

TRANSLATION

Date: 27 December 2020
REF: CCG/118/2020

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.

Please note that there is no change from the previous credit rating. Please also be advised that according to the mentioned report the Bank's ratings were affirmed, with a stable outlook.

Best Regards,

Elham Y. Mahfouz

Elham Yousry Mahfouz
Chief Executive Officer



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 December 2020
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 - Long-Term Local-Currency IDR: AA - Country Ceiling: AA+
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 (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 and the strength of its financial position.
Outlook	Stable.
Translation of the press release or executive summary	Key Rating Drivers:

Support Drives IDRs: Commercial Bank of Kuwait's (CBK) Issuer Default Ratings (IDRs) reflect 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 level of government ownership.

CBK's Viability Rating (VR): reflects its moderate franchise, high concentrations, volatile problem-loan generation and less stable profitability than peers'. It also reflects the pressures on the domestic operating environment due to the pandemic and lower oil prices. The VR also factors in CBK's adequate capitalisation, experienced management and sound liquidity.

Moderate Franchise: CBK's franchise in Kuwait is only moderate but the bank has a good presence in corporate banking, particularly trade finance, with a well-known brand and adequate branch network. The bank has an experienced management team. However, the Covid-19 crisis is likely to put pressure on the bank's execution.

High Problem Loan Generation: CBK has the lowest impaired loans ratio in the local banking sector (1.1% at end-3Q 2020; 0% at end-2019 and end-2018) as it writes off loans once impaired and swiftly initiates recovery efforts. Nevertheless, the generation of potential problem loans is higher than peers (1.5% of average gross loans in 3Q 2020; 4.7% in 2019). Further asset-quality deterioration cannot be ruled out given the challenging operating environment in Kuwait.

Adequate Capital Ratios: The bank has some of the highest capital metrics in the sector with common equity Tier 1 (CET1) and Basel leverage ratios of 16.6% and 11.4%, respectively, at end 3Q 2020. Expected low loan growth and pre-impairment operating profits will continue to support the bank's capital. However, Fitch Ratings views CBK's capitalisation as only adequate given high balance-sheet concentrations that leave the bank's capital highly sensitive to event risk.

Competent Management; Conservative Strategy

CBK's management demonstrates acceptable depth, credibility, experience and stability despite previous turnover. The bank's long-standing strategic objectives have been to improve the quality of its loan book and expand its international exposure towards Asia. The bank maintains a 0% impaired loans ratio as long as the pre-

impairment profit allows (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, even if this means no profits).