Kuwait

Kuwait Finance House K.S.C.

Stellar performance already priced in…

Tickers:
KFIN.KW (Reuters)
KFIN KK (Bloomberg)

Listing:
Kuwait Stock Exchange

Current Price:
KD 2.76 (August 20, 2008)

August, 2008

HOLD

CMP# (KD)	2.76
EPS*(fils)	181
BVPS*(fils)	602
P/E (x)	15.3
P / BV (x)	4.6
12M Avg. vol. ('000)	1,865
52 week Lo / Hi (KD)	2.23/3.30

Source: Global Research
** 2008 E*
 # As at August 20, 2008

Highlights

- **Kuwait Finance House (KFH)** posted a net profit (attributable to shareholders) of KD275.3mn in 2007, exhibiting a surge of 70%YoY in the bottom-line of the bank. The bank's profitability growth surpassed that of the sector by a great extent, whereby the sector growth as per our universe was around 30%YoY.

- Top-line growth was driven by a combination of high growth of financing assets and a rise in the bank's spreads, producing a coupling effect. Financing assets grew 41%YoY to stand at KD4.1bn in 2007 while spreads improved from 4.1% in 2006 to 4.7% in 2007. Growth in financings was facilitated by an augmentation in customer deposits which also exhibited a similar growth nearing 44%YoY and reaching KD5.4bn by the end of 2007.

- KFH's spreads improved on account of an increase in yield on financing assets which rose by 58bps in 2007 to reach 8.9%. The cost of funds remained unchanged in 2007 as compared to 2006 and stood at 4.3%. Spreads which had been taking an upward movement over the last few years therefore stood at a 5-year high in 2007.

- KFH posted a bottom-line rise of 35%YoY for the 1H2008, with the net profit attributable to shareholders reported at KD116.6mn (EPS: 76fils). Promising top-line growth of 37%YoY emanated from a 22%YTD surge in financing assets. Furthermore, the commission expense to income ratio declined from 61% in 1H2007 to 59% in 1H2008.

- KFH became the biggest bank by deposit size during the period under review, with its deposits exceeding KD6.3bn, surpassing that of NBK by KD1bn. Deposits grew at 17.5%YTD during the 1H2008.

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- KFH's commission income is expected to grow at 23%YoY in 2008 and to maintain a 2007-2011 CAGR of 22%. The net commission income (top-line) is expected to grow at a lower 14%YoY in 2008 and the growth rate is expected to pick up in the later years, to exhibit a 2007-2011 CAGR of 19%.

- Based on the current market price of KD2.76/share (as on August 20, 2008), KFH's shares are trading at a 2008E P/E and a 2008E P/BV multiple of 15.3x and 4.6x respectively. Our estimated value for this banking scrip is worked out to be KD2.81 based on DDM (80%) and adaptation of the Gordon Growth Model (20%). According to our fair value the banking scrip offers a trivial upside over the closing price of KD2.76 per share. We therefore reiterate our **HOLD** recommendation on the scrip.

Recent Developments

- Kuwait Finance House expects to receive a license to operate in the United Arab Emirates' capital, Abu Dhabi.

- KFH opened a subsidiary in Singapore in June 2008. Kuwait Finance House (Singapore) Pte Ltd (KFHS) is a wholly-owned subsidiary of KFH Malaysia established on Nov 6, 2007. KFHS has received acknowledgement from the Monetary Authority of Singapore (MAS) on March 18, 2008 for the commencement of its fund management activities. Over the next two years, KFHS will manage existing Shariah-compliant funds as well as new funds of the KFH Group targeted at both the corporate and retail customers.

Analysis of Financial Performance – FY07

- KFH posted a net profit (attributable to shareholders) of KD275.3mn, exhibiting a surge of 70%YoY in the bottom-line of the bank. The bank's profitability growth surpassed that of the sector by a great extent, whereby the sector growth as per our universe was around 30%YoY.

Figure 01: Receivables Trend

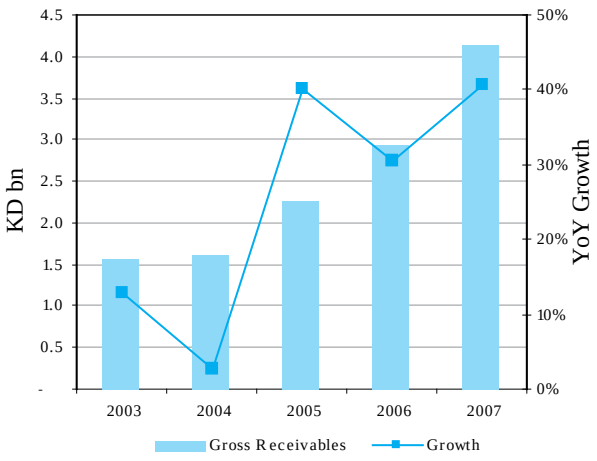
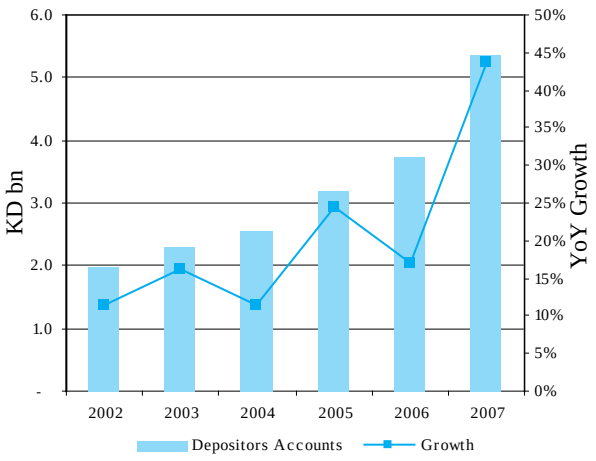


Figure 02 : Customer Deposits Trend



*Source: Annual Reports, **Global** Research*

- The bank's net commission income grew by an soaring 48%YoY despite a supernormal growth of over 100%YoY in 2006. The contribution of net commission income to total income remained relatively unchanged and stood at 38.1% in 2007 against 37.5% reported in 2006.
- Top-line growth was driven by a combination of high growth of financing assets and a rise in the bank's spreads, producing a coupling effect. Financing assets grew 41%YoY to stand at KD4.1bn in 2007 while spreads improved from 4.1% in 2006 to 4.7% in 2007. Growth in financings was facilitated by an augmentation in customer deposits which also exhibited a similar growth nearing 44%YoY and reaching KD5.4bn by the end of 2007.

Table 01: Volume - Spread Analysis

KD '000	**2006**	**2007**
Change in financing yield	1.49%	0.58%
Impact	**42,916**	**22,698**
Change in comm. earning assets	1,052,768	1,307,276
Impact	**87,868**	**116,672**
Change in cost of funds	0.28%	0.01%
Impact	**(8,515)**	**(469)**
Change in comm. bearing liabilities	(1,062,464)	(1,538,293)
Impact	**(45,256)**	**(65,697)**
Total impact on NCI	**77,013**	**73,204**
Volume impact	42,613	50,975
Spreads impact	34,400	22,229

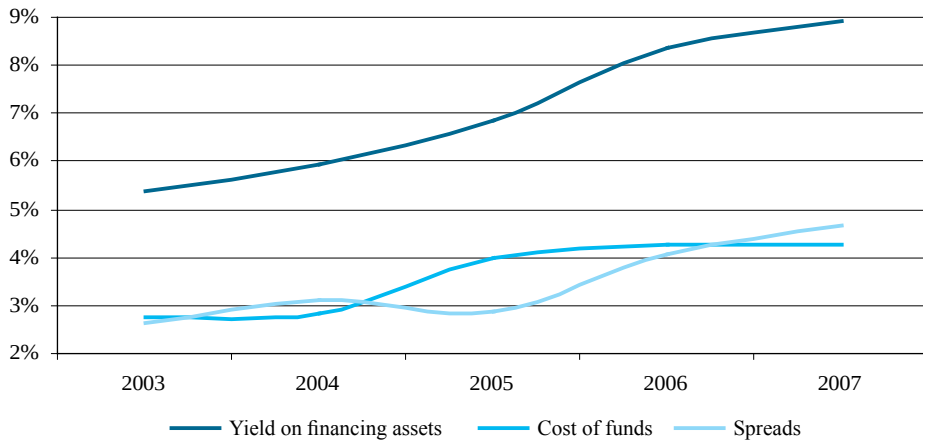
*Source: **Global** Research*

- KFH's spreads improved on account of an increase in yield on financing assets which rose by 58bps in 2007 to reach 8.9%. The cost of funds remained unchanged in 2007 as compared to 2006 and stood at 4.3%. Spreads which had been taking an upward movement over the last few years therefore stood at a 5-year high in 2007.

- KFH was only trivially affected by the charge on the top-line which was due to an adjustment to the financing portfolio that had their terms modified during the year in accordance with the instructions of the Central Bank of Kuwait, whereby estimates of future cash flows of commission income were revised. The adjustment amounted to a mere KD0.56mn, forming an insignificant 0.1% of the unadjusted commission income.

- While the contribution of Non-commission income to total income remained relatively unchanged, the said head grew by a remarkable 45%YoY driven by sub-heads across the board. A significant portion of the investment income came from capital gains on part sale of associates by subsidiaries. The bank's subsidiaries disposed off a stake in 3 major holdings during the year, fetching capital gains of KD58.3mn over a carrying value of KD61.8mn. The bank therefore realized a collective 94% return on these investments.

Figure 03: Spreads



*Source: **Global** Research*

Table 02: Investment Disposals

KD '000	Holding sold	Carrying value	Capital Gain	Yield
Munsh'at Real Estate Project Company	13.4%	20,410	16,261	80%
Educational Holding Group	32.3%	18,485	13,167	71%
The International Leasing and Investment Company	33.3%	22,865	28,865	126%
Total		**61,760**	**58,293**	**94%**

*Source: Annual Report, **Global** Research*

- During 2007, KFH also added 6 new major companies to its list of associates, amounting to KD108mn and including United Capital Bank, Kuwait Energy Company and Sukuk Holding Company. The bank acquired stakes amounting to 40%, 42% and 27% respectively, in the mentioned companies.

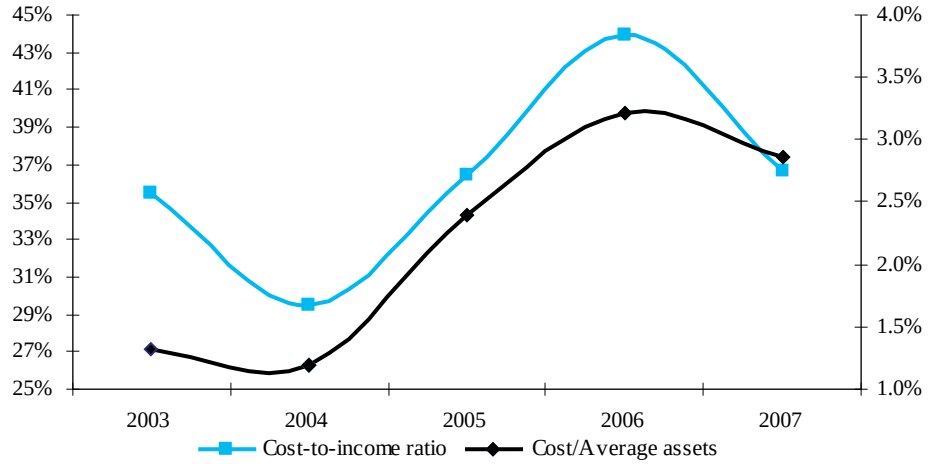
- KFH also had a good year from its property investments portfolio, trading in which resulted in gains amounting to KD43.3mn, a rise of 69%YoY. Yields on property investments (realized gains over total property investments at end of year) improved from 13% in 2006 to 18% in 2007.

- In lieu of its investment strategy, KFH directly and indirectly through its subsidiaries increased its investments in properties by 29%YoY, which stood at KD247mn at the end of 2007.

- KFH's operating efficiency, though still on the higher side as compared to its peers, has improved from the previous year. Cost-to-income ratio decreased from 43.9% in 2006 to 36.6% in 2007 while operating cost to average assets ratio declined from 3.2% to 2.9% over the same period. KFH's cost ratios remain on the higher side given high cost arising from Murabaha and Ijarah transactions and from high depreciation emanating from its subsidiaries.

- The Capital Adequacy Ratio of the bank improved significantly from 19% in 2006 to 23% in 2007 due to many reasons including promising profitability growth leading to higher

Figure 04: Operating Efficiency



*Source: **Global** Research*

reserves and a capital injection in the form of rights shares. These right shares, with a face value of KD0.1/share were issued at a premium of KD0.9 and hence lead to another boost in Tier-I capital resulting from enhanced share premium reserve. Albeit, the high CAR (only 12% required by CBK) makes the bank more resilient to major delinquencies, the reduction in riskiness comes at a cost paid by its shareholders in the form of capital that remains unutilized due to superfluous capital adequacy maintenance.

Analysis of Financial Performance – 1H 2008

- KFH posted a bottom-line rise of 35%YoY for the 1H2008, with the net profit attributable to shareholders reported at KD116.6mn (EPS: 76fils).

- Bottom-line was driven by both, net commission income and non-commission income, with the contribution of the top-line increasing from 35% in 1H2007 to 37% in 1H2008.

- Promising top-line growth of 37%YoY emanated from a 22%YTD surge in financing assets. Furthermore, the commission expense to income ratio declined from 61% in 1H2007 to 59% in 1H2008.

- KFH became the biggest bank by deposit size during the period under review, with its deposits exceeding KD6.3bn, surpassing that of NBK by KD1bn. Deposits grew at 17.5%YTD during the 1H2008.

Table 03: KFH - 1H2008 Highlights

	1H2007	1H2008	Growth
Income from Murabahas, Istisna and Leasing	211,014	273,980	29.8%
Distribution to Depositors	(128,870)	(161,714)	25.5%
Net Commission Income	**82,144**	**112,266**	**36.7%**
Fees & Commission	24,480	35,069	43.3%
Investment Income	138,754	143,816	3.6%
Total Operating Income	**236,430**	**302,696**	**28.0%**
Provisions	(20,520)	(10,375)	-49.4%
Total Operating Expenses	(101,085)	(157,654)	56.0%
Net Profit attributable to Shareholders	**116,610**	**157,354**	**34.9%**

- KFH's commission income was once again reduced though insignificantly by a charge of around KD35,000 during the period under review. The charge was due to an adjustment from revised estimates of future cash flows of performing financing facilities that had their terms modified during the period.

- KFH's non-commission income also witnessed a healthy growth of 15%YoY driven by a surge in most non-commission income sub-heads, except investment income which remained relatively unchanged.

- Moreover, the bank provided lower provisions during the 1H2008 as compared to the same period last year which seems to be an outcome of improving asset quality.

- KFH's income expense ratio increased significantly for 1H2008, standing at 40% from 29% in 1H2007. This was a direct outcome of increasing wages and administrative expectations, due to which operating expense rose 28%YoY.

Outlook & Valuation

- KFH's commission income is expected to grow at 23%YoY in 2008 and to maintain a 4-year CAGR of 22%. The net commission income (top-line) is expected to grow a lower 14%YoY in 2008 and the growth rate is expected to pick up in the later years, to exhibit a 2007-2011 CAGR of 19%.

- Deposits and receivables, driven by favourable macro-economic conditions, rising wages and disposable incomes and the government's plans to develop mega infrastructure plans in the likes of US$250bn, are expected to grow at a 2008-2011 CAGR of 25%.

- Contribution of the top-line to total income is anticipated to remain lower than that of non-commission income as per previous trend and the contribution is expected to be range bound between 32% and 37% over the next 4 years as per our assumptions.

- KFH's continued investments in properties and in associates and subsidiaries will sustain a healthy growth in investment income which is forecast to rise at a 2008 – 2011 CAGR of 15%.

- Revenues are also expected to come pouring in from the geographical expansion that the bank is undergoing in the middle-east and in the Far-east region.

- KFH's bottom-line is therefore expected to augment by 35%YoY in 2008 and at a 2008 -2011 CAGR of 25%.

- Growth risks may emanate from increased competition in the Islamic finance market locally with the emergence of newer players like Boubyan Bank. BKME which has also opted for convergence to Shariah compliance, will also vie for an increased market share once in the playing field of this banking niche and so will KIB.

- Based on the current market price of KD2.76/share (as on August 20, 2008), KFH's shares are trading at a 2008E P/E and a 2008E P/BV multiple of 15.3x and 4.6x respectively.

Table 04: Valuation (KD)

Method	Value	Weight	Weighted Value
DDM	2.79	80%	2.24
GGM	2.84	20%	0.57
Fair Value			**2.81**

*Source: **Global** Research*

- Our estimated value for this banking scrip is worked out to be KD2.81 based on DDM (80%) and adaptation of the Gordon Growth Model (20%). According to our fair value the banking scrip offers an upside of just 1.8% over the closing price of KD2.76 per share. We therefore reiterate our **HOLD** recommendation on the scrip.

BALANCE SHEET

Amount in Kuwaiti Dinar'000	Kuwait Finance House						
	2005	**2006**	**2007**	**2008 (F)**	**2009 (F)**	**2010 (F)**	**2011 (F)**
Assets:							
Bank & cash equivalents & Short Term Intl. Murabaha	701,582	883,141	861,029	712,791	800,235	975,496	859,931
International Murabaha (more than 3 months)	120,559	399,454	759,827	1,088,637	1,110,410	1,132,618	1,155,270
Gross Receivables	2,253,362	2,942,621	4,139,486	5,422,727	6,778,408	8,269,658	10,088,983
Leased Assets	631,013	695,235	995,356	1,244,195	1,493,034	1,716,989	1,974,538
Investments	698,013	793,889	1,237,377	1,670,459	2,004,551	2,365,370	2,720,175
Trading Properties	93,009	90,463	126,413	145,375	159,912	175,904	184,699
Investment Properties	140,892	207,423	247,300	299,183	339,271	369,192	391,564
Property and Equipment	151,282	384,989	407,488	435,673	447,140	456,853	457,366
other assets	68,102	128,327	239,694	299,618	344,560	379,016	397,967
Less : provisions	(176,696)	(211,751)	(216,054)	(237,659)	(263,802)	(287,544)	(316,299)
Total Assets	**4,681,118**	**6,313,791**	**8,797,916**	**11,080,997**	**13,213,719**	**15,553,551**	**17,914,194**
Liabilities:							
Deposits from banks and Fis	281,617	1,080,004	1,186,391	1,423,669	1,494,853	1,569,595	1,648,075
Depositors Accounts	3,189,344	3,729,930	5,361,155	7,076,725	8,845,906	10,792,005	12,734,566
Other liabilities	220,795	289,325	380,853	437,981	473,019	496,670	521,504
Total Liabilities	**3,691,756**	**5,099,259**	**6,928,399**	**8,938,375**	**10,813,778**	**12,858,271**	**14,904,145**
Deferred Revenues	235,239	299,263	374,608	382,100	389,742	397,537	405,488
Minority Interest	80,420	137,443	196,094	225,508	259,334	290,454	319,500
Fair Value Reserve	62,092	66,654	86,843	86,843	86,843	86,843	86,843
Foreign Exchange Translation Reserve	11,401	8,683	1,972	1,972	1,972	1,972	1,972
Owner's Equity:							
Paid-up Equity Capital	109,397	122,525	171,535	205,842	205,842	205,842	205,842
Proposed Issue of Bonus Share	13,128	18,379	34,307	-	-	-	-
Statutory Reserve	169,386	186,115	214,589	251,743	296,728	352,016	418,922
Share premium reserve	188,465	188,788	464,735	464,766	464,766	464,766	464,766
Voluntary Reserve	60,944	116,843	208,093	312,124	424,585	535,161	668,974
Treasury Shares	(1,278)	-	1,006	-	-	-	-
Reserves	-	-	4,237	4,237	4,237	4,237	4,237
Proposed cash dividends	60,168	69,839	111,498	207,486	265,891	356,451	433,505
Total Shareholders' Equity	**600,210**	**702,489**	**1,210,000**	**1,446,198**	**1,662,049**	**1,918,473**	**2,196,246**
Total Liabilities & Shareholders' Equity	**4,681,118**	**6,313,791**	**8,797,916**	**11,080,997**	**13,213,719**	**15,553,551**	**17,914,194**

OPERATING STATEMENT

	Kuwait Finance House						
Amount in Kuwaiti Dinar'000	**2005**	**2006**	**2007**	**2008 (F)**	**2009 (F)**	**2010 (F)**	**2011 (F)**
Murabaha, Istisna and Leasing Income	196,739	327,523	466,893	576,160	714,954	863,895	1,026,788
Payment to Depositors	(122,591)	(176,362)	(242,528)	(319,769)	(400,375)	(488,101)	(575,001)
Net Commission Income	**74,148**	**151,161**	**224,365**	**256,391**	**314,580**	**375,794**	**451,787**
Add : Fees and Commission	33,363	44,008	56,125	70,156	82,784	97,686	115,269
Add : Foreign Exchange Gains	6,214	3,332	14,696	17,635	19,399	21,339	23,473
Add : Investments Income	140,453	183,249	266,397	306,357	352,310	405,157	465,930
Add : Other operating income	13,351	20,875	27,037	33,796	39,880	45,862	52,741
Less : Provisions for loan & non cash credit facilities	(37,047)	(27,180)	(38,179)	(21,605)	(26,143)	(23,742)	(28,754)
Operating income	**230,482**	**375,446**	**550,442**	**662,730**	**782,810**	**922,095**	**1,080,445**
Less : General & Admnistration Expenses	(75,095)	(111,132)	(121,917)	(145,801)	(172,218)	(198,250)	(232,296)
Less: Murabaha and Ijarah costs	(6,792)	(32,041)	(65,712)	(72,283)	(78,066)	(84,311)	(88,527)
Less: Depreciation	(15,528)	(33,754)	(27,939)	(30,009)	(32,333)	(35,273)	(37,040)
Operating profit	**133,067**	**198,519**	**334,874**	**414,637**	**500,194**	**604,260**	**722,583**
Minority Interest	10,391	31,226	50,129	29,414	33,826	31,120	29,045
Net Profit After Minority Interest	122,676	167,293	284,745	385,223	466,367	573,140	693,537
Less : Contribution to KFAS	(1,227)	(1,673)	(2,847)	(3,852)	(4,664)	(5,731)	(6,935)
Less: National Labor Support Tax	(2,612)	(3,465)	(6,431)	(9,631)	(11,659)	(14,329)	(17,338)
Less : Directors' fees	(150)	(150)	(200)	(200)	(200)	(200)	(200)
Net Profit attributable to shareholders	**118,687**	**162,004**	**275,267**	**371,540**	**449,845**	**552,880**	**669,063**

CASH FLOW STATEMENT

	Kuwait Finance House						
Amount in Kuwaiti Dinar'000	**2005**	**2006**	**2007**	**2008(F)**	**2009(F)**	**2010(F)**	**2011(F)**
Operating							
Operating Activities	**79,768**	**108,041**	**184,358**	**423,155**	**508,320**	**611,895**	**734,858**
Profit from operations	118,687	162,004	275,267	371,540	449,845	552,880	669,063
Depreciation	15,528	33,754	27,939	30,009	32,333	35,273	37,040
Minority Interest	10,391	31,226	50,129	-	-	-	-
Dividend income and gain on associates and AFS	(75,552)	(89,013)	(160,694)	-	-	-	-
Share of results of associates	(14,376)	(51,085)	(45,422)	-	-	-	-
Share of accumulated Retained Earnings of newly consolidated subsidiaries	(11,957)	(6,025)	(1,040)	-	-	-	-
Provision for investment securities	37,047	27,180	38,179	-	-	-	-
Other provisions and valuation adjustments	-	-	-	21,605	26,143	23,742	28,754
Working Capital	78,753	418,584	(128,368)	77,693	197,272	264,427	(73,447)
Dec/(inc.) in international Murabaha	(4,727)	4,727	(6,224)	(328,810)	(21,773)	(22,208)	(22,652)
Dec/ (inc) Receivables	(289,610)	(972,881)	(1,593,999)	(1,283,241)	(1,355,682)	(1,491,250)	(1,819,325)
(Increase) / Decrease in Leased assets	(53,124)	(44,606)	(288,420)	(248,839)	(248,839)	(223,955)	(257,548)
(Increase) / decrease in Trading Properties	34,826	2,546	(35,950)	(18,962)	(14,538)	(15,991)	(8,795)
Dec/ (inc) Other assets	20,285	(71,126)	(116,626)	(59,924)	(44,943)	(34,456)	(18,951)
Inc/(dec) from banks & other financial institutions	24,769	798,387	106,386	237,278	71,184	74,743	78,480
Inc/(dec) of deposits from customers	313,244	540,586	1,631,224	1,715,570	1,769,181	1,946,099	1,942,561
Inc/(dec) other liabilities	(13,147)	96,927	99,893	57,128	35,039	23,651	24,834
Deferred Revenue	46,237	64,024	75,348	7,492	7,642	7,795	7,951
Total Operating	**158,521**	**526,625**	**55,990**	**500,848**	**705,591**	**876,323**	**661,411**
Investing							
Capex	(31,669)	(264,812)	(32,769)	(48,728)	(38,982)	(38,982)	(31,186)
Purchase of investments	79,938	53,728	(226,441)	(433,082)	(334,092)	(360,819)	(354,806)
Purchase of Investment Properties	(108)	(70,020)	(57,360)	(56,131)	(44,905)	(35,924)	(28,739)
Proceeds from sale and redemption of investments							
Total Investing	**48,161**	**(281,104)**	**(316,570)**	**(537,941)**	**(417,979)**	**(435,726)**	**(414,731)**
Financing							
Dividend paid to shareholders	(39,070)	(60,168)	(69,839)	(111,498)	(207,486)	(265,891)	(356,451)
Capital Increase	199,258	-	306,312	-	-	-	-
Cash Received on cancellation of Share options	31	323	266	31	-	-	-
Minority Interest	-	-	-	29,414	33,826	31,120	29,045
Payment of Zakat	(4,372)	(5,091)	(5,804)	(22,869)	(26,508)	(30,565)	(34,840)
Proceeds from disposal of own shares	(262)	974	1,310	-	-	-	-
Total Financing	**155,585**	**(63,962)**	**232,245**	**(104,922)**	**(200,168)**	**(265,336)**	**(362,245)**
Net Change in Cash	362,267	181,559	(28,336)	(142,015)	87,444	175,261	(115,565)
Net Cash at beginning	339,315	701,582	883,141	854,806	712,791	800,235	975,496
Net Cash at end	701,582	883,141	854,806	712,791	800,235	975,496	859,931

FACT SHEET

Amount in Kuwaiti Dinar	Kuwait Finance House						
	2005	**2006**	**2007**	**2008 (F)**	**2009 (F)**	**2010 (F)**	**2011 (F)**
Profitability							
- Return on Average Assets	2.9%	2.9%	3.6%	3.7%	3.7%	3.8%	4.0%
- Return on Average Equity	28.7%	27.6%	31.8%	31.8%	34.1%	37.3%	40.3%
- Net Ijara, Murabaha etc Income/ Total Op. Income	32.2%	40.3%	40.8%	38.7%	40.2%	40.8%	41.8%
- Non-Commission income/ total Op. Income	83.9%	67.0%	66.2%	64.6%	63.2%	61.9%	60.8%
- Non-Commission expense/ total Op. Income	42.3%	47.1%	39.2%	37.4%	36.1%	34.5%	33.1%
- Commissions/ total Op. Income	14.5%	11.7%	10.2%	10.6%	10.6%	10.6%	10.7%
- Dividend payout ratio	50.7%	43.1%	40.5%	55.8%	59.1%	64.5%	64.8%
Margins							
- Net income/ Revenues	60.3%	49.5%	59.0%	64.5%	62.9%	63.9%	65.2%
- Operating Profit / Revenues	67.6%	60.6%	71.7%	72.0%	70.0%	69.8%	70.4%
- Commission Expense to Commission Income	62.3%	53.8%	51.9%	55.5%	56.0%	56.5%	56.0%
- Commission Income to Commission Earning Assets	6.9%	8.3%	8.9%	8.5%	8.6%	8.7%	8.7%
- Investment Income to Investment Assets	5.2%	12.7%	11.9%	12.5%	11.6%	11.5%	11.6%
- Commission Expense to Commission Bearing Liabilities	4.0%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
- Net Spread	2.9%	4.1%	4.7%	4.3%	4.3%	4.4%	4.4%
- Net Commission Margin	2.6%	3.9%	4.3%	3.8%	3.8%	3.8%	3.8%
Efficiency							
- Cost to Total Op Income	36.4%	43.9%	36.6%	36.3%	34.9%	33.6%	32.3%
- General & Administration Expense to Total Op Income	28.1%	27.6%	20.7%	22.0%	22.0%	21.5%	21.5%
- Cost to Average Total Assets	2.4%	3.2%	2.9%	2.5%	2.3%	2.2%	2.1%
Liquidity							
- Financings to Income Earning Assets	74.3%	71.5%	76.0%	77.7%	79.1%	80.7%	82.9%
- Financings to Customer Deposits	70.7%	78.9%	77.2%	76.6%	76.6%	76.6%	79.2%
- Customer Deposits to Equity	531%	531%	443%	489%	532%	563%	580%
Credit Quality							
- Provisions to Total Operating Income	16.1%	7.2%	6.9%	3.3%	3.3%	2.7%	2.7%
- Provisions to Average Receivables	9.2%	8.2%	6.1%	5.0%	4.3%	3.8%	3.5%
Capital Adequacy							
- Equity to Total Assets	12.8%	11.1%	13.8%	13.1%	12.6%	12.3%	12.3%
- Equity to (Total Assets + Cont. Liabilities)	12.5%	10.9%	13.6%	12.9%	12.5%	12.2%	12.2%
- Equity to Gross Receivables	26.6%	23.9%	29.2%	26.7%	24.5%	23.2%	21.8%
Constitution of Total Income							
- Net Commission Income to Total Op Income	16.1%	33.0%	33.8%	35.4%	36.8%	38.1%	39.2%
- Fees & Comm. to Total Op. Income	14.5%	11.7%	10.2%	10.6%	10.6%	10.6%	10.7%
- Investment Income to Total Op Income	60.9%	48.8%	48.4%	46.2%	45.0%	44.0%	43.1%
- FX Income to Total Op. Income	2.7%	0.9%	2.7%	2.7%	2.5%	2.3%	2.2%
- Other Income to Total Op. Income	5.8%	5.6%	4.9%	5.1%	5.1%	5.0%	4.9%
Operating Performance							
- Change in Net Murabahas, Istisna and Leasing Income	-23.2%	234.2%	50.2%	26.1%	22.9%	21.7%	20.6%
- Change in Fees and Commission	139.5%	31.9%	27.5%	25.0%	18.0%	18.0%	18.0%
- Change in Investment Income	190.8%	30.5%	45.4%	15.0%	15.0%	15.0%	15.0%
- Change in Fx Income	285.2%	-46.4%	341.1%	20.0%	10.0%	10.0%	10.0%
- Change in Other Income	111.8%	56.4%	29.5%	25.0%	18.0%	15.0%	15.0%
RATIOS USED FOR VALUATION							
- Dividend Payout (%)	50.7	43.1	40.5	55.8	59.1	64.5	64.8
- Shares in Issue (mn)	1,094.0	1,225.2	1,715.3	2,058.4	2,058.4	2,058.4	2,058.4
- EPS (fils)	108.5	132.2	160.5	180.5	218.5	268.2	325.0
- Adjusted EPS (fils)	57.7	78.7	133.7	180.5	218.5	268.2	325.0
- Book Value Per Share (fils)	493.7	516.3	640.4	601.8	678.3	758.7	856.2
- Adjusted Book Value Per Share (fils)	262.4	307.3	533.7	601.8	678.3	758.7	856.2
- Market Price Year End (fils)	2,380	2,180	2,880	2,760	2,760	2,760	2,760
- Market Cap (KD mn)	2,603.6	2,671.1	4,940.2	5,681.2	5,681.2	5,681.2	5,681.2
- P/E	21.9	16.5	17.9	15.3	12.6	10.3	8.5
- P/BV	4.8	4.2	4.5	4.6	4.1	3.6	3.2

Market price for 2008 and subsequent years as on August 20, 2008

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Kuwait Finance House	HOLD	KFIN.KW (Reuters) KFIN KK (Bloomberg)	KD 2.76	1,10

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