FAB أبوظبـي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 2Q26

UAE Equity Research　　Sector: Financials　　Market: ADX/DFM

GFH Bank (GFH)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.93	AED 2.05	+6%	HOLD

2Q26 Net Profit lower than our estimate

- Total income increased 8.8% YOY to USD 159 Mn in 2Q26, mainly driven by higher Wealth & Investment Management and Credit & Financing income partially offset by decline in Treasury and Proprietary income.
- Wealth & Investment Management income increased 32.5% YOY to USD 50 Mn in 2Q26, driven by an increase in asset management income and higher share from associates.
- Credit & Financing income increased 23.0% YOY to USD 30 Mn in 2Q26, mainly driven by higher finance, underwriting income and fee income partially offset by higher finance cost.
- Treasury & Proprietary income declined 6.2% YOY to USD 79 Mn in 2Q26, mainly due to lower direct investment income, partly offset by lower finance expenses and higher ALM & Trading.
- Operating expenses increased 2.8% YOY to USD 71 Mn in 2Q26, mainly reflecting higher personnel and other operating expenses.
- Operating profit increased 14.1% YOY to USD 88 Mn in 2Q26, supported by higher total income and controlled operating expense growth.
- Impairment allowance increased to USD 6 Mn in 2Q26, from USD 2 Mn in 2Q25, partially offsetting the growth in operating profit.
- Profit before tax increased 11.6% YOY to USD 44 Mn in 2Q26, supported by higher operating profit despite increased finance expenses and impairment allowances.
- Net profit attributable to shareholders increased 10.8% YOY to USD 41 Mn in 2Q26, lower than our profit of USD 92 Mn. The increase is supported by higher total income, partially offset by higher operating expenses, finance expenses and impairments allowance.

Earnings Call Summary

- Wealth & Investment Management income increased 48.4% YOY to USD 132.8 Mn in 1H26, driven by higher management and performance fees and continued growth of the asset-management platform.
- GFH noted that 50-60% of Wealth & Investment Management income is generated from portfolio-management fees, providing a meaningful recurring component to segment earnings.
- The Company launched its fifth GCC logistics fund and signed a USD 300 Mn MOU with Octo Management, expanding its logistics and industrial real-estate platforms across Saudi Arabia and the UAE.
- GFH continued selective portfolio monetization, including the agreed sale of its majority stake in Student Quarter to Sanyon Group, while maintaining a resilient private-equity portfolio.
- GFH highlighted that it expects financing growth to remain muted in 2H26, reflecting a precautionary approach toward balance-sheet expansion.
- Provisions reached USD 24.6 Mn in 1H26, with approximately 75% originating from banking subsidiaries, and remaining from other entities.
- Stage 3 exposures increased at the banking subsidiary, contributing to higher impairment charges, although provisions and recoveries together provide over 100% coverage.
- Treasury & Proprietary investment performance normalized in 1H26 from particularly strong gains in 1H25, with GFH continuing to rebalance the portfolio and realize gains from selected asset disposals.
- The Company continued selectively deploying capital into strategic opportunities, including participation in the Pershing Square IPOs and securing strategic exposure to SpaceX through a structured transaction.
- Britus Education is pursuing further acquisitions before potential listing, with additional announcements expected in the coming weeks and listing timing dependent on market stability and valuations.

- GFH remains cautious on new listings, preferring to focus on its four existing listed markets and continued investor engagement.
- The treasury-share buyback and strategic shareholder programme remain ongoing, with potential transactions dependent on timing and regulatory approvals.
- Management intends to maintain full-year earnings and DPS, despite taking a more cautious approach to interim distributions.
- The Company expects Gulf financial markets to remain resilient, with strong investment-banking and asset-management opportunities supporting further growth as GFH expands its banking platform.
- GFH is discussing additional funding with financial institutions to further enhance capitalization, alongside treasury-share sales and anticipated portfolio exits.
- The Company maintained strong capital and liquidity metrics in 1H26, with ROE at 15%, CAR at 14.0%, Tier 1 ratio at 13.3% and LCR at 139%.

GFH - P&L

USD Mn	**2Q25**	**1Q26**	**2Q26**	**2Q26F**	**Var**	**YOY Ch**	**QOQ Ch**
Wealth and Investment Management	38	83	50	78	-35.3%	32.5%	-39.0%
Credit & Financing	24	40	30	34	-12.3%	23.0%	-25.1%
Treasury and proprietary income	84	29	79	114	-31.4%	-6.2%	175.5%
Total income	**146**	**151**	**159**	**226**	**-29.8%**	**8.8%**	**5.2%**
Operating expenses	69	61	71	79	-10.8%	2.8%	15.4%
Operating Profit	**77**	**90**	**88**	**147**	**-40.1%**	**14.1%**	**-1.8%**
Finance expenses	36	37	38	42	-9.5%	6.1%	3.4%
Impairment allowance	2	18	6	10	-34.7%	198.4%	-65.6%
Total Expense	**38**	**55**	**45**	**52**	**-14.1%**	**16.7%**	**-19.5%**
Profit before tax	**39**	**34**	**44**	**95**	**-54.3%**	**11.6%**	**26.8%**
Income tax expense	0	0	1	0	NM	**NM**	**NM**
Profit for the period	**39**	**34**	**42**	**95**	**-55.6%**	**8.2%**	**23.0%**
Non-Controlling Interest	2	-1	1	3	-65.9%	-40.9%	-248.0%
Profit to shareholders	**37**	**35**	**41**	**92**	**-55.3%**	**10.8%**	**17.1%**

FABS estimate & Co Data

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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