QUARTER UPDATE

Capital Bank of Jordan

Recommendation – Overweight

Fair Value Estimated at JD 3.06 per share

BHM CAPITAL
بـي اتش ام كابيتـال

April 17th 2023

Capital Bank of Jordan

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

Financials

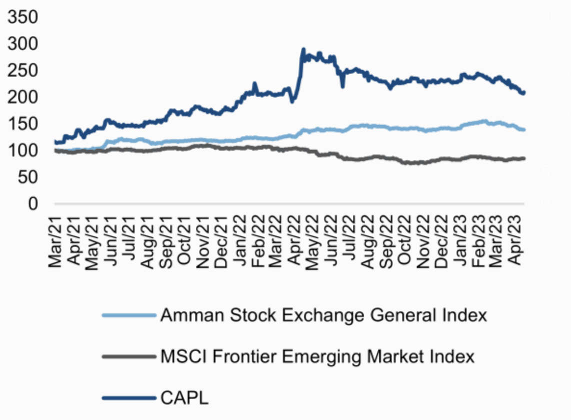
Bloomberg	CAPL JR
Reuters	CAPL AM
52-week High / Low (JD)	3.10 / 2.18
Market Cap (JD mn)*	583.9
Volume 6m Avg. (in ’000 Shares)	59.4
Free float	45.6%
EPS CAGR 22 -27F	15.7%
Dividend yield (2023F)	9.0%

*as of 17th April 2023

YE: 31 Dec	2022	2023F	2024F	2025F
Op. income (JD mn)	210.6	291.5	353.7	422.2
% change YoY	53.1%	38.4%	21.4%	19.4%
Net income (JD mn)*	60.5	93.0	109.7	132.3
EPS (JD)*	0.23	0.35	0.42	0.50
P/BV (x)	1.05	0.95	0.88	0.80
ROE (%)	9.8	13.7	14.9	16.7
P/E (x)	7.5	7.0	5.9	4.9

*excludes one-offs

CAPL Stock Price Comparison



We maintain our Overweight recommendation on the shares of CAPL and maintain our 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% significantly outperforming the broader benchmark Amman Stock Exchange General Index (+23.2%).

For CAPL, FY22 has been a 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 Q4 FY22 results which indicated continued strong balance sheet growth (+4.5% QoQ), steady NIMs (3.6%) and improvement in asset quality (-22bps QoQ). CAPL reported CAR of 13.74% in Q4 FY22 lower than regulatory requirement due to high RWAs growth and removal of some provisions from CAR and cash dividends. However, we expect it to reverse in Q1 FY23 well above regulatory requirements.

Deposit base continued to outgrow loans book in Q4 FY22 following the merger: CAPL reported 5.1% QoQ growth in deposits which reached JD4.8 bn in Q4 FY22 whereas loans & advances reported negative growth of 1.0% QoQ. The deposit growth was driven by CASA deposits (+6.4% QoQ) followed by Time & Notice deposits (+4.7%). For deposits distribution by segment, CAPL reported the highest growth in the corporate segment (+15.4% QoQ). Retail and government deposits grew by 3.9% QoQ and 1.2% QoQ, respectively whereas SME deposits declined by 13.3% QoQ. Loans in the SME segment grew the highest (+10.0% QoQ) followed by retail segment (+3.2% QoQ) whereas government segment remained flat sequentially and corporate segment declined 3.8% QoQ (which accounts for 50% of the loan book). Deposits increased due to organic growth of the business as well as the impact acquisition of SGBJ. In the next five years till 2027E, we expect credit to grow at a faster pace (CAGR of 18.4%) than customer deposits growing at a CAGR of 13.8%.

Operating Income growth driven by substantial rise in commission and fee income: CAPL reported NII growth of +25.7% QoQ and significant growth of 81.1% QoQ in net commission and fees income in Q4 FY22; driving operating income growth of +28.0% QoQ. The fee income growth was due to enhanced network, increased customer base and addition of new stream of revenue by synergy of SGBJ’s Brokerage and Leasing companies. We expect commission and fee income to grow at a CAGR of 20.0% till 2027E higher than CAGR growth of 12.4% over 2018-22.

Improving cost efficiency: CAPL reported +28.0% QoQ growth in operating income majorly due to growth in NII (+25.7% QoQ) and fee income (+81.1% QoQ) higher than the growth in operating expenses (+16.4% QoQ); reflected in the improving Cost-Income ratio to 50.6% (-5.1% points QoQ). The lower operating expenses was on account of reversal of depreciation in assets due to merger. However, we expect the bank merger synergies to bring in cost rationalization and digitalization will further help bank to improve C/I ratio to low 40's by 2027E.

Improving asset quality amidst declining capital adequacy for the quarter: CAPL's asset quality showed signs of improvement in Q4 FY22 as the company's net NPL decreased to 4.8% (down 22 bps QoQ) and coverage ratio of 90.7%. During Q4 FY22, CAR temporarily declined to 13.74% lower than regulatory requirement due to high RWAs growth and removal of some provisions from CAR and cash dividends. However, we expect it to reverse in Q1 FY23 well above regulatory requirements.

Lower sequential net profit due to significant rise in impairment charges but improving asset quality: While CAPL delivered on multiple fronts – balance sheet growth and income growth, the performance on the earnings front was less encouraging during Q4. Net Profit declined by 36.0% QoQ in Q4 FY22 on the back of significant increase in impairment charges mainly driven by retail loan segment. However, the net profit reported growth of 70.7% YoY on the back of strong NII growth (+74.0% YoY) due to rising interest rate and increase in commission and fee income by 72.5% YoY whereas total expenses increased by 34.0% YoY. The growth was majorly offset due to higher impairment charges. CAPL's asset quality showed signs of improvement in Q4 FY22 as the company's net NPL decreased to 4.8% (down 22 bps QoQ) and coverage ratio of 90.7%.

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

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 completed the acquisition of 100% stake in SGBJ resulting in an increase in the client base, market share and new revenue stream

SGBJ acquisition led to an increase in the size of the balance sheet, customer base and a new revenue stream: CAPL completed the full integration of SGBJ by the end of Q4 FY22. The acquisition resulted in addition of JD1.6 bn in assets, network of 19 branches and increase in customer base of ~30k clients. The Financial Brokerage Company of SGBJ was transferred to Capital Investments - the investment arm of Capital Bank Group, resulting in an increase in number of clients and market share. Moreover, after acquisition CAPL has rebranded SGBJ's Leasing company as "Capital Lending" which is now a new revenue stream for the company, contributing to the total revenue. Going forward, we believe the bank will rationalize number of branches, licenses and software, marketing, advertising and administrative expenses; to create cost synergy which they had to incur on a consolidated level in FY22. This will assist bank in improving their cost-income ratio in the years to come at sub 40% levels.

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

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 Q4 FY2022. 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 (only 43% of Jordanians have a bank account as of October 2022, according to Arab Jordan Investment Bank). However, significant demand for credit card may result in high risk for CAPL resulting in high NPLs.

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

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 improve operating efficiency

Key recent developments:

- 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
- On 3rd October 2022, CAPL completed balance sheet merger of SGBJ. The merger included transfer of all information related to retail and corporate clients' accounts and banking products, in addition to SGBJ's entire network of branches and ATMs across the country to Capital Bank. Ownership of SGBJ Leasing Company has also been transferred to Capital Bank, under the new name (Capital Leasing) and financial brokerage services provided by SGBJ Financial Brokerage Company, which in turn have been transferred to Capital Investments - the investment arm of Capital Bank Group

Financial Highlights – Quarterly basis

JD '000	Q4 22	Q3 22	Q4 21	YoY	QoQ
Net Interest Income	50,473	40,164	29,011	74.0%	25.7%
Income from Commission and Fees	12,344	6,815	7,155	72.5%	81.1%
Net Operating Income	66,493	51,937	39,087	70.1%	28.0%
Total Expenses	(33,621)	(28,896)	(25,089)	34.0%	16.4%
Net income*	11,892	18,591	6,966	70.7%	-36.0%
Direct Credit Facilities, net amortized cost	3,264,580	3,297,443	2,031,147	60.7%	-1.0%
Total Assets	6,957,772	6,656,704	4,311,305	61.4%	4.5%
Customer Deposits	4,859,864	4,625,546	2,770,807	75.4%	5.1%
Total Equity	617,348	605,010	363,010	70.1%	2.0%

Capital Adequacy details (JD '000)	Q4 22	Q3 22	Q4 21	YoY	QoQ
Risk Weighted Assets	39,84,361	3,811,453	2,384,561	67.1%	4.5%
Regulatory Capital	5,47,508	566,279	354,650	54.4%	-3.3%
CET 1	5,13,121	531,633	313,659	63.6%	-3.5%
Tier 2 Capital	34,388	34,646	40,992	-16.1%	-0.7%
Tier 1 Capital ratio	12.88%	13.95%	13.15%	-28bps	-107bps
Capital Adequacy Ratio	13.74%	14.86%	14.87%	-113bps	-112bps

Ratios	Q4 22	Q3 22	Q4 21	YoY bps	QoQ bps
Net Spread	3.8%	3.1%	3.4%	39	68
Cost-to-income	50.6%	55.6%	64.2%	(1,362)	(507)
ROA*	0.7%	1.1%	0.6%	4	(43)
ROE*	7.7%	12.3%	7.7%	3	(459)
Funding Cost	3.5%	3.1%	2.3%	122	40
Loan-to-Deposit ratio	67.2%	71.3%	73.3%	(613)	(411)
NPL %	4.8%	5.0%	5.3%	(49)	(22)

**Note: Net income, RoA and RoE excludes one-off expenses*

Key Positives: Deposits growth (+5.1% QoQ) outpaced loan growth (-1.0% QoQ); Net interest income grew (+25.7% QoQ); Cost-Income ratio improved by 5.1% QoQ to 50.6%

Key Negatives: Net profit (-36.0% QoQ) primarily due to significant increase in one-off charges related to SGBJ mergers i.e, increase in expected credit losses on financial asset and sundry provision and increase in operating expenses (+16.4% QoQ); RoA and RoE reported decline of 43bps QoQ and 459bps QoQ to 0.7% and 7.7%, respectively, due to lower reported net income; CAR at 13.74% below the requirement of 14.1% by the Central Bank of Jordan; however, remained well above 12.0% requirement by Basel.

Financial Highlights – Annual basis

JD '000	FY 22	FY 21	YoY
Net Interest Income	159,147	102,007	56.0%
Income from Commission and Fees	35,640	24,942	42.9%
Net Operating Income	210,567	137,502	53.1%
Total Expenses	(107,182)	(71,526)	49.9%
Net income*	60,548	48,034	26.1%
Direct Credit Facilities, net amortized cost	3,264,580	2,031,147	60.7%
Total Assets	6,957,772	4,311,305	61.4%
Customer Deposits	4,859,864	2,770,807	75.4%
Total Equity	617,348	363,010	70.1%

Capital Adequacy details (JD '000)	FY 22	FY 21	YoY
Risk Weighted Assets	39,84,361	2,384,561	67%
Regulatory Capital	5,47,508	354,650	54%
CET 1	5,13,121	313,659	64%
Tier 2 Capital	34,388	40,992	-16%
Tier 1 Capital ratio	12.88%	13.15%	-28bps
Capital Adequacy Ratio	13.74%	14.87%	-113bps

Ratios	FY 22	FY 21	YoY bps
Net Spread	3.7%	3.6%	4
Cost-to-income	50.9%	52.0%	(112)
ROA*	0.9%	1.1%	(24)
ROE*	9.8%	13.2%	(342)
Funding Cost	3.2%	2.6%	67
Loan-to-Deposit ratio	67.2%	73.3%	(613)
NPL %	3.4%	3.5%	(7)

** Note: Net income, RoA and RoE excludes one-off expenses*

Key Positives: Deposits growth (+75.4% YoY) outpaced loan growth (60.7% YoY); Net interest income grew (+56% YoY); Cost-income ratio improved 111bps to 50.9%; Net profit (+10.2% YoY) growth was primarily due to strong growth in net interest income (+56.0% YoY) and commission and fee income (+42.9% YoY) but was offset by increase in operating expenses (+49.9% YoY) on account of SGBJ mergers.

Key Negatives: RoA and RoE reported a decline of 24bps YoY and 342bps YoY to 0.9% and 9.8%, respectively, due to rise in total equity by 70.1% YoY; CAR at 13.74% below regulatory requirement of 14.1% by the Central Bank of Jordan, however, well above 12.0% requirement by Basel.

Iraq Operations Update:

- Total loans and customer deposits reported growth 10.0% YoY and 33.1% YoY in FY22
- Operating income increased by 31.6% QoQ leading to a NIM of 6.7% in FY22
- NPL / Coverage ratio% increased to 2.6% / 173% in FY22 from 2.5% / 153% in FY21
- CAPL's presence in Iraq and Saudi Arabia will maximize utilization of the trade window between Saudi Arabia and Iraq which should support non-interest income

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

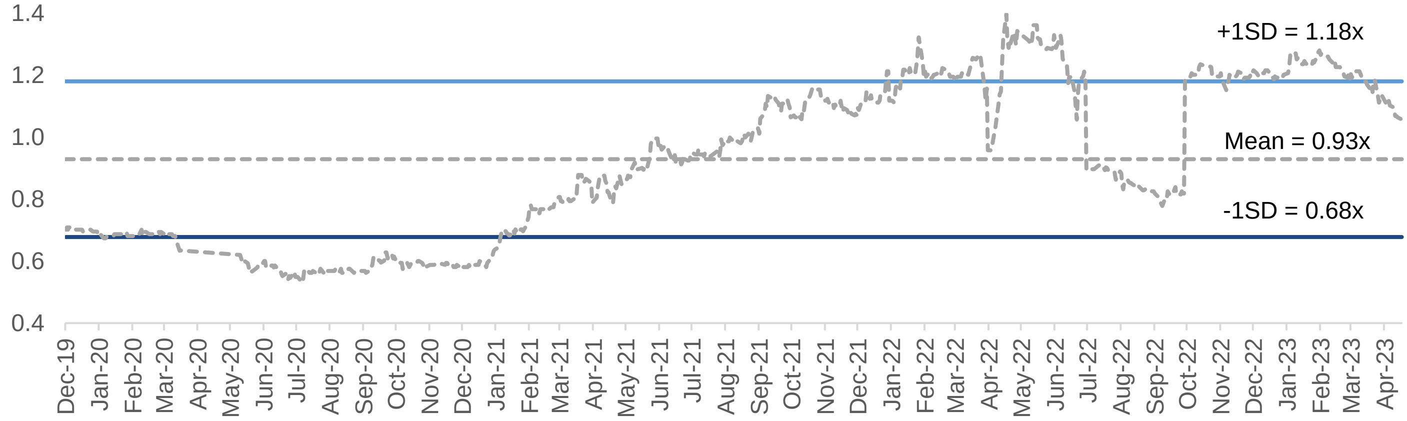
Valuation & Recommendation

CAPL has emerged as a geographically well-diversified bank with its presence in Jordan, subsidiary in Iraq 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 to foster the growth of CAPL. 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 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 improve from present level of mid-50s to around 40% over the next three to five years on the back of merger related synergies (costs / 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 (-2.3%) YTD. However, we see an upside of 38.0% as the bank is set to benefit from the investment of the sovereign wealth capital of Saudi Arabia and taking measures for the improvement of digitalization through mobile apps and digital banking.

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%	3.24
Justified PB	40.0%	2.98
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 3.24 per share

The valuation is based on the Bank's 5-year residual income. Beyond FY 2027F we have estimated the terminal value of the residual income, based on the terminal growth rate of 3.7%.

Residual income valuation summary

Particulars (JD '000)	2023F	2024F	2025F	2026F	2027F	Terminal
Forecast equity (adjusted for one-offs)	6,80,661	7,37,802	7,91,224	8,49,671	9,24,843	
Forecasted net profit (adjusted for one-offs)	**93,036**	**1,09,749**	**1,32,334**	**1,53,140**	**1,80,387**	
Capital charge (Average forecasted equity * COE)	100,267	109,571	118,112	126,753	137,075	
Economic value added	(7,231)	177	14,222	26,386	43,312	382,275
NPV	**(6,535)**	**139**	**9,650**	**15,492**	**22,026**	**194,406**
Book value FY22	**617,348**					
EVA flows 2023-2027	40,772					
Terminal value	194,406					
Target equity value	**852,526**					
Shares outstanding ('000)	263,037					
Target value per share (JD)	**3.24**					

Source: Company reports, Mubasher estimates

Cost of equity calculations considered the Risk-free rate as 9.9% based on US risk free rate 3.60% adjusted with the inflation differential of 0.5% and default spread of 5.5%. Overall, we see a case for narrower risk of discount on the shares resulting from the rising inflation and high reserve ratio impacting the liquidity. The beta is 0.7, vis-à-vis the Amman stock exchange index. Given that the bank reported capital adequacy lower than regulatory requirement is an area of concern and we have factored that in the cost of equity. We believe cost of equity will be dearer to the company by ~50bps to 15.4%.

Terminal growth rate is conservatively assumed at 3.7% following the IMF's revision of its long-term GDP growth estimates for Jordan and Iraq until FY2027.

Sensitivity analysis (JD per share)

		Terminal Growth Rate				
		1.7%	2.7%	3.7%	4.7%	5.7%
Cost of Equity	13.4%	3.83	3.95	4.08	4.25	4.47
	14.4%	3.45	3.53	3.62	3.74	3.88
	15.4%	3.12	3.18	**3.24**	3.32	3.41
	16.4%	2.84	2.88	2.92	2.97	3.03
	17.4%	2.60	2.62	2.65	2.68	2.71

Fair value estimated at JD2.98 per share based on a justified PB multiple of 1.15x

RoAE, CoE and terminal growth rate, contribute to a justified PB multiple of 1.15x. The justified PB multiple and FY 2023F book value per share of JD 2.6, leads to a fair value estimate of JD 2.98 per share.

Justified PB valuation

Justified P/B	
ROAE (Sustainable)	17.2%
Cost of Equity	15.4%
Terminal growth rate	3.7%
Target P/BV	1.15
Book value per share 2023F	2.59
Value per share (JD)	**2.98**

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 USD911 mn, we have taken peers in the range of ~USD150 mn to ~USD4.5 bn attaching 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 1.11x. Based on these estimates, the shares are valued at JD2.86 per share

Relative valuation

PB valuation	
Weighted average PB multiple	1.01x
Discount / Premium	10.0%
Target multiple	1.11x
Book value per share (JD)	2.59
Value per share (JD)	**2.86**

Source: Mubasher estimates

Peer table (as of March 2023)

Banks	Market Cap (USD mn)	P/E(x)	P/B (x)	ROE (%)	ROA (%)	NPM (%)
Capital Bank of Jordan	911	7.5	1.0	9.8%	0.9%	38.0%
Jordanian Peers						
Arab Bank Plc	4,218	8.3	0.4	5.4%	0.8%	23.4%
The Housing Bank for Trade and Finance	1,638	9.0	1.0	11.0%	1.6%	34.2%
Bank of Jordan	592	10.5	0.8	8.0%	1.4%	27.0%
Bank Al Etihad	485	10.0	0.8	7.8%	0.5%	15.0%
Cairo Amman Bank	343	7.0	0.6	8.8%	1.0%	21.9%
Arab Jordan Investment Bank	260	10.2	0.9	8.5%	0.8%	26.5%
Safwa Islamic Bank	257	12.9	1.1	8.9%	0.7%	23.4%
Invest Bank Co	223	7.9	0.8	10.6%	1.5%	29.0%
Weighted average* (Jordanian peers)		**8.8**	**0.6**	**7.4%**	**1.0%**	**25.5%**
MENA Peers						
Burgan Bank	2,530	18.8	1.0	5.6%	0.7%	21.8%
National Bank Of Ras Al-Khaimah	2,396	7.5	1.0	13.5%	1.9%	33.9%
Al Ahli Bank Of Kuwait	1,870	22.2	1.1	5.0%	0.5%	19.2%
Sharjah Islamic Bank	1,683	9.3	1.1	11.2%	1.1%	40.4%
Warba Bank	1,850	31.8	1.6	5.0%	0.5%	20.2%
National Bank Of Oman Saog	1,200	11.0	1.0	8.5%	1.2%	34.9%
Banque Intl Arabe De Tunisie	1,047	8.3	1.7	20.5%	1.9%	32.1%
HSBC Bank Oman	831	9.6	0.9	8.0%	1.2%	36.9%
Al Salam Bank Bahrain	875	9.4	1.0	10.5%	1.0%	39.0%
Bank Nizwa	558	14.8	0.9	5.9%	1.0%	28.5%
Attijari Bank	564	8.8	2.0	23.4%	1.9%	30.3%
Ajman Bank	892	20.1	1.3	6.3%	0.7%	24.8%
Credit Agricole Egypt	380	4.9	1.2	26.0%	3.6%	43.2%
Weighted average* (MENA peers)		**15.1**	**1.2**	**9.8%**	**1.0%**	**29.3%**
Weighted average* (all peers)		**13.1**	**1.0**	**9.0%**	**1.0%**	**28.2%**

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

Key investment risks include slower than expected economic growth, unfavorable monetary policy, devaluation of Iraqi Dinar and capital adequacy below regulatory requirement

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 Nov'22 to Feb'23, the Central Bank of Jordan raised the interest rates by another 150 bps to 6.75%, in line with the 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.

Capital adequacy ratio below regulatory requirement: As of December 2022, the bank has reported CAR of 13.74%, below minimum capital requirement by Central Bank of Jordan. However, we see it as a temporary headwind due to high RWAs growth and removal of some provisions from CAR and cash dividends. The bank is expected to be reverse CAR in Q1 FY23, to meet the regulatory requirements.

Annexures

Income Statement (JD mn)	2021	2022	2023F	2024F	2025F	2026F	2027F
Interest Income	181	321	490	623	755	896	1,063
Interest Expense	(79)	(161)	(265)	(348)	(425)	(515)	(621)
Net Interest Income	**102**	**159**	**225**	**275**	**330**	**381**	**442**
Fees Income	25	36	45	54	65	76	89
Non-Interest Income	**11**	**16**	**21**	**24**	**27**	**31**	**35**
Total operating income	**138**	**211**	**291**	**354**	**422**	**488**	**565**
Total expenses	(72)	(107)	(127)	(151)	(178)	(202)	(231)
Pre Provision Profit	**66**	**103**	**165**	**202**	**244**	**285**	**334**
Loan loss charges	(20)	(29)	(57)	(76)	(93)	(110)	(129)
Profit Before Tax	**71**	**97**	**104**	**123**	**148**	**171**	**201**
Income Taxes	(10)	(6)	(7)	(8)	(9)	(11)	(13)
Profit After Tax	**61**	**91**	**97**	**115**	**138**	**160**	**189**
Minority Interest	18	(4)	(4)	(5)	(6)	(7)	(8)
Net Income	**79**	**87**	**93**	**110**	**132**	**153**	**180**
EPS (JD)	0.39	0.33	0.35	0.42	0.50	0.58	0.69

Source: Company reports, Mubasher estimates

Balance Sheet (JD mn)	2021	2022	2023F	2024F	2025F	2026F	2027F
Cash & Cash Equivalent	426	781	1,043	1,088	936	989	1,406
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	96	144	203	279	377
Fixed Assets	52	91	107	127	150	177	208
Other Assets	194	577	645	724	831	977	1,155
Total Assets	**4,311**	**6,958**	**8,910**	**10,036**	**11,346**	**12,891**	**15,572**
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	211	222	236	251	269
Retained earnings	122	167	221	267	307	350	408
Others	(16)	(15)	(15)	(15)	(15)	(15)	(15)
Minority Interest	29	35	40	45	51	58	66
Total Equity	**392**	**653**	**720**	**782**	**842**	**908**	**991**
Total Equity & Liabilities	**4,311**	**6,958**	**8,910**	**10,036**	**11,346**	**12,891**	**15,572**
BVPS (JD)	1.82	2.35	2.59	2.80	3.01	3.23	3.52

Source: Company reports, Mubasher estimates

Cash Flow Statement (JD in Mn)	2021	2022	2023F	2024F	2025F	2026F	2027F
Profit before tax	**71**	**97**	**104**	**123**	**148**	**171**	**201**
Depreciation and amortization	10	15	(2)	(7)	(12)	(20)	(30)
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**	**160**	**193**	**229**	**262**	**301**
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	738	(97)	(206)	(370)	211
Income tax paid	(7)	(14)	(7)	(8)	(9)	(11)	(13)
Cash flow from operating activities	**282**	**475**	**731**	**(105)**	**(215)**	**(380)**	**199**
Net Purchase of Property & Eqp.	(18)	(21)	(24)	(28)	(34)	(39)	(45)
Net Purchase of intangible assets	(10)	(33)	(26)	(30)	(35)	(43)	(53)
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)**	**(641)**	**(211)**	**(438)**	**(284)**	**(814)**
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)	(53)	(79)	(95)	(105)
Cash flow from financing activities	**53**	**340**	**266**	**362**	**501**	**717**	**1,031**
Net change in cash balances	41	496	357	45	(152)	53	417

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%	8.5%	8.9%	9.1%
Funding Cost	2.6%	3.2%	3.7%	4.1%	4.4%	4.7%	4.8%
NIM	3.5%	3.4%	3.5%	3.6%	3.7%	3.8%	3.8%
Capital Adequacy (%)							
Tier 1 Ratio	13.2%	12.9%	13.3%	13.3%	13.4%	13.4%	13.5%
CAR	14.9%	13.7%	14.1%	14.1%	14.1%	14.1%	14.1%
Total RWA (JD mn)	2,385	3,984	4,697	5,412	6,256	7,223	8,574
Liquidity Ratios (%)							
Customer Deposits to Equity	7.6	7.9	9.2	9.2	9.4	9.4	10.0
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%	49.0%	50.9%	52.5%	50.8%
Income statement ratio %							
Fees Income/ Total Income	18.1%	16.9%	15.5%	15.4%	15.5%	15.5%	15.7%
Cost to Income Ratio	52.0%	50.9%	43.5%	42.8%	42.2%	41.5%	40.8%

Source: Company reports, Mubasher estimates

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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