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 15	31 Dec 14
Total assets (USDm)	2,056.0	2,281.4
Total assets (KWDm)	624.0	668.0
Total equity (KWDm)	228.3	228.5
Operating profit (KWDm)	9.5	11.1
Published net income (KWDm)	9.3	10.4
Comprehensive income (KWDm)	7.8	12.2
Operating ROAA (%)	1.5	1.5
Operating ROAE (%)	4.2	5.0
Internal capital generation (%)	1.45	1.1
Fitch Core Capital/ weighted risks (%)	47.0	48.0
Tier 1 ratio (%)	45.7	46.3

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Key Rating Drivers

Support-Driven IDRs: Industrial Bank of Kuwait's (IBK) ratings reflect an extremely high probability of support from the Kuwaiti authorities if required. Fitch Ratings' view of support considers the ability and propensity of Kuwait (AA/Stable) to provide support to IBK given the bank's majority state ownership (63%), its key development mandate and its reliance on government funding. Kuwait also has a record of supporting its banking sector.

Development Mandate: IBK's Viability Rating (VR) is highly influenced by its company profile, reflecting its sole mandate of developing local industries. IBK's primary focus is the provision of concessionary medium- and long-term financing for the establishment, expansion and modernisation of private-sector industries. The bank also provides commercial banking, mainly working capital. Therefore, its risk profile differs from that of commercial banks.

Tougher Operating Environment: The domestic operating environment is not immune to lower oil prices but Fitch believes pressure will be partially offset by rising government spending as this filters down to the wider economy. Tougher conditions in Kuwait and the region will, however, translate to slower asset and revenue growth for the bank in 2016.

Strong Funding Profile: Funding is almost exclusively in the form of a 20-year subordinated loan from the Kuwaiti government, maturing in 2027. Fitch believes the loan will be renewed upon maturity. IBK is restricted from taking retail deposits but can take corporate deposits.

Pre-Set Risk Appetite: There is little flexibility to change the bank's sensitivity to industry and single borrower loan concentrations given its restricted mandate.

High Concentrations: At end-2015, the eight largest borrowers accounted for almost 50% of total gross loans. This exposes the bank to significant event risk. Loans are entirely domestic and investments are mainly in government securities. The bank also holds some international investments (mainly in third-party managed funds).

Stable Profitability: IBK has maintained stable absolute profitability as well as steady margins and revenues despite the decrease in the loan book. Industrial loans are on low fixed rates.

Good Capital Ratios: IBK's capital ratios are very strong, which is prudent given its sensitivity to concentration risk and economic cycles. 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 (47%) remains among the highest in the region.

Rating Sensitivities

Change in Support: IBK's IDRs have a Stable Outlook, in line with the Kuwaiti sovereign. 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 significant enough weakening of asset quality 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 very strong ability to support the banking system given the country's superior financial flexibility, sustained by its sovereign-wealth funds and high revenues, mostly from its hydrocarbon production. This is indicated in Kuwait's sovereign rating of 'AA'/Stable. The moderate size of the Kuwaiti banking system in relation to the country's GDP also underpins the sovereign's ability to support its banking sector.

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 was the case when Gulf Bank (A+/Stable) 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 significant reputation risk to Kuwait.

Fitch believes that franchise 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 domestic systemically important banks' (D-SIBs) SRF in Kuwait and IBK is no exception.

Operating Environment

Sovereign Rating of AA/Stable

The sovereign rating is underpinned by an exceptional sovereign balance sheet with estimated net foreign assets representing 463% of GDP at end-2015. The rating reflects Kuwait's exceptionally strong fiscal and external position, balanced against a heavily oil-dependent economy, a degree of geopolitical risk and weak scores on measures of governance and ease of doing business.

Kuwait is more resilient than most Gulf Cooperation Council states to the lower oil prices and reduced forecasts due to modest production costs and fairly low break-even oil price. Growth will result from resilient private and public consumption as well as government capital spending, given stable oil production volumes. Major government spending plans announced at the start of the decade under the National Development Plan started to materialise in 2014 and 2015 and the pace of project awarding has significantly increased. This will provide on- and off-balance-sheet growth opportunities for Kuwaiti banks in 2016 and offset the expected slower GDP growth due to lower oil prices.

The domestic banking system is highly concentrated and interconnected with the two largest banks, Kuwait Finance House and National Bank of Kuwait, holding 55% of total assets. The five largest banks hold 93% of system assets. Barriers to entry in the Kuwaiti banking sector are high, with the authorities taking a protective stance towards domestic banks. From March 2014, foreign banks have been allowed to open more than one branch, subject to regulatory approval, but we do not expect a significant increase in competition from this source.

Regulatory Framework

Bank regulation extends to IBK despite its developmental focus. The CBK, which is a hands-on regulator, has implemented regulatory limits to govern liquidity, single obligor concentration, financing to related parties and capital adequacy. It appears that on-site visits (both domestically and internationally) are conducted frequently and that the central bank has a good oversight of the sector.

Related Criteria

Global Bank Rating Criteria (March 2015)

VR Somewhat Constrained by Narrow Operating Environment

The Kuwaiti economy is to a large extent driven by government spending. Banks remain heavily reliant for credit growth on government infrastructure projects; aside from these projects, financing is largely driven by real-estate and consumer lending. Given the relatively undiversified economy, concentration is high, both in loans and deposits.

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 its 49% direct ownership comprising 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-to-deposits ratio. The bank operates from its head office in the capital and one branch in the Kuwaiti industrial district of Sabhan.

Business Model

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 has a close 50/50 split between industrial and commercial loans.

Other activities include investments and treasury, aimed at deploying surplus liquidity and diversifying revenues. The bank has expanded in investments, primarily in international private equity, managed by third-party asset managers because of growth constraints in its core business. 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, and domestic and foreign corporate bonds.

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 KWD200m at end-2015

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 has a high degree of stability and tenure within the bank across various functions.

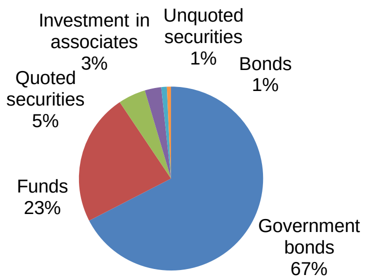
Strategy

The bank is exploring opportunities to broaden IBK's lending sectors beyond industrial loans and is in the process of conducting studies to identify various sectors that it could expand into. Any change to the current mandate is subject to regulatory approval.

Execution

Execution of key objectives is constrained by the lack of lending opportunities and the low-interest-rate environment (IBK's concessionary industrial loan rates are broadly in line with commercial bank rates and therefore uncompetitive).

Investments
End-2015



Source: Fitch

Corporate Governance

Corporate governance is a small rating constraint in Kuwait. This is mostly due to the structure of the Kuwaiti economy where several wealthy family-owned groups have wide business interests and dominate the private sector (including holding stakes in the banks). These groups are some of the largest borrowers from the banks. Representatives of these families also have a presence on the boards of many banks, raising concerns over board independence and related party lending.

IBK's corporate governance standards are adequate and lending appears to be driven by business and mandate factors, both backed up by feasibility studies, rather than relationship-based lending.

Risk Appetite

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 main risks the bank takes. Like other Kuwaiti banks, IBK has adopted the standardised approach to credit risk under Basel III.

Underwriting Standards

IBK's underwriting standards are pre-set by its mandate. The bank only lends to domestic industrial companies. The bank performs feasibility studies for new projects and supports clients in the planning stage. However, the undiversified nature of business and lending means that IBK is sensitive to weaker asset quality than domestic commercial banks.

Market Risk

IBK is exposed to market risk through investments, although this is relatively small. Excess liquidity is managed conservatively 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 (10.6% at end-2015).

Growth

Loan growth was positive in 2015 (4%) for the first time since 2009. Despite this increase, this trend is unlikely to continue due to the lack of lending opportunities in Kuwait and strong competition by commercial banks. Growth prospects are also affected by the low-interest-rate environment, which brings interest rates charged by commercial banks close to the same levels as subsidised interest rates provided by IBK.

Financial Profile

Asset Quality

Asset Quality

(%)	2015	2014	2013
Growth of gross loans	4.3	-8.0	-8.1
Impaired loans/gross loans	0.3	0.5	1.0
Reserves for impaired loans/impaired loans	2,460.0	1,286.7	951.7
Impaired loans less reserves for impaired loans/Fitch Core Capital	-10.3	-7.8	-11.1
Loan-impairment charges/average gross loans	1.7	0.8	1.7
Reserves for impaired loans/gross loans	8.4	6.8	9.0
Pre-impairment operating profit/average gross loans	5.8	5.7	5.2

Source: Fitch

Asset quality is an important constraint for IBK's VR. Single-sector exposure and high individual borrower concentration leave the bank extremely undiversified – 49% of gross loans relate to just eight individual borrowers.

Despite this, IBK has diversified within these sectors and has exposures to several sub-sectors, such as construction and building materials, petrochemicals, metal products and engineering, oil services, food and beverages, and paper.

The bank's loan book is split almost evenly between concessionary fixed-rate industrial loans and commercial loans (working capital finance). Concessionary loans are 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 low fixed rate for the duration of the financing. All the bank's subsidised lending is domestic.

Commercial banking is offered 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.

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 small, especially given the relatively stable peg of the dinar to a dollar-dominated basket of currencies. The bank is not actively involved in equity or bond trading and derivatives are only used for hedging purposes.

The impaired loans ratio at end-2015 was very low at 0.34%. However, its sensitivity to economic cycles, particularly in the current environment of lower oil prices and high loan concentrations, creates risks for quick build-up of problem assets. Reserves for impaired loans are very high at 8.4% of gross loans. Annual loan-impairment charges have averaged 1.4% of gross loans since 2013, which is closer to market average after a period of strong provisioning since 2008.

Other Earning Assets

Most of IBK's investments relate to Kuwaiti government or central bank bonds, which were KWD146m (or 29% of the balance sheet) at end-2015, held for revenue and liquidity purposes. IBK holds KWD66m of available-for-sale investments (about 10.6% of total assets), mostly in sectors related to international industry. Most international investments are small and include several private equity funds, which are diversified by geography and asset class.

The local investments (KWD6.4m) 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.

Earnings and Profitability

Profitability is not the main goal for IBK due to its mandate. Nonetheless, IBK's performance has been stable and is expected to remain so. The bank demonstrates very good cost control with a cost-to-income ratio of 37% in 2015, primarily due to the lack of a network. Staff costs fell to KWD7.1m in 2015 from KWD7.4m in 2014 and were the largest part (73%) of non-interest expenses.

Operating income growth is modest due to slow loan growth associated with muted operating conditions. Government infrastructure spending increased in 2015 despite lower oil prices. However, new lending opportunities will be hard to materialise due to the highly competitive banking environment in Kuwait and the recent drop in business confidence in the region due to lower oil prices. Operating income is mainly in the form of net interest income (54% of the total), while the contribution from net fees and commissions is just 17%. Net gains from investments remained high in 2015, at 30% of total operating income. This component can bring volatility to the bank's results. Ideally, the bank will look to further increase its loan book and contribution of net interest income.

Impairment charges/pre-impairment operating profit was high at 44% in 2015 although the bank's impaired loan ratio improved in the year. The bank's provisioning policy is largely driven by the CBK, which stipulates the amount of precautionary reserves for each bank based on their assessment of the bank's risk profile.

Funding and Liquidity

IBK's funding profile is a 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 11% of non-equity funding at end-2015. Depositors are also typically 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 comprised 78% of non-equity funding at end-2015. 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 main source of its funding.

Balance sheet liquidity is strong, with cash, interbank placements, and Kuwaiti government treasury bills and bonds covering 70% of non-equity funding (328% if excluding the government loan). Most of IBK's liquidity is in Kuwaiti dinars.

Capitalisation and Leverage

IBK has very high capital ratios by international standards. Basel III Tier 1 and Fitch Core Capital ratios were 45.71% and 46.96%, respectively, at end-2015. High ratios are prudent in our view, given the bank's exposure to country and concentration risk.

Industrial Bank Of Kuwait
Income Statement

	31 Dec 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012	
	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	55.0	16.7	2.85	16.5	2.56	16.8	2.65	18.7	2.89
3. Dividend Income	2.3	0.7	0.12	0.6	0.09	0.6	0.09	0.4	0.06
4. Gross Interest and Dividend Income	**57.3**	**17.4**	**2.97**	**17.1**	**2.65**	**17.4**	**2.75**	**19.1**	**2.95**
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	10.5	3.2	0.55	3.0	0.47	2.7	0.43	3.0	0.46
7. Total Interest Expense	**10.5**	**3.2**	**0.55**	**3.0**	**0.47**	**2.7**	**0.43**	**3.0**	**0.46**
8. Net Interest Income	**46.8**	**14.2**	**2.42**	**14.1**	**2.19**	**14.7**	**2.32**	**16.1**	**2.48**
9. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
10. Net Gains (Losses) on Other Securities	26.4	8.0	1.36	7.4	1.15	6.2	0.98	3.8	0.59
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
13. Net Fees and Commissions	14.2	4.3	0.73	4.6	0.71	3.9	0.62	4.3	0.66
14. Other Operating Income	(1.3)	(0.4)	(0.07)	0.2	0.03	0.2	0.03	0.8	0.12
15. Total Non-Interest Operating Income	**39.2**	**11.9**	**2.03**	**12.2**	**1.89**	**10.3**	**1.63**	**8.9**	**1.37**
16. Personnel Expenses	23.4	7.1	1.21	7.4	1.15	6.4	1.01	5.6	0.86
17. Other Operating Expenses	8.6	2.6	0.44	2.0	0.31	2.5	0.40	2.6	0.40
18. Total Non-Interest Expenses	**32.0**	**9.7**	**1.65**	**9.4**	**1.46**	**8.9**	**1.41**	**8.2**	**1.27**
19. Equity-accounted Profit/ Loss - Operating	1.3	0.4	0.07	(0.1)	(0.02)	0.6	0.09	0.5	0.08
20. Pre-Impairment Operating Profit	**55.4**	**16.8**	**2.86**	**16.8**	**2.61**	**16.7**	**2.64**	**17.3**	**2.67**
21. Loan Impairment Charge	16.1	4.9	0.84	2.5	0.39	5.4	0.85	7.4	1.14
22. Securities and Other Credit Impairment Charges	7.9	2.4	0.41	3.2	0.50	2.0	0.32	1.4	0.22
23. Operating Profit	**31.3**	**9.5**	**1.62**	**11.1**	**1.72**	**9.3**	**1.47**	**8.5**	**1.31**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	0.5	0.08	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
29. Pre-tax Profit	**31.3**	**9.5**	**1.62**	**10.6**	**1.64**	**9.3**	**1.47**	**8.5**	**1.31**
30. Tax expense	0.7	0.2	0.03	0.2	0.03	0.2	0.03	0.1	0.02
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
32. Net Income	**30.6**	**9.3**	**1.59**	**10.4**	**1.61**	**9.1**	**1.44**	**8.4**	**1.30**
33. Change in Value of AFS Investments	(4.6)	(1.4)	(0.24)	1.7	0.26	5.8	0.92	(0.9)	(0.14)
34. Revaluation of Fixed Assets	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	(0.3)	(0.1)	(0.02)	0.1	0.02	0.0	0.00	0.0	0.00
37. Fitch Comprehensive Income	**25.7**	**7.8**	**1.33**	**12.2**	**1.89**	**14.9**	**2.35**	**7.5**	**1.16**
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	30.6	9.3	1.59	10.4	1.61	9.1	1.44	8.4	1.30
40. Memo: Common Dividends Relating to the Period	19.8	6.0	1.02	8.0	1.24	6.0	0.95	4.0	0.62
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Exchange rate	USD1 = KWD0.30350			USD1 = KWD0.29280		USD1 = KWD0.28200		USD1 = KWD0.28120	

Industrial Bank Of Kuwait

Balance Sheet

	31 Dec 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012	
	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.	-	0.0	0.00	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
4. Corporate & Commercial Loans	968.7	294.0	47.12	282.0	42.22	306.7	46.94	333.7	49.81
5. Other Loans	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
6. Less: Reserves for Impaired Loans	81.1	24.6	3.94	19.3	2.89	27.6	4.22	21.0	3.13
7. Net Loans	**887.6**	**269.4**	**43.17**	**262.7**	**39.33**	**279.1**	**42.72**	**312.7**	**46.68**
8. Gross Loans	**968.7**	**294.0**	**47.12**	**282.0**	**42.22**	**306.7**	**46.94**	**333.7**	**49.81**
9. Memo: Impaired Loans included above	3.3	1.0	0.16	1.5	0.22	2.9	0.44	2.0	0.30
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	323.6	98.2	15.74	115.0	17.22	48.5	7.42	35.8	5.34
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
4. Derivatives	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
5. Available for Sale Securities	218.5	66.3	10.63	68.3	10.22	66.6	10.19	62.0	9.26
6. Held to Maturity Securities	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
7. Equity Investments in Associates	21.1	6.4	1.03	7.0	1.05	14.7	2.25	6.9	1.03
8. Other Securities	481.4	146.1	23.41	191.8	28.71	224.0	34.28	230.7	34.44
9. Total Securities	**720.9**	**218.8**	**35.06**	**267.1**	**39.99**	**305.3**	**46.72**	**299.6**	**44.72**
10. Memo: Government Securities included Above	481.4	146.1	23.41	191.8	28.71	224.0	34.28	230.7	34.44
11. Memo: Total Securities Pledged	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
15. Total Earning Assets	**1,932.1**	**586.4**	**93.97**	**644.8**	**96.53**	**632.9**	**96.86**	**648.1**	**96.75**
C. Non-Earning Assets									
1. Cash and Due From Banks	74.5	22.6	3.62	7.7	1.15	12.1	1.85	4.7	0.70
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
4. Fixed Assets	12.5	3.8	0.61	3.8	0.57	3.8	0.58	3.8	0.57
5. Goodwill	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
6. Other Intangibles	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
7. Current Tax Assets	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
8. Deferred Tax Assets	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
9. Discontinued Operations	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
10. Other Assets	36.9	11.2	1.79	11.7	1.75	4.6	0.70	13.3	1.99
11. Total Assets	**2,056.0**	**624.0**	**100.00**	**668.0**	**100.00**	**653.4**	**100.00**	**669.9**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	147.9	44.9	7.20	62.4	9.34	81.3	12.44	128.5	19.18
2. Customer Deposits - Savings	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
4. Total Customer Deposits	**147.9**	**44.9**	**7.20**	**62.4**	**9.34**	**81.3**	**12.44**	**128.5**	**19.18**
5. Deposits from Banks	31.6	9.6	1.54	62.8	9.40	36.6	5.60	18.9	2.82
6. Repos and Cash Collateral	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
7. Commercial Paper and Short-term Borrowings	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
8. Total Money Market and Short-term Funding	**179.6**	**54.5**	**8.73**	**125.2**	**18.74**	**117.9**	**18.04**	**147.4**	**22.00**
9. Senior Unsecured Debt (original maturity > 1 year)	88.3	26.8	4.29	0.0	0.00	n.a.	-	n.a.	-
10. Subordinated Borrowing	988.5	300.0	48.08	300.0	44.91	300.0	45.91	300.0	44.78
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
13. Total LT Funding (original maturity > 1 year)	**1,076.8**	**326.8**	**52.37**	**300.0**	**44.91**	**300.0**	**45.91**	**300.0**	**44.78**
14. Derivatives	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
15. Trading Liabilities	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
16. Total Funding	**1,256.3**	**381.3**	**61.11**	**425.2**	**63.65**	**417.9**	**63.96**	**447.4**	**66.79**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
4. Current Tax Liabilities	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
5. Deferred Tax Liabilities	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
6. Other Deferred Liabilities	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
9. Other Liabilities	47.4	14.4	2.31	14.3	2.14	13.2	2.02	11.1	1.66
10. Total Liabilities	**1,303.8**	**395.7**	**63.41**	**439.5**	**65.79**	**431.1**	**65.98**	**458.5**	**68.44**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	0.0	0.00	n.a.	-	0.0	0.00
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	0.0	0.00	n.a.	-	0.0	0.00
G. Equity									
1. Common Equity	713.3	216.5	34.70	215.2	32.22	210.7	32.25	205.7	30.71
2. Non-controlling Interest	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	38.9	11.8	1.89	13.3	1.99	11.6	1.78	5.7	0.85
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
6. Total Equity	**752.2**	**228.3**	**36.59**	**228.5**	**34.21**	**222.3**	**34.02**	**211.4**	**31.56**
7. Total Liabilities and Equity	**2,056.0**	**624.0**	**100.00**	**668.0**	**100.00**	**653.4**	**100.00**	**669.9**	**100.00**
8. Memo: Fitch Core Capital	752.2	228.3	36.59	228.5	34.21	222.3	34.02	211.4	31.56
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate	USD1 = KWD0.30350			USD1 = KWD0.29280		USD1 = KWD0.28200		USD1 = KWD0.28120	

Industrial Bank Of Kuwait
Summary Analytics

	31 Dec 2015 Year End	31 Dec 2014 Year End	31 Dec 2013 Year End	31 Dec 2012 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	n.a.	n.a.	0.00	0.00
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	0.00	0.00
3. Interest Income/ Average Earning Assets	2.83	2.73	2.72	2.99
4. Interest Expense/ Average Interest-bearing Liabilities	0.79	0.72	0.62	0.68
5. Net Interest Income/ Average Earning Assets	2.31	2.25	2.30	2.52
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.51	1.85	1.45	1.36
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	2.31	2.25	2.30	2.52
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	45.59	46.39	41.20	35.60
2. Non-Interest Expense/ Gross Revenues	37.16	35.74	35.60	32.80
3. Non-Interest Expense/ Average Assets	1.50	1.43	1.35	1.24
4. Pre-impairment Op. Profit/ Average Equity	7.36	7.46	7.70	8.25
5. Pre-impairment Op. Profit/ Average Total Assets	2.60	2.56	2.52	2.63
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	43.45	33.93	44.31	50.87
7. Operating Profit/ Average Equity	4.16	4.93	4.29	4.06
8. Operating Profit/ Average Total Assets	1.47	1.69	1.41	1.29
9. Operating Profit / Risk Weighted Assets	1.95	2.33	2.03	1.77
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	4.07	4.62	4.20	4.01
2. Net Income/ Average Total Assets	1.44	1.59	1.38	1.28
3. Fitch Comprehensive Income/ Average Total Equity	3.42	5.42	6.87	3.58
4. Fitch Comprehensive Income/ Average Total Assets	1.21	1.86	2.25	1.14
5. Taxes/ Pre-tax Profit	2.11	1.89	2.15	1.18
6. Net Income/ Risk Weighted Assets	1.91	2.18	1.99	1.75
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	46.96	47.95	48.55	44.03
2. Fitch Eligible Capital/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	36.59	34.21	34.02	31.56
4. Tier 1 Regulatory Capital Ratio	45.71	46.27	44.72	42.01
5. Total Regulatory Capital Ratio	46.89	47.42	69.37	64.72
6. Core Tier 1 Regulatory Capital Ratio	45.71	46.27	n.a.	n.a.
7. Equity/ Total Assets	36.59	34.21	34.02	31.56
8. Cash Dividends Paid & Declared/ Net Income	64.52	76.92	65.93	47.62
9. Internal Capital Generation	1.45	1.05	1.39	2.08
E. Loan Quality				
1. Growth of Total Assets	(6.59)	2.23	(2.46)	2.64
2. Growth of Gross Loans	4.26	(8.05)	(8.09)	(4.87)
3. Impaired Loans/ Gross Loans	0.34	0.53	0.95	0.60
4. Reserves for Impaired Loans/ Gross Loans	8.37	6.84	9.00	6.29
5. Reserves for Impaired Loans/ Impaired Loans	2,460.00	1,286.67	951.72	1,050.00
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	(10.34)	(7.79)	(11.11)	(8.99)
7. Impaired Loans less Reserves for Impaired Loans/ Equity	(10.34)	(7.79)	(11.11)	(8.99)
8. Loan Impairment Charges/ Average Gross Loans	1.70	0.84	1.69	2.15
9. Net Charge-offs/ Average Gross Loans	n.a.	4.90	n.a.	3.92
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Ass	0.34	0.53	0.95	0.60
F. Funding and Liquidity				
1. Loans/ Customer Deposits	654.79	451.92	377.24	259.69
2. Interbank Assets/ Interbank Liabilities	1,022.92	183.12	132.51	189.42
3. Customer Deposits/ Total Funding (excluding derivatives)	11.78	14.68	19.45	28.72
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.

Industrial Bank Of Kuwait
Reference Data

	31 Dec 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012	
	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.	-	0.0	0.00	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
3. Guarantees	208.9	63.4	10.16	50.2	7.51	52.6	8.05	53.3	7.96
4. Acceptances and documentary credits reported off-balance sheet	67.9	20.6	3.30	16.6	2.49	23.6	3.61	25.7	3.84
5. Committed Credit Lines	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
6. Other Contingent Liabilities	156.2	47.4	7.60	0.0	0.00	52.4	8.02	n.a.	-
7. Total Assets under Management	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
B. Average Balance Sheet									
Average Loans	948.9	288.0	46.15	296.0	44.31	320.2	49.01	344.7	51.46
Average Earning Assets	2,028.3	615.6	98.65	625.8	93.68	640.5	98.03	637.9	95.22
Average Assets	2,128.5	646.0	103.53	656.1	98.22	661.7	101.27	658.8	98.34
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	1,328.8	403.3	64.63	415.2	62.16	432.7	66.22	438.1	65.40
Average Common equity	711.4	215.9	34.60	212.6	31.83	208.2	31.86	203.7	30.41
Average Equity	752.6	228.4	36.60	225.2	33.71	216.9	33.20	209.6	31.29
Average Customer Deposits	176.9	53.7	8.61	67.4	10.09	104.9	16.05	96.8	14.45
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	490.6	148.9	23.86	119.1	17.83	132.0	20.20	155.1	23.15
Loans and Advances 1 - 5 Years	357.8	108.6	17.40	133.3	19.96	131.2	20.08	145.7	21.75
Loans & Advances > 5 years	39.2	11.9	1.91	10.3	1.54	15.9	2.43	11.9	1.78
Debt Securities < 3 Months	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	0.0	0.00	152.4	23.32	181.5	27.09
Debt Securities 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	47.6	7.28	32.2	4.81
Debt Securities > 5 Years	n.a.	n.a.	-	0.0	0.00	90.6	13.87	79.0	11.79
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Loans & Advances to Banks 3 - 12 Months	323.6	98.2	15.74	115.0	17.22	48.5	7.42	35.8	5.34
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	97.9	29.7	4.76	47.8	7.16	48.0	7.35	114.4	17.08
Retail Deposits 1 - 5 Years	50.1	15.2	2.44	14.6	2.19	33.3	5.10	14.1	2.10
Retail Deposits > 5 Years	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	31.6	9.6	1.54	62.8	9.40	36.6	5.60	18.9	2.82
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	88.3	26.8	4.29	0.0	0.00	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	88.3	26.8	4.29	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	988.5	300.0	48.08	300.0	44.91	300.0	45.91	300.0	44.78
Total Subordinated Debt on Balance Sheet	988.5	300.0	48.08	300.0	44.91	300.0	45.91	300.0	44.78
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
D. Risk Weighted Assets									
1. Risk Weighted Assets	1,602.0	486.2	77.92	476.5	71.33	457.9	70.08	480.1	71.67
2. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
3. Fitch Adjusted Risk Weighted Assets	1,602.0	486.2	77.92	476.5	71.33	457.9	70.08	480.1	71.67
E. Equity Reconciliation									
1. Equity	752.2	228.3	36.59	228.5	34.21	222.3	34.02	211.4	31.56
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
3. Add: Other Adjustments	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
4. Published Equity	752.2	228.3	36.59	228.5	34.21	222.3	34.02	211.4	31.56
F. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	752.2	228.3	36.59	228.5	34.21	222.3	34.02	211.4	31.56
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	**752.2**	**228.3**	**36.59**	**228.5**	**34.21**	**222.3**	**34.02**	**211.4**	**31.56**
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 = KWD0.30350			USD1 = KWD0.29280		USD1 = KWD0.28200		USD1 = KWD0.28120	

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