

GFH – More resilient return profile

Improving risk profile and enhanced capital base

- Revenue mix continues to improve driven by the transfer of the majority of its real estate assets to Infracorp with a remaining 40% stake, reducing the direct real estate exposure from 23.6% to 14.5%, and an increased stake in KHCB from 55% to 81%, and increased access to capital markets.
- Adequate capital and liquidity ratios at group level, despite limited fungibility with KHCB, enhanced by a 10% RWA reduction and potential ADT1 placement. We only see a small provision deficit of USD 19m vs our acid test, but collateral is strong, more than offset by revaluation gains on its remaining real estate investment portfolio of USD 174m (YE), albeit mostly comprised of land assets.
- We find the market still underappreciating the risk reduction and impact on sustainable RoE, with the stock at only a small premium to tangible book. We initiate with a Buy and a TP of AED 1.56/share (or USD 0.42/share). Next catalyst: Listing in ADX on 31 May and potential listing in KSA.

Higher growth and earnings resilience. GFH is a Bahrain-domiciled Sharia-compliant financial group focusing on investment banking, treasury activities, commercial and retail banking via its 81.2% owned subsidiary Khaleeji Commercial Bank BSC (KHCB), and proprietary investments. Management has de-risked the business towards more stable and recurring revenue sources, such as fees and lower-risk, lower-return investments, and reduced its real-estate concentration. KHCB offers a resilient earnings stream, driving 47% of group profits in Q1 22, and a key valuation driver for GFH. A significant portion of infrastructure and real estate exposure has been transferred to Infracorp, in which GFH retains a 40% stake. Infracorp is managing USD 3bn of infrastructure and related assets, and GFH is looking to fully dispose its stake in Infracorp (through an IPO), while enjoying a yield pickup by providing Sukuk funding. GFH has remained resilient during the pandemic and has improved funding access (amongst others by placing a Sukuk in early 2020). Nonetheless, it remains dependent on transactional gains for a significant share of its revenues, however, we see those gains as highly recurring.

Ambitious targets. GFH plans to grow its asset base and AUM to USD25bn by YE 25e through i) organic growth, via creating strategic PE platforms (i.e., GFH's education investment arm Britus Education) and ii) inorganic growth, via acquiring strategic businesses (i.e., acquisition of 60% of Roebuck Asset Management to strengthen footprint in the UK). The group plans to improve return generation by enhancing existing business lines through i) deconsolidation of Infracorp (60% of GFH's equity sold) and spin-off of RE and infrastructure assets to Infracorp to accelerate growth and development, ii) refocusing on financial assets across the rest of the group, iii) enhancing KHCB's asset base following full acquisition and possible de-listing, iv) expand treasury operations and investment banking, and v) expand international footprint. We expect the return profile to improve as the large asset base has depressed profitability, as real estate assets were not regularly monetized. We expect a revenue CAGR FY22-26e of 8.1%, an operating profit growth of 12%, and EPS CAGR of 18%, with the RoE to gradually improve from 9% in FY21 to 14.6% in FY26e and RORWA to improve from 1.02% to 2.15%, as it cut its real estate portfolio (23.6% of assets in FY 21 to 14.4% in Q122A). We expect the cost/income ratio to improve from 51% to 40% by FY 26e.

A slight provision deficit is more than offset by revaluation gains on real estate holdings. We identify a slight provision deficit of USD 19m vs our standard stress test of 1% coverage on stage 1 loans, 12% on stage 2, and 60% on stage 3. However, the collateral is strong, increasing total stage 3 coverage to 82.6% vs. cash coverage of 41.7% and stage 2 to 24.6% from 2.8% YE 21. Despite still higher NPL ratio of 8.6% in the context of the GCC, asset quality indicators show improving underlying trend with negative NPL formation of 2.3% of loans and a CoR of 1.0%. We estimate a mid-cycle CoR of 90bps underpinning its RE loan share of >50% in loan portfolio. The valuation of real estate is largely at cost, and we identify a USD 174m mark-to-market gain on the property investment book (11% of our FV) that is not reflected in GFH's shareholders' equity (2.4% of RWAs FY 22e), albeit largely comprising land assets.

Adequate capital and liquidity position, supported by a 10% reduction in RWAs and potential ADT1. GFH's capital is robust, with a CET1, T1, and CAR of 14.3%, 14.3%, and 15.0% by Q1 22, respectively, up 1.4ppt YTD after the reclassification of real estate assets to available for sale assets, reducing the RW from 800% to 200%, reducing RWAs by USD 0.8bn, or 10%. Shareholders also approved the issuance of an ADT1 bond of USD 300m, 4.2% of RWAs YE 22e, though we have not factored in a placement yet. Leverage is average with an asset/equity ratio of 8.4x, and loan/equity of 1.4x. Liquidity on a group basis is strong, with an LCR of 221% and NSFR of 97% (sukuk of USD 500m added 11%), despite limited fungibility from KHCB to the rest of the bank, with average liquidity of 47% of assets.

Slight premium to book value, not pricing in better earnings resilience, initiate with BUY. The stock trades at 1.2x P/tNAV in line with its historical average, and still does not fully recognize the de-risking of the company, the enhanced focus on RoE and the limited intangibles on the bank's balance sheet. EFG-Hermes (Core Buy, TP EGP 23.7) also trades at a small premium to tNAV, whilst Shuaa (NR) trades at a significant premium, largely reflecting the large, capitalized goodwill and the Bahraini banking sector trades at 2.5x. We set an EVA derived TP of AED 1.56 for the stock, offering 37% upside, and initiate with a BUY rating.

BUY

USD 0.42

Banks / BAHRAIN

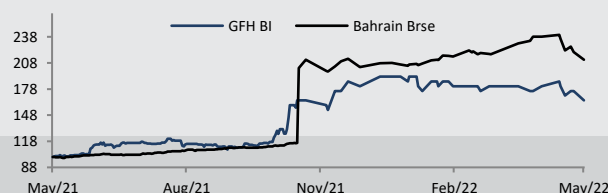
Bloomberg code	GFH BI
Market index	Bahrain Brse
Target Price	0.42
Upside (%)	36.9

Market data 29/05/2022

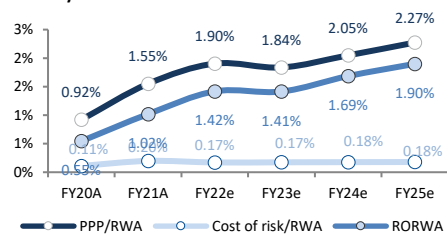
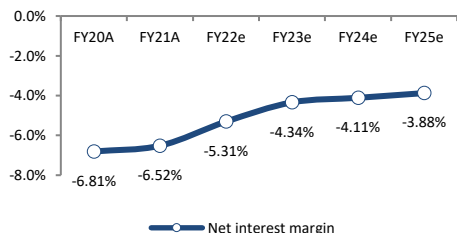
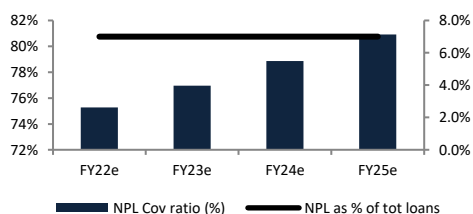
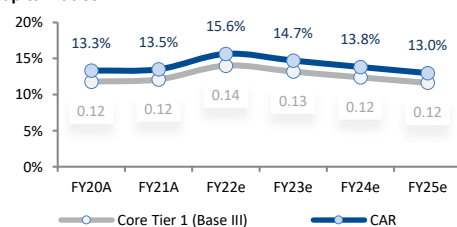
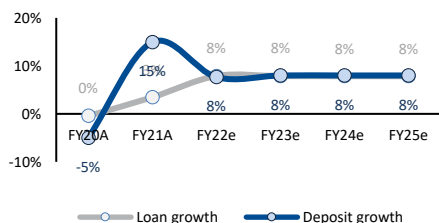
Last closing price	0.31
52 Week range	0.2-0.4
Market cap (USD m)	1,188
Market cap (USD m)	1,188
Average Daily Traded Value (USD m)	0.00
Average Daily Traded Value (USD m)	0.2
Free float (%)	98%

Year-end (local m)	2020	2021	2022e	2023e
Revenues	188	262	273	280
Pre-provisioning profit	76	128	136	139
EPS	0.01	0.02	0.03	0.03
P/E (x) (mkt price)	27.2	14.6	12.1	11.4
BVPS	0.2	0.3	0.3	0.3
Tangible BVPS	0.2	0.3	0.3	0.3
P/B (x) (mkt price)	1.3	1.3	1.2	1.1
P/TBVPS (x) (mkt price)	1.3	1.3	1.2	1.1
DPS	-	0.01	0.01	0.01
Div. yield (%)	1.5	3.7	3.7	3.7
EPSS	(0.02)	(0.01)	-	-
RoAA (%)	0.7	1.1	1.2	1.2
RoRWA (%)	0.5	1.0	1.4	1.4
RoATE (%)	4.7	9.0	10.2	10.2
RoEcC (%)	4.3	8.3	11.2	10.8
RAROC (%)	4.3	9.0	11.5	11.1
Net LtD ratio (%)	97.7	87.9	88.1	88.0
Risk Weighted Assets (bn)	8.3	8.3	7.1	7.6
Core Equity T1 ratio (%)	11.8	12.1	14.0	13.2
Tier 1 capital ratio (%)	12.4	12.9	14.9	14.0
Total capital ratio (%)	13.3	13.5	15.6	14.7
NPL ratio (%)	8.0	7.1	7.0	7.0
Coverage ratio (%)	52.8	73.2	75.3	77.0
Number of shares	3,833	3,833	3,833	3,833

Price Performance



Abacus Arqaam Capital Fundamental Data

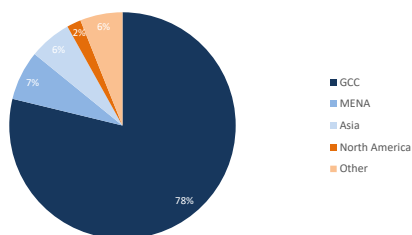
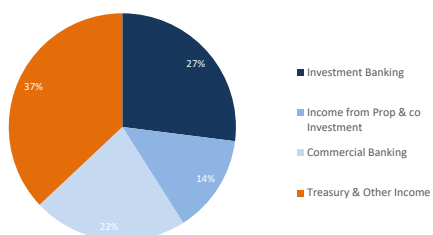
Profitability

NIM

Credit Quality

Capital Ratios

Growth

Gulf Finance House

Year-end	2020	2021	2022e	2023e	2024e	2025e
Performance analysis						
Net Interest Margin (%)	(6.81)	(6.52)	(5.31)	(4.34)	(4.11)	(3.88)
Asset yield (%)	4.67	4.13	5.13	6.13	6.23	6.33
Cost of Funds (%)	4.90	4.36	5.23	6.46	6.51	6.56
Risk Adjusted Margins (%)	(7.34)	(7.37)	(5.74)	(4.69)	(4.45)	(4.21)
Cost / Income (%)	59.6	51.0	50.3	50.3	46.7	43.3
Net Interest Income / total income (%)	(62.2)	(47.8)	(55.0)	(59.3)	(55.9)	(52.2)
Fees & Commissions / operating income (%)	2.4	1.8	1.9	2.1	2.1	2.1
Trading gains / operating income (%)	128.7	115.3	120.7	122.4	119.3	116.0
RoATE (%)	4.7	9.0	10.2	10.2	12.1	13.3
Pre-prov. RoATE (%)	5.9	10.4	11.1	11.2	12.8	14.0
RoAA (%)	0.7	1.1	1.2	1.2	1.4	1.5
Revenue / RWA (%)	2.28	3.17	3.83	3.69	3.84	4.01
Costs / RWA (%)	1.36	1.62	1.92	1.86	1.80	1.74
PPP / RWA (%)	0.92	1.55	1.90	1.84	2.05	2.27
Cost of Risk / RWA (%)	0.11	0.20	0.17	0.17	0.18	0.18
RoRWA (%)	0.55	1.02	1.42	1.41	1.69	1.90
RoRWA (%) (adj. for gross-up of associates)	0.55	1.02	1.42	1.41	1.69	1.90
Year-end	2020	2021	2022e	2023e	2024e	2025e
Asset Quality						
Provisions charge / avg. gross loans (%)	0.7	1.2	0.9	0.9	0.9	0.9
Past due not impaired / gross loans (%)	8.1	4.1	4.8	4.9	5.0	5.1
NPL / gross loans (%)	8.0	7.1	7.0	7.0	7.0	7.0
NPL coverage ratio (%)	52.8	73.2	75.3	77.0	78.9	80.9
Provisions / avg. gross loans (%)	8.1	4.1	4.8	4.9	5.0	5.1
Provisions charge / operating income (%)	12.0	12.8	9.0	9.5	8.6	7.9
Year-end	2020	2021	2022e	2023e	2024e	2025e
Funding and Liquidity						
Net Loans / Deposits (%)	97.7	87.9	88.1	88.0	87.9	87.7
Cash and interbank / assets (%)	(16.8)	(17.2)	(13.9)	(14.8)	(15.3)	(15.8)
Deposits / liabilities (%)	24.0	21.6	21.0	21.0	21.0	21.0
Year-end	2020	2021	2022e	2023e	2024e	2025e
Capital and leverage ratios						
Core Tier 1 ratio (Basel III) (%)	11.8	12.1	14.0	13.2	12.4	11.6
Tier 1 ratio (%)	12.4	12.9	14.9	14.0	13.2	12.4
Total capital ratio (%)	13.3	13.5	15.6	14.7	13.8	13.0
Tangible equity / assets (%)	18.0	14.5	12.5	12.3	12.3	12.4
RWA / assets (%)	125.6	102.3	81.8	80.5	79.3	78.2
Year-end	2020	2021	2022e	2023e	2024e	2025e
Growth						
Revenues (%)	(10.4)	38.9	4.4	2.5	10.8	11.1
Cost (%)	9.6	18.9	2.8	2.6	3.0	3.0
Pre-Provision Operating Profit Growth (%)	(29.4)	68.4	6.0	2.5	18.7	18.2
Provisions (%)	(79.6)	78.8	(25.4)	8.0	8.0	8.0
Net Profit (%)	(31.7)	86.8	20.2	6.0	26.9	20.0
Assets (%)	10.8	22.7	8.0	8.0	8.0	8.0
Loans (%)	(0.4)	3.5	7.9	7.9	7.8	7.8
Deposits (%)	(5.0)	14.9	7.6	8.0	8.0	8.0
Risk Weighted Assets (%)	(0.7)	-	(13.7)	6.3	6.4	6.5

Abacus Arqaam Capital Fundamental Data

Company Profile

GFH is a Bahrain-domiciled Sharia-compliant financial group that is focused on investment banking, treasury activities, commercial and retail banking in Bahrain via Khaleeji Commercial Bank BSC (KHCB) and proprietary investments.

Geographical breakdown

Revenue Breakdown

Management

CEO	Hisham Ahmed Al Rayes
CFO	Suryanarayanan Hariharan
COO	Salah Abdulla Sharif

Major Shareholders

Keypoint Trust	10.64%
AL RAGHD & AL MANAR REAL ESTATE	6.62%
KFH Capital - electronic 1	2.92%
United Motors & Heavy Equipment Company	2.89%
PINNACLE	2.89%
ASSAD ABDUL AZIZ ABED ALLAH AL SANAD	2.42%

Gulf Finance House

Year-end	2020	2021	2022e	2023e	2024e	2025e
Income statement (USDmn)						
Interest income	80	79	146	235	263	294
Interest expense	198	204	296	401	437	474
Net Interest Income	(117)	(125)	(150)	(166)	(173)	(180)
Fee income	5	5	5	6	6	7
Net investment income	163	192	222	231	250	270
Other operating income	138	191	196	209	228	248
Total operating income	188	262	273	280	311	345
Total operating expenses	112	134	137	141	145	149
Pre-provision operating profit	76	128	136	139	166	196
Net provisions	9	16	12	13	14	15
Other provisions / impairment	18	19	20	16	12	13
Operating profit	49	93	104	110	140	168
Associates	-	-	-	-	-	-
Pre-tax profit	49	93	104	110	140	168
Taxation	-	-	-	-	-	-
Net profit	49	93	104	110	140	168
Minorities	4	8	3	3	3	4
Others	-	-	-	-	-	-
Attributable net profit	45	84	101	107	136	163
Diluted EPS	0.01	0.02	0.03	0.03	0.04	0.04
DPS	-	0.01	0.01	0.01	0.01	0.02
BVPS	0.24	0.25	0.27	0.28	0.31	0.33
Tangible BVPS	0.24	0.25	0.27	0.28	0.31	0.33

Year-end	2020	2021	2022e	2023e	2024e	2025e
Balance sheet (USDmn)						
Gross loans and advances	1,323	1,382	1,493	1,612	1,741	1,881
Less: loan loss provisions	56	71	79	87	96	107
Net loans and advances	1,267	1,311	1,414	1,526	1,645	1,774
Cash and central bank	537	722	1,207	1,395	1,598	1,818
Due from banks	-	-	-	-	-	-
Investment, net	4,033	5,379	5,522	5,879	6,263	6,679
Fixed assets, net	144	140	63	64	65	67
Other assets	606	531	524	566	611	660
Total assets	6,587	8,084	8,730	9,429	10,183	10,998
Customer deposits	1,298	1,491	1,605	1,734	1,873	2,022
Due to banks	1,640	2,113	2,419	2,787	3,160	3,551
Debt	1,089	1,751	1,932	1,932	1,932	1,932
Other liabilities	1,374	1,561	1,686	1,821	1,966	2,124
Total liabilities	5,401	6,916	7,642	8,273	8,931	9,629
Total equity	1,186	1,168	1,088	1,156	1,252	1,369
Risk Weighted Assets (bn)	8	8	7	8	8	9
Average Interest-Earning Assets	1,721	1,919	2,834	3,824	4,220	4,647
Average Interest-Bearing Liabilities	4,029	4,691	5,655	6,204	6,709	7,235
Common shareholders	913	963	1,019	1,080	1,171	1,281
Core Equity Tier 1 (Basel III)	976	1,001	1,001	1,001	1,001	1,001
Tier 1 capital	1,026	1,064	1,064	1,064	1,064	1,064

Jaap Meijer, MBA, CFA

jaap.meijer@arqaamcapital.com
+971 4 507 1744

Janany Vamadeva

Arqaam Capital Research Offshore s.a.l

SWOT

Opportunities

- Strategic objective of reshaping the company's business model towards more stable and recurring revenue sources, such as fees and lower-risk, lower-return investments.
- Growth in assets under management (target: USD 25bn up from 15bn currently).
- Growth in treasury activities, adding stability to earnings, as investments are expected to be largely focused on government and quasi-government debt.
- One of the few Shariah compliant IB platforms in the region.
- New listing on ADX and planned in KSA. Currently listed on the Bahrain, Kuwait, and DFM.
- Potential modest rating uplift following a further reduction in concentration and higher earnings resilience, which would reduce GFH's borrowing costs.
- Licensed and regulated deposit taking investment bank in the region.

Threats

- Investment-banking earnings can be lumpy depending on deal placement and exits.
- Underwriting of investment banking deals can be balance sheet-intensive with income dependent on placement to clients / exits.
- Real estate assets expose GFH to impairments, and project-completion risks.
- Potential FX mismatch (attracting deposits in USD and SAR and placing in BHD or Omani government debt.)

Strengths

- Resilient performance since the onset of the pandemic
- Improved funding access (as evident in its sukuk issuance in early 2020 and fund raising from KSA FI's).
- Adequate capital and liquidity ratios (further enhanced by new Sukuk and transfer of real estate assets to Infracorp, which it plans to list.
- High share of liquid assets on the balance sheet (c47%).
- De-risking (reduction in real estate exposure and higher stake in KHCB).

Weaknesses

- Large asset base depresses profitability where assets are not regularly monetised.
- Low credit ratings (B- from S&P and B from Fitch).
- Lack of fungibility of both capital and liquidity between the parent entity and KHCB.

Diversified business model key to return generation

- Headquartered in Bahrain, GFH offers Islamic banking services across investment banking, commercial banking, treasury, and proprietary and co-investments, with major revenue contribution stemming from all segments (i.e., 37% treasury, 27% investment banking, 22% commercial banking and 14% investments in 2021).
- Well diversified asset base with a global footprint, albeit more focused in GCC as Bahrain based GFH's commercial banking arm, Khaleeji Commercial Bank (KHCB), accounts for c. 30% of asset base, while treasury is mainly active in Bahrain and Oman. GFH footprint reaches North Africa and India as well, with strategic investments in the U.S., Europe, and U.K.

GFH is a Bahrain-domiciled Sharia-compliant financial institution that is focused on investment banking, real estate and infrastructure investments, asset management, treasury activities and, commercial and retail banking in Bahrain via Khaleeji Commercial Bank BSC (KHCB).

Exhibit 1: Business segments

Investment Banking	<ul style="list-style-type: none"> • Private Equity • Yielding Real Estate • Educatio Platform • Tech Platform
Treasury & other income	<ul style="list-style-type: none"> • Liquid Treasury Portfolio • Asset and Liability Management • Money Market Investments • Capital Market Investments
Commercial Banking	<ul style="list-style-type: none"> • Consumer Finance • Corporate Banking • Private Banking • Treasury
Proprietary & Co Investments	<ul style="list-style-type: none"> • Balance sheet optimization • Financial Institutions Potrfolio • Yielding Pro & Co investments • Mezz Financing, Sukuk & Credit Funds

Source: Company Data, Arqaam Capital Research

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.

Exhibit 2: Business segments

No.	Name of Subsidiaries and Associate Co.	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 Scholl 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

Source: Company Data, Arqaam Capital Research

Exhibit 3: Key events

Date	Key events
1999	Incorporation in Bahrain
2001	Bahrain Financial Harbor Infra. Devt. Project
	Conversion into public shareholding company and listing on Bahrain Bourse
	Launch of Khaleeji Commercial Bank in 2004
2004-2007	Cross Listing on Dubai, Kuwait and London (via GDRs)
	Launch of Qinvest in 2007 and the India and Morocco Infra. Devt. Projects
	Peak net profit to Shareholders of \$340m
2008-2009 (Fin. Crisis)	Launch of First Energy Bank in 2008
	Tunis Infra. Devt. Project
	Raised \$300m through Rights Issue and \$200m through convertible Murabaha
	Group reorganization and resizing
2010-2013	Focus on rebalancing risk profile
	Appointment of new Mgmt. (including CEO Mr. Hisham Alrayes) in 2012
	Restarting Investment Banking activities (\$800m Transaction Value every year)
2014-2016	Added to the MSCI Frontier Markets 100 Index
	Recovery of assets from settlement of litigation in excess of \$450m
	Profitable Exit of Recovered Assets "Bahrain British School" sold for \$181m compared to a book value of \$80m
2017-2019	Restarting Treasury activities
	Increased stake in KHCB to 55%
	Launch dedicated Education Platform "Britus Education"

Source: Company Data, Arqaam Capital Research

Exhibit 4: Key events

Date	Key events
2020	Strategic acquisition of Roebuck Asset Management -UK & European logistics & business space focused real estate asset manager -£1.4bn of managed assets Raised \$500m through Sukuk issuance -H1 2020 Turnaround KHCB through AT1 issuance fully underwritten by GFH
2021-2022	Launch and spin-off of \$1bn infrastructure investments into newly established entity "Infracorp". GFH subsequently sold 60% of its equity ownership in Infracorp. \$19.3m net profit to shareholders during Q1 22 (+19% y/y) Increased stake in KHCB to 81.2% Strategic acquisition of SQ Asset Management-US-based living sector asset manager and property manager focused on student housing- \$1.4bn in aggregate transaction value with 32 housing properties and 10,300 beds currently under management across the US.

Source: Company Data, Arqaam Capital Research

Investment banking – Private Equity

Investment-banking activities comprises private-equity and real-estate investment-management activities whereby GFH originates deals and places them with primarily institutional and high net-worth investors, earning the company placement fees in the process. The bank also co-invests alongside investors, demonstrating alignment of interest. The investment banking activities focuses on providing structuring capabilities in Islamic asset-backed and equity capital markets, Islamic financial advisory and mid-sized mergers, and acquisition transactions.

Investment-banking activities are a significant contributor to earnings but can be lumpy and depend on deal placement and investment exits. Investment-management fees are a more stable and recurring, being earned on the management of income-yielding real-estate investments. GFH currently has around USD12bn of assets under management across the group and targets to double this to USD 25bn over the medium term, albeit largely through inorganic growth. It also holds a stake in entertainer, purchased for USD 100m and has holdings in the payment sector.

Key 2021 initiatives include:

- Partnership with Schroders Capital (AUM of USD70bn).
- Secured 60% stake in Trust Vision Investment LLC, UAE's leading provider of multi-specialty healthcare.

Investment banking – Real Estate

As part of the real estate investments platform, the group focuses on defensive sectors such as Logistics, Medical Offices, Multifamily, and Student Housing, pursuing income-yielding investments mainly in the UK, Europe, and America, managing these on behalf of its clients along side on the ground asset manages.

1. RE – Logistics

The logistics sector is driven mainly by thriving e-commerce transactions and increased post-pandemic consumer spending. GFH's logistics portfolio includes the following graded A facilities in the US:

- 14 facilities leased to Amazon, with tenant S&P corporate credit rating of AA-.
- 8 built-to-suit facilities, of which 7 are leased to FedEx Ground and 1 to General Mills.
- 1 single built-to-suit facility leased to FedEx, with tenant S&P rating of BBB.
- 1 facility leased to Michelin, with tenant S&P Corporate Credit Rating of A-.

2. RE – Medical Office Buildings

This segment is supported by the aging US population, increased demand for off-campus health care services, and suburban concentration. The sector maintained a healthy average occupancy of 90%+ over the last decade with the rent collection rate surpassing 90% throughout the pandemic.

3. RE – Multifamily

This segment is driven by the demographic shifts in “Sunbelt states” in the US (areas below 36°) and the general shift towards renting.

GFH's strategy focuses on locations with strong medical centers, and education facilities. Key 2021 initiatives:

- Partnership with 2 joint ventures: 1) Carroll, a JV Partner with >30,000 units owned and managed by them, and 2) Broadshore Capital Partner, a JV Partner with 150 years of experience.
- Acquisition of the diversified US portfolio: 2 garden-style assets and 1 high-rise asset.

4. RE – Student Housing

This segment is supported by increased demand for off-campus purpose-built student housing properties, the growing US population, and increased demand for higher education. Occupancy rates reached 94% in Sept. 2021 compared 88% and 93% in 2020 and 2019, respectively.

GFH strategy focuses on i) universities that are non-dependent on remote learning or solely on international students, and ii) the top 150 US universities.

Commercial Banking – Khaleeji Commercial Bank (KHCB)

This includes commercial and corporate banking, retail banking, wealth management, structured investment products and project financing facilities of the Group's commercial banking subsidiary. KHCB is a significant contributor to GFH's revenue and net profit, mainly through the provision of Islamic-financing products, and provides a source of more stable deposit funding to the group. Following a balance sheet clean-up exercise in recent years KHCB's asset quality has been improving.

Exhibit 5: Latest key metrics

Balance Sheet	P&L (Q1 annualized)	Asset Quality	Capital base and liquidity
<ul style="list-style-type: none"> • Assets: BD 1,228mn • Liabilities: BD 1,071mn • Equity: BD 157mn • LtD: 60% (inc. Ijarah) • Asset/Equity: 7.8x • Loan/ Equity: 3.1x 	<ul style="list-style-type: none"> • RoE: 8.7% • RoA: 1.1% • NIM: 2.85% • C/I: 45% • CoR: 0.52% 	<ul style="list-style-type: none"> • Stage 1: 84.9% • Stage 2: 7.7% • Stage 3: 7.4% • Stage 1 coverage: 1.8% • Stage 2 coverage: 4.5% • Stage 3 coverage: 40.6% • Buffer: -137bps (AC test) 	<ul style="list-style-type: none"> • CET1: 13.4% • T1: 19.1% • CAR: 20.2% • LCR: 219% • NSFR: 104%

Source: Company Data, Arqaam Capital Research

Treasury & Capital Markets – benefits from being able to deploy in high yielding Bahrain sovereign paper at 0% risk weighting, though it carries FX risk by attracting USD/SAR deposits.

GFH's treasury activities are a growing area and a significant profit contributor, having commenced only few years ago. This adds to the stability of the group's earnings as investments are expected to be largely focused on government and quasi-government debt (primarily in Bahrain attracting 0% risk weighting or in Oman with a 50% risk weighting), while allowing the bank to tap into the Saudi and UAE wholesale markets for funding.

All common costs and activities treasury and residual investment assets, excluding those that are carried independently by the reportable segments which are included within the respective segment, are considered as part of the Corporate and treasury activities of the Group.

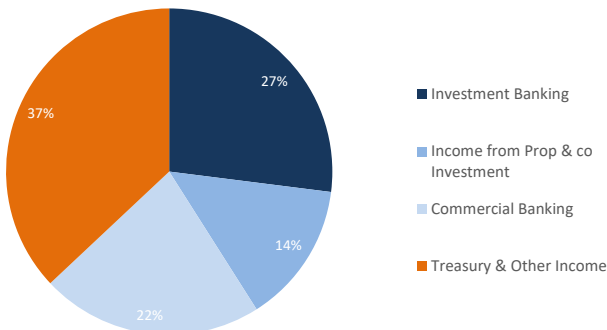
This segment focuses mainly on:

- Optimizing liquidity level by providing funding to the Group
- Optimizing liquidity deployment depending on risk and return trade-offs
- Managing proprietary book and trading

Main lines of investment are:

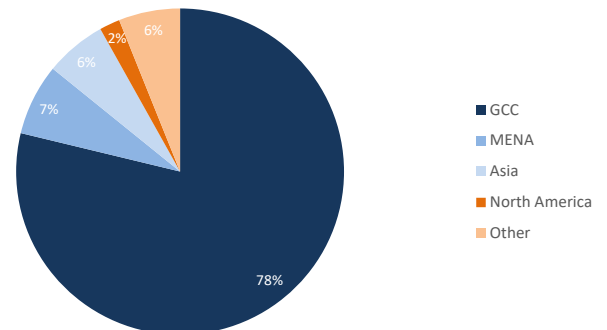
- Interbank Commodities Murabaha and Wakala
- Sukuk
- Alternative Investments

Exhibit 6: Revenue Breakdown



Source: Company Data, Arqaam Capital Research

Exhibit 7: Asset Breakdown by Geography*



Source: Company Data, Arqaam Capital Research
* As of YE 21, not adjusted to the spin-off of "Infracorp"

Proprietary and Co-Investments

This business unit primarily is involved in management of GFH’s proprietary investments in private companies, investment funds and financial institutions. The business unit also covers the Group’s investment in real estate and related assets.

- Harbour Heights in Bahrain – Mix: residential, retail, hospitality, and leisure complex
- First Energy Bank – minority stake in a regulated wholesale bank
- Gulf Holding – Majority stake in Kuwait based real estate company
- Naseej – Minority stake in Bahrain based developer

De-risking from Infracorp transaction

Thanks to the Infracorp transaction, USD 1.4bn real estate assets were removed from the balance sheet in Q1. This has been replaced with a USD 200m equity stake (40% stake remaining) and USD 900m sukuk, offering a reduced risk weighting, capital relief and higher earnings stability. It plans to further sell down its remaining equity stake through an IPO and also reduce its Sukuk holding.

Exhibit 8: Impact Infracorp transaction

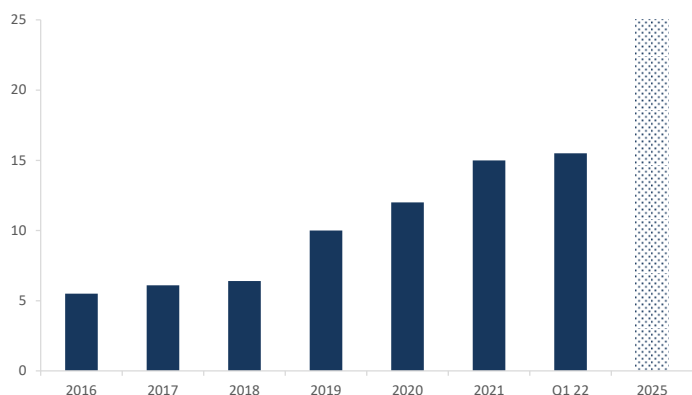
	31-Mar-22
Assets	
Cash and bank balance	80,119
Treasury portfolio	50,912
financing assets	38,100
Real estate investment	847,221
Proprietary investment	67,861
Co-investments	120,735
Receivables & prepayments	87,645
Property and equipments	81,200
Total	1,373,793
Liabilities	
Term financing	24,467
Payables and accruals	108,032
Total	132,499
Non-controlling interest	141,294
Net assets transferred	1,100,000
Consideration on the date of transfer	
Equity in Infracorp	200,000
Hybrid perpetual sukuk	900,000
	1,100,000

Source: Company Data, Arqaam Capital Research

Strategic Vision based on growing Asset base and AUM, and optimizing return through improving existing business lines

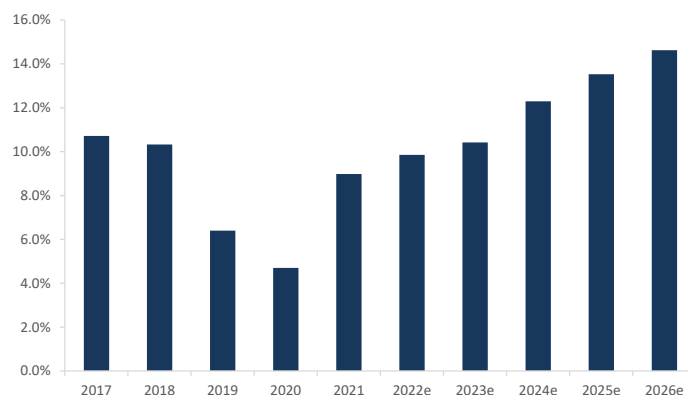
- The group plans to grow its asset base and AUM to USD25bn by YE 25 through i) organic growth, via creating strategic PE platforms (i.e., GFH’s education investment arm Britus Education) and ii) inorganic growth, via acquiring strategic businesses (i.e., partnership with Roebuck Asset Management to strength footprint in UK).
- The group plans to improve return generation by enhancing existing business lines though i) the deconsolidation of Infracorp (60% of GFH’s equity sold) and spin-off of RE and infrastructure assets to Infracorp to accelerate growth and development, ii) refocusing on financial assets across the rest of the group, iii) enhancing KHCB’s asset base following full acquisition, iv) expand treasury operations and investment banking, and v) expand international footprint.
- GFH plans to deliver further shareholder value through cross listing shares on ADX and Tadawul, while also obtaining a new license in Abu Dhabi Global Market.

Exhibit 9: AUM evolution



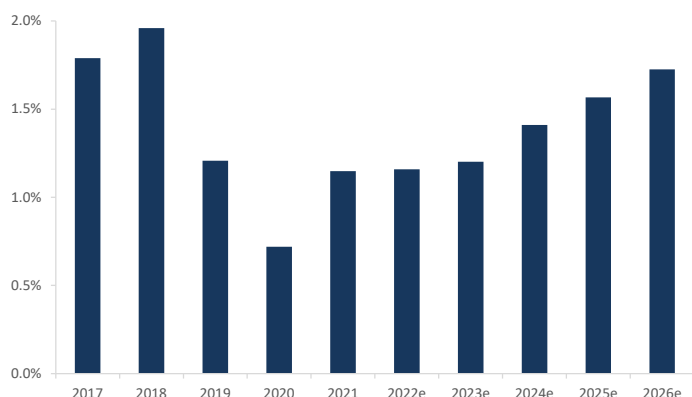
Source: Company Data, Arqaam Capital Research

Exhibit 10: RoE Evolution



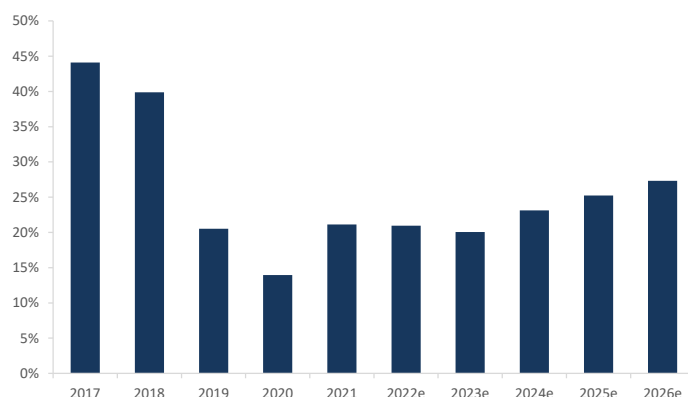
Source: Company Data, Arqaam Capital Research

Exhibit 11: RoA evolution



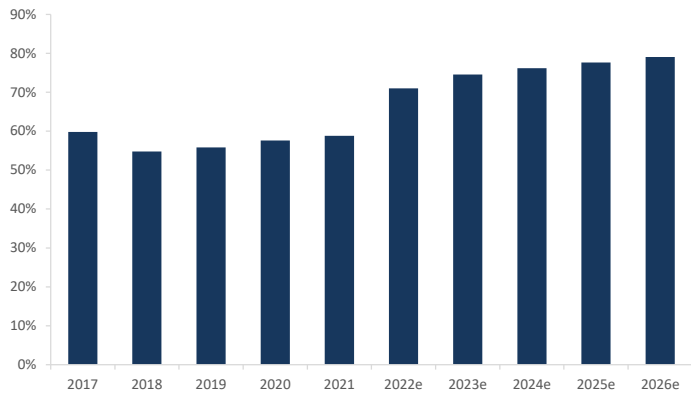
Source: Company Data, Arqaam Capital Research

Exhibit 12: Net profit margin



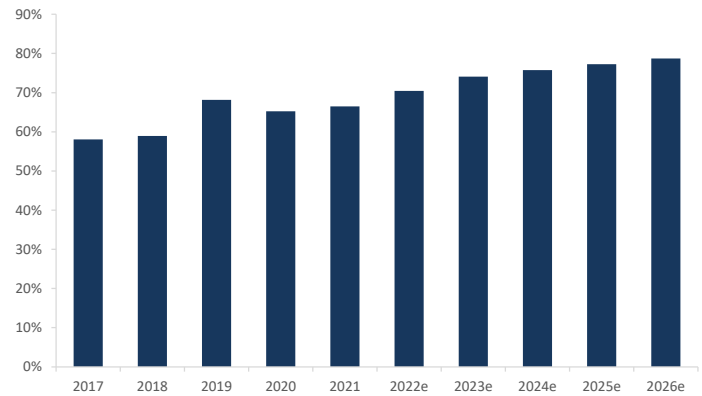
Source: Company Data, Arqaam Capital Research

Exhibit 13: EBITDA margin



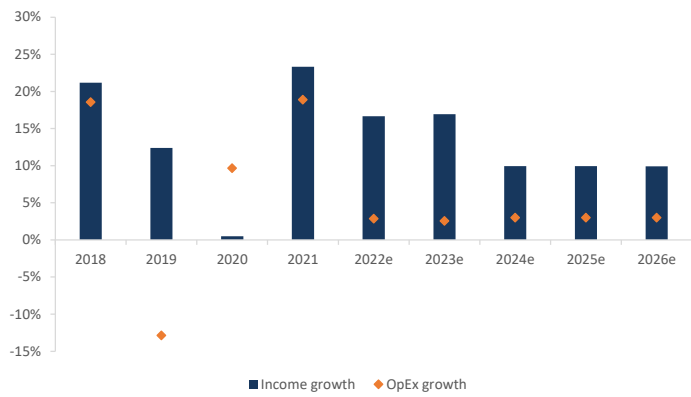
Source: Company Data, Arqaam Capital Research

Exhibit 14: Operating profit margin



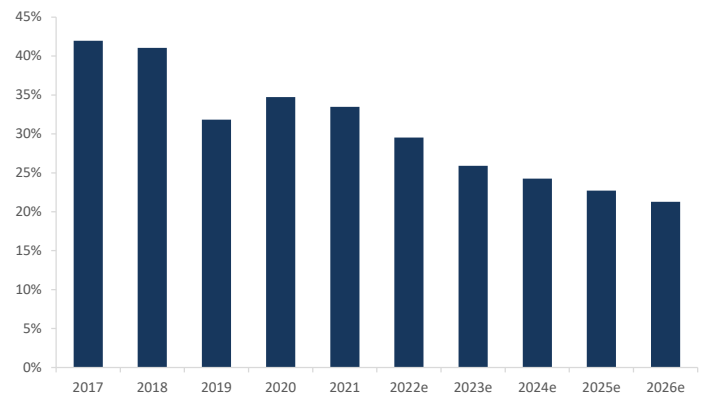
Source: Company Data, Arqaam Capital Research

Exhibit 15: Cost vs. Income growth



Source: Company Data, Arqaam Capital Research

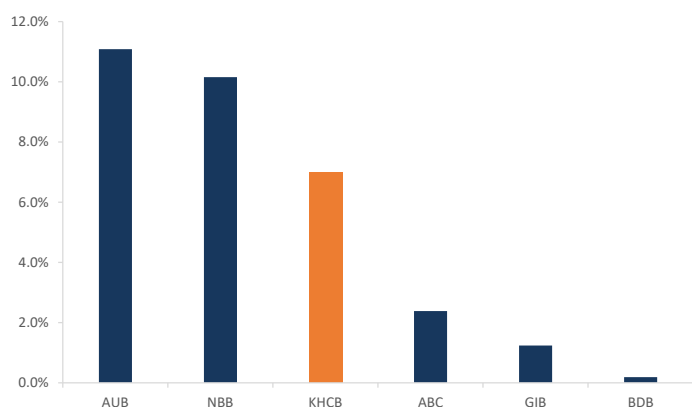
Exhibit 16: C/I evolution



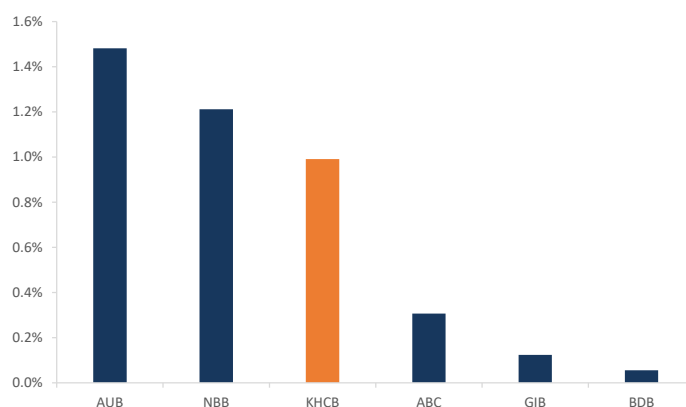
Source: Company Data, Arqaam Capital Research

DuPont Analysis for KHCB – return generation supported by funded income and operating efficiency

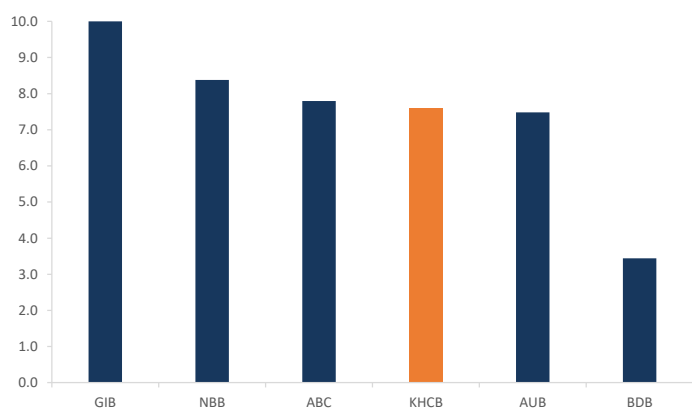
- KHCB reported higher than sector average RoE of 7.0% in 2021 (vs. 5.3%) on the back of i) slightly higher NII/AA (2.15% vs. 2.07%) and ii) higher operating efficiency with OpEx/AA of 1.04% (vs. 1.58%), together offsetting weaker non-NII (0.32% vs. 0.63%) and higher credit cost with Provisions/AA of 0.44% (vs. 0.36%).
- Further room to improve RoE with KHCB’s equity multiplier sitting slightly below sector average (7.1x vs. 7.4x).
- Higher credit cost than sector average is explained by a higher stage 3 loans share of total book (8.9% vs. 6.6%), despite improvement in asset quality following the clean-up exercise in recent years.

Exhibit 17: RoE


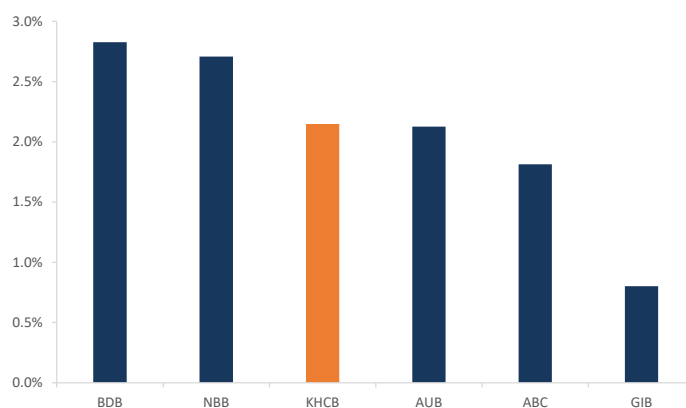
Source: Company Data, Arqaam Capital Research

Exhibit 18: RoA


Source: Company Data, Arqaam Capital Research

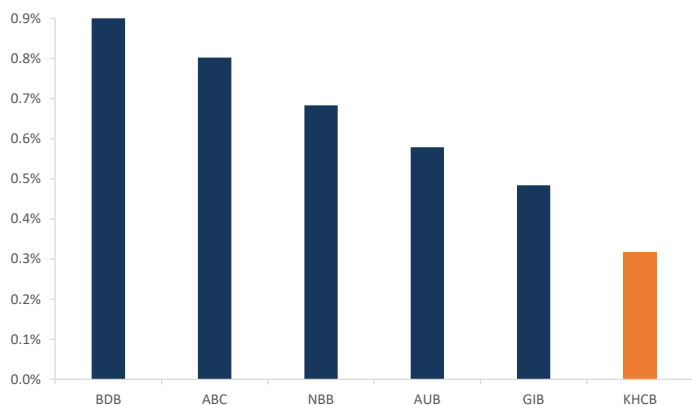
Exhibit 19: Equity Multiplier


Source: Company Data, Arqaam Capital Research

Exhibit 20: NII/AA


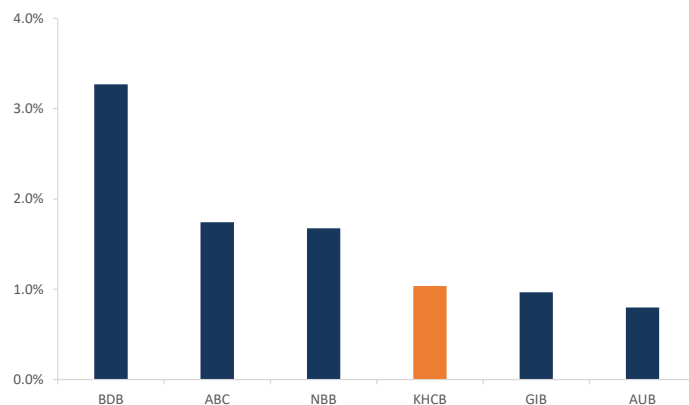
Source: Company Data, Arqaam Capital Research

Exhibit 21: Non-NII/AA



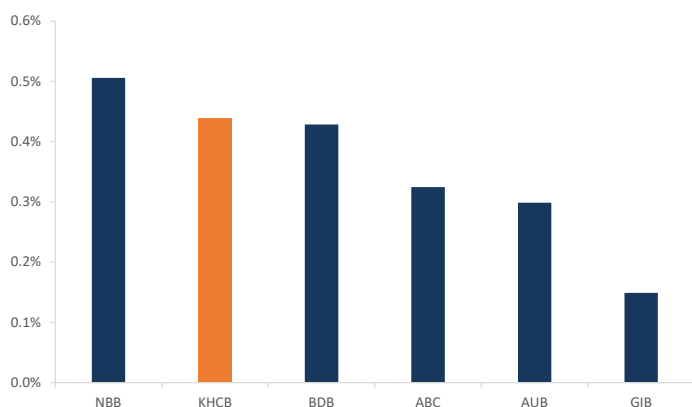
Source: Company Data, Arqaam Capital Research

Exhibit 22: OpEx/AA



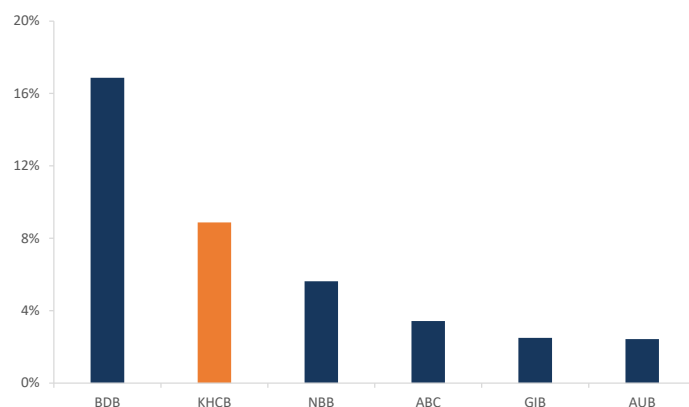
Source: Company Data, Arqaam Capital Research

Exhibit 23: Provisions/AA



Source: Company Data, Arqaam Capital Research

Exhibit 24: Stage 3% of total book

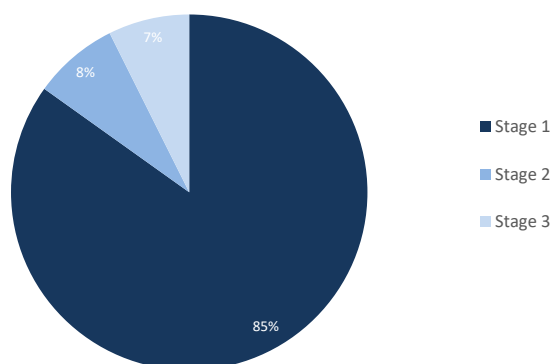


Source: Company Data, Arqaam Capital Research
*Q1 22 data for KHCB

Significant hidden value in real estate portfolio, low stage 2 coverage justified by strong collateral

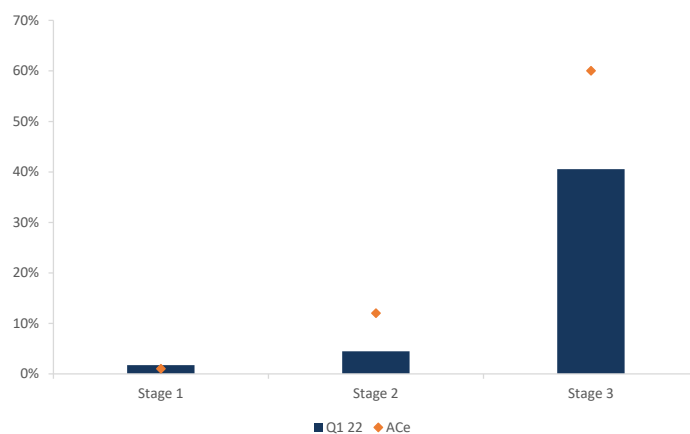
- The valuation of real estate is largely at cost, and we identify a USD 173m mark-to-market gain on the property investment book (11% of our FV) that is not reflected in GFH's shareholders' equity (2.4% of RWAs FY 22e), with a fair value of USD 766.8m vs a book value of USD 593m, albeit mostly comprised of land.
- GFH's stage 1, 2 and 3 shares of total book stood at c. 85%, 8% and 7%, respectively, as of Q1 22, with corresponding coverages of 1.8%, 4.5% and 40.6%. We calculate a provisioning deficit of -137bps vs. our standard acid test (1% for stage 1, 12% for stage 2 and 60% for stage 3, unadjusted for collateral).
- However, the collateral is strong increasing total stage 3 coverage to 82.6% vs. cash coverage of 41.7% and stage 2 to 24.6% from 2.8% YE 21.
- We expect a mid-cycle CoR of 90bps CoR. However, the financing book represents only 18% of total assets as of Q1 22.

Exhibit 25: Stage 1,2 & 3 (% of financing book)



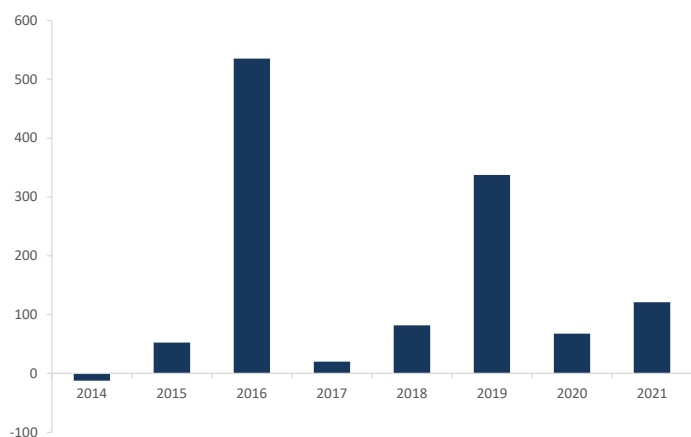
Source: Company Data, Arqaam Capital Research

Exhibit 26: Stage 1,2 & 3 coverage



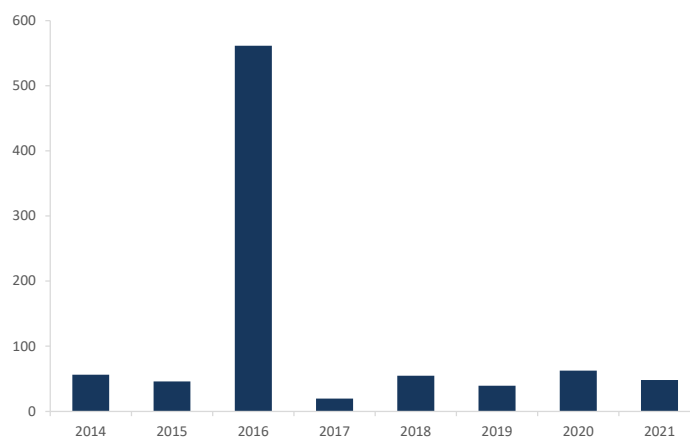
Source: Company Data, Arqaam Capital Research

Exhibit 27: CoR evolution



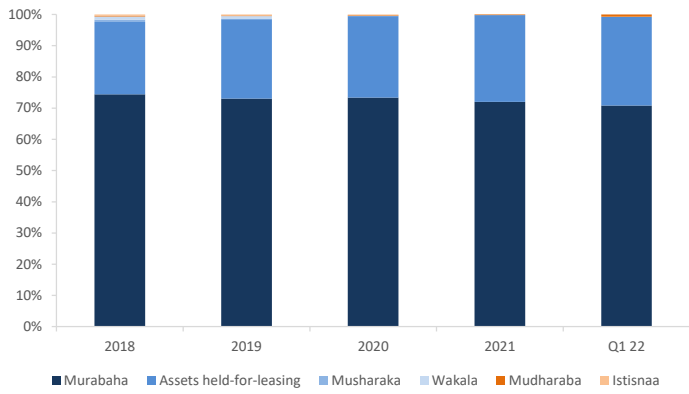
Source: Company Data, Arqaam Capital Research

Exhibit 28: Other provisions evolution*



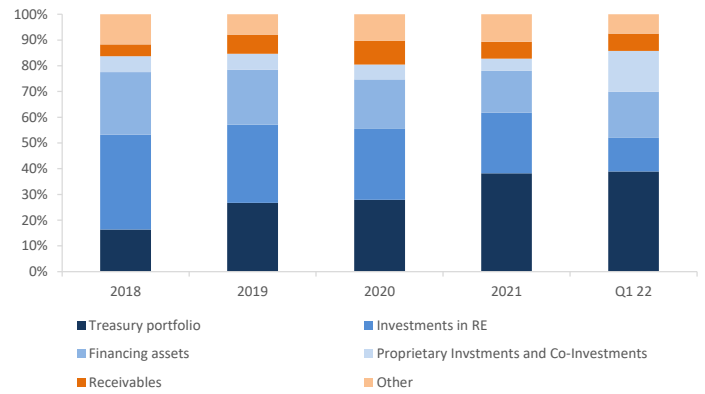
Source: Company Data, Arqaam Capital Research
* as % of Treasury, Investment, and receivables

Exhibit 29: Financing book breakdown



Source: Company Data, Arqaam Capital Research

Exhibit 30: Asset base breakdown



Source: Company Data, Arqaam Capital Research

Stable capital base but some liquidity exposure, due to pressure from growing balance sheet and, LT and illiquid nature of RE and infrastructure assets

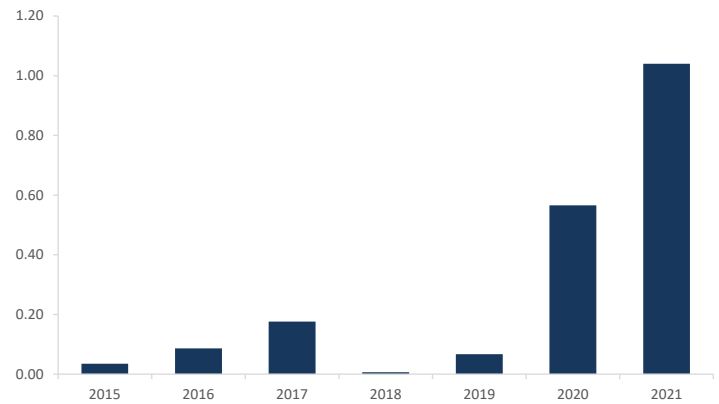
- CET1 improved to 14.5% and CAR to 15.0% up from 12.9% and 13.5% YE 21 as the the Infracorp transaction has reduced RWAs by USD 800m, or c 10%. vs. minimum regulatory requirements of 12.5% and 10.5% for CAR and T1, respectively.
- The Sukuk ADT1 of USD 300m would improve capital ratios by 2.4%.
- GFH’s liquidity profile also improved as it reduced its real estate exposure. NSFR and LCR stood at 97% and 221% by YE 21, respectively. The USD 500m raised from the sukuk in 2020 has contributed to 11pt to GFH’s NSFR.

Exhibit 31: Healthy CAR though under pressure from growing balance sheet and high RW for RE and infrastructure



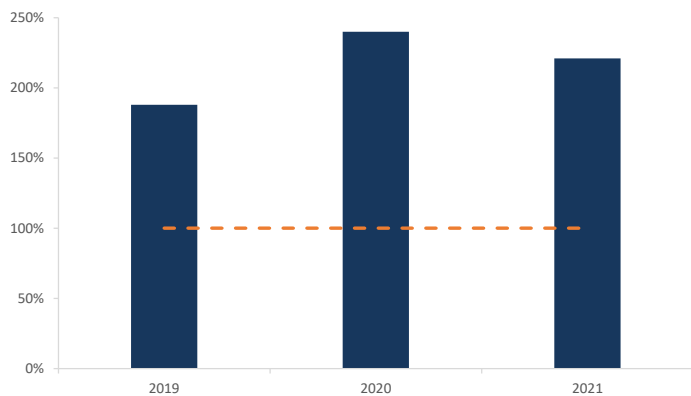
Source: Company Data, Arqaam Capital Research
*FY 18 growth: -25%

Exhibit 32: Net debt/ Equity*



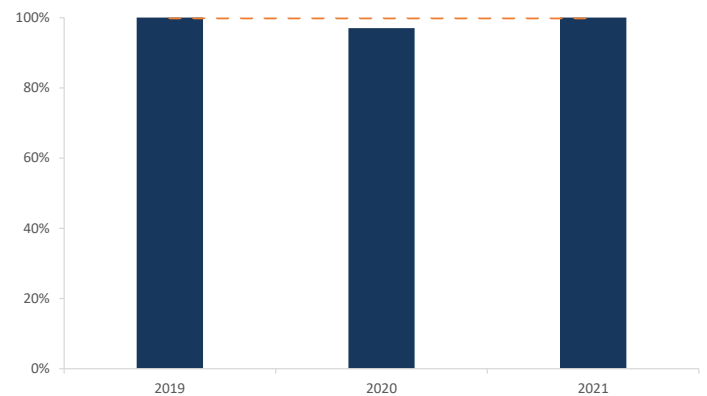
Source: Company Data, Arqaam Capital Research
*Net debt = total financing – Cash (excl. cash in CB)

Exhibit 33: LCR



Source: Company Data, Arqaam Capital Research

Exhibit 34: NSFR



Source: Company Data, Arqaam Capital Research

De-risking (capital relief, higher earnings stability) and new listing on ADX yet to be reflected in the valuation

- Stock is trading in line with historical average, at 20% premium to tNAV despite higher earnings resilience and ambitious targets to improve the return profile.
- Premium to tNAV is ahead of HRHO (Core Buy, TP EGP 23.7), but GFH trades at a discount to Shuaa (NR), albeit mostly because of capitalized goodwill, while GFH does not carry intangibles on its balance sheet.
- The stock traded at a >50% discount to the Bahraini banking sector, albeit skewed by KFH’s bid for AUB, the largest bank in Bahrain.
- We expect the ADX listing to increase the liquidity of the shares and further enhance the visibility of the stock.

The stock trades at 1.2x P/tNAV in line with its historical average, and still does not fully recognize the de-risking of the company (RWAs cut by USD 800m), the enhanced capital and liquidity buffers (RWA reduction, potential new ADT1) and higher earnings resilience (with real estate exposure halved to 13% of assets).

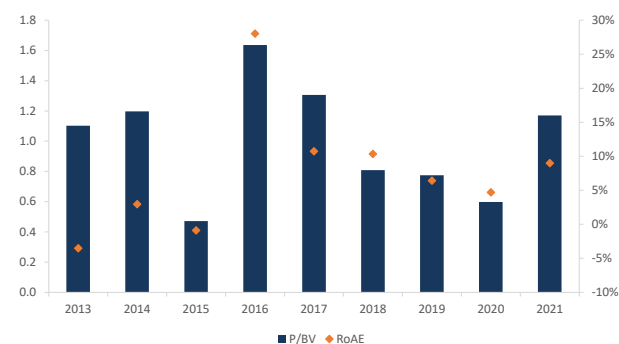
EFG-Hermes trades also at a small premium to tNAV, which Shuaa trades at a significant premium, largely reflecting the large, capitalized goodwill. The Bahraini banking sector trades at a P/tNAV 2.2x. albeit skewed by KFH’s ongoing bid for AUB, Bahrain’s largest bank.

Exhibit 35: Peer Group valuation

Company	Mkt. Cap. (USDm)	CCY	Mkt Cap. (m)	ADTV (USDm)	Share price	P/E (x)		P/tNAV (x)		RoE (%)		DVD yield (%)		EPS Growth (%)		NAV Growth (%)	
						20A	21A	20A	21A	20A	21A	20A	21A	20A	21A	20A	21A
GFH	1,188	USD	1,188	0.21	0.310	12.0	13.0	0.6	1.2	4.7	9.0	5.49	1.47	-31.1	89.9	-8.6	5.0
AUB	9,977	USD	9,977	0.35	0.895	17.7	16.6	2.1	2.4	10.1	13.4	5.98	1.28	-34.3	36.7	-6.2	11.7
NBB	3,416	BHD	1,288	0.08	0.627	19.7	22.8	2.3	2.6	10.1	10.3	3.61	2.75	-16.2	-0.3	-2.7	1.6
ABC	927	USD	927	0.01	0.298	NA	12.5	0.2	0.3	-2.3	2.6	6.38	6.38	NA	NA	-6.5	2.7
EFG	786	EGP	14,625	2.39	15.03	8.6	9.9	0.9	1.1	9.6	10.3	5.77	5.77	-5.3	5.8	-0.2	1.2
SHUAA	365	AED	1,341	0.61	0.529	13.5	108.7	6.9	7.2	8.48	1.65	NA	4.38	400	-80	1.7	-2.4
Bahrain	16,660			4				2.2	2.5	6.8	7.9	5.4	3.7				

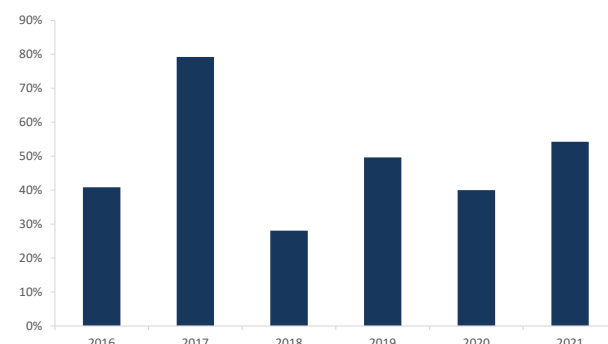
Source: Company Data, Arqaam Capital Research

Exhibit 36: P/BV vs. RoAE



Source: Company Data, Arqaam Capital Research

Exhibit 37: DPO ratio



Source: Company Data, Arqaam Capital Research

Divisional forecasts

Exhibit 38: Real Estate

	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e
Real estate development										
Revenue	14,893	102,812	40,416	19,457	29,844	18,609	18,656	18,702	18,796	18,909
Expense	9,931	16,124	21,636	21,628	15,801	9,305	9,328	9,351	9,398	9,454
Net income	4,962	86,688	18,780	-2,171	14,043	9,305	9,328	9,351	9,398	9,454
Assets	1,556,265	2,035,664	1,890,067	1,746,751	1,758,446	930,455	932,781	935,113	939,789	945,427
Liabilities	680,103	1,238,147	331,077	256,879	159,790	25,360	18,358	11,339	6,617	2,801
Equity	876,162	797,517	1,558,990	1,489,872	1,598,656	905,095	914,423	923,774	933,172	942,626
RoA	0.3%	4.8%	1.0%	-0.1%	0.8%	0.7%	1.0%	1.0%	1.0%	1.0%
RoE	0.6%	10.4%	1.6%	-0.1%	0.9%	0.7%	1.0%	1.0%	1.0%	1.0%

Source: Company Data, Arqaam Capital Research

Exhibit 39: Investment banking

	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e
Investment Banking										
Revenue	135,490	68,370	95,851	80,631	110,387	121,426	133,568	146,925	161,618	185,860
Expense	35,435	37,888	52,709	69,152	73,943	78,927	86,819	95,501	105,051	117,092
Net income	100,055	30,482	43,142	11,479	36,444	42,499	46,749	51,424	56,566	68,768
Assets	468,122	686,688	539,236	929,392	1,068,340	1,153,807	1,246,112	1,345,801	1,453,465	1,569,742
Liabilities	217,881	558,787	590,478	615,022	576,991	619,959	665,515	713,780	764,878	812,387
Equity	250,241	127,901	-51,242	314,370	491,349	533,848	580,597	632,021	688,587	757,355
RoA	21.4%	5.3%	7.0%	1.6%	3.6%	3.8%	3.9%	4.0%	4.0%	4.5%
RoE	40.0%	16.1%	112.6%	8.7%	9.0%	8.3%	8.4%	8.5%	8.6%	9.5%

Source: Company Data, Arqaam Capital Research

Exhibit 40: Commercial banking

	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e
Commercial Banking										
Revenue	56,085	55,350	67,790	65,313	71,825	79,876	89,861	100,932	117,391	131,311
Expense	44,815	49,641	107,649	44,343	43,144	46,328	52,119	56,522	58,696	65,655
Net income	11,270	5,709	-39,859	20,970	28,681	33,548	37,742	44,410	58,696	65,655
Assets	2,071,510	2,246,159	2,492,711	2,693,884	3,095,984	3,328,183	3,594,437	3,881,992	4,192,552	4,527,956
Liabilities	1,681,661	1,713,849	2,116,362	2,017,852	2,355,396	2,554,047	2,782,560	3,025,705	3,277,568	3,547,317
Equity	389,849	532,310	376,349	676,032	740,588	774,136	811,878	856,288	914,983	980,639
RoA	0.5%	0.3%	-1.7%	0.8%	1.0%	1.0%	1.1%	1.2%	1.5%	1.5%
RoE	2.9%	1.2%	-8.8%	4.0%	4.0%	4.4%	4.8%	5.3%	6.6%	6.9%

Source: Company Data, Arqaam Capital Research

Exhibit 41: Corporate and treasury

	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e
Corporate and treasury										
Revenue	5,180	23,220	117,555	157,993	186,953	195,421	243,819	322,456	350,567	377,027
Expense	18,279	31,050	86,035	138,928	173,243	176,961	227,562	287,987	307,580	321,544
Net income	-13,099	-7,830	31,520	19,065	13,710	18,460	16,257	34,469	42,988	55,483
Assets	14,560	20,854	1,023,259	1,216,836	2,160,916	3,317,936	3,655,481	4,020,210	4,411,960	4,834,462
Liabilities	35,019	55,804	1,614,485	2,511,046	3,823,388	4,442,549	4,806,689	5,180,093	5,579,882	6,009,696
Equity	-20,459	-34,950	-591,226	-1,294,210	-1,662,472	-1,124,613	-1,151,208	-1,159,883	-1,167,922	-1,175,234
RoA	-90.0%	-44.2%	6.0%	1.7%	0.8%	0.7%	0.5%	0.9%	1.0%	1.2%
RoE	64.0%	28.3%	-10.1%	-2.0%	-0.9%	-1.3%	-1.4%	-3.0%	-3.7%	-4.7%

Source: Company Data, Arqaam Capital Research

Exhibit 42: Group

Group	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e
Revenue	211,648	249,752	321,612	323,394	399,009	415,332	485,903	589,015	648,372	713,106
Expense	108,460	134,703	268,029	274,051	306,131	311,521	375,829	449,361	480,725	513,746
Net income	103,188	115,049	53,583	49,343	92,878	103,812	110,075	139,654	167,647	199,361
Assets	4,110,457	4,989,365	5,945,273	6,586,863	8,083,686	8,730,381	9,428,811	10,183,116	10,997,766	11,877,587
Liabilities	2,614,664	3,566,587	4,652,402	5,400,799	6,915,565	7,641,915	8,273,122	8,930,917	9,628,945	10,372,201
Equity	1,495,793	1,422,778	1,292,871	1,186,064	1,168,121	1,088,466	1,155,689	1,252,199	1,368,820	1,505,386
RoA	2.5%	2.5%	1.0%	0.8%	1.3%	1.2%	1.2%	1.4%	1.6%	1.7%
RoE	6.9%	7.9%	3.9%	4.0%	7.9%	9.2%	9.8%	11.6%	12.8%	13.9%

Source: Company Data, Arqaam Capital Research

Exhibit 43: Breakdown

Revenue contribution	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e
Real estate development	7%	41%	13%	6%	7%	4%	4%	3%	3%	3%
Investment Banking	64%	27%	30%	25%	28%	29%	27%	25%	25%	26%
Commercial Banking	26%	22%	21%	20%	18%	19%	18%	17%	18%	18%
Corporate and treasury	2%	9%	37%	49%	47%	47%	50%	55%	54%	53%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Net income contribution										
Real estate development	5%	75%	35%	-4%	15%	9%	8%	7%	6%	5%
Investment Banking	97%	26%	81%	23%	39%	41%	42%	37%	34%	34%
Commercial Banking	11%	5%	-74%	42%	31%	32%	34%	32%	35%	33%
Corporate and treasury	-13%	-7%	59%	39%	15%	18%	15%	25%	26%	28%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Asset contribution										
Real estate development	38%	41%	32%	27%	22%	11%	10%	9%	9%	8%
Investment Banking	11%	14%	9%	14%	13%	13%	13%	13%	13%	13%
Commercial Banking	50%	45%	42%	41%	38%	38%	38%	38%	38%	38%
Corporate and treasury	0%	0%	17%	18%	27%	38%	39%	39%	40%	41%

Source: Company Data, Arqaam Capital Research

We set a TP of AED 1.55 or USD 0.42/share. This is based on our EVA model.

Key assumptions: CoE of 12.4%, based on a US risk free rate of 2.8%, 10-year CDS of 359bps for Bahrain and an equity risk premium of 6% (1% reduction because of natural demand for Sharia compliant FIG stocks). We include a revaluation gain of USD 173m on its real estate assets, and a USD 19m reduction for its provision buffers.

Exhibit 44: GFH EVA

Year-end	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	perp	subtotal	% of total	
1. DCF															
Net profit	217	107	114	66	45	84	101	107	136	163	194	201			
Other adjustments (comprehensive income and GW amortization)	--	--	--	--	--	--	--	--	--	--	--	--			
Minus: excess return excess capital	7	6	6	4	3	2	5	9	10	12	15	15			
Risk free rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	2.65%	4.50%	4.50%	4.50%	4.50%	4.50%			
Tax shelter	--	--	--	--	--	--	--	--	--	--	--	--			
Adjusted net profit	210	101	108	62	42	82	96	98	126	151	179	186			
Capital requirements	516	1,007	964	1,000	993	992	857	911	969	1,033	1,101	1,139			
RoECC	40.7%	10.1%	11.2%	6.2%	4.3%	8.3%	11.2%	10.8%	13.0%	14.6%	16.3%	16.3%			
Cost of capital	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%			
Capital charge	64	125	120	124	123	123	106	113	120	128	136	141			
Economic profit	146	(24)	(12)	(62)	(81)	(41)	(10)	(15)	6	23	43	44			
Discount factor	--	--	--	--	--	--	1.00	0.89	0.79	0.70	0.63	0.56			
NPV of Economic Profit	--	--	--	--	--	--	(10)	(13)	4	16	27	25			
DCF EVA Forecast period													25	1.5%	
Perpetual growth rate (nominal GDP)													3.5%		
Terminal Value													499		
Terminal value discounted														278	17.1%
Required Capital														992	61.0%
Value of the bank operations														1,295	79.6%
2. Capital surplus/deficit															
Available capital:															
Shareholders equity	908	1,150	1,059	1,005	913	963	1,019	1,080	1,171	1,281	1,410				
Minorities	214	346	364	288	273	205	70	75	81	88	95				
Less Goodwill & intangibles	(55)	--	--	--	--	--	--	--	--	--	--				
Less non equity elements reported shareholders equity															
Less Dividends (if included in reported equity)	(89)	(85)	(32)	(33)	(18)	(46)	(46)	(46)	(53)	(65)	(73)				
Tangible equity	978	1,411	1,391	1,260	1,168	1,122	1,043	1,110	1,199	1,304	1,433				
Capital needs															
RWAs (Basel III)	4,299	8,388	8,031	8,330	8,272	8,268	7,139	7,591	8,079	8,605	9,173				
Equity as % RWA	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%				
Financial stakes	--	--	--	--	--	--	--	--	--	--	--				
Capital Requirements	516	1,007	964	1,000	993	992	857	911	969	1,033	1,101				
Surplus capital	462	404	427	260	175	130	186	199	229	271	332		130	8.0%	
3. Other adjustments															
Real Estate hidden value														174	10.7%
Underprovisioning vs. arqaam acid test (conservative)														(19)	
Total adjustments														155	9.5%
4. Dividends														46	2.8%
Total Fair Value														1,626	100%
Fully diluted number of shares														3,833	
Fair value per share														0.42	
Current share price														0.32	
Upside														32.6%	
Implied P/E (x)	7.5	15.1	14.3	24.6	36.1	19.3	16.1	15.2	11.9	9.9	8.4				
Implied P/tNAV (x)	1.9	1.4	1.5	1.6	1.8	1.7	1.6	1.5	1.4	1.3	1.2				

Source: Company Data, Arqaam Capital Research

We value real estate as the NAV of the division plus the hidden value of USD 173m. We value the commercial bank at 0.8x P/tNAV. We value IB at 15x PE, and treasury as a residual.

Exhibit 45: SotP

SotP	BV22e USD m	NP 22e USD m	P/BV (x)	P/E (x)	Valuation
Real Estate	905,095	9,305	1.2	120.9	1,124,719
Commercial bank	774,136	33,548	0.8	18.5	619,309
IB	533,848	42,499	1.2	15.0	637,485
Treasury and Holdco	-1,124,613	18,460	0.7	-40.9	-755,248
Group	1,088,466	103,812	1.5	15.7	1,626,265

Source: Company Data, Arqaam Capital Research

No impact on MSCI or FTSE as GFH is considered a Bahrain entity

No impact on MSCI as stock is already as part of MSCI Bahrain. MSCI rules entails that only one listing per security will be part of the MSCI Investable Market Universe, currently the Bahrain listing of GFH group is the only member in MSCI IMI as part of the Bahrain Small Cap Index with a total foreign inclusion factor of 75% at market cap of USD1.14bn and free float market cap of USD0.862bn. As per MSCI methodology, the listing with the highest ATVR in each market should be the one representing the security in the MSCI IMI, thus we do not expect changes post the listing on ADX. GFH currently has a small representation of 0.92% of MSCI FM Index and is one of the 91 securities that construct the FM Index.

Exhibit 46: MSCI Bahrain Index

Security Name	FIF	Full MCap (USDbn)	Free Float Mcap (USDbn)	Index Member
AHLI UNITED BANK (KW)	0.60	9.81	5.88	Standard
GFH	0.75	1.15	0.86	Small Cap
BAHRAIN TELECOM CO	0.25	2.26	0.57	Standard
BBK	0.25	2.12	0.53	Standard
AL-SALAM BANK	0.85	0.57	0.48	Small Cap
ALUMINIUM BAHRAIN	0.10	4.67	0.47	Standard
BAHRAIN DUTYFREE COMPLEX	0.80	0.24	0.19	Small Cap
BAHRAIN COMM FACILITIES	0.35	0.27	0.09	Small Cap

Source: MSCI, Arqaam Capital Research, Bloomberg

Like MSCI, FTSE allocates one stock per security, already a member of FTSE EM (UAE) GFH group is currently a member of FTSE EM Index with a higher FF% of 85% leading to a free float market cap of USD1.01bn (vs. USD860mn for MSCI). The stock has a total weight of 0.0015% of the FTSE EM Index and is one out of 3569 stock that are part of the FTSE EM Index. Like MSCI, we do not expect any changes to the current stock membership as the dual listing should not affect its weight.

Exhibit 47: FTSE UAE Index

Security Name	FIF	Full Mcap (USDmn)	Free Float Mcap (USDbn)	Weight in FTSE EM
Emirates Telecommunications Group Co PJSC	0.40	68,901	27,560	0.40%
First Abu Dhabi Bank PJSC	0.40	59,628	23,851	0.35%
Alpha Dhabi Holding	0.13	70,459	9,413	0.14%
Abu Dhabi Commercial Bank	0.40	18,014	7,169	0.10%
Emaar Properties	0.49	12,162	5,960	0.09%
Aldar Properties PJSC	0.49	10,532	5,161	0.08%
Dubai Islamic Bank	0.40	11,609	4,644	0.07%
Abu Dhabi Islamic Bank	0.40	8,019	3,208	0.05%
ADNOC Distribution PJSC	0.20	13,987	2,797	0.04%
Dubai Electricity and Water Authority	0.05	35,121	1,834	0.03%
Dubai Investment	0.49	2,593	1,271	0.02%
ADNOC Drilling Company	0.09	13,330	1,261	0.02%
Air Arabia	0.49	2,452	1,202	0.02%
Emaar Development PJSC	0.21	4,857	1,020	0.01%
GFH Financial Group BSC	0.85	1,177	1,005	0.01%
Dana Gas PJSC	0.49	2,046	1,003	0.01%
Dubai Financial Market	0.20	4,680	945	0.01%
Al Yah Satellite Communications	0.40	1,740	696	0.01%
Al Seer Marine Supplies and Equipment	0.19	3,272	625	0.01%
RAK Properties	0.49	369	181	0.00%
Union Properties	0.49	307	150	0.00%
ARAMEX	0.10	1,495	149	0.00%

Source: Arqaam Capital Research, Bloomberg

MSCI Data Disclaimer

The MSCI sourced information is the exclusive property of MSCI Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

ESG – aligned with the national vision

- GFH’s ESG is aligned with the national visions of Bahrain, incorporating key components of the Bahrain Vision 2030, while contributing as well towards 13/17 of the UN’s Sustainability Development Goals.
- Environmental management was accelerated by the COVID-19 pandemic which led to changes in office operations and processes.

Exhibit 48: Sustainable development goals pursued by GFH

Environment

- Clean water and sanitation
- Affordable and clean energy
- Industry, innovation and infrastructure
- Responsible production and consumption
- Climate actions

Social

- Good health and well-being
- Quality education
- Gender equality
- Decent work and economic growth
- Reduced inequalities

Governance

- Decent work and economic growth
- Reduced inequalities
- Peace, justice and strong institutions

Source: Company Data, Arqaam Capital Research

Key environmental initiatives in 2021

- Implementation of new paperless ways of working and digitized processes as employees started to work remotely following the pandemic surge.
- Reduction of energy intensity by c. 4% y/y in 2021.

Key social initiatives in 2021

- 150% y/y increase in the number of women hired
- 42% y/y reduction in the number of employees who left
- Launching of the Career Development Program to help employees gain new skills
- Community investments over 740,000 BHD, with a target of 1% of total revenue

Key governance initiatives in 2021

- Achieved 92.1% of the Internal Audit Plan vs. a target of 85%
- Internal Audit Department (IAD) underwent an external quality assurance review conducted by an independent third party, helping it to create a detailed action plan

Latest Developments and Important Events of the Group

Strategic Acquisition of Khaleeji Commercial Bank

During 2021, GFH increased its stake in KHCB from 55.41% to 81.17%. During November 2021, GFH made a voluntary conditional acquisition offer to all shareholders of KHCB to purchase all 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 Spin-off (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 200m; 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 of 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, 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 pursue their long-term business strategies more efficiently in accordance with their respective business models.

Recognition

- In 2021, “Best Islamic investment bank” in the Middle East and Africa region and Best Sukuk Deal of the Year at the MEA Finance Awards, the Middle East’s 30 Biggest Asset Manager 2021 by Forbes Magazine
- In 2020, “Best Private Bank” and “Best Investment Management Firm” in MEA Finance Awards, “Best Investment Bank (Middle East) in the International Business Magazine and “Most Innovative Diversified Investment Portfolio” by the Global Business Outlook
- In 2019, “Best Investment Management Services” and “Best Investment Banking Services” in the Banker Middle East Product Awards 2019 and “Best Investment Bank” in the CPI Financial Islamic Business & Finance Awards
- In 2018, “Best Investment Bank - Middle East” and “Best Islamic Bank - Bahrain” in the Islamic Business & Finance Awards - EMEA; and
- In 2017, “Best Investment Bank – Middle East”, “Best Bank - Bahrain”, “Fast Growing Bank – Middle East” and “Fastest Growing Bank - Bahrain” at the Bankers Middle East Awards.

Litigation

GFH is party to the following ongoing significant legal claims/disputes (i.e., claims more than USD 5m):

- A claim filed by GFH before the courts of Qatar against QECHC and others to recover an amount of approximately USD 30.7m in addition to a compensation for damages of USD 5m in relation to the loss of GFH's shares in the Energy City Qatar project. The legal proceedings are ongoing.
- Arbitration proceedings were instituted by Tunis Bay Project Company (TBPC) at the ICC Court of Arbitration in Paris against Samir Jaïeb for the payment, in his capacity as guarantor of Tunis Bay Alliance Golf Project (TBAGP) for the benefit of TBPC, of an amount of c.USD5.1m and c.USD0.34m for damages incurred as a result of delay in TBAGP. The proceedings are ongoing. TBAGP represented by Samir Jaïeb (the general manager of TBAGP) has accordingly instituted arbitration at the ICC Court of Arbitration against TBPC and GFH Financial Group BSC claiming up to USD 48.1m in respect of non-completion of the alleged infrastructure works in a reaction to the original claim. A counterclaim has been filed against Samir Jaïeb in response.

Q1 Financial statements demonstrate significant de-risking

Exhibit 49: Balance sheet

US\$ 000's	31-Mar-22	31-Dec-21	31-Mar-21
ASSETS			
Cash and bank balances	544,481	722,471	805,917
Treasury portfolio	3,161,058	3,089,925	2,021,232
Financing assets	1,440,867	1,311,002	1,259,791
Investment in real estate	1,074,445	1,905,598	1,820,683
Proprietary investments	1,165,305	211,638	174,474
Co-investments	119,368	171,877	120,449
Receivables and other assets	548,789	531,488	697,301
Property and equipment	63,427	139,687	143,223
Total assets	8,117,740	8,083,686	7,043,070
LIABILITIES			
Clients' funds	163,925	216,762	84,613
Placement from financial, non-financial institutions and individuals	2,759,348	3,052,092	2,589,838
Customer current accounts	142,021	133,046	159,162
Term financing	1,931,838	1,750,667	1,253,204
Other liabilities	625,728	404,654	420,795
Total liabilities	5,622,860	5,557,221	4,507,612
Total equity of investment account holders	1,400,059	1,358,344	1,341,312
OWNERS' EQUITY			
Share capital	1,000,638	1,000,638	975,638
Treasury shares	(62,933)	(48,498)	(65,623)
Statutory reserve	27,970	27,970	19,548
Investment fair value reserve	(31,703)	(28,561)	(7,176)
Foreign currency translation reserve	0	(70,266)	(42,777)
Retained earnings	101,050	81,811	36,674
Share grant reserve	0	0	1,093
Total equity attributable to shareholders of the Bank	1,035,022	963,094	917,377
Non-controlling interests	59,799	205,027	276,769
Total owners' equity	1,094,821	1,168,121	1,194,146
Total liabilities, equity of investment account holders and owners' equity	8,117,740	8,083,686	7,043,070

Source: Company Data, Arqaam Capital Research

Exhibit 50: Income statement

\$US 000's	31-Mar-22	31-Mar-21
Investment banking		
Asset management	989	805
Deal related income	23,690	16,785
	24,679	17,590
Commercial banking income		
Income from financing	21,228	21,658
Treasury and investment income	11,795	10,814
Fee and other income	3,323	1,556
Less: Return to investment account holders	(8,515)	(8,289)
Less: Finance expense	(8,080)	(8,566)
	19,751	17,173
Income from proprietary and co-investments		
Income from sale of real estate assets	1,932	3,434
Leasing and operating income	1,128	1,144
Direct investment income, net	2,490	9,852
Income from co-investments	7,235	3,690
	12,785	18,120
Treasury and other income		
Finance and treasury portfolio, net	25,624	29,650
Other income, net	7,975	7,856
	33,599	37,506
Total income	90,814	90,389
Operating expenses		
Operating expenses	34,299	32,185
Finance expense	35,781	33,665
Impairment allowances	1,385	5,200
Total expenses	71,465	71,050
Profit for the period	19,349	19,339
Attributable to:		
Shareholders of the Bank	19,118	16,122
Non-controlling interests	231	3,217
	19,349	19,339
Earnings per share		
Basic and diluted earnings per share (US cents)	0.54	0.52

Source: Company Data, Arqaam Capital Research

Management

Hisham Alrayes, executive Director & Group CEO, is leading the Group. With over 23 years of experience, Hisham brings extensive expertise and banking knowledge to the Group and was instrumental in driving the development and execution of the Group's regional and international investment strategy. Hisham currently chairs and holds several directorships in financial, Industrial and real estate companies including Esterad Investment Company, Khaleeji Commercial Bank, GFH Capital and Infracorp.

Hisham holds a master's degree with honors in Business Administration from the University of DePaul, Chicago (USA), and a bachelor's degree in Engineering with honors from the University of Bahrain. In 2021, Hisham was ranked 'One of the top listed CEOs' in CEO Today Middle East Awards, 'Best CEO in Investment Banking Sector-Bahrain 2021' from the Global Economics. And during 2020, Hisham received 'Banker of the Year' in the MEA Finance Awards 2020 in recognition of his role in steering the Group's diversification strategy which has seen the Group expand its business lines and geographic reach, while remaining resilient in the face of unprecedented market conditions. He was also 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.

Mr. Suryanarayanan Hariharan, Chief Financial Officer, works closely with the Group's executive management team and is responsible for the accounting, financial planning and analysis, stakeholder reporting, including regulatory reporting, for the Group and its owned subsidiaries. Surya has more than 16 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. Before this, he was in audit services and real estate domain at KPMG in both Bahrain and Qatar, and Price Waterhouse 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.

Mr. Salah Sharif, Chief Operating Officer, is a key player in the strategic management of the Group's core operational functions. He is also responsible for ensuring the highest standards of operational excellence across the Group and its SPVs and Project Companies. He has more than 30 years of regional and international exposure to conventional and Islamic banking and finance, with experience across commercial and wholesale banking and in industrial and infrastructure advisory sectors. In addition to his executive role at the Group, Salah also serves on several investee company boards. He is the Chairman of Falcon Cement Company, Vice Chairman of Infracorp and Vice Chairman of Gulf Holding Company, and a Board Member of Khaleeji Commercial Bank, GBCorp and CapCorp.

Prior to his current role in GFH, Salah was seconded as the CEO of Cemena Holding Company (CHC), an industrial subsidiary of the Group, one of the largest cement holding companies in the MENA region. Previously, he held a number of senior roles in leading, global financial institutions, including American Express and Standard Chartered Bank where he held key executive positions.

Salah holds an MBA from the University of South Wales, UK. and most recently, he completed the Senior Executive Leadership Program offered by Harvard Business School, Boston, USA.

Mr. 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; reporting to the Board Audit & Risk Committee to maintain the internal audit function independency from the Group's management.

Baha has more than two decades of auditing and banking experience, and for the last few years has supported the Group's recovery efforts that were remarkably concluded with total income 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 during which he also served in other regional offices of EY such as Kuwait, Qatar, and Houston Texas – USA. During his tenure with EY, Baha oversaw auditing several clients from different sectors. Namely, Islamic Banks, Conventional Banks, Investment funds, Insurance, Oil & Gas, Hospitality and Government sectors.

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 several specialized professional qualifications including, Certified Internal Auditor, Chartered Global Management Accountant and has a Certification in Risk Management Assurance. He has also participated in several technical, business and leadership programs and lately, completed the Senior Executive Leadership Program from Harvard Business School.

Mr. Hammad Younas is the Chief Investment Officer – Private Equity and leads the overall investment business of the Group including Private Equity, Corporate Investment and Asset Management. Hammad has more than 20 years of experience in corporate finance, investment banking, private equity, real estate, and asset management, and throughout his career, he has led various regional and cross-border transactions in MENA, US, Europe and South Asia across multiple sectors and asset classes. His transaction experience includes mergers and acquisitions, IPOs, listings, secondary offerings, private placements, and debt raising. In addition, he is a growth strategy and business development expert.

Prior to joining GFH in 2016, Hammad was a Partner at Ernst & Young MENA and their Transaction Advisory Leader for Bahrain. He was also the CEO of Ernst & Young Corporate Finance, Bahrain. Hammad spent more than 13 years with Ernst & Young advising a wide range of clients including financial institutions, sovereign wealth funds, private equity and real estate investment firms, governments, family businesses and high net worth individuals on their investment, capital raising, performance improvement, restructuring and strategy.

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

Mr. Nael Mustafa AlKujok is the Co-Chief Investment Officer – Real Estate. He is responsible for developing and executing the Group's global real estate investment strategy and oversight of its growing portfolio of assets across the Middle East, Europe and the US. Nael has more than

30 years of experience in investment banking with a proven record in regional and international investments. This includes deep expertise in capital markets, corporate finance as well as Shari'a compliant alternative investments in North America, Europe and the Middle East.

Prior to joining GFH in October 2020, Nael spent 17 years at Arcapita in a number of senior positions. Most recently, he was Managing Director for Strategic Investments & Business Development, Member of the Global Investment Committee and Board Member on Real Estate Funds and Private Equity. In his role, he focused on expanding the firm's geographic footprint and product offering including managing strategic acquisitions of asset managers and specialised real estate general partners in Europe and Asia, strategic tie-ups and placement agents in Europe, Central Asia and Asia as well as being responsible for the launch of the firm's Sukuk and liquidity platforms. During his tenure, he also served as Arcapita's Head of MENA Investments, Head of Real Estate and Head of Real Estate – MENA. Previously, Nael was the Head of Corporate Finance at SICO Bank in addition to working with BNP Paribas and GM TAIB Securities in Bahrain.

Nael is a Chartered Financial Analyst and holds a B.Sc in Accounting and Finance from the University of Bahrain and an MBA from Edinburgh Business School.

Mr. Salem Patel is Head of Asset Management for GFH Financial Group. He is responsible for managing the bank's proprietary assets as well as clients' investments in equity and fixed income funds. Salem is also a member of the bank's Management Investment Committee and ALCO. 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 prior to this as a Financial Analyst with LongView Partners, London. Salem began his career working in Equity Research at UBS and Societe Generale.

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

Mr. Ahmed Jamsheer is the Head of Treasury & Capital Markets, where he is responsible for overseeing the Groups corporate liquidity, investments, cash flow and debt financing. He brings 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, U.S.

Important Notice

1. Author, regulator and responsibility

Arqaam Capital Limited ("Arqaam") is incorporated in the Dubai International Financial Centre ("DIFC") and is authorised and regulated by the Dubai Financial Services Authority ("DFSA") to carry on financial services in and from the DIFC. Arqaam publishes and distributes (i.e. issues) all research.

Arqaam Capital Research Offshore s.a.l. is a specialist research centre in Beirut, Lebanon, which assists in the production of research issued by Arqaam.

2. Purpose

This document is provided for informational purposes only. Nothing contained in this document constitutes investment, legal, tax or other advice or guidance and should be disregarded when considering or making investment decisions. In preparing this document, Arqaam did not take into account the investment objectives, financial situation and particular needs of any particular person. Accordingly, before acting on this document, investors should independently evaluate the investments and strategies referred to herein and make their own determination of whether it is appropriate in light of their own financial circumstances and objectives.

3. Rating system

Arqaam investment research is based on the analysis of regional and country economics, industries and company fundamentals. Arqaam company research reflects a long-term (12-month) fair value target for a company or stock. The ratings bands are:

Buy	Total return >15%
Hold	0-15%
Sell	Total return <0%

In certain circumstances, ratings may differ from those implied by a fair value target using the criteria above. Arqaam policy is to maintain up-to-date fair value targets on the companies under its coverage, reflecting any material changes to the analyst's outlook on a company. Share price volatility may cause a stock to move outside the rating range implied by Arqaam's fair value target. Analysts may not necessarily change their ratings if this happens, but are expected to disclose the rationale behind their view to Arqaam clients.

4. Accuracy of information

The information contained in this document is based on current trade, statistical and other public information we consider reliable. We do not represent or warrant that such information is accurate or complete and it should not be relied upon as such. Any mention of market rumours has been derived from the markets and is not purported to be fact or reflect our opinions. Arqaam has no obligation to update, modify or amend this document or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. In accordance with Regulation AC of the 1934 Exchange Act, the views expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and are subject to change without notice. No part of the research analysts' compensation is related to the specific recommendations or views in the research report.

5. Recipients and sales and marketing restrictions

5.1 Nothing in this document should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction, or to provide any investment advice or service.

5.2 This document is directed at Professional Clients and not Retail Clients within the meaning of DFSA rules. Any investments or financial products referred to herein will only be made available to clients who Arqaam is satisfied qualifies as Professional Clients. Any other persons in receipt of this document must not rely upon or otherwise act upon it.

5.3 This document is only being distributed to investors who meet certain qualifications and to whom an investment or service may be offered or promoted in accordance with relevant country restrictions. This excludes the US except for SEC registered broker-dealers (or banks in permissible "broker" or "dealer" capacity) acting on a principal or agency capacity, and major US institutional investors in accordance with SEC Rules 15a-6(a)(2). Details of other relevant country restrictions are set out on our website at <http://www.arqaamcapital.com/english/system/footer/terms-of-use.aspx>. Persons into whose possession this document comes are required to inform themselves about, and observe, such restrictions and should not rely upon or otherwise act upon this document where it is unlawful to make to such person such an offer or invitation or recommendation without compliance with any authorisation, registration or other legal requirements.

6. Risk warnings

6.1 Any prices, valuations or forecasts are indicative and are not intended to predict actual results, which may differ substantially from those reflected.

6.2 The value of an investment may go up as well as down. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including, without limitation, foreseeable or unforeseeable changes in interest rates, foreign exchange rates, default rates, prepayment rates, political or financial conditions, etc.).

6.3 Past performance is not indicative of future results. Any opinions, estimates, valuations or projections (target prices and ratings in particular) are inherently imprecise and a matter of judgement. They are statements of opinion and not of fact, based on current expectations, estimates and projections, and rely on beliefs and assumptions. Actual outcomes and returns may differ materially from what is expressed or forecasted. There are no guarantees of future performance.

6.4 Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors.

6.5 This document does not propose to identify or to suggest all of the risks (direct or indirect) which may be associated with the investments and strategies referred to herein.

7. Conflict

7.1 Arqaam and its affiliates provide full investment banking services, and they and their directors, officers and employees, may take positions which conflict with the views expressed in this document. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this document. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this document.

7.2 Arqaam may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this document.

7.3 Facts and views presented in this document have not been reviewed by, and may not reflect information known to, professionals in other Arqaam business areas, including investment banking personnel.

7.4 Emirates NBD PJSC owns 8.32% of Arqaam.

7.5 The report on GFH is a commissioned piece, for which Arqaam Capital has been remunerated.

8. No warranty

Arqaam makes no representations or warranties and, to the fullest extent permitted by applicable law, we hereby expressly disclaim any and all express, implied and statutory representations and warranties of any kind, including, without limitation, any warranty as to accuracy, timeliness, completeness, merchantability, fitness for a particular purpose and/or non-infringement.

9. No liability

Arqaam will accept no liability in any event including (without limitation) negligence for any damages or loss of any kind, including (without limitation) direct, indirect, incidental, special or consequential damages, expenses or losses arising out of, or in connection with your use or inability to use this document, or in connection with any error, omission, defect, computer virus or system failure, or loss of any profit, goodwill or reputation, even if expressly advised of the possibility of such loss or damages, arising out of or in connection with your use of this document. We do not exclude our duties or liabilities under binding applicable law.

10. Copyright and Confidentiality

The entire content of this document is subject to copyright with all rights reserved and the information is private and confidential for your own personal use only. This document and the information contained herein may not be reproduced, distributed or transmitted to any other person or incorporated in any way into another document or other material without our prior written consent.

11. Governing law

English law governs this document and these disclaimers and any dispute in relation thereto shall be exclusively referred to the English Courts.