Burgan Bank would like to indicate that Capital Intelligence rating agency has affirmed Burgan Bank Rating as follows:

Quote:

Burgan Bank's Ratings Affirmed - 'Positive' Outlook Maintained on Financial Strength Rating

Capital Intelligence (CI), the international credit rating agency, announced today that it has affirmed Burgan Bank's (BB) Financial Strength Rating (FSR) of 'BBB', on the basis of the improved asset quality [notwithstanding the increase in non-performing loans (NPLs) in the current year], the comfortable liquidity, and the successful Perpetual Tier 1 issue in September of this year. The Bank's geographically diversified asset base and revenue streams are also a supporting factor to some degree. The FSR is constrained by BB's high indirect exposure to non-investment grade sovereigns through operating subsidiary banks, by large and considerably increased exposure to related parties and by the significant customer concentrations in both loans and customer deposits (although this is to an extent systemic). Also constraining the FSR is still modest net profitability, despite the rebound in the first nine months of this year and the ongoing difficult regional operating environment. Last year, CI assigned a 'Positive' Outlook to the FSR in view of an improved loan asset quality and the expectation that this positive trend would have continued into 2014. Notwithstanding that the Bank's NPL ratio rose slightly and loan-loss reserve (LLR) cover slipped in the first nine months of this year, CI nonetheless maintains the 'Positive' Outlook for the FSR on the basis of the current rights issue underway.

The Bank's Support Level of '2' is affirmed, reflecting the explicit government guarantee of customer deposits held with banks in Kuwait, which remains in force, as well as the high likelihood of official and shareholder financial support, in case of need. In view of this support, CI affirms the Bank's Long-Term Foreign Currency Rating (FCR) at 'A-' and the Short-Term FCR at 'A2'. The Outlook on the FCR ratings is maintained at 'Stable'.

BB, currently Kuwait's second largest conventional commercial bank by consolidated assets, is majority owned by Kuwait Projects Company Holding (KIPCO), one of the largest diversified holding companies in the MENA region. BB's risk asset profile was significantly modified in the recent past after it acquired (and integrated) four MENA regional banks from KIPCO group sister company ‘United Gulf Bank (UGB)’. While BB has become one of the most regionally diversified Kuwaiti commercial banks, the takeover of the bank subsidiaries raised its risk exposure to low rated sovereigns (namely Jordan, Algeria, Iraq, Tunisia and more recently Turkey) from an earlier negligible level. The economy and operating environment in these countries remains challenging and the underlying credit and political risk has increased in recent periods.

Although NPLs rose in the first nine months of 2014, following successive declines in the prior two years, the NPL to gross loans ratio remained at an acceptable level and LLRs continued to provide more than full cover. Liquidity remains strong and among the best in the Kuwaiti market, reflecting BB’s lower share of loans in total assets. CI, however, notes that a significant proportion of this liquidity is at the subsidiary banks level.

In common with most (but not all) Kuwait banks, BB’s balance sheet continues to be solidly capitalized, following the Perpetual Tier 1 issue in September of the current year. This has helped restore the capital adequacy ratio (CAR) to a strong level from the decline in 2013. Although the CAR is projected to fall at the current year-end following adoption of Basel III, the rights issue presently underway aims to raise fresh capital and keep CAR at a comfortable level. Net profit recovered in the first nine months of the current year compared with the same period in 2013, lifted by a lower provision charge. However, the return on average assets (ROAA) remains modest in part due to ongoing provisioning requirements and a low net interest margin.

BB commenced operations in 1977 as a government-owned bank. In 1997, the Bank was privatised with KIPCO obtaining control. During 2007, KIPCO increased its ownership in BB to 43.01%, cementing BB’s status as the largest and core member of the KIPCO Group. The second largest shareholder is UGB (17.86%) in Bahrain. Through its domestic network of 27 branches, which is supplemented by 117 ATMs, the Bank provides corporate/commercial banking, as well as retail and private banking. As at end-September 2014, total assets rose to KWD7.48 billion (USD25.9 billion) and total capital reached KWD846mn (USD2.9 billion).

CREDIT RATINGS

Foreign Currency		Financial Strength	Support	Outlook	
LT	ST			FC	FSR
A-	A2	BBB	2	Stable	Positive