

Date: 25 June 2020
REF: CCG/58/2020

TO: 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 amendments.

Kindly find attached the Annex No. (9) Disclosure of Credit Rating Form covering the updated credit rating report issued by Capital Intelligence (CI) 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 updated report all Bank's ratings were confirmed, with a stable outlook.

Best regards,



Tamim Khaled Al Meaan
GM, Compliance & CG



Copy to:

CMA / Manager, Disclosure Department

Annex (9)

Disclosure of Credit Rating Form

Date	25 June 2020
Name of Listed Company	Commercial Bank of Kuwait (K.P.S.C)
Entity who issues the rating	Capital Intelligence
Rating category	<ul style="list-style-type: none"> - Long Term Foreign Currency Rating (LT FCR): A+ - Short Term Foreign Currency Rating (ST FCR): A1 - Bank Standalone Rating (BSR): bbb+ - Core Financial Strength (CFS): bbb+ - Extraordinary Support Level (ESL): High - Operating Environment Risk Anchor (OPERA): bbb
Rating implications	<ul style="list-style-type: none"> - Long Term Foreign Currency Rating (LT FCR): A+ High credit quality. Strong capacity for timely fulfillment of financial obligations. Possesses many favorable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions. The “+” indicates that the strength of the Bank is, respectively, slightly greater than that of similarly rated peers. - Short Term Foreign Currency Rating (ST FCR): A1 Superior credit quality. Highest capacity for timely repayment of short-term financial obligations that is extremely unlikely to be affected by unexpected adversities. - Bank Standalone Rating (BSR): bbb+ This provides a forward-looking view of the standalone credit strength of rated banks – that is, the ability of banks to meet financial obligations on an ongoing basis without requiring extraordinary external support and in the absence of extraordinary interference, including government-imposed transfer, convertibility, and deposit withdrawal restrictions. - Core Financial Strength (CFS): bbb+ Focus on the intrinsic financial, operational and business position of a bank relative to peers, with country risk and external support factors filtered out. - Extraordinary Support Level (ESL): High Indicate its expectation of the likelihood of a bank receiving sufficient and timely extraordinary external assistance from owners or the official sector in the event of need.

	<p>– Operating Environment Risk Anchor (OPERA): bbb This summarizes the strengths, weaknesses, opportunities and threats of the operating environment in a single forward-looking indicator.</p>
<p>Rating effect on the status of the company</p>	<p>The ratings reflect the Bank’s financial credit strength of excellent assets quality.</p>
<p>Out Look</p>	<p>Stable. The Stable Outlook indicates that the ratings are unlikely to be altered in the next 12 months. However, reflecting the challenging operating environment due to Covid-19 and the lower oil price there may be some downward pressure. Nonetheless, Commercial Bank of Kuwait has strong buffers in place which supports the Stable Outlook.</p>
<p>Translation of the press release or executive summary</p>	<p>Capital Intelligence Ratings (CI Ratings or CI) announced today that it has affirmed the Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) of Commercial Bank of Kuwait (The Bank) at ‘A+’ and ‘A1’, respectively. At the same time, CI Ratings has affirmed The Bank Standalone Rating (BSR) and Core Financial Strength (CFS) rating at ‘bbb+’. The Outlook for the LT FCR and BSR is Stable.</p> <p>The Bank and its management are very conservative in balance sheet management, primarily focusing on managing risk rather than growth. The Bank has a good franchise in the Kuwaiti banking sector, with defendable market positions in retail and corporate banking.</p> <p>Some credit challenges are apparent, however. Net profit declined sharply in 2019 to almost nil due to higher impairment charges. This might suggest that there may not be significant room to manoeuvre this year if NPLs start to rise. However, the Bank is very conservative in its provisioning policy (and aggressive in write-offs) with a high level of general provisions in place thus providing some flexibility in the P&L if more specific provisioning was required. The complete absence of NPLs, as has been the case over the past two years, would seem difficult to maintain, and hence NPLs would be expected to be recorded at some point.</p>