CMP/FEB/2019/0017
12 فبراير 2019

السيـــد حسن عبدالرحمن السركال المحترم
نائب رئيس تنفيذي – رئيس تنفيذي العمليات
رئيس قطاع العمليات
سوق دبي المالي ,ص.ب 9700
دبـــــي – الإمارات العربية المتحدة

السلام عليكم ورحمة الله وبركاته،،

الموضوع: نتائج البث الإلكتروني لمجموعة جي إف أتش المالية للبيانات المالية للسنة المنتهية في 31 ديسمبر 2018

بالإشارة الى الإفصاح الصادر من مجموعة جي إف إتش المالية بتاريخ 7 فبراير 2019 المتعلق بدعوة السادة المساهمين والمستثمرين لمتابعة البث الإلكتروني للمجموعة، يسر المجموعة أن تعلن عن نجاح الندوة التي تم بثها على الانترنت اليوم الثلاثاء 12 فبراير 2019 في تمام الساعة 2 مساء بتوقيت مملكة البحرين.

مرفق لكم نص محضر الندوة، كما انه تم نشر العرض التقديمي على الموقع الإلكتروني للمجموعة حيث يمكن الاطلاع عليه من خلال الرابط التالي:

https://www.gfh.com/wp-content/uploads/GFH-Q4-2018-Financial-Results-Presentation-vF.pdf

وتفضلوا بقبول فائق التقدير والاحترام،،

نبيـــل مـــيرزا
مدير إداري أول للإلتزام ومكـافحة غسيـــل الأمـوال

نتائج البث الإلكتروني للبيانات المالية لسنة 2018

الحاضرون من مجموعة جي إف إتش:

السيد سوريانارايانان هاريهاران (رئيس الشئون المالية بالوكالة)

سيداتي وسادتي، أسعد الله مساءكم ومرحبا بكم في العرض التقديمي الخاص بالنتائج المالية لمجموعة جي إف إتش المالية للسنة المنتهية في ديسمبر 2018. اسمي سوريانارايانان هاريهاران وأتولى منصب رئيس الشئون المالية بالوكالة بمجموعة جي إف إتش، ويشاركني اليوم رئيسنا التنفيذي السيد هشام الريس ورئيس قسم الإتصالات المؤسسية والعلاقات الحكومية السيد حازم عبد الكريم بالإضافة إلى أعضاء آخرين من فريق إدارة مجموعة جي إف إتش المالية.

يسرنا أن نستعرض على حضراتكم النتائج المالية لمجموعة جي إف إتش المالية للسنة المالية المنتهية 31 ديسمبر 2018 التي شهدت فترة أخرى من الربحية العالية والأداء القوي على مستوى جميع أنشطة المجموعة وشركاتها التابعة.

يعتبر عام 2018 العام الرابع على التوالي الذي تحقق فيه المجموعة مكاسب كبيرة عبر كافة أنشطة أعمالها في ظل الظروف المليئة بالتحديات التي تسود السوق والتي أثرت على منطقة الشرق الأوسط وشمال أفريقيا وغيرها من الأسواق العالمية التي نستثمر فيها ومازلنا نسعى من خلالها إلى تحقيق مزيد من القيمة والنمو.

لقد كانت قدرة المجموعة على تنويع أنشطتها بشكل مطرد وتحقيق تحسينات مالية وتشغيلية مستمرة عنصرا أساسيا في تعزيز الثقة في جي إف إتش ووضعها كواحدة من كبرى المؤسسات المالية في المنطقة.

يعزى التقدم المستمر الذي تشهده المجموعة إلى التحول الناجح الذي قامت به لتصبح على ما هي عليه الآن، مجموعة مالية متكاملة تقوم على أساس مالي متين وتنتهج نموذجا يعتمد على التنوع الجيد في أنشطتها من خلال إنشاء خطوط أعمال تحقق إيرادات قوية في أنشطة الصيرفة التجارية، الصيرفة الاستثمارية، الأنشطة العقارية وإدارة الأصول. وفي إطار هذا التنوع في أنشطتنا، ركزنا أيضا على تعزيز قدرتنا في الاستفادة من الفرص بشكل فعال على مستوى مختلف فئات الأصول وكذلك القطاعات والمناطق ذات الإمكانات الواعدة، والتي تشمل أسواق المنطقة وجنوب أفريقيا والهند وأوروبا والولايات المتحدة الأمريكية.

تمشياً مع استراتيجيتنا وأهدافنا، فقد تركزت جهود المجموعة خلال عام 2018 على ثلاثة محاور رئيسية شملت الاستغلال الأمثل للخبرة والمعرفة التي تتمتع بها المجموعة، البناء على السجل الحافل للمجموعة في استقطاب الاستثمارات الجديدة المدرة للربح وإيجاد واستخلاص القيمة من الأصول القائمة حاليا، وتأمين عمليات تخارج مربحة في المواعيد المستهدفة تمشيا مع هدفنا المنشود وحرصنا على مواصلة تحقيق عوائد قوية للسادة المستثمرين والمساهمين.

لقد ساهم التنفيذ الناجح لعملياتنا في جميع هذه المجالات في دعم نتائجنا القوية للعام 2018. وعلى ضوء هذه الخلفية، فقد سجلت المجموعة ربحا صافياً موحداً بقيمة 115 مليون دولار أمريكي، مقارنة بما مقداره 103مليون دولار أمريكي في العام السابق، بزيادة نسبتها 11.4%. كما حققت المجموعة ربحا صافياً للمساهمين بقيمة 114 مليون دولار أمريكي، مقابل 104 مليون دولار امريكي في العام السابق، بزيادة نسبتها 9.5%.

بلغت قيمة الربح الصافي المحقق للمساهمين خلال الربع الأخير من عام 2018 ما قيمته 10.7 مليون دولار أمريكي مقابل 17 مليون دولار أمريكي خلال الربع الأخير من عام 2017، بانخفاض بنسبة 37.1%. كما بلغت قيمة الربح الصافي الموحد خلال الربع الأخير من عام 2018 ما قيمته 10.3 مليون دولار أمريكي مقارنة بما مقداره 12.2 مليون

دولار أمريكي خلال الربع الأخير من عام 2017، بانخفاض بنسبة 15.1%. بلغ إجمالي حقوق الملكية للمساهمين في هام 2018 ما مقداره 1.06 مليار دولار أمريكي مقابل 1.15 مليار دولار أمريكي في عام 2017، بانخفاض بنسبة 7.9% ويعزى ذلك إلى قيام المجموعة بإعادة شراء الأسهم.

حققت المجموعة إيرادات إجمالية موحدة بقيمة 250 مليون دولار أمريكي مقارنة بما مقداره 212 مليون دولار أمريكي خلال عام 2017، بما يعكس ارتفاعا كبيرا بنسبة 18.0% في إجمالي الإيرادات خلال العام. لقد أثمرت الجهود الناجحة للمجموعة في تنويع أنشطتها عن تحقيق نمو ومساهمات قوية عبر الأنشطة الاستثمارية، الصيرفة التجارية، الأنشطة العقارية وإدارة الأصول، فضلا عن تحقيق زيادة في الدخل المحقق من خلال المبادرات الاستراتيجية التي قامت بها المجموعة. والأهم من ذلك فقد واصلت مجموعة جي إف إتش المضي في استراتيجيتها الرامية إلى تحقيق عمليات تخارج مربحة.

ارتفعت قيمة الأصول الإجمالية من 4.11 مليار دولار أمريكي في عام 2017 إلى 4.99 مليار دولار أمريكي في عام 2018. كما عززت الميزانية العمومية خلال عام 2018 مع تحسن ملف المطلوبات الخاص بالمجموعة. فقد قامت المجموعة خلال العام بسداد قيمة الصكوك بالكامل (200 مليون دولار أمريكي)، والتي كان قد تم سحبها في عام 2017، كما قامت بالسداد المبكر لتسهيلات وكالة. الجدير بالذكر أيضا أن المجموعة اتخذت خلال العام خطوات نشطة لدعم سعر سهمها ورسملة السوق والاستحواذ على أسهم خزينة بما يصل إلى 7% من إجمالي الأسهم الصادرة للمجموعة.

بفضل هذه النتائج الطيبة التي حققتها المجموعة خلال عام 2018، بلغت نسبة العائد على حقوق الملكية 10.8% مقابل 9.1% خلال عام 2017، مما يعكس النجاح المستمر للاستراتيجية التي تنتهجها المجموعة والتي سوف تستمر لتحقيق أفضل معدلات الأداء في المستقبل.

بلغت نسبة التكلفة مقابل الدخل للمجموعة كما في ديسمبر 2018 ما مقداره 47%، بانخفاض طفيف عما كانت عليه في عام 2017 عندما بلغت النسبة 43%. ويعزى ذلك جزئيا إلى الإيداعات التي تم جمعها خلال عام 2018 والبالغ قيمتها حوالي 700 مليون دولار أمريكي مما يؤكد الثقة التي توليها السوق والعملاء للجدارة الائتمانية لمجموعة جي إف إتش. لقد نتج عن نمو قاعدة الودائع بالمجموعة معدل فعالية مالية بمقدار x 1.19 ومعدل فعالية مالية صافي بنسبة x 0.71.

انخفضت قيمة الربح مقابل السهم خلال عام 2018 ما مقداره 3.2 سنتاً مقارنة بما مقداره 3.6 سنتاً خلال نفس الفترة من العام السابق.

يتوفر لدى المجموعة أيضا معدل قوي من النقد والأصول السائلة البالغ قيمتها حوالي 630 مليون دولار أمريكي كما في ديسمبر 2018، كما تتمتع بمعدل قوي من حيث كفاية رأس المال بنسبة 16.5% مقارنة بالحد الأدنى المطلوب من الجهات الرقابية والبالغ نسبته 12%، مما يوفر للمجموعة الفرصة لتنمية أنشطتها.

تمشيا مع هذه النتائج الممتازة وسياسة المجموعة لتوزيعات الأرباح، يسرنا الإعلان بأن مجلس إدارة المجموعة قد أوصى بتوزيع 85 مليون دولار أمريكي كأرباح للمساهمين بما يعادل 8.7% من العائد على رأس المال المدفوع، بموجب موافقة المساهمين والموافقات الأخرى اللازمة.

وفيما نمضي قدما ونقوم بتنفيذ استراتيجيتنا، فإننا نهدف إلى المحافظة على إجراء توزيعات جيدة على المساهمين.

لقد كان مستوى الأداء متميزا على كافة أصعدة أنشطة المجموعة خلال عام 2018، وفيما يلي نلقي الضوء على أبرز التطورات التي تحققت في كل قسم:

بالنسبة لنشاط الصيرفة الاستثمارية، حققت جي إف إتش معدلات دخل قوية بلغت قيمتها 77.0 مليون دولار أمريكي خلال عام 2018.

يعزى هذا الدخل بشكل أساسي إلى دور المجموعة في تدشين فرص استثمارية جديد وتوظيف الاستثمار خلال عام 2018، بما في ذلك الاستثمار المتميز في شركة "إنترتينر" بدولة الإمارات العربية المتحدة، إذ تعتبر أكبر الشركات في المنطقة لتوفير تطبيقات الحياة العصرية وتتجاوز إيراداتها الإجمالية 130 مليون درهم إماراتي مع معدل نمو سنوي بنسبة 30%.

شملت استثمارات المجموعة خلال عام 2018 أيضا محفظة المكاتب المتنوعة في شيكاغو بالولايات المتحدة الأمريكية التي يتوقع أن تحقق عوائد نقدية جيدة للمستثمرين بنسبة 9% سنويا ومعدل عائد داخلي بنسبة 12%.

قامت المجموعة خلال الربع الأخير من عام 2018 بالاستحواذ على مجمع الأعمال المكتبية وستساید في هيمل همبستد، في شمال لندن من الطريق الدائري M25 لمدينة لندن، في سوق المكاتب الفاخرة. يتكون المجمع من أربعة مباني فاخرة للمكاتب المصنفة ضمن الفئة "أ" بمساحة حوالي 200 ألف قدم مربع، وتقع على طول "جراند يونيون كانال" مع مواقف سيارات فسيحة ووسائل مواصلات ممتازة إلى وسط لندن عن طريق السكة الحديد والطريق البري. عند الاستحواذ، كان العقار مشغولا بنسبة 96% من قبل مستأجرين متنوعين من ذوي الجدارة الائتمانية من مختلف القطاعات.

بالإضافة إلى ذلك، يشمل الدخل من الصيرفة الاستثمارية خلال عام 2018 دخلا صافيا من الأوراق المالية الاستثمارية بقيمة 33.7 مليون دولار أمريكي، يتعلق بشكل أساسي بالدخل المحقق من أنشطة الخزانة للمجموعة والتي يتوقع أن تكون عاملا رئيسيا في الربحية مستقبلا.

هذا وقد تمكنت المجموعة خلال عام 2018 من جمع حقوق ملكية من المساهمين بقيمة 205 مليون دولار أمريكي من خلال أربع معاملات رئيسية بقيمة إجمالية مقدارها 540 مليون دولار أمريكي بالإضافة إلى 3 أصول قائمة خلال العام. بلغ إجمالي الأصول والصناديق الخاضعة لإدارة المجموعة كما في ديسمبر 2018 ما مقداره 6.7 مليار دولار أمريكي.

من بين أقوى المعايير التي استندت إليها ثقة السوق في جي إف إتش اليوم وطوال العام الماضي، جمع أكثر من مليار دولار أمريكي من خلال منتجاتنا الاستثمارية والخزانة وأسواق رأس المال خلال عام 2018، والتي تؤهل المجموعة لتحقيق مزيد من النمو وتنفيذ مزيد من الاستثمارات في عام 2019.

نتوقع مواصلة تحقيق هذا الأداء التشغيلي القوي عبر أنشطتنا الاستثمارية لتمكين المجموعة من تحقيق نتائج قوية في المستقبل ولتحقيق المزايا للمستثمرين والمساهمين. لدينا مجموعة رائعة من المعاملات الدولية والإقليمية التي سنطرحها على مستثمرينا خلال عام 2019.

كما تخطط جي إف إتش لإنشاء مؤسسات صحية وتعليمية متخصصة خلال عام 2019 بما يتيح لها استقطاب مزيد من الفرص في هذه القطاعات الواعدة.

كما واصلت أنشطة المجموعة في المجال العقاري إحراز تقدم على مستوى مشاريعها الكبرى في دول المنطقة ومنطقة الشرق الأوسط وشمال أفريقيا والهند خلال عام 2018.

على مستوى مملكة البحرين، حققت المجموعة تقدما كبيرا في مشروعها "هاربر رو" الواقع بمرفأ البحرين المالي خلال هذا العام حيث استكملت ما نسبته 60% تقريبا من الأعمال بينما شهدت المرحلة الأولى من المشروع إبرام معاملات مبيعات لأكثر من 50% من إجمالي الوحدات المعروضة للبيع.

بالاستناد إلى معدلات الاستكمال، حققت المجموعة دخلا بقيمة 5.9 مليون دولار أمريكي خلال عام 2018 لمشروع "الهاربر رو" وتتوقع تحقيق مزيد من الدخل خلال عام 2019.

وافقت المجموعة خلال عام 2018 على تسوية الصكوك الخاصة بمشروع فيلامار البالغ قيمتها 200 مليون دولار أمريكي بمبلغ أقل، ما نتج عنه تحقيق مكاسب بلغت قيمتها حوالي 78 مليون دولار أمريكي تقريبا.

كما نجحت المجموعة في التخارج من جنة دلمون المفقودة الحديقة المائية في إطار معاملة قدرت قيمتها بـ 60 مليون دولار أمريكي مع الاحتفاظ بحقوق تشغيل وإدارة المنتزه المائي على مدى 5 سنوات. يعتبر المنتزه المائي أكبر منتزه مائي مستقل في الشرق الأوسط ويتسع لأكثر من 5500 شخص.

تشمل أهم الإنجازات التي تحققت خلال عام 2018 توصل المجموعة إلى تسوية نقدية تتعلق بأحد المطالبات القانونية بمبلغ 22.5 مليون دولار أمريكي خلال الربع الثاني من عام 2018، بالإضافة إلى تحقيق دخل بقيمة 35 مليون دولار أمريكي خلال الربع الأول من عام 2018 لإعادة هيكلة المطلوبات الخاصة بإحدى الشركات التابعة.

تعتبر المجموعة في الوقت الحالي واحدة من أكبر البنوك التي تمتلك قطع أراضي شاسعة تزيد مساحتها على 200 مليون قدم مربع في منطقة دول مجلس التعاون الخليجي وأفريقيا وآسيا بقيمة تطوير إجمالية قدرها 20 مليار دولار أمريكي.

استكملت شركة جي إف إتش العقارية التي تم تدشينها في عام 2016 كشركة متخصصة في العقارات تابعة لمجموعة جي إف إتش، بيع ما قيمته 60 مليون دولار أمريكي (145 وحدة) من إجمالي عدد الوحدات بمشروع "الهاربر رو" البالغ عددها 500 وحدة.

كما تمتلك المجموعة واحدا من أكثر الفنادق تميزا في مملكة البحرين وهو فندق العرين الذي يتوفر به أكبر نادي مائي في المنطقة بمساحة تزيد على 10 آلاف متر مربع.

بالنسبة للصيرفة التجارية، كان المصرف الخليجي التجاري التابع للمجموعة يتمتع بسجل حافل من الربحية حتى عندما واجه ظروفا عصيبة وسياسة تحفظية تجاه المخصصات. خلال العام سجل المصرف إجمالي دخل صافي للمساهمين بقيمة بلغت 1.7 مليون دولار أمريكي مقابل 5.2 مليون دولار أمريكي خلال عام 2017.

ظلت أصول التمويل مستقرة مقارنة بشهر ديسمبر 2017 حيث بلغت 1.2 مليار دولار، كما ظلت ودائع العملاء ثابتة مقارنة بشهر ديسمبر 2017 بقيمة 1.5 مليار دولار أمريكي، ما نتج عنه تحسن معدل القروض مقابل الودائع بنسبة 78% في ديسمبر 2018 مقارنة بما نسبته 93% في ديسمبر 2017.

بالرغم من انخفاض الربحية، حافظ المصرف الخليجي التجاري على وضعه القوي من حيث معدل كفاية رأس المال بنسبة بلغت 15.9% في نهاية عام 2017. من خلال قاعدة رأس المال سوف يتمكن البنك من تنفيذ استراتيجيته المستقبلية التي تهدف للنمو في أعماله الداخلية.

بالنسبة للعائدات الخاصة بالمساهمين، فنحن في وضع أفضل من ذي قبل يؤهلنا لمواصلة الاستثمار والنمو وتحقيق مزيد من القيمة للمساهمين عبر مختلف أنشطة المجموعة ويتضح ذلك من الحقيقة بأن جي إف إتش قامت بإعادة 265 مليون دولار للمساهمين نقدا عن طريق إجراء توزيعات نقدية وإعادة شراء الأسهم خلال السنوات الثلاث الماضية.

في الختام أود الإشارة إلى أن عام 2018 كان عاما مليئا بالتحديات، وبرغم ذلك حققت المجموعة نموا في الأرباح وزيادة في التدفقات النقدية من الأنشطة التشغيلية وبرنامج تعزيز قيمة الأصول. كما تسير استراتيجية المجموعة قدما

تجاه جعلها مجموعة مالية متكاملة الأنشطة. لقد كان نشاط الصيرفة التجارية للمجموعة أقل أداء خلال عام 2018 ولكن تم تعويض هذا الجانب من النمو المحقق في أنشطة الصيرفة الاستثمارية والأنشطة العقارية.

مع دخولنا عام 2019 بوضع قوي، فإننا نتطلع إلى تحقيق نتائج قوية مستقبلا مع تحسين الربحية والعائدات لمساهمينا. كما نتوقع أن تشهد جميع خطوط أعمالنا أداءً متميزا في ظل إبرام المزيد من المعاملات الاستثمارية الفريدة لمستثمرينا، ونتوقع أيضا لنشاطنا العقاري تحقيق مزيد من التدفقات النقدية والربحية للمجموعة. وعلى صعيد الصيرفة التجارية فإننا نأمل تحسين عملياتنا وربحيتنا بإذن الله.

في الختام، أود أن أشكركم جميعا على حضوركم ويسرني أن أرحب بأية أسئلة قد تودون طرحها.

سؤال: إلى أين وصلتم بعملية بيع محفظة الاصول العقارية التي أعلنتم عنها؟ متى تتوقعون الإنتهاء من العملية؟ وكيف سيتم توزيع عوائد هذه العملية، وما هو تقييمكم للأصول العقارية؟

جواب: سوف نعلن اليوم عن تخارج من الأصول العقارية بقيمة 100 مليون دولار أمريكي. وكما شرحنا سابقاً، من المتوقع أن يتم تنفيذ برنامج تسييل الأصول العقارية كجزء من سلسلة عمليات بيع للأصول تصل إلى مليار دولار أمريكي خلال خمس سنوات. في عام 2018، واصلنا على استراتيجيتنا القائمة على تحقيق تخارجات مربحة، والتي بلغت 120 مليون دولار أمريكي.

إن استراتيجية التخارج التي تتبعها المجموعة تكون إما بالتخلص من الأصول أو تحويل بعض الأصول العقارية إلى أصول منتجة والتخارج منها بعد ذلك.

التخارج الذي سنعلن عنه اليوم والذي تبلغ قيمته 100 مليون دولار أمريكي يتعلق بجزء من مشروع هاربر رو في البحرين وجزء من مشروعنا في المغرب. جزء من الأرباح الناتجة عن العملية سينعكس على نتائج الربع الأول من عام 2019، والمبلغ المتبقى سينعكس على نتائج العام 2019 بأكمله، خاضع لتحقيق بعض الشروط.

إن العوائد الناتجة من عمليات بيع الأصول سوف تسمح للمجموعة بتغيير مجموعة أصولها في المستقبل ليصبح لديها أصول استثمارية منتجة، بالإضافة إلى دعم توزيع الأرباح للمساهمين.

نعتقد بأن قيمة محفظتنا العقارية تتماشي مع القيمة الحالية للسوق أو أنها، وبشكل متحفظ، أعلى قيمة وهذا سيساعدنا في برنامج تسييل الاصول. للحصول على معلومات أوفى بخصوص محفظتنا العقارية، نرجو منكم الاطلاع على البحث المستقل الذي أجري حول مجموعة جي إف تش المالية خلال عام 2017 *(مرفق لكم التقرير المذكور لتسهيل الرجوع إليه)*.

سؤال: نرجو منكم التعليق على أداء سعر السهم وردة فعل السوق على إعلان النتائج.

جواب: لا نستطيع التعليق على أداء سعر السهم، ولكننا نستطيع التعليق على أداء المجموعة والذي نرى بأنه أداء قوي.

أود أن أشرح السبب المنطقي لتوزيع الأرباح المقترح، لقد قمنا بذلك بالتشاور مع الجهة الرقابية في البحرين وبناء على ذلك، تقرر توزيع أرباح أكثر تحفظاً.

ومع ذلك، إن إلغاء أسهم الخزينة، والتي تشكل 7% من رأس المال للمجموعة، يساوي حوالي 63 مليون دولار أمريكي بالنظر إلى إعادة شراء الأسهم والقيمة المعادة للمساهمين. إذا أضفنا مبلغ 30 مليون دولار وهو قيمة توزيع الأرباح النقدية المقترحة إلى ذلك، سيكون لدينا ما قيمته 100 مليون دولار أمريكي سيتم إعادتها للمساهمين. بالإضافة إلى ذلك، فإن هذا سيمكن المجموعة من الاستمرار في استراتيجيتها العامة لحماية قيمة الاسهم من خلال صنع السوق وبرنامج إعادة شراء الأسهم.

سؤال: نرجو منكم التعليق على أداء الصيرفة التجارية.

جواب: قام المصرف الخليجي التجاري بتعيين رئيس تنفيذي جديد في بدايات عام 2018، وتحويل التركيز على خدمة العملاء الموثوقين والمربحين بأقل مستوى للمخاطر. وبالفعل تم القيام بعدد كبير من هذه العمليات، بالمقارنة مع الاستراتيجية السابقة التي كانت تقدم الخدمات لكل قطاعات السوق، وبالتالي كانت تعاني من معدلات جنوح عالية في أدائها الكلي. ونحن نتوقع أداءً قوياً للصيرفة التجارية من الآن فصاعداً.

سؤال: نرجو منكم التعليق على اتجاهات الأصول والصناديق الخاضعة لإدارة المجموعة.

جواب: خلال عام 2018، استطعنا رفع عدد الصناديق تحت إدارتنا، واليوم لدينا 6.8~7 مليار دولار أمريكي من الاصول الإجمالية والصناديق التي ندير ها. ونتوقع نمو الحجم الكلي للأصول والصناديق تحت إدارتنا في المستقبل من خلال الاستحواذات بالإضافة إلى النمو العضوي.

سؤال: نرجو منكم التعليق على السيولة الكلية للمجموعة.

جواب: اليوم، لدينا رصيد أصول سائلة يتجاوز مليار دولار أمريكي، ويشكل الجزء النقدي غالبيته.

نشهد اليوم العديد من الفرص الجاذبة في السوق بالنسبة للاعبين الذين يتمتعون بسيولة قوية، مما يعطيهم القدرة على تسوية الإلتزامات بخصومات بالإضافة إلى الاستحواذ على أصول بخصومات كبيرة.

ويهدف مجلس الإدارة جنباً إلى جنب مع الإدارة وتوجيهات بنك البحرين المركزي إلى تحويل جي إف إتش إلى مجموعة تعزز قيمتها الدفترية والأصول تحت إدارتها وقيمة أسهمها على المدى الطويل .

سؤال: نرجو منكم توضيح متى يتم وضع الدخل الناتج عن العقار في بيان الدخل.

جواب: بسبب الطبيعة الشاملة لعمل المجموعة وتوحيد الشركات التابعة، فإننا نتفهم صعوبة اتباع الملاحظات.

الأرباح من بيع ووتربارك، بالإضافة إلى الدخل الناتج عن عمليات بيع هاربر رو كلاهما مضمنين مع الدخل الآخر (ملاحظة 23).

وفضلاً عن ذلك، نرجو الاطلاع على الملاحظة (35) بخصوص الدخل الكلي الناتج من قطاع التشغيل العقاري للمجموعة.

سؤال: هل يمكنكم توضيح أو تفصيل الملاحظة (14) – 84 مليون دولار أمريكي توضع في كيان غير مالي، وهو عرضة لعقوبات رقابية.

جواب: هذا جزء من إيداعات تلقيناها من مؤسسات أخرى غير مالية، وقد وضعت تحت المراجعة والتحفظ من قبل الجهات الرقابية، ولذلك تم تجميدها حتى إشعار آخر من قبل الجهة الرقابية. ولا نعتقد أن هذه الإيداعات قابلة للسداد في المدى القريب.

سؤال: هل سيتم إعادة توزيع أسهم الخزينة كأسهم منحة؟

جواب: أسهم المنحة تختلف عن أسهم الخزينة. أسهم الخزينة تشكل جزءً من رأس المال المصدر للمجموعة، وقد تم شراء هذه الأسهم من خلال برنامج إعادة شراء الأسهم الذي أعلنت عنه المجموعة، (ويشكل الآن حوالي 7% من رأس مال).

أما أسهم المنحة، فهي أسهم إضافية سيتم إصدارها لكل مساهمي المجموعة المدرجة أسماؤهم في سجل المساهمين كما في تاريخ إنعقاد الجمعية العامة.

نشكركم جميعاً على الاستماع إلى هذا البث الإلكتروني ونتطلع دوماً للتواصل والتفاعل معكم مرة أخرى في المستقبل القريب.

GFH Financial Group

Initiation of Coverage
Equities | Financials | UAE
Sunday, 10 September 2017

Mai El-Sayed, CFA
Manager, Equity Analysis
Mubasher International
Mai.Elsayed@MubasherFS.com

Hany Amer
Senior Equity Analyst
Mubasher International
Hany Amer@MubasherFS.com

Abdelrahman Sobhy Wahba
Equity Analyst
Mubasher International
Abdelrahman.Sobhy@MubasherFS.com

www.mubashertrade.com

Focus on recurring operational income and acquisition-driven expansions—Initiate with Buy/Moderate Risk

Buy
Moderate Risk

12M Price Target: **AED2.929**
Expected Total Return: **+52%**

- **Strong balance sheet with low leverage.**
- **Growth by way of acquisitions and diversified overall portfolio.**
- **Focusing on income-generating investments and maximizing shareholders' value by exiting direct investments at attractive valuations.**
- **Initiate with Buy/Moderate Risk and a 12-month PT of AED2.929/share (+52%).**

Targeting a robust 3-year growth strategy: In 2016, **GFH Financial Group (GFH.DFM)** set a new 3-year growth strategy to restructure the group into four business segments: commercial banking, investment banking, real estate, and direct investments. The strategy is to (1) focus on high yield investments, (2) unlock the value of the real estate portfolio, and (3) grow inorganically through acquisitions. As such, GFH's shareholders had approved earlier a plan to issue 1.7bn new shares at a fair value of USD0.9538/share. More recently, 1.2bn new shares were issued to acquire a number of infrastructure projects and investment funds across the Middle East, North Africa and Asia regions through a share swap.

Plans to expand its financial services offerings through acquisitions: The group is evaluating further acquisitions in the financial services within and outside the GCC to create a diversified financial platform. In line with this plan, GFH raised its stake in **Khaleeji Commercial Bank (KHCB.BSE)**, increasing contribution from a stable and growing commercial banking segment.

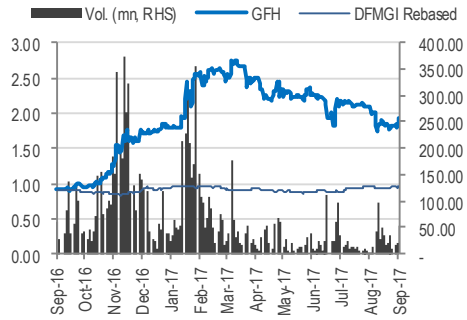
Focus on income-generating investments and value-accretive exits: To improve its earnings visibility, management strived to change the business model by which they used to manage their real estate portfolio, aiming to transform it to a capital-light business model through partnering with several contractors to develop their land bank in return for a revenue share. Moreover, the group targets more acquisitions in the defensive sectors and high-yield assets in the GCC, Europe, and the United States. The group also has plans to monetize its direct investment portfolio at attractive valuations to maximize shareholders' value. According to management, during H1 2017, the group was able to monetize part of its education portfolio at attractive valuation levels.

We initiate coverage with Buy/Moderate Risk rating, 12M PT of AED2.929 (+52%): Using different valuation methods (excess return model, warranted equity model, and sum-of-the-parts), we reached a 12-month price target of AED2.929/share, implying a 52% upside potential to market price. Hence, we initiate coverage on the stock with Buy/Moderate Risk rating.

Key risks: Key risks include any economic slowdown in the GCC and MENA regions, delay in the implementation of its growth strategy, illiquid nature of real estate assets, competition between commercial banks in Bahrain, a higher interest rate environment, narrower NIMs, and currently-tight liquidity in the market worsening even further.

Stock Performance & Details

GFH (AED) vs. DFMGI Rebased



Stock Details	
Last price (AED)	193
52-W High (AED)	2.82
52-W Low (AED)	0.90
6M-ADVT (AEDmn)	54.25
%Chg: MoM	-7.66
%Chg: YoY	110.20
%Chg: YTD	4.58
Mubasher Ticker	GFH.DFM
Bloomberg Ticker	GFH UH
Capital Details	
No. of Shares (mn)	3,6817
Mkt Cap (AEDmn)	7,105.6
Mkt. Cap (USDmn)	1,934.5
Public	55.00%

USD, 000s	2014a	2015a	2016a	2017e	2018e	2019e
Net funding income	37,820	40,211	52,985	58,834	63,941	70,005
Non-funding income	73,923	64,532	84,841	216,324	236,785	245,394
Total Operating income	111,743	104,743	137,826	275,158	300,726	315,399
Income Attributable to Shareholders	14,983	(5,520)	217,125	118,283	130,216	150,345
Net funding income growth (%)		6.3%	31.8%	11.0%	8.7%	9.5%
Non-funding income growth (%)		(12.7%)	31.5%	NM	9.5%	3.6%
Total operating income growth (%)		(6.3%)	31.6%	NM	9.3%	4.9%
Net income growth (%)		NM	NM	NM	10.1%	15.5%
Cost / total operating income	52.8%	59.3%	90.5%	37.6%	34.7%	33.4%
Equity / Total Assets	23.1%	26.3%	27.5%	32.3%	31.4%	29.0%
Debt / Equity	38.9%	22.1%	18.6%	18.0%	19.9%	40.1%
EPS (USD)	0.003	(0.002)	0.096	0.032	0.035	0.041
BVPS (USD)	0.136	0.308	0.402	0.361	0.371	0.384
DPS (USD)	0.000	0.000	0.027	0.026	0.028	0.029
PER (x)	136.4x	nm	4.8x	16.3x	14.8x	12.9x
PBV (x)	3.2x	0.5x	1.2x	1.5x	1.4x	1.4x
Dividend Yield (%)	0.0%	0.0%	5.7%	4.9%	5.4%	5.4%

Source: Company reports, MubasherTrade Research estimates

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

Table of Contents

GFH Financial Group

- Corporate Profile 3
- Corporate Structure 4
- Valuation & Recommendation 5
- Business Model 8
- Investment Thesis 11
- Financial Performance 12
- Financial Summary 14

Khaleeji Commercial Bank (KHCB)

- Forecast Assumptions 15
- Valuation 16
- Financial Summary 17

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

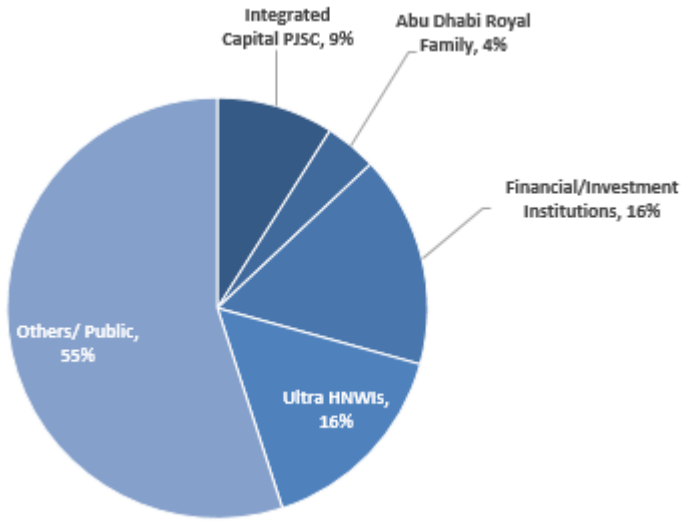
GFH Financial Group | Corporate Profile

GFH Financial Group BSC (GFH.DFM) is a shareholding company established in October 1999 and has been listed on three stock exchanges in the GCC, including the Bahrain Bourse (BSE), Boursa Kuwait (KSE), and Dubai Financial Market (DFM) since 2004. Based in Manama, Bahrain, GFH operates within the financial sector, focusing on the diversified financials industry. Currently, GFH is engaged in four different business lines, namely commercial banking, investment banking, real estate, and direct investments. GFH's operations are mainly focused in the GCC countries with a geographic footprint in the Middle East and North African (MENA) region, the UK, India, and the United States. GFH's paid-in capital amounts to USD975.6mn distributed over 3,681.65mn ordinary shares with a par value of USD0.265. This includes a USD315mn capital increase executed recently through the issuance of 1.2bn new shares that were used to acquire additional stakes in several infrastructure projects. The main shareholder in GFH is Integrated Capital PJSC, an entity that is ultimately controlled by Abu Dhabi Financial Group (ADFG), with a 9.02% stake. Around 90% of GFH's shares are held on DFM, noting that there is no foreign ownership limits for this stock. In July 2017, GFH's credit rating was upgraded by Fitch Ratings from B- to B with a positive outlook, citing "a cleaner balance sheet".

Key Members of GFH's Board of Directors & Management Team

- **H.E. Shaikh Ahmed Bin Khalifa Bin Salman Al Khalifa, Chairman:** H.E. Shaikh Ahmed Bin Khalifa Al Khalifa has more than 23 years of experience including banking, advisory and ministerial positions. He is currently the Advisor for Community Affairs at the Crown Prince Court (Rank of Minister). Throughout his career, Shaikh Ahmed managed to occupy several positions. In 2009, he became the Advisor to His Royal Highness the Crown Prince (Rank of Minister). In 2006, he was the Secretary General of Supreme Council for Defence (Rank of Minister). H.E. Shaikh Ahmed has also served as the Kingdom of Bahrain's ambassador to the United Arab Emirates from 2000 - 2006. Previously, he was the Head of Arab Banking Corporation's office in Abu Dhabi. H.E. Shaikh Ahmed holds a Bachelor degree in Computer Science and Accounting from University of Bahrain. H.E. Shaikh Ahmed has also accomplished successfully the Global Credit Analysis certificate from BPP Training and Consultancy (London), and the Gulf Executive Management and Strategic Leadership certificate from Colombia University (New York).
- **Mr. Hisham Alrayes, Chief Executive Officer & Board Member:** Hisham Alrayes is the Chief Executive Officer as well as the member of the Board of Directors of GFH Financial Group. In 2012, Mr. Alrayes assumed leadership of the firm with an objective to establish a diverse and well-recognized regional financial group offering a remarkable platform for Wealth Management, Real Estate, Commercial Banking and Asset Management. Prior to his role as the Group's CEO, Mr. Alrayes was GFH's Chief Investment Officer during which he was responsible for driving the development and execution of its regional and international investment strategy along with management of the bank's liabilities. Before joining the group in 2007, Mr. Alrayes was part of the senior management team of the Bank of Bahrain & Kuwait ('BBK'), a leading commercial bank in the Kingdom of Bahrain. During his tenure at BBK, Mr. Alrayes was responsible for a number of key projects and new venture initiatives. These included establishing one of the bank's key subsidiaries, as well as developing BBK's E-Banking platform. Mr. Alrayes is the Chairman of Balexco, Gulf Holding Company and holds directorship beside GFH Financial Group, in Khaleeji Commercial Bank, Falcon Cement Company and GFH Capital. Mr. Alrayes holds a Masters degree with Honors in Business Administration from the University of DePaul, Chicago (USA), and a Bachelor's degree in Engineering with Honors from the University of Bahrain.

Shareholder structure



Source: GFH Management

Board of directors

H.E Sh. Ahmed Bin Khalifa	Chairman
Dr. Ahmed Al Mutawa	Vice Chairman
Hisham Alrayes	CEO & Board Member
Mazen Bin Al Saeed	Board Member
Jassim Al Seddiqi	Board Member
Rashid Nasser	Board Member
Mosbah Saif	Board Member
Ghazi Faisal	Board Member
Bashar Al Mutawa	Board Member

Source: GFH's reports

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

GFH Financial Group | Corporate Structure



Source: Company reports

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

GFH Financial Group | Valuation & Recommendation

We used different valuation methods to value GFH Financial Group given its multi-segment business model, ranging from commercial banking to investment banking, real estate, and direct investments. We valued GFH on a consolidated and on a sum-of-the-parts basis.

Consolidated Valuation

Based on our forecast for GFH's consolidated financial statements, we used two main valuation models, excess return model (ERM) and warranted equity valuation (WEV) model.

1. **ERM – AED2.787/share:** We built three stages to forecast GFH's net income, (3 years from 2017 to 2019, 7 years from 2020 to 2026, and a terminal stage (2027+). This resulted in a 12-month fair value of AED2.787/share, using:
   - **COE:** We assumed a cost of equity (COE) of 9.1% for GFH over the 10 forecasted years as well as the terminal year. To come with GFH's COE, we used the build-up method, starting with its average cost of borrowing (which we estimated at 6.1%) then adding an equity risk premium of 300bps to account for GFH's B rating. For the terminal COE, we only added an ERP of 200bps, assuming GFH's risk profile will improve.
   - **Nominal terminal growth rate (TGR):** 5.1% (based on a 3.0% real growth rate and a 2.0% expected inflation rate).
2. **WEV – AED2.750/share:** We based our model on GFH's long-term fundamentals in the terminal year (2027):
   - Sustainable ROE of 12.0%.
   - Terminal COE of 8.1%.
   - TGR: 5.1%.

   The above implied a price-to-book value multiple of 2.31x at the end of 2026 or an equity value of USD5.21bn, which when discounted to the present value amounted to USD2.53bn or USD0.687/share. This implies a 12-month fair value of (AED2.750/share).

Sum-of-the-Parts Valuation

We also used sum-of-the-parts (SOTP) valuation method to capture the intrinsic value of each segment of GFH's business, which we believe gives us a better view of the fair value of each business on a stand-alone basis. We grouped the business segments into commercial banking, investment banking, real estate, and direct investments, which totaled AED3.249/share, split as follows:

1. **Commercial Banking – AED0.262/share:** This is mainly comprised of GFH's 55.41% stake in **Khaleeji Commercial Bank (KHCB)**, which we valued using both DCF and WEV models. *Please see the other section of the report for our assumptions, forecasts, and valuation.*
2. **Investment Banking – AED0.390/share:** This segment includes **GFH Capital Ltd.**, the group's investment banking arm. We valued it based on earnings multiple for comparable firms in the MENA region.
3. **Real Estate – AED1.452/share:** This segment includes GFH's investment real estate portfolio owned by the group as well as the recently-acquired infrastructure projects in Morocco, Tunisia, and India. We valued the whole segment using NAV provided by GFH's third-party evaluators.
4. **Direct Investments– AED1.146/share:** This segment includes all other equity investments owned by GFH. We valued the investments using NAV provided by GFH's third-party evaluators and book value, when an NAV was not available. The segment also includes the Group's development real estate, Al Areen Hotels and Al Areen Waterpark which we valued using the latest net asset values (NAVs) estimated by GFH's third-party evaluators in addition to GFH's 51% stake in **British School of Bahrain (BSB)** which we valued at 10x earnings.

Initiated with a Buy, 12-month PT AED2.929/share: To come up with our 12-month price target (PT), we calculated the average of all above three methods, namely ERM, WEV, and SOTP. Thus, our 12-month PT is AED2.929/share, implying a 52% upside potential above the market price. Thus, we initiate coverage on GFH with a Buy/Moderate Risk rating.

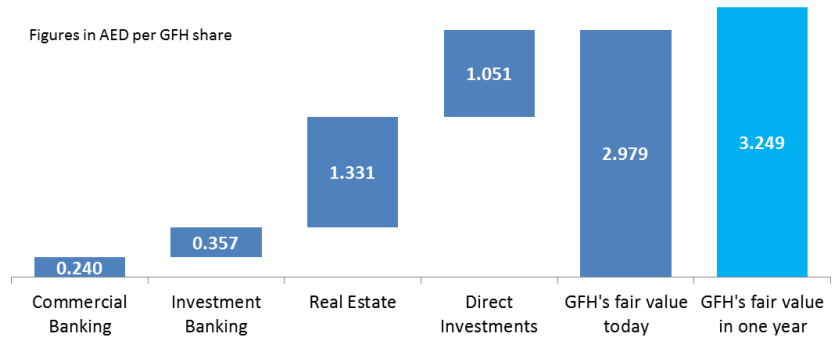
Investment Rationale

- A well-diversified portfolio with a geographical spread.
- Strong management with a strong track record of delivering shareholders' value.
- Growth strategy on the right track.
- Low-leveraged balance sheet facilitates debt-financed expansions.
- Highly liquid stock, with strong anchor investors.
- Focus on income-generating investments increases earnings' visibility.

Key Risks

- Any economic slowdown in the MENA and GCC regions, where most of the company's assets are located.
- Execution risk of the growth strategy, leading to lower-than-expected rates of return.
- Implementing the growth strategy is highly dependent on the management's ability to retain qualified personnel.
- Illiquidity of some of GFH's real estate projects that are subject to completion.
- Competition between banks in Bahrain could slow KHCB's loan growth and/or reduce its profitability.
- A higher interest rate environment.
- Newly-allocated shares are not locked, which could be a pressure on the stock performance.

Summary SOTP valuation



Source: MubasherTrade Research analysis; NAV provided by GFH

Summary 12-month price target

12-month price target	USD/share	AED/share
Excess return	0.759	2.787
Warranted equity valuation	0.749	2.750
Sum-of-the-parts	0.885	3.249
MTR 12M PT (average)	**0.797**	**2.929**
Market price	0.515	1.930
Upside/(downside) vs. market price	55%	52%

Source: MubasherTrade Research analysis

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

GFH Financial Group | Valuation & Recommendation *(Cont.'d)*

Excess Return Model

Figures in USD 000s	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	Terminal
Net Income	**118,283**	**130,216**	**150,345**	**157,182**	**169,552**	**183,000**	**197,629**	**213,552**	**230,893**	**249,788**	**270,387**
Earnings growth rate		10.1%	15.5%	4.5%	7.9%	7.9%	8.0%	8.1%	8.1%	8.2%	5.1%
Equity	1,330,509	1,366,098	1,412,270	1,506,580	1,608,310	1,718,110	1,836,688	1,964,819	2,103,355	2,253,228	2,367,241
Less: Equity cost	**(120,554)**	**(123,778)**	**(127,962)**	**(136,507)**	**(145,724)**	**(155,673)**	**(166,417)**	**(178,027)**	**(190,579)**	**(204,158)**	**(190,817)**
Excess equity return	**(2,270)**	**6,438**	**22,383**	**20,675**	**23,827**	**27,327**	**31,212**	**35,526**	**40,314**	**45,629**	**79,571**
Terminal Value											**2,651,731**
ROE (beginning equity)	13.0%	9.8%	11.0%	11.1%	11.3%	11.4%	11.5%	11.6%	11.8%	11.9%	12.0%
COE	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	8.1%
Dividend payout ratio	80.0%	80.0%	70.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	57.8%
PV of excess return - 10 years	**(2,205)**	**5,735**	**18,282**	**15,484**	**16,362**	**17,206**	**18,020**	**18,807**	**19,568**	**20,308**	
PV of Termminal Value											**1,180,208**

BV invested (end of Q2 2017, adjusted) *	1,233,633
PV of equity excess return - Next 10 years	147,568
PV of Terminal value	1,180,208
Fair value	**2,561,409**
# of shares (mn)	3,681,650
Fair value per share today	**0.696**
Fair value per share in one year	**0.759**

Warranted Equity Valuation

Figures in USD 000s	
Book value (end of 2026e)	**2,253,228**
Sustainable ROE	12.0%
Long-term nominal growth rate	5.1%
Terminal Cost of Equity	8.1%
Justified price-to-book value multiple	2.31
Warranted equity value (end of 2026e)	**5,211,229**
Warranted equity value today	**2,527,593**
# of shares (000)	3,681,650
Fair value per share today	**0.687**
Fair value per share in one year	**0.749**

Source: MubasherTrade Research estimates

Excess Return Model Sensitivity Analysis

Terminal COE \ Terminal ROE	11.0%	11.5%	12.0%	12.5%	13.0%
7.1%	3.383	3.689	4.002	4.320	4.644
7.6%	2.775	3.022	3.273	3.529	3.789
8.1%	2.370	2.576	**2.787**	3.001	3.219
8.6%	2.080	2.258	2.440	2.624	2.812
9.1%	1.863	2.020	2.179	2.342	2.507

Summary Fair Value per Share & PT in One Year

Method	Weight	Value (USD)	Value (AED)
Excess Return Model	33%	0.759	2.787
Warranted Equity Valuation	33%	0.749	2.750
Sum-of-the-parts	33%	0.885	3.249
Sum-of-the-parts		**0.797**	**2.929**
Upside potential		55%	52%

* Adjusted for recent capital increase in relation to acquired infrastructure projects.

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

GFH Financial Group | Valuation & Recommendation *(Cont.'d)*

GFH's sum-of-the-parts (SOTP) valuation

Segment / Investment	Stake	Valuation method(s)	Equity value (USDmn)	Proportionate equity value (USDmn)	Per-share proportionate equity value (USD)	Per-share proportionate equity value today (AED)	Per-share proportionate equity value in one year (AED)
Commercial Banking							
Khaleeji Commercial Bank (KHCB)	55.41%	DCF and warranted equity	434.1	240.6	0.065	0.240	0.262
		Market value	317.2	175.8	0.048	0.175	0.191
Investment Banking				**358.1**	**0.097**	**0.357**	**0.390**
GFH Capital Limited	100.00%	P/E (12.6x earnings)	358.1	358.1	0.097	0.357	0.390
Real Estate				**1,334.4**	**0.362**	**1.331**	**1.452**
Tunis Bay Investment Company	47.74%	NAV	304.0	145.1	0.039	0.145	0.158
Energy City Navi Mumbai & India Projects	69.59%	NAV	789.0	549.1	0.149	0.548	0.597
Morocco Gateway Investment Co. (MGIC)	83.29%	NAV	224.0	186.6	0.051	0.186	0.203
Other real estate assets (land bank)	100.00%	NAV	453.6	453.6	0.123	0.453	0.494
Direct Investments				**1,053.5**	**0.286**	**1.051**	**1.146**
Naseej BSC	100.00%	NAV	14.1	14.1	0.004	0.014	0.015
Bayan Holding Company	8.90%	NAV	147.0	13.1	0.004	0.013	0.014
Bahrain Financial Harbour - Land Plot	100.00%	NAV	466.1	466.1	0.127	0.465	0.507
Dubai Land- Land Plot	100.00%	NAV	154.5	154.5	0.042	0.154	0.168
Falcon Cement Company	32.00%	Book value	N/A				
United Arab Cement Company	38.90%	Book value	N/A				
Libya Investment Company	38.90%	Book value	N/A				
Amlak II SPV	23.51%	Book value	N/A	116.7	0.032	0.116	0.127
Bahrain Aluminum Extrusion	18.00%	Book value	N/A				
Global Banking Corporation	20.00%	Book value	N/A				
Enashaa Development Company	33.33%	Book value	N/A				
British School of Bahrain	51.00%	P/E (10x earnings)	117.6	60.0	0.016	0.060	0.065
Al Areen Hotels SPC	100.00%	NAV	148.0	148.0	0.040	0.148	0.161
Al Areen Waterpark (Lost Paradise of Delmon)	100.00%	NAV	81.0	81.0	0.022	0.081	0.088
Total fair value in one year, KHCB @ fair value				**2,986.5**	**0.811**	**2.979**	**3.249**
Upside/(downside) vs. market price							68%
Total fair value in one year, KHCB @ market price				**2,921.7**	**0.794**	**2.915**	**3.179**
Upside/(downside) vs. market price							65%

Source: NAVs are as per GFH's third-party reports, MubasherTrade Research estimates

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

GFH Financial Group | Business Model

A well-diversified portfolio with a geographical spread… : According to GFH, the group has four distinct operating segments: commercial banking, investment banking, real estate, and direct investments.

1. Commercial banking:

This business line includes commercial and corporate banking, retail banking, wealth management, structured investment products, and project financing facilities of the group's commercial banking subsidiary. The segment represents 30% of the company's total assets & funds under management. **Khaleeji Commercial Bank (KHCB.BSE),** which is 55.4% owned by GFH, represents the commercial banking segment of the group. The segment saw its contribution to total revenues slightly decline from 38% in H1 2016, to 28% in H1 2017, where it generated USD32.0mn in H1 2017, increasing 0.6% YoY.

2. Investment banking:

The investment banking segment **(GFH Capital)** of the group consists of private equity and asset management investments.

- The private equity activities include acquisition of stable businesses, focusing on cash yielding investments within defensive sectors such as healthcare, education and consumer retail.
- The asset management unit invests in income-producing real estate assets across the US, Europe and GCC.

This segment contributed almost three quarters of operating revenue in H1 2017, positively impacted by the group's role in launching new private equity and asset management transactions. This segment only represents 10% of GFH's total assets & funds under management.

3. Real estate:

The group owns some of the most prime landbanks with more than 200 million square feet across the GCC, Africa and India. The group is aiming to monetize values from existing infrastructure and real estate projects (residential and commercial) by employing a capital-light model alongside key JV partners and contractors to develop its land bank.

During H1 2017, the group launched construction in its Harbor Row project, a luxurious water facing mixed-use project within Bahrain Financial Harbour comprising of unique high quality residential units and lively retail elements. The group has realized sales of USD43mn (24% of the project), with income expected to be realized in subsequent quarters based on the percentage of completion method.

This segment represents 40% of GFH's total assets & funds under management.

4. Direct investments:

The group's direct investment portfolio consists of various assets across the education, leisure and hospitality sectors. Those assets are expected to be monetized at attractive valuations in the future, delivering value to GFH's shareholders. The segment represents 20% of GFH's total assets & funds under management.

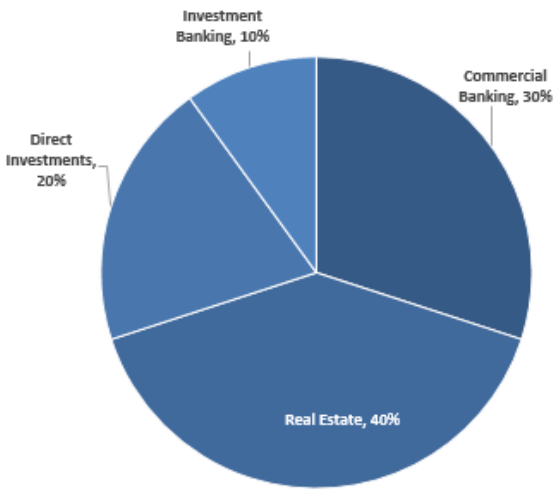
For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

GFH Financial Group | Business Model *(Cont.'d)*

... with a well-thought target to transform to a regional financial group with comprehensive verticals and diversified income contribution

2016: Assets & funds under management

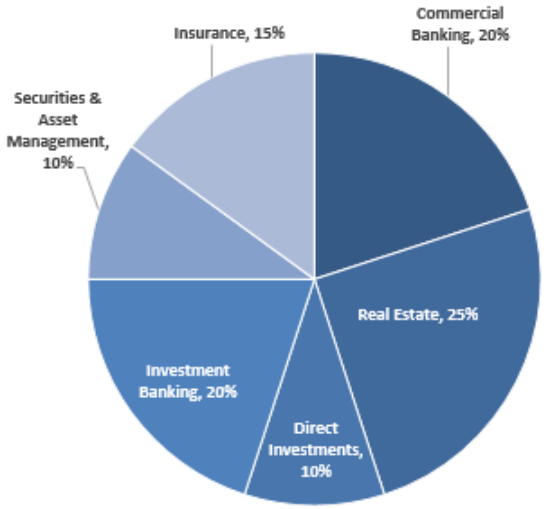


M&A into Financial Assets

Monetization of Real Estate portfolio

Diversification of Lines of Business

2019: Income contribution



Source: GFH Management

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

GFH Financial Group | Business Model *(Cont.'d)*

Portfolio of Investments

Investment Banking

- **Education portfolio:**
- **Philadelphia Private School**
- **Sheffield Private School**
- **AMA Wll:** AMA Wll is an Education holding company based in Bahrain, which owns both the AMA University and AMA School
- **Income-producing real estate:**
- **Diversified US Residential Portfolio (DURP):** The portfolio comprises of three multifamily residential complexes in Houston & Atlanta totaling 1,288 units with 94% occupancy.
- **Jeddah Mall:** Event Mall, Jeddah The mall extends over an area of 131,000 m2 and is 100% occupied by retail shops, restaurants, kiosks and cafes.
- **US industrial real estate:** Portfolios comprise of 29 multi and single tenant properties managed by an established property manager specialized in industrial real estate.
- **US Data Center.**

Real Estate

- **Harbour Row:** Luxurious water-facing mixed-use project within Bahrain Financial Harbour comprising of unique high quality residential units and retail units.
- **Harbour North:** A casual medium and high end dining and entertainment complex in Bahrain.
- **California Village:** A mixed use development consisting of residential villas and service apartments along with common retail and facilities within close proximity to Sheikh Mohammed Bin Zayed road.
- **Mumbai Economic Development Zone**
- **Royal Parks Marrakech: A m**ixed use project in Marrakech spanning over 380 hectares.
- **Tunis Financial Harbour: A** mixed use project in Arianna spanning over 523 hectares of land with an attractive beach front.
- **Areen Land**

Direct Investments

- **British School of Bahrain**
- **Areen Hotel & Water Park**
- **Falcon Cement Company (FCC)**
- **Bahrain Aluminum Extrusion Company (Balexco)**

Source: GFH Presentation

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

GFH Financial Group | Investment Thesis

A leaner and stronger GFH set to unlock value for shareholders

Robust and aggressive growth strategy: In 2016, GFH set a new growth strategy aiming at transforming the company to a fully-integrated financial group. The plan has three pillars: (1) focusing on high yield investments, (2) unlocking the value of the real estate portfolio, and (3) inorganic growth through acquisitions. In doing so, GFH's shareholders approved a plan to issue 1.7bn new shares at a nominal value of USD 0.265/share in addition to a share premium of USD0.688 (total share value of USD0.9538) as per an independent third party valuation. New shares were used to acquire a number of infrastructure projects and investment funds across the MENASA (Middle East, North Africa and Asia) regions through a share swap. By August 2017, GFH completed the acquisition of a USD1.2bn infrastructure portfolio in Africa and the Middle East. The acquisition was funded by a USD315mn share (i.e. non-cash) capital increase. Infrastructure projects acquired were:

- **Mumbai Economic Development Zone** is located in Navi, Mumbai with a land area exceeding 510 hectares. The estimated development value for this project is USD5bn and the estimated NAV ranges between USD700mn-USD1bn.
- **Royal Parks Marrakech in Morocco** is a mixed use development project in the city of Marrakech spanning over 380 hectares of land, with development value of USD2bn and estimated NAV ranges from USD200-300mn.
- **Tunis Financial Harbour** is a mixed use project in Arianna spanning over 523 hectares of land with an attractive beach front. Project being developed in four phases including: commercial zones, medical city and residential units. The development value is USD3bn and estimated NAV ranges from USD200-300mn.

It is important to highlight that all these assets have been recorded at the value implied by the par value of the swapped shares (c.USD315mn). Hence, this may trigger massive capital gains once these assets are offered for sale or marked to market. According to management, the growth strategy is expected to raise total assets and funds under management to USD11.6bn by 2019 from just USD6.2bn in 2016 (CAGR: 23%), while equity is estimated to grow to USD2.5bn vs. USD908mn in 2016.

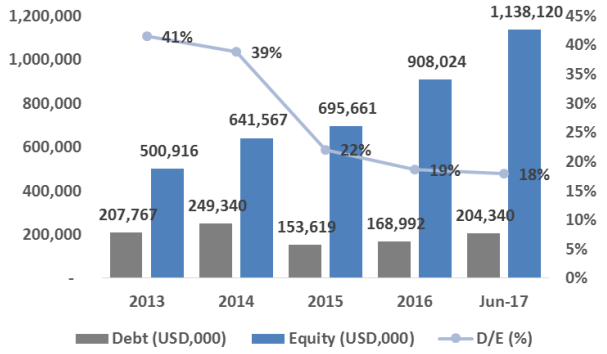
An investment opportunity for investors looking to diversify their portfolio: Investing in GFH provides shareholders with a unique opportunity to diversify their holdings. GFH is wisely invested in diverse asset classes and sectors including real estate, financial services, education, tourism and entertainment through direct and indirect holdings.

Low-leverage profile, giving room for debt-funded expansions: Between 2013 and 2017, GFH has significantly reduced its leverage, through value creation for its shareholders. GFH's debt-to-equity ratio fell from 41% in 2013, to just 18% by the end of June 2017, leaving ample room for the company to tap debt market for further expansions.

Focus on income-generating investments provides higher earnings visibility: By raising its stake in KHCB, GFH is increasing revenue contribution from the more stable and growing commercial banking activities, especially as the bank cleans up its NPL portfolio. Management also strived to change the business model by which they used to manage their real estate portfolio, aiming to transform it to a capital-light business model, through partnering with several contractors to develop their land bank in return for a revenue sharing.

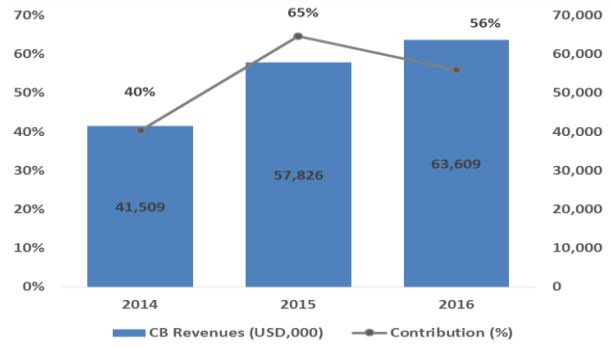
Strong anchor investors: The presence of Abu Dhabi Financial Group (ADFG) as a significant shareholder via Integrated Capital, an entity that is ultimately controlled by ADFG, is positively viewed as growth supporter for GFH.

Evolution of Debt to Equity



Source: GFH Financial

Higher contribution from commercial banking provides more earnings visibility



Source: GFH Financial

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

GFH Financial Group | Financial Performance

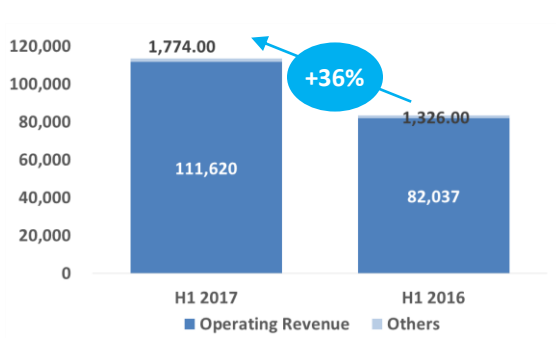
GFH turns to profit during 2016: In 2016, GFH reported net income amounting to USD217.1mn vs. a net loss of USD5.5mn in 2015, thanks to income generated from settlement of litigations, which amounted to USD464.6mn. GFH adopted a conservative provisioning policy during 2016 due to major recoveries achieved, booking USD221.1mn of impairments vs. USD17.0mn in the previous year. Removing the impact of such provisions, net income would have recorded USD438.2mn.

- **Recoveries:** During 2016, GFH resolved several disputes with counterparties, receiving out-of-court settlements amounting to USD464.6mn, in the form of assets. The settlements included real estate properties amounting to USD310.1mn, controlling and non-controlling stakes in several entities, including the British School of Bahrain, Global Banking Corporation among others.
- **Commercial banking (CB):** The segment's net operating income increased 8% YoY to USD30.9mn, with revenues growing 11% YoY to USD63.6mn. Khaleeji Commercial Bank (KHCB) expanded during the year through 11 new branches in Bahrain, while its assets grew 17% YoY to USD2.0bn and its customers' deposits added 20% YoY to USD1.54bn.
- **Investments Banking (IB):** During the year, revenues from IB were slashed to USD1.5mn vs. USD26.1mn in 2015 mainly due to management's focus on dispute settlements and recovering of assets. Operating expenses (excluding impairments) hiked 216% YoY to USD41.2mn. Hence, the segment recorded a net operating loss of USD39.7mn vs. net operating income of USD13.1mn in the previous year.
- **Real Estate:** After reporting net operating loss of USD6.2mn in 2015, the segment turned to profits, posting USD23.2mn of net operating income in 2016. Revenues from the segment jumped 9 folds to USD48.8mn, driven by higher gains on sale of development properties. During the year, the company launched several real estate projects, including Villamar, the Harbour Row project and the California Village project in Dubai, which are expected to boost GFH's income in the coming years.

GFH's H1 2017 net profit up 439% YoY to USD62.1mn on stronger IB and CB operations: GFH posted a net profit of USD62.1mn in H1 2017, up 439% YoY. Excluding the effect of impairments recovery of USD3.5mn, earnings would have recorded USD58.7mn, a 97% YoY increase. Earnings YoY performance was mainly attributable to a strong performance by IB and commercial banking (CB) operations, lifting the group's revenues to USD113.4mn in H1 2017, up 36% YoY.

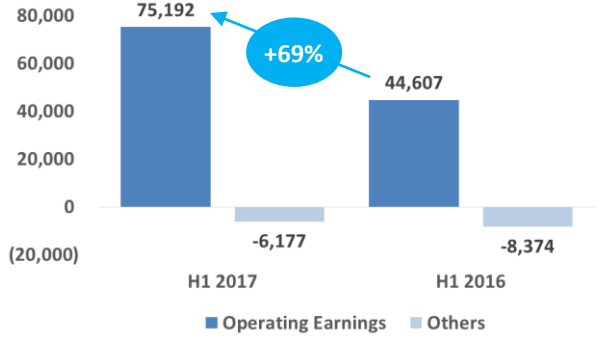
- **Commercial banking (CB):** CB segment's revenues rose 1% YoY to USD32.0mn on higher income from financing assets and assets acquired for leasing in H1 2017. Segment's net operating profit grew 54% YoY to USD18.9mn. Excluding the impact of USD4.9mn of impairments recovery, earnings for the segment would have recorded USD13.95mn, down 9% YoY.
- **Investments Banking (IB):** GFH recorded net operating profits of USD68.2mn (excluding impairments) in H1 2017 from the IB segment compared to net losses of USD9.8mn in H1 2016, driven by higher revenues generated from placement of private equity subsidiaries and other investment products. During H1 2017, the segment booked impairments amounting to USD1.3mn, resulting in net profits after impairments of USD66.8mn, (+102% YoY). Revenues from the segment hiked to USD88.5mn vs. USD2.13mn in the same period of 2016, thanks to management focus on monetizing assets and investments. It is worthy to mention that this segment contributes 78% to the group's total revenues, with the remaining 22% coming from CB and real estate development segments.

Revenues grew 36% YoY in H1 2017(USD, 000)



Source: GFH Financial

Earnings (excluding impairments) grow on IB performance (USD, 000)



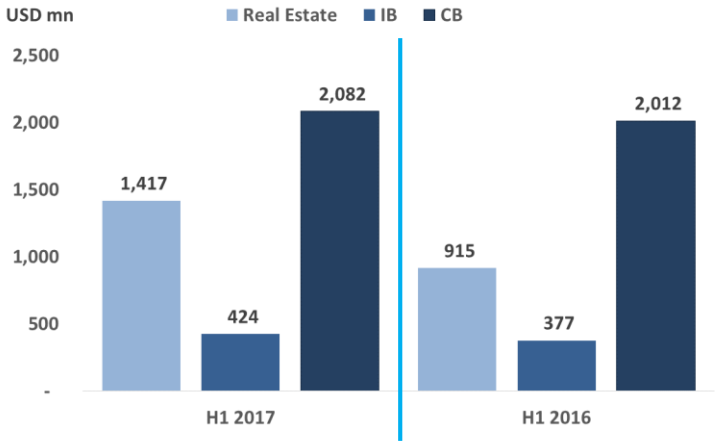
Source: GFH Financial

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

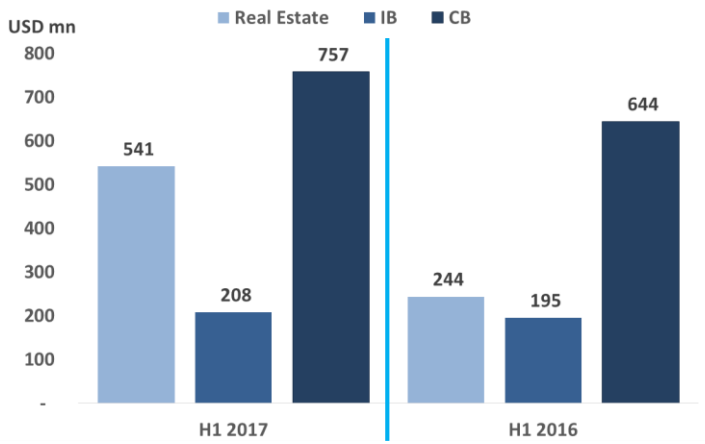
GFH Financial Group | Financial Performance *(Cont.'d)*

Assets value by segment (excluding un-allocated)



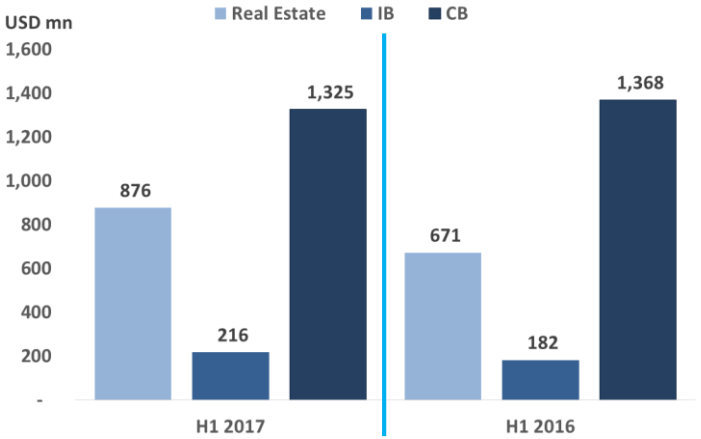
Source: GFH Financial

Liabilities by segment (excluding un-allocated)



Source: GFH Financial

Equity book value by segment (excluding un-allocated)



Source: GFH Financial

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

GFH Financial Group | Financial Summary

Balance Sheet (USD, 000)						
FY End: December	**2014a**	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Assets						
Cash and bank balances	129,938	122,165	156,448	306,238	411,803	755,919
Placements with financial institutions	248,482	122,348	213,898	234,167	250,553	267,806
Financing assets	782,628	859,421	961,490	1,003,852	1,068,055	1,162,241
Investment securities& Assets held for sale	482,596	573,453	527,203	473,431	481,694	498,339
Assets acquired for leasing	114,008	179,870	246,257	308,203	329,769	352,477
Investment properties	313,635	257,932	488,436	484,973	484,973	484,973
Development properties	131,317	179,577	280,972	882,765	882,765	882,765
Equity-accounted investee	21,173	81,274	79,010	121,098	131,391	144,530
Property, plant and equipment	166,375	25,602	169,153	120,016	118,896	117,791
Intangible Assets	125,176	-	54,891	-	-	-
Other assets	266,914	248,160	125,643	179,661	192,232	205,470
Total Assets	**2,782,242**	**2,649,802**	**3,303,401**	**4,114,403**	**4,352,131**	**4,872,311**
Liabilities & Equity						
Placements from institutions and individuals	339,458	340,090	570,515	746,689	798,938	853,953
Investors' funds	18,675	27,728	44,565	32,744	35,035	37,448
Customer current accounts	111,684	154,052	192,783	210,870	225,626	241,162
Financing liabilities (Debt)	249,340	153,619	168,992	239,566	271,992	566,583
Other liabilities	149,872	135,977	182,649	208,413	222,997	238,352
Equity of investment account holders	895,558	944,915	1,022,190	1,125,502	1,204,258	1,287,184
Total Liabilities	**1,764,587**	**1,756,381**	**2,181,694**	**2,563,784**	**2,758,845**	**3,224,683**
Minority Interest	376,088	197,760	213,683	220,111	227,187	235,358
Total Equity	**641,567**	**695,661**	**908,025**	**1,330,509**	**1,366,098**	**1,412,270**
Total Liabilities & Equity	**2,782,242**	**2,649,802**	**3,303,402**	**4,114,403**	**4,352,131**	**4,872,311**

Income Statement (USD, 000)						
	2014a	**2015a**	**2016e**	**2017e**	**2018e**	**2019e**
Financing, leasing, interbank assets Income	60,955	58,475	71,966	82,983	92,832	103,821
Return to investment account holders	(23,135)	(18,264)	(18,981)	(24,149)	(28,891)	(33,816)
Net funding income	**37,820**	**40,211**	**52,985**	**58,834**	**63,941**	**70,005**
Non-funding income	73,923	64,532	84,841	216,324	236,785	245,394
Total Operating income	**111,743**	**104,743**	**137,826**	**275,158**	**300,726**	**315,399**
Operating expenses	(52,939)	(59,114)	(121,012)	(101,925)	(102,776)	(103,644)
Depreciation and Amortaization	(6,013)	(2,995)	(3,784)	(1,632)	(1,620)	(1,605)
Finance expense	(21,416)	(16,758)	(23,437)	(39,853)	(36,656)	(39,475)
Total Operating expenses	**(80,368)**	**(78,867)**	**(148,233)**	**(143,410)**	**(141,052)**	**(144,724)**
Profit (loss) before impairments	**31,375**	**25,876**	**(10,407)**	**131,749**	**159,674**	**170,675**
Impairment	(14,120)	(17,016)	(221,112)	(7,037)	(22,381)	(12,160)
Profit from continuing operations	**17,255**	**8,860**	**(231,519)**	**124,711**	**137,293**	**158,515**
Income from discontinued operations	10,096	3,165	464,567	-	-	-
NP Before MI	**27,351**	**12,025**	**233,048**	**124,711**	**137,293**	**158,515**
Minority interests	(12,368)	(17,545)	(15,923)	(6,428)	(7,076)	(8,170)
Income Attributable to Shareholders	**14,983**	**(5,520)**	**217,125**	**118,283**	**130,216**	**150,345**

Per-Share Data						
	2014a	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Price (AED)	0.680	0.446	1.845	1.930	1.930	1.930
Price (USD)	0.432	0.145	0.464	0.525	0.525	0.525
# Shares (mn)	4,731	2,257	2,257	3,682	3,682	3,682
EPS	0.003	(0.002)	0.096	0.032	0.035	0.041
DPS	0.000	0.000	0.027	0.026	0.028	0.029
BVPS	0.136	0.308	0.402	0.361	0.371	0.384

Valuation Indicators						
	2014a	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
P/E	136.4x	nm	4.8x	16.3x	14.8x	12.9x
P/BV	3.2x	0.5x	1.2x	1.5x	1.4x	1.4x
Net funding income/Total operating income	33.8%	38.4%	38.4%	21.4%	21.3%	22.2%
Non-funding income/Total operating income	66.2%	61.6%	61.6%	78.6%	78.7%	77.8%
Dividend Payout Ratio	0.0%	0.0%	27.5%	80.0%	80.0%	70.0%
Dividend Yield	0.0%	0.0%	5.7%	4.9%	5.4%	5.4%

Growth Rates					
	2015a	**2016a**	**2017e**	**2018e**	**2019e**
Net funding income	6%	32%	11%	9%	9%
Non-funding income	-13%	31%	NM	9%	4%
Total operating income	-6%	32%	NM	9%	5%
Net earnings (after minorities)	NM	NM	NM	10%	15%
Adjusted net earnings (after minorities)	-60%	NM	NM	22%	6%
Total assets	-5%	25%	25%	6%	12%

Profitability Ratios						
	2014a	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
ROAA	0.8%	-0.2%	7.3%	3.2%	3.1%	3.3%
ROAE	2.6%	-0.8%	27.1%	10.6%	9.7%	10.8%

Efficiency, Capital adequacy & liquidity ratios						
	2014a	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Cost / total operating income	53%	59%	91%	38%	35%	33%
Cost / Net funding income	156%	154%	236%	176%	163%	150%
Cost / Non-funding income	80%	96%	147%	48%	44%	43%
Equity / Total Assets	23%	26%	27%	32%	31%	29%
Debt / Equity	39%	22%	19%	18%	20%	40%

Source: Company data, MubasherTrade Research estimates

a = Actual; e = Estimate; NM = Not Meaningful

Share price at 7-Sep-17

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

Khaleeji Commercial Bank (KHCB) | Forecast Assumptions

KHCB's loans & deposits growth outpaces the industry: Out of 13 local banks in Bahrain, **Khaleeji Commercial Bank (KHCB.BSE)** (which is listed on Bahrain Bourse) is ranked the 8th in terms of assets, the 8th in terms of net loans, and the 7th in terms of deposits.

- KHCB has seen its net loans growth outpace Bahrain's banking industry, logging a 2-year CAGR (2014-2016) of 10% compared to 6% for the entire industry. KHCB's lending increased 4% YoY as of June 2017 (vs. +11.5% YoY as of December 2016). ***We expect KHCB's net loans to grow by 6.4% YoY to USD1bn in 2017 and to grow at a 6-year CAGR (2016-2022) of 8% to USD1.49bn by 2022.***
- On the other hand, KHCB's deposits increased by 12% YoY as of June 2017 (+2% YTD as of June 2017) to USD1.25bn. The bank's customer deposits (including equity of investment account holders) grew at a 2-year CAGR (2014-2016) of 11% compared to 3% for the industry's aggregate deposits over the same period. ***We expect KHCB's deposits to increase by 4.8% YoY to USD1.3bn in 2017 and to grow by a 6-year CAGR (2016-2022) of 6% to USD1.85n by 2022.***
- The bank's net loans-to-deposits ratio (LDR) stood at 74% as of December 2016 (77% as of June 2017) compared to an industry average of 49% (50% as of March 2017). ***We expect the LDR to reach 75% in 2017 then reach its highest level at 80.5% at the end of our forecast period in 2022.***

KHCB's asset quality indicators to improve gradually over our forecast period: KHCB's non-performing loans (NPLs) as a percentage of gross loans (i.e. NPL ratio) deteriorated from 4.5% in 2015 to 11.5% in 2016. ***We forecast that the bank's NPL ratio will decrease to 10.9% by end of 2017 then improve gradually over our forecast period to reach 7.6% by 2022.*** Similarly, NPL coverage ratio (the percentage of NPLs covered by loan loss provisions) deteriorated from 92% in 2015 to 43% in 2016. ***We expect the NPL coverage ratio to increase gradually over our forecast period to reach 61% in 2017 then 119% by the end of 2022, as the bank reduces its NPLs and builds up provisions.***

KHCB's net interest income edges higher on greater yields: KHCB's net interest income (NII) grew 36% YoY in 2016 to USD44.3mn. The bank was able to improve its net interest margin (NIM) by 51bps YoY, recording 2.8% in 2016 versus 2015 due to the witnessed decrease in the cost of funds in addition to an improving asset yield. ***We expected NII to grow by 10% YoY in 2017 to reach USD48.8mn and to grow by a 6-year CAGR of 9% to reach USD74mn by 2022. We also expect the bank's NIM to decrease marginally in 2017 by 6bps to reach 2.74% given the expected increase in the bank's cost of deposits following the Federal Reserve's decision to hike interest rates. We then expect NIMs to increase gradually to 2.78% in 2022, its highest level over our forecast period.***

KHCB's net profit to grow in double digits in 2017: KHCB had posted a 24% YoY decrease in 2016 net profits (-27% YoY in H1 2017), recording USD14.1mn due to the witnessed sharp increase in the bank's impairment charges. The bank booked an impairment charge of USD4.9mn on equity securities in addition to an impairment allowances of USD27.9mn for unquoted equity securities and USD20.2mn as an impairment charge for loans. ***We expect the bank's net profits to grow by 38% YoY to reach USD19.5mn in 2017 and to grow at a 6-year CAGR (2016-2022) of 28% to reach USD61mn by 2022. We expect the bank's ROE will average 6.3% in 2017 up from 4.8% in 2016. We expect the bank's ROAA will increase from 0.7% in 2016 to 0.9% in 2017 then to gradually increase to 1.9% by 2022, its highest level over our forecast period.***

Declining cost-to-income ratio: KHCB's cost-to-income ratio has consistently slipped from 72% in 2014 to 45% in 2016 (54% in H1 2017), reflecting the bank's effective management and improved efficiency. ***We expect the bank's cost-to-income ratio to reach 44% in 2017 then to improve gradually to reach 39% in 2022, its lowest level over our forecast period.***

Key Assumptions

Key Assumptions (USDmn)		2014a	2015a	2016a	2017e	2018e	2019e	2020e	2021e	2022e	Terminal	CAGR (2014-2016)	CAGR (2016-2022)
KHCB net loans		**784**	**845**	**942**	**1,002**	**1,067**	**1,161**	**1,262**	**1,373**	**1,492**	**1,620**	**10%**	**8%**
	Market share	4.2%	4.1%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%		
	YoY Growth	17%	8%	12%	6%	6%	9%	9%	9%	9%	9%		
KHCB deposits		**1,025**	**1,158**	**1,273**	**1,335**	**1,428**	**1,526**	**1,630**	**1,739**	**1,853**	**1,974**	**11%**	**6%**
	Market share	2%	3%	3%	3%	3%	3%	3%	3%	3%	4%		
	YoY Growth	24%	13%	10%	5%	7%	7%	7%	7%	7%	7%		
Total banking income		**41**	**56**	**68**	**72**	**80**	**91**	**100**	**109**	**119**	**128**	**30%**	**10%**
	YoY Growth	115%	39%	21%	5%	11%	13%	10%	9%	8%	8%		
Operating expenses		**(29)**	**(29)**	**(31)**	**(32)**	**(34)**	**(38)**	**(41)**	**(44)**	**(46)**	**(49)**	**2%**	**7%**
	YoY Growth	1%	-2%	7%	3%	9%	10%	8%	6%	6%	6%		
Net income		**8**	**19**	**14**	**19**	**24**	**41**	**46**	**54**	**61**	**70**	**31%**	**28%**
	YoY Growth	116%	127%	-24%	38%	21%	73%	13%	16%	14%	13%		

Source: Company data, MubasherTrade Research estimates

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

Khaleeji Commercial Bank (KHCB) | Valuation

Discounted Cash Flow (DCF) – USD0.414/share (BHD0.156/share): Our Discounted Cash Flow (DCF) resulted in a fair value of USD0.414/share (BHD0.156/share), derived as follows:

Cost of equity (COE): 9.5% based on the following:

- The US 10-year Treasury yield of 2.21%.
- An inflation differential between Bahrain and the United States of 1%.
- An adjusted beta of 1.0.
- Bahrain's equity risk premium (ERP) of 7.7% (i.e. US ERP of 5.03% + Bahrain's country risk premium of 2.65%, as implied by its credit default swap (CDS) of 2.3%, levered up by 30% to account for inherent volatility in equity returns).

• **Nominal terminal growth rate (TGR):** 3%.

Warranted Equity Valuation (WEV) Model – USD0.413/share (BHD0.156/share): Our Warranted Equity Valuation (WEV) model resulted in a fair value of USD0.413/share (BHD0.156/share), using:

- Long-term ROE of 11.1%.
- Terminal COE of 9.5%.

Averaging both valuation models, we reached a fair value today of USD0.413/share (BHD0.156/share), implying an equity valuation of USD434.1mn (BHD163.8mn).

Discounted Cash Flow Model

Figures in USDmn	2017e	2018e	2019e	2020e	2021e	2022e	Terminal
Risk weighted assets(RWA)	1,866	1,984	2,148	2,338	2,530	2,735	
RWA growth	12.0%	6.3%	8.2%	8.9%	8.2%	8.1%	
RWA change	200	118	164	191	192	205	
Min. CAR required	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	
Capital required at 12.5%	25	15	20	24	24	26	
Net Income	19	24	41	46	54	61	
Less: Capital required at 12.5%	(25)	(15)	(20)	(24)	(24)	(26)	
Free cash flows	**(6)**	**9**	**20**	**22**	**30**	**36**	**37**
ROAE	6.3%	7.1%	11.2%	11.4%	11.8%	12.0%	
COE	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	
PV of cash flows	**(5)**	**8**	**16**	**16**	**20**	**22**	
Terminal cash flow							**581**
PV of forecasts	77						
PV of Terminal value	358						
Fair value	**435**						
# of shares (mn)	1,050						
Fair value per share (USD)	**0.414**						

Warranted Equity Valuation

Figures in USDmn	
Adjusted book value (end of 2022e) *	566
Sustainable ROE	11.1%
Long-term nominal growth rate	3.0%
Terminal Cost of Equity	9.5%
Justified price-to-book value multiple	1.24
Warranted equity value (end of 2022e)	**703**
Warranted equity value today	**433**
# of shares	1,050
Value/share	**0.413**

* Adjusted for NPL coverage

Average Fair Value per Share

Method	Weight	Value (USD)	Value (BHD)
Discounted Cash Flow Model	50%	0.414	0.156
Warranted Equity Valuation	50%	0.413	0.156
Average fair value today (USD)		**0.413**	**0.156**
Total bank's fair value today (USDmn)		**434.1**	**163.8**

* Book value adjusted for NPL under/over-provisioning.
Source: Company data, MubasherTrade Research estimates

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

MUBASHER TRADE
www.mubashertrade.com

Khaleeji Commercial Bank (KHCB) | Financial Summary

Balance Sheet (USDmn)						
FY End: December	**2014a**	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Interbank assets	300.7	226.0	357.5	400.2	428.2	457.7
Net customer loans	784.5	845.2	943.0	1,002.5	1,066.6	1,160.6
Securities holdings (assets)	307.4	398.8	400.1	459.2	481.8	527.2
T-bills	-	-	-	-	-	-
Goodwill & Intangible assets	-	-	-	-	-	-
Non earning and other assets	190.0	264.2	329.4	411.5	440.3	470.6
Total Assets	**1,582.5**	**1,734.2**	**2,030.0**	**2,273.4**	**2,416.9**	**2,616.2**
Liabilities & Equity						
Interbank liabilities	249.3	252.8	423.9	580.0	611.8	653.9
Customer deposits	1,025.5	1,159.2	1,275.0	1,334.5	1,427.9	1,526.2
Debt						
Other liabilities	26.8	26.1	22.1	30.2	25.0	43.2
Total liabilities	**1,301.7**	**1,438.0**	**1,720.9**	**1,944.8**	**2,064.7**	**2,223.3**
Shareholders equity	273.5	286.1	299.1	318.5	342.1	382.8
Minority Interests	7.4	10.1	10.1	10.1	10.1	10.0
Total Liabilities & Equity	**1,582.5**	**1,734.2**	**2,030.0**	**2,273.4**	**2,416.9**	**2,616.2**

Income Statement (USDmn)						
FY End: December	**2014a**	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Interest income	58.2	58.4	71.2	82.9	92.7	103.7
Interest expense	(31.6)	(25.7)	(26.9)	(34.2)	(40.8)	(47.8)
Net interest income	**26.6**	**32.7**	**44.3**	**48.8**	**51.9**	**55.9**
Net fee and commission income	10.3	11.7	14.4	16.4	17.8	19.1
Net trading income	3.8	12.1	9.7	6.9	10.6	15.9
Other net income	-	-	-	-	-	-
Total banking income	**40.7**	**56.5**	**68.4**	**72.1**	**80.3**	**90.8**
General & administrative expenses	(16.4)	(15.2)	(15.9)	(15.8)	(17.6)	(20.2)
Depreciation	(1.7)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Other operating expenses	(11.3)	(12.2)	(13.5)	(14.5)	(15.5)	(16.5)
Total costs	**(29.4)**	**(28.7)**	**(30.7)**	**(31.6)**	**(34.4)**	**(38.0)**
Operating profit	**11.3**	**27.8**	**37.8**	**40.5**	**45.9**	**52.9**
Loan loss charge	(1.3)	(6.6)	(23.7)	(21.1)	(22.4)	(12.2)
Impairment Losses on Financial Investments	-	-	-	-	-	-
Other Net Non Operating Income (expense)	0.1	-	-	-	-	-
Pre-tax profit	**10.1**	**21.3**	**14.1**	**19.5**	**23.6**	**40.7**
Taxes	-	-	-	-	-	-
Minority interest	(1.9)	(2.7)	0.0	0.0	0.0	0.0
Attributable net profit	**8.2**	**18.6**	**14.1**	**19.5**	**23.6**	**40.7**

Per-Share Data						
	2014a	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Price (USD)	0.125	0.179	0.191	0.302	0.302	0.302
# Shares (in mn)	1,154	1,000	1,050	1,050	1,050	1,050
EPS	0.007	0.019	0.013	0.019	0.022	0.039
DPS	-	-	-	-	-	-
BVPS	0.237	0.286	0.285	0.303	0.326	0.365

Valuation Indicators						
	2014a	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
PER	17.6x	9.6x	14.2x	16.3x	13.5x	7.8x
PBV	0.5x	0.6x	0.7x	1.0x	0.9x	0.8x
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Profitability & Growth Ratios						
	2014a	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Net Interest Income Growth	65.4%	23.1%	35.5%	10.0%	6.4%	7.7%
Non-Interest Income Growth	400.3%	68.5%	1.3%	-3.0%	21.9%	22.7%
Net Income Growth	116.1%	126.7%	-24.2%	38.1%	21.1%	72.7%
Net Interest Margin	2.0%	2.3%	2.8%	2.7%	2.7%	2.7%
ROAA	0.5%	1.1%	0.7%	0.9%	1.0%	1.6%
ROAE	3.0%	6.6%	4.8%	6.3%	7.1%	11.2%
Adjusted ROAE	3.2%	6.8%	5.4%	7.6%	7.9%	11.8%
Yield on AIEA	4.4%	4.1%	4.5%	4.7%	4.8%	5.0%
Cost of Funds	2.6%	1.9%	1.7%	1.9%	2.1%	2.3%
Spread	1.8%	2.2%	2.8%	2.8%	2.8%	2.8%
Cost/Income	72.1%	50.7%	44.8%	43.8%	42.8%	41.8%
NII/total banking income	65.3%	57.9%	64.8%	67.6%	64.5%	61.5%

Liquidity & Asset Quality						
	2014a	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Net Loans-to-Deposits	76.5%	72.9%	74.0%	75.1%	74.7%	76.0%
Total CAR	23.3%	18.1%	18.4%	NA	NA	NA
NPLs/Gross Loans	5.3%	4.5%	11.5%	10.9%	10.2%	9.6%
NPL Coverage Ratio	83%	92%	43%	61%	81%	90%

Source: Company data, MubasherTrade Research estimates

Share price at 7-Sep-17

For more information on MubasherTrade, please visit our website at www.MubasherTrade.com or contact us at Research@MubasherTrade.com. Please read the important disclosure and disclaimer at the end of this document.

Disclosure Appendix

www.mubashertrade.com

Important Disclosures

METHODOLOGY: We strive to search for the best businesses that trade at the lowest valuation levels as measured by an issuer's intrinsic value on a per-share basis. In doing so, we follow both top-down and bottom-up approaches. Under the top-down approach, we attempt to study the most important quantitative and qualitative factors that we believe can affect a security's value, including macroeconomic, sector-specific, and company-specific factors. Under the bottom-up approach, we focus on the analysis of individual stocks by running our proprietary scoring model, including valuation, financial performance, sentiment, trading, risk, and value creation.

COUNTRY MACRO RATINGS: We analyze the four main sectors of a country's macroeconomics, then we assign ★★★, ★★, and ★ star for low risk, moderate risk, and high risk, respectively. We use different weights for each economic sector: (a) Real Sector (30% weight), (b) Monetary Sector (10% weight), (c) Fiscal Sector (25% weight), (d) External Sector (15% weight), and (e) Credit Rating and Outlook (20%).

STOCK MARKET RATINGS: We compare our year-end price targets for the subject market index on a total-return basis versus our calculated required rate of return (RRR). Taking into account our Country Macro Rating, we set the "Neutral" borderline (below which is "Underweight") as 20% of RRR for ★★★ Country Macro Rating, 40% of RRR for ★★ Country Macro Rating, and 60% of RRR for ★ Country Macro Rating. That said, our index price targets are based on the average of two models. **Model (1):** Estimated index levels based on consensus price targets of all index constituents. Stocks with no price targets are valued at market price. **Model (2):** Estimated index levels based on our expected re-pricing (whether re-rating, de-rating, or unchanged rating) of the forward price-earnings ratio (PER) of each index in addition to consensus earnings growth for the forward year.

SECTOR RATINGS: On the sectors level, we focus on six major sectors, namely (1) Consumer and Health Care, (2) Financials, (3) Industrials, Energy, & Utilities, (4) Materials, (5) Real Estate, and (6) Telecom Services & IT. To assess each sector, we use the SWOT analysis to list the strengths, weaknesses, opportunities, and threats in each country. We then translate our qualitative SWOT analysis into a quantitative model to evaluate all six sectors across countries. Each of the measures we used, although mostly subjective, is assigned a score as either +1 (high impact), 0 (medium impact), or -1 (low impact). At a later stage, when assigning the final rating – Overweight, Neutral, or Underweight – for each sector in each country, we realize that sometimes it is unfair to assign equal weights for the sub-sectors in each major sector assessed. Hence, some of the sub-sectors are given different weights for their significant profile in each country. Additionally, the final rating for each sector in each specific country is assigned based on a relative calculation comparing this sector to all other sectors in this country.

SECURITY INVESTMENT RATINGS: We combine intrinsic value, relative valuation, and market sentiment into a single rating. Our three-pronged methodology involves (1) discounted cash flows "DCF" valuation model(s), (2) relative valuation metrics, and (3) overall sentiment. Whenever possible we attempt to apply all three aspects on the issuers or securities under review. In certain cases where we do not have our own financial and valuation models, we attempt to scan the market for other analysts' value estimates and ratings (i.e. consensus view) on average. We compliment this with relative valuation and sentiment drivers, such as positive/neutral/negative news flows. For all issuers/securities covered, we have three investment ratings (Buy, Hold, or Sell), comparing the security's expected total return (including both price performance and expected cash dividend) over a 12-month period versus its Required Rate of Return "RRR" as calculated using the Capital Asset Pricing Model "CAPM" and adjusted for the Risk Rating we attach to each security. Our price targets are subjective and are estimates of the analysts where the securities covered will trade within the next 12 months. Price targets can be derived from earnings-based valuation models (e.g. Discounted Cash Flow "DCF"), asset-based valuation models (e.g. Net Asset Value "NAV"), relative valuation multiples (e.g. PER, PBV, EV/EBITDA, etc.), or a combination of them. In case we do not have our own valuation model, we use a weighted average of market consensus price targets and ratings. We review the investment ratings periodically or as the situation necessitates.

SECURITY RISK RATINGS: We assess the risk profile of each issuer/security covered and assign one of three risk ratings (High, Moderate, or Low). The risk rating is weighted to reflect different aspects specific to (1) the sector, (2) the issuer, (3) the security under review, and (4) volatility versus the market (as measure by beta) and versus the security's average annualized standard deviation. We review the risk ratings at least annually or as the situation necessitates.

Investment Rating	If Total Return is …	Risk Rating: Low (1)	Risk Rating: Moderate (2)	Risk Rating: High (3)
	Buy (B)	Higher than RRR	Higher than RRR	Higher than RRR
	Hold (H)	Between RRR and 20% of RRR	Between RRR and 40% of RRR	Between RRR and 60% of RRR
	Sell (S)	Lower than 20% of RRR	Lower than 40% of RRR	Lower than 60% of RRR
	Not Rated (NR)	We have decided not to publish a rating on the stock due to certain circumstances related to the company (i.e. special situations).		
	Not Covered (NC)	We do not currently cover this stock or we are restricted from coverage for regulatory reasons.		

Other Disclosures

MFS does not have any proprietary holding in any securities. Only as a nominee, MFS holds shares on behalf of its clients through Omnibus accounts. MFS is not currently a market maker for any listed securities.

Analyst Certification

I (we), Mai El-Sayed, Hany Amer and Abdel Rahman Wahba, employed with Mubasher International, a company under the National Technology Group of Saudi Arabia being a shareholder of Mubasher Financial Services BSC (c) and author(s) to this report, hereby certify that all the views expressed in this research report accurately reflect my (our) views about the subject issuer(s) or security(ies). I (we) also certify that no part of my (our) compensation was, is or will be directly or indirectly related to the specific recommendation(s) or view(s) expressed in this report. Also, I (we) certify that neither myself (ourselves) nor any of my (our) close relatives hold or trade into the subject securities.

Head of Research Certification

I, Amr Hussein Elalfy, Global Head of Research of Mubasher Financial Services BSC (c) confirm that I have vetted the information, and all the views expressed by the Analyst in this research report about the subject issuer(s) or security(ies). I also certify that the author(s) of this report, has (have) not received any compensation directly related to the contents of the Report.

Disclaimer

This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Mubasher Financial Services BSC (c) ('MFS') has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; MFS makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the document are based upon publicly available information at the time of publication and are subject to change without notice. This document is not intended for all recipients and may not be suitable for all investors. Securities described in this document are not available for sale in all jurisdictions or to certain category of investors. The document is not substitution for independent judgment by any recipient who should evaluate investment risks. Additionally, investors must regard this document as providing stand-alone analysis and should not expect continuing analysis or additional documents relating to the issuers and/or securities mentioned herein. Past performance is not necessarily a guide to future performance. Forward-looking statements are not predictions and may be subject to change without notice. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of investments for which there is no recognized market, it may be difficult for investors to sell their investments or to obtain reliable information about its value or the extent of the risk to which it is exposed. References to ratings/recommendations are for informational purposes only and do not imply that MFS adopts, supports or confirms in any way the ratings/recommendations, opinions or conclusions of the analysts. This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MFS or its affiliates to any registration or licensing requirements within such jurisdiction. MFS accepts no liability for any direct, indirect, or consequential damages or losses incurred by third parties including its clients from any use of this document or its contents.

Copyright

Copyright © 2017, Mubasher Financial Services BSC (MFS), ALL RIGHTS RESERVED. No part or excerpt of this document may be redistributed, reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of MFS. MubasherTrade is a trademark of Mubasher Financial Services BSC. Mubasher Financial Services BSC (c) is an Investment Business Firm Category 1, licensed and regulated by the Central Bank of Bahrain.

Issuer of Report

Mubasher Financial Services BSC (c) is an Investment Business Firm Category 1, licensed and regulated by the Central Bank of Bahrain.
Website: www.MubasherTrade.com
E-mail: Research@MubasherTrade.com

Sales & Research Contact Details

INSTITUTIONAL SALES

MENA
Inst.Sales@MubasherFS.com
+971 4 321 1167

Egypt
Institutions-Egy@Mubasher.net
+202 2262 3310

RETAIL SALES

Bahrain
Global@MubasherTrade.com
Call Center: +973 1730 0849

Egypt
Egypt@MubasherTrade.com
Call Center: 16699 / +202 2262 3230

UAE
UAE@MubasherTrade.com
Call Center: +971 800 567 000

RESEARCH

Research Team
Research@MubasherTrade.com