299.6	2.2	13317.2
Oct. 2010	1696.1	11.9	12251.9	86.1	280.4	2.0	14228.4

- Source: Central Bank of Jordan

Figure (15)

Development of Credit Facilities According to Type (2000 – Oct. 2010)

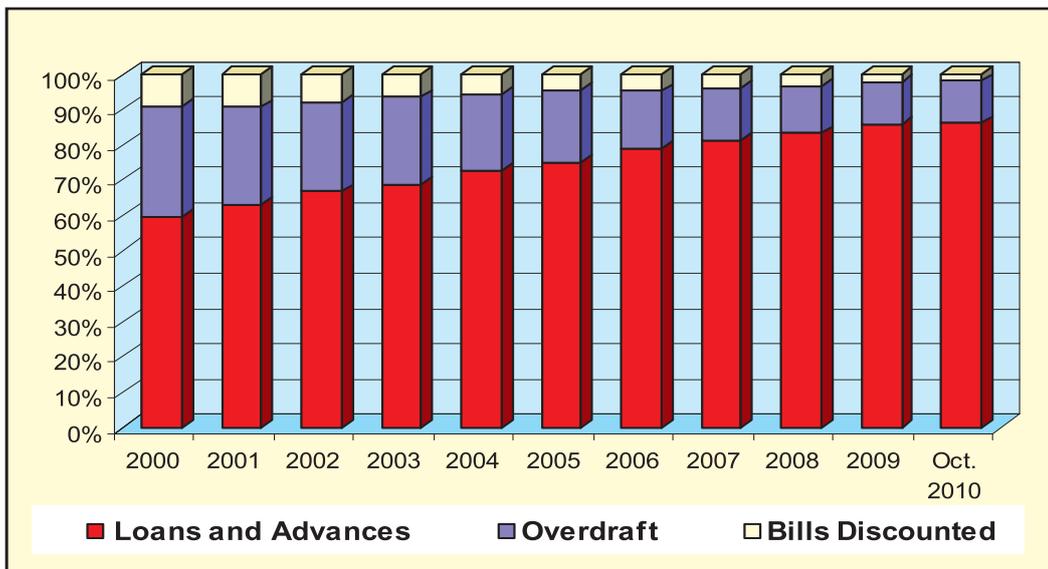
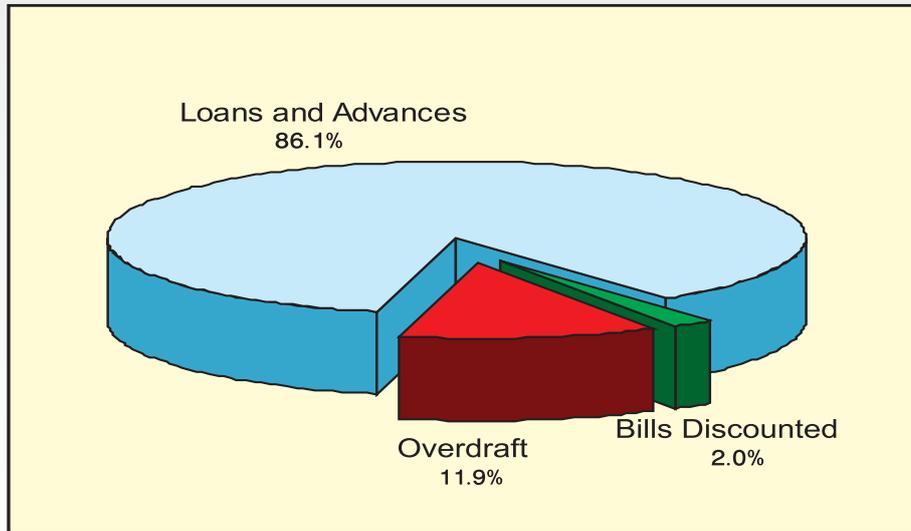


Figure (16)

Distribution of Credit Facilities According to Type at the End of Oct. 2010



C) Distribution of Credit Facilities by Economic Sector:

Three main economic sectors (general trade, construction and industry) accounted for 53.3 percent of total credit facilities extended by banks operating in Jordan during the period 2000–October 2010. 22.9 percent was extended to the general trade sector, 17.5 percent to the construction sector, and 13.0 percent went to the industrial sector. The mining, agriculture, financial services, transport services and tourism sectors did not get more than 18.2 percent of total credit facilities extended by banks during the same period. The remaining 28.5 percent of total credit facilities were “other credits”.

Table (9)

**Distribution of Credit Facilities Extended by Licensed Banks
over Economic Sectors (2000 - Oct. 2010)**

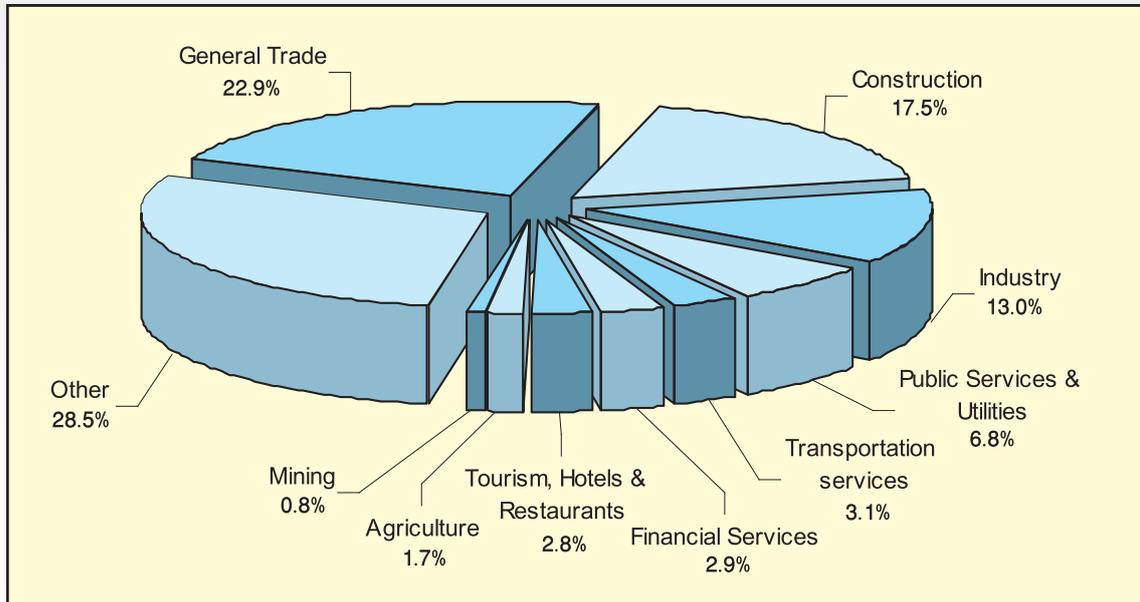
JD Million

Sectors	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Oct. 2010
Agriculture	128.0	105.5	102.9	98.8	113.6	110.9	140.9	156.2	210.0	231.2	219.6
Mining	100.7	77.7	95.3	78.0	77.7	56.5	42.8	65.7	48.3	60.2	86.4
Industry	683.4	728.6	789.8	801.4	895.3	981.6	1093.1	1348.1	1597.6	1631.2	1875.4
General Trade	1112.5	1206.1	1250.9	1327.3	1472.9	1585.0	1916.6	2434.7	2897.5	3195.4	3430.4
Construction	744.9	728.9	764.9	804.5	953.2	1162.1	1560.8	1942.1	2293.1	2582.5	3135.3
Transportation services	134.2	132.1	163.6	166.6	174.1	219.6	291	352.3	370.5	453.1	503.9
Tourism, Hotels & Restaurants	155.2	171.0	173.5	172.8	154.9	181.2	195.1	255.8	366.6	427.9	490.9
Public Services & Utilities	240.0	326.4	349.7	349.0	494.3	554.1	637.3	733.7	870.3	909.5	996.2
Financial Services	152.8	150.9	139.7	133.1	97.2	176.1	242.1	390.1	437.7	434.1	407.8
Other	1094.8	1321.7	1299.7	1330.9	1756.0	2717.2	3642.2	3616.9	3952.7	3392.1	3082.5

- Source: Central Bank of Jordan.

Figure (17)

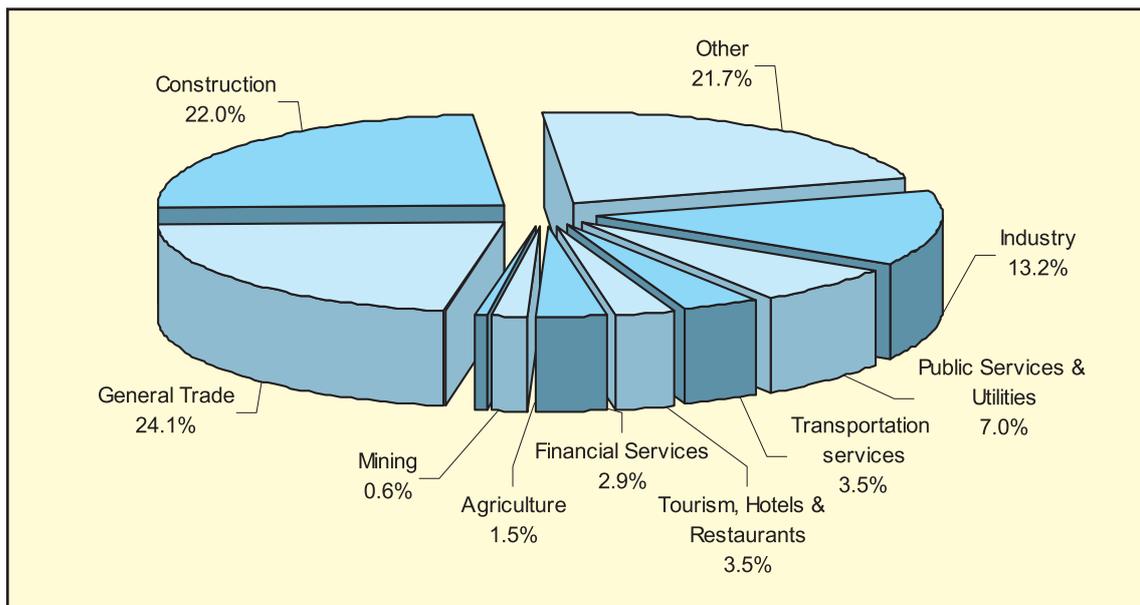
**Distribution of Credit Facilities Extended by Licensed Banks
According to Economic Sectors (2000 - Oct. 2010)**



* Rates shown in this Figure were computed by adding all credit facilities extended to each sector during the period (2000-October 2010), and then dividing by the total credits.

Figure (18)

**Distribution of Credit Facilities According to Economic Sectors
at the End of Oct. 2010**



3-4 Development of Deposits

A) Deposits With Licensed Banks in Jordanian Dinars and in Foreign Currencies:

The balance of deposits at the banks operating in Jordan rose gradually from JD8.2 billion in 2000 to JD22.2 billion at the end of October 2010. The JD14 billion increase or 170 percent translate into a 10.5 percent annual growth rate. The percentage of total deposits to GDP at current market prices slipped from 137.1 percent in 2000 to 113.9 percent at the end of 2009.

As for the structure of deposits by currency, deposits in Jordanian dinars as a percentage of total deposits rose from 60.8 percent in 2000 to 78 percent at the end of October 2010. In contrast, foreign currency deposits as a percentage of total deposits regressed considerably from 39.2 percent in 2000 to 22 percent at the end of October 2010. 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.

Table (10)

Total Deposits with Licensed Banks and its Ratio to GDP (2000 - Oct.2010)

Year	Total Deposits (JD Million)	Deposits in Jordanian Dinars		Foreign Currency Deposits		Change in Deposits (%)	% of Total Deposits (%)
		JD Million	% of Total Deposits	JD Million	% of Total Deposits (%)		
2000	8224.5	5000.2	60.8	3224.3	39.2	9.6	137.1
2001	8721.3	5203.7	59.7	3517.6	40.3	6	137.1
2002	9367.7	5532.6	59.1	3835.1	40.9	7.4	137.9
2003	9969.4	6082.9	61.0	3886.5	39.0	6.4	137.9
2004	11564.1	6878.7	59.5	4685.4	40.5	16	142.9
2005	13119.3	8364.5	63.8	4754.8	36.2	13.4	147.0
2006	14591.9	9427.1	64.6	5164.8	35.4	11.2	131.5
2007	15988.1	10618.0	66.4	5370.1	33.6	9.6	126.9
2008	18102.6	13348.5	73.7	4754.1	26.3	13.2	112.4
2009	20298.4	15865.0	78.2	4433.4	21.8	12.1	113.9
Oct. 2010	22225.2	17338.4	78.0	4886.8	22.0	9.5	-

- Source: Central Bank of Jordan

Figure (19)
Deposits with Licensed Banks in Jordanian Dinars and in Foreign Currencies
(2000 – Oct. 2010)

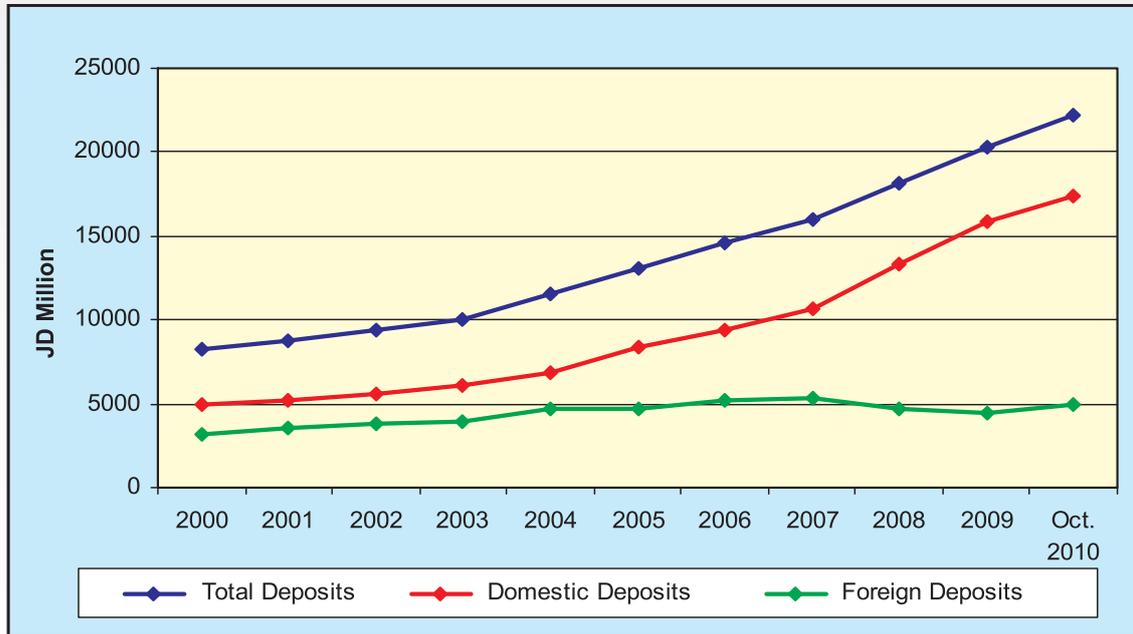
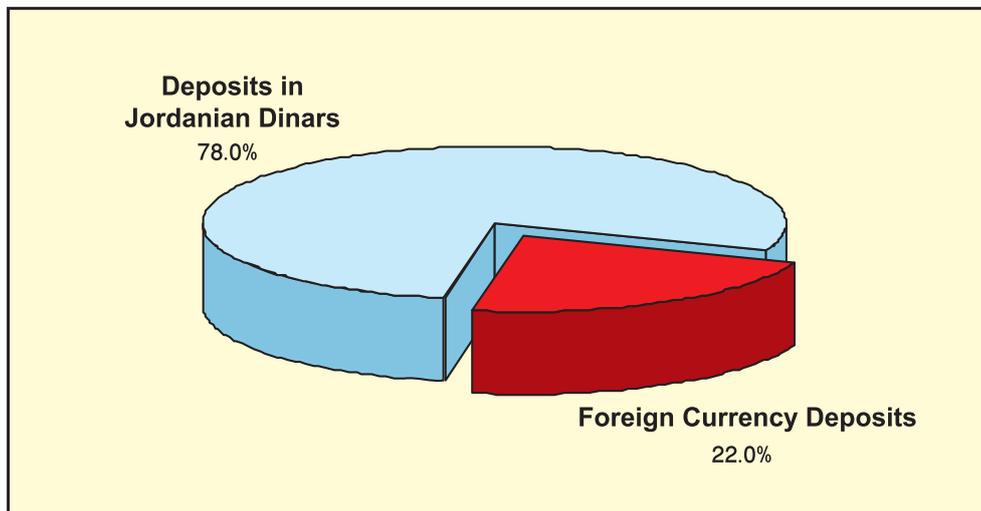


Figure (20)
Distribution of Deposits According to Currency at the End of Oct. 2010



B) Development of Deposits According To Type:

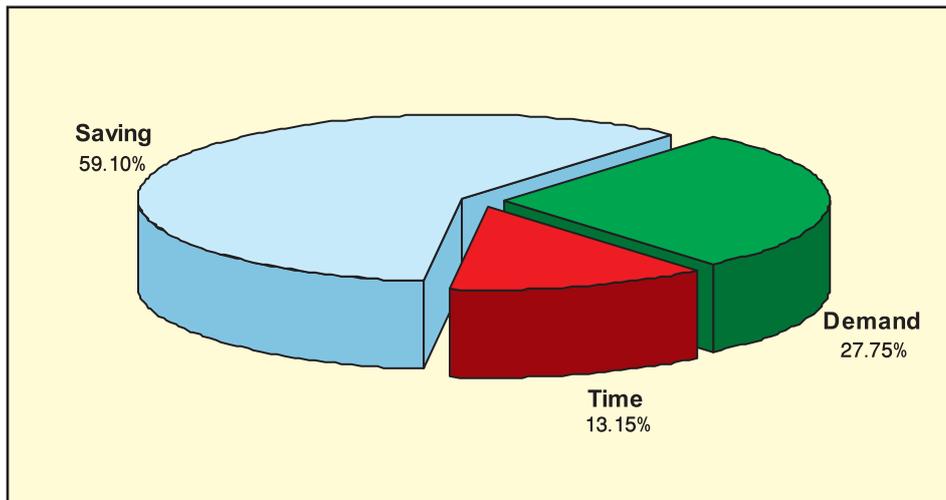
The structure of deposits, in terms of type, changed significantly during the 2000- October 2010 period. The percentage of demand deposits to total deposits increased from 16 percent in 2000 to 27.8 percent at the end of October 2010. In contrast, the time deposits dropped from 72.2 percent in 2000 to 59.1 percent at the end of October 2010. Saving deposits edged up slightly to 13.2 percent at the end of October 2010 compared to 11.8 percent in 2000.

Table (11)
Types of Deposits at the Banks Operating in Jordan (2000 –Oct. 2010)

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	4512.0	24.92	2143.6	11.84	11447.0	63.23	18102.6
2009	5307.4	26.15	2566.4	12.64	12424.6	61.21	20298.4
October 2010	6168.3	27.75	2922.1	13.15	13134.8	59.10	22225.2

- Source: Central Bank of Jordan.

Figure (21)
Distribution of Deposits According To Type at the End of Oct. 2010



3-5 Financial Soundness Indicators of Banks Operating in Jordan

1- Capital Adequacy Ratio:

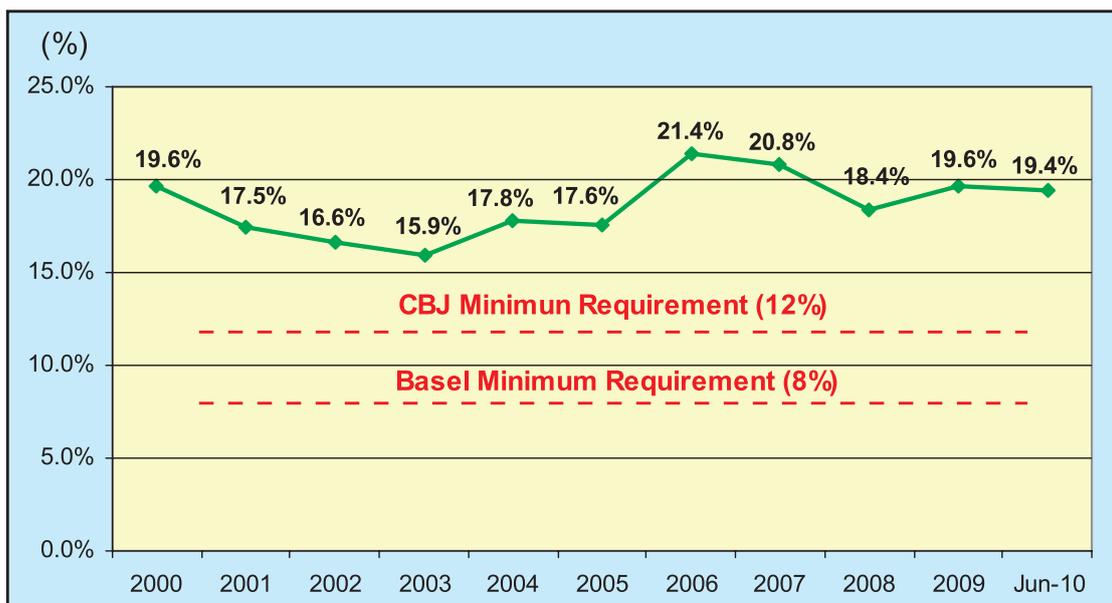
This ratio measures the extent of capital sufficiency held by the bank to face risks it may face. According to the instructions of the Central Bank of Jordan, the regular capital should not be less than 12 percent of assets and off balance sheet items weighted by risks as well as market risks. This ratio is considered the minimum for capital adequacy. The ratio numerator comprises the bank's regular capital which includes (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 underlying risks) and market risks.

Despite the fluctuations of this ratio between 2000 and June 2010, it remained throughout the period within a comfortable range above the 12 percent minimum set by the central bank and the 8 percent minimum set by the Basel Committee. This ratio 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 ratio. However, the capital adequacy ratio reached to 19.4 percent at the end of June 2010 in comparison with 19.6 percent at the end of 2009.

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 2010 period; banks have asserted holding enough capital to face risks despite the big expansion in the usage of funds, especially in extending credit facilities. This strengthens the stability of the banking system in particular, and the financial stability in general.

Figure (22)

Capital Adequacy Ratio



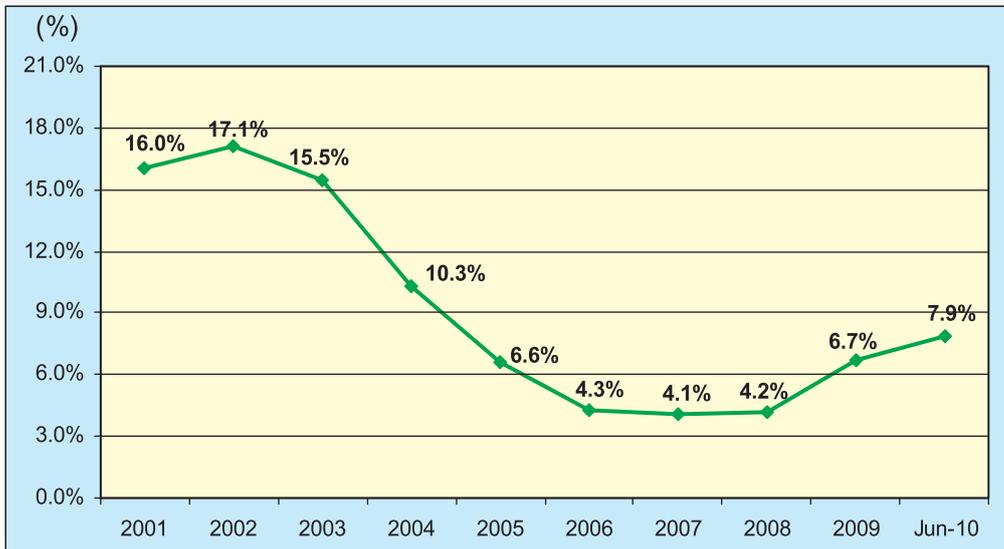
2- Percentage of Non-Performing Loans/ Total Loans

The instructions of the Central Bank of Jordan define non-performing loans as the loans that have been due for 90 days or more. The percentage of non-performing loans to total loans has dropped from 17.1 percent at the end of 2002 to the lowest level in 2007 and 2008, when it reached to 4.1 and 4.2 percent respectively. This drop 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.

The ratio of non-performing loans, however, moved higher to 6.7 percent in 2009 and further to 7.9 percent during the first half of 2010, reflecting the impact of the global 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.

Figure (23)

Ratio of Non-Performing Loans to Total Loans



3- Return on Equity (ROE)

Return on equity can be defined as a measure of profitability that describes the efficiency of the bank's management in generating profits on the funds of owners' equity. Because of continued growth in banks' profits, return on equity 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 9 percent in 2009 and 4.5 percent in the first half of 2010.

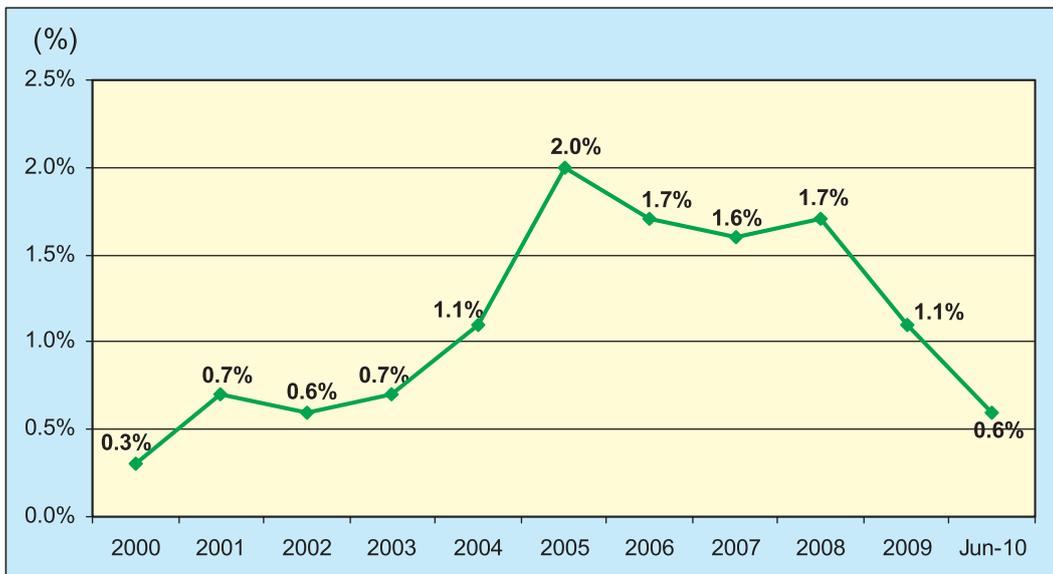
Figure (24)
Return on Equity (ROE)



4- Return On Assets(ROA):

Return on assets is an indicator of how profitable a bank is relative to its total assets. ROA gives an idea as to how efficient management is at; using its assets to generate earnings, and setting its operational, financial and investment policies. ROA reached to its highest level at the end of 2005, when it stood at two percent. However, ROA regressed to 1.1 in 2009 and reached to 0.6 percent in the first half of 2010.

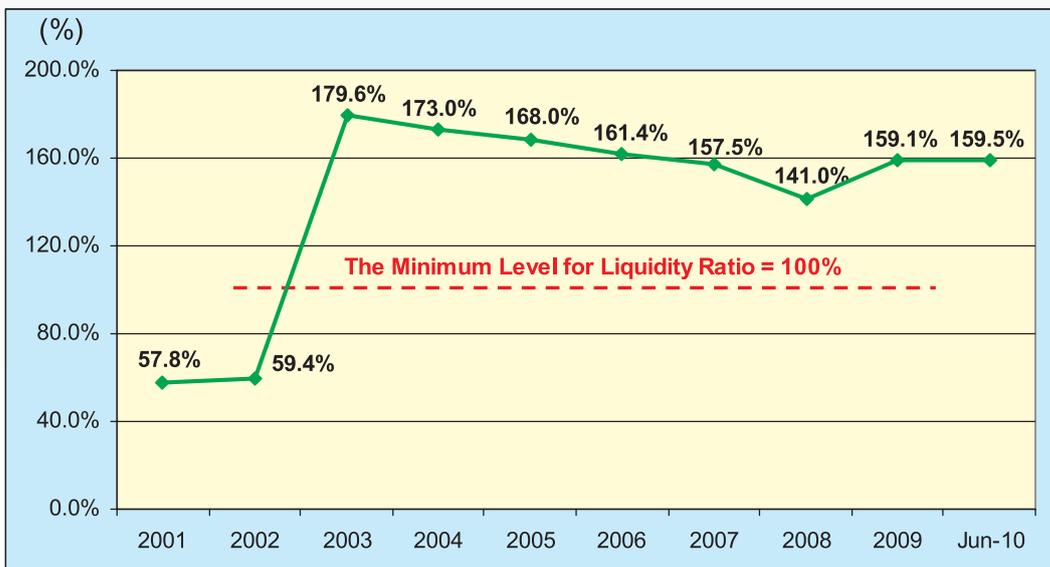
Figure (25)
Return on Assets (ROA)



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 percent at the end of 2008. The percentage edged up to 159.1 percent in 2009, and 159.5 percent in the first half of 2010. From 2003 until now, the liquidity ratio is considered much higher than the 100 percent minimum required by the central bank. 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.

Figure (26)
Liquidity Ratio



CHAPTER FOUR

ISLAMIC BANKS OPERATING IN JORDAN

4-1 Introduction

4-2 Islamic Banks' Share of Assets

4-3 Islamic Banks' Share of Deposits

4-4 Islamic Banks' Share of Credit Facilities

4-1 Introduction

The number of Islamic banks operating in Jordan reached two banks at the end of 2009, both are Jordanian banks. However, at the end of 2009, the Central bank of Jordan granted license to Jordan Dubon Islamic bank to operate in the kingdom. Our discussion in this chapter covers only two banks.

4-2 Islamic Banks' Share of Assets

Table (12) reveals that the share of Islamic banks from the total assets of banks operating in Jordan went up from 7.59 percent in 2000, to 11.38 percent at the end of 2009. 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 88.62 percent at the end of 2009.

Table (12)
Distribution of Assets between Commercial Banks and Islamic Banks
(2000 - 2009)

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
2009	88.62	11.38

- Source: Association of Banks in Jordan, Annual Reports.

Figure (27)

Distribution of Assets between Commercial Banks and the Islamic Banks
(2000 - 2009)

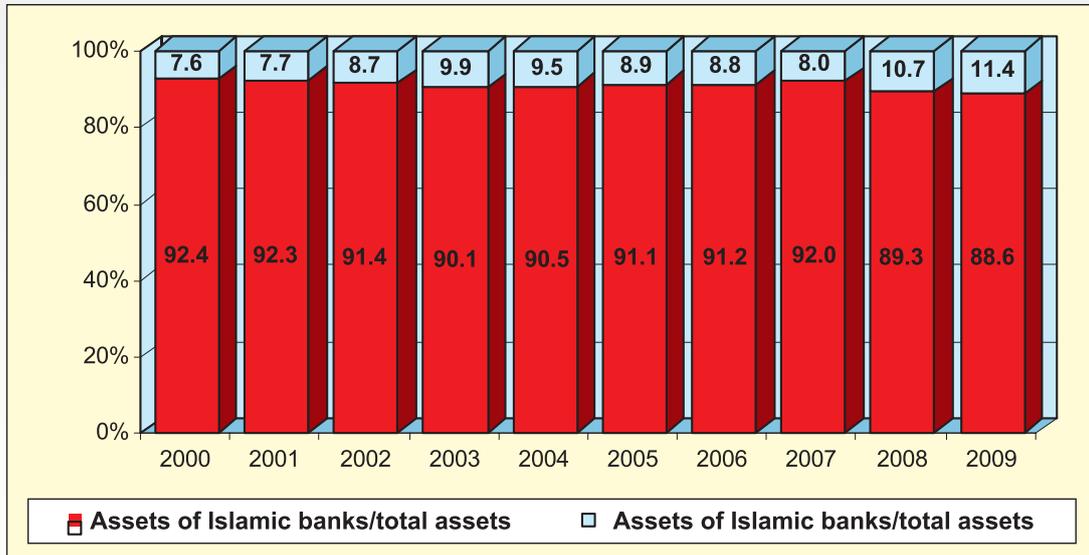
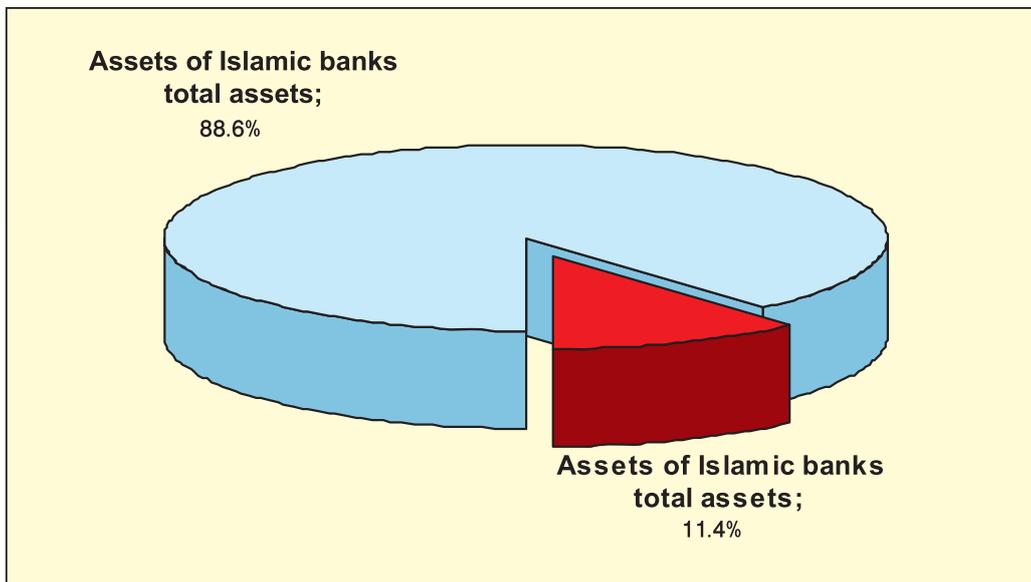


Figure (28)

Distribution of Assets between Commercial Banks and the Islamic Banks in 2009



4-3 Islamic Banks' Share of Deposits

The share of Islamic banks from total deposits of the banking sector in Jordan increased from 7.3 percent in 2000 to the highest level of 13.4 percent at the end of 2009. Conversely, the share of commercial banks from total deposits declined from 92.7 percent in 2000 to 86.6 percent at the end of 2009.

Table (13)
Distribution of Deposits between Commercial Banks and Islamic Banks
(2000 - 2009)

Year	Deposits at Commercial banks/total deposits (%)	Deposits at 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
2009	86.58	13.42

- Source: Association of Banks in Jordan, Annual Reports.

Figure (29)
Distribution of Deposits between Commercial Banks and Islamic Banks
(2000 - 2009)

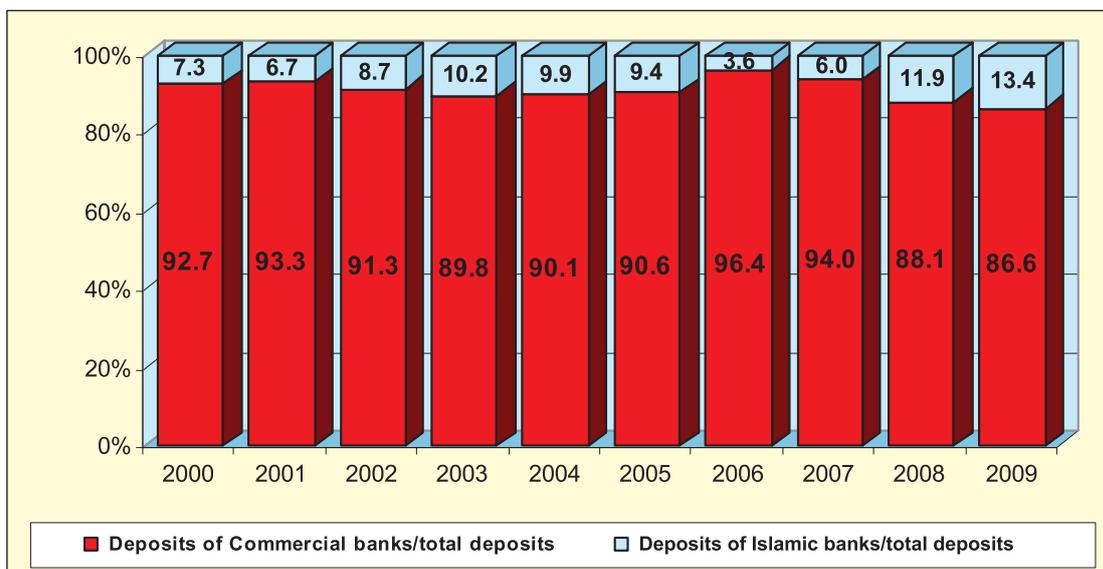
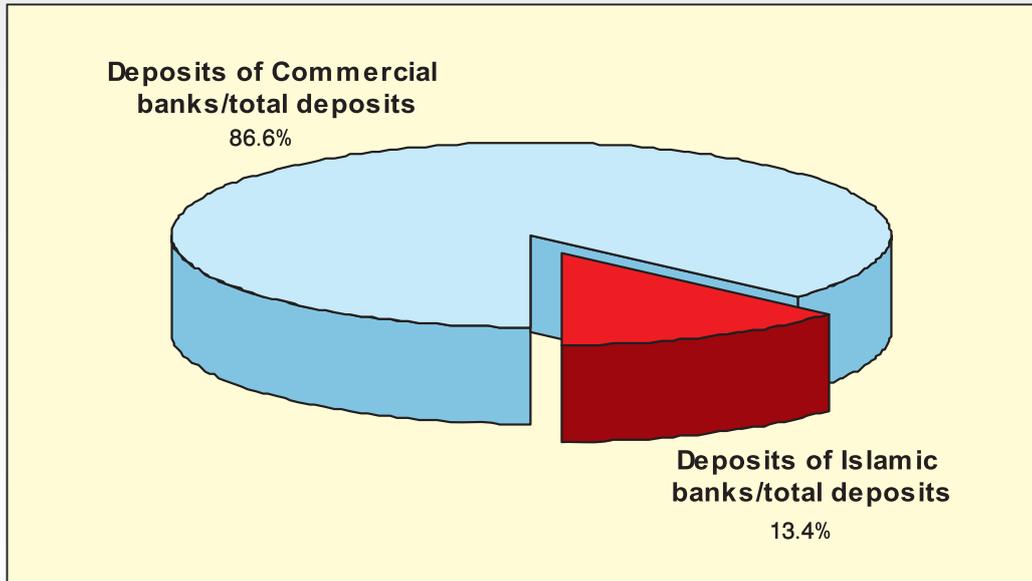


Figure (30)

Distribution of Assets between Commercial Banks and the Islamic Banks in 2009



4-4 Islamic Banks' Share of Credit Facilities

Table (14) indicates that Islamic banks' share of total credit facilities extended by banks operating in Jordan rose markedly from 7.7 percent in 2000 to the highest level of 13.8 percent at the end of 2009. This increase in the share of Islamic banks yielded a reduction in the share of commercial banks from 92.3 percent in 2000 to 86.2 percent at the end of 2009.

Table (14)

**Distribution of Credit Facilities between Commercial Banks and Islamic Banks
(2000 - 2009)**

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
2009	86.21	13.79

- Source: Banks in Jordan

Figure (31)

**Distribution of Credit Facilities between Commercial Banks and Islamic Banks
(2000 – 2009)**

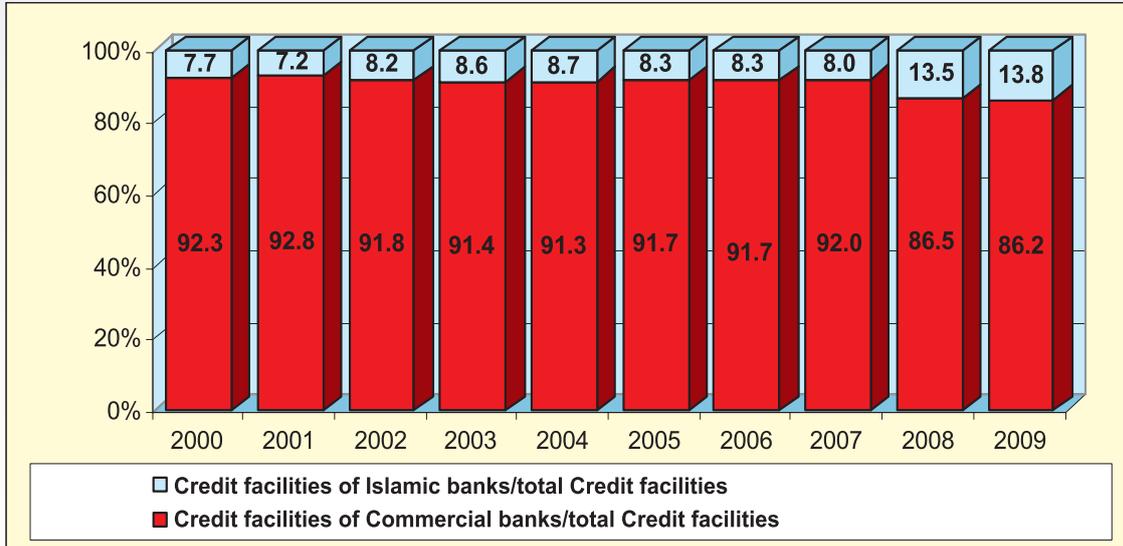
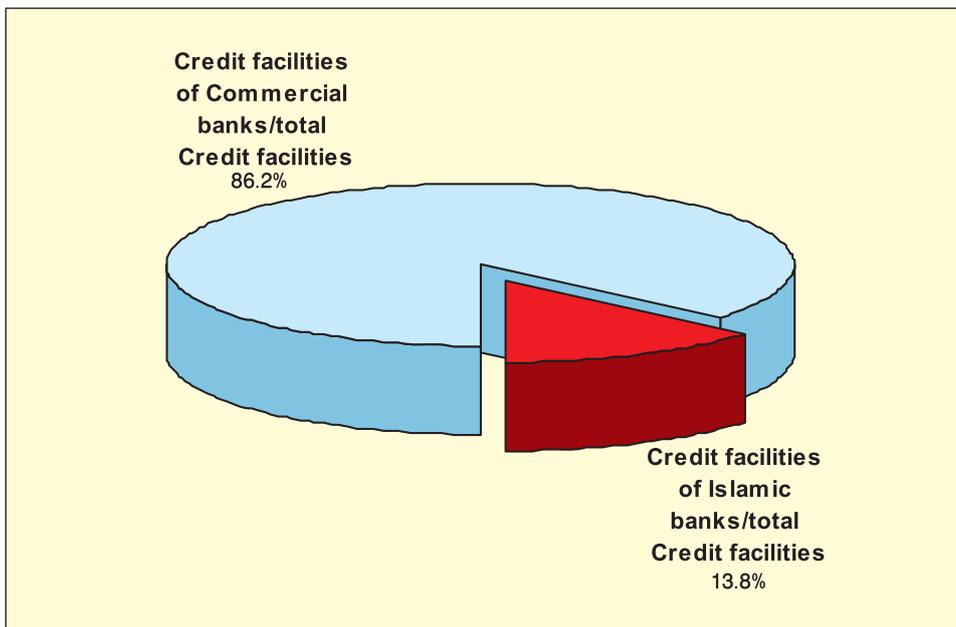


Figure (32)

Distribution of Credit Facilities between Commercial Banks and Islamic Banks in 2009



CHAPTER FIVE

FOREIGN BANKS OPERATING IN JORDAN

5-1 Introduction

5-2 Non-Jordanian (Foreign) Banks' Share of Assets

5-3 Non-Jordanian (Foreign) Banks' Share of Deposits

5-4 Non-Jordanian (Foreign) Banks' Share of Credit Facilities

5-1 Introduction

The number of foreign banks operating in Jordan rose to eight banks at the end of 2009, of which Five are Arab Banks. in February 2010, the Central Bank of Jordan granted license to National Bank of Abu Dhabi to operate in Jordan.

5-2 Non- Jordanian (Foreign) Banks' Share of Assets

The share of foreign banks from total assets of banking sector increased from 10.0 percent in the year 2000 to the highest level of 11.5 percent at the end of 2009. Conversely, the assets of Jordanian banks represented around 88.5 percent at the end of 2009.

Table (15)
Distribution of Assets between Jordanian Banks and Non-Jordanian Banks
(2000 - 2009)

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
2009	88.49	11.51

- Source: Association of Banks in Jordan, Annual Reports.

Figure (33)
Distribution of Assets between Jordanian Banks and Non-Jordanian Banks
(2000 - 2009)

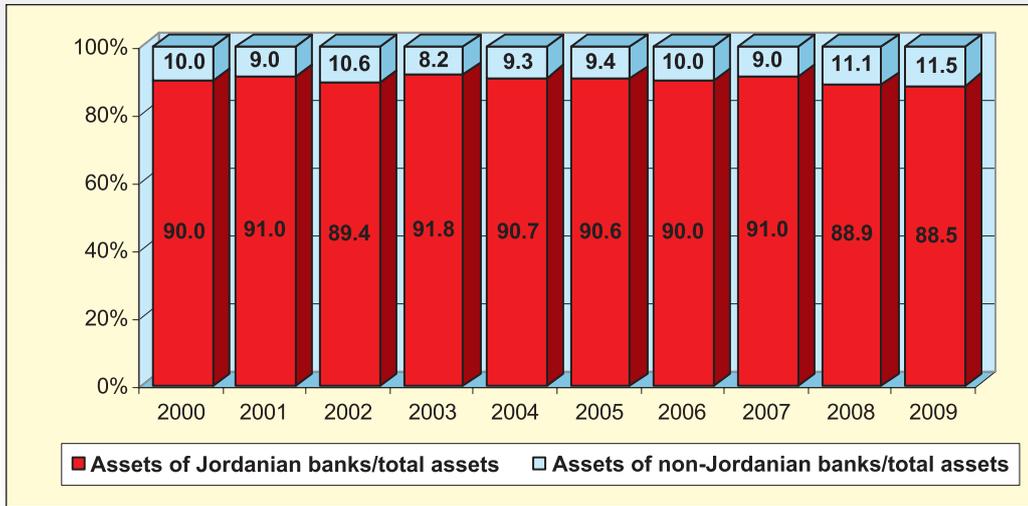
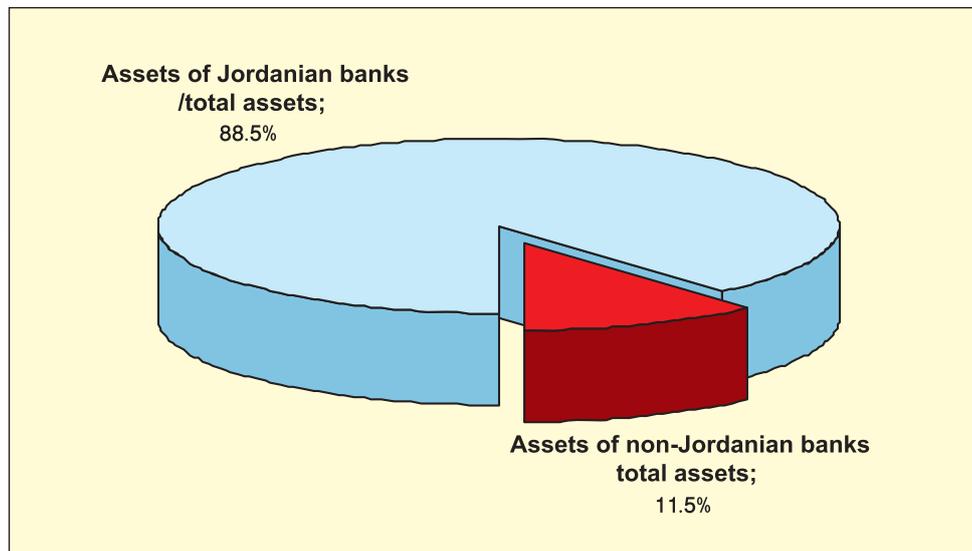


Figure (34)
Distribution of Assets between Jordanian Banks and Non-Jordanian Banks
In 2009



5-3 Non- Jordanian (Foreign) Banks' Share of Deposits

The foreign banks' share of total deposits of banks operating in Jordan increased from 10.0 percent in the year 2000 to 11.91 percent at the end of 2009. Conversely, the deposits of Jordanian banks represented around 88.1 percent at the end of 2009.

Table (16)
Distribution of Deposits between Jordanian Banks and Non-Jordanian Banks
(2000 - 2009)

Year	Deposits at Jordanian banks/total deposits (%)	Deposits at 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
2009	88.09	11.91

- Source: Association of Banks in Jordan, Annual Reports.

Figure (35)
Distribution of Deposits between Jordanian Banks and Non-Jordanian Banks
(2000 - 2009)

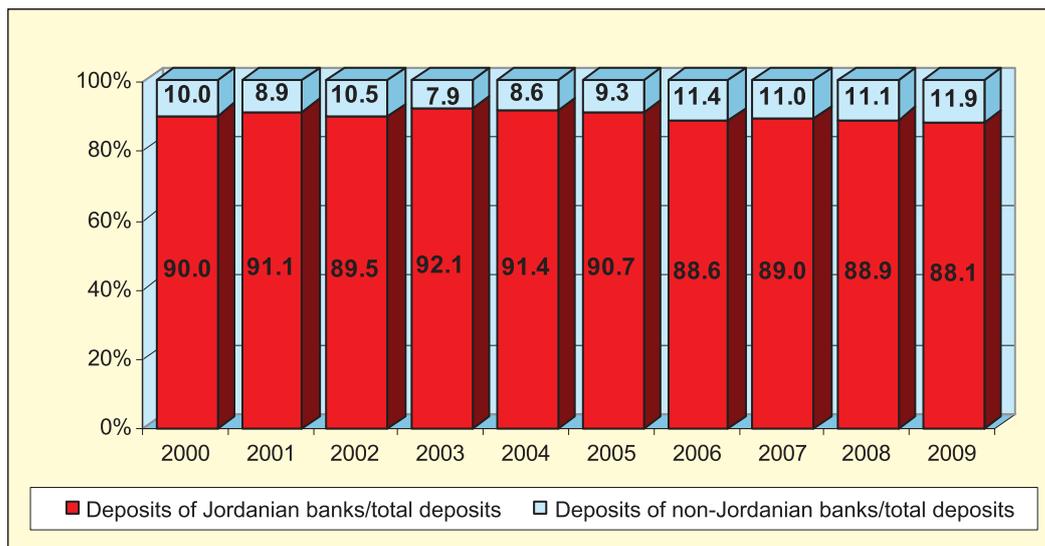
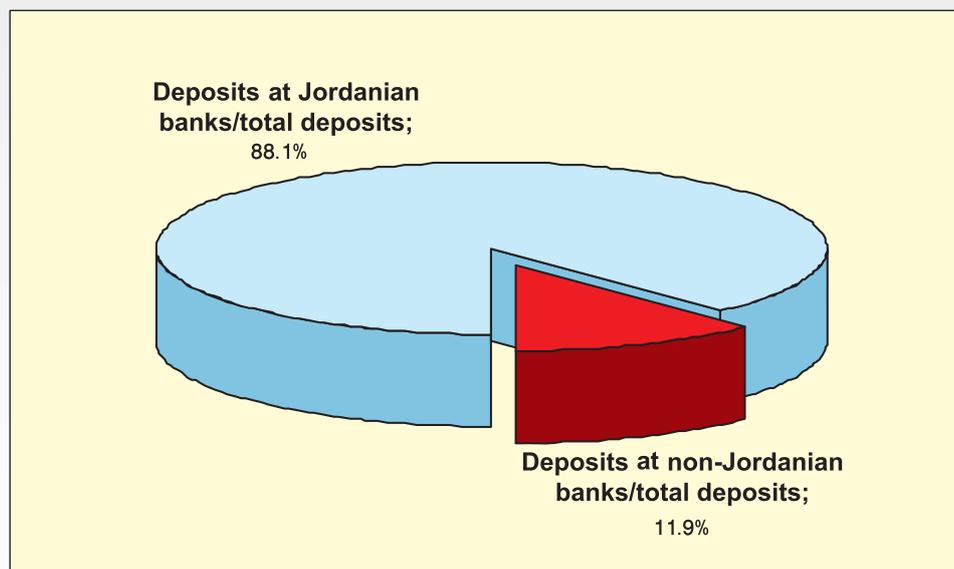


Figure (36)

Distribution of Deposits between Jordanian Banks and Non-Jordanian Banks In 2009



5-4 Non- Jordanian (Foreign) Banks' Share of Credit Facilities

The ratio of credit facilities extended by foreign banks fluctuated widely between 2000 and 2009. The highest level was reached in 2007 with a 14.0 percent of total credit facilities extended by the banking sector. The ratio, however, regressed falling back to 9.4 percent at the end of 2009.

Table (17)

Distribution of Credit Facilities between Jordanian Banks and Non-Jordanian Banks (2000 - 2009)

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
2009	90.64	9.36

- Source: Association of Banks in Jordan, Annual Reports.

Figure (37)

**Distribution of Credit Facilities between Jordanian Banks and Non-Jordanian Banks
(2000 - 2009)**

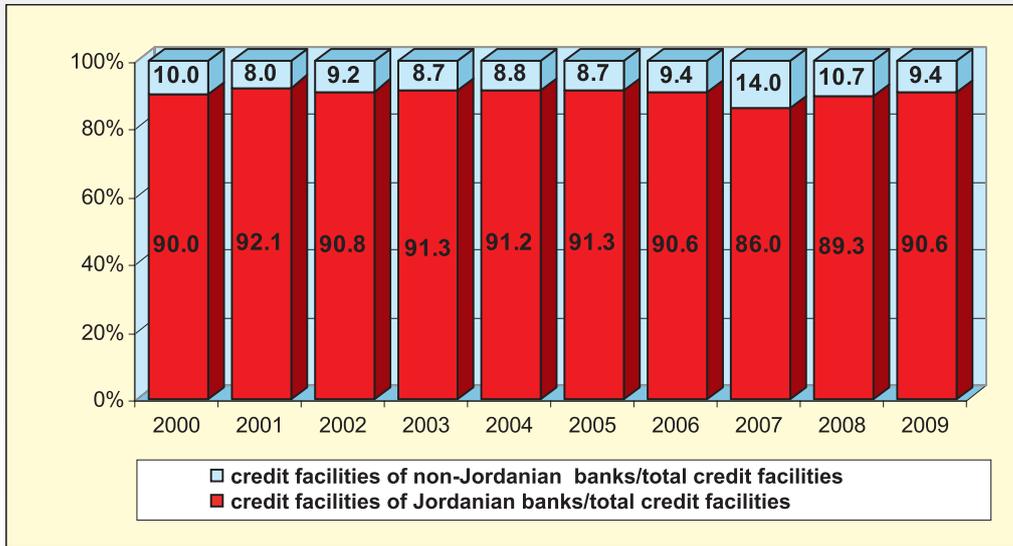
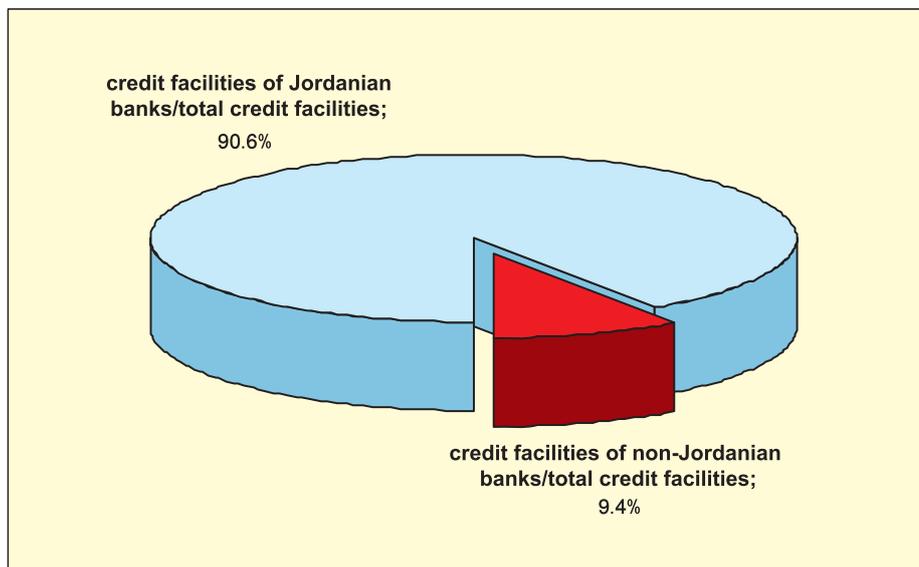


Figure (38)

Distribution of Credit Facilities between Jordanian and Non-Jordanian Banks in 2009



CHAPTER SIX

BANKING CONCENTRATION

6-1 Introduction

6-2 Concentration of Assets

6-3 Concentration of Deposits

**6-4 Concentration of Credit
Facilities**

6-1 Introduction

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, 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.

6-2 Concentration of Assets

The largest three banks' share of the total assets of licensed banks declined from 53.2 percent in 2000 to 47.5 percent in 2009.

6-3 Concentration of Deposits

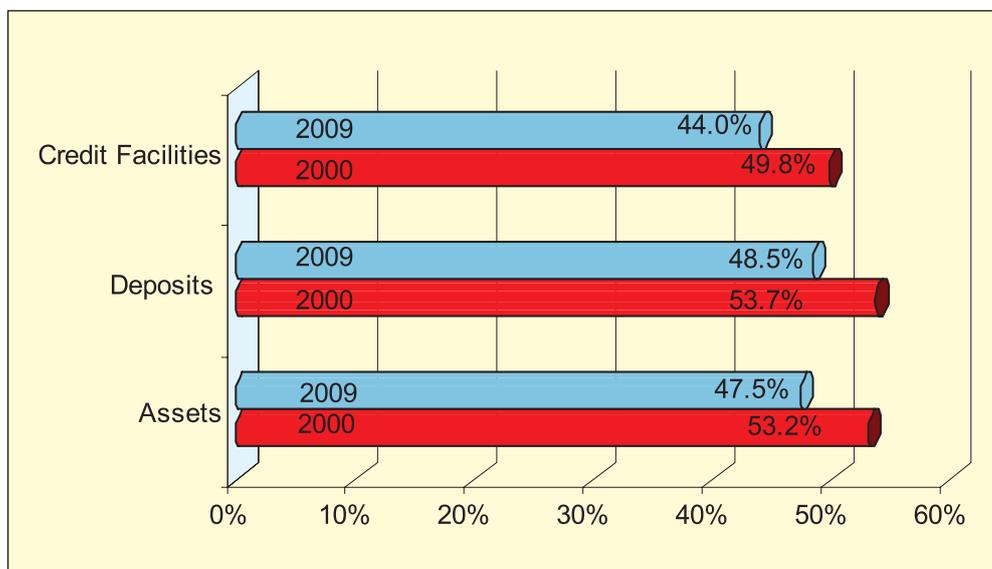
The largest three banks' share of the total deposits of licensed banks went down from 53.7 percent in 2000 to 48.5 percent in 2009.

6-4 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 44 percent in 2009.

Figure (39)

Banking Concentration in 2000 and in 2009



CHAPTER SEVEN

**COMPARATIVE
PERFORMANCE
OF BANKS
OPERATING IN
JORDAN DURING
2009**

7-1 Introduction

**7-2 Ranking Of Banks By
Some Balance Sheet
Items**

**7-3 Ranking Of Banks By
Some Items in Income
Statements**

**7-4 Ranking Of Banks By Most
Important Profitability
Indicators**

**7-5 Ranking Of Banks By
Number Of Employees**

**7-6 Summary Of Most
Important Financial
Indicators Of Banks
Operating in Jordan**

7-1 Introduction

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

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

7-2 Ranking of Banks By Some Balance Sheet Items

A) Total Assets of Banks Operating in Jordan at the End of 2009:

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

Table (18)

Total Assets of Banks Operating in Jordan at the End of 2009

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

- Source: Association of Banks in Jordan, Annual Report 2009.

B) Total Credit Facilities Extended By Banks Operating in Jordan at the End of 2009:

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

Table (19)

Credit Facilities Extended By Banks Operating in Jordan at the End of 2009

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

-Source: Association of Banks in Jordan, Annual Report 2009.

C) Total Deposits at Banks Operating in Jordan at the End Of 2009:

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

Table (20)

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

Bank	Ranking 2009	Deposits (JD million)	Ratio to Total Deposits %	
			Bank	Ranking 2009
Jordanian Commercial Banks	1	4,782.522	22.40	
	2	3,381.900	15.84	
	3	1,182.604	5.54	
	4	1,103.800	5.17	
	5	1,063.000	4.98	
	6	819.556	3.84	
	7	812.000	3.80	
	8	665.000	3.12	
	9	626.820	2.94	
	10	519.422	2.43	
	11	423.700	1.98	
	12	411.594	1.93	
	13	149.000	0.70	
Total		15,940.918	74.67	
Islamic Banks	1	2,187.454	10.25	
	2	676.292	3.17	
	Total		2,863.746	13.42
Foreign Banks	1	800.000	3.75	
	2	460.054	2.16	
	3	337.403	1.58	
	4	295.800	1.39	
	5	230.500	1.08	
	6	225.342	1.06	
	7	103.876	0.49	
	8	89.600	0.42	
Total		2,542.575	11.91	

- Source: Association of Banks in Jordan, Annual Report 2009.

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

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

Table (21)

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

	Bank	Ranking 2009	Equity Rights (JD million)	Ratio to total Equity Rights %
	Jordanian Commercial Banks	The Housing Bank for Trade & Finance	1	849.0	21.31
	Arab Bank	2	767.0	19.25
	Jordan Kuwait Bank	3	265.6	6.67
	Union Bank	4	224.5	5.63
	Jordan Ahli Bank	5	193.0	4.84
	Capital Bank	6	189.0	4.74
	Bank of Jordan	7	176.0	4.42
	Cairo Amman Bank	8	154.0	3.86
	Arab Jordan Investment Bank	9	124.0	3.11
	Invest bank	10	93.2	2.34
	Jordan Commercial Bank	11	86.6	2.17
	Arab Banking (Corporation) Jordan	12	85.2	2.14
	Societe General – Jordan	13	53.0	1.33
	Total		3,260.2	81.82
Islamic Banks	Bank	Ranking 2009	Equity Rights (JD million)	Ratio to total Equity Rights %
	Jordan Islamic Bank	1	176.8	4.44
	International Islamic Arab Bank	2	117.6	2.95
	Total		294.4	7.39
Foreign Banks	Bank	Ranking 2009	Equity Rights (JD million)	Ratio to total Equity Rights %
	HSBC	1	110.0	2.76
	Standard Chartered	2	64.4	1.62
	National Bank of Kuwait	3	63.3	1.59
	Bank Audi	4	48.3	1.21
	BLOM bank	5	42.9	1.08
	Egyptian Arab Land Bank	6	37.0	0.93
	Citibank	7	34.7	0.87
	Rafidain bank	8	29.6	0.74
	Total		430.1	10.79

- Source: Association of Banks in Jordan, Annual Report 2009.

E) Capital of Banks Operating in Jordan at the End of 2009:

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

Table (22)

Capital of Banks Operating in Jordan at the End of 2009

	Bank	Ranking 2009	Capital (JD million)	Ratio to Total Capital %
Jordanian Commercial Banks	Arab Bank	1	534.0	24.01
	The Housing Bank for Trade & Finance	2	252.0	11.33
	Capital Bank	3	132.3	5.95
	Jordan Ahli Bank	4	110.0	4.95
	Bank of Jordan	5	100.0	4.50
	Jordan Kuwait Bank	5	100.0	4.50
	Arab Jordan Investment Bank	5	100.0	4.50
	Union Bank	5	100.0	4.50
	Cairo Amman Bank	9	88.0	3.96
	Jordan Commercial Bank	10	73.1	3.28
	Arab Banking (Corporation) Jordan	11	71.0	3.19
	Invest bank	12	70.0	3.15
	Societe General – Jordan	13	40.0	1.80
Total			1,770.4	79.61
Islamic Banks	Bank	Ranking 2009	Capital (JD million)	Ratio to Total Capital %
	Jordan Islamic Bank	1	100.0	4.50
	International Islamic Arab Bank	1	100.0	4.50
Total			200.0	8.99
Foreign Banks	Bank	Ranking 2009	Capital (JD million)	Ratio to Total Capital %
	National Bank of Kuwait	1	50.0	2.25
	Standard Chartered	2	43.7	1.97
	Bank Audi	3	31.3	1.41
	Egyptian Arab Land Bank	4	30.0	1.35
	BLOM bank	4	30.0	1.35
	HSBC	6	25.0	1.12
	Citibank	7	23.5	1.06
Rafidain bank	8	20.0	0.90	
Total			253.6	11.40

- Source: Association of Banks in Jordan, Annual Report 2009.

7-3 Ranking of Banks By Some Income Statement Items

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

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

Table (23)
Pre-Tax Profit of Banks Operating in Jordan at the End of 2009

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

- Source: Association of Banks in Jordan, Annual Report 2009.

B) Net Profit after Tax of Banks Operating in Jordan at the End of 2009:

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

Table (24)
Net After-Tax Profit of Banks Operating in Jordan at the End of 2009 *

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

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

- Source: Association of Banks in Jordan, Annual Report 2009.

7-4 Ranking of Banks By Some Profitability Measures

A) Average Return on Assets for the Banks Operating in Jordan in 2009:

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

Table (25)

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

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

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

- Source: Association of Banks in Jordan, Annual Report 2009.

B) Average Return on Shareholders' Equity for the Banks Operating in Jordan in 2009:

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

Table (26)
Average Return on Equity for the Banks Operating in Jordan in 2009 *

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

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

- Source: Association of Banks in Jordan, Annual Report 2009.

7-5 Ranking of Banks By Number of Employees

A. Number of Employees in The Banks Operating in Jordan at The End of 2009:

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

Table (27)

Number of Employees at Banks Operating in Jordan at The End of 2009

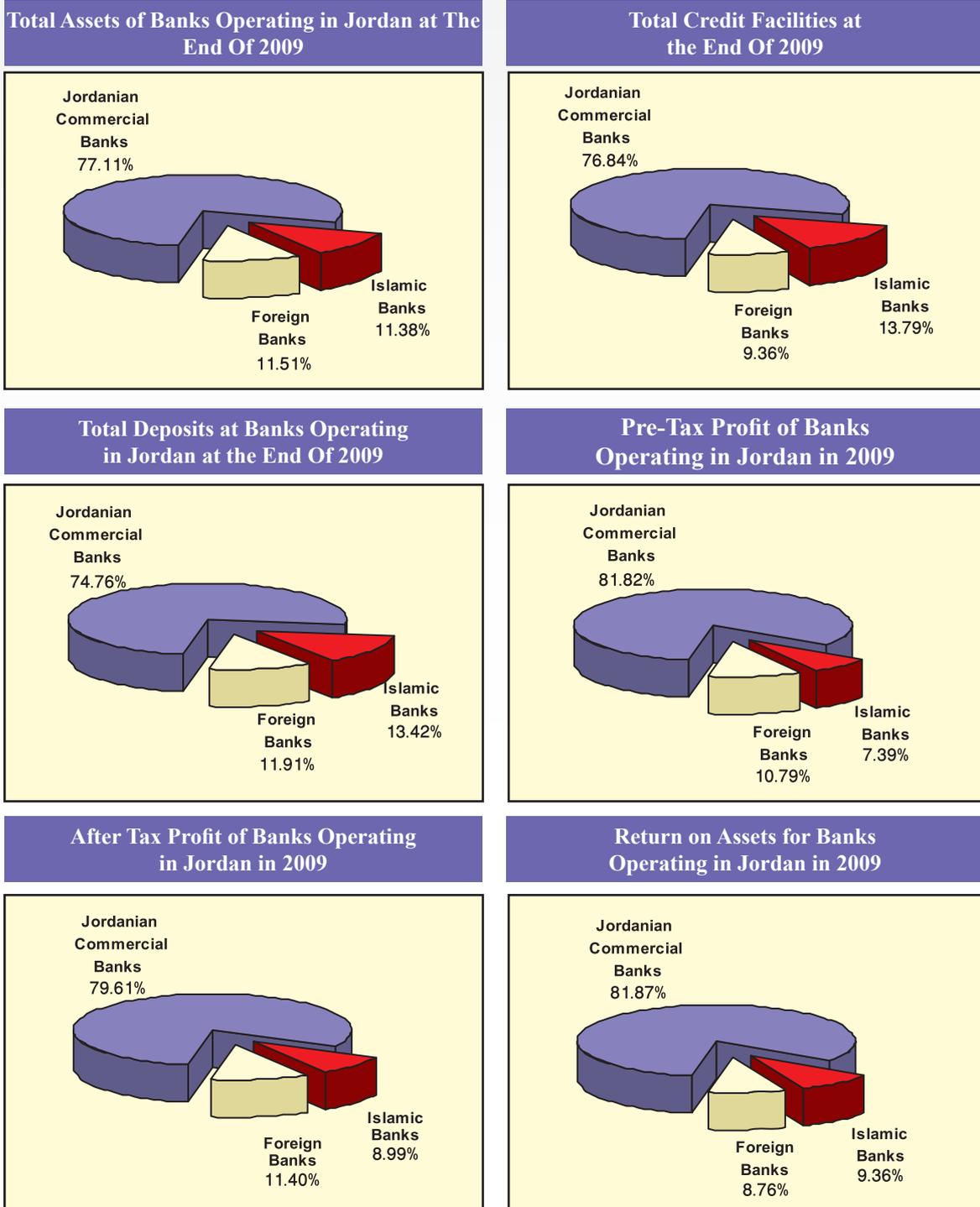
	Bank	Ranking 2009	Number Of Employees	Ratio to Total Employees %
Jordanian Commercial Banks	Arab Bank	1	2687	17.02
	The Housing Bank for Trade & Finance	2	1857	11.76
	Cairo Amman Bank	3	1407	8.91
	Bank of Jordan	4	1360	8.61
	Jordan Ahli Bank	5	1302	8.25
	Jordan Kuwait Bank	6	817	5.17
	Union Bank	7	477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

- Source: Association of Banks in Jordan, Annual Report 2009.

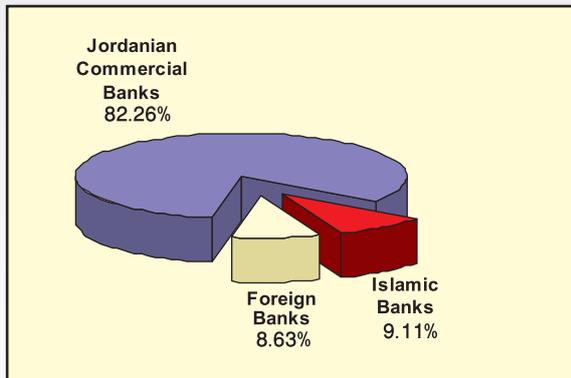
7-6 Summary of Most Important Financial Indicators of Banks Operating in Jordan

Figure (40)

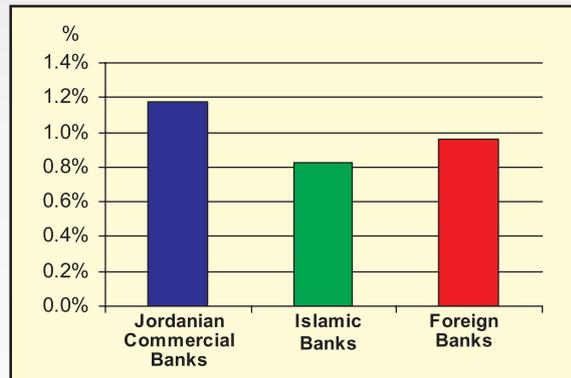
Summary of Most Important Financial Indicators of Banks Operating in Jordan



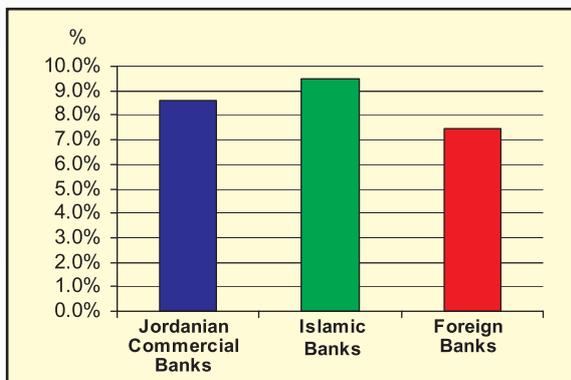
After Tax Profit of Banks Operating in Jordan in 2009



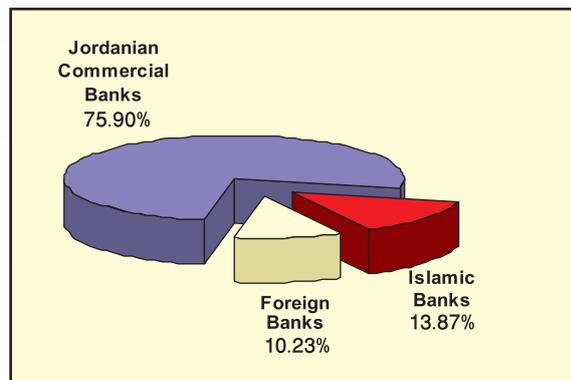
Return on Assets for Banks Operating in Jordan in 2009



Return on Shareholders' Equity for the Banks Operating in Jordan in 2009



Number of Employees in Banks Operating in Jordan at The End Of 2009



CHAPTER EIGHT

PERFORMANCE OF THE BANKS LISTED ON AMMAN STOCK EXCHANGE

- 8-1 Share Price Index of
Banks Listed on Amman
Stock Exchange**
- 8-2 Trading Volume of Banks'
Shares Listed on Amman
Stock Exchange**
- 8-3 Ownership of Non-
Jordanians in the Equity
of Banks Listed on Amman
Stock Exchange**

8-1 Share Price Index of Banks Listed on Amman Stock Exchange

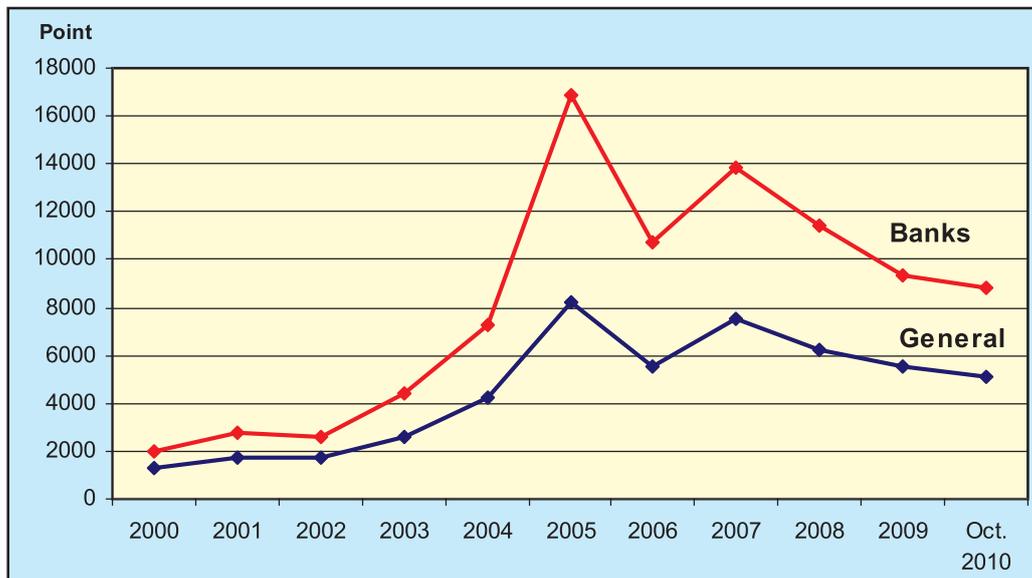
At the end of October 2010, the share price index of banks listed on Amman Stock Exchange stood at 8833.4 points compared to 9368 points at the end of 2009. This shows a 5.7 percent decline whereas the drop in the general price index of Amman Stock Exchange reached 7.0 percent.

Table (28)
Share Price Index Weighted By Market Value
(2000 - Oct. 2010)

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
2009	5520.1	9368.0
Oct. 2010	5135.3	8833.4

- Source: Amman Stock Exchange.

Figure (41)
Index Weighted By Market Value
(2000 – Oct. 2010)



8-2 Trading Volume of Banks' Shares Listed on Amman Stock Exchange

The ratio of the trading volume of banks shares to the total trading volume of Amman Stock Exchange declined gradually recording the lowest level of 8.28 percent at the end of October 2010.

Table (29)

Trading Volume Of Bank Shares Listed On Amman Stock Exchange (2000 - Oct. 2010)

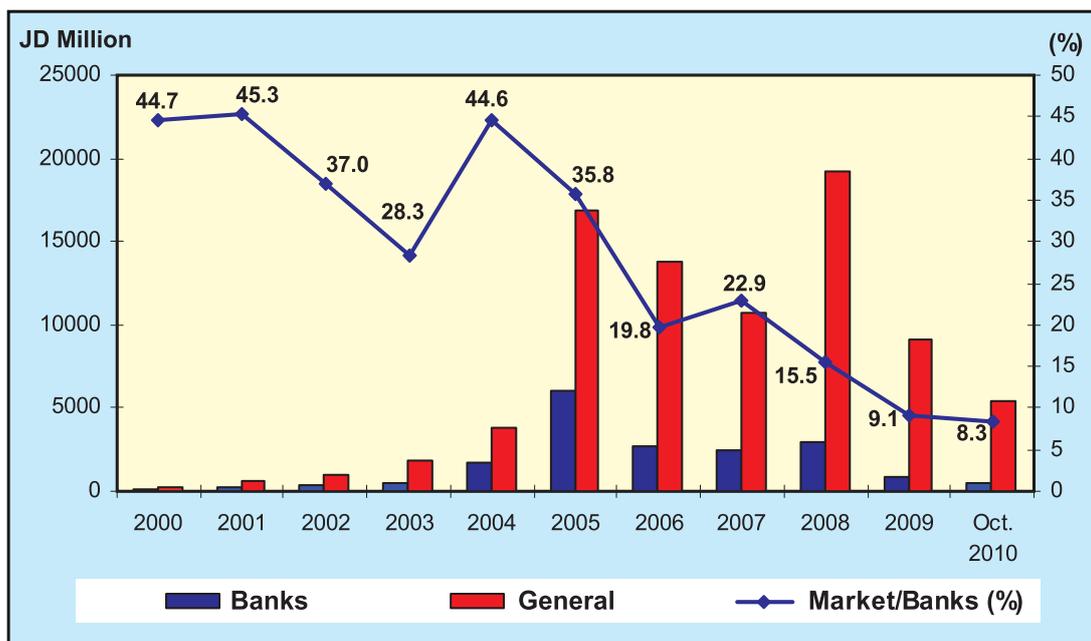
Year	Trading volume (JD million)		
	Banks	Market	Market/Banks (%)
2000	128.56	287.80	44.67
2001	300.28	662.55	45.32
2002	349.78	946.70	36.95
2003	524.84	1855.17	28.29
2004	1693.00	3793.25	44.63
2005	6043.41	16871.05	35.82
2006	2736.10	13853.21	19.75
2007	2460.87	10736.03	22.92
2008	2983.90	19225.53	15.52
2009	826.50	9134.18	9.05
Oct. 2011*	446.42	5390.69	8.28

- Source: Amman Stock Exchange.

* Cumulative up to October 2010.

Figure (42)

Trading Volume (2000 – Oct. 2010)



8-3 Ownership of Non-Jordanians in the Equity of Banks Listed on Amman Stock Exchange

The share of non- Jordanians in the equity of banks listed on Amman Stock Exchange rose from 55.2 percent in 2000 to 58.0 percent at the end of October 2010.

Table (30)

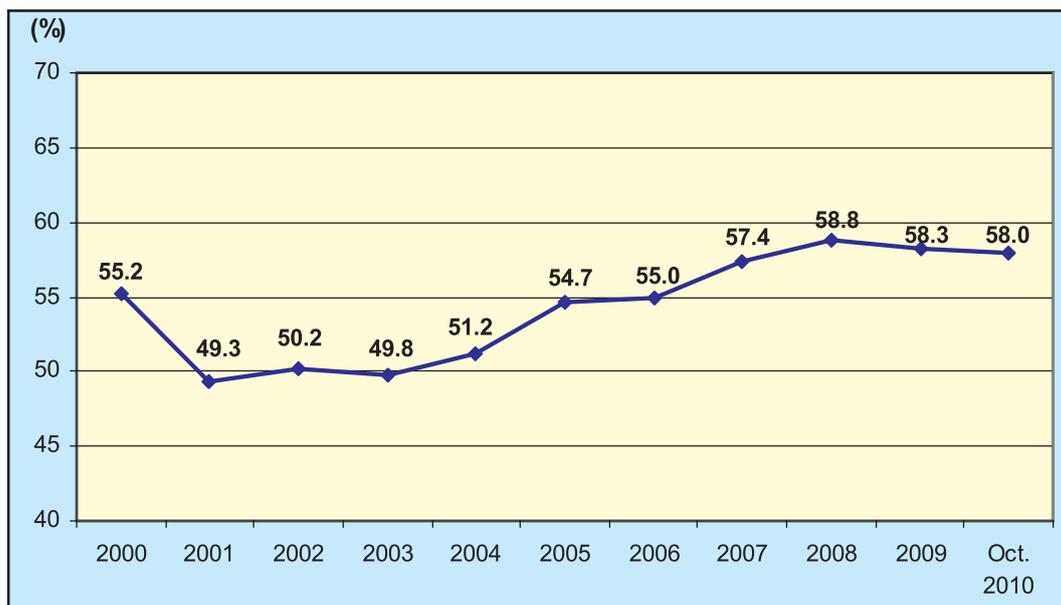
Share Of Non-Jordanians in The Equity Of Banks (2000 - Oct.2009)

Year	Share of non-Jordanians in the equity of banks (%)
2000	55.17
2001	49.26
2002	50.20
2003	49.80
2004	51.20
2005	54.70
2006	54.95
2007	57.35
2008	58.84
2009	58.25
Oct. 2010	58.00

- Source: Amman Stock Exchange.

Figure (43)

Share of Non-Jordanians in the Equity of Banks (2000 – Oct.2010)



CHAPTER NINE

DEVELOPMENT OF INTEREST RATES STRUCTURE IN JORDAN

**9-1 Changes of Interest Rates
on Deposits**

**9-2 Changes of Interest Rates
on Credit Facilities**

9-3 Interest Rate Margin

9-4 Prime Lending Rate

**9-5 Changes of Interest Rates
on Monetary Policy Tools**

**9-6 Development of Inter-Bank
Lending Rates (JODIBOR)**

**9-7 Development of Inter-Bank
Lending and Borrowing
Interest Rate for One
Night (Actual, Declared
Price)**

9-1 Changes of Interest Rates on Deposits

The weighted average interest rates on all types of deposits declined noticeably during (2000-2004), before rising gradually until 2008. The increase of weighted average interest rates was noticeable on 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 types of deposits, it did not reach the level registered in 2000. Interest rates decreased markedly during 2009 by 34, 20, and 143 basis points on demand, saving, and time deposits respectively compared to 2008. Also, interest rates continued to decline during the first ten months of 2010 to reach 0.41, 0.77, and 3.39 percent for demand, saving, and time deposits respectively at the end of October 2010.

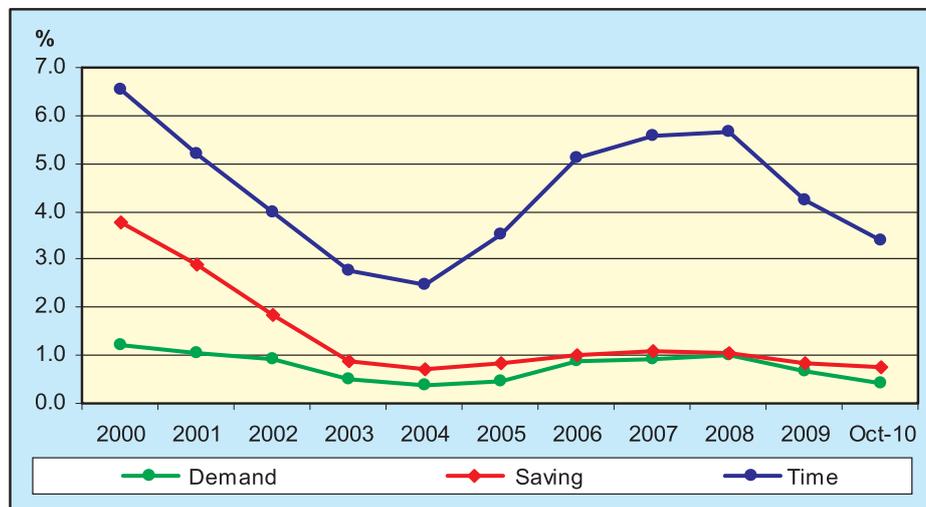
Table (31)
Weighted Average Interest Rates on Deposits (2000 - Oct. 2010)

Year	Demand %	Saving %	Time %
2000	1.20	3.76	6.55
2001	1.06	2.91	5.19
2002	0.91	1.84	3.97
2003	0.50	0.88	2.75
2004	0.38	0.73	2.49
2005	0.47	0.83	3.52
2006	0.87	0.99	5.13
2007	0.94	1.10	5.56
2008	1.01	1.04	5.66
2009	0.67	0.84	4.23
Oct-10	0.41	0.77	3.39

- Source: Central Bank of Jordan.

Figure (44)

Development of Interest Rates on All Types of Deposits (2000 – Oct. 2010)



9-2 Changes of Interest Rates on Credit Facilities

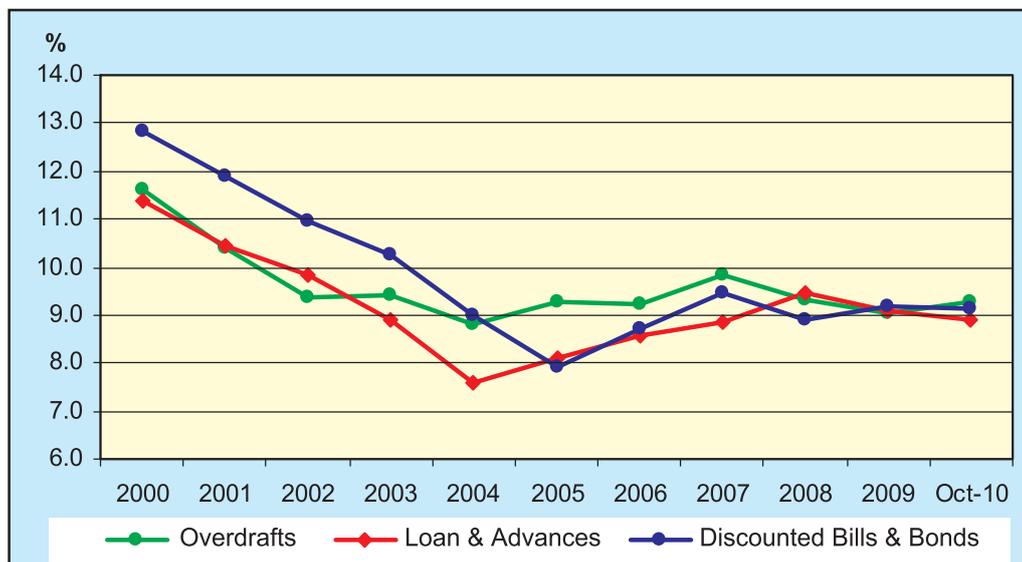
The weighted average interest rates on all types of credit facilities witnessed a significant fluctuation since 2005. Interest rates on overdrafts rose to 9.27 percent at the end of October 2010, while interest rates on loans and advances and discounted bills and bonds dropped to 8.91 and 9.15 percent respectively at the end of October 2010.

Table (32)
Weighted Average Interest Rates on Credit Facilities Extended by Banks
(2000 - Oct. 2010)

year	Overdrafts %	Loans & Advances %	Discounted Bills & Bonds %
2000	11.60	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	8.10	7.92
2006	9.23	8.56	8.72
2007	9.83	8.86	9.45
2008	9.31	9.48	8.89
2009	9.03	9.07	9.17
Oct-10	9.27	8.91	9.15

- Source: Central Bank of Jordan.

Figure (45)
Development of Interest Rates on All Types of Credit Facilities
(2000 - Oct. 2010)



9-3 Interest Rate Margin

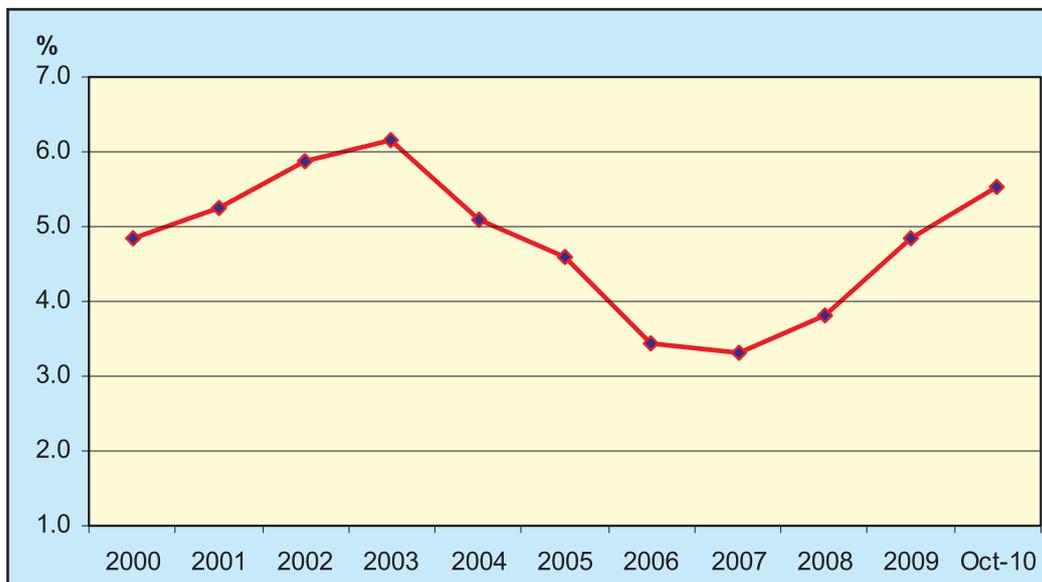
In light of interest rate changes on deposits and credit facilities, the interest rate margin, measured by the difference between the interest rate on loans and advances and the interest rate on time deposits, fluctuated between 2000 and 2007. The highest interest rate margin was in 2003 when it stood at 6.17 percent. The margin has increased gradually since 2008 to reach 5.52 percent at the end of October 2010.

Table (33)
Interest Rate Margin (2000 - Oct. 2010)

Year	Loans & Advances %	Time deposit %	Interest rate margin %
2000	11.38	6.55	4.83
2001	10.45	5.19	5.26
2002	9.85	3.97	5.88
2003	8.92	2.75	6.17
2004	7.59	2.49	5.10
2005	8.10	3.52	4.58
2006	8.56	5.13	3.43
2007	8.86	5.56	3.30
2008	9.48	5.66	3.82
2009	9.07	4.23	4.84
Oct-10	8.91	3.39	5.52

- Source: Central Bank of Jordan.

Figure (46)
Interest Rate Margin (2000 - October 2010)



9-4 Prime Lending Rate

The prime lending rate dropped gradually since the beginning of 2000 until the end of 2004, before rising again gradually to 8.45 percent in 2008. Then it returned to fall to 8.34 percent in 2009, and to 8.20 percent in October 2010.

Table (34)
Prime Lending Rate (2000 - Oct. 2010)

Year	Prime interest rate %
2000	9.50
2001	8.00
2002	7.25
2003	6.50
2004	6.00
2005	7.00
2006	7.50
2007	8.15
2008	8.45
2009	8.34
Oct-10	8.20

- Source: Central Bank of Jordan.

Figure (47)
Prime Lending Rate (2000 - Oct. 2010)



9-5 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 three times by 50 basis points each time in 2009, and one time by 50 basis points during the first ten months in 2010.

Moreover, it should be noted that the Central Bank of Jordan has stopped issuing certificates of deposit since the last issue of CDs in 26 October 2008.

Table (35)
Interest Rates On Monetary Policy Tools (2000 - Oct. 2010)

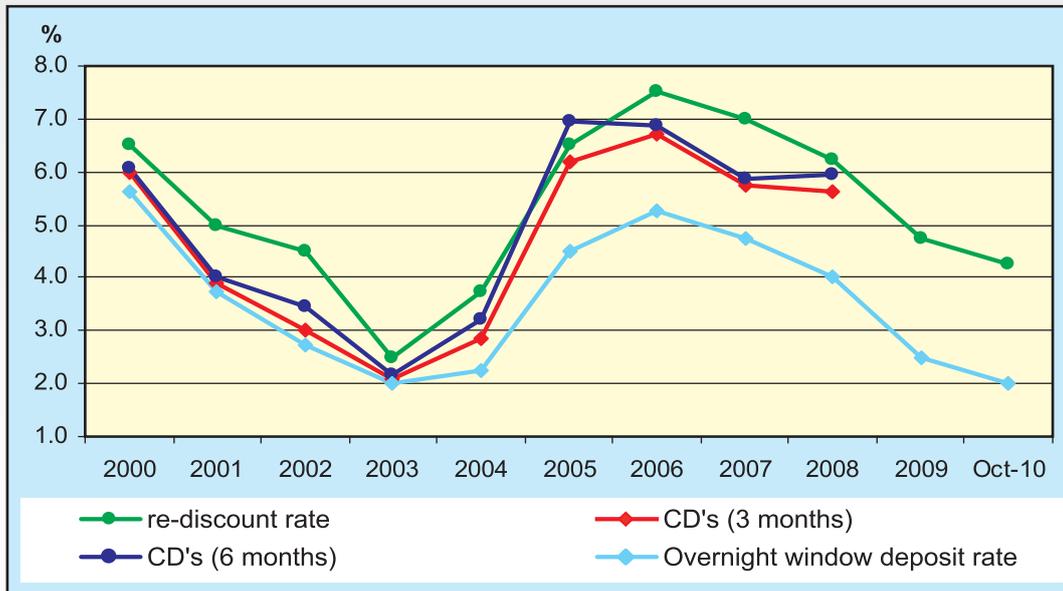
Year	Re-Discount Rate %	Repurchase Agreements		Certificates of Deposit			Overnight window deposit rate
		Overnight	One Week	Three Months %	Six Months %	Twelve Months %	
2000	6.500		7.500	6.000	6.050		5.625
2001	5.000		6.000	3.900	4.000		3.750
2002	4.500		5.500	3.000	3.450		2.750
2003	2.500		3.500	2.100	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
2009	4.750	4.500		—	—		2.500
Oct-10	4.250	4.000		—	—		2.000

- Source: Central Bank of Jordan.

* The Central Bank has stopped issuing certificates of deposit for three and six months maturities Since oct. 2008.

Figure (48)

Development Of Interest Rate On Monetary Policy Tools (2000 - Oct. 2010)



9-6 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 11:00 am 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.

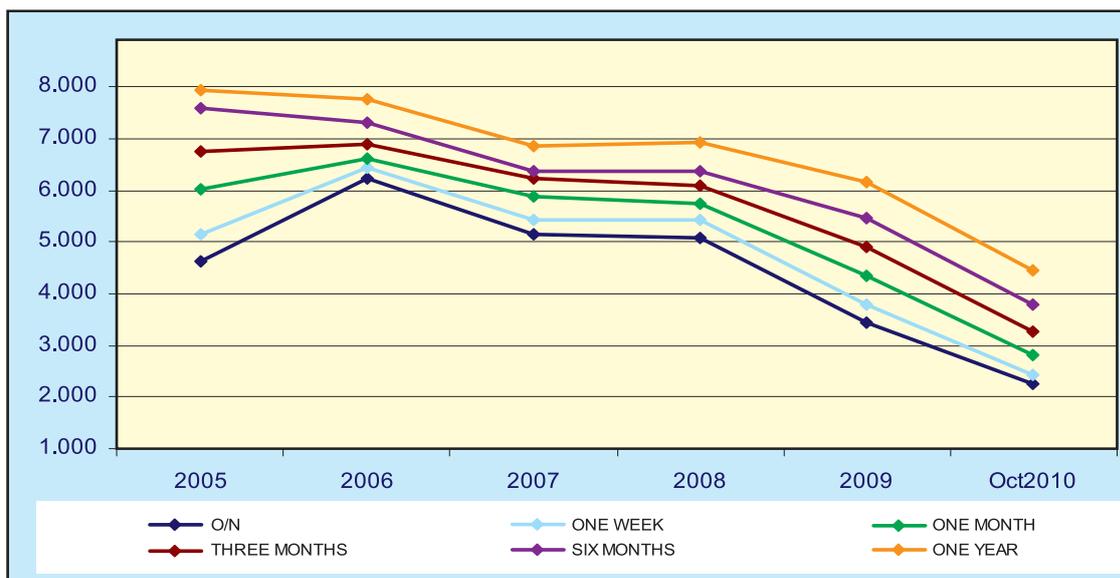
It can be noted that the JODIBOR for all maturities began declining gradually since the beginning of 2007 reaching its lowest levels during the first ten months of 2010.

Table (36)
Development of Inter-Bank Lending Interest Rates (JODIBOR)
 as of the end of (2005 - Oct. 2010)

	2005	2006	2007	2008	2009	Oct-10
O/N	4.625	6.242	5.138	5.079	3.433	2.249
ONE WEEK	5.142	6.425	5.425	5.428	3.792	2.421
ONE MONTH	6.008	6.608	5.872	5.744	4.357	2.797
THREE MONTHS	6.742	6.900	6.244	6.100	4.912	3.276
SIX MONTHS	7.583	7.300	6.388	6.387	5.454	3.776
ONE YEAR	7.942	7.758	6.850	6.927	6.170	4.445

- Source: Association of Banks in Jordan

Figure (49)
Development of Inter-Bank Lending Rates –JODIBOR- (2005 –Oct. 2010)



9-7 Development of Inter Bank Lending and Borrowing Interest 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 2009 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, and rose to 0.79 percent in 2009.

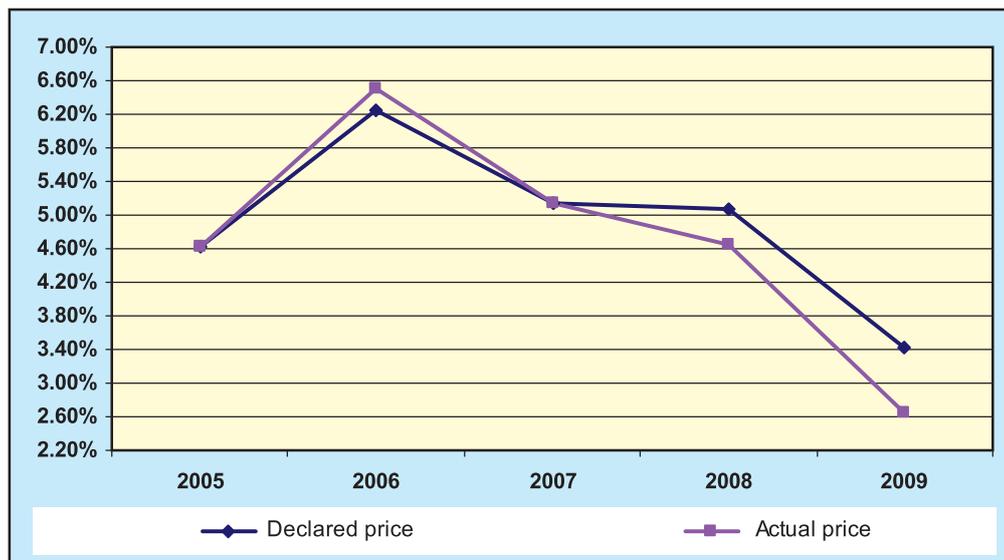
Table (37)
Inter-Bank Weighted Lending Rates for One Night (Actual /Declared Price)
(2005 - 2009)

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
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%
2009	3.433%	2.645%	-0.788%

* From (JODIBOR) daily bulletins issued by the Association of banks in Jordan.

** From Central Bank of Jordan.

Figure (50)
Inter-Bank Weighted Lending Rates (Actual /Declared) for One Night (2005 - 2009)



Tracking the monthly pricing path during 2010, it can be seen that the margin rose to reach 0.05 percent at the end of February 2010, the highest level during 2010, while the lowest level reached to 0.004 percent at the end of September 2010.

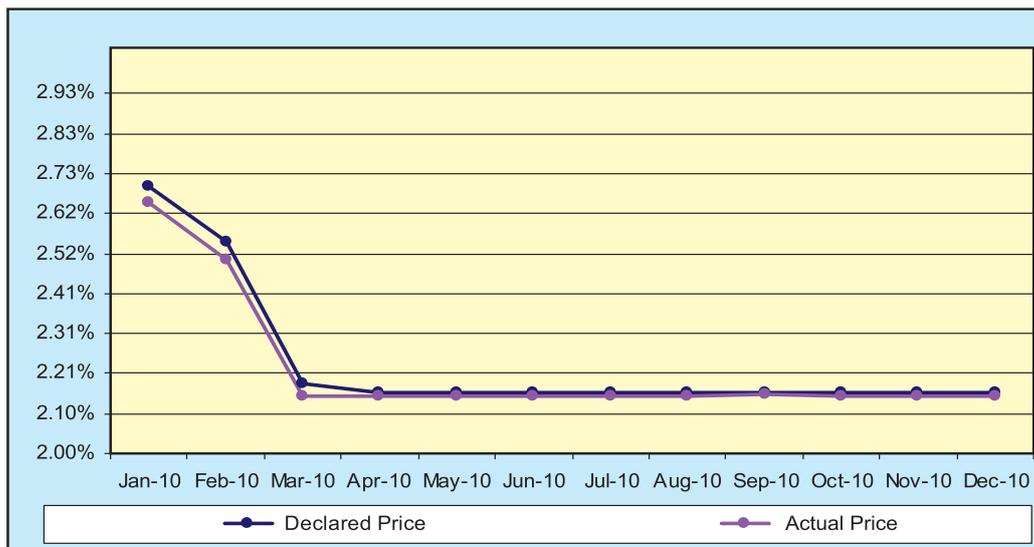
Table (38)
Inter-Bank Weighted Lending Rates for One Night (Actual /Declared Price)
During 2010

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
1/2010	2.694%	2.650%	-0.044%
2/2010	2.550%	2.500%	-0.050%
3/2010	2.180%	2.150%	-0.030%
4/2010	2.156%	2.149%	-0.007%
5/2010	2.156%	2.149%	-0.007%
6/2010	2.156%	2.150%	-0.006%
7/2010	2.156%	2.150%	-0.006%
8/2010	2.156%	2.150%	-0.006%
9/2010	2.157%	2.153%	-0.004%
10/2010	2.156%	2.150%	-0.006%
11/2010	2.156%	2.150%	-0.006%
12/2010	2.156%	2.150%	-0.006%

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

** 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.

Figure (51)
Inter-Bank Weighted Lending Rates (Actual /Declared) for One Night
During 2010



The table below shows that the activity volume of inter-bank has fluctuated during the first seven months in 2010. The highest interbank activity volume achieved during July 2010, when it reached to JD 1820.4 million executed through 381 transactions. Then, the activity volume dropped gradually since August 2010 to the end of year.

Table (39)
Inter-Bank Activity Volume for One Night
During 2010

Month	Transaction #	Total lent amount (JD million)
1/2010	15	62.00
2/2010	79	368.50
3/2010	125	536.50
4/2010	56	211.70
5/2010	137	559.05
6/2010	137	526.65
7/2010	381	1,820.40
8/2010	299	1,560.40
9/2010	239	1,124.55
10/2010	205	940.15
11/2010	140	625.70
12/2010	128	562.75

Figure (52)
Development of Total Inter-bank Loans for One Night
During 2010

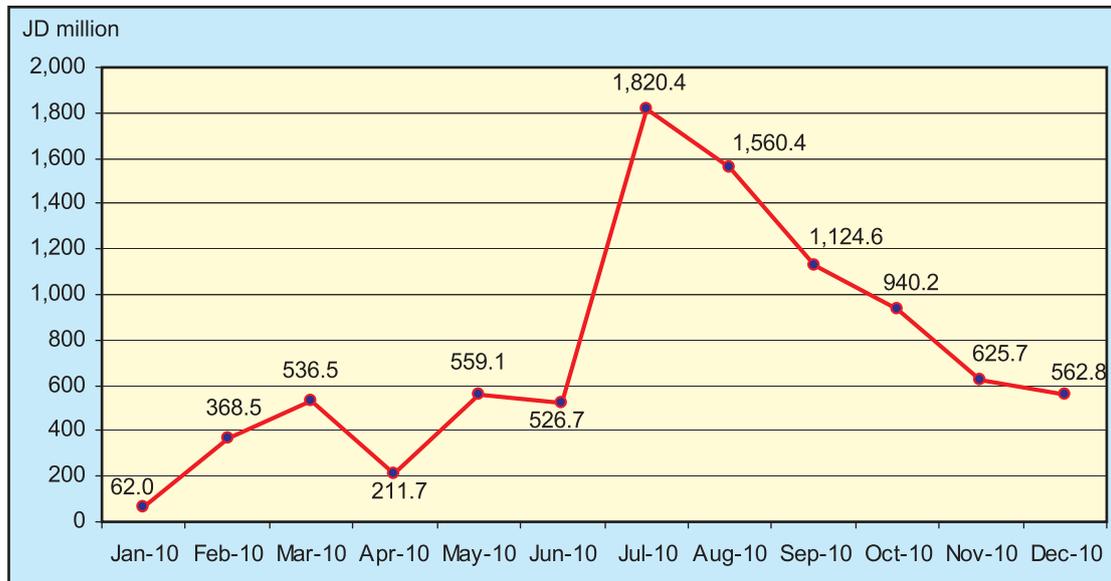
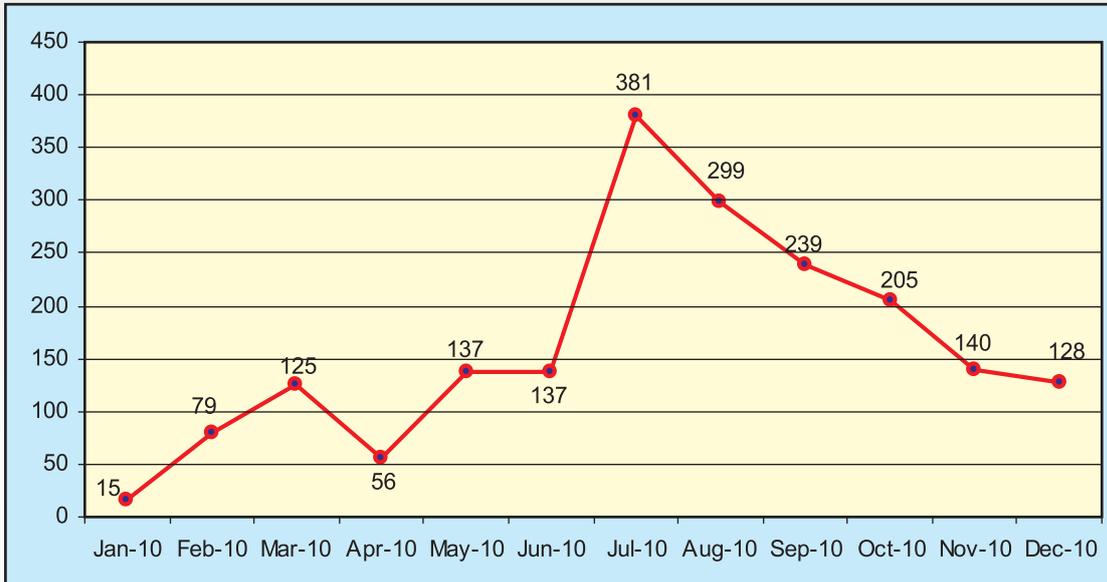


Figure (53)
Development of Number of Inter-bank Lending and Borrowing Transactions
for One Night During 2010



CHAPTER TEN

CLEARING OF CHEQUES

10-1 Introduction

10-2 Clearing of Cheques

10-1 Introduction

Cheques 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 cheques 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 cheques 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 cheques 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.

10-2 Clearing of Cheques

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

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

Table (40)
Clearing of Cheques (2000 – 2009)

Description	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Cheques Presented for Clearing										
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	11,484.9
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	34,830.6
Returned Cheques										
Number (thousand)	549.2	536.7	472.2	423.9	364.1	386.4	429.4	626.6	732.0	738.2
Value(JD million)	494.0	515.5	486.5	497.1	466.4	626.8	797.1	1,404.6	2,124.5	2,128.4
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	6.43
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	6.11
Returned Cheques for insufficient balance										
Number (thousand)	...	...	255.2	237.3	204.1	209.4	240.8	357.3	418.9	462.2
Value(JD million)	...	...	252.1	260.0	249.0	297.3	380.6	733.2	1,056.9	1,344.2
The ratio to the number of Circulated Cheques (%)	...	...	2.98	2.80	2.40	2.18	2.20	3.28	3.51	4.02
The ratio to the value of Circulated Cheques (%a)	...	...	1.95	1.82	1.46	1.31	1.44	2.43	2.63	3.86
Returned Cheques for another reasons										
Number (thousand)	...	...	217.0	186.6	160.0	177.0	188.6	269.3	313.0	276.0
Value(JD million)	...	...	234.4	237.1	217.4	329.5	416.5	671.4	1,067.9	784.3
The ratio to the number of Circulated Cheques (%)	...	...	2.53	2.20	1.88	1.85	1.73	2.47	2.62	2.40
The ratio to the value of Circulated Cheques (%)	...	...	1.82	1.66	1.27	1.45	1.57	2.22	2.66	2.25

- Source: Central Bank of Jordan

Regarding the development of Cheques clearing until the end of September 2010 and comparing the third quarter of 2010 with the same period of the previous year (third quarter of 2009), the following was observed:

- A decline in the number and increase in the value of Cheques presented for clearing. The number of cheques presented for clearing dropped by 146.3 thousand cheques from 2817.8 thousand cheques during the third quarter of 2009 to 2671.5 thousand cheques during the third quarter of 2010. The value of cheques presented for clearing rose by JD282.0 million from JD8304.8 million during the third quarter of 2009 to JD8586.8 million during the third quarter of 2010.
- Returned Cheques increased in terms of number and declined in terms of value. The number of Returned Cheques were higher by 0.8 thousand Cheques as the total increase from 181.2 thousand Cheques during the third quarter of 2009 to 182.0 thousand Cheques during the third quarter of 2010. The value of those Cheques fell by JD12.4 million from JD484.7 million during the third quarter of 2009 to JD472.3 million during the third quarter of 2010.
- Returned Cheques for insufficient balance decreased in terms of number and value. The total number of Returned Cheques for insufficient balance dropped by 17.9 thousand Cheques from 116.3 thousand Cheques during the third quarter of 2009 to 98.4 thousand Cheques during the third quarter of 2010. The value of such Cheques fell by JD64.8 million from JD306.9 million during the third quarter of 2009 to JD242.1 million during the third quarter of 2010.

Table (41)
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	Number (thousand)	Value JD million	The ratio to the number of Circulated Cheques (%)	The ratio to the value of Circulated Cheques (%)	Number (thousand)	Value JD million	The ratio to the number of Returned Cheques (%)	The ratio to the value of Returned Cheques (%)	Number (thousand)	Value JD million	The ratio to the number of Returned Cheques (%)	The ratio to the value of Returned Cheques (%)
Jul-09	944.0	2860.1	57.0	162.5	6.04	5.68	35.4	94.5	62.11	58.15	21.7	68.0	38.07	41.85
Aug-09	1009.8	2807.6	65.2	172.1	6.46	6.13	41.5	114.6	63.65	66.59	23.7	57.5	36.35	33.41
Sep-09	864.0	2637.1	59.0	150.1	6.83	5.69	39.4	97.8	66.78	65.16	19.6	52.3	33.22	34.84
Q3-2009*	2817.8	8304.8	181.2	484.7	6.43	5.84	116.3	306.9	64.18	63.32	65.0	177.8	35.87	36.68
Oct-09	828.4	2692.3	50.2	148.7	6.06	5.52	32.0	91.3	63.75	61.40	18.2	57.4	36.25	38.60
Nov-09	878.8	2746.0	59.6	138.6	6.78	5.05	37.1	87.2	62.25	62.91	22.5	51.4	37.75	37.09
Dec-09	1157.1	3597.1	84.7	222.3	7.32	6.18	59.0	128.1	69.66	57.62	25.7	94.3	30.34	42.42
Q4-2009*	2864.3	9035.4	194.5	509.6	6.79	5.64	128.1	306.6	65.86	60.16	66.4	203.1	34.14	39.85
Jan-10	870.5	2977.5	56.6	149.3	6.50	5.01	37.2	97.8	65.72	65.51	19.4	51.5	34.28	34.49
Feb-10	866.6	2739.1	65.6	150.4	7.57	5.49	36.9	87.5	56.25	58.18	28.7	63.0	43.75	41.89
Mar-10	985.3	3159.0	77.5	225.6	7.87	7.14	39.0	125.8	50.32	55.76	38.5	99.8	49.68	44.24
Q1-2010*	2722.4	8875.6	199.7	525.3	7.34	5.92	113.1	311.1	56.63	59.22	86.6	214.3	43.37	40.80
Apr-10	807.7	2869.8	49.7	131.4	6.15	4.58	25.6	70.7	51.51	53.81	24.1	60.7	48.49	46.19
May-10	746.9	2228.3	50.1	133.7	6.71	6.00	29.6	82.1	59.08	61.41	20.5	51.6	40.92	38.59
Jun-10	925.9	2921.9	60.6	161.2	6.54	5.52	35.0	100.8	57.76	62.53	25.6	60.4	42.24	37.47
Q2-2010*	2480.5	8020.0	160.4	426.3	6.47	5.32	90.2	253.6	56.23	59.49	70.2	172.7	43.77	40.51
Jul-10	799.0	2764.4	52.5	150.5	6.57	5.44	24.9	74.7	47.43	49.63	27.6	75.7	52.57	50.30
Aug-10	1016.2	3096.9	73.6	174.9	7.24	5.65	40.9	90.2	55.57	51.57	32.7	84.7	44.43	48.43
Sep-10	856.3	2725.5	55.9	146.9	6.53	5.39	32.6	77.2	58.32	52.55	23.3	69.6	41.68	47.38
Q3-2010*	2671.5	8586.8	182.0	472.3	6.81	5.50	98.4	242.1	54.07	51.26	83.6	230.0	45.93	48.70

Source: Central Bank of Jordan

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

*represents quarterly data

Figure (54)

Ratio of the Value of Returned Cheques to the Value of Circulated Cheques

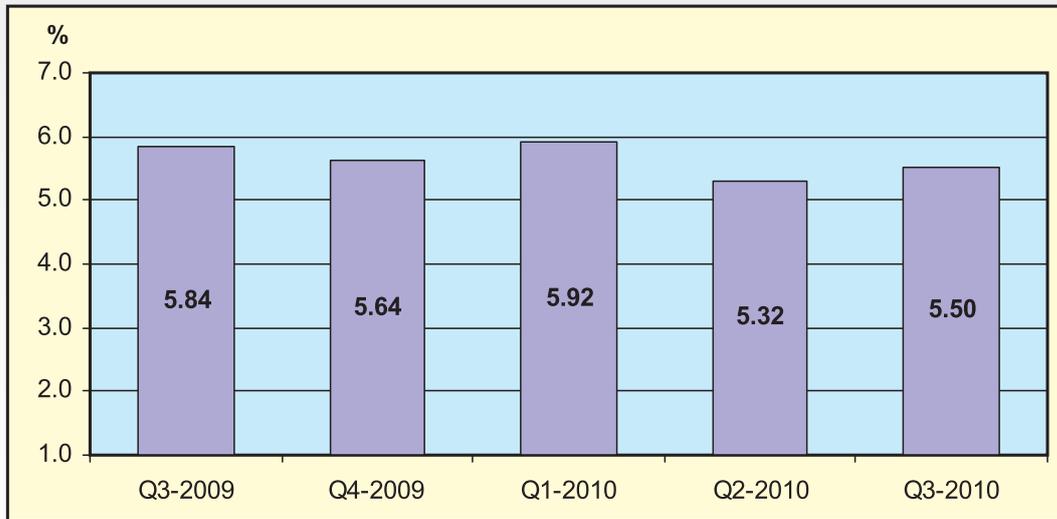
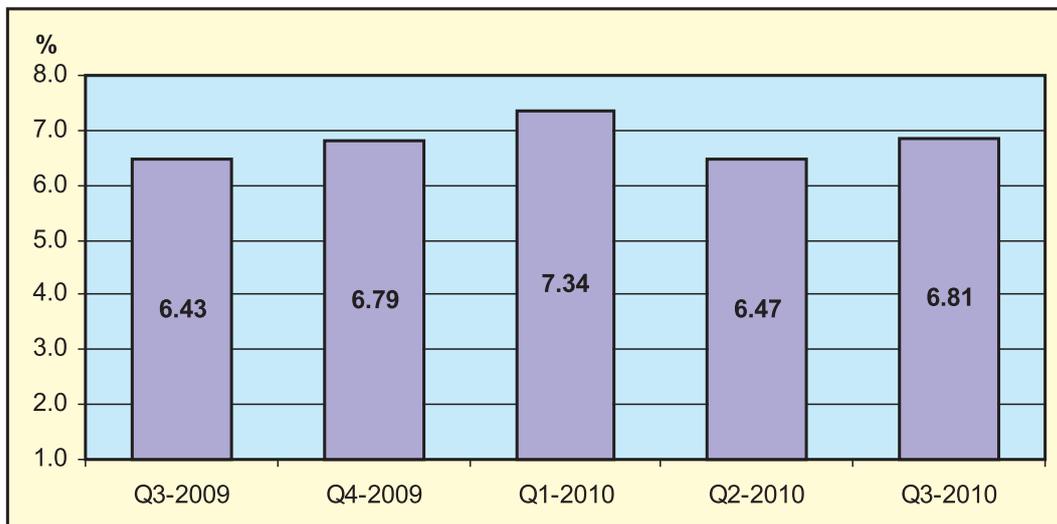


Figure (55)

Ratio of the Number of Returned Cheques to the Number of Circulated Cheques



CHAPTER ELEVEN

DEVELOPMENT OF BANKING SERVICES

1-1 New Banking Services

11-1 New Banking Services

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

Table (42)
New Banking Services During 2009

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

Table (42) /continued: New Banking Services During 2009

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

- Source: Association of Banks in Jordan, Annual Report 2009.