



Date: 1 October 2019

التاريخ : 1 أكتوبر 2019

To : Boursa Kuwait Company

السادة/ شركة بورصة الكويت المحترمين

Dear sir,

تحية طيبة وبعد،

Subject: Fitch Credit Rating Agency

الموضوع: التصنيف الصادر عن وكالة فيتش

Reference to the Capital Markets Authority's Regulations concerning Disclosure of Substantial Information and the mechanism to announce the same, and to Chapter 4, Book (10), Article 4-1-1/18.

بالإشارة إلى تعليمات هيئة أسواق المال الكتاب العاشر الفصل الرابع مادة 4-1-1-18 بشأن الإفصاح عن المعلومات الجوهرية وألية الإعلان عنها.

We would like to state that Fitch Ratings, London has re-affirmed Kuwait International Bank's (KIB) Long-Term Issuer Default Rating (IDR) at 'A+' with a Stable Outlook. Fitch has also affirmed the Bank's Viability Rating (VR) at 'bb-' according to their report dated 30 September 2019.

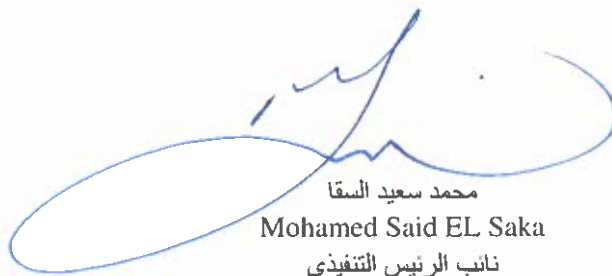
نود الإفادة بأن وكالة التصنيف العالمية "فيتش" قد قامت بتثبيت التصنيف الائتماني طويل الأجل لمصرفنا عند "A+" مع النظرة المستقبلية "مستقرة". بالإضافة الى تثبيت تصنيف القدرة الذاتية للبنك عند "bb-"، وفقاً للتقرير الصادر منها بتاريخ 30 سبتمبر 2019.

Attached is the disclosure form of the credit rating.

ومرفق طيه نموذج الإفصاح عن التصنيف الائتماني.

Best Regards,

وتفضلوا بقبول فائق الاحترام ،،،



محمد سعيد السقا
Mohamed Said EL Saka
نائب الرئيس التنفيذي

Deputy Chief Executive Officer



Disclosure Form of Credit Ratings

Date	1 October 2019
Listed Company	Kuwait International Bank
Rating Agency	Fitch Ratings
Ratings for KIB	<p>Long-term IDR affirmed at 'A+'; Outlook Stable Short-term IDR affirmed at 'F1' Viability Rating affirmed at 'bb-'. Support Rating affirmed at '1' Support Rating Floor affirmed at 'A+'</p>
Rating Denotations	<ol style="list-style-type: none"> 1. Long-term IDRs at (A+): A High credit quality rating denotes 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 case for higher ratings. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. 2. Short-term IDRs at (F1): The Highest short-term credit quality indicates the strongest intrinsic capacity for timely payment of financial commitments. 3. Support Rating (SR) at (1): A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. 4. Support Rating Floor (SRF) at (A+): This rating reflects the agency's view about the likelihood that the rated entity will receive extraordinary support, in case of need, specifically from government authorities. 5. Viability Rating at (bb-): "bb" 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, the bank has higher vulnerability to adverse changes in business or economic conditions over time. The modifiers '+' or '-' may be appended.
Reflection of Ratings on Company's Profile	Credit rating update only – There is no change to the previous rating, which reinforces the Bank's financial position and operating environment.
Outlook	Stable.

Executive Summary

On 30 September 2019, Fitch Ratings affirmed Kuwait International Bank's (KIB) Long-Term Issuer Default Rating (IDR) at 'A+' with a Stable Outlook. Fitch has also affirmed the bank's Viability Rating (VR) at 'bb-'.

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

KIB's IDRs are support-driven. Its Support Rating (SR) and Support Rating Floor (SRF) reflect Fitch's view that there is an extremely high probability of support being provided by the Kuwaiti authorities to all domestic banks if needed. KIB's SRF is in line with Fitch's Domestic-Systemically Important Bank's SRF of 'A+' for Kuwait.

Fitch's expectation of support from the authorities is underpinned by Kuwait's strong ability to provide support to domestic banks, as reflected by its sovereign rating (AA/Stable) and strong willingness to do so irrespective of the banks' size, franchise, funding structure and the level of government ownership.

The Central Bank of Kuwait operates a strict regime with hands-on monitoring to ensure the viability of the banks, and has acted swiftly in the past to provide support where needed. Contagion risk among domestic banks is high (Kuwait is a relatively small and interconnected market) and Fitch believes this is an added incentive to provide state support to any Kuwaiti bank if needed, in order to maintain market confidence and stability.

The Stable Outlook on KIB's Long-Term IDR reflects that on the Kuwaiti sovereign rating.

The VR reflects the bank's small, but growing, domestic franchise, concentrated balance sheet, volatile asset quality, variable profitability and high reliance in wholesale funding. The VR also factors in the bank's adequate capitalisation and well-managed liquidity, as well as a fairly stable operating environment in Kuwait.

Fitch stated that issuance of USD300m additional tier 1 capital notes in 2Q19 restored KIB's tier 1 ratio and CAR to 19.5% and 20.7%, respectively at the end of 1H19.

Fitch also concluded that KIB's liquidity risk remains constrained.

KIB has a small, but growing, franchise in Kuwait, with a market share of about 3% by assets at 31 December 2018. Fitch's assessment, also incorporates KIB's high risk appetite for domestic growth.

Reserve coverage of impaired financing continues to be high by international standards due to the prudent actions of the Central Bank of Kuwait requiring the build-up of precautionary reserves. Fitch considers this is necessary to mitigate the bank's significant concentration.

According to Fitch, upside for KIB's VR could come from further improvement in the bank's franchise and risk appetite, in addition to stabilised asset quality metrics. Downside pressure on the VR could arise from weaker asset quality and capitalisation, particularly if Kuwait were to suffer a stress in the real estate sector.