

TRANSLATION

Date: 20 May 2021  
REF: CCG/52/2021

**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.

Best Regards,



**Tamim Khaled Al-Meean**  
GM - Compliance and Cooperate Governance



*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

|   |  |
|---|--|
| <b>Date</b>                                       | 20 May 2021  |
| <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>Foreign Currency</p> <ul style="list-style-type: none"> <li>- Long-Term Issuer Default Rating (LT - IDR): A+</li> <li>- Short-Term Issuer Default Rating (ST - IDR): F1</li> <li>- Viability Rating (VR): bb</li> <li>- Support Rating (SR): 1</li> <li>- Support Rating Floor (SRF): A+</li> </ul> <p>Sovereign Risk</p> <ul style="list-style-type: none"> <li>- Long-Term Foreign-Currency IDR: AA</li> <li>- Long-Term Local-Currency IDR: AA</li> <li>- Country Ceiling: AA+</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 (LT - IDR): A+<br/>This rating illustrating credit high quality and low possibility of default of fulfillment of obligations towards others.<br/>Long-Term IDR is driven by support from the State of Kuwait.</li> <li>- Short-Term (ST - IDR): F1<br/>This rating indicate the bank self-utility to fulfill its liabilities towards others on timely basis.</li> <li>- Viability Rating (VR): bb<br/>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.</li> <li>- Support Rating (SR): 1</li> <li>- Support Rating Floor (SRF): A+<br/>These ratings reflecting extremely high probability of support being provided by the State of Kuwait's authorities if needed.</li> </ul> |
| <b>Rating effect on the status of the company</b> | The Negative Outlook by Fitch on Commercial Bank of Kuwait Long-Term IDR reflects that on the State of Kuwait's sovereign rating.  |
| <b>Outlook</b>                                    | Negative.  |

**Translation of the press release or executive summary**

CBK's franchise in Kuwait is only moderate but the bank has a good presence in corporate banking, particularly trade finance, and benefits from a well-known brand and an adequate branch network. The bank has an experienced management team but execution remains highly correlated to the general domestic economic conditions.

CBK had no impaired loans at end-2020 as the bank typically writes off loans as soon as they become impaired. Nonetheless, the bank's generation of potential problem loans remains high at 3.5% of gross loans in 2020 (2019: 4.7%) and above the peer weighted average of 1.9%. Should pressures on profitability intensify, it will be increasingly difficult for the bank to adhere to its strict write-off policy.

CBK's net interest margin declined in 2020, as at peers, due to the Central Bank of Kuwait discount rate cut but remained reasonable at 2.2% (2019: 2.7%). The bank's healthy non-interest income (37% of operating income in 2020) and cost efficiency (cost/income ratio of 31%) support pre-impairment profitability.

We view CBK's capitalisation as adequate relative to its risk profile. The bank's CET1 ratio (17.2% at end-2020) and tangible leverage ratio (15.7%) compare favourably with peers'.