بنك الخليج
GULF BANK

Kuwait, 6 June 2022

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 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 Capital Intelligence's affirmation of Gulf Bank's Subordinated Bond Rating at "BBB+".

Best regards

Mohammad Jasem AlBeloushi
Assistant General Manager
Head of Compliance & Disclosure

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[GBK Classification: PUBLIC]

Credit Rating Disclosure Form

Date	**6 June 2022**
Bank's Name	GULF BANK K.S.C.P
Rating Agency	Capital Intelligence Ratings
Rating Category	• KD 50 million Tier 2 Subordinated Bond • Affirmed of Bond Rating at "BBB+"
Rating Implications	**Credit Strength** • The Bond qualifies as Tier 2 capital; Issuer's capital ratios are solid with high level of CET1 capital component. • Issuer is the fifth largest bank in Kuwait with well established business franchise and sound market share. • Issuer continues to exhibit good loan asset quality metrics. • Issuer has maintained a sound liquidity position supported by a large customer deposit base; government blanket guarantee for customer deposits. **Credit Challenges** • Contractual subordination of instrument. • Moderately high customer concentration in both the loan book and customer deposit base, in common with the sector. • Small size domestic banking market and dependency on the hydrocarbon sector.
Impact of Rating on the Bank	• Affirmed the rating of Gulf Bank's (GB) KWD 50 mn Basel III-compliant Tier 2 Subordinated Bonds at 'BBB+' • Outlook Rating Action: Affirmed Outlook at "Stable" • No financial impact on the Bank
Outlook	Outlook Rating Action: Affirmed Outlook at "Stable"

Press Release / Executive Summary	Capital Intelligence Ratings (CI Ratings or CI) today announced that it has rated Gulf Bank's (GB) KWD50mn Basel III-compliant Tier 2 Subordinated bond at 'BBB+'. The Outlook on the rating is Stable. The rating on the bond is derived from: (i) GB's Bank Standalone Rating (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. GB's BSR is derived from a Core Financial Strength (CFS) rating of 'a-' and an Operating Environment Risk Anchor (OPERA) of 'bbb'. The latter indicates modest risk and reflects the substantial financial buffer of the sovereign and its capacity to support the banking system in case of imbalances. The Kuwaiti banking system remains broadly sound, with good asset quality and comfortable liquidity as well as strong capital ratios. However, the market is small and offers limited growth opportunities. The BSR and CFS are supported by the Bank's well established business franchise, especially in retail banking, very good loan asset quality metrics, solid capital position and sound liquidity metrics. The CFS also reflects GB's size as the fifth largest bank in Kuwait in terms of total assets, with one of the largest distribution networks in the country and a sound market share of both loans and deposits. The main constraints for GB, in common with its peers, are the moderately high concentrations in customer deposits as well as loans – with these being a function of Kuwait's relatively small and undiversified economy and the small and undiversified domestic market. The Stable Outlook indicates that the issue rating is likely to remain unchanged over the next 12 months, in line with the same expectation for the Bank's BSR which is the starting point for the bond rating. 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 operating environment in line with the rising oil prices and increased business activities with the lifting of lockdown measures.