# CORPORATE RATING

# Al Manar Financing & Leasing Company KSC (Closed)

**November 2008**

## Corporate Rating Report

# Al Manar Financing & Leasing Company KSC (Closed)

## Kuwait

**November 2008**

**Capital Intelligence**
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Ref: KW6007CRR/11-08

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

**November 2008**

## 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** | Oct 08 |
| **Short-term** | **B** | - | - |
| **Outlook** | **Stable** | Positive | Jun 06 |

## ANALYSTS


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## FINANCIAL HIGHLIGHTS (ISSUER)

| USD (mn) KWD (mn) | 2007 USD | 2007 KWD | 2006 KWD | 2005 KWD |
|---|---|---|---|---|
| Net Financing Income | 18.4 | 5.0 | 4.4 | 3.2 |
| Non Financing Income | 11.5 | 3.1 | 1.4 | 1.8 |
| Operating Expenses | 8.6 | 2.4 | 2.0 | 1.8 |
| Net Profit | 17.0 | 4.7 | 3.0 | 2.1 |
| Total Assets | 414.1 | 113.1 | 88.2 | 63.3 |
| Net Financing Rec. | 326.6 | 89.2 | 70.5 | 48.2 |
| Total Debt | 261.9 | 71.5 | 50.1 | 28.6 |
| Total Equity | 142.1 | 38.8 | 35.8 | 32.4 |
| *Exchange Rate: USD/KWD* | | *0.273* | *0.289* | *0.292* |
| NPFR / Financing Receivables | | 4.31 | 3.85 | 2.80 |
| FR-Loss Reserve / NPFR | | 82.31 | 77.09 | 104.28 |
| Total Equity / Total Assets | | 34.30 | 40.65 | 51.17 |
| Leverage | | 1.92 | 1.46 | 0.95 |
| ROAE (%) | | 12.45 | 8.93 | 6.66 |
| ROAA (%) | | 4.62 | 4.02 | 4.33 |

## RATINGS DRIVERS

### Supporting the Rating

- Steady increase in the financing portfolio is increasing domestic market share
- Improving profitability
- Growing capital base, and while leverage has increased, it remains manageable
- Performance benefits from a professional management team which has a well-developed expertise in the consumer finance sector

### Constraining the Rating

- Short operating history
- Relatively small balance sheet size
- While asset quality is declining as the unseasoned financing portfolio matures, it remains acceptable

## RATING RATIONALE

Al Manar, while still a relatively young company, has demonstrated its ability to compete successfully against more well-established players in Kuwait's consumer and commercial financing sector. This is reflected in its steadily growing domestic market share and client base alike. While the Company's balance sheet remains comparatively small, it is growing at a healthy pace. Al Manar has also established a four-year track record of consistently improving net profits, which has generated satisfactory and sustained ROAAs and ROAEs. Although declining, asset quality continued to be satisfactory overall and is underpinned by relatively high provision coverage of non-performing Islamic financing facilities. While leverage is increasing, it has remained manageable and within acceptable limits. Al Manar has proven its ability to raise term funding facilities from well-known domestic and international banks. Al Manar's dedicated management team has a well-developed expertise in the consumer and commercial finance sector and has ably navigated the Company's crucially important first phase of its development into a viable long-term player in the expanding Kuwaiti market. A recent minority acquisition (which included a long-term management contract) of a Qatari finance house, and planned geographic diversification into other GCC Islamic consumer finance markets, will serve to broaden Al Manar's revenue base and provide additional business opportunities going forward As a non-bank, Al Manar does not enjoy the same likelihood of governmental support as a deposit-taking institution. However, the Company does have a relatively strong shareholding group that would have the ability to provide a reasonable level of financial support should this be needed.

Based on the above, CI upgrades Al Manar's long-term corporate rating to BB+ and maintains the short-term rating at B. The ratings carry a 'Stable' outlook.

## COMPANY HISTORY AND STRATEGIES

### History

Al Manar Financing and Leasing Company K.S.C. (Closed) ("Al Manar" or "the Issuer") was established in November 2003. Al Manar's main area of activity is the provision of consumer finance, largely for the purchase of automobiles although it also makes cash loans to consumers and provides real estate and vehicle fleet financing for commercial customers. The Issuer employed 84 staff at end 2007, up from 68 a year earlier. Headcount is projected to reach 90 by end 2008 and 95 by end 2009.

Listing on the Kuwait Stock Exchange was delayed in 2007 due to a listing requirement shortfall. However, Al Manar has met all listing requirements now and is aiming to list its shares on the KSE in Q4 2008 subject to market conditions.

Al Manar, which conducts its financial services activities in strict accordance with Islamic Shari'a principles, is regulated and supervised by the Central Bank of Kuwait.

### Major Shareholders as of 31 May 2008 (%)

| | |
|---|---|
| Global Investment House (Clients A/C-Qatari Client: KIPCO shareholding) | 16.00 |
| Wafra International Investment Co | 15.02 |
| Global Investment House Co | 14.30 |
| Global Investment House Co (Clients A/C 1) | 10.25 |

### 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 conventional 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-Kuwait Real Estate Bank) Kuwait International Bank as the latter builds its retail banking offering. Despite this, Al Manar has been able to grow its market share steadily in 2005, 2006 and 2007. At end-September 2007, the Issuer's market share according to the published data of finance and investment companies licensed to operate in Kuwait was 8.8%, up from 7.7% at end 2006.

## Current Business Model

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

- Consumer Financing
    - *Financing for the purchase of new vehicles*
    - *Financing for the purchase of used vehicles*
    - *Cash financing on an Islamic basis (Tasaheel)*
- Fleet Financing
- Real Estate Financing
- Investment

**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. The 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. The 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 requires a first mortgage on the property or being 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%. The maximum tenor for real estate financing 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 2007. However in view of the current regulatory constraints on maximum borrowings limits for an individual consumer and increased competition in the finance receivables market, the Issuer has projected a higher growth in these activities in forthcoming years.

## PRINCIPAL BUSINESS STRATEGIES

Al Manar's corporate strategy is focused 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 available for sale investments, these remain unlikely to constitute a large part of the asset base for the foreseeable future.

The operating strategy for 2008 and beyond is to supplement its domestic Kuwaiti commercial operations by expanding its consumer finance business in GCC countries by acquiring stakes in already-established consumer finance companies. In this respect, in July 2007 Al Manar acquired a stake of 20% in Doha-based Qatar Finance House Company (with a management agreement for five years) and is considering similar acquisitions in other GCC countries.

# 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 domestic market share, the current regulatory constraints on consumer/individual maximum borrowing limits and increased competition may mean a slower rate of growth within the Kuwaiti consumer financing market.
  **Mitigation:** Al Manar is planning to expand into 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. Al Manar expects this to stabilise in its fifth year of operations.
  **Mitigation:** Al Manar has prudent lending policies and credit controls in place, which are reinforced by a strict portfolio monitoring and a strong bad debt recovery function.

**Investment Portfolio**

- **Large portion of investment portfolio is in unquoted local shares and funds** With unquoted local shares and funds comprising 85.3% of the total end 2007 investment portfolio, this is a potential liquidity risk.
  **Mitigation:** Firstly, at KWD12.4mn total unquoted investments comprise only 11% of total assets. In addition, a secondary market for most of these unquoted shares and funds shares is provided by Global Investment House, Kuwait. However, it should be noted that CI is of the opinion that despite having such a secondary market for most unquoted investments, financial flexibility relating to unquoted investments remains somewhat constrained.

# RECENT DEVELOPMENTS

A government sponsored Rescue Fund of KWD500mn has been authorised by an Amiri decree to assist Kuwaiti citizens who are in arrears in their consumer financing and/or personal loans. The fund's operational system and bi laws are under consideration and are expected to be formalised shortly. This followed the KWD100mn donation fund which was offered by Sheikh Salem Al-Sabah one of the ruling family elders to this same cause last year.

On the other hand, the consumer finance market which had expanded by a relatively stable 4.1% to KWD5.2 billion (2006: 5.1%) in 2007, reported a much higher level of arrears in 2007. This has caused a general deterioration of asset quality in a number of consumer financing lenders and financial institutions. However with the availability of the above funds, a high level of recoveries is also anticipated.

In response to the turmoil in the global banking and credit markets, the Central Bank of Kuwait (CBK) recently lowered its discount rate by 125 basis points to 4.5% and its repurchase rate by 100 basis points to 2.5% in a move designed to stimulate interbank liquidity and ease credit conditions. In addition, the CBK has been injecting substantial sums into the banking system in order to bolster confidence in domestic financial markets.

While the global economic slowdown, combined with volatile oil prices, is expected to impact Kuwait's growth prospects in 2009, the country's GDP is still forecast to expand by over 4.0% next year. Furthermore, it has been reported that the Kuwait Investment Authority (KIA), the country's sovereign wealth fund, is prepared to make substantial sums available to underpin stability in the Kuwaiti financial markets.

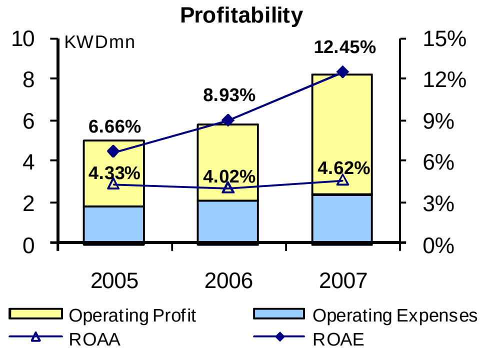
# KEY FINANCIAL ISSUES

## AUDITORS AND DISCLOSURE

The consolidated financial statements of Al Manar and its subsidiaries were prepared by management in accordance with International Financial Reporting Standards as adopted for use in the State of Kuwait by financial institutions regulated by the Central Bank of Kuwait. These financial statements were audited to International Accounting Standards by the Kuwaiti practice of Bader & Co - PricewaterhouseCoopers and by Al Humaidi & Partners (an independent member of Baker Tilly International). The accounts are unqualified. The Company has also provided considerable additional financial disclosure to CI.

## FINANCIAL PERFORMANCE FYE DECEMBER 2007

**Net financing income rose driven by finance receivables growth** Al Manar reported a net profit of KWD4.65mn in 2007, which represented a strong increase of 52.5% over results achieved in 2006. This good performance caused the operating profit on average total assets ratio and ROAA to increase to 5.78% (2006: 4.99%) and 4.62% (2006: 4.02%) respectively.




Financing income rose to KWD10.4mn from KWD7.7mn on the back of solid finance receivables growth. The majority of financing income was derived from Al Manar's core activity of new and used vehicle financing. Increased external borrowings caused financing expense to climb to KWD5.4mn in 2007 from KWD3.3mn in 2006. Accordingly net financing income was KWD5mn, which represented a more measured increase of 13.2% over the previous year's results versus a 37.9% increase in 2006. Growth in net financing income was also held in check by higher funding costs in 2007, which rose to 8.87% from 8.28% in 2006. Placing further pressure on Al Manar's net financing differential, which fell to 3.23% in 2007 from 4.16% in 2006, the financing income to average earning assets ratio dipped to 12.10% in 2007 from 12.44% in 2006.

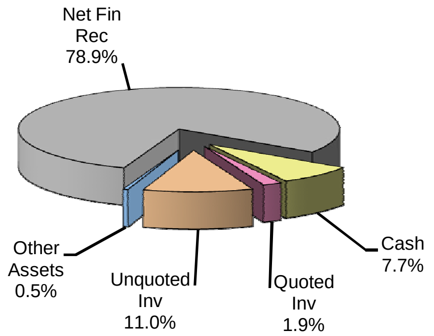
**Non-financing income up sharply** Revenue from investments held for trading more than tripled to KWD1.5mn from KWD0.4mn due mainly to useful gains on disposals of investments. This rose to KWD869 from KWD50k. Gains from investments at fair value through profit and loss also climbed to KWD623k from KWD368k. Income from Murabaha and Wakala investments quadrupled to KWD404k from KWD92k. Together with Other revenues of KWD1.1mn, which were up from KWD835k, total non-financing income jumped by 129.1% to KWD3.1mn.

**Operating expenses increased moderately, but provisions for doubtful financing receivables climbed more rapidly** Despite the 15.8% increase in operating expenses to KWD2.4mn, the cost to income ratio improved to a very satisfactory 28.8% (2006: 35%). Staff costs, which rose moderately by 8.4% to KWD1.1mn, accounted for 47.3% of total operating expenses in 2007 versus 50.5% in 2006. While higher headcount in 2007 pushed salaries, wages and other cash benefits up by 16.6% to KWD713.7k, this was partially offset by the payment of lower annual bonuses, which dropped by 11.7% to KWD222.5k. Provisions for credit losses were up by 59.8% to KWD1.1mn (2006: KWD0.7mn). Evidencing the increased pressure on asset quality, specific provisions of KWD923.6k accounted for the majority of newly created provisions in 2007, while general provisions rose by KWD201.1k.

## BALANCE SHEET

**Healthy ongoing growth in financing receivables underpinned asset expansion** Al Manar's balance sheet structure at end 2007 remained relatively straightforward and in line with that of end 2006. Total assets rose by 28.2% to KWD113.1mn (2006: KWD88.2mn) at end 2007 due mainly to a solid 27.3% expansion of gross financing receivables (2006: 46.2%) and higher cash balances.

**Asset Composition at End 2007**

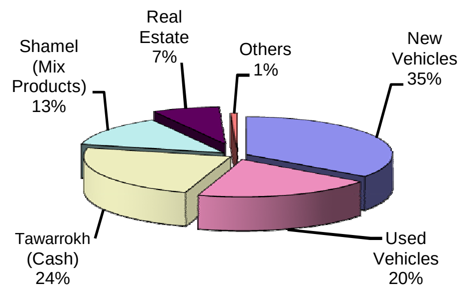



Financing receivables and the investment portfolio remained the only two large assets classes at end 2007. The latter rose by 7.6% to KWD14.5mn while net finance receivables grew by 26.5% to KWD89.2mn, equating to a steady 78.9% (2006: 79.9%) of the total balance sheet.

**The bulk of the investment portfolio remained comprised of unquoted investments** Al Manar's end 2007 investment portfolio, which was up by 7.6% to KWD14.5mn, continued to exhibit only a limited diversification into quoted local and foreign shares. Unquoted local shares and funds of KWD10.6mn continued to constitute the largest portion of the portfolio at 72.7% (2006: 65.9%). This was followed by quoted local shares of KWD2.1mn or 14.7% of the total portfolio. Investments in unquoted foreign shares and funds rose to KWD1.8mn at end 2007 from KWD291k a year earlier and comprised 12.6% of the total portfolio. Geographically, this portfolio is overwhelmingly Kuwaiti exposure.

**Gross financing receivables (instalment credit receivables)** These remained the prime area of business activity for Al Manar. This portfolio has expanded rapidly in the last two years from KWD59mn at end 2005 to KWD111.3mn at end 2007. Al Manar's end 2007 gross financing receivable portfolio was comprised of 15,212 individual transactions. Therefore the average facility granted amounted to KWD7,317. New and used vehicle financing remained the largest category and accounted for 55% of the total gross financing receivables portfolio at end 2007. Regarding the tenor of the gross financing receivable portfolio, 43.99% of facilities granted had maturities of three years or less, with 56.01% having maturities of over three years. Al Manar still lends mainly to Kuwaiti individual and corporate customers although other individual expatriates resident in Kuwait are becoming a more important source of business.

**Composition of Gross Financing Receivables FYE 2007**

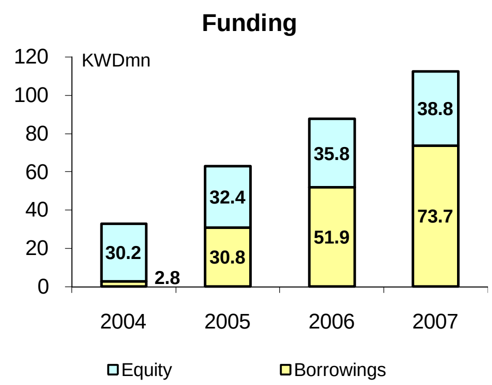



**Asset quality declined slightly, but provision coverage improved** As Al Manar's operating history is only four years in length and the average life of current facilities granted is fairly short, the portfolio is still considered to be relatively unseasoned. Despite that, NPFRs rose by 42.5% to KWD4mn at end 2007, which produced a NPFR/Financing Receivables ratio of 4.31% (2006: 3.85%). That said, in absolute terms the amount of NPFRs remained relatively small and in CI's opinion continued to be manageable.

The largest components of NPFRs continued to relate to Tawarrokh (cash facilities) and Shamel facilities followed by new and used vehicle financing facilities.

As provisions for credit losses increased by 52.2% to KWD3.3mn (made up 45% of general provisions and 55% of specific provisions), the NPFR coverage ratio improved to 82.3% at end 2007 from 77.1% a year earlier. This level of NPFR coverage is considered acceptable.

**Borrowing rises, but leverage remains comfortable and well within Al Manar's internal limit** As in 2006, the Company increased its access to external Islamic funding in 2007 and again in 2008 to underpin ongoing asset growth. This funding was in the form of Murabaha and Wakala payables provided by five reputable local and foreign financial institutions as well as one domestic government agency. Two of the five financial institution lenders were added in the first quarter of 2008. As disclosed in its 2007 annual report, during the year under review, Al Manar obtained a new USD75mn murabaha facility from a well known international financial institution, which matures in March 2010. This clearly demonstrates Al Manar's access to significant external funding facilities. Borrowings rose by 42.8% in 2007 to KWD71.5mn from KWD50.1mn at end 2006 and were primarily medium-term (up to three years) facilities.




**Capital base increased, but leverage rose** Al Manar's total equity base grew by 8.2% to KWD38.8mn in 2007. There was another small increase in paid in capital in 2007 due to an issue of new shares under the Employee Share Ownership Plan. However the main contributors to the increase in total shareholders' funds were additions to retained earnings and higher statutory and voluntary reserves. Management reports that there are no plans to raise additional share capital until 2010. Even though leverage rose to 1.92x at end 2007 from 1.46x a year earlier, it remained manageable and well below the Issuer's internal limit for leverage of 3.0x.

## OUTLOOK

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 I

**SUPERVISION & REGULATION**

Al Manar is supervised and regulated by the Central Bank of Kuwait and by the Ministry of Commerce. Upon the Company's planned listing 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 manner similar to that of 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 ongoing 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.

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

### Consumer Finance Market in Kuwait

The total consumer credit market in Kuwait is now estimated to be in excess of 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 well over half 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 have 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 – KWD (000)**

| Company | Trade Receivables Dec 07 | Trade Receivables June 08 | Growth % |
|---|---|---|---|
| CFC | 323,917 | 330,768 | 2.12 |
| TID | 130,327 | 140,309 | 7.66 |
| AAYAN | 131,229 | 144,156 | 9.85 |
| OSOUL | 261 | 926 | 254.79 |
| KFIC | 97,434 | 107,212 | 10.04 |
| IFC | 76,788 | 87,081 | 13.41 |
| ALMANAR | 89,163 | 105,439 | 18.25 |

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 <u>in existing portfolio terms.</u> 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.

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 have curbed 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.

# AL MANAR FINANCING AND LEASING COMPANY

KW60

| SUMMARY RATIOS | | AUD | AUD | AUD | AUD |
|---|---|---|---|---|---|
| | External Audit | 12/2007 | 12/2006 | 12/2005 | 12/2004 |
| **A .** | **SIZE FACTORS (KWD 000)** | | | | |
| 1 . | Total Assets | 113,047 | 88,160 | 63,296 | 33,016 |
| 2 . | Net Financing Receivables | 89,163 | 70,467 | 48,201 | |
| 3 . | Total Equity | 38,779 | 35,836 | 32,391 | 30,226 |
| 4 . | Tangible Net-Worth | 38,749 | 35,769 | 32,319 | 30,179 |
| 5 . | Total Debt | 71,500 | 50,083 | 28,619 | |
| 6 . | Net Profit | 4,646 | 3,047 | 2,084 | 226 |
| 7 . | Assets Under Management | | | | |
| **B .** | **ASSET QUALITY (%)** | | | | |
| 8 . | Total Assets Growth Rate | 28.23 | 39.28 | 91.71 | |
| 9 . | FR-Loss Reserve / Financing Receivables | 3.55 | 2.97 | 2.92 | |
| 10 . | Non-Performing FR / Financing Receivables | 4.31 | 3.85 | 2.80 | |
| 11 . | FR-Loss Reserve / Non-Performing FR | 82.31 | 77.09 | 104.28 | |
| 12 . | Unprovided Non-Performing FR / Total Equity | 1.82 | 1.79 | | |
| 13 . | FR-Loss Provision Charge / Financing Receivables | -1.22 | -0.97 | -2.25 | |
| **C .** | **CAPITAL AND LEVERAGE** | | | | |
| 14 . | Total Equity Growth Rate (%) | 8.21 | 10.63 | 7.17 | |
| 15 . | Total Equity / Total Assets (%) | 34.30 | 40.65 | 51.17 | 91.55 |
| 16 . | Leverage (Times) | 1.92 | 1.46 | 0.95 | 0.09 |
| 17 | Leverage - Excluding Minority Interest (Times) | 1.92 | 1.46 | 0.95 | 0.09 |
| 18 . | Total Liabilities / Tangible Net-Worth (Times) | 1.92 | 1.46 | 0.96 | 0.09 |
| 19 . | Long-Term Debt / Total Equity (Times) | 1.06 | 1.03 | 0.88 | 0.00 |
| 20 . | Total Debt / Total Equity (Times) | 1.84 | 1.40 | 0.88 | |
| **D .** | **LIQUIDITY AND COVERAGE** | | | | |
| 21 | Current Ratio (Times) | 2.78 | 2.20 | | 7.41 |
| 22 . | Cash + QI + ST Gross FR / ST Debt (Times) | 3.23 | 5.87 | | |
| 23 . | Cash & Quoted Investments / Total Assets (%) | 9.57 | 9.32 | 1.97 | 34.65 |
| 24 . | Cash & Quoted Investments / Total Liabilities (%) | 14.57 | 15.70 | 4.04 | 409.96 |
| 25 . | Net Financing Receivables / Total Assets (%) | 78.87 | 79.93 | 76.15 | |
| 26 . | Net Financing Receivables / Total Liabilities (%) | 144.51 | 159.56 | 186.25 | |
| **E .** | **PROFITABILITY (%)** | | | | |
| 27 . | Return on Average Assets (ROAA) | 4.62 | 4.02 | 4.33 | 1.37 |
| 28 . | Return on Average Equity (ROAE) | 12.45 | 8.93 | 6.66 | 1.49 |
| 29 . | Funding Cost | 8.87 | 8.28 | 5.56 | |
| 30 . | Financing Income on Average Earning Assets | 12.10 | 12.44 | 15.30 | 47.03 |
| 31 . | Financing Differential | 3.23 | 4.16 | 9.74 | |
| 32 . | Non-Financing Income / Gross Income | 38.46 | 23.60 | 35.94 | 62.49 |
| 33 . | Operating Expenses / Gross Income | 28.81 | 35.00 | 35.99 | 70.63 |
| 34 . | Operating Profit Growth Rate | 53.95 | 17.41 | 470.52 | |
| 35 . | Operating Profit / Average Assets | 5.78 | 4.99 | 6.68 | 3.42 |
| 36 . | Risk Provisioning Charge / Operating Profits | -19.33 | -18.63 | -34.65 | -59.66 |
| 37 . | Realized Income / Gross Income | 100.00 | 100.00 | 100.00 | 100.00 |
| 38 . | Dividend Payout Ratio | 0.02 | 0.02 | | |
| **F .** | **INVESTMENT** | | | | |
| 39 . | Market Capitalization (KWD 000) | | | | |
| 40 . | Share Price (KWD) | | | | |
| 41 . | Earnings Per Share (KWD) | 0.015 | 0.010 | 0.007 | 0.001 |
| 42 . | Earnings Per Share Growth (%) | 51.16 | 45.38 | 822.21 | |
| 43 . | Price / Earnings Ratio (Times) | | | | |
| 44 . | Price / Book Ratio (Times) | | | | |
| 45 . | Cash Dividend Per Share (KWD) | 0.010 | 0.007 | | |
| 46 . | Stock Dividend Per Share (%) | | | | |
| **G .** | **REFERENCE DATA** | | | | |
| . | Exchange Rate (Units per USD) | 0.273 | 0.289 | 0.292 | 0.295 |
| . | Inflation Rate (%) | 5.50 | 3.08 | 4.10 | 1.14 |

## AL MANAR FINANCING AND LEASING COMPANY

| External Audit | 2007 | AUD | AUD | AUD | AUD | Growth (%) | | | | Breakdown (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE SHEET - ASSETS (KWD 000)** | **USD 000** | **12/2007** | **12/2006** | **12/2005** | **12/2004** | **12/2007** | **12/2006** | **12/2005** | **12/2004** | **12/2007** | **12/2006** | **12/2005** | **12/2004** |
| Cash & Banks | 31,841 | 8,693 | 3,898 | 1,248 | 3,064 | 123.01 | 212.23 | -59.26 | | 7.69 | 4.42 | 1.97 | 9.28 |
| Net Financing Receivables | 326,604 | 89,163 | 70,467 | 48,201 | | 26.53 | 46.19 | | | 78.87 | 79.93 | 76.15 | |
| *Financing Receivables* | *338,619* | *92,443* | *72,623* | *49,653* | | *27.29* | *46.26* | | | *81.77* | *82.38* | *78.45* | |
| *Gross Financing Receivables* | *407,732* | *111,311* | *86,286* | *58,951* | | *29.00* | *46.37* | | | *98.46* | *97.87* | *93.14* | |
| *Performing Financing Receivables* | *393,135* | *107,326* | *83,490* | *57,559* | | *28.55* | *45.05* | | | *94.94* | *94.70* | *90.94* | |
| *Non-Performing Financing Receivables (NPFR)* | *14,597* | *3,985* | *2,796* | *1,392* | | *42.53* | *100.86* | | | *3.53* | *3.17* | *2.20* | |
| *No Breakdown* | | | | | | | | | | | | | |
| *Less: Deferred Income* | *-69,113* | *-18,868* | *-13,663* | *-9,298* | | *38.09* | *46.95* | | | *-16.69* | *-15.50* | *-14.69* | |
| *Less: Financing Receivables Loss Reserve (FRLR)* | *-12,015* | *-3,280* | *-2,155* | *-1,452* | | *52.18* | *48.49* | | | *-2.90* | *-2.44* | *-2.29* | |
| *Specific Provisions* | *-6,621* | *-1,807* | *-884* | *-486* | | *104.49* | *81.94* | | | *-1.60* | *-1.00* | *-0.77* | |
| *General Provisions* | *-5,394* | *-1,473* | *-1,272* | *-966* | | *15.81* | *31.66* | | | *-1.30* | *-1.44* | *-1.53* | |
| *No Breakdown* | | | | | | | | | | | | | |
| Other Receivables | | | | | 15,542 | | | -100.00 | | | | | 47.07 |
| Prepayments & Accruals | 655 | 179 | 101 | 80 | 151 | 77.99 | 25.68 | -46.92 | | 0.16 | 0.11 | 0.13 | 0.46 |
| Investments | 53,163 | 14,514 | 13,493 | 13,522 | 14,064 | 7.57 | -0.22 | -3.86 | | 12.84 | 15.30 | 21.36 | 42.60 |
| *Investments at Fair Value Through Inc. Stat. (HFT)* | *53,163* | *14,514* | *13,493* | *10,517* | *11,014* | *7.57* | *28.29* | *-4.51* | | *12.84* | *15.30* | *16.62* | *33.36* |
| *Quoted* | *7,798* | *2,129* | *4,317* | | *8,374* | *-50.69* | | *-100.00* | | *1.88* | *4.90* | | *25.36* |
| *Unquoted* | *45,365* | *12,385* | *9,176* | *10,517* | *2,640* | *34.98* | *-12.76* | *298.38* | | *10.96* | *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 | 378 | 103 | 62 | 103 | 123 | 66.63 | -39.69 | -16.36 | | 0.09 | 0.07 | 0.16 | 0.37 |
| Due From Associates | | | | | | | | | | | | | |
| Goodwill & Other Intangible Assets | 108 | 30 | 67 | 72 | 46 | -55.83 | -7.01 | 56.34 | | 0.03 | 0.08 | 0.11 | 0.14 |
| Other Assets | 1,340 | 366 | 72 | 70 | 26 | 405.99 | 3.93 | 164.70 | | 0.32 | 0.08 | 0.11 | 0.08 |
| **TOTAL ASSETS** | **414,090** | **113,047** | **88,160** | **63,296** | **33,016** | **28.23** | **39.28** | **91.71** | | **100.00** | **100.00** | **100.00** | **100.00** |

## AL MANAR FINANCING AND LEASING COMPANY

| External Audit | 2007 | AUD | AUD | AUD | AUD | Growth (%) | | | | Breakdown (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE SHEET - LIABILITIES (KWD 000)** | **USD 000** | **12/2007** | **12/2006** | **12/2005** | **12/2004** | **12/2007** | **12/2006** | **12/2005** | **12/2004** | **12/2007** | **12/2006** | **12/2005** | **12/2004** |
| Short-Term Debt | 110,679 | 30,215 | 13,224 | | | 128.48 | | | | 26.73 | 15.00 | | |
| Short-Term Payables | 8,125 | 2,218 | 1,822 | 2,158 | 2,670 | 21.71 | -15.55 | -19.18 | | 1.96 | 2.07 | 3.41 | 8.09 |
| Prepayments & Accruals | 1,403 | 383 | 298 | 54 | 82 | 28.58 | 455.54 | -34.80 | | 0.34 | 0.34 | 0.08 | 0.25 |
| Long-Term Debt | 151,224 | 41,284 | 36,859 | 28,619 | | 12.01 | 28.79 | | | 36.52 | 41.81 | 45.21 | |
| Long-Term Payables | | | | | | | | | | | | | |
| Reserve for Retirement Pay & Insurance | 613 | 167 | 120 | 73 | 38 | 38.96 | 63.95 | 94.62 | | 0.15 | 0.14 | 0.12 | 0.11 |
| Due To Unc. Subsidiaries & Associates | 0 | 0 | 0 | 0 | 0 | | | | | | | | |
| Other Liabilities | | | | | | | | | | | | | |
| **TOTAL LIABILITIES** | **272,044** | **74,268** | **52,324** | **30,904** | **2,790** | **41.94** | **69.31** | **1007.63** | | **65.70** | **59.35** | **48.83** | **8.45** |
| **EQUITY:** | | | | | | | | | | | | | |
| **Equity Attributable To Shareholders of Parent Co.** | | | | | | | | | | | | | |
| Share Capital | 112,458 | 30,701 | 30,401 | 30,083 | 30,000 | 0.99 | 1.06 | 0.28 | | 27.16 | 34.48 | 47.53 | 90.87 |
| Share Premium | 99 | 27 | 3 | | | 797.34 | | | | 0.02 | 0.00 | | |
| Less: Treasury Shares | | | | | | | | | | | | | |
| Statutory Reserve | 3,744 | 1,022 | 543 | 233 | 23 | 88.25 | 132.99 | 924.21 | | 0.90 | 0.62 | 0.37 | 0.07 |
| Voluntary Reserve | 3,663 | 1,000 | 521 | 211 | 23 | 92.00 | 146.93 | 827.03 | | 0.88 | 0.59 | 0.33 | 0.07 |
| General Reserve | 726 | 198 | 97 | 21 | | 103.76 | 368.78 | | | 0.18 | 0.11 | 0.03 | |
| Cumulative Change in Fair Value | | | | | | | | | | | | | |
| Gain on Sale of Treasury Shares | | | | | | | | | | | | | |
| Foreign Currency Translation | | | | | | | | | | | | | |
| Proposed Dividend | | | | | | | | | | | | | |
| Retained Earnings | 21,355 | 5,830 | 4,270 | 1,844 | 180 | 36.52 | 131.63 | 924.17 | | 5.16 | 4.84 | 2.91 | 0.55 |
| **SUB-TOTAL** | **142,046** | **38,779** | **35,836** | **32,391** | **30,226** | **8.21** | **10.63** | **7.17** | | **34.30** | **40.65** | **51.17** | **91.55** |
| Minority Interest | | | | | | | | | | | | | |
| **TOTAL EQUITY** | **142,046** | **38,779** | **35,836** | **32,391** | **30,226** | **8.21** | **10.63** | **7.17** | | **34.30** | **40.65** | **51.17** | **91.55** |
| **TOTAL LIABILITIES & EQUITY** | **414,090** | **113,047** | **88,160** | **63,296** | **33,016** | **28.23** | **39.28** | **91.71** | | **100.00** | **100.00** | **100.00** | **100.00** |

## AL MANAR FINANCING AND LEASING COMPANY

| External Audit | 2007 | AUD | AUD | AUD | AUD | Growth (%) | | | | % of Average Total Assets | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PROFIT AND LOSS ACCOUNT (KWD 000)** | **USD 000** | **12/2007** | **12/2006** | **12/2005** | **12/2004** | **12/2007** | **12/2006** | **12/2005** | **12/2004** | **12/2007** | **12/2006** | **12/2005** | **12/2004** |
| Interest Income / Financing Income | 38,177 | 10,422 | 7,701 | 4,017 | 720 | 35.34 | 91.73 | 457.47 | | 10.36 | 10.17 | 8.34 | 4.36 |
| Interest Expense / Financing Expense | -19,758 | -5,394 | -3,260 | -796 | | 65.45 | 309.81 | | | -5.36 | -4.30 | -1.65 | |
| **NET INTEREST INCOME / NET FINANCING INCOME** | **18,419** | **5,028** | **4,441** | **3,221** | **720** | **13.23** | **37.87** | **347.06** | | **5.00** | **5.86** | **6.69** | **4.36** |
| Fees & Commission Income | | | | | | | | | | | | | |
| Rental Income | | | | | | | | | | | | | |
| Dividend Income | 443 | 121 | 26 | 3 | | 362.59 | 889.81 | | | 0.12 | 0.03 | 0.01 | |
| Foreign Exchange Income | | | | | | | | | | | | | |
| Investment Income | 5,466 | 1,492 | 418 | 1,069 | 397 | 256.80 | -60.87 | 169.33 | | 1.48 | 0.55 | 2.22 | 2.40 |
| Share of Results of Unc. Subsidiaries & Associates | | | | | | | | | | | | | |
| Profit on Sale of Unc. Subsidiaries & Associates | | | | | | | | | | | | | |
| Other Income | 5,604 | 1,530 | 927 | 735 | 804 | 64.99 | 26.13 | -8.51 | | 1.52 | 1.22 | 1.53 | 4.87 |
| **NON-INTEREST INCOME / NON-FINANCING INCOME** | **11,513** | **3,143** | **1,372** | **1,807** | **1,200** | **129.14** | **-24.08** | **50.51** | | **3.12** | **1.81** | **3.75** | **7.27** |
| **GROSS INCOME** | **29,932** | **8,171** | **5,813** | **5,028** | **1,921** | **40.58** | **15.61** | **161.74** | | **8.12** | **7.68** | **10.44** | **11.64** |
| General & Administrative Expense | 7,570 | 2,067 | 1,814 | 1,694 | 1,305 | 13.91 | 7.09 | 29.84 | | 2.05 | 2.40 | 3.52 | 7.90 |
| Lease / Rental Expense | | | | | | | | | | | | | |
| Depreciation & Amortization | 319 | 87 | 118 | 95 | 52 | -26.48 | 25.13 | 81.83 | | 0.09 | 0.16 | 0.20 | 0.32 |
| Other Expenses | 736 | 201 | 101 | 21 | | 97.93 | 389.30 | | | 0.20 | 0.13 | 0.04 | |
| **OPERATING EXPENSES** | **8,625** | **2,355** | **2,034** | **1,810** | **1,357** | **15.75** | **12.41** | **33.36** | | **2.34** | **2.69** | **3.76** | **8.22** |
| **OPERATING PROFIT** | **21,307** | **5,817** | **3,778** | **3,218** | **564** | **53.95** | **17.41** | **470.52** | | **5.78** | **4.99** | **6.68** | **3.42** |
| Provisions For Doubtful Financing Receivables | -4,120 | -1,125 | -704 | -1,115 | -337 | 59.78 | -36.88 | 231.37 | | -1.12 | -0.93 | -2.32 | -2.04 |
| Other Provisions | | | | | | | | | | | | | |
| **GROSS PROFIT** | **17,188** | **4,692** | **3,075** | **2,103** | **228** | **52.61** | **46.19** | **824.18** | | **4.66** | **4.06** | **4.37** | **1.38** |
| Extraordinary Items | | | | | | | | | | | | | |
| Taxes | -169 | -46 | -28 | -19 | -2 | 65.13 | 47.38 | 824.22 | | -0.05 | -0.04 | -0.04 | -0.01 |
| **NET PROFIT (LOSS)** | **17,019** | **4,646** | **3,047** | **2,084** | **226** | **52.50** | **46.18** | **824.18** | | **4.62** | **4.02** | **4.33** | **1.37** |
| **APPROPRIATION OF SURPLUS:** | | | | | | | | | | | | | |
| Attributable To Minority Interests | | | | | | | | | | | | | |
| Dividends | 7,795 | 2,128 | 26 | | | 8046.97 | | | | | | | |
| **Transfer To Equity** | **9,224** | **2,518** | **3,021** | **2,084** | **226** | **-16.64** | **44.93** | **824.18** | | | | | |
| Bonus Shares Issued | 1,099 | 300 | 318 | 83 | | -5.67 | 283.31 | | | | | | |
| **Changes In Equity Not Through P&L** | **9,681** | **2,643** | **3,126** | **2,083** | | **-15.46** | **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.