



CMP/MAY/2018/0016

14th May 2018

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: GFH Webcast for Q1 2018 Financials

Further to GFH's market notification dated 29th April 2018 on the subject, GFH is pleased to inform its shareholders and the markets about the successful live webcast session which was broadcast online today, Monday, 14th May 2018, at 2 p.m. Bahrain time.

Attached herein is the transcript of the live webcast, and the presentation discussed during the session is available at GFH's website at the below link:

<http://gfh.com/wp-content/uploads/GFH-Q1-2018-Financial-Results-Presentation-vF.pdf>

Yours Sincerely,

A handwritten signature in blue ink, enclosed within a blue rectangular box. The signature appears to be 'Nabeel Mirza'.

Nabeel Mirza

Senior Director Compliance & MLRO



GFH Q1 2018 Financial Results

Attendees from GFH Financial Group:

- **Mr. Salem Patel (Acting Chief Financial Planning Officer)**

Good afternoon ladies and gentlemen and welcome to GFH Financial Group's financial results presentation for the quarter ended March 2018. My name is Salem Patel, acting Group CFO, and I will be taking you through our performance for the most recent quarter.

We are pleased with the strong results we have delivered, despite macroeconomic and geopolitical challenges that have persisted in the markets where GFH invests. We are also hopeful that with the strong foundations we have built, and the strategies adopted, we will be well placed to capitalize on higher oil prices and stronger GDP forecasts that have provided the region with greater optimism for 2018 compared to previous years.

The Group is effectively seeing the fruits of the strategy it adopted in previous years, which has resulted in the growth of our revenue streams. We have established a strong portfolio across all of our business lines and the improvement in our performance and profitably underscores the quality of our team and strategic investments.

For the quarter ended 31 March 2018, GFH reported net profit attributable to shareholders of 36.5 million dollars compared with US\$31.9 million for Q1 2017. These results, in real terms, reflect year-on-year growth in most areas of the business, with a growth in total income of 18.4% and growth in net profit attributable to shareholders of 14.3%, when compared to Q1 2017.

All business lines across the Group have delivered strong performances during the year, with further details on the major developments achieved within each division to follow.

We believe the results, which translate into an annualized return on equity of 13.4%, are a testament to the success of the strategy adopted by the Group and this strategy will continue to drive our future performance.

GFH's capital adequacy is a robust 16.3% as at 31 March 2018 as compared to a minimum regulatory requirement of 12%, which provides GFH with the opportunity to grow its businesses further.

Coming to individual business lines at the Group, in Commercial Banking, our subsidiary Khaleeji Commercial Bank continued its record of robust profitability even when faced with significant headwinds, reporting total income of \$11.3 million versus \$14.5 million during Q1 2017.

Financing assets remained flat compared to March 2017 to reach USD 1.2 billion. It should be noted that during the year Khaleeji Commercial Bank avoided high concentration accounts, resulting in a decrease of



18% in deposits during the year from \$1.6 billion in March 2017 to \$1.3 billion in March 2018. The loan / deposit ratio increased from 76% in March 2017 to 90% in March 2018.

The difficult operating and macro environment that Khaleeji Commercial Bank is currently facing meant a drop in net profit to shareholders to \$2.1 million, versus \$3.8 million in Q1 2017.

However, Khaleeji Commercial Bank maintained a strong capital adequacy ratio of 16% at the end of the quarter. The bank's capital will enable it to continue implementing its future growth strategy to grow organically.

Finally, Khaleeji Commercial Bank also achieved a significant milestone during the end of 2017, successfully listing in December on the Dubai Financial Market and the Bank's shares now trade in Dubai and Bahrain.

In the investment banking business, GFH recorded strong investment banking income levels of \$12.8 million in Q1 2018.

This income has been positively impacted primarily by the Group's role in launching new investment opportunities and placing them during the year.

The Investment Banking income was driven by the Group's role in launching new Private Equity & Asset Management opportunities including the Diversified US Office Portfolio, which is anticipated to distribute an attractive cash on cash yield of 9% to GFH's investors.

Other existing investments in US real estate similarly delivered strong returns, with our industrial asset portfolio generating a weighted average cash-on-cash return exceeding 9% for our investors. We continue to remain bullish on the US real estate market as we see value opportunities in various sub sectors of the market.

The Group also reached an agreement to acquire an 85% stake in the Entertainer, in which GFH along with its clients will invest, during a 5 year holding period, up to \$150 million. The Entertainer is the GCC region's leading lifestyle and incentives app with total turnover exceeding AED 130mn and a year on year growth rate of above 30%. This transaction, is expected to benefit GFH's financials in the coming quarters.

We also delivered an exit in our Private Equity portfolio for investors in the Philadelphia Private School. This demonstrates our strong track record of not only investing but also exiting our investments.

Therefore, we expect this strong core operational performance to continue, enabling the Group to deliver strong results during 2018 and beyond for the benefit of shareholders and investors. We have an exciting pipeline of both regional and international transactions, which will be presented to our investors in 2018.



GFH Properties, which was launched in 2016 as the dedicated real estate development arm of the Group, also continued to advance key landmark projects across the GCC, MENA region and India in 2018 and build and enhance the value of its assets.

Looking at the Group's Bahrain projects, the Harbour Row project located in the Bahrain Financial Harbour, made significant progress in 2017 and the early parts of 2018. Onsite works reached approximately 40% completion and the first phase of sales saw more than 40% of offered stocks sold within a 1 year period.

Based upon percentage of completion, the Group has realized income of \$3.2 million in Q1 2018 for the first time from the Harbour Row project, and expects further income in subsequent quarters.

In the UAE, California Village, a mixed-use development and gated community located in Dubailand, further progressed in 2017 and the early parts of 2018. Following mobilization, site work has moved swiftly ahead. A full marketing strategy has been developed in 2017 and is now being finalized in support of the offering of built units for sale in 2018.

In addition, the Group realized income of \$35 million in Q1 2018 related to the restructuring of liabilities of a subsidiary acquired in 2016 as part of the recoveries made by the Group under litigation settlements in 2016.

The Group's continued strong shareholder returns, which has seen GFH return over \$ 200 million in dividends and treasury shares acquisition in the last two years, underscores our commitment to delivering value on which we will remain focused throughout 2018. We are better positioned than ever to continue to invest, grow and deliver further shareholder value across the Group.

To conclude, late 2017 and the early parts of 2018 have been a challenging period, however GFH has shown growth in profits and increased cash flows from the asset monetization program. GFH's strategy of moving to a group structure with various business lines is also showing progress. Our commercial banking business, which has historically performed well for the Group, underperformed during Q1 2018; however this was more than compensated by the growth in our Investment Banking and Real Estate businesses.

In the remainder of 2018, we expect all our business lines to perform as the Commercial banking business looks to improve on its operating profitability, investment banking continues to show growth by bringing in unique investment transactions for our investors and the real estate business is expected to realize further cash flows and profitability for the Group.

In line with GFH strategy to evolve as a financial group, GFH look at acquisitions of other financial services businesses in 2018, both within the region and internationally.

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



The first question is regarding the planned exit from the real estate portfolio. Does this portfolio include all real estate assets acquired from legal settlements? As of Q1 2018, how much is the carrying value of the portfolio? Is the portfolio included within both investment properties, assets acquired for leasing and development properties.

Thank you for this question. We have received an offer for a significant portfolio of our real estate portfolio. This is part of our medium term strategy to monetize our asset base and deliver further value to our shareholders. In terms of the actual details, they remain confidential and are subject to negotiation. As and when we are able to disclose further information to the markets, we will be doing so. Those assets will be part of investment properties and / or development properties.

The next question is regarding any planned increases in capital. The response is that as of today, GFH Financial Group has no plans to increase its capital.

The next question relates to FAS 30 and note 3 to the financial statements. Is the \$201 million and \$27 million in stage 3 funded and unfunded financial assets represent the NPAs of GFH. The response is that the financial statements of GFH are consolidated, which includes Khaleeji Commercial Bank. This relates specifically to Khaleeji Commercial Bank.

Our final question relates to the previous question, and whether those NPAs are entirely of Khaleeji Commercial Bank. The response is that they would largely be the NPAs of Khaleeji Commercial Bank.

We would like to thank you all for taking the time to listen to this webcast and look forward to interacting with you again the near future.