

# Capital Bank Group

## Corporate Presentation

Third Quarter – 2021

**capital**  
bank

# AGENDA

- 01 GROUP CORPORATE PROFILE & FINANCIAL HIGHLIGHTS**
- 02 CORPORATE GOVERNANCE & RISK MANAGEMENT HIGHLIGHTS**
- 03 MACROECONOMIC DEVELOPMENTS & BANKING SECTOR HIGHLIGHTS  
(JORDAN & IRAQ)**



**Section 1**  
**Group Corporate Profile  
& Financial Highlights**

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# 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.



**INNOVATION**  
in all we do



**CUSTOMER**  
driven



**HOLISTIC**  
financial solutions

# 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.

## 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.

## 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.

## 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

# CAPITAL BANK AT A GLANCE (H1, 2021)

01

USD 543m  
Equity

USD 5.61b  
Assets

- 4th largest Jordanian bank in terms of consolidated asset size
- Highest balance sheet growth (YoY and YTD) among peers

02

USD 2.83b  
Net Loans

83.9%  
Coverage  
Ratio

- 60% growth in loans over the past year
- Above average coverage levels

03

26%  
NOI Growth

13.8% ROE  
(excluding  
acquisitions)

- Fastest growing bank since the beginning of 2020
- One of the highest ROE levels among peers

04

0.11 EPS  
(excluding  
acquisitions)

12%  
Dividend

- Stable dividend yield, return to shareholders
- Owns 4.1% of total market deposits

05

15.46%  
CAR

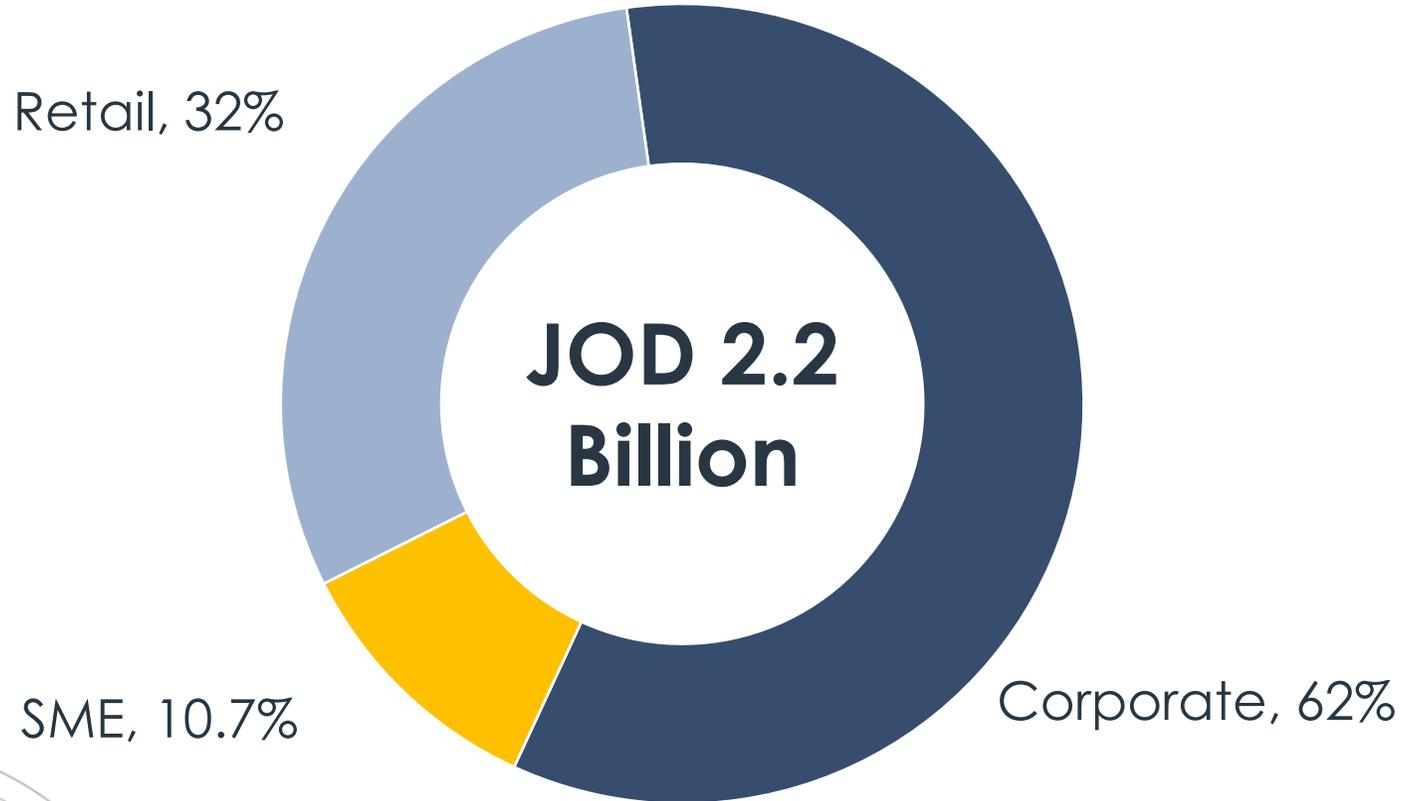
149.6%  
LCR

- 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

**capital bank**

Jordan

**Asset Contribution: 88%**

**NOI Contribution: 65%**

**national bank of iraq**

Iraq, KSA

**Asset Contribution: 11%**

**NOI Contribution: 28%**

**capital investments**

Jordan, Iraq, UAE, KSA

**Assets Under Management: ~USD 435 million**

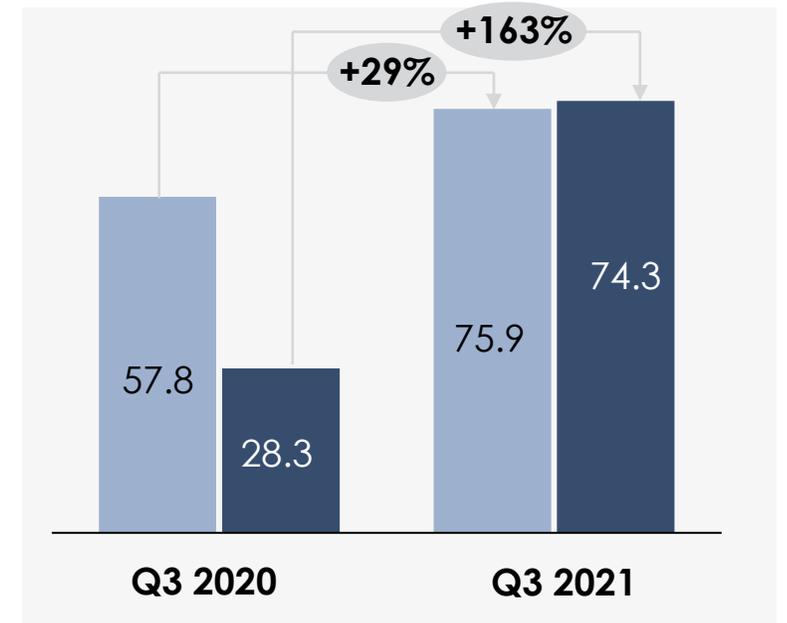
**NOI Contribution: 7%**

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

# SOLID INCOME GROWTH, RESILIENT REVENUE STREAM

Net Operating Income (USD mm)

Net Income (USD mm)



ROE 8.8%

8.4%

8.6%

7.5%

19.0%

Dividend % 10%

10%

12%

NA

NA

Dividend Payout Ratio 65%

80%

92%

NA

NA

EPS 0.217

0.178

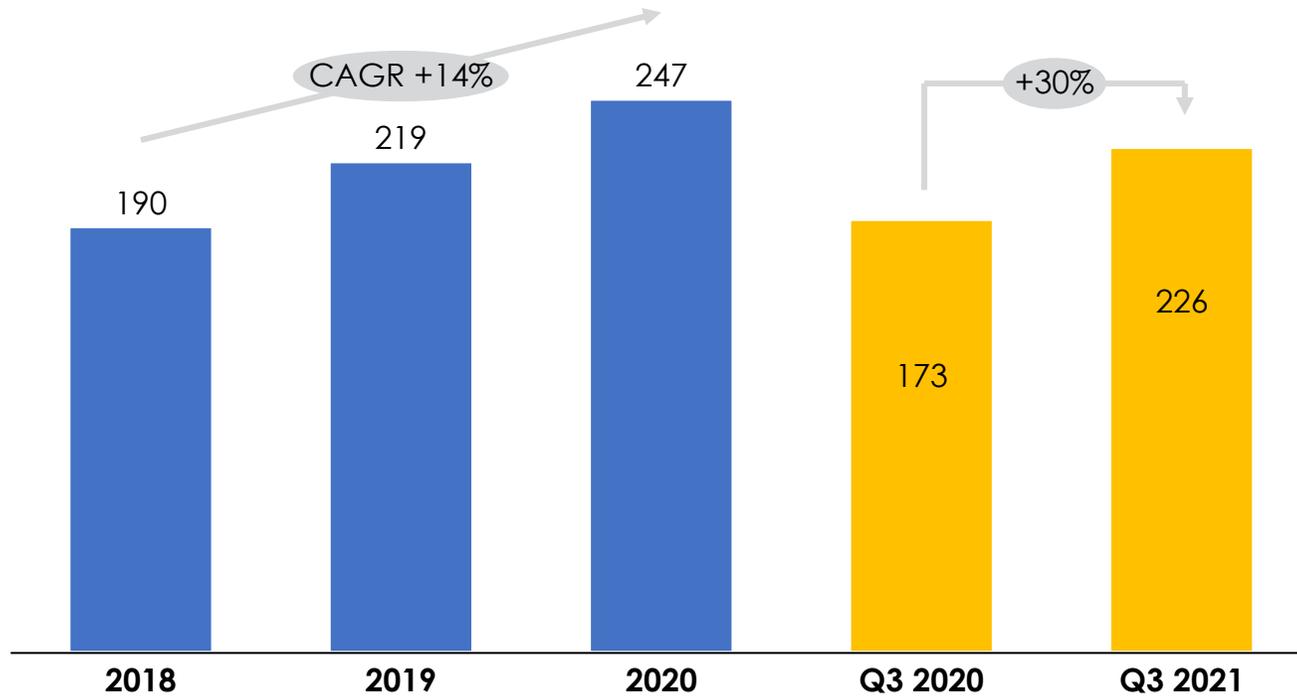
0.183

0.122

0.348

# SUSTAINABLE REVENUE & COST CONTROL

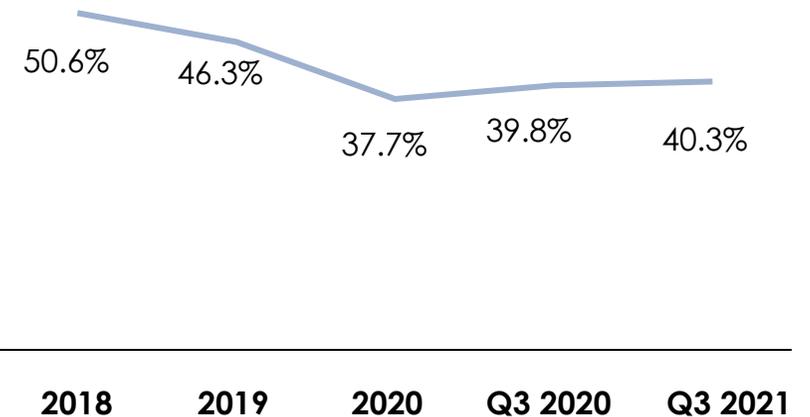
## Total Revenue



## Expense Breakdown

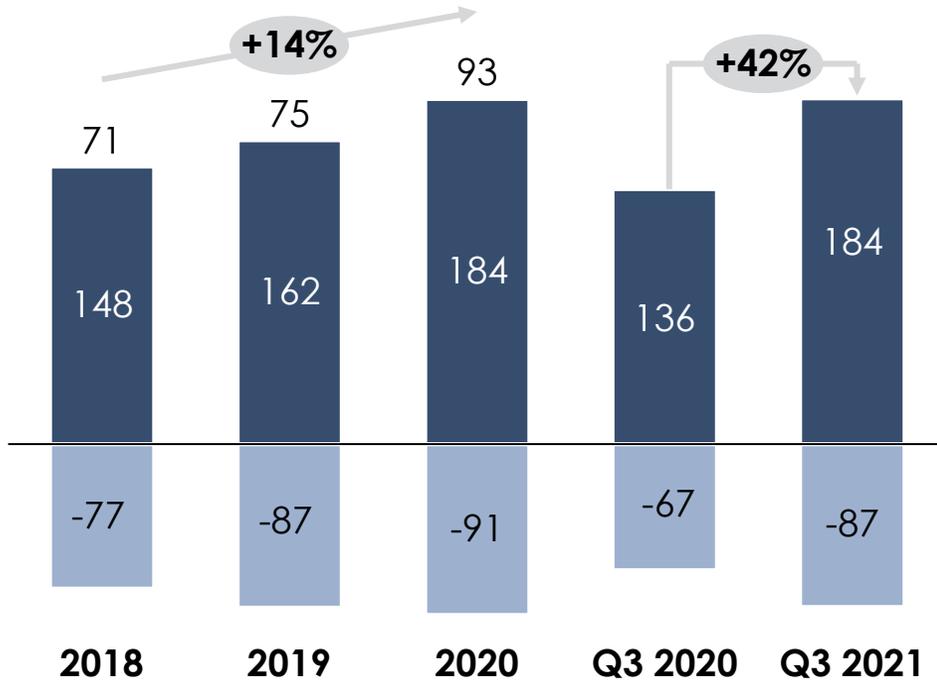
Operating staff costs comprise 45% of expenses, staff costs stood at 15%, whereas depreciation came at 15% and rent & occupancy at 7%.

## Efficiency Ratio

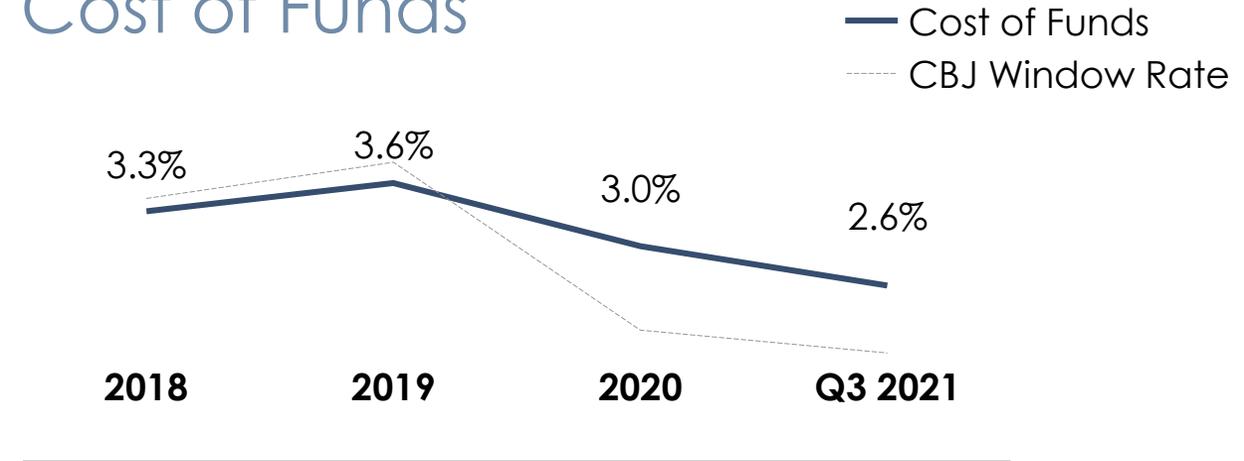


# GROWING NET INTEREST INCOME, STABLE NIM

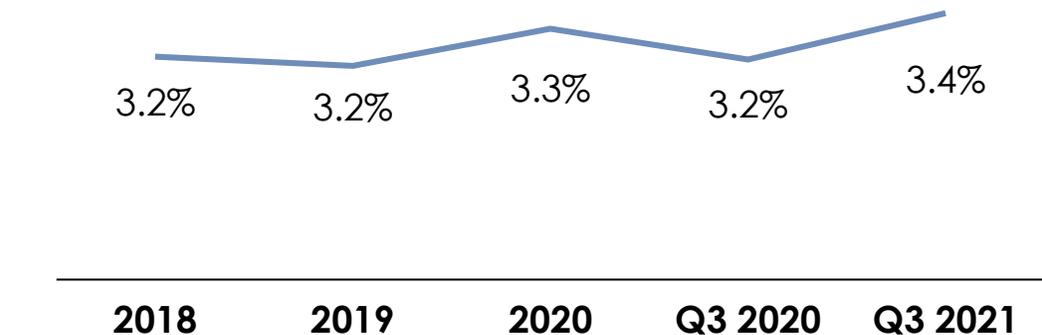
## Net Interest Income



## Cost of Funds



## Net Interest Margin

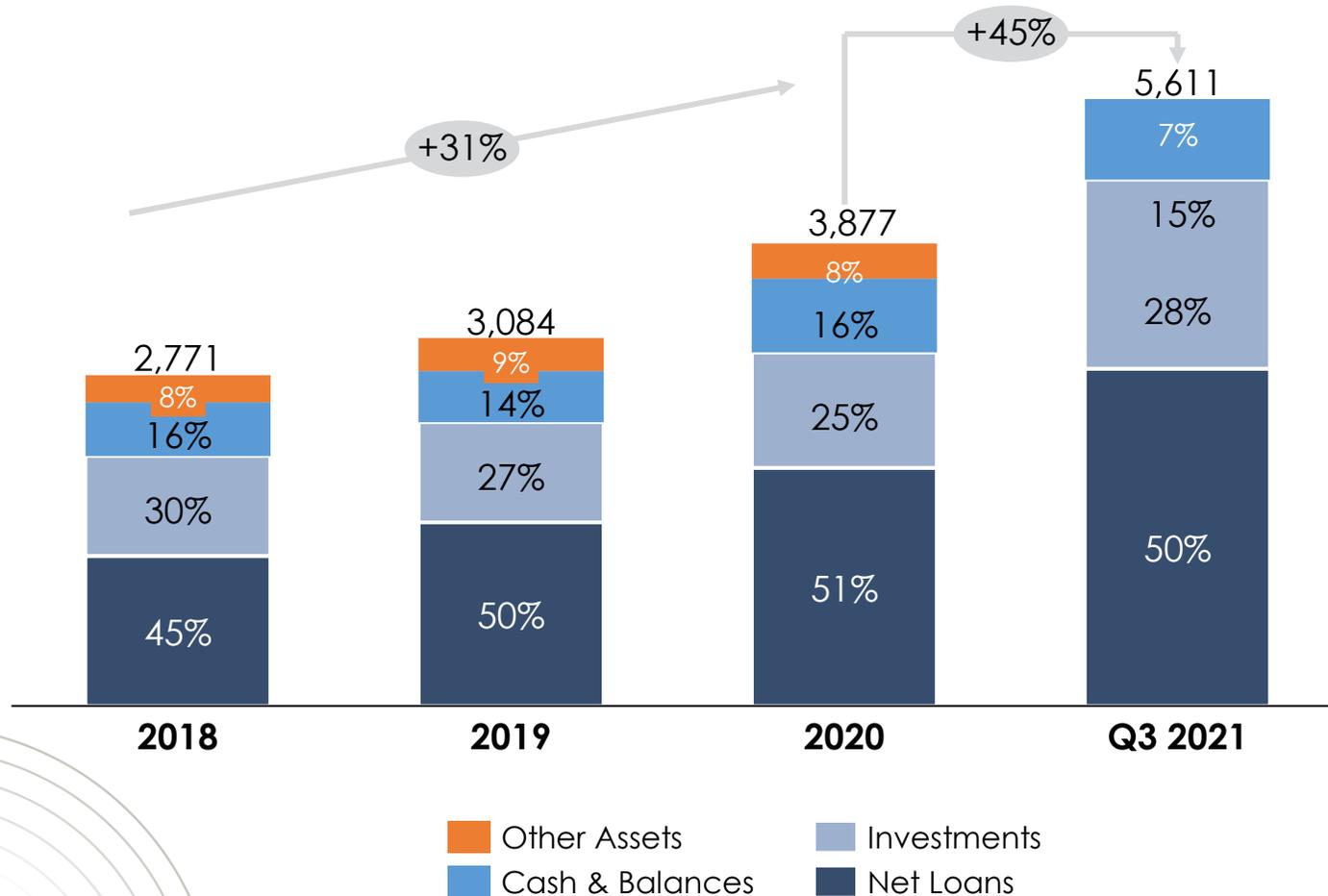


■ Interest Income  
■ Interest Expense

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

# DIVERSE & HEALTHY ASSET BASE

## Asset Composition



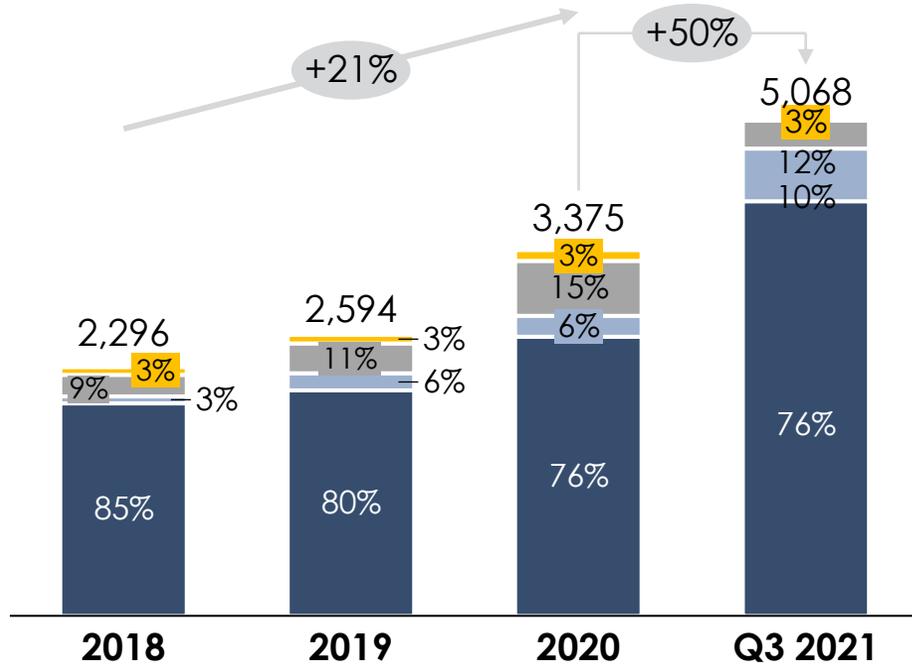
All values in USD million

## Highlights

- Investment portfolio of \$1.6mm, with focus on liquid assets and government securities.
- Gross credit growing at a CAGR of 31% since 2018; reached USD2.8 mm in Q3 2021.
- Corporate/ SME clients, comprise ~70% of portfolio as of Q3 2021.
- A falling NPL ratio of 6.3% with a coverage ratio of 84% (excluding acquisitions), sufficiently stronger than the sector average of 71.5%.
- Provision coverage ratio above 83.9%, and including collaterals remains well above 100%.

# STRONG DEPOSIT GROWTH & LIQUIDITY LEVELS

## Liabilities Composition

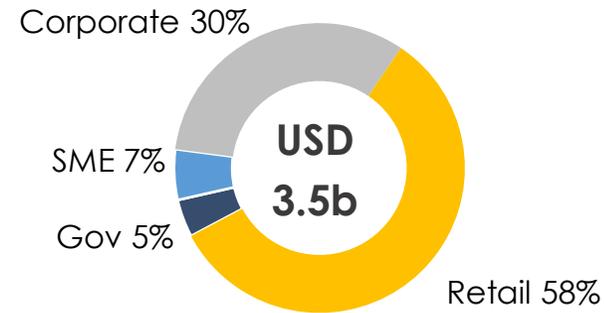


- Other liabilities
- Loans & Subordinated
- FI Deposits
- Customer Deposits & Margins

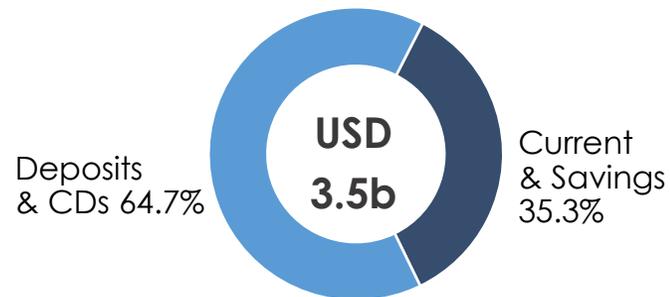
All values in USD million

## Deposits Q3 2021

### By Segment



### By Type

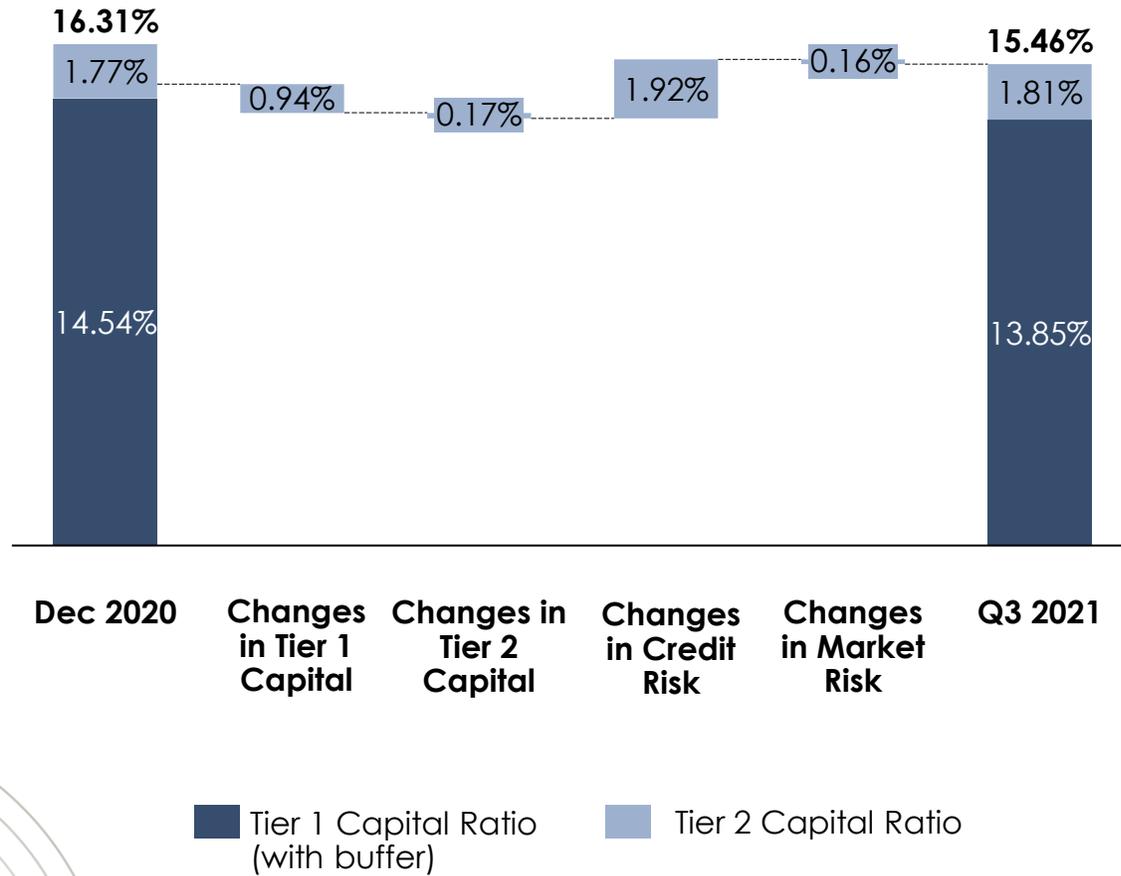


## Highlights

- Deposit growth at a CAGR ~26% since 2018. Total deposits stand at 3.5 mm in Q3 2021.
- Non- interest-bearing deposits at 26% in Q3 2021.
- Liquidity Coverage Ratio (LCR) at 149.6% in Q3 2021. Well above 100% regulatory minimum.
- Loan to deposit ratio stood at 75% in Q3 2021.

# COMFORTABLE CAPITAL BUFFERS

## Capital Adequacy Walkthrough



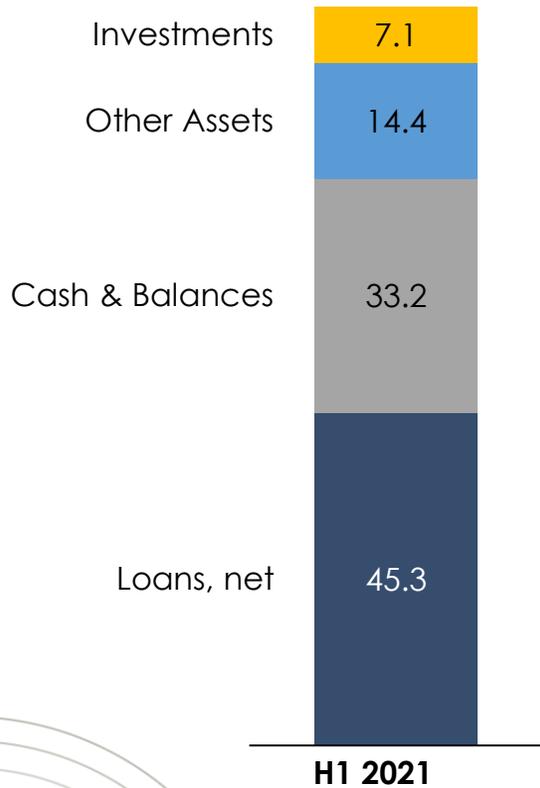
## Highlights

- CAR well above the 14% CBJ and 12% Basel requirement.
- NBI standalone CAR of 13.1% with 94% in Tier 1, well above CBI 12.5% minimum.
- Risk Weighted Assets at USD 3.31 mm in H1 2021, 85% of which CRWA.

# NATIONAL BANK OF IRAQ, A SNAPSHOT

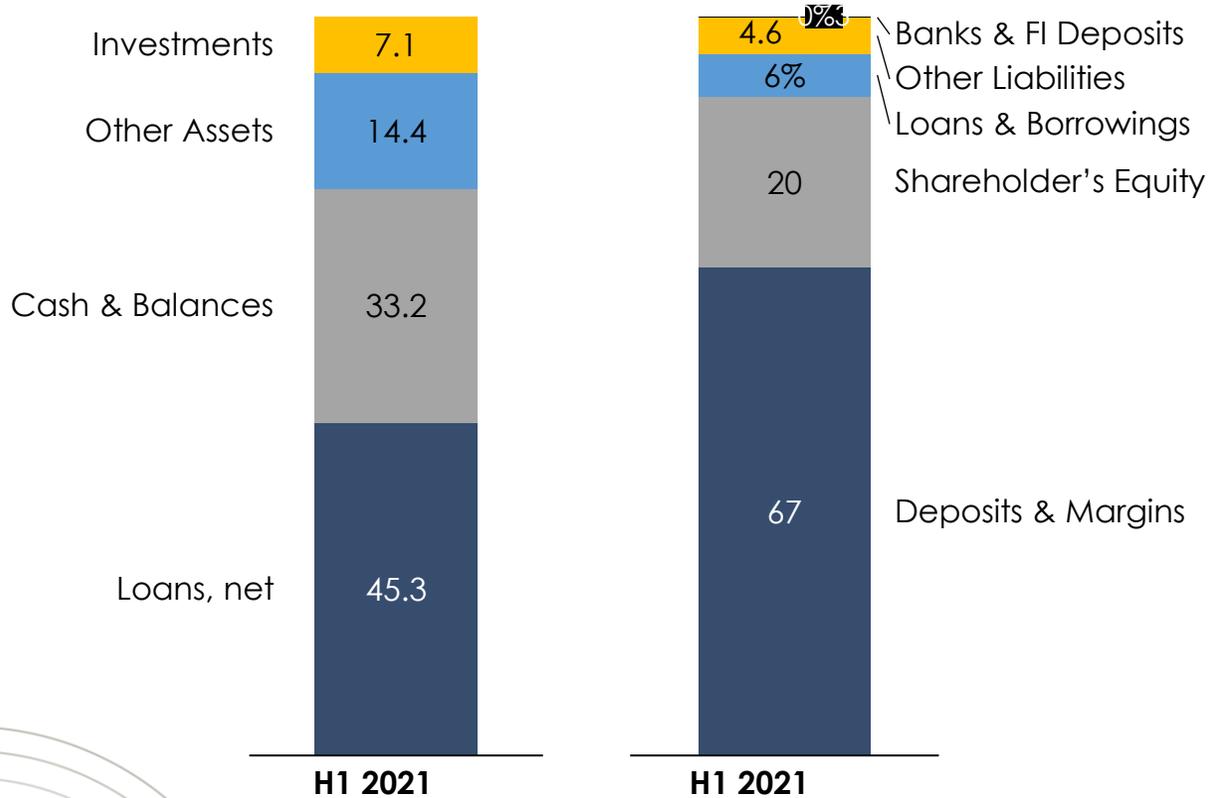
## Assets

USD 1,024



## Liabilities

USD 819.9mm



## KEY P&L ITEMS

Q3 2021

Net Interest Income	17.8
Commission Income	18.2
Gross Operating Income	40.4
Operating Expenses, Staff	6.9
Operating Expenses, Other	16.3
Provisions & Non-Recurring	2.2
<b>Net Income</b>	<b>12.2</b>

## SELECTED RATIOS

Q3 2021

ROE	7.97%
Net Interest Margin	5.2%
Efficiency Ratio	49.6%
NPL Ratio / Coverage Ratio	3.1% / 89.7%
Capital Adequacy	13.1%

All values in USD billion

# GROUP MEDIUM-TERM GUIDANCE (2021-25)

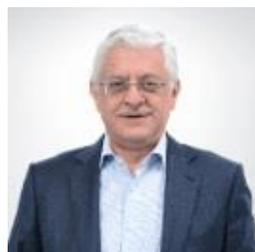
Metric/ KPI	Guidance (2021 - 2023)	Comments
<b>Total Assets</b>	<b>CAGR &gt;12%</b>	<ul style="list-style-type: none"><li>▪ Grow total assets to above USD 6.3bn by the end of 2025</li></ul>
<b>Cost to Income Ratio</b>	<b>&lt;40%</b>	<ul style="list-style-type: none"><li>▪ Improve efficiency and implement further cost saving policies</li></ul>
<b>ROE</b>	<b>&gt;12%</b>	<ul style="list-style-type: none"><li>▪ Maintain double digit ROE starting 2021 onwards</li></ul>
<b>Capital Adequacy</b>	<b>&gt;15% (Consolidated Level)</b>	<ul style="list-style-type: none"><li>▪ Strong Capital base, maintained well above minimum requirements</li></ul>
<b>Dividends</b>	<b>Payout Ratio of ~50% of net income</b>	<ul style="list-style-type: none"><li>▪ Target a stable payout ratio for shareholders</li></ul>



**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.

## Composition Stats

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

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

# HIGHLY EXPERIENCED MANAGEMENT TEAM



**Mr. Dawod 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
<b>Business</b>		
<b>Ayman Abu-Dhaim</b>	CEO, National Bank of Iraq	2011
<b>Marwan Haddad</b>	Group Investments CEO	2021
<b>Ali Abu Swai</b>	Chief Treasury Officer	1997
<b>Yasser Kleib</b>	Chief Institutional Banking Officer	2004
<b>Mohammad Othman</b>	Chief Consumer Banking Officer	2020
<b>Zein Malhas</b>	Chief Digital Officer	2018
<b>Control</b>		
<b>Samer Al-Aloul</b>	Chief Banking Officer	2021
<b>Izzidin Abu Salameh</b>	Chief Operating Officer	2020
<b>Falah Kokash</b>	Chief Risk Officer	2012
<b>Rafat Khalil</b>	Chief Auditor	2007
<b>Manar Aabidi</b>	Chief Credit Officer	2018
<b>Saher Abdel-Hadi</b>	Head of Compliance	2018
<b>Support</b>		
<b>Manar Al Nsour</b>	Chief Financial Officer	2001
<b>Mohammed Mu'az</b>	Chief Legal Advisor	2003
<b>Touleen M. Barto</b>	Chief Marketing and Corporate Communications Officer	2021
<b>Haya Abuata</b>	Chief Human Resources Officer	2011

## Gender



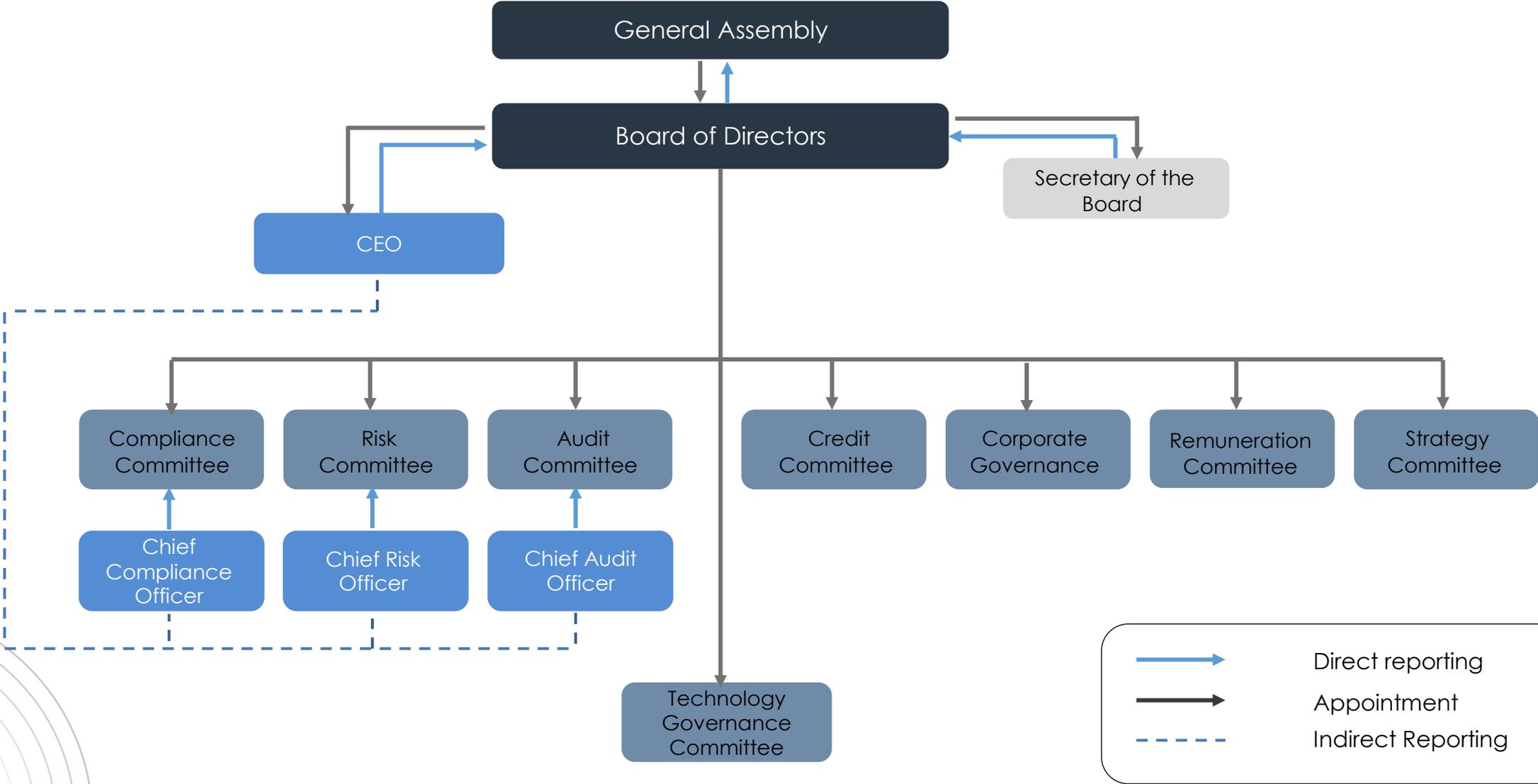
## Education



## Average Experience



# SOLID GOVERNANCE & DECISION-MAKING



# ESG AWARENESS & APPROACH



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b a n k

- 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.

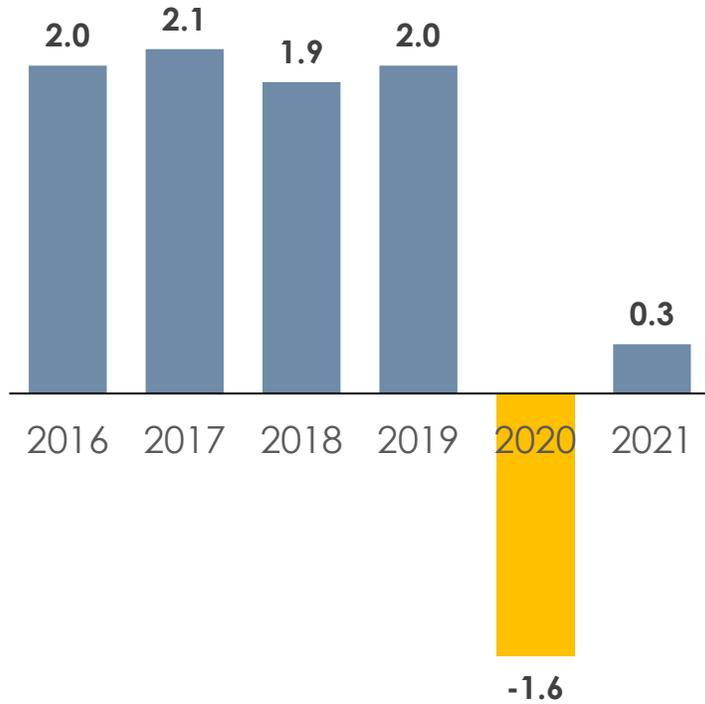


**Section 3 | Part 1 (Jordan)**  
**Macroeconomic Developments  
& the Banking Sector**

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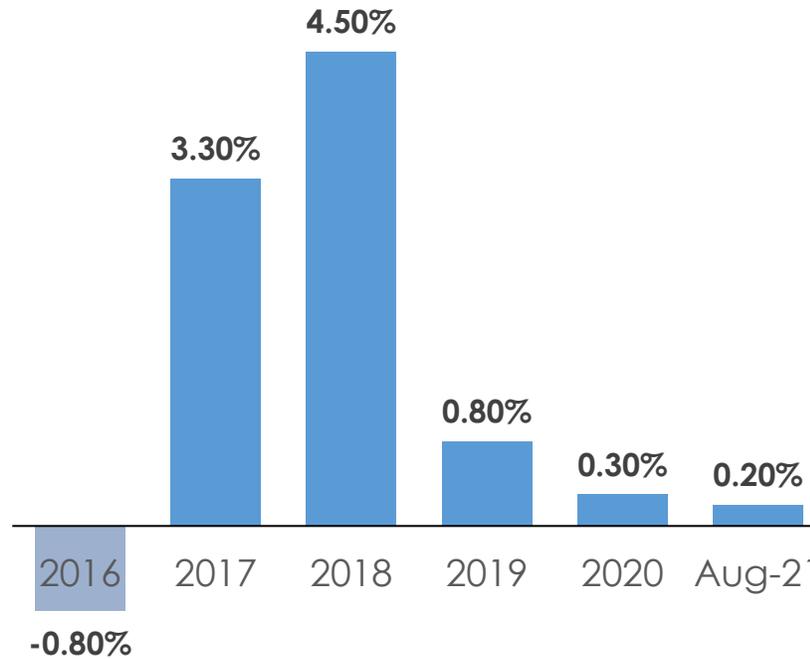
# JORDANIAN ECONOMY

## GDP at Constant Prices



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

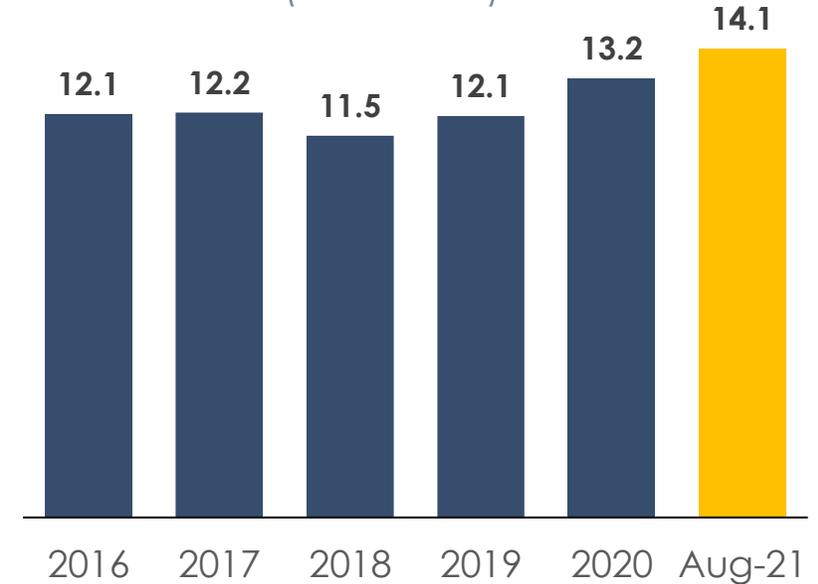
## Inflation



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.

# 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**



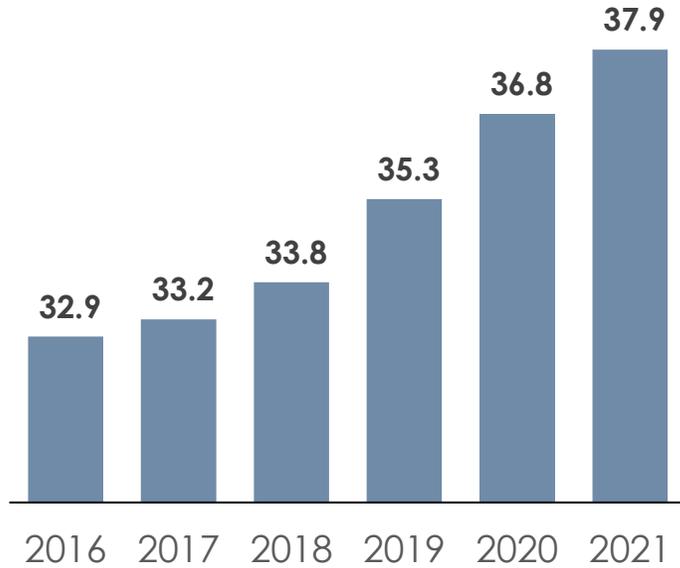
**Excess capital**



The banking sector enjoys a CAR of 18.3%, situated well above the CBJ minimum requirement

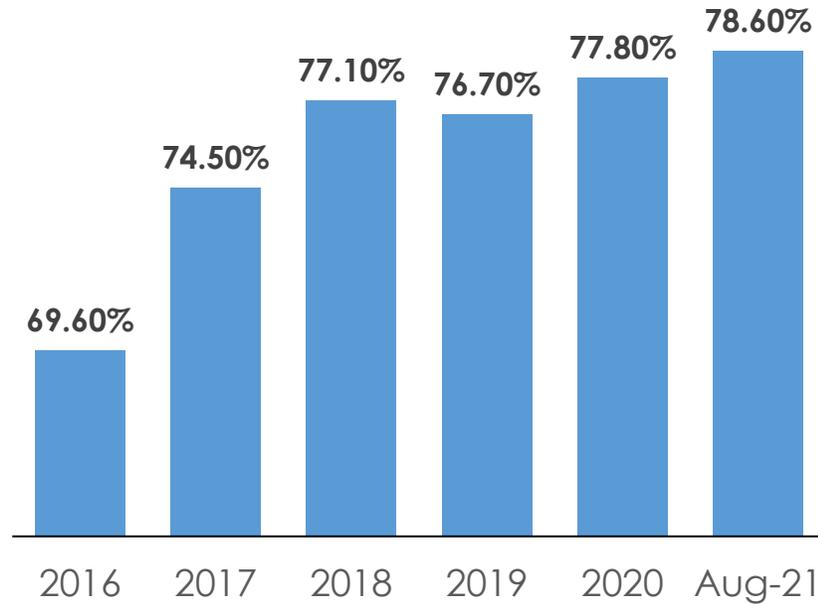
# JORDANIAN BANKING SECTOR (KEY FACTS, CONT'D)

## Total Deposits at Banks



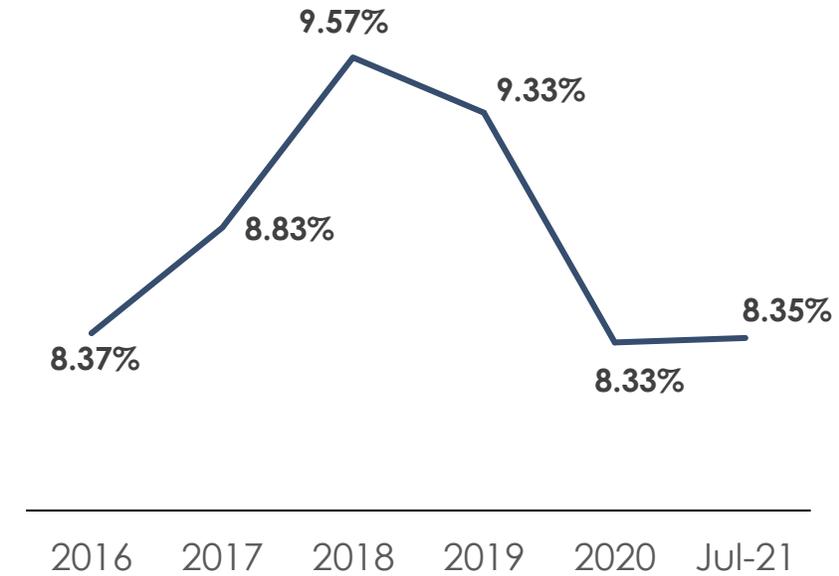
Total deposits at banks stood at JOD 37.9 billion in July 2021, witnessing a 3% increase from 2020 and a CAGR of 2.8%.

## 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.

# 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%



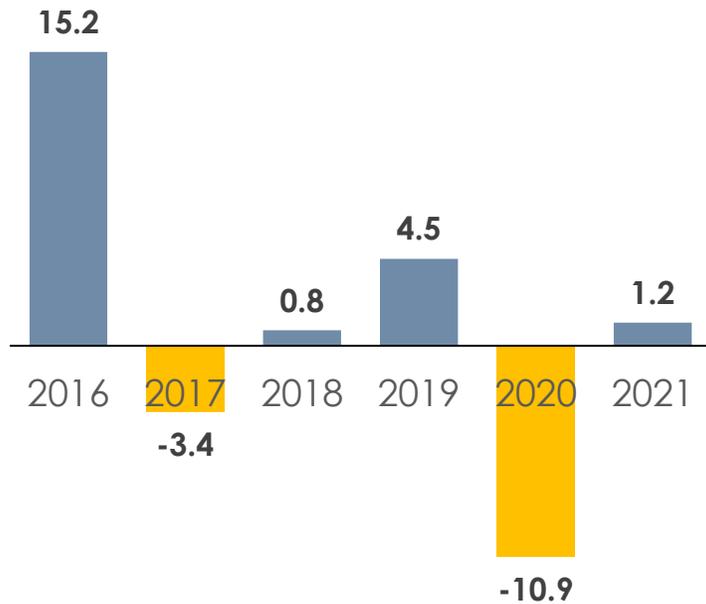
**Section 3 | Part 2 (Iraq)**  
**Macroeconomic Developments  
& the Banking Sector**

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# IRAQI ECONOMY

## Real GDP

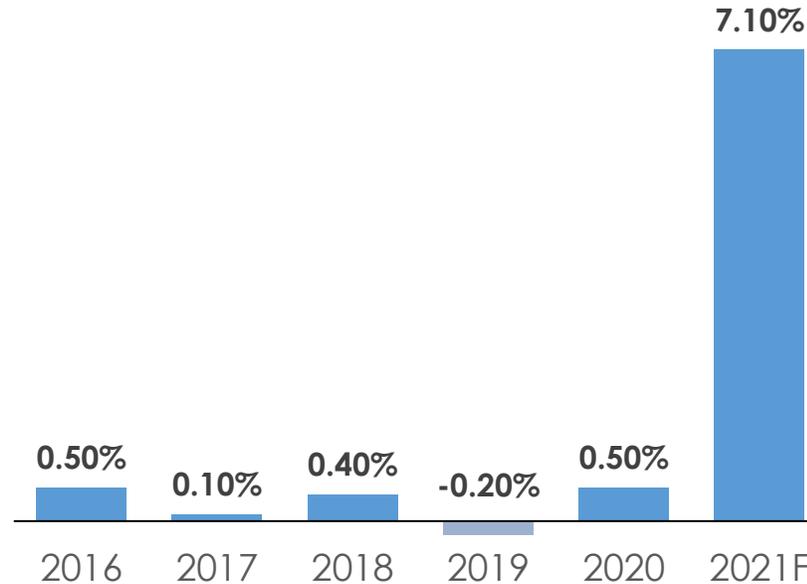
(percentage change)



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.

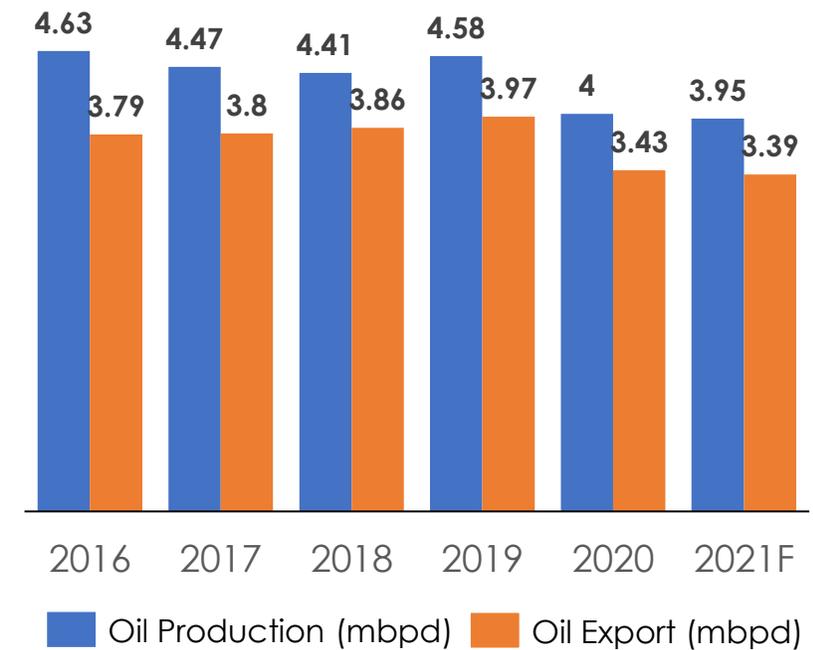
## Inflation

(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.

# IRAQI BANKING SECTOR (KEY FACTS)

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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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