FitchRatings

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	Stable
Sovereign Long-Term	Stable

Financial Data

Industrial Bank of Kuwait

	31 Dec 14	31 Dec 13
Total assets (USDm)	2,281.4	2,317.0
Total assets (KWDm)	668.0	653.4
Total equity (KWDm)	228.5	222.3
Operating profit (KWDm)	12.1	9.3
Published net income (KWDm)	10.4	9.1
Comprehensive income (KWDm)	12.2	14.9
Operating ROAA (%)	1.6	1.4
Operating ROAE (%)	4.6	4.2
Internal capital generation (%)	1.1	1.4
Fitch Core Capital/weighted risks (%)	48.0	48.6
Tier 1 ratio (%)	46.3	44.7

Related Research

Kuwait (December 2014)

2015 Outlook: GCC/Middle East Banks (December 2014)

Analysts

Mahin Dissanayake
+44 20 3530 1618
mahin.dissanayake@fitchratings.com

Andrew Parkinson
+44 20 3530 1420
andrew.parkinson@fitchratings.com

Key Rating Drivers

Support-Driven IDRs: Industrial Bank Of Kuwait's (IBK) IDRs, Support Rating and Support Rating Floor reflect the extremely high probability that support would be available to the bank from Kuwait if required. This is based on Kuwait's 63% ownership (direct and indirect), IBK's development mandate and the state provision of most of the bank's funding through a 20-year subordinated loan. Kuwait also has a record of supporting its banking sector.

Development Mandate: IBK has a policy role of developing local industries. Its specialised focus means that the bank's company profile has a high influence on the Viability Rating (VR).

Government Funding Support: IBK has a strong funding profile due to being predominantly funded by a long-term subordinated loan from the state, which represents 68% of non-equity funding. IBK is restricted from taking retail deposits but can take corporate deposits.

Good Capital Ratios: The VR also reflects IBK's strong capital ratios, which are prudent given the bank's sensitivity to concentration risk. IBK's total capital adequacy ratio (CAR) no longer benefits from the subordinated loan from the state following the implementation of Basel III in Kuwait in 2014. Despite this, IBK's CAR remains among the highest in the region.

Pre-Set Risk Appetite: Given the bank's restricted mandate, there is little flexibility to change its sensitivity to loan concentrations.

Subdued Operating Environment: IBK's ability to generate new business has been hampered by the subdued operating environment in Kuwait due to slow government spending and low interest rates. However, volumes could rise, with several major government-sponsored projects financed in 2014. This is likely to create increased growth opportunities for the bank.

Shrinking of Loan Book: IBK's loan book shrank for a second year (by 8%) in 2014. Lack of industrial sector demand for credit and investment explains the absence of growth. In addition, the low interest rates put commercial banks in direct competition with IBK's subsidised lending programme, which accounts for 50% of its loan book.

Low Impaired Loans: Asset quality is sound. Impaired loans were only 0.53% of gross loans at end-2014. Furthermore, NPLs (defined by the central bank as 90 days past due) formed a low 1.37% of gross loans. Reserve coverage remains very high. This conservative approach helps counterbalance IBK's sensitivity to significant borrower concentration risk.

Stable Profitability: IBK has maintained stable absolute profitability as well as steady margins and revenues despite the decrease in the loan book.

Rating Sensitivities

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

Improved Franchise: A significant strengthening of the bank's company profile and lower concentrations could benefit the VR. Downside to the VR could arise from a weakening of asset quality significant enough to affect the bank's capitalisation, or a material and sustained deterioration in profitability. Furthermore, a loss of its government funding, although highly unlikely, could lead to a downgrade of the bank's VR.

Support

IDR Based on Sovereign Support

Fitch believes the Kuwaiti authorities have a strong ability to support the entire banking sector given the sovereign's extremely strong balance sheet and holdings of large foreign reserves. This supersedes the concentration of the banking system.

In Fitch's view, propensity to support the banking sector remains very strong in Kuwait. The Central Bank of Kuwait (CBK) operates a strict regime with hands-on monitoring to ensure the viability of the banks and has acted swiftly in the past to provide support where needed; as in the case of Gulf Bank (Gulf; A+/Stable), which ran into problems in 2009. There is high contagion risk given the small number and high concentration of banks in the system. In addition any bank failure will entail a major reputation risk to Kuwait

Fitch believes that franchise and/or level of government ownership should not necessarily lead to a difference in banks' Support Rating Floors (SRFs) in the case of Kuwait. Our view is that there is an extremely high probability that any Kuwaiti bank that required support would receive it, irrespective of franchise and ownership, Therefore all rated banks (with the exception of the flagship bank, National Bank of Kuwait) have their SRF equal to the actual country D-SIBs (domestic systemically important banks) SRF in Kuwait and IBK is no exception.

Operating Environment

Sovereign Rating of 'AA'

The sovereign rating is underpinned by an exceptional sovereign balance sheet. Net foreign assets represented 200% of GDP at end-2013. There are weaknesses in the rating, such as oil dependence, which has hampered economic growth in the wake of OPEC-led production constraints. A historical lack of capital spending has also hampered growth.

The Kuwaiti economy is to a large extent driven by government spending. The economy is heavily reliant on oil revenues and whilst some progress has been made in growing the non-oil sector, banks remain reliant on government infrastructure projects. The environment in Kuwait has been sluggish for a significant period. Major government spending plans announced at the start of the decade have failed to materialise, amid disputes between political parties and the incumbent parliament and the government, which are separate bodies in the Kuwaiti political landscape. Since the most recent elections in 2013, there have been signs of these tensions easing. Further evidence of government projects being approved will improve the domestic environment.

Company Profile

IBK was established in 1973 on the initiative of the government of Kuwait to promote domestic industrial development. It is the only development bank in Kuwait and plays a key role in financing Kuwait's industrial sector. The state is IBK's largest shareholder, with 49% direct ownership through its own 31% stake, the CBK's 13% and the Public Institution for Social Security's 5%. The 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, reinforcing the links to the state. However, the bank operates relatively independently and has a commercial focus despite its policy role. Regulated by the CBK, IBK is largely subject to the same regulations as other local commercial banks, but with some exceptions. As it has no customer deposit base as such, 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.

Related Criteria

Global Bank Rating Criteria (March 2015)

IBK offers medium- and long-term financing to Kuwaiti industrial enterprises through either a 3.5% fixed-rate industrial loan programme (its core product) or commercial lending (largely short-term working-capital to industries), which is priced closer to market rates. The book is split 50/50 between industrial loans and commercial loans. The bank has financed 991 projects under the industrial loan programme (19 financed in 2014).

Other activities include investments and treasury, aimed at diversifying revenues. Growth constraints in its core business mean that the bank has expanded in investments, primarily in international private equity, managed by third-party asset managers. This activity has been supplemented by the bank taking equity stakes in local industrial companies. On the treasury front, IBK invests in domestic government bonds, corporate bonds and foreign currencies.

The bank also manages three government trust portfolios that have developmental aims. One is for investing in agricultural development projects, another is for smaller entrepreneurs and artisanal projects, and the third is a sharia-compliant trust for industrial development. Portfolio funds under management totalled KWD143m at end-2014.

Management and Strategy

As a development bank, IBK has a very narrow scope of operations and strategy that can be pursued by its management. This has been highlighted in recent periods by low credit demand in the industrial sector, which translated into an inability to expand the lending base. Management, although confident that there will be more opportunities arising from increased public sector spending, has plans to diversify IBK's scope of activities, although this is subject to CBK approval.

Risk Appetite

IBK's risk framework has been strengthened. IBK has a conservative risk appetite, with lending decisions taken on a commercial basis despite its policy role. Risk management is commensurate with the bank's risk profile and in line with the domestic commercial banks. It manages credit risk adequately, but IBK is exposed to market risk through investments – although this is small. Excess liquidity is managed in a conservative way by investing in sovereign debt and lending to the interbank market. Available-for-sale assets, exposed to market risk, represent a small fraction of total assets (10% at end-2014) and Fitch does not expect them to grow.

Financial Profile

Funding and Liquidity

IBK's funding profile is a key rating strength. The bank's licence restricts it from undertaking any form of retail activity, including taking deposits. It has some corporate deposits, but these were a low 14% of non-equity funding at end-2014. Depositors are normally industries that are also borrowers of the bank. The vast majority of the bank's funding comes from a long-term KWD300m subordinated loan from the Kuwaiti government, which matures in 2027. This loan made up about 68% of non-equity funding at end-2014. IBK considers this funding to be virtually perpetual and extensions to the loan are likely, due to 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 72% of non-equity funding (225% if excluding the government loan). Most of IBK's liquidity is in dinars.

Earnings and Profitability

Profitability is not necessary the main goal for IBK due to its development bank status. Nonetheless IBK's performance has been stable and is expected to remain so in the future. IBK achieved 15% growth in net income in 2014 owing to write-off reversals and overall cost efficiency. On the negative side, modest business expansion in muted operating conditions translated in a reduction in net interest income for the second consecutive year. Fitch does not expect the recent drop in oil prices to reduce government infrastructure spending in Kuwait from current levels. In reality there appears to be a resurgence in infrastructure spending, which could create more business opportunities for the bank. This would inevitably strengthen the bank's earnings and profitability.

Fitch expects the bank to continue to follow a conservative provisioning policy by fully reserving all non-performing exposures. The bank has also achieved better cost efficiency, with its cost/income falling to 32% in 2014 (2013: 35.6%). Staff costs are the main expense item, at about 79% of the total. Kuwaiti banks are not subject to corporate income tax, but contribute 1% of their profits to the Kuwait Foundation for the Advancement of Sciences.

Asset Quality

In Fitch's view, IBK has reasonably robust credit risk management systems and controls. It uses a 10-grade internal rating scale to classify its loan exposures. Internal ratings are reviewed regularly. Other lines of defence include committees to assess the key risks the bank takes. Like other Kuwaiti banks, IBK has adopted the standardised approach to credit risk under Basel III.

Loans (KWD263m, 39% of Assets at end-2014)

According to IBK's mandate, the bank can only lend to industrial companies. Credit risk is therefore concentrated on the industrial and related manufacturing sectors. Despite this, IBK has sufficiently diversified within these sectors and has exposures to a number of sub-sectors such as construction and building materials, petrochemicals, metal products and engineering, oil services, food and beverages, and paper.

Gross loans fell a further 8% in 2014 after having fallen by 8% in 2013 because of limited lending opportunities. The low interest rates have also placed commercial banks in direct competition with IBK's subsidised lending. Fitch believes a return to loan growth is closely dependent on execution of the government's development plans.

Loans to banks increased by 137% in 2014 to KWD115m mainly to deploy surplus liquidity. 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 extended to 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 domestic.

Commercial banking 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 new 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, which it interprets in relatively broad terms to include lending to investment companies as long as they reinvest the funds in industrial enterprises. However, IBK has implemented stricter lending criteria and has improved due diligence for this sector in light of 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 has resulted in a highly volatile impaired loan ratio, as one problem exposure can alter the ratio significantly.

Impaired Loans

Impaired loans declined to KWD1.5m at end- 2014 due to write-offs and were 0.53% of gross loans. Total NPLs according to CBK definitions (over 90 days past due) are still manageable at 1.37% of gross loans. Reserves for impaired loans and total past due loans are very high.

Investments

Most of IBK's investments relate to Kuwaiti government or CBK bonds, which were KWD192m (or 29% of the balance sheet) at end-2014, held for revenue and liquidity purposes. IBK holds KWD68m of available-for-sale investments (about 10% of total assets), of which around KWD62m are international. Most international investments are small and include a number of private equity funds, which are diversified by geography and asset class.

The local investments (KWD6.5m) primarily relate to equity investments made by IBK's subsidiary, Kuwait Industrial Projects Company. As part of IBK's development role, the subsidiary invests directly in local industrial companies. The investment portfolio was reduced by 49% in 2014 mainly due to exits, and Fitch expects it to increase in volume in the near term.

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 placed with reputable managers, with whom the bank has an existing relationship. Monitoring is adequate and Fitch considers the exposure to be acceptable due to the bank's very strong capitalisation.

Interest rate risk in the loan book is considered low. The low-cost government loan, which represents 68% of non-equity funding, is both fixed (0.5%) and floating rate. IBK uses the fixed-rate borrowing to fund its subsidised lending (52% of total loans) fixed at 3.5%. The floating-rate funding (at three-month Kibor) is used to fund its floating-rate commercial loans. Other balance sheet items are not long-dated and reprice quickly. The bank conducts regular stress-testing of its interest rate exposure.

Most of IBK's balance sheet is denominated in Kuwaiti dinars. Other currency positions are small, with the US dollar the largest exposure. However, US dollar 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 III. IBK has an operational risk assessment process with a 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 on its risk management and reporting.

Capital

IBK has very strong capital ratios even when taking into consideration its asset quality and loan book concentrations. Basel III Tier 1 and Fitch Core Capital ratios were 46.27% and 47.95%, respectively, at end-2014. 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. The total regulatory capital ratio dropped to 47.42% at end-2014 from 69.37% at end-2013 due to the exclusion from Tier 2 capital of the bank's subordinated loan from the government, in line with Basel III guidelines.

Industrial Bank Of Kuwait
Income Statement

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm Unqualified	Year End KWDm Unqualified	As % of Earning Assets	Year End KWDm Unqualified	As % of Earning Assets	Year End KWDm Unqualified	As % of Earning Assets	Year End KWDm Unqualified	As % of Earning Assets
1. Interest Income on Loans	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
2. Other Interest Income	56.4	16.5	2.56	16.8	2.65	18.7	2.89	18.2	2.89
3. Dividend Income	2.0	0.6	0.09	0.6	0.09	0.4	0.06	0.3	0.05
4. Gross Interest and Dividend Income	**58.4**	**17.1**	**2.65**	**17.4**	**2.75**	**19.1**	**2.95**	**18.5**	**2.93**
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
6. Other Interest Expense	10.2	3.0	0.47	2.7	0.43	3.0	0.46	3.0	0.48
7. Total Interest Expense	**10.2**	**3.0**	**0.47**	**2.7**	**0.43**	**3.0**	**0.46**	**3.0**	**0.48**
8. Net Interest Income	**48.2**	**14.1**	**2.19**	**14.7**	**2.32**	**16.1**	**2.48**	**15.5**	**2.46**
9. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Net Gains (Losses) on Other Securities	25.3	7.4	1.15	6.2	0.98	3.8	0.59	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	15.7	4.6	0.71	3.9	0.62	4.3	0.66	3.7	0.59
14. Other Operating Income	0.7	0.2	0.03	0.2	0.03	0.8	0.12	1.2	0.19
15. Total Non-Interest Operating Income	**41.7**	**12.2**	**1.89**	**10.3**	**1.63**	**8.9**	**1.37**	**8.0**	**1.27**
16. Personnel Expenses	25.3	7.4	1.15	6.4	1.01	5.6	0.86	6.2	0.98
17. Other Operating Expenses	3.4	1.0	0.16	2.5	0.40	2.6	0.40	1.8	0.29
18. Total Non-Interest Expenses	**28.7**	**8.4**	**1.30**	**8.9**	**1.41**	**8.2**	**1.27**	**8.0**	**1.27**
19. Equity-accounted Profit/ Loss - Operating	(0.3)	(0.1)	(0.02)	0.6	0.09	0.5	0.08	0.5	0.08
20. Pre-Impairment Operating Profit	**60.8**	**17.8**	**2.76**	**16.7**	**2.64**	**17.3**	**2.67**	**16.0**	**2.54**
21. Loan Impairment Charge	8.5	2.5	0.39	5.4	0.85	7.4	1.14	5.0	0.79
22. Securities and Other Credit Impairment Charges	10.9	3.2	0.50	2.0	0.32	1.4	0.22	2.5	0.40
23. Operating Profit	**41.3**	**12.1**	**1.88**	**9.3**	**1.47**	**8.5**	**1.31**	**8.5**	**1.35**
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	1.7	0.5	0.08	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	**39.6**	**11.6**	**1.80**	**9.3**	**1.47**	**8.5**	**1.31**	**8.5**	**1.35**
30. Tax expense	4.1	1.2	0.19	0.2	0.03	0.1	0.02	0.1	0.02
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	**35.5**	**10.4**	**1.61**	**9.1**	**1.44**	**8.4**	**1.30**	**8.4**	**1.33**
33. Change in Value of AFS Investments	5.8	1.7	0.26	5.8	0.92	(0.9)	(0.14)	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)	0.3	0.1	0.02	0.0	0.00	0.0	0.00	(0.1)	(0.02)
37. Fitch Comprehensive Income	**41.7**	**12.2**	**1.89**	**14.9**	**2.35**	**7.5**	**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	35.5	10.4	1.61	9.1	1.44	8.4	1.30	8.4	1.33
40. Memo: Common Dividends Relating to the Period	27.3	8.0	1.24	6.0	0.95	4.0	0.62	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 = KWD0.29280			USD1 = KWD0.28200		USD1 = KWD0.28120		USD1 = KWD0.27860	

Industrial Bank Of Kuwait
Balance Sheet

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm	Year End KWDm	As % of Assets	Year End KWDm	As % of Assets	Year End KWDm	As % of Assets	Year End KWDm	As % of 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	963.1	282.0	42.22	306.7	46.94	333.7	49.81	350.8	53.75
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Less: Reserves for Impaired Loans	65.9	19.3	2.89	27.6	4.22	21.0	3.13	27.0	4.14
7. Net Loans	**897.2**	**262.7**	**39.33**	**279.1**	**42.72**	**312.7**	**46.68**	**323.8**	**49.61**
8. Gross Loans	**963.1**	**282.0**	**42.22**	**306.7**	**46.94**	**333.7**	**49.81**	**350.8**	**53.75**
9. Memo: Impaired Loans included above	5.1	1.5	0.22	2.9	0.44	2.0	0.30	9.5	1.46
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	392.8	115.0	17.22	48.5	7.42	35.8	5.34	29.7	4.55
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	233.3	68.3	10.22	66.6	10.19	62.0	9.26	63.1	9.67
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Equity Investments in Associates	23.9	7.0	1.05	14.7	2.25	6.9	1.03	6.2	0.95
8. Other Securities	655.1	191.8	28.71	224.0	34.28	230.7	34.44	207.7	31.82
9. Total Securities	**912.2**	**267.1**	**39.99**	**305.3**	**46.72**	**299.6**	**44.72**	**277.0**	**42.44**
10. Memo: Government Securities included Above	655.1	191.8	28.71	224.0	34.28	230.7	34.44	207.7	31.82
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	**2,202.2**	**644.8**	**96.53**	**632.9**	**96.86**	**648.1**	**96.75**	**630.5**	**96.60**
C. Non-Earning Assets									
1. Cash and Due From Banks	26.3	7.7	1.15	12.1	1.85	4.7	0.70	5.0	0.77
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	13.0	3.8	0.57	3.8	0.58	3.8	0.57	3.8	0.58
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	40.0	11.7	1.75	4.6	0.70	13.3	1.99	13.4	2.05
11. Total Assets	**2,281.4**	**668.0**	**100.00**	**653.4**	**100.00**	**669.9**	**100.00**	**652.7**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	213.1	62.4	9.34	81.3	12.44	128.5	19.18	88.0	13.48
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	**213.1**	**62.4**	**9.34**	**81.3**	**12.44**	**128.5**	**19.18**	**88.0**	**13.48**
5. Deposits from Banks	214.5	62.8	9.40	36.6	5.60	18.9	2.82	45.1	6.91
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	**427.6**	**125.2**	**18.74**	**117.9**	**18.04**	**147.4**	**22.00**	**133.1**	**20.39**
9. Senior Debt Maturing after 1 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Subordinated Borrowing	1,024.6	300.0	44.91	300.0	45.91	300.0	44.78	300.0	45.96
11. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Total Long Term Funding	**1,024.6**	**300.0**	**44.91**	**300.0**	**45.91**	**300.0**	**44.78**	**300.0**	**45.96**
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	**1,452.2**	**425.2**	**63.65**	**417.9**	**63.96**	**447.4**	**66.79**	**433.1**	**66.36**
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	48.8	14.3	2.14	13.2	2.02	11.1	1.66	11.7	1.79
10. Total Liabilities	**1,501.0**	**439.5**	**65.79**	**431.1**	**65.98**	**458.5**	**68.44**	**444.8**	**68.15**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
G. Equity									
1. Common Equity	735.0	215.2	32.22	210.7	32.25	205.7	30.71	201.3	30.84
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	45.4	13.3	1.99	11.6	1.78	5.7	0.85	6.6	1.01
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	**780.4**	**228.5**	**34.21**	**222.3**	**34.02**	**211.4**	**31.56**	**207.9**	**31.85**
7. Total Liabilities and Equity	**2,281.4**	**668.0**	**100.00**	**653.4**	**100.00**	**669.9**	**100.00**	**652.7**	**100.00**
8. Memo: Fitch Core Capital	780.4	228.5	34.21	222.3	34.02	211.4	31.56	207.9	31.85
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = KWD0.29280		USD1 = KWD0.28200		USD1 = KWD0.28120		USD1 = KWD0.27860	

Industrial Bank Of Kuwait
Summary Analytics

	31 Dec 2014 Year End	31 Dec 2013 Year End	31 Dec 2012 Year End	31 Dec 2011 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	0.00	0.00	0.00	0.00
2. Interest Expense on Customer Deposits/ Average Customer Deposits	0.00	0.00	0.00	0.00
3. Interest Income/ Average Earning Assets	2.73	2.72	2.99	3.01
4. Interest Expense/ Average Interest-bearing Liabilities	0.72	0.62	0.68	0.72
5. Net Interest Income/ Average Earning Assets	2.25	2.30	2.52	2.53
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.85	1.45	1.36	1.71
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	2.25	2.30	2.52	2.53
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	46.39	41.20	35.60	34.04
2. Non-Interest Expense/ Gross Revenues	31.94	35.60	32.80	34.04
3. Non-Interest Expense/ Average Assets	1.28	1.35	1.24	1.26
4. Pre-impairment Op. Profit/ Average Equity	7.90	7.70	8.25	7.73
5. Pre-impairment Op. Profit/ Average Total Assets	2.71	2.52	2.63	2.52
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	32.02	44.31	50.87	46.88
7. Operating Profit/ Average Equity	5.37	4.29	4.06	4.11
8. Operating Profit/ Average Total Assets	1.84	1.41	1.29	1.34
9. Taxes/ Pre-tax Profit	10.34	2.15	1.18	1.18
10. Pre-Impairment Operating Profit / Risk Weighted Assets	3.74	3.65	3.60	3.21
11. Operating Profit / Risk Weighted Assets	2.54	2.03	1.77	1.70
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	4.62	4.20	4.01	4.06
2. Net Income/ Average Total Assets	1.59	1.38	1.28	1.32
3. Fitch Comprehensive Income/ Average Total Equity	5.42	6.87	3.58	4.20
4. Fitch Comprehensive Income/ Average Total Assets	1.86	2.25	1.14	1.37
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	2.18	1.99	1.75	1.68
7. Fitch Comprehensive Income/ Risk Weighted Assets	2.56	3.25	1.56	1.74
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	47.95	48.55	44.03	41.66
2. Fitch Eligible Capital/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	34.21	34.02	31.56	31.85
4. Tier 1 Regulatory Capital Ratio	46.27	44.72	42.01	39.53
5. Total Regulatory Capital Ratio	47.42	69.37	64.72	61.07
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	34.21	34.02	31.56	31.85
8. Cash Dividends Paid & Declared/ Net Income	76.92	65.93	47.62	47.62
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	65.57	40.27	53.33	45.98
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Internal Capital Generation	1.05	1.39	2.08	2.12
E. Loan Quality				
1. Growth of Total Assets	2.23	(2.46)	2.64	7.30
2. Growth of Gross Loans	(8.05)	(8.09)	(4.87)	(3.65)
3. Impaired Loans/ Gross Loans	0.53	0.95	0.60	2.71
4. Reserves for Impaired Loans/ Gross Loans	6.84	9.00	6.29	7.70
5. Reserves for Impaired Loans/ Impaired Loans	1,286.67	951.72	1,050.00	284.21
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	(7.79)	(11.11)	(8.99)	(8.42)
7. Impaired Loans less Reserves for Impaired Loans/ Equity	(7.79)	(11.11)	(8.99)	(8.42)
8. Loan Impairment Charges/ Average Gross Loans	0.84	1.69	2.15	1.39
9. Net Charge-offs/ Average Gross Loans	4.90	n.a.	3.92	3.21
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Ass	0.53	0.95	0.60	2.71
F. Funding				
1. Loans/ Customer Deposits	451.92	377.24	259.69	398.64
2. Interbank Assets/ Interbank Liabilities	183.12	132.51	189.42	65.85
3. Customer Deposits/ Total Funding (excluding derivatives)	14.68	19.45	28.72	20.32

Industrial Bank Of Kuwait
Reference Data

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm	Year End KWDm	As % of Assets	Year End KWDm	As % of Assets	Year End KWDm	As % of Assets	Year End KWDm	As % of 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	171.4	50.2	7.51	52.6	8.05	53.3	7.96	46.5	7.12
4. Acceptances and documentary credits reported off-balance sheet	56.7	16.6	2.49	23.6	3.61	25.7	3.84	10.6	1.62
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	2,509.6	734.8	110.00	729.6	111.66	748.9	111.79	709.8	108.75
8. Memo: Risk Weighted Assets	n.a.	n.a.	-	457.9	70.08	480.1	71.67	499.0	76.45
9. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
10. Fitch Adjusted Risk Weighted Assets	n.a.	n.a.	-	457.9	70.08	480.1	71.67	499.0	76.45
B. Average Balance Sheet									
Average Loans	1,010.9	296.0	44.31	320.2	49.01	344.7	51.46	358.7	54.96
Average Earning Assets	2,137.3	625.8	93.68	640.5	98.03	637.9	95.22	613.6	94.01
Average Assets	2,240.8	656.1	98.22	661.7	101.27	658.8	98.34	635.8	97.41
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	1,418.0	415.2	62.16	432.7	66.22	438.1	65.40	415.9	63.72
Average Common equity	726.1	212.6	31.83	208.2	31.86	203.7	30.41	199.9	30.63
Average Equity	769.1	225.2	33.71	216.9	33.20	209.6	31.29	207.0	31.71
Average Customer Deposits	230.2	67.4	10.09	104.9	16.05	96.8	14.45	73.9	11.32
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	406.8	119.1	17.83	132.0	20.20	155.1	23.15	153.2	23.47
Loans and Advances 1 - 5 Years	455.3	133.3	19.96	131.2	20.08	145.7	21.75	144.2	22.09
Loans & Advances > 5 years	35.2	10.3	1.54	15.9	2.43	11.9	1.78	26.5	4.06
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	152.4	23.32	181.5	27.09	195.3	29.92
Debt Securities 1 - 5 Years	n.a.	n.a.	-	47.6	7.28	32.2	4.81	16.0	2.45
Debt Securities > 5 Years	n.a.	n.a.	-	90.6	13.87	79.0	11.79	59.4	9.10
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 3 - 12 Months	392.8	115.0	17.22	48.5	7.42	35.8	5.34	29.7	4.55
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 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	163.3	47.8	7.16	48.0	7.35	114.4	17.08	55.2	8.46
Retail Deposits 1 - 5 Years	49.9	14.6	2.19	33.3	5.10	14.1	2.10	18.9	2.90
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	13.9	2.13
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
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.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	214.5	62.8	9.40	36.6	5.60	18.9	2.82	45.1	6.91
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 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.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
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.	-	n.a.	-
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	1,024.6	300.0	44.91	300.0	45.91	300.0	44.78	n.a.	-
Total Subordinated Debt on Balance Sheet	1,024.6	300.0	44.91	300.0	45.91	300.0	44.78	300.0	45.96
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	780.4	228.5	34.21	222.3	34.02	211.4	31.56	207.9	31.85
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	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	780.4	228.5	34.21	222.3	34.02	211.4	31.56	207.9	31.85
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	780.4	228.5	34.21	222.3	34.02	211.4	31.56	207.9	31.85
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	**780.4**	**228.5**	**34.21**	**222.3**	**34.02**	**211.4**	**31.56**	**207.9**	**31.85**
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 = KWD0.29280		USD1 = KWD0.28200		USD1 = KWD0.28120		USD1 = KWD0.27860	

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