

Kuwait, 6 June 2024

Boursa 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 KD 50M Basel III-Compliant Tier 2 Subordinated Bonds’ rating at “BBB+”.

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"> • KWD50mn Basel III-compliant Tier 2 Subordinated Bond • Long-term issue rating: "BBB+"
Rating Implications	<p>Credit Strength</p> <ul style="list-style-type: none"> • 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 issue; good level of CET1 and Tier 1 components. • Good loan asset quality metrics. • Improved and 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 the small size of the 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 KWD 50 million Basel III-compliant Tier 2 Subordinated Bonds at 'BBB+' - 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.

At the same time, CI Ratings has affirmed the rating on the Bank's KWD50mn Basel III-compliant Tier 2 Subordinated bond at 'BBB+', with a Stable Outlook. The local currency bond comprises a KWD25mn Floating Rate Tranche and a KWD25mn Fixed Rate Tranche.

The rating on the bond is derived from: (i) GB's BSR; (ii) the bond's contractual subordination to senior unsecured obligations; and (iii) CI's view that the bond's loss absorption mechanism is unlikely to be triggered before the Bank is non-viable on a standalone basis. CI's issue ratings for bank hybrid securities and subordinated debt instruments (especially those with contingent capital features) capture impairment risk (which includes the likelihood of losses due to the activation of any loss absorbing mechanisms) and repayment priority. CI typically uses a bank's BSR as the starting point for such securities. This is because it is considered more likely that extraordinary support, which is factored into international issuer credit ratings, will only be made available for senior financial obligations rather than for subordinated obligations. Consequently, from GB's BSR of 'a-' CI has deducted one notch for contractual subordination. There is no additional deduction for impairment risk since CI believes that the bond is unlikely to take losses before the Bank has reached the point of non-viability (PONV).

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 issuer and issue 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 are more than likely to be maintained, buoyed by the improving economic growth and operating environment.

