SEMI-ANNUAL UPDATE

Capital Bank of Jordan

Recommendation – Overweight

Fair Value Estimated at JD 2.93 per share

BHM CAPITAL
بـي اتش ام كابيتـال

October 15th, 2024

Capital Bank of Jordan

Recommendation: Overweight
Target price JD 2.93 per share
Market price JD 1.84 per share

Financials

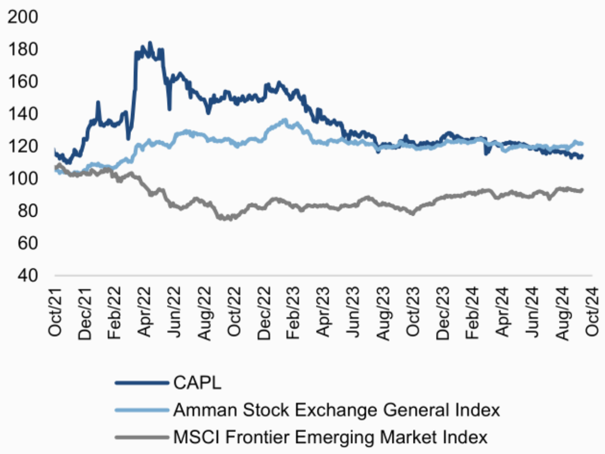
Bloomberg	CAPL JR
Reuters	CAPL AM
52-week High / Low (JD)	2.11 / 1.82
Market Cap (JD mn) *	481.4
Volume 6m Avg. (in '000 Shares)	41.6k
Free float	45.7%
EPS CAGR 23 -28F	18.9%
Dividend yield (2024F)	9.8%

*As of October 14th, 2024

YE: 31 Dec	2023	2024F	2025F	2026F
Op. income (JD mn)	346.9	397.7	464.9	507.0
% change YoY	64.7%	14.6%	16.9%	9.0%
Net income (JD mn) *	71.9	99.5	125.0	140.7
EPS (JD)*	0.27	0.38	0.48	0.53
P/BV (x)	0.74	0.67	0.61	0.55
ROE (%)	10.9%	13.8%	15.7%	15.9%
P/E (x)	6.74	4.86	3.87	3.44

*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 2.93 per share, indicating an upside of 59% to CMP. The target price has increased from JD 2.83 from our FY23 update report on the back of our expectation of bank being able to improve its LDR going forward and maintain margins. Since our last update, CAPL shares declined 7.1% and underperformed the broader benchmark Amman Stock Exchange General Index (+3.9%).

In H1 FY24 results, the bank reported growth of 8.6% YoY in the total assets. Net operating income increased by 37.5% YoY in H1FY24, however, total earnings increased by 8.1% YoY. CAPL reported CAR levels of 15.2% in H1 FY24 are well above regulatory requirement of ~14.4%.

Deposit base in H1 FY24 increased largely by CASA: CAPL reported growth in deposits at ~JD 5.8bn by 6.2% semi-annually in H1 FY24 and the bank also reported an increase in loans & advances by 2.9% semi-annually. At the peak of interest rate cycle, customers were slow to react to the high-cost time deposits as they grew by 2.5% semi-annually. On the contrary, CASA increased with a surge of 11.3% semi-annually, driving the total deposits.

- The deposits segmental constitution remained stable in H1 FY24 compared to H1 FY23 i.e., Corporate (37%), SMEs (4%), Retail (44%) and Government (15%).
- For loans and advances, the 2.9% semi-annual growth was mainly due to 13.2% semi-annual growth in loans and advances to the public sector and utilities segment. However, it was largely offset by slowdown in lending for manufacturing and financial sector with a decline of 4.0% and 2.5% semi-annually.
- The bank remains committed to long-term L&A growth, with a focus on sectors like infrastructure, healthcare, and renewable energy. The caution in H1 FY24 towards SMEs, real estate, and retail credit reflects a strategic approach to risk management, amid economic uncertainties.

We expect total assets growth at a CAGR of 12.5% over FY23-28F and credit and deposits to grow at a CAGR of 8.6% and 8.0%, respectively, over FY23-28F. The bank remains committed to growing its Capital Investments and Leasing businesses, though recent slowdowns are acknowledged following the geopolitical situation. The focus will be on recovering to previous growth momentum, once geopolitical scene stabilizes, through expanding product offerings and improving operational efficiencies to drive future growth.

With favourable operating environment at high interest rates, bank reported increased NII, resulting in growth in total operating income: NII increased by 12.9% semi-annually in H1 FY24 and NIMs expanded (+30bps semi-annually) as a result in H1 FY24. This strong growth in NII resulted in total operating income growth by 4.7% semi-annually, however, this was slowed down by net fees and commission income with a decline of 1.5% semi-annually. With the interest rate cycle reversal expected in H2 FY24, we expect banks to pass on the interest rate reversal to deposit rates. Similarly, the net spread between yield and cost of funds expanded in line with the NIM by 31bps semi-annually. There has been a significant progress in repricing assets, with most of the loan portfolio adjusted to reflect the increased funding costs. However, some legacy assets remain challenging to reprice. The management is targeting a slight improvement in NIMs by FY26, driven by a strategic shift towards higher-margin products and better cost management.

CAPL's cost efficiency has improved primarily due to the enhanced digitization and automation

Cost efficiencies in H1 FY24 improved compared to H2 FY23: CAPL is undergoing digital transformation constantly with a focus for sustainable growth through streamlining its operations. CAPL reported improved cost efficiencies in H1 FY24 with C/I ratio declining by 80bps semi-annually. This was a result of operating expenses increasing slower (+2.6% semi-annually) than total operating income (+4.7% semi-annually). Moreover, CAPL is noticing a consistent migration of clients towards the bank's digital channels such as the mobile app / business online platform and Smart POS aimed to expand into merchant network and 30+ other digital services for streamlining bank operations and increasing customer satisfaction. However, the bank anticipates some pressure on expenses due to inflation and regulatory requirements.

CAPL's asset quality deteriorated for the first half of FY24; however, the bank has a strong capital base with adequate emergency capital

Asset quality continued to deteriorate and increased annually and semi-annually: CAPL's asset quality worsened for two consecutive half years as the net NPL ratio (including suspended interest) increased to 6.6% (+47bps semi-annually) mainly due to the stress observed in the real estate and SME segments. The bank is actively managing the same through tightened credit assessments and enhanced recovery efforts. There is a continuous focus on monitoring/managing NPLs and the bank is increasing provisions as well as pursuing recoveries and recoveries, wherever feasible. Coverage ratio decreased (-1.0% point semi-annually) to 78.4% in H1 FY24. The real estate market is likely to continue grappling with high-interest rates and increasing property prices leading to high debt levels. Sales of new and existing homes have significantly slowed down, with a decline of around 25% YoY in demand. IMF highlights a decline in the expectation of real estate to 2.6% in FY24 than 2.8% in FY23. Given the scenario, CAPL reduced its lending exposure to real estate sector to ~7.7% in H1 FY24 from 8.4% in H2 FY23. CAPL has decreased its emergency capital as its capital adequacy ratio is 15.23% in H1 FY24, however, well above regulatory requirement of 14.38%.

CAPL reported a surge in net income during H1 FY24 on the back of higher NII, cost efficiencies and declining impairment charges

Net income increased in H1 FY24, due to strong operational income and improved cost efficiencies: H1 FY24 was upright for CAPL as the top line i.e., the NII led to higher operational income growth (+4.7% semi-annually). Total operating expenses increased slower than total operating income by 2.6% semi-annually and the bank also reported a substantial decline in impairment charges by 23.4% semi-annually, increasing the overall profitability. Net profit surged by 47.3% semi-annually to JD 44.8mn in H1 FY24. We expect earnings growth momentum to retrieve and management delivering on its long-term targets (total asset CAGR growth of 12.5% from FY 23-28, C/I ratio <40.0%, CAR >15.0%, RoE surpassing 15.0% and dividend pay-out in the range of 30-50% of earnings).

Key recent developments:

Ongoing digital improvements as CAPL improves website accessibility with ReadSpeaker

- In July 2024, CAPL introduced ReadSpeaker technology on its website to support individuals with visual impairments. This initiative aims to facilitate access to the bank's online services, enabling easier and more independent navigation and confident management of financial affairs. ReadSpeaker technology is accessible on computers, smartphones, and tablets, allowing users to listen to website content through a speaker icon on the page.

CAPL asserts a positive rating from third party agencies

- In May 2024, Moody's credit rating agency announced that it has upgraded CAPL's long-term credit rating from B1 to Ba3, less than a week after raising Jordan's long-term sovereign credit rating from B1 to Ba3 for the first time in 21 years. In addition, Moody's latest rating move included affirming CAPL's Baseline Credit Assessment (BCA) and Adjusted BCA ratings.

GuarantCo provides CAPL with a partial guarantee to grow the bank's climate adaptation and mitigation infrastructure portfolio

- In May 2024, GuarantCo, part of the Private Infrastructure Development Group (PIDG), has provided a portfolio guarantee of JD 24.8mn (USD 35mn) to CAPL, for a portfolio of JD 88.6mn (USD 125mn) and will enable the bank to grow its infrastructure portfolio, which is aligned with the PIDG 2023 – 2030 strategy focused on climate adaptation and mitigation transactions.

CAPL appoints Tamer Ghazaleh as the new CEO

- In April 2024, the Board of CAPL appointed Tamer Ghazaleh as the new CEO of the bank. He has over twenty-six years of experience in the banking sector. At CAPL, he has led financial strategy development particularly as a member of key committees such as the Group Investments Committee and IT Strategic Committee.

New features introduced in the Business Online Banking platform for institutional clients

- In April 2024, CAPL introduced an updated Business Online Banking platform for cash management and also added trade services to its portal. This platform is crafted for Institutional Banking customers facilitating the management and execution of their daily financial transactions such as internal, domestic, and international transfers, and processing company payrolls. Trade Services platform enables trade transactions related to letters of credit, bills of collections.

Introduction of Finastra's Trade Innovation and Corporate Channel Solutions

- 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.

CAPL upgrades Business ATM Deposit Card with withdrawal feature

- In January 2024, CAPL introduced 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 enables 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.

Financial Highlights – Semi-annual basis

Financial Results (JD '000)	H1 24	H2 23	H1 23	YoY	Semi-annual
Net Interest Income	104,658	92,672	85,604	22.3%	12.9%
Income from Commission and Fees	91,400	92,772	49,406	85.0%	-1.5%
Net Operating Income	206,198	196,970	149,936	37.5%	4.7%
Total Expenses	(78,889)	(76,925)	(58,345)	35.2%	2.6%
Net income*	44,786	30,410	41,443	8.1%	47.3%
Direct Credit Facilities, net amortized cost	3,529,456	3,431,014	3,532,434	-0.1%	2.9%
Total Assets	8,177,667	7,592,499	7,531,761	8.6%	7.7%
Customer Deposits	5,790,839	5,453,111	5,453,343	6.2%	6.2%
Total Equity	660,569	657,570	623,497	5.9%	0.5%
Capital Adequacy details (JD '000)	**H1 24**	**H2 23**	**H1 23**	**YoY**	**Semi-annual**
Risk Weighted Assets	4,243,898	3,901,342	4,051,597	649.0%	8.8%
Regulatory Capital	646,388	599,063	600,346	7.7%	7.9%
CET 1	531,389	531,389	566,573	-6.2%	0.0%
Tier 2 Capital	44,099	45,466	33,772	30.6%	-3.0%
Tier 1 Capital ratio	12.52%	13.62%	13.98%	-10.5%	-8.1%
Capital Adequacy Ratio	15.23%	15.36%	14.82%	2.8%	-0.8%
Ratios	**H1 24**	**H2 23**	**H1 23**	**YoY bps**	**Semi-annual (bps)**
Net Spread	4.1%	3.8%	3.4%	66	31
Cost-to-income	38.3%	39.1%	38.9%	(65)	(80)
ROA*	1.1%	0.8%	1.1%	(1)	33
ROE*	13.6%	9.2%	13.4%	23	410
Funding Cost	3.7%	3.8%	3.8%	(10)	(1)
Loan-to-Deposit ratio	60.9%	62.9%	64.8%	(383)	(197)
NIM	3.5%	3.2%	3.0%	52	30
NPL	6.6%	6.1%	5.4%	121	47

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

Key Positives: CAPL reported strong results due to a favourable operating environment. The NII increased by 12.9% semi-annually and as a result, the total operating income increased by 4.7% semi-annually. Net income improved for H1 FY24 with a surge of 47.3% semi-annually. This was supported by improving cost efficiencies with C/I ratio decreasing by 80bps semi-annually to 38.3%. NIM and net spread improved by 30bps and 31bps semi-annually, respectively. Bank has maintained its CAR at 15.23%, well above the regulatory requirement of 14.38%. Total loans and advances and total deposits increased by 2.9% and 6.2% semi-annually in H1 FY24.

Key Negatives: Net fees and commission income slowed down the operating income growth with a decline of 1.5% semi-annually in H1 FY24. LDR decreased by 2.0% points in H1 FY24 because of deposits growth outpacing loans and advances growth. However, deposit mobilization has been challenging, particularly in attracting the CASA deposits, due to current high-interest rate scenario. To cope up with the same, the bank is exploring alternative channels and products to stabilize the deposit base. CAPL would require maintaining credit outlay growth with favourable asset pricing as the interest rates are expected to cut down in H2 FY24.

Iraq operations: The client base of NBI reached to ~289k clients, increased 2 more branches reaching to 30 branches with ~1.2k employees in H1 FY24. The bank's product offerings include both direct and indirect financing and are introducing mobile banking services. NBI has USD 3.8bn in total assets and USD 1.1bn in net loans and advances. 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, PROPARCO (a development finance institution partly owned by the French Development Agency and private shareholders from the developed countries) and the IFC (International Finance Corporation). Total Assets increased by ~26.7% semi-annually and customer deposits increased by 18.2% semi-annually. NFSR is at ~138.0% and the LCR is at ~152.0% in H1 FY24.

Upside of 59% from CMP of JD 1.84 per share

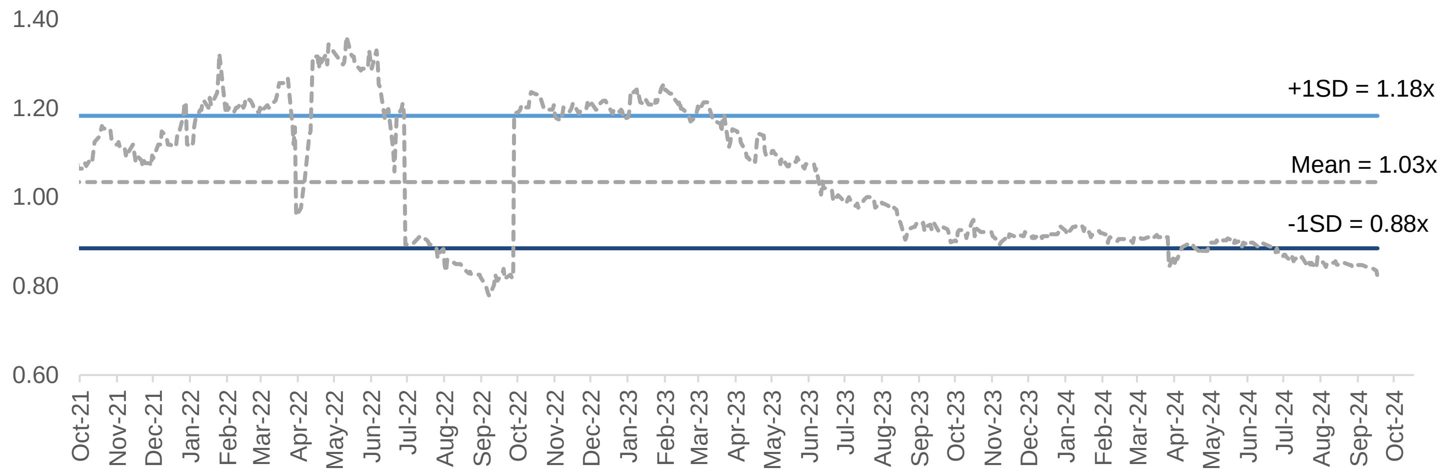
Valuation & Recommendation

CAPL has emerged as a geographically well-diversified bank with its expanded presence in Jordan and Iraq through its subsidiary and new acquisition of SGBJ. The bank is now well placed to take first mover advantage into the digital banking space with the launch of Jordan's first neobank – BLINK. 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 2.93 per share which translates to an upside of 59% from the last close of JD 1.84 per share. We expect the bank to continue growing the deposits by 8.0% 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 9.8% YTD and has underperformed Amman Stock Exchange General Index (+0.7%) YTD. However, we see an upside of 59% 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%	2.93
Justified PB	40.0%	2.99
Relative Valuation	20.0%	2.81
Target valuation		**2.93**
Current market price (JD)		1.84
Upside / (Downside)		59%

Source: BHM Capital Estimates

Residual income method yields a value of JD 2.93 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)	720,247	797,899	886,014	971,911	1,063,442	
Forecasted net profit (adjusted for one-offs)	**99,502**	**124,998**	**140,723**	**151,656**	**170,442**	
Capital charge	103,622	114,175	126,642	139,729	153,073	
Economic Value Added	(4,120)	10,823	14,081	11,927	17,369	147,201
NPV	**(3,839)**	**8,771**	**9,914**	**7,299**	**9,236**	**78,280**
Book value H1 FY24	**660,569**					
EVA flows 2024-2028	31,382					
Terminal value	78,280					
Target equity value	**770,231**					
Shares outstanding ('000)	263,037					
Target value per share (JD)	**2.93**					

Source: Company reports, BHM Capital Estimates

Cost of equity calculations (15.0%) considered the Jordan's risk-free rate as 7.0% 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)

		Terminal Growth Rate				
		0.9%	**1.9%**	**2.9%**	**3.9%**	**4.9%**
Cost of Equity	**13.0%**	3.56	3.63	3.71	3.81	3.94
	14.0%	3.19	3.24	3.28	3.34	3.41
	15.0%	2.88	2.90	**2.93**	2.96	2.99
	16.0%	2.61	2.62	2.63	2.64	2.65
	17.0%	2.37	2.37	2.37	2.36	2.36

Fair value estimated at JD 2.99 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 2.99 per share.

Justified PB valuation

Justified P/B	
ROAE (Sustainable)	16.1%
Cost of Equity	15.0%
Terminal growth rate	2.9%
Target P/BV	1.1
Book value per share 2024F	2.74
Value per share (JD)	**2.99**

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 705mn, 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 1.03x. Based on these estimates, the shares are valued at JD 2.81 per share.

Relative valuation

PB valuation	
Weighted average PB multiple	1.03x
Discount / Premium	-
Applied multiple	1.03x
Book value per share (JD)	2.74
Value per share (JD)	**2.81**

Source: BHM Capital Estimates

Peer table (as of October 2024)

Banks	Country	Market Cap (USD mn)	P/E(x)	P/B (x)	ROE (%)	ROA (%)	NPM (%)
Capital Bank of Jordan	Jordan	683	6.7	0.7	13.2%	1.0%	19.4%
Jordanian Peers							
Arab Bank PLC	Jordan	3,852	4.4	0.4	8.9%	1.4%	29.1%
Housing Bank for Trade and Finance	Jordan	1,463	7.5	0.8	10.9%	1.6%	31.2%
Jordan Islamic Bank	Jordan	1,152	13.1	1.5	11.5%	1.1%	35.2%
Bank of Jordan	Jordan	610	9.9	0.9	8.7%	1.5%	26.1%
Jordan Kuwait Bank	Jordan	597	7.3	0.7	11.9%	1.4%	21.4%
Bank Al Etihad	Jordan	502	8.1	0.6	8.6%	0.6%	17.6%
Cairo Amman Bank	Jordan	322	9.7	0.5	5.5%	0.6%	20.0%
Jordan Ahli Bank	Jordan	292	10.3	0.6	6.2%	0.6%	15.3%
Arab Jordan Investment Bank	Jordan	273	10.9	0.9	8.6%	0.8%	22.6%
Invest Bank Co	Jordan	207	5.7	0.7	12.7%	1.4%	28.0%
Weighted average* (Jordanian peers)			**7.3**	**0.7**	**9.6%**	**1.3%**	**27.9%**
Other MENA Peers							
National Bank of Ras Al-Khaima	UAE	2,903	5.4	1.0	19.6%	2.6%	40.5%
Al Ahli Bank of Kuwait	Kuwait	2,311	14.7	1.2	8.5%	0.8%	23.8%
Burgan Bank	Kuwait	2,263	18.1	0.8	4.9%	0.6%	19.0%
Sharjah Islamic Bank	UAE	1,991	8.8	1.1	14.9%	1.4%	47.7%
Al Salam Bank BSC	Bahrain	1,553	11.3	1.4	13.6%	0.9%	36.3%
Warba Bank KSCP	Kuwait	1,380	27.3	1.3	5.0%	0.4%	30.8%
Ajman Bank PJSC	UAE	1,312		1.7	-10.0%	-1.2%	-45.5%
Banque Intl Arabe De Tunisie	Tunisia	1,170	10.8	1.7	16.4%	1.5%	23.4%
National Bank of Oman SAOG	Oman	1,140	9.2	0.9	9.3%	1.3%	39.8%
Attijari Bank	Tunisia	739	10.0	2.0	21.2%	1.9%	31.2%
Bank Nizwa	Oman	616	12.9	0.9	7.1%	1.1%	30.8%
Credit Agricole Egypt	Egypt	521	3.7	1.5	47.2%	6.6%	51.7%
Weighted average* (Other MENA peers)			**11.4**	**1.2**	**11.5%**	**1.3%**	**27.4%**
Weighted average* (all peers)			**10.0**	**1.0**	**10.9%**	**1.3%**	**27.6%**

*Source: Bloomberg, *weighted average based on Market Cap*

Risks to Valuation

Heightened Geopolitical Risks: Geopolitical risks have increased on trade routes such as commercial vessels in the Red Sea and the direct hostilities in the MENA region. Jordan has preserved economic and political stability despite significant external shocks including social instability in the region, but these shocks have led to lower growth and significant government debt build-up. Prolonged or expanded conflicts, even if it does not involve Jordan directly, could weaken growth prospects and increase the challenges for debt reduction. We expect the lending in real estate and construction segments to remain subdued, but tourism is expected to recover as the geopolitical scenario improves.

Slower Growth: The macroeconomic outlook for Jordan and Iraq is mixed, with growth expected to be modest. According to Fitch report, Jordan's growth averaged 2.6% in FY23, but lower tourism inflows, weaker external trade performance and continued regional political uncertainty will slow growth to 2.3% in FY24. Improved global growth prospects, assuming some easing of geopolitical risks, will lift growth to 2.8% in FY25, still below the projected 3.4% growth for the 'BB' median.

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.

High Government Debt, Slow Decline: The general government debt (consolidating central government debt holdings of the Social Security Investment Fund (SSIF) and including the Water Authority of Jordan (WAJ) debt and NEPCO guaranteed debt) rose to 93.3% of GDP at end-FY23, from 92.9% in FY22. Debt is expected to decline to 91.3% by FY25, significantly above the projected 53.6% for the 'BB' median, balancing sustained primary surpluses against continued financial support to the water and electricity sectors. Central government debt (including SSIF holdings) rose to ~114.0% of GDP in FY23. Close to ~62.0% of external debt (not including domestically issued US dollar bonds) is to official creditors. General government interest payments rose to 10.8% of revenues in FY23, above the 9.6% estimate for the 'BB' median.

Annexures

Income Statement (JD mn)	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Interest Income	181	321	427	435	463	484	520	568
Interest Expense	(79)	(161)	(249)	(250)	(264)	(268)	(284)	(317)
Net Interest Income	**102**	**159**	**178**	**186**	**199**	**216**	**236**	**251**
Fees Income, net	25	36	142	181	233	255	261	290
Non-Interest Income	**11**	**16**	**26**	**31**	**34**	**36**	**39**	**43**
Total operating income	**138**	**211**	**347**	**398**	**465**	**507**	**536**	**584**
Total expenses	(72)	(107)	(135)	(147)	(170)	(185)	(196)	(214)
Pre-Provision Profit	**66**	**103**	**212**	**250**	**295**	**322**	**340**	**369**
Loan loss charges	(20)	(29)	(73)	(80)	(81)	(81)	(80)	(78)
Profit Before Tax	**71**	**97**	**127**	**170**	**214**	**240**	**259**	**291**
Income Taxes	(10)	(6)	(21)	(28)	(35)	(39)	(42)	(48)
Profit After Tax	**61**	**91**	**107**	**142**	**179**	**201**	**217**	**243**
Minority Interest	18	(4)	(35)	(43)	(54)	(60)	(65)	(73)
Net Income*	**79**	**87**	**72**	**100**	**125**	**141**	**152**	**170**
EPS (JD)*	0.39	0.33	0.27	0.38	0.48	0.53	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	1,830	2,202	2,847	3,392	4,085
Interbank lending	313	220	165	188	209	233	262	296
Investments	1,183	1,966	1,970	2,091	2,322	2,403	2,694	3,053
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	91	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**	**8,643**	**9,625**	**10,768**	**12,072**	**13,654**
Customer deposits	2,771	4,860	5,453	6,081	6,549	7,033	7,505	8,000
Margin Accounts	234	410	483	538	579	622	664	708
Interbank borrowing	381	149	146	163	175	188	201	214
Loans and borrowings	414	740	586	814	1,132	1,573	2,187	3,040
Other Liabilities	64	97	128	143	154	165	176	188
Total Liabilities	**3,919**	**6,305**	**6,864**	**7,809**	**8,660**	**9,654**	**10,808**	**12,225**
Share capital	200	263	263	263	263	263	263	263
Statutory Reserve / Others	57	202	209	219	232	246	261	278
Retained earnings	122	167	185	238	303	377	448	522
Others	(16)	(15)	(0)	(0)	(0)	(0)	(0)	(0)
Minority Interest	29	35	71	114	167	227	292	365
Total Equity	**392**	**653**	**728**	**834**	**965**	**1,113**	**1,264**	**1,429**
Total Equity & Liabilities	**4,311**	**6,958**	**7,592**	**8,643**	**9,625**	**10,768**	**12,072**	**13,654**
BVPS (JD)	1.82	2.35	2.50	2.74	3.03	3.37	3.69	4.04

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**	**170**	**214**	**240**	**259**	**291**
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**	**276**	**323**	**352**	**372**	**405**
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	(23)	(21)	(24)	(28)	(35)
Other assets	(2)	(46)	8	(41)	(47)	(63)	(72)	(83)
Customers' deposits	709	833	508	628	468	484	473	494
Margin accounts	14	87	63	56	41	43	42	44
Other liabilities	3	6	(19)	15	11	11	11	12
Cash from (used in) operating activities	289	488	395	558	402	416	374	375
Income tax paid	(7)	(14)	(14)	(28)	(35)	(39)	(42)	(48)
Cash flow from operating activities	**282**	**475**	**381**	**530**	**367**	**376**	**332**	**327**
Net Purchase of Property & Eqp.	(18)	(21)	6	(11)	(12)	(13)	(13)	(14)
Net Purchase of intangible assets	(10)	(33)	(18)	(19)	(22)	(26)	(30)	(36)
Net Purchase of financial assets at amortized cost	(391)	(1,162)	(2)	(111)	(221)	(70)	(278)	(342)
Net Sale of Financial Assets	-	-	-	-	-	-	-	-
Cash flow from investing activities	**(294)**	**(318)**	**22**	**(152)**	**(265)**	**(120)**	**(335)**	**(409)**
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	570	373	645	545	693

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%	6.8%	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%	3.0%	3.1%	3.1%	3.0%
Capital Adequacy (%)								
Tier 1 Ratio	13.2%	14.3%	13.5%	14.0%	13.8%	13.6%	13.6%	13.6%
CAR	14.9%	14.2%	14.3%	14.9%	14.6%	14.4%	14.4%	13.9%
Total RWA (JD mn)	2,385	3,984	3,901	4,062	4,524	5,061	5,734	6,486
Liquidity Ratios (%)								
Customer Deposits to Equity	7.6	7.9	8.3	8.4	8.2	7.9	7.7	7.5
Loans to Deposit	73.3%	67.2%	62.9%	62.6%	62.8%	63.0%	63.8%	64.8%
Loans/Assets	49.0%	46.9%	45.2%	44.1%	42.7%	41.2%	39.7%	38.0%
Income statement ratio %								
Fees Income/ Total Income	18.1%	16.9%	41.0%	45.6%	50.0%	50.2%	48.6%	49.7%
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

Disclaimer

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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