

Date: 14 February 2024  
REF: CCG/009/2024

التاريخ: 14 فبراير 2024  
الإشارة: CCG/009/2024

Sirs, Boursa Kuwait  
Sirs, Capital Markets Authority

السادة/ بورصة الكويت المحترمين  
السادة/ هيئة أسواق المال المحترمين

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

وفقاً لأحكام الفصل الرابع (الإفصاح عن المعلومات الجوهرية) من الكتاب العاشر (الإفصاح والشفافية) من اللائحة التنفيذية للقانون رقم 2010/7 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتهما.

Kindly find attached the Annex No. (8) Disclosure of Credit Rating Form covering the credit rating report issued by Fitch about Commercial Bank of Kuwait.

مرفق لكم ملحق رقم (8) نموذج الإفصاح عن التصنيف الائتماني، بخصوص تقرير التصنيف الائتماني الصادر من قبل وكالة فيتش عن البنك التجاري الكويتي.

Best Regards,

مع أطيب التمنيات،

تميم الميعان  
مدير عام الالتزام والحوكمة

Tamim Al-Meean

GM – Compliance & Corporate Governance



## Disclosure of Credit Rating Form

<b>Date</b>	14 February 2024
<b>Name of Listed Company</b>	Commercial Bank of Kuwait (K.P.S.C)
<b>Entity who issues the rating</b>	Fitch Ratings
<b>Rating category</b>	<p><b>Foreign Currency:</b></p> <ul style="list-style-type: none"> <li>- Long-Term IDR: <b>A</b></li> <li>- Short-Term IDR: <b>F1</b></li> <li>- Long-Term IDR (xgs): <b>BB+</b></li> <li>- Short-Term IDR (xgs): <b>B</b></li> <li>- Viability Rating: <b>bb+</b></li> <li>- Government Support Rating (GSR): <b>a</b></li> </ul>
<b>Rating implications</b>	<p>"Fitch" applies special methodology when rating banks, the same can be found on the agency website.</p> <ul style="list-style-type: none"> <li>- Long-Term (IDR): A The rating 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 higher ratings.</li> <li>- Short-Term (IDR): F1 This rating indicates intrinsic capacity for timely payment of financial commitments.</li> <li>- Long-Term IDR (xgs): BB+ For non-subsidiary banks with a Viability Rating (VR), the LTIDR(xgs) is assigned at the level of the VR.</li> <li>- Short-Term IDR (xgs): B In the case of non-subsidiary banks and subsidiary banks where ex-government support ratings are driven by VRs, Short-Term IDRs (xgs) reflect the banks' funding and liquidity factor scores.</li> <li>- Viability Rating (VR): bb+ The ratings denote moderate prospects for ongoing viability. A moderate degree of fundamental financial strength exists, which would have to be eroded before the bank would have to rely on extraordinary support to avoid default. However, an elevated vulnerability exists to adverse changes in business or economic conditions over time.</li> <li>- Government Support Rating (GSR): a Very high probability of external support being forthcoming. The potential provider of support is very highly rated, and has at least a high propensity to support the Bank.</li> </ul>

<b>Rating effect on the status of the company</b>	The VR factors reflects moderate franchise, high concentrations, stable asset quality, improving profitability, high capital ratios, and sound funding and liquidity of Commercial Bank of Kuwait.
<b>Outlook</b>	Stable
<b>Translation of the press release or executive summary</b>	<p><b>Fitch Ratings has affirmed Commercial Bank of Kuwait at 'A' with a Stable Outlook</b>  Also Fitch Ratings has affirmed Long-Term Issuer Default Rating (IDR) at 'A'</p> <p><b>Stable Operating Environment:</b>  Fitch expects the Kuwaiti operating environment to remain stable, with forecast real GDP growth of 3.6% in 2024 and real non-oil GDP growth of 3.1%.</p> <p><b>Stable Asset Quality:</b>  CBK had no Stage 3 loans at end-3Q23 as it writes off loans as soon as they migrate to stage 3, while swiftly initiating recovery efforts. Stage3 loans generation (including gross write-offs) has remained at record lows since 2021. Fitch expects the bank’s asset quality metrics to be stable in 2024-2025 with low stage 3 loan generation and a slight reduction in Stage 2 loans.</p> <p><b>Improving Profitability:</b>  Higher interest rates and margins have supported operating income, which increased by 24% in 9M23. Operating profit reached 3.7% of risk-weighted assets (RWAs) in 9M23 (2022:2.1%) due to impairment recoveries (20% of pre-impairment operating profit) and a lower cost-to-income ratio of 31.7% (9M22: 33.5%). Fitch expects profitability to remain good, with operating profit at 2.6% of RWAs in 2024, mostly due to low impairment charges.</p> <p><b>High Capital Ratios Despite Decline:</b>  CBK’s CET1 capital ratio is high but declined to 15.2% at end-3Q23 (end-2022: 16.6%; regulatory minimum: 10%) due to interim cash dividends, treasury share purchases, exclusion of interim profits as per regulatory guidelines. High concentration remains a risk. Fitch expects the bank to maintain a high CET1 ratio of about 17% at end-2024, backed by improving profitability and low loan growth.</p> <p><b>Sound Funding &amp; Liquidity:</b>  CBK is mostly funded by customer deposits (75% of non-equity funding at end-3Q23) but its reliance on wholesale funding results in high deposit concentration. The bank’s liquidity coverage ratio (261%) and net stable funding ratio (119%) at end-3Q23 underpin its sound funding and liquidity.</p>