



CMP/AUG/2016/0022

28th August 2016

Mr. Hassan Al Serkal

EVP, COO – Head of Operations Division, Market Operations Division

Dubai Financial Market

P.O Box 9700

Dubai - United Arab Emirates

Dear Mr. Al Serkal,

Subject: Capital Intelligence Affirms GFH's Long-Term Rating "BB" and Outlook at "Stable"

GFH Financial Group would like to advise its shareholders and the markets that Capital Intelligence (CI), the international credit rating agency, has affirmed its Long-Term Rating at 'BB' and the Short-Term Rating at 'B'. The Outlook for GFH's ratings has also been affirmed as 'Stable'.

According to the report, GFH's ratings are supported by the Group's improved diversification of risk assets and revenue streams, sound capital adequacy and satisfactory leverage notwithstanding increases attributable to the consolidation of the Group's commercial banking arm KHCB. Also supporting the ratings is the forthcoming USD135mn Sukuk announced by the Group, which is earmarked to refinance and extend existing loan maturities. The rating constraints are the ongoing earnings volatility, despite a rebound in Q1 2016 and the still challenging investment environment exacerbated by the fall in oil prices. However the report also noted that looking ahead revenue volatility was likely to diminish and income generation to strengthen due to the increasingly strong performance and results of KHCB.

Management opinion on the assigned credit rating:

The Management believes that the recent rating is an endorsement of the actions taken by GFH and its shareholders to strengthen the Group's financial position. GFH continues executing its new strategy to build a robust financial group in the region and deliver its previously launched projects. The management believes that GFH is on the right track and in future, higher rating levels should be seen for GFH."

Rating definitions:

- **Long-term Rating:**

BB, a *Speculative Grade*, refers to speculative credit quality. Capacity for timely fulfillment of financial obligations is vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors do not provide significant safeguard and the possibility of investment risk may develop.

- **Short-term Rating:**

B, a *Speculative Grade*, refers to an adequate capacity for timely repayment that could be seriously affected by unexpected adversities.

Note: The (-) or the (+) is added to the rating based on the discretion of the rating agency. This symbolizes the weightage of the rating granted.



Yours Sincerely,

A handwritten signature in blue ink, enclosed within a blue rectangular box. The signature appears to be "Nabeel Mirza".

Nabeel Mirza
Compliance Director & MLRO