

Credit Rating Disclosure Form

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| Date | 20 March 2016 |
| Name of Listed Company | Burgan Bank K.P.S.C |
| Rating Agency | Standard & Poor's Ratings Services |
| Rating Category | BBB+/A-2' long- and short-term counterparty credit ratings' |
| Rating Drivers | <ul style="list-style-type: none"> <input type="checkbox"/> Kuwaiti banks' economic risks are increasing as a result of the significant decline in oil prices and the ensuing slowdown in Kuwait's economy. <input type="checkbox"/> At the same time, banking industry risks in Kuwait have improved; specifically, the tougher regulations authorities have imposed should largely mitigate banks' economic challenges. <input type="checkbox"/> As a result, affirmed 'BBB+/A-2' ratings on Burgan Bank. |
| Rating Impact on the Company's Status | Ratings affirmed. No impact. |
| Rating Outlook | The outlook remains stable |
| Translation of the Press Release or the Executive Summary | <p>Standard & Poor's Ratings Services said today that it affirmed its 'BBB+/A-2' long- and short-term counterparty credit ratings on Kuwait-based Burgan Bank. The outlook remains stable.</p> <p>The affirmation balances the increased economic risks that the bank faces, with the improved industry risks for the banking system given the stronger regulatory framework.</p> <p>Despite some deterioration in financial performance, we expect Burgan Bank will largely navigate through the more challenging operating environment without major difficulties. We consider that the bank's risk profile has also improved. Over the past few years, the bank has bolstered its key asset-quality metrics while building</p> |

additional loan loss buffers. More importantly in our view, improvements in banking regulation will help partially mitigate the impact of rising economic risks for the bank's operations in Kuwait. The sharp fall in oil prices over the past year and a half has dented Kuwait's economic growth prospects as well as its wealth levels, as measured by GDP per capita. We now assume an average Brent oil price of \$40 per barrel (/bbl) in 2016 and \$46/bbl in 2016-2019, which negatively affects overall economic growth.

Despite the Kuwaiti government's strong fiscal position and ability to implement countercyclical policies, we believe the overall economic risks local banks face have increased. Specifically, we anticipate some pressure on Kuwaiti banks' operating revenues given the expected slowdown in lending growth and the increasing cost of funding due to the changing liquidity conditions. Although relatively limited, we also expect to see an increase in nonperforming loans for the sector between 2016 and 2018, triggering some increase in credit losses. Consequently, we have revised our economic risk for Kuwait's banking system to '5' from '4.'

There have been some positive developments on the regulatory front over the past few years. For example, Kuwaiti authorities improved the regulation and supervision of Kuwait's local investment companies significantly. The Central Bank of Kuwait (CBK) was also one of the earliest adopters of Basel III in the Gulf region, and among other measures over the past few years, the CBK proactively asked the country's banks to increase their loan-loss coverage even though nonperforming loan levels were declining. We believe these reserves have increased Kuwaiti banks' capacity to withstand credit losses in the current economic downturn. We therefore revised our industry risk score for Kuwait to '4' from '5.'

Despite the increasing economic risks, we believe the improved industry risk will mitigate the operating risks for Kuwait's banks. We have therefore maintained Kuwait's banking system in our Banking Industry Risk Assessment (BICRA) Group 4.

The rating affirmation on Burgan Bank reflects our view that the bank will maintain a generally unchanged financial profile despite the heightened economic risks in Kuwait.

The stable outlook on Burgan Bank reflects our expectation that the bank will maintain its risk-adjusted capital (RAC) ratio above 8.0% over the next 12-24 months. Although we expect a slight deterioration in the bank's asset quality and profitability over the next 12-24 months, due to the less supportive operating environment

in Kuwait and Turkey, we think its financial profile will remain relatively stable.

We would consider a negative rating action on Burgan Bank in the unlikely scenario of significant deterioration in the bank's asset quality, which could occur if concentration risk materializes. We could also lower our rating in the unlikely scenario where its capitalization weakens significantly or if it comes close to the minimum capital requirements in Kuwait.

Although in our view a remote scenario for the next 12-24 months, we could upgrade Burgan Bank if the operating environment of its overseas operations stabilizes and the bank displays a stronger track record of resilient profitability indicators. An upgrade could also follow a decrease in related party exposures to more manageable levels while asset quality indicators remain at current levels.