

## Blom Bank

### Further clarity on BdL deal – strong capital offers opportunities

- Bdl gains came in at USD 433m for FY 16A (368m after tax), o/w USD 173m was used to bolster IFRS 9 provisions (1.3% of RWAs), USD 85m to completely write off operations in Syria, and USD 110m in deferred liabilities (0.8% of RWAs). None of the gains sit in CAR.
- BLOM plans to increase DPS in line with EPS in FY 16 (suggesting a DPS of LBP 1,456/share and providing a yield of 8.4%). Furthermore it plans to redeem preferred dividends (1.5% of RWAs in T1), which should increase earnings by USD 14m or 3.2% on FY 17e earnings.
- The government is in discussions to increase taxes in FY 17e, with BLOM's expected tax rate jumping from 15-17% to 21% (we have pencilled in 22%), still the least affected among peers.
- We increase our TP from USD 14.4 to USD 16.6 (including over provisioning of USD 283m), and offering 44.6% upside, at an implied P/E18e 5.3x and P/tNAV17e of 0.8x.

**Substantial benefits from BdL swap.** In the investors' call yesterday, hosted by Arqaam Capital, BLOM disclosed that total gains after taxes stood at USD 368m (14.9% of Market Cap), which were allocated as follows: (i) USD 173m to IFRS9 provisions, currently not classified under tier 2 capital. (ii) USD 85m was used to fully write-off the groups' operations in Syria, including their investment operations, and finally (iii) USD 110m was allocated to other liabilities. The additional capital from the deal will most likely be used to pay out dividends, and possibly buy back preferred shares worth around USD 200m.

**The luxury of too much capital:** With CAR at a high 19%, BLOM will probably maintain its dividend pay-out, boosting DPS to USD 1.0 per share and offering an 8.9% yield. Although BLOM is a conservative bank, it would like to bring the CAR down. The acquisition of HSBC Lebanon should have a marginal negative effect by end of H1. Furthermore, the bank plans to redeem preferred shares that are paying 7%, which should boost EPS by a further 3%. CAR excludes IFRS 9 provisions and other liabilities, which would add another 1.3% and 0.8% respectively. However, we caution on the potential risk of a sovereign downgrade and harmonization in the Basel framework which would increase RWAs (currently zero for government and BdL debt in local currency, and at 100% and 50%, respectively, for foreign currency denominated government and BdL debts).

**Effective tax rate could increase to a manageable 21%:** BLOM expects its effective tax rate to increase to 21% from 15% on the back of a higher corporate tax rate and other amendments. We also take into account the impact of the expected 1% higher VAT on OpEx. For the rest, we maintain our estimates (NIMs to remain stable at 2.3-2.5%, strong growth in Egypt (8 additional branches to 42), despite FX headwinds, while CoR could possibly surprise after the high level of general provisions).

**Stock remains extremely compelling** at a P/tNAV17e of 0.8x, P/E18e of 5.3x and a yield of close to 10% (FCF yield even higher).

## Core BUY

USD 16.6

### Banks / LEBANON

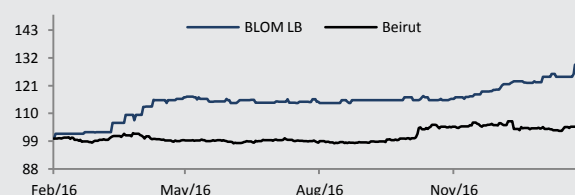
Bloomberg code	BLOM LB
Market index	Beirut
Price target (local)	16.6
Upside (%)	44.6

### Market data 2/15/2017

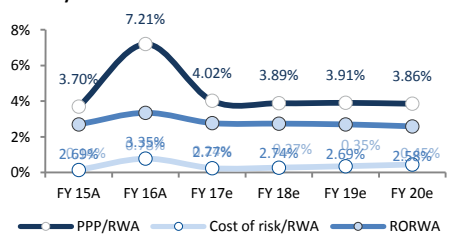
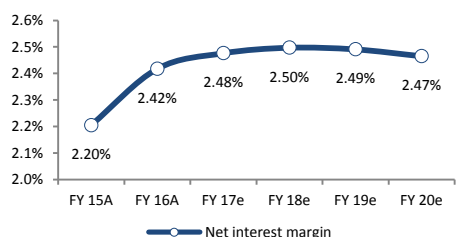
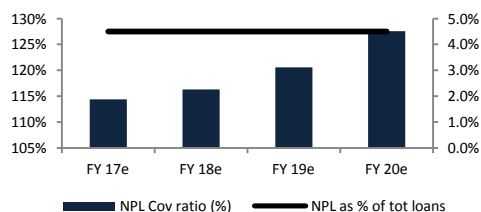
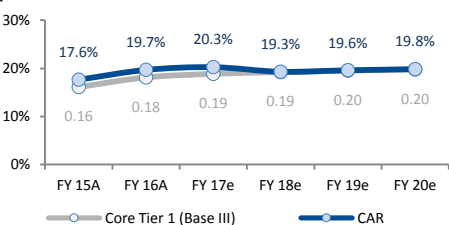
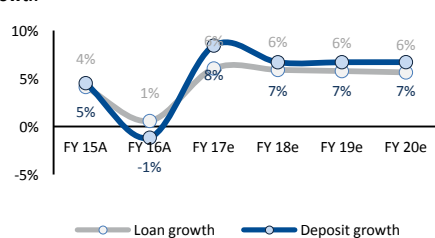
Last closing price	11.5
52 Week range	9.6-11.7
Market cap (USD m)	2,473
Market cap (USD m)	2,473
Average Daily Traded Value (USD m)	1.1
Average Daily Traded Value (USD m)	1.1
Free float (%)	25%

Year-end (local m)	2015	2016	2017e	2018e
Revenues	1,261	1,991	1,472	1,524
Pre-provisioning profit	773	1,464	918	939
EPS	1.87	2.16	2.01	2.10
P/E (x) (mkt price)	6.0	5.2	5.6	5.3
BVPS	12.3	12.9	14.9	16.0
Tangible BVPS	12.1	12.8	14.8	15.9
P/B (x) (mkt price)	0.9	0.9	0.8	0.7
P/TBVPS (x) (mkt price)	0.9	0.9	0.8	0.7
DPS	0.83	0.97	1.00	1.05
Div. yield (%)	7.4	8.7	8.9	9.4
EPPS	0.65	1.16	0.63	0.61
RoAA (%)	1.3	1.5	1.4	1.3
RoRWA (%)	2.7	3.3	2.8	2.7
RoATE (%)	16.1	17.7	14.5	13.7
RoEcC (%)	20.0	24.7	19.5	19.0
RAROC (%)	18.0	24.0	18.2	17.9
Net LtD ratio (%)	28.7	29.2	28.5	28.3
Risk Weighted Assets (bn)	20.9	20.3	22.8	24.1
Core Equity T1 ratio (%)	16.1	18.1	18.8	19.2
Tier 1 capital ratio (%)	17.5	19.6	20.2	19.2
Total capital ratio (%)	17.6	19.7	20.3	19.3
NPL ratio (%)	4.2	4.5	4.5	4.5
Coverage ratio (%)	113.8	115.1	114.4	116.3
Number of shares	201	210	210	210

### Price Performance



**Abacus** Arqaam Capital Fundamental Data

**Profitability**

**NIM**

**Credit Quality**

**Capital Ratios**

**Growth**

**Blom Bank**

Year-end	2015	2016	2017e	2018e	2019e	2020e
<b>Performance analysis</b>						
Net Interest Margin (%)	2.20	2.42	2.48	2.50	2.49	2.47
Asset yield (%)	3.70	3.88	4.03	4.23	4.23	4.23
Cost of Funds (%)	1.90	2.05	2.05	2.05	2.05	2.03
Risk Adjusted Margins (%)	2.13	2.13	2.35	2.36	2.32	2.24
Cost / Income (%)	38.7	26.5	37.6	38.4	38.7	39.7
Net Interest Income / total income (%)	73.1	52.2	75.1	77.8	77.6	77.3
Fees & Commissions / operating income (%)	17.5	11.4	16.3	17.0	17.2	17.5
Trading gains / operating income (%)	8.5	35.3	7.0	3.5	3.5	3.6
RoATE (%)	16.1	17.7	14.5	13.7	13.3	12.6
Pre-prov. RoATE (%)	16.3	19.9	14.8	14.5	14.5	14.3
RoAA (%)	1.3	1.5	1.4	1.3	1.3	1.2
Revenue / RWA (%)	6.03	9.81	6.45	6.31	6.38	6.41
Costs / RWA (%)	2.33	2.60	2.43	2.43	2.47	2.54
PPP / RWA (%)	3.70	7.21	4.02	3.89	3.91	3.86
Cost of Risk / RWA (%)	0.14	0.78	0.24	0.27	0.35	0.45
RoRWA (%)	2.69	3.35	2.77	2.74	2.69	2.58
RoRWA (%) (adj. for gross-up of associates)	2.69	3.35	2.77	2.74	2.69	2.58
Year-end	2015	2016	2017e	2018e	2019e	2020e
<b>Asset Quality</b>						
Provisions charge / avg. gross loans (%)	0.3	0.6	0.5	0.5	0.7	0.8
Past due not impaired / gross loans (%)	1.5	2.0	2.5	3.0	3.0	3.0
NPL / gross loans (%)	4.2	4.5	4.5	4.5	4.5	4.5
NPL coverage ratio (%)	113.8	115.1	114.4	116.3	120.6	127.6
Provisions / avg. gross loans (%)	0.3	0.6	0.5	0.5	0.7	0.8
Provisions charge / operating income (%)	3.8	8.5	6.0	6.9	9.0	11.5
Year-end	2015	2016	2017e	2018e	2019e	2020e
<b>Funding and Liquidity</b>						
Net Loans / Deposits (%)	28.7	29.2	28.5	28.3	28.1	27.8
Cash and interbank / assets (%)	94.4	92.6	95.2	94.9	94.7	94.4
Deposits / liabilities (%)	94.4	92.6	95.2	94.9	94.7	94.4
Year-end	2015	2016	2017e	2018e	2019e	2020e
<b>Capital and leverage ratios</b>						
Core Tier 1 ratio (Basel III) (%)	16.1	18.1	18.8	19.2	19.5	19.8
Tier 1 ratio (%)	17.5	19.6	20.2	19.2	19.5	19.8
Total capital ratio (%)	17.6	19.7	20.3	19.3	19.6	19.8
Tangible equity / assets (%)	8.7	9.3	10.1	10.1	10.2	10.1
RWA / assets (%)	47.7	45.6	48.2	47.6	47.1	46.6
Year-end	2015	2016	2017e	2018e	2019e	2020e
<b>Growth</b>						
Revenues (%)	2.5	57.9	(26.1)	3.5	6.9	6.3
Cost (%)	-	8.1	4.9	5.7	7.7	9.2
Pre-Provision Operating Profit Growth (%)	4.2	89.3	(37.2)	2.2	6.5	4.5
Provisions (%)	(52.8)	321.8	(55.4)	17.8	37.8	34.8
Net Profit (%)	9.9	20.6	(7.0)	4.6	4.1	1.5
Assets (%)	4.0	1.5	6.5	7.0	7.0	7.0
Loans (%)	4.1	0.6	6.1	5.9	5.8	5.6
Deposits (%)	4.5	(1.2)	8.4	6.7	6.7	6.7
Risk Weighted Assets (%)	3.1	(2.9)	12.4	5.8	5.8	5.9

**Abacus** Arqaam Capital Fundamental Data

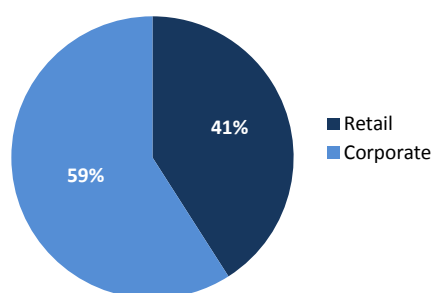
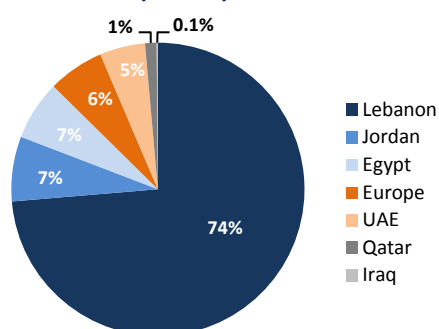
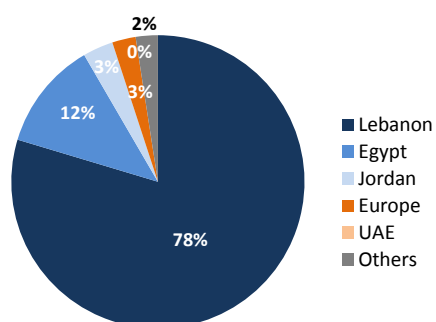
**Company Profile**

Founded in 1951, BLOM Bank is the second largest bank in Lebanon, with USD 28.0bn in assets and a 12.3% / 4.7% / 12.9% market share in assets / lending / deposits in Lebanon (0.8% / 2.6% / 5.7% in Egypt). The bank provides retail, commercial, corporate, private, investment banking, insurance and Islamic banking services, with 60.5% in corporate lending. BLOM is present in Egypt, Syria, Jordan, UAE, Qatar, Iraq and Europe, with c. 73% of its assets held domestically.

Link to [bank's IR page /financials](#).

**Key Drivers**

- Conservative and most cost efficient
- Best RoE and FCF story among peers, fueled by foreign expansion
- Weight of 135bps in MSCI FM

**Loan Breakdown by Sector**

**Loan Breakdown by Country**

**Earnings Breakdown by Country**

**Blom Bank**

Year-end	2015	2016	2017e	2018e	2019e	2020e
<b>Income statement (LBPbn)</b>						
Interest income	2,337	2,551	2,714	2,982	3,189	3,401
Interest expense	1,415	1,511	1,608	1,796	1,924	2,062
<b>Net Interest Income</b>	<b>921</b>	<b>1,040</b>	<b>1,105</b>	<b>1,186</b>	<b>1,265</b>	<b>1,339</b>
Fee income	221	227	240	259	280	303
Net investment income	107	703	103	54	58	62
Other operating income	12	21	23	25	27	29
<b>Total operating income</b>	<b>1,261</b>	<b>1,991</b>	<b>1,472</b>	<b>1,524</b>	<b>1,630</b>	<b>1,733</b>
Total operating expenses	488	528	554	586	631	688
<b>Pre-provision operating profit</b>	<b>773</b>	<b>1,464</b>	<b>918</b>	<b>939</b>	<b>1,000</b>	<b>1,044</b>
Net provisions	29	124	55	65	89	121
Other provisions / impairment	-	35	-	-	-	-
<b>Operating profit</b>	<b>744</b>	<b>1,305</b>	<b>863</b>	<b>874</b>	<b>910</b>	<b>924</b>
Associates	-	-	-	-	-	-
<b>Pre-tax profit</b>	<b>744</b>	<b>1,305</b>	<b>863</b>	<b>874</b>	<b>910</b>	<b>924</b>
Taxation	134	242	190	192	200	203
<b>Net profit</b>	<b>610</b>	<b>708</b>	<b>673</b>	<b>682</b>	<b>710</b>	<b>720</b>
Minorities	25	7	20	20	21	22
Others	-	-	-	-	-	-
<b>Attributable net profit</b>	<b>563</b>	<b>680</b>	<b>632</b>	<b>661</b>	<b>689</b>	<b>699</b>
Diluted EPS	1.87	2.16	2.01	2.10	2.19	2.22
DPS	0.83	0.97	1.00	1.05	1.09	1.11
BVPS	12.27	12.91	14.91	16.01	17.14	18.27
Tangible BVPS	12.09	12.83	14.77	15.87	17.00	18.13

Year-end	2015	2016	2017e	2018e	2019e	2020e
<b>Balance sheet (LBPbn)</b>						
<b>Gross loans and advances</b>	<b>11,207</b>	<b>11,326</b>	<b>12,197</b>	<b>12,928</b>	<b>13,704</b>	<b>14,526</b>
Less: loan loss provisions	363	418	628	676	744	834
Net loans and advances	10,844	10,908	11,569	12,252	12,960	13,692
Cash and central bank	14,360	18,046	15,603	16,799	18,099	19,512
Due from banks	4,214	3,180	4,502	4,818	5,155	5,516
Investment, net	13,428	11,435	14,408	15,416	16,496	17,650
Fixed assets, net	644	703	936	1,028	1,129	1,239
Other assets	373	230	376	399	424	450
<b>Total assets</b>	<b>43,863</b>	<b>44,502</b>	<b>47,394</b>	<b>50,712</b>	<b>54,262</b>	<b>58,060</b>
Customer deposits	37,825	37,390	40,546	43,266	46,169	49,270
Due to banks	947	1,112	145	518	749	1,035
Debt	302	301	301	125	125	125
Other liabilities	986	1,559	1,609	1,659	1,709	1,759
<b>Total liabilities</b>	<b>40,060</b>	<b>40,363</b>	<b>42,602</b>	<b>45,568</b>	<b>48,753</b>	<b>52,189</b>
<b>Total equity</b>	<b>3,803</b>	<b>4,139</b>	<b>4,792</b>	<b>5,144</b>	<b>5,509</b>	<b>5,871</b>
Risk Weighted Assets (bn)	21	20	23	24	26	27
Average Interest-Earning Assets	41,794	43,028	44,636	47,488	50,787	54,315
Average Interest-Bearing Liabilities	38,294	38,939	39,898	42,451	45,476	48,737
Common shareholders	3,644	4,041	4,653	4,999	5,356	5,711
Core Equity Tier 1 (Basel III)	3,366	3,676	4,299	4,636	4,988	5,345
Tier 1 capital	3,668	3,977	4,601	4,636	4,988	5,345

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**Exhibit 1: BLOM Bank Q4 16A results**

LBPbn	Q4 16A	Q4 16e	vs. AC	Q3 16A	q/q	Q4 15A	Q3 15A	q/q 15	y/y Q4	y/y Q3	FY16	FY15	y/y
Interest Income	661	634	4.2%	648	2.0%	610	595	2.4%	8.4%	8.9%	2,551	2,337	9.2%
Interest expense	384	382	0.6%	388	(1.0%)	366	361	1.4%	4.9%	7.5%	1,511	1,415	6.8%
<b>Net interest income</b>	<b>276</b>	<b>252</b>	<b>9.6%</b>	<b>260</b>	<b>6.4%</b>	<b>243</b>	<b>234</b>	<b>3.9%</b>	<b>13.6%</b>	11.0%	<b>1,040</b>	<b>921</b>	<b>12.9%</b>
Fee Income	58	58	0.2%	54	6.9%	56	54	4.3%	2.9%	0.5%	227	221	2.5%
Net Trading Income	548	36	1424.2%	64	755.5%	40	19	113.9%	1273.4%	243.4%	703	107	556.6%
Other Income	14	5	161.8%	3	447.1%	2	2	(3.0%)	491.0%	4.8%	21	12	82.5%
<b>Non-Interest income</b>	<b>620</b>	<b>99</b>	<b>526.4%</b>	<b>121</b>	<b>413.9%</b>	<b>98</b>	<b>75</b>	<b>31.4%</b>	<b>530.3%</b>	61.2%	<b>951</b>	<b>340</b>	<b>179.9%</b>
<b>Total income</b>	<b>896</b>	<b>351</b>	<b>155.2%</b>	<b>380</b>	<b>135.6%</b>	<b>342</b>	<b>309</b>	<b>10.6%</b>	<b>162.3%</b>	23.2%	<b>1,991</b>	<b>1,261</b>	<b>57.9%</b>
Operating expenses	131	127	2.7%	132	(0.9%)	122	120	1.2%	7.2%	9.4%	528	488	8.1%
<b>Operating profit</b>	<b>766</b>	<b>224</b>	<b>241.7%</b>	<b>249</b>	<b>207.8%</b>	<b>220</b>	<b>189</b>	<b>16.6%</b>	<b>248.3%</b>	31.9%	<b>1,464</b>	<b>773</b>	<b>89.3%</b>
Provisions	105	18	470.2%	24	345.3%	20	0	(6884.0%)	439.0%	(8311.6%)	158	29	440.3%
Taxes	116	36	225.4%	48	143.9%	27	39	(31.3%)	335.4%	22.7%	242	134	81.2%
<b>Group Net income</b>	<b>189</b>	<b>170</b>	<b>11.1%</b>	<b>177</b>	<b>6.4%</b>	<b>173</b>	<b>150</b>	<b>15.5%</b>	<b>8.9%</b>	18.3%	<b>708</b>	<b>610</b>	<b>16.0%</b>
<b>Attributable NI</b>	<b>199</b>	<b>166</b>	<b>19.5%</b>	<b>174</b>	<b>14.1%</b>	<b>169</b>	<b>144</b>	<b>17.0%</b>	<b>17.5%</b>	20.6%	<b>701</b>	<b>585</b>	<b>19.9%</b>
Cost/income	14.6%	36.2%		34.6%		35.6%	39.0%				26.5%	38.7%	
Net loans to deposits	29.2%	29.4%		29.4%		28.7%	28.0%				29.2%	28.7%	
Annualized LLP	1.1%	0.2%		0.2%		0.2%	0.0%				1.7%	0.3%	
<b>Net loans</b>	<b>10,908</b>	<b>11,297</b>	<b>(3.4%)</b>	<b>11,297</b>	<b>(3.4%)</b>	<b>10,844</b>	<b>10,558</b>	<b>2.7%</b>	<b>0.6%</b>	7.0%	<b>10,908</b>	<b>10,844</b>	<b>0.6%</b>
<b>Customer deposits</b>	<b>37,390</b>	<b>38,362</b>	<b>(2.5%)</b>	<b>38,362</b>	<b>(2.5%)</b>	<b>37,825</b>	<b>37,731</b>	<b>0.2%</b>	<b>(1.2%)</b>	1.7%	<b>37,390</b>	<b>37,825</b>	<b>(1.2%)</b>

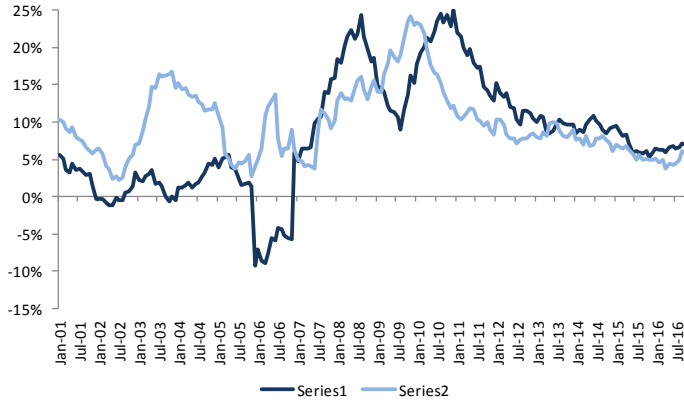
Source: Company Data, Arqaam Capital Research

**Exhibit 2: Saudi Oger Credit Exposure to Lebanese Banks (USD 000')**

Name of the Holder	Exposed Bank	Facilities Granted	Facilities Used	Details of the Credit line
Saudi Oger	Fransabank Emirates Lebanon Bank Bank Audi Bank Med Bankque Libano-Francaise Societe General (Lebanon)	165,500	165,500	Loan broken down among 6 banks, issued at 3/2013, under the supervision of QNB, Deutsche Bank and Emirates NBD for the value of USD 1,030m. in order to pay off any previous debt for purchasing the Arab bank. And to be paid out in one payment at 27/3/2017. The main funding for paying back the loan is the profits from Arab Bank.
	Bankque Libano-Francaise	15,375	15,364	To be paid at 17/8/2015 but was not paid in full, payment for the loan was postponed till 8/2016, the holder has paid in full all the interest on the loan until that period.
	Bank Audi	49,500	49,500	Loan given in Euro currency at 6/2015, and will have to be paid in full at 7/2018.
		43,000	43,000	Loan granted at 10/2011, objective of the loan is to increase participation in "Saraya Al-Aqabah" to reach 65%. And was rescheduled in 2013, to be paid out annually at USD 25m/year till 30/4/2017.(Bank Audi France participates USD 7m)
	Bank Med	75,000	60,256	Facilitating current account
<b>Total 1)</b>		<b>348,375</b>	<b>333,620</b>	
Saad (Al-dine) Al Harriri	Bank Med	200	0	---
	Bank Audi	7,700	7,700	Granted in 2012, for a total amount of USD 62.5m to increase participation of Mr. Saad Al Harirri in Saudi Oger and Bank Med. In 2014 the last payment of USD 25m was amended, to be paid out monthly at USD 1m/month, until 31/10/2016.
	<b>Total 2)</b>	<b>7,900</b>	<b>7,700</b>	
Oger Telecom	Bank Med	210	10	---
	Credit libanais	6,315	6,315	Joint loan which Credit Libanais participates in as well, issued at 25/2/2011, this is under the administration of Deutsche Bank, for the value of EUR 115m, used to collateralize the exposure under a cross currency swap at their south African Subsidiary company cell to be paid out semi-annually, and no pre set amount until 20/11/2018.
	<b>Total 3)</b>	<b>6,325</b>	<b>6,525</b>	
Oger Telecominikaston OTAS	Bankque Libano-Francaise Bank Med Byblos Bank QNB Bank Audi	195,940	195,940	Joint loan, issued at 5/2013 for the value of USD 4,478m and EUR 211,970m, under the supervision of Citi Bank International PLC. Used to repack the previous loans given in specific the ones given out in 2007 used to purchase the shares of Turk Telekom. Loan is broken down into 4 parts: USD 24m gradually matures until 30/9/2017, and USD 100m to be paid out in full at 30/12/2020. Currently loan is at USD 3,486m up to the holder to pay in full, but the company was given a USD 750m loan on behalf of banks in Turkey for paying any previous loans.
<b>Total 4)</b>		<b>195,940</b>	<b>195,940</b>	
<b>Total Aggregate</b>		<b>558,740</b>	<b>543,585</b>	
Indirect funding	Bank Med	100,000	4,740	For importing iron and electronic equipment.
<b>Grand Total</b>		<b>658,740</b>	<b>548,325</b>	

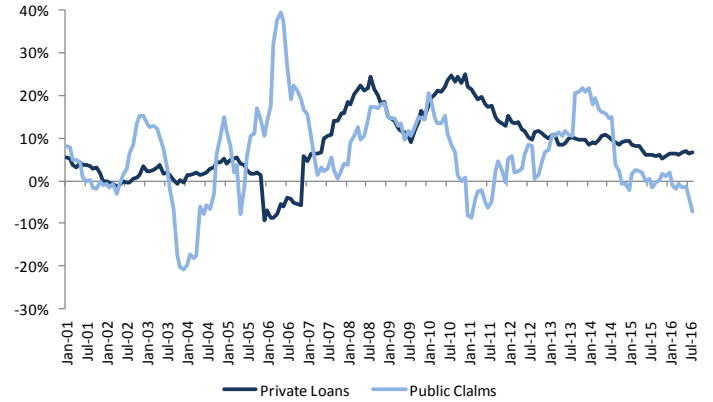
Source: News Source

**Exhibit 3: Lebanon total loans vs. deposits y/y growth**



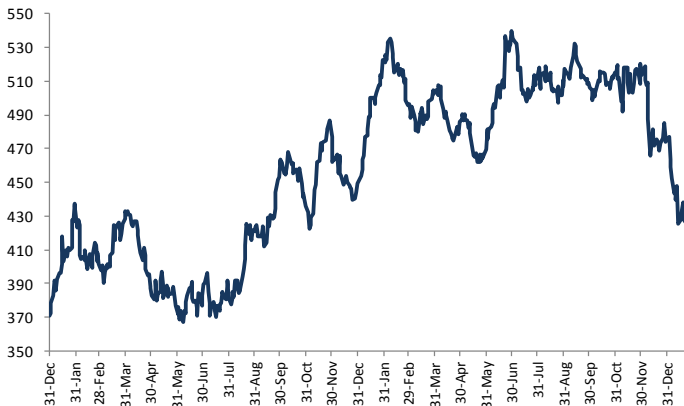
Source: Bdl, Arqaam Capital Research

**Exhibit 4: Private vs. public credit growth y/y**



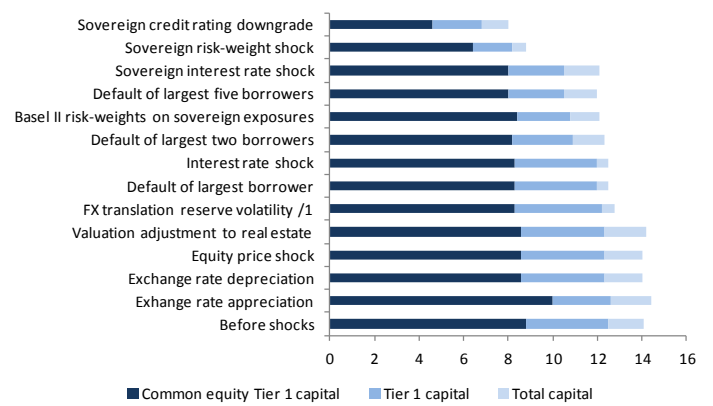
Source: Bdl, Arqaam Capital Research

**Exhibit 5: 5 year Lebanese government spread vs. US Treasuries**



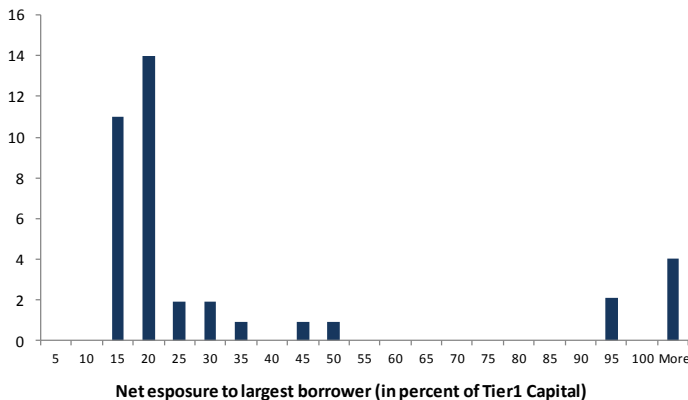
Source: Bloomberg, IMF, Arqaam Capital Research

**Exhibit 6: CAR before and after sensitivity test (as % of RWA)**



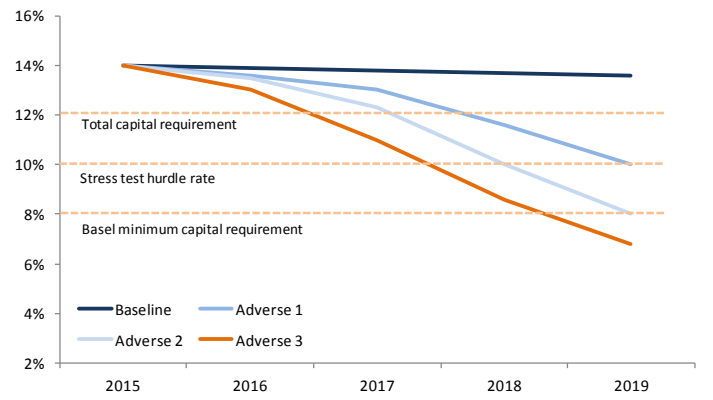
Source: IMF

**Exhibit 7: Distribution of large single counterparty exposures**



Source: IMF

**Exhibit 8: Solvency stress test result (aggregate CAR in %)**



Source: IMF

**Exhibit 9: BLOM Bank EVA Valuation**

Year-end	2013	2014	2015	2016e	2017e	2018e	2019e	2020e	2021e	perp	subtotal	% of total
<b>1. DCF</b>												
Net profit	497	513	563	680	632	661	689	699	736	758		
Other adjustments (staff profit sharing)	-	0	0	0	0	0	0	0	0	-		
Minus: excess return excess capital	41	45	61	77	99	110	120	131	141	146		
Risk free rate	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%		
Tax shelter	18.8%	19.1%	18.0%	25.5%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%		
Adjusted net profit	455	467	503	603	533	552	568	568	594	612		
Capital requirements	2,340	2,435	2,509	2,437	2,739	2,897	3,066	3,246	3,437	3,540		
RoEcC	19.5%	19.2%	20.0%	24.7%	19.5%	19.0%	18.5%	17.5%	17.3%	17.3%		
Cost of capital	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%		
Capital charge	339	353	364	353	397	420	445	471	498	513		
Economic profit	116	114	139	250	136	132	124	98	96	99		
Discount factor	-	-	-	-	1.00	0.87	0.76	0.67	0.58	0.58		
NPV of economic profit	-	-	-	-	136	115	94	65	56	57		
DCF EVA forecast period											466	8.7%
Perpetual growth rate (nominal GDP)										3.0%		
Terminal value										858		
Terminal value discounted											499	9.3%
Required capital											2,437	45.4%
<b>Value of the bank operations</b>											<b>3,402</b>	<b>63.4%</b>
<b>2. Capital surplus/deficit</b>												
Available capital:												
Shareholders equity	3,239	3,503	3,803	4,139	4,792	5,144	5,509	5,871	6,265			
Less goodwill & intangibles	(57)	(55)	(53)	(24)	(44)	(44)	(44)	(44)	(44)			
Less dividends (if included in reported equity)	(161)	(269)	(251)	(306)	(316)	(331)	(344)	(349)	(368)			
Tangible equity	3,021	3,180	3,499	3,809	4,432	4,769	5,121	5,478	5,854			
Capital needs:												
RWAs (Basel III starting YE 12A)	19,499	20,288	20,911	20,308	22,821	24,143	25,550	27,049	28,644			
Equity as % RWA	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%			
Financial stakes	-	-	-	-	-	-	-	-	-			
Capital requirements	2,340	2,435	2,509	2,437	2,739	2,897	3,066	3,246	3,437			
<b>Surplus capital</b>	<b>681</b>	<b>745</b>	<b>990</b>	<b>1,372</b>	<b>1,694</b>	<b>1,872</b>	<b>2,055</b>	<b>2,232</b>	<b>2,416</b>		<b>1,372</b>	<b>25.6%</b>
<b>3. Other adjustments</b>												
Overprovisioning NPLs											283	
<b>Total adjustments</b>											<b>283</b>	<b>5.3%</b>
<b>4. Dividends</b>												
<b>Total fair value</b>											<b>5,363</b>	<b>100.0%</b>
Fully diluted number of shares											215	
<b>Fair value per share (LBP)</b>											<b>24.9</b>	
<b>Fair value per share (USD)</b>											<b>16.6</b>	
Current share price											11.5	
<b>Upside</b>											<b>44.6%</b>	
Implied P/E (x)				7.7x	8.3x	7.9x						
Implied P/NAV (x)				1.3x	1.1x	1.0x						

Source: Company Data, Arqaam Capital Research

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