Industrial Bank of Kuwait

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	bb+
Support Rating	1
Support Rating Floor	A+
Sovereign Risk	
Long-Term Foreign-Currency IDR	AA
Long-Term Local-Currency IDR	AA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

Industrial Bank of Kuwait

	30 Sep 13	31 Dec 12
Total assets (USDm)	2,261.3	2,382.3
Total assets (KWDm)	639.5	669.9
Total equity (KWDm)	219.3	211.4
Operating profit (KWDm)	7.2	8.4
Published net income (KWDm)	7.1	8.4
Comprehensive income (KWDm)	12.0	7.5
Operating ROAA (%)	1.5	1.3
Operating ROAE (%)	4.4	4.0
Internal capital generation (%)	1.9	2.1
Fitch core capital/weighted risks (%)	48.5	44.0
Tier 1 ratio (%)	44.6	42.0

Key Rating Drivers

Strong Capitalisation but Limited Scale: The Industrial Bank of Kuwait's (IBK) IDRs, Support Rating and Support Rating Floor reflect the extremely high probability of support from the state of Kuwait, should it be required.

The Viability Rating (VR) reflects the bank's very strong capitalisation, good liquidity, its secure and low-cost funding and the strengthening of its risk management systems. It also reflects the bank's modest franchise, restricted activities and consequent balance sheet concentrations, in addition to pressure on underlying asset quality.

Strong External Support: Fitch Ratings believes there to be an extremely high probability that support would be provided by the state of Kuwait, if ever needed. This is based on Kuwait's 49% direct ownership and further 14% indirect ownership of IBK, IBK's role as Kuwait's sole development bank, the long-term government funding provided for its development activities, and the Kuwaiti authorities' long history of strong support for Kuwaiti banks.

Safe Balance Sheet Structure: With its vanilla balance sheet; high capitalisation (Fitch core capital ratio of 48.5% at end-9M13); the majority of its funding profile taking the form of a 20-year subordinated loan, maturing in 2027, which was received from the government of Kuwait; its low level of customer deposits and substantial liquidity in the form of government and CBK bonds (KWD239m; about 37% of end-9M13 assets), IBK has the ability to withstand large shocks to its balance sheet.

Sound Profitability: As a development bank profitability is not necessarily the main goal for IBK. Nonetheless, IBK has shown good levels of profitability, despite recent asset quality issues and lack of new lending opportunities in the Kuwaiti market. Net income at 9M13 was flat yoy, as lower net interest income and fee income in 9M13 were offset by higher gains on securities and lower loan impairment charges.

Concentrations Affect Asset Quality: Impaired loan levels have been on the increase from the year end (9M13: KWD17.6m, end-2012: KWD12.9m), but have improved significantly from last year (9M12: KWD48m) due to write-offs and restructuring. The increase in 9M13 primarily relates to one exposure that has become non-performing, highlighting the concentration risks at IBK. Reserve coverage declined but remained at a very high 152% at 9M13.

What Could Trigger a Rating Action

Change in Support: IBK's IDRs have a Stable Outlook, reflecting the Kuwaiti sovereign's Stable Outlook. Any alteration would reflect a change in the authorities' willingness or ability to support the bank, which Fitch considers unlikely.

Change in Asset Quality: The VR could be downgraded if there were a weakening of asset quality significant enough to affect the bank's capitalisation, or a material and sustained deterioration in profitability.

The VR is to a certain extent constrained by IBK's limited mandate and franchise; it is only able to lend to companies operating in the industrial sector and there have been limited lending opportunities in this sector over the past few years. Any upgrade would require a significant strengthening of the bank's franchise, alongside improving asset quality and reduced concentration levels.

Analysts

Laila Sadek
+44 20 3530 1308
laila.sadek@fitchratings.com

Patrick Breen
+44 20 3530 1645
patrick.breen@fitchratings.com

Profile

IBK was set up in 1973 to develop, promote and finance the Kuwaiti industrial sector. It is the only development bank in Kuwait. The state of Kuwait is IBK's largest shareholder, with a 49% direct ownership through its own 31% stake, the Central Bank of Kuwait's (CBK) 13% stake and the Public Institution for Social Security's 5% stake. The Kuwaiti state owns a further 14% indirectly through Wafra International Investment Company, an investment management company wholly owned by the Public Institution for Social Security. The remaining shares are held by local financial institutions and industrial companies, each with stakes of less than 5%.

Of IBK's nine directors, five are government appointees. The bank does however operate relatively independently, focusing as much on credit risk management as on its developmental mandate. IBK is to a large extent subject to the same regulations as other local commercial banks but with some exceptions. Having no retail deposit base, it is, for example, exempt from regulations stipulating the maximum loans/deposits ratio. The bank operates from its head office in the capital and one branch in the Kuwaiti industrial district of Sabhan.

IBK finances Kuwaiti industrial enterprises, providing both subsidised lending at a fixed and relatively low rate, and commercial lending, largely short-term working-capital facilities, which are priced closer to market rates. Unlike most of its peers, the bank can extend long-term project finance loans where this type of longer-term financing is required. As a development bank, IBK is barred from taking retail deposits, and although it is qualified to take wholesale deposits, these are still a relatively small – but growing – part of its funding. The bank is mostly funded via a long-term government loan maturing in 2027.

Promoting growth in the industrial sector is mostly done through debt financing, but IBK also holds equity stakes in local industrial companies. Domestic equity investments are made through the bank's wholly owned subsidiary, Kuwait Industrial Projects Company (KIPCO). KIPCO also holds and manages assets taken over by IBK as a result of loan defaults. These investments are still a relatively small part of IBK's business and KIPCO accounts for only about 5% of consolidated assets.

The bank also manages three government trust portfolios that have developmental aims. One is for investing in agricultural development projects, another for smaller entrepreneurs and artisanal projects, and the third is a sharia-compliant trust for industrial development. Portfolio funds under management totalled KWD233m at end-9M13.

Performance

IBK's flat performance in 9M13 was due to relatively slow growth in Kuwait and limited lending opportunities to the industrial sector. The Kuwaiti government's attempts to diversify the economy away from the oil sector and improve the local infrastructure through its development plan showed early promise in 2010. However, further progress has not been seen as the projects have been delayed due to political infighting. It is unlikely there will be much credit growth in the sector until the development projects begin to get underway.

Pre-impairment operating profit fell by 6% yoy as IBK saw lower interest income due to the smaller loan book and lower yields. Net Income however remained flat, as a slight decrease in loan impairment charges (down to KWD5.7m at 9M13 from KWD6m at 9M12) and higher gains on securities offset the lower net interest income. Although decreasing, loan impairment charges are still a high 44% of pre-impairment operating profit but are part of IBK's conservative provisioning rather than an indication of pressure on asset quality.

Costs remain well controlled as IBK's cost/income ratio at 9M13 was 32.6%, low even for the GCC region thanks to an absence of a branch network. Staff costs are the main expense item at about 77% of the total. The lack of lending opportunities has led IBK to focus on containing costs. Kuwaiti banks are not subject to corporate income tax, but contribute 1% of their profits

Related Criteria

Global Financial Institutions Rating Criteria (August 2012)

Evaluating Corporate Governance (December 2012) to the Kuwait Foundation for the Advancement of Sciences.

Risk Management

IBK has an independent risk management department, reporting to the bank's chairman and managing director, which is responsible for managing credit, market, liquidity and operational risk. IBK's risk management is adequate for the level of risks the bank undertakes.

Credit Risk

IBK has reasonably robust credit risk management systems and controls. The bank uses a 10-grade internal rating scale to classify its loan exposures. Internal ratings are reviewed regularly. IBK has two separate committees that oversee the different type of lending; the commercial lending and investments are overseen by the banking and finance committee and the project finance (the subsidised lending) is overseen by the projects committee. In line with other Kuwaiti banks, IBK has adopted the standardised approach to credit risk under Basel II.

Loans (KWD287m or 45% of Assets at End-9M13)

As IBK's mandate states the bank can only lend to industrial companies, credit risk is concentrated on the industrial and manufacturing sectors. Despite this narrow mandate IBK has diversified within the sector spanning the construction and building materials, petrochemicals, metal products and engineering, companies servicing the oil sector, food and beverages, and the paper industries.

Gross loans fell by 6% in the 9 months to 9M13 as new lending opportunities were limited. IBK is unlikely to see much credit growth until the government's development plan begins to get underway. In addition, the low interest rate environment in Kuwait has limited IBK's opportunities for credit growth as it has allowed commercial banks to compete with IBK's subsidised loan rates.

The bank's loan book is split almost evenly between subsidised project finance lending and commercial-rate lending. Subsidised lending is generally medium- to long-term and offered for the establishment of new industrial projects or the expansion of existing ones. IBK finances up to 65% of any new project's total cost and up to 80% of expansion costs. All loans are secured by a charge on the fixed assets being financed. Interest is charged at a fixed low rate for the duration of the financing. All of the bank's subsidised lending is local.

The commercial banking business offers lending at market rates, these loans are typically for working-capital facilities and trade finance. IBK uses the relationships developed by its subsidised loans to garner commercial customers. Bridging facilities are offered, pending approval of subsidised loans from the industrial development lending department. IBK is looking for ways to widen the scope of its mandate, and interprets its mandate in relatively broad terms to include lending to investment companies as long as they re-invest the funds in industrial enterprises. However IBK has implemented stricter lending criteria and has improved due diligence for this sector, following the problems that Kuwaiti investment companies have suffered from since 2008.

The loan book is highly concentrated by borrower, although this is consistent with the activities of a development bank operating in a relatively small local market, and focused only on the industrial sector. The concentration of the loan book means the bank's impaired loan ratio tends to be highly volatile, as one problem exposure can alter the ratio significantly. The increase in NPLs from 3.9% at end-2012 to 6.1% at 9M13 was largely due to one exposure, highlighting this concentration risk. The top 20 exposures account for 73.3% of gross loans and 132.1% of Fitch core capital at 9M13.

Impaired Loans Lower

Impaired loans are lower than their level at end-9M12 (KWD48m) as IBK wrote off some non-performing exposures and restructured others. However most of this improvement was achieved in Q412 when the impaired loan balance was KWD12.9m, or 3.9% of the loan book; in 9M13 impaired lending increased again to KWD17.6m (5.6% of the loan book) due to one exposure becoming impaired. Excluding this one exposure, new impairments were minimal. Subsidised project finance lending is typically of better quality than commercial lending, and benefits from stronger collateral coverage.

Reserve coverage declined in the nine months to 9M13, as increases in impaired loans outstripped increases in reserves, but the reserve level remained at a very high 152% of impaired loans. Reserves are made in line with local IFRS and CBK regulations, which, aside from reserves on impaired loans, also require a collective impairment reserve of 1% for cash facilities and 0.5% for non-cash facilities. Banks are also able to take further general reserves to provide buffers for future problem loans and are encouraged by the CBK to maintain high coverage ratios.

Investments Mainly Kuwaiti Government Debt

The majority of IBK's investments relate to Kuwaiti government or CBK bonds which stood at KWD238m (or 37% of the balance sheet) at end-9M13 (listed as "other securities" in the attached spreadsheet). IBK holds KWD69m of available-for-sale investments (about 11% of total assets), of these investments about KWD55m are international. The majority of international investments are small investments in large number of private equity funds, which are diversified based upon geography and asset class.

The local investments primarily relate to equity investments made by IBK's subsidiary KIPCO. As part of IBK's development role, KIPCO invests directly in local industrial companies. Although a small proportion of the companies held at KIPCO were taken over for restruction purposes following a default. Fitch does not expect the investment portfolio to increase in volume in the near-term future.

Market and Operational Risk

IBK's portfolio of investment securities exposes the bank to some equity price risk. IBK is conservative when investing, and all investments over KWD1m are referred to the board for approval. Investments with private equity funds are only taken with reputable managers, with whom the bank has an existing relationship. Monitoring is adequate, and Fitch considers the exposure to be acceptable, given the bank's very strong capitalisation.

Interest rate risk in the loan book is low. For subsidised lending the government loan provides a fixed funding cost and the lending is done at fixed rates. For commercial lending, funding and most commercial lending are at floating rates. The bank conducts regular stress testing of its interest rate exposure.

The majority of IBK's balance sheet is denominated in dinars. Among other currencies the US Dollar is significant but exchange rate risk is minor, especially given the relatively stable peg of the dinar to a US dollar-dominated basket of currencies. The bank is not actively involved in equity or bond trading and derivatives are only used for hedging purposes. IBK does not use value-at-risk to measure its market risk exposure, but has limits on investment size, country and counterparty exposure.

Like other Kuwaiti banks, IBK has adopted the standardised approach to operational risk under Basel II. IBK has an operational risk assessment process in place with focus on key risk indicators that are specific to the operational area. Following its own risk assessment IBK has identified the need to upgrade its IT infrastructure and has made considerable progress on this front. This overhaul of the system will have a positive impact for its risk management and reporting.

Funding, Liquidity and Capital

Long-Term Government Loan Provides Stable Funding

IBK's licence restricts it from undertaking any form of retail activity, including deposit-taking. The bank does have some corporate deposits, but these are at a low 17% of non-equity funding at 9M13. Depositors are normally local businesses that are also borrowers of the bank. The majority of the bank's funding comes from a long-term subordinated loan granted to IBK by the Kuwaiti government, which matures in 2027. This KWD300m loan made up about 74% of non-equity funding at 9M13. IBK considers this funding to be virtually perpetual and further extensions to this loan are likely, given the bank's state ownership and longstanding development role. The loan provides low-cost funding for the bank's subsidised and commercial lending activities.

IBK expects deposits to increase as the commercial banking business develops. However, the government loan will remain the key source of its funding. Liquidity is strong with cash, interbank placements and Kuwaiti government treasury bills and bonds covering 64% of non-equity funding (241% if excluding the government loan). Most of IBK's liquidity is in KWD.

Very Strong Capital Levels

IBK has very strong capital levels even when taking into consideration its asset quality and loan book concentrations. Tier 1 and Fitch core capital ratios were 44.6% and 48.5% at end-9M13. The Tier 1 ratio is slightly lower than the Fitch core capital ratio, as capital investments in subsidiaries are deducted and interim earnings are excluded from Tier 1 capital. Tier 2 capital arises mainly from the bank's government loan, which, as subordinated long-term debt, qualifies for up to 50% of Tier 1 capital.

Industrial Bank Of Kuwait
Income Statement

	30 Sep 2013			31 Dec 2012		30 Sep 2012		31 Dec 2011	
	9 Months - 3rd Quarter	ths - 3rd Quarter	As % of	Year End	As % of	s - 3rd Quarter	As % of	Year End	As % of
	USDm	KWDm		KWDm	Earning	KWDm	Earning	KWDm	Earning
	Unknown	Unknown	Earning Assets	Unqualified	Assets	Unaudited	Assets	Unqualified	Assets
1. Interest Income on Loans	43.5	12.3	2.65	18.7	2.89	13.9	2.92	18.2	2.89
2. Other Interest Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Dividend Income	2.1	0.6	0.13	0.4	0.06	0.4	0.08	0.3	0.05
4. Gross Interest and Dividend Income	**45.6**	**12.9**	**2.78**	**19.1**	**2.95**	**14.3**	**3.01**	**18.5**	**2.93**
5. Interest Expense on Customer Deposits	7.1	2.0	0.43	3.0	0.46	2.2	0.46	3.0	0.48
6. Other Interest Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Total Interest Expense	**7.1**	**2.0**	**0.43**	**3.0**	**0.46**	**2.2**	**0.46**	**3.0**	**0.48**
8. Net Interest Income	**38.5**	**10.9**	**2.35**	**16.1**	**2.48**	**12.1**	**2.55**	**15.5**	**2.46**
9. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	-	n.a.	-	(0.1)	(0.02)	n.a.	-
10. Net Gains (Losses) on Other Securities	12.7	3.6	0.78	3.8	0.59	2.6	0.55	3.1	0.49
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	10.3	2.9	0.62	4.3	0.66	3.2	0.67	3.7	0.59
14. Other Operating Income	4.6	1.3	0.28	0.8	0.12	0.9	0.19	1.2	0.19
15. Total Non-Interest Operating Income	**27.6**	**7.8**	**1.68**	**8.9**	**1.37**	**6.6**	**1.39**	**8.0**	**1.27**
16. Personnel Expenses	16.6	4.7	1.01	5.6	0.86	3.8	0.80	6.2	0.98
17. Other Operating Expenses	5.0	1.4	0.30	2.7	0.42	1.6	0.34	1.9	0.30
18. Total Non-Interest Expenses	**21.6**	**6.1**	**1.31**	**8.3**	**1.28**	**5.4**	**1.14**	**8.1**	**1.28**
19. Equity-accounted Profit/ Loss - Operating	1.1	0.3	0.06	0.5	0.08	0.4	0.08	0.5	0.08
20. Pre-Impairment Operating Profit	**45.6**	**12.9**	**2.78**	**17.2**	**2.65**	**13.7**	**2.88**	**15.9**	**2.52**
21. Loan Impairment Charge	20.2	5.7	1.23	7.4	1.14	6.0	1.26	5.0	0.79
22. Securities and Other Credit Impairment Charges	0.0	0.0	0.00	1.4	0.22	0.5	0.11	2.5	0.40
23. Operating Profit	**25.5**	**7.2**	**1.55**	**8.4**	**1.30**	**7.2**	**1.51**	**8.4**	**1.33**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	**25.5**	**7.2**	**1.55**	**8.4**	**1.30**	**7.2**	**1.51**	**8.4**	**1.33**
30. Tax expense	0.4	0.1	0.02	0.0	0.00	0.3	0.06	0.0	0.00
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	**25.1**	**7.1**	**1.53**	**8.4**	**1.30**	**6.9**	**1.45**	**8.4**	**1.33**
33. Change in Value of AFS Investments	14.9	4.2	0.90	(0.9)	(0.14)	(0.5)	(0.11)	0.4	0.06
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	2.5	0.7	0.15	0.0	0.00	(0.9)	(0.19)	(0.1)	(0.02)
37. Fitch Comprehensive Income	**42.4**	**12.0**	**2.58**	**7.5**	**1.16**	**5.5**	**1.16**	**8.7**	**1.38**
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	25.1	7.1	1.53	8.4	1.30	6.9	1.45	8.4	1.33
40. Memo: Common Dividends Relating to the Period	14.1	4.0	0.86	4.0	0.62	0.0	0.00	4.0	0.63
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = KWD0.28280		USD1 = KWD0.28120		USD1 = KWD0.28110		USD1 = KWD0.27860	

Industrial Bank Of Kuwait
Balance Sheet

	30 Sep 2013			31 Dec 2012		31 Dec 2011		31 Dec 2010	
	9 Months - 3rd Quarter	s - 3rd Quarter	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	KWDm	Assets	KWDm	Assets	KWDm	Assets	KWDm	Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Corporate & Commercial Loans	1,107.9	313.3	48.99	333.7	49.81	350.8	53.75	364.1	59.86
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Less: Reserves for Impaired Loans/ NPLs	94.4	26.7	4.18	21.0	3.13	27.0	4.14	33.5	5.51
7. Net Loans	**1,013.4**	**286.6**	**44.82**	**312.7**	**46.68**	**323.8**	**49.61**	**330.6**	**54.35**
8. Gross Loans	**1,107.9**	**313.3**	**48.99**	**333.7**	**49.81**	**350.8**	**53.75**	**364.1**	**59.86**
9. Memo: Impaired Loans included above	62.2	17.6	2.75	12.9	1.93	22.1	3.39	31.8	5.23
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
B. Other Earning Assets									
1. Loans and Advances to Banks	74.6	21.1	3.30	35.8	5.34	29.7	4.55	31.2	5.13
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Available for Sale Securities	240.1	67.9	10.62	62.0	9.26	63.1	9.67	60.1	9.88
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. At-equity Investments in Associates	24.4	6.9	1.08	6.9	1.03	6.2	0.95	6.1	1.00
8. Other Securities	843.4	238.5	37.29	230.7	34.44	207.7	31.82	161.4	26.53
9. Total Securities	**1,107.9**	**313.3**	**48.99**	**299.6**	**44.72**	**277.0**	**42.44**	**227.6**	**37.42**
10. Memo: Government Securities included Above	843.4	238.5	37.29	230.7	34.44	207.7	31.82	161.3	26.52
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	**2,195.9**	**621.0**	**97.11**	**648.1**	**96.75**	**630.5**	**96.60**	**589.4**	**96.89**
C. Non-Earning Assets									
1. Cash and Due From Banks	8.1	2.3	0.36	4.7	0.70	5.0	0.77	1.4	0.23
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	13.4	3.8	0.59	3.8	0.57	3.8	0.58	3.9	0.64
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	43.8	12.4	1.94	13.3	1.99	13.4	2.05	13.6	2.24
11. Total Assets	**2,261.3**	**639.5**	**100.00**	**669.9**	**100.00**	**652.7**	**100.00**	**608.3**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	247.2	69.9	10.93	128.5	19.18	88.0	13.48	35.3	5.80
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Total Customer Deposits	**247.2**	**69.9**	**10.93**	**128.5**	**19.18**	**88.0**	**13.48**	**35.3**	**5.80**
5. Deposits from Banks	137.2	38.8	6.07	18.9	2.82	45.1	6.91	35.6	5.85
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Deposits, Money Market and Short-term Funding	**384.4**	**108.7**	**17.00**	**147.4**	**22.00**	**133.1**	**20.39**	**70.9**	**11.66**
9. Senior Debt Maturing after 1 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	21.0	3.45
10. Subordinated Borrowing	1,060.8	300.0	46.91	300.0	44.78	300.0	45.96	300.0	49.32
11. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Total Long Term Funding	**1,060.8**	**300.0**	**46.91**	**300.0**	**44.78**	**300.0**	**45.96**	**321.0**	**52.77**
13. Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Funding	**1,445.2**	**408.7**	**63.91**	**447.4**	**66.79**	**433.1**	**66.36**	**391.9**	**64.43**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Current Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	40.7	11.5	1.80	11.1	1.66	11.7	1.79	13.2	2.17
10. Total Liabilities	**1,485.9**	**420.2**	**65.71**	**458.5**	**68.44**	**444.8**	**68.15**	**405.1**	**66.60**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
2. Pref. Shares and Hybrid Capital accounted for as Equity	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
G. Equity									
1. Common Equity	738.0	208.7	32.63	205.7	30.71	201.3	30.84	196.9	32.37
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	37.5	10.6	1.66	5.7	0.85	6.6	1.01	6.3	1.04
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Total Equity	**775.5**	**219.3**	**34.29**	**211.4**	**31.56**	**207.9**	**31.85**	**203.2**	**33.40**
7. Total Liabilities and Equity	**2,261.3**	**639.5**	**100.00**	**669.9**	**100.00**	**652.7**	**100.00**	**608.3**	**100.00**
8. Memo: Fitch Core Capital	775.5	219.3	34.29	211.4	31.56	207.9	31.85	203.2	33.40
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = KWD0.28280		USD1 = KWD0.28120		USD1 = KWD0.27860		USD1 = KWD0.28060	

Industrial Bank Of Kuwait
Summary Analytics

	30 Sep 2013 9 Months - 3rd Quarter	31 Dec 2012 Year End	31 Dec 2011 Year End	31 Dec 2010 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	5.07	5.43	5.07	5.31
2. Interest Expense on Customer Deposits/ Average Customer Deposits	2.70	3.10	4.06	7.58
3. Interest Income/ Average Earning Assets	2.72	2.99	3.01	3.38
4. Interest Expense/ Average Interest-bearing Liabilities	0.62	0.68	0.72	0.66
5. Net Interest Income/ Average Earning Assets	2.30	2.52	2.53	2.93
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.10	1.36	1.71	0.92
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	2.30	2.52	2.53	2.93
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	41.71	35.60	34.04	35.29
2. Non-Interest Expense/ Gross Revenues	32.62	33.20	34.47	26.47
3. Non-Interest Expense/ Average Assets	1.25	1.26	1.27	1.16
4. Pre-impairment Op. Profit/ Average Equity	8.01	8.21	7.68	10.46
5. Pre-impairment Op. Profit/ Average Total Assets	2.63	2.61	2.50	3.35
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	44.19	51.16	47.17	60.10
7. Operating Profit/ Average Equity	4.47	4.01	4.06	4.17
8. Operating Profit/ Average Total Assets	1.47	1.28	1.32	1.34
9. Taxes/ Pre-tax Profit	1.39	0.00	0.00	2.41
10. Pre-Impairment Operating Profit / Risk Weighted Assets	3.81	3.58	3.19	4.15
11. Operating Profit / Risk Weighted Assets	2.13	1.75	1.68	1.66
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	4.41	4.01	4.06	4.07
2. Net Income/ Average Total Assets	1.45	1.28	1.32	1.31
3. Fitch Comprehensive Income/ Average Total Equity	7.45	3.58	4.20	6.18
4. Fitch Comprehensive Income/ Average Total Assets	2.45	1.14	1.37	1.98
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	2.10	1.75	1.68	1.62
7. Fitch Comprehensive Income/ Risk Weighted Assets	3.55	1.56	1.74	2.45
D. Capitalization				
1. Fitch Core Capital/Weighted Risks	48.49	44.03	41.66	40.53
2. Fitch Eligible Capital/ Weighted Risks	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	34.29	31.56	31.85	33.40
4. Tier 1 Regulatory Capital Ratio	44.59	42.01	39.53	38.46
5. Total Regulatory Capital Ratio	69.11	64.72	61.07	59.40
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	34.29	31.56	31.85	33.40
8. Cash Dividends Paid & Declared/ Net Income	56.34	47.62	47.62	49.38
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	33.33	53.33	45.98	32.52
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	1.89	2.08	2.12	2.02
E. Loan Quality				
1. Growth of Total Assets	(4.54)	2.64	7.30	(3.51)
2. Growth of Gross Loans	(6.11)	(4.87)	(3.65)	(5.82)
3. Impaired Loans(NPLs)/ Gross Loans	5.62	3.87	6.30	8.73
4. Reserves for Impaired Loans/ Gross loans	8.52	6.29	7.70	9.20
5. Reserves for Impaired Loans/ Impaired Loans	151.70	162.79	122.17	105.35
6. Impaired Loans less Reserves for Imp Loans/ Equity	(4.15)	(3.83)	(2.36)	(0.84)
7. Loan Impairment Charges/ Average Gross Loans	2.36	2.15	1.39	3.21
8. Net Charge-offs/ Average Gross Loans	0.00	3.92	3.21	0.00
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Asse	5.62	3.87	6.30	8.73
F. Funding				
1. Loans/ Customer Deposits	448.21	259.69	398.64	1,031.44
2. Interbank Assets/ Interbank Liabilities	54.38	189.42	65.85	87.64
3. Customer Deposits/ Total Funding excl Derivatives	17.10	28.72	20.32	9.01

Industrial Bank Of Kuwait
Reference Data

	30 Sep 2013			31 Dec 2012		31 Dec 2011		31 Dec 2010	
	9 Months - 3rd Quarters - 3rd Quarter		As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	KWDm	Assets	KWDm	Assets	KWDm	Assets	KWDm	Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	189.5	53.6	8.38	53.3	7.96	46.5	7.12	35.2	5.79
4. Acceptances and documentary credits reported off-balance sheet	78.5	22.2	3.47	25.7	3.84	10.6	1.62	26.8	4.41
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Total Business Volume	2,529.3	715.3	111.85	748.9	111.79	709.8	108.75	670.3	110.19
8. Memo: Total Weighted Risks	1,599.4	452.3	70.73	480.1	71.67	499.0	76.45	501.4	82.43
9. Fitch Adjustments to Weighted Risks.	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
10. Fitch Adjusted Weighted Risks	1,599.4	452.3	70.73	480.1	71.67	499.0	76.45	501.4	82.43
B. Average Balance Sheet									
Average Loans	1,143.9	323.5	50.59	344.7	51.46	358.7	54.96	376.8	61.94
Average Earning Assets	2,244.0	634.6	99.23	637.9	95.22	613.6	94.01	600.6	98.73
Average Assets	2,315.1	654.7	102.38	658.8	98.34	635.8	97.41	620.3	101.97
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	1,513.8	428.1	66.94	438.1	65.40	415.9	63.72	409.3	67.29
Average Common equity	732.7	207.2	32.40	203.7	30.41	199.9	30.63	194.3	31.94
Average Equity	761.7	215.4	33.68	209.6	31.29	207.0	31.71	198.9	32.70
Average Customer Deposits	350.8	99.2	15.51	96.8	14.45	73.9	11.32	35.6	5.85
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	155.1	23.15	153.2	23.47	177.1	29.11
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	145.7	21.75	144.2	22.09	135.3	22.24
Loans & Advances > 5 years	n.a.	n.a.	-	11.9	1.78	26.5	4.06	18.2	2.99
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	181.5	27.09	195.3	29.92	143.8	23.64
Debt Securities 1 - 5 Years	n.a.	n.a.	-	32.2	4.81	16.0	2.45	5.4	0.89
Debt Securities > 5 Years	n.a.	n.a.	-	79.0	11.79	59.4	9.10	72.2	11.87
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	16.0	2.63
Interbank 3 - 12 Months	n.a.	n.a.	-	35.8	5.34	29.7	4.55	16.6	2.73
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	114.4	17.08	55.2	8.46	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	14.1	2.10	18.9	2.90	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	13.9	2.13	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	35.3	5.80
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	35.6	5.85
Interbank 3 - 12 Months	n.a.	n.a.	-	18.9	2.82	45.1	6.91	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	7.0	1.15
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	314.0	51.62
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	321.0	52.77
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	300.0	44.78	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	1,060.8	300.0	46.91	300.0	44.78	300.0	45.96	300.0	49.32
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	775.5	219.3	34.29	211.4	31.56	207.9	31.85	203.2	33.40
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	775.5	219.3	34.29	211.4	31.56	207.9	31.85	n.a.	-
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	775.5	219.3	34.29	211.4	31.56	207.9	31.85	203.2	33.40
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	**775.5**	**219.3**	**34.29**	**211.4**	**31.56**	**207.9**	**31.85**	**203.2**	**33.40**
10. Eligible weighted Hybrid capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	**n.a.**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**
Exchange Rate	USD1 = KWD0.28280			USD1 = KWD0.28120		USD1 = KWD0.27860		USD1 = KWD0.28060	

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.