

CAPITAL BANK OF JORDAN

RoE already exceeds target in FY24; exposed value despite shallower rate cycle.

- CAPL already exceeded its RoE target of 16% in FY24, following strong earnings beat in Q4 and FY 24 mostly on stronger-than-expected recoveries.
- We forecast a sustainable RoE of > 15%, 1% behind its target, 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 4.7x vs a mid-cycle RoE of c.15% and FY26 target >16%, the highest RoE in Jordan. Despite domestic economic challenges, our TP of JOD 4.0 offers a significant upside.

CAPL exceeded the RoE target in FY24A (>16%) but should fall slightly this year. CAPL exceeded its RoE target of 16% in FY24, following a strong earnings beat in Q4, mostly on stronger-than-expected recoveries despite negative NII growth on margin compression and flat asset growth. We expect RoE to remain robust in FY25e (>16%) benefitting from i) some NIM expansion from lower average policy rates, with liabilities adjusting faster than assets, and ii) continued non-funded income growth (5-6% vs. 14.4% in FY24). However, we pencil in a 5Yrs EPS CAGR of 12%. In our financial model, negative NIM revisions are primarily offset by lower OpEx and lower CoR.

NIM should expand if rate cuts come through, given -ve 12 month ALM gap. NIM for the FY widened by 21bps y/y, despite the 22bps drop in Q4 on lower asset yields (-19bps). We factor in 11bps expansion in FY25e given the negative 12-month ALM gap of -22.9% (vs. -27.4% YE 23), with liabilities repricing faster than assets, though revised sharply downwards following the weak Q4 NIM and shallower rate cycle. CASA share remained stable y/y at 42%.

Mid-single-digit growth this year. We pencil in tepid BS growth of mid-single digits, below the company's target of >8%, with the country affected by sharply lower tourism, which affects economic growth (slowing to 2.4% in FY24e) and the current account balance (-5% in FY24e), with the government running a deficit of 7.6% this year, while unemployment hits 22%. The loan book contracted by 4% q/q, yet was still up 1% y/y, mainly driven by the retail (+17.8%) and public sector books (+8.5%), offsetting the contraction in the other segments: mortgages (-11.9%), corporates (-5.8%), and SMEs (-9.4%). Meanwhile, deposits rose by c.8% y/y, despite the -0.8% contraction q/q, as TDs and CA rose by 9.5% and 8.3%, respectively. The bank's deposit market share stood at 8.9% (~YE 23), while the loan market share slipped from 7.9% YE23 to 7.1%.

NPL formation dropped to -21bps in Q4 from 1% in Q3, with FY formation at 1.5% (vs. 1.2% in FY23), while CoR reached -1% and 1.2% (2% last year), respectively. Stage 2 share rose to 10.8% from 8.5% in Q3 and 9.9% a year earlier, while coverage dropped to 11.3% from 13.8% and 12.8%, respectively. Stage 3 share slightly declined to 9.6% from 10.1% in Q3, still ahead of 8.1% a year earlier, whilst coverage improved to 57% from 54.1% and 50.3%, 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.

LtD dropped to c.64% vs 68.1% YE 23; the bank is very liquid. The LCR and NSFR stood at 230.6% (c.219% YE 23) and 141.4% (136.2% YE22), respectively, and the LtD at 64% (68.1% YE 23). Tier 1 ratio rose to 14.9% from 14.2% YE 23 supported by robust RoE of 16.8%, despite c.10% rise in RWA (vs. asset growth of 8.5%) and DPO of 38%. Meanwhile, CAR stands at 15.5% vs. CBI 's requirement of 14.375%.

The stock's low valuation is unwarranted by RoE, EPS growth, and DY. It trades at an undemanding FY25e P/E of 4.8 x and FY25 P/tNAV of 0.7 x, with a DY of c.7-8% in FY25e. Our TP of JOD 4 offers a substantial upside.

BUY

JOD 4.0

Banks / JORDAN

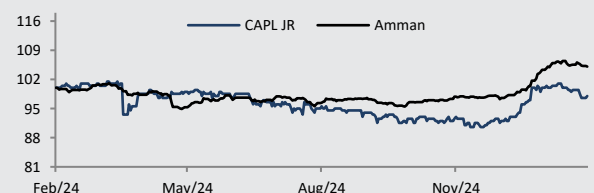
Bloomberg code	CAPL JR
Market index	Amman
Target Price	4.0
Upside (%)	102.6

Market data 3/16/2025

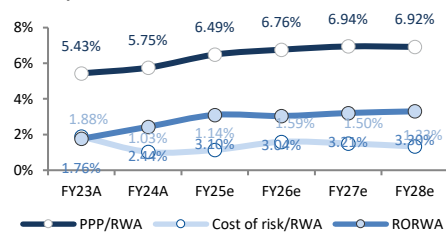
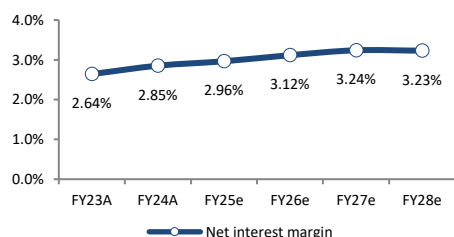
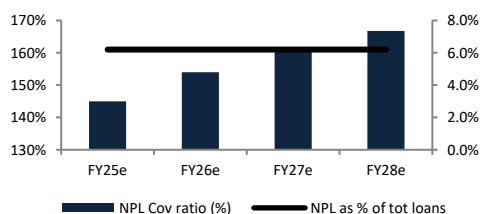
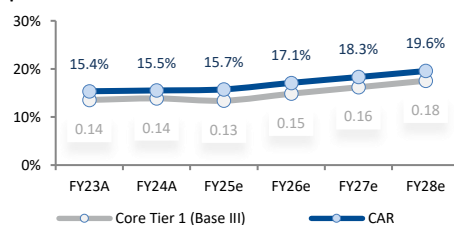
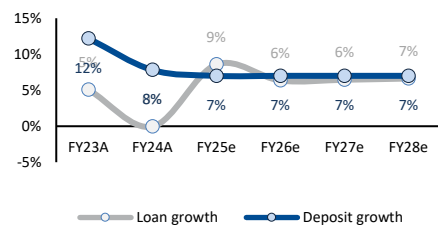
Last closing price	1.99
52 Week range	1.8-2.1
Market cap (JOD m)	523
Market cap (USD m)	738
Average Daily Traded Value (JOD m)	0.00
Average Daily Traded Value (USD m)	0.1
Free float (%)	46%

Year-end (local m)	2023	2024	2025e	2026e
Revenue	347	403	434	474
Pre-provisioning profit	212	247	288	318
EPS	0.26	0.40	0.52	0.54
P/E (x) (mkt price)	7.4	4.8	3.7	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 (%)	7.8	7.8	7.8	9.3
EPPS	(0.06)	0.04	0.14	0.17
RoAA (%)	0.9	1.3	1.6	1.6
RoRWA (%)	1.8	2.4	3.1	3.0
RoATE (%)	12.0	16.8	19.3	17.4
RoEcC (%)	12.8	17.9	23.2	22.7
RAROC (%)	13.1	12.9	19.1	21.8
Net LtD ratio (%)	62.9	58.3	59.2	58.8
Risk Weighted Assets (bn)	3.9	4.3	4.4	4.7
Core Equity T1 ratio (%)	13.5	13.9	13.4	14.8
Tier 1 capital ratio (%)	12.4	13.3	15.0	16.4
Total capital ratio (%)	15.4	15.5	15.7	17.1
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	2.96	3.12	3.24	3.23
Asset yield (%)	6.33	6.45	6.24	6.04	5.91	5.88
Cost of Funds (%)	4.17	4.15	3.83	3.41	3.14	3.14
Risk Adjusted Margins (%)	1.55	2.25	2.32	2.23	2.40	2.49
Cost / Income (%)	38.9	38.6	33.7	32.9	32.1	31.9
Net Interest Income / total income (%)	51.4	52.1	54.0	55.6	57.0	57.4
Fees & Commissions / operating income (%)	41.0	42.7	40.8	39.3	37.9	37.5
Trading gains / operating income (%)	0.5	0.3	0.5	0.5	0.4	0.4
RoATE (%)	12.0	16.8	19.3	17.4	17.3	16.8
Pre-prov. RoATE (%)	24.1	22.7	24.5	24.9	23.9	22.2
RoAA (%)	0.9	1.3	1.6	1.6	1.7	1.7
Revenue / RWA (%)	8.89	9.37	9.78	10.08	10.23	10.17
Costs / RWA (%)	3.46	3.62	3.30	3.32	3.28	3.25
PPP / RWA (%)	5.43	5.75	6.49	6.76	6.94	6.92
Cost of Risk / RWA (%)	1.88	1.03	1.14	1.59	1.50	1.33
RoRWA (%)	1.76	2.44	3.10	3.04	3.21	3.30
RoRWA (%) (adj. for gross-up of associates)	1.76	2.44	3.10	3.04	3.21	3.30
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	17.5	23.6	21.6	19.2
Year-end	2023	2024	2025e	2026e	2027e	2028e
Funding and Liquidity						
Net Loans / Deposits (%)	62.9	58.3	59.2	58.8	58.5	58.3
Cash and interbank / assets (%) ^[1]	17.6	20.9	21.1	21.5	22.0	22.4
Deposits / liabilities (%)	79.4	79.4	79.2	79.6	80.0	80.4
Year-end	2023	2024	2025e	2026e	2027e	2028e
Capital and leverage ratios						
Core Tier 1 ratio (Basel III) (%)	13.5	13.9	13.4	14.8	16.2	17.5
Tier 1 ratio (%)	12.4	13.3	15.0	16.4	17.6	18.9
Total capital ratio (%)	15.4	15.5	15.7	17.1	18.3	19.6
Tangible equity / assets (%)	9.6	10.1	9.9	10.3	10.8	11.2
RWA / assets (%)	51.4	52.2	50.4	49.8	49.9	49.8
Year-end	2023	2024	2025e	2026e	2027e	2028e
Growth						
Revenues (%)	64.7	16.1	7.8	9.0	8.7	6.1
Cost (%)	26.0	15.3	(5.9)	6.4	6.0	5.6
Pre-Provision Operating Profit Growth (%)	104.8	16.7	16.4	10.4	10.0	6.4
Provisions (%)	156.7	(39.8)	14.2	48.2	1.1	(5.6)
Net Profit (%)	17.3	50.2	20.4	2.3	12.8	9.7
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	7.0	7.0	7.0	7.0
Risk Weighted Assets (%)	(2.1)	10.2	3.3	5.9	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 33 branches located in Jordan along with its subsidiaries, The National Bank of Iraq in Iraq (32 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 11.7bn in assets, it ranks the third bank after Arab Bank (41.7b), Housing Bank (13.0 bn), but ahead of Bank al Etihad (11.3b) and 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.

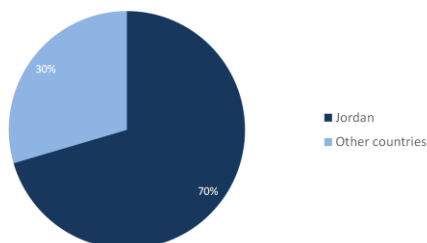
In 2023, Capital Bank expanded into leasing in Iraq and expand its leasing operations in Jordan.

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

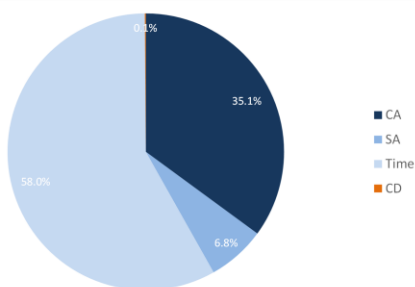
All Board of Directors are non-executive, and 4 out of the 13 are independent.

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

Public Investment Fund (PIF) 23.97%

CAPITAL BANK OF JORDAN

Year-end	2023	2024	2025e	2026e	2027e	2028e
Income statement (JODmn)						
Interest income	427	475	494	511	535	571
Interest expense	249	265	260	247	242	257
Net Interest Income	178	210	234	263	293	313
Fee income	142	172	177	186	195	205
Net investment income	-	-	1	1	1	1
Other operating income	26	21	22	23	25	26
Total operating income	347	403	434	474	515	546
Total operating expenses	135	156	146	156	165	174
Pre-provision operating profit	212	247	288	318	349	372
Net provisions	73	44	51	75	76	71
Other provisions / impairment	11	17	2	3	3	3
Operating profit	127	186	235	240	271	297
Associates	-	-	-	-	-	-
Pre-tax profit	127	186	235	240	271	297
Taxation	21	25	42	43	49	54
Net profit	107	160	193	197	222	244
Minorities	35	52	52	51	58	63
ADT1 coupon	-	-	3	3	3	3
Others	-	-	-	-	-	-
Attributable net profit	69	105	138	143	162	178
Diluted EPS	0.26	0.40	0.52	0.54	0.61	0.67
DPS	0.15	0.15	0.15	0.18	0.20	0.22
BVPS	2.50	2.75	3.13	3.49	3.91	4.36
Tangible BVPS	2.24	2.50	2.92	3.33	3.77	4.26

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	6,291	6,731	7,202	7,706
Due to banks	146	153	215	228	235	240
Debt	601	515	515	515	515	515
Other liabilities	664	859	919	984	1,053	1,126
Total liabilities	6,864	7,406	7,939	8,457	9,004	9,587
Total equity	728	833	876	975	1,088	1,212
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	6,783	7,247	7,713	8,206
Common shareholders	590	657	769	875	993	1,119
Core Equity Tier 1 (Basel III)	528	596	595	698	815	943
Tier 1 capital	483	570	666	769	885	1,014

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Medium / Long Term Guidance – 2027:

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

Exhibit 1: Capital Bank of Jordan Q4 24A review

JODm	Q4 24A	AC Q4 24e	vs. AC	Q3 24A	q/q 24	Q4 23A	Q3 23A	q/q 23	y/y Q4	y/y Q3	FY 24A	FY 24e	vs. AC	FY 23A	y/y FY
Interest Income	118	116	2.0%	122	(3.6%)	112	106	5.8%	5.1%	15.3%	475	472	0.5%	427	11.1%
Interest expense	67	59	14.6%	68	(0.6%)	62	64	(3.0%)	9.1%	5.6%	265	256	3.3%	249	6.2%
Net Interest Income	51	57	(11.0%)	55	(7.3%)	51	42	20.5%	0.1%	30.1%	210	216	(2.8%)	178	17.8%
Fee Income	43	41	6.8%	37	17.2%	46	46	0.3%	(6.4%)	(19.9%)	172	169	1.6%	142	20.9%
Net Trading Income	0	1	(100.0%)	0	nm	0	0	nm	nm	nm	0	1	(97.3%)	0	nm
Other Income	7	2	339.4%	4	79.4%	5	7	(26.2%)	41.0%	(42.0%)	203	15.6	34.0%	26.4	(21.1%)
Non-Interest Income	50	43	16.0%	41	23.1%	51	53	(2.9%)	(2.0%)	(2.7%)	193	186	3.7%	169	14.4%
Total Income	101	100	0.7%	96	5.7%	102	95	7.4%	(0.9%)	0.7%	403	402	0.2%	347	16.1%
Operating expenses	39	37	4.2%	38	1.7%	44	33	32.1%	(11.4%)	15.1%	156	154	1.0%	135	15.3%
Operating profit	62	63	(1.4%)	57	8.4%	58	62	(5.8%)	7.0%	(7.1%)	247	248	(0.4%)	212	16.7%
LLP	10	18	nm	17	nm	30	19	61.2%	nm	(11.3%)	44	72	(38.7%)	73	nm
Taxes	9	8	7.6%	0	nm	-2	9	(127.6%)	nm	(95.3%)	25	25	2.6%	21	21.9%
Group Net Income	50	37	37.3%	39	27.8%	24	32	(23.8%)	106.6%	23.2%	160	146	9.4%	107	50.2%
Attributable NI	37	28	29.4%	26	39.6%	11	19	(43.9%)	236.6%	35.3%	108	100	8.4%	72	50.2%
Annualised NIMs	2.62%	2.98%		2.84%		2.86%	2.39%				2.85%	2.98%		2.64%	
Cost/Income	38.4%	37.1%		39.9%		42.9%	34.9%				38.6%	38.3%		38.9%	
Loans to deposits	63.9%	66.5%		66.0%		68.1%	70.0%				65.9%	66.5%		66.1%	
Annualised LLP	-0.03%	1.84%		1.69%		3.24%	1.99%				1.18%	1.82%		1.98%	
Gross Loans	3,756	3,957	(5.1%)	3,914	(4.0%)	3,715	3,755		1.1%	4.2%	3,756	3,957	(5.1%)	3,715	1.1%
Net Loans	3,429	3,680	(6.8%)	3,569	(3.9%)	3,431	3,463		(0.1%)	3.1%	3,429	3,680	(6.8%)	3,431	(0.1%)
Customer deposits	5,879	5,950	(0.2%)	5,926	(0.8%)	5,453	5,366		7.8%	10.4%	5,879	5,950	(1.2%)	5,453	7.8%

Source: Company Data, Arqaam Capital Research

Exhibit 2: Earnings estimate changes

JOD m	New	FY 25e Old	Δ	New	FY 26e Old	Δ	New	FY 27e Old	Δ	New	FY 28e Old	Δ	New	FY 29e Old	Δ
Net Interest Income	234	244	(3.8%)	263	275	(4.1%)	293	302	(2.9%)	313	319	(1.7%)	335	335	(0.0%)
Fee Income	177	174	1.9%	186	183	1.6%	195	192	1.9%	205	202	1.3%	215	249	(13.5%)
Investment Income	1	1	6.3%	1	1	4.8%	1	1	6.8%	1	1	8.8%	2	1	10.9%
Non-Interest Income	200	191	4.4%	210	202	4.3%	221	211	4.7%	233	224	4.1%	245	234	4.6%
Total Income	434	435	(0.2%)	474	477	(0.6%)	515	514	0.2%	546	542	0.7%	580	569	1.9%
Opex	146	153	(4.5%)	156	163	(4.4%)	165	173	(4.3%)	174	182	(4.3%)	184	192	(4.2%)
Operating Income	288	282	2.2%	318	313	1.4%	349	341	2.5%	372	360	3.2%	395	376	5.0%
Loan loss provision	51	73	(30.8%)	75	77	(2.3%)	76	76	(0.5%)	71	70	1.4%	76	74	3.4%
Other provision	2	2	16.3%	3	2	18.5%	3	2	20.7%	3	2	23.0%	3	2	25.4%
Net Income reported	141	131	7.6%	146	150	(2.7%)	165	167	(1.7%)	181	184	(1.7%)	192	192	0.0%
Net Income adjusted	138	128	7.8%	143	147	(2.8%)	162	164	(1.7%)	178	181	(1.7%)	189	189	0.0%
Ratios															
NIM	2.96%	3.19%	-0.22%	3.12%	3.41%	-0.30%	3.24%	3.57%	-0.33%	3.23%	3.58%	-0.36%	3.22%	3.58%	-0.36%
Cost/Income	33.7%	37.9%	(4.2%)	32.9%	36.7%	(3.8%)	32.1%	35.9%	(3.8%)	31.9%	36.0%	(4.0%)	31.8%	36.2%	(4.4%)
LLP	1.30%	1.80%	-0.50%	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%	3.0%	-0.21%	2.8%	3.0%	-0.21%	2.8%	3.0%	-0.21%	2.8%	3.0%	-0.21%	2.8%	3.0%	-0.21%
Coverage	144.9%	146.5%	-1.54%	154.0%	157.6%	-3.53%	161.6%	167.2%	-5.57%	166.8%	174.4%	-7.63%	171.6%	181.3%	-9.69%
Growth															
Assets	7%	5%	2.0%	7%	5%	2.0%	7%	5%	2.0%	7%	5%	2.0%	7%	5%	2.0%
Loan	7%	5%	2.0%	7%	5%	2.0%	7%	5%	2.0%	7%	5%	2.0%	7%	5%	2.0%
Deposit	7%	5%	2.0%	7%	5%	2.0%	7%	5%	2.0%	7%	5%	2.0%	7%	5%	2.0%
AED															
EPS	0.52	0.49	7.8%	0.54	0.56	(2.8%)	0.61	0.62	(1.7%)	0.67	0.69	(1.7%)	0.72	0.72	0.0%
TP	4.0	4.0	-												

Source: Company Data, Arqaam Capital Research

Exhibit 3: 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	140	145	164	175	183	186		
Other adjustments (comprehensive income and GW amor)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
Minus: excess return excess capital	5	9	7	8	5	3	5	9	12	14	18	23	27	32	33		
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	126	127	141	147	151	153		
Capital requirements	191	182	178	196	219	286	478	468	516	534	565	605	645	687	698		
RoE/C	3.8%	8.7%	13.3%	8.8%	9.6%	26.6%	16.6%	12.8%	17.9%	23.5%	22.5%	23.3%	22.8%	22.0%	22.0%		
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	85	90	97	103	110	112		
Economic profit	(23)	(13)	(5)	(14)	(14)	30	3	(15)	10	40	36	44	44	41	42		
Discount factor	--	--	--	--	--	--	--	--	--	1.00	0.86	0.74	0.64	0.55	0.48		
NPV of Economic Profit	--	--	--	--	--	--	--	--	--	40	31	33	28	23	20		
DCF EVA Forecast period																156	14.6%
Perpetual growth rate (nominal GDP)																2%	
Terminal Value																286	
Terminal value discounted																136	12.8%
Required Capital																516	48.6%
Value of the bank operations																808	76.1%
2. Capital surplus/deficit																	
Available capital:																	
Shareholders equity	278	292	287	294	307	363	617	658	725	825	923	1,034	1,151	1,271			
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	784	889	1,007	1,130	1,255			
Capital needs																	
RWAs (Basel II)	1,590	1,514	1,486	1,630	1,826	2,385	3,984	3,901	4,298	4,446	4,706	5,039	5,373	5,729			
RWAs (Basel III)	1,590	1,514	1,486	1,630	1,826	2,385	3,984	3,901	4,298	4,446	4,706	5,039	5,373	5,729			
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%	12.0%		
Financial stakes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
Capital Requirements	191	182	178	196	219	286	478	468	516	534	565	605	645	687			
Surplus capital	128	142	128	149	91	46	77	153	210	251	324	403	485	567		210	19.7%
3. Other adjustments																	
ADT1																	35
Underprovisioning																	(30)
Total adjustments																	5
4. Dividends																	39
Total Fair Value																	1,062
Fully diluted number of shares																	263
Fair value per share																	4.0
Current share price																	1.9
Upside																	109.2%
Implied P/E (x)	64.9	33.2	26.1	32.2	31.1	10.2	10.8	15.5	10.1	7.6	7.3	6.5	6.1	5.8			
Implied P/NAV (x)	3.0	2.8	2.9	2.8	2.8	2.4	1.6	1.8	1.6	1.4	1.2	1.1	0.9	0.9			

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, PROPARGO 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 76m.

Blink – The All Digital Neobank

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 Background

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.

Jordan's annual inflation rate is projected at 2.4% for 2025. Pressure from housing prices and utilities, notably fuels and electricity, primarily affects the rate.

Exhibit 4: Jordan's key stats – current account deficit widening to 5.0% with the fiscal deficit at 7.6%

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Real GDP Growth	1.9	1.8	-1.1	3.7	2.4	2.6	2.4	2.9	3.0	3.0	3.0	3.0
Total investment rate	19.8	18.8	18.7	19.7	18.6	18.2	19.5	18.6	18.6	18.7	18.7	19.7
Gross national savings rate	12.9	17.0	13.0	11.6	10.7	14.8	14.6	14.6	14.7	14.8	14.5	15.7
Inflation, average consumer prices	4.5	0.8	0.3	1.3	4.2	2.1	2.1	2.4	2.5	2.5	2.5	2.5
Volume of imports of goods and services	-1.3	2.1	-16.8	19.3	7.3	4.1	1.8	3.0	3.1	3.2	3.1	3.1
Volume of exports of goods and services	0.7	12.0	-15.8	7.8	18.4	7.1	1.3	5.8	3.6	3.4	3.3	3.1
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
General government revenue	25.5	24.3	22.7	24.7	25.7	25.2	26.0	26.3	26.7	27.1	27.1	27.1
General government total expenditure	30.1	30.1	31.7	32.2	32.6	32.5	33.5	31.8	31.4	30.2	29.4	28.5
General government net lending/borrowing	-4.6	-5.8	-9.1	-7.5	-7.0	-7.2	-7.6	-5.5	-4.7	-3.2	-2.3	-1.4
General government structural balance	-2.2	-3.6	-6.4	-4.9	-7.1	-6.3	-6.7	-6.4	-5.8	-4.4	-3.6	-2.7
General government primary net lending/borrowing	-1.4	-2.3	-4.9	-3.2	-2.7	-2.5	-2.3	-0.1	0.9	1.6	2.2	2.9
General government net debt	73.2	77.3	87.2	92.6	92.4	92.2	91.0	88.6	85.4	83.2	81.4	73.7
General government gross debt	74.3	78.0	88.0	93.3	93.0	92.8	91.7	89.2	86.0	83.7	81.9	80.0
Current account balance	-6.8	-1.7	-5.7	-8.0	-7.8	-3.5	-5.0	-4.0	-3.9	-3.9	-4.2	-4.0

Source: International Monetary Fund, World Economic Outlook Database, October 2024

Iraqi economy highlights

Despite the growth in non-oil GDP, lower oil production coupled with foreign exchange (FX) market volatility (due to high controls embedded for Anti-Money Laundering and Combating the Financing of Terrorism on FX sales) resulted in real GDP contracting in 2023. In the context of a significant increase in government spending, non-oil GDP is expected to grow in 2024. This is anticipated to uphold robust growth and improve the overall real GDP.

Inflation remained elevated until 2022, fueled by rising energy prices, demand pressures, and high global commodity prices due to supply-side disruptions. The rate is forecasted at 4.4% for 2023 and is expected to drop to 3.2% in 2024.

In the past, record oil exports and high oil prices have brought in record oil revenues for the Iraqi government and pushed foreign reserves to their highest levels in more than two decades. Given the drop in oil production, foreign currency reserves will correlate with the oil GDP, which is expected to drop.

Exhibit 5: Iraq key stats

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Real GDP growth	2.6	5.6	-12.4	1.4	7.7	-2.9	0.1	4.1	5.2	4.2	4.2	4.2
Gross national savings rate	16.6	14.2	1.4	20.6	31.4	18.4	11.0	9.7	8.7	7.6	6.7	5.9
Inflation, average consumer prices	0.4	-0.2	0.6	6.0	5.0	4.4	3.2	3.5	3.5	3.0	3.0	3.0
General government revenue	38.8	35.5	29.1	36.0	42.0	42.9	43.4	39.8	38.3	36.9	35.7	34.7
General government total expenditure	31.1	34.7	41.9	36.3	33.9	44.2	48.4	47.9	47.2	46.6	45.9	45.1
General government net lending/borrowing	7.7	0.8	-12.8	-0.4	8.1	-1.2	-5.0	-8.2	-8.9	-9.8	-10.1	-10.4
General government primary net lending/borrowing	9.0	1.8	-11.6	0.1	8.6	-0.5	-4.0	-7.2	-7.7	-8.2	-8.3	-8.3
General government gross debt	47.1	43.4	76.5	57.6	40.0	44.5	45.9	52.2	57.2	63.0	68.6	74.1
Current account balance	3.7	-0.8	-15.4	6.5	15.4	4.5	-1.9	-3.4	-4.4	-5.3	-5.8	-6.4

Source: International Monetary Fund, World Economic Outlook Database, October 2024

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