

Kuwait, 15 July 2020

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 Long Term and Short Term Foreign Currency Rating at "A+" and "A1" respectively.

Best regards



Jihad Khodr
Assistant General Manager
Head of Compliance & Disclosure



Credit Rating Disclosure Form

Date	15 July 2020
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' -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. ▪ Fourth largest bank in Kuwait, 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. ▪ Good 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	<p>Capital Intelligence Ratings (CI Ratings or CI) has affirmed Gulf Bank's (GB) LT FCR and ST FCR at 'A+' and 'A1', respectively. At the same time, GB's BSR has been affirmed at 'a-'. The Bank's CFS rating is also affirmed at 'a-'. The Outlook for the LT FCR and BSR is Stable.</p> <p>GB's LT FCR continues to benefit from a two-notch uplift from the BSR given the high likelihood of extraordinary support from the government due to the Bank's systemic importance. Moreover, the government has a strong track record of providing assistance to banks in the event of</p>

need and a state guarantee on all deposits placed inside the country continues to be in place. The strong fiscal position and sound banking sector has placed Kuwait in a much better position to face the challenges posed by the Covid-19 pandemic and the recent sharp drop in oil prices compared to other GCC peers. CI anticipates Kuwait's financial capacity to remain strong as indicated by our sovereign ratings for Kuwait of 'AA-/A1+/Stable.

The principal strength of GB remains with its well-established franchise especially in retail, which is underpinned by a large distribution network. The Bank's universal banking business model and effective strategies have helped to maintain market share and provided a good level of earnings. Borrower concentration in the loan book remained moderately high despite the decline and is a common feature of Kuwait banks due largely to the small size of the Kuwaiti market. In terms of loan asset quality, notwithstanding a marginal weakening in 2019, key metrics have remained good and above peer group averages. The lack of disclosure of stage 2 loans however hinders a proper assessment of loan asset quality on a forward-looking basis, especially in light of the weakening of the operating environment following the Covid-19 pandemic and the sharp drop in oil prices.

A key strength of GB is its deep customer deposit base including deposits received from other non-bank financial institutions (OFIs). However, a negative factor in common with peers is the high customer deposits concentration, although this is mitigated by the stickiness of these deposits. Loan based liquidity ratios tightened marginally but were at comfortable levels at end 2019. Its good liquidity buffer was maintained and its liquidity coverage ratio (LCR) was also well above the regulatory minimum.

The Outlook for the ratings is Stable. This means that GB's ratings are likely to remain unchanged over the next 12 months. The Stable Outlook balances challenges relating to the further slowdown in economic growth due to the impact of Covid-19 and the sharp decline in the oil price against the Bank's resilient and sound financial metrics in terms of loan asset quality, capital and profitability.