

Kuwait: 2<sup>nd</sup> of September 2020

Mr. Mohammad Saud Al-Osaimi  
Chief Executive Officer - Boursa Kuwait Company  
State of Kuwait

Dear Sir,

**Subject: Credit rating**

As per Chapter No. 4 of the “Disclosure and Transparency” Module of the Capital Markets Authority’s Executive Bylaws and its Law No.7/2010 and amendments issued on 9/11/2015 regarding disclosure of Material Information.


We would like to advise you that Credit Rating Agency “Fitch Ratings” on 1<sup>st</sup> of September 2020 has affirmed National Bank of Kuwait’s ratings as follows:

- 1- Long-Term Issuer Default Rating affirmed: (AA-), Stable Outlook
- 2- Short-Term Issuer Default Rating affirmed: (F1+)
- 3- Viability Rating affirmed: (a-).
- 4- Support Rating affirmed: (1).
- 5- Support Rating Floor affirmed: (AA-).

Attached; Disclosure Form of Material Information.

Sincerely yours,

*n* On behalf of National Bank of Kuwait (S.A.K.P)

  
Isam J. Al-Sager

Group Chief Executive Officer

Appendix No. (9)

Disclosure of Credit Rating Form

Date	2 <sup>nd</sup> of September 2020
Name of the Listed Company	National Bank of Kuwait (S.A.K.P)
Entity who issues the rating	Fitch Ratings
Rating category	<ol style="list-style-type: none"> <li>1- Long-Term Issuer Default Rating affirmed: (AA-), Outlook Stable</li> <li>2- Short-Term Issuer Default Rating affirmed: (F1+)</li> <li>3- Viability Rating affirmed: (a-).</li> <li>4- Support Rating affirmed: (1).</li> <li>5- Support Rating Floor affirmed: (AA-).</li> </ol>
Rating implications	<ol style="list-style-type: none"> <li>1- Long-Term Issuer Default Rating (AA-): Very high credit quality. Its denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.</li> <li>2- Short-Term Issuer Default Rating (F1+): Highest Short-Term Credit Quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments.</li> <li>3- Viability Rating (a-): High Fundamental Credit Quality. Ratings denote strong prospects for ongoing viability. Fundamental characteristics are strong and stable, such that it is unlikely that the bank would have to rely on extraordinary support to avoid default.</li> <li>4- Support Rating (1): There is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question.</li> <li>5- Support Rating Floor (AA-): The likelihood that the rated entity will receive extraordinary support, in case of need, specifically from government authorities.</li> </ol>



Rating effect on the status of the company	<ol style="list-style-type: none"> <li>1. The rating reflects Bank's leading franchise as Kuwait's flagship bank.</li> <li>2. The stable outlook reflects the Kuwaiti sovereign rating.</li> </ol>
Outlook	Stable
The press release or executive summary	<p><b><u>Executive summary:</u></b></p> <p>Fitch Ratings on 1<sup>st</sup> of September 2020 has affirmed National Bank of Kuwait rating as the following:</p> <ul style="list-style-type: none"> <li>• Long-Term Issuer Default Rating (IDR) affirmed at (AA-), Outlook Stable.</li> <li>• Short-Term Issuer Default Rating (IDR) affirmed at (F1+).</li> <li>• Viability Rating affirmed at (a-).</li> <li>• Support Rating affirmed at (1).</li> <li>• Support Rating Floor affirmed at (AA-).</li> </ul> <p>Fitch rely on number of factors in the assessment process, key factors are as follows:</p> <ul style="list-style-type: none"> <li>• NBK's Support Rating (SR) of (1) and NBK's Support Rating Floor (SRF) of (AA-) reflect Fitch's view of an extremely high probability of support being provided by the Kuwaiti authorities to all domestic banks including the Bank. The one notch granted to NBK above Fitch's Domestic-Systemically Important Bank (D-SIB) (SRF) of (A+) for Kuwait, given the bank's unique status and systemic importance as the flagship bank in Kuwait, and close business and strategic links with the state.</li> <li>• The Stable Outlook on NBK's Long-Term (IDR) reflects the Kuwaiti sovereign rating.</li> <li>• The (VR) reflects NBK's leading franchise as Kuwait's flagship bank, diversified business model, resilient asset quality, good capitalisation and stable funding and liquidity, the VR also reflects the expected deterioration in NBK's operating environment.</li> <li>• Although NBK is exposed to slower economic growth and financing opportunities, NBK will continue to benefit from Kuwait's exceptionally strong external balance sheet and vast assets of KIA, making it more resilient than its GCC peers. The agency mentioned that its assessment of the operating environment factors in NBK's exposure to developed markets such as Western Europe and North America, and to more challenging ones regionally such as Egypt and Bahrain.</li> </ul>

u

- NBK is the flagship bank and leading franchise in Kuwait where it enjoys a leading market share. The bank's size, large branch network, distribution capabilities, strong client relationships, expertise, brand, reputation and long-established geographical footprint provide NBK with clear competitive advantages. NBK is the only Kuwaiti bank to be able to provide both conventional and Islamic banking (through its 59.9% owned sharia-compliant bank Kuwaiti subsidiary, Boubyan Bank).
- NBK management is strong, credible and commensurate with the size and complexity of the bank.
- NBK benefits from a diversified business model, wider opportunities and a larger size for it to reduce concentrations compared with domestic peers.
- NBK has a record of low impaired loans (about 1.8% of gross loans at end of the first half of 2020). The bank's leading franchise and diversified business model enable NBK to underwrite high-quality borrowers.
- NBK's profitability is stronger than peers in terms of generation capabilities, diversification and stability. However, the current crisis affected NBK's earnings and profitability in first half of 2020 due to surge in loan and other impairment charges, lower revenue resulting from lockdown in Kuwait and interest rate cuts both domestically and internationally.
- NBK's capital and leverage ratios are maintained with satisfactory buffers over minimum regulatory requirements and compare well with peers. The bank's capitalisation is supported by consistent internal capital generation capabilities and a strong ability to raise capital when required. This was demonstrated by the issuance of USD 750 million tier 1 instruments in 2019 to boost regulatory capital ratios. Fitch expects capital ratios to remain stable at end-2020 owing to slow growth, retained profits and the expected recovery in the fair value of debt and equity instruments.
- NBK benefits from stable funding and liquidity. The bank's liquidity is well-managed and liquidity risk remains contained.
- Risk control and reporting tools are satisfactory across the group and can support growth.