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CFC Project InvestBank Jordan INVB

2018

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The Effect of Mergers and Acquisitions on The Financial Performance of Banks.

List of Acronyms

INVB : InvetsBank
M & A : Mergers and Acquisitions
SWOT : Strengths, Weaknesses, Opportunities, and Threats
MENA : Middle East and North Africa
CAPM : Capital Asset Pricing Model
WACC : Weighted Average Cost of Capital
A S E : Amman Stock Exchange

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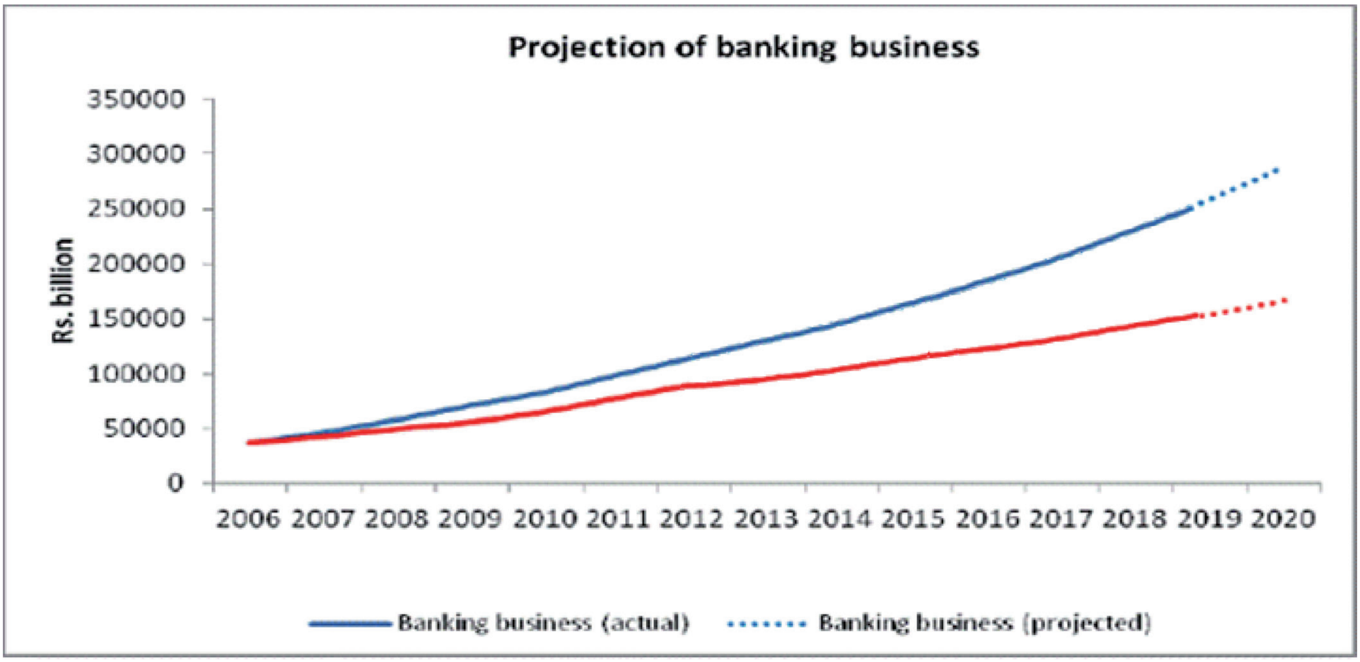
Industry Overview

The banking sector is the section of the economy devoted to the holding of financial assets for others, investing those financial assets as leverage to create more wealth and the regulation of those activities by government agencies.

The bank is a budgetary foundation that offers a wide assortment of money related administrations, particularly loaning, reserve funds and installments. It likewise furnishes any business with an extensive variety of money related administrations. Banks likewise characterize "cash tolerating offices as stores, Loans or contribute abundance stores "



Source: https://rbi.org.in/Scripts/PublicationReportDetails.aspx?ID=713

Introduction

Mergers and Acquisitions M&A are vital choices through which firms combine or procure resources. The fundamental thought in mergers and acquisitions is to make esteem and maximize the current investor's riches. Mergers and Acquisitions mean the combination of at least two specialty units under a solitary controlling proprietorship.

Mergers happen when at least two organizations consolidate into one organization. One or more organizations may converge with a current organization or they may converge to shape a new company. In merger there is finished amalgamation of the benefits and liabilities as wellas investors' interests and organizations of the blending organizations.

Mergers and Acquisitions are regular occurrences since the turn of the twentieth century. M&A are utilized as apparatuses for business extension and rebuilding. Through mergers andacquisitions money related establishments gets an extended customer base and procured companygets extra life saver as capital contributed by the buying organization. The following thought processes are considered to enhance monetary execution of the association:

Introduction

Budgetary intentions: A merger permits the securing firm to appreciate a possibly attractive portfolio impact by accomplishing hazard decrease while maybe keeping up the company's rate of return. A second budgetary intention: Is the enhanced financing stance that a merger can make as consequence of development. Bigger firms may appreciate more prominent access to budgetary markets and hence be in a superior position to raise obligation and value capital.

More noteworthy financing capacity may likewise be innate in the merger itself. This liable to be the situation if the obtained firm has a solid money position or a getting by the securing organization. A last budgetary thought process is the assessment misfortune convey forward that may be accessible in a merger on the off chance that one of the organizations has already maintained a duty misfortune. Non-budgetary thought process in M&A incorporates the craving to grow administration and showcasing abilities and also the obtaining of new items.

The following Table presents Historical Merger and Acquisition Waves

Introduction

Table 1: Historical Merger and Acquisition Waves

Time Period	Driving Forces	Type of M&A Activity	Key Impact	Factors Contributing to end of Wave
1897-1904	Drive for efficiency, Technological change	Horizontal consolidation	Increasing concentration: metal, transportation, mining industry	1904 stock market crash, fraudulent financing
1916-1929	Entry into World War I., Post WW I. boom	Largely horizontal consolidation	Increased industry concentration	1929 stock market crash
1965-1969	Rising stock market, Sustained economic boom	Growth of conglomerates	Financial engineering and conglomeration	Increasing purchase prices, excessive leverage
1981-1989	Rising stock market, Economic boom, Underperformance of conglomerates	Rise of hostile takeovers	Break-up of conglomerates, Increased use of junk bonds to financial transactions	Recession, bankruptcies
1992-2000	Economic recovery, Booming stock market, Internet revolution, Lower trade barriers, Globalization	Strategic megamergers	Record level of transactions (in numbers and prices)	Slumping economy and stock market
2003-2007	Lower interest rate, Rising stock market, Globalization, Price value disproportion	Cross-border transactions, Horizontal megamergers, private equity influence	Increasing synchronicity among the world's economies	Economic slowdown in industrial nations

The Effect of Mergers and Acquisitions on Global Banks

Most pastsof M&A start in the late nineteenth century United States. Be that as it may, mergers concur verifiably with the presence of organizations. In 1708, for instance, the East India Company converged with a recent contender to reestablish its imposing business model over the Indian exchange. In 1784, the Italian Monte deiPaschal and Monte Pio banks were joined as the MontiReuniti. In 1821, the Hudson's Bay Company converged with the opponent North West Company.

The ascent of globalization has exponentially expanded the need for offices, for example, the Mergers and Acquisitions International Clearing (MAIC), trust records and securities clearing administrations for Like-Kind Exchanges for cross-outskirt M&A on a worldwide premise, the estimation of cross-fringe mergers and acquisitions rose seven-crease amid the 1990s. In 1997 alone, there were more than 2,333 cross-fringe exchanges, worth an aggregate of around $298 billion. The tremendous writing on experimental investigations over esteem creation in cross-outskirt M&A isn't convincing however indicates higher returns in cross-fringe M&As contrasted with household ones when the acquirer firm has the ability to abuse assets and information of the objective's firm and of taking care of difficulties. In China, for instance, anchoring administrative endorsement can be intricate because of a broad gathering of different partners at each level of government. In the United Kingdom, acquirers may confront annuity controllers with noteworthy forces, not with standing a general M&A condition that is for the most part more merchant agreeable than the U.S. In any case, the present surge in worldwide cross-fringe M&A has been known as the "New Era of Global Economic Discovery".

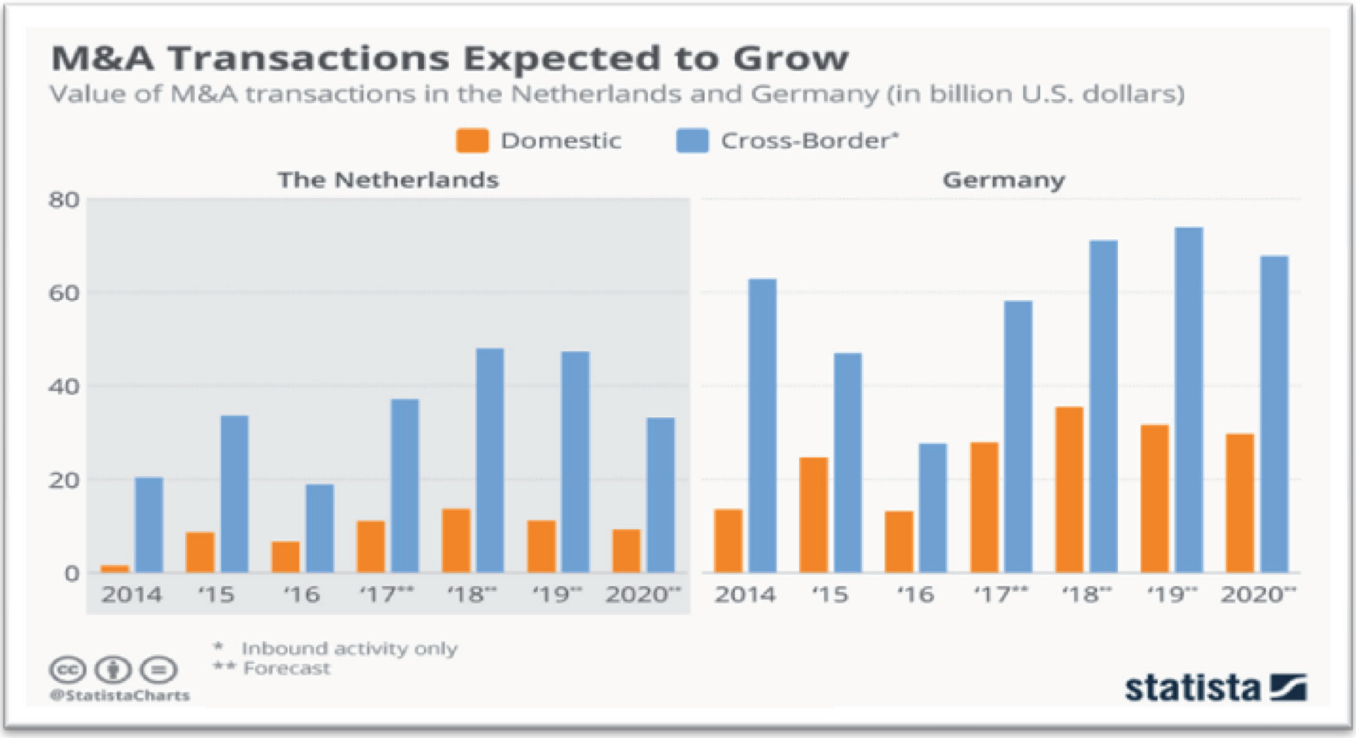
In 2014, Europe enlisted its most elevated amounts of M&A bargain action since the money related emergency. Driven by U.S. what's more, Asian acquirers, inbound M&A, at $320.6 billion, achieved record highs by both arrangement esteem and arrangement check since 2001. Around 23 percent of the 416 M&A bargains reported in the U.S. M&A showcase in 2014 included non-U.S. acquirers.

M&A rehearse in developing nations contrasts from more develop economies, in spite of the fact that exchange administration and valuation instruments (e.g. DCF, practically identical) share a typical essential procedure. In China, India or Brazil for instance, contrasts influence the development of benefit cost and on the organizing of arrangements. Benefit desires (e.g. shorter time skyline, no terminal incentive because of low perceive ability) and hazard spoke to by a markdown rate must both be appropriately balanced. In a M&A point of view, contrasts amongst rising and more develop economies include: I) a less created arrangement of property rights, ii) less solid monetary data, iii) social contrasts in transactions, and iv) a higher level of rivalry for the best targets.

Cross-outskirt bargains are a noteworthy component of this M&A wave. More than $1 trillion worth of cross-outskirt bargains have been declared so far this year, of which a third were in the lively arrangement hallway between North America and Europe. New halls have begun developing amongst Asia and Europe drove by China and Japan and we anticipate that these two nations will be conspicuous players in the coming months.

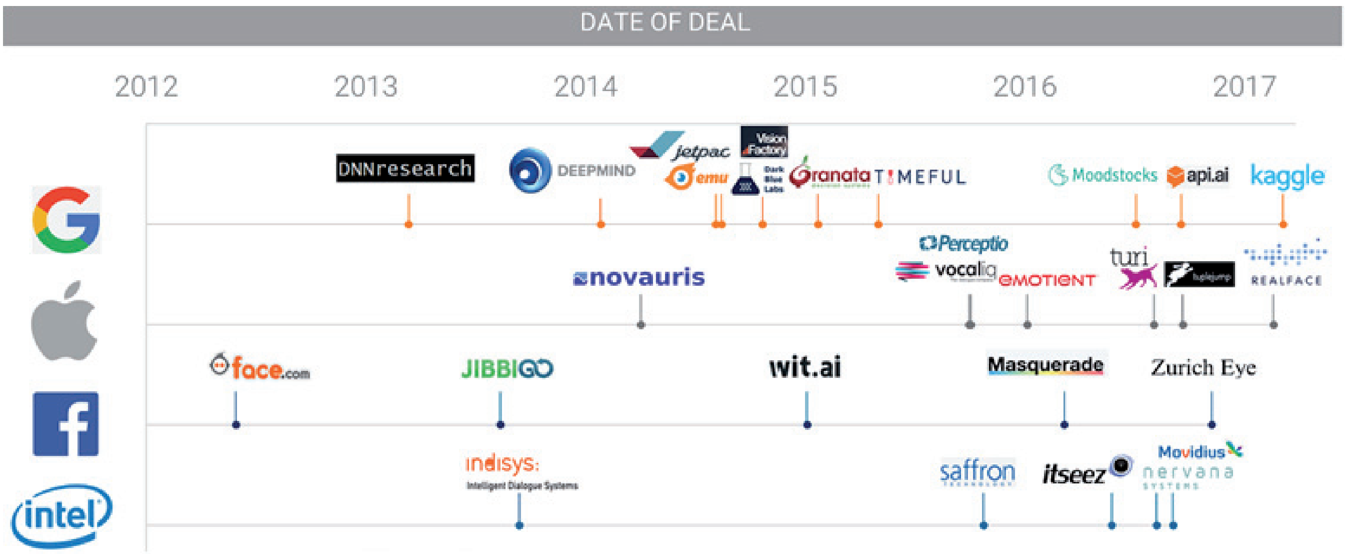
The general examinations presume that all inclusive banks execution enhances with the merger and procurement. This is on the grounds that the merger and procurement achieves higher capital and client base which are essential fixings in firm execution. With expanded business banks' security and capacity to loan, the business banks thusly make higher benefits. The impacts of the merger and obtaining in the budgetary establishments benefit were apparent when taking a gander at the normal ROA and normal ROE of the organizations previously the merger and securing and the ROA and ROE of the new foundation framed on the merger/procurement. In larger part of the mergers and acquisitions, the merger enhanced the benefit of the new foundation as the ROA and ROE continued expanding promptly after the merger and securing.

The Effect of Mergers and Acquisitions on Global Banks



Sources: Global Transactions Forecast 2017, Baker Mackenzie

Splendid timeline chart created by CB Insights providing a glimpse into the mergers and acquisitions of AI startups by the top acquirers



Source:CB Insights

The Effect of Mergers and Acquisitions on Regional Banks

The second partial of 2016 was a record semester for mergers and acquisitions (M&A) in the Middle East and North Africa (MENA) since 2013 with $30.5 billion in bargains—right around three times the principal half of the year. Megadeals drove this remarkable action with four exchanges above $1 billion, stacking up to $24.2 billion. The biggest exchange was in money related administrations. In the first place Gulf Bank and National Bank of Abu Dhabi concurred on a merger worth $14.8 billion—making the United Arab Emirates' biggest manage an account with resources of around $178 billion. The rest of the megadeals were in transportation and intrigue acquisitions in organizations engagedin oil and gas concessions in Egypt and the United Arab Emirates. Not with standing, the quantity of transactions dropped 53 percent contrasted and the main portion of 2016 to achieve the most minimal level in the previous four years with76 exchanges declared.

As the biggest MENA monetary speculators look for circumstances fundamentally outside the district, corporate buyershave expanded their offer in the MENA M&A showcase. In the second 50% of 2016, enterprises represented 82 percent of the MENA bargains contrasted with 64 with 75 percent in past periods. International corporations were especially dynamic amid this period with a record venture of $11 billion.

MENA financial specialists kept up a sound craving for worldwide M&A with 55 bar gains declared in the secondhalf of 2016—24 percent not exactly in the main portion of the year.MENA speculators are proceeding with dynamic venture portfolio rebalancing yet with particular divestments Investors are utilizing dynamic portfolio administration to augment the estimation of their speculations, though at a some what slower pace contrasted and the past four time frames. Divestments abroad dropped 38 percentin the second partialof 2016 contrasted and the principal half of the year, achieving 10 exchanges.

Divestment esteem dropped 63 percent to $1 billion in exchanges, still inside the verifiable esteem scope of $0.6 to $4.4 billion every year

The examinations show that MENA keeping money M&A have really enhanced bank performance for those banks included. In addition taking part in M&A gave banks the benefits of speed to situating, speedto market and speed to turning into an aggressive bank, as opposed to the slower technique of building inside (Carey 2001: 3 - 4). One of the principle reasons of experiencing M&A is seekingto accomplish diverse kinds of collaboration, which is characterized as the upgraded monetary valuecreated by the merger of purchaser and merchant Other advantages and objectives of M&A incorporate market infiltration, vertical extension to control supply and distribution sources, advertise section, distinguishing resource potential and financial matters of scale

Source: Regional Banks Site

The Effect of Mergers and Acquisitions on Local Banks

The division of keeping money is a standout amongst the most critical instruments of the national improvement; Jordanian banks are the predominant monetary go-betweens in Jordan and have gained great ground amid the world wide budgetary emergency

The quantity of authorized banks working in Jordan expanded from 21 to 25 banks in the vicinity of 2000 and 2010; the managing an account segment incorporates 16 local banks (three of them Islamic banks), 9 remote bank backups, Increase has brought about an expansion in the quantity of banks of outside banks working in Jordan from five banks in 2000 to eight banks in 2004, The Central Bank of Jordan conceded Licenses to three Foreign Banks in 2004; These banks are: Bloom Bank, Bank Audi and National Bank of Kuwait

Table 2 show that in the banking sector in Jordan 4main merger and acquisition cases were recorded; merger of Philadelphia Bank with Jordan National Bank in 2005, the acquisition of HSBC by Arab Jordan Investment Bank in 2014, Etihad bank acquisition to Dubai Islamic bank, the acquisition of two financing institutions (Bindar company 2017 and Jordan trade and facility company 2016) by InvestBank.

Table 2 Merged companies distributed by related sectors

Sector	Number of Merged companies	Merged companies percentage
Industrial	7	19.48%
Financial and Banks	4	28.35%
Services	12	52.17%
Total	23	100%

The Effect of Mergers and Acquisitions on Local Banks

Mergers and acquisitions is in the present time is more important than ever, especially in financial sectors, as it has positive impact on Local Banks after- merger profitability, and performance as expected or suggested by studies conducted in the United States and theEuropean Union.

MENA and International M&A forecast

It is anticipated that the MENA and global M&A market will stay dynamic as market players convey out initiatives to improve intensity, including through M&A exchanges. We expect financial specialists to focus on exchanges that have scale and effect to accomplish collaborations with the center business.

Money related speculators can likewise prompt deft ventures by such financial specialists in the region, where worldwide monetary financial specialists have verifiably been mindful.

The year 2018 has begun on a positive note, with M&A as out performing the comparing 2017 numbers. After the 2018 new arrangement of the procurement of National banks of Abu Dhabi by societe generale of Jordan, it can demonstrate that a period of M&A is around the bend, as in 2006-07, or it can point to a languid period for bargain making. All things considered, just 20% of the IPOs that occurred in the most recent year raised new value; the rest were promoters or private value reserves offering their offers available to be purchased.

Business Name: InvestBank

On November 28th, 1982, Jordan Investment and Finance Bank (INVESTBANK) started its activities as a financial company under the name Jordan Investment and Finance Company with an authorized capital of JD6 million in which half was paid on the opening of its Initial Public Offering (IPO) while the rest was paid within a year of granting the final license.

A group of founders headed by the late Nizar Abdul Rahim Jardaneh set the first foundation stone for this financial institution which contributes to the development of the Jordanian financial industry. The aim was to provide the required financing to the economic sectors in order to enrich their achievements and increase opportunities of economic and social development in Jordan.

Founders aimed at being compatible with the economic growth requirements as well as achieving a good return for the shareholders, supporting national savings, and using resources to sustain financial activities, their objective was to strengthen the presence of the company, build a solid base and develop a successful scope of business to achieve its goals, According to the first annual report (1983), the total balance sheet reached JD20.5 million, while total deposits were JD14.7 million, net credit facilities reached JD8.7million, net income

JD1.5 million, total net profit reached JD0.511 million, shareholders' equity reached JD3.2 million, and net capital was JD6 million (JD4.5 million when licensed as a bank). The bank had a total number of 25 employees and one branch.

With over 30 years of expertise, the bank supported companies and individuals on their foreign investment activities through comprehensive studies and promotion, becoming a pioneer in the sector. A few examples of INVESTBANK's contribution to the investment environment include:

Corporate:

Market growth requires a business-friendly environment where corporate banking options develop a number of conditions through the development of services for large companies and are flexible to suit all sizes of projects. Our calculations and plans enhance our development and progress through a financial system designed to make your business a success.

Individual: Invites personal needs to create innovative programs that give personal financial freedom. ; We can help you manage, enhance and protect your money by providing a comprehensive range of products and services that meet your everyday banking needs.

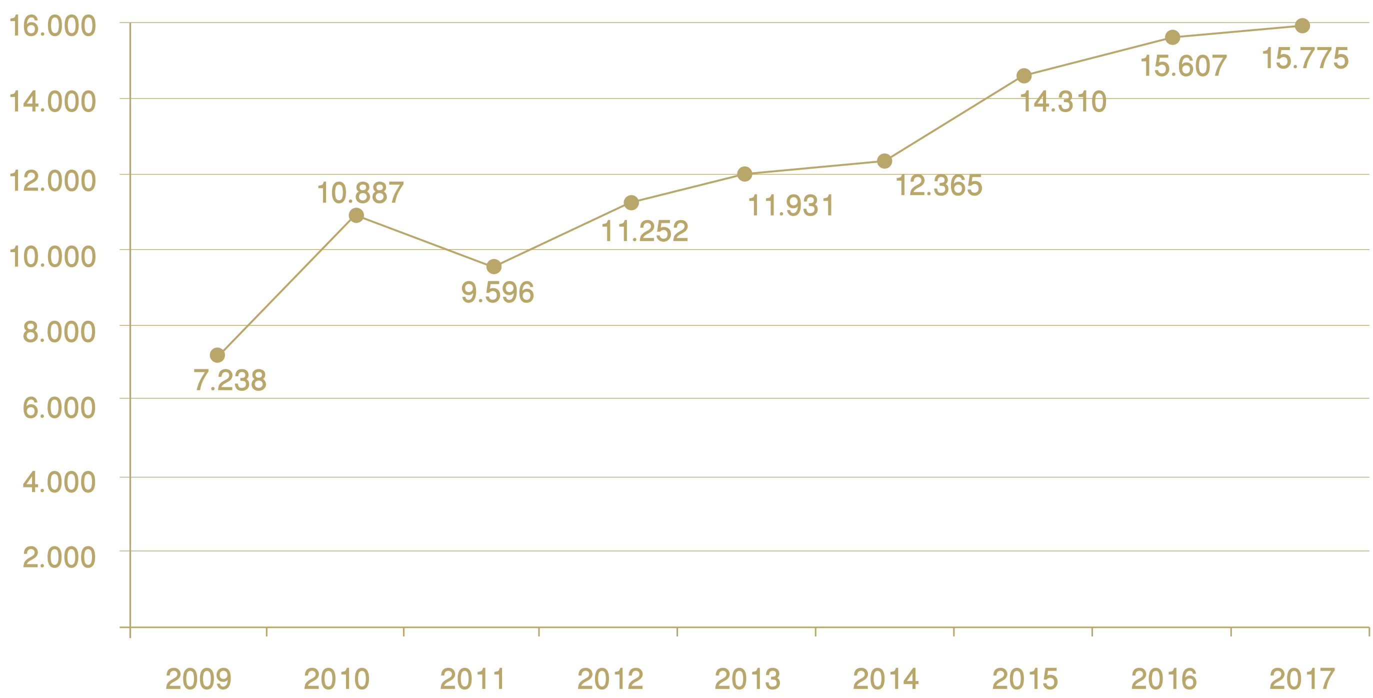
Banks Overview

The Bank's historical financial indicators for the years 2009 through 2017 show a continuous rise in both rights, Shareholders' equity at 86%, paid up capital by 43%, total assets by 61%, deposits by 42%, loans and facilities granted by 117%, total income by 145%, and profit after tax by 118% And its continued upward upward trend is firmly anchored. Which is reflected in the growth rates and the financial statements expressed

Statement	To Nearest Million								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Growth									
Total Equity	93.249	107.421	131.422	134.509	138.754	145.463	153.759	162.037	173.880
Paid Capital	70.000	77.500	85.250	100.000	100.000	100.000	100.000	100.000	100.000
Payments at The Expense of Capital Increase	-	-	14.117	-	-	-	-		
Total Assets	666.715	677.217	691.772	708.514	778.923	805.163	845.420	949.577	1,073.246
Customer Deposits	477.606	449.296	469.627	458.082	517.866	561.391	584.076	622.817	676.100
Loans and Facilities Granted	315.277	373.816	386.577	445.998	468.907	497.569	485.064	568.277	684.394
Profitability									
Total Income	21.423	34.889	36.492	42.145	34.426	35.683	39.200	47.100	52.430
Profit for the Year (After Tax)	7.238	10.887	9.596	11.252	11.931	12.365	14.310	15.607	15.775
Cash Dividends To Shareholders	-	-	8.00	8.00	7.00	7.00	8.00	10.00	10.00
Cash Distribution Ratio	-	-	0.08	0.08	0.07	0.07	0.08	0.10	0.10
Share Per Share of Net Profit	94	128 Fils	112 Fils	113 Fils	119 Fils	123 Fils	143 Fils	153 Fils	151 Fils
Return On Assets	%1.1	%1.6	%1.4	%1.6	%1.6	%1.6	%1.7	%1.7	%1.6
Return on Equity	%8.1	%10.9	%8.0	%8.4	%8.7	%8.6	%9.5	%9.7	%9.0
Market Value Per Share (Jd)	1.50	1.61	1.34	1.18	1.20	1.22	1.34	1.49	1.53

Banks Overview

The graph shows the annual profit after tax from 2009 to 2017



Source: InvestBank Annual Report

SWOT Analysis

The InvestBank Has A Strong Growth Record. The Company Achieved During The Six Years Of Success In Many Profitability Measures.
The Company Offers A Wide Range Of Facilities Solutions Across The Banking Sectors
Which Will Enable It To Compete For Opportunities In The Market.
The Investment Bank Has One Of The Best Holding Ratios In The Market
Net Profit And Profit Growth.
The Power Of The Board Of Directors To Include Political Members With The Power To Influence The Economic Decisions That Lead To The Growth Of The Bank

S

Strengths

most Of The Investbank Branches Are Located In The Central Region, Which Will Have A Negative Impact On The Ability Of The Company To Take Advantage Of Opportunities In Parts The Other Kingdom, Specifically In The Western Region Does Not Possess A Truly Locally Brand Image
*the Trend Of Claims Threatens To Raise The Company's Profitability Expectations

W

Weaknesses

1. Increasing Demand For Banking Services In Middle East

2. More Global Tie-ups To Increase Penetration Regionally

3. They Can Expand Branch Network In All The Kingdom Cities To Acquire Retail Customer Base

O

Opportunities

1. Exposure To Eurozone Crisis

2. Increasing Competition In Banking Sector In Kingdom Especially Islamic Sector

3. Fluctuating Economic Scenario And Currency Values

4. The Direction Of The Interest Rate On The Rise In Facilities Imposed By The Central Bank Threatens Rates Of Increase In The Granting Of Loans

T

Threats

PESTLE Analysis

P
Political

- Political stability and importance of Money Center Banks sector in the country's economy.
- Risk of military invasion
- Level of corruption - especially levels of regulation in Financial sector.
- Industrial safety regulations in the financial sector.

E
Economic

- Government intervention in the free market and related Financial
- Exchange rates & stability of host country currency.
- Infrastructure quality in Money Center Banks industry
- Skill level of workforce in Money Center Banks industry

S
Social

- Growing social acceptance of online and cardpayments
- Favourable demographics toincrease online payment

T
Technological

- Technology's impact on product offering
- Impact on cost structure in Money Center Banks industry
- Impact on value chain structure in financial sector

L
Legal

- Anti-trust law in Money Center Banks industry and overall in the country.
- Discrimination law
- Copyright, patents / Intellectual property law
- Consumer protection and e-commerce

E
Environmental

- Minimal impact on environment
- Positive outlook for sustainable investing in Asia

Financial Overview

The Financial Activities of the bank are presented using a written formal reports called “Financial Statements “. Business Transactions, Firm events, Liquidity, Strengths, & Performance evaluation are highlighted by using these Financial Statements. Balance Sheet “also known as Statement of Financial Position “is a basic Statement of Financial Statements that shows an Entity Position at a given date. The major components of Balance Sheet are “Assets, Liabilities & Equity”. Assets represent items that the firm control or own (Cash, Inventory, Property Plant & Equipment.). Liabilities represent things that the firm owe to others (Bank Loans). Equity which is the difference between Assets & Liabilities “Capital remains after using the Assets to settle Liabilities”. Profit & Loss Statement “ also known as Income Statement “ is also a basic item of Financial Statements . It measures the performance of the firm in a financial view over a specific period. The final result will be in Net Income or Net Loss to be recorded. The major 2 elements of Income Statement are Revenues & Expenses. Revenues are the Earnings of the firm over a specific period (Sales Revenue). Expenses are the costs incurred for the same period (CGS, Salaries, and Rent). -Financial Analysis is a tool to valuate bank operations, business, projects, forecasts, budgets & other firms related business in order to decide & judge firm performance & its status as an investment option. Financial Analysis is a process

Financial Overview

to measure the firm profitability, solvency, liquidity & stability. Also Financial Analysis is a helpful tool to judge long term plans, economic trends & financial policy using Financial Statements numbers & data. Beside owners & investors, Creditors can use the Financial Analysis to determine the company suitability to grant loans. By using the Financial Analysis the firm will be able to take advantages of its strengths & to avoid disadvantages of its weaknesses. A basic feature of Financial Analysis is the Ratio Analysis. It is a relative comparison of 2 numeric values from the Financial Statement or a comparison from 2 Financial Statements (Balance Sheet & Income Statement). These Ratios can be compared to best company in the market (Bench marking) or to compare with Industry Average. Financial Ratios are divided into four categories : Liquidity Ratios (Firm availability of cash to cover short term debts) , Profitability Ratios (The Firm ability to use its Assets to generate an acceptable Rate of Return) , Asset Management Ratios (How quickly the firm can transfer Non Cash Assets into Cash Assets) , & Leverage Ratios (The Ability of the firm to repay Long Term Debt). Ratios can be presented as a decimal value such as .30 or a percent value like 30%.

Ratio Analysis

Quick Ratio:

This ratio refers to the ability of the Bank to repay its short-term liabilities from its easy to cash-to-cash assets. These assets include cash, securities and receivables and exclude prepaid expenses and inventories for difficulty in converting to cash, The investment bank achieved a rapid increase in Quick Ratioliquidity over the years 2013, 2015 and 2016 due to the rise in easy-to-cash assets such as cash. The average liquidity ratio is .25, which means that it is going well compared to the industrial ratio Current Ratios for the period 2017-2019 will be better than 2016 & that's related to the expected growth in current assets

Debt Ratio:

Investbank Debt Ratio during the period was around an average of 85.67 which is a good ratio means that Investbank is approximately using Equity & Debt with equality to finance its investments & operations. This will mediate the financial risk from using leverage & this trend is expected to last in the future. The Average of Long Term Debt to Equity Ratio was very low compared to Industry Average which means that Investbank has low Interest Obligations & low Financial Risk. The trend is also expected to continue in the future

Price Earnings Ratio:

The Average Price Earnings Ratio for the period was which was greater than the industry average This means that investors believe in Investbank& its ability to survive, grow & advance. This ratio will continue its positive trend in 2017-2019 due to the expected profitability.

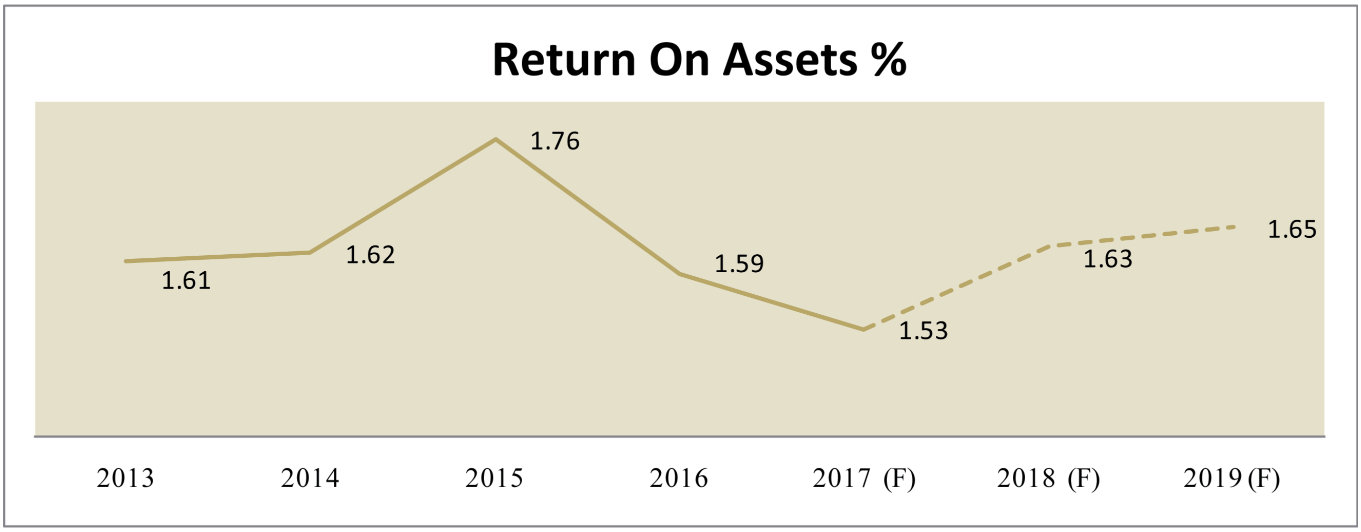
Return on Assets:

The ROA trend of the bank shows how the banks management manage the assets in an efficient manner to generate revenue ,this ratio measures the relationship between operating profit and asset size, the extent to which the investor's investment in assets generates operating profit, thus reflecting the efficiency of operations and investment activities rather than financing activities , The average of this ratio at the bank is 1.67 and it is meant that each dinar of assets value achieves a net income of 1.67 dinar

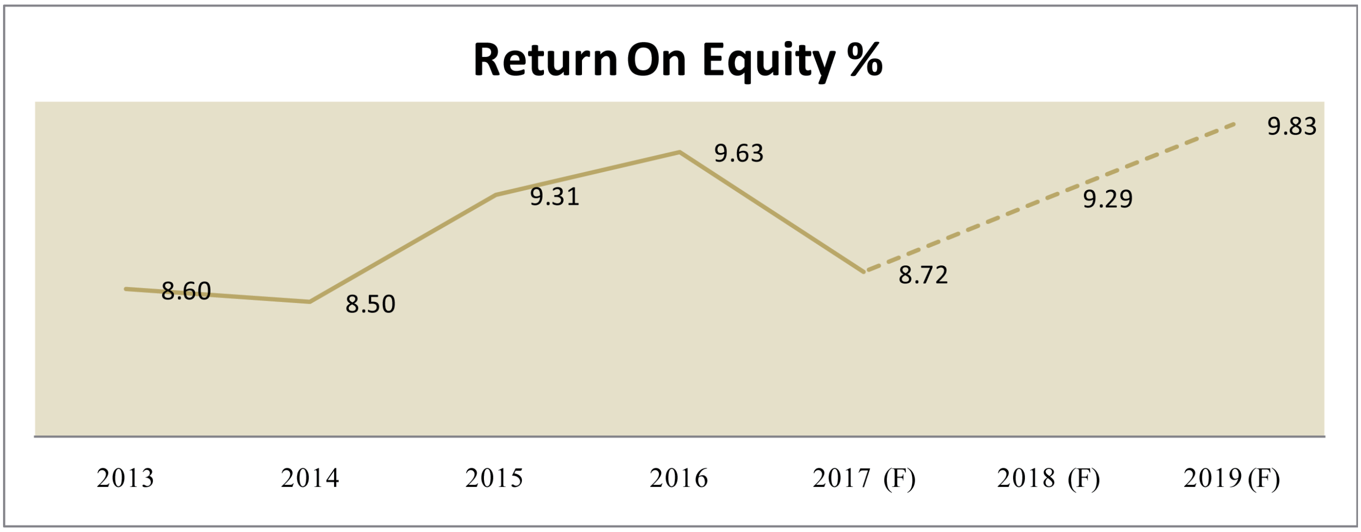
Return on Equity:

The ROE trend shows how the bank maximize the shareholder wealth , and then enable the bank to pay dividend to shareholders in addition return on equity is one of the most important ratios or indicators of the profitability of the establishment, because it shows Indicates the good conduct of the enterprise towards the investments made by the owners of the establishment,The rate of return on equity for the period 2013-2016 is 9.01 and this percentage is expected to increase in the future

Ratios Charts



Source: Amman Stock exchange



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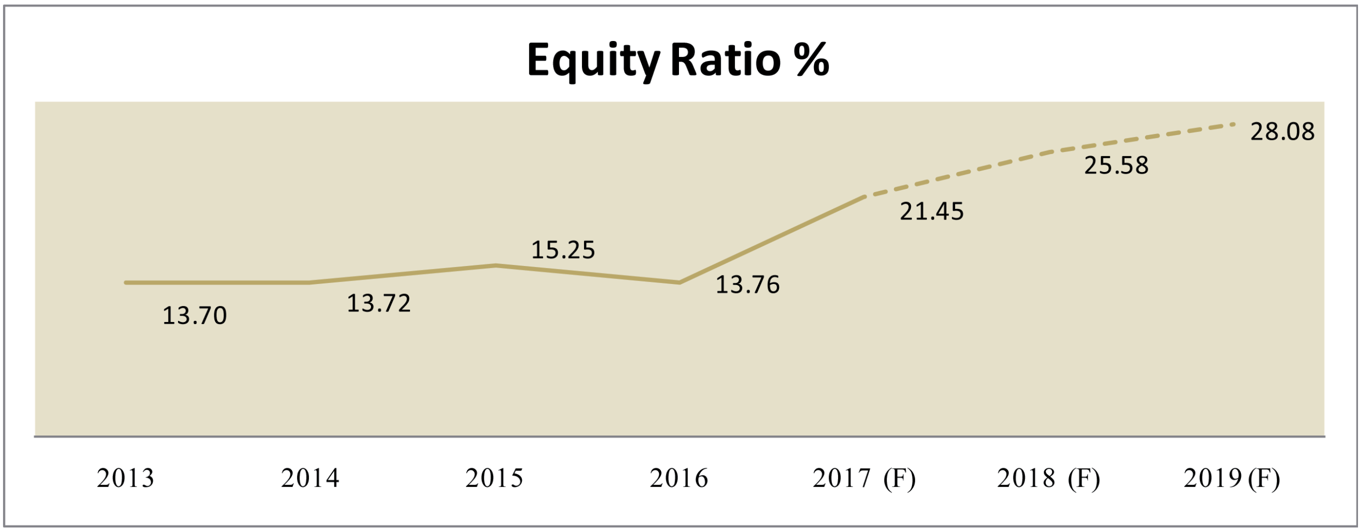

Source: Amman Stock exchange

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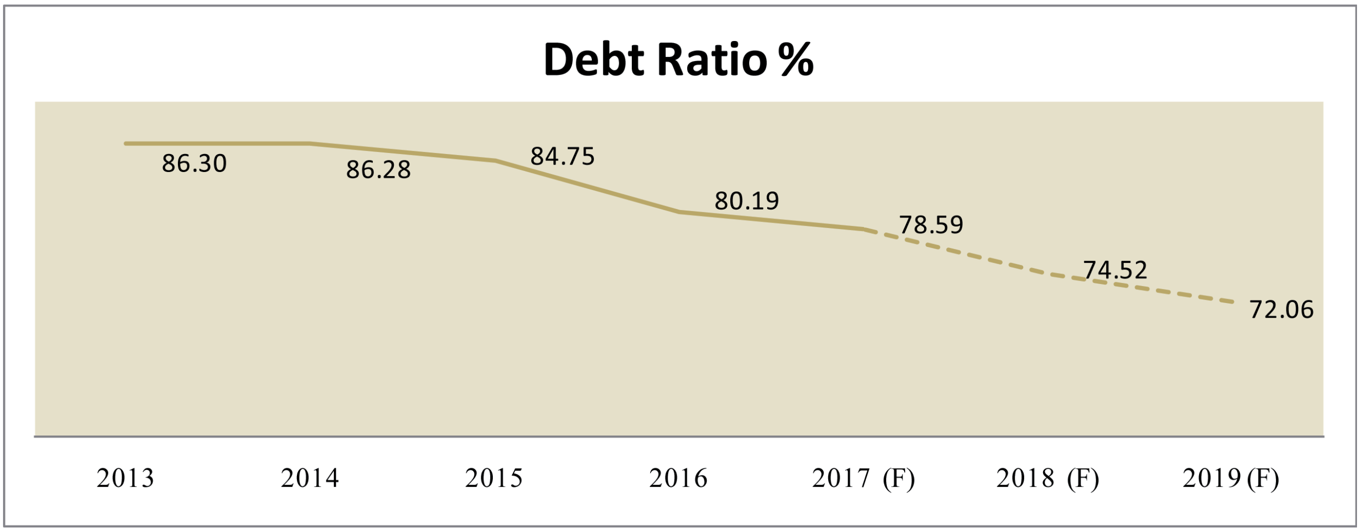

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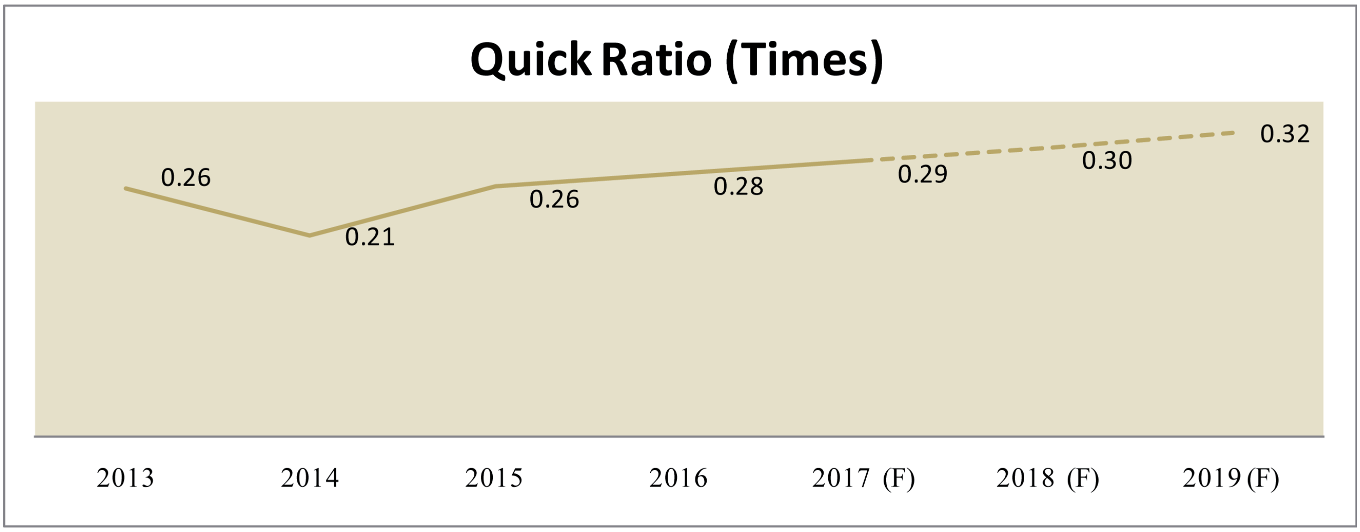

Source: Amman Stock exchange

Finally The Conclusion Is That INVB Return On Equity, Return On Assets, Price Earnings Ratio , Quick ratio and equity ratio Will Improve In 2017-2019 Based On The Expected Profitability . INVB Should Do Its Best To Develop Its Liquidity To Improve The Capacity To Meet Short Term Obligations & Effectively & Efficiently Manage Its Working Capital.

Outlook & Valuation

In order to compute the cost of equity for Investbank, we have used the Capital Asset Pricing Model (CAPM).

The following assumptions have been made in order to arrive at the intrinsic value of Investbank:

- A risk-free rate of 2.08%.

- A return on the market index of.03%.

- Beta 3.18% has been calculated.

- The cost of equity derived from the above assumptions using the Capital Asset Pricing Model (CAPM) is 2.02%.

- The cost of debt 18%.

- Based on the above assumptions, the Weighted Average Cost of Capital (WACC) works out to be 5.63%.

- Tax rate of 35%.

- Cash Flow constant growth rate of 4% has been assumed.

Items	To Nearest Thousand						
	2013	2014	2015	2016	2017 (F)	2018 (F)	2019 (F)
EBIT	16,264	15,958	20,605	22,378	23,867	28,143	31,559
Tax rate	27%	22%	31%	30%	35%	35%	35%
NOPAT	11,931	12,420	14,310	15,607	15,514	18,293	30,612
Net Operating Working Capital	146,933	121,827	155,938	172,781	192,689	215,620	241,281
Net Fixed Assets	22,136	21,067	28,728	28,574	31,974	35,779	40,037
Total Operating Capital	169,069	142,894	184,666	201,354	224,663	251,400	281,319
NOPAT		12,420	14,310	15,607	15,514	18,293	33,775
Net Operating Capital		26,175-	41,772	16,688	23,308	26,737	29,919
Free Cash Flows (FCF)		38,595	27,462-	1,081-	7,795-	8,444-	3,856

Valuation of InvestBank

- Based on our future earnings projections and the above assumptions, the value of InvestBank comes out to be JD 1.49 per share.

(JOD)

Value of operations at the end of 2014	236,572
Add: Value of Non-Operating Assets	2,128
Total Corporte Value	238,700
Less: Value of Interest-Bearing Debt	14,888
Intrinsic Value of the Firm's Equity	**223,812**
Number of shaers outstanding	150,000
Intrinsic Value per Share	**1.49**

The stock closed at JD 1.32 on December 31, 2016 in Amman Stock Exchange.
We recommend our "BUY" on INVB" stock at its current price levels.

Balance Sheet

To Nearest Thousand	InvestBank						
Assets (JD)	**2013**	**2014**	**2015**	**2016**	**2017 (F)**	**2018 (F)**	**2019 (F)**
Cash and Balances at Central Banks	72,605	69,221	102,528	91,250	102,110	114,262	127,860
Balances at Banks and Financial Institutions	65,510	43,730	45,854	73,902	82,698	92,539	103,552
Deposits at Banks and Financial Institutions	1,418	1,379	5,000	5,500	5,500	6,155	6,887
Financial Assets at Fair Value Through Profit	7,399	7,497	2,556	2,128	2,381	2,665	2,982
Financial Assets at Fair Value Through Other Comprehensive Income	10,406	12,361	20,581	24,438	27,346	30,601	34,242
Financial Assets at Amortized Cost	127,804	139,822	119,080	120,144	121,217	122,300	123,393
Direct Credit Facilities, Net	430,883	456,066	454,704	538,630	602,732	674,463	754,730
Provision for Credit Facilities	29,842	29,214	19,278	23,315	26,089	29,194.24	32,669
Interests in Suspense	8,182	12,289	11,082	6,332	7,086	7,929	8,873
Fixed Assets, Net	22,136	21,067	28,728	28,574	31,974	35,779	40,037
Deferred Income Tax Assets	4,416	5,221	5,366	6,884	7,342	8,657	9,708
Other Assets	36,346	48,800	61,022	58,127	65,044	72,785	81,447
Total Assets	740,899	763,660	815,060	919,930	1,015,169	1,123,082	1,243,298
Liabilities & Shareholders Equity							
Liabilities (JD)							
Customers Deposits	517,866	561,391	584,076	622,817	664,127	708,177	755,148
Banks & Financial Institutions Deposits	46,651	16,769	9,018	2,433	2,214	2,015	1,833
Cash Margins	44,075	34,756	32,157	38,095	45,129	53,461	63,332
Loans and Borrowing	15,663	28,490	42,322	99,790	55,982	31,406	17,619
Deferred Income Tax Liabilities	818	1,886	2,073	2,813	3,166	3,564	4,012
Other Liabilities	14,321	15,577	21,126	19,286	27,184	38,315	54,005
Total Liabilities	639,395	658,869	690,774	785,233	797,801	836,938	895,949
Shareholders Equity (JD)							
Authorized Capital	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Subscribed Capital	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Paid In Capital	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Legal Reserve	17,682	19,272	21,333	23,571	23,571	23,571	23,571
Other Reserves	4,231	4,375	4,603	5,311	5,311	5,311	5,311
Cash Dividends	7,000	7,000	8,000	10,000	10,000	10,000	10,000
Stock Dividends	-	-	-	-	-	-	-
Foreign Currencies Translation	-	-	-	-	-	-	-
Accumulated Change in Fair Value	1,086	2,763	3,839	5,492	5,492	5,492	5,492
Retained Earnings	8,755	12,053	15,984	17,664	33,178	51,471	62,516
Total Shareholders Equity	138,754	145,463	153,759	162,037	177,551	195,844	206,890
Total Liabilities & Shareholders Equity	740,899	763,660	815,060	919,930	1,015,169	1,123,082	1,243,298

Income Statement

To Nearest Thousand	InvestBank						
Income Statement (JD)	**2013**	**2014**	**2015**	**2016**	**2017 (F)**	**2018 (F)**	**2019 (F)**
Interest Income	48,185	49,090	48,509	52,219	58,433	65,387	73,169
Interest Expense	24,522	24,758	19,540	17,644	19,744	22,094	24,723
Net Interest Income	23,663	24,332	28,969	34,575	38,689	43,294	48,446
Net Commissions Income	5,600	5,784	5,853	6,470	7,240	8,102	9,066
Interest and Commissions, Net	29,263	30,116	34,822	41,045	45,929	51,396	57,512
Gains from Financial Assets and Instruments	1,347	1,917	1,993	1,783	1,995	2,232	2,498
Gains from Foreign Currencies	1,688	664	541	634	709	794	888
Other Revenues	2,128	2,986	1,846	3,638	4,071	4,555	5,098
Total Income	34,426	35,683	39,200	47,100	52,705	58,977	65,996
Employees Expenses	9,407	10,325	11,184	13,507	16,344	16,914	18,927
Depreciation & Amortization	2,026	2,451	2,760	2,852	3,137	3,450	3,794
Other Expenses	5,886	6,432	7,683	9,679	10,831	12,120	13,562
Provision for Direct Credit Facilities (Period)	294	539	3,304-	894-	1,000-	1,120-	1,253-
Sundry Provisions	550	23-	272	423-	474-	530-	593-
Total Expenses	18,163	19,725	18,596	24,721	28,838	30,834	34,437
Net Income before Tax	16,264	15,958	20,605	22,378	23,867	28,143	31,559
Income Tax (Period)	4,333	3,538	6,295	6,771	8,353	9,850	11,045
Net Income	11,931	12,365	14,310	15,607	15,514	18,293	20,513

Financial Ratios

	InvestBank						
	2013	**2014**	**2015**	**2016**	**2017 (F)**	**2018 (F)**	**2019 (F)**
Return On Assets %	1.61	1.62	1.76	1.59	1.53	1.63	1.65
Return On Equity %	8.60	8.50	9.31	9.63	8.72	9.29	9.83
Net Interest and Commissions Income / Total Income %	0.85	0.84	0.89	87.14	87.14	87.14	87.14
Credit Interest / Credit Facilities, Net %	11.18	10.76	10.67	9.69	9.69	9.69	9.69
Net Income / Total Income %	34.66	34.65	36.50	33.14	29.43	31.02	31.08
Total Income / Total Assets %	4.65	4.67	4.81	4.81	5.19	5.25	5.31
(Provision for Credit Facilities + Interest in Suspense) / Credit Facilities%	8.82	9.10	6.68	5.50	5.50	5.50	5.50
	0.22						
Equity Ratio %	13.70	13.72	15.25	13.76	21.45	25.58	28.08
Shareholders Equity / Total Deposits%	24.58	25.16	25.92	25.92	26.70	27.73	27.56
Debt Ratio %	86.30	86.28	84.75	80.19	78.59	74.52	72.06
Total Deposits / Total Assets%	0.76	75.71	72.77	63.85	65.64	63.24	60.88
Net Credit Facilities to Total Assets%	58.16	59.72	55.79	55.01	59.37	60.05	60.70
Net Credit Facilities to Total Deposits%	76.33	78.88	76.67	86.15	90.45	94.97	99.70
Shareholders Equity to Credit Facilities, Net%	32.20	31.90	33.82	30.08	29.52	29.20	27.64
Quick Ratio (Times)	0.26	0.21	0.26	0.28	0.29	0.30	0.32
Cash & Investments to Total Deposits%	50.51	47.39	49.84	50.76	51.21	51.89	52.70
Cash + Trading Investments / Total Deposits (Times)	0.26	0.21	0.25	0.27	0.28	0.29	0.31

Global Equity Ratings Definitions

Global Rating	Definition
Buy	Fair value of the stock is >10% from the current market price
Hold	Fair value of the stock is between +10% and -10% from the current market price
Reduce	Fair value of the stock is between -10% and -20% from the current market price
Sell	Fair value of the stock is < -20% from the current market price

InvestBank Profile

Code:	111014		
Symbol:	INVB		
Address:	Amman -abdulHamid Sharf st. - Building No. 43		
Telephone:	5001500		
P.O. Box:	(950601) Amman 11195		
Email:	info@investbank.jo		
Fax:	5681410		
Established Date :	12-08-1982		
Listing Date:	23-06-1984		
No. of Branches:	Local 12 - Abroad 0		
Main Objectives:	Practicing all financial, investment, and commercial activities in addition to brokerage services at Amman Stock Exchange by Al-Mawared Financial Brokerage Co.		
Board of Directors			
General Manager:	Muntaser Dawwas		
No. of Employees			
	Male	Female	Total
Jordanian	313	195	508
Non Jordanian	1	0	1
Total	314	195	509

References

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Websites

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6- www.cbj.gov.jo