Kuwait, 14 December 2017

Boursa Kuwait
State of Kuwait

This is made in accordance with Section 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 Financial Strength Rating at BBB+, and assigning a "Positive" Outlook for all ratings due to CI's expectation of a further improvement in a number of the Bank's financial metrics.

Best regards

Antoine Daher
Chief Executive Officer
(signed)

Credit Rating Disclosure Form

Date	**14 December 2017**
Bank's Name	GULF BANK K.S.C.P
Rating Agency	Capital Intelligence Ratings
Rating Category	- Long-term Foreign Currency **'A'** - Short-term Foreign Currency **'A2** - Financial Strength **'BBB+'** - Support **'1'**
Rationale for Rating Change/ Key Drivers	- Good loan asset quality - Solid capital ratios - Sound liquidity - Improving operating profitability - Well established domestic franchise
Impact of Rating on the Bank	Credit Rating Action: Affirmation of bank rating at BBB+ Outlook Rating Action: revised outlook from "Stable" to "Positive" No financial impact on the bank
Outlook	Foreign Currency **' Positive'** Financial Strength Rating **' Positive'**
Translation of the Press Release or the Executive Summary	**Capital Intelligence Ratings (CI Ratings or CI)**, the international credit rating agency, announced today that it has affirmed Gulf Bank's Financial Strength Rating of 'BBB+'. The rating remains underpinned by GB's good loan asset quality, solid capital ratios, sound liquidity and improving operating profitability. The rating also reflects the Bank's position as the second largest conventional commercial bank with a well established domestic franchise. Constraints to the rating, as in the previous year, relate to concentrations in the customer deposit base, its exposure to the weaker real estate market, significant maturity mismatches which are partly mitigated by a high liquidity coverage ratio (LCR), and its modest bottom line which remained constrained by the high level of provisioning, although this is in common with its peers. Given the overall good financial metrics, Gulf Bank's Long- and Short-Term Foreign Currency Ratings are affirmed at 'A' and 'A2', respectively. CI has assigned a 'Positive' Outlook for all ratings in expectation of a further improvement in a number of the Bank's financial metrics. The Support Rating is maintained at '1' in view of the explicit Kuwaiti government guarantee of customer deposits held with banks in Kuwait, the systemic importance of the bank being the second largest conventional commercial bank, as well as the high likelihood of shareholder

	support in case of need. Amid a challenging operating environment reflecting the general impact of lower oil prices, the Bank's asset growth was almost flat in 2016, however, growth picked up in the first nine months of 2017 with the improving economic growth prospects. GB's overall loan asset quality continued to improve with a lower non-performing loan (NPL) ratio and an even higher loan loss reserve and effective coverage positions at end 2016. The sharply reduced exposure to the real estate sector is a positive development given the weaker prevailing market conditions. Customer deposits contracted in 2016 partly in line with the decline in the loan book and in part due to the surplus liquidity created by the bond issue. In the first nine months of 2017 customer deposit growth rebounded and compared well against the contraction seen at a number of its peers. The high customer deposit concentration, which is a common feature of Kuwaiti banks, however remains a constraint to the rating. The Bank's good liquidity metrics at end 2016 improved further at end Q3 2017 which remained better than the peer group average. Its LCR was also maintained well above the regulatory minimum and partly mitigates the Bank's significant maturity mismatches seen in the balance sheet, a phenomenon common with peer banks given the short term nature of customer deposits against the longer tenor of the loan book. Another main support to the rating is the Bank's solid capital ratios. The total capital adequacy ratio has risen to the highest in CI peer group in 2016 following the issue of the bond under review. Both leverage and total capital and total assets ratios also improved to a very good level, although they remained behind the peer group average. In terms of performance, GB's gross income was largely flat in 2016, constrained by a decline in net interest income and slower growth of non-interest income. A positive for the Bank was the sustained expansion of fee based income and good control of operating expenses which translated into a fairly lean cost to income ratio. In the first nine months of 2017, the Bank's posted a steady growth of the bottom line aided by healthy growth of net interest income, good cost control and a moderate provision charge. This in turn saw an improvement of the Bank's operating and net profitability ratios. The return on average assets however remained modest, although it should be noted that this ratio is not the best indicator of bottom line performance given the excessive provisioning required by the Central Bank.