

GFH Financial Group (GFH)

Stronger Treasury contributions supported total income growth

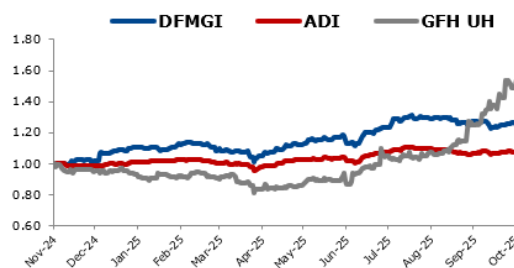
Current Price
AED 2.13

Target Price
AED 2.05

Upside/Downside (%)
-3.8%

Rating
HOLD

- Assets under management increased from USD 21.5 Bn in 4Q24 to USD 23.5 Bn in 3Q25.
- Treasury & Proprietary segment contributed 60.9% of total income, amounting to USD 122 Mn in 3Q25.
- GFH maintained a healthy NSFR and LCR at 139% and 142%, respectively, during 3Q25.
- Launched a USD 300 Mn investment program to expand its footprint in the high-growth education sector and deployed USD 106 Mn in Sharia-compliant financing across high-quality US office and data-centre assets.



3Q25 Net Profit higher than our estimate

GFH Financial Group's (GFH/the Company) net profit attributable to shareholders increased 25.1% YOY to USD 34 Mn in 3Q25, beating our estimate of USD 32 Mn. The increase in net profit is primarily driven by strong growth in Commercial Banking and Treasury & Proprietary income, partially offset by a lower Investment Banking income, increase in operating expenses, finance expenses, impairment charges and higher share to the Quasi equity holders.

P&L Highlights

GFH's total income increased 29.6% YOY to USD 200 Mn in 3Q25, mainly driven by a strong performance from the Treasury & Proprietary and Commercial Banking segments, partially offset by a decline in the income from the Investment Banking segment. Income from Treasury & Proprietary investments grew substantially from USD 73 Mn in 3Q24 to USD 122 Mn in 3Q25. Income from Commercial Banking grew 14.9% YOY to USD 42 Mn in 3Q25, 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 19.5% YOY to USD 36 Mn in 3Q25, owing to a decrease in Asset Management and Deal-related income. Furthermore, GFH's operating expenses increased from USD 45 Mn in 3Q24 to USD 70 Mn in 3Q25. Thus, the cost-to-income ratio increased from 29.1% in 3Q24 to 34.8% in 3Q25. However, operating profit increased 19.2% YOY to USD 130 Mn in 3Q25. However, operating profit margin declined 570 bps YOY to 65.2% in 3Q25. In addition, the Company's finance cost increased from USD 21 Mn in 3Q24 to USD 28 Mn in 3Q25. GFH's impairment charges doubled from USD 4 Mn in 3Q24 to USD 8 Mn in 3Q25. Furthermore, the share of profit attributable to quasi-equity holders stood at USD 59 Mn in 3Q25, compared to USD 57 Mn in 3Q24.

Stock Information

Market Cap (AED, Mn)	8,163.42
Paid Up Capital (Mn)	1,015.64
52 Week High	2.26
52 Week Low	0.99
3M Avg. daily value (AED)	12,892,970

3Q25 Result Review (USD, Mn)

Total Assets	12,261
Total Liabilities	6,886
Total Equity	1,171
Total Income	200
Net Profit	34

Financial Ratios

Dividend Yield (12m)	2.82
Dividend Pay-out (%)	49.46
Price-Earnings Ratio(x)	15.92
Price-to-Book Ratio (x)	2.13
Book Value (USD)	0.27
Return-on Equity (%)	12.92

Stock Performance

5 Days	-0.47%
1 Months	7.58%
3 Months	58.96%
6 Months	90.18%
1 Year	77.50%
Month to Date (MTD%)	-4.05%
Quarter to Date (QTD%)	24.56%
Year to Date (YTD%)	74.59%

Balance Sheet Highlights

GFH's assets under management increased from USD 21.5 Bn in 4Q24 to USD 23.5 Bn in 3Q25. CET 1 ratio and capital adequacy ratio stood healthy at 16.4% and 17.1%, respectively, in 3Q25. Likewise, GFH's NSFR and LCR stood at 139% and 142% in 3Q25. GFH's total equity grew 6.3% YOY and 3.2% QOQ to USD 1.1 Bn in 3Q25. GFH's total assets increased 12.1% YOY but declined 0.8% QOQ to USD 12.2 Bn in 3Q25.

Target Price and Rating

We revise our rating from BUY to HOLD on GFH and revise the target price to AED 2.05. GFH's share price has risen 29.7% since our previous update (September 2025). The Company's profitability improved during 3Q25, supported by solid performance across the Treasury & Proprietary Investments and Commercial Banking segments, partially offset by a softer contribution from the Investment Banking division. The Company manages over ~USD 23.5 Bn in assets and funds, underpinned by a diversified global portfolio across logistics, healthcare, education, and technology sectors in the MENA region, Europe, and North America. The Proprietary & Treasury division remained the key earnings driver, contributing 60.9% of total income to USD 122 Mn in 3Q25. During the quarter, GFH exited a real estate portfolio exceeding USD 140 Mn, generating strong returns and further enhancing capital efficiency and portfolio quality. The Investment Banking (IB) segment contributed 18.1% of total income to USD 36 Mn in 3Q25. The Company launched a USD 300 Mn investment program to expand its footprint in the high-growth education sector and deployed USD 106 Mn in Sharia-compliant financing across high-quality US office and data-centre assets. These investments are expected to strengthen recurring income streams, improve risk-adjusted returns, and support sustained earnings growth. GFH's Commercial Banking arm, Khaleeji Bank, delivered a strong performance with net profit rising 26.3% YOY to USD 6.34 Mn, driven by a 35.8% YOY increase in total income during 3Q25. Financing activity remained robust, accompanied by an improvement in asset quality, with the NPL ratio declining from 7.0% in 2Q25 to 6.4% in 3Q25. Regulatory ratios, including CAR, LCR, and NSFR, remained comfortably above required levels. Additionally, the Company paid an interim cash dividend of AED 0.019 per share for 2025. Despite the Company's strengthening fundamentals and positive operational performance, the current valuation limits further potential upside. Thus, based on our analysis, we revise our rating to HOLD on the stock.

GFH - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	43.81	22.41	21.99	19.75	17.80	14.87
PB	2.45	2.32	2.24	1.98	2.28	2.05
BVPS (AED)	0.875	0.923	0.955	1.083	0.940	1.045
EPS (AED)	0.049	0.095	0.097	0.108	0.120	0.144
DPS (AED)	0.017	0.044	0.058	0.060	0.060	0.060
Dividend yield	0.8%	2.1%	2.7%	2.8%	2.8%	2.8%

FABS Estimates & Co Data

GFH - P&L

USD Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Investment Banking Income	45	30	36	47	-23.0%	-19.5%	21.8%	180	166	-7.7%
Commercial Banking income	37	38	42	49	-13.5%	14.9%	11.0%	149	180	21.1%
Treasury & proprietary income	73	119	122	96	26.2%	67.4%	2.6%	347	435	25.5%
Total income	154	186	200	192	4.1%	29.6%	7.4%	676	782	15.7%
Operating expenses	45	69	70	69	0.5%	55.0%	1.1%	253	274	8.3%
Operating Profit	109	117	130	123	6.1%	19.2%	11.1%	423	508	20.0%
Finance expenses	21	21	28	22	29.9%	32.8%	33.3%	74	104	40.6%
Impairment allowance	4	2	8	3	NM	NM	NM	18	25	34.2%
Total Expense excl. OPEX	25	23	36	25	47.5%	44.0%	56.8%	92	129	39.3%
Profit before tax	84	94	94	98	-4.2%	11.8%	-0.1%	331	379	14.6%
Quasi equity	57	55	59	64	-7.8%	4.2%	6.8%	202	231	14.3%
Non-Controlling Interest	0	2	1	3	-52.7%	NM	-37.4%	10	6	-39.4%
Profit to shareholders	27	37	34	32	6.8%	25.1%	-8.3%	119	142	19.7%

FABS estimate & Co Data

GFH - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Operating Profit	70.9%	63.0%	65.2%	-570	219	62.6%	65.0%	237
Net Profit	17.6%	19.9%	17.0%	-61	-291	17.5%	18.1%	61

FABS estimate & Co Data

Key Developments:

- **13th January 2025:** GFH Financial Group B.S.C. had invested in Invenergy, a US based clean energy company, through Blackstone's infrastructure platform. Invenergy had delivered over 200 projects globally, totalling 33 GW in combined capacity, focusing on renewable energy and storage solutions. This investment supports GFH's strategy to capitalize on energy transition trends and contribute to the US 2050 Net Zero objectives.
- **16th February 2025:** GFH Financial Group B.S.C. announced suspending market-making operations from 17 Feb 2025 to start a treasury shares buyback program, capped at 10% of total issued shares. As of 19 November 2025, GFH repurchased 74.7 Mn shares which is equivalent to a total of 235.4 Mn treasury shares (6.4% of capital) under its 10% buyback program, with 147.87 Mn shares available for repurchase.
- **27th May 2025:** GFH Financial Group B.S.C. had increased its stake in Seef Properties B.S.C. by an additional 15.63%, bringing total ownership to 27.98% as of May 27, 2025. The acquisition is expected to have a positive impact on the Group's financial performance.
- **27th May 2025:** GFH Capital (GFHC), a Saudi subsidiary of GFH Financial Group, had partnered with Kuwait-based Al Tijaria to strengthen its logistics investment platform. Under the agreement, Al Tijaria would act as technical advisor for one of GFHC's logistics funds and gain exposure to GFH's growing investments in warehousing and logistics across Saudi Arabia and the GCC.
- **30th May 2025:** Fitch Ratings had affirmed GFH Financial Group B.S.C.'s Long- and Short-Term IDRs at 'B' with a Stable outlook. The agency also maintained the 'B'/RR4' rating on the Group's USD 500 Mn senior unsecured certificates issued through GFH Senior Sukuk Company Limited. GFH stated that these ratings are not expected to have any financial impact on its business or position.
- **14th August 2025:** GFH Capital has secured a portfolio of assets and development opportunities in Saudi Arabia and the UAE, totaling USD 125 Mn in value.
- **27th August 2025:** GFH Financial Group B.S.C. announced that its affiliate, Boulevard Alareen Real Estate Development Company, has secured a final judgment from the Court of Cassation against Diyar AlBahrain Real Estate Co. W.L.L. and its shareholders. The ruling, issued on August 25, 2025, requires the defendants to pay USD 24 Mn or its equivalent in Bahraini Dinars. The case, previously dismissed by lower courts, was ultimately decided in favor of Boulevard Alareen RE Development Co.
- **4th November 2025:** Al Khozama Investment Company and GFH Capital, the private equity arm of GFH Financial Group, had partnered to develop a landmark mixed-use project in Riyadh. Adjacent to Al Faisaliah Tower on King Fahad Road, the SAR 1.5 Bn development will feature branded residences, hotel apartments, Grade-A offices, retail spaces, wellness facilities, and a modern parking complex.
- **13th November 2025:** Introduced a USD 300 Mn investment program to broaden the Group's presence in high-growth opportunities within the education sector.

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
Residual Income	2.20	70.0%	1.54
Relative valuation	1.69	30.0%	0.51
Weighted Average Valuation (AED)			2.05
Current market price (AED)			2.13
Upside/Downside (%)			-3.8%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.9%. The cost of equity is calculated by using a 10-year government bond yield of 6.6%, a beta of 0.76 and an equity risk premium of 4.3%. 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)	234
Terminal value (USD, Mn)	355
Required Capital	914
FV to common shareholders (USD, Mn)	1,603
Capital Surplus	238
Dividend	78
Fair Value gain on real estate	214
Total Fair Value (USD, Mn)	2,134
No. of shares (Mn)	3,563
Current Market Price (AED)	2.13
Fair Value per share (AED)	2.20

Residual Income Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net profit	142	161	189	205	215	230
Excess return excess capital	-23	-29	-36	-45	-54	-63
Adjusted net Profit	118	131	153	161	161	166
Equity Charge	-90	-91	-92	-93	-94	-95
Economic Profit	28	40	61	68	67	71
Discounting Factor	0.99	0.90	0.82	0.75	0.68	0.62
Present value of excess equity	7¹	36	50	51	46	44

Source: FAB Securities, ¹Adjusted for partial year

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 7.5x. 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	6,471	1.2	1.2	9.8	11.1
RAK Bank	4,282	1.1	1.2	5.9	7.9
Emirates NBD	44,536	1.2	1.1	7.1	7.3
Banque Saudi Fransi	11,192	1.0	1.0	8.6	8.6
Bank Aljazira	4,090	1.1	1.0	13.4	10.5
Average		1.1x	1.1x	8.9x	9.1x
Median		1.1x	1.1x	8.6x	8.6x
Max		1.2x	1.2x	9.8x	10.5x
Min		1.1x	1.0x	7.1x	7.9x

Source: FAB Securities

Investment bank	Market (USD Mn)	PB (x)		PE (x)	
		2025F	2026F	2025F	2026F
CSC Financial Co.	24,961	NA	0.7	NA	8.0
Stifel Financial Corp	12,301	2.4	2.2	16.7	12.6
Guotai Junan Securities	45,542	1.0	1.0	12.1	14.0
Samsung Securities	4,941	0.9	0.8	7.1	7.0
EFG holdings	840	1.1	0.9	7.9	6.4
Lincoln National Corporation	7,795	0.8	0.8	5.2	5.1
Average		1.3x	1.1x	9.8x	8.9x
Median		1.0x	0.9x	7.9x	7.5x
Max		1.1x	0.9x	12.1x	11.5x
Min		0.9x	0.8x	7.1x	6.6x

Source: FAB Securities

Treasury and Holdco	Market (USD Mn)	PB (x)		PE (x)	
		2025F	2026F	2025F	2026F
Nomura Holdings	20,816	0.7	0.9	7.5	9.1
Canaccord Genuity Group	798	1.2	1.3	12.5	11.9
Barclays PLC	75,323	0.9	0.8	9.6	7.8
PNC financial services	72,153	1.3	1.2	11.6	10.4
Insignia Financial	2,007	1.4	1.4	12.4	12.2
Average		1.1x	1.1x	10.7x	10.3x
Median		1.2x	1.2x	11.6x	10.4x
Max		1.3x	1.3x	12.4x	11.9x
Min		0.9x	0.9x	9.6x	9.1x

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%

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