TRANSLATION

Date: 15/9/2016
REF: CCG/169/2016

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

Greetings,

According to item No. (18) of the Article No. (4-1-1) of Chapter four (Disclosure of Material Information) of Rulebook ten (Disclosure and Transparency) of CMA Executive By-laws, kindly find attached the Annex No. (9) Disclosure of Credit Rating Form covering the updated credit rating report issued by Moody's on 8/9/2016.

Please note that there is no change from the previous credit rating opinion as issued in March 2016. Please also be advised that according to the issued report the Bank's rating was confirmed at A3 with a stable outlook.

Best Regards,

Yaqoub Habib Al-Ebrahim
Official Spokesman of CBK
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.

البنك التجاري الكويتي
Commercial Bank of Kuwait

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Annex (9)

Disclosure of Credit Rating Form

Date	15/9/2016
Name of Listed Company	Commercial Bank of Kuwait (K.P.S.C)
Entity who issues the rating	Moody's Agency
Rating category	Bank Deposits: A3/P-2 Baseline Credit Assessment: ba1 Adjusted Baseline Credit Assessment: ba1 Counterparty Risk Assessment: A2(cr)/P-1(cr)
Rating implications	"Moody" applies special methodology when evaluating banks, the same can be found on the Agency website. The A3 long-term deposit ratings assigned to Commercial Bank of Kuwait (CBK) incorporate four notches of support uplift from the bank's ba1 standalone baseline credit assessment (BCA), reflecting our view of a very high probability of government support in the event of need. The bank's short-term deposit rating is Prime-2. Furthermore, we have assigned a Counterparty Risk Assessment (CR Assessment) of A2(cr)/Prime-1(cr) to CBK. CBK's ba1 BCA reflects (1) elevated credit risks, as indicated by high credit concentrations and significant provisioning charges in recent years; and (2) strong core profitability and efficiency but modest bottom-line earnings. The bank's ratings also reflect its comfortable liquidity supported by a deposit-based funding structure and strong capitalization (with tangible common equity to risk-weighted assets of 16.4% as of end-2015). Even though asset quality has been stable in Kuwait, a further sustained reduction in oil prices will negatively affect business confidence and asset prices in Kuwait and may put renewed pressure on the bank's domestic asset quality.
Rating effect on the status of the company	The report reflects, as shown below, the strengths of the bank and the negative aspects of the financial situation, also addresses the changes in oil prices as the main engine of the local economy and that may put renewed pressure on the bank's domestic asset quality.
Outlook	All ratings carry a stable outlook.
Translation of the press release or executive summary	**Detailed Rating Considerations** CBK'S RATING IS SUPPORTED BY ITS "STRONG-" MACRO PROFILE As a primarily domestic bank, CBK's operating environment is heavily influenced by Kuwait, and its Macro Profile is thus aligned with that of Kuwait at Strong-. Banks in Kuwait benefit from the country's very high

	levels of economic strength, with high GDP per capital and high levels of public spending supported by vast hydrocarbon reserves and substantial accumulated net foreign assets. However, Kuwait has been slower than regional peers in developing its non-oil and private sectors and the very high share of oil exports has caused wide fluctuations in economic performance. Economic diversification had also been hindered by the contentious relationship between the government and parliament in the past, while the economy remains vulnerable to regional geopolitical event risks. Our view of Kuwait's operating conditions also reflect (1) the downside risk that sustained low oil prices would negatively affect confidence and asset prices and lead the government to delay implementation of non-essential projects in its national development plan thus moderating growth prospects, (2) elevated credit risks in banks' exposures in certain high-risk sectors and to real estate and equity markets; and (3) the risk of contagion through the high interconnectedness between banks, conglomerates and investment companies and the high lending concentrations in the system. Problem loan levels remains modest, however there are elevated credit risks as indicated by high concentrations and provisioning requirements CBK has made significant progress in cleaning its book of problem loans accumulated between 2008 and 2010, drastically cutting its non-performing loans-to-gross loans ratio to just 0.9% by end-2015 from 15.4% at end-2010. Furthermore, the bank has built-up substantial provisions against potential losses equivalent to 5.2% of gross loans. STRONG CORE PROFITABILITY BUT BOTTOM-LINE EARNINGS AFFECTED BY ELEVATED PROVISIONS CBK exhibits exceptional operating efficiency with a cost-to-income ratio of 28% for the first six months of 2016 (2015: 27%), the best among its domestic rated peers, while pre-provision income at 2.5% of average total assets is slightly above the system average. However, bottom-line profitability remains modest. For the first six months of 2016, CBK reported a net profit of KWD12 million, 30% lower than its net income for the same period in 2015. Net income to tangible assets was 0.6% in the first half of 2016 (2015: 1.2%) and below domestic peers. Net income was still negatively affected by high loan provisioning expenses (as discussed above) but also KWD7 million of provisions charged in the second quarter as a result of a court ruling instructing CBK to pay Kuwait Finance House K.S.C.P. (A1 negative, ba1) KWD44 million, out of which KWD37 million were already provisioned. We expect that CBK's bottom-line profitability will improve slightly for the rest of 2016 though still pressured by elevated provisioning charges.