CORPORATE RATING

Al Manar Financing & Leasing Company KSC (Closed)

October 2007

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Ref: KW6006CRR/10-07

AL MANAR FINANCING AND LEASING COMPANY K.S.C. (Closed)

Kuwait, October 2007
CORPORATE RATING

RATINGS

	Current	Last Changed From	Date
Sovereign			
Long-Term:	**AA-**	A+	Apr-07
Short-Term:	**A1+**	A1	Apr-07
Outlook	**Stable**	-	-
Corporate Rating			
Long-term	**BB**	BB-	Sep-06
Short-term	**B**	-	-
Outlook	**Stable**	Positive	Sep-06

FINANCIAL HIGHLIGHTS

USD (mn) / KWD (mn)	12/2006 USD	12/2006 KWD	12/2005 KWD	12/2004 KWD
Net Financing Income	15.4	4.4	3.2	0.7
Non Financing Income	4.7	1.4	1.8	1.2
Operating Expenses	7.0	2.0	1.8	1.3
Net Profit	10.5	3.0	2.1	0.2
Total Assets	304.9	88.2	63.3	33.0
Net Financing Rec	243.7	70.5	48.2	NA
Total Debt	173.3	50.1	28.6	NA
Total Equity	123.9	35.8	32.4	30.2
**Exchange Rate: USD/KWD*		*0.289*	*0.292*	*0.295*
NPFR/Financing Receivables		3.85	2.80	-
FR-Loss Reserve/NPFR		77.06	104.28	-
Total Equity / Total Assets		40.65	51.17	35.98
Leverage		1.46	0.95	1.78
ROAE(%)		8.93	6.66	1.49
ROAA (%)		4.02	4.33	1.37

ANALYSTS

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Supporting the Rating
- Strong growth in the financing portfolio
- Good capital base

Constraining the Rating
- Relatively short operating history
- Fairly small balance sheet size
- Low returns relative to the sector
- Declining provision coverage

RATING RATIONALE

The main constraints on the rating of the Company remain its relatively small size and its limited trading history. The Company's total asset growth plans for the past two years had been successfully met. There appears to be no problem in accessing external funding thus future targets should be achievable given still favourable domestic economy and what is still a strong demand for consumer credit facilities. At the same time despite competitive pressures, Al Manar has so far been able to increase its market share. The limited trading history is a rather stronger constraint. Total NPFRs have increased over the past year. However this is normal for a still relatively unseasoned portfolio and the NPFR ratio is still under the estimated industry average and lower than some of the peers in this industry. Although provision coverage has also dropped, this is yet again in line with the trend of the industry following the lowering of the mandatory provisioning levels for performing facilities by the central bank. Although comfort can also be derived from the amount of security held against these NPFRs, CI considers the declining coverage as a constraint to the rating. Senior management team has a strong track record in this industry in Kuwait, and loan underwriting methodologies and collection procedures are sound. Profitability has improved. CI maintains the long term corporate rating at BB and the short term rating at B with a 'Stable' outlook.

COMPANY HISTORY AND STRATEGIES

Company History

Al Manar Financing and Leasing Company K.S.C. (Closed) was established in November 2003. In October 2006 the Company was three years old and thus eligible for listing on the Kuwait stock exchange (KSE). However due to new requirements of the KSE, the Company was unable to qualify on two issues - minimum 7.50 fils EPS and the 15 fils book value for each of the last three years. Consequently, the Company is unable to register on the Regular market but is currently considering other options. It is also worth mentioning that Kuwaiti law allowed the exchange of stocks for any shareholding company that has been established for 3 years. Al Manar Company has been established in November 2003.

Major shareholders

	%
Housing Finance Co (ISKAN)	15.74
Wafra International Investment Co	15.17
Global Investment House Co	13.78
Global Investment House Co (Clients A/C 1)	10.25

Current Business Model

The Company's main area of activity is the provision of consumer finance, largely for the purchase of automobiles although the Company also makes cash loans to consumers as well as providing real estate and vehicle fleet financing for business customers. The Company had 68 staff at year end 2006. However the current (end June 2007) headcount is 83 and this is projected to reach 87 by end 2007. At end June 2007, the Company's market share was 8.32% (7.98% at year end 2006).

The business plan continues to be based on three main market segments. These are as follows:

Consumer financing
Real estate financing
Fleet financing

Consumer lending is in turn further subdivided into:

Financing for the purchase of new vehicles
Financing for the purchase of used vehicles
Cash financing on an Islamic basis (Tasaheel)

Consumer Financing

- **Vehicle purchase** Facilities for the purchase of new vehicles and facilities for the purchase of used vehicles are similar in structure. The main differences are that the tenors of used car facilities will typically be shorter while the cost to the customer will be marginally higher. Average facility amounts will normally be lower reflecting the lower cost of a used vehicle. All vehicles are effectively mortgaged in favour of Al Manar by means of registration of the charge at the traffic department. Maximum tenor is 60 months.
- **Cash facilities** These loans will typically be rather shorter in tenor than vehicle purchase loans. They will also be rather more expensive to the customer. Maximum tenor is 36 months.

Real Estate Financing

Real Estate facilities are (unlike vehicle purchase or cash loans) intended for Kuwaitis only, either individuals or local companies. All real estate financing will require a first mortgage on the property or be structured as an Ijara contract. For income producing investment property the minimum collateral coverage level is currently 150%. For raw land the minimum collateral coverage is currently 200%. Loans are not extended for private dwellings. The maximum tenor is 15 years.

Although such financing is fully secured and therefore low risk, the returns are rather lower than either consumer lending or the fleet business. The intention remains therefore to continue to give this type of business less emphasis going forward.

Investment Activities

These activities remained relatively small at year end 2006. However in view of current regulatory constraints on maximum borrowings limits for an individual consumer and increased competition in the finance receivables market, the Company has projected a higher growth in these activities in forthcoming years.

PRINCIPAL BUSINESS STRATEGIES

The corporate strategy is concentrated on growing instalment receivables volumes together with the funding base required to support the planned asset growth. Although the Company will hold both trading and (possibly in due course) available for sale investments, these remain unlikely to constitute a large part of the asset base.

The new strategy for 2007 is to expand the consumer finance business in the GCC countries by acquiring stakes in already-established consumer finance companies. In this respect, the Company has acquired a stake of 10% in Gulf Finance House Co in Qatar (with a management agreement for five years) and are looking to do the same in Dubai.

RISK FACTORS AND THEIR MITIGANTS

Finance Receivables

- **Portfolio growth may slow**. Although the Company has been successful in expanding its finance receivables portfolio and increasing its market share, current regulatory constraints on consumer/individual maximum borrowing limits and increased competition, may mean a slower rate of growth.
  Mitigation Al Manar is planning to expand to other GCC markets.

- **Asset quality may deteriorate.** NPFRs have been rising but it is recognised that this trend is normal for a relatively unseasoned book. The Company expects this to stabilise in the fifth year of operations.
  Mitigation Increased security requirements and strong bad debt recovery function.

Investment Portfolio

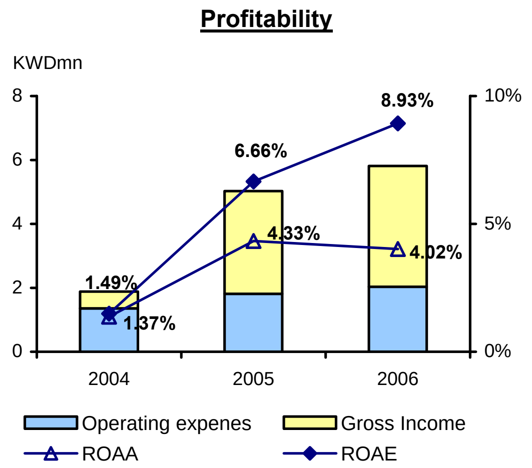
- **Large portion in unquoted local shares and funds.** At 65.8% and this is a possible liquidity risk.
  Mitigation (A) At KWD13.5mn this is only 15.3% of total assets. (B) A secondary market for most of the shares is provided by Global Investment House.

KEY FINANCIAL ISSUES

AUDITORS AND DISCLOSURE

The consolidated financial statements of Al Manar and its subsidiaries are audited to International Accounting Standards by the Kuwait practice of PricewaterhouseCoopers and by Al Humaidi & Partners (Baker Tilly International). The accounts are unqualified. The Company has also provided considerable additional financial information to CI.

FINANCIAL PERFORMANCE FYE DECEMBER 2006



Net interest income rises with finance receivables growth. Al Manar reported a net profit of KWD3.0mn for year end 2006, which represented a strong increase of 46% over 2005. However operating profit on average total assets ratio and ROAA declined as interest spreads narrowed and the cost base increased.

Financing income jumped to KWD7.7mn from KWD4.0mn on the back of strong finance receivables growth. But as these are financed by increased external borrowings, cost of funding rose sharply to KWD3.3mn from KWD0.8mn in 2005. However net financing income was KWD4.4mn, which still represented a strong increase of 37.9% over previous year.

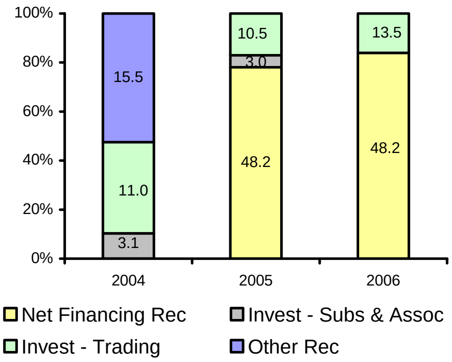
Segment	Finance	Investment	Unallocated	Total
Revenues	7.70	0.54	0.83	9.07
Expenses	(3.96)	-	(2.06)	(6.02)
Results	3.74	0.54	(1.23)	3.05

Revenue from investments held for trading dropped to KWD0.4mn from KWD1.1mn due mainly to a lower revaluation gain. This dropped to KWD368k from KWD786k, equating to 82.8% of total revaluation gain. Income from Murabahat and Wakalat investments grew steadily to KWD92k from KWD45k. Together with another KWD532k from unconsolidated subsidiaries and KWD304k from other income (miscellaneous fees and commissions), total non-financing income stood at KWD1.4mn and represented a decline of 24% from the previous year.

Despite the increase in operating expenses by 15.6% to KWD2mn (largely due to increased staff costs), the cost to income ratio improved very slightly to 35.0%. Provisions were lower at KWD0.7mn (2005: KWD1.1mn).

BALANCE SHEET

Asset Composition (%)



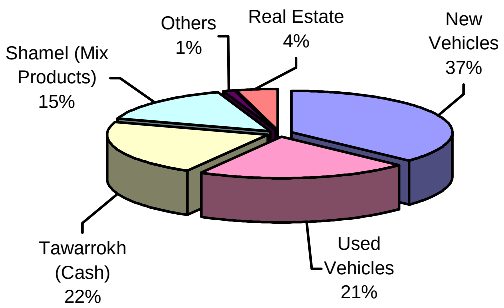
Strong growth in financing receivables underpins asset expansion The balance structure remains relatively simple. Total assets rose to KWD88.2mn (2005: KWD63.3mn) at year end 2006 due mainly to the robust expansion of finance receivables (46.2%) and a higher cash balance.

Financing receivables and the investment portfolio remained the only two large assets classes. The latter was maintained at around the same level of KWD13.5mn while finance receivables rose to KWD70.5mn, equating to 79.9% (2005: 76.1%) of the balance sheet.

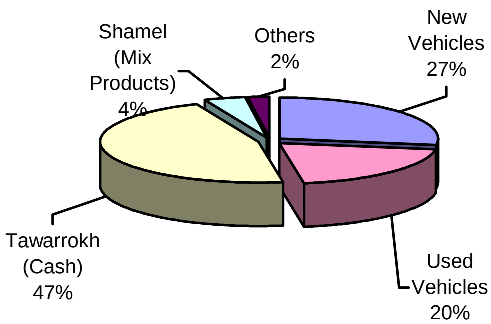
Increased diversification within the trading portfolio. Unlike 2005, where all the investments in the trading portfolio were unquoted, the 2006 portfolio showed a limited diversification into quoted local and foreign shares. However unquoted local shares and funds of KWD8.9mn still constituted the largest portion of the portfolio at 65.8% (2005: 97.2%). This was followed by quoted local shares of KWD3.4mn or 25.3% of total portfolio. An amount of KWD8.4mn in unquoted shares was valued according to latest reports available from their fund manager resulting in a small revaluation gain of KWD38k despite the KSE correction. Geographically, this portfolio is predominately (91%) Kuwaiti with foreign holdings represented by only KWD0.9mn in quoted shares in a Bahraini listed bank and a KWD0.3mn investment in an unquoted US real estate fund.

Cash and cash equivalents. The KWD3.9mn (2005: KWD1.2mn) is net of a small overdraft amount. KWD3.1mn was placed with banks and financing institutions while another KWD0.8mn (2005: KWD0.2mn) represented the cash element of the trading portfolio.

Composition of Financing Receivables



Composition of Non-performing FR



Financing receivables (instalment credit receivables). These remained the principal area of activity for Al Manar. This portfolio has expanded rapidly in the last two years from just KWD15.4mn in 2004 to KWD70.5mn at year end 2006. Vehicle financing (new and used vehicles) remained the largest category and equated to 58.4% of the total financing receivables portfolio. Al Manar still lends mainly to Kuwaitis although other nationalities are becoming a more important source of business.

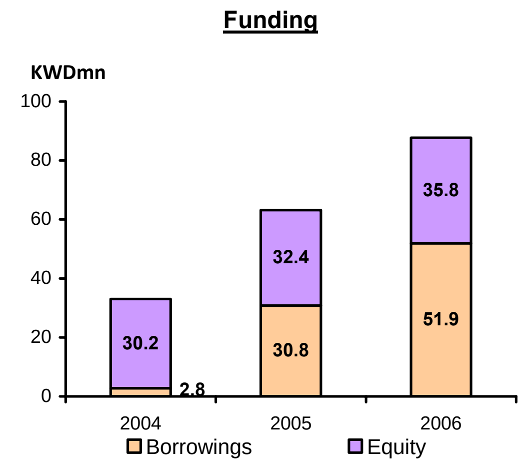
Asset quality. As the operating history is only 3 years and the average life of current facilities granted fairly short, the portfolio is still considered to be relatively unseasoned. Despite that, NPFRs almost doubled to KWD2.8mn from the level at end 2005 and equated to a NPFR/Financing Receivables ratio of 3.85% (2005: 2.8%). The combined (new and used vehicles) NPFRs relating to vehicle financing totalled KWD1.0mn against a portfolio of KWD50.3mn and equated to a ratio of

1.9%. That said, in absolute terms the amounts are small. The highest contributor remained Tawarrokh (Cash Facilities) with KWD0.9mn (equating to 5.1% of the cash facilities portfolio), followed by Shamel (Mixed Products – equipments, foodstuff, motorbikes, etc) at KWD0.8mn or 6.4% of the mixed products portfolio.

NPFR Breakdown Period	KWDmn	No of Customers
One month	2.20	
Three months	0.24	3,946
Six months	0.10	222
More than one year	0.25	80
Total	**2.79**	65
		4,313

NPFR outstanding for over one year equated to only 8.9% of the total. Although provisions increased by 48.5% to KWD2.1mn (made up 59% of general provisions and 41% of specific provisions), NPFR coverage deteriorated significantly from 104.28% to 77.06%. The ten largest non-performing facilities totalled KWD1mn with the largest loan to an individual equating to 8.4% of total NPFRs.

Contributions from financing receivables and the investment portfolios were 76.4% and 23.6% to gross income at year end 2006.



Borrowing rises. As in 2005, the Company increased its access to external Islamic funding to expand asset growth. This funding was in the form of Murabaha and Wakala payables, 78.7% of which were provided by a finance house and an investment house. The remainder was provided by three other institutions - the Public Institution for Social Security, an investment and leasing company and a structured finance company. Borrowings rose to KWD50.1mn from KWD28.6mn in 2005 and had a maturity profile of 71.9% medium term (3 years) and 28.1% short term. Management advises that KWD8.4mn out of the KWD14.1mn short term loans have since been repaid. All external financing is fixed rate. Unutilised credit lines were KWD10mn as at year end 2006.

Retained earnings strengthen capital base. There was a small increase in paid in capital in 2006 due to an issue of new shares under the Employee Share Ownership Plan. However the main contributor to the increase in total shareholders' funds was retained earnings. At year end 2006, these stood at KWD35.8mn represented an increase of 10.6% over the previous year. There are no plans for additional capital in the near future, as at this stage the balance sheet remains relatively under-leveraged.

Liquidity. Current ratio is 1.47%.

Leverage rose to 1.46 times from 0.95 times in 2005 as the Company increased its external borrowings to fund growth. This remains a low level for a financing institution.

The Company has an in-house limit for leverage; this was raised from 2.5 in 2005 to 3.0 for 2006.

Current Year Update (H1 2007)

The table below highlights Al Manar's financials for H1 2007:

KWDmn	H1 2007	2006	Δ%
Total Assets	120.8	88.1	37.12
Net Financing Rec	80.2	70.5	13.78
Total Investments	14.3	13.5	5.71
Total Equity	34.9	35.8	-2.59
Total Debt	83.7	50.1	67.06

	H1 2007	2006
NPFR / Financing Receivables (%)	5.26	3.85
FR-Loss Reserve / NPFR (%)	51.93	77.06
Leverage (Times)	2.46	1.35
Total Debt / Total Equity (Times)	2.40	1.40
ROAA (%)	1.98	4.02

	H1 2007	H1 2006	Δ%
Financing Income	4.92	3.31	48.63
Investment Income	-0.09	-0.17	45.05
Other Income	0.48	0.35	35.90
Finance Charges	-2.24	-1.40	60.03
Gross Income	**3.07**	**2.09**	**46.89**
Operating Expenses	1.28	0.96	32.32
Operating Profit	**1.79**	**1.13**	**58.41**
Provisions	0.75	0.42	80.87
Net Profit	**1.04**	**0.71**	**46.00**

Profitability

- The Company had a successful H1 performance registering a four-fold increase from the disappointing Q1 net profit.
- Financing income grew robustly by 48.6% on the back of further growth in the financing receivable portfolio. There was an almost doubling of finance costs in view of the 67% increase in borrowings.
- Gains from trading in the second quarter improved net loss position from KWD412k in Q1 to KWD95k.
- Operating expenses rose in tandem with higher activities with general and administrative expenses accounting for 76% of the increase in operating costs.
- Provisions taken more than doubled from Q1 reflected the higher NPFRs.

Balance Sheet

Strong asset growth. Total assets rose to KWD120.8mn from KWD88.1mn, a jump of 37%. Most of the increase came in finance receivables despite an increasingly competitive environment which totalled KWD80.2mn and equated to 66.4% of total assets.

The trading investments portfolio grew by 13.8%. The reduction in the local quoted share portfolio was offset by an increase in foreign quoted shares; these grew four-fold to KWD1.4mn from KWD0.3mn at year end 2006. Unquoted local shares and funds grew only marginally, rising by 1% to KWD8.9mn. They nonetheless still remained the largest portfolio component and equated to 62.8% of the total trading investments book.

NPFRs further increased, rising by 56.2% to KWD4.4mn. This equated to a NPFRs ratio of 5.26%, up from 3.85% at year end 2006. This is however considered part of the normal cycle for a relatively unseasoned portfolio, with some stabilisation expected in the fifth year of operations. The provision coverage ratio has however dropped further to 51.93% from 77.06% at year end. This is in line with the trend of the industry following the lowering of the mandatory provision level for performing facilities by the Central Bank of Kuwait. Although comfort can be taken from the security of KWD2.9mn held against these NPFRs, which would improve the effective coverage ratio to 117.6%, CI considers the declining provisioning as a constraint on the rating.

The growth in assets was primarily funded by the increase in borrowings which rose to KWD83.7mn and represented an increase of 67%. These remained in the form of Murabaha and Wakala payables.

Shareholders' funds shrunk by 2.6% despite a small increase in share capital related to the employee share ownership plan. The decline was due to a decrease in retained earnings reflecting the cash dividend paid of KWD1.5mn.

Ratios

Leverage increased to 2.46 times and reflected the higher borrowings against a smaller equity base. This was however still within the Company's in-house limit.

Outlook for the remainder of 2007

KWDmn	Actual H1 2007	Projected year end 2007
Finance revenues	4.924	8.988
Gains – trading investments	-0.095	0.786
Murabaha & Wakala revenues	0.003	0.738
Other revenues	0.476	0.938
Total	5,308	11.450

Management are cautiously optimistic on performance for the remainder of the year. The financing receivables activities remained robust both in terms of growth and profitability and on target to meet projections for 2007 despite stiff competition. Al Manar's market share is growing steadily, having risen from 7.98% at year end to 9.69% at H1. The investments activities however are lagging behind, showing a significant gap between projections and actuals as illustrated in the table above. Non-financing income at H1 totalled KWD0.38mn compared to a projection for year end of KWD2.5mn. With H1 net profit only reaching KWD1.0mn, achieving the forecasted year end net profit of KWD4.6mn will be a real challenge. That said, however the Company was in a similar position at H1 2006, with net profit at only KWD0.7mn; despite this they achieved their target of KWD3mn at year end. Company management remains optimistic that the projected target would be met.

FINANCIAL FORECASTS

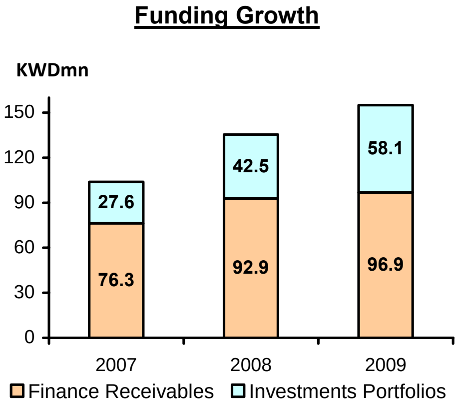
The following forecasts for the period to 2009 are based on a series of assumptions. These include the following:

Tenors: 48 months for new vehicles
42 months for used vehicles
33 months for cash consumer loans (Tasaheel)
12 months for real estate loans
48 months for fleet loans

The Company has also provided CI with assumptions concerning individual transaction sizes, profit rates per transaction and ancillary fees and commissions. As these are commercially sensitive, they have not been detailed in this report.

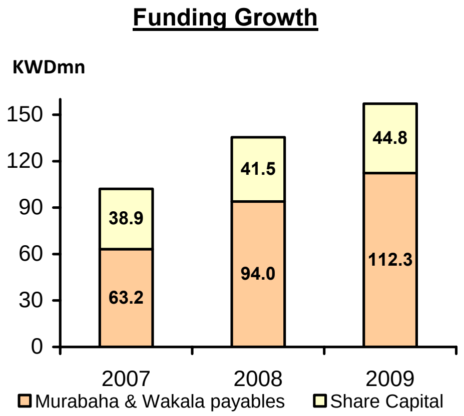
Other assumptions cover levels of instalment debtors, interest rates and the level of investments held. Funding costs have been assumed at 8.25%. Given that new lending will generally be match funded, there should be little or no margin compression.

Balance Sheet



The Company has projected an asset base of KWD128.5mn for year end 2007 but with H1 2007 having reached KWD120.8mn, this target is most likely to be exceeded. At H1, this represented a growth rate of 37%. Asset growth however is anticipated to slow down to 15.8% in 2008 and 9.6% in 2009.

There appears to be a shift in targeted growth areas unlike in the past, the Company is projecting a faster rate of growth in the investment activities than the financing activities. With current constraints on maximum lending limits by the central bank and increased competition, slower growth rate of the financing activities would be expected. Saying that, with H1 2007 finance receivables portfolio standing at KWD80.2mn, the Company has exceeded year end projection. To achieve the projected growth in the investments portfolios, the Company intends to invest around KWD7mn of new shares annually and KWD6mn in real estate investment.



The projected asset growth will be funded by external borrowings. This will remain largely in both Murabaha and Wakala payables.

Shareholder funds are projected to reach KWD38.9mn at year end 2007 however at H1 this has already reached KWD34.9mn. Composite of shareholder funds show no increase in share capital remaining at KWD30.4mn throughout forecast period, however through the employee share option scheme, this rose to KWD30.5mn at H1 2007 and thus it is likely there will be further small increases over the forecast period. Main contributors however will remain retained earnings and reserves.

Profit and Loss

	Dec 2007	Dec 2008	Dec 2009
Finance revenues	9,961	12,619	14,628
Finance cost	4,030	5,659	6,735
Net Financing Income	**5,931**	**6,960**	**7,893**
Investment income	1,152	2,326	3,761
Fees revenues	703	737	775
Other revenues	306	330	354
Non Financing Income	**2,161**	**3,393**	**4,890**
Gross income	**8,092**	**10,353**	**12,783**
General & admin expenses	597	621	645
Staff cost	700	748	786
Depreciation & Amortisation	36	70	70
Other expenses	485	526	562
Operating Expenses	**1,818**	**1,965**	**2,063**
Operating Profit	**6,274**	**8,388**	**10,720**
Provision	1,110	1,210	1,305
Gross Profit	**5,164**	**7,178**	**9,415**

Net financing income will continue to be the main contributor to gross income equating to almost two-thirds of gross income over the projected period. At H1 2007, this totalled KWD2.7mn and is on target for projected year end figure on an annualised basis.

To the contrary, non-financing income totalled just KWD0.4mn at H1 against a year end projection of KWD2.5mn. The shortfall was attributed mainly to the losses from investment trading activities and the limited income from the Murabahat and Wakalat funds. As to the latter, the Company only invests in these funds when there is surplus cash. The Company advised that there will be a good amount in the second quarter of 2007.

The Company's investments trading income has been in line with the trend of the KSE over the past two years with an exceptional good income in 2005 and a much reduced income in 2006 following the correction in the KSE. The projected income from these activities for the forecast period is thus a challenge although not totally unachievable.

Income from unconsolidated subsidiaries – Manar Express and Manar Wataniya as at year end 2006 contributed over 60% of total of other revenues. For the 3 years projections above, this income is included under investment income. The success of these subsidiaries will therefore be the main factor to the achievement of these projections. The Company's investments in real estate are through these two unconsolidated subsidiaries which are projected to contribute around a third of investment income.

Operating expenses are projected to increase between 8% and 5% over the forecast period while provision is to grow steadily.

Ratios

Projected leverage for the forecast period is as follow:

2007 1.69
2008 2.34
2009 2.57

With projected financing increasing at a faster rate than shareholders' funds and no projected capital increases apart from the small employee share option scheme, leverage is thus projected to rise over the forecast period but will remain within the Company's house limit of 3.0.

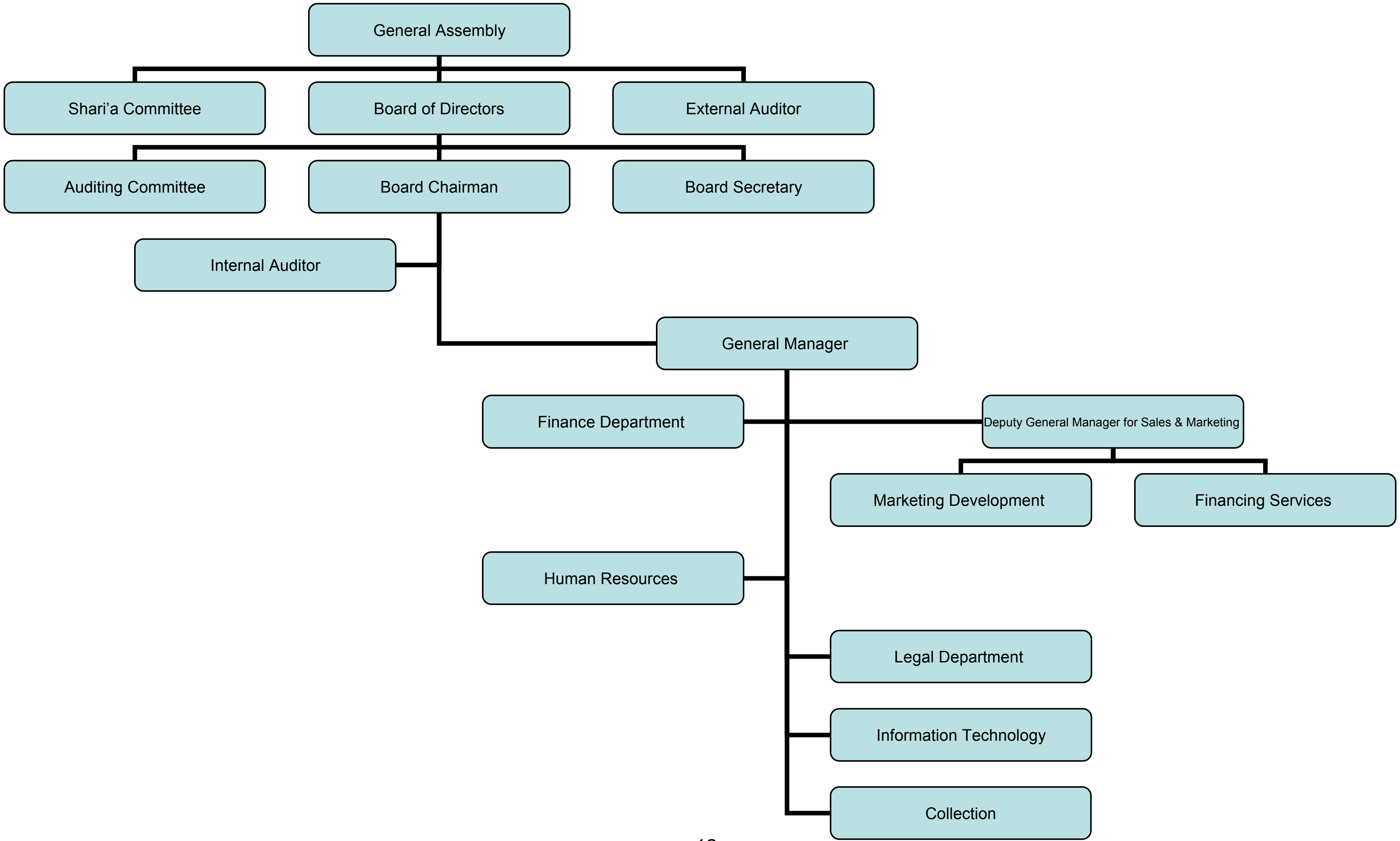
PROSPECTS

Although Al Manar is still a small player in a market that contains some heavyweight competition, customer demand has remained strong. Despite the increased competition from the banks, Al Manar has nonetheless managed to post impressive portfolio growth figures, albeit from what was a modest base. The challenge will be in maintaining this momentum. It is however important that asset quality be maintained even in the face of margin pressures.

It should be remembered that Al Manar is effectively only four years old. While it is therefore rather smaller than its longer established competitors at present, it compares favourably with these same organisations at a similar stage in their development. As long as portfolio growth can continue without any significant underlying deterioration in asset quality (ie beyond the normal changes to be expected as the portfolio becomes more seasoned), prospects remain favourable.

APPENDIX 1

AlManar Financing & Leasing Company



APPENDIX 2

SUPERVISION & REGULATION

Al Manar is supervised and regulated by the Central Bank of Kuwait and by the Ministry of Commerce. Once the Company becomes listed it will also be subject to the regulations and reporting requirements of the KSE. In terms of reporting, a range of quarterly returns would be required. In addition, any purchases or sales of treasury stock would have to be reported immediately to the KSE. The Company currently submits monthly reports to the Central Bank of Kuwait in a similar manner as with the commercial banks and must obtain central bank approval and permission before the release of financial information. The supervision department of the central bank periodically audits the Company for compliance with regulatory requirements. The regulatory regime in Kuwait includes regular on-site inspections as well as on-going off-site supervision.

Apart from non-applicability of ratio requirements related to customer deposits, Al Manar follows the common regulatory requirements for consumer lending in Kuwait. These apply to all lenders, bank and non-bank. The main areas covered are:

a) Maximum interest rates (related to the central bank discount rate).
b) Maximum tenors.
c) Repayment ability assessment.
d) Maximum advance (KWD15K or 15 times salary, whichever is lower).

In February 2006 the central bank for the first time approved consumer loans which include a balloon payment.

As with other consumer lenders in Kuwait, Al Manar must report all outstanding financings to the Ci-Net system.

INTERNAL CONTROLS

Internal audit functions are handled both in-house by a full time internal auditor and (since 2004) by Ernst & Young, with regard both to central bank regulations and the Company's own internal policies and procedures. The internal function reports directly to the Board.

COLLATERAL POLICY

Listed stocks. Acceptable shares should be those of Kuwaiti companies listed on the KSE. The coverage ratio for those shares is a minimum of 200% and the customer is required to sign a contract that gives the Company the right to liquidate those shares at any time without referring to the customer.

Real estate. The real estate should be located in Kuwait. The minimum coverage ratio is 150% for income producing real estate and 200% for non-income producing real estate. The real estate should be registered as a first degree collateral for the Company and the customer is required to sign a contract that gives the Company the right to liquidate those real estates at any time without referring to the customer.

Letter of Guarantee. The letter of guarantee should normally be issued by a Kuwaiti bank. On the rare occasions where a guarantee is issued by an overseas bank, prior approval of the Company's board is required. The letter of guarantee should cover 100% of the required loan.

SUPPORT

As a non-bank, Al Manar would not enjoy the same likelihood of governmental support as a deposit-taking institution. However the Company does have a reasonably strong shareholding group that would certainly have the ability to provide support should this be needed.

SUBSIDIARIES

United Tasaheel Real Estate Co Bader Abdulla Al Sumait & Partner	WLL	100%
Manarat Tasaheel Real Estate Co Hamad Abdualla Ahmed & Partner	WLL	100%
Al Manar Express for Marketing Consulting Co	WLL	100%
Bait Al-Tasaheel Real Estate Co	WLL	100%

APPENDIX 3

Consumer Finance Market in Kuwait

The total consumer credit market in Kuwait is now estimated to be around KWD5 billion. However this total would include all forms of credit to consumers including residential mortgages (still relatively few in number) and credit card balances. The market remains dominated by KFH followed by CFC, which together account for approximately 70% of the vehicle financing market in Kuwait. Both KFH and CFC in particular are long established organisations.

The presence of a strong Islamic alternative to conventional financing structure alters the dynamics of the market. Potential customers are unlikely to actively swap back and forth between the Islamic institutions and the conventional markets. It can therefore be argued that there are in reality two separate markets in Kuwait.

The other major competitors in this market are the commercial banks who have become much more aggressive in consumer lending. Regulatory changes and the limit on individual indebtedness has limited the amount of available business and the banks have crucial advantages in that they control salary accounts of potential borrowers as well as having lower funding costs. Set against this, the non-bank finance companies have low cost-income ratios as well as the possibility of offering operational lease-based products that banks cannot.

Growth of Consumer Finance Market - KWDmn

Company	Trade Receivables December 2006	Trade Receivables March 2007	Growth %
CFC	319,677,000	318,687,000	-0.31
TID	195,791,963	210,784,728	7.66
AAYAN	113,429,818	125,599,310	10.73
OSOUL	26,037,828	23,420,966	-10.05
KFIC	91,337,766	88,702,667	-2.89
IFC	66,254,023	69,469,500	4.85
ALMANAR	70,467,255	75,962,113	7.80

It should however be borne in mind that for some lenders (such as CFC and KFH) the overwhelming bulk of the portfolio has historically been made up of facilities for the purchase of autos (although this may be changing). At others (such as KFIC and The Investment Dar), there is a rather larger proportion of lending for other purposes such as secured lending to asset management customers or real estate lending (and thus perhaps a somewhat higher market share overall). Nonetheless the above data gives a rough impression of scale, if only in the auto lending segment in existing portfolio terms. This latter qualification is important. Both KFH and CFC in particular are long established organisations. Their market shares therefore reflect the size of the historical portfolio. The newer companies may well therefore in some cases at least have a larger share of new lending than the above percentages might imply.

In 2005 and 2006 there was some divergence in growth trends, particularly among the institutions operating on an Islamic basis. Both The Investment Dar and Osoul saw a fall in their consumer lending portfolios while A'Ayan and Al Manar saw rises. In H1 2007 Al Manar saw its portfolio rise by 13.8%, bringing its estimated market share to 9.7%.

What is certainly the case is that the commercial banks have become much more aggressive in consumer lending; in the past this had been a less important market for them. Regulatory changes and the introduction of Ci-Net has limited the amount of available business due to limits on individual indebtedness, and the banks have crucial advantages in that they control the salary accounts of potential borrowers as well as having lower funding costs. Set against this, the non-bank finance companies have low cost-income ratios as well as the possibility of offering operational lease-based products, something that the banks cannot do.

MARKET POSITION OF AL MANAR

The presence of a strong Islamic alternative to conventional financing structures alters the dynamics of the market. Potential customers are unlikely to actively swap back and forth between the Islamic institutions and the conventional lenders. It can therefore be argued that there are in reality two separate markets in Kuwait. In one the Islamic Finance Companies compete with Kuwait Finance House and among themselves while in the other Commercial Facilities Company competes with IFC, Kuwait Finance & Investment Company and other smaller consumer finance lenders as well as with the commercial banks. As an Islamic institution, Al Manar's main competition will come from other providers of credit that operate on a Shari'a compliant basis, in particular KFH, The Investment Dar and A'Ayan Leasing & Investment. The recently established Boubyan Islamic Bank will also be a competitor, as will probably the (ex-KREB) Kuwait International Bank as the latter builds its retail banking offering. Despite this, Al Manar was able to grow its portfolio strongly in both 2005 and 2006. At H1 2007, Al Manar estimates its market share has risen to 9.69% from 7.98% at year end 2006.

AL MANAR FINANCING AND LEASING COMPANY

02-Nov-2007

KW60

SUMMARY RATIOS

	External Audit	AUD 12/2006	AUD 12/2005	AUD 12/2004	AUD 12/2003
A . SIZE FACTORS (KWD 000)					
1 . Total Assets		88,160	63,296	33,016	
2 . Net Financing Receivables		70,467	48,201		
3 . Total Equity		35,836	32,391	30,226	
4 . Tangible Net-Worth		35,769	32,319	30,179	
5 . Total Debt		50,083	28,619		
6 . Net Profit		3,047	2,084	226	
7 . Assets Under Management					
B . ASSET QUALITY (%)					
8 . Total Assets Growth Rate		39.28	91.71		
9 . FR-Loss Reserve / Financing Receivables		2.97	2.92		
10 . Non-Performing FR / Financing Receivables			2.80		
11 . FR-Loss Reserve / Non-Performing FR			104.28		
12 . Unprovided Non-Performing FR / Total Equity		6.01	8.78		
13 . FR-Loss Provision Charge / Financing Receivables		-0.97	-2.25		
C . CAPITAL AND LEVERAGE					
14 . Total Equity Growth Rate (%)		10.63	7.17		
15 . Total Equity / Total Assets (%)		40.65	51.17	91.55	
16 . Leverage (Times)		1.46	0.95	0.09	
17 Leverage - Excluding Minority Interest (Times)		1.46	0.95	0.09	
18 . Total Liabilities / Tangible Net-Worth (Times)		1.46	0.96	0.09	
19 . Long-Term Debt / Total Equity (Times)		1.40	0.88	0.00	
20 . Total Debt / Total Equity (Times)		1.40	0.88		
D . LIQUIDITY AND COVERAGE					
21 Current Ratio (Times)				7.41	
22 . Cash + QI + ST Gross FR / ST Debt (Times)					
23 . Cash & Quoted Investments / Total Assets (%)		9.32	1.97	34.65	
24 . Cash & Quoted Investments / Total Liabilities (%)		15.70	4.04	409.96	
25 . Net Financing Receivables / Total Assets (%)		79.93	76.15		
26 . Net Financing Receivables / Total Liabilities (%)		164.91	186.25		
E . PROFITABILITY (%)					
27 . Return on Average Assets (ROAA)		4.02	4.33	1.37	
28 . Return on Average Equity (ROAE)		8.93	6.66	1.49	
29 . Funding Cost		8.28	5.56		
30 . Financing Income on Average Earning Assets		12.44	15.30	47.03	
31 . Financing Differential		4.16	9.74		
32 . Non-Financing Income / Gross Income		23.60	35.94	62.49	
33 . Operating Expenses / Gross Income		35.00	35.99	70.63	
34 . Operating Profit Growth Rate		17.41	470.52		
35 . Operating Profit / Average Assets		4.99	6.68	3.42	
36 . Risk Provisioning Charge / Operating Profits		-18.63	-34.65	-59.66	
37 . Realized Income / Gross Income		100.00	100.00	100.00	
38 . Dividend Payout Ratio		0.02			
F . INVESTMENT					
39 . Market Capitalization (KWD 000)					
40 . Share Price (KWD)					
41 . Earnings Per Share (KWD)		0.010	0.007	0.001	
42 . Earnings Per Share Growth (%)		45.38	822.21		
43 . Price / Earnings Ratio (Times)					
44 . Price / Book Ratio (Times)					
45 . Cash Dividend Per Share (KWD)		0.007			
46 . Stock Dividend Per Share (%)					
G . REFERENCE DATA					
. Exchange Rate (Units per USD)		0.289	0.292	0.295	0.295
. Inflation Rate (%)		3.08	4.10	1.14	1.20

AL MANAR FINANCING AND LEASING COMPANY

External Audit	2006	AUD	AUD	AUD	AUD	Growth (%)				Breakdown (%)			
BALANCE SHEET - ASSETS (KWD 000)	**USD 000**	**12/2006**	**12/2005**	**12/2004**	**12/2003**	**12/2006**	**12/2005**	**12/2004**	**12/2003**	**12/2006**	**12/2005**	**12/2004**	**12/2003**
Cash & Banks	13,483	3,898	1,248	3,064		212.23	-59.26			4.42	1.97	9.28	
Net Financing Receivables	243,747	70,467	48,201			46.19				79.93	76.15		
Financing Receivables	*251,203*	*72,623*	*49,653*			*46.26*				*82.38*	*78.45*		
Gross Financing Receivables	*298,464*	*86,286*	*58,951*			*46.37*				*97.87*	*93.14*		
Performing Financing Receivables	*298,464*	*86,286*	*57,559*			*49.91*				*97.87*	*90.94*		
Non-Performing Financing Receivables (NPFR)			*1,392*			*-100.00*					*2.20*		
No Breakdown													
Less: Deferred Income	*-47,262*	*-13,663*	*-9,298*			*46.95*				*-15.50*	*-14.69*		
Less: Financing Receivables Loss Reserve (FRLR)	*-7,456*	*-2,155*	*-1,452*			*48.49*				*-2.44*	*-2.29*		
Specific Provisions	*-3,057*	*-884*	*-486*			*81.94*				*-1.00*	*-0.77*		
General Provisions	*-4,398*	*-1,272*	*-966*			*31.66*				*-1.44*	*-1.53*		
No Breakdown													
Other Receivables				15,542			-100.00					47.07	
Prepayments & Accruals	348	101	80	151		25.68	-46.92			0.11	0.13	0.46	
Investments	46,672	13,493	13,522	14,064		-0.22	-3.86			15.30	21.36	42.60	
Investments at Fair Value Through Inc. Stat. (HFT)	*46,672*	*13,493*	*10,517*	*11,014*		*28.29*	*-4.51*			*15.30*	*16.62*	*33.36*	
Quoted	*14,933*	*4,317*		*8,374*			*-100.00*			*4.90*		*25.36*	
Unquoted	*31,738*	*9,176*	*10,517*	*2,640*		*-12.76*	*298.38*			*10.41*	*16.62*	*8.00*	
No Breakdown													
Investments Available-For-Sale													
Investments Held-To-Maturity													
Investments In Unc. Subsidiaries & Associates			*3,005*	*3,050*		*-100.00*	*-1.48*				*4.75*	*9.24*	
Investment Properties													
Net Fixed Assets	214	62	103	123		-39.69	-16.36			0.07	0.16	0.37	
Due From Associates													
Goodwill & Other Intangible Assets	231	67	72	46		-7.01	56.34			0.08	0.11	0.14	
Other Assets	250	72	70	26		3.93	164.70			0.08	0.11	0.08	
TOTAL ASSETS	**304,945**	**88,160**	**63,296**	**33,016**		**39.28**	**91.71**			**100.00**	**100.00**	**100.00**	

AL MANAR FINANCING AND LEASING COMPANY

External Audit BALANCE SHEET - LIABILITIES (KWD 000)	2006 USD 000	AUD 12/2006	AUD 12/2005	AUD 12/2004	AUD 12/2003	Growth (%) 12/2006	 12/2005	 12/2004	 12/2003	Breakdown (%) 12/2006	 12/2005	 12/2004	 12/2003
Short-Term Debt													
Short-Term Payables	6,304	1,822	2,158	2,670		-15.55	-19.18			2.07	3.41	8.09	
Prepayments & Accruals	1,030	298	54	82		455.54	-34.80			0.34	0.08	0.25	
Long-Term Debt	173,238	50,083	28,619			75.00				56.81	45.21		
Long-Term Payables													
Reserve for Retirement Pay & Insurance	417	120	73	38		63.95	94.62			0.14	0.12	0.11	
Due To Unc. Subsidiaries & Associates	0	0	0	0	0								
Other Liabilities													
TOTAL LIABILITIES	**180,989**	**52,324**	**30,904**	**2,790**		**69.31**	**1007.63**			**59.35**	**48.83**	**8.45**	
EQUITY:													
Equity Attributable To Shareholders of Parent Co.													
Share Capital	105,157	30,401	30,083	30,000		1.06	0.28			34.48	47.53	90.87	
Share Premium	10	3								0.00			
Less: Treasury Shares													
Statutory Reserve	1,878	543	233	23		132.99	924.21			0.62	0.37	0.07	
Voluntary Reserve	1,802	521	211	23		146.93	827.03			0.59	0.33	0.07	
General Reserve	336	97	21			368.78				0.11	0.03		
Cumulative Change in Fair Value													
Gain on Sale of Treasury Shares													
Foreign Currency Translation													
Proposed Dividend													
Retained Earnings	14,771	4,270	1,844	180		131.63	924.17			4.84	2.91	0.55	
SUB-TOTAL	**123,956**	**35,836**	**32,391**	**30,226**		**10.63**	**7.17**			**40.65**	**51.17**	**91.55**	
Minority Interest													
TOTAL EQUITY	**123,956**	**35,836**	**32,391**	**30,226**		**10.63**	**7.17**			**40.65**	**51.17**	**91.55**	
TOTAL LIABILITIES & EQUITY	**304,945**	**88,160**	**63,296**	**33,016**		**39.28**	**91.71**			**100.00**	**100.00**	**100.00**	

AL MANAR FINANCING AND LEASING COMPANY

External Audit	2006	AUD	AUD	AUD	AUD	Growth (%)				% of Average Total Assets			
PROFIT AND LOSS ACCOUNT (KWD 000)	**USD 000**	**12/2006**	**12/2005**	**12/2004**	**12/2003**	**12/2006**	**12/2005**	**12/2004**	**12/2003**	**12/2006**	**12/2005**	**12/2004**	**12/2003**
Interest Income / Financing Income	26,638	7,701	4,017	720		91.73	457.47			10.17	8.34	4.36	
Interest Expense / Financing Expense	-11,277	-3,260	-796			309.81				-4.30	-1.65		
NET INTEREST INCOME / NET FINANCING INCOME	**15,361**	**4,441**	**3,221**	**720**		**37.87**	**347.06**			**5.86**	**6.69**	**4.36**	
Fees & Commission Income													
Rental Income													
Dividend Income	90	26	3			889.81				0.03	0.01		
Foreign Exchange Income													
Investment Income	1,447	418	1,069	397		-60.87	169.33			0.55	2.22	2.40	
Share of Results of Unc. Subsidiaries & Associates													
Profit on Sale of Unc. Subsidiaries & Associates													
Other Income	3,208	927	735	804		26.13	-8.51			1.22	1.53	4.87	
NON-INTEREST INCOME / NON-FINANCING INCOME	**4,745**	**1,372**	**1,807**	**1,200**		**-24.08**	**50.51**			**1.81**	**3.75**	**7.27**	
GROSS INCOME	**20,106**	**5,813**	**5,028**	**1,921**		**15.61**	**161.74**			**7.68**	**10.44**	**11.64**	
General & Administrative Expense	6,276	1,814	1,694	1,305		7.09	29.84			2.40	3.52	7.90	
Lease / Rental Expense													
Depreciation & Amortization	409	118	95	52		25.13	81.83			0.16	0.20	0.32	
Other Expenses	351	101	21			389.30				0.13	0.04		
OPERATING EXPENSES	**7,036**	**2,034**	**1,810**	**1,357**		**12.41**	**33.36**			**2.69**	**3.76**	**8.22**	
OPERATING PROFIT	**13,070**	**3,778**	**3,218**	**564**		**17.41**	**470.52**			**4.99**	**6.68**	**3.42**	
Provisions For Doubtful Financing Receivables	-2,435	-704	-1,115	-337		-36.88	231.37			-0.93	-2.32	-2.04	
Other Provisions													
GROSS PROFIT	**10,635**	**3,075**	**2,103**	**228**		**46.19**	**824.18**			**4.06**	**4.37**	**1.38**	
Extraordinary Items													
Taxes	-96	-28	-19	-2		47.38	824.22			-0.04	-0.04	-0.01	
NET PROFIT (LOSS)	**10,539**	**3,047**	**2,084**	**226**		**46.18**	**824.18**			**4.02**	**4.33**	**1.37**	
APPROPRIATION OF SURPLUS:													
Attributable To Minority Interests													
Dividends	90	26											
Transfer To Equity	**10,448**	**3,021**	**2,084**	**226**		**44.93**	**824.18**						
Bonus Shares Issued	1,100	318	83			283.31							
Changes In Equity Not Through P&L	**10,814**	**3,126**	**2,083**			**50.09**							

CORPORATE RATIO FORMULAE - FINANCING, LEASING & INVESTMENT

A SIZE FACTORS	
1 . TOTAL ASSETS	TOTAL ASSETS
2 . NET FINANCING RECEIVABLES	GROSS FINANCING RECEIVABLES - DEFERRED INCOME - PROVISIONS (FRLR)
3 . TOTAL EQUITY	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT CO.+ MINORITY INTEREST
4 . TANGIBLE NET-WORTH	TOTAL EQUITY - GOODWILL - OTHER INTANGIBLE ASSETS
5 . TOTAL DEBT	SHORT-TERM DEBT + LONG-TERM DEBT
6 . NET PROFIT	NET PROFIT
7 . ASSETS UNDER MANAGEMENT	ASSETS UNDER MANAGEMENT
B . ASSET QUALITY (%)	
8 . TOTAL ASSETS GROWTH RATE	CURRENT YEAR TOTAL ASSETS – PREVIOUS YEAR TOTAL ASSETS x 100 PREVIOUS YEAR TOTAL ASSETS
9 . FR-LOSS RESERVE / FINANCING RECEIVABLES	FINANCING RECEIVABLES LOSS RESERVE x 100 FINANCING RECEIVABLES
10 . NON-PERFORMING FR / FINANCING RECEIVABLES	NON PERFORMING FINANCING RECEIVABLES x 100 FINANCING RECEIVABLES
11 . FR-LOSS RESERVE / NON-PERFORMING FR	FINANCING RECEIVABLES LOSS RESERVE x 100 NON PERFORMING FINANCING RECEIVABLES
12 . UNPROVIDED NON-PERFORMING FR / TOTAL EQUITY	NON PERFORMING FR - FR LOSS RESERVE x 100 TOTAL EQUITY
13 . FR-LOSS PROVISION CHARGE / FINANCING RECEIVABLES	FINANCING RECEIVABLES PROVISION CHARGE x 100 FINANCING RECEIVABLES
C . CAPITAL AND LEVERAGE	
14 . TOTAL EQUITY GROWTH RATE (%)	CURRENT YEAR TOTAL EQUITY – PREVIOUS YEAR TOTAL EQUITY x 100 PREVIOUS YEAR TOTAL EQUITY
15 . TOTAL EQUITY / TOTAL ASSETS (%)	TOTAL EQUITY x 100 TOTAL ASSETS
16 . LEVERAGE (TIMES)	TOTAL LIABILITIES TOTAL EQUITY
17 LEVERAGE - EXCLUDING MINORITY INTEREST (TIMES)	TOTAL LIABILITIES TOTAL EQUITY - MINORITY INTERESTS
18 . TOTAL LIABILITIES / TANGIBLE NET-WORTH (TIMES)	TOTAL LIABILITIES TOTAL EQUITY - GOODWILL - OTHER INTANGIBLE ASSETS
19 . LONG-TERM DEBT / TOTAL EQUITY (TIMES)	LONG-TERM DEBT TOTAL EQUITY
20 . TOTAL DEBT / TOTAL EQUITY (TIMES)	SHORT-TERM DEBT + LONG-TERM DEBT TOTAL EQUITY
D . LIQUIDITY AND COVERAGE	
21 CURRENT RATIO (TIMES)	CURRENT ASSETS CURRENT LIABILITIES
22 . CASH + QI + ST GROSS FR / ST DEBT (TIMES)	CASH + QUOTED INVESTMENTS + ST GROSS FINANCINFG RECEIVABLES SHORT-TERM DEBT
23 . CASH & QUOTED INVESTMENTS / TOTAL ASSETS (%)	CASH + QUOTED INVESTMENTS x 100 TOTAL ASSETS
24 CASH & QUOTED INVESTMENTS / TOTAL LIABILITIES (%)	CASH + QUOTED INVESTMENTS x 100 TOTAL LIABILITIES
25 . NET FINANCING RECEIVABLES / TOTAL ASSETS (%)	NET FINANCING RECEIVABLES x 100 TOTAL ASSETS
26 . NET FINANCING RECEIVABLES / TOTAL LIABILITIES (%)	NET FINANCING RECEIVABLES x 100 TOTAL LIABILITIES

E . PROFITABILITY (%)	
27 . RETURN ON AVERAGE ASSETS (ROAA)	NET PROFIT x 100 AVERAGE TOTAL ASSETS
28 . RETURN ON AVERAGE EQUITY (ROAE)	NET PROFIT x 100 AVERAGE TOTAL EQUITY
29 . FUNDING COST	FINANCING EXPENSE x 100 AVERAGE TOTAL DEBT
30 . FINANCING INCOME ON AVERAGE EARNING ASSETS	FINANCING INCOME x 100 AVG. (CASH & BANKS + NET FINANCING RECEIVABLES + BONDS)
31 . FINANCING DIFFERENTIAL	FINANCING INCOME ON AVERAGE EARNING ASSETS - FUNDING COST
32 . NON-FINANCING INCOME / GROSS INCOME	NON FINANCING INCOME x 100 GROSS INCOME
33 . OPERATING EXPENSES / GROSS INCOME	OPERATING EXPENSES x 100 GROSS INCOME
34 . OPERATING PROFIT GROWTH RATE	CURRENT YEAR OPERATING PROFIT – PREVIOUS YEAR OPERATING PROFIT x 100 PREVIOUS YEAR OPERATING PROFIT
35 . OPERATING PROFIT / AVERAGE ASSETS	OPERATING PROFIT x 100 AVERAGE TOTAL ASSETS
36 . RISK PROVISIONING CHARGE / OPERATING PROFITS	PROVISION CHARGE FOR DOUBTFUL FR + OTHER PROVISION CHARGES x 100 OPERATING PROFITS
37 . REALIZED INCOME / TOTAL INCOME	REALIZED INCOME x 100 TOTAL INCOME
38 . DIVIDEND PAYOUT RATIO	CASH DIVIDENDS x 100 NET PROFIT
F . INVESTMENT	
39 . MARKET CAPITALIZATION	WEIGHTED AVG. NUM. OF SHARES OUTSTANDING X END OF PERIOD SHARE PRICE
40 . SHARE PRICE	END OF PERIOD SHARE PRICE
41 . EARNINGS PER SHARE	NET PROFIT WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING
42 . EARNINGS PER SHARE GROWTH (%)	(CURRENT Y. EARNINGS PER SHARE – PREVIOUS Y. EARNINGS PER SHARE) x 100 PREVIOUS Y. EARNINGS PER SHARE
43 . PRICE / EARNINGS RATIO (TIMES)	END OF PERIOD SHARE PRICE EARNINGS PER SHARE
44 . PRICE / BOOK RATIO (TIMES)	END OF PERIOD SHARE PRICE (TOTAL EQUITY / WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING)
45 . CASH DIVIDEND PER SHARE	CASH DIVIDEND PAID PER SHARE
46 . STOCK DIVIDEND PER SHARE (%)	STOCK DIVIDEND PAID PER SHARE AS A PERCENTAGE OF SHARE PAR VALUE

RATINGS DEFINITIONS

Foreign & Local Currency Ratings For Corporates

Foreign currency ratings refer to an entity's ability and willingness to meet its foreign currency denominated financial obligations as they come due. Foreign currency ratings take into account the likelihood of a government imposing restrictions on the conversion of local currency to foreign currency or on the transfer of foreign currency to residents and non-residents.

Local currency ratings for non-sovereign issuers are an opinion of an entity's ability and willingness to meet all of its financial obligations on a timely basis, regardless of the currency in which those obligations are denominated and absent transfer and convertibility restrictions. Both foreign currency and local currency ratings are internationally comparable assessments.

Foreign and local currency ratings take into account the economic, financial and country risks that may affect creditworthiness as well as the likelihood that an entity would receive external support in the event of financial difficulties.

Ratings assigned to corporates and financial institutions are generally not higher than the local and foreign currency ratings assigned by CI to the relevant sovereign government. However, it may be possible for an issuer with particular strengths and attributes such as inherent financial strength, geographically diversified cash flow, substantial foreign assets, and guaranteed external support, to be rated above the sovereign.

The following rating scale applies to both foreign currency and local currency ratings. Short-term ratings assess the time period up to one year.

Long-Term Issuer Ratings

Investment Grade

AAA The highest credit quality. Exceptional capacity for timely fulfilment of financial obligations and most unlikely to be affected by any foreseeable adversity. Extremely strong financial condition and very positive non-financial factors.

AA Very high credit quality. Very strong capacity for timely fulfilment of financial obligations. Unlikely to have repayment problems over the long term and unquestioned over the short and medium terms. Adverse changes in business, economic and financial conditions are unlikely to affect the institution significantly.

A High credit quality. Strong capacity for timely fulfilment of financial obligations. Possesses many favourable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions.

BBB Good credit quality. Satisfactory capacity for timely fulfilment of financial obligations. Acceptable credit characteristics but some vulnerability to adverse changes in business, economic and financial conditions. Medium grade credit characteristics and the lowest investment grade category.

Speculative Grade

BB Speculative credit quality. Capacity for timely fulfilment of financial obligations is vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors do not provide significant safeguard and the possibility of investment risk may develop.

B Significant credit risk. Capacity for timely fulfilment of financial obligations is very vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors provide weak protection; high probability for investment risk exists.

C Substantial credit risk is apparent and the likelihood of default is high. Considerable uncertainty as to the timely repayment of financial obligations. Credit is of poor standing with financial and/or non-financial factors providing little protection.

SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.

D The obligor has defaulted on all, or nearly all, of its financial obligations.

Short-Term Issuer Ratings

Investment Grade

A1 Superior credit quality. Highest capacity for timely repayment of short-term financial obligations that is extremely unlikely to be affected by unexpected adversities. Institutions with a particularly strong credit profile have a “+” affixed to the rating.

A2 Very strong capacity for timely repayment but may be affected slightly by unexpected adversities.

A3 Strong capacity for timely repayment that may be affected by unexpected adversities.

Speculative Grade

B Adequate capacity for timely repayment that could be seriously affected by unexpected adversities.

C Inadequate capacity for timely repayment if unexpected adversities are encountered in the short term.

SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.

D The obligor has defaulted on all, or nearly all, of its financial obligations.

Capital Intelligence appends "+" and "-" signs to foreign and local currency **long term** ratings in the categories from "AA" to "C" to indicate that the strength of a particular corporate is, respectively, slightly greater or less than that of similarly rated peers.

Outlook – expectations of improvement, no change or deterioration in a rating over the 12 months following its publication are denoted Positive, Stable or Negative.