

Jordan's Banking Sector

Monthly Chart Book

14 May 2012

May Issue

- ▶ Loan growth decelerates to 10.3% YoY in March
- ▶ YoY growth in deposits also declines on lower FC deposits
- ▶ Interest rates remain relatively stable despite CBJ rate hike
- ▶ Growth in money supply continues to accelerate in March

Credit Facilities (JD Million)	2009	2010	2011	Mar 2011	Mar 2012
By Borrower:					
Private Sector	12,986.6	13,999.2	15,258.0	14,585.9	15,589.5
Government	326.1	447.8	588.2	480.4	1,023.8
Financial Institutions	4.5	4.4	5.0	10.5	9.3
By Type:					
Loans & Advances	11,418.0	12,403.8	13,538.0	12,856.5	14,138.7
Discounted Bills & Bonds	299.6	265.6	287.7	291.7	310.4
Overdrafts	1,599.6	1,782.0	2,025.5	1,928.6	2,173.5
Total Credit Facilities	13,317.2	14,451.4	15,851.2	15,076.8	16,622.6

Deposits (JD Million)	2009	2010	2011	Mar 2011	Mar 2012
JD Deposits	15,865.0	17,617.2	19,119.1	17,636.1	19,233.0
Time	10,242.5	11,427.8	12,015.6	11,238.5	12,106.8
Saving	1,982.2	2,247.8	2,520.9	2,319.7	2,592.0
Demand	3,640.3	3,941.6	4,582.6	4,077.9	4,534.2
Foreign Currency Deposits	4,433.4	4,887.6	5,258.8	5089.8	5,549.5
Time	2,182.1	2,129.0	2,110.8	2,187.2	2,213.4
Saving	584.2	729.1	853.8	781.8	923.4
Demand	1,667.1	2,029.5	2,294.2	2,120.8	2,412.7
Total Deposits	20,298.4	22,504.8	24,377.9	22,725.9	24,782.5

Interest Rates	2009	2010	2011	Mar 2011	Mar 2012
Overnight Window	2.50%	2.00%	2.25%	2.00%	2.75%
Interbank	2.65%	2.15%	2.92%	2.24%	3.52%
Prime Lending	8.34%	8.20%	8.22%	8.18%	8.25%
Time Deposits	4.23%	3.40%	3.46%	3.35%	3.60%

Money Supply (JD Million)	2009	2010	2011	Mar 2011	Mar 2012
Net Foreign Assets	8,881.4	10,078.5	9,353.7	9,711.0	8,862.4
Net Domestic Assets	11,131.9	12,228.2	14,765.2	12,830.1	15,642.5
Net Claims on Public Sector	5,100.8	5,423.7	7,215.2	5,797.1	7,849.8
Net Claims on Private Sector	12,693.4	13,612.7	14,925.0	14,244.3	15,252.0
M2 Growth Rate (YoY Growth)	9.30%	11.50%	8.10%	11.09%	8.71%

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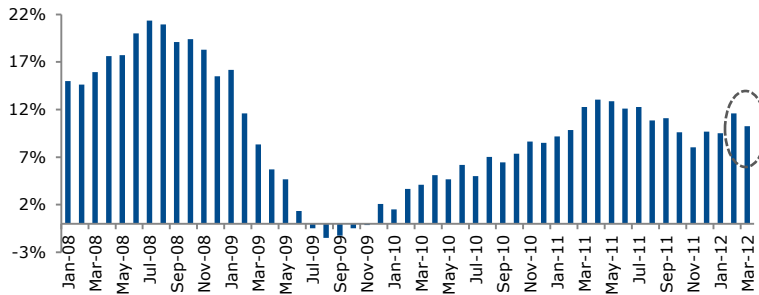
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▶ Loan Growth Dynamics

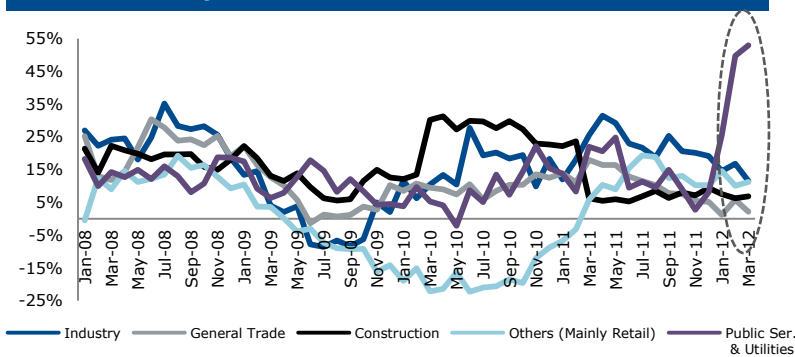
Total Loan Growth YoY



Source: CBJ

After recording the highest year-over-year (YoY) growth rate since August 2011 in February of this year at 11.6%, total loan growth decelerated to 10.3% in March.

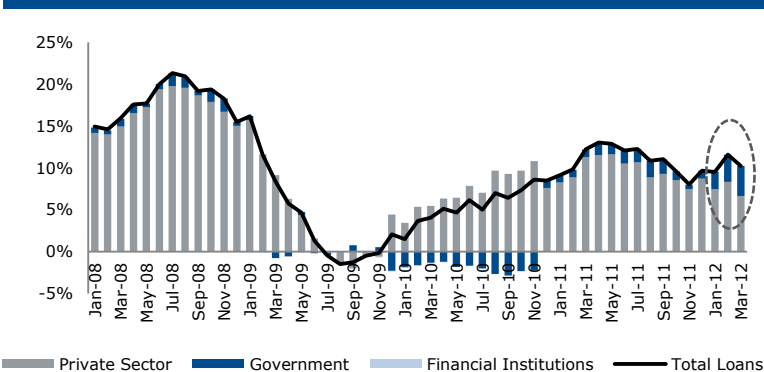
Loan Growth by Economic Sector YoY



Source: CBJ

Lending growth came mainly on the back of an 11% and a 53% increase in credit facilities extended to the Retail and Public Services & Utilities sectors.

Weighted Loan Growth by Borrower YoY

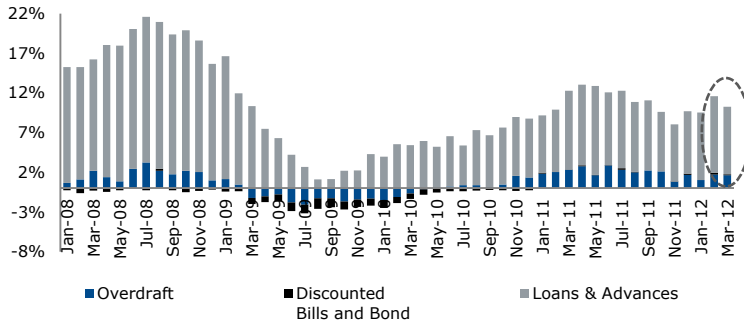


Source: CBJ

In terms of borrowers, growth in lending to the central government & other public entities continued to boost total loan growth in March as lending to the public sector accelerated to 113% YoY, up from 105% in the previous month, while growth in lending to the private sector dropped to 6.9% YoY in March compared to 8.6% in February.

▶ Loan Growth Dynamics (cont'd)

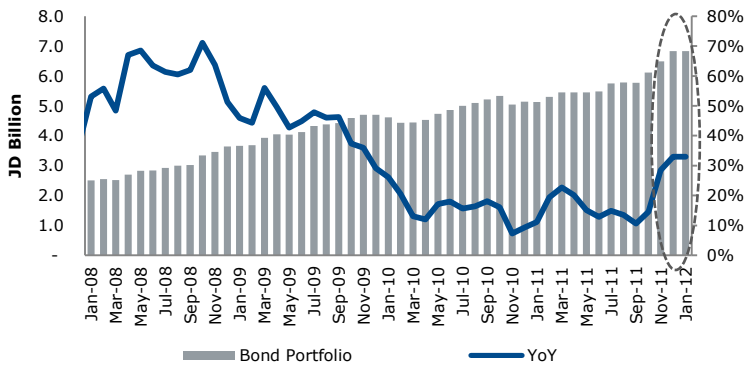
Weighted Loan Growth by Type YoY



Source: CBJ

As for loan types, loans & advances contributed 8.5% to total loan growth in March while overdrafts and discounted bills added 1.6% and 0.1% respectively.

Jordanian Banks' Gov. Bonds Portfolio Size

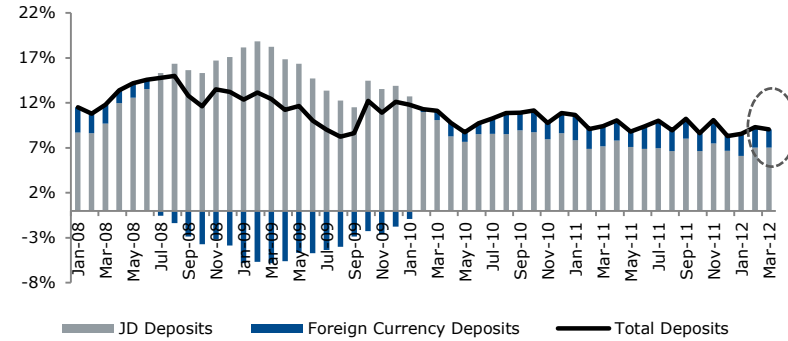


Source: CBJ

Following several months of accelerating growth, the Government bonds portfolio of Jordanian banks remained almost stable in January compared to the previous month at JD 6.83 billion.

► Deposit Growth Dynamics

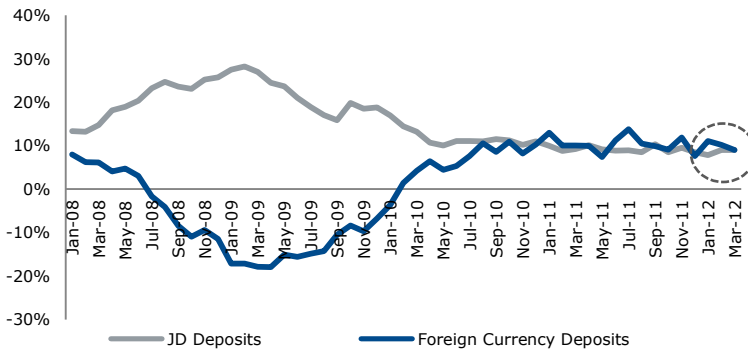
Weighted Deposit Growth by Currency YoY



Source: CBJ

YoY growth in foreign currency deposits continued to boost total deposit growth in March contributing 2%, a trend that has been consistent since the beginning of 2010. Total deposit growth dropped slightly to 9.0% YoY in March compared to 9.3% in the previous month.

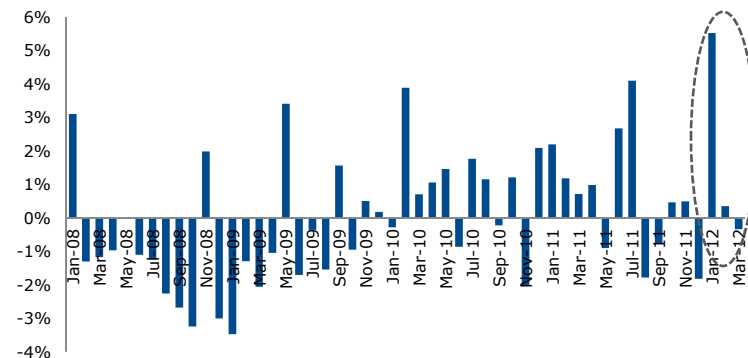
Deposit Growth by Currency YoY



Source: CBJ

However, YoY growth in foreign currency deposits almost matched the growth in JD deposits after recording stronger rates in the first two months of the year.

Foreign Currency Deposits Growth MoM

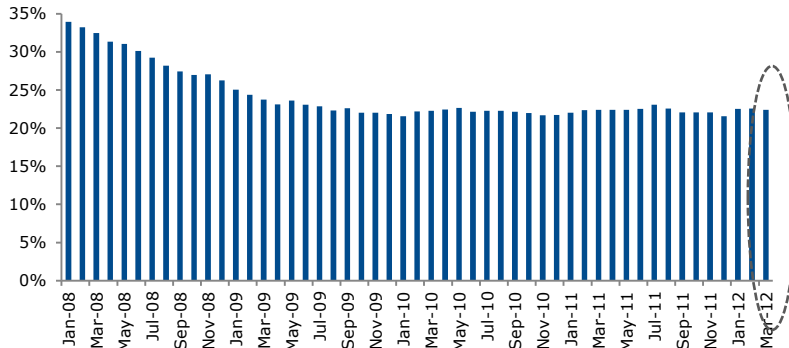


Source: CBJ

After recording a month-over-month (MoM) growth rate of 5.5% in January of this year (the highest rate since 2005) mainly due to a sudden increase in dollarization, foreign currency deposits grew by a slight 0.4% in February before decreasing by 0.3% in March.

► Deposit Growth Dynamics (cont'd)

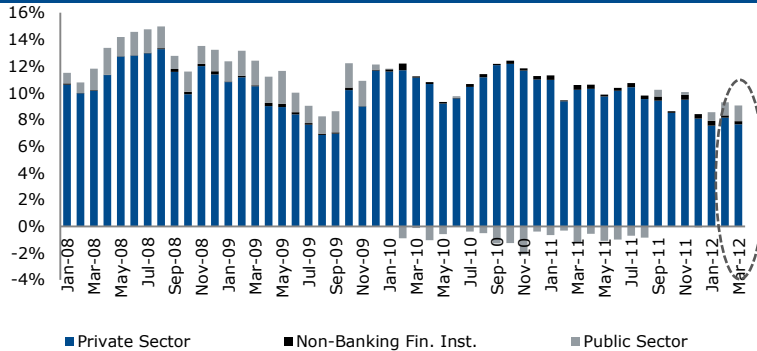
Dollarization Ratio in Jordanian Banks



Source: CBJ

As a result, dollarization edged slightly lower to 22.4% in March, down from 22.6% in the previous month.

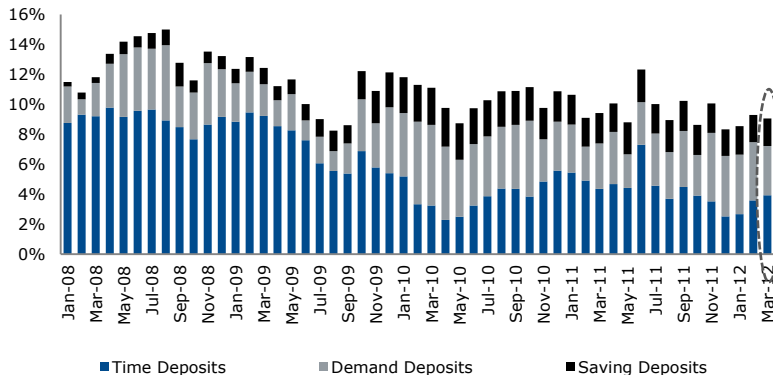
Weighted Deposit Growth By Depositor YoY



Source: CBJ

The strong growth in public sector deposits continued to compensate for lower growth in the deposits of the private sector in March contributing 1.2% to total deposit growth rate after growing by more than 18% YoY in March.

Weighted Deposit Growth by Type YoY

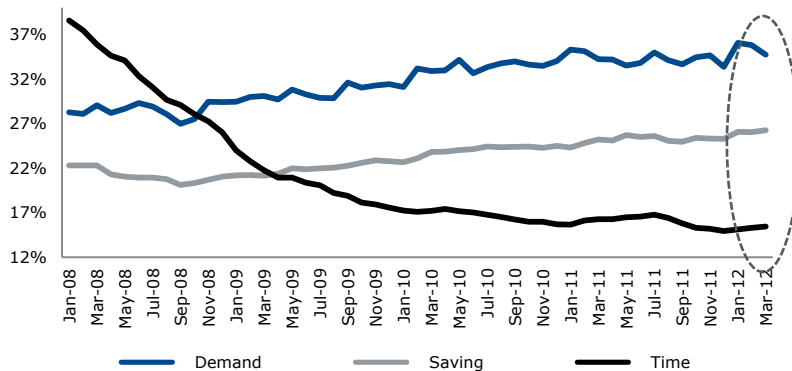


Source: CBJ

In terms of types of deposits, growth in deposits was driven by stronger increase in time deposits.

► Deposit Growth Dynamics (cont'd)

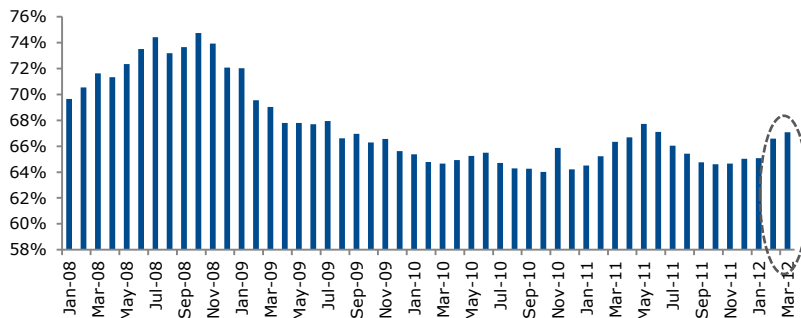
Dollarization by Deposit Type



Source: CBJ

The dollarization ratio in time deposits continued to increase for the third month in a row in March reaching 15.5% while dollarization in demand deposits experienced the opposite falling by 132 basis points from its level at the end of January this year to stand at 34.7%.

Loan-to-Deposit Ratio at Jordanian Banks

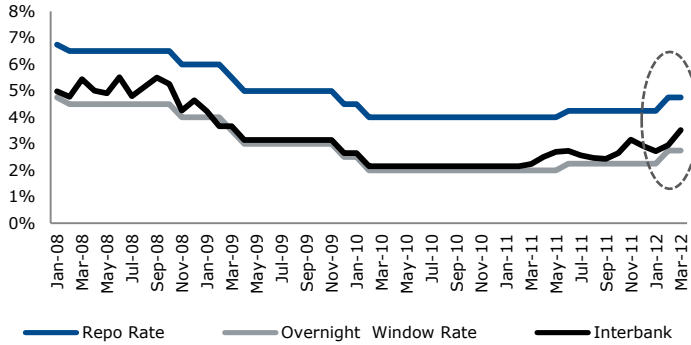


Source: CBJ

The 10.3% growth in total loans and the lower growth in total deposits of 9.0% resulted in a rise in the banking sector's Loan-to-Deposit ratio which reached 67.1% by the end of March compared to 66.6% in the previous month.

Interest Rates Dynamics

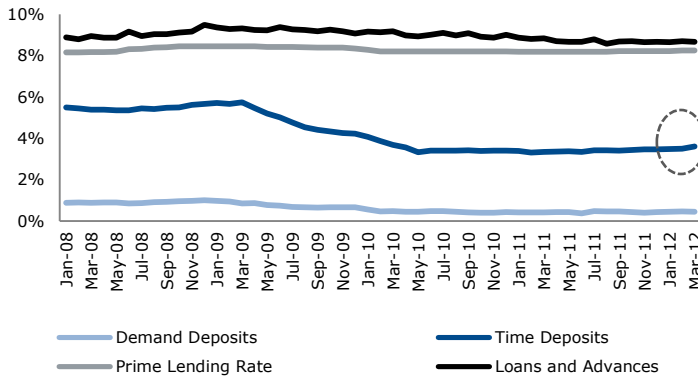
Overnight Interest Rate Corridor



Source: CBJ

The Central Bank of Jordan (CBJ) increased its policy rates by 50 basis points effective February 5, 2012. The decision pushed up the interbank rate by 57 basis points by the end of March.

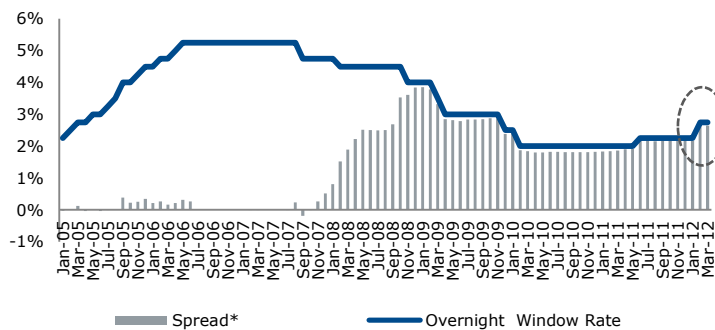
Key Interest Rates on Loans & Deposits



Source: CBJ

Despite the CBJ's interest rate hike, key interest rates on loans and deposits remained almost stable in March except for the average interest rate on time deposits which increased by 11 basis points.

JD/USD Spread



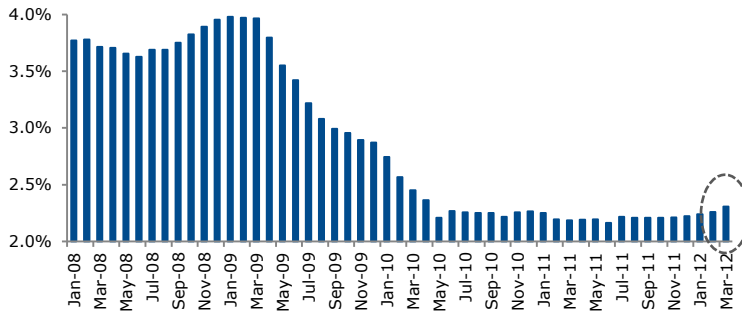
Source: CBJ

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

The policy rate hike also widened the JOD/USD spread in February and March reaching 2.65%, up from 2.17% in January.

► Interest Rates Dynamics (cont'd)

Cost of Funds at Jordanian Banks

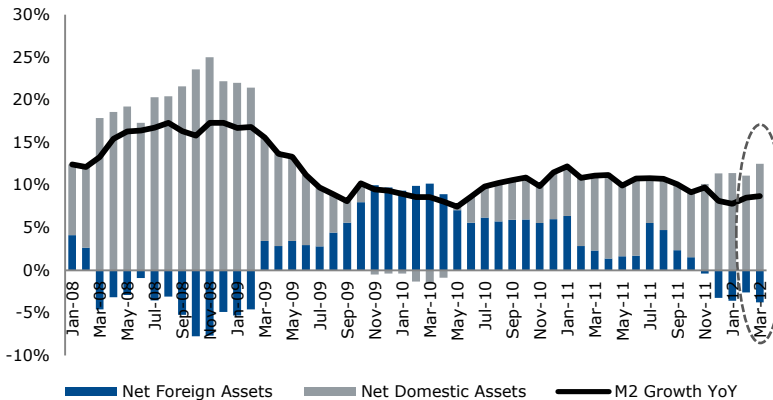


Source: CBI

The increase in interest rates on time deposits during March pushed the cost of funds for the whole sector up by 5 basis points reaching 2.31% by the end of the month.

► Money Supply Dynamics

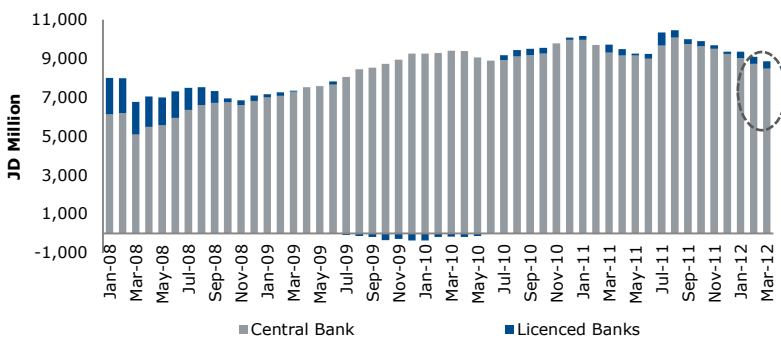
Factors Affecting M2 – Weighted Growth YoY



Source: CBJ

YoY growth in money supply (M2) continued to accelerate in March reaching 8.71% despite the 8.75% drop in Net Foreign Assets (NFA) on the back of a strong growth of around 22% in Net Domestic Assets (NDA).

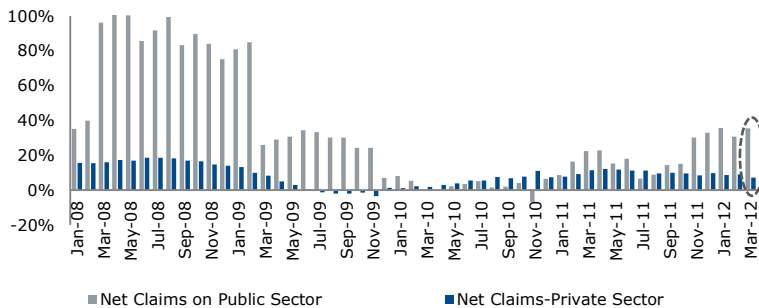
Jordanian Banking System Net Foreign Assets



Source: CBJ

NFA fell by 2.5% MoM, or JD226.7 million, in March to stand at JD 8.86 billion as a result of Jordan's widening current account deficit which resulted in a drop of 2.7% in NFA at the CBJ. On the other hand, NFA at licenced banks grew by 1.9% during the same period.

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 35% YoY in March while net claims on the private sector grew by only 7%.

Capital Investments

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