



Kuwait, 17 May 2020

Boursa Kuwait
State of Kuwait

Dear All,

This is made pursuant to Rulebook 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 for Gulf Bank's rating by Moody's Investors Service containing the Issuer Credit Ratings A3/Stable/p-2, Long-term deposit rating: A3, Short-term deposit rating: P-2, Baseline Credit Assessment (BCA) and adjusted (BCA): ba1

Best regards

Antoine Daher
CEO



Disclosure and Transparency

Credit Rating Disclosure Form

Date	17 May 2020
Bank's Name	GULF BANK K.S.C.P
Rating Agency	Moody's Investors Service
Rating Category	<p>Issuer Credit Ratings A3/Stable/p-2</p> <p>Long-term deposit rating: A3</p> <p>Short-term deposit rating: P-2</p> <p>Baseline Credit Assessment (BCA) and adjusted (BCA): ba1</p>
Rationale for Rating Change/ Key Drivers	<p>Strengths:</p> <p>Very high probability of government support. Bank's solid core revenue-generating capacity. Bank's low and well-provisioned reported nonperforming loans. Comfortable liquidity and stable funding.</p> <p>Challenges:</p> <p>Elevated credit risk in the bank's loan portfolio from concentrations to single borrowers and high-risk sectors. Pressure on the operating environment in Kuwait on the back of the dual shock of the coronavirus and prolonged low oil prices.</p>
Impact of Rating on the Bank	<p>Credit Rating Action: Affirmation of Bank long-term deposit rating at "A3"</p> <p>Outlook Rating Action: Changed from "Positive" to "Stable" outlook</p>

<p>Outlook</p>	<p>Stable</p>
<p>Translation of the Press Release or the Executive Summary</p>	<p>Rationale for Affirmations</p> <p>Moody's affirmation of Gulf Bank's A3 long-term deposit ratings reflects the affirmation of the bank's ba1 BCA and an unchanged four notch government support uplift underpinning the rating agency's expectation of a very high probability of government support given the established track record of Kuwaiti authorities (Aa2, RUR) in extending support to banks in times of need.</p> <p>Gulf Bank's ba1 BCA captures the bank's solid core revenue-generating capacity, although its bottom-line profitability remains subdued and adequate capitalisation with tangible common equity/risk-weighted assets at 13.3% as at December 2019. The BCA also takes into account the bank's low and well-provisioned reported nonperforming loans (problem loans/gross loans at 1.2% as at December 2019). The bank's standalone credit profile also continues to be underpinned by comfortable liquidity and stable funding, despite funding concentration, which is typical of Kuwaiti banks. These strengths are balanced by still elevated credit risk in the bank's loan portfolio from concentrations to single borrowers and high-risk sectors while political stress, any exacerbated negative implications from the coronavirus outbreak on the local economy and sustained low oil prices remain the main downside risks.</p> <p>Change in Outlooks to Stable</p> <p>The change in outlook to stable from positive on the bank's deposit ratings captures Moody's expectation that the pressure on the operating environment in Kuwait on the back of the dual shock of the coronavirus and prolonged low oil prices - with related business confidence implications on the country's small and undiversified private sector - will neutralise for the foreseeable future the positive pressures on the bank's BCA.</p> <p>Moody's regards the coronavirus outbreak as a social risk under its environmental, social and governance (ESG) framework, given the substantial implications for public health and safety.</p> <p>The stabilisation of the outlook also reflects the rating agency's view that the bank's loan portfolios will weaken from a strong level leading to higher loan-loss provisions while softer loan growth will weigh on its profitability amid more challenging operating conditions in Kuwait.</p> <p>The stable outlook on Gulf Bank's deposit ratings at this stage also reflects the balance between adequate capital and provisioning buffers, together with low problem loans, against still-high single-party exposures and credit concentrations to high-risk/volatile sectors amid a more challenging operating context from the dual pressure of prolonged low oil prices and the coronavirus outbreak.</p>

What Could Change the Rating Up/Down

Upward pressure on Gulf Bank's ratings could develop in the event of (1) a significantly improved bottom-line profitability with a sustainably lower cost of risk; (2) a sustained low level of NPLs and credit losses, while maintaining strong provisioning coverage and capital ratios well above regulatory minimums; and (3) a material reduction in single-borrower concentrations.

Downward pressure on Gulf Bank's ratings could result from a resurgence in problem loan formation, for example, from the default of a large borrower or from exposures to volatile sectors, a weakening in capital buffers or a decline in earnings-generating capacity. Negative pressure would also be exerted on the bank's ratings if there is a significant deterioration in the domestic operating conditions in Kuwait, as captured in our Macro Profile for the country, which would lead to a weakening of the bank's standalone profile.