

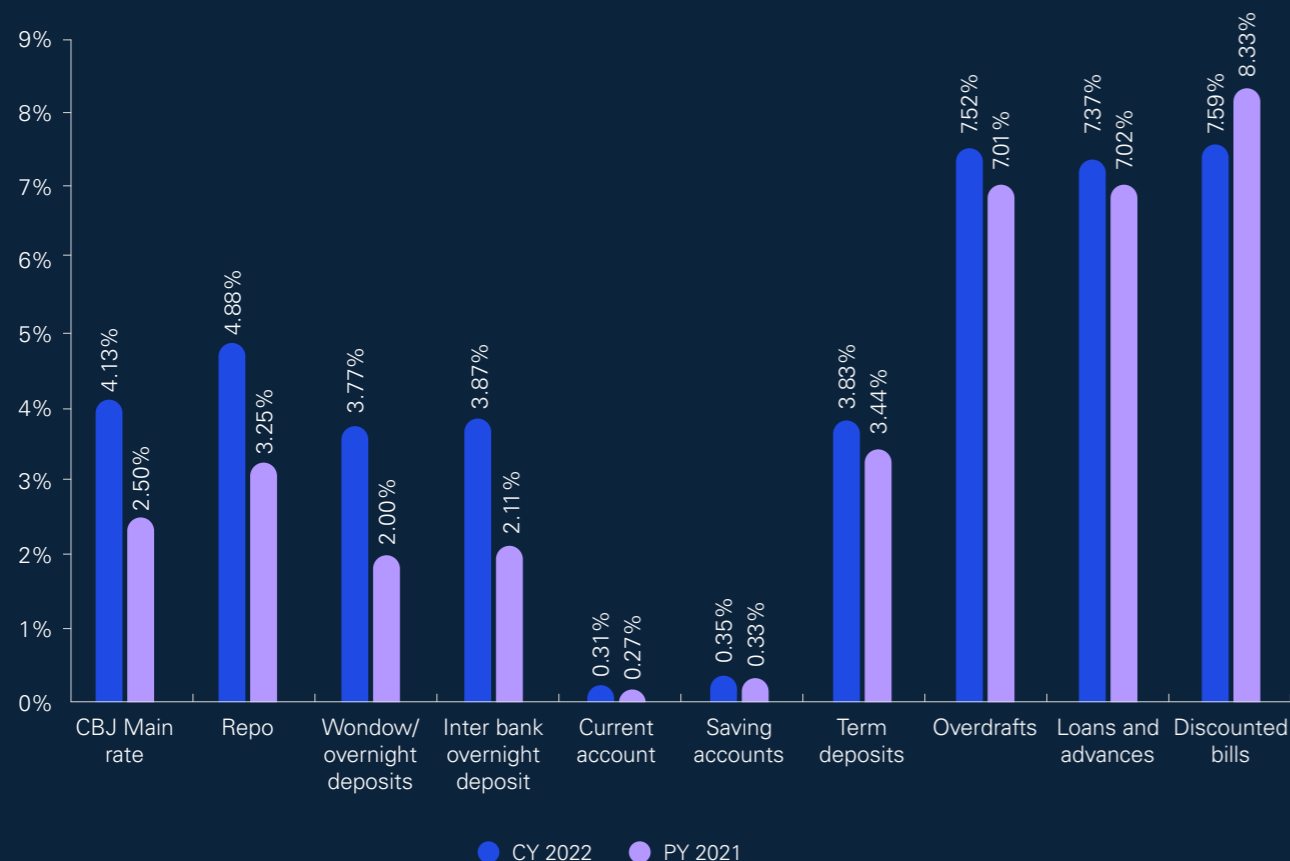
Financial performance indicates growth in high-yield assets and profitability

The financial results of the banking sector for FY2022 reflect a robust industry performance, particularly highlighting a significant increase in net profit by circa 42 percent as compared to FY2021, and total assets growth of 5.9 percent since 31 December 2021.

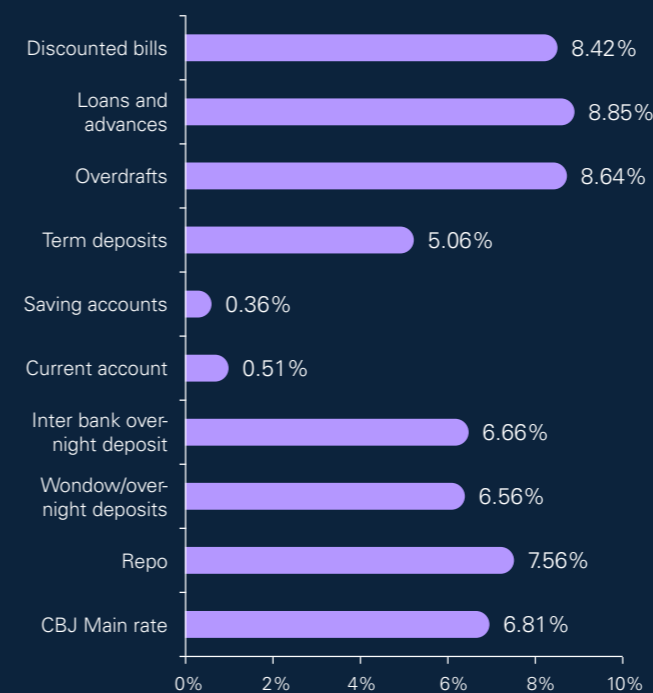
The increase in net income for YE2022 is directly linked to the increase in the analyzed bank's total assets, especially the loans which were increased by 8 percent. Also, the increase was due to the rapid increase in the market interest rate.

The impact of rising market interest rates affected the loan terms since most of the loans have been impacted by both interest rate increases and holiday payments in the last two years. Accordingly, the maturity dates of the medium- and long-term loans have increased significantly. This has sparked attention to existing and new loans by reflecting the impact on the credit studies.

The average market rate for key products in 2022 compared to 2021



The average market rate for key products for the first four months in 2023



Surely such events resulted in an increase in the expected credit losses (ECL) coverage ratio for non-performing loans (NPLs) from 124.67 percent to 135.75 percent between 2021 and 2022.

Despite the news from around the globe about the decline in global economic growth, the inflation in 2022, and the global negative economic indicators, we can notice that the NPLs have almost remained the same in 2022 compared to 2021, the coverage ratio for NPLs have generally increased, and the coverage ratio per stage percentage is also high which reflects the robust granting and collection strategies implemented by the banks.

Apart from the loans, we can notice that the customer deposits have been increased by 7 percent which goes in line with the CBJ financial inclusion program.

The banking industry has continued to capture the benefits of economic expansion, evidenced by an increase in lending and reaching an industry-wide loan-to-deposit ratio of approximately 73 percent at the end of December 2022 and noticing an increase in loan book by 8 percent while witnessing an increase in customer deposits by 7 percent.

The increase in net profit of 41.89 percent is contributed by the increase in average net interest income by 19.46 percent supported on the back of asset growth and interest rate increases across all portfolios. Moreover, there has been a marked increase in commission income which has increased by 11.43 percent. Another factor contributing to the increase in the net profit is that the banks' operating expenses have only increased by 4.5 percent, which is considered less than the increase in the bank's operating income by 15.26 percent.

The loan-to-deposit ratio (LDR) of 73 percent is slightly more than the last year's rate which is considered relatively healthy for the Jordanian market. This demonstrates the improved liquidity ratio (LDR), which displays an average LDR of 210 percent, exceeding the regulation minimum liquidity ratio by two times.

In the first few months of 2023, the global banking sector is faced with challenges, particularly heightened by shockwaves arising out of instances of Silicon Valley Bank and Signature Bank in the US, and the Credit Suisse merger in Europe by UBS in an attempt to save the sector from further upheaval. While these developments do not leave any substantial effect on Jordanian banks; such instances demand some introspection and risk aversion to avoid any spill-over effect.

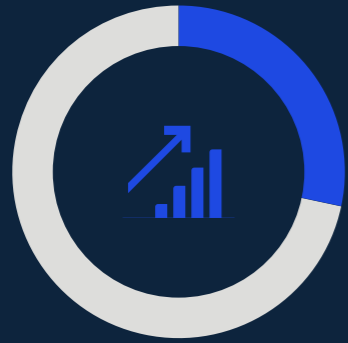
Looking ahead, while macroeconomic indicators are supportive of further growth, industry participants have to learn from global challenges and local opportunities and pursue competition based on individual strengths. The regulator and the market participants will have a closer eye on the capital adequacy and liquidity position and a proactive approach will help market participants in acquiring market share.



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Industry performance of publicly listed banks

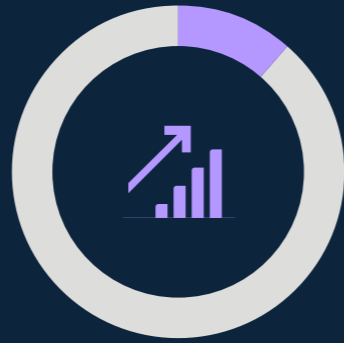
Net profit after tax



↑ 41.89%

YE – 2022 net income **JOD 821,858,259**
(YE – 2021: **JOD 579,228,735**)

Total assets



↑ 5.94%

As of YE – 2022 **JOD 87,535,836,610**
(YE – 2021: **JOD 82,626,422,072**)

Total customer deposit



↑ 6.99%

As of YE – 2022 **JOD 60,344,772,314**
(YE – 2021: **JOD 56,403,405,788**)

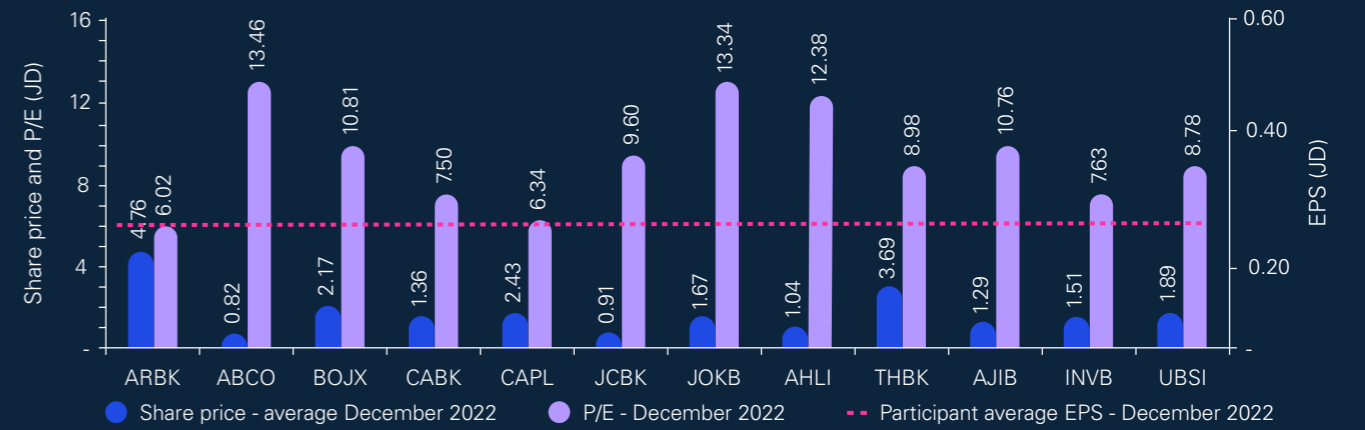
ECL charge for the year



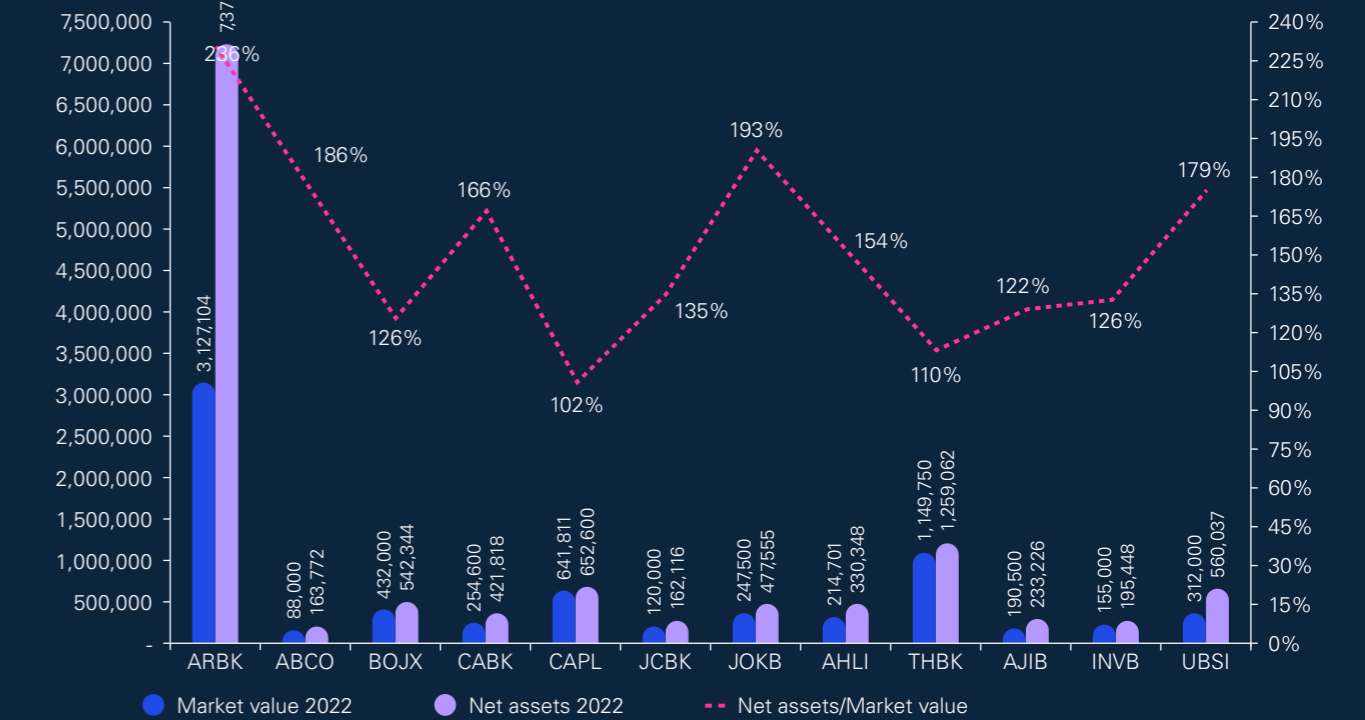
↓ -16.16%

YE – 2022 **JOD 489,088,682**
(YE – 2021: **JOD 583,335,113**)

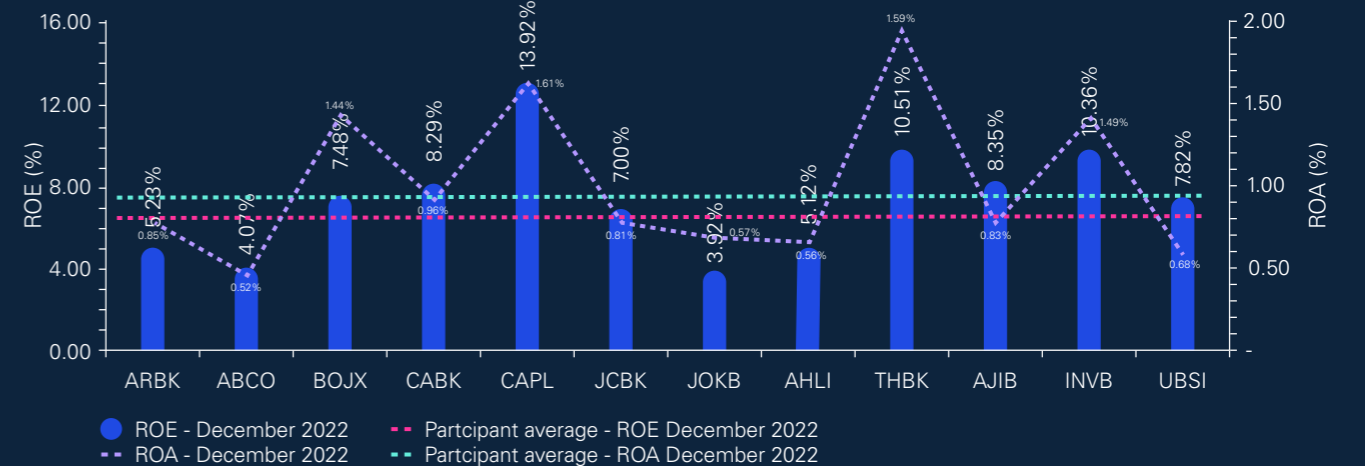
Share price, P/E & EPS



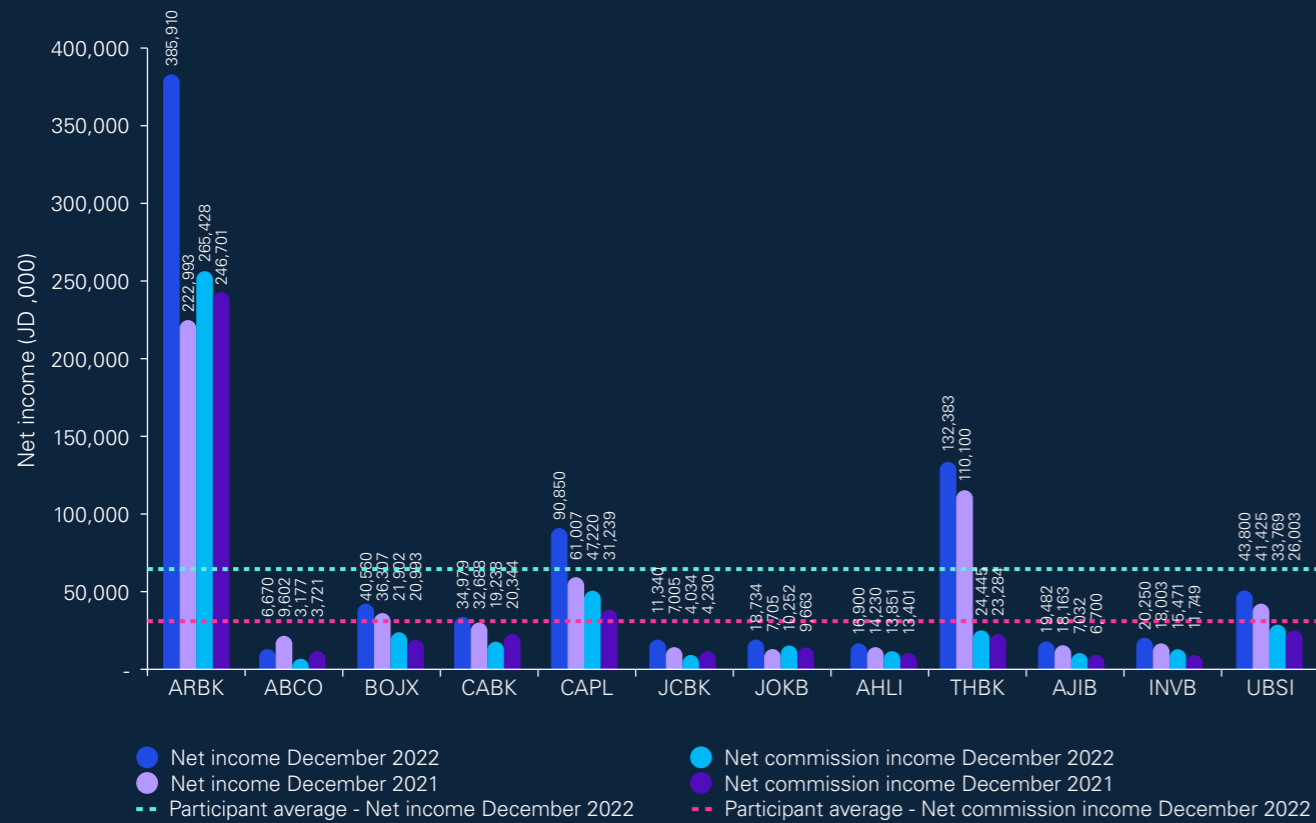
Market value/Net assets



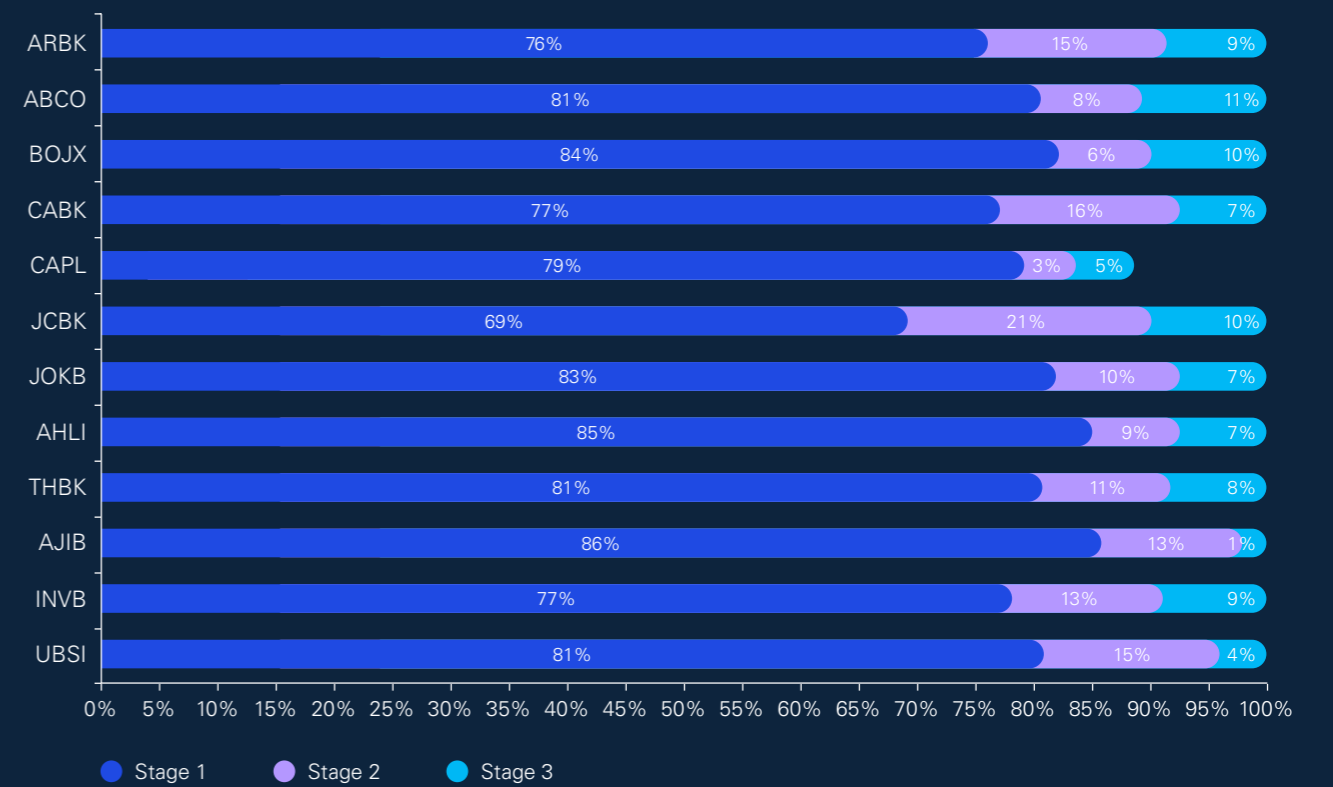
ROE and ROA Analysis



Net income

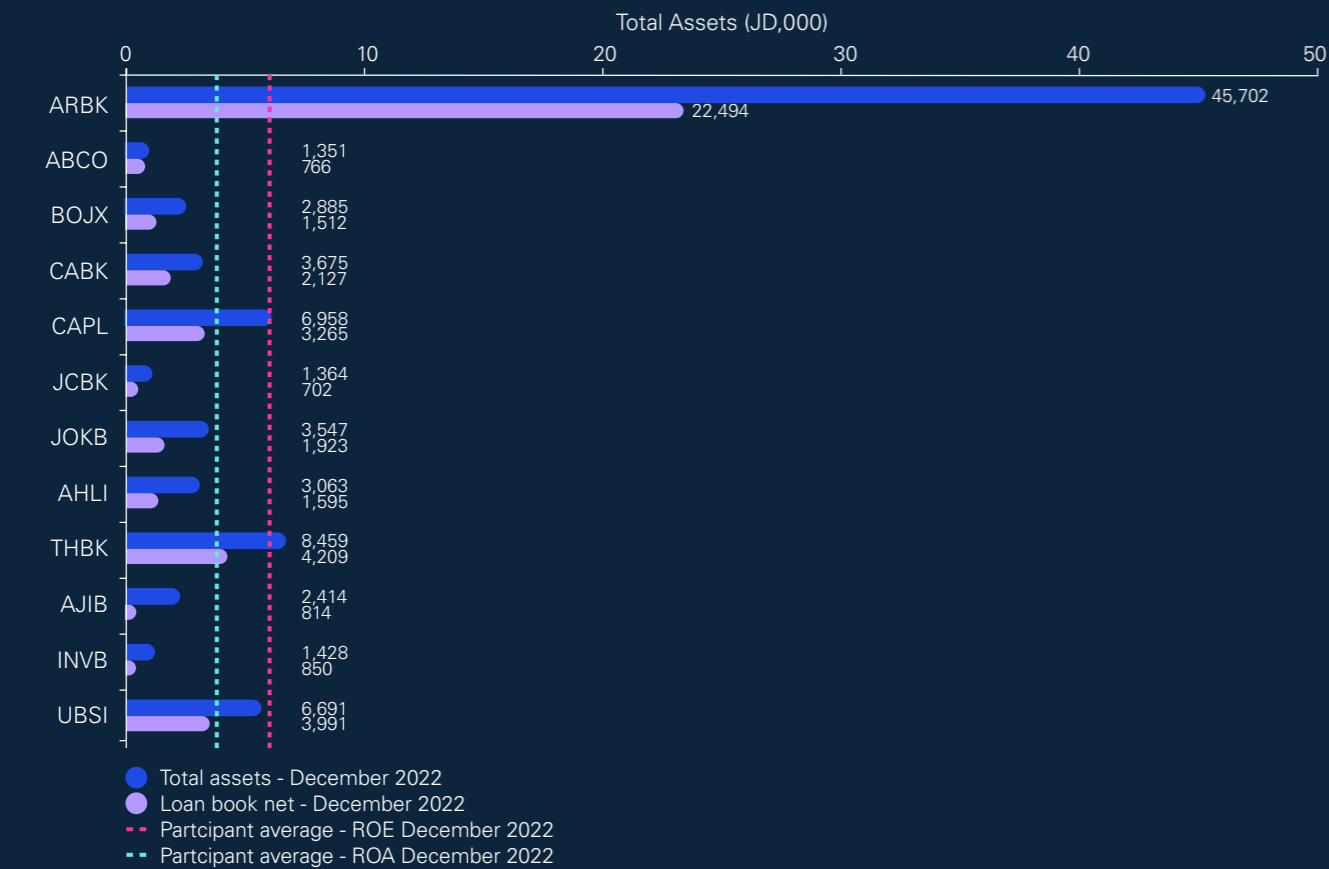


Total loans subject to ECL*

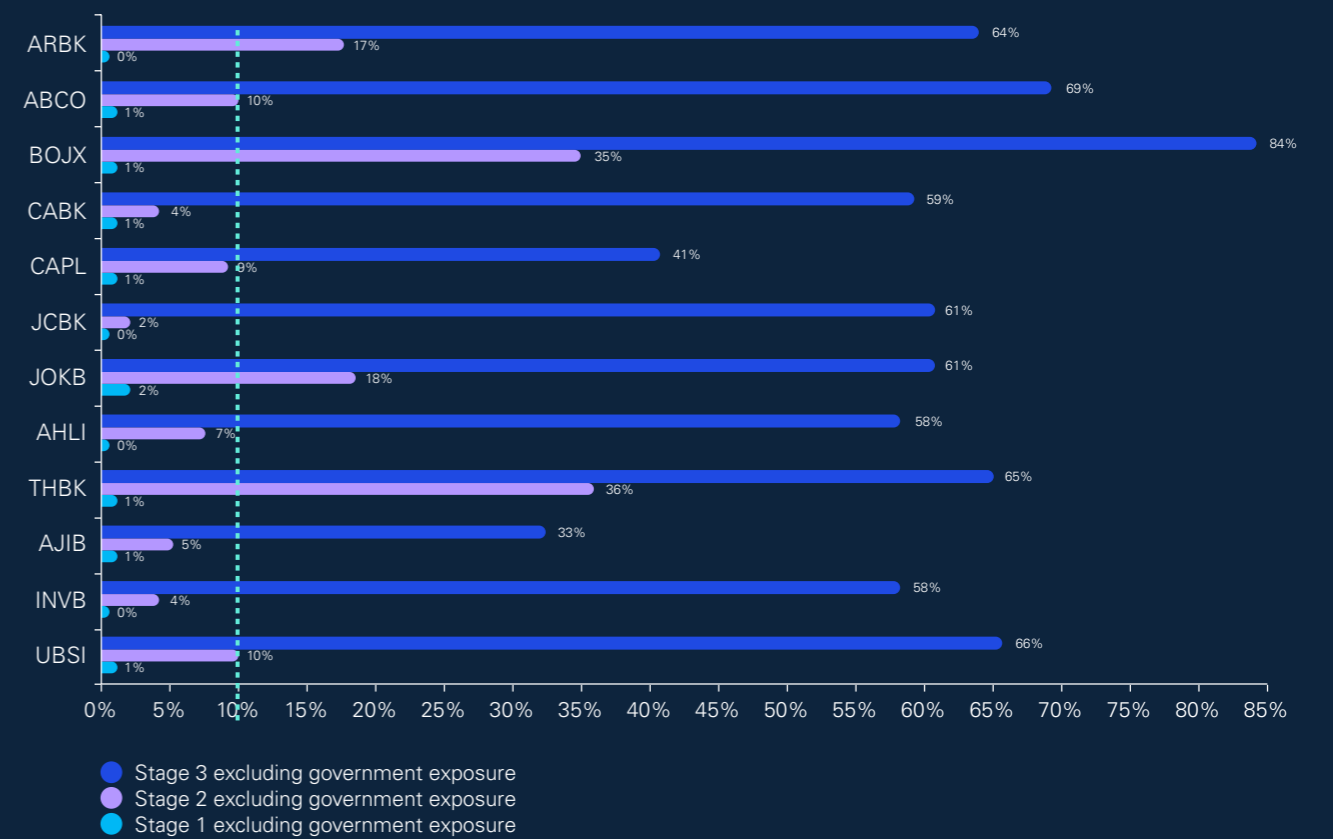


*Excluding government exposures

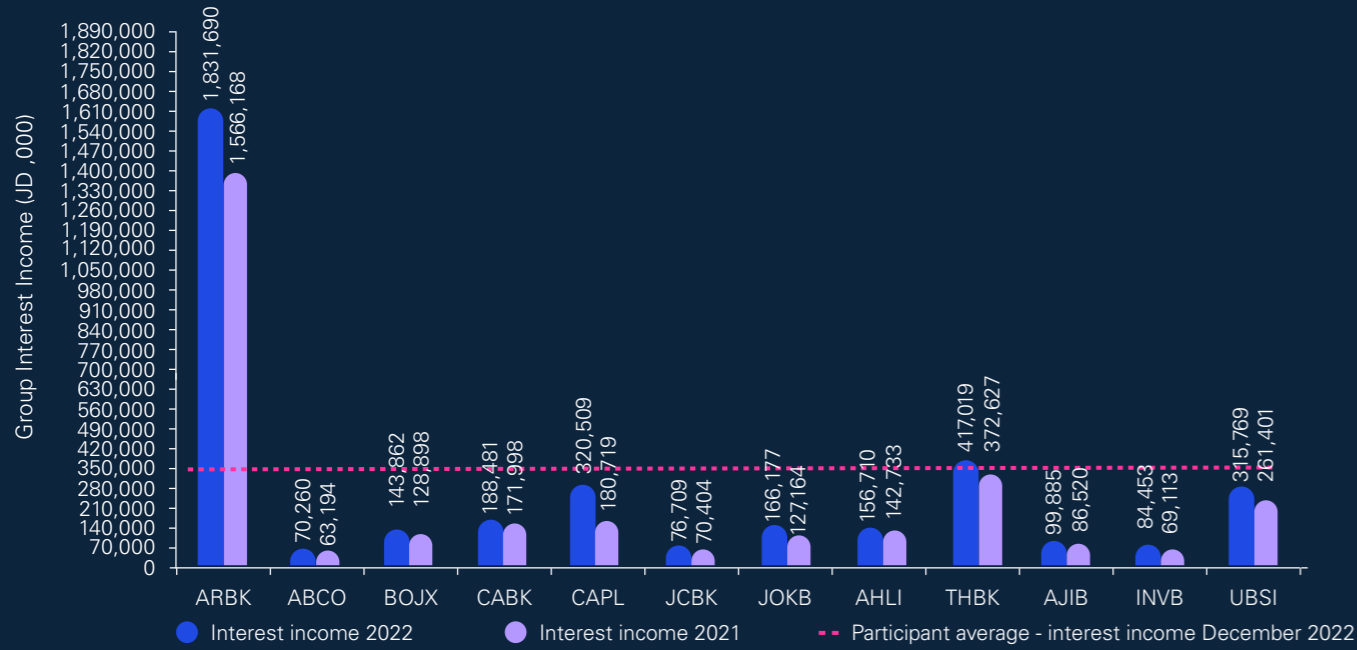
Total assets & Total loan book



Coverage ratio per stage



Group interest income

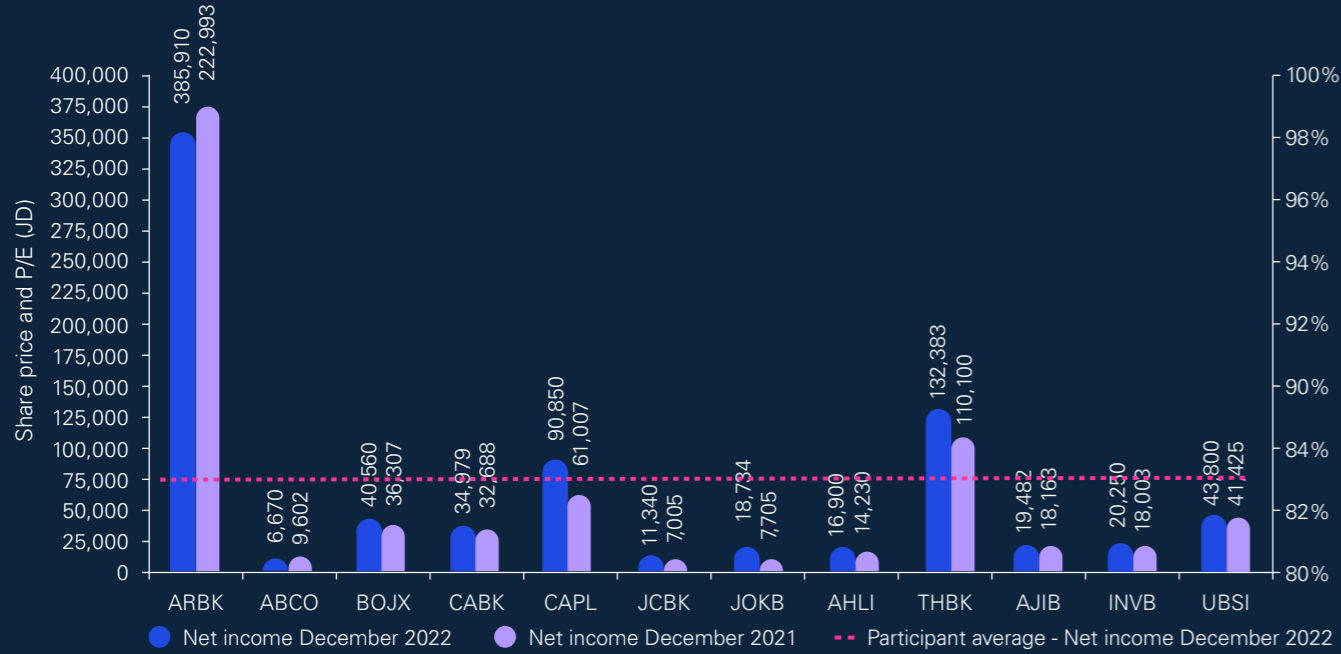


NSCR (%)

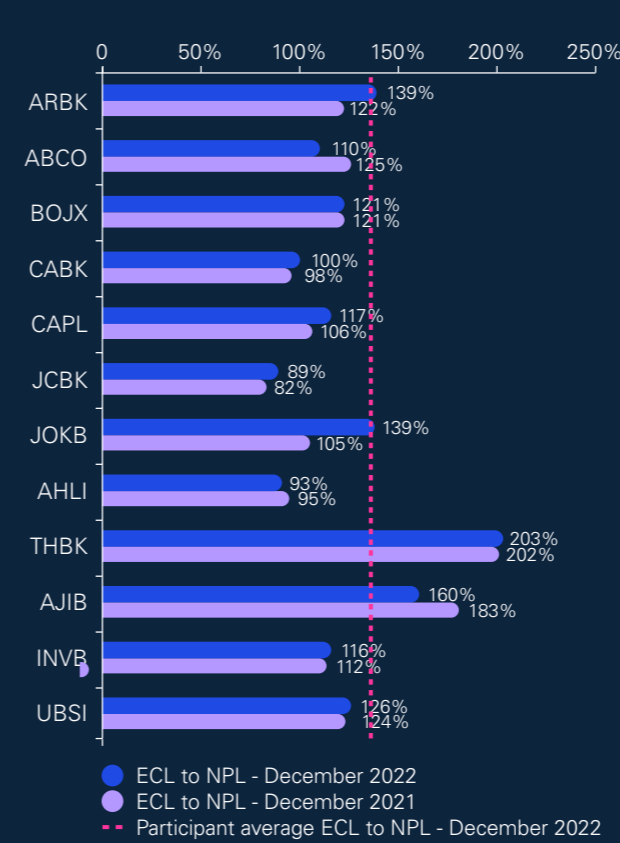
Cost-income ratio



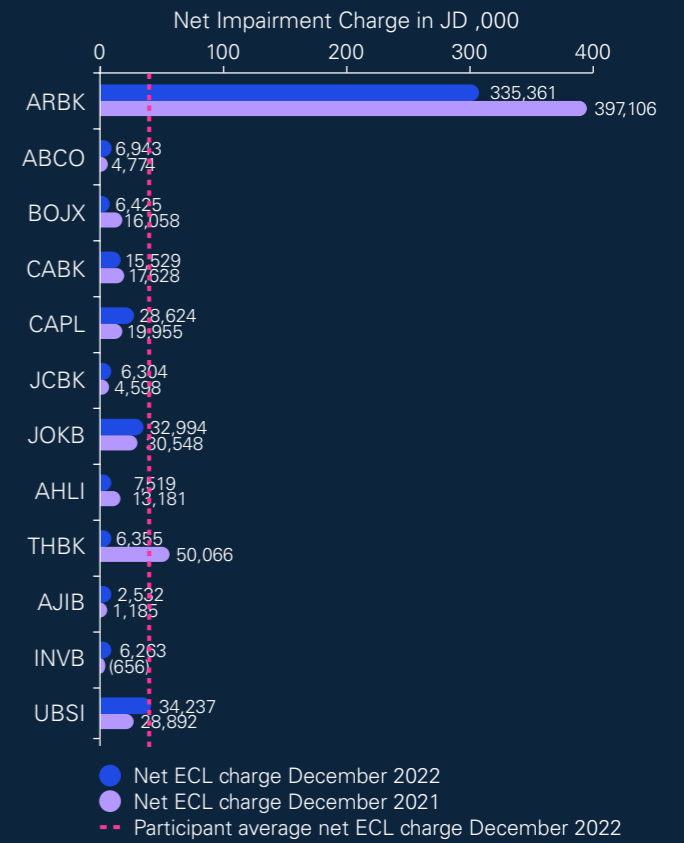
Net income analysis



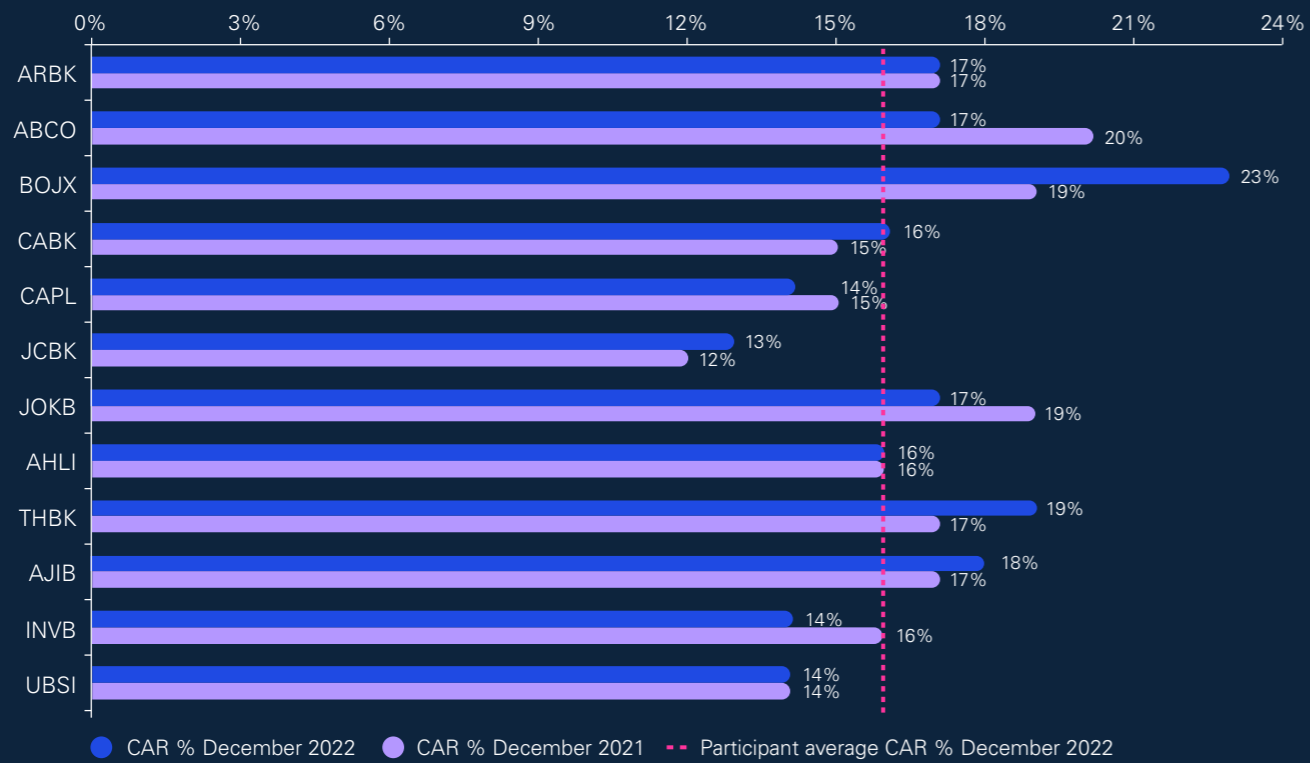
Coverage ratio (percentage)



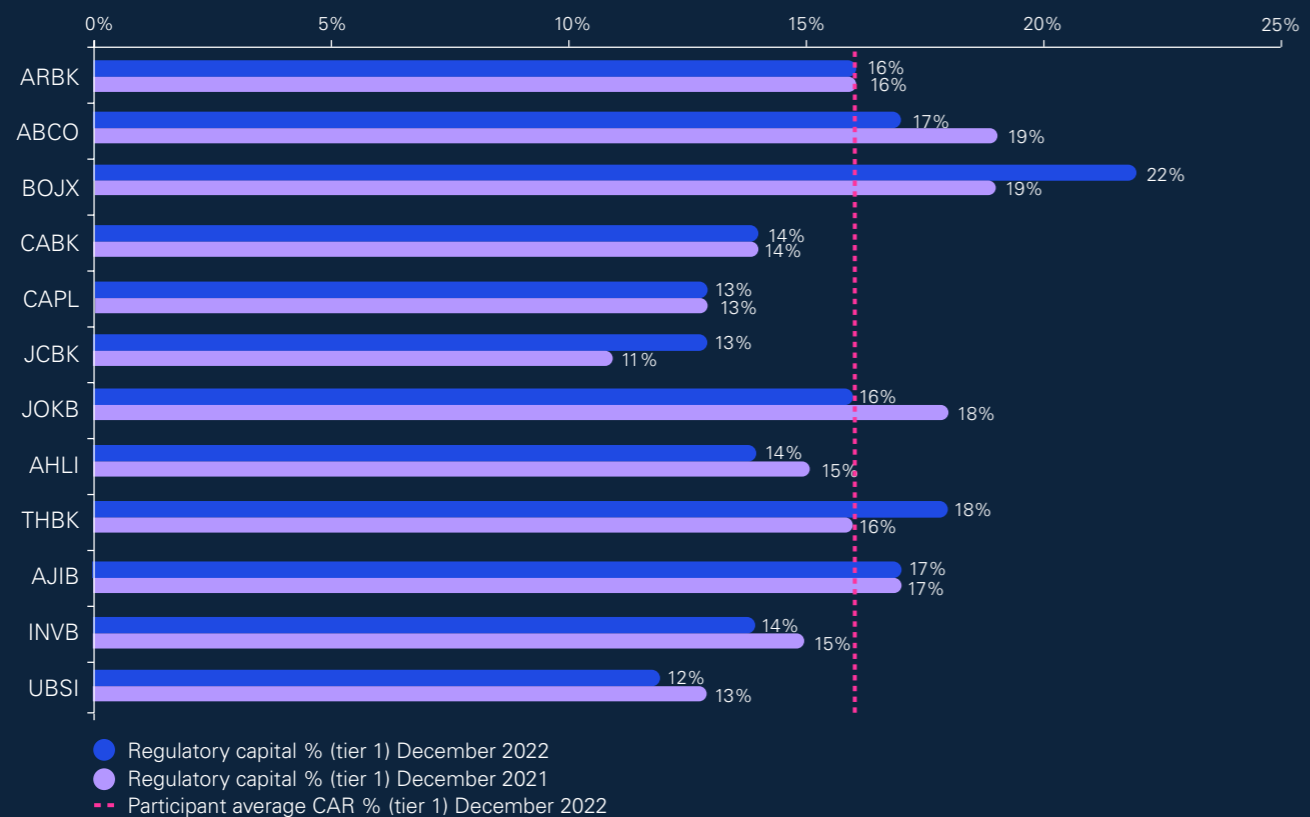
Net ECL Charge



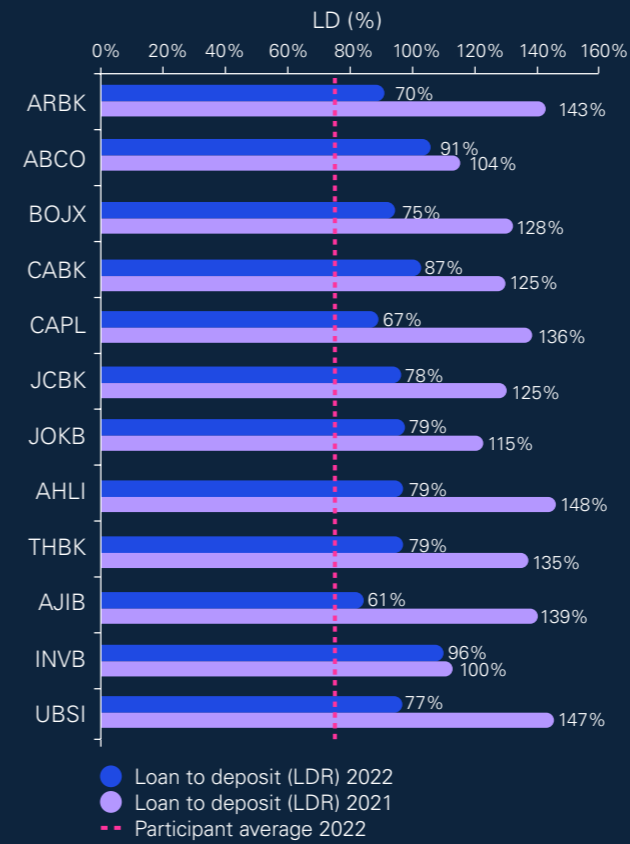
Capital adequacy ratio (percentage)



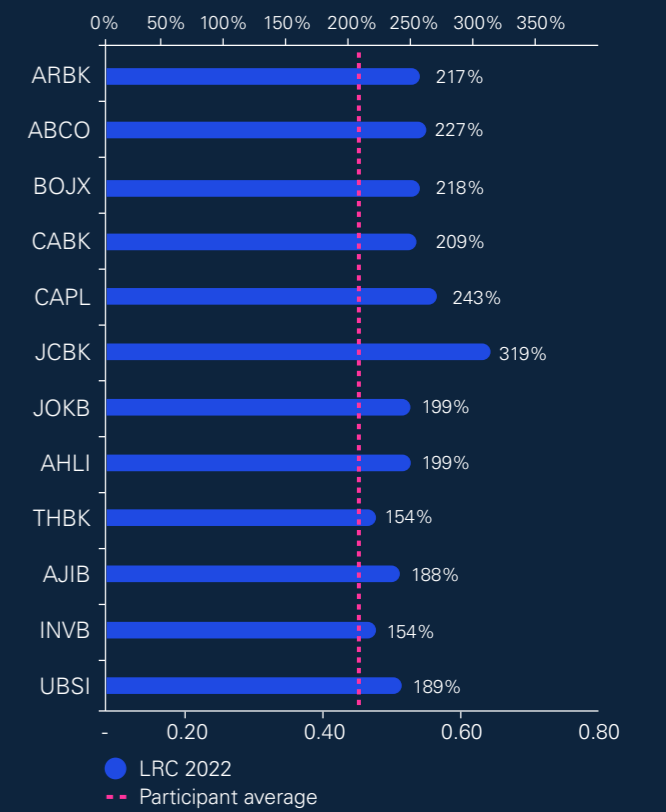
Regulatory capital (percentage)



Loan to deposits ratio percentage



Liquidity coverage ratio



Legend

Arab Bank PLC	ARBK	Capital Bank	CAPL	Housing Bank for Trade and Finance	THBK
Bank ABC Jordan	ABCO	Jordan Commercial Bank	JCBK	Arab Jordan Investment Bank	AJIB
Bank of Jordan	BOJX	Jordan Kuwait Bank	JOKB	INVESTBANK	INVB
Amman Cairo Bank	CABK	Ahli Bank	AHLI	Itihad Bank	UBSI

Glossary

P/E ratio is calculated as the average closing price divided by the earnings per share (EPS). **Market value** is calculated using bank share price multiplied by the number of shares outstanding/net assets representing the total shareholders' equity. **Return on equity (ROE)** is the ratio of net income for the full year period that ended 31 December 2022 to total equity. **Return on assets (ROA)** is the ratio of net income for the full year period that ended 31 December 2022 to total assets. **Coverage ratio** is the ratio of total ECL for loans and advances to total NPL. **Coverage ratio per stage** is calculated excluding government exposures and ECL. **Cost-income ratio** is calculated by dividing total operating expenses by total operating income. **Loan to deposit ratio** is the ratio of total loans and advances to total deposits.

Disclaimer

This report is solely for information purposes and prepared based on financial numbers as reported in the published financial statements of the respective banks as available on Amman Stock Exchange and published financial statements and adjusted by adding/deducting to calculate some ratios. Accordingly, KPMG does not and shall not assume any responsibility for the information presented herein or the nature and extent of use of this report.