

TRANSLATION

Date: 9 October 2018
REF: CCGD/119/2018

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 Bylaws of Law No. 7/2010 and its amendment.

Kindly find attached the Annex No. (9) Disclosure of Credit Rating Form covering the credit rating report issued by Fitch about Commercial Bank of Kuwait.

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

Best Regards,



Tamim Khaled Al Meaan
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	9 October 2018
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	<p>Stable. The Stable outlook on CBK's Long-Term IDR reflects that on the Kuwaiti sovereign rating.</p>
Translation of the press release or executive summary	<p>According to the credit rating report issued by Fitch about Commercial Bank of Kuwait (CBK or the Bank), Fitch has affirmed CBK Long-Term Issuer Default Rating (IDR) at "A+" with a Stable Outlook. Fitch has also affirmed CBK Viability Rating (VR) at "bb".</p> <p>CBK has a moderate franchise in Kuwait and a good presence in the corporate banking sector. CBK brand and adequate branch network underpin the bank's</p>

predominant is domestic focus. The Bank has a competent management team, experienced in local and corporate banking; consistent execution has been achieved under its renewed and clearer strategy.

CBK maintains a low impaired loans ratio of about 0.5% through higher write offs than the sector average. Unlike local peers, CBK fully write-offs impaired exposures shortly after classification and quickly initiates recovery efforts. 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.

The Bank's core capital ratios remain comfortably above the banking sector average (15%), with a FCC ratio of 19.8% at end-1H18. CBK liquidity is well managed and liquidity risk remains contained.

CBK profitability is improving and compares well with peers (operating profit/risk weighted assets ratio was 1.7% in 2017). Net interest margins are increasing and the bank has demonstrated good cost-efficiency (cost-to-income ratio was 30% in 1H18; lower than peers) and ability to reduce impairment charges (although these remain higher than peers). The Bank's good non-interest income (fees and commissions represent 25% of operating income; higher than peers) supports earnings' stability. Profitability will remain highly sensitive to economic conditions in Kuwait.