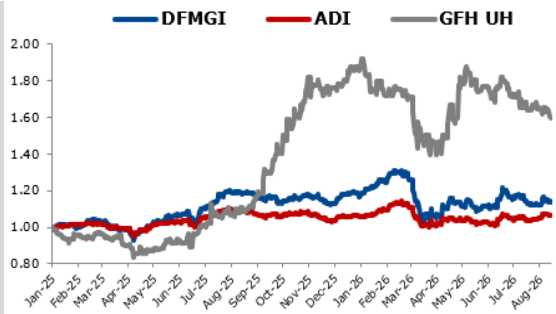
GFH Bank (GFH)

GFH reported highest quarterly net profit since 2Q19

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.92	AED 2.05	+6.8%	HOLD

- Total income increased 8.8% YOY to USD 159 Mn in 2Q26, supported by stronger Wealth & Investment Management and Credit & Financing income.
- Total assets and assets under management declined from USD 24.1 Bn in 1Q26 to USD 23.9 Bn in 2Q26
- CAR and LCR remained healthy at 14.04% and 139%, respectively, in 2Q26.
- GFH launched its GCC logistics fund and signed a USD 300 Mn MOU with Octo Management.



Stock Information	
Market Cap (USD, Mn)	7,358.58
Paid Up Capital (Mn)	1,015.64
52 Week High	2.34
52 Week Low	1.34
3M Avg. daily value(AED)	4,153,417

2Q26 Result Review (USD, Mn)	
Total Assets	12,444
Total Liabilities	8,186
Total Equity	1,007
Total Income	159
Net Profit to shareholder	41

Financial Ratios	
Dividend Yield (12m)	5.18
Dividend Pay-out (%)	67.10
Price-Earnings Ratio(x)	12.52
Price-to-Book Ratio (x)	1.99
Book Value (AED)	0.97
Return-on Equity (%)	14.83

Stock Performance	
5 Days	-1.03%
1 Months	-4.95%
3 Months	-11.11%
6 Months	-7.25%
1 Year	40.15%
Month to Date (MTD%)	-4.48%
Quarter to Date (QTD%)	-8.13%
Year to Date (YTD%)	-15.79%

Source: Bloomberg

2Q26 Net profit recorded its strongest quarter since 2Q19

GFH Bank (GFH), net profit attributable to shareholders rose 10.8% YOY to USD 41 Mn in 2Q26 reported as the strongest quarter since 2Q19. The increase in net profit was driven by higher total income supported by strong growth in wealth & Investment management and Credit & Financing, partially offset by higher operating expenses, finance expenses, impairments allowance and rise in Income tax expense.

P&L Highlights

GFH's total income increased 8.8% YOY to USD 159 Mn in 2Q26, driven by higher Wealth & Investment Management and Credit & Financing income, partly offset by lower Treasury & 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 income, 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, partially 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. As a result, operating profit increased 14.1% YOY to USD 88 Mn in 2Q26. Finance expenses increased 6.1% YOY to USD 38 Mn in 2Q26. Impairment allowance increased from USD 2 Mn in 2Q25 to USD 6 Mn in 2Q26. Thus, profit before tax increased 11.6% YOY to USD 44 Mn in 2Q26. Income tax expense stood at USD 1 Mn in 2Q26 compared to nil in 2Q25. The profit share to NCI holders declined from USD 2 Mn in 2Q25 to USD 1 Mn in 2Q26.

Balance Sheet Highlights

GFH's total assets and assets under management declined from USD 24.1 Bn in 1Q26 to USD 23.9 Bn in 2Q26. Tier 1 ratio and capital adequacy ratio stood healthy at 13.34% and 14.04%, respectively, in 2Q26. Likewise, GFH's NSFR and LCR stood at 101.8% and 139.0% in 2Q26. GFH's total equity before NCI increased 0.5% YOY and 11.0% QOQ to USD 1.0 Bn in 2Q26. GFH's total assets increased 0.6% YOY and 2.3% QOQ to USD 12.4 Bn in 2Q26.

Target Price and Rating

We maintain our HOLD rating on GFH Bank with a target price of AED 2.05. GFH reported the highest quarterly net profit since 2Q19 with bottom line growing 10.8% YOY to USD 41 Mn in 2Q26, driven by stronger contributions from Wealth & Investment Management and Credit & Financing, partly offset by normalisation in Treasury & Proprietary income from the strong 2Q25 base. Wealth & Investment Management remained the key growth driver, increasing 32.5% YOY to USD 50 Mn in 2Q26, supported by continued growth in the asset management platform. GFH continued to expand its investment platform through the launch of its GCC logistics fund and a partnership with Mawten Real Estate, alongside a USD 300 Mn MoU with OCTO Management covering opportunities across the UAE and Saudi Arabia. Meanwhile, the sale of its majority stake in Student Quarters to The Scion Group underscores its continued focus on portfolio monetisation and capital recycling. Credit & Financing income increased 23.0% YOY to USD 30 Mn in 2Q26, supported by growth in financing and underwriting income. However, the Company indicated a more cautious approach to financing growth in 2H26, with greater discipline in assessing credit quality and new financing opportunities. On provisions, GFH expects the 2Q26 run-rate to provide a more appropriate base for 2H26 following proactive provisioning in 1Q26, with no significant change currently anticipated. Furthermore, Treasury & Proprietary income declined 6.2% YOY to USD 79 Mn in 2Q26, due to normalisation from the strong prior-year base. In 1H26, GFH continued to actively manage and rebalance the portfolio, including selected asset disposals, while selectively deploying capital into opportunities such as the Pershing Square IPOs and a structured transaction providing long-term exposure to SpaceX. GFH's balance sheet remained stable, with total assets increasing 2.3% QOQ to USD 12.4 Bn in 2Q26. Liquidity remained strong, supported by a USD 5.4 Bn cash and treasury portfolio, equivalent to 43.4% of total assets during 2Q26. Capital and liquidity ratios also remained robust, with CAR at 14.04%, Tier 1 capital ratio at 13.34% and LCR at 139.0% during 2Q26, all above the respective regulatory requirements. Looking ahead, GFH remains constructive on the GCC financial market, highlighting opportunities for investment banking and asset management while continuing to pursue strategic acquisitions. Britus Education is undertaking further acquisitions to strengthen its platform ahead of a potential listing, with timing dependent on market stability and valuations. The Company also intends to maintain EPS and DPS when considered across the full financial year, while adopting a more prudent approach to interim distributions. Overall, GFH's growing Wealth & Investment Management platform, recurring fee generation, selective portfolio monetisation and disciplined capital deployment support its medium-term growth prospects, although a cautious approach to financing expansion and the normalisation of Treasury & Proprietary gains remain key factors to monitor. Thus, based on these factors, we maintain our rating to HOLD on the stock.

GFH - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	20.11	19.73	17.72	15.97	13.34	10.85
PB	2.08	2.01	1.77	2.04	1.96	1.83
BVPS	0.923	0.955	1.083	0.940	0.978	1.048
EPS	0.095	0.097	0.108	0.120	0.144	0.177
DPS	0.044	0.058	0.060	0.060	0.098	0.098
Dividend Yield	2.3%	3.0%	3.1%	3.1%	5.1%	5.1%

FABS Estimates & Co Data

GFH – P&L

USD Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Wealth and Investment Management	38	83	50	78	-35.3%	32.5%	-39.0%	174	251	43.9%
Credit & Financing	24	40	30	34	-12.3%	23.0%	-25.1%	155	140	-9.9%
Treasury and proprietary income	84	29	79	114	-31.4%	-6.2%	NM	390	276	-29.4%
Total income	**146**	**151**	**159**	**226**	**-29.8%**	**8.8%**	**5.2%**	**720**	**666**	**-7.4%**
Operating expenses	69	61	71	79	-10.8%	2.8%	15.4%	267	295	10.3%
Operating Profit	**77**	**90**	**88**	**147**	**-40.1%**	**14.1%**	**-1.8%**	**452**	**371**	**-17.9%**
Finance expenses	36	37	38	42	-9.5%	6.1%	3.4%	279	161	-42.4%
Impairment allowance	2	18	6	10	-34.7%	NM	NM	27	37	NM
Total Expense	**38**	**55**	**45**	**52**	**-14.1%**	**16.7%**	**-19.5%**	**307**	**198**	**-35.5%**
Profit before tax	**39**	**34**	**44**	**95**	**NM**	**11.6%**	**26.8%**	**146**	**173**	**19.1%**
Income tax expense	0	0	1	0	NM	**NM**	**NM**	0	0	**NM**
Profit for the period	39	34	42	95	NM	**8.2%**	**23.0%**	146	173	**NM**
Non-Controlling Interest	2	-1	1	3	NM	-40.9%	NM	5	7	28.6%
Profit to shareholders	**37**	**35**	**41**	**92**	**-55.3%**	**10.8%**	**17.1%**	**140**	**166**	**18.8%**

FABS estimate & Co Data

GFH - Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Operating Profit	52.9%	59.4%	55.5%	260	-393	62.8%	55.7%	-712
Net Profit	25.4%	23.3%	25.9%	47	262	19.5%	25.0%	551

FABS estimate & Co Data

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Valuation:

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

Valuation Method	**Target**	**Weight**	**Weighted Value**
Residual Income	2.03	70.0%	1.42
Relative Valuation (RV)	2.10	30.0%	0.63
Weighted Average Valuation (AED)			**2.05**
Current market price (AED)			1.92
Upside/Downside (%)			+6.8%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 10.4%. The cost of equity is calculated by using a 10-year government bond yield of 7.4%, beta of 0.76 and equity risk premium of 4.0%. The government bond yield is calculated by adding Bahrain's government spread to the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	146
Terminal value (USD, Mn)	**116**
Required Capital	789
FV to Common shareholders (USD, Mn)	**1,150**
Capital Surplus	246
Dividend	103
Fair Value gain on real estate	280
Total Fair Value (USD, Mn)	**1,779**
No. of shares (Mn)	3,215
Current Market Price (AED)	1.92
Fair Value per share (AED)	**2.03**

Residual Income Method

(All Figures in USD Mn)	**FY 2026E**	**FY 2027E**	**FY 2028E**	**FY 2029E**	**FY 2030E**
Net Profit	173	176	178	180	175
Excess return excess capital	-15	-16	-17	-17	-17
Adjusted net profit	**159**	**160**	**161**	**163**	**158**
Equity charge	-103	-110	-117	-126	-135
Economic Profit	**56**	**50**	**43**	**36**	**23**
Discounting Factor	0.97	0.87	0.79	0.72	0.65
Present Value of excess capital	**27[1]**	**44**	**34**	**26**	**15**

Source: FAB Securities, [1]Adjusted for partial year

2) Relative Valuation:

We have used local as well as international peers to value GFH's different segments. The Company owns a stake in Khaleeji Commercial Bank and it is valued using regional peers with 2026 PB multiple of 1.2x. The Investment Banking Segment is valued using the PE multiple of regional and global peers with a 2026 median PE multiple of 7.7x. Treasury and Hold Co. segment is valued using international peers using a 2026 median PB multiple of 1.4x.

Commercial bank	Market	P/E (x)		P/B (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Bank Muscat	7,682	11.2	11.2	NA	NA
RAK Bank	5,083	7.0	6.1	1.2	1.1
Emirates NBD	54,761	8.3	7.5	1.3	1.2
Banque Saudi Fransi	13,750	9.9	9.2	1.1	1.1
Bank Aljazira	4,037	9.4	8.0	NA	NA
Average		**9.2x**	**8.4x**	**1.2x**	**1.1x**
Median		**9.4x**	**8.0x**	**1.2x**	**1.1x**
Max		**9.9x**	**9.2x**	**1.2x**	**1.1x**
Min		**8.3x**	**7.5x**	**1.1x**	**1.1x**

Source: FAB Securities

Investment bank	Market	P/E (x)		P/B (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
CSC Financial Co.	26,440	6.7	6.1	0.6	0.6
Stifel Financial Corp	12,929	13.1	11.4	2.3	2.0
Guotai Junan Securities	43,836	9.6	9.1	0.9	0.8
Samsung Securities	5,859	4.9	5.5	0.9	0.8
EFG holdings	761	8.8	7.5	NA	NA
Lincoln National Corporation	8,703	5.8	5.2	0.6	0.5
Average		**8.2x**	**7.5x**	**1.1x**	**1.0x**
Median		**7.7x**	**6.8x**	**0.9x**	**0.8x**
Max		**9.4x**	**8.7x**	**0.9x**	**0.8x**
Min		**6.0x**	**5.7x**	**0.6x**	**0.6x**

Source: FAB Securities

Treasury and Holdco	Market (USD Mn)	P/E (x) 2026F	P/E (x) 2027F	P/B (x) 2026F	P/B (x) 2027F
Nomura Holdings	30,488	10.9	10.7	1.2	1.1
Canaccord Genuity Group INC	1,084	10.8	10.1	1.8	1.6
Barclays PLC	95,102	9.8	8.0	1.0	0.9
PNC financial services	1,02,517	13.5	11.9	1.7	1.6
Average		**11.3x**	**10.2x**	**1.4x**	**1.3x**
Median		**10.8x**	**10.4x**	**1.4x**	**1.3x**
Max		**11.5x**	**11.0x**	**1.7x**	**1.6x**
Min		**10.6x**	**9.6x**	**1.1x**	**1.0x**

Source: FAB Securities

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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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