

TRANSLATION

Date: 27 April 2021
REF: CCG/45/2021

**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-Meaan
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

Date	27 April 2021
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 (LT - IDR): A+ - Short-Term Issuer Default Rating (ST - IDR): F1 - Viability Rating (VR): bb - Support Rating (SR): 1 - Support Rating Floor (SRF): 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 (LT - IDR): A+ This rating illustrating credit high quality and low possibility of default of fulfillment of obligations towards others. Long-Term IDR is driven by support from the State of Kuwait. - Short-Term (ST - 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+ These ratings reflecting extremely high probability of support being provided by the State of Kuwait's authorities if needed.
Rating effect on the status of the company	The Negative Outlook by Fitch on Commercial Bank of Kuwait Long-Term IDR reflects that on the State of Kuwait's sovereign rating.
Outlook	Negative.
Translation of the press release or executive summary	<p>Fitch Ratings has affirmed Commercial Bank of Kuwait Long-Term Issuer Default Rating (IDR) at 'A+' with a Negative Outlook. Fitch has also affirmed the bank's Viability Rating (VR) at 'bb'.</p> <p>Commercial Bank of Kuwait had no impaired loans at end-2020 and end-2019, as the bank typically writes off loans as soon as they become impaired and swiftly initiates recovery efforts. Commercial Bank of Kuwait generation of problem loans is high: 3.5% of gross loans at end-2020, 4.7% at end-2019 and 3.4% at</p>

end-2018; above the peer weighted average of 1.9%, 1.4% and 1.3% respectively. Given the challenging operating environment in Kuwait, we expect further asset quality weakening in 2021. Should pressures on profitability intensify, it will be increasingly difficult for the bank to implement its conservative write-off policy. Loan loss allowances remain high (5.6% of gross loans at end-2020) due to the prudent Central Bank of Kuwait requirements. Fitch believes precautionary reserves are necessary given the bank's significant concentration by sector and single obligor.

Commercial Bank of Kuwait liquidity is well-managed and liquidity risk remains contained. Liquidity is underpinned by substantial net liquid assets at 16% of total assets at end-2020, covering 24% of total customer deposits. Gross loans/deposits ratio was adequate at 86% at end-2020. Similar to peers', Commercial Bank of Kuwait high reliance on wholesale funding results in high deposit concentration, with the top 20 deposits representing 46% of the total at end-2020. However, the deposit base has been stable, mitigating liquidity maturity mismatches and concentration risks.