

QUARTER UPDATE

Capital Bank of Jordan



Recommendation – Overweight

Fair Value Estimated at JD 3.06 per share

Capital Bank of Jordan

Recommendation: Overweight
Target price JD 3.06 per share
Market price JD 2.22 per share

Financials

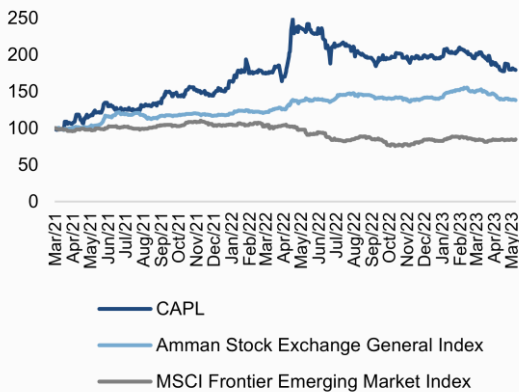
Bloomberg	CAPL JR
Reuters	CAPL AM
52-week High / Low (JD)	3.04 / 2.18
Market Cap (JD mn)*	583.9
Volume 6m Avg. (in '000 Shares)	61.3
Free float	45.6%
EPS CAGR 22 -27F	17.0%
Dividend yield (2023F)	8.1%

*as of 11th May 2023

YE: 31 Dec	2022	2023F	2024F	2025F
Op. income (JD mn)	210.6	302.4	370.1	445.4
% change YoY	53.1%	43.6%	22.4%	20.3%
Net income (JD mn)*	60.5	94.8	118.2	146.3
EPS (JD)*	0.23	0.36	0.45	0.56
P/BV (x)	0.95	0.86	0.78	0.69
ROE (%)	9.8	13.9	15.7	17.4
P/E (x)	6.7	6.2	4.9	4.0

*excludes one-offs

CAPL Stock Price Comparison



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We reiterate our Overweight recommendation on the shares of CAPL and maintain target price at JD3.06 per share, indicating an upside of 38.0% to CMP. Since our initiation of coverage, CAPL shares have rallied 37.0% outperforming the broader benchmark Amman Stock Exchange General Index (+22.7%).

For CAPL, FY22 was the year with major milestones – strategic partnership with PIF (sovereign wealth fund of Saudi Arabia), acquisition of SBGJ and introduction BLINK – the first digital bank in Jordan. This has been reflected in the earnings performance for Q1 FY23 results which indicated continued strong balance sheet growth (+8.3% QoQ), steady NIMs (3.1%) and improvement in NPL (-57bps QoQ). CAPL reported CAR of 14.45% in Q1 FY23 well above regulatory requirement.

Deposit base continued to outgrow loan book in Q1 FY23 following the merger: CAPL reported 10.3% QoQ growth in deposits which reached JD5.4bn in Q1 FY23 whereas loans & advances reported growth of 8.6% QoQ. Amidst the rising interest rate scenario, the bank has achieved significant growth of +43.5% QoQ in CASA deposits (low-cost deposits) whereas high-cost Time & Notice deposits reported decline of 3.2% QoQ in Q1 FY23. This is due to the high demand in Auction business funding, which had a positive impact on the bank, as the entry to the auction starts with the bank which led to an increase in the CASA accounts. As a result, there is a change in deposit mix with CASA accounting for 37.8% (29.0% in Q4 FY22) and Term deposits of 62.2% in Q1 FY23 (71.0% in Q4 FY22). For deposits distribution by segment, CAPL reported the highest growth in the corporate segment (+20.9% QoQ). Loans in the Government segment grew the highest (+28.1% QoQ) followed by retail (+9.0% QoQ), corporate (+5.8% QoQ) and SME segments (+2.1% QoQ). CAPL assets increased due to organic growth of the business as well as the impact of SGBJ acquisition. In the next five years till 2027E, we expect credit to grow at a faster pace (CAGR of 18.4%) than customer deposits (CAGR of 13.8%).

Operating Income growth driven by substantial rise in commission and fee income: CAPL reported net commission and fees income (accounted for 35.1% of total income in Q1 FY23 from 24.1% in Q4 FY22 of the operating income) increased +45.4% QoQ whereas NII (which accounted for 64.9% of total income in Q1 FY23 from 75.9% in Q4 FY22 of the operating income) declined by 11.4% QoQ; slowing down the total operating income growth to +3.7% QoQ. The fee income growth was due to enhanced branch network, increased customer base and addition of new streams of revenue through synergies with SGBJ's Brokerage and Leasing companies. We expect commission and fee income to grow at a CAGR of 22.6% till 2027E.

Q1 FY23 saw marked improvement on the cost efficiency front: CAPL reported decline in operating expenses (-17.2% QoQ); reflected in the improving Cost-Income ratio to 40.4% (-10.2% points QoQ). The lower operating expenses was on account of reducing employee (-18.0% QoQ) and other expenses (-26.9% QoQ); reflecting the post-merger synergy bringing in cost rationalization. We expect CAPL to continue to benefit

from acquisition synergies and witness operational efficiencies from its various digital initiatives (CRM from Oracle / Finastra implementation / BLINK / new business online platform) and expect C/I ratio to remain in around 40% by 2027E.

Improving asset quality and stable capital adequacy for the quarter: CAPL's asset quality showed signs of improvement in Q1 FY23 as the company's net NPL decreased to 4.2% (down 57 bps QoQ) while coverage ratio remained strong at 97.0%. CAPL has maintained capital adequacy ratio at 14.45% in Q1 FY23, well above regulatory requirement.

Earnings growth driven by cost efficiencies and reversal in impairment charges: Overall, CAPL's reported an impressive set of Q1 FY23 numbers especially on the costs / expense management front. Earnings growth was complemented by strong performance in fee-based business and assisted by decline in operating expenses and impairment reversal reflecting synergy benefits post-merger. Overall, net profit more than doubled sequentially (+93.6% QoQ) to JD 23.0mn in Q1 FY23; consolidated net income (including non-controlling interest) grew 141.2% QoQ to JD 26.1mn. We expect earnings growth momentum to continue and management delivering on its long-term targets (total asset CAGR growth of 10%+, C/I ratio <40%, CAR >14.5%, RoE surpassing 14% and dividend pay-out in the range of 40-50% of net income). Overall, we forecast net profit to grow at a CAGR of 17.0% over FY 22-27E.

Geographically well-diversified, digital presence and strong capital cushion for growth

Launch of the neo bank BLINK gives CAPL the first mover advantage in the FinTech space of Jordan with over 48K customer in FY 2022

PIF (Public Investment Fund) the sovereign wealth fund became the strategic partner of CAPL

FY2022 – A milestone year for CAPL: During the year, CAPL entered into a strategic partnership with Public Investment Fund (sovereign wealth fund of Saudi Arabia), completed acquisition of Societe Generale Bank Jordan (SGBJ) to create presence in Saudi Arabia and launched BLINK - the first digital bank in Jordan to create its presence in digital banking space. The acquisition synergy and presence in digital space will result in expansion of banking assets, regional presence, new geography, branch networking, and customer base backed by the strong capital base supported by PIF.

CAPL introduces BLINK as the first digital bank in Jordan: The CAPL is well placed as first mover into the digital banking space by onboarding ~48K customers as at FY22. The launch of this neo bank is expected to improve the cost efficiencies through digital transformation. BLINK has attracted masses with only 10% of the BLINK customers being existing CAPL customers, while the remaining 90% are new to group. The main source of revenue for BLINK is from net interest income on deposits and credit cards. However, to get traction BLINK's services are currently fee-less and hence revenue contribution for CAPL from BLINK is negligible. Deposits from BLINK are small but they are ramping up fast, while credit cards off-take have been quite significant. Management's main aim is to drive out traffic of branches into their digital channels in the short term. We see multiple drivers for the FinTech market in Jordan driven by increasing smartphone penetration and underbanked market. However, significant demand for credit card may result in high risk for CAPL resulting in high NPLs. During Q1 FY23, Blink has also partnered with players outside the financial services industry to bring lifestyle value added services, in the form of promotions, discounts, cash back, etc

CAPL has successfully expanded ties in Saudi Arabia during FY22: During FY22, CAPL announced completion of deal with the Saudi Public Investment Fund's (PIF) for acquisition of 63mn shares, equivalent to 23.79% of the Group's capital. The equity capital infused was JD131.2 mn (USD185 mn). PIF became the strategic partner which will support CAPL in the expansion strategy and digital transformation plans. In light of the PIF investment and National bank of Iraq's presence, CAPL has started its operations in Saudi Arabia with the aim to maximize utilization of the trade window between Saudi Arabia and Iraq to increase non-interest income and tap the under-serviced SME market.

CAPL accelerates growth of its investment business through initiatives of digitalization and improvements in operating efficiency

Key recent developments:

- On 18th April 2023, His Excellency the Attorney General, Dr. Hassan Abdallat, dismissed the lawsuit filed by Talal Abu Ghazaleh regarding his deposits in Beirut and prohibited the prosecution of both Capital Bank of Jordan as well as Société Générale Bank- Jordan and their authorized signatories. The decision was reached based on the result that the conflict is limited to Talal Abu Ghazaleh and Société Générale Bank (Lebanon), and there is no legal link between Capital Bank of Jordan (as the merging company) and legal successor of Société Générale Bank -Jordan (as the merged company), and Talal Abu Ghazaleh's deposit in Lebanon.
- On 17th April 2023, CAPL has gone live with Finastra for corporate digital banking platform as it looks to automate its core processes and enhance its banking services for businesses in Jordan, Iraq and Saudi Arabia. The Corporate Channels digital banking platform provides a single portal to unify trade, cash, supply chain finance, lending, and treasury services for corporate clients. The bank will also deploy its Trade Innovation solution which will provide end-to-end solution for frictionless trade and supply chain finance which utilises straight-through processing, digitalisation, and data analytics to evolve along with compliance, customer, and competitive demands.
- On 13th April 2023, CAPL signed an agreement with Boulevard Arjaan by Rotana. Under the agreement, the bank's VIP customers and employees will receive special discounts when using the hotel's facilities.
- On 27th March 2023, CAPL has announced the implementation of a Customer Relationship Management (CRM) solution in collaboration with Oracle. The solution will allow CAPL to have a 360-degree view of customer information and interactions, allowing them to build a personalized relationship with each customer and offer financial products and services that best suit a customer's unique needs.
- On 9th February 2023, CAPL signed an agreement with Arab Wings, Exclusive Travel, Abdali Hospital to provide its top clients with special benefits for insurance and private flight bookings
- On 7th February 2023, CAPL and Ryalize - a Singapore based Fintech platform have announced their partnership to launch financial wellness solution for Earned Wage Access, to the bank's corporate clients. The solution allows corporate employees to access part of their earned salary before payday providing sustainable innovative consumer liquidity options across Jordan
- On 10th January 2023, Capital Bank announced the launch of the new "Capital Bank Business Online" platform; offering an innovative, integrated, and comprehensive set of banking solutions that enable the activities of large, medium, and small companies, assisting them in carrying out their daily banking transactions electronically in safe environment

Financial Highlights – Quarterly basis

JD '000	Q1 23	Q4 22	Q1 22	YoY	QoQ
Net Interest Income	44,739	50,473	31,116	43.8%	-11.4%
Income from Commission and Fees	17,951	12,344	6,593	172.3%	45.4%
Net Operating Income	68,965	66,493	41,148	67.6%	3.7%
Total Expenses	(27,843)	(33,621)	(18,718)	48.8%	-17.2%
Net income*	23,026	11,892	11,544	99.5%	93.6%
Direct Credit Facilities, net amortized cost	3,545,679	3,264,580	2,806,330	26.3%	8.6%
Total Assets	7,532,423	6,957,772	5,972,925	26.1%	8.3%
Customer Deposits	5,362,650	4,859,864	4,084,042	31.3%	10.3%
Total Equity	607,189	617,348	440,774	37.8%	-1.6%

Capital Adequacy details (JD '000)	Q1 23	Q4 22	Q1 22	YoY	QoQ
Risk Weighted Assets	4,048,243	3,984,361	3,079,844	31.4%	1.6%
Regulatory Capital	584,953	547,508	440,984	32.6%	6.8%
CET 1	549,274	513,121	401,431	36.8%	7.0%
Tier 2 Capital	35,679	34,388	39,553	-9.8%	3.8%
Tier 1 Capital ratio	13.57%	12.88%	13.03%	53bps	69bps
Capital Adequacy Ratio	14.45%	13.74%	14.32%	13bps	71bps

Ratios	Q1 23	Q4 22	Q1 22	YoY bps	QoQ bps
Net Spread	3.5%	3.8%	3.1%	39	(32)
Cost-to-income	40.4%	50.6%	45.5%	(512)	(1,019)
ROA*	1.2%	0.7%	0.8%	45	54
ROE*	15.2%	7.7%	10.5%	469	746
Funding Cost	3.8%	3.5%	2.0%	174	24
Loan-to-Deposit ratio	66.1%	67.2%	68.7%	(260)	(106)
NPL %	4.2%	4.8%	5.7%	(147)	(57)

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

Key Positives: Deposits growth (+10.3% QoQ) outpaced loan growth (+8.6% QoQ); Income from Commission and Fee grew by 45.4% QoQ; Cost-to-income ratio improved by 10.2% points QoQ to 40.4%; Significant growth in net profit (+93.6% QoQ) due to growth in fee-based earnings assisted by decline in operating expenses and impairment reversal reflecting synergy post-merger; RoA and RoE improved 54bps QoQ and 746bps QoQ to 1.2% and 15.2%, respectively.

Key Negatives: Net interest income declined by 11.4% QoQ due to contraction in net spread by 32 bps QoQ to 3.5% and lowering LDR ratio (-106bps QoQ).

Iraq Operations Update:

- Total Assets and customer deposits remained stable at JD1,697 mn and JD1,240 mn in Q1 FY23
- Net income increased by 272.0% QoQ while NIM declined to 6.2% in Q1 FY23 (-24bps QoQ)
- Efficiency ratio improved to 36.4% in Q1 FY23 from 53.6% in Q4 FY22
- NPL%/ Coverage ratio% improved to 2.0% / 100.4% in Q1 FY23 from 2.6% / 88.5% in Q4 FY22

Upside of 38.0% from
CMP of JD2.22 per share

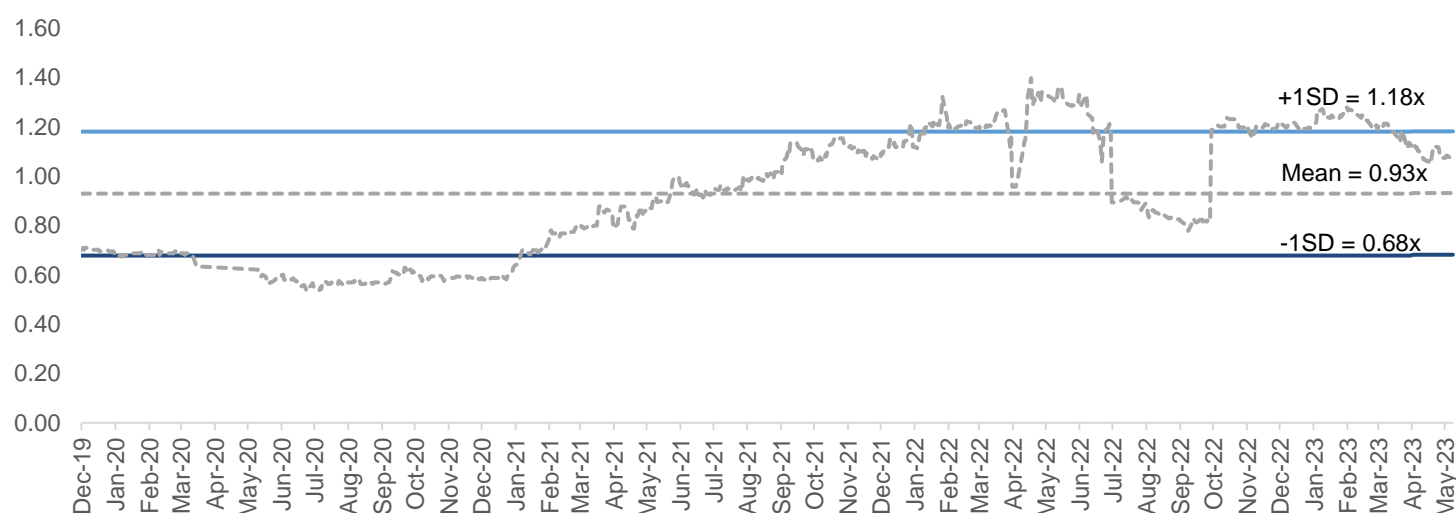
Valuation & Recommendation

CAPL has emerged as a geographically well-diversified bank with its expanded presence in Jordan and Iraq through its subsidiary and new acquisition (SGBJ). CAPL is now well placed to take first mover advantage into the digital banking space in Jordan. We expect BLINK to be a key long term growth driver for CAPL earnings as the business scales up and add to the agility and efficiency. 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 JD3.06 per share which translates to an upside of 38.0% from the previous close of JD2.22 per share. We expect the bank to continue growing the deposits by 13.8% CAGR till FY27 while Cost to income ratio is expected to remain around 40% 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 them to rationalize costs over the long term.

The stock corrected by 9.4% YTD and has underperformed Amman Stock Exchange General Index (-2.7%) YTD. However, we see an upside of 38.0% 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%	3.18
Justified PB	40.0%	3.05
Relative Valuation	20.0%	2.86
Target valuation		3.06
Current market price (JD)		2.22
Upside / (Downside)		38.0%

Source: Mubasher estimates

Residual income method yields a value of JD 3.18 per share

The valuation is based on the Bank's 5-year residual income. Beyond FY2027 we have estimated the terminal value of the residual income, based on the terminal growth rate assumed at 3.7% following the IMF's revision of its long-term GDP growth estimates for Jordan and Iraq until FY2027.

Residual income valuation summary

Particulars (JD '000)	2023F	2024F	2025F	2026F	2027F	Terminal
Forecast equity (adjusted for one-offs)	682,412	753,275	841,750	941,559	1,050,609	
Forecasted net profit (adjusted for one-offs)	94,787	118,210	146,343	170,830	190,591	
Capital charge	100,520	111,032	123,355	137,917	154,069	
Economic Value Added	(5,733)	7,178	22,987	32,913	36,521	321,842
NPV	(5,226)	5,664	15,727	19,481	18,721	164,975
Book value FY22	617,348					
EVA flows 2023-2027	54,366					
Terminal value	164,975					
Target equity value	836,689					
Shares outstanding ('000)	263,037					
Target value per share (JD)	3.18					

Source: Company reports, Mubasher estimates

Cost of equity calculations considered the risk-free rate as 9.6% based on US risk free rate 3.4% adjusted with the inflation differential of 0.5% and default spread of 5.5%. 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)

Cost of Equity	Terminal Growth Rate				
	1.7%	2.7%	3.7%	4.7%	5.7%
13.5%	3.82	3.92	4.05	4.21	4.41
14.5%	3.42	3.49	3.58	3.68	3.80
15.5%	3.08	3.13	3.18	3.25	3.32
16.5%	2.79	2.82	2.85	2.89	2.93
17.5%	2.53	2.55	2.57	2.59	2.61

Fair value estimated at JD3.05 per share based on a justified PB multiple of 1.18x RoAE, CoE and terminal growth rate, contribute to a justified PB multiple of 1.18x. The justified PB multiple and FY 2023F book value per share of JD 2.6, leads to a fair value estimate of JD 3.05 per share.

Justified PB valuation

Justified P/B	
ROAE (Sustainable)	17.4%
Cost of Equity	15.5%
Terminal growth rate	3.7%
Target P/BV	1.18
Book value per share 2023F	2.59
Value per share (JD)	3.05

Source: Company reports, Mubasher estimates

Peer valuation yields a fair value of JD 2.86 per share

For relative valuation, we have considered MENA banks as a peer group for CAPL. Since the market cap of CAPL is USD823 mn, we have taken peers in the range of ~USD150 mn to ~USD4.5 bn and attached a 10.0% premium over peers for its positive earnings outlook, digital initiatives and stability due to backing of KSA's sovereign wealth fund. Our fair value estimate is based on 2023F book value per share of JD2.59 and target PB multiple of 1.10x. Based on these estimates, the shares are valued at JD2.86 per share.

Relative valuation

PB valuation

Weighted average PB multiple	1.00x
Discount / Premium	10.0%
Applied multiple	1.10x
Book value per share (JD)	2.59
Value per share (JD)	2.86

Source: Mubasher estimates

Peer table (as of May 2023)

Banks	Market Cap (USD mn)	P/E(x)	P/B (x)	ROE (%)	ROA (%)	NPM (%)
Capital Bank of Jordan	823	6.7	0.9	9.8%	0.9%	38.0%
Jordanian Peers						
Arab Bank Plc	4,064	8.0	0.4	5.4%	0.8%	23.4%
The Housing Bank for Trade and Finance	1,509	8.3	0.9	11.0%	1.6%	34.2%
Bank of Jordan	603	10.7	0.8	8.0%	1.4%	27.0%
Bank Al Etihad	469	9.7	0.7	7.8%	0.5%	15.0%
Cairo Amman Bank	348	7.1	0.6	8.8%	1.0%	21.9%
Arab Jordan Investment Bank	264	10.4	0.9	8.5%	0.8%	26.5%
Safwa Islamic Bank	261	13.2	1.1	8.9%	0.7%	23.4%
Invest Bank Co	207	7.4	0.8	10.6%	1.5%	29.0%
Weighted average* (Jordanian peers)		8.6	0.6	7.3%	1.0%	25.4%
MENA Peers						
National Bank Of Ras Al-Khaimah	2,397	6.2	0.9	13.5%	1.9%	33.9%
Burgan Bank	2,260	18.6	0.9	5.6%	0.7%	21.8%
Al Ahli Bank Of Kuwait	1,971	21.7	1.2	5.0%	0.5%	18.8%
Sharjah Islamic Bank	1,736	9.0	1.1	11.2%	1.1%	40.4%
Warba Bank	1,472	33.1	1.5	5.0%	0.5%	20.2%
National Bank Of Oman Saog	1,161	10.6	0.9	8.5%	1.2%	34.9%
Banque Intl Arabe De Tunisie	1,115	11.3	1.7	20.5%	1.9%	25.9%
Ajman Bank	1,048	21.7	1.5	6.3%	0.7%	24.8%
Al Salam Bank Bahrain	916	9.9	1.1	10.5%	1.0%	37.9%
HSBC Bank Oman	821	9.6	0.9	7.6%	1.2%	34.2%
Bank Nizwa	558	14.8	0.9	6.2%	1.0%	28.7%
Attijari Bank	549	8.5	1.9	23.4%	1.9%	26.7%
Credit Agricole Egypt	417	5.3	1.3	26.0%	3.6%	43.2%
Weighted average* (MENA peers)		14.8	1.2	10.0%	1.0%	29.4%
Weighted average* (all peers)		12.8	1.0	9.1%	1.0%	28.2%

Source: Bloomberg, *weighted average based on Market Cap

Risks to Valuation

Economic recovery slower than expected: According to IMF, Jordan's growth has quickened in FY22 despite global economic turbulence, driven by strong progress in IMF-backed structural reforms that have cushioned the economy and strengthened macro-economic stability. Any slowdown in the regional macroeconomic growth expectation can negatively impact bank's performance.

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. Since Jan'23 to May'23, the Central Bank of Jordan raised the interest rates by another 75 bps to 7.25%, following US Fed in order to curb down the inflationary pressure.

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.

Annexures

Income Statement (JD mn)	2021	2022	2023F	2024F	2025F	2026F	2027F
Interest Income	181	321	490	623	757	899	1,067
Interest Expense	(79)	(161)	(265)	(348)	(426)	(516)	(645)
Net Interest Income	102	159	225	275	332	383	422
Fees Income	25	36	48	61	75	93	114
Non-Interest Income	11	16	29	34	38	43	49
Total operating income	138	211	302	370	445	519	585
Total expenses	(72)	(107)	(136)	(158)	(186)	(214)	(239)
Pre Provision Profit	66	103	167	212	260	305	346
Loan loss charges	(20)	(29)	(57)	(76)	(93)	(110)	(129)
Profit Before Tax	71	97	106	132	163	191	213
Income Taxes	(10)	(6)	(7)	(8)	(10)	(12)	(13)
Profit After Tax	61	91	99	124	153	179	199
Minority Interest	18	(4)	(4)	(5)	(7)	(8)	(9)
Net Income	79	87	95	118	146	171	191
EPS (JD)	0.39	0.33	0.36	0.45	0.56	0.65	0.72

Source: Company reports, Mubasher estimates

Balance Sheet (JD mn)	2021	2022	2023F	2024F	2025F	2026F	2027F
Cash & Cash Equivalent	426	781	1,055	1,130	1,036	1,162	1,658
Interbank lending	313	220	286	323	367	420	511
Investments	1,183	1,966	2,557	2,710	3,079	3,280	3,997
Net loans	2,114	3,265	4,175	4,920	5,779	6,768	7,918
Intangible assets	31	58	81	108	138	174	218
Fixed Assets	52	91	112	137	168	204	243
Other Assets	194	577	645	724	831	977	1,155
Total Assets	4,311	6,958	8,912	10,052	11,398	12,984	15,701
Customer deposits	2,771	4,860	6,256	6,825	7,411	7,995	9,279
Margin Accounts	234	410	527	575	625	674	782
Interbank borrowing	381	149	192	209	227	245	285
Loans and borrowings	414	740	1,036	1,450	2,030	2,842	3,978
Other Liabilities	64	97	124	136	147	159	184
Total Liabilities	3,919	6,305	8,190	9,254	10,504	11,983	14,581
Share capital	200	263	263	263	263	263	263
Statutory Reserve / Others	57	202	212	223	238	255	274
Retained earnings	122	167	223	282	355	438	528
Others	(16)	(15)	(15)	(15)	(15)	(15)	(15)
Minority Interest	29	35	40	45	52	60	69
Total Equity	392	653	722	798	894	1,001	1,119
Total Equity & Liabilities	4,311	6,958	8,912	10,052	11,398	12,984	15,701
BVPS (JD)	1.82	2.35	2.59	2.86	3.20	3.58	3.99

Source: Company reports, Mubasher estimates

Cash Flow Statement (JD in Mn)	2021	2022	2023F	2024F	2025F	2026F	2027F
Profit before tax	71	97	106	132	163	191	213
Depreciation and amortization	10	15	10	12	14	16	19
Impairment losses	20	29	57	76	93	110	129
Other income/expenses	(8)	(16)	1	1	1	1	1
Net operating profit before changes in operating assets and liabilities	65	99	173	220	270	318	362
Restricted balances at central banks	(19)	4	-	-	-	-	-
Direct credit facilities at amortized cost	(485)	(584)	(700)	(798)	(925)	(1,067)	(1,224)
Banks and financial institutions' deposits	5	9	(66)	(37)	(44)	(52)	(92)
Other assets	(2)	(46)	(70)	(81)	(108)	(147)	(179)
Customers' deposits	709	833	1,396	568	586	584	1,284
Margin accounts	14	87	118	48	49	49	108
Other liabilities	3	6	28	11	12	12	26
Cash from (used in) operating activities	289	488	752	(70)	(164)	(314)	272
Income tax paid	(7)	(14)	(7)	(8)	(10)	(12)	(13)
Cash flow from operating activities	282	475	745	(78)	(175)	(326)	259
Net Purchase of Property & Eq.	(18)	(21)	(24)	(30)	(36)	(41)	(46)
Net Purchase of intangible assets	(10)	(33)	(27)	(32)	(37)	(46)	(55)
Net Purchase of financial assets at amortized cost	(391)	(1,162)	(557)	(133)	(346)	(175)	(669)
Net Sale of Financial Assets	-	-	-	-	-	-	-
Cash flow from investing activities	(294)	(318)	(643)	(214)	(442)	(289)	(817)
Proceeds from loans and borrowings	190	286	296	414	580	812	1,137
Repayment of loans and borrowings	(113)	(98)	-	-	-	-	-
Treasury Shares	5	-	-	-	-	-	-
Cash Dividends	(28)	(30)	(30)	(47)	(58)	(71)	(82)
Cash flow from financing activities	53	340	266	367	522	741	1,055
Net change in cash balances	41	496	369	75	(94)	126	497

Source: Company reports, Mubasher estimates

Key Ratios	2021	2022	2023F	2024F	2025F	2026F	2027F
Asset Quality							
NPL Ratio	6.7%	6.2%	6.2%	6.5%	6.7%	6.7%	6.7%
NPL Coverage	82.9%	88.9%	60.0%	71.8%	81.5%	92.4%	101.9%
Provisions/ Avg. Loans	2.9%	3.8%	4.3%	4.8%	5.3%	5.8%	6.3%
Margins							
Asset Yield	6.2%	6.9%	7.6%	8.0%	8.6%	8.9%	9.1%
Funding Cost	2.6%	3.2%	3.7%	4.1%	4.4%	4.7%	4.9%
NIM	3.5%	3.4%	3.5%	3.6%	3.7%	3.8%	3.6%
Capital Adequacy (%)							
Tier 1 Ratio	13.2%	12.9%	13.3%	13.5%	13.8%	13.9%	13.8%
CAR	14.9%	13.7%	14.2%	14.2%	14.5%	14.5%	14.4%
Total RWA (JD mn)	2,385	3,984	4,697	5,415	6,263	7,232	8,587
Liquidity Ratios (%)							
Customer Deposits to Equity	7.6	7.9	9.2	9.1	8.8	8.5	8.8
Loans to Deposit	73.3%	67.2%	64.0%	69.2%	75.0%	81.5%	82.0%
Loans/Assets	49.0%	46.9%	46.9%	48.9%	50.7%	52.1%	50.4%
Income statement ratio %							
Fees Income/ Total Income	18.1%	16.9%	15.9%	16.6%	16.9%	17.9%	19.4%
Cost to Income Ratio	52.0%	50.9%	44.9%	42.7%	41.7%	41.2%	40.9%

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

