



GFH Financial Group BSC

Regulatory Capital Reconciliation and Disclosures as at 30 September 2019

Statement of financial position under the regulatory scope of consolidation and reconciliation of published financial statements to regulatory reporting as at 30 September 2019.

The table below shows the link between the statement of financial position in the published financial statements (accounting statement of financial position) and the regulatory statement of financial position.

| As at 30 September 2019 | Consolidated Statement of Financial Position as in published financial statements (In USD'000) | Consolidated Statement of Financial Position as per Regulatory Reporting (In USD'000) | Reference |
|--|---|--|-----------|
| ASSETS | | | |
| Cash and bank balance | 401,873 | 399,614 | |
| <i>Of which Expected Credit Losses (ECL) resulting from adoption of FAS 30</i> | <i>(12)</i> | <i>(12)</i> | A |
| Treasury portfolio | 1,655,850 | 1,655,850 | |
| <i>Of which Expected Credit Losses (ECL) as per FAS 30</i> | <i>(5,463)</i> | <i>(5,463)</i> | A |
| Financing assets | 1,316,727 | 1,316,727 | |
| <i>Of which Expected Credit Losses (ECL) as per FAS 30</i> | <i>(18,188)</i> | <i>(18,188)</i> | A |
| Real estate investments | 1,815,757 | 787,827 | |
| Proprietary investments | 276,527 | 912,498 | |
| <i>Of which Expected Credit Losses (ECL) as per FAS 30</i> | <i>(37)</i> | <i>(37)</i> | A |
| <i>Of which non-significant investments in financial entities</i> | <i>18,000</i> | <i>18,000</i> | B |

| As at 30 September 2019 | Consolidated Statement of Financial Position as in published financial statements (In USD'000) | Consolidated Statement of Financial Position as per Regulatory Reporting (In USD'000) | Reference |
|---|--|---|-----------|
| <i>Of which significant investments in the common stock of financial entity</i> | 34,854 | 34,854 | C |
| Co-investments | 74,352 | 74,352 | |
| Asset held-for-sale | 101,213 | - | |
| Receivables and prepayments | 471,368 | 409,341 | |
| <i>Of which Expected Credit Losses (ECL) as per FAS 30</i> | (239) | (239) | A |
| Property and equipment | 24,584 | 22,502 | |
| Total assets | 6,138,251 | 5,578,711 | |
| LIABILITIES | | | |
| Clients' fund | 74,469 | 74,469 | |
| Placements from financial institutions, non-financials and individuals | 2,675,375 | 2,675,375 | |
| Customer current accounts | 169,432 | 169,432 | |
| Term financing | 268,016 | 259,679 | |
| Liabilities directly associated with assets held-for-sale | 39,936 | - | |
| Payables and accruals | 526,902 | 269,160 | |
| Total liabilities | 3,754,130 | 3,448,115 | |
| Equity of investment account holders | 971,485 | 971,485 | |
| | | | |
| OWNERS' EQUITY | | | |
| Share capital | 975,638 | 975,638 | D |

| As at 30 September 2019 | Consolidated Statement of Financial Position as in published financial statements (In USD'000) | Consolidated Statement of Financial Position as per Regulatory Reporting (In USD'000) | Reference |
|---|--|---|-----------|
| Treasury shares | (47,158) | (47,158) | E |
| Statutory reserve | 117,301 | 117,301 | F |
| Fair value reserve | (4,909) | (4,909) | G |
| Retained earnings | 67,039 | 67,039 | H |
| Foreign currency translation reserve | (36,655) | - | |
| Share grant reserve | 1,198 | 1,198 | I |
| Total equity attributable to shareholders of the Bank | 1,072,454 | 1,109,109 | |
| Non-controlling interests | 314,786 | 50,002 | |
| Non-controlling interests held-for-sale | 25,396 | - | |
| <i>Of which Total minority interest in banking subsidiaries given recognition in CET1 capital</i> | - | 50,002 | J |
| Total owners' equity | 1,412,636 | 1,159,111 | |
| Total liabilities, equity of investment account holders and owners' equity | 6,137,974 | 5,578,711 | |



The table below shows the total assets and shareholders' equity of the Bank's subsidiaries as at 30 September 2019 which are not consolidated for capital adequacy calculation purposes.

| Entity name | Principal activities | Total Assets* USD'000 | Total Shareholders' equity * USD'000 |
|------------------------------------|-------------------------|--------------------------|---|
| Morocco Gateway Investment Company | Real estate development | 137,005 | 103,917 |
| India Project | Real estate development | 622,641 | 500,279 |
| Tunis Bay Investment Company | Real estate development | 107,717 | 72,750 |
| Gulf Holding Company | Real estate development | 380,099 | 81,064 |

**The numbers disclosed are before considering intercompany eliminations.*

Composition of Regulatory Capital as at 30 September 2019

| Composition of Capital as at 30 September 2019 (In USD'000) | | | Source based on reference letters of the statement of financial position under the regulatory scope of consolidation |
|--|--|-----------|--|
| Common Equity Tier 1 capital: instruments and reserves | | | |
| 1. | Directly issued qualifying common share capital plus related stock surplus | 975,638 | D |
| 2. | Retained earnings | 67,039 | H |
| 3. | Accumulated other comprehensive income (and other reserves) | 113,590 | F+G+I |
| 4. | <i>Not applicable</i> | | |
| 5. | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1) | 50,002 | J |
| 6. | Common Equity Tier 1 capital before regulatory adjustments | 1,206,269 | |
| Common Equity Tier 1 capital: regulatory adjustments | | | |
| 7. | Prudential valuation adjustments | - | |

| Composition of Capital as at 30 September 2019 (In USD'000) | | | Source based on reference letters of the statement of financial position under the regulatory scope of consolidation |
|--|---|----------|---|
| 8. | Goodwill (net of related tax liability) | - | |
| 9. | Other intangibles other than mortgage-servicing rights (net of related tax liability) | - | |
| 10. | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | |
| 11. | Cash-flow hedge reserve | - | |
| 12. | Shortfall of provisions to expected losses | - | |
| 13. | Securitisation gain on sale (as set out in paragraph 562 of Basel II framework) | - | |
| 14. | Not applicable | | |
| 15. | Defined-benefit pension fund net assets | - | |
| 16. | Investments in own shares | (47,158) | E |
| 17. | Reciprocal cross-holdings in common equity | - | |
| 18. | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | |
| 19. | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) | - | |
| 20. | Mortgage servicing rights (amount above 10% threshold) | - | |
| 21. | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | |
| 22. | Amount exceeding the 15% threshold | - | |
| 23. | of which: significant investments in the common stock of financials | - | |
| 24. | of which: mortgage servicing rights | - | |
| 25. | of which: deferred tax assets arising from temporary differences | - | |
| 26. | CBB specific regulatory adjustments | - | |

| Composition of Capital as at 30 September 2019 (In USD'000) | | | Source based on reference letters of the statement of financial position under the regulatory scope of consolidation |
|--|--|-----------|---|
| 27. | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | - | |
| 28. | Total regulatory adjustments to Common equity Tier 1 | - | |
| 29. | Common Equity Tier 1 capital (CET1) | 1,159,111 | |
| Additional Tier 1 capital: instruments | | | |
| 30. | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | - | |
| 31. | of which: classified as equity under applicable accounting standards | - | |
| 32. | of which: classified as liabilities under applicable accounting standards | - | |
| 33. | <i>Directly issued capital instruments subject to phase out from Additional Tier 1</i> | - | |
| 34. | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) | 10,715 | |
| 35. | <i>of which: instruments issued by subsidiaries subject to phase out</i> | - | |
| 36. | Additional Tier 1 capital before regulatory adjustments | - | |
| Additional Tier 1 capital: regulatory adjustments | | | |
| 37. | Investments in own Additional Tier 1 instruments | - | |
| 38. | Reciprocal cross-holdings in Additional Tier 1 instruments | - | |
| 39. | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - | |
| 40. | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | |
| 41. | CBB specific regulatory adjustments | - | |
| 42. | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - | |



| Composition of Capital as at 30 September 2019 (In USD'000) | | | Source based on reference letters of the statement of financial position under the regulatory scope of consolidation |
|--|--|------------------|---|
| 43. | Total regulatory adjustments to Additional Tier 1 capital | - | |
| 44. | Additional Tier 1 capital (AT1) | - | |
| 45. | Tier 1 capital (T1 = CET1 + AT1) | 1,169,826 | |
| Tier 2 capital: instruments and provisions | | | |
| 46. | Directly issued qualifying Tier 2 instruments plus related stock surplus | - | |
| 47. | <i>Directly issued capital instruments subject to phase out from Tier 2</i> | - | |
| 48. | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | 14,286 | |
| 49. | <i>of which: instruments issued by subsidiaries subject to phase out</i> | - | |
| 50. | Provisions | 23,939 | A |
| 51. | Tier 2 capital before regulatory adjustments | 38,225 | |
| Tier 2 capital: regulatory adjustments | | | |
| 52. | Investments in own Tier 2 instruments | - | |
| 53. | Reciprocal cross-holdings in Tier 2 instruments | - | |
| 54. | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) | - | |
| 55. | Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | |
| 56. | National specific regulatory adjustments | - | |
| 57. | Total regulatory adjustments to Tier 2 capital | - | |
| 58. | Tier 2 capital (T2) | 43,534 | |
| 59. | Total capital (TC = T1 + T2) | 1,208,051 | |
| 60. | Total risk weighted assets | 8,341,021 | |

| Composition of Capital as at 30 September 2019 (In USD'000) | | | Source based on reference letters of the statement of financial position under the regulatory scope of consolidation |
|---|---|--------|---|
| Capital ratios and buffers | | | |
| 61. | Common Equity Tier 1 (as a percentage of risk weighted assets) | 13.90% | |
| 62. | Tier 1 (as a percentage of risk weighted assets) | 14.02% | |
| 63. | Total capital (as a percentage of risk weighted assets) | 14.48% | |
| 64. | Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets) | N/A | |
| 65. | of which: capital conservation buffer requirement | N/A | |
| 66. | of which: bank specific countercyclical buffer requirement | N/A | |
| 67. | of which: D-SIB buffer requirement | N/A | |
| 68. | Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) | 14.48% | |
| National minima including CCB (where different from Basel III) | | | |
| 69. | CBB Common Equity Tier 1 minimum ratio | 9.0% | |
| 70. | CBB Tier 1 minimum ratio | 10.5% | |
| 71. | CBB total capital minimum ratio | 12.5% | |
| Amounts below the thresholds for deduction (before risk weighting) | | | |
| 72. | Non-significant investments in the capital of other financials | 18,000 | B |
| 73. | Significant investments in the common stock of financials | 34,854 | C |
| 74. | Mortgage servicing rights (net of related tax liability) | - | |
| 75. | Deferred tax assets arising from temporary differences (net of related tax liability) | - | |

| Composition of Capital as at 30 September 2019 (In USD'000) | | | Source based on reference letters of the statement of financial position under the regulatory scope of consolidation |
|--|--|--------|---|
| 76. | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to 9 standardized approach (prior to application of cap) | 23,939 | A |
| 77. | Cap on inclusion of provisions in Tier 2 under 9 standardized approach | - | |
| 78. | N/A | - | |
| 79. | N/A | - | |
| Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023) | | | |
| 80. | <i>Current cap on CET1 instruments subject to phase out arrangements</i> | NA | |
| 81. | <i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i> | NA | |
| 82. | <i>Current cap on AT1 instruments subject to phase out arrangements</i> | NA | |
| 83. | <i>Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)</i> | NA | |
| 84. | <i>Current cap on T2 instruments subject to phase out arrangements</i> | NA | |
| 85. | <i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i> | NA | |

| Disclosure template for main features of regulatory capital instrument | | |
|--|---|--|
| 1 | Issuer | GFH Financial Group B.S.C |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | GFH (DFM) GFH (BHB) GFH (KSE) |
| 3 | Governing law(s) of the instrument Regulatory treatment | All applicable laws and regulations in the Kingdom of Bahrain. |
| | Regulatory treatment | |
| 4 | Transitional CBB rules | Common Equity Tier 1 |
| 5 | Post-transitional CBB rules | Common Equity Tier 1 |
| 6 | Eligible at solo/group/group & solo | Group and solo |
| 7 | Instrument type (types to be specified by each jurisdiction) | Common equity shares |
| 8 | Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date) | USD 976 million |
| 9 | Par value of instrument | USD 0.265 |
| 10 | Accounting classification | Shareholders' equity |
| 11 | Original date of issuance | 1999 |
| 12 | Perpetual or dated | <i>Not applicable</i> |
| 13 | Original maturity date | <i>Not applicable</i> |
| 14 | Issuer call subject to prior supervisory approval | <i>Not applicable</i> |
| 15 | Optional call date, contingent call dates and redemption amount | <i>Not applicable</i> |
| 16 | Subsequent call dates, if applicable Coupons / dividends | <i>Not applicable</i> |
| 17 | Dividends | Dividends as decided by the shareholders |
| 18 | Coupon rate and any related index | <i>Not applicable</i> |
| 19 | Existence of a dividend stopper | <i>Not applicable</i> |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully discretionary |
| 21 | Existence of step up or other incentive to redeem | <i>Not applicable</i> |
| 22 | Noncumulative or cumulative | <i>Not applicable</i> |
| 23 | Convertible or non-convertible | <i>Not applicable</i> |
| 24 | If convertible, conversion trigger (s) | <i>Not applicable</i> |
| 25 | If convertible, fully or partially | <i>Not applicable</i> |
| 26 | If convertible, conversion rate | <i>Not applicable</i> |
| 27 | If convertible, mandatory or optional conversion | <i>Not applicable</i> |
| 28 | If convertible, specify instrument type convertible into | <i>Not applicable</i> |
| 29 | If convertible, specify issuer of instrument it converts into | <i>Not applicable</i> |
| 30 | Write-down feature | <i>Not applicable</i> |
| 31 | If write-down, write-down trigger(s) | <i>Not applicable</i> |
| 32 | If write-down, full or partial | <i>Not applicable</i> |
| 33 | If write-down, permanent or temporary | <i>Not applicable</i> |
| 34 | If temporary write-down, description of write-up mechanism | <i>Not applicable</i> |

Disclosure template for main features of regulatory capital instrument

| | | |
|----|---|-----------------------|
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | <i>Not applicable</i> |
| 36 | Non-compliant transitioned features | <i>Not applicable</i> |
| 37 | If yes, specify non-compliant features | <i>Not applicable</i> |