

CAPITAL BANK OF JORDAN

EPS advances by 10%, despite significantly improved provision buffers and higher NoS

- Operating profit surged by 169% y/y in Q4 22, taking the FY growth to 43%, aided by strong B/S activity, NIM expansion, despite OpEx growth in Q4.
- FY 22 EPS missed by 4% on CoR (100bps), as it bolsters provision buffers, with stage 1 coverage doubling to 1.2%, stage 2 at 7.5%, and stage 3 at 49%.
- We raise our TP by 5% to JOD 4.1 as we lift our NIM projections by 7bps, partly negated by higher OpEx and slightly higher CoR. The stock remains compelling at 1x BV and P/E 24e of 5.2x, while offering an EPS CAGR (FY 23e-27e) of 19.5% and RoE of 15.8% in FY23e and 18.8% in FY24e.

FY earnings growth driven by significant balance sheet expansion. Operating profit rose by 169% y/y in Q4 22, taking the FY22 growth to 43% y/y. This was on the back of i) expanding topline, up by 79.7% y/y, on stronger NII (+74% y/y) backed by lending growth of 61% y/y and non-NII (+96% y/y) due to higher F&C (+72.5% y/y) and other income ii) C/I dropping to 47.6% (vs. 65% in Q4 21). However, earnings in Q4 missed ACe by 41% due to higher-than-expected loan loss charges of JOD 22m (vs. 4m in Q4 21). FY 22A loan charges stood at JOD 29m, up +43% y/y. Despite a low RoE in Q4 (7.2%), FY22 RoE reached 19.5% in FY22A, well above its medium target of > 14%.

Deposit base expanded in Q4, but corporate loan balances slipped q/q. Loan growth grew by 60.6% y/y, and 14.6% since the end of Q1 (organically) when SocGen Jordan was consolidated. However, loans contracted by 1.4% q/q in Q4, vs 11.6% q/q growth in Q2 and 4.2% q/q in Q3, due to corporate redemptions. Corporate loans make up 50% of the loan book (vs. 52% in Q3 22, 49% in Q4 21), while the share of retail credit increased to 23% in Q4 21 (vs. 22% in Q3 22, 25% in Q4 21). Deposit growth was 5.1% q/q in Q4 and 5.9% in Q3, reaching 75.4% y/y, albeit largely aided by consolidation effects. Deposit growth outpaced loans YtD by 14.7%, reducing the LtD ratio to 72.3% vs. 76.3% YE 21.

Despite worsening deposit mix, NIM expanded in Q4 22. NIM expanded by 57bps q/q (+20bps y/y) as asset yield growth outpaces the CoF by 57bps q/q (+21bps y/y). However, FY 22 NIM of 3.12% is 2bps lower than FY 21 NIM of 3.14% on a worse deposit mix. Time deposits share increased from 62% YE 21A to 71% in Q4 22 (vs 70% in Q1, 70% in Q2, and 71% in Q3), and CASA share mix slipped from 37% YE 21A to 29% Q4 22A (30% in Q1, 30% in Q2, and 29% in Q3), mainly to due consolidation effects. We have raised our NIM projections after the better-than-expected NIM in Q4.

Provision buffers bolstered due to a catch up in CoR in Q4. CoR came in at 81 bps vs. an NPL formation of 161bps in FY 22, with 125bps of total write offs. Stage 1 loan share improved to 83.1% from 81.0% in Q3 (82.4% YE 21), with coverage almost doubling sequentially to 1.2%, much higher than the YE 21 level of 0.7%, while the share of stage 2 slips to 9.1% from 10.5% in Q3 (9.3% YE 21). Share of stage 3 loans improved by 70bps q/q to 7.8% from 8.5% in Q3 (8.4% YE 21). Stage 2 and 3 loans coverage stand at 7.5% and 49.4%, respectively, compared to 5.6% and 49.5% in Q3 (4.0% and 55.1% YE 21A). We calculate a provision deficit of 1.0% of total loans, lower than the YE21 deficit of 1.4%, vs. our blanket test (1% of stage 1 loans, 12% on stage 2, and 60% on stage 3) and 1.9% Q3 22. Net POCI (After provisions) stand at JOD 49.2m.

CAR fell temporarily just below the regulatory minimum, due to high RWAs growth (2.9% q/q, 65% y/y), removal of some provisions from CAR and cash dividends. RWAs increased by 2.9% q/q in Q4 and 5.3 q/q in Q3, and 65% y/y, with RWA/assets at 56% vs. 57% YE 21. Tier 1 capital slipped to 12.0% in Q4 22A from 13.9% in Q3 22A and CAR to 13.74% in Q4 22A from 14.9% in YE 21A, slightly below the 14.125% requirement of the Central bank of Jordan, however, it will exceed the level by the end of Q1. The JOD 131m capital injection by PIF (at JOD 2.08/share or 11% premium to BVps) during Q2 (3.7% of RWAs) and the ADT1 capital of USD 100m in Q1 (2.5% of RWAs) supported the capital ratios. Liquidity has strengthened, with LtD and LCR ratios of 72.3% and 226%, respectively.

Higher premium valuation warranted by returns and EPS growth. The stock trades at an undemanding FY24e P/E of 5.2x and FY 23 P/NAV of 1.0x, with a DY c.6%. We slightly raise our estimates (higher NIM, partly offset by higher cost growth and CoR). Our updated TP of JOD 4.1 offers a substantial upside.

BUY

JOD 4.1

Banks / JORDAN

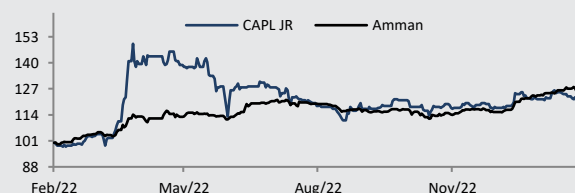
| | |
|----------------|---------|
| Bloomberg code | CAPL JR |
| Market index | Amman |
| Target Price | 4.1 |
| Upside (%) | 72.4 |

Market data 3/29/2023

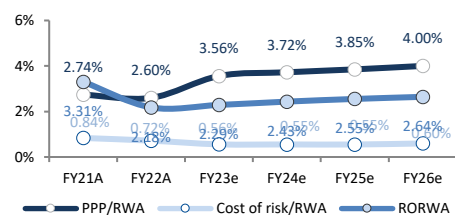
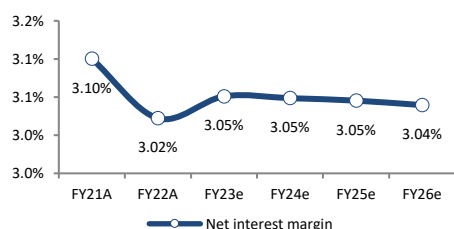
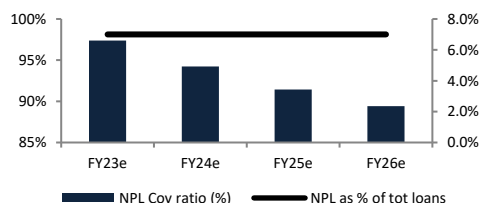
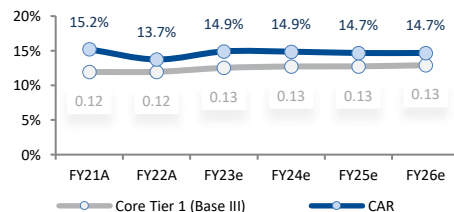
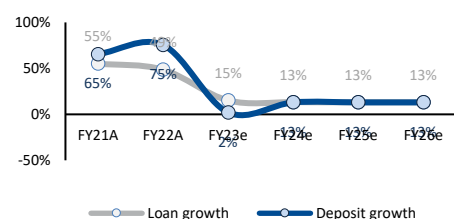
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|------------------------------------|---------|
| Last closing price | 2.4 |
| 52 Week range | 2.0-3.1 |
| Market cap (JOD m) | 621 |
| Market cap (USD m) | 875 |
| Average Daily Traded Value (JOD m) | 0.00 |
| Average Daily Traded Value (USD m) | 0.2 |
| Free float (%) | 46% |

| Year-end (local m) | 2021 | 2022 | 2023e | 2024e |
|---------------------------|------|------|-------|-------|
| Revenues | 138 | 211 | 262 | 296 |
| Pre-provisioning profit | 65 | 103 | 156 | 185 |
| EPS | 0.39 | 0.38 | 0.38 | 0.46 |
| P/E (x) (mkt price) | 6.2 | 6.3 | 6.4 | 5.3 |
| BVPS | 1.8 | 2.7 | 2.5 | 2.8 |
| Tangible BVPS | 1.7 | 2.5 | 2.4 | 2.6 |
| P/B (x) (mkt price) | 1.3 | 0.9 | 1.0 | 0.9 |
| P/TBVPS (x) (mkt price) | 1.5 | 1.0 | 1.0 | 0.9 |
| DPS | 0.15 | 0.17 | 0.18 | 0.23 |
| Div. yield (%) | 6.2 | 7.2 | 7.4 | 9.5 |
| EPPS | 0.12 | 0.03 | 0.05 | 0.09 |
| RoAA (%) | 2.2 | 1.5 | 1.4 | 1.4 |
| RoRWA (%) | 3.3 | 2.2 | 2.3 | 2.4 |
| RoATE (%) | 25.5 | 19.5 | 17.0 | 18.4 |
| RoEcc (%) | 26.6 | 17.2 | 18.1 | 19.5 |
| RAROC (%) | 20.9 | 11.2 | 8.6 | 10.1 |
| Net LtD ratio (%) | 79.3 | 67.2 | 75.8 | 75.9 |
| Risk Weighted Assets (bn) | 2.4 | 4.0 | 4.4 | 5.0 |
| Core Equity T1 ratio (%) | 11.9 | 12.0 | 12.5 | 12.7 |
| Tier 1 capital ratio (%) | 13.2 | 12.9 | 14.1 | 14.2 |
| Total capital ratio (%) | 15.2 | 13.7 | 14.9 | 14.9 |
| NPL ratio (%) | 6.5 | 6.2 | 7.0 | 7.0 |
| Coverage ratio (%) | 82.1 | 88.9 | 97.4 | 94.2 |
| 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 | 2023e | 2024e | 2025e | 2026e |
|--|--------|-------|--------|-------|-------|-------|
| Performance analysis | | | | | | |
| Net Interest Margin (%) | 3.10 | 3.02 | 3.05 | 3.05 | 3.05 | 3.04 |
| Asset yield (%) | 5.49 | 5.55 | 6.05 | 6.05 | 6.05 | 6.05 |
| Cost of Funds (%) | 2.73 | 2.91 | 3.35 | 3.35 | 3.35 | 3.35 |
| Risk Adjusted Margins (%) | 2.49 | 2.48 | 2.70 | 2.70 | 2.69 | 2.66 |
| Cost / Income (%) | 52.5 | 50.9 | 40.4 | 37.4 | 34.8 | 32.5 |
| Net Interest Income / total income (%) | 74.2 | 75.6 | 80.1 | 80.2 | 80.4 | 80.7 |
| Fees & Commissions / operating income (%) | 18.1 | 16.9 | 14.8 | 14.8 | 14.7 | 14.5 |
| Trading gains / operating income (%) | 0.3 | (0.3) | 0.6 | 0.6 | 0.6 | 0.6 |
| RoATE (%) | 25.5 | 19.5 | 17.0 | 18.4 | 19.6 | 20.4 |
| Pre-prov. RoATE (%) | 29.7 | 20.7 | 20.0 | 21.4 | 22.6 | 23.7 |
| RoAA (%) | 2.2 | 1.5 | 1.4 | 1.4 | 1.5 | 1.6 |
| Revenue / RWA (%) | 5.77 | 5.28 | 5.97 | 5.94 | 5.91 | 5.93 |
| Costs / RWA (%) | 3.03 | 2.69 | 2.41 | 2.22 | 2.05 | 1.92 |
| PPP / RWA (%) | 2.74 | 2.60 | 3.56 | 3.72 | 3.85 | 4.00 |
| Cost of Risk / RWA (%) | 0.84 | 0.72 | 0.56 | 0.55 | 0.55 | 0.60 |
| RoRWA (%) | 3.31 | 2.18 | 2.29 | 2.43 | 2.55 | 2.64 |
| RoRWA (%) (adj. for gross-up of associates) | 3.31 | 2.18 | 2.29 | 2.43 | 2.55 | 2.64 |
| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
| Asset Quality | | | | | | |
| Provisions charge / avg. gross loans (%) | 1.1 | 1.0 | 0.7 | 0.7 | 0.7 | 0.7 |
| Past due not impaired / gross loans (%) | 3.0 | 3.4 | 4.9 | 4.7 | 4.5 | 4.3 |
| NPL / gross loans (%) | 6.5 | 6.2 | 7.0 | 7.0 | 7.0 | 7.0 |
| NPL coverage ratio (%) | 82.1 | 88.9 | 97.4 | 94.2 | 91.5 | 89.4 |
| Provisions / avg. gross loans (%) | 3.0 | 3.4 | 4.9 | 4.7 | 4.5 | 4.3 |
| Provisions charge / operating income (%) | 30.6 | 27.7 | 17.6 | 15.7 | 15.1 | 15.8 |
| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
| Funding and Liquidity | | | | | | |
| Net Loans / Deposits (%) | 79.3 | 67.2 | 75.8 | 75.9 | 76.1 | 76.2 |
| Cash and interbank / assets (%) ^[1] | 8.3 | 12.2 | 7.8 | 6.5 | 5.4 | 4.4 |
| Deposits / liabilities (%) | 70.7 | 77.1 | 69.3 | 69.1 | 69.0 | 68.9 |
| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
| Capital and leverage ratios | | | | | | |
| Core Tier 1 ratio (Basel III) (%) | 11.9 | 12.0 | 12.5 | 12.7 | 12.7 | 12.9 |
| Tier 1 ratio (%) | 13.2 | 12.9 | 14.1 | 14.2 | 14.0 | 14.0 |
| Total capital ratio (%) | 15.2 | 13.7 | 14.9 | 14.9 | 14.7 | 14.7 |
| Tangible equity / assets (%) | 9.1 | 9.4 | 9.0 | 8.7 | 8.5 | 8.3 |
| RWA / assets (%) | 55.3 | 57.3 | 55.7 | 56.1 | 56.3 | 55.9 |
| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
| Growth | | | | | | |
| Revenues (%) | 24.6 | 53.1 | 24.3 | 13.1 | 12.9 | 12.6 |
| Cost (%) | 50.1 | 48.3 | (1.3) | 4.6 | 5.1 | 5.0 |
| Pre-Provision Operating Profit Growth (%) | 4.9 | 58.5 | 50.7 | 18.9 | 17.5 | 16.6 |
| Provisions (%) | (17.6) | 43.4 | (15.0) | 13.0 | 13.0 | 21.7 |
| Net Profit (%) | 203.6 | 10.2 | 15.4 | 21.0 | 19.0 | 16.3 |
| Assets (%) | 56.8 | 61.4 | 13.0 | 13.0 | 13.0 | 13.0 |
| Loans (%) | 55.2 | 48.6 | 15.1 | 13.3 | 13.2 | 13.2 |
| Deposits (%) | 65.5 | 75.4 | 2.1 | 13.0 | 13.0 | 13.0 |
| Risk Weighted Assets (%) | 30.6 | 67.1 | 9.9 | 13.7 | 13.6 | 12.2 |

1. Net of Interbank liabilities. Gross cash & interbank / assets = 14.4% in FY 22 and 17.1% in FY 21.

Abacus Arqaam Capital Fundamental Data

Company Profile

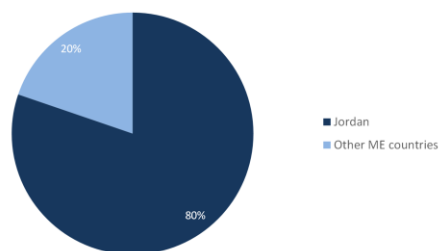
The bank is a public shareholding company registered and incorporated in Jordan on 30 August 1995. The bank provides its banking services through its 23 branches located in Amman – Jordan and its subsidiaries Capital Investment and Brokerage Company in Jordan Ltd (third largest Jordanian bank in assets with a market share of 8.9% and the fastest growing since 2020), National Bank of Iraq in Iraq, Capital Investment Fund Company in Bahrain, and Capital Bank Corporate Advisory (Dubai International Finance Center) Ltd.

CAPL has secured a Ba3 LT counterparty risk rating (foreign and domestic).

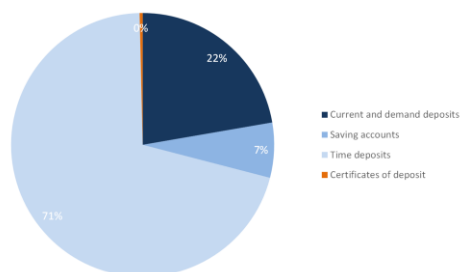
All Board of Directors are non-executive and 6 out of the 13 are independent.

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
Group CEO

Bassem Al-Salem
Dawod Al Ghoul

Major Shareholders

Public Investment Fund (PIF) 23.97%
Saad Asem Aljanabi 7.42%
Social Security Corp 7.19%
Said Samih Darwazeh 5.36%

CAPITAL BANK OF JORDAN

| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|---------------------------------------|------------|------------|------------|------------|------------|------------|
| Income statement (JODmn) | | | | | | |
| Interest income | 181 | 321 | 416 | 471 | 534 | 604 |
| Interest expense | 79 | 161 | 206 | 234 | 265 | 301 |
| Net Interest Income | 102 | 159 | 210 | 238 | 269 | 303 |
| Fee income | 25 | 36 | 39 | 44 | 49 | 54 |
| Net investment income | - | (1) | 1 | 1 | 1 | 2 |
| Other operating income | 11 | 17 | 12 | 14 | 15 | 17 |
| Total operating income | 138 | 211 | 262 | 296 | 334 | 376 |
| Total operating expenses | 72 | 107 | 106 | 111 | 116 | 122 |
| Pre-provision operating profit | 65 | 103 | 156 | 185 | 218 | 254 |
| Net provisions | 20 | 29 | 24 | 27 | 31 | 38 |
| Other provisions / impairment | - | 3 | - | - | - | - |
| Operating profit | 45 | 72 | 132 | 158 | 187 | 216 |
| Associates | - | - | - | - | - | - |
| Pre-tax profit | 45 | 72 | 132 | 158 | 187 | 216 |
| Taxation | 10 | 6 | 20 | 24 | 28 | 32 |
| Net profit | 61 | 91 | 112 | 134 | 159 | 184 |
| Minorities | (18) | 4 | 7 | 8 | 10 | 11 |
| ADT1 coupon | - | - | 5 | 5 | 5 | 5 |
| Others | - | - | - | - | - | - |
| Attributable net profit | 79 | 87 | 100 | 121 | 144 | 168 |
| Diluted EPS | 0.39 | 0.38 | 0.38 | 0.46 | 0.55 | 0.64 |
| DPS | 0.15 | 0.17 | 0.18 | 0.23 | 0.26 | 0.31 |
| BVPS | 1.82 | 2.73 | 2.55 | 2.78 | 3.07 | 3.40 |
| Tangible BVPS | 1.66 | 2.47 | 2.37 | 2.64 | 2.95 | 3.30 |

| Year-end | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|--------------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Balance sheet (JODmn) | | | | | | |
| Gross loans and advances | 2,270 | 3,513 | 3,969 | 4,485 | 5,069 | 5,728 |
| Less: loan loss provisions | 156 | 248 | 211 | 228 | 248 | 272 |
| Net loans and advances | 2,197 | 3,265 | 3,759 | 4,257 | 4,821 | 5,456 |
| Cash and central bank | 426 | 781 | 874 | 994 | 1,128 | 1,279 |
| Due from banks | 313 | 220 | 570 | 644 | 728 | 822 |
| Investment, net | 1,183 | 2,225 | 2,156 | 2,437 | 2,754 | 3,112 |
| Fixed assets, net | 66 | 113 | 64 | 70 | 77 | 84 |
| Other assets | 97 | 296 | 393 | 444 | 502 | 567 |
| Total assets | 4,311 | 6,958 | 7,862 | 8,884 | 10,039 | 11,344 |
| Customer deposits | 2,771 | 4,860 | 4,962 | 5,607 | 6,336 | 7,159 |
| Due to banks | 381 | 149 | 827 | 1,059 | 1,313 | 1,601 |
| Debt | 443 | 755 | 755 | 755 | 755 | 755 |
| Other liabilities | 325 | 541 | 612 | 691 | 781 | 883 |
| Total liabilities | 3,919 | 6,305 | 7,155 | 8,112 | 9,185 | 10,398 |
| Total equity | 392 | 653 | 707 | 773 | 854 | 946 |
| Risk Weighted Assets (bn) | 2 | 4 | 4 | 5 | 6 | 6 |
| Average Interest-Earning Assets | 3,290 | 5,266 | 6,874 | 7,793 | 8,822 | 9,982 |
| Average Interest-Bearing Liabilities | 2,883 | 4,679 | 6,154 | 6,982 | 7,912 | 8,960 |
| Common shareholders | 333 | 559 | 624 | 694 | 777 | 869 |
| Core Equity Tier 1 (Basel III) | 285 | 477 | 549 | 634 | 721 | 819 |
| Tier 1 capital | 314 | 513 | 620 | 705 | 792 | 890 |

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Exhibit 1: Capital Bank of Jordan Q4 22A review

| JODm | Q4 22A | AC Q4 22e | vs. AC | Q3 22A | q/q 22 | Q4 21A | Q3 21A | q/q 21 | y/y Q4 | y/y Q3 | FY 22A | FY 21A | FY y/y |
|----------------------------|-------------|--------------|----------------|-----------|----------------|-------------|-----------|----------------|----------------|---------------|-------------|-------------|--------------|
| Interest Income | 104 | 73 | 42.0% | 86 | 21.0% | 50 | 49 | 3.2% | 106.8% | 76.5% | 321 | 181 | 77.4% |
| Interest expense | 53 | 28 | 93.5% | 46 | 16.9% | 21 | 22 | (2.5%) | 151.8% | 110.0% | 161 | 79 | 105.0% |
| Net interest income | 50 | 46 | 10.9% | 40 | 25.7% | 29 | 27 | 7.9% | 74.0% | 49.4% | 159 | 102 | 56.0% |
| Fee Income | 12 | 10 | 19.0% | 7 | 81.1% | 7 | 5 | 41.9% | 72.5% | 35.2% | 36 | 25 | 42.9% |
| Net Trading Income | 1 | 0 | 77.4% | 0 | nm | 0 | 0 | nm | #DIV/0! | nm | -1 | 0 | nm |
| Other Income | 1 | 0 | 170.1% | 5 | (82.1%) | 3 | 3 | (15.4%) | (69.6%) | 43.7% | 15 | 11 | 38.0% |
| Non-interest income | 14 | 11 | 25.0% | 12 | 16.7% | 10 | 8 | 18.7% | 36.4% | 38.6% | 49 | 35 | 38.4% |
| Total income | 64 | 57 | 13.6% | 52 | 23.6% | 39 | 35 | 10.5% | 64.3% | 46.8% | 208 | 138 | 51.5% |
| Operating expenses | 33 | 26 | 26.9% | 29 | 15.1% | 25 | 18 | 40.1% | 31.6% | 60.1% | 107 | 72 | 48.3% |
| Operating profit | 31 | 30 | 2.0% | 23 | 34.4% | 14 | 17 | (20.7%) | 125.0% | 32.8% | 101 | 65 | 55.0% |
| ILP | 22 | 2 | 1134.7% | 1 | nm | 4 | 5 | (23.2%) | 487.2% | (83.6%) | 29 | 20 | 43.4% |
| Taxes | -4 | 8 | (147.0%) | 2 | (249.8%) | 2 | 3 | (10.3%) | (258.3%) | (5.3%) | 6 | 10 | (37.5%) |
| Group Net income | 11 | 20 | (46.8%) | 20 | (45.4%) | 8 | 10 | (13.9%) | 30.2% | 105.3% | 91 | 61 | 48.9% |
| Attributable NI | 11.1 | 19 | (40.6%) | 19 | (40.6%) | 29.4 | 8 | 269.3% | (62.4%) | 133.3% | 86.8 | 78.8 | 10.2% |
| Annualised NIMs | 3.17% | 2.86% | | 2.63% | | 2.97% | 3.02% | | | | 3.02% | 3.10% | |
| Cost/income | 52.1% | 46.6% | | 55.9% | | 65.0% | 51.3% | | | | 51.4% | 52.5% | |
| Loans to deposits | 72.3% | 72.0% | | 77.0% | | 81.9% | 83.6% | | | | 72.3% | 81.9% | |
| Annualized ILP | 2.56% | 0.21% | | 0.09% | | 0.67% | 0.96% | | | | 0.81% | 0.88% | |
| Gross Loans | 3,513 | 3,499 | 0.4% | 3,563 | (1.4%) | 2,270 | 2,075 | | 54.8% | 71.7% | 3,513 | 2,270 | 54.8% |
| Net Loans | 3,265 | 3,325 | (1.8%) | 3,297 | (1.0%) | 2,197 | 2,005 | | 48.6% | 64.4% | 3,265 | 2,197 | 48.6% |
| Customer deposits | 4,860 | 4,860 | (0.0%) | 4,626 | 5.1% | 2,771 | 2,483 | | 75.4% | 86.3% | 4,860 | 2,771 | 75.4% |

Source: Company Data, Arqaam Capital Research

Exhibit 2: Earnings estimate changes

| JOD m | FY 23e | | | FY 24e | | | FY 25e | | | FY 26e | | |
|----------------------------|------------|------------|-------------|------------|------------|---------------|------------|------------|-------------|------------|------------|-------------|
| | New | Old | Δ | New | Old | Δ | New | Old | Δ | New | Old | Δ |
| Net interest income | 210 | 199 | 5.3% | 238 | 230 | 3.3% | 269 | 260 | 3.3% | 303 | 294 | 3.3% |
| Fee income | 39 | 40 | (2.9%) | 44 | 44 | (1.1%) | 49 | 49 | (0.2%) | 54 | 55 | (0.2%) |
| Investment income | 1 | 1 | 9.0% | 1 | 1 | 1.1% | 1 | 1 | 1.1% | 2 | 1 | 1.1% |
| Non-interest income | 52 | 52 | 0.7% | 58 | 57 | 2.1% | 65 | 64 | 2.9% | 73 | 71 | 2.9% |
| Total income | 262 | 251 | 4.3% | 296 | 287 | 3.0% | 334 | 324 | 3.3% | 376 | 364 | 3.2% |
| Opex | 106 | 102 | 3.7% | 111 | 106 | 4.1% | 116 | 112 | 4.2% | 122 | 117 | 4.2% |
| Operating income | 156 | 149 | 4.7% | 185 | 181 | 2.4% | 218 | 212 | 2.8% | 254 | 247 | 2.7% |
| Loan loss provision | 24 | 20 | 18.6% | 27 | 23 | 18.6% | 31 | 29 | 8.8% | 38 | 38 | 0.4% |
| Other provision | - | - | - | - | - | - | - | - | - | - | - | - |
| Net income reported | 105 | 103 | 2.5% | 126 | 126 | (0.0%) | 149 | 147 | 1.8% | 173 | 167 | 3.2% |
| Net income adjusted | 100 | 98 | 2.7% | 121 | 121 | (0.0%) | 144 | 142 | 1.9% | 168 | 162 | 3.3% |
| Ratios | | | | | | | | | | | | |
| NIM | 3.05% | 2.91% | 0.14% | 3.05% | 2.97% | 0.08% | 3.05% | 2.96% | 0.08% | 3.04% | 2.96% | 0.08% |
| Cost/income | 40.4% | 40.6% | (0.2%) | 37.4% | 37.0% | 0.4% | 34.8% | 34.5% | 0.3% | 32.5% | 32.1% | 0.3% |
| ILP | 0.65% | 0.55% | 0.10% | 0.65% | 0.55% | 0.10% | 0.65% | 0.60% | 0.05% | 0.70% | 0.70% | 0.00% |
| NPL | 3.5% | 3.6% | -0.02% | 3.5% | 3.6% | -0.02% | 3.5% | 3.6% | -0.02% | 3.5% | 3.6% | -0.02% |
| Coverage | 97.4% | 1.6% | 95.77% | 94.2% | 1.6% | 92.62% | 91.5% | 1.6% | 89.84% | 89.4% | 1.6% | 87.80% |
| Growth | | | | | | | | | | | | |
| Assets | 13% | 13% | - | 13% | 13% | - | 13% | 13% | - | 13% | 13% | - |
| Loan | 13% | 13% | - | 13% | 13% | - | 13% | 13% | - | 13% | 13% | - |
| Deposit | 2% | 13% | (10.9%) | 13% | 13% | - | 13% | 13% | (0.0%) | 13% | 13% | - |
| JD | | | | | | | | | | | | |
| EPS | 0.38 | 0.37 | 2.7% | 0.46 | 0.46 | (0.0%) | 0.55 | 0.54 | 1.9% | 0.64 | 0.62 | 3.3% |
| TP | 4.1 | 3.9 | | | | | | | | | | |

Source: Company Data, Arqaam Capital Research

Exhibit 3: Capital Bank of Jordan EVA

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e | 2027e | perp | subtotal | % of total |
|---|------------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------|--------------|--------------|
| 1. DCF | | | | | | | | | | | | | | | |
| Net profit | 12 | 24 | 31 | 25 | 26 | 79 | 87 | 100 | 121 | 144 | 168 | 192 | 200 | | |
| Other adjustments (comprehensive income and GW amoi | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | | |
| Minus: excess return excess capital | 8 | 9 | 8 | 9 | 5 | 3 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | | |
| 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% | | |
| Tax shelter | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | | |
| Adjusted net profit | 5 | 16 | 23 | 16 | 21 | 76 | 82 | 95 | 117 | 140 | 163 | 187 | 194 | | |
| Capital requirements | 191 | 182 | 178 | 196 | 219 | 286 | 478 | 526 | 598 | 679 | 761 | 863 | 898 | | |
| RoTEC | 2.5% | 8.7% | 13.0% | 8.3% | 9.4% | 26.6% | 17.2% | 18.1% | 19.5% | 20.6% | 21.4% | 21.7% | 21.7% | | |
| Cost of capital | 15.5% | 15.5% | 15.5% | 15.5% | 15.5% | 15.5% | 15.5% | 15.5% | 15.5% | 15.5% | 15.5% | 15.5% | 15.5% | | |
| Capital charge | 30 | 28 | 28 | 30 | 34 | 44 | 74 | 81 | 93 | 105 | 118 | 134 | 130 | | |
| Economic profit | (25) | (12) | (4) | (14) | (13) | 32 | 8 | 13 | 24 | 34 | 45 | 53 | 55 | | |
| Discount factor | -- | -- | -- | -- | -- | -- | -- | 1.00 | 0.87 | 0.75 | 0.65 | 0.56 | 0.49 | | |
| NPV of Economic Profit | -- | -- | -- | -- | -- | -- | -- | 13 | 21 | 26 | 29 | 30 | 27 | | |
| DCF EVA Forecast period | | | | | | | | | | | | | | 119 | 11.1% |
| Perpetual growth rate (nominal GDP) | | | | | | | | | | | | | 4.0% | | |
| Terminal Value | | | | | | | | | | | | | 480 | | |
| Terminal value discounted | | | | | | | | | | | | | | 234 | 21.8% |
| Required Capital | | | | | | | | | | | | | | 478 | 44.7% |
| Value of the bank operations | | | | | | | | | | | | | | 831 | 77.6% |
| 2. Capital surplus/deficit | | | | | | | | | | | | | | | |
| Available capital: | | | | | | | | | | | | | | | |
| Shareholders equity | 278 | 292 | 287 | 294 | 307 | 363 | 617 | 670 | 731 | 807 | 893 | 996 | | | |
| Minorities | 56 | 58 | 50 | 54 | 48 | 29 | 35 | 37 | 42 | 47 | 53 | 60 | | | |
| Less Goodwill & intangibles | (6) | (6) | (11) | (3) | (22) | (31) | (58) | (47) | (37) | (30) | (24) | (19) | | | |
| Less non equity elements reported shareholders equity | | | | | | | | | | | | | | | |
| Less Dividends (if included in reported equity) | (10) | (20) | (20) | -- | (24) | (30) | (39) | (47) | (60) | (68) | (82) | (89) | | | |
| Tangible equity | 319 | 324 | 306 | 344 | 310 | 332 | 555 | 613 | 675 | 756 | 841 | 947 | | | |
| Capital needs | | | | | | | | | | | | | | | |
| RWAs (Basel II) | 1,590 | 1,514 | 1,486 | 1,630 | 1,826 | 2,385 | 3,984 | 4,380 | 4,981 | 5,657 | 6,345 | 7,193 | | | |
| RWAs (Basel III) | 1,590 | 1,514 | 1,486 | 1,630 | 1,826 | 2,385 | 3,984 | 4,380 | 4,981 | 5,657 | 6,345 | 7,193 | | | |
| 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% | | | |
| Financial stakes | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | | | |
| Capital Requirements | 191 | 182 | 178 | 196 | 219 | 286 | 478 | 526 | 598 | 679 | 761 | 863 | | | |
| Surplus capital | 128 | 142 | 128 | 149 | 91 | 46 | 77 | 87 | 77 | 77 | 80 | 84 | | 77 | 7.2% |
| 3. Other adjustments | | | | | | | | | | | | | | | |
| Capital increase during 2022 | | | | | | | | | | | | | | 131 | |
| ADT1 | | | | | | | | | | | | | | 35 | |
| Underprovisioning | | | | | | | | | | | | | | (43) | |
| Total adjustments | | | | | | | | | | | | | | 123 | 11.5% |
| 4. Dividends | | | | | | | | | | | | | | | |
| Total Fair Value | | | | | | | | | | | | | | 1,070 | 100% |
| Fully diluted number of shares | | | | | | | | | | | | | | 263 | |
| Fair value per share | | | | | | | | | | | | | | 4.1 | |
| Current share price | | | | | | | | | | | | | | 2.4 | |
| Upside | | | | | | | | | | | | | | 67.5% | |
| Implied P/E (x) | 65.4 | 33.4 | 26.3 | 32.4 | 31.4 | 10.3 | 10.6 | 10.7 | 8.8 | 7.4 | 6.4 | 5.6 | | | |
| Implied P/NAV (x) | 3.0 | 2.8 | 2.9 | 2.8 | 2.8 | 2.4 | 1.6 | 1.7 | 1.5 | 1.4 | 1.2 | 1.1 | | | |

Source: Company Data, Arqaam Capital Research

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|-------------|-------------------|
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