

GFH Financial Group (GFH)

Solid growth across the Proprietary & Treasury portfolio boosted the total income

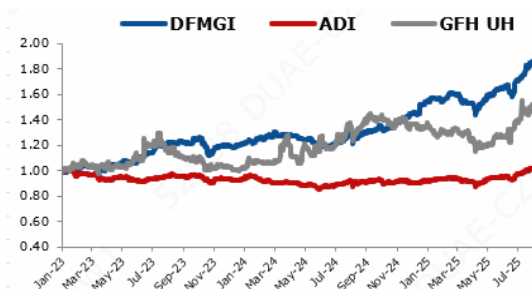
Current Price
AED 1.42

Target Price
AED 1.65

Upside/Downside (%)
16%

Rating
BUY

- Assets under management increased from USD 21.8 Bn in 4Q24 to USD 23.7 Bn in 1H25
- Proprietary & Treasury segment contributed 63.7% of total income, amounting to USD 119 Mn in 2Q25
- GFH maintained a healthy NSFR and LCR at 142% and 155%, respectively, during 2Q25.
- The Company's Board recommended the distribution of interim cash dividends of USD 0.0053 per share
- GFH recently increased its stake in Seef Properties B.S.C. to 27.98%, strengthening its position in Bahrain's real estate sector



Stock Information

Market Cap (AED, Mn)	5,557.26
Paid Up Capital (Mn)	1,015.64
52 Week High	1.46
52 Week Low	0.99
3M Avg. daily value (AED)	6,630,533

2Q25 Result Review (USD, Mn)

Total Assets	12,365
Total Liabilities	7,274
Total Equity	1,134
Total Income	186
Net Profit	37

Financial Ratios

Dividend Yield (%)	4.2
Dividend Pay-out (%)	49.46
Price-Earnings Ratio(x)	9.37
Price-to-Book Ratio (x)	1.51
Book Value (USD)	0.26
Return-on Equity (%)	13.4

Stock Performance

5 Days	7.41%
1 Months	10.69%
3 Months	29.46%
6 Months	22.88%
1 Year	18.85%
Month to Date (MTD%)	2.11%
Quarter to Date (QTD%)	16.94%
Year to Date (YTD%)	18.85%

2Q25 Net Profit higher than our estimate

GFH Financial Group's (GFH/the Company) net profit increased 10.4% YOY to USD 37 Mn in 2Q25, beating our estimate of USD 31 Mn. The increase in net profit is primarily driven by strong growth in Commercial Banking and Treasury & Proprietary income, coupled with lower impairment charges and decline in share to Quasi equity holders, partially offset by a lower Investment Banking income and increase in operating and finance expenses.

P&L Highlights

GFH's total income increased 10.0% YOY to USD 186 Mn in 2Q25, mainly driven by a strong performance from the Treasury & Proprietary and Commercial Banking segments, partially offset by a decline in income from Investment Banking segment. Income from Treasury & Proprietary investments grew strongly 26.8% YOY to USD 119 Mn in 2Q25. Income from Commercial Banking grew 11.8% YOY to USD 38 Mn in 2Q25, attributed to an increase in financing income and lower finance costs, partially offset by a decline in treasury and investment income and fee and other income. Income from Investment Banking declined 29.0% YOY to USD 30 Mn in 2Q25, owing to decrease in Asset Management and Deal-related income. Furthermore, GFH's operating expenses increased 37.0% YOY to USD 69 Mn in 2Q25. Thus, cost-to-income ratio also increased from 29.7% in 2Q24 to 37.0% in 2Q25. Thus, operating profit declined 1.4% YOY to USD 117 Mn in 2Q25, with a decrease in the operating profit margins of 729 bps YOY to 63.0% in 2Q25. In addition, the Company's finance cost increased from USD 20 Mn in 2Q24 to USD 21 Mn in 2Q25. GFH's impairment charges declined from USD 5 Mn in 2Q24 to USD 2 Mn in 2Q25. Furthermore, the share of profit attributable to quasi-equity holders stood at USD 55 Mn in 2Q25, compared to USD 57 Mn in 2Q24.

Balance Sheet Highlights

GFH's assets under management increased from USD 21.7 Bn in 4Q24 to USD 23.7 Bn in 1H25. CET 1 ratio and capital adequacy ratio stood healthy at 16.1% and 16.7%, respectively, in 2Q25. Likewise, GFH's NSFR and LCR stood at 142% and 155% in 2Q25. GFH's total equity declined 1.5% YOY but grew 6.0% QOQ to USD 1.1 Bn in 2Q25. GFH's total assets increased 13.6% YOY and 6.7% QOQ to USD 12.4 Bn in 2Q25.

Target Price and Rating

We maintain our BUY rating on GFH with a revised target price of AED 1.65. GFH's stock price increased 25.0% since our last rating (May 2025). The Company's profitability improved driven by solid growth across the Treasury & Proprietary Investments and Commercial Banking segments, partially offset by a decline in the Investment Banking segment. GFH's Proprietary & Treasury segment contributed 63.7% of total income, amounting to USD 119 Mn in 2Q25, driven by strong portfolio performance. The Company further expects sustained strength across its portfolio as it continues to capitalize on enhancement opportunities. The Company's Proprietary investments also continue to generate steady income from the existing portfolio. GFH recently increased its stake in Seef Properties B.S.C. to 27.98%, strengthening its position in Bahrain's real estate sector. This investment aligns with the Company's strategy of expanding a well-diversified, income-generating portfolio and is expected to support revenue growth. GFH's Investment Banking business continues to strengthen, underpinned by strong relationships with leading US and UK asset managers. In 2Q25, the Company successfully executed and placed multiple investments across stable-yielding sectors and high-growth regional and global markets. GFH Capital signed a strategic partnership with Al Tijaria to develop a regional logistics platform in KSA. GFH Partners acquired USD 195 Mn healthcare real estate portfolio in the U.S. and USD 190 Mn logistics and industrial assets. Additionally, the Company expanded its GCC footprint with USD 125 Mn of acquisitions in Saudi Arabia and the UAE. These strategic investments enhance the Company's recurring income streams and strengthen portfolio diversification across resilient and high-growth sectors. The Company's Commercial Banking arm, Khaleeji Bank, recorded strong growth during 2Q25 driven by strong growth in financing and robust asset quality. The Bank's calculated NPL ratio declined from 8.1% in 1Q25 to 7.0% in 2Q25. Furthermore, regulatory ratios, including CAR, LCR, and NSFR, remained strong and well above the required thresholds. Moreover, GFH's Board also recommended the distribution of interim cash dividends of USD 0.0053 per share. Thus, based on our analysis, we maintain our BUY rating on the stock.

GFH - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	28.66	14.66	14.39	12.92	11.64	10.27
PB	1.60	1.52	1.47	1.29	1.49	1.38
BVPS (AED)	0.875	0.922	0.954	1.083	0.939	1.014
EPS (AED)	0.049	0.095	0.097	0.108	0.120	0.136
DPS (AED)	0.017	0.044	0.058	0.060	0.060	0.060
Cash dividend yield	1.2%	3.1%	4.1%	4.2%	4.2%	4.2%

FABS Estimates & Co Data

GFH – P&L

USD Mn	2Q24	1Q25	2Q25A	2Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	Change
Investment Banking Income	42	67	30	61	-51.4%	-29.0%	-55.4%	180	193	7.2%
Commercial banking income	34	42	38	43	-11.5%	11.8%	-9.0%	149	179	20.0%
Treasury & proprietary income	94	63	119	76	55.4%	26.8%	89.3%	347	375	8.1%
Total income	169	171	186	180	3.3%	10.0%	8.9%	676	747	10.5%
Operating expenses	50	60	69	65	6.0%	37.0%	15.2%	253	269	6.4%
Operating Profit	119	111	117	115	1.8%	-1.4%	5.5%	423	478	12.9%
Finance expenses	20	24	21	22	-3.0%	6.9%	-12.2%	74	89	20.5%
Impairment allowance	5	6	2	9	-75.4%	-56.2%	-63.8%	18	16	-11.2%
Total Expense excl. OPEX	24	30	23	30	-23.6%	-5.5%	-22.3%	92	106	14.3%
Profit before tax	95	82	94	85	10.8%	-0.4%	15.6%	331	372	12.5%
Quasi equity	57	51	55	51	8.1%	-3.2%	8.6%	202	231	14.1%
Non-Controlling Interest	4	1	2	3	-29.4%	-51.2%	NM	10	7	-29.3%
Profit to shareholders	34	30	37	31	18.5%	10.4%	23.1%	119	134	13.4%

FABS estimate & Co Data

GFH - Margins

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Operating Profit	70.3%	65.1%	63.0%	-729	-204	62.6%	64.0%	137
Net Profit	19.9%	17.6%	19.9%	7	230	17.5%	18.0%	46

FABS estimate & Co Data

Valuation:

We use Residual Income and Relative Valuation (RV) method to value GFH. We have assigned 70% weight to Residual Income and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	1.64	70.0%	1.15
Relative valuation	1.68	30.0%	0.50
Weighted Average Valuation (AED)			1.65
Current market price (AED)			1.42
Upside/Downside (%)			+16%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 10.0%. The cost of equity is calculated by using a 10-year government bond yield of 6.4%, beta of 0.85 and equity risk premium of 4.2%. We have assumed Bahrain's 10Y Government Bond yield for valuing the Company. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	47
Terminal value (USD, Mn)	42
Required Capital	900
FV to common shareholders (USD, Mn)	1,089
Capital Surplus	226
Dividend	74
Fair Value gain on real estate	321
Total Fair Value (USD, Mn)	1,709
No. of share (Mn)	3,833
Current Market Price (AED)	1.42
Fair Value per share (AED)	1.64

Residual Income Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net profit	134	135	140	141	148
Excess return excess capital	-23	-28	-35	-41	-47
Adjusted net Profit	112	107	105	100	101
Equity Charge	-90	-91	-91	-92	-93
Economic Profit	22	16	14	8	8
Discounting Factor	0.97	0.88	0.80	0.73	0.66
Present value of excess equity	11	14	11	6	5

Source: FAB Securities

2) Relative Valuation:

We have used local as well as international peers to value GFH's different segments. It owns a stake in Khaleeji Commercial Bank and it is valued using regional peers with PB multiple of 1.1x. The Investment Banking Segment is valued using the PE multiple of regional and global peers with a median PE multiple of 8.5x. Treasury and Hold Co. segment is valued using international peers using a median PB multiple of 1.2x.

Commercial bank	Market (USD Mn)	PB (x)		PE (x)	
		2025F	2026F	2025F	2026F
Bank Muscat	5,984	1.1	1.1	9.9	10.2
RAK Bank	4,490	1.2	1.2	6.2	8.3
Emirates NBD	45,484	1.2	1.1	7.2	7.6
Banque Saudi Fransi	11,233	1.0	1.0	8.7	8.5
Bank Aljazira	4,224	1.1	1.0	13.8	10.9
Average		1.1x	1.1x	9.2x	9.1x
Median		1.1x	1.1x	8.7x	8.5x
Max		1.2x	1.1x	9.9x	10.2x
Min		1.1x	1.0x	7.2x	8.3x

Source: FAB Securities

Investment bank	Market (USD Mn)	PB (x)		PE (x)	
		2025F	2026F	2025F	2026F
CSC Financial Co.	27,097	0.9	0.8	10.4	9.1
Stifel Financial Corp	11,618	2.3	2.1	15.7	12.1
Guotai Junan Securities	47,755	1.1	1.0	15.0	15.3
Samsung Securities	4,379	0.8	0.7	6.6	6.3
EFG holdings	705	0.9	0.8	6.3	5.5
Lincoln National Corporation	7,619	0.9	0.8	5.3	5.2
Average		1.1x	1.0x	9.9x	8.9x
Median		0.9x	0.8x	8.5x	7.7x
Max		1.0x	1.0x	13.8x	11.4x
Min		0.9x	0.8x	6.4x	5.7x

Source: FAB Securities

Treasury and Holdco	Market (USD Mn)	PB (x)		PE (x)	
		2025F	2026F	2025F	2026F
Nomura Holdings	21,366	0.7	0.9	7.5	9.7
Canaccord Genuity Group	733	1.2	1.4	12.5	12.6
Barclays PLC	70,417	0.8	0.7	8.9	7.3
PNC financial services	75,615	1.4	1.3	12.3	11.1
Insignia Financial	1,954	1.4	1.3	12.4	11.5
Average		1.1x	1.1x	10.7x	10.4x
Median		1.2x	1.3x	12.3x	11.1x
Max		1.4x	1.3x	12.4x	11.5x
Min		0.8x	0.9x	8.9x	9.7x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:**Research Analyst**

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link
+971-2-6161777

Institutional Desk +971-4-4245765

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