



GFH Financial Group 9M/Q3 2020 Financial Performance

Presentation to Investors and Analysts

15 November 2020



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Results snapshot

- The worldwide COVID-19 pandemic continued to have an impact across the Group's business lines.
- The third quarter of 2020 showed signs of recovery compared to the first half of year with higher net profit margin and EBITDA margin.
- Net profit attributable to shareholders of US\$8.11 million for the third quarter of 2020 compared with US\$19.84 million in the third quarter of 2019, a decrease of 59.1%.
- Consolidated net profit for the third quarter was US\$9.92 million compared with US\$17.22 million in the third quarter of 2019, a decrease of 42.4%.
- Net profit attributable to shareholders was US\$23.17 million for the nine month period of 2020 compared with US\$64.53 million in the first nine months of 2019, a decrease of 64.1%.
- Consolidated net profit for the first nine month period of 2020 was US\$30.31 million compared with US\$61.22 million in the first nine months of 2019, a decrease of 50.5%.

	YTD-Sep 2020	Q3 2020	H1 2020	YTD-Sep 2019
Net Profit margin	10.8%	12.0%	10.3%	29.0%
EBITDA margin	58.1%	62.7%	56.0%	62.3%
EPS (USD cents)	0.69	0.24	0.45	1.91
Cost to Income ratio* (consolidated)	48%	51%	47%	34%
Return on Equity	3.5%	3.7%	3.5%	9.1%
Return on Assets	0.5%	0.5%	0.5%	1.6%
Capital Adequacy Ratio	13.6%	13.6%	13.0%	14.5%
Liquidity Coverage Ratio	142%		118%	187%
Net Stable Funding Ratio	94%		87.4%	102%
Book value per share (AED)	0.87		0.85	1.07
Price to Book ratio	0.69		0.65	0.83
Debt to Equity Ratio #	2.57x		2.96x	2.21x
Net Debt to Equity Ratio**	1.92x		1.95x	1.19x

* Excluding Treasury income , Finance expenses & MTM losses

Debt to equity ratio has increased due to increase in debt through new Sukuk issuance and decrease in equity due to the KHC B AT1 transaction and dividend payout

** Net debt represents debt less cash and placements.

Income statement



USD000s

Investment banking: Income from investment banking line has been lower compared to the previous year, due to lower number of deals and smaller deal size.

Commercial banking: KHCB's performance has improved significantly during 2020 compared to 2019 primarily due to significant provisions considered in the previous year financial statements.

Proprietary: The performance of proprietary investments has been better than last year, except for the one-off transaction in last year.

Real estate: Compared to the previous year, real estate sales has been slow in 2020 and hence there has been a very low contribution from this business line.

Treasury: Treasury performance, excluding the MTM losses on structured notes, has seen significant growth due to availability of fresh liquidity deployed in treasury.

Operating expenses: Operating expenses during Q3 2020 has been in line with Q3 2019..

Finance expenses: Finance costs are higher compared to the previous period due to the issuance of GFH Sukuk in 2020.

	9 months		3 months	
	2020	2019	2020	2019
Investment banking income				
- Asset management	3,765	2,007	1,038	650
- Deal related income	61,134	77,012	22,897	34,923
	64,899	79,019	23,935	35,573
Share of KHCB profit	11,431	(7,665)	3,040	(7,957)
Income from proprietary and co-investments				
- Direct investment income	20,123	10,371	371	779
- Restructuring related	-	29,406	-	-
- Dividend from co investments	6,415	1,607	2,306	1,098
	26,538	41,384	2,677	1,877
Real Estate Income				
- Development and sale	7,079	18,012	1,585	4,495
- Rental and operating income	1,719	1,901	563	654
	8,798	19,913	2,147	5,149
Treasury and Other income				
- Portfolio income	69,071	55,826	31,613	23,979
- Fair value loss on treasury investments, net	(19,193)	-	(8,260)	-
- Other income	9,386	330	56	24
	59,264	56,156	23,409	24,003
Share of other subsidiaries results	1,009	1,400	(343)	3,436
GROSS OPERATING INCOME	171,939	190,207	54,865	62,081
Operating Expenses	47,629	40,151	13,783	11,279
Finance Expenses	101,190	84,672	34,246	30,967
Provision for Impairment	(46)	852	(1,277)	-
Total Expenses	148,773	125,675	46,752	42,246
Shareholders profit	23,166	64,532	8,113	19,835



Equity and Balance sheet



USD000s

- Total assets of the Group were US\$6.16 billion at 30 September 2020 compared with US\$5.95 billion at 31 December 2019, an increase of 3.5%. The increase is primarily due to increase in the treasury portfolio with a corresponding increase in the funding liabilities.
- Decrease in money market fund liabilities during Q3 2020 was compensated by the increase in term financing.
- Total equity attributable to shareholders was US\$0.88 billion at 30 September 2020 from US\$1.00 billion at year-end 2019, a decrease of 12.0%. The drop in the shareholders' equity was primarily due to the 2019 dividends payout, mark to market changes on treasury portfolio, and additional capital contribution to the Group's commercial banking subsidiary.

	Sept-2020	June-2020	Dec2019	Sep 2019
Cash and bank balances	337.3	599.0	362.3	401.9
Treasury portfolio	1,768.0	1,594.5	1,588.6	1,655.8
Financing assets	1,235.0	1,275.6	1,272.7	1,316.7
Real estate investment	1,840.6	1,808.5	1,806.0	1,815.8
Proprietary investment	287.9	251.3	268.2	276.5
Co-Investments	103.8	98.6	96.5	74.4
Assets held-for-sale	-	-	101.2	101.2
Receivables & prepayments	482.4	399.6	424.4	471.4
Property and equipment	107.1	107.7	25.4	24.6
Total Assets	6,162.1	6,134.8	5,945.3	6,138.3
Clients' funds	94.3	104.4	70.9	74.5
Placements from FI & non-FI	2,278.8	2,296.8	2,447.3	2,675.4
Customer current accounts	124.0	127.7	147.5	169.4
Term financing	933.3	929.5	279.4	268.0
Liabilities associated with assets held for sale	-	-	39.9	39.9
Payables and accruals	400.4	396.2	448.9	526.9
EIAH	1,122.2	1,098.7	1,218.6	971.5
Total Equity attributable to shareholders of Bank	875.8	853.2	1,004.5	1,072.5
Non-controlling interest	333.3	328.3	288.3	340.2
Total Liability, EIAH & Equity	6,162.1	6,134.8	5,945.3	6,138.3




Summary of financial impact of the pandemic



Areas	Impact on financials
Real estate assets	<ul style="list-style-type: none">No impact
Financial assets through P&L	<ul style="list-style-type: none">Loss of USD 19.2m <i>(MTM losses on structured notes)</i>
Financial assets through equity	<ul style="list-style-type: none">Loss of USD 21.8m <i>(Loss on listed equity investments and Sukuks)</i>
Investment in associates and proprietary investments	<ul style="list-style-type: none">No impact
Impact on loans	<ul style="list-style-type: none">Modification loss of USD 25.1m <i>(from commercial bank subsidiary books)</i>
Impact on revenues	<ul style="list-style-type: none">General slowing down of business across all linesInvestment banking number of deals and deal size lower than previous yearsReal estate sales slower than previous years
Impact on expenses	<ul style="list-style-type: none">Cost rationalization measures undertakenGovernment benefits across staff costs, rental and utilities





Thank you
Q & A