Chairman's Message

Ladies and gentlemen, shareholders of the Arab Jordan Investment Bank,

On behalf of the Arab Jordan Investment Bank (AJIB) Board of Directors, I am delighted to present the bank's 43rd annual report, detailing our achievements for 2021, the consolidated financial statements and our strategic vision for 2022.

This past year was one full of significant challenges resulting from the continued grip of the coronavirus (COVID-19) pandemic and its negative effects on the global economy as well as its repercussions on the national economy. Despite this, the bank continued to work dynamically, addressing the challenges and the state of uncertainty surrounding global economic variables, thanks to the solid capital base of its financial position and the efforts of its management team and staff, who continued to deliver the best services to customers.

The global economy in 2021 faced challenges involving the ability to support recovery efforts from the pandemic and to minimize its effects on both companies and individuals, especially with the continued spread of the virus's variants, such as Delta and Omicron. This has forced many countries to reimpose movement restrictions, in addition to the resulting increase in energy prices, interruptions in supply chains, and shortages of raw materials such as electronic chips. This, in turn, caused higher inflation, including in the United States and the eurozone countries as well as in a group of emerging and developing markets.

In the United States, the economy grew by 5.7% in 2021, which is its strongest it has been since 1984, after contracting by 3.4% in 2020, driven by strong stimulus packages. Growth trends, however, slowed in the second half of the year with the emergence of problems in supply chains, the labor market, and high inflation rates that reached their highest levels in 40 years, recording 7%.

Growth prospects in China began to decline in the second half of last year due to the real estate sector crisis and the slow recovery of private consumption, with interruptions in industrial production due to electricity problems and the reduction of public investments.

Accordingly, international economic institutions have revised their estimates of global growth down to 5.9%, in view of the discrepancy in the deployment of vaccines, with approximately 55% of all individuals around the world receiving at least one dose. It was also the result of the emergence of the Omicron strain of the coronavirus at the end of November 2021, which threatened this fragile recovery with a new setback.

The new strains of the virus were not the only threat to the global economy, but the inflation that continued to rise in the second half of 2021 became the main concern of monetary policymakers, as the prices of oil, natural gas, coal, and minerals doubled, and food prices rose by more than 28%, according to estimates by the Food and Agriculture Organization.

Expansionary trends dominated monetary policy around the world for most of the past year in order to support recovery from the pandemic, with the adoption of accommodative guidelines to provide the necessary support, liquidity, and credit to the private sector. Interest rates recorded zero and negative low levels in developed countries, emerging markets, and even developing countries. However, in view of the widening wave of inflation, a number of central banks hinted at the imminent return of the normal courses of monetary policy. Some of them preferred a gradual withdrawal from quantitative facilitation programs, and at the beginning of 2022, the Federal Reserve decided to accelerate the reduction of asset purchases and sent signals to raise interest rates several times during 2022. The European Central Bank announced the end of asset purchases in March 2022, opening the doors to increasing interest rates.

Despite the improvement in economic performance in 2021, the pandemic continued to cast a heavy shadow on large economic sectors around the world. The global tourism sector, which achieved a total output of $1.9 trillion, is still lower than pre-pandemic levels when it recorded $3.5 trillion, while the International Air Transport Association raised its estimates of airline losses to $200 billion.

Regionally, Arab countries witnessed different trajectories of economic recovery in 2021, with varying levels of progress in implementing national vaccination campaigns, and the extent to which governments were able to support recovery. By the end of the year, vaccination levels ranged between 40% and 87%, which eased economic restrictions in many countries and contributed to the recovery of some sectors such as exports, construction, foreign trade, public works, manufacturing, pharmaceuticals, and communications, supported by financial stimulus packages, whose value exceeded $340 billion during 2020 and 2021.

According to International Monetary Fund estimates, the countries of the region achieved economic growth of 4.1% in 2021, compared to a contraction of 3.8% during 2020, when the gradual increase in oil production in the countries of the region under the agreement of the OPEC+ alliance accompanied successive increases in crude prices, and industrial activity rebounded. This was accompanied by an increase in consumption and demand as well as an increase in remittances from expatriates.

At the local level, most national economic indicators showed an improvement in performance during 2021, compared to the contraction that overshadowed them in 2020, with the gradual return to work in all economic sectors.

The GDP at constant market prices recorded a growth of 2.1% during the first three quarters of 2021, compared to a contraction of 1.5% during the same period of 2020. As for GDP at current market prices, it grew by 3.1% compared to a contraction of 1.8% during the same period of 2020.

The inflation rate for 2021 increased by 1.35% compared to 0.3% in 2020, which was accompanied by a rise in the prices of food, transport, and fuel, a reflection of the rise in the prices of basic commodities and energy in global markets.

In the local labor market, the unemployment rate reached 23.2% during the third quarter of 2021, compared to 23.9% for the same period in 2020, down by 0.7 percentage points. Unemployment is still high among university degree holders, reaching 27.8% during the third quarter.

The Jordanian real-estate market showed improvement during 2021 compared to the previous year, as the trading volume increased by 8% to record JD5.021 billion, coinciding with an increase in the estimated value of sales to non-Jordanians during the year 2021 by 9% to reach JD257 million.

The Amman Stock Exchange indicators reflected the economic improvement, as the total trading volume recorded JD2 billion, compared to about JD1 billion for 2020. The number of traded shares reached 1.5 billion, compared to 1.1 billion in 2020. As for the weighted index, it rose 27.8% to record 2,118.6 points by the end of the December 2021, compared to 1657.2 points at the end of December 2020, and the market value of the shares listed in 2021 increased by 20% to reach JD15.5 billion.

In terms of foreign trade, the trade balance deficit increased by 31.9% during 2021 to JD8.701 billion, despite the increase in national exports by 19.7% to JD6.04 billion, and re-exported items by 1.4% to record JD604.3 million. Imports, however, jumped 25.4% to record JD15.345 billion, causing an escalation of the deficit in light of the rise in the oil import bill by 43%, recording JD1.836 billion.

Tourism is still far from its performance levels in 2019, despite the growth of tourism income by 90% during 2021 to reach JD1.9 billion, with the number of overnight tourists increasing by 90.2% to 2.359 million. This was accompanied by a slight improvement in the remittances of workers abroad, which rose by 1.1% in the first 11 months of 2021 to reach JD2.2 billion.

In terms of public finances, public revenues during the first 11 months of 2021 amounted to JD7.303 billion, of which external grants amounted to JD584 million and local revenues amounted to JD6.719 billion, while spending rose by 8.2% to JD8.8 billion.

Accordingly, the fiscal deficit rose to JD1.487 billion by the end of November 2021, compared to a deficit of JD1.768 billion for the same period in 2020. The balance of the total government debt amounted to JD35.353 billion, constituting 110.4% of the GDP.

In light of these conditions, the Central Bank of Jordan continued its policy of furthering monetary and financial stability in light of the continuing repercussions of the pandemic on the national economy, keeping interest rates on monetary policy tools constant during 2021. The main interest rate remained 2.5%, as part of the measures taken to contain the repercussions of the pandemic on all economic activities in order to reduce the cost of financing, contribute to the agility of the national economy, and enhance the chances of restoring economic activity and recovery.

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During 2021, the Central Bank raised the loan ceiling to support small and medium-sized companies from JD500 million to JD700 million, with beneficiaries granted financing with a lending interest not exceeding 2%.

The measures taken by the Central Bank of Jordan have contributed to enhancing economic activity, stimulating domestic demand and increasing credit granted to various economic sectors, in light of the rise in foreign reserves by the end of 2021 to their highest levels in history, exceeding $18 billion, which is enough to cover the Kingdom's imports of goods and services for a period of 10 months.

With regard to AJIB's performance indicators during 2021, the bank was able to achieve profits amounting to JD18.163 million after tax, with a growth rate of 57.4% due to the bank's precautionary provisions against the coronavirus pandemic effects in the previous year. These outstanding results came despite the stressful and unfavorable conditions caused by the coronavirus pandemic in the bank's operation areas and at all political and economic levels.

Customer deposits also increased by 2% to reach JD1.238 billion at the end of 2021, while direct credit facilities increased by 3.5% to reach JD886.1 million.

The bank maintained the integrity of its credit portfolio and the quality of its assets, recording a ratio of non-performing loans to total facilities in 2021 of 1.18%, compared to 1.64% in 2020, which is one of the lowest ratios among Jordanian banks. The capital adequacy ratio reached 17.43% in 2021, which is in compliance with the Basel III requirements, far exceeding the required global and local ratios of 8% and 12%, respectively, which confirms the strength of the bank's financial position.

Based on the results achieved in 2021, the AJIB Board of Directors recommended to the General Assembly the distribution of cash dividends of JD15 million, representing 10% of the bank's capital.

I am pleased to report that the AJIB acquired the business of the National Bank of Kuwait in Jordan in mid-February 2022, with the approval of the Central Bank of Jordan, and the total assets and liabilities of the National Bank of Kuwait Jordan will be transferred to AJIB in the second quarter of 2022.

This ambitious step is in line with AJIB's expansion strategy, which has accelerated over the past few years, during which it also acquired HSBC's banking business in Jordan. The acquisition of National Bank of Kuwait Jordan also highlights the strength of the bank's financial position and its leading status in the local banking market.

In conclusion, I would like to extend my gratitude to our shareholders and clients for their trust in the Arab Jordan Investment Bank and their continued support. I extend my deepest appreciation to the fellow members of the Board of Directors for their role in implementing the bank's strategy and to all members of the bank's staff for their sincere and tireless efforts. We renew our full commitment to providing the best banking services and elevating our institution to the highest levels of excellence.

Hani Abdul Qader Al-Qadi
Chairman of the Board of Directors

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