

Kuwait, 18 January 2024

Boursa Kuwait
State of Kuwait

Dear Sirs,

This is in accordance with Module Ten, Chapter Four of the Resolution No. 72/2015 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 Fitch Ratings’ affirmation of Gulf Bank’s long-term Issuer Default Rating (IDR) at ‘A’ with a stable Outlook.


Best regards




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



Credit Rating Disclosure Form

Date	18 January 2024
Bank's Name	GULF BANK K.S.C.P
Rating Agency	Fitch Ratings
Rating Category	<ul style="list-style-type: none"> - Long-Term IDR affirmed at 'A' - Short-Term IDR affirmed at 'F1' - Viability Rating affirmed at 'bbb-' - Government Support Rating assigned at 'a'
Rating Implications	<ul style="list-style-type: none"> - Government Support Rating of 'a' - Stable Operating Environment - Good Domestic Franchise - High Concentrations - Low Impaired Loan Ratios - Modest but Improved Profitability - Good Capitalisation - Stable Funding and Adequate Liquidity 
Impact of Rating on the Bank	<ul style="list-style-type: none"> - Affirmed the rating of Gulf Bank's Long-Term Issuer Default Rating (IDR) at 'A'. - Affirmed the rating of Gulf Bank's Viability Rating (VR) 'bbb-'. - Affirmed Outlook at "Stable". - No financial impact on the Bank.

<p>Outlook</p>	<p>Outlook Rating Action: Affirmed Outlook at “Stable”</p>
<p>Press Release / Executive Summary</p> 	<p>Fitch Ratings has affirmed Gulf Bank K.S.C.P.'s Long-Term Issuer Default Rating (IDR) at 'A' with a Stable Outlook. Fitch has also affirmed the bank's Viability Rating (VR) at 'bbb-'.</p> <p>Key Rating Drivers</p> <p>Gulf Bank’s IDRs reflect potential support from the Kuwaiti authorities, as reflected in its Government Support Rating (GSR) of ‘a’. The Stable Outlook on Gulf Bank’s Long-Term IDR reflects that on the Kuwaiti sovereign rating.</p> <p>Gulf Bank’s Viability Rating (VR) reflects its good domestic franchise, cautious risk approach, healthy loan quality, good capitalisation and stable funding despite high deposit concentration. The VR also considers modest, but improved profitability, and high loan concentrations, albeit similar to peers.</p> <p>Government Support Rating of ‘a’: The Kuwaiti authorities have strong ability and willingness to provide support to domestic banks, if needed, irrespective of the banks’ size, franchise, funding and level of government ownership. This view considers the record of supporting domestic banks and the willingness to maintain market confidence and stability given the high contagion risk among domestic banks.</p> <p>Stable Operating Environment: Fitch expects the Kuwaiti operating environment to remain stable, with forecast real GDP growth of 3.6%</p>

in 2024 and real non-oil GDP growth of 3.1%. In the absence of a public debt law, high oil prices and extremely strong external assets will continue to support government spending on wages and investments, and maintain business confidence. Fitch expects the sector's credit growth to be modest at 3%-4% in 2024, hindered by high interest rates and moderate real GDP growth.

Good Domestic Franchise: Gulf Bank has a strong domestic footprint as the fourth-largest bank in Kuwait, with 8.7% market share by local assets at end-1H23. Fitch expects moderate organic loan growth (6%-7%) in 2024, supported by internal capital generation and the recently completed rights issue.

High Concentrations: The bank's loan book is highly concentrated by single borrower and economic sector, which is, however, a common feature of the Kuwaiti banking sector. Fitch believes these risks are mitigated by a record of stable loan quality, low risk costs and high provisioning.

Low Impaired Loan Ratios: The Stage 2 and 3 loans ratio of 4.4% and 1.2% respectively at end-3Q23, including loans to banks, are below peers'. Generation of Stage 3 loans is low. Total loan loss allowances (LLAs) at 5.4% of gross loans at end-3Q23 provide strong coverage for problem exposures. Fitch expects stable loan quality with a Stage 3 loan ratio of 1.1% at end-2024 due to reasonable underwriting and moderate loan growth.

Modest but Improved Profitability: Profitability has recovered since the pandemic due to reduced impairment charges, a pick up in loan



growth, stable net interest margins, and good operating efficiency. Operating profit increased to 1.5% of risk-weighted assets (RWAs) in 9M23 (annualised) from 1.2% in 2022 and Fitch expects this ratio to remain stable in 2024 due to good asset quality and stable macroeconomic environment.

Good Capitalisation: Gulf Bank's common equity Tier 1 (CET1) capital ratio was reasonable at 13.6% at end-3Q23, which does not account for interim profits (1% of end-3Q23 RWAs) and a KWD60 million rights issue (1.2% of RWAs), completed in November 2023. Fitch expects Gulf Bank to operate with CET1 capital ratio of 15%-15.5%, supported by good internal capital generation and moderate loan growth.

Stable Funding; Adequate Liquidity: Gulf Bank is largely funded by customer deposits (end-3Q23: 84% of non-equity funding). Customer accounts are concentrated but have been stable through the cycle, mitigating risks from liquidity maturity mismatches. The gross loans/deposits ratio is high (end-3Q23: 106%) but is managed closely. At end-3Q23 the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) were at 250% and 106%, respectively, above the minima of 100%.

