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GFH posts \$49.1m net profit

MANAMA: GFH Financial Group has reported a 21.9 per cent increase in revenues at \$163.5 million for the first six months of 2019 when compared with \$134.1m in the first half of 2018.

For the second quarter of 2019, revenues rose 34.4pc to \$92.9m versus \$69.1m in the second quarter of 2018.

Excluding the one-off recovery income and restructuring income in the first half of 2018, total income of the group for first half of 2019 grew by 114.3pc compared with the comparative period.

Net profit for the first half of 2019 was \$49.1m compared with \$72.5m in the prior-year period, a decrease of 32.3pc.

However, excluding the one-off recovery income and restructuring income in the first half of 2018, net profit attributable shareholders grew by 234pc in first half of 2019 compared with first half of 2018.

The group reported consolidated net profit of \$48.4m, compared with \$73.4m, a decrease of 34.1pc.

For the first half of the year, the decrease in net profits is attributed to lower contribution from the group's commercial banking arm due to higher impairment provisions at the commercial bank during second quarter of 2019.

Net profit for the second quarter of 2019 was \$27.8m versus \$36m in the second quarter of 2018, a decrease of 22.8pc.

Consolidated net profit for the second quarter was \$27.7m compared with \$36.5m in the second quarter of 2018, a decrease of 24.1pc.

Profit from continuing operations for the first half of 2019 was \$48.9m compared with \$70.5m in the prior year comparative period, a decrease of 30.6pc, and for the second quarter of 2019 was \$27.7m compared with \$34.7m in the second quarter of 2018, a decrease of 20.2pc.

Contributing to strong income growth for the first half of 2019 was the enhanced performance across the group's core investment banking and real estate business lines in addition to income from treasury and proprietary investments. During the first half of 2019, investment banking contributed 26.6pc to the total income of the group mainly from placement activities.

The group's strategy for its treasury business line has shown significant improvement with treasury contributing to 15.8pc of the total income while solid performance from proprietary investments generated 24.5pc of the total



■ Mr Alseddiqi



■ Mr Alrayes

income and real estate 9.1pc for the first half of 2019. Commercial banking contributions were low due to provisions.

Total expenses including provision for impairment for the six-month period of 2019 were at \$114.7m compared with \$63.7m in the comparative previous period, an increase of 80pc, primarily due to an increase in the impairment provisions in the commercial banking business of 99pc and an increase in the treasury portfolio of the group.

Total expenses including provisions for impairment for the second quarter of 2019 were \$65.2m compared with \$34.4m in the comparative prior year period, an increase of 89.5pc. Financing costs saw a gradual reduction over the period to \$3m in the first half of 2019

from \$3.8m during the first half of 2018. An increase in the money market as part of the group's growing treasury portfolio and increased revenue generation from that business line also led to an increase in related costs from \$11.7m during first half of 2018 to \$50.7m during first half of 2019.

Operating expenses for the period were \$48.8m compared with \$42.5m in the first half of 2018, an increase of 14.8pc. For the second quarter, operating expenses were \$26.9m versus \$21.8m in the prior-year period, an increase of 23.4pc.

Total assets of the group grew to \$6.1 billion as at 30 June 2019 from \$5.9bn as at 31 March 2019, an increase of 3.9pc, while the group's liabilities increased to \$3.8bn as at 30 June 2019 from \$3.6bn at 31 March 2019, an increase of 5.9pc. This increase was primarily due to an increase in the money market and growing treasury portfolio.

Total equity attributable to shareholders at 30 June 2019 was \$1bn, a decrease of 1.1pc from \$1.1bn at the end of the first quarter. Earnings per share for the first half of 2019 was US cents 1.45 compared with US cents 2.02 in the comparative prior-year period. Earnings per share for the second quarter of 2019 was US cents 0.84 compared with US cents 1.00

in the comparative prior-year period.

GFH chairman Jassim Alseddiqi said, "Strong and consistent growth across the bank's core business lines continues to deliver solid results and steady improvements in income generation. This was evidenced by a significant increase of 21.9pc in revenues for the first half of the year and reflects GFH's ongoing success and the positive impact of efforts to diversify the business and derive value from new and existing assets. The group's newly expanded treasury business is a strong example of this diversification at work. Having performed extremely well, this is an area we will continue to grow and benefit from as we go forward."

Group chief executive Hisham Alrayes said, "For the period, GFH was able to raise in excess of \$250m towards its investment banking products which highlights the growing confidence in the group. We offered education and US portfolios in addition to starting healthcare investments as a new line of investment. The positive growth and contributions from our profitable investments and exits achieved during the first half of the year and, second quarter in particular are in line with the internal strategies and we look forward to building on our results in the forthcoming periods of 2019."

Interim Consolidated Statement of Financial Position

As at 30 June 2019 (Reviewed)

Reviewed
30 June
2019
US\$ 000

Audited
31 December
2018
US\$ 000

Reviewed
30 June
2018
US\$ 000

ASSETS

Demand and call deposits with banks

107,292

143,510

44,551

Placements with customers

243,629

108,529

94,521

Investments carried at fair value through statement of income

80,760

19,552

37,367

Investments carried at fair value through other comprehensive income

136,614

167,647

158,390

Investments carried at amortized cost

283

494

494

Loans and receivables

25,349

25,191

3,949

Other assets

91,671

71,813

27,533

Investments in associates

76,078

71,829

100,491

Investment properties

97,873

107,629

100,491

Property and equipment

51,709

39,394

2,497

Goodwill and other intangible assets

66,063

66,634

62,390

TOTAL ASSETS

945,936

873,490

605,158

LIABILITIES AND EQUITY

LIABILITIES

Due to banks and other financial institutions

257,865

250,479

259,540

Deposits from customers

52,427

32,808

35,641

Long-term bonds

79,656

67,033

76,065

Other liabilities

131,844

131,739

-

TOTAL LIABILITIES

92,721

106,375

38,288

EQUITY

Share capital

116,132

101,132

101,132

Share premium

5,687

5,687

5,687

Statutory reserve

50,890

50,890

49,981

General reserve

30,321

30,321

26,112

For value received

(7,472)

(10,121)

1,248

Foreign currency translation reserve

(4,814)

(4,534)

(6,648)

Retained earnings

7,994

13,318

11,714

SHAREHOLDERS' EQUITY

Shareholders' equity

188,238

186,993

195,628

Perpetual Tier 1 capital

33,000

33,000

33,000

Non-controlling interests

99,968

94,953

24,396

TOTAL EQUITY

331,206

314,850

253,024

TOTAL LIABILITIES AND EQUITY

945,936

873,490

605,158

Interim Consolidated Statement of Changes In Equity

For the six-month period ended 30 June 2019 (Reviewed)

Attributable to shareholders of the parent

Share capital

101,132

5,687

50,890

Share premium

49,881

30,621

30,621

Statutory reserve

29,612

12,867

12,867

General reserve

3,037

1,081

1,081

Fair value reserve

-

-

-

Foreign currency translation reserve

3,649

(4,814)

(4,814)

Retained earnings

7,994

13,318

11,714

Non-controlling interests

101,132

5,687

49,881

Total before Perpetual Tier 1 capital

30,621

12,867

12,867

Attributable to Perpetual Tier 1 capital

3,649

(4,814)

(4,814)

Non-controlling interests

101,132

5,687

49,881

Total equity

331,206

99,968

99,968

Interim Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2019 (Reviewed)

Profit for the period

2,595

2,005

2,007

Other comprehensive loss

-

-

-

Total comprehensive (loss) income

2,595

2,005

2,007

Interim Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2019 (Reviewed)

Net cash flows from operating activities

57,032

1,143

1,143

Net cash flows used in investing activities

(4)

(51)

(51)

Net cash flows from (used in) financing activities

17,831

(24,345)

(24,345)

Foreign currency translation adjustments

(176)

226

226

Movement in non-controlling interests

1,994

(2,733)

(2,733)

NET CHANGE IN CASH AND CASH EQUIVALENTS

76,677