

BOARD CIRCULAR DATED 11 SEPTEMBER, 2017

THIS BOARD CIRCULAR (“CIRCULAR”) IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE BOARD OF DIRECTORS OF UNITED GULF BANK B.S.C. (“UGB” OR THE “BANK”). THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

Prior to making a decision, each recipient of this Circular is responsible for obtaining independent advice for considering how to cast his/her vote at the extraordinary shareholder meeting of United Gulf Bank B.S.C.(c) to be held on 25 September 2017.

If you have sold or transferred all your shares in UGB, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.



(Incorporated in the Kingdom of Bahrain under Commercial Registration No.: 10550)

**CIRCULAR TO SHAREHOLDERS OF UNITED GULF BANK B.S.C. in relation to
UNITED GULF HOLDING COMPANY B.S.C.’s (“UGHC”) OFFER TO ACQUIRE UP TO 100%
OF THE ISSUED AND PAID UP ORDINARY SHARES OF UGB (NET OF TREASURY
SHARES), SUBJECT TO RECEIPT OF ACCEPTANCES IN RESPECT OF UGB SHARES
REPRESENTING ATLEAST 95% OF THE TOTAL ISSUED AND PAID UP ORDINARY
SHARES OF UGB (NET OF TREASURY SHARES)**

AND

**THE EXTRAORDINARY SHAREHOLDER MEETING OF UNITED GULF BANK B.S.C. TO
BE HELD ON 25 SEPTEMBER 2017**

DISCLAIMER STATEMENT

THE CENTRAL BANK OF BAHRAIN, THE BAHRAIN BOURSE AND THE MINISTRY OF INDUSTRY, COMMERCE AND TOURISM, IN THE KINGDOM OF BAHRAIN, ASSUME NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS BOARD CIRCULAR AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM THE RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS BOARD CIRCULAR.

THIS DOCUMENT HAS NOT BEEN MADE UNDER THE FULL FRAMEWORK OF MODULE TAKE-OVER, MERGERS AND ACQUISITIONS OF VOLUME 6 OF THE CBB RULEBOOK (“TMA”) IN LIGHT OF THE EXEMPTION ON THE TMA REQUIREMENTS GRANTED BY THE CENTRAL BANK OF BAHRAIN. HOWEVER, THE OFFER DESCRIBED HEREUNDER IS STILL SUBJECT TO THE GENERAL PRINCIPLES AND CERTAIN RULES OF THE TMA MODULE.

DIRECTORS' DECLARATION

THE DIRECTORS OF UNITED GULF BANK B.S.C. ISSUING THIS BOARD CIRCULAR, WHOSE NAMES APPEAR IN THIS DOCUMENT, JOINTLY AND SEVERALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF INFORMATION CONTAINED IN THIS CIRCULAR INCLUDING THE APPENDICES. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS CIRCULAR IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THIS CIRCULAR.

STATEMENT FROM BOARD OF DIRECTORS OF UNITED GULF BANK B.S.C.

This Board Circular has been prepared by United Gulf Bank B.S.C. to provide information to its shareholders in connection with matters to be voted on the extraordinary shareholder meeting of the United Gulf Bank B.S.C. which is due to be held on 25 September, 2017.

The Board of Directors of United Gulf Bank B.S.C. hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Circular is, to the best of its knowledge, in accordance with the facts and contains no material omissions.

SUMMARY TIMETABLE

Record Date	14 September 2017
Offer Opening Date	15 September 2017
EGM Date	25 September 2017
Offer Closing Date	25 September 2017
Delisting Date of UGB*	28 September 2017
Listing Date of UGHC*	28 September 2017

** Please note that stated dates for Delisting of UGB shares and Listing of UGHC shares may vary based on any additional or currently unknown procedural requirements.*

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1. COMPANY GENERAL INFORMATION

Board of Directors of UGB	Masaud M. J. Hayat Faisal Hamad M. Al-Ayyar Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah Samer Khanachet Mubarak Mohammed Al-Maskati Bader Al Awadi Mohammed Haroon
Board Secretary Registered Office	Mohammed Al Qumaish Building 440 Road 1705 Block 317 Manama, Diplomatic Area Kingdom of Bahrain
Corporate Object	Conventional Wholesale Bank – Licensed by Central Bank of Bahrain
Authorized Capital	USD 250,000,000
Issued and Paid-up Capital	USD 208,650,574
Number of shares	834,602,295
Par Value per Share	USD 0.25
Share Registrar	Bahrain Bourse B.S.C (c)
Listing	Bahrain Bourse
External Auditor of UGB	Ernst and Young

2. GLOSSARY

For the purpose of this Circular, the following definitions apply throughout unless the context otherwise requires or is otherwise stated:

Acceptance	The acceptance of the Offer by a UGB Shareholder to surrender all his shares in UGB in exchange for shares in UGHC in accordance with the Offer Letter any time during the Offer Period by (i) voting in favor of the Offer or (ii) by otherwise manifesting the intention to accept the Offer in form and substance satisfactory to UGB.
AMIB	Asset Management and Investment Banking department
Bahrain	Kingdom of Bahrain
BHD or BD	Bahraini Dinar, the legal currency of the Kingdom of Bahrain
Business day	A day on which banks, financial institutions and the BHB are open for general business in the Kingdom of Bahrain
CAR	Capital Adequacy Ratio
CBB	Central Bank of Bahrain, Kingdom of Bahrain
Circular	This Circular to UGB Shareholders dated 11 September 2017 in relation to the EGM
Companies Law	The Commercial Companies Law promulgated by Decree no 21 of 2001 and any subsequent amendments to it
Conversion	The conversion of UGB into a closed Bahraini Shareholding Company
CSD	Clearing, Settlement and Depository System of Bahrain Bourse
Delisting	The delisting of the shares of UGB from the Main List of Bahrain Bourse
Director	A person holding office as a director of the UGB
EGM	The Extraordinary General Meeting of UGB due to be held on 25 September 2017 for the purpose of approving the Offer, the De-listing of UGB's shares and the Conversion of UGB into a closed Bahraini shareholding company
FI	Financial Institution
GCC	The Gulf Co-operation Council comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates

KIPCO	Kuwait Projects Company (Holding)
KIPCO Group	The group of companies headed by Kuwait Projects Company (Holding)
MoIC	Ministry of Industry, Commerce and Tourism, Kingdom of Bahrain
Offer	The voluntary conditional offer made by UGHC for the purchase of 100% of the share capital of UGB (net of treasury shares) in consideration for newly issued shares of UGHC
Offer Closing Date	25 September 2017 at the end of the EGM
Offer Notification Date	The date on which the Offer Letter was sent by UGHC to the Board of UGB, being 21 August 2017.
Offer Letter	The Offer Letter submitted by UGHC to the board of UGB on the Offer Notification Date containing, inter alia, the terms and conditions of the Offer and attached hereto as Appendix II
Offer Opening Date	The business day immediately subsequent to the Record Date
Offer Period	The period beginning on the Offer Opening Date and ending on the Offer Closing Date
Record Date	14 September 2017, being the date established for the purpose of determining the shareholders entitled to consider and accept the Offer during the Offer Period. Shareholders whose names appear in the UGB share register on the Record Date will be eligible to consider and accept the Offer. The Record Date, will be the date on which the trading in the UGB Shares will be suspended on the Bahrain Bourse at the end of the trading hours
Reorganization Plan	The reorganization plan of the activities of UGB group as approved by the CBB on 11 April 2017
Restricted Jurisdictions	Any jurisdiction where the making of or the acceptance of the Offer would be impermissible under local laws and regulations
Share Registrar	Bahrain Bourse B.S.C (c)

TMA	The Module on Takeovers, Mergers and Acquisitions issued by the Central Bank of Bahrain as per Central Bank of Bahrain Rulebook Volume 6
UGB	United Gulf Bank B.S.C., having commercial registration number 10550
UGB Board or Board of UGB	The Board of Directors of UGB
UGB Shareholders	Registered holders of UGB Shares as at the Record Date
UGB Shares or Shares of UGB	Ordinary issued and fully paid-up shares in the share capital of UGB other than treasury shares
UGHC or Offeror	United Gulf Holding Company B.S.C., having commercial registration number 114160
USD	United States Dollar

3. LETTER TO SHAREHOLDERS



(Incorporated in the Kingdom of Bahrain with Commercial Registration No.: 10550)
Registered Office at Building 440, Road 1705, Block 317, Manama, Diplomatic Area, Kingdom of Bahrain

Manama, September 11, 2017

To: The Shareholders of United Gulf Bank B.S.C.

1. INTRODUCTION

1.1. Circular

The purpose of this Circular is to provide relevant information to the UGB Shareholders and pertaining to the Offer and the matters to be voted at the extraordinary general meeting of UGB to be held on 25 September, 2017

1.2. Background

1.2.1 On the Offer Notification Date, UGHC delivered to the Board of UGB the Offer Letter to acquire 100% of the Shares of UGB (net of treasury shares) in consideration for the subscription by UGB Shareholders of newly issued shares of UGHC at an exchange ratio of one newly issued UGHC share for every two UGB Shares subject to fulfillment of conditions precedent including receipt of acceptances in respect of UGB Shares representing at least 95.00% of the total issued ordinary voting share capital of UGB (net of treasury shares); approval by the Central Bank of Bahrain of UGHC as controller of UGB; and confirmation by the expert appointed pursuant to the Article 99 of the Commercial Companies Law of the value of UGB Shares to be received in consideration for the subscription and issue of the new shares of UGHC.

1.2.2 The Offer is part of a wider reorganization plan of the activities of KIPCO Group in Bahrain which also contemplates the de-listing of UGB Shares and the Conversion of UGB into a closed Bahraini Shareholding Company. The Offer Letter containing all terms and conditions of the Offer is enclosed with the Circular as **Appendix II** and each UGB Shareholders is invited to carefully reads the terms of the Offer.

1.2.3 On 11 April 2017, The CBB has provided “in-principle” approval to the overall reorganization exercise and granted an exemption from the TMA requirements.

1.2.4 The Offer described herewith is not made under the full framework of Module Take-over, Mergers and Acquisitions of Volume 6 of the CBB Rulebook in light of the exemption from the TMA requirements

granted by the CBB. However, the offer is still subject to the general principles and certain rules of the TMA Module.

1.2.5 In accordance with the TMA rule 3.4.1, should the Offeror achieve 95% or more ownership in the Offeree as a result of this Offer, the Offeror has to compulsorily offer to acquire the remaining voting rights within 3 months from the date of acquisition of 95% or more ownership in the Offeree;

1.2.6 UGB Shareholders should, at a minimum, carefully and diligently consider the following before deciding on whether or not to approve the Offer, the Delisting and the Conversion: (i) the recommendation of UGB Board as contained in this Circular and (ii) the terms and conditions as mentioned in the enclosed Offer Letter.

As each UGB Shareholder or group of UGB Shareholders would have different investment objectives and profiles, the UGB Board recommends that any individual UGB Shareholder or group of UGB Shareholders seek independent advice in the context of his specific investment portfolio, including his investment in UGB, consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

2. THE OFFER

Information on the Offer is available in the enclosed Offer Letter.

3. EFFECT OF THE OFFER AND POST ACQUISITION STRATEGY FOR UGB

The effect of the Offer and the intentions of UGHC in relation to UGB are stated in the enclosed Offer Letter. In particular, upon successful completion of the Offer, UGB Shares are intended to be de-listed from the Main List of Bahrain Bourse and UGB is intended to be converted into a closed Bahraini shareholding company.

4. INFORMATION ABOUT UGB

Relevant information about UGB is covered in **Appendix I** of this Circular.

5. INFORMATION ABOUT UGHC

UGHC is a Public Bahraini Shareholding Company registered with the MOIC on 28/6/2017 with commercial registration number 114160. Its registered address is at Flat 12, Building 440, Road 1705, Block 317, Diplomatic Area, Kingdom of Bahrain. Its principal activities are that of a holding company under ISIC 4 code no. 642 and it is intended to operate as a non-financial holding company of the activities of KIPCO Group in Bahrain. Its financial year end is set at December 31 of each calendar year.

UGHC's authorized share capital currently stands at USD 2,700,000 with an issued and paid up capital of USD 2,700,000 divided into 5,400,000 ordinary shares with a nominal value of USD 0.50 each. UGHC's shares are intended to be listed and publicly traded on the Bahrain Bourse with effect on or about the date of the Delisting following completion of the Offer.

The following persons are the registered shareholders of UGHC and are all directly or indirectly owned by KIPCO.

Shareholders	Percentage Owned
Kuwait Projects Company (Holdings)	91%
Overland Real Estate Company W.L.L.	9%

UGHC is envisaged to own, on the one hand, directly the entire share capital of the Bank which will continue to operate under its existing banking license and, on the other hand, the investment assets (and certain liabilities) which will be transferred from the Bank to UGHC.

UGHC's Board of Directors currently comprises of 5 board members, as follows:

No.	Board Member	Title
1	Masaud M. J. Hayat	Chairman
2	Faisal Hamad M. Al-Ayyar	Director
3	Tariq M Y A M Abdulsalam	Director
4	Sadoun A H M Ali	Director
5	Mazen Hawwa	Director

Masaud M. H. J. Hayat - Chairman

Mr. Hayat joined KIPCO as CEO, Banking in 2010. He has served the KIPCO Group in a number of key positions since 1997 and has extensive experience in the region's commercial, investment banking and asset management sectors for 40 years. He is responsible for the development and supervision of KIPCO's banking and financial services businesses. Mr Hayat is Chairman of United Gulf Bank, Syria Gulf Bank and Tunis International Bank, and Vice Chairman of Gulf Bank Algeria, Bank of Baghdad and Royal Capital Company. He is a Board Director of North Africa Holding Company and is a Board Member of Jordan Kuwait Bank and KAMCO. Mr Hayat has an Economics degree from Kuwait University and High Diploma in Banking Studies from the Institute of Banking Studies, Kuwait. He also attended the International Institute for Management Development in Geneva, the Advanced Management Program at Wharton Business School and the John F. Kennedy School of Government at Harvard University in Executive Management Program.

Faisal Hamad Mubarak Al-Ayyar - Director

Mr. Faisal Al Ayyar is Vice Chairman (Executive) of the Kuwait Projects Company (Holding). He joined the company in 1990 when it was a US\$ 220 million regional investment company. Under his stewardship, KIPCO has developed into one of MENA's leading holding companies with interests in financial services, media, real estate and manufacturing with operations in 24 countries and consolidated assets of US\$ 32 billion. Of note is his leading role in the creation and development of OSN, the region's largest pay-TV company, the development of SADAFCO, a leading dairy and foodstuff producer in Saudi Arabia, and the expansion and subsequent sale of Wataniya Telecom, a major regional mobile operator. Mr. Al Ayyar is Chairman of Panther Media Group - Dubai UAE (OSN). He is Vice Chairman of Gulf Insurance Group – Kuwait, United Gulf Bank – Bahrain, Jordan Kuwait Bank – Jordan, and Mashare'a Al-Khair Establishment - Kuwait. He is a Board Member of Saudia Dairy & Foodstuff Company – Saudi Arabia, and Gulf Egypt for Hotels & Tourism Company – Egypt. He is a Trustee of the American University of Kuwait – Kuwait and Honorary Chairman of the Kuwait Association for Learning Differences – Kuwait. Mr Al Ayyar began his career as a fighter pilot with the Kuwait Air Force. Honors include the Arab Bankers Association of North America's 2005 Achievement Award, the Tunis Arab Economic Forum and the Beirut Arab Economic Forum 2007 Achievement Awards and the Kuwait Economic Forum 2009 Award for his contribution to the investment sector and successes in the global financial market.

Tariq M Y A M Abdulsalam - Director

Mr. AbdulSalam joined KIPCO as CEO, Investments in January 2011. He first joined KIPCO in 1992 and from 1996 was Head of KIPCO's Investment Division. In 1999, he became the General Manager of KAMCO. In 2006, he joined the United Real Estate Company (URC) as CEO and in 2010 became the

Chairman of URC. He was Chairman of Burgan Bank from 2007 to 2010 and has held Board positions at United Gulf Bank, Kuwait Bahrain Insurance Company and Gulf Insurance Company. He is currently Chairman of URC and Vice Chairman of the Kuwait Clearing Company. He is also a Board member of KAMCO, Jordan Kuwait Bank and Qurain Petrochemical Industries Company. Mr AbdulSalam holds a BSc in Accounting from Kuwait University.

Sadoun A H M Ali - Director

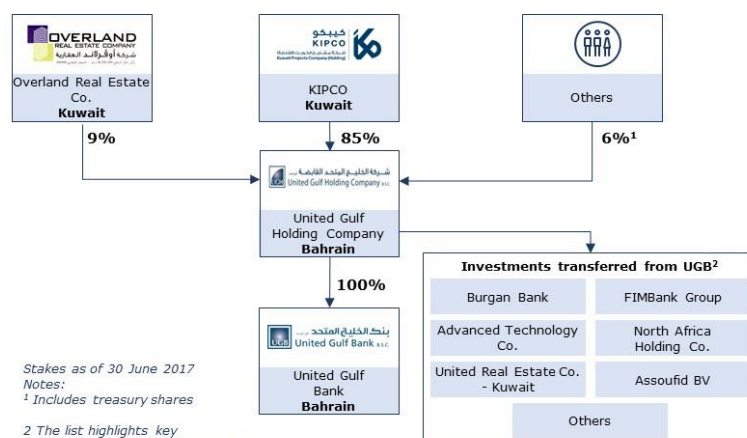
Mr. Ali Joined Qurain Petrochemical Industries Company (QPIC) in June 2012 as Vice-Chairman & Chief Executive Officer. He has over 20 years of experience in Finance & Investments and was previously employed by KIPCO Asset Management Co. Read less in January 2006 until June 2012 as Managing Director & Chief Executive Officer. In Addition to that, Mr. Ali was previously employed by Kuwait Projects Company (Holding) as part of the Executive Management- Head of Accounting & Financial Group, and Chief of Budget (Mina Abdullah Refinery) in Kuwait National Petroleum Co. in the period from 1989-1997. At the moment, he is the Chairman of United Oil Projects Co. and sits on the board of several local & regional banks & investments companies such as Bank of Baghdad, United Industries Co., Advanced Technology Co. as well as head of auditing in Burgan Bank of Kuwait & Royal Capital in addition to being on their board. Mr. Ali holds a BSc. in Management of Financial & Accounting Services from Ashland University, in addition to his Diploma in Commercial Banks from The Public Authority for Applied Education & Training.

Mazen Hawwa - Director

Mr Hawwa joined KIPCO in 2001. He leads KIPCO Group's finance and operations and is entrusted with strategic planning, operational optimization, governance and risk management. He also serves as advisor to several KIPCO operating subsidiaries. He is Vice Chairman of Takaful Savings & Pensions and United Networks. He is also a Board Member of United Real Estate Group, North Africa Holding Company, SSH International Group and Fajr Al Gulf Insurance Company. Prior to joining KIPCO, he worked for Andresen & Co. Mr Hawwa holds an MBA from HEC Paris, France and he is a graduate of the Lebanese American University. He is a holder of several professional qualifications from prominent US-based institutions such as CPA, CGMA and CMA.

The management team of UGHC will be the same as UGB. This has been noted by the CBB with lettered dated 27 April 2017.

UGHC does not own any subsidiary at the time of this Circular. However, following completion of the Reorganization Plan it will own directly and indirectly 100% of the share capital of United Gulf Bank B.S.C., as a result of the completion of the Offer hereunder, which will be the entity within the reorganized group in charge with providing regulated banking services under its existing licensure from the CBB. Investment assets (and connected liabilities) will be instead directly owned by UGHC.



6. RECOMMENDATIONS OF THE BOARD OF DIRECTORS

6.1. Disclosure of Conflicts of Interest

The Board of Directors hereby declares that UGB and UGHC are both ultimately controlled by KIPCO and that the Offer qualifies as a related party transaction. While acting in full compliance with their fiduciary duties vis-à-vis all UGB Shareholders, the following Directors are also employees of entities belonging to KIPCO Group or are otherwise related to entities of KIPCO Group so that they cannot be deemed independent from UGHC:

DIRECTOR	RELATIONSHIP WITH KIPCO GROUP
Masaud M. J. Hayat	Chairman– representing KIPCO
Faisal Hamad M. Al-Ayyar	Vice Chairman - representing KIPCO
Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah	Executive Director - representing KIPCO
Samer Khanachet	Executive Director - representing KIPCO

6.2. The Reorganization

The Offer has been launched by UGHC in full coordination with UGB as part of a broader reorganization plan of the activities of KIPCO Group in Bahrain.

The primary need for reorganization of UGB emanated from CAR issues faced by UGB in the recent past as well as additional CAR requirements stipulated by the CBB under the Basel III framework from 2017 onwards. The Basel III regulations which are currently being implemented by CBB in a transitional manner, have provisions that affect UGB's CAR negatively, mainly due to deductions required for the significant FI investments, deferred tax assets and minority interest.

UGB's risk profile or business model as such has not changed over the years and hence the forecasted decline in CAR does not relate to erosion of equity held in UGB book's or substantial increase in risk weighted assets. The decline in CAR is purely regulation driven.

Therefore, UGB is realigning its operational structure and have decided to separate the regulated banking activities from the portfolio of long term core investments managed by UGB. The strategic realignment of operations would set out clear goals for the two distinct business lines and would help enhance performance and bring capital efficiency to the business.

In light of the above, this reorganization exercise would merely be an intra-group realignment and would not implicate a change in economic substance with respect to any of UGB's stakeholders, as all stakeholders would continue to own an 'interest' in the activities carried out by UGB, albeit under a different corporate structure.

Reorganization Plan:

UGHC has been incorporated and will operate as a listed entity which will be supervised by the Capital Market Supervision Directorate of the CBB and by Bahrain Bourse. KIPCO and minority shareholders will acquire shares in UGHC through a share swap for existing UGB shares, retaining substantially similar shareholding at the consolidated UGHC level. UGHC will wholly own UGB. Hence consolidated UGHC will mirror the existing UGB balance sheet. UGB will remain as a wholesale conventional bank supervised by the CBB, however, it will be delisted. The long term core assets of UGB will be transferred to UGHC, and the AMIB assets will be retained at UGB.

Business Model - Post Reorganization:

UGHC will manage the long-term core assets which are currently being funded by Medium Term loans and equity. Accordingly, the medium-term loans will be moved to UGHC. Whereas UGB will continue to deliver services with a renewed focus on AMIB activities, generating fee income and recurring revenue streams (cross selling products and services with the Group).

The reorganization exercise has already been approved by the CBB. Additionally, UGB has also received in-principle approval from the majority of lenders to transfer / novate the medium-term loans to UGHC.

Key Takeaways

UGHC will be listed under Bahrain Bourse, and will endeavor to follow corporate governance principles for a listed entity. Moreover, UGB will retain its CBB banking license.

The entire reorganization plan would not have any material change in the ultimate shareholding of UGB.

The reorganization will ensure corporate governance, internal controls, management team, organization structure etc., will remain the same.

All stakeholders of UGB will continue to have an interest in the entire business perimeter of UGB, albeit through a different legal structure.

There will be a significant improvement in capital ratios of UGB.

6.3. The consideration for the Offer

In light of the intra-group nature of the transaction pursued with the Offer, the Offer has been made with reference to the carrying values of UGB's assets and liabilities as per UGB latest consolidated financial statements as at June 30, 2017.

UGB Board would like to outline that the envisaged acquisition of UGB Shares by UGHC does not implicate a change in economic substance with respect to UGB Shareholders as same would continue to own an interest in the activities carried out by UGB albeit under a different corporate structure as they now own directly shares in UGB whereas post implementation of the Offer they will own an indirect interest in UGB by means of their ownership rights to the shares of UGHC.

UGB Board also notes that the acquisition of UGB by UGHC would not involve a substantial business combination as UGHC is a newly established entity that does not carry out any own business but which has been established solely for the purpose of launching the Offer.

This implicates, from a substantial perspective, that UGB Shareholders by accepting the Offer would not be gaining exposure to additional business risks and this also mitigates any risk of economic dilution for

UGB Shareholders as the value of UGHC post implementation of the Offer would be substantially the same of the existing value of existing UGB and, to the extent any goodwill exists in UGB which is not reflected in the book value, UGB Shareholders would continue to benefit from it as shareholders of UGHC post implementation of the Offer.

The only difference between existing UGB and UGHC post implementation of the Offer would be the initial share capital (inclusive of share premium) of UGHC which is constituted by a cash deposit of USD 5,400,000 which has been paid by the founders of UGHC upon establishment thereof. Out of this USD 5,400,000 cash deposit, half of it is ascribed to share capital and half to share premium.

This implicates a marginal and insignificant dilution of ownership rights of minority shareholders of less than 0.1%. This would have substantially the same effect of a capital increase of existing UGB of USD 2,700,000 issued at a share premium of USD 2,700,000 fully subscribed by KIPCO Group.

The presence of a USD 2,700,000 share premium, however, has the effect of mitigating any economic dilution of existing shareholders as the proportion between net equity book value (inclusive of share premium) and share capital of UGHC (i.e. 2:1) is similar to the proportion between net equity book value and share capital of UGB (i.e. USD 415.6m and USD 208.7m respectively as at 30 June 2017).

6.4. The Opinion of the Board on the Offer, the Delisting and the Conversion

The UGB Board has considered carefully the terms of the Offer as set out in the Offer Letter. Based on such due considerations, all UGB Board members have resolved that the Offer is fair and reasonable as it has been conceived so as not be substantially dilutive of the economic interest of UGB Shareholders to the assets and liabilities of UGB, while being only marginally and insignificantly dilutive of voting rights in a way, however that does not prejudice the rights of minority shareholders noting that shareholding owned by persons other than KIPCO Group entities will decrease by less than 0.1% and such decrease per se does not divest minority shareholders of blocking rights which they currently do not have.

On the other hand, the board of directors believes that the additional costs to be incurred for managing the increased complexities of the activities of the group will be more than off-set by the value generated by the optimization of the capital and risk profile of UGB so that UGB's capital may be deployed for the purpose of pursuing organic growth of UGB's regulated banking activities in line with the existing business plan and UGB will not be compelled to raise capital for capital adequacy purposes. Based on this, UGB Board unanimously recommends the acceptance by UGB Shareholders of the Offer, the Delisting and the Conversion.

Lastly, UGB Board wishes to point out that the intended squeeze out of non-adhering UGB Shareholders, Delisting and Conversion would not negatively impact the liquidity of the investments held by UGB Shareholders as the shares in UGHC obtained by same in consideration for the forced acquisition of non-adhering UGB Shares are expected to be listed on the Bahrain Bourse.

6.5. Limitations

In rendering their recommendations, UGB Board has not had regard to general or specific investment objectives, financial situation, tax status or position, risk profiles or particular needs and constraints and circumstances of any individual UGB Shareholder or group of UGB Shareholders. As each UGB Shareholder or group of UGB Shareholders would have different investment objectives and profiles, the UGB Board recommends that any individual UGB Shareholder or group of UGB Shareholders seek independent advice in the context of his specific investment portfolio, including his investment in UGB, consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

7. SHAREHOLDERS' RESPONSIBILITIES

7.1. Compliance with Applicable Laws

The availability of the Offer to UGB Shareholders might be affected by the laws of their respective jurisdiction in which they are based. Accordingly, any UGB Shareholder should inform himself/herself about and observe any applicable legal requirements in their respective jurisdiction.

Where there are potential restrictions on sending this Circular and any other related documents to any jurisdiction, UGB Board reserves the right not to send the documents to UGB Shareholders in such jurisdictions. However, UGB Board may, at its sole discretion, take such action as it may deem necessary to extend the Offer to shareholders in any jurisdiction.

It is the responsibility of any UGB Shareholder who wishes to (i) accept the Offer, or (ii) vote at the EGM, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such UGB Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable and UGB Board and any person acting on its behalf shall be fully indemnified and held harmless by such UGB Shareholder for any such taxes, imposts, duties or other requisite payments as the UGB Board and/or any person acting on its behalf may be required to pay. In (i) requesting this Circular and any other related documents and/or (ii) accepting the Offer and/or (iii) voting at the EGM, the relevant UGB Shareholder represents and warrants to UGB Board that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. Any UGB Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.

7.2. Copies of Offer Documents

UGB Shareholders may obtain hard copies of this Circular and any other related documents, during normal business hours and up to the Offer Closing Date from UGB.

7.3. Notice

UGB Board has reserved the right to notify any matter, including the fact that the Offer has been made, to any or all UGB Shareholders by announcement to the Bahrain Bourse and / or paid advertisement in two daily newspapers published and circulated in Bahrain, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any UGB Shareholder to receive or see such announcement or advertisement.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than the Offer Closing Date.

Any vote casted at EGM in acceptance of the Offer shall be deemed as an Acceptance of the Offer by the shareholder who casted such vote regardless of the issuance by such UGB Shareholder of a separate letter of acceptance and such Acceptance may not be withdrawn at a later stage.

However, UGB shareholders intending to accept the Offer can also submit their unconditional and

irrevocable intention to accept the Offer, through the use of an acceptance form to UGHC by Email / Registered mail / courier, during the Offer Period, to the following address mentioned below. The acceptance form will be made available to the UGB shareholders by UGB, through posting the acceptance forms in UGB and/or Bahrain Bourse website(s).

Receiving Person	Working Hours
UGB Operations Department	Sunday 8:00 AM to 2:30 PM Monday – Wednesday 8:00 AM to 4:30 PM Thursday 8:00 AM to 4:00 PM

The acceptance form should reach the address no later than the Offer Closing Date on 25 September 2017. UGB reserves the right to receive acceptances submitted without the use of the prescribed acceptance form insofar as satisfied with their form and substance.

Yours faithfully



Masaud M. J. Hayat

In his capacity as Chairman of the Board of Directors

DATE: 11 SEPTEMBER 2017

1. BUSINESS OVERVIEW

1.1. Introduction

UGB is a leading asset management, merchant and investment banking group, with operations spanning the Middle East and North Africa (MENA) region. From its home base in the Kingdom of Bahrain, and through its regional network of subsidiaries and affiliates, the Bank engages primarily in asset and fund management, merchant banking, private equity, and corporate finance. Other financial business activities include commercial banking, proprietary investments, treasury, brokerage, and savings and pensions. Through its non-financial associate companies, the Bank holds substantial investments in the real estate, healthcare and industrial sectors. Established in 1980, UGB operates under a conventional wholesale banking license from the Central Bank of Bahrain, and is listed on the Bahrain Bourse. Over the past 35 years, the Bank has established a reputation for financial strength, sound governance, prudent management and depth of expertise. At the end of 2016, UGB reported total assets under management of US\$ 10.0 Billion.

UGB's major financial subsidiaries and associates include: Burgan Bank K.P.S.C., KAMCO Investment Company K.S.C. (Public) (KAMCO), FIMBank p.l.c., North Africa Holding Company, United Gulf Financial Services – North Africa, Al Sharq Financial Brokerage Company, and Takaud Savings & Pensions Company B.S.C.(c). Non-financial associates include United Real Estate Company and United Capital Transport Company.

1.2. Regulated banking activities

Asset Management

Asset and fund management activities – covering local, regional and international markets – comprise discretionary and non-discretionary portfolio management; securities trading; portfolio structuring and asset allocation advice; mutual funds; investments and structuring; and alternative / structured investments.

Investment Banking

Conventional and Islamic investment banking activities cover equity and debt underwriting, private placements, capital restructuring, and mergers and acquisitions.

Private Equity

Private equity activity focuses on key growth or demand sectors such as telecommunications, media, technology, and energy.

Corporate Banking

Corporate banking advisory services include IPO and private placement advisory and execution; business valuation and financial feasibility studies; project finance; and due diligence.

Brokerage

UGB provides financial brokerage services for overseas clients who wish to trade on shares listed on the Bahrain Bourse. The Bank also provides clients with access to the Kuwait Stock Exchange through its associate, Al Sharq Financial Brokerage Company.

1.3. Investment Activities

Commercial Banking

UGB along with its commercial banking subsidiary FIMBank plc, work closely with its associate, Burgan Bank, which manages commercial banking assets in various countries.

Savings and Pensions

UGB's associate, Takaoud Savings and Pensions B.S.C. (c), is the first financial institution in the MENA region to provide a range of personal pensions and savings products.

2. MAJOR SHAREHOLDERS

SHAREHOLDER	COUNTRY	NO. OF SHARES	% HOLDING
Kuwait Projects Company (Holdings)	Kuwait	709,628,723	85.0%
Overland Real Estate Company W.L.L.	Kuwait	75,440,000	9.0%
Other Shareholders	N/A	49,533,572	6.0%
Total		834,602,295	100%

Source: UGB Shareholding Register – 30 June 2017

3. BOARD OF DIRECTORS

BOARD OF DIRECTORS	TITLE
Masaud M. J. Hayat	Chairman
Faisal Hamad M. Al-Ayyar	Vice Chairman
Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah	Executive Director
Samer Khanachet	Executive Director
Mubarak Mohammed Al-Maskati	Independent Director
Bader Al Awadi	Independent Director
Mohammad Haroon	Independent Director

4. SHARE CAPITAL

4.1. Paid -up share capital

UGB has only one class of shares, comprising ordinary shares and the issued share capital of UGB is USD 208.7 million comprising 834.6 million shares of USD 0.25 each. The UGB Shares are quoted and listed on the Bahrain Bourse.

4.2. Number of shares issued since the end of the last financial year

No new shares have been issued by UGB since 31 December 2016.

4.3. Outstanding instruments convertible into, rights to subscribe for and options in respect of, securities being offered for or which carry voting rights affecting the Shares

There are no outstanding instruments convertible into, rights to subscribe for, and options in respect of securities offered for or which carry voting rights affecting the UGB Shares.

5. DISCLOSURE OF INTERESTS

5.1. Shareholdings

5.1.1. Interests of UGB in shares of UGHC

UGB does not own any share in UGHC. However, KIPCO, which is the ultimate controlling shareholder of UGB, directly and indirectly owns 100% of the shares in UGHC.

5.1.2. Dealing in shares of UGHC by UGB

UGB has not dealt for value in the shares of UGHC during the six months prior to the Offer Period. KIPCO, which is the ultimate controlling shareholder of UGB, directly and indirectly subscribed for 91% of the shares in UGHC upon incorporation of UGHC.

5.1.3. Interests of Directors in Shares

Save as disclosed below, none of the Directors have any direct or deemed interest in the Shares of UGB:

NAME OF DIRECTOR	DIRECT INTEREST	% HOLDING
Masaud M. J. Hayat	106,100	0.01%
Faisal Hamad M. Al-Ayyar	106,100	0.01%
Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah	106,100	0.01%
Samer Khanachet	106,100	0.01%
Mubarak Mohammed Al-Maskati	106,100	0.01%
Bader Al Awadi	106,100	0.01%
Mohammed Haroon	126,100	0.02%
Total	762,700	0.09%

5.1.4. Dealings in Shares by the Directors

None of the Directors have dealt for value in the Shares of UGB during the six months prior to the Offer Period.

5.1.5. Interests of Directors in shares of UGHC

None of the Directors have any direct or deemed interest in shares or convertible securities of UGHC:

5.1.6. Dealings in shares of UGHC by the Directors

None of the Directors have dealt for value in the shares of UGHC during the six months prior to the Offer Period.

5.2. Directors' Intention

Having considered the recommendations of the Directors as set out in part 6.4 of section 6 of this Circular, all the Directors, in their individual capacity as the shareholders holding shares in UGB intend to ACCEPT the Offer.

6. MANAGEMENT

A brief description of the management of UGB is furnished below:

KEY MANAGER	FUNCTION
Hussain a. Lalani	Acting Chief Executive Officer
Mohammed AlQumaish	Assistant General Manager, Chief Audit Executive & Corporate Secretary
Deepa Chandrasekhar	Senior Vice President, Chief Compliance Officer & MLRO
Syed Rehan Ashraf	Senior Vice President, Chief Financial Officer
Adel Al Arab	Senior Vice President, Head of Operations
Nirmal Parik	Vice President, Head of Asset Management & Investment Banking
Abbas Al Tooq	Assistant Vice President, Head of Credit & Risk Management
Hamid Al Hashimi	Vice President, Head of Treasury

Source: UGB Management

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of UGB at UGB Tower, Building 440, Road 1705, Diplomatic Area during normal office hours for the period for which the Offer remains open for acceptance:

- i. the Memorandum and Articles of Association of UGB;
- ii. the annual reports of the UGB for FY 2014, 2015 and FY 2016;
- iii. the Circular
- iv. the Notice of Call of the EGM
- v. the acceptance form or any other document evidencing an irrevocable commitment or a letter of intent which has been procured by UGHC or UGB (as appropriate) or any of their respective associates
- vi. the confirmation by the expert appointed pursuant to the Article 99 of the Commercial Companies Law of the value of UGB Shares to be received in consideration for the subscription and issue of the new shares of UGHC.

APPENDIX II – OFFER LETTER
