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Gulf Finance House B.S.C.



Offering Circular

Issued on 06 October 2009

Offer of up to 907,898,065 Shares of Gulf Finance House B.S.C. to existing Shareholders

Nominal Value: US\$ 0.33

Offer Price: US\$ 0.38

Opening Date: 15 October 2009

Closing Date: 29 October 2009

Issue Manager and Issue Registrar



Receiving Banks

Kingdom of Bahrain
Khaleeji Commercial Bank B.S.C.



State of Kuwait
Commercial Bank of Kuwait K.S.C.



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For and on behalf of the Board of Directors



Chairman

Name of Director	Position
Esam Yousif Janahi	Chairman
Hamad A Aziz Al Shaya	Vice Chairman
Samir Yacoub Al-Nefaisi	Director
Yousif Mohammed Khayat	Director
Abdul Latif Abdulla Al Meer	Director
Adel Dawood Al Ohali	Director
Abdulla Ali Al-Hamli	Director
Abdulaziz Bin Mohamed Al Hanai	Director
Anthony Travis	Director
Bader Al Subaiee	Director
Mohammed Ebrahim Mohammed	Director
Mosabah Saif Al Mutairy	Director
Ahmed Fahour	Director and CEO

Important Notice

This Offering Circular is being furnished by Gulf Finance House B.S.C. ('GFH' or 'the Bank' or 'the Issuer') solely for the purpose of enabling existing Shareholders to consider subscribing to the Shares under this Offering.

For the purpose of this Offering, no person has been authorized to make any representations or give any information with respect to GFH or the Offering except the information contained in this Offering Circular, and any representation or information not contained herein must not be relied upon as having been authorized by the Directors of GFH. In receiving this Offering Circular, you agree to be bound by the terms and conditions set out herein, including any modifications to them from time to time.

This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy the Shares in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Offering Circular includes details given in compliance with the disclosure standards of the Central Bank of Bahrain in Bahrain. The Directors, whose names appear in this Offering Circular, collectively and individually accept responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts or omissions which would make any statement herein materially misleading. Substantial portions of the economic and industry information made available in this Offering Circular are derived from external sources which have not been independently verified and no representation is made with respect to the accuracy or completeness of this information.

The Bank has appointed KPMG Corporate Finance as Issue Manager, Elham Ali Hassan and Associates (Legal Advisor for compliance with applicable laws and regulations in Bahrain), Al-Sarraf and Al Ruwayeh (Legal Advisor for compliance with applicable laws and regulations in Kuwait), Clifford Chance LLP (Legal Advisor for compliance with applicable laws and regulations in UAE) and Trowers and Hamlins (International legal counsel to the Offering) to assist the Issuer in compiling the Offering Circular in compliance with applicable laws and regulations.

While the Bank and its Directors have made all reasonable enquiries as to the accuracy of the information contained in this Offering Circular as at the date hereof, this information is subject to change. In particular, the actual financial position of the Bank and the value of the Shares may be adversely affected by future developments in inflation, profit margins, taxation, or market, economic, political, the Bank's performance and other factors, over some of which the Bank and its Directors have no control. Neither the delivery of this Offering Circular nor any oral, written or printed communication in relation to the Shares offered is intended to be, or should be construed as or relied upon in any way, as a promise or representation as to future earnings, results or events.

None of the Directors, their respective officers, agents, employees, and the advisors assume any liability for any representation or warranty (expressed or implied) enclosed within, or omitted from, this Offering Circular or any other written or verbal information transmitted to the recipient (or any of their advisors) in the course of the recipient's assessment of any proposed investment.

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The contents of this Offering Circular should not be treated as investment, tax, or legal advice by the Applicants. It is advised that all Applicants make their own investigation and evaluation of the opportunity to invest in the Shares of the Bank, and should seek to consult with their own advisors concerning the evaluation of the risks of the investment and its suitability for their individual financial and risk preferences.

The Offering is only being made to, and is only capable of acceptance by Applicants of nationalities fulfilling the subscription application requirements. The distribution of this Offering Circular and the sale of Shares in any jurisdiction where such distribution is, or may be, unlawful are expressly prohibited. The Bank, the Directors and the advisors require recipients of this Offering Circular to inform themselves about and observe all such restrictions. The Bank and the Directors reserve the right to terminate, at any time, the further participation of any party in the assessment process and the Offering.

The Offering Circular does not constitute a recommendation by the Bank or the Directors or any of their advisors to participate in the Offering. Information contained in this Offering Circular is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs.

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Nothing in this Document constitutes an offer to sell or the solicitation of an offer to buy any Shares in any jurisdiction. The Shares have not been and will not be Registered under the Securities Act or with any Securities Regulatory Authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.

Confirmation of your Representation: In order to be eligible to receive a copy of this Offering Circular or make an investment decision with respect to the Shares, you must be a person other than a U.S. person (within the meaning of Regulation under the Securities Act) who is outside the United States. By accessing this Offering Circular, you shall be deemed to have represented to the Bank that you and any customers you represent are not a U.S. person; the email address that you have given to the Bank and to which an email has been delivered is not located in the U.S., its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this 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 this Offering Circular to any other person.

Any material relating to the Offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and any manager or any affiliate of any manager is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the manager or such affiliates on behalf of the Bank in such jurisdiction.

This Offering Circular may be 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 managers or any person who controls any such persons, or any of their respective directors, officers, employees, agents or affiliates, 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 Bank.

NOTICE TO SHAREHOLDERS (UNITED KINGDOM AND UNITED STATES OF AMERICA)

The distribution of this Offering Circular, and the Offering and sale of the Shares, in certain jurisdictions may be restricted by law. You must inform yourself about, and observe, any such restrictions. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Shares or possess or distribute this Offering Circular and must obtain any consent, approval or permission required for your purchase, offer or sale of the Shares under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. The Bank is not making an offer of, or invitation to purchase, any of the Shares to any person in any jurisdiction in which such offer or solicitation would be unlawful.

This Offering Circular is prepared in accordance with the disclosure standards of the Central Bank of Bahrain in Bahrain. This Offering Circular has not been submitted to the review or registration procedures of any regulatory authority in the United Kingdom. In particular, it is not a prospectus for the purposes of Section 12(a)(2) or any other provision of, or rule under, the U.S. Securities Act. The Offering has not been approved or recommended by any governmental securities regulator.

FORWARD LOOKING STATEMENTS

Certain statements in this Offering Circular constitute “forward-looking statements”. The words “plans”, “estimates”, “believes”, “expects”, “may”, “will”, “should”, “are expected”, “would be”, “anticipates” or the negative or other variation of such terms or comparable terminology are intended to identify a number of these forward-looking statements.

These forward-looking statements reflect the current views of the Bank and its Directors with respect to prospective events, and are not a guarantee of future performance. Many factors could cause the actual performance, achievements or results of the Bank to be significantly different from any prospective performance, achievements or results that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Offering Circular (see “Investment Considerations and Risk Factors” section).

STATUS OF SHARES ISSUED UNDER THIS OFFERING

The Shares being offered through this Offering Circular will rank pari-passu in all respects with all other issued Shares of the Bank.

COPIES OF THE OFFERING CIRCULAR

Copies of this Offering Circular may be obtained from the Bank and the designated branches of the Receiving Banks.

APPLICANT IDENTIFICATION AND ANTI MONEY LAUNDERING

The Issuer and the Receiving Banks reserve the absolute right to require further verification of the identity of each Applicant or that of the person or entity on whose behalf the Applicant is applying for the purchase of Shares under this Offering.

Each Applicant will provide satisfactory evidence of identity and if required, the source of funds within a reasonable time period as determined by the Issuer and the Receiving Banks. Pending the provision of such evidence, an application to subscribe for Shares under this Offering will be postponed.

An Applicant may need to provide documentation to identify itself and if required, the source of its funds, to the Receiving Banks / Issuer even if the Applicant is an existing Shareholder of the Bank and has already provided such documentation.

If the Applicant fails to provide satisfactory evidence within the time specified in each case, or if the Applicant provides evidence but the Issuer and the Receiving Banks are not satisfied therewith, the Application Form may be rejected in which event any money received by way of application, will be returned to the Applicant by inter-bank transfer to the account from which the monies originated, without any addition thereto and at the risk and expense of the Applicant.

For the avoidance of doubt, neither the Issuer, the Receiving Banks nor any third party appointed as receiving agent, shall be responsible or liable for any loss or damage (whether actual or alleged) arising from the election by the Issuer and the Receiving Banks or any receiving agent to reject the application made by any Applicant as a result of the Issuer and/or the Receiving Banks not having received satisfactory evidence as to the identity of the Applicant within a reasonable period of time following the request for verification of identity.

The Issuer will comply with Bahrain's Legislative Decree No.(4) of 2001 with respect to Prohibition and Combating of Money Laundering and the various Ministerial Orders issued thereunder including, but not limited to the Ministerial Order No.(7) of 2001 with respect to Institutions 'Obligations Concerning the Prohibition and Combating of Money Laundering' and Ministerial Order No.(1) of 2004 with respect to Directives Relating to the Prevention and Prohibition of Money Laundering at the Bahrain Stock Exchange.

The Issuer and the Receiving Bank for the State of Kuwait will also comply with Law No. 35 of 2002 regarding combating of-money laundering operations and the various Ministerial Orders, Regulations and Resolutions issued thereunder including but not limited to Ministerial Order No. 9 of 2005 regarding the procedures and controls of the execution of provisions of Law No. 35 of 2002.

The Issuer and the Receiving Banks will also comply with international anti-money laundering requirements as existing from time to time as applicable to them. Under the above domestic or international requirements, the Issuer and the Receiving Banks may be obliged to report certain information to regulatory agencies.

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1 Offering Timetable

Record Date	Sunday	11 October 2009
Opening Date	Thursday	15 October 2009
Closing Date	Thursday	29 October 2009
Allotment Date	Thursday	5 November 2009
Distribution of refunds and Share certificates or Distribution Date	Wednesday	11 November 2009

2 Definitions and Abbreviations

Words and expressions not otherwise defined in this Document have, unless the context otherwise requires, the following meanings:

AGM	Annual General Meeting of the Shareholders
Allotment Date	The date on which the Shares being offered through this Offering Circular will be allotted to the Applicants
Allotment Notice	A notice informing the Applicants of their respective allotment of Shares applied for through this Offering Circular
Applicant(s)	A person who applies for Shares through this Offering Circular
Application Form	The form provided by the Issuer and available from the offices of the Issuer and designated branches of the Receiving Banks and to be used by the Applicants when applying for Shares in this Offering
Articles or AoA	Articles of Association of the Bank, as amended from time to time
Authorised Share Capital	US\$ 1,500,000,000 comprising 4,545,454,545 Shares of US\$ 0.33 each as authorized to issue in accordance with the Memorandum and Articles
Authorities	Any one, or a combination of the following entities to which relevant notification must be made or from which relevant approval will be necessary; the CBB, the BSE, the MoIC, the KSE, the DFM, the LSE and any other relevant governmental body, both within and outside Bahrain
Bahrain	Kingdom of Bahrain
Bank or GFH or Issuer	Gulf Finance House B.S.C. to which this Offering pertains
Board or Board of Directors or Directors	The Board of Directors of the Bank
B.S.C.	Bahrain Shareholding Company
BSE	Bahrain Stock Exchange
BSE Central Depository	The BSE's Central Depository clearance settlement system
CBB	Central Bank of Bahrain
Closing Date	The date on which this Offering will close for subscription, which is 12 noon Bahrain/Kuwait Time on Thursday, 29 October 2009 or such other date as may be decided by the Issuer in consultation with the CMSD
CMSD	Capital Markets Supervision Directorate, Bahrain
Co-ordinating Bank	Khaleeji Commercial Bank B.S.C., who have been appointed by the Issuer to act as the co-ordinating bank with respect to this Offering
Custodian for GDR	HSBC Bank Middle East Limited
Depository	Deutsche Bank Trust Company Americas, depository for GDRs of the Bank

DFM	Dubai Financial Market
Distribution Date	The date on which the Applicants shall collect their Allotment Notice and the refund, if any from the Receiving Bank to which they submitted the Application Form.
EGM	Extraordinary General Meeting of the Shareholders
GCC	The Gulf Co-Operation Council
GDR	Global Depository Receipts
Investor Number	A number granted to each Applicant for trading in any shares listed on the relevant stock exchange and such number shall be used for all future trading on that exchange regardless of the entity in which the Applicant holds shares
Issue Manager	KPMG Corporate Finance
Issue Registrar	KPMG Share Registry Services
KCC	Kuwait Clearing Company K.S.C. as the operator of the clearing system at the KSE
KSE	Kuwait Stock Exchange
Kuwait	State of Kuwait
LSE	London Stock Exchange
Memorandum or MoA	Memorandum of Association of the Bank as amended from time to time
MENA	Middle East and North Africa
MoIC	Ministry of Industry and Commerce, Bahrain
Nominal Value	The nominal value of each Share, which is US\$ 0.33 each
Offer Price	The price at which the Shares are being offered through this Offering Circular, which equals US\$ 0.38 per Share
Offering	The offer of upto 907,898,065 Shares of the Bank being offered to Shareholders whose name appears on the share register of the Bank as at the Record Date. Such Shareholders are being offered in the proportion of 19 Shares for every 20 Shares held by them as on the Record Date.
Offering Circular or Document	This document prepared by the Issuer in relation to the Offering and in accordance with the disclosure standards issued by the CBB
Opening Date	The date on which the Offering will open for subscription, which is 8 a.m. Bahrain/ Kuwait Time on Thursday 15 October 2009
Paid-up Share Capital	US\$ 315,375,117 comprising 955,682,173 Shares of US\$ 0.33 each, being the capital of the Bank as at 30 June 2009
Record Date	The cut-off date as of which the Shareholders registered in the Bank's share register will be entitled to participate in this Offering, being Sunday, 11 October 2009

Receiving Banks	Entities listed as Receiving Banks in this Document. The Issuer has entered into an agreement with the Receiving Banks to perform certain tasks in relation to this Offering.
Renunciation	The Shareholders entitled to participate in this Offering may accept all or a part of their entitlement. Their right to the Shares being offered through this Document is renounceable, which enables the Shareholders who do not wish to take up some or all of the Shares being offered through this Document to renounce those Shares in favour of others.
Shares	The ordinary Shares of the Bank with Nominal Value of US\$ 0.33 each.
Shareholders	The registered holders of Shares in the Bank from time to time.
Shari'ah	Islamic jurisprudence, the source of which is found in the Holy Quran, the Sunna and the Hadith
Subscription Amount	An amount equal to the number of Shares applied for through the Application Form multiplied by the Offer Price.
Subscription Period	The period during which Applicants may apply for Shares offered through this Offering, commencing on the Opening Date and ending on the Closing Date.
Subscription Terms and Conditions or Terms and Conditions	The terms and conditions pursuant to which Applicants apply for the Shares under the Offering including those terms and conditions which are set out in this Offering Circular and those which are appended to the Application Form.
UAE	United Arab Emirates
USD or US\$	United States Dollar, the lawful currency of United States of America

3 Resolutions and Approvals

3.1 Board of Directors Resolution

The Board of Directors in their meeting held on 15 July 2009 resolved the following in relation to this Offering:

- approve to increase the Paid-up Share Capital of the Bank through a rights offering and recommend such resolution to the EGM
- recommend an increase in such capital in the range of US\$ 300 million to US\$ 500 million;
- authorize the Chairman, Board of Directors to make an invitation for the EGM to consider and approve such increase in capital;

3.2 Extra-Ordinary General Meeting Resolution

The Shareholders, through their resolution adopted at the EGM held on 10 September 2009, resolved and approved the following in relation to this Offering:

- increase the Authorised Share Capital of the Bank from US\$ 500,000,000 to US\$ 1,500,000,000;
- increase the issued and paid up 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 to the Shareholders of a nominal value of US\$ 0.33 per Share;
- the Board of Directors shall arrange and decide upon the Offer Price and the terms of the Offering (including the number of Shares being offered and the premium over the Nominal Value), the Subscription Period and related timelines and the proportion of rights.

Further, the Board of Directors in their meeting held on 24 September 2009, resolved and approved the following in relation to the Offering:

- issue of upto 907,898,065 Shares through this Offering;
- Offer Price at US\$ 0.38 per Share including premium of US\$ 0.05 per Share being the excess of Offer Price over the Nominal Value of US\$ 0.33 per Share;
- each Shareholder as at the Record Date shall be eligible for 19 Shares for every 20 Shares held as at the Record Date;
- Subscription Period commencing from 15 October 2009 to 29 October 2009 for the Offering.

3.3 CBB – Capital Market Supervision Directorate

The Issuer has obtained a letter from the CMSD dated 06 October 2009 stating it has no objection to the use of this Offering Circular for the purpose of this Offering.

3.4 Ministry Of Industry and Commerce

The MoIC have been notified of the results of the EGM as required by Article 125 of the Bahrain Commercial Companies Law.

3.5 Relevant Stock Exchanges

The BSE, KSE, DFM and the LSE have been notified of the results of the EGM and have been furnished with a copy of this Document. Following completion of this Offering an application will be made to BSE, KSE and the DFM to list the Shares being offered through this Document.

4 Summary of Offering

Following is the summary of the principal terms of the Offering as extracted from the remaining parts of this Document. The following summary is qualified in its entirety by the detailed information included elsewhere in the Offering Circular and should be read in conjunction with the full text of this Document. Applicants are strongly recommended to review the sections of this Document containing the terms and conditions of this Offering and the risk factors.

Issuer	Gulf Finance House B.S.C. is an Islamic Wholesale Investment Bank regulated by the CBB and operating in Bahrain under the Commercial Registration number 44136.
Type of Offer	Issue of Shares in the Bank to the Shareholders whose names appear in the share register as of the Record Date.
Offer	The right to purchase 19 Shares for every 20 Shares held as at the Record Date.
Shares being offered under this Offering	Upto 907,898,065 Shares of Nominal Value of US\$ 0.33 each.
Nominal Value	US\$ 0.33 per Share
Offer Price	US\$ 0.38 per Share
Subscription Currency	US\$
Entitlement to this Offering	All the Shareholders registered in the Bank's share register on the Record Date
Renunciation	The Shareholders entitled to participate in this Offering may accept all or a part of their entitlement. Their right to the Shares being offered through this Document is renounceable, which enables the Shareholders who do not wish to take up some or all of the Shares being offered through this Document to renounce those Shares in favour of others.
Opening Date	The date on which the Offering will open for subscription, which is 8 a.m. Bahrain/ Kuwait Time on Thursday 15 October 2009.
Closing Date	The date on which this Offering will close for subscription, which is 12 noon Bahrain/ Kuwait Time on Thursday, 29 October 2009 or such other date as may be decided by the Issuer in consultation with the CMSD.
Record Date	The cut-off date as of which the Shareholders registered in the Bank's share register will be entitled to participate in this Offering, such date being Sunday, 11 October 2009.
Subscription Period	The period during which Applicants may apply for the Shares available through this Offering, commencing on the Opening Date and ending on the Closing Date.
Method of Payment of Subscription Amount	<p>The Subscription Amount shall be remitted in US\$ with the Receiving Bank in Bahrain or Kuwait. Such remittance shall be made to the designated bank account with the Receiving Bank in one of the following modes:</p> <ul style="list-style-type: none">• By wire transfer in US\$ from an account of the Applicant maintained with a bank other than the Receiving Bank;• By transferring US\$ from an account held by the Applicant with the Receiving Bank through which an Application is made. <p>No other modes of payment shall be accepted.</p>

Receiving Banks

Designated branches of the following banks:

Bahrain**Khaleeji Commercial Bank B.S.C.**

Bahrain Financial Harbour Mall,
East Tower, 2nd Floor,
Manama, Kingdom of Bahrain

Kuwait**Commercial Bank of Kuwait K.S.C.*****Head Office:***

Mubarak Al Kabir

Branches

Sour Street; Salmiya; Beirut street; Omariya; South Surra;
Qurain; Fahaheel; Al Naeem and East Ahmadi.

Use of Proceeds

The proceeds from this Offering will be mainly used for a combination of stabilizing the existing business by strengthening the Bank's balance sheet, implementing its strategic plans, meeting obligations as they arise and towards expenses for this Offering. For further details please refer to section titled 'Use of Proceeds' in this Document.

Basis of Allotment

The Applicants shall first be allotted to the extent of their entitlement or the number of Shares applied for, whichever is lower. The remaining Shares, if any will be allotted to Applicants who have applied for in excess of their entitlement. Such allotment of excess Shares shall be pro-rata to the number of Shares held in the Bank as at the Record Date.

Distribution and Refund

On the Distribution Date, the Applicants shall collect their Allotment Notice and the refund cheques, if any from the Receiving Bank to which they submitted the Application Form. Such refunds shall be for the excess Subscription Amount paid by Applicant in respect of Shares they applied for and were not allotted. The refunds shall be made in US\$ only.

All refunds distributed by the Receiving Bank will be made after deduction of bank charges and other similar deductions and will not include profits, if any, accrued on such funds.

Voting Rights

Each Share will entitle the holder to attend and vote at the General Assembly of the Bank. For a discussion of the Shareholder's voting rights, see the section titled 'Shareholders' Rights' in this Document.

Share Ranking

The Shares issued through this Offering shall rank pari passu with all other Shares of the Bank including for entitlement of dividend.

Dividend Policy

The Shares offered under this Offering will rank pari passu with existing Shares in all respects and the Shares issued under this Offering will be entitled to full dividends for the year ending 31 December 2009, if any.

The determination to pay dividends on an ongoing basis, and the amount thereof, will depend upon, among other things, the Bank's earnings, financial condition and cash requirements, applicable requirements on the payment of dividends under the Bahrain law and such other factors as the Board of Directors and the Shareholders may deem relevant.

There can be no assurance that the Bank will continue to pay dividends.

Principal Risk Factors

The Bank's business could be exposed to certain risks that could affect its operating and the financial performance, including economic and political risks, business risks, operational risks, management risks, investment return risks and risks of market and competition. Therefore, investment in the Shares could carry certain risks, some of which are set out in the section titled 'Investment Consideration and Risk Factors'.

5 The Bank

5.1 Overview

Established on 16 October 1999 in Bahrain as an Islamic investment bank, Gulf Finance House B.S.C. has an issued and paid up capital of approximately US\$ 315 million and an Authorized Share Capital of US\$ 1,500 million as on the date of this Document. 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 the 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 the BSE, KSE and DFM. In 2007, the LSE admitted the listing of the Bank's GDR on that exchange.

Vision

The Bank aims to become the world's leading Islamic investment bank, setting the standard in Shari'ah compliant investment products and services for the global community.

The Bank will combine today's superior investment placement capabilities with a full suite of Shari'ah compliant investment banking products and services, structured asset management products, and access to global investment opportunities and capital.

Mission

The Bank aims to have the reputation of being one of the most admired financial services organisations and the best Islamic bank in the world - one that is recognized as an innovative, uncompromising customer-focused company that delivers superb products and services, and value to stakeholders. The Bank will also continue to offer excellent career opportunities for its staff and contribute positively to the communities in which we live and work. The Bank will be a place where people want to work and a brand that our citizens, country regulators and politicians are proud of.

5.2 License and Regulation

GFH is licensed by the CBB as an Islamic wholesale investment bank. There are certain restrictions applicable to Islamic wholesale investment banks when dealing with residents of the Kingdom of Bahrain or when transacting in Bahraini Dinar (irrespective of the location of the counterparty). These restrictions typically require the prior approval from the CBB and impose a minimum transaction amount that varies depending on the type of activity. Further details on the CBB regulations that generally apply to wholesale Islamic investment banks are available on the CBB website (www.bahrainstock.com).

5.3 Capitalization

The Bank has an Authorized Share Capital of 4,545,454,545 Shares, amounting to US\$ 1,500,000,000. Each Share has a Nominal Value of US\$ 0.33 per Share. The Bank's issued and Paid-up Share Capital as at 30 June 2009 was 955,682,173 Shares of a Nominal Value of US\$ 0.33 per Share, amounting to US\$ 315,375,117. As at 30 June 2009 the Bank held 10,138,240 Shares as treasury shares carried at US\$ 17,364,370 in its books.

5.4 Principal Activities and Products

The principal business of the Bank includes investment advisory services and general investment activities which comply with the principles of Shari'ah as approved by the Bank's Shari'ah Supervisory Board. The main products and services offered by the Bank and some of the key products/investment opportunities initiated by the Bank in the last three years are summarized below:

Development Infrastructure Projects

With an aggregate estimated development value exceeding US\$ 35 billion, GFH has successfully launched several infrastructure development projects across the MENA region, India and Kazakhstan. GFH's unique focus in the origination and management of large scale economic infrastructure projects has played an instrumental role in bringing in a paradigm change in the economic landscape of the GCC and Middle East North Africa. The key investments opportunities originated in the last three years include:

- *Energy City India/and Telecom City Mumbai*, part of the GFH Mumbai Economic Development Zone - one of the largest economic development projects in India, situated just south of Mumbai, the country's financial and commercial capital;
- *Tunis Financial Harbour*, will be North Africa's first offshore financial centre and world class banking centre, located close to Tunis and the Tunis Carthage airport;
- *Energy City Libya*, a full service energy business centre that will be developed 70 kilometers west of the Libyan capital Tripoli, adjacent to the Mediterranean Sea;
- *Caspian Energy Hub (Kazakhstan)*, a full service economic and energy business center that will be situated in Aktau on the shores of the Caspian.

Venture Capital (VC)

GFH's VC strategy is focused on identifying and capitalizing on market gaps and discontinuities, creating venture opportunities. Leveraging its team and partners' experiences with leading local and international companies, GFH apply best practices from a broad range of markets which include: Infrastructure, Technology, Energy, Banking, Hospitality, Education and Healthcare. Core activities consist of deal sourcing, deal structuring, and early stage deal management. VC investments is focused into various lines including industrial, technological and financial sectors.

The key investment opportunities initiated in the last three years are:

- *First Energy Bank*, an Islamic financial institution with US\$ 1 billion paid-up capital, catering to the needs of the broader energy sector;
- *CEMENA*, a cement company with the goal of addressing the shortfall in cement volumes across the MENA region

Private Equity (PE)

The PE division was established to focus on acquiring interests in unlisted or listed businesses at prices lower than the anticipated value. By a combination of management, organisational and financial restructuring and reorganisation, PE works with its management teams to fully realise the anticipated value. These transactions could take the form of management buy-outs, acquisitions or significant re-financings led or co-led by the PE division where the investors acquire a controlling interest. The PE division seeks to enhance the returns to its investors by the judicious use of Shari'ah compliant financial leverage.

Asset Management

GFH's asset management department has been formed with the aim of providing the best Islamic asset management services, investing monies in four key strategies to enhance investor's wealth: GCC equities, international equities, property and alternative investments. The key products launched in the last three years are:

- *Al Basha'er GCC Equity Fund* - managed jointly by GFH and Kuwait Finance Investment Company, has generated significant returns in excess of its benchmark since the launch, and won the internationally recognized Lipper Fund Award by topping its sector - Shari'ah Compliant GCC Equity Funds
- *Gulf Atlantic Real Estate Fund 2 (GARE II)*, as part of GFH's strategy to offer its clients the opportunities to invest in the UK commercial real estate sector in a Shari'ah compliant way.

5.5 Subsidiaries and Associates

The Bank's material operating subsidiaries and associates as per unaudited reviewed financial statements as of 30 June 2009 are as listed below:

Subsidiaries

Name of the Entity	% holding by GFH	Country of Incorporation	Nature of Business
Al Areen Leisure and Tourism Company – 'The Lost Paradise of Dilmun SPC'	100%	Bahrain	To operate and manage the water park in Al-Areen, Bahrain
Legends Development Company LLC	100%	United Arab Emirates	Established for the purpose of developing the Legends Project in Dubailand, United Arab Emirates.
Injazat Capital LLC	100%	United Arab Emirates	Investing in private equity within the technology sector in the Middle East and North Africa region

Associates

Name of the Entity	% holding by GFH	Country of Incorporation	Nature of Business
Bahrain Financial Harbor Holding Company B.S.C. (C)	49.88%	Bahrain	A holding company for the purpose of developing the Bahrain Financial Harbour Development Project
Khaleeji Commercial Bank B.S.C.	36.96%	Bahrain	An Islamic retail bank licensed by the CBB.
Cemena Investment Company	30.12%	Bahrain	A company focusing on investment in cement projects in the Middle East and North Africa.
Qinvest LLC	15.00%	Qatar	An Islamic financial institution focusing on financial activities, real estate, infrastructure development, private equity, venture capital, asset management and advisory services
Al Baraka Takaful Company	45.00%	Jordan	An insurance company based in Jordan, listed in the financial markets
Injazat Technology Fund	30.19%	United Arab Emirates	Investing in private equity within the technology sector in the Middle East and North Africa
Bahrain Aluminium Extrusion Company (Balexco) B.S.C. (C)*	40.03%	Bahrain	An aluminium extrusion plant

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

In addition to the above, the bank has established other entities/special purpose vehicles as subsidiaries or associates in its normal course of business to support its investment banking activities.

5.6 Achievements

Over the years the Bank has won a number of awards and recognitions both in the MENA region and globally. Some of the more recent recognitions are set out below:

- "Best Investment Bank" for three years in a row in 2005, 2006 and 2007, awarded by The Banker Middle East;
- "Bank of the Year" for 2006, awarded by the Arabian Business Magazine;
- "MENA Investment Bank of the Year" in 2008 awarded by Acquisitions Monthly;
- "Best Investment Bank" for 2008, awarded by Islamic Banking and Finance Magazine; and
- "Best Islamic Finance House" at the Banker Middle East Industry Awards 2009.

5.7 Competitive Strength

GFH has established an impressive track record of growth and returns since its inception in October 1999. The success of its strategy has helped establish GFH as an entrepreneurial and progressive organization in the high growth international Islamic banking industry. GFH's competitive strengths that help the Bank achieve and maintain such performance can be summarised as follows:

- a respected brand of success and its entrepreneurial culture;
- the proven capability to develop and structure leading Shari'ah compliant investment banking products and services;
- a world-class investment placement capability comprising about 3,000 high net worth individuals (HNWIs) and institutions in the MENA region;
- strong relationships with governments and regulators across the MENA region;
- a deep industry knowledge across multiple industry verticals, including real estate, energy, and financial services in MENA and Central and South Asia;
- one of the few truly private, non-government owned financial institution in MENA, with a differentiated shareholder base made of regional key players and decision makers.

5.8 Strategic Plans

GFH has established an impressive track record of growth and returns since its inception in October 1999.

GFH's focus has been on Shari'ah compliant direct investments, private equity and real estate investments. However, the current global financial crisis has placed a number of stresses on the banking sector as a whole and GFH's existing business model, in particular. While GFH has weathered the storm, the crisis has stretched the balance sheet, created liquidity risks, and will lead to losses, for the first time, in 2009 and challenges with the existing pipeline in 2010.

Responding to the current set of challenges and opportunities, the new GFH is seeking to evolve from an infrastructure-focused investment house to become a fully integrated merchant bank. The new GFH will combine today's superior investment placement capabilities with a full suite of Shari'ah compliant investment banking products, investment management products, and access to global investment opportunities and capital and will aim to become the World's leading Islamic investment bank, setting the standard in Shari'ah compliant investment products and services for the global community.

Realising the vision requires successful navigation through two overlapping phases.

In the first phase, during 2009 and 2010, GFH aims to stabilize the existing business by optimising the current assets and strengthening the balance sheet.

In phase two (2010-2012), GFH will build the foundation for growth in new business lines (investment banking, investment management, GFH banking) and expand the existing model in private equity into a product-focused (not proprietary investment) unit. Additionally the investment scope will be enlarged into new industry sectors.

Succeeding in both the near-term and the long-term will require GFH to enhance the capabilities of its team and build a truly world-class organisation and culture. A successful transformation will require that GFH build off on its existing capabilities and assets, including:

- A respected brand of success and its entrepreneurial culture
- Developing and structuring leading Shari'ah compliant investment products and services
- World-class investment placement capabilities among 3,000 HNWIs and institutions in the MENA region
- Strong relationships with and captive access to governments and central banks of the Middle East, North African and South Asian (MENASA) region
- Deep industry knowledge across multiple industry verticals, including real estate, energy, and financial services in MENA and Central and South Asia

The integrated model GFH is seeking to build brings together alternative and traditional asset management products, including development infrastructure business, with a host of new investment banking products and services in a mutually reinforcing manner.

To drive this transformation, GFH will be organized along four business pillars:

Legacy assets

GFH will seek to opportunistically exit as prices stabilise at longer-term expected values. GFH will carve out this unit with the singular focus on restructuring, repairing, and extracting value from these assets. GFH has total assets of US\$ 2.7 bn with approximately half of the book assets in ten legacy assets. GFH must (i) ensure proper realization of value and (ii) manage a timely exit of existing projects.

Investment management

The investment management business will develop and structure alternative asset management (e.g. private equity, development infrastructure, venture capital) products and traditional asset management (e.g. equities, fixed income, money market mutual funds) products. It will aim to limit proprietary investments, except for necessary co-investment thresholds. Initially, GFH will focus on single transactions in single companies or development infrastructure clusters, with the plan to move towards creating investment funds over time. The fund structure will enable GFH to serve as a 'gateway' for regional investors to access structured investment products in high-growth emerging markets.

In the region, GFH will build private equity expertise around specific niche sectors or themes for the region (e.g. health care, energy, agriculture, education, real estate / infrastructure). Beyond MENA, the investment management unit will focus on high-growth emerging markets. GFH will continue to build the development infrastructure business, but it will have a decreasing role in the overall unit and the overall company over time.

Investment banking

The unit will provide structuring capabilities in Islamic asset-backed and equity capital markets, Islamic financial advisory (e.g. financial engineering, Islamic product structuring) and mid-sized mergers and acquisition transactions. It will also offer commodity trading (customer-related and non-customer related), brokerage and treasury services (e.g. derivatives). GFH will opportunistically provide advice in equity capital markets (capital management of companies) and other merger and acquisition transactions, but will not engage in proprietary trading.

A dedicated placement/sales team will tap into GFH's existing investor base of 3,000 HNWIs and institutions offering them GFH and third-party investment opportunities in Sukuk, private equity and mid-sized merger and acquisition transactions both in MENA and beyond.

On 24 August 2009 the Bank announced its intention to establish a joint Islamic financial services platform in the Middle East with Macquarie Group Limited (Macquarie), a global provider of banking, financial, advisory, investment and funds management services.

The platform will offer a broad range of wholesale Shari'ah compliant financial services solutions to the MENA region, combining GFH's Islamic finance structuring and placement capabilities with Macquarie's existing investment banking capabilities in MENA.

The proposed partnership, which is subject to board, internal, and regulatory approvals of both the institutions, includes a plan for joint presence based in the region and an investment of approximately USD 100 million through participation in the Murabaha Financing by Macquarie in GFH as part of the Bank's current capital management initiatives.

The GFH Banking unit will focus on (i) extracting value from its minority positions in financial institutions, resulting from GFH's capability to fund and establish new banks in the MENA region, and (ii) exploring external partnerships or acquisitions to extend GFH's capabilities. GFH's clear ambition is to actively shape the Islamic financial landscape, and will explore opportunistic proprietary investments through acquisitions of other banks or financial services providers, serving as a market consolidator.

5.9 Corporate Governance Overview

The total number of Shareholders of the Bank is currently around 5,400. The Shareholder base consists of individuals and institutions of financial status from various GCC countries.

The corporate governance framework is focused on assisting GFH to successfully meet its strategic objectives and maintain steady growth whilst remaining fully cognizant of its clients' and the Shareholders' interests. The Board is accountable to Shareholders for the creation and delivery of strong sustainable financial performance and long-term Shareholder value. To achieve this, the Board has set-up a framework of sound corporate governance and effective risk management. The Chairman is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the management and maintaining a dialogue with the Bank's stakeholders. To ensure independent appraisal of key risk issues to the Board, the internal audit department reports directly to the Board Audit Committee and the risk management department reports directly to the Board Risk Committee.

5.10 Board of Directors

The Board is charged with responsibility for setting strategy, ensuring that an effective risk management framework is in place and for directing the executive management. The Board appoints its Chairman and Vice Chairman.

The Board is currently organized into four committees. The Chairman, the Board and the Board Committees have direct access to the heads of internal audit, risk and compliance.

As at the date of this Document, the following represent the Bank's Board of Directors:

Name of Director	Position held	Date of first appointment	Age
Esam Yousif Janahi	Chairman	July 2004	43
Hamad A Aziz Al Shaya	Vice-Chairman	October 1999	64
Samir Yacoub Al-Nefaisi	Director	October 1999	56
Yousif Mohammed Khayat	Director	October 1999	52
Abdul Latif Abdulla Al Meer	Director	March 2003	58
Adel Dawood Al Ohali	Director	October 2003	51
Abdulla Ali Al-Hamli	Director	February 2009	50
Abdulaziz Bin Mohamed Al Hanai	Director	February 2009	44
Anthony Travis	Director	February 2009	61
Bader Al Subaiee	Director	February 2009	51
Mohammed Ebrahim Mohammed	Director	February 2009	53
Mosabah Saif Al Mutaairy	Director	February 2009	42
Ahmed Fahour	Director and CEO	September 2009	43

Board Committees

The Board is currently organized into the following four principal committees:

- Board Investment Committee;
- Audit Committee;
- Risk Committee; and
- Nomination, Remuneration and Governance Committee

The terms of reference of each of the above committees have been approved by the Board and are in accordance with international best practices for comparable institutions. The Board receives periodic updates from each of the committees. The Board of Directors as well as the committees also receive periodic reports on various aspects of the Bank's business from senior management as well as from internal audit, risk management, operations and finance.

5.11 Shari'ah Supervisory Board

The Shari'ah Supervisory Board is mandated to approve all investment decisions undertaken by the Bank, for its compliance with Islamic rules and principles.

Profile of the Shari'ah Supervisory Board

Shaikh Abdulla bin Sulaiman Al Manie, Chairman

Shaikh Abdulla is a member of the Grand Scholars Panel in the Kingdom of 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 the Kingdom of Saudi Arabia, and a member of the Shari'ah supervisory boards of a number of Islamic banks and financial institutions.

Shaikh Nizam Mohammed Saleh Yaquby, Executive Member

An executive member of the Shari'ah supervisory board of Abu Dhabi Islamic Bank, Shaikh Nizam is also a member of the Shari'ah supervisory board of Bahrain Islamic Bank and Shamil Bank, a board member of the Dow Jones Islamic Index and a member of the Shari'ah supervisory board of a number of other leading Islamic banks.

Dr Fareed Mohammed Hadi, Executive Member and General Secretary

Dr 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 PhD in Ibn Hazm's Methodology of Jahala from Edinburgh University and a PhD in Al-Bukhari's Methodology from the University of Mohammed V in Morocco. Dr Hadi is also a member of the Shari'ah supervisory board of a number of other leading Islamic banks.

Dr Abdulaziz Khalifa Al Qassar, Member

A Professor at the College of Fiqh and Department of Shari'ah and Islamic Studies at the University of Kuwait, Dr Al Qassar holds a PhD in law and Shari'ah from Al-Azhar University in Cairo. He is also a member of the Fatwa and Shari'ah supervisory board of a number of institutions in Kuwait.

5.12 Executive Management

The following are key executive management of the Bank:

Name	Position held	Date of joining the Bank	Age
Ahmed Fahour	Chief Executive Officer and Board member	August 2009	43
Salah Rahimi	Deputy Chief Executive Officer	March 2001	45
Mehran Jamsheer	Deputy Chief Executive Officer	August 2003	36
John Wright	Chief Operating Officer	August 2008	54

Profile of Executive Management

Ahmed Fahour, Chief Executive Officer and Board member (CEO)

Mr. Fahour joined GFH in August 2009 as the CEO and Board member and has over 20 years of international experience in banking and consultancy. Before joining GFH he was the interim CEO of The Australian Business Investment Partnership (ABIP), and executive director and group president of the National Bank of Australia. Previously, he served with Citigroup iFormation Group and Boston Consulting Group.

Mr. Fahour holds a Bachelor of Economics from LaTrobe University and an MBA from the University of Melbourne and won a number of prizes during both the degrees. He is a director of the Nasdaq Dubai, senior fellow of the Financial Services Institute of Australia, member of the Australian Prime Minister's Social Inclusion Board, a business ambassador for Melbourne's Northern Suburbs in Victoria (appointed by the Premier of Victoria) and a trustee for the Melbourne Cricket Ground (MCG) of Victoria. Mr. Fahour is chairman of directors of Rip Curl Group and Rip Curl Properties.

Salah Rahimi, Deputy Chief Executive Officer (Deputy CEO)

Mr. Salah Rahimi has over 20 years' experience in banking and finance and has held several key positions with GFH, including Chief Financial Officer (CFO). He assumed his current role of Deputy CEO in July 2008 and continues to be the Bank's CFO. Further responsibilities include restructuring and streamlining the Bank's operations, managing GFH's strategic financial operations related to accounting, finance and the central bank reporting and maintaining regulatory standards in the Bank's financial processes and methodology.

A graduate of the University of Southern California, Mr Rahimi holds a bachelor's degree in business administration, majoring in accounting. Prior to joining GFH, he held several key positions in the area of internal audit at Deloitte & Touche, Al Juraid & Company and United Gulf Bank. He also holds CPA and CISA qualifications.

Mehran Jamsheer, Deputy Chief Executive Officer (Deputy CEO)

Mr. Mehran Jamsheer is responsible for taking the lead in investment origination, acquisition, including sourcing, sponsoring and executing transactions, consultancy and management on a variety of investment opportunities and driving business development at GFH. He first joined GFH in 2003, heading up the Bank's private equity business.

Mr. Jamsheer has 14 years' experience starting as an auditor with 7 years at Arthur Andersen & Co and then at BDO Jawad Habib. He is a CPA licensed in the USA, and holds a BSc in accounting from the University of Bahrain.

John Wright, Chief Operating Officer (COO)

Mr. John Wright joined GFH in mid-2008 as Group Chief Operating Officer, and has overall responsibility for GFH's corporate support functions and in particular, for the development infrastructure and venture capital promoted companies.

Mr Wright has held several senior management positions in investment banking in a career spanning over 20 years. He is a qualified financial accountant, and was previously CFO, CAO and COO of Merrill Lynch International Bank Limited. His last role was as the COO of Merrill Lynch EMEA Residential Real Estate. His qualifications include an MBA (distinction) and FCCA. Mr. Wright has served as director on the board of many of Merrill Lynch's operating companies.

Executive Management Committees

The Board delegates the authority for day-to-day management of the business to the Executive Management, who are responsible for long term creation of value for shareholders through financial and non-financial performance. The CEO recommends and executes the bank's strategy and budget, and uses a highly consultative approach through several general and specific cross functional committees.

The CEO manages the Bank through the following management committees:

Committee	Management Committee	Risk Management Committee	Asset Liability Management Committee	Management Investment and Credit Committee
Chairman	CEO	CEO	CEO	CEO
Members	Senior Management	CEO, Deputy CEOs, Chief Operating Officer (COO), Chief Risk Officer (CRO)	CEO, Deputy CEOs, Chief Operating Officer (COO), Chief Risk Officer (CRO), Head of Treasury	CEO, Deputy CEOs, Chief Operating Officer (COO), Chief Risk Officer (CRO)
Responsibility	Strategy, Performance Review, Budget, Human Resources, Administration	Risk Management Policies, Risk Review, Provisions and Impairment	Balance Sheet Management, Funding, Liquidity, Banking Relationships	Review of Investment, Exit and Credit Proposals, Monitoring of Investments

5.13 Risk Management Framework

GFH perceives strong risk management capabilities to be the foundation in delivering results to its customers, investors and Shareholders. The Bank's current risk management practices are in line with the CBB requirements which are based on Basel II and Islamic Financial Service Board (IFSB)'s risk management framework. The primary objectives of the risk management strategy of the Bank are to:

- manage risks inherent in the Bank's activities in line with the risk appetite of the Bank;
- strengthen the Bank's risk management practices to reflect the industry best practices; and
- align internal capital requirements with risk materiality.

The Board of Directors have the overall responsibility for establishing the Bank's risk culture and ensuring that an effective risk management framework is in place. The Board of Directors approve and periodically review the risk management policies and strategies through its Board Risk Management Committee. The Bank has also established an Executive Risk Management Committee, which is responsible for developing and monitoring the Bank's risk management policies in the specified areas. This committee also continuously monitors implementation of the Board approved policies in the Bank and reports deviations, if any to the Board Risk Management Committee.

The key element of the Bank's risk management philosophy is for the risk management department to provide independent monitoring and control while working closely with the business units which ultimately own the risks. The head of risk management has a direct reporting line to the Board Risk Management Committee.

The risk strategy is articulated through the limit structures for individual risks. These limits are based on the Bank's business plans and guided by the regulatory requirements and guidance. By defining the

risk appetite, the Bank links its individual risks to its strategy. The risk appetite defines the level of risk that GFH is prepared to take in order to achieve its objectives. The Bank reviews and realigns its risk appetite as per the evolving business plan of the Bank with changing economic and market scenarios. The Bank will also assess its tolerance for specific risk categories and its strategy to manage these risks. The risk appetite outlines the Bank's risk exposures and defines its tolerance levels towards accepting or rejecting these risks. Tolerance levels are reflected in the limits defined by the Bank for each risk area.

The risk management department submits a quarterly risk report to the Board Risk Management Committee. The risk report describes the potential issues for a wide range of risk factors and classifies the risk factors according to significance. The report also provides comments as to how risk factors are being addressed by the Bank and the change in risk rating from the previous quarter. Additionally, a separate investment review report is prepared by the Bank's investment department and provided to the Board outlining valuations and impairment assessment, a description of significant developments on projects or issues as well as an update on the strategy and exit plan for each project.

Some of key balance sheet risks and its management by GFH are summarized below:

Liquidity

The Bank'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 Bank'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 maintains a portfolio of short-term liquid assets, largely made up of short-term liquid murabaha placements with financial institutions and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of business units are met through treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements. It is the Bank's policy to keep a large part of its assets in highly liquid short-term instruments.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Daily reports cover the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to Asset Liability Management Committee (ALCO).

The Bank has a liquidity risk policy in place, which describes the roles and responsibilities of the ALCO, treasury and other concerned departments in management of liquidity. It also stipulates various liquidity ratios to be maintained by the Bank, as well as gap limits under each time bucket of the maturity ladder. It is the Bank's policy to keep adequate level of high quality liquid assets such as inter-bank placements to ensure that funds are available to meet maturing deposits and other liabilities, as and when they fall due.

The day-to-day management of liquidity risk is the responsibility of the treasury department, which monitors the sources and maturities of assets and liabilities closely, and ensures that limits stipulated by the ALCO are complied with. The risk management department monitors the liquidity position and any violations are reported to ALCO, Management Committee and the Board of Directors.

Impairments

To comply with the valuation requirements of International Accounting Standards (IAS) 39 and International Financial Reporting Standards (IFRS), the Bank performs fair valuations of its investments on a periodic basis based on a number of factors including the nature of investment and its classification in the balance sheet.

Quoted investments are valued on each reporting date. Unquoted investments (for which reliable fair values can be estimated), at a minimum, are tested for impairment twice in a year. During other interim reporting periods, these investments are reviewed for changes in operating, financial, economic and political condition; and a significant change in any one of these variables could warrant a further valuation on that reporting date.

In respect of unquoted investments (for which reliable fair values cannot be estimated), these are tested for impairment at a minimum, twice a year. During other interim reporting periods, these investments are reviewed for changes in operating, financial, economic and political conditions; and a significant change in any one of the variables could warrant a further evaluation for impairment on that reporting date and funds managed by others are valued on each reporting date.

Capital

The Bank's principal regulator, the CBB sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements the CBB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. 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 Bank's policy is to maintain strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Capital requirements of CBB have been complied with in 2008.

With effect from 1 January 2008, the Bank is required to comply with the provisions of the revised Capital Adequacy Module of the CBB (revised based on the Basel II framework) in respect of regulatory capital. The Bank has adopted the standardised approach to credit and basic indicator approach for operational risk management under the revised framework. There has been no significant change in the amount of available regulatory capital under the two norms. Further, as the Bank has not migrated to advanced approach for computation of risk weighted assets, there is no significant change in the measurement of risk weighted assets for credit risk.

Please refer to the audited financial statements of the Bank for the year ended 31 December 2008 for a description of the principal risk factors faced by the Bank and mitigating strategies employed by the Bank.

5.14 Dividend Policy

The Shares offered in this Offering will rank pari-passu with existing Shares in all respects and will be entitled to full dividends, if any for the year ending 31 December 2009.

There can be no assurance that the Bank will continue to pay dividends. The determination to pay dividends, on an ongoing basis, and the amount thereof, will depend upon, among other things, the Bank's earnings, financial condition and cash requirements, applicable requirements on the payment of dividends under the Bahrain law and such other factors as the Board of Director's and the Bank's Shareholders may deem relevant.

5.15 Litigation

As of 30 June 2009, there are no pending material litigations against the Bank.

6 Financial Highlights

Over the years GFH has successfully established a leading position in the GCC and MENA region for originating and financing infrastructure and economic development projects. Since 2004, the Bank successfully pursued its strategy of geographic expansion and involvement in regional economies and international markets. This strategy of successful expansion was reflected in the historical financial performance of the Bank. However, the Bank has had to slowdown its plans due to the recent global economic meltdown and its impact on investor sentiments and business.

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

Key Financials				
(In US\$ million)	30.6.2009 (Reviewed)	31.12.2008 (Audited)	31.12.2007 (Audited)	31.12.2006 (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

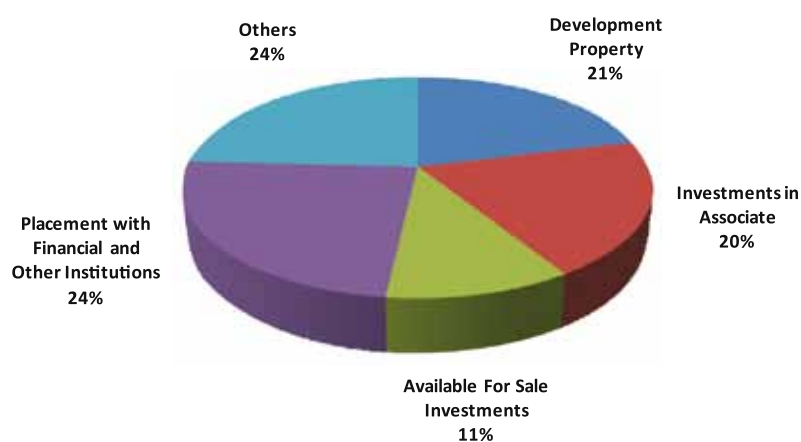
Source: Published Financial Statements

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 proprietary 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 control 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 of 2008. Importantly, as an Islamic financial institution GFH was not exposed to the toxic asset 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 Sheets are summarized below:

Breakdown of Assets, 30 June 2009



- Development property stood at a 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 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 the last three years ending 31 December 2008

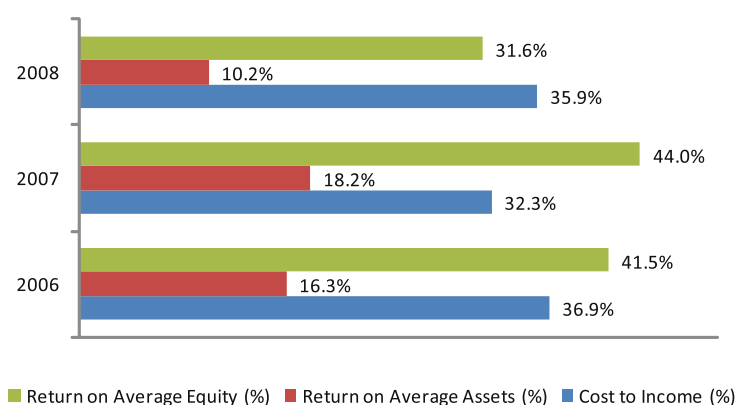
The Bank posted a strong growth in net profit in the year 2007 at US\$ 343 million, as compared to US\$ 212 million in the year 2006. The significant increase in net profit in 2007 was driven by the sale of 63% shareholding in its wholly owned subsidiary Khaleeji Commercial Bank BSC. However, year 2008 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:



The record financial results for the three years reflected the dynamic growth in the Bank's overall business. It has also enabled GFH to continue providing the Shareholders with superior returns on their investments and provide Shareholders with cash and stock dividends in the three year as follows:

Type	2006	2007	2008
Cash Dividends (%)	63.0%	85.0%	20.0%
Bonus Share Dividends (%)	12.0%	10.0%	20.0%
Total	75.0%	95.0%	40.0%
Cash Payout Ratio (%)	64.0%	60.0%	18.0%
Total Payout Ratio (%)	76.0%	67.0%	36.0%

7 Listing and Share Performance

The Bank's Share performance and analysis

The Bank's shares are listed on the BSE, KSE, DFM and GDRs are listed on LSE.

The Bank's Share Price Performance on the BSE

The graph below shows the performance of the share price of GFH on the BSE for the last two years:



Source: Bloomberg

The share price of GFH has fallen since June 2008 mainly owing to downturn in the global economy, resultant impact on capital markets and the Bank's performance.

The Bank's Relative Performance on the BSE

The graph below depicts the performance of the Bank's stock price relative to the BSE and the BSE Banking Index for the last two years (from August 2007 to August 2009). From the graph below, it is evident that the Bank's stock on an overall basis has outperformed the BSE and the BSE Banking index.



Source: Bloomberg

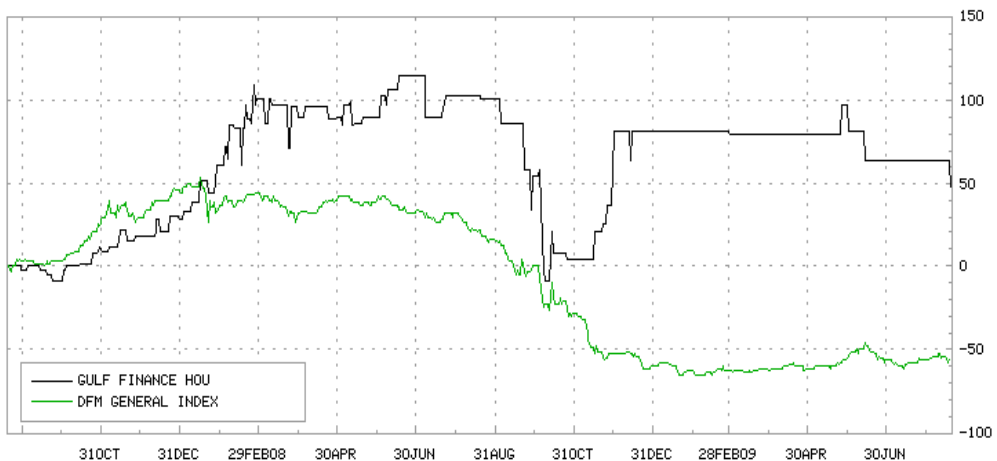
The Bank's Relative Performance on the Kuwait Stock Exchange (KSE)



Source: Bloomberg

The above comparative graph shows the performance of the GFH stock relative to the KSE indices. Overall the Bank's stock has outperformed the KSE indices.

The Bank's Relative Performance on the Dubai Financial Markets (DFM)



Source: Bloomberg

The above graph shows the performance of the GFH stock relative to the DFM indices. Despite the depressed capital markets conditions, the GFH stock has outperformed the DFM indices over the given period.

The Bank's Relative Performance on the London Stock Exchange (LSE)



Source: Bloomberg

The above graph shows the performance of the GFH GDR relative to LSE from August 2007 to August 2009.

The Bank's Trading Data

The following table shows the Bank's trading data as of 30 August 2009:

Value in US\$	BSE	KSE	DFM	LSE
Share/GDR Price	0.68	0.66	2.51*	8.50
52 week High-Low	3.21-0.56	3.18-0.54	4.19-1.91	30.00-5.00
Exchange Code	GFH	GFH	GFH	GFH

Source: Bloomberg * Price as on 19 August 2009

8 The Offering

8.1 Introduction

Applicants must carefully read this Offering Circular and the terms and conditions appended to the Application Form prior to submitting a completed Application Form and Subscription Amount to the Receiving Banks. A signed Application Form submitted to any of the Receiving Banks will represent a legally binding agreement between the Issuer and the Applicant upon acceptance of that Application Form.

The Shares being offered through this Offering Circular are new Shares of the Bank. These new Shares will rank *pari passu* with existing Shares of the Bank's issued and fully Paid-up Share Capital.

Applicants may obtain both the Offering Circular and the Application Form from the office of the Bank or the designated branches of the Receiving Banks.

The Shares offered through this Offering are available to existing Shareholders as of the Record Date for subscription. The number of Shares issued and paid up prior to this Offering (as at 30 June 2009) is 955,682,173 Shares at a Nominal Value of US\$ 0.33 per Share.

8.2 Offering

Through this Offering Circular the Bank is offering upto 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 upto the level of Subscription Amount received in accordance with the terms of the Offering Circular.

8.3 Entitlement to this Offering

This Offer is open to all Shareholders registered in the Bank's share register on the Record Date. Each Shareholder shall be entitled to purchase 19 Shares for every 20 Shares held as at the Record Date. Shareholders may however make an application for the Shares in excess of or lower than their entitlement.

8.4 Subscription Restriction and Renunciation Rights

The Shares will be registered and indivisible. The Shareholders entitled to participate in this Offering may accept all or a part of their entitlement. Their right to the Shares being offered through this Document is renounceable, which enables the Shareholders who do not wish to take up some or all of the Shares being offered through this Document to renounce those Shares in favour of others. Such renunciation shall however be made during the Subscription Period only.

8.5 Record Date

Only those Shareholders whose names appear in the Bank's share register on Record Date, being Sunday, 11 October 2009 shall be entitled to this Offering.

8.6 Subscription Period

The Subscription Period commences at 8.00 am Bahrain/ Kuwait time on the Opening Date and closes at 12.00 noon Bahrain/ Kuwait time on the Closing Date. Applicants may make an application for Shares under this Offering during the Subscription Period and at the designated branches of the Receiving Banks.

8.7 Offer Price

The Offer Price for the Shares offered through this Offering is US\$ 0.38 per Share, comprising of the Nominal Value of US\$ 0.33 plus a premium of US\$ 0.05 per Share.

8.8 Application Form

Applications to subscribe for the Shares offered through this Offering will only be accepted if made in the prescribed Application Form. Copies of this Offering Circular and the Application Form are available at office of the Bank and designated branches of the Receiving Banks.

8.9 Issue Manager

KPMG Corporate Finance has been appointed as the Issue Manager for this Offering. The Issue Manager has assisted the Bank in preparing this Offering Circular and the Application Forms, facilitating in obtaining regulatory approvals, coordinating the subscription functions and managing the tasks and contributions of other parties involved in this Offering.

8.10 Legal Advisors

The following legal advisors have reviewed this Offering Circular for compliance with the applicable laws and regulations in their respective jurisdictions.

Trowers & Hamblins LLP have acted as international legal counsel for the purposes of the preparation of this Offering Circular.

Elham Ali Hassan & Associates have reviewed this Offering Circular for compliance with the applicable laws and regulations in the Kingdom of Bahrain.

Al-Sarraf and Al-Ruwayeh have reviewed this Offering Circular for compliance with the applicable laws and regulations in the State of Kuwait.

Clifford Chance LLP have reviewed this Offering Circular for compliance with the applicable laws and regulations in the United Arab Emirates.

8.11 Financial Advisor and Corporate Broker

Merrill Lynch International has been appointed as Financial Advisor and Corporate Broker to the Issuer. Merrill Lynch International is acting exclusively for GFH in connection with the Offering and for no one else and will not be responsible to anyone other than GFH for providing the protections afforded to its clients or for providing advice in relation to the Offering.

No representation or warranty, express or implied, is made by Merrill Lynch International as to the accuracy, completeness or verification of the information set forth in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. Merrill Lynch International assumes no responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Document or any such statement.

8.12 Issue Registrar

In connection with this Offering, the Bank has entered into an Issue Registrar Agreement with KPMG Share Registry to act as the Issue Registrar. The Issue Registrar is mandated by the Bank to manage the allotment process and update the Shareholders' register post this Offering.

8.13 Expenses and Costs

Out of the total proceeds of this Offering, the Bank will pay fees, expenses and costs associated with the Offering. These include, among others commitment fees, Issue Manager's fees, Financial Advisor and Corporate Broker's fees, Receiving Bank charges, Issue Registrar's fees, legal fees relating to the Offering, registration and listing costs, expenses incurred for road shows, printing and other advertisement expenses, and any other incidental expenses associated with the Offering. Such expenses are not expected to exceed approximately 13% of the gross proceeds from this Offering.

9 Application Procedure

9.1 Application Forms

Application Forms shall be obtained from the Bank or the designated branches of the Receiving Bank. Application Forms should be completed in full in Arabic or in English and in accordance with instructions contained therein. Each Applicant is required to submit the Application Form before the Closing Date accompanied by relevant copies of documents stated below along with their originals (for verification purposes only). The relevant Receiving Banks have the right to request and verify the validity of copies of the identification documents.

Application Form should be signed by the Applicant. In case the Applicant is a minor, the legal guardian must sign the Application Form on behalf of the minor. Where the Shares are held in an electronic format, the Applicants are required to provide the 'Investor number' in the Application Form.

Application by individuals

Shareholders who are individuals over the age of 21 are eligible to subscribe to the Shares offered through this Offering. Applicants under the age of 21 should make their application through their legal guardians.

Application Form submitted by individuals must be accompanied with copies of the following documents:

- Original and a copy of the individual's valid national identification card (CPR) or personal identification card;
- Original and a copy of the individual's valid passport or valid international travel document;
- Proof of address in the form of a copy of utility bill, copy of telephone bill, any other document issued by an official body;
- Sufficient funds in an amount equivalent to the number of Shares applied for multiplied by the Offer Price of US\$ 0.38 per Share; and
- If the Applicant has an existing account with the BSE, KSE, DFM or the LSE, proof of such an account is required (e.g. proof maybe in the form of an investor card, BSE / KSE/ DFM / LSE statement or any other supporting document issued by the BSE/ KSE/ DFM/ LSE or by a registered broker in that country).

Additional documents for the Application Forms on behalf of minors:

- Original and a copy of the individual's valid national identification card (CPR) or personal identification card of the legal guardian applying and signing on behalf of the minor;
- Original and a copy of the proof of guardianship to the applying minor

Application by institutions

The Application Form submitted by institutional applicants must be accompanied with copies of the following documents:

- A copy of the institution's valid Commercial Registration certificate (CR) or a copy of certificate of incorporation;
- Original and a copy of the valid national identification card (CPR) of the person(s) signing on behalf of the institution;
- Original and a copy of the valid passport of the person(s) signing on behalf of the institution;
- A copy of the resolution of the board of directors of the institution approving the investment in the Offering;
- A copy of the authorized signatory book of the institution validating the signature of the person(s) signing on behalf of the institution;
- Sufficient funds in an amount equivalent to the number of Shares applied for multiplied by the Offer Price of US\$ 0.38 per Share; and

- If the Applicant has an existing account with the BSE, KSE, DFM or the LSE, proof of such an account is required (e.g. proof maybe in the form of an investor card, BSE / KSE/ DFM / LSE statement or any other supporting document issued by the BSE/ KSE/ DFM/ LSE or by a registered broker in that country).

9.2 Subscription above eligible rights

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

9.3 Receiving Banks

The Issuer has appointed the following banks as the Receiving Banks in Bahrain and Kuwait, whose designated branches will receive the completed Application Forms, identification documents and the Subscription Amounts from Applicants. The Issuer has also appointed Khaleeji Commercial Bank B.S.C. as the co-ordinating bank to facilitate efficient interaction between the Receiving Banks and the Issuer and their advisors. The Receiving Banks and their designated branches are as follows:

Kingdom of Bahrain

Khaleeji Commercial Bank BSC
Bahrain Financial Harbour Mall
2nd Floor, East Tower,
Manama, Kingdom of Bahrain
Telephone: (+973) 17505057 / 17505460 / 17505461

State of Kuwait

Commercial Bank of Kuwait KSC

Head Office:

Mubarak Al Kabir St.
Opp Kuwait Stock Exchange
P.O. Box 2861
Safat, 13029
Kuwait
Telephone:(+965) 2299 0551

Branches:

Branch	Telephone
Sour Street	22990060
Salmiya	25734514
Beirut street	22990020
Omariya	24715636
South Surra	22990055
Qurain	25440037
Fahaheel	23911308
East Ahmadi	23980254
Al Naeem	24571776

9.4 Mode of Payment

Applicants should submit to the Receiving Banks a duly signed and completed Application Form together with cleared funds.

The subscription currency is US\$.

The Subscription Amounts shall be in US\$ with the Receiving Bank in Bahrain and Kuwait. Such remittance 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 Applicant maintained with another bank other than the Receiving Bank;
- By transferring US\$ from an account held by the Applicant with the Receiving Bank through which an Application is made.

No other modes of payment shall be accepted.

Applicants are responsible for ensuring that the Subscription Amounts are remitted to the designated account with the Receiving Bank on or before the Closing Date. Applicants transferring money into the designated account should present a copy of the wire transfer order along with the Application Form.

The wire transfer details are as follows:

Country	Kingdom of Bahrain	State of Kuwait
Account Name	Gulf Finance House BSC (Right Issue)	GFH Rights Issue USD
Account Number	0100000001003	001-0361747-110-840-01-1
Beneficiary Bank	Khaleeji Commercial Bank B.S.C.	Commercial Bank of Kuwait K.S.C.
Beneficiary Bank SWIFT Code	KHCBBHBM	COMBKWKW
Beneficiary Bank Account Number	USD Account No. 000142760	8900386398
Correspondent Bank	HSBC Bank New York	Bank of New York Mellon, New York
Correspondent Bank SWIFT Code	MRMDUS33	IRVTUS3N
Applicant Information	[Applicant name], [Shareholder number] [Investor number]	[Applicant name], [Shareholder number] [Investor number]

All Subscription Amounts received shall be net of any bank or related charges. All charges such as wire transfer charges, collection charges, foreign currency conversion charges shall be borne by the Applicant.

Applicants will receive a receipt of acknowledgement from the Receiving Banks on submission of their Application Form. No profit shall accrue or be payable to Applicants in respect of Subscription Amounts collected by the Receiving Banks regardless of whether such amounts are returned to the Applicant in whole or in part.

9.5 Rejection of Application

Application Forms made to subscribe for Shares offered pursuant to this Offering may be rejected in whole or in part at the sole discretion of the Issuer and the following factors may or may not be taken into account in making this decision:

- The applicant was found to be non-eligible to subscribe for the Shares offered pursuant to this Offering; or
- Whether Subscription Amount have been paid in full before the Closing Date; or
- Whether the Application Form is incomplete or inaccurate as to any detail or the required documents are not attached with the Application Form or are not provided within requested timeframe; or
- Where duplicate or multiple applications are made, the Issuer at its sole discretion shall accept one of the Application Forms received or may reject all the Application Forms received.

9.6 Allotment of Shares

The Bank will complete the allotment of the Shares offered pursuant to this Offering on the Allotment Date which will be within 7 calendar days following the Closing Date.

The 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 the Shareholders have made the renunciation on the same basis. The balance Shares, if any will be allotted to the 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.

9.7 Distribution and Refunds

By the Allotment Date and upon instructions from the Issuer each Receiving Bank shall transfer to the Bank's account with the Co-ordinating Bank (or such other bank as instructed by the Issuer and approved by the CBB) an amount equal to the Offer Price multiplied by the number of Shares for all Application Forms that were received by each of such Receiving Banks, whether such Application Forms were accepted or not.

On the Distribution Date, the Applicants shall collect their Allotment Notice and the refund cheques, if any, from the Receiving Bank to which they submitted the Application Form. Such refunds shall be for the excess Subscription Amounts paid by Applicants in respect of Shares they applied for and were not allotted. The refunds shall be made in the US\$.

All refunds distributed by the Receiving Bank will be made after deduction of bank charges and other similar deductions and will not include any profit derived from such funds.

Receipt of the Allotment Notice is proof that the allotted Shares have been deposited into his / her / their account with the BSE Central Depository, KCC, DFM or the Custodian for GDRs, as applicable. The Allotment Notice must not be used to sell the allotted Shares of the Bank before the listing on the BSE, KSE, DFM and listing of GDRs on the LSE.

9.8 Acknowledgements

By completing and delivering the Application Form, you, as the Applicant, and if you sign the Application Form on behalf of somebody else or a corporation, that person or corporations:

Reliance on Offering Circular Only

- confirm that, in making your application, neither you nor any person on whose behalf you are applying are relying on any information or representation in relation to the Bank other than the information contained in this Offering Circular;

- agree that neither the Issuer, the advisors nor the other parties involved in this Offering will treat you as their customer by virtue of your application being accepted or owe you any duties or responsibilities concerning the price of the Shares or the suitability for you of the Shares or be responsible to you for providing the protections offered to their customers;
- agree that, having had the opportunity to read this Offering Circular, you shall be deemed to have had notice of all information and representations concerning the Bank and the Offering contained herein, including those contained in the Memorandum and Articles of Association;
- agree that the Offering Circular is not intended to provide investment, tax, legal or accounting advice;
- agree to have reviewed the Offering Circular and the subject investment, with such financial, business, legal and tax advisors as deemed necessary, and has determined that the subject investment is suitable in light of the Applicant's financial condition and risk preferences;
- understand and agree that transfers of the Shares may be made only to the extent permitted by the Memorandum and Articles of the Bank.

Capacity and compliance with laws

- represent and warrant that you have the legal capacity and authority and are permitted by applicable law to execute and deliver the Application Form and that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation, and such person or corporation will also be bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authorities contained herein and undertake to enclose your power of attorney or appropriate authority or a copy thereof duly certified by a solicitor or company with the Application Form;

Acceptance of Applications

- understand and agree that the Application Form represents an irrevocable offer to subscribe for the number of Shares entered on it by the Applicant. The subscription for Shares made in the Application Form, if accepted, will constitute a binding agreement between the Applicant and the Bank concerning the subject matter of the Terms and Conditions included in this Offering Circular and the Memorandum and Articles of the Bank;
- understand that the Issuer reserves the right to reject in whole or part, or to scale down or limit, any application. All Subscription Amounts paid by an Applicant must be paid in cleared funds prior to the end of the Subscription Period. The Issuer may treat applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and this Offering Circular;
- agree that, in consideration of the Issuer agreeing to process your application, your Application Form cannot be amended or revoked after it is submitted to a Receiving Bank;
- understand that you are solely liable and responsible for the payment of any stamp duties, transfer and other similar taxes, if any, imposed in connection with the purchase or transfer of the Shares
- understand and agree that the Issuer Registrar, on behalf of the Bank, will acknowledge and confirm the purchase of the Shares. The acknowledgement method will be determined by the Issuer at the time of allocation.

Anti-Money Laundering

- consent to passing on of any information about you to any relevant regulatory authorities by the Issuer or the Receiving Bank or Issue Registrar or their delegates;

- acknowledge that due to money laundering requirements operating within their respective jurisdictions, the Issuer and/or the Receiving Bank and/or the Issuer Registrar and/or the Issue Manager may require further identification of the Applicant(s) and source of funds before applications for the Shares can be processed and you hold the Issuer, the Receiving Bank, the Issue Registrar and the Issue Manager to this Offering harmless and indemnified against any loss arising from the failure to process your application for the Shares, if such information as has been required from you has not been provided within the allotted time to the satisfaction of the party requesting such information;
- understand and agree that any funds to be returned may be retained pending clearance of your remittance and the completion of any verification of identity and/or source of funds required by the Issuer and/or the Receiving Bank and/or the Issue Registrar and/or Issuer Manger to this Offering.

Continuing Obligations

- will repeat these undertakings, representations and warranties to the Issuer, the Receiving Bank, the Issue Registrar, the Issue Manager and the Advisors on such future occasions as the Issuer and/or the Receiving Bank and/or the Issuer Registrar and/or the Issue Manager and/or the Advisors may request, and will provide on request such certificates, documents or other evidence as the Issuer and/or the Receiving Bank and/or the Issuer Registrar and/or the Issue Manager and/or the Advisors may reasonably require to substantiate such undertakings, representations and warranties;
- will notify the Issuer immediately if you become aware that any of these undertakings, representations and warranties are no longer accurate and complete in all respects, and agree immediately to tender to the Issuer for redemption a sufficient number of ordinary Shares to allow the undertaking, representation or warranty to be made;
- understand that if any of the representations, warranties, or undertakings given by you in the Application Form are untrue, the Issuer in its sole discretion may require a retroactive redemption of all or part of your Shares at the Offer Price;

Indemnity

- agree to indemnify and hold harmless the Issuer, the Receiving Bank, the Issue Registrar and the Issue Manager to this Offering, their affiliates and each other person, if any, who controls or is controlled by any thereof, against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all expenses and costs (including attorneys' fees) reasonably incurred in investigating, preparing or defending against any litigation commenced or threatened or any claim whatsoever arising out of or based on:
 - any false representation or warranty or breach or failure by the Applicant to comply with any covenant or agreement made by the Applicant or in any other document furnished by the Applicant to any of the foregoing in connection with the Offering; or
 - any actions for securities laws violations instituted against the Applicant which is resolved by judgment against the Applicant; or
 - Applicant's failure to provide source of funds information.

Multiple Applications

- represent and warrant to have submitted only one Application Form in relation to the Offering or only one such form has been submitted on your behalf. The Issuer shall have the right to reject all applications of any Applicant in the event of duplicate or more than one application;
- this Offering shall be governed by and construed in accordance with the laws of the Kingdom of Bahrain.

10 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.

11 Shareholders' Rights

11.1 Description of Shares

11.1.1 Share Capital

As at the date of this Offering, the Bank has an Authorized Share Capital of 4,545,454,545 Shares of a Nominal Value of US\$ 0.33 per Share amounting to approximately US\$ 1,500 million. The Issued and Paid up Capital of the Bank as at 30 June 2009 was 955,682,173 Shares of a Nominal Value of US\$ 0.33 per Share amounting to approximately US\$ 315 million. As at 30 June 2009, the Bank held 10,138,240 Shares as treasury Shares in its books, amounting to US\$ 17.36 million. The Bank's Shares are created under Bahrain Companies Law and are in registered form.

The total issued and Paid up Share Capital of the Bank post this Offering and if subscribed in full, will be 1,863,580,238 Shares of a Nominal Value of US\$ 0.33 per Share amounting to US\$ 614.98 million.

11.1.2 Shares

The Shares shall be nominal shares and may not be issued at less than their Nominal Value. However, the Shares may be issued at a value higher than their Nominal Value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A Share shall be indivisible. If several persons hold a single Share, they shall designate one person to act on their behalf in exercising the rights connected with the same. In such case, they shall be jointly responsible for the obligations resulting from the share ownership. The transfer of ordinary Shares shall be governed by and comply with the regulations governing companies listed on the respective exchanges and the internal regulation of those markets.

11.1.3 Shareholders' Rights

Each Share shall give its holder equal rights in the Bank's assets and dividends as well as the right to attend and vote at meetings of the General Assembly.

11.1.4 Shareholders' Assemblies

In accordance with the Bahrain Companies Law, a general assembly duly convened shall be deemed to be representative of all the Shareholders. Meetings of the general assembly may be by way of ordinary or extraordinary meetings. The AGM must be held at least once a year during the three months following the end of the fiscal year. Other ordinary assemblies may be convened as and when required.

Ordinary General Meetings

With exception for matters reserved for the EGM, the AGM shall handle all matters relating, but not limited, to:

- the election or termination of Board members;
- the determination of the Board members' incentive payment;
- the approval of the Board of Directors' report about the Bank's business activities or financial position for the preceding year;
- the appointment of one or more auditors for the next fiscal year, in addition to deciding upon the auditor's fees, or delegation to the Board of Directors the appointment of such auditor and the determination of such auditor's fees;
- the discussion of the auditor's report about the Bank's financial statements for the preceding financial year; and
- the approval of the profit and loss statement, balance sheet, distribution of net profit and the part of net profit to be paid in respect of the Bank's Shares.

Resolutions at the ordinary general meetings shall be issued by a simple majority of the represented Shares. In case of a deadlock, the Chairman will have the casting vote.

Extraordinary General Meetings

An EGM will not be valid unless attended by shareholders representing at least two thirds of the Bank's share capital. If such quorum is not reached a second meeting will be held within 15 days from the date of the first meeting. The second meeting will be valid if attended by shareholders representing more than one third of the Bank's share capital. If such quorum is not reached, a third meeting will be held within 15 days from the date of the second meeting and will be valid if attended by shareholders representing 25 per cent of the Bank's share capital. An EGM will be held to decide upon the following:

- amendment of the Bank's Memorandum and Articles of Association;
- increase and decrease of the Bank's share capital;
- the Bank's dissolution, changes in its status or a merger with another institution; and
- a change to the Bank's registered office if outside the Kingdom of Bahrain or to its jurisdiction of incorporation.

Resolutions at the EGM shall be issued by two thirds of the represented Shares except for resolutions with regard to the increase or the decrease of share capital, the Bank's dissolution or merger with another institution, in which case the resolution shall be passed by 75 per cent of the represented Shares in the meeting.

11.1.5 Voting Rights

Each Shareholder holding one Share shall have the right to attend the general assembly. A Shareholder may delegate, by way of a written proxy to another shareholder, other than a member of the Board of Directors, the right to attend the general assembly on his/her behalf. The votes in the ordinary general meeting as well as the EGM shall be counted on the basis of one vote for every Share.

11.1.6 Transfers

The Articles of Association do not contain any restriction relating to the transfer of the Shares.

11.1.7 Pre-emptive rights

If an increase of the issued share capital involves the issue of Shares, the Bank's existing Shareholders have priority to subscribe for such Shares for the same percentage of new Shares as the percentage of existing Shares owned by such Shareholder on the applicable record date of the issue. This pre-emptive right must be exercised by a Shareholder within 15 days of the invitation to existing Shareholders being published in a daily local newspaper. If a Shareholder requests more Shares than their proportional entitlement, they may receive additional new Shares only after each Shareholder exercising its priority right has received its proportional entitlement. Any Shares thereafter remaining may then be offered for public subscription in accordance with all applicable laws.

11.1.8 Winding-up of the Bank

All Shares rank *pari passu* as between themselves. In case of a liquidation of the Bank, each Share shall give the applicable Shareholder the right to receive a proportionate part of the funds available (if any) from the liquidation distribution (as determined in accordance with the Bahrain Companies Law). The Shareholders in an EGM may approve (with 75 per cent of the Shares represented in the meeting) the Bank's dissolution. In addition, the Bank may be dissolved for any of the following reasons: expiration of the Bank's legal period of establishment, the cessation of the Bank's business activities, dissolution by judgment of a competent court in Bahrain, merger with another company where such other company is the surviving company or destruction of substantially or all of the Bank's share capital.

11.1.9 Redemption

Other than in the case of a Shareholder that does not pay any installment when due in respect of their commitment towards Shares, the Shares in the Bank's share capital are not subject to any mandatory redemption provisions.

12 Economic and Industry Overview

12.1 Cautionary Note Regarding Industry and Market Data

Information regarding markets, market size, market share, market position, growth rates and other data pertaining to the Bank's business and the GCC region contained in this Offering Circular consists of estimates based on data reports compiled by professional organizations and analysts, on data from other external sources, and on GFH's knowledge of sales and markets. In the investment industry, there is limited publicly available external information to validate market-related analyses and estimates, requiring GFH to rely on internally developed estimates. While GFH has compiled, extracted and reproduced market or other data from external sources, including third parties or general publications, GFH has not independently verified that data. GFH cannot assure you of the accuracy and completeness of, and takes no responsibility for, such data. Moreover, such third party sources of information generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. In addition, although GFH believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and GFH cannot assure you as to its accuracy and that a third party using different methods to assemble, analyze or compute market data would obtain the same results. GFH does not intend, and does not assume, any obligations to update market data set forth in this Offering Circular. Finally, behavior, preferences and trends in the marketplace tend to change. As a result, the Applicant should be aware that data in this Offering Circular and estimates based on that data may not be reliable indicators of future results.

12.2 Economic and Industry Overview

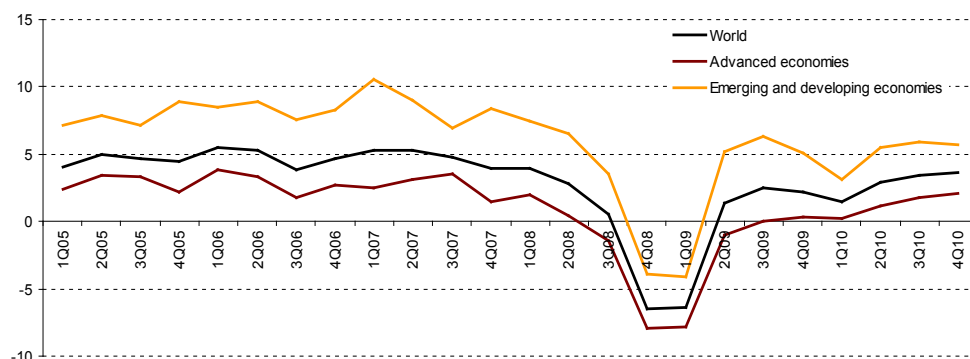
Global macroeconomic outlook: From stabilization to recovery

Almost one year on from the financial collapse of Lehman Brothers in September 2008 and the outbreak of an unprecedented economic and financial crisis, the global economy is stabilizing, helped by unprecedented macroeconomic and financial policy support. Indeed, there are signs that the nascent global expansion might become self-supporting in coming months.

According to the IMF's most recent World Economic Outlook, global activity is forecast to expand by 2.5 percent in 2010 compared to a contraction of 1.4 percent in 2009. In the advanced economies, recent data are consistent with stabilization of output during the second half of 2009 and point to a gradual recovery emerging in 2010. In the United States, high-frequency indicators point to a diminishing rate of deterioration, including in the labour and housing markets. In Japan, following a dismal first quarter, there are signs that output is stabilizing. In the euro area, consumer and business survey indicators have been recovering but activity is projected to strengthen more slowly than elsewhere.

By contrast, emerging and developing economies are projected to regain growth momentum as early as the second half of 2009, albeit with notable regional differences. Emerging Asia will be the best performing region where growth projections have been revised upward to 5.5 percent in 2009 and 7.0 percent in 2010, largely owing to improved prospects in China and India.

Figure 1: Real GDP Growth Rates, Percent, Quarterly Annualized



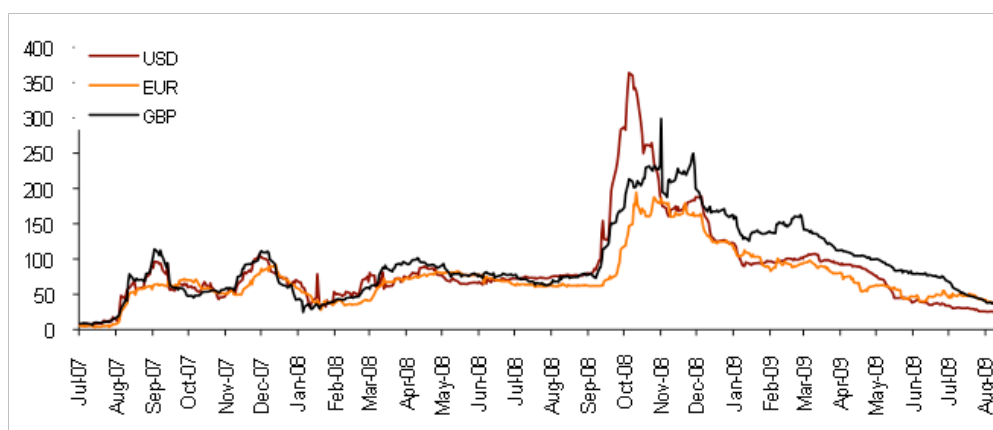
Source: IMF World Economic Outlook, July 2009

The IMF believes that the risks to the outlook are still tilted to the downside, although tail risks have diminished noticeably.

Global financial sector outlook

In an update to its Global Financial Stability Report issued in July 2009, the IMF noted that the risks to the global financial system have moderated from the extreme levels identified in April 2009 <http://www.imf.org/external/pubs/ft/gfsr/2009/01/index.htm>. Unprecedented policy actions undertaken by central banks and governments worldwide have succeeded in stabilizing the financial condition of banks, reducing funding pressures and counterparty risk concerns, and supporting aggregate demand. These interventions have reduced the tail risk of another systemic failure similar to the collapse of Lehman Brothers. Bank debt and interbank markets have resumed functioning, albeit with massive public sector support. Concerns regarding liquidity and counterparty risks in the banking sector have declined, as evidenced by the narrowing of LIBOR-overnight index (Figure 2).

Figure 2: 3M Libor-OIS Spread



Source: Reuters

Oil price outlook

Commodity prices have rebounded providing a leading indicator of the global economic recovery. The recent rally in commodity prices has been strong and broad-based, reflecting improved market sentiment, U.S. dollar depreciation, and commodity-specific factors. In the oil market, prices have responded strongly to perceptions that market dynamics are shifting from significant oversupply to more balanced conditions with demand forecasts being upgraded. This owes to improving demand prospects in emerging markets and OPEC members' stricter observance of lower production quotas. As a result, forward markets project oil prices at US \$74.50 for 2010.

GCC macroeconomic outlook

According to the latest projections by the Institute of International Finance, the outlook for the GCC is improving after a particularly challenging period following the collapse in oil prices and onset of global recession. Although activity slowed sharply late last year, fiscal and monetary policies implemented over the past 6-12 months, together with continued strength in domestic demand supported by recently recovered oil prices, are helping the region. The rise in oil prices to \$60-70 per barrel over the past few months has eased pressure on the fiscal and external balances and the region should begin to approach trend growth from 2010 onwards.

In Saudi Arabia, the non-hydrocarbons sector is projected to grow modestly in 2009, but overall real GDP could contract due to a significant reduction in oil production. The financial system has been strengthened in recent years and rigorous oversight by SAMA has promoted prudent risk management practices, resulting in conservative lending policies. Stress tests suggest that most banks have the capacity to withstand adverse shocks, including possible deterioration in asset quality due to distress

among some corporations. Despite these risks, policy action taken by the Saudi authorities, along with strong bank financials, should support steady economic recovery in 2010 and beyond.

The financial services industry in Saudi Arabia has been liberalised dramatically in the past few years. The number of banks operating in the country has doubled, to 22, and there are now more than 80 non-bank financial institutions of different types, including insurance firms, investment banks and brokerages. Since Saudi Arabia joined the World Trade Organisation (WTO) at the end of 2005, the cap on foreign ownership of banks has been raised to 60%. This has increased foreign participation, and a number of leading international investment banks are launching joint ventures in Saudi Arabia.

There are now 22 banks licensed to operate in Saudi Arabia, as the sector has been liberalised since 2005, when the country joined the WTO. Since then, banks from any country have been allowed to open local branches, subject to obtaining a license. Foreign firms have been allowed to increase their equity share in existing joint ventures to 60%, from 40% previously. Banks from other GCC states have been allowed to operate in Saudi Arabia since 1999. In October 2005, BNP Paribas of France became the first European bank to set up in Saudi Arabia as a wholly foreign-owned bank. In the same year, the CMA gave licenses to another nine foreign banks including JP Morgan (US), Bank Muscat (Oman), the National Bank of Kuwait, the National Bank of Bahrain, Emirates Bank and the National Bank of Pakistan. In 2004, just before this wave of liberalisation began, there were only 11 banks, including the country's second Islamic financial institution, Bank AlBilad, which was established that year. Previously, there had been only ten banks for the best part of two decades.

In the UAE, the process of global deleveraging led to a severe tightening of credit conditions. Lending to the private sector remained broadly flat during the first half of this year. While the banking system remains healthy, deepening asset price corrections could feed through to corporate and, ultimately, bank balance sheets, placing even greater stress on financial institutions. Although Dubai may take some time to recover following the collapse in real estate prices, the UAE as a whole is likely to return to a more sustainable growth path in the range of 3-4 percent in 2010 after a mild recession this year.

In Kuwait, the economy is projected to contract by 1 percent in 2009 before expanding by around 2 percent next year. The hydrocarbons sector will shrink by around 4 percent this year and will outweigh weak growth in the non hydrocarbons sector, which has been dented by financial and real estate sector losses. In 2010, a projected rebound in oil production will boost the non-hydrocarbons sector, through higher government spending on services and infrastructure, and underpin gradual recovery and sustainable growth beyond. The impact of the global recession on Kuwait's financial sector has been significant but measures taken by the government to strengthen the sector suggests that banks in general will remain profitable this year and next, notwithstanding further possible write-offs.

Qatar has been only marginally affected by the global downturn and financial crisis. Real growth will remain high at around 10 percent this year and next, driven by further increases in LNG production. In addition, the financial and real estate sectors remain buoyant, which will support robust non-hydrocarbons growth. Given that the hydrocarbons sector accounts for about 70 percent of fiscal revenues and 90 percent of export receipts, the impact of increased hydrocarbons earnings should ensure solid fiscal and external balances going forward.

Bahrain is the banking hub of the Gulf, with the region's highest concentration of financial institutions and a rapidly growing Islamic banking sector. The financial sector is a more important contributor to the economy than the oil and gas sector. Of the 146 registered banking institutions, there are 31 retail banks, 33 representative offices of international banks, and 82 wholesale banks (formerly known as offshore banking units). As of March 2009, the wholesale banks managed assets of US\$189bn— roughly nine times the country's GDP. In terms of their direct contribution to the local economy, wholesale banks accounted for 12% of real GDP in 2008, with the insurance sector—which also includes a significant cross-border component—accounting for a further 6%.

Bahrain is a centre for offshore banking, although since 2006 the offshore banks have been redefined as “wholesale banks” and can also apply for licenses to operate onshore. The domestic market is limited owing to Bahrain's small population, which numbers just over 1 million.

In Bahrain, growth is projected to slow sharply this year. Financial services, the largest economic sector accounting for 26.6 percent of total real GDP, have been impacted by adverse global conditions, a drop in real estate prices, and exposure to some large regional corporate failures. This, together with flat hydrocarbon production and lower oil prices, will offset further robust growth in tourism and construction.

Economic stability in Bahrain was recognized by financial markets in May 2009. In May 2009, the CBB launched a USD500 million Sukuk, the first in the region in 2009. The issue was eight-times oversubscribed, and as a result, the original issue size has been increased to US\$ 750 million from a US\$ 500 million target.

Oman, although not immune from the effects of the downturn in the global economy, is holding up fairly well. Growth remains fairly robust and the banking sector has been relatively unscathed. Oil production, which had been on a steady decade-long decline, picked up in 2009 and has continued to rise this year. Investment in enhanced oil recovery methods is starting to pay dividends and new fields are coming on stream. Tourism is also doing well and construction is being boosted by ongoing investment in infrastructure and development projects.

Finally, it is important to note that all GCC sovereigns managed to maintain their investment grade status during the crisis, which should help maintain borrowing costs of entities explicitly or implicitly backed by GCC sovereigns at reasonable levels when financial markets normalize.

Figure 4: GCC Long-term Sovereign Credit Ratings

	LT Sovereign Credit Ratings			BICRA
	LC	FC	Outlook	
Saudi Arabia	AA-	AA-	Stable	3
Kuwait	AA-	AA-	Stable	4
Qatar	AA-	AA-	Stable	4
Abu Dhabi	AA	AA	Stable	4
Oman	A	A	Stable	5
Bahrain	A	A	Stable	5

Source: S&P

GCC financial sector outlook

Despite similarities, the performance of GCC banks over the medium-term will vary due to both cyclical and structural factors.

From a cyclical perspective, most GCC banks will suffer from second round effects triggered by slower growth in credit, lower fee-based income and higher loan loss provisioning. The severity of the impact, however, depends on the business model of major GCC banks and their exposure to corporate versus retail clients, government versus private business and structure of ownership.

In the UAE and Oman, Fitch Ratings expect banks to suffer the most amongst GCC banks due to their high exposure to the retail business. In the UAE, retail credit stood at USD61 billion by end September 2008, mostly due to the expansion in credit to expatriates. In Oman, retail credit stood at 38.5% of total banking sector loans by end 2008, the highest rate in the GCC.

In Saudi Arabia, the tightening of consumer credit regulations in late 2005 and the following crash in the equity market in 1Q06 helped Saudi banks approach the crisis with more robust risk management systems and stronger balance sheets. In addition to supply-side dynamics, demand for retail loans in Saudi Arabia is dominated by a young indigenous population with stable income stream. The stable income stream is supported by either employment in the public sector or restrictions against laying off Saudi employees in the private sector.

Saudi banks, however, have been lately exposed to an unexpected default by two renowned Saudi business groups, namely Saad and Algosaibi. According to a recent survey conducted by S&P on its 30 rated GCC banks, total exposure of the 30 banks to both groups stood at US\$ 9.6 billion, with the bulk of loans owing to Saudi and Emirati banks. However, S&P notes that the sampled banks have (1) high levels of profitability to offset potential losses, (2) have taken material levels of collateral against these loans and (3) are already over provisioned.

Kuwaiti banks are also likely to suffer from a tough operating environment coupled with over exposure to ailing local investment firms. Kuwait saw the rapid growth of local investment companies, which resorted heavily to both local and external borrowings to fuel their investments. As global and domestic financial markets tumbled throughout 2008, some of these investment companies started to show liquidity problems as lenders withdrew short-term wholesale funding. In the past two quarters, some local banks, having extended credit to these companies, have begun to suffer weaker profitability and asset quality as impairments on their investment portfolios and provisions for lending have dramatically increased. In December 2008, Kuwait's largest investment company, Global Investment House, defaulted on a syndicated facility, ultimately triggering a default on the majority of its debt due to cross-default clauses, while a large Islamic firm, the Investment Dar, stated it needed up to USD1 billion in loans to refinance its debt and recently defaulted on a \$100 million sukuk. Elsewhere, one of the major Kuwaiti banks, Gulf Bank, posted a \$1.2 billion net loss in 2008 and received state support to complete its recapitalization in January 2009.

Finally, Qatari banks are forecast to remain amongst the most solid in the region due to the predominance of corporate loans to public sector entities and infrastructure projects coupled with the recent recapitalization of systematically-important banks. In a report published in June 2009, Fitch particularly stressed on the importance of government support to help Qatari banks sustain growth. These support measures included a USD5.3 billion offered by the Qatar Investment Authority (QIA) to take equity stakes in selected banks and acquire the badly performing local equity portfolios. In mid 2009, the government will spend another USD45.1 billion to buy the real estate portfolios of banks given the increased risks in the sector.

Banking Sector in Bahrain

Bahraini banks have had limited exposure to write-downs and/or counterparty failures related to the global deleveraging.

The Bahraini banking system could be broadly categorized into two categories, namely wholesale and retail banks. Wholesale banks are only licensed to deal with professional investors (institutions and high net worth individuals) and are subject to minimum transaction value restrictions whereas retail banks are allowed to deal with all clients regardless of the size of transactions. As of end June 2009, the total assets of both wholesale and retail banks stood at USD524 billion, nearly 25x the GDP of Bahrain.

The Bahraini banking system has also been characterized by prudent regulations. In 2005, as for example, the CBB acted pre-emptively to curb excessive growth in retail loans and residential mortgages as has been the case across other GCC states. Accordingly, by end 2008, the ratio of retail loans to total assets at the leading retail banks stood ranges between 13% to 35% whereas the ratio of residential mortgages to total assets stood at only 6%.

GCC Islamic investment banking outlook

The Islamic banking industry has grown at double-digit rates over the past 30 years. Total assets held by Islamic banks and assets under management globally are estimated at around US\$ 840 billion at year-end 2008 and are expected to reach US\$1 trillion by end-2010. The potential for further growth is substantial given that the global potential market is estimated by McKinsey & Co to be worth at least US\$5 trillion.

The ratings agency Moody's said in a report published in August 2009 that Islamic financial institutions (IFIs) have traditionally held high levels of cash/liquid assets, ideally to safeguard the interests of their depositors, investors and shareholders against credit upheavals and liquidity crunch. This high liquidity preference of IFIs reduces liquidity risks in an economic downturn. Also, from a leverage perspective, IFIs' operational models are built upon conservative fundamental values that discourage the use of disproportionate levels of debt to finance assets, as well as speculative and doubtful investments, which have inhibited the industry in terms of its use of leverage.

Moody's said it expected most IFIs to survive the declining property prices and to rebound with the help of systemic government support and the resurgence of global markets. However, liquidity-risk-related issues will persist, unless they are addressed by innovative solutions such as the introduction of a range of Shari'ah-compliant instruments and the management of asset-liability mismatches, originating from the shortage of long-term funds. Progress in this field is essential as their underdeveloped funding portfolios are not nearly sufficient to maintain their current performance and allow them to develop into a dominant financial industry.

The quest for long-term funding options has already triggered rapid growth in Sukuk issuance that was only interrupted by the global financial crisis. According to S&P Islamic Finance Outlook 2009, global Sukuk issuance almost halved in 2008 to USD14.9 billion, down from USD34.0 billion in 2007. However, S&P believes the long-term outlook remains positive given the long-term pipeline of issuance, from both Muslim and non-Muslim countries.

13 Investment Consideration and Risk Factors

Before making an investment decision regarding the Shares offered under this Offering Circular, a Shareholder should carefully consider the specific risk factors set out below, in addition to the other information contained in this Offering Circular. Such risks are not the only ones faced by the Bank. Additional risks and uncertainties that are not presently known to the Issuer, or that the Bank currently believes are immaterial, may also impair its business operations. The Bank's business, financial condition, results of operations or the value of its investment could be materially adversely affected by any of these risks. In such case, the trading price of the Shares could decline, and the Applicants may lose all or part of the investment.

The following list is intended as a summary of certain principal investment considerations and risk factors associated with this investment, but are only illustrative and not exhaustive and must be supplemented by the Applicant's own analysis of, among other things, such Applicants' personal or corporate financial circumstances.

Investment return risk

There is no assurance that the Bank will be able to generate returns for its Shareholders or that the returns will be commensurate with the risks of investing in the Bank, the nature of the transactions described herein. It is possible that the Shares of Bank may fall in value or that the Applicants might lose some or all of the capital they have invested.

Displaced commercial risk

This risk arises when Islamic financial institutions are under pressure to pay a rate that exceeds the return that has been earned on assets financed by their Investment Account Holders (IAH) and this return is under performing in comparison to competitors' rates. In such a scenario, the Islamic group may decide to waive its rights to the profits, or a part of the profits, in order to retain its fund providers and dissuade them from withdrawing their funds.

Rate of return risk

This risk is associated with overall balance sheet exposures where mismatches arise between the assets and liabilities of Islamic financial institutions. Revenue and expenses are generally accounted for on an accrual basis when deriving the exposure and the Islamic financial institutions are exposed to the expectations of Investment Account Holders when allocating their profits.

Risks relating to the competition

The market in which the Bank operates is highly competitive. Currently, there are many competitors in Bahrain and the GCC. The operations of the Bank may be affected by the competition if the competitor's market share increases.

Economic conditions

Changes in the market, business, and economic conditions, including, for example, profit rates, foreign exchange rates, oil prices, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the Bank's performance and the investments to be undertaken by the Bank. None of these conditions will be within the control of the Bank, though the Bank has witnessed and successfully managed these in the past.

Political, economic and regulatory considerations

The value of the Bank's assets may be affected by uncertainties such as changes in policies, taxation and other developments in the laws and regulations of the Kingdom of Bahrain or in countries in which the Bank or any of its subsidiaries are registered. Accordingly, changes in regulations imposed by the Bahrain Government, the CBB or any other central regulatory bodies under whose jurisdictions the Bank is operating could materially affect the returns to be made by the Bank.

While no firm assumptions can be made on the political, economic and regulatory conditions, the Bank, on the basis of available economic trend / statistics, regional market and sector expertise and expert views, has, to the extent practicable, made suitable assumptions for the same in its strategy.

Risks relating to loss of key personnel

The Bank's success will depend, in part, on the continued service of its key executives and employees and its ability to continue to attract, retain and motivate qualified personnel. If one or more of the Bank's key personnel are unable or unwilling to continue in their present positions, or if they joined a competitor or formed a competing company, the Bank may not be able to replace them easily or quickly and its business may in consequence be significantly disrupted - with adverse effect on its financial condition and results.

Risks relating to product placement

The Bank recognizes income based on underwriting arrangements it enters into with various counterparts that commit to raising funds for the respective projects. This income is booked as receivables from investment banking services. There is a risk that the Bank may have to reverse this income or part of it in the event that the funds are not raised.

Reliance on infrastructure and real estate projects

Real estate and infrastructure projects globally have led the decline in asset valuation. Coupling scarcity of leverage with higher unemployment the world economy is currently facing a prolonged recession.

In order to respond to these challenges, GFH is planning to differentiate and broaden its business model to provide reliable and stable long term growth and returns to its Shareholders. To realize its vision the Bank has developed a strategy encompassing two overlapping phases. In the first phase, during 2009 and 2010, GFH aims to stabilize the existing business by optimising the current assets and strengthening the balance sheet. In the second phase, during 2010 and 2012, GFH will build the foundation for growth in new business lines (investment banking and asset management) and expand the existing model in private equity into a product-focused (not proprietary investment) unit. Additionally the investment horizon will be enlarged into new industry sectors and countries.

Risks relating to inactive or illiquid market for the shares

The Bank's Shares will be subject to public demand and supply, which could materially affect the Share price of the Bank. Although the Shares are listed on the BSE, DFM and KSE and GDRs are listed on the LSE there is no guarantee that active trading in the Shares and/or GDR will develop and continue after the Offering. If no active trading in the Shares and/or GDR develops or continues after the Offering, there could be a material adverse effect on the liquidity and market price of the Shares and/or GDR

Market risk

This risk arises from exposures to the price volatility of the underlying "real" assets inherent in some financing modes which are in the form of trading and real investment.

Fiduciary risk

This risk arises from a breach of the investment contract for management of Investment Account Holder's funds.

Shari'ah compliance risk

This risk arises from non-compliance with Shari'ah principles in conducting the Islamic financial institutions' business.

Liquidity risk

Liquidity risk is defined as the risk that the Bank will not have funds available to meet its financial liabilities as they fall due. The Bank's liquidity is managed through its treasury department with ALCO receiving regular reports. In the event the Bank does not raise the targeted subscription under this Offering, the Bank may need to explore alternative financing options, the terms and quantum of which could vary from those envisaged.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes, technology or human performance, or external events. Its impact can be in the form of a financial loss, loss of reputation or loss of competitive position.

Shareholder payments

Payments of dividends to the Shareholders of the Bank will depend on, amongst other things, the future profit, financial position, capital requirements, and distributable reserves of Bank and general economic conditions and other factors that the Directors deem significant from time to time. Without limiting the generality of the foregoing, there can be no assurance that liquidity will be available for distribution to Shareholders.

Taxation

As on the date of this Offering Circular, corporate and personal income taxes are currently not levied in the UAE and in the Kingdom of Bahrain on any person receiving or paying interest or dividend, whether resident or otherwise. However, the Bank has not taken into consideration the impact of any future tax laws in the Kingdom of Bahrain and/or the UAE.

Kuwait

The following is a general description of certain Kuwaiti tax considerations relating to the Shares offered through this Offering and is based upon the Bank's understanding of the historical and current interpretations and practices of the Kuwait Directorate of Income Tax regarding the tax laws of Kuwait. It does not purport to be a complete analysis of all tax considerations relating to the Shares or the Offering. Applicants should consult their tax advisers as to the consequences under the tax laws of the country in which they are resident for tax purposes and the tax laws of Kuwait for acquiring, holding and disposing of the Shares and receiving dividends and other benefits under the Shares. 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 (and in the interpretations and practices of the Kuwait Department of Income Tax ("**DIT**") regarding the same) that may take effect after such date.

Income Tax

The summary of income taxation in the State of Kuwait is based upon the laws and regulations embodied in the Kuwait Income Tax Decree No.3 of 1955 as amended by Law No.2 of 2008 "Amending Certain Provisions of the Kuwait Income Tax Decree No. 3 of 1955 ("**Amendment**")", regulations setting out the implementation of the Amendment ("**Regulations**")", (the "**Tax Laws**") as interpreted and implemented by the Kuwait Department of Income Taxes ("**DIT**") as in effect as of the date of this Offering Circular. Any changes in either the Taxation Laws and/or DIT's application of the same after the said date would alter this summary.

The Amendment is generally effective for taxable years commencing after 3 February 2008, the date of publication in the Official Gazette. The Regulations do not contain a separate effective date but it could be assumed that they are effective for taxable years commencing after the publication of the Regulations on July 20, 2008. Both the Amendment and the Regulations lack in clarity and require further official guidance. The Tax Laws generally apply only to foreign corporate entities conducting business in Kuwait.

This Amendment reduced the tax on the net taxable profits of foreign corporate entities doing business in Kuwait from 55 percent to 15 percent as part of the governmental efforts aimed at attracting investment from abroad. The amendment also exempted capital gains made by foreign corporate entities from trading in stocks listed on the KSE, whether directly or through mutual funds and portfolios. The new provisions will be applicable for all fiscal years commencing after the promulgation of the Amendment.

Individual Shareholders

Individuals are not subject to any Kuwaiti income tax on their income or capital gains.

GCC Corporate Shareholders

Although not specifically provided for, in practice, no income tax is levied on GCC corporate entities that are wholly owned by GCC nationals.

Taxes on gains on sale of shares

Gains on the sale or other dispositions of the shares of a company listed on the KSE by foreign corporate entities are exempt from Kuwaiti income tax by the Amendment and the Regulations.

Value Added Tax

There is no value added tax in Kuwait.

Stamp Duty

No stamp, registration or similar duties or taxes are currently payable in Kuwait in respect of the issue or transfer of the Shares.

For the purposes of this section, the term “corporate entity” includes a partnership. The term “foreign corporate entity” would not include a corporate entity established in one of the countries comprising the Gulf Cooperation Council states (“GCC”) whose owners comprise only nationals of the GCC states. The GCC states are Kuwait, Saudi Arabia, Bahrain, Qatar, Oman and the United Arab Emirates.

The foregoing does not purport to be a complete explanation and summary of all the risk factors involved in investing in the Bank. It is strongly recommended that all potential investors seek independent advice from their own professional advisors.

14 Applicable Laws

The laws of the Kingdom of Bahrain shall be the applicable law for this Offering.

15 Documents Available for Inspection

During the Subscription Period, copies of the following documents may be inspected during normal business hours at Registered office of the Bank at Level 28, East Tower, Bahrain Financial Harbor, Manama, Kingdom of Bahrain:

- Memorandum and Articles of Association of GFH;
- Commitment letters, if any, refer Section 8.2 “Offering”, for subscribing to the Shares offered under this Offering; and
- Audited consolidated financial statements for the years ended 31 December 2006, 2007 and 2008 and unaudited reviewed consolidated financial statements for the six months ended 30 June 2009.

16 Contact Details

Issuer	Gulf Finance House BSC Bahrain Financial Harbor, East Tower, PO Box 10006 Manama, Kingdom of Bahrain
Issue Manager	KPMG Corporate Finance 5th Floor, Bahrain Chamber of Commerce, Manama, Kingdom of Bahrain
Legal Advisor	<p>For compliance with the applicable laws and regulations in the Kingdom of Bahrain: Elham Ali Hassan & Associates 12th Floor, Al Rossais Tower, Diplomatic Area, Manama Kingdom of Bahrain</p> <p>For compliance with the applicable laws and regulations in Kuwait: Al-Sarraf and Al-Ruwayeh P.O. Box 1448, Safat 13015, Kuwait</p> <p>For compliance with the applicable laws and regulations in the United Arab Emirates: Clifford Chance LLP 3rd Floor, The Exchange Building Dubai International Financial Centre Dubai, United Arab Emirates</p> <p>International Legal Counsel to the Offering</p> <p>Trowers & Hamblins 7th Floor West Tower Bahrain World Trade Center PO Box 3012 Manama Kingdom of Bahrain</p>
Receiving Banks	<p>Khaleeji Commercial Bank B.S.C. Bahrain Financial Harbour East Tower, 25th Floor Manama Kingdom of Bahrain</p> <p>Commercial Bank of Kuwait K.S.C. <i>Head Office</i> Mubarak Al Kabir St. Opp Kuwait Stock Exchange P.O.Box 2861 Safat, 13029 Kuwait Branches: Sour Street, Salmiya, Beirut Street, Omariya, South Surra, Qurain, Fahaheel, Al Naeem and East Ahmadi.</p>
Issue Registrar	KPMG Share Registry 5th Floor, Hedaya House (2) P.O. Box 710, Manama, Kingdom of Bahrain

17 Summary Financial Statements

17.1 Summary Consolidated Historical Financial Data

The consolidated financial data summarized below is derived from the audited financial statements for the years ended 31 December 2004, 2005, 2006, 2007 and 2008 respectively and the reviewed interim financial information for the six-month period ended 30 June 2009. The interim results are not necessarily indicative of the results for a full year. The consolidated financial statements are prepared in accordance with the Financial Accounting Standards of the Accounting and Auditing Organization for Islamic Financial Institutions and International Financial Reporting Standards and presented in U.S. dollars, the principal currency of operations and reporting currency of the Bank. Certain prior period figures have been regrouped to conform to the current presentation of the balance sheet and income statement.

For a better understanding of the financial position and performance during the historical period covered below, the summarized historical financial data should be read in conjunction with the audited consolidated financial statements for the years ended 31 December 2004, 2005, 2006, 2007 and 2008 respectively.



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Agreed upon procedures report

20 August 2009

To
Board of Directors
Gulf Finance House BSC
Manama, Kingdom of Bahrain

We have agreed the accompanying condensed consolidated statement of financial position of Gulf Finance House BSC (the "Bank") and its subsidiaries (the "Group") as at 30 June 2009 and the related condensed consolidated statements of income, changes in equity and cash flows to the interim financial information for the six months ended 30 June 2009, which were reviewed by us in accordance with the International Standard on Review Engagements and on which we issued unqualified review conclusion.

We have also agreed the accompanying consolidated statement of financial position of the Group as at 31 December 2008, 31 December 2007, 31 December 2006, 31 December 2005 and 31 December 2004 and the related consolidated statements of income, changes in equity and cash flows to the consolidated financial statements for the years ended 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005 respectively, which were audited by us in accordance with International Standards on Auditing and on which we issued unqualified audit opinion

For a better understanding of the Group's financial position, the results of its operations, changes in equity and cash flows for the above mentioned periods and of the scope of our review and audit, the accompanying information should be read in conjunction with the Group's relevant reviewed interim financial information and audited consolidated financial statements, from which the accompanying information was derived and our review report and audit reports thereon.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standard on Review Engagements, we do not express audit or review assurance on the accompanying information presented.

CONSOLIDATED INCOME STATEMENT

Amount in US\$ '000s

	Six months ended 30-Jun-09	Year ended				
		31-Dec-08	31-Dec-07	31-Dec-06	31-Dec-05	31-Dec-04
Income from investment banking services	47,890	453,191	400,180	266,647	167,752	81,307
Placement, arrangement and management fees	3,578	33,233	13,421	20,337	27,280	2,777
Commission income from sale of land	-	-	-	-	-	9,472
Income from placements with financial and other institutions	2,298	29,555	38,821	35,357	13,559	4,144
Income from financing	735	1,533	10,118	3,783	150	-
Income from investment in associates	(512)	94,968	21,883	11,354	(3,825)	-
Income from available-for-sale investments	3,162	1,830	12,683	4,346	17,462	1,662
Income from partial sale of a subsidiary	-	-	83,826	-	-	-
Other income, net	10,814	3,276	7,051	3,882	548	166
Total income	67,965	617,586	587,983	345,706	222,926	99,528

Staff cost	25,646	134,542	103,798	67,248	40,103	12,981
Investment advisory expenses	11,895	48,524	48,351	25,055	29,402	15,864
Finance expense	21,616	63,507	56,482	24,322	8,022	2,102
Impairment allowances	80,927	39,712	15,362	6,728	-	7,287
Other expenses	20,019	39,416	20,732	10,767	5,015	4,558
Total expenses	160,103	325,701	244,725	134,120	82,542	42,792

(LOSS) / PROFIT FOR THE PERIOD/YEAR	(92,138)	291,885	343,258	211,586	140,384	56,736
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Attributable to:

Shareholders of the Parent	(92,138)	291,885	340,063	211,586	140,331	56,671
Non controlling interest	-	-	3,195	-	53	65

Earnings per share

Basic earnings per share (US cents)*	(9.74)	37.01	47.55	33.88	30.92	14.00
Diluted earnings per share (US cents)*	(9.74)	-	-	-	-	-

* Earnings per share have been extracted from the respective period's income statements and have not been adjusted for subsequent bonus and rights issue of shares.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amount in US\$ '000s

ASSETS	30 June 2009	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006	31 Dec. 2005	31 Dec. 2004
Cash and bank balances	5,947	13,863	15,383	15,050	13,412	4,295
Placements with financial and other institutions	649,022	1,275,675	711,978	687,765	685,771	264,339
Financing receivables	73,643	69,189	96,179	98,927	17,110	-
Assets held-for-sale	-	611,996	446,882	24,196	25,327	-
Development property	571,996	-	-	-	-	-
Investment in associates	535,804	451,024	288,047	36,926	31,210	30,168
Available-for-sale investments	291,523	406,892	246,346	398,130	219,399	95,819
Receivable from investment banking services	146,642	222,343	171,183	123,404	-	-
Other assets	426,390	434,065	269,069	116,486	107,538	28,132
TOTAL ASSETS	2,700,967	3,485,047	2,245,067	1,500,884	1,099,767	422,753

LIABILITIES						
Investors' funds	252,393	538,784	139,876	526,134	641,862	141,017
Placements from financial and other institutions	636,599	937,538	355,548	75,475	12,058	23,359
Customers' current accounts	-	-	-	7,297	5,090	-
Financing liabilities	613,808	634,895	586,620	87,860	-	-
Liabilities directly associated with assets held-for-sale	-	317,186	167,019	-	-	-
Payable towards development property	301,926	-	-	-	-	-
Other liabilities	68,279	87,826	115,674	77,454	52,693	7,471
TOTAL LIABILITIES	1,873,005	2,516,229	1,364,737	774,220	711,703	171,847
Unrestricted investment accounts	4,129	1,945	826	58,920	35,700	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amount in US\$ '000s

EQUITY	30 June 2009	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006	31 Dec. 2005	31 Dec. 2004
Share capital	315,375	262,813	238,921	212,674	149,771	139,973
Advance towards proposed increase in share capital	-	-	-	2,708	-	-
Share premium	180,382	180,382	180,382	178,321	31,487	31,487
Treasury shares	(17,364)	(17,364)	(8,926)	(14,127)	-	-
Statutory reserve	106,700	106,700	83,529	46,337	24,621	10,576
Share grants reserve	30,920	23,508	-	-	-	-
Investments fair value reserve	1,381	1,132	2,799	364	227	3,899
Retained earnings	206,439	409,702	382,799	239,663	146,258	63,725
Subsidiary company share grants	-	-	-	1,804	-	-
Total equity - attributable to shareholders of Parent	823,833	966,873	879,504	667,744	352,364	249,660
Non controlling interest	-	-	-	-	-	1,246
TOTAL EQUITY	823,833	966,873	879,504	667,744	352,364	250,906
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY	2,700,967	3,485,047	2,245,067	1,500,884	1,099,767	422,753
OFF – BALANCE SHEET ITEMS						
Restricted Investment Accounts	52,582	74,222	77,038	123,393	106,393	14,050

CONSOLIDATED STATEMENT OF CASH FLOW

Amount in US\$ '000s

	Six months ended 30 June 2009	Year ended				
		31 Dec. 2008	31 Dec. 2007	31 Dec. 2006	31 Dec. 2005	31 Dec. 2004
OPERATING ACTIVITIES						
Proceeds of income from investment banking services	100,000	281,785	292,396	140,149	101,821	44,112
(Payments to) / Receipts from financial and other institutions	(303,776)	586,625	334,745	164,771	47,104	79,306
Placement with financial institution (original maturity of more than 90 days)	(6,000)	-	-	-	-	-
Net increase in customers' current accounts	-	-	63,682	2,207	5,090	-
Financing of projects, net	(12,432)	(79,864)	(214,458)	(113,908)	(24,503)	(2,652)
Investors' funds, net	(286,599)	391,416	(324,562)	(129,221)	443,556	(60,648)
Placement, arrangement and management fees received	3,578	31,430	9,484	20,337	21,499	2,777
Commission received	-	-	-	-	-	9,472
Income from placements and financing received	3,033	30,074	38,821	39,140	14,551	4,144
Finance expense paid	(18,387)	(63,700)	(56,483)	(22,655)	(8,625)	(2,102)
Payment for expenses and project costs	(14,139)	(249,208)	(160,217)	(68,113)	(32,055)	(20,804)
Other income received	-	-	-	-	182	166
Cash flows from operating activities	(534,722)	928,558	(16,592)	32,707	568,620	53,771

CONSOLIDATED STATEMENT OF CASH FLOW (continued)

US\$ '000s

	Six months ended 30 June 2009	Year ended				
		31 Dec. 2008	31 Dec. 2007	31 Dec. 2006	31 Dec. 2005	31 Dec. 2004
INVESTING ACTIVITIES						
Net cash flows from partial sale of shares of a subsidiary	-	-	(30,204)	-	-	-
Purchase of available-for-sale investments	(41,069)	(62,307)	(41,063)	(133,729)	(130,518)	(30,927)
Proceeds from sale of investment securities	-	-	-	-	42,607	10,673
Dividends received	3,162	6,139	5,326	-	2,170	-
Advance paid for Acquisition of trading property	-	-	-	(45,409)	(12,279)	-
Payments in relation to assets held-for-sale	-	(38,627)	(239,171)	-	-	-
Purchase of sukus (long term)	-	-	-	-	(15,000)	-
Proceeds from sale of trading and investment property	-	-	34,207	-	5,447	4,126
Income from sukus received	-	-	4,523	2,413	995	1,313
Payments for development property	(15,260)	-	-	-	-	-
Proceeds from disposal of / (payments for) equipment and capital work-in-progress	713	(11,939)	(11,661)	(4,036)	(391)	(1,806)
Dividends received from associates	14,708	28,252	-	628	-	-
Purchase of investment in associates	-	(113,003)	(114,509)	-	-	-
Acquisition of Subsidiary	-	(8,351)	(50,000)	-	-	-
Cash flows from investing activities	(37,746)	(199,836)	(442,552)	(180,133)	(106,969)	(16,621)

CONSOLIDATED STATEMENT OF CASH FLOW (continued)

US\$ '000s

	Six months ended 30 June 2009	Year ended				
		31 Dec. 2008	31 Dec. 2007	31 Dec. 2006	31 Dec. 2005	31 Dec. 2004
FINANCING ACTIVITIES						
Financing liabilities, net	(11,969)	50,218	498,758	190,602	-	-
Cash paid to charitable organisations	-	(1,313)	(1,857)	(695)	(1,130)	(104)
Proceeds from issue of ordinary shares	-	-	-	-	-	88,576
Acquisition of treasury shares, net	-	(14,993)	14,106	(13,619)	-	-
Board remuneration paid	(3,000)	(5,000)	(1,375)	(1,050)	(585)	-
Dividends paid	(55,132)	(196,576)	(130,075)	(72,587)	(29,868)	(11,250)
Net receipts from unrestricted investment accounts	2,000	1,119	82,946	23,220	35,700	(360)
Cash flows from financing activities	(68,101)	(166,545)	462,503	125,871	4,117	76,862
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(640,569)	562,177	3,359	(21,555)	465,768	114,012
Cash and cash equivalents at 1 January	1,289,538	727,361	724,002	745,557	279,789	165,777

CASH AND CASH EQUIVALENTS at 30 June / 31 December	648,969	1,289,538	727,361	724,002	745,557	279,789
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Cash and cash equivalents comprise:						
Cash and bank balances	5,947	13,863	15,383	15,050	13,412	4,295
Placements with financial and other institutions (original maturity of less than 90 days)	643,022	1,275,675	711,978	687,765	685,771	264,339
Investment in sukuk (short term)	-	-	-	21,187	46,374	11,155
	648,969	1,289,538	727,361	724,002	745,557	279,789

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2009

Amount in US\$ '000s

	Share capital	Share premium	Treasury shares	Statutory reserve	Share grants reserve	Investments fair value reserve	Retained earnings	Total equity
Balance at 1 January 2009	262,813	180,382	(17,364)	106,700	23,508	1,132	409,702	966,873
Transfer from investments fair value reserve on impairment	-	-	-	-	-	249	-	249
Loss for the period	-	-	-	-	-	-	(92,138)	(92,138)
Total comprehensive income for the period	-	-	-	-	-	249	(92,138)	(91,889)
Issue of bonus shares	52,562	-	-	-	-	-	(52,562)	-
Share grants vesting expense	-	-	-	-	7,412	-	-	7,412
Dividend declared for 2008	-	-	-	-	-	-	(52,563)	(52,563)
Charity contribution declared for 2008	-	-	-	-	-	-	(3,000)	(3,000)
Board remuneration declared for 2008	-	-	-	-	-	-	(3,000)	(3,000)
Balance at 30 June 2009	315,375	180,382	(17,364)	106,700	30,920	1,381	206,439	823,833

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2008

Amount in US\$ '000s

	Share capital	Treasury Shares	Share premium	Statutory reserve	Share grants reserve	Investments fair value reserve	Retained earnings	Total equity
Balance at 1 January 2008	238,921	(8,926)	180,382	83,529	-	2,799	382,799	879,504
Net fair value changes during the year	-	-	-	-	-	(1,667)	-	(1,667)
Net income recognised directly in equity	-	-	-	-	-	(1,667)	-	(1,667)
Profit for the year	-	-	-	-	-	-	291,885	291,885
Total recognised income and expense	-	-	-	-	-	(1,667)	291,885	290,218
Issue of bonus shares	23,892	-	-	-	-	-	(23,892)	-
Share grants vesting expense	-	-	-	-	23,508	-	-	23,508
Dividend declared for 2007	-	-	-	-	-	-	(203,083)	(203,083)
Charity contribution declared for 2007	-	-	-	-	-	-	(3,000)	(3,000)
Board remuneration declared for 2007	-	-	-	-	-	-	(5,000)	(5,000)
Zakah contribution declared for 2007	-	-	-	-	-	-	(281)	(281)
Loss on sale of treasury shares	-	-	-	(6,555)	-	-	-	(6,555)
Purchase of treasury shares	-	(24,300)	-	-	-	-	-	(24,300)
Sale of treasury shares	-	15,862	-	-	-	-	-	15,862
Transfer to statutory reserve	-	-	-	29,726	-	-	(29,726)	-
Balance at 31 December 2008	262,813	(17,364)	180,382	106,700	23,508	1,132	409,702	966,873

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2007

Amount in US\$ '000s

	Attributable to the shareholders of the parent									Non controlling interest	Total equity
	Share capital	Advance towards share capital	Treasury shares	Share premium	Subsidiary company share grants	Statutory reserve	Investments fair value reserve	Retained earnings	Total		
Balance at 1 January 2007	212,674	2,708	(14,127)	178,321	1,804	46,337	364	239,663	667,744	-	667,744
Net fair value changes during the year	-	-	-	-	-	-	2,406	-	2,406	-	2,406
Transfer to income statement on disposal of available-for-sale investments	-	-	-	-	-	-	29	-	29	-	29
Net income recognised directly in equity	-	-	-	-	-	-	2,435	-	2,435	-	2,435
Net profit for the year	-	-	-	-	-	-	-	340,063	340,063	3,195	343,258
Total recognised income and expense	-	-	-	-	-	-	2,435	340,063	342,498	3,195	345,693
Issue of bonus shares	25,600	-	-	-	-	-	-	(25,600)	-	-	-
Increase in share capital	647	(2,708)	-	2,061	-	-	-	-	-	-	-
Share grants vesting charge for the period	-	-	-	-	90	-	-	-	90	-	90
Dividend declared for 2006	-	-	-	-	-	-	-	(134,391)	(134,391)	-	(134,391)
Charity contribution declared for 2006	-	-	-	-	-	-	-	(1,598)	(1,598)	-	(1,598)
Board remuneration declared for 2006	-	-	-	-	-	-	-	(1,375)	(1,375)	-	(1,375)
Zakah contribution declared for 2006	-	-	-	-	-	-	-	(1,402)	(1,402)	-	(1,402)
Profit on sale of treasury shares	-	-	-	-	-	2,737	-	-	2,737	-	2,737
Purchase of treasury shares	-	-	(50,193)	-	-	-	-	-	(50,193)	-	(50,193)
Sale of treasury shares	-	-	55,394	-	-	-	-	-	55,394	-	55,394
Allocation of non-controlling interest on partial sale of shares in a subsidiary during the period	-	-	-	-	-	-	-	-	-	192,011	192,011
De-recognition on sale of controlling stake in a subsidiary	-	-	-	-	(1,894)	(2,999)	-	4,893	-	(195,206)	(195,206)
Transfer to statutory reserve	-	-	-	-	-	37,454	-	(37,454)	-	-	-
Balance at 31 December 2007	238,921	-	(8,926)	180,382	-	83,529	2,799	382,799	879,504	-	879,504

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2006

Amount in US\$ '000s

	Attributable to the shareholders of the parent									Non controlling interest	Total equity
	Share capital	Advance towards share capital	Treasury shares	Share premium	Statutory reserve	Investments fair value reserve	Retained earnings	Subsidiary company share grants	Total		
Balance at 1 January 2006	149,771	-	-	31,487	24,621	227	146,258	-	352,364	-	352,364
Gain on sale of treasury shares	-	-	-	-	508	-	-	-	508	-	508
Net fair value changes during the year	-	-	-	-	-	1,223	-	-	1,223	-	1,223
Transfer to income statement on disposal of available-for-sale investments	-	-	-	-	-	(1,086)	-	-	(1,086)	-	(1,086)
Net income recognised directly in equity	-	-	-	-	508	137	-	-	645	-	645
Net profit for the year	-	-	-	-	-	-	211,586	-	211,586	-	211,586
Total recognised income and expense	-	-	-	-	508	137	211,586	-	212,231	-	212,231
Issue of bonus shares	17,972	-	-	-	-	-	(17,972)	-	-	-	-
Increase in share capital	44,931	2,708	-	142,963	-	-	-	-	190,602	-	190,602
Share issue expenses	-	-	-	(129)	-	-	-	-	(129)	-	(129)
Fair value of share grants issued	-	-	-	-	-	-	-	2,056	2,056	-	2,056
Unvested component of share grants issued	-	-	-	-	-	-	-	(252)	(252)	-	(252)
Dividend declared for 2005	-	-	-	-	-	-	(71,890)	-	(71,890)	-	(71,890)
Charity contribution declared for 2005	-	-	-	-	-	-	(1,000)	-	(1,000)	-	(1,000)
Board remuneration declared for 2005	-	-	-	-	-	-	(1,050)	-	(1,050)	-	(1,050)
Zakah contribution declared for 2005	-	-	-	-	-	-	(1,061)	-	(1,061)	-	(1,061)
Purchase of treasury shares	-	-	(19,987)	-	-	-	-	-	(19,987)	-	(19,987)
Sale of treasury shares	-	-	5,860	-	-	-	-	-	5,860	-	5,860
Transfer from retained earnings to share premium	-	-	-	4,000	-	-	(4,000)	-	-	-	-
Transfer to statutory reserve	-	-	-	-	21,208	-	(21,208)	-	-	-	-
Balance at 31 December 2006	212,674	2,708	(14,127)	178,321	46,337	364	239,663	1,804	667,744	-	667,744

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2005

Amount in US\$ '000s

	Attributable to the shareholders of the parent							Non controlling interest	Total equity
	Share capital	Advance towards share capital	Share premium	Statutory reserve	Investments fair value reserve	Retained earnings	Total		
Balance at 1 January 2005	139,973	-	31,487	10,576	3,899	63,725	249,660	1,246	250,906
Net Fair Value changes during the year	-	-	-	-	12,520	-	12,520	-	12,520
Transfer to income statement on disposal of AFS investments	-	-	-	-	(16,192)	-	(16,192)	-	(16,192)
Net income recognised directly in equity	-	-	-	-	(3,672)	-	(3,672)	-	(3,672)
Net profit for the year	-	-	-	-	-	140,331	140,331	53	140,384
Total recognised income and expense					(3,672)	140,331	136,659	53	136,712
Issue of bonus shares	9,798	-	-	-	-	(9,798)	-	-	-
Dividend declared for 2004	-	-	-	-	-	(32,194)	(32,194)	-	(32,194)
Charity contribution declared for 2004	-	-	-	-	-	(600)	(600)	-	(600)
Board remuneration declared for 2004	-	-	-	-	-	(585)	(585)	-	(585)
Zakah contribution declared for 2004	-	-	-	-	-	(576)	(576)	-	(576)
Transfer to statutory reserve	-	-	-	14,045	-	(14,045)	-	-	-
De-recognition of non-controlling interest on sale of subsidiary	-	-	-	-	-	-	-	(1,299)	(1,299)
Balance at 31 December 2005	149,771	-	31,487	24,621	227	146,258	352,364	-	352,364

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2004

Amount in US\$ '000s

	Attributable to the shareholders of the parent company							Non controlling interest	Total equity
	Share Capital	Proposed increase in share capital	Share premium	Statutory reserve	Investments fair value reserve	Retained earnings	Total		
Balance at 1 January 2004 – as previously reported	65,198	9,802	-	4,792	1,440	24,154	105,386	-	105,386
Effect of adopting revised IFRS's	-	-	-	-	(180)	744	564	1,181	1,745
Balance at 1 January 2004 (restated)	65,198	9,802	-	4,792	1,260	24,898	105,950	1,181	107,131
Issue of bonus shares	7,275	(7,275)	-	-	-	-	-	-	-
Shares Issued to Management Incentive Programme for 2001 and 2002	2,527	(2,527)	-	-	-	-	-	-	-
Issue of new shares	60,000	-	31,487	-	-	-	91,487	-	91,487
Shares issued to Management Incentive Programme for 2003 and 2004	4,973	-	-	-	-	-	4,973	-	4,973
Dividend declared for 2003	-	-	-	-	-	(11,250)	(11,250)	-	(11,250)
Charity contribution declared for 2003	-	-	-	-	-	(450)	(450)	-	(450)
Board remuneration declared for 2003	-	-	-	-	-	(360)	(360)	-	(360)
Transfer to income statement on disposal of AFS investments	-	-	-	-	(458)	-	(458)	-	(458)
Net fair value changes during the year	-	-	-	-	3,097	-	3,097	-	3,097
Net profit for the year	-	-	-	-	-	56,671	56,671	65	56,736
Transfer to statutory reserve	-	-	-	5,784	-	(5,784)	-	-	-
Balance at 31 December 2004	139,973	-	31,487	10,576	3,899	63,725	249,660	1,246	250,906

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