



# GFH Financial Group H1 2020 Financial Performance

Presentation to Investors and Analysts  
18 August 2020



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# Highlights of Financial Performance



- Total operating income of the Group was US\$146.5m for the six months of 2020 compared to US\$163.5m, a decrease of 10%. This decrease is primarily due to the global slowdown with the accompanying uncertainties in the economic environment driven by the impact of the COVID-19 pandemic on the general operating environment and markets since early 2020.

- The difficult operating and macro environment that the Group is currently facing meant a drop in net profit to attributable to shareholders to \$15.1m in H1'20, versus \$49.1m in H1'19, a decrease of 69.4%. Consolidated profit was USD 20.4m for H1'20 compared to USD 48.4m in H1'19, a decrease of 57.9% mainly due to lower contribution from the Group's treasury and real estate arm.

- Total operating expenses of the Group was US\$57.6m for the first six months of 2020 compared to US\$48.8m for the comparative period, an increase of 18.0%. Group financing expenses increased by 24.7% to US\$66.9m for the first six months of 2020, compared to US\$53.7m for the comparative period, mainly on account of the Sukuk that was issued during early 2020.

	H1'20	H1'19
EBITDA margin	56%	70.84%
Net Profit margin	10.3%	30.04%
Return on Equity	4%	9.48%
Return on Assets	0.55%	1.60%
EPS (USD cents)	0.45	1.45
Capital Adequacy Ratio	13.05%	14.07%



# Highlights of Financial Performance



- Total assets of the Group have increased to \$6.1bn at 30 June 2020 from \$5.9bn at 2019 year end, primarily on account of increase in liquid assets of the Bank.

- Total liabilities of the Group have increased to \$3.9bn at 30 June 20 from \$3.4bn at 2019 year end, primarily due to the financing obtained by the Group through the issuance of its landmark Sukuk. This has resulted in a leverage ratio of 3.78x and a net leverage ratio of 1.21x.

- Equity attributable to shareholders of the Bank was \$853m at 30 June 20 compared to \$1.0bn at 2019 year end. The decrease in equity is primarily attributable to the dividend paid out for 2019, issuance of AT1 for subsidiary along with effect of adoption of FAS 33

- Market capitalization of GFH as of 30 June 2020 was USD 552m compared to USD 847m at 31 December 2019.

	H1'2020	YE 2019
Book value per share (AED)	0.85	1.00
Price to Book ratio	0.65x	0.84x
Market capitalization	US\$ 552m	US\$ 847m
Net Debt to Equity Ratio	1.95x	1.42x



# Income statement



**Investment Banking** - GFH continued to capitalize on resilient investment banking opportunities, despite the challenging times in 2020 thus far. In this regard, GFH successfully closed two investment banking transactions in the US and GCC, with an aggregate ticket size of c.USD 120m. GFH continues to assess investment banking opportunities which have attractive entry valuations for good quality assets with solid fundamentals.

**Real Estate** – Significant completion of Phase 1 and handover of units in the landmark Villamar Project which is one of the flagship projects on Bahrain’s skyline (rebranded as Harbour Heights). GFH Properties has also signed with top tier international brands to establish franchises at the Harbour Row waterfront project located in the heart of Manama.

**Treasury** – The market downturn since the start of the year led many quality sovereign/ quasi-sovereign Sukuks and other blue chip assets to substantially decrease in value; and GFH was able to take advantage by acquiring higher quality assets with attractive valuations and higher yields. The Treasury business line has shown significant improvement with Treasury contributing to 29% of the total income through income from Sukuks and structured products.

**Commercial Banking** - KHCB has returned to its profitability during the first half of 2020 with an annualized return on equity of 12.7% compared to 0.4% in the first half of 2019.


**Operating expenses** – The Group has taken significant cost rationalization steps the impact of which will be visible from Q3 2020 onwards

**Impairment provisions** for the Group stood at US\$1.5m for the first six months 2020 compared to US\$12.2m for the comparative period in 2019 (a decrease of 87.3%), primarily due to lower impairment provisions at the commercial bank subsidiary of the Group.

# Statement of financial position

USD 000s

	June 2020	Dec 2019	June 2019
Cash and bank balances	598.9	364.5	371.8
Treasury portfolio	1,594.4	1,588.6	1,682.4
Financing assets	1,275.6	1,272.7	1,300.2
Real estate investment	1,808.5	1,806.0	1,821.4
Proprietary investment	251.3	268.2	279.0
Co-Investments	98.5	96.5	77.0
Receivables & prepayments	399.5	444.7	502.8
Property and equipment	107.7	103.8	103.1
<b>Total Assets</b>	<b>6,134.7</b>	<b>5,945.3</b>	<b>6,138.0</b>
Clients' funds	104.4	70.9	61.1
Placements from FI & non-FI	2,296.8	2,447.3	2,790.0
Customer current accounts	127.7	147.5	163.7
Term financing	929.5	301.4	222.0
Payables and accruals	3,96.2	466.9	525.9
<b>Total Liabilities</b>	<b>3,854.6</b>	<b>3,433.9</b>	<b>3762.3</b>
<b>EIAH</b>	<b>1,098.7</b>	<b>1,218.6</b>	<b>995.8</b>
<b>Total Equity attributable to shareholders of Bank</b>	<b>853.2</b>	<b>1,004.5</b>	<b>1,036.8</b>
Non-controlling interest	328.2	288.3	343.0
<b>Total Liability, EIAH &amp; Equity</b>	<b>6,134.7</b>	<b>5,945.3</b>	<b>6,138.0</b>



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Thank you  
Q & A