

Directors' Report for 2017

In the Name of Allah, Most Gracious, Most Merciful. Praise be to Allah, the Cherisher and Sustainer of the worlds, and may His peace and blessings be upon His messenger our Prophet Muhammad, his family and his companions and whosoever follows his example and seeks his guidance until the Day of Resurrection.

Dear Shareholders,

On behalf of myself, Board of Directors and all employees of Securities House Company, I am highly delighted to welcome you to the Company's 35th Ordinary General Assembly and present the major highlights and achievements of 2017 and prospects for 2018.

Despite the lower income from subsidiaries in 2017, in which such companies witnessed strategic conversion, as further explained herein, the Company recorded profit for 2017 amounting to KD 22 thousand and earnings per share of 0.05 fils against a profit of KD 757 thousand and earnings per share of 1.5 fils for the comparative year. Likewise, the expenses declined by 4% below the comparative figure.

As for the Company's comprehensive income and financial position, the Company realized a comprehensive income of KD 2.9 million for 2017 compared to KD 4.9 million in the last year. This resulted in a hike in the shareholders' equity of the Parent by 7% to reach KD 46.1 million, which is equivalent to 96 fils per share as at 31 December 2017 compared to KD 43.3 million, which is equivalent to 90 fils per share as at 31 December 2016 due to the relative appreciation of the Pound Sterling, which is the currency of the most significant investment in the major subsidiary viz. Gatehouse Financial Group, where the investment therein was affected in the last year by the depreciation in the Pound Sterling due to referendum that took place in UK to exit from the European Union.

Within this context, we undertake the integrity and validity of the Company's financial statements and reporting of the Company's activities in the annual report presented to you.

In addition, our strategic subsidiary and major asset, Gatehouse Financial Group, which is a holding company, hold an equity stake of 100% in each Gatehouse Bank in UK, the financing arm with a capital of GBP 150 million, and Gatehouse Capital, Kuwait, the investment and marketing arm with a capital of KD 10 million. However, Gatehouse Financial Group recorded a slight profit in 2017, as their two subsidiaries witnessed drastic changes in their strategies and future trends.

As for Gatehouse Bank, it renders a wide range of banking services including corporate finance, wealth management, retail deposits, treasury and sourcing real estate opportunities in UK. In 2017, the bank hired a new CEO and executive team having extensive experience and know-how in residential finance against real estate mortgage in UK for both internal and foreign markets with the aim to allocate risks to diversified segments. Accordingly, the bank became an integrated entity carrying out business through a platform, i.e. "Challenger Bank" that does not require existence of real branches but websites and smart phone applications licensed by Bank of England. This builds on

the bank's trend towards expansion in the significant real estate mortgage finance in UK in addition to accommodating the customers seeking Shari'a-compliant finance. The bank plans to provide yearly finance of GBP 300 million p.a. over the next three years to achieve sustainable returns against less risk.

On the other hand, Gatehouse Capital, Kuwait, is specialized in promoting and providing the investment advisory services for real estate assets in USA and UK. During the last quarter of 2017, Gatehouse Capital, Kuwait, was licensed by Capital Markets Authority to practice its own activity.

Furthermore, Al-Aman Investment Company (Al-Aman) continued posting profits in 2017. Given that Securities House holds an equity stake of 49% in Al-Aman's capital and activities of both companies are integrated, the Board of Directors of Securities House considered the merger between Securities House and Al-Aman Investment Company due to its benefits for the shareholders of both companies. Chief among these benefits are the various experiences in the asset management, consultation in the international real estate and private equity investment that reinforce the Company's competitive edge by offering a wide range of products and services to its customers with continuous returns in the form of fees on asset management, advisory services and cross-selling. Such benefits also support growth of the combined cash position and, hence, seize attractive investment opportunities, enhance geographic and qualitative diversity to cover the GCC region and UK through Gatehouse Financial Group, standardize the regulatory requirements applicable to the Company and rationalize operating expenses.

As a result, the two companies engaged an investment advisor and asset valuer accredited by Capital Markets Authority to provide a fair valuation of assets to both companies' shareholders after issuance of their financial statements for 2017 and implementation of the resolutions passed by the general assembly for reduction of the share capital. Once such actions have been taken, a draft merger contract shall be prepared in line with CMA's governing instructions to be submitted to CMA for approval in 2018 before taking the legal and regulatory procedures and calling for an extraordinary general assembly meeting for discussing and voting on the draft merger contract.

During the ordinary course of business, the Company ensures compliance with the principles of corporate governance in accordance with the Law 7/2010 regarding the Establishment of the Capital Markets Authority and the Regulation of the Activity of Securities and the amendments thereof, as mentioned in the Corporate Governance Report presented to you for the year ended 31 December 2017.

Valued Shareholders,

Given our deliberate approach to leverage and capitalize on our strategic subsidiaries results and sustainable profits, and not to utilize their resources in long terms investments causing burdens on the balance sheet, the Company's Board of Directors, subject to approval of the regulatory authorities, recommended cash reduction of the Company's capital by KD 3,000,000 representing 3% of the paid-up capital, to be paid by the shareholders against cancellation of 30,000,000 shares at par value for the

shareholders registered in the Company's registers at maturity thereof. Accordingly, the Company's capital shall be reduced from KD 48,000,000 to KD 45,000,000.

We hope we have provided a clear overview about the major highlights of our Company's performance during 2017 along with the Company's perspectives for the interests of the shareholders.

Finally, I would like to thank Allah for all achievements we made and challenges we encountered, and thank you for your attendance and enduring support. I also pray to the Almighty Allah to crown our endeavors with success and prosperity for the sake of our beloved country under the wise leadership of His Highness the Amir and His Highness the Crown Prince.

I would like also to express my honest appreciation and thank to the government bodies for their cooperation and support. My heartfelt gratitude is extended to our Company's executive management and employees for their dedication and devotion.

May Allah perpetuate the grace of safety, security and prosperity, and bless the souls of our martyrs.

Peace and Allah's Mercy and Blessings be upon you

Ibrahim Y. Al-Ghanim
Chairman