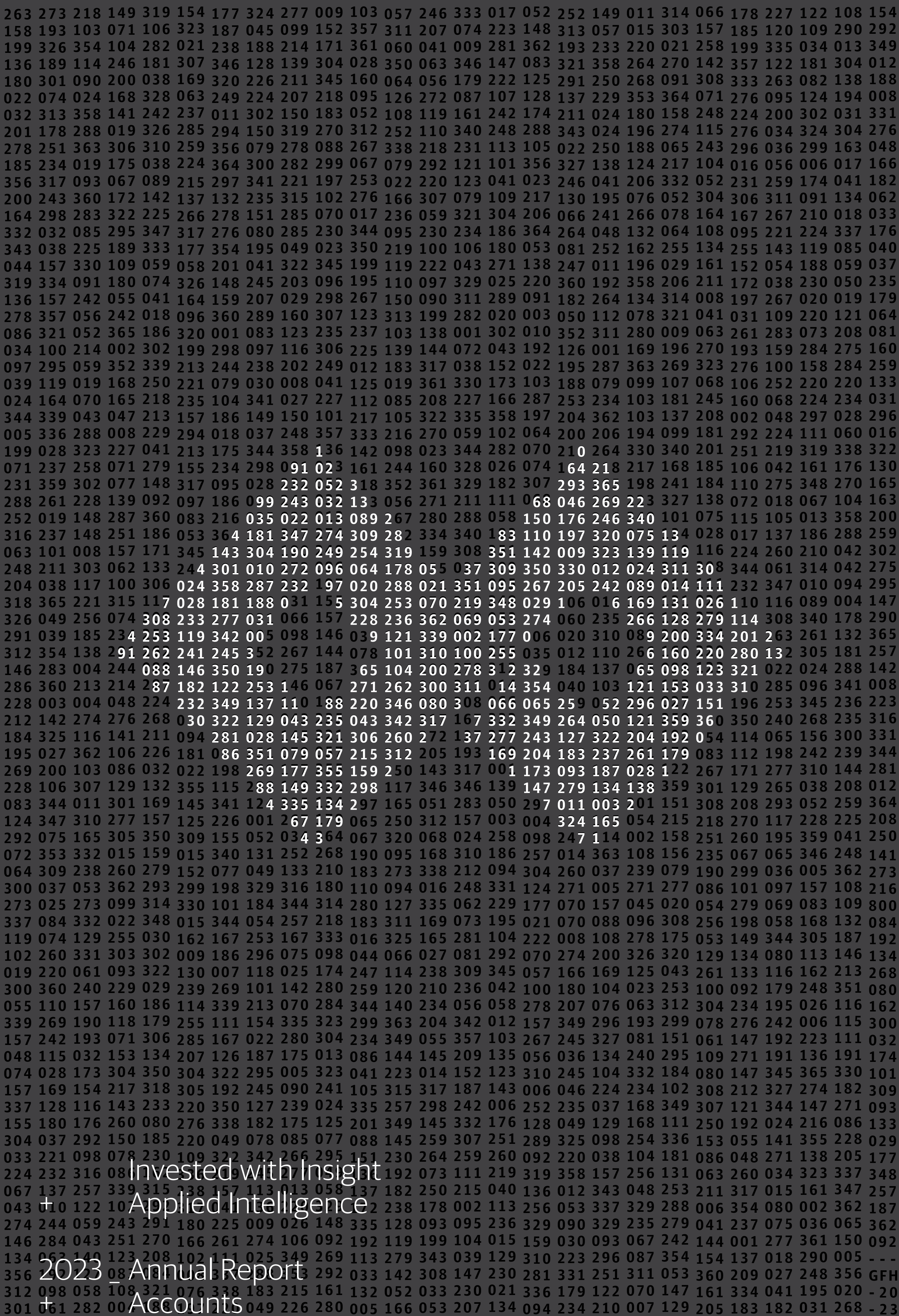

Invested with Insight
+ Applied Intelligence

2023 _ Annual Report
+ Accounts

Invested With Insight

His Majesty
King Hamad bin Isa Al Khalifa

The King of the
Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa

Crown Prince, Deputy Supreme
Commander and Prime Minister
of the Kingdom of Bahrain

Global Headquarters

GFH Financial Group
Bahrain Financial Harbour.
Manama. Bahrain

Global Locations

Dubai Office
401 Level 4, Precinct Building 3,
Dubai International Financial
Centre, Gate District. Dubai,
United Arab Emirates.

Saudi Office
Floor 22. Kingdom Tower.
King Fahad Road, Riyadh,
Kingdom of Saudi Arabia.

UK Office
73-77 Brook Street, Mayfair
London. England.
United Kingdom

In 1999, GFH was founded in the Kingdom of Bahrain and has grown steadily and strategically ever since. The first overseas office in Dubai helped the firm address the needs of its clientele in the UAE. Throughout 2023, GFH has been adding to its geographic footprint as its needs have grown. Our well established market positions are now supported by on-the-ground staff in prime office locations in our strategically important capital cities in both Saudi Arabia and the UK.

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01_ Corporate Profile

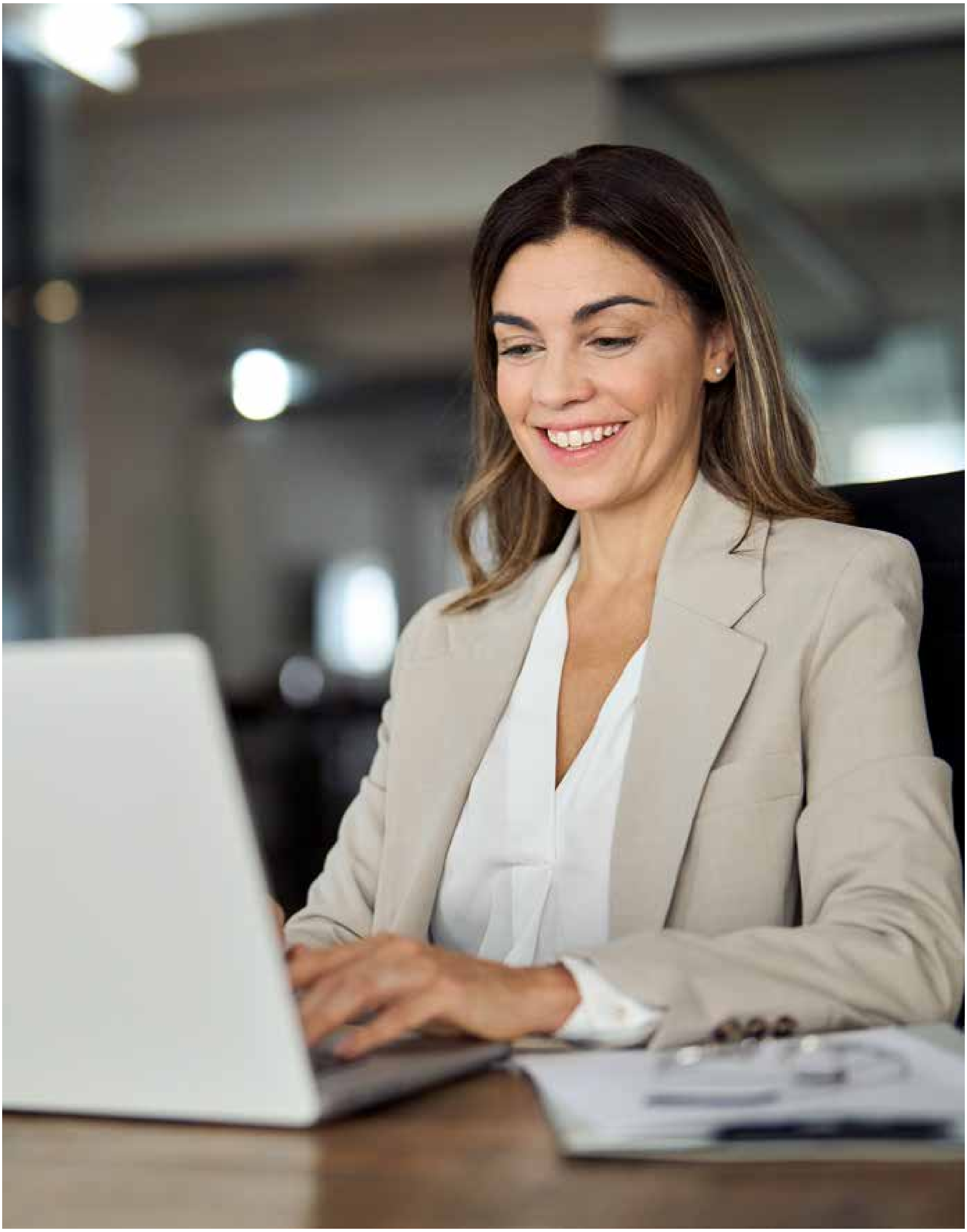
GFH is headquartered in the Harbour Towers in the Group's iconic Bahrain Harbour project, a new urban development transforming the centre of Manama, the capital of the Kingdom of Bahrain

_Corporate Profile

A regional leader in financial services, GFH is expanding globally. The group implements a diversified asset allocation strategy to effectively navigate the numerous challenges in an ever-changing macroeconomic environment while also maintaining a leading investment position in the Gulf.

Since GFH's founding in 1999, GFH raised over US$21bn assets + funds under management

21 US$bn



Nurturing our talent is a key aspect of GFH's corporate culture and vital to our continual growth and expansion.

Headquartered in Bahrain, GFH's innovative approach to Islamic investment banking services has been recognized internationally for over two decade. GFH has developed a strong and consistent ability to identify, successfully bring to market and capitalize on a wide range of solid investment opportunities in some of the world's most dynamic markets and sectors. This approach signifies the Group's investment insights and commitment to increase the value of its assets and financial returns to its investors and shareholders.

Since the Group's inception in 1999, GFH has raised over US$21 bn assets and funds under management from its strong client base in four main activity areas:

- Investment Management
- Commercial Banking
- Treasury & Proprietary Investments

GFH is listed on four stock exchanges in the GCC, including the Bahrain Bourse, Boursa Kuwait, Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) where it is one of the most liquid and actively traded stocks. GFH's operations are principally focused across the GCC, North Africa and India, along with strategic investments in the U.S., Europe and U.K.

Diversification

As part of GFH's group vision, the business has adopted a dynamic, entrepreneurial investment approach underpinned by solid professional credentials. Furthermore, the Group pursues a diversified asset allocation strategy to adapt to the multitude of challenges in an ever changing macro environment whilst working closely with our stakeholders to realistically meet expectations.

In terms of asset class diversification, GFH has participated in and brought privileged access to unique private equity investments in wide-ranging sectors such as real estate, hospitality, retail, healthcare, industrial, education, and technology. Geographically, GFH initially had an investment focus on the Middle East and North Africa, but in recent years the Group has further diversified its holdings across the U.S., Europe and U.K. to take advantage of emerging opportunities in these markets.

GFH has adopted a dynamic, entrepreneurial investment approach underpinned by solid professional credentials

_Business Lines

GFH provides comprehensive and tailored financial solutions aligned to our client's unique requirements, covering Investment Management, Commercial Banking, and Treasury & Proprietary Investments.

GFH's dynamic strategy ensures we capture emerging global opportunities within sectors with reliable fundamentals.

Leadership in Investment Management
We are committed to furthering our regional leadership in investment management by expanding our diverse portfolio of assets and services. Our dedicated Investment Management team focusse on acquiring, managing and optimizing investments to consistently surpass benchmark returns. Our primary focus is private equity, real estate and private credit, offered to our cliets via a diverse range of investment opportunities. Our portfolio covers four areas designed to cater to different investment preferences and objectives. These range from Private Equity and Asset Management to Education and Tech Platforms. We expand on these in more detail here.

Diverse Offerings from Commercial Banking
We are excited about the ambitions of our future-looking, wholly-owned Islamic banking subsidiary, Khaleeji Bank B.S.C.. This progressive commercial bank strives for excellence in customer experience and has a slew of ambitions moves in the pipline for the coming year. Driven by a new and well-defined business strategy, Khaleeji has been diligently pursuing comprehensive digital transformation. This is coupled with the implementation of innovative strategies, enhancing the customer experience while delivering products and services that deliver greater profitability and income generation.

Khaleeji comprises key components that cater to distinct financial needs. Consumer Finance serves individual customers, offering personal loans, mortgages and credit card service. Corporate Banking provides tailored financial business services, including lending, cash management and trade finance. Private Banking caters to HNIs (high net worth individuals) with personalized wealth management and investment services. Finally, the Treasury function manages the bank's financial assets and liabilities, including foreign exchange, money markets and risk management. Together, these components form a comprehensive suite of financial services that meet the needs of retail and corporate clients alike.

Treasury and Proprietary Investments Strategies
These investments teams are responsible for liquidity, and management operations, including fundraising and investment activities, with the aim of ensuring the GFH has optimal liquidity while maximizing shareholder returns. Our proprietary investments portfolio features various assets across financial services, education, leisure and hospitality.

Our investments encompass a diverse a diverse range of portfolios, including a LTP (liquid treasury portfolio) and a FIP (financial institutions portfolio). The LTP is designed to optimize liquidity and manage cash flow efficiently. Meanwhile, the FIP focuses on holding diversifiction via strategic investments across various financial entities.

Additionally, we actively manage and monetize our current proprietary investments to maximize returns and mitigate risks. Our approach includes utilizing mezzanine financing, allowing us to secure capital through a combination of debt and equity, thus enhancing our investment opportunities and potential for growth.

2006 - 2022

2006 - 2011	_ Best Investment Bank (Euromoney) _ Best Islamic Investment Bank (Euromoney) _ Deal of the Year (Banker Middle East)
2012	Best Islamic Investment Bank - Bahrain (Capital Finance International)
2014	_ Fastest Growing Bank (Bahrain) (CPI Financial) _ Best Wealth Management Firm (Banker Middle East)
2015	_ Best Investment Bank - Middle East (Islamic Business & Finance) _ Best Wealth Management Firm (Banker Middle East)
2016	_ Best Islamic Financial Group (Global Brands Magazine) _ Best Investment Bank (Middle East Industry)
2017	_ Fastest Growing Bank - Middle East (Banker Middle East) _ Best Investment Bank - Middle East (Banker Middle East)
2018	_ Best Investment Bank - Middle East (Islamic Business & Finance EMEA) _ Best Asset Manager - Middle East (Banker Middle East)
2019	_ Best Investment Management Services (Banker Middle East) _ Best Investment Bank (CPI Financial) _ Investment Bank CEO of the Year (CEO Middle East)
2020	_ Best Private Bank (MEA Finance) _ Best Investment Management Firm (MEA Finance) _ Best Investment Bank (Middle East) (International Business Magazine) _ Most Innovative Diversified Investment Portfolio (Global Business Outlook)
2021	_ Middle East's 30 Biggest Asset Managers - #10 (Forbes Middle East) _ Best Corporate & Investment Bank Middle East (Asiamoney - a division of Euromoney) _ Best Investment Bank - Islamic, Best Sukuk Deal of the Year (MEA Finance) _ World's Best Islamic Asset Manager (Global Finance)
2022	_ Best Private Bank, Best Investment Management Firm (MEA Finance) _ Top 30 Asset Management Companies in ME (Forbes) _ Best Investment Bank - Bahrain, Investment Banking Market Leader (Euromoney) _ CEO of the Year - Financial Services (Arabian Business) _ Best Real Estate Investment Firm (MEA Finance) _ World's Best Islamic Asset Manager (Global Finance) _ Best Islamic Investment Bank (GIFA) _ Best Investment Bank - Middle East (International Business Magazine) _ Most Innovative Investment Bank - Bahrain (International Finance)

_Achievements & Recognition

GFH is proud of its recognition as a leader in the Middle East's financial sector. The Group has won a wealth of accolades over the last 18 years from a number of the industry's most highly rated international awards schemes as well as praise from notable international bodies.

2023

- World's Best Islamic Investment Bank (Global Finance)
- Market Leader in Investment Banking - Bahrain (Euromoney)
- Best Investment Bank - Bahrain (Global Business Outlook)
- 100 Most Inspiring Leaders (Arabian Business)
- CEO of the Year - Financial Services (CEO Middle East)
- Top Islamic Financial Institutions - Tier 1 Capital (The Banker Middle East)
- Best Real Estate Investment Firm (MEA Finance)
- Best Investment Bank GCC (World Economic Magazine)
- Top 500 Arab Companies (Fortune Arabia)


01_ Commercial Banking


02_ Education


03_ Infrastructure

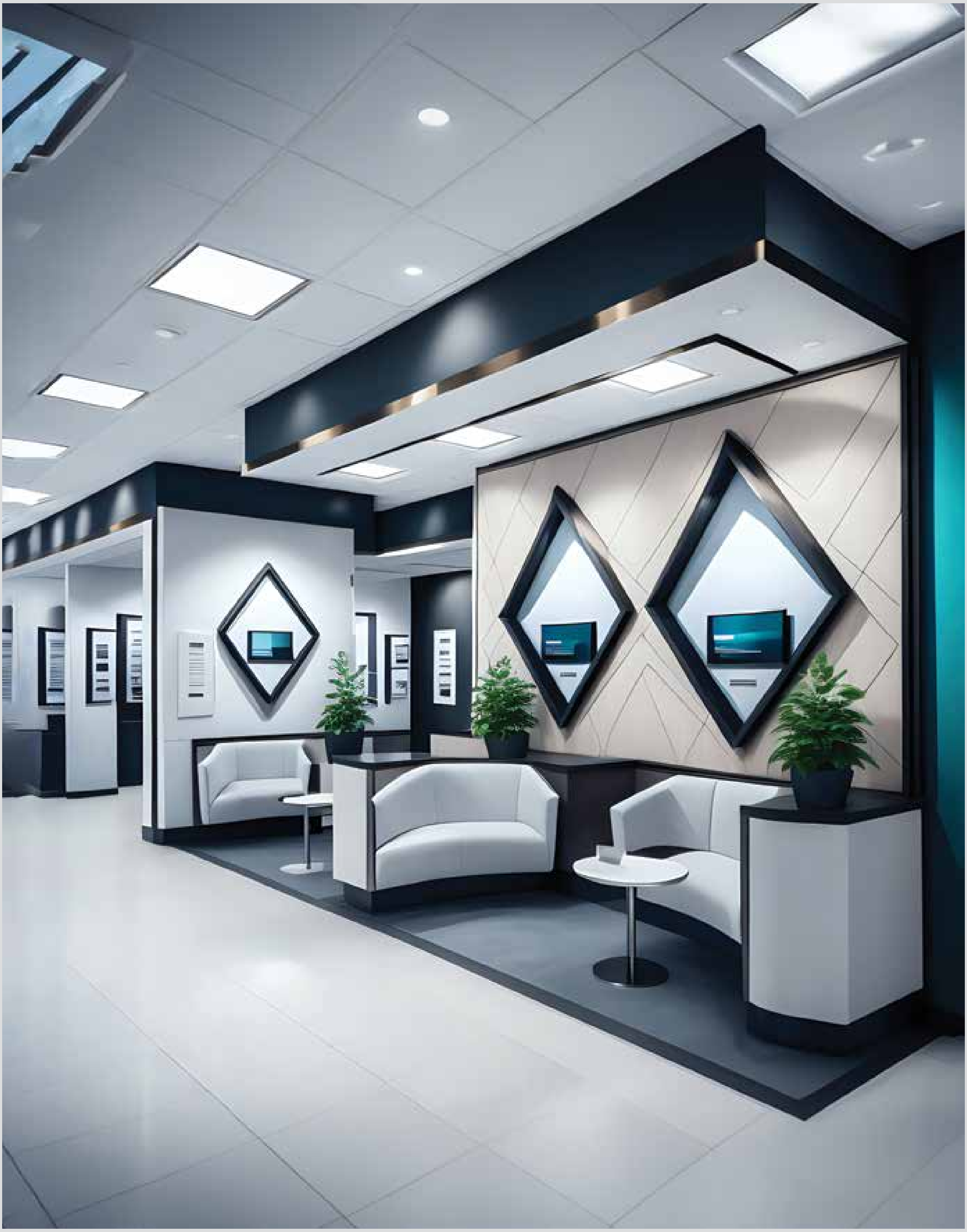

04_ Healthcare


05_ Logistics


07_ Technology

_Our Focus

Our investment impact goes beyond balance sheets and financial reports. to transform the daily lives of the communities we serve. By diversifying our portfolio, we're creating sustainable wealth for our investors through the delivery of new communities, homes, schools, hospitals, and entertainment platforms.



Khaleeji has embraced the digital banking revolution with its array of new processes and applications which are streamlining automating the bank's CEX.

01_ Commercial Banking

We are excited about the ambitions of our future-looking, wholly owned Islamic banking subidiary, Khaleeji Bank B.S.C.. This progressive commercial bank strives for excellence in customer experience and is aiming for big new moves in the coming year. Driven by a new and well-defined business strategy, Khaleeji has been diligently pursuing comprehensive digital transformation alongside the implementation of innovative sector strategies to enhance client satisfaction, while delivering products and services that support increased profitability & income generation.

34.6% Growth in Total Income Before Return to Investment Account Holders

34.6 %

We are delighted to report positive financial results for the fourth consecutive year for Khaleeji Bank. These results come despite the global increase in the cost of financing due to rising global profit rates and its impact on local profit rates, which reflected on the performance of the majority of establishments working in the banking sector. We recognise the challenges posed by high profit rates and their impact on growth rates, and our bank must take a proactive approach so that it can adapt to new global transformations. We have allocated our resources towards overcoming these challenges and maintaining the bank's profitability, based on the Kingdom's favourable economic environment which is of great importance to the prosperity and excellence of banks.

New Brand
The year 2023 marked a significant milestone for this prestigious institution with the rebranding from "Khaleeji Commercial Bank" to "Khaleeji Bank", reflecting our vision for the banking sector and our aspirations and ambitions for the coming period, particularly in providing the foundations for the success of our valued clients and always being an integral part of their achievements and stories.

These results are consistent with the bank's strategic plans over the past year and the coming period, with the announcement and launch of the bank's new identity being one of its most important milestones, in a way that is commensurate with the prominent position that Khaleeji has now occupied in the Kingdom and the GCC region as an essential partner in ambition, development, and achievement.

The bank is adhering to an ambitious strategy based on innovation and creativity to provide the best banking products & services, which have an important impact in achieving the bank's visions, in line with its new identity to achieve the ambitions of the youth and pave the way for them to excel and succeed.

New Partnerships
The bank has continued to conclude fruitful partnerships with a number of public and private sector institutions, which included signing a credit facility agreement worth USD 200 million with the Oil & Gas Holding Company, signing a strategic partnership agreement with STC Pay, and signing an MoU with the Social Insurance Organisation aimed at strengthening the partnership between the two parties to facilitate the provision of pension exchange services to citizens under the Organisation's umbrella in compliance with the provisions and principles of Islamic Shari'a, in addition to signing an agreement with the Labour Fund "Tamkeen" to launch a special financing program aimed at supporting Bahraini doctors working in the public and private sectors who wish to complete their studies."

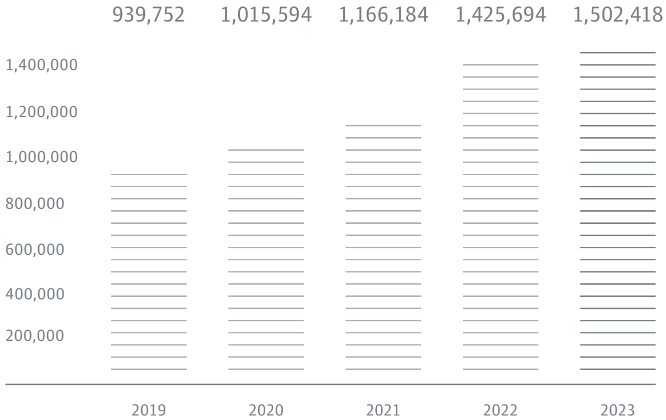
The bank was keen to expand cooperation with the Ministry of Housing & Urban Planning and Eskan Bank to provide Home Financing solutions with exceptional benefits to citizens who meet the criteria of social housing programs, in addition to several leading real estate development companies in the Kingdom. During the past year, Khaleeji has also announced the launch of the "Salary Account", which is compatible with the principles and provisions of Islamic Shari'a, offering unique benefits such as an expected profit rate of up to 4%, a chance to enter monthly raffles for valuable cash prizes, and other exclusive benefits. Additionally, the bank has celebrated the graduation of the first cohort in its innovative and exclusive training program "Banking Gateway" during the past year, which it launched with the aim of arming those newly joining the labour market with the necessary experience and skills to adapt to job requirements in the banking sector. Moreover, the bank has signed a joint cooperation agreement with the Royal Medical Services to build a specialised centre for prostate cancer, equipped with the latest international technologies.

Sustainability and ESG
Sustainability and ESG integration emerge as pivotal themes within the banking sector. As companies progressively prioritize environmental, social, and governance factors, banks strategically align themselves with sustainability goals. This entails investing in green projects, assessing climate risks, and integrating ESG principles into lending decisions. Beyond mere compliance, ESG becomes a strategic imperative, influencing operational effectiveness, risk management, and reputation. Banks play an important role in advancing global decarbonization efforts, while navigating the ever-changing financial landscape.

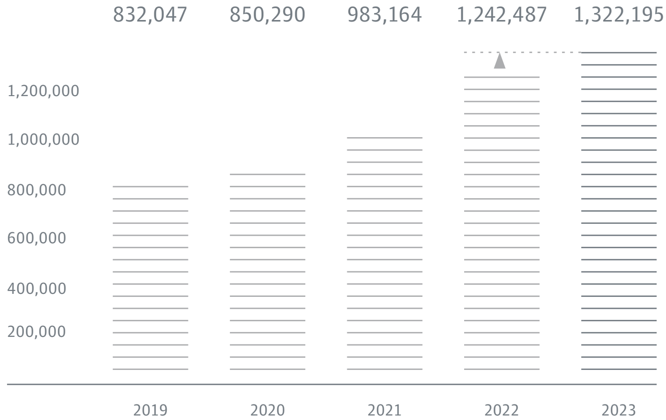
Digital Transformation
Digital transformation in the banking sector is expected to continue growing throughout 2024. Driven by evolving consumer behaviors and expectations around digital financial services. Banks are accelerating the implementation and adoption of digital technologies to improve operational efficiency, and reimagine the customer journey, and adapt to the rapidly evolving market landscape. The convergence of these trends will reshape how banks operate and serve customer needs.

Interest Rate Environment
Over the past two years, central banks worldwide implemented steep interest-rate increases to reduce inflationary pressure. The high interest rates tested economies', as it impacted both individuals and businesses with the inclusion of global markets, and overall investment dynamics. As expectations for high inflation are being scaled back and global inflation gradually easing rate cuts are expected, however, the timing depends on various economic factors. Overall, the interest rate landscape remains dynamic.

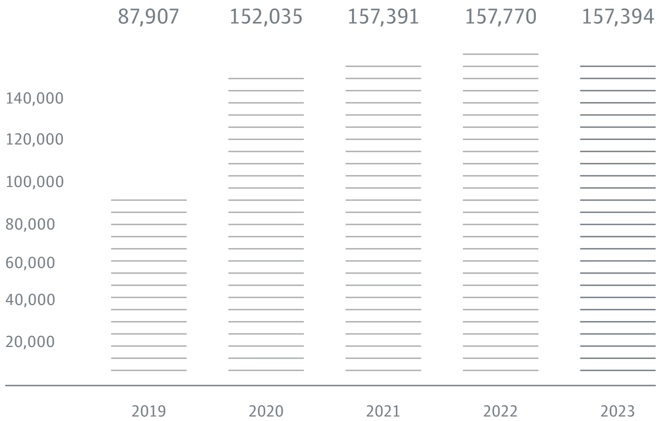
Financial Highlights



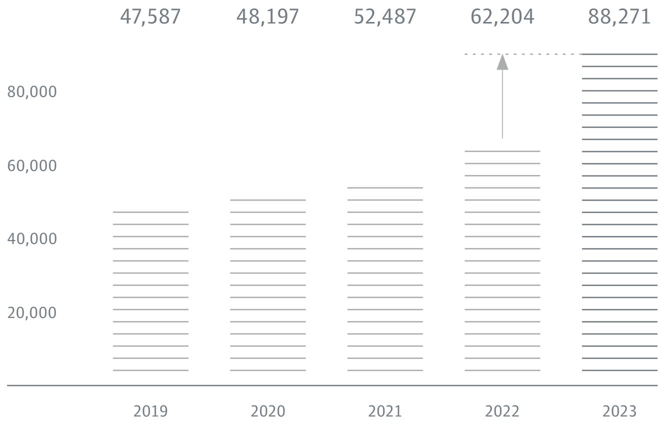
5.24% Growth in **Total Assets**



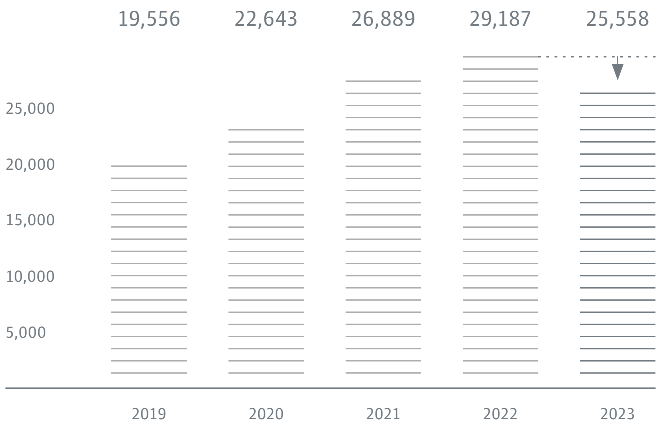
6.21% Growth in **Total Funding**



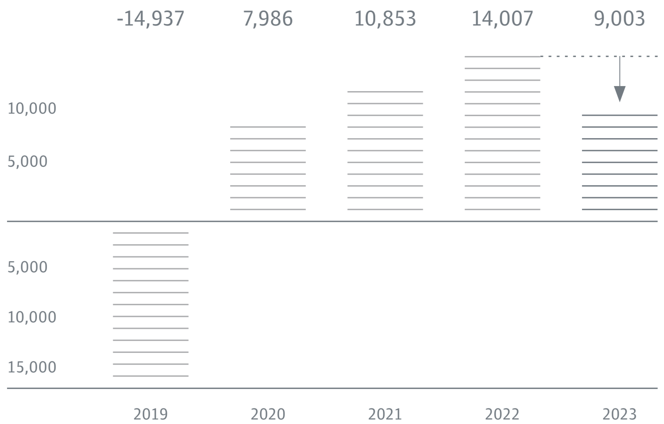
0.23% Reduction in **Total Owners' Equity**



34.6% Growth in **Total Income Before Return to Investment Account Holders**



13.2% Reduction in **Total Income**



43.4% Reduction in **Profit Attributable to Shareholders of the Parent**

Education in the potential of AI is key to the development of the future generation of our region. Harnessing its capabilities will define the profile of tomorrow's winners.

02_ Education

Through our investments in education and our dedicated K-12 platform Britus Education, we strive to provide the region's booming middle class with access to an affordable premium education, preparing today's learners to become tomorrow's leaders. Globally, our investments in education cater to different industries and education levels, from a co-investment alongside Schroders Capital in a global healthcare education platform to investments in greenfield and mature school assets.

Britus Education - Platform Pillars

Britus Education plans to reposition its education assets from mid-market schools towards premium segments by quality enhancement strategies backed by a robust operational approach to value creation.

Market Focus

_ Primary (Mid-market)
_ Secondary (Upper-mid market)

Geographic Focus

_ Saudi Arabia
_ Kuwait
_ Oman
_ Bahrain
_ Tunisia
_ UAE

Roll Out Strategy

1. Acquisitions
2. Greenfield
3. School expansions

University of Technology Bahrain (UTB)

UTB's is prioritising its academic qualities while introducing initiatives focused on enhancing its position versus its peers, creating a differentiated offering and affiliations while improving the overall environment and wellbeing of students.

International Academic Affiliations

in 2023, UTB established an academic collaboration with Frances Ecole Hexagone, offering specialized academic programmes in the fields of cyber-defense, AI and advanced information systems. UTB students now have the opportunity for hands-on training in France's world class cyber- defense and information technology. Additionally, UTB successfully implemented the International Foundation Year collaboration with NCUK, allowing students assured entry into a various international universities within the UK, US, Australia and others.

Strategic Partnerships and Unique Offering

UTB with the World Aquatics and the Bahrain Olympic Committee entered into a partnership to develop in UTB's campus an elite center of excellence for aquatic sports in the Kingdom of Bahrain. The aquatic center will aim to create an integrated campus encompassing an aquatic facility, innovative retail outlets and co-living studios for student-athletes that further enhances the university's positioning and reputation in addition to enhancing student's learning environment.

Campus Development & Facility Improvements

In line with our aim to create an ideal study environment, atmosphere and community for students and teachers, UTB continues to progress with its campus renovation whereby it has successfully completed the construction works for development of Phase (1.A), which includes the sports facilities, cafeteria, coffee shop, main entrance and 39 faculty offices around the atrium.

GFH has been one of the active private equity players in the GCC education sector with a track record of delivering profitable exits and consolidating valuable partnerships in the sector. As part of GFH's investment strategy to create further value for its investors and shareholders and create positive impact on the quality of global education assets, it created a diversified platform of affordably premium, high growth schools across leading education markets in the GCC and North Africa in 2019, and is seeking to further expand by increasing presence and acquisitions in the platform.

Private education is a global industry worth over USD 1 tn and GFH has lead the way in helping investors capitalize on this industry's growth via structured investments that can take advantage of key market opportunities. Britus Education focuses on diversification of (i) geographies, (ii) curricula, (iii) fee brackets and (iv) type (greenfield, ramp-up and mature education assets).

GFH's value creation strategy for Britus Education focuses on four key elements: competitive acquisitions, multi-strand value-add, a targeted improvement of EBITDA, and integration of assets across a global platform.

A unique education platform focused on high growth markets in the GCC and North Africa

4 Point Value Creation Strategy

1	**Acquire Assets**	Acquire and takeover individual school companies with an EBITDA multiple of between 8-10x. Scaled or highly profitable educational assets, To acquire such assets with an EBITDA multiple between 10-12x.
2	**Add Value**	Utilize operational experience, to 'professionalise' & 'modernise' & acquisitions, onboarding new staff & systems (curriculum, finance, HR, management systems, parent portals, marketing & social media), & facility upgrades.
3	**Rally the KPIs**	Aim to achieve a twofold increase in EBITDA within 3 to 5 years by through operational improvements, raising school fees and achieving efficiency gains. Additionally, GFH plans to expand its capacity to accomodate more students.
4	**Integrate & Realize Value**	GFH's plan involves integrating its educational platform fully and then preparing it for value realization through various means such as an Initial Public Offering (IPO), trade sales, or a Rights Issue.

AI is transforming all business sectors, from fastmoving technology to decades long infrastructure projects.

03_ Infrastructure

Our investment strategy, centered on resilience and sustainability, leads us to opportunities in the infrastructure space that stand strong against economic fluctuations. Our investments in sustainable infrastructure and renewable energy adopt forward-thinking approaches to the transition towards a net-zero global economy, marking our contribution to the New Energy Economy with innovation and strategic growth.

The enduring strength of infrastructure investments, underscored by their steady performance amidst global market shifts, highlights the sector's robustness and the market's solid trust in its long-term growth and sustainability.

The transition to a net-zero global economy necessitates unprecedented investment in electrical infrastructure, with the New Energy Economy Megatrends and ESG principles steering this monumental shift. Bloomberg Finance L.P.'s 2023 report underscores the need for a staggering $21.4 trillion global grid investment by 2050 to align with net zero objectives, propelled by a confluence of technological advancements, escalating electricity demands, and the imperative to integrate renewable energy sources.

Global Grid Investment Outlook

The Global Electricity Transmission Infrastructure Market is anticipated to expand from US$39.9 billion in 2022 to US$58.8 billion by 2032, a projected CAGR increase of 4.40%. This growth trajectory reflects the sector's response to the increasing electricity supply concerns, adoption of new transmission technologies, and the move towards large central station generating units. The urgency to upgrade global electricity grids is crystallized by the projected $21.4 trillion required investment to support a net-zero trajectory. This ambition faces contemporary challenges, notably investment shortfalls and infrastructure bottlenecks, which could impede renewable deployment and electrification. Digitalization emerges as a pivotal component, constituting 24% of the total grid investment, showcasing a strategic pivot towards leveraging technology to enhance grid efficiency and resilience.

Breakdown of global grid investment in net zero scenario 2022-2023

Share of total grid investment

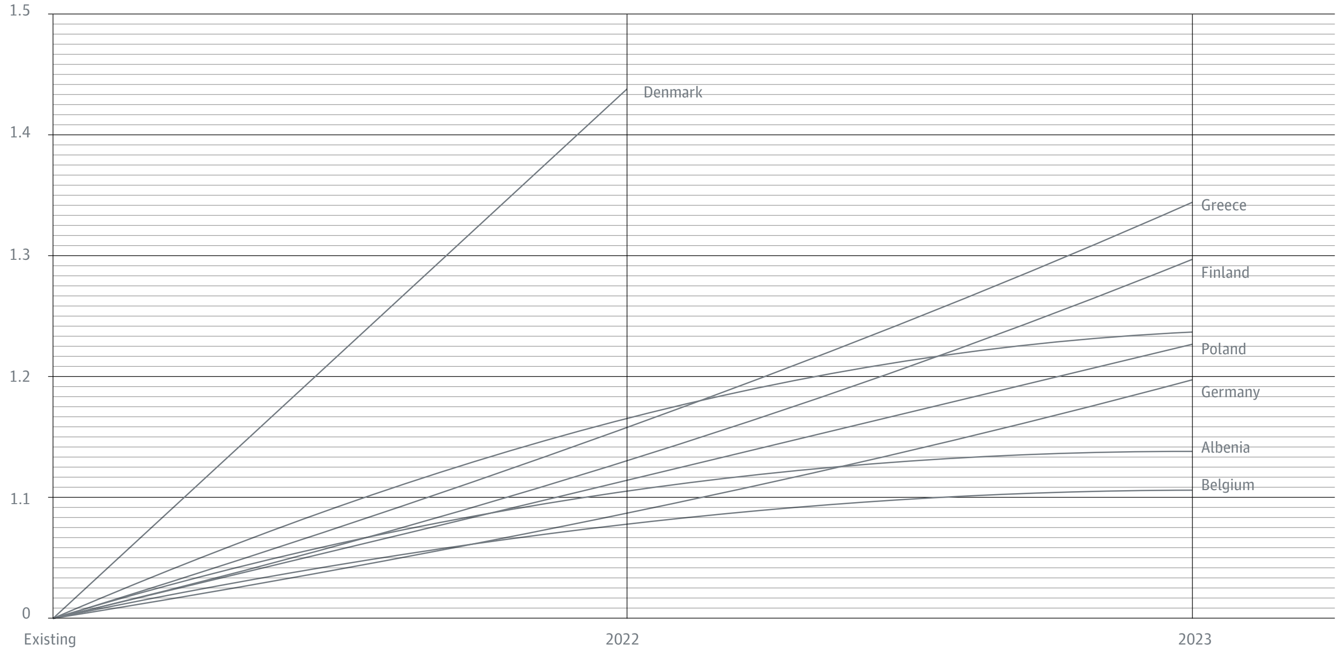
Source: BloomNEF

Europe's Decarbonization Pathways

Europe's push to diversify and decarbonize its energy system by 2050 requires $32.6 trillion in investments, aiming for renewable energy and widespread electrification. The Economic Transition Scenario (ETS) suggests halving energy-related emissions by 2050, with significant contributions from wind, solar, and electric vehicles (EVs). The Net Zero Scenario (NZS) calls for 938GW of additional clean power capacity to meet decarbonization targets. GFH's investment in Aurora Infrastructure Oy, operating critical electricity distribution networks in the Nordics, exemplifies this commitment. Benefiting from evergreen contracts and a protective regulatory framework, Aurora plays a crucial role in Europe's energy transition, particularly in electrification efforts that align with the EU's sustainability goals. This strategy, essential for meeting net-zero emissions, emphasizes the importance of rapid electrification and infrastructure development, guided by proactive policy support.

At least 10 European grid operators are targeting rapid network expansion, led by Denmark

Grown in capacity (index 1=existing line length in 2023)



Investment Flows and Infrastructure Requirements

The evolution of energy systems in the US and Europe underscores a broader global trend towards increased grid investment to facilitate the New Energy Economy. Europe's pursuit of a decarbonized future demands substantial investments for renewable energy adoption and grid modernization, paralleled by the US's strategic grid enhancements to accommodate new energy demands. The estimated 80 million kilometers in global grid growth between 2020 and 2050 reflect the robust opportunities within this space. These pivotal investments, crucial for integrating renewable sources and supporting electric vehicle adoption, highlight the urgent need for robust infrastructure development to achieve global net-zero emissions targets.

Accelerating Towards a Net-Zero Future

The path to a net-zero future is paved with challenges and opportunities, with significant investments in electrical infrastructure at the core of this transition. The insights from global and regional analyses illuminate the pressing need for concerted efforts in policy formulation, technology adoption, and infrastructure development. As we navigate this transformative era, the emphasis on electrification, digitalization, and decarbonization across the US and Europe offers a blueprint for a sustainable, resilient, and equitable energy future.

AI's impact on healthcare is set to be as radical as any other industry. Medicine is expected to experience a complete transformaion expecially in the development of new vaccines.

04_ Healthcare

Our healthcare investments are underpinned by a commitment to provide quality, affordable and accessible care in underserved, high-growth markets, while delivering value to both end users and our investors. The healthcare sector's robust expansion, driven by transformative trends and demographic shifts, underscores its vital role in shaping sustainable health solutions across the value chain and fostering impactful growth across regions.

Healthcare spending is anticipated to surpass that of its GCC peers, projected to reach US$30.7 billion by 2027.

30.7 US$b

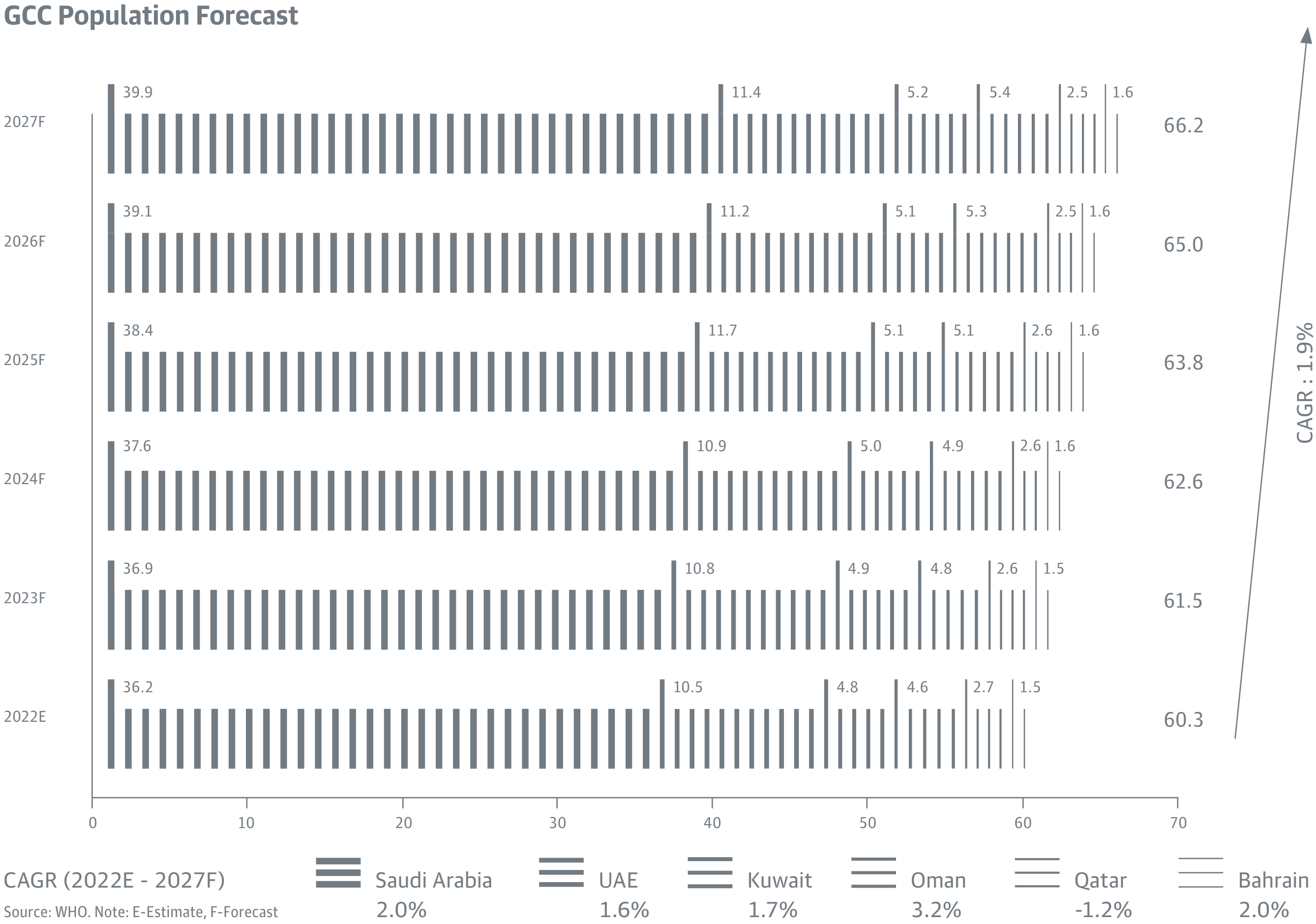
GCC Healthcare Market Outlook

The GCC healthcare sector is navigating through a transformative era, characterized by rapid advancements, demographic shifts, and an increasing burden of non-communicable diseases (NCDs). The MENA region had the highest prevalence of diabetes in adults, recorded at 16.2% of the total population as of 21, which is expected to further rise by 86% by 2045. The demand for new hospital beds in the GCC is projected to increase by 12,207 by 2027, indicating the region's expanding healthcare needs. Amidst these changes, the sector has emerged resilient, driven by government reforms, private sector engagement, and a unified push towards digital transformation. The sector's robust growth trajectory, marked by an expected rise in Current Healthcare Expenditure (CHE) to US$ 135.5 billion by 2027 in the GCC alone, reflects the need for a comprehensive approach towards enhancing healthcare accessibility and quality.

Notably, the GCC's healthcare landscape is witnessing substantial expansion, fueled by an aging population, lifestyle-related diseases, and robust government initiatives aimed at bolstering healthcare infrastructure and broadening insurance coverage. According to the IMF, the GCC's economy is poised to outstrip growth projections of advanced economies such as the US, UK, Singapore, Japan, and Germany, propelled by dynamic pro-business reforms, diversification policies, and a resurgence in oil prices.

In this context, GFH's Healian healthcare platform emerges as a strategic player, keenly aligned with the sector's evolving trends. Through pioneering initiatives, Healian is poised to significantly enhance healthcare accessibility, quality, and innovation, addressing the surging demand for healthcare services. With the GCC's elderly population (50+ years) projected to constitute 20.8% of the total by 2027, up from 15.8% in 2022, and the broader population expected to swell at a CAGR of 1.9% to reach 66.2 million by 2027, Healian's role in bridging the demand-supply gap becomes increasingly pivotal. GFH's investment ethos encapsulates Healian's commitment to healthcare delivery, tapping into the region's strategic shift to preventive care and specialized Centers of Excellence (CoEs), as well as its commitment to sustainable, impactful healthcare growth.

GCC Population Forecast



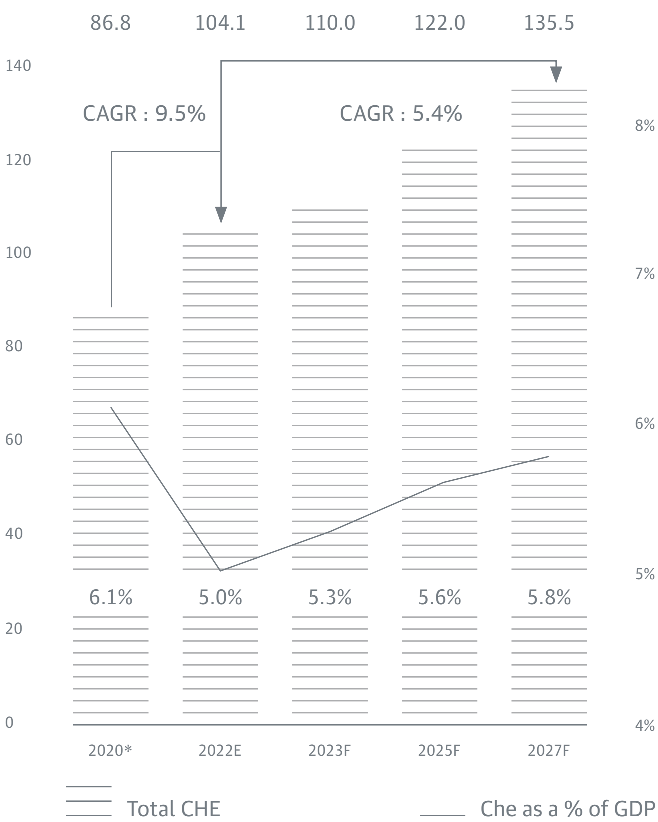
Source: WHO. Note: E-Estimate, F-Forecast

Markets in Focus: Saudi Arabia and the UAE
In the evolving GCC healthcare landscape, Saudi Arabia and the UAE stand out as key contributors, driving significant developments and investments. Saudi Arabia, under its Vision 2030, is set to revolutionize its healthcare sector with plans to invest over US$65 billion to enhance healthcare infrastructure, aiming to substantially increase the number of hospital beds and healthcare services across the Kingdom. This ambitious initiative is poised to accommodate the country's growing healthcare demands, with healthcare spending projected to grow at a CAGR of 4.9% between 2022 and 2027, reaching US$77.1 billion and necessitating at least an additional 15,000 hospital beds to accommodate its expanding population. The need for additional hospital beds in Saudi Arabia highlights the scale of its healthcare expansion, addressing the requirements of its expanding population base. The KSA's Health minister anticipates the private sector's share in providing health services to grow from 20% to 50%.

The UAE is also distinguishing itself as a hub for medical tourism and innovative healthcare solutions. Its healthcare spending is anticipated to surpass that of its GCC peers, projected to reach US$30.7 billion by 2027. This growth is driven by a combination of rapid population expansion, comprehensive insurance coverage, and a high medical inflation rate. Health insurance becomes mandatory across the UAE effective January 1, 2025. The robust healthcare infrastructure in Dubai and Abu Dhabi, where health insurance is already mandatory, are great examples of what kind of change to the sector such nationwide mandatory healthcare could bring in. With its strategic focus on developing healthcare infrastructure and services, the UAE reinforces its position as a leading destination for quality healthcare.

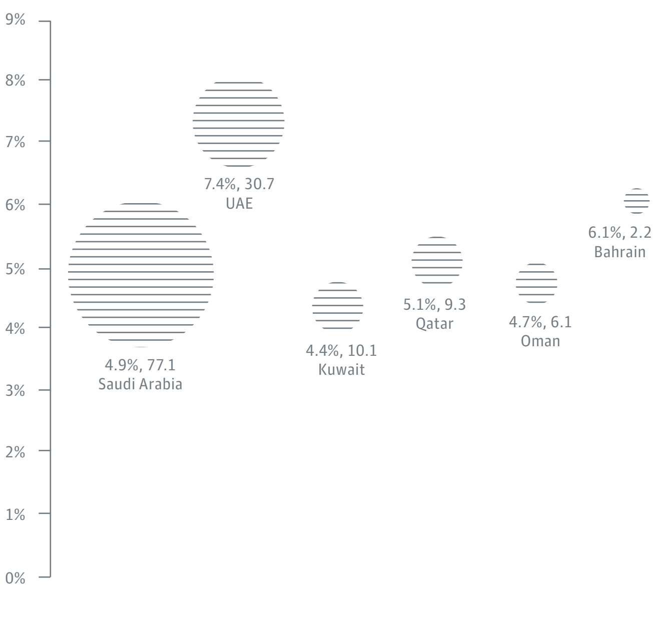
Accelerating Towards a Sustainable Healthcare Future
The journey towards a sustainable healthcare future in the GCC is paved with both challenges and opportunities. As the sector continues to evolve, driven by demographic shifts, technological advancements, and strategic state investments, the emphasis on quality, innovation, and efficiency becomes paramount.

Forecast of CHE in the GCC



Source: Alpen capital WHO,IMF,WTW, MOH and statistical organization in the GCC

Country-wise CHE Growth



Note: Bubble size indicates market size in 2027F (US$bn)

Source: Alpen capital WHO,IMF,WTW, MOH and statistical organization

Note: E- Estimate, F-Forecast; Bubble size indicates Market Size

For a sector not known for its ability to transform dynamically, AI is also providing logistics with faster routing and greater efficiencies.

05_ Logistics

GFH has been leveraging third-party logistics and experiencing exceptional growth within this sector. Logistics facilities saw record-low vacancies, unprecedented rent growth and significant new construction, leading to greater returns for our investors.

US Industrial sector's manufacturing sector revival reached approximately $400 billion with investments pledged covering nearshoring and onshoring of capabilities.

400 US$b

Industrial & Logistics

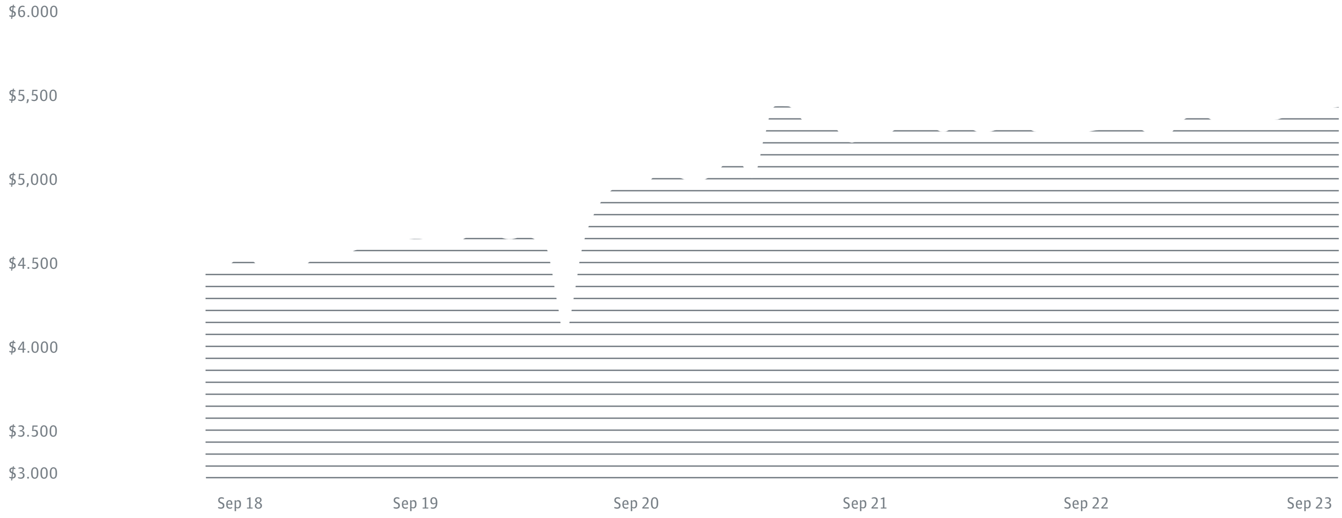
The industrial and logistics market conditions are normalizing following the pandemic with key metrics driving the sector trends back to pre-pandemic levels. The slowdown of new developments and constructions, coupled with strong macroeconomic drivers for industrial and transportation logistics assets are contributing to stable rent growth, low vacancies, and an overall positive outlook for the sector.

More specifically, within the industrial and logistics sector, there is particular interest in transportation logistics, as demand is pressing despite the economic headwinds and the challenging interest rate environment. The various drivers are listed below:

1. **Robust Consumer Spending:** Despite years of sustained spending, rising interest rates, and high inflation rates, US consumers have continued to display robust spending trends in the post-pandemic era resulting in positive GDP growth. Robust consumer spending, accounting for 70% of the US economy, drives the need for space by the manufacturing, distribution, logistics and other sectors ultimately contributing to the growth of the industrial and transportation logistics real estate sector.

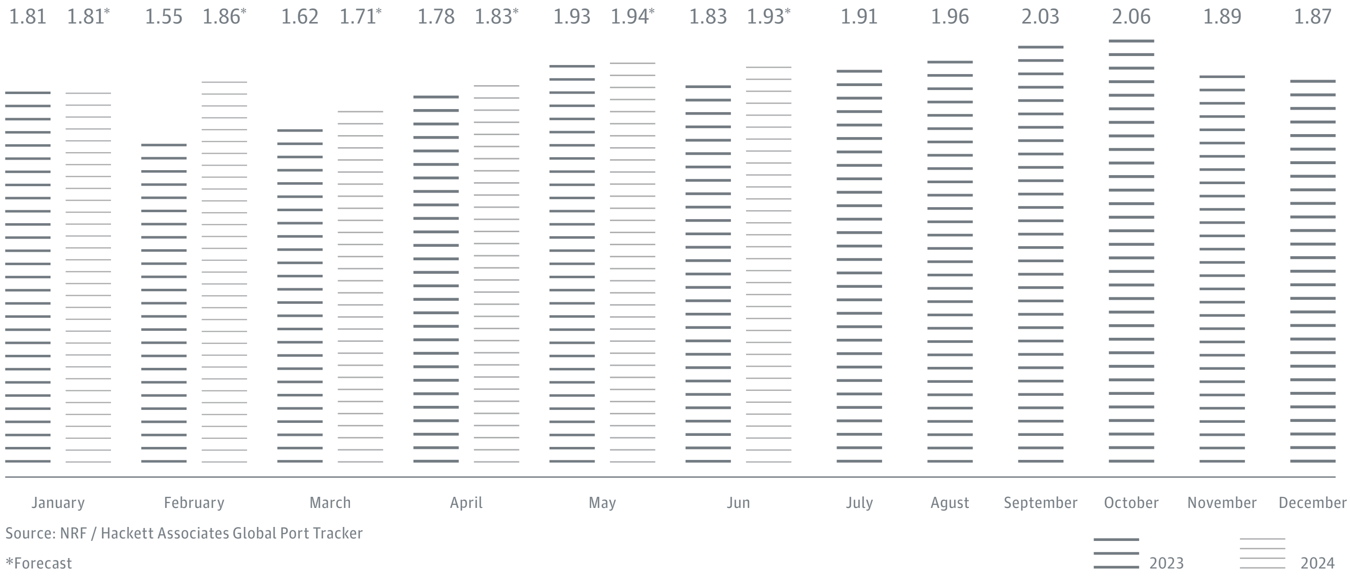
2. **Normalizing Trends in Global Trade Volumes:** Global trade is also a key contributor to the demand for industrial and transportation logistics space. Despite the challenges in the global supply chain during the pandemic, cargo container levels have normalized to pre-pandemic levels, best substantiated by the monthly cargo volumes at the top nine US ports. As international trade continues to morph in response to various trends accentuated by the pandemic such as the boom of e-commerce, companies have had to diversify their supply chains by leasing industrial and transportation logistics space to manage and maintain their inventory levels.

Real Personal Consumption Expenditures : Goods



Source: Savills

Monthly imports 2023 - 2024 (TEU - millions)



Source: NRF / Hackett Associates Global Port Tracker

*Forecast

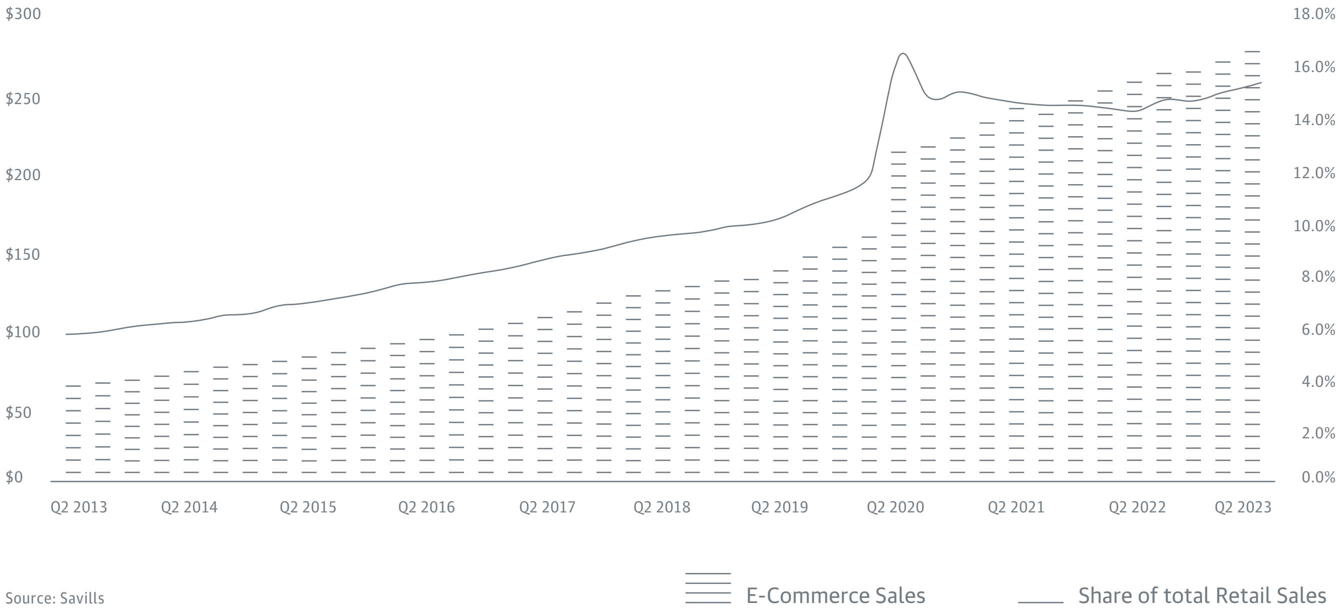
US container import volume had its largest month-over-month gain in January 2024, representing a 7.9% increase in overall container import volume, nearly 15% of these gains are coming from imports from China. The strong growth in January 2024 also resulted in a 9.6% increase over January 2019 levels, and 10% year-over-year growth to a total of 2.27 million TEU ("**Twenty-Foot Equivalent Units**") in January 2024.

The growth in US container import volume in January 2024 from December 2023, marks the largest month-over-month growth for January in the last seven years. Compared to January 2024's imports were 9.9% higher than pre-pandemic January 2019.

3. E-commerce Growing Steadily

E-commerce has had a significant impact on industrial and transportation logistics real estate in recent years with demand for the space rising as consumers order more online than ever before. Such demand has resulted in low vacancy rates and increasing rental rates and is adding pressure on developers to deliver additional properties. It is projected that growth in e-commerce will continue to grow steadily in the short and medium term.

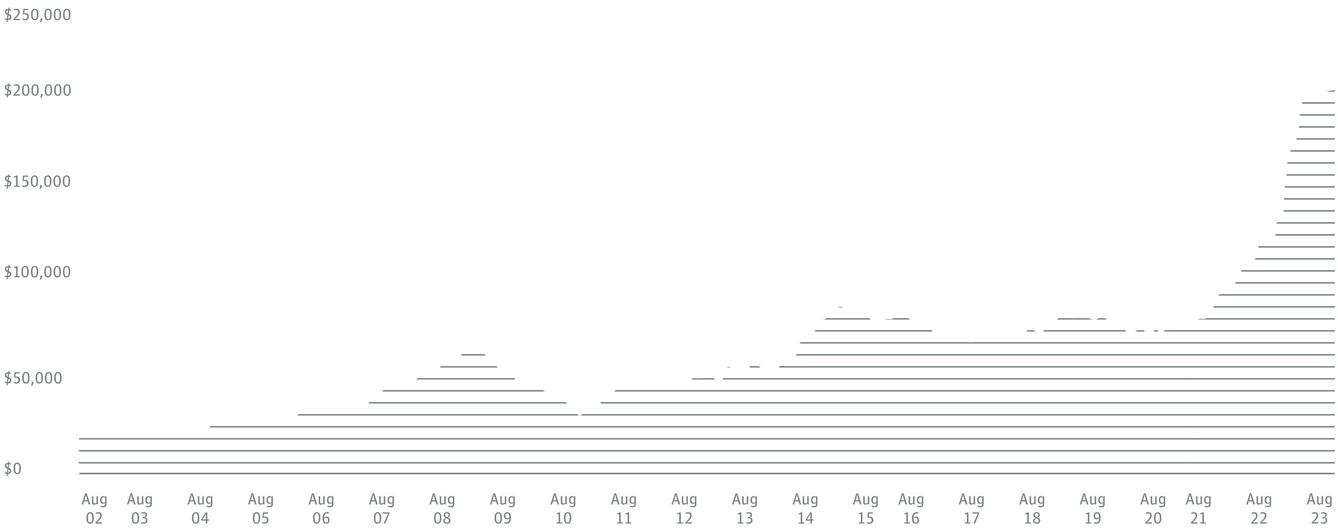
E-Commerce Penetration



Source: Savills

4. Manufacturing Expansion a Key Driver for Space: The link between manufacturing activity and demand in the industrial and transportation logistics market is well-explored and self-evident. As long-term demand for manufactured goods rises, manufacturing occupiers will expand their real estate footprints to increase capacity. Since 2020, the US Industrial sector has seen a revival of the manufacturing sector of approximately $400 billion in manufacturing investments being pledged due to nearshoring and onshoring, creating more than 210,000 new jobs and demand for approximately 250 million SF of new industrial and transportation logistics space requirements. The four key advanced manufacturing sectors driving the greatest volumes in investment are the technology, automotive and transportation, energy, and biomanufacturing industries.

Total Construction Spending Manufacturing (Seasonally adjusted annual rate (million))



Source: Savills

Regional Logistics

The logistics landscape in Saudi Arabia is undergoing a dynamic transformation, becoming an increasingly pivotal sector. This evolution is propelled by government initiatives aimed at economic diversification and progressive regulatory reforms that attract both local and international investors seeking to contribute to and benefit from Saudi Arabia's growth trajectory. With its young and sophisticated demographics and strategic geographical location at the crossroads of three continents, the Kingdom is poised to capitalize on robust opportunities facilitating both domestic and international trade. As Saudi Arabia continues its pursuit of economic development in close alignment with Saudi Vision 2030, the logistics sector is expected to play a crucial role in driving growth and serving as a growth catalyst across the economy. By 2030, the National Industrial Development & Logistics Program (NIDLP) targets to add $453 Bn in private sector investment, contribute $320 Bn to GDP and creating 1.6 million new jobs.

GFH has focused its investment strategy on complimentary sectors such as logistics and consumer services with positive impact on the local economy, whilst benefitting from the economic growth as well as demographic tailwinds. Saudi Arabia being the largest regional consumer & logistics market in the GCC region; GFH is excited about our acquisition of Gulf Central Company Limited, a market-leading niche food services and logistics business in Saudi Arabia; boasting a cross country state-of-the-art integrated warehousing and supply chain operations, coupled with an extensive premium product portfolio.

By investing in, supporting, and guiding local businesses such as Gulf Central Company Limited; GFH is geared towards adding value to the business environment and wider Saudi Arabia market by supporting business expansions and job creation through strategic and financial expertise.

We at GFH aim to continue to invest in the region's logistics space with a view of building a logistics platform centered around a buy & build strategy of high potential logistics and distribution businesses in the region's under penetrated cities complemented by JVs with specialized logistics providers.

Technology is driving the future at an ever faster pace. AI will provide a boost to the sector comparable to placing a rocket engine onto a bicycle.

06_ Technology

At the core of our investment strategy lies a deep commitment to technology, driving us to proactively pursue global investment opportunities in companies that not only follow current trends but also lead the way in shaping the future. With a portfolio of over 25 technology investments, we focus on high-growth, established market leaders, and up-and-coming innovators specializing in pioneering next-generation technologies across rapidly evolving and disruptive tech sectors.

IT provided approximate returns of 49% over the past 12 months, compared to around 31% for the S&P.

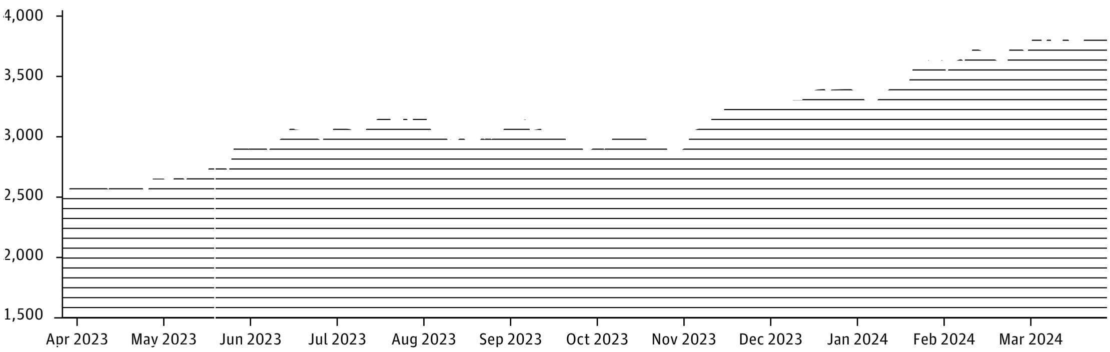
31 %

The rapid recovery of technology stocks, characterized by their swift rebound in value following recent market fluctuations, not only signifies the resilience of the technology sector but also serves as a testament to the market's unwavering confidence in the industry's potential

The recovery of technology stocks has been remarkably swift, indicating a strong resurgence in market confidence towards the sector. This rapid rebound suggests that investors are increasingly optimistic about the future prospects of technology companies, reflecting a broader sentiment of faith in the industry's resilience and growth potential. The accelerated recovery of technology stocks also signifies the pivotal role that the sector continues to play in driving market performance and innovation, further solidifying its position as a key driver of economic progress in the digital age.

S & P IT Sector Shows Remarkable Outperformance
The S & P IT sector has shown significant outperformance compared to the broader S&P index, reflecting a strong secular sector trend, with IT providing a return of approximately 49% over the past 12 months, compared to the S&P's return of around 31%. Additionally, the IT sector has also demonstrated significant outperformance over the past 5 years.

S & P 500 Information Technology



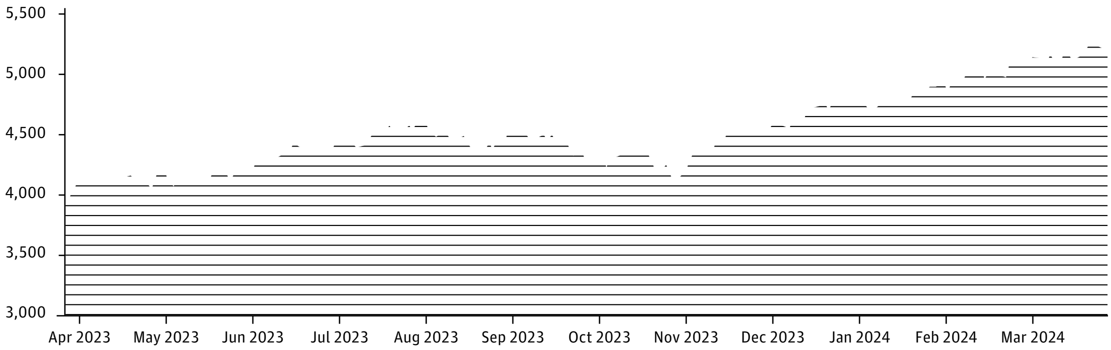
As of March 2024

3,820.60

1 Year Return

49.71%

S&P 500



As of March 2024

35,203.58

1 Year Return

31.04%

Maximizing Returns via investments in Cutting-Edge Tech
With the proliferation of major technological innovations such as artificial intelligence (AI), big data analytics, cloud computing, and automation, combined with the imperative to digitally transform business processes, we have been actively seeking opportunities within the Consumer and Business Services sector. Whether through identifying emerging leaders or partnering with existing market-leading providers, we invest in consumer and business services that hold a competitive edge over their peers while providing customers with transformative solutions that drive organizational innovation and efficiency.

Our current investment in technology encompasses a diverse portfolio that includes The Entertainer, Marshal FinTech, US & Global Tech Fund I, and Global Tech Opportunities II.

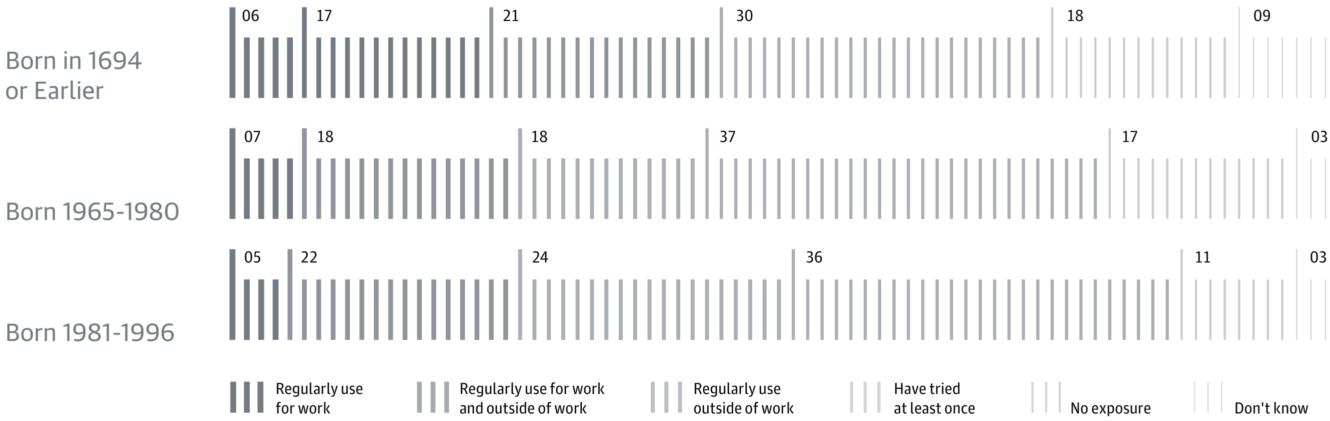
These investments reflect our commitment to fostering innovation and growth within the tech sector. The Entertainer showcases our interest in consumer-oriented tech solutions. Marshal FinTech stands as a testament to our investment in financial technology, while US & Global Tech Fund I and Global Tech Opportunities II highlight our strategic focus on both domestic and international tech ventures.

Overall, our diverse technology investments underscore our proactive approach to capitalizing on emerging opportunities and driving technological advancements across various domains.

Generative AI is poised to unleash the next wave of productivity

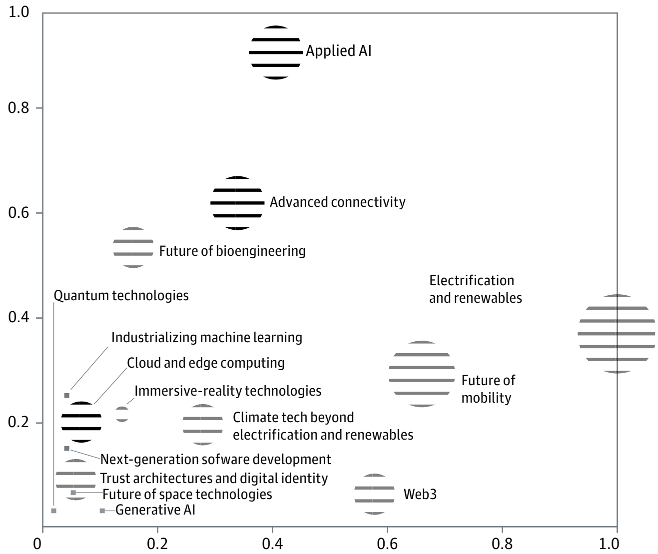
The AI revolution has significantly transformed the business landscape across various sectors, leading to a rapid adoption of AI technologies by companies worldwide. In recent years, AI has revolutionized industries such as healthcare, finance, retail, and manufacturing, among others. Companies are leveraging AI for tasks such as predictive analytics, personalized customer experiences, process automation, and supply chain optimization. In healthcare, AI is being used for disease diagnosis and drug discovery, while in finance, it's employed for fraud detection and algorithmic trading. Retailers are using AI for demand forecasting and recommendation systems, and manufacturers are implementing AI for predictive maintenance and quality control. The widespread adoption of AI underscores its potential to drive efficiency, innovation, and competitive advantage across diverse business sectors.

Reported exposure to generative AI tool by age

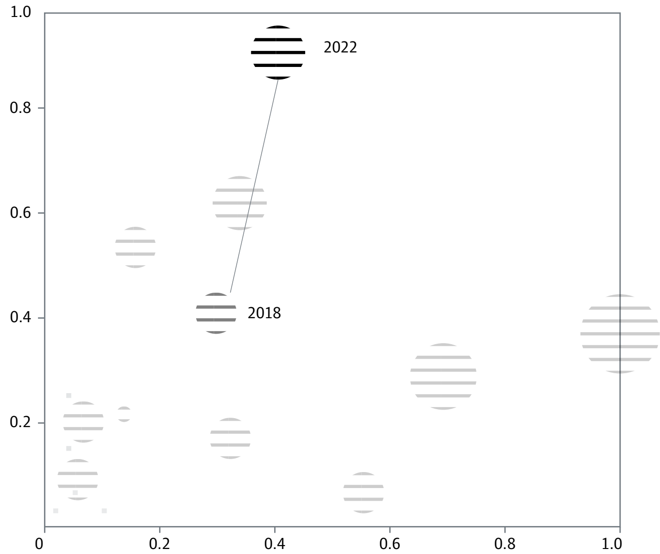


Source: McKinsey Global Survey on AI, 1,684 participants at all levels of the organization, April 11-21,

McKinsey tech trends index



The AI Revolution In Applied AI



With AI capabilities such as machine learning (ML), computer vision, and natural-language processing (NLP), companies across all industries can harness the power of data to automate processes, enhance existing capabilities, and make more informed decisions. By leveraging these advanced technologies, organizations can gain valuable insights from their data, leading to improved operational efficiency, greater innovation, and a competitive edge in the marketplace. Whether it's optimizing supply chain management, personalizing customer experiences, or streamlining manufacturing processes, the potential applications of AI are vast and transformative.

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02_ ESG Report

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_Ensuring

A detailed review of GFH's approach + methodology towards the application of Environmental, Social + Governance criteria

GFH's ESG Framework rests upon three core principles of Responsibility, Nurturing and Integrity

01

GFH Operates with Responsibility

02

GFH Actively Nurtures our Talent

03

GFH Acts with Integrity

	GFH Operates with Responsibility	GFH Actively Nurtures our Talent	GFH Acts with Integrity
Material Topics	_ Responsible Finance _ Sustainable Performance _ Environmental Management _ Community Engagement _ Social Responsibility _ Sustainable Procurement	_ Diversity and Inclusion _ Health, Safety and Wellbeing _ Talent Attraction and Management	_ Governance, Business Ethics and Compliance _ Data Privacy _ Risk Management _ Customer Experience and Relations _ Digitalization and Innovation
Bahrain Vision 2030	_ Bahrain stimulates growth by enhancing productivity and skills _ Bahraini nationals and residents enjoy a sustainable and attractive living environment _ A high standard of social assistance gives all Bahrainis an equal start	_ A predictable, transparent, and fairly enforced regulatory system facilitates economic growth _ All Bahraini nationals and residents have access to quality healthcare _ Bahrain stimulates growth by enhancing productivity and skills	_ A predictable, transparent, and fairly enforced regulatory system facilitates economic growth _ Bahrain stimulates growth by enhancing productivity and skills _ A world-class infrastructure links Bahrain to the global economy

_ESG at GFH

The world has arrived at a crossroads to address environmental and societal issues such as climate change, poverty, and biodiversity loss as we collectively have to act in the next decades to minimise massive potential negative impacts on communities and natural life.

The way GFH conducts its business is belied by a responsibility to the communities we serve. Since our inception, GFH implemented a range of initiatives related to the environmental, social and governance (ESG) of operations and activities, aimed at affecting lasting a positive impact. To effectively manage and realise the maximum value we can obtain from such initiatives, we are advancing through to implement formalised ESG policies and frameworks.

This ESG report presents an overview of our approach towards sustainability management, including a snapshot of our ESG framework, along with our 2023 sustainability performance. This information presented covers the activities of GFH Financial Group and its portfolio.

At GFH, we are driven by the vision of discovering, innovating, and realising value potential across our business lines - and we recognize we can only do this by creating value for all of our stakeholders with a robust, sustainable business model. The ESG Framework we built is aligned with GFH's vision, values, and ESG commitments. We aim to integrate sustainability across our day-to-day activities, operations, and investment decisions.

Through rigorous monitoring, responsible investment decisions and continuously improving our sustainability performance, we strive to create sustained positive impact. This will unlock value realization for us and help reach the brighter future we envision for the future.

ESG issues are a key investment consideration for GFH, and we are increasingly applying these factors as part of the underwriting and investment decision-making processes specifically as they relate to sustainability. We will continue to pursue opportunities in resilient sectors including healthcare, education, technology, and infrastructure with ESG issues as a key consideration.

These sectors are better positioned to withstand potential economic uncertainties or downturns, are resilient, and create sustainable value for the future.

Sustainable Development Goals

01 No Poverty

02 Zero Hunger

03 Good Health and Well-Being

04 Quality Education

05 Gender Equality

06 Clean Water and Sanitation

07 Affordable and Clean Energy

08 Decent Work and Economic Growth

09 Industry, Innovation and Infrastructure

10 Reduced Inequalities

11 Sustainable Cities and Communities

12 Responsible Consumption and Production

13 Climate Action

14 Life Below Water

15 Life on Land

16 Peace, Justice and Strong Institutions

17 Partnerships for the Goals

Contribution to the SDGs

As we expand our horizons to contribute to a more sustainable future, we have taken United Nations Sustainable Development Goals (SDGs) as a guide to our ESG management. To fulfil the ambitions of the SDGs, it is vital that the business world also contributes, and we are fully committed to playing our part. In line with the sectors we operate, we have prioritised the SDGs that we can contribute to.

How We Operate Responsibly

06	07	08	11	12	13
Clean Water & Sanitation	Affordable & Clean Energy	Decent Work & Economic Growth	Sustainable Cities & Communities	Responsible Consumption & Production	Climate Change Action

How We Nurture Our Workforce

03	05	10
Good Health & Well-being	Gender Equality	Reduced Inequalities

How We Act With Integrity

08	09	16
Decent Work & Economic Growth	Industry, Innovation& Infrastructure	Peace, Justice & Strong Institutions

_ESG Focus Areas & GFH's Contributions

This special report section highlights GFH's robust ESG performance and positive trends throughout 2023.

Aligning with National Priorities

We have aligned the GFH ESG management process with the national vision of Bahrain by incorporating key components of the Bahrain Vision 2030 which outlines a sustainable path for the future. The vision sets out the Kingdom's importance on the global stage while providing insight into its unique challenges, culture, and opportunities.

Bahrain Vision 2030 Focus Areas & GFH's contributions

E	Environment	GFH is committed to protecting the Environment
S	Society	GFH is dedicated to community & Social development
G	Governance	GFH adopts best practices & good Governance

The company has implemented a range of ESG standards and activities to create a lasting positive impact on its group, investments and the markets it operates in. A summary of these activities are outlined here.

Associate Partnership with the World Economic Forum (WEF)
As part of its efforts to enhance its global footprint and forge impactful partnerships, GFH joined forces with the World Economic Forum in 2023 as an associate partner. This collaboration enables GFH's leadership to engage in the WEF's annual Davos meeting and contribute to its initiative, Shaping the Future of Financial and Monetary Systems. This initiative gathers influential figures from the world's leading organizations to tackle global challenges.

Participation in the Future Investment Initiative (FII)
InstituteThe FII Institute is a renowned non-profit global foundation focused on making impactful advancements in Artificial Intelligence & Robotics, Sustainability, Healthcare, and Education. Its partners include major global and regional banking and financial players in addition to market leaders from a variety of industries. In 2023, GFH partnered with the FII Institute to drive initiatives that foster positive change and sustainable development worldwide.

Environmental Conservation Efforts
GFH is dedicated to environmental sustainability, actively participating in initiatives like the 58th Avenue tree-planting project in the Seef district on World Environment Day. Additionally, GFH launched an internal campaign to eliminate the use of single-use plastic bottles within the company, providing all employees with sustainable, high-quality recycled stainless steel water bottles to reduce plastic waste.

Support for Health and Social Impact Initiatives
GFH has been instrumental in advancing healthcare in Bahrain, notably by establishing a state-of-the-art center for prostate cancer treatment equipped with robotic surgery technology, the first of its kind in the region, highlighting GFH's commitment to leading-edge diagnostic and therapeutic innovations. Additionally, in collaboration with the Smile Foundation, GFH organized a walkathon to support pediatric cancer patients, raising funds and awareness for these resilient children.

Promotion of Sports and Healthy Lifestyles
GFH has been a strong advocate for sports and wellness, demonstrated through its sponsorship of the prestigious Ironman triathlon in Bahrain and its partnership with World Aquatics to establish the region's first aquatic sports center of excellence, which broke ground at the University of Technology Bahrain. The center will empower high-performance athletes with a combination of state-of-the-art facilities, world-class coaching and cutting-edge sports science. Furthermore, GFH sponsored the International Basketball Federation (FIBA) 3x3 Manama Masters, showcasing its commitment to enhancing Bahrain's sports infrastructure and promoting Bahrain as a premier destination for sports tourism.

Encouraging Entrepreneurial Growth
GFH Capital S.A. has expanded its efforts into Saudi Arabia by partnering with Hope Ventures, the investment arm of the Hope Fund, for the production of the entrepreneurship-themed reality show "Beban". This partnership not only supports the expansion of the show's third season into Saudi Arabia but also aligns with GFH's dedication to fostering entrepreneurship and to empowering aspiring and innovative founders and business models in harmony with Saudi Arabia's Vision 2030 for economic diversification and development.

Internship Program for Empowering Youth
GFH's comprehensive internship program provides students from international K-12 schools with practical experience in the financial sector, offering on-the-job training across multiple departments in the Group. The program is designed to prepare the youth for higher education and future employment, fostering skills that contribute to regional economic development.

_GFH's Impact on ESG

GFH Financial Group has demonstrated its commitment to Environmental, Social, and Governance initiatives in alignment with the Kingdom of Bahrain's Vision 2030 goals, with a clear aim to affect positive change for the communities it serves, locally, regionally and globally.

_Our work in minimising our environmental impact. At GFH, we operate responsibly, and are aware that building a strong and dependable business is linked to ensuring the protection of the environment. In line with our vision, we utilize innovative tools to minimize the environmental impact of our business activities. Contributing to the economic future of Bahrain, we also recognize our role to positively impact wider society and the environment. GFH's investment decision-making is in accordance with our ambition to transform the daily lives of the communities we belong to, and we aspire to act in a manner that minimizes the detrimental environmental impacts of our operations.

_Environmental

ESG Material Topics
A materiality assessment took place to provide us an understanding of our ESG Material Topics, those topics has been defined in accordance with Bahrain's Vision 2030 and UN SDGs, and in alignment with each of the ESG segment.

The Materiality Assessment Exercise identified the following material topics:

1 Governance, Business Ethics & Compliance
2 Sustainable Performance
3 Social Responsibility
4 Diversity and Inclusion
5 Customer Experience and Relations
6 Environmental Management
7 Talent Attraction and Management
8 Health, Safety and Wellbeing
9 Community Engagement
10 Responsible Finance
11 Risk Management
12 Data Privacy
13 Digitalization and Innovation
14 Sustainable Procurement

_ESG is not an fleeting consideration, it is part of a global, socio-political transformation. GFH understands its role in nurturing the wellbeing of the human family. In this year's report we highlight Group activities we have been undertaking to ensure our ESG journey affects lasting, sustainable change. Our business operations, from the wellbeing of staff to the impact investments have on our environment are regularly reviewed through the ESG framework.

In particular, we are committed to the following practices:

Responsible Finance
We are committed to creating sustainable wealth for our investors by diversifying our portfolio of investments, contributing to the Bahrain Economic Vision 2030. GFH commits to incorporating ESG issues into investment analysis and decision-making processes.

GFH's Business Units are responsible for taking ESG forward and ensuring its implementation across the investment portfolio where possible and practical. The Business Units shall report regular progress updates regarding the implementation of this Policy to the ESG Committee. Business Units shall analyse and set a dialogue on ESG objectives and risks before making a decision, whilst taking into account return on investments.

Sustainable Performance
We pursue a diversified asset allocation strategy to adapt to the multitude of challenges in an ever-changing macro environment whilst working closely with our stakeholders to realistically meet expectations.

We developed a strong and consistent ability to identify, successfully bring to market and capitalize on a wide range of solid investment opportunities in some of the world's most dynamic markets and sectors. This approach signifies the Group's investment insights and commitment to increase the value of its assets, and continue to achieve a solid financial performance that reflects to its investors and shareholders.

Environmental Management
We believe that tackling environmental issues, such as climate change, environmental degradation and pollution should be part of every responsible business' agenda. GFH aspires to act in a manner that minimises the detrimental environmental impacts of its operations.

We also take into account the environmental impact of our investments and financing activities, including greenhouse gas emissions, waste management, and resource use, as well as to prioritize investment opportunities in renewable energy, low-carbon transportation, and other sustainable infrastructure projects that contribute to the reduction of greenhouse gas emissions. We will engage with our clients to encourage sustainable business practices and promote the transition to a low-carbon economy.

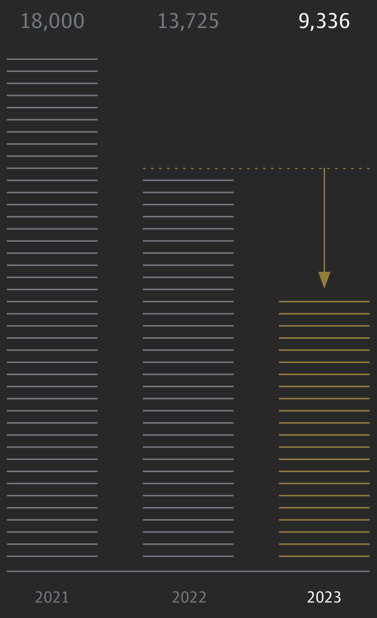
In-Office Recycling Program
GFH has partnered with a recycling company to arrange for recycling stations across all office floors to support responsible disposal of paper, plastic and general waste.

Elimination of Single-Use Water Bottles
As part of our commitment to protecting the environment and focusing more on eco-friendly workplace, an internal campaign was launched where all staff has been provided with high-quality stainless steel recycled water bottles in efforts to eliminate single-use plastic bottle consumption in the office.

As part of our investment approach and its indirect impacts, we consider helping minimise the footprint of our investee companies as part of our overall responsibility. Thus, we encourage our investees to manage their environmental impacts in a systematic manner and pursue measures that continuously improve their respective environmental performances. Examples of some of the best practices adopted by GFH investee companies.

Afforestation Campaign
In line with the Group's commitment to a greener environment, GFH has been committed to raising awareness for environmental preservation and contributing to the agricultural development of the Kingdom. The Seef district;s 58th Avenue project was one of the major afforestation initiatives that GFH sponsored on World Environment Day.

Energy Consumption



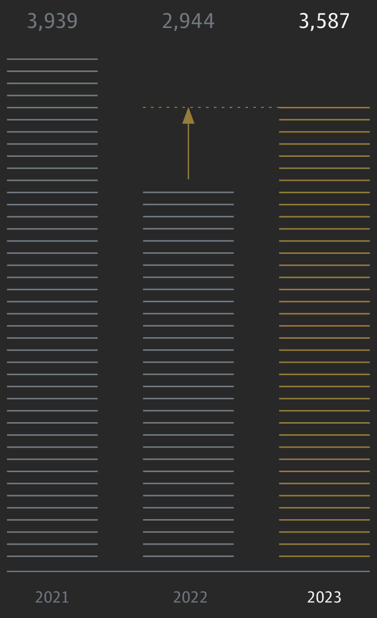
32% Reduction

Petrol Consumption
(Vehicles, Units in Litres)

35% Increase

Electricity Consumption (office, storage, facilities, etcs Units in kwh)
Attributable to new ventures including new offices and maintaining current offices.

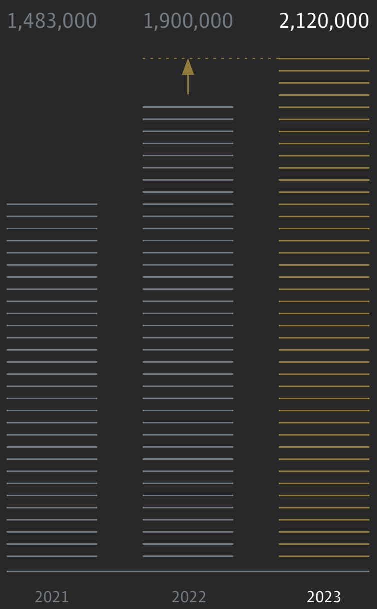
Water Consumption



22% Increase

Total Water Consumption
(Units in m3)
Attributable to new ventures including new landscaping and increase in staff.

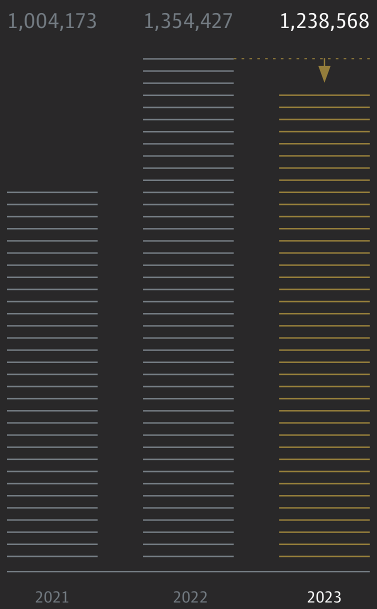
Community Investment



12% Growth

Community Investment
units in USD

Procurement



9% Reduction

Procurement spending on local suppliers units in BHD

_We strive to reduce our environmental footprint due to energy consumption by combating energy waste, raising awareness, investing in energy efficiency measures and continuously tracking our performance.

In 2023, the spending on local suppliers decreased by 9% due to consolidation of suppliers and increase in efficiency of procurement compared to 2022.

9 %

Sustainable Procurement
Through the approved supplier procurement methodology, measures are being taken to reduce the amount of packaging consumed by the company. This includes but is not limited to, the reduction in consumption of plastic bottles, the distribution of company issued refillable water bottles as well as the use of non-plastic eating utensils.

We stand up for basic human rights and refrain from engaging in business ventures that violate such rights. When possible, we choose to cooperate with local suppliers to help community development and lessen negative environmental effects.

Energy Management
To reduce climate impacts and increase operational efficiency, we regard energy management as crucial. We strive to reduce our environmental footprint due to energy consumption by combating energy waste by raising awareness, investing in energy efficiency measures, and continuously tracking our performance this year's increase was attributable to new ventures including new offices and maintaining current offices.

2022

Vehicle Petrol Consumption

2023

Down 32% in 12 Months

_Petrol consumption has been reduced across the Group

GFH is committed to enhancing social well-being through strategic investments in community health, education, and inclusive growth, ensuring that our ESG practices positively impact the communities we serve.

_GFH is engaged with the community it serves. We want to change how the communities we work with live their daily lives. In order to give back to the community and enhance the services offered to it, we continue to support a wide range of charitable organizations, causes, and other social infrastructure and service providers as part of our responsibilities, from educational sponsorships to medical equipment for hospitals and financial support to the disadvantaged.

_Social

1. **Commitment to Excellence**
GFH rewards excellence and gives its employees adequate and consistent opportunities for enhancing their skills between professional excellence and continuous learning.

2. **Innovation & Entrepreneurship**
Innovation and entrepreneurship are important facts of GFH's business culture, and as part of this culture GFH expects its employees to constantly seek new knowledge and always challenge themselves to do better in what they are already doing well, as well as providing suggestions resulting in significant improvement of business processes.

3. **Empowerment**
GFH trusts its employees, respects them, and believes in their integrity, and will give them the tools and skills needed to get the job done and sense of confidence needed to take initiatives, manage risks, and adapt to change. GFH requires its managers and supervisors to efficiently delegate responsibilities as required and ensure efficiency in the decision-making process.

4. **Teamwork**
The best solutions come from working together, therefore employees, including managers, must work cooperatively to realize GFH's objectives.

5. **Knowledge & Information Sharing**
At GFH, collaborative knowledge sharing among units is highly encouraged to make the most efficient and collective decisions possible within the team.

6. **Family & Work Responsibilities**
GFH believes that helping its employees meet their family responsibilities is compatible with the teachings of its Glorious Sharia and contributes to increased productivity. Moreover, GFH is committed to having the most progressive benefit schemes for its employees and their families.

7. **Respect**
GFH treats its colleagues, clients and others with whom GFH does business with respect, dignity, fairness and courtesy. Also, GFH is committed to maintaining a work environment that is free from discrimination.

8. **Corporate Social Responsibility**
GFH encourages the support of charitable, educational and community service activities with the efforts of the Staff Social Committee continuous initiatives.

_Our Talent Management Principles

We Nurture our Workforce
We are committed to creating sustainable wealth for our stakeholders, primarily our employees. At GFH, we believe that our employees are the key to our success. We offer advanced training and development opportunities for our employees so that they feel appreciated and valued. In addition to attracting the best talent, we strive to promote Bahrainization as well. Moreover, we are dedicated to maintaining a diverse workforce and creating a safe and positive work environment.

In particular, we are committed to the following practices:

Talent Attraction and Management
We seek the best talent to participate in a special learning journey that is intended to give chosen participants the skills and exposure they need to start a successful career while building a talent pool of high-performance future employees. We invest in our employees' career development providing funds, time and resources for external training and development. Engaging with all employees, and regularly monitoring and assessing employee satisfaction enables the continuous identification and implementation of continuous enhancement to employees' experience.

Health, Safety and Wellbeing
We regard presenting a healthy and safe work environment as an indispensable component of a successful business. We take reasonable precautions to promote health and safety in the workplace and create safe working conditions for all employees. This includes providing adequate control of the health and safety risks arising from work activities, maintaining safe equipment and ensuring the safe handling of all equipment.

GFH's commitment to ESG principles is evident through its varied and impactful initiatives across the social spectrum, demonstrating a strong dedication to fostering community well-being, promoting health, supporting sports and lifestyles, enhancing education, and empowering entrepreneurship.

Strategic Partnerships for Global Impact
In 2023, GFH solidified its role as a catalyst for positive change by entering into strategic partnerships with the World Economic Forum (WEF) and the Future Investment Initiative (FII) Institute. These alliances are central to GFH's mission of leveraging impact investing to tackle global challenges, signifying a forward leap in facilitating significant and meaningful collaborations.

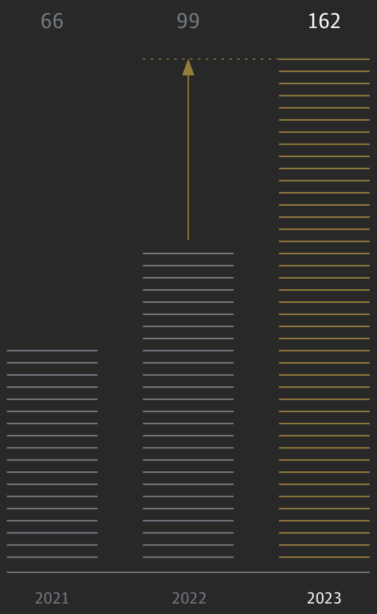
Advancing Healthcare
GFH has made significant contributions to healthcare in Bahrain. A notable achievement includes the establishment of a specialized center for prostate cancer treatment, featuring the region's first utilization of robotic-assisted surgery systems, highlighting GFH's commitment to leading-edge diagnostic and therapeutic innovations. Furthermore, in a heartfelt endeavor to support children battling cancer, GFH partnered with the Smile Foundation to organize a walkathon in September 2023, raising awareness and crucial funds for the treatment of these brave young fighters.

Promoting Sports and Active Lifestyles
GFH has actively sponsored and supported major sports events, underscoring its advocacy for sports and healthy lifestyles. The Group's sponsorship of the Ironman triathlon in Bahrain, the first center of excellence for aquatic sports in partnership with World Aquatics, and the International Basketball Federation (FIBA) 3x3 Manama Masters reinforces its commitment to nurturing a vibrant sports culture and advancing Bahrain's sports economy. These initiatives are instrumental in promoting Bahrain as a premier destination for sports tourism.

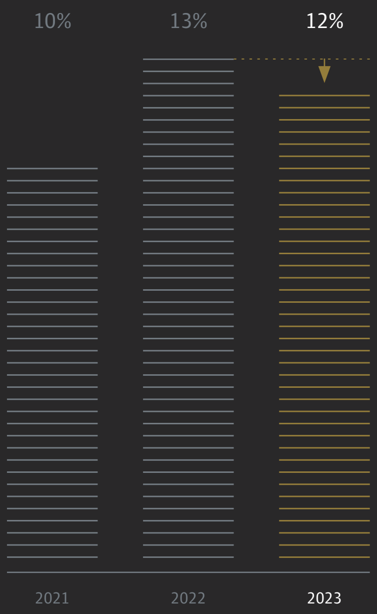
Fostering Entrepreneurship
Expanding its horizon into Saudi Arabia, GFH Capital S.A. collaborated with Hope Ventures for the production of "Beban," a reality TV show centered on entrepreneurship. This partnership not only supports the expansion of the show's third season into Saudi Arabia but also aligns with GFH's dedication to fostering entrepreneurship in harmony with Saudi Arabia's Vision 2030 for economic diversification and development.

Empowering Future Generations through Internships
GFH's robust internship program offers students from international K-12 schools a unique opportunity to immerse themselves in the financial industry. Providing comprehensive on-the-job training across various departments, the program is designed to equip young individuals with essential skills and experiences, preparing them for successful careers and enabling them to contribute meaningfully to national and regional progress.

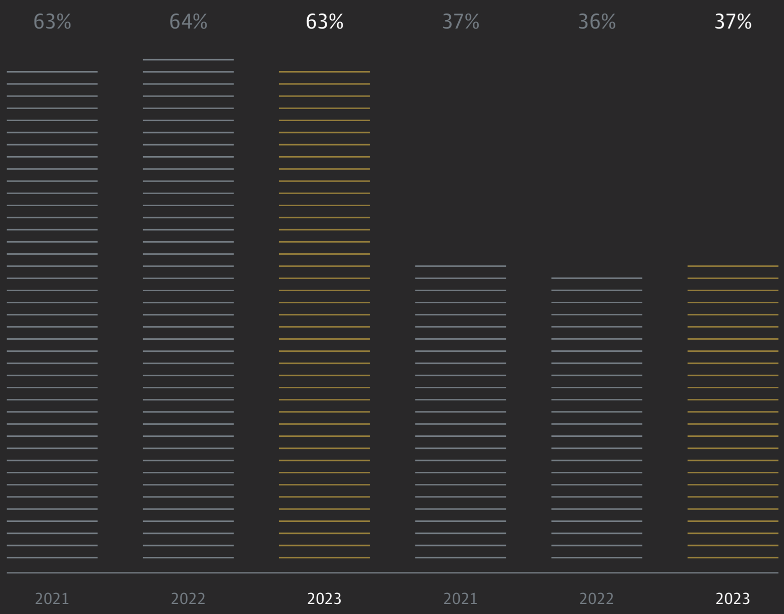
New Hires



Turnover



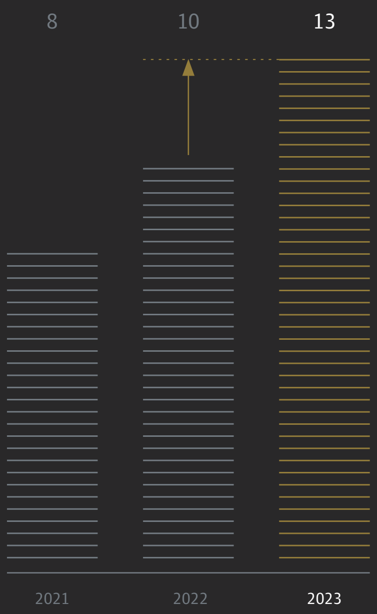
Workforce Gender



Gender Profile (Male)

Gender Profile (Female)

Female Leadership



_Our goal at GFH is to create a supportive and inclusive work environment where our employees can thrive.

GFH increased its human capital with 162 Talented new hires in 2023.

162

30% increase in female leadership in 2023.

30 %

Social Responsibility
GFH is committed to promoting human rights and responsible labor practices. We will not invest in companies that violate internationally recognized human rights standards. We will prioritize investment opportunities in affordable housing, healthcare, and education that contribute to social and economic development. GFH will consider the social impact of our investments, including job creation and the treatment of workers, when making investment decisions.

Nationalisation
In line with national agendas, GFH takes affirmative actions in hiring decisions. Employment decisions are made on merit and many other objective criteria, yet for candidates of similar calibre, this gives Bahraini citizens priority over others when making hiring decisions.

In coordination with the Bahrain Institute of Banking and Finance, we select top Bahraini prospects to undergo a unique learning journey designed to provide selected participants with the necessary tools and learning exposure to launch a successful career, while creating a pool of high-performance future talent.

Training and Development
We are aware that training and upskilling is an essential and continuous process for employees at every level to utilise their potential towards their personal development objectives and GFH's sustained success. Hence, we invest in our employees' career development, which covers providing training, providing funds, time and resources for external training and other opportunities. GFH also provides employees with paid time off for attending training courses, exams, professional certification programs, and relevant industry conferences and events. All employees are encouraged to pursue career development opportunities. In this respect, it is among line managers' responsibilities to help employees and to ensure all employees receive fair opportunities for career development opportunities.

We provide training, instructions, and supervision for all employees in line with our Health and Safety Policy that is applicable to all our employees. We also take care of our employees' wellbeing, offering activities including sport activities and tournaments, as well as arrangements that promote work-life balance and that enhance physical and mental health in their free time and during working hours. Our goal is to create a supportive and inclusive work environment where our employees can thrive.

At GFH, our investment decision-making is in accordance with our ambition to transform the daily lives of the communities we're a part of. We are committed to creating sustainable wealth for our stakeholders, primarily our employees, investors, and the communities we serve every day. We regard building a workplace environment that fosters equality, employee wellbeing, development, and satisfaction as a crucial part of this commitment.

ESG Training in its efforts to extend robust knowledge on the importance of ESG, all employees are provided accessibility to ESG training materials, with more than 80 employees passing the ESG fundamental assessment.

2022

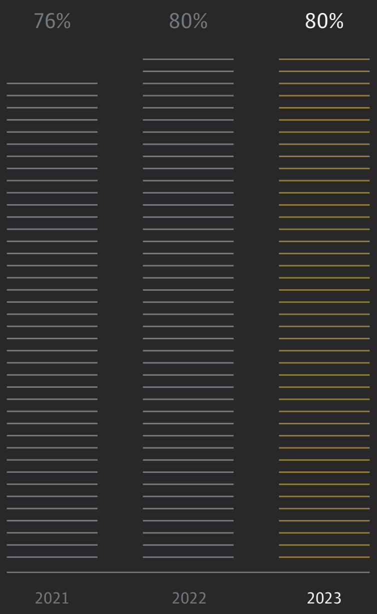
Female Leadership

2023

Up 30% in 12 Months

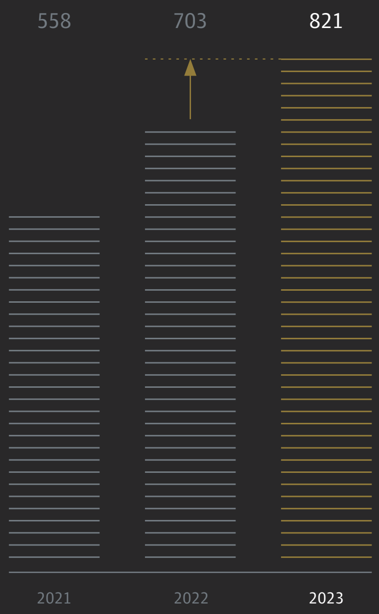
_Female leadership has increased across the Group

Nationalization



GFH stands in 80% nationalization

GFH's Total Global Workforce

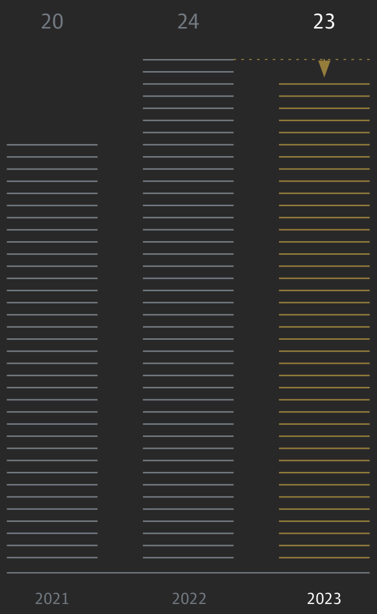


17% Growth

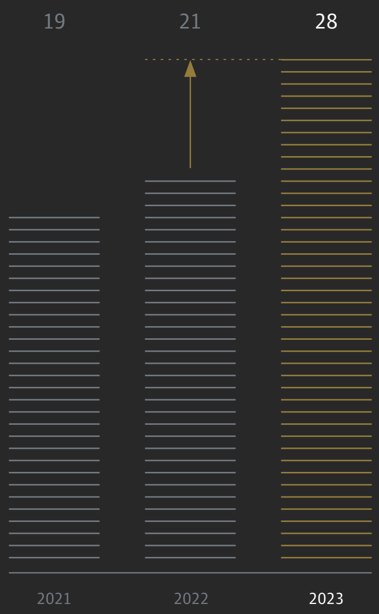
17% increase in total global workforce.

17 %

Training and Development

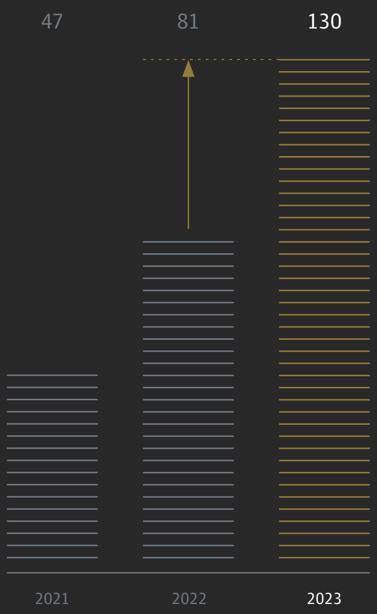


Average training hours (male)



Average training hours (female)

Number of Trainings Conducted



60% Growth

_GFH acts with integrity

Being transparent and straightforward in how we conduct our business is integral to our culture. To operate without compromise and to continuously improve, we implement and regularly update strategies and policies that are aimed at complying with the Group's regulatory and supervisory responsibilities.

80 employees completed ESG specialized training.

80

60% increase in trainings conducted.

60 %

Diversity and Inclusion
GFH is committed to maintaining an equal opportunity workplace and ensuring diversity and representation across roles and responsibilities. We strive to bridge the gender gap andcommend Bahrain's leadership for emphasising the role of women in advancing Bahraini society. As we aim to balance our workforce gender ratio, we are creating more opportunities for female employees each day. We also participate in a number of initiatives and events to raise awareness around gender equality and women empowerment.

Anti-discrimination
Our Anti-discrimination Policy assures respect for the personal dignity, privacy, and personal rights of every employee. At GFH, we are committed to maintaining a workplace free from discrimination and harassment. In accordance with this, discrimination on the basis of origin, nationality, religion, race, gender, age, or engagement in any kind of verbal or physical harassment based on any of the above or any other reason is not tolerated. Employees who feel that their workplace does not comply with the above principles are encouraged to raise their concerns with the HR Department. These concerns or occurrences are dealt with in line with our Grievance Policy.

The governance of our group is a fundemental
aspect of our continually improving performance.

_Our ambition to achieve the highest levels of transparency, accountability and management is bolstered by our robust corporate governance framework, which is designed to support us in meeting our strategic objectives, as well as the interests of our key stakeholders.

Our Corporate Governance framework is aligned with the applicable regulatory requirements and is focussed on assisting us to successfully meet our strategic objectives, maintain steady growth and ensure we effectively serve our clients' and shareholders' interests.

Our Board of Directors has 8 members, out of which six are independent and one is non-executive Board Secretary confirmation/revision.
Our Group's control functions all have direct reporting lines to the Board's Audit and Risk Committee to ensure that they carry out their responsibilities with full independence. For more information on our governance systems and relevant boards and committees, please refer to the GFH 2023 Corporate Governance Report which is included on page 6.

_Governance

01

Review & Assessment:
Review and assess the implementation and effectiveness of GFH Financial Groups ESG Strategies.

02

Performance Efficacy:
Review the Group's overall performance efficacy against its stated ESG objectives and targets.

03

Coherent Alignment:
Ensure both business and ESG priorities are coherently aligned & effective.

04

Continual Exploration:
Explore, advise and wherever possible, approve new ESG opportunities and initiatives.

05

Recommend & Advise:
Make required board recommendations, including new policies implementations, and the proposal of strategic initiatives.

06

Maintain Relevance:
Be updated on regulatory requirements and laws pertaining to ESG and sustainability disclosures.

GFH's Six ESG Committee Objectives

We have achieved 88% of our 2023 Internal Audit Plan

88 %

ESG Committee

In 2022 we have formed the ESG Committee -a management level committee - to oversee the group's overall strategy pertaining to Environmental, Social and Governance aspects, in alignment with local and global regulations and standards.

The charter document of the ESG committee outlines the structure, responsibilities and authorities to ensure highest levels of governance. The members are representations from different internal departments in favor to provide a consolidated and valuable contributions to oversee and continuously develop our ESG best practices and governance.

Members of the Committee

Chief Operating Officer	Chairman of the Committee
Head of Compliance	Compliance Representative(s)
Head of Administration	Property / Administration w(s)
Head of Marketing	Corporate Communications Representative(s)
Head of Human Resources	Human Resources Representative(s)
Head of Sharia and Corporate Secretary	Sharia and Governance Representative(s)
Director - HR & ESG	Secretary of the Committee

Data Privacy

GFH Financial Group aims to use digital technologies to its fullest extent to capitalise on the endless opportunities they offer. However, we are aware of the security and confidentiality risks these new technologies present.

We regard data privacy and security as one of our crucial duties towards our clients and society as a whole for maintaining the trust in our Group, thus for the sustainability of our activities. To manage these risks effectively, we follow a comprehensive privacy framework, the GFH Data Privacy Manual, prepared and updated in accordance with international regulations and standards. This manual outlines the guidance for obtaining the informed consent and for providing the notice for collecting and processing the personal/sensitive personal data.

GFH has appointed a Data Protection Officer, who is appointed by the management (subject to Board or Board Committee approval) to oversee our compliance with applicable data protection laws, other pertinent laws, and issuances by the Data Protection Authority on data privacy, and our Manual. For promoting a privacy culture and continuously improving our privacy performance, we provide new and existing employees trainings, set data security related KPIs to monitor compliance with the data privacy requirements for relevant personnel and submit periodic reports to the Management on latest developments in legislation, training, privacy resourcing and funding, violations, and breaches if any, and results of audits on the methods and means of processing.

_GFH is committed to taking a responsible approach in regards to risk management, in so doing we can ensure the continuation of positive long-term growth for all stakeholders. GFH's risk management framework adopts international best practices to deliver the highest possible level of corporate practice, governance and transparency.

Risk Management
We are committed to taking a responsible approach to risk management to ensure the continuation of positive long-term growth for all stakeholders. GFH's risk and management framework adopts international best practices to deliver the highest possible level of corporate practice, governance and transparency across all levels and departments in the business.

Customer Experience and Relations
We attach significant importance to customer satisfaction, and we always strive to improve our practices in line with their feedback from our online portal and automated satisfaction survey directed at the investors. We aim to measure our customer satisfaction on a regular basis to track and monitor methods of enhancing and improving our customers' experiences.

GFH Policies
_ Director's Code of Conduct
_ Conflict of Interest Policy
_ AML, CFT & KYC Policy
_ Whistleblowing Policy
_ Business Continuity Plan
_ Anti Bribery Corruption Policy
_ Gift Policy
_ Key person Dealing Policy
_ Insider Trading Policy
_ GFH Corporate Governance Policy

263 273 218 149 319 154 177 324 277 009 103 057 246 333 017 052 252 149 011 314 066 178 227 122 108 154
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03_Our People + Performance

_Sharia Supervisory Board

Our Group relies on the counsel of our expert Sharia board members for advice and guidance in ensuring compliance with Sharia principles across all GFH activities and entities.

The Sharia Supervisory Board provides the Group with pragmatic Sharia opinions, approves the Group's financial statements, and participates with management in the development of suitable investment products and services that support the Group's vision to develop a high-growth, diversified investment and commercial portfolio.

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

The existence of the Sharia Supervisory Board contributes towards the assurance of our shareholders and investors, and without any doubt, their confidence which is one of the most important success factors for the Group.

_The Sharia Supervisory Board reviews the Group's activities and products to ensure that all innovative products and investment transactions comply fully with the rules and principles of Islamic Sharia.

His Eminence Sheikh
Abdulla Bin Suleiman Al-Menai
President

Adviser at the Royal Court with the rank of Minister, a judge in the Court in Makkah Al-Mukarramah (formerly) and a member of the Council of Senior Scholars (Saudi Arabia) and Chairman of the Sharia Supervisory Board for a number of Islamic banks.

His Eminence Sheikh Nizam Bin
Muhammad Saleh Yaqoubi
Executive Member

Member of the Sharia Supervisory Board at Central Bank of Bahrain,UAE, Alsalam Bank, Kingdom of Bahrain, GFH Financial Group, Kingdom of Bahrain, ABC Islamic Bank, Kingdom of Bahrain, ABC Islamic Bank, London and others. Member of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

He holds a number of awards, First Degree Award of Capability for Islamic services within and outside Bahrain 2007, from the King of Bahrain, Euro Money Award for innovation in Islamic banking supervision, Malaysia 2007, Malaysia Award for contribution to Islamic banking. He has participated and been a speaker in a number of jurisprudence, educational, economic, intellectual, social and cultural conferences and seminars across the region.

His Eminence
Farid Bin Muhammad Hadi
Executive Member

Dr. Hadi is an Assistant Professor of Sharia, he was the head of department of Islamic Banking at College of Business Administration at University of Bahrain. He is the chairman of Bahrain Institute for Sharia Studies which is under the supervision of Ministry of Justice. He holds a PhD in Ibn Hazm's Methodology of Jahala from Edinburgh University and a PhD in Al-Bukhari's Methodology from the University of Mohammed V in Morocco. Dr. Hadi is also a member of the Sharia supervisory boards of a number of leading Islamic banks

His Eminence Sheikh
Abdul Aziz Al-Qassar
Executive Member

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

Ghazi Faisal Ebrahim AlHajeri
Chairman of the Board

_Board of Directors

GFH's Board of Directors comprises distinguished leaders from across the region who deliver strategic insight and expert oversight that guides our Group towards sustainable growth.

Mr. Ghazi Al Hajeri is the CEO of Wafra International Investment Company, a Kuwait-based asset management company with $7BN in AUM. Bringing 22 years of experience to his role, he is in charge of overall corporate direction and proprietary investments, Mr Al Hajeri leads the company's transformational growth strategy. Prior to that, Mr Al Hajeri occupied the role of deputy CEO at Touristic Enterprises Co., an entity owned by the Kuwait Investment Authority and the oldest and largest provider of recreation and entertainment in the State of Kuwait. Mr. Al Hajeri was responsible for the group's facility operations and development.

Mr. Ghazi Al Hajeri held the position of Managing Director for Wafra InterVest Corp. He established Wafra's regional office in 2007 and remained its Regional Director until 2017. Mr. Al Hajeri was responsible for firm's regional business strategy and product development and served as a corporate liaison with the firm's largest clients.

Mr. Ghazi Al Hajeri was responsible for directing the firm's largest client relationships. He devised strategic plans to grow the firm's expansion in assets from $7 billion to $20 billion in a period of 10 years. Mr. Al Hajeri managed complex projects for sovereign wealth and pension clients that included asset allocation, business development and investment planning.

Mr. Al Hajeri was a member of the Alternative Investments Division Investment Committee and responsible for reviewing and monitoring external investment managers while directing departmental strategy at Wafra Investment Advisory Group in New York from 2001- 2006.

Mr. Al Hajeri holds a Bachelor degree in Science in Business Administration from the University of Denver.

Edris Mohammed Rafi AlRafi
Member, Independent Director

Edris Al-Rafi is the Head of Middle East & Africa at Aberdeen Standard Investments and prior to that he served as Chief Executive Officer at Dubai Holding LLC. Edris has held various senior leadership roles such as the Chief Commercial Officer at Meraas Holding and the Head of UAE at Goldman Sachs. He joined Goldman Sachs in 2008 to manage Sovereign Wealth Funds, UAE Commercial Banks & large UAE corporate clients including GREs for Investment Banking and Securities businesses. Before that, he served as General Manager at First Gulf Bank and he was also on the Board of Noor Bank PJSC & Emaar Industries & Investments (Pvt) JSC. Mr. Al-Rafi has more than 20 years of experience in investment banking, private equity, hospitality and real estate development. Edris holds a Finance & accounting degree and he is Certified in Regulation, Derivatives and securities (equity & Debt) which is a Financial Service Authority, FSA Regulated from London in 2008.

Hisham Alrayes
Member & Group CEO, Executive Director

Hisham Alrayes is leading the Group forward towards its vision of becoming the region's most prominent, diversified financial Group, and one that provides a remarkable platform for delivering superior Wealth Management, Commercial Banking and Asset Management services. 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 a number of 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 Electrical\Electronic 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.

Rashid Nasser Al Kaabi
Member, Non-Executive Director

Rashid Nasser Sraiya Al Kaabi is the Vice Chairman and Chief Executive Officer of Al Sraiya Holding Group, one of Qatar's expanding, leading private family conglomerates.

Mr. Al Kaabi joined the family business in 1995, was appointed vice chairman of the board in 2006, and became group chief executive officer in 2010. In this capacity, Mr. Al Kaabi leads the group's growth strategy through leading investments within the group's four main clusters: Construction, Hotels & Hospitality, Industrial, and Trading. Under his tenure, Mr. Al Kaabi has launched new businesses across Qatar, the Middle East, the UK, Europe, and North America.

In addition to his role at Al Sraiya Holding Group, Mr. Al Kaabi serves on the board of several organizations in various sectors, i.e., Insurance, Real Estate, Finance, and Investment. Mr. Al Kaabi serves as Chairman of the board of Inma Holding and AMLAK Holding, in addition to being member of the board of Msheireb Properties and Qatar Islamic Insurance Company. In addition to being Vice Chairman of Qatar International Islamic Bank (QIIB), he is member of the board of internationally acclaimed banks such as GFH Financial Group, QInvest and Bank Audi.

Mr. Al Kaabi joined the board of Qatar Chamber of Commerce & Industry (QCCI) in 2006, currently serving as the Chairman of its Banking & Investment Committee. He is actively involved in multiple other bilateral and multilateral chambers of commerce, focusing on fostering trade and investment relations. He serves as a member of the board of Arab-Belgian-Luxembourg Chamber of Commerce (ABLCC), Arab Hellenic Chamber of Commerce & Development (AHCC), Arab-Swiss Chamber of Commerce and Industry (CASCI), and Union of Arab Chambers (UAC).

Ali Murad
Member, Independent Director

Mr. Ali Murad is the Managing Director and Co-Founder of Pinnacle W.L.L., Bahrain. He also serves as a board member in several companies including EAT App, Wavepoint Publishing W.L.L and Alareen Holding Company.

Throughout the 20 years of experience in his career, Mr. Murad occupied several positions in the banking sectors before he moved into the private sector. He commenced his banking career at Arab Banking Corporation where he remained for five years. During this time, he held the position of credit analyst of ABC Islamic Bank EC, money market dealer and thereafter, as a deputy manager of the Treasury and Marketable Securities Department. Mr. Murad then joined Unicorn Investment Bank (now, Bank Alkhair) in the Investment Development and Distribution Department and later First Energy Bank as a director in Investment Placement, where he placed numerous financial products and services to high-net-worth individuals, governments and quasi-governmental Organizations, publicly listed and unlisted companies, as well as numerous private banking clients.

Mr. Murad was part of the investment team, where he also worked on tailoring customized investment products catering to the tough market conditions at the time. In 2010, Mr. Murad embarked in a career in the private sector and founded Pinnacle W.L.L. as a holding company for stakes in various sectors including technology, music publishing, real estate to name a few. He continues to explore, review and monitor active and potential investments both regionally and internationally.

Mr. Murad holds a Bachelor of Science and Business Administration in Marketing from Suffolk University, Boston, Massachusetts.

Fawaz Talal Al Tamimi
Member, Independent Director

Holding a B.S. degree in Marketing from California State University in Los Angeles on September 4, 2010 and completed Executive Education Programs at IMD & INSEAD. Fawaz have served the group in various key position. He has been also appointed by the Board of Directors to represent the Group while negotiating new Joint Ventures and Investment opportunities. Mr. Al Tamimi is also heading the Corporate Governance Program and a member of the Group's Board of Directors and some of the Board's Committee's.

Darwish Al Ketbi
Member, Independent Director

Mr. Darwish Al Ketbi is a highly motivated, analytical and focused young professional with built-up expertise on stock market with in-depth knowledge on alternative investments, structured products, and sophisticated trading strategies.

Mr. Darwish Al Ketbi is the Investment and Portfolio Manager at Darwish Bin Ahmed & Sons, a board member at Union Properties PJSC – Dubai and Darwish Cybertech India Private Limited – India. He holds Bachelor degree of Science in Business Major in Finance from Zayed University in Abu Dhabi.

Over the past nine years, Mr. Al Ketbi gained vast experience in managing investments, real estate, corporate finance, placement, treasury, modelling and valuation of investment opportunities and monitoring and managing portfolios. With his experience and enthusiasm, Mr. Darwish is expected to add value to GFH's progressive growth and transformation.

Yousif Taqi
Member, Independent Director

Mr. Yousif Abdulla Taqi is a result-oriented Islamic banking professional with over 35 years of experience in Banking, Audit and Business Advisory. He is a businessperson who has been at the helm of and at the highest levels of management of many reputed banks as well as serving on the Board of many other companies.

Previously, Mr. Taqi was the Group Chief Executive Officer & Executive Director at Al Salam Bank BSC Bahrain, a Deputy General Manager at Kuwait Finance House Bahrain and a Partner at Ernst & Young, Bahrain. Throughout his career, Mr. Taqi has been instrumental in several key achievements including the introduction of significant high net-worth individual accounts to the banks where he held leadership roles, supported the establishment of the Islamic Financial Services group, and contributed to the conceptualization of a one stop shop for investors.

He serves as non-executive director on the Board of Bahrain Petroleum Company (BAPCO) and Osool Assets Management BSC. Mr. Taqi is holding a Public Accountant Certificate and has a B.Sc. in Accounting from Husson University, USA.

Hisham Alrayes
Group CEO & Board Member

In 2022, Forbes ranked Hisham Alrayes as one of the 'Top 100 CEOs in the Middle East'.

_The Executive Team

In 2023, Hisham received the First-Class National Action Pioneers Medal from His Majesty King Hamad bin Isa Al Khalifa. Arabian Business also named him within the '100 Most Inspiring Leaders in the Middle East', ranking him first in the financial sector and seventh overall.

Hisham Alrayes is leading GFH forward towards its vision of becoming the region's most prominent, diversified financial Group, and one that provides a remarkable platform for delivering superior asset management, commercial banking and investment services. As the Group CEO & Board Member, Hisham brings extensive expertise and banking knowledge to the Group and was instrumental in driving the creation and execution of the Group's regional and international investment strategy. With a distinguished career spanning over 25 years, Hisham's profound understanding of banking and investment strategies have been pivotal to the Group's success.

Under his stewardship, the Group has seen significant growth and expansion in its business lines and geographic footprint, demonstrating resilience even in challenging market conditions. Hisham's commitment to excellence is reflected in his active involvement in various directorships across financial, industrial, and real estate sectors, including notable positions at Esterad Investment Company, Khaleeji Bank, GFH Capital, GBCorp 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.

He was also named CEO of the Year in Financial Services by CEO Middle East. In 2022, Forbes ranked Hisham as one of the "Top 100 CEOs in the Middle East" while Arabian Business named him as "CEO of the Year - Financial Services". In 2021, Hisham was ranked one of the "Top Listed CEOs" in the CEO Today Middle East Awards, and "Best CEO in Investment Banking - Bahrain" from Global Economics. In 2020, Hisham was named "Banker of the Year" by MEA FInance 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.

Sattam Algosaibi
Chief Executive Officer, Khaleeji Bank

Mr. Algosaibi's experience in the banking sector spans for more than 25 years, through which he assumed several senior positions and witnessed many economic transformations and developments in the Kingdom of Bahrain's banking sector. This had a big impact on him acquiring deep understanding and practical knowledge of the Islamic Banking sector, in addition to best practices of the conventional banking sector. Before joining Khaleeji, Mr. Algosaibi was appointed as Group Chief Executive Officer for Bahrain Development Bank Group in 2017 and prior to that, he spent over 12 years in Kuwait Finance House – Bahrain BSC as an Executive Manager and Head of Corporate Banking Group. Mr. Algosaibi is a Board Member and Chairman of the Executive Committee of Seef Properties BSC (c) as well as Naseej BSC, Vice Chairman of Bahrain International Golf Course Company, Board Member at Binaa Al Bahrain BSC, Lama Real Estate WLL, Gulf Holding Company, Al-Areen Hotels, Durrat Resort Management, Locata Corporation PTY (Ltd), and Gulf Real Estate Company KSC.

He is also Chairman of the Board of Trustees in the University of Technology Bahrain, Vice Chairman of the Board of Trustees in Ibn Khuldoon National School, Board Member of Bahrain Association of Banks, and Board Member of INJAZ Bahrain.

Mr. Algosaibi holds a Bachelor's degree in Accounting from King Fahad University of Petroleum & Minerals and an MBA degree from De Paul University.

Salah Sharif
Chief Operating Officer

A key player in the strategic management of the Group's core operational functions, Salah Sharif, Chief Operating Officer of GFH, is also responsible for ensuring the highest standards of operational excellence across the Group and its Special Purpose Vehicles and Project Companies. He has more than 31 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 a number of 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.

Suryanarayanan Hariharan
Chief Financial Officer

Suryanarayanan Hariharan, Chief Financial Officer, works closely with the Group's executive management team and is responsible for the accounting, financial planning and analysis, and stakeholder reporting, including regulatory reporting, for the Group and its owned subsidiaries. Surya has more than 18 years' experience in stakeholder reporting, audit services, business process improvement and transition and risk advisory.

Prior to his appointment at GFH, he was the Head of Finance for a private equity venture in Abu Dhabi backed by sovereign wealth funds and ultra high net worth individuals. Previous to this he was in audit services and real estate domain at KPMG in both Bahrain and Qatar, and Pricewaterhouse Coopers in India.

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

Bhaskar Mehta
Chief Risk Officer

Mr. Bhaskar Mehta is Chief Risk Officer at the GFH Financial Group, where he brings to his role more than a decade of experience in risk management in the financial services industry, including both private investment and the public markets across the Middle East and other emerging markets. As Chief Risk Officer, he is responsible for the development and implementation of strategies and frameworks that effectively manage all risks associated with the Group's various functions – including Credit, Market, Liquidity Information security & Operational Risk. He serves in several of the Group's executive management level committees and reports independently to the Board Audit & Risk Committee.

Prior to joining the Group, he most recently has served as Head of Risk & Portfolio Analytics at Waha Capital in Abu Dhabi, where he oversaw developing and managing all aspects of governance and risk across the business and its investments.

Previously, Mr. Mehta was at UBS, India acting as a Senior Associate covering the clients for structured products. He was responsible for developing the quantitative & risk models for Fixed income & Rates structuring products. He also worked for Asset managers building the risk management models & advance analytics. He began his career as a Programmer Analyst, BFSI (Banking, Financial Services, and Insurance) Vertical, at Cognizant Technology Solutions, India.

Mr. Mehta is FRM (Financial Risk Management) Certified – GARP and holds an MBA – Finance & International Business, IMT Ghaziabad . He also holds an International Diploma in Governance, Risk & Compliance from ICA (International Compliance Association) and has completed the Risk Management for Corporate Leaders program delivered by Harvard Business School Executive Education.

Dr. Mohamed Abdulsalam
Head of Sharia & Corporate Secretary

Head of Sharia and Corporate Secretary at GFH, Dr. Mohamed Abdulsalam supervises all Group transactions to ensure they are conducted in compliance and in accordance with the teachings of Islamic Sharia. Furthermore, Dr. Abdulsalam assumes the fiduciary duty of maintaining all records, meetings and minutes of GFH's Board and its committees in addition to moderating meetings, and managing all record keeping activities for GFH's project companies. He joined the Group in 2006 with 20 years of Sharia experience. Prior to GFH, Dr. Abdulsalam worked with other Islamic financial institutions in Bahrain. He was a Sharia Auditor at Kuwait Finance House (KFH) and an Internal Auditor at Bahrain Islamic Bank (BisB).

Dr. Abdulsalam obtained his bachelor's degree in Islamic Accounting in 2003 from Al-Imam Mohammed Ibn Saud University. He also holds an MBA in Accounting and Financial Control and a Ph.D. in Accounting from the United States, California. He has also pursued additional qualifications including a Masters of Sharia and Accounting Standards from AAOIFI, courses in Sharia Control Fatwa for Islamic banks as well as successfully completing the third module of the International Arbitration Certificate from Bahrain Chamber for Dispute Resolution (BCDR-AAA) in 2014. Passionate about his field, Dr. Abdulsalam regularly attends specialized courses covering topics such as Sharia Auditing, Sharia Standards, Sharia Products and many others in order to expand his knowledge of Islamic finance on an ongoing basis.

Pietro De Libero
Chief Legal Officer

Pietro de Libero is Chief Legal Officer at GFH, where he is responsible for the Group's legal activities relating to all general corporate, commercial and financing matters as well as managing relationships with external local and international counsel on issues pertaining to regulation, compliance and litigation. He is a seasoned lawyer with more than two decades of experience in Europe and the GCC managing, coordinating and executing complex multi-jurisdictional M&A transactions, negotiating joint venture agreements, advising on company law and coordinating intra-group reorganisations.

Prior to joining GFH, Pietro spent 22 years at Baker McKenzie. He began his carrier at the firm's offices in Milan, where he became a partner in 2007. He then relocated to Baker McKenzie's Dubai office, where he served as a partner between 2013 and 2022. During his tenure at the firm, he was a leading member of Baker McKenzie's Corporate and M&A practice and led the UAE's competition law practice. Pietro graduated summa cum laude from the Law School at Universita' degli Studi di Milano. He is admitted to practice law in England and Wales, Dubai and Italy.

Baha Al-Marzooq
Chief Internal Audit

Baha Al-Marzooq, Chief Internal Audit, has more than two decades of auditing and banking experience. He is supporting 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.

Prior to joining the Group in year 2006, Baha has worked with Ernst & Young (EY) – Bahrain, one of the 'Big Four' global auditing firms for several years, 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 tenor with EY, Baha was in charge of auditing a number of 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 a number of 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.

Hammad Younas
Chief Investment Officer – Private Equity

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. He also serves as a member of the group's management committee. In his role he has led strategic initiatives expanding market share, increasing group's AUM, entering new markets, asset classes and business lines. Hammad has more than 26 years of experience in corporate finance, investment banking, private equity, structured credit solutions, real estate, and asset management, and throughout his career he has led several multi-bn dollar regional and cross-border transactions in MENA, US, Europe and Asia across multiple sectors and asset classes along with a proven track record of exits. His transaction expertise includes mergers and acquisitions, IPOs, listings, secondary offerings, private placements, special situations and debt raising. In addition, he is a growth strategy and business development expert. In his various capacities, he has led the setup of several financial institutions and also served on advisory and executive committees and multiple portfolio companies boards.

Hammad has an in-depth understanding of complex structures across multiple jurisdictions and rolled out regionwide multi-strategy fundraising programs through his significant experience of institutional investor interaction and extensive network of banking, private equity, sovereign and high net worth relationships. 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, a fellow member of the Association of Chartered Certified Accountants of the UK, and FCA from the Institute of Chartered Accountants of Pakistan.

Nael Mustafa
Chief Executive Officer, GFH Partners
Co-Chief Investment Officer - Real Estate

Nael Mustafa is the Chief Executive Officer of GFH Partners Ltd., the real estate asset management arm of GFH Financial Group that provides real estate asset management, investment and advisory services. Nael also serves as the Co-Chief Investment Officer – Real Estate of GFH Financial Group, where 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 31 years of experience in investment banking with a proven record in regional and international alternative investments.

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, a Member of the Global Investment Committee and a Board Member of Real Estate Funds and Private Equity. During his tenure at Arcapita, Nael led the Middle Eastern Real Estate platform which oversaw the launch and management of over $1bn of logistics assets funds in the region, served as a member of the global real estate executive committee and help the board membership and active management position in a number of international real estate portfolios and businesses owned by Arcapita. 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 Charted Financial Analyst and holds a B.Sc in Accounting and Finance from the University of Bahrain and an MBA from Edinburgh Business School.

Razi Almerbati
Chief Executive Officer, GFH Capital S.A.
Group Chief Placement Officer

Razi Almerbati is the CEO of GFH Capital S.A. and the Group Chief Placement Officer of GFH Financial Group. He brings to his role more than 21 years of banking and finance experience including a significant track record in Islamic investments and advisory. His areas of expertise include private banking and wealth management as well as private equity. Before joining GFH, Razi was the Head of Investment Development & Distribution for the GCC region at The First Investor in Qatar, a subsidiary of Barwa Bank. Prior to that, he was the Regional Director of the Investment Advisory Group of Abu Dhabi Investment House.

Razi is currently a board member of Esterad Investment Company and the Chairman of the board's Audit & Risk Committee (ARC).

Sh. Hala bint Mohammad Al Khalifa
Chief Executive Officer, Nuwah Foundation

Sheikha Hala bint Mohammed Al Khalifa serves as the CEO of Nuwah Foundation, bringing with her a depth of experience in culture and heritage preservation, community building and knowledge sharing. Her career spans both as a practicing artist and a notable figure in the cultural sectors, impacting local and international communities profoundly. Through various programs, exhibitions, public art commissions, and publications, she has utilized her artistic insight and dedication to foster enlightenment, education, and inspiration through art.

Her dedication to the museum field has enriched her artistic perspective, leading her to spearhead innovative programs and projects. She has a deep passion for museum education and is committed to leveraging diverse collections for enriching experiences. She champions the fundamental role of cultural institutions in disseminating knowledge, sharing history's richness, and nurturing creative minds, contributing to community growth. Sheikha Hala's vision emphasizes the importance of cultural institutions in storytelling, thematic development, and disseminating knowledge and beauty.

As CEO of Nuwah, Sheikha Hala is spearheading strategic development and nurturing key partnerships, driving the Foundation's mission to support meaningful change in communities both regionally and globally.

Educated at Tufts University & The Museum School of Fine Arts in Boston, with a Bachelor's degree, and holding an MFA in Arts from The Slade School, UCL, London, Sheikha Hala made a deliberate choice to actively engage in the fields of culture and arts. Her journey includes prestigious roles in various institutions and the development of grassroots projects, such as the Fire Station Artist in Residence in Doha, Qatar, and the establishment of educational programs for the Museum of Islamic Arts in Doha, Qatar. She also played a pivotal role in the creation of two newly designed art and archeology galleries at the new airport in the Kingdom of Bahrain.

Fatema Kamal
Chief Executive Officer, Britus Education

Fatema Kamal is the Chief Executive Offer at Britus Education and is a Senior Executive Director at GFH Financial Group, leading on the Group's education investments. She has played an instrumental role in the operational transformation of the British School of Bahrain and other education assets in GFH's portfolio. Fatema has 22 years of working experience and a strong track record of sourcing, structuring, advising and managing private equity. She has in depth field experience in the financial sector specializing in investment structuring, strategic and organizational planning, tax structuring oversight, Sharia product structuring, joint venture negotiation, business development and project management.

Prior to joining GFH, Fatema was holding the position of Senior Executive Director of Investment Banking in Global Banking Corporation BSC. She also worked as an auditor with KPMG Bahrain. Fatema holds a master's degree with honors in Business Administration from the University of Strathclyde, Glasgow, United Kingdom, and a bachelor's degree in Accounting with honors from the University of Bahrain. Fatema is also a qualified and licensed CPA from The American Institute of Certified Public Accountants, and CIA from The Institute of Internal Auditors.

Majed Al Khan
Chief Executive Officer, Infracorp

Majed AlKhan is a renowned businessman who brings more than 23 years of extensive experience in real estate private equity and assets management to Infracorp. He is a recognized financial engineer with more than 1 million square meters of completed flagship developments under his leadership.

Majed's objective is to lead Infracorp to be recognized as one of the key international groups specializing in developing and investing in sustainable social infrastructure projects through creating a platform whereby stakeholders can achieve wealth optimization. Majed chairs and holds a number of directorships including Chairman of Gulf Holding Company (GHC), Chairman of ASK Real Estate W.L.L., board member of Balexco B.S.C, Falcon Cement B.S.C., Tunis Bay Project Company and Royal Parks Marrakech.

Majed holds a B.A. (with honors) in International Finance and Accounting from Newcastle's Northumbria University at Newcastle, England and had taken executive roles in HSBC Middle East and Inovest Bahrain prior joining Infracorp. He was also named one of Forbes Middle East's Most Impactful Real Estate Leaders of 2024, leading the Bahraini market.

Dr. Ahlam Zainal
Chief Executive Officer, Al Areen Holding

Dr. Ahlam Zainal serves as the Chief Executive Officer of Al Areen Holding, a subsidiary of GFH Financial Group, dedicated to the development of the transformative Al Areen desert project in Bahrain. With over 16 years of experience in the real estate investment and development sector, Dr. Zainal has a notable history of bringing both public and private design and infrastructure projects to life. She has held various senior roles at leading Bahraini real estate companies, including Infracorp, Amlak Company, Bahrain Real Estate Investment Company (Edamah), and Ithmaar Development Company.

Appointed in 2023, Dr. Zainal leads the strategic development of Al Areen Holding, focusing on establishing it as a premier destination for hospitality, entertainment, and healthcare. This involves overseeing the expansion of the Al Areen masterplan, which spans approximately two million square meters near the Al Areen Wildlife Park and Reserve. This ambitious plan includes significant attractions such as the Lost Paradise of Dilmun Water Park and the Raffles-operated Al Areen Palace and Spa.

Holding a Master's degree in Architecture in Urban Design from Harvard University and a doctorate in Urban Engineering from the University of Tokyo, Dr. Zainal's passion is focused on delivering solutions that foster a symbiotic interconnection between holistic sustainability and urban development.

Salem Patel
Managing Director - Debt & Capital Markets, Asset Management

Salem Patel is Managing Director, Private Credit and Debt Markets for GFH Financial Group. He is responsible for managing the bank's proprietary private credit assets. Salem is also a member of the bank's Management Investment Committee and ALCO. He brings over 25 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 a number of Directorships including Roebuck Asset Management, Student Quarters, and Big Sky Asset Management. He graduated from the City University Business School in London with a B.S.C (Hons) in Business Studies specializing 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.

Ayman A. Zaidan
Group Chief - Treasury & Financial Institutions

Ayman Zaidan serves as the Group Chief of Treasury & Financial Institutions, leveraging over three decades of experience in the financial sector to drive strategic growth and operational excellence. His recent role as Deputy CEO & Chief Investment Officer at Qatar First Bank (QFB) was marked by significant achievements, including leading a strategic overhaul focusing on fee income business model that returned the bank to profitability and increased its assets under management by $1 billion. Under his leadership, QFB saw a remarkable increase in fee income revenue, demonstrating his capacity to generate sustainable growth.

Prior to QFB, Mr. Zaidan excelled as General Manager of the Treasury Group at the National Bank of Kuwait, where he enhanced the bank's treasury operations and income diversification strategies. His career also includes transformative roles at First Energy Bank in Bahrain, where he was instrumental in developing Islamic finance products and improving the bank's funding strategies.

Mr. Zaidan's professional journey began at the Bank of Jordan, where he quickly rose to become Chief Dealer. He holds a BSc in Accounting and a minor in Business Administration from the University of Jordan. Fluent in both Arabic and English, Mr. Zaidan's blend of strategic vision and practical execution skills make him a key asset to our leadership team, guiding our financial strategies to new heights on the global stage.

Osama Ali Nasr
Chief Technology Officer
GFH Financial Group & Khaleeji Bank

Mr. Nasr is a seasoned professional with more than two decades of experience in the banking industry, where he has honed his skills in the fields of technology and information. Over the course of his career, he has faced numerous challenges, rigorous transformations, continuous innovations, and significant advancements in technology.

Mr. Nasr started his journey in the banking sector as a Senior System Analyst for 3 years, where he demonstrated exceptional technical expertise. He then transitioned into a functional consultant role, one where he served for 7 years and gained valuable experience in providing clients with strategic guidance.

After this, Mr. Nasr took on administrative roles at BisB where he served as Senior Manager, Assistant General Manager, Head of Information Technology, and Chief Information Officer for a total of 15 years. During his tenure, he developed and implemented innovative solutions to streamline operations and enhance client experience.

Mr. Nasr's banking experience has continued to grow, and he now holds newer responsibilities and positions at GFH Financial Group as Group Chief Technology Officer and at Khaleeji Bank as Chief Technology Officer. Mr. Nasr holds a bachelor's degree in Computer Science from Isra University and a master's degree in ISM from the University of Liverpool.

Muneera Isa
Head of Human Resources

Muneera Isa, Head of Human Resources (HR), manages employee strategies, organizational development, talent acquisition, succession planning, leadership development, talent retention, career planning and progression, objectives and performance management, training, compensation, benefits and rewards, ESG, organizational culture, change management and employee experience in addition to regulatory compliance, policy making and the overall implementation of the HR strategy for the group. Muneera is a seasoned HR professional, bringing the strength of more than 21 years of extensive experience to the Group having worked with regional and international financial institutions in the Kingdom of Bahrain including Bahrain Mumtalakat Holding Company, Capivest and BNP Paribas.

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

Muneera has also completed the "Strategic Leadership in the Era of Disruption" executive programme at Saïd Business School, University of Oxford.

Mariam Jowhary
Head of Compliance & AML

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

Mariam is also assigned as the Complaint Handling Officer at the Group in addition to her responsibilities for ensuring compliance with the rules and regulations of the CBB, the Bahrain Bourse, the Dubai Financial Market, Abu Dhabi Securities Exchange, the UAE Securities and Commodities Authority, the Boursa Kuwait and the Kuwaiti Capital Markets Authority. Leveraging 20 years of professional experience, she has significant expertise in the field of compliance and has previously worked with Central Bank of Bahrain for more than 14 years. She holds a B.Sc. in Banking and Finance (with honors degree) from the University of Bahrain, Advanced Islamic Banking Diploma from BIBF, as well as APRM & CIPA Professional Certifications.

Osama Janahi
Head of Information Technology

Osama Janahi is the Head of Information Technology. He has more than 22 years of experience with an exceptional business understanding and excellent project management skills, who provides leadership, vision, direction, and management to the entire IT department including application, development, and infrastructure teams. Responsible for anticipating future needs and delivering enhanced solutions across all departments and subsidiaries. Customer orientated and capable of driving change through tracking, vetting and implementing creative and modern technology solutions that is relevant to the industry, security, efficiency and the business. A strong believer that IT should partner with business to improve productivity and efficiency of the organization.

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

Mohammed Abdulmalik
Senior Executive Director - Placement Management (Qatar Market)

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

A well-versed investment banker, Mohammed brings 23 years of industry experience, having held a number of roles both within GFH, where he leveraged his extensive network of HNWI, FI's and Sovereign Wealth Funds to market Group products and services and contribute to the investment placement business. Prior to joining the Group, he held a number of roles in financial control and auditing with Arthur Anderson, Ernst & Young, and HSBC. He holds a B.Sc. in Accounting from the University of Bahrain.

Ahmed Jamsheer
Head of Treasury Investments

Ahmed Jamsheer is the Head of Treasury Investments, where he is managing the Groups investments in fixed income, alternative investments, equities, and structured products. Ahmed brings to his role more than 17 years of diverse experience in investments which includes managing direct and complex financial products, equities, alternative investments, special situations, debt capital, derivatives, asset management, restructuring, private equity and real estate.

Prior to joining the Group in 2016, he spent six years at Promoseven Holdings as Head of Investments and Finance, managing the company with an annual turnover of more than US$1bn. Previously, he held other senior executive management roles at Fortuna Company and other regional corporations relating to investment management.

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

Khaled Basri
Senior Executive Director - Placement Management
(UAE & Oman Market)

Khaled Basri is a Senior Executive Director in the Placement & Relationship Management at the GFH Financial Group. He is responsible for implementing the Group's investment relationship management and marketing strategies and the meeting of targets for the sale of the Group's products and services. He focuses primarily on identifying, establishing and maintaining strong relationships with prospective and existing clients. Khaled brings nearly two decades of regional and international experience in finance and investment to the role across both conventional and Islamic markets.

Prior to joining GFH in 2018, Khaled served most recently as an Executive Director and Member of the Investment Committee at ADCORP where he oversaw client relationships and worked in close collaboration with the Investment Department in sourcing, structuring and the analysis of deals. Previously, he was a Senior Vice President, Client Coverage & Investment Banking at ADS Securities and a Senior Manager of Investments at Baniyas Investment & Development Company. Khaled has also held a number of other investment roles at European Islamic Investment Bank Plc and Esterad Investment Company BSC.

Khaled is a Chartered Financial Analyst and holds an Undergraduate (Honours) Degree from North Umbria University, Newcastle in Management (Newcastle Business School).

Mazin AlGhareeb
Senior Executive Director - Placement Management
(Kuwait Market)

Mr. Mazin brings to his role more than 24 years of experience in investment and retail banking, corporate finance, capital markets and currently is a Senior Executive Director of Placement and Relationship Management for GFH Financial Group.

He is responsible for overseeing the placement of the Group's financial products and investments in the Kuwait market. Mr. AlGhareeb formally served as a board member representing GFH Group Gulf North Africa, Gulf Holding Company, Injazat Technology Fund, and Bashaer Equity Fund.

Having joined the Group in 2010, he has served GFH and its wholly owned investment banking subsidiary, GFH Capital, in a number of senior capacities. This includes Head of Capital Markets and part of the placement & wealth management department. He was also Group Head of Treasury & Capital Markets between 2013 and 2018.

Previously, Mr. AlGhareeb was Regional Head of Wealth Management at GBCORP, worked in Corporate Relationship Management at Shamil Bank (Formally Faisal Islamic Bank) and began his career in 1999 with HSBC Bank Middle East. He holds a Bachelor of Business Administration degree from Saint Edward's University in Texas, USA.

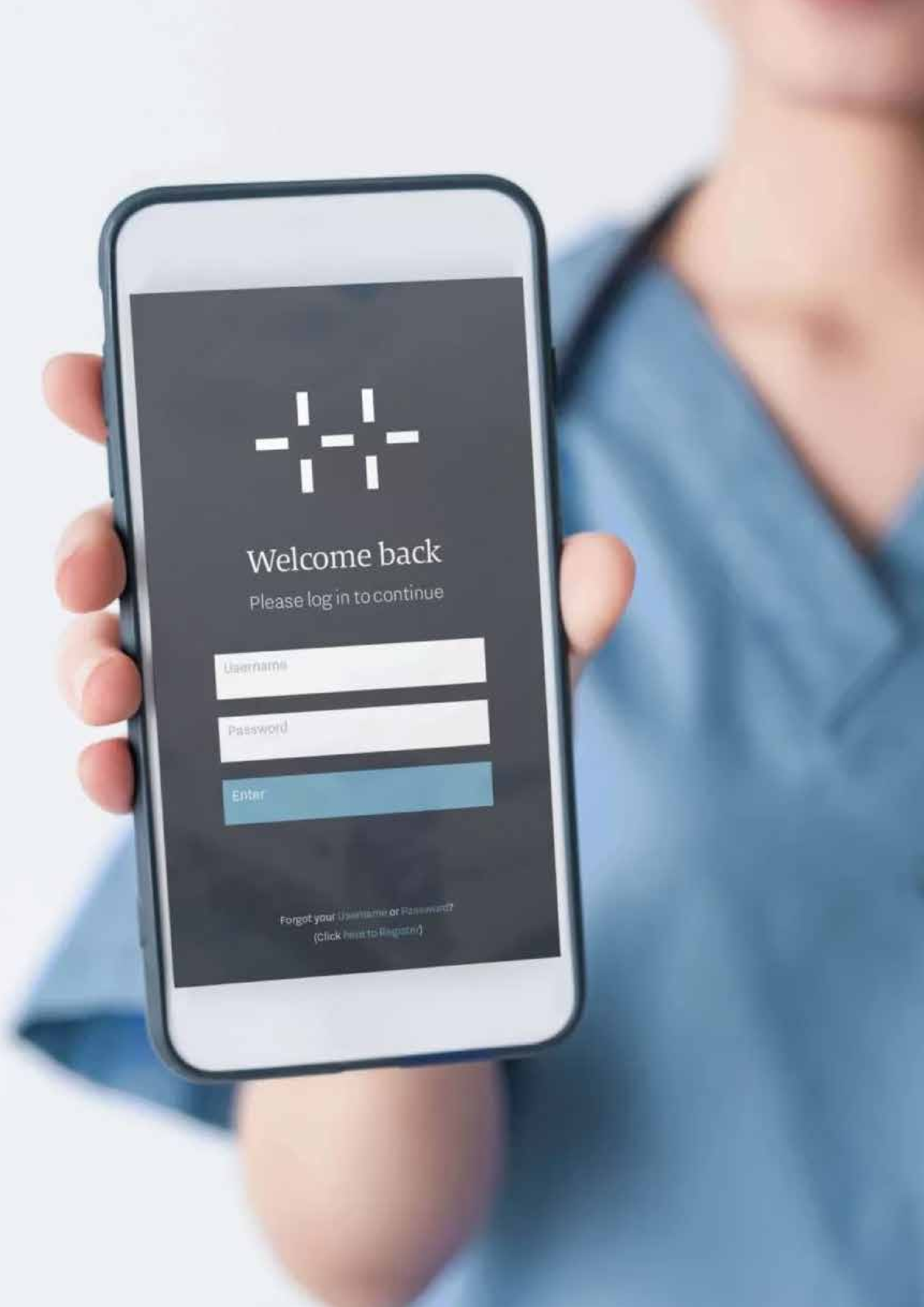
Mohamed Al Tamimi
Senior Executive Director - Placement Management (Riyadh Market)

Mohamed Al Tamimi is a Senior Executive Director in the Placement & Relationship Management team, heading the Riyadh Market. He brings to his role more than 16 years of experience in the investment banking and retail banking sectors. Prior to joining GFH Financial Group, Mohamed held a position as Investment Advisor in Takaud Savings and Pensions, as well as positions at Ithmaar Bank and HSBC Bank.

Mohamed holds a Bachelor of Science degree in Financial Services from Bradford University in the United Kingdom. Mohamed is also a certified Series 7 license holder, with expertise in securities trading, wealth management, investment risk and equity.

Dr. Mohamed Manasra
CEO of Healien Healthcare Platform

Dr. Mohamed is the CEO of Healian Healthcare platform, fully owned by GFH Financial Group. In addition to that, Dr. Manasra established and founded Trust Vision Group in 2017. He is a veteran doctor with over 21 years of experience in medicine including 16 years in conceptualizing, developing, operating and successfully exiting healthcare businesses in Abu Dhabi, Al Ain and Western Emirates region. Prior to founding Trust Vision, he worked in partnership with Al Noor Hospital in 2013 and with Medi Clinics Hospital Group in 2016.


Welcome back
Please log in to continue
Username
Password
Enter

Hugh Macdonald-Brown
Chief Executive Officer

Hugh is Co-Founder and CEO of Roebuck Asset Management and has jointly led the company since inception in 2009. Hugh is responsible for the overall investment strategy of Roebuck.

Hugh is an expert in UK and European capital markets, primarily in the logistics and office sectors and has transacted in excess of €3.25 bn. He has extensive knowledge of, and key relationships, with investors, occupiers, developers and lenders, active across all of Roebuck's target investment markets.

Before founding Roebuck Hugh worked for BNP Paribas Real Estate in the Logistics Capital Markets team, advising a variety of institutional clients on buy/sell investment and development opportunities.

Hugh has 18 years experience in investment and asset management having commenced work in 2005 and is a fully qualified member of the Royal Institution of Chartered Surveyors.

Hugh holds a BA History in University of Newcastle & MSc Property Valuation & Law from Cass Business School, London.

Roebuck

Nick Rhodes
Chief Operating Officer

Nick is Co-Founder and COO of Roebuck Asset Management and has jointly led the company since inception in 2009. Nick is primarily responsible for the management of all real estate transactions and corporate operational matters.

Nick has extensive experience in undertaking and structuring complex transactions in both the UK and Europe with a wide range of institutional capital partners. Nick also oversees all tax and corporate structuring during pre-acquisition due diligence and post closing. Over his career he has transacted more than €2.75 bn, predominantly in the logistics and offices sectors.

Before founding Roebuck Nick worked for a private investor and before that Cluttons LLP, where he worked in investment valuation and asset management where he gained significant transactional experience in the UK and Europe.

Nick has 18 years experience in investment and asset management having commenced work in 2005 and is a fully qualified member of the Royal Institution of Chartered Surveyors.

Nick holds a BA Geography in University of Newcastle & MSc Property Valuation & Law from Cass Business School, London.

Roebuck

Jason L. Signor
Founder and CEO

Jason is the Founder and CEO of Big Sky Asset Management. He has spent his career exclusively in the healthcare real estate industry and is a well-established thought leader in the medical office and senior living sectors. Jason began his career as a civil engineer designing hospitals in Nashville, Tennessee. After graduate school, he ventured into medical office development and found his niche organizing physicians into real estate partnerships. Since then, he has developed or acquired over seven mn square feet of healthcare real estate in 24 states valued in excess of $2 bn. Jason follows a hands-on approach capitalizing on his deep understanding of the underlying drivers of value.

Prior to starting Big Sky, Jason founded Caddis Partners, LLC in early 2008 and was its CEO, largest shareholder, and sole managing partner from its inception until May of 2020. During his tenure, Jason grew Caddis from a small boutique developer to one of the largest Healthcare Real Estate platforms in the United States.

Jason graduated with a BS in Civil Engineering from Texas A & M University and an MBA with honors from Southern Methodist University.

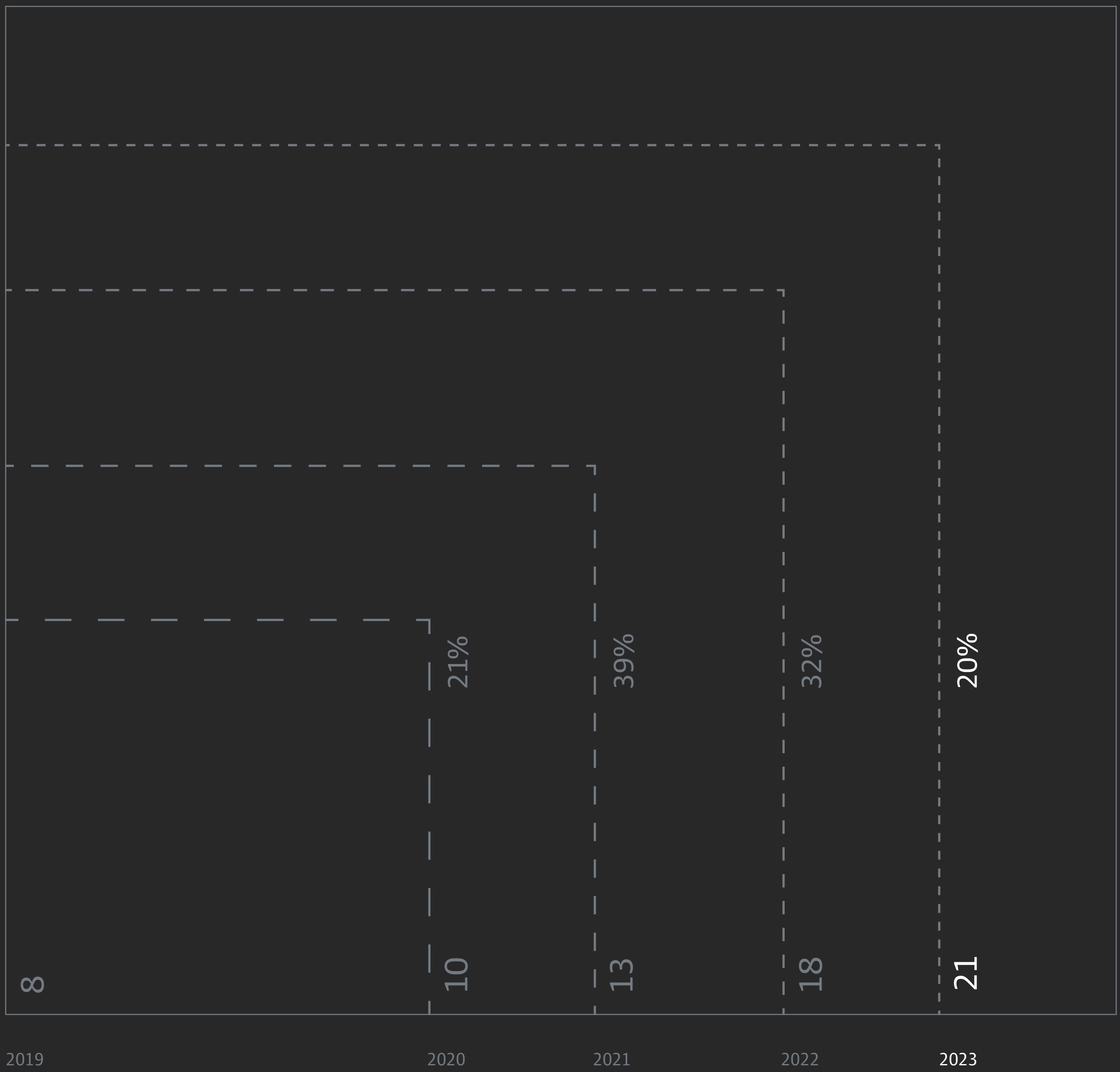
Andy Feinour
President & CEO

Andy founded Student Quarters in 2013 and has led the firm as President & CEO since its inception.

Under Andy's leadership, the company has assembled a portfolio of over 9,000 beds and is now recognized as one of the leaders in the student housing sector. Andy's primary responsibilities include building the Student Quarters' team and raising capital. In addition, Andy serves on both the Investment Committee and Board of Directors.

Prior to starting Student Quarters, Andy was a Senior Vice President at Carter (2009-2012), and a Vice President at Holder Properties (2001-2008). Andy also spent four years as a Project Leader at The Boston Consulting Group, before getting into real estate.

Andy earned a Bachelor of Science in Commerce from the University of Virginia in 1992, and a Master of Business Administration (MBA) from the Darden School of Business at the University of Virginia in 1997.



$611

661mn in Consolidated Revenue in 2023

20%

20% Portfolio Growth 2022 - 2023

GFH Financial Group enjoys strong liquidity, capital and assets position, with a 9% growth in liquid assets during the year. Total Assets and Funds under Management of the Group also grew by 20% in 2023 to around $21.2 bn. With a 10.4% Return on Equity and 66% Cost to Income Ratio, GFH delivers value to investors and shareholders whilst ensuring organizational efficiency.

_Financial Highlights

The applied analytical intelligence of the last 5 years continues with our highly diversified portfolio experiencing continued expansion across all our business lines.

Commercial Banking

21%

Treasury + Proprietary Investments

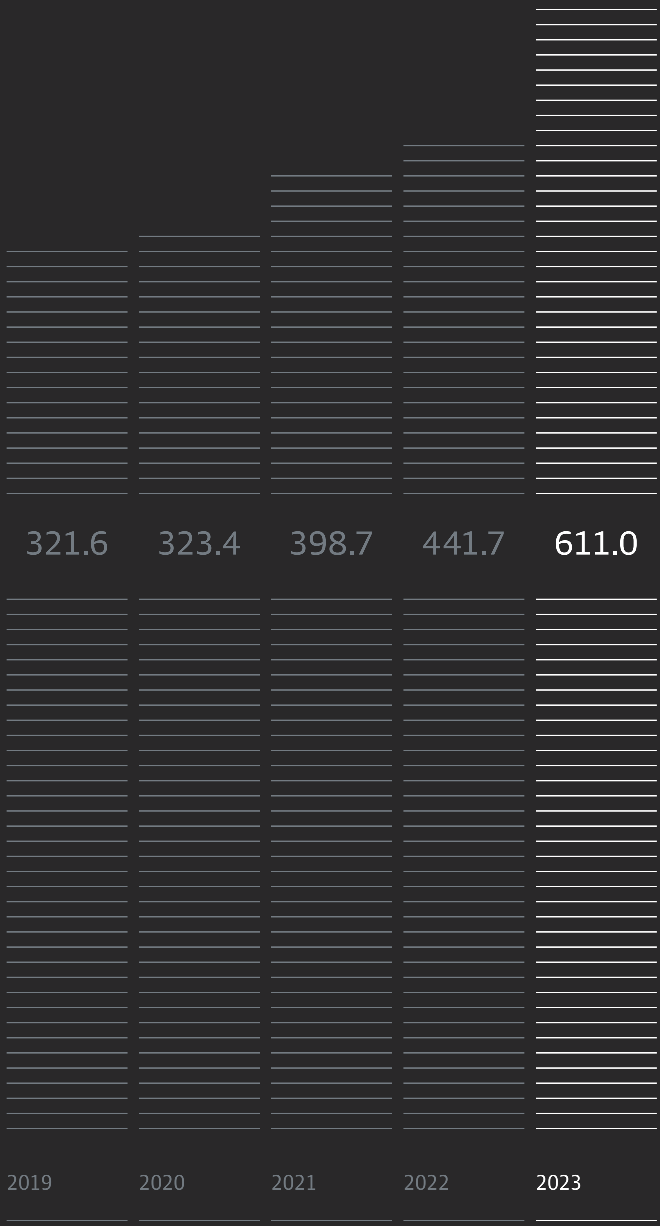
33%

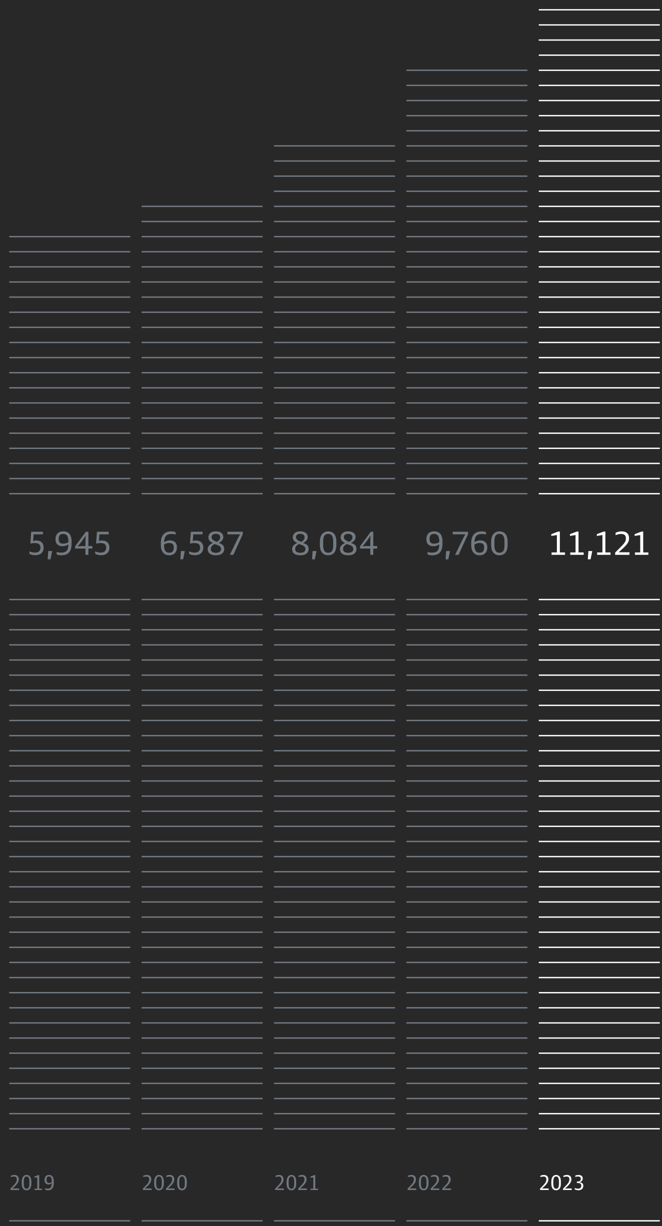
Investment Banking

46%

Total Portfolio Value

21bn





+38%

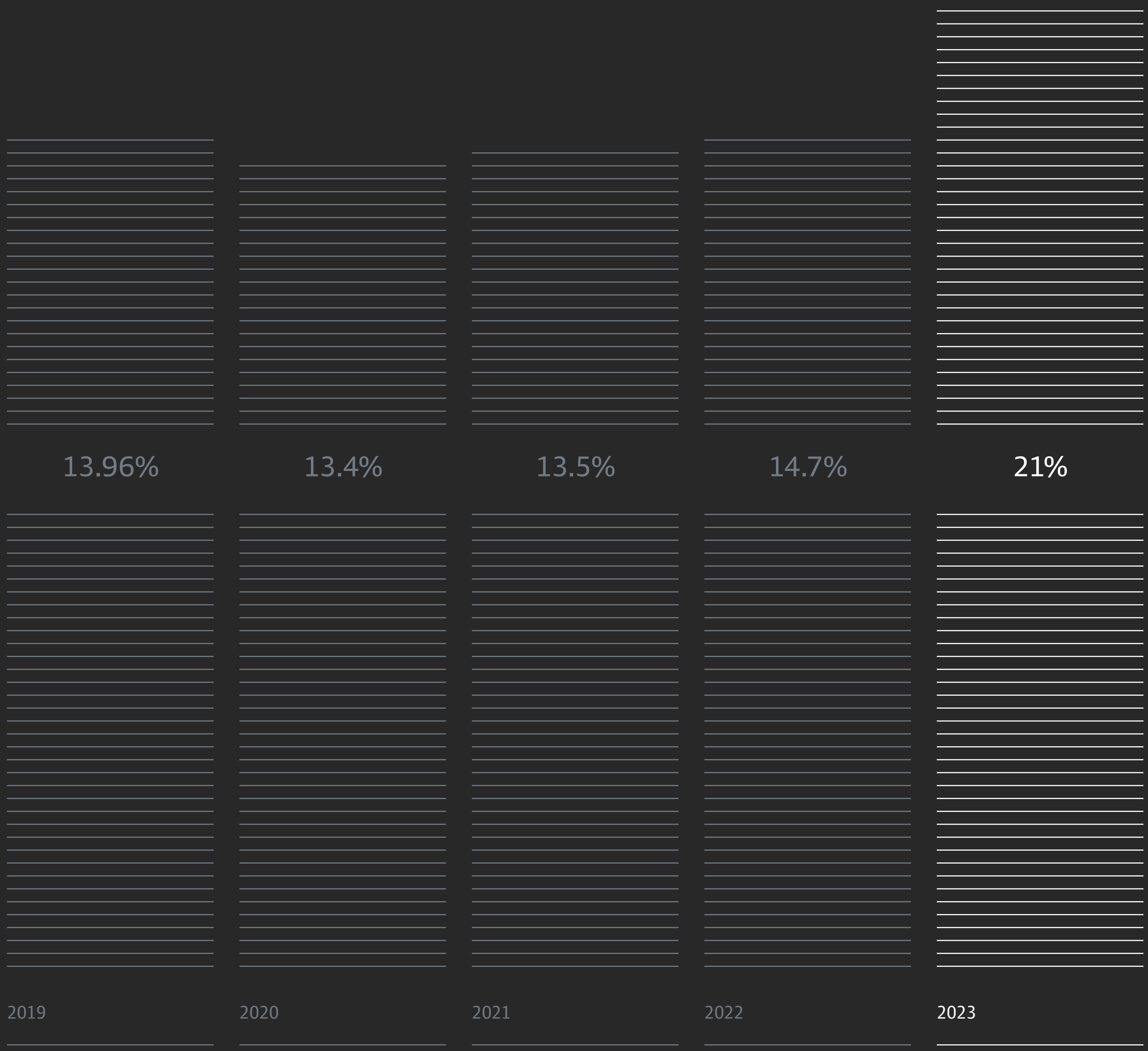
Turnover

Total Turnover Grew from $441.7mn to $611.0mn

+14%

Assets

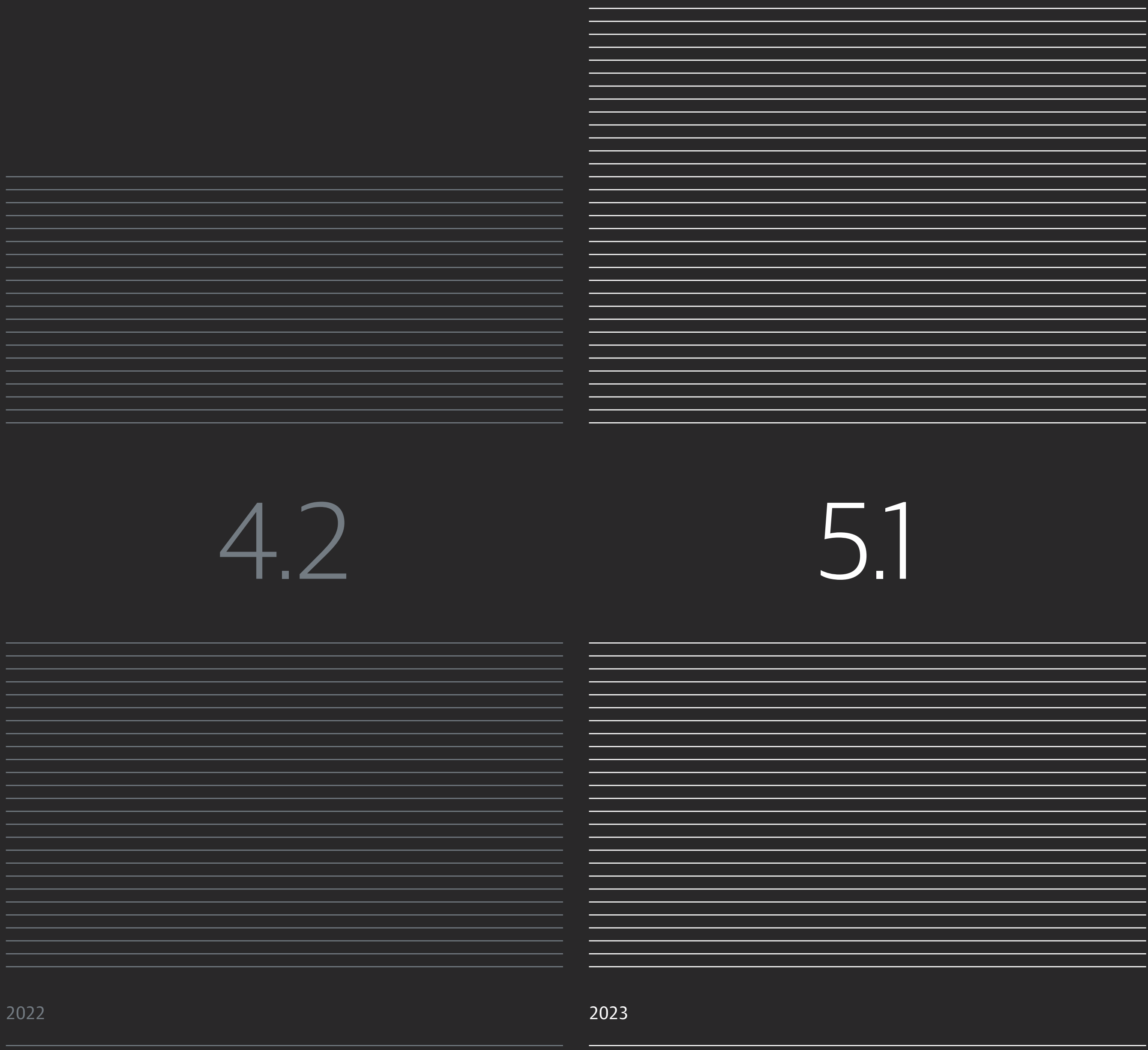
Total Assets Grew from $9,760bn to $11,121bn



+43%

Capital Adequacy

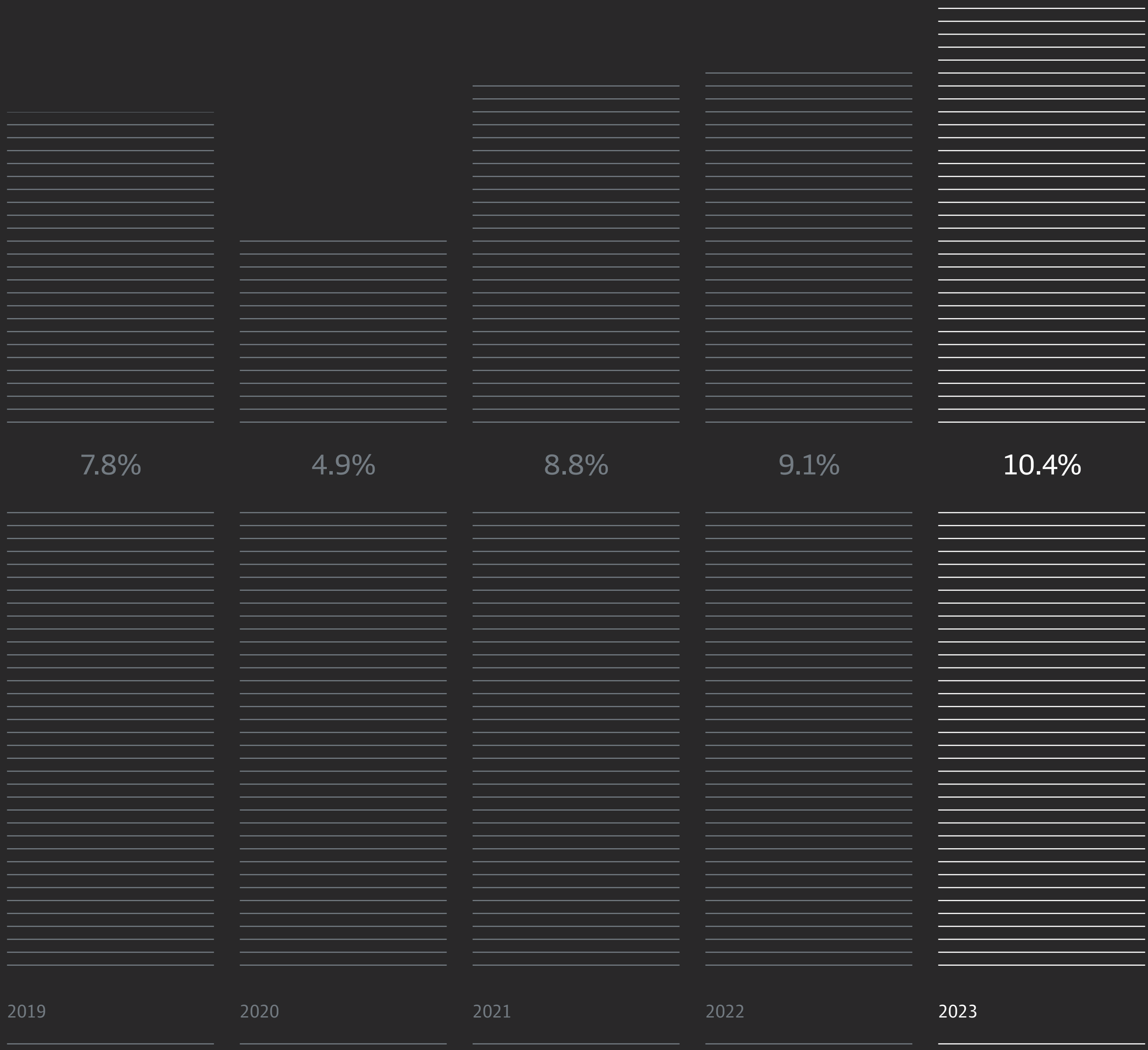
Capital Adequacy ratio up by nearly 6.3%.



+21.4%

Treasury Portfolio

The Group's Treasury Portfolio has grown over the last four quarters, increasing its strength by nearly 21.4%, a solid contribution to overall GFH's performance.



+14.3%

Return on Equity

The Group's Return on Equity has experienced positive growth increasing 14.3% over the last 12 months.

Ghazi Faisal Ebrahim AlHajeri
Chairman of the Board

_Chairman’s Report

In a year marked by resilience and strategic foresight, GFH Financial Group has not only navigated the complexities of the global economic landscape, but also achieved significant growth and diversification across its operations and investments.

Dear Shareholders,
On behalf of the Board of Directors of GFH Financial Group, I am pleased to present the Group’s Directors’ Report for the fiscal year ended 31 December 2023. The report demonstrates the strong progress made on transforming GFH into a diversified regional financial group, a journey we began nearly a decade ago.

2023 has been another remarkable year of growth and profitability despite the unpredictable market conditions and regional geopolitical tensions. This is a testament to the Group’s commitment, dedication, and focus. The Group has been agile and innovative in its approach and has constantly refined its operating model in order to adapt to external market conditions and effectively navigate market disruption.

Unwavering Strategic Focus
Our robust strategy has provided us with the stability needed to continue expanding our global footprint in support of top and bottom-line growth, whilst also remaining resilient.

We continue to put the interests of our investors and shareholders at the heart of our decision making process and remain committed to sustainable progress across our business including our investment banking, commercial banking, proprietary investments and treasury businesses in order to deliver additional value to all our stakeholders.

Continued Business Growth
Aligning with macroeconomic trends, we focused on expanding our portfolio of income generating assets in the GCC, where growth is expected to outperform most other global markets in 2024 due in part to higher oil prices and government spending on national development plans. Markets including Saudi Arabia, UAE, and Bahrain offer significant opportunities. We consider these as core markets for future growth, where we can continue to capitalize on our on-the-ground presence and deep market knowledge.

As well as focusing on the GCC, we continued to broaden our investment portfolio in key global markets. The Group has made significant portfolio investments, in addition to acquiring strategic stakes in leading asset managers, which will offer additional platforms to access highly promising opportunities. Today our assets span across the GCC, UK, Europe and the US. Throughout the year, our portfolio continued to perform robustly, benefiting from our focus on defensive, recession-proof sectors that have been effective in creating value for investors and shareholders.

The launch of GFH Partners, our specialist dedicated global real estate investment arm, represents a landmark milestone in our overall transformation journey. GFH Partners currently has US$6 billion in assets in its core markets, which include leading specialist asset managers in key sectors such as logistics, student living, and medical offices in the US and Europe.

Strong Financial Performance
Our dedication, focus, and robust business strategy, sustained strong financial performance for 2023. We reported enhanced profits and significantly increased income. The Group's total consolidated revenue was US$369.53 million compared with US$ 297.8 million in 2022, reflecting a year-on-year increase of 24.1%. The Group reported a consolidated net profit of US$105.2 million in 2023 compared to US$97.7 million from the previous year, reflecting an increase of 7.7%, and a net profit attributable to shareholders of US$102.9 million compared with US$90.3 million for the previous year, an increase of 13.9%.

The Group's total assets for the year grew from US$9.76 billion in 2022 to US$11.12 billion in 2023, an increase of 13.9%. The Group's Total Assets and Funds Under Management (AUM) increased from US$17.0 billion in 2022 to US$21.0 billion in 2023, marking a year-on-year increase of 23.5%. The Group also ended the year with a Capital Adequacy Ratio of 21.04% and a Return on Equity (ROE) ratio of 10.4%. In the twelve months ended December 2023, the Group successfully raised more than US$5.56 billion across its investment banking and treasury business lines.

Credit Ratings Reaffirmations
Further positive reflections of our performance were provided by credit rating agencies. Fitch Ratings affirmed our Long- and Short-Term Issuer Default Ratings (IDR) at 'B' and confirmed its outlook on Long-Term IDR as Stable. Capital Intelligence Ratings also affirmed GFH Financial Group's Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) at 'BB-' and 'B', respectively, with Outlook on the LT FCR remaining Stable.

These ratings reaffirmations underscore our resilient business model, future-proof strategy, and strong financial performance. We are proud of the confidence ratings agencies and shareholders have consistently shown in GFH.

Sustainability and Community Commitments
We are proud of the tangible outcomes of our ESG commitments, which drive further sustainable growth and positive social impact. GFH is an integral part of Bahrain's development and community, sponsoring and supporting important projects and high-profile sporting events.

Globally, GFH is also an important voice at internationally significant gatherings focused on impact and change. We recently joined the Future Investment Initiative Institute as a Strategic Partner, and the World Economic Forum as an Associate Partner, contributing to crucial discussions on shaping the future. This global status reflects our position as a major international player as well as a leading regional financial institution.

Dividend Recommendation
As a result of GFH's robust performance during the period, the Board has recommended a total cash dividend of 6.2% on par value for our shareholders.

Future Outlook
As we move ahead, we will continue to prudently grow our portfolio of investments and strategic assets across our key markets of focus in the region and internationally. Having ended the year with positive momentum, we look forward to delivering greater value for our investors and shareholders in 2024 and beyond.

Acknowledgments
On behalf of the Board of Directors, we are immensely grateful for the leadership of His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander and Prime Minister, who have provided a stable environment for Bahrain's financial sector to thrive.

I also express our appreciation for the Central Bank of Bahrain and the Government of the Kingdom of Bahrain for facilitating a robust regulatory environment that enables financial institutions such as ours to innovate and grow.

Further, I sincerely thank our investors and shareholders for their continued confidence in our Group and operational model. Finally, the Board is tremendously proud of the entire GFH team for delivering such strong performance in 2023 and remains confident in their ability to execute our strategy in 2024.

In line with the requirements of Article 188 of the Commercial Company Law, we are pleased to attach the remuneration of members of the Board of Directors and the Executive Management for the fiscal year ending 31 December 2023.

First:

Remuneration of the Board of Directors

Name	Fixed remunerations: Remunerations of the Chairman and BOD	Fixed remunerations: Total allowance for attending Board and Committee	Fixed remunerations: Others	Fixed remunerations: Total	Aggregate amount (Does not include expense allowance)
First: Independent Directors					
Ghazi Faisal Ebrahim Alhajeri	113,100	100,000	-	213,100	213,100
Fawaz Al Tamimi	75,400	50,000	-	125,400	125,400
Ali Murad	94,250	50,000	-	144,250	144,250
Edris Mohd Rafi Mohd Saeed Alrafi	94,250	50,000	-	144,250	144,250
Darwish AlKetbi	75,400	50,000	-	125,400	125,400
Yousif Abdulla Taqi	94,250	50,000	-	144,250	144,250
Second: Non-Executive Directors:					
Rashed Alkaabi	75,400	50,000	-	125,400	125,400
Third: Executive Directors:					
Hisham Alrayes	94,250	50,000	-	144,250	144,250
Total	**716,300**	**450,000**	-	**1,166,300**	**1,166,300**

Notes:

1. *All amounts in Bahraini Dinars..*
2. *The Bank does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors.*
3. *Salaries and other benefits in their capacity as employee is reported in second table below.*

Board remuneration represents allocation of proposed remuneration for 2023 subject to approval of the Annual General Meeting.

Second:

Remuneration of the Board of Directors

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Remunerations of top 6 executives, including CEO* and CFO**	1,222,432	1,074,148	1,611,223	3,907,803

** All amounts in Bahraini Dinars.*

** The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc.*

*** The company's highest financial officer (CFO, Finance Director, ...etc)*

Notes:

1. *A significant portion of executive management remuneration are subject to deferral over a minimum period of 3 years as per regulations of the Central Bank of Bahrain. In addition to the paid benefits reported above, the Bank also operates a long-term share incentive scheme award that allows employees to participate in a share-ownership plan. The Bank allocates shares awards that vest over a period of 6 years under normal terms and are subject to future performance conditions. The non-cash accounting charge recognized for 2023 amounted to BD 377 thousand determined in accordance with the requirements of IFRS 2. Refer to the Remuneration related and share-based payment disclosures in the Annual Report for a better understanding of the Bank's variable remuneration framework components.*

2. *Remuneration information above exclude any Board remuneration earned by executive management from their role in the board of investee companies or other subsidiaries.*

Ghazi Faisal Ebrahim AlHajeri
Chairman
GFH Financial Group

Hisham Alrayes
CEO and Board Director
GFH Financial Group

Hisham Alrayes
Group CEO & Board Member

In 2023, Arabian Business ranked Hisham Alrayes as the top leader in the financial sector and seventh overall in its '100 Most Inspiring Leaders' list.

_CEO Report

In 2023, GFH charted new territories and deepened its strategic alliances, showcasing our commitment to sustainable growth and market diversity.

As we reflect on the past year, it stands as an important chapter in GFH's journey, marked by strategic expansion and the deepening of partnerships across the globe. Amidst a landscape of fluctuating economic conditions, our Group has not only navigated these challenges with resilience but has also seized opportunities to enhance our market presence and forge meaningful alliances.

This year, more than ever, underscored our commitment to diversifying our investment portfolio and reinforcing our position as a leading financial group in the region and beyond. Our strides in 2023 have set a new benchmark within GFH, as we continue to drive forward with an unwavering focus on creating value for our shareholders, clients, and the communities we serve.

Despite challenging market conditions, we successfully seized on significant opportunities across the financial sector. Amidst a backdrop of economic recalibrations, market volatility, and evolving investor expectations, GFH effectively navigated these complexities with agility, reinforcing our growth trajectory and operational resilience.

At the heart of our accomplishments remains our strategic focus on diversification and sustainable growth, marked by significant investments in sectors demonstrating robust fundamentals. This strategic alignment has driven our continued success, underpinning our commitment to delivering value to our investors and shareholders while maintaining our focus on impactful investment.

Strategic Growth and Diversification
The year 2023 was a testament to GFH's dynamic growth strategy, reaching over $21 billion in assets under management, a new milestone for the group. Our relentless pursuit of strategic diversification and expansion saw us deepen our footprint in key markets across the GCC, UK, Europe and the US, with a keen focus on sectors poised for long-term growth and sustainability.

Our investment philosophy in 2023, centered on identifying and capitalizing on undervalued assets and market inefficiencies, bore fruit this year. We successfully expanded our Healian regional healthcare platform, and our GCC Logistics Fund. Globally, our US Opportunistic Fund outperformed expectations, delivering substantial returns. These initiatives not only exemplify our ability to foresee and act on market trends but also our commitment to sectors that offer inflation protection and growth.

For the year, we delivered healthy growth in profitability, with net profit attributable to shareholders reaching $102.86 million, a 14% increase from the previous year. Our total income for the year reached an impressive $362.03 million, an increase of 21.58% from the previous year. With solid results our Board of Directors proposed a cash dividend of 6.2% on par value for 2023, reinforcing our promise to delivering shareholder value as well as our confidence in the future of the Group and our performance.

Operational Excellence and Market Expansion

In 2023, our operations were characterized by sustained excellence, leveraging innovative strategies to not only grow our asset base but also enhance our service offerings across our three core business lines - investment banking, commercial banking, and treasury and proprietary investments.

Our Investment Management team was at the forefront of this charge, orchestrating strategic deals that further strengthened and diversified the Group. Noteworthy among these was the acquisition of Big Sky Asset Management, expanding our focus on healthcare real estate in the United States. 2023 also saw our co-investments in Aurora Infrastructure and Saber Power, leaders in electrical infrastructure services in Europe and the US, respectively, highlighting our strategy of investing in high-growth, sustainable companies that are at the forefront of the new energy economy. These investments reflect our ongoing focus on sectors that are not only foundational to global economic growth but also offer long-term value creation opportunities for our investors.

During the year, the Group's real estate investment subsidiary, GFH Partners, successfully launched its third US medical clinics portfolio and exited its first diversified US student housing portfolio acquired in 2021, delivering a commendable 10.4% ROI over a two-year hold.

Similarly in the region, GFH Partners launched our GCC logistics platform with a sharp focus on the high-growth markets of Saudi Arabia and the UAE, tapping into the significant potential of the GCC region and aligning our investments with the transformative national visions of these two countries. Our investments in Saudi Arabia, including a SAR 500 million investment in a leading food services and logistics company, demonstrate our commitment to contributing to the Kingdom's Vision 2030 objectives and its development as a global logistics hub.

Our commercial banking arm, Khaleeji, has not only continued its upward growth trajectory but also played a pivotal role in GFH's broader success story, contributing a substantial 21% to the Group's total income this year. With total assets reaching BHD 1,502.4 million and a total income of BHD 25.6 million for the year, Khaleeji has demonstrated resilience and forward momentum amidst the challenges presented by fluctuating global profit rates. Khaleeji's positive performance further solidifies our position as leaders in the Islamic banking sector and beyond.

The treasury portfolio also delivered sound contributions. It grew 13.93% to $11.12 billion, accounting for 25% of our total income for the year. Results were supported by robust investment income both recurring and from mark-to-market gains, showcasing our strategic allocation and prudent management of capital. This performance not only enabled asset growth but also reinforced our financial standing, with the Group ending the year on a strong note with a Capital Adequacy Ratio of 21.04% and a Return on Equity (ROE) of ~10%.

Embracing Responsibility: ESG and Community Engagement

Our commitment to sustainable and responsible banking was further solidified in 2023. Our strategic partnership with the Future Investment Initiative (FII) Institute and our associate partnership with the World Economic Forum are pivotal in our drive towards impact investment and addressing global challenges through meaningful collaborations.

In 2023, our investment strategies were deeply aligned with our ESG principles, evident in our strategic acquisitions and initiatives. For instance, our investments in healthcare, including the significant acquisition of a major healthcare facility in Saudi Arabia, emphasize our focus on supporting sectors that are not only crucial for regional development but also embody our commitment to social well-being and sustainability. Additionally, our investments in sustainable infrastructure in both Europe and the US highlight our commitment to investing in projects and companies that have a strong ESG foundation and provide pioneering solutions to global issues.

Moreover, our initiatives in education, particularly through our K-12 platform, Britus Education, highlight our belief in the transformative power of education and our dedication to advancing learning outcomes through innovative approaches. By investing in the education sector, we aim to make a lasting impact on the development of the region and the empowerment of its future generations.

In line with our ESG goals, GFH has undertaken significant steps towards environmental stewardship. Our afforestation campaign in Bahrain and the elimination of single-use plastic water bottles from our offices are tangible examples of our efforts to contribute to environmental sustainability and promote a culture of conservation within our operations and communities.

Our dedication to community engagement and social responsibility was further exemplified by our sponsorship of significant events such as the world-class Ironman triathlon in Bahrain, as well as our partnership with World Aquatics to establish the region's first center of excellence for aquatic sports, aligning with our efforts to promote healthy lifestyles and support local and international sporting events that contribute to the social and economic vibrancy of Bahrain and the region.

Looking Forward: A Pathway to Sustained Excellence
As we reflect on a year of substantial achievements and set our sights on the future, GFH is poised for continued success. Our investments, focus on sustainable growth, and unwavering commitment to our stakeholders form the cornerstone of our strategy.

The resilience, innovation, and foresight that have guided us through 2023 will continue to guide our success. With a well-diversified business, clear direction and a dedicated team, we are well-positioned to navigate the challenges and opportunities that lie ahead. I extend my deepest gratitude to our team, shareholders, clients and partners for their trust and support. Together, we are shaping a future that is not only prosperous but also responsible and sustainable.

On behalf of GFH Financial Group, I look forward to continuing our journey of growth and leadership in the investment banking sector. Here's to a future marked by excellence, impact, and enduring value for all our stakeholders.

The Group ending the year on a strong note with a Capital Adequacy Ratio of 21.04%.

21.04 %

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04_ Our Group's Performance

_Management's Review of Operations

In 2023, our diversified business lines not only propelled asset and revenue expansion but also yielded robust dividends for our investors and shareholders, marking another year of significant strides in enhancing our portfolio's value and impact.

GFH is a well-renowned financial group in the GCC region, known for its diverse offerings and pioneering track record. Internationally acclaimed for over two decades, GFH consistently demonstrates its ability to identify and capitalize on solid investment opportunities in dynamic global markets and sectors. The Group's business lines encompass critical aspects of the financial services value chain, ranging from high-end financial products and investments to commercial banking operations. Below, you'll find details of GFH's business activities and operations for the year.

Investment Management

The Group is actively transforming, driven by a strategy of dynamic diversification and a focus on creating value. GFH is expanding its global investment portfolio, aiming for strong returns for both the Group and its investors. Furthermore, GFH has unlocked value by diversifying across various asset classes, sectors, and markets, expanding its portfolio in both GCC and international markets.

I. Private Equity

Leveraging a multi-faceted strategy, GFH's Private Equity ("PE") business undertakes investments across the regional and global private markets in the form of direct investments, co-investments with top-tier managers, secondary investments, strategic GP partnerships, and Sharia-compliant structured equity/ credit solutions.

With a focus on sectors that are resilient to economic cycles and by employing appropriate deal structures, GFH's PE business is committed to enhancing downside protection for investors while maximizing their upside. Our direct investment initiative focuses on thematic investments in sectors such as Healthcare & Life Sciences, Education, Technology, Business Services, Logistics, and Infrastructure. GFH's PE division has established a thriving regional platform for buyouts and growth and also continued to further expand strategic alliances with prominent global asset managers.

Having demonstrated remarkable growth, marked by a series of successful acquisitions, the PE business has delivered robust performance and remains poised to excel in the evolving economic landscape, generating substantial value for the Group and its investors. Moreover, the business continues to undertake multiple value enhancement strategies while driving the exit plans across its portfolio.

GFH continued the expansion of Healian, its flagship Middle East & Africa focused healthcare impact platform, uniquely positioned to provide quality, affordable care in underserved, high-growth markets. The platform benefits from defensive characteristics and is being designed as an integrated provider operating across the value chain from preventive through to tertiary care. It targets a powerful mix of assets in strategic growth markets, primarily in KSA and the UAE.

The platform has a robust pipeline of actionable opportunities at different stages of the acquisition process, a deep focus on value creation during the hold period, and a clear exit route. Trust Vision Investment LLC was the first major investment under the platform which serves as a foundation for building a regional healthcare champion. Following this milestone, Saudi South Hospital represents GFH's second flagship investment, comprising a state-of-the-art c. 300 bed hospital and considered as one of the most advanced hospitals in the Southern Region of Asir in Saudi Arabia.

Additionally, Healian signed to acquire Hala Rose Clinics, which is amongst the pioneers of dental care and cosmetic medicine in Saudi Arabia. Together, these investments underscore a shared vision to cultivate and nurture a robust healthcare ecosystem, dedicated to addressing critical healthcare needs and advancing medical services across the region. Healthcare penetration and service levels in emerging regional markets and across specialized therapeutical areas is below global benchmarks; additionally, increasing life expectancy, high prevalence of non-communicable diseases, mandatory insurance, and overburdened public health systems are the key growth drivers for private healthcare players.

Building on GFH's successful track record of thematic investing; GFH launched the GFH Logistics Platform ("GLP") with a focus on the Kingdom of Saudi Arabia ("KSA") - the largest logistics market in the MENA region. Coupled with growth across sectors in KSA; primarily driven by the Vision 2030 program, investments into various infrastructure, transportation, consumer, tourism, entertainment and e-commerce projects is cementing a solid base for a vibrant logistics sector in KSA. GLP's strategy involves aggregating different companies across the logistics spectrum, leveraging the resources across the platform to bring in efficiencies, economies of scale and collective power which would enhance earnings as well as assign a portfolio premium for the group of consolidated assets due to the size and dominant market positioning.

Aligned with this strategy; GFH acquired Gulf Central Company, a market leading niche premium food services and logistics business in the Kingdom of Saudi Arabia that brings cross-country state-of-the-art integrated supply chain operations including warehouses and vehicle fleet, an extensive premium product portfolio, and a diverse base of 1000+ blue-chip customers including renowned HORECA players and retail brands in the Kingdom.

Additionally, with the aim to strengthen GFH's global private equity investments platform, GFH formed a strategic partnership with Schroders Capital. Schroders Capital has an AUM of c. US$94 bn, and is the private markets investment division of Schroders plc, a global asset management group that manages c. US$956 bn of assets on behalf of its clients. As part of this strategic partnership, GFH invested in select investments alongside Schroders Capital, across a range of defensive and downturn resistant sectors such as healthcare, life sciences, technology, and energy transition.

GFH expanded its strategic partnership with Schroders by co-investing in Saber Power. Through this joint effort, GFH aims to leverage the collective expertise and resources of all parties to achieve shared objectives and deliver value to stakeholders. The key co-investments under the partnership include a B2B digital payments infrastructure provider, a global healthcare education platform, a B2B life science partner specialized in the development, production, and commercialization of ingredients for the pharmaceutical, veterinary and nutraceutical industries, and a mission-critical pharma services business. The latest co-investment - Saber Power is a fully integrated electrical infra services platform specializing in substations and medium and high-voltage ("MV/HV") infrastructure across attractive end-markets comprising Utility, Renewable energy, Battery Energy Storage Systems (BESS), Industrial, Midstream and Technology & Commercial.

Another cornerstone of the Group's investment strategy is global technology sector investments. In line with our vision to invest in innovation and growth and to capitalise on secular trends in digital adoption, GFH has substantially grown its existing technology portfolio, and currently has 25+ investments in this space. Our high-growth, late-stage companies specialise in next-gen technologies and operate in some of the most disruptive tech sub-sectors – such as cloud and enterprise software, cybersecurity, fintech, mental health, and e-commerce. Additionally, it's crucial to note the transformative impact of artificial intelligence (AI) in the tech sector. AI advancements are driving innovation across industries, revolutionizing cybersecurity, cloud computing, customer service, and more.

From autonomous vehicles to healthcare diagnostics, AI is reshaping the future of technology by enabling more efficient and intelligent solutions. AI in Healthcare technology has significantly transformed the healthcare industry, enhancing diagnostics, treatment, and patient care. Staying abreast of AI developments is essential for capitalizing on investment opportunities and maintaining competitiveness in the evolving tech landscape. Our investments in market leaders or emerging leaders and niche spaces align with prevailing interest in global digitalisation and AI.

For example, our various investments in Cloud RPA providers are reflective of our focus on a next-gen technology that is quickly becoming a fast-growing vertical in enterprise software.Building on GFH's successful track record in Sharia-compliant credit investments and capitalizing on the elevated M&A activity as well as the structural economic and demographic shifts in the region, GFH continues to actively pursue its private credit strategy. The strategy entails high quality businesses across the region – primarily in the GCC – with strong long term prospects that are undergoing significant transitions, resulting in liquidity needs for significant business expansion and growth related costs, buy-outs and industry consolidation.

Lastly, consumer-facing businesses that demonstrate resilience, adaptability to changing consumer preferences, and potential for growth are being the targets. This includes investments in e-commerce platforms, direct-to-consumer brands, and companies offering innovative products or services in the lifestyle sector. With the shift towards online shopping and digital engagement, investors are actively seeking opportunities to capitalize on evolving consumer behavior and trends. Additionally, there is a focus on investing in companies that prioritize customer experience, brand differentiation, and sustainability practices to drive long-term value creation in the consumer and retail space.

Net profit attributable to shareholders of US$102.9 mn compared with US$90.3 mn for the previous year, an increase of 13.9%.

13.9 %

GFH has partially exited the co-investment with The Carlyle Group, one of the largest private equity asset managers globally, in connection with take-private of Citrix and merger with TIBCO – both leaders in their respective technology segments. The co-investment was made in a secure preferred equity note instrument having senior liquidation and distribution rights coupled with an attractive security package. GFH also had partial exits in its Tech portfolio.

At the core of our investment approach lies a targeted emphasis on sector-specific thematic investments, seeking opportunities within thriving industries encompassing established enterprises and high-growth ventures. Our sector-driven strategy is meticulously crafted to fortify our portfolio against potential economic fluctuations, placing paramount importance on investor returns and safeguarding capital. Across all investment endeavors, we meticulously identify and deploy tailored capital solutions to promising prospects poised to deliver substantial value to our organization, investors, and stakeholders.

Through rigorous due diligence, vigilant oversight, hands-on management, and a value-centric methodology, the Private Equity team adeptly steers existing investments towards sustained growth and stability.

The existing investments currently managed by the Private Equity business unit are:

- Britus Education Holdings
- University of Technology Bahrain
- Britus International School for Special Education, Bahrain
- The Entertainer
- Marshal FinTech
- Saudi Food Logistics
- Healian Healthcare platform
- Saudi South Hospital
- US & Global Tech Fund I
- Global Tech Opportunities II
- Healthcare and Life Sciences Buy-Out Fund (I &II)
- GFH Carlyle Excess Company
- European Infrastructure Opportunity
- Saber Power Investments

II. Real Estate Investment
Previously known as GFH Capital Limited; GFH Partners Ltd. (“GFHP” or “GFH Partners”) is a fully owned subsidiary of GFH Financial Group B.S.C. (the “Group”) and is focused on the Group’s global real estate asset management business.

GFHP is incorporated and headquartered in the Dubai International Financial Centre and is regulated by the Dubai Financial Services Authority. The company has offices in London, UK and in the Kingdom of Bahrain. With a team comprised of 15 investment professionals, GFHP covers the full investment cycle of sourcing, acquiring, structuring, managing, and exiting real estate investments. GFHP’s investment activities are spread across the United States, GCC, Europe, and the United Kingdom.

GFHP currently manages over US$6 billion of real estate assets in the US, the UK, KSA and UAE, where it aims to capture and capitalize on fundamentals supporting its sectors of focus

Big Sky Asset Management currently has an AUM that exceeds $900 million

900 M

across diversified investment tools and instruments such as equity, debt, and structured equity. GFH Partners employs a thematic approach, focusing on sectors where it has a proven track record. These sectors include industrial and logistics, living, as well as healthcare real estate. These themes and sectors are chosen based on fundamentals and solid tailwinds that provide investors with a range of investment opportunities that offer attractive risk-adjusted returns. GFH Partners offers institutional and professional clients holistic investment solutions through a variety of products that includes funds, separately managed accounts, and direct deals.

Global commercial real estate investment activity in 2023 remained subdued due to the challenging macro-economic environment with central banks keeping interest rates elevated and tightened economic initiatives to reduce inflation, which weighed on investment activity in 2023. Lenders continued to take a cautious approach to real estate financing reductions in appetite from originators of loans were witnessed in both lending volumes and loan amounts with respect to the underlying value of a property. Despite the challenging market environment (interest rates hikes, low transaction volume, and limited financing options), the team navigated through creative routes.

- The prevailing cap rates in select sectors have expanded significantly due to market sentiments which are primarily driven by the dry up in debt and capital markets. Despite the underlying fundamentals remaining strong in various sectors, demand from the capital markets has been weak due to the uncertainties of macroeconomic conditions. Hence, targeting high quality assets within those sectors would create an opportunity to invest in discounted prices that in some cases are below replacement cost.

- As banks adopted a risk-off approach under the instruction of the Federal Reserve, creating a void in the financing market for high-quality stabilized assets with strong demographics and fundamentals.

- The market also witnessed a growing demand for properties with stable rents, in particular those within Industrial, Logistics, Commercial (Class A offices), and Residential sectors. As demand grew, there were severe supply and demand gaps and imbalances, creating limited new supply due to nearly muted construction pipeline of most sectors due to the aftermath effect of the pandemic, therefore offering a great window of opportunity to focus on development opportunities.

- KSA and UAE also presented several compelling reasons for deployment in logistics, driven by the growth potential of the sector. The growth of e-commerce, support of the government through numerous initiatives, and favorable demographics, created opportunities for investors to capture capital appreciation through well-timed investments. The logistics sector is viewed as a defensive asset class, with stable and consistent returns, which is particularly attractive given the macroeconomic climate.
- As such, GFH Partners capitalized on these opportunities and launched two funds (GFH US Real Estate Opportunistic Fund and GCC Logistics Investment Company), as well as successfully exiting our first student housing portfolio with attractive returns.

Affiliates of GFH Partners

In addition to real estate investments, GFHP has built its capabilities and competitive advantage by acquiring strategic stakes in quality real estate asset managers across the globe. In line with the company's thematic investment approach, asset manager partners are selected based on their exceptional track record within our targeted sectors, in addition to having a strong on-the- ground presence and an exclusive pipeline of investment opportunities. These affiliations allow GFHP to offer unique and attractive investment products across a greater variety of sectors and geographies.

Roebuck ("Roebuck")

A specialized pan-European logistics and commercial real estate asset manager based in the UK. The firm's primary focus has been on the acquisition and management of logistics real estate assets with over $1 billion in assets under management across the UK and Europe (Spain, Belgium, France, Germany, Ireland, and Czech Republic). Roebuck has managed to gain additional expertise by managing assets on behalf of an extensive and diverse group of institutional investors and UHNWIs from the UK, Europe, South Korea, South Africa, India, and Malaysia.

Big Sky Asset Management ("Big Sky")

An established US-based asset manager specialized in medical clinics and life sciences real estate. The founder of Big Sky brings more than 20 years of experience in investing and managing healthcare assets in the US. In the past 15 years, the founder has invested in nearly 6 million square feet of healthcare property across 19 states valued at over $2 billion. Big Sky Asset Management currently has an AUM that exceeds $900 million.

SQ Asset Management ("SQ")

A US-based asset and property manager focused on the residential for rent sector in general while specializing in purposely built student housing. Since its founding in 2013, SQ has built a meaningful portfolio in its target markets. SQ currently has US$1.2 billion in AUM, comprised of 34 student housing properties with more than 11,000 beds under management.

Infrastructure: Infracorp

The Group established its sustainable infrastructure arm Infracorp to expand its operations and income from the existing and potential infrastructure developments and leisure designated plots and developing and managing income generating hospitality assets in the GCC region, North Africa and Asia.

Through Infracorp, the Group sought the development of its existing rich land bank to further stimulate value creation and generate healthy returns from its real estate portfolio. Infracorp aims to utilize this land bank to develop a high growth, diversified real estate investment and development portfolio. In support of this strategy, Infracorp actively seeks unique opportunities to create landmark projects through infrastructure development, project & facility management, project advisory, managing and developing income-generating portfolios, and other specialized services.

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

Infracorp is building on the Group's legacy and presence in the real estate market with the launch of the below projects:

- The Harbour Row, Bahrain
- Harbour Heights, Bahrain
- The Al Areen Development, Bahrain
- California Village, Dubai
- Marina Bay, Bahrain

Education: Britus Education
As part of GFH's investments in education, striving to provide the region's booming middle class with access to an affordable premium education, GFH launched Britus Education as a dedicated platform in 2019 to invest in the K-12 education sector with a mandate that focuses on identifying and investing in performing schools that can be further improved through maximizing student capacity, enhancing student academic outcomes, and optimizing fee structures that is affordable within the mid-market. Britus Education currently owns 9 schools across the MENA region and is looking to further expand its footprint with a robust pipeline with high quality, income-generating opportunities within the sector. The schools include:

- Sheffield Private School
- Britus International School Bahrain
- The British International School of Tunis
- Britus International School, Al Olaya
- Britus International School - Special Education
- Education Castle International Schools
- Education Gate International School- Al Murabba
- Education Gate International School- Al Rawdha
- Bright Life International School

Commercial Banking: Khaleeji Bank
Khaleeji Bank BSC (Khaleeji) represents the Commercial Banking arm of the GFH Financial Group. Khaleeji is headquartered in the Kingdom of Bahrain and operates under a Retail Islamic Banking license granted by the Central Bank of Bahrain (CBB). Khaleeji was established in 2004 by GFH, and it is a Public Bahraini Shareholding Company listed on the Bahrain Bourse. Khaleeji 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 as of 31st December 2023 owns 85.41% of Khaleeji.

Khaleeji Bank has achieved a net profit of BD 9.00 mn attributable to the Bank's shareholders for the fiscal year ended 31st December 2023, compared to a net profit of BD 14.01 mn for the same period of the previous year, a decrease of 35.72%. Total income before return to investment account holders has increased by 41.91% to BD 88.27 mn, compared to BD 62.20 mn in 2022.

Total equity attributable to owners of the parent has increased by 0.73% to BD 148.72 mn in 31 December 2023, in comparison with BD 147.64 mn in 31 December 2022. Meanwhile, the total growth in the Bank's assets was recorded at 5.38%, reaching BD 1,502.4 mn, compared to BD 1,425.7 mn in 2022, the Bank's capital adequacy has reached 28.43%.

Additionally, the Bank maintains a healthy liquidity coverage ratio of 340.37% and a net stable funding ratio of 102.54% for the fiscal year ending 31st December 2023. Income attributed to average shareholders has reached 6.08% and the income attributed to average assets reached 0.61%. Investment in Sukuk had a minor decrease of 0.11% , reaching BD 522.7 mn in 2023, compared to BD 523.3mn in 2022. Moreover, total deposits decreased by 4.83% to reach BD 1,057.8 mn, compared to BD 1,111.5 mn last year.

The Bank is committed to present its valued shareholders with the best returns through reliance on operational plans that keep pace with modern trends and global changes at various levels with a steady pace forward and a proactive approach in various aspects. The Bank adheres to its innovative strategy of developing banking activities and accelerating digital transformation, which enhances client satisfaction with new and innovative products and services. Khaleeji is a leading Islamic bank that strives to achieve clients' aspirations through an Islamic banking model that offers a comprehensive range of high-quality Sharia-compliant banking services and investment opportunities to individuals and companies.

Distribution to Fund Investors
Throughout 2023, GFH delivered distributions and dividend payments to investors in line with the Group's progressive dividend policy. Dividends amounting to US$133 mn were paid across all our managed investments to our investors.

Furthermore, market recognition of GFH's business strength and the Group's efforts to enhance results and financial position have led to positive assessments. Fitch Ratings affirmed GFH's Long- and Short-Term Issuer Default Ratings (IDR) at 'B' and maintained a Stable outlook for the Long-Term IDR. Capital Intelligence Ratings also confirmed the Group's Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) at 'BB-' and 'B', respectively, with a Stable outlook for the LT FCR.

_Treasury & Capital Markets

One key contributing business lines over the last 12 months was Treasury & Capital Markets, experiencing close to $209mn in revenues over the period.

_In line with GFH's efforts to build on its positive track record of creating high growth and stable business lines that contribute positively to the overall income and diversification efforts of the overall activities of the Group, the Treasury & Capital Markets business line played a key and fundamental role in boosting the Group's revenues and profitability in 2023 by generating $209mn in revenues.

Treasury & Capital Markets boosted profitability in 2023 by generating $209 mn in revenues.

209 US$ mn

The department's significant impact comes as a result of its solid performance in 2023 in generating robust revenue streams, despite volatile markets faced in 2023 including high interest rates and geopolitical events. Despite challenges, Treasury & Capital Markets showed resilience in navigating market turmoil while posting solid revenues, and hence proving the solid foundation and sustainability of its investment model and presence within local and global markets.

In 2023, Treasury activities for the Group contributed $209mn of the Group's total income with positive contributions from investments such as interbank lending, fixed income and alternative investments.

Treasury and Capital Markets mainly focuses on:

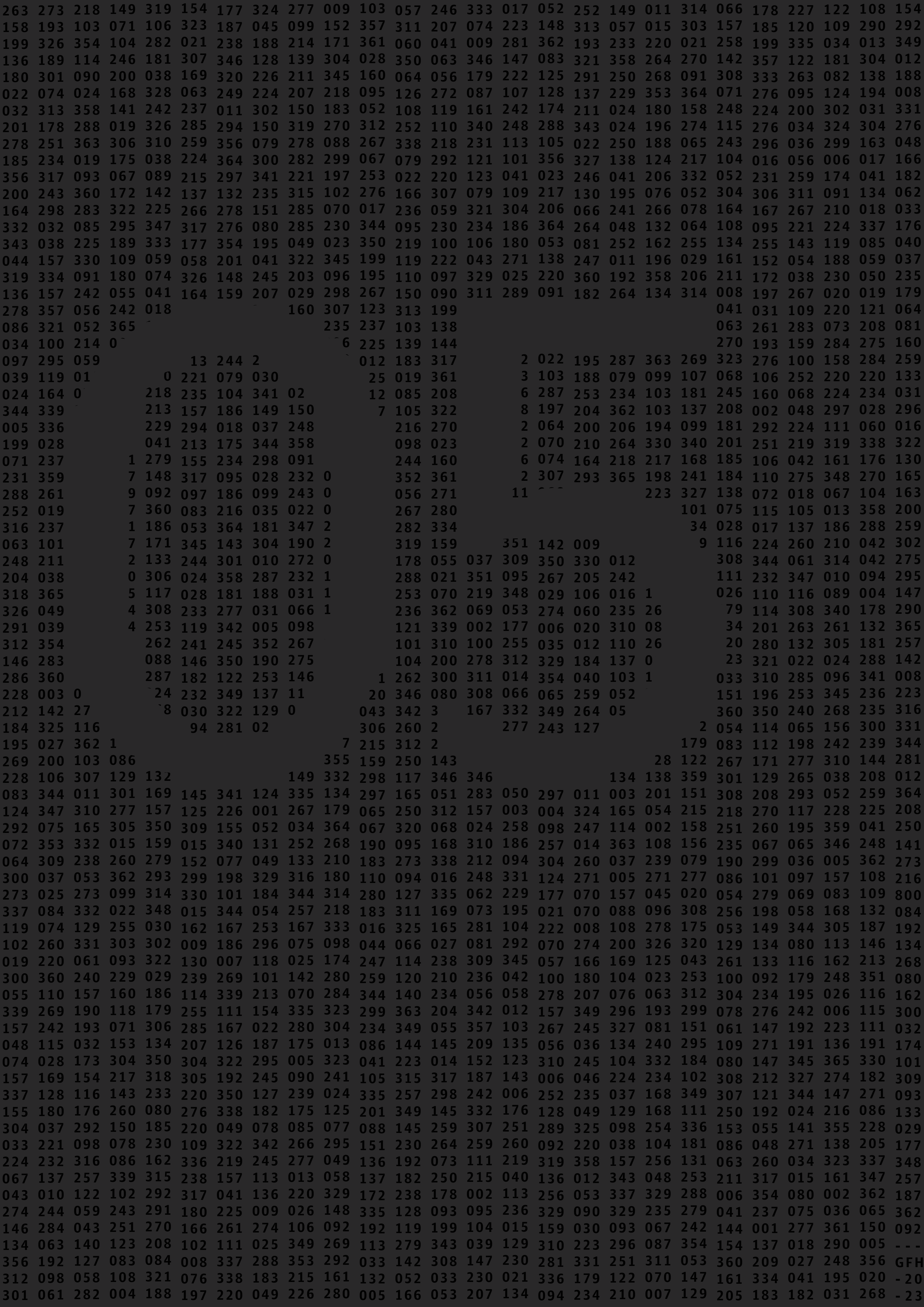
- Optimizing the level of liquidity available by providing the necessary funding to the Group.
- Deploying the Group's liquidity while diligently analyzing risk and return trade-offs.
- Engaging in proprietary book investments in regional and international opportunities to capitalize on market opportunities.

Treasury and Capital Markets' main lines of investment are:

- Interbank Lending through Murabaha and Wakala
- Fixed Income
- Alternative Investments

Institutional Financial Services:

- Establishing vital partnerships with international financial institutions granting access to a range of products and services across key asset classes



05_ Governance & Risk

Governance is the bedrock of an organisation's management competancy. GFH's robust Corporate Governance principles assures our investors and board alike.

_Corporate Governance

Our shareholders demand an intelligent approach to managing risk in the business and for the last 24 years we have provided them with a governance framework conceived with advanced intelligence.

In 2022, GFH, as sole lead manager, facilitated the issuance of Bahrain's first-ever $900mn green sukuk through Infracorp.

900 US$mn

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

In 2004, GFH Financial Group was converted from a closed shareholding company to a public shareholding company. Its shares are currently listed on the Bahrain Bourse, Boursa Kuwait, Dubai Financial Market, and Abu Dhabi Securities Exchange. Since its transformation into a public shareholding company, GFH has not only listed its shares on all four major stock exchanges in the GCC, but also strategically expanded its investment portfolio across the globe. In recent years, the Group has grown to manage over US$21 billion in assets, with pivotal expansions including the establishment and acquisition of its subsidiaries GFH Partners and GFH Capital. This growth underlines the Group's commitment to diversifying investments and maximizing returns in alignment with Islamic Sharia principles. GFH's issuance of Sukuk listed on the London Stock Exchange and NASDAQ Dubai in 2020 further exemplifies its innovative approach to Islamic financial services.

GFH's innovative strategies have garnered international acclaim, securing its position as one of Middle East's Top 30 Biggest Asset Managers by Forbes in both 2021 and 2022. Additionally, Euromoney recognized it as Bahrain's Investment Banking Market Leader for 2022 and 2023. Further testament to its leadership, in 2022, Forbes ranked Hisham Alrayes as one of the "Top 100 CEOs in the Middle East". Furthermore, Hisham Alrayes was honored as the Financial Services' CEO of the Year by Arabian Business consecutively in 2021, 2022, and 2023, highlighting GFH's prominent role in shaping the financial services landscape.

In 2022, GFH spun out legacy real estate and infrastructure investments through the creation of Infracorp, and within the same year Infracorp issued $900 million green sukuk on the London Stock Exchange – the first-ever green sukuk issued by a Bahraini entity – for which GFH Financial Group was the Sole Lead Manager.

Furthermore, GFH joined long term strategic partnership with both FII and the World Economic Forum in the year 2023 and the Bank expanded its regional portfolio to acquire logistics and healthcare assets in the GCC – amid favorable regional economic transformation policies. In 2023, GFH continues to Intensify its commitment to sustainable development by significantly increasing its investments in sustainable infrastructure, aligning its portfolio more closely with global sustainability goals and contributing to the transition towards a greener economy.

As a Public Shareholding Company, GFH's corporate governance framework is based on the guidelines issued by Ministry of Industry, Commerce (MOIC) under the Commercial Companies Law promulgated by Decree No. (21) for the year 2001 ("Companies Law") and the amendments thereto, the regulations of MOIC's Corporate Governance Code of 2018 promulgated by Decree No. (19) for 2018 and Ministerial Decree No. (91) of 2022 concerning the amendments to certain provisions of the Corporate Governance Code, the High-Level Controls Module ("HC Module") issued by the Central Bank of Bahrain (CBB) under its Rulebook - Volumes 2 and 6 and the amendments thereto and the Listing Rules approved by the Board of Directors of Bahrain Bourse in its meeting (4/2019) dated 08/10/2019 and the amendments thereto.

GFH's Corporate Governance Philosophy

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

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

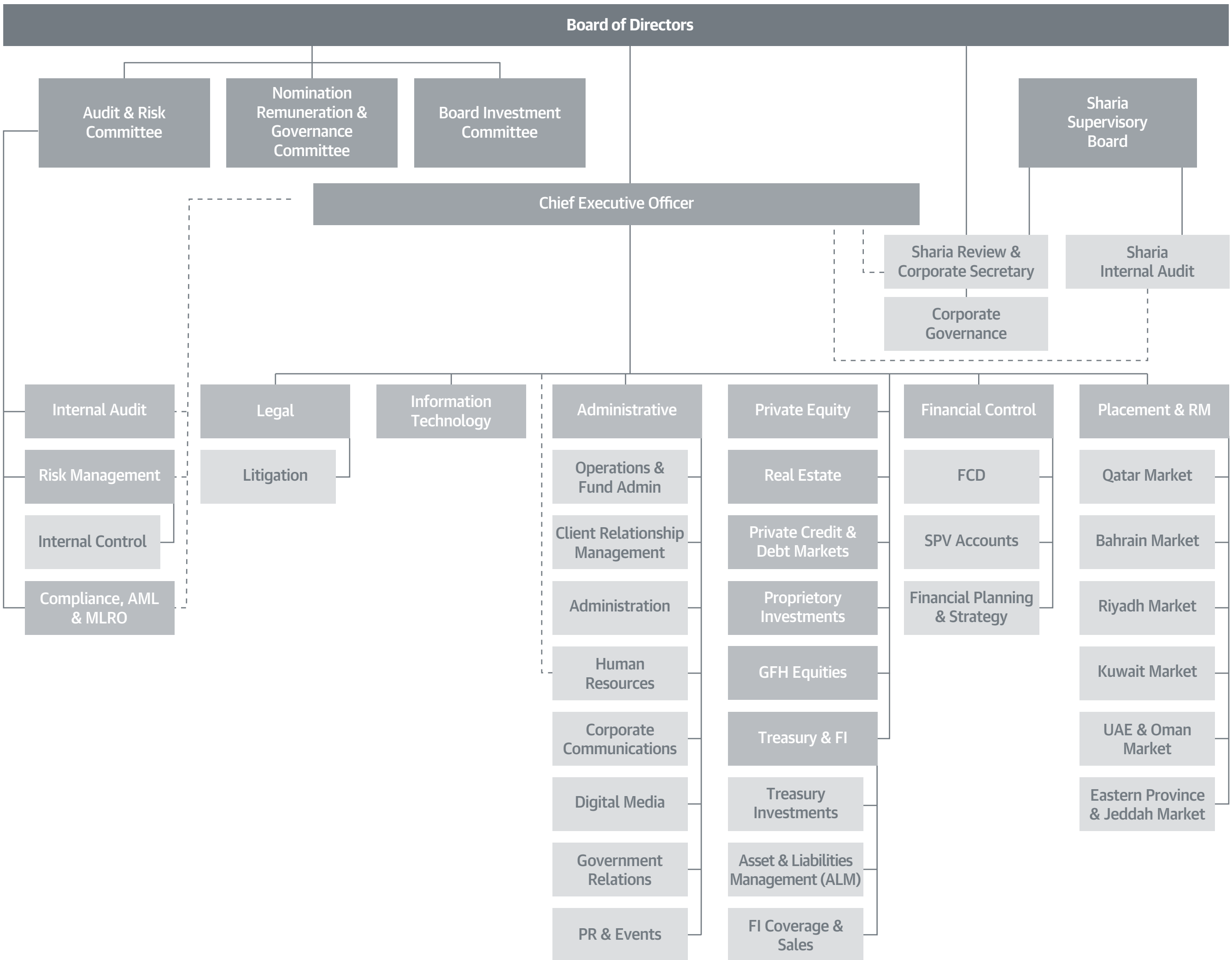
The Board of Directors are accountable to shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value. To achieve this, the Board implements and monitors the Bank's strategy and performance, within a framework of sound corporate governance. The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

Compliance with Regulations (High Level Control Module – CBB Rulebook, Volume 6)
In 2023, GFH continued the implementation of the Corporate Governance rules and the requirements of 'High Level Control Module of the CBB Rulebook Volume 6 (HC Module)'.

As per rule HC-A.1.12 of the HC Module with reference to the disclosure of the rule must be complied with by those to whom the content is addressed and non-compliance events (Comply or Explain Principle) which stipulates the need to elucidate the non-compliance cases and provide clarification on the same in event non-compliance with the rules and guidelines of the HC Module, GFH wishes to disclose the following:

- The Nomination, Remuneration and Governance Committee does not include a Sharia Scholar (a member of Sharia Supervisory Board) as recommended under guidance note HC-9.2.4 (b).
- Contrary to guidance note HC-7.4.2 which recommends all Board of Directors to attend the shareholders' meeting, the shareholders' meetings held on 26th March 2023 were attended by three Board of Directors only due to unforeseen circumstances.

Organizational Structure
As of 31st December 2023



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

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

A. Ownership of shares
A.1. Distribution of shareholdings according to nationality
As of 31st December 2023, the shareholders register shows that there are 8,650 shareholders who own 3,832,593,838 shares at a nominal value of US$ 0.265 per share, as follows:

Nationality	No. of Shareholders	No. of Shares	% of outstanding shares
Emirati	2,012	1,238,217,688	32.31%
Kuwaiti	3,846	1,072,833,211	27.99%
Bahraini	663	733,483,739	19.14%
Saudi	268	225,284,683	5.88%
American	31	136,755,301	3.57%
Jordanian	377	54,873,755	1.43%
Qatari	73	54,730,037	1.43%
Omani	39	12,880,902	0.34%
Others	1,341	303,534,522	7.92%
Total	**8,650**	**3,832,593,838**	**100%**

A.2. Distribution of shareholdings according to nationality
As of 31st March 2024, the shareholders register shows that there are 8014 shareholders who own 3,832,593,838 shares at a nominal value of US$ 0.265 per share, as follows:

Nationality	No. of Shareholders	No. of Shares	% of outstanding shares
Emirati	1,709	1,117,738,153	29.16401
Kuwaiti	3,714	943,858,946	24.62716
Bahraini	664	992,015,253	25.88365
Saudi	268	222,092,620	5.794838
American	33	133,782,831	3.49066
Jordanian	338	48,890,171	1.275642
Qatari	74	54,731,002	1.428041
Omani	35	11,316,917	0.295281
Others	1,179	308,167,945	8.040712
Total	**8,014**	**3,832,593,838**	**100**

A.3. Distribution of ownership according to the percentage of shareholding

The below table shows the distribution of ownership according to the percentage of shareholding as of 31st December 2023:

Particulars	No. of Shareholders	No. of Shares	% of outstanding shares
Less than 1%	8632	2,344,580,087	61.174%
1% to less than 5%	17	1,239,114,234	32.330%
5% to less than 10%	1	248,899,517	6.494%
10% to less than 20%	0	0	0%
20% to less than 50%	0	0	0%
Total	**8650**	**3,832,593,838**	**100%**

A.4. Names of shareholders who own 5% or more

As of 31st December 2023, the following shareholders owned more than 5% of the Group's shares:

1. GFH Employee Benefit Trust

B. GFH Board of Directors and the Executive Management

B.1. Formation of the Board of Directors

The Board of GFH is composed of eight (8) Directors as of 31st December 2023. The current Board of GFH will complete its term in March 2024.

i.	Mr. Ghazi Al Hajeri	Chairman (Independent Director)
ii.	Mr. Edris Alrafi	Vice Chairman (Independent Director)
iii.	Mr. Hisham Ahmed Alrayes	Member (Executive Director)
iv.	Mr. Rashid Al Kaabi	Member (Non-Executive Director)
v.	Mr. Ali Murad	Member (Independent Director)
vi.	Mr. Fawaz Al Tamimi	Member (Independent Director)
vii.	Mr. Darwish Al Ketbi	Member (Independent Director)
viii.	Mr. Yusuf Taqi	Member (Independent Director)

In compliance with the CBB requirements, which mandates at least one third of the members of the Board of Directors to be Independent Directors; as of 31st December 2023, the Board was comprised of six Independent Directors which includes the Chairman of the Audit and Risk Committee and the Chairman of the Nomination, Remuneration and Governance Committee.

B.2. Separation between the position of Chairman/Deputy Chairman and Chief Executive Officer

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

B.3. Function of Board and responsibilities of the Board of Directors

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

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

With respect to the channels of communication between the BOD and executive management, the Board of Directors can always contact and request information from the executive management.

B.4. Independence of Board of Directors

Independent Directors represent the majority of the Board of Directors. To ensure the independence of members, all Board of Directors are required to inform the Board about any changes that may occur in their capacity which may affect the assessment of their independence by the Board of Directors. They should also ensure that their membership of the Board is not in conflict with any of their other interests and enables them to devote their time and attention to the Board. Before starting any Board meeting, the Chairman instructs the Board of Directors to abstain from voting on any resolution that pose a conflict of interest; this is in addition to the annual disclosure submitted to the Board of Directors in compliance with the conflict-of-interest policy applicable in GFH.

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

The following table shows the classification of members of the Board of Directors as of 31st December 2023:

Classification of members	No.	% of Representation
Independent	6	75%
Non-Executive	1	12.5%
Executive	1	12.5%
Total	**8**	**100%**

The following table shows the percentage of women and men on the Board during the year in compliance with CBB Rulebook Volume 6 HC-8.3.3:

Representation	No. (as of 1 January 2023)	% of Representation (as of 1 January 2023)	No. (as of 31st December 2023)	% of Representation (as of 31st December 2023)
Women	0	0%	0	0%
Men	8	100%	8	100%
Total	**8**	**100%**	**8**	**100%**

B.5. Letter of Appointment of Board Members

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

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

B.6. The Right of Shareholders to appoint Directors of the Board

Under Article 175 of the Commercial Companies Law of 2001 (CCL-2001) and the amendments thereto and Article 27 of GFH's Amended and Restated Articles of Association ('AOA') of the Bank, each shareholder who owns 10% or more of the capital is entitled to appoint his representative in the BOD in proportion to the number of Directors of the Board.

B.7. System for Election and Termination of Directors

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

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

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

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

B.8. GFH Board of Directors and their other memberships

The table below shows the composition of the Board of Directors, the other memberships of the Directors and membership of the committees as of 31st December 2023:

Name and position of Board member	Date of first appointment in BOD/ Re-appointment	Independent/ Non-Executive/ Executive	Representation	Number of memberships in other boards of Directors	Number of memberships in other boards of Directors in Bahrain	Number of memberships in other boards of Directors of banks in Bahrain	Number of memberships in Board Committees
Ghazi Al Hajeri	Mar 2017 / Sep 2020	Independent	NA	2	-	-	1
Edris Alrafi	Sep 2020	Independent	NA	1	-	-	1
Hisham AlRayes	April 2016 / Sep 2020	Executive	NA	28	14	1	1
Rashid Al Kaabi	Mar 2017 / Sep 2020	Non- Executive	NA	7	-	-	1
Ali Murad	March 2020 / Sep 2020	Independent	NA	6	-	-	1
Fawaz Al Tamimi	Sep 2020	Independent	NA	2	-	-	1
Darwish Al Ketbi	April 2022	Independent	NA	2	-	-	1
Yusuf Taqi	June 2022	Independent	NA	0	3	0	1

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

The table below shows the change in the ownership of members of the Board of Directors of the shares of GFH Financial Group, as of 31st December 2023 compared to that of 31st December 2022:

Member's name	Shares owned as at 31st December 2022	Shares owned as at 31st December 2023	Percentage of ownership as at 31st December 2023
Hisham AlRayes	148,267,546	171,027,448	4.46%
Rashid Al Kaabi	-	-	-
Ghazi Al Hajeri	-	-	-
Ali Murad	161,167,124	161,167,124	4.21%
Fawaz Al Tamimi	-	-	-
Edris Alrafi	-	-	-
Darwish Al Ketbi	-	-	-
Yusuf Taqi	-	-	-

B.10. Directors' and Senior Managers' trading of the Bank's shares and distribution of ownership on an individual basis during the year 2023

Name of Board Member	Total no. of shares held as at 31st Dec 2022	Transactions - within the period 1st Jan - 31st Dec 2023			Total no. of shares held as at 31st Dec 2023	% of ownership
		Sold	Transferred for settlement #	Additional Position		
Hisham Alrayes	148,267,546	-	29,539,424	52,299,326	171,027,448	4.46%
Rashid Al Kaabi	-	-	-	-	-	-
Ghazi Al Hajeri	-	-	-	-	-	-
Ali Murad	161,167,124	-	-	-	161,167,124	4.21%
Fawaz Al Tamimi	-	-	-	-	-	-
Edris Al-Rafi	-	-	-	-	-	-
Darwish Al Ketbi	-	-	-	-	-	-
Yusuf Taqi	-	-	-	-	-	-

Name of Management & Approved Persons	Total no. of shares held as at 31st Dec 2022	Transactions - within the period 1st Jan - 31st Dec 2023			Net total no. of shares held as at 31st Dec 2023
		Sold	Transferred for settlement #	Additional Position*	
Hisham Alrayes	148,267,546	-	29,539,424	52,299,326	171,027,448
Salah Sharif	4,972,531	-	1,390,001	3,097,589	6,680,119
Baha Al Marzooq	1,024,801	648,084	115,975	626,979	887,721
Hammad Younus	2,572,412	1,697,351	347,925	2,250,038	2,777,174
Nael Al Kujok	1,443,059	1,133,057	1,831,305	3,231,333	1,710,030
Suryanarayanan Hariharan	3,098,464	600,000	1,147,191	2,721,133	4,072,406
Razi Al Merbati	10,070,982	-	1,344,294	3,583,915	12,310,603
Pietro de Libero	-	-	-	615,157	615,157
Dr. Mohamed Abdulsalam	1,082,524	667,326	115,975	750,011	1,049,234
Muneera Isa	867,573	631,844	385,226	1,118,329	968,832
Ahmed Jamsheer	2,927,033	1,842,590	347,925	2,003,974	2,740,492
Osama Janahi	911,913	-	-	-	911,913
Osama Nasr	-	-	-	-	-
Mariam Jowhary	554,913	454,831	678,310	1,142,156	563,928
Bhaskar Mehta	-	-		369,094	369,094
Salem Patel	5,165,036	-	1,018,823	2,094,150	6,240,363
Mohammed Mattar	-	-	-	-	-
Mohammed AlHusaini	-	-	-	-	-
Total	182,958,787	7,675,083	38,262,374	75,903,184	212,924,514

 # Certain of the banks share schemes include a leverage component, and any settlement within the Group share scheme policies are reduced from employee holdings.
** Includes the shares bought directly from market or/and the shares awarded/ vested under Employee Share Schemes or/and the stock dividend on such shares received during the year.*

B.11. Meetings of the Board of Director during the year 2023

The meetings of the Board of Directors and the Board committees are held whenever the need arises, but under the regulations, the BOD should meet at least four times during a single fiscal year. The BOD held five (5) meetings during 2023. The shareholder's meeting was held on 26th March 2023.

In addition to official meetings, several urgent resolutions were also passed by circulation in 2023 via e-mail to the Board of Directors.

As for the agenda of the meetings of the Board of Directors, it is sent to the Directors at a suitable time before the date of the meeting, to provide them with the necessary information, reports and documents for their information and review. The Board of Directors is notified of all topics and key events that arise and may require their approval. The executive management is responsible for informing the Board of Directors of the performance of GFH at each meeting.

Dates of Board meetings held during the fiscal year 2023 are as follows:

i. 9th February 2023
ii. 11th May 2023
iii. 10th August 2023
iv. 29th October 2023
v. 13th November 2023

Date & location of meeting	Names of Directors present	Names of Directors who participated by phone/video link	Names of Directors not present
Date: 9th February 2023 1st Meeting GFH Group Headquarters Kingdom of Bahrain	1. Mr. Ghazi Al Hajeri 2. Mr. Edris Al-Rafi 3. Mr. Ali Murad 4. Mr. Yousuf Taqi 5. Mr. Darwish Al Ketbi 6. Mr. Hisham Alrayes	1. Mr. Rashid Al Kaabi 2. Mr. Fawaz Al Tamimi	
Date: 11th May 2023 2nd Meeting GFH Group Headquarters Kingdom of Bahrain	1. Mr. Ali Murad 2. Mr. Yousuf Taqi 3. Mr. Fawaz Al Tamimi 4. Mr. Darwish Al Ketbi 5. Mr. Hisham Alrayes	1. Mr. Ghazi Al Hajeri 2. Mr. Edris Al-Rafi 3. Mr. Rashid Al Kaabi	
Date: 10th August 2023 3rd Meeting Via Conference Call		1. Mr. Ghazi Al Hajeri 2. Mr. Edris Al-Rafi 3. Mr. Ali Murad 4. Mr. Rashid Al Kaabi 5. Mr. Yousuf Taqi 6. Mr. Darwish Al Ketbi 7. Mr. Hisham Alrayes	1. Mr. Fawaz Al Tamimi
Date: 29th October 2023 4th Meeting The Four-Seasons Hotel Kingdom of Bahrain	1. Mr. Ghazi Al Hajeri 2. Mr. Edris Al-Rafi 3. Mr. Ali Murad 4. Mr. Yousuf Taqi 5. Mr. Darwish Al Ketbi 6. Mr. Hisham Alrayes	1. Mr. Rashid Al Kaabi 2. Mr. Fawaz Al Tamimi	
Date: 13th November 2023 5th Meeting GFH Group Headquarters Kingdom of Bahrain	1. Mr. Ghazi Al Hajeri 2. Mr. Edris Al-Rafi 3. Mr. Hisham Alrayes 4. Mr. Ali Murad 5. Mr. Yousuf Taqi 6. Mr. Fawaz Al Tamimi	1. Mr. Rashid Al Kaabi 2. Mr. Darwish Al Ketbi	

B.12. Quorum required for adoption of Board resolutions

The required quorum for the meetings of the Board of Directors and Annual General Meeting shall be in accordance with the provisions of the Articles of Association of GFH. The Board of Directors may pass its resolutions via post, e-mail, fax, conference call, video call or any other means of audio or video communication pursuant to the provisions of Article 33-e of the Articles of Association of the Bank.

C. Board Committees

The Board of Directors has established two subordinate committees and has delegated specific powers to each committee as follows:

C.1. The Audit and Risk Committee

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

During the fiscal year 2023, the Committee held Four meetings, as detailed below:

ARC meeting date & Location	ARC members present	ARC members who participated by phone/ video link	ARC members not present
Date: 10th May 2023 1st Meeting GFH Group Headquarters Kingdom of Bahrain	1. Mr. Yousuf Taqi	1. Mr. Darwish Al Ketbi 2. Mr. Edris Alrafi	
Date: 9th August 2023 2nd Meeting GFH Group Headquarters Kingdom of Bahrain	1. Mr. Yousuf Taqi	1. Mr. Darwish Al Ketbi 2. Mr. Edris Alrafi	
Date: 12th November 2023 3rd Meeting GFH Group Headquarters Kingdom of Bahrain	1. Mr. Yousuf Taqi 2. Mr. Edris Alrafi		1. Mr. Darwish Al Ketbi
Date: 6th December 2023 4th Meeting GFH Group Headquarters Kingdom of Bahrain	1. Mr. Yousuf Taqi 2. Mr. Edris Al-Rafi 3. Mr. Darwish Al Ketbi		

C.2. Nomination, Remuneration & Governance Committee

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

The Committee met two times during the fiscal year 2023, as detailed below:

NRGC Meeting date & location	NRGC members present	NRGC members who participated by phone/ video link	NRGC members not present
Date: 9th February 2023 Video Conference Call		1. Mr. Ghazi Al Hajeri 2. Mr. Rashed Al Kaabi 3. Mr. Fawaz Al Tamimi	
Date: 30th November 2023 Video Call Conference		1. Mr. Ghazi Al Hajeri 2. Mr. Rashed Al Kaabi 3. Mr. Fawaz Al Tamimii	

The committee met twice during the fiscal year 2022, as detailed below:

NRGC Meeting date & location	NRGC members present	NRGC members who participated by phone/ video link	NRGC members not present
Date: 8th February 2022 Video Conference Call		1. Mr. Ghazi Al Hajeri 2. Mr. Rashed Al Kaabi 3. Mr. Fawaz Al Tamimi	
Date: 26th December 2022 Video Call Conference		1. Mr. Ghazi Al Hajeri 2. Mr. Rashed Al Kaabi	1. Mr. Fawaz Al Tamimii

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

During the Annual General Meeting held on 26th March 2023, the shareholders approved the re-appointment of KPMG as external auditors for the year ending 31st December 2023 and authorized the Board of Directors to determine their remuneration, accordingly KPMG and its network firms has provided GFH Financial Group and its subsidiaries with the following services:

Categories of services	Fees in BD (in thousands)	Main type of services included in each category
(a) Audit of the group consolidated financial statements	526.14	• Audit of GFH Group consolidated financial statements for the year ended 31 December 2023. • Audit of the statutory financial statements of GFH Group's subsidiaries. • Review of condensed consolidated interim financial statements of GFH Group and its subsidiaries for the period ended 31 March, 30 June, 30 Sep 2023.
(b) Services other than Audit • Audit Related • Tax • Advisory	 275.27 32.65 253.31	Audit related services • Agreed Upon Procedures (AUPs) related to compliance requirements of CBB, MOIC and Capital Market for GFH Group and its subsidiaries. • Consolidation accounting opinions as per requirements of CBB. • Work related to share-based schemes, co-investment / carry schemes and other HR related matters. • Review of raffle draws for commercial banking subsidiary. • Assistance in review of translation of consolidated financial statements in arabic. Tax related services • Tax compliance services and corporate tax advisory to GFH Group and its subsidiaries. Other non-audit services (advisory) • Buy- side due diligence services to GFH Group and its subsidiaries. • Assistance for ICAAP and stress testing

 # The assessment of conflict and independence is subject to review by the Audit Committee of the Group and / or its subdiaries, as applicable.

E. Other topics

E.1 Remuneration of the Board of Directors and Executive Management

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

The Board of Directors' remuneration takes into consideration the performance of the Bank as well as an assessment of compliance of individual members with their performance agreement and individual responsibilities. During the year 2023, the Board was paid fees as stated in the Chairman's Report accompanying the consolidated financialstatements.

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

Also, during 2023, the total remuneration paid to Sharia Supervisory Board was US$400,000.

E.2 Continuous development of the Board and Board Committees

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

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

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

Furthermore, the Board of Directors are required to attend a minimum of fifteen (15) hours of professional development training per annum in line with the requirements of the Training and Competency Module of the CBB Rulebook Volume 2.

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

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

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

The Board Performance Evaluation Framework is based on the following - Methodology:
1) Each Director is required to complete the 'Board Performance Evaluation Form' and the "Individual Director's Self Evaluation Form".
2) The Chairman of the Board will also individually evaluate each of the Directors.
3) NRGC will collate the ratings of the Board (Board Performance Evaluation Form) completed by each Director; accordingly, to reach the final result.
4) Each Committee Member will also perform rating of their respectivecommittee(s).
5) Similarly, NRGC will collate the ratings of each Committee (NRGC/BIC/ARC); to reach the results of that given committee.

E.4. Transactions Requiring Board Approval
As part of their central leadership and designated authority, the Board of Directors discuss and approve matters pertaining to Strategic Planning, Business Plan, Policies and Procedures, Annual Report, Financial Statements, Appointment of External Auditors and Strategic Partnerships. Furthermore, other matters such as strategic decisions, investment fund proposals, provisions and write-off limits or credit and exposure limits may require the Board's approval as per the internal designated authority limits.

E.5. Transactions with Related Parties
Details of transactions with related parties are indicated in detail in Note 24 of the consolidated financial statements for the fiscal year ended 31st December 2023. All related party transactions are approved by the Board of Directors and disclosed to the shareholders in the Annual General Meeting.

E.6. Approval process for Connected Counterparty Transactions
All connected counterparty exposures (within the CBB defined limits) will be approved by the appropriate approving authority as per the Delegate Authority Limit (DAL). Where the approving authority as per DAL is connected/interested, the approval authority shall move to the next level.

In determining whether to approve a Connected Counterparty Transaction, the requesting and approving authority will consider, among other factors, the following factors to the extent relevant to the Connected Counterparty Transaction:
- Exposures to connected counterparties may be justified only when undertaken for the clear commercial advantage of the bank, when negotiated and agreed on an arm's length basis, and when included in the policy statement agreed with the Central Bank.
- No Islamic facilities provided by a bank to its own external auditors shall be permitted (External auditors include firm/ partnership, the partners, the directors, and managers of the audit firm). In addition, unless provided for in the contract, off- balance sheet restricted investment accounts will not be permitted to participate in on-balance sheet corporate funding and vice versa and movement within restricted investment accounts is not permitted unless specifically permitted under a valid contract between the bank and the relevant client.
- Whether the terms of the Connected Counterparty Transaction are fair to the Bank and on the same basis as would apply if the transaction did not involve a Connected Counterparty.
- Whether there are business reasons for the Bank to enter the Connected Counterparty Transaction.

- Whether the Connected Counterparty Transaction would impair the independence of an outside director and;
- Whether the Connected Counterparty Transaction would present an improper conflict of interests for any director or executive officer of the Bank, taking into account the size of the transaction, the overall financial position of the director, executive officer or Connected Counter Party, the direct or indirect nature of the director's, executive officer's or Connected Party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the ARC deems relevant.
- The bank must not undertake exposure to controllers as defined under Chapter GR-5 or to subsidiaries of such, however, smaller shareholders will be subject to normal exposure limits outlined under CM-4.4.5. Directors who are also controllers (or the appointed board representatives of such controllers) are subject to a 0% limit.
- The Central Bank's prior written consent should be obtained for any credit facilities provided to an employee where the amount of such facility, either singly or when added to an existing facility/existing facility outstanding to that employee at that date, would be equal to or more than BD 100,000 (Bahrain Dinars One Hundred Thousand), or its equivalent in foreign currency. Banks must notify the Central Bank in writing of any senior employee who fails to discharge his repayment obligations.
- Reciprocal crossholdings of capital between a bank and its "controllers", which artificially inflate the capital of licensee concerned, are not permitted. Any crossholdings that occur due to acquisitions or takeovers must be deducted from the concerned bank's capital. Any member of the Board who has an interest in the transaction under discussion will abstain from voting on the approval of the Connected Counterparty Transaction.

E.7. Ownership of shares by Government entities

Authority Name	Government	Shares Owned	% of Shares Owned
General Pension and Social Security Auth	Bahrain	31,386,606	0.82%
California Public Employees' Retirement	USA	6,018,635	0.16%
Utah State Retirement System	USA	145,375	0.0%
Beit Alquran	Bahrain	8,516	0.0%

E.8. Review of internal control and processes

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

The main objectives of the internal control process can be categorized as follows:
1. Efficiency and effectiveness of activities (performanceobjectives).
2. Reliability, completeness, and timeliness of financial and management information (information objectives); and
3. Compliance with applicable laws and regulations (complianceobjectives).

Also, the internal control system of the Bank consists of five (5) interrelated elements:
i. Management oversight and control culture.
ii. Risk recognition and assessment.
iii. Control activities and segregation of duties.
iv. Information and communication; and
v. Monitoring activities and correcting deficiencies.

E.9. GFH's Client Charter

In line with the CBB requirements, GFH has developed a client's charter which outlines the commitments made by GFH in respect of the quality of services and products delivered to its clients and shareholders. The client's charter, which is available on the bank's website, is an assurance that services provided by the Bank will comply with quality standards. Generally, quality standards are standards that will fulfill clients' and shareholders' needs and expectations.

The client charter also incorporates GFH's Complaints handling procedures and encourages the clients and its shareholders to report any alleged wrongful conduct, malpractice, or improper/ unethical behavior of an employee of the bank.

E.9.1 Dealing with Complaints

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

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

- ***Mechanism for submitting Complaints:***

The complaint must be in writing and should be addressed to the Investors' Relations Department and must be marked to the GFH's Compliance Department.

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

- ***Options for submitting Complaint:***

a) Hand delivery to GFH's Office (reception) Second Floor, GFH House, Bahrain Financial Harbour, Manama
b) Via Fax to the following number +973 17 540006
c) Courier or post to the following address:
   Complaint Handling Officer GFH Financial Group B.S.C. Second Floor, GFH House, Bahrain Financial Harbour
   PO Box 10006, Manama, Kingdom of Bahrain
d) Or scan and email the written complaint to: complaint@gfh.com

- ***What happens once your complaint is submitted?***

a) Once a client complaint has been submitted, we will acknowledge it within five (5) working days.
b) The client complaint will be referred to the concerned person/department which will investigate it thoroughly and a written response detailing the outcome of our investigation and our decision shall be provided within four (4) weeks of receiving the complaint.
c) In the unlikely event that the complaint is not answered within the timeframe mentioned in point (b), we will write the reasons why there has been a delay and the additional action that we will take including when we anticipate having concluded our investigation.
d) After receiving the final response to the complaint, and if the client is still not satisfied, he/she can write directly to the Consumer Protection Unit of the Central Bank of Bahrain or he/she can submit the case through the "Complaint form" available on the Central Bank of Bahrain website www.cbb.gov.bh, within 30 calendar days from the date of receipt of our final response.
e) All correspondence in relation to the complaint and records must be retained by GFH for a period of five (5) years from the date of receipt of the complaint.

E.9.2. Whistle-blowing.

- ***Report an Incident***

  Whistleblowers are encouraged to report any observed wrongful conduct, malpractice, or an improper/unethical behavior to the Bank through the following means:

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

Head of Compliance / Head of Internal Audit

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

- ***Protection Rights for Whistleblowers***

a) GFH is committed to the protection of Whistleblowers against any possible retaliation or reprisals, whether actual or threatened because of their whistleblowing.
b) The Whistleblower's identity, the nature of the report, and the suspected person's identity are strictly confidential.
c) Retaliation against an individual, who in good faith, had made a complaint, disclosed information relating to a complaint or otherwise participated in an investigation relating to a complaint is prohibited regardless of the outcome of the investigation.
d) The Board Audit & Risk Committee of the bank will be responsible for assessing the incident reported and will decide the course of action.

E.10. Details of penalties paid

In 2023, due to a delay in submitting the list of Bank's insiders, GFH Financial Group incurred a penalty and paid a total of KWD22,000 to Capital Market Authorities (CMA).

No penalties by CBB.

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

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

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

For earnings prohibited by Sharia, please refer to note 28 of the consolidated financial statements for the fiscal year ended 31st December 2023.

E.12. Board Code of Conduct

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

E.13. Board Conflict of Interest

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

Board of Directors	Instances of abstaining from voting	Status
Mr. Ghazi Al Hajeri	0	Unanimously approved by the Board of Directors
Mr. Edris Alrafi	0	Unanimously approved by the Board of Directors
Mr. Hisham Alrayes	3	Unanimously approved by the Board of Directors
Mr. Rashid Al Kaabi	0	Unanimously approved by the Board of Directors
Mr. Ali Murad	0	Unanimously approved by the Board of Directors
Mr. Fawaz Al Tamimi	0	Unanimously approved by the Board of Directors
Mr. Darwish Al Ketbi	0	Unanimously approved by the Board of Directors
Mr. Yusuf Taqi	0	Unanimously approved by the Board of Directors

E.14. Employment of Relatives

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

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

E.15. Remuneration strategy

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

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

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

1. Fixed pay;
2. Benefits.
3. Annual performance bonus;
4. Commission for sales staff.
5. Co-investment plans;
6. Remuneration for senior management from participation in boards of investee entities; and
7. The long-term performance incentive plan

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

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

NRGC role and focus

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

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

a) Review, monitor and approve the remuneration policies for the approved persons and material risk-takers, which must be consistent with GFH's corporate values and strategy to ensure that they operate as intended.
b) The committee should be responsible for retaining and overseeing outside consultants or firms for the purpose of reviewing the remuneration of approved persons and material risk-takers, administering remuneration plans, or related matters.

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

Use of consultants:
GFH engaged external consultants to benchmark pay and grading structure to bring it in line with market practices. A consultant was also engaged to develop and update the framework for issuances of long-term Incentive Plan (LTIP) which has been discussed and approved by the Board's NRCG committee and the Board of Directors.

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

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

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

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

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

In determining the quantum of variable remuneration, GFH has implemented a hybrid model by defining a Top Down (profit based) bonus pool funding for its staff. The total bonus pool is capped at a percentage of profit before being assessed for risk. This approach is a starting position and the NRGC may choose to implement a discretionary award for a given year based on affordability for GFH and its assessment of GFH's current and future resource requirements. The bonus pool is adjusted to take account of risk via the use of risk-adjusted measures (including forward-looking considerations), subject to the final discretion of the NRGC. In addition to the annual bonus plan, the Board from time-to-time approves LTIP awards with performance and service conditions to retain key management and incentive achievement of long-term performance and strategic measures. These awards vest ratably on an annual basis and can be accelerated or cancelled based on the extent of achievement of targets set for each year.

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

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

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

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

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

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

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

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

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

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

The bonus pool considers the performance of GFH which is considered within the context of GFH's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events. The size of the variable remuneration pool and its allocation within GFH considers the full range of current and potential risks, including:
a) The cost and quantity of capital required to support the risks taken;
b) The cost and quantity of the liquidity risk assumed in the conduct of business; and
c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

The NRGC keeps itself abreast of GFH's performance against the risk management framework. The NRGC will use this information when considering remuneration to ensure returns, risks and remuneration are aligned. Since 2021 has been an unusual year after the effects of the global pandemic and consequential market impact, the NRGC has adopted a more qualitative approach in their assessment of performance and rewards.

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

In years where GFH suffers material losses in its financial performance, the risk adjustment framework will consider the following:
- Need for a considerable contraction of GFH's total variable remuneration.
- At an individual level, poor performance by GFH will mean individual KPIs are not met and hence employee performance ratings may be lower.
- Reduction in the distribution of amounts previously earned, through increased deferred compensation, which may be paid once GFH's performance improves.
- Reduction in the value of deferred shares or awards.
- Possible changes in vesting periods and additional deferral applied to unvested rewards.
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous variable awards may be considered.

The NRGC, with the Board's approval, can rationalize and make the following discretionary decisions:
- Take no action.
- Increase/reduce the ex-ante adjustment.
- Consider additional deferrals or an increase in the quantum of non-cash awards.
- Recovery through malus and clawback arrangements.

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

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

GFH's malus and clawback provisions allow GFH's Board to determine that, if appropriate, vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events include, but not limited to, the following:
- Reasonable evidence of misbehavior or material error by the employee causing harm to GFH's reputation or where his/her/their actions have amounted to misconduct, incompetence, or negligence.
- The employees' business unit suffers a material downturn in its financial performance or a material restatement of the financial statements of GFH.
- The employee's business unit suffers a material risk management failure.
- An employee deliberately misled the market and/or shareholders in relation to the financial performance of GFH.
- A significant deterioration in the financial health of GFH.

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

Macro-economic impacts (such as COVID-19 related disruptions) that are specific or idiosyncratic to GFH are not considered as basis for malus or clawback.

Components of Variable remuneration
GFH's variable remuneration framework provides for the following key components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred Cash	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a period of minimum three years.
Upfront share awards	The portion of variable compensation that is awarded and issued in the form of shares on conclusion of the performance evaluation process for each year but released after a retention period of six months.
Deferred annual bonus (DAB) share awards	The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over a period of minimum three years and an additional retention period of six months once vested. DAB shares are not subject to any additional performance conditions.
Future performance awards (FPA)	The portion of variable compensation which is awarded to selected employees for future performance conditions. The awards are contingent on the delivery of set performance targets for GFH as well as service conditions for part of the employees. These awards comprise individually or a combination of the following: • **Long-term Incentive Plan** (LTIP) Shares, where the employees are compensated in the form of shares as a percentage on achievement of some pre-determined performance conditions. • **Profit share,** where the employees are compensated based on a specified percentage of targeted profit for a transaction, distributable on achievement of targeted return. • **Carried Interest,** where the employees are compensated a specified percentage of fair value gain on investments once it achieves a specified hurdle rate on realization. • **Co-investment,** wherein a portion of variable remuneration is awarded in the form of an investment made by GFH which is encashable by employee on Bank's exit from the investment. • **Sales/recovery incentive,** where the employee or a team is compensated based on a specified percentage of the sales value of an investment on successful exit or recovery of an asset.

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

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

Deferred compensation

All approved persons and material risk-takers earning over BHD 100,000 in total compensation are subject to deferral of variable remuneration as follows:

Element of variable remuneration	CEO, his deputies and other 5 most highly paid business line employees	Other covered staff	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	50%	immediate	-	-	Yes
Upfront shares	-	0%-10%	immediate	6 months	Yes	Yes
Deferred cash	0%-10%	-	Over 3 years	-	Yes	Yes
Deferred share awards	0%-50%	0%-50%	Over 3 years	6 months	Yes	Yes
Other Non-Cash Awards or FPA	0%-60%	0%-50%	Performance linked	6 months	Yes	Yes

The NRGC, based on its assessment of role profile and risk taken by an employee, could increase the coverage of employees that will be subject to deferral arrangements. For calculation of benefits, the value of employee benefit on date of the issuance of the award (and to be recognized in the P&L) is considered for the purposes of calculation of total variable compensation and all other measures under the variable remuneration policy.

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

GFH' s risk management function ensures our investor's wealth is placed within instruments that are covered by an end-to-end process of due diligence and assessment.

_Risk & Capital Management

Managing risk on behalf of our investors is a key responsibility in the business. We apply consideration and intelligent business structures and processes to mitigate undue exposure across the group.

In 2023, GFH's total Capital Adequacy Ratios was standing safely at 20.98%.

20.9 %

1. EXECUTIVE SUMMARY

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

The disclosures in this report are in addition to or in some cases, serve to clarify the disclosures set out in the consolidated financial statements for the year ended 31 December 2023, presented in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). To avoid any duplication, information required under PD module but already disclosed in other sections of Annual Report has not been reproduced. These disclosures should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2023.

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

The Group's total risk weighted assets as at 31 December 2023 amounted to USD 5,183,699 thousand. Credit risk accounted for 88.4%, operational risk 9.9%, and market risk 1.7% of the total risk weighted assets respectively. Tier I and total regulatory capital were USD 1,023,275 thousand and USD 1,087,409 thousand respectively, as at 31 December 2023.

At 31 December 2023, Group's CET1 and T1 capital adequacy ratios were at 19.74% and total capital adequacy ratio was at 20.98%.

2. INTRODUCTION

The Basel III framework consists of three mutually reinforcing pillars:

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

2.1. Pillar I

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

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

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

The table below summarizes the Pillar I risks and the approaches used by the Bank to calculating the RWAs in accordance with the CBB's Basel Capital Adequacy Framework.

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

2.2. Pillar II

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

The ICAAP enables the bank to review the capital impact of assessed Pillar I and Pillar II risks as well as to examine new risk dimensions coming out of existing and new businesses / products. It acts as a mechanism for the evaluation of the long-term strategic growth plans and the short-term annual business plans based on projected risk profile and capital under both expected and adverse scenarios.

The Bank has decided to adopt a Pillar I + Pillar II approach for capital estimation as recommended under CBB guidelines and Basel framework. Under this approach, the banking institutions calculate the Pillar I capital or minimum regulatory capital requirements in accordance to CBB's CAR guidelines under the Basel III framework. Secondly, additional capital or pillar II capital requirement is calculated separately based on an "add-on" approach, where the additional capital requirements are added onto the calculated Pillar I capital requirements, to arrive at the Bank's internal capital requirements.

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

2.3. Pillar III

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

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

3. OVERALL RISK AND CAPITAL MANAGEMENT

3.1. Risk management framework

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

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

- Identify & Manage risks inherent in the Bank's activities in line with the risk appetite of the Bank;
- Strengthen the Bank's risk management practices to reflect the industry best practices; and
- Align internal capital requirements with risk materiality.
- Assign the teams in mitigating the existing & emerging risks in the business

The risk strategy is articulated through the limit structures and targets for individual risks. These limits are based on the Bank's business plans, its risk appetite and guided by regulatory requirements and guidance in this regard. The risk limits reflect the level of risk that GFH is prepared to take in order to achieve its objectives. The Bank reviews and realigns its risk limits as per its evolving business plan and taking into consideration changes in economic and market scenarios. The Bank also assesses its tolerance for specific risk categories and its strategy to manage these risks. The limits outline the Bank's risk exposures and define its tolerance levels towards accepting or rejecting these risks. Tolerance levels are reflected in the limits defined by the Bank for each risk area.

3. OVERALL RISK AND CAPITAL MANAGEMENT (contd.)

3.1. Risk management framework (contd.)

Building Blocks of Risk Management Framework:

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

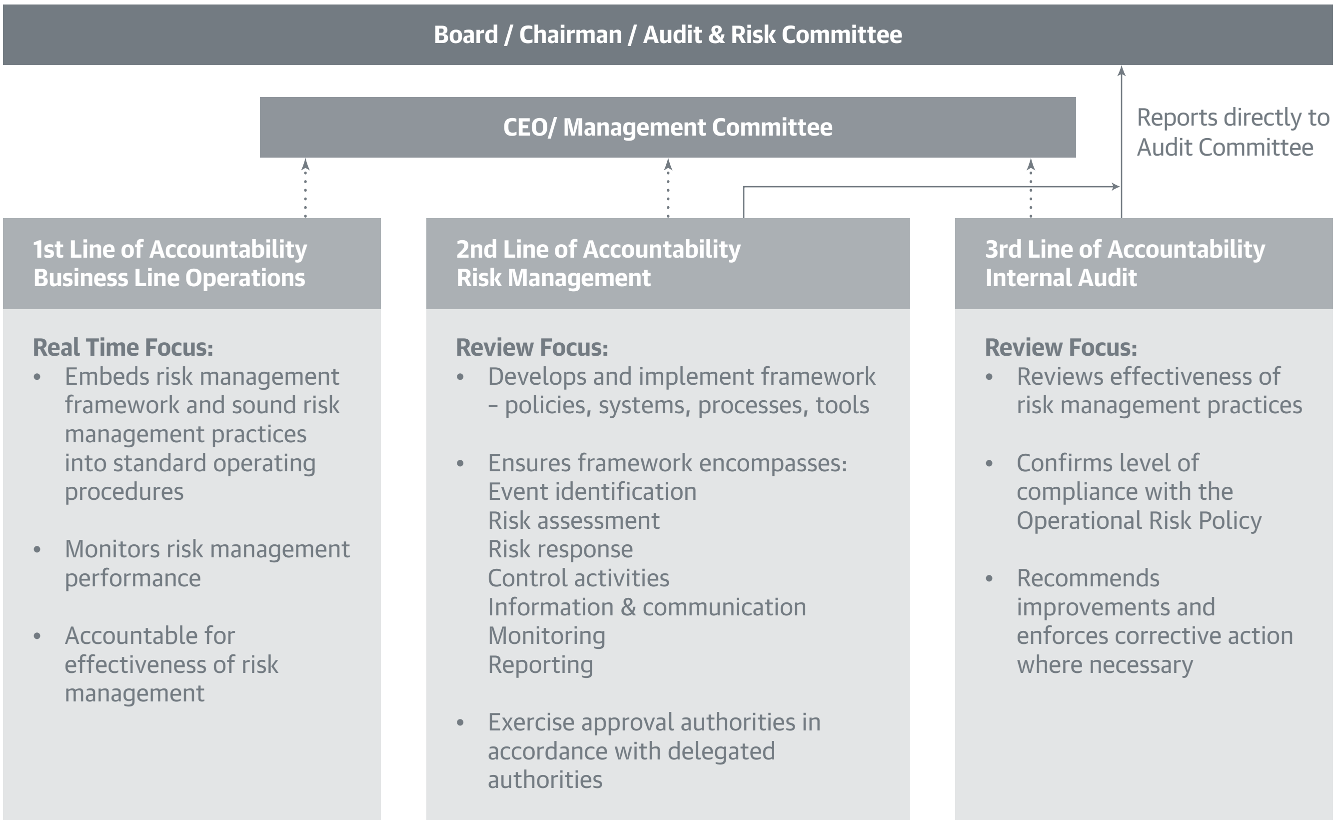
The diagram below represents the Bank's overall risk management framework and its components:

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

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

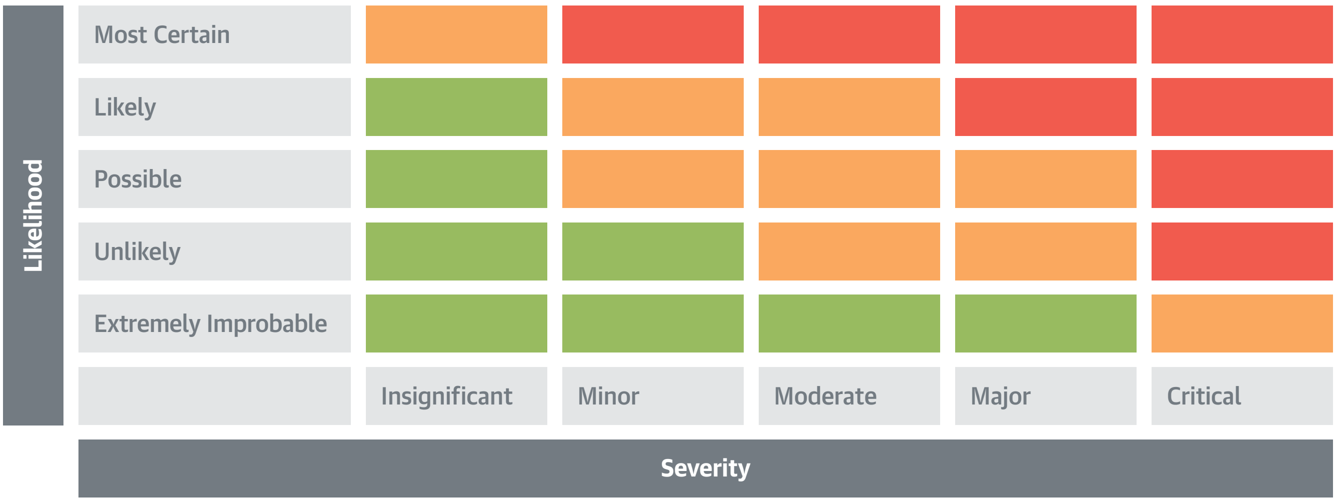
Three Lines of Accountability

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



Risk Heat Map

As part of risk identification, measurement and analysis, RMD uses a two-dimensional heat map to visualize the risks identified based on the likelihood/probability and impact. It allows the department to track the risks, prioritize the risks and develop an action or a mitigation plan accordingly. In addition, it helps in identifying what risks are material and imposes a threat to the Bank.



Risk Appetite Framework

Risk appetite is defined as "the amount and type of risk that GFH is willing to take to meet their strategic objectives." It identifies key parameters to monitor the risks and put limits for each of these risks in order to monitor them effectively. To implement the Risk Appetite Framework GFH identifies various types of risks under which it operates and the key factors/thresholds to measure these risks. GFH then identifies its current risk profile and its capacity to take risks. An acceptable risk appetite is then set up for each of the risks and every endeavor should be made to grow the business within the risk appetite framework. In the Risk Appetite Framework the Bank identifies how these risks are managed prudently to keep them under control and wherever possible to reduce exposure to these risks.

3. OVERALL RISK AND CAPITAL MANAGEMENT (contd.)

3.2. Risk Monitoring & Oversight

The Risk monitoring & oversight is throughout the Bank structure as depicted by the following diagram:

Level 1	Board of Directors Sharia Supervisory Board	Internal Audit
Level 2	Board Committees • Board Nomination, Remuneration and Governance Committee (NRGC) • Board Investment Committee • Board Audit and Risk Committee (ARC)	
Level 3	Senior Management Committees • Management Committee (MANCOM) • Management Investment Committee • Assets Liability Management Committee (ALCO) • Valuation Committee • Wakala Committee • Policies & Procedure Committee	
Level 4	Risk Management Department • Credit and Investment Risk • Market Risk • Liquidity Risk • Operational Risk • Information Security • Internal Control	
Level 5	Desktop level procedures, systems and control in day-to- day business	

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

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

Risk Management Responsibilities

The RMD plays a pivotal role in monitoring the risks associated with various activities of the Bank. The principal responsibilities of the department are:

- Monitoring and reporting the Bank's risks against the Board approved risk appetite.
- Developing and reviewing risk management policies in accordance with the risk management guidelines issued by the CBB, Basel Guidelines, IFSB and international best practices.
- Implementation of risk policies and ensuring that risk policies and practices are adequately built in Business Unit's departmental policies.
- Identifying and recommending risk analysis tools and techniques as required under guidelines issued by Basel, CBB and IFSB and in accordance with best business practices.
- Reviewing the adequacy of the risk limits and providing feedback to the relevant authorities.
- Preparing quarterly risk reports and other risk items and MIS reports for review by various Board and Senior Management level committees.
- Supports the Business Units in identification and management of day-to-day risks.
- Developing systems and resources to review the key risk exposures of the Bank and communicating the planned/ executed corrective actions to various Board and Senior Management level Committees.
- Adherence to regulatory risk reporting requirements and monitor the same.

3.3. Capital Management

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

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

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

The Group does not have a trading book. The Group aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Central Bank of Bahrain (CBB) sets and monitors capital requirements for the Bank and the Group. In implementing current capital requirements CBB requires the Bank and the Group to maintain a prescribed ratio of total capital to total risk-weighted assets.

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

- **Tier 1 capital:** includes CET1 and AT1
  CET1 comprise of ordinary share capital that meet the classification as common shares for regulatory purposes, disclosed reserves including share premium, general reserves, legal / statutory reserve, common shares issued by consolidated banking subsidiaries of the Bank and held by third parties, retained earnings after regulatory adjustments relating to goodwill and items that are included in equity which are treated differently for capital adequacy purposes.

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

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

The regulations prescribe higher risk weights for certain exposures that exceed materiality thresholds. These regulatory adjustments required for certain items such as goodwill on mortgage service right, deferred tax assets, cash flow hedge reserve, gain on sale of related securitization transactions, defined benefit pension fund assets and liabilities, investment in own shares and reciprocal cross holdings in the capital of Banking and financial entities, investment in the capital of banking and financial entities that are outside the scope of regulatory consolidation and where the Bank does not own more than 10% of issued common shares capital of the entity and significant investments in the capital of banking and financial entities that are outside the scope of regulatory consolidation.

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

3. OVERALL RISK AND CAPITAL MANAGEMENT (contd.)

3.4. Risk types

The Bank is exposed to various types of risk.

Risks in Pillar I	• Credit risk • Market risk • Operational risk	
Risks in Pillar II	• Liquidity risk • Investment Risk • Concentration risk • Profit rate risk in banking book	• Reputational risk • Other risks – including strategic risk, pillar 1 residual risks etc.

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

3.5. Monitoring and reporting

The RMD, together with the Internal Audit, provide independent assurance that all types of risk are being measured and managed in accordance with the policies and guidelines set by the Board of Directors. The monitoring and reporting frequency depends on the severity and volatility of the risk factor as set out in the respective policies. Risk reports are regularly presented to the Senior Management committees, ARC and Board as per the reporting requirements set in the risk policies. In addition, the RMD submits a quarterly Risk Overview Report (ROR) to the Board Audit & Risk Committee. The ROR describes the potential issues for a wide range of risk categories and classifies the risks. The ROR also provides management comments as to how risk factors are being addressed and mitigated by the Bank. The Bank has established an adequate system for monitoring and reporting risk exposures and capital adequacy requirements. These reports aim to provide the Senior Management and Board level committees with an up-to-date view of the risk profile of the Bank.

Group structure

The consolidated financial statements for the year comprise of the financial statements of the Bank and its subsidiaries (together referred to as "the Group") as at 31 December 2023. The Group's financial statements are prepared and published on a full consolidation basis, with all material subsidiaries being consolidated in accordance with AAOIFI. Please refer to notes 4 in the consolidated financial statements for more details on the accounting policies for investments, including subsidiaries and associates of the Bank.

The principal subsidiaries and associates as at 31 December 2023 and their treatment for capital adequacy purposes are as follows:

Entity name	Entity classification as per CBB Rules & Guidelines	Treatment by the Bank	
		Consolidated basis	**Solo basis**
Khaleeji Bank B.S.C ('Khaleeji')	Banking subsidiary	Full consolidation	Full deduction from capital
GBCORP B.S.C (c)	Financial entity	Full consolidation	Full deduction from capital
GFH Sukuk Limited	Financial entity	Full consolidation	No impact as no direct investment by the Bank and the entity is a securitisation vehicle.
GFH Partners Ltd#	Financial entity	Full consolidation	Full deduction from capital
GFH Capital Limited KSA	Financial entity	Full consolidation	Full deduction from capital
Gulf Holding Company KSC (c)	Commercial entity	Risk weighting of investment exposure	
Khaleeji Asset Company	Financial entity	Full consolidation	No impact as no direct investment by the Bank and the entity is a securitisation vehicle.
Delmon Lost Paradise Project Company 1 WLL Delmon Lost Paradise Project Company 2 WLL Harbour North 1 Real Estate WLL Harbour North 2A Real Estate WLL Harbour North 2B Real Estate WLL Harbour North 3 Real Estate WLL Harbour Row 4 Real Estate WLL	Commercial entities	Risk weighting (look through approach) approved by the CBB on 12 June 2019.	
Residential South Real Estate Development WLL	Commercial entity	Risk weighting (look through approach) approved by the CBB	
Roebuck A M LLP ("RAM")#	Commercial entity	Risk weighting of investment exposure	
Britus International School for Special Education W.L.L	Commercial entity	Risk weighting of investment exposure	
SQ Topco II LLC#	Commercial entity	Risk weighting of investment exposure	
GBCORP Tower Real Estate WLL	Commercial entity	Risk weighting of investment exposure	
Big Sky Asset Management LLC#	Commercial entity	Risk weighting of investment exposure	
Harbour House Row Towers W.L.L	Commercial entity	Risk weighting of investment exposure	
Al Areen Project Companies	Commercial entity	Risk weighting of investment exposure	
Al Areen Hotels W.L.L.	Commercial entity	Risk weighting of investment exposure	

**The above list does not include subsidiaries and other SPE holding companies of the Bank set up to supplement the activities of the Bank.*

 # During the period, Roebuck A M LLP ("RAM"), SQ Topco II LLC and Big Sky Asset Management LLC has been transferred to GFH Partners Ltd from the Bank.

Associates*	Entity classification as per PCD Module for consolidated capital adequacy	Treatment by the Bank for Consolidated and Solo basis
Al Areen Leisure & Tourism The Lost Paradise of Dilmun Waterpark ("LPOD") and Domina	Commercial entity	Risk weighting of investment exposure
Infracorp BSC (c)**	Commercial entity	Risk weighting of investment exposure
Enshaa Development Real Estate BSC (c)	Commercial entity	Risk weighting of investment exposure
Capital Real Estate Projects BSC (c)	Commercial entity	Risk weighting of investment exposure

**Does not include investments that were fully impaired and that do not have an impact on Form PIRI.*

***Risk weighting of investment exposure in accordance with the CBB approval dated 13 June 2023 for Infracorp.*

Investments in subsidiaries and associates are subject to Large Exposure and Connected Counter party limits and guidelines set by the CBB. Significant investment in banking subsidiaries and financial entities that exceed the threshold for deduction from capital, the excess should be deducted from the capital of the Group.

i) "During the year, the Bank had large exposures with Infracorp BSC (c), an investment in associate recognized by the Bank during the same period. The Bank sought approval for the exemption to the large exposure limit of 15% and from risk weighting the excess exposure at 800%.

   Accordingly, in a letter from CBB dated 13 June 2023, the request for exemption has been approved for a period of one year, subject to annual reassessment."

Khaleeji Bank B.S.C ("Khaleeji"), a banking subsidiary of the Bank, is a locally incorporated commercial bank and the specific quantitative and qualitative disclosures pertaining to all the risks of Khaleeji have been disclosed in the Risk Management Disclosures of Khaleeji as at 31 December 2023, which is not reproduced in this document and can be accessed through the Annual Report of Khaleeji. This document provides the Risk and Capital Management Disclosures of the Bank.

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

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

4. COMPOSITION OF CAPITAL

4.1. 3 steps approach to reconciliation between balance sheet in published financial statements and the composition of capital disclosure template

Statement of financial position under the regulatory scope of consolidation and reconciliation of published financial statements to regulatory reporting as at 31 December 2023

The table below shows the link between the statement of financial position in the published financial statements (accounting statement of financial position) and the regulatory statement of financial position.

US$ 000's

As at 31 December 2023	Consolidated Statement of Financial Position as in published financial statements	Consolidated Statement of Financial Position as per Regulatory Reporting	Reference
ASSETS			
Cash and bank balance	376,884	370,621	
Of which Expected Credit Losses (ECL) resulting from adoption of FAS 30	(27)	(27)	A
Treasury portfolio	5,135,032	5,131,931	
Of which Expected Credit Losses (ECL) as per FAS 30	(26,078)	(21,775)	A
Financing assets	1,537,314	1,537,314	
Of which Expected Credit Losses (ECL) as per FAS 30	(71,983)	(31,541)	A
Real estate investments	1,371,932	1,170,425	
Proprietary investments	1,044,727	1,452,554	
Of which Expected Credit Losses (ECL) as per FAS 30	(914)	(914)	A
Of which non-significant investments in financial entities	1	1	B
Of which significant investments in the common stock of financial entity	867	867	C
Co-investments	254,610	253,063	
Of which Expected Credit Losses (ECL) as per FAS 30	(1,606)	(1,606)	A
Receivables and prepayments	787,640	762,013	
Of which Expected Credit Losses (ECL) as per FAS 30	(7,948)	(445)	A
Property and equipment	274,721	23,962	
Asset held for sale	338,619	-	
Total assets	**11,121,479**	**10,701,883**	
LIABILITIES			
Clients' fund	206,222	206,222	
Placements from financial institutions	2,323,217	2,323,217	
Placements from non-financial institutions and individuals	960,050	960,050	
Customer current accounts	203,697	203,697	
Term financing	2,124,307	2,125,246	
Other liabilities	548,056	409,170	
Liabilities held for sale	230,562	-	
Total liabilities	**6,596,111**	**6,227,602**	
Equity of investment account holders	**3,451,006**	**3,451,006**	

US$ 000's

As at 31 December 2023	Consolidated Statement of Financial Position as in published financial statements	Consolidated Statement of Financial Position as per Regulatory Reporting	Reference
OWNERS' EQUITY			
Share capital	1,015,637	1,015,637	D
Treasury shares	(125,525)	(125,525)	E
Statutory reserve	47,518	47,518	F
Fair value reserve	(46,103)	(46,103)	G
Cash flow hedge reserved	(2,135)	(2,135)	H
Other reserved related to associate	(13,612)	-	
Retained earnings	105,831	105,831	I
Share grant reserve	7,930	7,930	J
Total equity attributable to shareholders of the Bank	**989,541**	**1,003,153**	
Non-controlling interests	84,821	20,122	
Of which Total minority interest in banking subsidiaries given recognition in CET1 capital	-	20,122	K
Total owners' equity	**1,074,362**	**1,023,275**	
Total liabilities, equity of investment account holders and owners' equity	**11,121,479**	**10,701,883**	

The table below shows the total assets and shareholders' equity of the Bank's subsidiaries as at 31 December 2023 which are not consolidated for capital adequacy calculation purposes.

US$ 000's

Entity name	Principal activities	Total Assets *	Total Shareholders' equity *
Gulf Holding Company	Real estate development	98,683	91,795
Residential South Real Estate Development Company (RSRED)	Real estate development	420,452	3,413
Roebuck A M LLP ("RAM")**	Property asset management Company	3,527	3,203
Britus International School for Special Education W.L.L	Educational services	3,397	(5,372)
GBCORP Tower Real Estate WLL	Own & lease real estate	50,631	47,617
SQ Topco II LLC**	Property asset management Company	41,358	11,420
Harbour House Row Towers W.L.L.	Own & lease real estate	18,963	(2,816)
Al Areen Hotels W.L.L.	Hospitality Management	186,741	121,045
Al Areen Holding	Hospitality Management Services	29,228	13,476
Big Sky Asset Management LLC**	Real estate investment manager	29,997	28,510

**The numbers disclosed are before considering intercompany eliminations.*

***Transferred to GFH Partners Ltd.*

4. COMPOSITION OF CAPITAL (contd.)

Composition of Regulatory Capital as at 31 December 2023

US$ 000's

	Component of regulatory capital reported by bank	Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
Common Equity Tier 1 capital: instruments and reserves		
Directly issued qualifying common share capital plus related stock surplus Net of investment in Treasury shares (125,525)	890,112	D+E
Retained earnings	105,831	I
Accumulated other comprehensive income (and other reserves)	9,345	F+G+J
Not applicable		-
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	20,122	K
Common Equity Tier 1 capital before regulatory adjustments	**1,025,410**	**-**
Common Equity Tier 1 capital: regulatory adjustments	-	-
Prudential valuation adjustments	-	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	(2,135)	H
Shortfall of provisions to expected losses	-	-
Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	-
Not applicable	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Reciprocal cross-holdings in common equity	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding the 15% threshold	-	-
of which: significant investments in the common stock of financials	-	-
of which: mortgage servicing rights	-	-
of which: deferred tax assets arising from temporary differences	-	-
CBB specific regulatory adjustments	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments to Common equity Tier 1	**-**	**-**
Common Equity Tier 1 capital (CET1)	**1,023,275**	**-**

Composition of Regulatory Capital as at 31 December 2023

US$ 000's

	Component of regulatory capital reported by bank	Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
Additional Tier 1 capital: instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	-
of which: classified as equity under applicable accounting standards	-	-
of which: classified as liabilities under applicable accounting standards	-	-
Directly issued capital instruments subject to phase out from Additional Tier 1	-	-
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-
of which: instruments issued by subsidiaries subject to phase out	-	-
Additional Tier 1 capital before regulatory adjustments	**-**	**-**
Additional Tier 1 capital: regulatory adjustments		
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
CBB specific regulatory adjustments	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	**-**	**-**
Additional Tier 1 capital (AT1)	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**1,023,275**	**-**
Tier 2 capital: instruments and provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
Directly issued capital instruments subject to phase out from Tier 2	-	-
Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	7,826	-
of which: instruments issued by subsidiaries subject to phase out	-	-
Provisions	56,308	A
Tier 2 capital before regulatory adjustments	**64,134**	**-**

4. COMPOSITION OF CAPITAL (contd.)

Composition of Regulatory Capital as at 31 December 2023

US$ 000's

	Component of regulatory capital reported by bank	Source based on reference letters of the statement of financial position under the regulatory scope of consolidation
Tier 2 capital: regulatory adjustments		
Investments in own Tier 2 instruments	-	-
Reciprocal cross-holdings in Tier 2 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)¬¬	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments	-	-
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital (T2)	**64,134**	**-**
Total capital (TC = T1 + T2)	**1,087,409**	**-**
Total risk weighted assets	**5,183,699**	**-**
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of risk weighted assets)	19.74%	-
Tier 1 (as a percentage of risk weighted assets)	19.74%	-
Total capital (as a percentage of risk weighted assets)	20.98%	-
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	N/A	-
of which: capital conservation buffer requirement	N/A	-
of which: bank specific countercyclical buffer requirement	N/A	-
of which: D-SIB buffer requirement	N/A	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	19.74%	-
National minima including CCB (where different from Basel III)		
CBB Common Equity Tier 1 minimum ratio	9.0%	-
CBB Tier 1 minimum ratio	10.5%	-
CBB total capital minimum ratio	12.5%	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	1	B
Significant investments in the common stock of financials	867	C
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to 9 standardized approach (prior to application of cap)	56,308	A
Cap on inclusion of provisions in Tier 2 under 9 standardized approach	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 & 1 Jan 2023)		
Current cap on CET1 instruments subject to phase out arrangements	NA	-
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	-
Current cap on AT1 instruments subject to phase out arrangements	NA	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	-
Current cap on T2 instruments subject to phase out arrangements	NA	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	-

Disclosure template for main features of regulatory capital instrument

Issuer	GFH Financial Group B.S.C
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	GFH (DFM) GFH (ADX) GFH (BHB) GFH (KSE)
Governing law(s) of the instrument Regulatory treatment	All applicable laws and regulations in the Kingdom of Bahrain.

Regulatory treatment	
Transitional CBB rules	Common Equity Tier 1
Post-transitional CBB rules	Common Equity Tier 1
Eligible at solo/group/group & solo	Group and solo
Instrument type (types to be specified by each jurisdiction)	Common equity shares
Amount recognized in regulatory capital (Currency in US$ mn, as of most recent reporting date)	USD 1,016 million
Par value of instrument	USD 0.265
Accounting classification	Shareholders' equity
Original date of issuance	1999
Perpetual or dated	Not applicable
Original maturity date	Not applicable
Issuer call subject to prior supervisory approval	Not applicable
Optional call date, contingent call dates and redemption amount	Not applicable
Subsequent call dates, if applicable Coupons / dividends	Not applicable
Dividends	Dividends as decided by the shareholders
Coupon rate and any related index	Not applicable
Existence of a dividend stopper	Not applicable
Fully discretionary, partially discretionary or mandatory	Fully discretionary
Existence of step up or other incentive to redeem	Not applicable
Noncumulative or cumulative	Not applicable
Convertible or non-convertible	Not applicable
If convertible, conversion trigger (s)	Not applicable
If convertible, fully or partially	Not applicable
If convertible, conversion rate	Not applicable
If convertible, mandatory or optional conversion	Not applicable
If convertible, specify instrument type convertible into	Not applicable
If convertible, specify issuer of instrument it converts into	Not applicable
Write-down feature	Not applicable
If write-down, write-down trigger(s)	Not applicable
If write-down, full or partial	Not applicable
If write-down, permanent or temporary	Not applicable
If temporary write-down, description of write-up mechanism	Not applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
Non-compliant transitioned features	Not applicable
If yes, specify non-compliant features	Not applicable

5. CAPITAL STRUCTURE AND CAPITAL ADEQUACY RATIO

5.1. Capital adequacy

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

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

The Bank has adopted the standardised approach to credit and market risk and basic indicator approach for operational risk management under the Capital Adequacy Framework.

The Group's regulatory capital position at 31 December 2023 was as follows:

US$ 000's

Total Capital	**31 December 2023**
Common Equity Tier 1 (CET 1)	
Issue and fully paid ordinary shares	1,015,637
Less: Treasury shares	(125,525)
Statutory reserve	47,518
Retained earnings	604
Current interim cumulative net profit	105,227
Other reserves	(38,173)
Total CET1 capital before minority interest	**1,005,288**
Total minority interest in banking subsidiaries given recognition in CET1 capital	20,122
Total CET1 capital prior to the regulatory adjustments	**1,025,410**
Less: Investment in own shares	-
Total CET1 capital after to the regulatory adjustments	**1,025,410**
Less: Cash flow hedge reserve	(2,135)
Total CET 1 capital after the regulatory adjustments above (CET1)	**1,023,275**
Other capital - Additional Tier 1 (AT1) & Tier 2 (T2) capital Instruments issued by banking subsidiaries to third parties	
- AT1	-
- T2	7,826
General financing loss provisions	
- T2	56,308
Total Available AT1 & T2 capital	**64,134**
Total Capital	**1,087,409**

Risk weighted exposures	**31 December 2023**
Credit risk	4,582,470
Market risk	90,135
Operational risk	511,094
Total Risk Weighted Exposures	**5,183,699**

CET1 ratio	19.74%
T1 ratio	19.74%
Total Capital Adequacy ratio (Total Capital)	**20.98%**

Total and Tier 1 Capital ratios of Khaleeji Bank BSC (c) (significant banking subsidiary of GFH) as at 31 December 2023 are as follows:

	31 December 2023
Capital adequacy ratio (CET1 and T1)	19.04%
Capital adequacy ratio (T1)	27.37
Total capital Adequacy ratio (Total capital)	**28.43%**

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

Pillar I Risks

6. CREDIT RISK

6.1. Introduction

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

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

6.2. Credit risk management

The Bank is primarily exposed to credit risk from placements with other financial institutions, investment in Treasury products, receivables from its investment banking services and in respect of funding made (both in the form of financing and short-term liquidity facilities) to its projects and other direct credit facilities provided.

The Bank has an established internal process for assessing credit risk. The Bank has established investment and credit risk policies covering credit risk identification and assessment, risk reporting, documentation and legal procedures, and compliance with regulatory and statutory requirements. The policies are supplemented by an internal authorization structure for the approval and renewal of investment and credit facilities. Authorization limits for credit facilities are as per the Board approved Delegated Authority Limits (DAL). The RMD helps the team to assess all investment and credit proposals prior to investments / facilities being committed. RMD lists down its concerns, performs internal rating and provides final risk comments on all applications prior to circulation for sign off. Renewals and reviews of investments / facilities are subject to the same review process. Investment updates are periodically reviewed by the Board of Directors. Regular audits of Business Units and credit processes are undertaken by Internal Audit.

6.3 Risk grading of exposure

The Group allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. The Bank relies on the ratings issued by ECAI such as S&P, Moody's and Fitch that are approved by the Central Bank of Bahrain mainly for Financial Institutions & Sovereign. If there are two assessments by ECAIs, the lowest rating will be applied while if there are three assessments by ECAIs, the middle rating will be applied. Ratings from selected ECAIs will be used regularly for the ongoing monitoring of the exposures which may result in an exposure being moved to a different credit risk grade. The credit risk grade for unrated exposures will be based on qualitative and quantitative factors which may vary depending on the nature of the exposure and the type of borrower.

Please refer to Note 35 of the consolidated financial statements for additional details on the processes for measuring and managing credit risk.

6. CREDIT RISK (contd.)

6.3. Capital requirements for credit risk

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

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

US$ 000's

Exposure class	Gross Credit Exposure	Credit Risk Mitigant	Credit Risk Exposure after Credit Risk Mitigant	Average Risk weights	Total Credit risk Weighted Exposure
Self-financed assets					
Cash items	8,195	-	8,195	0%	-
Total claims on sovereign and PSEs treated as sovereign	2,376,016	-	2,376,016	0%-100%	5,020
Standard Risk Weights for Claims on Banks	1,191,823	-	1,191,823	20%-150%	678,348
Short term Claims on Banks	422,218	-	422,218	20%	84,444
Preferential Risk Weight for Claims on Banks	2,989	-	2,989	20%	598
Claims on Corporates	2,491,243	(139,903)	2,351,340	0%-100%	2,256,140
Regulatory Retail Portfolio	51,353	(37,557)	13,796	75%	10,347
Mortgage	48,353	-	48,353	35%	16,924
Past Due Facilities	134,265	(23,403)	110,862	100%-150%	148,118
Investments in Equity Securities and Equity Sukuk	223,480	-	223,480	100%-800%	308,526
Holding of Real Estate	226,796	-	226,796	200%-400%	226,796
Others Assets	90,922	-	90,922	100%	90,922
Total self-financed assets (A)	**7,267,653**	**(200,863)**	**7,066,790**	**0%-800%**	**3,826,183**
Total regulatory capital required - self-financed assets (A x 12.5%)				**12.50%**	**478,273**
Financed by EIAH					
Total claims on sovereign and PSEs treated as sovereign	348,098	-	348,098	-	287,688
Standard Risk Weights for Claims on Banks	494,564	-	494,564	20%-100%	218,656
Short term Claims on Banks	-	-	-	20%	-
Claims on Corporates	1,807,228	(52,347)	1,754,881	20%-150%	1,765,477
Regulatory Retail Portfolio	67,682	(5,897)	61,785	35%	46,339
Mortgage	189,024	-	189,024	35%	66,159
Investment in Equity Securities and Equity Sukuk	58,581	-	58,581	100%-150%	74,322
Holding of Real Estate	62,333	-	62,333	100%	62,333
Total financed by EIAH (B)	**3,027,510**	**(58,244)**	**2,969,266**	**0%-150%**	**2,520,974**
Considered for credit risk (C) = (B x 30%)				**30%**	**756,292.20**
Total regulatory capital required - financed by EIAH (C x 12.5%)				**12.50%**	**94,537**
Total risk weighted assets (A+C)					**4,582,473**
Minimum regulatory capital required (at 12.5%)					**572,809.15**

6.4. Quantitative information on credit risk

6.4.1. Gross and average credit exposure

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

US$ 000's

Balance sheet items	Self-finance	EIAH	Total credit exposure	Average credit exposure*
Cash and bank balances	316,477	60,407	376,884	493,557
Treasury portfolio	3,207,488	1,927,544	5,135,032	4,959,310
Financing contracts	732,201	805,113	1,537,314	1,534,527
Real estate investments	1,339,429	32,503	1,371,932	1,330,706
Proprietary investments	424,475	620,252	1,044,727	1,029,355
Co-investments	254,610	-	254,610	191,016
Receivables and prepayments	782,454	5,186	787,640	750,515
Property and equipment	274,721	-	274,721	226,479
Assets held for sale	338,619	-	338,619	84,655
Total funded exposure	**7,670,474**	**3,451,005**	**11,121,479**	**10,600,120**
Commitments	203,697	-	203,697	207,246
Restricted investment accounts (RIA)	140	4,066	4,206	4,184
Total unfunded exposure	**203,837**	**4,066**	**207,903**	**211,430**

** Average gross credit exposures have been calculated based on the average of balances outstanding on a quarterly basis during the year ended 31 December 2023. Assets funded by EIAH are geographically classified in GCC countries, MENA, Asia, Europe and North America. Cash and Bank Balances that are funded by EIAH are placed with Banks and financial institutions having maturity profile of up to 3 months.*

6.4.2. Credit exposure by geography

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

US$ 000's

31 December 2023	GCC Countries	MENA	Asia	North America	Others	Total
Assets						
Cash and bank balances	322,098	361	82	50,188	4,155	**376,884**
Treasury portfolio	3,239,875	445,603	-	269,765	1,179,789	**5,135,032**
Financing contracts	1,489,776	-	-	31,514	16,024	**1,537,314**
Real estate investment	1,362,718	-	7,430	-	1,784	**1,371,932**
Proprietary investment	1,035,609	-	-	1,976	7,142	**1,044,727**
Co-Investments	167,221	-	505	28,077	58,807	**254,610**
Receivables & prepayments	622,346	22,552	3,520	131,310	7,912	**787,640**
Property and equipment	274,721	-	-	-	-	**274,721**
Assets held for sale	338,619	-	-	-	-	**338,619**
Total assets	**8,852,983**	**468,516**	**11,537**	**512,830**	**1,275,613**	**11,121,479**
Equity of investment account holders	3,360,289	2,329	4,218	-	84,170	**3,451,006**
Off-balance sheet items						
Commitments	154,550	-	-	49,147	-	**203,697**
Restricted investment accounts	4,067	-	-	141	-	**4,208**
Notional amount of Derivative	-	-	-	558,500	-	**558,500**

6. CREDIT RISK (contd.)

6.4. Quantitative information on credit risk

6.4.3. Credit exposure by industry

The classification of credit exposure by industry was as follows:

US$ 000's

31 December 2023	Banks and financial institutions	Real Estate	Others	Total
Assets				
Cash and bank balances	359,436	13,253	4,195	**376,884**
Treasury portfolio	4,071,499	207,677	855,856	**5,135,032**
Financing contracts	90,540	735,117	711,657	**1,537,314**
Real estate investments	-	1,371,932	-	**1,371,932**
Proprietary investment	720,208	153,916	170,603	**1,044,727**
Co-investment	143,140	111,470	-	**254,610**
Receivables and prepayments	40,528	125,420	621,692	**787,640**
Property and equipment	4,927	78,683	191,111	**274,721**
Assets held for sale	-	338,619	-	**338,619**
Total assets	**5,430,278**	**3,136,087**	**2,555,114**	**11,121,479**
Equity of Investment account holders	348,787	166,159	2,936,060	**3,451,006**
Off-balance sheet items				
Commitments	654	78,463	124,581	**203,698**
Restricted investment accounts	-	4,208	-	**4,208**
Notional amount of derivative	558,500	-	-	**558,500**

6.4.4. Credit exposure by maturity

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

US$ 000's

31 December 2023	Up to 3 Months	3 to 6 Months	6 Months to 1 Year	1 to 3 Years	Over 3 Years	Total
Assets						
Cash and bank balances	343,314	8,660	22,976	1,934	-	**376,884**
Treasury portfolio	2,490,581	68,210	62,469	787,230	1,726,542	**5,135,032**
Financing contracts	182,611	48,429	185,568	315,080	805,626	**1,537,314**
Real estate investment	-	-	-	-	1,371,932	**1,371,932**
Proprietary investments	-	-	-	967,123	77,604	**1,044,727**
Co-investments	-	-	-	254,610	-	**254,610**
Receivables and prepayments	99,635	10,548	244,732	69,265	363,460	**787,640**
Property and equipment	-	-	-	-	274,721	**274,721**
Assets held for sale	338,619	-	-	-	-	**338,619**
Total assets	**3,454,760**	**135,847**	**515,745**	**2,395,242**	**4,619,885**	**11,121,479**
Equity of investment account holders	2,031,934	272,393	656,972	395,218	94,489	**3,451,006**
Off-balance sheet items						
Commitments	92,478	18,366	33,483	59,232	138	**203,697**
Restricted investment accounts	-	-	-	4,208	-	**4,208**

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

6.5. Large Exposures

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

During the year, the Bank had large exposures with Infracorp BSC (c), an investment in associate recognized by the Bank during the same period. The Bank sought approval for the exemption to the large exposure limit of 15% and from risk weighting the excess exposure at 800%. Accordingly, in a letter from CBB dated 13 June 2023, the request for the exemption has been approved for a period of one year, subject to annual reassessment.

All large exposures in excess of 15% of capital base as at 31 December 2023 has been risk weighted at 800%. Also, the combined exposures in excess of 25% of total capital base of closely connected counterparties have been risk weighted at 800%.

As at 31 December 2023, the Group did not report a single large exposure which is in excess of 15% of Capital Base.

6.6. Impaired facilities and past due exposures

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

The definition and details of impaired assets, past due but not impaired exposures and policy for establishing an allowance account and write-off of an exposure is provided for in Note 35 to the consolidated financial statements. The details of changes in impairment allowances for financial assets are provided for in the notes to the consolidated financial statements.

All impaired and past due credit exposures at 31 December 2023 mainly relate to the treasury and real estate sectors.

6.7. Credit risk mitigation

The credit risk exposures faced by the Bank are primarily related to placements with other financial institutions, investments in sukuks, other credit facilities and in respect of investment-related funding made to its projects. The funding made to the projects are based on the assessment of the underlying value of the assets and the expected streams of cash flows.

The Bank shall conduct all necessary due diligence irrespective of obtaining credit risk mitigates. As a principle, the Bank should try, on a best effort basis, not to extend facilities without any security / collateral. Only eligible collaterals as per the CBB guidelines shall be considered for reducing the capital requirement though the Bank can continue to take non-eligible collaterals to safeguard its exposure subject to obtaining requisite approvals. As a matter of principle, collateral should not replace a careful assessment of the borrower's ability to repay.

6.8. Related party and intra-group transactions

Related counterparties are those entities which are connected to the Bank through significant shareholding or control or both. The Bank has entered into business transactions with such counterparties in the normal course of its business. For the purpose of identification of related parties, the Bank strictly follows the guidelines issued by Central Bank of Bahrain and definitions as per FAS issued by AAOIFI. Detailed break-up of exposure to related parties has been presented in Note 24 to the consolidated financial statements.

6.9. Exposure to highly leveraged and other high-risk counterparties

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

6.10. Restructured Facilities

As at 31 December 2023, other assets which are neither past due nor impaired include certain short-term financing to projects which were renegotiated during the year (refer note 35 in the consolidated financial statements). In certain cases, on a need basis, the Bank supports its projects by providing credit facilities. These facilities are provided based on assessment of cash flow requirements of the projects and the projects' ability to repay the financing amounts based on its operating cash flows. The assessment is independently reviewed by the RMD. The terms of the renegotiation primarily include extension of the repayment period. The facilities are provided as viewed necessary based on periodic impairment assessments.

6. CREDIT RISK (contd.)

6.11. Equity investments held in banking book

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

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

The RMD provides an independent review of all transactions. A fair evaluation and impairment assessment of investments takes place. Investment updates are periodically reviewed by the Board of Directors. Regular audits of business units and processes are undertaken by Internal Audit.

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

Information on equity investments	US$ 000's
Privately held	1,571,399
Quoted in an active market	79,875
Dividend income,net	303
Realised gain/ (loss) during the year	7,592

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

US$ 000's

	Gross exposure		Risk weighted exposure		Capital Charge 12.5%	
	Self-finance	EIAH	Self-finance	EIAH	Self-finance	EIAH
Claims on Banks	-	331,471	-	137,110	-	17,139
Other Corporates Including Category 3 Investment Firms - unrated	332,339	701,302	332,339	701,302	41,542	87,663
Listed equity investment	52,776	-	52,776	-	6,597	-
Unlisted equity investment*	169,186	-	253,781	-	31,723	-
Significant investment in the common shares of financial entities >10%	867	-	2,167	-	271	-
Investments in unrated funds - listed	-	27,099	-	27,099	-	3,387
Investments in unrated funds - unlisted	-	31,482	-	47,222	-	5,903
Other Assets	4,753	-	7,130	-	891	-
Total	**559,920**	**1,091,354**	**648,192**	**912,733**	**81,024**	**114,092**

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

7. MARKET RISK

7.1. Introduction

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

7.2. Foreign exchange risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank seeks to manage currency risk by continually monitoring exchange rates. The Board of Directors approves policies and strategies related to the management of FX risk. The Assets and Liabilities Committee ('ALCO') supports the Board in managing FX risk by recommending policies, setting limits and guidelines and monitoring the FX risk of the Bank on a regular basis. ALCO provides guidance for day-to-day management of FX risk and also approves hedging programs. The management of the day-to-day FX position of the Bank is the responsibility of the Treasury. The Treasury department shall ensure adequate FX liquidity to meet the maturing obligations and growth in assets while ensuring that all limits and guidelines set by the Board and ALCO are complied with; and shall implement hedging and other approved strategies for managing the risk. The Risk Management Department on an ongoing basis reviews the limits set and ensures that the concerned department(s) is complying with all limits set as per the risk appetite of the Bank. The Group has reported net exposures denominated in various foreign currency as of 31 December 2023 from various financial instruments and structural foreign currency exposure arising from unhedged equity investments in its foreign subsidiaries and investments (refer to Note 35(c) of the consolidated financials statements).

The management of foreign exchange risk against net exposure limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various foreign exchange scenarios. Standard scenarios that are considered include a 5% plus / minus increase in exchange rates, other than GCC pegged currencies. An analysis of the Bank's net foreign exchange position and its sensitivity to an increase or decrease in foreign exchange rates (assuming all other variables, primarily profit rates, remain constant) has been presented in Note 35 to the consolidated financial statements.

7.3. Capital requirements for market risk

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

US$ 000's

Self Financed	31 December 2023	Maximum during the year	Minimum during the year
Foreign exchange risk - [A]	7,211	7,211	3,495
Risk weighted assets – [B] = (A*12.5)	90,135	90,135	43,690
Capital requirement – (B*12.5%)	11,267	11,267	5,461

8. OPERATIONAL RISK

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

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

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

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

8.3. Legal compliance and litigation
The Bank has established approved policies in relation to legal, regulatory and compliance risk; and has dedicated Compliance and Legal departments in place.

All contracts, documents, etc. have to be reviewed by the Legal department as well. For information on contingencies, refer to Note 34 of the consolidated financial statements.

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

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

US$ 000's

	Average gross income	Risk weighted exposure	Capital charge at 12.5%
Operational risk	272,583	511,093	63,887

9. OTHER TYPES OF RISK

9.1. Introduction

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

9.2. Liquidity risk

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

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

The liquidity position is closely monitored and stressed to cover both normal and severe bank specific and market specific conditions. Daily reports cover the liquidity position of the Bank. Moreover, periodic reports are submitted to the Asset and Liability Management Committee of the Bank (ALCO), Audit & Risk Committee (ARC) and to the Board of Directors for review and strategic decision. For maturity profile of assets and liabilities refer to Note 30 of the consolidated financial statements.

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

US$ 000's

Liquidity Ratios	31 December 2023	Maximum	Minimum
Liquid assets : Total assets	49.56%	53.27%	49.56%
Liquid assets : Total deposits	148.20%	167.88%	111.25%
Short-term assets : Short-term liabilities	60.12%	60.12%	52.23%
Illiquid assets : Total assets	48.62%	50.44%	46.73%

9.3. Management of profit rate risk in the banking book (PRRBB)

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

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

- Repricing Risk: The primary form of profit rate risk arises from timing differences in the maturity (for fixed-rate) and repricing (for floating-rate) of bank assets, liabilities, and OBS positions.

- Basis risk: Another important source of profit rate risk arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics. When profit rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and OBS instruments of similar maturities or repricing frequencies.

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

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

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

9. OTHER TYPES OF RISK (contd.)

9.3. Management of profit rate risk in the banking book (PRRBB) (contd.)

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

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

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

Standard scenarios that are considered include a 100 basis points (bps) parallel fall or rise in yield curves. For details of the Bank's profit rate gap position as at 31 December 2023 and analysis of the Bank's sensitivity to an increase or decrease in market profit rates, refer to Note 35 (c) of the consolidated financial statements. An analysis of the Group's sensitivity to an increase or decrease in market profit rates for a 100 bps parallel increase / (decrease) is as below:

100 bps parallel increase / (decrease	US$ 000's
At 31 December 2023	±14,324
Average for the year	±11,570
Maximum for the year	±14,324
Minimum for the year	±7,658

9.4. Concentration risk

This risk arises from exposure to a common set of factors that can produce losses large enough to threaten the Bank's health or ability to maintain its core business. Concentration risk can arise from exposure to specific classes of assets, sector, country, revenue streams, counterparty, a group of counterparties, etc. Concentration risk is mitigated by limits, diversification by assets, geography, counterparty quality etc. The industry sector and geographical concentration of credit exposures has been disclosed in Notes 31 (a) and 31 (b) of the consolidated financial statements respectively.

9.5. Counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a contract in the profit rate, foreign exchange, equity and credit markets defaults prior to maturity of the contract. In addition to the identified credit risk exposures the Bank's counterparty credit risk from markets as such is limited to the fair value of contracts of foreign exchange risk management instruments the overall exposure to which is usually not significant. For other credit market transactions (primarily inter-bank placements), the Bank has established a limit structure based on the credit quality (assessed based on external rating) of each counter party bank to avoid concentration of risks for counterparty, sector and geography. The Bank is constantly reviewing and monitoring the positions to ensure proper adherence to the limits and defined policies of the Bank. As at 31 December 2023, the Bank did not have any open positions on foreign exchange contracts.

9.6. Reputational risk (non-performance risk)

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

9.7. Displaced commercial risk

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

9.8. Other risks

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

10. ICAAP CONSIDERATIONS

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

11. PRODUCT DISCLOSURES

11.1. Product descriptions and consumer awareness

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

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

11.2. Customer complaints

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

11.3. Equity of Investment Account Holders (EIAHD)/URIA

The current EIAH deposits have been accepted on a case-by-case basis considering the Bank's relationship with its customers.

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

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

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

For the qualitative disclosures pertaining to EIAH of Khaleeji, please refer to the annual report of Khaleeji.
The quantitative disclosures below are pertaining to the EIAH from the Bank.

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

US$ 000's

As at 31 December	2023	2022	2021	2020	2019
Allocated income to IAH	63,926	2,597	11,548	15,330	6
Distributed profit	63,926	2,597	11,548	15,330	6
Mudarib fees*	0.21	0.3	0.3	0.3	0.3
Average rate of return earned	4.42%	4.44%	5.77%	5.14%	1.04%
IAH[1]	1,445,867	58,548	200,234	176,273	591
Profit Equalisation Reserve (PER)	9	9	9	9	9
Investment Risk Reserve (IRR)	6	6	6	6	6
Profit Equalisation Reserve-to-IAH (%)	-	-	-	-	-
Investment Risk Reserve-to-IAH (%)	-	-	-	-	-

[1] Represents average balance

** Includes contribution towards deposit protection scheme*

11.4. Restricted investment accounts

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

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

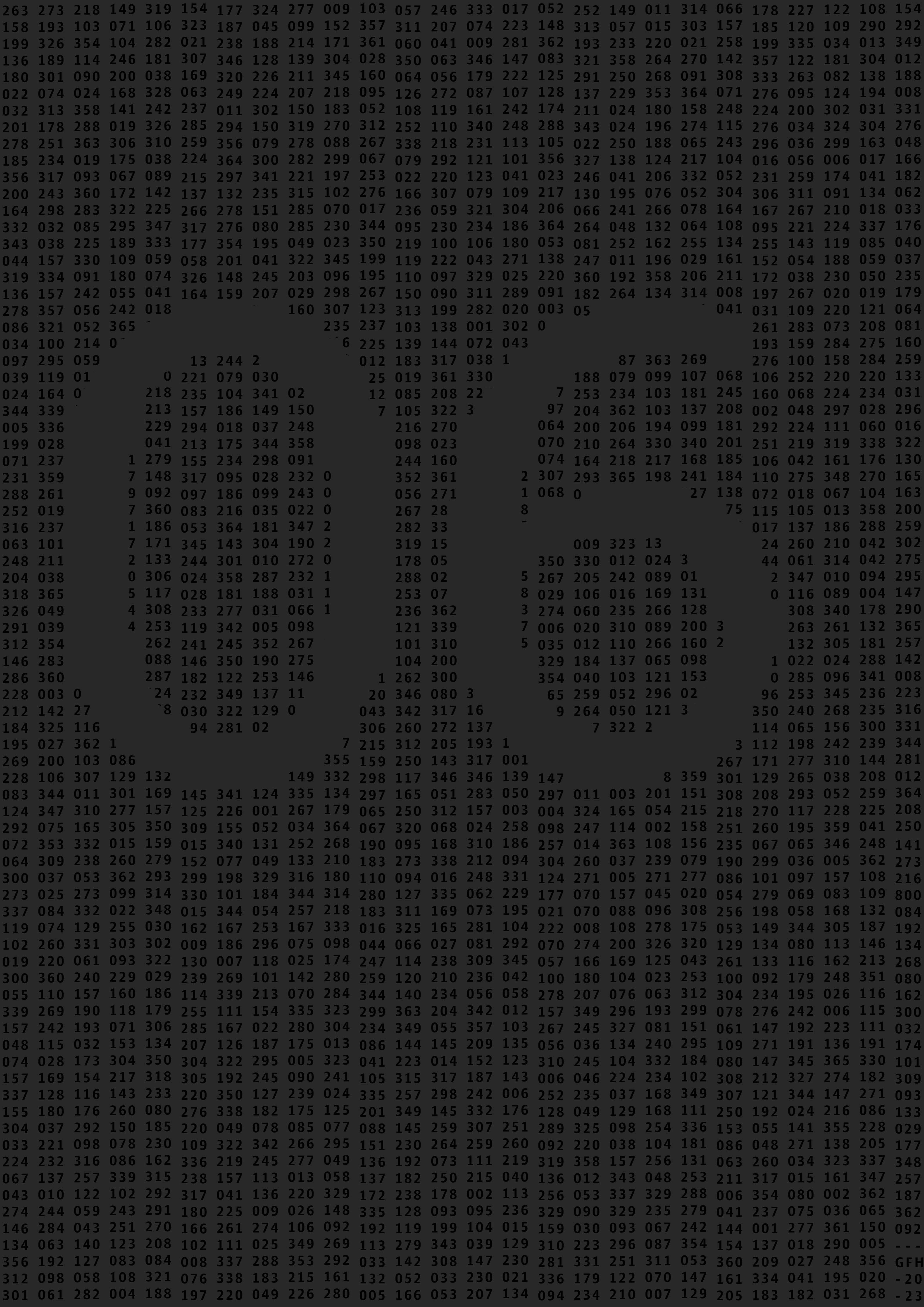
- Ensuring that the investment structure, Offering Documents and the investment itself are fully compliant with Islamic Shari'a principles and the CBB regulations;
- Appropriately highlighting to the Investors, as part of the RIA Offering Document, of all the relevant and known risk factors and making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

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

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

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

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


GFH

06_ Financial Statements

_Sharia Supervisory Board Report on the Activities of GFH Financial Group B.S.C

for the year ended 31 December 2023

11 February 2024
1 Shaban 1445 AH

Prayers and Peace Upon the Last Apostle and Messenger, Our prophet Mohammed, His comrades and Relatives.

The Sharia Supervisory Board of GFH Financial Group have reviewed the Bank's investment activates and compared them with the previously issued fatawa and rulings during the financial year 31st December 2023.

Respective Responsibility of Sharia Supervisory Board
The Sharia Supervisory Board believes that as a general principle and practice, the Bank Management is responsible for ensuring that it conducts its business in accordance with Islamic Sharia rules and principles. The Sharia Supervisory Board responsibility is to express an independent opinion on the basis of its control and review of the Bank's operations and to prepare this report.

Basis of opinion
Based on Sharia Supervisory Board fatwas and decisions, AAOIFI standards and Sharia Audit plan, the Sharia Supervisory Board through its periodic meetings reviewed the Sharia Audit function reports and examined the compliance of documents and transactions in regards to Islamic Sharia rules and principles, in coordination with Sharia Implementation & Coordination function. Furthermore, the Bank's management explained and clarified the contents of Consolidated Balance Sheet, Consolidated Income Statement, Consolidated statement of Zakah and Charity fund, and attached notes for the financial year ended on 31st December 2023 to our satisfaction.

Opinion
The Sharia Supervisory Board believes that,

1. The contracts, transactions and dealings entered into by the Bank are in compliance with Islamic Sharia rules and principles
2. The distribution of profit and allocation of losses on investments was in line with the basis and principles approved by the Sharia Supervisory Board and in accordance to the Islamic Sharia rules and principles
3. Any earnings resulted from sources or means prohibited by the Islamic Sharia rules and principles, have been directed to the Charity account.
4. Zakah was calculated according to the Islamic Sharia rules and principles, by the net assets method. It is to be noted that the responsibility of paying Zakah lies on the Shareholders of the Bank.
5. The Bank was committed to comply with Islamic Sharia rules and principles, the Sharia Supervisory Board fatawa and guidelines, Sharia related policies and procedures, AAOIFI's Sharia standards, and Sharia directives issued by the CBB.

We extend our sincere thanks to all the regulatory authorities in the Kingdom of Bahrain and abroad for their support in the procedural matters. Praise be to Allah, Lord of the worlds. Prayer on Prophet Mohammed (Peace Be Upon Him), all his family and Companions.

Sheikh Nedham Yaqoubi
Executive Member

Sheikh Abdulla Al Menai
President

Sheikh Abdulaziz Al Qassar
Executive Member

Sheikh Fareed Hadi
Executive Member

_Independent Auditors' Report to the Shareholders of

GFH Financial Group B.S.C, PO Box 10006, Manama, Kingdom of Bahrain

Opinion

We have audited the accompanying consolidated financial statements of GFH Financial Group B.S.C. (the "Bank"), and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of income, changes in owners' equity, cash flows, changes in restricted investment accounts and sources and uses of zakah and charity fund for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, consolidated results of its operations, changes in owners' equity, its cash flows, changes in restricted investment accounts and its sources and uses of zakah and charity fund for the year then ended in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Group has also complied with the Islamic Sharia Principles and Rules as determined by the Group's Sharia Supervisory Board during the year ended 31 December 2023.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions ("ASIFIs") issued by AAOIFI. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions and International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (together "the Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

_Independent Auditors’ Report
to the Shareholders (contd.)

Impairment allowance on financing contracts

(Refer accounting policy in Note 4(h) and (q), use of estimates and judgments in Note 5 and management of credit risk in Note 35 (a))

The key audit matter	How the matter was addressed in our audit
We focused on this area because: Of the significance of financing contracts representing 14% of total assets. The estimation of expected credit losses (“ECL”) on Financing contracts involve significant judgment and estimates. The key areas where we identified greater level of management judgment and estimates are: **Use of complex models** Use of inherently judgemental complex models to estimate ECL which involves determining Probabilities of default (“PD”), Loss Given Default (“LGD”) and Exposure At default (“EAD”). The PD models are considered the drivers of the ECLs. **Economic scenarios** The need to measure ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weightings applied to them. **Management overlays** Adjustments to the ECL model results are made by management to address known impairment model limitations or emerging trends or risks. Such adjustments are inherently uncertain and significant management judgment is involved in estimating these amounts.	Our procedures, amongst others, included: Evaluating the appropriateness of the accounting policies adopted based on the requirements of applicable accounting standards, regulatory guidance, our business understanding and industry practice. Confirming our understanding of management’s processes, systems and controls over the ECL calculation process. **Control testing** We performed process walkthroughs to identify the key systems, applications and controls associated with the ECL calculation processes. Key aspects of our controls testing involved the following: • Testing controls over the transfer of data between underlying source systems and ECL models that the Group operates. • Performing a detailed credit risk assessment for a sample of performing corporate contracts to test controls over the credit rating and monitoring process. • Testing controls over the review and approval of post model adjustments and management overlays and the governance process over such overlays; • Testing controls over the modelling process, including governance over model monitoring, validation and approval. **Tests of details** Key aspects of our testing involved: • Reviewing a sample of credit files for performing accounts and evaluating the financial performance of the borrower, source of repayment and eligible collateral and on this basis assess the appropriateness of credit rating and staging. • Sample testing over key data inputs used in estimating the ECL and assessing the completeness, accuracy and relevance of data used. • Re-performing key elements of the Group’s model calculations and assessing performance results for accuracy. • Sample testing over factors used to determine whether significant increase in credit risk has been appropriately identified. • Selecting a sample of post model adjustments and management overlays to assess the reasonableness of the adjustments by challenging key assumptions, testing the underlying calculation and tracing a sample back to the source data. • Assessing the adequacy of provisions against individually impaired financing contracts (stage 3) in accordance with the applicable FAS.

_Independent Auditors' Report to the Shareholders (contd.)

Impairment allowance on financing assets (contd.)

The key audit matter	How the matter was addressed in our audit
	Use of specialists For the relevant portfolios examined, we have involved KPMG specialists to assist us in assessing IT system controls and challenging key management assumptions used in estimating expected credit losses. Key aspects of their involvement included the following: • We involved our Information Technology Audit specialists to test the relevant General IT and Applications Controls over key systems used for data extraction as part of the ECL calculation process; • We involved our Financial Risk Management (FRM) specialists to assist us in: a. Evaluating the appropriateness of the Groups' ECL methodologies (including the staging criteria used); b. On a test basis, re-performing the calculation of certain components of the ECL model (including the staging criteria); c. Evaluating the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weights applied to them; and d. Evaluating the overall reasonableness of the management forward- looking estimates by comparing it to external market data and our understanding of the underlying sector and macroeconomic trends. **Disclosures** We assessed the adequacy of the Group's disclosures in relation to use of significant estimates and judgement and credit quality of financing contracts by reference to the requirements of relevant accounting standards.

Valuation of unquoted equity investments

Refer accounting policy in note 4g(iv) and fair value of level 3 financial instruments in note 33.

The key audit matter	How the matter was addressed in our audit
We considered this as a key audit area we focused on because the valuation of unquoted equity securities held at fair value (level 3) requires the application of valuation techniques which often involve the exercise of significant judgment by the Group and the use of significant unobservable inputs and assumptions.	Our procedures included: we involved our own valuation specialists to assist us in: • evaluating the appropriateness of the valuation methodologies used by comparing with observed industry practice. • evaluating the reasonableness of key input and assumptions used by using our knowledge of the industries in which the investees operate and industry norms • comparing the key underlying financial data and inputs used in the valuation to external sources, investee company financial and management information, as applicable. **Disclosures** Evaluating the adequacy of the Group's disclosures related to valuation of unquoted equity instruments by reference to the relevant accounting standards.

_Independent Auditors' Report
to the Shareholders (contd.)

Other Information
The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Chairman's report and other sections which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Consolidated Financial Statements
The board of directors is responsible for the Group's undertaking to operate in accordance with Islamic Sharia Rules and Principles as determined by the Group's Sharia Supervisory Board.

The board of directors is also responsible for the preparation and fair presentation of the consolidated financial statements in accordance with FAS, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ASIFIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ASIFIs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

_Independent Auditors' Report
to the Shareholders (contd.)

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Regulatory Requirements
As required by the Commercial Companies Law 2001 (as amended) and Volume 2 of the Rulebook issued by the Central Bank of Bahrain ("CBB"), we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b) the financial information contained in the chairman's report is consistent with the consolidated financial statements;
c) we are not aware of any violations during the year of the Commercial Companies Law 2001 (as amended) , the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 2, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors' report is Mahesh Balasubramanian.

KPMG Fakhro
Partner Registration Number 137
13 February 2024

_Consolidated Statement of Financial Position

for the year ended 31 December 2023

US$ 000's

	Note	31 December 2023	31 December 2022
ASSETS			
Cash and bank balances	6	376,884	858,239
Treasury portfolio	7	5,135,032	4,210,020
Financing contracts	8	1,537,314	1,435,238
Investment in real estate	9	1,371,932	1,287,085
Proprietary investments	10	1,044,727	1,005,053
Co-investments	11	254,610	142,051
Receivables and other assets	12	787,640	589,869
Property and equipment	13	274,721	232,736
Assets held for sale	37	338,619	-
Total assets		**11,121,479**	9,760,291
LIABILITIES			
Clients' funds		206,222	123,300
Placements from financial institutions		2,323,217	3,790,870
Placements from non-financial institutions and individuals	14	960,050	1,064,258
Customer current accounts		203,697	131,234
Term financing	15	2,124,307	1,942,198
Other liabilities	16	548,056	423,363
Liabilities held for sale	37	230,562	-
Total liabilities		**6,596,111**	7,475,223
Equity of investment account holders	17	**3,451,006**	1,213,674
OWNERS' EQUITY			
Share capital	18	1,015,637	1,015,637
Treasury shares		(125,525)	(105,598)
Statutory reserve		47,518	36,995
Investment fair value reserve		(46,103)	(53,195)
Cash flow hedge reserve		(2,135)	-
Other reserve		(13,612)	-
Retained earnings	38	105,831	95,831
Share grant reserve	19	7,930	6,930
Total equity attributable to shareholders of Bank		**989,541**	996,600
Non-controlling interests		84,821	74,794
Total owners' equity		**1,074,362**	1,071,394
Total liabilities, equity of investment account holders and owners' equity		**11,121,479**	9,760,291

The consolidated financial statements were approved by the Board of Directors on 13 February 2024 and signed on its behalf by:

Ghazi Faisal Ebrahim Alhajeri
Chairman

Hisham Alrayes
Chief Executive Officer & Board Member

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

_Consolidated
Income Statement

for the year ended 31 December 2023

US$ 000's

	Note	2023	2022
Investment banking income			
Deal related income		182,719	86,967
Asset management		18,652	33,536
		201,371	120,503
Commercial banking income			
Income from financing		106,691	94,751
Treasury and investment income		94,254	61,021
Fee and other income		27,210	9,211
Less: Return to investment account holders	17	(57,183)	(38,051)
Less: Finance expense		(91,973)	(47,960)
		78,999	78,972
Treasury and Proprietary Investments			
Finance and treasury portfolio income, net		209,372	94,665
Direct investment income, net		37,142	53,559
Income from co-investments, net		10,993	24,626
Share of profit from equity-accounted investees		34,536	27,694
Income from sale of assets		7,959	13,388
Leasing and operating income		15,793	7,753
Other income, net		15,089	19,910
Finance expenses - Repo and FI		(241,727)	(143,308)
		89,157	98,287
Total income		**369,527**	297,762
Other operating expenses	21 & 22	181,373	147,947
Finance expense - Term financing and others		62,468	48,798
Impairment allowances	23	20,459	3,310
Total expenses		**264,300**	200,055
Profit for the year		**105,227**	97,707
Attributable to:			
Shareholders of the Bank		102,863	90,253
Non-controlling interests		2,364	7,454
		105,227	97,707
Earnings per share			
Basic and diluted earnings per share (US cents)		**2.95**	2.65

Ghazi Faisal Ebrahim Alhajeri
Chairman

Hisham Alrayes
Chief Executive Officer & Board Member

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

_Consolidated Statement of Changes in Owners' Equity

for the year ended 31 December 2023

	Attributable to shareholders of the Bank			
31 December 2023	**Share capital**	**Treasury shares**	**Statutory reserve**	**Cashflow hedge reserve**
Balance at 1 January 2023 (as previously reported)	1,015,637	(105,598)	36,995	-
Prior year adjustment (note 38)	-	-	-	-
Balance as at 1 January 2023 (re-stated)	**1,015,637**	**(105,598)**	**36,995**	**-**
Profit for the year	-	-	-	-
Fair value changes during the year	-	-	-	(2,135)
Total recognised income and expense	**-**	**-**	**-**	**(2,135)**
Issue of shares under incentive scheme	-	-	-	-
Transfer to zakah and charity fund	-	-	-	-
Dividends declared for 2022	-	-	-	-
Transfer to statutory reserve	-	-	10,523	-
Purchase of treasury shares	-	(48,178)	-	-
Sale of treasury shares	-	28,251	-	-
Additional NCI without a change in control	-	-	-	-
Reduction in NCI due to loss of control	-	-	-	-
Balance at 31 December 2023	**1,015,637**	**(125,525)**	**47,518**	**(2,135)**

** Represents share of changes in reserves of equity accounted investee*
*** Includes non-controlling interest of US $ 16,470 (2022: US Nil) classified under held for sale (note 37).*

	Attributable to shareholders of the Bank			
31 December 2022	Share capital	Treasury shares	Statutory reserve	Investment fair value reserve
Balance at 1 January 2022	1,000,637	(48,497)	27,970	(28,561)
Profit for the year	-	-	-	-
Transfer on reclassification from FVTE to amortised cost	-	-	-	41,320
Fair value changes during the year	-	-	-	(63,312)
Transfer to income statement on disposal of sukuk	-	-	-	(2,642)
Total recognised income and expense	-	-	-	(24,634)
Bonus shares issued	15,000	-	-	-
Dividend declared	-	-	-	-
Purchase of treasury shares	-	(79,141)	-	-
Sale of treasury shares	-	22,040	-	-
Transfer to zakah and charity fund	-	-	-	-
Transferred to income statement on deconsolidation of subsidiaries	-	-	-	-
Transfer to statutory reserve			9,025	
Increased in NCI	-	-	-	-
Adjusted on deconsolidation of subsidiaries	-	-	-	-
Issue of shares under incentive scheme	-	-	-	-
Balance at 31 December 2022	1,015,637	(105,598)	36,995	(53,195)

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

US$ 000's

	Attributable to shareholders of the Bank					
Other reserve *	Investment fair value reserve	Retained earnings	Share grant reserve	Total	Non-controlling Interests (NCI) **	Total owners' equity
-	(53,195)	95,831	6,930	996,600	74,794	1,071,394
-	-	(22,753)	-	(22,753)	-	(22,753)
-	**(53,195)**	**73,078**	**6,930**	**973,847**	**74,794**	**1,048,641**
-	-	102,863	-	102,863	2,364	105,227
(13,612)	7,092	-	-	(8,655)	(542)	(9,197)
(13,612)	**7,092**	**102,863**	**-**	**94,208**	**1,822**	**96,030**
-	-	-	1,000	1,000	-	1,000
-	-	(1,000)	-	(1,000)	-	(1,000)
-	-	(56,261)	-	(56,261)	-	(56,261)
-	-	(10,523)	-	-	-	-
-	-	-	-	(48,178)	-	(48,178)
-	-	(2,326)	-	25,925	-	25,925
-	-	-	-	-	12,165	12,165
-	-	-	-	-	(3,960)	(3,960)
(13,612)	**(46,103)**	**105,831**	**7,930**	**989,541**	**84,821**	**1,074,362**

Attributable to shareholders of the Bank					
Foreign currency translation reserve	Retained earnings	Share grant reserve	Total	Non-controlling Interests (NCI)	Total owners' equity
(70,266)	81,811	-	963,094	205,027	1,168,121
-	90,253	-	90,253	7,454	97,707
-	-	-	41,320	-	41,320
-	-	-	(63,312)	(2,462)	(65,774)
-	-	-	(2,642)	-	(2,642)
-	90,253	-	65,619	4,992	70,611
-	(15,000)	-	-	-	-
-	(45,000)	-	(45,000)	-	(45,000)
-	-	-	(79,141)	-	(79,141)
-	(5,725)	-	16,315	-	16,315
-	(1,483)	-	(1,483)	-	(1,483)
70,266	-	-	70,266	-	70,266
	(9,025)		-		-
-	-	-	-	6,492	6,492
-	-	-	-	(141,717)	(141,717)
-	-	6,930	6,930	-	6,930
-	95,831	6,930	996,600	74,794	1,071,394

_Consolidated Statement of Cash Flows

for the year ended 31 December 2023

US$ 000's

	31 December 2023	31 December 2022
OPERATING ACTIVITIES		
Profit for the year	105,227	97,707
Adjustments for:		
Treasury and proprietary investments	(89,156)	(98,287)
Foreign exchange gain	(1,199)	(4,853)
Finance expense	62,468	48,798
Impairment allowances	20,459	3,310
Depreciation and amortisation	11,244	5,841
	109,043	52,516
Changes in:		
Placements with financial institutions (original maturities of more than 3 months)	404,308	(475,696)
Financing contracts	(37,473)	(169,271)
Receivables and other assets	(174,768)	(177,000)
CBB Reserve and restricted bank balance	(6,758)	(12,676)
Clients' funds	82,922	(93,462)
Customer Current accounts	72,463	(1,812)
Placements from financial institutions	(1,467,653)	1,520,053
Placements from non-financial institutions and individuals	(104,208)	290,646
Equity of investment account holders	2,237,332	(144,670)
Other liabilities	(148,170)	(113,660)
Net cash generated used operating activities	**967,038**	674,968
INVESTING ACTIVITIES		
Payments for purchase of equipment, net	(5,546)	(1,818)
(Purchase) / sale of proprietary and co-investments, net	(84,638)	30,441
Cash paid on acquisition of subsidiary, net	(5,654)	(7,112)
Cash transferred on deconsolidation of a subsidiary	(5,997)	(80,119)
Purchase of treasury portfolio, net	(196,717)	(467,860)
Profit received on treasury portfolio and other income	200,877	111,054
Proceeds from sale of investment in real estate	37,182	19,209
Dividends received from proprietary and co-investments	80,886	55,235
Payment for development of real estate asset	(12,026)	(65,809)
Net cash from / (used) in investing activities	**8,367**	(406,779)

US$ 000's

	31 December 2023	31 December 2022
FINANCING ACTIVITIES		
Term financing, net	198,820	215,998
Finance expense paid	(449,236)	(204,649)
Dividends paid	(58,400)	(44,818)
Purchase of treasury shares, net	(19,926)	(38,000)
Net cash used financing activities	**(328,742)**	(71,469)
Net increase in cash and cash equivalents during the year	**646,663**	196,720
Cash and cash equivalents at 1 January*	1,041,064	844,344
Cash and cash equivalents at 31 December	**1,687,727**	1,041,064
Cash and cash equivalents comprise:*		
Cash and balances with banks (excluding CBB Reserve balance and restricted cash)	300,736	787,479
Placements with financial institutions (original maturities of 3 months or less)	1,386,991	253,585
	1,687,727	1,041,064

** net of expected credit loss of US$ 27 thousand (31 December 2022: US$ 11 thousand)*

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

_Consolidated Statement of Changes in Restricted Investment Accounts

for the year ended 31 December 2023

31 December 2023	**Balance at 1 January 2023**		
Company	**No. of units (000)**	**Average value per share US$**	**Total US$ 000's**
Mena Real Estate Company KSCC	150	0.33	50
Al Basha'er Fund	12	7.87	94
Safana Investment (RIA 1)	1,247	2.65	3,305
Shaden Real Estate Investment WLL (RIA 5)	269	2.65	713
			4,162

31 December 2022	Balance at 1 January 2022		
Company	No. of units (000)	Average value per share US$	Total US$ 000's
Mena Real Estate Company KSCC	150	0.33	50
Al Basha'er Fund	12	7.87	94
Safana Investment (RIA 1)	1,247	2.65	3,305
Shaden Real Estate Investment WLL (RIA 5)	269	2.65	713
			4,162

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

US$ 000's

	Movements during the year						Balance at 31 December 2023		
	Investment/ (withdrawal) US$ 000's	**Revaluation US$ 000's**	**Gross income US$ 000's**	**Dividends paid US$ 000's**	**Group's fees as an agent US$ 000's**	**Administration expenses US$ 000's**	**No. of units (000)**	**Average value per share US$**	**Total US$ 000's**
	–	–	–	–	–	–	150	0.33	50
	–	–	–	–	–	–	12	7.87	94
	–	(75)	–	–	–	–	1,219	2.65	3,230
	–	119	–	–	–	–	314	2.65	832
	–	**44**	**–**	**–**	**–**	**–**			**4,206**

	Movements during the year						Balance at 31 December 2022		
	Investment/ (withdrawal) US$ 000's	Revaluation US$ 000's	Gross income US$ 000's	Dividends paid US$ 000's	Group's fees as an agent US$ 000's	Administration expenses US$ 000's	No. of units (000)	Average value per share US$	Total US$ 000's
	–	–	–	–	–	–	150	0.33	50
	–	–	–	–	–	–	12	7.87	94
	–	–	–	–	–	–	1,247	2.65	3,305
	–	–	–	–	–	–	269	2.65	713
	–	–	–	–	–	–			4,162

_Consolidated Statement of Sources and Uses of Zakah and Charity Fund

for the year ended 31 December 2023

US$ 000's

	2023	2022
Sources of zakah and charity fund		
Contributions by the Group	2,471	2,531
Non-Sharia income (note 28)	278	88
Total sources	**2,749**	2,619
Uses of zakah and charity fund		
Contributions to charitable organisations	(2,120)	(1,903)
Total uses	**(2,120)**	(1,903)
Surplus of sources over uses	629	716
Undistributed zakah and charity fund at beginning of the year	5,924	5,208
Undistributed zakah and charity fund at 31 December (note 16)	**6,553**	5,924
Represented by:		
Zakah payable	1,647	753
Charity fund	4,906	5,171
	6,553	5,924

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

_Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

1. REPORTING ENTITY

GFH Financial Group BSC ("the Bank") was incorporated as Gulf Finance House BSC in 1999 in the Kingdom of Bahrain under Commercial Registration No. 44136 and operates under an Islamic Wholesale Investment Banking license issued by the Central Bank of Bahrain ("CBB"). The Bank's shares are listed on the Bahrain, Kuwait, Dubai and Abu Dhabi Financial Market Stock Exchanges. The Bank's sukuk certificates are listed on London Stock Exchange.

The Bank's activities are regulated by the CBB and supervised by a Sharia Supervisory Board. The principal activities of the Bank include investment advisory services and investment transactions which comply with Islamic rules and principles determined by the Bank's Sharia Supervisory Board.

The consolidated financial statements for the year comprise the results of the Bank and its material subsidiaries (together referred to as "the Group"). The significant subsidiaries of the Bank which consolidated in these financial statements are:

Investee name	Country of incorporation	Effective ownership interests as at 31 December 2023	Activities
GFH Partners Ltd. (formally known as GFH Capital Limited)	United Arab Emirates	100%	Investment management
GFH Capital S.A.	Saudi Arabia	100%	Investment management
Khaleeji Bank BSC ('KHB')	Kingdom of Bahrain	85.14%	Islamic retail bank
GBCORP B.S.C (c)	Kingdom of Bahrain	62.91%	Investment firs (Islamic principles)
Al Areen Hotels W.L.L.	Kingdom of Bahrain	100%	Hospitality management services

The Bank has other SPE holding companies and subsidiaries, which are set up to supplement the activities of the Bank and its principal subsidiaries and hold assets and non-core operations which are not material to the group.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and in conformity with Commercial Companies Law. In line with the requirement of AAOIFI and the Rulebook issued by CBB, for matters that are not covered by FAS, the Group uses guidance from the relevant IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

3. BASIS OF MEASUREMENT

The consolidated financial statements are prepared on the historical cost basis except for the measurement at fair value of investment securities.

The Group classifies its expenses in the consolidated income statement by the nature of expense method. The consolidated financial statements are presented in United States Dollars (US$), which is also the functional currency of the Group's operations. All financial information presented in US$ has been rounded to the nearest thousands, except when otherwise indicated.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Management believes that the underlying assumptions are appropriate and the Group's consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The below paragraphs and tables describe the Group's significant lines of business and sources of revenue they are associated with.

Activities:
The Group's primary activities include:
a) to provide investment opportunities and manage assets on behalf of its clients as an agent,
b) to provide commercial banking services,
c) to undertake targeted development and sale of infrastructure and real estate projects for enhanced returns, and,
d) to co-invest with clients and hold strategic proprietary assets as a principal. In addition, the Group also manages its treasury portfolio with the objective of earning higher returns from capital and money market opportunities.

Segments:
To undertake the above activities, the Group has organised itself in the following operating segments units:

Investment banking	Investment banking segment focuses on private equity and asset management activities. Private equity activities include acquisition of interests in unlisted businesses at average prices with potential for growth. The Group acts as both a principal and an intermediary by acquiring, managing and realizing investments in investment assets for institutional and high net worth clients. The asset management unit is responsible for identifying and managing investments in income yielding real estate and leased assets in the target markets. Investment banking activities focuses on acquiring, managing and realizing investments to achieve and exceed benchmark returns. Investment banking activities produce fee-based, activity-based and asset-based income for the Group. Assets under this segment include investment banking receivables.
Commercial banking	This includes all sharia compliant corporate banking and retail banking activities of the Group provided through the Group's subsidiary, Khaleeji Bank BSC. The subsidiary also manages its own treasury and proprietary investment book within this operating segment.
Proprietary and treasury	All common costs and activities that are undertaken at the Group level, including treasury and residual proprietary and co-investment assets, is considered as part of the Proprietary and treasury activities of the Group.

Each of the above operating segments, except commercial banking which is a separate subsidiary, has its own dedicated team of professionals and are supported by a common placement team and support units.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

The strategic business units offer different products and services and are managed separately because they require different strategies for management and resource allocation within the Group. For each of the strategic business units, the Group's Board of Directors (chief operating decision makers) review internal management reports on a quarterly basis.

The performance of each operating segment is measured based on segment results and are reviewed by the management committee and the Board of Directors on a quarterly basis. Segment results is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing, if any is determined on an arm's length basis.

The Group classifies directly attributable revenue and cost relating to transactions originating from respective segments as segment revenue and segment expenses respectively. Indirect costs is allocated based on cost drivers/factors that can be identified with the segment and/ or the related activities. The internal management reports are designed to reflect revenue and cost for respective segments which are measured against the budgeted figures. The unallocated revenues, expenses, assets and liabilities related to entity-wide corporate activities and treasury activities at the Group level. Expenses are not allocated to the business segment.

Sources of revenue:
The Group primarily earns its revenue from the following sources and presents its statement of income accordingly:

Activity/ Source	Products	Types of revenue
Investment banking	Deal-by-deal offerings of private equity, income yielding asset opportunities	Deal related income, earned by the Group from structuring and sale of assets. Fee based income, in the nature of management fees, performance fee, acquisition fee and exit fee which are contractual in nature
Commercial banking	Islamic Sharia compliant corporate, institutional and retail banking financing and cash management products and services	Financing income, fees and investment income (net of direct funding costs)
Proprietary investments	Proprietary investments comprise the Group's strategic investment exposure. This also includes equity -accounted investees where the Bank has significant influence	Includes dividends, gain / (loss) on sale and remeasurement of proprietary investments and share of profit / (loss) of equity accounted investees Income from restructuring of liabilities and funding arrangements are also considered as income from proprietary investments
Co-investment	Represent the Group's co-investment along with its clients in the products promoted by the Group	Dividends and gain / (loss) on co-investments of the Bank
Sale of assets	Proprietary holdings of real estate for direct sale, development and sale, and/ or rental yields. This also includes the group's holding or participation in leisure and hospitality assets.	Development and sale income arises from development and real estate projects of the Group based on percentage of completion (POC) method. Leasing and operating income, from rental and other ancillary income from investment in real estate and other assets.
Treasury operations	Represents the Bank's liquidity management operations, including its fund raising and deployment activities to earn a commercial profit margin.	Income arising from the deployment of the Bank's excess liquidity, through but not limited to short term placements with bank and financial institutions, money market instruments, capital market and other related treasury investments.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently to all periods presented in the consolidated financial statements and have been consistently applied by the Group.

(a) New standards, amendments, and interpretations effective for annual periods beginning on or after 1 January 2023
The following new standards and amendments to standards are effective for financial years beginning on or after 1 January 2023 with an option to early adopt. However, the Group has not early adopted any of these standards.

(i) FAS 39 Financial Reporting for Zakah
AAOIFI has issued FAS 39 Financial Reporting for Zakah in 2021. The objective of this standard is to establish principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial Institution. This standard supersedes FAS 9 Zakah and is effective for the financial reporting periods beginning on or after 1 January 2023.

This standard shall apply to institution with regard to the recognition, presentation and disclosure of Zakah attributable to relevant stakeholders. While computation of Zakah shall be applicable individually to each institution within the Group, this standard shall be applicable on all consolidated and separate / standalone financial statements of an institution.

This standard does not prescribe the method for determining the Zakah base and measuring Zakah due for a period. An institution shall refer to relevant authoritative guidance for determination of Zakah base and to measure Zakah due for the period. (for example: AAOIFI Sharia standard 35 Zakah, regulatory requirements or guidance from Sharia supervisory board, as applicable).

An institution obliged to pay Zakah by law or by virtue of its constitution documents shall recognise current Zakah due for the period as an expense in its financial statements. Where Zakah is not required to be paid by law or by virtue of its constitution documents, and where the institution is considered as an agent to pay Zakah on behalf of certain stakeholders, any amount paid in respect of Zakah shall be adjusted with the equity of the relevant stakeholders.

The Group does not have any obligation to pay Zakah as per its constitutional documents but only pays Zakah on undistributed profits as an agent on behalf of its shareholders. The Group has adopted this standard and has provided the necessary additional disclosures in its annual financial statements (refer notes 27).

(ii) FAS 41 Interim financial reporting
This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institutions in line with various financial accounting standards issued by AAOIFI. This standard is also applicable to the institutions which prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard is effective for financial statements for the period beginning on or after 1 January 2023. The Group has adopted this standard for the basis of preparation of its condensed consolidated interim financial information. The adoption of this standard did not have any significant impact on the Group's interim financial information.

(iii) FAS 44 Determining Control of Assets and Business
AAOIFI has issued FAS 44 "Determining Control of Assets and Business" on 31 December 2023, applicable with immediate effect. The objective of this standard is to establish clear and consistent principles for assessing whether and when an institution controls an asset or a business, both in the context of participatory structures and for consolidation purposes.

This standard is applicable to all Islamic financial institutions ("IFIs") and entities who are party to the Sharia compliant transactions and structures (as allowed by the respective regulatory and reporting framework). This standard covers both on-balance sheet and off-balance sheet arrangements, including participatory structures like mudaraba, musharaka, and sukuk. The assessment of control is relevant across various accounting policies of the Group, including but not limited to consolidation of subsidiaries, recognition and de-recognition of various financial assets and participatory investment structures.

The Group has assessed the revised framework for control assessment provided by FAS 44 and does not expect any significant impact on its previously assessed control conclusions on the adoption of this standard. However, the Groups accounting policies and disclosures have been revised to be consistent with the revised definitions and principles clarified under FAS 44

(b) New standards, amendments, and interpretations issued but not yet effective

(i) FAS 1 General Presentation and Disclosures in the Financial Statements

AAOIFI has issued the revised FAS 1 General Presentation and Disclosures in the Financial Statements in 2021. This standard describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable to all the Islamic Financial Institutions and other institutions following AAOIFI FAS's. This standard is effective for the financial reporting periods beginning on or after 1 January 2024 with an option to early adopt.

The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting.

Some of the significant revisions to the standard are as follows:

a) Revised conceptual framework is now integral part of the AAOIFI FAS's;
b) Definition of Quassi equity is introduced;
c) Definitions have been modified and improved;
d) Concept of comprehensive income has been introduced;
e) Institutions other than Banking institutions are allowed to classify assets and liabilities as current and non-current;
f) Disclosure of Zakah and Charity have been relocated to the notes;
g) True and fair override has been introduced;
h) Treatment for change in accounting policies, change in estimates and correction of errors has been introduced;
i) Disclosures of related parties, subsequent events and going concern have been improved;
j) Improvement in reporting for foreign currency, segment reporting;
k) Presentation and disclosure requirements have been divided into three parts. First part is applicable to all institutions, second part is applicable only to banks and similar IFI's and third part prescribes the authoritative status, effective date an amendments to other AAOIFI FAS's; and
l) The illustrative financial statements are not part of this standard and will be issued separately.

The Group is assessing the impact of adoption of this standard and expects changes in certain presentation and disclosures in its consolidated financial statement in line with the wider market practice.

(ii) FAS 45: Quasi-Equity (Including Investment Accounts)

AAOIFI has issued Financial Accounting Standard (FAS) 45 "Quasi-Equity (Including Investment Accounts)" during 2023. The objective of this standard is to establish the principles for identifying, measuring, and presenting "quasi-equity" instruments in the financial statements of Islamic Financial Institutions "IFIs".

The standard prescribes the principles of financial reporting to participatory investment instruments (including investment accounts) in which an IFI controls underlying assets (mostly, as working partner), on behalf of the stakeholders other than owner's equity. This standard provides the overall criteria for on-balance sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure for quasi-equity.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt. The Group does not expect any significant impact on the adoption of this standard.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(b) New standards, amendments, and interpretations issued but not yet effective (contd.)

(iii) FAS 46: Off-Balance-Sheet Assets Under Management

AAOIFI has issued Financial Accounting Standard (“FAS”) 46 "Off-Balance-Sheet Assets Under Management" during 2023. The objective of this standard is to establish principles and rules for recognition, measurement, disclosure, and derecognition of off-balance-sheet assets under management, based on Sharia and international best practices. The standard aims to improve transparency, comparability, accountability, and governance of financial reporting related to off-balance-sheet assets under management.

This standard is applicable to all IFIs with fiduciary responsibilities over asset(s) without control, except for the following:

- The participants’ Takaful fund and / or participants’ investment fund of a Takaful institution; and
- An investment fund managed by an institution, being a separate legal entity, which is subject to financial reporting in line with the requirements of the respective AAOIFI FAS.

This standard shall be effective for the financial reporting periods beginning on or after 1 January 2026 with an option to early adopt.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt. This standard shall be adopted at the same time as adoption of FAS 45 “Quasi-Equity (Including Investment Accounts)”.

The Group does not expect any significant impact on the adoption of this standard.

(iv) FAS 47: Transfer of Assets Between Investment Pools

AAOIFI has issued Financial Accounting Standard (“FAS”) 47 "Transfer of Assets Between Investment Pools" during 2023. The objective of this standard is to establish guidance on the accounting treatment and disclosures for transfers of assets between investment pools that are managed by the same institution or its related parties. The standard applies to transfers of assets that are not part of a business combination, a disposal of a business, or a restructuring of an institution.

The standard defines an investment pool as a group of assets that are managed together to achieve a common investment objective, such as a fund, a portfolio, or a trust. The standard also defines a transfer of assets as a transaction or event that results in a change in the legal ownership or economic substance of the assets, such as a sale, a contribution, a distribution, or a reclassification.

The transfer of assets between investment pools should be accounted for based on the substance of the transaction and the terms and conditions of the transfer agreement. The standard classifies transfers of assets into three categories: transfers at fair value, transfers at carrying amount, and transfers at other than fair value or carrying amount. The standard also specifies the disclosure requirements for transfers of assets between investment pools.

This standard shall be effective for the financial periods beginning on or after 1 January 2026 with an option to early adopt.

The Group does not expect any significant impact on the adoption of this standard.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

(c) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated income statement.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in the consolidated income statement. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognised in the consolidated income statement.

(ii) Subsidiaries

Subsidiaries are those enterprises (including special purpose entities) controlled by the Bank. The Group controls a business if, and only if, it has a) power over the business b) exposure, or rights, to variable returns from its involvement with the business; and c) the ability to use its power over the business to affect the amount of the institution's returns.

Power is presumed when an entity directly, or indirectly through its subsidiaries, holds more than 50% of the voting rights. Where the Group has less than majority voting rights, control may exist through a) agreement with other shareholders or the business itself; b) rights arising from other contractual arrangements; c) the institution's voting rights (de facto power); d) potential voting rights; or e) a combination thereof.

The Group considers only substantive voting rights in its assessment of whether it has power over a business. In order to be substantive, rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. When making an assessment of whether the Group controls a business, it considers the voting and other rights emanating from the investment in the business duly funded by the Group itself and its equity of investment accountholders.

(iii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.
If less than 100% of a subsidiary is acquired, then the Group elects on a transaction-by-transaction basis to measure non-controlling interests either at:

- Fair value at the date of acquisition, which means that goodwill, or the gain on a bargain purchase, includes a portion attributable to ordinary non-controlling interests; or
- the holders' proportionate interest in the recognised amount of the identifiable net assets of the acquire, which means that goodwill recognised, or the gain on a bargain purchase, relates only to the controlling interest acquired.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(c) Basis of consolidation (contd.)
(iv) Special purpose entities
Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or investment transaction and usually voting rights are relevant for the operating of such entities. An investor that has decision-making power over an investee and exposure to variability of returns determines whether it acts as a principal or as an agent to determine whether there is a linkage between power and returns. The Group in its ordinary course of business may manage an asset or a business for the benefit of stakeholders other than its equity holders through an agency (usually investment agency) or similar arrangement. Control does not include situations whereby the institution has the power, but such power is exercisable in a fiduciary capacity, and not for the variable returns to the institution itself. Performance incentives receivable by an agent are in a fiduciary capacity, and hence not considered to be variable returns for the purpose of control assessment

The Group in its fiduciary capacity manages and administers assets held in trust and other investment vehicles on behalf of investors. The financial statements of these entities are usually not included in these consolidated financial statements. Information about the Group's fiduciary assets under management is set out in note 25. For the purpose of reporting assets under management, the gross value of assets managed are considered.

(v) Loss of control
When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity. Any surplus or deficit arising on the loss of control is recognised in consolidated income statement. Any interest retained in the former subsidiary, is measured at fair value when control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for investment securities depending on the level of influence retained.

(vi) Equity accounted investees
This comprise investment in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exits when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, where the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates and Joint ventures are accounted for under equity method. These are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investees after the date of acquisition. Distributions received from an investees reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investees arising from changes in the investee's equity. When the

Group's share of losses exceeds its interest in an equity-accounted investees, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investees. Equity accounting is discontinued when an associate is classified as held-for-sale.

(vii) Transactions eliminated on consolidation and equity accounting
Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency translation gains or losses) from intra-group transactions with subsidiaries are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity-accounted investees are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries and equity- accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

(d) Assets held-for-sale

Classification

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use within twelve months. A subsidiary acquired exclusively with a view to resale is classified as disposal group held-for-sale and income and expense from its operations are presented as part of discontinued operation.

Measurement

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on re-measurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

If the criteria for classification as held for sale are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale and shall measure the asset at the lower of its carrying amount before the asset (or disposal group) was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

(e) Foreign currency transactions

(i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items carried at their fair value, such as certain equity securities measured at fair value through equity, are included in investments fair value reserve.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated into US$ at exchange rates at the reporting date. The income and expenses of foreign operations are translated into US$ at the exchange rates at the date of the transactions. Foreign currency differences are accumulated into foreign currency translation reserve in owners' equity, except to the extent the translation difference is allocated to NCI.

When foreign operation is disposed of in its entirety such that control is lost, cumulative amount in the translation reserve is reclassified to consolidated income statement as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(f) Offsetting of financing instruments
Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted under AAOIFI, or for gains and losses arising from a group of similar transactions.

(g) Investment securities
Investment securities are categorised as proprietary investments, co-investments and treasury portfolio.
(refer note 3 for categorisation).

Investment securities comprise debt type and equity type instruments but exclude investment in subsidiaries and equity-accounted investees (note 4 (c) (ii) and (vi)).

(i) Categorization and classification
The classification and measurement approach for investments in sukuk, shares and similar instruments that reflects the business model in which such investments are managed and the underlying cash flow characteristics. Under the standard, each investment is to be categorized as either investment in:

i) equity-type instruments
ii) debt-type instruments, including:
  - monetary debt-type instruments; and
  - non-monetary debt-type instruments.
iii) other investment instruments
  Unless irrevocable initial recognition choices as per the standard are exercised, an institution shall classify investments as subsequently measured at either of:
  - amortised cost;
  - fair value through equity (FVTE) or
  - fair value through income statement (FVTIS), on the basis of both:
  - the Group's business model for managing the investments; and
  - the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

(ii) Recognition and de-recognition
Investment securities are recognised at the trade date i.e. the date that the Group commits to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement
Investment securities are measured initially at fair value plus, except for investment securities carried at FVTIS, transaction costs that are directly attributable to its acquisition or issue.

Subsequent to initial recognition, investments carried at FVTIS and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognised in the consolidated income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognised in the consolidated statement of changes in owners equity and presented in a separate investment fair value reserve in equity.

The fair value gains / (losses) are recognised taking into consideration the split between portions related to owners' equity and equity of investment account holders. When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in owners' equity is transferred to the income statement.

Investments at FVTE where the entity is unable to determine a reliable measure of fair value on a continuing basis, such as investments that do not have a quoted market price or there are no other appropriate methods from which to derive reliable fair values, are stated at cost less impairment allowances.

(iv) Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction (directly or through use of an allowance account) for impairment or uncollectibility. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analyses, price / earnings multiples and other valuation models with accepted economic methodologies for pricing financial instruments.

Some or all of the inputs into these models may not be market observable, but are estimated based on assumptions. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Fair value estimates involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(h) Financing contracts

Financing contracts comprise Sharia compliant financing contracts with fixed or determinable payments. These include financing provided through Murabaha, Musharaka, Istisna and Wakala contracts. Financing contracts are recognised on the date at which they are originated and are carried at their amortised cost less impairment allowances, if any.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(i) Assets acquired for leasing

Assets acquired for leasing (Ijarah Muntahia Bittamleek) comprise finance lease assets which are stated at cost less accumulated depreciation and any impairment in value. Under the terms of lease, the legal title of the asset passes to the lessee at the end of the lease term, provided that all lease instalments are settled. Depreciation is calculated on a straight-line basis at rates that systematically reduce the cost of the leased assets over the period of the lease. The Group assesses at each reporting date whether there is objective evidence that the assets acquired for leasing are impaired. Impairment losses are measured as the difference between the carrying amount of the asset (including lease rental receivables) and the estimated recoverable amount. Impairment losses, if any, are recognised in the consolidated income statement.

(j) Placements with and from financial and other institutions

These comprise placements made with/ from financial and other institutions under sharia compliant contracts. Placements are usually short term in nature and are stated at their amortised cost.

(k) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and placements with financial institutions) with original maturities of three months or less when acquired that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Bank balances that are restricted and not available for day-to-day operations of the Group are not included in cash and cash equivalents.

(l) Derivatives held for risk management purposes and hedge accounting.

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. All derivatives are measured at fair value in the statement of financial position.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

Policy applicable generally to hedging relationships

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a identified. For a cash flow hedge of a forecast transaction, the Group makes an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark profit rate risk, if the portion is separately identifiable and reliably measurable.

i. Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to the point of discontinuation to a hedged item for which the effective profit method is used is amortised to profit or loss as an adjustment to the recalculated effective profit rate of the item over its remaining life. On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective profit method is used is amortised to profit or loss by adjusting the effective profit rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

ii. Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in equity and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from equity to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and equity.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from equity to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from equity to profit or loss on a straight-line basis.

Other non-trading derivatives
Other non-trading derivatives are recognised on balance sheet at fair value. If a derivative is not held for trading, and is not designated in a qualifying hedging relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTIS.

(m) Investment property
Investment property comprise land plots and buildings. Investment property is property held to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment property is measured initially at cost, including directly attributable expenses. Subsequent to initial recognition, investment property is carried at cost less accumulated depreciation and accumulated impairment allowances (if any). Land is not depreciated, and building is depreciated over the period of 30 to 45 years.

A property is transferred to investment property when, there is change in use, evidenced by:
end of owner-occupation, for a transfer from owner-occupied property to investment property; or
commencement of an operating ijara to another party, for a transfer from a development property to investment property.

Further, an investment property is transferred to development property when, there is a change in use, evidenced by:
commencement of own use, for a transfer from investment property to owner-occupied property;
commencement of development with a view to sale, for a transfer from investment in real estate to development property.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the property is derecognised.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(n) Development properties
Development properties are properties held for sale or development and sale in the ordinary course of business. Development properties are measured at the lower of cost and net realisable value.

(o) Property and equipment
Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projection if the recognition criteria are met. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognised in the consolidated income statement.

The estimated useful lives of property and equipment of the industrial business assets are as follows:

Buildings and infrastructure on lease hold	30 – 50 years
Computers	3 – 5 years
Furniture and fixtures	5 – 8 years
Motor vehicles	4 – 5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where

the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts, being the higher of the fair value less costs to sell and their value in use.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the consolidated statement of income in the year of derecognition.

The assets' residual values, useful lives and methods of depreciation are reviewed annually and adjusted prospectively if appropriate.

(p) Intangible assets
Goodwill
Goodwill that arises on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other Intangible assets
Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Subsequently, intangible assets are recognised at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the consolidated income statement in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life of ten years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expenses category consistent with the function if intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Intangible assets with indefinite useful life consists of a license to construct and operate a cement plant in the Kingdom of Bahrain.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

(q) Impairment of exposures subject to credit risk

The Group recognises loss allowances for the expected credit losses “ECLs” on:

- Bank balances.
- Placements with financial institutions.
- Financing contracts;
- Lease rental receivables;
- Investments in Sukuk (debt-type instruments carried at amortised cost);
- Other receivables; and
- Undrawn financing commitments and financial guarantee contracts issued.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt-type securities that are determined to have low credit risk at the reporting date; and
- Other debt-type securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of an exposure subject to credit risk has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment including forward-looking information.

The Group assumes that the credit risk on exposure subject to credit risk increased significantly if it is more than 30 days past due. The Group considers an exposure subject to credit risk to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security, if any is held; or
- the exposure is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Group considers this to be BBB- or higher per S&P.

The Group applies a three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12-months ECL

Stage 1 includes exposures that are subject to credit risk on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk. 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(q) Impairment of exposures subject to credit risk (contd.)

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes exposures that are subject to credit risk that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD').

Stage 3: Lifetime ECL - credit impaired

Stage 3 includes exposures that are subject to credit risk that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the CBB's rule book. For these assets, lifetime ECL is recognised.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- Exposures subject to credit risk that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Exposures subject to credit risk that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn financing commitment: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive;
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover; and
- ECLs are discounted at the effective profit rate of the exposure subject to credit risk.

Credit-impaired exposures

At each reporting date, the Group assesses whether exposures subject to credit risk are credit impaired. An exposure subject to credit risk is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that an exposure is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a financing facility or advance by the Bank on terms that the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for exposures subject to credit risk are deducted from the gross carrying amount of the assets.

(r) Impairment of equity investments classified at fair value through equity (FVTE)

In the case of investments in equity securities classified as FVTE. A significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment. The Group considers a decline of 30% to be significant and a period of nine months to be prolonged. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are subsequently reversed through equity.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

(s) Impairment of non-financial assets
The carrying amount of the Group's non-financial assets (other than those subject to credit risk covered above) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Separately recognised goodwill is not amortised and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed.

(t) Clients' funds
These represents amounts received from customers for investments in SPEs or project companies formed as part of its investment management activities pending transfer to these entities. These funds are usually disbursed on capital calls from these entities based on its activities and requirements and are payable on demand. Such funds held by the Group are carried at amortised cost.

(u) Current accounts
Balances in current (non-investment) accounts are recognised when received by the Group. The transactions are measured at the cash equivalent amount received by the Group at the time of contracting. At the end of the accounting period, the accounts are measured at their book value.

(v) Term financing
Term financing represents facilities from financial institutions, and financing raised through Sukuk. Term financing are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective profit rate method. Financing cost, dividends and losses relating to the term financing are recognised in the consolidated income statement as finance expense. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(w)Financial guarantees
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised from the date of its issue. The liability arising from a financial guarantee contract is recognised at the present value of any expected payment to settle the liability, when a payment under the guarantee has become probable. The Group has issued financial guarantees to support its development projects (note 34).

(x) Dividends
Dividends to shareholders is recognised as liabilities in the period in which they are declared.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(y) Share capital and reserves

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity instruments of the group comprise ordinary shares and equity component of share-based payments and convertible instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Treasury shares

The amount of consideration paid including all directly attributable costs incurred in connection with the acquisition of the treasury shares are recognised in equity. Consideration received on sale of treasury shares is presented in the financial statements as a change in equity. No gain or loss is recognised on the Group's consolidated income statement on the sale of treasury shares.

Statutory reserve

The Commercial Companies Law requires that 10 percent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 percent of the paid up share capital. Appropriation to statutory reserve is made when approved by the shareholders.

(z) Equity of investment account holders

Equity of investment account holders are funds held by the Group in unrestricted investment accounts, which it can invest at its own discretion. The investment account holder authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Group charges management fee (Mudarib fees) to investment account holders. Of the total income from investment accounts, the income attributable to customers is allocated to investment accounts after setting aside provisions, reserves (Profit equalisation reserve and Investment risk reserve) and deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the investment accounts. Only the income earned on pool of assets funded from IAH are allocated between the owners' equity and investment account holders. Administrative expenses incurred in connection with the management of the funds are borne directly by the Group and are not charged separately to investment accounts.

The Group allocates specific provision and collective provision to owners' equity. Amounts recovered from these impaired assets is not subject to allocation between the IAH and owners' equity.

Investment accounts are carried at their book values and include amounts retained towards profit equalisation, investment risk reserves, if any. Profit equalisation reserve is the amount appropriated by the Group out of the Mudaraba income, before allocating the Mudarib share, in order to maintain a certain level of return to the deposit holders on the investments. Investment risk reserve is the amount appropriated by the Group out of the income of investment account holders, after allocating the Mudarib share, in order to cater against future losses for investment account holders. Creation of any of these reserves results in an increase in the liability towards the pool of unrestricted investment accounts.

Restricted investment accounts

Restricted investment accounts represent assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

(aa) Revenue recognition
Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised to the extent that it is probable that future economic benefits associated with the item of revenue will flow to the Group, the revenue can be measured with reliability and specific criteria have been met for each of the Group's activities as described below:

Banking business
Income from investment banking activities include deal related income and fee based income. Deal related income is earned by the Group from structuring and sale of assets at the time of placement of products. Fee based income, in the nature of management fees, performance fee, acquisition fee and exit fee, is recognised when the associated service is provided and income is earned.

Deal related income are embedded in the gains made from the placement of deals to investors and the portion of the gains relating to each performance obligations is recognized over the investment period. The Group has reviewed and analyzed the terms of the contracts that it has entered into with its investors arising from the placement of its investments and has identified its performance obligations arising from its contracts with investors and its expected continuing involvement with such products. Based on this review, the Group has determined the following two types of performance obligations that the Group is expected to satisfy: (i) by the Group during the year from purchase to the placement of the investment with investors, including deal identification, evaluation, funding, underwriting, maintaining a placement infrastructure, preparing the marketing materials for each deal etc; and (ii) services provided, either on a continuous or adhoc basis, over the period of the investment. As part of its revenue recognition assessment, the Group allocates the gains from deal placements to each of the above distinct performance obligations. The Group completes all of its performance obligations described in (i) above before placing an investment with its investors. Accordingly, the fee relating to this performance obligation is recognized upfront upon placement of the investment with investors. This portion of the placement fee is included under "Deal related income". A portion of placement gains received upfront for the performance obligation described in (ii) above is deferred and recognized over time, as part of Fees based income, over the expected period of managing the investments.

Asset Management fee is recognized as per contractual terms when services are rendered over the period of the contract. Acquisition fee and exit fee are recognized when earned on completion of the underlying transactions. Performance fees are only recognized once it is highly probable that there would be no significant reversal of any accumulated revenue in the future. Estimates are needed to assess the risk that achieved earnings may be reversed before realization due to the risk of lower future overall performance of the underlying investments.

Income from placements with / from financial institutions are recognised on a time-apportioned basis over the period of the related contract using the effective profit rate.

Dividend income from investment securities is recognised when the right to receive is established. This is usually the ex-dividend date for equity securities.

Finance income/expenses are recognised using the amortised cost method at the effective profit rate of the financial asset/liability.

Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management fees, placement and arrangement fees and syndication fees, are recognised as the related services are performed.

Income from Murabaha and Wakala contracts are recognised on a time-apportioned basis over the period of the contract using the effective profit method.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(aa) Revenue recognition (contd.)

Banking business (contd.)

Profit or losses in respect of the Bank's share in Musharaka financing transaction that commence and end during a single financial period is recognised in the income statement at the time of liquidation (closure of the contract). Where the Musharaka financing continues for more than one financial period, profit is recognised to the extent that such profits are being distributed during that period in accordance with profit sharing ratio as stipulated in the Musharaka agreement.

Income from assets acquired for leasing (Ijarah Muntahia Bittamleek) are recognised proportionately over the lease term.

Income from sukuk and income / expenses on placements is recognised at its effective profit rate over the term of the instrument.

Non-banking business

Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Revenue is recognised when the goods are provided to the customer, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at that point provided that the revenue and cost could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods.

(bb) Earnings prohibited by Sharia

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable means.

(cc) Zakah

Zakah is calculated on the Zakah base of the Group in accordance with FAS 39 issued by AAOIFI using the net assets method. Zakah is paid by the Group based on the consolidated figures of statutory reserve, general reserve and retained earning balances at the beginning of the year. The remaining Zakah is payable by individual shareholders. Payment of Zakah on equity of investment account holders and other accounts is the responsibility of investment account holders.

(dd) Employees benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Post employment benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme, which is a "defined contribution scheme" in nature under, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Bank are recognised as an expense in consolidated income statement when they are due.

Expatriate and certain Bahraini employees on fixed contracts are entitled to leaving indemnities payable, based on length of service and final remuneration. Provision for this unfunded commitment, has been made by calculating the notional liability had all employees left at the reporting date. These benefits are in the nature of a "defined benefit scheme" and any increase or decrease in the benefit obligation is recognised in the consolidated income statement.

The Group also operates a voluntary employee saving scheme under which the Group and the employee contribute monthly on a fixed percentage of salaries basis. The scheme is managed and administered by a board of trustees who are employees of the Group. The scheme is in the nature of a defined contribution scheme and contributions by the Group are recognised as an expense in the consolidated income statement when they are due.

(dd) Employees benefits (continued)

Share-based employee incentive scheme

The Bank operates a share-based incentive scheme for its employees (the "Scheme") whereby employee are granted the Bank's shares as compensation on achievement of certain non-market based performance conditions and service conditions (the 'vesting conditions'). The grant date fair value of equity instruments granted to employees is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the share awards.

Non-vesting conditions are taken into account when estimating the fair value of the equity instrument but are not considered for the purpose of estimating the number of equity instruments that will vest. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value but are considered for the purpose of estimating the number of equity instruments that will vest. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. Amount recognised as expense are not trued-up for failure to satisfy a market condition.

(ee) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(ff) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(gg) Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

(hh) Investment account holder protection scheme

Funds held with the Group in unrestricted investment accounts and current accounts of its retail banking subsidiary are covered by the Deposit Protection Scheme (the Scheme) established by the Central Bank of Bahrain regulation in accordance with Resolution No (34) of 2010.

(ii) Income tax

The Group is exposed to taxation by virtue of operations of subsidiaries. Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

4. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(ii) Income tax (contd.)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Currently, the Group does not have any material current or deferred tax exposure that requires recognition in the consolidated financial statements.

(jj) Ijarah

Identifying an Ijarah

At inception of a contract, the Group assesses whether the contract is Ijarah, or contains an Ijarah. A contract is Ijarah, or contains an Ijarah if the contract transfers the usufruct (but not control) of an identified asset for a period of time in exchange for an agreed consideration.

At the commencement date, the Group shall recognises a right-of-use (usufruct) asset and a net ijarah liability

i) Right-of-use (usufruct) asset

On initial recognition, the lessee measures the right-of-use asset at cost. The cost of the right-of-use asset comprises of:

- The prime cost of the right-of-use asset;
- Initial direct costs incurred by the lessee; and
- Dismantling or decommissioning costs.

The prime cost is reduced by the expected terminal value of the underlying asset. If the prime cost of the right-of-use asset is not determinable based on the underlying cost method (particularly in the case of an operating Ijarah), the prime cost at commencement date may be estimated based on the fair value of the total consideration paid/ payable (i.e. total Ijarah rentals) against the right-of-use assets, under a similar transaction.

After the commencement date, the lessee measures the right-of-use asset at cost less accumulated amortisation and impairment losses, adjusted for the effect of any Ijarah modification or reassessment.

The Group amortises the right-of-use asset from the commencement date to the end of the useful economic life of the right-of-use asset, according to a systematic basis that is reflective of the pattern of utilization of benefits from the right-of-use asset. The amortizable amount comprises of the right-of-use asset less residual value, if any.

The Group determines the Ijarah term, including the contractually binding period, as well as reasonably certain optional periods, including:

- Extension periods if it is reasonably certain that the Group will exercise that option; and/ or
- Termination options if it is reasonably certain that the Bank will not exercise that option.

The Group carries out impairment assessment to determine whether the right-of-use asset is impaired and to account for any impairment losses. The impairment assessment takes into consideration the salvage value, if any. Any related commitments, including promises to purchase the underlying asset, are also considered.

ii) Net ijarah liability

The net ijarah liability comprises of the gross Ijarah liability, plus deferred Ijarah cost (shown as a contra-liability).
The gross Ijarah liability shall be initially recognised as the gross amount of total Ijarah rental payables for the Ijarah term.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

The rentals payable comprise of the following payments for the right to use the underlying asset during the Ijarah term:
- Fixed Ijarah rentals less any incentives receivable;
- Variable Ijarah rentals including supplementary rentals; and
- Payment of additional rentals, if any, for terminating the Ijarah (if the Ijarah term reflects the lessee exercising the termination option).

Advance rentals paid are netted-off with the gross Ijarah liability.
Variable Ijarah rentals are Ijarah rentals that depend on an index or rate, such as payments linked to a consumer price index, financial markets, regulatory benchmark rates, or changes in market rental rates. Supplementary rentals are rentals contingent on certain items, such as additional rental charge after provision of additional services or incurring major repair or maintenance. As of 31 December 2023, the Group did not have any contracts with variable or supplementary rentals.

After the commencement date, the Group measures the net Ijarah liability by:
- Increasing the net carrying amount to reflect return on the Ijarah liability (amortisation of deferred Ijarah cost);
- Reducing the carrying amount of the gross Ijarah liability to reflect the Ijarah rentals paid; and
- Re-measuring the carrying amount in the event of reassessment or modifications to Ijarah contract, or reflect revised Ijarah rentals.
- The deferred Ijarah cost is amortised to income over the Ijarah terms on a time proportionate basis, using the effective rate of return method.

After the commencement date, the Group recognises the following in the income statement:
- Amortisation of deferred Ijarah cost; and
- Variable Ijarah rentals (not already included in the measurement of Ijarah liability) as and when the triggering events/ conditions occur.

Ijarah contract modifications
After the commencement date, the Group accounts for Ijarah contract modifications as follows:
- Change in the Ijarah term: re-calculation and adjustment of the right-of-use asset, the Ijarah liability, and the deferred Ijarah cost; or
- Change in future Ijarah rentals only: re-calculation of the Ijarah liability and the deferred Ijarah cost only, without impacting the right-of- use asset.

An Ijarah modification is considered as a new Ijarah component to be accounted for as a separate Ijarah for the lessee, if the modification both additionally transfers the right to use of an identifiable underlying asset and the Ijarah rentals are increased corresponding to the additional right-of-use asset. For modifications not meeting any of the conditions stated above, the Group considers the Ijarah as a modified Ijarah as of the effective date and recognises a new Ijarah transaction. The Group recalculates the Ijarah liability, deferred Ijarah cost, and right-of-use asset, and de-recognise the existing Ijarah transaction and balances.

Expenses relating to underlying asset.
Operational expenses relating to the underlying asset, including any expenses contractually agreed to be borne by the Group, are recognised by the Group in income statement in the period incurred. Major repair and maintenance, takaful, and other expenses incidental to ownership of underlying assets (if incurred by lessee as agent) are recorded as receivable from lessor.

Recognition exemptions and simplified accounting for the lessee
The Group does not to apply the requirements of Ijarah recognition and measurement of recognizing right-of-use asset and lease liability for the following:
- Short-term Ijarah; and
- Ijarah for which the underlying asset is of low value.

Short-term Ijarah exemption is applied on a whole class of underlying assets if they have similar characteristics and operational utility. However, low-value Ijarah exemption is applied on an individual asset/ Ijarah transaction, and not on group/ combination basis.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

5. JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that effect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events.

(a) Judgements
Establishing the criteria for determining whether credit risk on an exposure subject to credit risk has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of ECL and selection and approval of models used to measure ECL is set out in note 4(q) and note 35(a).

(i) Classification of investments
In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments carried at fair value through income statement or investments carried at fair value through equity or investments carried at amortised cost. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification (note 4g(i)).

(ii) Special purpose entities
The Group sponsors the formation of special purpose entities (SPE's) primarily for the purpose of allowing clients to hold investments. The Group provides corporate administration, investment management and advisory services to these SPE's, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPE's that it does not have the power to control. In determining whether the Group has the power to control an SPE, judgements are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Group intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

(iii) Impairment of equity investments at fair value through equity – (refer to note 4 (g) (iii)

(b) Estimations
(i) Impairment of exposures subject to credit risk carried at amortised cost
Determining inputs into ECL measurement model including incorporation of forward-looking information is set out in note 4(q) and note 35(a).

(ii) Measurement of fair value of unquoted equity investments
The group determines fair value of equity investments that are not quoted in active markets by using valuation techniques such as discounted cashflows, income approach and market approaches. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matter of significant judgment and therefore, cannot be determined with precision. There is no certainty about future events such as continued operating profits and financial strengths. It is reasonably possible based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flows models have been used to estimate fair values, the future cashflows have been estimated by the management based on information form and discussion with representatives of investee companies and based on the latest available audited and unaudited financial statements. The basis of valuation has been reviewed by the management in terms of the appropriateness of the methodology, soundness of assumptions and correctness of calculations and have been approved by the board of directors for inclusion in the consolidated financial statements.

Valuation of equity investments are measured at fair value through equity which involves judgment and is normally based on one of the following:

- Valuation by independent external value for underlying properties / projects;
- Recent arms-length market transaction;
- Current fair value of another contract that is substantially similar;
- Present value of expected cash flows at current rates applicable for items with similar terms and risk characteristics; or
- Application of other valuation models.

(iii) Impairment of investment property

The Group conducts impairment assessment of investment property periodically using external independent property valuers to value the property. The fair value is determined based on the market value of the property using either sales comparable approach, the residual value basis, replacement cost or the market value of the property considering its current physical condition. The Group's investment properties are situated in Bahrain, UAE and Morocco. Given the dislocation in the property market and infrequent property transactions, it is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of these assets within the next financial year due to significant changes in assumptions underlying such assessments.

(iv) Impairment of other non-financial assets and cash generating units

Investment in associates and recognised goodwill are subject to an impairment based on indicators of performance and market conditions. Cash generating units include the Group's investments in certain subsidiaries and equity-accounted investees and investment property that generate cash flows that are largely independent from other assets and activities of the Group. The basis of impairment assessment for such cash generating units is described in accounting policy note 4 (s). For equity-accounted investees with indicators of impairment, the recoverable amounts is determined based on higher of fair value less costs to sell (FVLCTS); and value in use.

The recoverable amount for the equity-accounted investees was determined using a combination of income and market approaches of valuations. The objective of valuation techniques is to determine whether the recoverable amount is greater than the carrying amount.

(v) Estimating net realisable value of development property

Development property is stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses. The board of directors of the Group has forecasted the cost of completion of development property and has engaged independent valuers to estimate the residual value of the development property based on estimated market selling prices for similar properties. Net realisable value estimates are made at a specific point in time, based on market conditions and information about the expected use of development property. These estimates involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the development property.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

6. CASH AND BANK BALANCES

US$ 000's

	31 December 2023	31 December 2022
Cash	8,193	9,098
Balances with banks	185,857	714,968
Balances with Central Bank of Bahrain:		
- Current account	107,524	65,751
- Reserve account*	75,310	68,422
	376,884	858,239

**The reserve account with the Central Bank of Bahrain are not available for day-to-day operational purposes. The cash and bank balances are net of ECL of US$ 27 thousand (2022: US$ 11 thousand).*

7. TREASURY PORTFOLIO

US$ 000's

	31 December 2023	31 December 2022
Placements with financial institutions	1,458,368	729,311
Profit rate swap and foreign currency forwards (a)	2,195	2,675
Equity type investments		
At fair value through equity		
- Quoted sukuk (b)	33,326	32,966
At fair value through income statement		
- Structured notes (a)	404,839	371,978
- Quoted fund (a)	27,099	-
Debt type investments		
At fair value through equity		
- Quoted sukuk (b)	784,300	846,205
At amortised cost		
- Quoted sukuk *	2,447,489	2,240,354
- Unquoted sukuk	3,494	3,494
Less: Impairment allowances (note 23)	(26,078)	(16,963)
	5,135,032	4,210,020

** Short-term and medium-term facilities of US$ 1,857,388 thousand (31 December 2022: US$ 1,653,875 thousand) are secured by quoted sukuk of US$ 2,762,506 thousand (31 December 2022: US$ 2,506,041 thousand), structured notes of US$ 404,839 thousand (31 December 2022: US$ 371,928 thousand). Additionally this amount is net of restatement of US$ 7,482 thousands (refer note 38).*

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

a) Investments - At fair value through income statement

US$ 000's

	2023	2022
At 1 January	374,653	445,183
Additions	102,857	52,602
Disposals	(86,547)	(74,734)
Fair value changes, net	43,170	(48,398)
At 31 December	**434,133**	374,653

b) Investments - At fair value through equity

US$ 000's

	2023	2022
At 1 January	879,171	1,656,088
Additions	9,951	319,192
Disposals / Transfers	(69,273)	(123,495)
Amortization	(1,346)	(7,192)
Reclassification to amortized cost	-	(935,514)
Restatement Impact (note 38)	(15,271)	-
Fair value changes	14,394	(29,908)
At 31 December	**817,626**	879,171

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

8 FINANCING CONTRACTS

US$ 000's

	31 December 2023	31 December 2022
Murabaha	1,029,324	982,170
Wakala	-	239
Mudharaba	20,564	17,336
Ijarah assets	559,409	499,865
	1,609,297	1,499,610
Less: Impairment allowances	(71,983)	(64,372)
	1,537,314	1,435,238

Murabaha financing receivables are net of deferred profits of US$ 41,727 thousand (2022: US$ 50,133 thousand).

US$ 000's

31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financing contracts (gross)	1,192,748	284,047	132,502	1,609,297
Expected credit loss	(8,091)	(23,360)	(40,532)	(71,983)
Financing contracts (net)	**1,184,657**	**260,687**	**91,970**	**1,537,314**

US$ 000's

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Financing contracts (gross)	1,286,549	143,496	69,565	1,499,610
Expected credit loss	(18,046)	(11,990)	(34,336)	(64,372)
Financing contracts (net)	1,268,503	131,506	35,229	1,435,238

The movement on impairment allowances is as follows:

US$ 000's

Impairment allowances	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2023	18,046	11,990	34,336	64,372
Net transfers	(3,576)	3,130	446	-
Net charge for the year (note 23)	(6,379)	8,240	8,349	10,210
Write-off	-	-	(2,599)	(2,599)
At 31 December 2023	**8,091**	**23,360**	**40,532**	**71,983**

US$ 000's

Impairment allowances	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	19,995	7,109	44,345	71,449
Net transfers	2,403	(1,411)	(992)	-
Net charge for the year (note 23)	(4,352)	6,292	4,995	6,935
Write-off	-	-	(14,012)	(14,012)
At 31 December 2022	18,046	11,990	34,336	64,372

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

9. INVESTMENT IN REAL ESTATE

US$ 000's

	31 December 2023	31 December 2022
Investment Property		
- Land	483,685	556,215
- Building	141,471	194,050
	625,156	750,265
Development Property		
- Land	165,565	147,393
- Building	581,211	389,427
	746,776	536,820
	1,371,932	1,287,085

(i) Investment property

Investment property includes land plots and buildings in GCC, Europe and North Africa. Investment property of carrying amount of US$ Nil million (2022: US$ 39.9 million) is pledged against Wakala facilities and Ijarah facility (note 15).

The fair value of the Group's investment property at 31 December 2023 was US$ 746,496 thousand (31 December 2022: US$ 931,291 thousand) based on a valuation carried out by an independent external property valuers who have recent experience in the location and category of the asset being valued. These are level 3 valuations in fair value hierarchy.

US$ 000's

	2023	2022
At 1 January	750,265	592,834
Additions during the year	69,737	195,008
Depreciation	(3,271)	(2,805)
Disposals / transfers	(191,575)	(34,772)
At 31 December	**625,156**	750,265

(ii) Development properties

This represent properties under development for sale.

US$ 000's

	2023	2022
At 1 January	536,820	1,312,764
Additions	227,823	70,849
Disposals / transfers	(17,867)	(846,793)
At 31 December	**746,776**	536,820

10. PROPRIETARY INVESTMENTS

US$ 000's

	31 December 2023	31 December 2022
Equity type investments		
At fair value through income statement (i)		
- Unquoted securities	2,942	9,480
- Listed securities	14,252	-
	17,194	9,480
At fair value through equity		
- Equity type Sukuk	827,012	836,251
- Unquoted equity securities (iii)	64,045	55,893
	891,057	892,144
Equity-accounted investees (iv)	137,390	103,471
Impairment allowance	(914)	(42)
	1,044,727	1,005,053

(i) Equity type investments – At fair value through income statement

US$ 000's

	2023	2022
At 1 January	9,480	10,000
Disposals,net	(6,538)	(520)
At 31 December	**2,942**	9,480

(ii) Listed equity securities at fair value through equity

US$ 000's

	2023	2022
At 1 January	-	13
Additions	16,619	-
Fair value	(2,367)	(13)
At 31 December	**14,252**	-

(iii) Unquoted equity securities fair value through equity

US$ 000's

	2023	2022
At 1 January	55,893	91,425
Additions	9,319	6,050
Disposal / Transfers	(1,167)	(41,582)
At 31 December	**64,045**	55,893

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

(iv) Equity-accounted investees

Equity-accounted investees represents investments in the following material entities:

Name	Country of incorporation	% Holding 2023	% Holding 2022	Nature of business
Capital Real Estate Projects Company B.S.C. (c)	Kingdom of Bahrain	30%	30%	Real estate holding and development
Enshaa Development Real Estate B.S.C. (c)	Kingdom of Bahrain	33.33%	33.33%	Holding plot of land in Kingdom of Bahrain.
Infracorp B.S.C. (c)	Kingdom of Bahrain	40%	40%	Management of Real Estate
LPOD and Domina*	Kingdom of Bahrain	28.14%	-	Real estate holding and development

US$ 000's

	2023	2022
At 1 January	103,471	69,003
Additions	37,024	80,000
Disposals	-	(57,437)
Other reserves of equity accounted investee	(13,612)	-
Share of profit for the year, net	10,507	11,905
At 31 December 2023	**137,390**	103,471

Summarised financial information of entities that have been equity-accounted investments not adjusted for the percentage ownership held by the Group (based on most recent management accounts):

US$ 000's

Infracorp B.S.C. (c)	2023	2022
Total assets	**1,645,707**	1,687,534
Total liabilities	**402,983**	418,012
Equity type sukuk	**900,000**	900,000
Total revenues	**216,075**	130,360
Total profit (attributable to shareholders)	**45,466**	33,190

Other equity-accounted investees	2023	2022
Total assets	211,202	286,223
Total liabilities	63,172	20,647
Total revenues	5,955	12,097
Total loss	(4,223)	(4,630)

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

11. CO-INVESTMENTS

US$ 000's

	31 December 2023	31 December 2022
At fair value through equity		
- Unquoted equity securities	247,048	131,553
At fair value through income statement		
- Unquoted equity securities	9,168	10,498
Provision	(1,606)	-
	254,610	142,051

US$ 000's

	2023	2022
At 1 January	142,051	171,877
Additions	116,214	58,751
Disposals	(915)	(92,195)
Impairment allowance	(1,606)	-
Fair value change	(1,134)	3,618
At 31 December	**254,610**	142,051

12. RECEIVABLES AND OTHER ASSETS

US$ 000's

	31 December 2023	31 December 2022
Investment banking receivables	307,597	193,923
Receivable from equity-accounted investee	72,923	62,000
Financing to projects, net	12,241	26,744
Receivable on sale of development properties	16,376	16,341
Advances and deposits	62,416	61,613
Employee receivables	7,443	5,067
Profit on sukuk receivable	17,409	18,766
Lease rentals receivable	4,025	6,117
Prepayments and other receivables	295,158	208,614
Less: impairment allowance net (note 23)	(7,948)	(9,316)
	787,640	589,869

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

13. PROPERTY AND EQUIPMENT

US$ 000's

	31 December 2023	31 December 2022
Land	73,291	86,839
Buildings and other leased assets	158,541	80,709
Others including furniture, vehicles and equipment	42,889	65,188
	274,721	232,736

Depreciation on property and equipment during the year was US$ 8,132 thousand (2022: US$ 3,036 thousand).

14. PLACEMENTS FROM NON-FINANCIAL INSTITUTIONS AND INDIVIDUALS

These comprise placements in the form of murabaha and wakala contracts with financial, non-financial institutions, and individuals part of the Group's treasury activities. This includes US$ 84.3 million (2022: US$ 84.3 million) from a non-financial entity which is currently subject to regulatory sanctions.

15. TERM FINANCING

US$ 000's

	31 December 2023	31 December 2022
Murabaha financing	1,880,910	1,680,940
Sukuk	241,777	242,076
Ijarah financing	-	17,603
Other borrowings	1,620	1,579
	2,124,307	1,942,198

US$ 000's

	31 December 2023	31 December 2022
Current portion	757,075	987,320
Non-current portion	1,367,232	954,878
	2,124,307	1,942,198

Murabaha financing comprise:
Short-term and medium-term facilities of US$ 1,857,388 thousand (31 December 2022: US$ 1,653,875 thousand) are secured by quoted sukuk of US$ 2,762,506 thousand (31 December 2022: US$ 2,506,041 thousand) and structured notes of US$ 404,839 thousand (31 December 2022: US$ 301,853 thousand).

Sukuk
During 2020, the Group raised US$ 500,000 thousand through issuance of unsecured sukuk certificates with a profit rate of 7.5% p.a. repayable by 2025 till date. The Group has repurchased cumulative sukuk of US$ 265,610 thousand. The outstanding sukuk also includes accrued profit of US$ 8,743 thousand.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

16. OTHER LIABILITIES

US$ 000's

	31 December 2023	31 December 2022
Employee related accruals	15,764	15,544
Board member allowances and accruals	1,500	1,500
Unclaimed dividends	2,312	4,754
Mudaraba profit accrual	22,814	13,184
Provision for employees' leaving indemnities	5,127	4,125
Zakah and Charity fund	6,553	5,924
Advance received from customers	2,105	6,648
Accounts payable	236,443	127,878
Deal related payables	192,288	138,657
Other accrued expenses and payables	63,150	105,149
	548,056	423,363

17. EQUITY OF INVESTMENT ACCOUNT HOLDERS (EIAH)

US$ 000's

	31 December 2023	31 December 2022
Placements and borrowings from financial institutions – Wakala	2,312,153	25,458
Mudaraba	1,138,853	1,188,216
	3,451,006	1,213,674

The funds received from investment account holders have been commingled and jointly invested with the Group in the following asset classes as at 31 December:

US$ 000's

	31 December 2023	31 December 2022
Balances with banks	2,030,152	274,502
CBB reserve account	75,310	68,422
Placements with financial institutions	-	166,130
Debt type instruments – sukuk	222,448	456,310
Financing contracts	1,004,809	248,310
Investment securities	71,334	-
Investment in real estate	45,618	-
Other Assets	1,335	-
	3,451,006	1,213,674

As at 31 December 2023, the balance of profit equalisation reserve and investment risk reserve was Nil (2022: Nil).

The Group does not allocate non-performing assets to IAH pool. All the impairment allowances are allocated to owners' equity. Recoveries from non-performing financial assets are also not allocated to IAH accountholders. Only profits earned on pool of assets funded from IAH are allocated between the owners' equity and IAH. The Group did not charge any administration expenses to investment accounts.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

Following is the average percentage for profit allocation between owner's equity and investment accountholders.

	2023		2022	
	Mudarib share	**IAH shares**	Mudarib share	IAH shares
1 month Mudharaba *	**50.36%**	**49.64%**	65.01%	34.99%
3 months Mudharaba	**14.08%**	**85.92%**	52.56%	47.44%
6 months Mudharaba	**10.48%**	**89.52%**	52.53%	47.47%
12 months Mudharaba	**20.63%**	**79.37%**	42.04%	57.96%
18 months Mudharaba	**22.74%**	**77.26%**	53.58%	46.42%
24 months Mudharaba	**1.81%**	**98.19%**	24.67%	75.33%
36 months Mudharaba	**23.12%**	**76.88%**	38.08%	61.92%

** Includes savings, Al Waffer and Call Mudaraba accounts.*

The investors' share of the return on jointly invested assets and distribution to investment account holders were as follows:

US$ 000's

	2023	2022
Returns from jointly invested assets	(75,236)	(79,210)
Banks share as Mudarib	18,053	41,159
Return to investment account holders	**(57,183)**	(38,051)

The above returns as the Mudarib are forming part of Income from commercial banking in the statement of income. During the year, average mudarib share as a percentage of total income allocated to IAH was 28.13% (2022: 45.06%) as against the average mudarib share contractually agreed with IAH. Hence the Group sacrificed average mudarib fees of 38.44% (2022: 23.50%).

The Group does not share profits resulting from the assets funded through current accounts and other funds received on the basis other than mudarba contract and wakala contract.

The funds raised from IAH are deployed in the assets on a priority basis after setting aside certain amount in cash and placement with Banks for liquidity management purposes.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

18. SHARE CAPITAL

US$ 000's

	31 December 2023	31 December 2022
Authorised:		
9,433,962,264 shares of US$ 0.265 each (2022: 9,433,962,264 shares of US$ 0.265 each)	**2,500,000**	**2,500,000**
Issued and fully paid up:		
3,832,593,838 shares of US$ 0.265 each (2022: 3,832,593,838 shares of US$ 0.265 each)	**1,015,637**	**1,015,637**

The movement in the share capital during the year is as follows:

US$ 000's

	2023	2022
At 1 January	1,015,637	1,000,637
Issue of bonus shares	-	15,000
At 31 December	**1,015,637**	1,015,637

As at 31 December 2023, the Bank held 353,456,810 (31 December 2022: 341,150,768) treasury shares.

Additional information on shareholding pattern

(i) The Bank has only one class of equity shares and the holders of these shares have equal voting rights.

(ii) Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

31 December 2023 Categories*	**Number of shares**	**Number of Shareholders**	**% of total outstanding shares**
Less than 1%	2,344,580,087	8,632	61.17%
1% up to less than 5%	1,239,114,234	17	32.33%
5% to less than 10%	248,899,517	1	6.50%
Total	**3,832,593,838**	**8,650**	**100%**

31 December 2022 Categories*	Number of shares	Number of Shareholders	% of total outstanding shares
Less than 1%	2,260,705,577	8,304	58.98%
1% up to less than 5%	1,023,998,191	14	26.72%
5% to less than 10%	547,890,070	2	14.30%
Total	3,832,593,838	8,320	100%

** Expressed as a percentage of total outstanding shares of the Bank.*

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

Appropriations and changes in capital structure
Appropriations, if any, are made when approved by the shareholders.

Proposed appropriations
The Board of Directors proposes the following appropriations for 2023 subject to shareholders' and regulatory approval:
- Cash dividend of 6.2% of the paid-up share capital net of treasury shares;
- To allocate an amount of US$ 2,000,000 to charity activities and civil society organizations;
- Transfer of US$ 10,522,700 to statutory reserve; and;
- Board remuneration of US$ 1,900,000

19. SHARE GRANT RESERVE

The Bank operates a share-based incentive scheme for its employees (the "Scheme") whereby employee are granted the Bank's shares as compensation on achievement of certain non-market based performance conditions and service conditions (the 'vesting conditions'). The grant date fair value of equity instruments granted to employees is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the share awards. During the year the Bank has recognized US$ 1,000 thousands.

20. OTHER INCOME

Other income includes write back of liabilities no longer required of US$ 4.35 million (2022: US$ 10.31 million) after settlement arrangements were concluded for some of the non-banking subsidiaries and income of non-financial subsidiaries of US$ 9 million (2022: US$ 9.6 million).

21. STAFF COST

US$ 000's

	2023	2022
Salaries and benefits	74,009	60,232
Social insurance and end of service benefits	2,728	3,253
Share-based payments	1,000	6,930
	77,737	70,415

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

21. STAFF COST (contd.)

As per the Group's Variable Incentive Policy, a portion of the annual performance bonus is issued in the form of share awards to its senior management employees. These awards include deferred incentives in the form of shares, share purchase plans and long-term incentive plans with different conditions. The terms of the award, including the type of plan, extent of funding, pricing and deferral period is determined for each year by the Board Nomination, Remuneration and Governance Committee of the Bank.

Performance year	Nature of award	Staff coverage	Summary of deferral and vesting conditions
Annual Awards	Employee Share Purchase Plan & Deferred Annual Bonus (DAB)	Covered persons in business and control functions who exceed total compensation thresholds as per CBB Remuneration Regulations and Bank's Variable Remuneration policy.	A portioned of the annual incentive is issued in form of shares / awards and released rateably over the 3 year deferral period. The issue price is determined based on a defined adjustment to market price on the date of the award. No future performance conditions or service conditions associated with the DAB shares. DAB Shares are entitled for dividends, if any, but released over the deferral period.
2020 – 2022	Long term incentive plan (LTIP) share awards	Select Senior Management	Under the future performance awards structure of the Bank, an LTIP scheme was introduced where the employees are compensated in form of shares on achievement of certain pre-determined performance conditions. The LTIP sets performance and service conditions and has a rateable vesting schedule over a period of 3 - 6 years. Accelerated vesting may occur on exceeding performance conditions leading to true up of share-based payment charges. The issue price is determined based on a defined adjustment to market price on the date of the award. The LTIP shares include leverage features and are entitled to dividends, if any, released along with the vested shares.

	2023		2022	
	No. of Shares	**US$ 000's**	No. of Shares	US$ 000's
Opening balance	203,507,210	28,657	184,325,599	17,082
Awarded during the year	43,845,042	16,950	145,490,734	22,532
Bonus shares			4,461,209	-
Forfeiture and other adjustments	(1,300,687)		-	-
Transfer to employees / settlement	(96,976,385)	(12,398)	(130,770,332)	(10,957)
Closing balance	**149,075,180**	**33,209**	203,507,210	28,657

In case of the employee share purchase plans including LTIP, the US$ amounts reported in the table above represents the gross vesting charge of the respective schemes as determined under IFRS 2 – Share-based payments at the date of the award and not the value of the shares. The release of these shares are subject to future retention, performance and service conditions. The number of shares included in the table above refer to the total employee participation in the various plans that remain unvested and undelivered as at the reporting date.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

22. OTHER OPERATING EXPENSES

US$ 000's

	2023	2022
Investment advisory expenses	18,895	18,571
Rent	5,629	2,925
Professional and consultancy fees	12,510	13,213
Legal expenses	2,593	2,183
Depreciation	11,244	5,841
Expenses relating to non-banking subsidiaries	5,850	11,570
Other operating expenses	46,915	23,229
	103,636	77,532

23. IMPAIRMENT ALLOWANCES

US$ 000's

	2023	2022
Bank balances	16	(13)
Treasury portfolio (note 7)	9,115	2,836
Financing contracts (note 8)	10,210	6,935
Co-investments (note 11)	1,606	-
Proprietary investments (note 10)	872	(82)
Other receivables (note 12)	(1,368)	(6,320)
Commitments and financial guarantees	8	(46)
	20,459	3,310

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

24. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors and executive management of the Group. A significant portion of the Group's management fees are from entities over which the Group exercises influence (assets under management). Although these entities are considered related parties, the Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The transactions with these entities are based on agreed terms.

The significant related party transactions during the year and balances as at year end included in these consolidated financial statements are as follows:

US$ 000's

	Related parties				
2023	**Associates / Joint venture**	**Key management personnel**	**Significant shareholders / entities in which directors are interested**	**Assets under management including special purpose and other entities**	**Total**
Assets					
Cash and bank balances					
Treasury portfolio				70,546	**70,546**
Financing contracts	-	11,202	85,055	19,489	**115,746**
Proprietary investment	827,161	-	7,686	13,667	**848,514**
Co investment	-	-	-	243,393	**243,393**
Receivables and other assets	190,505	6,731	1,507	330,038	**528,781**
Liabilities					
Current account	2,971	16	29,233	19,122	**51,342**
Placements from financial, non-financial institutions and individuals	-	5,602	8,622	-	**14,224**
Payables and accruals	96,115	7,196	-	198,943	**302,254**
Equity of investment account holders	2,485	5,027	44,145	14,422	**66,079**
Income					
Income from investment banking	-	-	-	182,173	**182,173**
Income from commercial banking					
- Income from financing	-	790	8,536	-	**9,326**
- Less: Return to investment account holders	(37)	(249)	(14,257)	(16)	**(14,559)**
- Less: Finance expense	-	(271)	(11,655)	-	**(11,926)**
Treasury and other income	35,069	-	-	6,333	**41,402**
Expenses					
Operating expenses	-	(1,180)	-	(151)	**(1,331)**
Staff Cost	-	(18,206)	-	-	**(18,206)**
Finance Cost	-	-	-	(3,188)	**(3,188)**

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

US$ 000's

2022	Related parties			Assets under management including special purpose and other entities	Total
	Associates / Joint venture	Key management personnel	Significant shareholders / entities in which directors are interested		
Assets					
Cash and bank balances	-	-	-	12,777	12,777
Treasury portfolio				70,656	70,656
Financing contracts	-	8,411	38,181	18,201	64,793
Proprietary investment	836,251	-	6,058	-	842,309
Co investment	-	-	-	142,665	142,665
Receivables and other assets	62,045	5,326	721	198,231	266,323
Liabilities					
Current account	1,918	183	2,003	13,973	18,077
Placements from financial, non-financial institutions and individuals	-	3,379	22,697	24,077	50,153
Payables and accruals	36,009	1,565	-	139,529	177,103
Equity of investment account holders	3,239	2,875	33,328	148,114	187,556
Income					
Income from investment banking	-	-	-	124,244	124,244
Income from commercial banking	-	-	-	-	-
- Income from financing	-	525	1,263	-	1,788
- Fee and other income	-	-	-	-	-
- Less: Return to investment account holders					
	27	101	8,631	11	8,770
- Less: Finance expense	-	-	-	-	-
Income from proprietary and co-investments	27,246	-	1,932	25,154	54,332
Treasury and other income	8	-	-	797	805
Expenses					
Operating expenses					
Staff Cost	-	(8,116)*	-	-	(8,116)
Finance Cost	-	(6)	(3,989)	-	(3,995)

** The amount presented excluded bonus to key management personnel for 2022 as allocation has not been finalized at the date of approval of these consolidated financial statements.*

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

24. RELATED PARTY TRANSACTIONS (contd.)

Key management personnel
Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group and its significant banking subsidiary.

During the year, there were no direct participation of directors in investments promoted by the Group.

The key management personnel compensation is as follows:

US$ 000's

	2023	2022
Board members' remuneration, fees and allowance	2,944	2,981
Salaries, other short-term benefits and expenses	17,811	15,203
Post-employment benefits	1,028	289

25. ASSETS UNDER MANAGEMENT AND CUSTODIAL ASSETS

i. The Group provides corporate administration, investment management and advisory services to its project companies, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these consolidated financial statements. At the reporting date, the Group had assets under management of US$ 10,028 million (31 December 2022: US$ 7,845 million). During the year, the Group had charged management fees and performance fee amounting to US$ 18,652 thousand (31 December 2022: US$ 33,536 thousand).

ii. Custodial assets comprise assets of the discretionary portfolio management ('DPM') accounts amounting to US$ 3,351,184 thousand, of which US$ 1,040,768 thousand related to the Bank's investment products.

26. EARNINGS PER SHARE

Basic earnings per share
Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of equity shares outstanding during the year.

The weighted average number of ordinary equity shares for the comparative periods presented are adjusted for the issue of shares during the year without corresponding change in resources.

	2023	2022
In thousands of shares		
Weighted average number of shares for basic and diluted earnings	3,493,154	3,426,503

Diluted earnings per share
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are considered to be dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase the loss per share.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

27. ZAKAH AND SOCIAL RESPONSIBILITY

Zakah is directly borne by the shareholders on distributed profits and investors in restricted investment accounts. The Bank does not collect or pay Zakah on behalf of its shareholders and investors in restricted investment accounts. Zakah payable by the shareholders is computed by the Bank on the basis of the method prescribed (net assets method) by the Bank's Sharia Supervisory Board and notified to shareholders annually.

The Group discharges its social responsibilities through donations to charitable causes and social organisations.

28. EARNINGS PROHIBITED BY SHARIA

The Group is committed to avoid recognising any income generated from non-sharia sources. Accordingly, all non-sharia income is credited to a charity account where the Group uses these funds for charitable means. Movements in non-sharia funds are shown in the statement of sources and uses of charity funds. The Group receives interest from deposits placed with the CBB and other incidental or required deposits. These earnings are utilised exclusively for charitable purposes and amount to US$ 278 thousand (2022: US$ 88 thousand).

29. SHARIA SUPERVISORY BOARD

The Group's Sharia Supervisory Board comprise four Islamic scholars who review the Group's compliance with general Sharia principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Sharia principles.

30. MATURITY PROFILE

The table below shows the maturity profile of the Group's assets and unrecognised commitments on the basis of their contractual maturity. Where such contractual maturity is not available, the Group has considered expected realisation / settlement profile for assets and liabilities respectively. For undiscounted contractual maturity of financial liabilities, refer note 36.

US$ 000's

31 December 2023	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Assets						
Cash and bank balances	343,314	8,660	22,976	1,934		**376,884**
Treasury portfolio	2,490,581	68,210	62,469	787,230	1,726,542	**5,135,032**
Financing contracts	182,611	48,429	185,568	315,080	805,626	**1,537,314**
Real estate investment	–	–		–	1,371,932	**1,371,932**
Proprietary investments	–	–		967,123	77,604	**1,044,727**
Co-investments	–	–		254,610	–	**254,610**
Receivables and prepayments	99,635	10,548	244,732	69,265	363,460	**787,640**
Property and equipment	–	–			274,721	**274,721**
Asset held for sale	338,619	–	–	–	–	**338,619**
Total assets	**3,454,760**	**135,847**	**515,745**	**2,395,242**	**4,619,885**	**11,121,479**
Liabilities						
Client's funds	145,221	–	61,001	–	–	**206,222**
Placements from financial institutions	1,512,670	302,464	311,295	160,780	36,008	**2,323,217**
Placements from non-financial institutions and individuals	209,240	86,071	243,599	121,703	299,437	**960,050**
Current account	11,517	25,408	–	13,902	152,870	**203,697**
Term financing	606,741	149,239	1,095	1,089,757	277,475	**2,124,307**
Payables and accruals	206,274	137,068	14,519	85,524	104,671	**548,056**
Liabilities held for sale	230,562	–	–	–	–	**230,562**
Total liabilities	**2,922,225**	**700,250**	**631,509**	**1,471,666**	**870,461**	**6,596,111**
Equity of investment account holders	**2,031,934**	**272,393**	**656,972**	**395,218**	**94,489**	**3,451,006**
Off-balance sheet items						
Commitments	92,478	18,366	33,483	59,232	138	**203,697**
Restricted investment accounts	–	–	–	4,208	–	**4,208**

_Notes to the Consolidated Financial Statements (contd.)

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US$ 000's

31 December 2022	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Assets						
Cash and bank balances	826,393	7,374	13,552	10,920	–	858,239
Treasury portfolio	1,291,520	249,557	447,769	417,228	1,803,946	4,210,020
Financing contracts	156,765	56,091	164,272	291,676	766,434	1,435,238
Real estate investment	–	–	–	–	1,287,085	1,287,085
Proprietary investments	–	–	–	927,704	77,349	1,005,053
Co-investments	–	1,852	–	140,199	–	142,051
Receivables and prepayments	213,908	105,435	56,540	50,526	163,460	589,869
Property and equipment	–	–	–	–	232,736	232,736
Total assets	2,488,586	420,309	682,133	1,838,253	4,331,010	9,760,291
Liabilities						
Client's funds	87,488	–	35,812	–	–	123,300
Placements from financial institutions	2,361,964	516,253	639,419	210,554	62,680	3,790,870
Placements from non-financial institutions and individuals	159,739	121,865	251,034	423,025	108,595	1,064,258
Current account	5,497	16,623	–	54,557	54,557	131,234
Term financing	519,046	192,074	276,200	649,172	305,706	1,942,198
Payables and accruals	227,764	116,763	36,390	42,446	–	423,363
Total liabilities	3,361,498	963,578	1,238,855	1,379,754	531,538	7,475,223
Equity of investment account holders	99,588	35,406	86,546	288,470	703,664	1,213,674
Off-balance sheet items						
Commitments	56,565	4,098	48,923	95,664	234	205,484
Restricted investment accounts	–	–	–	4,162	–	4,162

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

(a) Industry sector

US$ 000's

31 December 2023	Banks and financial institutions	Real Estate	Others	Total
Assets				
Cash and bank balances	359,436	13,253	4,195	376,884
Treasury portfolio	4,071,499	207,677	855,856	5,135,032
Financing contracts	90,540	735,117	711,657	1,537,314
Real estate investments	-	1,371,932	-	1,371,932
Proprietary investment	720,208	153,916	170,603	1,044,727
Co-investment	143,140	111,470	-	254,610
Receivables and prepayments	40,528	125,420	621,692	787,640
Property and equipment	4,927	78,683	191,111	274,721
Asset held for sale	-	338,619	-	338,619
Total assets	**5,430,278**	**3,136,087**	**2,555,114**	**11,121,479**
Liabilities				
Client's funds	203,341	-	2,881	206,222
Placements from financial institutions	2,323,217	-	-	2,323,217
Placements from non-financial institutions & individuals	4,027	-	956,023	960,050
Customer accounts	934	9,899	192,864	203,697
Term financing	2,110,286	14,021	-	2,124,307
Payables and accruals	414,074	-	133,982	548,056
Liabilities held for sale	-	-	230,562	230,562
Total liabilities	**5,055,879**	**23,920**	**1,516,312**	**6,596,111**
Equity of Investment account holders	348,787	166,159	2,936,060	3,451,006
Off-balance sheet items				
Commitments	654	78,463	124,581	**203,698**
Restricted investment accounts		4,208		**4,208**
Notional amount of Derivative	558,500	-	-	**558,500**

US$ 000's

31 December 2022	Banks and financial institutions	Real Estate	Others	Total
Assets				
Cash and bank balances	845,828	11,596	815	858,239
Treasury portfolio	3,134,903	73,182	1,001,935	4,210,020
Financing contracts	107,608	561,420	766,210	1,435,238
Real estate investments	-	1,287,085	-	1,287,085
Proprietary investment	757,834	229,337	17,882	1,005,053
Co-investment	130,833	11,218	-	142,051
Receivables and prepayments	139,696	97,951	352,222	589,869
Property and equipment	2,189	37,165	193,382	232,736
Total assets	5,118,891	2,308,954	2,332,446	9,760,291
Liabilities				
Client's funds	119,375	-	3,925	123,300
Placements from financial institutions	3,790,870	-	-	3,790,870
Placements from non-financial institutions and individuals	9,821	1,477	1,052,960	1,064,258
Customer accounts	4,138	18,735	108,361	131,234
Term financing	1,926,760	15,438	-	1,942,198
Payables and accruals	240,730	50,054	132,579	423,363
Total liabilities	6,091,694	85,704	1,297,825	7,475,223
Equity of Investment account holders	272,093	51,262	890,319	1,213,674
Off-balance sheet items				
Commitments	-	117,301	88,183	205,484
Restricted investment accounts	-	4,162	-	4,162
Notional amount of Derivative	58,500	-	-	58,500

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (contd.)

(b) Geographic region

US$ 000's

31 December 2023	GCC countries	MENA	Asia	North America	Others	Total
Assets						
Cash and bank balances	322,098	361	82	50,188	4,155	376,884
Treasury portfolio	3,239,875	445,603	-	269,765	1,179,789	5,135,032
Financing contracts	1,489,776	-	-	31,514	16,024	1,537,314
Real estate investment	1,362,718	-	7,430	-	1,784	1,371,932
Proprietary investment	1,035,609	-	-	1,976	7,142	1,044,727
Co-investments	167,221	-	505	28,077	58,807	254,610
Receivables and prepayments	622,346	22,552	3,520	131,310	7,912	787,640
Property and equipment	274,721	-	-	-	-	274,721
Assets held for sale	338,619	-	-	-	-	338,619
Total assets	**8,852,983**	**468,516**	**11,537**	**512,830**	**1,275,613**	**11,121,479**
Liabilities						
Client's funds	203,341	-	-	-	2,881	206,222
Placements from financial,	2,323,217	-	-	-	-	2,323,217
Placements non-financial institutions & individuals	733,239	226,487	-	-	324	960,050
Customer accounts	149,968	-	53,729	-	-	203,697
Financing liabilities	1,629,941	-	-	-	494,366	2,124,307
Payables and accruals	414,283	-	-	82,590	51,183	548,056
Liabilities held for sale	230,562	-	-	-	-	230,562
Total liabilities	**5,684,551**	**226,487**	**53,729**	**82,590**	**548,754**	**6,596,111**
Equity of investment account holders	3,360,289	2,329	4,218	-	84,170	**3,451,006**
Off-balance sheet items						
Commitments	154,550	-	-	49,147	-	**203,697**
Restricted investment accounts	4,067	-	-	141	-	**4,208**
Notional amount of Derivative	-	-	-	558,500	-	**558,500**

Concentration by location for assets is measured based on the location of the underlying operating assets, and not based on the location of the investment (which is generally based in tax efficient jurisdictions).

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

US$ 000's

31 December 2022	GCC countries	MENA	Asia	North America	Others	Total
Assets						
Cash and bank balances	691,915	361	40	74,484	91,439	858,239
Treasury portfolio	3,318,666	135,813	-	108,785	646,756	4,210,020
Financing contracts	1,379,761	39,526	-	12	15,939	1,435,238
Real estate investment	1,037,847	232,284	7,609	-	9,345	1,287,085
Proprietary investment	993,219	-	-	-	11,834	1,005,053
Co-investments	46,780	-	505	93,028	1,738	142,051
Receivables and prepayments	550,502	22,387	3,477	9,873	3,630	589,869
Property and equipment	224,358	-	-	8,244	134	232,736
Total assets	8,243,048	430,371	11,631	294,426	780,815	9,760,291
Liabilities						
Client's funds	119,375	-	-	-	3,925	123,300
Placements from financial,	3,790,870	-	-	-	-	3,790,870
Placements non-financial institutions and individuals	903,367	160,666	-	225	-	1,064,258
Customer accounts	131,019	-	215	-	-	131,234
Financing liabilities	773,566	-	-	447,647	720,985	1,942,198
Payables and accruals	257,100	6,010	-	141,637	18,616	423,363
Total liabilities	5,975,297	166,676	215	589,509	743,526	7,475,223
Equity of investment account holders	1,191,653	-	21,910	-	111	1,213,674
Off-balance sheet items					-	
Commitments	142,992	-	-	62,492	-	205,484
Restricted investment accounts	4,022	-	-	140	-	4,162
Notional amount of Derivative	-	-	-	58,500	-	58,500

Concentration by location for assets is measured based on the location of the underlying operating assets, and not based on the location of the investment (which is generally based in tax efficient jurisdictions).

32. OPERATING SEGMENTS

The Group has three distinct operating segments, Real Estate Development, Investment Banking and Commercial Banking, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different strategies for management and resource allocation within the Group. For each of the strategic business units, the Group's Board of Directors (chief operating decision makers) review internal management reports on a quarterly basis.

The following summary describes the operations in each of the Group's operating reportable segments:

- **Investment Banking:** The Banking segment of the Group is focused on private equity and asset management domains. The private equity activities include acquisition of interests in unlisted or listed businesses at prices lower than anticipated values. The asset management unit is responsible for identifying and managing investments in yielding real estate in the target markets of the GCC. 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.

- **Commercial Banking:** These include commercial and corporate banking, retail banking, wealth management, structured investment products and project financing facilities of the Group's commercial banking subsidiary.

- **Proprietary and treasury -** 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 proprietary and treasury activities of the Group.

The performance of each operating segment is measured based on segment results and are reviewed by the management committee and the Board of Directors on a quarterly basis. Segment results is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing, if any is determined on an arm's length basis.

The Group classifies directly attributable revenue and cost relating to transactions originating from respective segments as segment revenue and segment expenses respectively. Indirect costs is allocated based on cost drivers/factors that can be identified with the segment and/ or the related activities. The internal management reports are designed to reflect revenue and cost for respective segments which are measured against the budgeted figures. The unallocated revenues, expenses, assets and liabilities related to entity-wide corporate activities and treasury activities at the Group level. Segment revenue and expenses were net-off inter segment revenue and expenses.

The Group has primary operations in Bahrain and the Group does not have any significant independent overseas branches/divisions in the banking business. The geographic concentration of assets and liabilities is disclosed in note 31 (b) to the consolidated financial statements.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

Information regarding the results of each reportable segment is included below:

US$ 000's

31 December 2023	**Investment banking**	**Commercial banking**	**Proprietary and Treasury**	**Total**
Segment revenue	201,371	67,793	100,363	**369,527**
Segment expenses	(145,620)	(51,106)	(47,115)	**(243,841)**
Impairment allowance	-	(3,896)	(16,563)	**(20,459)**
Segment result	**55,751**	**12,791**	**36,685**	**105,227**
Segment assets	278,056	3,985,192	6,858,231	**11,121,479**
Segment liabilities	208,859	2,146,851	4,240,401	**6,596,111**
Equity of investment account holders	-	1,420,854	2,030,152	**3,451,006**
Other segment information				
Equity accounted investees	-	8,656	128,734	**137,390**
Commitments	49,147	154,550	-	**203,697**

US$ 000's

31 December 2022	Investment banking	Commercial banking	Proprietary and Treasury	Total
Segment revenue	120,503	78,972	98,287	297,762
Segment expenses (including impairment allowances)	(69,675)	(50,538)	(76,532)	(196,745)
Impairment allowance	-	(4,770)	1,460	(3,310)
Segment result	50,828	23,664	23,215	97,707
Segment assets	201,828	3,785,535	5,772,928	9,760,291
Segment liabilities	171,359	1,761,879	5,541,985	7,475,223
Equity of investment account holders	-	1,189,016	24,658	1,213,674
Other segment information				
Equity accounted investees	-	5,303	98,168	103,471
Commitments	55,485	142,992	7,007	205,484

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. This represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

As at 31 December 2023 and 31 December 2022, the fair value of bank balances, placements with financial institutions, other financial assets, investors' fund, placements from financial and other institutions and other financial liabilities are not expected to be materially different from their carrying values as these are short term in nature and are re-priced frequently to market rates, where applicable. Investment securities carried at fair value through income statement are carried at their fair values determined using quoted market prices and internal valuation models.

The fair value of quoted Sukuk carried at amortised cost (net of impairment allowances) of US$ 2,448,322 thousand (31 December 2022: US$ 2,240,360 thousand). There are no material changes in the fair values of the Sukuk's carried at amortised cost subsequent to the reporting date until the date of signing the consolidated financial statements for the year ended 31 December 2023.

Fair value hierarchy
The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets and liabilities
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices)
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

US$ 000's

31 December 2023	Level 1	Level 2	Level 3	Total
(i) Proprietary investments				
Investment securities carried at fair value through:				
- income statement	17,194	-	-	**17,194**
- equity	-	827,012	64,045	**891,057**
	17,194	827,012	**64,045**	**908,251**
(ii) Treasury portfolio				
Investment securities carried at fair value through:				
- income statement	-	434,133	-	**434,133**
- equity	817,626	-	-	**817,626**
	817,626	434,133	-	**1,251,759**
iii) Co-investments				
Investment securities carried at fair value through equity	-	-	247,048	247,048
Investment securities carried at fair value through income statement	-	-	9,168	9,168
	-	**-**	**256,216**	**256,216**
	834,820	**1,261,145**	**320,261**	**2,416,226**

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

US$ 000's

31 December 2022	Level 1	Level 2	Level 3	Total
(iii) Proprietary investments				
Investment securities carried at fair value through:				
- income statement	9,480	-	-	9,480
- equity	836,251	-	55,893	892,144
	845,731	-	55,893	901,624
(iv) Treasury portfolio				
Investment securities carried at fair value through:				
- income statement	-	374,653	-	374,653
- equity	879,171	-	-	879,171
	879,171	374,653	-	1,253,824
iii) Co-investments				
Investment securities carried at fair value through equity			131,553	131,553
Investment securities carried at fair value through income statement			10,498	10,498
			142,051	142,051
	1,724,902	374,653	197,944	2,297,499

The table below shows the reconciliation of movements in value of investments measured using Level 3 inputs:

US$ 000's

	2023	2022
At 1 January	197,944	263,302
Disposals at carrying value	(3,682)	(54,521)
Purchases	127,134	37,561
Fair value changes during the year	(1,135)	(48,398)
At 31 December	**320,261**	197,944

_Notes to the Consolidated Financial Statements (contd.)

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33. FAIR VALUE OF FINANCIAL INSTRUMENTS (contd.)

Fair value hierarchy (contd.)
The potential effect of using reasonable possible alternative assumptions for fair valuing certain equity investments classified as level 3 are summarised below:

As on 31 December 2023:

US$ 000's

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2023	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Market multiples approach	Comparable Companies trading Multiple and Discounted Cashflows	44,905	+/- 5%	2245 / (2,245)
Market multiples approach	Comparable Companies Method	1,700	+/- 5%	85 / (85)
Discounted cash flow	Terminal growth rate	64,475	+/- 5%	3224 / (3,224)
Discounted cash flow	Weighted average cost of capital	10,890	+/- 5%	544 / (544)
Weighted Average	Discounted Cashflows and NAV	18,543	+/- 5%	927 / (927)
Weighted Average	NAV and Comparable Transactions Multiple method	7,600	+/- 5%	380 / (380)
Adjusted Net Asset Value	NAV	172,148	+/- 5%	8,419 / (8,419)
		320,261		

As on 31 December 2022:

US$ 000's

Valuation technique used	Key unobservable inputs	Fair value at 31 December 2023	Reasonable possible shift +/- (in average input)	Increase / (decrease) in valuation
Market multiples approach	Price to book	5,609	+/- 5%	280 / (280)
Market multiples approach	Enterprise value to EBITDA	6,151	+/- 5%	308 / (308)
Market multiples approach	Capitalised Earnings Method	2,814	+/- 5%	141 / (141)
Market multiples approach	Comparable Companies trading Multiple and Discounted Cashflows	16,505	+/- 5%	825 / (825)
Discounted cash flow	Terminal growth rate	15,003	+/- 5%	750 / (750)
Discounted cash flow	Weighted average cost of capital	69,085	+/- 5%	3,454 / (3,454)
Adjusted Net Asset Value		82,777	+/- 5%	4,139 / (4,139)
		197,944		

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

34. COMMITMENTS AND CONTINGENCIES

The commitments contracted in the normal course of business of the Group are as follows:

US$ 000's

	31 December 2023	31 December 2022
Undrawn commitments to extend finance	113,873	100,422
Financial guarantees	40,677	49,044
Capital commitments for infrastructure development projects	49,147	55,485
Commitment to lend	-	533
	203,697	205,484

Performance obligations
During the ordinary course of business, the Group may enter into performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of the management, no liabilities are expected to materialise on the Group as at 31 December 2023 due to the performance of any of its projects.

Litigations and claims
The Group has a number of claims and litigations filed against it in connection with projects promoted by the Bank in the past and with certain transactions. Further, claims against the Bank also have been filed by former employees. Based on the advice of the Bank's external legal counsel, the management is of the opinion that the Bank has strong grounds to successfully defend itself against these claims. Appropriate provision have been made in the books of accounts. No further disclosures regarding contingent liabilities arising from any such claims are being made by the Bank as the directors of the Bank believe that such disclosures may be prejudicial to the Bank's legal position.

35. FINANCIAL RISK MANAGEMENT

Overview
Financial assets of the Group comprise bank balances, placements with financial and other institutions, investment securities and other receivable balances. Financial liabilities of the Group comprise investors' funds, placements from financial and other institutions, term financing and other payable balances. Accounting policies for financial assets and liabilities are set out in note 4.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risks; and
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The material subsidiaries consolidated in these financial statements have independent risk management frameworks which is monitored by the respective Board of Directors of the subsidiaries. Accordingly, such risk management policies, procedures and practices are not included in these consolidated financial statements.

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

The Board of Directors has overall responsibility for establishing our risk culture and ensuring that an effective risk management framework is in place. The Board has delegated its authority to the Board Audit and Risk Committee (ARC), which is responsible for implementing risk management policies, guidelines and limits and ensuring that monitoring processes are in place. The RMD, together with the Internal Audit and Compliance Departments, provide independent assurance that all types of risk are being measured and managed in accordance with the policies and guidelines set by the Board of Directors.

The RMD submits a quarterly Risk Overview Report along with a detailed Liquidity Risk Report to the Board of Directors. The Risk Overview Report describes the potential issues for a wide range of risk factors and classifies the risk factors from low to high. The Liquidity Risk Report measure the Group's liquidity risk profile against policy guidelines and regulatory benchmarks. An additional report is prepared by the respective investment units that give updated status and impairment assessment of each investment, a description of significant developments on projects or issues as well as an update on the strategy and exit plan for each project.

a) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's, placements with financial institutions, Financing contracts and other receivables from project companies. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country, sector risk and sector concentration risk, related party exposure, etc.).

The Group had updated its inputs and assumptions for computation of ECL (refer note 4 p).

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

Management of investment and credit risk
The Board of Directors has delegated responsibility for the management of credit risk to its Board Investment Committee (BIC). This committee establishes operating guidelines and reviews and endorses the Management Investment and Credit Committee recommendations for investment strategies, products and services. Its actions are in accordance with the investment policies adopted by the Board of Directors.

The RMD is responsible for oversight of the Group's credit risk, including:
- Ensuring that the Group has in place investment and credit policies, covering credit assessment, risk reporting, documentary and legal procedures, whilst the Compliance Department is responsible for ensuring compliance with regulatory and statutory requirements.
- Overseeing the establishment of the authorisation structure for the approval and renewal of investment and credit facilities. Authorisation limits are governed by the Board approved Delegated Authority Limits (DAL) Matrix.
- Reviewing and assessing credit risk. Risk Management department assesses all investment and credit exposures in excess of designated limits, prior to investments / facilities being committed. Renewals and reviews of investments / facilities are subject to the same review process.
- Ongoing review of credit exposures. The credit review of the commercial banking exposure is managed and governed by the Board of Directors of KHCB and is consistent with the practices appropriate for retail banks. The risk assessment approach is used by the Parent Bank in determining where impairment provisions may be required against specific investment / credit exposures at its board. The current risk assessment process classifies credit exposures into two broad categories "Unimpaired" and "Impaired", reflecting risk of default and the availability of collateral or other credit risk mitigation. Risk is assessed on an individual basis for each investment / receivable and is reviewed at least once a year. The Group does not perform a collective assessment of impairment for its credit exposures as the credit characteristics of each exposure is considered to be different. Risk profile of exposures are subject to regular reviews.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of investment / credit risk.

The Risk Management Department works alongside the Investment Department at all stages of the deal cycle, from pre-investment due diligence to exit, and provides an independent review of every transaction. A fair evaluation of investments takes place periodically with inputs from the Investment department. Quarterly updates of investments are presented to the Board of Directors or their respective committees. Regular audits of business units and Group credit processes are undertaken by Internal Audit.

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
a) Credit risk (contd.)
Exposures subject to credit risk

US$ 000's

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Balances with banks and placements with financial institutions				
Grade 1 -6 Low-Fair Risk	1,834,947	361		1,835,308
Gross carrying amount	1,834,947	361		1,835,308
Less expected credit losses	(50)	(2)		(52)
Net carrying amount	**1,834,897**	**359**		**1,835,256**
Financing contracts				
Grade 8 -10 Impaired	-	-	126,743	126,743
Past due but not impaired				
Grade 1-6 Low-Fair Risk	51,387	129,006	-	180,393
Grade 7 Watch list	3,472	28,905	-	32,377
<u>Past due comprises:</u>				
Up to 30 days	51,422	51,310		102,732
30-60 days	2,681	62,491		65,172
60-90 days	756	67,610		68,366
Neither past due nor impaired				
Grade 1-6 Low-Fair Risk	1,143,064	98,987	-	1,242,051
Grade 7 Watch list	204	4,027	-	4,231
Gross carrying amount	1,198,127	284,425	126,743	1,609,295
Less expected credit losses	(5,002)	(25,798)	(41,183)	(71,983)
Net carrying amount	**1,193,125**	**258,627**	**85,560**	**1,537,312**

US$ 000's

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Investment in Sukuk				
Grade 8 -10 Impaired	-	-	3,496	3,496
Grade 1-6 Low-Fair Risk	2,936,026	329,087	-	3,265,113
Gross carrying amount	2,936,026	329,087	3,496	3,268,609
Less: expected credit losses	(4,317)	(18,265)	(3,496)	(26,078)
Net carrying amount	**2,931,709**	**310,822**	**-**	**3,242,531**
Commitments and financial guarantees				
Grade 8 -10 Impaired	-	-	-	-
Grade 1-6 Low-Fair Risk	198,705	5,072	16	203,792
Grade 7 Watch list	-	-	-	-
Gross carrying amount (note 35)	198,705	5,072	16	203,792
Less: expected credit losses	-	(95)	-	(95)
Net carrying amount	**198,705**	**4,977**	**16**	**203,697**
Total net carrying amount	**6,158,436**	**574,785**	**85,576**	**6,818,796**

_Notes to the Consolidated Financial Statements (contd.)

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35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
a) Credit risk (contd.)

US$ 000's

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Balances with banks and placements with financial institutions				
Grade 1 -6 Low-Fair Risk	1,587,198	361	-	1,587,559
	-	-	-	-
Gross carrying amount	1,587,198	361	-	1,587,559
Less expected credit losses	(27)	(2)	-	(29)
Net carrying amount	1,587,171	359	-	1,587,530
Financing facilities				
Grade 8 -10 Impaired	-	-	69,565	69,565
Past due but not impaired				
Grade 1-6 Low-Fair Risk	254,167	73,411	-	327,578
Grade 7 Watch list	194	37,319	-	37,513
Past due comprises:				
55Up to 30 days	106,111	50,417	-	156,528
30-60 days	25,652	8,430	-	34,082
60-90 days	122,600	51,883	-	174,483
Neither past due nor impaired				
Grade 1-6 Low-Fair Risk	1,002,997	39,393	-	1,042,390
Grade 7 Watch list	213	22,348	-	22,561
Gross carrying amount	1,257,573	172,471	69,565	1,499,609
Less expected credit losses	(18,047)	(12,810)	(33,514)	(64,371)
Net carrying amount	1,239,526	159,661	36,051	1,435,238

US$ 000's

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	423,885	58,171	17,809	499,865
Less expected credit losses	2,205	2,655	7,851	12,711
Net carrying amount	421,680	55,516	9,958	487,154
Investment in Sukuk				
Grade 8 -10 Impaired	-	-	3,496	3,496
Grade 1-6 Low-Fair Risk	2,930,803	156,004	-	3,086,807
Gross carrying amount	2,930,803	156,004	3,496	3,090,303
Less: expected credit losses	4,940	8,796	3,496	17,232
Net carrying amount	2,925,863	147,208	-	3,073,071
Commitments and financial guarantees				
Grade 8 -10 Impaired				
Grade 1-6 Low-Fair Risk	204,189	939	16	205,144
Grade 7 Watch list	-	342	-	342
Gross carrying amount (note 35)	204,189	1,281	16	205,486
Less: expected credit losses	-	3	-	3
Net carrying amount	204,189	1,278	16	205,483
Total net carrying amount	5,956,746	308,508	36,067	6,301,321

Significant increase in credit risk
When determining whether the risk of default on an exposure subject to credit risk has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition, the following criteria are considered:
- Downgrade in risk rating according to the approved ECL policy;
- Facilities restructured during previous twelve months;
- Qualitative indicators; and
- Facilities overdue by 30 days as at the reporting date subject to rebuttal in deserving circumstances.

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
a) Credit risk (contd.)
Credit risk grades
The Group allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. Exposers are rated 1 to 10 with 1 to being good and 7 being watch list and 8, 9 and 10 default grades. The monitoring typically involves use of the following data.

Corporate exposures
- Information obtained during periodic review of customer files- e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
- Data from credit reference agencies. press articles, changes in external credit ratings
- Quoted bond and credit default swap (CDS) prices for the borrower where available
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

Retail exposures
- Internally collected data on customer behaviour -e.g. utilisation of credit card facilities
- Affordability metrics
- External data from credit reference agencies including industry-standard credit scores

All exposures
- Payment record this includes overdue status as well as a range of variables about payment ratios
- Utilisation of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark profit rates and oil price. For exposures to specific industries and/or regions. The analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly.
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Qualitative indicators, including different criteria used for different portfolios credit cards, commercial real estate etc.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. For the purpose of calculating ECL for the year ended 31 December 2023, the Bank has applied the backstop of 74 days as against 30 days, in line with the CBB concessionary measures.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Definition of default
The Group considers an exposure subject to credit risk to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material obligation to the Group; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligation.

In assessing whether the borrower is in default, the Group considers qualitative and quantitative indicators. The definition of default aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information. The Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)

a) Credit risk (contd.)

Incorporation of forward-looking information (contd.)

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2023 included the key indicators for the selected countries such as the unemployment rates, profit rates and the GDP growth.

Modified exposures subject to credit risk

The contractual terms of an exposure subject to credit risk may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- Its remaining lifetime PD at the reporting date based on the modified terms; with
- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates financing to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, forbearance of Financing contracts is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired / in default (refer note 4). A customer needs to demonstrate consistently good payment behaviour over a period of time (12 months) before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective profit rate of the exposure subject to credit risk.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For Financing contracts secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations.

The following tables show reconciliations from the opening to the closing balance of the loss allowance: 12-month ECL, lifetime ECL and credit-impaired.

US$ 000's

2023	12month ECL (Stage1)	Lifetime ECL not credit impaired (Stage2)	Lifetime ECL Credit impaired (Stage3)	Total 2023
Balance at 1 January	33,243	20,785	36,855	90,883
Transfer to 12-month ECL	(1,554)	2,429	(875)	-
Transfer to lifetime ECL non-credit-impaired	(4,562)	4,711	(149)	-
Transfer to lifetime ECL credit-impaired	(2,313)	(602)	2,915	-
Write-off	-	-	(2,596)	(2,596)
Charge for the period	(6,577)	16,877	10,159	20,459
Balance at 31 December	**18,237**	**44,200**	**46,309**	**108,746**

Break down of ECL by category of assets in the consolidated statement of financial position and off-balance sheet commitments:

2023	12month ECL (Stage1)	Lifetime ECL not credit impaired (Stage2)	Lifetime ECL Credit impaired (Stage3)	Total 2023
Balances with banks	18	21	-	39
Treasury portfolio	4,300	18,265	3,513	26,078
Financing contracts	4,788	25,804	41,390	71,982
Other financial receivables	7,945	13	-	7,958
Investment securities	912	-	1,606	2,518
Financing commitments and financial guarantees	274	97	(200)	171
Balance at 31 December	**18,237**	**44,200**	**46,309**	**108,746**

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

US$ 000's

2022	12month ECL (Stage1)	Lifetime ECL not credit impaired (Stage2)	Lifetime ECL Credit impaired (Stage3)	Total 2022
Balance at 1 January	27,656	10,632	63,297	101,585
Transfer to 12-month ECL	3,128	(2,056)	(1,072)	-
Transfer to lifetime ECL non-credit-impaired	6,417	1,738	(8,155)	-
Transfer to lifetime ECL credit-impaired	(149)	(34)	183	-
Write-off	-	-	(14,012)	(14,012)
Charge for the period	(3,809)	10,505	(3,386)	3,310
Balance at 31 December	33,243	20,785	36,855	90,883

2022	12month ECL (Stage1)	Lifetime ECL not credit impaired (Stage2)	Lifetime ECL Credit impaired (Stage3)	Total 2022
Balances with banks	11	2		13
Treasury portfolio	5,482	8,796	2,684	16,962
Financing contracts	18,130	11,911	34,332	64,373
Other financial receivables	9,240	76	-	9,316
Investment securities	42	-	-	42
Financing commitments and financial guarantees	338	-	(161)	177
Balance at 31 December 2022	33,243	20,785	36,855	90,883

Break down of ECL by category of assets in the consolidated statement of financial position and off-balance sheet commitments:

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
a) Credit risk (contd.)
Renegotiated facilities
During the year, facilities of BD 31,733 thousand (2022: BD 2,559 thousand) were renegotiated, out of which BD 18,076 thousand (2022: BD 920 thousand) are classified as neither past due nor impaired as of 31 December 2023. The renegotiated terms usually require settlement of profits accrued till date on the facility and/or part payment of the principal and/or obtaining of additional collateral coverage. The renegotiated facilities are subject to revised credit assessments and independent review by the RMD. Of the total past due facilities of BD 107,870 thousand (2022: BD 126,815 thousand) only instalments of BD 6,294 thousand (2022: BD 78,729 thousand) are past due as at 31 December 2023.

Allowances for impairment
The Group makes provisions for impairment on individual assets classified under grades 8,9 and 10. This is done on the basis of the present value of projected future cash flows from the assets themselves and consideration of the value of the collateral securities available. On a collective basis, the Bank has provided for impairment losses based on management's judgment of the extent of losses incurred but not identified based on the current economic and credit conditions.

Non-accrual basis
The Group classifies financing facility/Sukuk as non-accrual status, if the facility/Sukuk is past due greater than 90 days or there is reasonable doubt about the collectability of the receivable amount. The profits on such facilities are not recognized in the income statement until there are repayments from the borrower or the exposure is upgraded to regular status.

Write-off policy
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. During the year, the Group has written off financing facilities amounting to BD 90 thousand (2022: BD 4,129 thousand) which were fully impaired. The Group has recovered BD 3,199 thousand from a financing facility written off in previous years (2022: BD 1,808 thousand).

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

Collaterals

The Group holds collateral against Financing contracts and receivables from assets acquired for leasing in the form of mortgage/ pledge over property, listed securities, other assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. Collateral generally is not held against exposure to other banks and financial institutions. An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below. This includes the value of financial guarantees from banks, but not corporate and personal guarantees as the values thereof are not readily quantifiable. The collateral values considered for disclosure are restricted to the extent of the outstanding exposures.

US$ 000's

	31 December 2023			31 December 2022		
	Financing contracts	**Assets acquired for leasing (including lease rentals receivable)**	**Total**	Financing contracts	Assets acquired for leasing (including lease rentals receivable)	Total
Against impaired						
Property	11,408	21,716	**33,124**	47,292	50,594	97,886
Other	1,973	-	**1,973**	5,987		5,987
Against past due but not impaired						
Property	157,111	36,719	**193,830**	81,939	37,589	119,528
Other	13,897	-	**13,897**	1,053		1,053
Against neither past due nor impaired						
Property	347,817	373,714	**721,531**	1,038,080	804,483	1,842,563
Other	22,499	-	**22,499**	117,048		117,048
Total	**554,705**	**432,149**	**986,854**	1,291,399	892,666	2,184,065

The average collateral coverage ratio on secured facilities is 147.47% at 31 December 2023 (31 December 2022: 149.71%).

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
a) Credit risk (contd.)
Concentration risk
The geographical and industry wise distribution of assets and liabilities are set out in notes 31 (a) and (b).

Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its concentration risk by establishing and constantly monitoring geographic and industry wise concentration limits.

An analysis of concentrations of credit risk of Financing contracts of the Group's business at the reporting date is shown below:

US$ 000's

	31 December 2023			31 December 2022		
Concentration by Sector	**Financing contracts**	**Assets acquired for leasing**	**Total**	Financing contracts	Assets acquired for leasing	Total
Banking and finance	7,568	-	**7,568**	9,247		9,247
Real estate	187,324	478,212	**665,536**	292,944	415,849	708,793
Construction	152,557	-	**152,557**	138,886	-	138,886
Trading	159,735	-	**159,735**	133,706	-	133,706
Manufacturing	27,658	-	**27,658**	144,143	-	144,143
Others	454,282	69,979	**524,261**	229,158	71,305	300,463
Total carrying amount	**989,124**	**548,191**	**1,537,315**	948,084	487,154	1,435,238

b) Liquidity risk
Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk
The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then aims to maintain a portfolio of short-term liquid assets, largely made up of short-term placements with financial and other institutions and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The liquidity requirements of business units are met through treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board of Directors. Daily reports cover the liquidity position of the Bank and is circulated to Management Committee (MANCOM). Moreover, quarterly reports are submitted to the Board of Directors on the liquidity position by RMD.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

The table below shows the undiscounted cash flows on the Group's financial liabilities, including issued financial guarantee contracts, and unrecognised financing commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The Group's expected cash flows on these instruments vary significantly from this analysis. Refer note 31 for the expected maturity profile of assets and liabilities.

US$ 000's

	Gross undiscounted cash flows						
31 December 2023	**Up to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 3 years**	**Over 3 years**	**Total**	**Carrying amount**
Financial liabilities							
Clients' funds	145,221	-	61,001	-	-	206,222	206,222
Placements from financial institutions	1,512,670	302,464	311,295	160,780	36,008	2,323,217	2,323,217
Placements from non-financial institutions and individuals	209,243	86,071	243,599	121,703	299,434	960,050	960,050
Current accounts	11,517	25,408	-	13,902	152,870	203,697	203,697
Term financing	606,741	149,239	1,095	1,089,757	277,475	2,124,307	2,124,307
Payables and accruals	206,271	137,068	14,519	85,524	104,671	548,053	548,056
Liability held for sale	230,562	-	-	-	-	230,562	230,562
Total liabilities	**2,922,225**	**700,250**	**631,509**	**1,471,666**	**870,458**	**6,365,546**	**6,596,111**
Equity of investment account holders	2,775,736	272,393	656,972	395,218	94,489	4,194,808	3,451,006
Commitment and contingencies	92,593	18,366	33,483	59,232	138	203,812	-

To manage the liquidity risk arising from financial liabilities, the Group aims to hold liquid assets comprising cash and cash equivalents, investment in managed funds and treasury shares for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Further, the Group is focussed on developing a pipeline of steady revenues and has undertaken cost reduction exercises that would improve its operating cash flows.

US$ 000's

	Gross undiscounted cash flows						
31 December 2022	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total	Carrying amount
Financial liabilities							
Clients' funds	87,488	-	35,812	-	-	123,300	123,300
Placements from financial institutions	2,361,964	516,253	639,419	210,554	62,680	3,790,870	3,790,870
Placements from non-financial institutions and individuals	159,739	121,865	251,034	423,025	108,595	1,064,258	1,064,258
Current accounts	5,497	16,623	-	54,557	54,557	131,234	131,234
Term financing	519,046	192,074	276,200	649,172	305,706	1,942,198	1,942,198
Payables and accruals	227,764	116,763	36,390	42,446	-	423,363	423,363
Total liabilities	3,361,498	963,578	1,238,855	1,379,754	531,538	7,475,223	7,475,223
Equity of investment account holders	843,389	35,406	86,546	288,470	703,664	1,957,475	1,213,674
Commitment and contingencies	56,679	4,098	48,923	95,664	234	205,598	205,484

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
b) Liquidity risk
Measures of liquidity
Liquidity is managed at an entity level and is not a Group wide measure. The Bank follows certain internal measures of liquidity. These metrics are intended to better reflect the liquidity position from a cash flow perspective and provide a target for the Group. These are liquidity coverage ratio, net stable funding ratio and stock of liquid assets.

For this purpose, the liquidity coverage ratio is based on an internally defined management criteria which identifies the amount of liquid assets (including inter- bank placements) the Bank holds that can be used to offset the net cash outflows for 30, 60 and 90 days time horizon. The net stable funding ratio measures the amount of long-term, stable sources of funding employed by an institution relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Details of the ratio of liquid assets to total assets at the reporting date and during the year were as follows:

	Liquid asset / Total asset	
	2023	2022
At 31 December	49.56%	51.93%
Average for the year	47.57%	48.04%
Maximum for the year	49.56%	51.93%
Minimum for the year	46.16%	45.65%

LCR has been developed to promote short-term resilience of a bank's liquidity risk profile. The LCR requirements aim to ensure that a bank has an adequate stock of unencumbered high quality liquidity assets (HQLA) that consists of assets that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day stressed liquidity period. The stock of unencumbered HQLA should enable the Bank to survive until day 30 of the stress scenario, by which time appropriate corrective actions would have been taken by management to find the necessary solutions to the liquidity crisis.

LCR is computed as a ratio of Stock of HQLA over the Net cash outflows over the next 30 calendar days. As of 31 December 2023, the Bank had an consolidated average LCR ratio for the year is 233%.

US$ 000's

	Average balance for the year	
	31 December 2023	31 December 2022
Stock of HQLA	444,865	272,429
Net cashflows	196,313	213,055
LCR %	233%	134%
Minimum required by CBB	100%	100%

NSFR is to promote the resilience of banks' liquidity risk profiles and to incentivise a more resilient banking sector over a longer time horizon. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

NSFR as a percentage is calculated as "Available stable funding" divided by "Required stable funding". As of 31 December 2023, the Bank had an consolidated NSFR ratio of 148%.

US$ 000's

Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
As at 31 December 2023					
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	1,023,275	-	-	64,133	1,087,409
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits		159,304	36,446	3,763	189,725
Less stable deposits	-	1,964,119	518,381	503,663	2,737,913
Wholesale funding:					
Operational deposits					
Other Wholesale funding	-	4,157,571	544,672	1,438,472	5,452,622
Other liabilities:					
NSFR Sharia-compliant hedging contract liabilities		-	-	-	
All other liabilities not included in the above categories	-	481,509	-	36,139	36,139
Total ASF					9,503,808
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	2,040,051.61	-	-	-	97,918
Depsoits held at other financial institutions for operational purposes					
Performing financing and sukuk/ securities:	-	1,841,985	-	791,830	949,354
Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	19,610	934	1,041,445	895,500
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	254,059	76,796	364,685	402,473
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	1,048,701	25,995	578,308	1,115,656
Other assets:					
Physical traded commodities, including gold	-				-
Assets posted as initial margin for Shariacompliant hedging contracts contracts and contributions to default funds of CCPs		-	-	-	-
NSFR Sharia-compliant hedging assets		-	-	-	2,195
NSFR Sharia-compliant hedging contract liabilities before deduction of variation margin posted		-	-	-	-
All other assets not included in the above categories	2,908,175	-	-	-	2,908,175
OBS items		-	-	-	62,381
Total RSF		3,164,354	103,726	2,776,269	6,433,652
NSFR(%)					148%

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
b) Liquidity risk (contd.)
Measures of liquidity (contd.)

US$ 000's

Item	No Specified Maturity	Less than 6 months	More than 6 months and less than one year	Over one year	Total weighted value
As at 31 December 2022					
Available Stable Funding (ASF):					
Capital:					
Regulatory Capital	1,004,974	-	-	53,171	1,058,145
Other Capital Instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:					
Stable deposits	-	158,056	15,076	26,054	190,530
Less stable deposits	-	1,684,867	423,803	328,355	2,226,158
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other Wholesale funding	-	3,548,055	931,464	1,303,542	2,656,368
Other liabilities:					
NSFR Sharia-compliant hedging contract liabilities		-	-	-	
All other liabilities not included in the above categories	-	311,371	-	43,201	43,201
Total ASF					
Required Stable Funding (RSF):					
Total NSFR high-quality liquid assets (HQLA)	1,761,766				87,048
Deposits held at other financial institutions for operational purposes					
Performing financing and sukuk/ securities:		1,576,916		790,425	908,398
Performing financial to financial institutions by level 1 HQLA	-	-	-	-	-
Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	-	94,704	1,050,345	940,145
Performing financing to non- financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	294,926	102,548	279,352	380,316
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	-	-
Performing residential mortgages, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-
Securities/sukuk that are not in default and do not qualify as HQLA, including exchange-traded equities	-	945,435	388,631	426,531	1,093,564
Other assets:	-	-	-	-	-
Physical traded commodities, including gold	-				-
Assets posted as initial margin for Sharia-compliant hedging contracts and contributions to default funds of CCPs	-	-	-	-	
NSFR Sharia-compliant hedging assets		-	-	-	-
NSFR Sharia-compliant hedging contract liabilities before deduction of variation margin posted	-	-	-	-	
All other assets not included in the above categories	2,090,285	-	-	-	2,090,285
OBS items		-	-	-	43,344
Total RSF		2,817,278	585,882	2,546,653	5,543,102
NSFR(%)					111%

c) Market risks

Market risk is the risk that changes in market prices, such as profit rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income, future cash flows or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

As a matter of general policy, the Group shall not assume trading positions on its assets and liabilities, and hence the entire balance sheet is a non-trading portfolio. All foreign exchange risk within the Group is transferred to Treasury. The Group seeks to manage currency risk by continually monitoring exchange rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. Overall authority for market risk is vested in the Board Audit and Risk Committee ('BARC'). RMD is responsible for the development of detailed risk management policies (subject to review and approval of the BARC).

Exposure to profit rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. Majority of the Group's profit based asset and liabilities are short term in nature, except for certain long term liabilities which have been utilised to fund the Group's strategic investments in its associates.

A summary of the Group's profit rate gap position on non-trading portfolios is as follows:

US$ 000's

31 December 2023	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Assets						
Treasury portfolio	2,490,581	68,210	62,469	787,230	1,726,542	5,135,032
Financing contracts	183,833	48,429	185,568	315,080	804,404	1,537,314
Total assets	**2,674,414**	**116,639**	**248,037**	**1,102,310**	**2,530,946**	**6,672,346**
Liabilities						
Client's fund	145,221	-	61,001	-	-	206,222
Placements from financial institutions	1,512,670	302,464	311,295	160,780	36,008	2,323,217
Placements from non-financial institutions and individuals	209,240	86,071	243,599	121,703	299,437	960,050
Term financing	606,741	149,239	1,095	1,089,757	277,475	2,124,307
Total liabilities	**2,473,872**	**537,774**	**616,990**	**1,372,240**	**612,920**	**5,613,796**
Equity of investment account holders	**2,031,934**	**272,393**	**656,972**	**395,218**	**94,489**	**3,451,006**
Profit rate sensitivity gap	**(1,831,392)**	**(693,528)**	**(1,025,925)**	**(665,148)**	**1,823,537**	**(2,392,456)**

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
c) Market risks (contd.)
Exposure to profit rate risk (contd.)

US$ 000's

31 December 2022	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Assets						
Treasury portfolio	1,291,520	249,557	447,769	417,228	1,803,946	4,210,020
Financing contracts	156,765	56,091	164,272	291,676	766,434	1,435,238
Total assets	1,448,285	305,648	612,041	708,904	2,570,380	5,645,258
Liabilities						
Client's fund	87,488	-	35,812	-	-	123,300
Placements from financial institutions	2,361,964	516,253	639,419	210,554	62,680	3,790,870
Placements from non-financial institutions and individuals	159,739	121,865	251,034	423,025	108,595	1,064,258
Term financing	519,046	192,074	276,200	649,172	305,706	1,942,198
Total liabilities	3,128,237	830,192	1,202,465	1,282,751	476,981	6,920,626
Equity of investment account holders	99,588	35,406	86,546	288,470	703,664	1,213,674
Profit rate sensitivity gap	(1,779,540)	(559,950)	(676,970)	(862,317)	1,389,735	(2,489,042)

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide. An analysis of the Group's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

US$ 000's

100 bps parallel increase / (decrease)	**2023**	2022
At 31 December	± 14,324	±24,890
Average for the year	± 15,798	±20,580
Maximum for the year	±20,633	±24,890
Minimum for the year	±7,971	±16,532

Overall, profit rate risk positions are managed by Treasury, which uses placements from / with financial institutions to manage the overall position arising from the Group's activities.

The effective average profit rates on the financial assets, liabilities and unrestricted investment accounts are as follows:

	2023	2022
Placements with financial institutions	3.80%	3.46%
Financing contracts	7.04%	6.89%
Debt type investments Sukuk	5.77%	6.18%
Placements from financial institutions, other entities and individuals	4.13%	4.53%
Term financing	5.81%	5.43%
Equity of investment account holders	4.64%	3.28%

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

Derivatives held for risk management

(i) The following table describes the fair values of derivatives held for risk management purposes by type of risk exposure.

US$ 000's

	2023		2022	
	Asset	**Liability**	Asset	Liability
Profit rate				
Designated in fair value hedges	58,500	-	-	-
Designated in cash flow hedges	-	500,000	-	-
Total profit rate derivatives	**58,500**	**500,000**	-	-

(ii) The amounts relating to items designated as hedging instruments at 31 December 2023 were as follows.

US$ 000's

2023	**Nominal Amount**	**Carrying Amount Assets**	**Carrying Amount Liabilities**
Profit rate			
Profit rate swaps – debt type investments	58,500	2,195	-
Profit rate swaps – Murabaha financing	500,000	-	3,213
	558,500	**56,269**	**496,787**

The amounts relating to items designated as hedging instruments at 31 December 2022 were US$ Nil.

Exposure to foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Groups major exposure is in GCC currencies, which are primarily pegged to the US Dollar. The Group had the following significant net exposures denominated in foreign currency as of 31 December from its financial instruments:

US$ 000's Equivalent

	2023	2022
Sterling Pounds	24,759	5,720
Euro	(625)	9,569
Australian Dollars	-	11,963
Kuwaiti Dinar	10,735	7,922
Turkish Lira	30,000	-
Other GCC Currencies (*)	(4,340,584)	(3,510,244)

(*) These currencies are pegged to the US Dollar.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

35. FINANCIAL RISK MANAGEMENT (contd.)

Risk management framework (contd.)
c) Market risks (contd.)
Exposure to foreign exchange risk (contd.)
The management of foreign exchange risk against net exposure limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various foreign exchange scenarios. Standard scenarios that are considered include a 5% plus / minus increase in exchange rates, other than GCC pegged currencies. An analysis of the Group's sensitivity to an increase or decrease in foreign exchange rates (assuming all other variables, primarily profit rates, remain constant) is as follows:

US$ 000's Equivalent

	2023	2022
Sterling Pounds	±1,238	±286
Euros	±31	±478
Australian dollar	-	±598
Kuwaiti dinar	±537	±396
Turkish Lira	±1,500	-

Exposure to other market risks
Equity price risk on quoted investments is subject to regular monitoring by the Group. The price risk on managed funds is monitored using specified limits (stop loss limit, stop loss trigger and overall stop loss limit cap) set within the portfolio management contract for fund managers. The Group's equity type instruments carried at cost are exposed to risk of changes in equity values.

The significant estimates and judgements in relation to impairment assessment of fair value through equity investments carried at cost are included in note 5b(ii). The Group manages exposure to other price risks by actively monitoring the performance of the equity securities.

d) Operational risk
Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department facilitates the management of Operational Risk by way of assisting in the identification of, monitoring and managing of operational risk in the Group.

During 2023, the Group did not have any significant issues relating to operational risks.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

36. CAPITAL MANAGEMENT

The Group's regulator Central Bank of Bahrain (CBB) sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements CBB requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The total regulatory capital base is net of prudential deductions for large exposures based on specific limits agreed with the regulator. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Group does not have a trading book.

The Group aims to maintain strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The CBB sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements CBB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. Capital adequacy regulations of CBB is based on the principles of Basel III and the IFSB guidelines.

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

Tier 1 capital: includes CET1 and AT1
CET1 comprise of ordinary share capital that meet the classification as common shares for regulatory purposes, disclosed reserves including share premium, general reserves, legal / statutory reserve, common shares issued by consolidated banking subsidiaries of the Bank and held by third parties, retained earnings after regulatory adjustments relating to goodwill and items that are included in equity which are treated differently for capital adequacy purposes.

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

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

The regulatory adjustments are subject to limits prescribed by the CBB requirements, these deductions would be effective in a phased manner through transitional arrangements from 2015 to 2018. The regulations prescribe higher risk weights for certain exposures that exceeds materiality thresholds. These regulatory adjustments required for certain items such as goodwill on mortgage service right, deferred tax assets, cash flow hedge reserve, gain on sale of related securitization transactions, defined benefit pension fund assets and liabilities, investment in own shares and reciprocal cross holdings in the capital of Banking and financial entities, investment in the capital of Banking and financial entities that are outside the scope of regulatory consolidation and where the Bank does not own more than 10% of issued common shares capital of the entity and significant investments in the capital of banking and financial entities that are outside the scope of regulatory consolidation.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

To combined the effect of COVID-19, the CBB has allowed the aggregate of modification loss and incremental ECL provision for stage 1 and stage 2 for the period from March to December 2020 to be added back to Tier 1 capital for the two years ending 31 December 2020 and 31 December 2021 and to deduct this amount proportionately from Tier 1 capital on an annual basis for three years ended 31 December 2022, and ending 31 December 2023 and 31 December 2024.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

36. CAPITAL MANAGEMENT

Tier 2 capital (contd.)
The Bank's regulatory capital position was as follows:

US$ 000's

	31 December 2023	31 December 2022
CET 1 Capital before regulatory adjustments	1,023,275	1,020,249
Less: regulatory adjustments	-	-
CET 1 Capital after regulatory adjustments	1,023,275	1,020,249
T 2 Capital adjustments	64,133	52,628
Regulatory Capital	**1,087,409**	1,072,877
Risk weighted exposure:		
Credit Risk Weighted Assets	4,585,950	6,799,081
Market Risk Weighted Assets	90,135	54,624
Operational Risk Weighted Assets	506,408	431,784
Total Regulatory Risk Weighted Assets	**5,182,493**	7,285,489
Investment risk reserve (30% only)	2	2
Profit equalization reserve (30% only)	3	3
Total Adjusted Risk Weighted Exposures	**5,182,488**	7,285,484
Capital Adequacy Ratio	**20.98%**	14.73%
Tier 1 Capital Adequacy Ratio	**19.74%**	14.00%
Minimum required by CBB	**12.50%**	12.50%

The allocation of capital between specific operations and activities is primarily driven by regulatory requirements. The Group's capital management policy seeks to maximise return on risk adjusted capital while satisfying all the regulatory requirements. The Group's policy on capital allocation is subject to regular review by the Board of Directors. The Group has complied with the externally imposed capital requirements set by the regulator for its consolidated capital adequacy ratio throughout the year.

_Notes to the Consolidated Financial Statements (contd.)

for the year ended 31 December 2023

37. ASSETS AND LIABILITIES HELD FOR SALE

US$ 000's

	31 December 2023	31 December 2022
Assets	338,619	-
Liabilities	230,562	-
Non-controlling interests	16,470	-

Assets and related liabilities held-for-sale represents the assets and liabilities of certain real estate investment and project entities within the group. The Group has an active plan approved by the Board, to sell its stake in these entities, and accordingly, the asset, liabilities and non-controlling interests acquired are classified as held-for-sale in the consolidated statement of financial position.

38. PRIOR PERIOD ADJUSTMENT

During the year, the Bank rectified the cumulative impact of certain operational incidents identified in its treasury portfolio bookings that related to prior periods through the opening retained earnings. These amounts would be recognized in future years as finance income as part of the amortized cost accounting of the yield in the treasury portfolio. It was considered impracticable to perform profit attribution for prior periods due to these assets being part of the jointly financed asset pools and accordingly the cumulative impact has been recognized in opening retained earnings as of 1 January 2023.

Invested with Insight

263	273	218	149	319	154	177	324	277	009	103	057	246	333	017	052	252	149	011	314	066	178	227	122	108	154
158	193	103	071	106	323	187	045	099	152	357	311	207	074	223	148	313	057	015	303	157	185	120	109	290	292
199	326	354	104	282	021	238	188	214	171	361	060	041	009	281	362	193	233	220	021	258	199	335	034	013	349
136	189	114	246	181	307	346	128	139	304	028	350	063	346	147	083	321	358	264	270	142	357	122	181	304	012
180	301	090	200	038	169	320	226	211	345	160	064	056	179	222	125	291	250	268	091	308	333	263	082	138	188
022	074	024	168	328	063	249	224	207	218	095	126	272	087	107	128	137	229	353	364	071	276	095	124	194	008
032	313	358	141	242	237	011	302	150	183	052	108	119	161	242	174	211	024	180	158	248	224	200	302	031	331
201	178	288	019	326	285	294	150	319	270	312	252	110	340	248	288	343	024	196	274	115	276	034	324	304	276
278	251	363	306	310	259	356	079	278	088	267	338	218	231	113	105	022	250	188	065	243	296	036	299	163	048
185	234	019	175	038	224	364	300	282	299	067	079	292	121	101	356	327	138	124	217	104	016	056	006	017	166
356	317	093	067	089	215	297	341	221	197	253	022	220	123	041	023	246	041	206	332	052	231	259	174	041	182
200	243	360	172	142	137	132	235	315	102	276	166	307	079	109	217	130	195	076	052	304	306	311	091	134	062
164	298	283	322	225	266	278	151	285	070	017	236	059	321	304	206	066	241	266	078	164	167	267	210	018	033
332	032	085	295	347	317	276	080	285	230	344	095	230	234	186	364	264	048	132	064	108	095	221	224	337	176
343	038	225	189	333	177	354	195	049	023	350	219	100	106	180	053	081	252	162	255	134	255	143	119	085	040
044	157	330	109	059	058	201	041	322	345	199	119	222	043	271	138	247	011	196	029	161	152	054	188	059	037
319	334	091	180	074	326	148	245	203	096	195	110	097	329	025	220	360	192	358	206	211	172	038	230	050	235
136	157	242	055	041	164	159	207	029	298	267	150	090	311	289	091	182	264	134	314	008	197	267	020	019	179
278	357	056	242	018	096	360	289	160	307	123	313	199	282	020	003	050	112	078	321	041	031	109	220	121	064
086	321	052	365	186	320	001	083	123	235	237	103	138	001	302	010	352	311	280	009	063	261	283	073	208	081
034	100	214	002	302	199	298	097	116	306	225	139	144	072	043	192	126	001	169	196	270	193	159	284	275	160
097	295	059	352	339	213	244	238	202	249	012	183	317	038	152	022	195	287	363	269	323	276	100	158	284	259
039	119	019	168	250	221	079	030	008	041	125	019	361	330	173	103	188	079	099	107	068	106	252	220	220	133
024	164	070	165	218	235	104	341	027	227	112	085	208	227	166	287	253	234	103	181	245	160	068	224	234	031
344	339	043	047	213	157	186	149	150	101	217	105	322	335	358	197	204	362	103	137	208	002	048	297	028	296
005	336	288	008	229	294	018	037	248	357	333	216	270	059	102	064	200	206	194	099	181	292	224	111	060	016
199	028	323	227	041	213	175	344	358	136	142	098	023	344	282	070	210	264	330	340	201	251	219	319	338	322
071	237	258	071	279	155	234	298	091	023	161	244	160	328	026	074	164	218	217	168	185	106	042	161	176	130
231	359	302	077	148	317	095	028	232	052	318	352	361	329	182	307	293	365	198	241	184	110	275	348	270	165
288	261	228	139	092	097	186	099	243	032	133	056	271	211	111	068	046	269	223	327	138	072	018	067	104	163
252	019	148	287	360	083	216	035	022	013	089	267	280	288	058	150	176	246	340	101	075	115	105	013	358	200
316	237	148	251	186	053	364	181	347	274	309	282	334	340	183	110	197	320	075	134	028	017	137	186	288	259
063	101	008	157	171	345	143	304	190	249	254	319	159	308	351	142	009	323	139	119	116	224	260	210	042	302
248	211	303	062	133	244	301	010	272	096	064	178	055	037	309	350	330	012	024	311	308	344	061	314	042	275
204	038	117	100	306	024	358	287	232	197	020	288	021	351	095	267	205	242	089	014	111	232	347	010	094	295
318	365	221	315	117	028	181	188	031	155	304	253	070	219	348	029	106	016	169	131	026	110	116	089	004	147
326	049	256	074	308	233	277	031	066	157	228	236	362	069	053	274	060	235	266	128	279	114	308	340	178	290
291	039	185	234	253	119	342	005	098	146	039	121	339	002	177	006	020	310	089	200	334	201	263	261	132	365
312	354	138	291	262	241	245	352	267	144	078	101	310	100	255	035	012	110	266	160	220	280	132	305	181	257
146	283	004	244	088	146	350	190	275	187	365	104	200	278	312	329	184	137	065	098	123	321	022	024	288	142
286	360	213	214	287	182	122	253	146	067	271	262	300	311	014	354	040	103	121	153	033	310	285	096	341	008
228	003	004	048	224	232	349	137	110	188	220	346	080	308	066	065	259	052	296	027	151	196	253	345	236	223
212	142	274	276	268	030	322	129	043	235	043	342	317	167	332	349	264	050	121	359	360	350	240	268	235	316
184	325	116	141	211	094	281	028	145	321	306	260	272	137	277	243	127	322	204	192	054	114	065	156	300	331
195	027	362	106	226	181	086	351	079	057	215	312	205	193	169	204	183	237	261	179	083	112	198	242	239	344
269	200	103	086	032	022	198	269	177	355	159	250	143	317	001	173	093	187	028	122	267	171	277	310	144	281
228	106	307	129	132	355	115	288	149	332	298	117	346	346	139	147	279	134	138	359	301	129	265	038	208	012
083	344	011	301	169	145	341	124	335	134	297	165	051	283	050	297	011	003	201	151	308	208	293	052	259	364
124	347	310	277	157	125	226	001	267	179	065	250	312	157	003	004	324	165	054	215	218	270	117	228	225	208
292	075	165	305	350	309	155	052	034	364	067	320	068	024	258	098	247	114	002	158	251	260	195	359	041	250
072	353	332	015	159	015	340	131	252	268	190	095	168	310	186	257	014	363	108	156	235	067	065	346	248	141
064	309	238	260	279	152	077	049	133	210	183	273	338	212	094	304	260	037	239	079	190	299	036	005	362	273
300	037	053	362	293	299	198	329	316	180	110	094	016	248	331	124	271	005	271	277	086	101	097	157	108	216
273	025	273	099	314	330	101	184	344	314	280	127	335	062	229	177	070	157	045	020	054	279	069	083	109	800
337	084	332	022	348	015	344	054	257	218	183	311	169	073	195	021	070	088	096	308	256	198	058	168	132	084
119	074	129	255	030	162	167	253	167	333	016	325	165	281	104	222	008	108	278	175	053	149	344	305	187	192
102	260	331	303	302	009	186	296	075	098	044	066	027	081	292	070	274	200	326	320	129	134	080	113	146	134
019	220	061	093	322	130	007	118	025	174	247	114	238	309	345	057	166	169	125	043	261	133	116	162	213	268
300	360	240	229	029	239	269	101	142	280	259	120	210	236	042	100	180	104	023	253	100	092	179	248	351	080
055	110	157	160	186	114	339	213	070	284	344	140	234	056	058	278	207	076	063	312	304	234	195	026	116	162
339	269	190	118	179	255	111	154	335	323	299	363	204	342	012	157	349	296	193	299	078	276	242	006	115	300
157	242	193	071	306	285	167	022	280	304	234	349	055	357	103	267	245	327	081	151	061	147	192	223	111	032
048	115	032	153	134	207	126	187	175	013	086	144	145	209	135	056	036	134	240	295	109	271	191	136	191	174
074	028	173	304	350	304	322	295	005	323	041	223	014	152	123	310	245	104	332	184	080	147	345	365	330	101
157	169	154	217	318	305	192	245	090	241	105	315	317	187	143	006	046	224	234	102	308	212	327	274	182	309
337	128	116	143	233	220	350	127	239	024	335	257	298	242	006	252	235	037	168	349	307	121	344	147	271	093
155	180	176	260	080	276	338	182	175	125	201	349	145	332	176	128	049	129	168	111	250	192	024	216	086	133
304	037	292	150	185	220	049	078	085	077	088	145	259	307	251	289	325	098	254	336	153	055	141	355	228	029
033	221	098	078	230	109	322	342	266	295	151	230	264	259	260	092	220	038	104	181	086	048	271	138	205	177
224	232	316	086	162	336	219	245	277	049	136	192	073	111	219	319	358	157	256	131	063	260	034	323	337	348
067	137	257	339	315	238	157	113	013	058	137	182	250	215	040	136	012	343	048	253	211	317	015	161	347	257
043	010	122	102	292	317	041	136	220	329	172	238	178	002	113	256	053	337	329	288	006	354	080	002	362	187
274	244	059	243	291	180	225	009	026	148	335	128	093	095	236	329	090	329	235	279	041	237	075	036	065	362
146	284	043	251	270	166	261	274	106	092	192	119	199	104	015	159	030	093	067	242	144	001	277	361	150	092
134	063	140	123	208	102	111	025	349	269	113	279	343	039	129	310	223	296	087	354	154	137	018	290	005	- - -
356	192	127	083	084	008	337	288	353	292	033	142	308	147	230	281	331	251	311	053	360	209	027	248	356	GFH
312	098	058	108	321	076	338	183	215	161	132	052	033	230	021	336	179	122	070	147	161	334	041	195	020	- 20
301	061	182	004	188	197	220	049	226	280	005	166	053	207	134	094	234	210	007	129	205	183	182	031	268	- 23