

## CAPITAL BANK OF JORDAN

Lower rates to support the outlook on negative ALM position, offsetting softer B/S activity & higher CoR.

- We lift our NIM estimates by 13-23bps given the ALM position that allows the bank to benefit from lower rates on its USD FX book. F&C has also been robust thanks to corporate finance. However, we pencil in softer balance sheet growth (due to lower domestic growth), higher CoR, and a higher share of minorities, driving a double-digit downward revision to our EPS projections.
- Tier 1 and CAR improved in FY 23 by 1.3ppt y/y and 1.7ppt respectively, helped by lower risk-weighted intensity and capital generation (despite a robust DY of 7.7%). Provision buffers notably improved, despite a pickup in NPLs in Q4.
- We expect the RoE to increase to 15.7% in FY24e and 17.7% by FY 25e from 12% in FY23 (vs. 12.5% FY 23A and 16.5-18.4% FY24-25e before coupons) on higher NIMs, neutral JAWs, in line with its LT target of > 16%, with further expansion ahead on wider NIMs as rates drop further.
- The stock remains compelling at 0.9x BV and P/E 24e of 5.3x vs. a mid-cycle RoE of c17.7% and FY26 target > 16%. Our TP of JOD 4.0 offers a significant upside.

**Q4 EPS misses ACe on higher CoR despite strong NIM, but we expect the bank to benefit from lower rates in FY24e given the negative 12-month ALM gap of 29.8% of assets (mainly on USD assets).** We raised our revenue FY24-25e estimates by 0.3-3% on the back of higher NIM forecasts (+13bps) and higher non-funded income (+5%), mainly aided by strong fees from corporate finance. It is particularly geared to lower policy rates on its USD assets. The uplift is negated by softer BS activity, higher CoR, and a higher share of minorities. We forecast 6% balance sheet growth, a cumulative NIM expansion of 48bps over FY24-26e, positive JAWs as of FY25e, but raise our CoR assumptions by 10-30bps for FY 24-27e. As a result, we reduce our EPS forecasts by 6-10%. This translates into a RoE of 15.7% (net of ADT1 coupons) in FY24e, 17.7% in FY25e, and 19% in FY26e.

**Q4 net profit slipped by 1.1% y/y on a higher share of minorities and a 34% y/y jump in credit charges, missing estimates.** Group EPS expanded by 39% y/y in FY 23A but was below our estimates on higher-than-expected OpEx growth on higher business volumes, and CoR on higher NPL formation. Operating profit rose by 77% y/y, driven by topline growth and improved efficiency. Revenues advanced by 47% y/y (+2.1% vs ACe) on the back of i) higher non-NII (+1.7x y/y) as the BS activity bolsters F&C (+2x y/y) and other income (+56% y/y). Conversely, NIM compressed by 23bps y/y due to the negative 12-month ALM gap (more liabilities repricing than assets) but expanded by 47bps sequentially to 2.86% during Q4. The C/I improved to 38.9% during FY 23A (vs. 49.3% FY 22A), in line with the FY26e target of < 40%. Still, attributable net profit in Q4 missed ACe by 55.7% due to higher-than-expected loan loss charges of JOD 30m (+93% vs. ACe), and higher OpEx growth (+29.4% vs. ACe).

**NIM expands by 48bps sequentially but remains lower than a year ago due to a negative ALM gap, but we expect this to reverse when rate cuts come through.** We pencil in 13bps NIM expansion in FY24e and 28bps for FY25e. NIM contracted by 31bps y/y as CoF outpaced asset yields by 36bps y/y. Only 21% of assets repriced within 12 months vs. 57% for its liabilities, largely explaining the NIM compression this year, supporting NIM expansion when rates move lower.

**Loan market share slips YtD in Jordan as credit book contracted unexpectedly in Q4.** The loan book contracted by 1.2% sequentially but remains 5.8% higher than a year ago, driven by retail (+22% y/y) and contributing 87% of total book expansion, and GRE loans (+52% y/y), despite a contraction in large corporate book (-5% y/y). Corporate loans make up 45% of the loan book (vs. 50% YE 22), and the share of retail credit expanded to 27% (vs. 23% YE 22). The deposit growth was 12% y/y (+1.6% q/q), mainly driven by current accounts (+74% y/y), while time deposits contracted by 8.2% over the same period. The share of non-interest-bearing deposits increased to 36% vs. 17% as of YE 22, in line with its funding strategy. Corporate deposits increased to 36.9% of the total vs. 33.7% YE 22, while retail share dropped to 44% from 47%. Time deposits plunged to 58% from 71% in Q4 22 (vs 61% in Q3 23), as the CASA share mix expanded to 42% vs 29% in Q4 22A (vs 39% in Q3 23). Deposit growth outpaced loans y/y by 6.4%pts, reducing the LtD ratio to 68% vs. 72% YE 22. The bank's deposit market share slipped to 8.8% in Nov-23 vs 9.8% YE22 while the loan market share fell by 30bps to 8.1% (vs. 8.4% at YE 22).

BUY

JOD 4.0

### Banks / JORDAN

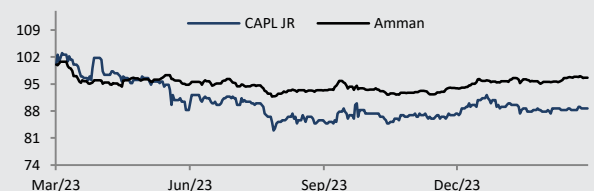
Bloomberg code	CAPL JR
Market index	Amman
Target Price	4.0
Upside (%)	97.8

### Market data 3/24/2024

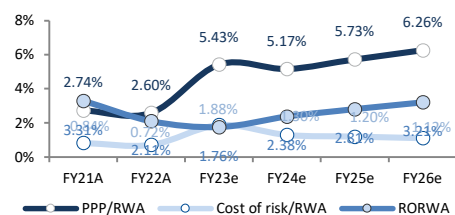
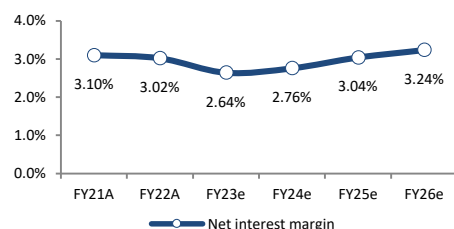
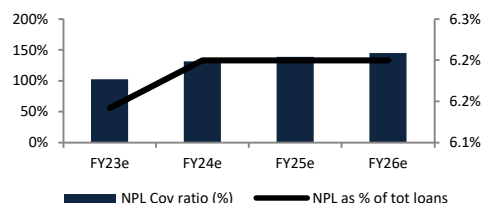
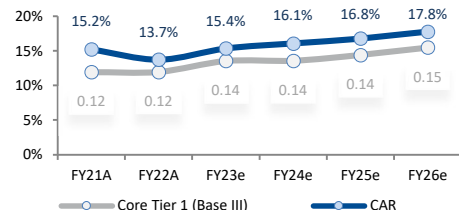
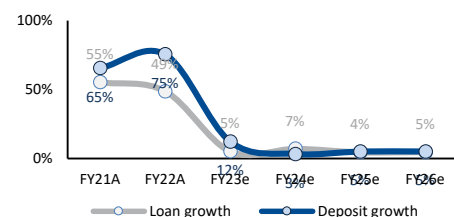
Last closing price	2.0
52 Week range	1.9-2.4
Market cap (JOD m)	537
Market cap (USD m)	755
Average Daily Traded Value (JOD m)	0.00
Average Daily Traded Value (USD m)	0.09
Free float (%)	46%

Year-end (local m)	2021	2022	2023	2024e
Revenue	138	211	347	356
Pre-provisioning profit	65	103	212	213
EPS	0.39	0.37	0.26	0.37
P/E (x) (mkt price)	5.0	5.3	7.6	5.3
BVPS	1.8	2.7	2.5	2.7
Tangible BVPS	1.7	2.5	2.2	2.5
P/B (x) (mkt price)	1.1	0.7	0.8	0.7
P/TBVPS (x) (mkt price)	1.2	0.8	0.9	0.8
DPS	0.15	0.17	0.15	0.18
Div. yield (%)	7.6	8.8	7.6	9.1
EPPS	0.12	0.01	(0.06)	0.03
RoAA (%)	2.2	1.5	0.9	1.3
RoRWA (%)	3.3	2.1	1.8	2.4
RoATE (%)	25.5	18.9	12.0	15.7
RoEcC (%)	26.6	16.6	12.7	17.8
RAROC (%)	20.9	10.6	13.1	13.3
Net LtD ratio (%)	79.3	67.2	62.9	65.3
Risk Weighted Assets (bn)	2.4	4.0	3.9	4.1
Core Equity T1 ratio (%)	11.9	12.0	13.5	13.6
Tier 1 capital ratio (%)	13.2	12.9	14.2	15.3
Total capital ratio (%)	15.2	13.7	15.4	16.1
NPL ratio (%) - Gross	6.5	6.2	6.1	6.2
Coverage ratio (%)	82.1	88.9	102.4	131.2
Number of shares	200	226	263	263

### Price Performance



**Abacus** Arqaam Capital Fundamental Data

**Profitability**

**NIM**

**Credit Quality**

**Capital Ratios**

**Growth**

**CAPITAL BANK OF JORDAN**

Year-end	2021	2022	2023	2024e	2025e	2026e
<b>Performance analysis</b>						
Net Interest Margin (%)	3.10	3.02	2.64	2.76	3.04	3.24
Asset yield (%)	5.49	6.09	6.33	6.25	6.04	5.91
Cost of Funds (%)	2.73	3.45	4.17	3.96	3.39	3.04
Risk Adjusted Margins (%)	2.49	2.48	1.55	2.02	2.35	2.60
Cost / Income (%)	52.5	50.9	38.9	40.3	38.0	36.3
Net Interest Income / total income (%)	74.2	75.6	51.4	56.2	57.4	57.8
Fees & Commissions / operating income (%)	18.1	16.9	41.0	39.2	38.0	37.6
Trading gains / operating income (%)	0.3	(0.3)	0.5	0.5	0.5	0.5
RoATE (%)	25.5	18.9	12.0	15.7	17.7	19.0
Pre-prov. RoATE (%)	29.7	20.2	24.1	23.1	24.0	24.3
RoAA (%)	2.2	1.5	0.9	1.3	1.5	1.7
Revenue / RWA (%)	5.77	5.28	8.89	8.65	9.25	9.83
Costs / RWA (%)	3.03	2.69	3.46	3.48	3.52	3.57
PPP / RWA (%)	2.74	2.60	5.43	5.17	5.73	6.26
Cost of Risk / RWA (%)	0.84	0.72	1.88	1.30	1.20	1.12
RoRWA (%)	3.31	2.11	1.76	2.38	2.81	3.21
RoRWA (%) (adj. for gross-up of associates)	3.31	2.11	1.76	2.38	2.81	3.21
Year-end	2021	2022	2023	2024e	2025e	2026e
<b>Asset Quality</b>						
Provisions charge / avg. gross loans (%)	1.1	1.0	2.0	1.4	1.3	1.2
Past due not impaired / gross loans (%)	3.0	3.4	5.3	5.9	6.5	6.9
NPL / gross loans (%)	6.5	6.2	6.1	6.2	6.2	6.2
NPL coverage ratio (%)	82.1	88.9	102.4	131.2	138.6	144.6
Provisions / avg. gross loans (%)	3.0	3.4	5.3	5.9	6.5	6.9
Provisions charge / operating income (%)	30.6	27.7	34.7	25.9	21.5	18.3
Year-end	2021	2022	2023	2024e	2025e	2026e
<b>Funding and Liquidity</b>						
Net Loans / Deposits (%)	79.3	67.2	62.9	65.3	64.9	64.7
Cash and interbank / assets (%) <sup>[1]</sup>	8.3	12.2	17.6	15.3	15.7	16.1
Deposits / liabilities (%)	70.7	77.1	79.4	77.2	77.5	77.8
Year-end	2021	2022	2023	2024e	2025e	2026e
<b>Capital and leverage ratios</b>						
Core Tier 1 ratio (Basel III) (%)	11.9	12.0	13.5	13.6	14.4	15.5
Tier 1 ratio (%)	13.2	12.9	14.2	15.3	16.0	17.0
Total capital ratio (%)	15.2	13.7	15.4	16.1	16.8	17.8
Tangible equity / assets (%)	9.1	9.4	9.6	9.4	9.7	10.1
RWA / assets (%)	55.3	57.3	51.4	51.1	51.6	51.4
Year-end	2021	2022	2023	2024e	2025e	2026e
<b>Growth</b>						
Revenues (%)	24.6	53.1	64.7	2.6	13.3	11.2
Cost (%)	50.1	48.3	26.0	6.2	6.9	6.3
Pre-Provision Operating Profit Growth (%)	4.9	58.5	104.8	0.3	17.6	14.2
Provisions (%)	(17.6)	43.4	156.7	(27.1)	(2.0)	(3.1)
Net Profit (%)	101.3	48.9	17.3	26.8	24.2	18.8
Assets (%)	56.8	61.4	9.1	6.0	5.0	5.0
Loans (%)	55.2	48.6	5.1	7.0	4.5	4.6
Deposits (%)	65.5	75.4	12.2	3.2	5.0	5.0
Risk Weighted Assets (%)	30.6	67.1	(2.1)	5.4	6.0	4.6

## Abacus Arqaam Capital Fundamental Data

### Company Profile

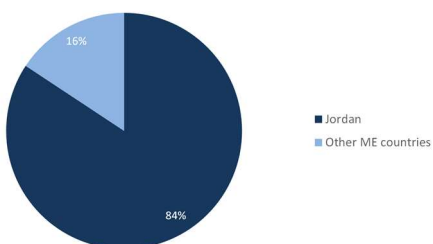
The bank is a public shareholding company registered and incorporated in Jordan on 30 August 1995. The bank provides its banking services through its 32 branches located in Jordan and its subsidiaries Capital Investment and Brokerage Company in Jordan Ltd (third largest Jordanian bank in assets with a loan and market share of c.9% and the fastest growing since 2020), National Bank of Iraq in Iraq, Capital Leasing in Jordan, Capital Investments (Dubai International Finance Center) Ltd, National Iraqi Instalments (51% stake), and Branch in Riyadh through NBI.

CAPL has secured a Ba3 LT counterparty risk rating (foreign and domestic), in line with the country risk rating.

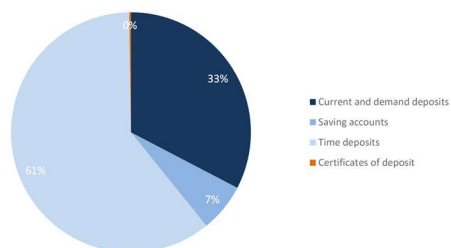
All Board of Directors are non-executive, and 4 out of the 13 are independent.

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  
Group Acting CEO: Samer Al-aloul

#### Major Shareholders

Public Investment Fund (PIF): 23.97%  
Saad Asem Aljanabi: 7.42%  
Social Security Corp: 7.19%

#### CAPITAL BANK OF JORDAN

Year-end	2021	2022	2023	2024e	2025e	2026e
<b>Income statement (JODmn)</b>						
Interest income	181	321	427	453	460	473
Interest expense	79	161	249	253	229	214
<b>Net Interest Income</b>	<b>102</b>	<b>159</b>	<b>178</b>	<b>200</b>	<b>231</b>	<b>259</b>
Fee income	25	36	142	139	153	169
Net investment income	-	(1)	-	1	1	1
Other operating income	11	17	26	16	17	19
<b>Total operating income</b>	<b>138</b>	<b>211</b>	<b>347</b>	<b>356</b>	<b>403</b>	<b>448</b>
Total operating expenses	72	107	135	143	153	163
<b>Pre-provision operating profit</b>	<b>65</b>	<b>103</b>	<b>212</b>	<b>213</b>	<b>250</b>	<b>285</b>
Net provisions	20	29	73	54	52	51
Other provisions / impairment	-	3	11	-	-	-
<b>Operating profit</b>	<b>45</b>	<b>72</b>	<b>127</b>	<b>159</b>	<b>197</b>	<b>235</b>
Associates	-	-	-	-	-	-
<b>Pre-tax profit</b>	<b>45</b>	<b>72</b>	<b>127</b>	<b>159</b>	<b>197</b>	<b>235</b>
Taxation	10	6	21	24	30	35
<b>Net profit</b>	<b>61</b>	<b>91</b>	<b>107</b>	<b>135</b>	<b>168</b>	<b>199</b>
Minorities	(18)	4	35	32	40	48
ADT1 coupon	-	-	5	5	5	5
<b>Others</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Attributable net profit	79	84	69	98	123	147
Diluted EPS	0.39	0.37	0.26	0.37	0.47	0.56
DPS	0.15	0.17	0.15	0.18	0.22	0.28
BVPS	1.82	2.73	2.50	2.69	2.94	3.21
Tangible BVPS	1.66	2.47	2.24	2.49	2.77	3.08

Year-end	2021	2022	2023	2024e	2025e	2026e
<b>Balance sheet (JODmn)</b>						
<b>Gross loans and advances</b>	<b>2,270</b>	<b>3,513</b>	<b>3,715</b>	<b>3,938</b>	<b>4,135</b>	<b>4,342</b>
Less: loan loss provisions	156	248	284	267	299	330
Net loans and advances	2,197	3,265	3,431	3,671	3,836	4,012
Cash and central bank	426	781	1,319	1,009	1,095	1,179
Due from banks	313	220	165	583	613	643
Investment, net	1,183	2,225	2,197	2,207	2,318	2,434
Fixed assets, net	66	113	116	120	123	127
Other assets	97	296	296	402	423	444
<b>Total assets</b>	<b>4,311</b>	<b>6,958</b>	<b>7,592</b>	<b>8,048</b>	<b>8,450</b>	<b>8,873</b>
Customer deposits	2,771	4,860	5,453	5,626	5,907	6,203
Due to banks	381	149	146	361	380	395
Debt	443	755	601	601	601	601
Other liabilities	325	541	664	704	739	776
<b>Total liabilities</b>	<b>3,919</b>	<b>6,305</b>	<b>6,864</b>	<b>7,292</b>	<b>7,627</b>	<b>7,974</b>
<b>Total equity</b>	<b>392</b>	<b>653</b>	<b>728</b>	<b>756</b>	<b>823</b>	<b>899</b>
Risk Weighted Assets (bn)	2	4	4	4	4	5
Average Interest-Earning Assets	3,290	5,266	6,750	7,240	7,613	8,009
Average Interest-Bearing Liabilities	2,883	4,679	5,982	6,394	6,738	7,043
Common shareholders	333	559	590	654	729	811
Core Equity Tier 1 (Basel III)	285	477	528	559	628	706
Tier 1 capital	314	513	554	630	699	777

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**Provisions spike in Q4 as CAPL improves its buffers.** NPL formation for the quarter increased to 105bps from 86bps in the previous quarter & -360bps the previous year, leading to a CoR of 198bps in FY 23A (vs. 91bps FY 22A) and an annualized Q4 CoR of 324bps (vs. 256bps in Q4 22A). We raise CoR24e by 30bps to 140bps, well above its TTC target of 50bps. Stage 1 loan share stood at 82.1%, higher by 100bps sequentially but lower than Q4 22 levels of 83.1%, with coverage rising by 40bps to 1.2% (vs. 1.2% in Q4 22A and 0.8% in Q3 23A). Stage 2 loans share rose to 9.9% in Q4 23 from 9.0% in Q3 23A, and exceeding 9.1% in Q4 22, while coverage increased to 12.8% from 8.9% in Q3 23A (vs. 7.5% in FY 22A). Stage 3 loans fell to 8.1% from 9.9% in Q3 23 and 7.8% in Q4 22, whilst coverage increased to 50.3% from 47.8% and 49.4%, respectively. We calculate a modest provision deficit of -0.6% of total loans vs. our acid test (1% of stage 1, 12% of stage 2 and 60% of stage 3), compared to -1.6% in Q3 23 and -1.0% in Q4 22.

**Improving capital ratios as risk-weighted assets intensity drops by design.** Tier 1 and CAR improved to 14.2% and 15.4% from 12.9% and 13.7% in YE 22, vs a minimum of 12% and 14.25%, respectively. RWAs dropped by 2.1% y/y to JD 3.9 bn (at 51.4% of assets vs. 57.3% YE 22). The LCR stood at 219% (226% YE 22), NSFR at 148% (132% YE22), and the LtD at 68%, with the bank carrying significant cash balances and HTM investments.

**Low valuation unwarranted by RoE and EPS growth.** The stock trades at an undemanding FY24e P/E of 5.3x and FY 23 P/tNAV of 0.9x, with a DY c.7-9%. Our TP of JOD 4.0 offers a substantial upside.

#### Medium / Long Term Guidance – 2026:

- Total assets CAGR > 8%
- C/I < 40%
- CAR> 15%
- RoE > 16%
- DPO: 30-50%

#### Exhibit 1: Capital Bank of Jordan Q4 23A review

JODm	Q4 23A	AC Q4 23e	vs. AC	Q3 23A	q/q 23	Q4 22A	Q3 22A	q/q 22	y/y Q4	y/y Q3	FY 23A	FY 23e	FY y/y	FY 22A	FY y/y
Interest Income	112	105	6.4%	106	5.8%	104	86	21.0%	8.0%	23.5%	427	421	1.6%	372	15.0%
Interest expense	62	64	(4.0%)	64	(3.8%)	53	46	16.9%	15.3%	40.1%	249	252	(1.0%)	199	25.3%
Net interest income	51	41	22.5%	42	20.5%	50	40	25.7%	0.3%	4.7%	178	169	5.5%	173	3.2%
Fee income	46	47	(2.0%)	46	0.3%	12	7	81.1%	276.3%	579.7%	142	143	(0.6%)	47	202.5%
Net Trading Income	0	1	nm	0	nm	1	0	nm	nm	nm	0	1	(98.8%)	-1	nm
Other Income	5	5	(1.0%)	7	(2.9%)	1	5	(82.1%)	475.3%	33.8%	26	26	(0.2%)	17	54.9%
Non-Interest Income	51	53	(3.9%)	53	(2.9%)	14	12	16.7%	273.8%	349.5%	169	171	(1.2%)	63	166.2%
Total Income	102	95	7.6%	95	7.4%	64	52	23.6%	58.9%	82.8%	347	340	2.1%	236	46.9%
Operating expenses	44	34	29.4%	33	32.1%	33	29	15.1%	31.1%	14.3%	135	125	8.0%	116	16.0%
Operating profit	58	61	(4.4%)	62	(5.8%)	31	23	34.4%	89.0%	169.7%	212	215	(1.3%)	120	76.9%
LIP	30	16	92.5%	19	61.2%	22	1	2643.7%	33.8%	2177.2%	73	59	24.5%	32	nm
Taxes	-2	14	(117.4%)	9	(127.6%)	-4	2	(249.8%)	(33.6%)	260.6%	21	38	(44.3%)	9	145.3%
Group Net income	24	30	(19.7%)	32	(23.8%)	11	20	(45.4%)	125.5%	61.7%	107	113	(5.3%)	77	38.8%
Attributable NI	10.9	25	(55.7%)	19.5	(43.9%)	11.1	18.6	(40.6%)	(1.1%)	4.8%	71.9	85.6	(16.0%)	71.2	0.9%
Annualised NIMs	2.86%	3.12%		2.39%		3.17%	2.63%				2.54%	3.52%		2.77%	
Cost/Income	42.9%	35.7%		34.9%		52.1%	55.9%				38.9%	36.8%		49.3%	
Loans to deposits	68.1%	69.5%		70.0%		72.3%	77.0%				68.1%	69.5%		72.3%	
Annualised LIP	3.24%	1.63%		1.99%		2.56%	0.09%				1.98%	1.54%		0.91%	
Gross Loans	3,715	3,843	(3.3%)	3,755	(1.1%)	3,513	3,563		5.8%	5.4%	3,715	3,843	(3.3%)	3,513	5.8%
Net Loans	3,431	3,555	(3.5%)	3,463	(0.9%)	3,265	3,297		5.1%	5.0%	3,431	3,555	(3.5%)	3,265	5.1%
Customer deposits	5,453	5,531	(1.4%)	5,366	1.6%	4,860	4,626		12.2%	16.0%	5,453	5,531	(1.4%)	4,860	12.2%

Source: Company Data, Arqaam Capital Research

## Exhibit 2: Earnings estimate changes

JOD m	New	FY 24e Old	Δ	New	FY 25e Old	Δ	New	FY 26e Old	Δ	New	FY 27e Old	Δ
Net interest income	200	197	1.6%	231	238	(3.0%)	259	278	(6.7%)	274	301	(9.1%)
Fee income	139	131	6.1%	153	144	6.1%	169	159	6.1%	185	175	6.1%
Investment income	1	1	(0.1%)	1	1	(6.7%)	1	1	(10.9%)	1	2	(14.9%)
Non-interest income	156	149	5.0%	172	163	5.1%	189	180	5.1%	208	198	5.1%
<b>Total income</b>	<b>356</b>	<b>345</b>	<b>3.1%</b>	<b>403</b>	<b>402</b>	<b>0.3%</b>	<b>448</b>	<b>458</b>	<b>(2.1%)</b>	<b>482</b>	<b>499</b>	<b>(3.5%)</b>
Opex	143	132	8.4%	153	140	9.2%	163	149	9.3%	172	158	9.1%
<b>Operating income</b>	<b>213</b>	<b>213</b>	<b>(0.3%)</b>	<b>250</b>	<b>262</b>	<b>(4.5%)</b>	<b>285</b>	<b>309</b>	<b>(7.6%)</b>	<b>309</b>	<b>341</b>	<b>(9.3%)</b>
Loan loss provision	54	45	20.0%	52	45	17.6%	51	49	3.6%	49	54	(9.3%)
<b>Other provision</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	
<b>Net income reported</b>	<b>103</b>	<b>109</b>	<b>(5.7%)</b>	<b>128</b>	<b>140</b>	<b>(9.0%)</b>	<b>151</b>	<b>168</b>	<b>(9.7%)</b>	<b>168</b>	<b>185</b>	<b>(9.3%)</b>
<b>Net income adjusted</b>	<b>98</b>	<b>104</b>	<b>(5.9%)</b>	<b>123</b>	<b>135</b>	<b>(9.4%)</b>	<b>147</b>	<b>163</b>	<b>(10.0%)</b>	<b>163</b>	<b>181</b>	<b>(9.5%)</b>
<b>Ratios</b>												
NIM	2.76%	2.63%	0.13%	3.04%	2.90%	0.14%	3.24%	3.07%	0.17%	3.25%	3.02%	0.23%
Cost/income	40.3%	38.3%	2.0%	38.0%	34.9%	3.1%	36.3%	32.5%	3.8%	35.8%	31.7%	4.1%
LLP	1.40%	1.10%	0.30%	1.30%	1.00%	0.30%	1.20%	1.00%	0.20%	1.10%	1.00%	0.10%
NPL	3.0%	3.8%	-0.75%	3.0%	3.8%	-0.75%	3.0%	3.8%	-0.75%	3.0%	3.8%	-0.75%
Coverage	131.2%	101.8%	29.41%	138.6%	102.4%	36.21%	144.6%	102.9%	41.75%	149.4%	103.4%	46.07%
<b>Growth</b>												
Assets	6%	10%	(4.0%)	5%	10%	(5.0%)	5%	10%	(5.0%)	5%	10%	(5.0%)
Loan	6%	10%	(4.0%)	5%	10%	(5.0%)	5%	10%	(5.0%)	5%	10%	(5.0%)
Deposit	3%	10%	(6.8%)	5%	10%	(5.0%)	5%	10%	(5.0%)	5%	10%	(5.0%)
<b>AED</b>												
EPS	0.37	0.40	(5.9%)	0.47	0.51	(9.4%)	0.56	0.62	(10.0%)	0.62	0.69	(9.5%)
TP	4.0	4.0	1.5%									

Source: Company Data, Arqaam Capital Research

## Exhibit 3: Capital Bank of Jordan EVA

	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e	perp	subtotal	% of total
<b>1. DCF</b>																
Net profit	12	24	31	25	26	79	84	69	98	123	147	163	179	186		
Other adjustments (comprehensive income and GW amoi	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Minus: excess return excess capital	8	9	8	9	5	3	5	9	10	12	15	18	21	22		
Risk free rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%		
Tax shelter	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Adjusted net profit	5	16	23	16	21	76	80	60	88	111	132	146	158	165		
Capital requirements	191	182	178	196	219	286	478	468	494	523	547	575	606	630		
RoE/C	2.5%	8.7%	13.0%	8.3%	9.4%	26.6%	16.6%	12.7%	17.8%	21.1%	24.1%	25.3%	26.1%	26.1%		
Cost of capital	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%		
Capital charge	31	29	29	31	35	46	76	75	79	84	88	92	97	101		
Economic profit	(26)	(13)	(5)	(15)	(15)	30	3	(15)	9	27	44	54	61	64		
Discount factor	-	-	-	-	-	-	-	-	1.00	0.86	0.74	0.64	0.55	0.48		
NPV of Economic Profit	-	-	-	-	-	-	-	-	9	23	33	34	34	30		
DCF EVA Forecast period															164	15.4%
Perpetual growth rate (nominal GDP)															4.0%	
Terminal Value															532	
Terminal value discounted																
Required Capital															468	44.1%
<b>Value of the bank operations</b>															<b>885</b>	<b>83.4%</b>
<b>2. Capital surplus/deficit</b>																
Available capital:																
Shareholders equity	278	292	287	294	307	363	617	658	708	773	846	925	1,009			
Minorities	56	58	50	54	48	29	35	71	48	51	53	56	59			
Less Goodwill & intangibles	(6)	(6)	(11)	(3)	(22)	(31)	(58)	(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)	(47)	(58)	(74)	(84)	(95)			
Tangible equity	319	324	306	344	310	332	555	621	655	722	791	869	951			
Capital needs																
RWAs (Basel II)	1,590	1,514	1,486	1,630	1,826	2,385	3,984	3,901	4,114	4,359	4,558	4,795	5,047			
RWAs (Basel III)	1,590	1,514	1,486	1,630	1,826	2,385	3,984	3,901	4,114	4,359	4,558	4,795	5,047			
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%			
Financial stakes	-	-	-	-	-	-	-	-	-	-	-	-	-			
Capital Requirements	191	182	178	196	219	286	478	468	494	523	547	575	606			
<b>Surplus capital</b>	<b>128</b>	<b>142</b>	<b>128</b>	<b>149</b>	<b>91</b>	<b>46</b>	<b>77</b>	<b>153</b>	<b>161</b>	<b>199</b>	<b>244</b>	<b>293</b>	<b>345</b>		<b>153</b>	<b>14.4%</b>
<b>3. Other adjustments</b>																
ADT1															35	
Underprovisioning															(52)	
<b>Total adjustments</b>															<b>-17</b>	<b>-1.6%</b>
<b>4. Dividends</b>																
<b>Total Fair Value</b>															<b>39</b>	<b>3.7%</b>
Fully diluted number of shares															<b>1,062</b>	<b>100%</b>
Fair value per share															<b>263</b>	
Current share price															<b>4.0</b>	
Upside															<b>2.0</b>	
Implied P/E (x)	64.9	33.1	26.1	32.2	31.1	10.2	10.8	15.4	10.9	8.7	7.2	6.5	5.9		<b>103.8%</b>	
Implied P/NAV (x)	3.0	2.8	2.9	2.8	2.8	2.4	1.6	1.8	1.6	1.5	1.3	1.2	1.1			

Source: Company Data, Arqaam Capital Research

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