

TRANSLATION

Date: 7 September 2020
REF: CCG/77/2020

Sirs, Capital Markets Authority
Sirs, Boursa Kuwait

Greetings,

According to chapter four (Disclosure of Material Information) of the rulebook number ten (Disclosure and Transparency) of CMA Executive Bylaws of the Law No. 7/2010 and its amendments.

Kindly find attached the Annex No. (9) Disclosure of Credit Rating Form covering the credit rating report issued by Fitch about Commercial Bank of Kuwait.

Please note that there is no change from the previous credit rating as issued in September 2019. Please also be advised that according to the mentioned report the Banks' ratings were affirmed, with a stable outlook.

Best Regards,



Tamim Khaled Al Meaan
GM, Compliance & CG



NOTE: This is a translation of the original for and binding Arabic text. In case of any difference between the Arabic and the English text, the Arabic text will be prevailing.

Annex (9)

Disclosure of Credit Rating Form

Date	7 September 2020
Name of Listed Company	Commercial Bank of Kuwait (K.P.S.C)
Entity who issues the rating	Fitch Ratings
Rating category	<ul style="list-style-type: none"> - Long-Term Issuer Default Rating (IDR): A+ - Short-Term Issuer Default Rating (IDR): F1 - Viability Rating (VR): bb - Support Rating (SR): 1 - Support Rating Floor (SRF): A+
Rating implications	<p>"Fitch" applies special methodology when rating banks, the same can be found on the agency website.</p> <ul style="list-style-type: none"> - Long-Term (IDR): A+ This rating illustrating credit high quality and low possibility of default of fulfillment of obligations towards others. - Short-Term (IDR): F1 This rating indicate the bank self utility to fulfill its liabilities towards others on timely basis. - Viability Rating (VR): bb This rating illustrating the strong financial position and its ability to continue ongoing concern basis without reliance on external support and without availing from exceptional events. - Support Rating (SR): 1 - Support Rating Floor (SRF): A+ Support ratings reflecting extremely high probability of support being provided by the Kuwaiti authorities if needed.
Rating effect on the status of the company	Enhance the confidence in the Bank and the strength of its financial position.
Outlook	<p>Stable.</p> <p>The Stable outlook on CBK's Long-Term IDR reflects that on the Kuwaiti sovereign rating.</p>
Translation of the press release or executive summary	<p>According to the credit rating report issued by Fitch about Commercial Bank of Kuwait (CBK or the Bank), Fitch has affirmed CBK Long-Term Issuer Default Rating (IDR) at "A+" with a Stable Outlook. Fitch has also affirmed CBK Viability Rating (VR) at "bb".</p> <p>CBK franchise in Kuwait is only moderate but the bank has a good presence in corporate banking, particularly trade finance, well-known brand and reasonable</p>

branch network. The bank has an experienced management team and has consistently implemented the bank's renewed and clearer strategy. However, the current crisis is likely to put pressure on the bank's execution.

CBK has the lowest impaired loans ratio in the local banking sector (1.1% at end-1H20; 0% at end-2019 and end-2018) as the bank typically writes off loans as soon as they become impaired and swiftly initiates recovery efforts. This means that CBK's generation of potential problem loans is relatively high (1.5% of average gross loans in 1H20; 4.7% in 2019; 3.4% in 2018) compared to the peer weighted average (1.4% in 2019 and 1.3% in 2018). However, this write-off policy is likely to change should pre-impairment operating profits weaken. Given the challenging operating environment in Kuwait, potential further asset-quality deterioration cannot be ruled out. Reserve levels continue to be high (6.3% of gross loans and 572% of impaired loans at end-1H20; higher than peers) due to the prudent actions of the Central Bank of Kuwait, requiring the build-up of precautionary reserves. Fitch believes this is necessary in light of the bank's significant concentration by sector and single obligor due to Kuwait's narrow economy.

CBK's liquidity is well-managed and liquidity risk remains contained. Liquidity is underpinned by a large stock of Fitch-calculated net liquid assets equal to 21% of total assets and covering 32% of total customer deposits at end-2019. The Fitch-calculated gross loans/deposits ratio is constantly below 80% and peer weighted average of 85%. Similar to peers, CBK's high reliance on wholesale funding results in high deposit concentration. However, the deposit base has been stable, mitigating liquidity maturity mismatches.