1999 2019

Twenty Years of Delivering Distinction

Annual Report

gfh

GFH Financial Group Profile 06
A History of Achievement 08
Vision and Values 12
Four Unique Investment Platforms 14
Board of Directors 36
Sharia Supervisory Board 44
Executive Management 46
Financial Highlights 64
Chairman's Report 68
Message from Group CEO 72
Business Activities 74
Executive Management Report 76
Treasury and Capital Markets 80
Corporate Governance 82
Risk & Capital Management 104

His Royal Highness
Prince Khalifa bin Salman Al Khalifa
The Prime Minister of the
Kingdom of Bahrain

His Majesty
King Hamad bin Isa Al Khalifa
The King of the
Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa
The Crown Prince, First Deputy Prime
Minister & Deputy Supreme Commander
Kingdom of Bahrain

2019 marked our twentieth anniversary. We have been witness to phenomenal changes in our business, our Kingdom and across the globe. We are blessed to have weathered many storms and thanks to God, we are fitter, stronger and more capable than ever before.

Driven by a clear vision and armed with a pragmatic yet adventurous strategy, we are ready to take on the next challenge, the next year and the next decade.

In this foundational report, you can relive our past twenty years, our last financial year and come to understand how our new platforms are setting us up for the next phase of growth.

We hope you find our twenty-year annual review as interesting to read as we found it to create - year by year.

Two Decades Countless Highlights

GFH's Profile
20 Years in the Making

Bahrain Financial Harbour
GFH's Bahrain Headquarters are situated in this prestigious central Manama development.

GFH is a well-renowned financial group in the GCC region, with a diversified offering and pioneering track record. Headquartered in Bahrain, GFH's innovative approach to Islamic investment banking services has been recognised internationally for over a decade. GFH has developed a strong and consistent ability to identify, successfully bring to market and capitalise on a wide range of solid investment opportunities in some of the world's most dynamic markets and sectors. This approach signifies the Group's investment insights and commitment to increase the value of its assets, and financial returns to its investors and shareholders.

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Since the Group's inception in 1999, GFH has raised over US$10 billion in assets and funds under management from its strong client base.

Since the Group's inception in 1999, GFH has raised over US$10 billion in assets and funds under management from its strong client base in four main business activities:

- Investment Management;
- Real Estate Development;
- Commercial Banking; and
- Treasury & Proprietary Investments

GFH is listed on three stock exchanges in the GCC, including the Bahrain Bourse, Boursa Kuwait and Dubai Financial Market (DFM) where it is one of the most liquid and actively traded stocks. GFH's operations are principally focused across the GCC, North Africa and India, along with strategic investments in the US and the UK.

Recognition
GFH has consistently been widely recognised by various industry stakeholders for its innovative approach, investment prudence and overall achievements in Islamic finance, real estate development and investment management. GFH was named "Best Investment Management Services" and "Best Investment Banking Services" at the Banker Middle East Product Awards 2019, "Best Investment Bank" at CPI Financial's Islamic Business & Finance Awards 2019, "Best Investment Bank-Middle East" and "Best Islamic Bank-Bahrain" at the Islamic Business & Finance Awards-EMEA in 2018. The Group has also been recognised with three prestigious awards at the Bankers Middle East Awards in 2018 as well as five top honours in 2017. In 2016, the Group was awarded the "Best Islamic Financial Group" from Global Brands Magazine, "Best Investment Bank" from Middle East Industry Award, "Investment Banker of the Year" from CPI Awards and "GCC Best Employer Brand" from Dubai. Prior to that, in 2015, the group was awarded the 'Best Investment Bank – Middle East' at the 10th Islamic Business & Finance Awards. In 2014, GFH was recognised as the 'Fastest Growing Bank in Bahrain' and 'Best Wealth Management Firm' by CPI Financial and Banker Middle East. Earlier in 2012, the company won the prestigious award for 'Best Islamic Investment Bank, Bahrain' from Capital Finance International (CFI). Other awards include Banker Middle East's 'Deal of the Year 2008', Euromoney's 'Best Investment Bank' in 2005, 2006 and 2007 and 'Best Islamic Investment Bank' in 2005.

Creation
As an innovative financial Group, GFH has an enviable track record in conceptualising and establishing a large number of pioneering financial institutions in the GCC. GFH was instrumental in the creation of First Energy Bank, the world's first Islamic investment bank focusing exclusively on the energy sector. The Group also established various cross-border entities including Khaleeji Commercial Bank in Bahrain, Arab Finance House in Lebanon, First Leasing Bank in Bahrain, Asia Finance Bank in Malaysia, and Gulf Holding Company in Kuwait.

GFH has also successfully conceived, funded and developed large, complex and innovative real estate and infrastructure projects in the GCC, MENA and India. Residential and commercial projects include Bahrain and Tunisia's iconic Financial Harbours. The Group has also acted as the master developer for luxury lifestyle developments such as Royal Parks in Morocco. More recently, the Group has led on the development of prestigious Bahrain-based developments such as the revival of the multi-million dollar Villamar project, and the centrally located waterfront The Harbour Row project.

Diversification
As part of GFH's vision, the Group adopts a dynamic and entrepreneurial investment approach underpinned by solid professional credentials. Furthermore, the group pursues a diversified asset allocation strategy to adapt to the multitude of challenges in an ever-changing macro environment whilst working closely with our stakeholders to realistically meet expectations. In terms of asset class diversification, GFH has participated in and brought privileged access to unique private equity investments in wide-ranging sectors such as real estate, hospitality, retail, healthcare, industrial, education, and technology. Geographically, GFH initially had an investment focus on the Middle East, North Africa and India, but in recent years the Group has further diversified its holdings across the US and the UK to take advantage of emerging opportunities in these markets.

GFH's innovative approach to Islamic investment banking services has been recognised internationally for over a decade.

A History of Achievement

In two short decades, we have achieved things our founders could only have dreamt of.

We have witnessed GFH transform from an investment bank to a financial group and today we can safely say that we have managed to successfully diversify our portfolio of investments to serve some of the fastest growing industries and defensive sectors of MENA region economies. Not only have we solidified our listing in three GCC markets and expanded our operations to three GCC locations, but we have also extended our investments to new geographic territories, namely North America and Europe.

1999
GFH was founded as a commercial bank under the name 'Gulf Finance House'

2001
GFH acquires Balexco

Injazat Technology Fund was established

2002
Royal University for Women was established

Gulf Atlantic Real Estate (UK) was established

2003
Gulf Atlantic France (GAF) was established

Aqar Management Fund (Aqar) was established

GFH launches Bahrain Financial Harbour (BFH)

2004
GFH launches Al Areen

Khaleeji Commercial Bank was established

2005
GFH launches Jordan Gate (JG)

2006
QINVEST was established

2007
GFH opens The Lost Paradise of Dilmun, the largest themed water park in Bahrain

2008
GFH launches Tunis Financial Harbour (TFH)

First Energy Bank (FEB) was established

GFH acquires Leeds United Football Club (LUFC)

GFH launches Cemena Holding Company B.S.C.

2014
GFH acquires strategic residential portfolio at Princeton Lakes in Atlanta, US

2015
GFH announces the launch of The Harbour Row and Bahrain Financial Harbour

Majority stake acquired in Philadelphia Private School, servicing around 1500 pupils

2016
Investment in AMA Group, the largest network of educational institutions across Asia

2017
GFH and Dubai Cares adopt two schools in Cambodia's most underdeveloped areas

2018
GFH acquires The Entertainer, the popular incentives-provider and lifestyle app

2019
GFH Acquires London Westside Business Park

GFH Acquires US$100+ Million Tech Offices Portfolio in US

GFH Acquires a US$180 Million Healthcare Portfolio in the US

Driven by Our Vision

Our vision has transformed over the years and today we are driven to achieve by a new mantra and rallying cry:
To discover, innovate and realise value potential

United Through Values

We find the world a curious place; its challenges and opportunities entertain our minds. Our rich experience is balanced with a restless inquisitiveness that drives us to find and innovate unique opportunities.

We believe in being open, transparent and straightforward in every aspect of our business. We gain trust by providing reliable information about the things which affect our business's performance.

Our deepest commitment is to realising our ambition. A natural perseverance is the foundation on which we have grown. We focus deeply into the detail, ensuring we get extraordinary results. Our success is the direct result of our tenacity.

Four Unique Investment Platforms, One Consistent Purpose

Investing in People

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Four Platforms Endless Diversity

GFH is a pioneer on the kinds of investments that make life better, like homes, education and healthcare. These basic building blocks create sustainable wealth for our investors and the global communities we serve every day.

01. Real Estate

02. Education

03. Technology

04. Healthcare

1/4

Real Estate Platform

The need for real estate has been and will continue to prevail, supporting the effectiveness of real estate investment within any investment portfolio.

GFH has invested in several types of real estate, including multifamily, industrial, office, hospitality and data centres. We have applied our strategy of dynamic diversification into each of these investments.

With GFH's structured approach, our real estate investments have been rewarding, capitalising on attractive leverage, tax efficiencies, stabilised cash-flow streams as well as value-creation opportunities. Given GFH's expertise in real estate over the last 20 years, the group has experienced the market cycles, taking advantage of the peaks and troughs of the real estate market trends for the most efficient acquisitions and exits.

The need for real estate has been and will continue to prevail, supporting the effectiveness of real estate investment within any investment portfolio. Certain niches within real estate subsectors have displayed resilience throughout adverse market swings. We remain confident in our focus on strong, defensive sectors in selective real estate markets with attractive cash yields and growth potentials.

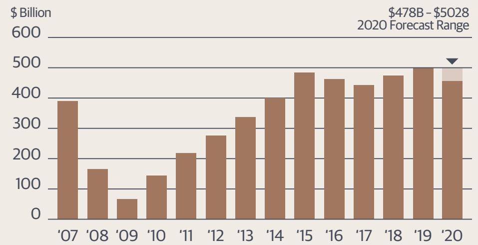
GFH has built a robust real estate investment platform, offering our clients stabilised, above-market returns. We have focused our investments on portfolios situated across major cities in the US and around London in the UK. We continue to seek opportunities in other developed markets in the EU region centered on Germany, France and the Netherlands – all of which have been at the core of economic development in Europe.

The strength of the platform has risen over the foundation of high-occupancy properties and a strong, credit-rated tenant base with long-term contracts to secure cash flows and dividend payments over the investment horizon.

US Economy[1]

2019 ended on a positive note for the US economy with GDP growth rate at 2.3%. Businesses continued to perform well and add jobs supporting all real estate sectors. Low interest rates fueled demand for debt financing and lenders kept pace with this demand supporting the real estate transaction activity.

Abundance of capital to drive investment volumes in 2020



Amid slower economic growth and global uncertainty, US real estate will remain attractive for investment going forward supported by both the liquidity and capacity of the US Government's fiscal measures and monetary policy.

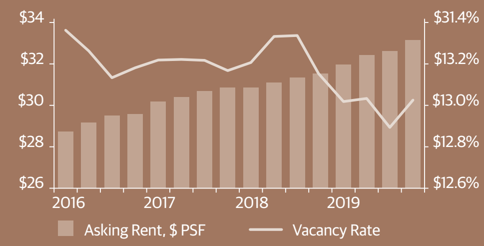
US Office Market

The demand for office space is expected to remain balanced in 2020 and beyond, in the backdrop of strong absorption forecast which has been historically driven by the increase in office-using employment.

During 2019, low vacancy rates continued to apply upward pressure on rents. Average asking rents rose to a record-high of US$ 33.14 per square foot, a 5.1% increase from a year ago. Rents increased in 73 markets compared to the same period last year.

Demand for office space is expected to increase and should absorb the new space currently under construction. Whilst demand and supply can vary from one quarter to the next, the overall trend in vacancy is most likely to remain stable.

Overall Vacancy & Asking Rent

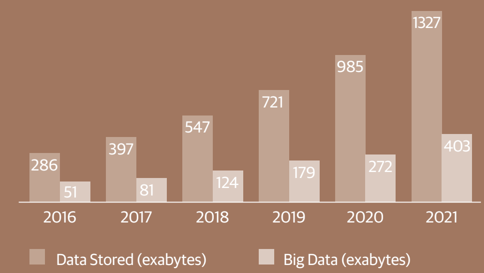


Source: Cushman & Wakefield's Q4 2019 US Market Beat Reports US Office

US Industrial Market[2]

The industrial market surpassed 200 million square feet for a sixth consecutive year. Absorption continued to be healthy and is expected to remain positive. Overall leasing activity was up 11% in 2019 compared to the prior year. The US industrial vacancy rate in 2019 remained lower than the historical average. Due to economies of scale, industrial product supply growth remains focused on bulk distribution. The multi-tenant light industrial market, which is the focus of GFH's portfolio, is experiencing a shortage of new inventory as infill locations are substantially built-out and current market rents do not support new construction in most markets.

US Data Centre Market



The US data centre market performed strongly across all primary markets during 2019 with a positive outlook due to higher enterprise demand for cloud access and focus on better connectivity options. Net absorption across all US primary markets reached an all-time high of 396.4 MW in 2019, an increase of 99.1 MW from 2018. Under construction capacity in primary markets reduced in 2019 partially due to many of the projects being delivered in 2019, which will further increase the demand for data centres.

US Hospitality Market

The US travel and hospitality industry performed well during 2019 fueled by a strong economy, rising global consumer purchasing power and digital innovation. ADRs increased by almost 1% with flat occupancy levels resulting in 1% growth in RevPar. Select-Service hotels are generally considered a more defensive segment within the hospitality sector. With a lower and more flexible fixed cost structure, these hotels adapt to the dynamic economic environment and maintain healthy profitability. GFH's focus is on Select-Service hotels with strong top tier brands like Hilton and Marriot. These brands are appealing to both corporate and leisure travelers and offer strong liquidity in the investment market.

UK Economy

The UK GDP experienced a growth of 1.4% during 2019 despite Brexit. The unemployment rate remained at around 3.9% during 2019. Professional and administrative services, and technology-related jobs were the strongest sectors. These jobs are expected to contribute to further office-based employment growth.

UK Office Market

The UK's decision to leave the EU has resulted in a widening of the differential in pricing between UK yields and the rest of Europe. This means that UK office property will offer relative value to overseas investors in 2020.

Office occupier markets outperformed expectations in 2019. Office-based employment has grown rapidly over the past two years. At the same time, the supply of new space is expected to tighten from already low levels, persisting the existing imbalance between the supply and demand of new space. GFH's UK investment is focused on the M25 office market, only minutes away from central London – a market which has been able to sustain occupancy levels in the mid-90% range despite uncertainties revolving around Brexit. Furthermore, the lack of competing Grade A supply in smaller submarkets has resulted in the highest rents recorded in this cycle, recording a gain of 7% during 2019.

2/4

Education Platform

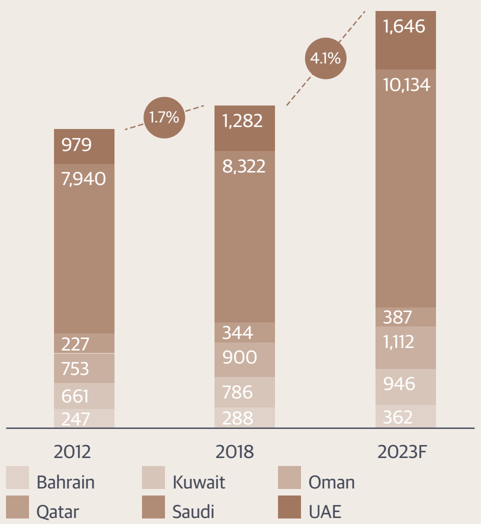
Britus Education's strategic intent is to acquire and improve mid-market schools in the MENA region that offer internationally recognised curricula. The affordable fee segment is believed to be the fastest growing, as it is the most likely to benefit from the growing middle-class in the region.

Education, in particular K12 schools, has long been an attractive sector for investment. The underlying fundamentals are positive and provide investors with a defensive position in troubled times and significant upside when economic conditions are strong. These fundamentals are particularly evident in the GCC, making it one of the world's best regions for participation in the sector.

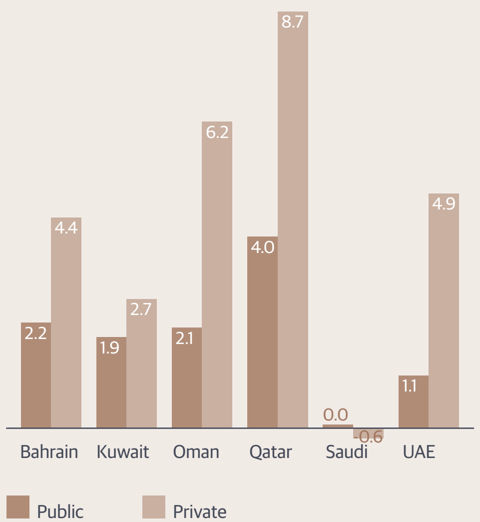
An attractive sector for profitable growth

The GCC education sector is seen as a significant growth opportunity with total enrolments expected to grow at a compound annual growth rate (CAGR) of 4.1% over 2018-23, outpacing the CAGR of 1.7% registered over the past six years. Strong demographics, higher parental expectations for their families and governmental strategic plans requiring higher skills will drive this growth. For example, as part of the Vision 2030 for Saudi Arabia, the country aims to increase the number of students enrolled in private schools from 13% in 2018 to 25% by 2030.

GCC Enrolment Trend
Total Enrolments (GAGR)



K12 – Enrolment CAGR 2012-2018 (figures as %)



Source: UNESCO, Statistics authorities of respective countries, GFH Analysis

The mid-market or affordable fee segment is believed to be the fastest growing, as it is the most likely to benefit from the growing middle-class in the region. It is in this segment that GFH chose to launch its new education platform, Britus Education, in mid-2019.

Britus Education is geographically focussed on the Middle East and North Africa (MENA) region. Its strategic intent is to acquire and improve mid-market schools that offer internationally recognised curricula subject to a set of criteria that give the potential for significant upside in the return on investment. It is led by a world-class team with decades of experience of acquiring and improving K12 schools around the world.

The Britus Education Holdings fund was launched on 30 June 2019, with total fund size of US$185mn that comprised of US$95m in equity and US$90m in debt. About US$135m has already been deployed for the acquisition of the current portfolio.

The first investment by Britus Education was The Sheffield Private School in Dubai, which had been owned as a separate investment by GFH. The school offers the British curriculum in the mid-market sector and has about 1,400 students with capacity of just under 1,800. During the rest of 2019, a further five schools were added to Britus Education's portfolio:

- Four schools in Riyadh, each with separate licenses for boys' and girls' schools, which offer an American-style curriculum. One of the campuses also offers the Egyptian curriculum. The schools currently have about 6,500 students with a further 1,500 seats of capacity. There are already plans in place to move one of the schools to a larger campus.

- One school in Bahrain, which offers an American-style curriculum, as well as a British stream in the final 4 years with the GCSE and IB Diploma qualifications. The school has about 1,800 students and capacity to add a further 800.

The schools will be anchored around three strategic pillars:

Affordably Premium
Academic excellence should be accessible to all students at affordable fees by ensuring high expectations and an intensive data driven approach to student performance.

Diversely Connected
The schools will offer their students the chance to interact and collaborate with their peers across the schools, exposing them to a wider range of learning and developmental opportunities.

Inclusively Educational
Starting from the admission process and all through their schooling, each student's unique capabilities are nurtured holistically through a broad enrichment programme to develop skills, attitudes and values.

To embed these three pillars, Britus Education implements a hands-on structured programme of improvement over the first 12 months of ownership and ensures continued progress thereafter. The programme of improvement is sequenced around:

- Improving the school leadership
- Enhancing admissions and marketing activities
- Implementing a new academic approach
- Optimising the cost structure and quality of teachers
- Elevating fees

The key value driver, beyond fees and operating costs, is enrolment and this forms the central focus of the performance management of the schools.

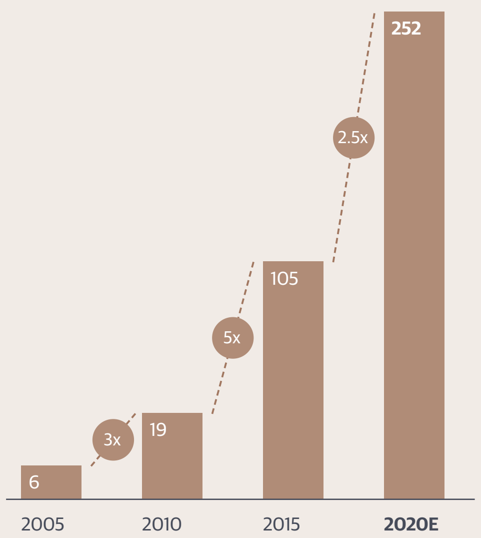
3/4

Technology Platform

We are pleased to announce GFH's acquisition of a 70% stake in Marshal, which is truly the leading FinTech pioneer and innovator for payment technologies in the MENA region. This transaction also marks GFH's second major technology investment, an area where we are continuing to focus and strategically enhance our portfolio in.

The UAE, Egypt, Jordan and Lebanon are the region's most advanced start-up ecosystems and the region's rising FinTech hubs, aided by government support, the involvement of the private sector, good education levels and political stability.

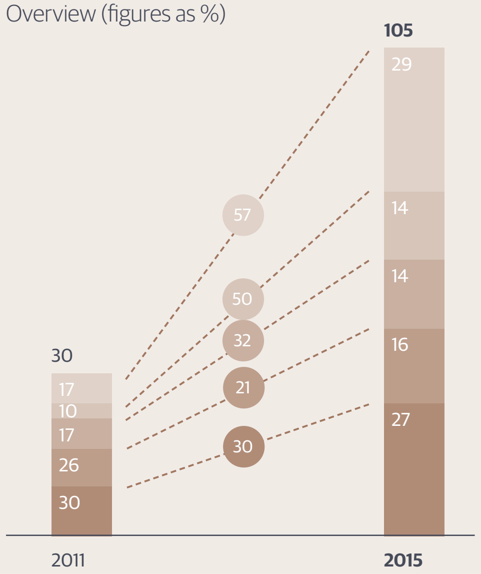
Rapid Growth of FinTech Start-ups
Overview



- Start-ups span 12 countries of which over 70% are based in four counties
- Driven by the large pool of financially under served individuals and businesses, and a thriving e-commerce sector
- The number of FinTech start-ups is exceed 250 by 2020

Source: Wamda Research Lab and Payfort

UAE Poised to become the Regional Leader
Overview (figures as %)



- The UAE quickly emerging as the regional leader
  - FinTech start-up creation happening almost three times faster in the UAE than in Egypt
  - The UAE hosts as many stat-ups as two of the other three hubs combined
- Aided by government support, involvement of the private sector, good education and political stability

Source: Wamda Research Lab

Dubai's population is one the fastest growing in the world, with growth averaged at 2.4% p.a. between 2012 and 2015. It is predicted to average over 5% p.a. over the 2015-2020 period and 3.6% p.a. during 2020 - 2025. Dubai EXPO 2020 is also driving Dubai's infrastructure boom as it sets to host 25 million visitors from around the world, with key infrastructure development projects currently underway, funded by a budget of over US$ 8 billion.

Payments Sector

According to World Pay 2018 report, the point of sale continues to witness radical transformations as spend shifts from cash to eWallets. Predictions of a cashless future won't be realised anytime soon; indeed, cash remains the most popular payment method at the point of sale globally today. However, the use of cash is on the decline in every global region with even more dramatic shifts forecasted.

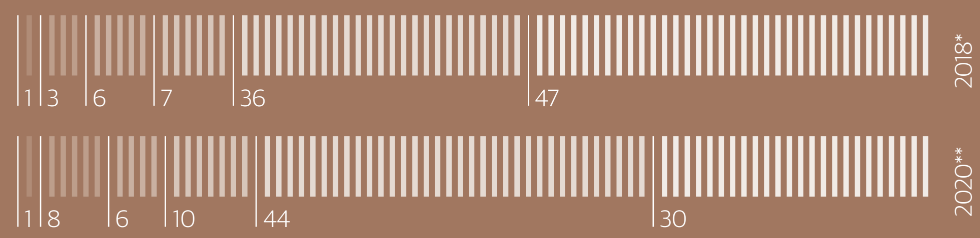
Experts project that cash will be supplanted by debit cards as the leading point of sale payment method in 2019, falling to fourth place in 2022 trailing debit cards, credit cards, and eWallets. Though shifting share within share regions, experts expect traditional credit card and debit card use to hold steady at the point of sale through 2022.

European consumers have a strong history of preference to bank-based payments as opposed to credit utilities. Experts expect that trend to not only continue but to accelerate. Experts project this disposition to non-cash payments will continue at the point of sale, with debit cards surpassing cash as the most prevalent payment method at the POS by 2020. Further, PSD2 is likely to generate innovations at the point of sale such as increased use of bank transfers. It is also estimated that the use of cash at the point of sale will decline from 47% to 30% over the next five years, with debit cards and eWallets capturing the majority of that spend.

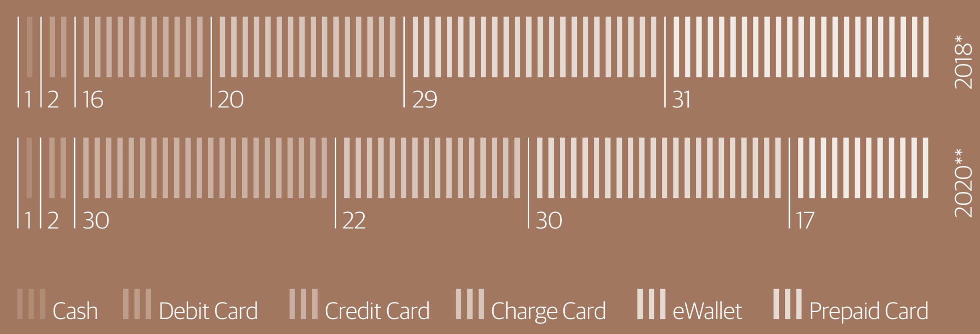
Meanwhile, predictions of the physical store's demise are premature at best, with nearly 90% of global retail still taking place at the point of sale.

PwC's Global Consumer Insights Survey suggests that shopping in-store is more popular than ever with 44% of global consumers surveyed shopping at the point of sale every week. The in-person shopping experience is fixed firmly in place.

Global POS payment Methods (figures as %)



EMEA POS payment methods (figures as %)



** Estimated, ** Forecasted*
Source: WorldPay

4/4

Healthcare Platform

At the heart of our investment philosophy is vertical and horizontal aggregation of healthcare businesses in the form of a unique, market-leading and digitally-enabled regional healthcare platform.

Against the backdrop of the COVID-19 pandemic, the global and regional healthcare industry faces new challenges. Existing healthcare models are being challenged while new opportunities are emerging.

Digitisation with increased use of healthcare apps, rise in volumes of telehealth consultations and a surge in government and private firms' spend on capacity building and preventive healthcare amongst others will proliferate.

Global healthcare spending is expected to rise at a CAGR of 5% in 2019-23[1] with the US being the largest healthcare market globally. The US economy spent as much as 17.9% of its GDP on health care. Healthcare spending as a percent of GDP for the US could increase to 19.4% by 2027[2].

On the other hand, MENA and the GCC governments continue to pass reforms in their healthcare systems and introduce regulatory changes to improve the efficiency and quality of services. Healthcare spending in the MENA region is expected to reach c. US$ 279 billion by 2022, implying a CAGR of c. 7.3%. Similarly, healthcare expenditure in the GCC is projected to reach US$ 104.6 billion by 2022[3], implying a CAGR of c. 6.6%.

Low penetration levels, universal approach to health care, high growth in healthcare expenditure and increasingly supportive regulatory regimes make the healthcare sector in the GCC region uniquely positioned and attractive for investors.

Key growth-drivers of health care in the GCC region:

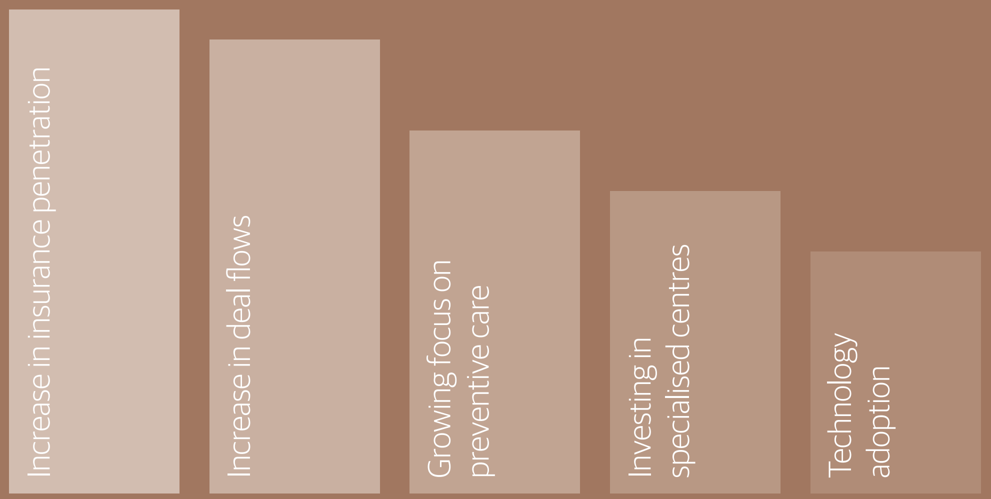
- Favourable demographics with growing and ageing population
- High prevalence of non-communicable diseases (NCD)
- Mandatory health insurance
- Long-term plans to strengthen healthcare system
- Inbound medical tourism
- Evolving care models
- Infrastructure investments

[1] Deloitte 2020 Global healthcare outlook, pre COVID-19 impact

[2] Centers for Medicare and Medicaid Services

[3] Arab Health, Alpen Capital

GCC healthcare industry trends:



As part of our philosophy of investing in "resilient and high-growth sectors", we continue to explore opportunities and invest in the healthcare space. Our healthcare investment strategy includes investing in high-growth segments of the market such as specialised healthcare centers of excellence that offer deep therapeutic specialisations, multi-disciplinary or multi-specialty healthcare facilities especially in less-penetrated and high-growth cities in the region, and hub-and-spoke primary and secondary care providers.

The specialist areas in which we see significant white space include post-acute and long-term care, geriatric care, mental health, oncology and children's hospitals. At the heart of our investment philosophy is vertical and horizontal aggregation of healthcare businesses in the form of a unique, market-leading and digitally-enabled regional healthcare platform.

Besides our regional focus, in May 2019, GFH capitalised on the growth trend of the ageing population in the US by acquiring a US$ 180+ million portfolio of six income-yielding senior healthcare properties located across three major markets, Washington, California and Michigan. The portfolio is currently c. 90% occupied and is operated by three best-in-class senior living operators.

2019 - A momentous year

Not only do we celebrate our twentieth birthday, but also this is a year in which notable growth has been achieved in new sectors, new segments and across horizons.

01

Operational Review

Board of Directors
Direction through Exceptional Experience

231 Years

GFH's Board of Directors provides a visionary platform of wisdom and expertise that guide our brand towards new levels of prosperity and growth. Their remarkable breadth of experience combined reaches 231 years and spans the fields of international business, law, finance, economy, engineering, construction and business administration.

Jassim Alseddiqi is the Chairman of GFH Financial Group (GFH) and the Chief Executive Officer of Abu Dhabi Financial Group ("ADFG") as well as SHUAA Capital psc, the DFM-listed entity and a leading asset management and investment banking platform created by the merger of SHUAA Capital ADFG, with c. US$14 billion in assets under management and with offices throughout the Middle East and the United Kingdom.

Jassim is known for his dynamic and innovative approach, having pioneered many investment strategies in the region. He is currently the Chairman of SALAMA Islamic Arab Insurance Company, Eshraq Investments, Khaleeji Commercial Bank and The Entertainer. Jassim also serves on the boards of: First Abu Dhabi Bank (FAB), Abu Dhabi Capital Group, ADNOC Distribution and Dana Gas.

Alseddiqi holds a BSc in Electrical Engineering from the University of Wisconsin-Madison and an MSc in Electrical Engineering from Cornell University. He has also served as a noted lecturer at the Abu Dhabi-based Petroleum Institute.

Jassim Alseddiqi
Chairman, Executive Director

Through decades of excellence in a wide range of fields, our Board of Directors' vision inform our decision-making, growth strategy and long-term prosperity. Their foresight and acumen provide us with a steady hand and wise counsel for our bold strategic moves and expansive diversification.

Board of Directors Cont'd

H.E. Shaikh Ahmed Bin Khalifa Al Khalifa
Vice Chairman, Executive Director

H.E. Shaikh Ahmed Bin Khalifa Al Khalifa is a leading business figure in Bahrain who brings to the Group extensive experience in banking, public and private advisory, and key ministerial roles. He is currently the Chairman of GFH Capital and Vice Chairman of GFH Financial Group. Previously Shaikh Ahmed was the Advisor for Community Affairs at the Crown Prince's Court (Rank of Minister) and for His Royal Highness the Crown Prince (Rank of Minister) (2009). He was also the Secretary General of the Supreme Council for Defence (Rank of Minister) (2006) and served as the Kingdom of Bahrain's ambassador to the United Arab Emirates during the period 2000 to 2006. Prior to these roles he was the Head of the Arab Banking Corporation (ABC) office in Abu Dhabi.

He holds a bachelor's degree in computer science and accounting from the University of Bahrain, a certificate from the College of Science of King Fahad University of Petroleum and Minerals, a Global Credit Analysis certificate from BPP Training and Consultancy – London, and a Gulf Executive Management and Strategic Leadership certificate from Colombia University New York.

Hisham Alrayes
Member & Group CEO, Executive Director

Hisham Alrayes, Chief Executive Officer and member of the Board of Directors of GFH Financial Group. Hisham brings extensive expertise and an in-depth knowledge of GFH. He was instrumental in driving the development and execution of the Group's regional and international investment strategy and managed the bank's liabilities as Chief Investment Officer prior to his appointment as Group CEO in 2012, and since his appointment as CEO, has driven the development and execution of the Group's regional and international diversification strategy. Previous to joining the group in 2007, Hisham was part of the senior management team of the Bank of Bahrain & Kuwait ('BBK'), a leading commercial bank in the Kingdom of Bahrain. He currently chairs and holds a number of directorships in financial, Industrial and real estate companies including Global Banking Corporation, Esterad Investment Company, Balexco, Khaleeji Commercial Bank, Falcon Cement and GFH Capital.

Hisham holds a Master's degree with honours in Business Administration from the University of DePaul, Chicago (USA), and a Bachelor's degree in Engineering with honours from the University of Bahrain. Hisham has been ranked one of the top CEOs in Financial Services & Investments in 2019, and named 'Investment Bank CEO of the Year' at CEO Middle East 2019.

Mazen AlSaeed
Member, Independent Director

Mazen Al Saeed brings to the Group 27 years of leadership and management experience across a diverse array of sectors. He has served as a member of GFH's Board of Directors since March 2017 and is the Chairman and Chief Executive Officer of Mazen M. Al Saeed Holding Company (MASHCO), a company based in Khobar, Saudi Arabia that has business interests across a number of industries. He has held a number of key roles during his extensive career including a position at Mohammed Abdulrahman Al Saeed & Sons Co. He was also a partner in Maher and Mazen Al Saeed Co. and served as Chairman in Mazen Mohammed Saeed Development Group from 2000 to 2006. Currently he is on the Board of Directors for Aseer Trading Co., Al Mutaqadima Petrochemical Co., Mena Capital Co., the Saudi Cancer Society, Tawfeer Food Co., Easter Province Imara and Patient Friend's Society. He holds a bachelor's degree in Architectural Design from King Fahad University of Petroleum and Minerals.

Board of Directors Cont'd

Mosabah Al Mutairy
Member, Independent Director

Mr. Mosabah Al Mutairy brings extensive financial expertise amassed throughout his 18-year career in the fields of investment, finance, and accounting. He is currently a member of several boards across different organisations including the Board and Investment Committee of Royal Guard of Oman Pension Fund, in which he plays a pivotal role in managing funds. He is also a member of the Board of Directors at the Hotels Management Co, Int, Bank Nizwa, Oman Munition Production Company, Takaful Oman Insurance, Oman National Investments Development Company and a member of others.

Mr. Al Mutairy currently holds a Master of Business Administration (Finance) from the University of Lincolnshire & Humberside and a Bachelor's degree in Accounting from South West London College in the UK. In addition, he holds several internationally recognised accounting qualifications.

Ghazi Faisal Al Hajeri
Member, Independent Director

Mr. Ghazi Al Hajeri is the CEO of Wafra International Investment Company, a Kuwait-based asset management company with $7BN in AUM. In charge of overall corporate direction and proprietary investments, Mr. Al Hajeri leads the company's transformational growth strategy. Prior to that Mr Al Hajeri occupied the role of deputy CEO at Touristic Enterprises Co., an entity owned by the Kuwait Investment Authority and the oldest and largest provider of recreation and entertainment in the State of Kuwait. Mr. Al Hajeri was responsible for the group's facility operations and development.

Mr. Al Hajeri held the position of Managing Director for Wafra InterVest Corp. He established Wafra's regional office in 2007 and remained its Regional Director until 2017. Mr. Al Hajeri was responsible for firm's regional business strategy and product development and served as a corporate liaison with the firm's largest clients. Mr. Al Hajeri was responsible for directing the firm's largest client relationships. He devised strategic plans to grow the firm's expansion in assets from $7 billion to $20 billion in a period of 10 years. Mr. Al Hajeri managed complex projects for sovereign wealth and pension clients that included asset allocation, business development and investment planning.

Mr. Al Hajeri was a member of the Alternative Investments Division Investment Committee and responsible for reviewing and monitoring external investment managers while directing departmental strategy at Wafra Investment Advisory Group in New York from 2000 – 2006. He holds a Bachelor degree in Science in Business Administration from the University of Denver.

Bashar Mohammed Al Mutawa
Member, Independent Director

Bashar Al Mutawa is a knowledgeable and prominent businessman who brings decades of experience driving the strategic success of organisations. His extensive involvement in the financial services industry includes key executive and consultancy roles in the Kingdom of Bahrain. These include Managing Director of Noon Investment Company, a real estate focused Investment Company, and Consultant with KPMG's Corporate Advisory Department, where he was responsible for providing corporate advisory to prominent organisations and institutions in the public and private sector, including financial institutions, real estate companies, industrial organisations and government entities.

He currently is a member of the board of directors for Al Jazeera Tourism Company, Naseej BSC©, Buildscom Construction, Bahrain Film production Company and Saar Investment Company.

Bashar holds a Bachelor of Science degree in Finance and Economics from Babson College, Boston, MA.

Board of Directors Cont'd

Mustafa Kheriba
Member, Executive Director

Mustafa Kheriba is a Board Member at GFH Financial Group and is the Deputy Chief Executive Officer and Group Head of Asset Management of SHUAA Capital psc.

Mustafa manages the investment activities and business development aspects of SHUAA. He also oversees deal-origination, fundraising activities and directly manages key investments for the Group. He currently serves as Executive Director of Northacre PLC and is also a board member and Managing Director of Gulf Finance Corporation in the United Arab Emirates and the Kingdom of Saudi Arabia. Furthermore, he serves on the board of Khaleeji Commercial Bank, Reem Finance, SALAMA Islamic Arab Insurance Company and ADCorp Ltd.

Prior to his current designation in SHUAA, Mustafa was the Group Chief Operating Officer of ADFG, and the Executive Director of ADFG's Investment Manager, ADCM Ltd. Moreover, Mustafa previously held senior posts in financial services and investment companies in the GCC, USA and Canada. He has been named among the top 50 MENA Fund Managers in the annual survey conducted by MENA FM Magazine.

Mustafa holds a BA from the University of Toronto, and an MBA from Ohio Dominican University with Magna Cum Laude honours.

Rashid Nasser Sraiya Al Kaabi
Member, Non-Executive Director

Rashid Nasser Sraiya Al Kaabi is a member of the Board of Directors at Qatar Chamber of Commerce and Industry (QCCI) and Chairman of the industry committee at QCCI. In addition, he is a board member of critically-acclaimed banks such as Qatar National Islamic Bank, Audi Bank, Islamic Holding, GFH Financial Group and QInvest. Also involved in other industries, being a board member of Msheireb Properties in Qatar and Islamic Insurance Company.

Rashid has become one of the most outstanding and youngest Qatari Businessmen to achieve an esteemed reputation both nationally and internationally. His business career started in 1995 and by 2019 he has managed to expand the business well into new horizons. With his keen expertise new businesses have been launched across Qatar, USA, United Kingdom, Germany, Poland, Turkey, UAE and Oman across all five sectors of Al Sraiya Holding's engineering, hospitality, industrial, trading, education and general services groups.

Rashid believes administrative and legitimate expertise are essential for the success of a business. Smart, reliable, profitable and consistent business decisions are the outcome of Rashid's eye for business opportunities, expertise in negotiations, wealth of knowledge, integrity, values, and a drive for a better future.

As a visionary businessman, Rashid is always on the lookout for future business opportunities that will enlarge the Group's portfolio. As a vivid man of values, the importance of family-owned and managed companies is held high as he believes they play a major role in managing private economic enterprises in Qatar, the Gulf region, and beyond. Family-owned businesses adhere to the quality of administrative and financial systems compatible with the standards of transparency and responsibility towards society, as a family is towards itself. It is the family company that guarantees survival and sustainability across time because of the shared appreciation of the journey of noble success through dedication, inspiration, innovation, virtue, and wisdom.

Dr. Rashid holds a B.A. in Law from Beirut Arab University and Honourary Degrees in Literature and Business Management from the Open International University for Complementary Medicine and Medicine Alternative.

Amro Al Menhali
Member, Independent Director

Amro Al Menhali is an Independent Director of GFH Financial Group and the Chief Executive Officer of Waha Capital PJSC, a leading investment company based in Abu Dhabi.

With a solid track-record and over 20 years of experience across a number of executive positions in the financial services industry, including CEO of a leading UAE bank, Mr. Al Menhali has built strong leadership skills and expertise in strategy, finance, risk, credit and corporate governance. Throughout his career, Mr. Al Menhali has led several strategic transformation projects, developing high-performance businesses to achieve sustainable growth.

He is a Board member of several international public companies, including SDX Energy (AIM listed), NESR (NASDAQ listed) and Deem Finance as well as being Chairman of Waha Investment PrJSC, Waha Land LLC and Anglo Arabian Healthcare LLC. He was previously a Board member of the UAE Banks Federation and Abu Dhabi Finance.

Mr. Amro Al Menhali holds a Bachelor in Business Administration (Honours) and is an alumnus of Harvard Business School's General Management Program.

Sharia Supervisory Board

GFH Financial Group is guided by an independent Sharia Supervisory Board consisting of four distinguished scholars with knowledge and expertise in Islamic jurisprudence. The existence of the Sharia Supervisory Board contributes to further assurance to the shareholders and investors, and without any doubt, confidence that is one of the most important success factors for the Group.

The Sharia Supervisory Board reviews the Group's activities and products to ensure that all innovative products and investment transactions comply fully with the rules and principles of Islamic Sharia, provides the Group with pragmatic Sharia opinions, approves the Group's financial statements and participates with management in the development of suitable investment products and services supporting the Group's vision to develop a high-growth, diversified investment and commercial portfolio.

The Sharia Supervisory Board has full access to the Board, management personnel of the Group including access to the Sharia Internal Audit Department and Sharia Coordination and Implementation Department whom are proactively involved in reviewing and advising on the Sharia compliance of all products and investment projects, auditing the operations of the Bank from Sharia point of view, and producing reports to the Sharia Supervisory Board in order to ensure that the Bank's activities are under oversight of Sharia guidelines.

GFH Sharia Supervisory Board Members
and their experience

Shaikh Abdulla bin Sulaiman Al-Maine
Chairman

Shaikh Abdulla is the Consultant to His Majesty the Custodian of the Two Holy Mosques with the rank of Minister, member of Grand Scholars Panel, Kingdom of Saudi Arabia, member of the Islamic Fiqh Academy and also Fiqh of Muslim League Organisation. He is also a retired judge of the Supreme Court in Makkah Al-Mukarramah in the Kingdom of Saudi Arabia, and Chairman and a member of the Sharia supervisory boards of a number of Islamic banks and financial institutions.

Dr. Fareed Mohammed Hadi
Executive Member

Dr. Hadi is the Assistant Professor at the College of Business Administration in the Department of Islamic Finance at University of Bahrain. He holds a PhD in Ibn Hazm's Methodology of Jahala from Edinburgh University and a PhD in Al-Bukhari's Methodology from the University of Mohammed V in Morocco. Dr. Hadi is also a member of the Sharia supervisory boards of a number of leading Islamic banks.

Shaikh Nidham Mohammed Saleh Yaquby
Executive Member

Sh. Nedham holds a number of memberships in different sharia boards of various institutions such as: GFH Financial Group, Central Bank of Bahrain, Abu Dhabi Islamic Bank-UAE, Sharjah Islamic Bank-UAE, Ithmar Bank- Bahrain, ABC Islamic Bank- Bahrain, ABC Islamic Bank- UK and others. He is also a member of Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Sh. Yaquby holds a number of awards including First Degree Award of Capability for Islamic services within and outside Bahrain in 2007 received from His Royal Highness the King of Bahrain and Innovation in Islamic Banking Supervision from EuroMoney Awards. In 2007, Sh. Nidham also received an award for contribution in Islamic Banking in Malaysia. He also participated and has been a keynote speaker in a number of jurisprudence, education, economic, intellectual, social and cultural conferences and seminars.

Dr. Abdulaziz Khalifa Al-Qassar
Member

A Professor at the College of Fiqh and Department of Sharia and Islamic Studies at the University of Kuwait, Dr. Al Qassar holds a PhD in law and Sharia from Al-Azhar University in Cairo. He is also a member of the Fatwa and Sharia supervisory boards of a number of institutions in Kuwait.

Our Executive Team
Delivering Distinction

Hisham Alrayes, Chief Executive Officer and member of the Board of Directors of GFH Financial Group. Hisham brings extensive expertise and an in-depth knowledge of GFH. He was instrumental in driving the development and execution of the Group's regional and international investment strategy and managed the bank's liabilities as Chief Investment Officer prior to his appointment as Group CEO in 2012, and since his appointment as CEO, has driven the development and execution of the Group's regional and international diversification strategy. Previous to joining the group in 2007, Hisham was part of the senior management team of the Bank of Bahrain & Kuwait ('BBK'), a leading commercial bank in the Kingdom of Bahrain. He currently chairs and holds a number of directorships in financial, Industrial and real estate companies including Global Banking Corporation, Esterad Investment Company, Balexco, Khaleeji Commercial Bank, Falcon Cement and GFH Capital.

Hisham holds a Master's degree with honours in Business Administration from the University of DePaul, Chicago (USA), and a Bachelor's degree in Engineering with honours from the University of Bahrain. Hisham has been ranked one of the top CEOs in Financial Services & Investments in 2019, and named 'Investment Bank CEO of the Year' at CEO Middle East 2019.

336 Years

Our senior leadership brings to GFH 336 years of combined expertise in managing financial services. Together with their teams they function as the taskforce that works daily to realise GFH's expansive growth strategy. We owe our success over the past 20 years to their exemplary leadership, diligence and resilience.

Hisham Alrayes
Member & Group CEO,
Executive Director

With experience from some of the world's top financial institutions, GFH's executive team is a formidable asset to our brand.

Our Executive Team Cont'd

Shaikh Hamed Al Khalifa
CEO, GFH Properties

Shaikh Hamed Al Khalifa is the CEO of GFH Properties, the real estate arm of GFH Financial Group. With nearly two decades of experience in urban planning and project development, he is responsible for overseeing the Group's continued conceptualisation and realisation of world-class projects in the Kingdom of Bahrain and select regional markets.

Prior to joining the GFH, Shaikh Hamed most recently served as General Director Urban Planning at the Ministry of Works, Municipalities Affairs and Urban Planning, where he led the team and put in place the revised 2016 Masterplan for the Kingdom.

Previously, he was an Investment Manager at Real Estate, Mumtalakat, where among his responsibilities was overseeing the design, development and launch of major commercial projects and also representing the company's interests in its various real estate portfolios. Other strategic roles in real estate development include Project Manager at the Bahrain Economic Development Board (EDB), where he was in charge of national planning development studies and other key projects undertaken to support the creation of a master plan for the Kingdom.

Shaikh Hamed holds a Master's in Engineering Management with a concentration in Finance, Economics and Cost Engineering and a Bachelor of Science in Systems Analysis Engineering both from The George Washington University.

Sattam Sulaiman Algosaibi
Chief Executive Officer, Khaleeji Commercial Bank

Mr. Algosaibi has over 22 years of banking experience occupying senior posts across several roles and responsibilities. In his experience, spanning some of the most critical years for the banking sector in Bahrain, he has come to witness changing economic environments and evolving regulatory mindsets. This allowed him to have an in-depth understanding and practical knowledge in Islamic Banking and conventional commercial banking's best practices. Before joining KHCB, Mr. Algosaibi was appointed as Chief Executive Officer for Bahrain Development Bank Group in 2017 and prior to that, he spent over 12 years in Kuwait Finance House Bahrain BSC as an Executive Manager and Head of the Corporate Banking Group. Mr. Algosaibi is now a Board Member and Chairman of the Executive Committee of Seef Properties B.S.C. (c), Board Member of Binaa Al Bahrain BSC, Board Member of Lama Real Estate WLL, Board Member of Gulf Holding Company, Board Member of Gulf Real Estate Company and Vice Chairman of Capital Real Estate Company.

He is also a member of the Board of Trustees of Ibn Khuldoon National School and sits on the Board of INJAZ Bahrain, a non-profit organisation that aims to prepare and inspire the youth to succeed in the global economy.

Mr. Algosaibi holds a Bachelor degree in Accounting from King Fahad University of Petroleum and Minerals and an MBA degree from DePaul University.

Salah Sharif
Chief Administrative Officer

Salah Sharif, Chief Administrative Officer, is a key player in the strategic as well as day-to-day management of the Group's core corporate support functions. In addition, he is responsible for ensuring the highest standards of operational excellence in the Group's Special Purpose Vehicles and Project Companies. He also serves as a Board member in several projects and operating companies under the GFH Financial Group brand.

An industry expert with over 30 years of international exposure and experience in both conventional and Islamic financial institutions, Salah is conversant with industry best practices in all aspects of commercial, wholesale banking, and in the industrial and infrastructure advisory sector. Prior to his current assignment at GFH, Salah was the CEO of Cemena Holding Company (CHC), an industrial subsidiary of the Group which was one of the largest cement holding companies in the MENA region. Previous to this he held a number of senior roles in leading global financial institutions viz. American Express and Standard Chartered Bank where he held key executive positions.

Salah holds a Master's Degree in Business Administration from the University of South Wales, UK. Currently he is attending a Senior Executive Leadership Program offered by Harvard Business School.

Our Executive Team Cont'd

Baha Al-Marzooq
Chief Internal Audit

Baha Al-Marzooq, Chief Internal Audit, supports the Group's strategic success by ensuring a systematic and disciplined approach to internal control, risk management and governance processes.

Baha has two decades of experience in auditing and banking in the Islamic and Investment banking sectors, and for the last few years has supported the Group's recovery efforts that were remarkably concluded with total revenues above US$500 million.

Prior to joining the Group, Baha worked with Ernst & Young (EY) – Bahrain, one of the 'Big Four' global auditing firms, as Manager in the Assurance Services of Islamic Banking Group during which he also served in other regional offices of EY such as Kuwait, Qatar and Houston Texas – USA.

He holds a B.Sc. in Accounting from Bahrain University and is a Certified Public Accountant (CPA) California, USA in 2001. He holds an Executive MBA from the University of Bahrain in addition to a number of specialised professional qualifications including, Certified Internal Auditor, Chartered Global Management Accountant and has a Certification in Risk Management Assurance. He has also recently completed a "Senior Executive Leadership Program" at Harvard Business School.

Hammad Younas
Chief Investment Management

Hammad Younas is the Chief of Investment Management and leads the Investment and Asset Management business of the Group including Private Equity, Private Credit and Real Estate. Hammad has more than 20 years of experience in corporate finance, investment banking and alternative asset management and has an exceptional investment performance track-record across private equity, private credit and real estate.

Hammad has extensive experience of working with boards, management teams and advisors on creating sustainable value for shareholders. Throughout his career he has led a number of regional and cross-border transactions in multiple geographies including MENA, US, Europe and South Asia. His transaction experience includes mergers and acquisitions, initial public offerings, listings, secondary offerings, private placements and debt raising. In addition, he is a market entry, growth strategy and business development expert. Prior to joining GFH in 2016, Hammad was a Partner at EY MENA and their Transaction Advisory Leader for Bahrain. He was also the CEO of EY's Corporate Finance business in Bahrain. Hammad spent more than 13 years with EY and advised a wide range of clients including sovereign wealth funds, financial institutions, asset managers, governments, family businesses and high net-worth individuals on strategy, investment, capital raising, performance improvement and restructuring.

Hammad is a CFA charter holder from the CFA Institute USA, an ACCA from the Association of Chartered Certified Accountants of the UK and an ACA from the Institute of Chartered Accountants of Pakistan.

Nabeel Mirza
Corporate Governance Officer

Mr. Nabeel Mirza joined the Group in April 2012 and has recently taken the responsibility as Corporate Governance Officer, where he is responsible for monitoring and embedding the Corporate Governance standards within the Group (GFH, its subsidiaries, SPVs and Project companies) whilst ensuring that Senior Management's commitments remain in alignment with the Group's interests and the regulatory requirements. Additionally, he is responsible for the development and implementation of authority matrixes, corporate governance framework and practices across the Group. He is also designated as Data Protection Officer for the Group.

Prior to this role, Mr. Mirza was the Head of Compliance & MLRO for over seven and a half years for GFH and has also had Compliance roles at Mashreq Bank and Citibank.

Mr. Mirza holds a Master's degree in Public Administration from the University of Karachi and has completed a number of professional courses in Compliance, Risk Management and Corporate Governance.

Our Executive Team Cont'd

Mohammed Abdulmalik
Head of Placement & Relationship Management

Mohammed Abdulmalik, Head of Placement Management, shapes and implements placement strategies and develops business models designed to capitalize on current market dynamics and potentials. In addition to managing the placement function of the Group, he is currently a Board Member of Capital Real Estate Projects and Sheffield Private School.

A well-versed investment banker, Mohammed brings 21 years of industry experience, having held a number of roles both within GFH, where he leveraged his extensive network of HNWI, FI's and Sovereign Wealth Funds to market Group products and services and contribute to the investment placement business. Prior to joining the Group, he held a number of roles in financial control and auditing with Arthur Anderson, Ernst & Young, and HSBC. He holds a B.Sc. in Accounting from the University of Bahrain.

Dr. Mohamed Abdulsalam
Head of Sharia & Corporate Secretary

As Head of Sharia and Corporate Secretary at GFH, Dr. Mohamed Abdulsalam supervises all Group transactions to ensure they are conducted in compliance and in accordance with the teachings of Islamic Sharia. Furthermore, Dr. Abdulsalam assumes the fiduciary duty of maintaining all records, meetings and minutes of GFH's Board and its committees in addition to moderating meetings, and managing all record keeping activities for GFH's project companies. He joined the Group in 2006 with 18 years of Sharia experience. Prior to GFH, Dr. Abdulsalam worked with other Islamic financial institutions in Bahrain. He was a Sharia Auditor at Kuwait Finance House (KFH) and an Internal Auditor at Bahrain Islamic Bank (BisB).

Dr. Abdulsalam obtained his bachelor's degree in Islamic Accounting in 2003 from Al-Imam Mohammed Ibn Saud University. He also holds an MBA in Accounting and Financial Control and a Ph.D. in Accounting from the United States, California. He has also pursued additional qualifications including a Masters of Sharia and Accounting Standards from AAOIFI, courses in Sharia Control Fatwa for Islamic banks as well as successfully completing the third module of the International Arbitration Certificate from Bahrain Chamber for Dispute Resolution (BCDR-AAA) in 2014.

Passionate about his field, Dr. Abdulsalam regularly attends specialised courses covering topics such as: Sharia Auditing, Sharia Standards, Sharia Products and many others in order to expand his knowledge of Islamic finance on an ongoing basis.

Hazim A. Karim
Head of SPV Administration & Government Relations

Hazim A.Karim, Head of SPV Administration & Government Relations, oversees all aspects of client servicing process including administration of client funds, managing funds' share registers and prompt client reporting process and communication. He is responsible for sustaining and improving the GFH Financial Group's partnerships and relationships with investors, shareholders and government entities.

Hazim brings more than 24 years of industry experience to the Group. Since his appointment in 2000, he has held several positions within the Group including roles in the Operations, Fund Administration, Corporate Communications and Placement Departments, in addition to directorships in numerous project companies and Special Purpose Vehicles. Prior to joining GFH, he served in the corporate banking division of Bank of Bahrain and Kuwait (BBK).

Hazim holds an MBA from the University of Glamorgan, UK and has passed the Investment Representative Certification Series 7.

Our Executive Team Cont'd

Abesh Chatterjee
Head of Risk Management

Abesh Chatterjee is the Head of Risk Management at GFH Financial Group. He has over 11 years of experience in risk management. As Head of Risk Management he is responsible for managing all type of risks across the Group and ensuring that an effective risk management framework is in place. He is a part of Management Committee and Asset and Liability Committee and works closely with the Group's CEO and other members of the executive management team, while reporting independently to the Chairman of the Board Audit & Risk Committee of GFH.

Abesh began his journey as a risk management professional in India with ICICI Bank, the largest private sector bank in India. Later he shifted to Bahrain and managed the risk management function of ICICI Bank Bahrain. He also worked as Head of Risk Management in International Investment Bank, Bahrain. Besides risk management, Abesh has also worked on other areas like ERP system development and engineering during his stint with Infosys Technologies Limited and Larsen & Toubro Limited, two of the most prestigious companies in India.

Abesh holds a post graduate diploma in Management from NITIE (India) and a bachelor degree in Mechanical Engineering from Jadavpur University (India). He also completed certification in Financial Risk Manager (FRM) from Global Association of Risk Professionals (GARP).

Suryanarayanan Hariharan
Head of Financial Control

Suryanarayanan Hariharan, Head of Financial Control, works closely with the Group's executive management team and is responsible for the accounting, financial planning and analysis, and stakeholder reporting, including regulatory reporting, for the Group and its owned subsidiaries. Surya has more than 17 years' experience in stakeholder reporting, audit services, business process improvement and transition and risk advisory. Prior to his appointment at GFH, he was the Head of Finance for a private equity venture in Abu Dhabi backed by sovereign wealth funds and ultra-high net-worth individuals. Previous to this he was in audit services and real estate domain at KPMG in both Bahrain and Qatar, and Pricewaterhouse Coopers in India.

He holds a bachelor's degree in Commerce from the University of Mumbai, India, and is a Chartered Accountant (CA) from the Institute of Chartered Accountants of India, and a Certified Management Accountant, USA.

Salem Patel
Senior Executive Director

Salem Patel, Senior Executive Director, facilitates strategic and proprietary transactions for GFH which offer diversified value creation opportunities for the Group. He brings over 20 years of extensive local and international financial industry experience to the Group having previously worked in the Financial Services Division with Accenture in London and before this as a Financial Analyst with LongView Partners, London. Prior to this, he held roles in Equity Research at UBS and Societe Generale.

Salem currently holds a number of Directorships including GFH Properties, Falcon Cement and Sheffield School. He graduated from the City University Business School in London with a B.S.C (Hons) in Business Studies specialising in Finance and has passed all three levels of the Chartered Financial Analyst (CFA) program. Recently, he completed the Senior Executive Leadership Program at Harvard Business School. In addition, he has obtained a number of certifications including: the Islamic Finance Qualification (IFQ) and the Securities and Futures Authorities Registered Representative (SFA).

Our Executive Team Cont'd

Ahmed Jamsheer
Acting Head of Treasury & Capital Markets

Ahmed Jamsheer is the Acting Head of Treasury & Capital Markets, where he is responsible for overseeing the Groups corporate liquidity, investments, cash flow and debt financing. He bring to his role more than 12 years of diverse experience in finance and investments as well as asset management, alternative investments, derivatives, debt financing, private equity and real estate. Most recently, prior to joining the Group in 2016, he spent six years at Promoseven Holdings as Head of Investments, Capital Markets & Finance, managing the company with an annual turnover of US$1 billion. Previously, he held other senior management roles in finance and investment at Fortuna Company and Golden Bull Asset Management Company, among others.

Ahmed holds a Master of Science in Finance with high distinction and a Bachelor of Science in Finance with honours from Bentley University, Waltham, MA, US.

Muneera Isa
Head of Human Resources

Muneera Isa, Head of Human Resources (HR), manages employee strategies, recruitment, development and retention, career progression, and performance management. In addition to compliance, policy making and the overall implementation of HR regulations.

Muneera is a seasoned HR professional, bringing over 18 years of experience to the Group having worked with regional and international financial institutions in the Kingdom of Bahrain including Bahrain Mumtalakat Holding Company, Capivest and BNP Paribas.

She holds a bachelor's degree in English Literature from the University of Bahrain, a level 5 Chartered Institute of Personal Development Certificate (CIPD) and a Master's Certificate in HRM from the Society for Human Resource Management (SHRM).

Osama Janahi
Head of Information Technology

Osama Janahi is the Head of Information Technology overseeing the Application, Development, Projects, and Infrastructure teams to address business challenges and assist in business development. In 2000, he established the IT department in GFH along with other members and held a project manager role of almost all the IT projects that made GFH's IT what it is today.

He holds a B.Sc. in Computer Science from the University of Bahrain along with other IT technical and non-IT professional certifications like CISA, ITIL, Oracle, and others. He has some specific banking, business and accounting knowledge which he gained through his work in Al Baraka Bank and Arthur Anderson.

Our Executive Team Cont'd

Mariam Jowhary
Head of Compliance & AML

Mariam Jowhary joined the Group in late 2019 as Head of Compliance and AML, responsible for establishing and maintaining a robust and effective compliance and corporate governance framework across the Group that complies with regulatory requirements and industry legislation. She works closely with the CEO and other members of the Group's executive management and reports independently to the Board Audit & Risk Committee.

Mariam is also responsible for ensuring compliance with the rules and regulations of the CBB, the Bahrain Bourse, the Dubai Financial Market, the UAE Securities and Commodities Authority, the Boursa Kuwait and the Kuwaiti Capital Markets Authority. She has significant experience in the field of compliance and has previously worked with Central Bank of Bahrain for more than 14 years. She holds a B.Sc. in Banking and Finance (with honours degree) from the University of Bahrain, Advanced Islamic Banking Diploma from BIBF, as well as APRM & CIPA Certifications.

Husain Yusuf
Head of Internal Audit

Mr. Husain Yusuf is the Head of Internal Audit at GFH, where he is responsible for managing the Bank's internal audit department and specifically the establishment and oversight of its risk-based internal audit activities aimed at ensuring the effectiveness and efficiency of internal control, risk management and governance systems and processes.

Mr. Husain brings to his role 16 years of experience in all aspects of internal audit including both domestic and international audit practices. Prior to joining GFH in 2006, he worked at the Bahrain Commercial Facilities Company – Tasheelat as an Internal Auditor and began his career in Audit at the big four accounting firm, Ernst & Young.

Mr. Husain holds a B.Sc. and Diploma in Accounting from the University of Bahrain and is Certified Public Accountant ("CPA"), Certified Internal Auditor ("CIA") and Certified in Risk Management Assurance ("CMRA").

Imran Sami
Head of Legal

Imran Sami, Head of Legal, brings to the Group expertise across all aspects of M&A (public and private), including cross border, capital markets transactions and in particular, has a wide experience of acting for private equity and venture capital funds and businesses. He supports the Group's general corporate, commercial and financing legal matters, and works with external local and international counsel on regulatory and litigation matters.

Prior to joining the team at GFH, Imran was Partner and Head of the International Transactions practice at Burlingtons LLP, an international law firm based in London. Previous to this, Imran led Clyde & Co's Middle East regional private equity practice and before this he was a Partner at the London office of US law firm Katten Muchin Rosenman LLP. Imran also previously worked as a corporate lawyer at Freshfields Bruckhaus Deringer LLP in London.

Imran holds a law degree from the University College London, (LLB 2.1), attended the College of Law, Guildford and is a member of the New York State Bar, (1997) and the England & Wales State Bar (1997).

Our Executive Team Cont'd

Razi Almerbati
Chief Executive Officer- GFH Capital Limited, KSA

Razi brings to his role more than 16 years of experience in the banking and finance sector including a significant track-record in Islamic Finance and Advisory.

Previously, Razi served as Head of Investment Development & Distribution for the GCC region at The First Investor in Qatar, a subsidiary of Barwa Bank. Prior to that, he was Regional Director of the Investment Advisory Group of Abu Dhabi Investment House.

He currently holds board memberships in the following companies; Board of Directors of Esterad Investment Company, as well as the Chairman of the Audit & Risk Committee, Board Member of Global Banking Corporation and Board Member of Falcon Cement Company.

Mohamed Khonji
Senior Executive Officer- GFH Capital Limited, UAE

Mr. Khonji is the Senior Executive Officer of GFH Capital Limited (DIFC); Graduate of Harvard Business School Senior Executive Leadership Program, holder of an MBA from University of Hull in the UK, Civil Engineer graduate from University of Bahrain, a Certified Islamic Financial Analyst (CIFA), Securities Market Regulation certificate (Series 79) and an Associated Member of Chartered Wealth Management (CWM) at the International Academy of Finance Management (UAE). He has more than 22 years of experience in the fields of Investment, Relationship Management, Wealth Management, Business Development and Corporate Communications gained during his working period.

He has formerly worked in International Investment Bank, First Energy Bank, Qatar First Bank and Mohamed Salahuddin Consulting Engineering Bureau.

Peter Burdon
CEO- Britus Education

Peter Burdon is the Chief Executive Officer of Britus Education, bringing more than 10 years of in-depth knowledge, experience and skills in the education sector. At the heart of his educational philosophy is a belief that all children can achieve highly with the right opportunities, support and motivation.

He is known as a global expert in international schools. He has a strong track-record in helping improve schools' educational outcomes and achieving operational excellence. His experience spans almost 100 schools across Europe, China, Middle East and South East Asia.

Prior to his role at Britus Education, Peter was the founder of School Improvement Services, a company focusing on working with schools to improve their educational and commercial outcomes, as well as Non-Executive Chairman of High Performance Learning. Prior to this, he worked for the world's two leading schools organisations. Peter was Chief Schools Officer of GEMS Education and spent six years at Nord Anglia Education serving as its Regional Managing Director – Europe and as its Chief Operating Officer.

Before entering education, Peter was CEO of two retail companies in the UK and was with McKinsey & Company for seven years. He holds an MBA from the Australian Graduate School of Management, Sydney and a BSc in Chemical Engineering from the University of Manchester.

Our Executive Team Cont'd

Fatema Kamal
Head of Investment- Britus Education

Fatema Kamal is the Head of Investment at Britus Education and is an Executive Director at GFH Financial Group, leading on the Group's education investments. She has played an instrumental role in the operational transformation of the British School of Bahrain and other education assets in GFH's portfolio.

Fatema has 18 years of working experience and a strong track-record of sourcing, structuring, advising and managing private equity. She has in-depth field experience in the financial sector specialising in investment structuring, strategic and organisational planning, tax structuring oversight, Sharia product structuring, joint venture negotiation, business development and project management.

Prior to joining GFH, Fatema held the position of Senior Executive Director of Investment Baking at Global Banking Corporation BSC. She also worked as an auditor with KPMG Bahrain.

Fatema holds a master's degree with honours in Business Administration from the University of Strathclyde, Glasgow, United Kingdom, and a bachelor's degree in Accounting with honours from the University of Bahrain. Fatema is also a qualified and licensed CPA from The American Institute of Certified Public Accountants, and CIA from The Institute of Internal Auditors.

A talented board of directors who are driven to ensure GFH realises its bold ambitions and inspired vision.

Financial Highlights
A Year of Achievement

GFH is a diversified financial group with activities spanning Investment Management, Real Estate Development, Commercial Banking and Treasury & Proprietary Investments.

We remain one of the most profitable Islamic investment banks in the region and continue on this positive growth trajectory with 2019 witnessing a 17.3% increase in revenues.

The Group enjoys a strong liquidity, capital and assets position, with a 68% growth in liquid assets during the year. Total Assets and Funds Under Management of the Group also grew by 37% in 2019 to $10.0 billion.

With a 6.5% Return on Equity and 46% Cost-to-Income Ratio, GFH delivers value to investors and shareholders whilst ensuring organisational efficiency.

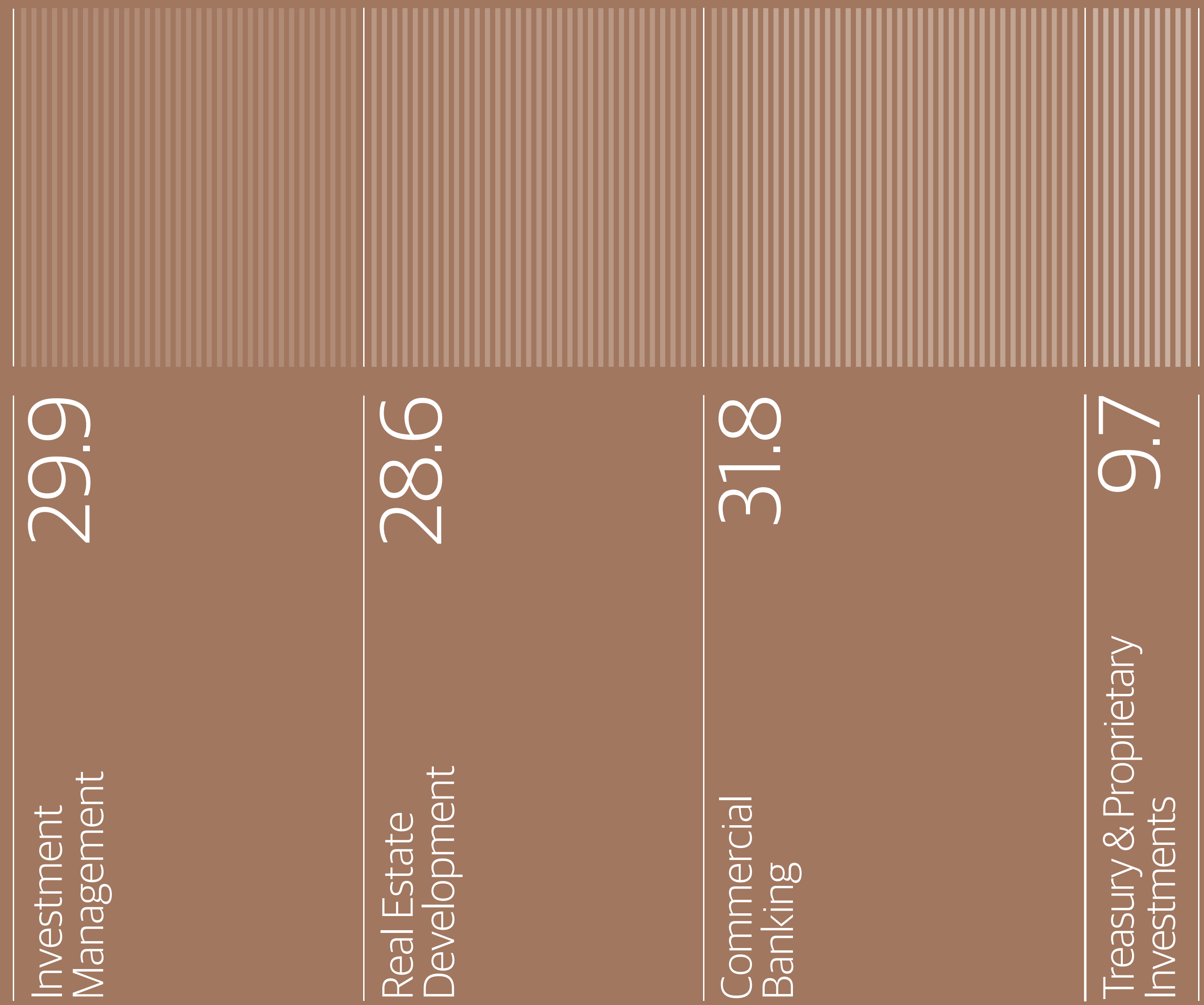
- One of the most profitable Islamic investment banks in the region
- 6.5% levels of Return on Equity
- 37% growth in Total Assets and Funds Under Management to $10.0 billion
- 46% Cost-to-Income Ratio
- $1.9 billion Client Deposits Raised in 2019
- $1.95 billion Strong Treasury Portfolio
- 13.48% Capital Adequacy compared to 12.5% minimum regulatory requirement
- 3.34% proposed Dividend Distribution
- 17.3% growth in Total Income
- Strong Liquidity and robust Capital Position

37%

To US$ 10 Billion

Total Assets and Funds Under Management of the Group grew by 37% in 2019 to $10.0 billion.

Portfolio Composition (%)

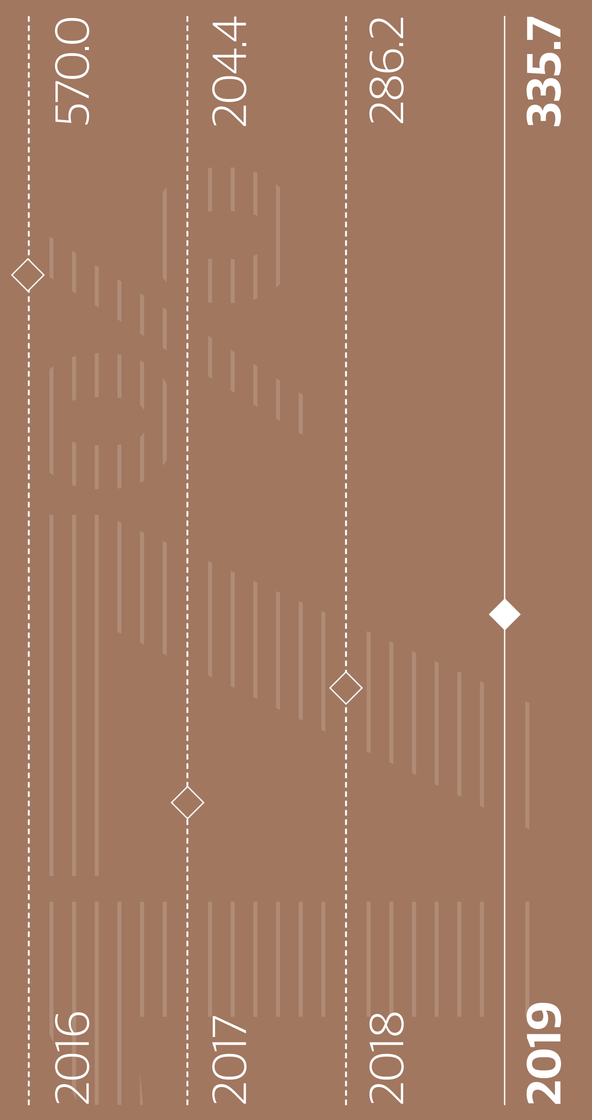


We remain one of the most profitable Islamic investment banks in the region and continue on this positive growth trajectory with 2019 witnessing a 17.3% increase in revenues.

Financial Review

In 2019, the Group made steady and sustained financial and operational improvements that have been instrumental in solidifying trust in GFH and its position as one the foremost financial groups in the region.

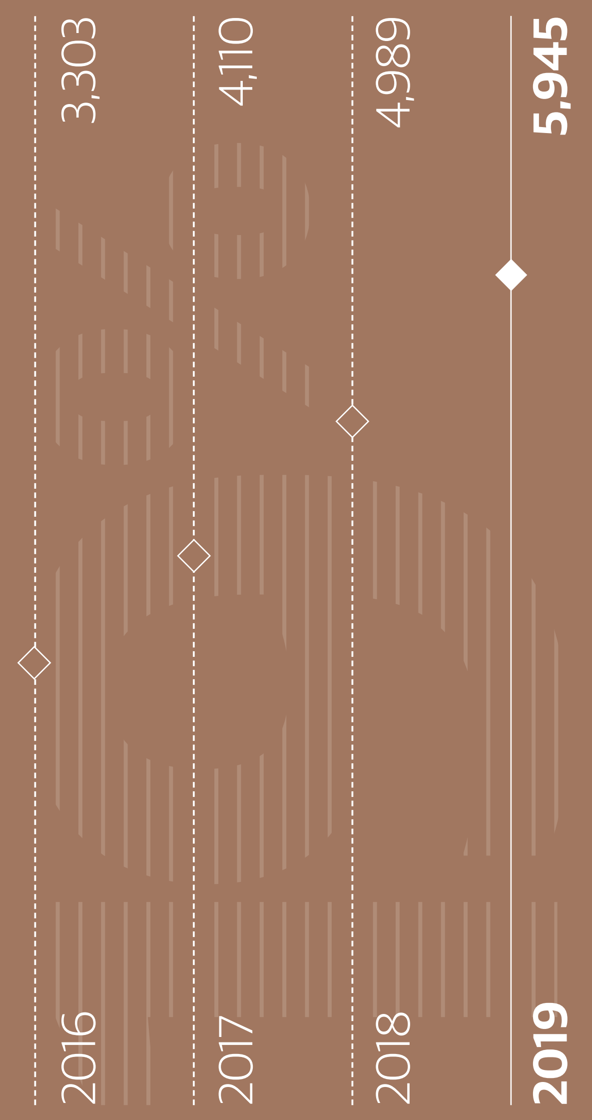
Group Turnover



17%

As of 2019, GFH's total Group Turnover, increased by over 17% to US$ 335.7 million

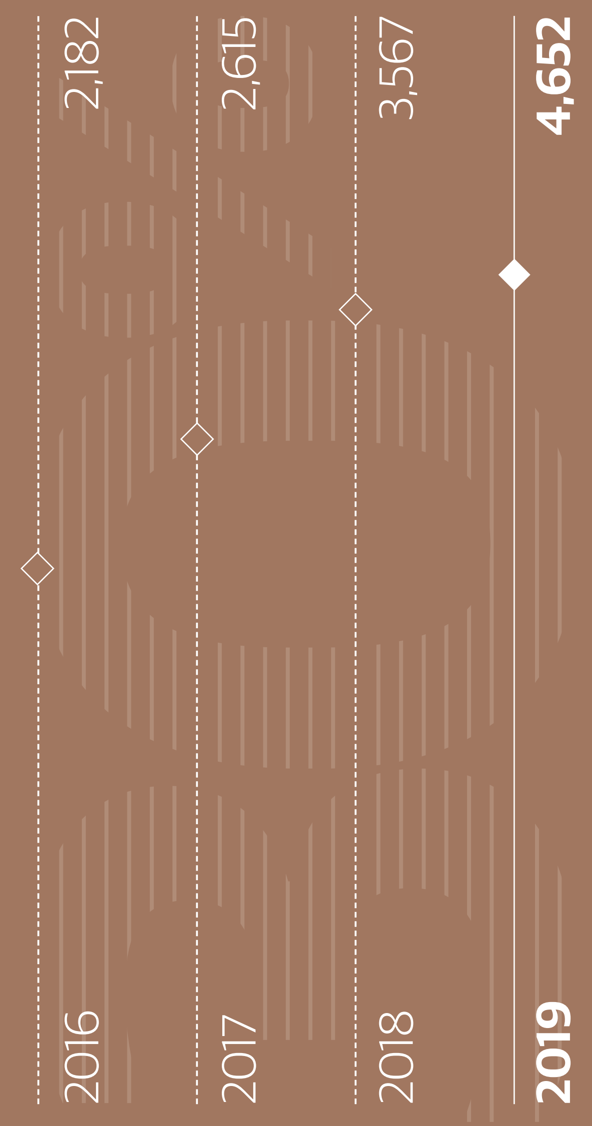
Group Assets



19%

As of 2019, GFH's total Group Assets, increased by over 21% to US$ 4,989 million

Group Liabilities



30%

As of 2019, GFH's total Group Liabilities, increased by over 36% to Total liabilities, US$ 3,567 million (Including subsidiary liabilities)

Our Chairman's Report
Performance & Progress

Jassim Alseddiqi
Chairman

Dear Shareholders,

On behalf of the Board of Directors of GFH Financial Group ('GFH'), I am pleased to present the Group's financial results for the fiscal year ended 31 December 2019. 2019 not only marked another period of profitability and strong performance across the Group, but it also marked GFH Financial Group's 20th anniversary.

Over the past 20 years, the Group underwent a tremendous transformation that was underpinned by a strategy of dynamic diversification and pursuit of value creation. We established strong revenue-generating business lines which now encompass Investment Management, Commercial Banking, Real Estate Development and Treasury & Proprietary Investments. We also maximised the potential for value creation by tapping into a range of asset classes, sectors and markets – pursuing opportunities both in our home markets in the GCC as well as the wider MENA region, India, Europe and the US. For example, we started the process of launching operations in the Kingdom of Saudi Arabia, and established dedicated education investment platforms with a regional reach.

Consequently, 2019 represented the fifth consecutive year that the Group has made gains on its financial position. In addition, the achievements of the Group and its subsidiaries in 2019 solidified the Group's position as one of the leading financial groups in the region and reinforced trust in its ability to deliver on investor and shareholder expectations – in spite of challenging market conditions that have affected both MENA and global markets alike.

The Group's total consolidated revenue was US$335.69 million compared with US$286.17 million in 2018, reflecting a healthy year-on-year increase of 17.3%. This growth is the outcome of the continued success of the Group's business lines, in addition to its focus on investments and activities that support steady income generation. Revenue increase was particularly aided by the strong performance of our investment management, real estate and treasury activities. Importantly, and as a result of these activities, we were able to deliver on our objective of achieving profitable exits, which for the year amounted to US$100 million.

The successful execution of the Group's strategy was made possible by the expertise of our talented team, whose ability to identify new income-yielding opportunities and to build on and extract value from existing assets has generated substantial returns and strong results for 2019. For the year, the Group reported consolidated Net Profit of US$67.19 million as compared with US$115.05 million from the previous year, a decrease of 41.6%, and a Net Profit Attributable to Shareholders of US$80.11 million compared with US$114.08 million for the previous year, a decrease of 29.8%.

The Group's Total Assets for the year grew from US$4.99 billion in 2018 to US$5.95 billion in 2019. The Group's total Assets plus Fund Under Management (AUM) increased from US$8.5billion to US$10 billion in 2019.The Group also ended the year with a Capital Adequacy Ratio of 13.96% and Return on Equity (ROE) ratio of 7.8%, confirming our sustained positive financial performance. The year also saw notable improvements to GFH's liquidity position, wherein the Group raised more than US$2 billion in the face of challenging market conditions which paves the way for continued growth and investment. The Group was also able to once again achieve enhancements to its balance sheet in 2019, in addition to optimising its liability profile.

The outcomes of our efforts towards realising our strategy have strengthened market confidence in the Group, whose ratings were affirmed by a number of international rating agencies such as Fitch Ratings, who maintained the Group's "B" rating with a stable outlook. Their rating took into account the Group's management's aim to reshape GFH's business model towards a greater focus on revenue generation, lower-risk investments, and shareholders' support. In addition, taking into consideration the Group's strong profitability and increased liquidity, both Capital Intelligence Ratings and Islamic International Rating Agency affirmed GFH's rating at 'BB' with a Stable outlook. Towards year-end, S&P Global Ratings also initiated coverage of GFH, assigning the Group a 'B' long-term issuer credit rating with a stable outlook.

The continuation of our financial performance and growth, combined with our dividend policy, enabled the Board to recommend cash dividend for our shareholders.

Additional Board recommendations were discussed and raised as part of the Group's Ordinary General Meeting (OGM) which successfully concluded in December 2019 with several key approvals received from shareholders. One of these approvals included approval on the Board's

Operational Review
P.68

335 Mil

The Group's total consolidated revenue was US$335.69 million compared with US$286.17 million in 2018, reflecting a healthy year-on-year increase of 17.3%. This growth is the outcome of the continued success of the Group's business lines, in addition to its focus on investments and activities that support steady income generation.

The successful execution of the Group's strategy was made possible by the expertise of our talented team, whose ability to identify new income-yielding opportunities and to build on and extract value from existing assets has generated substantial returns and strong results for 2019.

Our Chairman's Report Cont'd

recommendation to take required steps to issue Sukuk amounting up to US$500 million in one or more issuances. Another notable approval is the appointment of a market maker, and the utilisation of up to 3% of GFH's total issued shares for market making, for the financial year 2019 and until the upcoming AGM for the year ending 31st December 2022. Shareholders also approved the utilisation of 140,000,000 shares, representing 3.8% of total issued shares of GFH, for the purpose of a strategic share acquisition in financial institutions, subject to Central Bank of Bahrain approval.

2019 served as a successful conclusion to the Group's first two decades of operations, and laid the groundwork to usher in a promising 2020 and another twenty years of delivering distinction and succeeding through our people. Not only the people that power GFH through their dedication, resilience and expertise in the face of challenging market conditions, but also our partners, investors and shareholders whose trust and cooperation has enabled our continued progress.

I would like to thank GFH's management team and our staff for their persisting outstanding performance this year, which allowed us to continue to find new ways to create value for our investors and shareholders. I would also like to extend our deepest appreciation to our shareholders and investors for their continued trust and confidence in GFH, our strategy and our ability to meet their expectations. We would also like to extend the utmost gratitude and appreciation for the continued support and guidance of the Central Bank of Bahrain, the Government of the Kingdom of Bahrain and its visionary leadership: His Majesty King Hamad Bin Isa Al Khalifa; His Royal Highness Prince Khalifa Bin Salman Al Khalifa, the Prime Minister; and His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince and Deputy Supreme Commander of Bahrain Defence Force and First Deputy Prime Minister.

With twenty years now behind us and 2019 coming to a successful close, we are confident in our ability to mark another year of persistent progress and continued diversification and look forward to sharing with you developments on our progress, activities and successes over the year to come.

Sincerely,

Jassim Alseddiqi
Chairman

2 Bil

The year also saw notable improvements to GFH's liquidity position, wherein the Group raised more than US$2 billion in the face of challenging market conditions which paves the way for continued growth and investment.

Message from Group CEO

Hisham Alrayes
Group CEO & Board Member

2019 marked the twentieth anniversary of the establishment of Gulf Finance House, an investment bank whose ambitions created innovative investments and landmark developments. Over time, Gulf Finance House's mission to deliver on investor and shareholder expectations paved the way for its evolution into GFH Financial Group – now regarded as one of the region's leading financial groups.

As we step into 2020, I'm excited to see how the momentum we have built over the past 20 years will move us forward towards even further success for GFH, its shareholders and clients. Our business lines – Investment Management, Real Estate Development, Commercial Banking and Treasury & Proprietary Investments – have allowed us to diversify and multiply value-creation opportunities. Our geographic reach has expanded to encompass GCC, MENA, Asia, Europe and the US markets. Not only have our markets increased, but so have the sectors in which we invest – further strengthening our potential to deliver on and exceed investor and shareholder expectations.

2019 played a significant role in realising the expansion of the geographies and industries in which GFH is active and the continuation of our solid financial performance. In 2019, we were able to further demonstrate our strong fund raising capability with US$2 billion in investments and money markets - marking a 100% increase from 2018. We have also concluded six transactions for a total deal value of US$557 million across the US and GCC markets. The success in closing these transactions is testament to the continued confidence of the market and our clients in GFH's standing as one of the region's strongest financial groups.

Alhamdulillah we have achieved good growth and results from across our core business lines, which characterised the Group's performance in 2019. Investment banking income for the year has witnessed a substantial increase, more than doubling as a result of our strengthened focus and success in identifying and placing unique income-generating investments. Key among these was continued growth of our portfolio of real estate assets in the US market where we have now concluded investments exceeding US$1 billion over the past five years. We were also able to achieve well-timed and profitable exits.

Similarly, we also saw significantly improved contributions from our real estate activities where we advanced our landmark projects with the launch of sales in a number of our iconic developments. One such project is Harbour Heights, where units were sold to regional and international investors. Although our real estate activities positively contributed towards our profitability in 2019, we have been actively turning real estate into key contributors over the past year through the partial sale of the Al Areen Palace & Spa to world-renowned Raffles Hotels & Resorts brand, partial sale of The Harbour Row, and partial sale of apartments in the Harbour Heights towers. We are also undertaking key sales transactions in The Harbour Row and Harbour Heights, launching healthcare and hospitality projects, and monetising infrastructure projects through ongoing development and joint ventures.

As for our treasury line, it exceeded expectations and played a significant role in supporting income growth and further expanding our business lines. Our Treasury team's efforts in 2019 laid the groundwork for the successful US$300mn Five-Year Sukuk in January 2020, which marked the Group's entry into the international debt market. The Sukuk serves as a stamp of confidence in the Group from regional and global markets alike, with 47% of issuance allocated to international investors. These constitute three key areas of our business that we will be working to further diversify and grow in 2020.

2019 also witnessed the expansion of our platforms with the launch of Britus Education, an education platform through which we will continue to grow our position as a leading regional and international investor in this promising defensive sector. Furthermore, in 2019, we built on our established presence in the Saudi market by paving the way for the launch of full-time operations within the Kingdom. With offices set to launch in 2020, our enhanced presence in Saudi has us poised to accelerate the growth of our investments and activities.

Operationally, 2019 saw the continuation of our commitment towards ensuring our activities were in alignment with the regulations set forth by the relevant official bodies within the financial markets we operate – be it in Dubai, Kuwait or Bahrain. Following a mandate by the Central Bank of Bahrain for banks in Bahrain to disclose Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), we have ensured the public disclosure of these ratios in compliance with the regulatory requirements. Abiding by this also speaks to our commitment towards retaining our banking license, and continuing to offer our services accordingly.

2019 served as a powerful close to the first twenty years of the GFH Financial Group's operations. Our first twenty years allowed us to solidify our position as a pioneering financial group whose operational agility and diversified offerings allowed us to continue to deliver value to our clients and shareholders. With the continued trust of our shareholders and investors, the ongoing collaboration with our partners, and the persistent dedication of our team, I am excited to see what we will continue to achieve in the years to come.

20 Years

Our first twenty years allowed us to solidify our position as a pioneering financial group whose operational agility and diversified offerings allowed us to continue to deliver value to our clients and shareholders.

2019 played a significant role in realising the expansion of the geographies and industries in which GFH is active and the continuation of our solid financial performance.

GFH Business Activities
Finding strength in diversity

GFH is a dynamic financial group with a clear vision to develop a high-growth, diversified investment and commercial portfolio. GFH actively seeks unique opportunities to grow the value and potential of its investments. To achieve industry leading performance, GFH's business lines cover key aspects of the financial services value chain; from high-end financial products and investments, to high-street commercial banking operations. Following are the details of GFH's business activities:

Investment Management

The Group's core offerings are centered on its wealth management capabilities. The Group seeks to create portfolio growth for its clients by first understanding the specific risk profile that best meets the aspirations of the investor.

With a valued client base of loyal high net-worth individuals and institutional investors, GFH is one of the recognised leaders in the region for fundraising and Sharia-compliant investment offerings. GFH's pioneering and innovative approach to market opportunities and tailored Islamic compliant financial solutions is unique and difficult to replicate, enabling it to successfully place, originate, structure and participate in opportunities in several growing sectors, including Islamic finance, infrastructure, energy, industrial assets and real estate.

a. Private Equity

The Private Equity ("PE") team focuses on our investment philosophy of "Resilience with Growth", identifying and managing opportunities that are growing and profitable. The PE team works with the management team of investee companies to implement their business plans and maximise investors' returns. The aim is always to find defensive, resilient investments which have the opportunity to provide long-term value enhancement for our investors. The assets managed by the PE Team include:

- Britus Education Holdings
- AMA International University, Bahrain
- Falcon Cement Company, Bahrain
- Bahrain Aluminium Extrusion Company, Bahrain
- The Entertainer, Dubai
- Marshal FinTech, Dubai

b. Real Estate Investment

The real estate investment team focuses on opportunities in strong, defensive sectors in pursuit of solid income-yielding investments, as well as on managing post-acquisition of assets in the target markets of the GCC, Europe and the United States. As part of the team's strategy of dynamic diversification, the objective is to structure leveraged real estate investments that generate strong levered cash on cash returns, allowing us to deliver value and attractive distributions to our investors while mitigating risk. Diversification is achieved in multiple forms ranging from sub-markets, asset types as well as underlying demand drivers of each asset such as diversified tenant base, demographic factors and local economies across a full spectrum of real estate asset classes in strong markets. The assets managed by the Asset Management Team currently include:

- Two US Industrial Portfolios, US
- Event Mall, Jeddah, KSA
- US Data Centers Portfolio
- Diversified US Office Portfolio, US
- Trophy Suburban Chicago Office Asset, US
- Westside Office Asset, UK
- Diversified US Senior Healthcare Portfolio, US
- US Tech Offices Portfolio, US

Real Estate Development

The Group is targeting expanding its operations and income from the existing and potential infrastructure developments and leisure designated plots and developing and managing income-generating hospitality assets in the GCC region, North Africa and Asia.

a. GFH Infrastructure Development & Hospitality:

The Group had historically successfully launched several key infrastructure projects across the MENASA region, with a total estimated development value exceeding US$ 20 billion. GFH takes a unique view in the investment world when approaching these large-scale economic infrastructure projects and this has played an instrumental role in encouraging a paradigm change in the economic landscape of the GCC, North Africa and Asia. The GFH approach focuses on delving into the details of an investment, following due diligence, conceptualising the project, securing land and injecting cash into the project to start the rolling. Some of these projects are coordinated in partnership with various governments and aim to contribute positively to the socio-economic development of countries hosting the Group's initiatives.

To name a few of the region's leading Real Estate Development projects initiated by GFH in the MENA and Asian regions include:

- Royal Parks Marrakech
- Energy City Qatar
- GFH Mumbai Economic Development Zone
- Energy City Libya
- Tunis Financial Harbour
- Bahrain Financial Harbour

b. GFH Properties:

Through GFH Properties, the Group sought the development of its existing rich land bank to further stimulate value creation and generate healthy returns from its real estate portfolio. GFH Properties aims to utilise this land bank to develop a high growth, diversified real estate investment and development portfolio. In support of this strategy, GFH Properties actively seeks unique opportunities to create landmark projects through infrastructure development, project & facility management, project advisory, managing and developing income-generating portfolios, and other specialised services. GFH Properties is building on the Group's legacy and presence in the real estate market with the launch of the below projects:

- The Harbour Row, Bahrain
- California Village, Dubai

GFH Properties has also recently taken over the management of the Harbour Heights towers following the GFH Financial Group's acquisition of majority ownership in the holding company of the project and funding completion of Phase 1. GFH Properties is also enhancing and expanding the Group's current hospitality offerings, working alongside internationally renowned Operators and reaching out to millions of members around the globe.

Commercial Banking

Khaleeji Commercial Bank BSC (KHCB) represents the Commercial Banking arm of the GFH Financial Group. KHCB is headquartered in the Kingdom of Bahrain and operates under a Retail Islamic Banking license granted by the Central Bank of Bahrain (CBB). KHCB was established in 2004 by GFH, and it is a Public Bahraini Shareholding Company listed on the Bahrain Bourse. KHCB offers a range of innovative and high-quality products and services to retail clients, high net-worth individuals, corporate entities, and financial institutions. These include retail banking, corporate banking, wealth management, structured investment products and project financing facilities. GFH currently owns 55.41% of KHCB.

Treasury & Proprietary Investments

The Treasury & Proprietary Investment teams are responsible for our liquidity management operations, including our fundraising and investment activities, with the aim of ensuring the Bank has optimal liquidity and maximising profits which result in value to our shareholders. Our proprietary investments consist of a portfolio of various assets across financial services, education, leisure and hospitality.

The Treasury team is responsible for managing the Group's liquidity with the aim of ensuring sufficient liquidity to meet its liabilities, offering money market instruments and services at attractive rates, and investing the Group's liquidity in various liquid instruments. Our Treasury activities have been growing since the start of 2019, with treasury now accounting for 24.1% of the Group's total income with a portfolio of approximately US$ 2 billion. As we have entered 2020, it has become an important milestone in GFH history as we have successfully entered the international debt capital markets with the successful pricing of a landmark US$300 million 5-Year Sukuk, for which the order books was oversubscribed 2.5x with a book size exceeding US$ 750 million.

The Proprietary Investments comprise of the Group's strategic and co-investment exposure, including non-banking subsidiaries and equity – accounted investees where the Group has significant influence. Our proprietary investment portfolio consists of various assets across the real estate, investment management and hospitality sectors, which offer diversified value creation opportunities for GFH.

2 Bil

Our Treasury activities have been growing since the start of 2019, with treasury now accounting for 24.1% of the Group's total income with a portfolio of approximately US$ 2 billion.

With a valued client base of loyal high net-worth individuals and institutional investors, GFH is one of the recognised leaders in the region for fundraising and Sharia-compliant investment offerings.

Management Review of Operations

Banking Activities
Investment Management:
Continuing the trend we have experienced over the past few years, 2019 marked yet another successful year for GFH. Overall, we deployed capital in some of the trophy real estate assets in the US and carefully selected private debt and equity deals in the education and technology sector. GFH continued to diversify its portfolio and deliver attractive returns to its investors and shareholders.

Private Equity
2019 marked another successful year for GFH's private equity investments. In spite of heightened geopolitical tensions and macro-economic headwinds to contend with, the Group personified its investment philosophy of "Resilience through Growth" by taking great strides in the education and technology sectors.

There were some exciting developments in our portfolio.

Building on our successful track-record in the education sector, we took a step forward in 2019 by establishing Britus Education, a value-adding education platform that offers our investors a unique opportunity to co-invest alongside GFH. Britus is a US$ 200+ million education platform with a primary objective of acquiring and operating mid-market K-12 private schools. As of date, there are currently ten schools being managed by Britus Education in addition to a strong pipeline, with some schools expected to be onboarded during 2020. Britus Education aims to become a leading education platform in the region, creating a positive impact in the MENA education sector and delivering higher returns to its investors.

Technology investments continue to be a cornerstone of the Group's investment strategy. Further to the launch of our first technology deal in 2018 with the acquisition of a majority stake in the Entertainer, GFH acquired a controlling stake in Marshal in November 2019. Marshal is a leading pan-MENA FinTech company that is currently serving 16 countries. It is also the largest and oldest enabler of payment technology in the Middle East. In the UAE, Marshal holds c. 80% of the market share while holding a majority in other markets.

With an overall slowdown in the construction and related sectors, our industrial portfolio remained steady. In May 2019, we exited a JV with Technal that was entered into by our portfolio company, Balexco. The exit was done at a 100% enterprise valuation of 70 million euros. The exit gave an attractive return to our investors. Other existing deals across our private equity portfolio have also kept performing during 2019. Though the geographic focus of the Group's private equity investments in 2019 remained primarily on the MENA region, the firm has started exploring deals in the UK and the US. In addition to expanding its presence in international markets, the Group will continue to focus on growth opportunities in resilient sectors in line with its strategy.

Real Estate Investment:
Real estate market fundamentals driven by economic, job and income growth in the US remain very healthy; building on the attractive dynamics of the US real estate sector. GFH successfully concluded the acquisition of two large real estate Portfolios in the US at a combined deal size of approximately US$ 300 million, illustrating continued expansion of our international portfolio.

In line with the Group's strategy of dynamic diversification and pursuit of solid income yielding investments, GFH also capitalised on the growth trend of the ageing population in the US by acquiring a US$ 180+ million Portfolio in May 2019. The portfolio consists of six income-yielding senior healthcare properties located across three major markets: Washington, California and Michigan. The portfolio is operated by three best-in-class senior living operators and is managed by Madison Marquette, a leading private real estate investment manager, service provider, developer and operator headquartered in Washington, DC. The portfolio was acquired at a 93% occupancy level and generates strong, in-place, stabilised cash flows as well as healthy operating margins. These factors, we believe, along with the key demographic trend depicting an ageing population, will allow us to deliver value and attractive distributions to our investors.

In August 2019, GFH took full advantage of the solid office market growth in the US by acquiring a US$ 100+ million US Tech Offices Portfolio comprising five income-yielding office properties located at Research Triangle Park in North Carolina, a vibrant growing region of the US. The portfolio was acquired at a 96% occupancy level and features an 18-acre land parcel capable of accommodating up to 270,000 square feet of additional development. GFH has partnered with Global Mutual Real Estate, a fully integrated property investment and management platform. The US Tech Offices Portfolio is well positioned to deliver robust, in-place, stabilised cash flows driven by a solid roster of several credit rated tenants and benefits from unparalleled proximity to the primary economic drivers in the Triangle region.

In early 2020, GFH invested approximately US$ 250 million in the US hospitality sector, with the acquisition of a Diversified US Hospitality Portfolio. The portfolio is comprised of twelve premium branded select service hotels spread across three US states, with each hotel falling under either of the renowned Hilton and Marriott brands. The properties, spread across three US states on the East and West Coasts, offer 1,300 keys in total. The select service sector has shown strong resilience to economic shocks over the years and has become an increasingly attractive segment of the hospitality market..

Other existing deals in our international portfolio continued to successfully deliver required cash-on-cash returns for our investors. In line with GFH's international real estate investment strategy, we maintain a focus on strong, defensive sectors and attractive cash yields for further growth in 2020. We remain confident in our approach to deploy capital into the US, European and UK real estate markets.

Commercial Banking:
Our commercial banking arm, Khaleeji Commercial Bank (KHCB), has also recorded notable success in 2019 and a positive financial performance. For the year, KHCB's total assets have grown to BD 939.8 million, marking a 10.4% growth from 2018 wherein total assets stood at BD 850.9 million. KHCB also recorded a 31.1% growth in its Customer Deposits in 2019, totalling BD 704.6 million in comparison to BD 537.3 million in 2018. It is also worth noting the marked growth in KHCB's liquid assets, which now comprise 38.8% of Total Assets. A solid Liquidity Coverage Ratio of 733.93% and Net Stable Funding Ratio of 108.5% have enabled KHCB to invest liquidity in prominent high-yield, low-risk Sukuks – leading to a 20.9% growth in its Sukuk portfolio, with its total value reaching BD 195.1 million in 2019.

Meanwhile, KHCB also reported a net loss attributable to the shareholders of the parent BD 14.9 million. KHCB's Board took a conservative approach to enhance KHCB's financial positioning and support its growth in 2020 by making the decision to take an amount of BD 22.4 million as provisions and fair value losses for the year ended 31 December 2019.

Looking forward toward 2020, KHCB will be focusing on adopting significant expansionary initiatives which will support its plans to continue improving its financing portfolio.

200 Mil

Building on our successful track record in the education sector, we took a step forward in 2019 by establishing Britus Education, a value-adding education platform that offers our investors a unique opportunity to co-invest alongside GFH. Britus is a US$ 200+ million education platform with a primary objective of acquiring and operating midmarket K-12 private schools.

2019 marked another successful year for GFH's private equity investments. In spite of heightened geopolitical tensions and macroeconomic headwinds to contend with, the Group personified its investment philosophy of "Resilience through Growth" by taking great strides in the education and technology sectors.

Management Review Cont'd

Real Estate Development:
Project Progress:
India Projects - Mumbai Economic Development Zone
India Projects are an integrated community comprised of approximately 1,200 acres of land size in two development components located at Navi Mumbai, India. Navi Mumbai has been developed as a planned satellite city situated on the mainland across the harbour. Navi Mumbai is one of the largest planned cities with infrastructure investment.

GFH has entered into Joint Venture arrangements with the large developers to jointly develop both components of the Project.

Wadhwa Group (Wadhwa Wise City)
Wadhwa Group is one of Mumbai's leading real estate companies. It has been described as instrumental in building world-class structures. It is currently developing residential and commercial projects spread across 15 million square feet.

The Wadhwa Group has successfully inaugurated the first Integrated Township Project in NAINA (Navi Mumbai Airport Influence Notified Area) at Panvel under the name of Wadhwa Wise City ("Wise City"). The Wise City is qualified for the Pradhan Mantri Awas Yojana (PMAY) (Urban) Scheme and has opened phase one with up to 5,500 affordable residential components. The City has received strong market response and demand with more than 1,750 units sold. Furthermore, Wadhwa Group has launched Magnolia Villas (phase 2) which has received strong expression of interest. Most customers were first-time home buyers and the project is expected to make Panvel the most sought-after region for affordable housing. Wise City will offer a unique proposition of efficient Studios and one and two-bedroom apartments that will be constructed in various phases. With this launch, an affordable housing stock will be made available at the Wise City. The project has considered all amenities required for common citizens and the township will be wiser and smarter. Hence, more developers will come to this belt. According to recent studies, there is a huge need for affordable housing across metro cities in India where we see a large influx of people coming in search of jobs and a better livelihood.

Adani Group (Megacity)
Adani Group is one of India's leading business houses with revenue over $10 billion. It has grown to become a global integrated infrastructure player with businesses in key industry verticals - resources, logistics, energy and agro. Adani Power Ltd is the largest private thermal power producer in India. Adani Realty is the youngest arm of India's top infrastructure and development conglomerate - Adani Group. Megacity consists of residential, entertainment, hospitality, institutional, retail, sports, logistics, adventure park, studios, light industries, eco resorts, farmhouses, etc.

Adani Group expects the pilot phase of Megacity (Project Nere) to launch during Q3 2020. Project Nere will target affordable housing initially. Other phases within the Megacity project are expected to launch during Q1 2021 in a phased approach, with Megacity master plan approvals to be finalised during Q2-Q3 2020).

The Harbour Row
Aiming to provide a global destination that combines the best of business and leisure, The Harbour Row provides world-class residences for people with the desire to live an urban lifestyle. With design influences from New York to Dubai, the vision behind the creation of The Harbour Row has always been to create one of the world's greatest waterside developments. Mixing superlative residential and retail components, The Harbour Row is positioned in Bahrain's most exclusive waterside address. The Harbour Row nestles directly in front of the centrally-located Bahrain Financial Harbour, a short distance away from Bahrain's main business and entertainment centers. The Harbour Row project has six distinctive buildings, including two hotels, across its West Wing and East Wing.

With two new international hotels incorporated, H Hotel Bahrain and Mama Shelter, The Harbour Row has reached another milestone in its progress towards becoming a new world-class hospitality and lifestyle destination in Bahrain. H Hotel and Mama Shelter's openings are scheduled for the end of 2020.

The Harbour Row's luxury apartments are scheduled for handover to unit owners by the first quarter of 2020, with later phases being completed and handed over later in the year. The value of the project is US$ 150mn.

Harbour Heights
Harbour Heights is Bahrain's most advanced mixed used residential, medical, retail, hospitality and leisure complex spread over 35,900 sqm at the heart of Bahrain Financial Harbour featuring a total built-up area of more than 137,000 sqm. A district of luxury, uniqueness and distinctiveness that will bring a new waterfront lifestyle experience to the Kingdom.

Harbour Heights includes five main elements, namely The Three Twisting Towers, Lifestyle Apartments, Terraced Villas, Terraced Podium and Sky Villas. Featuring the most sophisticated engineering and architectural designs, Harbour Heights consist of one to five-bedroom apartments. Key facilities include a super penthouse, health club and spa, swimming pools, manicured gardens and several recreational amenities. Harbour Heights will complement the Riviera lifestyle it aspires to offer its residents and visitors by offering an elite shopping and dining experience combined with global hospitality brands and a specialised health center.

Having secured all the certifications from various government agencies for completion, the process of handing over 150 one to three-bedroom units has begun to local, regional and international buyers. The exterior façade is set to be finished by the end of 2020. The value of the project is US$ 700mn.

Al Areen
Al Areen Development is a substantial mixed-use development project located in the southern region of the Kingdom of Bahrain. The development offers a whole new town over 2 million sqm of land which can accommodate up to approximately 25,000 people. The development as a whole is made up of 14 major clusters which include commercial offices, retail units, a shopping mall, The Lost Paradise of Dilmun waterpark, a number of restaurants and hotels, leisure and entertainment centers, health facilities and a range of residential accommodations.

Al Areen masterplan infrastructure works are complete. Raffles Hotel & Resorts has taken over the Al Areen Palace & Spa and the first phase of the renovation is expected to be completed by 2020. The current value of Al Areen Palace & Spa is US$ 143mn.

California Village, Dubailand
California Village is located at Dubailand, forecasted to be one of the major growth corridors in Dubai. It is strategically located to the South of Mohammed Bin Rashid City. The project is in close proximity to the Mall of Arabia and the IMG Worlds of Adventure Theme Park. The project is creating a new residential community that is attractive, vibrant, healthy, and provides a highly desirable living experience. The project features modern facilities with a full range of services and amenities within a pedestrian oriented environment that is focused on interaction and usability for the construction.

It is worth noting that California Village is at the verge of Phase 1 completion with villas, infrastructure, road networks alongside the landscaping for the project, while Phase 2 will see the continuation of high-end mixed-use development of apartments and a gated villa community, facilities and other amenities with more than 200 private villas and 450 branded residence.

Tunis Bay
In North Africa, the Tunis Bay project continues to progress with the new phased approach.

Work continued as scheduled on the golf course and three sample villas are ready while construction is ongoing for 127 villas. This is in addition to the commencement of infrastructure works for Phases 1 and 2 executed by a renowned contractor. Currently the Group is working on commencing key landmark projects which include a school, a resort marina hotel and a healthcare clinic. An NDA has been executed with all relevant parties having vast experience in the respective field.

Morocco Project
The 'Gateway to Morocco' project similarity continues to progress in strategic execution, where positive feedback was received from the governmental bodies to commence works on site and assurances are in place towards the finalisation of the investment agreement. This has also allowed us to work towards appointing architects to commence work on ground. With that and once the final building permit approvals are received, we will be able to recommence construction works.

Distributions to Fund Investors
Throughout 2019, GFH delivered distributions and dividend payments to investors in line with the Group's progressive dividend policy. Dividends amounting to US$ 38 million were paid across all our managed investments to our investors.

Debts and Liabilities
The trust that our clients and counterparties have placed in GFH was reinforced in 2019 as the Group was able to raise in excess of US$ 1.9 billion in deposits, which has significantly enhanced our liquidity position. In addition, the Group listed a US$ 300 million Sukuk in Nasdaq Dubai, the region's international exchange, in early 2020. The Sukuk is a landmark achievement for GFH as it marks GFH's entry into the international debt capital markets. The capital raised through the Sukuk will support the expansion of GFH's activities, enhancing the financial position of the Group and funding its next phase of growth.

The five-year Sukuk was oversubscribed 2.5 times with a total book size exceeding US$ 750 million. 53% of the issuance has been allocated to regional investors and 47% to international investors. Fund managers accounted for 61% of the investors and 39% were financial institutions. The overwhelmingly positive response to our Sukuk marks a stamp of confidence from both local and regional markets, demonstrating trust in the Group's strategy and financial performance.

Furthermore, primarily due to the Group's continued efforts in reshaping its business model towards a greater focus on fee-generation and lower risk investments, S&P Global Ratings has initiated coverage and assigned it with a 'B' long-term issuer credit rating with a stable outlook.

Treasury and Capital Markets

In line with GFH's efforts to build on its successful track-record through the diversification of its activities, the recently introduced Treasury & Capital Markets business line played a pivotal role in enhancing the Group's profitability in 2019 and in making it a transformative year for GFH. The department's remarkable impact comes as a result of its ability to attract new investors and revenue streams, while strengthening its foundations and maintaining a strong presence within local and international markets.

In 2019, Treasury & Capital Markets contributed $72.7m to the Group's revenue base, with positive contributions from investments such as interbank lending, fixed income and alternative investments.

Treasury and Capital Markets mainly focuses on:
- Optimising the level of liquidity available by providing the necessary funding to the Group
- Deploying the Group's liquidity while diligently analysing risk and return trade-offs
- Engaging in proprietary book management and trading in regional and international opportunities to capitalise on market volatility

Treasury and Capital Markets' main lines of investment are:
- Interbank Commodities Murabaha and Wakala
- Sukuk
- Alternative Investments

Institutional Financial Services:
- Developing key partnerships with international Financial Institutions to provide the Group with access to a range of products and services across all major asset classes
- Providing professional services to all Financial Institutions engaged in business transactions with the Group

73 | Mil

In 2019, Treasury & Capital Markets contributed $72.7m to the Group's revenue base, with positive contributions from investments.

The corporate governance framework is focused on assisting GFH to successfully meet its strategic objectives and maintain steady growth whilst remaining fully cognisant of our clients' and shareholders' interests.

02

Corporate Governance

Corporate Governance

GFH Financial Group BSC ("GFH" or the "Bank") is an Islamic investment bank that was established in 1999 in the Kingdom of Bahrain. GFH's business activities are carried in accordance with the principles of Islamic Sharia which includes financial services, investment and commercial transactions, negotiable financial instruments, real estate infrastructure, in addition to structured finance, securities and liquidity management designed to achieve profitable returns for investors.

In 2004, GFH Financial Group was converted from a closed shareholding company to a public shareholding company with its shares listed on the Bahrain Bourse, Boursa Kuwait and Dubai Financial Market.

As a Public Shareholding Company, GFH's corporate governance framework is based on the guidelines issued by Ministry of Industry, Commerce and Tourism (MOICT) under the Commercial Companies Law promulgated by Decree No. (21) for the year 2001 ("Companies Law") and the amendments thereto, the regulations of MOICT's Corporate Governance Code of 2018 promulgated by Decree No. (19) for 2018, the High-Level Controls Module ("HC Module") issued by the Central Bank of Bahrain (CBB) under its Rulebook - Volume 2 and the amendments thereto and the Listing Rules approved by the Board of Directors of Bahrain Bourse in its meeting (4/2019) dated 08/10/2019 and the amendments thereto.

GFH's Corporate Governance Philosophy

The corporate governance framework is focused on assisting GFH to successfully meet its strategic objectives and maintain steady growth whilst remaining fully cognisant of our clients' and shareholders' interests.

GFH believes that compliance with corporate governance principles enhances its value through providing a suitable framework for the Board, Board Committees and Management to perform their duties in a manner that serves the interests of the bank and its shareholders. For this reason, GFH strives to achieve the highest levels of transparency and accountability by adopting and executing strategies, goals and policies which are aimed to comply with the regulatory requirements.

The Board of Directors are accountable to shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value. To achieve this, the Board implement and monitors the Bank's strategy and performance, within a framework of sound corporate governance. The Chairman of the Board is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the CEO and maintaining a dialogue with the bank's stakeholders. The control functions such as Internal Audit, Risk Management, and Compliance & MLRO report directly to the Board Audit and Risk Committee.

Compliance with Regulations (High Level Control Module – CBB Rulebook, Volume 2)

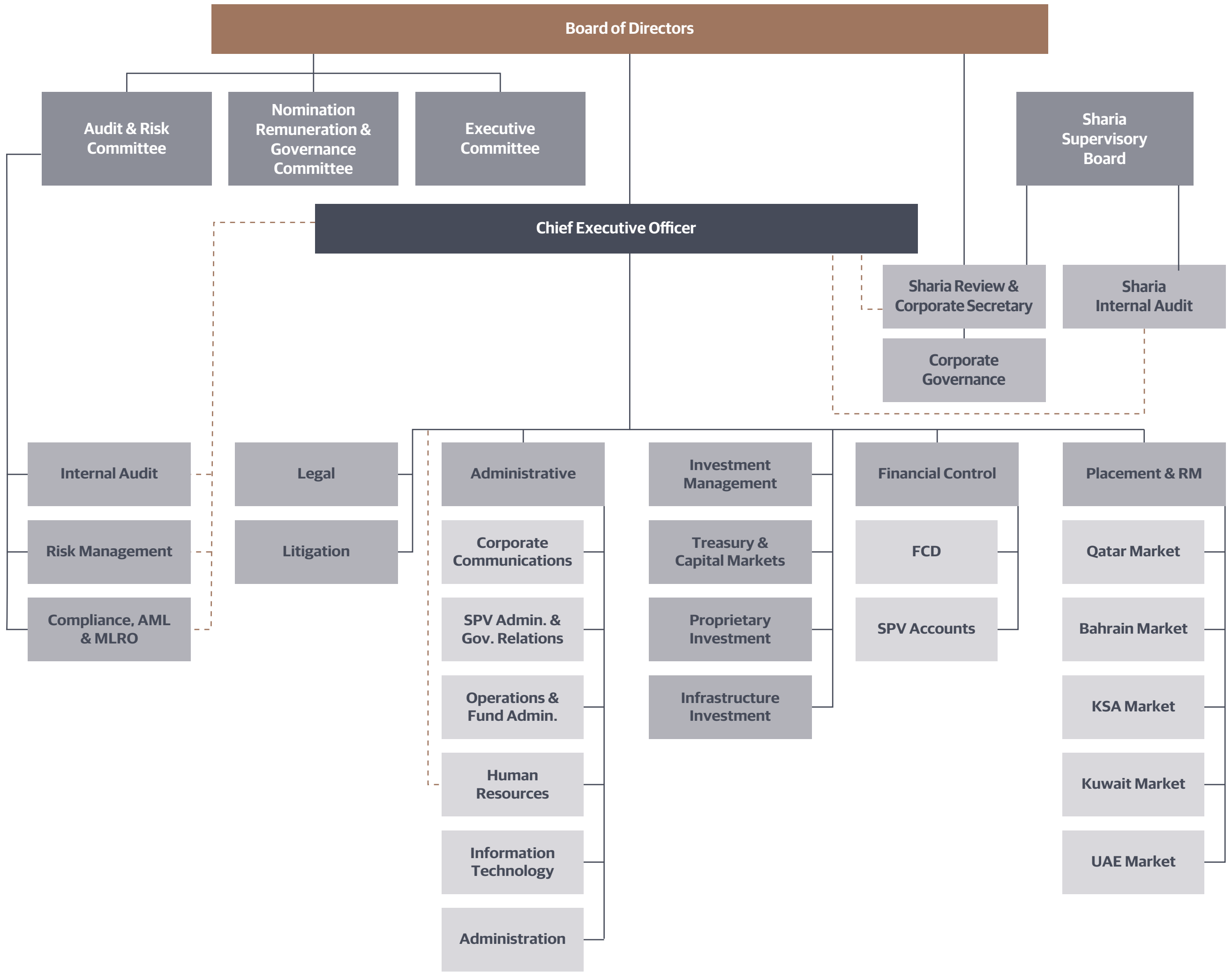
In 2019, GFH continued the implementation of the Corporate Governance rules and the requirements of 'High Level Control Module of the CBB Rulebook Volume 2 (HC Module)'.

As per rule HC-A.1.8 and HC-8.2.1 (c) of the HC Module with reference to the disclosure of the non-compliance events (Comply or Explain Principle), which stipulates the need to elucidate the non-compliance cases and provide clarification on the same in event non-compliance with the rules and guidelines of the HC Module, GFH wishes to clarify the following:

- The Chairman of the Board is an Executive Director, in contrary to rule HC 1.4.8.
- The Risk Committee has been merged with the Audit Committee to form one committee called the 'Audit and Risk Committee (ARC)' because this merger poses no conflict of interest; the arrangement is in line with the rule HC-1.8.5.
- The Nomination Committee, Remuneration Committee and the Corporate Governance Committee have been merged accordingly to form one committee called the 'Nomination, Remuneration & Governance Committee (NRGC)' because the merger poses no conflict of interest; the arrangement is in line with the rule HC-1.8.5.
- The NRGC committee does not include a Sharia Scholar (a member of Sharia Supervisory Board) as required under guidance note HC-9.2.4 (b).
- The Board has considered and approved the above arrangements for the remaining term of the Board.
- One of the Board Member, 'Mr. Mazen Alsaeed' was not able to attend the minimum of 75% of the Board Meetings as per rule HC-1.3.4. Due to some prior commitments and personal reasons, Mr. Alsaeed was not able to attend two out of the five board meetings held during 2019.
- Contrary to guidance note HC-7.2.2 which requires all Board Members to attend the shareholders' meeting, the shareholders' meetings held on 29th December 2019 and 6th April 2020 were attended only by the CEO (also Board Member). The Chairmen of the Board ARC and Board NRGC were unable to attend the meetings due to personal commitments.

Organisational Structure

As of December 2019



**The Management Committee ('MANCOM') currently consists of the following Members: Chief Executive Officer, Chief Investment Management, Chief Administrative Officer, Head of Placement Management, Head of Risk Management, Head of Proprietary Investment and Head of Financial Control.*

GFH's Corporate Governance framework:
GFH's Corporate Governance framework remains in line with the applicable regulatory requirements and is comprised of GFH's Board of Directors' Charter, Code of Conduct for the Directors, Conflict of Interest Policy, Gift Policy, Whistle Blowing Policy, Public Disclosures & Communication Policy, and Code of Business Ethics & Conduct for the Management & staff members.

Furthermore, the Mechanism of Performance Evaluation of Board of Directors, Board Committees and Individual Board members, as well as the other internal policies of the Bank are in line with the regulations and guidelines issued by the CBB and international best practices.

As part of the disclosure requirements indicated in HC Module, GFH presents the following facts:

A. Ownership of shares

A.1. Distribution of shareholdings according to nationality
As at 31st December 2019, the shareholders Register shows that there are 7,480 shareholders who own 3,681,650,441 shares at a nominal value of US$ 0.265 per share, as follows:

Nationality	No. of Shareholders	No. of Shares	% of outstanding shares
Bahraini	588	359,230,508	9.757
Kuwaiti	3,316	443,963,842	12.059
Omani	31	31,951,212	0.868
Qatari	77	44,585,829	1.211
Saudi	272	200,108,080	5.435
Emirati	1,541	2,031,494,999	54.690
Others	1,655	588,315,971	15.980
Total	**7,480**	**3,681,650,441**	**100**

A.2. Distribution of ownership according to the percentage of shareholding
The below table shows the distribution of ownership according to the percentage of shareholding as at 31st December 2019:

Particulars	No. of Shareholders	No. of Shares	% of outstanding shares
Less than 1%	7,464	2,292,177,483	62.26
1% to less than 5%	15*	1,194,480,798	32.44
5% to less than 10%	1	194,992,160	5.30
10% to less than 20%	0	0	0
20% to less than 50%	0	0	0
Total	**7,480**	**3,681,650,441**	**100.00**

**These includes Treasury shares held by GFH 4.43% and the shares held by GFH Employees Benefit Trust 3.62%*

A.3. Names of shareholders who own 5% or more
As of 31st December 2019, the total direct and indirect ownership of 'Abu Dhabi Financial Group (ADFG) and its related entities' were 9.69% (357,032,146 shares) of the total outstanding shares of GFH. While, the total direct and indirect ownership of 'Al Hilal Bank' was 5.30% (194,992,160 shares), of which 184,000,000 (4.99%) shares held by Al Hilal Bank were on behalf of ADFG and Integrated Capital Limited.

B. GFH Board of Directors and the Executive Management

B.1. Formation of the Board of Directors
The Board of GFH is composed of ten (10) members. The current Board of GFH will complete its term in March 2020 (i.e., shareholder meeting for financial year-end 2019).

i. Mr. Jassim Mohammed AlSeddiqi (Executive Director)
ii. Sh. Ahmed Khalifa Salman Al Khalifa (Executive Director)
iii. Mr. Mosabah Saif Al Mutairy (Independent Director)
iv. Mr. Bashar Mohammed Al Mutawa (Independent Director)
v. Mr. Hisham Ahmed Alrayes (Executive Director)
vi. Mr. Mazen Al Saeed (Independent Director)
vii. Mr. Rashid Al Kaabi (Non-Executive Director)
viii. Mr. Ghazi Al Hajeri (Independent Director)
ix. Mr. Mustafa Kheriba (Executive Director)
x. Mr. Amro Al Menhali (Independent Director)

In compliance with the CBB requirements, which mandates atleast one third of the members of the Board of Directors to be Independent Directors; as of 31st December 2019 the Board was comprised of five Independent Directors which includes the Chairman of the Audit and Risk Committee and the Chairman of the Nomination, Remuneration and Governance Committee.

B.2. Separation between the position of Chairman/Deputy Chairman and Chief Executive Officer
In compliance with the CBB requirements, the position of the Chairman/Deputy Chairman and that of the Chief Executive Officer are segregated and there is no amalgamation of responsibilities in these two positions.

B.3. Function of BOD and responsibilities of the Board Members
The Articles of Association of GFH Financial Group stipulate the responsibilities of the Chairman and members of the BOD as well as the guidelines of corporate governance with respect to the distribution of responsibilities between the Board of Directors and executive management. The BOD oversees all the business activities in consultation with the executive management team. The BOD also discusses and agrees GFH Financial Group's business strategy. Additionally, the BOD is responsible for risk management and the preparation of consolidated financial statements in accordance with AAOIFI standards and corporate governance issues. The matters which require the approval of the Board includes long term strategic and annual business plan, matters pertaining to corporate governance, acquisition and disposal of investments, exit of projects. This is along with the main role of the Board which is to ensure adherence to the values of GFH Financial Group, including the values set forth in its internal regulations.

When appointed, Board members are provided with the necessary detailed information to enable them to effectively perform their main role of overseeing the strategic, operational, financial, and compliance affairs as well as corporate governance controls in GFH Financial Group. The corporate governance framework allows a member of the BOD to seek independent advice when necessary.

With respect to the channels of communication between the BOD and executive management, the Board members can contact and request information from the executive management at all times.

B.4. Independence of Board Members
Independent members represent the majority of board members. To ensure independence of members, all Board members are required to inform the Board of Directors about any changes or additions that occur on their positions and executive functions and may affect the assessment of their independence by the BOD. They should also ensure that their membership of the Board of Directors is not in conflict with any of their other interests and enable them to devote time and attention to the BOD. Before starting any Board meeting, the Chairman of the BOD instructs the Board members not to participate in the vote on the resolutions that may involve a conflict of interest; this is in addition to the annual disclosure submitted by the Board members in compliance with the conflict of interest policy.

The Nomination, Remuneration and Governance Committee of the BOD is responsible, along with its role in the identification, assessment and selection of candidates for membership of the Board of Directors, for the verification of the independence of members through the controls established by the regulations in this regard. In the selection process, the Committee ensures that the executive and non-executive candidates have a wide expertise in different fields of business and support services. Independent members are chosen from different sectors to ensure diversity of views and experiences in the BOD, as the current independent members come from financial, commercial and government sectors.

The following table shows the classification of members of the BOD as at 31st December 2019:

Classification of members	No.	% of Representation
Independent	5	50%
Non-Executive	1	10%
Executive	4	40%
Total	**10**	**100%**

B.5. Letter of Appointment of Board Members
Upon appointment, the Board Members are required to sign a written agreement (letter of appointment) with GFH. The agreement contains details of the responsibilities and powers of the member as well as the information required by the regulations. Upon appointment, Board members are presented with a comprehensive official introduction specifically designed for this purpose. It includes, among other things, review of the BOD's role in general and the duties and roles of the Board members in particular, in addition to meeting with the executive management, presentation of GFH's strategy, financial performance, risks and legal issues and other related matters.

During the term of membership, a member of the BOD must be fully aware of all aspects of the business, including the Bank's policies relating to corporate governance.

B.6. The Right of Shareholders to appoint Members of the Board
Under Article 175 of the Bahrain's Commercial Companies Law of 2001 (CCL-2001) and the amendments thereto and Article 27 of GFH's Amended and Restated Articles of Association ('AOA') of the Bank, each shareholder who owns 10% or more of the capital is entitled to appoint his representative in the BOD in proportion to the number of members of the BOD. However, as at 31st December 2019, no single shareholder was holding 10% or more of GFH's total outstanding shares.

B.7. System for Election and Termination of Directors

The system for the election and termination of Directors is governed by Article 176 – 179 of the CCL-2001 and the amendments thereto and Articles 24 - 28 of AOA.

As per the contract signed with the Directors, GFH may terminate the Director's appointment with immediate effect if the Director has:

1) committed any serious or repeated breach or non-observance of his obligations to GFH (which includes an obligation not to breach any fiduciary duties) including those arising under this agreement; or
2) been guilty of any fraud or dishonesty or acted in any manner which, in the opinion of GFH, brings or is likely to bring the Director or GFH into disrepute or is materially adverse to the interests of GFH; or
3) been declared bankrupt or have made an arrangement with or for the benefit of his creditors, or any similar or analogous act or event; or
4) been disqualified from acting as a director for any reason; or
5) been absent without a valid reason for more than four (4) consecutive board meetings; or

Furthermore, in line with the Article 179 of CCL-2001 and Articles 29 and 31 of AOA, in case of vacancy for one or more Board members, the Board shall elect by a secret ballot or otherwise, a substitute amongst certain number of candidates, proposed by at least two Board members until the first General Meeting is held.

B.8. GFH Board Members and their other memberships

The table below shows the composition of the BOD, the other memberships of the Board member and membership of committees as at 31st December 2019:

Name and position of Board member	Date of first appointment in BOD/ Re-appointment	Independent/ Non-Executive/ Executive	Representation	Date of resignation/ Term completed	Number of memberships in other boards of Directors	Number of memberships in other boards of Directors in Bahrain	Number of memberships in other boards of Directors of banks in Bahrain	Number of memberships in Board Committees
Mosabah Saif Al-Mutairy	Mar 2009/ Mar 2017	Independent	NA	NA	7	–	–	2
Bashar Mohammed Al-Mutawa	April 2013/ Mar 2017	Independent	NA	NA	12	11	–	1
Hisham Ahmed AlRayes	April 2016/ Mar 2017	Executive	NA	NA	22	12	1	1
Jassim Mohammed Alseddiqi	April 2016/ Mar 2017	Executive	NA	NA	12	–	1	1
Sh. Ahmed Khalifa Al Khalifa	Mar 2017	Executive	NA	NA	2	–	–	1
Mazen Al Saeed	Mar 2017	Independent	NA	NA	17	1	–	1
Rashid Al Kaabi	Mar 2017	Non-Executive	NA	NA	6	–	–	1
Ghazi Al Hajeri	Mar 2017	Independent	NA	NA	1	–	–	2
Mustafa Kheriba	Mar 2018	Executive	NA	NA	13	1	1	–
Amro Al Menhali	May 2018	Independent	NA	NA	3	–	–	1

**Mr. Mosobah Mutairy's classification was changed from Non-Executive to Independent Directors starting January 2019.*

Note: None of the Independent Director had any financial relationship or dealings with GFH Financial Group, with the exception of the relationship arising from being a member of the Board of Directors.

B.9. Ownership of the Members of the Board in GFH shares

The table below shows the change in the ownership of members of the Board of Directors of the shares of GFH Financial Group, as at 31st December 2019 compared to that of 31st December 2018:

Member's name	Shares owned as at 31st December 2018	Shares owned as at 31st December 2019	Percentage of ownership as at 31st December 2019
Sh. Ahmed Khalifa Al-Khalifa	NIL	NIL	N/A
Mazen Al Saeed	NIL	NIL	N/A
Hisham Ahmed AlRayes	12,507,519	25,279,134	0.6866
Mosabah Saif Al-Mutairy	NIL	NIL	N/A
Jassim Mohammed AlSeddiqi	50,000	52,987	0.0014
Ghazi Al Hajeri	NIL	NIL	N/A
Bashar Mohammed Al-Mutawa	NIL	NIL	N/A
Rashid Al Kaabi	NIL	NIL	N/A
Mustafa Kheriba	NIL	NIL	N/A
Amro Al Menhali	NIL	NIL	N/A
Total	**12,557,519**	**25,332,121**	**0.6880%**

B.10. Directors' and Senior Managers' trading of the Bank's shares and distribution of ownership on an individual basis during the year 2019

Name of Board Member	Total no. of shares held as at 31st Dec 2018	Transactions - within the period 1st Jan - 31st Dec 2019			Total no. of shares held as at 31st Dec 2019	% of ownership
		Bought	Sold	Transfer/ Bonus Share		
Mosabah Saif Al Mutairy	–	–	–	–	–	–
Bashar Mohamed Al Mutawa	–	–	–	–	–	–
Jassim Mohammed AlSeddiqi	50,000	–	–	2,987	52,987	0.00144
Sh. Ahmed Khalifa Al-Khalifa	–	–	–	–	–	–
Mazen Al Saeed	–	–	–	–	–	–
Ghazi Al Hajeri	–	–	–	–	–	–
Mustafa Kheriba	–	–	–	–	–	–
Amro Al Menhali	–	–	–	–	–	–
Rashid Al Kaabi	–	–	–	–	–	–

Name of Management Committee Members	Total no. of shares held as at 31st Dec 2018 (A)	Transactions - within the period 1st Jan - 31st Dec 2019			Total no. of shares held as at 31st Dec 2019 (C) = A + B	% of ownership
		Purchases**	Sold***	Net Position (B)		
Hisham Ahmed Alrayes (Group CEO and Board Member)	12,507,519	12,771,615	0	12,771,615	25,279,134	0.6866
Suryanarayanan Hariharan*	0	367,965	0	367,965	367,965	0.0100
Hammad Younis	732,575	1,883,590	258,780	1,624,810	2,357,385	0.0640
Abesh Chatterjee*	0	245,310	0	245,310	245,310	0.0067
Mohammed Abdulmalik	978,579	1,282,937	570,912	712,025	1,690,604	0.0459
Salah Sharif	146,515	695,621	0	695,621	842,136	0.0229
Salem Patel	1,688,416	1,327,416	0	1,327,416	3,015,832	0.0819
Bahaa Al Marzooq	2,540,094	1,378,295	1,435,674	-57,379	2,482,715	0.0674

** Became member of Management Commiitte ('MANCOM') during the year 2019 only.*

***Purchases includes the shares bought directly from market or/and the shares awarded under Employee Shares Scheme or/and the stock dividend received during the year.*

**** Sold includes the shares sold in the market directly or/and sold or transferred via the Employee Shares Scheme.*

B.11. Meetings of the Board of Director during the year 2019

The meetings of the Board of Directors and the Board committees are held whenever the need arises, but under the regulations, the BOD should meet at least four times during a single fiscal year. The BOD held five (5) meetings during 2019. The shareholders meetings were held on 28th March 2019 and 29th December 2019.

In addition to official meetings, a number of urgent resolutions were also passed by circulation in 2019 through e-mails to Board members.

As for the agenda of the meetings of the BOD, it is sent to the members at a suitable time before the date of the meeting, to provide the members with all the necessary information, reports and documents for their information and review. The BOD is also notified of all the topics and key events that arise and need approvals. The executive management is responsible for informing the BOD on the performance of GFH in each meeting.

Dates of Board meetings held during the fiscal year 2019 are as follows:

i. 11th February 2019
ii. 17th March 2019
iii. 13th May 2019
iv. 8th August 2019
v. 13th November 2019

Date & location of meeting	Names of Directors present	Names of Directors who participated by phone/video link	Names of Directors not present
Date: 11th February 2019 1st Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Sh. Ahmed Khalifa Al Khalifa 2. Mr. Mosabah Saif Al Mutairy 3. Mr. Hisham Alrayes 4. Mr. Mustafa Kheriba	1. Mr. Mazen Al Saeed 2. Mr. Ghazi Al Hajeri 3. Mr. Bashar Al Mutawa 4. Mr. Amro Al Menhali 5. Mr. Rashid Al Kaabi	1. Jassim Mohammed Alseddiqi
Date: 17th March 2019 2nd Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Jassim Mohammed Alseddiqi 2. Mr. Ghazi Al Hajeri 3. Mr. Hisham Alrayes 4. Mr. Bashar Al Mutawa 5. Mr. Mosabah Saif Al Mutairy	1. Mr. Mazen Al Saeed 2. Mr. Amro Al Menhali 3. Mr. Rashid Al Kaabi	1. Sh. Ahmed Khalifa Al Khalifa 2. Mr. Mustafa Kheriba
Date: 13th March 2019 3rd Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Sh. Ahmed Khalifa Al Khalifa 2. Mr. Mazen Al Saeed 3. Mr. Bashar Al Mutawa	1. Jassim Mohammed Alseddiqi 2. Mr. Ghazi Al Hajeri 3. Mr. Mosabah Saif Al Mutairy 4. Mr. Mustafa Kheriba 5. Mr. Amro Al Menhali	1. Mr. Rashid Al Kaabi 2. Mr. Mazen Al Saeed
Date: 8th March 2019 4th Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Mr. Hisham Alrayes 2. Mr. Bashar Al Mutawa	1. Sh. Ahmed Khalifa Al Khalifa 2. Jassim Mohammed Alseddiqi 3. Mr. Mustafa Kheriba 4. Mr. Mazen Al Saeed 5. Mr. Ghazi Al Hajeri 6. Mr. Mosabah Saif Al Mutairy 7. Mr. Rashid Al Kaabi	
Date: 13th March 2019 5th Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Jassim Mohammed Alseddiqi 2. Sh. Ahmed Khalifa Al Khalifa 3. Mr. Ghazi Al Hajeri 4. Mr. Hisham Alrayes 5. Mr. Bashar Al Mutawa 6. Mr. Mosabah Saif Al Mutairy 7. Mr. Amro Al Menhali 8. Mr. Mustafa Kheriba	1. Mr. Rashid Al Kaabi	1. Mr. Mazen Al Saeed

Note:

- *One of the Board Member, 'Mr. Mazen Alsaeed' was not able to attend the minimum of 75% of the Board Meetings as per rule HC-1.3.4. Due to some prior commitments and personal reasons, Mr. Alsaeed was not able to attend 2 out of the 5 board meetings held during 2019.*
- *The Chairman of the Board, Mr. Jassim AlSeddiqi is an Executive Director, hence he is not an Independent Director as per rule HC-1.4.6*

B.12. Quorum required for adoption of Board resolutions

The required quorum for the meetings of the BOD and AGM shall be in accordance with the provisions of the Articles of Association of GFH. The BOD may pass its resolutions by post, e-mail, fax, conference calls, video calls or any other means of audio or video communication pursuant to the provisions of Article 33-e of the Articles of Association of the Bank.

C. Board Committees

The BOD has established three subordinate committees and has delegated specific powers to each committee as follows:

C.1. The Audit and Risk Committee

The Audit and Risk Committee (ARC) is responsible for following up on the internal and external audit, risk management as well as compliance and anti-money laundering matters.

During the fiscal year 2019, the Committee held seven meetings which took place on 9th February, 10th February, 18th April, 12th May, 7th August, 23rd September and 13th November 2019 respectively.

ARC meeting date & Location	ARC members present	ARC members who participated by phone/video link	ARC members not present
Date: 9th February 2019 1st Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Mr. Bashar Al Mutawa 2. Mr. Ghazi Al Hajeri 3. Mr. Mosabah Saif Al Mutairy		
Date: 10th February 2019 2nd Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Mr. Bashar Al Mutawa 2. Mr. Ghazi Al Hajeri 3. Mr. Mosabah Saif Al Mutairy		
Date: 18th April 2019 3rd Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Mr. Bashar Al Mutawa 2. Mr. Ghazi Al Hajeri 3. Mr. Mosabah Saif Al Mutairy		
Date: 12th May 2019 4th Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Mr. Bashar Al Mutawa 2. Mr. Mosabah Saif Al Mutairy	1. Mr. Ghazi Al Hajeri	
Date: 7th August 2019 5th Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Mr. Bashar Al Mutawa	1. Mr. Ghazi Al Hajeri 2. Mr. Mosabah Saif Al Mutairy	
Date: 23rd September 2019 6th Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Mr. Bashar Al Mutawa 2. Mr. Ghazi Al Hajeri 3. Mr. Mosabah Saif Al Mutairy		
Date: 13th Novemebr 2019 7th Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Mr. Bashar Al Mutawa 2. Mr. Ghazi Al Hajeri 3. Mr. Mosabah Saif Al Mutairy		

C.2. Board Executive Committee (EXCOM)
The Board Executive Committee (EXCOM) responsibility is to approve the investment and funding requests, prepare the investment policies and controls, determine the credit limits of the Bank, manage assets and liabilities, organise banking relationships, as well as oversee the items that are not included in the budget.

The Committee met thrice on the same day during the fiscal year 2019 i.e., 21st May 2019

EXCOM Meeting date & location	EXCOM members present	EXCOM members who participated by phone/ video link	EXCOM members not present
Date: 21st May 2019 **Location:** Four Seasons Abu Dhabi UAE	1. Mr. Hisham AlRayes	1. Mr. Jassim Mohammed Al Alseddiqi 2. Sh. Ahmed Khalifa Al-Khalifa	4. Mr. Mazen Al Saeed

C. 3. Nomination, Remuneration & Governance Committee
The Nomination, Remuneration & Governance Committee ("NRGC") is responsible for recruitment, rewards, incentive compensation of employees and the preparation of internal policies to manage human resources and other administrative matters. It is also responsible for overseeing the governance framework of GFH Financial Group.

The Committee met two times during the fiscal year 2019 i.e. 9th February and 9th November 2019 respectively.

NRGC Meeting date & location	NRGC members present	NRGC members who participated by phone/ video link	NRGC members not present
Date: 9th February 2019 1st Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain	1. Mr. Ghazi Al Hajeri 2. Mr. Mosabah Saif Al Mutairy 3. Mr. Amro Al Menhali		
Date: 9th November 2019 2nd Meeting **Location:** GFH Financial Group Bahrain Financial Harbour East Tower 37th Floor, Manama, Kingdom of Bahrain		1. Mr. Ghazi Al Hajeri 2. Mr. Mosabah Saif Al Mutairy 3. Mr. Amro Al Menhali	

D. Audit fees and other services provided by the external auditor

Name of the audit firm	KPMG
Years of service as GFH's external auditor	Since 2002
Name of the partner in charge of the GFH's audit	Jalil AlAali
The partner's years of service as the partner in charge of the GFH's audit	Since 2017
Total audit fees for the financial statements for the year 2019 (BD)	BD 82,000.00
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2019 (BD)*	BD 410,258.00

** Non-audit services provided by the external auditors include, but not limited to, agreed upon procedures anti money laundering, prudential information reports, public disclosures and other requirements as set out by the CBB rule book, quarterly reviews, and tax related services etc.*
Further details will be available for the shareholders upon an official written request to the Bank, provided that such matters shall not affect the interests of the bank or its competitiveness in the market.

E. Other topics

E.1 Remuneration of the Board of Directors and Executive Management
Remuneration of the Board of Directors is recommended to the Board of Directors by the Nomination, Remuneration & Governance Committee and the Board of Directors then makes the recommendation to the shareholders at the annual general meeting.

The Board of Directors' remuneration takes into consideration the performance of the Bank as well as an assessment of compliance of individual members with their performance agreement and individual responsibilities. During the year 2019, the Board was paid fees as stated in note 26 of consolidated financial statements.

Executive Management is entitled to a fixed remuneration as per their contractual agreements, and any other performance-related incentives/ bonuses must be approved by the Board.

Refer to note 26 (Key management personnel) of the consolidated financial statements for details of the remuneration to Board of Directors and Executive Management.

During 2019, the total remuneration paid to Sharia Supervisory Board was US$ 370,000/-.

E.2 Continuous development of the Board and Board Committees
The Charter of the Board of Directors serves as a reference point for the Board activities. The Charter outlines the demarcation of the roles, functions, responsibilities and powers of the Board, various Board committees of GFH and matters reserved for final decision-making or pre approval by the Board and the policies and practices of the Board in respect of matters such as conflicts of interest and convening of Board meetings.

The Board Charter sets up a detailed Board Training guide which provides a framework for induction/orientation of new Board members. The new Board of Directors are provided with a presentation pack containing overview/highlights of GFH.

All the members of the Board at the time of appointment should sign a Directors contract, which contains the terms of the appointment, duties and responsibilities of the members, membership and time commitment, conflicts of interest, resignation and termination, confidentiality of information, requirement for the completion of professional development trainings and other details which the members have to abide by during their tenure of being member of the Board.

E.3 Board's Performance Evaluation
At GFH, a comprehensive Board Performance Evaluation Pack (framework for the annual self-assessment process by the Board, the Board Committees and Individual Directors) is in place which is in line with the CBB guidelines (HC Module).

The evaluation is to be used to assess Board effectiveness and support in identifying the need for:
- A revised mix of skills/experience on the Board.
- Board training and/or professional support
- Replacement of Individual Directors whose contribution is deemed inadequate.

The Board Performance Evaluation Framework is based on the following - Principles:
- The Board shall, through the Nomination, Remuneration and Governance Committee (NRGC), undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and Individual Directors.
- The Chairman will act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board. The Chairman of the NRGC will be responsible for the performance evaluation of the Chairman, taking into account the views of other Board Members.
- The evaluation process will be used constructively as a mechanism to improve Board effectiveness, maximise strengths and tackle weaknesses.
- The results of Board evaluation will be shared with the Board as a whole whilst the results of individual assessments will remain confidential between the Chairman and the Director concerned.
- Key results indicators, derived from the strategic plans and objectives, should be used to measure the Board's performance.

The Board Performance Evaluation Framework is based on the following - Methodology:
1) Each Board Member is required to complete the 'Board Performance Evaluation Form' and the "Individual Director's Self Evaluation Form".
2) The Chairman of the Board will also individually evaluate each of the Board Members.
3) NRGC will collate the ratings of the Board (Board Performance Evaluation Form) done by each of the Board Member accordingly; in order to arrive to mean results.
4) Each Committee Members will also perform rating of their respective committee(s).
5) Similarly, NRGC will collate the ratings of each of the Committee (NRGC/EXCOM/ARC); in order to arrive to mean results of that specific committee.

E.4. Transactions Requiring Board Approval

As part of their central leadership and designated authority, the Board of Directors discuss and approve matters pertaining to Strategic Planning, Business Plan, Policies and Procedures, Annual Report, Financial Statements, Appointment of External Auditors and Strategic Partnerships. Furthermore, other matters such as strategic decisions, investment fund proposals, provisions and write-off limits or credit and exposure limits may require the Board's approval as per the internal designated authority limits.

E.5. Transactions with Related Parties

Details of transactions with related parties are indicated in detail in Note 26 of the consolidated financial statements for the fiscal year ended 31st December, 2019. All related party transactions are approved by the Board of Directors and disclosed to the shareholders in the Annual General Meeting.

E.6. Approval process for Connected Counter Party Transactions

All connected counter party exposures (within the CBB defined limits) will be approved by the appropriate approving authority as per the Delegate Authority Limit (DAL). Where the approving authority as per DAL is connected / interested, the approval authority shall move to the next level.

In determining whether to approve a Connected Counter Party Transaction, the requesting and approving authority will consider, among other factors, the following factors to the extent relevant to the Connected Counter Party Transaction:

- Exposures to connected counterparties may be justified only when undertaken for the clear commercial advantage of the bank, when negotiated and agreed on an arm's length basis, and when included in the policy statement agreed with the Central Bank.
- No Islamic facilities provided by a bank to its own external auditors shall be permitted (External auditors include firm/ partnership, the partners, the directors and managers of the audit firm). In addition, unless provided for in the contract, off-balance sheet restricted investment accounts will not be permitted to participate in on-balance sheet corporate funding and vice versa and movement within restricted investment accounts is not permitted without the Central Bank's prior written approval.
- Whether the terms of the Connected Counter Party Transaction are fair to the Bank and on the same basis as would apply if the transaction did not involve a Connected Counter Party;
- Whether there are business reasons for the Bank to enter into the Connected Counter Party Transaction;
- Whether the Connected Counter Party Transaction would impair the independence of an outside director and;
- Whether the Connected Counter Party Transaction would present an improper conflict of interests for any director or executive officer of the Bank, taking into account the size of the transaction, the overall financial position of the director, executive officer or Connected Counter Party, the direct or indirect nature of the director's, executive officer's or Connected Party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the BARC deems relevant.
- Shareholders with significant ownership of the bank's capital (i.e. 10% and above) are not allowed to obtain financing facilities from the bank (i.e. a 0% limit), however smaller shareholders will be subject to the normal exposure limits outlined in section CM-4.4.5. Directors who are also shareholders (or their appointed board representatives) with significant ownership (i.e. above 10% or above) are subject to the 0% limit mentioned above.
- The Central Bank's prior written consent should be obtained for any credit facilities provided to an employee where the amount of such facility, either singly or when added to an existing facility/existing facilities outstanding to that employee at that date, would be equal to or in excess of BD 100,000 (Bahrain Dinars One Hundred Thousand), or its equivalent in foreign currency. Banks must notify the Central Bank in writing of any senior employee who fails to discharge his repayment obligations.
- Reciprocal cross-holdings of capital between a bank and its "controllers", which artificially inflate the capital of licensee concerned, are not permitted. Any cross-holdings that occur due to acquisitions or takeovers must be deducted from the concerned bank's capital. Any member of the Board who has an interest in the transaction under discussion will abstain from voting on the approval of the Connected Counter Party Transaction.

E.7. Ownership of shares by Government entities

Authority Name	Government	Shares Owned	% of Shares Owned
General Pension And Social Security Authority	UAE	30,150,483	0.8189%
The Royal Guard Of Oman Pension Fund	Oman	16,906,428	0.4592%
Diwan Of Royal Court Pension Fund	Oman	5,855,802	0.1591%
The Public Authority For Minors Affairs	Kuwait	4,837,696	0.1314%
Naimah E. Alessa-Public of Minors Affairs	Kuwait	1,268,699	0.0345%
Beit Alquran	Bahrain	4,196	0.0001%

E.8. Review of internal control and processes

Internal control is a process affected by the Board of Directors, senior management and all levels of personnel. It is not solely a procedure or policy that is performed at a certain point in time, but rather it is continually operating at all levels within the Bank. The Board of Directors and senior management are responsible for establishing the appropriate culture to facilitate an effective internal control process and for monitoring its effectiveness on an ongoing basis; however, each individual within an organisation must participate in the process.

The main objectives of the internal control process can be categorised as follows:

1. Efficiency and effectiveness of activities (performance objectives);
2. Reliability, completeness and timeliness of financial and management information (information objectives); and
3. Compliance with applicable laws and regulations (compliance objectives).

Also, the internal control system of the Bank consists of five (5) interrelated elements:

I. Management oversight and the control culture;
II. Risk recognition and assessment;
III. Control activities and segregation of duties;
IV. Information and communication; and
V. Monitoring activities and correcting deficiencies.

E.9. GFH's Client Charter

In line with the CBB requirements, GFH has developed a client's charter which outlines the commitments made by GFH in respect of the quality of services and products delivered to its clients and shareholders. The client's charter, which is available on the bank's website, is an assurance that services provided by the Bank will comply with quality standards. Generally, quality standards are standards that will fulfill clients' and shareholders' needs and expectations.
The client charter also incorporates GFH's Complaints handling procedures and encourages the clients and its shareholders to report any alleged wrongful conduct, malpractice or an improper/ unethical behavior of an employee of the bank.

E.9.1 Dealing with Complaints

GFH is committed to providing its clients with the highest standard of service. However, should a client complain because he/she feels GFH has failed to deliver what it has promised, GFH will do everything possible to ensure that such a complaint is dealt with fairly, promptly and effectively. The information provided here will show you how to:

i. Make a complaint.
ii. Escalate if you are not satisfied with the response provided by GFH in response to your complaint.
iii. Take further action if you are still dissatisfied with the outcome.

- *Mechanism for submitting Complaints:*
  The complaint must be in writing and should be addressed to the Investors' Relations Department and must be marked to the GFH's Complaint Handling Officer.

  In compliance with the directives of the Central Bank of Bahrain, GFH has appointed a Complaints Handling Officer, who is responsible for ensuring that the client complaint is acknowledged, properly investigated, and that the Bank's response is adequately communicated to the client.

- *Options for submitting Complaint:*
  a) Hand delivery to GFH's Office (reception) located at 28th Floor, East Tower, Bahrain Financial Harbour, Manama
  b) Via Fax to the following number +973 17 540006
  c) Courier or post to the following address:

  Complaint Handling Officer
  GFH Financial Group B.S.C.
  28th Floor, East Tower
  Bahrain Financial Harbour
  PO Box 10006
  Manama, Kingdom of Bahrain

  d) Or scan and email the written complaint to: iservice@gfh.com

- *What happens once your complaint is submitted?*
  a) Once a client complaint has been submitted, we will acknowledge within three (3) business days.
  b) The client complaint will be referred to the concerned person/department which will investigate it thoroughly and a written response detailing the outcome of our investigation and our decision shall be provided within four (4) weeks of receiving the complaint.
  In the unlikely event that the complaint is not answered within the timeframe mentioned in point (b), we will write the reasons why there has been a delay and the additional action that we will take including when we anticipate to have concluded our investigation.
  c) In an event that the complaint is not resolved or that the client is not satisfied with the solution provided by us, he/she has the right to escalate the complaint to the 'Head of Compliance' of GFH. The escalation will be acknowledged as per (a) above and a written answer shall be provided within four (4) weeks from the date of escalation.
  d) After receiving the final response to the escalated complaint, and if the client is still not satisfied, he/she can write directly to the Compliance Directorate of the Central Bank of Bahrain or he/she can submit the case through the "Complaint form" available on the Central Bank of Bahrain website www.cbb.gov.bh, within 30 calendar days from the date of receipt of our final response.

E.9.2. Whistle-blowing

- *Report an Incident*

  If the client have observed any alleged wrongful conduct, malpractice or an improper/unethical behavior of an employee of the bank, he/she is encouraged to report the incident to the Bank through the following means:

  Report to 'Head of Compliance' or 'Head of Internal Audit' by sending an email at whistleblow@gfh.com; alternatively, send a letter by post at the below address:

  Head of Compliance / Head of Internal Audit
  GFH Financial Group B.S.C, 30th Floor, East Tower
  Bahrain Financial Harbour, P.O. Box 10006,
  Manama, Kingdom of Bahrain

- *Protection Rights for Whistleblowers*
  a) GFH is committed to the protection of Whistleblowers against potential actions that may be taken in reprisal for making the protected disclosure.
  b) The Whistleblower's identity, the nature of the report, and the suspected person's identity are strictly confidential.
  c) Retaliation against an individual, who in good faith, had made a complaint, disclosed information relating to a complaint or otherwise participated in an investigation relating to a complaint is prohibited regardless of the outcome of the investigation.
  d) The Board Audit & Risk Committee of the bank will be responsible to assess the incident reported and will decide the course of action.

E.10. Details of penalties paid

During 2019, financial penalties amounting Bahraini Dinar ("BHD') 21,600 were imposed by the Central Bank of Bahrain, due to different reasons.

- Penalty of BD 1,600 was imposed for sending delayed invitation to the CBB for the AGM. The invitation was sent 3 days prior to the AGM date instead of 7 days.
- Penalty of BD 10,000 was imposed for increase of Bank's exposure above CBB's prescribed limit of 15% in Gulf Holding Company. The Bank obtained CBB's post-facto approval instead of prior-approval, however, the penalty was imposed.
- Penalty of BD 10,000 was imposed related to the offering of Britus Investment Company. The Bank had sought investor's commitments prior to the PPM approval by the CBB and there were deviation from the offering timetable.

E.11. Systems and controls for compliance with Sharia and AAOIFI standards

In pursuance with the provisions of its Articles of Association, GFH Financial Group has always carried out its banking activities in compliance with Islamic Sharia principles that constitute an integral part of the entire policies of the Bank. Tasks managed by Sharia Department of GFH include the followings:

1. Ensuring that the necessary approvals of the SSB have been obtained for each project.
2. Ensuring compliance of projects with the Sharia provisions indicated in the Prospectus and the approved structure of the project.
3. Reviewing the financial statements and other issues related to the projects and ensuring that they are in compliance with the Sharia principles.
4. Ensuring that the projects are in compliance with Fatwas and recommendations of the SSB of GFH and the other Sharia Boards, if any.
5. Ensuring that the approval of the SSB is obtained for each financial instrument (such as sale transactions, financing, currency conversion, Sukuks, deposits, etc.), including the approved and concluded contracts and agreements.
6. Reviewing the financial statement to ensure full compliance with the Sharia principles and the requirements and provisions of the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI).
7. Ensuring that all the products and the structures thereof are in compliance with AAOIFI's standards.

For earnings prohibited by Sharia, please refer note 4(z) and note 30 of the consolidated financial statements for the fiscal year ended 31st December 2019.

E.12. Board Code of Conduct

The Board has approved a code of conduct for all staff of the Bank and the Board members. The Code includes guidance on dealing with conflict of interests, insider trading, key person dealing, receiving gifts, system & controls framework, confidentiality etc. It also binds the Directors, Executive Management and staff to the highest standard of professionalism and diligence on discharging their duties. All Board members and senior management of the Bank have affirmed compliance with the Code of Conduct. Board members are excluded from dealings in matters related to an external entity where they hold a position. Any breach of the code is reported to the Board NRGC by the Corporate Secretary, Head of Compliance or the Head of Human Resources. The Board NRGC is responsible to take the necessary action.

E.13. Board Conflict of Interest

Any conflict of interest that might arise from the Board members is governed by the Board Conflict of Interest Policy. Each Board member is required to annually disclose any potential conflict of interest that might arise during the term of their membership. Any transaction that has occurred during their term as a Board member must be disclosed to the Board through the Conflict of Interest Reporting Form. Any conflict of interest arising from any Board member must be ratified by the Board, and the respective Board member will be refrained from voting on that matter.

E.14. Employment of Relatives

The Group maintain Employment of Relatives policy to prevent any potential for favoritism and conflict of interest in decision-making due to factors of kinship in relationships among employees within the Group regardless of difference in department and reporting line. The Group does not permit the employment of relatives (direct family of the employee up to fourth degree and up to the second degree for the employee's spouse) of current Employees. This restriction is not limited to the recruitment and selection only but is also applicable on existing employee of the group in case he/she marries another employee of the group.

All Departmental Head are required to promptly report to Head of Human Resource any changes in status of their respective team-members. Also, all employees are urged, if in doubt, to consult with their respective supervisors and the Human Resource department.

E.15. Remuneration related disclosures

The Bank's total compensation approach, which includes the variable remuneration policy, sets out the Banks's policy on remuneration for Directors and senior management and the key factors that are taken into account in setting the policy.

The key features of the proposed remuneration framework are summarised below.

Remuneration strategy

It is the Bank's basic compensation philosophy to provide a competitive level of total compensation to attract and retain qualified and competent employees. The Bank's variable remuneration policy will be driven primarily by a performance-based culture that aligns employee interests with those of the shareholders of the Bank. The variable remuneration policy helps ensure effective alignment of remuneration with prudent risk-taking by senior management in the conduct of business.

A robust and effective governance framework ensures that the Bank operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the Nomination and Remuneration Committee of the Board (NRGC).

The quality and long-term commitment of all our employees is fundamental to our success. We therefore aim to attract, retain and motivate the very best people who are committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of our shareholders. The Bank's reward package is comprised of the following key elements:

1. Fixed pay;
2. Benefits;
3. Annual performance bonus;
4. Remuneration for senior management from participation in boards of investee entities; and
5. The long-term performance incentive plan

The Bank's remuneration policy in particular, considers the role of each employee and has set guidance on whether an employee is a Material Risk Taker and/ or an Approved Person in a business line, control or support function. An Approved Person is an employee whose appointment requires prior regulatory approval because of the significance of the role within the Bank and an employee is considered a Material Risk Taker if they are the Head of a significant business line or any individuals within their control who has a material impact on the Bank's risk profile.

In order to ensure alignment between what we pay our people and our business strategy, we assess individual performance against annual and long-term financial and non-financial objectives summarised in our performance management system. This assessment also takes into account adherence to the Bank's values, risks and compliance measures and above all integrity. Altogether, performance is therefore judged not only on what is achieved over the short and long-term but also importantly on how it is achieved, as the NRGC believes the latter contributes to the long-term sustainability of the business.

NRGC role and focus

The NRGC has oversight of all reward policies for the Bank's employees. The NRGC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing variable remuneration policy for approval by the Board. It is responsible for setting the principles and governance framework for all compensation decisions. The NRGC ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices, the business plan and risk profile of the Bank.

The responsibilities of the NRGC with regards to the Bank's variable remuneration policy, as stated in its mandate, include but are not limited to, the following:-

a) Review the remuneration policies for the approved persons and material risk-takers, which must be consistent with GFH's corporate values and strategy.
b) The committee should be responsible for retaining and overseeing outside consultants or firms for the purpose of reviewing the remuneration of approved persons and material risk-takers, administering remuneration plans, or related matters.
c) Ensure that the remuneration of approved persons and material risk-takers is sufficient enough to attracts and retain persons of the quality needed to run the bank successfully, but that bank avoids paying more than is necessary for that purpose.
d) Approve the individual remuneration amounts, packages and total compensation for each approved person and material risk-taker and make recommendations to the Board of the total variable remuneration (bonus pool) to be distributed, taking account the total remuneration, including salaries, fees, expenses, bonuses and other employee benefits.
e) Evaluate the performance of approved persons and material risk-takers in light of the bank's corporate goals, agreed strategy, objectives and business plans.
f) The committee shall be responsible to the Board for the overview of any employee benefit trust (EBT) or similar arrangements adopted for the purpose of administering the deferred incentive arrangements (including share schemes) of the Bank.
g) Ensure that variable remuneration for material risk-takers forms a substantial part of the total remuneration of approved persons and material risk-takers (other than the risk management, internal audit, operations, financial controls, internal Shari'a review/audit, AML and compliance functions personnel.
h) Ensure that for approved persons in risk management, internal audit, operations, financial controls, internal Shari'a review/audit, AML and compliance functions the mix of fixed and variable remuneration is weighted in favour of fixed remuneration.
i) Ensure that the system includes effective controls including stress testing and back testing results of the remuneration policy and that the system's practical operation is regularly reviewed for compliance with regulations, internal policies and bank procedures.
j) Review remuneration outcomes, risk measurements and risk outcomes regularly for consistency with the Board's approved risk appetite, for submission for the Board for its review.
k) Review cases where any ex-ante risk adjustments are to be used to take into account severe but plausible scenarios to the variable remuneration as per the Bank's variable remuneration policy.
l) Review cases where the bonus is diminished by exercise of Malus and Clawback adjustments.
m) Question payouts for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payout.
n) Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves to not using personal hedging strategies or remuneration-and liability-related insurance to undermine the risk alignment affects embedded in their remuneration arrangements.

As outlined in the Corporate Governance section of the Annual Report, the Board is satisfied that all non-executive Directors are independent including the NRGC members. The NRGC comprises of the following members:

NRGC Member Name	Appointment date	Resignation / Restructured date	Number of meetings attended 2019	2018
Khaled Mohamed Al Khazraji	22 April 2014	13 May 2018	N	N/A
Bashar Mohamed AlMutawa	22 April 2014	13 May 2018	2 out of 2	N/A
Kamal Bahamdan	22 April 2014	13 May 2018	None	1 out of 2
Ghazi AlHajeri	25 April 2017		1 out of 2	2 out of 2
Mosabah Saif AlMutairi	25 April 2017		2 put of 2	2 out of 2
Rashid AlKabbi	25 April 2017	13 May 2018	2 out of 2	2 out of 2
Amro Almenhali	13 May 2018		2 out of 2	N/A

The aggregate remuneration paid to NRGC members during the year in the form of sitting fees amounted to USD 7K (2018: USD 7K).

Use of consultants:

The Bank engaged an external consultant to benchmark pay and grading structure to bring it in line with market practices. The consultant was also engaged to develop a framework for introduction of a Long Term Incentive Plan (LTIP) which has been discussed and approved by the Board's NRCG committee and the Board of Directors for implementation effective 2019. As a result an LTIP plan was approved in 2020 with an upfront tranche vesting.

Scope of application of the remuneration policy

The principles of this remuneration policy apply on a group-wide basis. However, application of deferral requirements and issue of non-cash instruments for each subsidiary of the Bank will be determined by applicable local regulations and market norms. Currently, deferral arrangements are applicable only to Bahrain domiciled banking entities within the Group.

Board remuneration

The Bank will determine board remuneration in line with the provisions of Article 188 of the Bahrain Commercial Companies Law, 2001. The Board of Directors' remuneration will be capped so that variable remuneration in any financial year (sitting fees is not part of variable remuneration) does not exceed 10% of the Bank's net profit, after all required deductions outlined in Article 188 have been made. Remuneration of non-executive directors will not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits. Board remuneration is subject to approval of the shareholders in the annual general meeting.

Variable remuneration for staff

Variable remuneration is performance related and consists primarily of the annual performance bonus award. As part of our staff's variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering the Bank's strategic objectives.

The Bank has adopted a Board approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis of meeting both satisfactory financial performance and the achievement of other non-financial factors, that will, all other things being equal, deliver a target bonus pool for employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted for determining the variable remuneration pool, the NRGC aims to balance the distribution of the Bank's profits between shareholders and employees.

Key performance metrics at the bank level include a combination of short-term and long-term measures and include profitability, solvency, liquidity, risk diversification, strategy implementation and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the quantum of variable remuneration, the Bank has implemented a hybrid model by defining a Top Down (profit based) bonus pool funding for control and support staff and bottom-up (maximum earning opportunity based) pools for Risk Takers. The total bonus pool is capped at a percentage of profit before being assessed for risk. This approach is a starting position and the NRGC may choose to implement a discretionary award for a given year based on affordability for the Bank and its assessment of the Bank's current and future resource requirements. The bonus pool is adjusted to take account of risk via the use of risk-adjusted measures (including forward-looking considerations), subject to the final discretion of the NRGC.

Under the variable remuneration policy of the Bank, placement fees, sales commission or incentives for sales staff is not considered to be part of the variable remuneration (subject to deferral) as it is an integral part of the overall pay structure of the sales and placement staff. Further, these payments are not considered variable remuneration as they are not directly or indirectly linked to the bank-wide performance and are considered activity-based payments.

The NRGC carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. NRGC demonstrates that its decisions are consistent with an assessment of the Bank's financial condition and future prospects. A special pool is also considered for recoveries made against any legacy investments and legal cases and is approved on a case-by-case basis by the Board of Directors.

The Bank uses a formalised and transparent process to adjust the bonus pool for quality of earnings. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the NRGC.

For the overall Bank to have any funding for distribution of a bonus pool, threshold financial targets have to be achieved. The performance measures ensure that total variable remuneration is generally, considerably contracted where subdued or negative financial performance of the Bank occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk assessment and linkage framework.

Remuneration of control and support functions

The remuneration level of staff in the control and support functions allows the Bank to employ qualified and experienced personnel in these functions. The Bank ensures that the mix of fixed and variable remuneration for control and support function personnel should be weighted in favor of fixed remuneration. In exceptional cases, the approval of the NRGC shall be obtained. The variable remuneration of control functions is to be based on function-specific objectives and is not be determined by the financial performance of the business areas they monitor.

The Bank's performance management system plays a major role in deciding the performance of the support and control units on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control, compliance and ethical considerations as well as the market and regulatory environment apart from value adding tasks which are specific to each unit.

Variable compensation for business units

The variable remuneration of the business units is primarily determined by key performance objectives set through the performance management system of the Bank. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations as well as market and regulatory requirements. The consideration of risk assessments in the performance evaluation of individuals ensures that any two employees who generate the same short-run profits but take different amounts of risk on behalf of the bank are treated differently by the remuneration system.

Risk assessment framework

The purpose of risk linkages is to align variable remuneration to the risk profile of the Bank. In its endeavor to do so, the Bank considers both quantitative measures and qualitative measures in the risk assessment process. Both quantitative measures and human judgment play a role in determining any risk adjustments. The risk assessment process encompasses the need to ensure that the remuneration policy as designed reduces employees' incentives to take excessive and undue risks, is symmetrical with risk outcomes and delivers an appropriate mix of remuneration that is risk aligned.

The Bank's NRGC considers whether the variable remuneration policy is in line with the Bank's risk profile and ensures that through the Bank's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

Risk adjustments take into account for all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the strategic measures. The Bank undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to distribution of the annual bonus. The Bank ensures that total variable remuneration does not limit its ability to strengthen its capital base..

The bonus pool takes into account the performance of the Bank which is considered within the context of the Bank's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events. The size of the variable remuneration pool and its allocation within the bank takes into account the full range of current and potential risks, including:

a) The cost and quantity of capital required to support the risks taken;
b) The cost and quantity of the liquidity risk assumed in the conduct of business; and
c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The NRGC keeps itself abreast of the Bank's performance against the risk management framework. The NRGC will use this information when considering remuneration to ensure returns, risks and remuneration are aligned.

Risk adjustments

The Bank has an ex-post risk assessment framework which is a qualitative assessment to back-test actual performance against prior risk assumptions.

In years where the Bank suffers material losses in its financial performance, the risk adjustment framework will consider the following:

- Need for a considerable contraction of the Bank's total variable remuneration.
- At an individual level, poor performance by the Bank will mean individual KPIs are not met and hence employee performance ratings may be lower
- Reduction in the value of deferred shares or awards
- Possible changes in vesting periods and additional deferral applied to unvested rewards
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous variable awards may be considered.

The NRGC, with the Board's approval, can rationalise and make the following discretionary decisions:

- Take no action
- Increase/reduce the ex-post adjustment
- Consider additional deferrals or increase in the quantum of non-cash awards
- Recovery through malus and clawback arrangements

Malus and Clawback framework

The Bank's malus and clawback provisions allow the Bank's Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the delivered variable remuneration recovered in certain situations. The intention is to allow the Bank to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable the Bank to reduce or cancel the awards of employees whose individual behavior has had a materially detrimental impact on the Bank during the concerned performance year.

Any decision to take back an individual's awards can only be taken by the Bank's NRGC. The Bank's NRGC takes into account the advice of the CEO, Risk, Finance and HR Departments as appropriate.

The Bank's malus and clawback provisions allow the Bank's Board to determine that, if appropriate, vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events include the following:

- Reasonable evidence of misbehavior or material error by the employee causing harm to the Bank's reputation or where his/her/their actions have amounted to misconduct, incompetence or negligence
- The employee's business unit suffers a material downturn in its financial performance or a material restatement of the financial statements of the Bank
- The employee's business unit suffers a material risk management failure
- An employee deliberately misled the market and/or shareholders in relation to the financial performance of the Bank
- A significant deterioration in the financial health of the Bank

Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

Components of Variable remuneration

The Bank's variable remuneration framework provides for the following key components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred Cash	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of three years.
Upfront share awards	The portion of variable compensation that is awarded and issued in the form of shares on conclusion of the performance evaluation process for each year, but released after a retention period of six months.
Deferred annual bonus (DAB) share awards	The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over a period of three years and an additional retention period of six months
Future performance awards (FPA)	The portion of variable compensation which is awarded to selected employees. The awards are contingent on the delivery of set performance targets for the Bank as well as service conditions on part of employees. These could comprise individually or a combination of the following: • Long-term Incentive Plan Shares, where the employees are compensated in form of shares as a percentage on achievement of some pre-determined performance conditions. During 2020, the Bank has introduced an LTIP scheme which sets performance and service conditions and has a ratable vesting schedule over a period of six years. • Profit share, where the employees are compensated based on a specified percentage of targeted profit for a transaction. • Carried Interest, where the employees are compensated a specified percentage of fair value gain on investments once it achieves a specified hurdle rate on realisation. • Co-investment, wherein as portion of variable remuneration is awarded in the form of an investment made by the bank which is encashable by employee on Bank's exit from the investment. • Sales/recovery incentive, where the employee or a team is compensated on the basis of a specified percentage of a sales value of an investment on successful exit or recovery of an asset.

Employee Share Ownership Loan Scheme

GFH may also implement an employee share ownership loan scheme (ESOL Scheme) from time to time to be implemented under any of the Share Incentive Scheme it develops. Such ESOL Scheme, if implemented, shall allow employees to increase their participation in GFH Shares through the utilisation of financing advanced by the Bank and the right to acquire GFH shares at the pricing determined in accordance with the applicable ESOL Scheme. The ESOL Scheme is designed to enable eligible participants to increase their holdings of GFH shares on favourable terms but under the funding of the participants themselves.

Establishment of the Trust Instrument

GFH has established a GFH Employee Benefit Trust instrument to hold and manage its deferred staff benefits related to the Variable Remuneration policy. The Trustees shall undertake all of the duties set out in the Bahrain Trust Law and the Trust Instrument.

Deferred compensation

All covered persons earning over BHD 100,000 in total compensation are subject to deferral of variable remuneration as follows:

Element of variable remuneration	CEO, his deputies and other 5 most highly paid business line employees	Other covered staff	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	50%	immediate	-	-	Yes
Upfront shares	-	10%	immediate	6 months	Yes	Yes
Deferred cash	10%	-	Over 3 years	-	Yes	Yes
Deferred share awards	10%-50%	10%-40%	Over 3 years	6 months	Yes	Yes
Other Non-Cash Awards or FPA	0%-40%	0%-30%	Performance linked	6 months	Yes	Yes

The NRGC, based on its assessment of role profile and risk taken by an employee could increase the coverage of employees that will be subject to deferral arrangements.

All deferred and future performance awards are subject to malus provisions. All share awards and related dividends are released to the benefit of the employee after a six-month retention period from the date of vesting. The number of equity share awards is linked to the Bank's share price as per the rules of the Bank's Share Incentive Scheme.

Details of remuneration paid

(a) Board of Directors

US$ 000's

	2019	2018
Sitting fees	3,500	3,500
Remuneration	161	161
Total	**3,095**	3,661

These above disclosures pertain to information related to the remuneration paid by GFH Financial Group BSC only and excludes any remuneration paid by subsidiaries which are governed by applicable laws for each entity.

(b) Employee remuneration

2019 [1,2]

			Variable remuneration					
			Upfront			Deferred		
Type of employees	**Number of staff**	**Fixed remuneration**	**Cash**	**Shares[3]**	**Commission**	**Cash**	**Shares[3]**	**Total**
Approved Persons: Business lines	6	2,924	1,968	565	2,145	491	4,073	**12,166**
Approved Persons: Control & support	9	2,282	382	385	-	385	382	**3,816**
Other material risk takers	32	4,941	594	77	1,589	125	231	**7,557**
Other Employees: Bahrain Operations	67	5,762	1,357	-	-	-	83	**7,202**
Other Employees: Other Subsdiaries[1]	30	3,653	524	-	-	-	-	**4,177**
	144	**19,562**	**4,825**	**1,027**	**3,734**	**1,001**	**4,769**	**34,918**

Notes:

1. *The above disclosures exclude remuneration details of Khaleeji Commercial Bank BSC (KHCB) and Projects of the Bank (India, Tunis and Morocco, Al Areen Hotel etc) that are consolidated and only include staff of GFH Capital Limited (UAE) and GFH Properties SPC, which are integral to the business of the Bank. Information pertaining to KHCB is separately available within their annual report.*
2. *The financial information is presented based on final approvals by the NRGC and Board of Directors and awards communicated to employees subsequent to the issue of the consolidated financial statements.*
3. *The amounts attributed to share awards are based on the final allocation of bonus pool to deferred share awards after the issue of the financial statements. Additional accounting charge arising due to fair value adjustments on share awards will be reflected in the subsequent accounting periods. Accordingly, the information reported in the table above may not necessarily match with the accounting charge reflected for the financial year. The Bank has also announced a Long Term Incentive Plan (LTIP) in 2020 which includes an upfront vested tranche, which has been considered above as performance bonuses in shares for the purpose of deferral calculations. The LTIP benefit has been measured equivalent to the accounting expense and as the effective grant date is in 2020, the cost of LTIP will be recognised ratably over the vesting period of up to 6 years.*
4. *In addition to the compensation reported above, severance payments made during the year amounted to US$ 4,250 (2018: US$ 4,250) of which the highest paid to a single person amounted to USD 2,052 (2018: US$ 2,052).*

2018 [1,2]

				Variable remuneration					
		Fixed remuneration		Upfront		Deferred			
Type of employees	Number of staff	Cash	Others	Cash	Commission	Cash	Shares3	Others	Total
Approved Persons: Business lines	6	3,087	-	3,009	355	750	3,758	-	10,959
Approved Persons: Control & support	7	2,392	-	905	-	78	883	-	4,258
Other material risk takers	25	3,561	-	874	821	22	423	-	5,701
Other Employees: Bahrain Operations	61	4,330	-	1,064	-	-	235	-	5,629
Other Employees: Other Subsdiaries1	18	1,186	-	1,496	-	-	-	-	2,682
	117	14,556	-	7,348	1,176	850	5,299	-	29,229

(c) Deferred awards

US$ 000's

		Shares		
2019	**Cash**	**Number**	**USD**	**Total**
Opening balance	2,367	48,789,048	15,765	**18,132**
Awarded during the period #	1,001	45,802,608	5,796	**6,797**
Paid out / released during the period	(587)	(13,803,722)	(5,628)	**(6,215)**
Service, performance and risk adjustments	-	-	-	**-**
Bonus share and other corporate events	-	2,893,887	-	**-**
Closing balance	**2,781**	**83,681,821**	**15,933**	**20,246**

 # Includes upfront tranche of LTIP shares issued in 2020.

US$ 000's

		Shares		
2018	Cash	Number	USD	Total
Opening balance	2,050	43,656,048	13,168	15,218
Awarded during the period	850	24,531,867	6,259	7,109
Paid out / released during the period	(533)	(19,398,069)	(3,662)	(4,195)
Service, performance and risk adjustments	-	-	-	-
Bonus share and other corporate events	-	-	-	-
Closing balance	2,367	48,789,846	15,765	18,132

Notes:

The total number of shares include additional employee participation through ESOL approved by the NRGC. However, the value reported above only reflects the fair value benefit that has accrued to the benefit of the employee on award/ modification dates. These are not necessarily reflective of issue price of share awards.

These above disclosures exclude information related to KHCB which is available separately in their annual report.

GFH believes strong risk management capabilities are the foundation for the delivery of positive results for customers, investors and shareholders alike

03

Risk and Capital Management

Risk and Capital Management

1 EXECUTIVE SUMMARY

This report contains a description of the Bank's risk management and capital adequacy practices and processes, including detailed information on the capital adequacy process. The report is prepared in accordance with Pillar III disclosure requirements prescribed by the Central Bank of Bahrain, herein referred to as "CBB". CBB's Basel III capital rules and guidelines became effective on 1st January 2015 as the common framework for the implementation of the Basel Committee on Banking Supervision's (Basel Committee) Basel III capital adequacy framework for banks incorporated in the Kingdom of Bahrain.

The disclosures in this report are in addition to or in some cases, serve to clarify the disclosures set out in the consolidated financial statements for the year ended 31 December 2019, presented in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). To avoid any duplication, information required under PD module but already disclosed in other sections of Annual Report has not been reproduced. These disclosures should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019.

As at 31 December 2019, the Group's total capital ratio stood at a healthy ratio of 13.48%.

The Bank's Tier I and total capital adequacy ratios comply with the minimum capital requirements under the CBB's Basel 3 / IFSB for Islamic financial institutions framework.

The Group's total risk weighted assets as at 31 December 2019 amounted to US$ 8,330,081 thousand. Credit risk accounted for 93.3 percent, operational risk 5.7 percent, and market risk 1.0 percent of the total risk weighted assets respectively. Tier I and total regulatory capital were US$ 1,087,532 thousand and US$ 1,122,871 thousand respectively, as at 31 December 2019.

At 31 December 2019, Group's CET1, T1 capital and total capital adequacy ratios were at 12.94%%, 13.06% and 13.48% respectively.

2 INTRODUCTION

The Basel III framework consists of three mutually reinforcing pillars:

i. **Pillar 1:** Minimum capital requirements for credit risk, market risk and operational risk.
ii. **Pillar 2:** Supervisory review of capital adequacy including Internal Capital Adequacy Assessment process (ICAAP)
iii. **Pillar 3:** Market discipline including rules for disclosure of risk management and capital adequacy.

2.1 Pillar 1

Pillar I prescribes the basis for the calculation of the regulatory capital adequacy ratio. Pillar I defines the regulatory minimum capital requirements for each bank to cover the credit risk, market risk and operational risk inherent in its business model. It also defines the methodology for measurement of these risks and the various elements of qualifying capital. The capital adequacy ratio is calculated by dividing the regulatory capital base by the total Risk Weighted Assets (RWAs).

The resultant ratio is to be maintained above a predetermined and communicated level. The CBB also requires banks incorporated in Bahrain to maintain a 12.5% minimum Total Adequacy Ratio including the above Capital Conservation Buffer (CCB) requirement of 2.5%.

In the event that the capital adequacy ratio falls below 12.5 percent (consolidated), additional prudential reporting requirements apply, and a formal action plan setting out the measures to be taken to restore the ratio above the target level is to be formulated and submitted to the CBB. Consequently, the CBB requires GFH to maintain a minimum capital adequacy ratio of 12.5 percent (consolidated).

The table below summarises the Pillar I risks and the approaches used by the Bank to calculating the RWAs in accordance with the CBB's Basel II capital adequacy framework.

Risk Type	Approach used by GFH
Credit risk	Standardised Approach
Market risk	Standardised Approach
Operational risk	Basic Indicator Approach

2.2 Pillar 2

Pillar II deals with the Supervisory Review and Evaluation Process (SREP). It also addresses the Internal Capital Adequacy Assessment Process (ICAAP) to be followed by Banks to assess the overall capital requirements to cover all relevant risks (including those covered under Pillar I).

The ICAAP enables the bank to review the capital impact of assessed Pillar I and Pillar II risks as well as to examine new risk dimensions coming out of existing and new businesses / products. It acts as a mechanism for the evaluation of the long-term strategic growth plans and the short-term annual business plans based on projected risk profile and capital under both expected and adverse scenarios.
The Bank has decided to adopt a Pillar I + Pillar II approach for capital estimation as recommended under CBB guidelines and Basel framework. Under this approach, the banking institutions calculate the Pillar I capital or minimum regulatory capital requirements in accordance to CBB's CAR guidelines under the Basel III framework. Secondly, additional capital or pillar II capital requirement is calculated separately based on an "add-on" approach, where the additional capital requirements are added onto the calculated Pillar I capital requirements, to arrive at the Bank's internal capital requirements.

GFH conducts stress testing of its portfolio as part of the ICAAP process. GFH's objective of stress testing for its ICAAP is to ensure that the Bank can meet its capital requirements at all times in a forward looking manner, including throughout a reasonably severe economic recession or other scenarios specific to the Bank's portfolio and risk profile. The results of the stress tests assist the Bank in ascertaining whether it has sufficient capital in periods of stress.

2.3 Pillar 3

In the CBB's Basel II framework, the Pillar III prescribes how, when, and at what level information should be publicly disclosed about an institution's risk management, governance and capital adequacy practices. The disclosures comprise detailed qualitative and quantitative information. The purpose of the Pillar 3 disclosure requirements is to complement the first two Pillars and the associated supervisory review process. The disclosures are designed to enable stakeholders and market participants to assess an institution's risk appetite and risk exposures and to encourage all banks, via market pressures, to move towards more advanced forms of risk management.

The current regulations require partial disclosure consisting mainly of quantitative analysis during half-year reporting and fuller disclosure during year-end to coincide with the financial year-end reporting.

3 OVERALL RISK AND CAPITAL MANAGEMENT

3.1 Risk management charter

GFH perceives strong risk management capabilities to be the foundation in delivering results to customers, investors and shareholders. The Bank will continue to enhance its existing framework and adopt international best practices of risk management, corporate governance and the highest level of market discipline.

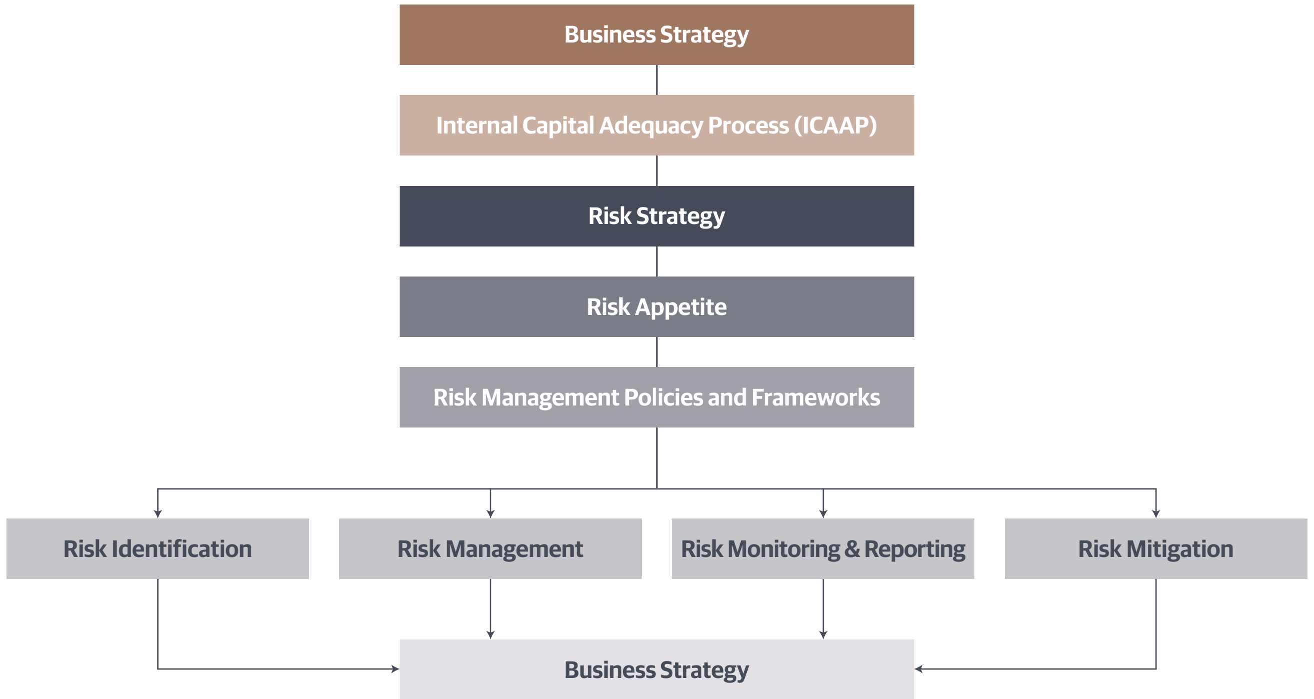
The primary objectives of the risk management framework of the Bank are to:

- Manage risks inherent in the Bank's activities in line with the risk appetite of the Bank;
- Strengthen the Bank's risk management practices to reflect the industry best practices; and
- Align internal capital requirements with risk materiality

Building Blocks of Risk Management Framework

Board of Directors has overall responsibility for establishing risk culture and ensuring that an effective risk management framework is in place.

The diagram below represents the Bank's overall risk management framework and its components:



The risk management framework of the Bank encapsulates the spirit of the following key principles for Risk Management as articulated by Basel and CBB:

- Active Board and senior management oversight and control;
- Independent Risk Management function;
- Board-driven sound risk management culture and ownership;
- Appropriate policy, procedures and limits;
- Risk recognition and assessment;
- Control activities and segregation of duties;
- Information and communication;
- Monitoring Risk Management activities and correcting deficiencies;
- Comprehensive and timely identification, measurement, mitigation, controlling, monitoring and reporting of risks;
- Appropriate MIS at a business and Bank-wide level; and
- Comprehensive internal controls.

3.2 Risk governance structure

The Risk Governance structure of the Bank is depicted by the following diagram:

Level 1	Board of Directors (BOD) Sharia Board	Internal Audit
Level 2	Board Committees • Board Nominations, Remuneration, and Governance Committee (NRGC) • Board Executive Committee • Board Audit & Risk Committee (ARC)	
Level 3	Senior Management Committees • Management Committee (MANCOM) • Management Investment Committee • Assets Liability Committee (ALCO) • Real Estate Committee	
Level 4	Risk Management Department • Credit & Investment Risk • Market Risk • Liquidity Risk • Operational Risk	
Level 5	Desktop level procedures, systems and controls in day to day business	

Our Board of Directors has overall responsibility for establishing our risk culture and ensuring that an effective risk management framework is in place. The Board of Directors approves and periodically reviews our risk management policies and strategies. The Board Audit & Risk Committee ('ARC') is responsible for Providing an independent assurance to the Board about the effectiveness of risk management, internal controls, the accounting policies, financial reporting and disclosure practices of the Bank by organising and managing the internal and external audits and examination of the entire spectrum of the Bank's activities and reporting the findings of such audits and examination to the Board.

The key element of our risk management philosophy is for the Risk Management Department ('RMD') to provide independent monitoring and control while working closely with the business units which ultimately own the risks. The Head of Risk Management reports to Board Audit & Risk Committee and administratively to the CEO.

3.3 Capital management

The Bank's policy is to maintain a strong capital base and meet the capital requirements imposed by the regulator (CBB), so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The allocation of capital is primarily driven by regulatory requirements. The Bank seeks to maximise return on capital while satisfying all the regulatory requirements.

The Bank has put in place a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) that includes Board and senior management oversight, monitoring, reporting and internal control reviews, to identify and measure the various risks that are not covered under Pillar I risks and to regularly assess the overall capital adequacy considering the risks and the Bank's planned business strategies. The non-Pillar I risks covered under the ICAAP process include concentration risk, liquidity risk, profit rate risk in the banking book and other miscellaneous risks.

3 OVERALL RISK AND CAPITAL MANAGEMENT (contd.)

3.3 Capital management (contd.)

The Bank's regulatory capital is analysed into two tiers:

- **Tier 1 capital:** includes CET1 and AT1

  CET1 comprise of ordinary share capital that meet the classification as common shares for regulatory purposes, disclosed reserves including share premium, general reserves, legal / statutory reserve, common shares issued by consolidated banking subsidiaries of the Bank and held by third parties, retained earnings after regulatory adjustments relating to goodwill and items that are included in equity which are treated differently for capital adequacy purposes.

  AT1 comprise of instruments that meet the criteria for inclusion in AT1, instruments issued by consolidated banking subsidiaries of the Bank held by third parties which meet the criteria of AT1, and regulatory adjustments applied in calculation of AT1.

- **Tier 2 capital:**

  Includes instruments issued by the Bank that meet the criteria for inclusion in Tier 2 capital, stock surplus resulting from issue of Tier 2 capital, instruments issued by consolidated banking subsidiaries of the Bank held by third parties that meet the criteria for inclusion in Tier 2, general provisions held against unidentified losses on financing and qualify for inclusion within Tier 2, asset revaluation reserve from revaluation of fixed assets and instruments purposes and regulatory adjustments applied in the calculation of Tier 2 capital.

The regulatory adjustments are subject to limits prescribed by the CBB requirements, these deductions would be effective in a phased manner through transitional arrangements from 2015 to 2019. The regulations prescribe higher risk weights for certain exposures that exceeds materiality thresholds. These regulatory adjustments required for certain items such as goodwill on mortgage service right, deferred tax assets, cash flow hedge reserve, gain on sale of related securitisation transactions, defined benefit pension fund assets and liabilities, investment in own shares and reciprocal cross holdings in the capital of Banking and financial entities, investment in the capital of Banking and financial entities that are outside the scope of regulatory consolidation and where the Bank does not own more than 10% of issued common shares capital of the entity and significant investments in the capital of banking and financial entities that are outside the scope of regulatory consolidation.

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

3.4 Risk types

The Bank is exposed to various types of risk.

Risks in Pillar 1	• Credit risk • Market risk • Operational risk
Risks in Pillar 2	• Liquidity risk • Concentration risk • Profit rate risk in banking book • Reputational risk (earnings at risk) • Other risks – including strategic risk, regulatory risk etc.

The details of components of risks and how they are managed are discussed in the following sections of this document.

3.5 Monitoring and reporting

The RMD, together with the Internal Audit, provide independent assurance that all types of risk are being measured and managed in accordance with the policies and guidelines set by the Board of Directors. The monitoring and reporting frequency depends on the severity and volatility of the risk factor as set out in the respective policies. Risk reports are regularly presented to the senior management committees, ARC and Board as per the reporting requirements set in the risk policies. The Bank has established an adequate system for monitoring and reporting risk exposures and capital adequacy requirements. These reports aim to provide the senior management and Board-level committees with an up-to-date view of the risk profile of the Bank.

4 GROUP STRUCTURE

The consolidated financial statements for the year comprise of the financial statements of the Bank and its subsidiaries (together referred to as "the Group") as at 31 December 2019. The Group's financial statements are prepared and published on a full consolidation basis, with all material subsidiaries being consolidated in accordance with AAOIFI. Please refer to notes 4 in the consolidated financial statements for more details on the accounting policies for investments, including subsidiaries and associates of the Bank.

The principal subsidiaries and associates as at 31 December 2019 and their treatment for capital adequacy purposes are as follows:

Subsidiaries	Entity classification as per PCD Module for consolidated capital adequacy	Treatment by the Bank	
		Consolidated	Solo basis
Khaleeji Commercial Bank BSC (KHCB)	Banking subsidiary	Full consolidation	Full deduction from capital
GFH Sukuk Limited	Financial entity	Full consolidation	No impact as no direct investment by the Bank and the entity is a securitisation vehicle.
Morocco Gateway Investment Company (MGIC)	Commercial entity	Risk weighting of investment exposure	
GFH Capital Limited	Financial entity	Full consolidation	Full deduction from capital
KHCB Asset Company	Financial entity	Full consolidation	No impact as no direct investment by the Bank and the entity is a securitisation vehicle.
Harbour North 1 Real Estate S.P.C. Harbour North 2A Real Estate S.P.C. Harbour North 2B Real Estate S.P.C. Harbour North 3 Real Estate S.P.C. Harbour Row 3 Real Estate S.P.C. Harbour Row 4 Real Estate S.P.C.	Commercial Entities	Risk weighting (look through approach) approved by the CBB on 27 May 2012 [ii]	
Harbour Row 2 Real Estate S.P.C.	Commercial Entities	Risk weighting of investment exposure	
GFH Properties SPC	Commercial Entities	Risk weighting of investment exposure	
Delmon Lost Paradise Project Company 1 SPC Delmon Lost Paradise Project Company 2 SPC	Commercial Entities	Risk weighting (look through approach) approved by the CBB on 12 June 2019 [ii]	
Residential South Real Estate Development S.PC (RSRED)	Commercial Entities	Risk weighting (look through approach) approved by the CBB	
Tunis Bay Investment Company (TBIC)	Commercial entity	Risk weighting of investment exposure	
Energy City Navi Mumbai Investment Company & Mumbai IT & Telecom Technology Investment Company (together "India Project")	Commercial entities	Risk weighting of investment exposure	
Falcon Cement Company BSC (c)	Commercial entity	Risk weighting of investment exposure	
Gulf Holding Company KSCC	Commercial entity	Risk weighting of investment exposure	

Associates	Entity classification as per PCD Module for consolidated capital adequacy	Treatment by the Bank for consolidated and solo basis
Bahrain Aluminium Extrusion Company BSC	Commercial entity	Risk weighting of investment exposure
Global Banking Corporation BSC (GB Corp) [i]	Financial entity	Regulatory adjustment (deduction from capital)
Enshaa Development Real Estate BSC	Commercial entity	Risk weighting of investment exposure
Capital Real Estate Projects BSC	Commercial entity	Risk weighting of investment exposure
Al Areen Hotel S.P.C	Commercial entity	Risk weighting of investment exposure

[i] The Bank's investment in GB Corp does not exceed the threshold for deduction from capital, and hence, the entire investment exposure is risk weighted as per the regulatory adjustment.

[ii] These are pass-through entities and hence the underlying investments are risk weighted

4 GROUP STRUCTURE (contd.)

The investments in subsidiaries and associates are subject to large exposure and connected counter-party limits and guidelines set by the CBB. Significant investment in banking subsidiaries and financial entities that exceed the threshold for deduction from capital, the excess should be deducted from the capital of the Group.

The Central Bank of Bahrain, vide its letter dated 30 June 2019, has continued the exemption granted to GFH Financial Group from including the assets acquired via recovery and via the shares swap as part of the Large Exposure and Connected Counterparty limits. The same will be reassessed by Central Bank of Bahrain on an annual basis.

KHCB, a banking subsidiary of the Bank, is a locally incorporated commercial bank and the specific quantitative and qualitative disclosures pertaining to all the risks of KHCB have been disclosed in the Risk Management Disclosures of KHCB as at 31 December 2019, which can be accessed through the Annual report of KHCB. This document provides the risk and capital management disclosures of the Bank. The KHCB-specific disclosures and requirements are disclosed in the annual report of KHCB and are not reproduced in this document.

This document intends to combine the risk and capital management disclosures of the Bank and its involvement with its subsidiaries and associates. The quantitative disclosures in these documents provide further details of the exposures used for capital calculation purposes (where some entities are consolidated and some may be risk weighted) and accordingly will not match with the consolidated financial statements of the Group.

There are no restrictions for transfer of capital other than those applicable to licensed financial entities and process of commercial companies' law of respective jurisdictions.

5 COMPOSITION OF CAPITAL

5.1 Three steps approach to reconciliation between balance sheet in published financial statements and the composition of capital disclosure template

Statement of financial position under the regulatory scope of consolidation and reconciliation of published financial statements to regulatory reporting as at 31 December 2018.

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.

US$ 000's

As at 31 December 2019	Consolidated Statement of Financial Position as in published financial statements	Consolidated Statement of Financial Position as per Regulatory Reporting	Reference
ASSETS			
Cash and bank balance	362,345	358,241	
Of which Expected Credit Losses (ECL) resulting from adoption of FAS 30	(8)	(8)	A
Treasury portfolio	1,588,661	1,588,649	
Of which Expected Credit Losses (ECL) resulting from adoption of FAS 30	(1,112)	(1,112)	A
Financing assets	1,272,777	1,272,777	
Of which Expected Credit Losses (ECL) resulting from adoption of FAS 30	(20,922)	(20,922)	A
Real estate investments	1,806,009	767,961	
Proprietary investments	268,175	960,790	
Of which Expected Credit Losses (ECL) resulting from adoption of FAS 30	(29)	(29)	A
Of which non-significant investments in financial entities	18,000	18,000	B
Of which significant investments in the common stock of financial entity	34,812	34,812	C
Co-investments	96,507	96,507	
Asset held-for-sale	101,213	–	
Receivables and prepayments	424,146	507,383	
Of which Expected Credit Losses (ECL) resulting from adoption of FAS 30	(665)	(665)	A
Property and equipment	25,440	23,161	
Total assets	**5,945,273**	**5,575,470**	

As at 31 December 2018	Consolidated Statement of Financial Position as in published financial statements	Consolidated Statement of Financial Position as per Regulatory Reporting	Reference
LIABILITIES			
Clients' fund	70,858	70,858	
Placements from financial institutions, non-financials and individuals	2,447,249	2,447,249	
Customer current accounts	147,487	150,899	
Term financing	279,418	274,088	
Liabilities directly associated with assets held-for-sale	39,936	–	
Other liabilities	448,909	335,754	
Total liabilities	3,433,857	3,278,849	
Equity of investment account holders	**1,218,545**	**1,218,545**	
OWNERS' EQUITY			
Share capital	975,638	975,638	D
Treasury shares	(73,419)	(73,419)	E
Statutory reserve	125,312	125,312	F
Fair value reserve	(4,831)	(4,831)	G
Retained earnings	10,070	10,070	H
Foreign currency translation reserve	(29,425)	–	
Share grant reserve	1,198	1,198	I
Total equity attributable to shareholders of the Bank	**1,004,543**	**1,033,968**	
Non-controlling interests	262,932	44,108	
Non-controlling interests held-for-sale	25,396	–	
Of which Total minority interest in banking subsidiaries given recognition in CET1 capital	–	44,108	J
Total owners' equity	**1,292,871**	**1,078,076**	
Total liabilities, equity of investment account holders and owners' equity	**5,945,273**	**5,575,470**	

The table below shows the total assets and shareholders' equity of the Bank's subsidiaries as at 31 December 2019 which are unconsolidated for capital adequacy calculation purposes. For principal activities of these subsidiaries refer Note 1 of the consolidated financial statements as at 31 December 2019.

US$ 000's

Entity name	Principal activities	Total Assets *	Total Shareholders' equity *
Morocco Gateway Investment Company	Real estate development	144,257	109,657
India Project	Real estate development	617,022	494,123
Tunis Bay Investment Company	Real estate development	113,411	71,411
Gulf Holding Company	Real estate development	100,536	89,761

**The numbers disclosed are before considering acquisition accounting adjustments and intercompany eliminations.*

5 COMPOSITION OF CAPITAL (contd.)

Step 3: Composition of Regulatory Capital as at 31 December 2019

US$ 000's

	Component of regulatory capital reported by bank	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1): instruments and reserves		
Retained earnings	10,070	H
Accumulated other comprehensive income (and other reserves)	121,679	F+G+I
Not applicable		
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	44,111	J
Common Equity Tier 1 capital before regulatory adjustments	**1,151,495**	
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	–	
Goodwill (net of related tax liability)	–	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	–	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		
Cash-flow hedge reserve	–	
Shortfall of provisions to expected losses	–	
Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	–	
Defined-benefit pension fund net assets	–	
Investments in own shares	(73,419)	E
Reciprocal cross-holdings in common equity	–	
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)	–	
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)	–	
Mortgage servicing rights (amount above 10% threshold)	–	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	
Amount exceeding the 15% threshold	–	
of which: significant investments in the common stock of financials	–	
of which: mortgage servicing rights	–	
of which: deferred tax assets arising from temporary differences	–	
CBB specific regulatory adjustments	–	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–	
Total regulatory adjustments to Common equity Tier 1	**–**	
Common Equity Tier 1 capital (CET1)	**1,078,079**	

	Component of regulatory capital reported by bank	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 capital: instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	–	
of which: classified as equity under applicable accounting standards		–
of which: classified as liabilities under applicable accounting standards		–
Directly issued capital instruments subject to phase out from Additional Tier 1	–	
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)	9,452	
of which: instruments issued by subsidiaries subject to phase out		–
Additional Tier 1 capital before regulatory adjustments	**9,452**	
Additional Tier 1 capital: regulatory adjustments		
Investments in own Additional Tier 1 instruments	–	
Reciprocal cross-holdings in Additional Tier 1 instruments	–	
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)	–	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
CBB specific regulatory adjustments	–	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	
Total regulatory adjustments to Additional Tier 1 capital	–	
Additional Tier 1 capital (AT1)	**–**	
Tier 1 capital (T1 = CET1 + AT1)	**1,087,531**	
Tier 2 capital: instruments and provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	–	
Directly issued capital instruments subject to phase out from Tier 2	–	
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)	12,603	
of which: instruments issued by subsidiaries subject to phase out	–	
Provisions	22,736	A
Tier 2 capital before regulatory adjustments	**35,339**	
Tier 2 capital: regulatory adjustments		
Investments in own Tier 2 instruments	–	
Reciprocal cross-holdings in Tier 2 instruments	–	
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)	–	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
National specific regulatory adjustments	–	
Total regulatory adjustments to Tier 2 capital	–	
Total capital (TC = T1 + T2)	**1,122,871**	
Total risk weighted assets	**8,283,979**	
Total risk weighted assets	**8,283,979**	

5 COMPOSITION OF CAPITAL (contd.)

Step 3: Composition of Regulatory Capital as at 31 December 2019

	Component of regulatory capital reported by bank	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of risk weighted assets)	12.94%	
Tier 1 (as a percentage of risk weighted assets)	13.06%	
Total capital (as a percentage of risk weighted assets)	13.48%	
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	
of which: capital conservation buffer requirement	N/A	
of which: bank specific countercyclical buffer requirement	N/A	
of which: D-SIB buffer requirement	N/A	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	12.94%	
National minima including CCB (where different from Basel III)		
CBB Common Equity Tier 1 minimum ratio	9.0%	
CBB Tier 1 minimum ratio	10.5%	
CBB total capital minimum ratio	12.5%	
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	18,000	B
Significant investments in the common stock of financials	34,812	C
Mortgage servicing rights (net of related tax liability)	–	
Deferred tax assets arising from temporary differences (net of related tax liability)	–	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	22,736	A
Cap on inclusion of provisions in Tier 2 under standardised approach	–	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)		
Current cap on CET1 instruments subject to phase out arrangements	NA	
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
Current cap on AT1 instruments subject to phase out arrangements	NA	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
Current cap on T2 instruments subject to phase out arrangements	NA	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	

Disclosure template for main features of regulatory capital instruments

Issuer	GFH Financial Group BSC
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	GFH (DFM), GFH (BHB), GFH (KSE)
Governing law(s) of the instrument Regulatory treatment	All applicable laws and regulations in the Kingdom of Bahrain
Transitional CBB rules	Common Equity Tier 1 (CET1)
Post-transitional CBB rules	Common Equity Tier 1 (CET1)
Eligible at solo/group/group & solo	Group and solo basis
Instrument type (types to be specified by each jurisdiction)	Common shares
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	USD 976 million
Par value of instrument	USD 0.265
Accounting classification	Shareholders' equity
Original date of issuance	1999
Perpetual or dated	Not applicable
Original maturity date	Not applicable
Issuer call subject to prior supervisory approval	Not applicable
Optional call date, contingent call dates and redemption amount	Not applicable
Subsequent call dates, if applicable Coupons / dividends	Not applicable
Dividends	Dividends are decided and approved by the shareholders in the AGM
Coupon rate and any related index	Not applicable
Existence of a dividend stopper	Not applicable
Fully discretionary, partially discretionary or mandatory	Fully discretionary
Existence of step up or other incentive to redeem	Not applicable
Noncumulative or cumulative	Not applicable
Convertible or non-convertible	Not applicable
If convertible, conversion trigger (s)	Not applicable
If convertible, fully or partially	Not applicable
If convertible, conversion rate	Not applicable
If convertible, mandatory or optional conversion	Not applicable
If convertible, specify instrument type convertible into	Not applicable
If convertible, specify issuer of instrument it converts into	Not applicable
Write-down feature	Not applicable
If write-down, write-down trigger(s)	Not applicable
If write-down, full or partial	Not applicable
If write-down, permanent or temporary	Not applicable
If temporary write-down, description of write-up mechanism	Not applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
Non-compliant transitioned features	Not applicable
If yes, specify non-compliant features	Not applicable

6 CAPITAL STRUCTURE AND CAPITAL ADEQUACY RATIO

6.1 Capital adequacy

The Bank's regulator CBB sets and monitors capital requirements for the Bank as a whole (i.e. at a consolidated level). The banks are required to maintain minimum capital adequacy ratio of 12.5% on a consolidated basis [i.e. CET1 – 6.5%, AT1-1.5%, Tier 2 – 2% and CCB – 2.5%] and a capital adequacy ratio of 8% on a solo basis [i.e. CET1 – 4.5%, AT1 – 1.5% and Tier 2– 2%]. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Bank has adopted the standardised approach to credit and market risk and basic indicator approach for operational risk management under the revised framework.

The Group's regulatory capital position at 31 December 2019 was as follows:

US$ '000s

Total Capital	**31 December 2019**
Common Equity Tier 1 (CET 1)	
Issue and fully paid ordinary shares	975,638
Less: Treasury shares	(73,419)
Statutory reserve	125,312
Retained earnings	(70,038)
Current interim cumulative net profit	80,108
Other reserves	(3,633)
Total CET1 capital before minority interest	**1,033,968**
Total minority interest in banking subsidiaries given recognition in CET1 capital	44,112
Total CET1 capital prior to the regulatory adjustments	**1,078,079**
Less: Investment in own shares	–
Total CET1 capital after to the regulatory adjustments	**1,078,079**
Other capital - Additional Tier 1 (AT1) & Tier 2 (T2) capital	
Instruments issued by banking subsidiaries to third parties	
– AT1	9,452
– T2	12,603
General financing loss provisions	
– T2	22,736
Total Available AT1 & T2 capital	**44,792**
Total Capital	**1,122,871**

Risk-weighted exposures	**31 December 2019**
Credit risk	7,776,808
Market risk	79,231
Operational risk	474,052
Total Risk-weighted exposures	**8,330,081**

CET1 ratio	12.94%
T1 ratio	13.06%
Total Capital Adequacy ratio (Total Capital)	**13.48%**

Total and Tier 1 Capital ratios of Khaleeji Commercial Bank BSC (c) (significant banking subsidiary of GFH) are as follows:

Capital adequacy ratio (CET1 and T1)	14.80%
Total capital Adequacy ratio (Total capital)	**15.91%**

The Bank's paid-up capital consists only of ordinary shares which have proportionate voting rights.

6.2 ICAAP considerations

The ICAAP incorporates a review and evaluation of risk management and capital relative to the risks to which the bank is exposed. GFH has developed an ICAAP around its economic capital framework which involves identification and measurement of risks to maintain an appropriate level of internal capital in alignment to the Bank's overall risk profile and business plan. An ICAAP document has been developed to address major components of the Bank's risk management, from the daily management of material risks including risk types which are not covered under Pillar 1 including liquidity risk, profit rate risk in the banking book, concentration risk, and reputational risk. The Bank uses the ICAAP document for internal capital monitoring purposes.

7 CREDIT RISK

7.1 Introduction

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's placements with financial institutions, financing assets, and other receivables balances. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Bank does not have a trading book and hence all of its equity investments are classified in the banking book and are subject to credit risk weighting under the capital adequacy framework. For regulatory capital computation purposes, the Bank's equity investments in the banking book include investments carried at fair value through equity, investments designated at fair value through profit or loss, significant and majority investments in commercial entities and associate investments in non-significant financial and non-financial entities (as significant financial entities which qualify as associates are treated separately for regulatory purposes).

7.2 Credit risk management

The Bank is not involved in the granting of credit facilities in the normal course of its business activities. The Bank is primarily exposed to credit risk from placements with other financial institutions, investment in sukuks, receivables from its investment banking services and in respect of funding made (both in the form of financing and short-term liquidity facilities) to its projects. These exposures arise in the ordinary course of its investment banking activities and are generally transacted without any collateral or other credit risk mitigants.

The Bank has an established internal process for assessing credit risk. The Bank has established investment and credit risk policies covering credit risk identification, and assessment, risk reporting, documentation and legal procedures, and compliance with regulatory and statutory requirements. The policies are supplemented by an internal authorisation structure for the approval and renewal of investment and credit facilities. Authorisation limits for credit facilities are as per the Board approved Delegated Authority Limits (DAL).

Please refer Note 37 to the consolidated financial statements for additional details on the processes for measuring and managing credit risk.

7.3 Capital requirements for credit risk

To assess its capital adequacy requirements for credit risk in accordance with the CBB requirements, the Bank adopts standardised approach. According to standardised approach, on and off balance sheet credit exposures are assigned to various defined categories based on the type of counterparty or underlying exposure. Risk Weighted Assets (RWAs) are calculated based on prescribed risk weights by CBB relevant to the standard categories and counterparty's external credit ratings, where available.

7.4 Rating of exposures and risk weighting

The use of external rating by External Credit Assessment Institutions (ECAI) is generally limited to the Bank's exposure to financial institutions and investments in sukuks. For externally rated facilities the Bank uses ratings by Standards & Poor, Moody's, Fitch and Capital Intelligence to derive risk weights for the purpose of capital adequacy computations. For financial institutions, domestic currency ratings are used to assess claims on domestic currency while foreign currency rating is used for foreign currency exposures. A preferential risk weight of 20% is used which is applicable to short term claims on locally incorporated banks where the original maturity of these claims are three months or less and these claims are in Bahraini Dinar or US Dollar.

As per CBB guidelines, 100% of the RWA's financed by owners' equity (i.e. self-financed) are included for the purpose of capital adequacy computations whereas only 30% of the RWA's financed by equity of investment account holders [EIAH] are required to be included.

7 CREDIT RISK (contd.)

7.4 Rating of exposures and risk weighting (contd.)

Following is the Group's analysis for credit risk as computed for regulatory capital adequacy purposes:

US$ 000's

Exposure Class	Gross Credit Exposures	Credit Risk Mitigant	Credit Risk Exposure After Credit Risk Mitigant	Average Risk weights	Total Credit risk Weighted Exposure
Self-financed assets					
Cash items	14,065	–	14,065	0%	–
Total claims on sovereign and PSEs threated as sovereign	317,630	–	317,630	0%-100%	9,011
Standard Risk Weights for Claims on Banks	388,604	–	388,604	20%-100%	252,052
Short term Claims on Banks	143,114	–	143,114	20%	28,623
Preferential Risk Weight for Claims on Banks	23,131	–	23,131	20%%	4,626
Claims on Corporates	875,984	(321,082)	554,902	100%-150%	**575,090**
Past Due Facilities	236,984	(88,358)	(148,626)	100%-150%	188,518
Investments in Equity Securities and Equity Sukuk	662,229	–	662,229	100%-800%	2,092,480
Holding of Real Estate	1,611,978	–	1,611,978	100%-400%	4,414,993
Others Assets	36,565	–	36,565	100%	36,565
Total self-financed assets (A)	**4,310,353**	**(409,440)**	**3,900,913**	**0%-800%**	**7,601,959**
Total regulatory capital required - self-financed assets (A x 12.5%)				**12.5%**	**950,245**
Financed by EIAH					
Total claims on sovereign	476,072	–	476,072	0%	–
Total Claims on PSEs	88,785	–	26,133	0%-100%	17,012
Standard Risk Weights for Claims on Banks	202,162	–	202,162	20%-100%	80,508
Short term Claims on Banks	85,197	–	85,197	20%	17,039
Claims on Corporates	506,032	(27,780)	478,252	50%-100%	468,252
Total financed by EIAH (B)	**1,358,248**	**(27,780)**	**791,744**	**0%-100%**	**582,812**
Considered for credit risk (C) = (B x 30%)				**30%**	**174,844**
Total regulatory capital required - financed by EIAH (C x 12.5%)				**12.5%**	**21,855**
Total risk-weighted assets (A+C)					**7,776,803**
Minimum regulatory capital required (at 12.5%)					**972,100**

7.5 Quantitative information on credit risk

7.5.1 Gross and average credit exposure

The following are gross credit risk exposures considered for Capital Adequacy Ratio calculations of the Group classified as per disclosure in the consolidated financial statements:

US$ 000's

Balance Sheet Items	Self Finance	EIAH	Total Gross Credit Exposure	Average Gross Credit Exposure*
Cash and bank balances	321,002	41,343	362,345	418,905
Treasury portfolio	897,492	691,169	1,588,661	1,601,035
Financing assets	786,744	486,033	1,272,777	1,290,574
Real estate investments	1,806,009	–	1,806,009	1,817,022
Proprietary investments	268,175	–	268,175	273,771
Co-investments	96,507	–	96,507	81,374
Assets held-for-sale	101,213	–	773,134	112,695
Receivables and prepayments	424,146	–	424,146	411,826
Property and equipment	25,440	–	25,440	24,711
Total funded exposure	**4,726,728**	**1,218,545**	**5,945,273**	**6,031,914**
Commitments	255,131	–	255,131	264,428
Restricted investment accounts	28,460	–	28,460	28,431
Total unfunded exposure	**283,591**	**-**	**283,591**	**292,859**

** Average gross credit exposures have been calculated based on the average of balances outstanding on a quarterly basis during the year ended 31 December 2019. Assets funded by EIAH are geographically classified in GCC countries, Asia and Europe . Placements with financial and other institutions that are funded by EIAH are placed with Banks and financial institutions having maturity profile of up to 3 months.*

7.5.2 Credit exposure by geography

The classification of credit exposure by geography, based on the location of the counterparty, was as follows:

US$ 000's

	GCC Countries	MENA	Asia	North America	Others	Total
Assets						
Cash and bank balances	303,516	606	1,393	51,649	5,181	362,345
Treasury portfolio	1,338,826	10,028	–	29,900	209,907	1,588,661
Financing assets	1,242,257	–	37	14,307	16,176	1,272,777
Real estate investment	983,421	470,551	352,037	–	–	1,806,009
Proprietary investment	267,078	–	–	–	1,097	268,175
Co-investments	18,942	–	49,198	18,452	9,915	96,507
Assets held-for-sale	101,213	–	–	–	–	101,213
Receivables and prepayments	257,548	30,825	25,730			
41,363	68,680	424,146				
Property and equipment	23,185	2,255	–	–	–	25,440
Total assets	**4,535,986**	**514,265**	**428,395**	**155,671**	**310,956**	**5,945,273**
Equity of investment account holders	1,211,821	–	4,883	–	1,841	1,218,545
Off-Balance sheet items						
Commitments	255,131	–	–	–	–	255,131
Restricted investment accounts	25,850	–	–	–	2,610	28,460

7.5 Quantitative information on credit risk (contd.)

7.5.3 Credit exposure by industry

The classification of credit exposure by industry was as follows:

US$ 000's

	Banks and Financial Institutions	Real Estate	Others	Total
Assets				
Cash and bank balances	358,145	4,190	10	362,345
Treasury portfolio	1,525,963	–	62,698	1,588,661
Financing assets	20,842	548,799	703,136	1,272,777
Real estate investments	–	1,806,009	–	1,806,009
Proprietary investment	106,938	93,419	67,818	268,175
Co-investment	–	96,507	–	96,507
Asset held-for-sale	–	–	101,213	101,213
Receivables and prepayments	148,905	169,645	105,596	424,146
Property and equipment	–	20,155	5,285	25,440
Total assets	**2,160,793**	**2,738,724**	**1,045,756**	**5,945,273**
Equity of Investment account holders	22,379	316,878	879,288	1,218,545
Off-Balance sheet items				
Commitments	–	162,886	92,245	255,131
Restricted investment accounts	104	25,746	2,610	28,460

7.5.4 Credit exposure by maturity

The maturity profile of credit exposures based on expected maturity was as follows:

US$ 000's

	Up to 3 Months	3 to 6 Months	6 Months–1 Year	1 to 3 Years	Over 3 Years	No Stated Maturity	Total
Assets							
Cash and bank balances	325,751	12,538	14,553	9,440	–	63	362,345
Treasury portfolio	841,711	33,826	240,602	224,091	248,431	–	1,588,661
Financing assets	216,818	124,980	125,343	462,580	343,056	–	1,272,777
Real estate investment	–	–	4,349	899,472	902,188	–	1,806,009
Proprietary investments	2,451	–	18,718	115,505	131,501	–	268,175
Co-investments	–	2,676	–	87,080	6,751	–	96,507
Assets held-for-sale	–	–	101,213	–	–	–	101,213
Receivables and Prepayments	115,841	113,598	56,799	133,584	4,324	–	424,146
Property and equipment	–	–	–	–	25,440	–	25,440
Total assets	**1,502,572**	**287,618**	**561,577**	**1,931,752**	**1,661,691**	**63**	**5,945,273**
Equity of investment account holders	180,250	228,942	334,522	228,844	245,987	–	1,218,545
Off balance sheet items							
Commitments	87,000	46,645	15,801	105,415	270	–	255,131
Restricted investment accounts	154	–	–	–	28,306	–	28,460

The table above shows the maturity profile of the Group's assets and unrecognised commitments on the basis of their contractual maturity, here available. For other items, (including past due receivables), the maturity profile is on the basis of their expected realisation. The total assets are reconciled to the gross credit exposures considered for capital adequacy computation purposes.

7.6 Large exposures

The CBB has set single exposure limit of 15% of the Bank's total capital base on exposures to individual and a combined exposure limit of 25% of total capital base of closely connected counterparties. The excess amount of any exposure above the mentioned thresholds must be risk weighted at 800%, unless it is an exempt exposure in accordance with the requirements of CBB rulebook.
All large exposures in excess of 15% of capital base as at 31 December 2019 has been risk weighted at 800%. Also the combined exposures in excess of 25% of total capital base of closely connected counterparties have been risk weighted at 800%.

The following are the large exposure counterparties in excess of 15% of capital base.

US$ 000's

Single exposure in excess of 15% of capital base	% of capital	Exposure as at 31 December 2019
Counterparty A	28.8%	323,276
Counterparty B	15.6%	175,017
Counterparty C	15.1%	170,057

7.7 Impaired facilities and past-due exposures

The Bank classifies credit exposures into two broad categories "Unimpaired" and "Impaired", reflecting risk of default and the availability of collateral or other credit risk mitigation. The Bank does not perform a collective assessment of impairment for its credit exposures as the credit characteristics of each exposure is considered to be different. Credit and investment exposures are subject to regular reviews by the Investment units and RMD.

The definition and details of impaired assets, past due but not impaired exposures and policy for establishing an allowance account and write-off of an exposure is provided for in Note 37 to the consolidated financial statements. The details of changes in impairment allowances for financial assets are provided for in the notes to the consolidated financial statements.

7.8 Credit risk mitigation

The credit risk exposures faced by the Bank are primarily related to placements with other financial institutions, investments in sukuks and in respect of investment related funding made to its projects. The funding made to the projects are based on the assessment of the underlying value of the assets and the expected streams of cash flows. Since these exposures arise in the ordinary course of the Bank's investment banking activities and are with the projects promoted by the Bank, they are generally transacted without any collateral or other credit risk mitigants.

7.9 Related party and intra-group transactions

Related counterparties are those entities which are connected to the Bank through significant shareholding or control or both. The Bank has entered into business transactions with such counterparties in the normal course of its business. For the purpose of identification of related parties the Bank strictly follows the guidelines issued by Central Bank of Bahrain and definitions as per FAS issued by AAOIFI. Detailed break-up of exposure to related parties has been presented in Note 26 to the consolidated financial statements.

7.10 Exposure to highly leveraged and other high-risk counterparties

The Bank has no exposure to highly leveraged and other high-risk counterparties as per definition provided in the CBB rule book PD 1.3.24.

7.11 Restructured facilities

As at 31 December 2019, other assets which are neither past due nor impaired include certain short-term financing to projects which were renegotiated during the year (refer note 37 to the consolidated financial statements). In certain cases, on a need basis, the Bank supports its projects by providing credit facilities. These facilities are provided based on assessment of cash flow requirements of the projects and the projects ability to repay the financing amounts based on its operating cash flows. The assessment is independently reviewed by the RMD. Although in general no specific collateral is provided, such exposures are usually adequately covered by the value of the underlying project assets. The terms of the renegotiation primarily include extension of the repayment period. The facilities are provided for as viewed necessary based on periodic impairment assessments.

7.12 Equity investments held in banking book

The Bank does not have a trading book and hence all of its equity investments and other investments are classified in the banking book and are subject to credit risk weighting under the capital adequacy framework. For regulatory capital computation purposes, the Bank's equity investments in the banking book include available-for-sale investments, significant and majority investments in commercial entities and associate investments in non-significant financial and non-financial entities (i.e. significant financial entities which qualify as associates are treated separately for regulatory purposes).

Please refer to the notes to the consolidated financial statements for policies covering the valuation and accounting of equity holdings, including the accounting policies and valuation methodologies used, key assumptions and practices affecting valuation.

7 CREDIT RISK (contd.)

7.12 Equity investments held in banking book (contd.)
The RMD provides an independent review of all transactions. A fair evaluation and impairment assessment of investments takes place with inputs from the Investment department, Finance department and RMD. Investment updates are periodically reviewed by the Board of Directors. Regular audits of business units and processes are undertaken by Internal Audit.

The Bank's equity investments are predominantly in its own projects, which include venture capital, private equity, asset management, real estate development and development infrastructure investment products. The intent of such investments is a later stage exit along with the investors principally by means of sell-outs at the project level or through initial public offerings. The Bank also has a strategic financial institutions investment portfolio which is aligned with the long term investment objectives of the Group.

Information on equity investments	US$ 000's
Privately held	419,119
Quoted in an active market	27,311
Dividend income	5,678
Realised gain/ (loss) during the year	85

The following are the categories under which equity investments are included in the capital adequacy computations as per the requirements of the CBB rules:

US$ 000's

	Gross exposure	**Risk weight**	**Risk weighted exposure**	**Capital charge 12.5%**
Listed equity investment	27,311	100%	27,311	3,414
Unlisted equity investment*	419,119	150%	628,679	78,585
Significant investment in the common shares of financial entities >10%	52,812	250%	132,030	16,504
Other exposures with excess of large exposures limits	163,058	800%	1,304,461	163,058
Premises occupied by the bank*	17,812	100%	17,812	2,227
All other holdings of real estate*	989,735	200%	1,979,470	247,434
Investment in listed real estate companies	13	300%	39	5
Investment in unlisted real estate companies*	604,418	400%	2,417,672	302,209
Total	**2,274,278**		**6,507,474**	**813,434**

**Includes amounts of risk weighted assets arising from full consolidation of KHCB.*

8 MARKET RISK

8.1 Introduction
Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates, equity prices, sukuk prices and commodity prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. As a matter of general policy, the Bank does not assume trading positions on its assets and liabilities, and hence the entire balance sheet is a non-trading portfolio (banking book). The Bank has adopted a standardised approach for measurement of market risk under the CBB capital adequacy framework. The CBB's standardised approach capital computation framework requires risk-weighted assets to be computed for price risk, equities position risk, Sukuk risk, foreign exchange risk and commodities risk. Hence, from a capital computation perspective the Bank's market risk measurement is limited to foreign exchange risk in the banking book. The Bank is also exposed to profit rate risk on the banking book which is managed separately.

8.2 Foreign exchange risk management
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank seeks to manage currency risk by continually monitoring exchange rates. The Board of Directors approves policies and strategies related to the management of FX risk. The Assets and Liabilities Committee ('ALCO') supports the Board in managing FX risk by recommending policies, setting limits and guidelines and monitoring the FX risk of the Bank on a regular basis. ALCO provides guidance for day to day management of FX risk and also approves hedging programs. The management of the day-to-day FX position of the Bank is the responsibility of the Treasury. The department shall ensure adequate FX liquidity to meet the maturing obligations and growth in assets while ensuring that all limits and guidelines set by the Board and ALCO are complied with; and shall implement hedging and other approved strategies for managing the risk. The Risk Management Department on an ongoing basis reviews the limits set and ensure that the concerned department(s) is complying with all limits set as per the risk appetite of the bank. The Group has reported net exposures denominated in various foreign currency as of 31 December from various financial instruments and structural foreign currency exposure arising from unhedged equity investments in its foreign subsidiaries and investments (refer to Note 37(c) in the Financials section).

The management of foreign exchange risk against net exposure limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various foreign exchange scenarios. Standard scenarios that are considered include a 5% plus/minus increase in exchange rates, other than GCC pegged currencies. An analysis of the Bank's net foreign exchange position and its sensitivity to an increase or decrease in foreign exchange rates (assuming all other variables, primarily profit rates, remain constant) has been presented in Note 37 to the consolidated financial statements.

8.3 Capital requirements for market risk
To assess its capital adequacy requirements for market risk in accordance with the CBB capital adequacy module for Islamic Banks, the Bank adopts the standardised approach. Foreign exchange risk charge is computed based on 8% of overall net open foreign currency position of the Group.

US$ 000's

Self Financed	**31st December 2019**	**Maximum During the Year**	**Minimum During the Year**
Foreign exchange risk - [A]	6,339	6,339	2,814
Risk weighted assets – [B] = (A*12.5)	79,231	79,231	35,173
Capital requirement – (B*12.5%)	9,903	9,903	4,397

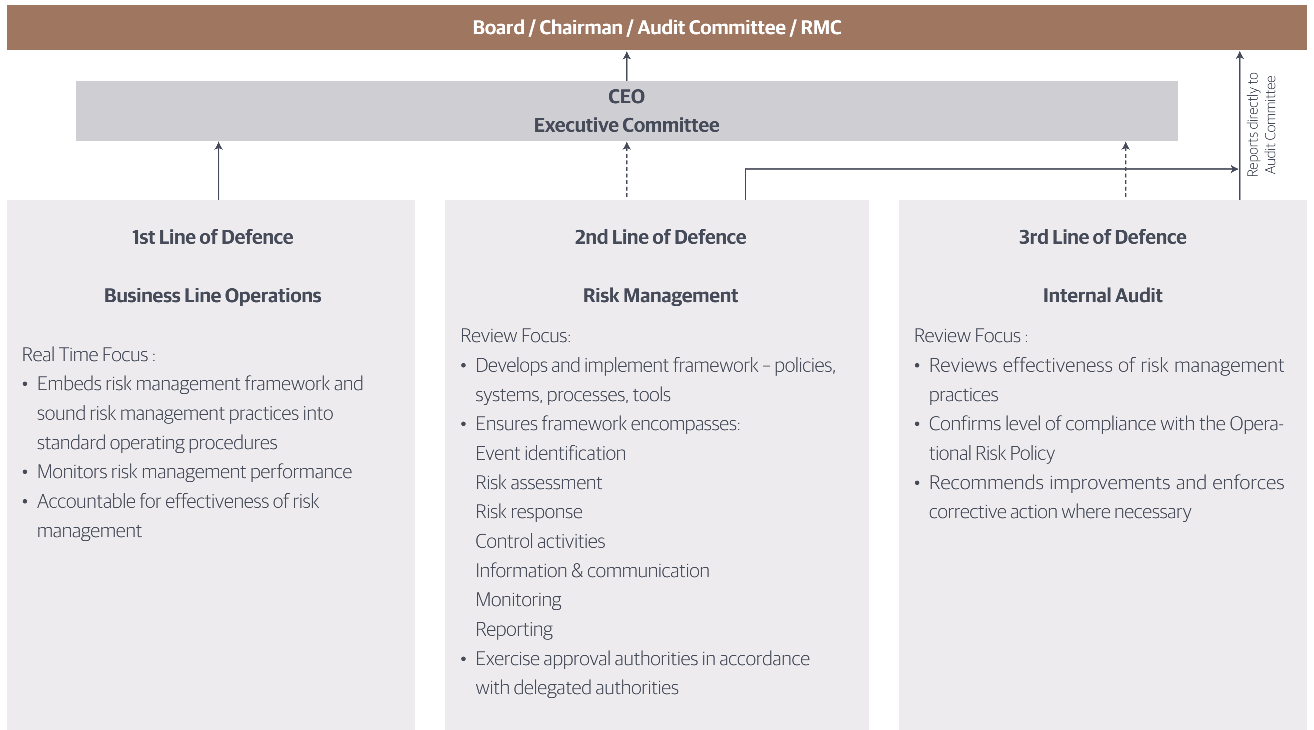
9 OPERATIONAL RISK

9.1 Introduction
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is an inherent part of normal business operations. The Bank has adopted the Basic Indicator Approach for measurement of operational risk under the Basel II and CBB capital computation framework.

9.2 Operational risk management
Whilst operational risk cannot be eliminated entirely, the Bank endeavors to minimise it by ensuring that a strong control infrastructure is in place throughout the organisation. Various procedures and processes used to manage operational risk include effective staff training, appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, close monitoring of risk limits, segregation of duties, and financial management and reporting. The Risk Management Department manages the framework and facilitates the process of operational risk management.

The Bank has an operational risk management framework which includes components such as Key Risk Indicators (KRIs), operational loss data and Risk & Control Self Assessment (RCSA) across the Bank.

To ensure effective governance across all processes and functions, GFH has adopted a 'Three Lines of Defense' approach, as illustrated below. The structure clearly reflects the requisite independence between the three functions.



9 OPERATIONAL RISK (contd.)

9.2 Operational risk management (contd.)

The rationale behind the three Lines of Defense sees that the CEO is ultimately accountable for all three Lines of Defense. In addition:

- The Business Unit heads are ultimately accountable for the first Line of Defense in their business areas;
- The Risk Management function is ultimately accountable for the second Line of Defense for the Bank; and
- The Internal Audit is ultimately accountable for the third Line of Defense for the Bank.

The Bank's definition of operational risk also incorporates legal and Sharia compliance risk. This is defined as an operational risk facing Islamic banks which can lead to, loss of reputation, non-recognition of income and loss of revenue. This definition excludes strategic, liquidity, credit, market and reputational risks. However, operational risk that has a direct impact upon reputation (and by default a subsequent impact on profit and/or performance) is formally considered and reported upon. Whilst operational risk excludes losses attributable to traditional banking risk (credit, market and liquidity), the Bank recognises that operational risk is attached to the management of those traditional risks. For example, operational risk includes legal and compliance related risks attached to the management of credit and market risk. Operational risks are attached to the management of business as usual as well as to changes such as the introduction of new products, projects or program activities.

9.3 Legal compliance and litigation

The Bank has established approved policies in relation to legal, regulatory and compliance risk; and have dedicated Compliance and Legal departments in place. All contracts, documents, etc have to be reviewed by the legal department as well. For information on contingencies, refer note 36 to the consolidated financial statements.

9.4 Sharia compliance

The Sharia Supervisory Board (SSB) is entrusted with the duty of directing, reviewing and supervising the activities of the Bank in order to ensure that they are in compliance with the rules and principles of Islamic Sharia and specific fatwas, rulings and guidelines issued. The Bank also has a dedicated internal Sharia audit function, who performs an ongoing independent review of the compliance with the fatwas and rulings of the SSB on products and processes and also reviews compliance with the requirements of the Sharia standards prescribed by AAOIFI while the Coordination and Implementation function assists the SSB in issuing Sharia pronouncements/resolutions about the products and services offered by the Group. The SSB reviews and approves all products and services before launching and offering to the customers and also conducts periodic reviews of the transactions of the Bank. An annual audit report is issued by the SSB confirming the Bank's compliance with Sharia rules and principles.

9.5 Capital requirements for operational risk

The Bank adopts the Basic Indicator Approach to evaluate operational risk charge in accordance with the approach agreed with the CBB. The Bank's average gross income for the last three financial years is multiplied by a fixed coefficient alpha of 15% set by CBB and a multiple of 12.5x is used to arrive at the risk weighted exposure that are subject to capital charge of 12.5%.

US$ '000s

	Average gross income	Risk weighted exposure	Capital charge at 12.5%
Operational risk	252,828	474,052	59,257

10. OTHER TYPES OF RISK

10.1 Introduction

Apart from the risks listed in the previous sections, the Bank is also exposed to other types of risks which it identifies and manages as part of its risk management framework. Although these risks do not directly form part of the Tier 1 risks, they are identified and captured by the ICAAP.

10.2 Liquidity risk

Liquidity risk is the inability of the Bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. This also includes the inability of the Bank to liquidate its assets at their expected prices in a reasonable period. The Group's approach to managing liquidity is to ensure that it should always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Bank has a liquidity risk policy in place, which describes the roles and responsibilities of various committees, Treasury and other concerned departments in management of liquidity. The Liquidity Risk policy and Liquidity Risk appetite limits stipulates various liquidity ratios to be maintained by the Bank, as well as gap limits for time bucket of the maturity ladder.

The liquidity position is closely monitored and stressed to cover both normal and severe bank specific and market specific conditions. Daily reports cover the liquidity position of the Bank. Moreover, periodic reports are submitted to the Asset and Liability Management Committee of the Bank (ALCO) Audit & Risk Committee (ARC) and to the Board of Directors for review and strategic decision. For maturity profile of assets and liabilities refer Note 32 of the consolidated financial statements.

The following are the key liquidity ratios which reflect the liquidity position of the Group:

Liquidity Ratios	31st December 2019	Maximum	Minimum
Liquid assets : Total assets	26.47%	26.47%	22.21%
Liquid assets* : Total deposits	40.51%	40.51%	27.52%
Short-term assets : Short-term liabilities	42.17%	102.49%	42.17%
Illiquid assets : Total assets	73.53%	77.79%	73.53%

Liquid assets consists of cash and bank balances, placements with financial and non-financial institutions, investment in sukuk and investments in listed equity

10.3 Management of profit rate risk in the banking book

Profit rate risk is the exposure of a bank's financial condition to adverse movements in profit rates. Changes in profit rates affect a bank's earnings by changing its net profit income and the level of other profit-sensitive income and operating expenses. Changes in profit rates also affect the underlying value of the bank's assets, liabilities, and off-balance-sheet (OBS) instruments because the present value of future cash flows change when profit rates change.

The sources of profit rate risk relevant for Bank's balance sheet size and complexity comprises mainly of:

- Repricing Risk: The primary form of profit rate risk arises from timing differences in the maturity (for fixed-rate) and repricing (for floating-rate) of bank assets, liabilities, and OBS positions.
- Basis risk: Another important source of profit rate risk arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics. When profit rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and OBS instruments of similar maturities or repricing frequencies.

Yield Curve Risk: Yield curve risk is the risk associated with either a flattening or steepening of the yield curve. Mismatch in maturity or repricing dates of assets, liabilities and off balance sheet items expose the Bank to risks that arises from non-parallel shift in yield curve.

- Optionality risk: This risk arises from the discretion that a bank's customers and counterparties have in respect of their contractual relations with the bank in the form of financial instruments. Embedded options are diverse and bank-specific and include prepayment risk on fixed rate loans and deposits and switching risk on non-interest bearing current accounts.

The Board is responsible for the overall management of the profit rate risk. ALCO helps the Board in determining the borrowing and funding strategy of the Bank in order to optimise risk return trade off. It supports the Board in managing profit rate risk by recommending policies, setting limits and guidelines and monitoring the risk on a regular basis.

The objective of profit rate risk measurement is to maintain the Bank's profit rate risk exposure within risk appetite limits. The process of establishing profit rate risk limits and describing the risk taking guidelines provides the means for achieving the objective. Such a process defines the boundaries for the level of profit rate risk for the Bank. The limit structure also ensures that positions that exceed certain predetermined levels receive prompt management attention.

The limit system enables management to control profit rate risk exposures, initiate discussion about opportunities and risks, and monitor actual risk taking against predetermined risk tolerance.

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios.

Standard scenarios that are considered include a 100 basis points (bps) parallel fall or rise in yield curves. For details of the Bank's profit rate gap position as at 31 December 2019 and analysis of the Bank's sensitivity to an increase or decrease in market profit rates, refer Note 37(c) of the consolidated financial statements. An analysis of the Group's sensitivity to an increase or decrease in market profit rates for a 200 bps parallel increase / (decrease) is as below:

200 bps Parallel Increase/(Decrease)	US$ 000's
At 31 December 2019	± 21,676
Average for the year	±± 26,206
Maximum for the year	±± 31,796
Minimum for the year	±± 20,674

10.4 Concentration risk

This risk arises from exposure to a common set of factors that can produce losses large enough to threaten the Bank's health or ability to maintain its core business. Concentration risk can arise from exposure to specific classes of assets, sector, country, revenue streams, counterparty, a group of counterparties, etc. Concentration risk is mitigated by limits, diversification by assets, geography counterparty quality, etc. The industry sector and geographical concentration of credit exposures has been disclosed in Notes 33(a) and 33 (b) of the consolidated financial statements respectively.

10. OTHER TYPES OF RISK (contd.)

10.5 Counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a contract in the profit rate, foreign exchange, equity and credit markets defaults prior to maturity of the contract. In addition to the identified credit risk exposures the Bank's counterparty credit risk from markets as such is limited to the fair value of contracts of foreign exchange risk management instruments the overall exposure to which is usually not significant. For other credit market transactions (primarily inter-bank placements), the Bank has established a limit structure based on the credit quality (assessed based on external rating) of each counter party bank to avoid concentration of risks for counterparty, sector and geography. The Bank is constantly reviewing and monitoring the position to ensure proper adherence to the limits and defined policies of the Bank. As at 31 December 2019, the Bank did not have any open positions on foreign exchange contracts.

10.6 Reputational risk (non-performance risk)

Reputation risk is the risk that negative perception regarding the Bank's business practices or internal controls, whether true or not, will cause a decline in the Bank's investor base, lead to costly litigation that could have an adverse impact on liquidity or capital of the Bank. Being an Islamic Investment Bank, reputation is an important asset and among the issues that could affect the Bank's reputation is the inability to exit from investments, lower than expected returns on investments and poor communication to investors. A well-developed and coherently implemented communication strategy helps the Bank to mitigate reputational risks.

10.7 Displaced commercial risk

Displaced Commercial Risk (DCR) refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared with competitor's rates. The Bank's DCR primarily arises from the funds accepted in the form of Investment Account Holders (IAH) which is currently not very significant in terms of its size and in comparison to the overall activities of the Bank. The returns to investors on the funds are based on returns earned from short-term placements and hence the Bank is not exposed to a significant repricing risk or maturity mismatch risk in relation to these accounts. In relation to the DCR that may arise from its investment banking and restricted investment account products, the risk is considered limited as the Bank does not have any obligation to provide fixed or determinable returns to its investors. The Bank constantly monitors all potential risks that may arise from all such activities as part of its reputational risk management.

10.8 Other risks

Other risks include strategic, fiduciary risks, regulation risks etc. which are inherent in all business activities and are not easily measurable or quantifiable. However, the Bank has policies and procedure to mitigate and monitor these risks. The Bank's Board is overall responsible for approving and reviewing the risk strategies and significant amendments to the risk policies. The Bank senior management is responsible for implementing the risk strategy approved by the Board to identify, measure, monitor and control the risks faced by the Bank. The Bank as a matter of policy regularly reviews and monitors financial and marketing strategies, business performance, new legal and regulatory developments and its potential impact on the Bank's business activities and practices.

11. ICAAP CONSIDERATIONS

The ICAAP incorporates a review and evaluation of risk management and capital relative to the risks to which the bank is exposed. GFH has developed an ICAAP which involves identification and measurement of risks to maintain an appropriate level of internal capital in alignment to the Bank's overall risk profile and business plan. An ICAAP policy and framework has been developed to address major components of the Bank's risk management, from the daily management of material risks including risk types which are not covered under Pillar I including liquidity risk, profit rate risk in the banking book, concentration risk, strategic risk and reputational risk etc. The Bank uses the ICAAP document for internal capital monitoring purposes.

12. PRODUCT DISCLOSURES

12.1 Product descriptions and consumer awareness

The Bank offers a comprehensive mix of Sharia-compliant investment banking products primarily to high net-worth and sophisticated investors. This includes a range of innovative structured investment products like funds, repackaged products and structured restricted investment accounts. The investment department of the Bank has expertise in creating innovative high-end and value-added products offering a wide range of structures, expected returns, tenors and risk profiles.

Proposal for any new product is initiated by individual business lines within the Bank. The Management Investment Committee of the Bank reviews such proposal to ensure that the new product/business is in line with the Bank's business and risk strategy. All new products will need the approval of the respective authorities as per the Delegated Authority Limits (DAL) as well as the Sharia Supervisory Board of the Bank.

12.2 Customer complaints

GFH is dedicated to providing a high standard of service and to maintaining its reputation for honesty and integrity in all its dealings. The Bank takes all disputes and complaints from its customers and business partners very seriously. The Bank has a comprehensive policy on handling of external complaints, approved by the Board. All employees of the Bank are aware of and abide by this policy. The complaint handling process is disclosed in the Bank's website and also in all printed prospecting materials. Complaints are normally investigated by persons not directly related to the subject matter of the complaint.

12.3 Equity of Investment Account Holders (EIAH)

The Bank does not have significant amount under EIAH and does not use EIAH as a main source of its funding. The Bank does not, as a focused product proposition, offer EIAH products to its clients. The current EIAH deposits have been accepted on a case-by-case basis considering the Bank's relationship with its customers.

The EIAH holder authorises the Bank to invest the funds in any investments approved by the Bank's Sharia Board without any preconditions. All EIAH accounts are on profit sharing basis, but the Bank does not guarantee any particular level of return. In accordance with the principles of Sharia, the entire investment risk is on the investor. Any loss arising from the investment will be borne by the customer except in the case of the Bank's negligence. The Bank charges a Mudarib fee as its share of profit. Early withdrawal is at the discretion of the Bank and is subject to the customer giving reasonable notice for such withdrawal and agreeing to forfeit a share of the profit earned on such account.

Currently, the Bank comingles the EIAH funds with its funds for investments only into interbank placements and hence is not subject to any significant profit re-pricing or maturity mismatch risks. The Bank has an element of displaced commercial risk on EIAH which is mitigated by setting up and maintaining an appropriate level of Profit Equalisation Reserve (PER) and Investment Risk Reserve (IRR) to smoothen return to EIAH holders. Profit Equalisation Reserve (PER) is created by allocations from gross income of the Mudarabah before adjusting the Mudarib (Bank) share. Investment Risk Reserves (IRR) comprises amounts appropriated out of the income of investment account holders after deduction of the Mudarib share of income.

Administrative expenses incurred for management of the funds are borne directly by the Bank and are not charged separately to investment accounts. All terms of the EIAH are agreed upfront with the customers and form part of the agreement with the customer. Till date, the Bank has not made any withdrawals on PER or IRR. Any movements on these accounts are therefore only on account of additional reserves added.

For the qualitative disclosures pertaining to EIAH of KHCB, please refer the annual report of KHCB.

The quantitative disclosures below are pertaining to the EIAH from the Bank.

The details of Bank's income distribution to IAH holders for the last five years are given below:

US$ '000's

As at 31 December	2019	2018	2017	2016	2015
Allocated income to IAH	6	10	11	12	16
Distributed profit	6	10	10	11	15
Mudarib fees*	0.3	0.5	0.5	–	–
Average rate of return earned	1.04%	1.10%	0.88%	0.89%	0.89%
IAH[1]	591	924	1,149	1,280	1,656
Profit Equalisation Reserve (PER)	9	9	9	8	8
Investment Risk Reserve (IRR)	6	5	5	5	5
Profit Equalisation Reserve-to-IAH (%)	–	–	–	–	–
Investment Risk Reserve-to-IAH (%)	–	–	–	–	–

[1] Represents average balance

** Includes contribution towards deposit protection scheme*

12.4 Restricted investment accounts

The Bank offers Restricted Investment Accounts ("RIAs") to both financial institutions and high net-worth individuals in the GCC. All RIA product offering documents ("Offering Document") are drafted and issued with input from the Bank's Investment Banking, Sharia, Financial Control, Legal and Risk Management Departments to ensure that the Investors have sufficient information to make an informed decision after considering all relevant risk factors. The Bank has guidelines for the development, management and risk mitigation of its RIA investments and for establishment of sound management and internal control systems to ensure that the interests of the investment account holders are protected at all times. Wherever it is necessary for the Bank establishes Special Purpose Vehicles (SPVs) for management of the investment. The Bank has a Board-approved SPV Governance framework in place to equip the Board in ensuring that the management of such SPVs are conducted in a professional and transparent manner.

12. PRODUCT DISCLOSURES (contd.)

12.4 Restricted investment accounts (contd.)

The Bank is aware of its fiduciary responsibilities in management of the RIA investments and has clear policies on discharge of these responsibilities. The Bank considers the following in discharge of its fiduciary responsibilities:

- Ensuring that the investment structure, Offering Documents and the investment itself are fully compliant with Islamic Sharia principles and the CBB regulations;
- Appropriately highlighting to the Investors, as part of the RIA Offering Document, of all the relevant and known risk factors and making it clear that the investment risk is to be borne by the Investor before accepting the investment funds;
- Completing all necessary legal and financial due diligence on investments undertaken on behalf of the Investors with the same level of rigor as the Bank requires for its own investments;
- Ensuring that the funds are invested strictly in accordance with the provisions outlined in the Offering Documents;
- Preparing and disseminating periodical investment updates to Investors on a regular basis during the tenor of the investment;
- Distributing the capital and profits to the Investor in accordance with the terms of the offering document; and;
- In all matters related to the RIA, RIA SPV(s) and the investment, act with the same level of care, good faith and diligence as the Bank would apply in managing its own investments.

Within the Bank, the abovementioned responsibilities and functions are provided, managed and monitored by qualified and experienced professionals from the Investment Banking, Sharia, Financial Control, Legal, Investment Administration and the Risk Management Departments with Internal Audit oversight.

The restricted investment accounts primarily represent the investments in the projects promoted by the Bank and managed on a portfolio basis on behalf of investors.

There were no annual distributions made in RIA for the past five years.

For the qualitative disclosures pertaining to RIA's of KHCB, please refer to the annual report of KHCB.

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