

**TRANSLATION**

Date: 20 June 2021  
REF: CCG/59/2021

**Sirs, Capital Markets Authority  
Sirs, Boursa Kuwait**

Greetings,

According to chapter four (Disclosure of Material Information) of rulebook 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 updated credit rating report issued by Capital Intelligence (CI) about Commercial Bank of Kuwait.

In this regard, please be advised that according to this report the Bank's ratings were confirmed, with a stable outlook.

Best regards,

  
**Tamim Khaled Al Meaan**  
GM, Compliance & CG



*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 June 2021
<b>Name of Listed Company</b>	Commercial Bank of Kuwait (K.P.S.C)
<b>Entity who issues the rating</b>	Capital Intelligence
<b>Rating category</b>	<ul style="list-style-type: none"> <li>– Long Term Foreign Currency Rating (LT FCR): A+</li> <li>– Short Term Foreign Currency Rating (ST FCR): A1</li> <li>– Bank Standalone Rating (BSR): bbb+</li> <li>– Core Financial Strength (CFS): bbb+</li> <li>– Extraordinary Support Level (ESL): High</li> <li>– Operating Environment Risk Anchor (OPERA): bbb</li> </ul>
<b>Rating implications</b>	<ul style="list-style-type: none"> <li>– <b>Long Term Foreign Currency Rating (LT FCR): A+</b> 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.</li> <li>– <b>Short Term Foreign Currency Rating (ST FCR): A1</b> Superior credit quality. Highest capacity for timely repayment of short-term financial obligations that is extremely unlikely to be affected by unexpected adversities.</li> <li>– <b>Bank Standalone Rating (BSR): bbb+</b> 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.</li> <li>– <b>Core Financial Strength (CFS): bbb+</b> Focus on the intrinsic financial, operational and business position of a bank relative to peers, with country risk and external support factors filtered out.</li> <li>– <b>Extraordinary Support Level (ESL): High</b> 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.</li> </ul>



	<p>– <b>Operating Environment Risk Anchor (OPERA): bbb</b> This summarizes the strengths, weaknesses, opportunities and threats of the operating environment in a single forward-looking indicator.</p>
<p><b>Rating effect on the status of the company</b></p>	<p>The ratings reflect the Bank’s financial credit strength of excellent assets quality.</p>
<p><b>Out Look</b></p>	<p>Stable. The Stable Outlook indicates that the ratings are unlikely to be altered in the next 12 months and takes in the likelihood that Covid-19 will remain a continuing problem in Kuwait for the current year. Nevertheless, CBK has strong buffers in place which supports the Stable Outlook.</p>
<p><b>Translation of the press release or executive summary</b></p>	<p><b>Capital Intelligence Ratings (CI Ratings or CI)</b> announced 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 (CBK) at ‘A+’ and ‘A1’, respectively. At the same time, CI Ratings has affirmed CBK’s Bank Standalone Rating (BSR) of ‘bbb+’ and Core Financial Strength (CFS) rating of ‘bbb+’. The Outlook for the LT FCR and BSR is Stable.</p> <p>The affirmation of the LT FCR reflects the Bank’s financial credit strengths of excellent asset quality, specifically zero NPLs at end-2020 together with a substantial buffer with a high level of provisions, and in particular general provisions, strong capitalisation including CET-1 ratio, as well as a good amount of liquid assets.</p> <p>Some credit challenges are apparent however. Net profit was again almost nil in 2020 due to higher impairment charges, as was the case in the prior year. CBK is very prudent in its provisioning policy (and particularly aggressive in write-offs), with a very high level of general provisions in place thus providing some flexibility in the P&amp;L if more specific provisioning was required. However, the complete absence of NPLs, as has been the case over the past three years, would seem difficult to maintain.</p> <p>Balance sheet and loan growth has been low for some time, underlining the risk-averse nature of the Bank. Although this caution is commendable, particularly given the deterioration in the operating environment over the past year or so, CBK may in the future need to start accelerating growth in order to build its position domestically and help drive earnings going forward.</p>