



GFH Board of Directors' Report

Dear Sirs,

On behalf of the Board of Directors of GFH Financial Group B.S.C. ("GFH"), I am pleased to present a brief statement on GFH's establishment, objectives and financial performance to provide you with an adequate overview on GFH Group as part of the cross-listing process of GFH's shares on the Abu Dhabi Securities Exchange ("ADX").

This report comprises of the following sections;

1. Summary of the Establishment and Objectives of the Company;
2. Securities previously issued by the Company;
3. List of the owners of 5% of the Company's shares and their ownership percentage;
4. Latest developments and important events of the Company; and
5. Board of Directors' evaluation of the Company's performance and achievements in comparison with the objective plan.

1. Summary of the Establishment and Objectives of the Company

Establishment

GFH was established on 6 November 1999 as an exempt joint stock company (Bank Sector) under registration number 44136 in accordance with the Bahrain Commercial Companies Law No. 21/2001 as amended. GFH operates as an Islamic investment bank and has a wholesale Islamic banking licence (IBL/041) issued by the Central Bank of Bahrain ("CBB").

GFH is a banking group headquartered in Bahrain and operating in the GCC region with a record of accomplishment of identifying, successfully bringing to market and capitalising on a range of Islamic investment opportunities. Since the Group's inception in 1999, GFH has raised over U.S.\$15 billion of assets and funds under management from its wide client base.

GFH's shares are listed on three stock exchanges in the GCC: the Bahrain Bourse, Boursa Kuwait and Dubai Financial Market Stock Exchanges.

GFH's paid-in capital as at 31 December 2021 amounts to U.S.\$1.1 billion represented by 3,774 million ordinary shares with a par value of U.S.\$0.265 each. This includes a U.S.\$315 million capital increase in 2017 where the 1.2 billion new shares issued were used to acquire additional stakes in several legacy projects from investors at a 10 per cent. premium to the net asset value of the respective projects.

Business and Activities

The Group operates across four business lines:

Investment Banking

This business line comprises two principal elements: investment in real estate assets and private equity investing. The investment strategy is to focus principally on residential, commercial and industrial real estate in the GCC, US, UK and Europe in relation to its real estate business and defensive and resilient sectors such as education, healthcare and technology in relation to its private equity business. The Group seeks to generate real returns through both capital and income yields over a medium to long-term horizon commensurate with the asset class invested in. It also seeks to actively manage the assets in which it invests to enhance their risk-adjusted returns within acceptable risk limits. The Group's country focus targets a mix of emerging and developed markets to balance growth and sustainability.



Commercial Banking

Khaleeji Commercial Bank BSC (KHCB) represents the Commercial Banking arm of the Group. KHCB is headquartered in the Kingdom of Bahrain and operates under a Retail Islamic Banking license granted by the Central Bank of Bahrain. 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 81.17% of KHCB.

Infrastructure and Real Estate Assets Development

This business line is undertaken by Infracorp B.S.C., a company specialized in investing in the infrastructure and sustainability development sector, with a capital of 1.1 billion US Dollars. Infracorp manages a portfolio of nearly US\$3 billion in infrastructure assets, including a 250 million square feet land bank in the Gulf, North Africa and South Asia which is earmarked for sustainable economic and social infrastructure projects; and

Treasury Operations and Proprietary Investments

GFH's Treasury manages the Group's liquidity with the aim of ensuring sufficient liquidity to meet its liabilities, offering money market instruments and investing the Group's liquidity in various liquid and/or fixed income instruments. 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.

Objectives

The Group's primary objective is to deliver solid returns and sustainable value creation opportunities through continued diversification and operational innovation that leads to sustained delivery of shareholder value. In particular, it intends to:

- strengthen private equity, real estate and asset management platforms to fuel future growth and investment in promising yielding opportunities with significant exit potential, including in the real estate, education, healthcare and technology sectors;
- continue to achieve stable performance from the commercial banking business, principally through changing its business focus, improving its asset quality and continuing the work on implementing the Bank's strategic plan towards digital transformation at an accelerated pace;
- deliver a significant value increase post spinning off the Group's infrastructure and real estate assets under the newly established entity "Infracorp", which will specialise in investments focusing on accelerating growth and development of sustainable infrastructure assets and environments across the Gulf and global markets;
- expand its geographic reach through opening a regulated offices in all the GCC and London which will improve GFH's access to deal flow in both the US and Europe; and
- enhance GFH stock's liquidity, widen shareholder base.



Relationship of the Company with any other companies (either subsidiary, sister or affiliate)

GFH had 9 consolidated principal subsidiaries as of 31 March 2022. Of these, GFH considers KHCB to be its most important subsidiary in terms of revenue and future growth potential.

No.	Name of Subsidiaries and Associate Companies	GFH's shareholding percentage	Activities Description
1.	GFH Capital Limited	100%	Investment management.
2.	GFH Capital S.A.	100%	Investment management.
3.	Khaleeji Commercial Bank BSC (KHCB)	81.17%	Islamic retail bank.
4.	Al Areen Project companies	100%	Real estate development.
5.	GBCORP BSC	62.91%	Islamic investment firm.
6.	Residential South Real Estate Development Company (RSRED)	100%	Real estate development.
7.	Athena Private School for Special Education WLL	100%	Educational institution.
8.	Gulf Holding Company KSCC	53.63%	Investment in real estate.
9.	Roebuck A M LLP (RAM)	60%	Property asset management Company.

2. Securities previously issued by the Company

GFH's paid-in capital as of 31 Dec 2021 amounts to USD 1.1 billion represented by 3,776 million ordinary shares with a par value of USD 0.265 each. This includes a USD 315 million capital increase in 2017 where 1.2 billion new shares were issued to acquire additional stakes in several legacy projects from investors at a 10% premium to the net asset value of the respective projects.

In 2020, GFH re-entered the international capital markets by issuing a USD 500m Sukuk in two tranches. This was a landmark transaction, attracting international and regional investors who oversubscribed the issuance.

3. List of the owners of 5% of the Company's shares and their ownership percentage as at 27 April 2022

Name	Percentage of Ownership
Keypoint Trust and its related parties	10.58%
Alraghad & Almanar Real Estate Co.	6.24%

4. Latest developments and important events of the Company

History

During its 23-year history, the Group has conceptualised and established a large number of pioneering financial institutions in the GCC. For example, 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 has also established numerous cross-border entities, including QInvest in Qatar, Arab Finance House in Lebanon, First Leasing Bank in Bahrain, Asia Finance Bank in Malaysia, Injazat Capital (now known as GFH Capital) in the Dubai International Financial Centre and Gulf Holding Company in Kuwait.



In addition, GFH has also successfully conceived, funded and developed large, complex and innovative real estate and infrastructure projects in the GCC, the wider MENA region and India. The Group's residential and commercial projects include Bahrain's and Tunisia's Financial Harbours and Energy Cities in Qatar and India. The Group has also acted as the master developer for luxury lifestyle developments such as Royal Parks Marrakech and Tangier in Morocco and the Al Areen Development in Bahrain. More recently, the Group has led the revival of the Villamar development in Bahrain and launched the Harbour Row project in Bahrain as well as California Village at Dubailand in Dubai.

Latest developments

During 2021, GFH increased its stake in KHCB from 55.41% to 81.17%. During November 2021, GFH made a voluntary conditional acquisition offer (the **Offer**) to all shareholders of KHCB to purchase all of their shares in KHCB for consideration comprising of 0.384 shares in GFH and BHD 0.024, per share of KHCB, subject to certain conditions. The purpose of the increase in GFH's stake in KHCB and the Offer is primarily to assist with giving effect to the proposed Restructuring (as defined below) and upon GFH becoming the sole shareholder of KHCB, in accordance with the Bahrain Bourse listing rules, KHCB will be delisted from the Bahrain Bourse.

Real Estate Business Spin-off

In August 2021, GFH obtained board approval and approval from the Central Bank of Bahrain to proceed with a spin-off of its real estate business (the **Spin-off**).

In March 2022, the Spin-off has been concluded – the following summarize the Spin-off transaction:

- Each of GFH and KHCB sold a portfolio of certain real estate assets to a subsidiary of GFH, Infracorp B.S.C Closed (previously, GFH Properties WLL) (**Infracorp**).
- The real estate assets primarily include land banks and development assets along with other infrastructure investments.
- The consideration for the sale of such assets comprised of (i) an issuance of equity of approximately USD 200 million; and (ii) an issuance of USD 900m of Trust Certificates by Infracorp (through a special purpose vehicle), fully subscribed by GFH (the Exchangeable Hybrid Capital Certificates). Upon the occurrence of a qualifying initial public offering of Infracorp, such Exchangeable Trust Certificates may be exchangeable into the shares Infracorp.

The rationale for the Spin-off is to create further value by aggregating the Group's real estate and infrastructure assets into a new entity, to be deconsolidated from GFH's balance sheet, so as to enable that new entity (Infracorp) to maximise the development value in various long term real estate asset projects without the constraints of applicable banking regulations. This will enable both GFH and Infracorp to more efficiently pursue their long-term business strategies in accordance with their respective business models.



5. List of GFH's Board of Directors

The table below provides brief information about the members of the Board and their term shall be for three years:

#	Name	Position	Nationality	Date of First Appointment/ Re-appointment
1.	Ghazi Al Hajeri	Chairman	Kuwaiti	Mar 2017 / Sep 2020
2.	Edris Al-Rafi	Vice-Chairman	Emirati	Sep 2020
3.	Hisham Al Rayes	Board Member	Bahraini	April 2016 / Sep 2020
4.	Rashid Al Kaabi	Board Member	Qatari	Mar 2017 / Sep 2020
5.	Ahmed Al Ahmadi	Board Member	Emirati	March 2020 / Sep 2020
6.	Ali Murad	Board Member	Bahraini	March 2020 / Sep 2020
7.	Fawaz Al Tamimi	Board Member	Saudi	Sep 2020
8.	Alia Al Falasi	Board Member	Emirati	Sep 2020
9.	Darwish Al Ketbi	Board Member	Emirati	3 April 2022

The table below shows the ownership of members of the Board of the Directors of the shares of GFH Financial Group, as at 31 March 2022:

#	Name	Percentage of ownership as at 31 st March 2022
1.	Hisham Al Rayes	5.39%
2.	Ghazi Al Hajeri	0.00%
3.	Edris Al-Rafi	0.00%
4.	Ali Murad	0.00%
5.	Ahmed Al Ahmadi	0.00%
6.	Alia Al Falasi	0.00%
7.	Fawaz Al Tamimi	0.00%
8.	Rashid Al Kaabi	0.00%
9.	Darwish Al Ketbi	0.00%

6. Board of Directors' evaluation of the Company's performance and achievements in comparison with the objective plan.

The performance and achievements of the Company is in line with the expectations and forecast of the senior management of the Company. The Company follows up on the positive development of the Company that has reached all of the Company's business divisions with expectation that such development will continue.

Overview on GFH's yearly growth

<i>(in \$m)</i>	FY2019	FY2020	FY2021
Investment Banking	95.9	80.6	110.4
Real Estate	40.4	19.5	29.8
Commercial Banking	67.8	65.3	71.8
Treasury & Proprietary Investments	117.6	157.9	186.7
Total Income	321.7	323.3	398.7
Operating Expenses	(102.4)	(112.3)	(133.5)
Finance & Impairment	(165.6)	(161.8)	(172.6)
Total Expenses	(268.0)	(274.1)	(306.1)
Net Profit to Shareholders	66.0	45.1	84.2
<i>Total Assets</i>	<i>5,945</i>	<i>6,587</i>	<i>8,083</i>
<i>Shareholders' Equity</i>	<i>1,005</i>	<i>913</i>	<i>963</i>



Other achievements and financial performance

- The Group's total consolidated revenue was US\$398.7 million in 2021 compared with US\$323.4 million in 2020, reflecting a year-on-year increase of 23.3%.
- The Group reported a consolidated net profit of US\$92.6 million in 2021 as compared with US\$49.3 million from the previous year, an increase of 87.8%, and a net profit attributable to shareholders of US\$84.2 million compared with US\$45.1 million for the previous year, an increase of 86.7%.
- The Group's total assets for the year grew from US\$6.6 billion in 2020 to US\$8.1 billion in 2021, an increase of 22.7%. The Group's Total Assets and Funds under Management (AUM) increased from US\$12 billion in 2020 to approximately US\$15 billion in 2021, marking a year-on-year increase of 25%. The Group also ended the year with a Capital Adequacy Ratio of 13.51% and Return on Equity (ROE) ratio of approximately 9%, confirming our sustained positive financial performance.
- In the twelve months ended December 2021, the Group successfully raised more than US\$2.3 billion across its investment banking and treasury business lines. The continuation of the Group's financial performance and growth, combined with its dividend policy, enabled the Board to recommend a total dividend of US\$ 60 million at 6.07% on par value, divided into 4.57% cash dividends amounting to US\$45 million and 1.50% stock dividends of US\$15 million for our shareholders.

7. Executive Management

The table below provides the name and current position for each of the members of the Executive Management team.

#	Name	Nationality	Current Position
1.	Hisham Al Rayes	Bahraini	Chief Executive Officer
2.	Salah Sharif	Bahraini	Chief Operating Officer
3.	Baha Al-Marzooq	Bahraini	Chief Internal Audit
4.	Hammad Younas	Pakistani	Chief Investment Officer – Private Equity
5.	Nael Mustafa AlKujok	Bahraini	Co-Chief Investment Officer – Real Estate
6.	Salem Patel	British	Head of Asset Management
7.	Suryanarayanan Hariharan	Indian	Chief Financial Officer
8.	Ahmed Jamsheer	Bahraini	Head of Treasury & Capital Markets
9.	Abesh Chatterjee	Indian	Head of Risk Management
10.	Pietro de Libero	Italian	Chief Legal Officer
11.	Mohamed Abdulsalam	Bahraini	Head of Shari'a & Corporate Secretary
12.	Mariam Jowhary	Bahraini	Head of Compliance & AML
13.	Osama Janahi	Bahraini	Head of Information Technology



14.	Muneera Isa	Bahraini	Head of Human Resources
15.	Mohammed Abdulmalik	Bahraini	Group Co-IPT Head - Placement & Relationship Management
16.	Razi Almerbati	Bahraini	CEO of GFH Capital S.A. and Group Co-IPT Head at GFH Financial Group
17.	Khaled Basri	Bahraini	Executive Director – UAE & Oman Markets
18.	Ebrahim Alshaibeh	Bahraini	Senior Executive Director – Bahrain and Eastern Province Markets
19.	Osama Alharam	Bahraini	Executive Director – Kuwait Market
20.	Yazen Alkhudairy	Saudi	Managing Director – Financial Institutions
21.	Sattam Algozaibi	Bahraini	CEO – Khaleeji Commercial Bank
22.	Talal Almahroos	Bahraini	Acting CEO – Infracorp
23.	Chetan Dongra	Indian	Senior Executive Officer – GFH Capital Limited, UAE
24.	Fatema Kamal	Bahraini	Chief Executive Officer - Britus Education

The table below shows the ownership of GFH management team having a direct and indirect ownership of the shares of GFH Financial Group, as at 31st March 2022:

#	Name of Management & Approved Person	Total No. of shares held as at 31 st March 2022	Percentage of ownership as at 31 st March 2022
1.	Hisham Ahmed Al Rayes – Group CEO and Board Member	203,498,501	5.39%
2.	Hammad Younas	6,286,695	0.17%
3.	Suryanarayanan Hariharan	6,286,128	0.17%
4.	Mohammed Abdulmalik	5,953,926	0.16%
5.	Ahmed Jamsheer	5,897,431	0.16%
6.	Salem Patel	5,785,224	0.15%
7.	Salah Sharif	5,078,350	0.13%
8.	Baha Al-Marzooq	2,492,198	0.07%
9.	Dr. Mohamed Abdulsalam	2,240,601	0.06%
10.	Muneera Isa	1,448,663	0.04%
11.	Abesh Chatterjee	1,151,532	0.03%
12.	Osama Janahi	374,526	0.01%
13.	Mariam Jowhary	251,378	0.01%

Ghazi Faisal Ebrahim Alhajeri
Chairman

