

**TRANSLATION**

Date: 04/06/2017

REF: CCG/56/2017

**TO: Mr. Khaled Abdulrazaq Al-Khaled**  
Vice Chairman and CEO  
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 updated credit rating report issued by Capital Intelligence on 1/6/2017.

**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 all Bank's ratings were affirmed 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	4/6/2017
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"> <li>- Foreign Currency Long Term: A+</li> <li>- Foreign Currency Short Term: A2</li> <li>- Financial Strength: A-</li> <li>- Support: 1</li> </ul>
Rating implications	<ul style="list-style-type: none"> <li>- <b>Foreign Currency Long Term: A+</b> 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.</li> <li>- <b>Foreign Currency Short Term: A2</b> Strong capacity for timely repayment but may be affected slightly by unexpected adversities.</li> <li>- <b>Financial Strength: A-</b> 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.</li> <li>- <b>Support: 1</b> 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.</li> </ul>
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) report that issued on 1/6/2017, CI Ratings has affirmed all ratings of Commercial Bank of Kuwait (CBK or the Bank) with a stable outlook.</p> <p>CI Ratings announced that it has affirmed the Long-Term Foreign Currency Rating (FCR) of CBK at 'A+' and the Short-Term FCR at 'A2'.</p>





The Outlook on these ratings remains 'Stable'. The Support Rating is maintained at '1', reflecting both the Kuwait government's blanket guarantee of all customer deposits placed in Kuwait, and the record of both the central bank and wider Kuwaiti government in supporting Kuwaiti banks in times of need.

CI Ratings also affirms CBK 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 good capital position and good liquidity. Although profitability is good at the operating level, the rating is to some extent constrained by continuing weak profitability at the net level due to continued high provisioning. There had been some hope that this might have slackened last year, but instead the cost of credit has risen as the Bank moved to rebuild reserves depleted by legal settlements. The other main constraints are the concentrations (although these are reducing) in both the loan book and the deposit base, although the latter is mainly due to (desirable) longer tenor government sector placements. The Outlook on the FSR is 'Stable'. As the Support Rating is '1', the Long-Term FCR is set two notches above the FSR.

The main profitability yardstick for management remains the return on equity at the operating level – and this is expected to continue to be good this year. The outlook for profitability at the net level is more uncertain. The need to provision for and then write-off a single large loan in H1 2015 required a sizeable drawdown on general LLRs while the loss of a legal case in H1 2016 meant a drawdown on the legal reserve. Management has steadily rebuilt both reserves but it remains uncertain as to when the process will be completed. The effect of this is likely to again be constrained profits at the net level.