



United Gulf Bank B.S.C.
بنك الخليج العتد ش.م.ب.

William Khouri
Chief Executive Officer

May 2008

I am pleased to enclose our Bank's Annual Report for the year 2007, the fifth consecutive year of record performance.

The year 2008 also promises to be another year of historic results as forecasted in the KIPCO "Al Shafafiya" Forum on 25 March 2008. Projected normalized net income for the year 2008 is anticipated to reach US\$ 141 million, 25.9 percent more than the US\$ 112 million normalized net income posted in 2007. As of the first quarter of 2008, we have made good progress towards this goal with net profit up 14 percent to US\$ 30.7 million over US\$ 27 million normalized net income of the same period last year.

As announced on 5 May 2008, the Bank has entered into an agreement with Burgan Bank, Kuwait to sell four of its five commercial banking businesses in the MENA region for US\$ 725 million. The deal, which is subject to regulatory and other approvals, is estimated to result in a realized gain of around US\$ 400 million, before tax and expenses, for the Bank. Further information is available on the Bank's website www.ugbbah.com. This has set the stage for yet another record best year that 2008 will be for the Bank.

In 2007 the Bank recorded net profit of US\$ 220.9 million, 117.7 percent more than the US\$ 101.5 million posted in 2006. Total revenues increased 82.5 percent to US\$ 441 million from US\$ 242 million in 2006. All of UGB's 14 business streams made a board based contribution to this growth. UGB's financial services network contributed significantly to these results with solid organic growth in our wealth management, commercial banking and investment banking businesses.

Recurring income increased 44 percent from US\$ 121 million in 2006 to US\$ 174 million in 2007. Our trading portfolios and non-financial investments also contributed strongly to these results.

During the year KIPCO increased its ownership in UGB from 76 percent to 88 percent further bolstering UGB's role as its investment banking arm.

The Bank's 2007 return on average equity at 38 percent and return on average assets at 8.8 percent, combined with a BIS ratio of 33 percent at the year end, places UGB amongst the top performing and better capitalized banks in the region.

Capital Intelligence affirmed the Bank's BBB+ long term rating and its A2 short term rating with a stable outlook, while Moody's maintained its Baa3/P-3 investment grade rating. The Bank also successfully raised a US\$ 200 million, five-year syndicated term loan during the year bolstering its medium term funding strength.

I wish to express our deepest gratitude to our counterparties and stakeholders for their consistent support and confidence which contributed to our success at United Gulf Bank.

With my best wishes,