



GFH Financial Group Year 2019 Financial Performance

Presentation to Investors and Analysts

13 February 2020

Importance 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.

Forward-looking statements

This presentation and subsequent webcast may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position and business of the Group (together, "Forward-Looking Statements"). Any such Forward-Looking Statements are not a reliable indicator of future performance, as they may involve significant assumptions and subjective judgments, which may or may not prove to be correct, and there can be no assurance that any of the matters set out in Forward-Looking Statements are attainable, will actually occur or will be realized or are complete or accurate. Forward-Looking Statements are statements about the future and are inherently uncertain and generally based on stated or implied assumptions. The assumptions may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any Forward-Looking Statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions or regulatory changes). Any such Forward-Looking Statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any Forward-Looking Statements.

Highlights of Financial Performance



- Operating income for the year 2019 grew by 17% to USD 335.7m from USD 286.2m for the previous year. *The highlight of the operating income for 2019 has been the improvement in quality of income.*
- Shareholders profit for the year 2019 of USD 80.1m compared to USD 114.1m in 2018, a decrease of 30%. Consolidated profit of USD 67.2m for the year 2019 compared to USD 115m in 2018, a decrease of 41.6% mainly due to KHCB provision.
- Shareholders profit for Q4 2019 of USD 6.5m compared to USD 10.6m in 2018, a decrease of 39%. Consolidated loss of USD 3.1m for Q4 2019 compared to consolidated profit of USD 10.4m in 2018.
- Operating expenses, including finance expenses has increased from USD 157m for the year 2018 to USD 213.7m in 2019, an increase of 36%. Finance expenses has increased due to the increase in the money market funds received during the year.
- Provision for impairment increased 3 fold from USD 17.6m in 2018 to USD 54.3m for 2019 and is from KHCB. KHCB has taken provisions on its credit and investment book during 2019 which is expected to improve their performance going forward.

	YE 2019	YE 2018
EBITDA margin	53.2%	54.0%
Net Profit margin	20.0%	40.2%
Return on Equity	7.8%	10.3%
Return on Assets	1.5%	2.5%
Capital Adequacy Ratio	13.9%	16.5%
Liquidity Coverage Ratio	180%	103%
Net Stable Funding Ratio	101%	101%
Leverage Ratio (Basel III)	17.9%	22.4%



Highlights of Financial Performance



- Total assets of the Group increased from USD 4.99bn in 2018 to USD 5.9bn in 2019, an increase of 19%. The primary reason for the increase is receipt of money market funds which has been deployed in liquid assets consequently increasing liquid assets from USD 1.1bn in 2018 to USD 1.9bn at 2019 year end, an increase of 72%. Liquid assets yielded an average of 12.9% for the year 2019.
- Total liabilities of the Group has increased 28% from USD 2.67bn in 2018 to USD 3.43bn in 2019. The primary reason for the increase is receipt of money market funds which has increased 50% from USD 1.63bn in 2018 to USD 2.45bn in 2019. Money market funds had an average cost of funds for the year of 4.84%.
- Equity attributable to shareholders decreased from USD 1.06bn at end of 2018 to USD 1bn at end of 2019, a decrease of 5.7%. The decrease in equity is attributable to the dividend paid out for 2018, treasury shares purchased during the year as part of market making and acquisition of additional stake in Tunis project.
- Capital adequacy ratio (with dispensation) has dropped from 16.5% at end of 2018 to 13.5% at end of 2019 primarily due to reduction in equity balance and additional investment in real estate projects/entities.
- Market capitalization of GFH as of 31 December 2019 was USD 842m compared to USD 904m at 31 December 2018.

	YE 2019	YE 2018
EPS	2.37	3.22
Book value per share	1.00	1.06
Price to Book ratio	0.84	0.85
Market capitalisation	US\$842m	US\$904m
Net Debt to Equity Ratio	0.77x	0.68x
Dividend Yield (to Par)	5.57%	8.71%



Income statement

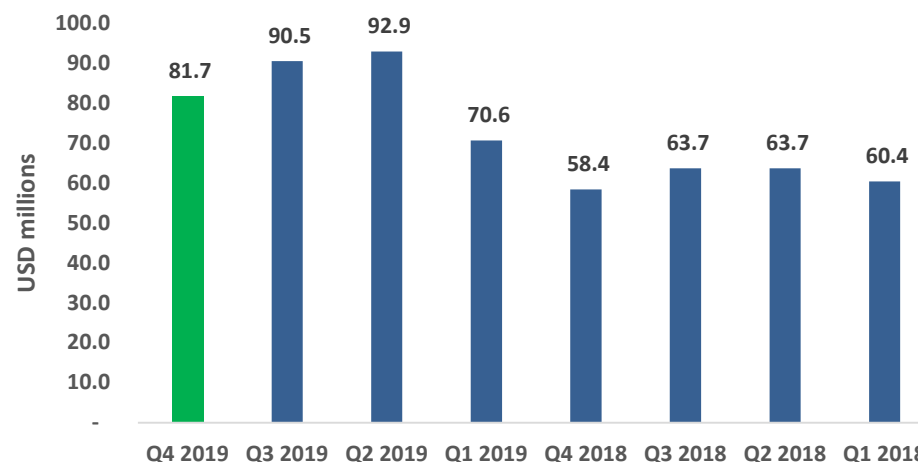
Compared to 2018, the quality of income for 2019 has improved substantially with 71% of the profit being cash profit compared to 2018 which did not have significant cash income.

Investment Banking - GFH placed 5 deals during the year generating an income of USD 93m, which is 132% increase compared to the previous year. The primary income was from the Education platform which was launched during 2019. The Bank was also successful in exiting investors of US \$ 100 mn.

Real Estate – Significant completion in the development projects along with improved sales in the projects ensured an income of USD 30.3m. During the year, one of the subsidiaries of the Bank, commenced the handover of the apartments and recognized income of USD 7.5m from the same. During the year, the Bank was also successful in partially exiting the investment in a Bahrain based hotel at a gain of USD 29.4m.

Treasury – Treasury business has seen a marked improvement during the year with money market funds continuing to be received. Compared to the previous year, the Bank has reduced its negative spread significantly and the last 2 quarters of 2019 has seen the spread being positive. Increase in the finance expenses by 181.8% due to the increased deposits taken by the Bank in 2019.

Total Revenues



Commercial Banking - KHCB has endured a challenging business environment, wherein it has continued to remain profitable operationally, but has reported a net loss due to the higher provisions in its corporate and investment books.

Operating expenses - Operating expenses were lower than the budget for the year both at GFH and commercial bank level.


Impairment provisions for the year were higher than the previous year primarily due to provisions at commercial bank.

Statement of financial position



	USD 000s				
	Dec 2019	Sep 2019	Jun 2019	Mar 2019	YE 2018
Cash and bank balances	362.3	401.9	369.6	541.9	341.6
Treasury portfolio	1,588.6	1,655.8	1,682.4	1,477.2	818.0
Financing assets	1,272.7	1,316.7	1,300.2	1,272.6	1,208.9
Real estate investment	1,806.0	1,815.8	1,821.4	1,824.9	1,840.0
Proprietary investment	268.2	276.5	279.0	271.3	234.0
Co-Investments	96.5	74.4	77.0	77.6	77.6
Assets held-for-sale	101.2	101.2	101.2	147.1	147.1
Receivables & prepayments	424.4	471.4	482.3	269.5	229.1
Property and equipment	25.4	24.6	24.7	24.1	92.9
Total Assets	5,945.3	6,138.3	6,138.0	5,906.2	4,989.2
Clients' funds	70.9	74.5	61.1	41.0	46.6
Placements from FI & non-FI	2,447.3	2,675.4	2,790.0	2,598.1	1,628.4
Customer current accounts	147.5	169.4	163.7	161.5	177.9
Term financing	279.4	268.0	200.0	238.2	256.2
Liabilities associated with assets held for sale	39.9	39.9	39.9	42.7	42.7
Payables and accruals	448.9	526.9	507.9	468.3	517.9
Total Liabilities	3,433.9	3,754.1	3,762.4	3,549.9	2,669.7
EIAH	1,218.6	971.5	995.8	947.2	896.9
Total Equity attributable to shareholders of Bank	1,004.5	1,072.5	1,036.8	1,048.4	1058.8
Non-controlling interest	288.3	340.2	343.0	360.8	364.0
Total Liability, EIAH & Equity	5,945.3	6,138.3	6,138.0	5,906.2	4,989.2





Thank you
Q & A