



## INVESTOR PRESENTATION

## Content

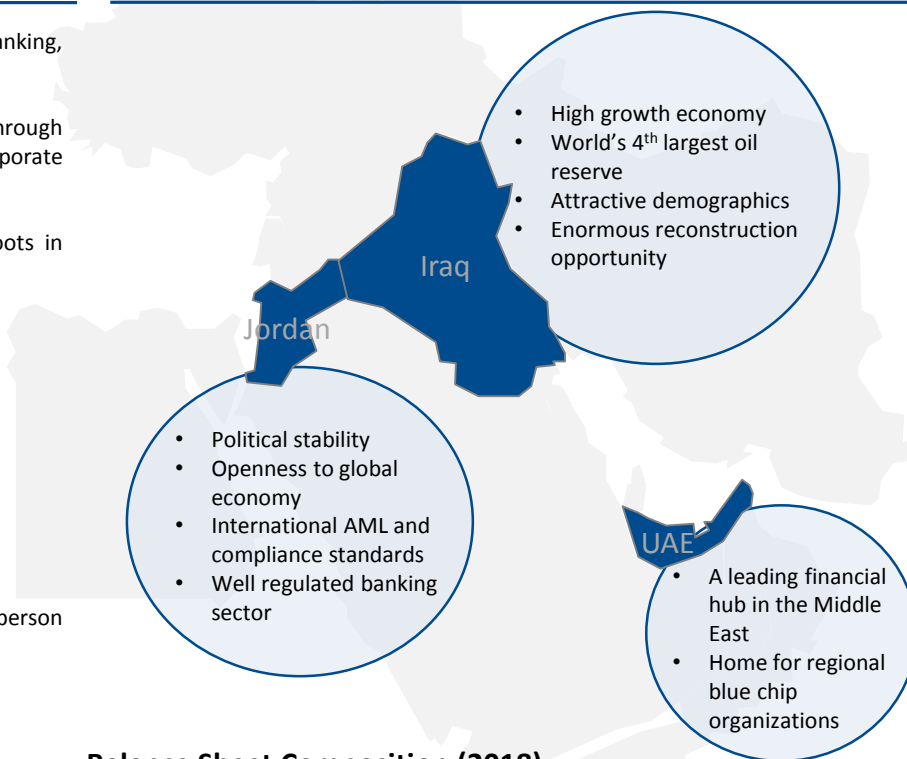
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# Capital Bank at a Glance

## A Leading Jordanian Commercial Bank

- A full fledged bank offering a wide range of commercial and corporate banking, retail and personal banking, treasury activities, and other ancillary products
- Wide spectrum of investment banking services in Jordan, Iraq and Dubai through its fully-owned subsidiaries Capital Investments and Capital Bank Corporate Advisory (DIFC)
- Strong leadership team with successful track record combining deep roots in regional markets with global experience
- Award-winning, fast-growing SME business
- Largest renewable energy lender among its peer group\*
- The only Jordanian bank with presence in Iraq
- Deeply rooted corporate governance, compliance and AML standards
- Strong relationships with the banking sector's regulators
- Wide and well diversified shareholders' base with no physical or legal person possessing more than 10% of the bank's shares

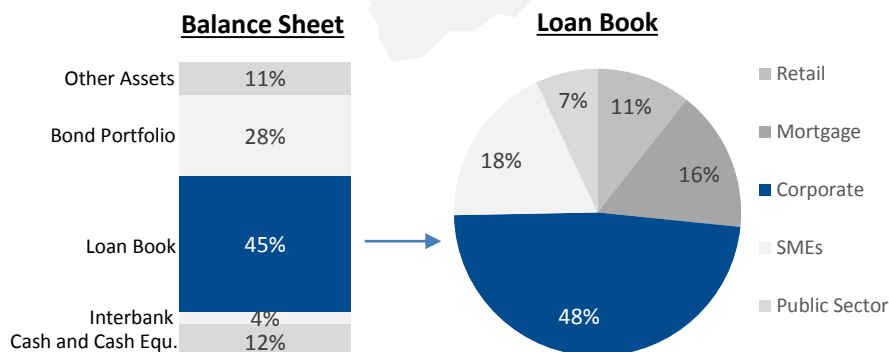
## With a Unique Presence in the Iraqi and UAE Markets



## Financial Performance





JOD mm	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
Loan Book	655	623	676	794	910	970	921	891	4.5%
Customer Deposits	888	961	1,140	1,234	1,345	1,225	1,217	1,248	5.0%
Gross Income	54	81	79	92	76	94	93	80	6.0%

## Balance Sheet Composition (2018)

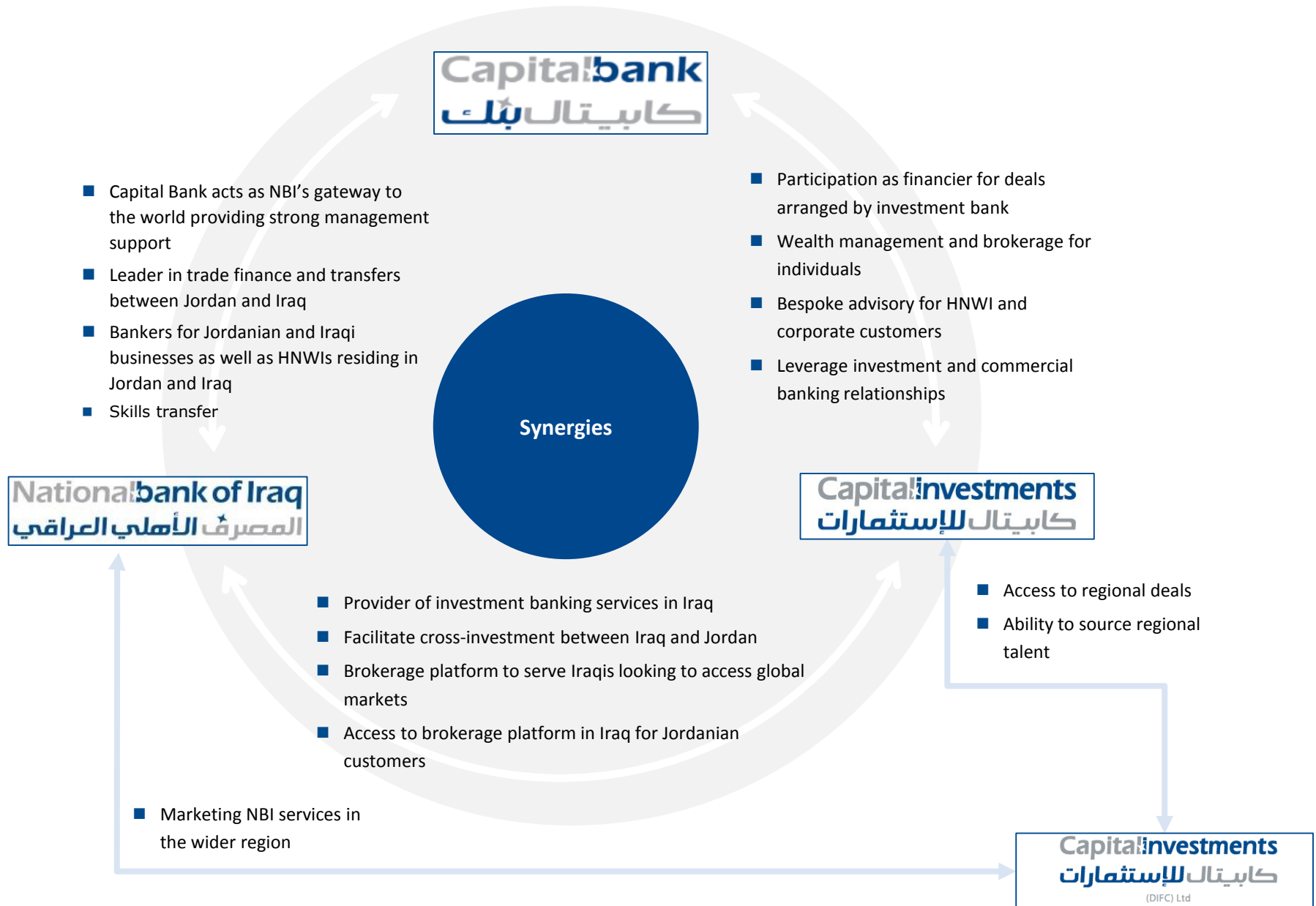


\*Peer group consists of all banks listed on Amman Stock Exchange except for Arab Bank, the Housing Bank for Trade and Finance, and Islamic banks  
Sources: Capital Bank financial statements, Department of Statistics

# Parent Company and Subsidiaries

	Corporate & Commercial Banking		Investment Banking	
Entity	 <b>Capitalbank</b> <b>كابيتال بنك</b> <b>Parent</b>	 <b>Nationalbank of Iraq</b> <b>المصرف الأهلي العراقي</b> <b>Subsidiary</b>	 <b>Capital Investments</b> <b>كابيتال للإستثمارات</b> <b>Subsidiary</b>	 <b>Capital Investments</b> <b>كابيتال للإستثمارات</b> <b>(DIFC) Ltd</b> <b>Subsidiary</b>
Country	Jordan	Iraq	Jordan	Dubai
Ownership	Publicly Listed on Amman Stock Exchange	Publicly Listed on Iraq Stock Exchange	Private	Private
Highlights	<p>Founded in 1995</p> <p>Shareholders' equity of JOD349 million as at end December 2017</p> <p>One of the leading financial institutions in Jordan with nationwide presence</p> <p>Universal offering focused on top tier corporates, high net worth individuals &amp; upper mass retail clients</p> <p>4<sup>th</sup> largest bank in Jordan in terms of paid-up capital at JOD200 mm</p>	<p>Founded in 1995</p> <p>Shareholders' equity of JOD159 million as at end December 2017</p> <p>Comprehensive array of banking solutions for corporate and retail customers across all regions in Iraq</p> <p>One of a handful of banks accepted by the government for public sector employee salary transfers</p> <p>The largest FX player among private sector banks</p>	<p>Spun off from Capital Bank as a separate legal entity in 2005</p> <p>Market leader in M&amp;A, capital markets, brokerage, asset management and research</p> <p>Experienced team committed to delivering innovative financial solutions and developing new products and services to meet the evolving needs of the firm's clients</p>	<p>Established in 2014</p> <p>Supports the investment banking activities of the bank through arranging debt and equity placements and providing transaction advisory services</p> <p>Supports the commercial banking services of the bank in the region</p>
Shareholders	<p>Social Security Corporation: 9.3%</p> <p>IFC: 6.9%</p> <p>Family groups: 37.3%</p>	Capital Bank: 61.8%	Capital Bank: 100%	Capital Bank: 100%

# Intergroup Synergies



# Strategic Milestones

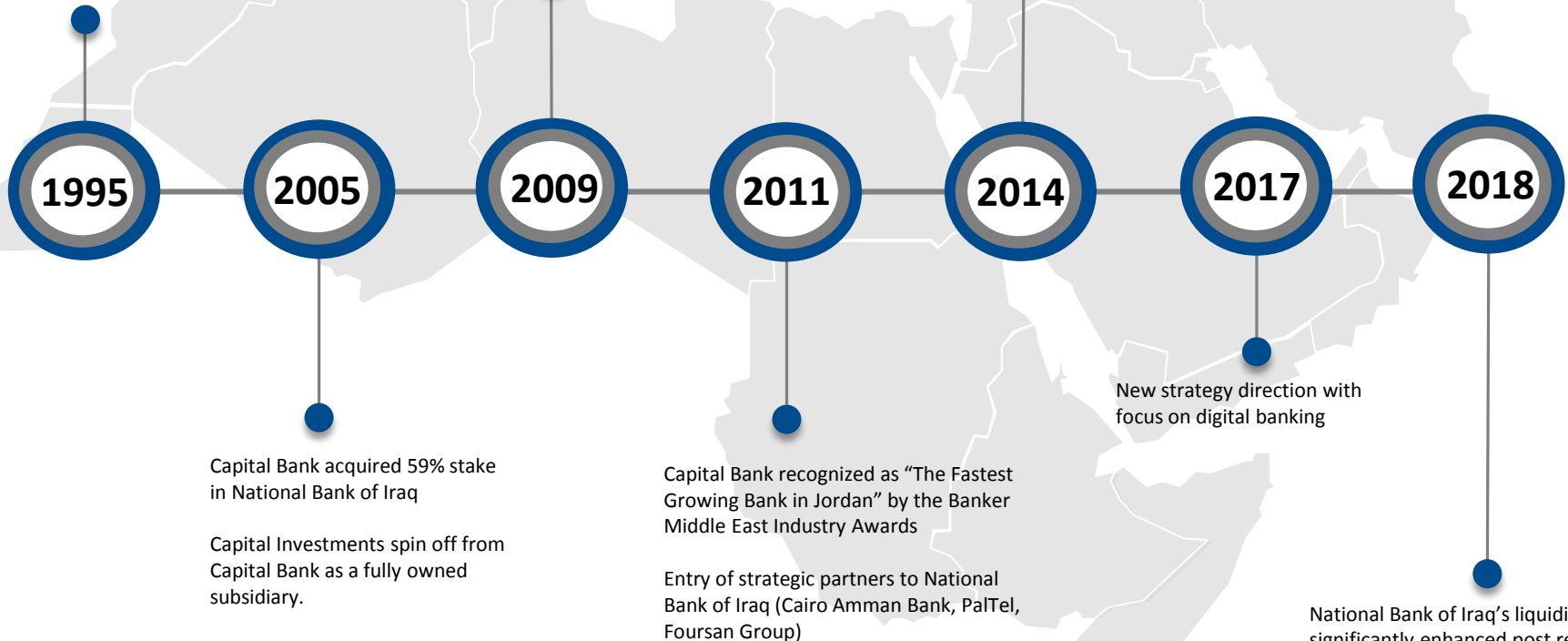
Capital Bank was first established as the Export & Finance Bank with an authorized capital of JOD20 mm

National Bank of Iraq established as a publicly traded private bank in Iraq with a paid up capital of JOD0.24 mm

Capital Bank took an active role in managing National Bank of Iraq

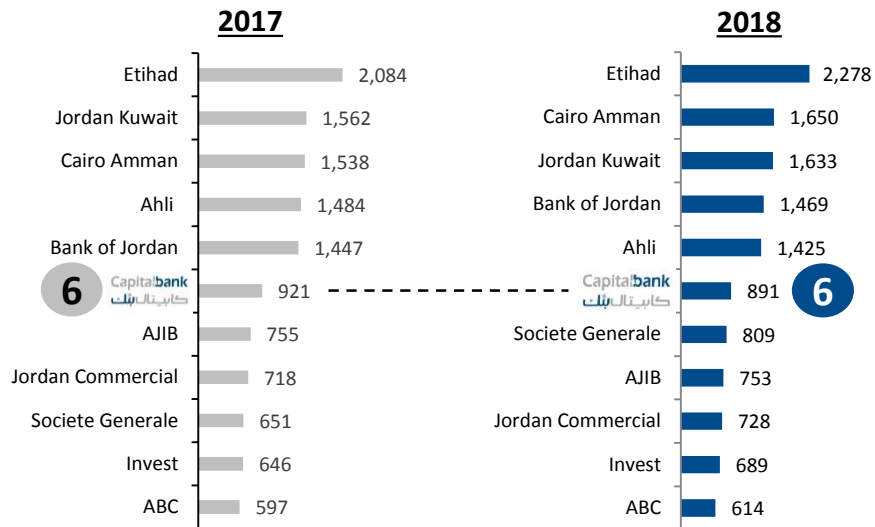
Capital Investments managed and arranged the first Islamic Sukuk issuance in Jordan

Capital Bank Corporate Advisory (DIFC) established to support Capital Bank's investment banking activities in Jordan, Iraq, and the GCC

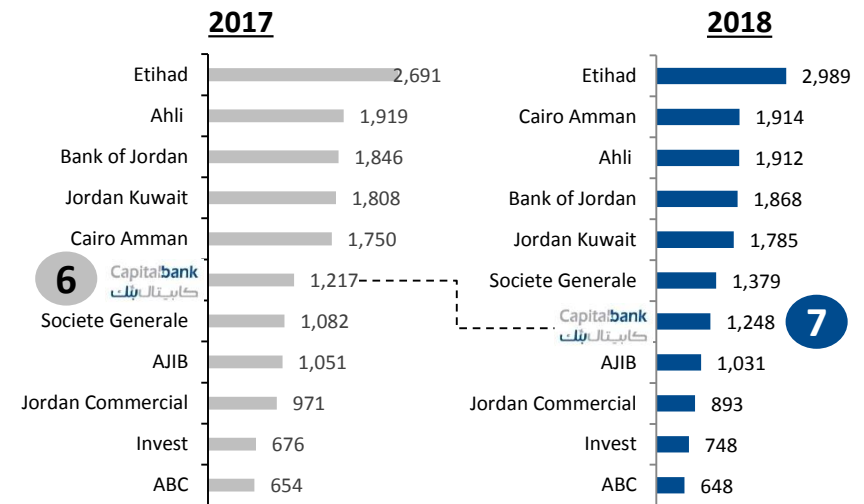


# Peer Analysis

## Loans, Net (JOD mm)

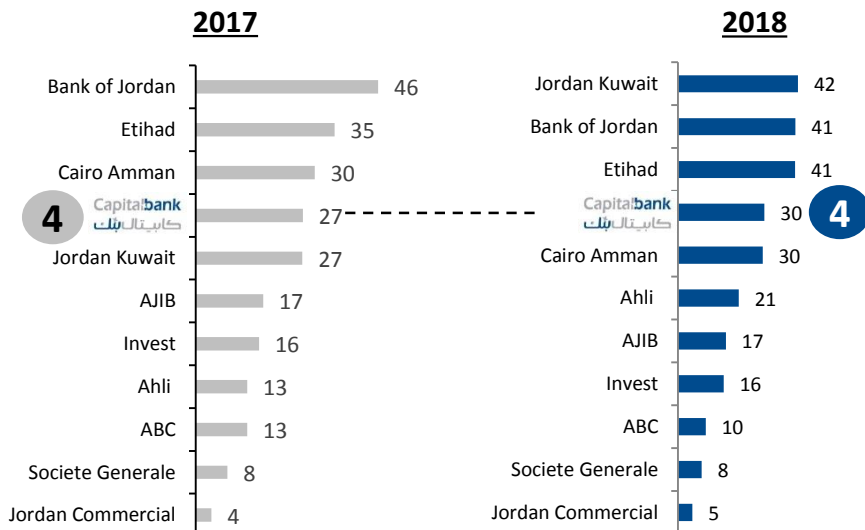


## Customer Deposits (JOD mm)

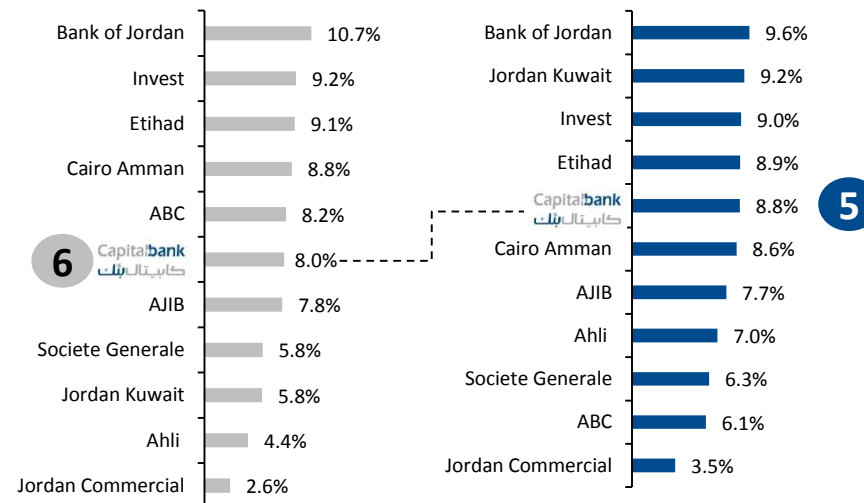


Capital Bank retreated one ranking for Societe Generale Banque as the latter acquired First Abu Dhabi Bank's local book (a net liability book) during the year.

## Net Income (JOD mm)



## Return on Average Equity



# Strategic Partner for Multilateral Funding Organizations



- Credit line, technical assistance, access to global network of confirming banks



**European Bank**  
for Reconstruction and Development

- Trade finance guarantees and revolving credit facilities for SMEs



- Guarantees a portion of loans granted to SMEs



- Credit facilities with relatively low interest rates to finance eco-friendly projects



- Shari'a compliant export and investment insurance

المؤسسة العربية لضمان  
الاستثمار وائتمان الصادرات  
The Arab Investment & Export  
Credit Guarantee Corporation

- Credit limit and insurance scheme for eligible trade finance transactions



الصندوق السعودي للتنمية  
The Saudi Fund for Development

- Credit limit to finance LCs, bills of exchange and commercial invoices



- Guarantees 70% of loans granted to SMEs



- Financing facilities for eligible trade transactions

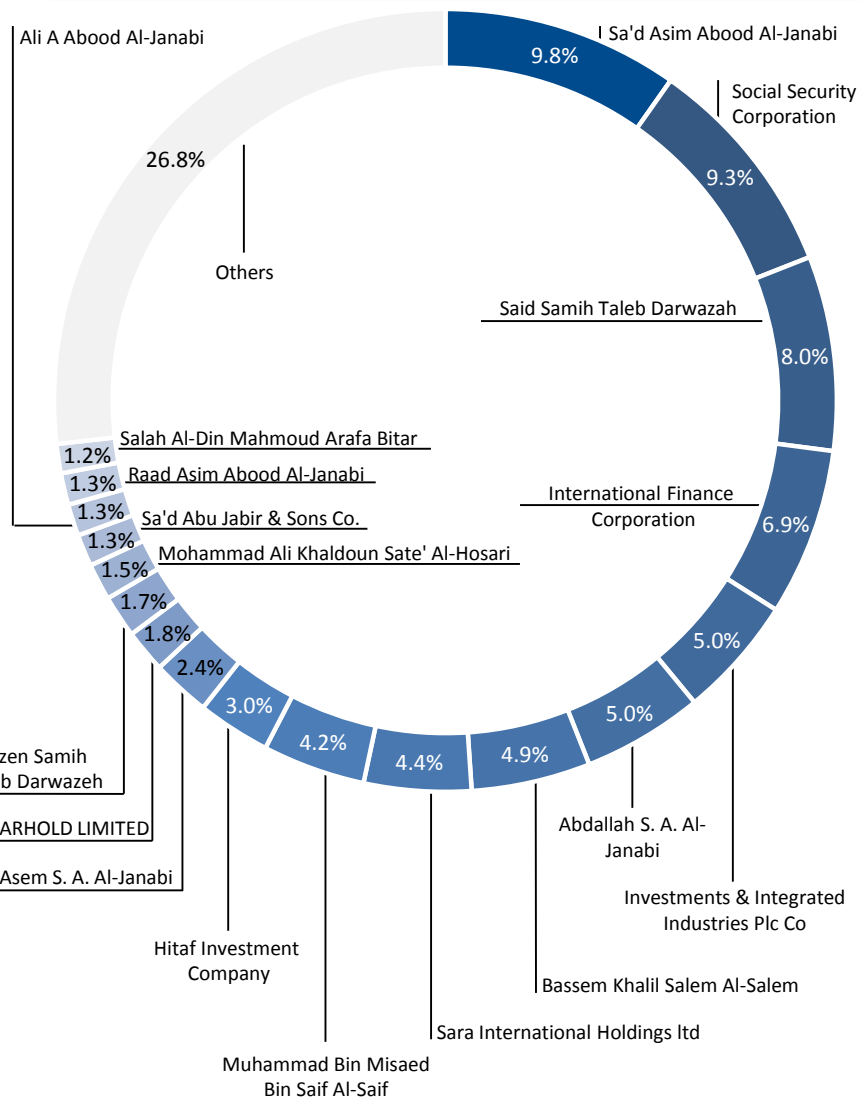


- Credit line for trade finance activities



# Shareholding Structure, Corporate Governance & Structure

## Shareholders (December 2018)



## Corporate Governance Structure

### Board of Directors

#### Board Committees

Corporate Governance Committee    Remuneration Committee    Risk Committee    Compliance Committee    Audit Committee    IT Governance Committee    Facilities Committee

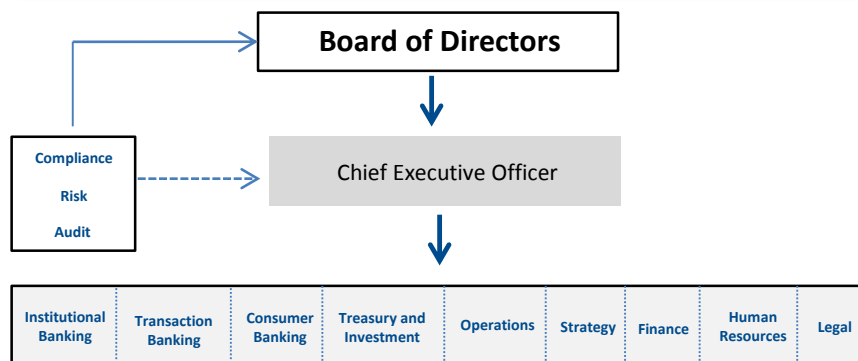
#### Management Committees

ALCO Committee    Investment Committee    New Products and Services Committee    Procurement Committee    Branch Modernization Committee    Properties and Real Estate Committee    IT Steering Committee    Risk Management Committee

## Structure and Composition

### Board of Directors

#### Chief Executive Officer



# Management and Board of Directors

## Board of Directors

Name	Position	Nationality
Bassem Khalil Salem Al-Salem	Chairman	Jordanian
Mazen Samih Taleb Darwazeh	Vice Chairman	Jordanian
Social Security Corporation (Fadi Khalid Mufleh Al Alawneh)	Member	Jordanian
Investment and Integrated Industries Co. Plc (Omar M. I. Shahrour)	Member	Jordanian
Al Khalil Company for Investments (Khalil Hatem Khalil Al-Salem)	Member	Jordanian
Hitaf Investment Company ("Mohammed Ali" Khaldoun Sati' Al-Husry)	Member	Jordanian
Al-Jadarah Company for Real Estate Investment (Elseif, Sultan Mohammed M.)	Member	Saudi
Omar Akram Omran Bitar	Member	Palestinian
Reem Haitham Jamil Goussous	Member	Jordanian
Ahmad Qasem Deeb Al-Hanandeh	Member	Jordanian
Khalid Walid Hussni Nabils	Member	Jordanian
Dawod M. D. Al Ghoul	Member	Jordanian
Mohammad Hasan Subhi Alhaj Hasan	Member	Jordanian

## Management

Name	Position	Nationality
Ala Attallah Qumsieh	Chief Executive Officer	Jordanian
Ali Mohamed Abu Swai	Treasurer	Jordanian
Anton Francis Lolas*	Head of Consumer Banking	Jordanian
Eyas Nazmi Khawaja	Chief Operating Officer	Jordanian
Falah Hasan Kokash	Chief Risk Officer	Jordanian
Hawar Talal Mohammad Hijazi	Head of Human Resources	Jordanian
Manar Mohammad Alnsour	Chief Financial Officer	Jordanian
Mohammed Abdul Karim Muaz	Legal Counselor	Jordanian
Rafat Abdullah Khalil	Chief Auditor	Jordanian
Saher Dawood Abdul-Hadi	Head of Compliance	Jordanian
Yasser Ibrahim Kleib	Head of Institutional Banking	Jordanian

\*Resigned effective 30 April 2019

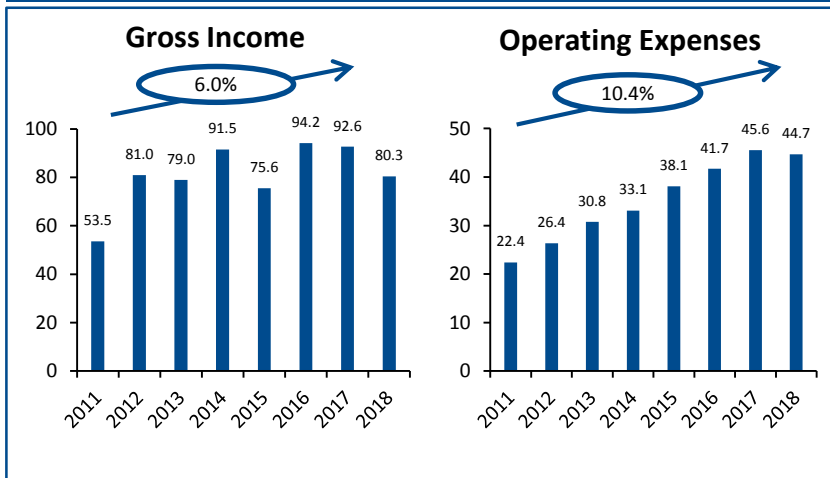
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## Content

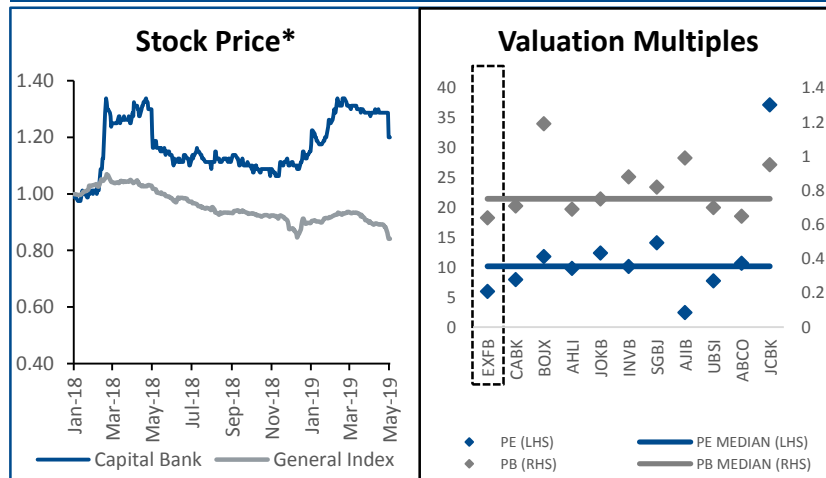
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# Performance Trends

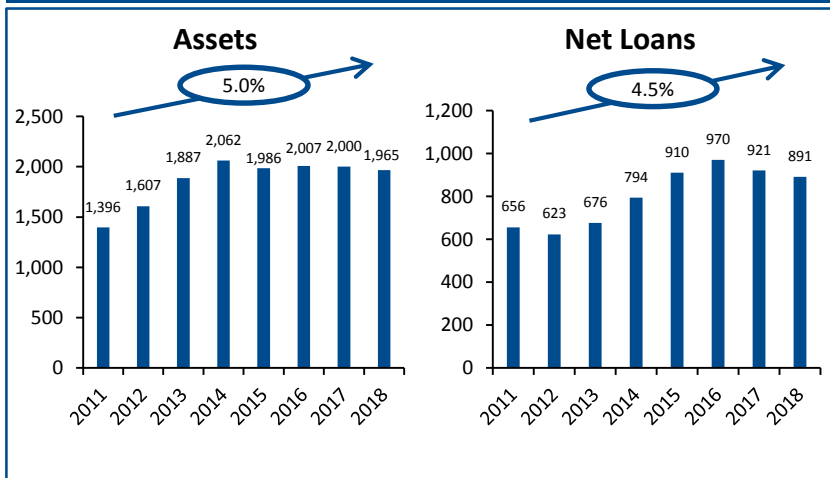
## Revenues and Costs (JOD mm)



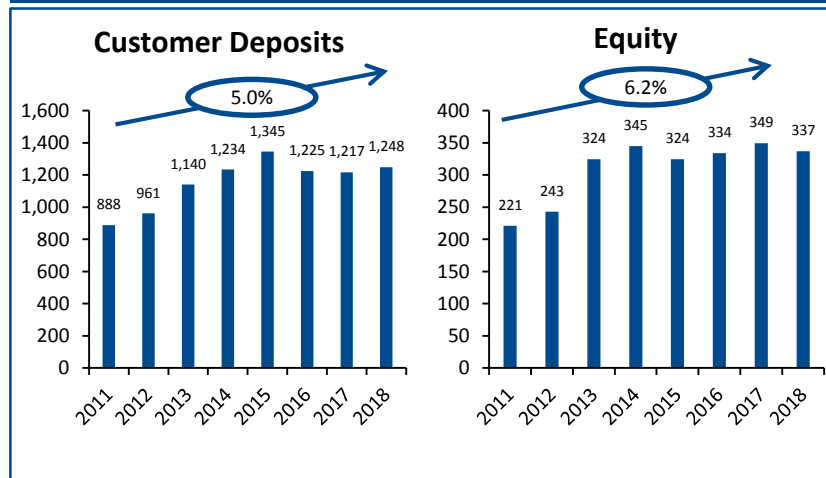
## Stock Performance



## Assets and Loans (JOD mm)



## Deposits and Equity (JOD mm)



\*Indexed to 1.0

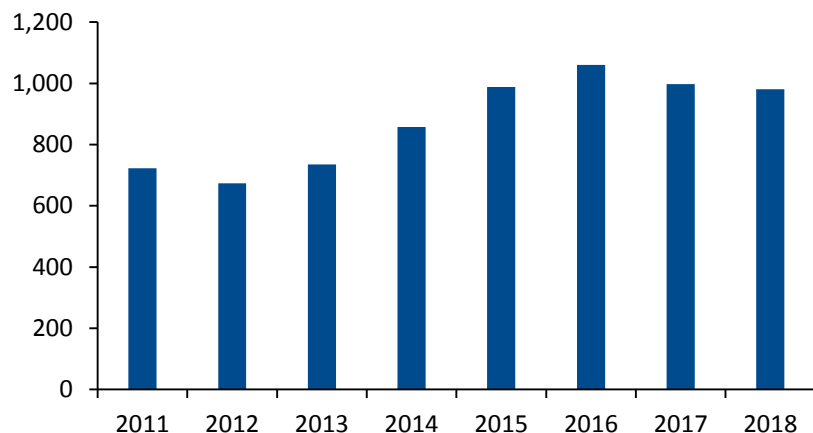
Sources: Capital Bank's financial statements, Bloomberg

# Resilient Balance Sheet, Diversified Loan Book

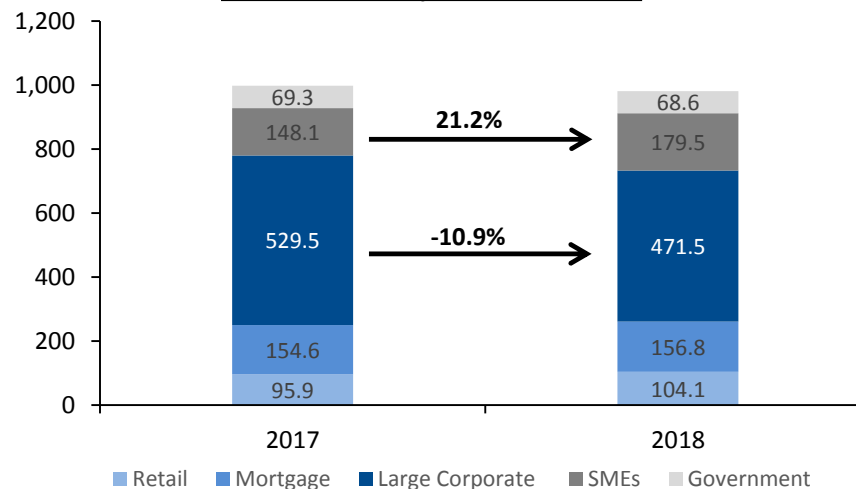
Gross loans grew at a CAGR of 4.5% during the period 2011 - 2018

Gross loans contracted by 1.7% YoY as the bank continues to exit low yielding corporate accounts

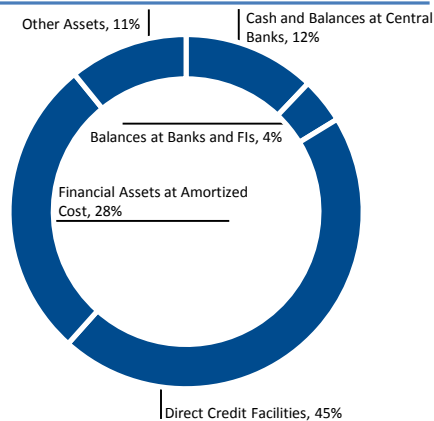
**Gross Loans (JOD mm)**



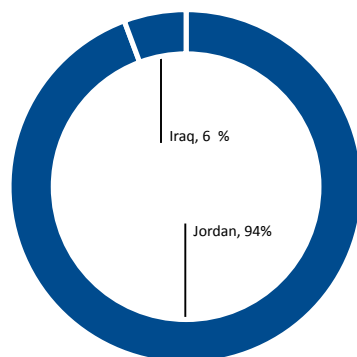
**Gross Loans Composition (JOD mm)**



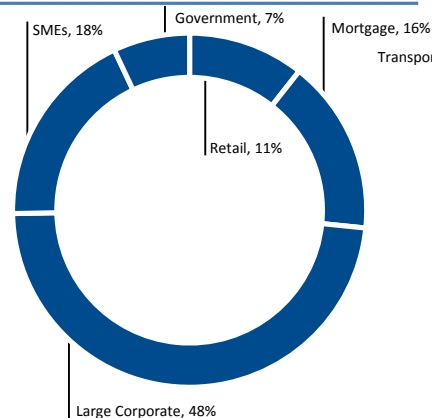
**Resilient Balance Sheet**  
Composition of Assets



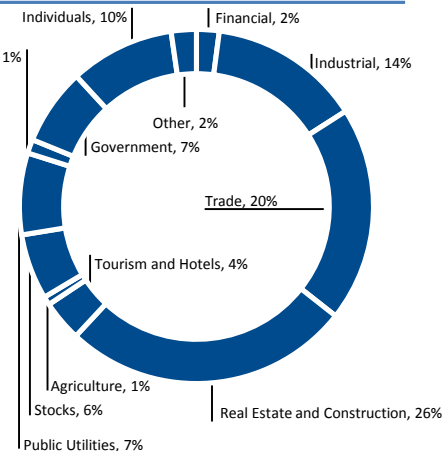
**Geared to Jordan**  
Portfolio Exposure



**Skewed towards Large Corporate**  
Loan Book by Business Segment



**Well Diversified by Economic Sector**  
Loan Book by Economic Sector

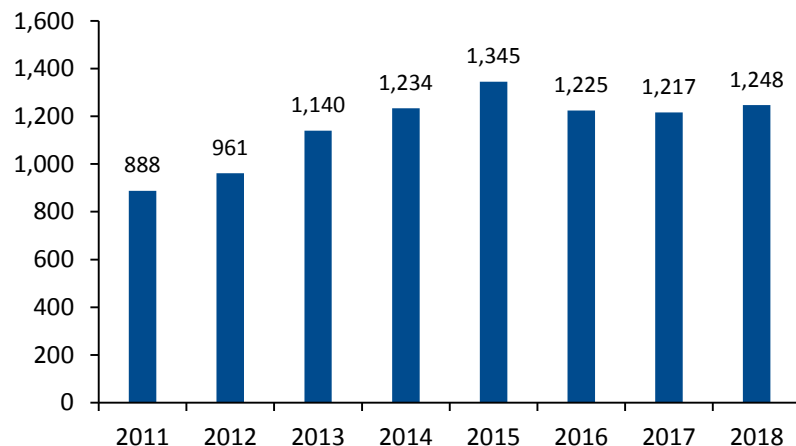


# Diversified Funding Mix Dominated By Granular Retail Deposits

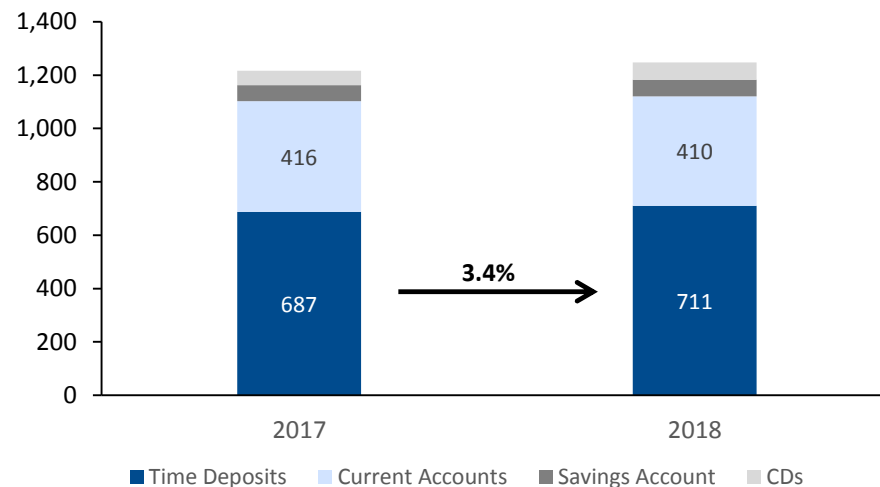
Customer deposits grew by 2.5% in 2018 driven by a 3.4% growth in time deposits, outpacing the market which saw a 2.0% increase in deposits.

Customer deposits continued to be dominated by granular retail time deposits. As at end-2018, time deposits accounted for 70% of the total.

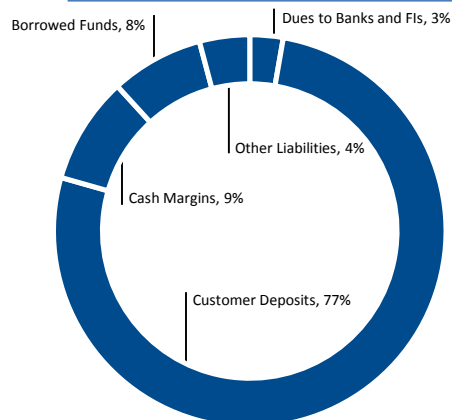
**Customer Deposits (JOD mm)**



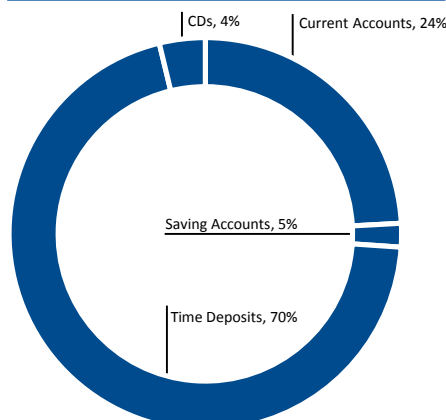
**Customer Deposits Composition (JOD mm)**



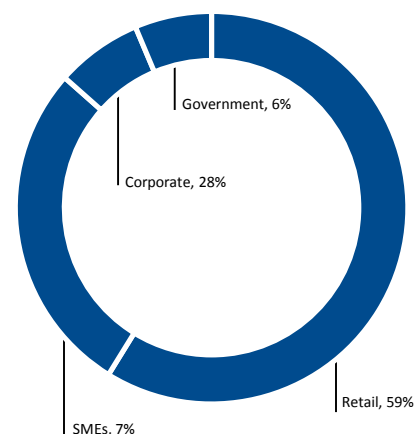
**Solid Liability Base...  
Funding Mix**



**Mostly Stable Time Deposits  
Customer Deposits by Type**



**Dominated by Granular Retail Deposits  
Customer Deposits by Segment**

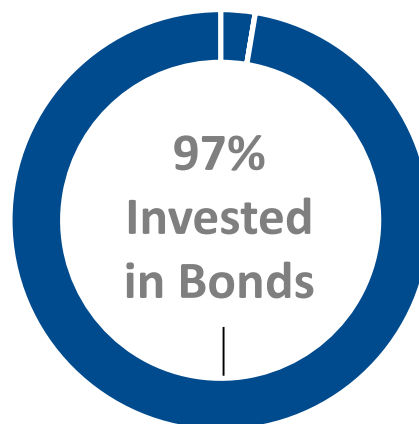


# Investment Securities Dominated by High-Quality Government Bonds

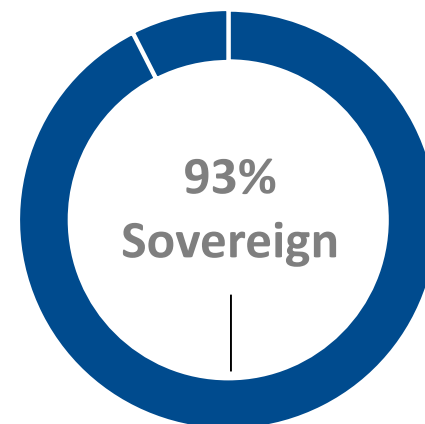
- As of end-2018, the investment securities portfolio stood at JOD 595 million.
- 97% of the portfolio is invested in bonds
- Sovereigns make up 93% of the bond portfolio.
- 76% of the bond portfolio is comprised of JOD-denominated treasury bonds and bills.
- The bond portfolio is entirely made up of fixed-paying coupon bonds.
- The duration of the portfolio is less skewed to the short end of the curve, than a year ago, as expectations of further interest rate hikes have receded.

## High Quality Investment Portfolio Mainly Invested in Government Bonds

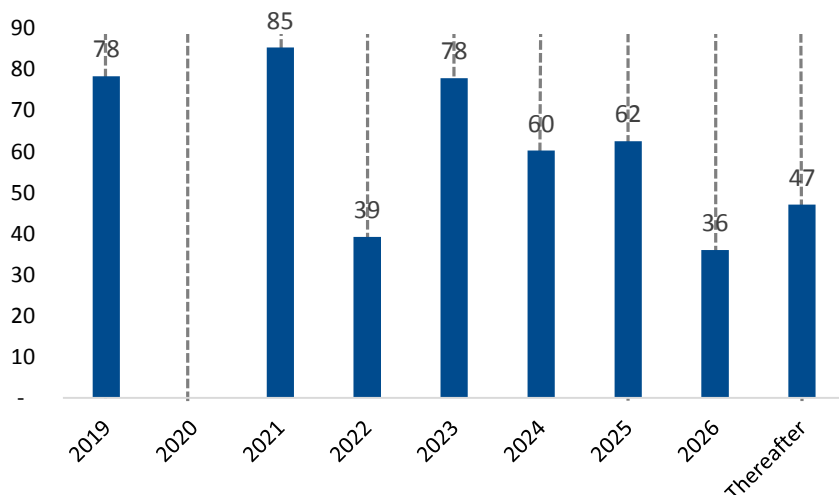
By Asset Class



Bonds By Issuer



Government Bonds Maturity Profile\* (JOD mm)



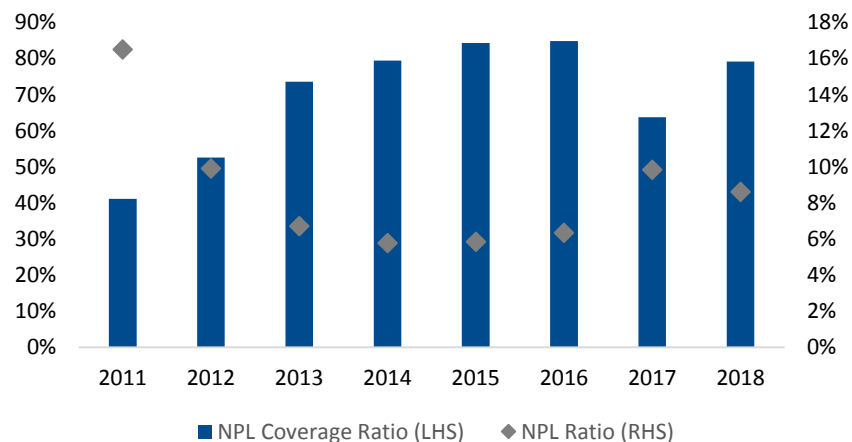
Bonds Coupon Structure



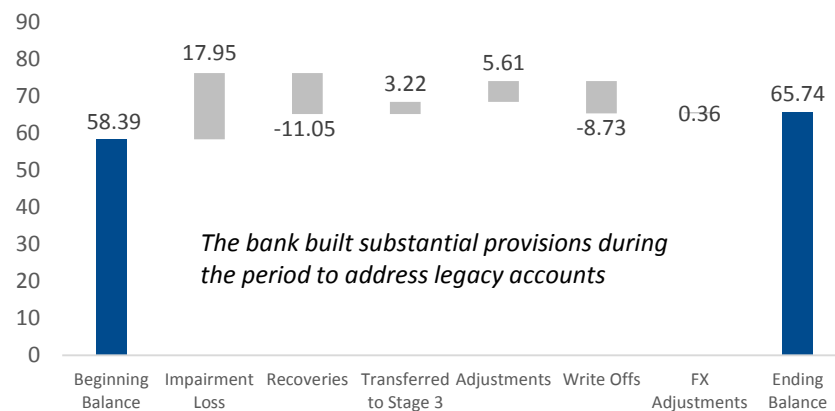
\* These bonds represent JOD – denominated government bonds classified under financial assets at amortized cost as at end-2018  
Source: Capital Bank's Financial Statements

# Robust Credit Quality Metrics

**NPL and NPL Coverage Ratios**



**Allowance for Loan Losses 2018 (JOD mm)**



**Non-Performing Loans (JOD mm)**



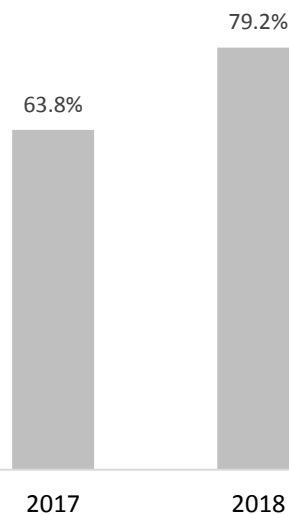
**NPL Ratio**



**Impairment Allowances (JOD mm)**



**NPL Coverage Ratio**



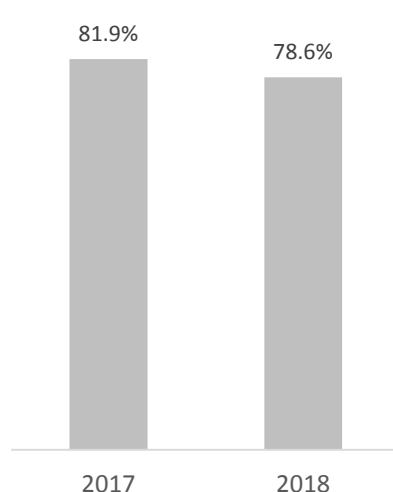


# Liquid Balance Sheet, Strong Capital Buffers

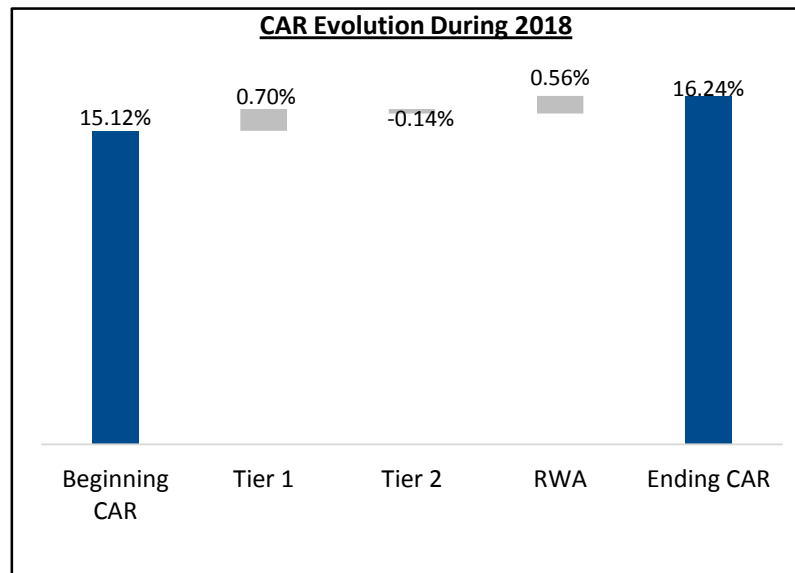
**Cash and Equivalents / Total Assets**



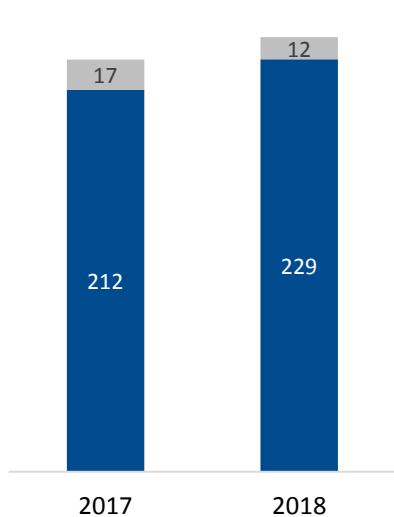
**Gross Loans to Deposits**



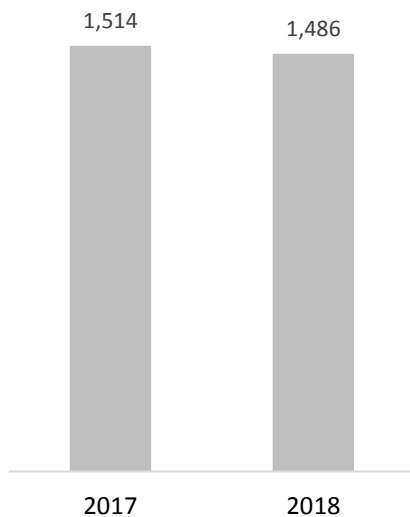
**CAR Evolution During 2018**



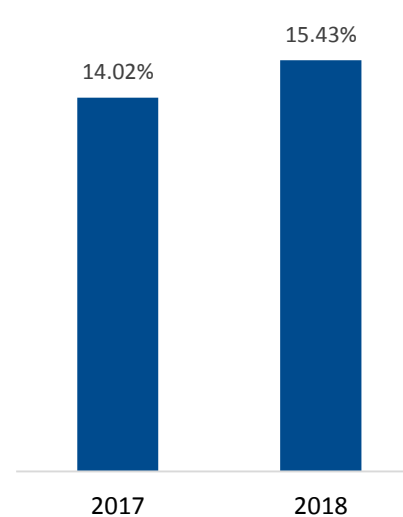
**Capital Tier 1 and 2 (JOD mm)**



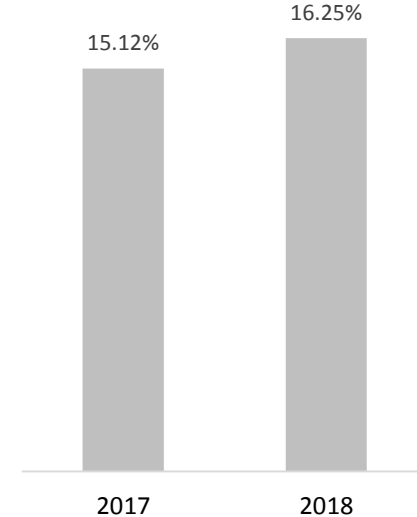
**Risk Weighted Assets (JOD mm)**



**Tier 1 Ratio**



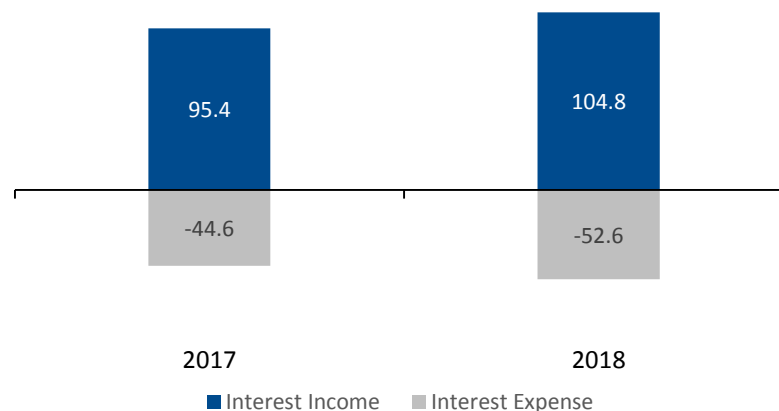
**Capital Adequacy Ratio**



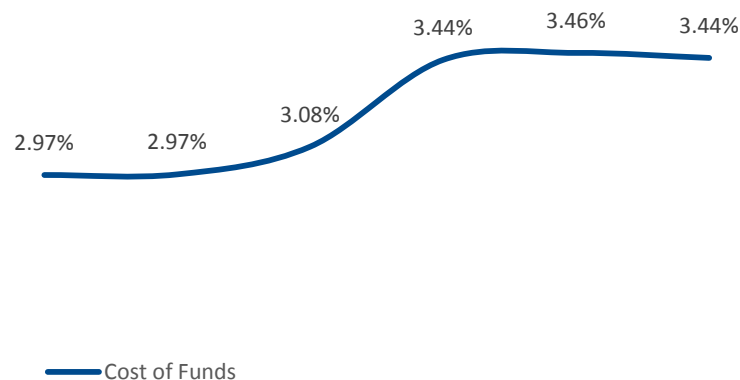
# Higher Interest Income Despite Better Loan-to-Deposit Ratio

- Despite a more favorable loans to deposits ratio, net interest income increased by 9.9% YoY during the year, driven by: i) rising interest rates, ii) the introduction of RAROC- based pricing, iii) replacing legacy low yielding corporate accounts with profitable accounts.
- NIM expanded considerably during the 4<sup>th</sup> quarter of the year owing to an increase in asset yields as the bank continues to reap the fruits of its asset optimization strategy. Lower cost of funds also contributed to the expansion as higher LtD enticed the bank to shed expensive time deposits.

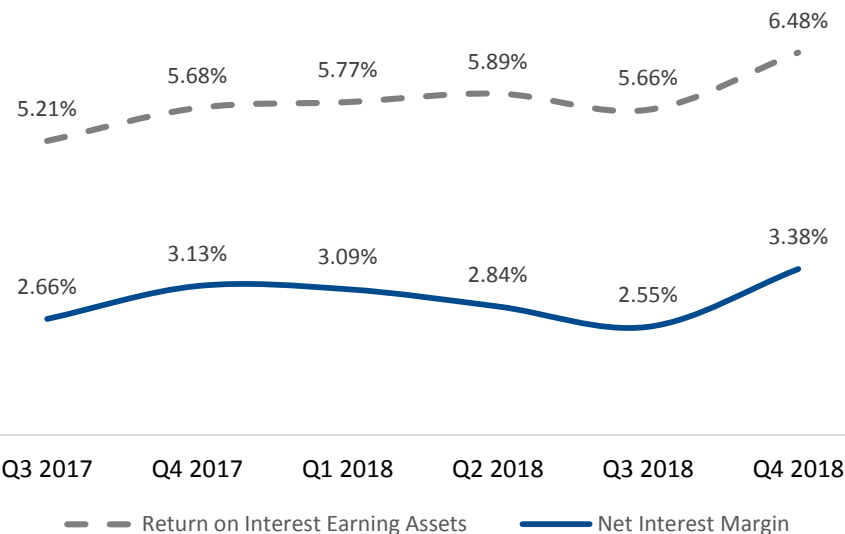
**Net Interest Income (JOD mm)**



**Cost of Funds eased slightly as the bank shed expensive deposits amid higher loan to deposit**



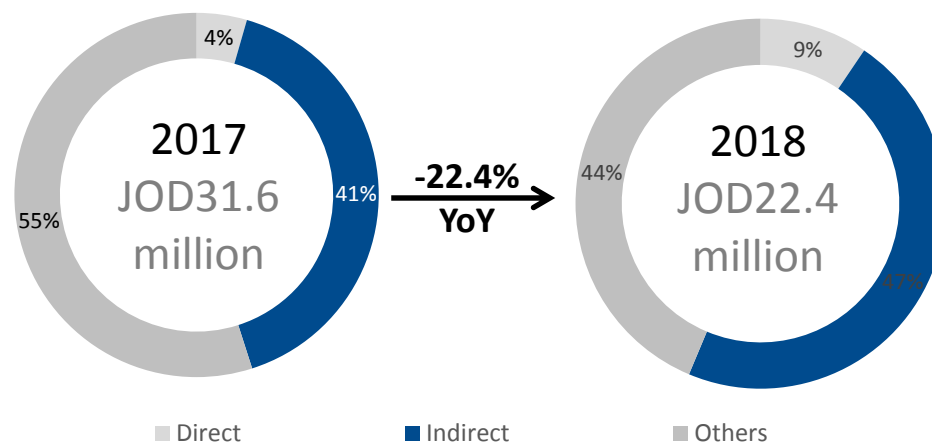
**NIMs expanded significantly during 4Q 2018 driven by an increase in asset yields**



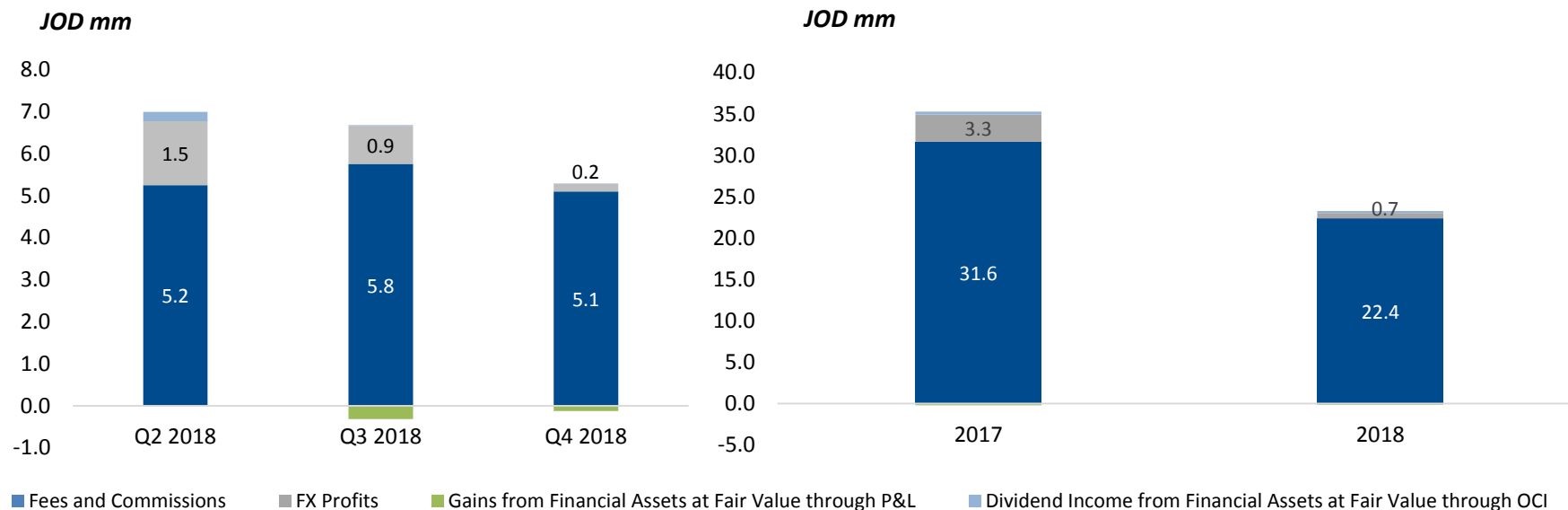
# Non-Funded Income Adversely Impacted by Revaluation Loss

- Fee income dropped due to significant strengthening of IQD against USD resulting in much lower FX volumes in Iraq affecting fees associated with FX transactions.
- As a result of the Central Bank of Iraq's efforts to eliminate the USD parallel market, the gap between the official price and the market price has almost diminished.
- Currently, we are ruling out the possibility of further IQD strengthening as the CBI has committed to maintain the peg at the current rate.
- We expect non funded income to pick up buoyed by the political and economic gains in Iraq.

Fees and Commissions Income Fell by 29% YoY during H1 2018

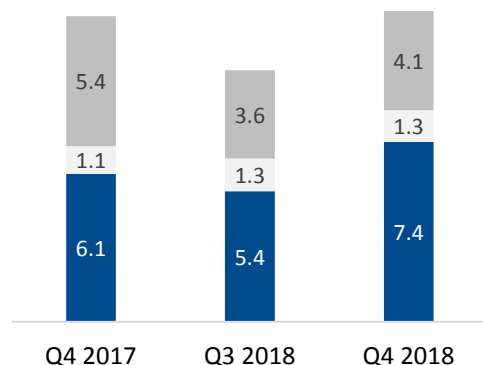


Non funded income dropped during 2018 owing to a revaluation loss which stemmed from a stronger IQD and a drop in fees and commissions emanating from FX transactions



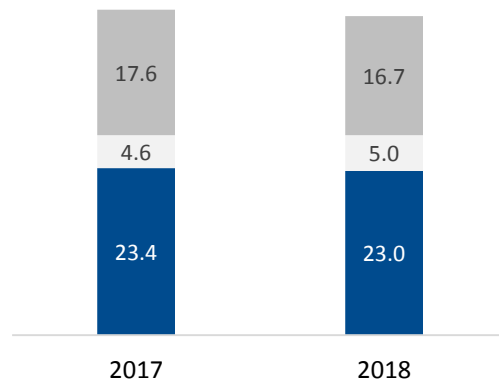
# Cost to Income Up on Higher IT Infrastructure Spend

Operating Expenses Inched lower by 2.3% QoQ  
JOD mm



■ Employees compensation ■ Depreciation and amortization ■ Other Expenses

Operating Expenses down 6.7% YoY  
JOD mm



Cost to Income Ratio\*

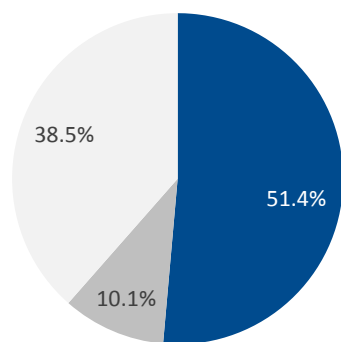
**2017**

**51.0%**

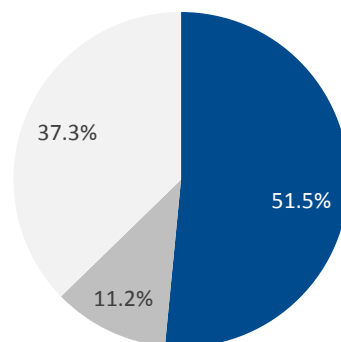
**2018**

**56.1%**

**2017**



**2018**



■ Employees compensation ■ Depreciation and amortization ■ Other Expenses

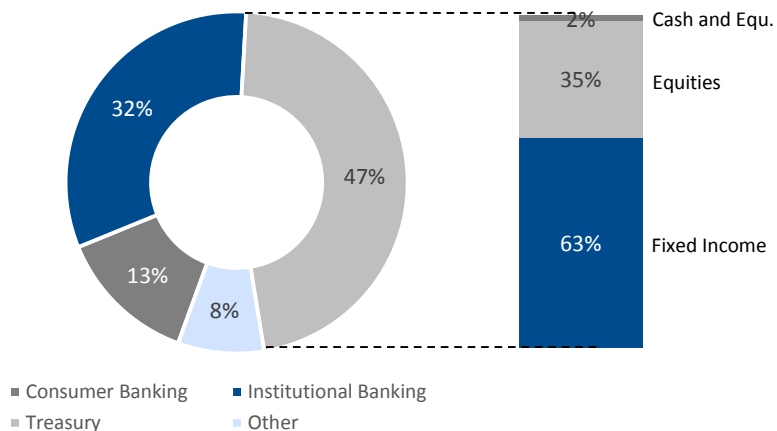
- Efficiency dropped during the year as epitomized by the higher cost to income ratio, as the bank continues to focus on investing in its IT infrastructure. The drop in non-funded income also weighed on efficiency. In 1Q 2019, cost to income improved to 48.4% indicating that the deterioration is only temporary in nature.
- The cost to assets ratio, on the other hand, remained stable at 2.3%.
- Employees compensation fell by 1.7% YoY in 2018 to reach JOD 23.0 million.
- Other expenses also experienced a drop but a steeper rate of 5.1% YoY.

Source: Capital Bank's financial statements

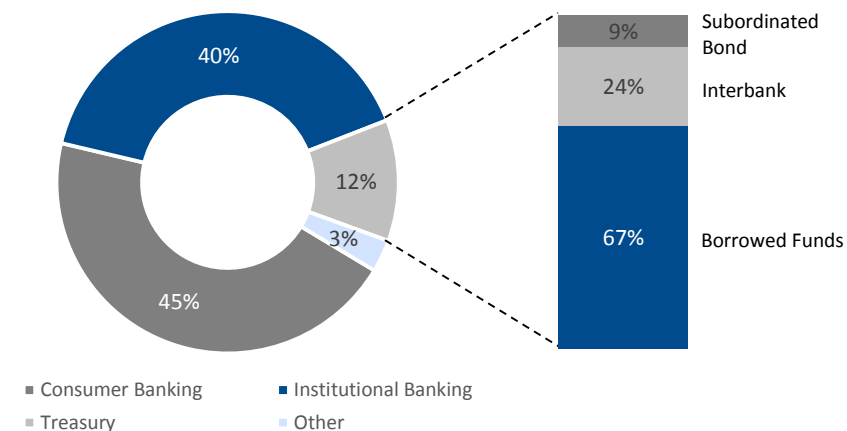
\*Income Excludes FX profits to eliminate the impact of FX revaluation

# Performance by Segment

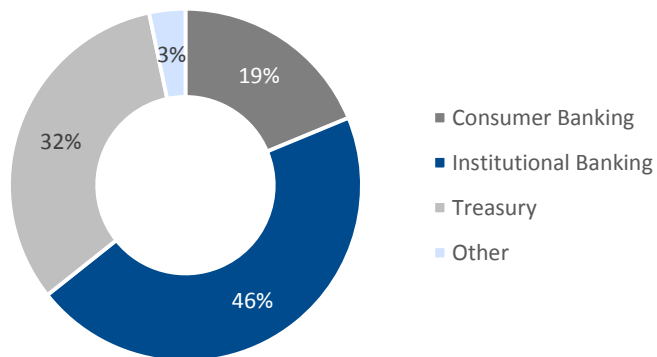
## Assets



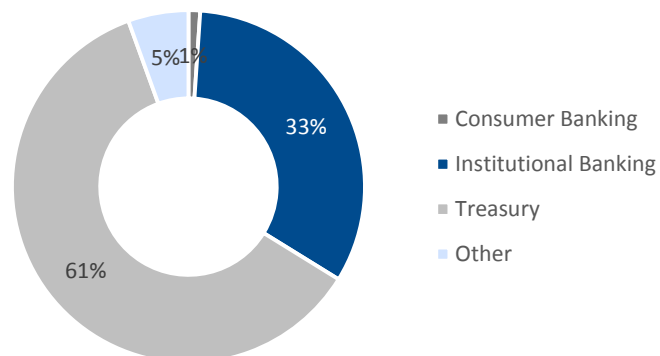
## Liabilities



## Total Revenue



## Operating Income



# Consolidated Balance Sheet

Balance Sheet (JOD mm)		2011	2012	2013	2014	2015	2016	2017	2018
Assets	Cash and Balances with Central Banks	124	206	282	325	345	261	283	238
	Balances at Banks and Financial Institutions	163	80	124	148	185	166	194	82
	Deposits with Banks	0	0	6	12	15	0	0	0
	Financial Assets at Fair Value through P&L	41	15	11	15	3	4	3	4
	Financial Assets at Fair Value through OCI	5	4	5	5	6	9	9	50
	Direct Credit Facilities, Net	656	623	676	794	910	970	921	891
	Financial Assets at Amortized Cost	312	371	505	555	377	451	468	541
	Financial Assets Pledged as Collateral	4	166	109	37	0	0	0	0
	Property, Plant, and Equipment	26	25	24	27	30	30	30	32
	Intangible Assets	8	8	8	9	4	6	6	11
	Deferred Tax Assets	7	7	7	8	8	11	10	15
	Other Assets	50	102	129	125	101	99	76	102
<b>Total Assets</b>		<b>1,396</b>	<b>1,607</b>	<b>1,887</b>	<b>2,062</b>	<b>1,986</b>	<b>2,007</b>	<b>2,000</b>	<b>1,965</b>
Liabilities	Dues to Banks and Financial Institutions	124	83	103	169	46	143	108	45
	Customer Deposits	888	961	1,140	1,234	1,345	1,225	1,217	1,248
	Cash margins	58	70	105	143	116	145	145	144
	Borrowed Funds	57	194	147	95	84	78	119	125
	Subordinated Bonds	0	0	0	18	18	18	18	18
	Secondary Loans	13	13	13	10	8	5	0	0
	Sundry Provisions	11	5	0	0	12	25	17	9
	Provisions for Expected Credit Loss on Off-BS Items	-	-	-	-	-	-	-	7
	Income Tax Provisions	3	6	11	13	8	11	2	1
	Deferred Tax Liabilities	0	0	0	0	1	0	1	4
	Other Liabilities	22	33	42	35	24	24	25	29
<b>Total Liabilities</b>		<b>1,175</b>	<b>1,364</b>	<b>1,562</b>	<b>1,717</b>	<b>1,662</b>	<b>1,673</b>	<b>1,651</b>	<b>1,628</b>
Shareholders' Equity	Paid-Up Capital	150	165	165	182	200	200	200	200
	Share Premium	1	1	1	1	1	1	1	1
	Statutory Reserve	16	18	23	28	30	32	35	39
	Voluntary Reserve	0	0	0	0	0	0	0	0
	General Reserve	6	6	8	9	9	10	9	0
	FX Translation Reserves	3	3	4	6	0	-4	-4	-5
	Fair Value Reserve	-1	-2	-1	-1	-1	-1	0	0
	Equity Component of the Convertible Loans	1	1	1	1	0	0	0	0
	Retained Earnings	29	31	64	57	31	40	51	53
	Shareholders' Equity	204	223	264	282	269	278	292	287
<b>Total Equity</b>		<b>221</b>	<b>243</b>	<b>324</b>	<b>345</b>	<b>324</b>	<b>334</b>	<b>349</b>	<b>337</b>

Source: Capital Bank's financial statements

# Consolidated Income Statement

Income Statement (JOD mm)	2011	2012	2013	2014	2015	2016	2017	2018
Interest Income	70.6	81.6	99.8	108.7	100.3	95.8	95.4	104.8
Interest Expense	-35.4	-39.6	-58	-54.8	-43.2	-38.4	-44.6	-52.6
<b>Net Interest Income</b>	<b>35.1</b>	<b>41.9</b>	<b>41.8</b>	<b>53.9</b>	<b>57.1</b>	<b>57.4</b>	<b>50.7</b>	<b>52.2</b>
Fees and Commissions	14.7	32.2	19.7	20.6	15.8	24.4	31.6	22.4
<b>Net Interest and Fees Income</b>	<b>49.8</b>	<b>74.1</b>	<b>61.5</b>	<b>74.5</b>	<b>72.9</b>	<b>81.8</b>	<b>82.4</b>	<b>74.6</b>
FX profits	1.5	1.5	2.8	2.3	5.3	8.5	3.3	0.7
Gains from FA at FV P&L	0	2.3	2.9	1.9	-4.4	0	-0.2	-0.2
Dividend income from FA at FV OCI	0.1	0.1	0.1	0.1	0.1	0.3	0.4	0.3
Gains from FA at Amortized cost	0.1	-0.1	0.1	0.1	0	0	0.5	0.0
Impairment of Financial Assets	-0.5	0	0	0	0	0	0	0.0
Other income	2.5	3	11.6	12.7	1.7	3.5	6.3	5.0
<b>Gross Profit</b>	<b>53.5</b>	<b>81</b>	<b>79</b>	<b>91.5</b>	<b>75.6</b>	<b>94.2</b>	<b>92.6</b>	<b>80.3</b>
Employees compensation	-11.7	-13.1	-15.5	-16.2	-18.1	-21	-23.4	-23.0
Depreciation and amortization	-2.8	-3.4	-3.6	-3.6	-3.8	-4.4	-4.6	-5.0
Other Expenses	-7.9	-9.9	-11.7	-13.3	-16.1	-16.3	-17.6	-16.7
Impairment Loss on Seized Assets	-2.8	-2.5	-3.5	-0.5	1.4	-0.2	-0.2	-0.1
Impairment of loan losses	-15.8	-27.9	-0.9	-7.7	-8.8	-8.7	-24.1	-0.8
Other provisions	-10.5	5.5	5	-0.1	-19	-16.5	8.6	2.6
<b>Total Expenses</b>	<b>-51.5</b>	<b>-51.3</b>	<b>-30.3</b>	<b>-41.4</b>	<b>-64.5</b>	<b>-67.1</b>	<b>-61.3</b>	<b>-42.9</b>
Pre-tax Income	2	29.7	48.7	50.1	11.1	27.1	31.4	37.4
Tax Expense	-0.6	-7.7	-11.7	-13.8	-10	-11	-4.1	-7.1
<b>Net Income</b>	<b>1.4</b>	<b>22</b>	<b>37</b>	<b>36.3</b>	<b>1.1</b>	<b>16.1</b>	<b>27.3</b>	<b>30.3</b>
Att. Shareholders	1	19.8	35.2	33.5	4.9	12.4	24.4	30.8
Minority Interest	-0.4	-2.2	-1.9	-2.8	3.9	-3.7	-3	0.4

# Group Key Metrics

Summary Sheet	2011	2012	2013	2014	2015	2016	2017	2018
<b>Key Balance Sheet Indicators (JOD mm)</b>								
Total Assets	1,395.8	1,606.9	1,886.6	2,061.7	1,986.0	2,007.3	2,000.4	1,964.8
Loan Portfolio	655.9	623.3	676.4	794.4	910.5	970.5	921.0	891.0
Bond Portfolio	312.3	370.5	505.0	554.9	377.5	450.7	467.9	541.0
Total Liabilities	1,174.6	1,364.1	1,562.3	1,716.8	1,661.8	1,673.2	1,651.0	1,627.9
Customer Deposits	887.9	961.0	1,140.3	1,234.1	1,345.1	1,224.7	1,217.0	1,247.9
<b>Key Income Statement Indicators (JOD mm)</b>								
Net Interest Income	35.1	41.9	41.8	53.9	57.1	57.4	50.7	52.2
Net Interest and Commissions Income	49.8	74.1	61.5	74.5	72.9	81.8	82.4	74.6
Gross Income	53.5	81	79	91.5	75.6	94.2	92.6	80.3
Net Income	1.4	22	37	36.3	1.1	16.1	27.3	30.3
<b>Asset Quality</b>								
NPL Ratio (including IIS)	18.7%	12.1%	9.7%	8.5%	8.7%	9.4%	11.2%	10.2%
NPL Ratio (excluding IIS)	16.5%	9.9%	6.7%	5.8%	5.8%	6.4%	9.8%	8.6%
Provisions Coverage Ratio (excluding IIS)	41.1%	52.6%	73.6%	79.4%	84.3%	84.8%	63.8%	79.2%
<b>Capital</b>								
Capital Adequacy Ratio	17.2%	19.3%	18.7%	18.8%	18.3%	13.9%	15.2%	16.2%
Tier I Capital Ratio	15.4%	18.0%	17.5%	16.5%	16.8%	12.5%	14.1%	15.4%
<b>Efficiency Ratios</b>								
Cost to Net Interest and Commission Income	45.0%	35.5%	50.0%	44.4%	52.2%	51.0%	55.3%	59.9%
Cost to Gross Income	41.9%	32.5%	39.0%	36.2%	50.4%	44.3%	49.2%	56.1%
<b>Liquidity Ratios</b>								
Utilization Ratio (gross facilities)	81.4%	70.1%	64.5%	69.4%	73.4%	86.6%	81.9%	78.6%
Utilization Ratio (net facilities)	73.9%	64.9%	59.3%	64.4%	67.7%	79.2%	75.7%	71.4%
Utilization Ratio (net facilities to total deposits)	42.9%	40.9%	48.6%	50.5%	46.5%	43.7%	47.2%	43.8%
<b>Profitability Ratios</b>								
Net Interest Margin	2.9%	3.1%	2.7%	3.0%	3.1%	3.1%	2.7%	2.9%
ROaA	0.1%	1.5%	2.1%	1.8%	0.1%	0.8%	1.4%	1.5%
ROaE	0.7%	9.5%	13.1%	10.9%	0.3%	4.9%	8.0%	8.8%
<b>Loan Book Decomposition</b>								
Retail	10.6%	13.7%	16.3%	13.7%	12.2%	10.5%	9.6%	10.6%
Mortgage	11.4%	14.4%	15.1%	14.9%	14.3%	14.6%	15.5%	16.0%
Large Corporate	71.7%	65.1%	61.5%	61.5%	55.3%	54.6%	53.1%	48.1%
SMEs	4.0%	4.6%	5.3%	6.2%	7.9%	11.0%	14.8%	18.3%
Government	2.3%	2.2%	1.9%	3.6%	10.3%	9.2%	6.9%	7.0%
<b>Customer Deposits Breakdown</b>								
Current Accounts	24.1%	29.4%	28.3%	33.4%	37.0%	33.9%	34.2%	32.9%
Saving Accounts	1.9%	3.0%	6.3%	5.0%	4.4%	4.4%	4.9%	5.0%
Time Deposits	70.1%	63.4%	61.4%	57.7%	54.3%	57.4%	56.4%	56.9%
Certificates of Deposit	3.8%	4.2%	4.0%	3.8%	4.3%	4.2%	4.5%	5.2%

Source: Capital Bank



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## Content

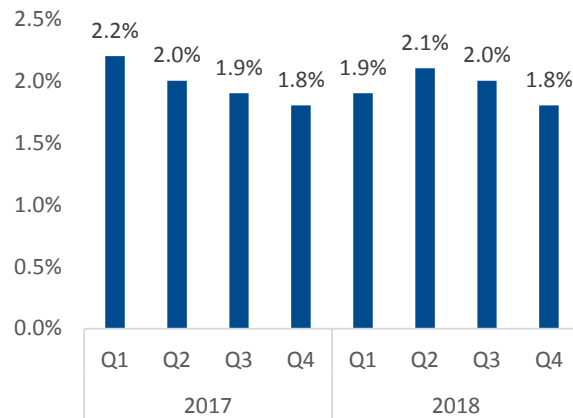
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# Jordan Economic Update

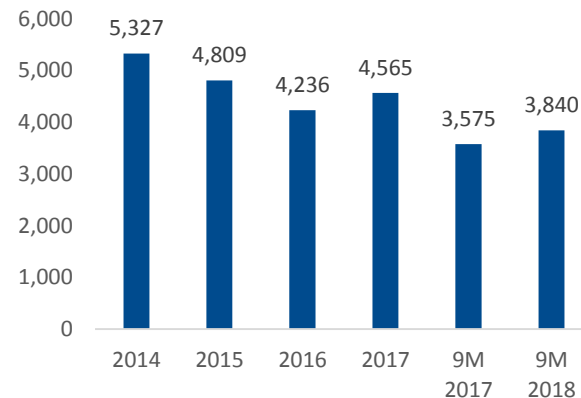
## Economic Highlights

- Regional security gains, accelerating economic growth in the GCC, and the reopening of trade routes with Iraq and Syria are expected to play favorably for the economy.
- The tourism sector continued to register positive numbers in 2018 following a strong 2017. Number of tourists increased significantly and travel receipts also surged, alleviating pressure on the current account.
- In 2018, total exports increased 3.5% YoY, while imports declined by 1.4% YoY, resulting in a narrowing of the overall trade deficit by 4.2% YoY in the same period.
- Jordan made concerted efforts in 2018 to secure energy supplies at concessionary rates and has signed agreements with Egypt, Iraq, and Israel.
- Foreign currency reserves dropped during the year owing, primarily, to lower FDIs and a benign wave of dollarization. Despite the drop, reserves are still at very comfortable levels; sufficient to cover 7.2 months of the country's imports.
- We are confident that Jordan will pass the 2<sup>nd</sup> review of its SBA-arrangement with the IMF.

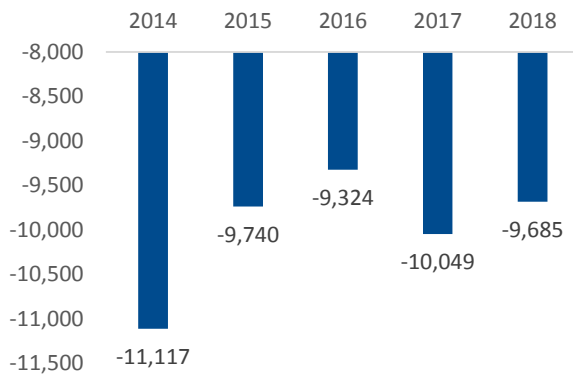
## Real GDP Growth



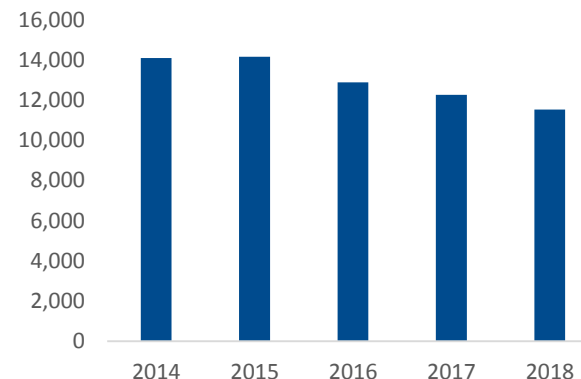
## Tourism Activity (Number of Arrivals in Thousands)



## Trade Balance (JOD million)



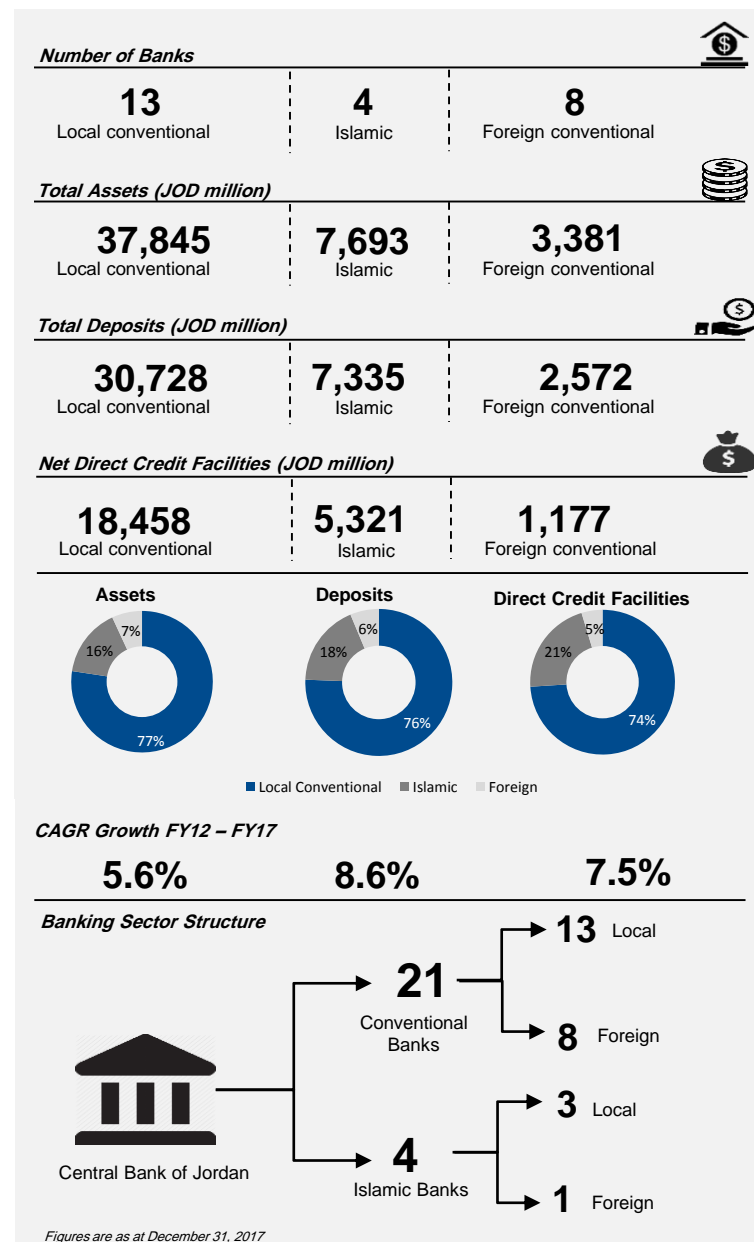
## Foreign Currency Reserve



# Jordanian Banking Sector Landscape

## Overview

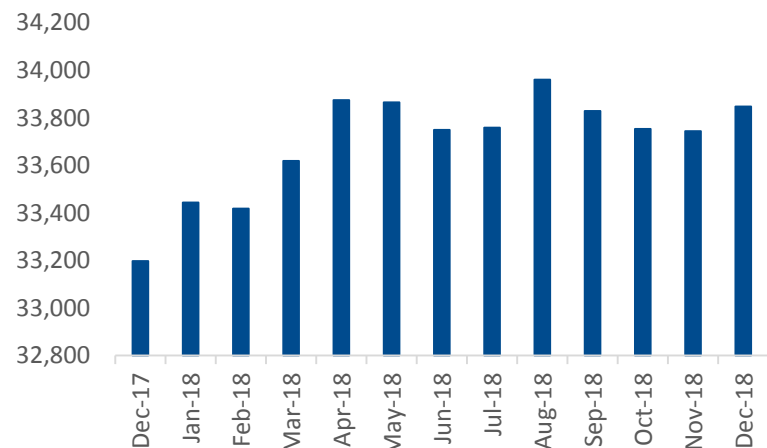
- With an asset base equivalent to 176% of the country's GDP, the Jordanian banking sector acts as a key pillar in supporting the Jordanian economy.
- The sector also accounts for over 57.1% of the total market capitalization of the Amman Stock Exchange, emphasizing its dominance in the Jordanian financial landscape.
- The banking sector is generally well capitalized as per Central Bank of Jordan requirements.
- The Jordanian banking sector recorded prominent growth in direct credit facilities, total assets, and deposits which grew by 7.5%, 5.6%, and 8.6% respectively over the period FY2012-FY2017.
- The banking sector is predominantly controlled by two key conventional banks which, together, account for 34.5% of total deposits, 27.5% of net credit facilities, and 34.5% of total assets among conventional, Islamic, and foreign banks.
- The sector currently has 25 operating banks that are regulated by CBJ, 15 of which are listed on the ASE. These are broken down into 21 conventional banks and 4 Islamic banks



# Jordanian Banking Sector: Market Update

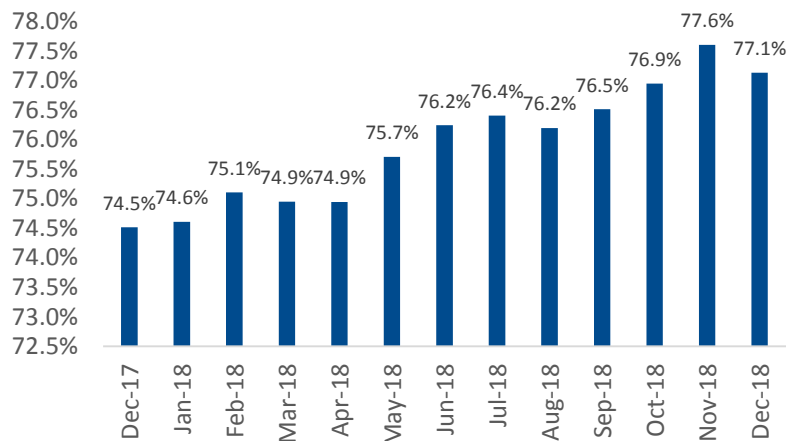
Deposits continued to register weak growth, up by 2.0% YoY.

Total Deposits (JOD mm)



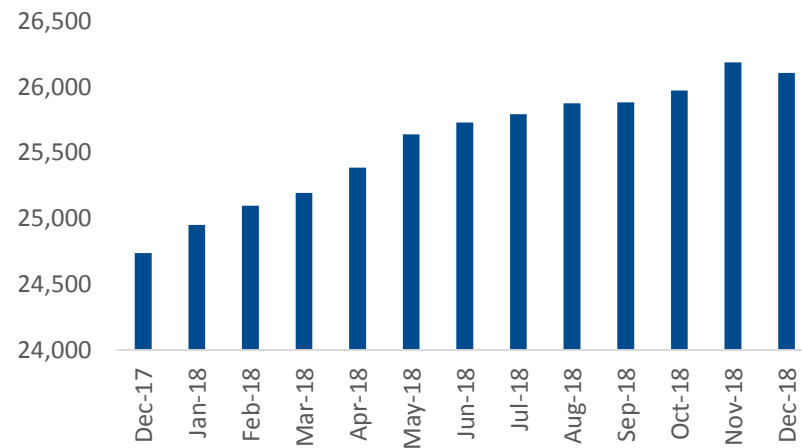
As a result, the loans to deposits ratio increased to 77.1% in December 2018, compared to 74.5% a year earlier.

Loan to Deposit Ratio



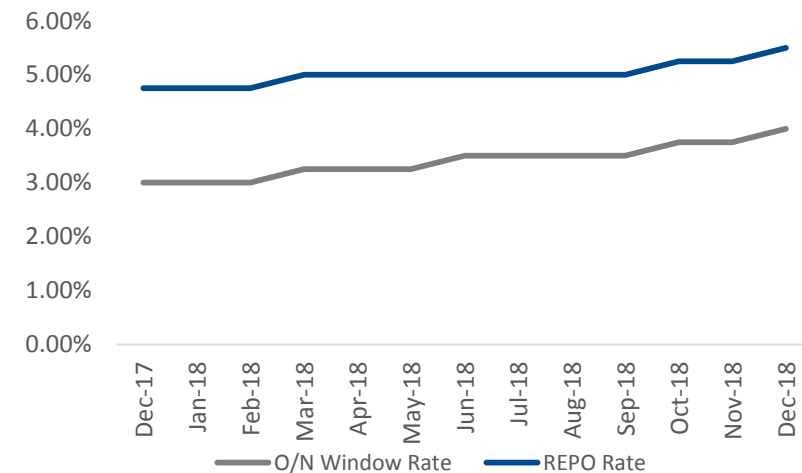
Direct credit facilities, on the other hand, grew at a faster rate supported by robust lending to the private sector.

Direct Credit Facilities (JOD mm)



The Central Bank of Jordan mirrored the U.S. monetary policy in 2018, hiking interest rates 4 times, 25 bps each.

Key Policy Rates



# Iraq Economic Update

## Economic growth

- OPEC and its allies extended output cuts until the end of 2018. The deal applies a quota of 4.35mm barrels/day (b/d) for Iraq, down from average production of 4.42mm b/d in 2016, and a peak of 4.66mm b/d in Dec. 2016.
- Iraq has not adhered fully to the quota given the semiautonomous nature of both the Kurdish region and IOCs. Iraqi compliance will improve now that the government has better control over Kirkuk and KRG production
- The conflict with the KRG will not result in a substantial cut in oil production
- Oil production is set to grow by 1.0%-1.5% in 2018, to be followed by a 5-6% surge in 2019 as new capacity comes online from development work that has partly continued during the period of the cuts
- The non-oil sector will start to support growth as the rolling-back of IS adds to the size of the economy and a modest recovery in the government's fiscal position allows for an easing of austerity measures

- **Growth to climb to an average of 2.5% to 3.5% in 2018-2022 vs e.1.3% in 2017**
- **Liquidity crunch to ease gradually**
- **Political stability and reconstruction spending will boost financial and trade activity**

## Banking and monetary policy

- Plans to establish a deposit-guarantee fund should help to overcome some of the population's reluctance to deposit cash at banks
- In March 2016 the CBI reduced its policy rate, from 6% to 4%, in response to weaker inflation, a shrinking money supply and a more stable Iraqi dinar market rate
- Policy rates will start to track those of the Federal Reserve rising in 2018 and 2019, before dipping again from 2020, in order to support the currency

- **The deposits guarantee fund to increase confidence in the banking sector**

## Fiscal policy

- Given the shallowness of the banking sector, the government has previously sought to finance its fiscal deficits by indirectly monetizing them via the Central Bank of Iraq (CBI). The government's approach will, however, gradually shift to conventional debt financing
- Iraq has been issuing bonds on the local market since 2016, but in January 2017 it also sold US guaranteed bonds worth USD1bn on international markets, and in August it sold its first independent sovereign bond since 2006, worth USD1bn, attracting strong interest
- The IMF loan has also increased the willingness of other multilaterals to lend, as a USD1.5bn financing package approved by the World Bank in December 2016 demonstrated

- **Greater engagement of multinational organizations will boost confidence in the Iraqi market**
- **Treasury bonds present an opportunity for banks to deploy their excess funds**

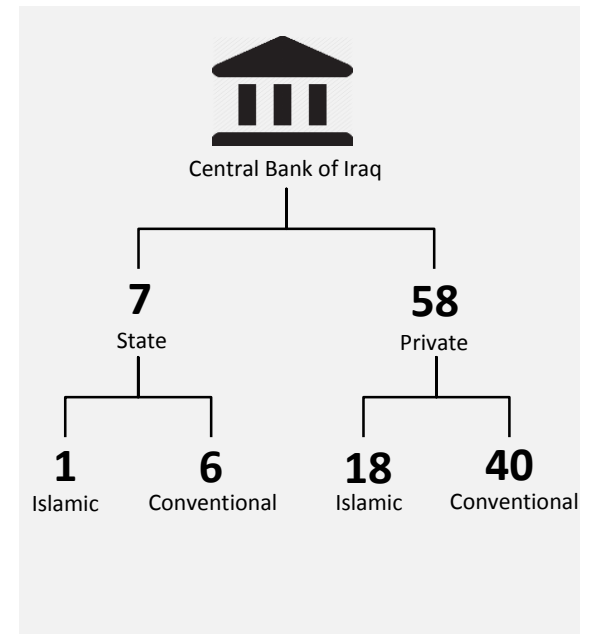
# Snapshot of Iraqi Banking Sector

- The Iraqi banking sector is split between government owned banks, local banks, and subsidiaries and branches of regional banks.
- 7 government owned banks currently dominate the Iraqi banking sector owning ~ 90% of total assets (December 2016).
- 37 banks are listed on the Iraq Stock Exchange.
- Foreign branches operating in Iraq are mainly Turkish and Lebanese. Eight banks were established during 2016 (together they account for 0.8% of the sector's total Assets).
- 58 Private banks, including the 18 Islamic banks, hold only 14% of deposits in Iraq (December 2016).
- Bank of Baghdad is the largest private sector bank, possessing 0.6% of the sector's total assets.

Market Share of Iraqi Banks as % of Total Assets (2016)



Banking Sector Structure



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# National Bank of Iraq

NBI provides country-wide coverage in Iraq with ten strategically located branches in Baghdad, Basra, Umm Qasr, Najaf, Karbala, Mosul as well as the Kurdish region in Erbil and Sulaymaniah

## Commercial and Retail Banking

In 2005, Capital Bank acquired a majority stake in NBI thus exercising control over operations. NBI is a publicly traded listed bank on the Iraq Stock Exchange and it delivers a comprehensive array of banking solutions to businesses and retail clients

## Strong Relationships with the Authorities

NBI is one of the few private sector banks accepted by the Iraqi government for public sector employee salary transfers

## AML and Compliance Standards

Market leader in implementing stringent international money laundering and compliance regulations enforced by the Central Bank of Iraq and International correspondent banks of NBI

## Advanced Financial Reporting

NBI is one of the few banks in Iraq to implement International Financial Reporting Standards (IFRS)

## Wholly-Owned Brokerage Firm

Wahat Al Nakheel is a brokerage firm that is wholly-owned by NBI

## NBI Snapshot



Established

**1995**



Capital Bank Ownership

**62%**



Employees (2018)

**353**



Number of Branches

**10**

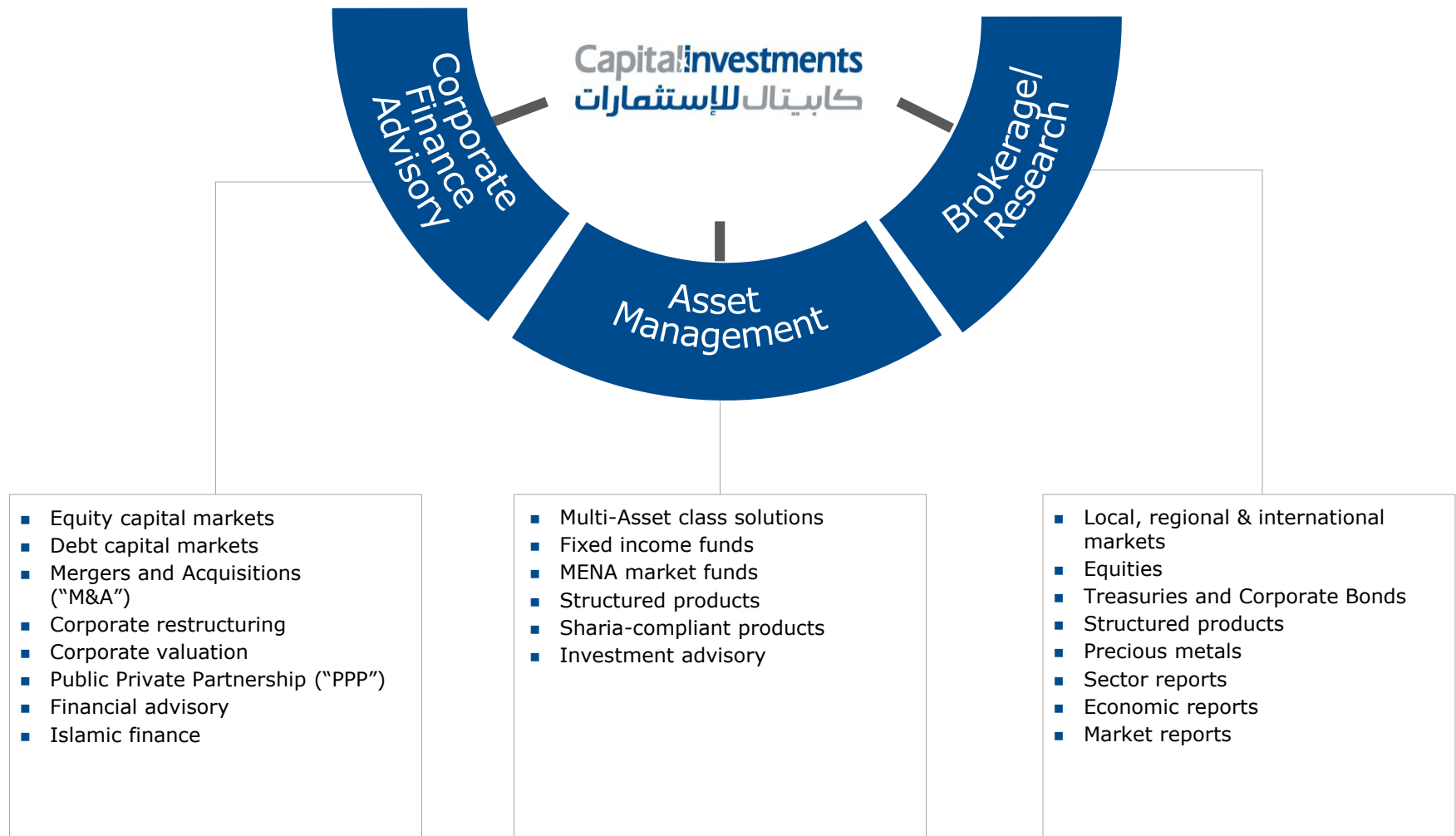


Strategic Shareholders





# Capital Investments



# Capital Investments: Selected Transaction Track Record

## Public Offerings

### Royal Jordanian



Exclusive financial advisor to certain strategic investors in connection with the capital increase

### Jordan Dubai Islamic Bank



Issue manager for 11 mm public offering to existing shareholders

### Hikma Pharmaceuticals



Co-lead manager for GBP 70 mm, 51 mm share IPO on London Stock Exchange

### Rum Tourism & Transport



Financial advisory & issue manager for JOD 8 mm share registration and capital increase

### Jordan Steel



Issue manager for JOD 22 mm public offering to existing shareholders

## Mergers and Acquisitions

### National Bank of Iraq



Financial advisor and placement agent for 18.5% sale to strategic investor

### ACWA Power



Financial advisor in the acquisition of ENARA, owning 51% of Central Electricity Generating Co.

### The Consultant & Investment Co.



Financial advisor for the sale of shares owned by majority shareholders

### Jordan Aircraft Maintenance



Financial advisor on sale of 80% in JorAMCo to Dubai Aerospace Enterprise

### Jordan Magnesite Company Ltd.



Exclusive financial advisor to JorMag on sale to Manaseer Group Holding

## Private Capital

### Grab A Grub



Exclusive financial advisor for a private placement of USD 3 mm for primary capital raise

### Madfoo3atcom



Exclusive strategic and financial advisor for a private placement of USD 6 mm for purchase of existing shares and a capital raise

## Equity Capital Markets

### Arab Potash Company

















Arranging the sale of Islamic Development Bank's stake in Arab Potash to Social Security Corporation

### Jordan Ahli Bank



Arranged sale of Abraaj's stake in Ahli Bank to the Social Security Corporation (JD 20 mm)

# Capital Investments: Selected Transaction Track Record

Bonds	<div>Capital bank of Jordan</div> <div></div> <div>Issue manager for USD 25 mm corporate bond</div>	<div>Jordan Phosphate Mines Co.</div> <div></div> <div>Co-Lead manager for USD 25 mm and JOD 18 mm corporate bond</div>	Islamic Finance	<div>Al Rajihi Cement</div> <div></div> <div>Lead manager &amp; agent for JOD 85 mm Sukuk Alijara Muntahia Bittamilik</div>			
Strategic Advisory	<div>Al Nabil Company</div> <div></div> <div>Strategic advisory</div>	<div>Pharmacy 1</div> <div></div> <div>Strategic advisory</div>	<div>Jordan Duty Free Shops</div> <div></div> <div>Strategic advisory</div>	<div>Al Sabeel</div> <div></div> <div>Strategic advisory</div>	Privatization	<div>Jordan Telecom</div> <div></div> <div>Financial advisor alongside Merrill Lynch in the privatization of 40% of Jordan Telecom</div>	
Syndicated Loans	<div>Aqaba Container Terminal</div> <div></div> <div>Arranger &amp; agent for JOD 57 mm syndicated loan facility to finance expansion of Aqaba Container Terminal</div>	<div>Abraaj Buyout I</div> <div></div> <div>Arranger &amp; agent for USD30 mm syndicated loan facility to finance acquisition of 80% of JorAMCo</div>	<div>Indo-Jordan Chemicals Co.</div> <div></div> <div>Arranger &amp; agent for USD 42 mm syndicated loan facility to pre-pay outstanding debt to int'l financial institutions</div>	<div>Aramex</div> <div></div> <div>Arranger &amp; agent for JOD 30 mm syndicated loan facility and stand-by facility to refinance senior &amp; mezzanine debt</div>	<div>Ayla Oasis Development Co</div> <div></div> <div>Facility &amp; security agent for USD 100 mm loan to finance the development &amp; operation of the first phase of the Ayla Village</div>	Project Finance Advisory	<div>Mass Energy</div> <div></div> <div>Exclusive financial advisor and investor for up to 25% in the equity of the project company</div>

# Capital Bank Corporate Advisory (DIFC) Ltd.

Capital Bank Corporate Advisory supports the investment banking activities of Capital Bank and its subsidiaries in Jordan Iraq and the GCC

## DFSA-Regulated Investment Advisor

Capital Bank Corporate Advisory (DIFC) is a DFSA-regulated boutique client-centric investment and advisory firm that provides investment bank coverage in the GCC region

## Best-in-Class Advice and Execution Excellence

The team is composed of experts with strong regional and international investment banking and private placement experience

## Financial Advisory Services

Deep expertise in mergers and acquisitions, recapitalizations and corporate restructurings with particular focus on raising growth capital for companies having a differentiated value proposition and an established market position enabling them to achieve their strategic goals

## Regional and Country Specific Market Knowledge

Extensive knowledge of the market with practical experience across various sectors including: Pharmaceutical, Transportation, Real Estate, Consumer Products, F&B, Logistics and Distribution, Oil and Gas, IT and Financial Services

## Firm Snapshot



Established

**2014**



Capital Bank Ownership

**100%**



Location

**Dubai, UAE**



Selected Transactions

**Grab A Grub**



Exclusive financial advisor for a private placement of USD 3 mm for primary capital raise

**Sporter.com**

**SPORTER.COM**

Sale of a controlling stake in Sporter.com to Gulf Capital

# Senior Team Members

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**H.E. Mr. Bassem Al-Salem**  
Chairman

Bassem Al-Salem has been Chairman of the Board of Directors since April 2010. In this role, Al-Salem has re-directed Capital Bank's attention towards a 21st century public entity, with particular emphasis on delivering innovative commercial and investment banking services to the Jordanian and Iraqi markets. Al-Salem has previously served as the Jordanian Minister of Labor and Minister of Finance consecutively (2005 – 2009). He is commended for introducing socio-economic policies that have contributed towards the creation of jobs in both the public and private sectors, as well as attracting businesses and investments to Jordan, while helping homegrown businesses flourish. In addition to his duties as Chairman of the Capital Bank, Al-Salem is the Chairman of King's Academy, a Jordanian-based boarding and day school focused on fostering social inclusion through delivering advanced international arts and science programs, and offering need-based grants to families unable to cover the tuition. Al-Salem currently sits on the board of several prominent private and publicly listed companies, including General Mining Company and Delta Insurance. He has previously served as the chairman of the Association of Banks in Jordan (2012-2015), executive chairman of the Social Security Corporation (2005-2009), as well as a member of the Jordanian Senate (2010-2011). He started his career in Jordan's private sector where he founded a number of manufacturing companies. Al-Salem holds a bachelor's degree (with honors) in Chemical Engineering from Imperial College, United Kingdom.



**Ala Qumsieh**  
Chief Executive Officer

Ala Qumsieh was appointed Chief Executive Officer as of March 2017. He joined the group after spending 17 years in leadership roles in International Financial Institutions in the region. In this role, Mr. Qumsieh leads the group operating across Jordan, Iraq and the UAE offering Corporate Banking, Investment Banking, and Retail Banking services to customers in these three markets. Mr. Qumsieh brings with him extensive experience in banking with prime emphasis on Institutional Banking and deep sectoral knowledge. Before Joining Capital Bank, he served as Citibank's Chief Country Officer in Qatar and Head of Institutional Banking for Saudi Arabia, Qatar and Bahrain, where he was responsible for successfully driving and implementing the bank's growth strategy. Before that, he held several leading positions in international banks. Mr. Qumsieh currently sits on the board of several prominent entities, and is part of Jordan's Strategic Forum. Mr. Qumsieh holds a MBA degree in Strategic Management from Aston University, UK, and a Bachelor's Degree in Business Administration from Yarmouk University in Jordan. He is the recipient of several specialized professional degrees.

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