

TRANSLATION

Date: 17/10/2017
REF: CCGD/87/2017

TO: Mr. Khaled Abdulrazzaq Al-Khaled
Chief Executive Officer
Boursa Kuwait Securities Company

Greetings,

According to 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 credit rating report issued by Fitch on 16/10/2017.

Please note that there is no change from the previous credit rating opinion as issued in October 2016. Please also be advised that according to the issued report the Bank's rating affirmed at "A+" 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.

Annex (9)

Disclosure of Credit Rating Form

Date	17/10/2017
Name of Listed Company	Commercial Bank of Kuwait (K.P.S.C)
Entity who issues the rating	Fitch Ratings
Rating category	<ul style="list-style-type: none"> - Long-Term Issuer Default Rating (IDR): A+ - Short-Term Issuer Default Rating (IDR): F1 - Viability Rating (VR): bb - Support Rating (SR): 1 - Support Rating Floor (SRF): A+
Rating implications	<p>"Fitch" applies special methodology when evaluating banks, the same can be found on the Agency website.</p> <ul style="list-style-type: none"> - Long-Term (IDR): A+ This rating illustrating credit high quality and low possibility of default of fulfillment of obligations towards others. - Short-Term (IDR): F1 This rating indicate the bank self utility to fulfill its liabilities towards others on timely basis. - Viability Rating (VR): bb This rating illustrating the strong financial position and its ability to continue ongoing concern basis without reliance on external support and without availing from exceptional events. - Support Rating (SR): 1 - Support Rating Floor (SRF): A+ Support ratings reflecting extremely high probability of support being provided by the Kuwaiti authorities if needed.
Rating effect on the status of the company	A positive effect on the bank reputation and the strength of its financial position.
Outlook	Stable.
Translation of the press release or executive summary	<p>According to Fitch Ratings report that issued on 16/10/2017, Fitch has affirmed Commercial Bank of Kuwait (CBK) Long-Term Issuer Default Rating (IDR) at "A+" with a Stable Outlook. Fitch has also affirmed the bank's Viability Rating (VR) at "bb".</p> <p>The Stable Outlook on CBK's Long-Term IDR reflects the Stable Outlook on the Kuwaiti sovereign rating. In addition to high probability of support being provided by the Kuwaiti authorities. This is reflected in the SR of '1' and CBK's SRF of 'A+', in line with Fitch's actual country Domestic-Systemically Important Bank SRF.</p>

CBK has a moderate franchise in Kuwait and a good presence in the corporate banking sector. CBK's brand and adequate branch network underpin the bank's distribution capabilities. The bank's business model is domestic-led.

The bank has a competent management team, experienced in local and corporate banking. CBK has a consistent execution under its renewed and clearer strategy.

CBK's impaired loans ratio has continued to improve (0.5% at end-1H17; below peers) as a result of write-offs. Reserve coverage continues to be very high due to the prudent actions of the Central Bank of Kuwait, requiring the build-up of precautionary general reserves. Fitch believes this is necessary in light of the bank's significant concentration by sector and by single obligor due to Kuwait's narrow economy. Concentrations will remain a constraint on asset-quality.

CBK's profitability is improving and compares well with peers (operating profit/risk weighted assets ratio was 1.6% in 2016). Net interest margins are increasing and the bank has demonstrated good cost-efficiency (cost-to-income ratio was 29% in 1H17; lower than peers) and ability to reduce impairment charges (although these remain higher than peers). Fitch's assessment incorporates the large impairment charges registered for the legal case related to the Boubyan Bank shares. The bank's good non-interest income (fees and commissions represent 26% of operating income; higher than peers) supports earnings' stability. However, profitability will remain sensitive to economic and interest rate cycles in Kuwait.

CBK's capital and leverage ratios are stable and above peers (the Core Capital ratio was 18.3% at end-1H17). CBK's liquidity is well-managed and liquidity risk remains contained.