

TRANSLATION

Date: 18 November 2018
REF: CCG/139/2018

TO: Mr. Khaled Abdulrazaq Al-Khaled
Chief Executive Officer
Bursa 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 Moody's about Commercial Bank of Kuwait.

Please note that there is no change from the previous credit ratings as issued in June and July 2018. Please also be advised that according to the updated 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	18 November 2018
Name of Listed Company	Commercial Bank of Kuwait (K.P.S.C)
Entity who issues the rating	Moody's
Rating category	<ul style="list-style-type: none"> - Long-term Counterparty Risk Ratings: A2 - Short-term Counterparty Risk Ratings: P-1 - Long-term Bank Deposits: A3 - Short-term Bank Deposits: P-2 - Long-term Counterparty Risk Assessment: A2(cr) - Short-term Counterparty Risk Assessment: P-1(cr) - Baseline Credit Assessment: ba1 - Adjusted Baseline Credit Assessment: ba1
Rating implications	<p>"Moody's" applies special methodology when rating banks, the same can be found on the agency website.</p> <p><u>Counterparty Risk Ratings:</u> CRRs are opinions of the ability of entities to honor the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honored.</p> <ul style="list-style-type: none"> - Long-term Counterparty Risk Ratings, affirmed A2: Obligations rated A are judged to be upper-medium grade and are subject to low credit risk. The modifier 2 indicates a mid-range ranking. - Short-term Counterparty Risk Ratings, affirmed P-1: Issuers or supporting institutions rated P-1 have a superior ability to repay short-term debt obligations. <p><u>Bank Deposit Ratings:</u> BDRs are opinions of a bank's ability to repay punctually its foreign and/or domestic currency deposit obligations and also reflect the expected financial loss of the default.</p> <ul style="list-style-type: none"> - Long-term Bank Deposits, affirmed A3 stable: Obligations rated A are judged to be upper-medium grade and are subject to low credit risk. The modifier 3 indicates a ranking in the lower end of that generic rating category. - Short-term Bank Deposits, affirmed P-2: Issuers or supporting institutions rated Prime-2 has a strong ability to repay short-term debt obligations. <p><u>Counterparty Risk Assessment:</u> CRAs are opinions on the likelihood of a default by an issuer on certain senior operating obligations and other contractual commitments.</p> <ul style="list-style-type: none"> - Long-term Counterparty Risk Assessment, affirmed A2(cr): Long-term counterparty risk Assessment reference obligations with an original maturity of one year or more.

	<p>Issuers assessed A (cr) are judged to be upper-medium grade and are subject to low risk of defaulting on certain senior operating obligations and other contractual commitments. the modifier 2 indicates a mid-range ranking</p> <ul style="list-style-type: none"> – Short-term Counterparty Risk Assessment, affirmed P-1(cr): Short-term counterparty risk assessments reference obligations with an original maturity of thirteen months or less. Issuers assessed P-1(cr) have a superior ability to honor short-term operating obligations. <p><u>Baseline Credit Assessment:</u> BCAs are opinions of issuers’ standalone intrinsic strength, absent any extraordinary support from an affiliate or a government.</p> <ul style="list-style-type: none"> – Baseline Credit Assessment, Affirmed ba1: Issuers assessed ba are judged to have speculative intrinsic, or standalone, financial strength, and are subject to substantial credit risk absent any possibility of extraordinary support from an affiliate or a government. The modifier 1 indicates that the obligation ranks in the higher end of its generic assessment category.
<p>Rating effect on the status of the company</p>	<p>The report reflects the strengths and weakness for the bank and Moody’s expectations in this regard, also addresses the changes in oil prices as the main engine of the local economy that could be considered the main downside risks to these expectations.</p>
<p>Outlook</p>	<p>Stable</p> <p>The stable outlook on bank’s long-term deposit ratings reflects Moody’s expectations that the bank will maintain its solid capital and provisioning buffers, and its strong revenue-generating capacity, that help balance high concentrations and absorb its high provisioning charges and write-offs.</p> <p>Moody’s also expects benign operating conditions in Kuwait will support the bank’s performance over the next 12-18 months. Political stress or a renewed weakness in oil prices are the main downside risks to these expectations.</p>
<p>Translation of the press release or executive summary</p>	<p>Moody's affirms the bank’s ratings with stable outlook.</p> <p>Moody's has affirmed the bank A3 long-term and Prime-2 short-term deposit ratings. At the same time, the rating agency affirmed bank’s A2/Prime-1 Counterparty Risk Ratings (CRR), A2(cr)/Prime-1(cr) Counterparty Risk Assessment (CR Assessment), and the bank's baseline credit assessment (BCA) and Adjusted BCA at ba1. The outlook on bank’s long-term deposit ratings remains stable.</p> <p>The bank’s A3 deposit ratings benefit from four notches of uplift from the bank's ba1 BCA and Adjusted BCA, and reflect Moody's view of a very high probability of support from the Government of Kuwait, in the event of need. This assumption reflects the Kuwaiti authorities' track record of supporting all banks that encounter difficulties and bank’s relative importance to the country's financial system as a medium-sized national bank with a market share of around 6% of consolidated system assets as of year-end 2017.</p> <p>The bank’s posted a pre-provision income/average total assets ratio of 2.5% for the first nine months of 2018, higher than the Kuwaiti system average of around 2.3%. The bank also benefits from exceptional operating efficiency with a cost-to-</p>

income ratio of 29%. The bank's bottom-line profitability remained constrained by the relatively high provisions. Net income/tangible assets were 0.5% for the first nine months of the year, below the 1.3% average for Kuwaiti conventional banks.