

ANFAAL CAPITAL

Board of Directors Report for the financial year ended 31 December 2016

Dear valued shareholders,

The following are the annual Board of Directors (“the Board”) report for Anfaal Capital (“Anfaal” or “the Company”) for the year ended 31 December 2016.

- 1) Description of key business activities, plans and key decisions such as restructuring, expansion or suspension of operations

Investment Banking (IB)

IB, through our Corporate Finance Department, is focused on arranging and advising innovative funding solutions to its clients within the spheres of both Islamic equity and debt markets. The range of services offered include: general financial advisory, merger and acquisition, arranging sukuk and arranging debt and equity syndications locally and internationally.

Asset Management (AM)

Our Asset Management Department offers fund type solutions to institutions and individuals seeking sharia compliant products based on their investment goals and objectives. Currently, apart from having extensive expertise in real estate development, Money Market Fund is a newly launched product by AM that offers stable returns to investors who are seeking investment opportunities in the money market. AM also offers customized Discretionary Portfolio Management (DPM) services for institutional and high net-worth investors seeking discretionary portfolio management services.

Investment Coverage and Placement

Our origination, sourcing and distribution capabilities enable us to provide an outstanding value-added deals outreach to Sovereign Wealth Funds (SWF), Family Offices, and High Net worth Individuals (HNWI). It also allow us to perform the imperative role of building high caliber relationships that are necessary in order to successfully execute high standard advisory services and transactions execution practices.

- 2) Financial results of the Authorized Person and comments from the external auditors, if any;
Please see the audited financial statement.

3) Names of companies which the Board Member is a director, formation and composition of the Board of Directors and the classification of its members

As at 31 December 2016

| Name | Classification |
|---------------------------------|-----------------------|
| 1. Saud Al Sabhan | Chairman, Independent |
| 2. Dato' Muzaffar Bin Hisham | Member, Non-Executive |
| 3. Nida Fatima Raza | Member, Non-Executive |
| 4. Mohamad Yasin Abdullah | Member, Non-Executive |
| 5. Nazih Al Nasser | Member, Non-Executive |
| 6. Murtaza Ghulam | Member, Non-Executive |
| 7. Mohammed Habis | Member, Non-Executive |
| 8. Dr. Abubaker Ali Bagabir | Member, Independent |
| 9. Dato' Abdul Hamid Sh Mohamed | Member, Independent |

BOARD OF DIRECTORS' MEMBERSHIP IN OTHER JOINT STOCK AND PUBLIC COMPANIES

| No | Name of Company | Country of Incorporation | Classification of Directorship | | |
|--|--|--------------------------|--------------------------------|---------------|-------------|
| | | | Executive | Non-Executive | Independent |
| Name : Saud Al Sabhan (Chairman) | | | | | ✓ |
| 1 | Tunisian Saudi Bank | Saudi Arabia | | | ✓ |
| 2 | Umm Al Qura Cement Company | Saudi Arabia | | | ✓ |
| Name : Dato' Muzaffar Bin Hisham | | | | | |
| 1 | Maybank Kim Eng Holdings Limited | Malaysia | | ✓ | |
| 2 | Maybank Asset Management Group Berhad | Malaysia | | ✓ | |
| Name : Dato' Abdul Hamid Sh Mohamed | | | | | ✓ |
| 1 | SILK Holdings Berhad | Malaysia | | | ✓ |
| 2 | MMC Corporation Berhad | Malaysia | | | ✓ |
| 3 | SCOMI Group Berhad | Malaysia | | | ✓ |
| 4 | POS Malaysia Berhad | Malaysia | | | ✓ |
| Name : Nazih Al Nasser | | | | | ✓ |
| 1 | Saudi SMEs Fund (a fund set up by Malaz Capital) | Saudi Arabia | | ✓ | ✓ |

- 4) Bonuses and compensation of board members and senior executives using the attached table.

No remunerations have been paid to Board Members for the financial year 2016, save the meeting allowance and reimbursed expenses as disclosed in the following table.

| Description | Five senior executives including the CEO and CFO | Non-Executive and Independent Directors |
|---|--|---|
| Salaries and compensation | SAR 3,032,020 | -- |
| Allowances ** | -- | SAR 301,211 |
| Discretionary Bonus * | SAR 210,705 | -- |
| Motivational plans | -- | -- |
| Any compensation and other benefits in kind paid on a monthly or yearly basis | -- | -- |
| Total Payment | SAR 3,242,725 | SAR 301,211 |

Note: * Bonus paid in 2016 is in relation to the 2015 financial year; ** including reimbursed expenses claims

- 5) Information regarding any risks faced by AP (whether operational, financing, or market risks) and the policy of managing and monitoring these risks.

Market Risks

Market risk is the risk of loss arising from movements in market variables, such as interest rates, credit spreads, commodity prices, equity prices, risks related to investment funds and foreign exchange rates. Market risk can be segregated into traded market risk and non-traded market risk. Our money market fund, is primarily exposed to changes in the market interest rate namely the Saudi Arabia Inter-Bank Rate (SAIBOR). We constantly monitor the changes in SAIBOR rate and we have steps in place to safeguard our investors return in the fund. As at balance sheet date, we view that our money market fund exposure to changes in the market interest rate is minimum.

Credit Risks

Credit risk refers to the risk that the customer or counterparty may default on its contractual obligation resulting in a loss to Anfaal. At present, our biggest credit risk is only from our managed Alfareeda Fund. At Anfaal, we screen all potential clients via a Know Your Client (“KYC”) process in order to obtain as much information about the background of the potential client. Our KYC process enables Anfaal to select quality clients in order to minimize any counterparty credit risk.

Liquidity Risks

Liquidity risk is the risk that Anfaal is unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due. The efficient management of liquidity risk starts continuous liquidity monitoring, measuring and reporting.

- 6) Any significant differences in the operating results from the results of the previous fiscal year, or any expectations announced by the AP.

| Financial year ending 31 December (SAR, unless stated otherwise) | 2014 | 2015 | 2016 | Change Y-o-Y |
|---|-----------------|-------------------|--------------------|-----------------|
| Total Revenues | 12,725,000 | 11,066,466 | 11,264,415 | 2% |
| Total Expenses | 13,563,476 | 15,993,021 | 14,579,404 | -9% |
| Profit/(Loss) from Operations | -838,476 | -4,926,555 | -3,314,989 | 33% |
| Loss for the year | -657,415 | -4,481,700 | --3,187,094 | 29% |
| Earnings/(Loss) per Share | -0.11 | -0.73 | -0.52 | |

- 7) The name of subsidiary company of AP, its capital, the percentage of ownership of the AP, its main activity, headquarters for its operations, and the its founding Country.

None, Anfaal Capital does not have any subsidiary.

- 8) Any interest, contractual securities, and offering rights belonging to members of the Board of the AP and any related person (as defined in the terminology list used in the regulations of the Capital Market Authority and rules) in shares, debt tools of AP, or any of its subsidiaries, and any change in that interest or those rights during the last financial year.

NONE.

- 9) Information relating to any loans to the authorized person, whether they are repayable on demand or so forth, explaining the total principal amounts of these loans, the name of the donor, duration, and the remaining amount of them in the event of repayment of part of it; revealing the current indebtedness on AP and its subsidiaries, and any amounts paid by AP in settlement of loans during the financial year. If there is no loan for the authorized person, the board of Directors shall provide a ratification to do so.

NONE

10) Number of Board meetings held during the last financial year, and the attendance record of the meetings with indication of names of those attendees.

| Name of Director Position | Membership Classification | Attendance Record | 14.02.2016 Meeting | 06.03.2016 Meeting | 29.05.2016 Meeting | 02.10.2016 Meeting | 19.12.2016 Meeting |
|---|------------------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Current Members | | | | | | | |
| 1 Saud Al Sabhan | Chairman, Independent | 5/5 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2 Dato' Muzaffar Bin Hisham | Non-Executive | 3/5 | ✓ | ✓ | ✓ | -- | -- |
| 3 Nida Fatima Raza ⁽¹⁾ | Non-Executive | 5/5 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4 Mohamad Yasin Abdullah | Non-Executive | 5/5 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 5 Nazih Al Nasser ⁽²⁾ | Non-Executive | 5/5 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 6 Murtaza Ghulam ⁽³⁾ | Non-Executive | 2/2 | na | na | na | ✓ | ✓ |
| 7 Mohammed Habis ⁽⁴⁾ | Non-Executive | 3/3 | na | na | ✓ | ✓ | ✓ |
| 8 Dr. Abubaker Ali Bagabir | Independent | 4/5 | ✓ | ✓ | ✓ | -- | ✓ |
| 9 Dato' Abdul Hamid Sh Mohamed | Independent | 5/5 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Resigned | | | | | | | |
| 1 Alyas Al Meftah ⁽⁵⁾ | Non-Executive | 3/3 | ✓ | ✓ | ✓ | na | na |
| 2 Abdulwahhab Al Dahlawi ⁽⁶⁾ | Non-Executive | 0/1 | -- | na | na | na | na |
| 3 Farid Arshad Masood ⁽⁷⁾ | Non-Executive | na | na | na | na | na | na |

Note:

- (1) Appointment approved by CMA via Circular dated 2 May 2016.
(2) Appointment approved by CMA via Circular dated 21 February 2016.
(3) Appointment approved by CMA via Circular dated 6 November 2016.
(4) Appointment approved by CMA via Circular dated 7 April 2016.
(5) Resigned with effect from CMA approval via Circular dated 12 October 2016.
(6) Resigned with effect from CMA approval via Circular dated 21 March 2016.
(7) Resigned with effect from CMA approval via Circular dated 1 February 2016.

11) Brief description of the terms of reference of the Board Committees, its functions with the names of the chairman and members, and the number of meetings held

| Board Committees | Key Functions |
|--------------------------------------|---|
| Executive Committee | Executive Committee Nomination and Remuneration Committee Investment Committee Audit Committee |
| Audit, Risk and Compliance Committee | Compliance Committee Risk Committee |

MEMBERSHIP OF EXCOM, NUMBER OF MEETINGS HELD IN 2016 AND ATTENDANCE RECORD

| Name of Member Position | Membership Status | Attendance Record | 4.04.2016 | 21.09.2016 | 18.12.2016 |
|--------------------------------|----------------------|----------------------|-----------|-------------------|------------|
| Nida Fatima Raza (Chairman) | Board Member | 3/3 | ✓ | ✓ | ✓ |
| Dato' Muzaffar Bin Hisham | Board Member | 2/3 | ✓ | ✓ | -- |
| Mohammed Habis | Board Member | 3/3 | ✓ | ✓ | ✓ |
| Murtaza Ghulam | Board Member | 1/1 | na | By- invitation | ✓ |
| Resigned | | | | | |
| Alyas Al Meftah ⁽¹⁾ | Board Member | 2/2 | ✓ | ✓ | Na |

⁽¹⁾ Resigned with effect from CMA approval via Circular dated 12 October 2016.

MEMBERSHIP OF ARCO, NUMBER OF MEETINGS HELD IN 2016 AND ATTENDANCE RECORD

| Name of Member Position | Membership Status | Attendance Record | 22.03.2016 | 19.05.2016 | 02.10.2016 | 19.12.2016 |
|---|-------------------------|----------------------|------------|------------|------------|------------|
| Dato' Abdul Hamid Sh Mohamad (Chairman) | Board Member | 4/4 | ✓ | ✓ | ✓ | ✓ |
| Abubaker Bagabir | Board Member | 4/4 | ✓ | ✓ | ✓ | ✓ |
| Mohamad Yasin Abdullah | Board Member | 3/4 | -- | ✓ | ✓ | ✓ |
| Hojamurod Hojaev ⁽¹⁾ | Board Representative | 4/4 | ✓ | ✓ | ✓ | ✓ |

⁽¹⁾ Ayman Bitar was the Board Representative that attended the ARCO meeting on 22 March 2016 and 19 May 2016. Talal Karim was the Board Representative that attended ARCO meeting on 2 October 2016. Hojamurod Hojaev would be the permanent Board Representative going forward. His first ARCO meeting was on 19 Dec 2016.

12) Any transaction between the authorized person and any person related to him (as per definition).

None, except as disclosed in the audited financial statement for the year ended 31 December 2016.

13) Any penalty, sanction or reserve restriction imposed on the Company by the CMA or any other supervisory, judiciary or regulatory authorities or in other jurisdictions

NONE

14) The results of the annual audit review of the effectiveness of internal control procedures of the company
The Board reviews the adequacy and effectiveness of the system of internal controls through the Audit Committee.

15) Information relating to any acts or contracts that the AP, a member of the Board of the AP, the CEO, the CFO, or any related person participating in any of them, or has an interest in it. That information shall include the nature of these acts or contracts and conditions, duration and amount. In the absence of any of these acts or contracts the board of directors shall submit a statement so.

NONE

On behalf of the Board,



2017/5/11

Saud Al Sabhan
Chairman of the Board of Directors