

IMPORTANT NOTICE

THE ATTACHED OFFERING CIRCULAR (THE “OFFERING CIRCULAR”) MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the Offering Circular and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the Offering Circular is confidential and intended only for you and **you agree you will not forward, reproduce or publish this electronic transmission or the Offering Circular to any other person.**

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE OFFERING CIRCULAR HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

THE OFFERING CIRCULAR IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THE OFFERING CIRCULAR IS BEING ADDRESSED TO, OR DIRECTED AT, ONLY THE FOLLOWING PERSONS: (I) PERSONS WHO ARE INVESTMENT PROFESSIONALS AS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “**FINANCIAL PROMOTION ORDER**”); (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49(2) OF THE FINANCIAL PROMOTION ORDER; AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE IN ACCORDANCE WITH THE FINANCIAL PROMOTION ORDER. PERSONS OF ANY OTHER DESCRIPTION IN THE UNITED KINGDOM MAY NOT RECEIVE AND SHOULD NOT ACT OR RELY ON THE OFFERING CIRCULAR.

Confirmation of your representation: By accessing the Offering Circular you confirm to GFH Financial Group B.S.C. (the “**Obligor**”) and GFH Sukuk Company Limited (the “**Trustee**”) that (i) you understand and agree to the terms set out herein; (ii) you are located outside the United States; (iii) you consent to delivery of the Offering Circular and any supplements thereto by electronic transmission;

(iv) you will not transmit the Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; and (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation, *Shari'a* or other economic considerations with respect to your decision to subscribe or purchase any securities.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Offering Circular to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Citibank N.A., London Branch as the delegate of the Trustee (the “**Delegate**”) accepts no responsibility whatsoever for the contents of the Offering Circular or for any statement made or purported to be made in connection with the Trustee, the Obligor, or any offer. The Delegate disclaims all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of the Offering Circular or any such statement. No representation or warranty, express or implied, is made by the Delegate as to the accuracy, completeness, verification or sufficiency of the information set out in the Offering Circular.

Under no circumstances shall the Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the Offering Circular who intend to subscribe for or purchase the securities described herein are reminded that any subscription or purchase may only be made on the basis of the information contained in the Offering Circular.

The distribution of the Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular comes are required by the Obligor and the Trustee to inform themselves about, and to observe, any such restrictions.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Obligor or the Trustee nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Obligor or the Trustee. Please ensure that your copy is complete. If you received the Offering Circular by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “reply” function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Notice to Bahrain Residents: This Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank of Bahrain and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and related offering documents have not been and will not be registered as a prospectus with the Central Bank of Bahrain (the “**CBB**”). Accordingly, no Certificates (as defined in the Offering Circular) may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than as marketing to accredited investors (as such term is defined by the CBB) for an offer outside Bahrain.

A copy of this Offering Circular has been submitted and filed with the CBB. The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way

considered the merits of the Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally. The Obligor, together with any local agent or adviser, accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Obligor (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The offering complies with Legislative Decree No. (4) of 2001 with respect to the Prevention and Prohibition of the Laundering of Money and the Ministerial Orders issued thereunder, including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institution's Obligations Concerning the Prohibition and Combating of Money Laundering and Anti-Money Laundering and Combating of Financial Crime Module contained in the CBB Rulebook, Volume 6.

Filing of this Offering Circular with the CBB does not imply that any Bahraini legal or regulatory requirements have been complied with.



GFH Sukuk Company Limited

(incorporated as an exempted company in the Cayman Islands with limited liability)

U.S.\$200,000,000 Certificates due 2025

(to be consolidated and form a single series with the U.S. \$300,000,000 Certificates due 2025 issued on 28 January 2020)

The U.S.\$200,000,000 Certificates due 2025 (the “**New Certificates**”) (to be consolidated and form a single series with the U.S.\$300,000,000 certificates due 2025 issued on 28 January 2020 (the “**Original Certificates**” and, together with the New Certificates, the “**Certificates**”)) of GFH Sukuk Company Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the “**Trustee**”) will be constituted by a trust deed (the “**Trust Deed**”) dated 28 January 2020 entered into between (among others) the Trustee, GFH Financial Group B.S.C. (“**GFH**” or the “**Obligor**”) and Citibank N.A., London Branch as the delegate of the Trustee (the “**Delegate**”) (the “**Original Trust Deed**”), as supplemented by a supplemental trust deed dated 8 June 2020 (the “**Issue Date**”) (the “**Supplemental Trust Deed**” and, together with the Original Trust Deed, the “**Trust Deed**”). The Original Certificates have conferred on the holders of the Original Certificates from time to time (the “**Original Certificateholders**”), and the New Certificates confer on the holders of the New Certificates from time to time (the “**New Certificateholders**” and, together with the Original Certificateholders, the “**Certificateholders**”), the right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Trust Deed (the “**Trust**”) over the Trust Assets (as defined herein) and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Trust Deed and the terms and conditions of the Certificates (the “**Conditions**”).

Periodic Distribution Amounts (as defined herein) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the New Certificates from (and including) the Issue Date to (but excluding) 28 January 2025 (the “**Scheduled Dissolution Date**”) at a rate of 7.5 per cent. per annum. Payments on the New Certificates will be made free and clear of, and without deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction (as defined in the Conditions) as described in Condition 10.

The New Certificates shall be redeemed on the Scheduled Dissolution Date but the New Certificates may be redeemed before the Scheduled Dissolution Date: (i) at the option of the Obligor in whole but not in part at their Dissolution Distribution Amount (as defined in the Conditions) in the event of certain changes affecting taxes of any Relevant Jurisdiction; (ii) unless the Lease Assets are replaced by the Obligor in accordance with the Servicing Agency Agreement, following a Total Loss Event (each as defined in the Conditions); or (iii) following a Dissolution Event (as defined in the Conditions).

Each payment of a Periodic Distribution Amount will be made by the Trustee provided that the Obligor (as Servicing Agent and as Lessee and Purchaser of the commodities (each such term as defined herein)) shall have paid amounts equal to such Periodic Distribution Amount to the Trustee pursuant to the terms of the Transaction Documents (as defined in the Conditions).

The New Certificates will be limited recourse obligations of the Trustee. An investment in the New Certificates involves certain risks. For a discussion of these risks, see “Risk Factors”.

Application has been made to the London Stock Exchange plc (the “**London Stock Exchange**”) for the New Certificates to be admitted to the London Stock Exchange’s International Securities Market (the “**ISM**”). This Offering Circular comprises an admission particulars for the purposes of the admission to trading of the New Certificates on the ISM. The ISM is not a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU (as amended, “**MiFID II**”).

The ISM is a market designated for professional investors. New Certificates admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

This Offering Circular has been approved by the Dubai Financial Services Authority (the “**DFSA**”) under Rule 2.6 of the DFSA’s Markets Rules (the “**Markets Rules**”) and is therefore an approved offering circular for the purposes of Article 14 of the DIFC Law No.1 of 2012 (the “**Markets Law**”). Application has also been made to the DFSA for New Certificates to be admitted to the official list of securities (the “**DFSA Official List**”) maintained by the DFSA and to Nasdaq Dubai for such New Certificates to be admitted to trading on Nasdaq Dubai. References in this Offering Circular to the New Certificates being “**listed**” (and all related references) shall mean that such New Certificates have been (a) admitted to trading on the ISM and/or (b) admitted to listing on the DFSA Official List and admitted to trading on Nasdaq Dubai. This Offering Circular complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Markets Rules.

The DFSA does not accept any responsibility for the content of the information included in this Offering Circular, including the accuracy or completeness of the information. The liability for the content of this Offering Circular lies with the Trustee and GFH. The DFSA also had not assessed the suitability of the New Certificates to which this Offering Circular related to any particular investor or type of investor and has not determined whether they are *Shari’a* compliant. If you do not understand the contents of this Offering Circular or are unsure whether the New Certificates to which this Offering Circular relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The New Certificates will have the same credit rating as the Original Certificates, being a rating of “**B**” by Fitch Ratings Ltd (“**Fitch**”) and “**B-**” by S&P Global Ratings Europe Limited (“**S&P**”). Each of Fitch and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). As such, each of Fitch and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency organisations.**

The Original Certificates are represented by a global certificate in registered form (the “**Original Global Certificate**”) deposited on or before the issue date of the Original Certificates with, and registered in the name of a nominee for a common depositary (the “**Common Depositary**”) for, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). The New Certificates will be represented by interests in a global certificate in registered form (the “**New Global Certificate**”) and, together with the Original Global Certificate, the “**Global Certificates**” and each a “**Global Certificate**” as the context may require) deposited on or before the Issue Date with, and registered in the name of a nominee for a Common Depositary. Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the New Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein. The New Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The transaction structure relating to the Certificates (as described in this Offering Circular) has been approved by the Shari’a Supervisory Board of GFH. A copy of the approval of the Shari’a Supervisory Board of GFH in respect of the transaction structure relating to the Certificates is set out in the Annex to this Offering Circular. Prospective Certificateholders should not rely on such approval in deciding whether to make an investment in the New Certificates and should consult their own *Shari’a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari’a* principles.

No managers have been appointed in connection with the issue, offering or sale of the New Certificates. GFH Financial Group B.S.C. will subscribe for the New Certificates in full on the Issue Date.

The date of this Offering Circular is 8 June 2020

Each of the Trustee and the Obligor accepts responsibility for the information contained in this Offering Circular. Each of the Trustee and the Obligor declares, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Any information in the Offering Circular that has been obtained from third parties has been identified as such and appropriately sourced. Each of the Trustee and GFH confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Offering Circular should be read and construed together with any amendments or supplements hereto.

Neither the Agents (as defined herein) nor the Delegate have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Agents or the Delegate (a) as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Trustee or the Obligor in connection with the New Certificates or (b) for any acts or omissions of the Issuer, the Obligor, or any other person in connection with this Offering Circular or the issue and offering of the New Certificates. Neither the Agents nor the Delegate accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Trustee and the Obligor in connection with the New Certificates. Neither the Agents nor the Delegate is involved in, or has any responsibility or duty in relation to, any offer or sale of any New Certificates.

No person is or has been authorised by the Trustee or the Obligor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the New Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Obligor, the Trustee, the Delegate or the Agents.

Neither this Offering Circular nor any other information supplied in connection with the New Certificates (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Obligor, the Trustee, the Delegate or the Agents that any recipient of this Offering Circular or any other information supplied in connection with the New Certificates should purchase any New Certificates. Each investor contemplating purchasing the New Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Obligor. Neither this Offering Circular nor any other information supplied in connection with the New Certificates constitutes an offer or invitation by or on behalf of the Obligor, the Trustee, the Delegate or the Agents to any person to subscribe for or to purchase any New Certificates.

No comment is made or advice given by the Obligor, the Trustee, the Delegate or the Agents in respect of taxation matters relating to the New Certificates or the legality of the purchase of New Certificates by an investor under applicable or similar laws.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, SHARI'A ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, SHARI'A, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF CERTIFICATES.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the New Certificates shall in any circumstances imply that the information contained in it concerning the Trustee or the

Obligor is correct at any time subsequent to its date or that any other information supplied in connection with the New Certificates is correct as of any time subsequent to the date indicated in the document containing the same. The Delegate and the Agents expressly do not undertake to review the financial condition or affairs of the Trustee or the Obligor or to advise any investor in the New Certificates of any information coming to their attention.

The New Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States except in accordance with Regulation S under the Securities Act (“**Regulation S**”) or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See “*Subscription and Sale*”.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any New Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of New Certificates may be restricted by law in certain jurisdictions. The Obligor, the Trustee, the Delegate and the Agents do not represent that this Offering Circular may be lawfully distributed, or that the New Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Obligor, the Trustee, the Delegate or the Agents which is intended to permit a public offering of any New Certificates or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no New Certificates may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any New Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of New Certificates. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Certificates in the United States, the United Kingdom, the Kingdom of Bahrain, the Cayman Islands, the Dubai International Financial Centre, Hong Kong, Malaysia, the State of Qatar (including the Qatar Financial Centre), the Kingdom of Saudi Arabia, Singapore and the United Arab Emirates (excluding the Dubai International Financial Centre), see “*Subscription and Sale*”.

The New Certificates may not be a suitable investment for all investors. Each potential investor in New Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the New Certificates, the merits and risks of investing in the New Certificates and the information contained in this Offering Circular;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the New Certificates and the impact the New Certificates will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the New Certificates, including where the currency of payment is different from the potential investor’s currency;
- (d) understands thoroughly the terms of the New Certificates and is familiar with the behaviour of any relevant indices and financial markets; and

- (e) is able to evaluate possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the New Certificates are legal investments for it, (2) the New Certificates can be used as collateral for various types of financing and (3) other restrictions apply to its purchase or pledge of any New Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of New Certificates under any applicable risk-based capital or similar rules.

In this Offering Circular, all references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America, all references to “**dinar**” and “**BD**” are to the lawful currency of the Kingdom of Bahrain and all references to “**£**” are to the lawful currency of the United Kingdom.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Offering Circular may be deemed to be “forward-looking statements” – that is, statements related to future, not past, events. Forward-looking statements include statements concerning the Obligor’s plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Offering Circular, the words “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “aims”, “seeks”, “may”, “will”, “should” and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled “*Risk Factors*” and “*Description of the Group*” and other sections of this Offering Circular. The Obligor has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Although the Obligor believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as of the date of this Offering Circular, if one or more of the risks or uncertainties materialise, including those which the Obligor has identified in this Offering Circular, or if any of the Obligor’s underlying assumptions prove to be incomplete or inaccurate, the Obligor’s actual results of operation may be materially different from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections entitled “*Risk Factors*” and “*Description of the Group*”, which include a more detailed description of the factors that might have an impact on the Obligor’s business development and on the industry sector in which the Obligor operates.

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Without prejudice to any requirements under applicable laws and regulations, each of the Trustee and the Obligor expressly disclaims any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical financial statements

The financial statements relating to the Group and incorporated by reference in this Offering Circular are:

- the audited consolidated financial statements as at, and for the year ended, 31 December 2019, including comparative financial information as at, and for the year ended, 31 December 2018 (the “**2019 Financial Statements**”); and
- the audited consolidated financial statements as at, and for the year ended, 31 December 2018, including comparative financial information as at, and for the year ended, 31 December 2017 (the “**2018 Financial Statements**” and, together with the 2019 Financial Statements, the “**Financial Statements**”).

The Financial Statements have been prepared in accordance with Financial Accounting Standards (“**FAS**”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“**AAOIFI**”) and in conformity with Bahrain’s Commercial Companies Law. In line with the requirements of AAOIFI and the Rulebook (the “**CBB Rulebook**”) issued by the Central Bank of Bahrain (the “**CBB**”), for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standard (“**IFRS**”).

The Group typically publishes reviewed quarterly financial information. However, on 30 March 2020, the CBB exempted all public shareholding companies and locally incorporated banks in Bahrain from the preparation and publication of their reviewed financial results for the first quarter of 2020.

The Group’s financial year ends on 31 December and references in this Offering Circular to “**2017**”, “**2018**” and “**2019**” are to the 12 month period ending on 31 December in each such year.

Auditors

The Financial Statements have been audited by KPMG Fakhro, independent auditors (the “**Auditors**”), in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI, who have issued unqualified reports on the Financial Statements.

Currencies

Unless otherwise indicated in this Offering Circular, all references to:

- “**dinar**” and “**BD**” are to the lawful currency of the Kingdom of Bahrain; and
- “**U.S. dollars**” and “**U.S.\$**” are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this Offering Circular has been expressed in U.S. dollars. The Group’s functional currency is the U.S. dollar and the Group prepares its financial statements in U.S. dollars.

Third party information

Any information in this Offering Circular that has been obtained from third parties has been identified as such and appropriately sourced. Where information has not been independently sourced, it is the Group’s own information.

No incorporation of website information

GFH's website is www.gfh.com. The information on this website or any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Offering Circular, and investors should not rely on it.

Definitions

In this Offering Circular:

- “**Bahrain**” means the Kingdom of Bahrain;
- “**GCC**” means the Gulf Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates);
- “**Government**” means the government of Bahrain;
- “**MENA region**” means the region comprising the Middle East and North Africa; and
- “**UAE**” means the United Arab Emirates.

Rounding

In this Offering Circular, financial information relating to the Group which has been extracted from the Financial Statements has been rounded to the nearest thousand U.S. dollars, with U.S.\$500 and above being rounded up and U.S.\$499 and below being rounded down or, in some cases, to the nearest million U.S. dollars, with U.S.\$500,000 and above being rounded up and U.S.\$499,999 and below being rounded down. Where used in tables, the figure “0” means that the data for the relevant item has been rounded to zero and the symbol “—” means that there is no data in respect of the relevant item.

As a result of such rounding, the totals of data presented in tables in this Offering Circular may vary slightly from the arithmetic totals of such data. Percentage changes and other percentage data relating to the Group's financial information have been calculated on the basis of financial statement data contained in the Financial Statements.

VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits “banking entities” (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a “covered fund”, and (iii) entering into certain relationships with “covered funds”. The general effects of the Volcker Rule remain uncertain; any prospective investor in the New Certificates and any entity that is a “banking entity” as defined under the Volcker Rule which is considering an investment in the New Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by “banking entities” in the New Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such New Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the New Certificates, and, accordingly, none of the Trustee, the Obligor, the Delegate or the Agents, or any of their respective affiliates, makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a “covered fund” for their purposes) or (b) the ability of any purchaser to acquire or hold the New Certificates, now or at any time in the future.

NOTICE TO UK RESIDENTS

The New Certificates constitute “alternative finance investment bonds” within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010. This Offering Circular is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Offering Circular and any other marketing materials relating to the New Certificates is only being addressed to, or directed at, the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Financial Promotion Order**”); (ii) persons falling within any of the categories of persons described in Article 49 of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Offering Circular or any other marketing materials in relation to the New Certificates.

Any individual intending to invest in the New Certificates should consult their professional adviser and ensure that they fully understand all the risks associated with making such an investment and that they have sufficient financial resources to sustain any loss that may arise from such investment.

CAYMAN ISLANDS NOTICE

No invitation may be made, whether directly or indirectly, to any member of the public of the Cayman Islands to subscribe for the New Certificates and this Offering Circular shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for any New Certificates.

NOTICE TO BAHRAIN RESIDENTS

This Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank of Bahrain and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and related offering documents have not been and will not be registered as a prospectus with the Central Bank of Bahrain (the “**CBB**”). Accordingly, no New Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than as marketing to accredited investors (as such term is defined by the CBB) for an offer outside Bahrain.

A copy of this Offering Circular has been submitted and filed with the CBB. The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the New Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of New Certificates will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally. The Obligor, together with any local agent or adviser, accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Obligor (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The offering complies with Legislative Decree No. (4) of 2001 with respect to the Prevention and Prohibition of the Laundering of Money and the Ministerial Orders issued thereunder, including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institution's Obligations Concerning the Prohibition and Combating of Money Laundering and Anti-Money Laundering and Combating of Financial Crime Module contained in the CBB Rulebook, Volume 6.

KINGDOM OF SAUDI ARABIA NOTICE

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Offering Circular, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of New Certificates should conduct their own due diligence on the accuracy of the information relating to the New Certificates. If a prospective purchaser does not understand the contents of this Offering Circular, he or she should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF MALAYSIA

The New Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the New Certificates in Malaysia may be made, directly or indirectly, and this Offering Circular or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or the Obligor and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Offering Circular.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The New Certificates have not and will not be offered or sold at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Offering Circular has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar. The New Certificates are not and will not be traded on the Qatar Stock Exchange.

SINGAPORE SFA PRODUCT CLASSIFICATION

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time including by any subsidiary legislation as may be applicable at the relevant time (together, the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the New Certificates are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

DATA PROTECTION

Under the Cayman Islands Data Protection Law, 2017 and, in respect of European Union (EU) data subjects, the EU General Data Protection Regulation (together, the “**Data Protection Legislation**”), individual data subjects have rights and the Trustee as data controller has obligations with respect to the processing of personal data by the Trustee and its affiliates and delegates. Breach of the Data Protection Legislation by the Trustee could lead to enforcement action. Prospective investors should note that personal data may in certain circumstances be required to be supplied to the Trustee in order for an investment in the New Certificates to continue or to enable the New Certificates to be redeemed. If the required personal data is not provided, a prospective investor may not be able to continue to invest in the New Certificates or redeem the New Certificates. The Trustee has published a privacy notice (the “**Data Privacy Notice**”), which provides prospective investors with information on the Trustee's use of their personal data in accordance with the Data Protection Legislation. The Data Privacy Notice can be accessed at <https://www.walkersglobal.com/external/SPVDPNotice.pdf>

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RISK FACTORS

The purchase of the New Certificates involves inherent risks and potential investors should carefully consider the risks set out in this section before making their investment decision. Investment in the New Certificates is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of that investment. Before making an investment decision, prospective purchasers of the New Certificates should consider carefully, in light of their own financial circumstances and investment objectives, all of the information in this Offering Circular. In particular, prospective investors should evaluate the risks and uncertainties referred to or described below. Should one or more of these risks materialise or be perceived by the market as being likely to materialise, at the same time or separately, the impact or anticipated impact on the Group's business, results of operations and financial condition could cause the market price of the New Certificates to decline and, as a result, an investor might lose part or all of its investment.

Each of GFH and the Trustee believes that the following factors may affect its ability to fulfil its obligations under the New Certificates. All of these factors are contingencies which may or may not occur and neither GFH nor the Trustee is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the New Certificates are also described below.

Each of GFH and the Trustee believes that the factors described below represent the principal risks inherent in investing in the New Certificates. This section is not intended to be exhaustive and the inability of GFH to pay amounts due under the Transaction Documents and of the Trustee to pay profit, principal or other amounts on or in connection with any New Certificates may occur for other reasons and neither GFH nor the Trustee makes any representation that the statements below regarding the risks of holding any New Certificates are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Words and expressions defined in "Terms and Conditions of the New Certificates" shall have the same meanings in this section.

FACTORS THAT MAY AFFECT THE TRUSTEE'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THE CERTIFICATES

The Trustee has no material assets

The Trustee is a special purpose company with limited liability incorporated under the laws of the Cayman Islands on 4 December 2019. The Trustee has not as at the date of this Offering Circular, and will not, engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Certificates represent limited recourse obligations of the Trustee and the recourse of the Certificateholders against the Trustee in relation to the Certificates is limited to the Trust Assets and the proceeds from the Trust Assets.

The Trustee's only material assets, which will be held on trust for Certificateholders, are the Trust Assets, including the obligation of the Obligor to make payments under the Transaction Documents to which it is a party. Therefore, the Trustee is subject to all the risks to which GFH is subject to the extent that such risks could limit GFH's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents.

The ability of the Trustee to pay amounts due on the Certificates will be dependent upon receipt by the Trustee from GFH of amounts to be paid under the Transaction Documents (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents).

FACTORS THAT MAY AFFECT GFH'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THE TRANSACTION DOCUMENTS

Strategic and business risks

Difficult market conditions may have a material adverse effect on the Group's results of operations, financial condition, business and prospects

The Group's principal businesses are investment banking; commercial banking; real estate development; and treasury and proprietary investments. Certain risks that are specific to each of these businesses are discussed separately below.

Each of the Group's businesses is materially affected by conditions in the global financial markets and economic conditions or events throughout the world that are outside its control, including but not limited to changes in interest/profit rates, availability of credit and funding, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), regulatory restrictions and requirements by regulatory authorities, currency exchange rates and controls and other national and international political and economic circumstances (including wars, terrorist acts, security operations and sovereign debt restructurings). These factors may affect the level and volatility of securities prices and the liquidity and the value of investments, and the Group may not be able to or may choose not to manage its exposure to these market conditions and/or other events. In the event of a market downturn, each of the Group's principal businesses could be materially adversely affected.

In this connection, since Covid 19 was first identified in China in late 2019 it has spread rapidly, infecting people around the world and causing a substantial number of deaths. Almost all countries that have been significantly affected have introduced measures to try to contain the spread of the virus, including border closures and restricting the movement of their citizens. The measures have resulted in the closure of numerous businesses in those countries (particularly those related to the travel industry) and widespread job losses. It is currently unclear how long these restrictions will be in place and what their ultimate impact will be on global and local economies, as well as the Group's businesses.

Further, on 30 March 2020, the CBB exempted all public shareholding companies and locally incorporated banks in Bahrain from the preparation and publication of their reviewed financial results for the first quarter of 2020. Accordingly, investors should note that this Offering Circular does not contain the Group's financial information or any discussion, review or analysis thereof for the period from 1 January 2020 to the date of this Offering Circular. In addition, no auditors have been retained by GFH in connection with the preparation of this Offering Circular. Further, international oil prices have fallen significantly since January 2020 and this trend was exacerbated by the failure of a plan proposed by OPEC officials to both the OPEC countries and other non-OPEC countries, including Russia, to cut global production by 1.5 per cent. No agreement was reached, ending the three-year partnership between OPEC and major non-OPEC providers. This also resulted in 'OPEC plus' failing to extend the agreement of cutting 2.1 million barrels per day that was set to expire at the end of March 2020. On 10 April 2020, OPEC announced an OPEC plus agreement designed to end the price war between Russia and Saudi Arabia. Nevertheless, oil prices failed to raise following the announcement as traders feared that the deal would not offset a historic drop in demand due to the Covid 19 outbreak.

The above factors, particularly if they are not resolved in the near term, have the potential to significantly adversely affect many economies around the world. In addition, if the low oil prices are prolonged, this would be likely to have a material adverse impact on the core business areas of the Group in the following ways:

- the investment banking business could be impacted as a result of tightened market liquidity. Additionally, low risk appetite of investors could impact the Group's new investment placements and the income earned. If market conditions do not improve, the return from the existing investments may drop, especially those investments in sectors such as hospitality, education and real estate;
- commercial banking may be impacted as a result of reduction in business activity, increase in funding costs and funding pressures, deterioration in asset quality, increase in credit losses and impairment charges, and lower profitability and cash flows;
- real estate development may be impacted by decline in market demand, delay in completing infrastructure and construction works, shortage of available cash to fund construction projects and the inability to continue operations by any of the Group's contractors due to financial difficulties; and
- treasury and proprietary investments may be impacted due to a fall in market price and value of the investments and/or a reduction in market liquidity to exit the investments in timely manner or at a preferable rate. The Group's treasury department may face difficulties in meeting its obligations including funding commitments due to increased funding costs, significant outflow of deposits within a short period of time due to liquidity constraints or a lack of confidence of depositors.

The Group's businesses may be impacted by political, economic and related considerations

Many of the Group's clients and a significant part of its businesses are based in the GCC and the wider MENA region. For example, as at 31 December 2019:

- 97.6 per cent. of the Group's financing assets, which are principally assets of its commercial banking businesses, were concentrated on the GCC;
- 54.5 per cent. of its real estate investments, which are all assets of its real estate development business, were located in the GCC and a further 26.1 per cent. were located in the wider MENA region; and
- 83.2 per cent. of its combined treasury portfolio, proprietary investments and co-investments, which are principally assets of its investment banking and treasury businesses, were geographically concentrated on the GCC.

Since early 2011, there has been political unrest in a number of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Libya, Morocco, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and has given rise to a number of regime changes and increased political uncertainty across the region. It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact that such occurrences might have on the Group. The MENA region is currently subject to a number of armed conflicts including those in Yemen, Syria, Iraq and Palestine as well as the multinational conflict with the Islamic State.

In addition, since June 2017, Saudi Arabia, the UAE and Bahrain, as well as Egypt and Yemen, have severed diplomatic ties with, cut trade and transport links with, and imposed sanctions on, Qatar. There can be no assurance as to when diplomatic relations will be restored or air, land and sea connections reopened with Qatar.

Most recently, tensions in the Gulf region have increased following the seizure by Iran of a British tanker in July 2019 and, more broadly, due to several incidents with oil tankers in the Strait of Hormuz.

In September 2019, the Abqaiq processing facility and the Kurais oil field in Saudi Arabia were damaged to a significant extent by drone attacks, which caused an immediate significant reduction in the output of Saudi Aramco, Saudi Arabia's national oil company. There can be no assurance that a similar incident could not occur elsewhere in the Gulf region.

These recent and ongoing developments may contribute to instability in the region and may have a material adverse effect on Bahrain and other countries in the MENA region, their security, their attractiveness for foreign investment and capital, their attractiveness to tourists, their ability to attract the skilled and less skilled expatriates on which many of them rely, their ability to engage in international trade and, consequently, their economies and financial condition and, given its exposure to the GCC, these factors would also be likely to negatively impact investors' perceptions of the Group.

Investors should note that the Group's business could be affected by political, economic or related developments both within and outside the Middle East because of inter-relationships within the global financial markets. In addition to operations in the GCC and wider-MENA region, the Group also has operations in India, Europe and the United States. The economies of these countries are at varying stages of socio-economic and macro-economic development which could give rise to a number of risks, uncertainties and challenges that could include the following:

- changes in political, social, or economic conditions;
- trade protection measures and operating licensing requirements;
- potentially negative consequences from unexpected changes in regulatory requirements;
- state-imposed restrictions on repatriation of funds; and/or
- the outbreak of armed conflict.

In particular, political uncertainty could decrease the attractiveness of some of the Group's real estate developments making it more difficult for the Group to exit them and could decrease clients' funds available for investment in the Group's investment banking business or decrease client demand for the Group's investment products.

Risks applicable to the Group's investment banking business

Increasing competition from existing asset managers and new entrants in the Group's key investment banking markets may adversely affect profitability of its investment banking business

The Group competes with a number of large international financial institutions who operate investment banking businesses which are similar to those of the Group as well as with established local and regional competitors based in Europe, North America and Asia, including managers offering primary funds, secondary funds and direct and co-investment funds in the private equity and real estate markets. Further, to the extent that the market increasingly recognises the growth in funds available for investment by institutional and high net worth individual investors in the GCC region, additional competitors could be attracted to the GCC region.

Many of the Group's competitors form part of larger financial services companies and attract business through their client relationships in other areas in which they operate. A number of the Group's competitors have a stronger global brand recognition, wider geographic reach and greater resources than the Group. To the extent that the Group does not successfully compete in terms of the maintenance of its existing client base, development of additional clients, sophistication of product offering, pricing, performance or service, its ability to grow or maintain its investment banking business may suffer and its results of operations will be adversely affected as a result. Competition might lead to pressure on

margins or, if the Group is unable to persuade its clients about the advantages of its unique product offerings, could lead to pressure on its fee structure generally. Further, to the extent that certain products the Group offers become more widely available in the market and are replicated by its competitors, part of its business may be increasingly perceived as a commodity service, which could result in increased pressure from clients to reduce fees, which may reduce the Group's revenue and margins from its investment banking business in the future. In addition, increasing competition may lead to a decrease in fees across the industry for certain or all segments of the Group's investment banking product offering.

New money inflows into the private equity and real estate investment markets may lead to an increase in transaction prices and diminish the Group's returns from its investment banking business

Private equity, real estate investment and fund managers may continue to expand the range of their investments in terms of transaction sizes, industries and geographical regions and there is a finite set of available investment opportunities at any given time. As a result, the pricing of transactions in the private equity investment and the United States (the "US") and the United Kingdom (the "UK") real estate markets, where the Group's real estate investments are concentrated, may become less disciplined, with higher prices being offered than for historical comparable investments. If this occurs, returns on investments in these asset classes could decline. A decrease in the investment returns from the private equity investment and US and UK real estate markets over time may have an adverse effect on investors' allocations and result in lower cash inflows into or higher cash outflows from the private equity investments and real estate markets. In addition, lower returns could lead to a decline in the fees investors are willing to pay to managers and funds for asset management and investment advisory services and a decline in performance fees generally. Even if fee rates do not decline, absolute amounts of fees received could decline if the value of the Group's investments declined as a result of negative performance. These developments could have an adverse impact on the Group's results of operations from its investment banking business.

Investments in prospective private equity transactions are risky and the Group could fail to realise gains on these investments

Private equity investment involves a number of significant risks, including the following:

- ***Limited capital resources.*** Prospective private equity investment portfolio companies may have limited financial resources, which may negatively affect their ability to meet their obligations under their financing arrangements;
- ***Limited operating history.*** Some prospective private equity investment portfolio companies may have limited operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- ***Limited information.*** Generally, little public information exists about prospective private equity portfolio companies, and the Group is required to rely on the ability of its investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. The companies that the Group targets in its private equity investment business are generally not publicly listed. If the Group is unable to identify all material information about any of these companies, it may not make a fully informed investment decision and therefore may lose money on its investment;
- ***Dependency on key managers and personnel.*** Some prospective private equity investment portfolio companies may depend on the management talents and efforts of a small group of persons, and the death, disability, resignation or termination of service of one or more of these

persons could have a material adverse impact on the relevant portfolio company and, in turn, on the Group's results of operations from its investment banking business;

- **Due diligence risk:** The due diligence process undertaken by the Group in connection with any proposed private equity investment may not reveal all relevant factors that are material to the Group's investment decision and any failure to identify a material factor could affect the operations of the investee, the Group's expected profit from the investment, the timing of its exit and the expected sale price; and
- **Other risks.** Prospective private equity investment portfolio companies may from time to time be party to litigation, may be susceptible to economic slowdowns or recessions, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. The Group's private equity investment portfolio may also be exposed to a relatively high concentration in particular industries or particular companies, for example the Group is currently targeting investment in the education, healthcare and technology sectors. The Group may also make private equity investments in companies it does not control and in these cases it must rely on board representation, shareholder agreements and other mechanisms to protect its interests, which may not always be effective.

As a result of the factors set out above or other circumstances, the Group's private equity investments may not realise gains, or may realise gains that fall short of the returns desired by its clients. If the Group's investments do not perform as anticipated, the returns it is able to deliver to clients will be adversely affected. The Group typically co-invests for its own account alongside its clients and the value of these own-account investments made by the Group will also decrease if the Group's investments do not perform as anticipated. Any failure to provide adequate returns for clients or to realise gains on its private equity investments could decrease the Group's ability to attract clients in the future which could have a material adverse effect on the Group's results of operations from investment banking.

The performance of the Group's investment banking business is subject to risks associated with real estate investment

The Group's real estate investment business derives its income from the ownership and operation of properties that are principally located in the US and the UK. These properties include, from time to time, office, hotel, residential (including multi-family residential), leisure and industrial properties. There are a number of factors that may adversely affect the income that the Group's real estate properties generate, including:

- **Performance risk:** The performance of any particular real estate investment is dependent upon the managers of the asset concerned. To the extent that any of the Group's real estate investments are managed by third parties, the Group is exposed to the risk that the third party managers may take decisions with which the Group does not agree or may take decisions in good faith that could lead to material losses, for example if there is a material change in circumstances after the decision has been taken;
- **Exit strategy risk:** There is a risk that the period for which a real estate investment is held will be longer than expected at the time of its acquisition. If the Group is unable to sell any real estate investment within the anticipated investment term, or at the expected sales price, this may delay the exit from the investment and may affect the profitability of the investment;
- **Illiquidity:** The Group's real estate investments are illiquid and involve a high degree of risk. Although these investments may generate current income, the return of capital and the realisation of gains, if any, from a real estate investment may not occur until the partial or

complete sale of the investment. See also “—*Risks applicable to the Group’s real estate development business—Real estate valuation is inherently subjective and uncertain, and real estate investments are illiquid*” below;

- ***Due diligence risk:*** The due diligence process undertaken by the Group in connection with any proposed real estate investment may not reveal all relevant factors that are material to the Group’s investment decision and any failure to identify a material factor could affect the Group’s expected profit from the investment, the timing of its exit and the expected sale price; and
- ***Other risks:*** Real estate investments have historically experienced significant fluctuations in value, and specific factors, such as (i) changes in general or local economic conditions which can result in increased vacancy rates and/or tenant bankruptcies; (ii) changes in the supply of, or the demand for, competing properties in a geographic area; (iii) changes in interest rates; (iv) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (v) unavailability of mortgage funds that may render the sale of a property difficult; (vi) the financial condition of tenants and prospective purchasers of the investment concerned; (vii) increases in real estate tax rates and other operating expenses; (viii) increases in energy costs and energy supply shortages; (ix) the existence of uninsured or uninsurable risks; and (x) acts of God and natural disasters, may result in potentially significant reductions in the fair value of any real estate investment and/or reduce the Group’s returns from the investment and/or make it more difficult to dispose of the investment at a profit.

As a result of the factors set out above or other circumstances, the Group’s real estate investments may not realise gains or may realise gains that fall short of the returns desired by its clients. If the Group’s investments do not perform as anticipated, the returns it is able to deliver to clients will be adversely affected and the value of its own account investments may also decrease. The Group cannot guarantee that it will be able to exit its real estate investments at a time of its choosing or at all or that it will realise gains on any real estate investment. Any failure to provide adequate returns for clients or to realise gains on its real estate investments may decrease the Group’s ability to attract clients in the future, which could have a material adverse effect on the Group’s results of operations from its investment banking business.

A prolonged recessionary environment could negatively impact the Group’s investment banking business

A prolonged recessionary environment could place negative pressure on asset-based returns and the mark to market valuations of the investments in private equity companies and real estate made by the Group’s investment banking business, as well as impacting the returns which the Group is able to deliver to its clients from these investments. In such an environment, the Group may choose to, or become forced to, sell such investments at values that are less than expected or even at a loss, thereby significantly affecting investment performance and consequently the Group’s overall operating results and cash flow and its reputation with its clients.

Risks applicable to the Group’s commercial banking business

The growth of the Group’s commercial banking business and its results of operations may be materially affected by economic conditions in Bahrain

The Group’s commercial banking business is undertaken by its subsidiary, Khaleeji Commercial Bank BSC (“**KHCB**”), and KHCB’s growth and its results of operations may be materially affected by economic conditions in Bahrain. At times of deteriorating economic conditions, KHCB may experience reductions in business activity, increased funding costs and funding pressures, decreased asset values,

increased credit losses and impairment charges, and lower profitability and cash flows. KHCB's business and financial performance may also be adversely affected by future recovery rates on assets (including real estate and equity securities which it has accepted as security), particularly as the historical assumptions underlying asset recovery rates may prove to be inaccurate at times of economic stress.

The Group's commercial banking business could be adversely affected if KHCB is unable to effectively monitor and control the level of or, where required, successfully restructure its impaired financing to customers who are in financial distress, or if its impairment allowances are insufficient to cover its financing losses

Risks arising from adverse changes in the credit quality and recoverability of financing, securities and amounts due from counterparties are inherent in the Group's commercial banking business, principally in its financing and investment activities. Credit risks could arise from a deterioration in the credit quality of specific borrowers, issuers and counterparties of KHCB, or from a general deterioration in local or global economic conditions, or from systemic risks within the financial systems, which could affect the recoverability and value of KHCB's assets and require an increase in its impairment allowances for financings, securities and other credit exposures.

As at 31 December 2019, KHCB's non-performing financing assets (being its impaired financing assets and its unimpaired financing assets more than 30 days overdue, before any deduction for impairment provisions) amounted to BD 125.07 million (approximately U.S.\$331.74 million), equal to 24.4 per cent. of its total financing assets before any deduction for impairment provisions. As at the same date, KHCB had BD 41.27 million (approximately U.S.\$109.46 million) of impairment provisions in respect of its financing assets.

KHCB continues to increase its impairment allowances against its non-performing financings and its coverage ratio (calculated as total impairment allowances divided by the total amount of the non-performing financing assets) was 26.7 per cent. as at 31 December 2019. All of these non-performing financing assets where the specific provision is less than 20 per cent. are required to be risk-weighted at 150 per cent. for capital adequacy purposes, which places pressure on KHCB's capital adequacy ratios and may impact its ability to expand its business or require it to increase its capital in the future.

There is no guarantee that the impairment allowances recognised by KHCB will be sufficient to cover its actual financing losses. Although KHCB continues to restructure its non-performing financing assets where possible, there is no certainty that it will be able to reduce the amount of its non-performing financings materially in the coming years, particularly if Bahrain's currently weak economic conditions continue for a prolonged period or deteriorate further. If KHCB fails to, where required, appropriately restructure or monitor and control the levels of, and adequately provide for, its non-performing financing assets, it may need to make further significant impairment charges which could result in reduced profitability and negatively affect its capital ratios. These factors could materially reduce the contribution of the commercial banking business to the Group's results in future periods and may require it to make significant capital contributions to KHCB.

The Group's commercial banking business has significant credit-related contingent liabilities and commitments that may lead to potential losses

As part of its normal banking business, KHCB issues financial guarantees which are accounted for off its balance sheet until such time as they are actually funded or cancelled. In addition, KHCB makes revocable commitments to advance financing to its customers. Although these commitments are contingent, they nonetheless subject KHCB to both credit and liquidity risks. As at 31 December 2019, KHCB had BD 80.71 million (equal to approximately U.S.\$214.09 million) in such contingent liabilities and commitments outstanding, equal to 13.6 per cent. of its combined financing assets and contingent liabilities (including commitments).

Although KHCB anticipates that only a portion of its obligations in respect of these commitments will be triggered and funds itself accordingly, KHCB may need to make payments in respect of a greater portion of such commitments, particularly in cases where there has been a general deterioration in market conditions. This would result in KHCB needing to obtain additional funding, potentially at relatively short notice, which may not be readily available or may be significantly more expensive, which would reduce KHCB's net financing margin and adversely impact its operating income and profitability.

KHCB has significant asset and liability concentrations

As is common with banks in the GCC and elsewhere in the Middle East, KHCB's assets are concentrated in terms of both geography and sector. In geographic terms, almost all of its financing assets and approximately 96.2 per cent. of its total assets were concentrated in the GCC as at 31 December 2019. In sector terms, real estate and construction financing assets (including assets held for leasing) represented 43.7 per cent. of its financing portfolio and 21.9 per cent. of its total assets as at the same date. In addition, more than 63.1 per cent. by value of KHCB's collateral against its financing exposures is concentrated in real estate. These concentrations increase the risks to KHCB of an economic deterioration in the GCC countries or a material downturn in the real estate markets in the GCC. Any such developments could result in a material increase in KHCB's non-performing financings in future periods which could result in it making significant impairment charges that would be likely to result in reduced profitability and could also negatively affect its capital ratios. These factors could materially reduce the contribution of the commercial banking business to the Group's results in future periods and may require it to make significant capital contributions to KHCB.

Significant competition may have a material adverse effect on KHCB's business, financial condition and results of operations

KHCB faces significant competition both from other Islamic banks and from conventional banks (in particular, those opening Islamic windows). KHCB is changing its strategy to be more focused on targeting key customers which it believes will help differentiate its operations and services from other commercial banks in the Bahrain market. However, if the new strategy does not achieve the required outcome, this may adversely affect KHCB's overall performance and profitability. In addition to domestic banks, international banks are also increasing their presence in the GCC and MENA region, either directly or through strategic investments, and compete with KHCB for its clients.

Competition in its key areas of operation may, among other things, limit KHCB's ability to implement its growth strategy, increase its client base and expand its operations. If KHCB experiences increasing margin pressure and rising operating expenses as the banking market in Bahrain develops and/or KHCB is not able to compete effectively against its competitors and/or KHCB incurs significant additional costs as it seeks to compete effectively, these factors could have a material adverse effect on KHCB's business, financial condition, results of operations or prospects.

KHCB's market position depends on the effectiveness of its marketing initiatives and its ability to anticipate and respond to various factors affecting the industry, including new products and services, pricing strategies by competitors, shifts in consumer preferences and changes in economic, political and social conditions in Bahrain. There can be no assurance that KHCB will be able to compete effectively with its current or future competitors, nor that the competitive pressures faced by KHCB will not have a material adverse effect on its future performance.

Risks applicable to the Group's real estate development business

The Group is exposed to a range of development and construction risks

The Group is currently undertaking a number of real estate development projects which expose it to a number of risks common to development companies, including:

- uncertainties as to market demand or a decline in market demand after construction has begun;
- the inability or unwillingness of customers to make contracted progress payments on units or land sale contracts;
- delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental and regulatory permits, approvals and authorisations;
- material disagreements with joint venture partners where the development involves a joint venture;
- delays in completing necessary infrastructure works;
- requirements to make significant current capital expenditures for certain properties without receiving revenue from these properties until future periods;
- possible shortage of available cash to fund construction and capital improvements and the related possibility that financing for these capital improvements may not be available to the Group on suitable terms or at all;
- an inability to complete development projects on schedule or within budgeted amounts;
- an inability to arrange funding to complete the project or to repay or refinance existing financing that is maturing; and
- an inability to pass through risks contractually to contractors as a result of which the Group may become exposed to various market or contractor risks.

There can be no assurance that any or all of the Group's current projects will be completed in the anticipated time frame or at all, whether as a result of the factors specified above or for any other reason, and the Group's inability to so complete a project could have a material adverse effect on its business, results of operations, cash flows and financial condition.

Although the Group does not act as a contractor itself, its projects are also exposed to a number of construction risks, including the following:

- default or failure by the Group's contractors to finish projects on time, according to specifications or within budget;
- financial difficulties encountered by the Group's contractors or joint venture partners;
- an inability to find a suitable contractor either at the commencement of a project or following a default by an appointed contractor;
- disruption in service and access to third parties, such as architects, engineers, interior designers or other service providers;

- design faults and/or defective materials or building methods;
- disputes between contractors and their employees;
- shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with sub-contractors, major accidents, changes in governmental priorities and other unforeseen circumstances; and
- escalating costs of construction materials, resources, personnel and global commodity prices.

Any of these factors, either alone or in combination, could materially delay the completion of a project or materially increase the costs associated with a project. The failure to complete construction according to specifications may also result in liabilities, reduced efficiency and lower financial returns.

The Group's projects could be exposed to catastrophic events over which the Group has no control

The Group's real estate development projects could be adversely affected or disrupted by natural disasters (such as earthquakes, floods, tsunamis, volcanoes, fires or typhoons) or other catastrophic events, including, but not limited to:

- changes to predominant natural weather, hydrologic and climatic patterns, including sea levels;
- major accidents, including chemical and radioactive or other material environmental contamination; and
- major epidemics affecting the health of persons in the region and travel into the region.

The occurrence of any of these events at one or more of the Group's development projects may cause severe disruption to the project concerned. In addition, such an occurrence may increase the costs associated with the relevant project, may subject the Group to liability or impact its reputation and may otherwise hinder the normal operation of the Group's real estate development business.

Whilst the Group carries insurance that may cover losses caused by certain catastrophic events, there is no certainty that all such losses will be recovered in a reasonable time or at all, given that insurance policies are typically limited in scope, contain exclusions and may include first loss deductibles as well as the fact that payments under such policies are dependent on the solvency of the insurer.

Real estate valuation is inherently subjective and uncertain, and real estate investments are illiquid

Real estate assets are inherently difficult to value. As a result, valuations are subject to substantial uncertainty and subjective judgements and are made on the basis of assumptions which may not be correct. There can be no assurance that the sale of any of the Group's development properties will be at a price which reflects the most recent valuation of the relevant project, particularly if the Group was forced to sell properties prior to the completion of their development or in adverse economic conditions. In addition, the real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the Group's control and may materially adversely impact projects after their most recent valuation date. Because real estate investments in general are relatively illiquid, the Group's ability to promptly sell one or more of its real estate assets in response to changing conditions is limited. Accordingly, should the Group need to sell one or more real estate assets in adverse market conditions, its business, results of operations, cash flows and financial condition could be materially adversely affected if it is unable to sell the assets at the desired price or in a timely fashion.

A prolonged period of difficult economic conditions could negatively impact the Group's real estate development business

The Group is currently undertaking a number of real estate development projects in Bahrain as well as in other countries and also owns a significant land bank which it may use for future development. The real estate market has historically been cyclical and the Group believes that it will continue to be so. A prolonged period of difficult economic conditions could result in slow downs and/or defaults in the performance of services by any of the Group's contractors who are faced with financial difficulties as well as in defaults in payments for completed properties and development land sold by the Group. These effects could be aggravated by the fact that the Group may still need to complete the development of the amenities of any affected projects in order to properly service the projects and by the fact that the Group may be relying on income from certain projects in order to repay financing incurred by it in connection with a particular project or any other projects. Real estate prices are also impacted by economic conditions and at times of deteriorating economic conditions the Group may experience less demand for its properties which may reduce the prices it is able to obtain and/or cause delays to affected projects and may also constrain its ability to realise value from its land bank.

Risks applicable to the Group's treasury and proprietary investments business

The Group is subject to the risk that liquidity may not always be readily available or may only be available at costs which may adversely affect one or more of its businesses

Treasury acts as the custodian of cash in the business and is responsible for managing the liquidity. Liquidity risk is the risk that the Group will be unable to meet its obligations, including funding commitments, as they become due. This risk is inherent in the Group's operations, particularly in its treasury, commercial banking and investment banking businesses, and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters.

As at 31 December 2019, 38.9 per cent. of the Group's non-equity funding (which comprises clients' funds; placements from financial, non-financial institutions and individuals; customer current accounts; and term financing) had remaining contractual maturities of up to three months and 76.5 per cent. had remaining maturities of one year or less. In addition, as at 31 December 2019, 89.7 per cent. of the Group's non-equity funding was geographically concentrated on the GCC and 69.4 per cent. of its non-equity funding was sourced from banks and financial institutions. The Group's ability to continue to fund itself effectively is therefore exposed to events that impact its ability to obtain funding in the GCC, such as a severe regional recession, or from banks and financial institutions, such as a significant reduction in market liquidity.

The Group's commercial banking business has historically relied on both customer and interbank deposits, which are mainly short-term and generally low cost in nature, to meet most of its funding needs. Since the start of 2018, GFH has also increased the amount of funding secured through customer deposits. The availability of deposits is subject to fluctuation due to factors outside the Group's control, including possible loss of confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time or may cause GFH and/or its commercial banking business to increase the profit distributions on its deposits to ensure that it retains sufficient deposits.

The Group may experience outflows of deposits at times when liquidity is constrained generally in the GCC or when its major depositors experience short- or longer-term liquidity requirements. In addition, if a substantial portion of the Group's depositors, or any of its largest depositors, withdraw their demand deposits (in the case of KHCB only) or do not roll over their time deposits at maturity, the business may need to seek other sources of funding or may have to sell, or enter into sale and repurchase or securitisation transactions over, certain of its assets to meet its funding requirements. In extreme cases,

if the Group is unable to refinance or replace such deposits with alternative sources of funding to meet its liquidity needs, through deposits, the interbank markets, the international capital markets, its shareholders or through asset sales, this would have a material adverse effect on the business generally and consequently on the Group.

The Group's investment banking business principally invests in private equity transactions and real estate, principally in the US and the UK but also elsewhere in Europe and in the GCC. These investments are typically made on behalf of its clients, although the Group usually retains a proportion of each investment for its own account. The Group uses cash to fund its investment banking investments prior to placement with its clients and to provide add on funding capital to support or facilitate the growth of its existing investments. The Group's principal sources of cash for its investment banking business, other than that arising from its operating income and sale of investments, are financing sourced from regional and international capital markets and client funds.

At times when liquidity in the financial markets is constrained, the performance of the Group's investment banking business could suffer. This could cause the Group's cash flows from operations to significantly decrease, which could materially and adversely affect its liquidity position and the amount of cash it has on hand to conduct its operations. Having less cash on hand could in turn require the Group to rely on financing which may not be available on acceptable terms or to sell investments at less than optimal prices.

In the event that the Group is unable to obtain funding for potential investments or can only obtain funding at higher cost or otherwise on unfavourable terms, the Group may have difficulty completing otherwise profitable investment opportunities or may generate gains from such investments that are lower than would otherwise be the case, either of which could lead to a decrease in the investment banking income earned by the Group and its clients.

To the extent that market conditions render corporate financing difficult to obtain or more expensive for the Group's portfolio companies, this may negatively impact their operating performance and, therefore, the investment returns earned by the Group and its clients. In addition, to the extent that market conditions make it difficult or impossible to refinance any financing that is maturing in the near term and the Group is unable to provide sufficient support, some of the Group's portfolio companies may be unable to repay such financing at maturity and may be forced to sell assets, undergo a recapitalisation or seek bankruptcy protection. If a portfolio company enters into bankruptcy proceedings, this could potentially result in a complete loss of investment value in such company and a negative impact on the Group's operating results and cash flows from its investment banking business.

Financial market uncertainty could also decrease clients' funds available for investment or decrease client demand for the Group's less conservative investment banking products. Such a decrease in the Group's clients' available funds or demand for the Group's products could result in its clients withdrawing from the product offerings or decreasing their rate of investment or their allocation to the alternative asset class as a whole. Any such change would also constrain the ability of the Group's investment banking business to continue to invest.

There can be no assurance that the Group will be able to obtain additional funding as and when required or at prices that will not affect its ability to compete effectively and, if the Group is forced to sell assets to meet its funding requirements, it may suffer material losses as a result.

The Group's treasury department faces a number of risks specific to the Group's business when seeking to manage the Group's liquidity

Reflecting the nature of the Group's operations, the funding sources availed by the Group are of generally higher cost than those availed by commercial banking businesses which are able to source significant volumes of low or no cost retail deposits. As a result, the Group utilises riskier but potentially

more profitable products such as credit linked notes and structured notes as part of its treasury portfolio management to manage its profit margins. Any unanticipated macro- and micro-economic conditions could weaken the position of the Group's treasury portfolio if its treasury department is unable to react promptly to the changes. It is difficult to predict such changes and although the Group has set stop loss limits, any failure to proactively monitor the portfolio and react to losses could result in breaches of those limits.

The Group also trades in sukuk, principally issued by sovereign issuers or by issuers in the real estate sector and financial institution issuers. Reflecting the liquidity requirements set by its regulator, the CBB, as at 31 December 2019, 81 per cent. by value of the Group's investment in sukuk was from sovereign issuers in the GCC and Bahrain in particular, resulting in a relatively high dependency on oil prices and other macro-economic factors to maintain the price of the sukuk it has invested in.

The maturity profiles of the Group's assets and liabilities may not match at all times. The Group uses limits to manage the extent of these funding mismatches. Limits may not, however, be sufficient protection during severe adverse market conditions when credit ceases to be readily available and it becomes more difficult to renew liabilities. In these circumstances, the Group's ability to meet its obligations as they fall due may be impacted and the Group could be forced to borrow at rates or liquidate assets at prices that may negatively affect its profitability.

The Group's treasury department is also responsible for ensuring that the Group complies with relevant regulatory ratios, such as the liquidity coverage ratio ("LCR") and the net stable funding ratio ("NSFR"). These ratios are highly dependent on the Group's ability to manage its assets and liabilities and any failure to maintain these ratios could expose the Group to regulatory penalties and interventions by the CBB.

A negative change in GFH's credit rating could limit its ability to raise funding and may increase its funding costs

GFH has a long-term issuer default rating of B with stable outlook from Fitch, a long-term corporate rating of BB with stable outlook from Capital Intelligence, a B- rating with a stable outlook from S&P and international scale ratings of BB/B with a stable outlook from Islamic International Rating Agency B.S.C. These ratings, which are intended to measure GFH's ability to meet its debt obligations as they mature, are an important factor in determining the Group's cost of borrowing funds.

There is no assurance that GFH's ratings will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely if circumstances in the future so warrant. A downgrade of any of GFH's credit ratings, or a negative change in their outlook, may:

- limit GFH's or any other member of the Group's ability to raise funding;
- increase GFH's or any other member of the Group's cost of borrowing; and
- limit GFH's or any other member of the Group's ability to raise capital.

In addition, actual or anticipated changes in GFH's credit rating may negatively affect the market value of the Certificates.

In addition, any credit rating assigned to GFH may not reflect the potential impact of all risks related to an investment in the Certificates, the market, additional factors discussed in this Offering Circular and other factors that may affect the value of the Certificates. A security rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

Other financial and operational risks

The Group is exposed to the credit risk of borrowers and other counterparties and anticipated future growth in, or deterioration in the quality of, the Group's assets exposed to credit risk could result in an increase in its credit risk profile and a deterioration in its financial condition

Risks arising from adverse changes in the credit quality and recoverability of financing receivables, securities and amounts due from counterparties are inherent in the Group's business, principally in its commercial banking, investment banking and treasury activities. In particular, the Group is exposed to the risk that customers may not make payments in respect of financing advanced to them and that the collateral (if any) securing the payment of this financing may be insufficient. The Group regularly reviews and analyses its financing receivables and credit risks, and its provision for impairment losses on its financing receivables is based on, among other things, its analysis of current and historical delinquency rates and financing management and the valuation of the underlying assets, as well as numerous other management assumptions. However, these internal analyses and assumptions may give rise to inaccurate predictions of credit performance, particularly in a volatile economic climate. See “—*The Group's risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks*” below.

To the extent that the Group's financing receivables increase significantly in the future and its credit exposure consequently increases, management will need to continually monitor the credit quality of the financing receivables. This will be particularly important should economic conditions in Bahrain deteriorate in the future. See “*Risk management—Credit and Investment Risk*”, note 37(a) to the 2019 Financial Statements and “—*The Group's risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks*” below.

Credit losses could also arise from a deterioration in the credit quality of specific counterparties, from a general deterioration in local or global economic conditions, or from systemic risks within financial systems, all of which could affect the recoverability and value of the Group's assets and require an increase in its impairment provisions.

Any failure by the Group to maintain the quality of its assets through effective risk management policies could lead to higher impairment provisioning and result in higher levels of defaults and write-offs, all of which would be likely to reduce the Group's profitability and particularly that of its commercial banking business.

The Group has significant exposure to the real estate sector

As at 31 December 2019, 46.1 per cent. of the Group's total assets were concentrated on the real estate sector, principally in the form of the development properties (which constituted 20.6 per cent. of the Group's total assets as at 31 December 2019), its investment properties (which constituted 8.9 per cent. of the Group's total assets as at 31 December 2019) and its financing assets (including assets acquired for leasing) (which constituted 9.2 per cent. of the Group's total assets as at 31 December 2019). In addition, 52.3 per cent. of the Group's commercial banking business' financing assets exposed to credit risk as at 31 December 2019 were concentrated on the real estate and construction sectors and 96.0 per cent. by estimated fair value of the collateral accepted by the Group against financing assets and assets acquired for leasing including lease rentals receivable was in the form of real estate as at 31 December 2019.

These levels of concentration mean that the Group is particularly exposed to a significant economic deterioration and/or decline in real estate values in the markets in which it operates, which would be likely to weaken the credit quality of the Group's construction and real estate customers and could also reduce the value of the real estate collateral which the Group holds, potential requiring it to significantly increase its impairment allowances which could materially adversely affect its profitability.

The claims of Certificateholders against GFH will be structurally subordinated to the claims of the creditors of GFH's investees

GFH's investees (including in particular its subsidiaries and equity accounted investees) have incurred, and will continue to incur in the future, debt in order to finance their operations. In the event of the insolvency of any entity in which GFH has invested, claims of secured and unsecured creditors of that entity, including trade creditors, banks and other lenders, will have priority with respect to the assets of that entity over any claims that GFH or its creditors, as applicable, may have with respect to those assets. Accordingly, if GFH became insolvent at the same time as one or more of its investees, claims of the Certificateholders against GFH in respect of any Certificates would be structurally subordinated to the claims of the creditors of the relevant investees.

The Certificates are unsecured obligations and the claims of the Trustee or the Delegate (on behalf of the Certificateholders) will rank behind the claims of GFH's secured creditors.

As at 31 December 2019, GFH had U.S.\$279 million of secured term financing outstanding.

Investors should be aware that if GFH becomes insolvent, any of GFH's assets which are the subject of a valid security arrangement will not be available to satisfy the claims of any of GFH's unsecured creditors, including the Trustee or the Delegate (on behalf of holders of the Certificates, or such Certificateholders following a failure by the Delegate to proceed as provided in the Conditions), and the claims of GFH's secured creditors will rank ahead of the claims of such parties accordingly.

The Group is exposed to a range of operational risks. In particular, the Group is exposed to the risk of loss as a result of employee misrepresentation, misconduct and improper practice and through any failure of the Group's IT systems

Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures (including, in particular, IT failures), natural disasters or the failure of external systems (for example, those of the Group's counterparties or vendors). The Group has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, but it is not possible to eliminate entirely each of the potential operational risks that the Group faces. Losses from the failure of the Group's system of internal controls could have a material adverse effect on its business generally and its reputation.

The Group's employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling clients' funds, engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It is not always possible to detect or deter these types of misconduct, and the precautions which the Group takes to detect and prevent such misconduct may not be effective in all cases. There can be no assurance that measures undertaken to combat these types of misconduct will be successful. Any such actions by employees could expose the Group to financial losses resulting from the need to reimburse clients, co-investors or other business partners who suffered loss or as a result of fines or other regulatory sanctions, and could damage the Group's reputation.

The Group is dependent on its IT systems which are subject to potential cyber-attack and any failure of these systems could materially disrupt the Group's business

In common with other financial institutions based in the GCC and elsewhere in the world, the threat to the security of the Group's information and customer data from cyber-attacks is real and continues to increase. Activists, rogue states and cyber criminals are among those targeting computer systems around

the world. Risks to technology and cyber-security change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security.

Particularly in its commercial banking business, the Group depends on its IT systems to process a large number of transactions on an accurate and timely basis, and the Group's IT systems store and process substantially all of the Group's business and operating data. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group's business and ability to compete effectively. The Group's business activities would be materially disrupted if there is a partial or complete failure of any of these IT systems or communications networks. In addition to cyber-attacks, such failures can be caused by a variety of factors, many of which are wholly or partially outside the Group's control, including natural disasters and extended power outages. The proper functioning of the Group's IT systems also depends on accurate and reliable data and other system input, which are subject to human errors. Failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats as well as any failure in the Group's systems as a result of other causes could disrupt the Group's business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage the Group's reputation, any or all of which could have a material adverse effect on the Group's business, results of operations and financial condition.

Further, any failure or delay in recording or processing the Group's transaction data could subject it to claims for losses and regulatory fines and penalties. The Group has implemented and tested business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective at all times or that they will protect the Group from all losses that could occur.

The Group's risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks

There can be no assurance that the Group's risk management and internal control policies and procedures will adequately control, or protect it against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by the Group's risk management systems. Some of the Group's methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures which could be significantly greater than historical measures indicate. In addition, certain risks could be greater than the Group's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to it. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Any material deficiency in the Group's risk management or other internal control policies or procedures may expose it to significant losses as a result of unidentified credit, liquidity, market or operational risks, should they occur.

The Group may not be able to recruit and retain qualified and experienced personnel, which could have an adverse effect on its business and its ability to implement its strategy

The Group's success and ability to maintain current business levels and sustain growth will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The market for such personnel in the Middle East, particularly in the commercial and investment banking markets, is intensely competitive.

The Group depends on the efforts, skill, reputation and experience of its senior management, as well as synergies among their diverse fields of expertise and knowledge. In particular, the Group relies on professionals to attract and retain investment banking clients and to manage client funds successfully. As a result, its ability to attract and retain qualified professionals is central to its ability to maintain and grow its investment banking business. Further, because individual investment banking professionals often maintain strong personal relationships with clients that are based on clients' trust in that particular professional, the departure of key staff may cause significant damage to the Group's investment banking client relationships.

The loss of key personnel could delay or prevent the Group from implementing its strategies. The Group also does not carry key man insurance.

Regulatory, legal, Shari'a and reputational risks

Non-compliance with regulatory requirements may result in enforcement measures or subject the Group to significant penalties and could adversely affect its reputation

Both GFH and KHCB are regulated by the CBB. As a result of KHCB being regulated by the CBB, GFH's direct control over KHCB is restricted in cases where strategic and/or material decisions require the CBB's approval prior to being executed. In addition, CBB regulations limit Bahraini banks' exposures to the entities which control them. As a result, GFH is not permitted to obtain financing from KHCB.

Although the Group principally operates in Bahrain, it also conducts business in multiple other jurisdictions, each of which may have separate regulatory requirements affecting the Group. The regulations to which the Group is subject may not be uniform or harmonised, particularly regulations relating to matters such as money laundering, corruption and international sanctions and regulations relating to environmental protection and health and safety which apply particularly to its real estate development business. In addition, the Group may become subject to more stringent regulations in the future. It is also possible that laws and regulations could be amended or interpreted in a manner that would be adverse to the Group and its current operations. To the extent that existing regulations are amended or future regulations are adopted that impose restrictions on the Group's business (such as, for example, minimum standard conditions for its commercial and investment banking products), or negatively affect the performance of the investment products it offers, the Group's revenue could be adversely affected. A more stringent regulatory regime may also result in substantially higher compliance costs that would affect the Group's profitability. In addition, to the extent that the Group's business expands, it could become subject to more intensive regulation, which would result in higher compliance costs resulting from greater regulatory limitations and requirements.

The Group's ability to comply with all applicable regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. Although the Group is subject to oversight by regulatory authorities, performs regular internal audits and employs an external auditing firm to review its internal control systems, the Group cannot be certain that these systems and procedures will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against it.

The Group currently benefits from a CBB exemption that permits it to exclude the assets acquired through litigation settlements and by way of a share swap from the CBB's large exposure and connected counterparty limits. This exemption is re-assessed by the CBB on an annual basis. If the CBB decides to no longer grant the exemption, this will negatively impact the Group's capital adequacy ratio which may lead to non-compliance with regulatory requirements and result in the Group becoming subject to potential enforcement measures and/or significant penalties. The Group also has an exemption from the CBB related to its exposures to certain large real estate projects which are higher than 15 per cent. of

its regulatory capital. This exemption is also re-assessed by the CBB on an annual basis. If the CBB decides to no longer grant the exemption, this could require the Group to reduce its exposure which could result in significant losses.

Non-compliance with applicable regulatory requirements may result in enforcement measures being taken against the Group. There is a risk that, in the case of severe and/or repeated violations, licences or permits held by the Group which are necessary to conduct business could be revoked or limited. Possible sanctions could also include the imposition of fines (which may be substantial) and censures on the Group or its employees and/or the imposition of additional capital requirements.

Financial institution regulators typically have a wide range of enforcement powers in the event they discover any regulatory violations. Should a regulated entity violate any applicable regulation, the regulatory authority may be able to prohibit the disposal of assets or the making of payments, order the cessation of business with clients and/or prohibit the acceptance of payments. Public trust and confidence are critical to the Group's business and any material loss of investor and/or client confidence as a result of non-compliance or alleged non-compliance with regulatory requirements could have an adverse effect on one or more of its businesses, which in turn could materially adversely affect the Group's results of operations and financial condition.

The Group is also required to comply with applicable know-your-customer, anti-money laundering, anti-corruption and counter-terrorism financing laws and regulations in Bahrain and other jurisdictions where it operates, including those related to countries subject to sanctions by the United States Office of Foreign Assets Control (“OFAC”) and similar regulations of other jurisdictions and international bodies. To the extent that the Group fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged and it could be subject to fines or other monetary penalties, which could materially adversely impact its cash flow and profitability.

The Group may be party to litigation and disputes, which could be material in terms of their impact on the Group

The Group is involved in a number of current disputes described under “*Description of the Group—Litigation*” and may continue to become involved in disputes, legal claims, judicial proceedings and regulatory enforcement actions in the ordinary course of its business. Some of these may involve material amounts claimed from the Group or may have a materially negative impact on its reputation. There can be no assurance that the Group will be successful in all of the disputes to which it is or may become a party. If the Group is unable to successfully defend any claim, it may face substantial damages and settlement costs. Even if it is successful in defending a claim, it may still incur significant defence costs. Where the Group is the plaintiff, it may not recover all of the amounts claimed by it and, if it is not successful in the claim it may incur defence costs as well as its own costs. In all cases, engaging in litigation or prolonged disputes is likely to prove to be a significant management distraction.

The Group conducts its business in accordance with Shari’a principles, and this can result in higher costs and possible losses if any activities engaged in are subsequently determined not to be Shari’a-compliant

The Group conducts its business in accordance with *Shari’a* principles as determined by its *Shari’a* Supervisory Board. As a result, the Group may not be able to exploit certain opportunities and compliance with certain *Shari’a* requirements may increase its costs when structuring transactions, which could result in higher volatility and/or lower returns associated with some of those transactions.

In addition, certain investments and structures in which the Group has invested may subsequently be determined by the *Shari’a* Supervisory Board to no longer comply with *Shari’a* for various reasons, including human error, corporate actions such as mergers or acquisitions or accounting ratio issues. In these circumstances, the Group will be required to liquidate any non-compliant positions within a

defined period. If this occurs at a time when market conditions, including pricing, are adverse, the Group could incur losses which could be significant.

The Group is exposed to reputational risks related to its operations and industry

All financial institutions depend on the trust and confidence of their customers to succeed in their business. The Group is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, cross selling and inadequate branding will harm its reputation. The Group's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it has advanced financing or in which it has invested. For example, if one of the Group's clients becomes associated with financial scandals or widely publicised improper behaviour, the Group's own reputation may be affected. In common with other banks, the Group is also exposed to adverse publicity relating to the financial services industry as a whole. Financial scandals unrelated to the Group or questionable ethical conduct by a competitor may taint the reputation of the industry and affect the perception of investors, public opinion and the attitude of regulators. Any damage to the Group's reputation could cause existing customers to withdraw their business and lead potential customers to be reluctant to do business with the Group.

RISKS RELATING TO BAHRAIN

Bahrain is subject to a number of on-going domestic political risks

Although Bahrain has not experienced any significant political or security disruptions in recent years, the ongoing political stasis and tensions with opposing political and social groups continue to impact investor perceptions of Bahrain's political stability and foreign investment flows.

Following widespread protests that occurred in February and March 2011, the Government has been unable to reach a political accommodation with certain political groups. His Majesty the King and His Royal Highness the Crown Prince initiated several rounds of national dialogue in 2011, 2013 and 2014 despite repeated withdrawals by opposition groups. In September 2014, a national dialogue framework document was produced, which laid out key steps for political reform. His Majesty the King signed into law a set of reforms to the distribution of electoral districts, and all political groups were encouraged to participate in the November 2014 parliamentary elections.

However, certain opposition groups decided to boycott the November 2014 parliamentary elections. Nevertheless, 52.6 per cent. of eligible voters cast their vote and independent candidates won 37 of 40 seats. On 11 June 2016, His Majesty King Hamad bin Isa Al Khalifa issued an amendment to the country's political society law, banning the use of religion in political societies. On 17 July 2016, Bahrain's High Civil Court dissolved Al Wefaq National Islamic Society citing attempts to undermine the constitution, support for terrorism, slander of the judiciary and incitement of lawless action. Bahrain's Second High Civil Court of Appeals and Court of Cassation rejected appeals from Al Wefaq National Islamic Society against its dissolution in September 2016 and February 2017, respectively. However, the Government reiterated its intention to continue its cooperation with political societies within the bounds of the law, including the ban on the use of religion in political societies. In May 2017, Bahrain's High Civil Court ordered the dissolution of the National Democratic Action Society for violations of the law on political associations.

In May 2017, the police in Bahrain arrested 286 people in Diraz as part of an operation to arrest militants and dangerous persons. During the course of the operation, five people were killed, and there were a few acts of violence. In July 2017, 60 persons were charged by the relevant judicial authority with forming a terrorist organisation (including 24 in absentia), and using weapons and explosives, as well as being trained with the aim of carrying out terrorist attacks that target police officers and civilians. In January 2018, the Criminal High Court, sanctioned by parliament as the legislative authority, sentenced two persons charged to death and 56 others were sentenced to prison terms ranging from five years to

life, with the remaining two people acquitted. In addition, 47 of the persons charged were stripped of their Bahraini citizenship.

Although Bahrain's security situation has stabilised over the past few years, since January 2017, there have been a number of small scale protests in various villages, and there can be no assurance that further protests or unrest will not occur in the future. In the event that political unrest should take place, such a development could have a material adverse impact on foreign direct investment in Bahrain or on the country's reputation in the region, including its standing as a regional leader in the financial services sector. An unsettled political environment may also have negative implications on Bahrain's fiscal accounts and future growth trajectory. While the Government has already begun to implement a broader strategy to diversify its revenue base and cut expenditures further, progress has been hampered by political and religious factionalism. The lack of a broad political consensus that encompasses Bahrain's various political and religious groups may undermine the Government's ability to implement the full extent of its fiscal readjustment programme, and may hinder its efforts to reverse the rise in public debt in the near term.

Bahrain's economy remains significantly dependent on oil revenues and is vulnerable to external shocks

Although the Government has sought to promote the growth of the non-oil sector, Government revenues remain significantly dependent on oil revenues. Any prolonged low oil price environment, including the very low oil prices experienced in March and April to the extent that they remain low for an extended period, would be likely to have a significant negative effect on Bahrain's public finances and current account. As a result, Bahrain remains susceptible to global oil prices. Moreover, Bahrain also has smaller oil reserves than a number of other GCC countries, and Bahrain shares a substantial portion of its reserves with Saudi Arabia.

Bahrain's main source of oil is from the Abu Saa'fa oilfield, which is on the maritime border with Saudi Arabia. Under a treaty with Saudi Arabia first signed in 1958, Bahrain is entitled to receive 50 per cent. of the output from the Abu Saa'fa field, although historically Bahrain has received significantly more than its 50 per cent. entitlement. However, no assurance can be given that Bahrain will continue to receive more than its 50 per cent. share of entitlement from the Abu Saa'fa oilfield, which further increases Bahrain's vulnerability to reductions in oil and gas revenues.

If Bahrain does not decrease public expenditure (or increase non-oil revenues), an environment of prolonged oil prices below its break even levels may lead to a further widening in the fiscal deficit and adversely impact Bahrain's sovereign credit rating as well as its borrowing costs, which could in turn adversely affect the Group given its exposure to Bahrain.

RISK FACTORS RELATING TO THE NEW CERTIFICATES

Absence of secondary market/limited liquidity

There is no assurance that a market for the New Certificates will develop or, if it does develop, that it will continue for the life of the New Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its New Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the New Certificates may fluctuate and a lack of liquidity, in particular, can have a severe adverse effect on the market value of the New Certificates. In addition, questions as to the *Shari'a* permissibility of the structure or the issue and the trading of the New Certificates may limit the liquidity and adversely affect the market value of the New Certificates. Accordingly, the purchase of the New Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the New Certificates and the financial and other risks associated with an investment in the New Certificates. An investor in the New Certificates must be prepared to hold the relevant New Certificates for an indefinite period of time or until their maturity.

The New Certificates are limited recourse obligations

The New Certificates are not debt obligations of the Trustee. Instead, the New Certificates represent undivided ownership interests solely in the Trust Assets. Recourse to the Trustee in respect of the New Certificates is limited to the Trust Assets and the proceeds of the Trust Assets are the sole source of payments on the New Certificates. Upon the occurrence of a Dissolution Event or any dissolution pursuant to Condition 8, the sole rights of each of the Trustee, the Delegate and the Certificateholders will be against the Trustee and the Obligor to perform their respective obligations under the Transaction Documents to which they are a party. Certificateholders will otherwise have no recourse to any assets of the Trustee, the Delegate, the Obligor, the Agents or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts due under the Trust Assets. Certificateholders will also not be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding-up or receivership of the Obligor (in respect of its obligations under the Transaction Documents to which it is a party to the extent that it fulfils all such obligations), or the Trustee or any of their affiliates as a consequence of such shortfall or otherwise. The Obligor is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Trustee and the Delegate will have direct recourse against the Obligor to recover such payments due to the Trustee from the Obligor pursuant to the Transaction Documents to which it is a party. There can be no assurance that the net proceeds of any enforcement action with respect to the Trust Assets will be sufficient to make all payments due in respect of the New Certificates. After enforcing the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 5(b), the obligations of the Trustee in respect of the New Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee to recover any further sums in respect of such New Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall any Certificateholder, the Trustee or the Delegate have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents and the sole right of the Trustee, the Delegate and the Certificateholders against the Obligor shall be to enforce the obligations of the Obligor to perform its obligations under the Transaction Documents to which it is a party.

The New Certificates may be subject to early redemption

If the amount payable on the New Certificates is required to be increased to include additional amounts in certain circumstances and/or the Obligor is required to pay additional amounts pursuant to certain Transaction Documents, in each case as a result of certain changes affecting taxation in any Relevant Jurisdiction, the Obligor may be entitled to require the Trustee to redeem all but not some only of the New Certificates upon giving notice in accordance with the Conditions (as defined herein).

RISK FACTORS RELATING TO TAXATION

Taxation risks on payments

Payments made by the Obligor to the Trustee under the Transaction Documents to it is a party or by the Trustee in respect of the New Certificates could become subject to taxation. The Transaction Documents require the Obligor to pay additional amounts, as applicable, if any withholding or deduction is required by the laws of any Relevant Jurisdiction to be made in respect of payments made by it to the Trustee which are intended to fund Periodic Distribution Amounts and the Dissolution Distribution Amount. Furthermore, Condition 10 provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions imposed by or on behalf of any Relevant Jurisdiction in certain circumstances. If the Trustee fails to gross-up for any such withholding or deduction on payments due in respect of the New Certificates to Certificateholders, the Obligor has, pursuant to the Trust Deed, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of

the New Certificates pursuant to Condition 10 in respect of any withholding or deduction in respect of any tax as set out in that Condition.

RISKS RELATING TO THE TRUST ASSETS

Ownership of the Wakala Assets

The *Shari'a* analysis is as follows: an ownership interest in the Real Estate Assets (or the Additional Real Estate Assets (each as defined in the Purchase Agreement (as defined herein)), as the case may be) will pass to the Trustee under the Purchase Agreement (or the relevant Supplemental Purchase Agreement (as defined in the Purchase Agreement)) and the Trustee will lease the Lease Assets (as defined in the Conditions) to the Obligor pursuant the Lease Agreement. If applicable, ownership interests in Securities or Securities Interests (each as defined in the servicing agency agreement to be entered into between the Obligor as servicing agent and the Trustee (the “**Servicing Agency Agreement**”)) will pass to the Trustee under a Sale Agreement (as defined in the Sale and Substitution Undertaking). The Lease Assets, together with the Securities and Securities Interests are together referred to as the “**Wakala Assets**”. The Trustee will declare a trust in respect of the Wakala Assets and the other Trust Assets in favour of the Certificateholders of the New Certificates pursuant to the Trust Deed. Accordingly, from a *Shari'a* perspective Certificateholders will, through the ownership interest obtained by the Trustee pursuant to the terms of the Purchase Agreement and, if applicable, a Sale Agreement, have an ownership interest in the Wakala Assets.

However, no investigation or enquiry will be made and no due diligence will be conducted in respect of any of the Wakala Assets. The Wakala Assets will be selected by the Obligor, and none of the Certificateholders, the Trustee, the Agents or the Delegate will have the ability to influence such selection. Only limited representations will be obtained from the Obligor in respect of the Wakala Assets. No steps are intended to be taken to perfect the legal transfer of the ownership interest (including registration if required as a matter of law) in the Wakala Assets with any relevant regulatory authority in Bahrain and, therefore, in the absence of registration, in relation to any Wakala Assets which require perfection in order to legally transfer any ownership interest, Certificateholders would not have any interest in any such Wakala Assets.

Transfer of the Wakala Assets

No investigation has been or will be made as to whether any Wakala Assets may be transferred as a matter of the law governing the relevant Transaction Documents pursuant to which any such transfer is made, the law of the jurisdiction where the relevant securities or assets are located or any other relevant law. No investigation will be made to determine if the Purchase Agreement, relevant Supplemental Purchase Agreement or any Sale Agreement, as the case may be, will have the effect of transferring any Wakala Assets.

Nevertheless, as indicated above, although the *Shari'a* analysis is such that an ownership interest in the Wakala Assets will pass to the Trustee pursuant to the Purchase Agreement or the relevant Supplemental Purchase Agreement, as the case may be, the Certificateholders will not have any rights of enforcement as against the Wakala Assets and their rights are limited to enforcement against the Obligor of its obligation to purchase such assets pursuant to the terms of the Purchase Undertaking in accordance with the terms of the Transaction Documents.

The Obligor will covenant in the Purchase Undertaking that it will fully accept all or any ownership interest the Trustee may have in the Wakala Assets and the Obligor has undertaken in the Purchase Undertaking and the Trust Deed that if the Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the rights, benefits, entitlements, title and interests that the Trustee may have in, to and under the Wakala Assets, or any of them, or for any other reason, the Obligor shall (as an independent, severable and separately

enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding New Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price. The Obligor will irrevocably undertake in the Purchase Undertaking that it will, following payment in full of such indemnity in accordance with the Purchase Undertaking, enter into a Sale Agreement, for the sale and purchase of the relevant Wakala Assets.

If the Obligor fails to comply with its obligations under the Purchase Undertaking and does not pay the relevant Exercise Price for any reason, the Delegate will seek to enforce the above provisions of the Purchase Undertaking. To the extent that it obtains an English judgment or an arbitration award in its favour, it may seek to enforce that judgment or award in a Bahraini court. It is likely that, in any action heard by them, the courts of Bahrain (if they do not simply enforce the judgment or arbitral award – see “—*Risk factors relating to enforcement—Risks associated with enforcing arbitral awards in Bahrain*” and “—*Risk factors relating to enforcement—The Obligor is a Bahraini company and it may be difficult for Certificateholders to enforce court judgments against it*” below) would view the transaction as a whole and seek to uphold the intention of the parties to treat the arrangements as a financing transaction on the terms agreed and thereby require payment by the Obligor of an amount equal to the Exercise Price in accordance with the terms of the Purchase Undertaking and/or the Trust Deed, although this matter has not been tested by the Bahraini Courts.

Total Loss Event

From a *Shari'a* perspective, as owner of the Lease Assets, the Trustee is required, among other things, to insure the Lease Assets. The Trustee has appointed the Obligor as its servicing agent, which has undertaken in the Servicing Agency Agreement, *inter alia*, to insure the Lease Assets in the name of the Trustee against the occurrence of a Total Loss Event for their full reinstatement value (and to ensure that such amount is not at any time less than, *inter alia*, the aggregate face amount of New Certificates then outstanding plus accrued but unpaid Periodic Distribution Amounts relating to such New Certificates less, the aggregate amounts of the Deferred Sale Price then outstanding, if any, payable by the Buyer to the Seller pursuant to the Murabaha Agreement). A “**Total Loss Event**” is defined as the total loss or destruction of, or damage to the whole of, the Lease Assets or any event or occurrence that renders the whole of the Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances payable or other indemnity granted in each case by any third party in respect of the Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

Nevertheless, should such an event occur the Lease will terminate and, save where the relevant Lease Assets are replaced by the Obligor in accordance with the Servicing Agency Agreement, the payment obligations arising on the New Certificates will be met using the proceeds of the insurance received by the Trustee and, if any, the aggregate amounts of the Deferred Sale Price then outstanding. In this scenario, potential investors should be aware that: (i) rental payments under the Lease will cease upon the occurrence of a Total Loss Event as the Lease will have terminated and, accordingly, the Periodic Distribution Amount payable to the Certificateholders will not accrue after the date of such Total Loss Event and (ii) there may be a delay in the Trustee receiving the proceeds of insurance and therefore in the relevant Certificateholders receiving a Dissolution Distribution Amount in respect of their New Certificates and no additional Periodic Distribution Amount will be paid in respect of this delay. In this regard, the Servicing Agency Agreement provides that if the insurance proceeds for an amount equal to the full reinstatement value are not paid directly into the Transaction Account by no later than the 29th day after the occurrence of the Total Loss Event, the Obligor, as Servicing Agent, shall have failed in its responsibility to properly insure the relevant Lease Assets and, accordingly (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence and not attributable to its failure to fully comply with the terms of the Servicing Agency Agreement relating to insurance), the Obligor shall be responsible for paying any such shortfall. The Delegate will be entitled to enforce this undertaking against the Obligor on behalf of the Certificateholders. The full reinstatement value also comprises an amount equal to the Periodic Distribution Amounts relating to

the relevant New Certificates, which would have accrued (had a Total Loss Event not occurred) during the period beginning on the date on which the Total Loss Event occurs and ending on but excluding the earlier of (a) the date on which the New Certificates are redeemed in full in accordance with Condition 8(c), and (b) the 31st day following the date on which the Total Loss Event occurred.

RISKS RELATING TO THE MURABAHA CONTRACTS

Taxation risk

Pursuant to the Murabaha Agreement, upon the receipt of and pursuant to a purchase order from the Buyer, the Seller will purchase certain commodities from certain suppliers at the spot price and, pursuant to a letter of offer and acceptance, the Buyer will irrevocably undertake to purchase such commodities from the Seller in consideration for a deferred sale price.

Upon purchasing and prior to on-selling any commodities, the Buyer will for a limited period assume the legal and beneficial title to such commodities. It is possible that the acquisition of the commodities, or the disposal thereof, may be, or may by virtue of a change in law become, subject to increased taxation. To the extent that taxation costs arise in respect of the Buyer's acquisition, ownership or disposition of the commodities, there may be a material adverse effect on the Buyer's ability to perform its obligations (including payment obligations) under the Murabaha Agreement and, in turn, in respect of the New Certificates.

Price fluctuation risk

The price at which a commodity changes hands is determined as a function of its market as a whole, and both under-supply and over-supply of a commodity can have significant implications for the price at which it is traded. If, after the Buyer has purchased any commodities, the market for the commodities becomes over-supplied or flooded, the price at which the commodities can be on-sold or traded subsequently may be adversely affected. Similarly, if after the Buyer has purchased the commodities, additional governmental or import or export licences become applicable to the market for the commodities, the price at which the commodities can be sold or traded subsequently may also be adversely affected. The effect of such price fluctuations may have a material adverse impact on the Buyer's ability to secure satisfactory on-sale prices for the commodities and, in turn, have a material adverse effect on the Buyer's ability to perform its obligations (including payment obligations) under the Murabaha Agreement and, in turn in respect of the New Certificates.

Commodity risk

Upon purchasing commodities from the Seller and prior to selling the commodities to an independent third party purchaser, the Buyer will for a limited period assume the operational risks associated with taking ownership of the commodities. These risks include, without limitation, that:

- (i) the commodities may suffer damage of a nature that reduces their value whilst in storage or during transit;
- (ii) the Buyer's storage and/or transfer of the commodities may cause environmental damage, such as pollution, leakage or contamination, which may breach environmental laws or regulations making the Buyer susceptible to legal or financial recourse;
- (iii) the commodities may be liable to theft and or vandalism; and
- (iv) the commodities may be damaged by terrorist attacks, natural disasters, fire or other catastrophic events that are beyond the control of the Buyer.

To the extent that these risks are not mitigated, or fully covered, by any insurance taken out in respect of the commodities, the occurrence of any of these events may have a material adverse effect on the value of the commodities and/or the Buyer's ability to on-sell the commodities which may, in turn, affect the Buyer's ability to perform its obligations (including payment obligations) under the Murabaha Agreement and, in turn in respect of the New Certificates.

RISK FACTORS RELATING TO ENFORCEMENT

The insolvency regime in Bahrain is relatively untested with limited guidance as to how the legislative framework will be applied in practice by the courts in Bahrain

Prospective investors should note that the insolvency regime in Bahrain is relatively untested as there have been a limited number of large scale insolvencies. As a result, there is limited guidance as to how the legislative framework will be applied in practice and, in particular, the definitive approach that would be adopted by a court in Bahrain or the relevant insolvency official in relation to assessing the claims of senior and subordinated creditors of the Obligor. Given that the Obligor is an Islamic bank licensed by the CBB, its insolvency will be subject to the provisions of the Central Bank of Bahrain and Financial Institutions Law No. 64 of 2006 (as amended) and other regulations issued by the CBB from time to time.

Change of law

The structure of the issue of the New Certificates is based on English law and the laws of the Kingdom of Bahrain, and administrative practices in these jurisdictions in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible change to English law, Bahraini law or any such administrative practices after the date of this Offering Circular, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under any New Certificates or of the Trustee and the Obligor to comply with their respective obligations under the Transaction Documents to which they are a party.

Risks associated with enforcing arbitral awards in Bahrain

Ultimately the payments under the New Certificates are dependent upon the Obligor making payments in the manner contemplated under the Transaction Documents to which it is a party. If the Obligor fails to do so, it may be necessary for an investor to bring an action against the Obligor (which will usually be through the Delegate) to enforce its obligations and/or to claim damages, as appropriate, which could be both time consuming and costly.

The Obligor has irrevocably agreed that certain of the Transaction Documents to which it is a party, the New Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by, and shall be construed in accordance with, English law. Any dispute in relation to the Transaction Documents, the New Certificates and any non-contractual obligations arising out of or in connection with them, may be referred to arbitration in London, England under the rules of arbitration of the London Court of International Arbitration (the "LCIA").

Bahrain has ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). Any arbitration award rendered in London should therefore be enforceable in Bahrain in accordance with the terms of the New York Convention and Law No. 9 of 2015 promulgating the Arbitration Law. Under the New York Convention and Law No. 9 of 2015 promulgating the Arbitration Law, Bahrain has an obligation to recognise and enforce foreign arbitration awards, and the party seeking to enforce the arbitration award in Bahrain must supply:

- (a) the duly authenticated original or a duly certified copy of the award; and

- (b) the original or a duly certified copy of the arbitration agreement.

However, the enforcement of the arbitration award may be refused at the request of the party against whom it is invoked, if that party furnishes to the competent authority where the recognition and enforcement is sought proof that:

- (a) the party to the agreement was, under the law applicable to it, under some incapacity, or the said agreement is not valid under the law to which the parties have subjected to or failing any indication thereon under the laws of the country where the award was made;
- (b) the party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case;
- (c) the award deals with a dispute not contemplated by or not falling within the terms of the submission to arbitration or it contains decisions on matters beyond the scope of the submission to arbitration, provided that if the decision on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters not submitted to arbitration may be set aside;
- (d) the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or failing such agreement, was not in accordance with the laws of the country where the arbitration took place; or
- (e) the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the laws of which, that award was made.

Recognition and enforcement of an arbitral award may also be refused if the competent authority in Bahrain finds that:

- (a) the subject matter of the dispute is not capable of settlement by arbitration under the laws of Bahrain; or
- (b) the recognition or enforcement of the award would be contrary to the public policy of Bahrain.

Each of the Trustee and the Delegate (on behalf of the relevant Certificateholders), as the case may be, may, in the alternative and at its sole discretion, opt to resolve a dispute with the courts, in which case the courts of England and Wales have exclusive jurisdiction to settle disputes, except that the Delegate may take proceedings relating to a dispute arising out of or in connection with the New Certificates in any other courts with jurisdiction. Due to the presence of the option to litigate clause in the Transaction Documents, notwithstanding the arbitration clause, there is a risk that the Bahraini Court may exercise mandatory jurisdiction pursuant to the Civil and Commercial Procedures Act No. 12 of 1971, as amended.

The Obligor is a Bahraini company and it may be difficult for Certificateholders to enforce court judgments against it

Under the terms of the Transaction Documents and the New Certificates, any such dispute may also be referred to the courts of England (who shall have exclusive jurisdiction to settle any dispute arising from such documents) if the relevant party with the option to litigate so requires. In these circumstances, each party irrevocably agrees to submit to the exclusive jurisdiction of the courts of England.

Notwithstanding that a judgment may be obtained in an English court, there is no assurance that the Obligor has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced.

As there has been no reciprocity between England and Bahrain, the Bahraini Courts are unlikely to enforce an English judgment without requesting that a fresh case is filed in the Bahraini Courts which may lead to the possibility that the Bahraini Courts may re-examine the merits of the claim although the Bahraini Courts may also accept the English court judgment as evidence of a debt. The choice by the parties of English law as the governing law of the transaction will be recognised by the Bahraini Courts provided that the provisions thereof are (i) proved, as a matter of evidence, to the satisfaction of the court by the party relying on it; and (ii) not contrary to Bahraini public order and morality. Judicial precedents in Bahrain generally do not have binding effect on subsequent decisions except as a directive for decisions of the Constitutional Court (the “**Constitutional Court**”). Although decisions rendered by the Court of Cassation (the “**Court of Cassation**”) do not have binding effect on lower courts, the present practice is for the lower courts to adhere to the precedents and principles laid down by the Court of Cassation. There is no formal system of reporting court decisions in Bahrain except for those decisions of the Court of Cassation and the Constitutional Court.

No document will be admitted in evidence in the courts of Bahrain unless they are submitted in Arabic or accompanied by a duly authenticated Arabic translation approved by the Official Translator of the Bahraini Courts, which will be the official text.

In addition, there is limited reciprocity between Bahrain and other countries in relation to the recognition and enforcement of judgments. Bahrain’s courts may enforce a foreign court judgment without re-examining the merits of the claim, provided that:

- (a) such court enforces judgments and orders rendered in Bahrain;
- (b) the courts of Bahrain did not have jurisdiction in the matter in respect of which the order or judgment has been made and it was made by a foreign court of competent jurisdiction under the jurisdiction rules or laws applied by such court;
- (c) the parties had been served with due notice to attend and had been properly represented;
- (d) the judgment was final in accordance with the law of the court making it; and
- (e) the judgment did not conflict with any previous decision of the Bahrain courts and did not involve any conflict with public order or morality in Bahrain.

Generally, where provisions relating to interest payments are provided for in an agreement, the Bahraini Courts may give effect to such a provision so long as the agreement between the parties which provides for payment of interest is a commercial agreement relating to commercial activities.

If the Obligor fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement which is a discretionary matter.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the Obligor to perform its obligations as set out in the Transaction Documents to which it is a party.

ADDITIONAL RISKS

Investors who hold less than the minimum Specified Denomination may be unable to sell their New Certificates and may be adversely affected if definitive Certificates are subsequently required to be issued

The New Certificates have denominations consisting of a minimum specified denomination of U.S.\$200,000 plus one or more higher integral multiples of U.S.\$1,000. It is possible that the New Certificates may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case a holder who, as a result of trading such amounts, holds a face amount of less than U.S.\$200,000 would need to purchase an additional amount of New Certificates such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such New Certificates.

A holder who holds an amount which is less than U.S.\$200,000 in his or her account with the relevant clearing system at the relevant time may not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed or issued) and would need to purchase a face amount of New Certificates at or in excess of U.S.\$200,000 in order to be eligible to receive a definitive Certificate.

If definitive Certificates are issued, holders should be aware that definitive New Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 and integral multiples of U.S.\$1,000 may be illiquid and difficult to trade.

Emerging Markets

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Consents to variation of Transaction Documents and other matters

The Conditions contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Trust Deed contains provisions permitting the Delegate from time to time and at any time without any consent or sanction of the Certificateholders to agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any Transaction Document or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or Potential Dissolution Event shall not be treated as such if, in the opinion of the Delegate (a) such modification is of a formal, minor or technical nature, or (b) such modification is made to correct a manifest error, or (c) such modification, waiver, authorisation or determination is not materially prejudicial to the interests of Certificateholders, provided that in the case of paragraph (c) above no such modification, waiver, authorisation or determination may be made in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of New Certificates. Unless the Delegate otherwise decides, any such modification, waiver, authorisation or determination shall as soon as practicable thereafter be notified by the Trustee to the Certificateholders in accordance with Condition 17 and shall in any event be binding upon the Certificateholders.

Credit ratings may not reflect all risks

The New Certificates will have the same credit rating as the Original Certificates, being a rating of “B” by Fitch and “B-” by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The ratings of the New Certificates may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the New Certificates. In addition, real or anticipated changes in the ratings of the New Certificates could negatively affect the market value of the New Certificates.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating the New Certificates changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the New Certificates may have a different regulatory treatment. This may result in European regulated investors selling the New Certificates which may impact the value of the New Certificates and any secondary market. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the front page of this Offering Circular.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The New Certificates will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Certificate, investors will not be entitled to receive New Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificates. While the New Certificates are represented by a Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the New Certificates are represented by a Global Certificate, the Trustee will discharge its payment obligation under the New Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the New Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in a Global Certificate.

Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the New Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

If an investor holds New Certificates which are not denominated in the investor’s home currency, he or she will be exposed to movements in exchange rates adversely affecting the value of his or

her holding. In addition, the imposition of exchange controls in relation to any New Certificates could result in an investor not receiving payments on those New Certificates

The Trustee will make all payments on the New Certificates in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency-equivalent yield on the New Certificates (2) the Investor's Currency-equivalent value of the principal payable on the New Certificates and (3) the Investor's Currency-equivalent market value of the New Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Trustee to make payments in respect of the New Certificates. As a result, investors may receive less profit or principal than expected, or no profit or principal.

Shari'a rules

Each of (i) the Shari'a Supervisory Board of GFH; (ii) the Shari'a Supervisory Board of Société Générale, Dubai International Financial Centre Branch; and (iii) the Shari'a Supervisory Committee of Standard Chartered Bank has reviewed the Transaction Documents in the context of the issue of the Original Certificates and confirmed that the Original Certificates are, in their view, *Shari'a* compliant. The transaction structure relating to the Certificates (as described in this Offering Circular) has been approved by the Shari'a Supervisory Board of GFH. A copy of the approval of the Shari'a Supervisory Board of GFH in respect of the transaction structure relating to the Certificates is set out in the Annex to this Offering Circular. However, there can be no assurance that the Transaction Documents or the New Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of the Trustee, the Obligor, the Agents or the Delegate makes any representation as to the *Shari'a* compliance of the Transaction Documents or the New Certificates and/or any trading thereof and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Potential investors should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and the issue of the New Certificates with their individual standards of compliance with *Shari'a* principles and should also make their own determination as to the future tradability of the New Certificates on any secondary markets. Questions as to the *Shari'a* permissibility of the structure or the issue and the trading of the New Certificates may limit the liquidity and adversely affect the market value of the New Certificates. See "*Risk management—Operational risk—Shari'a Compliance*" for further details.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents (other than the Purchase Agreement, the Lease Agreement and the relevant Sale Agreement) and/or the New Certificates would be, if in dispute, the subject of arbitration under the rules of arbitration of the LCIA. The Obligor has also agreed under the Transaction Documents to which it is a party (other than the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and any Sale Agreement) to submit to the exclusive jurisdiction of the courts of England. In such circumstances, the arbitrator or judge (as applicable) will apply the governing law of the relevant Transaction Document or of the New Certificates (as the case may be) in determining the obligations of the parties.

INFORMATION INCORPORATED BY REFERENCE

The following information which has previously been published shall be incorporated in, and form part of, this Offering Circular:

1. the audited financial statements of GFH Financial Group B.S.C. as at and for the year ended 31 December 2019, together with the independent auditor's report thereon and the notes thereto (available at <https://gfh.com/wp-content/uploads/2020/02/GFH-FS-2019-EN.pdf>); and
2. the audited financial statements of GFH Financial Group B.S.C. as at and for the year ended 31 December 2018, together with the independent auditor's report thereon and the notes thereto (available at https://gfh.com/wp-content/uploads/financials/GFH-2018-FS-EN_Revised.pdf).

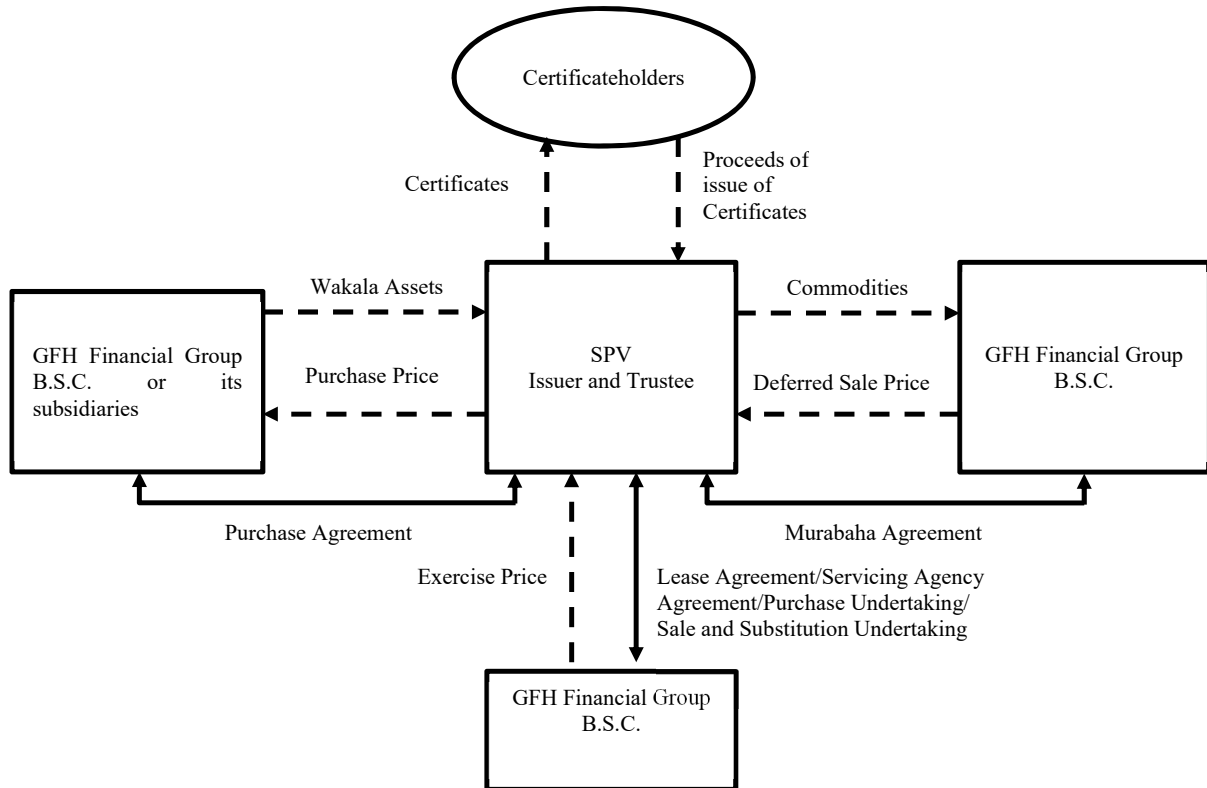
Any documents themselves incorporated by reference in any of the documents specified above shall not form part of this Offering Circular.

Following a decision made by the CBB on 30 March 2020, all public shareholding companies and locally incorporated banks in Bahrain are exempt from the preparation and publication of their reviewed financial results for the first quarter of 2020. Accordingly, this Offering Circular does not contain the Group's financial information for the first quarter of 2020.

No auditors have been appointed by GFH in connection with the preparation of this Offering Circular.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and a description of the principal cash flows underlying the Certificates. Potential investors are referred to the terms and conditions of the New Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this document for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.



Cashflows

Payments by the Certificateholders and the Trustee

On the issue date in respect of each tranche of Certificates (a “**Tranche**”), the Certificateholders will pay the issue price (the “**Issue Proceeds**”) in respect thereof to the Trustee and the Trustee will apply the Issue Proceeds:

- (a) as the purchase price (the “**Purchase Price**”) payable pursuant to a purchase agreement (the “**Purchase Agreement**”) for the purchase of certain real estate assets (the “**Real Estate Assets**”) or (in the case of a subsequent issue of any additional Certificates which are to be created and issued so as to form a single series with the Certificates (a “**New Tranche**”) as the purchase price (the “**Additional Wakala Asset Purchase Price**”) payable either under a supplemental purchase agreement (each a “**Supplemental Purchase Agreement**”) entered into pursuant to the Purchase Agreement for certain additional real estate assets and/or for the transfer or assignment of certain of the Securities Interests relating to the Securities (“**Additional Wakala Assets**”), in each case from GFH or subsidiaries of GFH in their capacities as sellers (the “**Sellers**”), provided that the aggregate value of such Real Estate Assets or Additional Wakala Assets, as the case may be, will be not less than 51 per cent. of the aggregate face amount of such Tranche of Certificates; and

- (b) the remaining Issue Proceeds, being no more than 49 per cent. of the aggregate face amount of such Tranche of Certificates, in the purchase of commodities to be sold to GFH on a deferred payment basis for an amount specified in a letter of offer and acceptance (the “**Deferred Sale Price**”) pursuant to a murabaha agreement (the “**Murabaha Agreement**”) entered into between the Trustee and GFH (the “**Commodity Murabaha Investment**”).

The Lease Assets, the Securities Interests relating to any Securities (each as defined below) and, if applicable, the Commodity Murabaha Investment and all other rights arising under or with respect thereto (including the right to receive payment of rental, Deferred Sale Price and any other amounts or distributions due in connection with the relevant Lease Assets, Securities and Commodity Murabaha Investment) shall comprise the “**Wakala Portfolio**”, and the Lease Assets and the Securities Interests relating to any Securities comprised in such Wakala Portfolio, the “**Wakala Assets**”.

The Issue Proceeds in respect of the New Certificates will be applied by the Trustee on the Issue Date in the manner described above to purchase (i) Additional Wakala Assets pursuant to the Supplemental Purchase Agreement and (ii) commodities to be sold to GFH on a deferred payment basis pursuant to the Murabaha Agreement.

As GFH will subscribe for the New Certificates in full on the Issue Date, the obligation of the Trustee to pay (i) the purchase price for the Additional Wakala Assets and (ii) the sale price in respect of the commodities to be on-sold by GFH, to GFH on the Issue Date will be set-off in full against GFH's obligation to pay the subscription price for the New Certificates to the Trustee on the Issue Date.

Periodic Payments by the Trustee

On each Periodic Distribution Date, the Servicing Agent (on behalf of the Trustee) will apply amounts standing to the credit of a collection account (comprising all revenues in respect of the Wakala Portfolio, including rental payments (pursuant to the Lease Agreement) and payment of any Profit Amount (as defined in the Murabaha Agreement) (together the “**Wakala Portfolio Revenues**”) as paid by GFH (acting in its relevant capacities under the Lease Agreement, the Servicing Agency Agreement and the Murabaha Agreement, as applicable, into the Collection Account)) in payment into the Transaction Account of an amount which is intended to be sufficient to fund the Periodic Distribution Amount payable by the Trustee under the Certificates (the “**Required Amount**”) and shall be applied by the Trustee for that purpose.

If the Wakala Portfolio Revenues are greater than the Required Amount, such excess returns shall be credited to a separate account by the Servicing Agent (such account, the “**Reserve Account**”). If the amount standing to the credit of the Transaction Account is insufficient to fund the Required Amount, the Servicing Agent shall apply amounts standing to the credit of the Reserve Account towards such shortfall, by paying an amount equal to the same into the Transaction Account.

If, having applied such amounts from the Reserve Account, there remains a shortfall between the amount standing to the credit of the Transaction Account and the Required Amount, the Servicing Agent may in its sole discretion provide *Shari'a*-compliant funding to the Trustee in an amount equal to the shortfall remaining (if any) on terms that such funding is repayable (i) from Wakala Portfolio Revenues received in respect of a subsequent period; or (ii) on the relevant Dissolution Date (such funding, a “**Liquidity Facility**”).

The Servicing Agent can use the amount standing to the credit of the Reserve Account provided such amounts are returned as and when required in order to meet any shortfall in the amount standing to the credit of the Transaction Account. Upon redemption of the Certificates, the Reserve Amount may be retained by the Obligor as an incentive fee.

Dissolution Payments

On the Scheduled Dissolution Date:

- (a) the aggregate amounts of the Deferred Sale Price then outstanding, if any, shall become immediately due and payable by GFH; and
- (b) the Trustee will have the right under the Purchase Undertaking to require GFH (in its capacity as Obligor) to purchase all of its rights, benefits, entitlements, title and interests in, to and under the Wakala Assets.

The exercise price payable by GFH (acting in its capacity as Obligor) to the Trustee in respect of the Wakala Assets, together with the aggregate amounts of the Deferred Sale Price then outstanding, if any, are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates.

The Trust may be dissolved prior to the Scheduled Dissolution Date for a number of reasons including: (i) the imposition of Taxes; (ii) unless the Wakala Assets are replaced by GFH in accordance with the Servicing Agency Agreement, upon the occurrence of a Total Loss Event (as defined herein); or (iii) upon the occurrence of a Dissolution Event, as the case may be. In any such case the relevant Dissolution Distribution Amount will be funded by requiring GFH to purchase the Wakala Assets at the relevant exercise price and pay the aggregate amounts of the Deferred Sale Price then outstanding, if any (or a proportion thereof, as the case may be), to the Trustee (pursuant to the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, and the Murabaha Agreement).

OVERVIEW OF THE OFFERING

This overview does not contain all of the information that an investor should consider before investing in New Certificates and is qualified in its entirety by the remainder of this Offering Circular. Each investor should read the entire Offering Circular carefully, especially the risks of investing in the New Certificates discussed under “Risk Factors”.

Words and expressions defined in “*Summary of Provisions relating to the New Certificates while in Global Form*” and “*Terms and Conditions of the New Certificates*” shall have the same meanings in this general description.

Description of the New Certificates:	U.S.\$200,000,000 Certificates due 2025 (to be consolidated and form a single series with the U.S.\$300,000,000 certificates due 2025 issued on 28 January 2020). The Original Certificates and the New Certificates shall be consolidated and form a single series on the Issue Date.
Trustee:	GFH Sukuk Company Limited, an exempted company with limited liability incorporated under the Companies Law (as amended) of the Cayman Islands.
Obligor:	GFH Financial Group B.S.C.
Subscriber:	GFH Financial Group B.S.C. will subscribe for the New Certificates in full on the Issue Date.
Sellers:	Harbour North 1 Real Estate S.P.C. Owned By GFH Asset Company, Harbour North 3 Real Estate S.P.C. Owned By GFH Asset Company and Delmon Lost Paradise Project Company 1 Spc.
Ownership of the Trustee:	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. The Trustee’s entire issued share capital is held by Walkers Fiduciary Limited under the terms of a trust for charitable purposes (the “ Share Trust Deed ”).
Administration of the Trustee:	The affairs of the Trustee are managed by Walkers Fiduciary Limited (the “ Trustee Administrator ”), who will provide, amongst other things, certain administrative services for and on behalf of the Trustee pursuant to the Corporate Services Agreement dated 12 January 2020 between the Trustee, the Trustee Administrator and the Obligor (the “ Corporate Services Agreement ”).
Certain Restrictions:	The New Certificates will only be issued in circumstances which comply with certain laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”).
Delegate:	Citibank N.A., London Branch.

Principal Paying Agent and Transfer Branch Agent:	Citibank N.A., London Branch.
Registrar:	Citigroup Global Markets Europe AG.
Issue Size:	U.S.\$200,000,000.
Scheduled Dissolution Date:	28 January 2025.
Issue Price:	100 per cent.
Form of New Certificates:	The New Certificates will be issued in registered form as described in “ <i>Summary of Provisions relating to the New Certificates while in Global Form</i> ”.
Status:	Each New Certificate will evidence an undivided ownership interest of the Certificateholders in the Trust Assets, will be a limited recourse obligation of the Trustee and will rank <i>pari passu</i> , without any preference or priority, with all other New Certificates.
Declaration of Commingling of Assets:	On the Issue Date, the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the Certificateholders declaring that the Additional Wakala Assets, the Wakala Assets in existence immediately prior to the creation and issue of the New Certificates and the investments made pursuant to the Murabaha Agreement (and all rights arising under or with respect to such investments made pursuant to the Murabaha Agreement) are commingled and shall collectively comprise part of the Trust Assets for the benefit of the Certificateholders <i>pro rata</i> according to the face amount of Certificates held by each Certificateholder, in accordance with the Trust Deed.
Periodic Distribution Dates:	28 January and 28 July in each year, commencing on 28 July 2020.
Redemption of New Certificates:	The New Certificates shall be redeemed at the Dissolution Distribution Amount.
Specified Denominations:	U.S.\$200,000 and integral multiples of U.S.\$1,000.
Dissolution Events:	Upon the occurrence of any Dissolution Event, the New Certificates may be redeemed at 100 per cent. of their face amount and the relevant Return Accumulation Period may be adjusted accordingly. See Condition 12.
Dissolution at the Option of the Obligor:	The New Certificates may be redeemed prior to their Scheduled Dissolution Date on a Tax Event at their Dissolution Distribution Amount in accordance with Condition 8(b).
Total Loss Event:	The occurrence of a Total Loss Event will, save where the Lease Assets are replaced in accordance with the Servicing

Agency Agreement, result in the redemption of the New Certificates and the consequent dissolution of the Trust. In the event of a Total Loss Event occurring: (a) the Servicing Agent is responsible for ensuring that all insurance proceeds in respect thereof; and (b) the aggregate amounts of the Deferred Sale Price then outstanding, if any, are each paid directly into the Transaction Account by no later than the 29th day and the 31st day, respectively, after the occurrence of the Total Loss Event in accordance with Condition 8(c).

Cancellation of New Certificates held by the Obligor and/or any of its subsidiaries:

The Obligor and any of the Obligor's Subsidiaries may at any time purchase New Certificates at any price. Any New Certificates purchased by or on behalf of or for the benefit of the Obligor or any of the Obligor's Subsidiaries may, in the Trustee's and the Obligor's sole discretion, be surrendered for cancellation in accordance with the terms of the Trust Deed, the Agency Agreement and the Sale and Substitution Undertaking. Any New Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Trustee in respect of any such New Certificates shall be discharged. If all (and not some only) of the New Certificates are cancelled in accordance with Condition 8(f), the Trustee shall be bound to dissolve the Trust.

Substitution of Wakala Assets:

Pursuant to the Sale and Substitution Undertaking, the Obligor may, at any time, exercise its right to require the Trustee to substitute on any Substitution Date some or all of the Wakala Assets with New Wakala Assets (as specified in the relevant Substitution Notice) having a value which is equal to or greater than the value of the Wakala Assets being substituted.

Purchase of Additional Wakala Assets and entry into a Murabaha Agreement upon issuance of additional Certificates pursuant to Condition 18:

In connection with the exercise by the Trustee of its rights under Condition 18 to issue additional Certificates, the Obligor may require the Trustee to:

- (a) purchase all of the rights, benefits, entitlements, title and interests in, to and under certain Additional Wakala Assets in accordance with either the relevant Supplemental Purchase Agreement(s) in consideration for the payment by the Trustee (as purchaser) to the seller named in the relevant Supplemental Purchase Agreement(s) of the Purchase Price specified in the relevant Supplemental Purchase Agreement(s); and
- (b) to the extent that the value of the relevant Additional Wakala Assets is less than the aggregate face amount of the additional Certificates, enter into a Murabaha Contract with the Obligor in accordance with the Murabaha Agreement pursuant to which the Obligor will purchase commodities from the Trustee at a deferred sale price equal to the aggregate of: (i) the aggregate issue proceeds of the additional Certificates less the purchase price of the relevant Additional

Wakala Assets, and (ii) the relevant Profit Amount (as defined in the Murabaha Agreement).

The value of the relevant Additional Wakala Assets and (if applicable) the deferred sale price shall be at least equal to the aggregate face amount of the additional Certificates.

On the date upon which additional Certificates are created and issued pursuant to the provisions described in the preceding paragraph (being the relevant issue date for that New Tranche of Certificates), the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so created and issued, declaring that the relevant Additional Wakala Assets and the Wakala Assets in existence immediately prior to the creation and issue of the additional Certificates and the investments made pursuant to the Murabaha Agreement (and all rights arising under or with respect to such investments made pursuant to the Murabaha Agreement) are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as beneficiaries *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Trust Deed. In addition, the Trustee and the Obligor will execute a replacement Lease Agreement in the manner described in the Lease Agreement.

Withholding Tax:

All payments in respect of the New Certificates by the Trustee shall be made without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction, unless such withholding or deduction is required by law. If any such withholding or deduction is made, the Trustee will, save in the limited circumstances provided in Condition 10, be required to pay additional amounts so that the holders of the New Certificates will receive the full amounts that they would have received in the absence of such withholding or deduction.

If the Trustee is required to pay any additional amounts as aforesaid, the Obligor has undertaken in the Trust Deed to pay such additional amounts as may be necessary so that the full amount due and payable by the Trustee in respect of the New Certificates is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of Condition 10.

In addition, all payments by the Obligor under the Transaction Documents to which it is a party are to be made without any withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction unless required by law and

	without set-off or counterclaim of any kind. If any deduction or withholding is required by law, the Obligor has undertaken to pay such additional amounts as shall result in receipt by the Trustee of such amounts as would have been received by it under the relevant Transaction Document had no such deduction or withholding been made.
Negative Pledge and Other Covenants:	The Obligor is required to comply with the negative pledge and the other covenants set out in Condition 6(b). See “ <i>Summary of the Principal Transaction Documents</i> ” and Condition 6(b).
Cross Default:	The Conditions contains a cross default provision in relation to the Obligor. See the definition of “ Obligor Event ”.
Trustee Covenants:	The Trustee has agreed to certain restrictive covenants as set out in Condition 6(a).
Ratings:	The New Certificates will have the same credit rating as the Original Certificates, being a rating of “B” by Fitch and “B-” by S&P. A securities rating is not a recommendation to buy, sell or hold the New Certificates and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.
Listing and admission to trading:	Application has been made to the London Stock Exchange for the New Certificates to be admitted to the ISM. The ISM is not a regulated market for the purposes of MiFID II. Application has also been made to the DFSA for New Certificates to be admitted to the DFSA Official List and to Nasdaq Dubai for such New Certificates to be admitted to trading on Nasdaq Dubai. The Original Certificates were admitted to trading on the ISM on 28 January 2020 and Nasdaq Dubai on 23 February 2020.
Governing Law and Dispute Resolution:	The New Certificates will be governed by, and construed in accordance with, English law. The Trust Deed, the Agency Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale and Substitution Undertaking, any Supplemental Trust Deed and the Murabaha Agreement will be governed by English law. In respect of any dispute under any such Transaction Document to which it is a party, the Obligor has consented to arbitration in London under the rules of arbitration of the LCIA. Any dispute may also be referred to the courts in England (which shall have exclusive jurisdiction to settle any dispute arising from such documents). The Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and any Sale Agreement entered into in respect of the Wakala Assets will be governed

by the laws of the Kingdom of Bahrain. The Obligor has consented to the courts of the Kingdom of Bahrain having exclusive jurisdiction to settle any dispute arising from such documents.

The Share Trust Deed and the Corporate Services Agreement are governed by the laws of the Cayman Islands and are subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

Use of Proceeds:

The proceeds of the issue of the New Certificates will be applied by the Trustee in the following proportion: (a) not less than 51 per cent. of the aggregate face amount of the New Certificates as the aggregate of the purchase price for the Additional Wakala Assets pursuant to the Supplemental Purchase Agreement; and (b) not more than 49 per cent. of the aggregate face amount of the New Certificates for the purchase of commodities to be sold to the Obligor pursuant to the Murabaha Agreement.

As GFH will subscribe for the New Certificates in full on the Issue Date, the obligation of the Trustee to pay (i) the purchase price for the Additional Wakala Assets and (ii) the sale price in respect of the commodities to be on-sold by GFH, to GFH on the Issue Date will be set-off in full against GFH's obligation to pay the subscription price for the New Certificates to the Trustee on the Issue Date. Accordingly, GFH will not receive any proceeds in connection with the issue of the New Certificates.

GFH may, in its sole and absolute discretion, choose to sell any or all of the Certificates which it owns in the secondary market at any price to any person, including without limitation, GFH's own clients.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the New Certificates in the United States, the United Kingdom, the Kingdom of Bahrain, the Cayman Islands, the DIFC, Hong Kong, Malaysia, the State of Qatar (including the Qatar Financial Centre), Saudi Arabia, Singapore and the United Arab Emirates (excluding the DIFC), see "*Subscription and Sale*".

United States Selling Restrictions:

Regulation S, Category 1.

ISIN:

XS2100582142.

Common Code:

210058214.

FISN:

GFH SUKUK COMPA/VARASST BKD 2200123.

CFI:

DAVNFR.

TERMS AND CONDITIONS OF THE NEW CERTIFICATES

GFH Sukuk Company Limited (in its capacities as issuer and as trustee, as applicable, the “**Trustee**”) has issued certificates (the “**New Certificates**”) in an aggregate face amount of U.S.\$200,000,000 (to be consolidated and form a single series with the U.S.\$300,000,000 Certificates due 2025 issued on 28 January 2020 (the “**Original Certificates**” and, together with the New Certificates, the “**Certificates**”).

The New Certificates are constituted by a trust deed (the “**Original Trust Deed**”) dated 28 January 2020 between the Trustee, GFH Financial Group B.S.C. (the “**Obligor**”) and Citibank N.A., London Branch as the Trustee’s delegate (the “**Delegate**”, which expression shall include all persons for the time being the delegate or delegates under the Trust Deed) as supplemented by a supplemental trust deed (the “**Supplemental Trust Deed**” and, together with the Original Trust Deed, the “**Trust Deed**”) dated 8 June 2020 (the “**Issue Date**”). The Original Certificates and the New Certificates will be consolidated to form a single series on the Issue Date.

An Agency Agreement dated 28 January 2020 (the “**Original Agency Agreement**”) as supplemented by a supplemental agency agreement (the “**Supplemental Agency Agreement**” and, together with the Original Agency Agreement, the “**Agency Agreement**”) dated the Issue Date has been entered into in relation to the New Certificates between the Trustee, the Obligor, the Delegate, Citibank N.A., London Branch as initial principal paying agent and the other agents named in it. The principal paying agent, the other paying agents, the registrar and the transfer agents are referred to below respectively as the “**Principal Paying Agent**”, the “**Paying Agents**” (which expression shall include the Principal Paying Agent), the “**Registrar**” and the “**Transfer Agents**” (which expression shall include the Registrar), and together the “**Agents**”.

These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of Certificates referred to below, the Agency Agreement and the remaining Transaction Documents (as defined below). The Certificateholders are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. Copies of the Transaction Documents are available for inspection and collection during usual business hours at the principal office of the Delegate and at the specified office of the Principal Paying Agent.

Each initial Certificateholder, by its acquisition and holding of its interest in a New Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the New Certificates (the “**Proceeds**”) towards (i) an amount equal to not less than 51 per cent. of the aggregate face amount of the New Certificates to acquire the Additional Wakala Assets from Harbour North 1 Real Estate S.P.C. Owned By GFH Asset Company, Harbour North 3 Real Estate S.P.C. Owned By GFH Asset Company and Delmon Lost Paradise Project Company 1 Spc pursuant to the Purchase Agreement (as defined below) and (ii) an amount equal to no more than 49 per cent. of the aggregate face amount of the New Certificates for the purchase of commodities to be sold to the Obligor pursuant to the Murabaha Agreement (each defined term as set out below) and (b) to enter into each Transaction Document to which it is a party, subject to the provisions of the Trust Deed and these Conditions.

1. Interpretation

Unless defined herein or the context otherwise requires, capitalised words and expressions used but not defined herein shall have the meaning given to them in the Trust Deed and the Agency Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

“**Additional Wakala Assets**” has the meaning given to it in the Purchase Agreement;

“**Affiliate**” means, with respect to any specified Person: (a) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person; or (b) any other Person that owns, directly or indirectly through one or more Subsidiaries, 20 per cent., or more of any class of such specified Person’s Capital Stock, and, for the purposes of this definition, **control**, when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms **controlling** and **controlled** have meanings correlative to the foregoing;

“**Affiliate Transaction**” has the meaning given to it in Condition 6(b)(v);

“**Applicable Accounting Standards**” means either the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions or International Financial Reporting Standards;

“**Asset Sale**” means any sale, sale and lease back, transfer or other disposition by any member of the Group of all or any of the legal or beneficial interest in any Capital Stock or any property or assets of any member of the Group (either in one transaction or in a series of related transactions at the same time or over a period of time) to any Person who is not a member of the Group, provided that none of the following transactions shall be deemed to be an Asset Sale:

- (a) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than U.S.\$25,000,000;
- (b) the sale, lease or transfer of investment assets (including any corporate investments or real estate investments) of the Obligor or any of its Subsidiaries in the ordinary course of their investment business;
- (c) a transfer of assets between or among the Obligor and its Subsidiaries;
- (d) an issuance of Capital Stock by a Subsidiary of the Obligor to the Obligor or to a Subsidiary of the Obligor or an issuance of Capital Stock by the Obligor to any Person;
- (e) the sale, lease or other transfer of services or accounts receivable in the ordinary course of business;
- (f) any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Obligor, no longer economically practicable to maintain or useful in the conduct of the business of the Obligor and its Subsidiaries taken as a whole);
- (g) the granting of any Permitted Security Interest;
- (h) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business; or
- (i) any transfer or disposition of assets by the Obligor or any Subsidiary in accordance with the terms of the Certificates and the Transaction Documents.

“**Authorised Signatory**” has the meaning given to it in the Trust Deed;

“**Business Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and New York;

“**Calculation Amount**” means U.S.\$1,000;

“**Capital Regulations**” means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the Kingdom of Bahrain, including those of the Financial Regulator;

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person’s equity, including any preferred stock of such person, whether outstanding on 28 January 2020 or issued after the date thereof, including without limitation, all series and classes of such Capital Stock;

“**Certificateholder**” or “**holder**” has the meaning given to it in Condition 2;

“**Consolidated Net Worth**” means the Consolidated Total Assets of the Group less the Consolidated Total Liabilities of the Group;

“**Consolidated Profit**” means the consolidated profit for the period of the Group determined by reference to the most recently available audited or auditor reviewed consolidated financial statements of the Group prepared in accordance with the Applicable Accounting Standards;

“**Consolidated Total Assets**” means, at any time, the total assets of the Group as determined by reference to the most recently available audited or auditor reviewed consolidated financial statements of the Group prepared in accordance with the Applicable Accounting Standards;

“**Consolidated Total Income**” means, at any time, the consolidated total income of the Group as determined by reference to the most recently available audited or auditor reviewed consolidated financial statements of the Group prepared in accordance with the Applicable Accounting Standards;

“**Consolidated Total Liabilities**” means, at any time, the total liabilities of the Group as determined by reference to the most recently available audited or auditor reviewed consolidated financial statements of the Group prepared in accordance with the Applicable Accounting Standards;

“**Corporate Services Agreement**” means the corporate services agreement entered into between the Trustee, the Trustee Administrator and the Obligor on or before 28 January 2020;

“**Customer Deposits**” means any amounts collected from potential or actual purchasers or lessees of real estate (or from a person acting on behalf of such purchasers or lessees) by a member of the Group in the ordinary course of its day to day real estate and development activities;

“**Day Count Fraction**” has the meaning given to it in Condition 7(b);

“**Deferred Sale Price**” has the meaning given to it in the Murabaha Agreement;

“**Delegation**” has the meaning given to it in Condition 15(a);

“**Dispute**” has the meaning given to it in Condition 20(b);

“Dissolution Date” means, as the case may be,

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Total Loss Event Dissolution Date; or
- (d) any Dissolution Event Redemption Date;

“Dissolution Distribution Amount” means, in relation to each Certificate to be redeemed on the relevant Dissolution Date, the sum of:

- (a) the outstanding face amount of such Certificate; and
- (b) any due and unpaid Periodic Distribution Amounts for such Certificate;

“Dissolution Event” means an Obligor Event or a Trustee Event;

“Dissolution Event Redemption Date” has the meaning given to it in Condition 12(a);

“Dissolution Notice” has the meaning given to it in Condition 12(a);

“Early Tax Dissolution Date” has the meaning given to it in Condition 8(b);

“Excluded Representations” means any representations given by the Obligor to the Trustee and/or the Delegate pursuant to the Transaction Documents;

“Exercise Notice” means an exercise notice given pursuant to the terms of the Purchase Undertaking or the Sale and Substitution Undertaking (as the case may be);

“Exercise Price” has the meaning given to it in the Purchase Undertaking or the Sale and Substitution Undertaking (as the case may be);

“Extraordinary Resolution” has the meaning given to it in the Trust Deed;

“Fair Market Value” means, with respect to any Capital Stock, asset or property, the sale or investment value that would be paid in an arm’s-length transaction between an independent, informed and willing seller or counterparty under no compulsion to sell or transact and an independent, informed and willing buyer or investor under no compulsion to buy or invest;

“Financial Indebtedness” means any indebtedness for or in respect of:

- (a) moneys borrowed and debit balances at banks or other financial institutions;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with such person’s accounting principles used in preparation of its most recent financial statements, be treated as a finance or capital lease;

- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement, sale and saleback arrangement or securitisation) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of any person's indebtedness for any of the items referred to in paragraphs (a) to (g) above (inclusive) and paragraphs (i) to (k) (inclusive) below of this definition;
- (i) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into the agreement is to raise finance or to finance the acquisition or construction of an asset or service;
- (j) any obligations incurred in respect of any Islamic financing arrangements; and
- (k) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) (inclusive) above, but shall not include any indebtedness in respect of Customer Deposits;

"Financial Regulator" means the Central Bank of Bahrain or any successor entity having primary bank supervisory authority over the Obligor or KHCB in the Kingdom of Bahrain;

"Fitch" means Fitch Ratings Ltd;

"Full Reinstatement Value" has the meaning given to it in the Servicing Agency Agreement;

"Group" means the Obligor and its Subsidiaries;

"Independent Qualified Party" means an investment banking firm, accounting firm, firm of surveyors or appraisal firm of international standing; provided, however, that such firm is not an Affiliate of the Obligor;

"Investment Grade Status" has the meaning given to it in Condition 6(b)(xi);

"Investment Grade Status Period" has the meaning given to it in Condition 6(b)(xi);

"Issue Date" means 8 June 2020;

"ISM" means the London Stock Exchange plc's International Securities Market;

"KHCB" means Khaleeji Commercial Bank BSC;

"Lease Agreement" means the lease agreement dated the Issue Date and entered into between the Obligor and the Trustee, relating to certain assets;

"Lease Assets" has the meaning given to it in the Lease Agreement;

“Leverage Ratio” means the ratio of Consolidated Total Liabilities to Consolidated Net Worth;

“Liability” means any actual loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of Taxes and other charges) and including any value added tax or similar Tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis, but excluding any interest, cost of funds and opportunity costs, and references to **“Liabilities”** shall mean all of these;

“Material Subsidiary” means any Subsidiary of the Obligor:

- (a) whose total income (consolidated in the case of a Subsidiary of the Obligor which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary of the Obligor which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary of the Obligor acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, are equal to) not less than 10 per cent. of Consolidated Total Income or, as the case may be, Consolidated Total Assets, all as calculated respectively by reference to the then latest audited accounts of such Subsidiary and the then latest audited consolidated accounts of the Group, provided that in the case of a Subsidiary of the Obligor acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, the reference to the then latest audited consolidated accounts of the Group for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Obligor;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Obligor which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (b) on the date on which the consolidated accounts of the Group for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Group relate, generate total income equal to) not less than 10 per cent. of Consolidated Total Income, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of Consolidated Total Assets, all as calculated as referred to in paragraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate total income equal to) not less than 10 per cent. of Consolidated Total Income, or its assets represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of Consolidated Total Assets, all as calculated as referred to in paragraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (c) on the date on which

the consolidated accounts of the Group for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

A report signed by an Authorised Signatory of the Obligor (whether or not addressed to the Delegate) that in its opinion a Subsidiary of the Obligor is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Delegate without further enquiry or evidence (without any liability to any person for so relying) and, if relied upon by the Delegate, shall, in the absence of manifest error, be conclusive and binding on all parties;

“**Moody’s**” means Moody’s Investors Service Limited;

“**Murabaha Agreement**” means the murabaha agreement dated 28 January 2020 and entered into between the Obligor and the Trustee;

“**Obligor Event**” means any of the following events (but in the case of the happening of any of the events described in paragraph (c), (k) and (m) below, only if the Delegate shall have certified in writing to the Trustee and the Obligor that such event is, in its opinion, materially prejudicial to the interests of the Certificateholders):

- (a) the Obligor (acting in any capacity) fails to pay an amount payable by it pursuant to any Transaction Document to which it is a party which corresponds to all or part of a Periodic Distribution Amount payable by the Trustee on a Periodic Distribution Date and the failure continues for a period of 10 Business Days, or the Obligor (acting in any capacity) fails to pay an amount payable by it pursuant to any Transaction Document to which it is a party which corresponds to all or part of a Dissolution Distribution Amount payable by the Trustee on a Dissolution Date and the failure continues for a period of five Business Days;
- (b) the Obligor does not perform or comply with any one or more of its covenants or other obligations under Condition 6(b);
- (c) the Obligor (acting in any capacity) does not perform or comply with any one or more of its other covenants or obligations in the Transaction Documents to which it is a party, which failure: (x) is, in the opinion of the Delegate, incapable of remedy; or (y) (if, in the opinion of the Delegate, such failure is capable of remedy) is not, in the opinion of the Delegate, remedied within the period of 30 Business Days after written notice of such failure shall have been given to the Obligor by the Trustee (or the Delegate) requiring the same to be remedied, except that a failure by the Obligor (acting in its capacity as Servicing Agent) to comply with its obligations set out in clause 7.1 of the Servicing Agency Agreement will not constitute an Obligor Event under this paragraph (c);
- (d) any Financial Indebtedness of the Obligor or any Material Subsidiary of the Obligor (or any guarantee or indemnity given by any of them in respect of any Financial Indebtedness) is not paid when due or, as the case may be, within any originally applicable grace period or any such Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity (or, in the case of a guarantee, is called) as a result of an event of default (however described) provided, however, that it shall not constitute an Obligor Event unless the aggregate amount (or

its equivalent in U.S. dollars) of all such Financial Indebtedness or guarantees either alone or when aggregated with all other Financial Indebtedness or guarantees which shall remain unpaid or unsatisfied or is so declared or becomes due and payable or is called, as the case may be, shall be more than U.S.\$30,000,000 (or its equivalent in any other currency or currencies);

- (e) any order is made by any competent court or resolution passed for the winding-up or dissolution of the Obligor or any Material Subsidiary of the Obligor, save in connection with a Permitted Reorganisation;
- (f) the Obligor or any Material Subsidiary of the Obligor ceases or threatens to cease to carry on all or substantially all of its business, save (i) in connection with a Permitted Reorganisation or (ii) in the case of a Material Subsidiary only, as a result of any Asset Sale permitted under Condition 6(b)(iv);
- (g) one or more judgments or orders for the payment of any sum in excess of U.S.\$30,000,000 (or its equivalent in any currency or currencies), whether individually or in aggregate, is (or are) rendered against the Obligor and/or any Material Subsidiary of the Obligor by the courts of Bahrain or the courts of England and continue(s) unsatisfied and unstayed, or, if appealed, and the appeal is unsuccessful, continues unsatisfied and unstayed, in each case, for a period of 60 days after the later of (i) the date of the judgment or order, or (ii) the date on which payment of such sum is required to be paid (either pursuant to the judgment or order, or as otherwise agreed with the recipients of such sum and/or the issuer of such judgment or order);
- (h) the Obligor or any Material Subsidiary of the Obligor takes any corporate action or any steps are taken or any court or other proceedings are initiated against the Obligor or any Material Subsidiary of the Obligor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of a liquidator, an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Obligor or the relevant Material Subsidiary, as the case may be), or a liquidator, an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Obligor or any Material Subsidiary of the Obligor or, as the case may be, in relation to all or substantially all of the undertaking, assets or revenues of any of them save in all cases, in connection with a Permitted Reorganisation; or (ii) an encumbrancer takes possession of all or substantially all of the undertaking or assets of the Obligor or any Material Subsidiary of the Obligor, or a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or substantially all of the property, assets or revenues of the Obligor or any Material Subsidiary of the Obligor; and in each case (other than the appointment of an administrator) is not discharged within 30 days;
- (i) the Obligor or any Material Subsidiary of the Obligor stops or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent by a court of competent jurisdiction; or (ii) the Obligor or any Material Subsidiary of the Obligor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for the general readjustment or rescheduling of its

debts or an arrangement or composition or conciliation with its creditors generally (or any class of its creditors) save, in all cases, in connection with a Permitted Reorganisation;

- (j) any one or more Security Interests, present or future, is created or assumed by the Obligor and/or any Material Subsidiary of the Obligor and securing an amount which equals or exceeds U.S.\$30,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, and any step is taken to enforce such Security Interest(s) (including the taking of possession or the appointment of a receiver, manager or other similar person) unless the full amount of the debt(s) which is (or are) secured by the relevant Security Interest(s) is (or are) discharged within 30 days of the later of the first date on which: (i) a step is taken to enforce the relevant Security Interest(s); or (ii) the Obligor and/or the relevant Material Subsidiary of the Obligor, as the case may be, is notified that a step has been taken to enforce the relevant Security Interest(s);
- (k) any event occurs which under the laws of the Kingdom of Bahrain thereof or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (e), (h), (i) and (j) above;
- (l) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Obligor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Transaction Documents to which it is party; and (ii) to ensure that those obligations are legally binding and enforceable; is not taken, fulfilled or done, provided that the non-registration of legal title to, and/or the non-perfection of the legal transfer of, any of the Wakala Assets in the name of the Trustee will not constitute an Obligor Event for these purposes;
- (m) the Obligor repudiates or challenges in writing, or does or causes to be done any act or thing evidencing an intention to repudiate or challenge, these Conditions or any (or any part of any) Transaction Document to which it is a party; or
- (n) at any time it is or becomes unlawful for the Obligor to perform or comply with any one or more of its obligations under or in respect of any of the Transaction Documents to which it is a party or any of the obligations of the Obligor thereunder are not or cease to be legal, valid, binding or enforceable; or
- (o) all or substantially all of the undertaking, assets and/or revenues of the Obligor or any Material Subsidiary of the Obligor is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government.

References in paragraph (i) above to debts shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari'a*, whether entered into directly or indirectly by the Obligor or a Material Subsidiary of the Obligor, as the case may be;

“**outstanding**” shall have the meaning given to it in the Trust Deed;

“**Periodic Distribution Amount**” has the meaning given to it in Condition 7(a);

“**Periodic Distribution Date**” means 28 January and 28 July in each year, commencing on 28 July 2020, and subject to Condition 7(c);

“Permitted Financial Indebtedness” means

- (a) any Financial Indebtedness of the Obligor or any Subsidiary outstanding on the 28 January 2020;
- (b) any Financial Indebtedness incurred pursuant to the Certificates and/or the Transaction Documents;
- (c) any Financial Indebtedness of any Subsidiary of the Obligor to any other Subsidiary of the Obligor;
- (d) any amounts owed by the Obligor or any Subsidiary to suppliers, contractors, sub-contractors and/or project consultants in respect of goods supplied and/or services provided, in each case in the ordinary course of business;
- (e) any Financial Indebtedness arising for, or in respect of, working capital facilities which are fully cash collateralised and which are incurred by the Obligor or a Subsidiary in the ordinary course of business;
- (f) any Financial Indebtedness arising in the form of deferred payment obligations of the Obligor or any Subsidiary in respect of the acquisition of any business, assets or Capital Stock, in each case in the ordinary course of business;
- (g) any Financial Indebtedness for or in respect of any derivative transaction entered into solely to protect the Obligor or a Subsidiary from fluctuations in interest rates or financing costs or currencies and is not for speculation);
- (h) Financial Indebtedness arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Financial Indebtedness is extinguished within five Business Days of its Incurrence;
- (i) Financial Indebtedness incurred by KHCB provided that such Financial Indebtedness is in the form of Tier 1 Capital;
- (j) Financial Indebtedness incurred for the account of the Obligor or any of its Subsidiaries by third parties managing their funds in the ordinary course of such management and within prudent and customary guidelines from time to time established between the Obligor and such third parties; and
- (k) any Financial Indebtedness incurred by the Obligor or its Subsidiaries in exchange for, or the net proceeds of which are used to renew, refund, extend, substitute, discharge, replace, defease or refinance any of the Financial Indebtedness incurred pursuant to paragraph (a), (b) or (f) above;

“Permitted Reorganisation” means:

- (a) any merger or consolidation that would be permitted under Condition 6(b)(ix); or
- (b) any composition or other similar arrangement on terms previously approved by an Extraordinary Resolution;

“Permitted Security Interest” means any Security Interest:

- (a) existing on any property or assets prior to the acquisition thereof by the Obligor or a Subsidiary (as the case may be), provided that such Security Interest was not created in contemplation of such acquisition;
- (b) granted by the Obligor or any member of the Group upon an asset or upon the contract for the acquisition of an asset securing Financial Indebtedness incurred for the acquisition of such asset, provided that the maximum amount of Financial Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such asset (including transactional expenses) and the Security Interest does not extend to any assets of any member of the Group other than the assets being acquired;
- (c) which arises pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;
- (d) being liens or rights of set off arising by operation of law and in the ordinary course of business, including, without limitation, any rights of set off with respect to demand or time deposits maintained with financial institutions and bankers’ liens with respect to property of the Obligor or any member of the Group held by financial institutions;
- (e) arising in the ordinary course of business of the Group and (i) which are necessary in order to enable the Obligor and/or any of its Subsidiaries to comply with any mandatory requirement imposed on any of them by a banking or other regulatory authority in connection with the Group’s business or (ii) limited to deposits made in the name of the Obligor and/or any of its Subsidiaries to secure obligations of their customers;
- (f) incurred in connection with the Group’s foreign exchange dealings or other proprietary trading or hedging activities (including any Repo, swap or derivative transaction) and not for the purpose of raising credit or funds for the operation of the Group generally, other than any Security Interest upon any asset in its investment short term account or investment long term account;
- (g) incurred in the ordinary course of business of the Group provided that the Financial Indebtedness secured by such Security Interest (but excluding any Financial Indebtedness secured by any Security Interest pursuant to any other limb of this definition of Permitted Security Interest) does not in the aggregate at any time exceed in value 20 per cent. of Consolidated Total Assets;
- (h) to secure Financial Indebtedness of the nature referred to in Condition 6(b)(ii) over investments comprised in funds managed by the relevant third party;
- (i) granted in favour of the Obligor or any member of the Group to secure Financial Indebtedness owed to the Obligor or any member of the Group;
- (j) arising in any netting or set-off arrangement entered into by the Obligor or any member of the Group in the ordinary course of business for the purpose of netting debit and credit balances;
- (k) on property acquired (or deemed to be acquired) under a financial lease or claims arising from the use or loss of or damage to such property, provided that any such

encumbrance secures only rentals and other amounts payable under such lease, but for the avoidance of doubt, this shall not exclude the amount of such financing from the definition of “Financial Indebtedness”; and

- (l) comprising any extension, renewal or substitution for any Security Interest permitted by any of the preceding paragraphs (a) to (k) above; provided that such extension, renewal or replacement shall be no more restrictive in any material respect than the original Security Interest, and the Security Interest shall have not been extended to any additional property (other than proceeds of the property in question).

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Potential Dissolution Event**” means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing) could constitute a Dissolution Event;

“**Proceedings**” has the meaning given to it in Condition 20(d)(iii);

“**Profit Amount**” has the meaning given to it in the Murabaha Agreement;

“**Profit Rate**” means 7.5 per cent. per annum;

“**Purchase Agreement**” means the purchase agreement dated 28 January 2020 and entered into between Harbour North 2b Real Estate S.P.C. Owned by GFH Asset Company, Harbour East 3 Real Estate S.P.C. Owned by GFH Asset Company, South East Real Estate S.P.C. and Delmon Lost Paradise Project Company 2 S.P.C., as sellers, the Obligor and the Trustee relating to certain assets as supplemented by a supplemental purchase agreement dated the Issue Date and entered into between Harbour North 1 Real Estate S.P.C. Owned By GFH Asset Company, Harbour North 3 Real Estate S.P.C. Owned By GFH Asset Company and Delmon Lost Paradise Project Company 1 Spc, as sellers, the Obligor and the Trustee relating to certain assets;

“**Purchase Undertaking**” means the purchase undertaking dated 28 January 2020 and granted by the Obligor for the benefit of the Trustee and the Delegate, and includes the form of sale agreement to be entered into in accordance with the terms of the Purchase Undertaking;

“**Real Estate Assets**” has the meaning given to it in the Purchase Agreement;

“**Recognised Rating Agencies**” means (i) Moody’s, (ii) Standard & Poor’s and (iii) Fitch, or any of their respective successors;

“**Record Date**” has the meaning given to it in Condition 9(a);

“**Register**” has the meaning given to it in Condition 2;

“**Relevant Date**” has the meaning given to it in Condition 10;

“**Relevant Jurisdiction**” means the Cayman Islands and the Kingdom of Bahrain;

“**Relevant Powers**” has the meaning given to it in Condition 15(a);

“**Rental**” has the meaning given to it in the Lease Agreement;

“**Repo**” means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement, or any agreement relating to securities which is similar in effect to any of the foregoing, and for the purposes of this definition, the term “securities” shall mean any Capital Stock, share, debenture or other debt or equity instrument, whether issued by any private or public company, any government or agency or instrumentality thereof or any supranational, international or multilateral institution or organisation;

“**Required Amount**” has the meaning given to it in the Servicing Agency Agreement;

“**Restricted Payment**” has the meanings given to it in Condition 6(b)(iii);

“**Return Accumulation Period**” means the period beginning on (and including) the 28 January 2020 and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

“**Sale and Substitution Undertaking**” means the sale and substitution undertaking dated 28 January 2020 and granted by the Trustee for the benefit of the Obligor, and includes the form of sale agreement (each a “**Sale Agreement**”) to be entered into in accordance with the terms of the Sale and Substitution Undertaking;

“**Scheduled Dissolution Date**” means 28 January 2025;

“**Scheme of Arrangement**” means a scheme of arrangement or analogous procedure;

“**Security Interest**” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any Person or any other agreement or arrangement having a similar effect;

“**Servicing Agency Agreement**” means the servicing agency agreement dated 28 January 2020 and entered into between the Servicing Agent and the Trustee;

“**Servicing Agent**” means the Obligor in its capacity as servicing agent under the Servicing Agency Agreement;

“**Standard & Poor’s**” means S&P Global Ratings Europe Limited;

“**Stated Maturity**” means, with respect to any Financial Indebtedness, the date specified in the relevant documentation as the fixed date on which the final payment of principal in respect thereof is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such Financial Indebtedness at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred);

“**Subsidiary**” means, in relation to any company, corporation or other legal entity (a “**holding company**”), a company, corporation or other legal entity:

- (a) which is controlled, directly or indirectly, by the holding company;
- (b) in which a majority of the voting rights are held by the holding company, either alone or pursuant to an agreement with others;
- (c) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the holding company; or

(d) which is a subsidiary of another Subsidiary of the holding company,

and, for this purpose, a company, corporation or other legal entity shall be treated as being “**controlled**” by another if that other company, corporation or other legal entity is able to determine the composition of the majority of its board of directors or equivalent body;

“**Successor Company**” has the meaning given to it in Condition 6(b)(ix);

“**Supplemental Purchase Agreement**” means a supplemental purchase agreement entered into pursuant to clause 3.2 of the Purchase Agreement;

“**Supplemental Trust Deed**” means a supplemental trust deed entered into pursuant to clause 4.5 of the Trust Deed;

“**Tax Event**” has the meaning given to it in Condition 8(b);

“**Taxes**” means any present or future sales, excise, stamp, turnover, issue, registration, documentary, value added, transfer or other tax, levy, impost, duty, fee, assessment or other charge, withholding or deduction of whatever nature, and all additional amounts, penalties or similar liabilities with respect thereto;

“**Tier 1 Capital**” means capital qualifying as, and approved by the Financial Regulator as, tier 1 capital in accordance with the Capital Regulations;

“**Total Loss Event**” means the total loss or destruction of, or damage to the whole of the Lease Assets or any event or occurrence that renders the whole of the Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances payable or other indemnity in each case granted by any third party in respect of the Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical;

“**Total Loss Event Dissolution Date**” has the meaning given to it in Condition 8(c);

“**Total Loss Shortfall Amount**” has the meaning given to it in the Servicing Agency Agreement;

“**Transaction Account**” means the non-interest bearing account maintained in London in the Trustee’s name and held with the Principal Paying Agent, into which the Obligor will deposit all amounts due to the Trustee under the Transaction Documents;

“**Transaction Documents**” means:

- (a) the Agency Agreement;
- (b) the Lease Agreement;
- (c) the Murabaha Agreement;
- (d) the Purchase Agreement;
- (e) the Purchase Undertaking;
- (f) the Sale and Substitution Undertaking;
- (g) the Servicing Agency Agreement;

- (h) the Trust Deed;
- (i) any Supplemental Purchase Agreement;
- (j) any Supplemental Trust Deed; and
- (k) any Sale Agreement,

each as may be amended, restated and/or supplemented from time to time;

“**Trust**” means the trust constituted by the Trust Deed;

“**Trust Assets**” has the meaning given to it in Condition 5(a);

“**Trustee Administrator**” means Walkers Fiduciary Limited as corporate administrator of the Trustee;

“**Trustee Event**” means any of the following events:

- (a) **Non-Payment:** default is made in the payment of any Dissolution Distribution Amount on the date fixed for payment thereof and the default continues for a period of seven days or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and the default continues for a period of 14 days; or
- (b) **Breach of Other Obligations:** the Trustee does not perform or comply with any one or more of its other duties, obligations or undertakings in the Certificates or the Transaction Documents to which it is a party, which failure is, in the opinion of the Delegate, incapable of remedy or, if in the opinion of the Delegate is capable of remedy, is not, in the opinion of the Delegate, remedied within the period of 30 days after written notice of such default shall have been given by the Delegate to the Trustee requiring the same to be remedied; or
- (c) **Enforcement Proceedings:** any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 30 days; or
- (d) **Insolvency:** the Trustee is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or any part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or
- (e) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or

- (f) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (x) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its duties, obligations and undertakings under the Certificates and the Transaction Documents to which it is a party; (y) to ensure that those duties, obligations and undertakings are legally binding and enforceable; or (z) to make the Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of the Cayman Islands, is not taken, fulfilled or done; or
- (g) **Illegality:** it is or will become unlawful for the Trustee to perform or comply with any one or more of its duties, obligations or undertakings under any of the Certificates or the Transaction Documents or any duties, obligations or undertakings of the Trustee under the Certificates or the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or
- (h) **Repudiation:** the Trustee repudiates any Certificate or any Transaction Document or does or causes to be done any act or thing evidencing an intention to repudiate any Certificate or any Transaction Document; or
- (i) **Analogous Events:** any event occurs that under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (d) or (e) above.

For the purpose of paragraph (a) above, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts expressed to be payable under Condition 7) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts (whether as a result of the application of Condition 5(b) or otherwise);

“**Wakala Portfolio**” has the meaning given to it in the Servicing Agency Agreement; and

“**Wakala Portfolio Revenues**” has the meaning given to it in the Servicing Agency Agreement.

All references to the “face amount” of a Certificate shall be deemed to include the Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 and any other amount in the nature of face amounts payable pursuant to these Conditions.

All references to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 and any other amount in the nature of a profit distribution payable pursuant to these Conditions.

All references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America and all references to “**dinar**” and “**BD**” are to the lawful currency of the Kingdom of Bahrain.

2. **Form, Denomination and Title**

The Certificates are issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Certificates are represented by registered certificates (“**Registered Certificates**”) and, save as provided in Condition 3(a), each Registered Certificate shall represent the entire holding of Certificates by the same holder.

Title to the Certificates shall pass by registration in the register that the Trustee shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Certificate shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Registered Certificate representing it or the theft or loss of such Registered Certificate and no person shall be liable for so treating the holder. The holder of a Certificate will be recognised by the Trustee as entitled to its Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

In these Conditions, “**Certificateholder**” or “**holder**” means the person in whose name a Certificate is registered.

Upon issue, the New Certificates will be represented by interests in a global certificate in registered form (the “**New Global Certificate**”) which will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. The Conditions are modified by certain provisions contained in the New Global Certificate.

Except in certain limited circumstances, owners of interests in the New Global Certificate will not be entitled to receive Registered Certificates representing their holdings of Certificates. See “*Summary of Provisions relating to the New Certificates while in Global Form*”.

3. Transfers

- (a) **Transfer of Registered Certificates:** A holding of Certificates may, subject to Condition 3(c), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Registered Certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Registered Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Certificates represented by one Registered Certificate, a new Registered Certificate shall be issued to the transferee in respect of the part transferred and a further new Registered Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new Registered Certificate representing the enlarged holding shall only be issued against surrender of the Registered Certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate, provided that any such change is not materially prejudicial to the interests of the Certificateholders or is required to be made to comply with applicable law or regulation. A copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.

- (b) **Delivery of New Certificates:** Each new Registered Certificate to be issued pursuant to Condition 3(a) shall be available for delivery within five business days of receipt of a duly completed form of transfer and surrender of the existing Registered Certificate. Delivery of the new Registered Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, and/or Registered Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Registered Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3(b), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (c) **Transfers Free of Charge:** Transfers of Registered Certificates on transfer in respect of some but not all of a holding of Certificates shall be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agents, but upon payment by the transferee of any Tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity and/or security as the Trustee, the Registrar or the relevant Transfer Agent may require).
- (d) **Closed Periods:** No Certificateholder may require the transfer of a Certificate to be registered (i) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due, (ii) after any such Certificate has been called for redemption pursuant to Condition 8 or (iii) during the period of seven days ending on (and including) any Record Date.

4. Status and Limited Recourse

- (a) **Status of Certificates:** The Certificates represent an undivided ownership interest in the Trust Assets and are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* and without any preference or priority with all other Certificates.
- (b) **Status of Obligor’s obligations:** The payment obligations of the Obligor (in any capacity) under the Transaction Documents are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 6(b)(vii)) unsecured obligations of the Obligor and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6(b)(vii), at all times rank at least equally with all other unsecured and unsubordinated obligations of the Obligor, present and future.
- (c) **Limited Recourse and Agreement of Certificateholders:** Save as provided in this Condition 4(c), the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, the Obligor, any of the Agents or any of their respective affiliates.

The proceeds of the Trust Assets are the sole source of payments on the Certificates. The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates.

Certificateholders, by subscribing for or acquiring the Certificates, acknowledge and agree that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (i) no payment of any amount whatsoever shall be made by the Trustee (in any capacity) or the Delegate or any of their respective directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the Trust Assets and no recourse shall be had for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (in any capacity) or the Delegate to the extent that the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (ii) the Trustee may not sell, transfer, assign or otherwise dispose of the Wakala Assets to a third party and may only realise its rights, title, interest, benefits and entitlements, present and future in, to and under the Wakala Assets in the manner expressly provided in the Transaction Documents;
- (iii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services providers in each of their respective capacities as such) (other than the Trust Assets in the manner and to the extent contemplated by the Transaction Documents) or of the Delegate or the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in each case in respect of any shortfall or otherwise;
- (iv) no Certificateholders will be able to petition for, institute against, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law in any jurisdiction against the Trustee (in any capacity), the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Certificates or the Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent, director or corporate services provider of the Trustee and/or the Delegate (in each of their respective capacities as such). The obligations of the Trustee (in any capacity) under the Certificates and the Transaction Documents are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, employees, agents, directors or corporate services providers of the Trustee (in each of their respective capacities as such), save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

- (vi) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate or any part of these Conditions. No collateral is or will be given for the payment obligations under the Transaction Documents or the Certificates (without prejudice to the negative pledge provisions described in Condition 6(b)(vii)).

Pursuant to the terms of the Transaction Documents, the Obligor is obliged to make certain payments directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate (in the name of and on behalf of the Trustee) will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4(c). Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 6(b)(vii)) constitute an unsecured claim against the Obligor. None of the Certificateholders, the Trustee nor the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

5. The Trust

- (a) **Trust Assets:** Pursuant to the Trust Deed, the Trustee holds the Trust Assets upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each holder. The term “**Trust Assets**” means:
 - (i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
 - (ii) any and all of the rights, title, interest, benefits and entitlements, present and future, of the Trustee in, to and under the Wakala Portfolio;
 - (iii) any and all of the interest, rights, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding the Excluded Representations and the covenant given to the Trustee pursuant to clause 17.1 of the Trust Deed); and
 - (iv) any and all moneys standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing.

See “Summary of the Principal Transaction Documents” appearing elsewhere in this Offering Circular for more information on the Trust Assets and the Transaction Documents.

- (b) **Application of Proceeds from Trust Assets:** On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the moneys standing to the credit of the Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):
 - (i) first, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (including any amounts owing to the Delegate in respect of its Appointees (as defined in the Trust Deed)) and to any receiver, manager or administrative

receiver or any other analogous officer or agent appointed in respect of the Trust by the Delegate in accordance with the Trust Deed;

- (ii) second, (to the extent not previously paid) to the Agents (on a *pasi passu* basis and *pro rata* to the amounts owing to them) in respect of all amounts owing to them under the Transaction Documents;
- (iii) third, only if such payment is due on or before a Periodic Distribution Date (to the extent not previously paid) to pay *pro rata* and pari passu (i) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as Trustee; and (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents and the Corporate Services Agreement in its capacity as trustee administrator and registered office provider for the Trustee;
- (iv) fourth, only if such payment is due on a Periodic Distribution Date, for application in or towards payment pari passu and rateably of all Periodic Distribution Amounts due but unpaid;
- (v) fifth, only if such payment is due on a Dissolution Date, for application in or towards payment pari passu and rateably of all Dissolution Distribution Amounts; and
- (vi) sixth, only on a Dissolution Date on which all Certificates are redeemed in full and provided that all amounts required to be paid in respect of the Certificates hereunder have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Servicing Agent as an incentive fee payment for its performance under the Servicing Agency Agreement.

6. Covenants

- (a) **Trustee Covenants:** The Trustee covenants that for so long as any Certificate is outstanding it shall not (without the prior written consent of the Delegate):
 - (i) incur any indebtedness in respect of financed, borrowed or raised money whatsoever whether structured (or intended to be structured) in accordance with the principles of *Shari'a* or otherwise, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as provided in the Transaction Documents;
 - (ii) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);
 - (iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents;

- (iv) except as provided in Condition 14, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof);
 - (v) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
 - (vi) have any subsidiaries or employees;
 - (vii) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
 - (viii) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
 - (ix) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
 - (x) enter into any contract, transaction, amendment, obligation or liability other than the Certificates and the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
 - (A) as contemplated, provided for or permitted in the Transaction Documents;
 - (B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
 - (C) such other matters which are incidental thereto;
- (b) **Obligor Covenants:** The Obligor covenants that for so long as any Certificate is outstanding it shall:
- (i) **Financial Maintenance:** ensure that its Consolidated Net Worth shall not at any time be less than US\$600,000,000.
 - (ii) **Limitation on Financial Indebtedness:** not, and shall not permit any of its Subsidiaries to, create, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to “**Incur**” or, as appropriate, an “**Incurrence**”) any Financial Indebtedness (other than Permitted Financial Indebtedness); provided that the Obligor and its Subsidiaries will be permitted to Incur such Financial Indebtedness if the Leverage Ratio is not more than 5.0:1.0.
 - (iii) **Limitation on Restricted Payments:** not, and shall ensure that none of its Subsidiaries will, directly or indirectly:
 - a. declare or pay any dividend, in cash or otherwise, or make any other payment or distribution (whether by way of redemption, acquisition or otherwise) in respect of its Capital Stock (other than: (x) dividends, payments or distributions payable to the Obligor or any of its

Subsidiaries; and (y) dividends or distributions payable solely in the form of shares of the Obligor); or

- b. voluntarily purchase, redeem or otherwise acquire or retire for value: (i) more than 5% of the Capital Stock of the Obligor; or (ii), other than in the ordinary course of its investment business, the Capital Stock of any of its Affiliates; or
- c. make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Financial Indebtedness of the Obligor that is contractually subordinated to the obligations of the Obligor under the Transaction Documents (excluding any intercompany Financial Indebtedness between or among the Obligor and any of its Subsidiaries), except a payment of interest or principal (or equivalent amounts) at the Stated Maturity thereof;

(all such payments and other actions set out in paragraphs (a) to (c) (inclusive) above being together referred to herein as “**Restricted Payments**”), unless at the time of and after giving effect to such Restricted Payment:

- i. the Obligor (acting in any capacity) has neither failed to pay an amount in the nature of: (x) profit payable by it pursuant to any Transaction Document to which it is a party and the failure has continued for a period of 10 Business Days; or (y) principal payable by it pursuant to any Transaction Document to which it is a party and the failure has continued for a period of 5 Business Days; and
 - ii. no Potential Dissolution Event or Dissolution Event has occurred, is continuing or would occur as a consequence of such Restricted Payment; and
 - iii. immediately after giving pro forma effect to such Restricted Payment, the Obligor would be able to incur an additional U.S.\$ 1.00 of Financial Indebtedness pursuant to Condition 6(b)(ii); and
 - iv. such Restricted Payment when aggregated with all other Restricted Payments declared or made in the same financial year is equal to, or is less than, 65 per cent. of the Consolidated Profit of the Obligor for the preceding financial year.
- (iv) **Asset Sale:** not, and shall ensure that none of its Subsidiaries will, directly or indirectly, enter into an Asset Sale unless:
- a. such Asset Sale has been approved by the board of directors of the Obligor in the case of the Obligor, or the board of directors of the relevant Subsidiary in the case of a Subsidiary;
 - b. the consideration received by the Obligor or its Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
 - c. to the extent that the Asset Sale is in respect of an asset which has a book value (as determined by reference to the most recently available financial statements of the Obligor or of its relevant Subsidiary, as the

case may be) that exceeds 1.5 per cent. of the Consolidated Total Assets at the time of such proposed Asset Sale, the requirement specified in Condition 6(b)(iv)(b) for the consideration received by the Obligor or its Subsidiary to be at least equal to the Fair Market Value must be determined by an Independent Qualified Party.

- (v) **Limitation on Affiliate Transactions:** not, and shall not permit any Subsidiary to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Obligor or any of its Subsidiaries (an “**Affiliate Transaction**”) unless:
- a. if such Affiliate Transaction involves an amount in excess of U.S.\$2,500,000, the terms of the Affiliate Transaction are no less favourable to the Obligor or such Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm’s-length dealings with a person who is not an Affiliate of the Obligor or any of its Subsidiaries;
 - b. if such Affiliate Transaction involves an amount in excess of U.S.\$7,500,000, the terms of the Affiliate Transaction are set forth in writing and a majority of the directors of the Obligor disinterested with respect to such Affiliate Transaction have determined in good faith that the criteria set forth in paragraph (a) above are satisfied and have approved the relevant Affiliate Transaction as evidenced by a resolution of the board of directors of the Obligor, in the case of the Obligor, or the board of directors of the Subsidiary, in the case of a Subsidiary; and
 - c. if such Affiliate Transaction involves an amount in excess of U.S.\$50,000,000, the board of directors shall also have received a written opinion from an Independent Qualified Party to the effect that such Affiliate Transaction is fair, from a financial standpoint, to the Obligor and its Subsidiaries or is not less favourable to the Obligor and its Subsidiaries than could reasonably be expected to be obtained at the time in an arm’s-length transaction with a Person who was not an Affiliate.

This condition 6(b)(v) does not apply to any Affiliate Transaction between the Obligor and its Subsidiaries or between its Subsidiaries.

- (vi) **Restriction on Distributions from Subsidiaries:** shall procure that, for so long as a Material Subsidiary is lawfully able to pay at least U.S.\$1.00 (or its equivalent in another currency) in dividends, such Material Subsidiary will not create or otherwise become subject to or permit to exist, any restriction on its ability to pay such dividends.
- (vii) **Negative Pledge:** not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) over any of its or their assets to secure any Financial Indebtedness unless, at the same time or prior thereto, the Obligor’s obligations under the Transaction Documents are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary

Resolution of Certificateholders, or as Delegate in its discretion shall deem to be not materially less beneficial to the interests of Certificateholders.

(viii) **Provision of Financial Information:**

- a. in respect of each financial year, (A) deliver to the Delegate; and (B) publish in accordance with the rules of the ISM and/or on the website of the Obligor; as the case may be, the audited annual consolidated financial statements of the Group, in each case, prepared in accordance with the Applicable Accounting Standards and delivered by no later than 120 days after the end of the financial year; and
- b. in respect of any period for which interim reviewed consolidated financial statements are published by the Group, (A) deliver to the Delegate; and (B) publish in accordance with the rules of the ISM and/or on the website of the Obligor, as the case may be, such interim reviewed consolidated financial statements of the Group, in each case, prepared in accordance with the Applicable Accounting Standards and to be delivered by no later than 60 days after the end of the relevant interim period.

(ix) **Merger and Consolidation:** not consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all its assets to, any Person, unless:

- a. the Obligor is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than the Obligor) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made (the “**Successor Company**”) is a corporation organised or existing under the laws of the Kingdom of Bahrain, the United States or any political subdivision thereof, the Cayman Islands, any member state of the European Union, any member country of the Gulf Cooperation Council or any other member country of the Organisation for Economic Co-operation and Development (each an “**OECD Country**”) (other than any other OECD Country the long-term foreign currency rating of which at such time is less than “A” (or the equivalent) from any two Recognised Rating Agencies);
- b. the Successor Company assumes all the obligations of the Obligor under the Transaction Documents whether by operation of law or pursuant to amendment agreements in a form reasonably satisfactory to the Delegate;
- c. immediately after giving pro forma effect to such transaction (and treating any Financial Indebtedness which becomes an obligation of the Successor Company or any Subsidiary as a result of such transaction as having been incurred by such Successor Company or such Subsidiary at the time of such transaction), no Obligor Event shall have occurred and be continuing; and
- d. immediately after giving pro forma effect to such transaction, (i) the Successor Company would be able to incur an additional U.S.\$ 1.00 of Financial Indebtedness pursuant to Condition 6(b)(ii) or (ii) the

Consolidated Net Worth of the Successor Company would be no less than the Consolidated Net Worth of the Obligor immediately prior to such transaction,

provided, however, that the restriction set out in Condition 6(b)(ix)(d) will not be applicable to (A) a Subsidiary consolidating with, merging into or transferring all or part of its properties and assets to the Obligor (so long as no Capital Stock of the Obligor is distributed to any Person) or (B) the Obligor merging with an Affiliate of the Obligor solely for the purpose and with the sole effect of reincorporating the Obligor in another jurisdiction.

(x) **Pari Passu Ranking:** ensure that the obligations of the Obligor under the Transaction Documents at all times rank at least *pari passu* in right of payment with all of its other unsecured and unsubordinated obligations, save for those preferred by provisions of law which are both mandatory and of general application.

(xi) **Suspension of Covenants:**

a. If on any date the following conditions are satisfied (the fulfilment of these conditions being referred to as “Investment Grade Status”):

i. the Certificates are assigned any two of the following ratings: Baa3 or better by Moody’s, BBB- or better by S&P, BBB- or better by Fitch, or an equivalent credit rating from any other Recognised Rating Agency; and

ii. there exists no Dissolution Event or Potential Dissolution Event,

then, beginning on such date and for such time as the foregoing conditions remain satisfied (such period, the “**Investment Grade Status Period**”), the following covenants will be suspended (a) Condition 6(b)(i), (b) Condition 6(b)(ii), (c) Condition 6(b)(iii) and (d) Condition 6(b)(iv).

b. The covenants and other provisions of these Conditions that are suspended during an Investment Grade Status Period will be immediately reinstated and will continue to exist upon the commencement of any period in which the Certificates do not have Investment Grade Status. No action taken (or not taken) during an Investment Grade Status Period or prior to an Investment Grade Status Period in compliance with the covenants then applicable may constitute an Obligor Event or an event which, with the passage of time or the giving of notice, or both, would constitute an Obligor Event under the Certificates in the event that suspended covenants and provisions are subsequently reinstated or suspended, as the case may be.

7. Periodic Distribution Amounts

(a) **Periodic Distribution Amounts:** A profit distribution (the amount of which shall be calculated as provided in Condition 7(b)) shall accrue at the Profit Rate and shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date in

respect of the Return Accumulation Period ending on such date (each such distribution being referred to in these Conditions as a “**Periodic Distribution Amount**”). Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 9.

- (b) **Calculations:** The amount of profit payable per Calculation Amount in respect of any Certificate for any period shall be equal to the product of (i) the Profit Rate, (ii) the Calculation Amount, and (iii) the Day Count Fraction for such period, with the result being rounded to the nearest U.S.\$0.01, U.S.\$0.005 being rounded upwards. For these purposes, “**Day Count Fraction**” means, in respect of the calculation of an amount of profit on any Certificate for any period (whether or not constituting a Return Accumulation Period, the “**Calculation Period**”), the number of days in the Calculation Period divided by 360 (the number of days in such period to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed).
- (c) **Entitlement to Profit:** No further Periodic Distribution Amounts will be payable in respect of any Certificate from and including: (i) any Dissolution Date (other than the Total Loss Event Dissolution Date) unless payment is improperly withheld or refused and no sale agreement has been executed pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking as the case may be, in which event Periodic Distribution Amounts shall continue to accumulate (both before and after judgment) in the manner provided in this Condition 7 to the earlier of (x) the Relevant Date; and (y) the date on which a Sale Agreement has been executed in accordance with the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be; or (ii) the Total Loss Event Dissolution Date.

8. Redemption and Dissolution of the Trust

- (a) **Dissolution on the Scheduled Dissolution Date:** Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed on the Scheduled Dissolution Date at its Dissolution Distribution Amount, and the Trust shall be dissolved by the Trustee following the payment of all such amounts in full. Upon such dissolution as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.
- (b) **Early Dissolution at the Option of the Obligor:** If:
 - (i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 27 January 2020, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
 - (ii) (A) the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 27

January 2020 and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

(the occurrence of an event described in Condition 8(b)(i) or 8(b)(ii) being a “**Tax Event**”), the Obligor may, in its sole discretion, deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale and Substitution Undertaking. On receipt of such notice, the Trustee shall, on giving not less than 30 nor more than 60 days’ notice to the Delegate and the Certificateholders (which notice shall be irrevocable) redeem the Certificates in whole but not in part at any time (such date being an “**Early Tax Dissolution Date**”) at their Dissolution Distribution Amount, provided that in either case, (x) no such notice of dissolution shall be given to Certificateholders unless an Exercise Notice has been received by the Trustee from the Obligor pursuant to the Sale and Substitution Undertaking; and (y) no such notice of dissolution or Exercise Notice may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 8(b), the Trustee shall deliver to the Delegate:

- (A) a certificate signed by two directors and/or Authorised Signatories of the Trustee (in the case of Condition 8(b)(i)) or the Obligor (in the case of Condition 8(b)(ii)), as the case may be, in each case stating that the obligation referred to in Condition 8(b)(i) or 8(b)(ii), as the case may be, has arisen and cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it; and
- (B) an opinion of independent legal or tax advisers of recognised standing to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept and rely on such certificate and legal opinion as sufficient evidence of the satisfaction of the conditions precedent set out in Condition 8(b)(i) or, as the case may be, Condition 8(b)(ii) (without Liability to any person), in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 8(b) and payment in full of the Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust. Upon such dissolution as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

- (c) **Dissolution following a Total Loss Event:** The Obligor has agreed in the Trust Deed to notify the Trustee and the Delegate forthwith upon the occurrence of a Total Loss Event and to provide a description of the Total Loss Event. The Trustee, upon receipt of such notice from the Obligor or otherwise upon becoming aware of the occurrence of a Total Loss Event, unless the Lease Assets are replaced by the Obligor in accordance with the Servicing Agency Agreement, shall redeem all of the Certificates by no later than the close of business in London on the 31st day after the occurrence of the Total Loss Event (a “**Total Loss Event Dissolution Date**”). Any such redemption of Certificates shall be at their Dissolution Distribution Amount using either (i) the

proceeds of insurance payable in respect of the Total Loss Event which are required to be paid into the Transaction Account by no later than the 29th day after the occurrence of the Total Loss Event, or (ii) if the insurance proceeds (if any) standing to the credit of the Transaction Account on the 29th day following the occurrence of a Total Loss Event are less than the Full Reinstatement Value, the amount standing to the credit of the Transaction Account on the 30th day following the occurrence of a Total Loss Event, representing the aggregate of the insurance proceeds paid in respect of any Total Loss Event (if any) and the Total Loss Shortfall Amount funded by the Servicing Agent in accordance with the terms of the Servicing Agency Agreement and, in each case, together with the aggregate amounts of the Deferred Sale Price then outstanding under the Murabaha Agreement. Upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust. Upon such dissolution as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

- (d) **Dissolution following a Dissolution Event:** Upon the occurrence of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trustee shall dissolve the Trust, in each case subject to, and as more particularly specified in, Condition 12.
- (e) **Purchases:** The Obligor and the Obligor's Subsidiaries may at any time purchase Certificates at any price. Any Certificates held by or on behalf of or for the benefit of the Obligor or any of the Obligor's Subsidiaries shall not entitle the holder to exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums, meetings or for passing Extraordinary Resolutions for the purposes of Condition 14(a).
- (f) **Cancellation:** Any Registered Certificates representing Certificates purchased by or on behalf of the Obligor or any of the Obligor's Subsidiaries may, in the Trustee's and the Obligor's sole discretion, be surrendered for cancellation in accordance with the terms of the Trust Deed, the Agency Agreement and the Sale and Substitution Undertaking. Any Registered Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged. If all (and not some only) of the Certificates are cancelled in accordance with this Condition 8(f), the Trustee shall be bound to dissolve the Trust.
- (g) **No other Dissolution:** The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 8 and Condition 12.

9. Payments

- (a) **Method of Payment:**
 - (i) Payments of the Dissolution Distribution Amount shall be made (subject to surrender of the relevant Registered Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Certificates represented by such Registered Certificates) in the manner provided in paragraph (ii) below.
 - (ii) Periodic Distribution Amounts in respect of each Certificate shall be paid to the person shown on the Register (or, in the case of a Certificate held by two or more persons, to the person whose name appears first on the Register) at the close of business on the fifteenth day before the due date for payment thereof

(the “**Record Date**”). Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be made in U.S. dollars by transfer to an account in U.S. dollars maintained by the payee with a bank that processes payments in U.S. dollars notified by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date.

- (iii) If the Dissolution Distribution Amount being paid upon surrender of the relevant Registered Certificate is less than the outstanding principal amount of such Registered Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Trustee or a Certificateholder) issue a new Registered Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the Periodic Distribution Amount being paid is less than the amount then due, the Registrar will annotate the Register with the amount so paid.

- (b) **Payments subject to Laws:** Payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

- (c) **Appointment of Agents:** The Principal Paying Agent, the Paying Agent(s), the Registrar and the Transfer Agent(s) initially appointed by the Trustee and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agent(s), the Registrar and the Transfer Agent(s) act solely as agents of the Trustee and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Trustee reserves the right at any time with the approval of the Delegate to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar or any Transfer Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Trustee shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) a Paying Agent (which may be the Principal Paying Agent) having a specified office in at least one major European city and (v) such other agents as may be required by any stock exchange on which the Certificates may be listed, in each case as approved by the Delegate.

Notice of any such change or any change of any specified office shall promptly be given to the Certificateholders.

- (d) **Non-Business Days:** If any date for payment in respect of any Certificate is not a business day, the holder shall not be entitled to payment until the next following business day nor to any profit or other sum in respect of such postponed payment. In this Condition 9(d), “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and, where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, on which foreign exchange transactions may be carried on in U.S. dollars in New York.

10. Taxation

All payments in respect of the Certificates shall be made in U.S. dollars without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Certificate:

- (a) **Other connection:** held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Certificate by reason of his having some connection with a Relevant Jurisdiction, other than the mere holding of the relevant Certificate; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Registered Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Registered Certificate representing such Certificate for payment on the last day of such period of 30 days irrespective of whether that day is a business day (as defined in Condition 9(d)).

As used in these Conditions, “**Relevant Date**” in respect of any Certificate means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders that, upon surrender of the Registered Certificate representing such Certificate being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender. References in these Conditions to “**Periodic Distribution Amounts**” and the “**Dissolution Distribution Amount**” shall be deemed to include any additional amounts that may be payable under this Condition 10 or any undertaking given in addition to or in substitution for it under the Trust Deed.

Notwithstanding any other provision in these Conditions, in no event will the Trustee, the Obligor or the Agents be required to pay any additional amounts in respect of the Certificates for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

The Transaction Documents provide that payments thereunder by the Obligor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, unless such withholding or deduction is required by law, and, in such case, provide for the payment by the Obligor of such additional amounts as will result in receipt by the Trustee or the Delegate, as the case may be, of such amounts as would have been received by it had no such withholding or deduction been made.

Further, the Obligor has undertaken in the Trust Deed to pay such additional amounts as may be necessary pursuant to this Condition 10 so that the full amount due and payable by the Trustee in respect of the Certificates to the Certificateholders is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of this Condition 10.

11. Prescription

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

12. Dissolution Events

- (a) **Dissolution Event:** Upon the occurrence of a Dissolution Event:
- (i) the Delegate, upon receiving express notice in writing thereof under the Trust Deed of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders in accordance with Condition 17 with a request to the Certificateholders to indicate to the Trustee and the Delegate if they wish the Certificates to be redeemed and the Trust to be dissolved; and
 - (ii) the Delegate in its sole discretion may, and if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) shall, give notice (a “**Dissolution Notice**”) to the Trustee, the Obligor and the Certificateholders in accordance with Condition 17 that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this Condition 12(a)(ii) whether or not notice has been given to Certificateholders as provided in Condition 12(a)(i).

Upon receipt of such Dissolution Notice, (x) the Trustee (or the Delegate on behalf of the Trustee) shall deliver an Exercise Notice to the Obligor under the Purchase Undertaking, and the Exercise Price shall become immediately due and payable thereunder, and (y) all aggregate amounts of the Deferred Sale Price shall immediately become due and payable under the Murabaha Agreement. The Trustee (or the Delegate in the name of the Trustee) shall use the Exercise Price payable under the Purchase Undertaking together with the amounts then due and payable under the Murabaha Agreement to redeem the Certificates at the Dissolution Distribution Amount on the date of the relevant Exercise Notice (the relevant “**Dissolution Event Redemption Date**”) and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full.

Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

- (b) **Enforcement and Exercise of Rights:** If, following the occurrence of a Dissolution Event, any amount payable in respect of the Certificates has not been paid in full (notwithstanding the provisions of Condition 12(a)), the Trustee or the Delegate (in the name of and on behalf of the Trustee), subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, shall, subject to Condition 13 (acting for the benefit of the Certificateholders) take one or more of the following steps:

- (i) enforce the provisions of the Transaction Documents against the Obligor; and/or
- (ii) take such other actions or steps or institute such proceedings as the Trustee or the Delegate may, in its opinion, consider necessary to recover amounts due to the Trustee and/or the Certificateholders.

13. Realisation of Trust Assets

- (a) Neither the Delegate nor the Trustee shall be bound in any circumstances to take any action, step or proceeding to enforce or to realise the Trust Assets or take any action, step or proceeding against the Trustee, the Obligor under any Transaction Document to which any of the Trustee, the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Certificates; or (iii) (in the case of the Trustee only) by the Delegate, and in any such case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.
- (b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Obligor unless the Delegate or the Trustee, as the case may be, having become bound so to proceed, (i) fails to do so within a reasonable period or (ii) is unable by reason of an order of a court having competent jurisdiction to do so and in each case such failure or inability is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce their respective obligations under the Transaction Documents to which they are a party.
- (c) The foregoing provisions of this Condition 13 are subject to this Condition 13(c). After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 5(b), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps, actions or proceedings against the Trustee (or any steps, actions or proceedings against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such unpaid sums shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps, actions or proceedings for the winding-up of the Trustee.

14. Meetings of Certificateholders, Modification and Waiver

- (a) **Meetings of Certificateholders:** The Trust Deed contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing not less than a clear majority in face amount of the Certificates for the time being outstanding, or at any adjourned meeting two or more persons being or representing Certificateholders whatever the face amount of the Certificates held or represented, unless the business of such meeting includes consideration of proposals (i) to amend any Dissolution Date in respect of the Certificates or any date for payment of Periodic

Distribution Amounts in respect of the Certificates, (ii) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates, (iii) to amend any of the Trustee's or the Obligor's covenants set out in the Transaction Documents to which it is a party, (iv) to vary the currency of payment or denomination of the Certificates, (v) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass the Extraordinary Resolution, or (vi) to amend the above list, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Certificateholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent., in aggregate face amount of the Certificates then outstanding (a "**Written Resolution**") shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a Written Resolution may be contained in one document or several documents in like form, each signed by or on behalf of one or more Certificateholders. Such a Written Resolution will be binding on all Certificateholders whether or not they participated in such Written Resolution.

- (b) **Modifications, Waivers, Authorisations and Determinations:** The Delegate may, without the consent or sanction of the Certificateholders: (i) agree to any modification of any of the provisions of the Trust Deed (including these Conditions) or of any other Transaction Document that is, in the opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error; or (ii) (A) agree to any other modification (except as mentioned in the Trust Deed), or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Transaction Documents; or (B) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such provided that such modification, waiver, authorisation or determination is:
- (x) in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders;
 - (y) not in contravention of any express direction given by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of the Certificates; or
 - (z) other than in respect of a matter which requires a special quorum resolution (as defined in the proviso to paragraph 2 of Schedule 3 to the Trust Deed). Any such modification, authorisation, determination or waiver shall be binding on the Certificateholders and shall be notified to the Certificateholders in accordance with Condition 17 as soon as practicable.
- (c) **Entitlement of the Delegate:** In connection with the exercise of its functions (including, but not limited to, those referred to in this Condition) the Delegate shall have regard to the interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Obligor or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except,

in the case of the Trustee and the Obligor, to the extent already provided for in Condition 10).

15. Delegate

- (a) **Delegation of Powers:** The Trustee will in the Trust Deed irrevocably and unconditionally appoint the Delegate to be its attorney and, in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, trusts, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, and subject to its being indemnified and/or secured and/or prefunded to its satisfaction, exercise all of the rights of the Trustee under the Transaction Documents and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Trust Deed (together, the “**Delegation**” of the “**Relevant Powers**”), provided that (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of this Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any power, trust, right, authority or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate (save as provided in the Trust Deed). The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers which are vested solely in it from the date of the Trust Deed.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee’s continuing role and obligations as sole trustee.

- (b) **Indemnification:** The Trust Deed contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking any action, step or proceeding unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Trust Deed or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Condition 12 or Condition 13, and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- (c) **No Liability:** The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor under the Transaction Documents to which it is a party and shall not under any circumstances have any Liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Obligor but are not so paid and shall not in any circumstances have any Liability arising from the Trust Assets, other than as expressly provided in these Conditions or in the Trust Deed.

- (d) **Reliance on Certificates, Reports, Advice, etc.:** The Delegate may act on any certificate, opinion, advice, confirmation or report of any auditors, insolvency officials, financial advisers or other experts (as applicable) of the Trustee, the Obligor or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Trust Deed or the other Transaction Documents and such certificate, opinion, advice, confirmation or report may be relied upon by the Delegate (without Liability to any person) as sufficient evidence of the facts stated therein notwithstanding that such certificate, opinion, advice, confirmation or report and/or any engagement letter or other document entered into by the Delegate or any other person in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee, the Obligor or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate, opinion, advice, confirmation or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any Liability or inconvenience that may be occasioned by its failure to do so.
- (e) **Proper Performance of Duties:** Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Trust Deed conferring on it any trusts, powers, rights, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, rights, authorities and discretions conferred on it by the Trust Deed and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or actual fraud of which either of them may be guilty in relation to their duties under the Trust Deed.
- (f) **Notice of Events:** The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event, Potential Dissolution Event, Tax Event, or Total Loss Event has occurred or exists and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any Liability to any person for so doing).

16. Replacement of Registered Certificates

If any Registered Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Registered Certificate is subsequently presented and/or surrendered for payment, there shall be paid to the Trustee on demand the amount payable by the Trustee in respect of such Registered Certificate) and otherwise as the Trustee may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Registered Certificates must be surrendered before replacements will be issued.

17. Notices

Notices to the holders of Certificates shall be mailed to them by first class mail (airmail if overseas) at their respective addresses in the Register.

In addition, the Trustee shall ensure that notices to the holders of Certificates are duly given and/or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Certificates are for the time being admitted to listing, trading and/or quotation.

Any such notices shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing (or on the date of publication, or if published more than once or on different dates, on the date of the first publication).

So long as the Certificates are represented by a New Global Certificate and such New Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, or any other clearing system, notices to Certificateholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing as required by this Condition 17. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

18. Further Issues

The Trustee shall be at liberty from time to time without the consent of the Certificateholders to create and issue additional Certificates having the same terms and conditions as the outstanding Certificates on terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue and so that the same shall be consolidated and form a single series with the outstanding Certificates. Any additional Certificates which are to form a single series with the outstanding Certificates previously constituted by the Trust Deed shall be constituted by a deed supplemental to the Trust Deed. References in these Conditions to the Certificates include (unless the context requires otherwise) any other certificates issued pursuant to this Condition 18 and forming a single series with the Certificates.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999.

20. Governing Law and Dispute Resolution

(a) **Governing Law:** The Trust Deed (including these Conditions), the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with the same are governed by, and shall be construed in accordance with, English law.

(b) **Arbitration:** The Delegate, the Trustee and the Obligor have in the Trust Deed agreed that, subject to Condition 20(c), any dispute, claim, difference or controversy arising out of or in connection with the Trust Deed (including these Conditions) and/or the Certificates (including any dispute, claim, difference or controversy as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity or any dispute relating to any non-contractual obligations arising out of or in connection with them) (a “**Dispute**”) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the “**Rules**”), which Rules (as amended from time to time) are incorporated by reference into this Condition 20. For these purposes:

(i) the seat of arbitration shall be London, England;

- (ii) there shall be three arbitrators, each of whom shall be an attorney experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court (as defined in the Rules); and
 - (iii) the language of the arbitration shall be English.
- (c) **Option to Litigate:** Notwithstanding the agreement described in Condition 20(b), the Delegate may, in the alternative and at its sole discretion, by notice in writing to the Trustee and the Obligor in accordance with the Trust Deed:
- (i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
 - (ii) if no arbitration has commenced,

require that the Dispute be heard by a court of law (a “**Notice to Litigate**”). If the Delegate gives a Notice to Litigate, the Dispute to which such notice refers shall be determined in the manner described in Condition 20(d) and any arbitration commenced under Condition 20(b) in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by the Obligor), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

- (d) **Effect of Exercise of Option to Litigate:** If a Notice to Litigate is given pursuant to Condition 20(c), the following provisions shall apply:
- (i) subject to paragraph (iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and the Obligor have in the Trust Deed irrevocably submitted to the exclusive jurisdiction of such courts;
 - (ii) each of the Trustee and the Obligor have agreed that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
 - (iii) this Condition 20(d) is for the benefit of the Delegate for and on behalf of the Certificateholders only. As a result, and notwithstanding paragraphs (i) and (ii) above, the Delegate may take proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and, to the extent allowed by law, may take concurrent Proceedings in any number of jurisdictions.
- (e) **Appointment of Process Agent:** Each of the Trustee and the Obligor has in the Trust Deed irrevocably appointed Walkers of 6 Gracechurch Street, London, England, EC3V 0AT to receive, for it and on its behalf, service of process in respect of any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Trustee and/or the Obligor). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, each of the Trustee and the Obligor has irrevocably agreed in the

Trust Deed to appoint a substitute process agent, and shall immediately notify the Delegate of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(f) **Waiver of Interest:**

- (i) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Trust Deed that no interest will be payable or receivable under or in connection therewith and each party has agreed that it will not claim any interest in respect of any Proceedings brought by or on behalf of a party to the Trust Deed.
- (ii) If it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial or arbitral award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.
- (iii) For the avoidance of doubt, nothing in this Condition 20(f) shall be construed as a waiver of rights in respect of any Wakala Portfolio Revenues, Full Reinstatement Value, Profit Amounts, Periodic Distribution Amounts, Rentals, Dissolution Distribution Amounts, Exercise Price, Deferred Sale Price, Required Amounts, Total Loss Shortfall Amounts or profit or principal or other amounts of any kind howsoever described payable by the Obligor (in any capacity), or by the Trustee (in any capacity) pursuant to the Transaction Documents and/or the Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

SUMMARY OF PROVISIONS RELATING TO THE NEW CERTIFICATES WHILE IN GLOBAL FORM

Initial Issue of Registered Certificates

The New Global Certificate will be registered in the name of a nominee (the “**Registered Holder**”) for a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”) and may be delivered on or prior to the Issue Date of the New Certificates.

Upon the registration of the New Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the New Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of New Certificates equal to the nominal amount thereof for which it has subscribed and paid.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) as the holder of a Certificate represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Trustee to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Trustee in respect of payments due on the Certificates for so long as the Certificates are represented by the Global Certificate and such obligations of the Trustee will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

Exchange

The following will apply in respect of transfers of Certificates held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Certificates within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Certificates may be withdrawn from the relevant clearing system.

Transfers of the holding of Certificates represented by the Global Certificate pursuant to Condition 2 may only be made in part:

- (a) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) upon the occurrence of a Dissolution Event; or
- (c) with the consent of the Trustee,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (a) above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

Amendment to Conditions

The Global Certificate contains provisions that apply to the Certificates that it represents, some of which modify the effect of the terms and conditions of the Certificates set out in this Offering Circular. The following is a summary of certain of those provisions:

(a) *Payments*

All payments in respect of Certificates represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

(b) *Meetings*

For the purposes of any meeting of Certificateholders, the holder of the Certificates represented by the Global Certificate shall (unless the Global Certificate represents only one Certificate) be treated as two persons for the purposes of any quorum requirements of a meeting of Certificateholders and as being entitled to one vote for every U.S.\$1,000 of Certificates.

(c) *Delegate's Powers*

In considering the interests of Certificateholders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a clearing system, the Delegate may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holders of the Certificates represented by the Global Certificate.

Electronic Consent and Written Resolution

While any Global Certificate is registered in the name of any nominee for a clearing system, then, in respect of any resolution proposed by the Obligor, the Trustee or the Delegate:

- (a) where the terms of the resolution proposed by the Obligor, the Trustee or the Delegate (as the case may be) have been notified to the Certificateholders through the relevant clearing system(s) as provided in paragraphs (i) and/or (ii) below, each of the Trustee, the Obligor and the Delegate shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) to the Principal Paying Agent or another specified agent and/or the Delegate in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Certificates outstanding (the “**Required Proportion**”) (an “**Electronic Consent**” as defined in the Trust Deed) by close of business on the Relevant Date. Any resolution passed in such manner shall be binding on all Certificateholders even if the relevant consent or instruction proves to be defective. None of the Obligor, the Trustee or the Delegate shall be liable or responsible to anyone for such reliance. An Electronic Consent shall take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent;
- (i) when a proposal for a resolution to be passed as an Electronic Consent has been made, at least 10 days’ notice (exclusive of the day on which the notice is given and of the day on which affirmative consents will be counted) shall be given to the

Certificateholders through the relevant clearing system(s). The notice shall specify, in sufficient detail to enable Certificateholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the “**Relevant Date**”) by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s); and

- (ii) if, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the Required Proportion, the resolution shall, if the party proposing such resolution (the “**Proposer**”) so determines, be deemed to be defeated. Such determination shall be notified in writing to the other party or parties to the Trust Deed. Alternatively, the Proposer may give a further notice to Certificateholders that the resolution will be proposed again on such date and for such period as shall be agreed with the Delegate (unless the Delegate is the Proposer). Such notice must inform Certificateholders that insufficient consents were received in relation to the original resolution and the information specified in paragraph (i) above. For the purpose of such further notice, references to “**Relevant Date**” shall be construed accordingly, and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Obligor, the Trustee and the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Obligor, the Trustee and/or the Delegate, as the case may be, (i) by accountholders in the clearing system with entitlements to such Global Certificate and/or, (ii) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Obligor, the Trustee and the Delegate shall be entitled to rely on any certificate or document issued by, in the case of paragraph (i) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**Relevant Clearing System**”) and, in the case of paragraph (ii) above, the Relevant Clearing System and the accountholder identified by the Relevant Clearing System for the purposes of paragraph (ii) above. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print-out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Certificates is clearly identified together with the amount of such holding. None of the Obligor, the Trustee or the Delegate shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The proceeds of the New Certificates will be applied by the Trustee in the following proportion: (a) not less than 51 per cent. of the aggregate face amount of the New Certificates as the aggregate of the purchase price for the Additional Wakala Assets pursuant to the Supplemental Purchase Agreement; and (b) not more than 49 per cent. of the aggregate face amount of the New Certificates for the purchase of commodities to be sold to the Obligor pursuant to the Murabaha Agreement.

As GFH will subscribe for the New Certificates in full on the Issue Date, the obligation of the Trustee to pay (i) the purchase price for the Additional Wakala Assets and (ii) the sale price in respect of the commodities to be on-sold by GFH, to GFH on the Issue Date will be set-off in full against GFH's obligation to pay the subscription price for the New Certificates to the Trustee on the Issue Date. Accordingly, GFH will not receive any proceeds in connection with the issue of the New Certificates.

GFH may, in its sole and absolute discretion, choose to sell any or all of the Certificates which it owns in the secondary market at any price to any person, including without limitation, GFH's own clients.

DESCRIPTION OF THE TRUSTEE

General

GFH Sukuk Company Limited, an exempted company with limited liability, was incorporated on 4 December 2019 under the Companies Law (as amended) of the Cayman Islands with company registration number 357986. The Trustee has been established for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008 Cayman Islands, and its telephone number is +1 345 814 7600.

The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 ordinary shares of U.S.\$ 1.00 each, of which 250 shares have been issued as at the date of this Offering Circular. All of the issued shares (the “Shares”) are fully-paid and are held by Walkers Fiduciary Limited as share trustee (the “Share Trustee”) under the terms of the Share Trust Deed under which the Share Trustee holds the Shares on trust until the Termination Date (as defined in the Share Trust Deed). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit one or more Charities (as defined in the Share Trust Deed). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to the Charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from its holding of the Shares.

Business of the Trustee

The Trustee will not have any substantial liabilities other than in connection with the Certificates and any further certificates issued pursuant to the terms and conditions of the Certificates. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are unrestricted and the Trustee has full power and authority to carry out any object not prohibited by all relevant Cayman Islands laws (all as set out in clause 3 of its Memorandum of Association as registered on 4 December 2019).

Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Directors of the Trustee

The Directors of the Trustee are as follows:

<u>Name</u>	<u>Principal Occupation</u>
Gennie Bigord	Vice President, Walkers Fiduciary Limited
Michael Byrne	Assistant Vice President, Walkers Fiduciary Limited

The business address of Gennie Bigord is c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The business address of Michael Byrne is c/o Walkers (Dubai) LLP, Level 14, Burj Daman, Dubai International Financial Centre, PO Box 506513, Dubai, United Arab Emirates.

Other than in their capacities as employees and officers of the Trustee Administrator, there are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee. None of the Directors listed above has been convicted of any criminal offence or been the subject of any public incrimination sanctions, bankruptcy, receivership or liquidation proceedings.

The Trustee Administrator

Walkers Fiduciary Limited also acts as the corporate administrator of the Trustee (in such capacity, the “**Trustee Administrator**”). The office of the Trustee Administrator serves as the registered office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator has agreed to perform in the Cayman Islands or such other jurisdiction as may be agreed by the parties from time to time various corporate functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee or the Obligor on behalf of the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that either the Trustee or the Trustee Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement provide that either party shall be entitled to terminate such agreements by giving at least three months’ notice in writing to the other party.

The Trustee Administrator will be subject to the overview of the Trustee’s Board of Directors. The Trustee Administrator’s principal office is c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof. The Trustee has no employees and is not expected to have any employees in the future.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a financial group headquartered in Bahrain and operating in the GCC region with a diversified offering of investment opportunities and a track record of identifying, successfully bringing to market and capitalising on a range of Islamic investment opportunities.

Since the Group's inception in 1999, GFH has raised over U.S.\$10 billion of assets and funds under management from its wide client base.

The Group currently operates across four business lines:

- investment banking, which principally invests its own and client's funds in yielding real estate assets in the US and the UK and makes private equity investments focused on defensive sectors such as education, healthcare and technology;
- commercial banking, which represents the activities of KHCB, a 55.41 per cent. owned and fully consolidated Group company;
- real estate development, where the Group's focus is on achieving profitable exits from a number of large ongoing projects; and
- treasury operations and proprietary investments, which manages the Group's treasury portfolio of placements with financial institutions, structured notes and sukuk investments on a revenue generating basis as well as its proprietary investments.

GFH is listed on three stock exchanges in the GCC: the Bahrain Bourse, Boursa Kuwait and the Dubai Financial Market ("DFM"). GFH is one of the most liquid and actively traded stocks on the DFM.

In the last decade, the Group's strategy has seen it transform into a financial group with a sound financial base and a well-diversified model that has established strong revenue generating business lines. The Group's diversification has focused on ensuring that it is able to effectively exploit opportunities across diverse asset classes as well as sectors and regions with high potential, including its home market of the GCC and the wider MENA region, India, Europe and the US.

As at 31 December 2019, the Group had total assets of U.S.\$5.9 billion. The Group's total income from continuing operations was U.S.\$336 million in 2019 and U.S.\$286 million in 2018 and its consolidated profit for year was U.S.\$67 million in 2019 and U.S.\$115 million in 2018. The Group reported shareholder profit of U.S.\$80 million in 2019 and U.S.\$114 million in 2018.

The head office of GFH is located at Bahrain Financial Harbour 2901, 29th Floor Building 1398, East Tower, Block 346, Road 4626, Manama, Kingdom of Bahrain and its telephone number is +97317538538. GFH is regulated by the CBB and its commercial registration number is 44136.

RECOGNITION

GFH has consistently been recognised for its innovative approach, investment prudence and overall achievements in Islamic finance, wealth management and investment banking. GFH's awards include:

- in 2019, "Best Investment Management Services" and "Best Investment Banking Services" in the Banker Middle East Product Awards 2019 and "Best Investment Bank" in the CPI Financial Islamic Business & Finance Awards;

- in 2018, “Best Investment Bank - Middle East” and “Best Islamic Bank - Bahrain” in the Islamic Business & Finance Awards - EMEA; and
- in 2017, “Best Investment Bank – Middle East”, “Best Bank - Bahrain”, “Fast Growing Bank – Middle East” and “Fastest Growing Bank - Bahrain” at the Bankers Middle East Awards.

HISTORY

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

GFH’s principal subsidiary, KHCB, was established on 24 November 2004 as a wholly-owned, niche Islamic private bank, headquartered in Bahrain. It operates under an onshore commercial banking licence granted by the CBB.

During its 20-year history, the Group has conceptualised and established a large number of pioneering financial institutions in the GCC. For example, GFH was instrumental in the creation of First Energy Bank, the world’s first Islamic investment bank focusing exclusively on the energy sector. The Group has also established numerous cross-border entities, including QInvest in Qatar, Arab Finance House in Lebanon, First Leasing Bank in Bahrain, Asia Finance Bank in Malaysia, Injazat Capital (now known as GFH Capital) in the Dubai International Financial Centre and Gulf Holding Company in Kuwait.

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

As at 31 December 2008, the Group’s term financing amounted to U.S.\$952 million. Since then, GFH has made significant progress in reducing the Group’s term financing, which amounted to U.S.\$279 million as at 31 December 2019. GFH currently principally uses term financing to leverage its portfolio of marketable securities in order to enhance the yield of the portfolio. This leverage amounted to U.S.\$215 million as at 31 December 2019. Part of the reduction in debt involved utilising GFH’s improved liquidity to repay a U.S.\$200 million sukuk issue and a U.S.\$300 million loan that had both been re-structured after the global financial crisis.

In 2016, GFH was successful in recovering U.S.\$464 million following litigation against its previous management. The assets transferred in the settlement included operating assets in the education, hospitality and leisure sectors as well as land in Bahrain and the UAE.

GFH’s current paid-in capital amounts to U.S.\$976 million represented by 3,682 million ordinary shares with a par value of U.S.\$0.265 each. This includes a U.S.\$315 million capital increase in 2017 where the 1.2 billion new shares issued were used to acquire additional stakes in several legacy projects from investors at a 10 per cent. premium to the net asset value of the respective projects.

As at 31 December 2019, GFH had 9 consolidated principal subsidiaries, details of which are set out in Note 1 of the 2019 Financial Statements. As at 31 December 2018, GFH also had 11 consolidated principal subsidiaries. Of these, GFH considers KHCB to be its most important subsidiary in terms of revenue and future growth potential. See “*Commercial banking*” below.

STRATEGY

In 2014, the Group initiated a strategy to evolve from being an investment bank into a diversified financial group with a view to generating more stable and recurring income, profitability and cash flows. In 2017, the Group built on this evolution by setting a three-year strategy to achieve significant growth across all of its business lines organically, and inorganically in business lines where it identified opportunities for future relative market out-performance.

As part of its strategy, in 2017 the Group issued new shares in exchange for the investments of those investors who wished to exit from the Group's real estate projects in India, Tunis and Morocco with a view to gaining control over those projects and also focused on achieving profitable exits for itself and its investors from real estate investments in Bahrain and the United States. The acquisition from existing investors enabled GFH to assume majority control of the investments acquired, restructure them, in the case of the India project, with joint development partners and to continue the development work on the projects. The restructurings initiated included changes in business plans, new revenue sharing business models, creating cornerstone developments, and completing key infrastructure works that enable better returns, regular cash flows and future exits from the projects. Another key synergy is to utilise the acquired projects to expand other Group products, such as the education platform, healthcare assets and hospitality assets, with a view to supporting the acquired projects in diversifying investments and maximising returns and exit opportunities.

The Group achieved exits for investors amounting to U.S.\$1.5 billion in 2017. Other significant actions taken in 2017 in furtherance of the Group's strategy included continued expansion in Bahrain by KHCB, albeit in the face of a challenging economic environment for commercial banking, and expansion at GFH Properties, which had been launched in 2016 to focus on the Group's real estate development projects and management activities.

In 2018, the Group's strategic focus was on:

- continuing to deploy its knowledge, talent and track record to identify and close promising new income yielding investments through its investment banking platform. For example, it acquired the Westside Office Business Park in Hemel Hempstead, a prime office market located just north of London. Westside provides approximately 200,000 square feet of contemporary Class A office space. Significant investments were also made in the US, including the acquisition of two trophy Chicago suburban office properties in a deal valued at U.S.\$150 million;
- further building and extracting value from its existing real estate assets. For example the Group's Harbour Row and Villamar projects located at Bahrain Financial Harbour both made significant progress in 2018 and the first phase of each project is currently close to being handed over to the buyers. Both projects have achieved strong sales to end users, investors and strategic buyers; and
- securing timely and profitable exits in support of its primary goal of delivering superior returns to its investors and shareholders. For example, in 2018 the Group exited its investment in Philadelphia Private School in a transaction that generated a return on investment ("ROI") of 33 per cent. over the 3.5-year investment period and it also exited its investment in The Lost Paradise of Dilmun in a transaction that generated an ROI of 131 per cent. over the two-year investment period.

During 2018, the Group made its first private equity investment in the technology sector, acquiring The Entertainer, a leading UAE-based incentive provider and lifestyle platform. Its commercial banking

subsidiary, KHCB, continued to grow in terms of both assets and customer deposits whilst work progressed on a number of the Group's real estate developments.

During 2019, the Group's strategic focus has been to:

- implement value enhancements across its real estate development portfolio, both through asset sales and asset improvements. For example, it sold individual units in a number of projects nearing completion and completed partial sales of the hotel and serviced apartments elements on its Harbour Row project; it sold a 40 per cent. share in its Al Areen hotel; it restructured Al Areen Holding Company, the master developer of the Al Areen project, to enable it to charge fees across the project; and it negotiated with the master developer of the Reef Island project to increase the gross floor area of the project and redesign certain aspects to increase the appeal to end users;
- create additional strategic private equity platforms allowing it to better capture and leverage opportunities in identified segments. In 2019, it established a dedicated education platform, which is discussed further under “—*Business—Investment banking—Private equity*”, and it plans to establish a dedicated healthcare platform in 2020; and
- build its treasury activities to generate recurring income and a positive spread over its cost of funds. The Group's treasury function was reorganised as a revenue centre in 2018, with the aim of generating recurring revenues through investments in sukuk, interbank markets and structured products while prudently assuring the Group's liquidity needs.

The Group's strategy is aimed at delivering profitable growth that leads to renewed market confidence and delivery of shareholder value. In the coming years, the Group's strategy is:

- to deliver a significant value increase from the Group's real estate portfolio through the sale of historic assets while supporting profit sustainability through the retention of revenue generating assets that can be managed profitably;
- the creation of strategic private equity and asset management platforms to establish future growth and investment in promising yielding opportunities with significant exit potential, including in the real estate, education, healthcare and technology sectors;
- expand its geographic reach through (i) establishing an office in Saudi Arabia, which became operational in early 2020, where it has an approval to undertake authorised person activities which allows it to target investors in Saudi Arabia who are restricted to investing through Saudi-based entities and (ii) opening a representative office in London that it expects will be open at the end of 2020 and will allow it to access European investors (including Gulf nationals based in London) and recruit individuals and teams who do not wish to relocate to the Gulf. In addition, it expects that the London office will also improve GFH's access to deal flow in both the US and Europe;
- to continue to build the Group's treasury activities and to establish treasury as a recurring income source based on well-diversified investments; and
- achieve stable performance from the commercial banking business, principally through changing its business focus, improving its asset quality and managing its liquidity and cost of funding as more fully discussed under “—*Business—Commercial banking*” below.

STRENGTHS

The Group believes that its principal strengths are:

Large and diversified asset portfolio

As at 31 December 2019, the Group's portfolio comprised U.S.\$10 billion in managed assets and funds. These assets are diversified across multiple geographies, industrial sectors, maturities and asset classes. The Group believes that the size and diversification of its asset portfolio increases the potential for higher risk-adjusted returns for its clients and itself from its co-investments, contributes to more stable income for the Group from the payment or receipt of fees, reduces the Group's vulnerability to market volatility and also offers opportunities to consistently enhance value for clients and shareholders.

Creation of strong returns on investments for clients

The Group has historically been able to generate strong returns for its investment banking clients. For example, its exit from its investment in British School Bahrain in 2017 generated an ROI of over 250 per cent. over the two-year investment period. Similarly, its exit from its diversified US residential portfolio investment in 2017 generated an ROI of 30 per cent. over the 3.5-year investment period and its exit from Philadelphia Private School in 2018 generated an ROI of 33 per cent. over the 3.5-year investment period. These strong returns on investment in turn provide the Group with brand equity that it uses in approaching existing and new clients.

Strong placement capability with clients in the GCC

The Group has a 20-year history in the GCC during which it has developed a number of strong and long-standing investor relationships. As a result, the Group has been able to raise large amounts of financing, with over U.S.\$10 billion of assets and funds under management having been raised from its client base since the Group's inception in 1999. The Group has a diversified client base that includes institutional investors, Government entities, high net worth individuals and corporates. Its dedicated team of focused placement agents has a close and interactive relationship with clients, proactively helping them to assess both existing investments and future opportunities. This approach has allowed the Group to continually service and expand its client base while at the same time offering an increasingly broad range of investment products.

Depth and experience of Board and management team

GFH's nine-member Board comprises four executive directors, including Mr. Jassim Alseddiqui, the CEO of its largest shareholder, Abu Dhabi Financial Group LLC ("ADFG"), an Abu Dhabi-based global investment group, H.E. Shaikh Ahmed Al Khalifa, the Advisor for Community Affairs at the Bahrain Crown Prince Court, and Mr. Hisham Al Rayes, the Group's CEO, four independent directors and one non-executive director. Together, the Board has a wide range of skills and significant experience in a range of industries and has implemented a corporate governance framework that is in line with applicable regulations and which it believes is consistent with international best practices.

GFH's executive management and senior leadership team comprises 25 financial and managerial experts. Their combined international experience and deep-rooted regional knowledge provide a solid foundation on which the Group continues to build its diversified structure. For further information on the Board and management team, see "*Management and Employees*".

Good liquidity profile and debt service capacity

As a wholesale bank lacking a formal lender of last resort (meaning that the likelihood of official support in case of difficulties is uncertain), the Group seeks to carefully manage its liquidity and maintain an appropriate funding structure. As a result, management focuses on maintaining more than sufficient funds to repay maturing debt, under both normal and distressed conditions, without incurring unacceptable losses or risking damage to the business. This has been the cornerstone of the Group's funding policy since the global financial crisis and its consequent debt restructuring in 2012.

As at 31 December 2018, the Group's cash and cash equivalents amounted to U.S.\$342 million, 57.8 per cent. higher than the level at 31 December 2017. In addition, the Group's placements with financial institutions were U.S.\$290 million as at 31 December 2018, more than three times higher than the U.S.\$96 million at 31 December 2017. As at 31 December 2019, the Group's cash and cash equivalents amounted to U.S.\$362 million, 6.1 per cent. higher than the level at 31 December 2018. In addition, the Group's placements with financial institutions were U.S.\$547 million as at 31 December 2019, almost twice the level at 31 December 2018.

The Group's business is generally cash generative. The Group held cash and cash equivalents of U.S.\$368 million as at 31 December 2019 compared to U.S.\$398 million as at 31 December 2018 and U.S.\$257 million as at 31 December 2017.

Reflecting its higher liquidity, the Group had more than sufficient funds as at 31 December 2019 to cover the current portion of its term financing, which totalled U.S.\$241 million.

SHAREHOLDERS AND SHARE CAPITAL

GFH's authorised share capital is U.S.\$2.5 billion. As at 31 December 2019, GFH's issued share capital amounted to U.S.\$975.6 million, comprising 3,682 million shares of U.S.\$0.265 each.

GFH's largest shareholder is ADFG, which directly and indirectly owned 9.69 per cent. of its shares as at 31 December 2019 and as a result has the right under Bahraini law to appoint one director. According to its website, ADFG is a leading global investment group that provides, through its regulated subsidiaries and organically, a wide range of investment opportunities and financial services. The ADFG group's substantial and diversified investor base includes corporations, financial institutions, sovereign wealth funds and family offices. ADFG pursues a strategy of opportunistic investments across a variety of sectors and geographies. While the ADFG group's investment strategy is sector-agnostic, its investments are currently focused on private and public markets, debt and real estate.

Established in 2011, ADFG has evolved to become a major player in the region, delivering attractive returns to its clients. ADFG (together with its controlled entities) has assets under management in excess of U.S.\$12 billion and has offices throughout the MENA region and in the UK.

BUSINESS

Overview

The Group's business focuses on four business segments:

- investment banking, which conducts both private equity investing and asset management businesses;
- commercial banking, which comprises KHCB;
- real estate development, which manages a number of large real estate development projects;
- corporate and treasury operations, which manages the Group's treasury portfolio of placements with financial institutions, structured notes and sukuk investments, as well as its liquidity and proprietary investments.

Prior to 2019, the Group had three segments: investment banking, commercial banking and real estate development. Its treasury activities were reorganised in 2019 as a revenue generating segment.

The table below shows certain information in relation to the Group's reportable segments (which correspond to its operating segments) as at, and year ended, 31 December 2019.

	<u>Investment banking</u>	<u>Commercial banking</u>	<u>Real estate development</u> <i>(per cent.)</i>	<u>Corporate and treasury</u>	<u>Total</u>
Year ended 31 December 2019					
Segment revenue	46.2	20.2	16.3	17.3	100.0
Segment expenses	38.7	34.2	10.2	16.9	100.0
As at 31 December 2019					
Segment assets	9.3	41.9	39.3	9.5	100.0
Segment liabilities	36.8	21.6	15.0	26.6	100.0

Each of the Group's operating segments, except commercial banking which is a separate subsidiary, has its own dedicated team of professionals and each is supported by a common placement team and support units. See "*—Placement and relationship management*" below.

Investment banking

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

Asset management

The Group's real estate investment team is responsible for originating, executing and managing investments in yielding real estate asset classes in the target markets of the GCC, Europe and the US. In doing this, the Group typically collaborates with leading local asset managers.

The Group's real estate investment team sources, performs due diligence on and arranges financing and the acquisition of properties that are expected to offer its clients investment opportunities with the potential for both strong cash flow and attractive capital gains over an investment period of approximately five years. The Group invests in properties in all sectors including residential, hotel, commercial and industrial properties. Properties are typically aggregated in a series of multi-property portfolios to fit the Group's clients' requirements.

In addition to traditional sources, such as real estate brokers, other intermediaries and industry contacts, several of the Group's real estate investment opportunities are sourced through its strategic partnerships that complement the real estate investment team. The Group's strategic real estate investment partners have strong local presences in different parts of the US and the UK and are the source of many of its leads for potential investments.

Real estate investment assets are mostly initially acquired using the Group's own financial resources. A significant portion of the economic interests in the real estate investment portfolios are then placed with clients. The Group typically aims to retain around five to 10 per cent. for its own statement of financial position and the local asset manager that GFH has partnered with will also typically hold an economic interest in the investment, which may vary in size up to 10 per cent.

Currently, the Group typically charges an up-front structuring or underwriting fee which generates the majority of its income from the investments, which are typically structured to have a three- to five-year investment period, with several built in one-year extensions. It also typically charges a management fee and a performance fee at exit.

During the post-acquisition phase, the real estate investment team closely cooperates with the operating manager of a property to actively manage and maximise the yield from the property. The team seeks to identify capital improvements and refurbishment initiatives that will add value or allow the strategic repositioning of a property in order to minimise its vacancy rate and increase operating income.

The Group's principal real estate investments and exits in each of 2019, 2018 and 2017 were:

Investments

- in the first quarter of 2020, the Group acquired a diversified U.S. hospitality portfolio, in partnership with Arbor Lodging Partners, consisting of twelve premium branded select service hotels located in California, Connecticut and New Jersey with an investment of approximately U.S.\$250 million;
- in the third quarter of 2019, GFH acquired a tech offices portfolio in the U.S. with a deal value of over U.S.\$100 million;
- in the second quarter of 2019, the Group acquired, in partnership with Madison Marquette, a senior healthcare portfolio of six yielding properties in the States of California, Washington and Michigan in a transaction valued at approximately U.S.\$180 million;
- in the fourth quarter of 2018, the Group acquired an office business park just north of London in a transaction valued at approximately £80 million;
- in the first quarter of 2018, the Group acquired, as part of a joint venture with Exeter Property Group, four office properties in Philadelphia and Chicago in a transaction valued at approximately U.S.\$150 million;
- in the fourth quarter of 2017, the Group acquired, as part of a joint venture with Lincoln Property Company, two suburban office properties in Chicago in a transaction valued at approximately U.S.\$165 million; and
- in the third quarter of 2017, the Group acquired, in partnership with US trust two US data centre facilities in Virginia in a transaction valued at approximately U.S.\$105 million.

Exits

- in the third quarter of 2017, the Group sold, in two separate sales, a diversified portfolio of multi-family residential complexes in Houston and Atlanta, realising an ROI of 130 per cent. over the 3.5-year investment period.

In addition to the acquired assets listed above, the Group's principal real estate investments managed by its real estate investment team are:

- a leasehold interest in Event Mall in Jeddah which has approximately 56,000 square metres of leasable space. This investment was acquired in May 2015 for a planned five-year investment period. This investment is due for exit in 2020. GFH retains a 0.14 per cent. proprietary interest in this investment; and

- two industrial real estate portfolios in the US which together comprise 29 multi- and single-tenant units. These portfolios were acquired in 2015 and are being managed for the anticipated five-year investment period by a property manager which specialises in industrial real estate. This investment is due for exit in 2020. GFH retains a 1.5 per cent. proprietary interest in this investment.

Private equity

The Group's private equity team is responsible for identifying and managing investments in companies that are growing and profitable as well as other equity based and alternative investments. The team works with investee companies and their management teams to fully realise and maximise future returns.

The Group generates returns in a number of ways from its private equity investments. Where the Group retains a shareholding in an investment it may earn dividends as well as record a gain on the sale of its retained share at the end of the investment term. In addition, the Group generates fees relating to advice, structuring, placement and management and, occasionally, performance in relation to its private equity investments.

The Group sources private equity investment deals directly or through intermediaries such as investment banks, industry contacts or other financial sponsors. Of the 200 - 300 potential opportunities presented during an average year, approximately 10 - 15 per cent. are generally selected in an initial screening process following application of the Group's selection criteria. Acquisition due diligence and risk analysis is then performed on certain opportunities after the application of further screening procedures which reduce the number of targets. The Group currently closes around five to six investments each year, typically retaining up to 10 per cent. of the investment for its own account.

All acquisitions and exits undergo analysis at investment committee meetings and senior leadership levels. The Group typically itself underwrites its private equity investment transactions in the period from initial acquisition to placing with clients, although occasionally it may use external funds to bridge a portion of the underwriting to reduce the risk on the Group's statement of financial position.

The Group's current private equity investment focus is on the late-stage technology, education and healthcare sectors. These sectors have been selected for their defensive characteristics. For example, growth in private education demand in Saudi Arabia and North Africa is expected to continue given their generally strong economic growth, growing populations, particularly in the middle income sector, rapid urbanisation and a cultural shift towards education as a means to secure premium salaries. In addition to these demand factors, there remains limited education supply from the over-burdened public sectors in these geographies. The education assets managed by the Group's private equity team are listed in the table below.

In the late-stage technology field, the Group made its first investment in July 2018, acquiring 85 per cent. of The Entertainer, a leading provider of app-based discount offers across food and drink, attractions, spas, and other merchants in the Middle East. In the education sphere, in early 2019 the Group launched Britus, an education platform which aims to acquire and operate K-12 curriculum private schools across multiple geographies in the MENA region. The platform size is approximately U.S.\$225 million and the exit is currently planned for 2023.

When screening possible investments, the Group seeks companies with strong business fundamentals in a defensive or growing sector, attractive entry valuations, significant growth potential, strong cash yields, probable synergies with other investments, strong management teams and solid exit options.

The Group plays an active role in the post-acquisition management of its private equity investments. Working with the acquired company's management, the Group's investment team monitors the progress

of the portfolio company. The Group's advisory directors and independent industry executives, who provide significant operating expertise, support the investment team and serve on the portfolio companies' boards of directors. These advisory directors and industry experts also typically form part of the pre-acquisition deal team.

The Group begins planning for realisation prior to the acquisition. As part of the acquisition due diligence, the Group evaluates the possibilities for exit and formulates a strategy to prepare and position the target for a profitable divestiture. Throughout the life of an investment, the Group evaluates market conditions and exit alternatives.

The Group's principal private equity investments and exits in each of 2019, 2018 and 2017 were:

Investments

- in 2019, the Group acquired a 70 per cent. stake in Marshal, a pan-MENA region FinTech company, valued at U.S.\$50 million;
- in 2019 the Group launched its education platform and made six investments in K-12 curriculum private schools in the UAE, Saudi Arabia and Bahrain, retaining a 10 per cent. shareholding as a co-investment;
- in 2018, the Group acquired an 85 per cent. shareholding in The Entertainer, investing over a five-year holding period up to U.S.\$150 million. The Group subsequently syndicated the investment, retaining a 5.28 per cent. shareholding as a co-investment; and
- in 2017, the Group provided mezzanine funding to AMA Group (which owned both a university and a school) in Bahrain through AMA Cayman, investing U.S.\$60 million and retaining a 48 per cent. shareholding as a co-investment.

Exits

- in 2019, 67 per cent. of investors in AMA Cayman exited their investment, realising an ROI for those investors of 127 per cent. over the two-year investment period. The remaining investors elected to remain invested;
- in 2019, the Group sold its interest in Sheffield Private School, realising an ROI of 127 per cent. over the 3.5-year investment period;
- in 2018, the Group sold its interest in Philadelphia Private School in the UAE, realising an ROI of 133 per cent. over the 3.5-year investment period; and
- in 2017, the Group sold its interest in the British School of Bahrain which it had acquired as part of the litigation settlement in 2016, realising an ROI of over 250 per cent. over the two-year investment period.

The Group faces competition in its private equity and asset management businesses from a broad range of international and regional investment firms to the extent that they have overlapping investment strategies, including InvestCorp, as well as smaller entities such as VC Bank and Jadwa. The competition is principally focused on a narrow range of investment products and a number of competitors have changed their license from investment bank to investment company in order to take advantage of a lower level of regulation. GFH believes that it offers a broader suite of investment solutions to its clients, including real estate development, yielding real estate, private equity and deposits, and it believes that remaining as a leading Islamic investment bank results in higher client confidence given its more regulated status. In addition, GFH is expanding its portfolio in more regulated

markets, such as the US and the UK, and may also potentially expand to other European countries such as France and Germany, using a range of attractive investment tools and strategies which it believes will further strengthen the confidence of both clients and shareholders.

Commercial banking

The Group's commercial banking segment comprises its 55.41 per cent. shareholding in KHCB.

GFH established KHCB as a wholly-owned subsidiary in November 2004. KHCB operates under an Islamic retail banking licence granted by the CBB. KHCB offers a wide range of services to individuals and corporate clients. KHCB is listed on both the Bahrain Bourse (since 2009) and the DFM (since 2017).

In 2007, GFH sold a 30 per cent. shareholding in KHCB to a number of strategic investors in the GCC and, in 2009, it sold a further 23 per cent. in an initial public offering ("IPO") of KHCB. Following the IPO, KHCB was equity accounted as an associate until 2016, when GFH acquired a further 8.41 per cent. shareholding in KHCB bringing its shareholding up to the current 55.41 per cent. and fully consolidated KHCB as a subsidiary.

KHCB's strategy for retail envisages a transition from a mass market to a niche market focus targeting affluent individuals and professionals by redirecting its marketing approach and tailoring its products and services to ensure a more enriched customer experience. KHCB is applying a segmentation approach to its customer base and seeking to understand different customer types and their needs rather than simply creating a one size fits all product, with a view to improving its customers' experience and increasing efficiency through increased use of e-channels.

KHCB believes that corporate and international banking is likely to be a major driver of its future growth and it is developing its plans to further exploit this sector. KHCB's treasury strategy is to continue growing its portfolio of sovereign and other high quality investment sukuk while also managing its liquidity and cost of funding. KHCB also expects to introduce a sukuk trading book and to introduce leveraged commodity murabaha.

KHCB's investment department is continuing its focus on the orderly exit of its existing investment portfolio, whilst supporting KHCB's core banking activities by taking over management of remedial assets and sourcing exit solutions for them. KHCB has currently received shareholder approval in relation to a potential issue of additional tier 1 capital in order to improve its capital adequacy ratios and further enhance its focus on the deployment of capital into core business activities.

KHCB offers its retail customers both financing, including personal finance, housing finance and auto finance, and account services, mainly current accounts, saving accounts, mudharaba accounts, mudharaba call accounts and Al Waffer accounts (a saving account where funds are invested on a mudharaba basis and qualify depositors for prize draws). In addition, KHCB provides customers with a range of Visa cards, including Platinum, Gold, Classic and Infinite, which offer their holders various benefits that include competitive service fees as well as offers and discounts through KHCB's Khaleeji Rewards programme.

KHCB's current accounts are non-profit accounts that give its retail and corporate customers instant access to their funds at all times. KHCB's savings accounts pay profit on a monthly basis and give its customers access to their funds through ATM or branch withdrawals. KHCB's mudharaba accounts (which may be call accounts or term accounts) are based on the principle of unrestricted mudharaba in which the customer provides capital and KHCB provides expertise for the investment of the capital to earn profits which are divided between the two parties in agreed-upon ratios.

In addition to account services, KHCB offers its corporate customers a range of financial and investment services that include project financing, real estate financing, capital financing, commercial financing and letters of credit.

Khaleeji VIP is KHCB's premier banking service designed to optimise, protect and manage the financial well-being of the individuals, families and corporations who are invited to join the service. Khaleeji VIP offers dedicated relationship managers, competitive rates, preferential tariff charges, special exchange rates, customised Khaleeji VIP cheque books, higher daily withdrawal and spending limit through the customer's ATM card and foreign exchange upon request.

KHCB's distribution network comprised six branches across Bahrain as at 31 December 2019 and, reflecting its strategy of targeting a smaller and more focused retail customer base and a greater focus on digitalisation of banking services, it is currently in the process of rationalising the branch network through the closure of some existing branches, the strategic selection of new locations and the redistribution of resources to improve efficiency and ensure higher and more strategic penetration of its target retail customer base. KHCB also offers its clients a wide range of electronic services, including e-banking, mobile banking and e-Dinar (an electronic payment gateway), through which it aims to simplify both communications with its clients and transactions. All of KHCB's electronic services are equipped with a system that follows the latest security standards in order to make its customers' experiences safer and more convenient.

KHCB is managed by a board of 10 directors which has established three board committees: an investment and credit committee; an audit and risk management committee and a nominations, remunerations and governance committee. Four members of KHCB's board are appointed by GFH.

KHCB's executive team has 10 members and has established four executive management committees: a management committee, an asset liability management committee, and executive investment and credit committee and a human resources committee.

Real estate development

The Group is implementing infrastructure and related real estate projects across the GCC and in Asia and North Africa. The Group's land bank exceeds 200 million square feet. The Group is currently engaged in multiple projects covering the luxury residential, high-end retail, hospitality, mixed use development and commercial sectors.

Between 2003 and 2008, the Group launched a number of significant real estate developments, many of which principally involved master planning and infrastructure development with a view to subsequent sale of land plots for development within the master plan. Successfully completed projects included both the Financial Centre development (which comprised two office towers, a mall and Harbour House) at the heart of the Bahrain Financial Harbour master-planned mixed use development and Energy City Qatar (an integrated energy business centre for the global oil and gas industry which currently hosts oil and gas producers and downstream operators, shipping and trading companies, service industries, technology companies and information and media businesses).

Several of the Group's existing projects were, however, launched shortly before the global financial crisis which adversely affected their subsequent development and the Group's current focus is on monetising these existing infrastructure and real estate projects.

In 2016, the Group established GFH Properties as a subsidiary incorporated in Bahrain to manage the Group's existing real estate developments where it controlled the development and leverage its broad experience in the sector. Over time and as part of the Group's future strategy to develop its land bank, GFH Properties expects to employ a capital-light model alongside key joint venture partners and

contractors to develop the land bank. As a result, GFH Properties expects to launch its own direct development projects in the future as well as managing and overseeing the Group's existing projects.

GFH Properties' core current and anticipated future services include:

- **project development:** completing existing development concepts that are part of the Group's real estate portfolio as well as, in time, creating new project development concepts;
- **project management:** managing and overseeing the development of selected existing Group projects;
- **advisory and management:** GFH Properties has created an investment and advisory team alongside its core property development and management team to advise on real estate investment opportunities and provide solutions to regional investment houses with real estate investment instruments;
- **creating income generating portfolios:** GFH Properties' strategy is to maintain a strategic share in its development projects, for example income generating assets such as retail areas;
- **future offerings:** GFH Properties expects, in time, to create financial instruments, such as real estate investment trusts and licensed real estate investment funds, through securitising underlying real estate asset classes.

Principal projects

The Group's principal real estate development projects that are under construction, in operation, have been exited since 1 January 2017 or are currently being planned are discussed below.

Projects under construction

Harbour Row

Harbour Row is a prestigious development in the middle of Bahrain's financial district on the sea front of Bahrain Financial Harbour. It offers a mix of luxury residential and high-end retail components. Harbour Row has 322 apartment units spread over four residential buildings along with a boutique hotel and 80 branded apartments. Retail components are included in a walk-way underneath. The boutique hotel and branded residences will be operated by third party operators, H Hotel and Mama Shelter, respectively.

GFH is the owner of the project land and GFH Properties is the developer of the project. The construction on Harbour Row, which is being undertaken by a third party contractor, is nearing completion with the west wing of the development in the handover stage and the east wing of the development is scheduled to be completed in 2020.

The Group plans to exit the Harbour Row project through sales to institutional and individual buyers. As at 31 December 2019, the Group had sold 164 of the 322 apartment units. It has also made a partial exit from the hospitality component through the sale of equity interests of 72 per cent. in the hotel and 60 per cent. in the branded apartments to the third party operators of those facilities. The Group's aim is to sell the remaining units and shares in the hotel and branded apartments, although it currently anticipates retaining the facilities management role in relation to the completed development.

Villamar

Villamar is a residential complex spread over more than 135,000 square metres at Bahrain Financial Harbour. The project is built on an island and comprises three towers, lifestyle apartments, terraced villas, and terraced podium and sky villas. The principal planned amenities include a health club and spa, swimming pools, manicured gardens and recreational facilities, along with associated food and beverage and retail elements, water features, significant on-site car parking and landscaped plazas.

The project was launched in 2007 although the global financial crisis slowed construction significantly. Construction recommenced when the project was relaunched in 2016. Gulf Holding Company KSCC (“**Gulf Holding**”) was the owner of the project land through its subsidiary RSRED. In 2018 the Group acquired a majority shareholding in Gulf Holding and, in 2019, it acquired RSRED from Gulf Holding. GFH also currently holds 99.5 per cent. of a U.S.\$200 million sukuk issued to fund the project, though GFH is currently in preliminary negotiations regarding the sale of these sukuk to a third party on an arm’s length basis. GFH Properties is the project developer.

The project comprises two phases. Phase 1, which comprises a residential tower and is currently in the handover stage. Phase 2 consists of the remaining two towers, one of which is expected to be a hotel with around 199 keys and 260 branded residences. The Group acquired the third tower, which had previously been sold to a developer who had subsequently experienced financial difficulties, in 2018 and is currently conducting value engineering studies for the use of final tower in order to generate the maximum value from the project.

As at 31 December 2019, the Group had sold 219 units out of a total of 219 units in the first residential tower for a total sales value in excess of U.S.\$100 million. The hospitality component of the project, which forms part of phase 2, comprises a hotel and branded residences. The Group is currently negotiating an operating agreement and equity investment with a five star hotel operator in relation to the hospitality component. The Group currently anticipates retaining the remaining equity in the hotel although it plans to sell its sukuk holding at an appropriate time.

California Village

California Village is a master planned development launched in 2006. It comprises two components: California Residences offering a total of 234 villas and town houses and California Heights offering 150 units in two apartment buildings. California Village is located 10 minutes east of Dubai’s Business Bay area, close to Sheikh Mohammad Bin Zayed Road. Planned amenities include a club house with a lounge area and gymnasium, two swimming pools and an open-air terrace with a decked sitting area.

GFH owns the project land. GFH Properties is the developer. Dubai Civil Engineering is the contractor as well as the Group’s joint venture partner in relation to the first phase of the project.

The project comprises two phases. Phase 1 consists of 22 villas, of which 16 had been sold as at 31 December 2019, and infrastructure for the entire project. Phase 2 is the remainder of the project comprising the remaining villas (some of which have been sold to the developer), the town houses and California Heights. The Group is considering sub-dividing the land included in the second phase into development plots for sale in order to exit that phase, although no decision has been taken yet.

Tunis Bay Investment Company

In 2017, the Group offered its own shares to investors in the Tunis Bay Investment Company (and the two other projects described below) in exchange for their investments in the companies undertaking those projects. At the time of the equity exchange the Group had only retained small shares in each of those companies. However, following the equity exchange and the litigation settlement in 2016 (in which the Group received additional land proximate to this project as part of the settlement), the Group

has owned 51.4 per cent. of Tunis Bay Investment Company, which is conducting the Tunis Bay development, a large mixed use real estate development in a prime area in Tunisia that was launched in 2008. The Tunis Bay development master plan envisages a four phase development of a financial hub (Tunis Financial Harbour), along with residential, leisure, health and educational components. The project covers 523 hectares in the governorate of Ariana. Tunis Financial Harbour itself is planned to include a financial district and supporting residential, commercial and leisure components within the first two phases of the development.

Following its acquisition of control over the development, the Group's strategy has been to pursue the underlying cornerstone developments. Accordingly, the project has entered into a joint venture agreement to develop a golf community with a French group and appointed a main contractor to undertake the completion of key infrastructure, including roads, electricity, utilities and landscaping. This strategy seeks to generate value enhancements and attract joint venture interest from local as well international developers.

Morocco Gateway Investment Company ("MGIC")

Since the equity exchange referred to above and the litigation settlement in 2016 (in which the Group received additional land proximate to this project as part of the settlement), the Group has owned 89.26 per cent. of the shares in MGIC, which is undertaking the Royal Ranches Marrakech mixed-use development. The project was launched in 2006 and covers approximately 380 hectares. The project includes tourism, hospitality, residential, food and beverage, healthcare, leisure and sports elements.

The Group, which controls and manages the project, is currently seeking a joint venture with one or more local partners in order to enhance the value of the project. Options being considered include the sale of equity or assets to the joint venture partner and/or having the joint venture partner undertake the development, sales and other related activity in a manner that would deliver future cash inflows to the Group.

Mumbai Economic Development Zone

In 2007 and 2008, the Group launched Energy City Navi Mumbai ("ECNM") and Mumbai IT & Telecom City ("MITTIC"), comprising 1,162 acres in Navi Mumbai in Maharashtra, India. Both ECNM and MITTIC are core components of the larger scale Mumbai Economic Development Zone, a mixed-use development offering business infrastructure for local and international services, IT and energy companies.

Since the equity exchange referred to above, the Group has owned 77.2 per cent. of the combined project and GFH also acts as manager of ECNM and MITTIC. The remaining interest in the combined project is held by investors who bought into the projects when they were launched. In its role as manager, GFH monitors and co-ordinates the development process through joint development agreements with Wadhwa Group and Adani Group.

The Group's exit strategy is through capital redemption. In accordance with the joint development agreements, Wadhwa Group and Adani Group are managing the construction, development and sales process of the Mumbai Economic Development Zone and they transfer a fixed percentage of their cash realisation from sales on a regular basis to ECNM and MITTIC.

Operating project

Al Areen Palace and Spa

The Group constructed the Al Areen Palace and Spa hotel in the Al Areen area of Bahrain and sold it in 2012. It was subsequently reacquired as part of the litigation settlement in 2017. Following the sale

of a 40 per cent. interest in early 2019 for U.S.\$29.4 million, the Group currently holds a 60 per cent. interest in the Al Areen Palace and Spa hotel.

The Al Areen Palace and Spa resort is located on 131,000 m² of land and includes 78 villas. The hotel offers meeting and banqueting facilities, restaurants, gym, tennis and squash courts as well as an extensive spa and hydrotherapy garden. The hotel is currently being rebranded and will be managed by Accor under the Raffles brand.

Exited project

The Lost Paradise of Dilmun

The Lost Paradise of Dilmun is Bahrain's largest waterpark, covering 77,000 m² and capable of accommodating 5,500 visitors a day. It is located proximate to the Group's Al Areen Palace and Spa hotel and was a Group project that was completed in 2007 and subsequently sold before being reacquired in 2016 as part of the litigation settlement. The Group then sold its entire investment in The Lost Paradise of Dilmun in October 2018 for U.S.\$60 million, although it retained the right to operate and manage the waterpark for five years.

Projects under consideration

The table below summarises the Group's principal planned real estate development projects, all of which are currently wholly-owned by the Group and are in the concept stage. Reflecting the preliminary stage of each project, there is currently no certainty that any or all of them will be completed at the currently anticipated project size or with the facilities currently anticipated.

Project	Projected project size	Location, sector
Harbour North ⁽¹⁾	U.S.\$400 million	Bahrain, commercial
Reef Island ⁽²⁾	U.S.\$200 million	Bahrain, mixed use
Zallaq land ⁽²⁾	U.S.\$60 million	Bahrain, mixed use
Dubai Maritime City ⁽³⁾	U.S.\$75 million	UAE, mixed use
Domina plot ⁽⁴⁾	U.S.\$60 million	Bahrain, hospitality
Al Areen healthcare ⁽⁵⁾	U.S.\$60 million	Bahrain, healthcare
Al Areen residential ⁽⁶⁾	Not yet identified	Bahrain, residential

Notes:

- (1) The project is part of the overall Bahrain Financial Harbour development and is expected to comprise a luxury residential tower development with retail and other facilities.
- (2) A planned residential and retail project.
- (3) GFH owns a plot of land at Dubai Maritime City, a master-planned development. The project is expected to comprise a residential tower development with associated retail facilities.
- (4) The project is a planned hotel development near The Lost Paradise of Dilmun waterpark. It is currently expected to be launched in 2023.
- (5) The project is a planned health centre development.
- (6) The project is a planned mixed use development and is expected to comprise residential, retail and food and beverage elements.

Corporate and treasury

The Group established its corporate and treasury business segment in 2018 with the aim of generating recurring revenue from its growing treasury portfolio. The Group's treasury portfolio, which amounted to U.S.\$1,589 million as at 31 December 2019, comprises the Group's generally short-term placements of excess cash with other financial institutions and its debt and equity investments which are described

under “—*Treasury portfolio*” below. The Group funds part of its treasury portfolio using term financing with the aim of generating a positive spread over the cost of funds used.

Treasury also manages the Group’s liquidity needs, its banking relationships, the raising of funds and the Group’s proprietary investments. For a discussion of the Group’s liquidity, see “—*Liquidity and funding*” below and “*Risk management—Liquidity risk*”.

The Group’s proprietary investments include its equity accounted investees, which principally comprise:

- Global Banking Corporation B.S.C., an Islamic wholesale bank in which the Group has a 28.69 per cent. interest and which is an equity accounted associate; and
- Bahrain Aluminium Extrusion Company (B.S.C.), a company engaged in the extrusion and sale of aluminium products in which the Group has a 17.92 per cent. interest and which is an equity accounted associate by virtue of the influence the Group exercises through its presence on the company’s board of directors.

In addition, the Group’s proprietary investments include the following quoted and unquoted equity investments:

- Capcorp, a licensed investment company based in Kuwait, in which the Group has an 12.45 per cent. interest; and
- Dana Gas PJSC, a private sector natural gas company listed on the Abu Dhabi Securities Exchange in which the Group has a 1.44 per cent. interest.

PLACEMENT AND RELATIONSHIP MANAGEMENT

The growth and success of the Group’s business is underpinned by its alternative investments placement capability in the GCC. The majority of its products are distributed to GCC clients through a dedicated placement and relationship management team. Since inception in 1999, the Group’s placement and relationship management team has raised approximately U.S.\$7.3 billion from its clients.

The Group’s ability to provide tailored solutions and services to its client base has resulted in a significant amount of repeat business from long-term clients. At the same time, the Group has been successful in leveraging its brand name to reach new clients in the GCC.

The Group’s placement effort is built on the following key principles:

Client base: A majority of the Group’s client base is high net worth individuals and institutions from the GCC. These investors have, in the past, been less accepting than US and European investors of including alternative assets in their investment portfolios. The Group, along with other market participants, has been instrumental in introducing the alternative asset class to investors in the GCC. Its relationship managers actively introduce strategic asset allocation concepts to GCC investors and explain the important role in terms of diversification and risk adjusted return that private equity and real estate investment play in an appropriately balanced portfolio.

Organisational platform: The Group’s placement and relationship management team’s personalised approach has allowed it to build long-term relationships with its clients and successfully leverage its strong brand in the GCC.

Client segmentation: The placement and relationship management team is divided into geographical teams which target and serve institutional clients (sovereign wealth funds, government institutions,

banks, insurance companies and corporate investors) and private clients (high net worth individuals and private investment companies).

Relationships: The Group’s placement capability in the GCC has developed over a 20-year period, and it has relationships with a large number of investors in the region. The Group’s total assets and funds under management were U.S.\$10 billion as at 31 December 2019. The Group’s GCC client base is well diversified with a low level of client concentration. The placement and relationship management team maintains regular contact with clients and uses mapping techniques to develop strategies to reach segments, individuals and institutions that represent prospective clients.

Product customisation: The Group offers its product lines to clients in a variety of structures. It also continues to develop new product structures in order to make its products attractive to a broad range of potential clients and to allow the members of the placement and relationship management team to tailor the mix of products in a product structure that meets the specific needs and goals of each client.

LIQUIDITY AND FUNDING

Liquidity

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. Projected cash outflows include underwriting of investments, funding real estate development, operating expenses and repaying financing facilities. 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 through longer term funding to address any structural liquidity requirements.

Funding

The Group’s sources of funding comprise its placements from financial, non-financial institutions and individuals, its term financing, its customer current accounts and its clients’ funds.

The Group also has a portfolio of treasury investment securities, including equity securities and quoted investments in sukuk, that it can access to meet liquidity needs, in addition to its cash and bank balances.

The table below shows the Group’s funding as at 31 December in each of 2019, 2018 and 2017.

	As at 31 December		
	2019	2018	2017
	<i>(U.S.\$ thousand)</i>		
Placements from financial, non-financial institutions, and individuals.....	2,447,249	1,628,389	858,496
Term financing.....	279,418	256,137	365,062
Customer current accounts.....	147,487	177,906	189,607
Clients’ funds.....	70,858	46,639	39,413
Total funding.....	2,945,012	2,109,071	1,452,578

Placements from financial, non financial institutions and individuals

The Group’s placements from financial, non-financial institutions and individuals comprise placements in the form of murabaha and wakala contracts accepted from financial and other institutions (including

corporates and individuals) as part of the Group's treasury activities. These included U.S.\$84 million of funds placed by a non-financial entity in Iran which are subject to blocked by international sanctions regulations.

The Group's placements from financial, non-financial institutions and individuals comprised 83.1 per cent. of its funding as at 31 December 2019, 77.2 per cent. as at 31 December 2018 and 59.1 per cent. as at 31 December 2017. The significant increase in proportion in 2018 and the further increase in 2019 principally reflected the receipt of money market funds as part of the enhanced treasury business of the Group.

The Group's placements from financial, non-financial institutions and individuals are generally short-term in nature. The table below shows the maturity profile of the Group's placements from financial institutions, other entities and individuals as at 31 December in each of 2019, 2018 and 2017 based on contractual maturity.

	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
	<i>(U.S.\$ thousand)</i>					
As at 31 December 2019.....	1,001,999	472,651	408,616	551,517	12,466	2,447,249
As at 31 December 2018.....	283,914	422,702	688,949	221,562	11,262	1,628,389
As at 31 December 2017.....	277,506	74,468	212,150	290,958	3,414	858,496

As at 31 December 2019, 40.9 per cent. of the Group's placements from financial institutions, other entities and individuals had a contractual maturity of less than three months and 77.0 per cent. had a contractual maturity of less than one year.

As at 31 December 2018, 17.4 per cent. of the Group's placements from financial institutions, other entities and individuals had a contractual maturity of less than three months and 85.7 per cent. had a contractual maturity of less than one year.

The significant increase in the proportion of placements from financial institutions, other entities and individuals with a contractual maturity of less than three months in 2019 principally reflects the enhanced focus of investors on money market investments.

As at 31 December 2019, 73.1 per cent. of the Group's placements from financial institutions, other entities and individuals were from banks and financial institutions and 95.7 per cent. were geographically concentrated on the GCC countries.

As at 31 December 2018, 55.3 per cent. of the Group's placements from financial institutions, other entities and individuals were from banks and financial institutions and 94.1 per cent. were geographically concentrated on the GCC countries.

Term financing

The Group's term financing comprised 9.5 per cent. of its funding as at 31 December 2019, 12.1 per cent. as at 31 December 2018 and 25.1 per cent. as at 31 December 2017.

The table below shows the Group's term financing as at 31 December in each of 2019, 2018 and 2017 (in the case of 2017, on a represented basis).

	As at 31 December		
	2019	2018	2017
	<i>(U.S.\$ thousand)</i>		
Murabaha financing	249,435	191,205	153,899
Wakala financing	—	24,797	54,167

Sukuk liability	—	—	25,364
Ijarah financing	24,653	26,743	15,607
Other borrowings	5,330	13,392	116,025
	279,418	256,137	365,062
Current portion	240,721	197,054	145,687
Non-current portion	38,697	59,083	219,375

As at 31 December 2019, the Group's murabaha financing comprised:

- a U.S.\$6.8 million facility for a period of three years with a profit rate of six month LIBOR plus a margin of 4.5 per cent. per annum (subject to a minimum of 6 per cent. per annum). This murabaha financing is secured by a pledge over the Group's investment in shares of KHCB and matures in 2020;
- a U.S.\$14 million facility obtained for general corporate purposes for a period of five years at a profit rate of three month LIBOR plus a margin of 6 per cent. per annum (subject to a minimum of 7 per cent. per annum). The facility is secured by a pledge on Group's investment in shares of KHCB and matures in 2022; and
- short-term and medium-term facilities of U.S.\$300 million which are secured by a pledge over sukuk and notes and equity investments.

The Group's ijarah facility was obtained from a financial institution in 2016 to part finance the acquisition of an investment property of U.S.\$40.8 million. It is repayable over a period of eight years and has a profit rate of LIBOR plus a margin of 5.7 per cent. per annum (subject to a minimum of 7 per cent. per annum).

The Group's other borrowings comprise financings availed by subsidiaries to fund project development and working capital requirements. The financing are secured against investment in real estate and are held through special purpose vehicles that do not have any recourse to GFH. GFH is not a party to these financing contracts and has not guaranteed repayment in any form.

Customer current accounts

The Group's customer current accounts represent balances in current (non-investment) accounts maintained with KHCB.

The Group's customer current accounts comprised 5.0 per cent. of its funding as at 31 December 2019, 8.4 per cent. as at 31 December 2018 and 13.1 per cent. as at 31 December 2017.

Clients' funds

The Group's clients' funds represent funds relating to projects established and promoted by the Group and placed with the Group pending their disbursement to the projects concerned. Clients' funds are carried at amortised cost.

The Group's clients' funds comprised 2.4 per cent. of its funding as at 31 December 2019, 2.2 per cent. as at 31 December 2018 and 2.7 per cent. as at 31 December 2017.

FINANCING ASSETS PORTFOLIO

The Group's financing assets portfolio (which comprises its financing assets and assets held for leasing net of impairment allowances) was U.S.\$1,273 million as at 31 December 2019. The table below shows the breakdown of the Group's financing assets portfolio of as at 31 December in each of 2019, 2018 and 2017.

	As at 31 December		
	2019	2018	2017
	<i>(U.S.\$ thousand)</i>		
Murabaha ⁽¹⁾	1,008,580	948,188	948,528
Musharaka.....	277	9,393	18,350
Wakala.....	13,280	13,281	56,981
Mudharaba.....	2,776	2,782	3,016
Istisnaa.....	4,597	5,448	—
Assets held for leasing.....	350,976	294,788	257,806
	1,380,486	1,273,880	1,284,681
Less: impairment allowances.....	(107,709)	(64,933)	(34,373)
Total financing assets.....	1,272,777	1,208,947	1,250,308

Note:

- (1) Murabaha financing receivables are presented net of deferred profits, which amounted to U.S.\$68 million as at 31 December 2019, U.S.\$67 million as at 31 December 2018 and U.S.\$61 million as at 31 December 2017.

The Group's financing assets portfolio is principally denominated in Bahraini dinar, although loans are also made in U.S. dollars.

Distribution of financing assets portfolio by maturity

The table below shows the distribution of the Group's financing assets portfolio by maturity as at 31 December in each of 2019, 2018 and 2017 based on contractual maturity.

	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
	<i>(U.S.\$ thousand)</i>					
As at 31 December 2019.....	216,818	124,980	125,343	462,580	343,056	1,272,777
As at 31 December 2018.....	206,529	80,319	205,274	441,592	275,233	1,208,947
As at 31 December 2017.....	195,835	88,974	153,377	391,494	420,628	1,250,308

As at 31 December 2019, U.S.\$467 million, or 36.7 per cent, of the Group's financing assets had a contractual maturity of one year or less.

Sectoral and geographical breakdowns of financing assets portfolio

The table below shows the distribution of the Group's financing assets portfolio by sector as at 31 December in each of 2019, 2018 and 2017 based on contractual maturity.

	Banks and financial institutions	Real estate	Others	Total
	<i>(U.S.\$ thousand)</i>			
As at 31 December 2019.....	20,842	548,799	703,136	1,272,777
As at 31 December 2018.....	29,474	436,097	743,376	1,208,947
As at 31 December 2017.....	29,207	472,573	748,528	1,250,308

As at 31 December 2019, 43.1 per cent. of the Group's financing assets were concentrated on the real estate sector compared to 36.1 per cent. as at 31 December 2018 and 37.8 per cent. as at 31 December 2017. The principal reason for the increase in 2019 is that large new facilities were granted to corporate customers.

The Group believes that its financing assets within the “Others” sector are well diversified and no single category within that sector (except trade sector) accounted for more than 3 per cent. of its total financing assets as at 31 December 2019.

The table below shows the geographic concentration of the Group’s financing assets portfolio as at 31 December in each of 2019, 2018 and 2017.

	GCC	Asia	North America	Others	Total
			<i>(U.S.\$ thousand)</i>		
As at 31 December 2019.....	1,242,257	37	14,307	16,176	1,272,777
As at 31 December 2018.....	1,137,300	101	29,415	42,131	1,208,947
As at 31 December 2017.....	1,168,374	95	29,237	52,602	1,250,308

The Group’s financing assets are geographically concentrated on the GCC, which comprised 97.6 per cent. of the Group’s financing assets as at 31 December 2019, 94.1 per cent. as at 31 December 2018 and 93.4 per cent. as at 31 December 2017. Since 2017, all the new financing undertaken by KHCB has been limited to customers in the GCC.

See generally “*Risk factors—Factors that may affect GFH’s ability to fulfil its obligations under or in connection with the Transaction Documents—Risks applicable to the Group’s commercial banking business*”.

TREASURY PORTFOLIO

The Group’s treasury portfolio comprises (i) placements with financial institutions (which are held at amortised cost) and (ii) its investment securities, which comprise structured notes (which are held at fair value through the income statement (“FVTIS”)) and quoted and, at 31 December 2017, unquoted sukuk (which are held at FVTIS or, the case of unquoted sukuk at 31 December 2017, at amortised cost). The securities are issued by both domestic and international issuers. The Group’s treasury portfolio is designed both to generate returns and to provide an additional source of liquidity when needed.

Structure of the treasury portfolio

The table below summarises the Group’s treasury portfolio as at 31 December in each of 2019, 2018 and 2017. The information in the table below as at 31 December 2017 represents a combination of the Group’s placements with financial institutions and its investment securities.

	As at 31 December		
	2019	2018	2017
		<i>(U.S.\$ thousand)</i>	
Placements with financial institutions.....	546,575	289,558	95,569
Equity type investments			
<i>At FVTIS</i>			
Structured notes.....	239,807	—	—
Debt type investments			
<i>At FVTIS</i>			
Quoted sukuk	284,904	100,527	—
<i>At amortised cost</i>			
Quoted sukuk ⁽¹⁾	517,375	427,915	300,265
Unquoted sukuk	—	—	390
	1,588,661	818,000	396,225

Note:

(1) Includes structured notes of U.S.\$240 million and sukuk of U.S.\$51 million pledged against term financing of U.S.\$215 million as at 31 December 2019.

For information on the manner in which the Group measures the fair value of its securities, see note 35 to the 2019 Financial Statements.

The growth in the Group's treasury portfolio in 2018 and 2019 was driven by increased placements with financial institutions, investment in structured notes and increased investment in quoted sukuk, which reflects the Group's strategy of developing its treasury function.

Sectoral and geographical breakdowns of treasury portfolio

The table below shows the distribution of the Group's treasury portfolio by sector as at 31 December in each of 2019, 2018 and 2017 based on contractual maturity.

	Banks and financial institutions	Real estate	Others	Total
	<i>(U.S.\$ thousand)</i>			
As at 31 December 2019.....	1,525,963	—	62,698	1,588,661
As at 31 December 2018.....	220,757	220,615	376,628	818,000
As at 31 December 2017.....	127,021	387	268,817	396,225

As at 31 December 2019, 96.1 per cent. of the Group's treasury portfolio was concentrated on the banks and financial institutions sector compared to 27 per cent. as at 31 December 2018 and 32 per cent. as at 31 December 2017. The significant increase in proportional terms in 2019 principally reflected the increase in the treasury activities of the Bank through additional exposure in Sukuks and structured notes.

The Group believes that its securities within the "Others" sector are well diversified.

The table below shows the geographic concentration of the Group's treasury portfolio as at 31 December in each of 2019, 2018 and 2017.

	GCC	Asia	North America	Others	Total
	<i>(U.S.\$ thousand)</i>				
As at 31 December 2019.....	1,338,826	-	29,900	219,935	1,588,661
As at 31 December 2018.....	818,000	-	-	-	818,000
As at 31 December 2017.....	396,225	-	-	-	396,225

CAPITAL ADEQUACY

The CBB sets and monitors the capital requirements for the Group as a whole. In implementing the current capital requirements, the CBB requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets (currently 12.5 per cent.). The total regulatory capital base is net of prudential deductions for large exposures based on specific limits agreed with the regulator. The Group's 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 its business.

The capital adequacy regulations of the CBB are based on the principles of Basel III and the IFSB guidelines.

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

- **Tier 1 capital** (which includes CET1 and AT1).

CET1 comprises 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 GFH 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 s instruments that meet the criteria for inclusion in AT1, instruments issued by consolidated banking subsidiaries of GFH held by third parties which meet the criteria of AT1, and regulatory adjustments applied in calculation of AT1.

- **Tier 2 capital**

Tier 2 capital includes instruments issued by GFH 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 GFH 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 CBB requirements. The regulations prescribe higher risk weights for certain exposures that exceed materiality thresholds. These regulatory adjustments are required for certain items such as goodwill on mortgage service right, deferred tax assets, cash flow hedge reserve, gain on sale of related securitisation 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 GFH does not own more than 10 per cent. of the issued common share 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.

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.

The table below shows the Group's regulatory capital position as at 31 December in each of 2019, 2018 and 2017 (in the case of 2017, on a represented basis).

	As at 31 December		
	2019	2018	2017
	<i>(U.S.\$ thousand, except percentages)</i>		
Total risk-weighted exposures.....	8,026,750	7,370,110	7,911,983
CET 1	1,078,076	1,169,103	1,340,550
AT1.....	9,452	9,468	7,304

	As at 31 December		
	2019	2018	2017
	<i>(U.S.\$ thousand, except percentages)</i>		
Tier 1 capital	1,087,528	1,178,571	1,347,854
Tier 2 capital	36,008	35,202	27,096
Total regulatory capital	1,123,536	1,213,773	1,374,950
CET 1 ratio.....	13.43%	15.86%	16.01%
Tier 1 ratio.....	13.55%	15.99%	16.10%
Total capital ratio	14.00%	16.47%	17.38%

The fall in the Group's capital ratios from 31 December 2017 was driven by:

- its capital decreasing at a faster pace than its risk-weighted assets in 2018; and
- its capital increasing at a slower pace than its risk-weighted assets in 2019.

The Group is also subject to a CBB leverage ratio requirement of 3.0 per cent. The Group's leverage ratio was 17.5 per cent. as at 31 December 2019, 22.44 per cent. as at 31 December 2018 and 31.06 per cent. as at 31 December 2017.

INFORMATION TECHNOLOGY

The Group considers that IT is fundamental to its business. Accordingly, it has invested in state-of-the-art IT systems and infrastructure which it believes fully support its growing activities and strategic plan.

The Group is equipped with scalable IT infrastructure supporting various users across Bahrain and elsewhere. The Group devotes a considerable amount of money, time and effort to its IT infrastructure quality and security, which are refreshed frequently in order to meet required standards and ensure service availability at all times.

The Group uses both off-the-shelf and bespoke IT solutions to strengthen its core banking system, in order to meet all business activities and user requirements.

As a financial institution, cyber-security and business continuity are key priorities for the Group. To protect itself against intrusions and other cyber threats, the Group regularly conducts vulnerability assessment tests and takes appropriate remedial actions immediately. To ensure business continuity and disaster recovery, the Group maintains systems at an offsite location to ensure it is able to resume critical operations in a disaster scenario.

INSURANCE

The Group holds investment manager insurance which covers both civil and criminal risks. The civil risks include professional liability, directors and officers' liability, company reimbursement liability, fund managerial liability, company securities liability and employment claims. The criminal risks include employee fraud, criminal property damage, third party fraud, extortion and computer fraud.

This cover was based on a market study conducted by GFH's insurance broker and in coordination with all relevant Group departments. The policy was also reviewed by the Risk Department to ensure that all possible risks are covered and that the policy limits are adequate comparing to the size of the Group's funds.

LITIGATION

The Group is party to a number of potentially significant legal claims, both as defendant and as claimant, as shown in the table below.

Claimant(s)	Defendant(s)	Amount Claimed <i>(equivalent in U.S. dollars)</i>	Background and Status
Energy City Development Company (“ECDC”)	Olayan Financial Company (“OFC”) and GFH	U.S.\$425.8 million plus a further U.S.\$27.5 million as compensation	<ul style="list-style-type: none"> • This claim was filed before the Qatari courts and relates to the default of contractual obligations between ECDC and OFC. GFH was not a party to such contract. • ECDC filed a claim before the Qatari courts against OFC. OFC then filed a counter-claim against ECDC and others. OFC did not include GFH in its counter-claim against ECDC. • Following such counter-claim, ECDC included GFH in its claim against OFC on the basis of a previous contractual relationship between ECDC and GFH. GFH believes that such previous and separate contractual relationship, which was between GFH and ECDC’s parent company (in which GFH was a majority shareholder), is not relevant to ECDC’s claim against OFC. • ECDC requested judgment that GFH should pay OFC the amount of QR1.550 million plus a further QR100 million as compensation. • On 30 June 2019, the court rejected ECDC’s claim against GFH due to GFH’s lack of capacity on the subject of the claim (given that GFH was not a party to the contract between ECDC and OFC). The court passed a judgment that ECDC was obliged to pay OFC QR1.223 million plus a further QR50 million as compensation.

Claimant(s)	Defendant(s)	Amount Claimed	Background and Status
Dubai Islamic Bank (“DIB”)	GFH	U.S.\$19 million plus a further U.S.\$5 million as compensation	<p data-bbox="667 275 824 338"><i>(equivalent in U.S. dollars)</i></p> <ul style="list-style-type: none"> <li data-bbox="889 373 1365 527">• On 29 July 2019, ECDC appealed the court’s judgment and the appeal is currently pending before the Court of Appeal in the State of Qatar. <li data-bbox="889 569 1365 751">• GFH believes that the appeal is likely to be rejected on the basis of GFH’s lack of capacity on the subject of the claim (consistent with the first court’s judgment on ECDC’s claim). <li data-bbox="889 793 1365 884">• The hearing has been adjourned to a later date to transfer the first instance file to the appeal court. <li data-bbox="889 926 1365 1073">• Due to the Covid-19 pandemic, the courts have been closed since 15 March 2020. As soon as the courts re-open, the next hearing date will be set.
			<ul style="list-style-type: none"> <li data-bbox="889 1108 1365 1339">• This claim was filed before the BCDR and relates to DIB’s subscription in one of GFH’s managed real estate funds and DIB’s desire to exit the fund early (whilst the project underlying the fund is still under construction). <li data-bbox="889 1381 1365 1591">• DIB’s request to exit the fund early, and have its subscribed amount refunded, is neither permitted nor envisaged in the fund share purchase agreement or the related private placement memorandum. <li data-bbox="889 1633 1365 1822">• The case was first heard on 24 December 2019 where the BCDR appointed an expert to examine the investment performance of the fund, its financials and the claim in general. <li data-bbox="889 1864 1365 1913">• GFH believes that the claim is likely to be rejected due to the

Claimant(s)	Defendant(s)	Amount Claimed	Background and Status
GFH	DIB	U.S.\$20 million plus U.S.\$5 million compensation	<p>existence of an arbitration clause in the fund share purchase agreement signed by DIB. As a result of the existence of such arbitration clause, GFH believes that the BCDR lacks jurisdiction to hear the claim.</p> <ul style="list-style-type: none"> • BCDR has appointed an accounting expert and the BCDR is awaiting the expert report before issuing its judgment. • The hearing has been adjourned to 7 June 2020 to submit the expert report.
			<ul style="list-style-type: none"> • The claimed amount of U.S.\$20 million is to be paid as underwriting fees to DIB for their subscription in a real estate project that had previously been revoked by the BCDR. • An additional U.S.\$5 million has been claimed as compensation. • The hearing has been adjourned to 4 May 2020.
GFH	QECHC and others	U.S.\$30.7 million plus, approximately, a further U.S.\$19.3 million as compensation	<ul style="list-style-type: none"> • This claim was filed before the Qatari courts and relates to the loss of GFH's shares in the Energy City Qatar project. • The claimed amount represents the value of GFH's shares in the Energy City Qatar project, which were taken over by the CEO of the Energy City Qatar project and another person. • The claim was referred to an accounting expert who filed his report in April 2019 and which concluded that GFH should be entitled to an amount of U.S.\$30.7 million plus compensation so that the total amount payable to GFH

Claimant(s)	Defendant(s)	Amount Claimed	Background and Status
		<i>(equivalent in U.S. dollars)</i>	<p>would be approximately U.S.\$50 million.</p> <ul style="list-style-type: none"> <li data-bbox="888 436 1365 659">• The claim was returned to the accounting expert after the defendant objected to the conclusion of the report and the objections are currently being examined by the accounting expert. <li data-bbox="888 695 1365 785">• The claim is still ongoing in the Qatari courts and no judgment has been issued to date. <li data-bbox="888 821 1365 980">• Due to the Covid-19 pandemic, the courts have been closed since 15 March 2020. As soon as the courts re-open, the court will set the next hearing date.

RISK MANAGEMENT

This section describes GFH's risk management policies and procedures. Certain of its subsidiaries, in particular KHCB, apply their own policies and procedures which are tailored to their particular businesses.

OVERVIEW

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

The primary objectives of GFH's risk management framework are to:

- manage the risks inherent in its activities in line with its risk appetite;
- strengthen its risk management practices to reflect industry best practices; and
- align its internal capital requirements with risk materiality.

The risk strategy is articulated through the limit structures and target ratios for individual risks. These are based on GFH's business plans and guided by regulatory requirements and guidance in this regard. The risk limits and target ratios reflect the level of risk that GFH is prepared to take in order to achieve its objectives. GFH reviews and realigns its risk limits and target ratios in line with its evolving business plan and changing economic and market scenarios. GFH also assesses its tolerance for specific risk categories and its strategy to manage these risks.

GFH's risk management framework encapsulates the spirit of the following key principles for risk management as articulated in Basel guidelines and by the CBB:

- active Board and senior management oversight and control;
- independent risk management function;
- Board-driven sound risk management culture and ownership;
- appropriate policies, 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, control, monitoring and reporting of risks;
- appropriate management information systems at a business and Group-wide level; and
- comprehensive internal controls.

The Group is exposed to numerous risks, including credit risk (including investment risk in unquoted equity securities and concentration risks), liquidity risk, market risk (including foreign exchange risk, profit rate risk in the banking book and equity price risk), operational risk, reputational risk and other risks, such as strategic risk and regulatory risk.

RISK MANAGEMENT FRAMEWORK

The Board has overall responsibility for establishing GFH's risk culture and ensuring that an effective risk management framework is in place. The Board approves and periodically reviews risk management policies and strategies. The Board defines the Group's risk appetite and ensures that its risk management framework is aligned with its capital strategies, financial plans and compensation practices. The Board has overall responsibility for ensuring that the risks undertaken by the Group are understood and appropriately managed.

The purpose of the Board Audit and Risk Committee ("**BARC**") is to assist the Board to fulfil its functions with respect to the Group's financial statements, financial condition and risk management by:

- overseeing the financial and audit systems for financial integrity;
- overseeing the process for monitoring compliance as it relates to financial integrity;
- evaluating and providing oversight of the monitoring of risk management;
- reviewing and assessing the adequacy of the internal controls, risk measurement methodologies, related monitoring, risk management procedures, risk limits and reporting and monitoring adherence to approved risk policies; and
- evaluating the independence and qualifications of the independent auditors.

The key element of GFH's risk management philosophy is for the Risk Management Department (the "**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 BARC.

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.

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

- determining that the appetite for risk is in line with the limits set by the Board and reporting on this to the BARC and the Board;
- developing and reviewing risk management policies in accordance with the risk management guidelines issued by the CBB, the Islamic Financial Services Board ("**IFSB**"), other relevant bodies and international best practices;
- identifying and recommending risk analysis tools and techniques as required by Basel guidelines, the CBB and the IFSB;
- reviewing the adequacy of the risk limits and providing feedback to the relevant approving authorities;

- preparing necessary risk reports and other risk items for review by the BARC and the Board; and
- developing systems and resources to review the key risk exposures of the Group and communicating the planned and executed corrective actions.

The RMD submits a quarterly risk overview report to the Board. The risk overview report describes the potential issues for a wide range of risk factors that are deemed to be material.

CREDIT AND INVESTMENT 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 assets and other receivables from project companies. Investment risk is the risk associated with a decrease in the carrying value of any investment in the balance sheet or a permanent loss or reduced profitability than expected at exit. In this section the terms "credit" and "investment" are used interchangeably. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

GFH is not generally involved in the granting of credit facilities in the normal course of its business activities, although its subsidiary KHCB provides credit facilities to its customers as part of its ordinary course of business. GFH is primarily exposed to credit risk from placements with other financial institutions, investments in sukuk, 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. These exposures arise in the ordinary course of its investment banking activities and are generally transacted without any collateral or other credit risk mitigants.

GFH has established investment risk and credit risk policies, internal credit risk assessment processes, risk reporting, documentation and legal procedures, and compliance requirements. The policies are supplemented by an internal authorisation structure for the approval and renewal of investment and credit facilities. Authorisation limits are as per the Board approved delegated authority limits. The RMD assesses all investment and credit proposals prior to investments or facilities being committed. The RMD notes its concerns and comments on all applications prior to circulation for sign off. Renewals of credit facilities are subject to the same review process. Approvals for commitments are aligned with the Board approved risk appetite. Investment updates are periodically reviewed by the Board. Regular audits of business units and credit processes are undertaken by the Internal Audit department.

Management of investment and credit risk

The RMD is responsible for oversight of the Group's credit risk, including:

- ensuring that the Group has in place investment and credit risk policies, covering risk 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 matrix;
- reviewing and assessing all investment and credit exposures, prior to any investments or facilities being committed. Renewals and reviews of investments and facilities are subject to the same review process;

- ongoing review of credit exposures. The risk assessment approach is used in determining where impairment provisions may be required against specific investment and credit exposures. 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 and credit exposure 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; and
- reviewing the compliance of the business units with agreed exposure limits, including those for selected industries, country risk and product types. The RMD also provides advice, guidance and specialist skills to the business units to promote best practice throughout the Group in the management of investment and credit risk.

The RMD works alongside the Investment department at all stages of the investment banking transaction cycle, from pre-investment due diligence to exit, and provides an independent review of every transaction. A fair and independent evaluation of investments takes place periodically with inputs from the Investment department. Quarterly updates of investments are presented to the Board or one of its committees. Regular audits of business units and Group credit processes are undertaken by the Internal Audit department.

The Group’s exposures subject to credit risk are set out in a table to note 37(a) to the 2019 Financial Statements and are summarised below;

- the gross carrying amount of the Group’s placements with financial institutions was U.S.\$548 million as at 31 December 2019 and the ECL in relation to the exposure was U.S.\$1 million. As at 31 December 2018, the gross carrying amount of the Group’s placements with financial institutions was U.S.\$291 million and the ECL in relation to the exposure was U.S.\$1 million. As at 31 December in both 2019 and 2018, all of this exposure was classified at ECL Stage 1;
- the gross carrying amount of the Group’s financing facilities was U.S.\$1,030 million as at 31 December 2019 and the ECL in relation to the exposure was U.S.\$99 million. U.S.\$756 million of this exposure was classified at ECL Stage 1 and the ECL in relation to that exposure was U.S.\$10 million. U.S.\$78 million of this exposure was classified at ECL Stage 2 and the ECL in relation to that exposure was U.S.\$7 million and U.S.\$195 million of this exposure was classified at ECL Stage 3 and the ECL in relation to that exposure was U.S.\$82 million. As at 31 December 2018, the gross carrying amount of the Group’s financing facilities was U.S.\$983 million and the ECL in relation to the exposure was U.S.\$63 million. U.S.\$647 million of this exposure was classified at ECL Stage 1 and the ECL in relation to that exposure was U.S.\$13 million. U.S.\$128 million of this exposure was classified at ECL Stage 2 and the ECL in relation to that exposure was U.S.\$10 million and U.S.\$208 million of this exposure was classified at ECL Stage 3 and the ECL in relation to that exposure was U.S.\$40 million;
- the gross carrying amount of the Group’s assets acquired for leasing (including lease rentals receivable) was U.S.\$351 million as at 31 December 2019 and the ECL in relation to the exposure was U.S.\$9 million. U.S.\$217 million of this exposure was classified at ECL Stage 1 and the ECL in relation to that exposure was U.S.\$0.4 million. U.S.\$38 million of this exposure was classified at ECL Stage 2 and the ECL in relation to that exposure was U.S.\$1 million and U.S.\$96 million of this exposure was classified at ECL Stage 3 and the ECL in relation to that exposure was U.S.\$7 million. As at 31 December 2018, the gross carrying amount of the Group’s assets acquired for leasing (including lease rentals receivable) was U.S.\$295 million and the ECL in relation to the exposure was U.S.\$7 million. U.S.\$223 million of this exposure was classified at ECL Stage 1 and the ECL in relation to that exposure was U.S.\$0.3 million.

U.S.\$23 million of this exposure was classified at ECL Stage 2 and the ECL in relation to that exposure was U.S.\$0.4 million and U.S.\$49 million of this exposure was classified at ECL Stage 3 and the ECL in relation to that exposure was U.S.\$7 million;

- the gross carrying amount of the Group's investment in sukuk was U.S.\$521 million as at 31 December 2019 and the ECL in relation to the exposure was U.S.\$4 million. U.S.\$517 million of this exposure was classified at ECL Stage 1 and the ECL in relation to that exposure was less than U.S.\$0.1 million. U.S.\$4 million of this exposure was classified at ECL Stage 3 and the ECL in relation to that exposure was U.S.\$3 million. As at 31 December 2018, the gross carrying amount of the Group's investment in sukuk was U.S.\$431 million and the ECL in relation to the exposure was U.S.\$4 million. U.S.\$428 million of this exposure was classified at ECL Stage 1 and the ECL in relation to that exposure was less than U.S.\$0.1 million. U.S.\$3 million of this exposure was classified at ECL Stage 3 and the ECL in relation to that exposure was U.S.\$3 million;
- the gross carrying amount of the Group's balances with banks was U.S.\$362 million as at 31 December 2019 and the ECL in relation to the exposure was less than U.S.\$0.1 million. As at 31 December 2018, the gross carrying amount of the Group's balances with banks was U.S.\$320 million as at 31 December 2018 and the ECL in relation to the exposure was U.S.\$0.1 million. As at 31 December in each of 2019 and 2018, all of this exposure was classified at ECL Stage 1;
- the gross carrying amount of the Group's other assets exposed to credit risk was U.S.\$296 million as at 31 December 2019 and the ECL in relation to the exposure was U.S.\$0.2 million. As at 31 December 2018, the gross carrying amount of the Group's other assets exposed to credit risk was U.S.\$154 million and the ECL in relation to the exposure was U.S.\$0.2 million. As at 31 December in each of 2019 and 2018, all of this exposure was classified at ECL Stage 1; and
- the gross carrying amount of the Group's commitments and financial guarantees was U.S.\$256 million as at 31 December 2019 and the ECL in relation to the exposure was U.S.\$1 million. U.S.\$231 million of this exposure was classified at ECL Stage 1 and the ECL in relation to that exposure was U.S.\$0.5 million. U.S.\$21 million of this exposure was classified at ECL Stage 2 and the ECL in relation to that exposure was U.S.\$0.1 million and U.S.\$4 million of this exposure was classified at ECL Stage 3 and the ECL in relation to that exposure was U.S.\$0.2 million. As at 31 December 2018, the gross carrying amount of the Group's commitments and financial guarantees was U.S.\$254 million as at 31 December 2018 and the ECL in relation to the exposure was U.S.\$1 million. U.S.\$243 million of this exposure was classified at ECL Stage 1 and the ECL in relation to that exposure was U.S.\$1 million. U.S.\$7 million of this exposure was classified at ECL Stage 2 and the ECL in relation to that exposure was U.S.\$0.2 million and U.S.\$4 million of this exposure was classified at ECL Stage 3 and the ECL in relation to that exposure was U.S.\$0.3 million.

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 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 expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition, the following criteria are considered:

- any downgrade in risk rating according to the approved ECL policy;
- any facilities restructured during the previous twelve months;
- any qualitative indicators, such as a significant deterioration in the credit profile of the exposure or any major stress in the sector or geography in which the exposure operates; and
- any facilities overdue by 30 days as at the reporting date subject to rebuttal in deserving circumstances.

Credit risk grades

The Group allocates credit risk grades to each exposure 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 the 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 as the credit risk deteriorates.

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. The monitoring typically involves use of the following data:

For corporate exposures

- information obtained during periodic review of customer files - for example 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 and senior management changes;
- data from credit reference agencies, press articles and changes in external credit ratings;
- quoted bond and credit default swap 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;

For retail exposures

- internally collected data on customer behaviour – for example utilisation of credit card facilities;
- affordability metrics;
- external data from credit reference agencies including industry-standard credit scores;

For all exposures

- payment record, including overdue status as well as a range of variables about payment ratios;
- utilisation of the granted limit;
- requests for and granting of forbearance; and

- 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 performance and default information about credit risk exposures are analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

Statistical models are used to analyse 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 (such as forbearance experience) on the risk of default. For most exposures, the 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 Board and management level committees 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 “—*Incorporation of forward-looking information*” below. 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 judgment 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 include different criteria used for different portfolios such as credit cards and commercial real estate.

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.

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 in full to the Group, without recourse by the Group to actions such as realising security (if any is held); or
- 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 obligations.

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. 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 IMF, and selected private-sector and academic forecasters.

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 in both 2019 and 2018 included key indicators for the selected countries such as the unemployment rates, interest 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 derecognition, the determination of whether the asset's credit risk has increased significantly reflects a 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.

Financing to customers in financial difficulties may be renegotiated (referred to as “**forbearance**”) to maximise collection opportunities and minimise the risk of default. Under the forbearance policy, forbearance of financing assets 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 or in default. 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 or 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 are expected to be received). 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:

- PD;
- loss given default (“LGD”); and
- exposure at default (“EAD”).

These parameters are generally derived from internally developed statistical models and other internal and external 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, this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

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 assets 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 tables below show the breakdown of ECL by category of assets in the consolidated statement of financial position and off-balance sheet commitments as at 31 December in each of 2019 and 2018.

	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	<i>(U.S.\$ thousand)</i>			
Balances with banks	8	-	-	8
Treasury portfolio	1,138	-	3,493	4,631
Financing assets	10,525	8,484	88,700	107,709
Other financial receivables	2,260	(5,842)	5,687	2,105
Financing commitments and financial guarantees.....	464	133	202	799
Balance at 31 December 2019	14,395	2,775	98,082	115,252

	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	<i>(U.S.\$ thousand)</i>			
Balances with banks	134	-	-	134
Treasury portfolio	961	-	3,493	4,454
Financing assets	12,631	9,801	40,168	62,600
Assets acquired for leasing and lease rentals receivables.....	281	368	5,864	6,513
Other financial assets	238	-	-	238
Financing commitments and financial guarantees.....	531	223	318	1,072
Balance at 31 December 2018	14,776	10,392	49,843	75,011

Renegotiated facilities

During 2019, 2018 and 2017, facilities of U.S.\$101 million, U.S.\$45 million and U.S.\$67 million were renegotiated, out of which U.S.\$3 million, U.S.\$23 million and U.S.\$5 million, respectively, were classified as neither past due nor impaired as at 31 December in each year. The renegotiated terms usually require settlement of profit accrued until the date of settlement on the facility and/or the 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 U.S.\$440 million as at 31 December 2019, U.S.\$379 million as at 31 December 2018 and U.S.\$311 million as at 31 December 2017 and reflecting the fact that an entire facility is classified past due as soon as any part of it is past due, only instalments of U.S.\$97 million as at 31 December 2019, U.S.\$104 million as at 31 December 2018 and U.S.\$5 million as at 31 December 2017 were past due.

Allowances for impairment

The Group makes provisions for impairment on individual assets classified under grades 8, 9 and 10 (the three lowest grades). This is done on the basis of the present value of the projected future cash flows from the assets themselves and consideration of the value of the collateral available. On a collective basis, the Group 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 a financing facility and a sukuk investment as non-accrual status if the facility or sukuk is past due for longer than 90 days or there is reasonable doubt about the collectability of the receivable amount. The profits on such facilities are not recognised 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 expectation of recovering a financial asset in its entirety or a portion thereof. 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 2019, GFH did not write off any financing facilities. In 2018 and 2017, it wrote off financing facilities amounting to U.S.\$4 million and U.S.\$35 million, respectively, which were fully impaired. During 2019, 2018 and 2017, GFH recovered U.S.\$3 million, U.S.\$263 thousand and U.S.\$263 thousand, respectively, from financing facilities written off in previous years.

Collateral

The Group holds collateral against financing assets 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 the collateral assessed at the time of borrowing. The valuation of any collateral is updated when the associated financing is put on a watch list and monitored more closely. Collateral is not generally held against exposure to other banks and financial institutions or financings made in the ordinary course of its investment banking business by GFH.

The table below shows the Group's estimate of the fair value of collateral and other security enhancements held against financing assets and assets acquired for leasing including lease rentals receivable (referred to as "secured assets" in the table below) as at 31 December in each of 2019 and 2018.

	As at 31 December	
	2019	2018
	Estimated total fair value	
	<i>(U.S.\$ thousand)</i>	
Held against impaired secured assets		
Property collateral.....	139,642	151,347
Other collateral.....	5,008	5,817
Held against past due but not impaired secured assets		
Property collateral.....	157,477	107,769
Other collateral.....	3,069	7,769
Held against secured assets that are neither past due nor impaired		
Property collateral.....	494,459	451,769
Other collateral.....	24,615	32,934
Total.....	824,270	757,405

Note:

The collateral reported in the table includes the value of financial guarantees from banks, but not corporate and personal guarantees as their values are not readily quantifiable. The collateral values considered for disclosure are restricted to the extent of the outstanding exposures.

The Group's average collateral coverage ratio on secured facilities was 130.5 per cent. as at 31 December 2019 and 136.1 per cent. as at 31 December 2018.

Concentration risk

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 the Group's concentration risk by establishing and constantly monitoring geographic and industry wise concentration limits. The Group's geographical and industry-wise distribution of assets and liabilities as at 31 December in each of 2019 and 2018 are shown in note 33 to the 2019 Financial Statements.

LIQUIDITY RISK

Liquidity risk is defined as the risk to an entity's earnings and capital arising from its inability to meet its obligations in a timely manner when they fall due without incurring unacceptable losses.

Management of liquidity risk

GFH's approach to managing liquidity is to ensure 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. The liquidity requirements of the business units are met through treasury to cover any short-term fluctuations and through longer term funding to address any structural liquidity requirements.

The Group's daily liquidity position is monitored and regular liquidity stress testing is conducted under sufficiently severe but plausible scenarios and assumptions that are commensurate with the nature of the Group's business and its size and complexity. The scenarios adopted by the Group reflect a variety of scenarios covering both normal and more severe market and Group-related conditions. All liquidity policies and procedures are subject to review and approval by the Board. Daily reports covering GFH's liquidity position are circulated to the Asset and Liability Committee ("ALCO"). In addition, quarterly liquidity position reports are submitted to the BARC and the Board.

Note 37(b) to the 2019 Financial Statements contains a table that 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 as at 31 December in each of 2019 and 2018. 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. Note 33 to the 2019 Financial Statements contains a table that shows the expected maturity profile of the Group's assets and liabilities as at 31 December in each of 2019 and 2018.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will hold sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group aims to hold liquid assets comprising cash and cash equivalents, placements with banks and financial institutions, sukuk and other investments for which there is an active and liquid market in order to manage the liquidity risk arising from its financial liabilities. These assets can either be readily sold or the Group can raise funds against these assets to meet its liquidity requirements. Further, the Group is focusing on enhancing a pipeline of recurring revenue streams and has undertaken cost reduction exercises designed to improve its operating cash flows.

Measures of liquidity

GFH follows certain internal measures of liquidity. RMD monitors the liquidity profile on a daily basis and reports certain internal measures of liquidity to advise Treasury and ALCO on the Group's liquidity position and risk level. These metrics are intended to better reflect the liquidity position from a cash flow perspective and provide a target for GFH. These internal measures include asset and liability maturity profiles, liquid asset concentrations, stability of funding sources and funding concentration in addition to liquidity ratios including a liquidity coverage ratio, a net stable funding ratio and other liquidity ratios. The Board has approved a liquidity risk appetite, limit and strategy to manage liquidity risk and ensure that risks remain within the Group's risk appetite.

MARKET RISK

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 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.

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. The majority of the Group's profit-based 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.

Note 37(c) to the 2019 Financial Statements contains a table that summarises the Group's profit rate gap position on its non-trading portfolios. This table shows a negative sensitivity gap for maturities of less than three months, maturities between three and six months, maturities between six months and one year and maturities between one and three years as well as an overall negative profit rate gap. This means that the Group is exposed to a reducing profit rate margin in an increasing profit rate environment.

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 parallel fall or rise in all yield curves worldwide.

The table below shows 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) during each of 2019 and 2018.

	2019	2018
	100 basis points parallel increase/decrease	
	<i>(U.S.\$ thousand)</i>	
As at 31 December.....	+/- 10,838	+/- 9,017
Average for the year	+/- 13,103	+/- 4,340
Maximum for the year	+/- 15,898	+/- 11,495
Minimum for the year	+/- 10,337	+/- 7,975

Overall, profit rate risk positions are managed by Treasury, which principally uses placements from or with financial institutions to manage the overall position arising from the Group's activities.

The table below shows the effective average profit rates on the Group's financial assets, liabilities and unrestricted investment accounts for each of 2019, 2018 and 2017.

	2019	2018	2017
	<i>(per cent.)</i>		
Placements with financial institutions	3.27	3.22	1.87
Financing assets	6.71	5.96	6.12
Debt type investments.....	6.85	5.24	5.20
Placements from financial institutions, other entities and individuals	4.02	6.22	2.60
Financing liabilities.....	6.71	3.61	4.58
Equity of investment account holders.....	1.83	6.15	2.07

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 Group's major exposure is in GCC currencies, most of which are pegged to the U.S. dollar.

The table below shows the Group's significant net exposures denominated in foreign currency from its financial instruments as of 31 December in each of 2019 and 2018.

	As at 31 December	
	2019	2018
	<i>(U.S.\$ thousand equivalent)</i>	
Pounds sterling.....	9,511	(1,715)
Euro.....	(674)	(1,020)
Australian dollars	12,223	12,273
Kuwaiti dinar	41,867	227,797
Jordanian dinar.....	6	6
Egyptian pound.....	22,458	—
Moroccan dirham.....	150,263	191,170
Tunisian dinar	309,800	253,749
Indian rupee	306,004	(597,608)
GCC currencies pegged to the U.S. dollar	(1,679,101)	(652,045)

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 per cent. plus or minus change in exchange rates, other than for GCC pegged currencies.

The table below shows 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) in 2019 and 2018.

	<u>2019</u>	<u>2018</u>
	5 per cent. plus/minus change in exchange rates	
	<i>(U.S.\$ thousand)</i>	
Pounds sterling.....	+/- 476	+/- 86
Euro.....	+/- 34	+/- 51
Australian dollars.....	+/- 611	+/- 614
Kuwaiti dinar	+/- 2,093	+/- 11,390
Egyptian pound.....	+/- 1,123	—
Jordanian dinar.....	+/- 0.32	+/- 0.32
Moroccan dirham.....	+/- 7,513	+/- 574
Tunisian dinar	+/- 15,490	+/- 9,559
Indian rupee	+/- 15,300	+/- 12,687

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 (such as stop loss limit, stop loss trigger and overall stop loss limit cap) set within the portfolio management contract for fund managers. The Group's unquoted equity type instruments carried at cost are exposed to risk of changes in equity values. GFH manages the Group's exposure to other price risks by actively monitoring the performance of the unquoted equity securities.

Management of market risks

As a matter of general policy, the Group does not assume trading positions on its assets and liabilities, and hence the entire balance sheet is a non-trading portfolio. GFH seeks to manage currency risk by continually monitoring exchange rates against Board approved limits for different currencies. Profit rate risk is managed principally through monitoring profit rate gaps, by having pre-approved limits for repricing bands and assessment of the impact on earnings and equity value. Equity price risk is managed by setting exposure limits on each of the instruments in accordance with the Group's delegated authority level matrix and regular monitoring and reporting of market prices. Overall authority for market risk is vested in the BARC. The RMD is responsible for the development and recommendation of detailed risk management policies, procedures and risk appetite limits for market risk.

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.

Operational risk management

Whilst operational risk cannot be eliminated entirely, GFH endeavours to minimise it by ensuring that a strong control infrastructure is in place throughout the Group. 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 RMD manages the framework and facilitates the process of operational risk management by assisting in the identification of, monitoring and managing of operational risk in the Group.

GFH has an operational risk management framework manual which includes components such as key risk indicators, operational loss data and risk and control self-assessment.

To ensure effective governance across all processes and functions, GFH has adopted a three lines of defence approach, under which:

- the first line of defence is the business line operations which (i) embed the risk management framework and sound risk management practices into their standard operating procedures, (ii) monitor risk management performance and (iii) are accountable for their effectiveness of risk management;
- the second line of defence is the RMD which (i) develops and implements the risk management framework, including the relevant risk management policies, systems, processes and tools, (ii) ensures that the framework encompasses event identification, risk assessment, risk response, control activities, information and communication, monitoring and reporting and (iii) exercises approval authorities in accordance with delegated authorities; and
- the third line of defence is the Internal Audit department which (i) reviews the effectiveness of the risk management practices, (ii) confirms the level of compliance with the operational risk policy and (iii) recommends improvements and enforces corrective action where necessary.

GFH's definition of operational risk also includes legal and *Shari'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. However, operational risk that has a direct impact upon reputation (and by default a subsequent impact on profit and/or performance) is formally considered and reported upon. Whilst operational risk excludes losses attributable to traditional banking risk (credit, market and liquidity), GFH 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.

Legal, compliance and regulatory risk

Legal, compliance and regulatory risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies, and procedures or ethical standards.

The Group has established approved policies in relation to legal, regulatory and compliance risk and has dedicated compliance and legal departments. Compliance is the responsibility of all members of staff. The compliance monitoring plan and compliance training programmes are also designed to minimise the risk of non-compliance. In addition, GFH's legal department comprises in-house legal advisers who are consulted on all major activities conducted by it. All contracts and documents must also be reviewed by the legal department.

***Shari'a* compliance**

The Group's *Shari'a* Supervisory Board (the "SSB") comprises four Islamic scholars who review the Group's compliance with general *Shari'a* principles and specific fatwas, rulings and guidelines. Their review includes examination of the documentation and procedures adopted by the Group to ensure that the Group's activities are conducted in accordance with Islamic *Shari'a* principles. GFH also has a dedicated internal *Shari'a* team which performs an ongoing review of 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.

OTHER RISKS

Strategic/business risk

Strategic/business risk refers to the risk that the Group would be exposed to in the event that its business strategy and plan are not achieved and could have an adverse impact on the Group's profitability and capital position.

The Group has a robust budgeting process. The approved budget forms a baseline for the Group's businesses and support functions to assess their performance. The Group has established monitoring mechanisms to periodically identify and assess any deviation from the approved business plans that could impact its performance in terms of asset growth and financial health or which could lead to an adverse impact on the Group's profitability and capital position. Mechanics include key performance indicators, internal capital adequacy assessment process, key risk indicators and risk policies that reduce the inherent risks to which the Group is exposed.

Reputational risk

Reputational risk is the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect the Group's ability to maintain existing, or establish new, business relationships and continued access to sources of funding. As an Islamic investment bank, reputation is an important asset and among the issues that could affect GFH's reputation are 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 coupled with a strong corporate governance process help GFH to mitigate reputational risks.

Displaced commercial risk

Displaced commercial risk ("DCR") refers to the market pressure to pay returns that exceeds 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. GFH's DCR primarily arises from funds accepted in the form of Investment Account Holders which are currently not significant in terms of size and in comparison to GFH's overall activities. The returns to investors on the funds are based on returns earned from short-term placements and therefore GFH 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 GFH does not assume any obligation to provide fixed or determinable returns to its investors. GFH constantly monitors all potential risks that may arise from all such activities as part of its reputational risk management.

Other risks

Risk management has been embedded in GFH's policies, procedures and reports. The Board has overall responsibility for approving and reviewing GFH's risk strategies and significant amendments to the risk policies. GFH's senior management is responsible for implementing the risk strategy approved by the Board to identify, measure, monitor and control the risks faced by it. As a matter of policy, GFH regularly reviews and monitors financial and marketing strategies, business performance, new legal and regulatory developments and their potential impact on GFH's business activities and practices.

MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

The Board is responsible for the establishment and oversight of the Group's business strategy and priorities, setting high-level policies and overall management, and is accountable to shareholders for the financial and operational performance of the Group. It is responsible for the raising and allocation of capital, monitoring of Executive Management and its conduct of the Group's operations, making critical business decisions and building long-term shareholder value. The Board ensures that the Group manages risk effectively, by approving and monitoring the Group's risk appetite, and identifying and guarding against the longer-term strategic threats to the business.

In line with applicable regulations and international best practices, the Board has instituted corporate governance measures to ensure that the interests of all shareholders are protected, including the requirement that more than one-third of the Board's directors are Independent Directors (as defined in the CBB Rulebook).

The Board has established a Corporate Governance and Compliance framework in line with the applicable laws and regulatory requirements. The Board has delegated overall responsibility for the Group's compliance function to GFH's Chief Executive Officer (the "CEO"). In practice, the Group's day-to-day compliance function is carried out through a dedicated compliance department, with a mandate to cover all aspects of compliance, including: formulation of effective policies and processes for the management of the Group's compliance risk; assisting Executive Management and staff in managing compliance risk; advising on laws and regulations and applicable compliance standards; updating and disseminating compliance policies and providing guidelines to the Group's staff members; ensuring an effective compliance framework; providing periodical reports to the Board in connection with compliance controls; and establishing a robust Know Your Customer and Anti-Money Laundering framework.

The Board meets regularly and holds a minimum of four meetings a year. The Board held five meetings in 2019. Members of the Board hold office for a three-year renewable term. The term of office of the current Board expired on 31 March 2020, however in consideration of the Covid 19 pandemic, approval has been granted by the CBB to extend the term of the Board until 30 September 2020.

Currently, the Board is comprised of 10 members, whose details are mentioned below.

Name	Position	Date of appointment/re-appointment
Mr. Jassim Mohamed Rafi Alseddiqi Alansaari	Chairman and Executive Director	April 2016/March 2017
H.E. Shaikh Ahmed Bin Khalifa Al Khalifa	Vice Chairman and Executive Director	March 2017
Mr. Hisham Ahmed Noor Al Rayes	Executive Director	April 2016/March 2017
Mr. Musabah Said Musabah Al Mutairy	Independent Director	March 2009/March 2017
Mr. Ghazi Faisal Ebrahim Al Hajeri	Independent Director	March 2017
Mr. Rashid Nasser Rashid Al Kaabi	Non-Executive Director	March 2017
Mr. Mustafa Ghazi Kheriba	Executive Director	March 2018
Mr. Amro Saad Omar Saad Al Menhali	Independent Director	May 2018
Mr. Ali Murad	Independent Director	April 2020
Mr. Ahmed Abdulhamid Mohammed Al Ahmadi	Independent Director	April 2020

Mr. Jassim Alseddiqi, Chairman and Executive Director

Mr. Jassim Alseddiqi is the Chairman and Executive Director of GFH. Mr. Alseddiqi is also the chief executive officer of ADFG, an Abu-Dhabi based global investment group. He brings extensive investment expertise and a dynamic and innovative approach.

Mr. Alseddiqi is also the Chairman of KHCB and Eshraq Properties. He also serves on the boards of several institutions including First Abu Dhabi Bank, the Abu Dhabi Tourism and Development Investment Company, Abu Dhabi Capital Group and ADNOC Distribution.

Mr. Alseddiqi holds a bachelor's degree in Electrical Engineering from the University of Wisconsin-Madison and a master's degree in Electrical Engineering from Cornell University. He has also served as a lecturer at the Abu Dhabi-based Petroleum Institute.

H.E. Shaikh Ahmed Bin Khalifa Al Khalifa, Vice-Chairman and Executive Director

H.E. Shaikh Ahmed Al Khalifa has more than 23 years' experience ranging from banking to advisory and ministerial positions. He is currently the Advisor for Community Affairs at the Bahrain Crown Prince Court (Rank of Minister).

In 2009, H.E. Al Khalifa became the Advisor to His Royal Highness the Crown Prince of Bahrain (Rank of Minister). In 2006, he was the Secretary General of the Supreme Council for Defence of Bahrain (Rank of Minister). Shaikh Ahmed also served as the Bahraini ambassador to the UAE from 2000 to 2006. He has also worked with Arab Banking Corporation ("ABC"), including as head of the ABC office in Abu Dhabi.

H.E. Al Khalifa holds a bachelor's degree in Computer Science and Accounting from the University of Bahrain. He also holds a certificate from the College of Science at King Fahad University of Petroleum and Minerals. Shaikh Ahmed also holds the Global Credit Analysis Certificate from BPP Training and Consultancy in London, and the Gulf Executive Management and Strategic Leadership Certificate from Columbia University in New York.

Mr. Hisham Al Rayes, Executive Director

Mr. Hisham Al Rayes has been the CEO of GFH since 2012.

Prior to his appointment as CEO, Mr. Al Rayes was GFH's Chief Investment Officer during which he was responsible for driving the development and execution of its regional and international investment strategy along with management of the Group's liabilities.

Before joining the Group in 2007, Mr. Al Rayes was part of the senior management team of the Bank of Bahrain & Kuwait ("BBK"), a leading commercial bank in Bahrain. During his tenure at BBK, Mr. Al Rayes was responsible for a number of key projects and new venture initiatives, including establishing one of BBK's key subsidiaries as well as developing BBK's e-banking platform.

Mr. Al Rayes is the chairman of Balexco and Gulf Holding Company and a director in KHCB, Falcon Cement Company, GFH Capital and Shuaa Capital.

Mr. Al Rayes holds a master's degree with honours in Business Administration from the University of DePaul, Chicago and a bachelor's degree in Engineering with honours from the University of Bahrain.

Mr. Musabah Al Mutairy, Independent Director

Mr. Musabah Al Mutairy has extensive financial expertise gained throughout his 26-year career in the fields of investment, finance and accounting. He is currently a member of several boards including the board of directors and investment committee of Royal Guard of Oman Pension Fund. He is also a member of the board of directors at Hotels Management Company International, Bank Nizwa, Oman Munitions Production Company, Takaful Oman Insurance and Oman National Investments Development Company.

Mr. Al Mutairy currently holds a Master of Business Administration (“MBA”) in Finance from the University of Humberside & Lincolnshire and a bachelor’s degree in Accounting from South West London College in the UK. In addition, he holds several internationally recognised accounting qualifications.

Mr. Ghazi Al Hajeri, Independent Director

Mr. Ghazi Al Hajeri is the deputy CEO of Touristic Enterprises Co., an entity owned by the Kuwait Investment Authority, where he is responsible for facility operations and development. Mr. Al Hajeri was managing director of Wafra InterVest Corp. He established its regional office in 2007 and was its regional director until 2017. Mr. Al Hajeri was responsible for the firm’s regional business strategy and product development and served as a corporate liaison with the firm’s largest clients. Mr. Al Hajeri also 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 Committee and responsible for reviewing and monitoring external investment managers while directing departmental strategy at Wafra Investment Advisory Group in New York from 2000 – 2006. Prior to that, Mr. Al Hajeri served as an assistant to financial consultant at Merrill Lynch.

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

Mr. Rashid Al Kaabi, Non-Executive Director

Mr. Rashid Al Kaabi is the vice chairman for Al Sraiya Holding Group, a group with diversified operations in engineering consultancy, civil construction, readymix, concrete blocks, interlock tiles, electrical products, landscaping and water management. Mr. Al Kaabi is member of the board of directors of the Qatar Chamber of Commerce and Industry (“QCCI”), chairman of the industry committee at QCCI and head of the Qatari side in the Qatari-Lebanese Business Council, a member of the steering committee of Manateq (Qatar Economy Zones Company) and a member of the board of Qatar Enterprises Company.

Mr. Al Kaabi holds a bachelor’s degree in Law from Beirut Arab University and a Doctor of Honours in Business Management from the Open International University for complementary Medicine and Medicina Alternativa.

Mr. Mustafa Kheriba, Executive Director

Mr. Mustafa Kheriba is the deputy CEO and group head of asset & wealth management at ADFG and executive director of ADFG’s investment manager, ADCM Ltd.

Mr. Kheriba manages the investment activities, business development and control aspects of ADFG and its subsidiary companies. He also oversees deal origination, fund raising activities and directly manages key investments for the group.

Mr. Kheriba currently serves as executive director of Integrated Alternative Finance Ltd., Spadille Ltd, Northacre Plc, Reem Finance (PrJSC) and Integrated Securities (L.L.C.), in addition to being a non-executive director at Qannas Investments Limited. Mr. Kheriba is also currently a board member and managing director of Gulf Finance Company (PrJSC) in the UAE and Saudi Arabia. He also serves on the board of directors of KHCB, Gulf Finance House (B.S.C.), Dalama Insurance Company (PJSC) and ADCorp.

Mr. Kheriba has previously held senior posts in financial services and investment companies in the GCC, the US and Canada. He was named among the top 50 MENA Fund Managers in the annual survey conducted by MENA FM Magazine in 2015 and 2016.

Mr. Kheriba holds a bachelor's degree from the University of Toronto and an MBA from Ohio Dominican University with Magna Cum Laude honors.

Mr. Amro Al Menhali, Independent Director

Mr. Amro Al Menhali has 20 years' experience in leading UAE banks in a variety of leadership roles across the banking industry. In his previous roles, he helped formulate a robust credit risk culture and also headed an Islamic banking business during its transformational stage.

Mr. Al Menhali sits on several boards and is a representative in the UAE Banks Federation. He has acquired expertise in finance, risk, strategy and corporate governance.

Mr. Al Menhali holds a bachelor's degree with honours in Business Administration. He also successfully completed a post-graduation General Management Programme from Harvard Business School in May 2011.

Mr. Ali Murad, Independent Director

Mr. Ali Murad currently serves as the managing director and is the co-founder of Pinnacle W.L.L., Bahrain.

Mr. Ali Murad brings more than 16 years' experience in the banking sector and is currently on the board of several companies including C5 Accelerate W.L.L., EAT App and Pinnacle W.L.L.

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

Mr. Ahmed Al Ahmadi

Mr. Al Ahmadi started his career with Mubadala Investment Company where he currently is an Associate, Mergers and Acquisitions and previously worked for Rothschild & Co. in UK. He serves as a Board Member at Shuaa Capital PSC.

Mr. Ahmed Al Ahmadi holds a Masters of Science with Merit in Risk Management and Financial Engineering from Imperial College of Science, Technology & Medicine in London and a Bachelor's degree in chemical engineering with First Class Honors from University College London.

BOARD COMMITTEES

The Board has established three Board committees, membership of which is drawn from the Board, and to which it has delegated specific responsibilities.

Board Executive Committee

The Board Executive Committee is responsible for the investment and funding requests, preparing the investment policies and controls, organising banking relationships and overseeing items which are not included in the budget.

The members of the Board Executive Committee are Jassim Alseddiqi, Shaikh Ahmed Al Khalifa, Hisham Al Rayes and Mazen Al Saeed. The committee had three meetings in 2019.

Board Audit & Risk Committee

The Board Audit & Risk Committee monitors the internal and external audit, risk management and compliance and anti-money laundering matters.

The members of the Board Audit & Risk Committee are Ghazi Al Hajeri and Musabah Al Mutairy. The committee had seven meetings in 2019.

Board Nomination Remuneration and Governance Committee

The Board Nomination, Remuneration & Governance Committee (the “**BNRGC**”) 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 GFH’s governance framework.

The members of the BNRGC are Musabah Al Mutairy, Ghazi Al Hajeri and Amro Al Menhali. The committee had two meetings in 2019.

EXECUTIVE MANAGEMENT

The Board has delegated to the Executive Management the primary responsibility for implementing the strategy of the Group, identifying and evaluating significant risks to the business of the Group and for the design and operation of appropriate internal controls.

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

Name	Position	Date joined
Mr. Hisham Al Rayes	CEO	29 May 2007
Mr. Baha Al-Marzooq	Chief Internal Audit	15 February 2006
Mr. Hammad Younas	Chief Investment Management	16 November 2016
Mr. Salah Sharif	Chief Administrative Officer	1 October 2016
Mr. Suryanarayanan Hariharan	Head of Financial Control	2 November 2014
Mr. Salem Patel	Head of Proprietary Investment	21 August 2007
Mr. Ahmed Jamsheer	Head of Treasury & Capital Markets	01 March 2016
Mr. Abesh Chatterjee	Head of Risk Management	23 October 2016
Mr. Hussain Abbas	Head of Internal Audit	25 June 2006
Mr. Imran Sami	Head of Legal	25 May 2016
Dr. Mohammed Abdulsalam	Head of Shari’a & Corporate Secretary	27 August 2006
Mr. Hazim Abdulkarim	Head of SPV Administration & Government Relations	1 September 2000
Ms Maryam Jowhary	Head of Compliance	22 December 2019
Mr. Nabeel Mirza	Corporate Governance Officer	22 April 2012
Mr. Osama Janahi	Head of Information Technology	7 October 2000
Ms. Muneera Isa	Head of Human Resources	1 September 2014
Mr. Mohammed Abdulmalik	Head of Placement Management	1 October 2002

Name	Position	Date joined
Mr. Mohamed Khonji	Head of UAE Market	2 November 2014
Mr. Razi Almerbati	Head of Riyadh & Jeddah Markets	15 January 2015
Mr. Ebrahim Alshaibeh	Head of Bahrain, Oman & Eastern Province Markets	3 April 2016
Mr. Osama Alharam	Head of Kuwait Market	3 December 2017
Shaikh Hamed Al Khalifa	CEO – GFH Properties	15 December 2019
Mr. Timothy O'Donnell	Senior Executive Director – Development, GFH Properties	19 May 2019
Dr. Ahlam Zainal	Senior Director - Development, GFH Properties	20 May 2019
Mr. Rakesh Patnaik	Senior Executive Director – CEO of India Projects	13 January 2019
Mr. Chetan Dongra	Executive Director, Infrastructure Development	26 May 2011
Dr. Essa Faqeeh	CEO – Al-Areen Investment Company	2 January 2017
Mr. Talal Almahroos	Executive Director - Infrastructure Investments	11 November 2019
Mr. Peter Burdon	CEO – Britus Education	10 June 2019

Mr. Hisham Al Rayes, CEO

See “—*Board of directors*” above.

Mr. Baha Al-Marzooq, Chief Internal Audit

Mr. Baha Al-Marzooq supports the Group’s strategic success by ensuring a systematic and disciplined approach to internal control, risk management and governance processes. A member of GFH’s Management Committee, he also leads several departments, either directly or administratively, including Corporate Control, IT, Litigation, Legal and Compliance.

Mr. Al Mazrooq has 20 years’ experience in auditing and banking in the Islamic and investment banking sectors. Prior to joining the Group, Mr. Al Mazrooq worked with Ernst & Young – Bahrain as manager in the assurance services of the Islamic banking group during which time he also served in other regional offices including Kuwait, Qatar and Houston in the United States.

Mr. Al Mazrooq holds a bachelor’s degree 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 specialised professional qualifications including Certified Internal Auditor, Chartered Global Management Accountant and a Certification in Risk Management Assurance. He also recently completed a Senior Executive Leadership Program at Harvard Business School.

Mr. Hammad Younas, Chief Investment Management

Mr. Hammad Younas is Chief Investment Management and leads the overall investment business of the Group, including Private Equity, Corporate Investment and Asset Management.

Mr. Younas has more than 20 years’ experience in corporate finance, investment banking, private equity, real estate and asset management, including regional and cross-border transactions in the MENA region, the US, Europe and South Asia across multiple sectors and asset classes. His transaction experience includes mergers and acquisitions, initial public offerings, listings, secondary offerings, private placements and debt raising.

Prior to joining GFH in 2016, Mr. Younas 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. Mr. Younas 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.

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

Mr. Salah Sharif, Chief Administrative Officer

Mr. Salah Sharif participates in the strategic and day to day management of the Group's core corporate support functions and is responsible for ensuring that high standards of operational excellence are achieved for the Group's special purpose vehicles and project companies. He also serves as a board member in several of the Group's project and operating companies.

Mr. Sharif has more than 30 years' experience in both conventional and Islamic financial institutions. His experience covers commercial and wholesale banking and the industrial/infrastructure advisory sector. Before joining the Group in 2016, he served as the CEO of Cemena Holding Company ("CHC"), an industrial subsidiary of the Group and one of the largest cement holding companies in the MENA region.

Mr. Sharif has also held a number of senior roles at global financial institutions, including operations and facilities manager for the Middle East & North Africa at American Express in Bahrain and at Standard Chartered Bank in Bahrain where he held various managerial and executive positions, including head of operations.

Mr. Sharif holds an MBA with a distinction from the University of South Wales, UK.

Mr. Suryanarayanan Hariharan, Head of Financial Control

Mr. Suryanarayanan Hariharan works closely with the Group's executive management team and is responsible for accounting, financial planning and analysis and stakeholder reporting, including regulatory reporting, for the Group and its subsidiaries. Mr. Hariharan has more than 16 years' experience in stakeholder reporting, audit services, business process improvement and transition and risk advisory. Prior to joining the Group in 2012, Mr. Hariharan was the head of finance for a private equity venture in Abu Dhabi. Before that he was with KPMG in both Bahrain and Qatar and PricewaterhouseCoopers in India.

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

Mr Salem Patel, Head of Proprietary Investment

Mr. Salem Patel facilitates strategic transactions for GFH. He has over 20 years' local and international financial industry experience, having previously worked in the financial services division with Accenture in London and before that as a financial analyst with Longview Partners, London. He also held roles in equity research at both UBS and Société Generale.

Mr. Patel currently holds a number of directorships, including GFH Properties, Al Khaleej Funds and Investment Company (Al Basha'er GCC Equity Fund) and Sheffield School. He graduated from the City University Business School in London with a B.S.C (Hons) in Business Studies specialising in Finance and has obtained a number of certifications including the Islamic Finance Qualification and the Securities and Futures Authorities Registered Representative. He also recently completed a Senior Executive Leadership Program at Harvard Business School.

Mr. Ahmed Jamsheer, Head of Treasury & Capital Markets

Mr. Ahmed Jamsheer is currently overseeing the Group's treasury and capital markets activities and has over 12 years' experience in financial markets, particularly fixed income, money markets, equities, alternative investments, liquidity management and debt financing.

Mr. Jamsheer was previously the head of capital markets, finance and investments in Promoseven Holdings and managing partner in Fortuna Company.

Mr. Jamsheer holds a master's degree in Finance with High Distinction and a bachelor's degree in Finance & Information Technology from Bentley University in Waltham, Massachusetts.

Mr. Abesh Chatterjee, Head of Risk Management

Mr. Abesh Chatterjee is the Group's Head of Risk Management. He has over 11 years' experience in risk management. He is responsible for managing all types of risk, including credit, market, liquidity and operational risk across the Group and ensuring that the risk framework is effective. He works closely with the CEO and other members of the Group's executive management team and reports independently to the Board Audit & Risk Committee.

Mr. Chatterjee began his career as a risk management professional in India with ICICI Bank. He subsequently transferred to Bahrain where he managed the risk management function of ICICI Bank Bahrain. He also worked as head of risk management in International Investment Bank, Bahrain. In addition to risk management, Mr. Chatterjee has experience in enterprise resource planning system development and engineering gained while working at Infosys Technologies Limited and Larsen & Toubro Limited in India.

Mr. Chatterjee holds a post graduate diploma in Management from NITIE in India and a bachelor's degree in Mechanical Engineering from Jadavpur University in India. He has also completed a certification in Financial Risk Manager from the Global Association of Risk Professionals.

Mr. Hussain Abbas, Head of Internal Audit

Mr. Hussain Abbas is the Group's Head of Internal Audit and is responsible for managing the Group's internal audit department and the establishment and oversight of all of its risk-based internal audit activities aimed at ensuring the effectiveness and efficiency of internal control, risk management and governance systems and processes, regulatory and other compliance, reliability and integrity of the Group's information and data and safeguarding its assets.

Mr. Abbas has 16 years' experience in all aspects of internal audit including both domestic and international audit practices. Prior to joining the Group in 2006, he worked at the Bahrain Commercial Facilities Company – Tasheelat as an internal auditor and began his career in audit at Ernst & Young.

Mr. Abbas holds a bachelor's degree and diploma in Accounting from the University of Bahrain and is a Certified Public Accountant, a Certified Internal Auditor and is certified in Risk Management Assurance.

Mr. Imran Sami, Head of Legal

Mr. Imran Sami's experience covers all aspects of both public and private national and cross border mergers and acquisitions and capital markets transactions. He also has wide experience of acting for private equity and venture capital funds and businesses. He supports the Group's general corporate, commercial and financing legal matters, and works with external local and international counsel on regulatory and litigation matters.

Prior to joining the Group in 2016, Mr. Sami was a partner and head of the international transactions practice at Burlingtons LLP, an international law firm based in London. Before this, he led Clyde & Co's Middle East regional private equity practice, was a corporate partner at Starr & Partners and a partner at the London office of US law firm Katten Muchin Rosenman LLP.

Mr. Sami holds a bachelor's degree in law from University College London and a postgraduate diploma in Legal Practice from the College of Law, Guildford. He is a member of the New York State Bar and is a solicitor in England & Wales.

Dr. Mohammed Abdulsalam, Head of Shari'a & Corporate Secretary

As Head of Shari'a and Corporate Secretary at GFH, Dr. Mohammed Abdulsalam supervises all the Group's transactions to ensure that they are conducted in accordance with the teachings of Islamic Shari'a. Dr. Abdulsalam is also responsible for ensuring that the records, meetings and minutes of the Board and its committees are properly maintained in addition to moderating meetings, and managing all record keeping activities for GFH's project companies.

Dr. Abdulsalam joined the Group in 2006 with 17 years' *Shari'a* experience. Prior to joining GFH, Dr. Abdulsalam worked with other Islamic financial institutions in Bahrain. He was a *Shari'a* auditor at Kuwait Finance House and an internal auditor at Bahrain Islamic Bank.

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. He has also pursued additional qualifications including a Masters of Shari'a and Accounting Standards from AAOIFI and courses in Shari'a Control Fatwa for Islamic banks. Dr. Abdulsalam also completed the third module of the International Arbitration Certificate from the Bahrain Chamber for Dispute Resolution in 2014.

Mr. Hazim Abdulkarim, Head of SPV Administration & Government Relations

Mr. Hazim Abdulkarim's responsibilities include ensuring transparent communications with stakeholders and shareholders and building brand equity both online and offline.

Mr. Abdulkarim has more than 23 years' industry experience. Since his appointment in 2000, he has held several positions within the Group, including roles in Operations and Fund Administration, and directorships in several project companies and special purpose vehicles. Prior to joining the Group, he worked in the corporate banking division of Bank of Bahrain and Kuwait.

Mr. Abdulkarim holds an MBA from the University of Glamorgan, UK and an Advanced Diploma in Islamic Banking. He has also passed the Investment Representative Certification Series 7.

Ms Maryam Jowhary, Head of Compliance

Ms. Maryam Jowhary joined the Group in 2019. She is 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 is also responsible for ensuring compliance with the rules and regulations of the CBB, the Bahrain Bourse, the Dubai Financial Market, the UAE Securities and Commodities Authority, the Bursa Kuwait and the Kuwaiti Capital Markets Authority.

Ms. Maryam has significant experience in compliance and anti-money laundering. She works closely with the CEO and other members of the Group's executive management and reports independently to the Board Audit & Risk Committee. Ms. Jowhary has previously worked with Bahraini Saudi Bank and most recently in Central Bank of Bahrain for more than 14 years.

Ms. Jowhary holds a bachelor's degree in Banking and Finance from the University of Bahrain, an Advanced Islamic Banking Diploma from BIBF, as well as APRM & CIPA Certifications.

Mr. Nabeel Mirza, Corporate Governance Officer

Mr. Nabeel Mirza joined the Group in April 2012 and has recently taken the role of Corporate Governance Officer, where he is responsible for monitoring and embedding corporate governance standards within the Group whilst ensuring that the commitments of senior management remain in alignment with the Group's interests and regulatory requirements. Additionally he is responsible for the development and implementation of authority matrixes, corporate governance framework and practices across the Group. He is also designated as the Data Privacy Officer for the Group.

Prior to this role, Mr. Mirza was GFH's Head of Compliance and Money Laundering Reporting Officer (the "MLRO") for over 7 and a half years and has also held compliance roles at Mashreq Bank and Citibank.

Mr. Mirza holds a Master's degree in Public Administration from the University of Karachi and has completed a number of professional courses in compliance, risk management and corporate governance.

Mr. Osama Janahi, Head of Information Technology

As Head of Information Technology, Mr. Osama Janahi oversees the application, development and infrastructure teams. In 2000, he was part of the team that established GFH's IT department.

Mr. Janahi has previously worked with Al Baraka Bank and Arthur Anderson.

He holds a bachelor's degree in Computer Science from the University of Bahrain. He also has IT technical and non-IT professional certifications, including CISA, ITIL and Oracle.

Ms. Muneera Isa, Head of Human Resources

Ms. Muneera Isa manages employee strategies, recruitment, development and retention, career progression and performance management in addition to compliance, policy making and the overall implementation of regulations relating to human resources ("HR").

Ms. Isa joined the Group in September 2014 and has more than 17 years' HR experience with regional and international financial institutions in the Kingdom of Bahrain, including Bahrain Mumtalakat Holding Company, Capinvest and BNP Paribas.

Ms. Isa holds a bachelor's degree in English Literature from the University of Bahrain and a level 5 Chartered Institute of Personal Development Certificate.

Mr. Mohammed Abdulmalik, Head of Placement Management

Mr. Mohammed Abdulmalik is the Group's Head of Placement Management. He is responsible for developing and implementing placement strategies and business models designed to capitalise on current market dynamics and potential opportunities. Mr. Abdulmalik is also a board member of Capital Real Estate Projects and Sheffield Private School.

Mr. Abdulmalik has 21 years' industry experience. Prior to joining the Group in 2002, he held a number of roles in financial control and auditing with Arthur Anderson, Ernst & Young and HSBC.

Mr. Abdulmalik holds a bachelor's degree in Accounting from the University of Bahrain.

Mr. Mohamed Khonji, Head of UAE Market

Mr. Mohamed Khonji is an Executive Director in the Placement & Relationship Management department heading the UAE market.

Mr. Khonji has more than 21 years' experience in investment, relationship management, wealth management, business development and corporate communications. Before he joined the Group in 2014, he had worked at International Investment Bank, First Energy Bank and Qatar First Bank.

Mr. Khonji holds an MBA from the University of Hull, UK and is a graduate of the Harvard Business School Executive Program. He is a Certified Islamic Financial Analyst and an Associated Member of Chartered Wealth Management at the International Academy of Finance Management, UAE. He has also gained the Securities Market Regulation Certificate Series 79 and recently completed a Senior Executive Leadership Program at Harvard Business School.

Mr. Razi Almerbati, Head of Riyadh & Jeddah Markets

Mr. Razi Almerbati is a Senior Executive Director in the Placement & Relationship Management team, responsible for overseeing the Riyadh and Jeddah markets . He has more than 15 years' experience in the banking and finance sector, including in Islamic investments and advisory. His areas of expertise include private banking and wealth management as well as private equity.

Prior to joining GFH in 2015, he most recently served as 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 regional director of the Investment Advisory Group of Abu Dhabi Investment House. Mr. Almerbati began his career with Deutsche Bank in Bahrain.

Mr. Almerbati is currently a board member of Falcon Cement Company and a member of that board's audit committee.

Mr. Ebrahim Alshaibeh, Head of Bahrain, Oman & Eastern Province Markets

Mr. Ebrahim Alshaibeh is an Executive Director in the Placement & Relationship Management team, responsible for the Bahrain, Oman & Eastern Province markets. Prior to that, Mr. Alshaibeh was the Chief Business Development Officer in the Group's subsidiary, GFH Properties.

Mr. Alshaibeh also served 5 years in Omniyat, a Dubai-based real estate development company. In addition, he spent most of his professional career as an investment banker, with approximately 12 years' experience.

Mr. Osama Alharam, Head of Kuwait Market

Mr. Osama Alharam is an Executive Director in the Placement & Relationship Management team, responsible for the Kuwait market. He has more than 20 years' experience in investments, strategy and management. Prior to joining the Group in 2017, he was a principle for the Kuwait market with Arcapita for over 11 years, managing the firm's placements and relationships.

Previously, Mr. Alharam held senior roles Saudi Bahraini Transport Co and Bahrain Limo, the AlBassam Group of Companies and PricewaterhouseCoopers in both Bahrain and Saudi Arabia.

Mr. Alharam holds a bachelor's degree in Business Administration & Marketing Analysis from Fort Lewis College, Colorado.

Shaikh Hamed Al Khalifa, CEO – GFH Properties

Shaikh Hamed Al Khalifa currently holds the position of CEO in GFH Properties. Mr. Al-Khalifa holds a bachelor's degree in Science in Systems Analysis Engineering as well as a master's degree in Engineering Management from the George Washington University, USA. He has previously worked in Mumtalakat and most recently as the General Director of Urban Planning in Bahrain's Ministry of Urban Planning & Municipalities.

Mr. Timothy O'Donnell, Senior Executive Director – Development, GFH Properties

Mr. Timothy O'Donnell has over 25 years' experience in the planning, delivery and operation of major real estate projects, including City Centre Doha, Sahara Centre, Dubai Internet City, Dubai Media City, Bahrain City Centre and the Diyar Al Muharraq and Marassi master plans.

Prior to joining the Group in 2019, Mr. O'Donnell was group head, property & administration at Ahli United Bank and CEO of AREC. His other roles include head of development at Diyar Al Muharraq, senior development manager at the Majid Al Futtaim Group and project manager at Mace International.

Mr. O'Donnell has a bachelor's degree in Civil Engineering and an MBA (with distinction) from the University of Strathclyde. He is a member of the Urban Land Institute and the Society of Construction Law.

Dr. Ahlam Zainal, Senior Director – Development, GFH Properties

Dr. Ahlam Zainal currently holds the position of Senior Director of design development in GFH Properties and has over 12 years' design, project management and real estate experience. She has also been a board director in Al Sahel Resort Company since 2015.

Prior to joining the Group in 2019, Dr. Zainal was the projects director at Amlak SIO Development Company. She has also held positions in Mumtalakat, Bahrain Real Estate Investment Edamah, Ithmaar Development and the General Directorate of Urban Planning in Bahrain.

Dr. Zainal holds a PhD in Urban Engineering from the University of Tokyo, Japan, a master's of Architecture in Urban Design (MAUD) from Harvard University Graduate School of Design in Massachusetts and a bachelor's degree in Architectural Engineering from the University of Bahrain.

Mr. Rakesh Patnaik, Senior Executive Director – CEO of India Projects

Mr. Rakesh Patnaik has 24years' experience in structuring investments, funds and real estate investments in the US, Europe, the Middle-East and Asia. Mr. Patnaik is responsible for infrastructure investments at the Group with a focus on Indian projects and is also a member of the project teams for Tunisia and Morocco. Mr. Patnaik previously held senior investment positions with investment firms in the GCC and real estate advisory firms in Asia. Mr. Patnaik is currently based in Bahrain and has prior working experience in Singapore, Kuwait, Qatar, the UAE and India.

Mr. Patnaik has a postgraduate degree in Business Management from T.A. Pai Management Institute (TAPMI) in Manipal, India.

Mr. Chetan Dongra, Executive Director, Infrastructure Development

Mr. Dongra joined the Group in 2011. He is responsible for the overall financial elements of GFH Properties' business, including financial management, structuring, financial plans and ensuring that its investments are performing at optimal levels with a special focus on the regional projects.

Mr. Dongra's experience covers both emerging and developed markets, including the MENA region, the GCC and India. Mr. Chetan has over 15 years' experience in financial management, financial models, budgeting and forecasting, strategic planning, acquisitions, project evaluation, commercial and financial due diligence, statutory reporting and variance analysis. He has held senior positions in real estate development and management consultancy, including at Al Areen Holding Company as finance manager, Keypoint Consulting as senior analyst, Packaging Warehouse Limited as senior credit analyst and GS Doot & Co as assistant manager.

Mr. Dongra is a fellow member of the Institute of Chartered Accountants of India.

Dr. Essa Faqeeh, CEO - Al Areen Investment Company

Dr. Essa Faqeeh started his career in hospitality and tourism and has over 30 years' experience in managing and operating hotels and providing consultancy for tourism authorities in the GCC.

Dr. Faqeeh has held many senior positions, including chairman, director, managing director, advisor and consultant and has managed many companies in the hospitality industry. Dr. Faqeeh is the advisor to the President of Arab Tourism Organization.

Dr. Faqeeh holds a master's degree and a PhD in Hospitality Businesses.

Mr. Peter Burdon, CEO - Britus Education

Mr. Peter Burdon is the chief executive officer of Britus Education, bringing more than 10 years' of in-depth knowledge, experience and skills in the education sector.

Prior to serving as the chief executive officer of Britus Education, Mr. Burdon was the founder of School Improvement Services, as well as non-executive chairman of High Performance Learning. Previously, he also worked as the chief schools officer of GEMS Education and he also spent six years at Nord Anglia Education serving as the regional managing director – Europe and as its chief operating officer.

Before entering the education sector, Mr. Burdon was the chief executive officer of two retail companies in the United Kingdom and was with McKinsey & Company for seven years. He holds an MBA from the Australian Graduate School of Management, Sydney and a BSc in Chemical Engineering from the University of Manchester.

Mr. Talal Almahroos, Executive Director - Infrastructure Investments

Mr. Talal Almahroos is the executive director of Infrastructure Investments and is in charge of managing various infrastructure investments held by the Group locally and internationally. Mr. Almahroos overlooks the overall project development, strategy, budgets, project joint ventures and exit strategies. Furthermore, he is handling the overall management of the investment portfolio of KHCB, which includes various local and international infrastructure and real estate projects along with private equity investments.

Mr. Almahroos joined the Group in November 2019 and has more than 16 years' experience in the investments banking field with various financial institutions in Bahrain, including The Arab Investment Company, Ahli United Bank and KHCB.

Mr. Almahroos holds a Bachelor's degree in Banking and Finance from the University of Bahrain and has completed various Executive Education programs with Darden Business School, University of Virginia (USA) and London Business School (UK).

EXECUTIVE MANAGEMENT COMMITTEES

The Group has a number of executive committees, the most important of which are listed below.

Management Investment Committee (“MIC”)

MIC is the senior management committee responsible for maintaining oversight of GFH’s investment risk profile and governance aspects. It is responsible for determining the key investment risk areas and for adopting sound risk management practices that contribute to realising the Group’s strategic corporate objectives.

MIC’s members are the CEO, the Chief Administrative Officer, the Head of Financial Control, the Head of Proprietary Investment, Chief Investment Management and the Head of Placement Management.

Asset and Liability Committee (“ALCO”)

ALCO is the senior management committee responsible for maintaining oversight of GFH’s credit, liquidity and market risk profile and governance aspects. In addition, management of the balance sheet and liquidity to meet day to day business needs and orderly growth of the business is ALCO’s responsibility.

ALCO’s members are the CEO, the Chief Administrative Officer, the Head of Financial Control, the Head of Proprietary Investment, the Head of Risk Management and the Head of the Riyadh & Jeddah Markets.

Real Estate Committee (“ReCom”)

RECOM is the senior management committee responsible for maintaining oversight of GFH’s real estate investments (development, management and disposal) while monitoring the overall portfolio risk profile. It is also responsible for determining the key investment decisions that contribute to realising the Group’s strategic corporate objectives.

ReCom’s members are the CEO, the Chief Administrative Officer, the Head of Financial Control, the CEO of GFH Properties and the Executive Director, Infrastructure Development of GFH Properties.

Management Committee (“ManCom”)

ManCom is the senior management committee responsible for communicating the board-approved risk management policies, framework and appetite to all personnel. ManCom is responsible for ensuring that all personnel have an adequate understanding of material risks that are impacting the business, as well as an awareness of emerging risks and vulnerabilities and for ensuring effective implementation of relevant policies and procedures, systems and controls.

ManCom’s members are the CEO, the Chief Administrative Officer, the Head of Financial Control, the Head of Proprietary Investment, Chief Investment Management, the Head of Placement Management and the Head of Risk Management.

BUSINESS ADDRESSES AND CONFLICTS

The business address of each member of the Board and each member of Executive Management is GFH Financial Group B.S.C, Bahrain Financial Harbour, Office 2801, 28th Floor, Building 1398, East Tower, Block 346, Road 4626, Manama, Kingdom of Bahrain.

No member of the Board or Executive Management has any actual or potential conflict of interest between his duties to the Bank and his private interests and/or other duties.

SHARI'A SUPERVISORY BOARD

GFH's Shari'a Supervisory Board (the "SSB") is actively involved in the development of the Group's products and services and certifies every product and service as complying with the standards and principles of *Shari'a*.

The SSB operates within its own charter which covers its policies, procedures and responsibilities. In carrying out its responsibilities, the SSB has full access to the Board and Executive Management. In addition to reviewing and advising on the *Shari'a* compliance of all products and services, it also audits the operations of the Group from a *Shari'a* perspective.

The SSB meets at least four times a year. Its members are remunerated by an annual retainer fee and sitting fees per meeting attended, with travel expenses reimbursed as appropriate. Its members are not paid any performance-related remuneration.

The SSB comprises the following four members:

Shaikh Abdulla bin Sulaiman Al-Maine, Chairman

Shaikh Abdulla Al-Maine is a consultant to His Majesty the Custodian of the Two Holy Mosques with the rank of Minister in Saudi Arabia, a member of the Grand Scholars Panel in Saudi Arabia and an expert of the Islamic Fiqh Academy. He is also a retired judge of the Supreme Court in Makkah Al-Mukarramah in Saudi Arabia, and a member of the *Shari'a* supervisory boards of a number of Islamic banks and financial institutions.

Dr. Fareed Mohammed Hadi, Executive Member

Dr. Fareed Hadi is Assistant Professor at the College of Arts in the Department of Arabic and Islamic Studies at the University of Bahrain. He holds a Ph.D. in Ibn Hazm's Methodology of Jahala from Edinburgh University and a Ph.D. in Al-Bukhari's Methodology from the University of Mohammed V in Morocco. Dr Hadi is also a member of the *Shari'a* supervisory boards of a number of leading Islamic banks.

Shaikh Nidham Mohammed Saleh Yaquby, Executive Member

Shaikh Nidham Yaquby holds a number of memberships on *Shari'a* boards of different institutions, including executive member of Abu Dhabi Islamic Bank, member of Bahrain Islamic Bank and Shamil Bank, member of the Dow Jones Islamic Index and member of a number of other Islamic banks.

Dr. Abdulaziz Khalifa Al-Qassar, Member

Dr. Abdulaziz Al-Qassar is a Professor at the College of Fiqh and Department of *Shari'a* and Islamic Studies at the University of Kuwait. Dr. Al-Qassar holds a Ph.D. in law and *Shari'a* from Al-Azhar University in Cairo. He is also a member of the Fatwa and *Shari'a* supervisory boards of a number of institutions in Kuwait.

EMPLOYEES

As at 31 December 2019, the Group had 148 full time staff. The percentage of Bahrain nationals (as a percentage of total Group full time staff) was 69 per cent. as at 31 December 2019.

The Group pays its staff a fixed salary and a discretionary annual performance bonus. In the case of senior management, part of the performance bonus may be paid on a deferred basis in the form of shares, share purchase plans or long-term incentive plans with different conditions. The Group also pays end of service benefits and offers its employees a range of benefits, including education allowances, air fare and vacation allowances, health club memberships and health insurance.

The Group is committed to the development of its employees and has developed a robust framework to facilitate this process. The Group employs various training and development initiatives and provides a number of training programmes, including compliance e-learning which is available to all employees and comprises practical and interactive training sessions that promote a culture of integrity and compliance within the Group.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions). Save where the context otherwise requires, words and expressions defined in “Terms and Conditions of the New Certificates” shall have the same meanings in this section.

Transaction Documents entered into on the issue date of the Original Certificates

The Trust Deed

The Trust Deed was entered into on 28 January 2020 between the Trustee, the Obligor and the Delegate and is governed by English law. Pursuant to the Trust Deed, the Trustee declared a trust over the Trust Assets for the benefit of the Original Certificateholders.

The Trust Assets comprised the cash proceeds of the issue of the Original Certificates, pending application thereof in accordance with the terms of the Transaction Documents, any and all of the rights, title, interest, benefits and entitlements, present and future, of the Trustee in, to and under the Wakala Portfolio, any and all of the interest, rights, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding the Excluded Representations and the covenant given to the Trustee pursuant to clause 17.1 of the Trust Deed) and any and all moneys standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

Pursuant to the Trust Deed, the Trustee agreed to, *inter alia*:

- (a) hold the Trust Assets upon trust absolutely for the Original Certificateholders as beneficiaries *pro rata* according to the face amount of Original Certificates held by each Original Certificateholder; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Trust Deed.

The Trust Deed specifies, *inter alia*, that:

- (a) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any of their respective directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the Trust Assets and no recourse shall be had for the payment of any amount owing under the Trust Deed or any other Transaction Document, whether for the payment of any fee, indemnity or other amount under the Trust Deed or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (b) the Trustee may from time to time (but always subject to the provisions of the Trust Deed), without the consent of the Certificateholders, create and issue additional Certificates having the same terms and conditions as the outstanding Certificates on terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue, and so that the same shall be consolidated, and form a single series, with the outstanding Certificates, and that any additional Certificates which are to be created and issued so as to form a single series with the Certificates shall be constituted by a deed supplemental to the Trust Deed; and

- (c) on the date upon which additional Certificates are created and issued pursuant to the provisions described in paragraph (b) above (being the relevant issue date for that New Tranche), the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so created and issued, declaring that the Additional Wakala Assets and the Wakala Assets as in existence immediately prior to the creation and issue of the additional Certificates and the investments made pursuant to the Murabaha Agreement (if any) (and all rights arising under or with respect to such investments made pursuant to the Murabaha Agreement) are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as beneficiaries *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Trust Deed.

In the Trust Deed, the Trustee irrevocably and unconditionally appointed the Delegate to, *inter alia*, exercise all of the present and future powers (including the power to sub-delegate), rights, trusts, authorities (including, but not limited to the authority to request instructions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the relevant provisions of the Trust Deed. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee of the Trust.

The Obligor has also covenanted and undertaken in the Trust Deed that if the outstanding Deferred Sale Price is not paid on the relevant Dissolution Date in accordance with the provisions of the Murabaha Agreement for any reason whatsoever, the Obligor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the outstanding Deferred Sale Price.

The Delegate shall, *inter alia*, (i) if it has received express notice in writing pursuant to the Trust Deed of the occurrence of a Dissolution Event in respect of the Certificates and subject to Condition 12, promptly notify the Certificateholders of the occurrence of such Dissolution Event, and (ii) if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give a Dissolution Notice to the Trustee, the Obligor and the Certificateholders in accordance with Condition 17 that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable.

A non-interest bearing Transaction Account will be established in respect of the Certificates. Moneys received in the Transaction Account will, *inter alia*, comprise payments by the Servicing Agent of amounts standing to the credit of the Collection Account pursuant to the terms of the Servicing Agency Agreement, comprising, among other things (i) Wakala Portfolio Revenues and (ii) the Exercise Price received from GFH under the relevant Sale Agreement (see "*Purchase Undertaking*" and "*Sale and Substitution Undertaking*" below). The Trust Deed provides that all moneys credited to the Transaction Account will be applied in the order of priority set out in Condition 5(b).

Purchase Agreement

The Purchase Agreement was entered into on 28 January 2020 between the Trustee (in its capacity as Purchaser), Harbour North 2b Real Estate S.P.C. Owned by GFH Asset Company, Harbour East 3 Real Estate S.P.C. Owned by GFH Asset Company, South East Real Estate S.P.C. and Delmon Lost Paradise Project Company 2 S.P.C. (as Sellers) and the Obligor. The Purchase Agreement is governed by the laws of the Kingdom of Bahrain. Pursuant to the Purchase Agreement, the Sellers irrevocably and unconditionally sold, transferred, assigned and conveyed to the Purchaser, and the Purchaser irrevocably and unconditionally purchased and accepted the transfer and conveyance from the Sellers

of, all of the Sellers' rights, benefits, entitlements, title and interests in, to and under the Real Estate Assets for the Purchase Price. The parties to the Purchase Agreement did not intend to register the sale of the Sellers' rights, benefits, entitlements, title and interests in, to and under the Real Estate Assets. The Real Estate Assets comprised those assets described in the relevant schedule to the Purchase Agreement.

Further, in connection with the exercise by the Trustee of its rights under Condition 18, the Trustee will, pursuant to the Purchase Agreement, irrevocably and unconditionally purchase and accept the transfer, assignment and conveyance from the seller(s) named in the relevant Supplemental Purchase Agreement, of all of their rights, benefits, entitlements, title and interests in, to and under any Additional Wakala Assets for the Purchase Price, as specified in the relevant Supplemental Purchase Agreement.

The purchase of the relevant Additional Wakala Assets will become effective on the relevant Additional Wakala Asset Purchase Date (as specified in the relevant Supplemental Purchase Agreement and being the date upon which such Supplemental Purchase Agreement described above is entered into) by the Trustee, the seller(s) named therein and the Obligor entering into such Supplemental Purchase Agreement.

Each Supplemental Purchase Agreement entered into upon such purchase will effect the irrevocable and unconditional sale, transfer, assignment and conveyance of rights in the relevant Additional Wakala Assets from the seller named therein to the Trustee.

The Real Estate Assets or the Additional Wakala Assets (as the case may be) will be of an aggregate value which is not less than 51 per cent. of the aggregate face amount of the relevant Tranche of Certificates.

Lease Agreement

The Lease Agreement was entered into on 28 January 2020 between the Trustee (in its capacity as Lessor), the Obligor (in its capacity as Lessee) and Citibank N.A., London Branch in its capacity as Delegate. The Lease Agreement is governed by the laws of the Kingdom of Bahrain.

Pursuant to the Lease Agreement, the Lessor irrevocably and unconditionally leased to the Lessee, and the Lessee irrevocably and unconditionally leased from the Lessor, the Lease Assets, during the renewable Rental Periods commencing on the Lease Commencement Date and extending to the Scheduled Dissolution Date of the Certificates (unless the Lease Agreement is terminated earlier in accordance with its terms or extended in accordance with the Purchase Undertaking). Neither the Lessor nor the Lessee intends to register the lease of any of the Lease Assets and, as at the date of the Lease Agreement, will not have done so or taken any steps to do so.

On a relevant Additional Wakala Asset Purchase Date (see "*Purchase Agreement*" above), a replacement Lease Agreement shall be executed in the manner provided in the Lease Agreement (pursuant to a notice given by the Lessor to the Lessee thereunder). The relevant existing Lease Assets and the Additional Real Estate Assets will be leased by the Lessee under such replacement Lease Agreement (which will be entered into on the relevant Additional Real Estate Asset Purchase Date).

The Lessee agreed to use the Lease Assets at its own risk. Accordingly, the Lessee shall bear the entire risk of loss of or damage to the Lease Assets or any part thereof arising from the usage or operation thereof by the Lessee to the extent that such loss or damage has resulted from the Lessee's gross negligence, wilful default, actual fraud, or breach of its obligations under the Lease Agreement. In addition, the Lessor shall not be liable (and the Lessee has waived any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with, and attributable to, the Lessee's use or operation of any of the Lease Assets, save to the extent that such

loss or damage has resulted from the Lessor's gross negligence, wilful default, actual fraud or breach of its obligations under the relevant Lease Agreement.

Under the Lease Agreement, the Lessee agreed to be responsible, at its own cost and expense, for the performance of all Ordinary Maintenance and Repair (as defined in the Lease Agreement) required for the Lease Assets. The Lessor is responsible for (i) the performance of all Major Maintenance and Structural Repair (as defined in the Lease Agreement), (ii) the payment of any Proprietorship Taxes (as defined in the Lease Agreement) or other relevant Taxes (as defined in the Lease Agreement) (excluding all Taxes that are by law imposed, charged or levied against a lessee or a tenant) and (iii) insuring the Lease Assets in accordance with the terms and conditions of the Servicing Agency Agreement, and the Lessee acknowledged that the Lessor may procure that the Servicing Agent, in accordance with the terms and conditions set out in the Servicing Agency Agreement, shall perform, or shall procure the performance of, Major Maintenance and Structural Repair (as defined in the Lease Agreement), the payment of such Taxes and the insurance of the Lease Assets, on behalf of the Lessor.

All payments by the Lessee to the Lessor under the Lease Agreement shall be made in U.S. dollars without set off (save as provided in the Lease Agreement) or counterclaim of any kind and free and clear of, and without any deduction or withholding for, or on account of, any Taxes imposed, levied, collected, withheld or assessed by any Relevant Jurisdiction, unless required by law. In that event, the Lessee shall pay such additional amounts as shall result in the receipt by the Lessor of such amounts as would have been received by it if no such deduction or withholding had been required and, accordingly, the Lessee will undertake to pay to the Lessor or such other persons as the Lessor may direct, such additional amounts forthwith upon demand and in the manner and currency prescribed in the Lease Agreement. The Lessee has covenanted under the Lease Agreement to ensure that its payment obligations under the Lease Agreement will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 6(b)(vii)) unsecured obligations of the Lessee and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in the Purchase Undertaking) at all times rank at least equally with all other unsecured and unsubordinated obligations of the Lessee, present and future.

Purchase Undertaking

The Purchase Undertaking was executed on 28 January 2020 by the Obligor as a deed in favour of the Trustee and Citibank N.A., London Branch (in its capacity as Delegate) and is governed by English law.

The Obligor has irrevocably undertaken in favour of the Trustee and the Delegate to purchase or procure the purchase of all of the Trustee's rights, benefits, entitlements, title and interests in, to and under the Wakala Assets (or a proportion thereof, as applicable) on the Scheduled Dissolution Date or, if a Dissolution Event has occurred and is continuing, on the Dissolution Event Redemption Date, in each case by paying an amount equal to the Exercise Price, as specified in the relevant Exercise Notice, into the Transaction Account and, following payment of the relevant amount in full, entering into a Sale Agreement. The Exercise Price, payable by the Obligor shall be equal to the aggregate face amount of the Certificates then outstanding plus all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates plus, without duplication or double counting, if all the Certificates are being redeemed in full, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents to which it is a party (including but not limited to an amount equal to service charge amounts incurred in accordance with the Servicing Agency Agreement) in respect of which the Lessee has agreed to make a corresponding payment of Additional Supplementary Rental (as defined in the Lease Agreement) but such payment has not been made in accordance with the Lease Agreement) provided that, in the case of any amounts payable pursuant to Condition 5(b)(i), the Obligor has received a notification from the Delegate of such amounts by not later than the third Business Day prior to the date on which the Exercise Notice is delivered, plus the sum of any outstanding amounts repayable in

respect of any Liquidity Facility, less the aggregate amounts of Deferred Sale Price then outstanding, if any, and the amounts standing to the credit of the Transaction Account, if any.

The specific terms applicable to each such sale will be confirmed in a Sale Agreement, to be executed by the Trustee and the Obligor. The form of each such Sale Agreement is scheduled to the Purchase Undertaking.

In the Purchase Undertaking, the Obligor has agreed/undertaken as follows:

- (a) that each of the events defined as an “Obligor Event” pursuant to the Conditions shall constitute an Obligor Event (and the occurrence thereof shall constitute a Dissolution Event); and
- (b) (i) to comply with the terms of the Transaction Documents to which it is a party; (ii) to comply with all provisions of the Conditions which are expressed to be applicable to it including, without limitation, the covenants described in Condition 6(b); and (iii) to notify the Delegate and the Trustee in writing of any Dissolution Event (and the steps, if any, being taken to remedy it), Potential Dissolution Event, and/or Total Loss Event, in each case promptly upon becoming aware of its occurrence.

The Obligor has also covenanted that it will fully accept all or any ownership interest the Trustee may have in the Wakala Assets and that if the Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the rights, benefits, entitlements, title and interests that the Trustee may have in, to and under the Wakala Assets or any of them, or for any other reason, the Obligor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price. The Obligor has irrevocably undertaken in the Purchase Undertaking that it will, following payment in full of such indemnity in accordance with the Purchase Undertaking, enter into a Sale Agreement, for the sale and purchase of the relevant Wakala Assets.

The Obligor has agreed in the Purchase Undertaking that all payments by it under the Purchase Undertaking (or the relevant Sale Agreement entered into pursuant to the Purchase Undertaking) will be made without any set-off (save as provided in the Purchase Undertaking) or counterclaim of any kind and free and clear of, and without withholding or deduction for, or on account of, any Taxes imposed, levied, collected, withheld or assessed by a Relevant Jurisdiction, unless required by law. In that event, the Obligor shall pay such additional amounts as shall result in the receipt by the Trustee of such amounts as would have been received by it if no such withholding or deduction had been required and, accordingly, the Obligor will undertake to pay to the Trustee or such other persons as the Trustee may direct such additional amounts forthwith upon demand and in the manner and currency prescribed in the Purchase Undertaking.

The Purchase Undertaking provides that the payment obligations of the Obligor thereunder will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions of Condition 6(b)(vii)) unsecured obligations of the Obligor and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions of Condition 6(b)(vii)) at all times rank at least equally with all other unsecured and unsubordinated obligations of the Obligor, present and future.

Sale and Substitution Undertaking

The Sale and Substitution Undertaking was executed on 28 January 2020 by the Trustee as a deed in favour of the Obligor and is governed by English law.

Pursuant to the Sale and Substitution Undertaking, subject to the Trustee being entitled to redeem the Certificates pursuant to Condition 8(b), the Obligor may, by exercising its option under the Sale and Substitution Undertaking and serving notice on the Trustee not less than 45 days nor more than 75 days prior to the Early Tax Dissolution Date in connection with the exercise of such option, oblige the Trustee to sell, transfer, assign and convey all the Trustee's rights, benefits, entitlements, title and interests in, to and under the Wakala Assets on the Early Tax Dissolution Date. The Exercise Price payable by the Obligor will be an amount equal to the aggregate face amount of the Certificates then outstanding plus all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates plus, without duplication or double counting, if all the Certificates are being redeemed in full, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents to which it is a party (including but not limited to an amount equal to service charge amounts incurred in accordance with the Servicing Agency Agreement) in respect of which the Lessee has agreed to make a corresponding payment of Additional Supplementary Rental (as defined in the Lease Agreement) but such payment has not been made in accordance with the Lease Agreement), provided that, in the case of any amounts payable pursuant to Condition 5(b)(i), the Obligor has received notification from the Delegate of such amounts by not later than the third Business Day prior to the date on which the Exercise Notice is delivered by the Obligor to the Trustee, plus the sum of any outstanding amounts repayable in respect of any Liquidity Facility, less the aggregate amounts of Deferred Sale Price then outstanding, if any, and the amounts standing to the credit of the Transaction Account, if any.

Further, pursuant to the Sale and Substitution Undertaking, the Trustee has granted to the Obligor the right to require the Trustee to sell, transfer, assign and convey all of the Trustee's rights, benefits, entitlements, title and interests in, to and under the Substituted Wakala Assets in exchange for the sale, transfer, assignment and conveyance by the Obligor to the Trustee of its rights, benefits, entitlements, title and interests in, to and under the New Wakala Assets of a value which is equal to or greater than the value of the Substituted Wakala Assets.

The substitution of the Substituted Wakala Assets with the New Wakala Assets will become effective on the Substitution Date (as specified in the Substitution Notice to be delivered by the Obligor in accordance with the Sale and Substitution Undertaking) by the Trustee and the Obligor entering into a Sale Agreement on the Substitution Date and the relevant replacement Lease Agreement (if required) being executed on the Substitution Date in the manner provided for in the Substitution Notice.

Under a Sale Agreement entered into upon such substitution, the Trustee and the Obligor will agree to (i) effect the transfer, assignment and conveyance of the rights, benefits, entitlements, title and interests in the Substituted Wakala Assets from the Trustee to the Obligor and (ii) effect the transfer, assignment and conveyance of the rights, benefits, entitlements, title and interests in the New Wakala Assets from the Obligor to the Trustee and the Substitution Notice will provide that the New Lease Assets and any Lease Assets not replaced will be leased to the Obligor under the new replacement Lease Agreement.

The Sale and Substitution Undertaking provides that any Exercise Price under the Sale and Substitution Undertaking will be paid without set-off (except as provided in the Sale and Substitution Undertaking) or counterclaim of any kind and, free and clear of, and without any deduction or withholding for, any Taxes imposed, levied, collected, withheld or assessed by any Relevant Jurisdiction. In the event that there is any such deduction or withholding, the Obligor shall pay such additional amounts as shall result in the receipt by the Trustee of such amounts as would have been received by it if no such deduction or withholding been made.

In addition, under the terms of the Sale and Substitution Undertaking, if at any time the Obligor wishes to cancel or procure the cancellation of any Certificates purchased pursuant to Condition 8(e), the Obligor may, by exercising its option under the Sale and Substitution Undertaking (by serving notice on the Trustee), oblige the Trustee to transfer, assign and convey all of the Trustee's rights, benefits, entitlements, title and interests in, to and under the Cancelled Wakala Assets in return for which the relevant Certificates shall be cancelled. The transfer, assignment and conveyance of the Cancelled

Wakala Assets will take effect by the Obligor and the Trustee entering into a Sale Agreement (in the form scheduled to the Sale and Substitution Undertaking). Following the entry into such Sale Agreement, the Trustee shall forthwith cancel the relevant Certificates identified for cancellation in the Cancellation Notice served on the Trustee by the Obligor on the Cancellation Date.

Servicing Agency Agreement

The Servicing Agency Agreement was entered into on 28 January 2020 by the Trustee (in its capacities as Trustee and Lessor) and the Obligor, as Servicing Agent, and is governed by English law.

Pursuant to the Servicing Agency Agreement, the Trustee appointed the Servicing Agent to manage the Wakala Portfolio. In particular, the Servicing Agent:

- (a) will carry out all Major Maintenance and Structural Repair (as defined in the Lease Agreement) on relevant Lease Assets;
- (b) will pay all Proprietorship Taxes (as defined in the Servicing Agency Agreement) charged, levied or claimed in respect of the Lease Assets by any relevant taxing authority;
- (c) will effect all appropriate insurances in respect of the Lease Assets;
- (d) will maintain the Collection Account and the Reserve Account (each as defined in the Servicing Agency Agreement), in each case in accordance with the Servicing Agency Agreement;
- (e) will use reasonable endeavours to ensure the timely receipt of all Wakala Portfolio Revenues (free and clear of, and without withholding or deduction for, Taxes), investigate non-payment of Wakala Portfolio Revenues and generally make all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues as and when the same shall become due and shall record such Wakala Portfolio Revenues in the Collection Account;
- (f) will ensure, using reasonable endeavours, that the Tangible Asset Ratio shall at all times remain 51 per cent. or more (where Tangible Asset Ratio means the ratio of (i) the aggregate value of the Wakala Assets comprised in the Wakala Portfolio and (ii) the aggregate value of the Wakala Portfolio, at the relevant time);
- (g) will ensure, using reasonable endeavours, that the aggregate value of: (i) the Lease Assets; and (ii) the value of the Securities Interests relating to any Sukuk, is not less than 26 per cent. of the aggregate face amount of the Certificates then outstanding;
- (h) will use all reasonable endeavours to manage the Wakala Portfolio such that the aggregate of the Value of the Wakala Assets and the aggregate amounts of Deferred Sale Price then outstanding (if any), is at all times at least equal to the aggregate face amount of the Certificates then outstanding;
- (i) will ensure that any Securities comprised in the Wakala Portfolio satisfy certain eligibility criteria;
- (j) will exercise (or refrain from exercising) all voting rights and take (or refrain from taking) all corporate actions in relation to the Securities in its absolute discretion on behalf of the Trustee, provided that such action or exercise of such voting rights is not prejudicial to the interests of the Certificateholders;

- (k) will discharge or procure the discharge of all obligations to be discharged by the Trustee in respect of the Wakala Portfolio, it being acknowledged that the Servicing Agent may appoint one or more agents to discharge these obligations on its behalf;
- (l) will pay on behalf of the Trustee any actual costs, expenses and losses which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Wakala Portfolio;
- (m) will keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all amounts due in respect of the Wakala Portfolio Revenues;
- (n) will obtain and maintain all necessary licences, consents and authorisations in connection with any of the Wakala Assets and its obligations under or in connection with the Servicing Agency Agreement;
- (o) if any non-Shari'a compliant revenue is received in respect of any Shares (as defined in the Servicing Agency Agreement), it will seek to purify and deal with such revenue in accordance with the standard processes and guidelines of the Shari'a supervisory board of GFH; and
- (p) will carry out any incidental matters relating to any of the above.

The Servicing Agent may deduct amounts standing to the credit of the Collection Account at any time during the term of the Lease (other than any amounts of Initial Supplementary Rental and/or Supplementary Rental (each as defined in the Lease Agreement), and/or any proceeds of Insurances and/or (as the case may be) amounts equal to Total Loss Shortfall Amounts in respect of a Total Loss Event) and use such amounts for its own account, provided that it shall immediately re-credit all such amounts to the Collection Account (for on-payment to the Transaction Account) (A) if, on the Business Day prior to a Periodic Distribution Date, so required to fund a shortfall between: (i) the amount standing to the credit of the Transaction Account; and (ii) the Required Amount payable on such Periodic Distribution Date, or (B) upon the occurrence of a Dissolution Event or Total Loss Event.

If the Wakala Portfolio Revenues are greater than the Required Amount, such excess returns shall be credited to a separate account by the Servicing Agent (such account, the "**Reserve Account**"). If the amount standing to the credit of the Transaction Account are insufficient to fund the Required Amount, the Servicing Agent shall apply amounts standing to the credit of the Reserve Account towards such shortfall, by paying an amount equal to the same into the Transaction Account.

If, having applied such amounts from the Reserve Account, there remains a shortfall between the amount standing to the credit of the Transaction Account and the Required Amount, the Servicing Agent may in its sole discretion provide *Shari'a*-compliant funding to the Trustee in an amount equal to the shortfall remaining (if any) on terms that such funding is repayable (i) from Wakala Portfolio Revenues received in respect of a subsequent period; or (ii) on the relevant Dissolution Date (such funding, a "**Liquidity Facility**").

Following payment in full of all amounts due and payable under the Certificates on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates are redeemed), the Servicing Agent shall be entitled to retain any remaining amount standing to the credit of the Collection Account, or the Reserve Account for its own account as an incentive payment for acting as Servicing Agent.

Murabaha Agreement

The Murabaha Agreement was entered into on 28 January 2020 by the Buyer and the Seller and is governed by English law.

The Seller will enter into a murabaha contract (a “**Murabaha Contract**”) with the Buyer using no more than 49 per cent. of the aggregate face amount of the Certificates then outstanding.

Pursuant to the Murabaha Agreement, the Seller has agreed and undertaken that, on receipt of and pursuant to a Purchase Order from the Buyer, the Seller shall, on the issue date for the relevant Tranche and on the terms set out in the Purchase Order, purchase commodities from the Supplier for Purchase at the Commodity Purchase Price (as defined in the Murabaha Agreement). Following the purchase of the commodities by the Seller from the Supplier for Purchase, and provided that the Seller has acquired title thereto and actual or constructive possession thereof, the Seller shall deliver to the Buyer, by no later than the issue date for the relevant Tranche, a Letter of Offer and Acceptance indicating the Seller’s acceptance of the terms of the Purchase Order made by the Buyer and detailing the terms of the offer for the sale of the commodities to the Buyer from the Seller by no later than the issue date for the relevant Tranche.

Provided that the Buyer has delivered a Purchase Order to the Seller in accordance with the Murabaha Agreement, the Buyer has irrevocably and unconditionally undertaken to accept the terms of, countersign and deliver to the Seller, any Letter of Offer and Acceptance delivered to it in accordance with the Murabaha Agreement and (as a result of the Seller having acted on the request of the Buyer set out in the Purchase Order) purchase the commodities acquired by the Seller for the Deferred Sale Price.

As soon as the Buyer has countersigned the Letter of Offer and Acceptance, a Murabaha Contract is to be created between the Seller and the Buyer upon the terms of the letter of offer and acceptance and incorporating the terms and conditions set out in the Murabaha Agreement, the Seller sells and the Buyer buys the commodities on the terms set out in the Letter of Offer and Acceptance, and ownership of and all risks in and to the relevant commodities immediately passes to and is vested in the Buyer, together with all rights and obligations relating thereto.

Each of the Seller and the Buyer has acknowledged and agreed that a failure to create the relevant Murabaha Contract by the time specified in the Murabaha Agreement shall result in the Letter of Offer and Acceptance for such Murabaha Contract being void ab initio, whereupon the Buyer has undertaken irrevocably and unconditionally to compensate the Seller (on an after tax basis) in respect of all actual costs, claims, losses and expenses of whatsoever nature (not to include any opportunity costs and funding costs) suffered or incurred by the Seller as a result of such failure (except to the extent arising from the gross negligence, wilful default or actual fraud of the Seller).

Transaction Documents to be entered into on the issue date of the New Certificates

Supplemental Trust Deed

The Supplemental Trust Deed will be entered into on the Issue Date between the Trustee, the Obligor and the Delegate and will be governed by English law. The Supplemental Trust Deed is supplemental to and should be read and construed as one document in conjunction with the Trust Deed.

Upon issue of the New Global Certificate initially representing the New Certificates, the Trust Deed as supplemented by the Supplemental Trust Deed will constitute the Trust over the Trust Assets for the benefit of the Original Certificateholders and the New Certificateholders. Pursuant to the Trust Deed as supplemented by the Supplemental Trust Deed, the Trustee will hold the Trust Assets (as defined in the Conditions) upon trust absolutely for the Certificateholders as beneficiaries *pro rata* according to the face amount of Certificates held by each Certificateholder.

Pursuant to the Supplemental Trust Deed, GFH and the Trustee will agree that the obligation of the Trustee to pay (i) the purchase price for the Additional Wakala Assets and (ii) the sale price in respect of the commodities to be on-sold by GFH, to GFH on the Issue Date will be set-off in full against GFH's obligation to pay the subscription price for the New Certificates to the Trustee on the Issue Date.

Declaration of Commingling of Assets

The Declaration of Commingling of Assets will be executed by the Trustee for and on behalf of the Certificateholders on the Issue Date and will be governed by English law.

Pursuant to the Declaration of Commingling of Assets the Trustee will declare for the benefit of the Certificateholders that the Additional Wakala Assets, the Wakala Assets in existence immediately prior to the creation and issue of the New Certificates and the investments made pursuant to the Murabaha Agreement (and all rights arising under or with respect to such investments made pursuant to the Murabaha Agreement) are commingled and shall collectively comprise part of the Trust Assets for the benefit of the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Trust Deed.

Supplemental Purchase Agreement

The Supplemental Purchase Agreement will be entered into on the Issue Date between the Trustee (in its capacity as Purchaser), Harbour North 1 Real Estate S.P.C. Owned By GFH Asset Company, Harbour North 3 Real Estate S.P.C. Owned By GFH Asset Company and Delmon Lost Paradise Project Company 1 Spc (as Sellers) and the Obligor and is governed by the laws of the Kingdom of Bahrain. The Supplemental Purchase Agreement is supplemental to and should be read and construed as one document in conjunction with the Purchase Agreement.

Pursuant to the Supplemental Purchase Agreement the Sellers will irrevocably and unconditionally sell, transfer, assign and convey to the Purchaser, and the Purchaser will irrevocably and unconditionally purchase and accept the transfer and conveyance from the Sellers of, all of the Sellers' rights, benefits, entitlements, title and interests in, to and under the Additional Wakala Assets for the Purchase Price. The Parties to the Purchase Agreement do not intend to register the sale of the Sellers' rights, benefits, entitlements, title and interests in, to and under the Additional Wakala Assets. The Additional Wakala Assets will comprise, on the Issue Date, those assets described in the Schedule to the Supplemental Purchase Agreement.

Lease Agreement

A replacement Lease Agreement will be entered into on the Issue Date between the Trustee (in its capacity as Lessor), the Obligor (in its capacity as Lessee) and Citibank N.A., London Branch in its capacity as Delegate. The replacement Lease Agreement will be governed by the laws of the Kingdom of Bahrain.

The replacement Lease Agreement will be in substantially the same form as the Lease Agreement entered into by the same parties on 28 January 2020 and will replace this existing Lease Agreement. The existing Real Estate Assets and the Additional Wakala Assets will be leased by the Lessee under the replacement Lease Agreement.

Shari's Compliance

Each Transaction Document provides that each of GFH Sukuk Company Limited and GFH Financial Group B.S.C. agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of *Shari'a*;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and

- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

TAXATION

General

The following is a general description of certain Bahrain, Cayman Islands and United States tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Kingdom of Bahrain

The following summary of the anticipated tax treatment in the Kingdom of Bahrain in relation to the payments on the Certificates is based on the taxation law and practice in force at the date of this Offering Circular, and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Certificates and the receipt of any payments in respect of any Periodic Distribution Amounts and distributions (whether or not on a winding-up) with respect to such Certificates under the laws of the jurisdictions in which they may be liable to taxation.

As at the date of this Offering Circular, there are no taxes payable with respect to income, withholding or capital gains under existing Bahraini laws. There are no currency or exchange control restrictions currently in force under Bahraini law and the free transfer of currency into and out of Bahrain is permitted, subject to any anti-money laundering regulations and international regulations in force from time to time. Under existing Bahraini laws, payments under the Certificates will not be subject to taxation in Bahrain, no withholding will be required on such payments to any holder of Certificates and gains derived from the sale of Certificates will not be subject to Bahraini income, withholding or capital gains tax. In the event of the imposition of any such withholding, the Obligor has undertaken to gross-up any payments subject to such withholding, as described under Condition 10.

Corporate income tax is only levied on oil, gas and petroleum companies at a flat rate of 46 per cent. This tax is applicable to any oil company conducting business activity of any kind in Bahrain, including oil production, refining and oil exploration, regardless of the company's place of incorporation.

Bahrain has introduced the Value Added Tax Law No. 48 of 2018 for the imposition of value added tax on certain products and services.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has received an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 30 years from the date of grant of that undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. However, an instrument transferring title to such Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$854. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands and the UAE) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Certificateholders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event that any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person would be required to pay additional amounts as a result of such withholding.

SUBSCRIPTION AND SALE

The Trustee has agreed to issue U.S.\$200,000,000 in aggregate face amount of the New Certificates (to be consolidated and form a single series with the U.S.\$300,000,000 certificates due 2025 issued on 28 January 2020).

No managers have been appointed in connection with the issue, offering or sale of the New Certificates. GFH Financial Group B.S.C will subscribe for the New Certificates in full on the Issue Date.

GFH may, in its sole and absolute discretion, choose to sell any or all of the Certificates which it owns in the secondary market at any price to any person, including without limitation, GFH's own clients.

United States

The New Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

No New Certificates have been, or will be, offered or sold at any time except in accordance with Rule 903 of Regulation S.

The New Certificates are being offered and sold outside of the United States in reliance on Regulation S.

Until 40 days after the commencement of the offering of the New Certificates, an offer or sale of the New Certificates within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Any communication made or caused to be made of an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with sale of any New Certificates may only be made in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Obligor.

Cayman Islands

No offer or invitation has been made or will be made, directly or indirectly, to the public in the Cayman Islands to subscribe for the New Certificates.

United Arab Emirates (excluding the Dubai International Financial Centre)

The New Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

The New Certificates have not been, and will not be, offered to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (“**DFSA**”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

State of Qatar (including the Qatar Financial Centre)

No New Certificates have been, or will be, offered, delivered or sold at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) except: (a) in compliance with all applicable laws and regulations of the State of Qatar, including the Qatar Financial Centre; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Kingdom of Bahrain

No New Certificates have been, or will be, offered or sold at any time, except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more, excluding that person’s principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Hong Kong

- (a) No New Certificates have been, or will be, offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**Securities and Futures Ordinance**”) and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Winding Up and Miscellaneous Provisions) (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) no advertisement, invitation or document relating to the New Certificates has been, or will be, issued in Hong Kong or elsewhere which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Malaysia

This Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the “**CMSA**”). Accordingly, the New Certificates have not been and will not be offered or sold, and no invitation to subscribe for or

purchase any New Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons or in categories falling within Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Kingdom of Saudi Arabia

No action has been or will be taken in Saudi Arabia that would permit a public offering of the New Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any New Certificates pursuant to an offering should note that the offer of New Certificates is a private placement under Article 9 or Article 10 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended by Capital Markets Authority resolution number 1-104-2019 dated 30 September 2019 (the “**KSA Regulations**”), made through an authorised person licensed to carry out arranging activities by the Capital Market Authority and following a notification to the Capital Market Authority under Article 11 of the KSA Regulations.

The New Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “Sophisticated Investors” under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Any offer of New Certificates to a Saudi Investor will be made in compliance with Article 11 and either Article 9 or Article 10 of the KSA Regulations.

The offer of New Certificates shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired New Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those New Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Capital Market Authority and: (i) the New Certificates are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (ii) the price to be paid for the New Certificates in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (iii) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

Singapore

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. No New Certificates have been offered or sold or caused to be made the subject of an invitation for subscription or purchase and no New Certificates will be offered or sold or made the subject of an invitation for subscription or purchase. This Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the New Certificates has not, and will not, be circulated or distributed, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; (b) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the New Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives (Contracts) Regulations 2018).

In connection with Section 309B of the SFA and the CMP Regulations 2018, the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the New Certificates are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

Neither the Trustee nor the Obligor (i) makes any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of any New Certificates, or possession or distribution of the Offering Circular, any other offering material, in any country or jurisdiction where action for that purpose is required; or (ii) represents that New Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

Authorisation

The issue of the New Certificates and the entry by the Trustee into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of the Trustee dated 14 May 2020. The entry by the Obligor into the Transaction Documents to which it is a party has been duly authorised by resolutions of the Board of Directors of the Obligor dated 16 October 2019 and 12 May 2020 and by a resolution of the shareholders of the Obligor dated 29 December 2019.

The Trustee and the Obligor have each obtained all necessary consents, approvals and authorisations in connection with the issue of the New Certificates and the execution and performance of the Transaction Documents to which they are a party.

Listing

An application has been made to the London Stock Exchange for the New Certificates to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of MiFID II. The ISM is a market designated for professional investors. New Certificates admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular. Such admission to trading is expected to be effective on or immediately following the Issue Date. The total expenses relating to the admission to trading of the New Certificates on the ISM are estimated to be £5,500.

Application has also been made to the DFSA for the New Certificates to be admitted to the DFSA Official List and to Nasdaq Dubai for such New Certificates to be admitted to trading on Nasdaq Dubai. It is expected that the listing of the New Certificates on the DFSA Official List and admission of the New Certificates to trading on Nasdaq Dubai will be granted on or around 8 June 2020. The total expenses relating to the admission to trading of the New Certificates on Nasdaq Dubai are estimated to be U.S.\$4,500.

Legal Entity Identifier

The legal entity identifier of the Trustee is 549300T933IMJHJ2GQ09.

Documents available

For so long as any Certificates remain outstanding, copies of the following documents will be available for inspection and/or collection by Certificateholders at the specified office of each Paying Agent during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays):

- (a) the constitutional documents of the Trustee and the Obligor;
- (b) the auditors' report and audited consolidated financial statements of the Group as at and for each of the financial years ended 31 December 2019 and 31 December 2018;
- (c) the Transaction Documents; and
- (d) this Offering Circular and any supplement(s) thereto.

Clearing Systems

The New Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The Common Code for the New

Certificates is 210058214, the ISIN for the New Certificates is XS2100582142, the FISN is GFH SUKUK COMPA/VARASST BKD 2200123 and the CFI is DAVNFR.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

Other than as disclosed in the section entitled “*Risk Factors—Factors that may affect GFH’s ability to fulfil its obligations under or in connection with the Transaction Documents—Strategic and business risks—Difficult market conditions may have a material adverse effect on the Group’s results of operations, financial condition, business and prospects*”, there has been no significant change in the financial or trading position of the Obligor or the Group since 31 December 2019, and no material adverse change in the financial position or prospects of the Obligor or the Group since 31 December 2019.

There has been no significant change in the financial or trading position, and no material adverse change in the financial position or prospects of the Trustee, in each case, since 4 December 2019, being the date of its incorporation.

Litigation

Other than as disclosed in the section entitled “*Description of the Group—Litigation*”, none of the Trustee nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee or the Obligor is aware) in the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Trustee, the Obligor and/or the Group.

Auditors

The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

The consolidated financial statements of the Group as at and for each of the financial years ended 31 December 2019 and 31 December 2018 have been audited by KPMG Fakhro in accordance with the Financial Accounting Standards issued by AAOIFI, as stated in their reports dated 12 February 2020 and 11 February 2019, respectively. KPMG Fakhro is registered with the Ministry of Industry, Commerce and Tourism in Bahrain. Some of the professionals of KPMG Fakhro are members of professional accounting bodies.

No auditors have been appointed by GFH in connection with the preparation of this Offering Circular and accordingly, this Offering Circular has not been reviewed by KPMG Fakhro.

***Shari’a* Approvals**

The transaction structure relating to the Certificates has been approved by the Shari’a Supervisory Board of GFH. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the New Certificates and should consult their own *Shari’a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari’a* principles

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN FAS ISSUED BY AAOIFI AND IFRS

STATEMENT OF COMPLIANCE

The Financial Statements were prepared in accordance with FAS issued by the AAOIFI and in conformity with the Bahrain Commercial Companies Law. In line with the requirement of AAOIFI and the rulebook issued by the CBB, for matters that are not covered by FAS, the Group uses guidance from the relevant IFRS.

BASIS OF PREPARATION

The Financial Statements were prepared on the historical cost basis except for the measurement at fair value of certain investment securities. The Group classifies its expenses in the consolidated income statement by the nature of expense method.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN FAS AND IFRS

FAS differs from IFRS in certain respects. Accordingly, the Group has prepared as of the date of this Offering Circular a narrative summary of the significant differences between FAS as applied by the Group in the Financial Statements and IFRS in so far as they relate to the significant accounting policies adopted by the Group.

KPMG Fakhro has not performed any audit, review or other procedures including any reconciliation in respect of the summary of differences described below.

The Group has not performed a reconciliation of its Financial Statements to IFRS, nor has it quantified such differences and nor does it undertake to identify all such differences. Had the Group undertaken any such quantification or reconciliation, other accounting and disclosure differences may have come to the Group's attention that are not identified below.

The differences discussed below relate to the significant differences that impact amounts recorded in the Financial Statements rather than differences in presentation or disclosure.

Investment securities

IFRS 9 which is effective from 1 January 2018 requires all equity investments to be measured at fair value. FAS 25 (which is similar to IAS 39) allows equity securities to be measured at cost in the absence of a reliable measure of fair value.

In accordance with FAS, investments in equity-type instruments are classified into the following categories: (i) as FVTIS investments; or (ii) as FVTE investments. Unrealised gains or losses arising from a change in the fair value of FVTE investments are recognised directly in the fair value reserve under shareholders' equity, which is then distributed between shareholders' equity and the unrestricted investment deposit accounts until the investment is sold, collected or otherwise disposed of or the investment is determined to be impaired. In other words, the fair value reserves attributable to shareholders are recognised under statement of changes in shareholders' equity, and the fair value reserves attributable to unrestricted investment accounts are included in the balance for unrestricted investment accounts as disclosed in note 18 to the 2019 Financial Statements.

Under IFRS, the unrealised gains or losses arising from a change in the fair value of investments classified as available for sale investments (prior to 1 January 2018) or fair value through other

comprehensive income (from 1 January 2018) are recognised in the other comprehensive income statement.

Investment in real estate

In accordance with FAS, properties held for rental, capital appreciation or both, are classified as investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity. Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gain previously transferred to the property fair value reserve is transferred to the consolidated statement of income.

Under IFRS, the unrealised gains or losses arising from a change in the fair value of investments in real estate are measured at fair value through the consolidated statement of income.

Ijarah muntahia bittamleek transactions

The Group's ijarah muntahia bittamleek transactions are treated as operating leases, whereas they are considered as finance leases or financial instruments (depending on the specific deal structure) according to the definition used in IFRS.

In accordance with FAS, ijarah muntahia bittamleek assets are presented at original cost less accumulated depreciation up to the relevant date of financial position.

Under IFRS, the leased assets would be presented at an amount equal to the net investment in the lease, and income accrued since inception of the lease.

Reclassification of statement of financial position captions in line with IFRS

Under AAOIFI, equity of investment accountholders is disclosed and presented in the consolidated statement of financial position as a separate line item between liabilities and owners' equity and is recognised as quasi-equity. Under AAOIFI, finance lease assets are shown separately as a class of non-financial assets.

Under IFRS, equity of investment accountholders would be presented in the consolidated statement of financial position as a liability. Under IFRS, all items relating to financing assets and related accounts are grouped under a single line item in the statement of financial position.

ANNEX: GFH SHARI'A SUPERVISORY BOARD APPROVAL

SHARIA PRONOUNCEMENT

*In the name of Allah, the Most Gracious, the Most Merciful
All praise is due to Allah, the Cherisher of the world, and peace and blessing upon
The Prophet of Allah, on his family and all his companions*

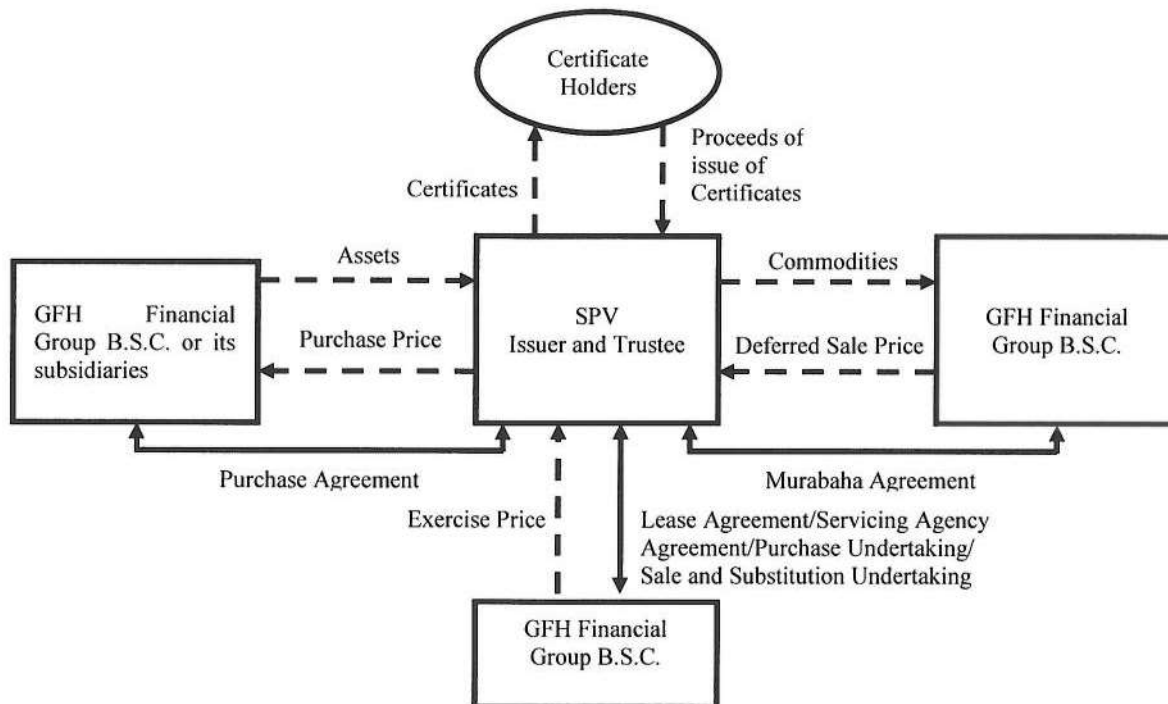
PROPOSED ISLAMIC MEDIUM TERM NOTES ("SUKUK") ISSUANCE OF UP TO USD 500 MILLION

GFH Financial Group backed by their Sharia Supervisory Board has reviewed the proposed structure and mechanism to be entered into in respect of the Sukuk Issuance to ensure compliance with Sharia principles.

Except where defined herein, defined terms used in this Sharia Pronouncement have the meanings given to them in the Principal Terms and Conditions in connection with the Sukuk Issue.

STRUCTURE AND MECHANISM

This structure paper sets out the proposed sukuk structure and a description of the principal cashflows in respect of the issuance of trust certificates (the "Certificates") by a special purpose vehicle incorporated in the Cayman Islands to act as issuer and trustee in respect of the Certificates (the "Trustee") with GFH Financial Group B.S.C. ("GFH") acting as obligor.



Introduction

The Trustee will pursuant to a trust deed (the "Trust Deed") declare a trust in favour of the Certificateholders over (i) the Issue Proceeds (as defined below); (ii) the Wakala Assets (as defined below); (iii) the transaction documents; (iii) all amounts standing to the credit of the collection account



(the “**Collection Account**”) from time to time; (iv) all amounts standing to the credit of the transaction account (the “**Transaction Account**”) from time to time, and all proceeds of the foregoing.

The Trustee may from time to time, create and issue additional certificates to be constituted by a trust deed supplemental to the original Trust Deed and having the same terms and conditions as the outstanding Certificates (the “**New Tranche**”), and so that the same shall be consolidated and form a single series with the outstanding Certificates. In the case of a New Tranche, any Additional Assets (as defined below) and Wakala Assets together with any Commodity Murabaha Investment (as defined below) will be commingled pursuant to a declaration of commingling of assets (the “**Declaration of Commingling of Assets**”).

Purchase Agreement and Murabaha Agreement

On the issue date in respect of each Tranche (a “**Tranche**” being a New Tranche or the Certificates issued on the “**Issue Date**”), the Certificateholders will pay the issue price (the “**Issue Proceeds**”) in respect thereof to the Trustee and the Trustee will apply:

- (a) as the purchase price (the “**Purchase Price**”) payable pursuant to a purchase agreement (the “**Purchase Agreement**”) for the purchase of certain real estate assets (the “**Initial Lease Assets**”) or (in the case of a New Tranche), the purchase price payable under the relevant supplemental purchase agreement (a “**Supplemental Purchase Agreement**”) entered into pursuant to the Purchase Agreement for certain additional real estate assets (“**Additional Assets**”), in each case from GFH or subsidiaries of GFH in their capacities as sellers (the “**Sellers**”), provided that the aggregate value of such Initial Lease Assets or Additional Assets, as the case may be, will be not less than 51 per cent. of the aggregate face amount of such Tranche of Certificates, such valuation to be supported by a representation from GFH based on an external independent valuation and, to the extent that such real estate assets are plots of land, that they are earmarked for development during the life of the Certificates; and
- (b) the remaining Issue Proceeds, being no more than 49 per cent. of the aggregate face amount of such Tranche of Certificates, in the purchase of commodities to be sold to GFH on a deferred payment basis for an amount specified in a letter of offer and acceptance (the “**Deferred Sale Price**”) and shall be the aggregate of: (i) the relevant Commodity Purchase Price; and (ii) the relevant Profit Amount, pursuant to a murabaha agreement (the “**Murabaha Agreement**”) entered into between the Trustee and GFH (the “**Commodity Murabaha Investment**”).

The Lease Assets, the Securities Interests relating to any Securities (each as defined below) and, if applicable, the Commodity Murabaha Investment and all other rights arising under or with respect thereto (including the right to receive payment of rental, Deferred Sale Price and any other amounts or distributions due in connection with the relevant Lease Assets, Securities and Commodity Murabaha Investment) shall comprise the “**Wakala Portfolio**”, and the Lease Assets and the Securities Interests relating to any Securities comprised in such Wakala Portfolio, the “**Wakala Assets**”.

Lease Agreement

Pursuant to a lease agreement (the “**Lease Agreement**”), the Trustee, in its capacity as lessor (the “**Lessor**”) will irrevocable and unconditionally lease to GFH in its capacity as lessee (the “**Lessee**”) and the Lessee, will irrevocable and unconditionally lease from the Lessor, the Initial Lease Assets for renewable rental periods commencing on the Issue Date and extending to the date scheduled for the final redemption of the Certificates (the “**Scheduled Dissolution Date**”) (unless the Lease Agreement is



terminated earlier in accordance with its terms or extended pursuant to the terms of the Purchase Undertaking) in consideration for payment of rental, which will be deposited into the Collection Account for onward payment to the Transaction Account (see “*Cashflows – Periodic Distribution Payments*” below).

Such rental will include an amount equal to any Service Charge Amount (as defined below) incurred by the Servicing Agent (as defined below) in relation to each of the Lease Assets in the immediately preceding rental period (the “**Supplementary Rental**”) and the aggregate of all amounts of additional supplementary rental which the lessee has agreed to pay in respect of the relevant rental period in connection with an Additional Service Charge Amount (as defined below) (the “**Additional Supplementary Rental**”).

The Lessee shall pay: (a) rental (less any Supplementary Rental and Additional Supplementary Rental) by no later than the business day preceding the relevant payment date; (b) any Supplementary Rental and Additional Supplementary Rental on the first business day of the relevant rental period; and (c) an amount equal to the All Expenses Reserve Amount (as defined below) (the “**Initial Supplementary Rental**”) on the lease commencement date.

On the issue date of a New Tranche or the date on which New Lease Assets are substituted as New Assets pursuant to the Sale and Substitution Undertaking, a replacement lease agreement shall be entered into in the manner provided for in the Lease Agreement (a “**Replacement Lease Agreement**”). The Initial Lease Assets (to the extent not otherwise substituted) and the Additional Assets and/or New Lease Assets (as applicable) will then be leased by the Lessee under the Replacement Lease Agreement (the Initial Lease Assets, any Additional Assets and any New Lease Assets together, the “**Lease Assets**”).

Servicing Agency Agreement

On the Issue Date, GFH and the Trustee will also enter into a servicing agency agreement (the “**Servicing Agency Agreement**”) in respect of the Wakala Portfolio and appoint GFH as its agent (the “**Servicing Agent**”), in consideration for a nominal fee, to provide certain services (the “**Services**”) including, but not limited to, the following:

- (a) carry out all major maintenance and structural repair, pay all proprietorship taxes and procure insurances on behalf of the Lessor in respect of the Lease Assets;
- (b) use reasonable endeavours to ensure that the aggregate value of: (i) the Lease Assets; and (ii) the value of the Securities Interest relating to any Sukuk, is not less than 26 per cent. of the aggregate face amount of the Certificates then outstanding;
- (c) use reasonable endeavours to ensure that the ratio of the value of the Wakala Assets to the aggregate value of the Wakala Assets and the outstanding Deferred Sale Price (the “**Tangible Asset Ratio**”) shall at all times remain at least 51 per cent; and

(b) and (c) together, the “**Tangibility Requirements**”.

The Lessor shall provide the Servicing Agent an advance amount (the “**All Expenses Reserve Amount**”) relating to payments and liabilities incurred or paid by the Servicing Agent in undertaking the Services (the “**Service Charge Amount**”), which shall be replenished at the beginning of the next relevant rental period by the Lessor if the Servicing Agent has paid or incurred any related liability.



The Servicing Agent shall agree not to incur or pay any liability in any rental period in respect of the Services which would in aggregate exceed the All Expenses Reserve Amount (any excess being “**Additional Service Charge Amount**”) unless (i) a request for such incurrence or payment has been made by the Servicing Agent to the Lessor for an Additional Service Charge Amount and (ii) following such request, the Lessee has agreed to pay to the Lessor an amount of additional supplementary rental equal to such Additional Service Charge Amount on the first business day of the next rental period. If, during any rental period, the Servicing Agent incurs or pays any such excess liability without first seeking the approval of the Lessor then it shall be deemed to have unconditionally agreed to satisfy, donate and pay all such liabilities from its own account and the Lessor shall not be liable for such amounts.

Insurance

The Servicing Agent shall also ensure that the Lease Assets are properly insured to the extent consistent with general industry practice by prudent owners of similar assets, and, accordingly, shall effect such insurances in respect of such Lease Assets (the “**Insurances**”), through brokers and with such reputable insurance companies in good financial standing, including against a Total Loss Event.

The Servicing Agent will undertake to ensure that the insured amount relating to a Total Loss Event will, at all times, be at least equal to the aggregate value of: (i) the Certificates then outstanding; (ii) any Periodic Distribution Amounts which would have accrued during the period beginning on the date on which the Total Loss Event occurred and ending on the 31st day after the occurrence of the Total Loss Event; (iii) an amount equal to the sum of any amounts payable under the Liquidity Facility and any service agency liabilities; and (iv) any other amounts payable by the Trustee under the Transaction Documents, less the aggregate amounts of Deferred Sale Price then outstanding (the “**Full Reinstatement Value**”).

The Servicing Agent shall further ensure that, in the event of a Total Loss Event occurring, unless such Lease Assets have been replaced, all proceeds of the Insurances against a Total Loss Event are in an amount equal to the Full Reinstatement Value and are paid directly into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event.

However, if a Total Loss Event has occurred and the amount paid into the Transaction Account is less than the Full Restatement Value (the difference between the Full Restatement Value and the amount credited to the Transaction Account, being the “**Total Loss Shortfall Amount**”), then the Servicing Agent shall undertake to pay the Total Loss Shortfall Amount unless it proves beyond any doubt that any Total Loss Shortfall Amount is both (i) not attributable to its negligence; and (ii) not attributable to its failing to comply with the terms of the Service Agency Agreement relating to insurance.

Cashflows

Periodic Distribution Payments

All revenues from the Wakala Portfolio (including all rentals, profits, dividends and other amounts payable in respect of the Wakala Assets and, if applicable, all instalment profit amounts comprising the Deferred Sale Price to be paid in respect of the Commodity Murabaha Investment) (the “**Wakala Portfolio Revenues**”) will be recorded by the Servicing Agent in the Collection Account.

On the business day immediately preceding a Periodic Distribution Date (each a “**Wakala Distribution Determination Date**”), the Service Agent shall pay into the Transaction Account from the Collection Account an amount equal to the aggregate of all Periodic Distribution Amounts payable on the relevant



Periodic Distribution Date by the Trustee under the Certificates (the “**Required Amount**”) and such Required Amount shall be applied by the Trustee for those purposes.

If the Wakala Portfolio Revenues are greater than the Required Amount, such excess returns shall be credited to a separate account by the Service Agent (such account, the “**Reserve Account**”). If the amount standing to the credit of the Transaction Account on a Wakala Distribution Determination Date is insufficient to fund the Required Amount, the Service Agent shall apply amounts standing to the credit of the Reserve Account towards such shortfall, by paying an amount equal to the same into the Transaction Account.

If, having applied such amounts from the Reserve Account, there remains a shortfall between the amount standing to the credit of the Transaction Account and the Required Amount, the Service Agent may in its sole discretion provide Sharia-compliant funding to the Trustee in an amount equal to the shortfall remaining (if any) on terms that such funding is repayable (i) from Wakala Portfolio Revenues received in respect of a subsequent period; or (ii) on the relevant Dissolution Date (such funding, a “**Liquidity Facility**”).

The Service Agent can use the amount standing to the credit of the Reserve Account provided such amounts are returned as and when required in order to meet any shortfall in the amount standing to the credit of the Transaction Account. Upon redemption of the Certificates, the Reserve Amount may be retained by GFH as an incentive fee.

Dissolution Payments

On the Issue Date, GFH will also execute a purchase undertaking (the “**Purchase Undertaking**”) (in its capacity as Obligor) as a deed in favour of the Trustee and the Delegate, while the Trustee will execute a sale and substitution undertaking (the “**Sale and Substitution Undertaking**”) as a deed in favour of GFH.

Upon the occurrence of a Dissolution Event:

- (a) the Trustee will be entitled to exercise the Purchase Undertaking pursuant to which GFH undertakes to purchase all or part (as the case may be) of the relevant Wakala Assets at a price (the “**Exercise Price**”) equal to (i) the aggregate face amount of the relevant Certificates then outstanding; plus (ii) all accrued but unpaid periodic distribution amounts (if any) relating to such Certificates; plus (iii) an amount representing any amounts payable by GFH (in any capacity) under the Transaction Documents (including where no Certificate shall remain outstanding an amount equal to any outstanding Additional Service Charge Amounts in respect of which the Lessee has agreed to make a corresponding payment of additional supplementary rental but such payment has not been made in accordance with the relevant Lease Agreement(s)); less all or the corresponding portion (as the case may be) of the aggregate amounts of Deferred Sale Price then outstanding and any amounts standing to the credit of the Transaction Account; and
- (b) the aggregate amounts of the Deferred Sale Price then outstanding, if any, shall become immediately due and payable by GFH.

Pursuant to the Sale and Substitution Undertaking, grant GFH the right to:

- (a) oblige the Trustee to sell the Wakala Assets to GFH at the Exercise Price (as above) following the occurrence of a Tax Event;



- (b) following delivery of any certificates to be cancelled (the “**Cancelled Certificates**”) oblige the Trustee to transfer the relevant Wakala Assets to GFH, provided that, amongst other things, the aggregate value of such Wakala Assets will not exceed the aggregate face amount of the Cancelled Certificates less a proportion (the “**Cancellation Proportion**”), being equal to the aggregate face amount of the Cancelled Certificates to the aggregate face amount of the Certificates, of the aggregate amount of Deferred Sale Price (excluding Profit Amounts) then outstanding and following the exercise of such right in relation to cancellation of part only of the Certificates then outstanding, the Tangibility Requirements are met; and
- (c) oblige the Trustee to sell certain assets (the “**Substituted Wakala Assets**”) in exchange for delivery to the Trustee of certain new assets (the “**New Assets**”) on an ‘as is’ basis provided that, amongst other things, the New Assets are of a value which is equal to or greater than the value of the Substituted Wakala Assets and following the exercise of such right the Tangibility Requirements are met¹.

In the case of (a) above, GFH shall pay the aggregate amounts of Deferred Sale Price then outstanding to the Trustee on the relevant date and in the case of (b) above, the Cancellation Proportion of the aggregate amounts of Deferred Sale Price then outstanding shall be deemed to be cancelled.

The exercise price payable by GFH (acting in its capacity as Obligor) to the Trustee in respect of the Wakala Assets, together with the aggregate amounts of the Deferred Sale Price then outstanding, if any, are intended to fund the distribution amount payable by the Trustee under the Certificates upon dissolution (the “**Dissolution Distribution Amount**”).

The Purchase Undertaking and the Sale and Substitution Undertaking will provide that to the extent an amount equal to any Additional Service Charge Amounts to be paid by GFH as part of any Exercise Price and any such equivalent amounts to be paid by the Trustee as Lessor under the Servicing Agency Agreement in respect of which the Lessee has agreed to make a corresponding payment of additional supplementary rental under the Lease Agreements but such payment has not been made shall be set off against one another.

The Trust may be dissolved prior to the Scheduled Dissolution Date for a number of reasons including: (i) the imposition of Taxes; (ii) unless the Lease Assets are replaced by GFH in accordance with the Servicing Agency Agreement, upon the occurrence of a Total Loss Event; or (iii) upon the occurrence of a Dissolution Event.

In the case of (i) and (iii), the relevant Dissolution Distribution Amount will be funded by requiring GFH to purchase the Wakala Assets at the relevant exercise price and pay the aggregate amount of the Deferred Sale Price then outstanding, if any, to the Trustee (pursuant to the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, and the Murabaha Agreement).

¹ The New Assets may comprise (i) real estate related assets located in Bahrain (the “**New Lease Assets**”); and/or (ii) certain (x) shares and/or (y) sukuk certificates which represent a beneficial interest in, inter alia, underlying assets or an asset portfolio and the majority of such underlying assets or asset portfolio is comprised of tangible assets (together, the “**Securities**”) (including, but not limited to, the right to receive any profits, dividends or other distributions or payments made in respect of such Securities, the benefit of any appreciation in the value of such Securities and the right to exercise all voting rights attached to such Securities) (the “**Securities Interests**”), provided that the aggregate value of: (i) the New Lease Assets (together with any existing Lease Assets not substituted); (ii) the Securities Interests relating to any Sukuk in the Wakala Portfolio, are not less than 26 per cent. of the aggregate face amount of the Certificates on the relevant substitution date.

The Securities must satisfy certain eligibility criteria, which include, in respect of any shares, that the core business of the relevant company in which the shares are issued must comply with the principles of Sharia and that its total conventional finance debt obligations are less than 33 per cent. of its total assets (in the event that the shares are unlisted) or its average market capitalisation over the past 36 months (in the event that the shares are listed) and, in respect of any sukuk, that they are tradable.




In the case of (ii) above, on the Total Loss Dissolution Date: (a) the aggregate amounts of Deferred Payment Price then outstanding, if any, will become immediately due and payable; and (b) the Trustee will have the right under the Service Agency Agreement to receive all proceeds of the Insurance relating to the Lease Assets, or to receive the Total Loss Shortfall Amount (as applicable), and such amounts are intended to fund the relevant Dissolution Distribution Amount payable by the Trustee under the Certificates on the Total Loss Dissolution Date.

APPROVAL

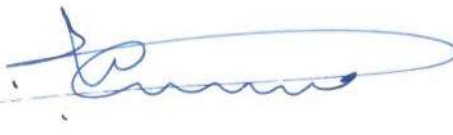
The Sharia Supervisory Board is of the view that the structure and mechanism as set out above in relation to the Sukuk Issue are acceptable within the principles of Sharia, subject to satisfactory documentation and proper execution of the same.




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