Q3 26 Earnings Review

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Arab Banking Corp

Brazil remains the key earnings driver, not priced in at 0.2x book, maintain BUY

- **Maintain BUY and lower TP to USD0.54 from USD0.56 following 12-18% cuts to FY27-30e EPS. We forecast FY27e RotE of 4.8% and EPS growth of 14%.**
- **Q3 reported profit rose 3.8% y/y to USD54m, supported by Brazil and MENA. After USD9m of AT1 coupons, ordinary shareholder earnings were USD45m, implying RotE of 5.2%.**
- **At 0.21x FY27e tangible book and 4.4x P/E, with a forecast dividend yield of 9.5%, the valuation remains attractive. Stronger group returns are the key to a sustained re-rating.**

Maintain BUY as the valuation discount remains excessive. We lower our EVA-derived TP to USD0.54 from USD0.56 after cutting FY27-30e EPS by 12-18% for weaker non-interest income, margin pressure, higher costs and the full AT1 coupon burden. Our valuation equates to 0.4x FY27e tangible book against a forecast RoTE of 5.2%. We expect FY27e EPS to grow 14% and retain a DPS forecast of USD0.0275, offering a 9.5% yield. At 0.21x FY27e tangible book and 4.4x earnings, we see scope for the discount to narrow as Brazil sustains its contribution, MENA earnings recover and payments scale. Low group returns remain the main constraint on a re-rating.

Brazil and MENA support reported earnings growth. Q3 profit attributable to shareholders rose 3.8% y/y to USD54m. Revenue increased 4.2% to USD368m, outpacing cost growth of 3.4% and lifting pre-provision profit by 5.5% to USD153m. ECL fell 4.4% to USD43m. Brazil and MENA contributed USD66m and USD32m respectively before tax and unallocated costs, up 8% and 14% y/y. Sequentially, attributable profit declined 8.5% despite a 5.8% increase in PBT, as higher tax and minority interests more than offset operating growth. After USD9m of AT1 coupons, ordinary shareholder earnings were USD45m and annualised RoTE was approximately 4.2%.

Capital and liquidity support the dividend outlook. CET1 edged up to 13.3% from 13.2% in Q2, with RWA broadly unchanged at USD32.1bn. Risk density fell to 62.8% from 68.4%, largely reflecting asset growth rather than a reduction in RWA. Group OCI was negative USD43m in Q3. Total capital adequacy of 16.7%, LCR of 202% and NSFR of 125% leave comfortable buffers. We retain FY26-27e DPS of USD0.0275 despite lower FY26e earnings, implying a 9.5% yield at a share price of USD0.291.

Muted regional activity constrains balance sheet growth. Gross loans declined 1.0% q/q but remained 2.8% above YE25. Banco ABC Brasil's loan book grew 6.9% q/q in BRL, highlighting the contrast with softer group volumes. Customer deposits, excluding CDs, increased 1.0% q/q but were still 5.5% below YE25, following 5.2% runoff in Q2. We cut FY26e gross loan growth to 3% from 8% and deposit growth to -4.5% from broadly flat, reflecting the more challenging regional backdrop.

BUY **USD 0.54**

Banks / BAHRAIN

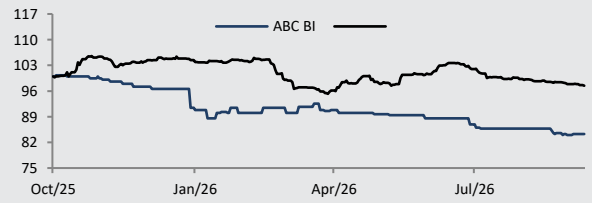
Bloomberg code	ABC BI
Market index	
Target Price	0.54
Upside (%)	87.6

Market data 11/10/2026

Last closing price	0.29
52 Week range	0.3-0.3
Market cap (m)	905
Market cap (USD m)	905
Average Daily Traded Value (m)	0.00
Average Daily Traded Value (USD m)	0.00
Free float (%)	-

Year-end (local m)	2024	2025	2026e	2027e
Revenue	1,339	1,410	1,416	1,462
Pre-provisioning profit	566	596	557	560
EPS	0.09	0.08	0.06	0.07
P/E (x) (mkt price)	3.4	3.8	5.0	4.4
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 (%)	9.5	9.5	9.5	9.5
FCFY	53.2 53.9	(1.2)	1.7	9.7
RoAA (%)	0.6	0.5	0.4	0.4
RoRWA (%)	0.9	0.8	0.6	0.6
RoATE (%)	6.9	6.0	4.3	4.8
RoEcC (%)	7.3	5.8	4.0	4.4
RAROC (%)	1.0	0.6	(1.2)	(1.2)
Net LtD ratio (%)	83.1	78.0	84.2	82.2
Risk Weighted Assets (bn)	28.6	30.8	32.4	33.7
Core Equity T1 ratio (%)	13.6	13.7	13.3	13.1
Tier 1 capital ratio (%)	15.5	16.0	15.5	15.3
Total capital ratio (%)	16.6	17.0	16.5	16.3
NPL ratio (%)	3.6	3.7	3.6	3.5
Coverage ratio (%)	88.3	96.5	93.9	99.3
Number of shares	3,094	3,094	3,094	3,094

Price Performance



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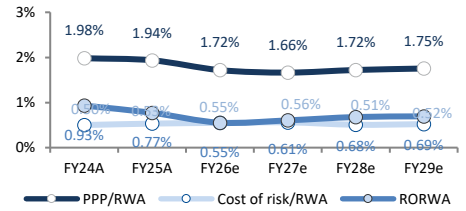
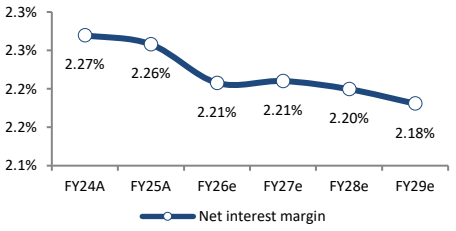
Abacus *Arqaam Capital Fundamental Data*

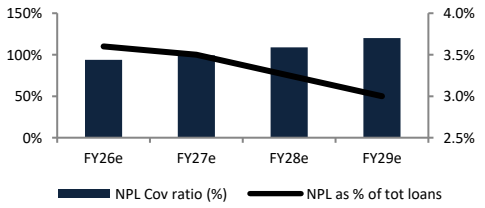
Profitability



NIM

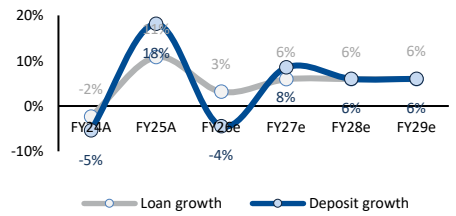


Credit Quality



Capital Ratios

Growth



Arab Banking Corp

Year-end	2024	2025	2026e	2027e	2028e	2029e
Performance analysis						
Net Interest Margin (%)	2.27	2.26	2.21	2.21	2.20	2.18
Asset yield (%)	8.20	7.29	7.17	7.21	7.25	7.25
Cost of Funds (%)	8.13	7.08	6.85	6.85	6.85	6.85
Risk Adjusted Margins (%)	1.91	1.87	1.82	1.82	1.85	1.84
Cost / Income (%)	57.7	57.7	60.6	61.7	61.4	61.4
Net Interest Income / total income (%)	67.4	68.8	70.5	71.5	71.6	71.6
Fees & Commissions / operating income (%)	21.1	19.5	21.2	21.5	21.4	21.4
Trading gains / operating income (%)	2.7	2.3	2.0	0.6	0.6	0.6
RoATE (%)	6.9	6.0	4.3	4.8	5.4	5.5
Pre-prov. RoATE (%)	10.1	8.8	7.5	8.2	8.4	8.6
RoAA (%)	0.6	0.5	0.4	0.4	0.4	0.4
Revenue / RWA (%)	4.69	4.58	4.37	4.34	4.46	4.54
Costs / RWA (%)	2.71	2.64	2.65	2.68	2.74	2.79
PPP / RWA (%)	1.98	1.94	1.72	1.66	1.72	1.75
Cost of Risk / RWA (%)	0.50	0.53	0.55	0.56	0.51	0.52
RoRWA (%)	0.93	0.77	0.55	0.61	0.68	0.69
RoRWA (%) (adj. for gross-up of associates)	0.93	0.77	0.55	0.61	0.68	0.69

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	93.9	99.3	108.8	119.9
Provisions / avg. gross loans (%)	3.4	2.9	3.3	3.0	3.1	3.2
Provisions charge / operating income (%)	25.4	27.7	31.6	33.3	29.1	29.3

Year-end	2024	2025	2026e	2027e	2028e	2029e
Funding and Liquidity						
Net Loans / Deposits (%)	83.1	78.0	84.2	82.2	82.1	82.1
Cash and interbank / assets (%)	1.8	1.8	(3.2)	(2.7)	(3.1)	(3.5)
Deposits / liabilities (%)	53.4	58.5	54.1	55.3	55.2	55.1

Year-end	2024	2025	2026e	2027e	2028e	2029e
Capital and leverage ratios						
Core Tier 1 ratio (Basel III) (%)	13.6	13.7	13.3	13.1	13.2	13.3
Tier 1 ratio (%)	15.5	16.0	15.5	15.3	15.3	15.3
Total capital ratio (%)	16.6	17.0	16.5	16.3	16.5	16.5
Tangible equity / assets (%)	8.3	8.3	8.1	7.9	7.7	7.5
RWA / assets (%)	61.7	61.7	63.1	61.8	59.8	58.3

Year-end	2024	2025	2026e	2027e	2028e	2029e
Growth						
Revenues (%)	4.7	5.3	0.4	3.2	5.4	5.1
Cost (%)	1.2	5.3	5.5	5.0	5.0	5.0
Pre-Provision Operating Profit Growth (%)	9.9	5.3	(6.5)	0.6	6.2	5.2
Provisions (%)	2.1	14.6	6.8	6.0	(7.2)	6.0
Net Profit (%)	13.2	(10.5)	(24.7)	13.7	15.0	5.6
Assets (%)	5.4	7.9	3.0	6.0	6.0	6.0
Net Loans (%)	(2.3)	10.8	3.1	5.9	5.9	5.9
Deposits (%)	(5.4)	18.1	(4.5)	8.5	6.0	6.0
Risk Weighted Assets (%)	(5.5)	7.8	5.4	3.9	2.6	3.3

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Abacus *Arqaam Capital Fundamental Data*

Company Profile

Arab Banking Corporation B.S.C. (Bank ABC) is a Bahrain-listed bank incorporated in January 1980 and licensed by the Central Bank of Bahrain as a conventional wholesale bank. Its franchise spans MENA, Europe, the Americas and Asia, with wholesale, corporate and Islamic banking operations. Key subsidiaries include Banco ABC Brasil, ABC International Bank and ABC Islamic Bank. The group also operates digital retail bank ila and payments provider Arab Financial Services.

Investment Case

Maintain BUY with a USD0.54 TP. At 0.21x FY27e tangible book, 4.4x earnings and a 9.5% forecast dividend yield, the shares offer attractive value against our 4.8% FY27e RoTE forecast. ABC's 63.4% stake in Banco ABC Brasil anchors a diversified earnings base, while MENA subsidiaries and the payments franchise provide further upside. A sustained improvement in group returns is the principal catalyst for the discount to narrow.

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	3,244	3,410	3,638	3,857
Interest expense	2,356	2,161	2,245	2,364	2,534	2,697
Net Interest Income	**902**	**970**	**999**	**1,045**	**1,104**	**1,160**
Fee income	282	275	300	315	330	347
Net investment income	36	33	29	9	10	10
Other operating income	119	132	89	93	98	102
Total operating income	**1,339**	**1,410**	**1,416**	**1,462**	**1,542**	**1,620**
Total operating expenses	773	814	859	902	947	994
Pre-provision operating profit	**566**	**596**	**557**	**560**	**595**	**626**
Net provisions	144	165	176	187	173	184
Other provisions / impairment	(1)	(1)	2	2	2	2
Operating profit	**423**	**432**	**379**	**372**	**420**	**440**
Associates	-	-	-	-	-	-
Pre-tax profit	**423**	**432**	**379**	**372**	**420**	**440**
Taxation	72	105	95	74	84	88
Net profit	**351**	**327**	**284**	**297**	**336**	**352**
Minorities	66	70	71	59	67	70
ADT1 coupon	19	19	34	34	34	34
Attributable net profit	**266**	**238**	**179**	**204**	**235**	**248**
Diluted EPS	0.09	0.08	0.06	0.07	0.08	0.08
DPS	0.03	0.03	0.03	0.03	0.03	0.03
BVPS	1.23	1.33	1.35	1.39	1.44	1.49
Tangible BVPS	1.23	1.33	1.35	1.39	1.44	1.49

Year-end	2024	2025	2026e	2027e	2028e	2029e
Balance sheet (USD m)						
Gross loans and advances	**19,266**	**21,379**	**22,020**	**23,342**	**24,742**	**26,227**
Less: loan loss provisions	617	718	711	777	837	901
Net loans and advances	18,649	20,661	21,309	22,565	23,905	25,325
Cash and central bank	3,636	3,127	2,298	2,845	3,035	3,237
Due from banks	2,071	2,240	2,468	2,616	2,773	2,939
Investments, net	16,955	18,650	19,844	20,762	22,008	23,328
Fixed Assets	224	237	246	256	267	277
Other assets	4,730	4,997	5,244	5,449	5,776	6,123
Total assets	**46,265**	**49,912**	**51,409**	**54,494**	**57,764**	**61,229**
Customer deposits	22,431	26,491	25,311	27,461	29,108	30,855
Due to banks	4,872	4,448	6,428	6,946	7,601	8,291
Debt	1,771	2,016	2,166	2,166	2,166	2,166
Other liabilities	12,938	12,313	12,852	13,079	13,863	14,695
Total liabilities	**42,012**	**45,268**	**46,757**	**49,651**	**52,739**	**56,007**
Total equity	**4,253**	**4,644**	**4,652**	**4,843**	**5,025**	**5,222**
Risk Weighted Assets (bn)	29	31	32	34	35	36
Average Interest-Earning Assets	39,740	42,960	45,254	47,301	50,198	53,215
Average Interest-Bearing Liabilities	28,985	30,525	32,773	34,515	37,000	39,370
Common shareholders	3,817	4,128	4,179	4,298	4,447	4,610
Core Equity Tier 1 (Basel III)	3,886	4,211	4,305	4,424	4,573	4,736
Tier 1 capital	4,421	4,935	5,029	5,148	5,297	5,460

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Credit costs remain elevated despite broadly contained NPL ratios. Q3 ECL increased to USD43m from USD38m in Q2 but was below USD45m a year earlier. Disclosed 9M CoR was 77bps versus 54bps in 9M25. Stage 3 loans edged up to 3.6% from 3.5% in Q2, with coverage easing to 63.2% from 64.2%. Stage 2 loans increased to 3.0% from 2.8%, while coverage improved to 9.3% from 8.9%. Our NPL formation proxy, based on the change in stage 3 balances plus write-offs, fell to 21bps from 36bps in Q2. However, USD196m of write-offs in 9M26 warrants caution when interpreting the headline NPL ratio. Our internal coverage benchmarks imply a USD91m shortfall, or 41bps of loans, versus USD96m and 43bps in Q2. This is an analytical benchmark, rather than a regulatory provisioning requirement. The 50% downside scenario weighting, introduced in Q1, remains above 30% at YE25. Macro normalisation could support releases, but we retain a cautious credit-cost outlook.

Positive operating jaws improve quarterly efficiency. Revenue grew 4.2% q/q and 4.2% y/y, ahead of OpEx growth of 1.9% and 3.4%, respectively. Q3 C/I improved to 58.4% from 59.8% in Q2. For 9M26, however, reported C/I was 59.9% versus 58.3% in 9M25. Excluding ongoing digital investment, C/I was 55.5% versus 53.7% in 9M25. We forecast FY26e OpEx growth of 5.5%, below 7.2% in 9M26, with costs remaining around 1.7% of assets as investment in the franchise continues.

Resilient margins cushion softer volumes. Our calculated group NIM increased approximately 2bps q/q and 5bps y/y to 2.36%, supported by a 10bp sequential improvement at Banco ABC Brasil. Net loans fell to 42% of assets from 46% in Q2, while securities rose to 38% from 35%. Customer deposits, excluding CDs, represented 54.7% of reported liabilities, down from 59.5% in Q2. We forecast FY26e NIM of 2.21%, around 5bps below FY25, followed by broadly stable margins in FY27e.

Trading and payments drive non-interest income growth. Q3 non-interest income rose 6.7% y/y and 3.7% q/q to USD111m on the reclassified comparative basis. Our broader fee and service income aggregate increased 9.7% y/y and 1.3% q/q to USD79m, while trading income rose 50% and 29% to USD18m. For 9M26, merchant acquiring income doubled to USD36m and brokerage income increased to USD25m from USD20m. This supports our positive view on AFS and the group's payments franchise. Core net fee and commission income was softer at USD153m versus USD155m, underscoring the importance of diversification.

Banco ABC Brasil sustains its earnings contribution

Volume growth and cost discipline support a 15% ROAE. Q3 recurring net income rose 6.4% q/q and 6.6% y/y to BRL273.7m, delivering recurring ROAE of 15.0% versus 14.3% in Q2 and 15.5% a year earlier. The expanded credit portfolio grew 7.0% q/q and 15.5% y/y, while loans increased 6.9% and 13.5%. Growth was concentrated in Large Corporate and Corporate, with the Middle expanded portfolio contracting 1.9% q/q. NIM improved to 4.2% from 4.1% in Q2, although it remained below 4.4% in Q3 25. Service revenue increased 16.5% q/q and 8.3% y/y, led by insurance brokerage and commercial banking. Investment banking recovered sequentially but remained below the prior year.

Delinquencies remain contained as provision expense rises. Loans overdue by more than 90 days remained at 0.6% of the expanded portfolio, unchanged q/q and y/y, while the Middle segment ratio was 3.3%. The annualised expanded provision expense ratio increased to 0.7% from 0.6% in Q2. ECL allowances remained at 2.2% of the expanded portfolio. These measures indicate stable headline delinquencies, although rising provision expense supports a selective approach to growth.

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Capital consumption tempers the growth outlook. CET1 declined to 11.2% from 11.9% in Q2 as portfolio growth absorbed capital. We see continued support from client margins, fee recovery and cost discipline, but further balance sheet expansion will need to be balanced against capital generation and credit quality. Our outlook favours selective growth and capital preservation into 2027.

Exhibit 1: Summary of earnings revision

	FY 26e			FY 27e			FY 28e			FY 29e			FY 30e		
USD m	New	Old	Δ	New	Old	Δ	New	Old	Δ	New	Old	Δ	New	Old	Δ
Net interest income	999	981	1.8%	1,045	1,003	4.2%	1,104	1,046	5.6%	1,160	1,099	5.5%	1,221	1,156	5.6%
Fee income	300	297	0.9%	315	312	0.9%	330	327	0.9%	347	344	0.9%	364	361	0.9%
Investment income	29	9	236.2%	9	7	25.6%	10	8	24.8%	10	8	24.8%	11	9	24.8%
Non-interest income	417	446	-6.4%	417	466	-10.6%	438	490	-10.6%	460	514	-10.6%	483	540	-10.6%
Total income	**1,416**	**1,427**	**-0.8%**	**1,462**	**1,469**	**-0.5%**	**1,542**	**1,536**	**0.4%**	**1,620**	**1,614**	**0.4%**	**1,703**	**1,696**	**0.4%**
OpEx	859	842	2.0%	902	884	2.0%	947	929	2.0%	994	975	2.0%	1,044	1,024	2.0%
Operating income	**557**	**585**	**-4.7%**	**560**	**585**	**-4.2%**	**595**	**607**	**-2.0%**	**626**	**639**	**-2.0%**	**659**	**673**	**-2.0%**
Loan loss provision	176	185	-4.6%	187	196	-4.6%	173	182	-4.6%	184	192	-4.6%	195	204	-4.6%
Net income (reported)	**179**	**236**	**-24.0%**	**204**	**229**	**-10.9%**	**235**	**252**	**-7.0%**	**248**	**265**	**-6.7%**	**262**	**280**	**-6.3%**
Ratios															
NIM	2.21%	2.24%	-0.04%	2.21%	2.28%	-0.07%	2.20%	2.26%	-0.06%	2.18%	2.24%	-0.06%	2.16%	2.22%	-0.06%
Cost/income	60.6%	59.0%	1.6%	61.7%	60.2%	1.5%	61.4%	60.5%	0.9%	61.4%	60.4%	0.9%	61.3%	60.4%	0.9%
LLP	0.80%	0.80%	0.0%	0.80%	0.80%	0.0%	0.70%	0.70%	0.0%	0.70%	0.70%	0.0%	0.70%	0.70%	0.0%
NPL	3.6%	3.6%	0.0%	3.5%	3.5%	0.0%	3.3%	3.3%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%
Coverage	93.9%	111.1%	-17.2%	99.3%	107.6%	-8.3%	108.8%	100.4%	8.4%	119.9%	102.7%	17.2%	121.3%	106.4%	14.9%
Growth															
Assets	3%	-5%	8.0%	6%	6%	0.0%	6%	6%	0.0%	6%	6%	0.0%	6%	6%	0.0%
Loan	3%	8%	-5.0%	6%	6%	0.0%	6%	6%	0.0%	6%	6%	0.0%	6%	6%	0.0%
Deposit	-4%	0%	-4.6%	8%	8%	0.0%	6%	6%	0.0%	6%	6%	0.0%	6%	6%	0.0%
USD															
EPS	0.058	0.082	-29.7%	0.066	0.080	-17.8%	0.076	0.088	-13.5%	0.080	0.092	-12.9%	0.085	0.096	-12.3%
TP	**0.54**	**0.56**	**-2.7%**												

Source: Arqaam Capital Research

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Exhibit 2: Arab Banking Corporation Consolidated Q3 26A Results

USD m	Q3 26A	Q3 26e	vs. AC	Q2 26A	q/q 26	Q3 25A	Q2 25A	q/q 25	y/y Q3	y/y Q2	9M 26A	9M 26e	vs. AC	9M 25A	y/y 9M
Interest Income	796.0	780.7	2.0%	766.0	3.9%	769.0	739.0	4%	3.5%	0.0	2,357.0	2,341.7	0.7%	2,249.0	4.8%
Interest expense	539.0	533.2	1.1%	520.0	3.7%	520.0	500.0	4%	3.7%	0.0	1,613.0	1,607.2	0.4%	1,530.0	5.4%
Net interest income	**257.0**	**247.5**	**3.9%**	**246.0**	**4.5%**	**249.0**	**239.0**	**4%**	**3.2%**	**0.0**	**744.0**	**734.5**	**1.3%**	**719.0**	**3.5%**
Fee Income	79.0	74.3	6.4%	78.0	1.3%	72.0	74.0	-3%	9.7%	0.1	239.0	234.3	2.0%	219.0	9.1%
Net Trading Income	18.0	13.4	34.5%	14.0	28.6%	12.0	6.0	100%	50.0%	1.3	44.0	39.4	11.7%	26.0	69.2%
Other Income	14.0	22.9	(39.0%)	15.0	(6.7%)	34.0	19.0	79%	(58.8%)	(0.2)	38.0	46.9	(19.1%)	69.0	(44.9%)
Non-Interest income	111.0	110.6	0.4%	107.0	3.7%	118.0	99.0	19%	(5.9%)	0.1	321.0	320.6	0.1%	314.0	2.2%
Total income	**368.0**	**358.1**	**2.8%**	**353.0**	**4.2%**	**367.0**	**338.0**	**9%**	**0.3%**	**0.0**	**1,065.0**	**1,055.1**	**0.9%**	**1,033.0**	**3.1%**
Operating expenses	215.0	208.8	3.0%	211.0	1.9%	208.0	192.0	8%	3.4%	0.1	638.0	631.8	1.0%	595.0	7.2%
Operating profit	**153.0**	**149.3**	**2.5%**	**142.0**	**7.7%**	**159.0**	**146.0**	**9%**	**(3.8%)**	**(0.0)**	**427.0**	**423.3**	**0.9%**	**438.0**	**(2.5%)**
Loan loss provisions	47.0	46.2	1.8%	37.0	27.0%	59.0	24.0	146%	(20.3%)	0.5	129.0	128.2	0.6%	103.0	25.2%
Other provisions	(4.0)	0.4	nm	1.0	nm	–	(1.0)	-100%	nm	(2.0)	(2.0)	2.4	(183.6%)	–	nm
Total provisions	43.0	46.6	(7.7%)	38.0	13.2%	59.0	23.0	157%	(27.1%)	0.7	127.0	130.6	(2.7%)	103.0	23.3%
Profit before tax	**110.0**	**102.7**	**7.1%**	**104.0**	**5.8%**	**100.0**	**123.0**	**-19%**	**10.0%**	**(0.2)**	**300.0**	**292.7**	**2.5%**	**335.0**	**(10.4%)**
Group net income	76.0	82.8	(8.2%)	78.0	(2.6%)	70.0	93.0	-25%	8.6%	(0.2)	223.0	229.8	(2.9%)	254.0	(12.2%)
Attributable NI	**54.0**	**66.8**	**(19.2%)**	**59.0**	**(8.5%)**	**52.0**	**76.0**	**-32%**	**3.8%**	**(0.2)**	**165.0**	**177.8**	**(7.2%)**	**204.0**	**(19.1%)**
Adjusted net income after TI coupon	54.0	62.1	(13.0%)	59.0	(8.5%)	52.0	76.0	-32%	3.8%	(0.2)	165.0	173.1	(4.7%)	204.0	(19.1%)
Cost/income ratio	58.4%	58.3%		59.8%		56.7%	56.8%				59.9%	59.9%		57.6%	
Net loans/deposit ratio	85.1%	86.0%		86.9%		83.2%	85.5%				85.1%	86.0%		83.2%	
Annualized LLP	0.86%	0.82%		0.67%		1.08%	0.45%				0.78%	0.76%		0.63%	
NPL ratio	3.59%			3.46%		3.78%	3.25%				3.59%			3.78%	
Coverage	84.7%			84.2%		87.6%	98.0%				84.7%			87.6%	
Annualized NIM	2.36%			2.34%		2.31%	2.28%				2.28%			2.23%	
Gross Loans	**21,967**	**22,407**	**(2.0%)**	**22,180**	**(1.0%)**	**21,785**	**21,509**	**1%**	**0.8%**	**3%**	**21,967**	**22,407**	**(2.0%)**	**21,785**	**0.8%**
Net Loans	**21,299**	**21,701**	**(1.9%)**	**21,533**	**(1.1%)**	**21,064**	**20,824**	**1%**	**1.1%**	**3%**	**21,299**	**21,701**	**(1.9%)**	**21,064**	**1.1%**
Customer deposits	**25,028**	**25,225**	**(0.8%)**	**24,787**	**1.0%**	**25,321**	**24,353**	**4%**	**(1.2%)**	**2%**	**25,028**	**25,225**	**(0.8%)**	**25,321**	**(1.2%)**

Source: Arqaam Capital Research

Exhibit 3: EVA valuation (USD m)

Year-end	2010	2011	2012	2013	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	143	204	205	239	256	180	183	193	202	194	(89)	100	154	235	285	257	213	238	269	282	296	308		
Other adjustments (comprehensive income, social levies)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	19	19	34	34	34	34	34	35		
Minus: excess return excess capital	143	153	167	185	79	83	59	74	81	78	35	54	43	45	47	49	42	47	50	54	58	61		
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%	4.9%	4.9%	4.9%	4.9%		
Tax shelter	29.7%	28.2%	25.1%	19.3%	17.4%	0.4%	30.6%	18.6%	6.1%	8.9%	55.6%	28.5%	28.4%	20.0%	17.0%	24.3%	25.0%	20.0%	20.0%	20.0%	20.0%	20.0%		
Adjusted net profit	(0)	51	38	54	177	97	124	119	121	116	(124)	46	111	190	219	189	138	157	184	194	204	212		
Capital requirements	(300)	(318)	(337)	(331)	2,483	2,414	2,432	2,453	2,455	2,649	2,524	2,651	2,892	3,193	3,010	3,238	3,436	3,567	3,653	3,770	3,862	4,017		
RoEcC	0.1%	(16.2%)	(11.4%)	(16.2%)	7.1%	4.0%	5.1%	4.8%	4.9%	4.4%	(4.9%)	1.7%	3.8%	5.9%	7.3%	5.8%	4.0%	4.4%	5.0%	5.1%	5.3%	5.3%		
Cost of capital	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%		
Capital charge	(42)	(45)	(47)	(46)	348	338	340	343	344	371	353	371	405	447	421	453	481	499	511	528	541	562		
Economic profit	42	96	85	100	(170)	(241)	(216)	(225)	(223)	(255)	(478)	(326)	(294)	(257)	(202)	(264)	(343)	(342)	(327)	(334)	(337)	(351)		
Discount factor	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1.00	0.88	0.77	0.67	0.59	0.52		
NPV of Economic Profit	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	(343)	(300)	(252)	(225)	(200)	(182)		
DCF EVA Forecast period																							(1,320)	(78.4%)
Perpetual growth rate (GDP)																						4.0%		
Terminal Value																						(3,507)		
Terminal value discounted																							(1,821)	-108.2%
Required Capital																							3,238	192.3%
Value of the bank operations																							**97**	**5.7%**
2. Capital surplus/deficit																								
Available capital:																								
Shareholders equity	3,860	4,019	4,204	4,359	4,426	4,108	4,260	4,412	4,316	4,489	4,144	4,235	4,131	4,414	4,253	4,644	4,652	4,843	5,025	5,222	5,436			
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	3,860	4,019	4,204	4,359	4,426	4,108	4,167	4,319	4,223	4,396	4,144	4,204	4,131	4,344	4,168	4,559	4,567	4,758	4,940	5,137	5,351			
Capital needs																								
RWAs (Basel II)	700	694	699	875	24,379	23,537	23,737	24,045	23,977	25,741	24,483	25,595	27,546	30,226	28,556	30,785	32,435	33,692	34,558	35,694	36,645			
RWAs (Basel III)	714	699	699	875	24,379	23,537	23,737	24,045	23,977	25,741	24,483	25,595	27,546	30,226	28,556	30,785	32,435	33,692	34,558	35,694	36,645			
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%	12.0%	12.0%	12.0%			
Financial stakes (after 10% corridor)	(386)	(402)	(420)	(436)	(443)	(411)	(417)	(432)	(422)	(440)	(414)	(420)	(413)	(434)	(417)	(456)	(457)	(476)	(494)	(514)	(535)			
Capital Requirements	(300)	(318)	(337)	(331)	2,483	2,414	2,432	2,453	2,455	2,649	2,524	2,651	2,892	3,193	3,010	3,238	3,436	3,567	3,653	3,770	3,862			
Surplus capital	**4,160**	**4,337**	**4,541**	**4,690**	**1,943**	**1,694**	**1,735**	**1,866**	**1,768**	**1,747**	**1,620**	**1,553**	**1,239**	**1,152**	**1,158**	**1,321**	**1,132**	**1,191**	**1,287**	**1,368**	**1,488**		**1,321**	**78.4%**
3. Other adjustments																								
Provisioning surplus																							(91)	
ADTI issuance 50% credit																							295	
Level 3 assets																							(23)	
Total adjustments																							181	10.8%
4. Dividends																							**85**	**5.1%**
Total Fair Value																							**1,684**	**100.0%**
Fully diluted number of shares																							3,094	38.33
Fair value per share																							**0.54**	1.2%
Current share price																							0.29	
Upside																							**87.0%**	
Implied P/E (x)													10.9	7.2	6.3	7.1	9.4	8.3						
Implied P/tNAV (x)													0.5	0.4	0.4	0.4	0.40	0.39						

Source: Arqaam Capital Research, Company Data

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