BANK

DDM valuation approach

Olivier Levyne

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Business plan

Income statement			Company's forecasts			Soft landing		
Amounts in € million		2018	2019	2020	2021	2022	2023	2024
Net Banking income			100	105	110	115	119	122
Growth rate				*5,0%*	*4,8%*	*4,2%*	*3,6%*	*3,0%*
(Operating expenses)			-60	-55	-50	-52	-54	-56
Cost / Income ratio			*60%*	*52%*	*45%*	*45%*	*45%*	*45%*
Gross operationg income			40	50	60	63	65	67
(Cost of risk)			-10	-12	-15	-16	-16	-17
In % of RWA			*-1,0%*	*-1,1%*	*-1,4%*	*-1,4%*	*-1,4%*	*-1,4%*
Profit before tax			30	38	45	47	49	50
(Corporate tax @)	25%		-8	-10	-11	-12	-12	-13
Net income			**23**	**29**	**34**	**35**	**37**	**38**

CET1 and RWA			Company's forecasts			Soft landing		
Amounts in € million		2018	2019	2020	2021	2022	2023	2024
CET1								
1/1			100	105	106	110	114	118
Net income			23	29	34	35	37	38
31/12		120	123	134	140	145	150	155
RWA		1000	1050	1060	1100	1139	1176	1211
Growth rate			*5,0%*	*1,0%*	*3,8%*	*3,5%*	*3,3%*	***3,0%***

- 2019-2021 P&L and RWA forecasts provided by the bank's management

- Soft landing on the 2022-2024 period
  - Net banking income (net interest margin and commissions) and RWA (risks weighted assets)

    Linear phasing from the 2021 expected growth rate (respectively 4.8% and 3.8%) to 3.0% in 2024 (in line with the expected long term GDP growth)

  - Sustainability of 2021 ratios
    - Cost / income: 45%
    - Cost of risk / RWA: 1.4%

Yearly excess equity and preliminary valuation

CET1 and RWA			Company's forecasts			Soft landing		
Amounts in € million		2018	2019	2020	2021	2022	2023	2024
CET1								
1/1			100	105	106	110	114	118
Net income			23	29	34	35	37	38
31/12		120	123	134	140	145	150	155
RWA		1000	1050	1060	1100	1139	1176	1211
Growth rate			*5,0%*	*1,0%*	*3,8%*	*3,5%*	*3,3%*	***3,0%***
Excess equity and valuation			Company's forecasts			Soft landing		
Amounts in € million		2018	2019	2020	2021	2022	2023	2024
Required CET1 @	**10%**	100	105	106	110	114	118	121
Excess equity=theoretical dividend		20	18	28	30	31	33	34
Discount period			0	1	2	3	4	5
Present value of dividend @	11%		18	25	24	23	22	20
Sum of 2019-24 PV of div	131							
Terminal value	261							
Equity value	**392**							
2019 multiples								
P/TBV (TBV assumed = CET1)	3,2							
P/E	17,4							

- Financial assumptions
  - Target CET1 ratio: 10%
  - Cost of equity: 11%
- Equity value: 392 M€
- Sensitivity analysis of the equity value to the target CET1 ratio and to the discount rate

Target CET1 ratio	*Perpetuity growth rate*			
	2%	***3%***	*4%*	*5%*
10%	365	**392**	427	474
11%	361	387	421	465
12%	358	383	415	457

Any increase in the target CET1 ratio corresponds to a decrease in the yearly excess equity that could be paid out to shareholders and therefore to a decrease in the bank's equity value