

Kuwait, 6 June 2024

Bursa Kuwait
State of Kuwait

Dear Sirs,

This is made pursuant to Module Ten, Chapter Four of the Resolution No. (72) of 2015, concerning the amended Executive Regulations of 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’s affirmation of Gulf Bank’s Long-Term Foreign Currency Rating at “A+”.

Best regards



Mohammad Jasem AlBeloushi
Deputy General Manager
Head of Compliance & Disclosure Unit



[GBK Classification: PUBLIC]

Credit Rating Disclosure Form

Date	6 June 2024
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 (LT FCR) 'A+' > Short-term Foreign Currency (ST FCR) 'A1' > Bank Standalone Rating (BSR) 'a-' > Core Financial Strength (CFS) 'a-' > Extraordinary Support Level (ESL) 'High'
Rating Implications	<p>Credit Strength</p> <ul style="list-style-type: none"> • Systemic importance as fifth largest bank in terms of total assets in Kuwait with well- established business franchise and sound market share. • Solid and improved capital ratios following capital injection in 2023; significant CET1 and Tier 1 components. • Good loan asset quality metrics. • Fairly good liquidity position supported by large customer deposit base; government blanket guarantee for customer deposits. <p>Credit Challenges</p> <ul style="list-style-type: none"> • Moderately high customer concentration in both the loan book and customer deposit base, in common with the sector. • Undiversified Kuwaiti economy and small size of domestic banking market. • Increased regional geopolitical risk.
Rating effect on the status of the Company	<ul style="list-style-type: none"> > Affirmed the rating of Gulf Bank's Long-Term Foreign Currency at 'A+'. > Outlook Rating Action: Affirmed Outlook at "Stable" > No financial impact on the Bank.
Outlook	Affirmed Outlook at "Stable"



Press Release /
Executive Summary



Capital Intelligence Ratings (CI Ratings or CI) has affirmed Gulf Bank's (GB) LT FCR and ST FCR at 'A+' and 'A1', respectively. The Bank's BSR of 'a-', CFS rating of 'a-', and ESL of High have also been affirmed. The Outlook for the LT FCR and BSR remains Stable.

The two-notch uplift of the Bank's LT FCR above the BSR is based on an ESL of High. The ESL takes into account GB's systemic importance, 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 BSR is derived from a CFS rating of 'a-' and an OPERA of 'bbb'. OPERA indicates modest risk, reflecting the substantial financial buffer of the sovereign and its capacity to support the banking system in case of imbalances. It also reflects the economy's limited diversification including high reliance on hydrocarbon exports, and considerable policy risk in view of the continued delay to pass key laws such as the debt law and other reforms. Economic performance remained steady in 2023, and GDP growth this year is expected to remain satisfactory. CI also views with some degree of concern the increased geopolitical risk in the region due to the war in Gaza, as well as elevated tensions between the US and Iran, and its potential impact on Kuwait's economy and the banking sector.

The BSR and CFS are supported by the Bank's well established business franchise, especially in retail banking, good and resilient loan asset quality metrics, solid and improved capital position and good liquidity metrics. The CFS also reflects GB's size as the fifth largest bank in Kuwait in terms of total assets, with one of the largest distribution networks in the country and a sound market share of both loans and deposits. As in previous years, the main constraints for GB, in common with its peers, are the moderately high concentrations in customer deposits and loans – with these being a function of Kuwait's relatively small and undiversified economy.

CI consider GB to be a well-managed institution and conservative lender. Loan asset quality metrics have remained good and resilient, underpinned by a fairly well diversified loan book by customer segment and economic sector. Notwithstanding some increases in NPLs and slippage of the loss coverage ratio in both 2023 and Q1 24,

GB's loan asset quality metrics remained superior to that of the banking sector averages. Another positive is the decline in Stage 2 loans in both periods and they accounted for one of the lowest proportions of gross loans in the banking sector at end Q1 24. Going forward, improving economic growth (albeit modest) alongside the ongoing recovery of business activities should provide sound prospects for loan expansion and earnings. Furthermore, the recent suspension of parliament could see government initiatives being pushed forward including the introduction of the first Kuwait Mortgage Law. CI thus anticipates that the Bank will maintain good and better than sector average loan asset quality metrics going forward.

The Stable Outlook indicates that the Bank's ratings are likely to remain unchanged over the next 12 months. CI anticipates that the Bank's key financial metrics relating to loan asset quality, liquidity and capital will remain resilient in line with the improving economic growth and operating environment.

