

Date: 5 April 2022
REF: CCG/26/2022

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.

In this regard, we would like to inform that Fitch has upgraded the Commercial Bank of Kuwait's (CBK) Viability Rating (VR) to "bb+" from "bb".

Best Regards,

Tamim Khaled Al-Meaan
GM - Compliance and Corporate Governance



Disclosure of Credit Rating Form

Date	5 April 2022
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+ – Government Support Rating (GSR): 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 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. – Short-Term (IDR): F1 This rating indicates intrinsic capacity for timely payment of financial commitments. – 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. – 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.
Rating effect on the status of the company	The upgrade of the VR reflects improved risk management, asset quality and capitalisation of Commercial Bank of Kuwait.

Outlook	Stable
Translation of the press release or executive summary	<p>Fitch Ratings has affirmed Commercial Bank of Kuwait K.P.S.C.'s (CBK) Long-Term Issuer Default Rating (IDR) at 'A' with a Stable Outlook. Fitch has upgraded the bank's Viability Rating (VR) to 'bb+' from 'bb'.</p> <p>The VR factors in CBK's improved asset quality, strong capitalisation, experienced management, stable funding and sound liquidity, and reflects its moderate franchise, high-risk appetite and weak operating profitability.</p> <p>Asset Quality Improved: CBK had no impaired loans at end-2021 as it writes off loans as soon as they become impaired while swiftly initiating recovery efforts. Generation of potential problem loans reduced to record lows at 0.5% of gross loans in 2021 (3.5% in 2020) and compares well with peers.</p> <p>Weak Operating Profitability: Lower interest rates and muted growth in business volumes have put pressure on operating income, which was down 4% in 2021. Net profit recovered to pre-2019 levels (2021: KWD55million) on the back of a sharp decline in impairment charges.</p> <p>Strong Capital Ratios: The bank has some of the highest capital metrics across the sector with a common equity Tier 1 (CET1) ratio and a Basel leverage ratio of 17.8% and 12.2%, respectively, at end-2021. However, high concentration remains a risk.</p>