

ANNUAL UPDATE

Capital Bank of Jordan



Recommendation – Overweight

Fair Value Estimated at JD 2.83 per share

Capital Bank of Jordan

Recommendation: Overweight
Target price JD 2.83 per share
Market price JD 1.99 per share

Financials

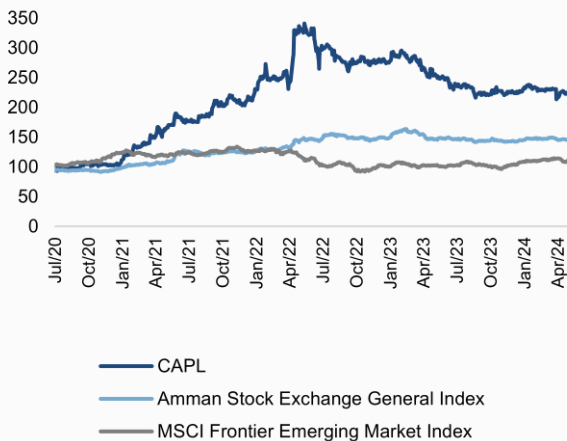
Bloomberg	CAPL JR
Reuters	CAPL AM
52-week High / Low (JD)	2.23 / 1.85
Market Cap (JD mn) *	523.4
Volume 6m Avg. (in '000 Shares)	36.2k
Free float	45.7%
EPS CAGR 23 -28F	18.5%
Dividend yield (2024F)	9.0%

*as of 08th May 2024

YE: 31 Dec	2023	2024F	2025F	2026F
Op. income (JD mn)	346.9	398.9	467.3	509.2
% change YoY	64.7%	15.0%	17.1%	9.0%
Net income (JD mn) *	71.9	100.0	125.9	141.6
EPS (JD)*	0.27	0.38	0.48	0.54
P/BV (x)	0.80	0.73	0.65	0.59
ROE (%)	10.9%	13.9%	15.8%	15.9%
P/E (x)	7.3	5.2	4.2	3.7

*excludes one-offs

CAPL Stock Price Comparison



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We reiterate our overweight recommendation on the shares of CAPL with a target price of JD 2.83 per share, indicating an upside of 42.0% to CMP. Since our last update, CAPL shares gained 1.0%, which is higher than the broader benchmark Amman Stock Exchange General Index (-0.4%).

In FY23 results, the bank reported growth of 9.1% YoY in the total assets. Net operating income increased 64.7% YoY, while, total earnings increased by 18.7% YoY. CAPL reported CAR levels of 15.4% in FY23 well above regulatory requirement of 14.25%.

Deposit base in H2 FY23 was maintained at H1 FY23 level as increase in CASA offset decrease in Time & Notice deposits: CAPL reported stable deposits at ~JD 5.5bn in H2 FY23 and the bank reported a decline in loans & advances by 2.9% semi-annually. At the peak of interest rate cycle, the overall deposits remained stable as CASA, which constituted 42.0% of the total deposits in FY23, increased by 2.4% offsetting the decline in time deposits by 1.7%, semi-annually.

- For deposits distribution by segment, only Corporate segment (+2.8% semi-annually) increased in H2 FY23. SMEs, Retail and Government segment remained stable during the same period
- Loans in the Corporate segment declined the highest (-5.0% semi-annually) followed by SMEs and Government segment which declined by 2.9%, respectively. Retail segment witnessed a marginal increase of 0.1% semi-annually in H2 FY23

CAPL assets increased due to organic growth of the business as well as the impact of SGBJ acquisition. We expect total assets growth at a CAGR of 12.0% over FY23-28F along credit and deposits to grow at a CAGR of 8.6% and 7.3%, respectively, over FY23-28F.

Operating Income growth driven by substantial rise in net fee and commission income: Net fee and commission income increased 87.8% semi-annually whereas NII increased by 8.3% semi-annually in H2 FY23. NIMs expanded (+22bps semi-annually) as assets were repriced gradually in H2 FY23. With the interest rate cycle reversal in H2 FY24, we expect banks to pass on the interest rate reversal to deposit rates. However, there will be a lag in loan book repricing resulting in spread expansion i.e., difference of asset yield and cost of funds. Therefore, we expect NIMs to expand marginally from FY24 onwards given the lag in asset repricing being favourable to the bank's book. The net fee and commission income growth was majorly driven by ~8x YoY increase in transfers commission in FY23. We expect net fee and commission income to grow at a CAGR of ~15.2% for the next five years until FY28.

CAPL's cost efficiency has improved partly as a result of the enhanced digitization and automation

CAPL reported improvement in cost efficiencies in FY23 as compared to the previous year: Although the bank witnessed improved cost efficiencies over the previous year, H2 FY23 saw a slight dip in the cost efficiency front as CAPL reported an increase in operating expenses, reflected in the marginal increase in cost to income ratio to 39.1% (+14bps semi-annually). Following SGBJ acquisition to create synergy and branch rationalisation in Jordan, CAPL reduced 7 branches bringing down the count to 32 branches. However, in Iraq, the bank added 5 branches to reach to 28 branches. This branch rationalization led to improving cost efficiency of the bank with overall improvement of 11.9% points YoY in cost to income ratio during FY23. CAPL management is making rapid investments in digital infrastructure which is likely to keep operational costs in short term. However, the bank would increase its operational efficiencies as it streamlines its operations with a view to reduce traditional branch visits.

CAPL is well covered at 102.4% and the bank's emergency capital is well above its requirement

Asset quality improved marginally over semi-annually, however, deteriorated as compared to FY22 level: CAPL's asset quality improved slightly in H2 FY23 as the company's net NPL ratio (including suspended interest) decreased to 6.1% (-10bps semi-annually) while coverage ratio improved to 102.4% in H2 FY23. The real estate sector and the construction sector in Jordan is cyclical in nature and are likely to face high debt levels and a lack of demand. The overall real estate sector in Jordan witnessed a decline of ~8.0% YoY in sales in January 2024. Given the scenario, CAPL reduced its lending exposure to construction to ~15.0% in FY'23 from 19.0% in FY'22. CAPL has increased its emergency capital as its capital adequacy ratio is 15.36% in H2 FY23, well above regulatory requirement of 14.25%.

CAPL reported a decline in profitability in H2 FY23 as net income declined by 26.6% semi-annually

Net income declined in H2 FY23, due to higher operational expenses and increased impairment charges for H2 FY23: Overall H2 FY23 was challenging for CAPL as all operational income growth (+31.4% semi-annually) was on the back of fee and commission income (+87.8% semi-annually). Total operating expenses increased by 31.8% semi-annually and the bank also reported increased impairment charges by 97.1% semi-annually, undermining the overall profitability. Overall, net profit declined by 26.6% semi-annually to JD 30.4mn in H2 FY23. We expect earnings growth momentum to retrieve and management delivering on its long-term targets (total asset CAGR growth of 12.0% from FY 23-28, C/I ratio <40.0%, CAR >15.0%, RoE surpassing 15.0% and dividend pay-out in the range of 25-50% of earnings)

Launch of the neo bank BLINK gives CAPL the first mover advantage in the FinTech space of Jordan

CAPL introduces BLINK as the first digital bank in Jordan: BLINK has attracted masses with only 10% of the BLINK customers being existing CAPL customers, while the remaining 90% are new to group. The main source of revenue for BLINK is from net interest income on deposits and credit cards. BLINK witnessed increase in CASA accounts double in one month (Aug'23 to Sept') from JD 1.0mn to JD 2.0mn. The customer base is steadily increasing with +15K active customers out of the +50K client base. Deposits from BLINK are small but they are ramping up fast, while credit cards off-take have been quite significant. Management's main aim is to drive out traffic of branches into their digital channels in the short term. In FY23, Blink has also partnered with players outside the financial services industry to bring lifestyle value added services, in the form of promotions, discounts, cash back, etc.

CAPL continues to have strategic partnership with the Orthodox Club

CAPL set out to create a new digital portal with Finastra

CAPL upgrades Business ATM Deposit Card with withdrawal feature

CAPL launched its first fully digital on boarding of new customers partnering with Codebase Technologies

CAPL accelerates growth of its investment business through initiatives of digitalization and improvements in operating efficiency

Key recent developments:

- On 22nd February 2024, CAPL announced the renewal of their strategic partnership with the Orthodox Club (a multi-sports club in Amman, Jordan) for the second consecutive year, aiming to strengthen collaboration by providing services and offers to the bank's customers and employees.
- In February 2024, CAPL, replaced its existing trade management system with Finastra's Trade Innovation and Corporate Channels solutions, for a seamless corporate banking experience. Finastra is a global provider of financial software applications and marketplaces, and launched the open platform for innovation, FusionFabric.cloud, in FY17. CAPL targeted treasury and trade management solutions that could automate transaction processing and integrate with a wide range of third-party solutions, including SWIFT messaging protocols and the bank's archiving solution
- In January 2024, CAPL has an improved version of the ATM deposit card for its institutional banking clients, featuring an added withdrawal capability to cater to their needs. The card empowers institutional banking clients to deposit up to JD 19k and 45 checks daily through the bank's ATMs. Furthermore, they can withdraw up to JD 10k per card, aligning with the company's specified limits as outlined in the registration certificate. This strategic enhancement provides clients with increased flexibility and efficiency in managing their financial transactions
- In November 2023, Capital Investments, the investment arm of CAPL, has selected the Digibanc platform by Codebase Technologies to launch its digital on boarding services that allow new customers to register and start using Capital Investments trading accounts. The platform is known for its security, flexibility, and track record as a proven innovation platform for digital banking.
- In July 2023, BLINK signed a memorandum of understanding with the virtual application 'WeCare' to provide a package of services to the bank's employees, customers, and application users. Under this, the customers and employees will have the opportunity to benefit from discounts and offers on healthcare services provided by the WeCare application. Healthcare providers contracted with WeCare will receive credit cards with limits ranging from JOD 100 to JOD 500.

Financial Highlights – Semi-annual basis

JD '000	H2 23	H1 23	H2 22	YoY	Semi-annual
Net Interest Income	92,672	85,604	90,637	2.2%	8.3%
Income from Commission and Fees	92,772	49,406	19,159	384.2%	87.8%
Net Operating Income	196,970	149,936	118,431	66.3%	31.4%
Total Expenses	(76,925)	(58,345)	(62,517)	23.0%	31.8%
Net income*	30,410	41,443	30,483	-0.2%	-26.6%
Direct Credit Facilities, net amortized cost	3,431,014	3,532,434	3,264,580	5.1%	-2.9%
Total Assets	7,592,499	7,531,761	6,957,772	9.1%	0.8%
Customer Deposits	5,453,111	5,453,343	4,859,864	12.2%	0.0%
Total Equity	728,499	623,497	617,348	18.0%	16.8%

Capital Adequacy details (JD '000)	H2 23	H1 23	H2 22	YoY	Semi-annual
Risk Weighted Assets	3,901,342	4,051,598	3,984,361	-2.1%	-3.7%
Regulatory Capital	599,063	600,346	547,508	9.4%	-0.2%
CET 1	553,597	566,573	513,120	7.9%	-2.3%
Tier 2 Capital	45,466	33,773	34,388	32.2%	34.6%
Tier 1 Capital ratio	14.19%	13.98%	12.88%	10.2%	1.5%
Capital Adequacy Ratio	15.36%	14.82%	13.74%	11.7%	3.6%

Ratios	H2 23	H1 23	H2 22	YoY bps	Semi-annual (bps)
Net Spread	3.8%	3.4%	3.5%	26	35
Cost-to-income	39.1%	38.9%	52.8%	(1,373)	14
ROA*	0.8%	1.1%	0.9%	(10)	(34)
ROE*	9.5%	13.4%	10.1%	(61)	(386)
Funding Cost	3.8%	3.8%	3.3%	43	(9)
Loan-to-Deposit ratio	62.9%	64.8%	67.2%	(426)	(186)
NIM	3.2%	3.0%	3.3%	(7)	22
NPL	4.9%	5.0%	4.8%	14	(5)

*Note: Net income, ROA and ROE excludes one-off expenses

Key Positives: Fee and commission income grew by 87.8% semi-annually. Net interest income improved for H2 FY23 by 8.3% semi-annually and the net spread improved by 35bps semi-annually. Bank increased its CAR to 15.4%, well above the regulatory requirement of 14.25%

Key Negatives: Deposits were maintained at ~JD 5.5bn in H2 FY23 with no change since H1 FY23. Loans and advances declined in H2 FY23 by 2.9% semi-annually; Cost to income ratio increased marginally by 14bps semi-annually to 39.1% in H2 FY23. Net income declined 26.6% semi-annually in H2 FY23.; CAPL reported CET 1 capital lower in H2 FY23 with a 2.3% decline semi-annually.

Iraq operations: The client base of NBI has been steadily expanding and has reached to ~210k clients, increased 5 branches reaching to 28 branches with ~1k employees. The bank's product offerings include both direct financing and indirect facilities, and are introducing mobile banking services and an Islamic window. CAPL owns majority stake of ~62.0% in NBI, through which NBI has access to large network of correspondent banks and other financial institutions such as Saudi Exim Bank, PROPARGO (a development finance institution partly owned by the French Development Agency and private shareholders from the developed countries) and the IFC (International Finance Corporation)

Iraq Operations Update:

- Total Assets increased by 7.6% semi-annually and customer deposits increased by 12.6% semi-annually
- Total operating income grew by 16.7% semi-annually and net income increased by 49.6% semi-annually
- Efficiency ratio improved by 11.8% points semi-annually to 25.3% in H2 FY23 from 37.2% in H1 FY23

Financial Highlights – Annual basis

JD '000	FY 23	FY 22	YoY
Net Interest Income	178,276	159,147	12.0%
Income from Commission and Fees	142,178	35,640	298.9%
Net Operating Income	346,906	210,567	64.7%
Total Expenses	(135,270)	(107,182)	26.2%
Net income*	71,853	60,548	18.7%
Direct Credit Facilities, net amortized cost	3,431,014	3,264,580	5.1%
Total Assets	7,592,499	6,957,772	9.1%
Customer Deposits	5,453,111	4,859,864	12.2%
Total Equity	728,499	617,348	18.0%

Capital Adequacy details (JD '000)	FY 23	FY 22	YoY
Risk Weighted Assets	3,901,342	3,984,361	-2.1%
Regulatory Capital	599,063	547,508	9.4%
CET 1	553,597	513,121	7.9%
Tier 2 Capital	45,466	34,388	32.2%
Tier 1 Capital ratio	14.19%	12.88%	1.3%
Capital Adequacy Ratio	15.36%	13.74%	1.6%

Ratios	FY 23	FY 22	YoY (bps)
Net Spread	3.6%	3.7%	(10)
Cost-to-income	39.0%	50.9%	(1,191)
ROA*	0.9%	0.9%	8
ROE*	10.9%	9.8%	112
Funding Cost	3.9%	3.2%	65
Loan-to-Deposit ratio	62.9%	67.2%	(426)
NIM	3.1%	3.4%	(32)
NPL	4.9%	4.8%	14

*Note: Net income, ROA and ROE excludes one-off expenses

Key Positives: Deposits increased by 12.2% YoY to ~JD 5.5bn in FY23. Loans and advances increased at a slower pace by 5.1% YoY; Fee and commission income grew by 298.9% YoY. Net interest income improved by 12.0% YoY in FY23. CAPL reported a significant improvement of 11.9% points YoY in cost to income ratio. Bank increased its CAR to 15.4%, well above the regulatory requirement of 14.25%

Key Negatives: LDR declined by 4.3% points YoY as the deposits increased faster than loans and advances; Even though net interest income grew, the NIM contracted by 32bps YoY in FY23 on net spread contraction by 10bps in FY23

Iraq Operations Update:

- Total Assets increased by 83.8% YoY and customer deposits increased by 93.7% YoY
- Total operating income grew by 249.5% YoY and net income increased by 769.7% YoY

Valuation & Recommendation

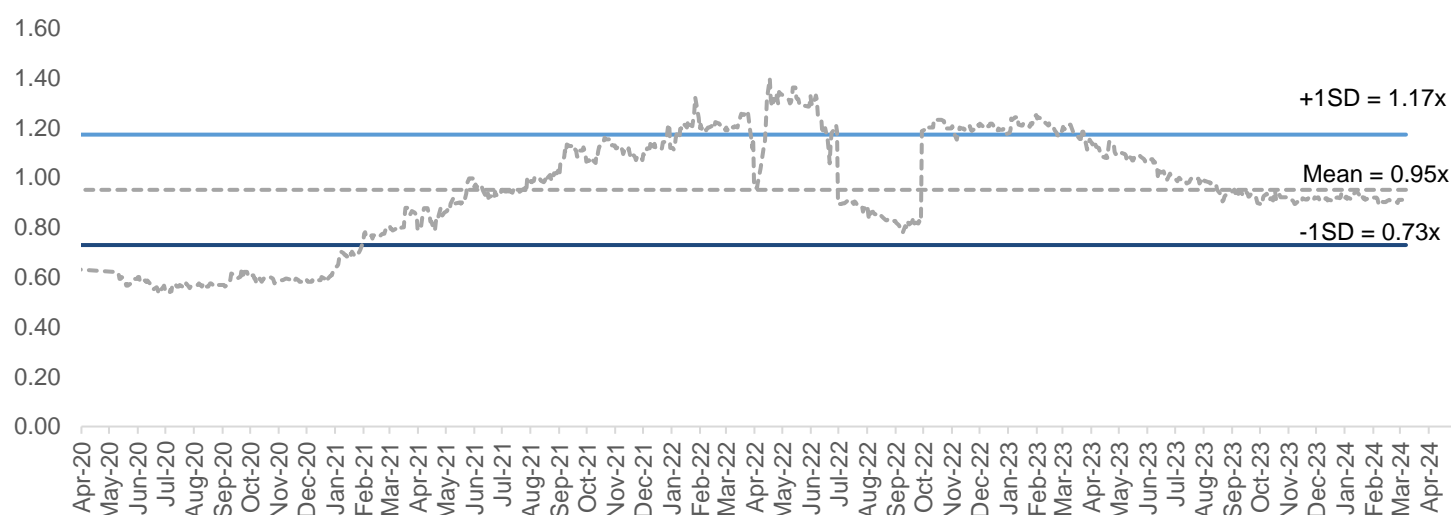
Upside of 42.0% from
CMP of JD 1.99 per share

CAPL has emerged as a geographically well-diversified bank with its expanded presence in Jordan and Iraq through its subsidiary and new acquisition (SGBJ). The bank is now well placed to take first mover advantage into the digital banking space in Jordan. We expect BLINK to be a key long term growth driver for CAPL earnings as the business scales up and add to the agility and efficiency. Moreover, strategic investment by PIF (sovereign wealth fund of Saudi Arabia) provides confidence for capital cushion required for the expansion.

We maintain our Overweight recommendation on the shares of CAPL with a target price of JD 2.83 per share which translates to an upside of 42.0% from the last close of JD 1.99 per share. We expect the bank to continue growing the deposits by 7.3% CAGR between FY23-28F while cost to income ratio is expected to remain well below ~40.0% over the next three to five years on the back of merger related synergies (costs control / portfolio and revenue synergies) along with bank's focus on digitization which will help in cost rationalization over the long term.

The stock corrected by 2.5% YTD and has underperformed Amman Stock Exchange General Index (-1.7%) YTD. However, we see an upside of 42.0% as we continue to see mispricing on the shares.

CAPL PB trend



Source: Bloomberg

Our 12-month fair value estimate is based on a weighted average of Residual Income (40%), Justified PB (40%) and Relative Valuation (20%) methodologies.

Valuation summary

Methodology	Weightage	JD per share
Residual Income	40.0%	2.77
Justified PB	40.0%	2.89
Relative Valuation	20.0%	2.81
Target valuation		2.83
Current market price (JD)		1.99
Upside / (Downside)		42.0%

Source: BHM Capital Estimates

Residual income method yields a value of JD 2.77 per share

The valuation is based on the Bank's 5-year residual income. Beyond FY28 we have estimated the terminal value of the residual income, based on the terminal growth rate assumed at 2.9% following the IMF's revision of its long-term GDP growth estimates for Jordan and Iraq until FY28.

Residual income valuation summary

Particulars (JD '000)	2024F	2025F	2026F	2027F	2028F	Terminal
Forecast equity (adjusted for one-offs)	720,765	799,364	888,348	975,148	1,067,535	
Forecasted net profit (adjusted for one-offs)	100,020	125,946	141,592	152,559	171,298	
Capital charge	106,796	117,783	130,768	144,388	158,272	
Economic Value Added	(6,777)	8,163	10,824	8,171	13,027	106,415
NPV	(5,865)	6,122	7,023	4,590	6,334	51,739
Book value FY23	657,570					
EVA flows 2023-2028	18,204					
Terminal value	51,739					
Target equity value	727,512					
Shares outstanding ('000)	263,037					
Target value per share (JD)	2.77					

Source: Company reports, BHM Capital Estimates

Cost of equity calculations (15.5%) considered the Jordan's risk-free rate as 7.5% along with a beta of 0.72 and risk premium of 11.2% considering ~80.0% business mix of CAPL in Jordan and ~20.0% in Iraq. Overall, we see a case for narrower risk discount rate for the shares of CAPL resulting from lower business risks related to successful completion of merger / integration and presence of sovereign backing through Saudi Arabia's - PIF.

Sensitivity analysis (JD per share)

Cost of Equity		Terminal Growth Rate				
		0.9%	1.9%	2.9%	3.9%	4.9%
	13.5%	3.33	3.39	3.45	3.52	3.62
	14.5%	3.01	3.04	3.08	3.12	3.17
	15.5%	2.74	2.75	2.77	2.78	2.81
	16.5%	2.50	2.50	2.50	2.51	2.51
	17.5%	2.29	2.28	2.28	2.27	2.26

Fair value estimated at JD 2.89 per share based on a justified PB multiple of 1.1x RoAE, CoE and terminal growth rate, contribute to a justified PB multiple of 1.1x. The justified PB multiple and FY 2024F book value per share of JD 2.74, leads to a fair value estimate of JD 2.89 per share.

Justified PB valuation

Justified P/B	
ROAE (Sustainable)	16.2%
Cost of Equity	15.5%
Terminal growth rate	2.9%
Target P/BV	1.1
Book value per share 2024F	2.74
Value per share (JD)	2.89

Source: Company reports, BHM Capital Estimates

Peer valuation yields a fair value of JD 2.81 per share

For relative valuation, we have considered MENA banks as a peer group for CAPL. Since the market cap of CAPL is USD 738mn, we have taken peers in the range of ~USD 200mn to ~USD 4.0bn. Our fair value estimate is based on 2024F book value per share of JD 2.74 and target PB multiple of 1.0x. Based on these estimates, the shares are valued at JD 2.81 per share.

Relative valuation

PB valuation	
Weighted average PB multiple	1.0x
Discount / Premium	-
Applied multiple	1.0x
Book value per share (JD)	2.74
Value per share (JD)	2.81

Source: BHM Capital Estimates

Peer table (as of April 2024)

Banks	Country	Market Cap (USD mn)	P/E(x)	P/B (x)	ROE (%)	ROA (%)	NPM (%)
Capital Bank of Jordan	Jordan	738	7.3	0.9	12.7%	1.0%	19.4%
Jordanian Peers							
Arab Bank PLC	Jordan	3,887	5.0	0.4	8.0%	1.2%	29.1%
Housing Bank for Trade and Finance	Jordan	1,577	8.2	0.9	11.1%	1.6%	31.2%
Jordan Islamic Bank	Jordan	1,123	12.8	1.5	11.8%	1.1%	35.2%
Bank of Jordan	Jordan	598	9.7	0.8	8.4%	1.5%	26.1%
Bank Al Etihad	Jordan	530	8.6	0.8	9.6%	0.6%	15.0%
Jordan Kuwait Bank	Jordan	504	10.3	0.6	10.8%	1.3%	21.4%
Cairo Amman Bank	Jordan	341	6.8	0.6	8.4%	0.9%	20.0%
Jordan Ahli Bank	Jordan	292	11.1	0.6	5.6%	0.6%	15.3%
Arab Jordan Investment Bank	Jordan	267	10.2	0.9	8.6%	0.8%	22.6%
Invest Bank Co	Jordan	210	6.1	0.7	12.3%	1.5%	28.0%
Weighted average* (Jordanian peers)			7.7	0.7	9.3%	1.2%	27.8%
MENA Peers							
National Bank of Ras Al-Khai	UAE	2,864	5.5	1.0	19.4%	2.6%	40.5%
Burgan Bank	Kuwait	2,127	18.9	0.8	4.3%	0.6%	19.0%
Sharjah Islamic Bank	UAE	1,956	9.0	1.2	14.8%	1.4%	47.7%
Al Ahli Bank of Kuwait	Kuwait	1,931	13.5	1.0	6.9%	0.7%	23.8%
Al Salam Bank BSC	Bahrain	1,501	12.3	1.6	13.2%	0.9%	36.3%
Ajman Bank PJSC	UAE	1,394	NM	1.9	-15.0%	-1.7%	-45.5%
Warba Bank KSCP	Kuwait	1,264	23.2	1.2	5.5%	0.4%	30.8%
National Bank of Oman SAOG	Oman	1,085	9.0	0.8	9.2%	1.3%	39.8%
Banque Intl Arabe De Tunisie	Tunisia	1,065	10.1	1.6	16.4%	1.5%	23.4%
Attijari Bank	Tunisia	653	9.1	1.8	21.2%	1.9%	31.2%
Bank Nizwa	Oman	575	12.3	0.9	6.8%	1.1%	30.8%
Credit Agricole Egypt	Egypt	491	4.6	1.6	42.3%	5.7%	51.7%
Weighted average* (MENA peers)			10.8	1.2	10.6%	1.2%	27.0%
Weighted average* (all peers)			9.7	1.0	10.1%	1.2%	27.3%

Source: Bloomberg, *weighted average based on Market Cap

Risks to Valuation

Economic recovery slower than expected: According to IMF, Jordan's growth has quickened in FY22 despite global economic turbulence, driven by strong progress in IMF-backed structural reforms that have cushioned the economy and strengthened macro-economic stability. Any slowdown in the regional macroeconomic growth expectation can negatively impact bank's performance.

Rise in the interest rates by the Central Bank of Jordan: Jordan's central bank largely follows policy decisions taken by US Federal Reserve (Fed), as the currency is pegged to the USD. In FY23, the Central Bank of Jordan raised the interest rates by another 1.0% to 7.50%, following US Fed in order to curb down the inflationary pressure.

Geopolitical turmoil creating pressure on the economy: Tourism is the sector that drives Jordan's economy. Jordan's tourism contributes 14.6% to GDP in FY23. Recent geopolitical conflicts / war situation has impacted the tourism sector. The overall real estate sector in Jordan also witnessed a decline of ~8.0% YoY in sales in January 2024.

Annexures

Income Statement (JD mn)	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Interest Income	181	321	427	433	459	480	517	564
Interest Expense	(79)	(161)	(249)	(246)	(255)	(260)	(277)	(309)
Net Interest Income	102	159	178	188	203	220	240	255
Fees Income, net	25	36	142	180	231	253	260	289
Non-Interest Income	11	16	26	31	33	36	39	42
Total operating income	138	211	347	399	467	509	538	586
Total expenses	(72)	(107)	(135)	(148)	(170)	(186)	(197)	(215)
Pre Provision Profit	66	103	212	251	297	324	341	371
Loan loss charges	(20)	(29)	(73)	(80)	(81)	(81)	(80)	(78)
Profit Before Tax	71	97	127	171	215	242	261	293
Income Taxes	(10)	(6)	(21)	(28)	(35)	(40)	(43)	(48)
Profit After Tax	61	91	107	143	180	202	218	245
Minority Interest	18	(4)	(35)	(43)	(54)	(61)	(65)	(73)
Net Income*	48	61	72	100	126	142	153	171
EPS (JD)*	0.18	0.23	0.27	0.38	0.48	0.54	0.58	0.65

Source: Company reports, BHM Capital Estimates, *Adjusted for one-offs

Balance Sheet (JD mn)	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Cash & Cash Equivalent	426	781	1,319	1,651	2,018	2,652	3,192	3,880
Interbank lending	313	220	165	182	203	227	255	289
Investments	1,183	1,966	1,970	2,023	2,251	2,335	2,624	2,980
Net loans	2,114	3,265	3,431	3,808	4,113	4,432	4,788	5,186
Intangible assets	31	58	68	74	81	92	104	119
Fixed Assets	52	91	116	88	90	92	93	95
Other Assets	194	577	524	562	607	669	739	821
Total Assets	4,311	6,958	7,592	8,389	9,363	10,497	11,795	13,370
Customer deposits	2,771	4,860	5,453	5,857	6,317	6,792	7,258	7,745
Margin Accounts	234	410	483	518	559	601	642	685
Interbank borrowing	381	149	146	157	169	182	194	208
Loans and borrowings	414	740	586	814	1,132	1,573	2,187	3,040
Other Liabilities	64	97	128	137	148	159	170	182
Total Liabilities	3,919	6,305	6,864	7,554	8,396	9,381	10,526	11,935
Share capital	200	263	263	263	263	263	263	263
Statutory Reserve / Others	57	202	209	219	232	246	261	279
Retained earnings	122	167	185	238	304	379	451	526
Others	(16)	(15)	(0)	(0)	(0)	(0)	(0)	(0)
Minority Interest	29	35	71	114	168	228	294	367
Total Equity	392	653	728	835	967	1,117	1,269	1,435
Total Equity & Liabilities	4,311	6,958	7,592	8,389	9,363	10,497	11,795	13,370
BVPS (JD)	1.82	2.31	2.46	2.70	3.00	3.34	3.67	4.02

Source: Company reports, BHM Capital Estimates

Cash Flow Statement (JD in Mn)	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Profit before tax	71	97	127	171	215	242	261	293
Depreciation and amortization	10	15	24	25	27	29	32	35
Impairment losses	20	29	73	80	81	81	80	78
Other income/expenses	(8)	(16)	12	1	1	1	1	1
Net operating profit before changes in operating assets and liabilities	65	99	237	277	324	353	373	406
Restricted balances at central banks	(19)	4	(215)	-	-	-	-	-
Direct credit facilities at amortized cost	(485)	(584)	(183)	(369)	(386)	(400)	(436)	(475)
Banks and financial institutions' deposits	5	9	9	(17)	(21)	(24)	(28)	(35)
Other assets	(2)	(46)	8	(41)	(47)	(63)	(72)	(83)
Customers' deposits	709	833	508	404	460	476	466	487
Margin accounts	14	87	63	36	41	42	41	43
Other liabilities	3	6	(19)	9	11	11	11	11
Cash from (used in) operating activities	289	488	395	310	395	408	368	368
Income tax paid	(7)	(14)	(14)	(28)	(35)	(40)	(43)	(48)
Cash flow from operating activities	282	475	381	282	359	368	325	321
Net Purchase of Property & Eq.	(18)	(21)	6	(11)	(12)	(13)	(14)	(14)
Net Purchase of intangible assets	(10)	(33)	(18)	(19)	(22)	(26)	(31)	(36)
Net Purchase of financial assets at amortized cost	(391)	(1,162)	(2)	(45)	(219)	(73)	(276)	(340)
Net Sale of Financial Assets	-	-	-	-	-	-	-	-
Cash flow from investing activities	(294)	(318)	22	(83)	(262)	(123)	(333)	(407)
Proceeds from loans and borrowings	190	286	(162)	228	318	441	614	853
Repayment of loans and borrowings	(113)	(98)	-	-	-	-	-	-
Treasury Shares	5	-	-	-	-	-	-	-
Cash Dividends	(28)	(30)	(45)	(37)	(47)	(53)	(66)	(79)
Cash flow from financing activities	53	340	(218)	192	270	389	548	774
Net change in cash balances	41	496	185	391	367	634	540	688

Source: Company reports, BHM Capital Estimates

Key Ratios	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Asset Quality								
NPL Ratio	6.7%	6.2%	6.1%	6.0%	5.8%	5.8%	5.8%	5.8%
NPL Coverage	82.9%	88.9%	102.4%	92.0%	117.2%	136.0%	150.5%	161.0%
Provisions/ Avg. Loans	2.9%	3.8%	3.3%	3.1%	2.9%	2.7%	2.5%	2.3%
Margins								
Asset Yield	6.2%	6.9%	7.4%	7.2%	7.0%	6.9%	6.8%	6.8%
Funding Cost	2.6%	3.2%	3.9%	3.5%	3.3%	3.0%	2.8%	2.8%
NIM	3.5%	3.4%	3.1%	3.1%	3.1%	3.1%	3.2%	3.1%
Capital Adequacy (%)								
Tier 1 Ratio	13.2%	12.9%	14.2%	14.2%	14.2%	14.2%	13.8%	13.4%
CAR	14.9%	14.2%	15.36%	15.6%	15.5%	15.3%	14.8%	14.2%
Total RWA (JD mn)	2,385	3,984	3,901	3,943	4,401	4,934	5,603	6,351
Liquidity Ratios (%)								
Customer Deposits to Equity	7.6	7.9	8.3	8.1	7.9	7.6	7.4	7.3
Loans to Deposit	73.3%	67.2%	62.9%	65.0%	65.1%	65.2%	66.0%	67.0%
Loans/Assets	49.0%	46.9%	45.2%	45.4%	43.9%	42.2%	40.6%	38.8%
Income statement ratio %								
Fees Income/ Total Income	18.1%	16.9%	41.0%	45.2%	49.4%	49.7%	48.2%	49.3%
Cost to Income Ratio	52.0%	50.9%	39.0%	37.1%	36.5%	36.4%	36.6%	36.7%

Source: Company reports, BHM Capital Estimates

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Investment Ratings Guide

Overweight	The target price for the next 12 months is 15% above the current price
Neutral	The target price in the next 12 months is between -15% and 15% of the current price
Underweight	The target price for the next 12 months is 15% below the current price
Not Rated	No investment rating has been assigned yet

