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Sirs, Boursa Kuwait
Sirs, Capital Markets Authority

السادة/ بورصة الكويت المحترمين
السادة/ هيئة أسواق المال المحترمين

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.

وفقاً لأحكام الفصل الرابع (الإفصاح عن المعلومات الجوهرية) من الكتاب العاشر (الإفصاح والشفافية) من اللائحة التنفيذية للقانون رقم 7/2010 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتهما.

Kindly find attached the Annex No. (8) Disclosure of Credit Rating Form, with regards to initial rating assigned to second tranche of Tier 2 Subordinated unsecured Bond (KWD50mn); First Tranche Rating Affirmed (BBB), With a stable outlook.

مرفق لكم ملحق رقم (8) نموذج الإفصاح عن التصنيف الائتماني، بخصوص تقرير التصنيف الائتماني الصادر من قبل وكالة كابيتال إنتليجنس بشأن التصنيف المبدئي للشريحة الثانية من السندات المساندة غير المضمونة بقيمة (50 مليون دينار كويتي); هو على نفس تصنيف الشريحة الأولى (BBB)، مع نظرة مستقبلية مستقرة.

Best regards,

مع أطيب التمنيات،

تميم الميعان

مدير عام الالتزام والحوكمة

Tamim Al-Mean

GM – Compliance & Corporate Governance



Annex (8)

Disclosure of Credit Rating Form

Date	02 July 2024
Name of Listed Company	Commercial Bank of Kuwait (K.P.S.C)
Entity who issues the rating	Capital Intelligence
Rating category	Capital Intelligence has assigned an issue rating of 'BBB' to the KWD 50mn Basel III-compliant Tier 2 subordinated unsecured bond to be issued by CBK under its KWD100mn Subordinated Tier 2 Bond Programme. This is the second tranche to be issued by the Bank. At the same time, CI Ratings has affirmed the 'BBB' rating of the first KWD50mn Programme tranche, which was issued in September 2023.
Rating implications	Capital Intelligence applies special methodology when rating Bonds issuance, the same can be found on the agency website.
Rating effect on the status of the company	No financial effect on the Bank.
Out Look	Stable. The Stable Outlook indicates that the issue rating are likely to remain unchanged over the next 12 months, in line with the same expectation for the Bank's BSR which is the starting point for the bond rating. CBK has good buffers in place which support the Stable Outlook.
the press release or executive summary	<p>The issue ratings are derived from (i) CBK Bank Standalone Rating (BSR); (ii) the bond's contractual subordination to senior unsecured obligations; and (iii) CI's view that the bond's loss absorption mechanism is unlikely to be triggered before the Bank becomes non-viable on a standalone basis. CI's issue ratings for bank hybrid securities and subordinated debt instruments (especially those with contingent capital features) capture impairment risk (which includes the likelihood of losses due to the activation of any loss absorbing mechanisms) and repayment priority. CI typically uses a bank's BSR as the starting point for such securities. This is because it is considered more likely that extraordinary support, which is factored into foreign currency issuer ratings, will be made available for senior financial obligations than for subordinated obligations. Consequently, from CBK BSR of 'bbb+' CI has deducted one notch for contractual subordination. There is no additional deduction for impairment risk since CI believes that the bond are unlikely to take losses before the Bank has reached the point of non-viability (PONV).</p> <p>The Bank's investment securities portfolio is small, and a large majority of the portfolio comprises debt securities, nearly all of which are quoted. Apart from government bonds (Kuwait, Qatar and the UAE), nearly all other bonds are in generally high-rated bank paper, particularly banks in</p>

the UAE and Qatar.

CBK's funding base and liquidity are viewed as satisfactory. The customer deposit base, including deposits from OFIs, is sizeable and forms a comfortable proportion of liabilities and capital. There is high concentration within the deposit base which is standard for most Kuwaiti banks. The Bank's liquid assets position is good. Customer deposits fell in 2023 as CBK reduced expensive time deposits and targeted cost-of-fund management. The net loans to customer deposits is slightly on the high side but net loans to stable funds ratio is sound, reflecting the very good capital base. Regulatory liquidity ratios were strong at end-2023 and remained so in Q1 2024.

Rating Dynamics: Upside Scenario

The likelihood for an upward revision in the issue rating or the outlook is low and in line with the expectation for the Bank's BSR. An increase in the BSR and hence issue rating could occur if concentration characteristics in the loan and deposit books were reduced, the franchise was strengthened, and provided the financial profile and metrics were at least maintained.

Rating Dynamics: Downside Scenario

Downward pressure on the issue rating or outlook would follow that of the Bank's BSR. A downgrade of the issue rating is possible in the event of a significant deterioration of CBK standalone risk profile connected to the Bank's financial metrics, but with an emphasis on asset quality and liquidity. If the operating environment was to deteriorate, the OPERA might come under pressure; should it be reduced, the issue rating could fall. A downward change to the issue rating could also arise following any clarification on the CBK's stance as to the point at which bond write-off would be triggered should this indicate that it would be earlier than the PONV of the Bank itself.