Capital Bank Group

Corporate Presentation

First Half – 2021

capital bank

AGENDA

01 GROUP CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

02 CORPORATE GOVERNANCE & RISK MANAGEMENT HIGHLIGHTS

03 MACROECONOMIC DEVELOPMENTS & BANKING SECTOR HIGHLIGHTS (JORDAN & IRAQ)

capital bank

Section 1

Group Corporate Profile & Financial Highlights

capital bank

OUR PURPOSE

“ **Better Banking** for Jordan & Iraq

Capital Bank Group aims to provide innovative, simplified, and holistic financial solutions through enhanced products & an elevated level of customer service and experience in the Jordanian and Iraqi markets.

OUR STRATEGIC PRIORITIES

Digital Convenience

To build our digital capabilities and introduce digital banking (NeoBank) which will put Capital Bank Group on the path of complete digital transformation to become a fully digitalized bank.

Service Quality

To transform the Group’s products and services offerings, through continuous innovation, into a holistic value proposition that meets the banking and investment needs of our clients and revolves around elevating their customer experience.

Geographical Expansion

To expand the regional footprint of the Group through establishing a full fledge presence in Saudi Arabia and in UAE – DIFC, thereby connecting the Group with two of the largest economies in the region and empowering NBI to become a major player in the Iraqi market.

Organic Growth

To grow organically through executing and delivering on a well-defined plan that will enable the group to position itself as one of the top consumer banking groups and the number one gateway for institutions conducting business in Jordan and Iraq.

OUR VALUES

INNOVATION
in all we do

CUSTOMER
driven

HOLISTIC
financial solutions

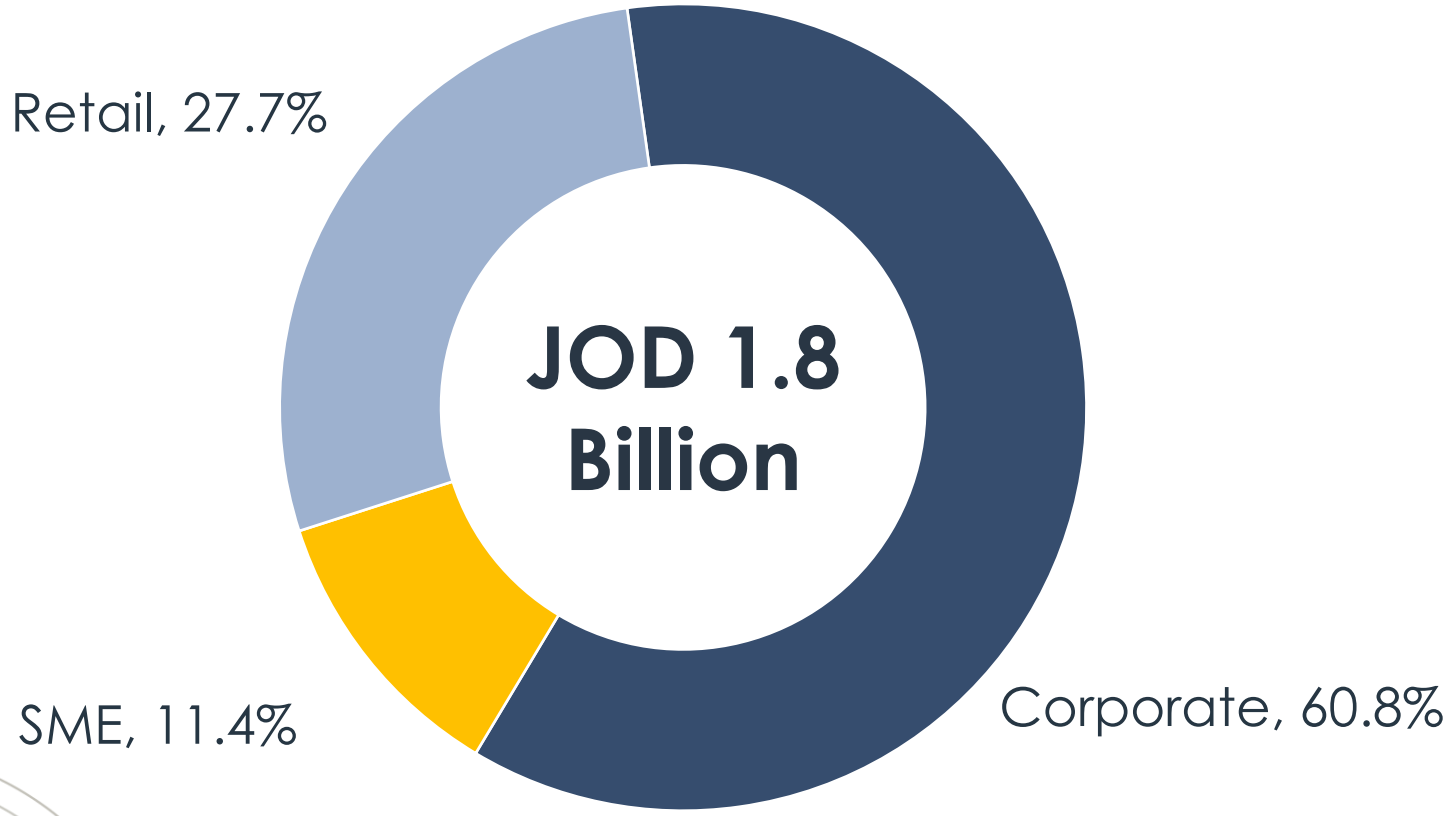
CAPITAL BANK AT A GLACE (H1, 2021)

01	USD 532m Equity	USD 5.08b Assets	▪ 4th largest Jordanian bank in terms of consolidated asset size ▪ Highest balance sheet growth (YoY and YTD) among peers
02	USD 2.69b Net Loans	82.8% Coverage Ratio	▪ 60% growth in loans over the past year ▪ Above average coverage levels
03	29% NOI Growth	13.2% ROE (excluding acquisitions)	▪ Fasted growing bank since the beginning of 2020 ▪ One of the highest ROE levels among peers
04	0.154 EPS (excluding acquisitions)	12% Dividend	▪ Stable dividend yield, return to shareholders ▪ Owns 4.1% of total market deposits
05	15.7% CAR	140.3% LCR	▪ Solid capital base and strong solvency

Figures as of June 2021. NOI refers to year-on-year Net Operating Income growth.
H1, 2021 annualized after adjusting for nonrecurring items

A REGIONAL BANK WITH A DIVERSIFIED BUSINESS

Gross Loan Breakdown by Type



Subsidiary Contribution

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Jordan

Asset Contribution: 88%

NOI Contribution: 73%

national bank of iraq

Iraq, KSA

Asset Contribution: 12%

NOI Contribution: 20%

capital investments

Jordan, Iraq, UAE, KSA

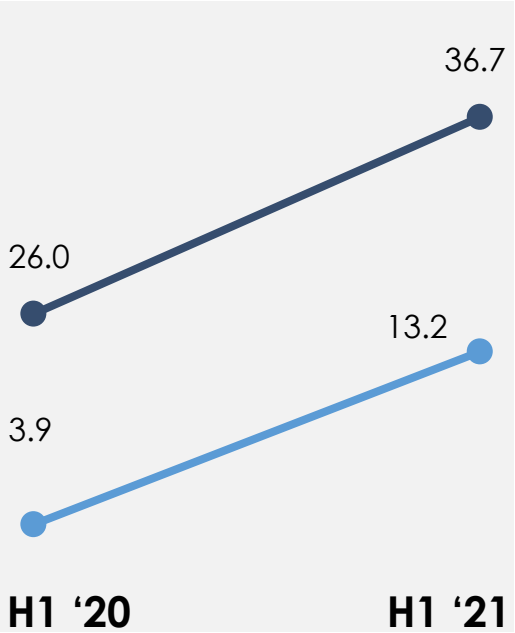
Assets Under Management: ~USD 450 million

NOI Contribution: 7%

Figures as of June 2021. NOI refers to year-on-year Net Operating Income growth.

DIGITIZATION AT FOREFRONT OF GROWTH STRATEGY

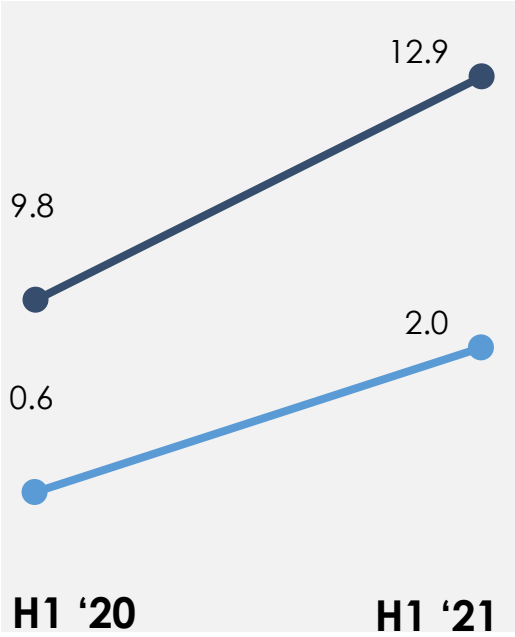
Number of Customers (thousand)



42.3% growth in total customers

3.4x growth in no. of digital users

Number of Transactions (million)



31.6% growth in transactions through branches

2x growth in no. of digital transactions

In less than a year between 2020 & 2021 after rolling out digital solutions at Capital Bank, 14% of transactions were performed through digital channels, where 9,335 customers became digital users.

Initiatives & Key Figures

- Partnership agreement with **Codebase Technologies**, to **launch first digital-only Neobank** in Jordan and Iraq to strengthen digital presence.
- **Collaboration/ investments in FinTech** ecosystem. **Digital transformation**; SME lending, e-wallets and POS cash services, digital onboarding, payments and more.
- **Fully automated digital on-boarding** is available to customers through WhatsApp and the Capital Bank chatbot function.
- Capital Bank's mobile banking roadmap will be enriched with **Value-add services** such as: **Travel Insurance, Pay to contacts, loyalty program & e-voucher purchases**.

PARTNERSHIPS TO SUPPORT LONG-TERM GROWTH

Highlights

- Partnerships with both regional and global institutions and funds
- Includes trade finance and credit lines & loan guarantee programs
- Collaboration on co-financing mandates and capital raising/ debt arranging

REGIONAL PARTNERS

SFD
الصندوق السعودي للتنمية
Saudi Fund for Development

الشركة العربية للاستثمار ش.م.ع
The Arab Investment Company S.A.A.

ICIEC
The leader in Islamic Investment Insurance and Export Credit

ARAB TRADE FINANCING PROGRAM

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

JORDAN LOAN GUARANTEE CORP.

INTERNATIONAL PARTNERS

IFC

OPIC

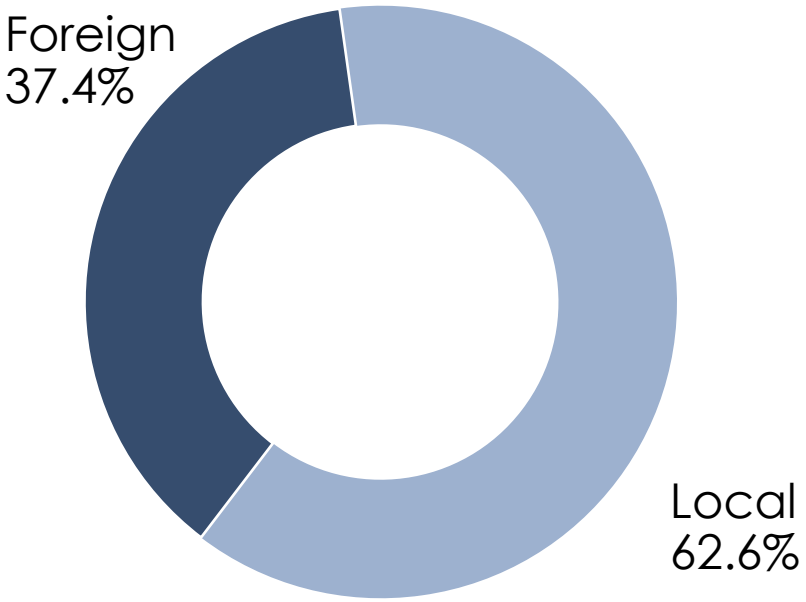
afd
AGENCE FRANÇAISE DE DÉVELOPPEMENT

European Bank for Reconstruction and Development

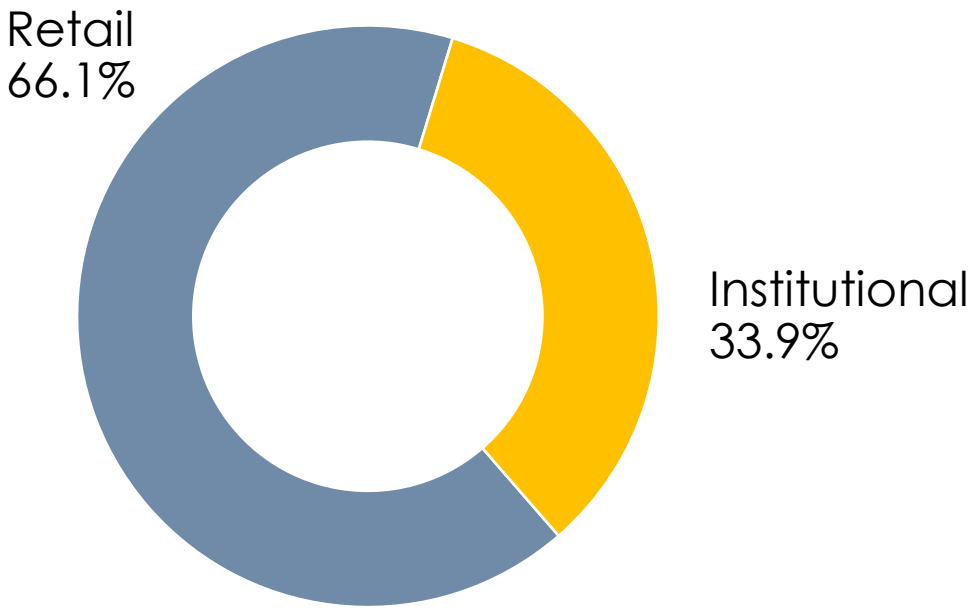
PROPARCO
GROUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT

STABLE AND DIVERSE SHAREHOLDING BASE

Geographic Composition



Investor Type

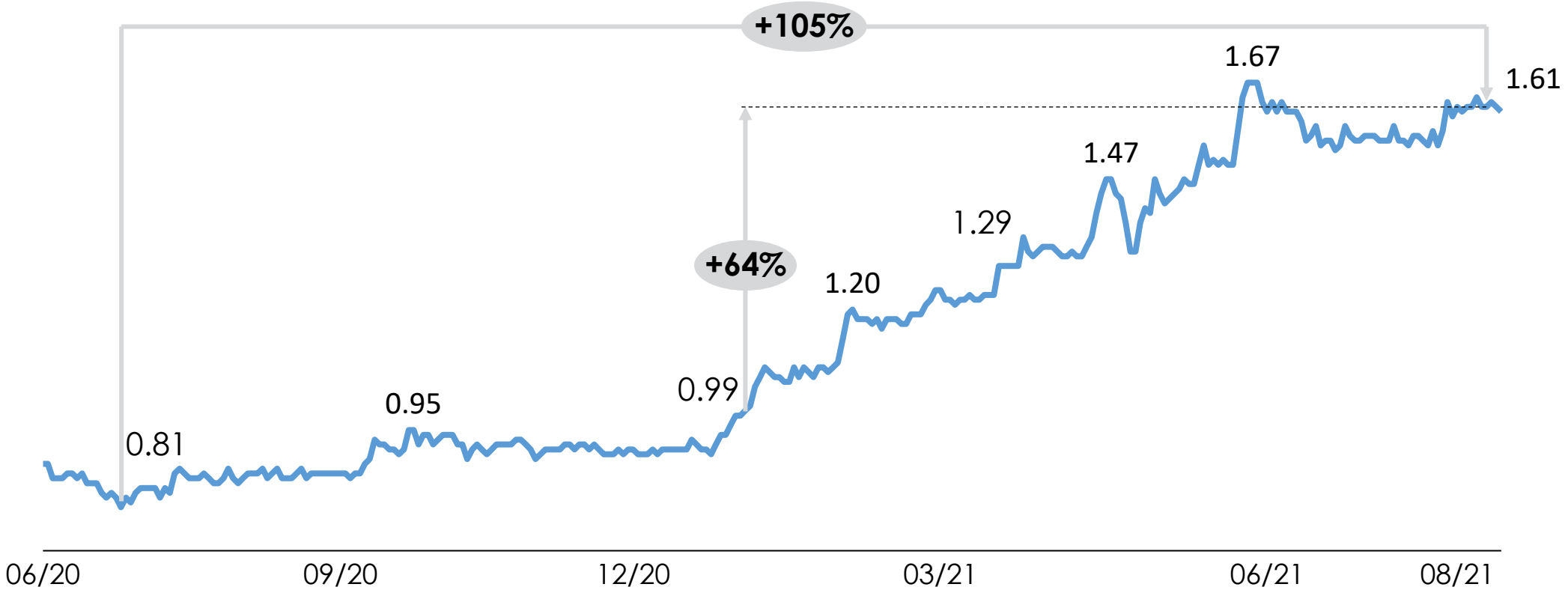


Capital Bank's shareholding base includes several well-regarded Jordanian business owners & families; with founders and early investors holding a stable share.

As of June 2021.
Largest 20 shareholders own over 74% of shares.
Board members (including representatives and related parties) hold ~43.8% share.

STRONG MARKET PERFORMANCE

ASE:EXFB Price Movement



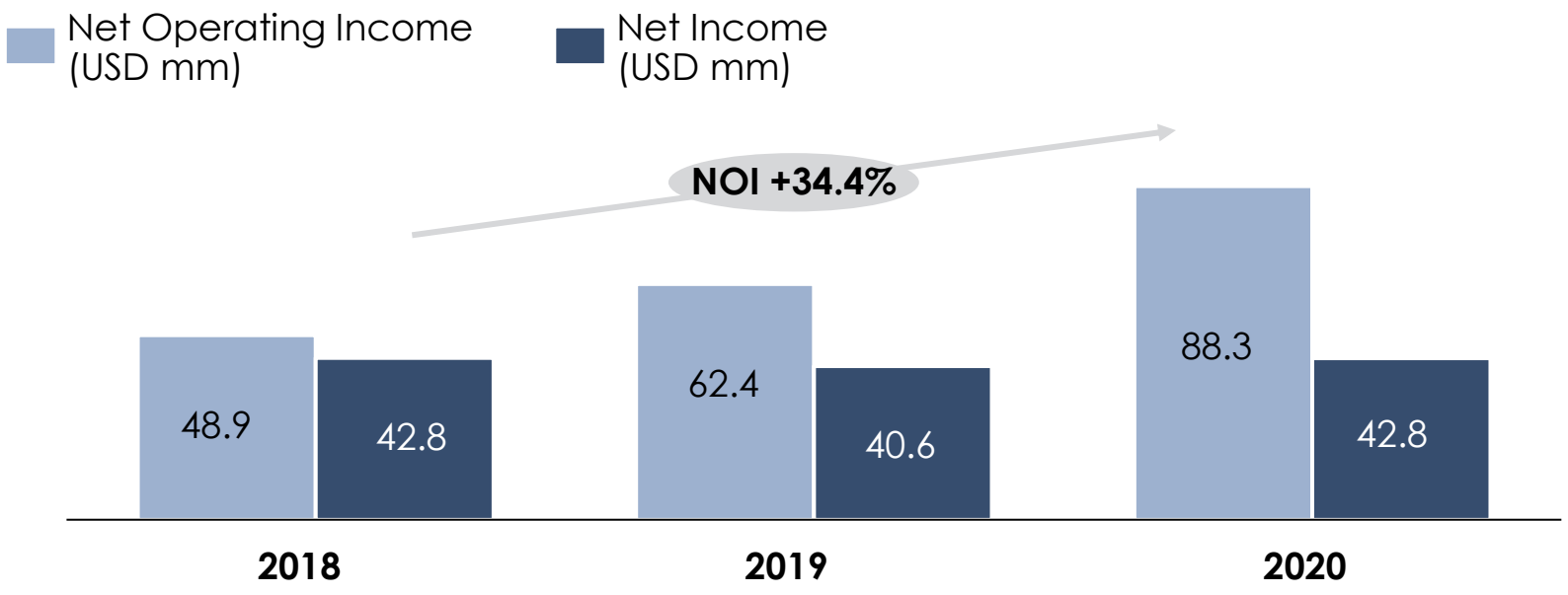
Rating

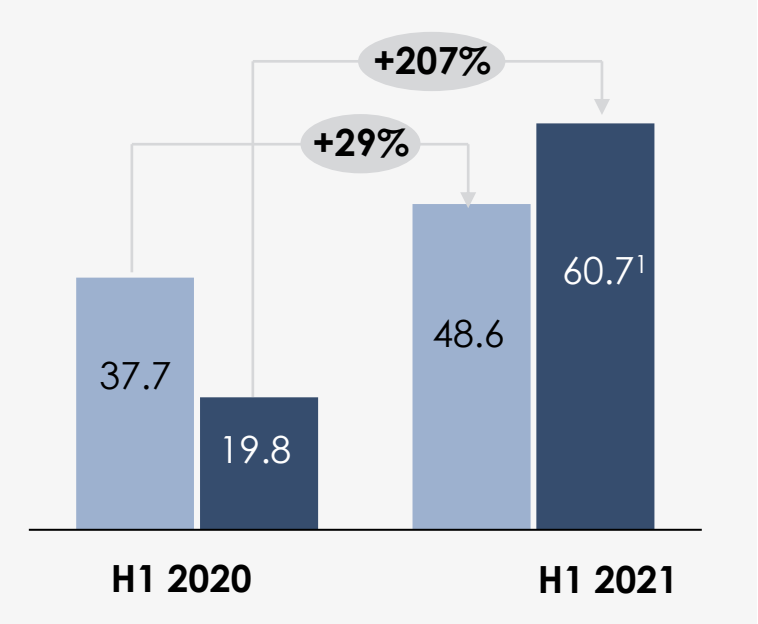
Employee no.

Recent increase in analyst coverage, with significant upside potential going forward.

As of August 2021.
Share Price is shown in Jordanian Dinars (JOD). The currency is pegged to the US Dollar at a rate of JOD 0.709 per USD 1.00.

SOLID INCOME GROWTH, RESILIENT REVENUE STREAM



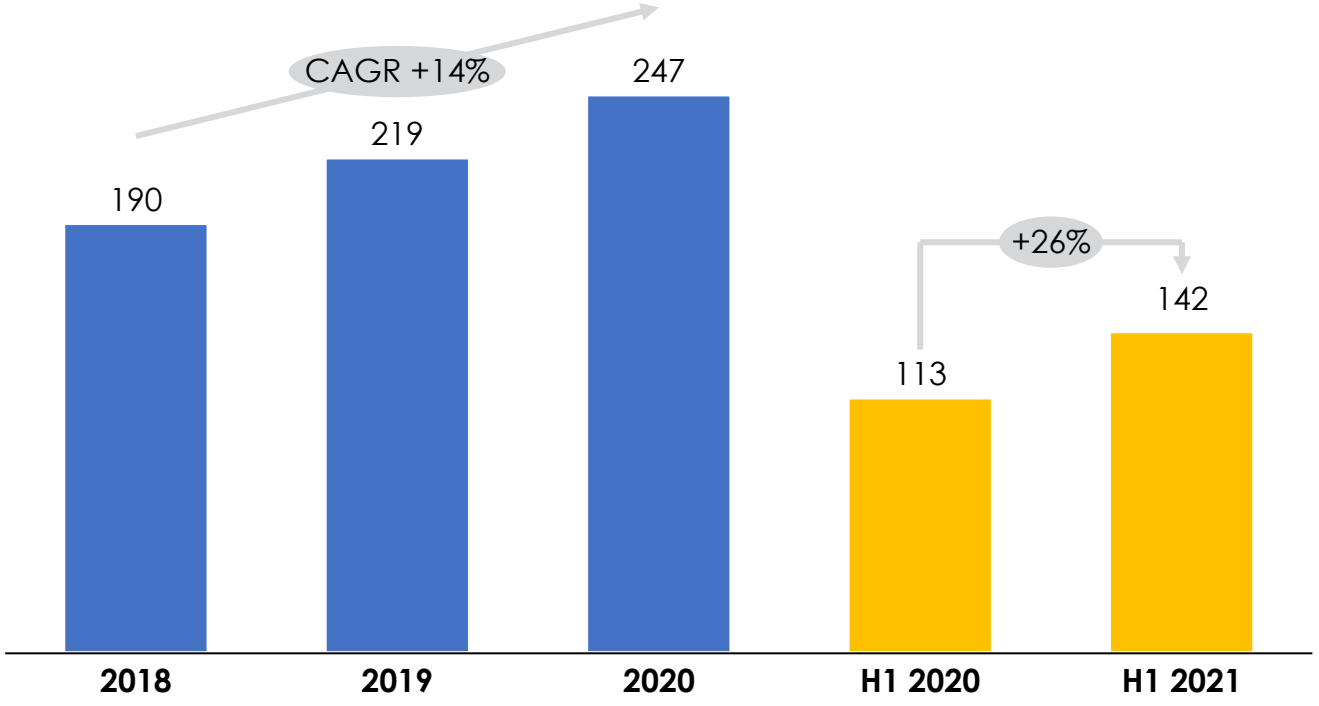


	2018	2019	2020	H1 2020	H1 2021
ROE	8.8%	8.4%	8.6%	8.1%[2]	23.5%
Dividend %	10%	10%	12%	NA	NA
Dividend Payout Ratio	65%	80%[3]	92%	NA	NA
EPS	0.217	0.178	0.183	0.08	0.292

[1] *USD 26.1m in Net Income for H1 2021, 32% growth over H1 2020, excluding non-recurring events.*
[2] *ROE figure covering YTD June 2020 performance excludes COVID-19 & FX devaluation impact related provisions for the period.*
[3] *Dividends for 2019 announced, however postponed due to Central Bank of Jordan's instructions to all Banks following the onset of COVID-19.*

SUSTAINABLE REVENUE & COST CONTROL

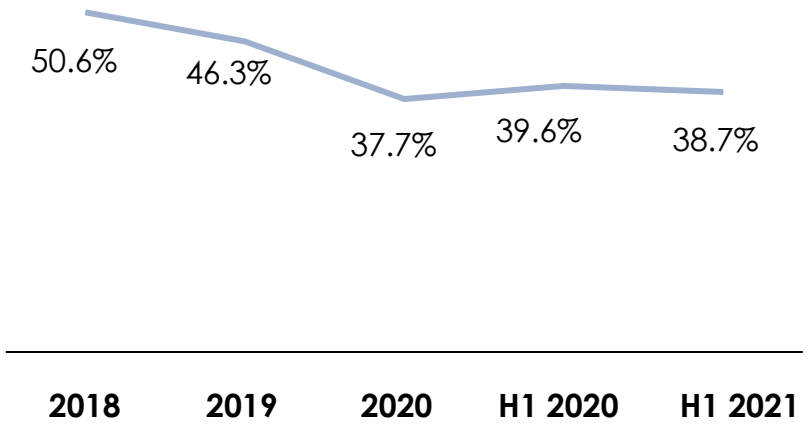
Total Revenue



Expense Breakdown

Operating staff costs comprise 47% of expenses, depreciation at 11% and rent & occupancy at 7% (5-year average).

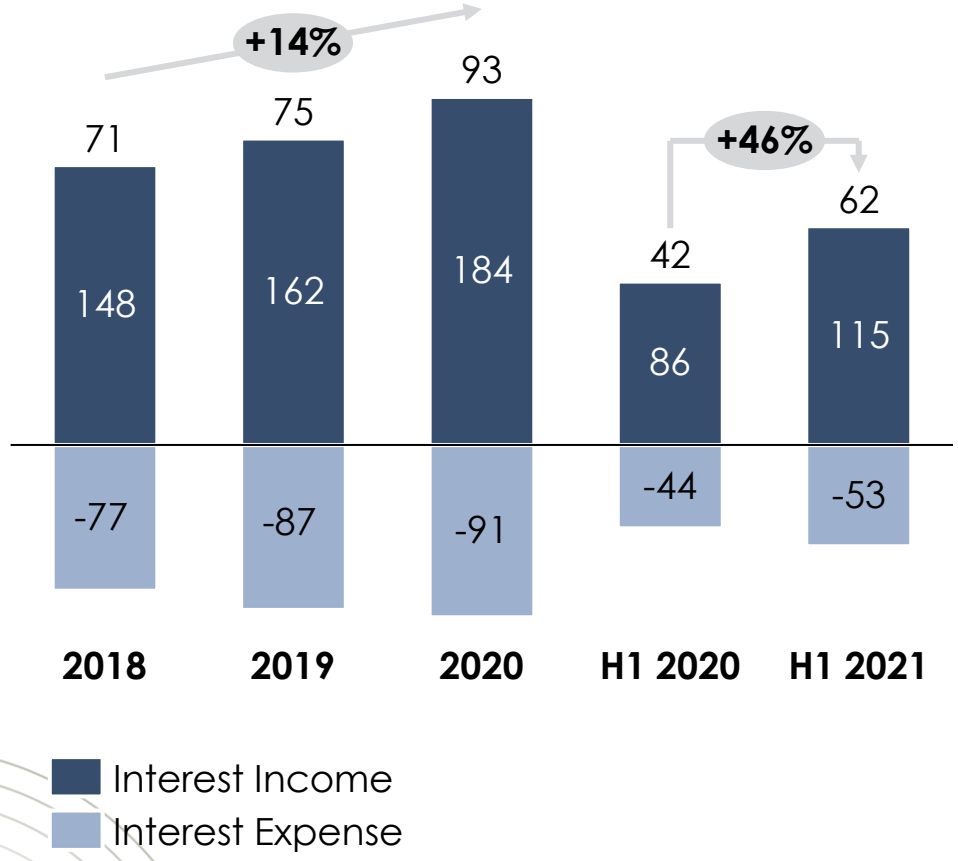
Efficiency Ratio



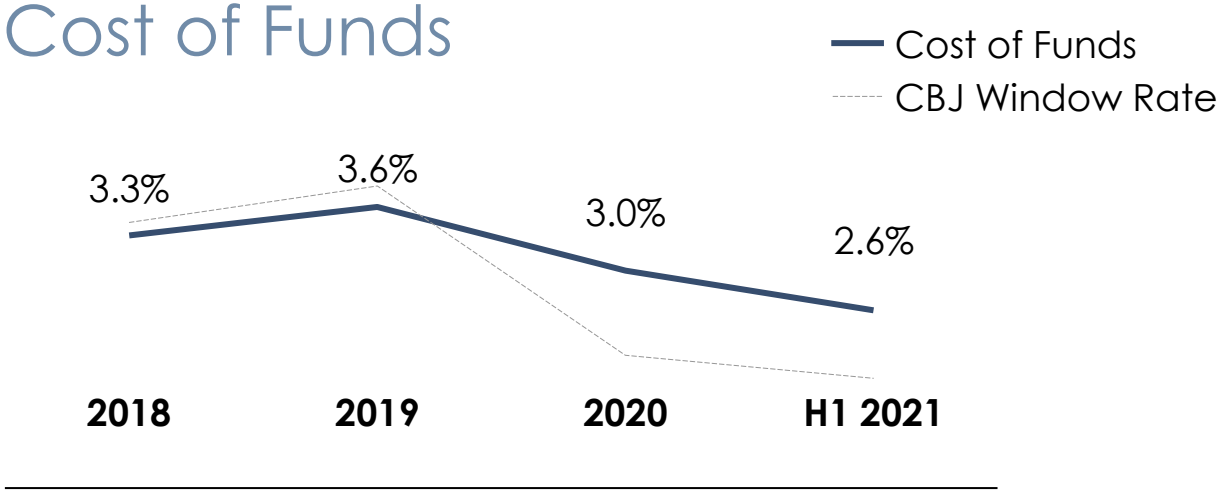
All values in USD million

GROWING NET INTEREST INCOME, STABLE NIM

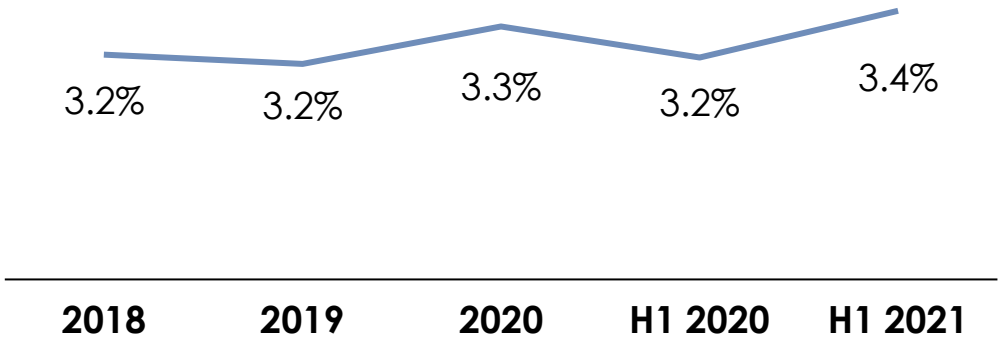
Net Interest Income



Cost of Funds



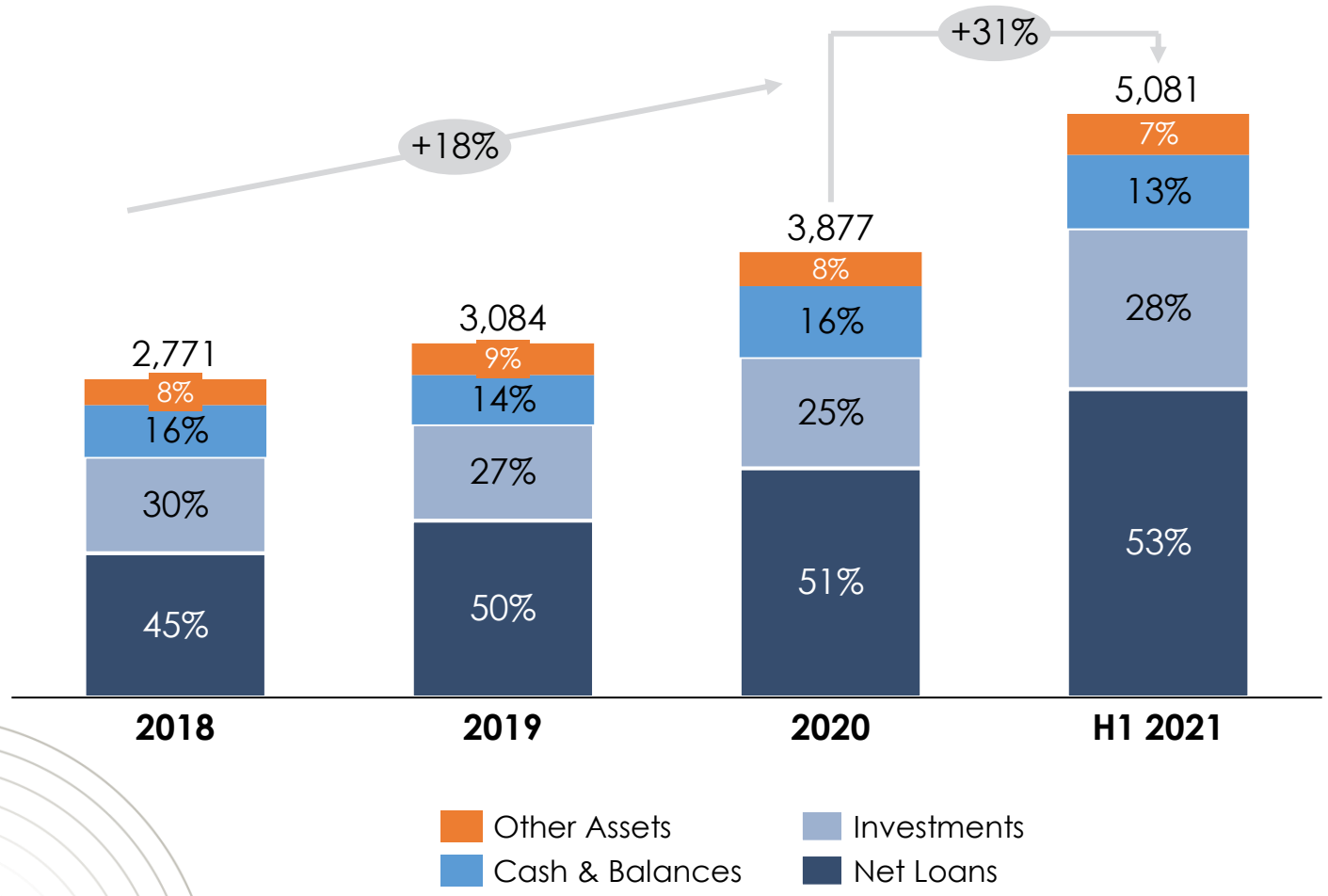
Net Interest Margin



All values in USD million
Central Bank of Jordan following US Federal Reserve policies (due to currency peg).

DIVERSE & HEALTHY ASSET BASE

Asset Composition



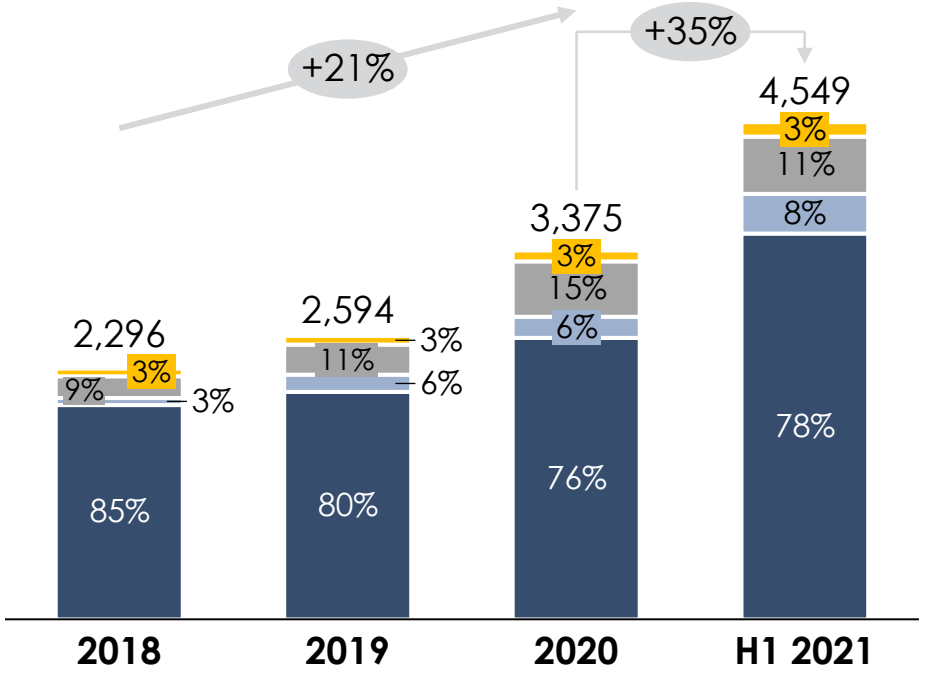
All values in USD million

Highlights

- Investment portfolio of $1.4b, with focus on liquid assets and government securities.
- Gross credit growing at a CAGR of 18% since 2018; reached USD2.7m in H1 2021.
- Corporate/ SME clients, comprise ~68% of portfolio as of H1 2021.
- A falling NPL ratio of 4.3% with a coverage ratio of 84% (excluding acquisitions), sufficiently stronger than the sector average of 71.5%.
- Provision coverage ratio above 82%, and including collaterals 113.7%, remains well above 100%.

STRONG DEPOSIT GROWTH & LIQUIDITY LEVELS

Liabilities Composition

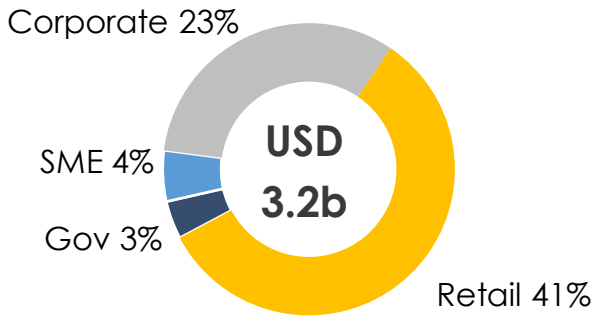


- Other liabilities
- Loans & Subordinated
- FI Deposits
- Customer Deposits & Margins

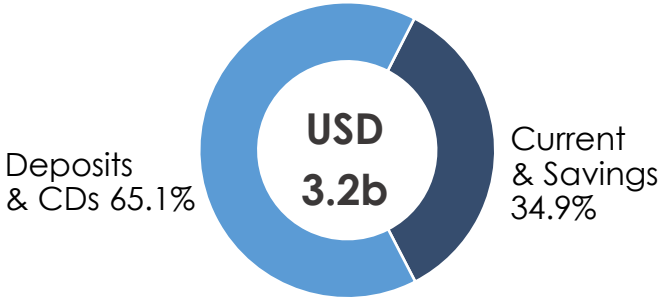
All values in USD million

Deposits H1 2021

By Segment



By Type

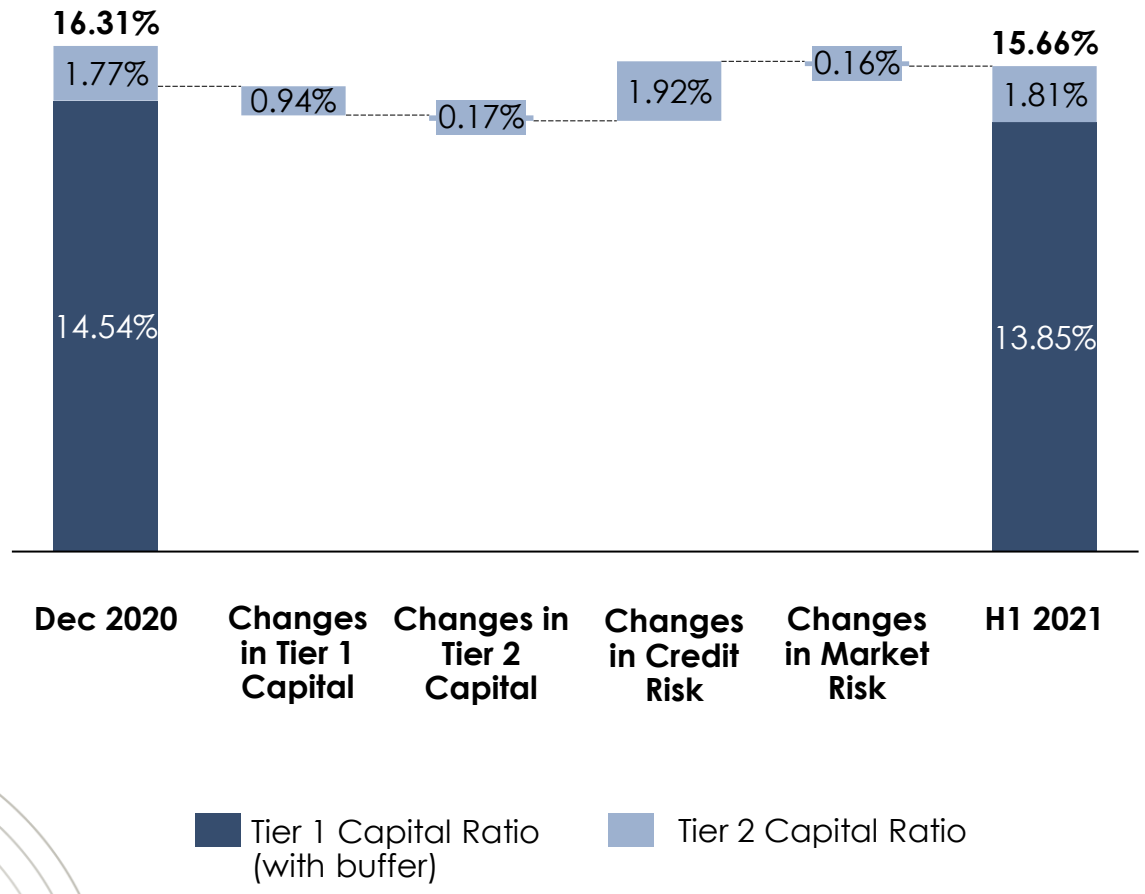


Highlights

- Deposit growth at a CAGR ~34% since 2018. Total deposits stand at 3.21m in H1 2021.
- Non- interest-bearing deposits at 31.5% in H1 2021.
- Liquidity Coverage Ratio (LCR) at 124.4% in H1 2021. Well above 100% regulatory minimum.
- Loan to deposit ratio at an average of 84%.

COMFORTABLE CAPITAL BUFFERS

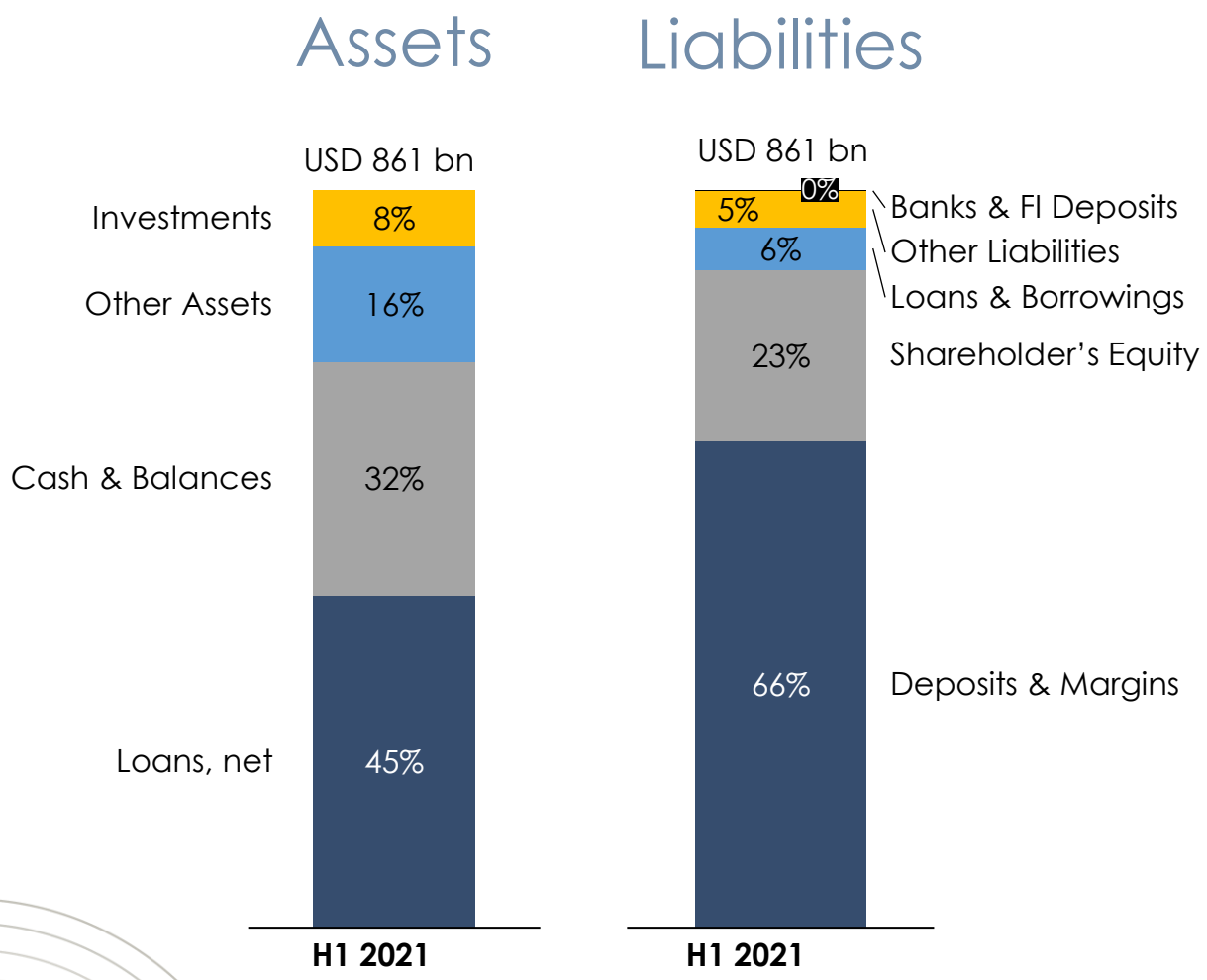
Capital Adequacy Walkthrough



Highlights

- CAR well above the 14% CBJ and 12% Basel requirement.
- NBI standalone CAR of 14.20% with 94% in Tier 1, well above CBI 12.5% minimum.
- Risk Weighted Assets at USD 2.25m in H1 2021, 85% of which CRWA.

NATIONAL BANK OF IRAQ, A SNAPSHOT



KEY P&L ITEMS	H1 2021
Net Interest Income	10.4
Commission Income	12.2
Gross Operating Income	24.6
Operating Expenses, Staff	4.6
Operating Expenses, Other	10.4
Provisions & Non-Recurring	1.5
Net Income	5.98

SELECTED RATIOS	H1 2021
ROE	5.93%
Net Interest Margin	4.6%
Efficiency Ratio	53.7%
NPL Ratio / Coverage Ratio	3.7% / 92.6%
Capital Adequacy	14.2%

All values in USD billion

GROUP MEDIUM-TERM GUIDANCE (2021-25)

Metric/ KPI	Guidance (2021 - 2023)	Comments
Total Assets	**CAGR >12%**	▪ *Grow total assets to above USD 6.3bn by the end of 2025*
Cost to Income Ratio	**<40%**	▪ *Improve efficiency and implement further cost saving policies*
ROE	**>12%**	▪ *Maintain double digit ROE starting 2021 onwards*
Capital Adequacy	**>15% (Consolidated Level)**	▪ *Strong Capital base, maintained well above minimum requirements*
Dividends	**Payout Ratio of ~50% of net income**	▪ *Target a stable payout ratio for shareholders*

Section 2

Corporate Governance & Risk Management Highlights

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WELL REPUTABLE BOARD OF DIRECTORS

H.E. Mr. Bassem Al-Salem

Chairman, Non-Executive

- One of the founders of the Bank. Appointed as Chairman of the Board in 2010.
- Previously served as the Jordanian Minister of Labor and Minister of Finance. And was a member of the Jordanian Senate.
- Served on the board of several prominent private and publicly listed companies, including the Association of Banks in Jordan and the Social Security Corporation.

Name	Appointment	Role	Experience
H.E. Bassem Khalil Al-Salem	2010	Chairman	Masters > 20 years experience
H.E. Said Samih Darwazah	2011	Vice Chairman	Masters >20 years experience
Social Security Corporation Represented by Shaden Darwish Al-Haji	2009	Member	Undergraduate >18 years experience
Hotaf Investment Company Represented by Mr. 'Mohamed Ali' Al-Husry	2009	Member	Masters >20 years experience
Investments & Integrated Industries Representing Omar Mohamed Shahrour	2009	Member	Masters >20 years experience
Al-Jadara Co. for Real Estate Investment Represented by Sultan Bin Mohammed Al-Seif	2009	Member	Undergraduate >10 years experience
Al-Khalil Co. for Investments Represented by Khalil Hatem Al-Salem	2009	Member	Undergraduate >12 years experience
Omar Akram Bitar	2015	Independent	Undergraduate >20 years experience
Reem Haitham Goussous	2015	Independent	Masters >20 years experience
Mohamad Hasan AlHaj Hasan	2017	Independent	Masters >12 years experience
Khalid Walid Nabilsi	2017	Independent	Masters >20 years experience
Yousef Ali Alnsour	2021	Independent	Undergraduate >20 years experience
H.E. Abubaker Sideeq Khoury	2021	Independent	Undergraduate >25 years experience

Composition Stats

- All members are non-executive
- **6 out of 13** members are independent

HIGHLY EXPERIENCED MANAGEMENT TEAM

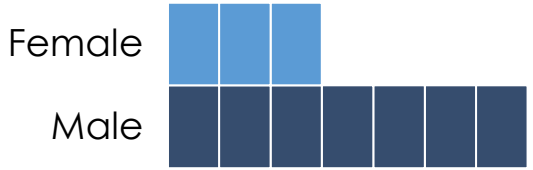
Mr. Daoud AlGhoul

Group CEO

- Appointed in March 2020
- Over 26 years of extensive experience in financial and strategic planning, investments and financial restructuring.
- Served on the board of several reputable institutions across the MENA region
- Regional and global investment and financial institutions

Name	Position	Joining
Business		
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	Chief Digital Officer	2018
Control		
Samer Al-Aloul	Chief Banking Officer	2021
Izzidin Abu Salameh	Chief Operating Officer	2020
Falah Kokash	Chief Risk Officer	2012
Rafat Khalil	Chief Auditor	2007
Manar Aabidi	Chief Credit Officer	2018
Saher Abdel-Hadi	Head of Compliance	2018
Support		
Manar Al Nsour	Chief Financial Officer	2001
Mohammed Mu'az	Chief Legal Advisor	2003
Touleen M. Barto	Chief Marketing and Corporate Communications Officer	2021
Haya Abuata	Chief Human Resources Officer	2011

Gender

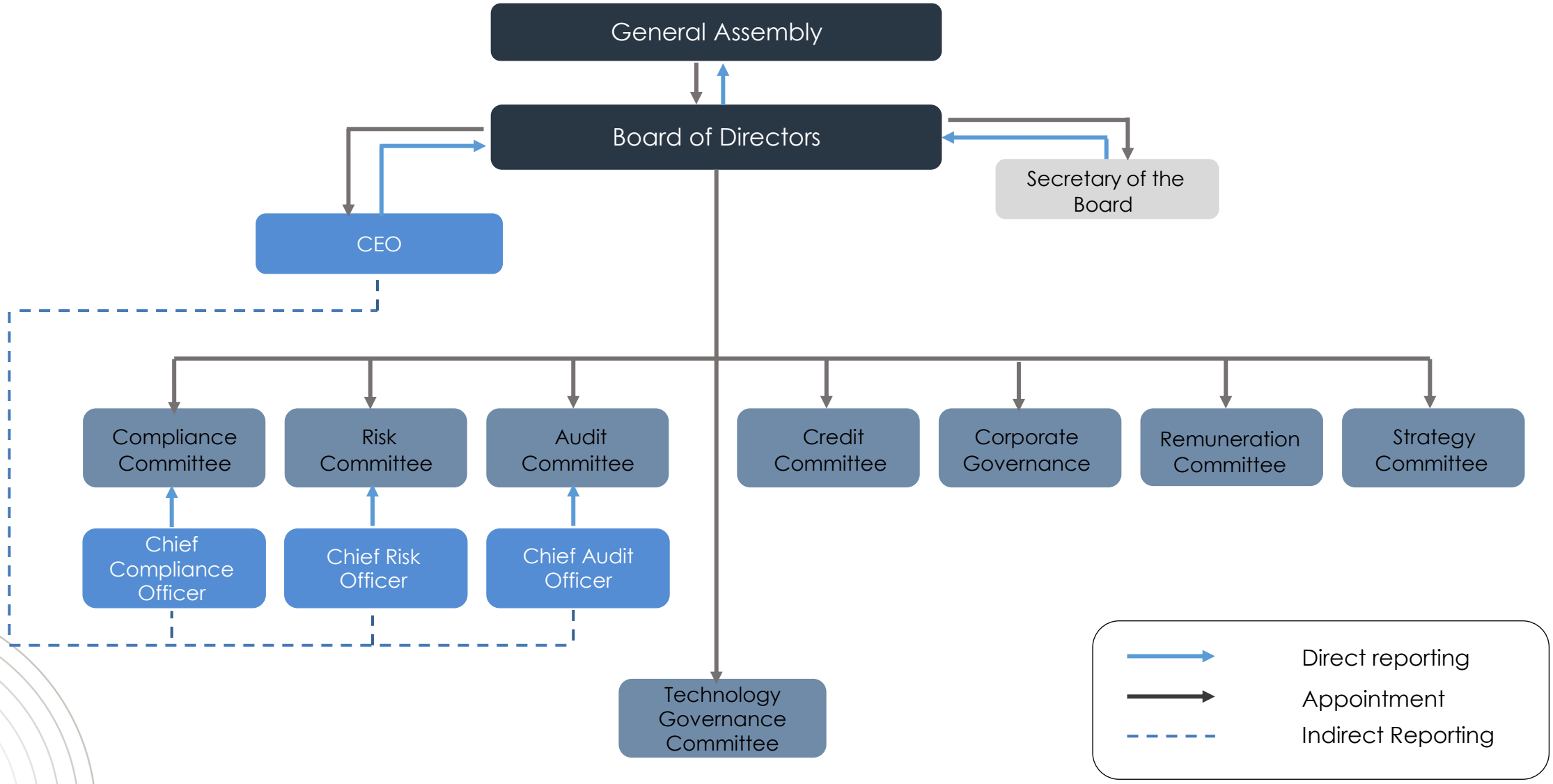


Education

Average Experience

~ 20 Years

SOLID GOVERNANCE & DECISION-MAKING



ESG AWARENESS & APPROACH

ENVIRONMENTAL → SOCIAL → GOVERNANCE

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- Capital Bank implements a regular Environmental & Social ("E&S") performance assessment through an E&S board-approved policy that is 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.

Section 3 | Part 1 (Jordan)

Macroeconomic Developments & the Banking Sector

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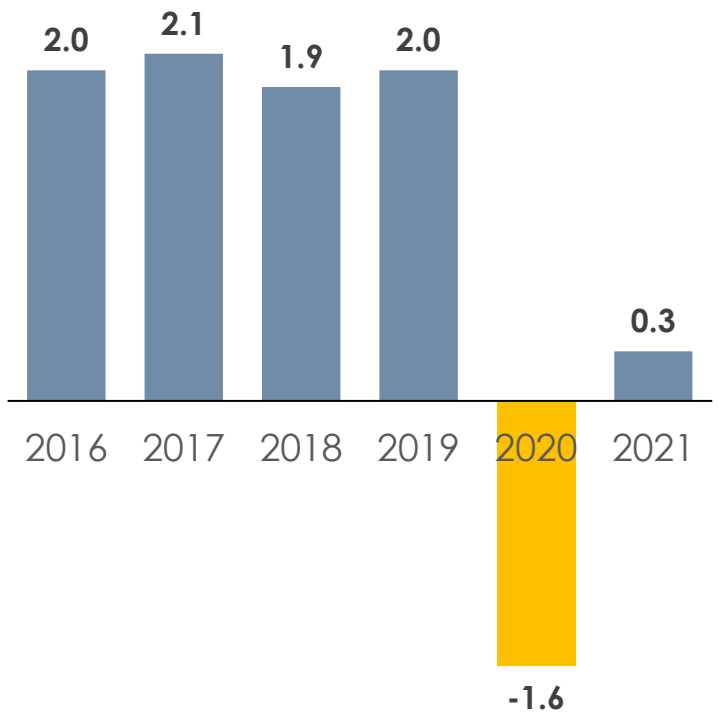
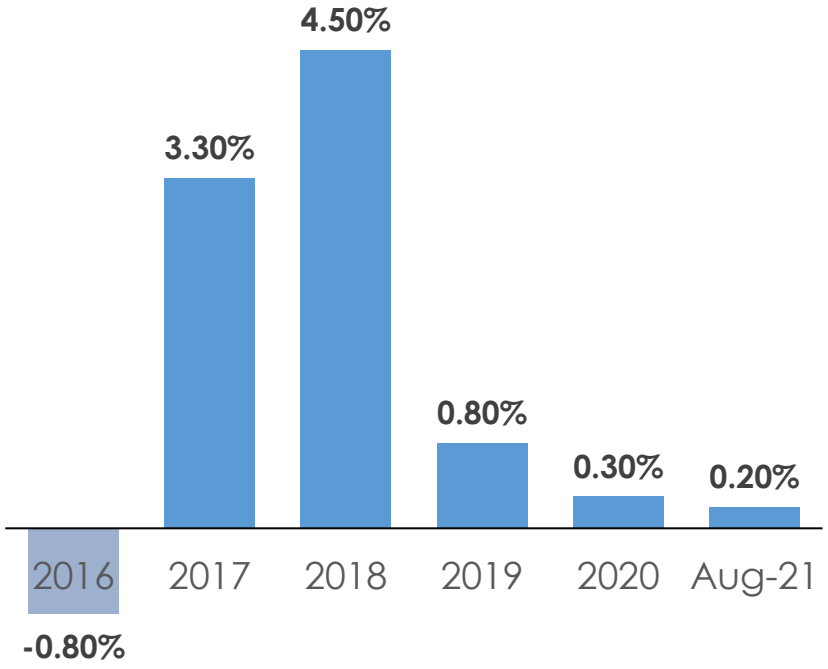
JORDANIAN ECONOMY

GDP at Constant Prices



The Jordanian economy is still recovering from the devastating effect of the COVID-19 pandemic on its GDP.

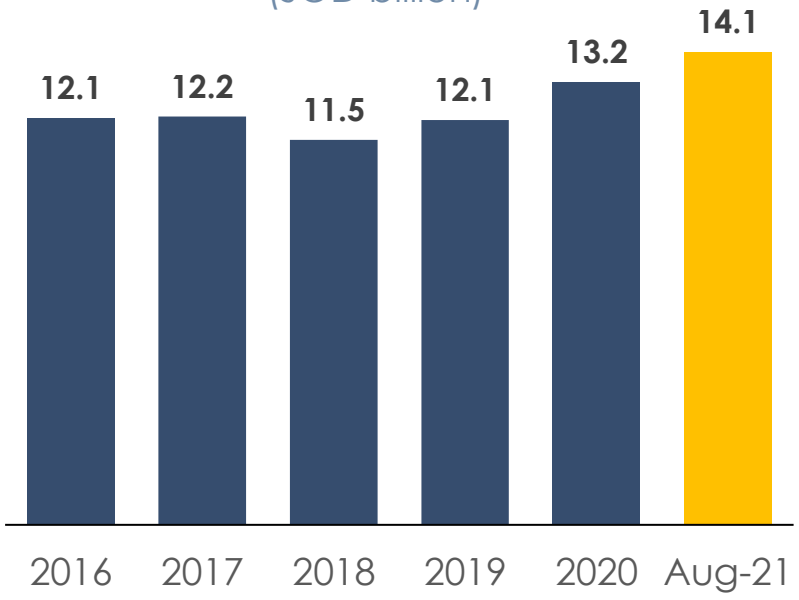
Inflation



When comparing changes to consumer price index over all industries, the annual inflation rate in Jordan stood at 0.3% in 2020, significantly lower than previous years that witnessed major increases.

Foreign Currency Reserves

(JOD billion)



Foreign currency reserves amounted to JOD 14.1 billion as of August 2021, up from JOD 13.2 billion in 2020, with a healthy import coverage of 9.5 months.

Source: Central Bank of Jordan

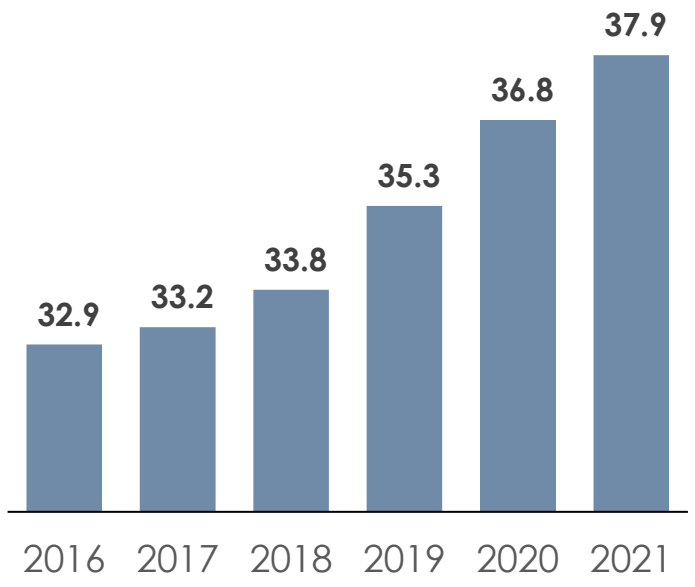
JORDANIAN BANKING SECTOR (KEY FACTS)

Well regulated & Monitored	The Jordanian banking sector is regulated by the Central Bank of Jordan, the Amman Stock Exchange, and the Jordan Securities Commission
Sound Asset Quality	Minimum CAR requirement of 12%
High liquidity & strong solvency	Each Jordanian bank must maintain liquid assets in the minimum of 100% of its weighted liabilities
Strong profitability buffer	Banks enjoy comfortable liquidity with a sector wide liquidity ratio of 136.5%
Improved credit quality metrics	NPL coverage for the Jordanian banking sector is 71.5%, with NPL to loans amounting to 5.5%.
Young population ready to bank	
Excess capital	The banking sector enjoys a CAR of 18.3%, situated well above the CBJ minimum requirement

Numbers are as of FY2020.

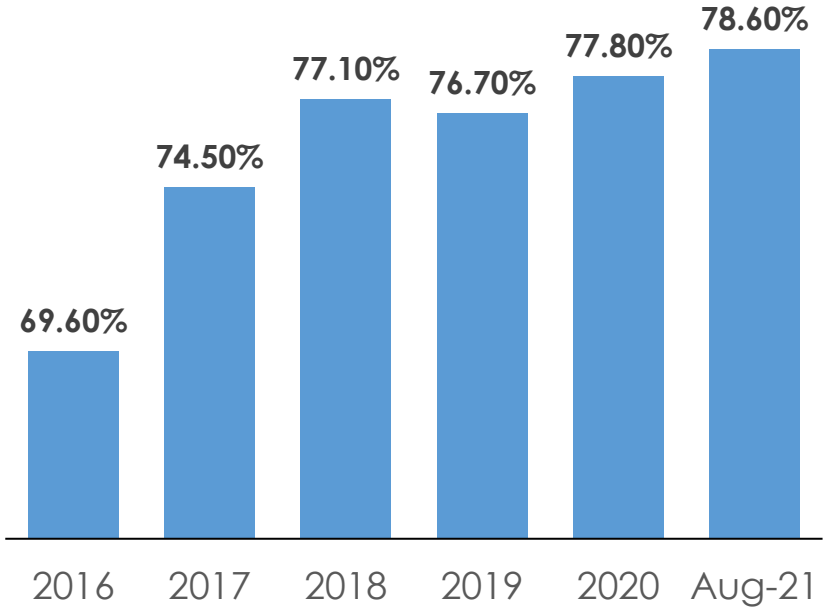
JORDANIAN BANKING SECTOR (KEY FACTS, CONT'D)

Total Deposits at Banks



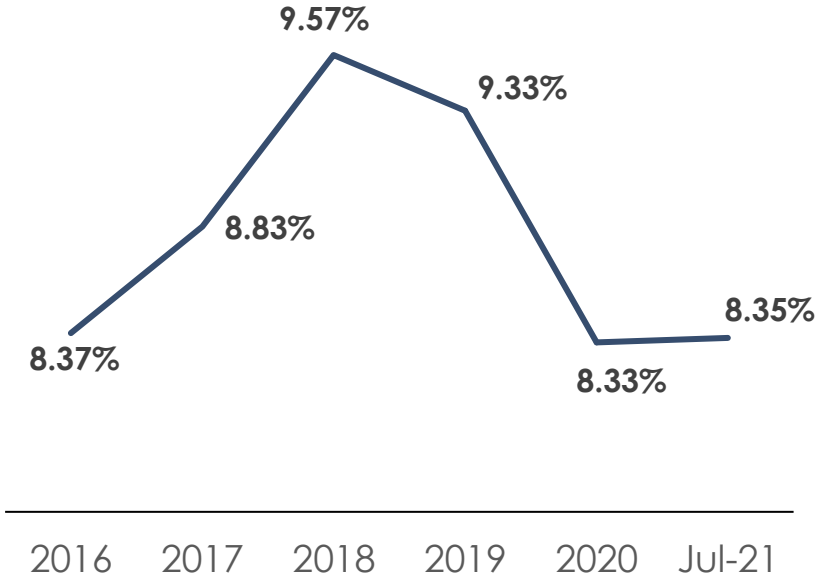
Total deposits at banks stood at JOD 37.9 billion in July 2021, witnessing a 3% increase from 2020 and a CAGR of 2.8%.

Loans-to-Deposits



Standing at 78.6% as of July 2021, a continuously surging loans-to-deposits ratio signals tightening liquidity at Jordanian banks.

Prime Lending Rate



The current prime lending rate for banks is 8.35%, and has witnessed a minor increase since the 2020 interest rate cut.

All values are in JOD billions
Source: Central Bank of Jordan

JORDANIAN BANKING SECTOR HIGHLIGHTS

Sound Asset Quality

NPL Ratio
6.4%

NPL Coverage
71.5%

ROE
5.1%

CAR
18.3%

Sufficient Liquidity

Liquidity Ratio
136.5%

Loans-to-Deposits
78.6%

Strong Solvency

CBJ CAR Requirement
12%

Deposit Growth Rate
4.2%

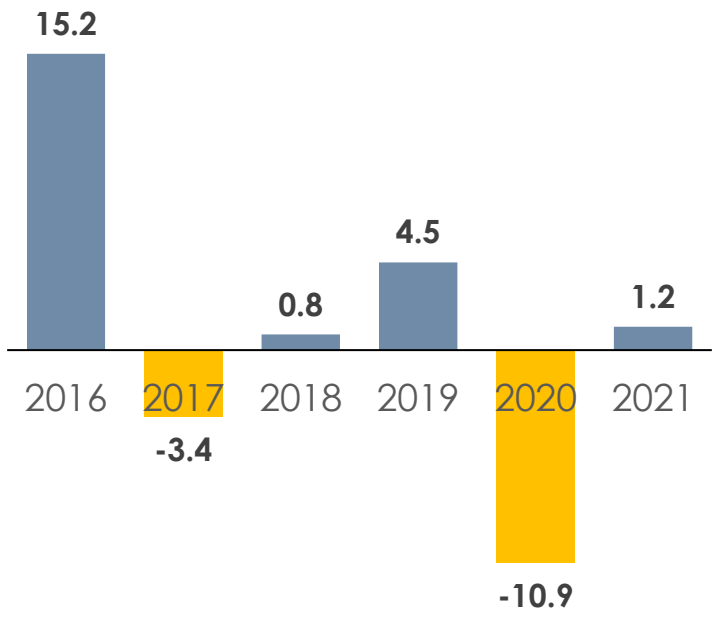
Section 3 | Part 2 (Iraq)

Macroeconomic Developments & the Banking Sector

capital bank

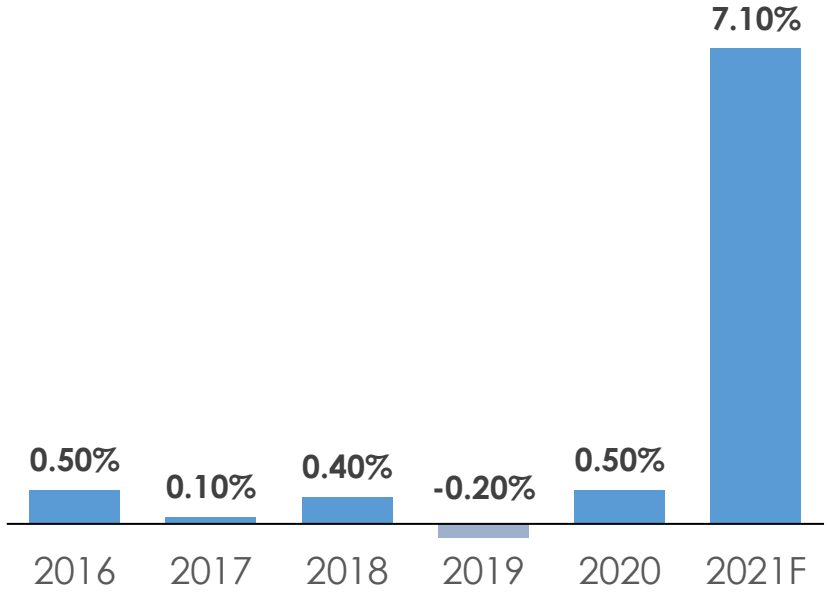
IRAQI ECONOMY

Real GDP
(percentage change)



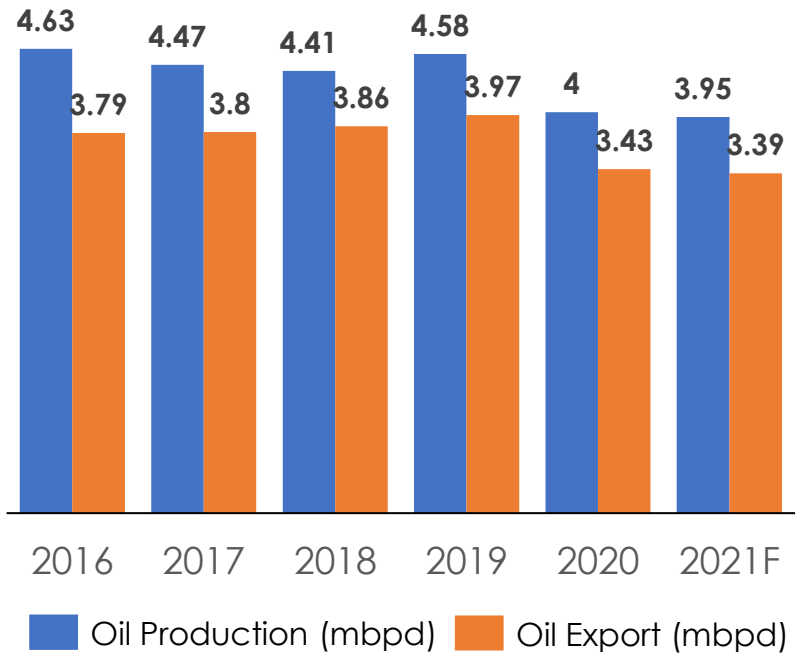
The Iraqi economy underwent a sharp decline in GDP in 2020 due to tourism and oil export declines, which came on the back of the COVID-19 pandemic. The economy is expected to recover in 2021.

Inflation
(percentage change)



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 2021 in the wake of the exchange rate devaluation and proposed reduction in the public wage bill and pensions.

Oil



Oil production and export numbers reflect oversupply and volatility in the market. Moreover, constraints from the OPEC+ commitments are expected to continue reducing production.

Numbers are in USD
Source: IMF Data

IRAQI BANKING SECTOR (KEY FACTS)

Regulated sector	The Iraqi banking sector is regulated by the Central Bank of Iraq.
Enhanced confidence in banks	A deposits guarantee fund is improving confidence in banks
Dominated by state owned banks	The Iraqi banking sector is mostly controlled by Rasheed Bank and Rafidain Bank
Low percentage of banking clients	This comes as an opportunity to onboard new banking clients in the market
Activities mostly limited to money exchange	

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