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Dear Mr. Al Serkal,

**Subject: IIRA Assigns “BB” Fiduciary Ratings to Gulf Finance House**

Gulf Finance House (GFH) would like to notify its shareholders and the markets that the Islamic International Rating Agency (IIRA) has assigned international scale credit ratings to Gulf Finance House (GFH) at ‘BB’ (Double B) in the medium to long-term and at ‘B’ (Single B) in the short-term. On the national scale, ratings have been assessed at BB+/B (Double B Plus / Single B). The rating outlook for the Bank has been assessed as ‘Positive’.

Islamic International Rating Agency (IIRA) in its announcement has declared the following:

*“Ratings derive strength from equity injections in 2013 as well as in 2014, resulting in considerably improved leverage indicators. Moreover, other steps taken towards financial reorganization, including refinancing of a portion of debt with extended repayment period, also support ratings. Ratings also factor in the value of some of the key operative investments held by GFH.*

*Slide in the value of investments made prior to 2008, in addition to delays in project execution timelines, had affected the institution’s franchise as well as its financial risk profile. After a phase of relative inactivity, the bank has resumed investments in new projects, though the pace of fresh business generation is cautious. Realignment of investment strategy to focus on smaller and relatively less risky projects, following the change in management and a much needed reassessment of the overall investment management process, has been factored into ratings assigned.*

*Profitability position has benefited from one off transactions since 2010. Earning stream is likely to improve in line with growth in business activities, which are to be supported by additional funding available through equity infusion and plans to raise additional debt. However, innate to the business profile of the institution is a degree of instability in earnings and cash flows. IIRA has assessed the rating outlook for the institution as ‘Positive’ that hinges on developing a steady stream of core revenues and sustaining improvements to capital structure.*

*The fiduciary score has been assessed in the range of ‘61-65’. While improvements in the bank’s governance framework have been observed in the recent past, certain weaknesses have been identified that requires to be addressed. The fiduciary score is an aggregation of scores assigned to its three sub-sections, namely Corporate*



and Shari'a Governance, and Asset Manager Quality. Rating scale and definitions is available on our website at [www.iirating.com](http://www.iirating.com)."

**Definition for 'BB' band:**

*'Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this rating category'*

**Definition for 'B' Band:**

*"Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade."*

**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.

**Management opinion on the assigned Credit Rating:**

The Management believes that the recent rating is an endorsement of the actions taken by the Bank and its shareholders to strengthen the Bank's financial position. The rating will strengthen market confidence in the Bank and allow for better business opportunities in the future.

Yours Sincerely,

**Nabeel Mirza**  
Compliance Director & MLRO

