

TRANSLATION

Date: 3 June 2018
REF: CCG/61/2018

TO: Mr. Khaled Abdulrazaq Al-Khaled
CEO
Boursa Kuwait Securities Company

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 updated credit rating report issued by Capital Intelligence about Commercial Bank of Kuwait.

Please note that there is no change from the previous credit rating as issued in June 2017. Please also be advised that according to the updated rating report all Bank's ratings were affirmed with a stable outlook.

Best regards,



Yaqoub Habib Al-Ebrahim
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

Date	3 June 2018
Name of Listed Company	Commercial Bank of Kuwait (K.P.S.C)
Entity who issues the rating	Capital Intelligence Ratings
Rating category	<ul style="list-style-type: none"> – Foreign Currency Long Term: A+ – Foreign Currency Short Term: A2 – Financial Strength: A- – Support: 1
Rating implications	<ul style="list-style-type: none"> – Foreign Currency Long Term: A+ High credit quality. Strong capacity for timely fulfillment of financial obligations. Possesses many favorable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions. – Foreign Currency Short Term: A2 Strong capacity for timely repayment but may be affected slightly by unexpected adversities. – Financial Strength: A- Strong financial fundamentals and very favorable non-financial considerations. Operating environment may be unstable but institution's market position and/or financial strength more than compensate. – Support: 1 The likelihood of a bank receiving support in the event of difficulties is extremely high. The characteristics of a bank with this support rating may include strong government ownership and/or clear legal guarantees on the part of the state. The bank may also be of such importance to the national economy that state intervention is virtually assured. The ability and willingness of potential supporters to provide sufficient and timely support is extremely strong.
Rating effect on the status of the company	A positive effect on the bank reputation and the strength of its financial position.

Outlook	All ratings carry a stable outlook.
Translation of the press release or executive summary	<p>According to Capital Intelligence (CI Ratings or CI) credit rating report, CI Ratings has affirmed all credit ratings of Commercial Bank of Kuwait (CBK or the Bank) with a stable outlook.</p> <p>Capital Intelligence, the international credit rating agency, announced that it has affirmed Commercial Bank of Kuwait's (ComBK) Financial Strength Rating (FSR) at 'A'. The rating is supported by strong asset quality and much more than full loan loss reserve (LLR) coverage, together with both a particularly strong capital position and the best liquidity in the peer group. The latter is underpinned by low ratios for both loans to customer deposits and loans to stable funds as well as a particularly strong net liquid asset ratio. Although profitability is good at the operating level, the rating is to some extent constrained by ongoing weak profitability at the net level due to continued high provisioning. There are now however grounds for believing that the recently high cost of provisioning will lessen in 2018. The other main constraints are the concentrations in both the loan book and the deposit base, although the latter is mainly due to (desirable) government sector placements. The Outlook on the FSR is 'Stable'.</p> <p>CI Ratings expects ComBK to maintain strong asset quality on LLR coverage metrics, strong capital adequacy, and good liquidity. Profitability is also likely to remain good at the operating level. The main uncertainty for this year and perhaps next is profitability at the net level. In the past, this had been impacted by heavy provisioning for loan assets and more recently against investments and legal cases. However, this latter process seems to be at an end with no substantial legal matters still outstanding. From a purely risk point of view therefore, there would seem to be no obstacle to a significant reduction in the cost of risk in its most general sense. That said, ComBK is a very conservative institution at both the senior management and board levels – and a 'safety first' policy may be maintained for some time to come.</p>