

TRANSLATION

Date: 29 September 2019  
REF: CCG/96/2019

Sirs, 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 amendment.

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 as issued in October 2018. Please also be advised that according to the mentioned report all Banks' ratings were confirmed, with a stable outlook.**

Best Regards,

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



Copy to:  
CMA / Manager, Disclosure Department

*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>	29 September 2019
<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>	<ul style="list-style-type: none"> <li>- Long-Term Issuer Default Rating (IDR): A+</li> <li>- Short-Term Issuer Default Rating (IDR): F1</li> <li>- Viability Rating (VR): bb</li> <li>- Support Rating (SR): 1</li> <li>- Support Rating Floor (SRF): A+</li> </ul>
<b>Rating implications</b>	<p>"Fitch" applies special methodology when evaluating banks, the same can be found on the Agency website.</p> <ul style="list-style-type: none"> <li>- Long-Term (IDR): A+ This rating illustrating credit high quality and low possibility of default of fulfillment of obligations towards others.</li> <li>- Short-Term (IDR): F1 This rating indicate the bank self utility to fulfill its liabilities towards others on timely basis.</li> <li>- 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.</li> <li>- Support Rating (SR): 1</li> <li>- Support Rating Floor (SRF): A+ Support ratings reflecting extremely high probability of support being provided by the Kuwaiti authorities if needed.</li> </ul>
<b>Rating effect on the status of the company</b>	Enhance the confidence in the Bank and the strength of its financial position.
<b>Outlook</b>	<p>Stable.</p> <p>The Stable outlook on CBK's Long-Term IDR reflects that on the Kuwaiti sovereign rating.</p>
<b>Translation of the press release or executive summary</b>	<p>According to the credit rating report issued by Fitch about Commercial Bank of Kuwait (CBK or the Bank), Fitch has affirmed CBK Long-Term Issuer Default Rating (IDR) at "A+" with a Stable Outlook. Fitch has also affirmed CBK Viability Rating (VR) at "bb".</p> <p>CBK has a moderate franchise, concentrated balance sheet, volatile problem-loan generation and profitability that is more sensitive to local economic conditions</p>



than its higher-rated peers'. It also factors in CBK's adequate capitalization, competent management, sound liquidity and a fairly stable operating environment.

CBK continues to benefit from a fairly stable operating environment in Kuwait despite the economic impact of lower oil prices. The bank is exposed to lower economic growth, but Fitch believes that the government's continuing capital spending plans will partially offset the pressures.

CBK has the lowest impaired loans ratio in the local banking sector (0%) as it writes off the loans as soon as they become impaired and swiftly initiates recovery efforts. Reserve levels continue to be high due to the prudent actions of the Central Bank of Kuwait requiring the build-up of precautionary general reserves (KD 179.5 million at end-1H19).

The bank has some of the highest core capital metrics in the sector. Its Fitch Core Capital (FCC) ratio at 19.6% at end-1H19 remains comfortably above the banking sector average (15.3% at end-2018). However, concentrations on both sides of the balance sheet leave CBK highly sensitive to local event risk.

CBK's profitability has been improving (operating profit/risk weighted assets (1.9% in 2018) and is in line with the sector average (2% in 2018). However, profitability remains sensitive to a concentrated earning assets base, as illustrated in 1H19 when loan impairment charges consumed 83% of pre-impairment operating profit; this percentage consistently exceeds local averages.