

# Gulf Finance House B.S.C.

Rights Issue ("Offering") of up to 907,898,065 Ordinary Shares at par value of US\$ 0.33 each being offered to existing shareholders at an Offer Price of US\$ 0.38 per share including a premium of US\$ 0.05 per share



**Record Date:** 11 October 2009  
**Opening Date:** 15 October 2009  
**Closing Date:** 29 October 2009

## Issue Manager



## Receiving Banks



## Issue Registrar



### SUMMARY OF OFFERING CIRCULAR

THE CENTRAL BANK OF BAHRAIN, THE BAHRAIN STOCK EXCHANGE AND THE MINISTRY OF INDUSTRY AND COMMERCE OF THE KINGDOM OF BAHRAIN TAKE NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS ANNOUNCEMENT AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER TO ANY PERSON, AN APPLICANT OR OTHERWISE, FOR ANY LOSS OR DAMAGE HOWSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ANNOUNCEMENT.

The Summary of Offering Circular does not purport to be complete and should be read in conjunction with the main Offering Circular.

The Directors of Gulf Finance House B.S.C. would like to invite existing shareholders of the Bank to subscribe to the Shares offered under this Offering, aggregating to US\$ 345 million (907,898,065 Shares). Subscriptions shall be made at the designated Receiving Bank. The Issue will be open for subscription on 15 October 2009 and will close on 29 October 2009.

#### 1. Issue details:

Issuer	Gulf Finance House B.S.C.
Issue Manager	KPMG – Corporate Finance
Receiving Banks	<b>Bahrain:</b> Khaleeji Commercial Bank B.S.C. - <b>Kuwait:</b> Commercial Bank of Kuwait K.S.C.
Issue Registrar	KPMG Share Registry
Eligibility	All shareholders registered in the Bank's shareholder register with the Registrar on the Record Date, which is Sunday, 11 October 2009

#### 2. Issuer capital:

Authorized capital	US\$ 1,500,000,000 (US\$ one thousand five hundred million) divided into 4,545,454,545 Shares at par value of US\$ 0.33 each.
Existing issued and fully paid-up capital	US\$ 315,375,117 divided into 955,682,173 Shares at par value of US\$ 0.33 each which will be eligible for the Offering, being the number of shares outstanding as of the Record Date.
Issued and paid up capital post this Issue	US\$ 614,981,479 divided into 1,863,580,238 Shares at a par value of US\$ 0.33 per Share.

#### 3. Details of the offering:

**Type of offer:** Issue of Shares in the Bank to existing shareholders on the Record Date

**Offering:** The Bank is offering up to 907,898,065 Shares having Nominal Value of US\$ 0.33 per Share being offered at the Offer Price of US\$ 0.38 per Share. Upon full subscription, the Issued and Paid up Share Capital of the Bank post this Offering will be 1,863,580,238 Shares of a Nominal Value of US\$ 0.33 per Share amounting to US\$ 614.98 million. The Bank will market the Offering to existing Shareholders with a view to secure their irrevocable commitment and proposes to offer a fee on their total commitment. Such irrevocable commitments will be subscribed at the Offer Price and will not affect the pre-emptive rights of Shareholders.

In the event the Shares offered through this Offering are not fully subscribed, the Issuer, in accordance with Article 129 of the Bahrain Commercial Companies Law and in consultation with the relevant Authorities, shall either offer such Shares for public subscription or allot the Shares up to the level of Subscription Amount received in accordance with the terms of the Offering.

Offering size:	907,898,065 Shares
Nominal Value per share	US\$ 0.33 per Share
Offer Price per share	US\$ 0.38 per Share
Rights Entitlement	19 Shares for every 20 Shares held
Record date	11 October 2009
Opening Date	15 October 2009
Closing Date	29 October 2009
Allotment Date	5 November 2009
Distribution date	11 November 2009

#### 4. Extra Ordinary General Meeting (EGM) Resolution

The shareholders, through their resolution adopted at the EGM on 10 September 2009 resolved to increase the issued and paid capital from US\$ 315,375,117 as on 30 June 2009 up to US\$ 615,375,117 through an issue of up to 909,090,909 Shares at a nominal value of US\$ 0.33 per Share at the terms to be decided by the Board of Directors.

#### 5. Other approvals

The Bank has obtained a no objection letter from the CBB's Capital Markets Supervision Directorate stating it has no objection to the use of the Offering Circular for the Offering.

#### 6. General information about the Issuer:

Established on 16 October 1999 in the Kingdom of Bahrain as an Islamic investment bank, Gulf Finance House B.S.C. has issued and paid up capital of approximately US\$ 315 million and an authorized capital of US\$ 1,500 million. The Bank operates in Bahrain under Commercial Registration No. 44136 and operates as an Islamic wholesale investment bank under a license granted by the CBB. The bank's activities are regulated by CBB and supervised by a Shari'ah Supervisory Board whose role is defined in the Bank's Memorandum and Articles. The Bank's shares are listed on BSE, KSE and DFM. In 2007, LSE admitted the listing of the Bank's GDR on that exchange.

The principal business of the Bank includes investment advisory services and general investment activities which comply with the principles of Islamic Shari'ah as determined by the Bank's Shari'ah Supervisory Board. The main services offered by the Bank include development infrastructure projects, venture capital, private equity investment and asset management services.

#### 7. Financial Highlights

In the six years since its inception, GFH has successfully established a leading position in the GCC and MENA region for originating and financing infrastructure and economic development projects in the region. In 2005, the bank successfully pursued its strategy of geographic expansion and involvement in regional economies and international markets.

The following table shows a summary of key financials of the Bank for the past 3 years and six months ended 30 June 2009.

(In US\$ mil.)	30.6.09 (Reviewed)	31.12.08 (Audited)	31.12.07 (Audited)	31.12.06 (Audited)
Total Income	68	618	588	346
Net Profit/(Loss)	(92)	292	343	212
Total assets	2,701	3,485	2,245	1,501
Shareholders' Equity	824	967	879	668

#### Recent performance

In the first six months of 2009, the Bank reported a net loss of US\$ 92 million. Given the current downturn in the global economy, GFH has had to make US\$ 81 million provision on propriety assets (non client projects) which account for a significant proportion of the loss. Throughout this period the Bank focused not only on the origination of new projects but increasingly on the management and oversight of existing initiatives. In addition, management continued its focus on careful cost controls across the organization with an operating cost reduction of about 20% during the second quarter of 2009 when compared to the first three months of the year and a reduction of about 53% on the corresponding six month period to 2008. Importantly, as an Islamic financial institution GFH was not exposed to the toxic assets classes that have undermined liquidity across the world.

The Bank's total assets as at 30 June 2009 stood at US\$ 2,701 million. The major assets in the Balance Sheet include Development property and Investment in associates comprising 21% and 20% of the total assets, respectively. Further, the Placement with financial and other institutions contributed 24% and Available for Sale investments contributed 11% of the total assets whereas remaining 24% was invested in other assets.

- Development property stood at total of US\$ 572 million or 21% of the total assets and mainly represents investment in Legends Investment Company, UAE.
- Investment in associates was at US\$ 536 million or 20% of the total assets.

The major investments in associates are as follows:

Associates	Holding %	Amount (US\$ million)
Bahrain Financial Harbor Holding Company BSC (c)	49.88%	175
Khaleeji Commercial Bank BSC	36.96%	135
Cemena Investment Company	30.12%	100
Qinvest LLC	15.00%	88
Bahrain Aluminium Extrusion Company BSC (c)*	40.03%	24
Al Baraka Takaful Company	45.00%	7
Injazat Technology Fund BSC (c)	30.19%	6

\* The Bank owns approximately 50.15% in the company, including 10.12% held on behalf of the Investors

- Available for Sale investment was at US\$ 292 million or 11% of the total assets.

The major investments are as follows:

Available for Sale Investments	Amount (US\$ million)
Naseej BSC (c)	40
Gulf Holding Company KSC (Holding)	32
Bayan Holding Company KSCC	29
Jawhara Greens Investment Company	26
First Energy Bank BSC (c)	25
Morocco Holding Company	24

#### Financial performance during last three years ending 31 December 2008

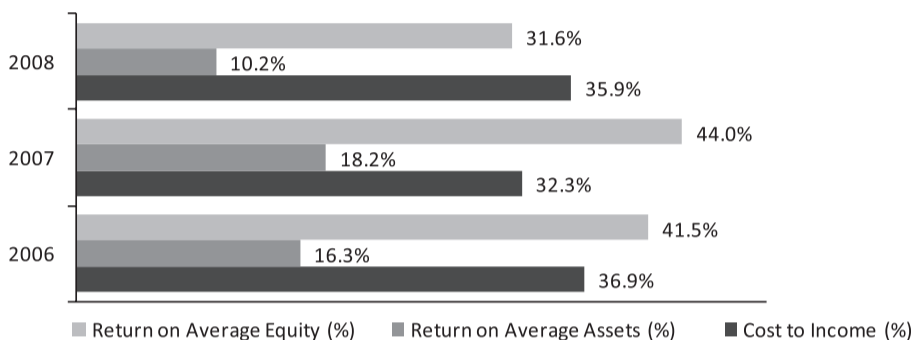
The Bank posted a strong growth in net profit in the year 2007 at US\$ 343 million, as compared to US\$ 212 million in the year 2006. The significant increase in net profit in 2007 was driven from the sale of 63% shareholding in its wholly owned subsidiary Khaleeji Commercial Bank BSC. However, year 2008 saw the net profit decrease to US\$ 292 million mainly on account of higher impairment allowance of US\$ 40 million as compared to allowance of US\$ 15 million in 2007. Accordingly, the Bank's earnings per share stood at US\$ 0.37 down from US\$ 0.43 in 2007.

In the three year period, the Bank launched a number of new investment vehicles and infrastructure projects which collectively raised funds of more than US\$ 3.4 billion. These include Qinvest (Qatar), First Energy Bank (Bahrain), Gateway to Morocco, Marakech and Tangiers (Kingdom of Morocco), Energy City Navi Mumbai (India), Mumbai Information and Technology City (India), Tunis Bay Investment Company (Tunisia). Also, the Bank launched Caspian Energy City (Kazakhstan) and Energy City Libya (Libya) towards the end of financial year 2008.

The Bank also successfully exited Al Andulus (Spain), Financial Center Investment Company (Bahrain), Gulf Energy Holding Company (Qatar) and Bahrain Financial Harbour Investment Company with positive returns to investors.

The Bank's wholly owned subsidiary, Khaleeji Commercial Bank BSC was partially exited in 2007 and continues to be an associate of GFH. During this period Legends Investment Company in UAE, The "Lost Paradise of Dilmun – Water Park" Bahrain and Injazat Capital, UAE were acquired as part of its diversification strategy and are now fully owned subsidiaries of GFH. As the Bank floated a number of projects during these years its funds under management grew to US\$ 2.9 billion by 49% compared to 2005.

On the back of the good financial performance over the last 3 years, the Bank's return on share capital continuously averaged above 100% while its return on average equity was above 30% in each of the years. This was mainly on the back of growth in income received from investment advisory services, income on sale of subsidiary and income from associates. Key performance ratios are set out below:



■ Return on Average Equity (%) ■ Return on Average Assets (%) ■ Cost to Income (%)

#### 8. Use of proceeds:

The size of the Offering has been arrived at after careful consideration of multiple factors. The key determinants were the impact on capital adequacy and liquidity in light of the recent market events and the Bank's future strategy. Reinforcing the balance sheet and building a strong foundation are critical pillars to the success of the Bank's future strategy. Enhanced liquidity to help withstand the current global slowdown is also pertinent for the Bank's future growth plans. In addition to supporting future growth, this level of capital will also allow for allocation of capital to Pillar 2 risks as identified in the Basel Accord.

Based on the above, proceeds from this Offering will be mainly used for a combination of stabilizing the existing business, during the end of 2009 and beginning of 2010, by optimising the current assets and strengthening the balance sheet; and building the foundation for sustained growth in new business lines like investment banking and asset management, and expanding the existing business model in private equity into a product focused unit. Additionally the investment horizon may also be enlarged over time into new industry sectors and countries in line with the strategic plan being put in place. Part of the proceeds will also be used towards paying the expenses for this Offering.

#### 9. Head office of the Issuer

The Head Office of the Issuer is situated in Bahrain Financial Harbour, P.O. Box 10006, Manama, Kingdom of Bahrain.

#### 10. Listing and share performance

The Bank's shares are listed on the BSE, KSE, DFM and GDRs are listed on LSE. The share price of GFH has fallen since June 2008 mainly owing to downturn in global economy, resultant impact on capital markets and the Bank's performance. Overall, during the last two years (from August 2007 to August 2009), the Bank's stock has outperformed the BSE and the BSE Banking Index.

The Bank's stock outperformed the market and generated higher returns relative to the performance of the BSE, KSE and DFM during the last two years (from August 2007 to August 2009).

#### 11. Eligible Shareholders:

This Offering is available to existing Shareholders for subscription. Eligible Shareholders on the Record Date may accept all or part of their entitlement. The rights to the Shares are renounceable, which enables Shareholders who do not wish to take up some or all of their entitlement to renounce their rights to a third party. The Shares may be renounced during the Subscription Period only.

Record Date is the date on which existing Shareholders on the Bank's Register are designated as recipients of rights. This date will be 11 October 2009.

#### 12. Subscription above Eligible Rights

Shareholders at the Record Date may apply to subscribe for Shares in excess of their entitlement of 19 new Shares for every 20 Shares held, by completing the relevant section in the Application Form.

#### 13. How to apply

Applicants should submit to the Receiving Bank a duly signed and completed Application Form together with cleared funds for the amount of subscription.

The subscription currency is US\$.

The Subscription Amounts shall be payable in US\$ with the Receiving Bank in Bahrain or Kuwait. Such remittances shall be made to the designated bank account with the Receiving Bank in one of the following modes:

- By wire transfer in US\$ from an account of the Investor maintained with another bank;
- By transferring US\$ from an account of the Investor maintained with the Receiving bank;

No other modes of payment shall be accepted.

Applicants will receive a receipt of acknowledgement from the Receiving Banks on submission of the application.

Subscription Funds will be maintained in the subscription account until the allocation of Shares by the Bank.

Please note that all Subscription Funds received should be net of any banking charges and other costs such as wire transfer charges, collection charges, foreign currency conversion charges which shall be borne by the Applicant.

For more information please refer to the Offering Circular available at the Receiving Bank.

#### 14. Basis of allotment:

The Bank will complete allotment of the Shares on the Allocation Date which will be within 7 calendar days following the Closing Date.

Shares offered pursuant to this Offering will be first allotted to Shareholders exercising their rights in full or any lesser number of Shares. Renounced Shares will be allotted to any person / entity in whose favour Shareholders have made the renunciation on the same basis. The balance Shares, if any will be allotted to Shareholders who have tendered valid Application Forms for more than their entitlement on a pro-rata to the number of Shares they held on the Record Date. The decision of the Issuer in this respect will be final and binding on all parties.

#### 15. Listing:

Application will be made to the BSE, the KSE and the DFM to list all the Shares being offered through this Offering. A formal announcement will be made by the BSE, KSE and DFM to announce the commencement of trading of these Shares.

#### 16. Other important details:

A. The Subscription Period commences in Bahrain at 8.00 am (Bahrain/Kuwait time) on the Opening Date, which is Thursday 15 October 2009, and closes at 12.00 noon (Bahrain/Kuwait time) on the Closing Date, which is Thursday 29 October 2009. Applicants may apply to subscribe for the Shares at the Receiving Bank during normal business hours in Bahrain and Kuwait.

B. Please note that there will be no halt of trading of shares on the BSE, KSE and DFM at any time before and during the Subscription Period.

C. Copies of the Offering Circular and the Application Form can be collected from the designated branches of the Receiving Bank and the office of the Issue Registrar.

D. Applicants need to present all necessary identification as stated in the Offering Circular and on the Application Form in order to fulfill "Know Your Customer" requirements and have their application considered for acceptance.

#### 17. Directors declaration:

The Directors of Gulf Finance House B.S.C. accept responsibility for the information contained in this announcement. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this announcement is in accordance with the facts and contains no omissions likely to affect the importance and completeness of this announcement.

The Directors, Gulf Finance House B.S.C.