

Date: 28 April 2021
REF: CCG/47/2021

Sirs, Boursa Kuwait
Sirs, Capital Markets Authority

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 amendments.

Kindly find attached the Annex No. (9) Disclosure of Credit Rating Form covering the credit rating report issued by Moody's about Commercial Bank of Kuwait.

Please note that there is no change from the previous credit ratings. Please also 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 and Corporate 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	28 April 2021
Name of Listed Company	Commercial Bank of Kuwait (K.P.S.C) CBK
Entity who issues the rating	Moody's
Rating category	<ul style="list-style-type: none"> - Long-term Counterparty Risk Ratings: A2 - Short-term Counterparty Risk Ratings: P-1 - Long-term Bank Deposits: A3 - Short-term Bank Deposits: P-2 - Baseline Credit Assessment: ba1 - Adjusted Baseline Credit Assessment: ba1 - Long-term Counterparty Risk Assessment: A2(cr) - Short-term Counterparty Risk Assessment: P-1(cr)
Rating implications	<p>"Moody's" use principle methodology when rating banks, the same can be found on the agency website.</p> <p><u>Counterparty Risk Ratings:</u> CRRs are opinions of the ability of entities to honor the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honored.</p> <ul style="list-style-type: none"> - Long-term Counterparty Risk Ratings, affirmed A2: Obligations rated A are judged to be upper-medium grade and are subject to low credit risk. The modifier 2 indicates a mid-range ranking. - Short-term Counterparty Risk Ratings, affirmed P-1: Issuers or supporting institutions rated P-1 have a superior ability to repay short-term debt obligations. <p><u>Bank Deposit Ratings:</u> BDRs are opinions of a bank's ability to repay punctually its foreign and/or domestic currency deposit obligations and also reflect the expected financial loss of the default.</p> <ul style="list-style-type: none"> - Long-term Bank Deposits, affirmed A3 stable: Obligations rated A are judged to be upper-medium grade and are subject to low credit risk. The modifier 3 indicates a ranking in

	<p>the lower end of that generic rating category.</p> <ul style="list-style-type: none"> - Short-term Bank Deposits, affirmed P-2: Issuers or supporting institutions rated Prime-2 has a strong ability to repay short-term debt obligations. <p><u>Baseline Credit Assessment:</u> BCAs are opinions of issuers' standalone intrinsic strength, absent any extraordinary support from an affiliate or a government.</p> <ul style="list-style-type: none"> - Baseline Credit Assessment, Affirmed ba1: Issuers assessed ba are judged to have speculative intrinsic, or standalone, financial strength, and are subject to substantial credit risk absent any possibility of extraordinary support from an affiliate or a government. The modifier 1 indicates that the obligation ranks in the higher end of its generic assessment category. <p><u>Counterparty Risk Assessment:</u> CRAs are opinions on the likelihood of a default by an issuer on certain senior operating obligations and other contractual commitments.</p> <ul style="list-style-type: none"> - Long-term Counterparty Risk Assessment, affirmed A2(cr): Long-term counterparty risk Assessment reference obligations with an original maturity of one year or more. Issuers assessed A (cr) are judged to be upper-medium grade and are subject to low risk of defaulting on certain senior operating obligations and other contractual commitments. The modifier 2 indicates a mid-range ranking - Short-term Counterparty Risk Assessment, affirmed P-1(cr): Short-term counterparty risk assessments reference obligations with an original maturity of thirteen months or less. Issuers assessed P-1(cr) have a superior ability to honor short-term operating obligations.
Rating effect on the status of the company	<p>The report reflects the strengths and weakness for the bank and Moody's expectations in this regard, also addresses the political stress, any exacerbated negative implications from the coronavirus pandemic and persistently low oil prices as the main engine of the local economy that could be considered the main downside risks to these expectations.</p>
Outlook	<p>Stable. The stable outlook on CBK's ratings reflects the balance between the bank's strong core revenue-generating capacity and solid capital, and provisioning buffers against high credit concentrations, and the</p>

Translation of the press release or executive summary	recent high provisioning charges and write-offs.
	<p>(CBK) A3 long-term deposit rating incorporates four notches of uplift from the bank's ba1 standalone Baseline Credit Assessment (BCA), reflecting our view of a very high probability of support from the Government of Kuwait (A1 stable) in case of need. The bank's short-term deposit rating is Prime-2 while its Counterparty Risk Ratings (CRRs) are at A2/Prime-1 and Counterparty Risk (CR) Assessments at A2 (cr)/Prime-1(cr).</p> <p>Credit strengths</p> <ul style="list-style-type: none"> - Solid capitalisation and high provisions to absorb credit losses. - Strong core profitability, helped by good cost efficiency. - Stable deposit base and significant liquidity buffers. - Very high probability of government support, which underpins the bank's deposit ratings. <p>Credit challenges</p> <ul style="list-style-type: none"> - Credit costs and write-offs have been high in recent years, and credit concentrations drive high asset risks. - Bottom-line earnings are constrained by high provisions. - There are systemic funding concentrations, mostly to government-related entities. <p>Strong core profitability, but bottom-line earnings are still constrained by provisions</p> <p>CBK continues to record strong operating efficiency, with a cost-to-income ratio of around 30.5% during 2020 (2019: 31.6%), supported by a 20% decline in operating expenses during 2020. The bank's pre-provision income/average total assets was 2.0% for the same period, above the system average of around 1.8%, and provides a first line of defense against potential losses.</p> <p>Solid capitalisation buffers to absorb unexpected credit losses</p> <p>CBK reported a Basel III Tier 1 capital adequacy ratio (made up almost exclusively by CET1 capital) of 17.2% as of December 2020, well above the median for its global peers that we rate similarly and the current regulatory requirement.</p> <p>Stable deposit base and significant liquidity buffers, but concentrations remain an issue</p> <p>Deposits fund most of CBK's assets. Customer deposits made up 64% of its non-equity funding, and deposits from non-bank financial Institutions (including Kuwait's Public Institution for Social Security) made up a further 12% as of December 2020.</p>