

# **GFH Financial Group 9M 2016 Results**

## **Presentation to Investors and Analysts**

**For the Period Ended September 30<sup>th</sup> 2016**



## 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.

### 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.

## Agenda

1. **Group 9M 2016 Highlights**
2. **9M 2016 Financial Performance Review**
3. **Q&A**

## Group 9M 2016 Highlights

<i>(in \$ million)</i>	9M 2015	9M 2016	Q3 2015	Q3 2016
Commercial Banking	41.1	45.6	12.7	13.8
RE Development	3.0	45.8	9.0	(2.3)
Private Equity & Asset Management	23.8	6.5	(5.3)	4.4
Others <sup>(1)</sup>	2.4	1.4	4.0	0.1
<b>Total Income</b>	<b>70.2</b>	<b>99.3</b>	<b>20.4</b>	<b>16.0</b>
Operating Expenses	(48.8)	(64.6)	(15.0)	(17.4)
<b>Profit Before Impairment</b>	<b>21.4</b>	<b>34.8</b>	<b>5.5</b>	<b>(1.5)</b>
Impairment Allowances & Others	(3.5)	(25.1)	(1.2)	(6.8)
<b>Net Profit</b>	<b>18.0</b>	<b>9.7</b>	<b>4.3</b>	<b>(8.3)</b>
<i>Attributable to Shareholders of the Group</i>	4.1	3.9	0.8	(7.6)
<i>Attributable to Minority Interest</i>	13.9	5.8	3.6	(0.7)
<b>Total Income Growth</b>		<b>41.4%</b>		
<b>Total Assets</b>	<b>2,964</b>	<b>2,803</b>		
<b>Total Equity</b>	<b>702</b>	<b>704</b>		
<b>Capital Adequacy Ratio (Basel III)</b>	<b>21%</b>	<b>24%</b>		

**Group total income increased by 41% to \$99.3 million in 9M 2016, with recoveries expected to be reflected in subsequent financials**

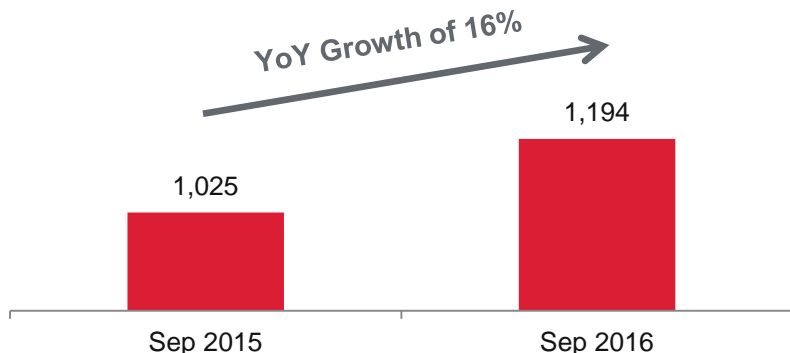
(1) Includes recoveries on previously impaired accounts, legal recoveries and finance expense.

## Agenda

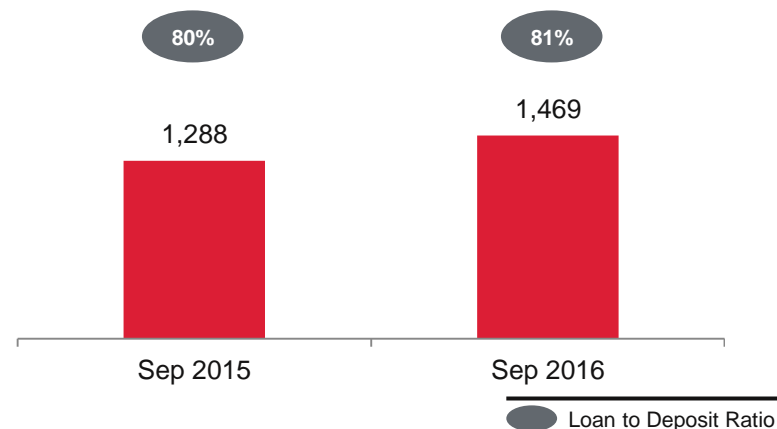
1. Group 9M 2016 Highlights
2. 9M 2016 Financial Performance Review
3. Q&A

# Commercial Banking – Sustained Growth in Profit Before Impairment of 16%

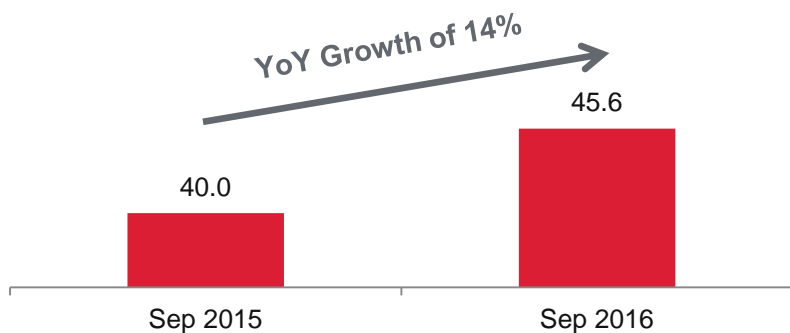
## Financing Assets (\$m) <sup>(1)</sup>



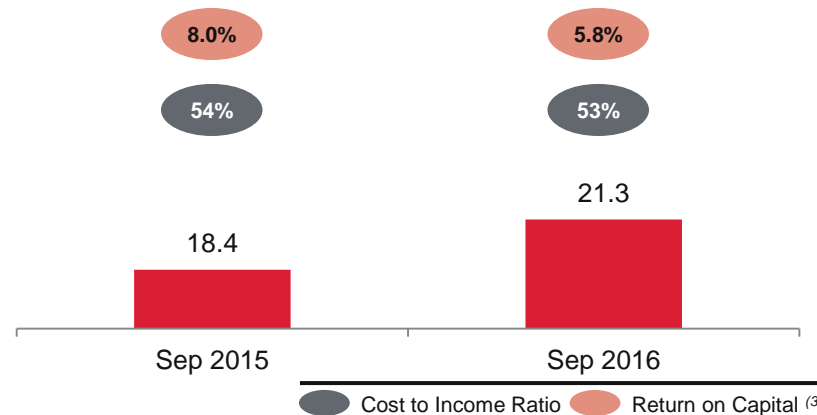
## Customer Deposits (\$m) <sup>(2)</sup>



## Total Income (\$m)



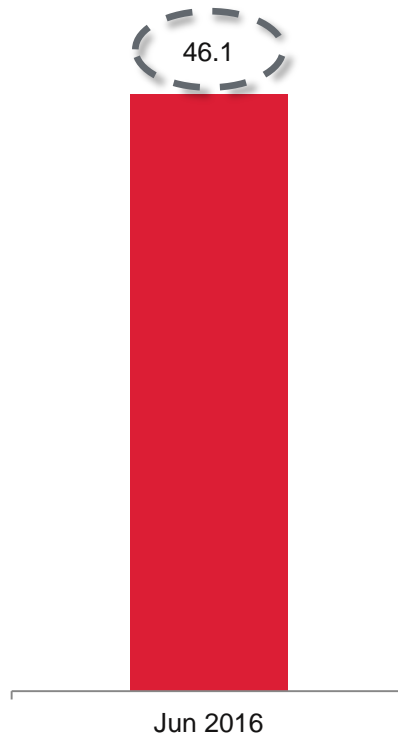
## Profit Before Impairment (\$m)



(1) Includes financing assets and assets acquired for leasing. (2) Includes customers' current accounts, placements from non-FIs & individuals and equity of investment account holders. (3) Annualized.

## Real Estate Development – Sale of Land Plot in BFH and Launch of Projects

### 9M 2016 RE Development Income (\$m)



- The Group recognized \$46.1 million income in its Real Estate Development business line on sale of one of its development plots in BFH precinct in Q2
- Harbour Row development, a mixed-use project within Bahrain Financial Harbour comprising of unique high quality residential units and lively retail elements launched in Q3 2016

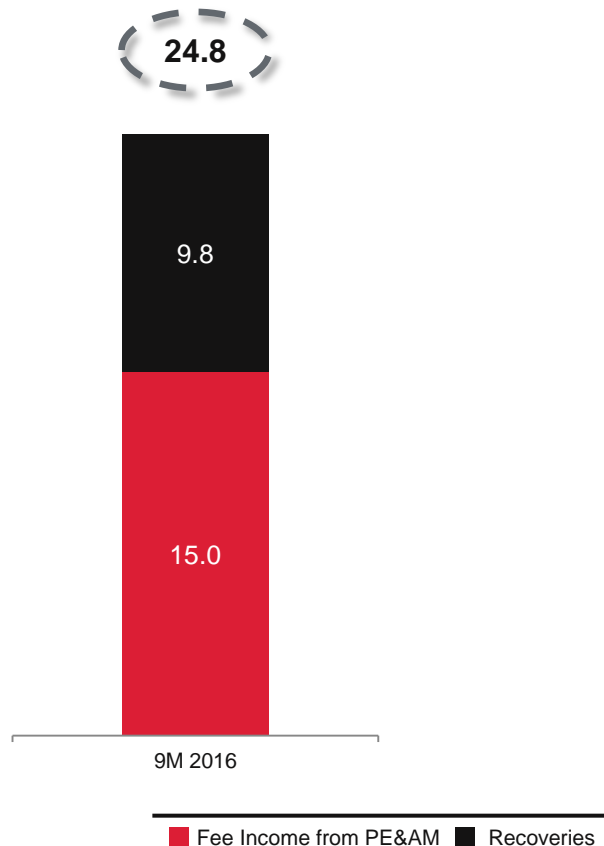


- Dubailand project, an upscale mixed-use development within close proximity to Sheikh Mohammed Bin Zayed Road in UAE, is expected to launch in Q4 2016



## PE&AM & Recoveries – Strong Levels of Income Generation in 9M 2016

### 9M 2016 Income Generation (\$m)



- Strong levels of fee generation & investment banking income for the Group in 9M 2016 of \$15.0 million
  - Positively impacted by Group's role in selling apartments to its investors in 1 Palace Street
  - 1 Palace Street is located opposite Buckingham Palace and comprises 72 extraordinary apartments, each individual in design and layout



- Recoveries to the Group during 9M 2016 from the Ex-Chairman and settlement of other receivables with other third-parties resulting in income of \$9.8 million

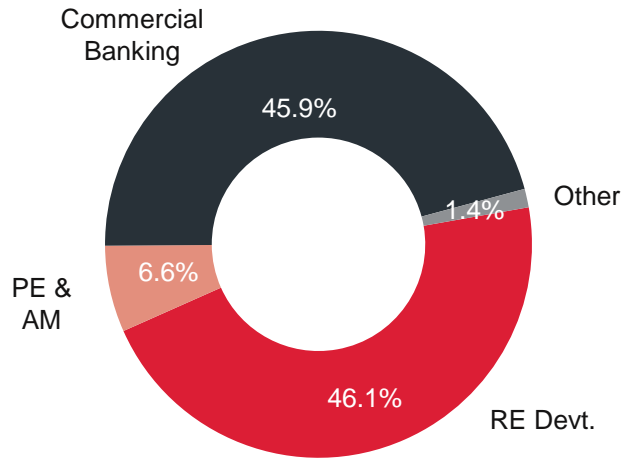
*Recoveries are expected to be reflected in subsequent periods, whereas the Group has incurred the majority of legal expenses related to those recoveries*



# Income Diversification & Profitability

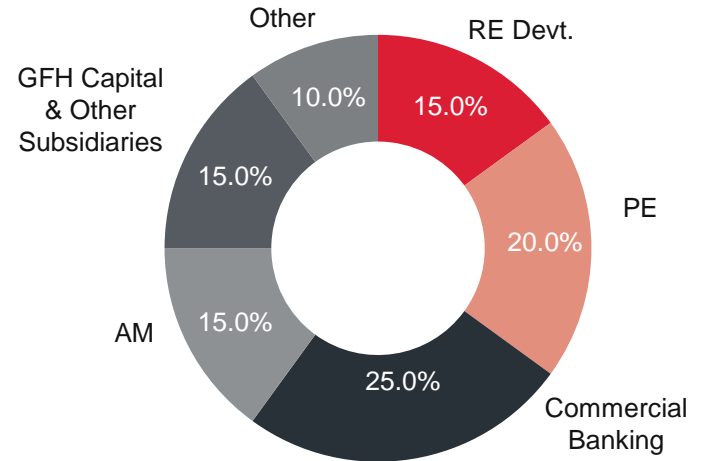
## Income Diversification

**9M 2016 Group Income Contribution**

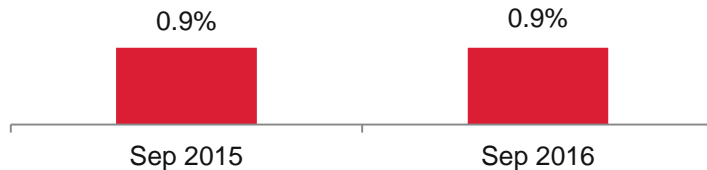


**By  
2019**

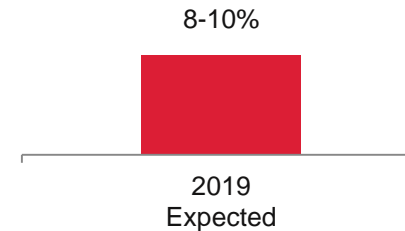
**2019 Expected Group Income Contribution**



## Group Profitability (Return on Capital)



**By  
2019**



*The Group is aiming to diversify its operations as well as targeting to generate an ROC of 8-10% by 2019*

## Summary

### Commercial Banking

- Khaleeji Commercial Bank (“KHCB”) delivered sustained growth in profits before impairment of 16% year-on-year (\$21.3 million)
  - Continued growth in financing assets of 16% year-on-year to \$1.2 billion
  - Continued momentum in retail banking division with segmental revenues growing by 20% (\$45.2 million)
  - Prudent provisioning policy, with an additional impairment allowance of \$10 million recorded in 9M 2016 to guard against future drop in the value of assets
  - Strong capital adequacy ratio of 19.0% will enable KHCB to continue its growth strategy in the future

### Private Equity & Asset Management

- Strong levels of fees & IB income for the Group in 9M 2016 of \$15.0 million
  - Positively impacted by Group’s role in selling apartments to its investors in 1 Palace Street, a prime residential development overlooking Buckingham Palace

### Real Estate Development

- The Group entered into an agreement to sell a plot of land in BFH Precinct
  - Income of \$46 million positively impacting Group overall income and profitability
  - The launch of the Harbour Row and Dubailand developments is expected in Q3 and Q4 2016, respectively

### Recoveries, Income Diversification & RoC

- Recoveries are expected to be reflected in subsequent periods, whereas the Group has incurred the majority of legal expenses related to those recoveries
- Continued income diversification, with growing contribution from Private Equity & Asset Management and Commercial Banking

*Strong growth in Group total income and profits before impairment of 41% and 62%, respectively*

## Agenda

1. Group 9M 2016 Highlights
2. 9M 2016 Financial Performance Review
3. Q&A

**Thank You  
Q&A**