

QUARTER UPDATE

# Capital Bank of Jordan



Recommendation – Overweight

Fair Value Estimated at JD 2.60 per share

# Capital Bank of Jordan

Recommendation: Overweight  
 Target price JD 2.60 per share  
 Market price JD 2.21 per share

## Financials

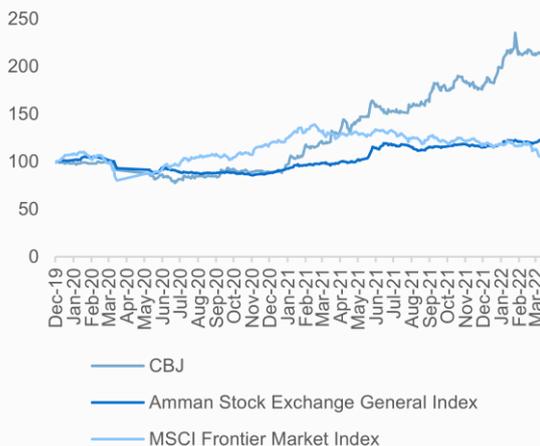
Bloomberg	CAPL JR
Reuters	CAPL AM
52 week High / Low (JD)	2.40 / 1.23
Market Cap (JD mn)*	442
Volume 6m Avg. (in '000 Shares)	114
Free float	18.3%
EPS CAGR 21 -26F	7.6%
Dividend yield (2022F)	8.1%

\*as of 14th March 2022

YE: 31 Dec	2021	2022F	2023F	2024F
Op. income (JD mn)	137.5	185.3	226.4	259.3
% change YoY	24.3%	34.8%	22.2%	14.6%
Net income (JD mn)*	48.0	53.5	72.6	88.6
EPS (JD)*	0.24	0.27	0.36	0.44
P/BV (x)	1.22	1.13	1.03	0.92
ROAE (%)	23.5%	14.3%	17.9%	19.8%
P/E (x)	5.6	8.1	6.0	4.9

\*excludes one-offs

### CBJ Stock Price Comparison



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We continue to remain Overweight on the shares of CAPL and raise our target price to JD2.60 per share (previously JD2.14 per share), indicating an upside of 17.5% to CMP. Since our initiation of coverage, CAPL shares have rallied 34.8% outperforming the broader benchmark Amman stock exchange (index gained +11.7%). 4Q FY21 results indicated strong balance sheet growth (+6.5% QoQ loan growth; +11.6% QoQ deposit growth), steady NIMs (3.3%) and asset quality (NPL at 6.7%; up 32 bps QoQ) and remain well capitalised with CAR at 14.9% level. We believe the bank's overall expansion strategy driven by acquisition of Bank Audi's operations and its intention to buy 100% stake in Societe Generale Bank Jordan (SGBJ) will further strengthen its market share in Jordan. CAPL continues to focus on its digitisation initiatives and is implementing artificial intelligence (AI) enabled data management platform which will improve the bank's overall operating efficiency.

**Strong deposit growth & improving CASA mix continued in 4Q FY21** – CAPL continued to see strong 11.6% QoQ (9.0% QoQ in 3Q FY21) deposit growth in 4Q FY21, driven by both CASA (+18.1% QoQ) and Time/Notice deposits (8.4% QoQ). Bank's total deposits reached JD2.8 bn in 4Q 2021, an increase of approximately JD288 mn. In addition, CASA ratio continued to increase in 4Q FY21 to 37.4% (vs.35.3% in 3Q FY21). CAPL's continued focus on enhancing CASA mix will help the bank to keep cost of funds under control. We expect customer deposits to grow at a CAGR of 11.1% in the next five years till 2026.

**Rising commission fee income supported 4Q FY21 income growth** - CAPL has reported 41.9% QoQ growth in commission and fees income in 4Q 2021. The growth was driven by increased volume and booking for both direct and indirect facilities.

**Asset quality remained under control** – Also, CAPL's asset quality has remained stable and under control throughout FY21 as the company's net NPL remained flat at 6.65% in 4Q FY21 led by improved economic conditions.

### Bank Audi's acquisition supported deposit and loan growth in FY21-

- CAPL reported 55.9% YoY loan growth in FY 21 to JD2.0bn driven by solid growth in Retail (+189.3% YoY) and Government & public sector lending segments (+98.3% YoY)
- Growth in corporate lending (+35.2% YoY) and SME (+26.3% YoY) segments also supported overall FY 21 loan growth.
- CAPL has also registered 65.5% YoY deposits growth in FY 21 to JD2.8 bn.
- Both loan and deposits growth were primarily driven by CAPL's acquisition of Bank Audi's assets in FY 21.
- We expect lending growth at a CAGR of 10.1% in the next five years till 2026 primarily driven by growth in retail lending and SME financing opportunities.

**Acquisition of Societe Generale Bank Jordan (SGBJ) business to strengthen competitive Position** - CAPL recently announced that it is in the process of acquiring 100% stake in SGBJ. The approval from Central Bank of Jordan is expected to be received by March 2022. SGBJ is a subsidiary of Societe Generale de Banque au Liban, which holds 87.7% in SGBJ (remaining stake held by Summerbank International / others). As of 31<sup>st</sup> December 2020, SGBJ operated 20 branches in Jordan which will help CAPL expand its presence in Jordan. Further, CAPL will have access to JD1.16 bn of customer deposits and JD755 mn of loan portfolio of SGBJ (compared to CAPL's customer deposits of JD 2.8 bn; loan portfolio of ~JD2.0 bn). We are awaiting further disclosures related to the transaction and the financial impact of the acquisition is currently not reflected into our forecasts.

Acquisition led expansion strategy to increase Bank's market share in Jordan.

(JD mn)	2019	2020	YoY %
Loans/ Direct Credit facilities	849	755	-11.1%
Deposits from Customers	1,351	1,163	-13.9%
<b>Total Assets</b>	<b>1,713</b>	<b>1,578</b>	-7.9%
Shareholders' Equity	134	168	25.6%
<b>Net Banking Income</b>	<b>34</b>	<b>34</b>	-1.4%
<b>Net Profit</b>	<b>10</b>	<b>6</b>	-37.2%
Number of Branches	19	20	5.3%

Source: Bank's Annual report, Bank's website

**Bond Issuance to fund acquisitions:** CAPL has recently announced that it will issue additional Tier – 1 perpetual bonds valued JD70 mn (\$100 mn) with an aim to fund the bank's acquisition and growth plans. The interest rate of the perpetual bonds will be 7%. The issuance will support the capital and the bank will be able to utilize 100% as additional tier (AT1). The decision to raise capital through was approved by bank's Board of Directors in extra-ordinary general held on December 23, 2021.

**Digital Transformation and key partnerships to enhance operational efficiency:** CAPL on 8<sup>th</sup> December 2021, has signed an agreement with Jordan Business system (JBS), an IBM technology partner to build a platform for data management, machine learning and artificial intelligence. As a part of the agreement, CAPL will be able to implement 'IBM Cloud Pak', an AI enabled system which will help them to simplify the data collection and analysis. Besides, the AI and machine learning will help also bank to understand consumer behaviour and predict their future actions and manage their relationship with banks throughout various stages. This will also help bank to reduce and manage risk efficiently, improve credit quality and credit approval process, prevent financial fraud and improve know-your-customer (KYC) procedures.

Continued focus on digitization initiatives to support future lending growth and improve operating efficiency

**Key recent developments:**

- National Bank of Iraq in FY21 has obtained approval from Saudi Council of Ministers to open a branch in Saudi Arabia. The branch will work to support trade relations between Saudi Arabia, Iraq and Jordan.
- CAPL continued to focus on digitization initiatives is expected to support lending growth alongside enhancing the overall operating efficiency.

## Financial Highlights – Quarterly basis

JD '000	Q4 21	Q3 21	Q4 20	YoY	QoQ
Net Interest Income	29,011	26,890	18,443	57.3%	7.9%
Income from Commission and Fees	7,155	5,041	6,523	9.7%	41.9%
Net Operating Income	39,087	35,382	35,378	10.5%	10.5%
Total Expenses	(25,089)	(18,096)	(13,667)	83.6%	38.6%
Net income adjusted for one-off	8,321	9,659	10,250	-18.8%	-13.9%
Direct Credit Facilities, net amortized cost	2,031,147	1,907,442	1,302,959	55.9%	6.5%
Total Assets	4,311,305	3,978,015	2,748,805	56.8%	8.4%
Customer Deposits	2,770,807	2,482,644	1,674,213	65.5%	11.6%
Total Equity	363,010	334,619	307,363	18.1%	8.5%

Capital Adequacy details (JD '000)	Q4 21	Q3 21	Q4 20	YoY	QoQ
Risk Weighted Assets	2,384,561	2,251,502	1,826,310	30.6%	5.9%
Regulatory Capital	354,650	352,136	297,848	19.1%	0.7%
CET 1	313,659	311,352	265,571	18.1%	0.7%
Tier 2 Capital	40,992	40,784	32,277	27.0%	0.5%
Tier 1 Capital ratio	13.15%	13.83%	14.54%	(138.8) (bps)	(67.5) (bps)
Capital Adequacy Ratio	14.87%	15.64%	16.31%	(143.6) (bps)	(76.7) (bps)

Ratios	Q4 21	Q3 21	Q4 20	YoY bps	QoQ bps
Net Spread	3.4%	3.4%	3.3%	11.1	6.5
Cost-to-income	64.2%	51.1%	38.6%	2555.7	1304.4
ROAA	2.8%	0.8%	1.2%	160.0	199.9
ROAE	33.8%	9.6%	11.2%	2258.4	2413.4
Funding Cost	2.3%	2.6%	2.6%	(32.3)	(30.9)
Loan-to-Deposit ratio	73.3%	76.8%	77.8%	(452.0)	(352.6)
NPL %	6.7%	6.3%	6.6%	7.3	32

**Key Positives:** Strong loan growth (6.5% QoQ); 7.9% QoQ Net interest income growth; Solid 41.9% QoQ growth in commission and fees income and expected improvement in cost to income ratio from present level of 52% to 43% in FY26 led by expected cost synergies from 2022 onwards.

**Key Negatives:** Sharp 38.6% QoQ increase in total expenses in 4Q 2021 due to one-off expenses.

### Iraq Operations Update:

- Total Assets grew 20.7% QoQ and 101.8% YoY to JD876 mn in 4Q FY21 (JD 726 mn in 3Q FY21 & JD 434 mn in 4Q FY20)
- Customer deposits increased 61.1% QoQ and 173.6% YoY to JD654 mn in 4Q FY21 (JD 406 mn in 3Q FY21 & JD 239 mn in 4Q FY20)
- Loans grew 20.7% QoQ and 172.7% YoY to JD 420 mn (JD 348 mn in 3Q FY21 & JD 154 mn in 4Q FY20)

## Valuation & Recommendation

We reiterate our Overweight recommendation on CAPL with a revised price target of JD 2.60 per share, which translates to an upside of 17.5%. We remain overweight as CAPL has delivered strong 4Q FY21 quarterly performance with 6.5% QoQ loan growth coupled with impressive 11.6% QoQ deposit growth. The bank should, in our view deliver strong earnings growth led by 15.2% YoY loan growth in FY21 and 17.0% YoY growth in deposits. We expect cost to income ratio to improve from present level of 52% to low 40's in FY26 driven by merger related synergies along with bank's focus on digitization which will help them to rationalize costs over the long term

The stock has rallied by 8.9% YTD, and has outperformed Amman Stock Exchange General Index (+4.9). The outperformance could be largely due to bank's successful completion of acquisition of Bank Audi's operations. Despite the recent run-up, the stock offers further upside potential considering the growth prospects stemming from its acquisition strategy coupled with expanding footprint in Jordan, increased SME focus and digitalization initiatives.

### 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%	2.69
Justified PB	40.0%	2.73
Relative Valuation	20.0%	2.14
<b>Target valuation</b>		<b>2.60</b>
Current market price (JD)		2.21
Upside/(Downside)		17.5%

Source: Mubasher estimates

### Residual income method yields a value of JD 2.69 per share

The valuation is based on the Bank's 5-year residual income. Beyond FY 2026F we have estimated the terminal value of the residual income, based on the terminal growth rate of 3.5%.

## Residual income valuation summary

Particulars (JD '000)	2021	2022F	2023F	2024F	2025F	2026F	Terminal
Forecast equity (adjusted for one-offs)	363,010	386,512	423,105	471,732	530,257	593,900	
Forecasted net profit (adjusted for one-offs)		<b>53,501</b>	<b>72,593</b>	<b>88,627</b>	<b>102,525</b>	<b>113,642</b>	
Capital charge (Average forecasted equity * COE)		56,926	61,490	67,963	76,101	85,380	
Economic value added		(3,425)	11,103	20,664	26,424	28,263	250,230
<b>NPV</b>		<b>(3,045)</b>	<b>8,571</b>	<b>13,858</b>	<b>15,368</b>	<b>14,269</b>	<b>126,337</b>
<b>Book value 2021</b>	<b>363,010</b>						
EVA flows 2022-2026	49,021						
Terminal value	126,337						
<b>Target equity value</b>	<b>538,368</b>						
Shares outstanding ('000)	200,000						
<b>Target value per share (JD)</b>	<b>2.69</b>						

Source: Company reports, Mubasher estimates

## Cost of equity calculations

Assumptions	
Risk free rate	6.5%
Beta	1.00
Risk premium	8.7%
<b>Cost of equity</b>	<b>15.2%</b>
Terminal growth rate	3.5%

Source: Bloomberg, Damodaran

Cost of equity calculations considered the yield of the 10-year Jordanian bond (6.5%), beta based on the daily price performance of the stock, vis-à-vis the Amman stock exchange index for the last two years. CAPL stock has rallied by more than 7.4% YTD, supported by the post-merger integration of Bank Audi's operations coupled with its focus on digital initiatives put this bank as a well-established incumbent in the Jordan banking sector.

Terminal growth rate is assumed at 3.5%, considering the average GDP growth rate for Jordan & Iraq over the next 5 years.

## Sensitivity analysis (JD per share)

Cost of Equity	Terminal Growth Rate					
	1.5%	2.5%	3.5%	4.5%	5.5%	
13.2%	3.18	3.27	3.39	3.54	3.72	
14.2%	2.86	2.93	3.01	3.10	3.22	
15.2%	2.59	2.63	<b>2.69</b>	2.75	2.83	
16.2%	2.35	2.39	2.42	2.47	2.52	
17.2%	2.15	2.17	2.20	2.22	2.25	

## Fair value estimated at JD2.73 per share based on a justified PB multiple of 1.29x

We forecast CAPL's sustainable RoAE to be 18.5% based on the 5-year average between FY2022F and FY2026F. Sustainable RoAE, CoE and terminal growth rate, contribute to a justified PB multiple of 1.29x. The justified PB multiple and FY 2022F book value per share of JD 2.12, lead to a fair value estimate of JD 2.73 per share.

## Justified PB valuation

Justified P/B	
ROAE (Sustainable)	18.5%
Cost of Equity	15.2%
Terminal growth rate	3.5%
Target P/BV	1.29
Book value 2022F	2.12
<b>Value per share (JD)</b>	<b>2.73</b>

Source: Company reports, Mubasher estimates

### Peer valuation yields a fair value of JD 2.14 per share

For relative valuation, we have considered MENA banks as a peer group for CAPL. Our fair value estimate is based on 2022 book value per share of JD2.12, target PB multiple of 1.01x. Based on these estimates the stock is valued at JD2.14 per share.

## Relative valuation

PB valuation	
Weighted average PB multiple	1.01x
Discount / Premium	0.0%
Target multiple	1.01x
Book value per share (JD)	2.12
<b>Value per share (JD)</b>	<b>2.14</b>

Source: Mubasher estimates

## Peer table (as of 14<sup>th</sup> March 2022)

Banks	Market Cap (USD mn)	P/E(x)	P/B (x)	ROE (%)	ROA (%)	NPM (%)
Capital bank of Jordan	623	5.5	1.2	23.5%	2.2%	33.8%
<b>Jordanian Peers</b>						
Arab Bank Plc	4,229	14.5	0.5	3.1%	0.5%	15.7%
The Housing Bank for Trade and Finance	1,657	11.1	1.0	9.4%	1.3%	29.7%
Jordan Islamic Bank	1,046	12.5	1.5	11.9%	1.2%	32.4%
Bank of Jordan	635	12.5	1.0	7.8%	1.3%	25.6%
Bank Al Etihad	399	9.5	0.7	7.3%	0.5%	12.7%
Cairo Amman Bank	378	8.2	0.7	8.7%	0.9%	21.6%
Arab Jordan Investment Bank	298	12.4	1.0	8.2%	0.8%	27.0%
Jordan Kuwait Bank	292	26.9	0.4	1.7%	0.3%	6.9%
Jordan Ahli Bank	286	14.3	0.6	4.4%	0.5%	12.7%
Safwa Islamic Bank	262	13.2	1.1	8.9%	0.7%	23.6%
Societe General De Banque	209	22.2	0.9	4.1%	0.4%	17.9%
Invest Bank Co	207	12.1	0.8	6.8%	1.0%	10.7%
Jordan Commercial Bank	151	15.1	0.7	4.9%	0.5%	15.8%
Arab Banking Corp of Jordan	141	10.5	0.6	5.9%	0.8%	21.4%
<b>Weighted average* (Jordanian peers)</b>		<b>13.5</b>	<b>0.8</b>	<b>6.2%</b>	<b>0.8%</b>	<b>20.6%</b>
<b>MENA Peers</b>						
Al Salam Bank Bahrain (Bahrain)	655	10.8	0.8	7.4%	0.9%	34.7%
Credit Agricole Egypt (Egypt)	581	5.7	1.1	20.2%	2.9%	37.5%
Bank Nizwa (Oman)	575	12.0	0.9	5.9%	0.9%	28.2%
Ajman Bank (UAE)	471	15.2	0.7	4.5%	0.5%	17.2%
Attijari Bank (Tunisia)	421	9.3	1.5	16.7%	1.4%	24.6%
Banque Tunisie (Tunisia)	418	11.2	1.3	10.7%	1.6%	24.4%
<b>Weighted average* (MENA peers)</b>		<b>10.6</b>	<b>1.0</b>	<b>10.8%</b>	<b>1.4%</b>	<b>28.6%</b>
<b>Weighted average* (all peers)</b>		<b>12.8</b>	<b>0.8</b>	<b>7.2%</b>	<b>0.9%</b>	<b>22.5%</b>

Source: Bloomberg, \*weighted average based on market cap

## Risks to Valuation

**Lower than expected economic recovery:** The post-pandemic recovery in Jordanian and Iraqi markets would play a key role in determining credit demand. High unemployment (particularly among youth at 48%), widening external imbalances, rising debt, low levels of investment, delayed ramp-up in vaccines, an outbreak of new waves of COVID-19 infections pose significant challenges to a robust recovery, credit growth, asset quality and our estimates for the bank.

Slower than expected economic recovery in Jordan and Iraq could limit the Bank's profitability and impact our estimates

**Delayed rate hikes from US Fed:** Jordan's central bank largely follows policy decisions taken by US Federal Reserve (Fed), as the currency is pegged to the USD. US Fed is expected to raise interest In FY 2022 based on the market sentiments, however, if the US Fed decides to postpone its rate hikes (beyond FY 2023), the bank might not be able to reprice its assets at higher rates. This would negatively impact the bank's profitability.

**Devaluation of Iraqi dinar:** In December 2020, the Central Bank of Iraq devalued the domestic currency by ~20% against the dollar. This had a negative impact on the bank's Iraqi assets, as JD is pegged to USD. However, the Bank implements timely hedging practices to mitigate the market risk arising out of Iraq.

**Geopolitical tensions in the region:** MENA region's geopolitical environment has remained vulnerable in the past. Persistent tensions in the bank's key markets like Iraq could be detrimental to NBI's credit growth and profitability. Also, recent geopolitical tensions between Russia and Ukraine could impact the overall food inflation in the MENA region. This could have a major impact on our fair value estimates.

## Annexures

Income Statement (JD mn)	2020	2021	2022F	2023F	2024F	2025F	2026F
Interest Income	130	181	239	293	341	387	428
Interest Expense	(61)	(79)	(98)	(117)	(138)	(158)	(181)
<b>Net Interest Income</b>	<b>69</b>	<b>102</b>	<b>141</b>	<b>176</b>	<b>204</b>	<b>229</b>	<b>248</b>
Fees Income	24	25	31	36	40	43	46
<b>Non-Interest Income</b>	<b>17</b>	<b>11</b>	<b>13</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>19</b>
<b>Total operating income</b>	<b>111</b>	<b>138</b>	<b>185</b>	<b>226</b>	<b>259</b>	<b>289</b>	<b>312</b>
Total expenses	(47)	(72)	(93)	(107)	(116)	(126)	(133)
<b>Pre Provision Profit</b>	<b>64</b>	<b>66</b>	<b>92</b>	<b>120</b>	<b>143</b>	<b>163</b>	<b>179</b>
Loan loss charges	(25)	(20)	(19)	(20)	(22)	(23)	(24)
<b>Profit Before Tax</b>	<b>38</b>	<b>71</b>	<b>73</b>	<b>99</b>	<b>121</b>	<b>140</b>	<b>155</b>
Income Taxes	(8)	(10)	(11)	(15)	(18)	(21)	(23)
<b>Profit After Tax</b>	<b>30</b>	<b>61</b>	<b>62</b>	<b>84</b>	<b>103</b>	<b>119</b>	<b>132</b>
Minority Interest	(4)	18	(9)	(12)	(14)	(17)	(18)
<b>Net Income</b>	<b>26</b>	<b>79</b>	<b>54</b>	<b>73</b>	<b>89</b>	<b>103</b>	<b>114</b>
EPS (JD)	0.13	0.39	0.27	0.36	0.44	0.51	0.57

Source: Company reports, Mubasher estimates

Balance Sheet (JD mn)	2020	2021	2022F	2023F	2024F	2025F	2026F
Cash & Cash Equivalent	296	426	608	675	713	823	1,014
Interbank lending	143	313	372	417	454	494	537
Investments	653	1,183	1,348	1,512	1,646	1,790	1,947
Net loans	1,415	2,114	2,439	2,733	3,002	3,238	3,426
Intangible assets	22	31	37	45	54	63	72
Fixed Assets	35	52	63	77	92	109	127
Other Assets	133	164	189	212	233	251	265
<b>Total Assets</b>	<b>2,749</b>	<b>4,311</b>	<b>5,084</b>	<b>5,698</b>	<b>6,221</b>	<b>6,793</b>	<b>7,413</b>
Customer deposits	1,674	2,771	3,243	3,641	3,964	4,314	4,692
Margin Accounts	152	234	355	398	434	472	514
Interbank borrowing	138	381	446	501	545	593	645
Loans and borrowings	330	414	485	544	593	645	702
Other Liabilities	51	64	75	84	92	100	109
<b>Total Liabilities</b>	<b>2,393</b>	<b>3,919</b>	<b>4,660</b>	<b>5,225</b>	<b>5,685</b>	<b>6,182</b>	<b>6,720</b>
Share capital	200	200	200	200	200	200	200
Statutory reserve	44	56	61	69	78	88	99
Retained earnings	78	122	140	169	209	257	310
Other	(13)	(16)	(16)	(16)	(16)	(16)	(16)
Minority Interest	48	29	38	50	64	81	99
<b>Total Equity</b>	<b>356</b>	<b>392</b>	<b>424</b>	<b>473</b>	<b>536</b>	<b>611</b>	<b>693</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,749</b>	<b>4,311</b>	<b>5,084</b>	<b>5,698</b>	<b>6,221</b>	<b>6,793</b>	<b>7,413</b>
BVPS (JD)	1.54	1.82	1.93	2.12	2.36	2.65	2.97

Source: Company reports, Mubasher estimates

<b>Cash Flow Statement (JD in Mn)</b>	<b>2020</b>	<b>2021</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<b>Profit before tax</b>	<b>38</b>	<b>71</b>	<b>73</b>	<b>99</b>	<b>121</b>	<b>140</b>	<b>155</b>
Depreciation and amortization	6	10	15	17	20	23	26
Impairment losses	25	20	19	20	22	23	24
Other income/expenses	(9)	(8)	-	-	1	1	1
<b>Net operating profit before changes in operating assets and liabilities</b>	<b>60</b>	<b>65</b>	<b>107</b>	<b>137</b>	<b>163</b>	<b>187</b>	<b>206</b>
Restricted balances at central banks	4	(19)	-	-	-	-	-
Direct credit facilities at amortized cost	(328)	(485)	(328)	(302)	(282)	(248)	(201)
Banks and financial institutions' deposits	(5)	5	(60)	(45)	(37)	(40)	(43)
Other assets	7	(2)	(25)	(23)	(21)	(18)	(14)
Customers' deposits	347	709	472	398	324	350	378
Margin accounts	(17)	14	121	44	35	38	41
Other liabilities	11	3	11	9	8	8	9
Cash from (used in) operating activities	77	289	348	260	225	314	416
Income tax paid	(10)	(7)	(11)	(15)	(18)	(21)	(23)
<b>Cash flow from operating activities</b>	<b>67</b>	<b>282</b>	<b>337</b>	<b>245</b>	<b>207</b>	<b>293</b>	<b>393</b>
Net Purchase of Property & Eqp.	(11)	(18)	(17)	(20)	(23)	(26)	(28)
Net Purchase of intangible assets	(10)	(10)	(14)	(17)	(20)	(22)	(24)
Net Purchase of financial assets at amortized cost	(55)	(391)	(128)	(136)	(111)	(120)	(129)
Net Sale of Financial Assets	-	-	-	-	-	-	-
<b>Cash flow from investing activities</b>	<b>(108)</b>	<b>(294)</b>	<b>(196)</b>	<b>(202)</b>	<b>(177)</b>	<b>(193)</b>	<b>(208)</b>
Proceeds from loans and borrowings	283	190	71	59	48	52	57
Repayment of loans and borrowings	(120)	(113)	-	-	-	-	-
Treasury Shares	(4)	5	-	-	-	-	-
Cash Dividends	-	(28)	(30)	(36)	(40)	(44)	(50)
<b>Cash flow from financing activities</b>	<b>159</b>	<b>53</b>	<b>41</b>	<b>23</b>	<b>8</b>	<b>8</b>	<b>7</b>
Net change in cash balances	118	41	182	67	39	109	191

Source: Company reports, Mubasher estimates

<b>Key Ratios</b>	<b>2020</b>	<b>2021</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<b>Asset Quality</b>							
NPL Ratio	6.6%	6.7%	6.6%	6.6%	6.6%	6.6%	6.6%
NPL Coverage	73.1%	82.9%	83.9%	85.9%	88.8%	92.6%	97.4%
Provisions/ Avg. Loans	2.7%	2.9%	2.9%	2.8%	2.7%	2.6%	2.5%
<b>Margins</b>							
Asset Yield	6.5%	6.2%	6.2%	6.7%	7.0%	7.3%	7.5%
Funding Cost	3.0%	2.6%	2.3%	2.4%	2.6%	2.7%	2.9%
NIM	3.4%	3.5%	3.6%	4.0%	4.2%	4.3%	4.3%
<b>Capital Adequacy (%)</b>							
Tier 1 Ratio	14.5%	13.2%	12.7%	12.9%	13.0%	13.2%	13.5%
CAR	16.3%	14.9%	14.2%	14.3%	14.4%	14.4%	14.6%
Total RWA (JD mn)	1,826	2,385	2,685	2,877	3,142	3,465	3,780
<b>Liquidity Ratios (%)</b>							
Customer Deposits to Equity	5.4	7.6	8.4	8.6	8.4	8.1	7.9
Loans to Deposit	77.8%	73.3%	72.2%	72.0%	72.7%	72.0%	70.0%
Loans/Assets	51.5%	49.0%	48.0%	48.0%	48.3%	47.7%	46.2%
<b>Income statement ratio %</b>							
Fees Income/ Total Income	22.1%	18.1%	16.7%	15.8%	15.3%	14.9%	14.8%
Cost to Income Ratio	42.3%	52.0%	50.4%	47.1%	44.8%	43.6%	42.7%

Source: Company reports, Mubasher 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

