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Sirs, Boursa Kuwait  
Sirs, Capital Markets Authority

السادة/ بورصة الكويت المحترمين  
السادة/ هيئة أسواق المال المحترمين

وفقاً لأحكام الفصل الرابع (الإفصاح عن المعلومات الجوهرية) من الكتاب العاشر (الإفصاح والشفافية) من اللائحة التنفيذية للقانون رقم 2010/7 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتها. According to chapter four (Disclosure of Material Information) of module ten (Disclosure and Transparency) of CMA Executive Bylaws of Law No. 7/2010 and its amendments.

مرفق لكم ملحق رقم (8) نموذج الإفصاح عن التصنيف الائتماني، بخصوص تقرير التصنيف الائتماني الصادر من قبل وكالة فيتش عن البنك التجاري الكويتي. Kindly find attached the Annex No. (8) Disclosure of Credit Rating Form covering the credit rating report issued by Fitch about Commercial Bank of Kuwait.

Best regards,

مع أطيب التمنيات،



تميم الميعان  
مدير عام الالتزام والحوكمة

Tamim Al-Meean  
GM – Compliance & Corporate Governance



## Disclosure of Credit Rating Form

<b>Date</b>	05 March 2023
<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>– Government Support Rating (GSR): a</li> </ul>
<b>Rating implications</b>	<p>"Fitch" applies special methodology when rating banks, the same can be found on the agency website.</p> <ul style="list-style-type: none"> <li>– Long-Term (IDR): A The rating denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the higher ratings.</li> <li>– Short-Term (IDR): F1 This rating indicates intrinsic capacity for timely payment of financial commitments.</li> <li>– Viability Rating (VR): bb+ The ratings denote moderate prospects for ongoing viability. A moderate degree of fundamental financial strength exists, which would have to be eroded before the bank would have to rely on extraordinary support to avoid default. However, an elevated vulnerability exists to adverse changes in business or economic conditions over time.</li> <li>– Government Support Rating (GSR): a Very high probability of external support being forthcoming. The potential provider of support is very highly rated, and has at least a high propensity to support the Bank.</li> </ul>
<b>Rating effect on the status of the company</b>	The VR factors reflects stable operating environment, moderate franchise, high-risk appetite, stable asset quality, recovering



	profitability, strong capital ratios and sound funding & liquidity of Commercial Bank of Kuwait.
<b>Outlook</b>	Stable
<b>Translation of the press release or executive summary</b>	<p>The VR factors in CBK's reflects its moderate franchise and high-risk appetite. The VR also factors in CBK'S stable asset quality, recovering profitability, strong capital ratios, and sound funding &amp; liquidity.</p> <p><b>Government Support Rating of 'a':</b> The Kuwaiti authorities have strong ability and willingness to provide support to domestic banks, if needed, irrespective of the banks' size, franchise, funding and level of government ownership. This view considers the state's record of supporting domestic banks and the willingness to maintain market confidence and stability given the high contagion risk among domestic banks.</p> <p><b>Stable Operating Environment:</b> The Kuwaiti operating environment is likely to remain stable in 2023 despite lower real GDP growth (2023F: 1.4%; 2022E: 8.4%) and lower real non-oil GDP growth (2023F: 1.5%; 2022E: 3.5%). High oil prices will continue to support government spending on wages and investments and help business confidence recover from the pandemic. Fitch expects the banking sector's credit growth will be fairly modest at 5% in 2023, hindered by higher interest rates and modest real GDP growth.</p> <p><b>Moderate Franchise:</b> CBK's franchise in Kuwait is moderate but the bank has a good presence in corporate banking, particularly trade finance, and benefits from a well-known brand, adequate branch network and experienced management. Loan growth recovered in 9M22 to 6.4% (9M21: -0.2%) and we estimate it to be around 7% for 2022 and at a similar pace in 2023, supported by reasonable economic growth in Kuwait with high oil prices..</p> <p><b>High Risk Appetite:</b> Fitch view the bank's risk appetite as high by international standards. This is reflected in high sector and single-obligor concentration in the loan portfolio and above-average share financing.</p> <p><b>Stable Asset Quality:</b> CBK's had no impaired (stage 3) loans at end-3Q22 as it writes off loans as soon as they become impaired, whilst swiftly initiating recovery efforts. The generation of impaired loans (including gross</p>

write-offs) has remained at record lows since 2021 (0.4% of gross loans in 9M22; 2021: 0.5%; 2020: 3.5%) and compares well with peers. However, stage 2 (watch) loans were high at 17% at end-3Q22 (end-2021: 16%), above the sector average of 10%. Fitch expects the bank's asset quality metrics to be fairly stable in 2023 with low impaired loan generation and a slight reduction in stage 2 loans.

**Recovering Profitability:**

Higher interest rates and growth in business volumes have supported CBK's operating income, which increased 7% in 9M22. However, operating profit at 1.6% of risk-weighted assets (RWAs) was slightly lower than in 9M21(annualised; 1.7%) due to a sharp increase in non-loan impairment charges. Fitch expects profitability to improve in 2023 on higher interest margins and loan growth.

**Strong 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 17.6% and 12.1%, respectively, at end-3Q22. However, high concentration remains a risk. We expect the bank to maintain its CET1 ratio around 18% in 2023 supported by recovering profitability and adequate internal capital generation.

**Sound Funding & Liquidity:**

CBK's is mostly funded by customer deposits (76% of non-equity funding at end-3Q22) but its reliance on wholesale funding results in high deposit concentration. At end-3Q22, the bank's liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) were 205% and 106%, respectively, underpinning sound funding and liquidity.