



CMP/MAR/2025/0018

إعلان
Announcement

Date	13/03/2025	التاريخ
Company Name	مجموعة جي إف إتش المالية ش.م.ب. GFH Financial Group B.S.C.	إسم الشركة
Trading Code	GFH	رمز التداول
Subject	تقرير التغطية الصادر من أرقام كابيتال و أبوظبي الأول للأوراق المالية عن جي اف اتش Arqam Capital and First Abu Dhabi Securities Coverage report on GFH	الموضوع
Information	أصدرت أرقام كابيتال و أبوظبي الأول للأوراق المالية تقرير التغطية التحليلية لأسهم مجموعة جي إف إتش المالية*، كما هو مرفق. *أي تغطية للمحللين وتوصيات وتقديرات وتوقعات و/أو آراء بأي شكل من الأشكال مقدمة من محللين خارجيين على النحو المبين أدناه (التوصيات) يتم توفيرها لأغراض إعلامية فقط وتمثل رأي هؤلاء المحللين. لا تشكل أي توصية منشورة هنا، سواء بشكل صريح أو ضمني، تأييداً أو رأياً أو توقعات أو بياناتاً تطلعياً أو مشورة مالية من مجموعة جي إف إتش المالية ش.م.ب. التوصيات قيد المراجعة المستمرة وقابلة للتغيير. Arqaam Capital and First Abu Dhabi Securities issued Analyst Coverage Report on GFH shares*. Please refer to the attached report. *Any analyst coverage, recommendations, estimates, forecasts and/or opinions in any form whatsoever provided by third party analysts as set out below (the Recommendations) are provided for informational purposes only and represent the opinion of such analysts. Any Recommendation reproduced herein does not constitute, either expressly or impliedly, an endorsement, opinion, forecast, forward looking statement or financial advice by GFH Financial Group BSC. The Recommendations are under continuous review and subject to change.	المعلومة
Expected Financial Impact	لا ينطبق Not Applicable	الأثر المالي المتوقع

Name	Mariam Jowhary	مريم جوهري	الإسم
Title	Head of Compliance & AML	رئيس الالتزام ومكافحة غسل الأموال	المسمى الوظيفي
Company Seal ختم الشركة		Signature التوقيع	

GFH Financial Group

RoE expanded by over 2ppt, with FY24 ending on a firm footing.

- We leave our estimates for FY 25 and FY26 unchanged, despite the small Q4 EPS beat (3% vs ACe), +35% y/y, and +18% q/q, as we expect investment income to normalise. We expect an EPS growth of 14% in FY25e and a 16% 5-year EPS CAGR.
- In Q4, the solid performance was supported mainly by the treasury and proprietary segment, up by c. +12% y/y, and improved performance of commercial banking, up +177% y/y for Q4 24, partly offset by higher variable compensation. This lifted the RoE to 12% in FY24 vs. (10% in FY23A), though still shy of its long-term targets of 16%. Capital ratios slipped y/y because of the growth of the loan book, locking in prevailing rates.
- We maintain our BUY on broad-based RoE expansion, de-risking, and growing AuM base, up 10% y/y to USD 22bn. The stock trades at P/tNAV 25e of 1.1x while offering RoE of >11% and a DY of 5.2% (to be paid semi-annually as of 2025). The next catalysts are IB expansion, recovering commercial banking performance (on lower CoF), interest rate cuts, and potential KSA cross-listing. Our TP remains at USD 0.41/AED 1.51, with our roll forward impacted by higher RWA intensity.

We pencil in an EPS CAGR of 16% for FY25-28e after 10.8% EPS growth in FY24, with RoE expanding from 9.6% in FY23, 12% in FY24 to 16% in FY28e. EPS grew by +10.9% y/y in FY24, mainly driven by higher income from the treasury and proprietary segment, which surged +70% y/y to USD 347m for FY24, supported by a significant uptick in proprietary investment income (USD 127m FY24 vs. USD 37m in FY 23) and the sale of assets, primarily real estate (USD 92m in FY 24 vs. USD 8m FY 23). The IB remains crucial to revenue generation, accounting for 24.8% of total revenue in Q4 24, increasing +34% y/y to USD 47m. Meanwhile, the commercial banking segment, representing 19.4% of total revenue in Q4, recorded a +177% y/y increase, benefiting from strong loan growth and margin expansion at Khaleeji Bank despite higher funding costs.

Reallocation of its portfolio, targeting a RoE expansion to 16% in the medium term. The loan book increased by 33% y/y and 1% q/q from 1.5bn to almost 2.1bn, while the treasury book dropped 5.5% y/y, though it recovered 7% q/q. GFH's proprietary investment book contracted 21% y/y to USD 779m, led by a 50% reduction in Tier-1 instruments (USD442m FY24 vs. USD827m in FY23) as the group realised investment gains, optimising its balance sheet. Offsetting this, equity-accounted investees rose 17% y/y to USD160m, reflecting a strategic shift. GFH increased its exposure to listed securities as its investments increased by 472% y/y to USD81m FY24. GFH's real estate-heavy investee mix continues to provide earnings stability, with Infracorp's total assets growing 38% y/y to USD 2.27 bn while earnings expanding 21% y/y to USD 55m.

Ambitious targets on track. GFH continues to expand its assets and AUM base, reaching USD 22bn in FY 24 vs USD 20bn in YE23bn and USD 17.6bn in FY22. GFH is on track to achieve its USD 25bn target by YE25e through organic and inorganic growth, reflected by the launch of GFH Partners, a dedicated global real estate investment arm with USD 6.5bn in assets and AUMs across the US, GCC mainly (KSA & UAE) and Europe. GFH group through partners and PE successfully closed 13 investment banking deals and concluded three transactions: i) Student housing assets worth USD 300m, ii) Launched the US\$96 million US AI Infrastructure Fund building on opportunities in the rapidly growing digital real estate sector, and iii) Launched the £44 million UK Food Logistics Fund which is involved in acquiring a 780,000 square-foot distribution center in bridge water.

Low loan loss coverage reflects strong collateral: Stages 1, 2, and 3 loans make up 83%, 9.9%, and 7.24%, respectively, compared to 74%, 18%, and 8% at YE 23A. Coverage ratios remain suboptimal, with i) Stage 3 coverage at 27.2% for FY24 (vs. 32.5% in FY23), ii) Stage 2 coverage at 5.9% for FY24 (vs. 9.0% in FY23), iii) Stage 1 coverage at 0.2%, broadly stable. Based on our stress test, which is 1% of stage 1, 12% of stage 2 and 60% of stage 3 indicate a provisioning gap of around c. USD 21m, at 1.9% of NAV and 1.02% of its loans.

GFH's USD 3.58bn Sukuk book remains largely investment-grade, with 94% of holdings classified as Stage 1 & 2. The Stage 3 sukuk exposure is minimal at USD 3.5m and is fully covered (100% provisioned). GFH benefits from being domiciled in Bahrain, as Bahraini sovereign Sukuks held in its treasury portfolio are assigned a zero-risk weight under regulatory frameworks. The zero-risk weight reduces the GFH's risk-weighted assets (RWA), which supports an uplift in treasury income by a lower capital charge.

BUY

USD 0.41/ AED 1.51/ Kwd 0.13

Banks / BAHRAIN

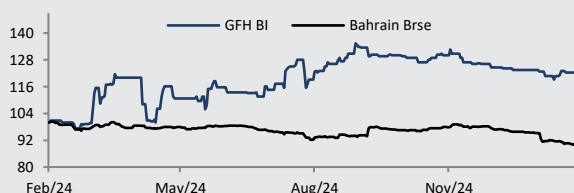
Bloomberg code	GFH BI
Market index	Bahrain Brse
Target Price	0.41
Upside (%)	34.8

Market data 3/3/2025

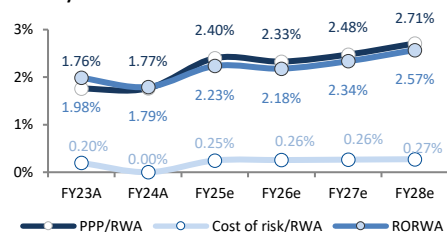
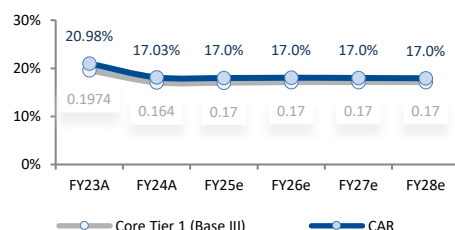
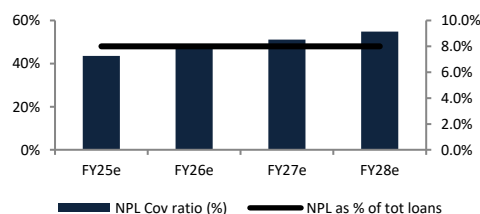
Last closing price (USD)	0.32
52 Week range	0.3-0.4
35Market cap (USD m)	1,226
Free float (%)	89%

Year-end (local m)	2023	2024	2025e	2026e
Revenue	273	369	373	388
Pre-provisioning profit	91	117	171	173
EPS	0.03	0.03	0.04	0.04
P/E (x) (mkt price)	11.9	10.3	7.7	7.6
BVPS	0.3	0.3	0.3	0.3
Tangible BVPS	0.3	0.3	0.3	0.3
P/B (x) (mkt price)	1.2	1.3	1.1	1.1
P/TBVPS (x) (mkt price)	1.2	1.3	1.1	1.1
DPS	0.02	0.02	0.02	0.03
Div. yield (%)	5.0	5.3	6.2	8.1
RoAA (%)	1.0	1.1	1.4	1.4
RoRWA (%)	2.0	1.8	2.2	2.2
RoATE (%)	10.4	12.0	15.5	14.5
RoEC (%)	14.0	13.6	17.5	17.0
RAROC (%)	14.0	13.5	17.8	17.3
Net LtD ratio (%)	42.1	62.6	43.4	43.3
Risk Weighted Assets (bn)	5.2	6.6	7.1	7.4
Core Equity T1 ratio (%)	21.0	14.7	16.4	16.9
Tier 1 capital ratio (%)	19.7	16.4	16.5	17.0
Total capital ratio (%)	21.0	17.3	17.4	17.8
NPL ratio (%)	7.9	8.0	8.0	8.0
Coverage ratio (%)	56.8	39.6	43.5	47.4
Number of shares	3,833	3,833	3,833	3,833

Price Performance



Abacus Arqaam Capital Fundamental Data

Profitability

Capital Ratios

Credit Quality

GFH Financial Group

Year-end	2023	2024	2025e	2026e	2027e	2028e
Performance analysis						
Asset yield (%)	6.06	5.84	6.50	6.40	6.40	6.20
Cost of Funds (%)	5.97	6.63	6.20	6.00	5.80	5.50
Cost / Income (%)	66.6	68.4	54.0	55.4	54.5	52.8
Fees & Commissions / operating income (%)	10.0	6.1	8.8	9.3	9.4	9.4
Trading gains / operating income (%)	91.6	93.6	76.7	84.5	79.2	74.7
RoATE (%)	10.4	12.0	15.5	14.5	15.1	16.1
Pre-prov. RoATE (%)	11.4	12.1	16.5	15.6	16.2	17.2
RoAA (%)	1.0	1.1	1.4	1.4	1.5	1.6
Revenue / RWA (%)	5.26	5.59	5.22	5.22	5.44	5.74
Costs / RWA (%)	3.50	3.82	2.82	2.89	2.97	3.03
PPP / RWA (%)	1.76	1.77	2.40	2.33	2.48	2.71
Cost of Risk / RWA (%)	0.20	-	0.25	0.26	0.26	0.27
RoRWA (%)	1.98	1.79	2.23	2.18	2.34	2.57
RoRWA (%) (adj. for gross-up of associates)	1.98	1.79	2.23	2.18	2.34	2.57
Year-end	2023	2024	2025e	2026e	2027e	2028e
Asset Quality						
Provisions charge / avg. gross loans (%)	0.7	0.6	0.8	0.8	0.8	0.8
Past due not impaired / gross loans (%)	4.0	3.4	2.9	3.2	3.5	3.8
NPL / gross loans (%)	7.9	8.0	8.0	8.0	8.0	8.0
NPL coverage ratio (%)	56.8	39.6	43.5	47.4	51.2	54.9
Provisions / avg. gross loans (%)	4.0	3.4	2.9	3.2	3.5	3.8
Provisions charge / operating income (%)	11.2	-	10.3	11.0	10.7	10.1
Year-end	2023	2024	2025e	2026e	2027e	2028e
Funding and Liquidity						
Net Loans / Deposits (%)	42.1	62.6	43.4	43.3	43.2	43.0
Cash and interbank / assets (%)	3.4	(5.7)	7.5	9.9	12.2	12.6
Deposits / liabilities (%)	36.4	33.2	49.3	51.4	53.5	55.8
Year-end	2023	2024	2025e	2026e	2027e	2028e
Capital and leverage ratios						
Core Tier 1 ratio (Basel III) (%)	21.0	14.7	16.4	16.9	17.2	17.6
Tier 1 ratio (%)	19.7	16.4	16.5	17.0	17.3	17.7
Total capital ratio (%)	21.0	17.3	17.4	17.8	18.2	18.5
Tangible equity / assets (%)	9.7	10.1	10.2	10.5	10.8	11.2
RWA / assets (%)	46.6	59.9	62.2	62.3	62.4	62.8
Year-end	2023	2024	2025e	2026e	2027e	2028e
Growth						
Revenues (%)	23.2	35.5	0.9	4.2	8.7	10.3
Cost (%)	22.6	39.2	(20.3)	6.9	6.9	6.9
Pre-Provision Operating Profit Growth (%)	24.3	27.9	46.9	1.0	10.9	14.5
Provisions (%)	47.2	(100.0)	-	8.0	8.0	8.0
Net Profit (%)	14.0	15.2	34.6	1.6	11.7	15.1
Assets (%)	13.9	(0.8)	4.0	4.0	4.0	4.0
Loans (%)	7.1	33.9	7.1	7.7	7.7	7.7
Deposits (%)	171.7	(10.0)	54.3	8.0	8.0	8.0
Risk Weighted Assets (%)	(28.9)	27.5	8.0	4.2	4.2	4.6

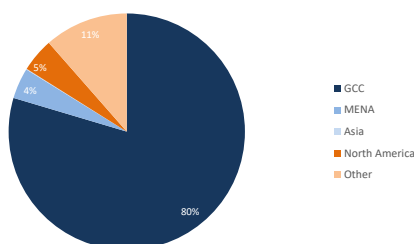
Abacus Arqaam Capital Fundamental Data

Company Profile

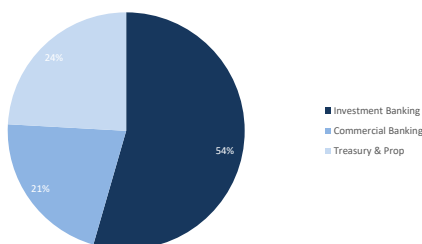
GFH is a Bahrain-domiciled Sharia-compliant financial group that is focused on investment banking, treasury and proprietary investments and commercial and retail banking in Bahrain via Khaleeji Bank BSC (Khaleeji)

GFH Ratings were affirmed by Fitch at “B”; Outlook is stable. GFH is listed on four stock exchanges.

Geographical breakdown



Revenue Breakdown



Management

CEO	Hisham Ahmed Al Rayes
CFO	Suryanarayanan Hariharan
COO	Salah Abdullah Sharif

Major Shareholders

Keypoint Trusts	5%
Ahmad bin Mohammed Al Qassim	5%

GFH Financial Group

Year-end	2023	2024	2025e	2026e	2027e	2028e
Income statement (USDmn)						
Interest income	410	421	477	479	502	509
Interest expense	453	566	567	569	570	560
Fee income	27	22	33	36	40	44
Net investment income	239	307	238	273	277	288
Other operating income	50	184	191	169	173	184
Total operating income	273	369	373	388	422	465
Total operating expenses	181	253	201	215	230	246
Pre-provision operating profit	91	117	171	173	192	220
Net provisions	10	-	18	19	21	22
Other provisions / impairment	10	-	11	11	11	11
Operating profit	71	117	143	143	161	186
Associates	35	30	23	25	28	31
Pre-tax profit	105	129	166	169	188	217
Taxation	-	-	-	-	-	-
Net profit	105	129	166	169	188	217
Minorities	2	10	7	7	8	9
Others	-	-	-	-	-	-
Attributable net profit	103	119	160	162	181	208
Diluted EPS	0.03	0.03	0.04	0.04	0.05	0.05
DPS	0.02	0.02	0.02	0.03	0.03	0.03
BVPS	0.26	0.26	0.28	0.30	0.32	0.35
Tangible BVPS	0.26	0.26	0.28	0.30	0.32	0.35

Year-end	2023	2024	2025e	2026e	2027e	2028e
Balance sheet (USDmn)						
Gross loans and advances	1,609	2,115	2,284	2,467	2,664	2,877
Less: loan loss provisions	72	57	80	94	109	126
Net loans and advances	1,537	2,058	2,205	2,373	2,555	2,751
Cash and central bank	377	460	514	749	995	997
Due from banks	-	-	-	-	-	-
Investment, net	7,806	7,282	7,320	7,319	7,308	7,545
Fixed assets, net	275	57	286	297	309	321
Other assets	1,126	1,173	1,147	1,193	1,241	1,290
Total assets	11,121	11,031	11,472	11,931	12,408	12,905
Customer deposits	3,655	3,289	5,076	5,482	5,921	6,394
Due to banks	-	1,084	(352)	(428)	(515)	(633)
Debt	4,448	4,594	4,594	4,594	4,594	4,594
Other liabilities	1,945	948	986	1,025	1,066	1,109
Total liabilities	10,047	9,916	10,305	10,674	11,066	11,465
Total equity	1,074	1,115	1,167	1,257	1,342	1,440
Risk Weighted Assets (bn)	5	7	7	7	8	8
Average Interest-Earning Assets	6,776	7,209	7,339	7,482	7,837	8,206
Average Interest-Bearing Liabilities	7,590	8,535	9,143	9,484	9,824	10,178
Common shareholders	990	981	1,076	1,161	1,243	1,337
Core Equity Tier 1 (Basel III)	1,016	1,073	1,167	1,253	1,335	1,428
Tier 1 capital	1,023	1,080	1,175	1,261	1,342	1,436

Jaap Meijer, MBA, CFA
jaap.meijer@arqaamcapital.com
+971 4 507 1744

Abdullah Abbas
abdullah.abbas@arqaamcapital.com

Capital ratios remain robust despite 16.4% higher RWAs: GFH operates at CET1 and CAR of 16.4% and 17.03% FY24, respectively, compared to 19.74% and 20.98% at YE23. RWAs increased by 16.4% y/y in FY24, mostly related to increased risk-weighted credit assets such as financing contracts, which increased by 33% y/y. The asset/equity ratio is 11.25x while net loan/equity remains 6.6x. GFH reported an NSFR and LCR of 137% and 195%, respectively.

The CoF for quasi-equity is elevated at 6.8% on the back of higher allocation of NI to Quasi-Equity shareholders: Net income attributable to Quasi-Equity surged +78% y/y to FY 24 to USD 202.3m, driven by higher allocation to quasi-equity shareholders despite a decline in -14% y/y for the quasi-equity funding base. We continue to see elevated funding costs due to the participating nature of quasi-equity, which constitutes 27% of total assets. At the same time, we see it as a strong earnings cushion for GFH.

Maintain Buy at TP of USD 0.41 or AED 1.51/share; we highlight GFH as an attractive RoE expansion story, potential cross-listing in KSA, and a cash dividend yield of 5.2%, now paid semi-annually. GFH offers a RoE of 12-16% in the medium term through i) lower finance costs on deleveraging quasi-equity, ii) lower interest rates, iii) gradual improvement in the deal flows, iv) regulatory arbitrage, benefiting from zero risk weighting for its high yielding treasury book of USD 4.8bn. GFH trades at FY 25e P/E of 10x and P/B of 1.1x.

The next catalysts are expanding the IB platform and recovering commercial banking performance (on lower CoF), interest rate cuts, and potential KSA cross-listing.

Exhibit 1: Exhibit 1: GFH Q4 Results Summary

(USDm)	Q4 24A	ACe	vs. ACe	Q4 23A	Δ y/y	Q3 24A	q/q	FY 24A	FY 23A	Δ y/y
Revenue By Segment										
IB Revenue	47	53	(11%)	35	34%	45	4%	180	201	(11%)
Commercial Banking	37	20	81%	13	177%	31	19%	133	68	95%
Proprietary & Treasury	106	28	279%	94	12%	79	35%	363	214	70%
Total Revenue	189	101	87%	143	33%	154	23%	676	483	40%
Expenses By Segment										
IB	55	37	49%	29	92%	18	205%	131	146	(10%)
Commercial Banking	27	15	81%	25	9%	25	10%	100	51	95%
Treasury and Property	76	17	355%	58	35%	79	(2%)	298	161	85%
Total Expenses	161	69	132%	112	44%	123	31%	529	358	48%
Impairment	4			7		4		18	20	(12%)
Net income	35	32	3%	24	35%	28	18%	129	105	22%
Cost to Income	84.9%	68.6%	16.3 ppts	78.3%	6.6 ppts	79.4%	5.5 ppts	78.3%	74.0%	4.3 ppts
ROE	11.9%	11.1%	0.8 ppts	8.4%	3.5 ppts	10.3%	1.6 ppts	12%	10%	2.0ppts
ROA	1.2%	1.1%	0.1 ppts	0.9%	0.3 ppts	1.0%	0.2 ppts	4.7%	3.8%	0.9 ppts
NPM	17.2%	31.4%	-14.1 ppts	16.9%	0.3 ppts	17.9%	-0.7 ppts	19.1%	21.8%	-2.7 ppts

Source: Arqaam Capital Research, Company Data

Exhibit 2: Valuation Table: (USD m)

Year-end	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e	perp	subtotal	% of total
1. DCF																
Net profit	217	107	114	66	45	84	90	103	117	140	171	192	214	220		
Other adjustments (comprehensive income and GW amortization)	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
Minus: excess return excess capital	18	16	17	10	7	5	5	16	10	11	11	12	13	13		
Risk free rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%		
Tax shelter	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
Adjusted net profit	199	91	97	56	38	79	85	87	107	129	160	180	201	206		
Capital requirements	516	1,007	964	1,000	993	992	874	622	827	883	943	1,008	1,078	1,105		
RoEC	38.5%	9.1%	10.1%	5.6%	3.8%	8.0%	9.7%	14.0%	12.9%	14.6%	16.9%	17.8%	18.7%	18.7%		
Cost of capital	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%		
Capital charge	67	131	125	130	129	129	114	81	108	115	123	131	140	144		
Economic profit	132	(40)	(28)	(74)	(91)	(50)	(29)	6	(1)	14	37	49	61	63		
Discount factor	--	--	--	--	--	--	--	--	1.00	0.88	0.78	0.69	0.61	0.54		
NPV of Economic Profit	--	--	--	--	--	--	--	--	(1)	13	29	34	38	34		
DCF EVA Forecast period															112	7.1%
Perpetual growth rate (nominal GDP)															2.5%	
Terminal Value															598	
Terminal value discounted															325	20.5%
Required Capital															622	39.3%
Value of the bank operations															1,059	66.8%
2. Capital surplus/deficit																
Available capital:																
Shareholders equity	908	1,150	1,059	1,005	913	963	997	990	1,045	1,120	1,215	1,308	1,407			
Minorities	214	346	364	288	273	205	75	85	96	104	112	121	131			
Less Goodwill & intangibles	(55)	--	--	--	--	--	--	--	--	--	--	--	--			
Less non equity elements reported shareholders equity																
Less Dividends (if included in reported equity)	(89)	(85)	(32)	(33)	(18)	(46)	(61)	(61)	(65)	(76)	(99)	(115)	(134)			
Tangible equity	978	1,411	1,391	1,260	1,168	1,122	1,010	1,013	1,077	1,147	1,228	1,314	1,404			
Capital needs																
RWAs (Basel III)	4,299	8,388	8,031	8,330	8,272	8,268	7,285	5,182	6,895	7,360	7,861	8,402	8,986			
Equity as % RWA	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%			
Financial stakes	--	--	--	--	--	--	--	--	--	--	--	--	--			
Capital Requirements	516	1,007	964	1,000	993	992	874	622	827	883	943	1,008	1,078			
Surplus capital	462	404	427	260	175	130	136	392	249	264	284	306	326		392	24.7%
3. Other adjustments																
Real Estate hidden value															122	7.7%
Underprovisioning vs. arqaam acid test (conservative)															(53)	
Total adjustments															69	4.4%
4. Dividends															65	4.1%
Total Fair Value															1,584	100%
Fully diluted number of shares															3,833	
Fair value per share															0.41	
Current share price															0.31	
Upside															33.3%	
Implied P/E (x)	7.3	14.8	13.9	24.0	35.1	18.8	17.6	15.4	13.6	11.4	9.2	8.3	7.4			
Implied P/NAV (x)	1.9	1.4	1.5	1.6	1.7	1.6	1.6	1.6	1.5	1.4	1.3	1.2	1.1			

Source: Company Data, Arqaam Capital Research

Important Notice

1. Author, regulator and responsibility

Arqaam Capital Limited ("Arqaam") is incorporated in the Dubai International Financial Centre ("DIFC") and is authorised and regulated by the Dubai Financial Services Authority ("DFSA") to carry on financial services in and from the DIFC. Arqaam publishes and distributes (i.e. issues) all research.

Arqaam Capital Research Offshore s.a.l. is a specialist research centre in Beirut, Lebanon, which assists in the production of research issued by Arqaam.

2. Purpose

This document is provided for informational purposes only. Nothing contained in this document constitutes investment, legal, tax or other advice or guidance and should be disregarded when considering or making investment decisions. In preparing this document, Arqaam did not take into account the investment objectives, financial situation and particular needs of any particular person. Accordingly, before acting on this document, investors should independently evaluate the investments and strategies referred to herein and make their own determination of whether it is appropriate in light of their own financial circumstances and objectives.

3. Rating system

Arqaam investment research is based on the analysis of regional and country economics, industries and company fundamentals. Arqaam company research reflects a long-term (12-month) fair value target for a company or stock. The ratings bands are:

Buy	Total return >15%
Hold	0-15%
Sell	Total return <0%

In certain circumstances, ratings may differ from those implied by a fair value target using the criteria above. Arqaam policy is to maintain up-to-date fair value targets on the companies under its coverage, reflecting any material changes to the analyst's outlook on a company. Share price volatility may cause a stock to move outside the rating range implied by Arqaam's fair value target. Analysts may not necessarily change their ratings if this happens, but are expected to disclose the rationale behind their view to Arqaam clients.

4. Accuracy of information

The information contained in this document is based on current trade, statistical and other public information we consider reliable. We do not represent or warrant that such information is accurate or complete and it should not be relied upon as such. Any mention of market rumours has been derived from the markets and is not purported to be fact or reflect our opinions. Arqaam has no obligation to update, modify or amend this document or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. In accordance with Regulation AC of the 1934 Exchange Act, the views expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and are subject to change without notice. No part of the research analysts' compensation is related to the specific recommendations or views in the research report.

5. Recipients and sales and marketing restrictions

5.1 Nothing in this document should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction, or to provide any investment advice or service.

5.2 This document is directed at Professional Clients and not Retail Clients within the meaning of DFSA rules. Any investments or financial products referred to herein will only be made available to clients who Arqaam is satisfied qualifies as Professional Clients. Any other persons in receipt of this document must not rely upon or otherwise act upon it.

5.3 This document is only being distributed to investors who meet certain qualifications and to whom an investment or service may be offered or promoted in accordance with relevant country restrictions. This excludes the US except for SEC registered broker-dealers (or banks in permissible "broker" or "dealer" capacity) acting on a principal or agency capacity, and major US institutional investors in accordance with SEC Rules 15a-6(a)(2). Details of other relevant country restrictions are set out on our website at <http://www.arqaamcapital.com/english/system/footer/terms-of-use.aspx>. Persons into whose possession this document comes are required to inform themselves about, and observe, such restrictions and should not rely upon or otherwise act upon this document where it is unlawful to make to such person such an offer or invitation or recommendation without compliance with any authorisation, registration or other legal requirements.

6. Risk warnings

6.1 Any prices, valuations or forecasts are indicative and are not intended to predict actual results, which may differ substantially from those reflected.

6.2 The value of an investment may go up as well as down. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including, without limitation, foreseeable or unforeseeable changes in interest rates, foreign exchange rates, default rates, prepayment rates, political or financial conditions, etc.).

6.3 Past performance is not indicative of future results. Any opinions, estimates, valuations or projections (target prices and ratings in particular) are inherently imprecise and a matter of judgement. They are statements of opinion and not of fact, based on current expectations, estimates and projections, and rely on beliefs and assumptions. Actual outcomes and returns may differ materially from what is expressed or forecasted. There are no guarantees of future performance.

6.4 Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors.

6.5 This document does not propose to identify or to suggest all of the risks (direct or indirect) which may be associated with the investments and strategies referred to herein.

7. Conflict

7.1 Arqaam and its affiliates provide full investment banking services, and they and their directors, officers and employees, may take positions which conflict with the views expressed in this document. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this document. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this document.

7.2 Arqaam may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this document.

7.3 Facts and views presented in this document have not been reviewed by, and may not reflect information known to, professionals in other Arqaam business areas, including investment banking personnel.

7.4 Emirates NBD PJSC owns 8.32% of Arqaam.

7.5 The report on GFH is a commissioned piece, for which Arqaam Capital has been remunerated.

8. No warranty

Arqaam makes no representations or warranties and, to the fullest extent permitted by applicable law, we hereby expressly disclaim any and all express, implied and statutory representations and warranties of any kind, including, without limitation, any warranty as to accuracy, timeliness, completeness, merchantability, fitness for a particular purpose and/or non-infringement.

9. No liability

Arqaam will accept no liability in any event including (without limitation) negligence for any damages or loss of any kind, including (without limitation) direct, indirect, incidental, special or consequential damages, expenses or losses arising out of, or in connection with your use or inability to use this document, or in connection with any error, omission, defect, computer virus or system failure, or loss of any profit, goodwill or reputation, even if expressly advised of the possibility of such loss or damages, arising out of or in connection with your use of this document. We do not exclude our duties or liabilities under binding applicable law.

10. Copyright and Confidentiality

The entire content of this document is subject to copyright with all rights reserved and the information is private and confidential for your own personal use only. This document and the information contained herein may not be reproduced, distributed or transmitted to any other person or incorporated in any way into another document or other material without our prior written consent.

11. Governing law

English law governs this document and these disclaimers and any dispute in relation thereto shall be exclusively referred to the English Courts.

GFH Financial Group (GFH)

Strong growth across the Treasury and Investment Banking segment drove profitability

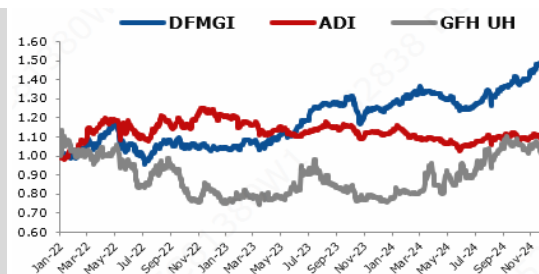
Current Price
AED 1.14

Target Price
AED 1.50

Upside/Downside (%)
32%

Rating
BUY

- Investment banking segment completed 13 deals in 2024.
- Total AUM increased to USD 22 Bn in 2024 from USD 20 Bn in 2023.
- Partnerships with leading acquired asset managers in the UK and US, providing access to high-potential investment opportunities
- Solid liquidity with 48% of assets in cash and the treasury portfolio.
- CAR, LCR, and NSFR ratios remain strong, exceeding regulatory requirements.
- Proposed cash dividend of 6.02 fils per share for 2024 with a dividend yield of 5.3%.



4Q24 Net Profit higher than our estimate

GFH Financial Group's (GFH/the Company) net profit increased 27.6% YOY to USD 31 Mn in 4Q24, higher than our estimate of USD 24 Mn. The increase in net profit is primarily driven by strong growth in Treasury & Proprietary and Investment Banking income, partially offset by a decline in Commercial Banking income, higher operating expenses, finance expense, and due to Quasi equity.

P&L Highlights

GFH's total income increased 32.6% YOY to USD 189 Mn in 4Q24, mainly driven by a strong performance from the Investment Banking and Treasury & Proprietary revenue Segments, partially offset by a decline in income from the Commercial Banking segment. Income from Investment Banking grew 33.7% YOY to USD 47 Mn in 4Q24, owing to significant growth in income from Asset Management, partially offset by a decline in Deal-related income. Income from Treasury & Proprietary investments boosted 66.3% YOY to USD 103 Mn in 4Q24, due to the Company's asset monetization strategy and solid portfolio management. However, income from commercial Banking declined 13.4% YOY to USD 40 Mn in 4Q24, attributed to a decline in fees & other income and a significant increase in funded expenses. Furthermore, GFH's operating expenses rose 56.4% YOY to USD 96 Mn in 4Q24, coupled with an increase in cost-to-income ratio from 42.9% in 4Q23 to 50.6% in 4Q24. Thus, operating profit increased 14.7% YOY to USD 93 Mn in 4Q24, while the operating profit margins decreased 771 bps YOY to 49.4%. In addition, the Company's finance cost rose 23.4% YOY to USD 20 Mn in 4Q24. GFH recorded an impairment charge of USD 4 Mn in 4Q24 compared to an impairment reversal of USD 7 Mn in 4Q23. Furthermore, share of profit attributable to quasi-equity holders stood at USD 45 Mn in 4Q24, compared to USD 35 Mn in 4Q23.

Stock Information

Market Cap (AED, Mn)	4,369.16
Paid Up Capital (Mn)	1,015.64
52 Week High	1.30
52 Week Low	0.93
3M Avg. daily value (AED)	5,261,915

4Q24 Result Review (USD, Mn)

Total Assets	11,031
Total Liabilities	6,935
Total Equity	1,115
Total Income	189
Net Profit	31

Financial Ratios

Dividend Yield (12m)	5.28
Dividend Pay-out (%)	49.46
Price-Earnings Ratio(x)	7.75
Price-to-Book Ratio (x)	1.13
Book Value (USD)	0.27
Return-on Equity (%)	12.03

Stock Performance

5 Days	-3.39%
1 Months	-0.87%
3 Months	-5.79%
6 Months	-10.94%
1 Year	19.37%
Month to Date (MTD%)	-3.39%
Quarter to Date (QTD%)	-6.56%
Year to Date (YTD%)	-6.56%

Balance Sheet Highlights

GFH's assets under management increased from USD 20 Bn in 2023 to USD 22 Bn 2024. CET 1 ratio and capital adequacy ratio stood healthy at 16.4% and 17.0%, respectively, in 4Q24. Likewise, GFH's NSFR and LCR stood at 133% and 194% in 4Q24. GFH's total equity increased marginally by 1.2% QOQ and 3.8% YOY to USD 1.1 Bn in 4Q24. GFH's total assets increased 0.8% QOQ but declined 0.8% YOY to USD 11.0 Bn in 4Q24

Target Price and Rating

We maintain our BUY rating on GFH with a revised target price of AED 1.50. GFH profitability improved in 4Q24 primarily driven by strong growth across all segments partially offset by a lower income from the Commercial Banking segment. GFH completed 13 investment banking deals in 2024 along with several well-timed exits from investments. The Group also completed the sale of its education platform and achieved an early exit from its joint investment in Citrix, 18 months ahead of the planned three-year period. Additionally, GFH exited real estate assets from its proprietary portfolio. Furthermore, regulatory ratios, including CAR, LCR, and NSFR, remain strong and well above the required thresholds. The Company continues to expand its investment portfolio globally by strengthening its access to the US markets and leveraging industry growth in the GCC, particularly in the UAE and KSA. Khaleeji Commercial Bank launched its digital banking platform "Hafeez" that offers new services to streamline procedures and improve efficiency. GFH's sustained profitability ensured stable dividend payments, proposing 6.02 fils per share for 2024, with a dividend yield of 5.3%. Additionally, the board proposed paying semi-annual dividends from 2025. 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	23.7	12.1	11.9	10.7	9.6	10.4
PB	1.3	1.3	1.2	1.1	1.2	1.2
Cash dividend yield	1.5%	3.8%	5.0%	5.3%	5.3%	5.3%

FABS Estimates & Co Data

GFH - P&L

USD mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Investment Banking Income	35	45	47	49	-3.8%	33.7%	4.2%	201	180	-10.5%
Commercial banking income	46	37	40	34	17.7%	-13.4%	9.3%	136	149	9.4%
Treasury & proprietary income	62	73	103	76	34.5%	66.3%	41.0%	146	347	138.1%
Total income	143	154	189	159	19.1%	32.6%	22.7%	483	676	39.9%
Operating expenses	61	45	96	50	92.2%	56.4%	113.8%	181	253	39.2%
Operating Profit	82	109	93	109	-14.3%	14.7%	-14.6%	302	423	40.2%
Finance expenses	16	21	20	22	-9.5%	23.4%	-7.0%	62	74	18.7%
Impairment allowance	7	4	-4	5	NM	NM	NM	20	18	-10.6%
Total Expense excl. OPEX	23	25	15	26	-42.5%	-33.1%	-39.5%	83	92	11.5%
Profit before tax	59	84	78	83	-5.3%	33.1%	-7.1%	219	331	51.1%
Quasi equity	35	57	45	57	-20.2%	30.9%	-19.9%	114	202	NM
Non-Controlling Interest	0	0	2	2	14.3%	NM	NM	2	10	NM
Profit to shareholders	24	27	31	24	28.8%	27.6%	12.3%	103	119	15.2%

FABS estimate & Co Data

GFH - Margins

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Operating margin	57.1%	70.9%	49.4%	-771	-2,156	62.5%	62.6%	17
Net profit margin	16.8%	17.6%	16.1%	-62	-149	21.3%	17.5%	-375

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	1.46	70.0%	1.02
Relative valuation	1.60	30.0%	0.48
Weighted Average Valuation (AED)			1.50
Current market price (AED)			1.14
Upside/Downside (%)			+32%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 10.3%. The cost of equity is calculated by using a 10-year government bond yield of 6.8%, beta of 0.83 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)	5
Terminal value (USD, Mn)	2
Required Capital	754
FV to common shareholders (USD, Mn)	862
Capital Surplus	298
Dividend	63
Fair Value gain on real estate	302
Total Fair Value (USD, Mn)	1,525
No. of share (Mn)	3,833
Current Market Price (AED)	1.14
Fair Value per share (AED)	1.46

Residual Income Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net profit	110	119	123	122	124
Excess return excess capital	-34	-30	-30	-30	-31
Adjusted net Profit	75	89	93	92	93
Equity Charge	-81	-84	-87	-90	-93
Economic Profit	-5	5	6	2	1
Discounting Factor	0.92	0.84	0.76	0.69	0.62
Present value of excess equity	-5	4	4	1	0

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 8.3. Treasury and Hold Co. segment is valued using international peers using a median PB multiple of 1.1x.

Commercial bank	Market (USD Mn)	PB (x)		PE (x)	
		2025F	2026F	2025F	2026F
Bank Muscat	5,030	1.0	0.9	8.4	7.8
RAK Bank	3,724	1.1	1.0	7.0	7.2
Emirates NBD	38,605	1.2	1.1	6.1	6.8
Banque Saudi Fransi	10,689	1.0	0.9	9.1	8.5
Bank Aljazira	4,747	1.2	1.1	12.8	10.6
Average		1.1x	1.0x	8.7x	8.2x
Median		1.1x	1.0x	8.4x	7.8x
Max		1.2x	1.1x	9.1x	8.5x
Min		1.0x	0.9x	7.0x	7.2x

Source: FAB Securities

Investment bank	Market (USD Mn)	PB (x)		PE (x)	
		2025F	2026F	2025F	2026F
Stifel Financial Corp	11,018	2.0	1.8	12.9	11.2
Guotai Junan Securities	19,926	0.9	0.9	12.7	11.5
Samsung Securities	2,791	0.5	0.5	4.7	4.6
EFG holdings	710	1.2	1.1	8.3	7.2
Lincoln National Corporation	6,646	0.8	0.7	5.1	4.6
Average		1.1x	1.0x	8.7x	7.8x
Median		0.9x	0.9x	8.3x	7.2x
Max		1.2x	1.1x	12.7x	11.2x
Min		0.8x	0.7x	5.1x	4.6x

Source: FAB Securities

Treasury and Holdco	Market (USD Mn)	PB (x)		PE (x)	
		2025F	2026F	2025F	2026F
Nomura Holdings	19,036	0.8	0.8	9.1	9.4
Canaccord Genuity Group	547	1.1	0.8	11.2	7.9
Barclays PLC	56,377	0.7	0.6	7.3	6.1
PNC financial services	75,952	1.4	1.3	12.5	11.1
Insignia Financial	1,773	1.4	1.3	11.8	10.9
Average		1.1x	1.0x	10.4x	9.1x
Median		1.1x	0.8x	11.2x	9.4x
Max		1.4x	1.3x	11.8x	10.9x
Min		0.8x	0.8x	9.1x	7.9x

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

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.