CORPORATE RATING

Al Manar Financing & Leasing Company KSC (Closed)

July 2009

Capital Intelligence (Cyprus) Ltd., Oasis Complex, Block E, Gladstone Street, P.O. Box 53585, CY 3303 Limassol, Cyprus,
Telephone: 357 25 342300, Facsimile: 357 25 817750 E-mail: capital@ciratings.com. Web site: http://www.ciratings.com

Corporate Rating Report

Al Manar Financing & Leasing Company KSC (Closed)

Kuwait

July 2009

Capital Intelligence
Oasis Complex, Block E, Gladstone Street
PO Box 53585
CY 3303 Limassol
Cyprus

Telephone: 357 2534 2300
Facsimile: 357 2581 7750

E-mail: capital@ciratings.com
Web site: http://www.ciratings.com

Ref: KW6008CRR/07-09

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

Kuwait, July 2009

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	**B+**	BB+	Jul 09
Short-term	**B**	-	-
Outlook	**Negative**	Stable	Jul 09

ANALYSTS

Darren Stubing darren.stubing@ciratings.com

Zafer M. Diab zafer.diab@ciratings.com

Tel : +357 25 342300

Fax : +357 25 817750

FINANCIAL HIGHLIGHTS

USD (mn) KWD(mn)	2008 USD	2008 KWD	2007 KWD	2006 KWD
Net Financing Income	16.8	4.6	4.0	4.4
Non Financing Income	8.1	2.2	3.1	1.4
Operating Expenses	9.5	2.6	2.3	2.0
Net Profit	11.5	3.2	3.6	3.0
Total Assets	428.5	118.3	111.5	88.2
Net Financing Rec.	352.4	97.3	87.6	70.5
Total Debt	281.1	77.6	71.5	50.1
Total Equity	135.9	37.5	38.8	35.8
Exchange Rate: USD/KWD		*0.273*	*0.289*	*0.289*
NPFR / Financing Receivables		17.69	7.04	3.85
FR-Loss Reserve / NPFR		23.87	51.26	77.09
Total Equity / Total Assets		31.73	33.28	40.65
Leverage		2.15	2.01	1.46
ROAE (%)		8.50	9.92	8.93
ROAA (%)		2.76	3.62	4.02

RATINGS DRIVERS

Supporting the Rating

- Leverage is adequate supported by a relatively good level of equity
- Experienced management

Constraining the Rating

- Severe liquidity and funding squeeze in late 2008 resulted in default of repayment obligation; The limited diversity of its funding profile makes it vulnerable to market events
- Substantial decline in asset quality; non-performing financing receivables have risen sharply and provision coverage deteriorated further
- Loss recorded for the six months to end-June 2009 due to lower revenue and increased provision charges

RATING RATIONALE

Al Manar is a Kuwait-based financing company with a relatively small balance sheet. Its operations and position have been hit hard over the last nine months due to the regional / domestic financial crisis. The tightening in wholesale financing markers caused a severe liquidity squeeze for Al Manar and, in late, 2008 it defaulted on payments due. These have now been settled. The current financing profile is adequate as it now has in place a long-term facility from Kuwait Finance House. Nonetheless, funding and liquidity is still tight as the interbank financing market remains cautious. The focus on liquidity has seen Al Manar reduce its financing activities. In turn, this has created downward pressure on revenue. Moreover, and at the same time, financing asset quality has deteriorated sharply over the past year to date. Non-performing financing has grown significantly, reflecting the downturn in the Kuwait economy and a very challenging operating environment. Higher impaired assets have resulted in increased provision charges. These factors have seen Al Manar record a loss for the first half of the year to June 2009. It needs to call on this experience to steer the Company through this difficult period, focusing on building new credit lines, smoothing cash flow and improving asset quality. Reflecting the tighter borrowing conditions, limited diversification in its funding profile, significant weakening in financing asset quality, and losses in the year to date, the long-term rating is lowered to B+. The outlook is placed on ‘Negative’; until the Company returns to profit.

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. Al Manar currently employs 78 staff.

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

Major Shareholders as of June 2009

Al Manar Main Shareholders	**%**
Global Investment House (Clients A/C-Qatari Client: KIPCO)	16.00
Wafra International Investment Co	15.02
Global Investment House Co	14.30
Global Investment House Co (Clients A/C 1)	10.25
Other	44.43
Total	**100.00**

Market Position of Al Manar

The presence of a strong Islamic alternative to conventional financing structures alters the dynamics of the financing 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. 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 Kuwait Finance House. Boubyan Bank is also a competitor, as is Kuwait International Bank. Previously, Al Manar has been able to grow its market share steadily up to end 2007. However, it has since fallen and the current market share is believed to be around 8%.

Current Business Model

The business plan is 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.

Fleet Financing

This is geared to corporate and agencies to finance their fleet of vehicles.

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 structured as an Ijara contract. For income producing investment property the minimum collateral coverage level is 150%. For raw land the minimum collateral coverage is 200%. The maximum tenor for real estate financing is 15 years.

As this financing is fully secured, the returns are lower than either consumer lending or the fleet business.

Investment Activities

These activities are small but consist of standard investments in both quoted and unquoted securities and real estate investment.

PRINCIPAL BUSINESS STRATEGIES

The main strategy and challenge for Al Manar over the last nine months has been to address financing / funding problems, build new credit lines and control and improve the asset quality of the financing portfolio. Once these immediate challenges are fully addressed, then the Company intends to revert to its strategy of financing growth and the completion of its new investment policy which is based on expansion through the establishment or participation in the establishment of consumer finance companies in the Middle East and North Africa region. An example of this strategy was Al Manar's acquisition of a 20% stake in Doha-based Qatar Finance House (together with a management agreement for five years).

RISK FACTORS AND THEIR MITIGANTS

- **Borrowing / funding risks**
  As Al Manar does not have a core customer deposit base, funding is reliant upon on bank facilities and other wholesale funding avenues. The global financial crisis has squeezed bank lending thus making it more difficult for banks and companies to obtain necessary financing. This places pressure on balance sheet liquidity and / or borrowing costs. This factor has been acutely felt by Al Manar.

- **Currency risk**
  The Company has exposure in Qatar which, *inter alia*, may cause currency risk.

- **Asset quality may deteriorate further**
  Non-Performing Financing Receivables have been rising significantly over the past nine months. This in turn has forced additional provision charges which effected earnings.

- **Portfolio growth may slow further** The growth in the financing portfolio has already slowed due to both the funding squeeze and deterioration in asset quality. Weaker growth will impact revenue and profitability.

- **Operating risk** The company is subject to risks inherent with processes, systems, people and procedures which could result in operational losses or additional costs.

- **Continued or further economic downturn in Gulf region and/or political upheaval in the area**
The global financial crisis has impacted the GCC region and caused lower economic growth. Financing demand has fallen on the back of the contraction in the domestic economy. The sharp fall in the oil price over the last twelve months has negatively impacted the region. Non-performing financing may rise further as a result of the downturn in the economy. A political event in the area would also affect Gulf economies.

- **Competitive risks**
The financing and banking market is very competitive and hence growth forecasts may not be achieved.

SIGNIFICANT RECENT EVENT

Al Manar's operations and liquidity position have been hit hard over the last nine months due to the regional / domestic financial crisis. The tightening in wholesale financing markers caused a severe liquidity squeeze for Al Manar and, in late 2008, it defaulted on payments due to two Qatar-based investment companies. These were settled by end-May 2009.

ECONOMIC OUTLOOK

On the back of the global financial crisis, the regional economic downturn, and the sharp fall in the price of oil as noted above, Kuwait's economy has come under some pressure of late and is expected to record a fall in GDP of 1.5% in 2009 before recovering to growth of 2% in 2010. The global and regional financial events of 2008 severely impacted many financial institutions as well as other corporates in Kuwait with large losses recorded at a number of institutions. The stock market performed poorly in 2008 as did most other GCC markets.

However, Kuwait's overall fiscal position remains strong. Significant oil production (oil revenues account for over 90% of government income) combined with the high price seen in previous years has seen the State acquire a strong external (mainly through its sovereign wealth fund) and fiscal position. Kuwait continues to record budget surpluses even in the current tough climate.

Parliamentary elections were recently held in Kuwait and the political picture is generally stable. The State enacted a Financial Stability Law which is to be ratified by parliament. The plan is aimed at bolstering the financial system, which has been hit by the global financial downturn. Kuwait however stands out among peers in not providing any fiscal boost to the economy. The 2009/2010 budget envisages a 36% fall in expenditure, including a 24% decrease in capital expenditure. A number of planned infrastructure projects in the oil sector have been cancelled in recent months.

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. 2008 financial statements were audited to International Accounting Standards by the Kuwaiti practice of Al-Fahad & Co. Deloitte & Touche and by Al Humaidi & Partners (an independent member of Baker Tilly International). The accounts are qualified.

Basis of Qualified Opinion
Based on the tests performed over the computer processing environment, the auditors concluded that there are some deficiencies in the controls for maintaining accounts receivable records. This resulted in an inability to determine the related impact on finance revenues. The amounts that the auditors

were able to identify in relation to prior years were restated, but they were not able to determine the accurate impact on accounts receivable and finance revenues of the Group by other audit procedures.

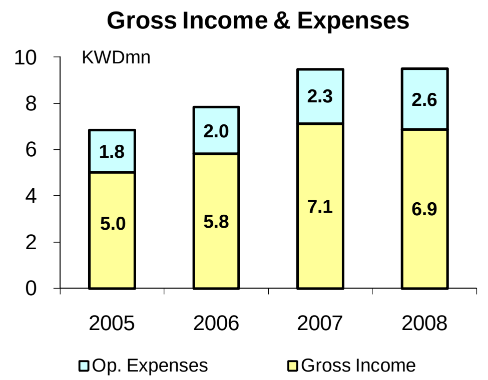
30 June 2009 Review

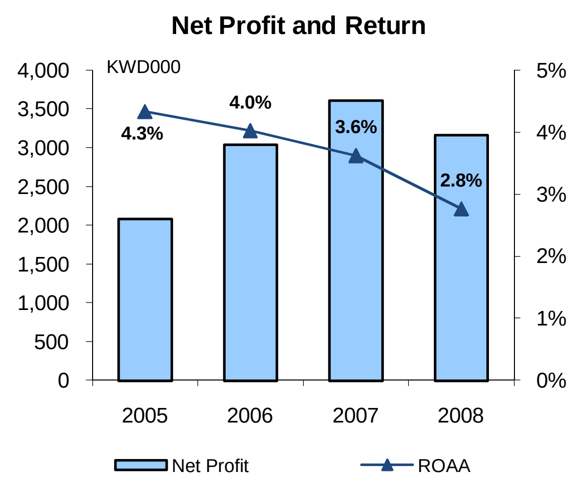
Al Manar's auditors (Deloitte) are currently preparing a review of accounts for 30 June 2009. The final numbers produced by the review may differ slightly from some of the presented numbers (including current year update) but not materially.

FINANCIAL PERFORMANCE FYE DECEMBER 2008

Al Manar's net financing income grew moderately in 2008 driven by larger finance receivables portfolio. However, fall in other income and higher expenses sees operating profit fall Financing income advanced to KWD11.3mn (USD40.8mn) from KWD9.4mn in 2007, representing a growth of 20%. This was achieved through the increase in the finance receivables portfolio. The majority of Al Manar's financing income comes from its core activity of new and used vehicle financing.

An increased level of external borrowings resulted in financing expense climbing to KWD6.6mn (USD24mn) in 2008 from KWD5.4mn in the previous year. In turn, net financing income rose to KWD4.6mn, which represented an increase of 23%. Funding costs was stable year-on-year, recording a rise of just 2bp to 8.89%. The Company's financing income to average earning assets ratio increased to 11.76% in 2008 from 11.35% in 2007 due to higher levels of vehicle financing. The financing differential widened by 39bp to 2.87% as a result.





Weaker net profit and returns in 2008 However, non-financing income dipped by 29% to KWD2.2mn. This was mainly due to a translation foreign exchange loss of KWD0.6mn due to the movement of the Kuwait Dinar against the Qatari Riyal and US dollar. Lower investment income also dragged on the performance of non-financing income. Income from Murabaha and Wakala investments fell to KWD70k from KWD404k. Losses from investments at fair value through profit and loss were KWD67k in 2008 against a gain of KWD623k in 2007. A gain of KWD1.5mn on the sale of investments partly offset losses.

Operating expenses were higher due to increased general administrative expenses. This, and lower non-financing income, resulted in operating profit falling by 11% to KWD4.2mn.

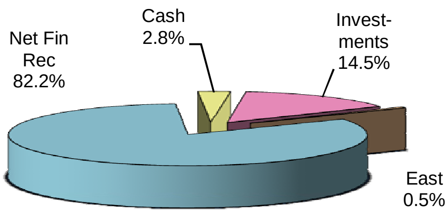
Despite the substantial rise in non-performing facilities during 2008, provisions for doubtful debts actually declined, to KWD1mn. The provision charge in 2008 was all related to specific provisions as in fact Al Manar released general provisions of KWD615k during the year. However, despite the provision charge falling, it could still not prevent net profit falling by 12% to KWD3.2mn. As a result, the return on average assets declined to 2.76%.

__Restated Revenue__
Re-stated net profit for 2007 was KWD3.6mn against KWD4.7mn previously booked. During 2008, Al Manar management discovered that the method previously adopted by the Group for revenue recognition used to amortize the deferred revenues on non-performing facilities into finance revenues. As per CBK instructions, profits from non-performing facilities / loans should be suspended. The effect of the error was overstatement of finance revenues for the year ended 31 December 2007 by KWD6k and for previous years by KWD128k. There were errors in the accounting system relating to prior years. The effect of the error was overstatement of finance revenues for the year ended December 2007 by KWD895k and for the years by KWD518k. A discount expense of KWD128k should have been recorded in the year ended 31 December 2007. The effect of this error was overstatement of finance revenues for 2007 by KWD128k. Accordingly, the respective accounts of finance revenues, accounts receivable, accounts payable and other credit balances and retained earnings were restated by the amounts identified.

BALANCE SHEET

Asset profile dominated by financing facilities Al Manar's balance sheet structure at end 2008 was little changed from that of the previous year although net financing assets as a proportion of total assets rose from 79% to 82%. Total assets expanded by a moderate 6% to KWD118mn from KWD112mn in 2007. The growth was led by financing, concurring with the rise of the financing portfolio as a percentage of the balance sheet. Year-on-year, net financing was up by 11% to KWD97mn.

Asset Composition at End 2008



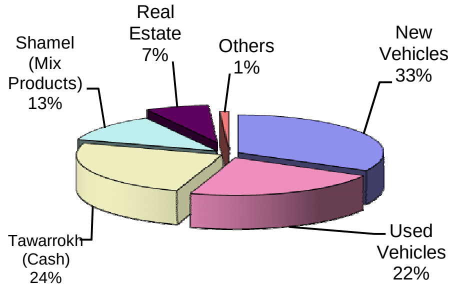
The investment portfolio remained the second main category, forming 14.5% of the balance sheet. This rose by 18% to KWD17mn. The bulk of the investment portfolio remained comprised of unquoted investments. Unquoted local shares and funds stood at KWD9.5mn (2007: KWD10.6mn), representing 86% of the portfolio. Quoted local shares of KWD309k fell during the year from KWD2.1mn previously as Al Manar sold shares during the year. Investments in unquoted foreign shares and funds fell to KWD1.3mn at end 2008 from KWD1.8mn a year earlier. Geographically, the portfolio is predominantly Kuwaiti exposure.

On March 2008, Al Manar acquired a 20% stake in Qatar Finance House Company, a company incorporated in Qatar, whose principal activities are consumer financing accordance with Islamic Shari'a Law. Al Manar's investment in QFH is equivalent to KWD4.04mn at end 2008 which includes goodwill arising on acquisition of KWD1.9mn and is included in the investment in associate at end 2008.

Al Manar also acquired two small investment properties with balance sheet value (cost value) of KWD1.9mn at end 2008. Fair value was stated at KWD2.2mn.

Gross financing receivables Financing (instalment credit receivables) is the prime area of business activity for Al Manar. The portfolio expanded rapidly during 2006 and 2007, albeit from a low base, and has doubled since end 2005. The gross portfolio stood at KWD123mn at end 2008. The financing receivable portfolio was comprised of 16,300 individual transactions with the average facility granted amounting to KWD7,546. New and used vehicle financing remained the largest category and accounted for 55% of the total gross financing receivables

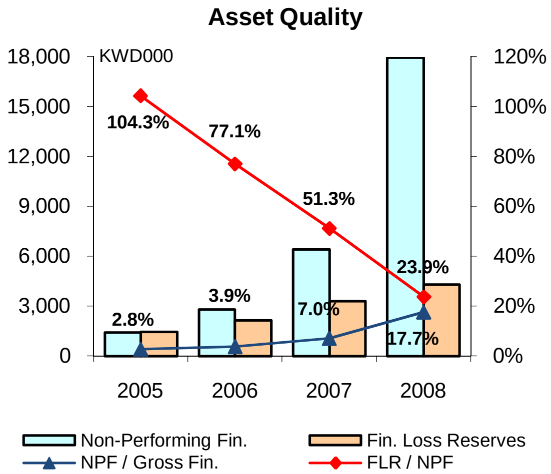
Composition of Gross Financing Receivables FYE 2008



portfolio at end 2008. 45% of the gross receivables portfolio had maturities of three years or less, with 55% having maturities of over three years. Al Manar lends mainly to Kuwaiti individual and corporate customers although other individual expatriates resident in Kuwait are becoming a moderately more important source of business.

Significant decline in asset quality in 2008

The deterioration in market and economic conditions, together with financing growth in previous years, saw Al Manar's non-performing financing portfolio soar in 2008. The impact has been seen broadly across both the individual and commercial portfolios. Non-performing financing receivables (NPFR) grew by a substantial 181% during the year, and amounted to KWD17.96mn (USD65mn) at end 2009. This represented a very high 17.9% of the gross receivables portfolio, and up sharply from 7.04% in 2007.



As mentioned above, and despite the significant rise in NPF, provisions rose by only around KWD1mn during 2008 to KWD4.3mn. This represented just 24% of total impaired receivables and is viewed as wholly insufficient. Of the KWD4.3mn, specific provisions amounted to KWD3.4 and general provisions KWD0.9mn.

In determining the recoverability of accounts receivable, Al Mana considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. Al Mana held KWD7.6mn as collateral over its impaired assets / accounts receivable. Management believes that there is no further credit provision required in excess of the provision for doubtful debts made at end 2008. That said, CI is of the opinion that specific provisioning needs to be raised.

Aging of Impaired Receivables	December 2008	December 2007	YoY Change %
91-180 Days	13,650,701	4,654,691	193.3
181-360 Days	2,691,580	803,994	234.8
360 + Days	1,619,465	939,957	72.3
Total	**17,961,746**	**6,398,642**	**180.7**

Al Manar states that its outstanding past due balance (uncollected instalments) of impaired receivables was KWD8.74mn as at year-end 2008. 48.6% of receivables were backed and guaranteed through cash, bank guarantees, real estate and shares as at end 2008.

Specific provision as per the CBK requirements is taken net of certain categories of collateral, to which CBK instructions are applicable, for receivables aging above 90 days as per the following scheme:

- 91 – 180 days are provided at 20%,
- 181 – 360 days are provided at 50%,
- 360 + days are provided at 100%

The largest components of NPFRs continue to relate to Tawarrokh (cash facilities) and Shamel facilities followed by new and used vehicle financing facilities. However, in the current climate and with the economic environment still challenging, pressure is being felt across the whole portfolio.

Due to Related-Party

At end 2008, Al Manar had a liability to Qatar Finance House of KWD1.36mn. This due relates to Al Manar's share in Energy City Property (Lusail). The issue is still pending and has not been settled. Both Al Manar and QFH are talking to investors to buy out Al Manar's share.

FUNDING & LIQUIDITY

Credit squeeze hits Al Manar as it defaults on payments in 2008 In late 2008, Al Manar defaulted on a payment of KWD16.87mn Islamic Wakalas due to two investment companies in Qatar.

Severe tightening of liquidity in 2008 The global and more specifically the regional liquidity squeeze, exacerbated by the problems at Gulf Bank in Kuwait, had a direct impact on Al Manar's liquidity position in 2008. Al Manar's existing credit lines were reduced in 2008 and prospective lines were shut as local and regional banks and financial institutions pulled back their exposures. This in turn hit Al Manar and led to a delay in discharging its short-term financial obligations by the end of 2008.

In May 2009, Al Manar, aided by borrowings from a local Kuwait bank, made full payments towards the past due Islamic Wakalas to the two investment companies in Qatar. The tightening in borrowings and credit has caused Al Manar to reduce its own financing sales. This, in turn, has a negative impact on its bottom line.

FINANCING / BORROWINGS

Total Islamic Murabaha and Wakala payables amounted to KWD77.6mn at end 2008 (2007: KWD71.5mn). This formed 66% of total assets with equity forming a further 32%. Islamic Murabaha and Wakala payables are guaranteed by assigning receivables amounting to KWD112.23mn. The average cost on Islamic Murabaha and Wakala payables is 9%.

In itself, leverage was a reasonable 2.15x for a financing company with debt to equity at 2.07x. However, funding was geared heavily to the short-term at end 2008. Long-term facilities amounted to just KWD15.4mn against KWD61.2mn of short-term debt.

Total financing / borrowing at end-June 2009 amounted to KWD60.6mn (see current year update).

CURRENT YEAR UPDATE

As stated above, in May 2009 Al Manar made full payments towards the past due Islamic Wakalas to the two investment companies in Qatar. Other financing (ca. KWD3mn) which became due in early 2009 was also settled by end-May 2009 through 50% in cash and extending and rescheduling the remaining 50%.

As at end-June 2009, total debt (Wakala facilities) amounted to KWD61mn. This was provided by 4 institutions, with the bulk (KWD34mn) provided by Kuwait Finance House. The following table shows the current financing profile of Al Manar:

	Wakala Payments Due KWDmn					
Institution	**July 2009**	**Dec 2009**	**Mar 2010**	**Jun 2010**	**Jul 2010**	**Sep 2011**
Kuwait Finance House						33.50*
Boubyan Bank	7.04					
Standard Chartered		3.87	3.68			
Ahli United Bank 1	3.02					
Ahli United Bank 2				5.36		
Ahli United Bank 3					5.39	
TOTAL	**10.06**	**3.87**	**3.68**	**5.36**	**5.39**	**33.50**

*Paid as monthly instalment to Sep 2011

Post July 2009, the financing repayment profile is reasonable. Al Manar is looking to rollover the two facilities due in July 2009 but has the funds to repay if necessary. The majority of the funding is provided by KFH and this facility is being repaid through monthly instalments to September 2011. Al Manar is focusing on gaining additional funding in order to rebuild its financing portfolio. However, bank and financial institution funding is still tight at present.

The asset quality of the Al Manar's financing portfolio continued to weaken to end-June 2009. Total impaired receivables amounted to KWD23.35mn at end-June, 30% higher than end 2008. This formed a very high 23% of gross financing. As overdues extended in tenor, there was a large movement in 3-6 month aging to 6-12 month aging. Total provisions amounted to KWD6.02mn at end-June 2008. Thus, financing loss coverage to total impaired financing was a very low 26%.

Aging of Impaired Trade Receivables			
	June 2009	**Dec 2008**	**Change %**
3-6 Months	5,549,181	13,650,701	59.35
6-12 Months	14,410,612	2,691,580	435.40
Over 1 Year	3,393,137	1,619,465	109.52
Total	**23,352,930**	**17,961,746**	**30.01**

Al Manar has stated that its non-performing facilities were KWD10.48mn in total at end-June 2009, representing 10.18% of gross financing. Again, this figure represents the outstanding past due balance of impaired receivables. ie the uncollected instalments, not the gross principal.

Reflecting the tight liquidity conditions and hence the need to rein in financing, together with the weak operating environment and, inter-alia, pressure on financing quality, Al Manar's receivables portfolio declined by 18% to June 2009 to stand at KWD80.1mn. Total assets declined by 15% to KWD100.7mn. Financing or Wakala payables fell to KWD60.6mn. Total shareholders' equity fell marginally, to KWD36mn. Hence, leverage declined to 1.80x with total debt to equity 1.68x.

KWD	**6/2009**	**12/2008**	**Change %**
Assets			
Receivables	80,078,257	97,252,595	-17.66
Trading Investment	13,531,424	11,119,157	17.83
Other	7,051,116	9,881,042	-28.64
Total Assets	100,660,797	118,252,794	-14.88
Liabilities & Equity			
Wakala	60,588,134	77,573,719	-21.89
Other Liabilities	4,058,570	3,161,952	28.48
Share Capital	30,874,759	30,858,630	-
Total Shareholders' Equity	36,014,093	37,517,123	-4.02
Total Liabilities & Capital	100,660,797	118,252,794	-14.88

For the first six months of 2009, Al Manar recorded a loss of KWD1.59mn. The loss was due to 3 factors: lower financing income, loss in investments, and large increase in provisions. Net financing income was weaker due to the fall in the financing portfolio. Investment income recorded a small loss due to the continued weakness in financial markets and hence the change in fair value of financial investments. Provisions for doubtful debts rose sharply (KWD1.7mn against KWD1mn for full year 2008) on the back of the deteriorating asset quality within the financing portfolio, as indicated above.

Profit and Loss (KWD)	June 2009 6 months
Net Financing Revenue	5,019,210
Investment Income	-510,514
Total Revenue	4,577,824
Provisions for Doubtful Debts	-1,732,395
Financing Cost	-2,897,411
Expenses	-1,541,451
Net Profit (Loss)	**-1,593,433**

OUTLOOK

Al Manar Financing and Leasing Company faces a very challenging period ahead. Difficulties are present on both sides of the balance sheet. The squeeze in funding and liquidity in financial markets specifically impacted Al Manar's liquidity capacity and position. As a result of tighter liquidity, Al Manar was forced to reduce its financing portfolio. This, in turn, impacted revenue. At the same time, the downturn in the domestic economy and operating environment has caused a sharp increase in non-performing facilities. This necessitated a significant increase in provisioning which also negatively impacted the bottom line. The ongoing need to increase provisions may well see Al Manar record a loss for the full year. Although the financing position has stabilised, the ongoing need to maintain adequate liquidity as well as strengthen asset quality will restrict asset growth. In the short-term, Al Manar's management needs to focus on boosting credit lines to strengthen the underlying operational base and, inter-alia, smoothing cash flow, as well as improving the asset quality of the financing portfolio.

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.

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.

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 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.

AL MANAR FINANCING AND LEASING COMPANY

KW60

SUMMARY RATIOS		External Audit	AUD 12/2008	AUD 12/2007	AUD 12/2006	AUD 12/2005
A .	**SIZE FACTORS (KWD 000)**					
1 .	Total Assets		118,253	111,500	88,160	63,296
2 .	Net Financing Receivables		97,253	87,616	70,467	48,201
3 .	Total Equity		37,517	37,104	35,836	32,391
4 .	Tangible Net-Worth		37,496	37,074	35,769	32,319
5 .	Total Debt		77,574	71,500	50,083	28,619
6 .	Net Profit		3,170	3,617	3,047	2,084
7 .	Assets Under Management					
B .	**ASSET QUALITY (%)**					
8 .	Total Assets Growth Rate		6.06	26.48	39.28	91.71
9 .	FR-Loss Reserve / Financing Receivables		4.22	3.61	2.97	2.92
10 .	Non-Performing FR / Financing Receivables		17.69	7.04	3.85	2.80
11 .	FR-Loss Reserve / Non-Performing FR		23.87	51.26	77.09	104.28
12 .	Unprovided Non-Performing FR / Total Equity		36.45	8.40	1.79	
13 .	FR-Loss Provision Charge / Financing Receivables		-0.99	-1.24	-0.97	-2.25
C .	**CAPITAL AND LEVERAGE**					
14 .	Total Equity Growth Rate (%)		1.11	3.54	10.63	7.17
15 .	Total Equity / Total Assets (%)		31.73	33.28	40.65	51.17
16 .	Leverage (Times)		2.15	2.01	1.46	0.95
17	Leverage - Excluding Minority Interest (Times)		2.15	2.01	1.46	0.95
18 .	Total Liabilities / Tangible Net-Worth (Times)		2.15	2.01	1.46	0.96
19 .	Long-Term Debt / Total Equity (Times)		0.41	0.85	1.03	0.88
20 .	Total Debt / Total Equity (Times)		2.07	1.93	1.40	0.88
D .	**LIQUIDITY AND COVERAGE**					
21	Current Ratio (Times)				2.20	
22 .	Cash + QI + ST Gross FR / ST Debt (Times)		1.10	1.21	5.87	
23 .	Cash & Quoted Investments / Total Assets (%)		3.01	5.10	9.32	1.97
24 .	Cash & Quoted Investments / Total Liabilities (%)		4.41	7.64	15.70	4.04
25 .	Net Financing Receivables / Total Assets (%)		82.24	78.58	79.93	76.15
26 .	Net Financing Receivables / Total Liabilities (%)		129.90	140.33	159.56	186.25
E .	**PROFITABILITY (%)**					
27 .	Return on Average Assets (ROAA)		2.76	3.62	4.02	4.33
28 .	Return on Average Equity (ROAE)		8.50	9.92	8.93	6.66
29 .	Funding Cost		8.89	8.87	8.28	5.56
30 .	Financing Income on Average Earning Assets		11.76	11.35	12.44	15.30
31 .	Financing Differential		2.87	2.48	4.16	9.74
32 .	Non-Financing Income / Gross Income		32.38	43.93	23.60	35.94
33 .	Operating Expenses / Gross Income		38.12	32.87	35.00	35.99
34 .	Operating Profit Growth Rate		-11.25	26.71	17.41	470.52
35 .	Operating Profit / Average Assets		3.70	4.80	4.99	6.68
36 .	Risk Provisioning Charge / Operating Profits		-23.72	-23.49	-18.63	-34.65
37 .	Realized Income / Gross Income		100.00	100.00	100.00	100.00
38 .	Dividend Payout Ratio		84.88	69.85	1.25	
.	**REFERENCE DATA**					
.	Exchange Rate (Units per USD)		0.276	0.273	0.289	0.292
.	Inflation Rate (%)		10.50	5.50	3.08	4.10

AL MANAR FINANCING AND LEASING COMPANY

External Audit	2008	AUD	AUD	AUD	AUD	Growth (%)				Breakdown (%)			
BALANCE SHEET - ASSETS (KWD 000)	**USD 000**	**12/2008**	**12/2007**	**12/2006**	**12/2005**	**12/2008**	**12/2007**	**12/2006**	**12/2005**	**12/2008**	**12/2007**	**12/2006**	**12/2005**
Cash & Banks	11,780	3,251	3,556	3,898	1,248	-8.58	-8.76	212.23	-59.26	2.75	3.19	4.42	1.97
Net Financing Receivables	352,364	97,253	87,616	70,467	48,201	11.00	24.34	46.19		82.24	78.58	79.93	76.15
Financing Receivables	*367,900*	*101,541*	*90,896*	*72,623*	*49,653*	*11.71*	*25.16*	*46.26*		*85.87*	*81.52*	*82.38*	*78.45*
Gross Financing Receivables	*445,053*	*122,835*	*110,801*	*86,286*	*58,951*	*10.86*	*28.41*	*46.37*		*103.87*	*99.37*	*97.87*	*93.14*
Performing Financing Receivables	*379,974*	*104,873*	*104,402*	*83,490*	*57,559*	*0.45*	*25.05*	*45.05*		*88.69*	*93.63*	*94.70*	*90.94*
Non-Performing Financing Receivables (NPFR)	*65,079*	*17,962*	*6,399*	*2,796*	*1,392*	*180.71*	*128.85*	*100.86*		*15.19*	*5.74*	*3.17*	*2.20*
Substandard	*49,459*	*13,651*	*4,655*			*193.27*				*11.54*	*4.17*		
Doubtful	*9,752*	*2,692*	*804*			*234.78*				*2.28*	*0.72*		
Loss	*5,868*	*1,619*	*940*			*72.29*				*1.37*	*0.84*		
No Breakdown				*2,796*	*1,392*		*-100.00*	*100.86*				*3.17*	*2.20*
No Breakdown													
Less: Deferred Income	*-77,153*	*-21,294*	*-19,904*	*-13,663*	*-9,298*	*6.98*	*45.68*	*46.95*		*-18.01*	*-17.85*	*-15.50*	*-14.69*
Less: Financing Receivables Loss Reserve (FRLR)	*-15,536*	*-4,288*	*-3,280*	*-2,155*	*-1,452*	*30.72*	*52.18*	*48.49*		*-3.63*	*-2.94*	*-2.44*	*-2.29*
Specific Provisions	*-12,429*	*-3,430*	*-1,807*	*-884*	*-486*	*89.79*	*104.49*	*81.94*		*-2.90*	*-1.62*	*-1.00*	*-0.77*
General Provisions	*-3,107*	*-858*	*-1,473*	*-1,272*	*-966*	*-41.77*	*15.81*	*31.66*		*-0.73*	*-1.32*	*-1.44*	*-1.53*
No Breakdown													
Other Receivables	725	200	5,136			-96.10			-100.00	0.17	4.61		
Prepayments & Accruals	865	239	386	101	80	-38.10	283.82	25.68	-46.92	0.20	0.35	0.11	0.13
Investments	61,923	17,091	14,514	13,493	13,522	17.76	7.57	-0.22	-3.86	14.45	13.02	15.30	21.36
Net Fixed Assets	284	78	103	62	103	-23.94	66.63	-39.69	-16.36	0.07	0.09	0.07	0.16
Due From Associates													
Goodwill & Other Intangible Assets	76	21	30	67	72	-29.39	-55.83	-7.01	56.34	0.02	0.03	0.08	0.11
Other Assets	435	120	159	72	70	-24.55	119.89	3.93	164.70	0.10	0.14	0.08	0.11
TOTAL ASSETS	**428,452**	**118,253**	**111,500**	**88,160**	**63,296**	**6.06**	**26.48**	**39.28**	**91.71**	**100.00**	**100.00**	**100.00**	**100.00**

AL MANAR FINANCING AND LEASING COMPANY

External Audit	2008	AUD	AUD	AUD	AUD	Growth (%)				Breakdown (%)			
BALANCE SHEET - LIABILITIES (KWD 000)	**USD 000**	**12/2008**	**12/2007**	**12/2006**	**12/2005**	**12/2008**	**12/2007**	**12/2006**	**12/2005**	**12/2008**	**12/2007**	**12/2006**	**12/2005**
Short-Term Debt	225,269	62,174	39,820	13,224		56.14	201.11			52.58	35.71	15.00	
Short-Term Payables	3,497	965	2,203	1,822	2,158	-56.20	20.90	-15.55	-19.18	0.82	1.98	2.07	3.41
Prepayments & Accruals	2,127	587	526	298	54	11.64	76.52	455.54	-34.80	0.50	0.47	0.34	0.08
Long-Term Debt	55,795	15,399	31,680	36,859	28,619	-51.39	-14.05	28.79		13.02	28.41	41.81	45.21
Long-Term Payables													
Reserve for Retirement Pay & Insurance	890	246	167	120	73	46.83	38.96	63.95	94.62	0.21	0.15	0.14	0.12
Due To Unc. Subsidiaries & Associates	4,942	1,364	0	0	0					1.15			
Other Liabilities													
TOTAL LIABILITIES	**292,521**	**80,736**	**74,396**	**52,324**	**30,904**	**8.52**	**42.18**	**69.31**	**1007.63**	**68.27**	**66.72**	**59.35**	**48.83**
EQUITY:													
Equity Attributable To Shareholders of Parent Co.													
Share Capital	111,807	30,859	30,701	30,401	30,083	0.51	0.99	1.06	0.28	26.10	27.53	34.48	47.53
Share Premium	201	55	27	3		105.05	797.34			0.05	0.02	0.00	
Less: Treasury Shares													
Statutory Reserve	4,271	1,179	855	543	233	37.92	57.41	132.99	924.21	1.00	0.77	0.62	0.37
Voluntary Reserve	4,191	1,157	833	521	211	38.93	59.85	146.93	827.03	0.98	0.75	0.59	0.33
General Reserve	901	249	198	97	21	25.46	103.76	368.78		0.21	0.18	0.11	0.03
Cumulative Change in Fair Value													
Gain on Sale of Treasury Shares													
Foreign Currency Translation	280	77								0.07			
Proposed Dividend													
Retained Earnings	14,281	3,942	4,490	4,270	1,844	-12.22	5.15	131.63	924.17	3.33	4.03	4.84	2.91
SUB-TOTAL	**135,932**	**37,517**	**37,104**	**35,836**	**32,391**	**1.11**	**3.54**	**10.63**	**7.17**	**31.73**	**33.28**	**40.65**	**51.17**
Minority Interest													
TOTAL EQUITY	**135,932**	**37,517**	**37,104**	**35,836**	**32,391**	**1.11**	**3.54**	**10.63**	**7.17**	**31.73**	**33.28**	**40.65**	**51.17**
TOTAL LIABILITIES & EQUITY	**428,452**	**118,253**	**111,500**	**88,160**	**63,296**	**6.06**	**26.48**	**39.28**	**91.71**	**100.00**	**100.00**	**100.00**	**100.00**

AL MANAR FINANCING AND LEASING COMPANY

External Audit PROFIT AND LOSS ACCOUNT (KWD 000)	2008 USD 000	AUD 12/2008	AUD 12/2007	AUD 12/2006	AUD 12/2005	Growth (%) 12/2008	Growth (%) 12/2007	Growth (%) 12/2006	Growth (%) 12/2005	% of Average Total Assets 12/2008	% of Average Total Assets 12/2007	% of Average Total Assets 12/2006	% of Average Total Assets 12/2005
Interest Income / Financing Income	40,826	11,268	9,393	7,701	4,017	19.96	21.97	91.73	457.47	9.81	9.41	10.17	8.34
Interest Expense / Financing Expense	-24,004	-6,625	-5,394	-3,260	-796	22.82	65.45	309.81		-5.77	-5.40	-4.30	-1.65
NET INTEREST INCOME / NET FINANCING INCOME	**16,822**	**4,643**	**3,999**	**4,441**	**3,221**	**16.09**	**-9.94**	**37.87**	**347.06**	**4.04**	**4.01**	**5.86**	**6.69**
Fees & Commission Income	2,797	772	706			9.36				0.67	0.71		
Rental Income													
Dividend Income	315	87	121	26	3	-27.94	362.59	889.81		0.08	0.12	0.03	0.01
Foreign Exchange Income	-2,116	-584	-10			5812.07				-0.51	-0.01		
Investment Income	5,140	1,419	1,492	418	1,069	-4.93	256.80	-60.87	169.33	1.23	1.49	0.55	2.22
Share of Results of Unc. Subsidiaries & Associates	640	177								0.15			
Profit on Sale of Unc. Subsidiaries & Associates													
Other Income	1,280	353	824	927	735	-57.13	-11.14	26.13	-8.51	0.31	0.83	1.22	1.53
NON-INTEREST INCOME / NON-FINANCING INCOME	**8,057**	**2,224**	**3,133**	**1,372**	**1,807**	**-29.03**	**128.42**	**-24.08**	**50.51**	**1.94**	**3.14**	**1.81**	**3.75**
GROSS INCOME	**24,879**	**6,867**	**7,133**	**5,813**	**5,028**	**-3.73**	**22.71**	**15.61**	**161.74**	**5.98**	**7.14**	**7.68**	**10.44**
General & Administrative Expense	9,058	2,500	2,057	1,814	1,694	21.55	13.37	7.09	29.84	2.18	2.06	2.40	3.52
Lease / Rental Expense													
Depreciation & Amortization	242	67	87	118	95	-23.11	-26.48	25.13	81.83	0.06	0.09	0.16	0.20
Other Expenses	183	50	201	101	21	-74.89	97.93	389.30		0.04	0.20	0.13	0.04
OPERATING EXPENSES	**9,483**	**2,617**	**2,345**	**2,034**	**1,810**	**11.63**	**15.27**	**12.41**	**33.36**	**2.28**	**2.35**	**2.69**	**3.76**
OPERATING PROFIT	**15,396**	**4,249**	**4,788**	**3,778**	**3,218**	**-11.25**	**26.71**	**17.41**	**470.52**	**3.70**	**4.80**	**4.99**	**6.68**
Provisions For Doubtful Financing Receivables	-3,651	-1,008	-1,125	-704	-1,115	-10.39	59.78	-36.88	231.37	-0.88	-1.13	-0.93	-2.32
Other Provisions													
GROSS PROFIT	**11,745**	**3,242**	**3,663**	**3,075**	**2,103**	**-11.51**	**19.14**	**46.19**	**824.18**	**2.82**	**3.67**	**4.06**	**4.37**
Extraordinary Items													
Taxes	-260	-72	-46	-28	-19	55.69	65.13	47.38	824.22	-0.06	-0.05	-0.04	-0.04
NET PROFIT (LOSS)	**11,485**	**3,170**	**3,617**	**3,047**	**2,084**	**-12.37**	**18.72**	**46.18**	**824.18**	**2.76**	**3.62**	**4.02**	**4.33**
APPROPRIATION OF SURPLUS:													
Attributable To Minority Interests													
Dividends	11,124	3,070	2,128	26		44.27	8046.97						
Transfer To Equity	**361**	**100**	**1,489**	**3,021**	**2,084**	**-93.30**	**-50.70**	**44.93**	**824.18**				
Bonus Shares Issued	571	158	300	318	83	-47.46	-5.67	283.31					
Changes In Equity Not Through P&L	**926**	**256**	**968**	**3,126**	**2,083**	**-73.59**	**-69.03**	**50.09**					

CAPITAL intelligence

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 / GROSS INCOME	REALIZED INCOME x 100 TOTAL INCOME
38 . DIVIDEND PAYOUT RATIO	CASH DIVIDENDS x 100 NET PROFIT

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.