



CMP/AUG/2019/0007

13th August 2019

Mr. Hassan Al Serkal

EVP, COO – Head of Operations Division, Market Operations Division

Dubai Financial Market

P.O Box 9700

Dubai - United Arab Emirates

Dear Mr. Al Serkal,

Subject: Results of GFH Financial Group's Webcast for Q2 2019 Financials

Further to GFH's market notification dated 7th August 2019 on the subject, GFH is pleased to inform its shareholders and the markets about the successful live webcast session which was broadcasted online, Thursday, 8th August 2019, at 3:30 p.m. Kingdom of Bahrain time.

Attached herein is the presentation discussed during the session and the transcript of the live webcast. We would also like to advise the shareholders that they may watch the repeat of the aforementioned webcast through the below link:

<https://attendee.gotowebinar.com/register/3271964486047454220>

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Nabeel Mirza', enclosed within a blue oval scribble.

Nabeel Mirza

Head of Compliance



GFH Financial Group BSC (c)

A photograph of the Dubai skyline at sunset, featuring several skyscrapers with lights on, reflected in the water in the foreground. The sky is a mix of orange, yellow, and blue.

GFH Financial Group H1 2019 Financial Performance
Presentation to Investors and Analysts
14 August 2019

Important Notice and Forward-Looking Statements

Important notice

The information set out in this presentation and subsequent webcast does not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any recommendation in respect of such securities or instruments.

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Agenda

1. Financial performance – H1 2019
2. Q & A

Financial Performance - H1 2019

US\$ m	H1 2019	Q2 2019	Q1 2019	H1 2018
Investment banking income	43.5	36.1	7.4	32.7
Commercial Banking income	37.9	23.9	14.0	26.9
Proprietary and co-investment income	40.0	10.6	29.4	44.6
Real Estate Income	14.7	6.7	8.0	5.8
Treasury and Other income	26.9	15.6	11.3	27.0
TOTAL INCOME	163.0	92.9	70.1	137.0
Finance Expenses	53.7	30.0	23.7	15.4
Other Operating Expenses	48.8	26.9	21.9	42.5
TOTAL EXPENSES	102.5	56.9	45.6	57.9
Profit before impairment	60.5	36.0	24.6	79.1
Provision for Impairment	12.2	8.4	3.8	5.7
Net profit	48.3	27.6	20.8	73.4
Profit attributable to shareholders of the Bank	49.1	27.8	21.3	72.5

Balance Sheet - Q1 2019

US\$ m	Q2 2019	Q1 2019	YE 2018	Q2 2018
Treasury portfolio, including cash and bank balances	2,052.0	2,019.1	1,159.6	578.7
Financing assets	1,300.2	1,272.6	1,208.9	1,226.2
Real estate investment	1,821.4	1,824.9	1,840.0	1,798.5
Proprietary and co-investments	356.0	348.9	311.6	317.6
Other assets	608.2	440.7	469.1	409.3
TOTAL ASSETS	6,137.9	5,906.1	4,989.2	4,330.2
Placements from FI & non-FI	2,789.8	2,598.1	1,628.4	947.2
Customer current accounts	163.7	161.5	177.9	165.8
Term financing	199.9	238.2	256.2	471.4
Other liabilities	608.9	552.0	607.2	468.0
EIAH	995.8	947.2	896.9	832.1
TOTAL LIABILITIES	4,758.1	4,497.0	3,566.6	2,884.5
Total Equity attributable to shareholders of Bank	1,036.8	1,048.4	1,058.8	1,114.2

Key ratios

Profitability ratios (Standalone)

Q2 19 Q1 19 Q4 18 Q3 18

Return on Equity

2.75% 2.16% 0.94% 2.68%

Return on Assets

0.78% 0.63% 0.38% 1.43%

Liquidity ratios (Standalone)

Q2 19 Q1 19 Q4 18 Q3 18

Debt to Equity Ratio

2.31 2.16 1.20 0.67

Net Debt to Equity Ratio

0.85 0.92 0.71 0.56

Regulatory ratios (Consolidated)

Q2 19 Q1 19 Q4 18 Q3 18

Capital Adequacy Ratio

14.4% 15.6% 15.2% 17.8%

Thank you
Q & A



GFH Webcast on Q2 2019 Financial Results

Attendees from GFH Financial Group:

- **Mr. Surya Hariharan (Head of Financial Control)**

Good afternoon Ladies and Gentlemen. I, Surya Hariharan, Head of Financial Control, on behalf of the GFH management team welcome you to GFH Financial Group's financial results presentation for the first half of 2019.

At the outset, we are pleased to present to you the Group's financial results for the first half of 2019, which have marked another period of profitability and contributions from across business lines.

Let me start the session with the key performance highlights from the income statement for the first half of 2019:

- Total income of the Group was US\$163.5m for the first half of 2019 compared to US\$134.1m, an increase of 21.9%. This increase is primarily driven by the increased contribution from Investment banking, Proprietary investments, Treasury, and Real Estate business lines. Excluding the one-off recovery income and restructuring income in the first half of 2018, total income of the Group for first half of 2019, grew by 114.3% compared to the comparative period.
- Total operating expenses of the Group was US\$48.8m for the first half of 2019 compared to US\$42.5m for the comparative period, an increase of 14.8%.
- Finance expenses of the Group increased from US\$15.4m for the first half of 2018 to US\$53.7m for the first half of 2019. An increase in the money market as part of the Group's growing treasury portfolio and increased revenue generation from that business line also led to an increase in related costs.
- Net profit attributable to the shareholders of the Bank for the first half of 2019 was US\$49.1m compared to US\$72.5m for the comparative period in 2018, a decrease of 32.3%. For the first half of the year, the decrease in net profits is attributed to lower contribution from the Group's commercial banking arm due to higher impairment provisions at the commercial bank during second quarter of 2019. However, excluding the one-off recovery income and restructuring income in the first half of 2018, net profit attributable shareholders grew by 234.0% in first half of 2019.
- Impairment provisions for the Group stood at US\$12.2m for the first half of 2019 compared to US\$5.7m for the comparative period in 2018, primarily from the commercial banking subsidiary of the Group.
- Earnings per share decreased in first half of 2019 to 1.45 US cents from prior period level of 2.02 US cents in line with the earnings.

On the balance sheet, the key highlights were as follows:

- Total assets of the Group have increased to \$6.1bn at 30 June 2019 from \$4.9bn at 2018 year end, primarily on account of increase in liquid assets of the Bank.
- Total liabilities of the Group have increased to \$3.8bn at 30 June 2019 from \$2.7bn at 2018 year end, primarily due to the increase in the money market funds raised by the Bank. Money market funds raised by the Bank at 30 June 2019 is \$2.2bn compared to \$1.0bn at 31 December 2018, which underscores the trust that the market and clients are placing in GFH's creditworthiness. The growing deposit base has resulted in a leverage ratio of 2.31x and a net leverage ratio of 0.85x.
- Equity attributable to shareholders of the Bank was \$1.04bn at 30 June 2019 compared to \$1.06bn at 2018 year end. This is due to reduction in retained earnings by \$30m for dividends approved by shareholders.



Most business lines across the Group have delivered strong performances during the first half of 2019, with further details on the major developments achieved within each business line to follow:

- Investment banking contributed 26.6% to the total income of the Group mainly from placement activities in the Education platform and a US based real estate project
- The Group's strategy for its Treasury business line has shown significant improvement with Treasury contributing to 15.8% of the total income through investments in Sukuks and structured products
- Solid performance from the proprietary investments held by the Bank as the business line generated 24.5% of the total income
- Real estate contributed 9.1% of the total income for the first half of 2019, primarily from sale of development units in Bahrain
- Commercial banking contributions were low due to provisions.

The results for the first half of 2019 reflects the contribution from the different business lines of the Group that has and will drive the growth during the various quarters. We have an exciting pipeline of both regional and international transactions, which will be presented to our investors during coming quarters of 2019.

GFH's results for the first half, which translate into an annualised return on equity of 11%, are a testament to the enduring success of the strategy adopted by the Group.

Strong and consistent growth across the Bank's core business lines continues to deliver solid results and steady improvements in income generation. We expect all of our business lines to continue their strong performance and look forward to strong results, improved profitability and returns for our shareholders.

I would like to thank you for your time this afternoon and open the floor for any questions you might have.

(Please note that no questions have been raised during the webcast)