Jordinvest
Jordan Investment Trust P.L.C

EQUITY REPORT

Jordan Ahli Bank
(AHLI)

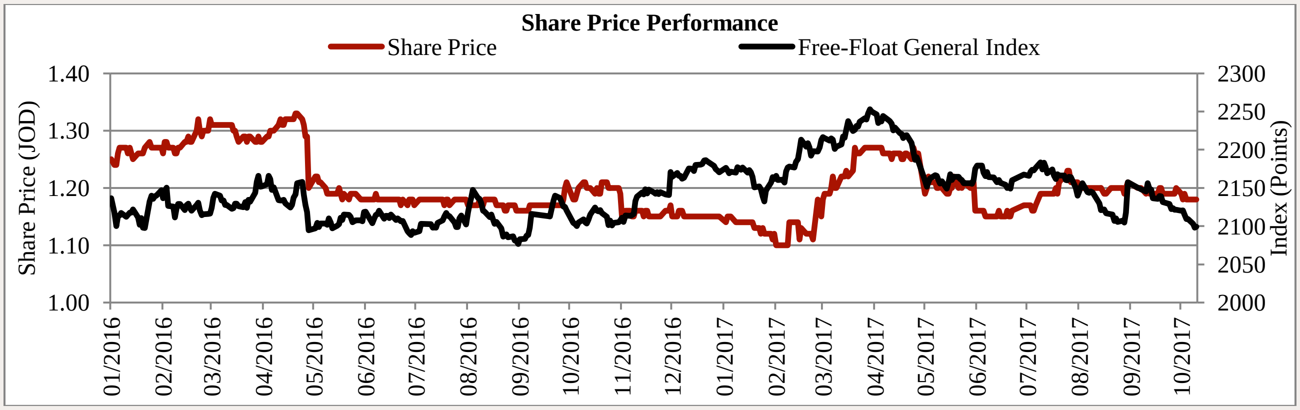
Re-initiation of Coverage
14 October 2017

12 Month Fair Value: JOD1.35
Recommendation: BUY

Key Highlights

Ticker	AHLI
Share Price	JOD1.17
52-Week High	JOD1.27
52-Week Low	JOD1.09
Market Capitalisation (JOD Millions)	JOD214.99
EPS (as of H1 2017)	JOD0.051
Forward P/E	11.47x
P/BV (based on H1 2017 book value)	0.71x

Interest Income – Jan-Jun 2017 (JOD Millions)	JOD71.25
Interest Expense – Jan-Jun 2017 (JOD Millions)	JOD29.81
Net Interest & Commissions – Jan-Jun 2017	JOD51.85
Gross Income – Jan-Jun 2017 (JOD Millions)	JOD 58.16
Net Income before Tax (JOD Millions)	JOD 13.08
Net Income after Tax (JOD)	JOD 9.44
ROAA (%) – annualised H1 2017 profits	0.7%
ROAE (%)– annualised H1 2017 profits	6.2%



- AHLI posted profits for 2016 of JOD6.27 million after tax, giving an EPS of JOD0.036. For the six months ended June 30, 2017, net profits after tax stood at JOD9.44 million, up by 23.4% compared to the same period in 2016.
- Net interest income rose slightly in 2016, while net commissions managed a 4.9% increase, while in the first half of 2017, the net interest income and commissions registered a decline from JOD54.22 million to JOD51.85 million, despite a 4.6% growth in interest income.
- Net credit facilities granted rose to JOD1,447.24 million in 2016 from JOD1,227.32 million in 2015. As a percentage of direct facilities net of interest in suspense, non-performing loans (NPLs) rose to 9.81% from 9.58% over the same period, registering significantly higher than the sector average of 5.11% in 2016. In H1 2017, net credit facilities registered at JOD1,481.84 million while the NPLs as a percentage of credit facilities declined to 8.52%
- Customer deposits registered at JOD2,067.29 million and JOD2,011.17 million in 2016 and H1 2017 respectively, up from JOD1,782.22 million in 2015.
- AHLI distributed cash dividends equivalent to 5% of par value for the financial year 2016 in addition to 5% stock dividends.
- On the basis of our forecasts, we arrive at a 12-month fair value for the AHLI stock of JOD1.35 per share, offering a 15.3% upward potential over its current price. Therefore, we re-initiate our coverage with a BUY recommendation.

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1.0 INVESTMENT HIGHLIGHTS

- The Jordan Ahli Bank (AHLI) is the third largest local commercial bank in Jordan based on total assets as of the end of 2016. Its assets increased by 12.9% from JOD2.49 billion in 2015 to JOD2.82 billion. In the first half of 2017, the Bank's total assets declined slightly to JOD2.79 billion, primarily as a result of the decline in the financial assets at amortized cost, coupled with a decrease in cash and deposits at the Central and other banks.

- AHLI posted a 17.9% increase in the net credit facilities granted in 2016, equivalent to JOD219.91 million. The increase was largely directed at large enterprises, in addition to real estate and retail loans. The cumulative provisions for impairment in the direct credit facilities also soared, increasing to JOD97.30 million from JOD74.72 million in 2015. The provisions for credit losses posted to the profit and loss statement amounted to JOD24.03 million, which hit the Bank's bottom line. Meanwhile, non-performing loans as a percentage of credit facilities net of interest in suspense registered at JOD151.59 million, equivalent to 9.81% of direct credit facilities net of commissions and interest in suspense. In the first half of 2017, net credit facilities increased to JOD1.48 billion from JOD1.45 billion at the end of 2016, while the balance of non-performing loans net of interest and commissions in suspense decreased to JOD134.35 million, equivalent to 8.52% of the net direct facilities.

- AHLI's share of direct credit facilities in the Jordanian market amounted to 5.63% in 2016, up from 5.33% the previous year, while its share of indirect facilities increased from 6.29% in 2015 to 8.03%. Holding third position in terms of customer deposits, its market share in 2016 reached 5.66%, up from 4.97% the previous year.

- The Bank obtained collaterals to the value of JOD1,181.53 million against its credit facilities as of the end of 2016, giving a ratio of collaterals to NPLs of around 7.8 times. More than two-thirds of the collaterals were in the form of real estate, while 17.2% were cash deposits, and 9.3% were vehicles and equipment.

- As a result of Central Bank of Jordan regulations that came into effect at the end of 2015, AHLI was required to provide for impairment of any foreclosed real estate that they have held for a period exceeding four years. The impairment provision booked in 2016 amounted to JOD3.39 million, compared to JOD6.31 million in 2015.

- Customer deposits increased from JOD1,782.22 million in 2015 to JOD2,067.29 million in 2016. Time and notice deposits comprised 62.2% of the total customer deposits in 2016 followed by current account and demand deposits, which made up 25.3% of the total. During the first half of 2017, the Bank's customer deposits slumped to JOD2,011.17 million, but saw an increase in the balances of banks and financial institutions from JOD57.35 million at the end of 2016 to JOD69.37 million at the end of June in addition to an increase in the cash margin balances from JOD255.88 million in 2016 to JOD263.12 million in H1 2017. Loans and borrowings also rose by JOD17.14 million over the six month period.

- In 2016, the ratio of the Bank's credit facilities to total deposits reached 60.8% in 2016, while facilities to customer deposits and cash margins amounted to 62.3%.

- AHLI's regulatory capital adequacy ratio amounted to 13.33% and 13.11% in 2016 and H1 2017 respectively.

- The Bank's net interest income remained stable in 2016 at JOD85.67 million compared to JOD85.58 million in 2015, in spite of a 6.3% increase in the interest income and an 18.2% increase in the interest expense. The net interest margin amounted to 3.5% based on 2016 net interest income and the average interest-earning assets for the 2015-2016 period. Over the first six months of 2017, the Bank's net interest income registered at JOD41.43 million compared to JOD42.80 million for the same period in 2016.

- Commissions rose by 4.9% in 2016 to reach JOD21.33 million in 2016. The increase in provisions taken against credit losses, which rose sharply in 2016 by a whopping JD16.73 million, coupled with the impairment of foreclosed assets of JOD3.39 million, led to a slump in the net profit for the year to JOD6.27 million compared to JOD22.83 million in 2015. In 2017, commissions decreased by 8.8% year-on-year, exacerbating the effect of the decline in net interest income. Meanwhile, expenses were reduced in 2017 through a reduction in the doubtful debt provisions, which decreased to JOD3.01 million as of H1 2017 compared to an expense of JOD7.10 million for the same period in 2016. Moreover, the impairment provision for foreclosed real estate declined slightly to JOD2.63 million in H1 2017 compared with JOD2.82 million for H1 2016.

- The General Assembly of the Bank approved the Board of Director's proposal to distribute 5% cash dividends. The General Assembly, through its extraordinary meeting, also approved the increase of the Bank's capital from 175,000,000 JOD/shares to 183,750,000 JOD/shares through the distribution of stock dividends, which emanated from the capitalization of JOD8.75 million from the voluntary reserve.

- Based on our projections of profits of around JOD18.36 million for 2017, we arrive at an estimated EPS for the year of JOD0.100, giving a forecasted P/E ratio for the Bank's stock of 11.71x based on the current share price.

- On this basis, our forecast leads to an estimated fair value for the AHLI stock of JOD1.35 per share.

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2.0 BANKING SECTOR OVERVIEW

2.1 Sector Size

The banking environment in which the Bank of Jordan operates consists of 25 banks, as of the end of 2015, with a combined 810 branches including head offices across the Kingdom. Eight of these banks, with a total of 52 branches, represent foreign commercial banks, and a further four are Islamic banks offering banking services in accordance with the Shari'a principles, of which one is foreign. With a current population estimate of 9.89 million, this translates into one branch per 12,210 capita.

For the remainder of this report, the term "licensed banks" refers to all 26 banks, while "commercial banks" refers to the 13 local non-Islamic commercial banks which will represent the peer group to which AHLI is compared.

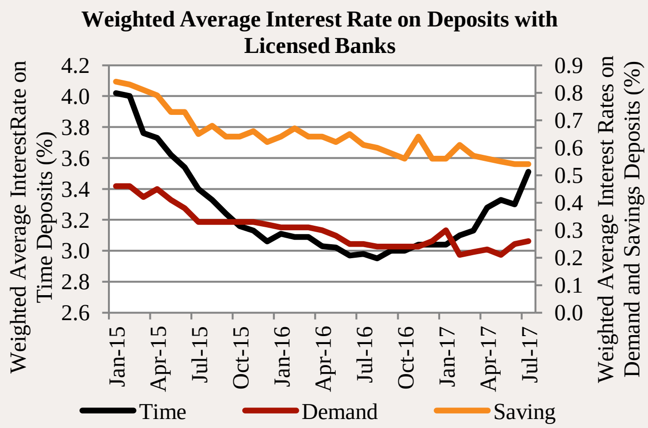
2.2 Banking Sector Performance

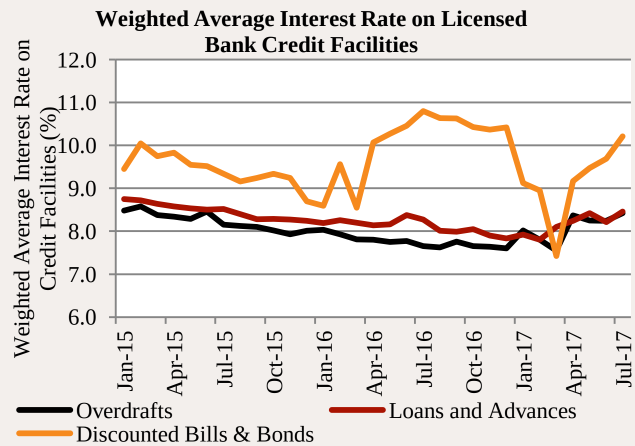
The political unrest in Jordan's neighbouring countries has had a negative impact on Jordan's economy through reduced domestic exports, diminishing tourism, in addition to lower inflows of investment. Moreover, the high number of refugees in the Kingdom has strained the Country's infrastructure and stretched its resources thin. Labour market indicators also remain poor with high levels of unemployment. This has translated into a sluggish economy in recent years, with GDP growth averaging at less than 3% over the past five years. In response, the Central Bank of Jordan (CBJ) has adopted an expansionary monetary policy in a bid to encourage investment and spending.

Since 2012, the CBJ has reduced the rate on the rediscount rate, the Repo rate and the overnight deposit window rate every year until 2016. The rediscount rate was decreased from 5.00% in 2012 to 3.75% in 2015, while the Repo rate was reduced by a total of 125 basis points over the same period. Overnight deposit window rates were slashed from 4.00% in 2012 to 1.50% in 2015. The banking sector responded to the interest rate cuts by cutting rates offered on deposit accounts, while concurrently maintaining, and in some cases raising, the interest rates demanded on credit facilities.

In 2017, the CBJ raised the rediscount rate to 4.75% as at the end of August from 3.75% at the end of 2016. The Repo rate was raised by 100 basis points to 4.50% over the same period, while the overnight deposit window rates reached 2.75% compared to 1.75% in December 2016. In response, the weighted average interest rates on time deposits with licensed banks increased to 3.58% from 3.04% over the same period, while the weighted average rates on overdrafts and loans and advances were raised further, from 7.60% to 8.64% for overdrafts, and from 7.83% to 8.48% for loans and advances.

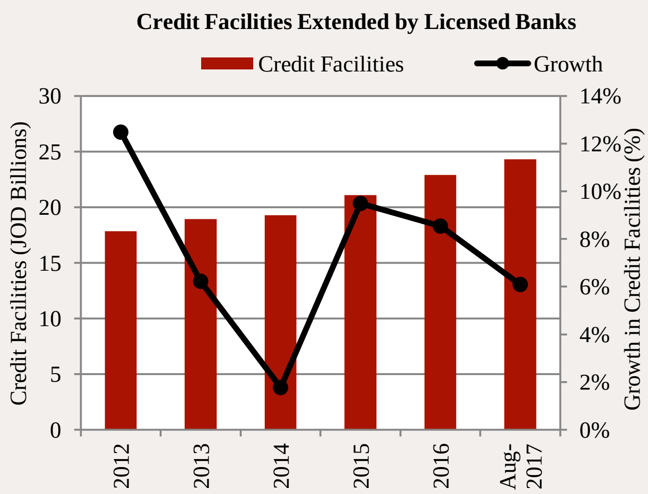
The charts below illustrate the weighted average interest rates of licensed banks in the Kingdom on deposits and credit facilities.

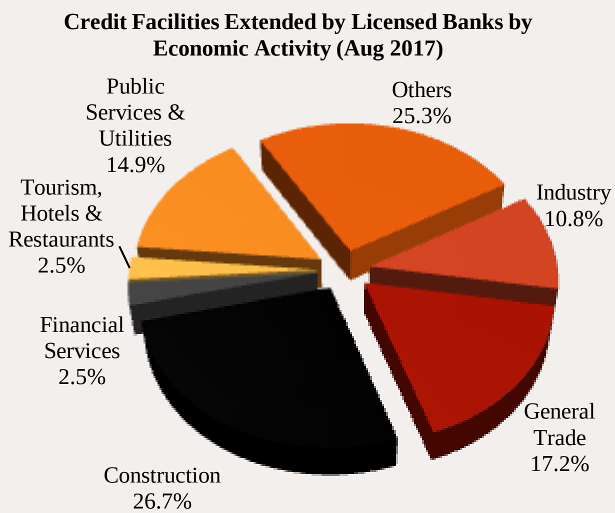




Source: Central Bank of Jordan

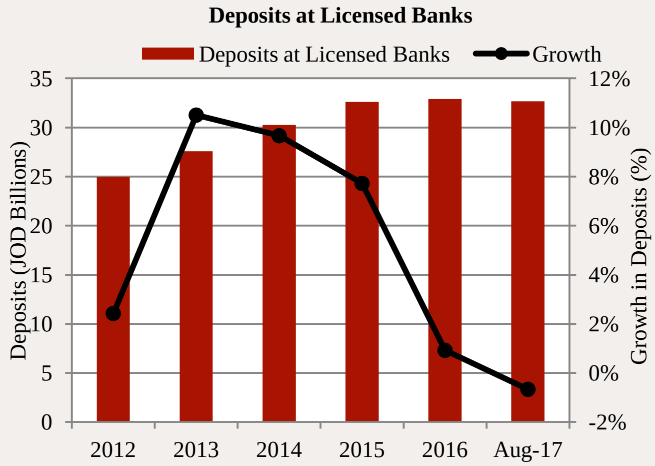
The credit market has continued to grow, registering a compounded annual growth rate of 6.5% over the period 2012-2016, and rising by a further 6.1% in 2017, to reach JOD24.30 billion at the end of August. The construction and general trade sectors claimed the lion's share of the credit facilities granted, at a combined total of 43.9% of the total. In terms of the growth, the construction and industry sectors were the key drivers, with an increase in their respective facilities of JOD660.7 million and JOD429.7 million in the first eight months of 2017, respectively.

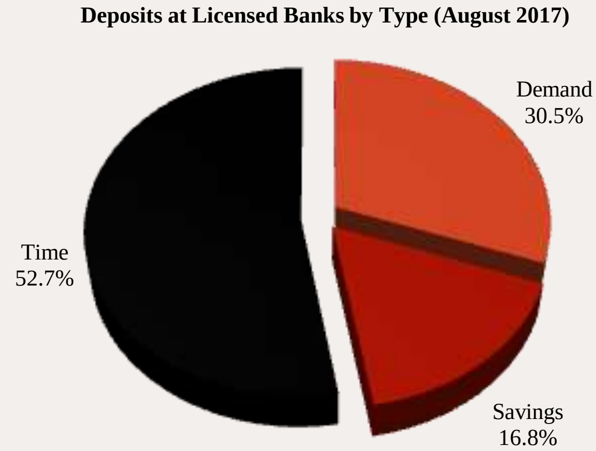




Source: Central Bank of Jordan

Meanwhile, deposits at banks registered a compounded annual growth rate of 67.1% over the period 2012-2016, to reach JOD32.90 billion. Over the following eight months, the deposits declined slightly to JOD32.68 billion. In terms of composition, over half of the deposits were time deposits, with demand deposits comprising 30.5% of the total, and savings accounts making up 16.8%.





Source: Central Bank of Jordan

Strikingly, the rise in deposits came at a time of very low interest rates as the Central Bank cut rates. This was driven in part by the weak performance of the capital markets, which pushed investors to deposit their cash in banks as a low-risk alternative.

The growth in facilities has, since 2015, surpassed the growth in total deposits, leading to a rise in the ratio of facilities to deposits.

In spite of the challenges being faced by the overall economy, the Banking sector in Jordan has remained resilient as a result of stringent regulations and restrictions set in place by the Central Bank of Jordan. All thirteen local commercial banks posted profits for 2015, 2016 and H1 2017. Year 2015 saw a decrease in profitability for the majority of banks, due to higher expenses and provisions that year, but for most of the sector, 2016 was a year of improvement in the bottom line. For H1 2017, most banks underperformed compared to H1 2016 as a result of higher employee expenses and a sizeable increase in the provisions for credit losses.

Financial Highlights of the Local Commercial Banks Representing AHLI's Peer Group

Bank	Total Assets	Shareholders' Equity	Net Profit		
	H1 2017	2016	2015	2016	H1 2017
Arab Bank (ARBK)	24,323,835,000	3,553,537,000	154,019,000	212,414,000	200,581,000
The Housing Bank for Trade (THBK)	7,743,591,213	1,003,440,573	124,728,034	131,012,613	62,209,361
Bank Al Etihad (UBSI)	3,375,299,539	353,372,699	28,833,141	29,235,822	15,187,444
Jordan Ahli Bank (AHLI)	2,789,563,242	302,318,156	22,832,724	6,274,933	9,435,730
Jordan Kuwait Bank (JOKB)	2,722,208,211	455,017,511	39,411,676	30,005,810	13,451,166
Cairo Amman Bank (CABK)	2,711,586,519	319,649,318	41,168,254	34,733,879	13,945,894
Bank of Jordan (BOJX)	2,554,470,658	396,452,749	40,062,793	42,202,024	26,535,969
Capital Bank (EXFB)	1,966,533,274	274,651,757	1,068,872	16,135,976	8,066,439
Arab Jordan Investment Bank (AJIB)	1,938,224,364	190,582,468	23,185,030	22,638,300	9,450,649
Jordan Commercial Bank (JCBK)	1,368,731,309	146,595,333	15,756,877	9,325,406	1,237,674
Societe Generale – Jordanie (SGBJ)	1,269,981,047	131,402,325	10,009,226	10,908,035	5,091,974
Arab Banking Corporation (ABCO)	1,091,595,773	153,545,165	15,644,384	14,065,727	6,302,711
Investbank (INVB)	995,763,625	159,446,246	14,309,826	15,607,259	4,812,156
Total	**54,851,383,774**	**7,440,011,300**	**531,029,837**	**574,559,784**	**376,308,167**

Source: Bank Annual Reports

3.0 COMPANY OVERVIEW

3.1 Company Background

The Ahli Bank ("AHLI" or "the Bank") was established in 1955 and is registered as a public shareholding company with a paid-up capital of JOD183.75 million. Over the years since its establishment, the Bank has grown organically and through acquisitions, merging with the Business Bank in 1996 followed by the more recent merger with Philadelphia Bank in 2005.

Ahli Bank operates through its main office and 55 branches across Jordan, as well as 6 external branches and three subsidiary companies. The subsidiaries are:

- Ahli Micro Finance Company, a company that offers loans to individuals with limited income. It has a paid-up capital of JOD6.00 million, and generated revenues and expenses of JOD6.60 million and JOD5.85 million, respectively, in 2016 before eliminating transactions and balances between the company and the Bank. The Company is fully owned by Ahli Bank.

- Ahli Financial Brokerage, which is the fully-owned investment arm of the Bank, with a paid-up capital of JOD5.00 million. Its revenues in 2016 amounted to JOD291.00k while its expenses amounted to JOD533.61k before eliminating transactions and balances between it and the Bank.

- Ahli Financial Leasing Company is wholly owned by Ahli Bank and has a paid-up capital of JOD17.5 million. It generated revenues of JOD4.85 million and expenses of JOD1.71 million in 2016.

The Bank’s paid-up capital was increased several times over the years, with the most recent increases occurring in 2012, when it was raised from JOD126.5 million to JOD150.0 million, followed by a raise in 2013 by 15 million, and in 2014 from JOD165.00 million to JOD175.00 million, and finally in 2017 when the capital was raised to JOD183.75 million.

The Bank launched a new banking system in 2016, T24, which is a comprehensive platform for a group of banking solutions, and is considered one of the best systems for banking worldwide. The Bank’s strategy depends on excellence in customer service and operations, in addition to offering a wide array of differentiated services. To this end, the Bank has commenced a reorganisation and cultural transformation of the Bank with a focus on its human resources capital.

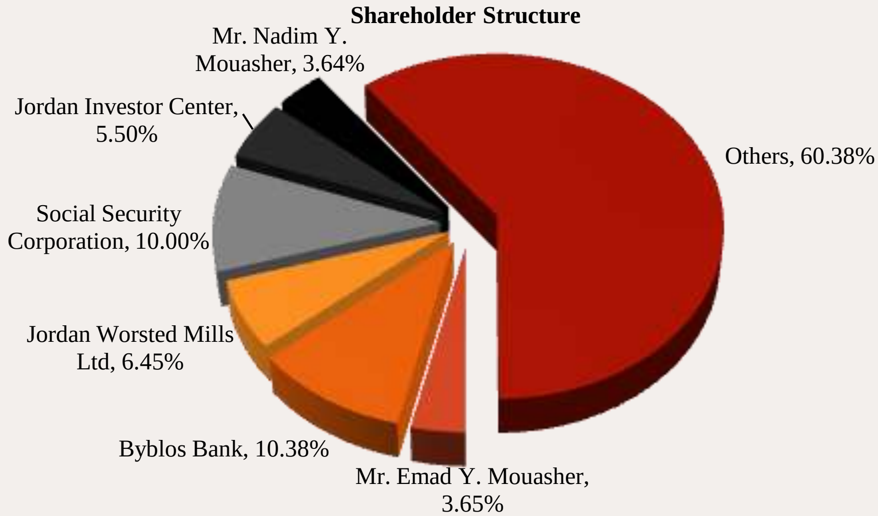
In 2016, the Bank was awarded the PCI DSS (Payment Card Industry Data Security Standard) certificate for the second consecutive year. It was also awarded the “Best Bank for Small and Medium Projects” for the same year at the JFEX (Jordan Forex Expo and Awards).

In January 2017, Capital Intelligence Ratings affirmed Ahli Bank’s Long- and Short-Term Foreign Currency Ratings (FCRs) at BB- and B, respectively.

At the end of 2016, the Bank’s share of deposits amounted to 5.66% of the Jordanian market, up from 4.97% in 2015, while its market share of direct credit facilities stood at 5.63%. To further consolidate its position in the market, AHLI aims to continue to offer quality service and unique banking solutions and services through innovative products, operational excellence and customer centricity.

3.2 Shareholder Structure

The Bank's major shareholders are Byblos Bank, with a 10.4% holding, and the Social Security Corporation, which has a 10.0% share. In contrast to some of the other banks in the sector, the Ahli Bank stock is not tightly held.



As of October 14th 2017
Source: Securities Depository Commission

3.3 Board of Directors

Company	Number of Seats	Ownership
Byblos Bank	1	19,074,501
Social Security Corporation	1	18,375,000
Jordan Investor Center	1	10,108,381
Mr. Nadim Yousef Mouasher	1	6,681,816
Mr. Saad Nabil Mouasher	1	2,196,468
Mr. Mahmoud Bin Zuhdi Malhas	1	2,049,715
Zi and Ime Co. Ltd	1	1,428,352
Mr. Tariq Ziyad Al-Jallad	1	832,374
Mouasher Investment and Trading Company Ltd	1	484,653
H.E. Dr. Umayyah Salah Toukan	1	107,100
Rajai Muasher & Brothers Co.	1	11,995
Mr. Tariq Mohammad Hammouri	1	2,677
Ms. Ibtissam Mohammad El-Ayoubi	1	2,100
Total	**13**	**61,355,132**

As of October 14th 2017
Source: Securities Depository Commission

The Board's termination date is April 29th 2021.

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3.4 Major Investments

3.4.1 Subsidiaries

The Bank has three subsidiaries whose operations are consolidated within its financial results:

	Paid-Up Capital (JOD)	Percentage Ownership (%)	Place of Operation
Ahli Micro Finance Company	6,000,000	100%	Jordan
Ahli Financial Leasing Company	17,500,000	100%	Jordan
Ahli Financial Brokerage Company	7,500,000	100%	Jordan

3.4.2 Associates and Unconsolidated Subsidiaries

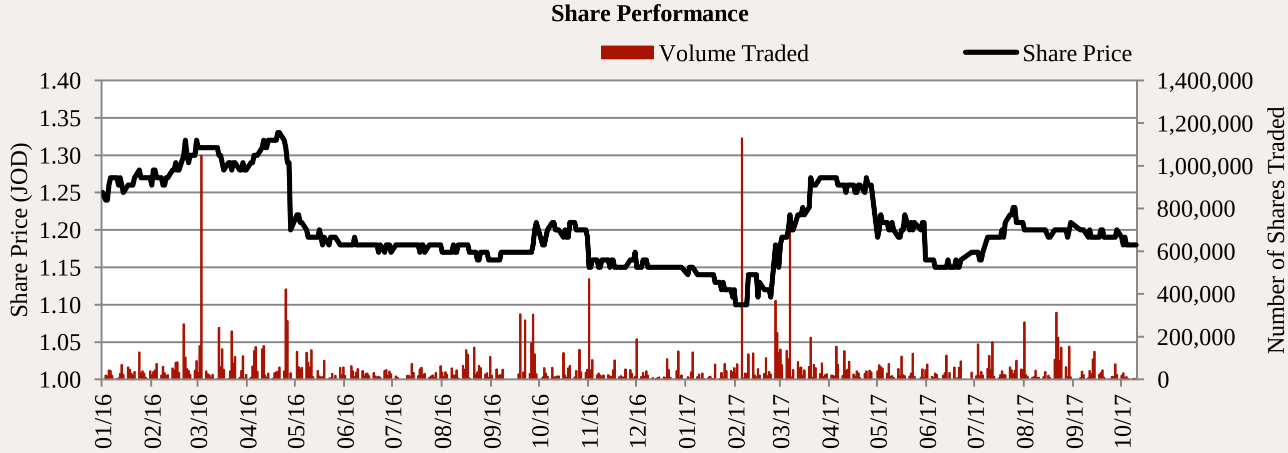
The Bank owns shares in an associate company and an unconsolidated subsidiary, which are accounted for under the equity method.

	Country	Ownership %	Shareholders' Equity Dec. 31, 2016	Nature of Business	Acquisition Date
Beach Hotels and Tourist Resorts Company	Jordan	24.82%	3,553,481	Hotel Services	2006
Ahluna for Social and Cultural Work Company	Jordan	100.00%	1,553,499	Charity	2006
			5,106,980		

The investment in Ahluna for Social and Cultural Work Company is presented according to the equity method and has not been consolidated since it is a not-for-profit organisation, and all its work is charitable and entire net revenues are donated. In its extraordinary meeting held in October 2015, the General Assembly resolved to voluntarily liquidate the company.

3.5 Share Performance

AHLI stock started out the year of 2016 positively, with a steady climb, reaching a high of JOD1.32 on February 29th from JOD1.24 at the start of the year. The stock dipped slightly during the second half of March, albeit remaining above the starting price for the year, before climbing again at the beginning of April to reach JD1.33 on April 20th, the highest price reached since March 2015 and the highest price since. The share price adjusted downwards towards the end of April following the distribution of 10% cash dividends alongside the release of the 2016 financial results. For the next four months, the stock traded horizontally, following a slight downward trend at around the JOD1.17 mark before rising slightly at the start of October to return above the JOD1.20 level. At the start of November, however, the share price declined by 3.4% to JOD1.15. The stock continued to trade at that level for the rest of the year, closing 2016 at JOD1.15, down 8.0% year-to-date.



Year 2017 was more turbulent for the stock, with the stock dropping from the onset of the year to a low of JOD1.09 on January 29th. By the end of February, the stock had reversed its trend, following a steady upward climb to reach the high for 2017 of JOD1.27 on March 20th. It continued to oscillate horizontally before dropping slightly in April to around the JOD1.25 mark. The distribution of cash and stock dividends led the share price to decline to a low of JOD1.14 in June before recovering in late June and July to return to trading prices of around JD1.20. In the following three months, the stock traded horizontally, closing at a price of JOD1.17 as of the date of this report, up by 1.7% year to date.

In terms of trading activity, the stock of AHLI saw an improvement in liquidity during 2016 compared to 2015, with the average daily volume rising to 53,531 shares from 43,361 shares. The average trading value also increased, rising to JOD65,584 in 2016 from JOD53,793 the previous year. During the first four months of 2017, there was a pick-up in trading on the AHLI stock, as exhibited by the increase in share price. The trading volumes for the remainder of the year to date were in line with the historical values recorded in 2016, with an average trading volume and value of 55,249 and JOD65,295, respectively, to date.

	Period Total			Daily Average		
	Trading Value (JOD)	# of Transactions	Trading Volume (# of Shares)	Trading Value (JOD)	# of Transactions	Trading Volume (# of Shares)
2017*	12,601,934	4,263	10,662	65,295	22	55,249
2016	16,068,152	5,675	13,115,204	65,584	23	53,531
2015	13,179,342	6,213	10,623,499	53,793	25	43,361

*Up to October 14th 2017
Source: Amman Stock Exchange, interpreted by Jordinvest

As compared to the banking sector overall, AHLI's liquidity made up a sizeable portion of the total in 2016 in terms of volume of shares traded, at 11.2% of the total number of shares traded within the sector, while its value of shares contributed 5.3% to the total.

3.6 SWOT Analysis

Strengths
Large branch network
Strong brand name and well-positioned bank
Profile of senior management
Strong capital base
Low exposure to capital market performance
Prudent business operations and a focus on core banking activities
Good capital adequacy level, surpassing the required 12% by CBJ

Weaknesses
Increased percentage of NPLs to credit facilities
Mismatch of maturities of assets and liabilities
Exposure to the real estate sector through its facilities and collaterals against facilities
Lower percentage of customer deposits placed in non-interest-bearing accounts compared to peers
Higher percentage of time deposits as a percentage of total customer deposits, translating into a higher cost of funds compared to peers

Opportunities
Increased market share in the retail segment of the market
Expand banking services, diversifying its revenue stream
Growth through mergers and/or acquisitions
Presence and further expansion in the region
Change in bank culture may attract new market segments

Threats
Political
Changes to banking regulations
New market players reducing AHLI's market share
Economic deceleration negatively affecting the quality of assets
Narrowing interest rate spreads
Liquidity difficulties through improper asset/liability management

4.0 KEY PERFORMANCE INDICATORS

(Values in JOD unless otherwise indicated)	2012	2013	2014	2015	2016	H1 2017
Net Interest & Commissions Income	94,207,596	95,762,146	101,469,265	105,911,998	107,001,718	51,847,004
Profit before Tax and Discontinued Operations	30,712,613	20,873,777	21,666,729	32,494,140	8,180,948	13,076,018
Profit after Tax	23,845,696	16,003,889	34,160,812	22,832,724	6,274,933	9,435,730
Net Direct Credit Facilities	1,274,022,91	1,188,001,84	1,200,994,91	1,227,323,10	1,447,236,60	1,481,843,81
Customer Deposits and Cash Margins	2,065,609,75	1,718,583,02	1,804,882,60	2,061,420,04	2,323,177,89	2,274,293,44
Total Assets	2,650,286,71	2,702,629,82	2,325,144,26	2,494,628,99	2,815,518,55	2,789,563,24
Shareholders' Equity	268,328,258	284,285,331	308,822,821	313,518,786	302,665,404	302,318,156
Paid-up Capital	150,000,000	165,000,000	175,000,000	175,000,000	175,000,000	183,750,000
Growth in Facilities	8.1%	-6.8%	1.1%	2.2%	17.9%	2.4%
Growth in Customer Deposits and Margins	6.1%	-16.8%	5.0%	14.2%	12.7%	-2.1%
Growth in Net Interest Income	-4.5%	4.3%	4.5%	5.1%	0.1%	-3.2%*
Growth in Gross Income	-6.5%	-1.0%	5.6%	9.6%	-2.9%	-1.8%*
Growth in Non-Interest Expense	-5.7%	13.0%	8.0%	-2.1%	23.7%	-8.3%*
Growth in Net Profits	2.6%	-32.9%	113.5%	-33.2%	-72.5%	23.4%*
Facilities-to-Assets	48.1%	44.0%	51.7%	49.2%	51.4%	53.1%
Facilities-to-Total Deposits	51.3%	64.6%	62.1%	58.7%	60.8%	63.2%
Facilities-to-Customer Depos. & Cash Margins	60.5%	69.1%	66.5%	59.5%	62.3%	65.2%
NPLs-to-Facilities net of Interest in Suspense	5.9%	5.0%	9.8%	5.8%	7.7%	8.7%
Collaterals-to-Net NPLs (times)	7.62x	20.17x	6.06x	8.81x	6.20x	N/A
Capital Adequacy Ratio	16.19%	15.22%	15.71%	13.37%	13.33%	13.11%
Non-Interest Income-to-Operating Income	97.3%	122.8%	128.7%	105.2%	373.8%	127.9%
Cost-to-Operating Income Ratio	238.0%	395.9%	411.9%	268.8%	1320.8%	344.8%
Dividends Per Share	0.100	0.060	0.100	0.100	0.050	N/A
Dividend Payout Ratio	67.6%	65.9%	51.3%	76.9%	138.9%	N/A
Dividend Yield	7.9%	4.9%	7.6%	8.0%	4.3%	N/A
Net Interest Margin	3.2%	3.0%	3.3%	3.7%	3.5%	3.2%
ROAA	0.8%	0.5%	0.6%	0.9%	0.2%	0.7%**
ROAE	8.2%	4.9%	5.3%	7.3%	2.0%	6.2%**
EPS	0.148	0.091	0.195	0.130	0.036	0.051
Book Value	1.789	1.723	1.765	1.792	1.730	1.645
P/E Ratio (times)	8.51	13.41	6.77	9.62	31.94	11.76**
P/BV Ratio (times)	0.70	0.71	0.75	0.70	0.66	0.73

N/A Information not available
*Comparison with H1 2016 results
**Based on annualised H1 results

5.0 PERFORMANCE ANALYSIS

5.1 Balance Sheet

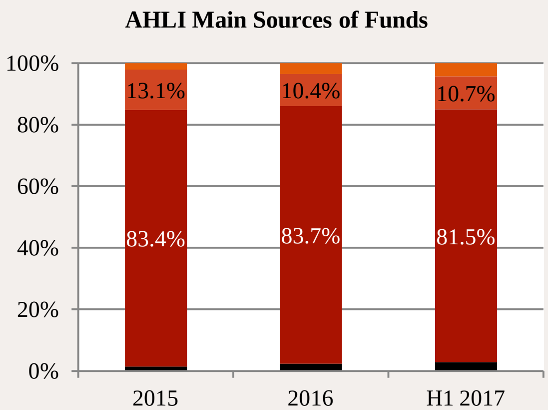
In the face of regional instability, slowing GDP growth, and strained national resources from the influx of refugees to Jordan, AHLI continued to grow its balance sheet, registering a compounded annual growth rate (CAGR) over the five year period 2012-2016 of 1.5%. This growth comes in spite of the Bank selling its contribution in the International Ahli Bank – Lebanon during 2014, which led to drop in the total assets and liabilities of the Bank that year. The contribution was reported in AHLI's balance sheet in 2013 as "assets held for sale" to the amount of JOD557.15 million, while the corresponding liabilities, reported as "liabilities directly associated with assets classified as held for sale", amounted to JOD514.90 million.

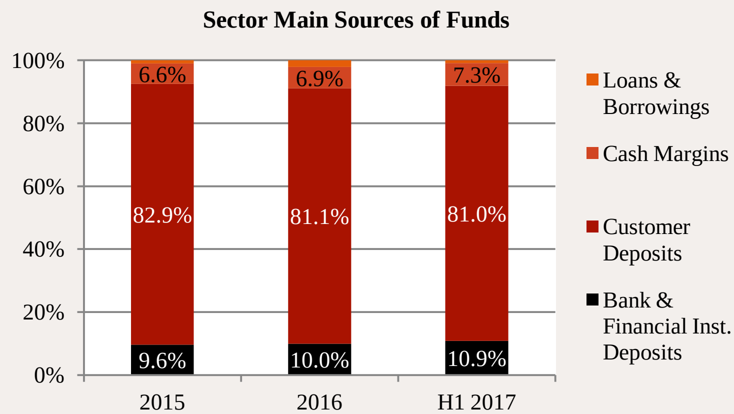
In the first six months of 2017, the decline in the size of the Bank's investment portfolio and the drop in customer deposits caused a corresponding respective decrease in the Bank's assets and liabilities.

(in JOD)	2012	2013	2014	2015	2016	H1 2017
Assets	2,650,286,719	2,702,629,821	2,325,144,263	2,494,628,998	2,815,518,550	2,789,563,242
Liabilities	2,380,171,745	2,418,344,490	2,016,321,442	2,181,110,212	2,512,853,146	2,487,245,086
Equity	270,114,974	284,285,331	308,822,821	313,518,786	302,665,404	302,318,156

5.1.1 Sources of Funds

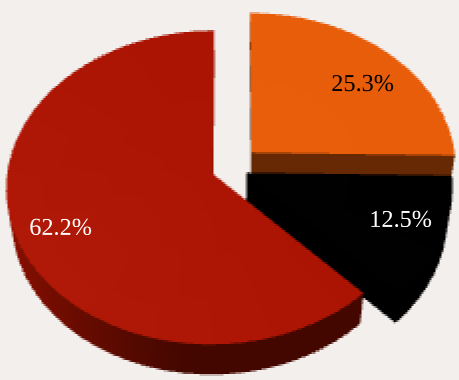
Typically, the key sources of funds for banks, aside from paid-up capital, are customer deposits and cash margins, deposits of other banks and financial institutions, as well as loans and borrowings. For AHLI bank, the primary source of funds is its customer deposits, which made up 81.5% of the main sources of funds in H1 2017. This is on par with the sector average of 81.0%. As of H1 2017, customer deposits registered at JOD2.01 billion up from JOD1.52 billion in 2014 but down from 2016's JOD2.07 billion. The decrease in 2017, coupled with the increases in cash margins and bank and financial institution deposits of JOD7.24 million and JOD12.02 million, respectively, over the same period, led to the decrease in the importance of customer deposits for AHLI as a main source of funds from 83.7% at the end of 2016 to 81.5%. Notwithstanding the comparable importance of AHLI's customer deposits with that of the overall sector, there remains a clear difference in the overall composition of AHLI's source of funds vis-a-vis the sector, in that there is a much lower dependence on bank and financial institution deposits and a higher reliance on cash margins and loans and borrowings.



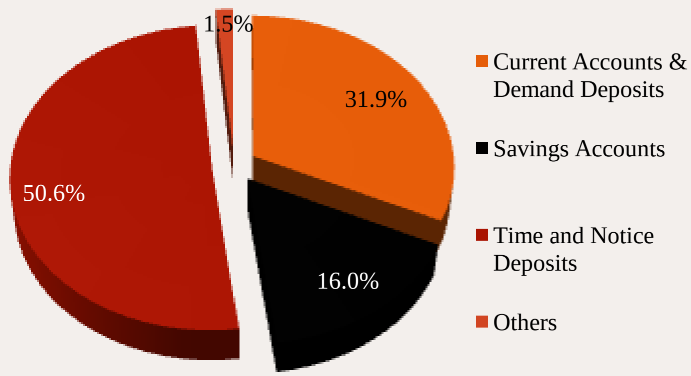


The composition of AHLI's customer deposits in 2016 reveals that the larger part of the deposits are represented by time and notice deposits, as is typical in the sector overall. Strikingly, however, based on the figures for 2016, the percentage of AHLI's deposits placed in time and notice deposits stood at 62.2%, which is notably higher than the sector average of 50.6%. Considering the weighted average interest rates on time and notice deposits for 2016, as per the Central Bank of Jordan monthly statistics, reveals that the average rate offered on time deposits amounted to 3.03% compared to a significantly lower 0.62% on savings accounts and 0.27% on current accounts. Since time deposit accounts offer higher interest rates and the Bank has a higher proportion of these types of deposit accounts, this suggests that the Bank relies on a more costly source of funds than the sector average. This is likely to have a negative impact on the Bank's margins.

AHLI Customer Deposits by Type - 2016



Sector Customer Deposits by Type - 2016



-Furthermore, of AHLI's JOD2.07 billion customer deposits, JOD528.35 million are non-interest bearing. This is equivalent to 25.6% of its total customer deposits. In contrast, the sector's non-interest bearing deposits comprise a much higher 31.4%, although this is largely due to the influence of a few of the larger banks in the sector, rather than a trend for the sector overall. On an individual bank basis, AHLI has a larger percentage of non-interest bearing deposits than six of its peers, and a lower percentage of time deposits to the total deposits than four of its peers.

At the end of the first half of 2017, the customer deposits in the form of time and notice deposits, had, however, declined to 60.1%, while the non-interest bearing deposits made up 25.2% of the total.

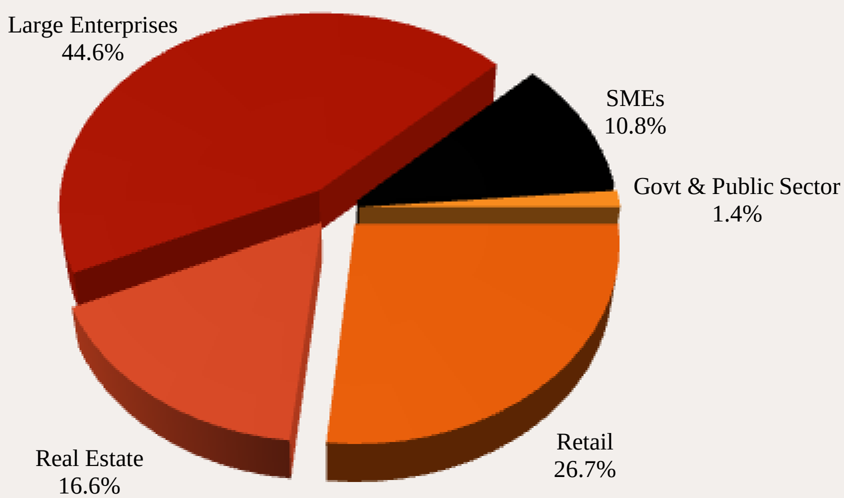
5.1.2 Uses of Funds

Banks strive to reach an optimal balance between risk and return when utilising the funds they have at their disposal, within the constraints set by the Central Bank of Jordan and general market conditions. Typically, the bulk of funds are extended as financing to borrowers, with the excess being divided between investments and their own deposits.

AHLI's primary uses of funds over the last few years reveal a steady rise in the size of its direct credit facilities as a percentage of the main uses of funds, registering at 57.2% of the total as of H1 2017, up from 53.0% in 2015, alongside a decrease in the cash balances from 19.6% to 14.6% over the same period, coupled with relative stability in the size of the investment portfolio, which made up around 28% of the total.

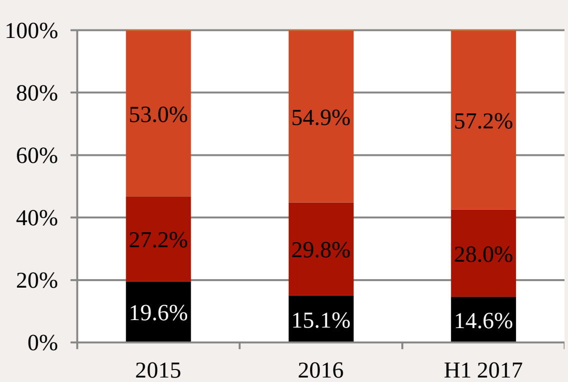
In absolute terms, the credit facilities granted by AHLI rose from JOD1.20 billion in 2014 to JOD1.45 billion in 2016, registering an impressive 20.5% increase, comparing favourably to the sector, which saw a 13.9% increase in its direct credit facilities over the same period. Of the facilities granted in 2016, 55.4% were granted to the corporate segment, while 26.7% went to retail, 16.6% to real estate, and the remaining 1.4% went to the government and public sector. Credit facilities grew further in the first half of 2017 to JOD1.48 billion, registering a JOD34.61 million increase over the six month period.

AHLI Facilities Granted According to Business Segment - 2016

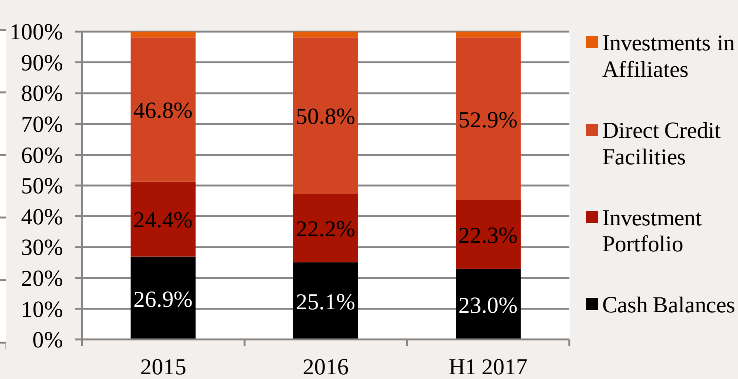


Since credit facilities offer the highest consistent return on funds, AHLI's composition of its uses of funds highlights AHLI's more efficient utilisation of funds as compared to the sector.

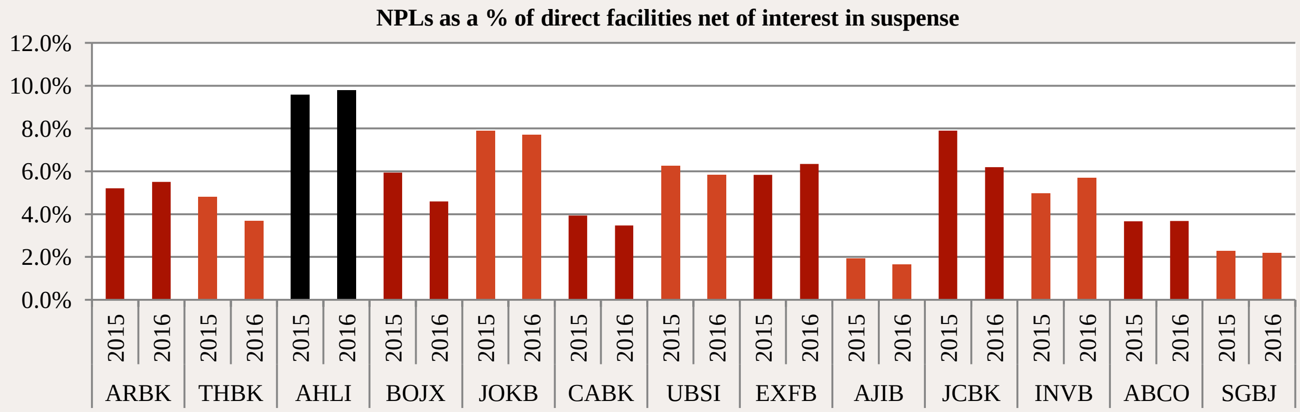
AHLI Main Uses of Funds



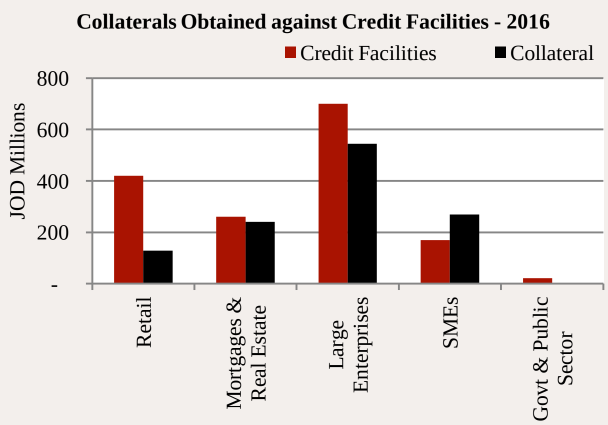
Sector Main Uses of Funds

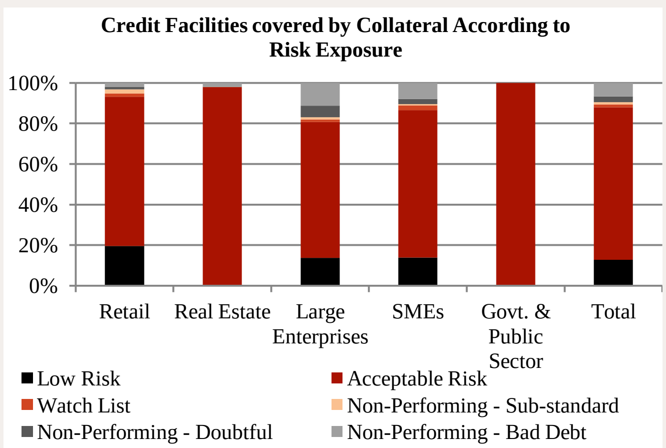


This higher percentage, however, comes at a higher cost in times of economic slowdown, as revealed by a look at the asset quality of the Bank. AHLI's percentage of non-performing loans (NPLs) as a percentage of its credit facilities net of interest in suspense ranks the highest in the sector, and has increased in 2016 to 9.8% in 2016 from 9.6% in 2015, correlating with the growth in facilities granted and the continued sluggish performance of the economy overall. The sector as a whole, in contrast, saw the average NPLs as a percentage of direct facilities decline from 5.4% to 5.1% over the same period. Nonetheless, during 2017 the Bank succeeded in decreasing the percentage of NPLs to 8.52% of its facilities net of interest in suspense, in spite of increasing the credit facilities it granted in that period.

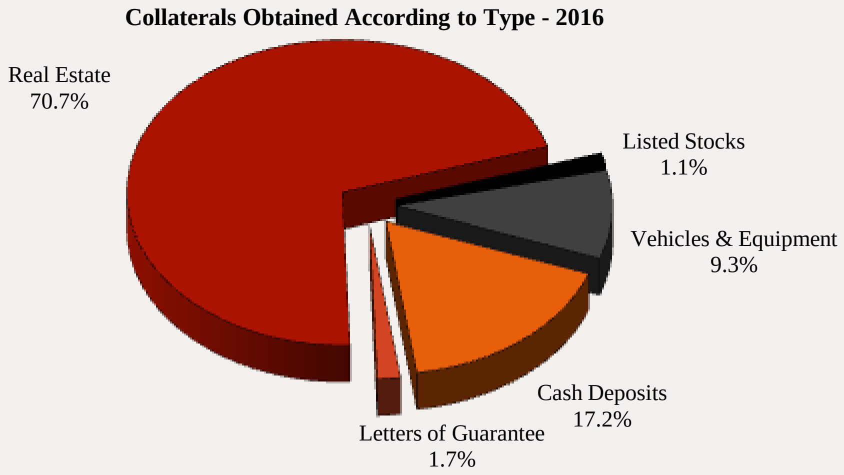


As a proportion of total credit facilities granted, the collaterals obtained provided a coverage of 75.1%. The SMEs business segment had the highest coverage, at 158.3%, while exposure was high on the retail business, with a coverage of 30.5%, and large enterprises, with a coverage of 77.6%.

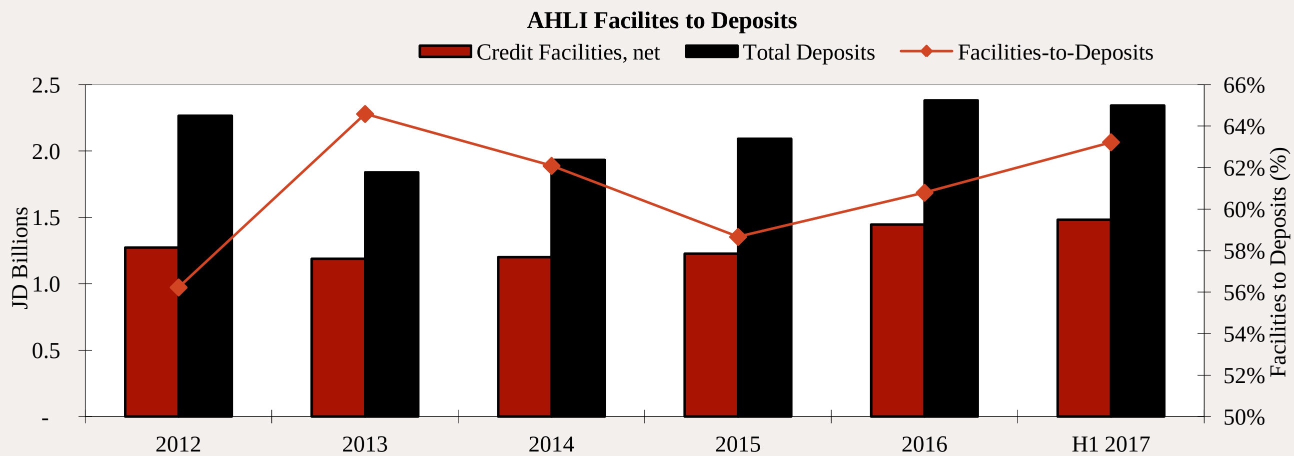




The fair value of collaterals obtained against the facilities granted rose from JOD972.29 million in 2015 to JOD1,181.53 billion the following year, the bulk of which was obtained against its corporate loans. The chart above highlights the collateralized exposures the bank faces from its credit facilities by category. Collaterals are highest for the low and acceptable risk category facilities, and around 10% of the covered facilities relating to corporate (large and SMEs) are categorized as bad debts.

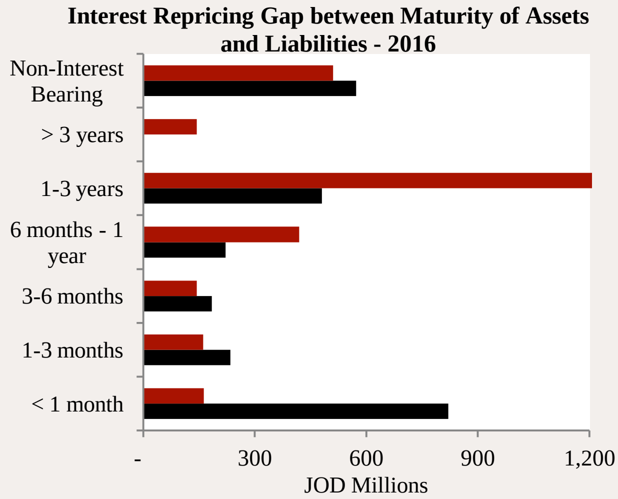


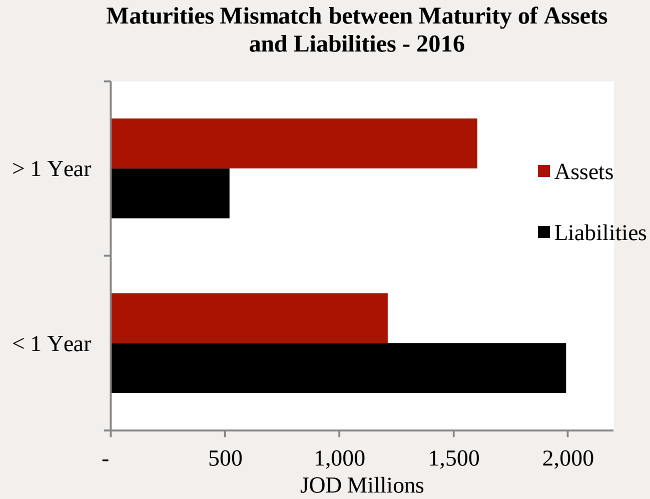
The collaterals obtained by AHLI were primarily in the form of real estate, which makes up almost 71% of the total collaterals. While demand for property had declined significantly in recent years rendering such collateral illiquid, the price of property has not depreciated significantly, meaning that the real estate collaterals have maintained most of their value. This contrasts with listed stocks, which, following the stock market correction that occurred in 2008 and 2009, have not recovered to their previous values. In more recent years, however, stock prices have been more stable, albeit low, so any recent collaterals in the form of listed stocks will have maintained their value better.



AHLI's ratio of facilities to deposits has registered at above 55% since 2012, with the highest level reached in 2013, at 64.4%, following which the ration decreased in 2014 and 2015 to 62.1% and 58.7%, respectively, before rising to 60.8% in 2016 and again in H1 2017 to 63.2%. The ratio of facilities to deposits is a key indicator of a bank's liquidity – if the ratio is too high, the bank may not have enough liquidity to cover any unforeseen fund requirements, and if it is too low, this could indicate that the Bank is not utilising its funds as efficiently as possible. Worth highlighting is that the Central Bank of Jordan regulates the amount of facilities granted based on the ratio of the total facilities to regulatory capital.

As is typical of the sector overall, AHLI faces a maturity mismatch between its sources and uses of funds; while customer deposits are generally very short term, with the larger proportion deposited for less than one month, the maturity dates of credit facilities tend to be substantially longer. This exposes the Bank to interest rate and liquidity risks.





Investment Portfolio

(in JOD)	2012	2013	2014	2015	2016	H1 2017
Financial Assets at Fair Value through the Income Statement	17,010,005	1,440,320	389,255	465,972	968,373	944,484
Financial assets at Fair Value through the Comprehensive Income	24,150,414	23,973,527	27,591,468	27,841,330	29,011,930	29,357,742
Financial Assets at Amortised Cost	496,031,823	274,865,952	394,457,542	601,857,948	754,809,955	694,494,548
Assets Available for Sale	-	557,145,819	-	-	-	-
Total	**537,192,242**	**857,425,618**	**422,438,265**	**630,165,250**	**784,790,258**	**724,796,774**

The size of AHLI's investment portfolio increased sharply in 2013 following the classification of the assets of International Ahli Bank – Lebanon as available for sale, after the Bank resolved to sell its holding in the Lebanese bank. This classification more than compensated for the decline in the size of the remainder of the investment portfolio. Over the following three years, the financial assets at fair value through the income statement continued to comprise a very minor fraction of the total investment portfolio, while the financial assets at amortised cost grew at a compounded annual growth rate of 40.0% from 2013-2016 to JOD754.81 million before declining in H1 2017 to JOD694.49 million.

The financial assets at amortised cost are made up of treasury bills and bonds to the value of JOD634.64 million and company bonds and debentures to the value of JOD59.85 million in H1 2017. In terms of maturity, 81.3% of the financial assets held at the end of 2016 mature within three years.

5.1.3 Shareholders' Equity

The shareholders' equity of the Bank grew in 2013 from JOD268.33 million to JOD284.29 million, supported by the JOD15.00 million increase of capital. The following year, the capital was increased again by JOD10.00 million, and coupled with a sharp increase in profits, this led to a rise in equity to JOD308.82 million at the end of 2014. Over the following two years, the capital of the Bank was maintained at JOD175.00 million, and thus the major changes to the equity were from changes in retained earnings, as was the case in 2015, where profits posted to the retained earnings amounted to JOD22.83 million, and dividends to the value of JOD17.50 million were paid out. In 2016, profits of JOD6.27 million were added to the retained earnings, however, dividends of JOD17.50 were distributed, which led to a decrease in retained earnings and the shareholders' equity as a whole.

Over the first six months of 2017, the shareholders' equity remained stable at JOD302.32 million, with changes occurring primarily in the paid-up capital and voluntary reserve accounts following the increase of the Bank's capital to JOD183.75 million through the capitalisation of voluntary reserves and its distribution as 5% stock dividends to shareholders.

5.2 Income Statement

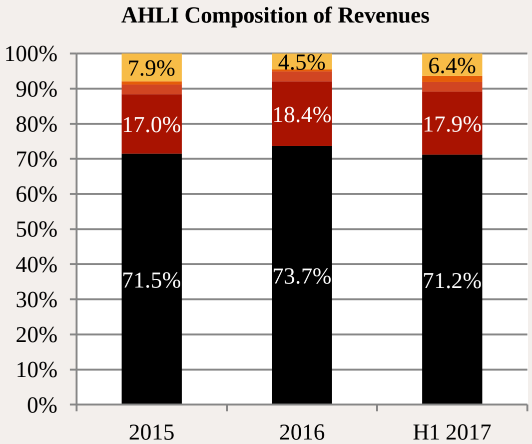
5.2.1 Revenues

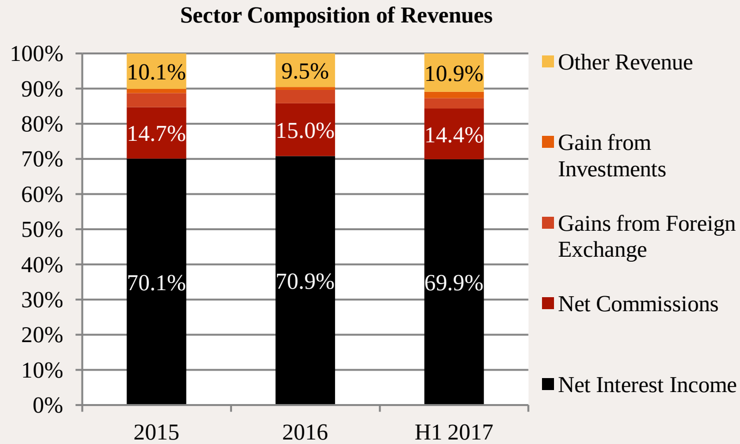
(in JOD)	2012	2013	2014	2015	2016	H1 2017
Net Interest Income	74,681,684	77,870,222	81,400,105	85,583,223	85,668,814	41,433,660
Net Commissions	19,525,912	17,891,924	20,069,160	20,328,775	21,332,904	10,413,344
Net Interest Income & Commissions	**94,207,596**	**95,762,146**	**101,469,265**	**105,911,998**	**107,001,718**	**51,847,004**
FX Gains	3,811,273	2,898,259	2,887,274	3,316,790	3,313,517	1,629,084
Investment Gains (Losses)	546,474	430,721	554,250	1,085,654	701,844	962,334
Other Income	6,011,089	4,401,807	4,378,880	9,458,744	5,231,816	3,721,769
Gross Income	**104,576,432**	**103,492,933**	**109,289,669**	**119,773,186**	**116,248,895**	**58,160,191**

AHLI's core operations, in terms of net interest income and commissions, have shown consistent growth over the period 2012-2016, increasing at a compounded annual growth rate of 3.5% to register at JOD107.00 million in 2016. In 2016, despite a lower interest rate environment compared to 2015, interest income rose from JOD130.92 million to JOD139.23 million, a 6.4% increase, supported by the 17.9% increase in credit facilities granted. The interest expense, meanwhile, grew by a greater 18.2%, corresponding to the 16.0% rise in customer deposits captured, equivalent to JOD285.07 million, and an increase in the bank and financial institution deposits at AHLI, as well as a rise in the Bank's loans and borrowings.

For the first half of 2017, interest income continued to grow, rising to JOD71.25 million compared to JOD68.14 million at the end of June 2016. However, the growth in the interest expense surpassed the growth in the interest income, causing a 3.2% decline in the net interest income year-on-year. Net commissions also dropped from JOD11.42 million to JOD10.41 million, an 8.8% decrease.

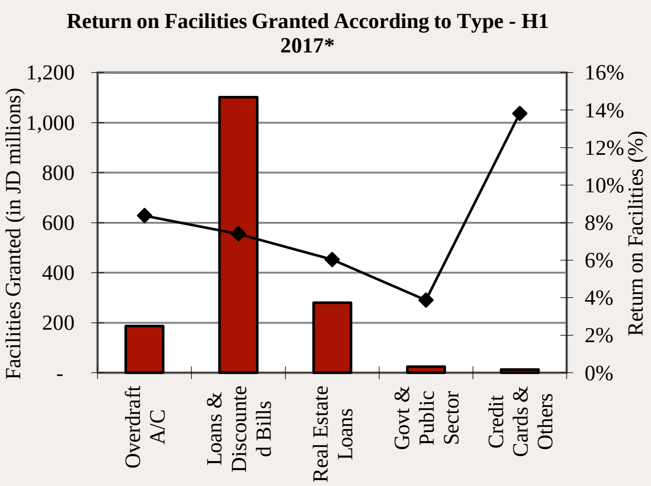
As compared to 2015, the value of other income declined in 2016 to JOD5.23 million from JOD9.46 million. The key reason for the decline is that the other income earned in 2015 was exceptionally high due to including an amount of JOD3.76 million, which represents income earned from the sale of foreclosed assets, as well as a high balance of recovered interest in suspense. In 2016, the recovered interest in suspense amounted to JOD534.31 thousand compared to JOD1.91 million in 2015. Furthermore, the Bank recorded an amount of JOD1.37 million in 2016 consisting of reversed impairment losses on foreclosed equipment that was sold. During the first six months of 2017, the other income increased slightly compared to the respective period in 2016, which partly compensated for the poorer returns from the Bank's core operations; the gross income registered at JOD58.16 million as of H1 2017, down from JOD59.25 million in H1 2016.

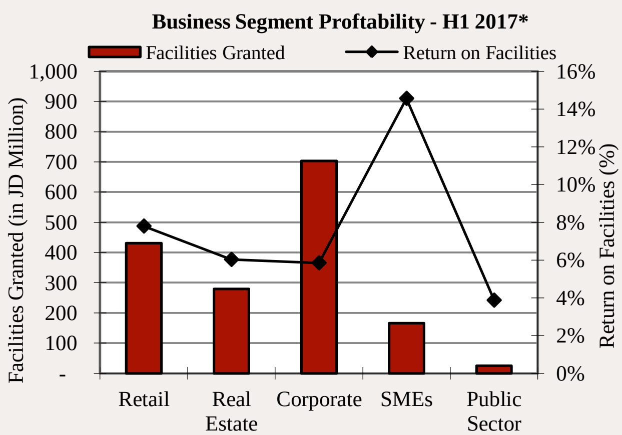




Comparing the composition of AHLI's revenues to that of the sector reveals that a larger proportion of its revenue stream is generated from interest-earning assets. The sector overall appears to be more diversified in terms of revenue generation, with higher returns from foreign exchange, investments and other revenues. AHLI, on the other hand, generates a higher proportion of its revenues from commissions than the sector, so while it would be beneficial for the Bank to focus on diversifying their income structure to offset the risk of declining interest margins, we believe the Bank has achieved this to an extent, with its higher than average commissions.

Segmental Performance





**Returns calculated based on annualised H1 2017 results*

Credit cards and overdraft accounts generated the highest yields for the Bank, at 13.8% and 8.4% respectively, based on annualised H1 2017 interest income. In absolute terms, however, loans and discounted bills generated 68.8% of the total interest income earned on credit facilities, at JOD1,101.63 million, at a yield of 7.4%. The lowest yield generated was for facilities granted to the government and public sector.

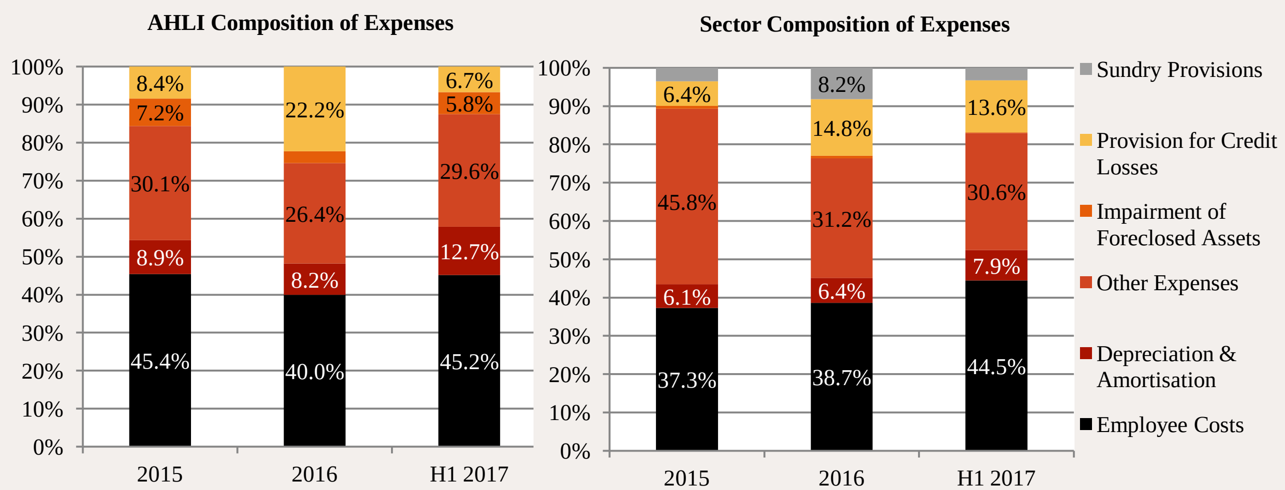
The highest return in terms of interest generated by business segment was for facilities granted to SMEs, with a return of 14.6%, followed by retail loans, generating a return of 7.8%. The poorest performer was the public sector segment. Focus on the SME segment may prove beneficial to the Bank should it be successful at maintaining these levels of returns.

5.2.2 Expenses

Corresponding with the Bank's growth in operations, AHLI's expenses have followed an overall upward trend, reaching JOD108.05 million in 2016 from JOD73.11 million in 2002. Employee costs are the Bank's largest expense, making up over 40% of the expenses. Employee costs have risen consistently in the last five years, growing at a CAGR of 7.2% in absolute terms, but registered a decline as a percentage of the total expenses in 2016 from 45.4% of the total to 40.0%. The reason for the decline is the increase in the provisions taken against credit losses, which increased from JOD7.20 million in 2015 to JOD24.03 million in 2016. The impairment of foreclosed assets, meanwhile, decreased in 2016 compared to 2015 in absolute terms and as a percentage of total expenses. This is because the impairment value in 2015 was exceptionally high due to the Bank taking provisions to the value of JOD4.57 million relating to foreclosed assets, in accordance with Central Bank regulations. The regulations, which came into effect on December 31st, 2015 imposed impairment provisions to be taken over a period of five-years on foreclosed assets that have been held by banks for a period of four years or more.

The "other expenses", which are largely administrative expenses such as fees and memberships, maintenance costs, advertising, stationary, utility bills, legal fees, etc., increased to JOD28.53 million in 2016 from JOD26.26 million the previous year.

Comparing the expenses for H1 2017 with the same period in 2016 shows a decline from JOD49.17 million to JOD45.08 million, largely on the back of a decrease in the provision for credit losses, which dropped by over JOD4 million year-on-year.

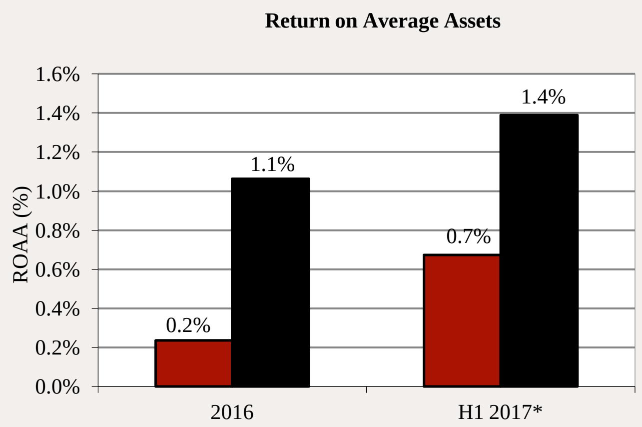


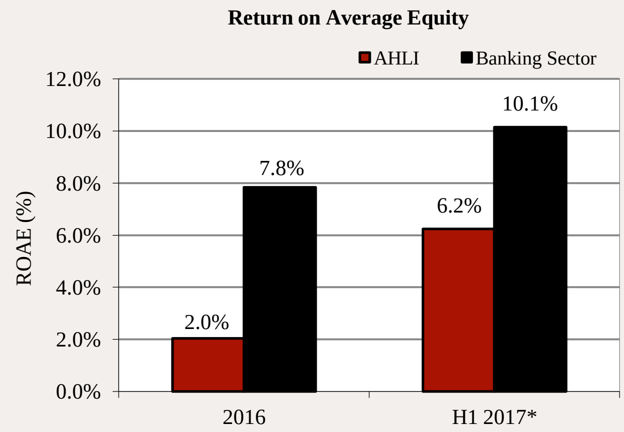
Relative to the sector, AHLI's employee costs have typically comprised a larger portion of the total expenses, although H1 2017 exhibited a sharp increase in the weight of the sector employee costs to total expenses. Depreciation and amortisation expenses were also a larger component of AHLI's expenses when compared to the sector, while the "other expenses" made up less. In 2015 and 2016, AHLI had more of its expenses in the form of provisions compared with the sector overall, but in 2017, the decline in the Bank's provision for credit losses positioned it more in line with the sector average.

5.2.3 Net Income

AHLI posted a bottom line for 2016 of JOD6.27 million in 2016, down from JOD22.83 million in 2015. The profits generated in 2016 represent the lowest profits recorded by the Bank in the past five years, and is largely as a result of the sharp increase in the provisions taken for credit losses, coupled with the slight decrease in gross income. In H1 2017, the net income registered at JOD9.44 million for the six months, up from JOD7.65 million for H1 2016, giving an annualised profit for the year of JOD18.87 million.

The Bank's return on average assets (ROAA) and return on average equity (ROAE) registered at of 0.2% and 2.0%, respectively in 2016, both at a level significantly lower than the sector averages of 1.1% and 7.8%. This contrasts sharply with 2015 when the Bank's performance was on par with the sector overall. In 2017, the Bank's ratios improved significantly, but continued to fall short of the sector averages.

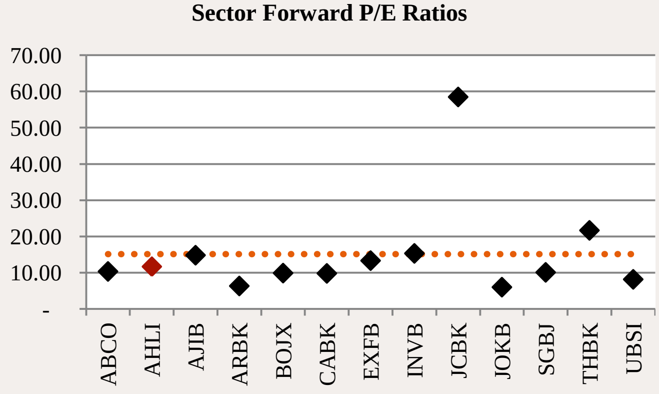


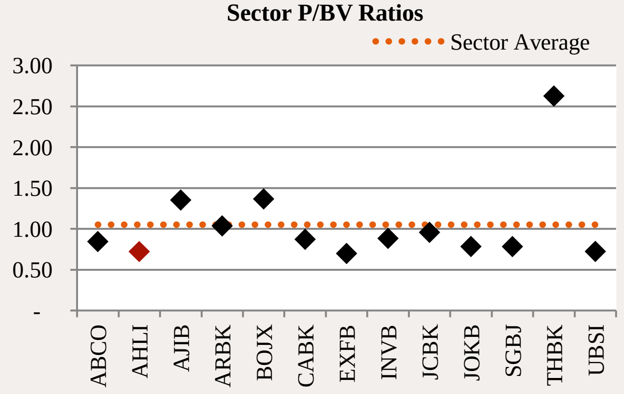


**Calculated based on annualised H1 2017 net profits*

P/E and P/BV Ratios

The charts below showcase AHLI's stock price with regards its earnings and book value as of June 30th 2017 compared to the sector. Its forward P/E ratio falls below the sector average of 15.01 times, which was pulled up by the ratio of the Jordan Commercial Bank (JCBK). Excluding the Jordan Commercial Bank's ratio from the average gives a sector average of 11.38 times, which falls only slightly below AHLI's P/E.





P/E and P/BV ratios based on current stock prices
P/E and P/BV based on H1 2017 financial results

With regards the P/BV ratio, AHLI stands as one of the lowest ratios, higher only than the ratio of the Capital Bank (EXFB). With a P/BV ratio of 0.71 times, AHLI falls below the sector average of 1.04 times.

6.0 VALUATION

Our valuation is based on three methods; the dividend discount method based on a five-year forecast, and two multiples valuation methods based on the average P/E multiple for AHLI's peer group and a regression of the P/BV ratio of each peer against its ROAE. The peer group is composed of the Arab Jordan Investment Bank (AJIB), Bank of Jordan (BOJX), Cairo Amman Bank (CABK), Capital Bank (EXFB), Jordan Kuwait Bank (JOKB), and Bank Al Etihad (UBSI), which were selected based on similar asset size compared to AHLI.

Each of the multiples methods was given a weighting of 25%, due to its sensitivity to overall market movements and its assumption that the market is accurately pricing the stocks of the peer group. The dividend discount method, which determines the intrinsic value of the stock, was given a higher weighting of 50%. On this basis, we arrive at an estimated fair value for the AHLI stock of JOD1.35 per share, offering a 15.3% upward potential. Thus, we re-initiate our coverage of AHLI with a BUY recommendation.

6.1 Dividend Discount Method

Dividends for the period 2017-2022 were forecast using the projected dividend payout ratio for the five years and the forecasted earnings for the period. The dividend payout ratio for the five years was projected using the least squares trend analysis, with the dividend payout ratio for 2016 excluded from the calculation as an outlier. For the post-2022 period, a stable growth rate of 2.5% was applied to the dividends into perpetuity.

	Dividend Payout Ratio	Paid-up Capital	Net Income	Dividends
2012	0.676	150,000,00	23,845,696	15,000,000
2013	0.659	165,000,000	16,003,889	9,900,000
2014	0.513	175,000,000	34,160,812	17,500,000
2015	0.769	175,000,000	22,832,724	17,500,000
2016	1.389	175,000,000	6,274,933	8,750,000
2017f	**0.715**	**183,750,000**	**18,364,913**	**13,124,158**
2018f	**0.728**	**190,000,000**	**22,003,015**	**16,019,223**
2019f	**0.741**	**200,000,000**	**23,511,815**	**17,433,100**
2020f	**0.755**	**200,000,000**	**24,583,593**	**18,557,558**
2021f	**0.768**	**200,000,000**	**26,479,523**	**20,343,960**
2022f	**0.782**	**200,000,000**	**28,451,161**	**22,240,409**

Our dividend discount method of valuation returns a fair market value for the stock of JOD1.46, 25.2% higher than its current market price.

EQUITY REPORT

	2017f	2018f	2019f	2020f	2021f	2022f	Terminal Value
Projected Dividends *	13,000,000	16,000,000	17,000,000	19,000,000	20,000,000	22,000,000	306,216,216
PV of Dividends	13,000,000	14,492,754	13,947,963	14,120,380	13,463,368	13,414,587	186,716,552

Total PV of Dividends	82,439,051
PV of Terminal Value	186,716,552
Estimated Equity Value	**269,155,603**
Outstanding Number of Shares	183,750,000
Target Price per Share (JD)	**1.46**

**Rounded*

Input Assumptions
Risk-free rate of 5.3% based on the average rate offered by the CBJ on Treasury 5-year Bonds
Equity Market Premium of 12.09% - Damodaran
An adjusted beta of 0.42
Cost of equity of 10.40%
A perpetual growth rate of 3%

Sensitivity Analysis

		Terminal Growth Rate				
		1.0%	2.0%	3.0%	4.0%	5.0%
Cost of Equity	8.4%	1.56	1.74	2.00	2.36	2.94
	9.4%	1.38	1.51	1.69	1.93	2.28
	10.4%	1.23	1.34	**1.46**	1.63	1.87
	11.4%	1.12	1.20	1.29	1.42	1.58
	12.4%	1.02	1.08	1.16	1.26	1.38

The analysis above highlights the sensitivity of our target price for AHLI to changes in the cost of equity and/or the terminal growth rate applied.

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EQUITY REPORT

6.2 Relative Valuation

	Paid-up Capital	Total Assets	Equity	Net Income	Share Price	Book Value	ROAE*	P/BV	EPS	P/E*
	30/6/17	30/6/17	30/6/17	30/6/17	14/10/17	30/6/17			30/6/17	
ABCO	110,000,000	1,091,595,773	153,545,165	6,302,711	1.20	1.40	8.1%	0.86	0.057	10.53
AHLI	183,750,000	2,789,563,242	302,318,156	9,435,730	1.17	1.65	6.2%	0.71	0.051	11.47
AJIB	150,000,000	1,938,224,364	190,582,468	9,450,649	1.75	1.27	9.7%	1.38	0.058	15.09
ARBK**	640,800,000	24,323,835,000	3,553,537,000	200,581,000	5.54	5.55	11.4%	1.00	0.454	6.10
BOJX	200,000,000	2,554,470,658	396,452,749	26,535,969	2.71	1.98	13.2%	1.37	0.137	9.89
CABK	180,000,000	2,711,586,519	319,649,318	13,945,894	1.50	1.78	8.6%	0.84	0.079	9.49
EXFB	200,000,000	1,966,533,274	274,651,757	8,066,439	0.91	1.37	5.8%	0.66	0.036	12.64
INVB	100,000,000	995,763,625	159,446,246	4,812,156	1.42	1.59	6.0%	0.89	0.046	15.43
JCBK	120,000,000	1,368,731,309	146,595,333	1,237,674	1.17	1.22	1.7%	0.96	0.010	58.50
JOKB	100,000,000	2,722,208,211	455,017,511	13,451,166	3.52	4.55	5.9%	0.77	0.297	5.93
SGBJ	100,000,000	1,269,981,047	131,402,325	5,091,974	1.03	1.31	7.7%	0.78	0.051	10.10
THBK	315,000,000	7,743,591,213	1,003,440,573	62,209,361	8.37	3.19	12.3%	2.63	0.193	21.68
UBSI	160,000,000	3,375,299,539	353,372,699	15,187,444	1.61	2.21	9.2%	0.73	0.098	8.21

*Calculated based on annualised H1 2017 earnings
**ARBK book value and EPS are based on the Arab Bank Group

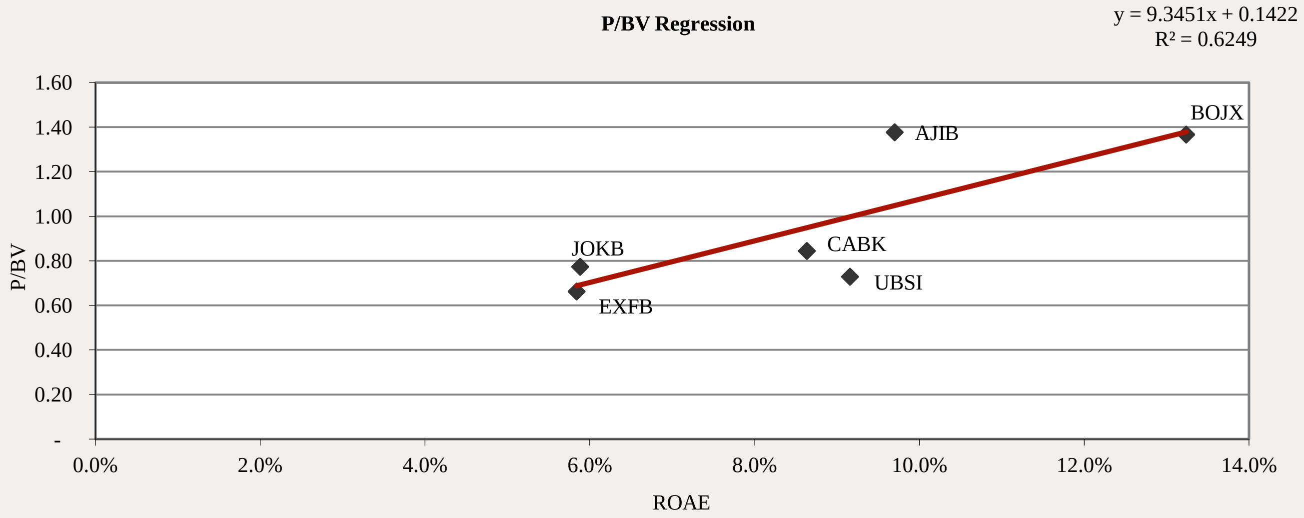
The peer group for the purposes of the relative valuation methods is composed of the Arab Jordan Investment Bank (AJIB), Bank of Jordan (BOJX), Cairo Amman Bank (CABK), Capital Bank (EXFB), Jordan Kuwait Bank (JOKB), and Bank Al Etihad (UBSI), which were selected based on similar asset size compared to AHLI.

6.2.1 P/E Ratio

The relative valuation approach utilises a multiple obtained from a peer group to extrapolate a fair price for a stock. In this case, we are utilising the average P/E multiple for the six commercial banks highlighted above that represent AHLI's peer group. The average forward P/E ratio for the banks amounts to 10.21 times. With an estimated EPS for AHLI of JOD0.116 for 2017, we arrive at an implied fair value of JOD1.18.

6.2.2 ROAE and P/BV Ratio

Here, we regress the Price to Book Value multiple (P/BV) for the peer group against their respective Return on Average Equity ratios (ROAE) for H1 2017. The regression returns the relationship P/BV = (9.3451 * ROAE) + 0.1422. Based on a forecasted ROAE ratio for AHLI for 2017 of 6.8%, this method returns an implied fair price for AHLI of JOD1.28.



A key point to note is that the relative valuation method assumes that the peer group is fairly priced in the market. Any over- or under-pricing reflected in the multiple will be imparted on the fair value obtained for AHLI.