

CAPITAL BANK OF JORDAN

Strong NIM expansion in Q1, supporting return profile despite lower F&C.

- We raise our NIM estimates by 6bps following robust margin expansion in Q1, yet with limited changes to our EPS forecasts (-1 to -2.8%) as we lower our fee income estimates by ~4% and raise OpEx projections by ~3%.
- We still forecast a robust RoE of > 16%, even though the rate cycle is shallower than expected. It carries a substantial negative 12-month ALM gap of 22.9%, with liabilities adjusting faster than assets.
- The stock remains compelling at 0.7x BV and P/E 25e of 3.8x vs a mid-cycle RoE of c.17% and FY27 target >16%, the highest RoE in Jordan, mainly reflecting the strong profitability of its Iraqi franchise. Despite domestic economic challenges, our TP of JOD 4.0 offers a significant upside.

Internal capital generation remains strong at 20% in Q1 25 (vs. 22.5% in Q1 24 and 23.8% in Q4 24). Group net income rose slightly by 1.7% y/y (Attributable NI -2.9%) as lower provisions (-8%) partially offset lower operating profits (-6%), which was impacted by 21% lower F&C y/y and 12.5% higher OpEx, despite NIM expansion of 18bps y/y. Sequentially, group net income was slightly down by 0.9% mainly on higher provisions (strong recoveries in Q4) despite 17.3% growth in NII amid strong margin expansion, while fee income dropped by ~6%.

We expect RoE to remain robust in FY25e (above MT/LT guidance of 16% by 2027) benefitting from some NIM expansion from lower average policy rates, with NIM picking up in Q1 (+18bps y/y). We raise our NIM estimates by 6bps following robust margin expansion in Q1, yet with limited changes to our EPS forecasts (-1 to -2.8%) as we lower our fee income estimates by ~4% and raise OpEx projections by ~3%.

Robust NIM expansion in Q1. NIM expanded strongly by 47bps q/q, following 22bps contraction in Q4, as asset yields improved by 21bps on our calculations (vs. -26bps in Q4) and CoF eased by 29bps (-3bps in Q4) with the bank benefitting from rate cuts, as liabilities reprice faster than assets. Y/y, NIM is 18bps higher. That said, we raise our NIM assumption by 6bps in FY25e, factoring 17bps expansion given the negative 12-month ALM gap of -22.9% (vs. 27.4% YE 23). CASA share stands at 41% vs. 42% YE 24 and 40% a year earlier.

Mid-single-digit growth this year. We pencil in tepid BS growth of mid-single digits, below the company's target of >8%. Credit growth through NBI has been strong at 36% in FY24A, offsetting 9.4% y/y decline domestically. In Q1 25, the loan book rose by 1.4% q/q (flat y/y), broadly in-line with our estimate, mainly driven by the public sector (~21% q/q), offsetting the slight drop in the large corporate book (-2.1%). Meanwhile, deposits were flat sequentially as the modest drop in CASA (-3.3% q/q) was offset by higher TDs (+1.9% q/q), while y/y growth remains at 8.7%. As of February 2025, the bank's deposit market share stood at 8.5% (8.6% YE 24 & 8.9% YE 23), while the loan market share reached 6.9% (vs. 6.9% YE 24 & 7.9% YE 23).

NPL formation remains benign at 16bps, still rising from -21bps in Q4 24 and -53bps in Q1 24, while CoR was way ahead at 153bps (vs. -103bps and 167bps, respectively). Stage 2 share slightly dropped to 10.5% from 10.8% YE 24 (vs. 10.4% in Q1 24), while coverage improved to 12.1% from 11.3% (12%). Stage 3 declined to 8% from 9.6% YE 24 (8.2% Q1), whilst coverage increased to 61.7% from 57% and 52.4%, respectively. We calculate a provision deficit of -0.8% of total loans vs. our acid test (1% of stage 1, 12% of stage 2, and 60% of stage 3) vs. -7% in Q3 24 and -0.6% a year earlier. That said, we calculate a provision deficit of -19bps of total loans vs. our acid test (1% of stage 1, 12% of stage 2, and 60% of stage 3), improving from -81bps YE 24 and -41bps in Q1 24.

LtD at 65%, way below 71% a year earlier; the bank is very liquid. The LCR and NSFR stood at 226% and 137%, respectively, and the LtD at 65% (vs. 64% YE 24 and 71% Q1 24). Tier 1 ratio rose to 15.3% from 14.9% YE 24 supported by robust RoE of 20.1%, despite c.6% rise in RWA (vs. flat asset growth). Meanwhile, CAR stands at 15.9% vs. CBI's requirement of 14.5%.

The stock's low valuation is unwarranted by RoE, EPS growth, and DY. It trades at an undemanding FY25e P/E of 3.8x and FY25e P/tNAV of 0.7x, with a DY of c.7-8% in FY25e. Our TP of JOD 4 offers a substantial upside.

BUY

JOD 4.0

Banks / JORDAN

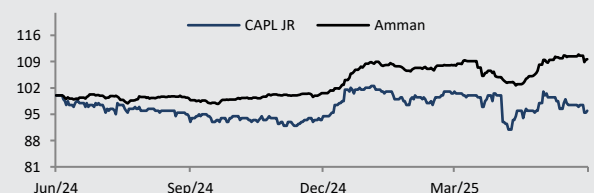
Bloomberg code	CAPL JR
Market index	Amman
Target Price	4.0
Upside (%)	106.1

Market data 6/25/2025

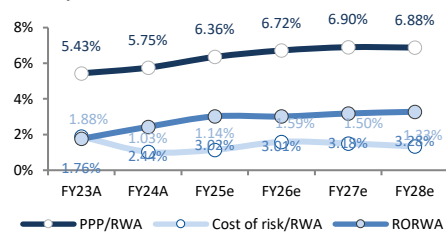
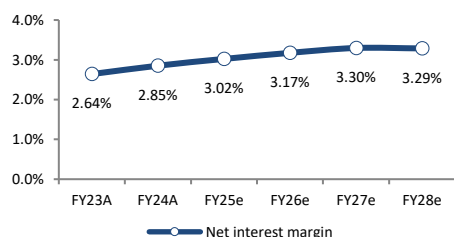
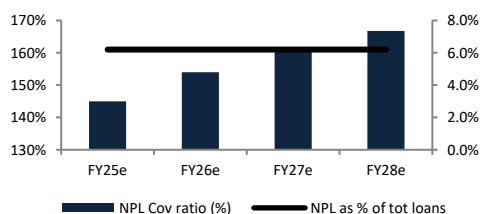
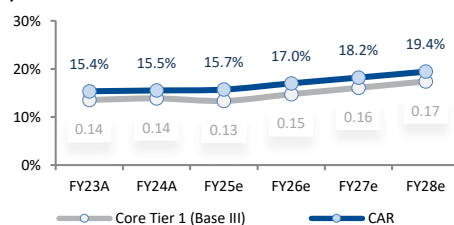
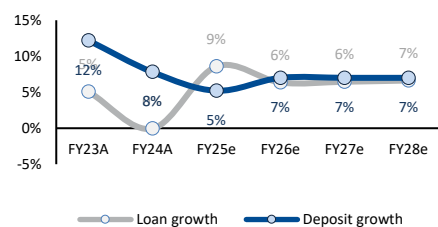
Last closing price	1.94
52 Week range	1.8-2.0
Market cap (JOD m)	510
Market cap (USD m)	720
Average Daily Traded Value (JOD m)	0.2
Average Daily Traded Value (USD m)	0.3
Free float (%)	57%

Year-end (local m)	2023	2024	2025e	2026e
Revenue	347	403	432	471
Pre-provisioning profit	212	247	281	316
EPS	0.26	0.40	0.51	0.54
P/E (x) (mkt price)	7.4	4.9	3.8	3.6
BVPS	2.5	2.8	3.1	3.5
Tangible BVPS	2.2	2.5	2.9	3.3
P/B (x) (mkt price)	0.8	0.7	0.6	0.6
P/TBVPS (x) (mkt price)	0.9	0.8	0.7	0.6
DPS	0.15	0.15	0.15	0.18
Div. yield (%)	7.7	7.7	7.7	9.3
EPPS	(0.06)	0.04	0.13	0.17
RoAA (%)	0.9	1.3	1.6	1.6
RoRWA (%)	1.8	2.4	3.0	3.0
RoATE (%)	12.0	16.8	18.8	17.3
RoEcc (%)	12.8	17.9	22.6	22.6
RAROC (%)	13.1	12.9	18.5	21.7
Net LtD ratio (%)	62.9	58.3	60.2	59.8
Risk Weighted Assets (bn)	3.9	4.3	4.4	4.7
Core Equity T1 ratio (%)	13.5	13.9	13.3	14.7
Tier 1 capital ratio (%)	12.4	13.3	14.9	16.3
Total capital ratio (%)	15.4	15.5	15.7	17.0
NPL ratio (%)	6.1	8.9	6.2	6.2
Coverage ratio (%)	102.4	79.4	144.9	154.0
Number of shares	263	263	263	263

Price Performance



Abacus Arqaam Capital Fundamental Data

Profitability

NIM

Credit Quality

Capital Ratios

Growth

CAPITAL BANK OF JORDAN

Year-end	2023	2024	2025e	2026e	2027e	2028e
Performance analysis						
Net Interest Margin (%)	2.64	2.85	3.02	3.17	3.30	3.29
Asset yield (%)	6.33	6.45	6.30	6.10	5.97	5.94
Cost of Funds (%)	4.17	4.15	3.83	3.41	3.14	3.14
Risk Adjusted Margins (%)	1.55	2.25	2.38	2.29	2.46	2.55
Cost / Income (%)	38.9	38.6	34.9	33.1	32.3	32.1
Net Interest Income / total income (%)	51.4	52.1	55.3	56.9	58.3	58.7
Fees & Commissions / operating income (%)	41.0	42.7	39.4	37.9	36.6	36.2
Trading gains / operating income (%)	0.5	0.3	0.5	0.5	0.4	0.5
RoATE (%)	12.0	16.8	18.8	17.3	17.3	16.8
Pre-prov. RoATE (%)	24.1	22.7	24.1	24.9	23.9	22.3
RoAA (%)	0.9	1.3	1.6	1.6	1.6	1.7
Revenue / RWA (%)	8.89	9.37	9.76	10.04	10.19	10.13
Costs / RWA (%)	3.46	3.62	3.40	3.32	3.29	3.25
PPP / RWA (%)	5.43	5.75	6.36	6.72	6.90	6.88
Cost of Risk / RWA (%)	1.88	1.03	1.14	1.59	1.50	1.33
RoRWA (%)	1.76	2.44	3.02	3.01	3.18	3.28
RoRWA (%) (adj. for gross-up of associates)	1.76	2.44	3.02	3.01	3.18	3.28
Year-end	2023	2024	2025e	2026e	2027e	2028e
Asset Quality						
Provisions charge / avg. gross loans (%)	2.0	1.2	1.3	1.8	1.7	1.5
Past due not impaired / gross loans (%)	5.3	6.2	6.6	6.9	7.4	7.8
NPL / gross loans (%)	6.1	8.9	6.2	6.2	6.2	6.2
NPL coverage ratio (%)	102.4	79.4	144.9	154.0	161.6	166.8
Provisions / avg. gross loans (%)	5.3	6.2	6.6	6.9	7.4	7.8
Provisions charge / operating income (%)	34.7	17.9	18.0	23.7	21.8	19.3
Year-end	2023	2024	2025e	2026e	2027e	2028e
Funding and Liquidity						
Net Loans / Deposits (%)	62.9	58.3	60.2	59.8	59.5	59.3
Cash and interbank / assets (%) ^[1]	17.6	20.9	19.8	20.3	20.7	21.1
Deposits / liabilities (%)	79.4	79.4	77.9	78.2	78.6	79.0
Year-end	2023	2024	2025e	2026e	2027e	2028e
Capital and leverage ratios						
Core Tier 1 ratio (Basel III) (%)	13.5	13.9	13.3	14.7	16.1	17.4
Tier 1 ratio (%)	12.4	13.3	14.9	16.3	17.5	18.7
Total capital ratio (%)	15.4	15.5	15.7	17.0	18.2	19.4
Tangible equity / assets (%)	9.6	10.1	9.9	10.3	10.7	11.1
RWA / assets (%)	51.4	52.2	50.2	49.8	49.8	49.7
Year-end	2023	2024	2025e	2026e	2027e	2028e
Growth						
Revenues (%)	64.7	16.1	7.3	9.1	8.7	6.1
Cost (%)	26.0	15.3	(3.1)	3.4	6.0	5.6
Pre-Provision Operating Profit Growth (%)	104.8	16.7	13.8	12.1	10.0	6.4
Provisions (%)	156.7	(39.8)	14.2	48.2	1.1	(5.6)
Net Profit (%)	17.3	50.2	17.1	4.2	12.9	9.8
Assets (%)	9.1	8.5	7.0	7.0	7.0	7.0
Loans (%)	5.1	(0.1)	8.6	6.3	6.5	6.6
Deposits (%)	12.2	7.8	5.2	7.0	7.0	7.0
Risk Weighted Assets (%)	(2.1)	10.2	3.1	6.0	7.1	6.8

Abacus Arqaam Capital Fundamental Data

Company Profile

The bank is a public shareholding company registered and incorporated in Jordan in 1995. The bank provides its banking services through its 34 branches located in Jordan along with its subsidiaries, The National Tier of Iraq in Iraq (33 branches), Capital Investments in Jordan and Dubai International Finance Center (DIFC), Capital Leasing in Jordan, National Iraqi Instalments (51% stake), and one branch in Riyadh through NBI.

With USD 11.6bn in assets, it ranks the fourth bank after Arab Bank (43b), Housing Bank (13.0 bn) and Bank al Etihad (12.2b), but ahead of Jordan Kuwait Bank (8.1bn).

In February 2022, Capital Bank Group bolstered its capital base with the issuance of a Tier 1 perpetual bond for USD 100m. The bond is the first issuance of its kind for a Jordanian bank in the local market and the first by a Jordanian Company to be listed in the region's international financial market – NASDAQ Dubai. Coupon Rate of 7%.

PIF is a strategic investor with a 24% stake, helping with the funding of the acquisition of Société Générale de Banque Jordanie.

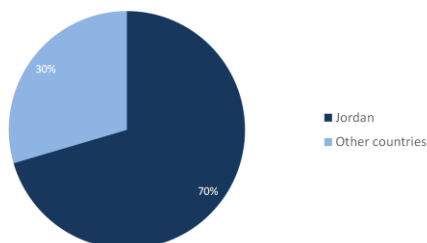
In 2023, Capital Bank expanded into leasing in Iraq and expand its leasing operations in Jordan.

CAPL has secured a Ba3 from Moody's with a stable outlook.

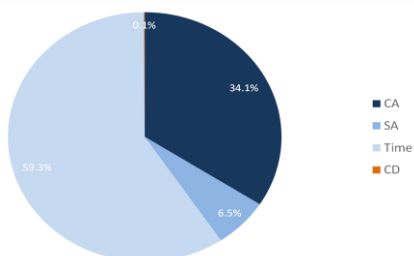
All Board of Directors are non-executive, and 4 out of the 13 are independent.

Capital Bank implements a regular Environmental & Social performance assessment through an E&S board-approved policy that is based on IFC standards

Geographical breakdown (Credit)



Deposit breakdown



Management

Chairman, Non-Executive: Bassem Al-Salem
 CEO: Tamer Ghazaleh

Major Shareholders

Saftey First Investment Company (PIF) 23.97%
 Saad Al Janaabi 7.20%
 Social Security 7.19%
 Sa'id Samih Darwazeh 5.39%

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Year-end	2023	2024	2025e	2026e	2027e	2028e
Income statement (JODmn)						
Interest income	427	475	499	516	541	577
Interest expense	249	265	260	248	242	258
Net Interest Income	178	210	239	268	299	319
Fee income	142	172	170	179	188	197
Net investment income	-	-	1	1	1	1
Other operating income	26	21	22	23	25	26
Total operating income	347	403	432	471	512	544
Total operating expenses	135	156	151	156	165	174
Pre-provision operating profit	212	247	281	316	347	369
Net provisions	73	44	51	75	76	71
Other provisions / impairment	11	17	2	3	3	3
Operating profit	127	186	229	238	269	295
Associates	-	-	-	-	-	-
Pre-tax profit	127	186	229	238	269	295
Taxation	21	25	41	43	48	53
Net profit	107	160	187	195	220	242
Minorities	35	52	51	51	57	63
ADT1 coupon	3	3	3	3	3	3
Attributable net profit	69	105	134	142	160	176
Diluted EPS	0.26	0.40	0.51	0.54	0.61	0.67
DPS	0.15	0.15	0.15	0.18	0.20	0.22
BVPS	2.50	2.75	3.11	3.47	3.88	4.33
Tangible BVPS	2.24	2.50	2.91	3.31	3.75	4.22

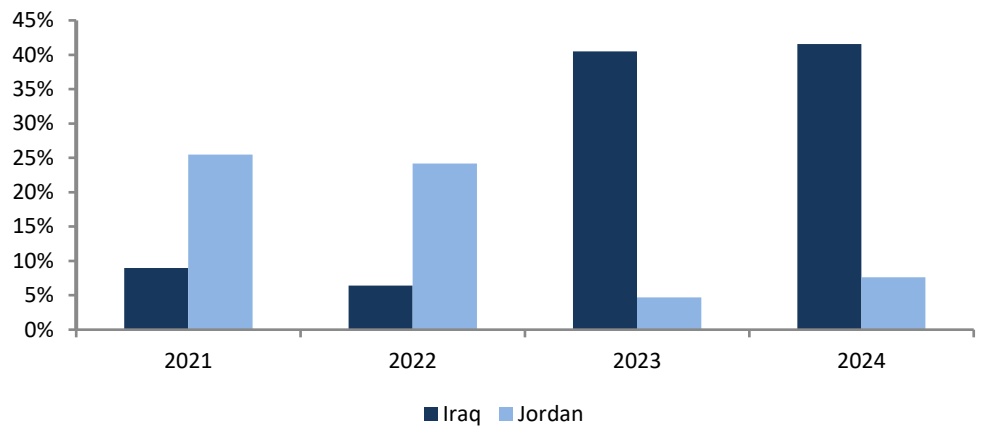
Year-end	2023	2024	2025e	2026e	2027e	2028e
Balance sheet (JODmn)						
Gross loans and advances	3,715	3,756	4,019	4,300	4,601	4,923
Less: loan loss provisions	284	327	296	340	386	429
Net loans and advances	3,431	3,429	3,723	3,959	4,215	4,494
Cash and central bank	1,319	1,654	1,431	1,575	1,723	1,873
Due from banks	165	222	639	684	732	783
Investment, net	2,197	2,420	2,418	2,587	2,768	2,962
Fixed assets, net	116	106	109	112	116	119
Other assets	296	340	441	472	505	540
Total assets	7,592	8,238	8,815	9,432	10,092	10,799
Customer deposits	5,453	5,879	6,185	6,618	7,081	7,577
Due to banks	146	153	324	346	363	377
Debt	601	515	515	515	515	515
Other liabilities	664	859	919	984	1,053	1,126
Total liabilities	6,864	7,406	7,943	8,462	9,011	9,595
Total equity	728	833	872	970	1,081	1,204
Risk Weighted Assets (bn)	4	4	4	5	5	5
Average Interest-Earning Assets	6,750	7,365	7,913	8,451	9,060	9,709
Average Interest-Bearing Liabilities	5,982	6,373	6,785	7,251	7,719	8,214
Common shareholders	590	657	765	870	986	1,111
Core Equity Tier 1 (Basel III)	528	596	591	692	808	935
Tier 1 capital	483	570	662	763	879	1,005

Jaap Meijer, MBA, CFA
 jaap.meijer@arqaamcapital.com
 +971 4 507 1744

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 jaap.meijer@arqaamcapital.com

Medium / Long Term Guidance – 2027:

- Total assets CAGR > 8%
- C/I < 40%
- CAR > 15%
- RoE > 16%
- DPO: 25-50%

Exhibit 1: RoE per country


Source: Arqaam Capital Research, Company Data

Exhibit 2: Capital Bank of Jordan Q1 25A review

JODm	Q1 25A	AC Q1 25e	vs. AC	Q4 24A	q/q 25	Q1 24A	Q4 23A	q/q 24	y/y Q1	y/y Q4
Interest Income	121	120	1.0%	118	2.8%	117	112	4.5%	3.4%	5.1%
Interest expense	62	66	(6.8%)	67	(8.1%)	65	62	4.9%	(4.4%)	9.1%
Net interest income	59	54	10.5%	51	17.3%	53	51	4.0%	13.0%	0.1%
Fee Income	41	48	(14.4%)	43	(5.8%)	52	46	11.2%	(20.7%)	(6.4%)
Net Trading Income	0	0	nm	0	nm	0	0	nm	nm	nm
Other Income	9	5	65.5%	7	29.7%	6	5	13.5%	61.1%	41.0%
Non-Interest income	50	54	(6.8%)	50	(0.9%)	57	51	11.4%	(12.8%)	(2.0%)
Total income	109	107	1.9%	101	8.2%	110	102	7.7%	(0.4%)	(0.9%)
Operating expenses	37	36	2.9%	39	(4.4%)	33	44	(24.7%)	12.5%	(11.4%)
Operating profit	72	71	1.3%	62	16.1%	77	58	32.1%	(6.0%)	7.0%
LLP	15	13	nm	-10	nm	16	30	(47.3%)	(8.0%)	(132.0%)
Group Net income	50	48	4.8%	50	(0.9%)	49	24	101.4%	1.7%	106.6%
Attributable NI	33	35	(5.5%)	37	(10.8%)	34	11	209.2%	(2.9%)	236.6%
Annualised NIMs	3.09%	2.77%		2.62%		2.91%	2.86%			
Cost/income	33.9%	33.6%		38.4%		30.0%	42.9%			
Loans to deposits	65.0%	63.9%		63.9%		70.6%	68.1%			
Annualized LLP	1.53%	1.31%		-1.03%		1.67%	3.24%			
Gross Loans	3,808	3,821	(0.4%)	3,756	1.4%	3,808	3,715		(0.0%)	1.1%
Net Loans	3,503	3,549	(1.3%)	3,429	2.1%	3,505	3,431		(0.1%)	(0.1%)
Customer deposits	5,861	5,982	(2.0%)	5,879	(0.3%)	5,391	5,453		8.7%	7.8%

Source: Company Data, Arqaam Capital Research

Exhibit 3: Earnings estimate changes

JDD m	FY 25e			FY 26e			FY 27e			FY 28e			FY 29e		
	New	Old	Δ	New	Old	Δ	New	Old	Δ	New	Old	Δ	New	Old	Δ
Net interest income	239	234	2.0%	268	263	1.9%	299	293	1.8%	319	313	1.8%	340	335	1.8%
Fee income	170	177	(3.9%)	179	186	(3.9%)	188	195	(3.9%)	197	205	(3.9%)	207	215	(3.9%)
Investment income	1	1	–	1	1	–	1	1	–	1	1	–	2	2	–
Non-interest income	193	200	(3.4%)	203	210	(3.4%)	214	221	(3.4%)	225	233	(3.4%)	237	245	(3.4%)
Total income	432	434	(0.5%)	471	474	(0.5%)	512	515	(0.5%)	544	546	(0.4%)	577	580	(0.4%)
Opex	151	146	2.9%	156	156	–	165	165	–	174	174	–	184	184	–
Operating income	281	288	(2.3%)	316	318	(0.7%)	347	349	(0.7%)	369	372	(0.6%)	393	395	(0.6%)
Loan loss provision	51	51	–	75	75	–	76	76	–	71	71	–	76	76	–
Other provision	2	2	–	3	3	–	3	3	–	3	3	–	3	3	–
Net income reported	137	141	(2.8%)	145	146	(1.0%)	163	165	(0.9%)	179	181	(0.8%)	190	192	(0.8%)
Net income adjusted	134	138	(2.8%)	142	143	(1.0%)	160	162	(0.9%)	176	178	(0.8%)	187	189	(0.8%)
Ratios															
NIM	3.02%	2.96%	0.06%	3.17%	3.12%	0.06%	3.30%	3.24%	0.06%	3.29%	3.23%	0.06%	3.27%	3.22%	0.06%
Cost/income	34.9%	33.7%	1.2%	33.1%	32.9%	0.2%	32.3%	32.1%	0.1%	32.1%	31.9%	0.1%	31.9%	31.8%	0.1%
LLP	1.30%	1.30%	0.00%	1.80%	1.80%	0.00%	1.70%	1.70%	0.00%	1.50%	1.50%	0.00%	1.50%	1.50%	0.00%
NPL	2.8%	2.8%	0.00%	2.8%	2.8%	0.00%	2.8%	2.8%	0.00%	2.8%	2.8%	0.00%	2.8%	2.8%	0.00%
Coverage	144.9%	144.9%	0.00%	154.0%	154.0%	0.00%	161.6%	161.6%	0.00%	166.8%	166.8%	0.00%	171.6%	171.6%	0.00%
Growth															
Assets	7%	7%	–	7%	7%	–	7%	7%	–	7%	7%	–	7%	7%	–
Loan	7%	7%	–	7%	7%	–	7%	7%	–	7%	7%	–	7%	7%	–
Deposit	5%	7%	(1.8%)	7%	7%	–	7%	7%	–	7%	7%	–	7%	7%	–
AED															
EPS	0.51	0.52	(2.8%)	0.54	0.54	(1.0%)	0.61	0.61	(0.9%)	0.67	0.67	(0.8%)	0.71	0.72	(0.8%)
TP	4.0	4.0	–												

Source: Company Data, Arqaam Capital Research

Exhibit 4: Capital Bank of Jordan EVA

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e	2029e	perp	subtotal	% of total	
1. DCF																		
Net profit	12	24	31	25	26	79	84	69	105	134	142	160	176	187	190			
Other adjustments (comprehensive income and GW amor)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–			
Minus: excess return excess capital	5	9	7	8	5	3	5	9	12	14	18	22	27	32	32			
Risk free rate	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%			
Tax shelter	40.4%	13.0%	18.8%	22.4%	20.3%	13.8%	6.3%	16.4%	13.7%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%			
Adjusted net profit	7	16	24	17	21	76	79	60	92	120	124	138	149	156	158			
Capital requirements	191	182	178	196	219	286	478	468	516	531	564	604	644	688	698			
RoEcC	3.8%	8.7%	13.3%	8.8%	9.6%	26.6%	16.6%	12.8%	17.9%	22.6%	21.9%	22.9%	23.2%	22.6%	22.6%			
Cost of capital	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%			
Capital charge	31	29	29	31	35	46	76	75	83	87	92	98	105	112	114			
Economic profit	(23)	(13)	(5)	(14)	(14)	30	3	(15)	10	33	32	40	44	43	44			
Discount factor	–	–	–	–	–	–	–	–	–	1.00	0.86	0.74	0.64	0.55	0.47			
NPV of Economic Profit	–	–	–	–	–	–	–	–	–	33	27	29	28	24	21			
DCF EVA Forecast period																142	13.5%	
Perpetual growth rate (nominal GDP)																2%		
Terminal Value																297		
Terminal value discounted																	140	13.3%
Required Capital																516	49.0%	
Value of the bank operations																797	75.8%	
2. Capital surplus/deficit																		
Available capital:																		
Shareholders equity	278	292	287	294	307	363	617	658	725	819	913	1,021	1,139	1,263				
Minorities	56	58	50	54	48	29	35	71	108	53	57	61	65	69				
Less Goodwill & intangibles	(6)	(6)	(11)	(3)	(22)	(31)	(58)	(68)	(68)	(54)	(43)	(35)	(28)	(22)				
Less non equity elements reported shareholders equity																		
Less Dividends (if included in reported equity)	(10)	(20)	(20)	–	(24)	(30)	(39)	(39)	(39)	(39)	(47)	(53)	(58)	(63)				
Tangible equity	319	324	306	344	310	332	555	621	725	778	879	994	1,118	1,247				
Capital needs																		
RWAs (Basel II)	1,590	1,514	1,486	1,630	1,826	2,385	3,984	3,901	4,298	4,429	4,697	5,030	5,370	5,734				
RWAs (Basel III)	1,590	1,514	1,486	1,630	1,826	2,385	3,984	3,901	4,298	4,429	4,697	5,030	5,370	5,734				
Equity as % RWA	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%				
Financial stakes	–	–	–	–	–	–	–	–	–	–	–	–	–	–				
Capital Requirements	191	182	178	196	219	286	478	468	516	531	564	604	644	688				
Surplus capital	128	142	128	149	91	46	77	153	210	247	315	390	474	559		210	19.9%	
3. Other adjustments																		
ADT1																	35	
Underprovisioning																	(30)	
Total adjustments																	5	0.5%
4. Dividends																		
Total Fair Value																	39	3.8%
Fully diluted number of shares																	263	100%
Fair value per share																	4.0	
Current share price																	1.9	
Upside																	110.4%	
Implied P/E (x)	64.3	32.8	25.9	31.9	30.8	10.1	10.7	15.3	10.0	7.9	7.4	6.6	6.0	5.6				
Implied P/NAV (x)	2.9	2.8	2.9	2.8	2.8	2.4	1.6	1.8	1.6	1.4	1.2	1.1	0.9	0.8				

Source: Company Data, Arqaam Capital Research

National Bank of Iraq (61.85% owned)

National Bank of Iraq (NBI) is one of the leading commercial banks in Iraq, offering various banking services. The Bank was established in 1995 and is headquartered in Baghdad, Iraq. NBI is publicly traded on the Iraq Stock Exchange (symbol: BNOI) and is ranked first amongst privately held banks in terms of total assets. Capital Bank of Jordan ('Capital Bank') owns a majority stake of c.62% in NBI. NBI provides innovative banking services through three main segments: personal, corporate, and SMEs. NBI also provides Brokerage Services, Leasing, Custody Services, and Investment Services (including trading in gold, foreign currency and oil). NBI has access to an extensive network of correspondent banks directly and through Capital Bank and solid relations with foreign and international development financial institutions such as Saudi Exim Bank, PROPARCO and the IFC.

Capital Investments (100% owned)

Headquartered in Jordan, with a wide-reaching presence across the Middle East, including offices in Dubai International Financial Center (DIFC), Capital Investments has been shaping and elevating the MENA region's financial services sector since its establishment in 2006. Capital Investments is a market leader in providing comprehensive investment banking services, from Asset Management and Brokerage to Corporate Financial Advisory, serving diverse local, regional, and international clientele and high-net-worth individuals.

Capital Leasing Co.(100% owned)

In a brief timeframe, Capital Leasing established itself in the market after its inception in 2017 and subsequent acquisition by Capital Bank of Jordan in 2022. The preference for leasing among customers in Jordan stems from its advantages, especially in real estate contracts, due to the benefits extended to lessors and lessees surpassing conventional bank mortgage loans. Lessors, usually real estate developers, benefit from tax exemptions when acquiring property through lease agreements, while lessees, the buyers, enjoy waived title deed transfer fees. Capital Leasing's portfolio has increased more than six times since its acquisition, with an anticipated opportunity for further growth due to the high demand for this specific lending approach. The portfolio has expanded to USD 74m.

Blink by Capital Bank – The All Digital Channel

Launched in February 2022, Blink targets customers within the consumer banking space in Jordan to elevate financial services through a seamless digital-only experience while supporting financial inclusion. Blink offers an entirely new and unique user interface and experience, positioning it as a challenger to the status quo and a disrupter reimagining how customers receive financial services. Blink focuses on simple and transparent ways of banking to foster financial literacy, educate customers, and empower them to get financial freedom. Blink offers end-to-end digital onboarding and eKYC, a full-fledged bank account with an IBAN, virtual and physical debit and credit cards facilitating online and offline payments with the ability to manage cards digitally, money transfers, contactless payment through Apple Pay and eVouchers. Blink has also partnered with players outside the financial services industry to bring lifestyle value-added services to its customers through promotions, discounts, cash back, etc. Blink is the first bank in Jordan to integrate with Royal Jordanian, allowing customers to book their flights directly from the Blink app.

ESG framework

During the second quarter of 2024, Capital Bank published its second sustainability report in line with the standards and guidelines of the Global Reporting Initiative (GRI) and the United Nations' Sustainable Development Goals 2030 (UNSDGs). The report outlines the Bank's approach to addressing the impact of its activities on the environment and society, highlighting the achievements and aspirations for sustainable development and growth. The report also highlights the Bank's approach to sustainability, which revolves around three pillars and is focused on twelve material topics: Pillar 1 – Environmental: Climate Action and Protecting the Environment: a. Climate Change and Decarbonisation b. Environmental Management c. Sustainable Lending and Investing. Pillar 2 – Social: Creating Value for Our People and Communities: a. Gender Equality and Workforce Development and Wellbeing b. Local Communities c. Financial Inclusion & Literacy d. SME Growth e. Customer Experience and Satisfaction. Pillar 3 – Governance: Implementing Robust and Responsible Corporate Governance: a. Data Security b. Innovation and Digitisation c. Incorporation of ESG Factors in Credit Analysis d. Compliance and Ethical Conduct

Jordan Macro highlights

Jordan established a track record of fiscal reform implementation and prudence (backed by the IMF), which will likely contribute to a further narrowing of its fiscal deficit and a decline in government debt over the next few years.

Real GDP grew by 2.4% in the 9M 2024 according to World Bank, supported by a strong rebound in manufacturing (up 4.3% in Q3, the highest since 2011) continued, though moderating contributions from the services sector. The CA deficit widened slightly to 5.6% of GDP due to weaker travel receipts, despite lower imports and stronger current transfers. Unemployment remained elevated at 21.5%. Inflation decelerated to 1.6 percent in 2024e from 2.1 percent in 2023, driven by tight monetary policy and favorable import prices.

Exhibit 5: Jordan's key stats – current account deficit slightly narrowing to 5.5% in FY25e with the fiscal deficit at -5.3%

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Real GDP Growth	1.9	1.8	-1.1	3.7	2.4	3.1	2.5	2.6	2.9	3.0	3.0	3.0	3.0
Total investment rate	19.8	18.8	18.7	19.7	18.5	18.6	20.5	19.6	18.9	33.4	32.8	33.2	34.5
Gross national savings rate	12.9	17.0	13.0	11.6	10.4	15.0	14.8	14.1	13.1	27.8	27.5	28.3	29.6
Inflation, average consumer prices	4.5	0.8	0.3	1.3	4.2	2.1	0.2	3.6	2.6	2.3	2.2	2.3	2.3
Volume of imports of goods and services	-1.4	2.1	-16.7	19.3	7.2	5.2	1.8	2.9	3.1	2.4	3.0	2.0	2.6
Volumes of exports of goods and services	0.7	12.0	-15.8	7.8	18.4	7.1	1.6	5.9	5.0	4.0	4.1	3.8	3.3
Unemployment rate	18.6	19.1	22.7	24.1	22.9	22.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
General government revenue	25.5	24.3	22.7	24.7	25.7	25.2	25.0	26.0	26.0	26.1	25.8	25.8	25.8
General government total expenditure	30.1	30.1	31.7	32.2	32.6	32.8	33.3	31.3	30.5	29.1	28.2	27.6	27.3
General government net lending/borrowing	-4.6	-5.8	-9.1	-7.5	-7.0	-7.6	-8.3	-5.3	-4.6	-3.0	-2.4	-1.8	-1.5
General government structural balance	-2.2	-3.6	-6.4	-4.9	-7.1	-6.8	-6.6	-6.9	-5.9	-4.2	-2.9	-2.3	-2.0
General government primary net lending/borrowing	-1.4	-2.3	-4.9	-3.2	-2.7	-3.0	-2.8	0.3	1.0	1.8	2.0	2.4	2.6
General government net debt	73.2	77.3	87.2	97.5	97.2	96.3	95.3	92.0	88.1	84.3	82.4	74.9	70.6
General government gross debt	74.3	78.0	88.0	98.2	97.9	97.0	95.9	92.6	88.6	84.8	82.9	80.3	77.7
Current account balance	-6.8	-1.7	-5.7	-8.0	-8.1	-3.6	-5.8	-5.5	-5.8	-5.6	-5.3	-5.0	-4.9

Source: International Monetary Fund, World Economic Outlook Database, April 2025

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