

CAPITAL BANK OF JORDAN

Lower rates to support the outlook, offsetting softer balance sheet activity.

- We raised our NIM forecasts by 20-34bps given the ALM position that allows the bank to benefit from lower rates on its FX book (USD and EUR). Meanwhile, F&C has also been robust thanks to the corporate finance LoB. However, the uplift is offset by softer balance sheet growth (due to lower domestic growth), higher CoR following new NPLs, and a higher share of minorities.
- The capital position improved after a temporary drop below the minimum threshold in Q1, helped by lower risk-weighted intensity and capital generation.
- We expect the RoE to increase to 17.7% in FY24e from 13.9% in FY23 (vs. 18.5% and 14.8% before coupons) on higher NIMs, neutral JAWs, and slightly lower credit provisions, 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 5x vs. a mid-cycle RoE of c17.7% and FY26 target > 16%. Our TP of JOD 4.0 offers a significant upside.

We expect the bank to benefit from lower rates in FY24e given the negative 12-month ALM gap of 27.4% of assets (mainly on USD and EUR assets). We raised our revenue FY24-26e estimates by 10-14% on the back of higher NIM forecasts (+20-34bps) and higher non-funded income (+38%), mainly aided by strong fees from corporate finance. It is particularly geared to lower policy rates on its USD and EUR assets. The uplift is negated by softer BS activity, higher CoR and a higher share of minorities. We forecast 10% balance sheet growth, a cumulative NIM expansion of 54bps over FY24e-26e, positive JAWs as of FY25e, and slight moderation in credit charges after the unexpected pick up in NPL formation YtD. This translates into a RoE of 13.9% (net of perpetual coupons) in FY23e, 17.7% in FY24e, and 20.4% in FY25e.

Tepid net income growth of 4.8% y/y, hindered by higher policy rates and costs. Group EPS expanded 4.8% y/y in Q3 but was below our estimates on lower NIM y/y because of a negative ALM gap, higher than expected OpEx growth on higher business volumes, and CoR on an NPL pickup. However, operating profit rose by 170% y/y (21.3% q/q) in Q3 23, driven by topline growth and efficiency, and M&A impact. Revenues advanced 83% y/y (+17.3% q/q, 35.6% vs ACe) on the back of i) higher non-NII (+3.5x y/y) as the BS activity bolsters F&C (+5.8x y/y) and other income (+34% y/y). However, NIM compressed by 24bps y/y due to the negative 12-month ALM gap (more liabilities repricing than assets) but expanded by 7bps sequentially to 2.39%. The C/I improved to 34.9% (vs. 37.1% in Q2 23 and 55.9% in Q3 22), almost meeting its FY26e target of < 35%. Still, EPS in Q3 missed ACe by 18.2% due to higher-than-expected loan loss charges of JOD 19m (+79% vs ACe), higher OpEx growth (+6.5% vs ACe), despite the 101% surprise on fee income, and higher than expected taxes of JOD 9 (+2x vs ACe, +2.6x y/y).

Loan market share slips YTD as credit book contracts in Q3. The loan book contracted by 1.2% sequentially, but remains 5.4% higher than a year ago, driven by retail (+23% y/y) and contributing 93% of total book expansion, and GRE loans (+53% y/y), despite a contraction in large corporate book (-8% y/y). This is well behind its long-term growth targets. Corporate loans make up 46% of the loan book (vs. 50% YE 22), and the share of retail credit expanded to 26% (vs. 23% YE 22). The deposit growth was 16% y/y (+10.4% YtD), mainly driven by current accounts (+62% YtD), while time deposits contracted by 5.2% over the same period. The share of non-interest-bearing deposits increased to 27% vs. 17% as of YE 22, in line with its funding strategy. Corporate deposits increased to 35% of the total vs. 33.7% YE 22, while retail share dropped to 45% from 47%. Time deposits plunged to 61% from 71% in Q4 22 (vs 71% in Q3 22), as the CASA share mix expanded to 39% vs 29% in Q4 22A (vs 29% in Q3 22). Deposit growth outpaced loans YtD by 3.5%pts, reducing the LtD ratio to 70% vs. 72% YE 22. The bank's deposit market share slipped to 9.1% in Aug-23 vs 9.8% YE22 while the loan market share remained flat at 8.4% vs YE 22.

NIM expands by 7bps 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. NIM contracted by 24bps y/y as CoF outpaced asset yields by 29bps y/y. Only 35% of assets reprice within 12 months vs. 65% for its liabilities, largely explaining the NIM compression this year, and supporting NIM expansion when rates move lower.

BUY

JOD 4.0

Banks / JORDAN

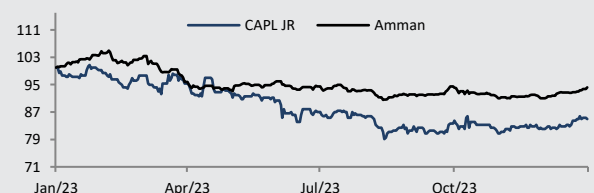
Bloomberg code	CAPL JR
Market index	Amman
Target Price	4.0
Upside (%)	90.2

Market data 1/9/2024

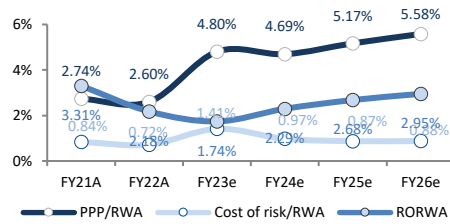
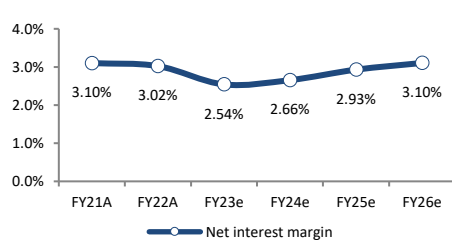
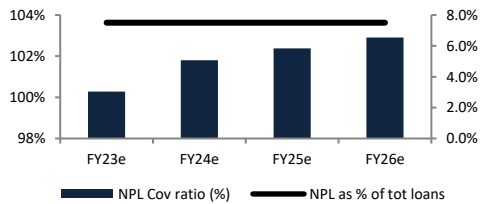
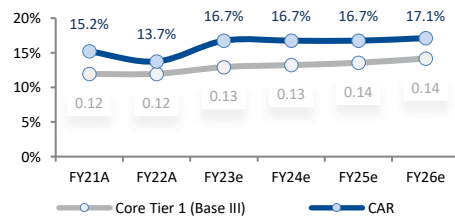
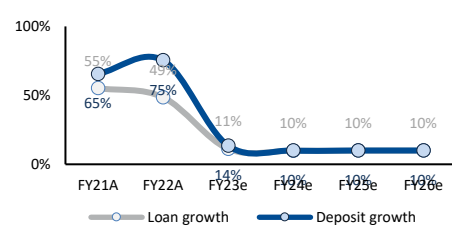
Last closing price	2.1
52 Week range	1.9-2.6
Market cap (JOD m)	547
Market cap (USD m)	772
Average Daily Traded Value (JOD m)	0.00
Average Daily Traded Value (USD m)	0.1
Free float (%)	46%

Year-end (local m)	2021	2022	2023e	2024e
Revenue	138	211	326	347
Pre-provisioning profit	65	103	201	215
EPS	0.39	0.38	0.28	0.40
P/E (x) (mkt price)	5.0	5.2	7.2	5.0
BVPS	1.8	2.4	2.3	2.5
Tangible BVPS	1.7	2.2	2.1	2.4
P/B (x) (mkt price)	1.1	0.8	0.9	0.8
P/TBVPS (x) (mkt price)	1.2	0.9	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	0.05	(0.03)	0.06
RoAA (%)	2.2	1.5	1.0	1.3
RoRWA (%)	3.3	2.2	1.7	2.3
RoATE (%)	25.5	21.2	13.9	17.7
RoEcc (%)	26.6	18.1	13.8	18.3
RAROC (%)	20.9	12.1	11.0	11.8
Net LtD ratio (%)	79.3	67.2	65.8	65.7
Risk Weighted Assets (bn)	2.4	4.0	4.2	4.6
Core Equity T1 ratio (%)	11.9	12.0	12.9	13.2
Tier 1 capital ratio (%)	13.2	12.9	14.6	14.8
Total capital ratio (%)	15.2	13.7	16.7	16.7
NPL ratio (%)	6.5	6.2	7.5	7.5
Coverage ratio (%)	82.1	88.9	100.3	101.8
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	2.54	2.66	2.93	3.10
Asset yield (%)	5.49	5.55	6.26	6.15	5.84	5.65
Cost of Funds (%)	2.73	2.91	4.12	3.88	3.25	2.84
Risk Adjusted Margins (%)	2.49	2.48	1.67	2.06	2.39	2.56
Cost / Income (%)	52.5	50.9	38.4	38.1	34.7	32.3
Net Interest Income / total income (%)	74.2	75.6	52.8	57.2	59.6	61.0
Fees & Commissions / operating income (%)	18.1	16.9	38.8	37.8	35.7	34.4
Trading gains / operating income (%)	0.3	(0.3)	0.6	0.7	0.7	0.6
RoATE (%)	25.5	21.2	13.9	17.7	20.4	21.6
Pre-prov. RoATE (%)	29.7	23.7	23.5	23.8	25.4	26.4
RoAA (%)	2.2	1.5	1.0	1.3	1.5	1.7
Revenue / RWA (%)	5.77	5.28	7.80	7.58	7.92	8.25
Costs / RWA (%)	3.03	2.69	2.99	2.89	2.74	2.66
PPP / RWA (%)	2.74	2.60	4.80	4.69	5.17	5.58
Cost of Risk / RWA (%)	0.84	0.72	1.41	0.97	0.87	0.88
RoRWA (%)	3.31	2.18	1.74	2.29	2.68	2.95
RoRWA (%) (adj. for gross-up of associates)	3.31	2.18	1.74	2.29	2.68	2.95
Year-end	2021	2022	2023e	2024e	2025e	2026e
Asset Quality						
Provisions charge / avg. gross loans (%)	1.1	1.0	1.6	1.1	1.0	1.0
Past due not impaired / gross loans (%)	3.0	3.4	5.0	5.5	5.6	5.6
NPL / gross loans (%)	6.5	6.2	7.5	7.5	7.5	7.5
NPL coverage ratio (%)	82.1	88.9	100.3	101.8	102.4	102.9
Provisions / avg. gross loans (%)	3.0	3.4	5.0	5.5	5.6	5.6
Provisions charge / operating income (%)	30.6	27.7	17.6	21.8	17.7	16.5
Year-end	2021	2022	2023e	2024e	2025e	2026e
Funding and Liquidity						
Net Loans / Deposits (%)	79.3	67.2	65.8	65.7	65.7	65.7
Cash and interbank / assets (%) ^[1]	8.3	12.2	18.0	17.2	16.6	16.1
Deposits / liabilities (%)	70.7	76.2	78.8	78.7	78.8	79.0
Year-end	2021	2022	2023e	2024e	2025e	2026e
Capital and leverage ratios						
Core Tier 1 ratio (Basel III) (%)	11.9	12.0	12.9	13.2	13.5	14.2
Tier 1 ratio (%)	13.2	12.9	14.6	14.8	14.9	15.4
Total capital ratio (%)	15.2	13.7	16.7	16.7	16.7	17.1
Tangible equity / assets (%)	9.1	8.4	8.4	8.4	8.5	8.7
RWA / assets (%)	55.3	57.3	54.6	54.4	55.2	54.9
Year-end	2021	2022	2023e	2024e	2025e	2026e
Growth						
Revenues (%)	24.6	53.1	54.8	6.5	16.6	14.0
Cost (%)	50.1	48.3	16.7	5.7	6.2	6.2
Pre-Provision Operating Profit Growth (%)	4.9	58.5	94.1	7.0	23.0	18.2
Provisions (%)	(17.6)	43.4	106.2	(24.4)	-	10.0
Net Profit (%)	203.6	10.2	(16.2)	44.4	30.4	20.5
Assets (%)	56.8	61.4	10.0	10.0	10.0	10.0
Loans (%)	55.2	48.6	11.3	9.9	9.9	10.0
Deposits (%)	65.5	75.4	13.6	10.0	10.0	10.0
Risk Weighted Assets (%)	30.6	67.1	4.9	9.5	11.6	9.5

Abacus Arqaam Capital Fundamental Data

Company Profile

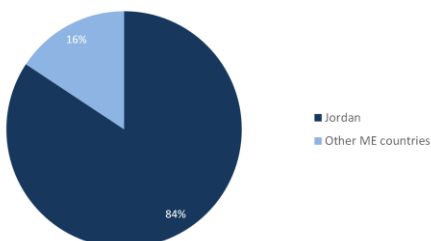
The bank is a public shareholding company registered and incorporated in Jordan on 30 August 1995. The bank provides its banking services through its 32 branches located in Jordan and its subsidiaries Capital Investment and Brokerage Company in Jordan Ltd (third largest Jordanian bank in assets with 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, and Branch in Riyadh through NBI.

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

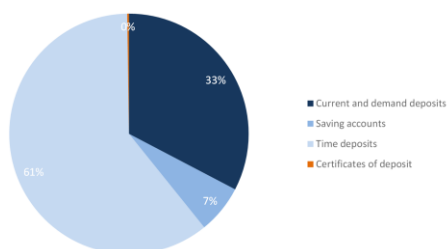
All Board of Directors are non-executive and 4 out of the 13 are independent.

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%
Said Samih Darwazeh	5.36%

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Year-end	2021	2022	2023e	2024e	2025e	2026e
Income statement (JODmn)						
Interest income	181	321	424	459	481	512
Interest expense	79	161	252	261	240	231
Net Interest Income	102	159	172	198	241	282
Fee income	25	36	126	131	144	159
Net investment income	-	(1)	1	1	1	1
Other operating income	11	17	27	16	18	20
Total operating income	138	211	326	347	405	461
Total operating expenses	72	107	125	132	140	149
Pre-provision operating profit	65	103	201	215	264	312
Net provisions	20	29	59	45	45	49
Other provisions / impairment	-	3	6	-	-	-
Operating profit	45	72	136	170	220	263
Associates	-	-	-	-	-	-
Pre-tax profit	45	72	136	170	220	263
Taxation	10	6	34	26	33	39
Net profit	61	91	102	145	187	224
Minorities	(18)	4	25	35	45	54
ADT1 coupon	-	-	5	5	5	5
Others	-	-	-	-	-	-
Attributable net profit	79	87	73	105	137	165
Diluted EPS	0.39	0.38	0.28	0.40	0.52	0.63
DPS	0.15	0.17	0.15	0.18	0.22	0.28
BVPS	1.82	2.42	2.31	2.53	2.83	3.18
Tangible BVPS	1.66	2.16	2.13	2.39	2.72	3.09

Year-end	2021	2022	2023e	2024e	2025e	2026e
Balance sheet (JODmn)						
Gross loans and advances	2,270	3,513	3,864	4,250	4,676	5,143
Less: loan loss provisions	156	248	232	260	288	319
Net loans and advances	2,197	3,265	3,632	3,990	4,387	4,824
Cash and central bank	426	781	875	981	1,092	1,213
Due from banks	313	220	555	610	671	738
Investment, net	1,183	2,225	2,099	2,309	2,540	2,794
Fixed assets, net	66	113	64	70	77	84
Other assets	97	296	383	421	463	509
Total assets	4,311	6,958	7,654	8,419	9,261	10,187
Customer deposits	2,771	4,860	5,520	6,072	6,679	7,347
Due to banks	381	149	52	143	227	315
Debt	443	826	826	826	826	826
Other liabilities	325	541	612	673	740	814
Total liabilities	3,919	6,376	7,009	7,714	8,472	9,303
Total equity	392	582	644	705	788	884
Risk Weighted Assets (bn)	2	4	4	5	5	6
Average Interest-Earning Assets	3,290	5,266	6,775	7,475	8,235	9,068
Average Interest-Bearing Liabilities	2,883	4,715	6,116	6,719	7,386	8,110
Common shareholders	333	488	561	628	715	813
Core Equity Tier 1 (Basel III)	285	477	541	605	693	793
Tier 1 capital	314	513	611	676	763	864

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Continued catch-up in provisions, in line with NPL formation. NPL formation for the quarter increased to 86bps from 91bps the previous quarter & -7bps the previous year. Yet, annualized CoR was at 199bps in Q3 23, 161bps in Q2 23, and 9bps in Q3 22. We raise CoR23e by 50bps 160bps, well above its TTDC target of 50bps. Stage 1 loan share stood at 81.1%, lower than 82.7% in Q2 23 and same as Q3 22, with coverage flat sequentially at 0.8% vs. 0.6% in Q3 22. Stage 2 loans share rose to 9% in Q2 23 from 8.7%, exceeding 8.4% in Q3 22, but coverage declined to 8.9% from 8.1%, still higher than 5.6% in Q3 22 Stage 3 loans increased to 9.9% from 8.6% in Q2 23 and 8.5% in Q3 22, whilst coverage declined to 47.8% from 50.3% and 49.5%, respectively. We calculate a provision deficit of -1.6% of total loans vs our acid test (1% of stage 1, 12% of stage 2 and 60% of stage 3), compared to -1.4% in Q2 23 and -1.9% in Q3 22.

Improving capital ratios as risk-weighted assets intensity drops significantly. Tier 1 and CAR improved to 14.5% and 15.3% from 14% and 14.8% in Q2 23 (12.9% and 13.7% YE), respectively. CAR recovered, after falling temporarily just below the regulatory minimum during Q1 (that was caused by the high RWAs growth, the removal of some provisions from CAR, and cash dividends). RWAs dropped by 0.3% sequentially (vs. -0.4 q/q for assets) yet grew by 1.4% YtD (vs. 7.8% for assets). LCR at 288.9%, LtD at 70%.

Low valuation unwarranted by RoE and EPS growth. The stock trades at an undemanding FY24e P/E of 5.0x and FY 23 P/tNAV of 0.9x, with a DY c.7-9%. Our TP of JOD 4.0 offers a substantial upside.

Exhibit 1: Capital Bank of Jordan Q3 23A review

JODm	Q3 23A	AC Q3 23e	vs. AC	Q2 23A	q/q 23	Q3 22A	Q2 22A	q/q 22	y/y Q3	y/y Q2	9M 23A	9M 23e	9M y/y	9M 22A	9M y/y
Interest Income	106	105	0.5%	104	2.3%	86	76	12.4%	23.5%	35.8%	210	209	0.3%	162	29.3%
Interest expense	64	63	1.6%	63	1.9%	46	39	17.2%	40.1%	61.3%	127	126	0.8%	85	49.9%
Net Interest Income	42	42	(1.0%)	41	2.9%	40	37	7.4%	4.7%	9.3%	83	83	(0.5%)	78	6.9%
Fee Income	46	23	101.4%	31	47.3%	7	10	(31.1%)	579.7%	218.1%	78	54	42.8%	17	365.6%
Net Trading Income	0	0	nm	0	nm	0	-2	nm	nm	nm	0	0	(143.4%)	-2	nm
Other Income	7	4	55.1%	9	(24.0%)	5	5	(5.6%)	33.8%	66.1%	15	13	18.1%	10	50.4%
Non-Interest Income	53	28	91.9%	40	32.0%	12	14	(13.4%)	349.5%	195.0%	93	68	37.5%	25	266.7%
Total Income	95	70	35.6%	81	17.3%	52	51	1.9%	82.8%	58.8%	176	151	16.5%	103	70.9%
Operating expenses	33	31	6.5%	30	10.5%	29	26	12.1%	14.3%	15.9%	63	61	3.3%	55	15.0%
Operating profit	62	39	58.8%	51	21.3%	23	25	(8.7%)	169.7%	103.1%	113	90	25.5%	48	134.9%
LIP	19	10	78.9%	15	22.3%	1	-1	(197.3%)	nm	(1911.6%)	34	26	32.0%	0	nm
Taxes	9	3	198.4%	10	(13.6%)	2	6	(56.5%)	260.6%	81.7%	19	13	44.0%	8	136.0%
Group Net Income	32	25	26.7%	24	33.8%	20	20	(0.8%)	61.7%	19.9%	56	49	13.7%	40	40.7%
Attributable NI	19.5	24	(18.2%)	18.4	5.8%	18.6	18.5	0.4%	4.8%	(0.6%)	37.9	42.2	(10.3%)	37.1	2.1%
Annualised NIMs	2.39%	3.17%		2.32%		2.63%	2.65%				2.42%	4.64%		2.32%	
Cost/Income	34.9%	44.5%		37.1%		55.9%	50.8%				35.9%	40.5%		53.4%	
Loans to deposits	70.0%	69.2%		69.7%		77.0%	78.3%				70.0%	69.2%		77.0%	
Annualized LLP	1.99%	1.06%		1.61%		0.09%	-0.10%				1.20%	0.87%		0.00%	
Gross Loans	3,755	3,942	(4.7%)	3,802	(1.2%)	3,563	3,421		5.4%	11.1%	3,755	3,942	(4.7%)	3,563	5.4%
Net Loans	3,463	3,680	(5.9%)	3,532	(2.0%)	3,297	3,161		5.0%	11.7%	3,463	3,680	(5.9%)	3,297	5.0%
Customer deposits	5,366	5,694	(5.8%)	5,453	(1.6%)	4,626	4,368		16.0%	24.9%	5,366	5,694	(5.8%)	4,626	16.0%

Source: Company Data, Arqaam Capital Research

Exhibit 2: Earnings estimate changes

JDD m	FY 23e			FY 24e			FY 25e			FY 26e			FY 27e		
	New	Old	Δ	New	Old	Δ	New	Old	Δ	New	Old	Δ	New	Old	Δ
Net interest income	172	172	0.1%	198	197	1.0%	241	235	2.8%	282	287	(2.0%)	304	325	(6.6%)
Fee income	126	98	29.3%	131	93	41.6%	144	104	39.0%	159	115	37.8%	175	128	36.5%
Investment income	1	1	(41.5%)	1	1	(6.5%)	1	1	(9.0%)	1	2	(11.4%)	2	2	(13.8%)
Non-interest income	154	123	24.8%	149	108	38.1%	163	120	35.7%	180	134	34.4%	198	148	33.2%
Total income	326	295	10.4%	347	304	14.1%	405	355	13.9%	461	421	9.6%	502	474	5.9%
Opex	125	123	1.5%	132	130	1.8%	140	138	1.8%	149	146	1.8%	158	155	1.8%
Operating income	201	172	16.9%	215	174	23.3%	264	217	21.6%	312	275	13.7%	343	318	7.9%
Loan loss provision	59	42	41.4%	45	35	28.6%	45	39	13.8%	49	44	10.7%	54	50	7.8%
Other provision	6	3	--	--	--	--	--	--	--	--	--	--	--	--	--
Net income reported	78	90	(13.3%)	110	110	(0.3%)	142	141	0.8%	170	182	(6.6%)	187	212	(11.8%)
Net income adjusted	73	85	(14.0%)	105	105	(0.4%)	137	136	0.9%	165	177	(6.8%)	182	207	(12.1%)
Ratios															
NIM	2.54%	2.47%	0.08%	2.66%	2.46%	0.20%	2.93%	2.59%	0.34%	3.10%	2.80%	0.30%	3.04%	2.81%	0.24%
Cost/Income	38.4%	41.8%	(3.4%)	38.1%	42.7%	(4.6%)	34.7%	38.8%	(4.1%)	32.3%	34.7%	(2.5%)	31.5%	32.8%	(1.3%)
LP	1.60%	1.10%	0.50%	1.10%	0.80%	0.30%	1.00%	0.80%	0.20%	1.00%	0.80%	0.20%	1.00%	0.80%	0.20%
NPL	3.8%	3.8%	0.00%	3.8%	3.8%	0.00%	3.8%	3.8%	0.00%	3.8%	3.8%	0.00%	3.8%	3.8%	0.00%
Coverage	100.3%	92.8%	7.48%	101.8%	90.8%	10.96%	102.4%	89.1%	13.27%	102.9%	87.6%	15.32%	103.4%	86.2%	17.16%
Growth															
Assets	10%	16%	(6.0%)	10%	13%	(3.0%)	10%	13%	(3.0%)	10%	13%	(3.0%)	10%	13%	(3.0%)
Loan	10%	16%	(6.0%)	10%	13%	(3.0%)	10%	13%	(3.0%)	10%	13%	(3.0%)	10%	13%	(3.0%)
Deposit	14%	20%	(6.2%)	10%	13%	(3.0%)	10%	13%	(3.0%)	10%	13%	(3.0%)	10%	13%	(3.0%)
AED															
EPS	0.28	0.32	(14.0%)	0.40	0.40	(0.4%)	0.52	0.52	0.9%	0.63	0.67	(6.8%)	0.69	0.79	(12.1%)
TP	4.0	4.0	(0.5%)	--	--	--	--	--	--	--	--	--	--	--	--

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	2028e	perp	subtotal	% of total
1. DCF																
Net profit	12	24	31	25	26	79	87	73	105	137	165	182	202	209		
Other adjustments (comprehensive income and GW amort)	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
Minus: excess return excess capital	8	9	8	9	5	3	0	3	4	5	7	9	11	11		
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	86	69	101	132	158	173	192	198		
Capital requirements	191	182	178	196	219	286	478	502	549	613	671	738	813	841		
RoE/C	2.5%	8.7%	13.0%	8.3%	9.4%	26.6%	18.1%	13.8%	18.3%	21.5%	23.6%	23.5%	23.6%	23.6%		
Cost of capital	15.25%	15.25%	15.25%	15.25%	15.25%	15.25%	15.25%	15.25%	15.25%	15.25%	15.25%	15.25%	15.25%	15.25%		
Capital charge	29	28	27	30	33	44	73	76	84	94	102	113	124	128		
Economic profit	(24)	(12)	(4)	(14)	(13)	32	14	(7)	17	38	56	61	68	70		
Discount factor	--	--	--	--	--	--	--	--	1.00	0.87	0.75	0.65	0.57	0.49		
NPV of Economic Profit	--	--	--	--	--	--	--	--	17	33	42	40	38	34		
DCF EVA Forecast period															170	16.4%
Perpetual growth rate (nominal GDP)															3.5%	
Terminal Value															596	
Terminal value discounted															293	28.2%
Required Capital															478	45.9%
Value of the bank operations															941	90.4%
2. Capital surplus/deficit																
Available capital:																
Shareholders equity	278	292	287	294	307	363	546	608	666	745	836	934	1,042			
Minorities	56	58	50	54	48	29	35	36	40	44	48	53	58			
Less Goodwill & intangibles	(6)	(6)	(11)	(3)	(22)	(31)	(58)	(47)	(37)	(30)	(24)	(19)	(15)			
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	484	558	621	701	787	884	990			
Capital needs																
RWAs (Base II)	1,590	1,514	1,486	1,630	1,826	2,385	3,984	4,180	4,579	5,112	5,595	6,153	6,773			
RWAs (Base III)	1,590	1,514	1,486	1,630	1,826	2,385	3,984	4,180	4,579	5,112	5,595	6,153	6,773			
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	502	549	613	671	738	813			
Surplus capital	128	142	128	149	91	46	6	56	71	87	115	145	177		56	5.4%
3. Other adjustments																
ADT1																35
Underprovisioning																(32)
Total adjustments																4
4. Dividends																39
Total Fair Value																1,041
Fully diluted number of shares																263
Fair value per share																4.0
Current share price																2.0
Upside																99.8%
Implied P/E (x)	63.6	32.5	25.6	31.5	30.5	10.0	10.3	14.3	9.9	7.6	6.3	5.7	5.1			
Implied P/NAV (x)	2.9	2.8	2.9	2.7	2.8	2.4	1.8	1.9	1.7	1.5	1.3	1.1	1.0			

Source: Company Data, Arqaam Capital Research

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