FFA Equity Research - Lebanese Banks - Q2/15 Preview

Bank Audi	**(AUDI LB)**	**MARKETWEIGHT**	**↑ USD 7.50**
Blom Bank	**(BLOM LB)**	**OVERWEIGHT**	**↑ USD 11.00**
Byblos Bank	**(BYB LB)**	**MARKETWEIGHT**	**↑ USD 1.65**

July 21, 2015

Expect investors to remain patient as book values gradually improve and appetizing dividends continue to provide nearly 7% returns of capital, although any material share price rerating to come from better macro/political backdrop driving operating

Domestic bank sector deposits grew 6.5% YoY in March 2015 supported by non-residents, while loans outpaced at 7.5% YoY helped by CB initiatives: Lebanese banks have been navigating through unfavorable economic and political conditions, with real GDP growth declining to just 2% between 2011 and 2014e as per IMF from an annual rate of 8%+ pre-Syrian crisis levels. Figures for March 2015 show that banks are still coping with the difficult backdrop as highlighted by moderating assets and deposits growth both at 6.5% reaching USD 177 billion and USD 145 billion respectively. Lending growth was more energetic at 7.5% reaching USD 51 billion in March 2015, partially driven by BDL stimulus (three so far totaling USD 3.4 billion as per IMF), which should continue to support macro and banking system growth (despite tighter BDL measures on retail and housing loans). Deposits continue to fund most of the sector's assets (82% at March 2015) which in turn largely exceed the size of the economy given an estimated assets/GDP ratio at 365%+. Non-resident deposits represented a stable 21% share in deposits at the end of April 2015, which with resilient remittances continue to help fuel the sector's liquidity (LDR at 35% at March 2015), which in turn go to finance public/external needs and international reserves.

Balance sheet of banks under coverage should see low single digit growth in Q2/15e still coping with tougher macro as f/x wanes: In Q1/15, Blom Bank loans growth was muted sequentially, while Bank Audi and Byblos Bank saw loans growth decline by -4%/-1% respectively. Deposits growth was muted for Byblos Bank and Blom Bank in Q1/15, and LDR ratios stood at ~30% and ~29% respectively. Deposits growth slowed down by -2% QoQ for Bank Audi mainly due to Turkish Lira and Egyptian Pound devaluation, with LDR ratio at ~47%, above the 35% sector average, mainly due to fast lending growth driven by Turkey. We expect soft QoQ growth in assets, deposits and loans in Q2/15e in the approximate 1% range for Byblos Bank while Bank Audi and Blom Bank edge higher at 2-3%. For 2015e, we expect banks under coverage to continue growing volumes despite persistent sluggishness in domestic economic conditions (IMF expects real GDP growth at 2.5% in 2015e). We expect the following growth rates in 2015e for assets, deposits and loans: 6%, 7% and 7% respectively for Bank Audi, 6%, 6% and 8% respectively for Blom Bank, 4%, 4% and 4% respectively for Byblos Bank.

Banks under coverage still coping with profitability constraints, although should see some relief including cost of risk and cost containment: Banks should see relatively flat to up NIMs, slowing F&C from less buoyant lending and lower gains YoY from financial assets helping operating income, while lower COR (despite NPLs ticking higher) and opex to benefit bottom line growth. Our estimates for YoY net profits growth for Bank Audi in Q2/15e is at 2% (EPS at USD 0.24, -10% YoY due to capital increase), 4% for Blom Bank (EPS at USD 0.41, +1% YoY), and +6% growth for Byblos Bank (EPS at USD 0.05, flat YoY). We expect EPS for 2015e to reach USD 0.95, USD 1.68 and USD 0.25 for Bank Audi, Blom Bank and Byblos Bank respectively.

We believe shares will remain range bound and biased towards BVPS expansion as improved share sentiment can only come from better macro and political conditions materializing into stronger operations and sentiment: Listed share prices of banks under coverage saw lackluster performance so far in 2015 with Bank Audi at +0.2% and Byblos Bank at +0.6%, while Blom Bank outperformed with YTD performance of +10.2%. While investors will likely remain patient as appetizing dividends at ~7%+ provide a return of capital, shares could only see material rerating from improved macro and political conditions helping bank operations and investor sentiment. We also expect looming US rate hike to favor positively short-term USD liquidity. We estimate BVPS (to common) expansion for three banks at 2.7%, 10.1% and 4.5% respectively for Bank Audi, Blom Bank and Byblos Bank in 2015e.

FFA Private Bank Lebanese Banks Coverage

Company	Symbol	Recommendation	Target Price	Share Price *	Ytd change	P/E **	P/B to common	Dividend Yield
Bank Audi	AUDI.LB	Marketweight	USD 7.50	USD 6.01	+0.2%	7.0x	0.85x	6.7%
Blom Bank	BLOM.LB	Overweight	USD 11.00	USD 9.70	+10.2%	5.9x	0.90x	6.8%
Byblos Bank	BYB.LB	Marketweight	USD 1.65	USD 1.61	+0.6%	7.0x	0.72x	8.2%

Source: Company reports, BSE, FFA Private Bank estimates Note:* Listed shares as of July 20, 2015 market close, **Based on TTM EPS

We update our target prices on Bank Audi, Blom Bank and Byblos Bank and remind that Blom Bank is the sole Overweight although see upside in Bank Audi shares as S-T pressures likely dissipate: We update our target prices on Bank Audi, Blom Bank and Byblos Bank to respectively USD 7.50 per share, USD 11.00 per share and USD 1.65 per share based on expected higher earnings and a slightly lower discount rate and remind that Blom Bank is the sole Overweight in our universe given higher quality core income, above average margins, efficiencies and ROE, stable growth in earnings, solid capitalization, sizeable liquidity and conservative approach to growth. We also like Bank Audi as a trade given relative share underperformance YTD as i) share pressures from dividend season wind-down ii) f/x devaluation and iii) share dilution YoY likely dissipate going into Q3.

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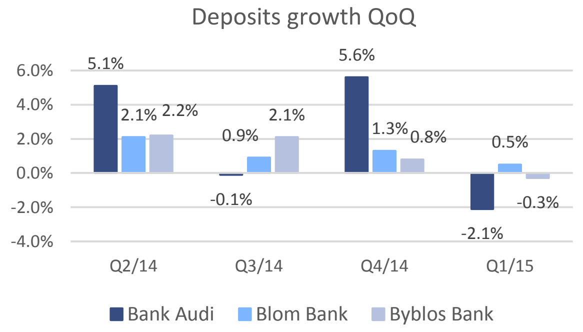
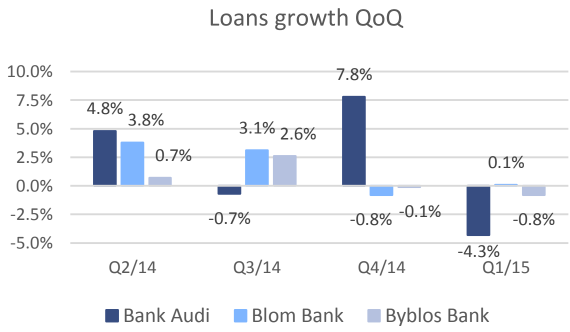
Banks Under Coverage - Comparative Snapshots

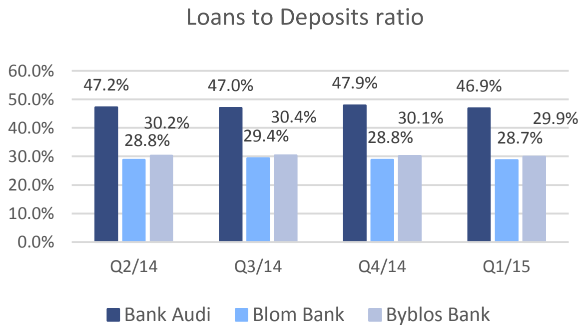
Deposits growth for Bank Audi in Q1/15 pressured mainly by currency devaluation in Turkey and Egypt



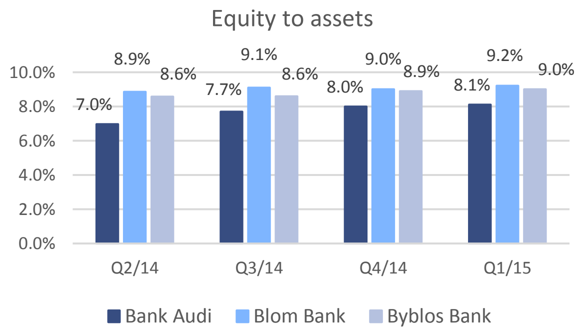
Loans growth declined for Bank Audi in Q1/15 mostly due by Turkey and Egypt currency devaluation, while Blom Bank loan growth was muted



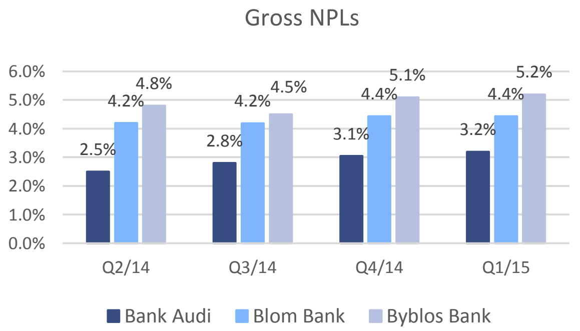
While Blom Bank and Byblos Bank's LDR remain below sector's average at 35%, Bank Audi LDR almost reached 47%



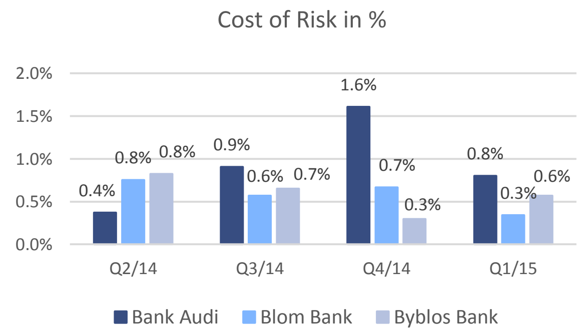
Bank Audi equity to assets ratio at 8% in Q1/15, still screening lower compared to other banking peers under coverage



We note flat to slightly higher NPL formation QoQ across the three banks, as well as Bank Audi's higher asset quality versus peers

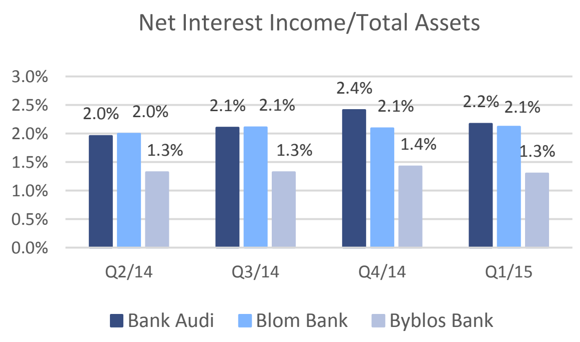


Cost of risk for Bank Audi in Q1/15 normalized at 80 bps following a provisioning spike in previous quarter

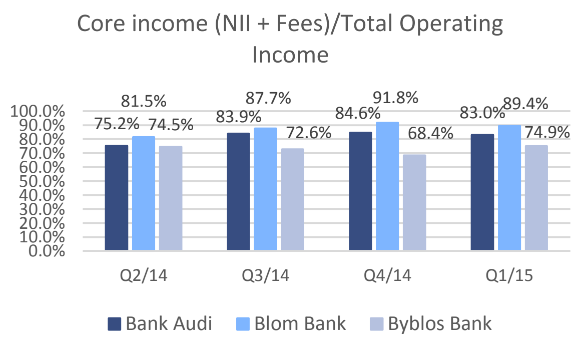


Source: Company reports and FFA Private Bank estimates

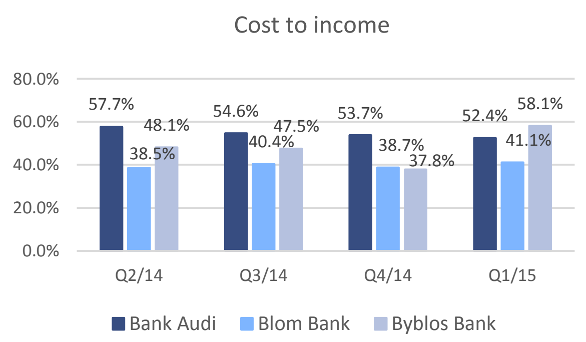
Blom Bank maintained roughly stable NIMs in Q1/15 while Byblos Bank and Bank Audi saw a slight decrease



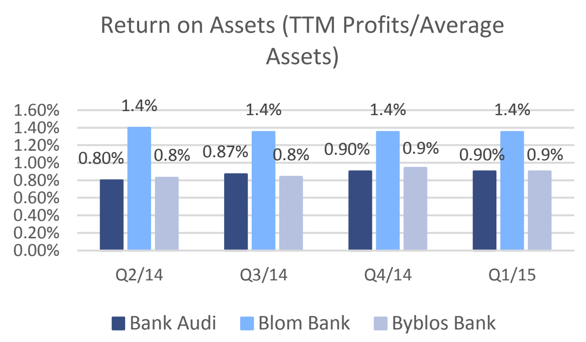
We still highlight Blom Bank's higher core income's contribution to total operating income, lending support to earnings stability, and an amelioration for Byblos Bank in Q1/15



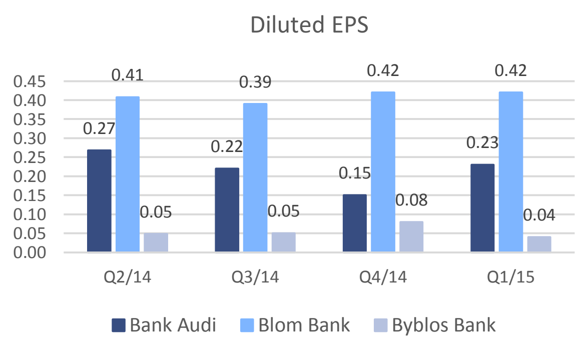
Byblos Bank's cost-to-income soared to 58% in Q1/15 and Bank Audi's improves although still above pre-Turkey expansion levels



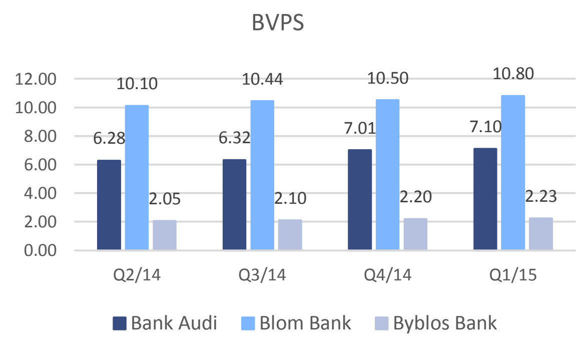
We value Blom Bank's higher profitability compared to peers at a stable 1.4% ROA over the past four quarters, while both other banks remain under the 1% threshold



EPS volatility has been higher for Bank Audi, while Blom Bank has been demonstrating relatively stable earnings and Byblos Bank EPS slowed considerably in Q1/15



We remind that higher book values per share has helped share price appreciation as multiple expansion remained capped



Source: Company reports and FFA Private Bank estimates

BANK AUDI

Company Description

Bank Audi is the largest bank in Lebanon in terms of assets with an asset base at USD 41.5 billion and earnings at USD 350.3 million in 2014 and USD 100.0 million in Q1/15. The Bank had a total of 213 branches and 6,601 employees as of the end of Q1/15 with operations in its domestic market Lebanon as well as across Europe, MENA and Turkey. The Bank's diversification across markets translates into a breakdown of assets and earnings between domestic and international at a respective 54%/46% and 48%/52% in Q1/15. In terms of assets, Turkey is currently the biggest international market for Bank Audi with 24% of total assets. The current strategy is geared towards three key markets: Lebanon, Turkey and Egypt. We highlight the Bank's relatively sound asset quality (Gross NPL ratio at 3.2% in Q1/15) amidst a difficult backdrop, the solid balance sheet growth on a YoY basis and consolidated margins to remain favorably impacted by higher margins driven largely by Turkey as they converge towards Turkish sector average.

Q1/15 Key Financial Highlights

Net profits at USD 100 million in Q1/15 (+42% QoQ, +17% YoY)

- Net interest income shrank QoQ in Q1/15 (-9%) on lower balance sheet volumes and tighter margins, although still up YoY (+19%).
- Lower fees and commissions sequentially (-11% QoQ) but still displaying solid growth year-on-year (+14% YoY)
- Cost-to-income stabilizes in the mid 50% range yet still above pre-Turkey expansion levels.
- Gross NPL ratio at 3.2% in Q1/15 up from 3.1% in Q4/14 with lower cost of risk at 80 bps after exceptionally high levels in Q4/14 at 160 bps
- Key balance sheet indicators adversely impacted in Q1/15 by currency devaluation in both Turkey and Egypt, dragging down consolidated assets, deposits and loans.
- CAR III increased to 13.7% in Q1/15, unchanged from previous quarter.

Latest Key Regional Highlights

- Bank Audi's breakdown of assets and earnings between domestic and international operations stands at 54%/46% and 48%/52% in Q1/15.
- In 19 months of activity, Odea Bank accumulated USD 10 billion in total assets representing 24% of group assets and is seeking to benefit from operating leverage as branch network expands, 54 branches including kiosks, and gains maturity. Odea Bank started reporting its first set of profits in Q2/14 at USD 3.3 million, which further accelerated to USD 11.0 million in Q1/15. Odea Bank's net profits for the full year 2014 amounted to USD 16.2 million equivalent to ~5% of consolidated net profits. We expect Odea Bank's profitability to continue improving as margins, efficiencies and LDRs move higher and closer to peers, driving its share of consolidated net profits considerably higher.
- In Q1/15, the Group had USD 4.5 billion in assets in Egypt and generated USD 22.0 million in earnings accounting for 11% of consolidated assets and 22% of total profits.
- The Bank's current key pillar markets are: Lebanon, Turkey and Egypt.

FFA Model Assumptions

- We forecast net profits of USD 106 million in Q2/15e (+6% QoQ, +2% YoY).
- Expect net interest income at USD 237 million in Q2/15e (+7% QoQ, +27% YoY) with the YoY improvement being driven by higher margins and solid earning assets momentum from Turkish expansion. Going forward,

Odea Bank should help Bank Audi's margins as Turkish banks typically boast higher margins and as branches gain maturity.

- Net fees and commissions to reach USD 68 million in Q2/15e (+15% QoQ, +8% YoY).
- We expect QoQ growth between 2% and 3% in Q2/15e for assets, deposits and loans.
- The LDR is expected at 47% by end of Q2/15e.
- We forecast provisions of USD 31 million in Q2/15e with an estimated annualized cost of risk of 74 bps.
- Our estimate for cost to income in Q2/15e at 55%, still high compared to pre-Turkey expansion levels.
- Looking at 2015e, net profits should total USD 413 million (+16% YoY) with EPS at USD 0.93 (+18% YoY), driven by stronger operating income, slightly lower cost of risk and gradually improving efficiencies.

Table 1: FFA Model Forecasts

USD Million	FFA Q2/15e	Q1/15a	Q2/14a	QoQ %	YoY %	2014a	FFA 2015e
Net interest income	237.0	222.5	186.6	7%	27%	829.9	945.0
Operating income	374.4	339.3	338.9	10%	10%	1,322.0	1,481.7
Net profits	106.5	100.0	104.0	6%	2%	350.3	413.1
Diluted EPS	0.24	0.23	0.27	6%	-10%	0.86	0.95
Assets	42,097	41,458	39,262	2%	7%	41,958	44,451
Deposits	36,149	35,054	33,960	3%	6%	35,823	38,351
Loans	16,933	16,440	16,034	3%	6%	17,168	18,338
BVPS to common	7.24	7.10	6.28	2%	15%	7.01	7.20
FFA Cost-to-income ratio	54.8%	52.4%	57.7%			55.3%	54.3%
Loans-to-deposits ratio	46.8%	46.9%	47.2%			50.0%	47.8%

Source: Company reports and FFA Private Bank estimates

Investment Opinion

We value Bank Audi's domestic leadership, asset quality and improving margins, and expect investors to gain confidence in its growth plan as earnings accelerate and risk diversifies away from domestic market

Bank Audi is the largest bank in Lebanon with a demonstrated franchise and the confidence of its clients in Lebanon and abroad. In light of difficult operating conditions, we value its fundamentals mainly from the preservation of its asset quality and interest margins as well as an ambitious expansion strategy in Turkey that is materializing into assets diversifying away from Lebanon's risk and towards gradually higher margins, comfortable cost of risk and improved CAR levels. We continue to rate Bank Audi shares at Marketweight although see upside on account of: i) Turkey expansion with balance sheet expected to increase from one-quarter to one-third of total balance sheet by M-T ii) Egypt balance sheet expansion potentially reaching USD 10 billion by M-T iii) international expansion coupled with continued growth in domestic market should drive assets to target USD 60 billion by M-T, which on improved profitability should accelerate earnings and diversify risk. Bank Audi shares should see pressures from dividend season wind-down, f/x currency devaluation and share dilution YoY dissipate into Q3 which could create interesting trade given relative share underperformance year to date.

Target Price Revision and Recommendation

We reiterate our Marketweight rating on Bank Audi shares and update our fair value to USD 7.50 per share

Based on our revised forecasts and discount rate assumptions to our Dividend Discount Model, we update our fair value estimate for Bank Audi to USD 7.50 per share from USD 7.00 per share on account of higher expected earnings and a lower discount rate. Our DDM assumes a 13.5% discount rate from 14.0% previously and a 3.0% terminal growth rate. We corroborate our DDM valuation by means of the residual income method as well as historical and comparable P/E and P/B multiples.

BLOM BANK

Company Description

Blom Bank is the second largest bank in Lebanon in terms of assets with an asset base at USD 28.0 billion and earnings at USD 365.4 million in 2014 and USD 91.2 million in Q1/15. The Bank had a total of 255 branches and 4,767 employees as of the end of Q1/15 with operations in its domestic market Lebanon as well across Europe and the MENA region. The Bank's diversification across markets translated into a breakdown of assets and earnings between domestic and international at 77%/23% and 73%/27% respectively in Q1/15. The Bank's current strategy is geared towards two key markets: Lebanon and Egypt which is currently the biggest international market for Blom Bank. The Bank has so far adopted a conservative approach to growth translating into ample liquidity buffers and solid capitalization. We also note that Blom Bank has surpassed its peers in terms of earnings stability, interest margins and cost-efficiencies.

Q1/15 Key Financial Highlights

Net profits at USD 91 million in Q1/15 (-5% QoQ, +4% YoY)

- Net interest income almost unchanged sequentially at USD 145 million impacted by muted earning assets growth in the context of roughly flat to down margins (-1% QoQ, +6% YoY).
- Fees and commissions income normalized to USD 34 million in Q1/15 (-21% QoQ, +3% YoY) following a peak in Q4/14 at USD 43 million, likely from a weaker balance sheet growth sequentially in Q1/15 including softer lending.
- Annualized cost of risk declined to 34 bps in Q1/15 (vs. 67 bps in Q4/14 and 45 bps in Q1/14), helping the bottom line and consistent with a trend of alleviating provisions.
- On the balance sheet side we note a muted performance in Q1/15 likely the reflection of a subdued growth in the domestic banking sector, seasonal first quarter weakness and devaluation pressures on the Egyptian Pound, as Blom Bank's total assets exposure to Egypt amounts to ~7%.
- Comfortable capital position with CAR III stable at 17.5% and profitability ratios at the high end of our coverage universe.

Latest Key Regional Highlights

- Blom Bank breakdown of assets and earnings between domestic and international operations stands at 77%/23% and 73%/27% respectively in Q1/15.
- At the end of Q1/15, the Group had around USD 2.1 billion in assets in Egypt and generated USD 9.5 million in net earnings for Q1/15 accounting for around 7% of consolidated assets and 10% of consolidated profits.
- The Bank's key pillar markets are: Lebanon and Egypt.

FFA Model Assumptions

- We expect net profits of USD 96 million in Q2/15e (+5% QoQ, +4% YoY).
- We forecast operating income at USD 217 million in Q2/15e (+8% QoQ, +3% YoY).
- We expect net interest income at USD 148 million in Q2/15e (+2% QoQ, +9% YoY) as slightly higher margins YoY are matched with moderate earning assets growth.
- We forecast higher net fees and commissions at USD 36 million in Q2/15e (+6% QoQ; +3% YoY).
- We expect provisions of USD 12 million equivalent to an estimated annualized cost of risk at 67 bps. Our cost-to-income estimate stands at 40.1% in Q2/15e (within the Bank's usual range).
- Key balance sheet indicators including assets, deposits and loans are expected to grow at a low single digit in Q2/15e, ranging between 3% and 4%.

- At these growth levels, LDR should be at 28.9% in Q2/15e, which reflects ample liquidity and significant room to expand lending from current levels.
- For the year 2015e, net profits should total USD 382 million (+5% YoY) with EPS expected at USD 1.68 (+4% YoY).

Table 2: FFA Model Forecasts

USD Million	FFA Q2/15e	Q1/15a	Q2/14a	QoQ %	YoY %	2014a	FFA 2015e
Net interest income	148.4	145.3	136.4	2%	9%	564.9	603.7
Operating income	217.5	200.6	210.4	8%	3%	816.0	853.1
Net profits	95.6	91.2	91.7	5%	4%	365.4	382.2
Diluted EPS	0.41	0.42	0.41	-2%	1%	1.61	1.68
Assets	28,942	28,091	27,371	3%	6%	27,975	29,705
Deposits	24,818	24,084	23,484	3%	6%	24,006	25,379
Loans	7,175	6,914	6,758	4%	6%	6,910	7,479
BVPS to common	11.04	10.80	10.10	2%	9%	10.50	11.56
FFA Cost-to-income ratio	40.1%	41.1%	38.5%			39.7%	40.2%
Loans-to-deposits ratio	28.9%	28.7%	28.8%			28.7%	29.5%

Source: Company reports and FFA Private Bank estimates

Investment Opinion

We view Blom Bank's higher returns and solid liquidity levels as a reflection of a prudent management team and see scope for dividends to grow over time on account of lower than average payouts

We recognize Blom Bank's solid positioning in its domestic market. We like the firm's conservative strategy translating into superior profitability and return ratios relative to its domestic peers from relatively higher margins and operating efficiencies, despite sizeable liquidity buffers. We also value Blom Bank's higher quality core income. In the short term, we look to the prudent management team to continue to focus on asset quality in light of difficult operations in key regional markets. We value the Bank's ability to steadily grow earnings while dividends should continue to benefit from lower than average payouts.

Recommendation

We reiterate our Overweight rating on Blom Bank shares and update our fair value to USD 11.00 per share

Based on our revised forecasts and discount rate assumptions to our Dividend Discount Model, we update our fair value estimate for Blom Bank to USD 11.00 per share from USD 10.50 per share on account of higher expected earnings and a lower discount rate. Our DDM assumes a 14% discount rate from 14.5% previously and a 3.0% terminal growth rate. We corroborate our DDM valuation by means of the residual income method as well as historical and comparable P/E and P/B multiples.

BYBLOS BANK

Company Description

Byblos Bank is the third largest bank in Lebanon in terms of assets with an asset base at USD 19.0 billion and earnings at USD 175.6 million in 2014 and USD 32.8 million in Q1/15. The Bank had a total of 102 branches and 2,531 employees as of end of December 2014 with operations in Lebanon as well across Europe, Africa and the MENA region. The Bank's diversification across markets is lagging behind its peers with a breakdown of assets and earnings between domestic and international at 91%/9% and 87%/13% for 2014. The Bank's balance sheet is mainly focused on Lebanon. The Bank has so far adopted a conservative growth strategy translating into ample liquidity levels and solid capitalization at the expense of weaker margins and profitability.

Q1/15 Key Financial Highlights

Net profits at USD 33 million in Q1/15 (-48% QoQ, +7% YoY)

- Net interest income was at USD 63 million in Q1/15 (-7% QoQ, +13% YoY). Sequential growth was likely impacted by tighter margins and muted balance sheet growth QoQ. We estimate margins to have narrowed to 1.36% in Q1/15 from 1.45% in Q4/14. Net interest income maintained positive growth YoY on still positive balance sheet expansion and margins evolution on a yearly basis.
- Non-interest income at USD 49 million in Q1/15 (-24% QoQ, -3% YoY) on weaker fees and commissions likely from soft lending.
- Cost of risk came in at an annualized 57 bps in Q1/15 vs. 30 bps in Q4/14 and 66 bps in Q1/14, implying a negative impact on profits QoQ.
- Balance sheet growth was rather muted in Q1/15, still up on a YoY basis with assets, deposit and loans up by respectively 2%, 5% and 2% YoY.
- Liquidity metrics reflect ample buffers and a conservative stance to liquidity at the detriment of margins and profitability ratios: while LDR was maintained at ~30%, the immediate liquidity to deposits ratio (including cash and balances with Central Banks and interbank placements) was almost stable at 44%.
- Profitability ratios unchanged sequentially with TTM ROA at an estimated 0.95% vs. 0.94% in previous quarter, while the TTM ROE is estimated at 10.5% unchanged QoQ and still at the lower end of our coverage universe.

Latest Key Regional Highlights

- Byblos Bank breakdown of assets and earnings between domestic and international operations stands at 91%/9% and 87%/13% respectively for 2014.
- The Bank operations in Syria have been downsized to just 1.4% of total assets as of December 2014.

FFA Model Assumptions

- We expect net profits of USD 41 million in Q2/15e, (+25% QoQ, +6% YoY).
- We forecast net interest income of USD 64 million in Q2/15e, (+2% QoQ, +5% YoY).
- Net fees and commissions' income expected at USD 21 million in Q2/15e (unchanged QoQ and YoY).
- Key balance sheet indicators namely assets, deposits and loans are expected to witness moderate growth at a low single digit in Q2/15e (+1% QoQ), with an LDR maintained at 30%.
- We forecast provisions of USD 9 million in Q2/15e equivalent to an estimated annualized cost of risk at 72 bps. Our cost-to-income estimate stands at 49% for Q2/15e and 48% for the full year 2015e.
- Looking at 2015e, net profits should reach USD 184 million (+5% YoY) with EPS at USD 0.25 (+9% YoY).

Table 3: FFA Model Forecasts

USD Million	FFA Q2/15e	Q1/15a	Q2/14a	QoQ %	YoY %	2014a	FFA 2015e
Net interest income	64.4	63.0	61.6	2%	5%	247.2	263.0
Operating income	115.9	111.7	110.2	4%	5%	465.8	487.8
Net profits	41.0	32.8	38.8	25%	6%	175.6	184.1
Diluted EPS	0.05	0.04	0.05	31%	-1%	0.23	0.25
Assets	19,178	18,963	18,633	1%	3%	19,035	19,738
Deposits	15,881	15,670	15,274	1%	4%	15,715	16,391
Loans	4,752	4,689	4,617	1%	3%	4,728	4,907
BVPS to common	2.23	2.23	2.05	0%	9%	2.21	2.31
FFA Cost-to-income ratio	49.3%	58.1%	48.1%			46.7%	47.8%
Loans-to-deposits ratio	29.9%	29.9%	30.2%			30.1%	29.9%

Source: Company reports and FFA Private Bank estimates

Investment Opinion

While we like Byblos Bank's solid domestic retail franchise with strong risk management practices, we believe additional value could be generated for investors as visibility and cost-efficiencies improve

We recognize Byblos Bank's position in its domestic retail market and solid fundamentals benefiting from sizeable liquidity buffers, strong capitalization and superior asset/liability management practices, a validation of management's risk practices although at the detriment to profitability ratios. We also recognize the firm's leadership at better managing its asset liability mismatch with the issuance of costlier longer term liabilities. We believe Byblos Bank's shares could generate more value once the firm gains visibility on its outlook and redeploys capital to create additional shareholder value by way of expansion, acquisition, or return of capital.

Recommendation

We reiterate our Marketweight rating on Byblos Bank shares and update our fair value to USD 1.65 per share

Based on our revised forecasts and discount rate assumptions to our Dividend Discount Model, we update our fair value estimate for Byblos Bank to USD 1.65 per share from USD 1.60 per share on account of higher expected earnings and a lower discount rate. Our DDM assumes a 14.5% discount rate from 15.0% previously and a 3.0% terminal growth rate. We corroborate our DDM valuation by means of the residual income method as well as historical and comparable P/E and P/B multiples.