

Jordan's Banking Sector

Monthly Chart Book

18 June 2012

June Issue

- Loan growth continues to decelerate in April
- Growth in deposits also declines on lower JD deposits
- Interest rates start moving in April
- Growth in money supply slows down in April

Credit Facilities (JD Million)	2009	2010	2011	Apr 2011	Apr 2012
By Borrower:					
Private Sector	12,986.6	13,999.2	15,258.0	14,724.4	15,613.7
Government	326.1	447.8	588.2	551.1	1,153.7
Financial Institutions	4.5	4.4	5.0	13.2	9.2
By Type:					
Loans & Advances	11,418.0	12,403.8	13,538.0	12,980.3	14,367.9
Discounted Bills & Bonds	299.6	265.6	287.7	296.9	302.2
Overdrafts	1,599.6	1,782.0	2,025.5	2,011.5	2,106.5
Total Credit Facilities	13,317.2	14,451.4	15,851.2	15,288.7	16,776.6

Deposits (JD Million)	2009	2010	2011	Apr 2011	Apr 2012
JD Deposits	15,865.0	17,617.2	19,119.1	17,787.2	19,136.1
Time	10,242.5	11,427.8	12,015.6	11,277.9	11,878.6
Saving	1,982.2	2,247.8	2,520.9	2,354.8	2,631.8
Demand	3,640.3	3,941.6	4,582.6	4,154.5	4,625.7
Foreign Currency Deposits	4,433.4	4,887.6	5,258.8	5,139.6	5,687.1
Time	2,182.1	2,129.0	2,110.8	2,191.2	2,267.4
Saving	584.2	729.1	853.8	789.8	943.6
Demand	1,667.1	2,029.5	2,294.2	2,158.6	2,476.1
Total Deposits	20,298.4	22,504.8	24,377.9	22,926.8	24,823.2

Interest Rates	2009	2010	2011	Apr 2011	Apr 2012
Overnight Window	2.50%	2.00%	2.25%	2.00%	2.75%
Interbank	2.65%	2.15%	2.92%	2.51%	3.58%
Prime Lending	8.34%	8.20%	8.22%	8.18%	8.25%
Time Deposits	4.23%	3.40%	3.46%	3.36%	3.65%

Money Supply (JD Million)	2009	2010	2011	Apr 2011	Apr 2012
Net Foreign Assets	8,881.4	10,078.5	9,353.7	9,483.4	8,362.8
Net Domestic Assets	11,131.9	12,228.2	14,765.2	13,278.9	16,163.9
Net Claims on Public Sector	5,100.8	5,423.7	7,215.2	5,863.6	8,142.9
Net Claims on Private Sector	12,693.4	13,612.7	14,925.0	14,420.7	15,281.7
M2 Growth Rate (YoY Growth)	9.30%	11.50%	8.10%	11.17%	7.75%

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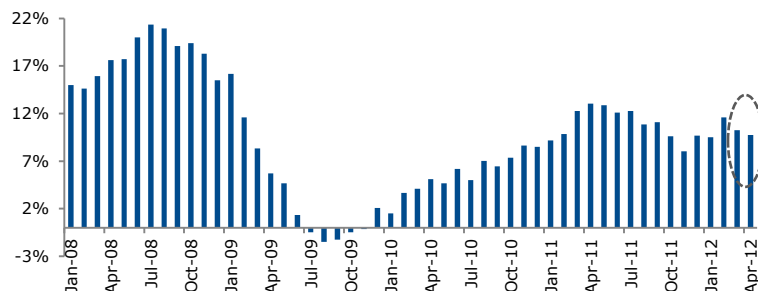
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► Loan Growth Dynamics

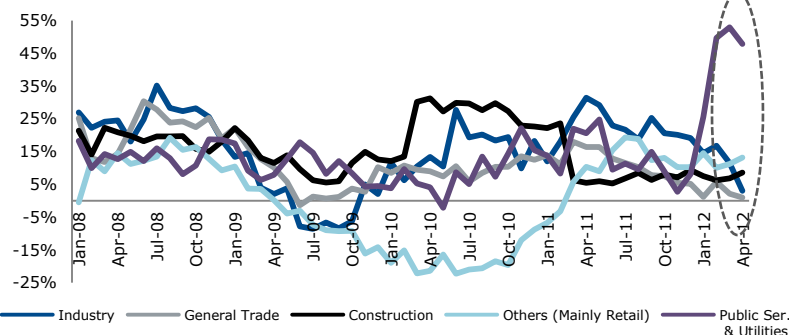
Total Loan Growth YoY



Source: CBJ

YoY growth in lending continued to decline in April falling to 9.7% compared to 10.3% and 11.6% in the previous 2 months.

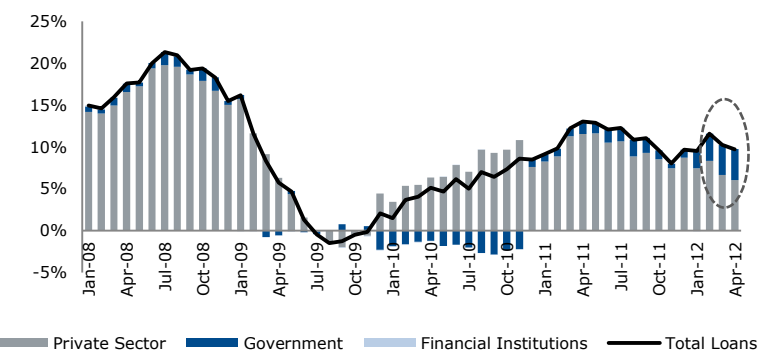
Loan Growth by Economic Sector YoY



Source: CBJ

Lending growth came on the back of strong growth in credit facilities extended to the construction, Retail, and Public Services & Utilities sectors, contributing 1.8%, 2.9%, and 3.4% respectively.

Weighted Loan Growth by Borrower YoY

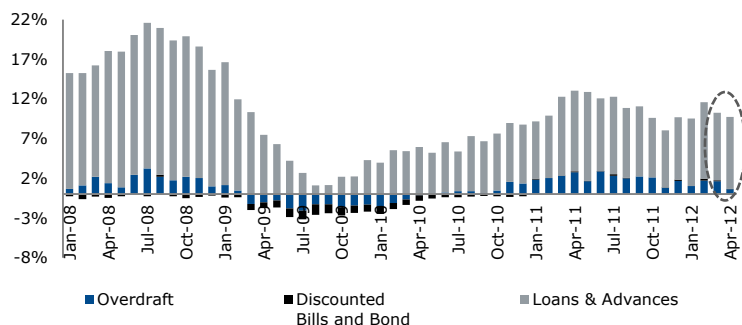


Source: CBJ

Despite the deceleration in the public sector's loan growth, from 113% in March to 103% in April, the government's contribution to total loan growth reached a new record level accounting for more than 38% of the growth in total credit.

► Loan Growth Dynamics (cont'd)

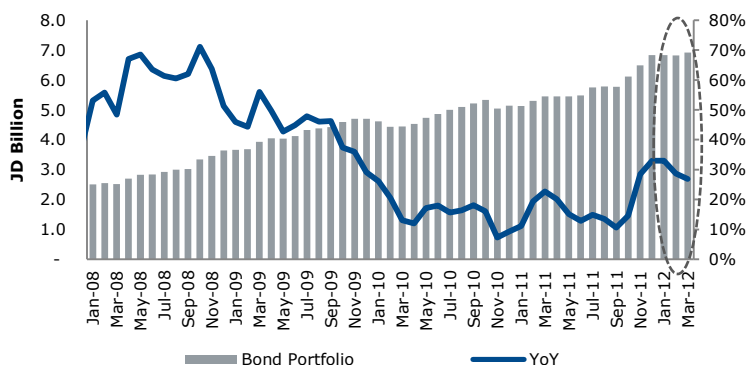
Weighted Loan Growth by Type YoY



Source: CBJ

As for loan types, loans & advances contributed 9.1% to total loan growth in April while growth in overdrafts added the remaining 0.6%.

Jordanian Banks' Gov. Bonds Portfolio Size

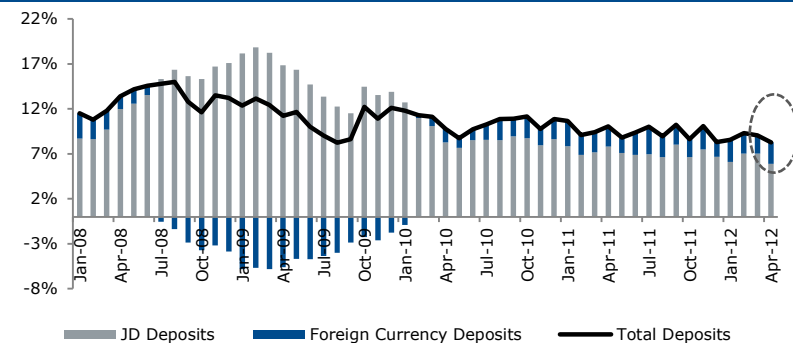


Source: CBJ

After recording a slight decline of 0.1% in February, Jordanian Banks' treasury bonds portfolio grew by 1.5% MoM in March reaching JD 6.92 billion.

► Deposit Growth Dynamics

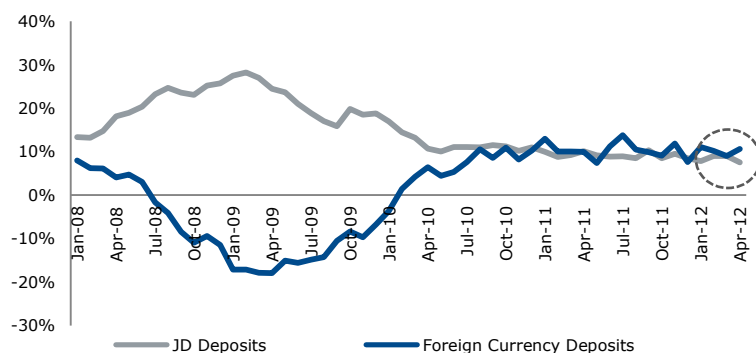
Weighted Deposit Growth by Currency YoY



Source: CBJ

The decline in YoY growth of JD deposits in April was partially offset by stronger growth in foreign currency deposits which grew by 10.7% YoY and contributed 2.4% to total deposit growth. As a result, total deposit growth dropped to 8.3% YoY in April compared to 9.0% in the previous month.

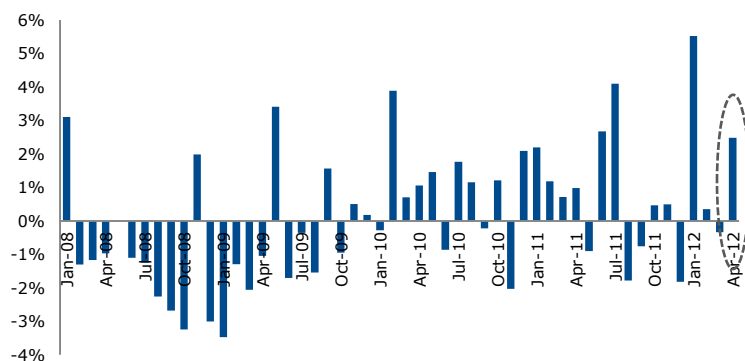
Deposit Growth by Currency YoY



Source: CBJ

YoY growth in foreign currency deposits in April outpaced the growth in JD deposits for the 11th time since January 2011.

Foreign Currency Deposits Growth MoM

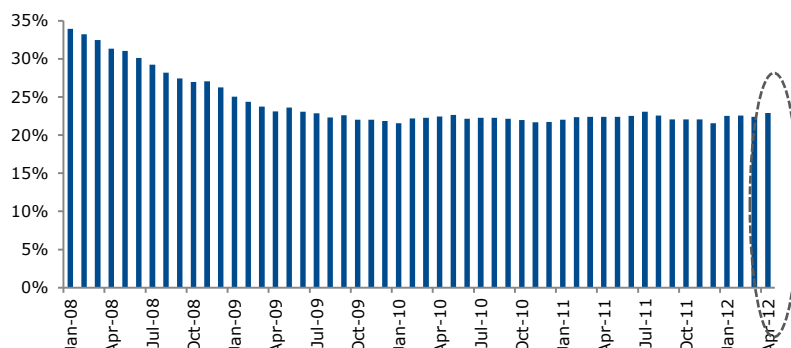


Source: CBJ

As for monthly growth rates in foreign currency deposits, April witnessed a rebound to 2.5%, the second highest monthly rate recorded since August 2011.

► Deposit Growth Dynamics (cont'd)

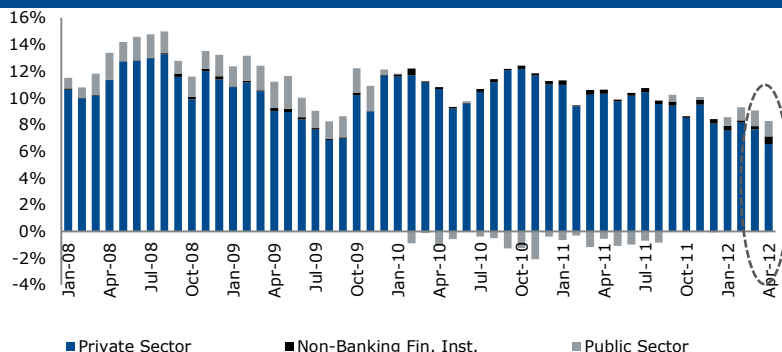
Dollarization Ratio in Jordanian Banks



Source: CBJ

As a result, dollarization edged higher to 22.9% in April, also its highest level since August 2011, compared to 22.4% in the previous month.

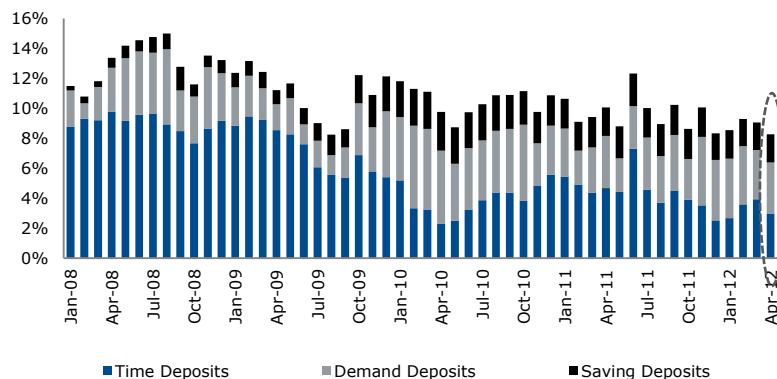
Weighted Deposit Growth By Depositor YoY



Source: CBJ

The strong growth in public sector and non-banking financial institutions deposits continued to partially offset falling growth rates in the deposits of the private sector, contributing 1.2% and 0.6% respectively to total deposit growth in April after growing by 17.4% and 59.5% YoY during the same period.

Weighted Deposit Growth by Type YoY

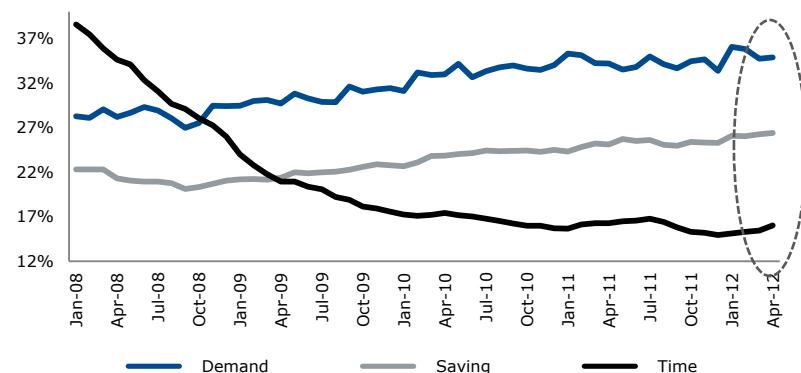


Source: CBJ

In terms of types of deposits, lower growth in time deposits weighed on total deposits growth rate in April

► Deposit Growth Dynamics (cont'd)

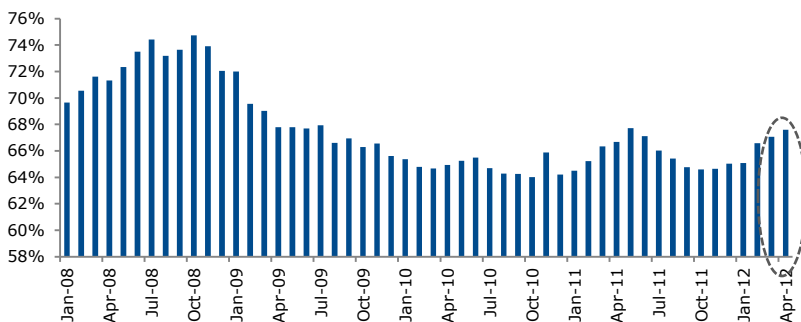
Dollarization by Deposit Type



Source: CBJ

Dollarization increased across all types of deposits by the end of April reaching 34.9%, 26.4%, and 16% for demand, saving, and time deposits respectively.

Loan-to-Deposit Ratio at Jordanian Banks

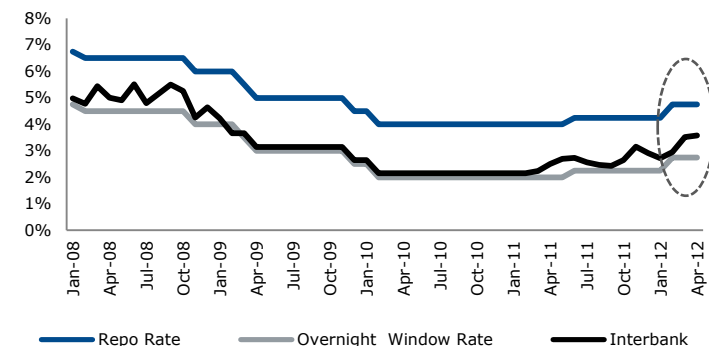


Source: CBJ

The 0.9% MoM growth in total loans and the lower growth in total deposits of 0.2% resulted in a rise in the banking sector's Loan-to-Deposit ratio which reached 67.6% by the end of April compared to 67.1% in March.

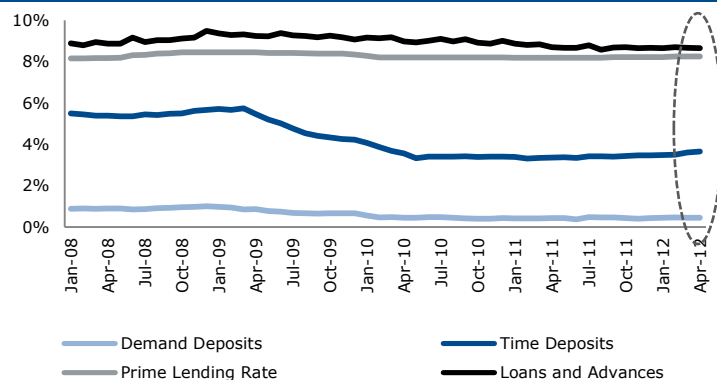
► Interest Rates Dynamics

Overnight Interest Rate Corridor



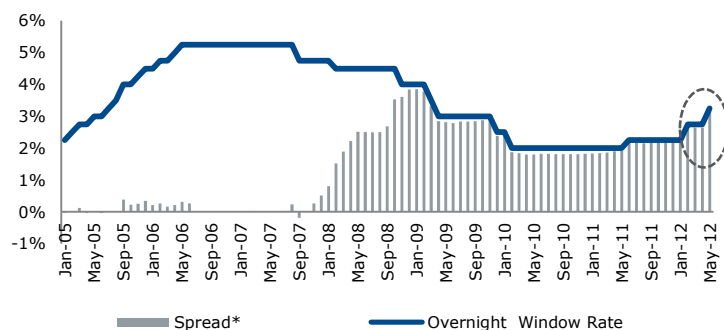
The interbank rate increased by 6 bps in April bringing the total rise to 63 bps since the beginning of February when the CBJ increased its policy rates by 50 basis points. Moreover, the CBJ raised the overnight deposit window rate by an additional 50 bps to 3.25% effective 31 May 2012.

Key Interest Rates on Loans & Deposits



Interest rates on time and saving deposits increased by 5 bps and 3 bps respectively in April while rates on demand deposits remained stable. On the other hand, interest rates on overdrafts and discounted bills jumped by 24 bps and 56 bps respectively while rates on loans and prime lending remained relatively stable.

JD/USD Spread

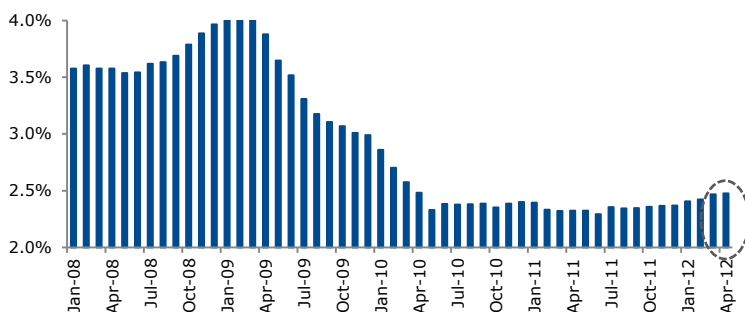


The recent rate hike on the overnight deposit window widened the JOD/USD spread in May reaching 3.15%, its highest level since March 2009.

Source: CBJ
*:The JD/USD spread is calculated as the difference between the CBJ overnight rate and the fed fund rate

► Interest Rates Dynamics (cont'd)

Cost of Funds at Jordanian Banks

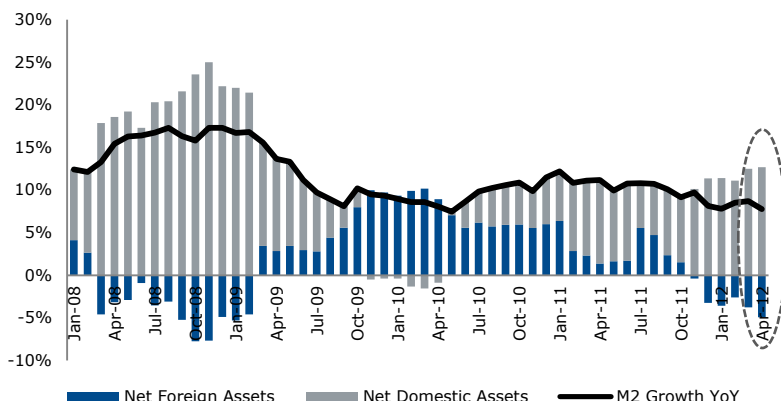


Source: CBJ

The increase in interest rates on time and saving deposits during April pushed the cost of funds for the whole sector slightly higher by 1 basis point to 2.48% by the end of the month.

► Money Supply Dynamics

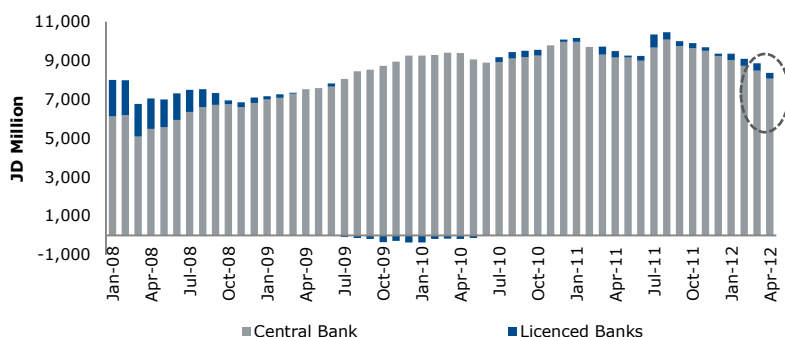
Factors Affecting M2 – Weighted Growth YoY



Source: CBJ

Despite the 21.7% YoY growth in Net Domestic Assets (NDA), the 11.8% drop in Net Foreign Assets (NFA) weighed on M2 growth in April which slowed down to 7.8% YoY compared to 8.7% and 8.5% in the previous 2 months.

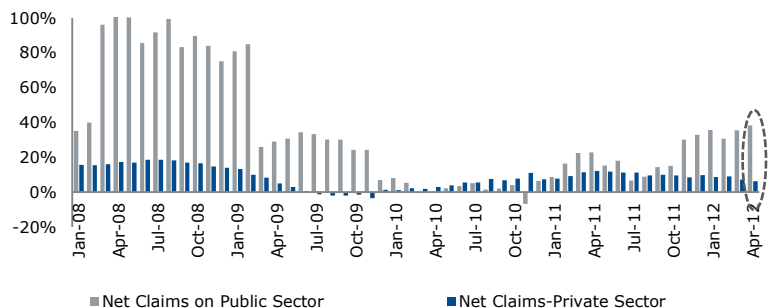
Jordanian Banking System Net Foreign Assets



Source: CBJ

NFA also fell by 5.6% MoM, or JD500 million, in April to stand at JD 8.36 billion mainly on the back of Jordan's widening current account deficit with NFA at the CBJ falling by around JD415 million during the month. Moreover, NFA at licensed banks dropped by 22% or JD85 million during April.

Claims on Public vs. Private Sector – YoY Growth



Source: CBJ

Money creation continued to be driven by increasing government borrowing with net claims on the public sector growing by more than 38.3% YoY in April while net claims on the private sector grew by only 6.2%.

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