

Kuwait, 16 June 2021

Boursa Kuwait
State of Kuwait

This is made pursuant to Module Ten, Chapter Four of Resolution No. (72) of 2015, concerning the amended Executive Bylaw to Law No. 7/2010 on the “Establishment of Capital Markets Authority and the regulation of Securities Activity”, pertaining to the “Disclosure of Material Information and the Mechanism of Notification”.

Please find attached the duly filled Credit Rating Disclosure Form containing Capital Intelligence Ratings’ affirmation of Gulf Bank’s Long-Term and Short-Term Foreign Currency Rating at ‘A+’ and ‘A1’ respectively.

Best regards



Antoine Daher
Chief Executive Officer

Credit Rating Disclosure Form

Date	16 June 2021
Bank's Name	GULF BANK K.S.C.P
Rating Agency	Capital Intelligence Ratings
Rating Category	<ul style="list-style-type: none"> - Long-term Foreign Currency 'A+' - Short-term Foreign Currency 'A1' - Bank Standalone Rating (BSR) 'a-' - Core Financial Strength 'a-' - Extraordinary Support Level 'High'
Rationale for Rating Change/ Key Drivers	<p>Credit Strengths</p> <ul style="list-style-type: none"> • High likelihood of extraordinary support from the government of Kuwait. • Fifth largest bank in Kuwait in terms of Total Assets, well established business franchise and good market share. • Good loan asset quality metrics and solid capital ratios with high Tier 1 capital. • Comfortable liquidity supported by the large customer deposit base and sizeable liquid asset holdings. • Sound operating profitability.
Impact of Rating on the Bank	<p>Credit Rating Action: Affirmed LT and ST of foreign currency at 'A+' and 'A1' respectively.</p> <p>Outlook Rating Action: Affirmed Outlook at "Stable"</p> <p>No financial impact</p>
Outlook	<p>Long-Term Foreign Currency 'Stable'</p> <p>Bank Standalone Rating 'Stable'</p>

Translation of the Press Release or the Executive Summary

Capital Intelligence Ratings (CI Ratings or CI) has affirmed the LT FCR and ST FCR of Gulf Bank (GB) at 'A+' and 'A1', respectively. At the same time, CI Ratings has affirmed GB's BSR of 'a-' and CFS rating of 'a-'. The Outlook for the LT FCR and BSR is Stable.

GB's LT FCR is set two notches above the BSR to reflect the high likelihood of extraordinary support from the government (Kuwait sovereign ratings: 'AA-'/ 'A1+' / Negative) in case of need given GB's systemic importance. The ESL also takes into account the Kuwaiti government's strong track record of providing assistance to banks in the event of need, the existence of a state guarantee on all deposits placed inside Kuwait, and the strong financial capacity of the government to provide support.

The principal strength of GB remains its well established retail franchise, although GB is also a key domestic player in the corporate segment through its good relationships with local top tier merchant families. GB continues to maintain a sound market share of loans and deposits. In response to Covid-19 and in line with Kuwait Banking Association directives in 2020, GB had introduced a six-month loan payment moratorium for all Kuwaiti banks' retail customers. This, in turn, resulted in a fairly large contractual cash flow modification loss for GB and was charged to retained earnings in 2020. Despite this, GB continues to exhibit good loan asset quality metrics in 2020. In Q1 21 there was a notable rise in Stage 3 loans but the ratio remained very low, with strong loss coverage which was better than many of its peers. Stage 2 loans declined and represented a moderate proportion of gross loans at end Q1 21.

Another key strength of GB is its deep customer deposit base (including deposits received from non-bank financial institutions – NBFIs). The decline of deposits from NBFIs in recent periods was compensated by the increase deposits from corporate and retail customers. Nonetheless, loan based liquidity ratios have tightened in both 2020 and Q1 21 although they remain at fairly comfortable levels. The improvement seen in the customer deposit mix, which contributed significantly to the lowering of cost of funds last year, and the successful early redemption of the existing Basel III-compliant Tier 2 Subordinated Bonds at end-May 2021 are positive developments. The latter was replaced by a smaller new issue around the same time. Wholesale borrowing and refinancing risk thus remains moderate. GB's good liquidity buffer was also maintained and

supported by a fairly high level of liquid assets. Both the liquidity coverage and net stable funding ratios were also kept well above the regulatory minima at end-2020 and Q1 21.

The Stable Outlook for the LT FCR and BSR reflects our expectation that ratings will remain unchanged over the next 12 months and takes into account the likelihood that Covid-19 will remain a continuing problem in Kuwait for much of the current year.