

Burgan Bank would like to indicate that Moody's rating agency has released an update on their website regarding Burgan Bank as follows:

SUMMARY RATING RATIONALE

The A3 long-term local currency deposit rating assigned to Burgan Bank S.A.K. (Burgan) benefits from four notches of support uplift from its ba1 baseline credit assessment (BCA), reflecting our assessment of a very high probability of systemic support, if necessary.

Burgan's ba1 BCA (based on the D+ standalone bank financial strength rating [BFSR]) reflects its good liquidity, stable pre-provision income and progress in reducing the volume of legacy non-performing loans (NPLs). At the same time, loan provisioning expenses continue to be sizeable, while high credit concentrations and related-party exposures indicate elevated credit risks.

Although the bank's regional expansion has credit-positive aspects, including those derived from balance-sheet and earnings diversification, we expect that (1) challenging regional operating conditions and unseasoned portfolios will exert pressure on its subsidiaries' financial metrics; (2) the bank will continue to face integration risks, which will strain its risk-management capabilities; and (3) its Tier 1 capitalisation will remain below that of domestic peers.

Rating Drivers

- Regional expansion provides balance-sheet and revenue diversification benefits, but overseas exposure is mostly to countries with weaker operating conditions
- Evidence of progress in the work-out of legacy problem loans, but elevated credit risks remain
- Capitalisation metrics to improve, though still below peers, while liquidity remains comfortable

Rating Outlook

All ratings carry a stable outlook.

What Could Change the Rating – Up

Any positive rating pressure is conditional on (1) further reduction of balance-sheet concentrations; (2) easing of related-party exposures; (3) enhanced core equity; and (4)

a normalisation of asset-quality metrics, specifically in terms of provisioning requirements.

What Could Change the Rating – Down

Downward rating pressure will emerge on evidence of deteriorating credit conditions and further asset-quality pressures. Failure to appropriately manage risks of regional operations would also have negative rating implications, as would any failure to enhance core common equity as the bank grows its asset base.

Global Local Currency Deposit Rating (Joint Default Analysis)

We assign deposit ratings of A3/Prime-2 to Burgan. In accordance with Moody's joint default analysis methodology, the ratings are based on Burgan's BCA of ba1 and our assessment of a very high probability of support from the Kuwaiti government (Aa2 stable). The very high systemic support assessment reflects the Kuwaiti authorities' track record in supporting all banks encountering difficulties, and Burgan's relative importance to the country's banking system as Kuwait's third-largest financial group.