

CAPITAL BANK OF JORDAN

NIM compression in Q2 due to ALM position, but we expect repair in FY24/25e, boosting RoE well ahead of targets

- We lower our EPS FY 23 estimate by 14% as we lower our NIM projections that are affected by its ALM position (36% of assets repricing < 1 year vs 65% for liabilities) but we expect this to fully reverse in FY24e/25e as policy rates move lower. We also raise our CoR estimates for FY23e to 1%. This is partly offset by the solid growth in fee income.
- B/S activity remains robust with higher market shares in loans and deposits, while Iraqi operations also performed well, tripling its earnings.
- We pencil in a RoE expansion from 14.2% in FY23e to 17.8% in FY24e and 20.5% in FY25e, well ahead of its medium target of > 14%. The stock remains compelling at 0.7x BV and P/E 24e of 4.3x. Our TP of JOF 4.1 offers a significant upside.

Lower EPS by 14% on NIM pressure and higher CoR. Sequential B/S growth takes a breather in Q2 but remains 11.1% higher than a year ago. Meanwhile, group EPS expanded 20% y/y in Q2 but was below our estimates on lower NIM because of a negative ALM gap, higher than expected OpEx growth on higher business volumes and CoR on a NPL pickup. However, JAWs remain highly positive at 43% y/y. We maintain our balance sheet growth projections at 16% for assets/loans but raise deposit growth by 3.3% to 20%. However, we lowered NIM projections by 43bps to 2.47% and raised CoR by 40bps to 1% partly offset by higher F&C growth. This translates into a RoE of 14.2% in FY23e, meeting its LT target of > 14%, 17.8% in FY24e, and 20.5% in FY25e.

Group net income expands by 20% y/y in Q2, supported by higher non-NII. Operating profit rose by a whopping 103% y/y (24.2% q/q) in Q2 22, driven by topline growth and efficiency. Revenue advanced 59% y/y (+17.4% q/q, +28.2% vs ACe) on the back of i) higher non-NII (+195% y/y) as the BS activity bolsters F&C (+218% y/y) and other income (+66% y/y). However, a sequential NIM compression of 33bps weighed on NII (-8.7% q/q). The C/I improved to 37.1% (vs. 40.5% in Q1 23 and 50.8% in Q2 22), meeting its MT target of < 40%. Still, EPS in Q2 missed ACe by 9.8% due to lower-than-expected NII (-17.5% vs ACe) and higher-than-expected loan loss charges of JOD 15m (+282% vs ACe).

CAPL continues to gain market share on both sides of the balance sheet. The loan book grew by 11.1% y/y, and 8.2% YtD, driven by retail (+30.2% y/y) and contributing 57% of total book expansion, and GRE loans (+20% y/y), despite a contraction in mortgages (-13.8% y/y). Corporate loans make up 46% of the loan book (vs. 50% YE 22), and the share of retail credit expanded to 25% (vs. 23% YE 22). The deposit growth was 24.9% y/y (+12.2% YtD), mainly driven by current accounts (+69% YtD), while time deposits contracted by 6.3% over the same period. The share of non-interest-bearing deposits increased to 25.9% vs. 17% as of YE 22, in line with its funding strategy. Corporate deposits increased to 36% of the total vs. 33.7% YE 22, while retail share dropped to 44% from 47%. Time deposits plunged to 59% from 71% in Q4 22 (vs 69% in Q2 22), as the CASA share mix expanded to 41% vs 29% in Q4 22A (vs 30% in Q2 22). Deposit growth outpaced loans YtD by 4%pts, reducing the LtD ratio to 69.7% vs. 72.3% YE 22. The bank's deposit market share expanded to 10.7% in Q2 vs 9.8% YE22 while the loan market share increased to 10.6% vs 8.4%, respectively.

NIM compresses in Q2 on a neutral ALM position, but this will shelter the bank for the upcoming rate-cutting cycle. NIM contracted by 32bps q/q as asset yield slipped by 7bps q/q and CoF increased by 8bps. Only 35% of assets repriced within 12 months vs. 65% for its liabilities, largely explaining the NIM compression this year, and supporting NIM expansion when rates move lower. Additionally, it should benefit from delayed repricing of gross asset yields, with 14.7% of assets repricing in 1-3 years and 31.8% after 3 years.

Low valuation unwarranted by RoE and EPS growth. The stock trades at an undemanding FY24e P/E of 4.3x and FY 23 P/tNAV of 0.7x, with a DY c.9%. Our TP of JOD 4.1 (upped by 0.1) offers a substantial upside.

BUY

JOD 4.1

Banks / JORDAN

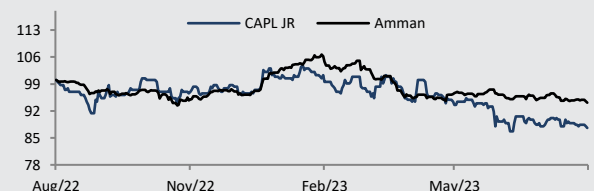
Bloomberg code	CAPL JR
Market index	Amman
Target Price	4.1
Upside (%)	104.7

Market data 8/15/2023

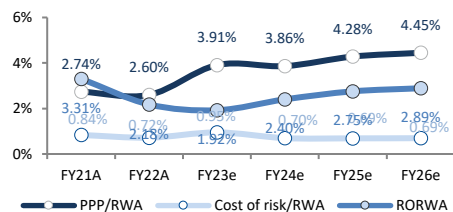
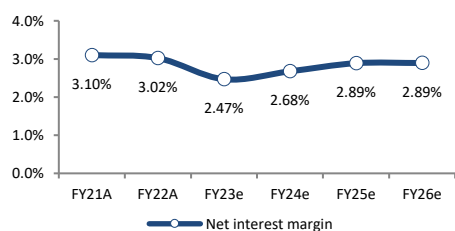
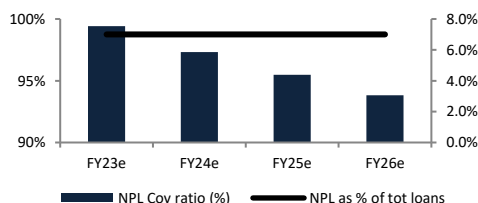
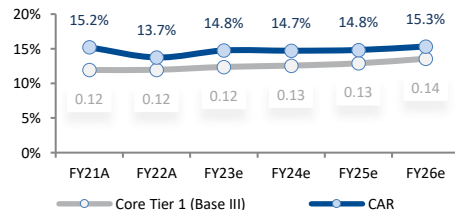
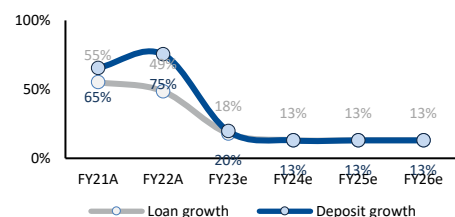
Last closing price	2.0
52 Week range	2.0-2.6
Market cap (JOD m)	526
Market cap (USD m)	742
Average Daily Traded Value (JOD m)	0.00
Average Daily Traded Value (USD m)	0.2
Free float (%)	46%

Year-end (local m)	2021	2022	2023e	2024e
Revenues	138	211	295	322
Pre-provisioning profit	65	103	172	192
EPS	0.39	0.38	0.38	0.53
P/E (x) (mkt price)	5.3	5.4	5.5	3.9
BVPS	1.8	2.7	3.0	3.3
Tangible BVPS	1.7	2.5	2.8	3.1
P/B (x) (mkt price)	1.1	0.8	0.7	0.6
P/TBVPS (x) (mkt price)	1.2	0.8	0.7	0.7
DPS	0.15	0.17	0.17	0.22
Div. yield (%)	7.2	8.4	8.2	10.6
EPPS	0.13	0.04	-	0.09
RoAA (%)	2.2	1.5	1.1	1.4
RoRWA (%)	3.3	2.2	1.9	2.4
RoATE (%)	25.5	19.5	14.2	17.8
RoEcc (%)	26.6	17.2	14.9	18.9
RAROC (%)	20.9	11.2	8.5	10.3
Net LtD ratio (%)	79.3	67.2	66.2	66.3
Risk Weighted Assets (bn)	2.4	4.0	4.4	5.0
Core Equity T1 ratio (%)	11.9	12.0	12.4	12.6
Tier 1 capital ratio (%)	13.2	12.9	14.0	14.0
Total capital ratio (%)	15.2	13.7	14.8	14.7
NPL ratio (%)	6.5	6.2	7.0	7.0
Coverage ratio (%)	82.1	88.9	99.4	97.3
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	2.47	2.68	2.89	2.89
Asset yield (%)	5.49	5.55	6.05	5.79	5.53	5.53
Cost of Funds (%)	2.73	2.91	4.00	3.48	2.95	2.95
Risk Adjusted Margins (%)	2.49	2.48	1.87	2.24	2.46	2.46
Cost / Income (%)	52.5	50.9	41.7	40.3	36.1	34.0
Net Interest Income / total income (%)	74.2	75.6	58.3	66.6	68.5	68.9
Fees & Commissions / operating income (%)	18.1	16.9	33.1	28.8	27.2	26.8
Trading gains / operating income (%)	0.3	(0.3)	0.7	0.6	0.6	0.6
RoATE (%)	25.5	19.5	14.2	17.8	20.5	20.9
Pre-prov. RoATE (%)	29.7	20.7	20.0	21.7	24.0	24.3
RoAA (%)	2.2	1.5	1.1	1.4	1.6	1.7
Revenue / RWA (%)	5.77	5.28	6.71	6.48	6.70	6.74
Costs / RWA (%)	3.03	2.69	2.80	2.61	2.41	2.29
PPP / RWA (%)	2.74	2.60	3.91	3.86	4.28	4.45
Cost of Risk / RWA (%)	0.84	0.72	0.95	0.70	0.69	0.69
RoRWA (%)	3.31	2.18	1.92	2.40	2.75	2.89
RoRWA (%) (adj. for gross-up of associates)	3.31	2.18	1.92	2.40	2.75	2.89
Year-end	2021	2022	2023e	2024e	2025e	2026e
Asset Quality						
Provisions charge / avg. gross loans (%)	1.1	1.0	1.1	0.8	0.8	0.8
Past due not impaired / gross loans (%)	3.0	3.4	4.8	4.8	4.7	4.6
NPL / gross loans (%)	6.5	6.2	7.0	7.0	7.0	7.0
NPL coverage ratio (%)	82.1	88.9	99.4	97.3	95.5	93.8
Provisions / avg. gross loans (%)	3.0	3.4	4.8	4.8	4.7	4.6
Provisions charge / operating income (%)	30.6	27.7	17.6	19.2	17.0	16.6
Year-end	2021	2022	2023e	2024e	2025e	2026e
Funding and Liquidity						
Net Loans / Deposits (%)	79.3	67.2	66.2	66.3	66.4	66.5
Cash and interbank / assets (%) ^[1]	8.3	12.2	16.6	15.4	14.6	13.9
Deposits / liabilities (%)	70.7	77.1	79.2	79.0	79.0	79.1
Year-end	2021	2022	2023e	2024e	2025e	2026e
Capital and leverage ratios						
Core Tier 1 ratio (Basel III) (%)	11.9	12.0	12.4	12.6	12.9	13.6
Tier 1 ratio (%)	13.2	12.9	14.0	14.0	14.1	14.7
Total capital ratio (%)	15.2	13.7	14.8	14.7	14.8	15.3
Tangible equity / assets (%)	9.1	9.4	8.9	8.7	8.7	8.8
RWA / assets (%)	55.3	57.3	54.5	54.5	55.4	54.8
Year-end	2021	2022	2023e	2024e	2025e	2026e
Growth						
Revenues (%)	24.6	53.1	40.2	9.0	18.8	12.6
Cost (%)	50.1	48.3	15.1	5.3	6.2	6.2
Pre-Provision Operating Profit Growth (%)	4.9	58.5	66.2	11.6	27.3	16.2
Provisions (%)	(17.6)	43.4	45.8	(16.8)	13.0	13.0
Net Profit (%)	203.6	10.2	(2.4)	40.9	31.7	17.4
Assets (%)	56.8	61.4	16.0	13.0	13.0	13.0
Loans (%)	55.2	48.6	18.0	13.2	13.2	13.1
Deposits (%)	65.5	75.4	19.8	13.0	13.0	13.0
Risk Weighted Assets (%)	30.6	67.1	10.5	12.9	14.9	11.9

Abacus Arqaam Capital Fundamental Data

Company Profile

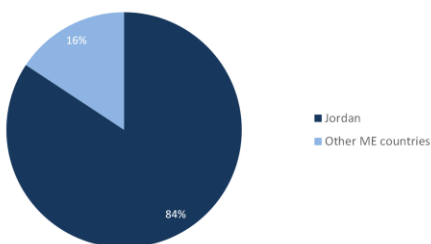
The bank is a public shareholding company registered and incorporated in Jordan on 30 August 1995. The bank provides its banking services through its 36 branches located in Amman – Jordan and its subsidiaries Capital Investment and Brokerage Company in Jordan Ltd (third largest Jordanian bank in assets with a loan and market share of 10.6-10.7% and the fastest growing since 2020), National Bank of Iraq in Iraq, Capital Investment Fund Company in Bahrain, Capital Bank Corporate Advisory (Dubai International Finance Center) Ltd, and Branch in Riyadh through NBI.

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

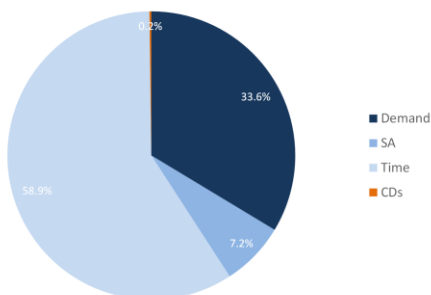
All Board of Directors are non-executive and 6 out of the 13 are independent.

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 Investments Fund (PIF): 23.97%
 Saad Asem Aljanabi: 7.42%
 Social Security Corp: 7.19%
 Said Samih Darwazah: 5.36%

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Year-end	2021	2022	2023e	2024e	2025e	2026e
Income statement (JODmn)						
Interest income	181	321	422	463	501	567
Interest expense	79	161	250	249	239	270
Net Interest Income	102	159	172	214	262	297
Fee income	25	36	98	93	104	115
Net investment income	-	(1)	1	1	1	2
Other operating income	11	17	24	14	15	17
Total operating income	138	211	295	322	382	430
Total operating expenses	72	107	123	130	138	146
Pre-provision operating profit	65	103	172	192	244	284
Net provisions	20	29	42	35	39	44
Other provisions / impairment	-	3	3	-	-	-
Operating profit	45	72	127	157	205	240
Associates	-	-	-	-	-	-
Pre-tax profit	45	72	127	157	205	240
Taxation	10	6	24	24	31	36
Net profit	61	91	103	134	174	204
Minorities	(18)	4	13	9	12	14
ADT1 coupon	-	-	5	5	5	5
Others	-	-	-	-	-	-
Attributable net profit	79	87	85	119	157	184
Diluted EPS	0.39	0.38	0.38	0.53	0.70	0.82
DPS	0.15	0.17	0.17	0.22	0.25	0.30
BVPS	1.82	2.73	3.01	3.31	3.76	4.28
Tangible BVPS	1.66	2.47	2.80	3.15	3.63	4.17

Year-end	2021	2022	2023e	2024e	2025e	2026e
Balance sheet (JODmn)						
Gross loans and advances	2,270	3,513	4,075	4,605	5,203	5,880
Less: loan loss provisions	156	248	222	244	269	297
Net loans and advances	2,197	3,265	3,853	4,360	4,934	5,582
Cash and central bank	426	781	906	1,034	1,176	1,334
Due from banks	313	220	585	661	747	844
Investment, net	1,183	2,225	2,214	2,502	2,827	3,194
Fixed assets, net	66	113	64	70	77	84
Other assets	97	296	404	456	515	582
Total assets	4,311	6,958	8,071	9,120	10,306	11,646
Customer deposits	2,771	4,860	5,821	6,578	7,433	8,399
Due to banks	381	149	150	286	418	564
Debt	443	755	755	755	755	755
Other liabilities	325	541	628	710	802	906
Total liabilities	3,919	6,305	7,354	8,329	9,408	10,625
Total equity	392	653	717	792	898	1,021
Risk Weighted Assets (bn)	2	4	4	5	6	6
Average Interest-Earning Assets	3,290	5,266	6,972	8,002	9,059	10,250
Average Interest-Bearing Liabilities	2,883	4,679	6,245	7,172	8,112	9,162
Common shareholders	333	559	633	711	820	942
Core Equity Tier 1 (Basel III)	285	477	545	624	736	865
Tier 1 capital	314	513	616	695	807	936

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Catch up in provisions is aligned with NPL formation. We calculate a provision deficit of 140bps of total loans vs our acid test (1% of stage 1, 12% of stage 2 and 60% of stage 3), higher than the YE22 deficit of 100bps, vs. our blanket test (1% of stage 1 loans, 12% on stage 2, and 60% on stage 3) but lower than Q2 22 levels of 180bps. CoR came in at 161 bps vs. an annualized NPL formation of 91 bps in Q2 22. Stage 1 loan share slipped slightly to 82.7% from 83.1% in YE22 (81.4% Q2 22), but coverage was flat at 0.8% vs 1.2% YE 22 (vs 0.7% Q2 22). Share of stage 2 improved by 4bps YtD to 8.7%. Stage 3 loans expanded by 81bps YtD to 8.6% from 7.8% in YE22 (8.8% Q2 22). Stage 2 and 3 loans coverage stand at 8.1% and 50.3%, respectively, vs. 7.5% and 49.4% in Q4 22 (6.3% and 49.2% Q2 22A).

CAR continues to recover, after falling temporarily just below the regulatory minimum during Q1, due to high RWAs growth, the removal of some provisions from CAR, and cash dividends. Tier 1 capital improved to 14.8% in Q2 23A from 14.4% and 13.7% for Q1 23 and YE22 respectively. RWAs increased by 3.3% YtD (+12% y/y), with RWA/assets at 75.8% vs.79.5% YE22. Liquidity strengthened, with LtD at 70% and LCR at 226%.

The National Bank of Iraq performed strongly, with net profit tripling to USD 36m in Q2 from USD 11m in Q2 22 driven by robust asset growth (70.8% YtD), 20bps NIM expansion, and gross operating income growth of 252% y/y. NPLs dropped sharply from 2.6% to 1.3%. Capital Bank of Jordan owns 61.85% of the National Bank of Iraq.

Exhibit 1: Capital Bank of Jordan Q2 23A review

JODm	Q2 23A	AC Q2 23a	vs. AC	Q1 23A	q/q 23	Q2 22A	Q1 22A	q/q 22	y/y Q2	y/y Q1	6M 23A	6M 23e	6M y/y	6M 22A	6M y/y
Interest Income	104	108	(3.6%)	106	(1.8%)	76	54	40.2%	35.8%	93.8%	209	211	(1.8%)	131	59.9%
Interest expense	63	58	8.2%	61	3.3%	39	23	66.8%	61.3%	160.4%	124	119	4.0%	62	98.4%
Net Interest Income	41	50	(17.5%)	45	(8.7%)	37	31	20.2%	9.3%	43.8%	86	94	(9.2%)	69	25.0%
Fee Income	31	9	249.5%	18	75.2%	10	7	50.0%	218.1%	172.3%	49	27	83.3%	16	199.8%
Net Trading Income	0	0	nm	0	nm	-2	0	nm	(95.3%)	nm	0	1	(59.9%)	-2	nm
Other Income	9	4	100.0%	6	46.1%	5	3	52.8%	66.1%	73.7%	15	10	42.2%	9	69.1%
Non-Interest Income	40	14	194.1%	24	65.5%	14	10	35.5%	195.0%	141.5%	64	38	69.9%	24	172.3%
Total Income	81	63	28.2%	69	17.4%	51	41	23.9%	58.8%	67.6%	150	132	13.5%	92	62.7%
Operating expenses	30	27	12.1%	28	7.3%	26	19	38.5%	15.9%	49.3%	58	55	5.9%	45	29.9%
Operating profit	51	36	40.0%	41	24.2%	25	22	11.8%	103.1%	82.8%	92	77	18.8%	48	93.6%
ILP	15	4	281.5%	9	nm	-1	6	(113.7%)	(1911.6%)	53.7%	25	13	83.6%	5	364.8%
Taxes	10	5	116.6%	4	155.7%	6	2	252.1%	81.7%	150.2%	14	9	63.1%	7	96.8%
Group Net Income	24	27	(9.8%)	26	(8.3%)	20	40	(50.3%)	19.9%	(35.0%)	50	53	(5.0%)	60	(16.8%)
Attributable NI	18.4	25	(27.4%)	23.0	(20.0%)	18.5	38.7	(52.1%)	(0.6%)	(40.4%)	41.4	48.4	(14.3%)	57.2	(27.5%)
Annualised NIMs	2.32%	0.00%		2.64%		2.65%	2.64%				2.32%	0.00%		3.10%	
Cost/income	37.1%	42.4%		40.5%		50.8%	45.5%				38.7%	41.4%		48.4%	
Loans to deposits	69.7%	71.0%		71.0%		78.3%	75.1%				69.7%	71.0%		81.9%	
Annualized ILP	1.61%	0.41%		0.99%		-0.10%	0.80%				1.30%	0.68%		0.23%	
Gross Loans	3,802	3,948	(3.7%)	3,807	(0.1%)	3,421	3,066		11.1%	24.2%	3,802	3,948	(3.7%)	2,270	67.5%
Net Loans	3,532	3,696	(4.4%)	3,546	(0.4%)	3,141	2,889		11.7%	22.7%	3,532	3,696	(4.4%)	2,197	60.8%
Customer deposits	5,453	5,563	(2.0%)	5,363	1.7%	4,368	4,084		24.9%	31.3%	5,453	5,563	(2.0%)	2,771	96.8%

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	202	(14.9%)	214	231	(7.5%)	262	263	(0.6%)	297	298	(0.4%)	336	337	(0.2%)
Fee income	98	45	118.0%	93	51	81.7%	104	57	81.7%	115	63	81.7%	128	70	81.7%
Investment income	1	1	--	1	1	--	1	1	--	2	2	--	2	2	--
Non-interest income	123	59	110.3%	108	67	61.8%	120	74	61.9%	134	83	61.9%	148	92	61.9%
Total income	295	261	13.2%	322	298	8.0%	382	338	13.2%	430	380	13.1%	485	429	13.0%
Opex	123	108	14.3%	130	111	16.6%	138	118	17.2%	146	124	17.8%	155	132	17.8%
Operating income	172	153	12.5%	192	187	2.8%	244	220	11.0%	284	256	10.8%	329	297	10.9%
Loan loss provision	42	23	83.3%	35	26	33.3%	39	29	33.3%	44	39	14.3%	50	50	--
Other provision	3	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Net income reported	90	104	(13.8%)	124	128	(3.1%)	162	152	6.5%	189	174	9.0%	221	197	11.9%
Net income adjusted	85	99	(14.5%)	119	123	(3.3%)	157	147	6.7%	184	169	9.3%	216	192	12.3%
Ratios															
NIM	2.47%	2.90%	-0.43%	2.68%	2.89%	-0.22%	2.89%	2.91%	-0.02%	2.89%	2.91%	-0.01%	2.90%	2.91%	-0.01%
Cost/Income	41.7%	41.3%	0.4%	40.3%	37.4%	3.0%	36.1%	34.8%	1.2%	34.0%	32.6%	1.4%	32.1%	30.8%	1.3%
LPL	1.10%	0.60%	0.50%	0.80%	0.60%	0.20%	0.80%	0.60%	0.20%	0.80%	0.70%	0.10%	0.80%	0.80%	0.00%
NPL	3.8%	3.5%	0.25%	3.8%	3.5%	0.25%	3.8%	3.5%	0.25%	3.8%	3.5%	0.25%	3.8%	3.5%	0.25%
Coverage	92.8%	95.1%	-2.34%	90.8%	91.8%	-0.98%	89.1%	88.9%	0.22%	87.6%	87.1%	0.43%	86.2%	86.5%	-0.24%
Growth															
Assets	16%	16%	--	13%	13%	--	13%	13%	--	13%	13%	--	13%	13%	--
Loan	16%	16%	--	13%	13%	--	13%	13%	--	13%	13%	--	13%	13%	--
Deposit	20%	16%	3.3%	13%	13%	(0.0%)	13%	13%	--	13%	13%	--	13%	13%	--
AED															
EPS	0.38	0.44	(14.5%)	0.53	0.55	(3.3%)	0.70	0.65	6.7%	0.82	0.75	9.3%	0.95	0.85	12.3%
TP	4.1	4.0	3.3%												

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	85	119	157	184	216	224			
Other adjustments (comprehensive income and GW amo)	--	--	--	--	--	--	--	--	--	--	--	--	--			
Minus: excess return excess capital	8	9	8	9	5	3	5	6	7	8	10	12	13			
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	78	113	150	175	203	211			
Capital requirements	191	182	178	196	219	286	478	528	596	685	766	869	904			
RoECC	2.5%	8.7%	13.0%	8.3%	9.4%	26.6%	17.2%	14.9%	18.9%	21.8%	22.8%	23.4%	23.4%			
Cost of capital	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%			
Capital charge	29	27	27	29	33	43	72	79	89	103	115	130	136			
Economic profit	(24)	(11)	(3)	(13)	(12)	33	11	(1)	23	47	60	73	76			
Discount factor	--	--	--	--	--	--	--	1.00	0.87	0.76	0.66	0.57	0.50			
NPV of Economic Profit	--	--	--	--	--	--	--	(1)	20	35	39	42	38			
DCF EVA Forecast period																
Perpetual growth rate (nominal GDP)														4.0%	12.6%	
Terminal Value														690		
Terminal value discounted															343	31.8%
Required Capital															478	44.4%
Value of the bank operations															957	88.9%
2. Capital surplus/deficit																
Available capital:																
Shareholders equity	278	292	287	294	307	363	617	679	749	850	966	1,107				
Minorities	56	58	50	54	48	29	35	38	43	48	55	62				
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)	(38)	(50)	(56)	(68)	(75)				
Tangible equity	319	324	306	344	310	332	555	632	705	812	929	1,076				
Capital needs																
RWAs (Basel II)	1,590	1,514	1,486	1,630	1,826	2,385	3,984	4,402	4,968	5,706	6,384	7,241				
RWAs (Basel III)	1,590	1,514	1,486	1,630	1,826	2,385	3,984	4,402	4,968	5,706	6,384	7,241				
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	528	596	685	766	869				
Surplus capital	128	142	128	149	91	46	77	104	108	127	163	207		77	7.1%	
3. Other adjustments																
ADT1															35	
Underprovisioning															(32)	
Total adjustments															4	0.3%
4. Dividends																
Total Fair Value															39	3.7%
Fully diluted number of shares															263	
Fair value per share															4.1	
Current share price															2.1	
Upside															97.8%	
Implied P/E (x)	65.8	33.6	26.5	32.6	31.5	10.4	10.7	10.9	7.8	5.9	5.0	4.3				
Implied P/NAV (x)	3.0	2.9	3.0	2.8	2.9	2.5	1.7	1.5	1.3	1.1	1.0	0.8				

Source: Company Data, Arqaam Capital Research

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