Notice of the Shareholders' Ordinary & Extraordinary General Meetings

You are cordially invited to attend the Ordinary General Meeting of Gulf Finance House B.S.C. to be held on 18th February 2007 in Al Muharraq Ballroom, Diplomat Hotel Bahrain at 10:00 am to discuss the following agenda. If the required quorum is not available, a second meeting will be held on 25 February at the same time and place.

Agenda of the Ordinary General Meeting

1- To approve the Minutes of the last General Meeting held on 19 February 2006.
2- To review and approve the Board of Directors' Report on the activities of the Bank for the year ended 31 December 2006.
3- To read the auditor's report about the accounts of the financial year ended 31 December 2006.
4- To review the financial statements of the year ended 31 December 2006.
5- To read the Shari'a Committee's report for the year ended 31 December 2006.
6- To approve the Board of Directors' resolution regarding increasing the capital by 30.43% (within the limit of the paid-up and authorized capital) instead of the 30% approved at the previous OGM (US$45,578,856 million instead of US$ 44,931,176 million) issued by issuing new shares of the right of priority for shareholders registered in the Bank's shareholder register as at the date of the previous OGM.
7- To appropriate the net profit for the year upon the recommendation of the Board of Directors as follows:
   a. Distribution of profits at 75% of the paid up capital to the shareholders recorded in the Bank's shareholders register as at 18 February 2007 (63% cash dividends and 12% bonus shares).
   b. Transfer of US$ 19,089,323 to the Statutory Reserve.
   c. Transfer of US$ 1,200,000 to the Charity Fund.
   d. Appropriation of US$ 1,200,000 for the Board of Directors Remuneration
   e. Transfer of US$ 20,078,564 to Retained Earnings.
8- To release the members of the Board from liability in respect of the Bank for the financial year ended 31 December 2006.
9- To appoint / re-appoint the auditors for the year 2007 and authorize the Board of Directors to fix their remuneration.
10- To approve the appointment of the Shari'a Supervisory Board for the year 2007.

Agenda of the Extraordinary General Meeting

1- To approve the amendment of the Bank's Memorandum and Articles of Association with respect to increasing the issued and paid up capital resulted by issuing new shares pursuant to Article 210 of the Bahraini Commercial Companies Law No. 21 of 2001.
2- To authorize the Chairman of the Board of Directors or his representative to sign the amended Memorandum and Articles of Association on behalf of the Shareholders before the Notary Public.

CONSOLIDATED BALANCE SHEET as at 31 December 2006

US$ 000's

	2006	2005
ASSETS		
Cash and bank balances	15,050	13,412
Due from financial and non-financial institutions	687,765	685,771
Trading properties	2,960	8,660
Islamic financing assets	98,927	17,110
Investment in sukuks	77,993	61,374
Assets held-for-sale	24,196	25,327
Investment securities	357,063	189,235
Other assets	232,496	97,184
Equipment	4,434	1,694
Total assets	**1,500,884**	1,099,767
LIABILITIES		
Investors' funds	348,553	477,775
Customers' current accounts	7,297	5,090
Due to financial and non-financial institutions	340,916	176,145
Other liabilities	77,454	52,693
Total liabilities	**774,220**	711,703
Unrestricted investment accounts	58,920	35,700
EQUITY		
Share capital	212,674	149,771
Advance towards share capital	2,708	-
Share premium	178,321	31,487
Treasury shares	(14,127)	-
Subsidiary company share grants	1,804	-
Statutory reserve	46,337	24,621
Investments fair value reserve	364	227
Retained earnings	239,663	146,258
Total equity	**667,744**	352,364
Total liabilities, unrestricted investment accounts and equity	1,500,884	1,099,767
Off-balance sheet items		
Restricted investment accounts	123,393	106,393

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2006

US$ 000's

	2006	2005
INCOME		
Income from investment advisory services	266,647	167,752
Placement, arrangement and management fees	20,337	27,280
Income from investment securities	11,982	12,403
Income from short-term murabaha placements	35,357	13,559
Income from investment in sukuks	3,718	1,234
Income from Islamic financing assets	3,783	150
Other income	3,882	548
Total income	**345,706**	222,926
EXPENSES		
Staff costs	67,248	40,103
Investment advisory expenses	25,055	29,402
Impairment allowances on available-for-sale investments	6,728	-
Murabaha expense	24,322	8,022
Other expenses	10,767	5,015
Total expenses	**134,120**	82,542
PROFIT FOR THE YEAR	**211,586**	140,384
Attributable to:		
Shareholders of the parent company	**211,586**	140,331
Minority interest	-	53
	211,586	140,384
Earnings per share (US cents)		
Basic	**33.88**	25.34

The consolidated financial statements were approved by the Board of directors on 28 January 2007 and signed on its behalf by:

Dr. Fuad Abdulla Al-Omar — Chairman
Hamad A Aziz Al-Shaya — Vice-Chairman
Esam Yousif A. Janahi — Director and Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2006

US$ 000's

2006	Attributable to the shareholders of the parent									Minority interest	Total equity
	Share Capital	Advance towards share capital	Share premium	Treasury Shares	Subsidiary share grants	Statutory reserve	Investments fair value reserve	Retained earnings	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 AFS 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 by the subsidiary	-	-	-	-	2,056	-	-	-	2,056	-	2,056
Adjustment for unvested component of share grants issued by the subsidiary	-	-	-	-	(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	178,321	(14,127)	1,804	46,337	364	239,663	667,744	-	667,744

2005	Attributable to the shareholders of the parent							Minority 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 minority 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

These statements have been extracted from the consolidated financial information for the year ended 31 December 2006, which were audited by KPMG.

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