Initiation Report
August 22 2022

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CAPITAL BANK OF JORDAN

We initiate on the fast-growing bank backed by PIF with a BUY on several growth levers

BUY **JOD 3.9**

- **CAPL is well positioned to grow its retail and corporate market shares in Jordan and Iraq after two attractive acquisitions, i.e., Bank Audi in Jordan and Iraq (2021) and Société Générale Jordan (end Q1 22), amplified by the digital banking window (Blink) that will fully digitalize Capital Bank Group. Further upside comes from a large unbanked population in Iraq (75%) and Jordan (50%) for the digital strategy.**
- **Growth is further amplified by geographical expansion into Saudi and UAE (DIFC).**
- **PIF has entered as a strategic investor with a 24% shareholding, bolstering capital by JOD 131m and 3.6% of RWAs, while it also placed an ADT1 bond at 7% of USD 100m (2.0% of RWAs) in Q1 22. Together with a high organic capital generation (RoE of c20% (target > 14%), the low double-digit B/S CAGR should largely be self-funded and cater for a payout of c.40-50% and a DY of 5.9%.**

Double-digit balance sheet growth (CAGR 22-25e of > 10%) on domestic and regional expansion. The group has bolstered its lending and deposits market shares in Jordan (86% of assets, 64% of NOI) and Iraq (13% of assets, 29% of NOI) in 2021 through the acquisition of Bank Audi, raising assets by 23%, while the purchase of Société Générale Jordan (SGBJ) in Q1 22 added a further 25%. Both acquisitions were bought at a discount to the adjusted Net Asset Value. Further growth in the MT/LT should stem from trade finance following the establishment of National Bank of Iraq's (NBI) first branch in Saudi Arabia, benefitting from the increasing trade volumes between the two countries, and capitalizing on the strategic partnership with PIF through it recent 23.97% stake. The group's subsidiary in DIFC will accelerate the growth of capital investments (AuMs: USD 550m, 7% NOI contribution), supporting the growth in the two local markets. Finally, we also expect further acquisitions given the strong capital base, which could further enhance digital capabilities and existing market positions. The bank should benefit from its expanding branch network and ongoing digitization in under-penetrated markets.

Room to further increase RoE on increased efficiency with C/I reduction of 21ppt. The group expanded its parent RoE to 19.7% including one-offs in 2021 (11.5% excluding one offs), more than 2x the peers' average of 7.3% last year. CAPL targets to increase total assets by > 10% per annum, reduce the C/I from 53% to 43%, a RoE of > 14%, and a payout of c.50%. The non-funded income generation should continue from the expanding investment banking arm. We expect parent RoTE expansion of c. 12.0ppt in the next five years (adjusted for the one-offs in FY21) with a net income 5Y CAGR of 15.6% (25% with FY21 adjusted for the one-off gains on bargain M&A).

NIM expansion to start in H2 on higher rates in Jordan. The impact of higher rates has yet to filter through. CAPL expects NIM to expand following the cumulative rate hike on the prime rate of 2% from 2.50% to 4.50% in Jordan. The bank benefits from a corporate lending share of 60%, however, only 39% and 28% of total the loan and investment books, respectively, re-price in the next 12 months. We see room to improve the deposit mix further, with current accounts now only 23% of outstanding deposit balances (and CASA at 30%) as it invests in its digital capabilities and product offerings. Retail deposits are 48%, SMEs 7%, corporate 29%, and government 17%.

Capital ratios bolstered in Q2. Capital ratios have been supported by the JOD 131m capital injection by PIF during Q2 (3.6% of RWAs) and the ADT1 capital notes of USD 100m in Q1 (2.0% of RWAs), which increased CAR to 15.8%, Tier-1 to 14.8% and CET1 to 12.3%, fully absorbing the increase in RWAs from USD 3.2bn to 5.1bn YtD, largely due to acquisition effects. Meanwhile, liquidity is strong, with LtD and LCR ratios of 75% and 168%, respectively, with the investment book of USD 2.5bn invested in liquid assets (15% of assets) and government securities (30% of assets), and loans at only 48% of total assets.

Operating efficiency to improve on the back of digital transformation and cost synergies from acquisitions. The bank targets reducing the C/I ratio to <43%, having averaged c. 51% in the past 5 years. The group recently launched the first digital bank in Jordan, Blink, while planning to introduce it also in Iraq in H2 22, which should position it well to tap into the largely unbanked young population.

Healthy asset quality, backed by c. 50% collateralization of overall exposure and a diversified lending base. Stage 1 loans make up 81.4% of total book (vs. 82.4% YE 21) with a coverage of 0.68% (vs. 0.65% YE 21A). Stage 2 and 3 loans stand at 9.9% and 8.8%, respectively, compared to 9.3% and 8.4% YE 21A, demonstrating a stronger improvement vs Q1 22, with corresponding coverage of 6.3% and 49.2% as of Q2 22 compared to 4.0% and 55.1% YE 21A, leading to a provision deficit of 1.8% of loans on our acid test (1% of stage 1, 12% stage 2 and 60% stage 3). However, the collateral position is strong and stage 1 coverage is ahead of the expected CoR (management targets 55bps) for the next few years.

Premium valuation warranted by superior returns and growth outlook. The bank is trading at P/tNAV 22 and P/E 22 of 1.3x and 7.4x, while offering RoTE 22e of 21% vs. sector average of 0.8x, 11.8x and 7.3%, respectively. However, the DY of 5.9% is slightly behind the sector of 6.1%. RoE is set to expand further on > 10% B/S growth and a further reduction in C/I to below 43%, on geographical expansion through acquisitions, digitization initiatives, and improving financial inclusion in Iraq and Jordan. We initiate with a BUY rating and a TP of 3.90, offering 54% upside.

Banks / JORDAN

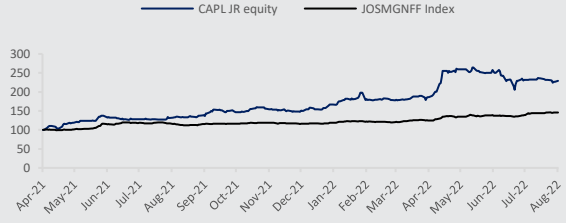
Bloomberg code	CAPL JR
Market index	Amman
Target Price	3.9
Upside (%)	53.5

Market data 8/7/2022

Last closing price	2.5
52 Week range	1.6-3.1
Market cap (JOD m)	508
Market cap (USD m)	716
Average Daily Traded Value (JOD m)	0.00
Average Daily Traded Value (USD m)	0.6
Free float (%)	18%

Year-end (local m)	2020	2021	2022e	2023e
Revenues	110	138	200	251
Pre-provisioning profit	62	65	103	149
EPS	0.13	0.39	0.35	0.37
P/E (x) (mkt price)	19.6	6.4	7.4	6.8
BVPS	1.5	1.8	2.1	2.3
Tangible BVPS	1.4	1.7	2.0	2.2
P/B (x) (mkt price)	1.7	1.4	1.2	1.1
P/TBVPS (x) (mkt price)	1.8	1.5	1.3	1.2
DPS	0.12	0.15	0.15	0.18
Div. yield (%)	4.7	5.9	5.9	7.1
EPPS	(0.04)	0.13	0.08	0.08
RoAA (%)	1.1	2.2	1.6	1.3
RoRWA (%)	1.4	3.3	2.4	2.3
RoATE (%)	9.0	25.5	21.3	17.8
RoEcC (%)	9.4	26.6	19.4	18.4
RAROC (%)	9.4	21.2	8.7	8.0
Net LtD ratio (%)	84.5	76.3	76.0	76.2
Risk Weighted Assets (bn)	1.8	2.4	3.7	4.3
Core Equity T1 ratio (%)	11.9	11.9	12.4	12.1
Tier 1 capital ratio (%)	14.5	13.2	14.3	13.8
Total capital ratio (%)	16.3	14.9	15.3	14.7
NPL ratio (%)	6.6	6.7	7.2	7.0
Coverage ratio (%)	72.8	82.1	92.2	91.0
Number of shares	200	200	263	263

Price Performance



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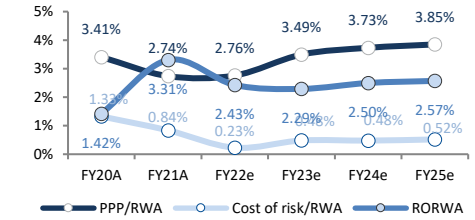
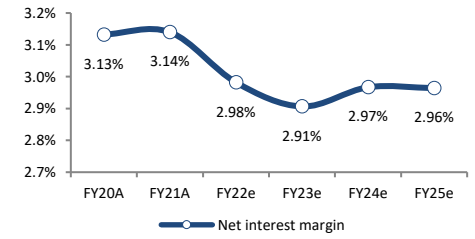
Abacus *Arqaam Capital Fundamental Data*

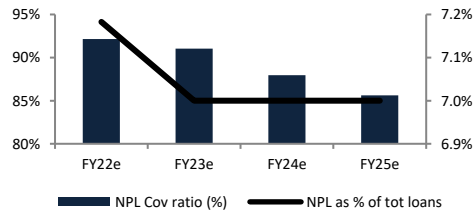
Profitability



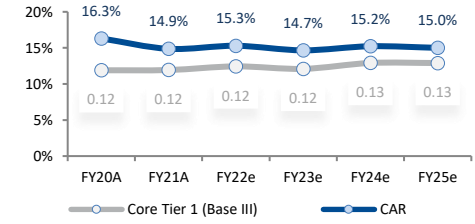
NIM



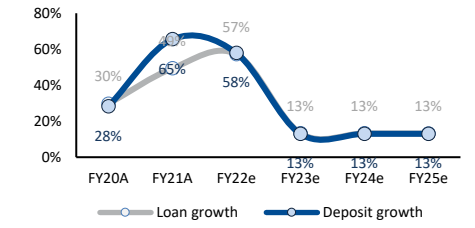
Credit Quality



Capital Ratios



Growth



CAPITAL BANK OF JORDAN

Year-end	2020	2021	2022e	2023e	2024e	2025e
Performance analysis						
Net Interest Margin (%)	3.13	3.14	2.98	2.91	2.97	2.96
Asset yield (%)	5.91	5.56	5.60	5.93	5.95	5.95
Cost of Funds (%)	3.24	2.73	2.91	3.35	3.30	3.30
Risk Adjusted Margins (%)	2.03	2.53	2.82	2.61	2.67	2.64
Cost / Income (%)	43.6	52.5	48.4	40.6	37.0	34.5
Net Interest Income / total income (%)	62.6	74.2	77.8	79.4	80.1	80.3
Fees & Commissions / operating income (%)	22.1	18.1	18.0	15.9	15.4	15.2
Trading gains / operating income (%)	3.6	2.7	(0.4)	0.6	0.6	0.6
RoATE (%)	9.0	25.5	21.3	17.8	19.9	20.8
Pre-prov. RoATE (%)	17.6	29.7	19.0	20.5	22.5	23.7
RoAA (%)	1.1	2.2	1.6	1.3	1.5	1.5
Revenue / RWA (%)	6.04	5.77	5.35	5.89	5.92	5.87
Costs / RWA (%)	2.63	3.03	2.59	2.39	2.19	2.02
PPP / RWA (%)	3.41	2.74	2.76	3.49	3.73	3.85
Cost of Risk / RWA (%)	1.33	0.84	0.23	0.48	0.48	0.52
RoRWA (%)	1.42	3.31	2.43	2.29	2.50	2.57
RoRWA (%) (adj. for gross-up of associates)	1.42	3.31	2.43	2.29	2.50	2.57

Year-end	2020	2021	2022e	2023e	2024e	2025e
Asset Quality						
Provisions charge / avg. gross loans (%)	2.0	1.1	0.3	0.6	0.6	0.6
Past due not impaired / gross loans (%)	3.3	3.1	3.4	4.4	4.2	4.0
NPL / gross loans (%)	6.6	6.7	7.2	7.0	7.0	7.0
NPL coverage ratio (%)	72.8	82.1	92.2	91.0	87.9	85.6
Provisions / avg. gross loans (%)	3.3	3.1	3.4	4.4	4.2	4.0
Provisions charge / operating income (%)	38.9	30.6	10.2	17.6	13.6	14.3

Year-end	2020	2021	2022e	2023e	2024e	2025e
Funding and Liquidity						
Net Loans / Deposits (%)	84.5	76.3	76.0	76.2	76.4	76.5
Cash and interbank / assets (%)	10.9	8.3	4.8	3.7	2.7	1.9
Deposits / liabilities (%)	70.0	70.7	69.2	69.0	68.9	68.8

Year-end	2020	2021	2022e	2023e	2024e	2025e
Capital and leverage ratios						
Core Tier 1 ratio (Basel III) (%)	11.9	11.9	12.4	12.1	12.9	12.9
Tier 1 ratio (%)	14.5	13.2	14.3	13.8	14.4	14.2
Total capital ratio (%)	16.3	14.9	15.3	14.7	15.2	15.0
Tangible equity / assets (%)	12.9	9.1	8.4	8.1	7.9	7.8
RWA / assets (%)	66.4	55.3	54.2	54.7	55.1	55.3

Year-end	2020	2021	2022e	2023e	2024e	2025e
Growth						
Revenues (%)	21.7	24.6	45.5	25.4	14.6	12.6
Cost (%)	(0.2)	50.1	34.0	5.3	4.2	5.0
Pre-Provision Operating Profit Growth (%)	46.5	4.9	58.1	44.2	21.7	17.0
Provisions (%)	505.8	(17.6)	(57.3)	140.3	13.0	23.3
Net Profit (%)	3.4	203.6	15.3	7.5	24.2	16.8
Assets (%)	25.7	56.8	60.0	13.0	13.0	13.0
Loans (%)	29.6	49.3	57.2	13.3	13.3	13.2
Deposits (%)	28.2	65.5	57.9	13.0	13.0	13.0
Risk Weighted Assets (%)	12.1	30.6	56.9	13.9	13.9	13.5

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Abacus *Arqaam Capital Fundamental Data*

Company Profile

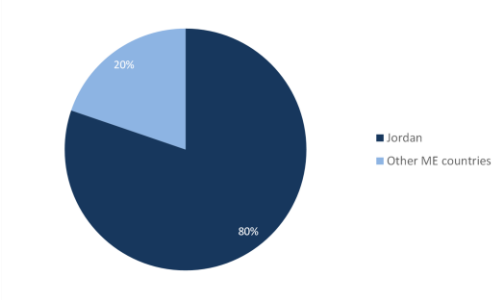
The bank is a public shareholding company registered and incorporated in Jordan on 30 August 1995. The bank provides its banking services through its 23 branches located in Amman – Jordan and its subsidiaries Capital Investment and Brokerage Company in Jordan Ltd (third largest Jordanian bank in assets with a market share of 8.9% and the fastest growing since 2020), National Bank of Iraq in Iraq, Capital Investment Fund Company in Bahrain, and Capital Bank Corporate Advisory (Dubai International Finance Center) Ltd.

CAPL has secured a Ba3 LT counterparty risk rating (foreign and domestic).

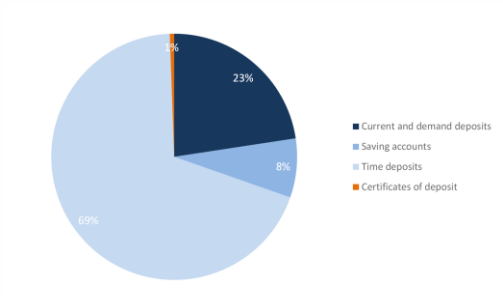
All Board of Directors are non-executive and 6 out of the 13 are independent.

Capital Bank implements a regular Environmental & Social performance assessment through an E&S board-approved policy that is based on IFC standards.

Geographical breakdown (Credit)



Deposit breakdown



Management	
Chairman, Non-Executive	Bassem Al-Salem
Group CEO	Dawod Al Ghoul

Major Shareholders	
Public Invetsment Fund (PIF)	23.97%
Saad Asem Aljanabi	7.42%
Social Security Corp	7.19%
Said Samih Darwazeh	5.36%

CAPITAL BANK OF JORDAN

Year-end	2020	2021	2022e	2023e	2024e	2025e
Income statement (JODmn)						
Interest income	130	181	292	406	461	522
Interest expense	61	79	137	207	231	262
Net Interest Income	**69**	**102**	**156**	**199**	**230**	**260**
Fee income	24	25	36	40	44	49
Net investment income	4	3	(1)	1	1	1
Other operating income	13	7	10	11	12	13
Total operating income	**110**	**138**	**200**	**251**	**287**	**324**
Total operating expenses	48	72	97	102	106	112
Pre-provision operating profit	**62**	**65**	**103**	**149**	**181**	**212**
Net provisions	24	20	9	20	23	29
Other provisions / impairment	-	-	-	-	-	-
Operating profit	**38**	**45**	**94**	**128**	**158**	**183**
Associates	-	-	-	-	-	-
Pre-tax profit	**38**	**45**	**94**	**128**	**158**	**183**
Taxation	8	10	18	19	24	28
Net profit	**30**	**61**	**102**	**109**	**134**	**156**
Minorities	4	(18)	6	7	8	9
ADT1 coupon	-	-	5	5	5	5
Others	-	-	-	-	-	-
Attributable net profit	**26**	**79**	**91**	**98**	**121**	**142**
Diluted EPS	0.13	0.39	0.35	0.37	0.46	0.54
DPS	0.12	0.15	0.15	0.18	0.23	0.26
BVPS	1.54	1.82	2.08	2.27	2.50	2.78
Tangible BVPS	1.43	1.66	1.99	2.20	2.44	2.73

Year-end	2020	2021	2022e	2023e	2024e	2025e
Balance sheet (JODmn)						
Gross loans and advances	**1,393**	**2,187**	**3,499**	**3,954**	**4,468**	**5,049**
Less: loan loss provisions	90	156	175	188	203	221
Net loans and advances	1,415	2,114	3,324	3,766	4,265	4,828
Cash and central bank	296	426	755	853	962	1,086
Due from banks	143	313	500	565	639	722
Investment, net	653	1,183	1,892	2,138	2,416	2,730
Fixed assets, net	39	66	58	64	70	77
Other assets	181	180	345	390	440	498
Total assets	**2,749**	**4,311**	**6,898**	**7,795**	**8,808**	**9,953**
Customer deposits	1,674	2,771	4,374	4,943	5,585	6,311
Due to banks	138	381	925	1,132	1,360	1,615
Debt	358	443	500	500	500	500
Other liabilities	222	325	519	587	663	749
Total liabilities	**2,393**	**3,919**	**6,319**	**7,161**	**8,109**	**9,176**
Total equity	**356**	**392**	**579**	**634**	**699**	**778**
Risk Weighted Assets (bn)	2	2	4	4	5	6
Average Interest-Earning Assets	2,205	3,249	5,221	6,855	7,755	8,771
Average Interest-Bearing Liabilities	1,892	2,883	4,697	6,187	7,010	7,936
Common shareholders	286	333	522	577	642	718
Core Equity Tier 1 (Basel III)	217	285	465	515	627	711
Tier 1 capital	266	314	536	586	697	781

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Geographical expansion at the heart of the business model

- **Business growth has been supported by a stronger foothold domestically and abroad as Capital Bank increased market share through two major acquisitions, i.e., Bank Audi in Jordan and Iraq (Q1 21) and Société Générale – Jordan (end of Q1 22).**
- **Regional presence has been extended to Saudi Arabia through the establishment of an NBI's branch, with further support stemming from the strategic partnership with PIF, currently owning 23.79% of Capital Bank. Presence in UAE has been established through its Capital Investment subsidiary. Geographical expansion is key for Capital Bank to reach its guidance of total asset CAGR of >10% for 2022-2025.**
- **Well diversified business model, with a contribution to revenue stream emanating from the following segments: i) institutional banking, ii) consumer banking, and iii) treasury, investment, and financial institutions.**
- **Digitization initiatives are key to the bank's strategy in improving operating efficiency, i.e., launch of Blink, a digital bank, in the Jordanian market, with Capital Bank aiming to reduce C/I to below the 43% threshold. This is likely to be supported by the cost synergies emanating from the ongoing acquisitions. Capital Bank targets RoE >14%.**

Capital Bank managed to cement its leadership domestically and in the Iraqi market through significant acquisitions, in line with its expansion strategy. Key recent acquisitions and geographical expansions include:

i) **Bank Audi in Jordan and Iraq in March 2021**, raising the number of branches in Jordan to 22, and 19 in Iraq (through National Bank of Iraq – NBI), lifting the bank's loans and deposits market share by 1.2 and 1.7ppt, respectively, in Jordan, and by 1.0 and 0.8ppt in Iraq, and increasing the group's asset base by 23% in FY 21.

ii) **Société Générale Jordan (SGBJ) in March 2022**, with 20 branches operating under its name. The acquisition results in adding JD 1.5bn in assets (23% of total assets as of Q2 22A), expanding the network by 19 branches, and increasing the customer base by 35k.

iii) **The establishment of an NBI's branch in Saudi Arabia** to take advantage of the trade volume between the two countries, through the facilitation of commercial operations while raising the group's capability to meet client needs, especially export companies.

iv) **The presence in DIFC through the group's subsidiary Capital Investments Limited** provides a platform linking its clients in Jordan and Iraq with investment opportunities and projects. The subsidiary is an excellent source of fee income stream through investment services, including asset management, corporate finance, and advisory. Capital Investments (DIFC) aims to expand and increase its product offerings, mainly through the Asset Management segment, having obtained the license in 2021, Capital Select and Wealth teams.

v) **Capital Bank of Jordan announced the launch of digital bank Blink in Q1 22**, the first truly digital bank in Jordan following global best practices, reinforcing the group's digital transformation acquisition strategy targeting the age group 18 to 40, and **focused on unsecured lending.**

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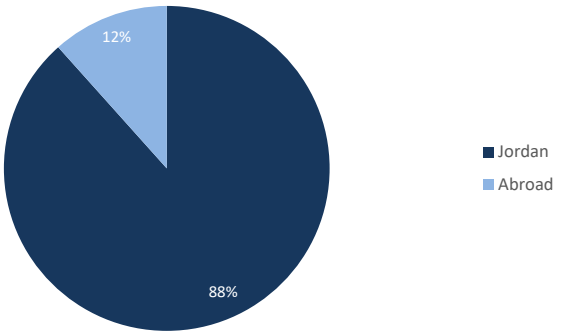
Further expansion lies ahead, with the bank recently strengthening its capital base through the issuance of a USD 100m in perpetual additional tier 1 bonds (7.1% coupon) in Q1, before the Russian-Ukrainian conflict, and the JOD 131m capital injection by PIF in Q2 22, marking a pickup in PIF's investments in Jordan following a slow start in 2017 with the establishment of the Saudi Jordanian Fund. The investment highlights the bank's growth prospects and builds on its proven track record in the Jordanian market. Having PIF as a strategic partner positions CAPL very well for upcoming projects, particularly for ones backed by PIF itself, i.e., i) MoU signing between the Jordan Investment Fund and the Saudi Jordanian Investment Fund (SJIF) to explore the opportunity of investing in the National Railway Network Project, and ii) Agreement signing between SJIF and Jordan to invest $400m in a domestic healthcare facility.

Exhibit 1: Major Subsidiaries

Subsidiary Company	Company Type	Company Activity	Location	Capital Bank ownership
Capital Investments	Limited Ability	Investment & Financial Brokerage	Jordan	100%
National Bank of Iraq	Public Shareholding	Banking	Iraq	61.85%
Capital Investments DIFC	Limited Ability	Consultancy	UAE	100%
Bahrain Investment Fund Company*	Bahraini Shareholding (Closed)	Founding of Investments Funds	Bahrain	100%

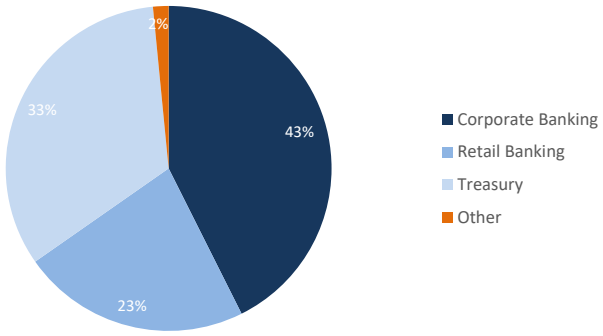
Source: Company Data, Arqaam Capital Research
**Under Liquidation*

Exhibit 2: Revenue breakdown by geography



Source: Company Data, Arqaam Capital Research
**2021 data*

Exhibit 3: Revenue breakdown by segment



Source: Company Data, Arqaam Capital Research
**2021 data*

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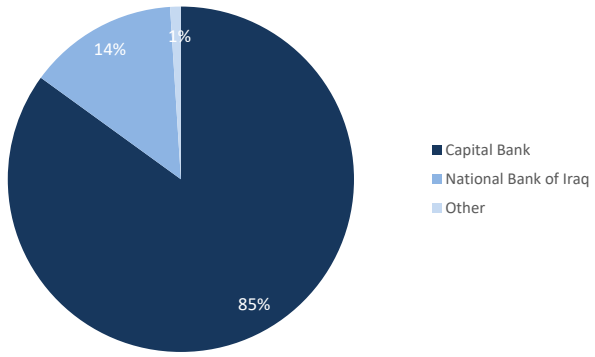
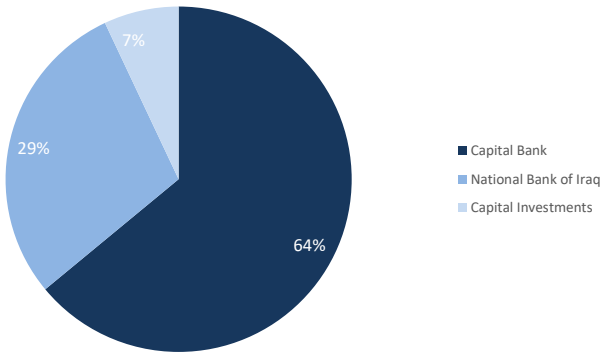
Exhibit 4: Asset contribution



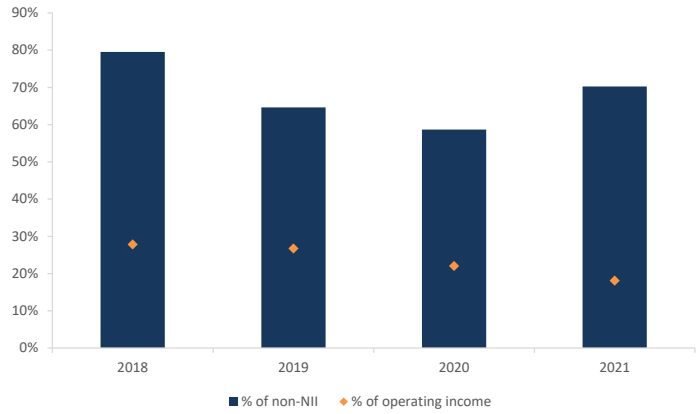
Source: Company Data, Arqaam Capital Research
**Q2 22 data*
** Capital investments: Assets Under Management: c. USD 527m*

Exhibit 5: Net Operating Income contribution



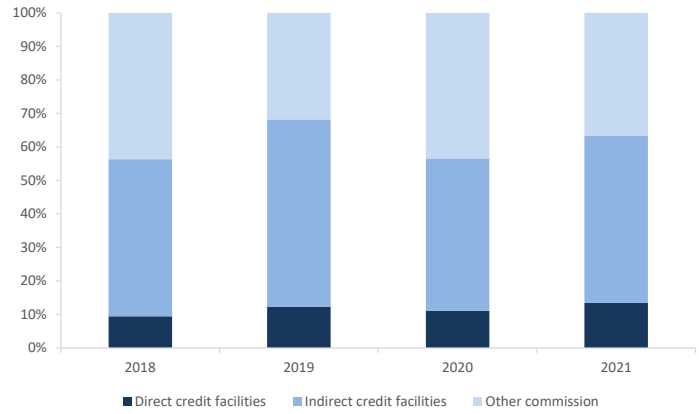
Source: Company Data, Arqaam Capital Research
**2021 data*

Exhibit 6: F&C is a main contributor to the group's non-funded income stream (further growth ahead through Capital Investments Limited – DIFC)



Source: Company Data, Arqaam Capital Research
**2021 data*

Exhibit 7: F&C breakdown – other commission contributes significantly to F&C (stronger contribution ahead through Capital Investments Limited – DIFC)



Source: Company Data, Arqaam Capital Research
**2021 data*

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Business segments

Capital Bank of Jordan's revenue generation stems from the following segments:

Institutional Banking

The institutional banking segment is divided into: Corporate Banking, SMEs, and Commercial Banking.

Under corporate banking, Capital bank focuses on financing sectors funded by the Central Bank of Jordan, such as tourism, agriculture, information technology, renewable energy, and industry.

Capital Bank continues to focus on financing SMEs, which currently make up 10% of the total loan book, being one of the main drivers of the national economy, providing most job opportunities and contributing to economic growth.

Consumer Banking Department

Key achievements in 2021 include:

- Implementation of a new customer-oriented operating model
- Providing advanced investment and banking solutions through three centers
- Introduction of new deposit products and savings accounts packages
- Launch of a virtual credit card, Bills and More, to pay bills and make transfers without commissions through the bank's app
- Activation of the Pepper smart robot service that acts as a personal assistant for customers

Treasury, Investment and Financial Institutions Department

Key activities include:

- Investing in i) sovereign Jordanian debt instruments, and ii) debt instruments issued by domestic and international companies with high solvency and credit worthiness.
- Contributing to local, regional, and international high-growth companies.
- Investing in mutual funds.
- Investing in structured securities within the bank's needs.
- Managing the bank's foreign exchange positions.
- Managing the bank's assets and liabilities in dinars and various foreign currencies.

Exhibit 8: Group medium-term guidance (2022-25)

Metric	Guidance (2022-25)	Management Comments
Total Assets	CAGR > 10%	Total Assets > USD 6.3bn
Cost to Income Ratio	<43%	Improve efficiency and implement further cost saving policies
RoE	>14%	Maintain double digit ROE starting 2021 onwards
Capital Adequacy	>14% (Consolidated)	Strong Capital base, maintained well above minimum requirements
Dividends	DPO of c. 50%	Target a stable payout ratio for shareholders

Source: Company Data

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Strong acquisition track record – two landmark acquisitions

Acquisition of Bank Audi Branches in Jordan and Iraq in Q1 21 – at a 40% discount to BV

During September 2020, the Group signed a letter of intent to acquire the banking business of the Lebanese Bank Audi branches in Jordan and Iraq. At the end of December 2020, the bank signed an agreement to purchase and transfer the business. The bank was bought at a bad will of JOD 28m, which resulted in a one-off P/L gain of almost JOD 25.4m after fees. The acquisition materially improved its market shares in Jordan and Iraq. It paid JOD 41.8, well below the adjusted Net Asset Value of JOD 69.9, leading to a one-off gain of 25.4 after transaction costs of JOD 2.7m. It paid 9.2x/5.2 trailing FY20/19A earnings. A 20% cost reduction would have resulted in JOD 2.5m in annual savings, or 3.5% of the group's OpEx and 1.8ppt impact on the C/I for FY21.

Exhibit 9: Net fair division of assets and liabilities acquired on March 11, 2021

Balance Sheet	Bank Audi Q1 21	% CAPL (2020)
Cash and balances with banks and central banks	119,888	27.3%
Financial assets at fair value through other comprehensive income	2,210	2.5%
Direct credit facilities at amortized cost	234,376	16.6%
Other financial assets at amortized cost	155,198	27.5%
Other Assets	36,794	15.2%
Total Assets	**548,468**	**20.0%**
Customer Deposits	387,880	23.2%
Cash margins	68,115	44.9%
Borrowed funds	6,991	2.0%
Other liabilities	15,622	4.3%
Total Liabilities	**478,608**	**20.0%**
Net fair value of the business acquired at the date of acquisition	69,859	
The purchase price paid for the acquisition	41,781	
Result from the acquisition	**28,078**	

Source: Company Data, Arqaam Capital Research

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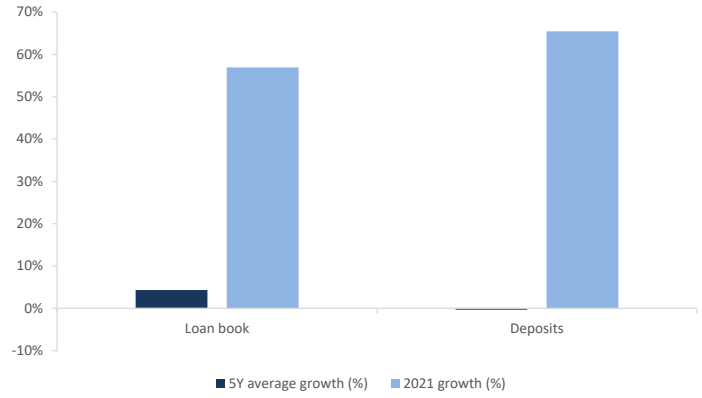
Exhibit 10: Net proceeds from Acquisition of Bank Audi in Jordan and Iraq

Proceeds from Acquisition	JD m
Acquisition related income	**28,078**
Professional fees	1,275
Governmental Fees	69
other fees	1,358
Acquisition related transaction costs	**2,701**
Net result from the acquisition (non-recurring)	**25,377**
% Pre-Tax income	**36%**

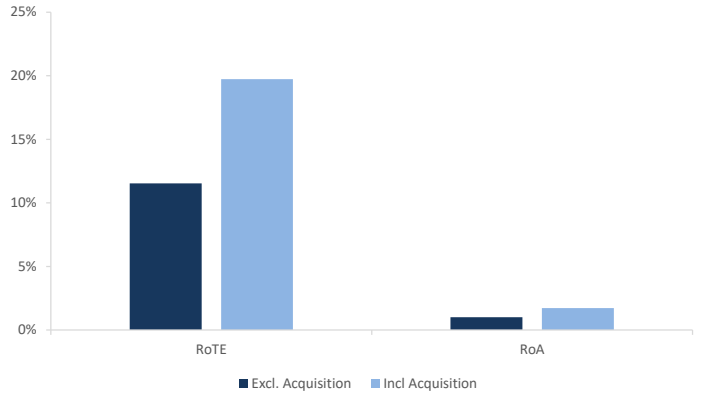
Source: Company Data, Arqaam Capital Research

Exhibit 11: Impact of Bank Audi's acquisition on loan book and deposits' growth



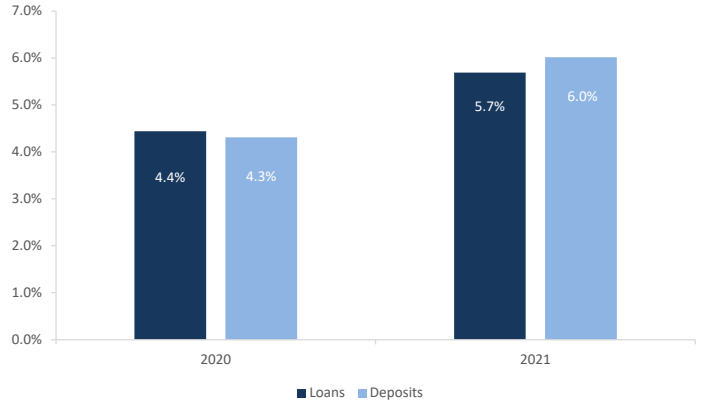
Source: Company Data, Arqaam Capital Research

Exhibit 12: Impact of Bank Audi's acquisition on RoTE and RoA



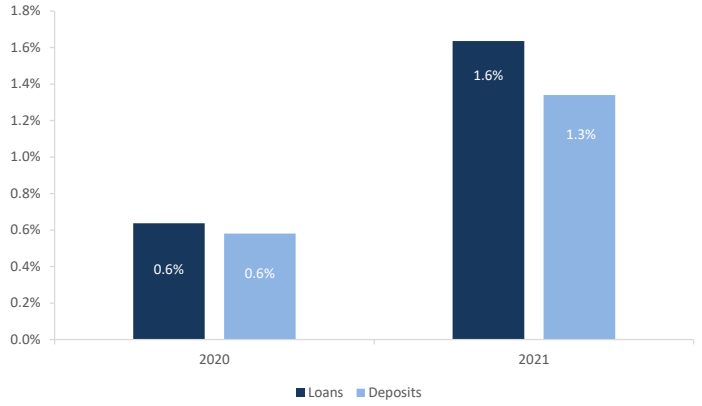
Source: Company Data, Arqaam Capital Research

Exhibit 13: Market shares evolution following Audi's acquisition – Jordan



Source: Company Data, Arqaam Capital Research

Exhibit 14: Market shares evolution following Audi's acquisition – Iraq



Source: Company Data, Arqaam Capital Research

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Acquisition of Société Générale Bank branches in Jordan (end of Q1 22) at a 16% discount to Book Value

In February 2022, the Group signed a Letter of Intent to acquire the banking business of Société Générale Bank branches in Jordan. By the end of Q2 22, the bank acquired almost all shares of Société Générale Bank, which inflated the group balance sheet, while once again, it realized a one-off P/L gain of JOD 26.3m on the bargain purchase. It contributed to recurring revenues and income for the first time in Q2 22. It paid 13.8x trailing FY21A earnings when adjusted for 20% cost synergies.

CAPL expects to reduce the cost base of SGBJ by 20%, while it should bolster the gross income by 12%. In addition, it has identified financial synergies (lowering CoF). The acquisition should also strengthen the blended NIM, as CAPL optimizes SGBJ's CoF.

Exhibit 15: Net fair division of assets and liabilities acquired on March 31, 2022 (JD '000)

	SGBJ Q1 22	% CAPL - 2021
Cash and balances with banks and central banks	435,182	58.9%
Financial assets at fair value through other comprehensive income	4,298	2.2%
Direct credit facilities at amortized cost	679,019	31.0%
Other financial assets at amortized cost	492,588	49.9%
Other Assets	74,882	27.1%
Total Assets	**1,685,969**	**39.1%**
Deposits at banks and financial institutions	20,323	5.3%
Customer Deposits	1,255,916	45.3%
Cash margins	89,166	38.2%
Borrowed funds	131,653	29.7%
Other liabilities	24,273	7.5%
Total Liabilities	**1,521,330**	**38.8%**
Net fair value of the business acquired at the date of acquisition	164,638	
The purchase price paid for the acquisition	138,290	
Result from the acquisition	**26,348**	

Source: Company Data, Arqaam Capital Research

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Rebound in key economies with increased financial inclusion

- **We pencil in 60% growth in 2022 in the loan book mainly following SGBJ acquisition, and increased credit demand in Jordan and Iraq, with GDP growth forecasted to reach 2.1% and 8.8%, respectively, as per the WB, and continued market share gains.**
- **Further boost should stem from the presence in Saudi Arabia and the DIFC.**
- **Meanwhile, loan book expansion in 2022 is boosted by the acquisition of SGBJ, contributing to 24% growth during Q1.**

The bank should be able to capitalize on its expanding footprint following the series of acquisitions (i.e., Audi and SGBJ) that lifted its number of branches from 13 YE 20 to 45 in Jordan and 14 to 19 in Iraq. Finally, the bank should benefit from the improving macro on the back of its corporate-oriented loan book with a current share of c.60% of the total book, of which 10% correspond to SME lending. SME exposure is likely to gradually increase as it remains at the heart of the Jordanian economy, accounting for >95% of local businesses, contributing to >50% of GDP, and employing c. 60% of labor market.

Macro improvement in Jordan with 5 YR CDS remaining 350bps despite mid-single digit current and fiscal account deficits.

The World Bank forecasts a GDP growth of 2.1% (vs. 2.4% by the IMF) for Jordan, with the country managing to mitigate the impact of higher commodities and fuel prices with LT energy deals and a decent stockpile of wheat. The economy has also been supported by a rebound in tourism, remittances, and higher exports of fertilizers. Inflation is expected to settle around 3.8% in FY 22e according to forecasts of the central bank of Jordan, compared to an average inflation of 2.3% and 4.4% in Q1/ Q2 this year, nonetheless contained relative to global peers, minimizing the inflation-driven impact on consumer spending. Foreign currency reserves amounted to USD 16.8 billion as of Q2 22.

However, potential downside risks to Jordanian's economy stem from i) the elevated levels of unemployment at c. 23%, which requires supportive reforms that would spur investments, ii) the impact of tightening monetary policy given the mid-single digit external and fiscal deficits, and iii) increases in Debt/ GDP levels.

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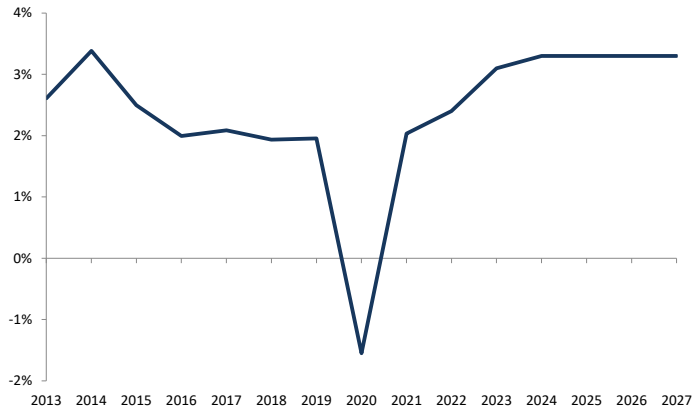
Exhibit 16: Jordan Economic Indicators

	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e
Real GDP Growth	2.0%	2.1%	1.9%	2.0%	-1.6%	2.0%	2.4%	3.1%	3.3%	3.3%	3.3%	3.3%
Nominal GDP Growth	3.4%	3.8%	3.7%	3.7%	-1.8%	3.6%	5.3%	5.7%	5.9%	5.9%	5.9%	5.9%
Inflation	-0.6%	3.6%	4.5%	0.7%	0.4%	1.3%	2.8%	2.5%	2.5%	2.5%	2.5%	2.5%
Unemployment Rate	15.3%	18.3%	18.6%	19.1%	22.7%	24.4%	n/a	n/a	n/a	n/a	n/a	n/a
Population (m)	9.6	9.8	10.0	10.1	10.2	10.3	10.3	10.3	10.3	10.3	10.4	10.4
Government Revenues (LCUbn)	7.0	7.4	7.8	7.7	7.0	8.1	8.8	9.2	9.8	10.3	10.9	11.4
Government Expenditures (LCUbn)	8.0	8.5	9.3	9.6	9.7	10.7	10.9	11.0	11.2	11.0	11.6	12.1
Gross Debt/GDP	77.4%	76.0%	75.1%	78.0%	88.0%	91.8%	91.5%	88.6%	84.2%	79.7%	75.5%	72.6%
CA as % of GDP	-9.7%	-10.6%	-6.9%	-2.1%	-8.1%	-10.1%	-5.9%	-4.6%	-4.2%	-3.8%	-3.0%	-3.1%
FA as % of GDP	-3.7%	-3.6%	-4.7%	-6.0%	-8.6%	-7.9%	-6.5%	-4.9%	-3.7%	-1.8%	-1.6%	-1.5%

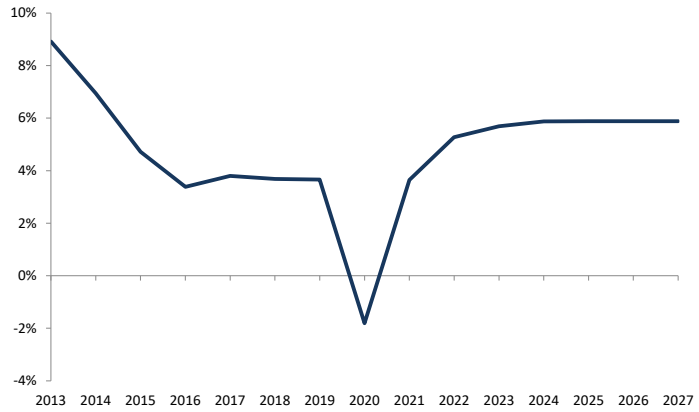
Source: IMF, Arqaam Capital Research

Exhibit 17: Real GDP Growth



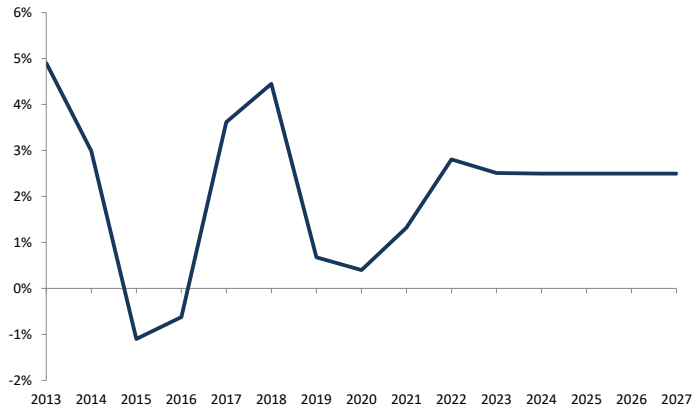
Source: IMF, Arqaam Capital Research

Exhibit 18: Nominal GDP Growth



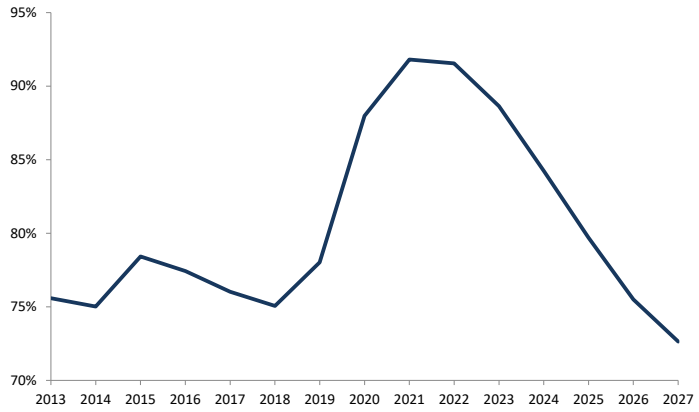
Source: IMF, Arqaam Capital Research

Exhibit 19: Inflation



Source: IMF, Arqaam Capital Research

Exhibit 20: Gross Debt/GDP



Source: IMF, Arqaam Capital Research

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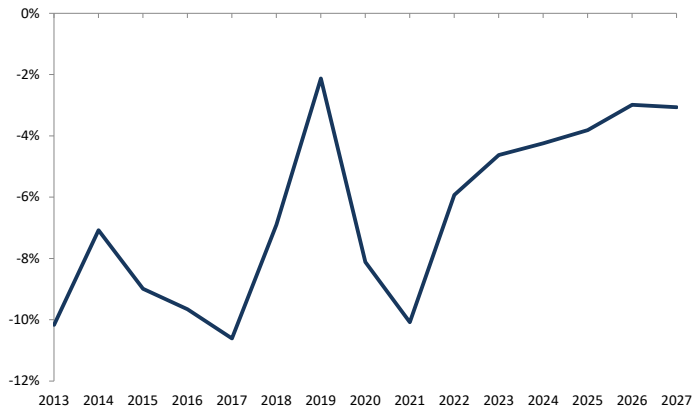
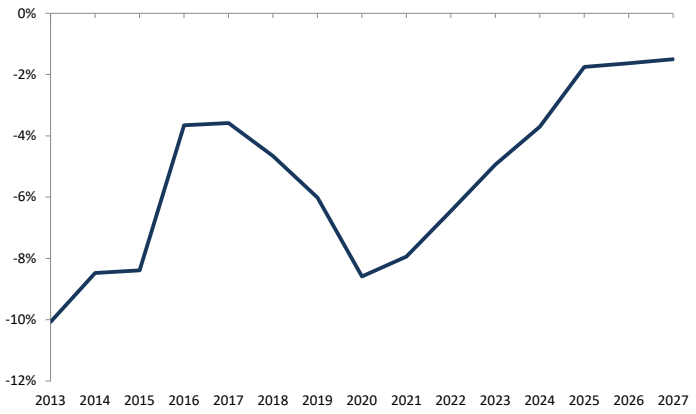
Exhibit 21: CA as % of GDP



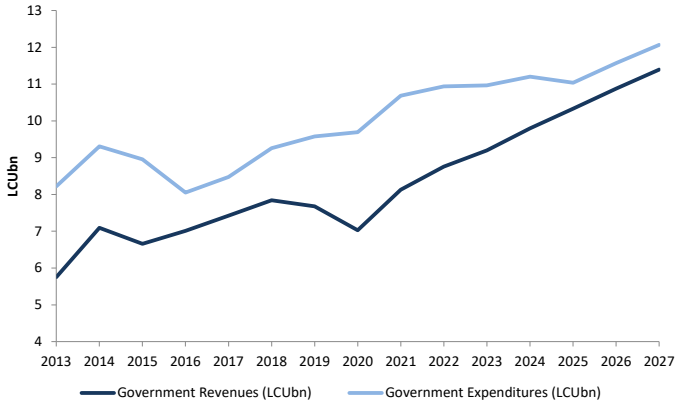
Source: IMF, Arqaam Capital Research

Exhibit 22: FA as % of GDP



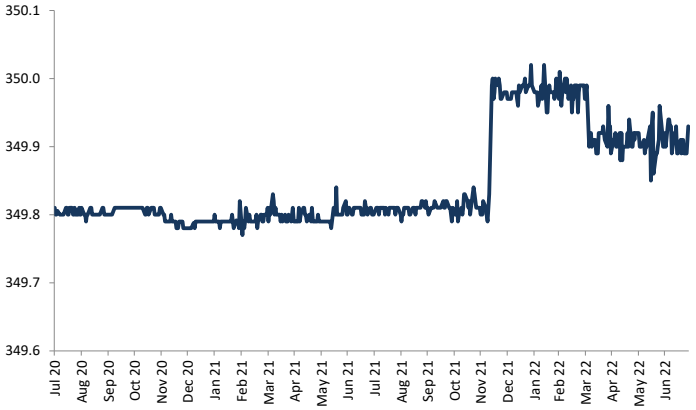
Source: IMF, Arqaam Capital Research

Exhibit 23: Government Revenues vs. Expenditures



Source: IMF, Arqaam Capital Research

Exhibit 24: 5Y CDS



Source: Thomson Reuters Datastream, Arqaam Capital Research

Significant twin surpluses in Iraq

Iraq accounts for c. 20% of the group's total lending book. The World Bank pencils in a GDP growth of 8.8% on the back of rising oil prices, potentially leading to improvement in the non-oil GDP thanks to higher investments financed through the oil windfall, i.e., significant reconstruction and infrastructure projects, particularly in the healthcare, FMCG and education sectors. Furthermore, Iraq's favorable demography, with over 50% of the population falling in the working population, offers room for stronger credit demand and spending in the MT/LT. Credit demand is currently untapped given the low banking penetration across individuals and business with only around 25% of adults having bank accounts vs. 50% in Jordan.

Iraq's spike in poverty due to the COVID-19 pandemic put a heavy toll on its inflation number, which is expected to be reflected in 2022 in the wake of the exchange rate devaluation and proposed reduction in the public wage bill and pensions.

Foreign currency reserves amounted to USD 66.2 million as of March 2022, up from USD 62.9 million in 2021. The Iraqi banking sector is mostly controlled by state banks Rasheed Bank, Rafidain Bank and Trade Bank of Iraq.

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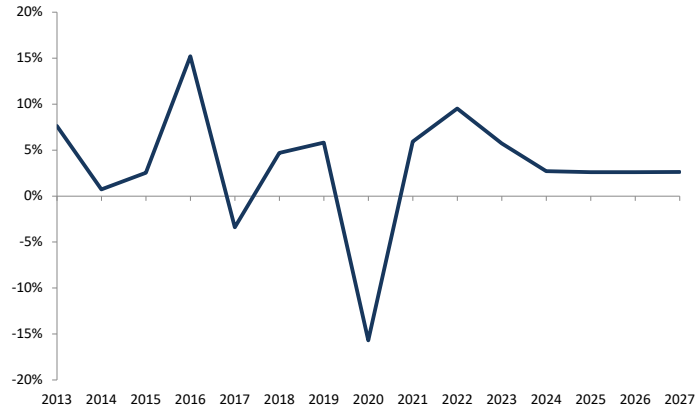
As for Iraq's economy, risk stem from i) the delay in government formation and ratification of 2022 budget, which could limit the optimal usage of the oil-driven fiscal windfall, ii) intensifying geopolitical tensions, and iii) potential impact on Russian oil companies in Iraq by imposed sanctions.

Exhibit 25: Iraq Economic Indicators

	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e
Real GDP Growth	15.2%	-3.4%	4.7%	5.8%	-15.7%	5.9%	9.5%	5.7%	2.7%	2.6%	2.6%	2.6%
Nominal GDP Growth	-4.4%	14.9%	18.0%	3.1%	-27.0%	50.5%	41.9%	0.7%	0.8%	1.8%	3.0%	4.1%
Inflation	0.5%	0.2%	0.4%	-0.2%	0.6%	6.0%	6.9%	4.7%	3.1%	2.2%	2.2%	2.0%
Population (m)	36.2	37.1	38.1	39.1	40.1	41.2	42.2	43.3	44.5	45.6	46.8	48.0
Gov Revenues (LCUbn)	55,498	76,318	105,599	99,269	63,166	125,178	217,005	201,757	188,416	181,034	176,234	176,187
Gov Expend (LCUbn)	84,218	79,734	84,689	96,936	89,025	119,419	165,908	165,362	162,757	163,096	167,983	173,436
Gross Debt/GDP	67.0%	59.1%	47.8%	45.1%	84.2%	59.4%	35.0%	31.2%	29.1%	27.1%	24.8%	22.6%
CA as % of GDP	-7.5%	-4.7%	4.3%	0.5%	-10.8%	5.9%	15.8%	10.1%	6.5%	3.8%	2.4%	1.7%
FA as % of GDP	-14.5%	-1.5%	7.8%	0.8%	-12.8%	1.9%	11.9%	8.4%	5.9%	4.0%	1.8%	0.6%

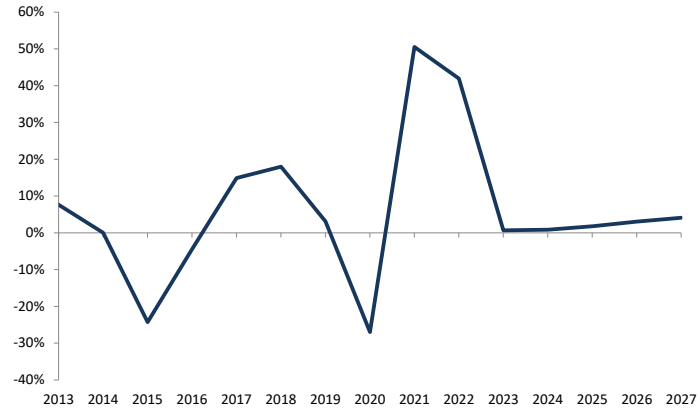
Source: IMF, Arqaam Capital Research

Exhibit 26: Real GDP Growth



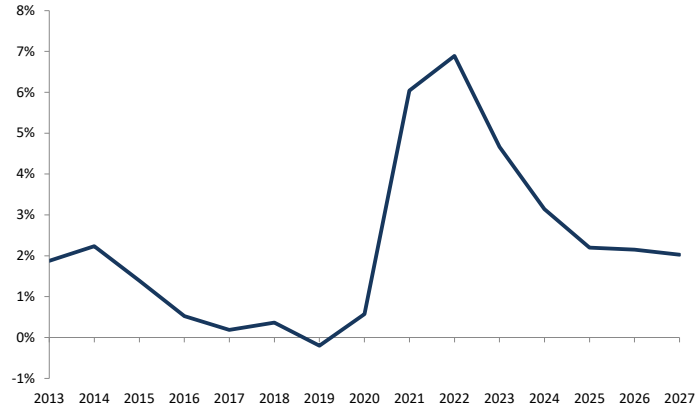
Source: IMF, Arqaam Capital Research

Exhibit 27: Nominal GDP Growth



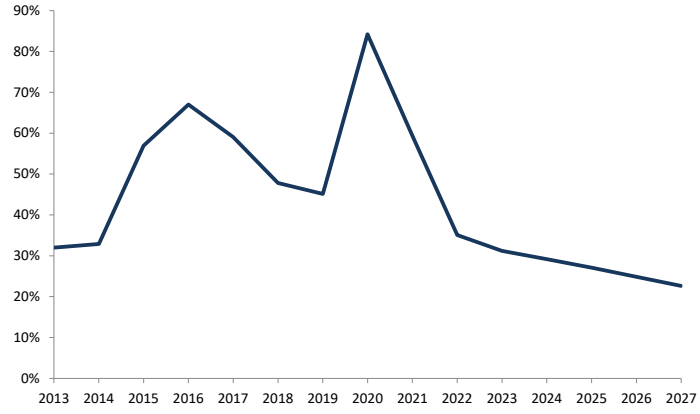
Source: IMF, Arqaam Capital Research

Exhibit 28: Inflation



Source: IMF, Arqaam Capital Research

Exhibit 29: Gross Debt/GDP



Source: IMF, Arqaam Capital Research

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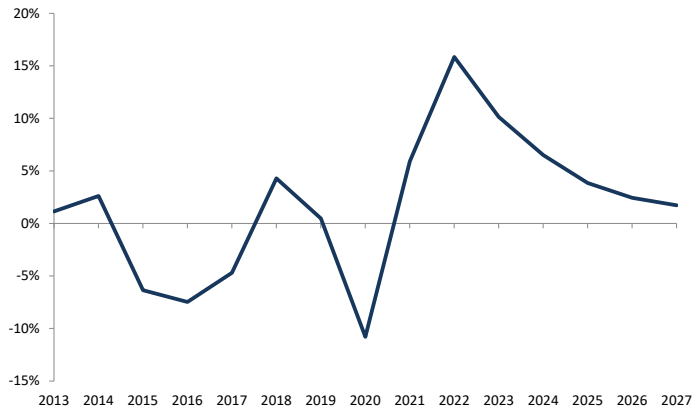
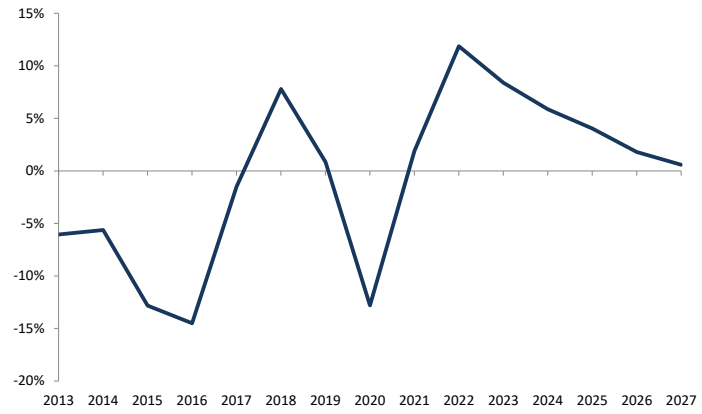
Exhibit 30: CA as % of GDP



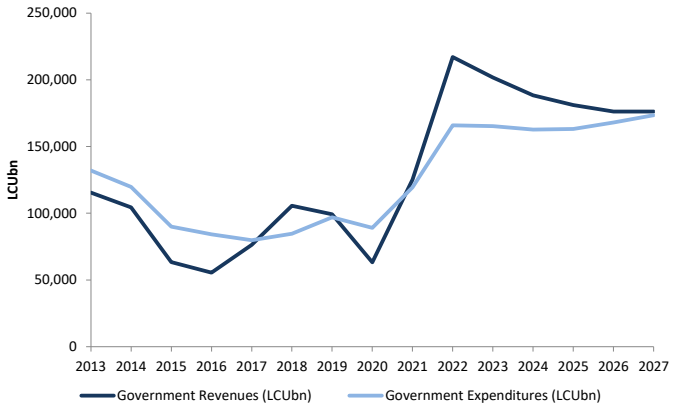
Source: IMF, Arqaam Capital Research

Exhibit 31: FA as % of GDP



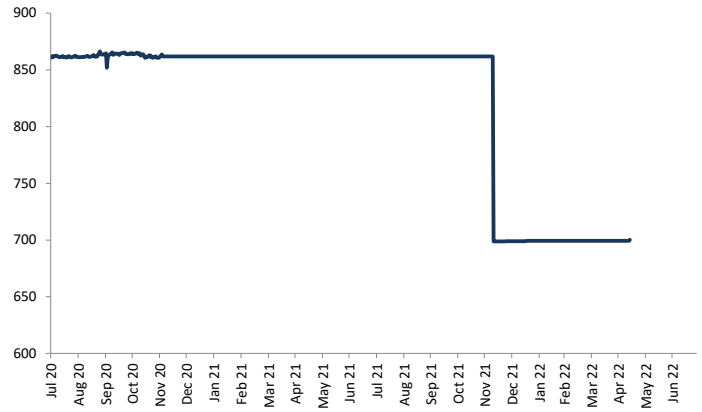
Source: IMF, Arqaam Capital Research

Exhibit 32: Government Revenues vs. Expenditures



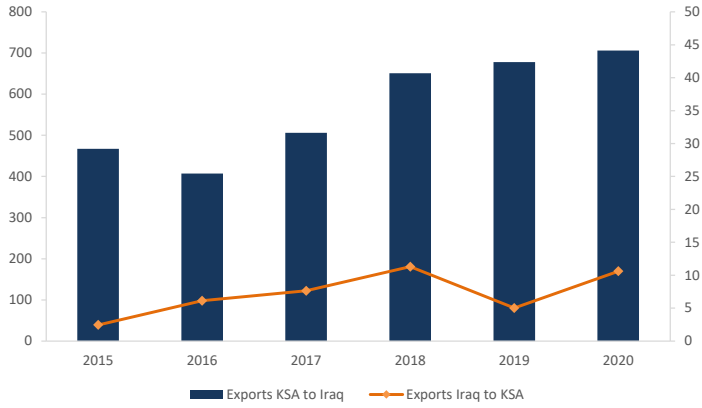
Source: IMF, Arqaam Capital Research

Exhibit 33: 5Y CDS



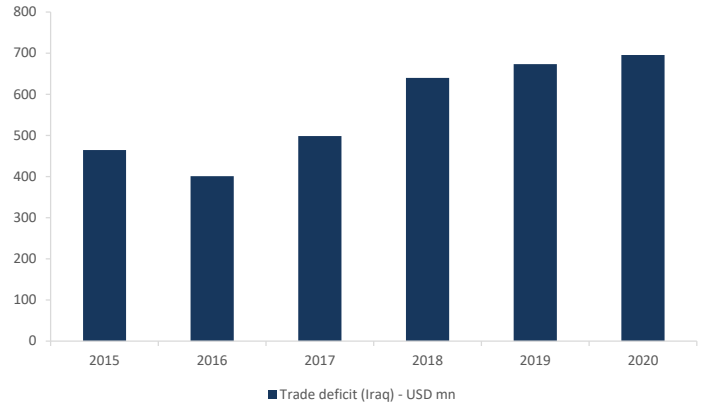
Source: Thomson Reuters Datastream, Arqaam Capital Research

Exhibit 34: Trade between Saudi and Iraq (USD m)



Source: OEC, Arqaam Capital Research

Exhibit 35: Trade deficit evolution of Iraq with Saudi Arabia



Source: OEC, Arqaam Capital Research

Finally, the establishment of NBI's first branch in Saudi Arabia opens the door for significant trade finance deals in the MT/LT given the ongoing improvement of Saudi's macro benefitting from the higher oil prices as well, and the evolving healthy relations between Saudi and Iraq (room to improve trade deficit). Upside risk to GDP growth in Jordan and Iraq should stem from the Ukrainian-Russian deal allowing grain export, which is crucial to containing inflation.

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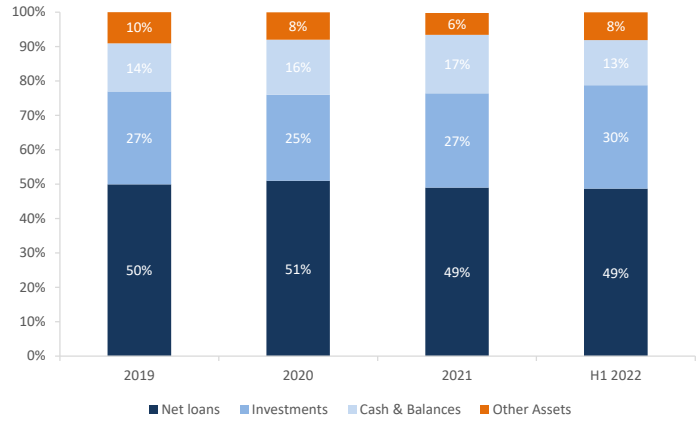
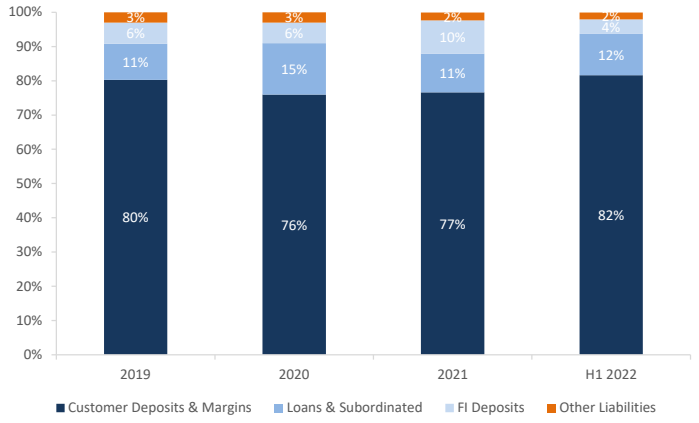
Balance sheet profile of the two banks

Exhibit 36: Capital Bank of Jordan – Asset Composition



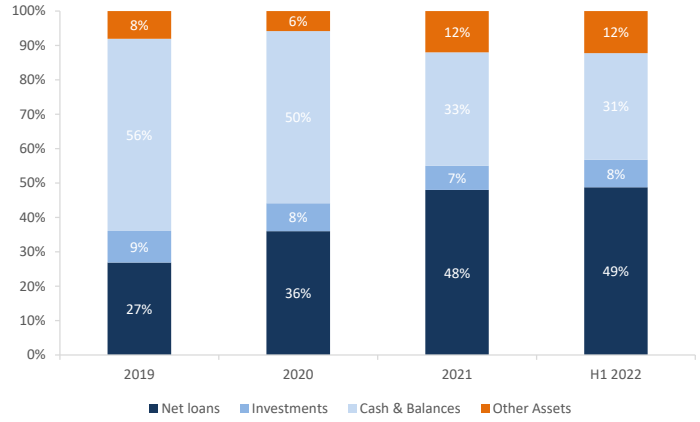
Source: Company Data, Arqaam Capital Research

Exhibit 37: Capital Bank of Jordan – Liabilities Composition



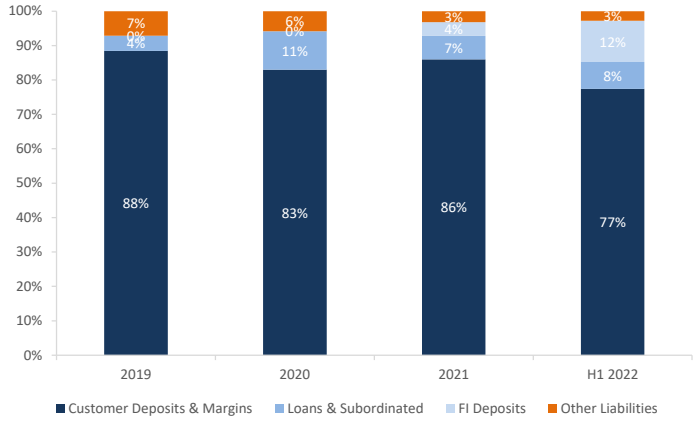
Source: Company Data, Arqaam Capital Research

Exhibit 38: National Bank of Iraq – Asset Composition



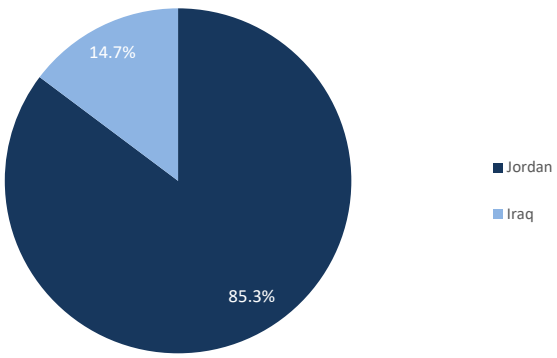
Source: Company Data, Arqaam Capital Research

Exhibit 39: National Bank of Iraq – Liabilities Composition



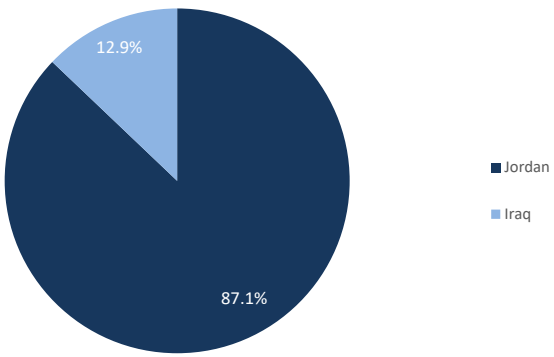
Source: Company Data, Arqaam Capital Research

Exhibit 40: Loan book – geographic concentration



Source: Company Data, Arqaam Capital Research

Exhibit 41: Deposits - geographic concentration



Source: Company Data, Arqaam Capital Research

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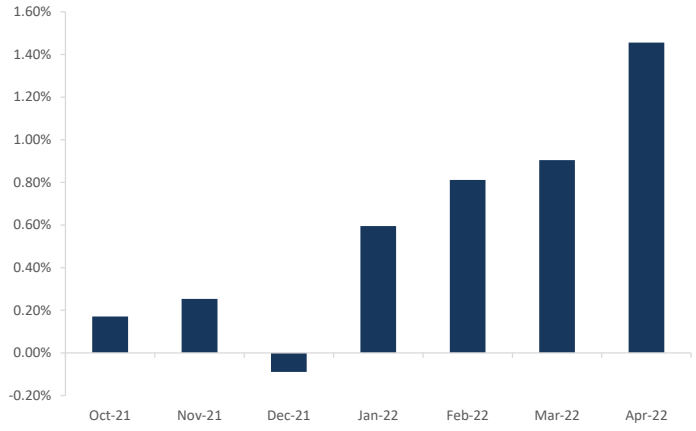
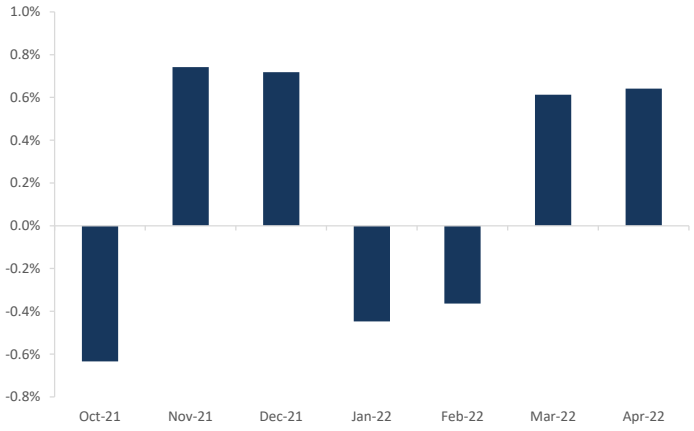
Exhibit 42: System m/m loan growth in Jordan – Improvement in credit extension in 2022



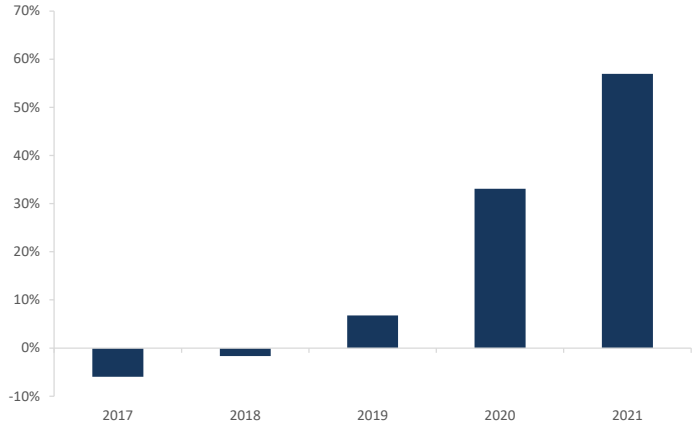
Source: Company Data, Arqaam Capital Research

Exhibit 43: System m/m loan growth in Iraq



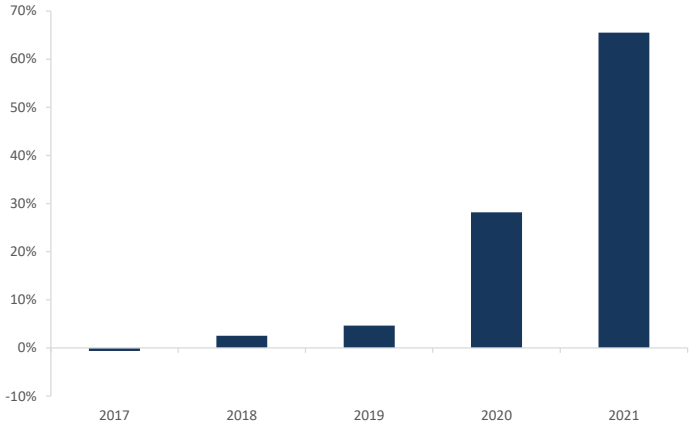
Source: Company Data, Arqaam Capital Research

Exhibit 44: Capital bank of Jordan's loan growth evolution – SGBJ to support growth in 2022



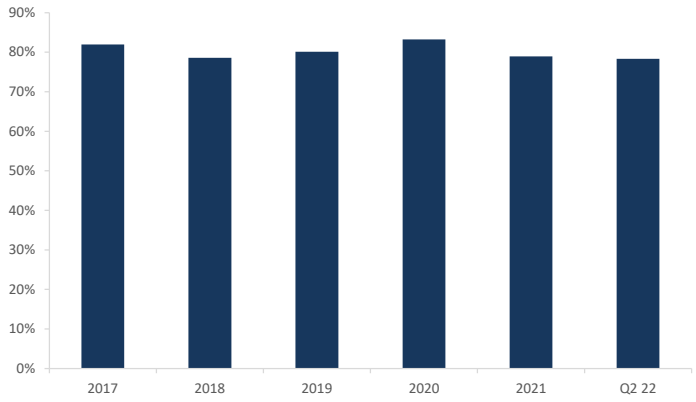
Source: Company Data, Arqaam Capital Research

Exhibit 45: Capital bank of Jordan's deposit growth evolution - boosted by Audi's acquisition



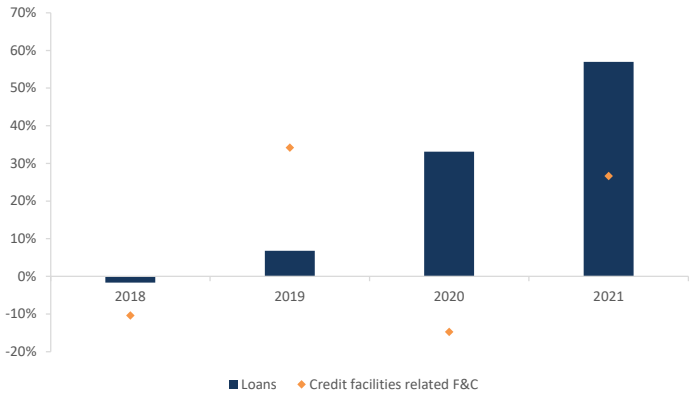
Source: Company Data, Arqaam Capital Research

Exhibit 46: LtD evolution – we expect expansion on decent credit growth



Source: Company Data, Arqaam Capital Research

Exhibit 47: Credit related F&C growth vs. Loan growth – F&C expected to improve in-line with credit



Source: Company Data, Arqaam Capital Research

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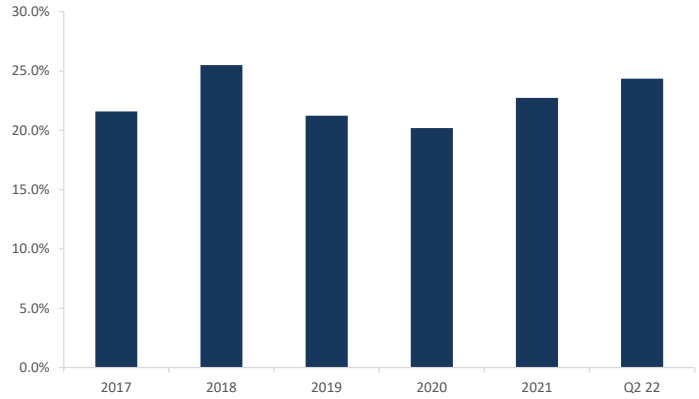
Exhibit 48: Sovereign exposure evolution averaging c. 23% over the years



Source: Company Data, Arqaam Capital Research

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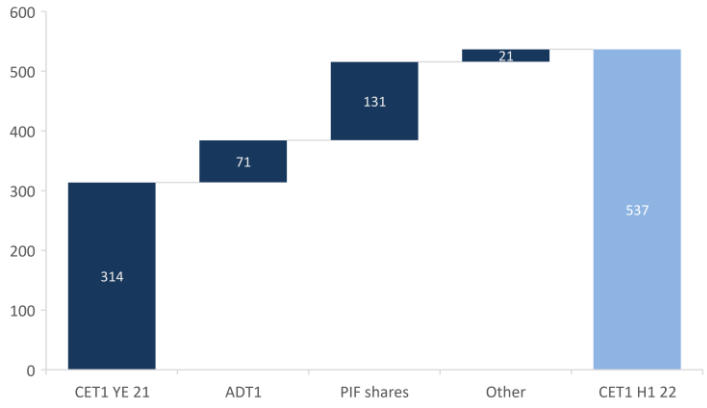
Capital injection by PIF and ADT1 welcome, absorbing RWAs growth from acquisitions and supporting CAPL's expansion strategy and digital transformation plans

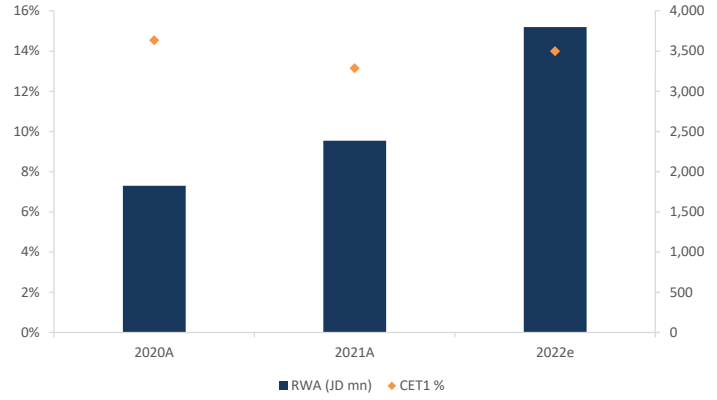
- Capital ratios have been supported by the JOD 131m capital injection by PIF (at JOD 2.08/share or 11% premium to BVps) during Q2 (3.7% of RWAs) and the ADT1 capital notes of USD 100m in Q1 (2.0% of RWAs).
- This has increased CAR to 15.8%, Tier-1 to 14.8% and CET1 to 14.3% from 14.9% and 13.2% YE 21A. The capital increase absorbs the increase in RWAs from USD 3.2bn to 5.1bn YtD, primarily due to acquisition effects.
- Liquidity is strong, with LtD and LCR ratios of 75% and 168%, respectively, with the investment book of USD 2.5bn invested in liquid assets (15% of assets) and government securities (30% of assets) with loans at only 48% of total assets.

Exhibit 49: CET1 Capital evolution (JD mn)



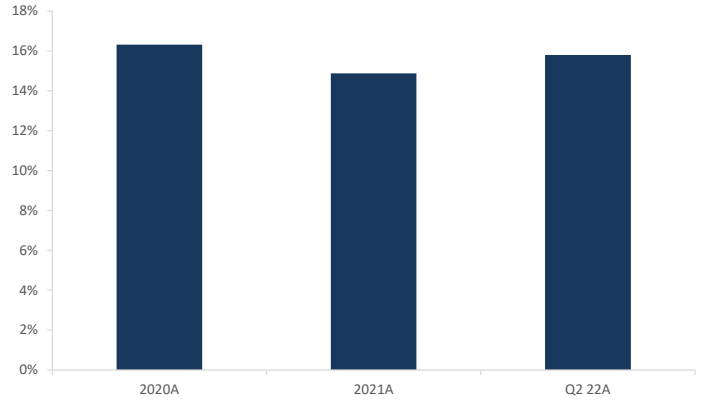
Source: Company Data, Arqaam Capital Research

Exhibit 50: CET1 Capital vs. RWAs evolution



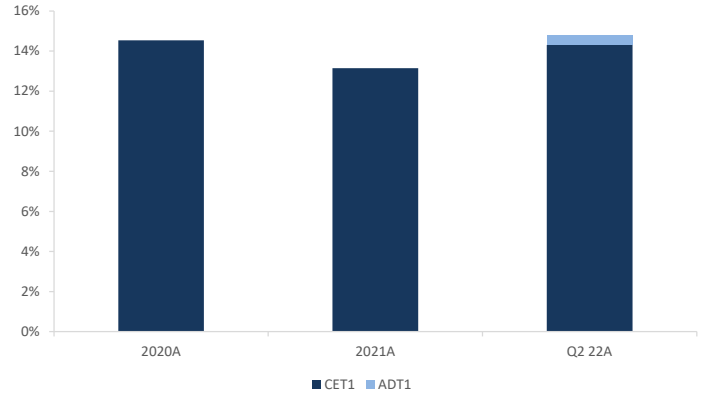
Source: Company Data, Arqaam Capital Research

Exhibit 51: CAR evolution



Source: Company Data, Arqaam Capital Research

Exhibit 52: CET1 and ADT1 evolution



Source: Company Data, Arqaam Capital Research

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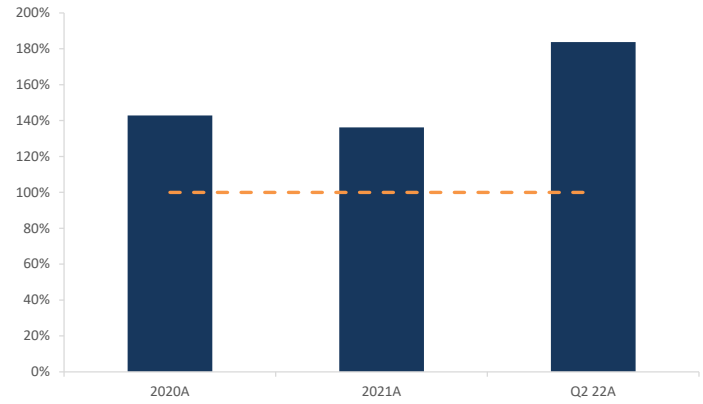
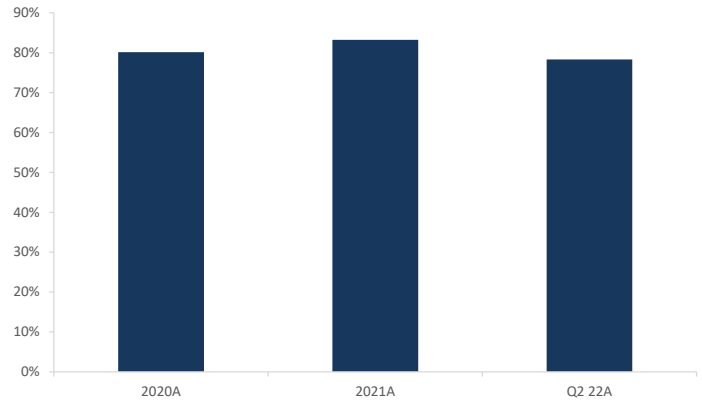
Liquidity is healthy with LtD and LCR ratios currently standing at 75% and 168%, respectively.

Exhibit 53: LCR evolution



Source: Company Data, Arqaam Capital Research

Exhibit 54: LtD evolution (gross)



Source: Company Data, Arqaam Capital Research

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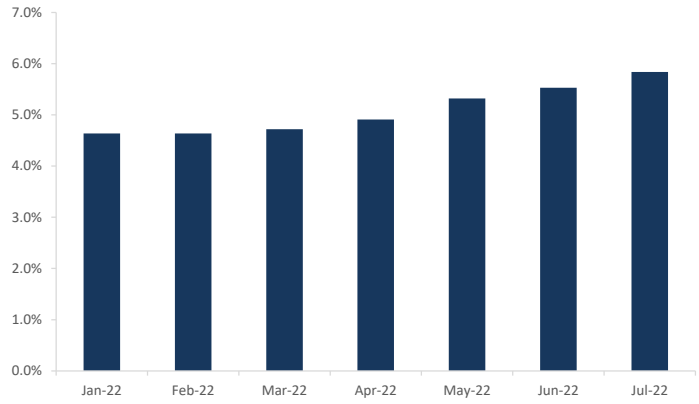
NIM expansion to start in H2 on higher rates following a contraction in H1 on faster re-pricing of liabilities

- **The central bank of Jordan increased interest rates this year following the global monetary tightening, raising it by 25bps on 20 March 2022, 50bps on 8 May 2022, and 75bps on 31 July, hence offering support for banks' NIMs in the medium term.**
- **We expect NIM improvement in H2, following the contraction in H1 as liabilities repriced faster than the asset base, on the back of a corporate lending share of 60% of total book (including SMEs).**
- **CAPL also sees potential improvement in cost of funds (particularly of SGBL) with a wide room for increasing the bank's CA share, currently limited to 23% of the total book (vs. sector average of 26%).**

Delayed re-pricing on negative 12M ALM gap. As of YE 21, the bank's reported a 12m ALM gap of -27% of total assets with 36% of assets re-pricing in 12m compared to 64% of liabilities, weighing as a result on H1 NIMs. Going forward, higher assets yields should be driven by the re-pricing of 39% of total loans in 12 months, with corporate lending making up for 60% of total book (of which 50% for large corporations and 10% for SMEs), while CoF should benefit from the optimization of SGBJ's product offerings.

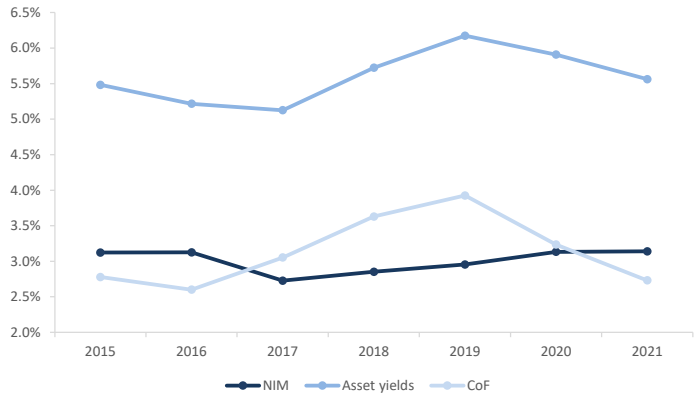
Furthermore, the bank has room to improve its NIM by optimizing its funding mix with CA deposits that are limited to 23% of total book, slightly below peer's average.

Exhibit 55: Higher interbank rates in-line following CB's cumulative rate hikes of 75bps in H1 22A



Source: Company Data, Arqaam Capital Research

Exhibit 56: NIM evolution – higher asset yields expected as rate hikes filter through, with room to optimize CoF



Source: Company Data, Arqaam Capital Research

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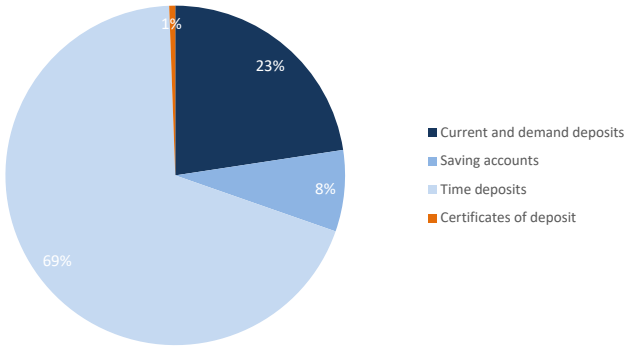
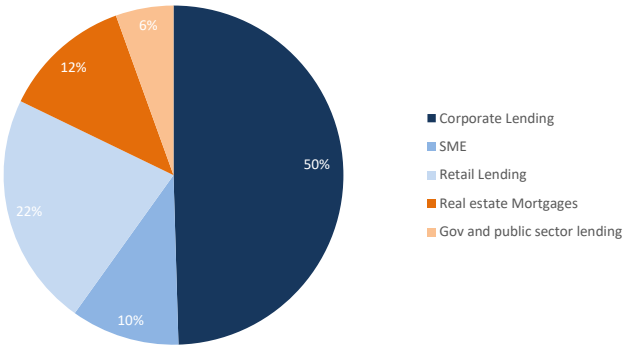
Exhibit 57: Deposit mix structure – room for optimization through higher CA



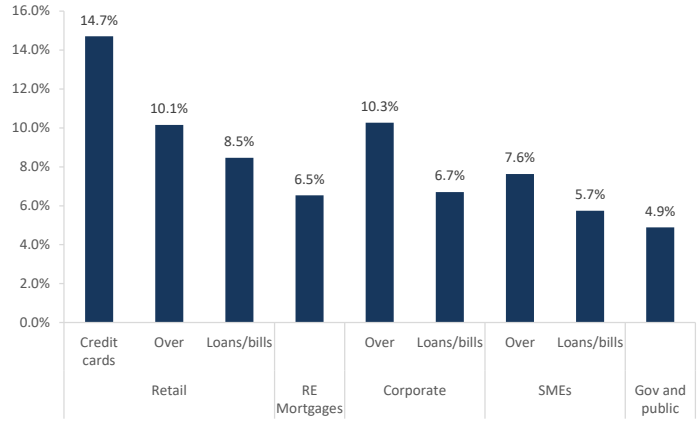
Source: Company Data, Arqaam Capital Research

Exhibit 58: Loan book structure – corporate share positive for NIM



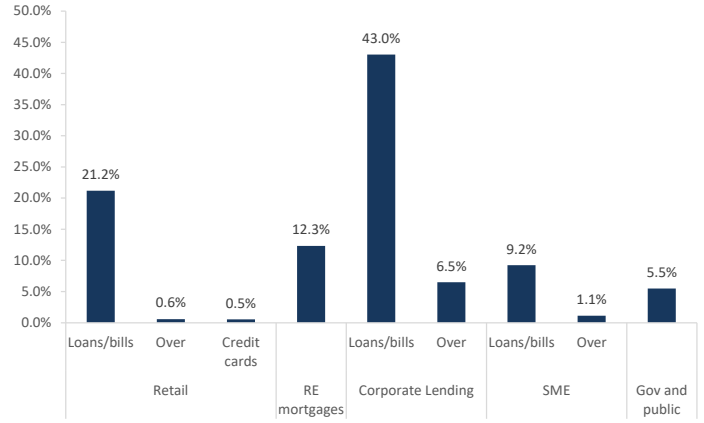
Source: Company Data, Arqaam Capital Research

Exhibit 59: Average yields per credit facility – pre-hikes levels based on YE 21 data



Source: Company Data, Arqaam Capital Research

Exhibit 60: Credit facilities breakdown (% of total book)



Source: Company Data, Arqaam Capital Research

Exhibit 61: Potential pressure on CoF from re-financing debt securities

Borrowings	% of Borrowings	% of liabilities	Interest rate	Re-financed rate
From CB	57%	6%	0.00 – 3.00%	1.00 – 5.00%
From local banks and FI	19%	2%	4.30% - 7.00%	4.00 - 11.32%
From foreign banks and FI	25%	2%	1.45% - 2.28%	3.75% - 5.80%

Source: Company Data, Arqaam Capital Research

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Higher operating efficiency ahead on the back of digitization and acquisition-related cost synergies

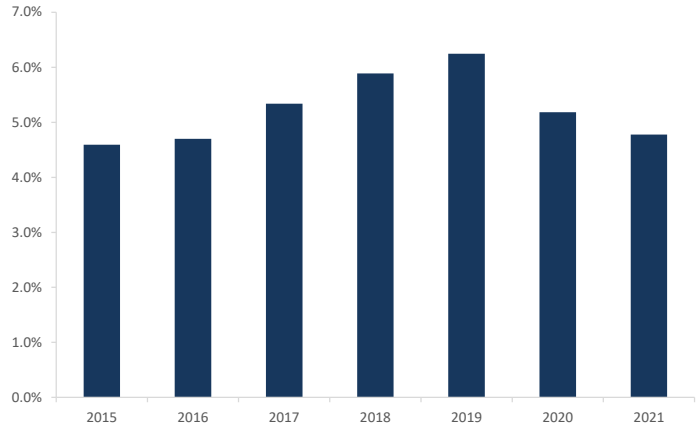
- **Capital Bank continues to focus on improving operating efficiency through digitization initiatives, recently launching the first digital bank in Jordan, Blink, while benefitting as well from the acquisition's cost synergies.**
- **We expect a further drop in overall operating cost (OpEx/TA + CoF) on digitization materializes, having declined from 2019 peak of 6.2% to 4.8% in 2021.**
- **CAPL has identified 20% cost savings on the cost base of SGBJ, which results in JOD 4m in savings, and would reduce the group's C/I by 3ppt.**
- **Digitization is critical for credit growth as it targets young audience with age ranging from 18-40 years, hence enhancing revenue stream, and gradually reducing C/I ratio, to meet the bank's target of <43%. We expect it to undershoot its target in FY23e based on OpEx growth of 5% and over 10% asset growth.**

Digitization initiatives are at the core of the bank's strategy to improve efficiency. CAPL continues to focus on digitization initiatives and the implementation of AI-enabled data management platforms to improve the bank's overall operating efficiency. The bank launched in February 2022 a digital bank, Blink, in the Jordanian market, catering to a younger audience, SMEs and home-based project owners, particularly women-owned businesses, and focusing on an ecosystem banking with unsecured lending. The bank plans to introduce Blink in the Iraqi banking market in H2 2022, which should help in absorb the credit demand from the predominantly young population.

Implemented digital initiatives:

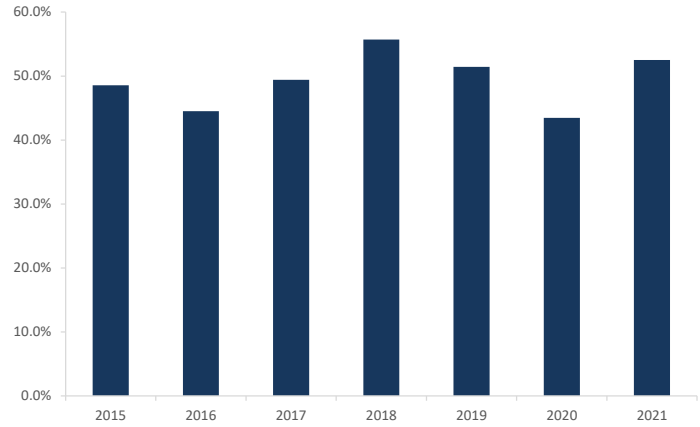
- Partnership with Liwwa, a Jordanian fintech company for SME lending, FX and commodity trading in Jordan and Iraq
- Collaboration with Zain and Asia Cell in Iraq for e-wallets and POS cash transactions
- Partnership with Codebase Technologies to launch Neo-Bank, a digital bank servicing individuals and SMEs.

Exhibit 62: OpEx/ TA evolution – improvement to continue thanks to digitization



Source: Company Data, Arqaam Capital Research

Exhibit 63: C/I expected to drop once investment expenses subsidies and income picks up as digital banking targets the largely unbanked young generation



Source: Company Data, Arqaam Capital Research

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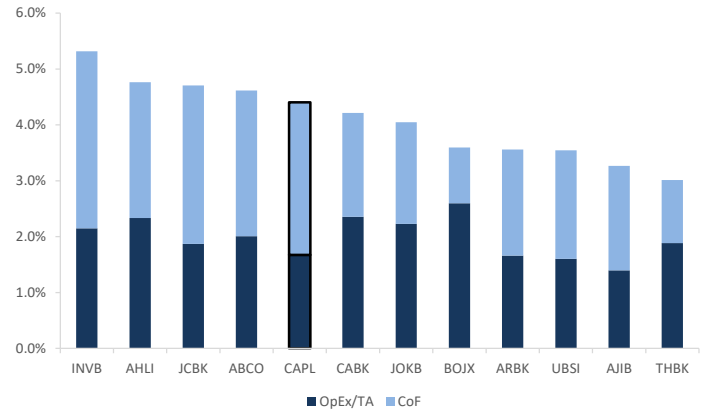
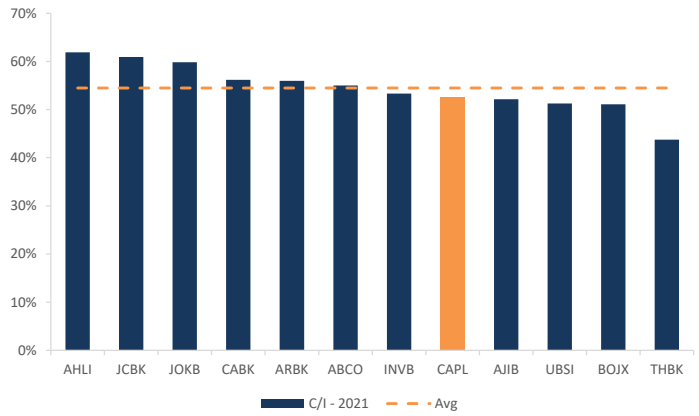
Exhibit 64: OpEx/ TA + CoF vs. peers



Source: Company Data, Arqaam Capital Research

Exhibit 65: C/I vs. peers – CAPL is more efficient than peers



Source: Company Data, Arqaam Capital Research

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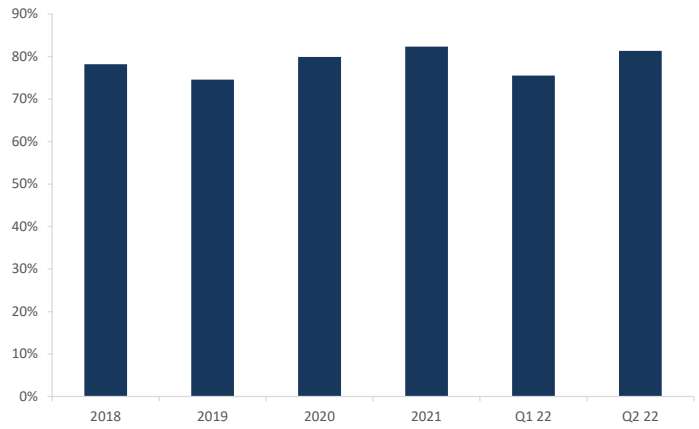
Asset quality to improve against a backdrop of a stable, healthier macro

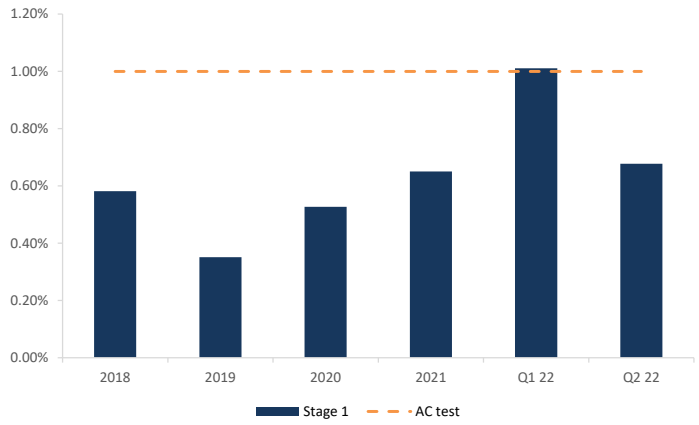
- Capital Bank credit exposure is well diversified across a wide range of economic sectors, with the highest concentration in retail, commercial, and RE and construction (22%, 19% and 18%, respectively).
- Asset quality has improved in Q2, with stage 1 loans' share improving to 81.4% from 75.5% in Q1 (82.4% YE 21) with coverage of 0.7%, in-line with YE 21. Stage 2 fell to 9.9% from 15.4% in Q1 and stage 3 to 8.8% from 9.1% in Q1 22A. Stage 2 and 3 loans coverage stand at 6.3% and 49.2% compared to 5.4% and 50.7% in Q1 (4.0% and 55.1% YE 21A). We still calculate a provision deficit of 1.8% of total loans, slightly higher than YE's deficit of 1.4%, vs. our acid test (stage 1: 1%, stage 2: 12%, stage 3: 60%).
- The commercial and real estate sectors are the top contributors to stage 2 and 3 financial instruments: i) 33% as stage 2 commercial and 24% as stage 2 real estate, and ii) 32% as stage 3 real estate and 23% as stage 3 commercial.
- A healthy level of collateralization, reaching c. 50% of total credit exposure.

Exhibit 66: Stage 1 loans evolution



Source: Company Data, Arqaam Capital Research

Exhibit 67: Stage 1 coverage evolution



Source: Company Data, Arqaam Capital Research

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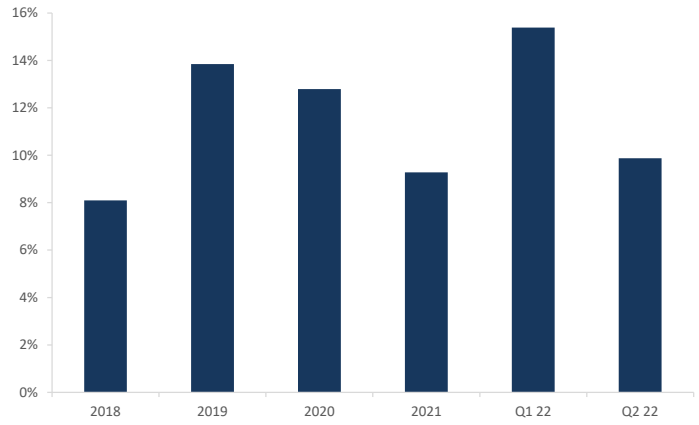
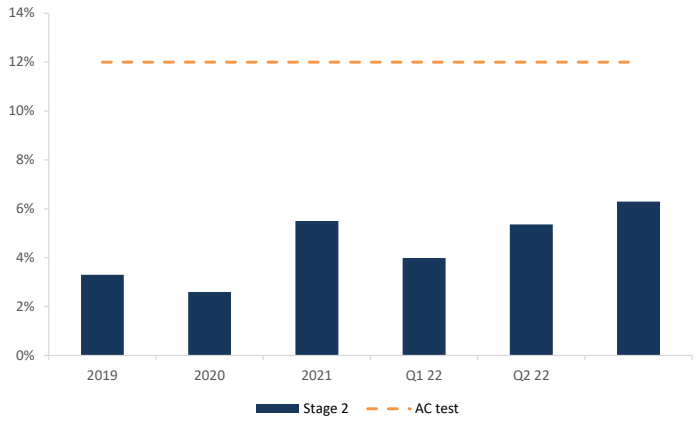
Exhibit 68: Stage 2 loans evolution



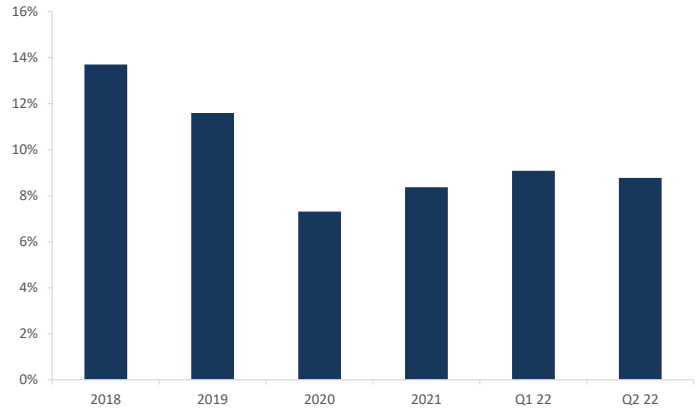
Source: Company Data, Arqaam Capital Research

Exhibit 69: Stage 2 coverage evolution



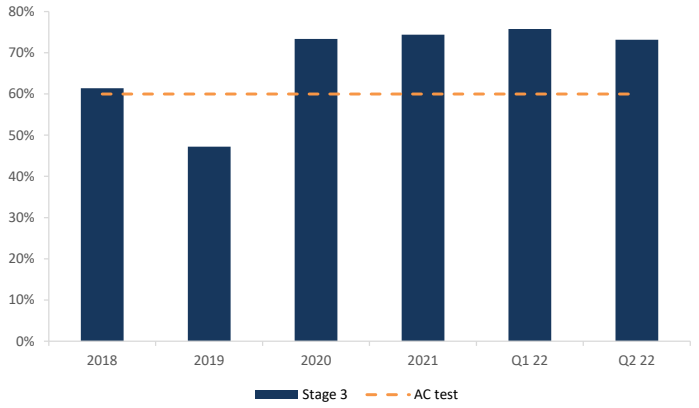
Source: Company Data, Arqaam Capital Research

Exhibit 70: Stage 3 loans evolution



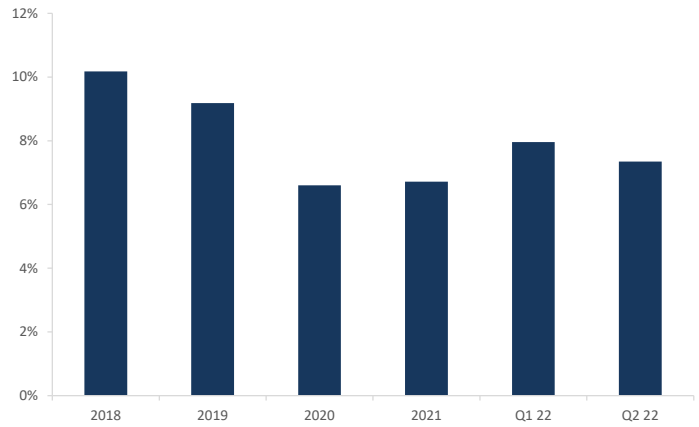
Source: Company Data, Arqaam Capital Research

Exhibit 71: Stage 3 coverage evolution



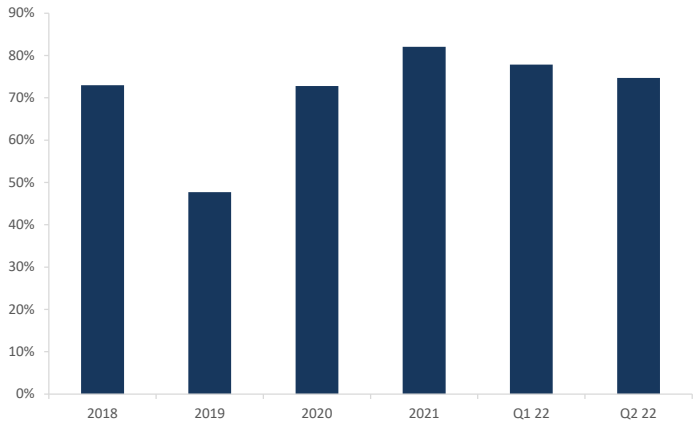
Source: Company Data, Arqaam Capital Research
**Includes interest in suspense*

Exhibit 72: NPL ratio evolution



Source: Company Data, Arqaam Capital Research

Exhibit 73: NPL coverage evolution



Source: Company Data, Arqaam Capital Research

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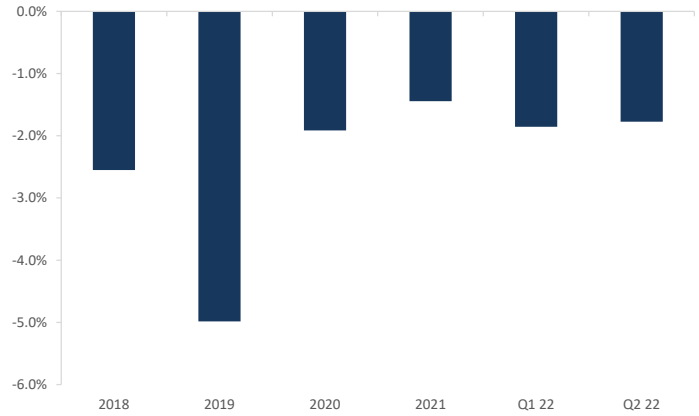
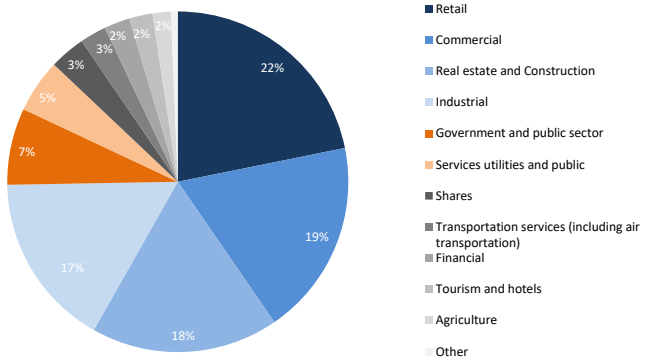
Exhibit 74: Contained provision deficit (vs. AC acid test)



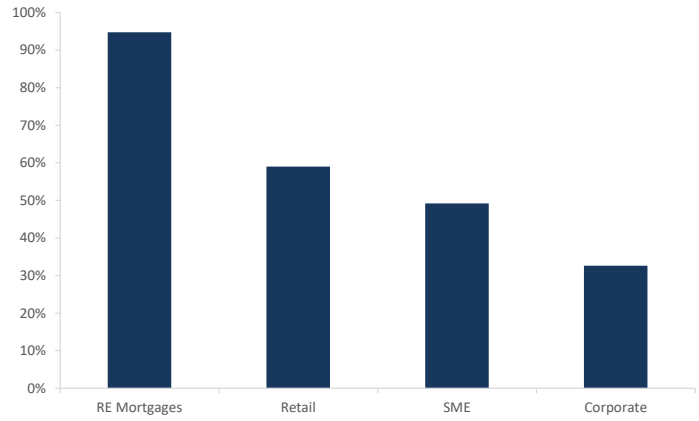
Source: Company Data, Arqaam Capital Research
**1% stage 1, 12% stage2 and 60% stage 3*

Exhibit 75: Credit exposure per sector



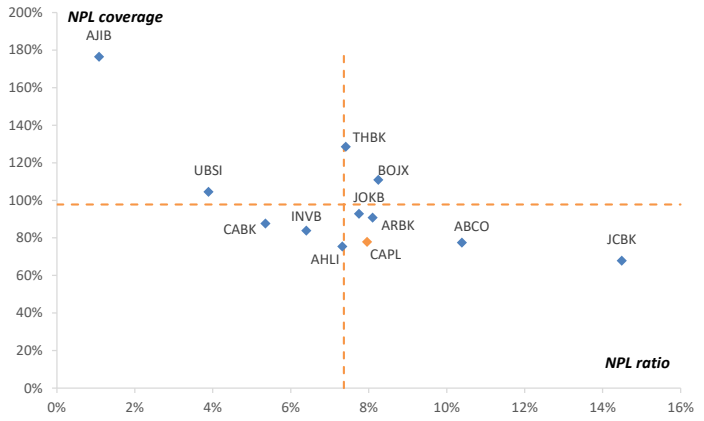
Source: Company Data, Arqaam Capital Research

Exhibit 76: Collateral % of total exposure



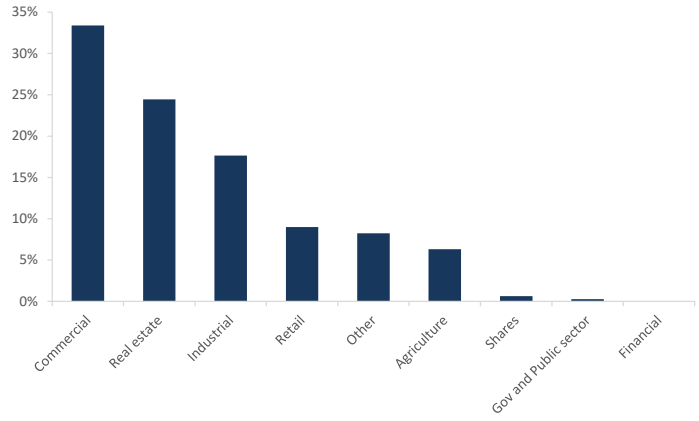
Source: Company Data, Arqaam Capital Research

Exhibit 77: NPL coverage vs. NPL ratio across banking sector



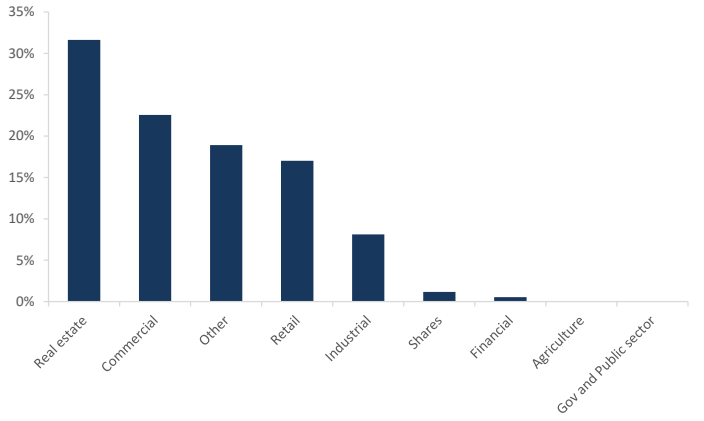
Source: Company Data, Arqaam Capital Research

Exhibit 78: Stage 2 financial instruments per sector



Source: Company Data, Arqaam Capital Research

Exhibit 79: Stage 3 financial instruments per sector



Source: Company Data, Arqaam Capital Research

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Sector best RoE profile, to be further enhanced

- CAPL consistently reported higher RoE and RoA than peers.
- RoA is supported by higher non-funded income generation (non-NII/AA), slightly higher efficiency than peers (OpEx/ AA) and lower credit cost (provisions/AA).
- RoE 2021 was supported significantly by non-recuring income (JD 25m) stemming from the acquisition of Bank Audi, increasing by 6.8ppt reaching 16.3%. It was also aided by a more optimal equity multiplier of 11.0x vs. 8.4x for peers.

Exhibit 80: RoE

Company	RoE			
	FY 18A	FY 19A	FY 20A	FY 21A
CAPL JR*	**8.9%**	**8.4%**	**8.6%**	**16.3%**
INVB JR	9.0%	8.9%	3.3%	9.8%
THBK JR	9.0%	8.0%	3.9%	9.8%
CABK JR	8.6%	7.8%	4.8%	8.5%
AJIB JR	7.7%	7.5%	5.2%	8.0%
UBSI JR	8.9%	8.0%	6.1%	8.0%
BOJX JR	9.6%	9.6%	8.0%	7.7%
ABCO JR	6.1%	1.2%	0.8%	5.9%
JCBK JR	3.5%	3.9%	0.4%	4.9%
AHLI JR	7.0%	7.3%	3.3%	4.4%
ARBK JR	9.6%	9.5%	2.1%	3.3%
JOKB JR	9.2%	6.6%	-1.0%	1.7%
Jordan	**8.1%**	**7.2%**	**3.8%**	**7.3%**

Source: Company Data, Arqaam Capital Research
**CAPL JR – RoE 21: 9.5% excluding non-recurring acquisition results*

Exhibit 81: RoA

Company	RoA			
	FY 18A	FY 19A	FY 20A	FY 21A
CAPL JR*	**1.5%**	**1.4%**	**1.2%**	**1.7%**
INVB JR	1.4%	1.4%	0.5%	1.4%
BOJX JR	1.6%	1.5%	1.3%	1.3%
THBK JR	1.1%	1.0%	0.5%	1.3%
CABK JR	1.0%	0.9%	0.5%	0.9%
AJIB JR	0.9%	0.8%	0.5%	0.8%
ABCO JR	0.9%	0.2%	0.1%	0.8%
UBSI JR	1.1%	0.9%	0.6%	0.7%
ARBK JR	1.7%	1.7%	0.4%	0.5%
JCBK JR	0.4%	0.4%	0.0%	0.5%
AHLI JR	0.8%	0.8%	0.4%	0.5%
JOKB JR	1.5%	1.1%	-0.2%	0.3%
Jordan	**1.2%**	**1.0%**	**0.5%**	**0.9%**

Source: Company Data, Arqaam Capital Research
**CAPL JR – RoA 21: 1.0% excluding non-recurring acquisition results*

Exhibit 82: Equity Multiplier

Company	Equity Multiplier			
	FY 18A	FY 19A	FY 20A	FY 21A
UBSI JR	8.3	9.6	10.4	11.8
CAPL JR	**5.8**	**6.3**	**7.7**	**11.0**
AJIB JR	9.4	9.9	9.8	10.1
JCBK JR	10.1	10.0	9.7	9.8
CABK JR	8.5	8.7	8.9	9.1
AHLI JR	9.2	9.0	8.8	9.0
ABCO JR	7.2	7.3	7.4	7.3
THBK JR	8.1	7.9	7.5	7.1
INVB JR	6.4	6.5	6.7	6.9
ARBK JR	5.7	5.6	5.8	6.5
JOKB JR	6.1	6.0	6.2	6.4
BOJX JR	6.3	6.4	5.9	5.6
Jordan	**7.6**	**7.8**	**7.9**	**8.4**

Source: Company Data, Arqaam Capital Research

Exhibit 83: NII/AA

Company	NII/AA			
	FY 18A	FY 19A	FY 20A	FY 21A
BOJX JR	4.3%	4.4%	4.0%	4.0%
THBK JR	3.4%	3.5%	3.6%	3.6%
CABK JR	**3.4%**	**3.4%**	**3.4%**	**3.3%**
ABCO JR	2.9%	2.9%	2.9%	3.0%
INVB JR	2.9%	3.0%	2.9%	3.0%
AHLI JR	3.1%	3.0%	3.0%	3.0%
JOKB JR	3.3%	3.3%	3.0%	2.9%
CAPL JR	2.6%	2.6%	2.8%	2.9%
UBSI JR	3.4%	3.2%	3.1%	2.7%
JCBK JR	2.2%	2.3%	2.4%	2.6%
ARBK JR	2.7%	2.7%	2.3%	2.3%
AJIB JR	2.3%	2.1%	2.3%	2.2%
Jordan	**3.0%**	**3.0%**	**3.0%**	**3.0%**

Source: Company Data, Arqaam Capital Research

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Exhibit 84: Non-NII/AA

Company	Non-NII/AA			
	FY 18A	FY 19A	FY 20A	FY 21A
BOJX JR	1.2%	1.2%	1.7%	1.1%
INVB JR	1.6%	1.6%	1.5%	1.1%
CABK JR	1.2%	1.1%	0.9%	1.0%
CAPL JR	**1.4%**	**1.7%**	**1.7%**	**1.0%**
JOKB JR	1.2%	1.2%	0.8%	0.9%
ARBK JR	0.5%	0.9%	0.8%	0.9%
AHLI JR	0.9%	1.2%	0.8%	0.9%
ABCO JR	0.8%	0.7%	0.7%	0.7%
UBSI JR	0.8%	0.8%	0.7%	0.7%
THBK JR	0.8%	0.8%	0.7%	0.7%
JCBK JR	0.8%	0.8%	0.7%	0.6%
AJIB JR	0.7%	0.7%	0.6%	0.5%
Jordan	**1.0%**	**1.1%**	**1.0%**	**0.8%**

Source: Company Data, Arqaam Capital Research

Exhibit 85: OpEx/AA

Company	OpEx/AA			
	FY 18A	FY 19A	FY 20A	FY 21A
BOJX JR	2.7%	2.6%	2.6%	2.6%
CABK JR	2.8%	2.8%	2.6%	2.4%
AHLI JR	2.7%	2.7%	2.5%	2.4%
JOKB JR	2.5%	2.1%	2.1%	2.3%
INVB JR	2.6%	2.4%	2.2%	2.2%
ABCO JR	2.1%	2.1%	2.0%	2.0%
CAPL JR	**2.3%**	**2.3%**	**1.9%**	**2.0%**
JCBK JR	2.1%	2.0%	1.9%	1.9%
THBK JR	1.8%	1.9%	1.9%	1.9%
ARBK JR	1.8%	1.7%	1.7%	1.8%
UBSI JR	2.2%	2.2%	2.0%	1.7%
AJIB JR	1.6%	1.5%	1.5%	1.4%
Jordan	**2.3%**	**2.2%**	**2.1%**	**2.1%**

Source: Company Data, Arqaam Capital Research

Exhibit 86: Provisions/AA

Company	Provisions/AA			
	FY 18A	FY 19A	FY 20A	FY 21A
INVB JR	0.0%	0.2%	1.4%	0.0%
AJIB JR	0.1%	0.1%	0.6%	0.1%
JCBK JR	0.3%	0.2%	0.7%	0.3%
ABCO JR	0.4%	1.3%	1.2%	0.4%
CABK JR	0.3%	0.3%	0.7%	0.4%
THBK JR	0.9%	0.8%	1.5%	0.4%
CAPL JR	**-0.1%**	**0.3%**	**1.0%**	**0.5%**
UBSI JR	0.3%	0.4%	0.8%	0.5%
AHLI JR	0.1%	0.3%	0.8%	0.5%
BOJX JR	0.3%	0.7%	1.2%	0.6%
ARBK JR	-0.2%	0.4%	1.3%	1.1%
JOKB JR	0.0%	0.6%	2.0%	1.1%
Jordan	**0.2%**	**0.5%**	**1.1%**	**0.5%**

Source: Company Data, Arqaam Capital Research

Exhibit 87: Asset Yields

Company	Asset Yields			
	FY 18A	FY 19A	FY 20A	FY 21A
INVB JR	6.4%	6.6%	5.9%	5.6%
ABCO JR	5.9%	6.2%	5.4%	5.2%
CAPL JR	**5.3%**	**5.5%**	**5.3%**	**5.1%**
JCBK JR	5.4%	5.5%	5.2%	5.0%
CABK JR	5.8%	6.0%	5.3%	4.9%
AHLI JR	5.6%	5.9%	5.3%	4.9%
BOJX JR	6.2%	6.0%	5.0%	4.7%
UBSI JR	5.8%	6.0%	5.1%	4.5%
THBK JR	5.1%	5.3%	4.9%	4.5%
JOKB JR	5.3%	5.6%	4.9%	4.4%
AJIB JR	4.7%	4.7%	4.2%	3.8%
ARBK JR	4.5%	4.8%	3.9%	3.7%
Jordan	**5.5%**	**5.7%**	**5.0%**	**4.7%**

Source: Company Data, Arqaam Capital Research

Exhibit 88: Cost of Funds - room to improve

Company	Cost of Funds			
	FY 18A	FY 19A	FY 20A	FY 21A
BOJX JR	2.0%	1.9%	1.3%	0.9%
THBK JR	1.9%	2.1%	1.4%	1.0%
ARBK JR	2.3%	2.6%	2.0%	1.7%
CABK JR	2.6%	3.0%	2.2%	1.8%
AJIB JR	2.7%	2.9%	2.0%	1.8%
UBSI JR	2.7%	3.1%	2.3%	2.0%
AHLI JR	2.9%	3.3%	2.6%	2.2%
CAPL JR	**3.2%**	**3.5%**	**2.9%**	**2.5%**
ABCO JR	3.4%	3.9%	2.8%	2.5%
JCBK JR	3.6%	3.6%	3.0%	2.8%
INVB JR	4.2%	4.2%	3.5%	3.1%
JOKB JR	2.4%	2.7%	2.2%	3.6%
Jordan	**2.8%**	**3.1%**	**2.3%**	**2.2%**

Source: Company Data, Arqaam Capital Research

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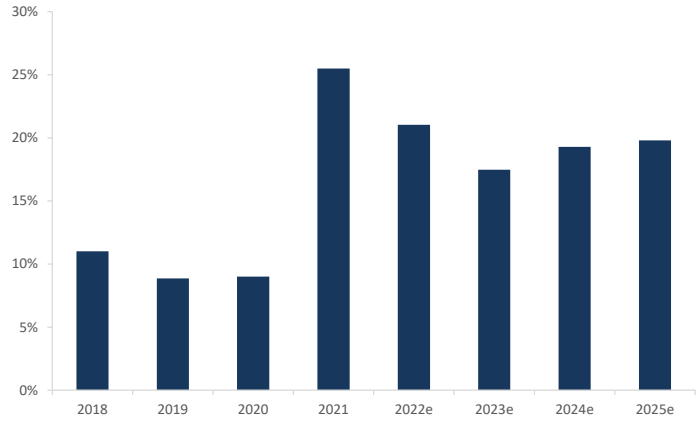
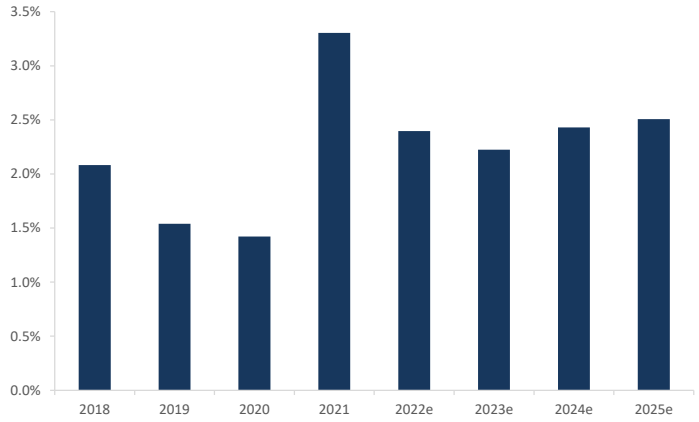
Exhibit 89: RoE evolution – RoE in FY 21/22e is impacted by acquisition results



Source: Company Data, Arqaam Capital Research
Adjusted for one-offs: RoE 2021 = 17.3% and RoE 2022 = 16.6%

Exhibit 90: RoRWA evolution – RoRWA in FY 21/22e is also impacted by acquisition results



Source: Company Data, Arqaam Capital Research

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Premium valuation is warranted on high growth and RoE

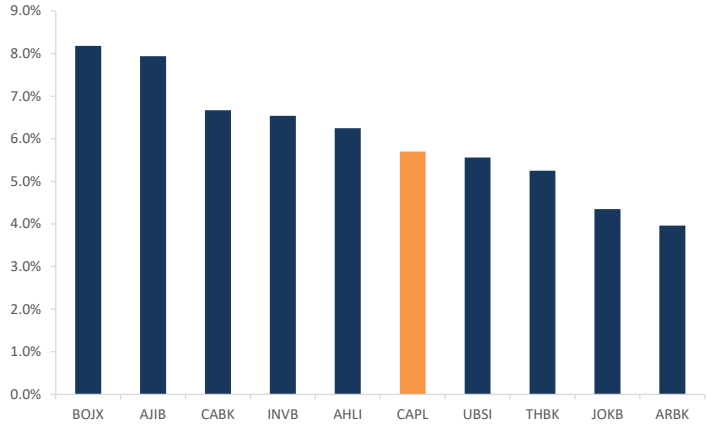
- Higher valuation is warranted by stronger return generation, with CAPL consistently managing to report higher RoE than peers, with Group's RoE 21A of 9.5% (excl. acquisition impact) compared to sector's average of 6.8% and a target of >14%, which we expect the bank to exceed.
- Decent dividend yield provided by CAPL, albeit below peers' average (5.9% vs. 6.1%) in 2021, though should improve going forward as DPO improves back to historical level (5Y average of 60% vs. 38% in 2021).
- Our EVA model sets a TP of JD 3.9, offering 53.5% upside from CMP, including limited excess capital, and despite subtracting JOD for the provision deficit of JOD 42m (vs. our acid test).

Exhibit 91: P/tNAV vs. RoE



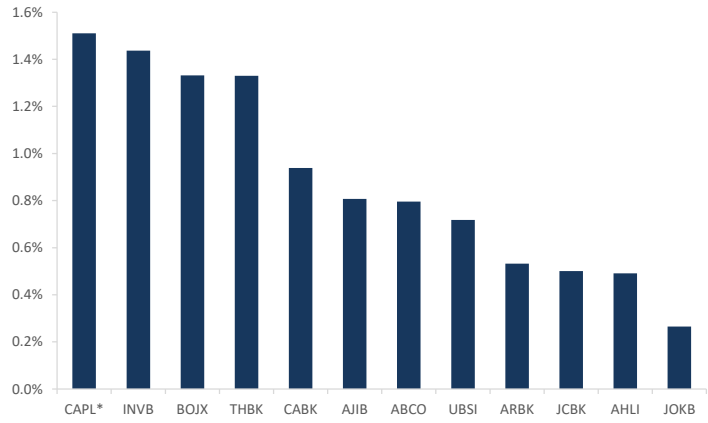
Source: Bloomberg, Company Data, Arqaam Capital Research
*CAPL**: RoE of 9.5% - excl. non-recurring acquisition results*

Exhibit 92: Dividend yield



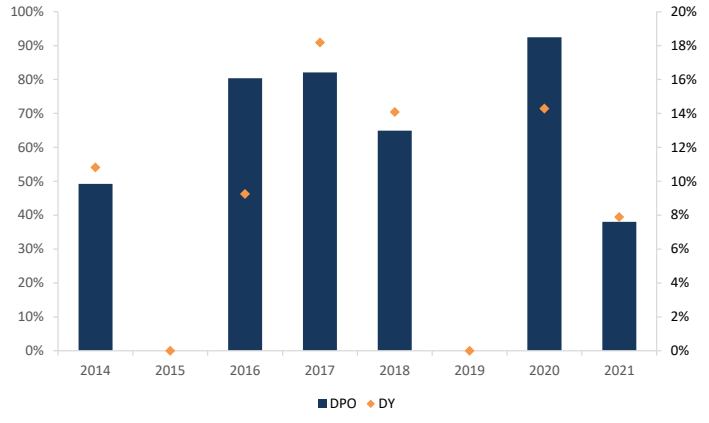
Source: Bloomberg, Arqaam Capital Research

Exhibit 93: Return on Assets



Source: Company Data, Arqaam Capital Research
CAPL: excludes the impact of non-recurring acquisition results*

Exhibit 94: Historical dividend payout ratio and DY



Source: Company Data, Arqaam Capital Research
**DPO jumps to 56% when earnings are adjusted for non-recuring acquisition related income*

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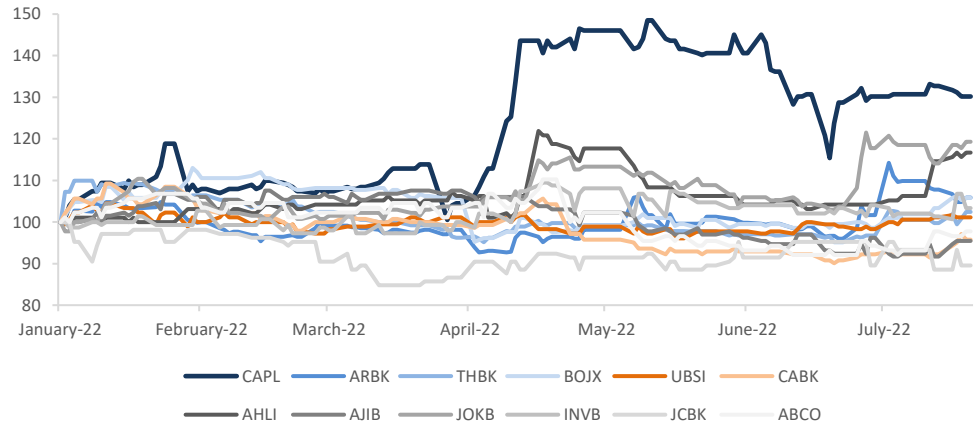
Exhibit 95: Price performance in 2022



Source: Bloomberg, Arqaam Capital Research

Exhibit 96: Capital Bank of Jordan EVA

	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	perp	subtotal
1. DCF													
Net profit	12	24	31	25	26	79	91	98	121	142	162	167	
Other adjustments (comprehensive income and GW amo	--	--	--	--	--	--	--	--	--	--	--	--	
Minus: excess return excess capital	8	9	8	9	5	3	4	3	2	2	2	2	
Risk free rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	
Tax shelter	--	--	--	--	--	--	--	--	--	--	--	--	
Adjusted net profit	5	16	23	16	21	76	87	94	119	139	161	165	
Capital requirements	191	182	178	196	219	286	449	511	583	661	742	764	
RoEcC	2.5%	8.7%	13.0%	8.3%	9.4%	26.6%	19.4%	18.4%	20.4%	21.1%	21.6%	21.6%	
Cost of capital	14.0%	14.0%	14.0%	14.0%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	
Capital charge	27	25	25	27	32	41	65	74	84	96	108	111	
Economic profit	(22)	(10)	(2)	(11)	(11)	35	22	20	34	44	53	55	
Discount factor	--	--	--	--	--	--	1.00	0.87	0.76	0.67	0.58	0.51	
NPV of Economic Profit	--	--	--	--	--	--	22	18	26	29	31	28	
DCF EVA Forecast period													126
Perpetual growth rate (nominal GDP)												3.0%	
Terminal Value												475	
Terminal value discounted													241
Required Capital													449
Value of the bank operations													**816**
2. Capital surplus/deficit													
Available capital:													
Shareholders equity	278	292	287	294	307	363	547	597	658	731	812		
Minorities	56	58	50	54	48	29	32	37	41	47	53		
Less Goodwill & intangibles	(6)	(6)	(11)	(3)	(22)	(31)	(24)	(20)	(16)	(12)	(10)		
Less non equity elements reported shareholders equity													
Less Dividends (if included in reported equity)	(10)	(20)	(20)	--	(24)	(30)	(39)	(47)	(60)	(68)	(82)		
Tangible equity	319	324	306	344	310	332	515	567	623	697	773		
Capital needs													
RWAs (Basel II)	1,590	1,514	1,486	1,630	1,826	2,385	3,740	4,262	4,854	5,509	6,182		
RWAs (Basel III)	1,590	1,514	1,486	1,630	1,826	2,385	3,740	4,262	4,854	5,509	6,182		
Equity as % RWA	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%		
Financial stakes	--	--	--	--	--	--	--	--	--	--	--		
Capital Requirements	191	182	178	196	219	286	449	511	583	661	742		
Surplus capital	**128**	**142**	**128**	**149**	**91**	**46**	**66**	**55**	**40**	**36**	**31**		**46**
3. Other adjustments													
Capital increase during 2022													131
ADT1													35
Underprovisioning													(42)
Total adjustments													**125**
4. Dividends													**39**
Total Fair Value													**1,026**
Fully diluted number of shares													263
Fair value per share													**3.9**
Current share price													**2.5**
Upside													**53.5%**
Implied P/E (x)	62.7	32.0	25.2	31.1	30.0	9.9	11.3	10.5	8.5				
Implied P/tNAV (x)	2.9	2.7	2.8	2.7	2.7	2.3	2.0	1.8	1.6				

Source: Company Data, Arqaam Capital Research

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Q2 22 review – Strong earnings growth backed by significant balance sheet expansion spurred by acquisitions

- **Strong set of results, with CAPL posting a profit of JD 18.5m in Q2 22A, up by 41.7% q/q when excluding acquisition results from Q1 22A, partly due to the acquisition of SGBL. Earnings growth on a y/y basis was driven by a significant balance sheet and topline expansion on the back of acquisitions and provision reversals.**
- **CAPL reported a sharp q/q improvement in asset quality, with stage 2 and 3 loans falling to 9.9% and 8.8%, respectively, from 15.4% and 9.1% in Q1 22A.**
- **NIM contracted by 1bps q/q and 61bps y/y due to unfavorable 12m ALM gap of -27.4% of total assets as of YE 21A.**

Strong earnings growth driven by significant balance sheet expansion amplified by M&A. Operating income surged by 26.3% y/y in Q2 22A, on the back of i) higher topline, up by 39% y/y, on stronger NII (+40.7% y/y) backed by lending growth of 66% y/y and non-NII (+34.6% y/y) due to higher F&C (+41.1% y/y) and other income, and ii) provisions reversals (JD -0.8 vs. 8.2m in Q2 21A). This was partially offset by negative JAWs of -15% on higher OpEx (+54% y/y). Sequentially, earnings increased by 41.7%, albeit down by 52.1% q/q when including acquisition gains of JD 25.6m in Q1 22A. Note that SGBL was only consolidated by the end of Q1. Pre-provisioning profit increased by 11.8% y/y on a higher topline (+23.9%) due to stronger NII (+20.2% q/q) and non-NII (+35.5% q/q). H1 net profit surged by 38% y/y, leading to a RoE of 26.0% vs. 25.8% in H1 21A.

NIM contraction on unfavorable 12M ALM gap. We calculate NIM compression of 1bps q/q and 61bps y/y on the back of unfavorable 12M ALM gap of -27.4% of total assets, with 46% of total assets repricing in 2022 vs. 84% of total liabilities. Lower NIMs stemmed from higher CoF, up by 15bps y/y, on the back of a more expensive funding mix, with time deposits' share increasing from 62% YE 21A to 69% in Q2 22A, at the expense of lower CASA share, down from 37% YE 21A to 30% Q2 22A.

Liabilities driven balance sheet boosted by recent acquisition of SGBJ in Q1. Deposits outpaced loans YtD by 8.1%, yielding a lower LtD ratio of 72.4% vs. 76.3% YE 21A. Loan growth was broad based and was mainly funded via time deposits, up by 75.5% YtD. Main contributor to credit growth continues to be the large corporate segment, up by 63.8% YtD, followed by retail and mortgage segments, up by 30.2% and 79.2% YtD, respectively.

Improvement in asset quality reflected through higher share of stage 1 loans. Asset quality has improved in Q2, with stage 1 loans' share jumping to 81.4% from 75.5% in Q1 (82.4% YE 21) with coverage of 0.7%, in-line with YE 21, at the expense of lower stage 2 and 3 loans, with shares declining to 9.9% and 8.8%, respectively, from 15.4% and 9.1% in Q1 22A. Stage 2 and 3 loans coverage stand at 6.3% and 49.2% compared to 5.4% and 50.7% in Q1 (4.0% and 55.1% YE 21A). As a result, we calculate a provision deficit of 1.8% of total loans, slightly higher than YE's deficit of 1.4%.

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PIF injection in Q2 and issuance of ADT1 in Q1 strengthen the capital base. Capital ratios have been supported by the JOD 131m capital injection by PIF (at JOD 2.08/share or 11% premium to BVps) during Q2 (3.7% of RWAs) and the ADT1 capital notes of USD 100m in Q1 (2.5% of RWAs). This has increased CAR to 15.8%, Tier-1 to 14.8% and CET1 to 14.3% from 14.9% and 13.2% YE 21A, despite the sharp increase in RWAs on organic growth and acquisition effects. Liquidity is strong, with LtD and LCR ratios of 75% and 168%, respectively, with the investment book of USD 2.5bn invested in liquid assets (15% of assets) and government securities (30% of assets) with loans at only 48% of total assets.

Exhibit 97: Capital Bank of Jordan Q2 22A review

SARm	Q2 22A	Q1 22A	q/q 22	Q2 21A	Q1 21A	q/q 21	y/y Q2	y/y Q1	H1 22A	H1 21A	FY y/y
Interest Income	76	54	40.2%	46	36	30.4%	64.8%	53.3%	131	82	59.8%
Interest expense	39	23	66.8%	20	16	23.3%	97.2%	45.8%	62	36	74.2%
Net interest income	**37**	**31**	**20.2%**	**27**	**20**	**36.1%**	**40.7%**	**59.4%**	**69**	**46**	**48.6%**
Fee Income	10	7	50.0%	7	6	22.0%	41.1%	14.9%	16	13	29.3%
Net Trading Income	-2	0	nm	0	0	nm	nm	nm	-2	0	nm
Other Income	5	3	52.8%	3	1	182.7%	70.9%	216.1%	9	4	108.8%
Non-Interest income	**14**	**10**	**35.5%**	**10**	**7**	**47.9%**	**34.6%**	**46.9%**	**24**	**17**	**39.6%**
Total income	**51**	**41**	**23.9%**	**37**	**26**	**39.2%**	**39.0%**	**56.1%**	**92**	**63**	**46.2%**
Operating expenses	26	19	38.5%	17	12	42.1%	54.0%	58.0%	45	29	55.6%
Operating profit	**25**	**22**	**11.8%**	**20**	**15**	**36.8%**	**26.3%**	**54.7%**	**48**	**34**	**38.3%**
LLP	-1	6	nm	8	3	184.2%	nm	112.6%	5	11	(52.2%)
Taxes	6	2	252.1%	3	2	22.6%	117.5%	(24.2%)	7	5	53.8%
Group Net income	**20**	**40**	**(50.3%)**	**8**	**35**	**(76.1%)**	**140.9%**	**15.7%**	**60**	**43**	**39.9%**
Attributable NI	**18.5**	**39**	**(52.1%)**	**-15.3**	**57**	**(127.0%)**	**nm**	**(31.9%)**	**57**	**41**	**38.1%**
Annualised NIMs	2.65%	2.66%		3.26%	2.78%				2.74%	3.12%	
Cost/income	50.8%	45.5%		45.9%	45.0%				48.4%	45.5%	
Loans to deposits	78.3%	75.1%		84.8%	86.1%				78.3%	84.8%	
Annualized LLP	-0.10%	0.80%		1.68%	0.63%				0.16%	0.57%	
Gross Loans	**3,421**	**3,066**	**11.6%**	**1,958**	**1,842**		**74.7%**	**66.5%**	**3,421**	**1,958**	**74.7%**
Net Loans	**3,161**	**2,889**	**9.4%**	**1,905**	**1,804**		**66.0%**	**60.2%**	**3,161**	**1,905**	**66.0%**
Customer deposits	**4,368**	**4,084**	**6.9%**	**2,311**	**2,139**		**89.0%**	**90.9%**	**4,368**	**2,311**	**89.0%**

Source: Company Data, Arqaam Capital Research

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ESG policies

- Capital Bank implements a regular Environmental & Social ("E&S") performance assessment through an E&S board-approved policy based on IFC standards.
- The bank has fully integrated the E&S procedures pertaining to categorization, assessment, and monitoring into the credit approval system.
- Designated credit/front office staff members have received adequate E&S training through the IFC E-learning platform to enable them to report any E&S risk as part of their standard processing of transactions.
- According to Capital Bank's E&S policy, Capital Bank categorizes its transactions based on exposure to E&S risk sectors, performs an analysis for relevant transactions to assess the identified risks, mitigates and manages risks associated to those transactions by identifying the problems and designing adequate solutions using IFC Standards.
- Capital Bank also monitors the E&S performance of clients through staff annual site visits and questionnaires.
- Capital Bank takes active measures to reduce its environment footprint through implementing waste, paper, and plastic recycling in partnership with local NGOs.

Published score by ESG Invest for 2019 (ESG has not published its scores for 2020 and 2021):

- Integration of environmental factors in lending activities: 18/100
- Relationship with customers: 36/100
- Data privacy and security: 50/100
- Integration of social factors in lending activities: 0/100
- Prevention if money laundering/terrorism financing: 24/100
- Integration of ESG factors in Investment Activities: 0/100
- Board of Directors: 44/100

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Governance: all Board members are non-executive and 6 out of 13 are independent

Exhibit 98: Board of directors

Name	Appointment	Role	Experience
H.E. Bassem Khalil Al-Salem	2010	Chairman	> 20 years
H.E. Said Samih Darwazah	2021	Vice Chairman	>20 years
Social Security Corporation (*Shaden Darwish Al-Hajj*)	2009	Member	>18 years
Hotaf Investment Company (*Mr. 'Mohamed Ali' Al-Husry*)	2009	Member	>20 years
Investments & Integrated Industries (*Omar Mohamed Shahrour*)	2009	Member	>20 years
Al-Jadara Co. for Real Estate Investment (*Sultan Bin Mohammed Al-Seif*)	2009	Member	>10 years
Al-Khalil Co. for Investments (*Khalil Hatem Al-Salem*)	2009	Member	>12 years
Omar Akram Bitar	2015	Independent	>20 years
Reem Haitham Goussous	2015	Independent	>20 years
Mohamad Hasan AlHaj Hasan	2017	Independent	>12 years
Khalid Walid Nabilsi	2017	Independent	>20 years
Yousef Ali Alnsour	2021	Independent	>20 years
H.E. Abubaker Sideeq Khoury	2021	Independent	>25 years

Source: Company Data, Arqaam Capital Research

H.E. Mr. Bassem Al-Salem

Current Positions:

Chairman of the Board of Directors of Capital Bank of Jordan and chairman of the Board of the Jordanian Association of Banks. He is chairman of several boards of prominent private and public companies, most notably the Jordanian General Mining Company.

Experience:

Mr. Al-Salem began his career in the private sector, where he established several industrial companies. In April 2011, he became the chairman of the Board of Directors of Capital Bank Group, which includes the Jordanian Capital Bank, the National Bank of Iraq, and Capital Investments Brokerage-Jordan LTD. He is also one of the founders of Capital Bank of Jordan and has directed the bank to innovatively serve its clients, while focusing on providing advanced commercial and investment banking services to the Jordanian and Iraqi markets.

He previously held the posts of minister of labor and minister of finance in Jordan (2005-2009) and is credited for putting in place social and economic policies that contributed to the creation of job opportunities in the public and private sectors, in addition to attracting foreign companies and investments to Jordan and contributing to the growth and prosperity of local investments.

Previously, he held the position of the chairman of the Board of Kings Academy and the post of chairman of the Board of the Social Security Corporation (2005-2009), and he was a member of the Board of Directors of the Central Bank. He served as a member of the Jordanian Senate from 2010 to 2011.

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Experienced management team

Exhibit 99: Management Team

Name	Position	Joining Date
Business		
Mr. Dawod Al Ghoul	CEO, Group	2020
Ayman Abu-Dhaim	CEO, National Bank of Iraq	2011
Marwan Haddad	Group Investments CEO	2021
Ali Abu Swai	Chief Treasury Officer	1997
Yasser Kleib	Chief Institutional Banking Officer	2004
Mohammad Othman	Chief Consumer Banking Officer	2020
Zein Malhas	CEO, Blink	2018
Control		
Samer Al-Aloul	Chief Banking Officer	2021
Izzidin Abu Salameh	Chief Operations Officer	2021
Falah Kokash	Chief Risk Officer	2012
Rafat Khalil	Chief Audit Executive	2007
Manar Aabidi	Chief Credit Officer	2018
Munis Haddadin	Chief Compliance Officer	2021
Support		
Manar Al Nsour	Chief Financial Officer	2001
Mohammed Mu'az	Chief Legal Counsel	2003
Touleen M. Barto	Chief Marketing and Corporate Communications Officer	2021
Haya Abuata	Chief Human Resources Officer	2011

Source: Company Data, Arqaam Capital Research

Mr. Dawod M. D. Al Ghoul – Group CEO

Mr. Al Ghoul has worked for more than 22 years in financial and strategic planning, investments and financial restructuring. He began his career in 1995 as an auditor at Arthur Andersen in Dubai, UAE, and then at Schlumberger, Dubai as assistant financial director for MENA and the Indian subcontinent. He then moved to KPMG in Dallas, Texas, as a financial advisor in international taxation. In 2003, he joined the Arab Bank Group as vice chief financial officer. In 2008, he took over as executive vice president of planning and investment for the same group, during which time he led and developed the group's financial plans. In 2012, he took over the position of chief financial officer of the Arab Bank Group and later as CFO at Abu Dhabi Capital Group.

Yasser Ibrahim Mohammad Kleib – Group Chief Institutional Banking Officer

Mr. Kleib has over 20 years of experience in commercial and institutional development. He joined Capital Bank in 2004, and began his career in the Banking Services and Credit Facilitations Department. Previously, he worked at the Arab Bank for eight years.

Ali Mohammad Daoud Abu Swai – Group Chief Treasurer

Mr. Abu Swai has more than 24 years of experience in financial markets, banking, treasury, and investment operations. He served as the president of the Trade Association from 2010 until 2017, and is a member of the Board of Directors of the Investment Fund of the University of Jordan. He is Jordan's representative to the Arab Union of Circulators in Financial Markets and previously worked for Amman Investment Bank for five years.

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Manar Mohammad Abdulhalim Al-Nsour – Head of Financial Management

Ms. Al-Nsour has close to 17 years of practical experience, having held various managerial positions at Capital Bank before she assumed the role of the Chief Financial Officer as of July 30, 2016.

Falah Hassan Khalil Kokash – Head of Risk Management

Mr. Kokash has over 21 years of experience in the financial sector. He has held several leadership positions in risk management and credit analysis and has worked for several banks including the Bank of Jordan, Ahli Bank, Istithmari Bank and Al-Bilad Bank in Saudi Arabia.

Mohammad Hafez Abdul-Karim Mohammad Hafez Mua'z – Head of Legal Affairs

Mr. Mua'z previously worked in the foreign section of the Arab Bank's Legal Department for two years. Prior to that, he worked at Dajani and Sons law firm for five years. He has been a member of the Jordanian Bar Association since 1997 and has been a member of the Association of International Lawyers since 1998.

Ra'fat Abdullah Ismail Khalil – Head of Internal Auditing

Mr. Khalil has over 26 years of practical experience, having worked at the Central Bank of Jordan for seven years. He also worked at Oman Commercial Bank for four years and at the Oman Arab Bank for seven years.

Zain Ammar Khaldoun Malhas – CEO of BLINK

Ms. Malhas has over 12 years of experience in the banking sector, having worked for the Housing Bank and Standard Chartered, where she managed the Global Subsidiaries business. Ms. Malhas is also a member of the board of directors Middle East Payment Services (MEPS).

Haya Ibrahim Hanna Abuata – Head of Human Resources

Ms. Abuata has around nine years of experience in the banking sector. She moved up the ranks in Capital Bank Jordan before becoming the head of human resources on August 12, 2020.

Manar Nizar Mahmoud Aabidi – Head of Credit

Ms. Aabidi has around 24 years of experience in the banking sector. Prior to Capital Bank, she worked with the Housing Bank, HSBC, and CitiBank, where she was thehead ofcommercial banking and vice president.

Mohammad Ragheb Hussein Othman – Head of Consumer Banking

Mr. Othman has around 17 years of experience in the banking sector. He has worked with a number of banks, including the Arab Bank, Jordan Ahli Bank, and Al-Rajhi Bank, until he joined Bank Al Etihad, where his last post was chief retail banking officer.

Touleen Mohammad Mahmoud Barto – Head of Marketing and Corporate Communications

Ms. Barto has more than 24 years of experience in the field of marketing in the communications sector and joined Capital Bank as head of the Marketing and Corporate Communications Department. Previously, she worked at HSBC Bank for nearly two years.

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Izzedine Rushdi Abd Al-Latif Abu Salameh – Head of Operations

Mr. Abu Salameh has more than 26 years of experience, 20 years of those in the banking sector. He held posts in several banks, including Standard Chartered Grindlays and Cairo Amman Bank, until he joined the Bank Al-Etihad, where he was chief operating officer.

Samer Ibrahim Abd Al-Afou Al-Aloul – Head of Banking Operations

Mr. Al-Aloul has nearly 22 years of experience in the banking sector. He worked in several banks, including CitiBank and Standard Chartered, until he joined Bank Audi, where he was deputy general manager. After Bank Audi's merger with Capital Bank, Mr. Al-Aloul assumed the post of head of banking operations.

Mu'nes Mamdouh Hanna Haddadin – Head of Compliance

Mr. Haddadin has more than 22 years of experience in the banking sector. He worked in several banks, including Bank Al-Etihad, the National Bank, and the Central Bank, until he joined the Royal Bank of Canada, where he was manager for Global Financial Crimes and Economic Sanctions Risk Assessment.

Fadi Farid Habib Khouri – Head of Liabilities

Mr. Khouri has nearly 25 years of experience in the banking sector. He worked in several banks, including the Arab Bank, ABC Bank, Jordan Commercial Bank, Standard Chartered Bank, and ANZ Grindlays Bank, until he joined Bank Audi, where he was retail and branch manager. After Bank Audi's merger with Capital Bank, Mr. Al-Aloul assumed the post of head of liabilities.

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