



Moody's Investors Service

Rating Action: **Moody's assigns ratings to UGB's US\$1.0 billion EMTN programme (Bahrain)**

Global Credit Research - 02 Feb 2010

Limassol, February 02, 2010 -- Moody's Investors Service has today assigned Baa3 and Ba1 ratings to the senior unsecured and subordinated notes, respectively, that are to be issued under the US\$1.0 billion Euro Medium-Term Note Programme (EMTN) of United Gulf Bank B.S.C (UGB). The ratings of the notes carry a negative outlook.

Moody's notes that the terms and conditions of the EMTN programme include a step-up event trigger, which is activated if the bank's senior ratings are downgraded below Baa3. Activation of this trigger results in a 1.25% step-up in the interest rate payable.

Moody's adds that UGB is rated at Baa3 (negative outlook) for deposits, based on its D+ bank financial strength rating (BFSR) that maps to a Ba1 baseline credit assessment. Additionally, UGB's Baa3 rating incorporates a one-notch uplift reflecting an assessment of a moderate likelihood of support from KIPCO, the bank's controlling shareholder.

Moody's previous rating action on UGB was implemented on 1 September 2009 when the rating agency confirmed the bank's Baa3/Prime-3/D+ ratings with a negative outlook.

The principal methodologies used in rating United Gulf Bank were Moody's "Global Securities Industry Methodology" published in December 2006, "Bank Financial Strength Ratings: Global Methodology" (February 2007) and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology" (March 2007), and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

Headquartered in Manama, Bahrain, UGB reported total assets of US\$2.47 billion at the end of June 2009.

Limassol
Mardig Haladjian

General Manager
Financial Institutions Group
Moody's Investors Service Cyprus Limited
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Limassol
George Chrysaphinis
Vice President - Senior Analyst
Financial Institutions Group
Moody's Investors Service Cyprus Limited
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454



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