

Arab Banking Corp

Hidden value from Brazil, DY of 9% on very low P/BV

- ABC combines a Bahrain wholesale banking platform with retail, Islamic banking, payments and digital businesses, alongside banking subsidiaries across Brazil, Egypt, Europe, the UK and the US.
- Brazil provides a clear valuation floor. ABC's 63.5% stake in listed Banco Brasil alone is worth 87% of its market capitalization. We believe the market assigns little value to the group's non-Brazil franchises.
- Initiate with BUY and USD 0.56 TP on compelling valuation and catalysts. At 0.2x book, 4.0x FY27e P/E and a dividend yield above 9%, the shares discount a 6% RotE profile. Digitisation, payments expansion, cross-selling and non-core asset rationalization offer scope to improve returns over time. However, growth is capped by low organic capital growth of 4%.

A differentiated global platform. ABC offers investors a differentiated route to emerging-market and developed market growth through a diversified banking franchise spanning Brazil, Egypt, Europe, the UK and the US. Its Bahrain platform houses treasury, Islamic banking, digital retail bank Ila and payments platform AFS, while its international subsidiaries provide exposure to a broad range of faster-growing markets. We see some strategic value in the group's digital and payments capabilities, which complement its established banking presence and should support revenue diversification. This combination of mature and emerging-market businesses distinguishes ABC from more domestically focused regional banks.

Banco Brasil anchors valuation, while Egypt and Europe are underappreciated. ABC's 63.5% stake in listed Banco Brasil is the principal valuation support for the group, representing 87% of ABC's market capitalization and contributing around 35–40% of group earnings. We believe the current share price therefore places limited value on the remaining franchise. Egypt and Europe, including the UK and Türkiye, each contribute roughly 20% of group profit, meaning the three core businesses account for close to 80% of earnings. Banco Brasil is trading at a P/tNAV of 0.9x and P/E of 5.7x for RoE of 14.7% and DY26e of 6.7%.

Returns are constrained by the group structure, but there could be self-help levers. We forecast group RotE to remain around 6% during FY26–30e, which is below our estimate of the cost of equity despite the mid-teen return profiles of Brazil and Egypt. The gap reflects elevated central costs, a cost/income ratio close to 60%, lower returns in Europe and continued investment in growth initiatives. However, we see scope for gradual improvement through digitisation, AI adoption and greater cross-selling across the franchise. Further upside could come from streamlining non-core assets and lower-return operations, while AFS's UAE expansion should support a more capital-light growth mix.

BUY: valuation discounts the current return profile but overlooks improving earnings quality. We initiate coverage with a BUY rating and a USD0.56 target price, underpinned by a compelling valuation of 0.2x book, 2.8x FY27e P/E and a dividend yield above 9%. In our view, the market has focused on the Bahrain listing, holding-company structure and modest 6% RotE profile, while underestimating the value of the underlying franchises and potential for operational improvement. Catalysts include portfolio rationalization, greater digital efficiency, payments and fintech expansion, and an optimized funding structure. The principal risks are currency volatility, particularly movements in the BRL and EGP, and slower-than-expected delivery of efficiency gains.

BUY

USD 0.56

Banks / BAHRAIN

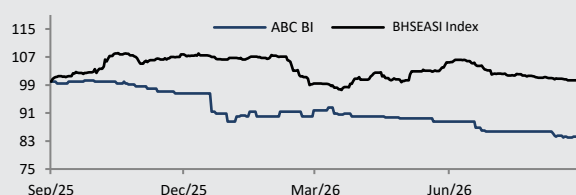
Bloomberg code	ABC BI
Market index	BHSEASI
Target Price	0.56
Upside (%)	86.4

Market data 9/13/2026

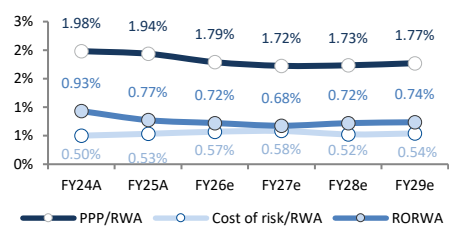
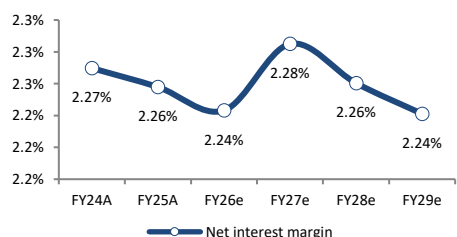
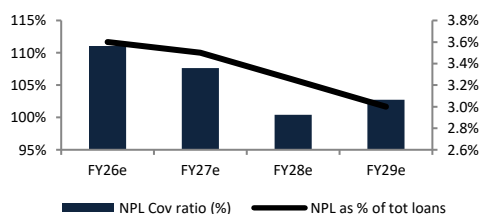
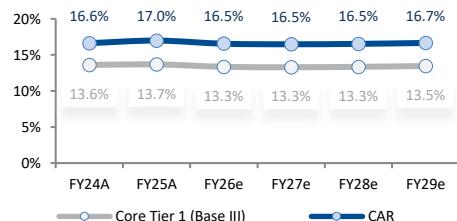
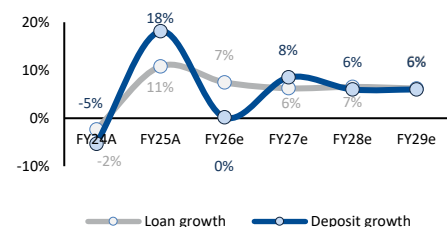
Last closing price	0.30
52 Week range	0.3-0.4
Market cap (m)	345
Market cap (USD m)	917
Average Daily Traded Value (BHD m)	0.02
Average Daily Traded Value (USD m)	0.05
Free float (%)	10.9

Year-end (local m)	2024	2025	2026e	2027e
Revenue	1,339	1,410	1,427	1,469
Pre-provisioning profit	566	596	585	585
EPS	0.09	0.08	0.08	0.07
P/E (x) (mkt price)	3.5	3.9	3.9	4.1
BVPS	1.2	1.3	1.4	1.4
Tangible BVPS	1.2	1.3	1.4	1.4
P/B (x) (mkt price)	0.2	0.2	0.2	0.2
P/TBVPS (x) (mkt price)	0.2	0.2	0.2	0.2
DPS	0.03	0.03	0.03	0.03
Div. yield (%)	9.2	9.2	9.2	9.2
FCFY (%)	53.2	(1.1)	3.0	11.1
RoAA (%)	0.6	0.5	0.5	0.5
RoRWA (%)	0.9	0.8	0.7	0.7
RoATE (%)	6.9	6.0	5.6	5.3
RoECC (%)	7.3	5.8	5.5	5.0
RAROC (%)	1.0	0.6	(0.2)	(0.9)
Net LtD ratio (%)	83.1	78.0	83.7	81.9
Risk Weighted Assets (bn)	28.6	30.8	32.7	33.9
Core Equity T1 ratio (%)	13.6	13.7	13.3	13.3
Tier 1 capital ratio (%)	15.5	16.0	15.6	15.4
Total capital ratio (%)	16.6	17.0	16.5	16.5
NPL ratio (%)	3.6	3.7	3.6	3.5
Coverage ratio (%)	88.3	96.5	111.1	107.6
Number of shares	3,094	3,094	3,094	3,094

Price Performance



Abacus Arqaam Capital Fundamental Data

Profitability

NIM

Credit Quality

Capital Ratios

Growth

Arab Banking Corp

Year-end	2024	2025	2026e	2027e	2028e	2029e
Performance analysis						
Net Interest Margin (%)	2.27	2.26	2.24	2.28	2.26	2.24
Asset yield (%)	8.20	7.29	7.22	7.26	7.30	7.30
Cost of Funds (%)	8.13	7.08	6.94	6.94	6.94	6.94
Risk Adjusted Margins (%)	1.91	1.87	1.82	1.84	1.87	1.85
Cost / Income (%)	57.7	57.7	59.0	60.2	60.5	60.4
Net Interest Income / total income (%)	67.4	68.8	68.8	68.3	68.1	68.1
Fees & Commissions / operating income (%)	21.1	19.5	20.8	21.2	21.3	21.3
Trading gains / operating income (%)	2.7	2.3	0.6	0.5	0.5	0.5
RoATE (%)	6.9	6.0	5.6	5.3	5.6	5.7
Pre-prov. RoATE (%)	10.1	8.8	9.0	8.7	8.7	8.8
RoAA (%)	0.6	0.5	0.5	0.5	0.5	0.5
Revenue / RWA (%)	4.69	4.58	4.37	4.33	4.39	4.48
Costs / RWA (%)	2.71	2.64	2.58	2.61	2.65	2.70
PPP / RWA (%)	1.98	1.94	1.79	1.72	1.73	1.77
Cost of Risk / RWA (%)	0.50	0.53	0.57	0.58	0.52	0.54
RoRWA (%)	0.93	0.77	0.72	0.68	0.72	0.74
RoRWA (%) (adj. for gross-up of associates)	0.93	0.77	0.72	0.68	0.72	0.74
Year-end	2024	2025	2026e	2027e	2028e	2029e
Asset Quality						
Provisions charge / avg. gross loans (%)	0.7	0.8	0.8	0.8	0.7	0.7
Past due not impaired / gross loans (%)	3.0	2.7	2.7	2.7	2.7	2.7
NPL / gross loans (%)	3.6	3.7	3.6	3.5	3.3	3.0
NPL coverage ratio (%)	88.3	96.5	111.1	107.6	100.4	102.7
Provisions / avg. gross loans (%)	3.4	2.9	3.1	3.6	3.4	3.0
Provisions charge / operating income (%)	25.4	27.7	31.6	33.5	29.9	30.1
Year-end	2024	2025	2026e	2027e	2028e	2029e
Funding and Liquidity						
Net Loans / Deposits (%)	83.1	78.0	83.7	81.9	82.3	82.5
Cash and interbank / assets (%)	1.8	1.8	5.2	4.6	3.9	3.5
Deposits / liabilities (%)	53.4	58.5	62.2	63.5	63.4	63.3
Year-end	2024	2025	2026e	2027e	2028e	2029e
Capital and leverage ratios						
Core Tier 1 ratio (Basel III) (%)	13.6	13.7	13.3	13.3	13.3	13.5
Tier 1 ratio (%)	15.5	16.0	15.6	15.4	15.4	15.5
Total capital ratio (%)	16.6	17.0	16.5	16.5	16.5	16.7
Tangible equity / assets (%)	8.3	8.3	9.0	8.8	8.6	8.4
RWA / assets (%)	61.7	61.7	68.9	67.5	65.7	63.9
Year-end	2024	2025	2026e	2027e	2028e	2029e
Growth						
Revenues (%)	4.7	5.3	1.2	3.0	4.5	5.1
Cost (%)	1.2	5.3	3.5	5.0	5.0	5.0
Pre-Provision Operating Profit Growth (%)	9.9	5.3	(1.9)	-	3.8	5.2
Provisions (%)	2.1	14.6	11.9	6.0	(7.2)	6.0
Net Profit (%)	13.2	(10.5)	(0.8)	(3.0)	10.2	5.2
Assets (%)	5.4	7.9	(5.0)	6.0	6.0	6.0
Loans (%)	(2.3)	10.8	7.5	6.2	6.5	6.2
Deposits (%)	(5.4)	18.1	0.2	8.5	6.0	6.0
Risk Weighted Assets (%)	5.5	7.8	6.2	3.7	3.3	3.0

Abacus Arqaam Capital Fundamental Data

Company Profile

Arab Banking Corporation B.S.C. ("Bank ABC" or "the Bank"), a public shareholding company, was incorporated in the Kingdom of Bahrain in January 1980. The Bank operates in the Kingdom of Bahrain under a conventional wholesale banking license issued by the Central Bank of Bahrain ("CBB") and its shares are listed at Bahrain Bourse. The Bank is engaged in wholesale, corporate, and Islamic banking activities through its network spanning the MENA region, Europe, the Americas, and Asia, including subsidiaries such as Banco ABC Brasil, ABC International Bank, and ABC Islamic Bank. It also engages in digital retail banking through its ila Bank subsidiary and in card/payment services through Arab Financial Services.

Investment Case

Initiate with BUY and USD0.56 TP on compelling valuation and catalysts. At 0.2x book, 2.8x FY27e P/E and a dividend yield above 9%, the shares discount a 6% RotE profile. Brazil provides a clear valuation floor, while Egypt and Europe appear overlooked. ABC's 63.5% stake in listed Banco Brasil alone is worth 87% of its market capitalisation, despite Brazil, Egypt and Europe generating close to 80% of group earnings.

Management

Mr. Paul Jennings	Group CEO
Mr. Suresh Padmanabhan	Acting Group CFO
Mr. Ismail Mokhtar	Group COO

Major Shareholders

Central Bank of Libya	59.37%
Kuwait Investment Authority	29.69%

Arab Banking Corp

Year-end	2024	2025	2026e	2027e	2028e	2029e
Income statement (USD m)						
Interest income	3,258	3,131	3,158	3,186	3,378	3,581
Interest expense	2,356	2,161	2,176	2,183	2,331	2,481
Net Interest Income	902	970	981	1,003	1,046	1,099
Fee income	282	275	297	312	327	344
Net investment income	36	33	9	7	8	8
Other operating income	119	132	140	147	155	162
Total operating income	1,339	1,410	1,427	1,469	1,536	1,614
Total operating expenses	773	814	842	884	929	975
Pre-provision operating profit	566	596	585	585	607	639
Net provisions	144	165	185	196	182	192
Other provisions / impairment	(1)	(1)	2	2	2	2
Operating profit	423	432	398	387	424	444
Associates	-	-	-	-	-	-
Pre-tax profit	423	432	398	387	424	444
Taxation	72	105	80	77	85	89
Net profit	351	327	319	310	339	355
Minorities	66	70	64	62	68	71
ADT1 coupon	19	19	19	19	19	19
Attributable net profit	266	238	236	229	252	265
Diluted EPS	0.09	0.08	0.08	0.07	0.08	0.09
DPS	0.03	0.03	0.03	0.03	0.03	0.03
BVPS	1.23	1.33	1.38	1.43	1.48	1.54
Tangible BVPS	1.23	1.33	1.38	1.43	1.48	1.54

Year-end	2024	2025	2026e	2027e	2028e	2029e
Balance sheet (USD m)						
Gross loans and advances	19,266	21,379	23,089	24,475	25,943	27,500
Less: loan loss provisions	617	718	884	884	812	812
Net loans and advances	18,649	20,661	22,205	23,590	25,132	26,688
Cash and central bank	3,636	3,127	2,869	2,490	2,519	2,627
Due from banks	2,071	2,240	2,134	2,262	2,397	2,541
Investments, net	16,955	18,650	15,695	16,637	17,635	18,693
Fixed Assets	224	237	246	256	267	277
Other assets	4,730	4,997	4,267	5,026	5,328	5,647
Total assets	46,265	49,912	47,416	50,261	53,277	56,474
Customer deposits	22,431	26,491	26,539	28,794	30,521	32,353
Due to banks	4,872	4,448	2,529	2,464	2,831	3,217
Debt	1,771	2,016	2,016	2,016	2,016	2,016
Other liabilities	12,938	12,313	11,617	12,063	12,786	13,554
Total liabilities	42,012	45,268	42,701	45,336	48,154	51,139
Total equity	4,253	4,644	4,715	4,925	5,123	5,335
Risk Weighted Assets (bn)	29	31	33	34	35	36
Average Interest-Earning Assets	39,740	42,960	43,748	43,892	46,279	49,061
Average Interest-Bearing Liabilities	28,985	30,525	31,363	31,455	33,597	35,753
Common shareholders	3,817	4,128	4,279	4,423	4,590	4,770
Core Equity Tier 1 (Basel III)	3,886	4,211	4,362	4,506	4,673	4,853
Tier 1 capital	4,421	4,935	5,086	5,230	5,397	5,577

Jaap Meijer, MBA, CFA

jaap.meijer@arqaamcapital.com
+971 4 507 1744

Janany Vamadeva

Arqaam Capital Research Offshore s.a.l

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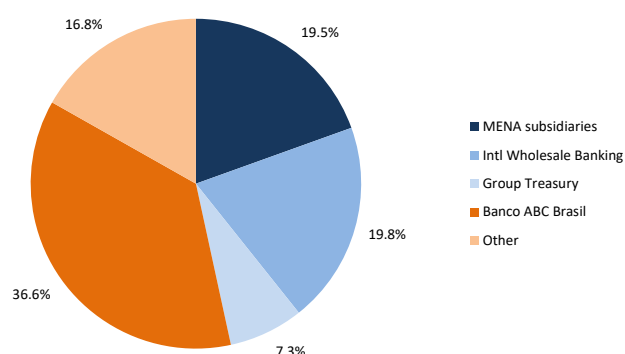
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Investment thesis: Compelling valuation at 80% discount to book, exposure to emerging/mature markets, Initiate with a BUY

- ABC Bank is a global bank whose earnings and valuation are primarily driven by Brazil and Egypt, supplemented by operations in Europe, the UK and the US. This provides exposure to high-growth emerging markets and structural digitisation, AI and payments themes.
- ABC's 63.5% stake in Banco Brasil alone is worth 87% of its market capitalisation, implying the market assigns little value to its Egyptian and European subsidiaries, which generate c.40% of group earnings.
- We forecast FY26–30e RotE to remain around 6%, below the cost of equity, reflecting the higher cost base of the business model, non-core assets such as real estate, and continued investment in growth initiatives.
- We initiate coverage with a BUY rating and USD 0.56 target price. At 0.2x book value and 2.8x FY27e P/E, the valuation is compelling given c.6% RotE, 3.3x FY25–30e EPS CAGR and a dividend yield above 9%.
- We believe the market penalises the Bahrain listing, c.6% returns and HoldCo structure, while underappreciating upside from rationalising non-core and international businesses, digitisation and cross-selling, government-backed capital-light revenues, payments/fintech growth—including UAE expansion from 2025—and funding optimisation.

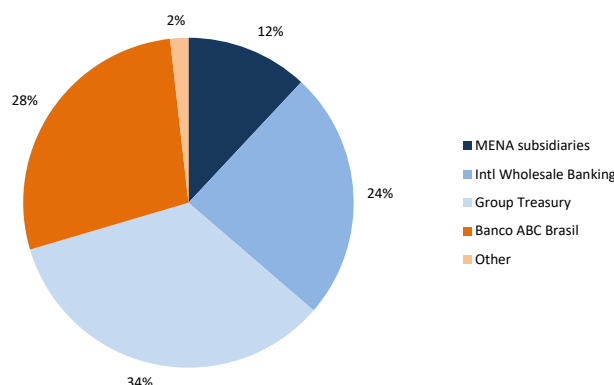
A global emerging market, offering exposure to growth markets. ABC is a unique business model, with a wholesale banking licence in Bahrain, which houses the treasury, Islamic Bank, retail digital bank Ila and payment platform AFS. It has banking subsidiaries in Brazil, Egypt, UK, France, Türkiye, Algeria, Jordan and Tunisia, with presence in New York and Asia, offering exposure to emerging growth markets.

Exhibit 1: Operating income by subsidiary



Source: Arqaam Capital Research, Company Data

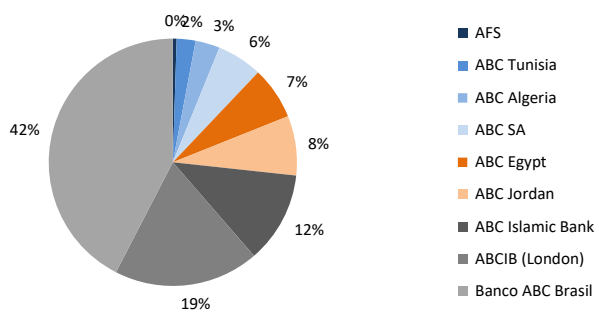
Exhibit 2: Assets by subsidiary



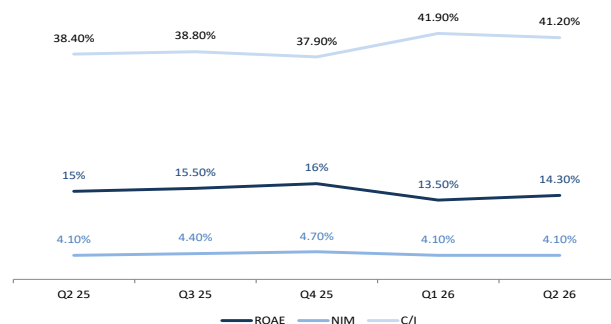
Source: Arqaam Capital Research, Company Data

Banco Brasil a key valuation driver, representing 87% of group market cap. Its Brazilian listed subsidiary, with a 63.5% stake, is the key earnings driver, contributing 35-40% of bottom line. The market cap of the 63.5% stake itself equates to 87% of ABC, offering strong support to valuation acting a floor. Baco Brasil is trading at a P/tNAV of 0.9x and P/E of 5.7x for RoE of 14.7% and DY26e of 6.7%. Egypt and Europe (includes UK, Europe and Turkiye) are the other key

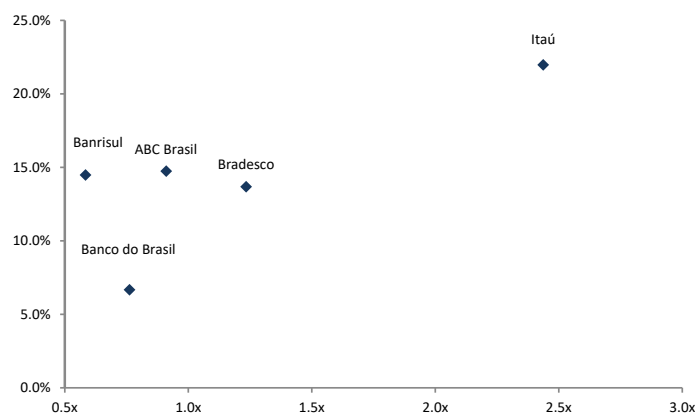
segments, each contributing roughly 20% to bottom line, with the 3 businesses together accounting for close to 80% of bottom line.

Exhibit 3: Total assets by country


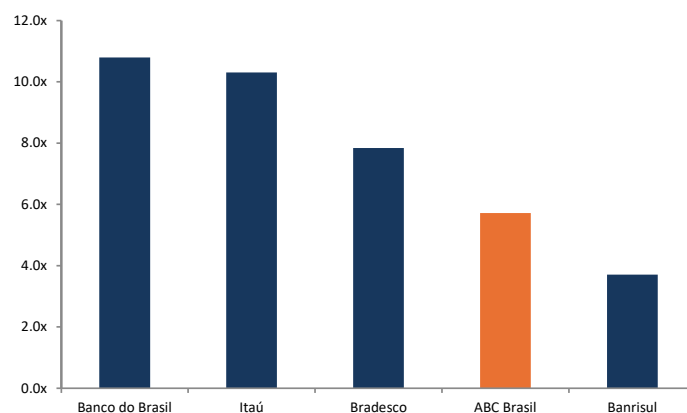
Source: Arqaam Capital Research, Company Data

Exhibit 4: Banco Brasil offers strong returns


Source: Arqaam Capital Research, Company Data

Exhibit 5: P/tNAV vs RoE


Source: Arqaam Capital Research, Company Data, Bloomberg

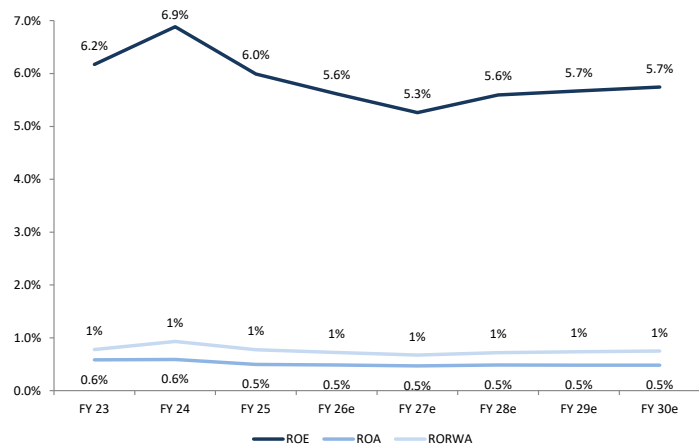
Exhibit 6: P/E comp for Banco Brasil


Source: Arqaam Capital Research, Company Data, Bloomberg

RotE of 6% handle, AI/digitisation and streamlining of non-core assets offer scope to improve returns. Despite the mid-teen return profile of its 2 key segments, Brazil and Egypt, the group RotE remains low at 6% handle throughout our forecast horizon on i) group costs driving C/I ratio of 60% levels and OpEx/asset of 1.7%, ii) mid single-digit return from its Europe subsidiary, which drives 20% of earnings and iii) continued growth/expansion initiatives. However, we expect the digitisation drive, AI, cross selling and growth into new markets such as AFS expansion into UAE to help close the gap in returns.

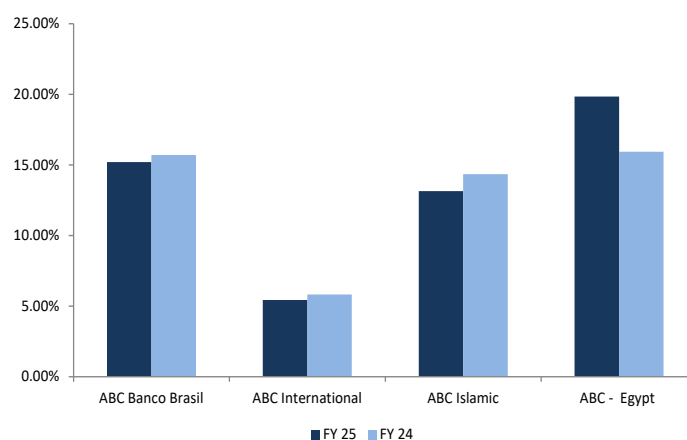
Compelling valuation at 80% discount to book, DY of 9%, initiate with BUY and TP of USD 0.56. We initiate coverage on ABC with a BUY rating and set a TP of USD 0.56, with the stock offering compelling valuation at a 80% discount to book and not pricing in its exposure to key growth markets, growth initiatives, AI/digitisation, cross selling, scope to optimise BS by shedding non-core assets and its strong franchise. We highlight it remains significantly exposed to movements in BRL and EGP.

Exhibit 7: ABC Bank return profile



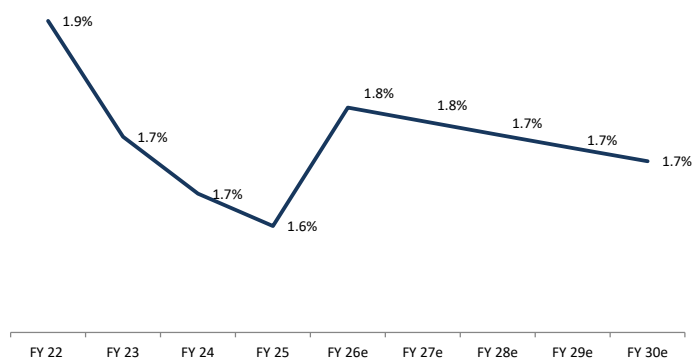
Source: Arqaam Capital Research, Company Data

Exhibit 8: RoE dissection of Bank ABC key businesses



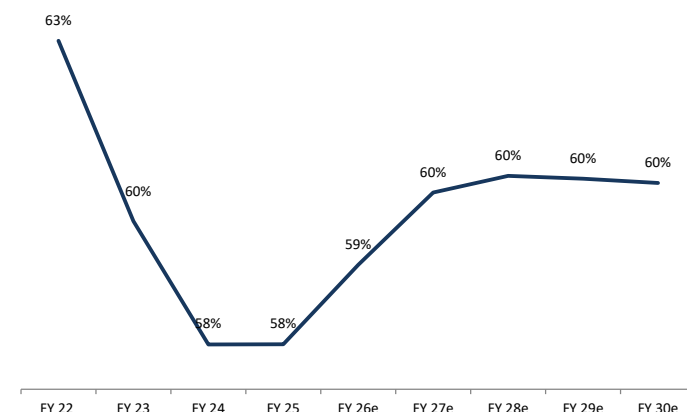
Source: Arqaam Capital Research, Company Data

Exhibit 9: OpEx/asset to improve as it moves past capex cycle



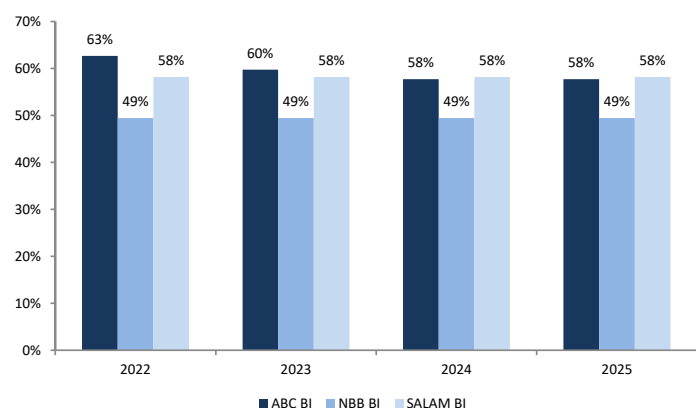
Source: Arqaam Capital Research, Company Data

Exhibit 10: C/I ratio elevated



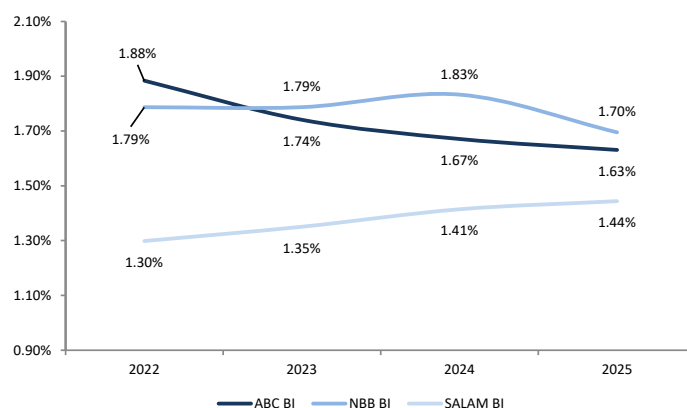
Source: Arqaam Capital Research, Company Data

Exhibit 11: C/I



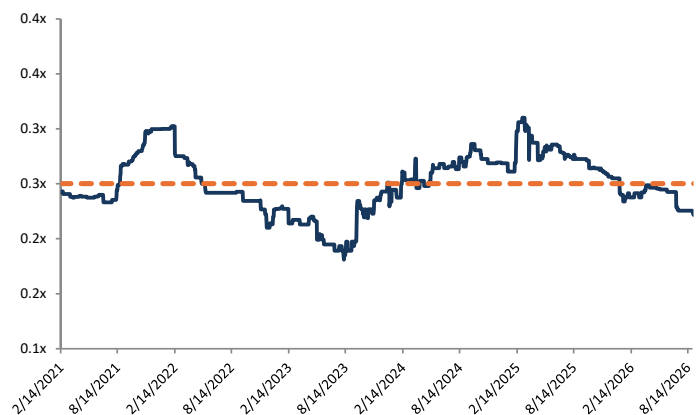
Source: Arqaam Capital Research, Company Data

Exhibit 12: OpEx to Assets



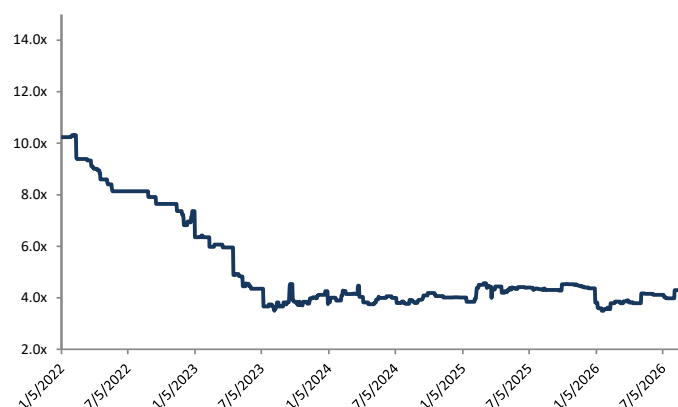
Source: Arqaam Capital Research, Company Data

Exhibit 13: Trading a discount to its 5-YR average P/B



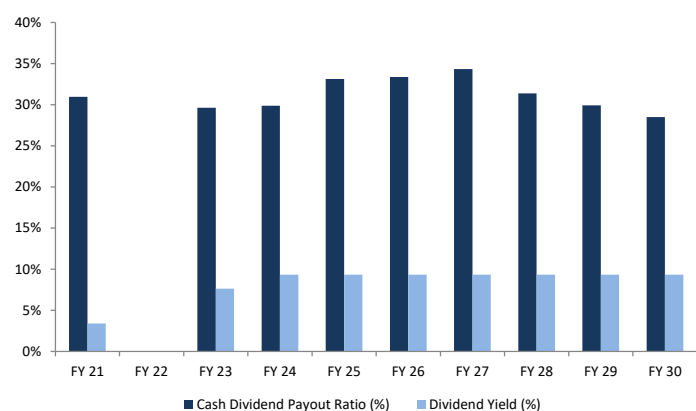
Source: Arqaam Capital Research, Bloomberg, Company Data

Exhibit 14: 5-YR historical average P/E



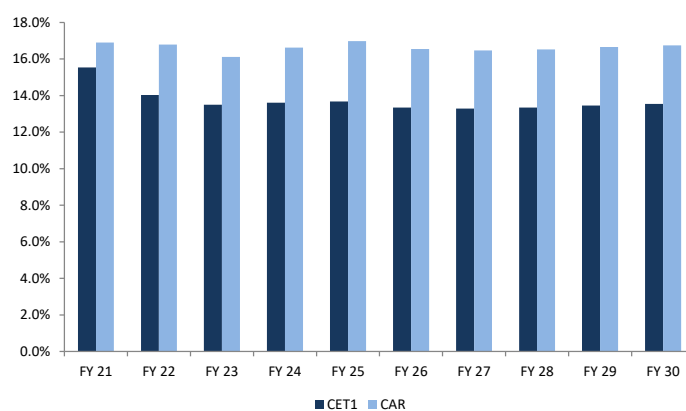
Source: Arqaam Capital Research, Bloomberg, Company Data

Exhibit 15: Attractive dividend play



Source: Arqaam Capital Research, Company Data

Exhibit 16: Strong capital



Source: Arqaam Capital Research, Company Data

Exhibit 17: ABC Bank EVA valuation (USD m)

Year-end	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e	2030e	perp	subtotal	% of total
1. DCF																				
Net profit	256	180	183	193	202	194	(89)	100	154	235	285	257	255	248	271	284	299	312		
Other adjustments (comprehensive income, social levies)	--	--	--	--	--	--	--	--	--	--	19	19	19	19	19	19	19	20		
Minus: excess return excess capital	79	83	59	74	81	78	35	54	43	45	47	49	46	49	53	57	61	64		
Risk free rate	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%		
Tax shelter	17.4%	0.4%	30.6%	18.6%	6.1%	8.9%	55.6%	28.5%	28.4%	20.0%	17.0%	24.3%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%		
Adjusted net profit	177	97	124	119	121	116	(124)	46	111	190	219	189	190	180	200	209	219	229		
Capital requirements	2,483	2,414	2,432	2,453	2,455	2,649	2,524	2,651	2,892	3,193	3,010	3,238	3,459	3,585	3,698	3,802	3,926	4,103		
RoECC	7.1%	4.0%	5.1%	4.8%	4.9%	4.4%	(4.9%)	1.7%	3.8%	5.9%	7.3%	5.8%	5.5%	5.0%	5.4%	5.5%	5.6%	5.6%		
Cost of capital	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%		
Capital charge	335	326	328	331	331	358	341	358	390	431	406	437	467	484	499	513	530	554		
Economic profit	(158)	(229)	(204)	(213)	(211)	(242)	(465)	(312)	(280)	(241)	(187)	(248)	(277)	(304)	(300)	(305)	(311)	(325)		
Discount factor	--	--	--	--	--	--	--	--	--	--	--	--	1.00	0.88	0.78	0.68	0.60	0.53		
NPV of Economic Profit	--	--	--	--	--	--	--	--	--	--	--	--	(277)	(268)	(233)	(208)	(188)	(173)		
DCF EVA Forecast period																			(1,173)	(67.8%)
Perpetual growth rate (GDP)																			4.5%	
Terminal Value																			(3,614)	
Terminal value discounted																			(1,919)	-110.9%
Required Capital																			3,238	187.2%
Value of the bank operations																			146	8.4%
2. Capital surplus/deficit																				
Available capital:																				
Shareholders equity	4,426	4,108	4,260	4,412	4,316	4,489	4,144	4,235	4,131	4,414	4,253	4,644	4,715	4,925	5,123	5,335	5,563			
Less Goodwill & intangibles	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
Less non equity elements reported shareholders equity																				
Less Dividends (if included in reported equity)	--	--	(93)	(93)	(93)	(93)	--	(31)	--	(70)	(85)	(85)	(85)	(85)	(85)	(85)	(85)			
Tangible equity	4,426	4,108	4,167	4,319	4,223	4,396	4,144	4,204	4,131	4,344	4,168	4,559	4,630	4,840	5,037	5,250	5,478			
Capital needs																				
RWAs (Basel II)	24,379	23,537	23,737	24,045	23,977	25,741	24,483	25,595	27,546	30,226	28,556	30,785	32,685	33,904	35,015	36,062	37,283			
RWAs (Basel III)	24,379	23,537	23,737	24,045	23,977	25,741	24,483	25,595	27,546	30,226	28,556	30,785	32,685	33,904	35,015	36,062	37,283			
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%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%		
Financial stakes (after 10% corridor)	(443)	(411)	(417)	(432)	(422)	(440)	(414)	(420)	(413)	(434)	(417)	(456)	(463)	(484)	(504)	(525)	(548)			
Capital Requirements	2,483	2,414	2,432	2,453	2,455	2,649	2,524	2,651	2,892	3,193	3,010	3,238	3,459	3,585	3,698	3,802	3,926			
Surplus capital	1,943	1,694	1,735	1,866	1,768	1,747	1,620	1,553	1,239	1,152	1,158	1,321	1,171	1,256	1,339	1,447	1,552		1,321	76.3%
3. Other adjustments																				
Provisioning surplus																			(96)	
ADTI issuance 50% credit																			295	
Level 3 assets																			(21)	
Total adjustments																			179	10.3%
4. Dividends																			85	4.9%
Total Fair Value																			1,730	100.0%
Fully diluted number of shares																			3,094	38.33
Fair value per share																			0.56	1.2%
Current share price																			0.30	
Upside																			89.5%	
Implied P/E (x)									11.2	7.4	6.5	7.3	7.3							
Implied P/INAV (x)									0.5	0.4	0.5	0.4	0.4							

Source: Arqaam Capital Research, Company Data

A brief description of ABC Bank: A global emerging market growth platform, Brazil and Egypt key underlying constituents

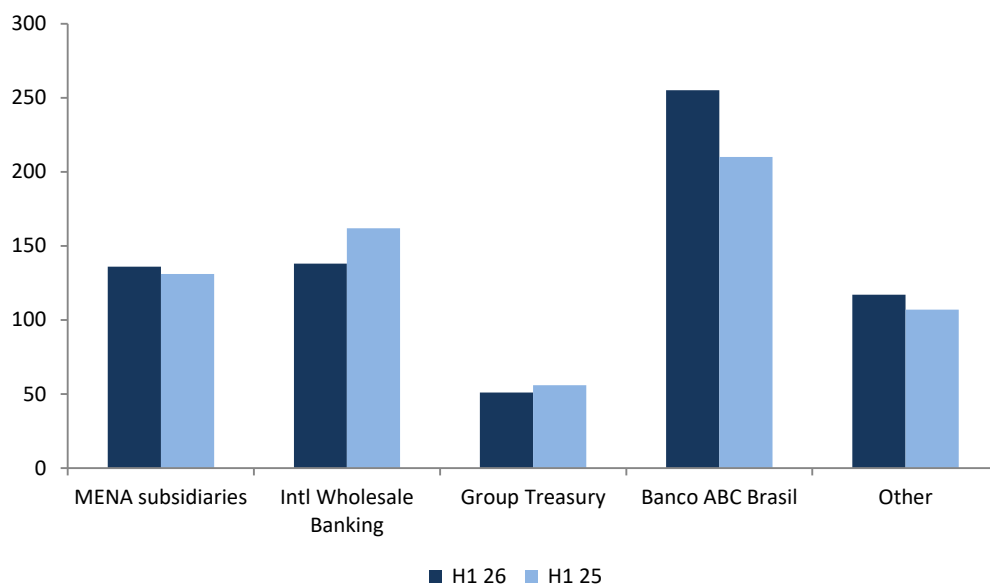
- ABC Bank is a global bank offering exposure to both emerging markets and developed markets, with commercial banking, wholesale banking, treasury and real estate operations, adding to its diversification.
- ABC continues to expand its capital-light strategic initiatives such as payments, merchant acquiring, digital bank ila and Islamic bank alburraq.

ABC Bank financial disclosure presents the group structure via 5 segments i) ABC Brasil – the listed entity, ii) MENA subsidiaries which includes Egypt, Algeria, Tunisia and Jordan, with Egypt the key segment, iii) International wholesale banking which is the Bahrain wholesale banking hub and Islamic bank iv) Group treasury, and v) others – ila, AFS and head office.

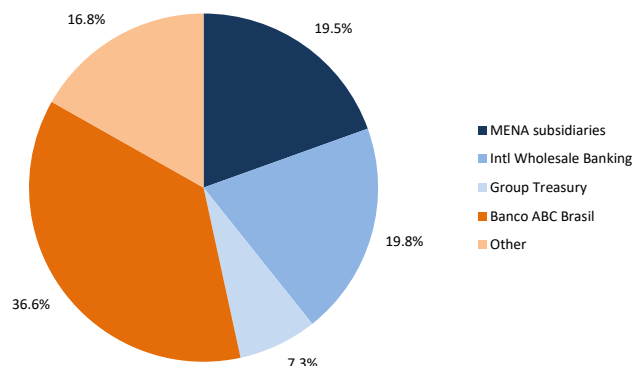
Exhibit 18: Dissection of H1 operating income

	TOI H1 26 (USD m)	TOI H1 25 (USD m)	y/y	% of Group TOI	PPOP H1 26	Credit loss	Credit loss / TOI
MENA subsidiaries	136	131	3.8%	19.5%	62	15	11.0% vs 2.3%
International Wholesale Banking	138	162	-14.8%	19.8%	62	35	25.4% vs 8.6%
Group Treasury	51	56	-8.9%	7.3%	33	0	0.0% vs 0.0%
Banco ABC Brasil	255	210	21.4%	36.6%	139	33	12.9% vs 12.9%
Other	117	107	9.3%	16.8%	52	1	0.9% vs 0.0%
Group	697	666	4.7%	100.0%	348	84	12.1% vs 6.6%

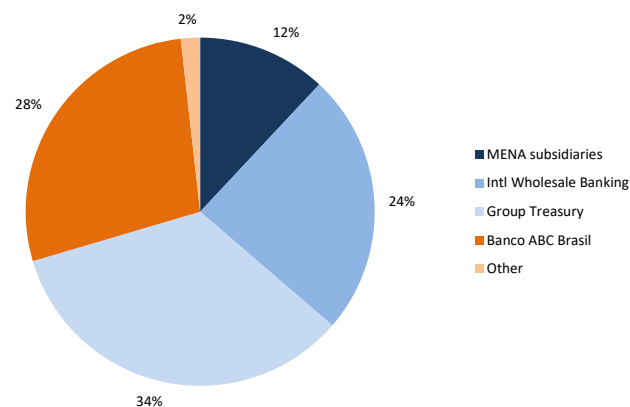
Source: Arqaam Capital Research, Company Data

Exhibit 19: Segmental Total Operating Income (in USD m)


Source: Arqaam Capital Research, Company Data

Exhibit 20: Total Operating Income - Segmental Contribution


Source: Arqaam Capital Research, Company Data

Exhibit 21: Total Assets – Segmental Contribution


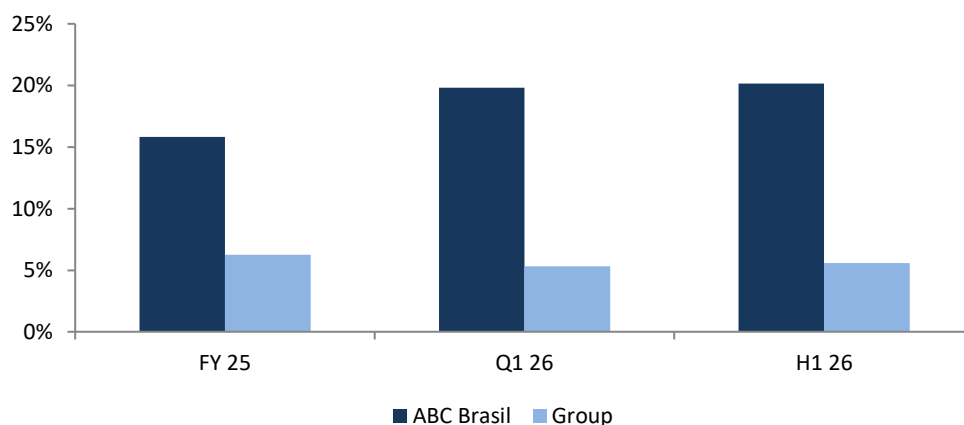
Source: Arqaam Capital Research, Company Data

Banco ABC Brasil: Increasingly central to group earnings

Banco ABC Brasil has become the group's largest revenue contributor, now contributing more than one-third of group TOI and is the largest individual PPOP contributor. The return profile is also materially stronger than that of the group. Banco ABC Brasil generated 15.2% RoE in FY25, versus just 6.0% for the consolidated group. This is important in understanding ABC's valuation: the group is not uniformly low-return, but rather combines a higher-return Brazilian franchise with lower-return Treasury activities, capital-intensive wholesale banking and businesses still absorbing investment costs.

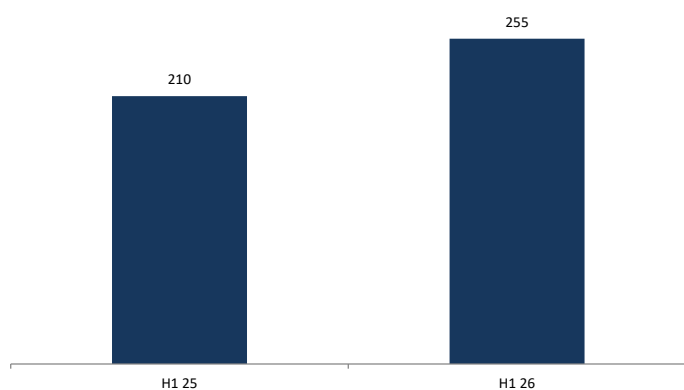
With Brazil accounting for an increasing share of group earnings, continued balance-sheet growth and sustained returns in the subsidiary should gradually improve the consolidated return mix, although FX translation remains a meaningful swing factor for USD-reported results.

Exhibit 22: RoE of Banco Brasil vs ABC Bank



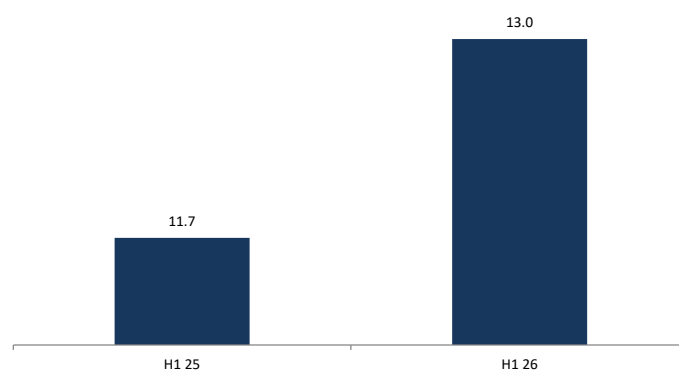
Source: Arqaam Capital Research, Company Data

Exhibit 23: Banco ABC Brasil – Total Operating Income



Source: Company Data, Arqaam Capital Research

Exhibit 24: Banco ABC Brasil – Total Assets

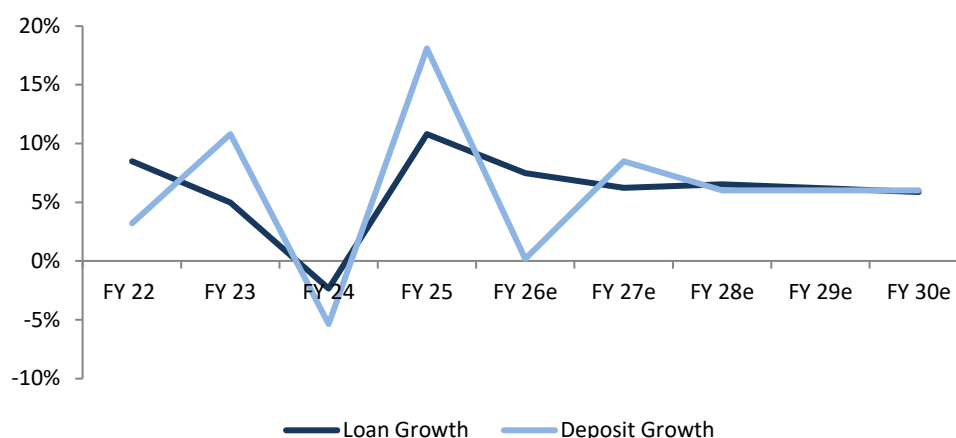


Source: Company Data, Arqaam Capital Research

International Wholesale Banking: partly driving the mid single-digit return for the group

This segment remains strategically important. Its transaction banking, trade finance, structured finance, capital markets and Islamic capabilities provide the cross-border connectivity that differentiates ABC from domestic Gulf banks. It accounted for 15% of group earnings during FY25 and delivered RoE close to 5%, partly driving the low return profile of the group.

Exhibit 25: Loan vs. Deposit Growth



Source: Arqaam Capital Research, Company Data

MENA subsidiaries: Egypt the key driver with mid-teen returns

Exhibit 26: MENA subsidiaries

Country	Bank ABC stake	Branches (FY25)	Structural factors
Egypt	99.60%	52	Largest of the four networks; EGP translation drag on USD-reported revenue (EGP -10% in FY25); "Blue App" digital rollout live since May 2025
Jordan	87.00%	19	Geographically the most directly exposed of the four markets to the regional conflict; also the next Ila Bank expansion market
Algeria	88.90%	24	Hydrocarbon-linked economy with tighter currency controls, historically less FX volatility than Egypt; Blue App rollout planned for 2026
Tunisia	100.00%	17	Smallest of the four networks; Blue App rollout also planned for 2026

Source: Arqaam Capital Research, Company Data

The franchise is spread across four distinct markets. Egypt is the largest operation, with a 99.6% stake and 52 branches following the 2025 rationalisation after the BLOM integration. Jordan has 19 branches and carries the most direct geographical exposure to the regional conflict, while Algeria and Tunisia operate smaller networks of 24 and 17 branches respectively. Egypt remains the key segment driving close to 20% of the group earnings with Tunisia c. 3% and Jordan 1%. Egypt offers the strong growth market but along with forex translation risks.

Other: AFS is scaling faster, while ila builds a digital franchise

The Other segment — comprising Head Office, ila Bank and AFS — contributes about 20% of earnings. AFS is already a meaningful, fee-based payments business, while ila and ila alburaq remain longer-duration digital growth platforms.

AFS is the more mature earnings story. FY25 total income increased 20% y/y, driven by a 61% increase in acquiring revenue and 50% growth in acquired transaction volumes. Its UAE merchant-acquiring operation, launched in 2025, contributed 14% of total acquiring revenue within its first year, highlighting the scale of the opportunity in the region's payments market. AFS is also nearing completion of the migration of its acquiring business to its strategic platform, with legacy technology scheduled for decommissioning in 2026.

ila is earlier in its monetisation cycle but has already achieved meaningful scale. Its customer base has grown by nearly 40% since 2023, supported by continued product development and the expansion of its digital proposition. The business is also being developed in Jordan and is progressing towards a standalone licensed digital-bank structure, which should provide greater flexibility to scale the franchise without the fixed-cost burden of a conventional branch network. ila alburaq extends the same digital infrastructure into Islamic retail banking, broadening the addressable market

The strategic value of these businesses therefore extends beyond their current contribution to group earnings. AFS provides a capital-light, fee-based growth engine that is already scaling, while ila and ila alburaq provide longer-term customer acquisition and cross-sell optionality. The key earnings inflection should come from operating leverage as digital investment and platform migration costs roll off and the businesses move further from build to run.

Treasury: deleveraging improves the balance-sheet mix

ABC's balance-sheet optimisation continued into H1 26. Total assets fell 6.0% from FY25 to USD 46.9bn, but the decline was concentrated in Group Treasury rather than the core lending franchises. Treasury operating assets fell 19.5% to USD16.0bn, while its liabilities declined 15.1% to USD24.0bn. In contrast, Banco ABC Brasil's assets increased 11.1% to USD13.0bn, while MENA assets were broadly flat.

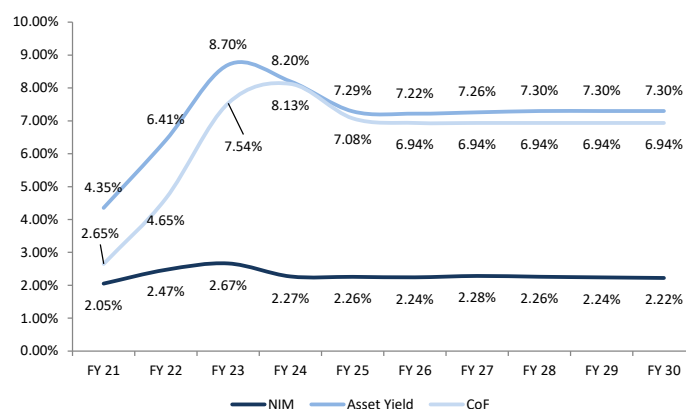
The Treasury reduction follows the USD3.8bn contraction in the non-trading investment book already visible in Q1, which was accompanied by a USD2.5bn reduction in repo funding. At the same time, loans continued to grow and liquidity remained elevated. We view this as ABC reducing the size of a relatively low-return, matched-book securities/repo activity while preserving substantial liquidity and reallocating capacity towards core lending.

Return and growth: Structural TRS of 13.4%, cost and focus on non-core key to boost returns

- Positively geared for rate hikes with a 25bps rate hike to boost margins by 1.5bps. NIM was broadly stable in FY25, after compressing 40bps in FY24. We forecast margins to remain broadly stable in FY26e and expand by 4bps in FY27e.
- Non-funded income represents 30% of revenue, with outlook supported by its expanding payment business, with UAE a new market added last year.
- C/I ratio elevated at 60% handle mainly on its digital transformation and strategic investments. We expect the operating leverage to improve over time as it moves past the capex cycle.
- Structural TRS of 13.4% breaking down into tNAV growth of 4.1 and DY of 9.3%, but RotE of 6% should improve as the capex cycle normalizes and it focuses on its capital allocation.

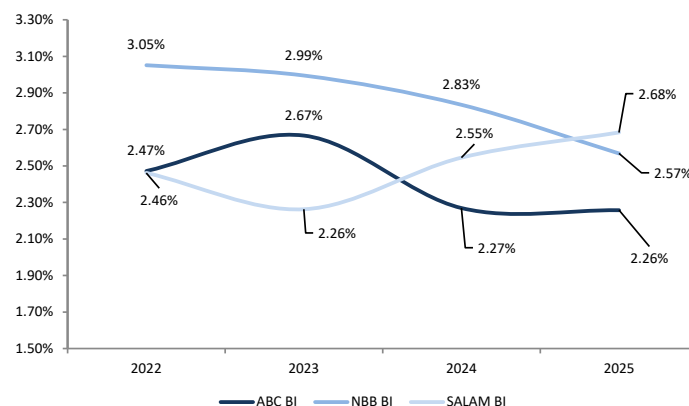
ABC's NIM has remained within a relatively tight 2.6–2.8% range over FY23–25 despite its exposure to multiple interest-rate cycles across USD, GCC, Brazil and Egypt. FY25 NIM was 2.6%, versus 2.4% in FY24 and 2.8% in FY23. The stability is notable given the group's geographic and currency diversification. 12M net ALM gap equates to 5% of total assets and > 1YR to 3%, supportive of margin movement in the current rate environment.

Exhibit 27: We expect ABC Bank's margins to remain broadly stable



Source: Arqaam Capital Research, Company Data

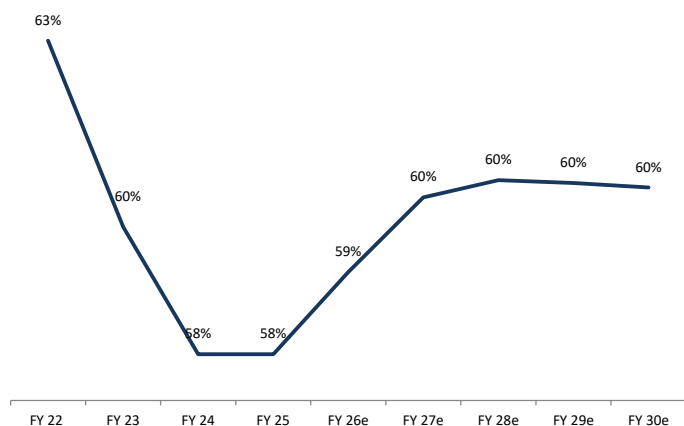
Exhibit 28: ABC Bank's NIM is below peers due to the structure



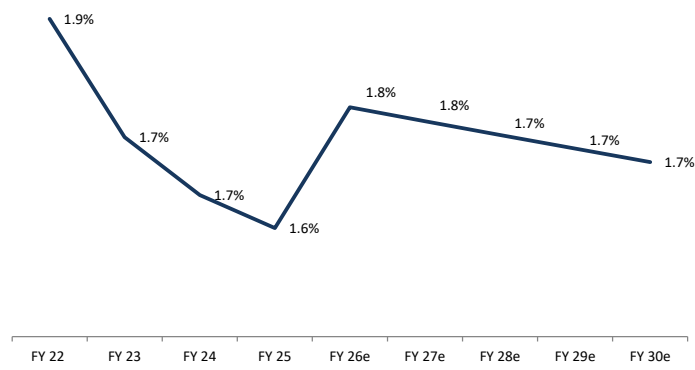
Source: Arqaam Capital Research, Company Data

Non-interest income is an increasingly important earnings stabiliser, accounting for c. 30% total revenue and growing at an average of c. 15% during FY22-25. Transaction banking, capital markets and Islamic finance remain important contributors to non-funded income generation outlook. We expect the contribution to increase meaningfully when its Global Transaction Banking ("build to run") moves past its build-cost phase and revenue generation fully kicks in. ABC launched its merchant acquiring platform in the UAE last year, with UAE contributing 14% to total acquiring revenues in the first year itself.

Cost efficiency, however, remains an area where the investment cycle is still visible. FY25 C/I improved modestly to 57.7% from 58.0%, or 53.1% excluding digital investment spend. In H1 26, C/I moved higher as operating expenses increased 8.7% y/y against 4.9% NII growth, reflecting continued technology investment, inflation and FX translation.

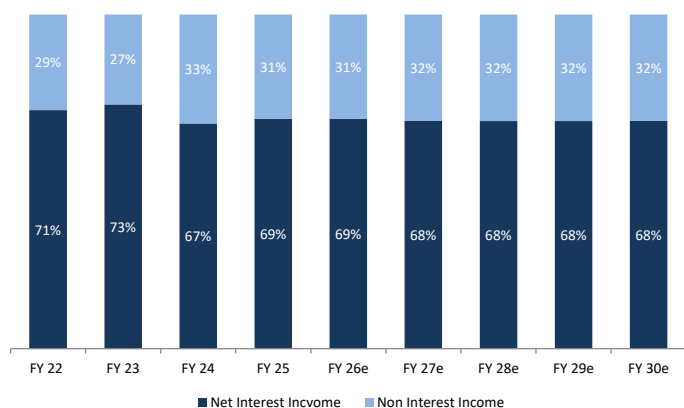
Exhibit 29: Cost-to-Income Ratio


Source: Arqaam Capital Research, Company Data

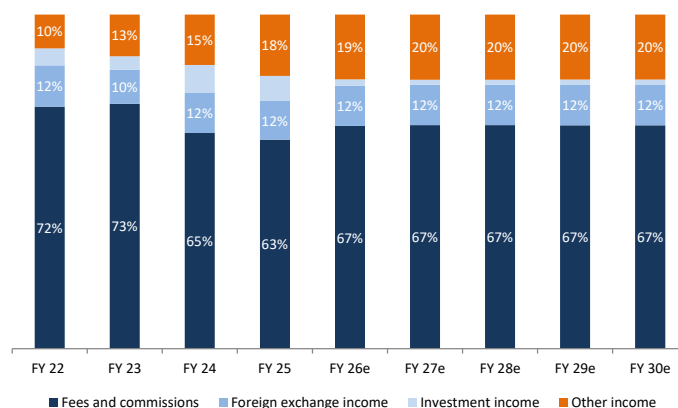
Exhibit 30: Opex-to-Asset


Source: Arqaam Capital Research, Company Data

The direction should improve as the group transitions from build to run. Transaction Banking and ABC International Bank's digital transformation programmes are largely complete or in their final stages, while AFS is approaching the end of its legacy-platform migration. We therefore see the greatest efficiency upside not from aggressive cost cutting, but from revenue growth beginning to outpace a more normalised technology and transformation cost base.

Exhibit 31: Revenue breakdown


Source: Arqaam Capital Research, Company Data

Exhibit 32: Non-interest income breakdown


Source: Arqaam Capital Research, Company Data

Asset quality remains stable, but credit costs increase on MEVs

- We forecast TTC CoR of 70bps, in line with the 5-YR average during FY21-25, but higher than the pre-COVID FY15-19 average of 55bps, with recent FY25 CoR of 80bps mainly driven by a credit event in US.
- ECL scenario mix remains more defensive than at FY25A, while International Wholesale Banking accounts for a disproportionate share of the increase in credit charges during H1.
- NPL formation was 36 bps in Q2 26 vs 35 bps in Q1 26 and compared with 3 bps during FY25, whilst we compute a provisioning deficit of -0.4% of loans as of Q2 26.

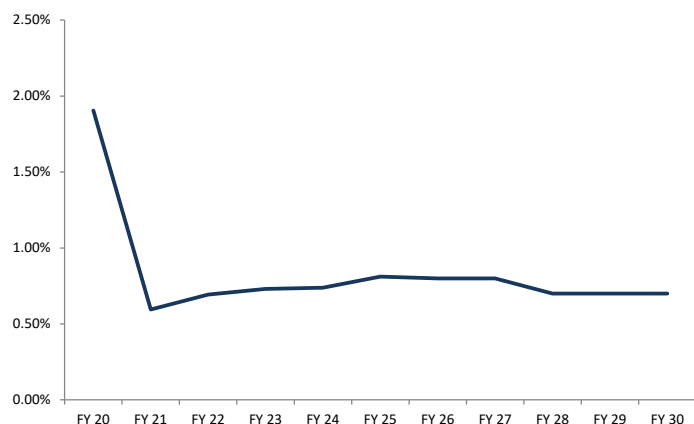
Updated MEVs in Q1 26 for the conflict. The provisioning backdrop changed in 2026 as the group adopted a substantially more conservative macroeconomic ECL framework in response to the regional conflict. The probability weighting shifted from 40% base / 30% upside / 30% downside at FY25 to 50% base / 0% upside / 50% downside, effectively removing the upside scenario and doubling the downside weighting. The weights were unchanged at H1, although management reassessed the underlying economic variables.

TTC CoR of 70bps, we forecast 80bps for FY26-27e . CoR averaged c.70bps during FY21-25, after peaking at 1.9% during COVID, with pre-COVID 5-YR average at 55bps. CoR increased to 80bps in FY25 from 74bps in FY24, mainly on a one-off US credit event. However, we maintain the FY26-27e CoR at 80bps vs 74bps in H1 26, on the regional conflict, increasing rate environment and any spillover from legacy US exposure. H1 26A credit loss expense rose 91% y/y, mainly due to International Wholesale Banking. The Wholesale Banking charge reached 25.4% of segment income, up from 8.6% a year earlier, whereas Brazil's corresponding ratio was broadly unchanged.

Asset-quality indicators remain relatively stable. Stage 3 loans stood at 3.3%, while stage 2 loans represented only 2.8%. NPL formation was 71 bps during H1 26 vs CoR of 74bps. Coverage remains adequate with our internal acid test showing a provisioning deficit of 0.43% as of Q2 26.

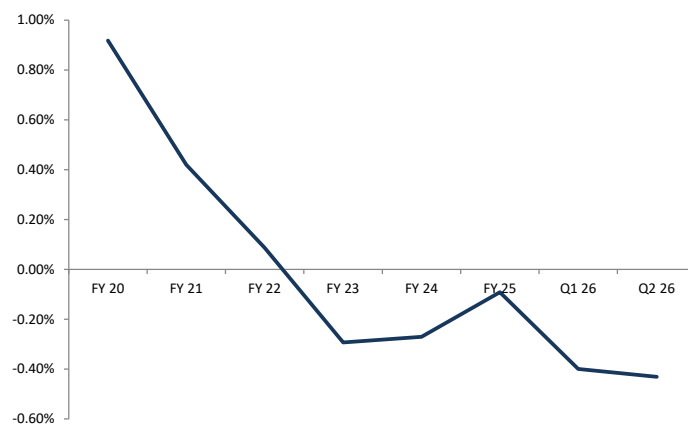
Geographic diversification does not eliminate credit concentration. Latin America represented 21.9% of H1 Pillar 3 gross credit exposure but 41.4% of impaired loans. The Arab World accounted for 14.0% of exposure and 24.3% of impaired loans. These comparisons use Pillar 3's broader credit-exposure measure, which includes more than the customer-loan book.

Exhibit 33: CoR (%) Evolution



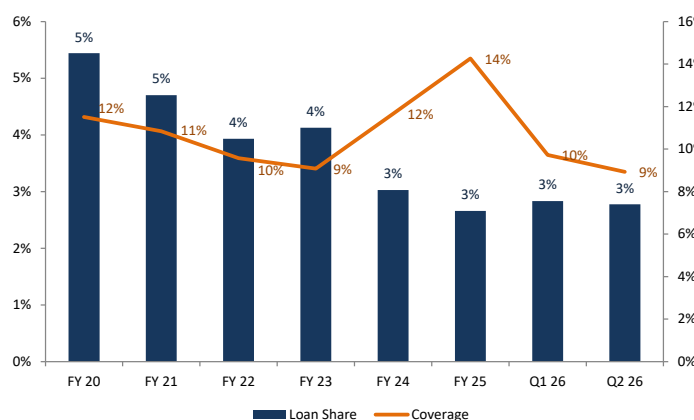
Source: Arqaam Capital Research, Company Data

Exhibit 34: Provisioning Deficit vs our Acid test



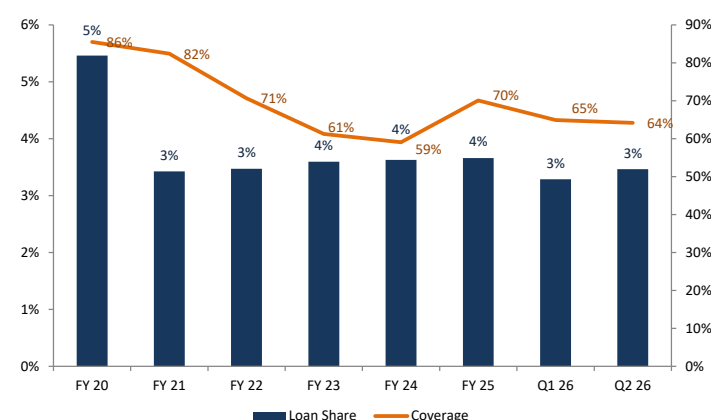
Source: Arqaam Capital Research, Company Data

Exhibit 35: Stage 2 Loan Share (%) vs. Stage 2 Coverage



Source: Arqaam Capital Research, Company Data

Exhibit 36: Stage 3 Loan Share (%) vs. Stage 3 Coverage



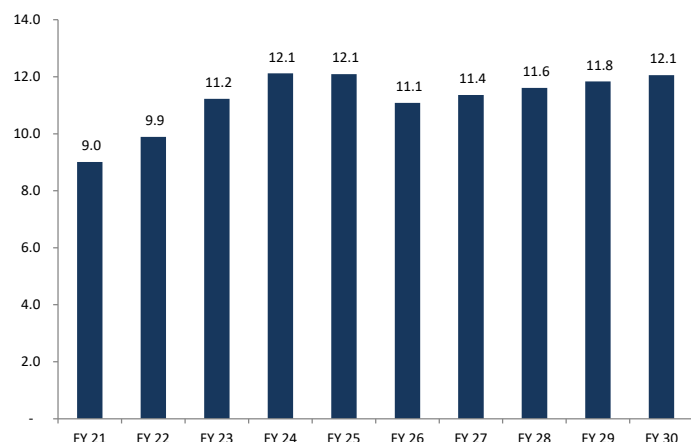
Source: Arqaam Capital Research, Company Data

Capital: Strong buffers underpin capital-allocation optionality

- CETI stood at 13.2% end Q2 26 vs minimum threshold of x%, offering support to payout, despite the 6% return handle. We forecast stable DPS of USD 0.0275 for FY26e, offering a yield of 9.3% and payout of 33%.
- Surplus capital represents almost three-fourth of our valuation, offering ABC bank the flexibility around capital deployment via higher payout, buybacks or further expansion, whilst shedding lower yielding assets.
- Liquidity remains strong with LCR of 267%, NSFR of 123% and LtD of 86.9% at the end of Q2 26, helping the bank to optimise its margins.

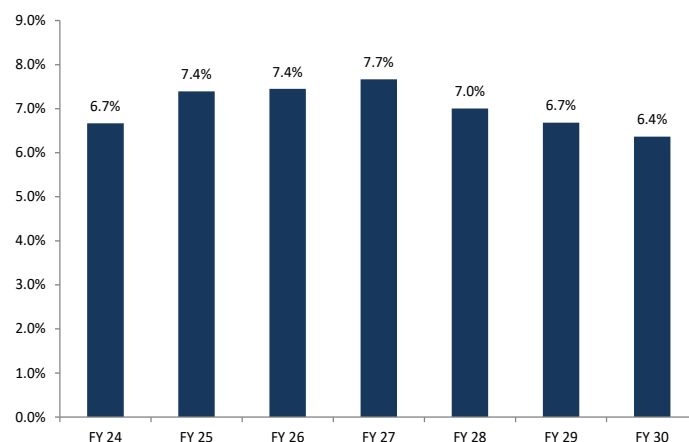
CETI improved sequentially on improved market valuation. CET1 increased 13.2% in Q2 26 from 12.7% in Q1 26 as OCI losses of USD 119 Mn turned into gains of USD 76 Mn in Q2. RWA growth was 0.6% during the quarter and 4.15% YtD vs asset growth of -0.5% and -6.0%, respectively. RWA/assets rose to 68.4% end Q2 26 from 61.7% at FY25A as RWA expanded while total assets contracted.

Exhibit 37: Asset to tangible equity evolution



Source: Arqaam Capital Research, Company Data

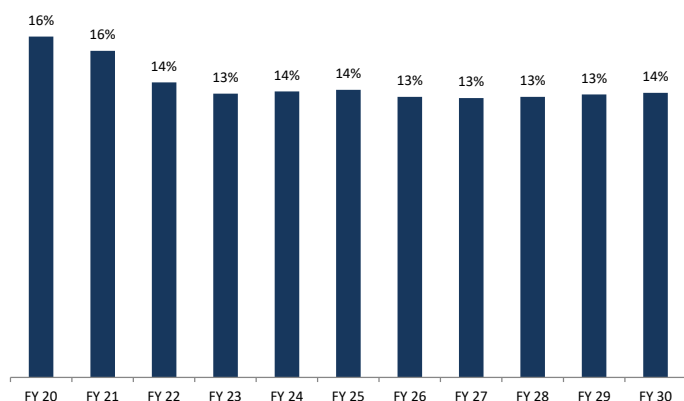
Exhibit 38: ADT1 coupon absorption capacity



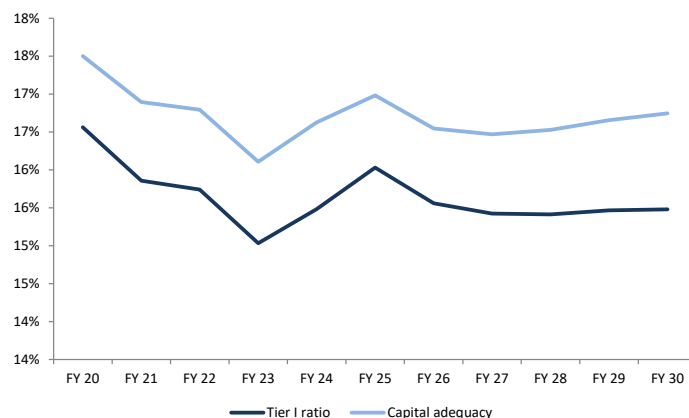
Source: Arqaam Capital Research, Company Data

Liquidity remains strong. LCR declined to 267% from 311% in Q1 but remained above the 237% recorded at FY25A. NSFR eased to 123% from 127% at year-end. LtD (net loans divided by customer deposits plus CDs), increased to 85.6% from 76.9%. Given the current rate environment, we find the higher utilisation rates supportive of margins.

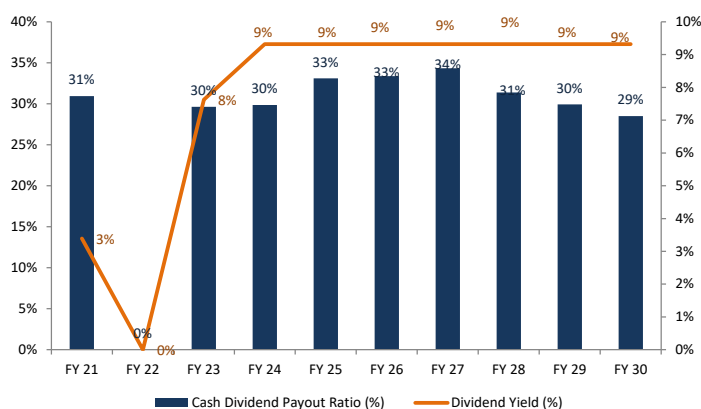
Attractive DY of > 9%. Bank ABC maintained FY25A DPS at USD 0.0275, equating to a payout of 33% of reported parent profit 36% of earnings post ADTI. Given the 6% return handle and continued growth initiatives, we forecast stable DPS through our forecast period, offering a yield of 9.3%.

Exhibit 39: CET1 Ratio (%)


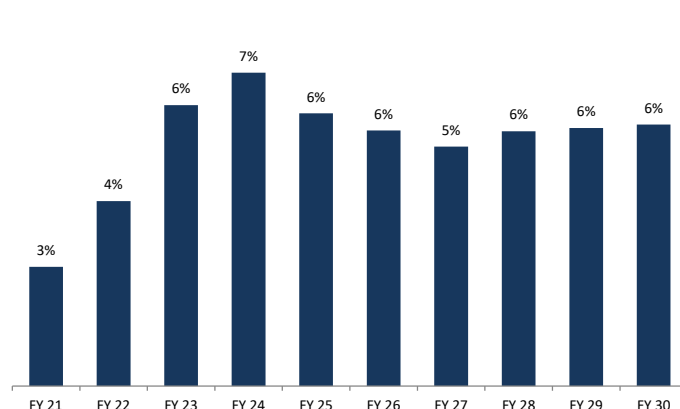
Source: Arqaam Capital Research, Company Data

Exhibit 40: Tier 1 Capital Ratio & CAR


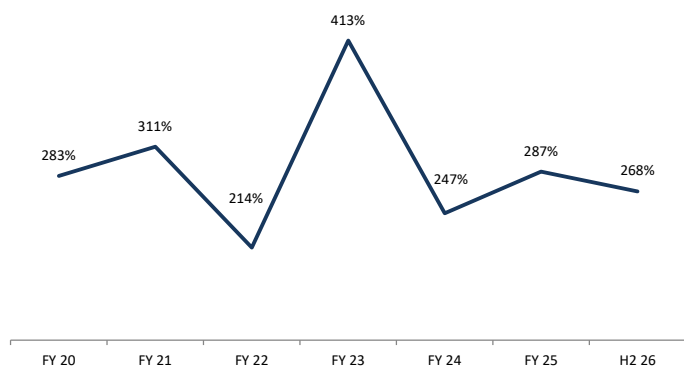
Source: Arqaam Capital Research, Company Data

Exhibit 41: Dividend Payout & Dividend Yield


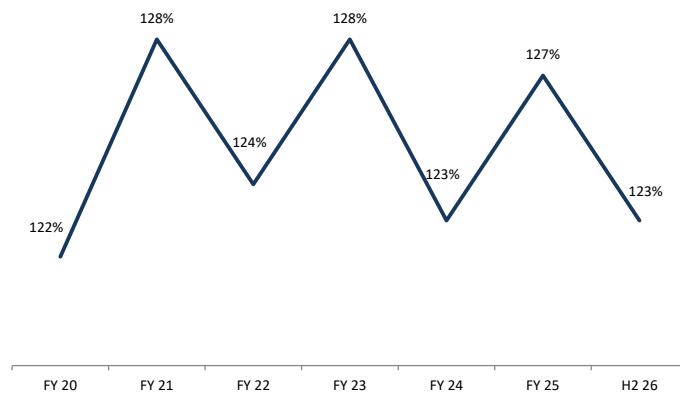
Source: Arqaam Capital Research, Company Data

Exhibit 42: ABC RoTE – Internal Capital Generation


Source: Arqaam Capital Research, Company Data

Exhibit 43: LCR (%) Evolution


Source: Arqaam Capital Research, Company Data

Exhibit 44: NSFR (%) Evolution


Source: Arqaam Capital Research, Company Data

Q2 2026 earnings review: Revenue generation helped by margin and trading income, but credit cost increases on a yearly basis

- Earnings increased 13.5% q/q as operating income rose 2.6% and credit loss expense eased, but declined 22.4% y/y. NIM expanded 12bps q/q on lower CoF, while broadly flat expenses improved cost/income to 59.8% from 61.6% in Q1.
- H1 CoR rose to 76bps from 41bps, while Stage 3 loans increased to 3.5% from 3.3% in Q1. Coverage declined to 84.2% from 86.7%.
- Loans increased 1.8% q/q, whilst deposits fell 5.2%, mostly driven by optimization of funding mix to improve spreads, lifting net loans/deposit ratio to 86.9%. A USD 76m FVOCI gain helped CET1 recover to 13.2% from 12.7% in Q1. LCR and NSFR remained above regulatory minimal at 267% and 123%, respectively.

Revenue generation was strong, but credit cost drove earnings decline. Q2 net income declined 22% y/y mainly on higher credit costs due to the operating environment. Revenue growth was strong at 4.4% y/y and 3% q/q helped by margin expansion and strong trading income. Credit costs, however, improved sequentially, resulting in earnings growth of 13.5%.

Margin expansion supported earnings. NIM expanded 12bps sequentially and 6bps y/y mainly on lower CoF as it optimised its funding mix, with CoF improving to 6.42% in Q2 26 from 6.71% in Q1 and 6.57% in Q2 25. Asset yield was broadly stable compared with Q1 26 levels. Margin outlook remains positive underpinning its ALM, with a 25bps rate hike to boost margins by 1.5bps.

Trading income supports non-funded income generation. Trading income rose 1.3x y/y and 17% q/q, the key driver of the NFI growth of 8% y/y and 4% q/q. Fee income rose 5% y/y but declined 5% sequentially on operating environment as markets remained challenging. The mix continues to show AFS/payments and trading income as the more dynamic contributors, with core transaction-banking fee income more stable, consistent with the digital/payments arm's role as an incremental growth lever on top of a steady wholesale fee base.

Positive JAWs sequentially improve C/I, although y/y cost growth remains elevated. Operating expenses were broadly flat q/q against 2.6% revenue growth. Cost/income improved to 59.8% from 61.6% in Q1. However, expenses were +9.9% y/y, compared with 4.4% revenue growth, leaving cost/income above the 56.8% recorded a year ago. Management continues to identify digital transformation and strategic investment as contributors to the H1 cost base. We expect the operating leverage to improve as the Group Transaction Banking ("Build to Run") and ABC International Bank digital programmes move past their build-cost phase.

Asset quality remained stable. CoR increased to 67bps in Q2 26 from 45bps in Q2 25, the key driver of the earnings decline. However, it eased from 83bps in Q1 26. Stage 3 improved to 3.5% end Q2 from 3.7% YE25 but slightly higher than 3.3% in Q1 26. Total ECL coverage of stage 3 exposure was 84.2%, slightly down from 87% at Q1 26 following a USD170m write-off of previously provisioned exposures during H1 26, most likely including final resolution of the FY25 US client credit event, but still comfortably within the group's historical coverage range. Stage 2 loan share stood at 2.8% in Q2 26 and Q1 26 while stage 2 coverage decreased to 8.9% from 9.7%. The stage 3 loan share increased by 20 bps q/q to 2.5% while stage 3 coverage also

declined to 64.2% in Q2 26 from 64.9% in Q1 26, while NPL formation stood at 36 bps in Q2 26 and 71 bps in H2 26. The macro-scenario probability weightings applied to ECL (50% base case, 0% upward, 50% downward) were left unchanged from Q1 26. The bank recorded a provisioning deficit of 40 bps against our internal threshold of 1%/12%/60% against stage 1/2/3 loans.

Decent loan growth, optimises funding mix. Gross loans rose 1.8% q/q, while deposits fell 5.2% q/q and were 6.4% below FY25, lifting net loans/deposits to 86.9% from 80.9% at Q1 and 78.0% at FY25. Total assets declined 6.0% from year-end, reflecting a smaller liquid-funds and investment portfolio alongside loan growth.

FVOCI recovery lifted capital, while liquidity buffers remained comfortable. Debt securities recorded a US\$76m FVOCI gain (0.24% of RWA Q2 26) in Q2 after a US\$119m loss (0.37% of RWA Q1 26) in Q1. CET1, T1 and CAR improved q/q to 13.2%, 15.5% and 16.4%, respectively. LCR declined to 267% from 311% at Q1 and NSFR to 123% from 127%; both remained above the 100% regulatory minimum. Q2 showed a sequential earnings recovery, but H1 earnings remained down 27% y/y, delivering RotE of 5.5% in H1 26 and 5.8% in Q2 26.

Exhibit 45: Arab Banking Corporation Q2 26A Review

USD m	Q2 26A	Q1 26A	q/q 26	Q2 25A	Q1 25A	q/q 25	y/y Q2	y/y Q1	H1 26A	H1 25A	y/y 6M
Interest Income	766.0	795.0	(3.6%)	739.0	741.0	(0.3%)	3.7%	7.3%	1,561	1,480	5.5%
Interest expense	520.0	554.0	(6.1%)	500.0	510.0	(2.0%)	4.0%	8.6%	1,074	1,010	6.3%
Net interest income	246.0	241.0	2.1%	239.0	231.0	3.5%	2.9%	4.3%	487	470	3.6%
Fee Income	78.0	82.0	(4.9%)	74.0	73.0	1.4%	5.4%	12.3%	160	147	8.8%
Net Trading Income	14.0	12.0	16.7%	6.0	8.0	(25.0%)	133.3%	50.0%	26	14	85.7%
Other Income	15.0	9.0	66.7%	19.0	16.0	18.8%	(21.1%)	(43.8%)	24	35	(31.4%)
Non-Interest income	107.0	103.0	3.9%	99.0	97.0	2.1%	8.1%	6.2%	210	196	7.1%
Total income	353.0	344.0	2.6%	338.0	328.0	3.0%	4.4%	4.9%	697	666	4.7%
Operating expenses	211.0	212.0	(0.5%)	192.0	195.0	(1.5%)	9.9%	8.7%	423	387	9.3%
Operating profit	142.0	132.0	7.6%	146.0	133.0	9.8%	(2.7%)	(0.8%)	274	279	(1.8%)
Loan loss provisions	37.0	45.0	(17.8%)	24.0	20.0	20.0%	54.2%	125.0%	82	44	86.4%
Other provisions	1.0	1.0	-	(1.0)	1.0	nm	nm	0.0%	2	-	nm
Total provisions	38.0	46.0	(17.4%)	23.0	21.0	9.5%	65.2%	119.0%	84	44	90.9%
Profit before tax	104.0	86.0	20.9%	123.0	112.0	9.8%	(15.4%)	(23.2%)	190	235	(19.1%)
Group net income	78.0	69.0	13.0%	93.0	91.0	2.2%	(16.1%)	(24.2%)	147	184	(20.1%)
Attributable NI	59.0	52.0	13.5%	76.0	76.0	0.0%	(22.4%)	(31.6%)	111	152	(27.0%)
Adjusted net income after TI coupon	59.0	52.0	13.5%	76.0	76.0	0.0%	(22.4%)	(31.6%)	111	152	(27.0%)
Cost/income ratio	59.8%	61.6%		56.8%	59.5%				60.7%	58.1%	
Net loans/deposit ratio	86.9%	80.9%		85.5%	82.8%				86.9%	80.9%	
Annualized LLP	0.67%	0.83%		0.45%	0.40%				0.74%	0.40%	
Coverage	84.24%	86.73%									
Annualized NIM	2.32%	2.22%									
Gross Loans	22,180	21,778	1.8%	21,509	20,001	7.5%	3.1%	8.9%	22,180	21,778	1.8%
Net Loans	21,533	21,157	1.8%	20,824	19,353	7.6%	3.4%	9.3%	21,533	21,157	1.8%
Customer deposits	24,787	26,142	(5.2%)	24,353	23,365	4.2%	1.8%	11.9%	24,787	26,142	(5.2%)

Source: Arqaam Capital Research, Company Data

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