

Kuwait: 20/04/2021

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الكويت: 2021/04/20

الإشارة: 2021/1238

**To: Mr. Mohammad Saud Al-Osaimi**  
**CEO - Boursa Kuwait**

السيد/ محمد سعود العصيمي المحترم  
الرئيس التنفيذي - بورصة الكويت

Dear Sir,

السلام عليكم ورحمة الله وبركاته وبعد ،،،

Reference is made to the provisions of Chapter 4 of the Tenth Module of the Executive Bylaws of the Capital Markets Authority's Law, pertinent to "Disclosure of Material Information" and the mechanism of disclosure of the same. We would like to inform you that Fitch's Credit Ratings Agency has recently assessed the bank's position and issued a report wherein it assigned its ratings for the bank's most important elements as per Appendix # 9 pertinent to the Credit Rating Disclosure Form.

بالإشارة الى احكام الفصل الرابع من الكتاب العاشر لللائحة التنفيذية لقانون هيئة أسواق المال بشأن الإفصاح عن المعلومات الجوهرية وآلية الإعلان عنها، نود الإفادة بأن وكالة فيتش للتصنيف الائتماني قد قامت مؤخراً بتقييم أوضاع مصرفنا وأصدرت تقريراً تم بموجبه تصنيف لأهم عناصر تصنيفات البنك وذلك وفقاً للملحق رقم (9) الخاص بنموذج الإفصاح عن التصنيف الائتماني.

Best regards,

وتفضلوا بقبول فائق الاحترام ،،،

**Adel Abdul Wahab Al-Majed**  
**Vice-Chairman**  
**& Group Chief Executive Officer**



عادل عبد الوهاب الماجد  
نائب رئيس مجلس الإدارة  
والرئيس التنفيذي للمجموعة

## Credit Rating Disclosure Form

Appendix # 9

<b>Date</b>	20 April 2021
<b>Name of Listed Company</b>	Boubyan Bank K.S.C.P.
<b>Rating Agency</b>	Fitch Ratings
<b>Rating Category</b>	<ul style="list-style-type: none"> <li>- Long-Term IDR affirmed at 'A+'; Outlook Negative</li> <li>- Short-Term IDR affirmed at 'F1'</li> <li>- Viability Rating affirmed at 'bbb-'</li> <li>- Support Rating affirmed at '1'</li> <li>- Support Rating Floor affirmed at 'A+'</li> </ul>
<b>Rating's Implications</b>	<p><b><u>Long-Term IDR affirmed at 'A+'</u></b></p> <p>“A” ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. The modifier “+” is appended to denote a relatively higher status within major rating categories.</p> <p><b><u>Short-Term IDR affirmed at 'F1'</u></b></p> <p>Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments.</p> <p><b><u>Viability Rating affirmed at 'bbb-'</u></b></p> <p>'bbb-' ratings denote good prospects for ongoing viability. The bank's fundamentals are adequate, such that there is a low risk that it would have to rely on extraordinary support to avoid default.</p> <p><b><u>Support Rating Floor affirmed at 'A+'</u></b></p> <p>It denotes that there is high probability of getting external support when needed. The external support authority has very high credit ratings and is ready to support the bank when needed.</p>



<b>Rating's Impact on the Company's Positions</b>	Affirming prior ratings which reinforces confidence in the bank and its robust financial position.
<b>Outlook</b>	Negative
<b>Press Release / Executive Summary</b>	<p><b>KEY RATING DRIVERS</b></p> <ul style="list-style-type: none"> <li>• BBY's IDRs are support-driven. Its Support Rating (SR) and Support Rating Floor (SRF) reflect Fitch's view of an extremely high probability of support being provided by the Kuwaiti authorities to all domestic banks if needed.</li> <li>• Fitch's expectation of support from the authorities is underpinned by Kuwait's strong ability to provide support to domestic banks, as reflected by the sovereign rating (AA/Negative) and a strong willingness to do so irrespective of the banks' size, franchise, funding structure and the level of government ownership. This view is reinforced by the authorities' record of support for the domestic banking system in case of need.</li> <li>• The Central Bank of Kuwait (CBK) operates a strict regime with hands-on monitoring to ensure the viability of the banks, and has acted swiftly in the past to provide support where needed. Contagion risk among domestic banks is high (Kuwait is a small and interconnected market) and this is considered an added incentive to provide state support to any Kuwaiti bank if needed, to maintain market confidence and stability.</li> <li>• The Negative Outlook on BBY's Long-Term IDR reflects that on the Kuwaiti sovereign rating.</li> <li>• BBY's VR reflect a solid domestic franchise, experienced and competent management team, sound asset quality metrics, reasonable profitability, stable funding and good liquidity. BBY's VR also reflects the bank's concentration risks on both sides of the balance sheet and pressures on the domestic operating environment.</li> <li>• BBY's franchise continues to strengthen supported by its fin-tech-oriented retail offering, which underpins deposit collection and customer retention. BBY continues to grow its market share in Kuwait, relying</li> </ul>

on digital banking offerings which are one of the most advanced in Kuwait

- Boubyan's acquisition of BLME a UK Islamic bank is expected to enhance the overall franchise and diversify its business over the medium term.
- Boubyan's management team comprises experienced banking and risk professionals and includes managers previously employed by its parent National Bank of Kuwait (NBK). Management has a proven record in delivering resilient profitability and in meeting its business targets including during the pandemic.
- BBY's asset quality remains sound. The bank's impaired financing ratio marginally increased to 1.1% and remains below peers. Further deterioration in the bank's asset quality is expected should the pandemic lengthen or intensify during 2021.
- Fitch's assessment incorporates BBY's heightened risk appetite as for local financing growth, the existence of some credit concentrations and the high exposure to the real estate sector. Fitch's review factored in BBY's well-structured, independent risk-management framework in addition to the stringent oversight of the CBK, mitigating the bank's overall risk profile.
- BBY's net profit margins declined following the decline in CBK discount rate, but remain reasonable.
- BBY's remains highly reliant on net financing income although efforts to develop fee income are positive and acquisition of BLME is expected to support this.
- Operating performance sharply declined in 2020 from higher impairment charges and operating expenses which were inflated by the acquisition of BLME.
- BBY's core capital metrics are adequate following the decline in operating performance and the acquisition of BLME which impacted risk weighted assets.