



CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st December 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 December 2016 / US\$ '000's	31 December 2016	31 December 2015
ASSETS		
Cash and bank balances	156,448	122,165
Placements with financial institutions	213,898	122,348
Financing assets	961,490	859,421
Investment securities	527,203	573,453
Assets acquired for leasing	246,257	179,870
Investment properties	488,436	257,932
Development properties	280,972	179,577
Equity-accounted investees	79,010	81,274
Intangible assets	54,891	-
Property, plant and equipment	169,153	25,602
Other assets	125,643	248,160
Total assets	3,303,401	2,649,802
LIABILITIES		
Investors' funds	44,565	27,728
Placements from financial institutions, other entities and individuals	570,515	340,090
Customer current accounts	192,783	154,052
Financing liabilities	168,992	153,619
Other liabilities	182,649	135,977
Total liabilities	1,159,504	811,466
Equity of investment account holders	1,022,190	944,915
OWNERS' EQUITY		
Share capital	597,995	597,995
Treasury shares	(4,053)	(4,053)
Capital adjustment account	22,420	22,420
Statutory reserve	72,055	72,055
Retained earnings	6,581	6,581
Investment fair value reserve	(230)	(230)
Share grant reserve	-	-
Foreign currency translation reserve	-	-
Total equity attributable to shareholders of the Bank	908,024	695,661
Non-controlling interests	213,683	197,760
Total owners' equity	1,121,707	893,421
Total liabilities, equity of investment account holders and owners' equity	3,303,401	2,649,802

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY for the year ended 31 December 2016 / (US\$ '000's)	Attributable to shareholders of the Bank										Non-controlling interests	Total owners' equity
	Share capital	Treasury shares	Capital adjustment account	Statutory reserve	Retained earnings	Investment fair value reserve	Share grant reserve	Foreign currency translation reserve	Total			
Balance at 1 January 2016	597,995	(4,053)	22,420	72,055	6,581	(230)	893	695,661	197,760	893,421		
Profit / (loss) for the year	-	-	-	-	217,125	230	-	217,125	15,923	233,048		
Transfer to income statement on disposal	-	-	-	-	-	230	-	230	-	230		
Foreign currency translation differences	-	-	-	-	-	-	(10,614)	(10,614)	-	(10,614)		
Total recognised income and expense	-	-	-	-	217,125	230	-	(10,614)	15,923	222,664		
Purchase of treasury shares	-	(6,878)	-	-	-	-	-	(6,878)	-	(6,878)		
Sale of treasury shares	-	10,591	-	-	-	-	-	10,591	-	10,591		
Gain on sale of treasury shares	-	-	1,900	-	-	-	-	1,900	-	1,900		
Transfer to statutory reserve	-	-	-	21,713	(21,713)	-	-	-	-	-		
Share grants vesting expense, net of forfeitures	-	-	-	-	-	-	9	9	-	9		
Balance at 31 December 2016	597,995	(3,400)	24,320	93,768	201,993	-	902	(10,614)	908,024	1,121,707		

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (Continued) for the year ended 31 December 2016 / (US\$ '000's)	Attributable to shareholders of the Bank										Non-controlling interests	Total owners' equity
	Share capital	Treasury shares	Capital adjustment account	Statutory reserve	Retained earnings / (ac/cumulated losses)	Investment fair value reserve	Share grant reserve	Foreign currency translation reserve	Total			
Balance at 1 January 2015	1,253,626	(912)	(475,582)	70,060	(203,608)	(2,366)	1,129	(780)	641,567	376,088	1,017,655	
(Loss) / Profit for the year	-	-	-	-	(5,520)	-	-	-	(5,520)	17,545	12,025	
Fair value changes	-	-	-	-	-	(203)	-	-	(203)	-	(203)	
Foreign currency translation differences	-	-	-	-	-	-	(302)	(302)	(499)	-	(499)	
Total recognised income and expense	-	-	-	-	(5,520)	(203)	-	(302)	(6,025)	17,428	11,403	
Conversion of Murabaha to capital	241,361	-	(181,361)	-	-	-	-	-	60,000	-	60,000	
Capital reduction	(896,992)	-	679,665	-	217,327	-	-	-	-	-	-	
Purchase of treasury shares	-	(4,594)	-	-	-	-	-	-	(4,594)	-	(4,594)	
Sale of treasury shares	-	1,453	-	-	-	-	-	-	1,453	-	1,453	
Loss on sale of treasury shares	-	-	(302)	-	-	-	-	-	(302)	-	(302)	
Transfer to income statement on disposal of investments	-	-	-	-	-	2,339	-	-	2,339	-	2,339	
Transfer to statutory reserve	-	-	-	1,995	(1,995)	-	-	-	-	-	-	
Share grants vesting expense, net of forfeitures	-	-	-	-	-	-	(236)	-	(236)	-	(236)	
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(3,979)	(3,979)	-	
Derecognition on loss of control	-	-	-	-	377	-	-	-	377	-	377	
Balance at 31 December 2015	597,995	(4,053)	22,420	72,055	6,581	(230)	893	695,661	197,760	893,421		

The consolidated financial statements were approved by the Board of Directors on 5 February 2017 and signed on its behalf by:

Ahmed Al Mutawa Chairman
Mosabah Saif Al Mautary Vice Chairman
Hisham Alrayes Chief Executive Officer & Board Member

*The above Consolidated Balance Sheet, Income Statement, Statement of Cash Flow and the Changes in Owners' Equity have been extracted from Consolidated Financial Statements of GFH Financial Group B.S.C. for the year ended 31st December 2016, which were audited by KPMG, who have expressed an Unqualified Opinion on 5 February 2017.

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2016 / US\$ '000'	2016	2015
Continuing operations		
Income from investment banking services	3,322	23,827
Fees and commission income	15,399	6,491
Income from placements with financial institutions	1,818	1,885
Income from financing assets and assets acquired for leasing	70,148	56,890
Share of profits of equity-accounted investees	846	3,025
Income from investment securities, net	3,888	12,825
Foreign exchange loss, net	(2,424)	(146)
Gain on sale of investment and development property	46,082	8,370
Other income, net	17,728	10,145
Operating income before return to investment account holders and finance expense	156,807	123,007
Return to investment account holders before Group's share as Mudarib	(43,200)	(43,598)
Bank's share as Mudarib	(18,981)	(18,334)
Return to investment account holders	(62,181)	(61,932)
Less: Finance expense	(16,504)	(16,281)
Operating income	114,389	87,985
Income from settlement of litigations	464,567	-
Total income	578,956	87,985
Staff cost	56,464	30,464
Investment advisory expenses	16,504	6,469
Other operating expenses	51,828	25,176
Total expenses	124,796	62,109
Profit before impairment allowances	454,160	25,876
Less: Impairment allowances	(23,112)	(17,016)
Profit from continuing operations	233,048	8,860
Discontinued operations		
Profit from industrial business, net	-	3,165
PROFIT FOR THE YEAR	233,048	12,025
Profit / (loss) for the year attributable to:		
Shareholders of the Bank	217,125	(5,200)
Non-controlling interests	15,923	17,545
Total	233,048	12,025
Earnings per share		
Basic and diluted earnings per share (US cents)	9.59	(0.25)
Earnings per share - continuing operations		
Basic and diluted earnings per share (US cents)	9.59	(0.30)

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2016 / US\$ '000's	2016	2015
OPERATING ACTIVITIES		
Profit for the year	233,048	12,025
Adjustments for:		
Impairment allowances	22,112	17,016
Income from investment securities	(3,888)	(12,825)
Share of profit of equity-accounted investees	(846)	(3,025)
Foreign exchange loss	2,424	146
Gain on sale of investment and development property	(46,082)	-
Income from settlement of litigations	(464,567)	-
Finance expenses	23,437	16,758
Other income	(17,728)	(18,515)
Depreciation and amortisation	3,784	2,995
Investment banking income	(49,306)	(9,247)
Changes in:		
Placements with financial institutions	(5,108)	-
Financing assets	(102,069)	(76,793)
Asset acquired for leasing	(66,387)	(69,281)
Other assets	90,405	29,582
Investor's funds	16,837	(13,384)
Placements from financial institutions, other entities and individual	230,425	632
Customer current accounts	38,731	62,766
Other liabilities	(64,457)	(59,651)
Equity of investment account holders	77,275	49,357
Movement in CBB reserve	(2,613)	(5,290)
Net cash generated from / (used in) operating activities	163,733	(91,309)
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(1,118)	(663)
Purchase of investment securities	(93,546)	(208,147)
Proceeds from sale of investment securities	91,531	144,289
Dividends received	9,422	11,942
Proceeds from sale of investment property	7,353	-
Derecognition of a subsidiary on loss of control	-	(11,007)
Net cash generated from / (used in) investing activities	13,642	(63,586)
FINANCING ACTIVITIES		
Financing liabilities, net	(42,310)	(31,073)
Finance expense paid	(20,666)	(8,235)
Proceeds from issue of convertible murabaha	-	60,000
Sale of treasury shares, net	3,713	(3,141)
Dividends paid (including non-controlling interests)	-	(1,753)
Net cash (used in) / generated from financing activities	(59,263)	15,698
Net increase / (decrease) in cash and cash equivalents during the year	118,112	(139,197)
Cash and cash equivalents at 1 January	194,460	333,657
CASH AND CASH EQUIVALENTS AT 31 December	312,572	194,460
Cash and cash equivalents comprise:		
Cash and balances with banks	103,782	72,112
Placements with financial institutions (with original maturity of three months or less)	208,790	122,348
Total	312,572	194,460

Invitation to attend Extraordinary General Meeting & Annual General Assembly Meeting For the Year Ending 31st December, 2016

The Board of Directors of GFH Financial Group B.S.C. is pleased to invite the shareholders of the Group to attend its Extraordinary General Meeting and General Assembly Meeting to be held on Wednesday 22 February 2017 at 10:00a.m. at the Group's headquarters, located at Bahrain Financial Harbour, East Tower - 28th Floor to consider the following agenda. If the required quorum is not available, a second meeting will be held on Wednesday 1st March 2017, or a third meeting, if required, will be held on Wednesday 8th March 2017 at the same time and place.

Extraordinary General Meeting Agenda

- To approve the minutes of the previous Extraordinary General Meeting held on 12th April 2015.
- To discuss and approve the Board of Directors' recommendation to increase the authorized capital of GFH from US\$1,500,000,000 divided into 5,660,377,358 share to US\$2,500,000,000 divided into 9,433,962,264 share at a nominal value of US\$0.265 per share.
- To discuss and approve GFH's new strategy to acquire financial institutions, infrastructure investments, and investment assets by swapping the shares of the investors and shareholders of those companies with GFH shares through issuance of new shares by increasing the issued and paid up capital from US\$ 597,994,604 to US\$ 1,498,994,604 subject to obtaining all relevant authorities' approvals, as follows:
 - Increasing the capital up to US\$ 450,500,000 by way of issuance of up to 1,700,000,000 new share at a nominal value of US\$ 0.265 in addition to a share premium of US\$ 0.688 (total share value of US\$ 0.953 - equivalent to 0.36 Bahraini Dinar / Emirati Dirham 3.5/ Kuwaiti Dinar 0.29) allocated for the acquisition of a number of infrastructure projects and investment funds.
 - Increasing the capital up to US\$ 450,500,000 by way of issuance of up to 1,700,000,000 new shares at a nominal value of US\$ 0.265 in addition to a share premium to be determined by the Board of Directors as per market conditions, to be allocated for the acquisition of a number of financial institutions and strategic assets.
- To discuss and approve waiver of the current shareholders' pre-emption right to the new ordinary shares that shall be issued as per Clause (3) of the agenda.
- To authorize the Board of Directors to impose any other provisions or conditions related to the referred acquisitions as per Clause (3) of the agenda.
- To approve and authorize the Chairman and/or Chief Executive Officer or the person acting on his behalf to take all necessary measures needed to carry out the above mentioned actions, including and not limited to, representing GFH in the final negotiations for the acquisitions as mentioned above and to take all necessary steps with any related parties, related regulatory authorities inside or outside of the Kingdom of Bahrain and all the markets in which GFH's shares are listed. In addition, to signing all the papers and the final contracts of the acquisition, and to carry out and sign any other documents or amendments to the Memorandum of Association and the Articles of Association of GFH Group on behalf of shareholders of GFH before the Notary in the Kingdom of Bahrain in relation to the agenda.
- To discuss and approve the amendments to the Memorandum of Association and Articles of Association of GFH in line with the requirements of Law No. (50) of 2014 amending certain provisions of the Commercial Companies Law issued under Law No. (21) of 2001, and to add the necessary amendments as per the agenda by redrafting the Memorandum of Association and Articles of Association to include all these amendments.

Annual General Meeting Agenda

- To approve the minutes of the previous Ordinary General Meeting held on 5th April 2016.
- To discuss and approve the Board of Directors' report on the Group's business activities for the year ended 31st December 2016
- To discuss the Sharia Supervisory Board's report on auditing the Group's business activities for the year ended 31st December 2016
- To discuss the external auditors' report about the consolidated audited financial statements for the year ended 31st December 2016.
- To discuss and approve the consolidated audited financial statements for the year ended 31st December 2016.
- To approve the Board of Directors' recommendation to allocate the net profits for the year 2016 as follows:
 - Transfer a sum of US\$ 21,712,400 to the Statutory Reserve account.
 - Allocate an amount of US\$ 2,000,000 to charities and civil society institutions and US\$ 1,509,620 to Zakah Fund.
 - Distribute cash dividends to all ordinary shares as per the shareholders register on the date of the AGM at a rate of 10% of the par value at US\$0.0265 per share with a total sum of US\$ 59,799,460.
 - Transfer the remaining sum amount of US\$ 65,727,060 to the Retained Earnings account.

- To approve the Board of Directors' recommendation to distribute 10% bonus shares of 1 share for each 10 shares held by the shareholder as on the AGM day, which amounts to 225,658,340 shares.
- To approve the Board of Directors' recommendation to allocate US\$2,500,000 as remuneration to the Board of Directors.
- To discuss and approve the corporate governance report for the financial year ended 31st December 2016 and inform the shareholders of the Group's compliance with the Central Bank of Bahrain's requirements with respect to the same.
- To authorize and ratify the operations and transactions carried out during the past year with any related parties or major shareholders of GFH as outlined in the Board of Directors report presented to the general assembly and consolidated audited financial statements and approve the same, in line with Article 189 of Bahraini Companies Law.
- To authorize the Board of Directors to issue new shares up to 300,000,000 share for the GFH Employee Benefit Trust as per the internal remuneration framework.
- To discuss the continuation of listing of GFH's shares in Kuwait Boursa, and to fully authorize the Board of directors to take all necessary measures and resolutions as per regulatory authorities' and internal procedures and requirements.
- To release the members of the Board of Directors from liability in respect of the operation of the Group for the financial year ended 31st December 2016.
- To approve the appointment/reappointment the external auditors of GFH for the financial year ending in 31st December 2017, and authorize the Board of Directors to fix their fees (subject to obtaining the approval of the Central Bank of Bahrain).
- To approve the appointment/reappointment of the Sharia Supervisory Board for the financial year ending in 31st December 2017.
- To elect the Board of Directors of the Group for the next three years (2017 - 2019) subject to the Central Bank of Bahrain's approval.
- Any other business in accordance with Article 207 of the Commercial Companies Law.

Important Notice to shareholders:

- The financial statements for the year ended 31st December 2016 and Proxy Forms are available on GFH's website at www.gfh.com, or they can alternatively be requested directly from the Group or the Share Registrar.
- Each shareholder whose name is recorded in the company's shareholders register on the date of the meeting may attend the meeting in person or may appoint another person in writing to attend the meeting and vote on his behalf, noting that such person shall not be the Chairman, a Board member or an employee of the Group.
- If the shareholder is a company, the representative who will attend the meeting shall present the authorization letter issued by the authorized person in the company and sealed by the company's seal. The authorization letter shall be submitted prior to the deadline for depositing proxies.
- Proxy Forms shall be deposited at least 24 hours prior to the fixed time of the meeting, as indicated below, ensuring that they will be received on time. Proxy Forms received after the fixed time will be considered invalid for the purpose of the meeting.
 - Delivery by hand at the Bank's premises, by fax at +973 17911380, or e-mail at iservices@gfh.com.
 - For shareholders in Kuwait: Kuwait Clearing Company, P.O. Box 22077, Kuwait. Fax No. +965 2469457.
 - For shareholders in other countries: Kary Computershare W.L.L., P.O. Box 514, Manama, Kingdom of Bahrain. Fax No. +973 17212055
- Shareholders wishing to nominate themselves for the Board of Directors membership for the next period shall complete the Nomination Form (Form-3) available at (CBB Rulebook-Vol.2) http://cbb.complinet.com/met_file_store/new_rulebooks/vol2/Form_3_Updated_May_12_Apr_2016.pdf, with all the required information stated therein. Original Form-3 shall be signed on each page and returned together with the required documents by 15th February 2017 to the Corporate Secretary of the Group, by hand, or courier to the address: Bahrain Financial Harbour, East Tower, 37th Floor, in order to be submitted to the competent regulatory authorities for official approval prior to the date of the meeting.

For any enquiries, please contact Investors Relation Department on +973 17538787

Dr. Ahmad Al-Mutawwah
Chairman