

Kuwait: 27th 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 that Credit Rating Agency Moody’s stated in its report dated 24th of September 2020, the downgrading of the credit rating of National Bank of Kuwait, and the ratings mentioned in the report are as follows:


- 1- Long Term Deposit rating: A1.
- 2- Counterparty Risk rating: A1
- 3- Counterparty Risk assessment: A1(cr).

The Agency changed the Outlook from under review to Stable.

Attached; Disclosure Form of Material Information

Sincerely yours,

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


Shaikha K. Al-Bahar
Deputy Group Chief Executive Officer

Disclosure of Credit Rating Form

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| Date | 27 th of September 2020 |
| Name of the Listed Company | National Bank of Kuwait (S.A.K.P) |
| Entity who issues the rating | Credit Rating Agency “Moody’s” |
| Rating category | <ol style="list-style-type: none"> 1. Long Term Deposit rating: A1. 2. Counterparty Risk rating: A1. 3. Counterparty Risk assessment: A1(cr). 4. The Outlook changed from under Review to Stable. |
| Rating implications | Long Term Rating (A1): Obligations rated in this category to be upper-medium grade and are subject to low credit risk. |
| Rating effect on the status of the company | The Agency downgrading of National Bank of Kuwait’s ratings and the change in Outlook from under Review to Stable reflects the impact of the action taken by the Agency in its report dated 22 th of September 2020 to downgrade the sovereign rating of State of Kuwait from (Aa2) to (A1). |
| Outlook | Stable |
| The press release or executive summary | <p><u>Executive summary:</u></p> <p>Moody’s credit rating agency on 24th of September 2020 issued a report regarding the credit ratings of National Bank of Kuwait. In its report, Moody’s downgrades NBK’s Long Term Deposit from (Aa3) to (A1), downgrades the Counterparty Risk rating from (Aa2) to (A1) and downgrades the Counterparty Risk assessment from Aa2 (cr) to A1 (cr). In addition, Moody has changed the Outlook from under Review to Stable.</p> |

The press release or executive summary

Moody's report rely on number of factors in the assessment process, key factors are as follows:

- 1- Moody's downgrade of Kuwait's government rating to (A1) with a stable outlook reflects the increase in government liquidity risks and a weaker assessment of Kuwait's institutions and governance strength.
- 2- Despite the sovereign rating downgrade, Moody's has maintained the Macro Profile it assigns to Kuwait at Strong. This reflects the rating agency's view that the Kuwaiti banking system's financial performance will remain robust and that the standalone profiles of the bank is underpinned by its strong solvency and liquidity profile.
- 3- The rating agency Moody's has changed the outlook on the long-term deposit ratings of the bank to stable from ratings under review in line with the stable outlook on the sovereign rating.
- 4- The (A1) deposit ratings are based on the bank's standalone BCA of (a3) which remains unaffected and Moody's assumption of a very high likelihood of government support.
- 5- The Central Bank of Kuwait's hands-on regulatory approach supports the banking system's stability and alignment with international standards. The conservative approach of the regulator is also evidenced by the CBK's guidance following which the Kuwaiti banks' have taken judgmental provision far in excess of the recently introduced IFRS 9 accounting standard. Consequently, the system average loan-loss provisioning coverage ratio has been consistently in excess of 250% providing significantly large cushion and supporting the solvency profile of the banks.
- 6- In terms of governance considerations, Moody's does not have any governance concern for the Kuwaiti bank. The conservative regulatory framework in Kuwait helps support the bank's governance practices.