First Look Note | 3Q26

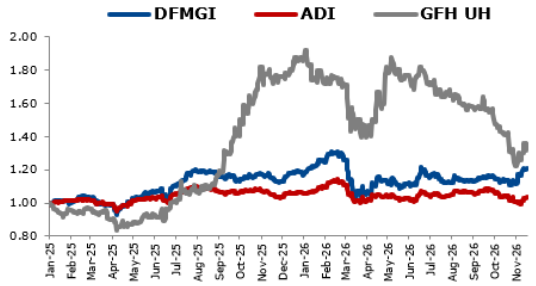
UAE Equity Research | Sector: Financials | Market: ADX/DFM

GFH Bank (GFH)

Higher Wealth & Investment Management income supported earnings

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.57	AED 2.05	+31%	BUY

- Total income declined 5.0% YOY to USD 131 Mn in 3Q26, mainly due to lower Treasury & Proprietary income, partly offset by higher Wealth & Investment Mgt. and Credit & Financing income.
- Total assets and assets under management increased from USD USD 23.9 Bn in 2Q26 to USD 24.1 Bn in 3Q26.
- CAR and LCR remained healthy at 14.33% and 127%, respectively, in 3Q26.
- Mgt. and performance fees accounted for c. 80% of WIM income in 9M26, with c. 50–60% of WIM income is recurring.
- Delivered over 3x net returns from Saber Power and sold a US logistics facility to Michelin for USD 151 Mn.



Stock Information	
Market Cap (AED, Mn)	6,017.17
Shares Outstanding(mm)	3,832.59
52 Week High	2.34
52 Week Low	1.48
3M Avg. daily value(AED)	2,014,450

3Q26 Result Review (USD, Mn)	
Total Assets	12,233
Total Liabilities	8,246
Total Equity attr. to ESH	1,046
Total Income	131
Net Profit	40

Financial Ratios	
Dividend Yield (12m)	5.03
Dividend Pay-out (%)	67.10
Price-Earnings Ratio(x)	9.61
Price-to-Book Ratio (x)	1.57
Book Value (AED)	0.27
Return-on Equity (%)	14.84

Stock Performance	
5 Days	-4.85%
1 Months	-1.88%
3 Months	-19.07%
6 Months	-27.31%
1 Year	-25.59%
Month to Date (MTD%)	5.02%
Quarter to Date (QTD%)	-14.21%
Year to Date (YTD%)	-31.14%

Source Bloomberg

3Q26 Net Profit lower than our estimate

GFH Bank's net profit attributable to shareholders rose 17.8% YOY to USD 40 Mn in 3Q26. The increase was mainly driven by lower finance expenses, partially offset by lower total income arising from decline in Treasury and proprietary Income, higher operating expenses, higher impairment allowances and the recognition of a tax expense.

P&L Highlights

GFH's total income declined 5.0% YOY to USD 131 Mn in 3Q26, mainly due to lower Treasury & Proprietary income, partly offset by higher Wealth & Investment Management and Credit & Financing income. Wealth & Investment Management (WIM) income increased from USD 30 Mn in 3Q25 to USD 54 Mn in 3Q26, driven by higher asset management and portfolio management income and a higher share of profit from associates, partially offset by lower structuring income. Credit & Financing income increased 8.9% YOY to USD 44 Mn in 3Q26, mainly driven by higher underwriting and fee & other income, partially offset by lower finance income and higher finance cost. Treasury & Proprietary income declined from USD 68 Mn in 3Q25 to USD 33 Mn in 3Q26, mainly due to lower gains on sale of assets, higher repo and financing expenses and lower ALM & Trading income, partially offset by higher fixed income and direct investment income. Operating expenses increased 4.4% YOY to USD 73 Mn in 3Q26. As a result, operating profit declined 14.6% YOY to USD 58 Mn in 3Q26. Finance expenses declined from USD 24 Mn in 3Q25 to USD 8 Mn in 3Q26. Impairment allowances increased 11.1% YOY to USD 9 Mn in 3Q26. Thus, profit before tax increased 16.7% YOY to USD 41 Mn in 3Q26. Income tax expense stood at USD 0.5 Mn in 3Q26, compared with nil in 3Q25. The profit share to NCI holders declined from USD 1.2 Mn in 3Q25 to USD 0.5 Mn in 3Q26.

Balance Sheet Highlights

GFH's total assets and assets under management increased from USD 23.9 Bn in 2Q26 to USD 24.1 Bn in 3Q26. Tier Capital ratio and capital adequacy ratio stood healthy at 13.63% and 14.33%, respectively, in 3Q26. Likewise, GFH's NSFR and LCR stood at 144.1% and 127.0% in 3Q26. GFH's total equity before NCI increased 0.3% YOY and 3.9% QOQ to USD 1.05 Bn in 3Q26. GFH's total assets declined 0.2% YOY and 1.7% QOQ to USD 12.2 Bn in 3Q26.

Target Price and Rating

We revise our rating on GFH Bank from HOLD to BUY with an unchanged target price of AED 2.05. GFH delivered its highest nine-month results since 2009, with net profit attributable to shareholders rising 14.8% YOY to USD 116 Mn in 9M26. In 3Q26, net profit grew 17.8% YOY to USD 40 Mn, mainly driven by significantly lower finance expenses and stronger contributions from WIM and Credit & Financing. This was partly offset by the normalisation of Treasury & Proprietary income from a strong 3Q25 base, which included a large proprietary exit. WIM remained the key growth driver, with income increasing from USD 30 Mn in 3Q25 to USD 54 Mn in 3Q26, supported by higher asset management and portfolio management fees. Management and performance fees accounted for c. 80% of WIM income in 9M26, while GFH noted that c. 50–60% of WIM income is recurring. GFH continued to realise value for investors through the Saber Power Investments exit (over 3x net returns), the USD 151 Mn sale of a US logistics facility to Michelin and the sale of 10 US industrial outdoor storage properties, alongside an agreed c. USD 130 Mn sale of a US logistics and industrial portfolio, highlighting continued portfolio monetisation and capital recycling. The Company also expanded into aviation through a new platform with Bridgepoint and AIP Capital scaling towards over USD 1 Bn of aircraft engines, with further investments and announcements expected in 4Q26. Credit & Financing income increased 8.9% YOY to USD 44 Mn in 3Q26, supported by higher underwriting and fee & other income, while financing contracts grew 13.3% YOY to c. USD 2.7 Bn. However, the Company's higher impairments mainly reflect USD 23.4 Mn of precautionary provisioning at Khaleeji, with Stage 3 exposure at 5.5% of financing contracts, while GFH has no late-stage financing on a standalone basis. Furthermore, Treasury & Proprietary income declined from USD 68 Mn in 3Q25 to USD 33 Mn in 3Q26, although fixed income grew 28.5% YOY in 9M26 and rose 28.7% QOQ in 3Q26 to USD 90 Mn, and quoted sukuk of USD 3.8 Bn make up c. 80% of the treasury portfolio. GFH's balance sheet remained stable, with total assets declining 1.7% QOQ to USD 12.2 Bn in 3Q26. Liquidity remained strong, supported by a USD 5.1 Bn cash and treasury portfolio, equivalent to 41.8% of total assets, with NSFR at 144.1% and LCR at 127.0% in 3Q26. However, CAR declined to 14.33% in 3Q26 from 16.62% at December 2025, and Tier 1 to 13.63% from 15.92% during the same period, although both remain above regulatory requirements. GFH plans to strengthen capital through treasury share sales to strategic investors and profitable asset disposals. The Company also has greater plans for Khaleeji, which are expected to reflect in results over the next 12 months, including an improvement in asset quality. Looking ahead, GFH expects 2026 total income to grow YOY and is considering cross-listing the Seef stake in other GCC markets as part of the Company strategy, while a Saudi listing of GFH shares is on hold given the geopolitical situation. The Company retains its semi-annual dividend policy, although the semi-annual payment for 1H26 was suspended as a precaution. Overall, GFH's growing WIM platform, recurring fee generation, continued exits and disciplined capital deployment support its medium-term growth prospects, although the decline in capital ratios, which remain above regulatory minimums, credit costs at Khaleeji and the normalisation of ALM & Trading (declined from USD 35 Mn in 3Q25 to USD 21 Mn in 3Q26) and Proprietary & other income (declined from USD 57 Mn in 3Q25 to USD 28 Mn in 3Q26) remain key factors to monitor. Thus, based on these factors, we revise our rating to BUY on the stock.

GFH - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	16.97	16.65	14.95	13.47	11.25	9.64
PB	1.76	1.70	1.50	1.72	1.66	1.55
BVPS (AED)	0.923	0.955	1.083	0.940	0.978	1.044
EPS (AED)	0.095	0.097	0.108	0.120	0.144	0.168
DPS (AED)	0.044	0.058	0.060	0.060	0.098	0.098
Dividend Yield	2.7%	3.6%	3.7%	3.7%	6.1%	6.1%

FABS Estimates & Co Data

GFH – P&L

USD Mn	3Q25	2Q26	3Q26	3Q26F	Var.	YOY Ch	QOQ Ch	2025	2026F	Change
Wealth and Investment Management	30	50	54	57	-5.0%	NM	7.9%	174	271	NM
Credit & Financing	40	30	44	33	32.6%	8.9%	45.5%	155	155	-0.1%
Treasury and proprietary income	68	79	33	82	NM	NM	NM	390	304	-22.2%
Total income	**137**	**159**	**131**	**172**	**-24.0%**	**-5.0%**	**-17.8%**	**720**	**729**	**1.4%**
Operating expenses	70	71	73	77	-5.7%	4.4%	2.7%	267	323	20.8%
Operating Profit	**68**	**88**	**58**	**95**	**-38.8%**	**-14.6%**	**-34.1%**	**452**	**406**	**-10.1%**
Finance expenses	24	38	8	41	NM	NM	NM	279	208	-25.5%
Impairment allowance	8	6	9	6	NM	11.1%	45.5%	27	37	34.8%
Total Expense	**33**	**45**	**17**	**46**	**NM**	**-48.3%**	**NM**	**307**	**245**	**-20.1%**
Profit before tax	**35**	**44**	**41**	**48**	**-15.1%**	**16.7%**	**-5.5%**	**146**	**161**	**11.0%**
Income tax expense	0	1	1	0	NM	NM	NM	0	2	NM
Profit for the period	**35**	**42**	**41**	**48**	**-16.2%**	**15.3%**	**-3.8%**	**146**	**160**	**9.7%**
Non-Controlling Interest	1	1	1	1	-25.8%	NM	NM	5	2	NM
Profit to shareholders	**34**	**41**	**40**	**48**	**-16.0%**	**17.8%**	**-2.4%**	**140**	**158**	**12.8%**

FABS estimate & Co Data, [1]Percentage changes exceeding (+/-)50% are reported as NM

GFH - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Operating Profit	49.4%	55.5%	44.4%	-500	NM	62.8%	55.7%	-712
Net Profit	24.8%	25.9%	30.7%	594	482	19.5%	21.7%	220

FABS estimate & Co Data

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	2.14	70.0%	1.50
Relative Valuation (RV)	1.85	30.0%	0.55
Weighted Average Valuation (AED)			**2.05**
Current market price (AED)			1.57
Upside/Downside (%)			+31%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 10.8%. The cost of equity is calculated by using a 10-year government bond yield of 7.8%, 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)	158
Terminal value (USD, Mn)	**218**
Required Capital	789
FV to Common shareholders (USD, Mn)	**1,264**
Capital Surplus	246
Dividend	103
Fair Value gain on real estate	257
Total Fair Value (USD, Mn)	**1,870**
No. of shares (Mn)	3,215
Current Market Price (AED)	1.57
Fair Value per share (AED)	**2.14**

Residual Income Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Profit	160	157	177	189	201	211
Excess return excess capital	-10	-10	-10	-9	-9	0
Adjusted net profit	150	147	167	180	192	211
Equity charge	-111	-120	-128	-137	-147	-157
Economic Profit	**38**	**27**	**40**	**42**	**45**	**54**
Discounting Factor	0.99	0.89	0.80	0.73	0.66	0.59
Present Value of excess capital	**9[1]**	**24**	**32**	**31**	**30**	**32**

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 2027 median PB multiple of 1.2x. The Investment Banking Segment is valued using the P/E multiple of regional and global peers with a 2027 median P/E multiple of 5.6x. Treasury and Hold Co. segment is valued using international peers using a 2027 median P/B multiple of 1.3x.

Commercial bank	Market	P/E (x)		P/B (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Bank Muscat	8,130	10.9	10.5	1.4	1.4
RAK Bank	5,454	6.4	6.3	1.3	1.2
Emirates NBD	61,910	9.1	8.1	1.5	1.3
Banque Saudi Fransi	13,449	9.3	8.7	1.1	1.1
Bank Aljazira	3,762	NA	NA	NA	NA
Average		**8.9x**	**8.4x**	**1.3x**	**1.2x**
Median		**9.2x**	**8.4x**	**1.4x**	**1.2x**
Max		**9.7x**	**9.2x**	**1.5x**	**1.3x**
Min		**8.4x**	**7.7x**	**1.2x**	**1.1x**

Source: FAB Securities

Investment bank	Market	P/E (x)		P/B (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
CSC Financial Co.	22,879	5.3	4.9	0.5	0.5
Stifel Financial Corp	10,857	11.7	10.1	2.0	1.8
Guotai Junan Securities	39,399	8.8	8.4	0.8	0.8
Samsung Securities	4,937	4.1	4.4	0.7	0.7
EFG holdings	681	9.3	6.3	1.0	0.8
Lincoln National Corporation	7,990	5.4	4.8	0.5	0.5
Average		**7.4x**	**6.5x**	**0.9x**	**0.8x**
Median		**7.1x**	**5.6x**	**0.8x**	**0.7x**
Max		**9.2x**	**7.9x**	**0.9x**	**0.8x**
Min		**5.3x**	**4.8x**	**0.6x**	**0.5x**

Source: FAB Securities

Treasury and Holdco	Market (USD Mn)	P/E (x)		P/B (x)	
		2026F	2027F	2026F	2027F
Nomura Holdings	29,993	9.7	9.7	1.1	1.1
Canaccord Genuity Group INC	1,069	10.9	10.4	2.4	2.0
Barclays PLC	75,922	8.4	6.9	0.9	0.8
PNC financial services	92,168	12.2	10.8	1.6	1.5
Average		**10.3x**	**9.5x**	**1.5x**	**1.3x**
Median		**10.3x**	**10.1x**	**1.4x**	**1.3x**
Max		**11.3x**	**10.5x**	**1.8x**	**1.6x**
Min		**9.3x**	**9.0x**	**1.1x**	**1.0x**

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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