

Date: 3 November 2019
REF: CCG/114/2019

Sirs, Boursa Kuwait

Greetings,

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

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. Please also be advised that according to the report the Banks' ratings were confirmed, with a stable outlook.

Best Regards,



Tamim Khaled Al Meaan
GM, Compliance & CG



Copy to:
CMA / Manager, Disclosure Department

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	3 November 2019
Name of Listed Company	Commercial Bank of Kuwait (K.P.S.C)
Entity who issues the rating	Fitch Ratings
Rating category	<p>Foreign Currency</p> <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+ <p>Sovereign Risk</p> <ul style="list-style-type: none"> - Long-Term Foreign-Currency IDR : AA - Short-Term Foreign Currency IDR: F1+ - Long-Term Local-Currency IDR: AA - Short-Term Local-Currency IDR: F1+
Rating implications	<p>"Fitch" applies special methodology when evaluating 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, its management and the strength of its financial position.
Outlook	Stable.

Translation of the press release or executive summary

Support Drives IDRs:

Commercial Bank of Kuwait's (CBK) Issuer Default Ratings (IDRs) reflects an extremely high probability of support from the Kuwaiti authorities, if needed. This reflects Kuwait's strong ability to provide support to domestic banks and a strong willingness to do so irrespective of the bank's size, franchise or ownership. CBK's Viability Rating (VR) reflects its moderate franchise, concentrated balance sheet, volatile problem-loan generation and less stable profitability than peers'. It also factors in CBK's adequate capitalisation, competent management, sound liquidity and a fairly stable operating environment.

Competent Management:

Fitch believes CBK's management demonstrates suitable stability and experience for the bank's profile and operations.

Volatile Problem Loan Generation:

CBK has the lowest impaired loans ratio (0%) in the local banking sector as it writes off loans as soon as they become impaired and swiftly initiates recovery efforts. With gross impaired loans constantly nil, the bank's volatile problem loan generation can be seen in the net charge-offs/ average gross loans ratio (0.5% in 1H19, down from 1.3% in 2018).

Adequate Capital Ratios:

The bank has some of the highest core capital metrics in the sector. Its Fitch Core Capital (FCC) ratio of 19.6% at end-1H19 remains comfortably above the banking sector average (15.3% at end-2018). Nevertheless, Fitch considers CBK's capital ratios no more than adequate given high concentrations on both sides of the balance sheet that leave capital highly sensitive to event risk.

Conservative Strategy:

The bank's long standing strategic objective has been to improve the quality of its loan book and expand its international exposure towards Asia. To the credit of CBK's changing executive management, stable execution has been achieved on their broad objectives. CBK has been historically quick to deal with non-performing loans, and after a decision of the majority of the shareholders in 2018, the bank now fully writes-off the exposure on the day it becomes impaired. Reasonable progress has been made in reducing sectoral concentrations, in particular to real estate and share financing.

Subdued Growth Expected to Continue:

The bank's gross loans grew by only 7% in nominal terms between end-2014 and end-1H19, reflecting the low growth environment and a reduction in the number of infrastructure projects. Conversely, over the same period, CBK's off-balance sheet commitments (letters of guarantee and credit) increased by 43%, indicative of the bank's increased focus on Asia. Nevertheless, Fitch expects CBK's balance sheet growth and profitability to remain highly connected to domestic GDP growth and government spending on infrastructure projects.