CAPITAL intelligence

CORPORATE RATING

Al Manar Financing and Leasing Company KSC

January 2013

Corporate Rating Report

Al Manar Financing and Leasing Company KSC

Kuwait

January 2013

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The information sources used to prepare the credit ratings are the rated entity and public information**.** Capital Intelligence had access to the accounts and other relevant internal documents of the issuer for the purpose of the rating and considers the quality of information available on the issuer to be satisfactory for the purposes of assigning and maintaining credit ratings. Capital Intelligence does not audit or independently verify information received during the rating process.

The rating has been disclosed to the rated entity and released with no amendment following that disclosure. Ratings on the issuer were first released in June 2005. The ratings were last updated in December 2011.

The principal methodology used in determining the ratings: Corporate Rating Methodology. The methodology and the meaning of each rating category and definition of default, as well as information on the attributes and limitations of CI's ratings, can be found at www.ciratings.com.

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

Kuwait, January 2013

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	**Stable**	Negative	Oct 10

FINANCIAL HIGHLIGHTS

USD (mn) / KWD (mn)	Q3 2012 USD	Q3 2012 KWD	2011 KWD	2010 KWD
Net Financing Income	6.9	2.0	3.2	3.8
Non-Financing Income	1.9	0.5	-4.5	-0.1
Operating Expenses	3.5	1.0	1.7	1.8
Net Profit / Loss	2.5	0.7	-3.7	0.9
Total Assets	182.8	52.7	48.2	58.5
Net Financing Rec.	125.0	36.0	34.0	43.0
Total Debt	67.1	19.3	15.3	22.4
Total Equity	107.9	31.1	30.4	34.2
Exchange Rate: USD/KWD		*0.288*	*0.288*	*0.287*
NPFR / Financing Receivables		41.85	44.65	46.24
FR-Loss Reserve / NPFR		55.23	51.13	38.74
Total Equity / Total Assets		59.02	63.11	58.4
Leverage		0.69	0.58	0.71
ROAA (%) *Annualised*		1.89	-6.86	1.22
ROAE (%) *Annualised*		3.11	-11.34	2.53

RATINGS DRIVERS

Supporting the Rating

- Growth of the financing receivable book resumed in 2012.
- Sufficient committed funding in place to cover current lending volumes.
- Demonstrated funding support by main shareholder.
- A return to profitability at end Q3 2012.

Constraining the Rating

- Poor asset quality although NPFRs have been declining in money terms and loss coverage has been improving.
- Very small balance sheet and modest market share in the Kuwait consumer financing sector.
- Very limited diversity in funding sources.
- Narrow range of earning streams – nearly all income comes from the financing portfolio.

RATING RATIONALE

Capital Intelligence (CI) reaffirms Al Manar Financing and Leasing Company KSC (Al Manar)'s Corporate Ratings at 'B+' Long-Term and 'B' Short-Term. The Ratings are supported by the recovery in new lending, the improving asset quality indicators, and by an improved funding profile. Ratings, however, remain constrained by the high Non-Performing Financing Receivables (NPFRs) ratio and barely adequate loss reserve coverage (despite its improvement), by the low earnings (and earning capacity), the narrow revenue base, and by the small absolute size of the balance sheet. The Outlook for the Ratings is 'Stable'. Despite the modest recovery in earnings in the first nine months of 2012, to achieve an improvement in the Rating would require the Company to be able to demonstrate sustained portfolio growth and a more diversified funding base, while maintaining the improving asset quality trend and improved earnings.

Al Manar saw a turnaround in the first nine months of 2012 with a return to asset growth, in contrast to the contractions seen in the past few years. The growth of its financing receivables book, the first growth since 2008, was a welcome change and compared favourably to some of its immediate peers.

Nonetheless it continues to be a small company with a modest share of the consumer financing sector in Kuwait. Asset quality indicators remain poor with a high NPFR ratio, although in money terms NPFRs have been declining year-on-year (and in the first nine months of 2012). NPFR loss coverage has been improving and is supported by a fairly substantial portfolio of collateral. While cash and liquid asset holdings are relatively low, Al Manar's liquidity is supported largely by short-term financing receivables. The latter is more than sufficient to cover the entire debt obligations of the Company. Despite increased borrowings and a lower equity base from the losses incurred last year, Al Manar's leverage remained low at end Q3 2012.

Al Manar's revenue stream remained very narrow and is largely related to its financing receivables book. Apart from the financing receivables book, Al Manar has a relatively modest portfolio of investments comprising Islamic instruments, securities (Fair Value through Income Statement and available-for-sale) and investment properties. Contributions from these investments have been largely negative over the past few years, in view of the fair value and impairment losses recognised. This in turn has either constrained earnings, or led to a large net loss, as seen over the past few years. However, with the recent favourable valuation by independent consultants, further impairments are likely to be limited if any. Nonetheless, the full-year position for the Company is likely to be at best a modest net profit.

PERFORMANCE OUTLOOK

Medium Funding being sought. Having successfully secured additional funding in 2012, the Company is now seeking additional funds for the growth projections as detailed in the forecast section of this report. To match asset and liabilities, the Company is seeking to raise medium-term funding which will further improve its current debt maturity profile.

Will there be sufficient demand? Loan demand has remained generally weak and the success in achieving a growth in its financing receivables book in the first nine months of 2012 is, indeed, a positive factor and compares favourably to its peers. According to the Company's forecast, a large proportion of its planned new lending business is geared towards the new and used vehicle segment, an area in which the Company has both experience and expertise. However, achieving the forecasted new lending volumes will require sufficient credit demand. While it would seem that borrowers are keen to borrow, their ability to do so has been constrained by the tight regulations governing consumer credit in Kuwait. These limit both the absolute level of total obligations of any borrower, as well as the maximum proportion of monthly salary that can go towards debt service.

Banks are creating increased competition. Both conventional and Islamic banks are now increasingly interested in the consumer finance segment in Kuwait, and have an advantage in availability and cost of funding. With growth in the overall market constrained by regulations, an increased market share for banks means difficulty for non-bank lenders in growing portfolios.

Improving asset quality will remain a challenge. While NPFRs have been declining in money terms year-on-year over the past few years and in the first three quarters of 2012, the NPFR ratio remains very high. Some improvement was seen with the expansion of financing receivable in 2012; however, there is still quite a way to go for this to fall to a more manageable position. The improvement of NPFR coverage is comforting, but still below what CI would consider satisfactory despite the fairly sizeable collateral holdings. In the short-term, CI expects that asset quality will remain a constraining factor for the Company's ratings.

Revenue stream to remain narrow. The Company's revenue streams are likely to remain confined to its financing receivable portfolio. Despite lean operation and a good grip on cost control, the profit margin is likely to remain constrained by relatively low interest rates and a limitation on associated fees that can be charged under the National Credit Act. Having taken large impairment losses over the past few years, the Company's earnings going forward are likely to be less negatively impacted by its investment portfolio.

COMPANY HISTORY AND STRATEGIES

History

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

Major Shareholders as of September 2012

Al Manar Main Shareholders	%
Investment House (Clients A/C-Qatari Client: QIPCO) shareholding)	15.91
Wafra International Investment Co (Clients account: PIFSS)	14.61
Financial Assets	13.74
Global Investment House Co (Clients account)	9.73
Other	46.01
Total	**100.00**

Al Manar Financing and Leasing Company K.S.C. (Closed) (Al Manar) was established in November 2003. Al Manar's main area of activity remains the provision of consumer finance, largely for the purchase of automobiles, although it also makes other types of loans to consumers and provides real estate and vehicle fleet financing for commercial customers. As of November 2011 the Company employs 64 staff members, down from a high of 83 at end 2008.

Business Model

Asset Base

Al Manar's business plan is based on providing financing facilities to the following market segments:

1) **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 as this prevents transfer of ownership to a third party while the financing contract remains outstanding. The maximum tenor of financing facilities is 60 months.

- **Cash facilities.** These loans will typically be rather shorter in tenor than vehicle purchase loans. They will also tend to be more expensive to the customer. The maximum tenor for such facilities is also 60 months.

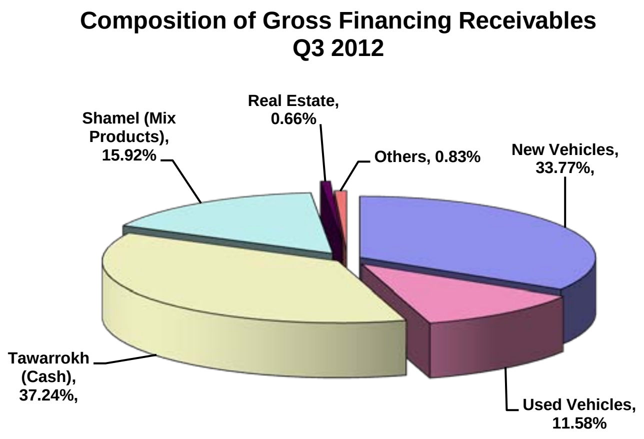
2) **Fleet Financing**

This targets companies and agencies that wish to finance their fleets of vehicles.

3) **Real Estate Financing**

Real estate facilities are (unlike vehicle purchase or cash loans) offered to Kuwaitis only, either individuals or local companies. All real estate financings require a first mortgage on the property, or (more normally) a Ijara contract structure. For income producing investment property, the maximum loan to value level is 65%. Raw land is not financed. The maximum tenor for real estate financing is fifteen years.

Composition of receivables book has shifted over time The last two years have seen a marked increase in the proportion of what is described as Tawarrokh financing (within a much reduced portfolio), and more recently a shift to new vehicles financing. The latter represented a higher 33.8% of the financing book at end Q3 2012 than the 25.1% at end H1 2011. The composition of the financing book as at end-September 2012 is shown in the adjoining pie-chart. It should be noted that the Tawarrokh portfolio is made up of several different types of lending (largely refinance of previous facilities).



Balloon financing refers to the earlier market practice of structuring loans (particularly for the purchase of cars) so that at the end of the financing period there was a single larger balloon payment – usually the refinanced by the lender – in order to allow monthly payments to be lower. This type of structure is no longer allowed under current regulations.

Pricing This will vary depending on a number of factors including tenor, nature of asset being financed, and purpose/use of asset, as well as Al Manar's own cost of funds. Comparisons with competitor financing also plays a significant role. Despite its partially secured basis, pricing on real estate lending is at the high end, because of tenor, while the lowest rates are for vehicles for personal use.

Lending structures used. In addition to the Tawarrokh facilities, there are three different Islamic financing structures in use. One of these (Ijara) is essentially linked to real estate financing and the volumes of Ijara financing have, therefore, shrunk in line with the fall in the real estate component of the overall financing portfolio.

INVESTMENTS

At end Q3 2012, Al Manar's investments include a portfolio of FVIS and AFS investments largely comprising unquoted investments and a small portfolio of investment properties; the latter consisted of four fairly small buildings that are being rented out. Contributions from the latter were limited and net contributions from these investments have largely been negative, reflecting fair value and impairment losses in view of the relatively weak stock market and the impact of the slower economy on companies in Kuwait.

FUNDING

Al Manar operates under an Investment Company license. It, therefore, cannot accept deposits. Funding must, therefore, come from capital or from borrowings. As the Company operates on a Sharia'a compliant basis, all borrowings are via Islamic structures on an effectively secured basis, usually with assignment of financing receivables. However, some of the newer facilities were secured against cash balances.

As the tenor of the facilities that Al Manar grants are medium- or long-term, it seeks to borrow on a matching basis. Currently, facilities are all short-term revolving credits and the funding base remains narrow, despite the recent addition of new lenders. Please see *Funding and Liquidity* in the financial analysis section for further details.

PRINCIPAL BUSINESS STRATEGIES

Since the onset of the regional recession in 2008 and until relatively recently, the main challenge for Al Manar has been:

- Addressing availability of funding lines to support new lending.
- Dealing with rapidly deteriorating asset quality and the consequent need for substantial additions to loss reserves.
- Cutting the cost base.

Al Manar has achieved a fair measure of success in all the above areas as follows:

- The main relationship bank (Kuwait Finance House) increased funding line in May 2011 and this has allowed Al Manar to once again seek to build lending volumes.
- As regards asset quality, while the NPFR ratio remains fairly high, NPFRs have ceased to climb, slowly declining over the past few years and in the first nine months of 2012.
- Operating expenses are falling.

Therefore, the Company is now in a position to rebuild, beginning with the financing receivables book.

The processes above have also been accompanied by a 'back to basics' change in strategy. Available resources are to be redeployed back to Kuwait and, within Kuwait, into the core business. This will mean that previous plans for geographic expansion have been effectively shelved for at least the medium-term; it may also amount to the divestment of the remaining (12.5%) stake in Qatar Finance House.

KUWAIT ECONOMIC OUTLOOK

For Kuwait, an outlook on the economy must always separate macroeconomic and microeconomic prospects, as the linkage between the two is not as close as would usually be the case in a larger and more diversified economy. To a considerable extent, it is the government and the wider state sector (state-owned oil companies etc) that provide this linkage, through investment expenditure and transfers via current expenditure on goods, salaries, and services, such as the health and education systems.

Oil Prices. From the macroeconomic viewpoint, the Kuwaiti economy is doing well, with governmental revenues swelling on the back of the higher oil prices earlier in the year; volumes are constrained by adherence to the country's OPEC production quota. Although 2010 was itself a good year for oil producers in terms of prices, 2011 was even better, with the average price for Brent crude rising to USD112 – an increase of 40%. The average price for Kuwait's own export crude (KEC) was USD105.4. This compares well with the average for the 2010-11 financial year of USD82.50. In mid-March 2012, the KEC price hit USD124, while in March the average price was USD120 – bringing the average for the quarter to USD116.7.

Pricing, however, subsequently softened in April and May, returning the average price for KEC to the USD100-110 range that prevailed in 2011. The slide continued in June (with an eighteen-month low of USD88 on June 22nd), but showed some recovery in July. With KSA still producing at high levels and with European demand weakening, the likelihood is for a continued period of soft oil prices, albeit that 'soft' in this context so far appears to mean a range with USD90 at the bottom end. This could change, however, and in a downwards direction if matters deteriorate further in Europe.

Budget FY2010-11 and FY2011-12. Kuwait's budgetary year runs from April to March, so the higher oil prices during calendar 2011 had a major impact on the 2011-12 financial year revenues. In FY2010-11, the budget showed a surplus (after the transfer to RFFG)[1] of KWD3.13 billion on oil

[1] *RFFG = Reserve Fund for Future Generations*

revenues of KWD21.50 billion. Actual government expenditure was KWD16.22 billion, while the transfer to the RFFG was KWD2.15 billion.

For FY2011-12, the official budget was based on oil revenues of KWD13.45 billion. As this latter figure is itself based on an assumed average KEC price of USD60, the revenue number was already massively too low, given that we have just completed the last quarter of the budgetary year and considering the oil price data above, as well as an average for the fiscal year of USD109.7. Market estimates see oil revenues instead as coming in at -or above- KWD29.5 billion. On the expenditure side, the official budget saw spending of KWD19.44 billion. However, Kuwait has a consistent history of under-spending budgetary allocations and consequently, a figure closer to KWD18.0 billion may be nearer the mark. As a result, the pre-RFFG surplus is probably going to be in the region of KWD11.5 billion or more, as opposed to the budgeted deficit of KWD6.0 billion.

Budget 2012-13. This budget has been prepared on the basis of a KEC price of USD65. In reality a price in excess of USD90 is still much more likely, but given the recent weakness, the average for the year is unlikely to match the USD109.7 reached in 2011-12.Using USD90, the probable pre-RFFG surplus would be in the region of KWD3.3 billion, rather than the budgeted deficit of KWD8.0 billion on planned expenditure of KWD22.0 billion.

Note: The Kuwaiti government recently announced an intention to raise the RFFG contribution from the current 10% to 25%. However, this would not lead to any reduction in planned spending, instead coming from reserves (or in reality, the regular above budget surplus).

Looking ahead. With uncertainties such as the outlook for the Eurozone economies, together with the slowing China GDP growth rate in 2012 (and probably 2013), the range of demand, supply, and price projections for oil is rather wider than usual. However, while some countries need an oil price to be at USD100 or more, Kuwait is in a much better position to weather a short- to medium-period of weaker prices. Absent a rout in oil prices, Kuwait has the capacity to maintain or even grow domestic spending. Government austerity (as opposed to inability to spend the budgeted amounts) is, therefore, unlikely to be a factor affecting loan growth in the banking sector in 2012, and even with oil prices at USD90, Kuwait would still post a pre-RFFG surplus in the region of KWD3.3 billion.

This is important as, given the size of the governmental sector, the limited range of existing non-hydrocarbon industrial development, the small size of the population and non-oil economy mean that the main driver of activity at the microeconomic level is ultimately government expenditure in general, and government expenditure that boosts demand for domestic goods and services, in particular. The USD100 billion four-year development programme agreed with parliament in 2010 was intended to provide a major boost to the domestic economy, and this it would indeed do – if it is ever actually executed in full. To date amounts spent are small, and a number of announced projects have stalled. Kuwait has a history of failing to follow through on previously announced projects, often because of parliamentary objections once individual projects reach the contracts award stage – particularly with Build-Operate and Transfer (BOT) projects in the past drawing the ire of the MPs. Given the results of the elections, the subsequent disputes with the government, and then the legal ruling invalidating the dissolution of the previous parliament (and therefore the subsequent elections) there is unfortunately little reason for optimism that matters will change significantly for the better.

This factor, and the tendency of project expenditure to be heaviest towards the end of a plan cycle, means that the boost provided in FY2012-13 may still be modest. Hopefully, however, it will be a boost, as this is badly needed. Assuming oil prices do not decline further, and assuming Kuwait avoids further political deadlock, the outlook would be cautiously positive; but the second of these two assumptions would be a triumph of hope over expectation.

THE CONSUMER CREDIT MARKET: DEVELOPMENTS AND OUTLOOK

The 'debt trap' phenomenon in Kuwait had been caused by the ready availability of financing and the apparent misguided consideration on the part of borrowers of instalment size rather than overall cost; the result was that in some cases the less financially-aware found themselves in a situation whereby so much of their monthly income went to debt servicing that the only way to make ends meet was to take further loans. This led to a pile-up of a large volume of consumer debt by Kuwaiti citizens, as was the case in many of the other GCC countries.

In Kuwait, the government addressed this problem in two ways. The first was to set a limit on the amount of debt that an individual can take, and on the maximum proportion of one's monthly salary that can be used for debt service. The second measure was to arrange relief for those already in the debt trap (see next paragraph). The debt cap was set at KWD15,000. The maximum percentage of salary that could go to debt servicing was originally set at 50% and later lowered to 40% (and to 30% of income for pensioners). The maximum loan tenure for non-housing loans is now set at five years.

There were also changes in the method of calculating finance charges, which had the effect of lowering the cost to the borrower (and negatively impacting the margins of the lender). The first adjustment was a requirement that interest is calculated using the declining balance method. The second was to limit the spread over the CBK Discount Rate to 3%, from the previous 4%. Moreover, once the loan rate is set at the outset of the contract, it cannot be altered before the passage of five years. This essentially makes consumer lending (now termed 'Personal Medium-Term Loans') fixed rate. Previously, lenders could (and normally would) change rates when the Discount Rate changed. This obviously poses dangers for lenders during periods when interest rates are at historic lows, as later rises in system rates will compress margins.

Other changes introduced in 2008 included the prohibition of loan structures that included final balloon payments, as well as loans repaid by new 'top up' loans – both previously had the effect of extending the life of a loan. Such sudden changes caused (and continue to cause) transition shocks for consumer lenders as pre-March 2008 facilities reach the balloon repayment point.

In 2008, a government Rescue Fund of KWD500mn was established to help resolve the difficulties of overburdened Kuwaiti consumer debtors. The aim was to assist Kuwaiti citizens who were in arrears in their consumer financing and/or personal loans. There had been continuing pressure from the Parliament for action on this issue, and even after the establishment of the Fund, similar pressures have persisted for even larger relief schemes, with an obvious risk of the creation of moral risk. The terms of the relief are linked to the debt and instalment caps above, with priority being given to cases that were already the subject of legal action.

Essentially, existing debt to the extent of up to KWD15, 000 was restructured, but with a maximum instalment level of 40% of salary. Amounts above that level were settled directly with the lenders by the Fund. As well as providing relief to borrowers, this also had the effect of helping lenders. Al Manar, as well as other financing companies, has benefited from the Scheme, particularly in the early years, as it helped to reduce the volume of legal cases and prompted the repayment of non-performing outstandings.

Between the regulatory changes and the effects of the economic downturn, the result was a fall in overall consumer lending volumes in the market as a whole. These fell by 14% over the 2007-10 period, but began to recover, rising by 8.7% in 2011, and then by a further 6.4% in H1 2012 to KWD6.5 billion. While there is a firm belief that consumer demand will rise as incomes recover and the economy as a whole becomes more buoyant, there are few signs of the this happening any time soon.

Nevertheless, forecasts for the car market as a whole in Kuwait over the medium-term are positive. Looking further out, the average growth rate in car sales over the 2011-15 period is expected to be close to 5% p.a.

Stronger sales on new cars will mean an increase of supply to the used market – and important segment for Al Manar. With dealers offering very competitive deals and value-added features (free insurance, free registration, extended warranties etc) for new car sales, pricing is expected to drop in the used car market as well, making a vehicle more affordable for the usually expatriate buyers of used vehicles.

Moral Hazard and the effect on non-performing loans (NPLs). The bulk of pressure for consumer debt relief came from some sections of the Parliament. While the intentions may have been positive, there were some very obvious moral hazard risks, and there was a large element of 'won't pay' mixed in with the genuine cases of 'can't pay'. A significant number of borrowers stopped payments in 2008-09, in order to make applications under the government scheme, and to await the outcome. This, in turn, temporarily boosted the NPL ratios of all lenders. As the members of parliament are now more involved in the ongoing disputes with the government on other matters, debt relief is a less active issue.

Threat of the Banks. Kuwait was unusual in that at one time a reasonably large proportion of consumer lending was provided by non-bank organisations with investment company status. In other GCC countries, the banks have always been much more active in this area. Following the crisis (and in some cases even before), there was a shake-out, and a number of providers either exited the market, or considerably reduced their volumes. Given the lower funding costs of banks, increased competition from the banks will always be a threat to the business model of the remaining non-bank lenders.

The presence of an Islamic alternative to conventional financing structures has also altered 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 financing 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 and Kuwait International Bank are also competitors. As at end-June 2012 consumer and personal loan borrowings totalled KWD6.5 billion, of which banks provided 95.2% up from 92.6% at end 2010.

RISK FACTORS AND THEIR MITIGANTS

Asset quality may deteriorate further.

- **Mitigant.** NPFRs in money terms peaked in 2009 and began a gradual fall from 2010, up to the period under review (2011 and the first nine months of 2012). As more active lending resumes, the NPFR ratio should also begin to fall back as seen at end Q3 2012, although there is quite a way to go to reach a more manageable level.

- **Mitigant**. NPFRs are also partly mitigated by the substantial amount of collateral held, as well as the Company's good success in bad debt collection.

Borrowing / funding risks: availability of sufficient lines to fund planned portfolio growth. As Al Manar does not have a core customer deposit base, funding is reliant upon bank facilities and other wholesale funding sources.

- **Mitigant.** While the global financial crisis and its effects on liquidity in Kuwait squeezed bank lending to Al Manar, the Company now has sufficient committed funding lines in place to accomplish current growth targets. See *Future Funding* and *Growth Plans* in *Forecasts* section below.

Competitive risks

- **Mitigant.** While the number of active Sharia'a compliant consumer finance lenders has reduced, there is now an increased interest in this segment by both Islamic and conventional banks. Both have an advantage in availability and cost of funding. Growth in the overall market constrained by regulations and increased market share by banks would amount to an even more challenging operating environment for non-bank lenders. Al Manar would need to draw on experience and expertise to provide a competitive edge in terms of service, approval time, etc.

Profitability Risks. Although Al Manar now has sufficient funding in place to grow its financing book, there may be risks of not being able to make a sufficient spread over cost of funds in order to both cover credit costs and produce a satisfactory return.

- **Mitigant.** The currently available main funding line is on satisfactory terms and conditions and profit rates are based on a margin added to the finance cost of external financing, while operating expenses are well under control, declining year-on-year since 2008, aided by a reduction in staff numbers.

FINANCIAL ANALYSIS

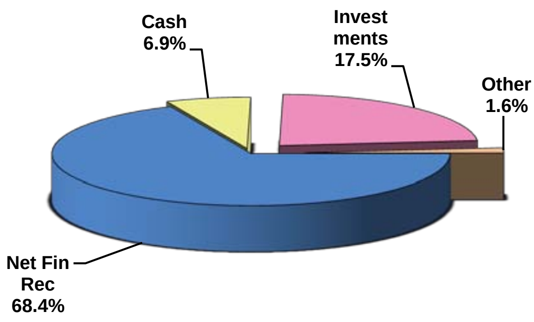
Auditors and Disclosure

The consolidated financial statements of Al Manar and its subsidiaries were prepared by management in accordance with International Financial Reporting Standards. The 2011 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 2011 accounts are unqualified. The financial statements for the nine months ending September 2012 were reviewed by the same two audit firms.

BALANCE SHEET

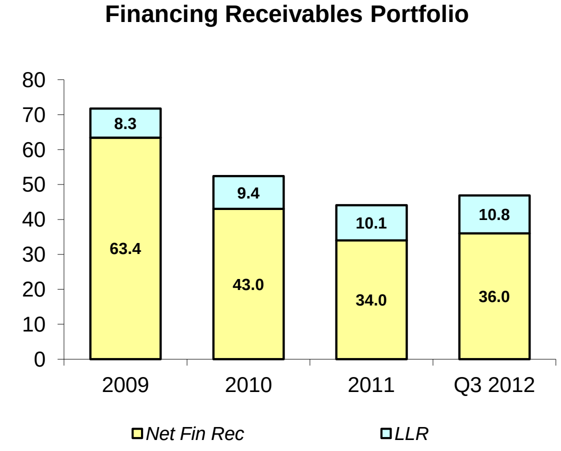
Asset base grew in 2012, finally reversing the year-on-year balance sheet contraction of the past three years. The expansion (by 9.4%) of the Company's asset base in the first nine months of 2012 was indeed a welcome change from the year-on-year contraction of the past three years (2011: -17.7%, 2010: -27.9%, 2009: -31.4%). This contraction of the asset base was largely attributed to the steady shrinkage of the financing portfolio due to much reduced new lending, which in turn reflected difficulties encountered during 2009-10 in arranging new sources of funding. It was only in Q2 2011 that a new line from Kuwait Finance House (KFH) was finalised, which allowed new lending to

Asset Composition - Q3 2012



resume. At end 2011, the asset base of KWD48.2mn was only 60% of the Company's 2009 balance sheet. Al Manar thus remains a fairly small player in the Kuwaiti consumer financing market.

The bulk of growth in the first nine months of 2012 was attributed to the expansion of the Company's financing portfolio and the increase in the investments portfolio. As shown in the asset composition pie-chart (above), these two asset classes represented the bulk (85.9%) of the Company's asset base. The remainder of the Company's asset base was largely made up of cash balances, a small portfolio of investment properties and fixed assets.

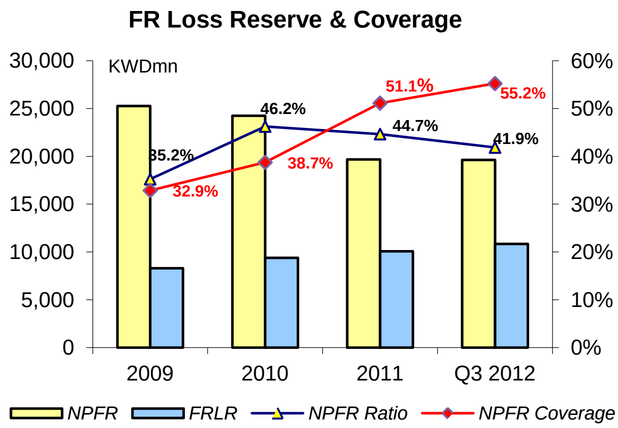


First year of growth of the financing receivables book since 2008. The last year in which the Company saw growth in financing receivables was 2008. Since then, there has been a continuing decline at both the gross and net levels, as can be seen from the chart to the left.

Finally, at end Q3 2012, the financing receivables book grew by 6% to reach KWD36.0mn, which represented a slightly lower 68.3% (compared to 70.5% in 2011), but of a larger asset base. The bulk of this book comprised tawarrouk (37.2%), new vehicles financing (33.8%), shamel (15.9%), and used vehicles financing (11.6%). Please see *Business Model* section above for further details on the composition of this book as at end Q3 2012.

The financing receivable book remained largely long-term with instalment payments under one year accounting for a moderate 38.4% of total.

While the key asset quality indicators of the financing receivable book remained weak, impaired receivables / non-performing financing receivables (NPFRs) have steadily declined over the past three years and in the first nine months of 2012. NPFRs stood at a high KWD25.3mn in 2009, but have fallen steadily to KWD19.7mn at end 2011. However, with a faster contraction of the financing receivable book, Al Manar's NPFRs ratio climbed from 35.2% in 2009 to a high 46.2% in 2010 only improving slightly in 2011 to 44.7%, as shown in the chart on the right.



In the first nine months of this year, NPFRs were relatively stable at KWD19.6mn, but with the higher expansion of the financing receivables book, the NPFRs ratio showed a further improvement although remaining high at 41.9%.

Aging of NPFRs KWDmn	2011	Q3 2012
91-180 Days	1.14	1.95
181-360 Days	2.70	1.07
360 + Days	15.85	16.60
Total KWD	**19.69**	**19.62**

NPFRs are largely over one year. As shown in the adjoining aging table, the bulk of these NPFRs are overdue by more than one year.

Specific provision as per CBK requirements is taken net of certain categories of collateral (also see *Collateral* section below), to which CBK instructions are applicable, for receivables aging above 90 days as per the following schedule:

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

These minimum provision requirements are, however, set on the basis of the loan amount less acceptable collateral. As seen in the case of the commercial banks, lenders may choose to maintain FRLR at a higher level than the regulatory minimum.

NPFR loss reserve coverage although improved remained below an adequate level at end Q3 2012. Following the sharp rise in NPFRs in 2008, the coverage level declined, but gradually rose thereafter as shown in the chart above. Despite lower NPFRs, the Company increased FRLR (Financing Receivable Loss Reserve) modestly in both 2011 (7.1%) and the first nine months of 2012 (7.7%). The coverage ratio of 55.2% is considered just adequate.

Historically Al Manar has tended to maintain fairly low FRLR ratios, depending more on security coverage and the efforts of its collections department to recover past due amounts. The Company also bases their coverage on the Central Bank of Kuwait minima for classified loans and for general reserves. These minimum requirements are based on outstandings net of qualifying collateral[2]. At the same time, to build the FRLR significantly requires earnings capacity at the operating level – and at Al Manar, operating profit had been declining up to end 2011.

While the improvement of the NPFR coverage is noted, so is the 111% coverage if collateral were included. CI remains of the opinion that FRLR in any consumer finance business should be much higher, reflecting the effective collectable value of security and the intrinsic risk of this type of lending.

Based on the operating profit for the first nine months of 2012, it would take the Company approximately 5.8 years to reach full coverage.

Collateral Type KWDmn	2011	%	Q3 2012	%
Shares	0.93	8.0	0.68	5.8
Real Estate	10.27	88.1	10.99	92.8
L/G	0.46	3.9	0.17	1.4
Total	**11.66**	**100.0**	**11.84**	**100.0**

Collateral held was largely in the form of real estate assets. As shown in the adjoining table, collateral was largely in the form of real estate assets as in previous years (2011: 88.1%, Q3 2012: 92.8%). However, it should be noted that the Company's collateral position could be regarded as very understated, as they do not include vehicle mortgaged to the Company, or the guarantees from their rather large vehicle (new and used) financing activities. (The latter represented 45.4% of its total financing receivable book at end Q3 2012). Collateral components as shown in the above table are those approved by the Central Bank of Kuwait for the calculation of provision requirements. The bulk of this collateral was related to its NPFR book (2011: 98.1%, Q3 2012: 98.8%). Management advised that there was an additional KWD11.0mn (guarantees, etc) that does not qualify as collateral for the calculation of provision requirements.

[2] *CI will usually take a very conservative view on the value of collateral in terms of providing an alternative source of repayment for a loan – and particularly where the collateral is in the form of an asset class that itself has limited liquidity (such as real estate), or where foreclosure is likely to be a lengthy process.*

Q3 2012 saw the first growth of investments for a number of years, although this portfolio still represented under a quarter of the total asset base. The components of the Company's investment portfolio are illustrated in the adjoining table. This portfolio grew by 16.9% to KWD12.2mn, compared to the contractions seen in the past three years (2011: -17.7%, 2010: 10.6% and 2009: 17.1%) However, this portfolio formed under a quarter (23.1%) of the Company's asset base at end Q3 2012.

Investments Type KWDmn	2011	Q3 2012
Securities (FVIS & AFS)	6.9	6.9
Islamic Instruments	1.5	3.1
Properties	2.0	2.2
Associates	-	-
Total	**10.4**	**12.2**

The Securities book was largely stable and comprised predominately unquoted investments. As shown in the table above, this book was largely stable at KWD6.9mn at end Q3 2012. A large proportion (69.6%) of these investments was classified as financial assets at fair value through profit and loss (FVIS) with the remainder in the available for sale classification. The latter was a reclassification from investments in associates following the dilution of its ownership in Qatar Finance House* from 20% to 14.8% in 2011.

**Qatar Finance House Company (QFH) is a company incorporated in Qatar and its principal activity is consumer financing in accordance with the Sharia'a. In line with its 'back to basics' strategy and the redeployment of available resources back to Kuwait, Al Manar is exploring options for a possible sale of its remaining 14.8% stake. QFH is profitable, had a recent increase in capital and enjoys satisfactory funding lines provided by its other (Qatari governmental sector) shareholders and should, therefore, be an attractive purchase for anyone seeking to expand into this sector in Qatar.*

The bulk of the FVIS book was made up of investments in unquoted local shares and funds in the following sectors: real estate 40.9%, takaful/insurance 27.3%, services 18.2%, and financial services 13.6%. Management has provided a valuation report of its unquoted securities by an independent consultancy company (Russell Bedford - international network of independent firms of accountants, auditors, tax advisers, and business consultants). Using the NAV, or the market multiple approaches, the report showed the fair market value of these investments at 25.6% higher than the carrying value in Al Manar's book, highlighting the latter's conservative policy towards the booking of these investments.

Small portfolio of Islamic instruments and investment properties with modest revenue contributions. As can been seen in the *Investment Type* table above, the growth of the investment portfolio was largely attributed to the increase in Islamic instruments (amount deposited at local financial institutions according to Murabaha contracts). This book doubled to a still low KWD3.1mn, which generated a modest average yield of 1% per annum.

The investment properties portfolio totalling KWD2.0mn at end 2011 is described in the table below. The rentals revenues are limited in volume and, therefore, do not significantly affect the top line.

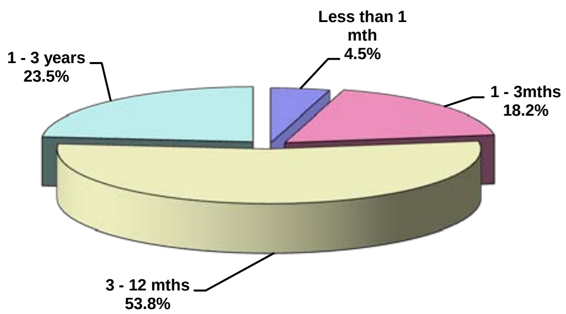
Area	Size (sqm)	Number Of Floors	Monthly Income KWD	Market Value KWD
Al-Mahboola	500	Basement + Ground + 5 Floors + Outside Shop	4,590	516,000
Al-Fahaheel	747	Ground + 2 Floors	2,760	762,500
Al-Mangaf	1000	Two Buildings :		892,875
		Building 1 - Ground + 5 Floors	2,400	
		Building 2 - Ground + 7 Floors+ Outside Shop	3,430	

FUNDING & LIQUIDITY

Funding amounts rose in the first nine months of 2012 but with the same high lenders' concentration. As at end 2011, Murabaha and Wakala payables had fallen to KWD14.9mn from KWD22.1mn at end 2010, and from an even higher level of KWD31.3mn at end 2009. However, at the end of Q3 2012, these payables had risen modestly to KWD19.3mn, largely reflecting the KWD4.5mn net increase of funding facilities. The latter include a total of KWD8mn of new lines (all from existing lenders). As previously stated in the *Business Model* section, the Company operates on a Sharia'a compliant basis, and thus all borrowings are via Islamic structures on an effectively secured basis with assignment of financing receivables. However, KWD3mn of the newer facilities were secured against cash. With the Company's relatively low cash balances, the ability to arrange further cash secured facilities is likely to be limited.

The Company's funding base remained very narrow with existing borrowings provided by three Kuwaiti Islamic banks and by the Public Institution for Social Security (through Ahli United Bank, Kuwait). As in previous years, there remained a high lender's concentration with one bank providing a high 73.4% of total borrowings as at end Q3 2012. CI understands that management is seeking an increase of the facility line from this particular lender, which would further increase concentration.

Maturity Profile of Total Liabilities - Q3 2012



Maturity profile of funding base anticipated to improve. As shown in the adjoining pie-chart, the funding base comprised a large proportion of short term debt obligations. However as the bulk of the Company's financing receivables has an average tenor of 38 months, management have sought for matching funding. To this end, KWD3mn of the newer facilities have tenor of 3 years and the management has also successfully negotiated a 36 months repayment schedule on further drawdown of existing facilities. Consequently the currently low 23.5% proportion of longer term funds should increase over time.

KWDmn	Q3 2012
Cash	3.63
Quoted Securities	0.01
S/T FRs	21.87
Total – A	**25.51**
Total liabilities (TL)	21.60
Total A/TL	**118.10%**

Liquidity remained only just satisfactory. As shown in the table on the left, the Company's holding of liquid assets remained limited. Unutilised credit limits were also low (KWD1.1mn) at end Q3 2012. Al Manar's liquidity was thus largely supported by the scheduled instalment of financing receivables. While these short-term financing receivables alone were more than sufficient to meet all the liabilities of the Company in Q3 2012, they provided a limited buffer against any of FRs turning non-performing and/or delays of receipt of payments. Cash balances could provide additional comfort, but a large proportion of this is already pledged to existing facilities. The liquidity position is thus considered as being just satisfactory.

Low leverage. Thanks to the relatively low level of borrowings, the impact of the weaker equity base was limited, with leverage rising moderately from 0.6 times in 2011 to a still low 0.7 times at end Q3 2012.

Weaker operating cash flow in the first nine months of 2012 due largely to increased financing activities. Cash from operating activities was a net outflow of KWD1.6mn, compared to the cash inflow of KWD12.1mn for the same period last year. This was due to the disbursement of KWD2.8mn of account receivables compared to the collection of account receivables totalling KWD9.3mn in 2011. The Company also purchased additional Islamic instruments and completed the building in Mangaf, Kuwait. The net cash used in investing activities totalling KWD1.7mn, which was higher than the

KWD0.8mn a year earlier. The shortfall in operating activities and the addition to the investment portfolios were largely financed by increased borrowings. Net cash inflow from financing activities amounted to KWD4.5mn, which contrasted sharply to the repayment of KWD8.5mn of borrowings in the same period last year. The net increase to the Company's cash balance was KWD3.4mn higher than the KWD1.6mn seen in the same period last year.

Debit servicing remained dependent on financing receivables and/or refinancing. With the Company's weak profitability, debt servicing remains dependent on receipt of payments from its financing receivables portfolio. At stated in an earlier section, short-term financing receivables are more than sufficient to cover the Company's total debt as at end Q3 2012. As long as there is no substantial deterioration of the credit quality of these financing receivables, the Company would be able to meet its debt obligations.

CAPITAL BASE

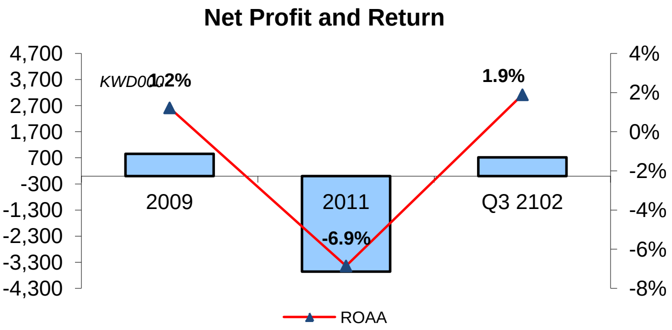
Small equity base. Al Manar has never had a large paid in equity base and the KWD4.2mn loss posted in 2009 wiped out retained earnings. While a small recovery was seen in 2010 in view of the small KWD0.9mn profit achieved, the Company suffered a further setback with the net loss of KWD3.7mn incurred in 2011. The Company's equity base at end Q3 2012 as shown in the adjoining table was just KWD31.1mn. There are currently no plans to seek additional capital.

Equity KWDmn	2011	Q3 2012
Capital+premium	31.2	31.2
Reserves	2.5	2.5
Retained Earnings	-3.3	-2.6
Total	**30.4**	**31.1**

Weak internal capital generation; negatively impacted by the securities portfolio. The fall in the financing portfolio had led to steady erosion in operating profit, while the need to add to loss reserves has maintained pressure on net profit. In addition, there was the continued negative impact of the Company's securities portfolio. The fair value and impairment losses of the latter culminated largely to net losses for the Company in the past few years. For the first nine months of 2012, the Company reported a modest return to profit of KWD0.7mn.

EARNINGS PERFORMANCE

Large net loss in 2011 related to unrealised losses of its FVIS investments. Return to profitability was seen at end Q3 2012. The modest recovery in 2010 suffered a setback in 2011 as the Company recognised KWD4.7mn of fair value and impairment losses on its FVIS investments. These losses exceeded total financing receivable income resulting in a large net loss of KWD3.7mn.



In the first nine months of 2012, in line with the growth in the financing receivables and investments portfolios, the Company achieved a 6.6% y-o-y increase of total revenue. Operating expenses were under control, declining by a good 12.8%. Despite the tripling of provisioning charge, Al Manar reported a net profit of KWD0.7mn for the first nine month of 2012. This was, however, less than the KWD0.9mn reported for the same period last year. Nevertheless, the Company booked the large fair value and impairment loss stated above in Q4 2011, which turned the modest net profit to a large loss by end 2011. With the recent favourable valuation report of its unquoted FVIS investments as discussed in an earlier section, the Company is unlikely to be taking any significant impairment losses on these investments and, consequently, the Company could show a profit for the full-year 2012.

Gross Income KWD	Q3 2011	Q3 2012
Net financing inc.	3.26	2.86
Net investment inc.	(0.34)	0.03
Other income	0.25	0.51
Total	**3.19**	**3.40**

Gross income grew modestly despite a notable contraction in the financing differential. As shown in the adjoining table, gross income grew by 6.6% in line with the same modest growth of its asset base. Net financing income remained the largest contributor to the total revenue of the Company, reflecting the sizeable financing receivable book in relation to its total asset base.

Net financing income was, however, 13% lower y-o-y, despite the growth in the financing receivable book due largely to the declining interest rate environment. Fee income related to the financing receivable activities that were booked under other income (as in previous years) boosted financing receivable income, albeit modestly. With the declining interest rate and the limitation of fees and charges, margins on financing receivable are very unlikely to recover to anywhere close to the levels seen prior to the National Credit Act in 2007.

Contributions from the investments portfolio remained weak. As stated in earlier sections, the net contributions from this portfolio (comprising the securities and investment properties) was largely negative over the past few years and the large fair value and impairment losses on its securities holdings were the main cause for the large net loss posted by the Company for full-year 2011.

At the end of the first nine months of 2012, net investment gain was a small KWD33k. However, this compared favourably to the loss of KWD0.3mn incurred for the same period last year. Further large impairment losses were recognised in Q4 2011. However, with the recent higher valuation by an independent consultancy company, further impairment losses are likely to be limited, if any, for the last quarter of 2012. Management advised that they intend to value this portfolio annually going forward.

Operating profit rose by a good 29.6%, but net profit fell from a higher provisioning charge. Al Manar's operating profit rose on the back of higher gross income and an even larger reduction of operating expenses. The latter fell by 12.8% y-o-y to KWD1.0mn at the end of the first nine months of 2012. However, financing receivable loss provisions taken in the first nine months of 2012 were more than triple that of the same period last year, despite the relatively stable level of NPFRs. Net profit posted at end Q3 2012 was KWD0.7mn, which represented a decline of 23.6% y-o-y and a lower annualised return on average assets (ROAA) of 1.89%.

FINANCIAL FORECASTS 2013–2015

The Company has provided CI with an updated forecast in mid-December 2012. This forecast is based on a number of assumptions including:

- Availability of additional funding;
- Lending volumes to increase by 5% annually from the level achieved in 2012;
- No additional or disposals from of funds or equities.

Asset growth to be supported by increased lending activities. As shown in the table on the right, the asset base is projected to grow by 10.1% in 2014 and 6.9% in 2015, on the back of increased lending volumes. The financing receivables portfolio, on average, would account for almost 80% of the total asset base over the forecast period. The main assets financed will remain with new and used vehicles. They would represent for around two thirds of new business.

Asset Composition KWDmn	2013	2014	2015
Financing Receivables	46.6	52.6	57.0
Investments	12.2	12.2	12.2
Cash	0.1	0.1	0.2
Others	0.7	0.7	0.7
Total	**59.6**	**65.6**	**70.1**

Investments comprising Islamic instruments, the trading/FVIS portfolio, investment properties, and the remaining stake in Qatar Finance House are projected to remain at the same level at end 2012. Needless to say these investments remain subject to potential volatility. Current valuation by independent consultants put these investments above (25%+) current book value and ,provided that there is no substantial fall in the stock market and/or investors' confidence, there could be valuation gains instead of the losses over the past few years.

The Company needs to maintain a certain level of cash in line with the collateral pledged to existing medium-term facilities. The low projected cash balance may be due to the following reasons: 1) not included in the projections as these facilities were fairly recently concluded; 2) reflecting some repayment of these cash secured facilities; and/or 3) replacement of either collateral or facilities.

Asset Composition KWDmn	2013	2014	2015
Wakala payables	22.5	26.1	27.7
Total liabilities	*26.3*	*29.9*	*31.3*
Total equity	*33.2*	*35.8*	*38.8*
Leverage	0.79	0.83	0.80

Increased level of lending activities largely dependent on additional borrowings. These borrowings are projected to increase by 16% in 2014 and to slow down to 6.1% in 2015, in line with asset growth projections above.

Management will continue with its aim to match its assets to liabilities and consequently new borrowings sought are likely to have a tenor of at least three years.

Equity base to be boosted by retained earnings. No capital increase is forecast. Equity base to grow by a modest 7.8% in 2014 and 4.7% through retained earnings, based on lending volumes projected.

Low leverage. With sharper increases in borrowings than in equity, leverage is projected to rise over the forecasted period, but still remain low at end 2015 by a consumer finance company's standards.

Liquidity to remain dependent on the payments received from the financing receivable book. With low cash and quoted investments, the Company's liquidity as in the previous year will remain supported by receipt of payments from the financing receivable book.

Cash flow and debt servicing. Based on the above assumptions, the forecast shows that the Company would be able to service all its current and new external financings through its internal cash flow from operation settling KWD17.6mn in 2013, KWD15.0mn in 2014, and KWD18.2mn in 2015, while achieving improving net profit over the same period.

Improving net profit forecast. Income from the financing portfolio is projected to grow by 23.7% in 2014 and 13% in 2015, on the back of increased lending volumes. Together with associated fees, gross profit is projected to reach KWD3.3mn in 2013, KWD4.1mn in 2014, and KWD4.6mn in 2015. Operating expenses are expected to remain under control growing by a modest 4.2% annually, because of salary and administration increases. No additional staff or branches are anticipated. Provisions for bad debts, on the other hand, are projected to grow fairly modestly by 8.4% and 7.3% respectively, in 2014 and 2015 respectively. The Company thus projects an improving ROE of 6.3% in 2013, 8.6% in 2014, and 10.0% in 2015.

The financing receivables business has always remained profitable for the Company, although margins have declined substantially over the past few years. It has, however, been the negative impact of its investment portfolio that has either constrained profit, or caused the losses reported over the years - a large part of the recent losses were related to the impairment losses of its securities investment portfolio (largely unquoted), in line with the Company's conservative approach to the valuation and booking of these investments.

The profit and loss forecast does not include any contribution from this investments portfolio, while in reality there would be some impact from either disposals, or revaluation. With the higher valuation obtained from independent consultants, further substantial losses are unlikely and there is also the possibility of recognising some revaluation gains instead.

Appendix 1

SUPERVISION & REGULATION

Al Manar is supervised and regulated by the Central Bank of Kuwait and by the Ministry of Commerce. In the medium-term, Al Manar plans to apply for a listing on the KSE. Currently, Al Manar is awaiting the new listing requirements to be applied by the Capital Markets Authority (CMA). Following a listing it will also be subject to the regulations and reporting requirements of the KSE and the CMA. 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, both 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, Kuwait's credit bureau.

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 maximum loan to value is 65% for income producing real estate, while 200% collateral coverage is required for non-income producing real estate. The real estate should be registered as having a first-charge collateral status for the facility and the customer is required to sign a contract that gives Al Manar 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 LEASNING COMPANY K.S.C

SUMMARY RATIOS	External Audit	UNAUD 09/2012	AUD 12/2011	AUD 12/2010	AUD 12/2009
A . SIZE FACTORS (KWD 000)					
1 . Total Assets		52,703	48,157	58,507	81,120
2 . Net Financing Receivables		36,039	34,011	43,026	63,432
3 . Total Equity		31,106	30,390	34,164	33,349
4 . Tangible Net-Worth		31,099	30,386	34,155	33,326
5 . Total Debt		19,322	15,281	22,446	45,563
6 . Net Profit		716	-3,659	853	-4,268
7 . Assets Under Management					
B . ASSET QUALITY (%)					
8 . Total Assets Growth Rate		9.44	-17.69	-27.88	-31.40
9 . FR-Loss Reserve / Financing Receivables		23.12	22.83	17.91	11.57
10 . Non-Performing FR / Financing Receivables		41.85	44.65	46.24	35.22
11 . FR-Loss Reserve / Non-Performing FR		55.23	51.13	38.74	32.85
12 . Unprovided Non-Performing FR / Total Equity		28.24	31.65	43.46	50.87
13 . FR-Loss Provision Charge / Financing Receivables		-1.65	-1.53	-2.08	-5.59
C . CAPITAL AND LEVERAGE					
14 . Total Equity Growth Rate (%)		2.36	-11.05	2.45	-11.11
15 . Total Equity / Total Assets (%)		59.02	63.11	58.39	41.11
16 . Leverage (Times)		0.69	0.58	0.71	1.43
17 Leverage - Excluding Minority Interest (Times)		0.69	0.58	0.71	1.43
18 . Total Liabilities / Tangible Net-Worth (Times)		0.69	0.58	0.71	1.43
19 . Long-Term Debt / Total Equity (Times)		0.00	0.00	0.00	0.33
20 . Total Debt / Total Equity (Times)		0.62	0.50	0.66	1.37
D . LIQUIDITY AND COVERAGE					
21 Current Ratio (Times)					
22 . Cash + QI + ST Gross FR / ST Debt (Times)		0.47	0.47	0.08	0.08
23 . Cash & Quoted Investments / Total Assets (%)		17.16	14.83	2.96	3.24
24 . Cash & Quoted Investments / Total Liabilities (%)		41.89	40.21	7.12	5.51
25 . Net Financing Receivables / Total Assets (%)		68.38	70.62	73.54	78.19
26 . Net Financing Receivables / Total Liabilities (%)		172.99	192.36	164.96	128.88
E . PROFITABILITY (%)					
27 . Return on Average Assets (ROAA)*		1.89	-6.86	1.22	-4.28
28 . Return on Average Equity (ROAE)*		3.11	-11.34	2.53	-12.05
29 . Funding Cost*		6.76	5.86	6.91	8.06
30 . Financing Income on Average Earning Assets*		9.88	10.58	11.20	10.54
31 . Financing Differential		3.13	4.73	4.29	2.49
32 . Non-Financing Income / Gross Income		21.66	346.14	-3.01	-104.31
33 . Operating Expenses / Gross Income		40.43	-127.22	47.32	113.85
34 . Operating Profit Growth Rate		-150.38	-252.21	-859.62	-106.08
35 . Operating Profit / Average Assets*		3.98	-5.60	2.81	-0.26
36 . Risk Provisioning Charge / Operating Profits		-51.38	22.54	-55.65	1,552.86
37 . Realized Income / Gross Income		100.00	100.00	100.00	100.00
38 . Dividend Payout Ratio					
G . REFERENCE DATA					
. Exchange Rate (Units per USD)		0.288	0.288	0.288	0.287
. Inflation Rate (%)				2.96	3.99

* Annualised ratios for September 2012.

AL MANAR FINANCING AND LEASNING COMPANY K.S.C

External Audit	09/2012	UNAUD	AUD	AUD	AUD	Growth (%)				Breakdown (%)			
BALANCE SHEET - ASSETS (KWD 000)	**USD 000**	**09/2012**	**12/2011**	**12/2010**	**12/2009**	**09/2012**	**12/2011**	**12/2010**	**12/2009**	**09/2012**	**12/2011**	**12/2010**	**12/2009**
Cash & Banks	12,581	3,627	3,368	1,600	2,430	7.68	110.50	-34.15	-25.26	6.88	6.99	2.74	3.00
Net Financing Receivables	125,004	36,039	34,011	43,026	63,432	5.96	-20.95	-32.17	-34.78	68.38	70.62	73.54	78.19
Other Receivables									-100.00				
Prepayments & Accruals	2,012	580	45	69	110	1187.76	-34.39	-37.76	-53.81	1.10	0.09	0.12	0.14
Investments	42,281	12,190	10,432	12,676	14,175	16.85	-17.71	-10.57	-17.06	23.13	21.66	21.67	17.47
Net Fixed Assets	162	47	18	9	41	158.02	110.48	-79.16	-47.54	0.09	0.04	0.01	0.05
Due From Associates													
Goodwill & Other Intangible Assets	22	6	4	9	23	56.50	-55.13	-59.81	8.17	0.01	0.01	0.02	0.03
Other Assets	744	214	279	1,118	910	-23.19	-75.04	22.94	658.32	0.41	0.58	1.91	1.12
TOTAL ASSETS	**182,805**	**52,703**	**48,157**	**58,507**	**81,120**	**9.44**	**-17.69**	**-27.88**	**-31.40**	**100.00**	**100.00**	**100.00**	**100.00**

AL MANAR FINANCING AND LEASNING COMPANY K.

External Audit	09/2012	UNAUD	AUD	AUD	AUD	Growth (%)				Breakdown (%)			
BALANCE SHEET - LIABILITIES (KWD 000)	**USD 000**	**09/2012**	**12/2011**	**12/2010**	**12/2009**	**09/2012**	**12/2011**	**12/2010**	**12/2009**	**09/2012**	**12/2011**	**12/2010**	**12/2009**
Short-Term Debt	67,020	19,322	15,281	22,446	34,655	26.44	-31.92	-35.23	-44.26	36.66	31.73	38.36	42.72
Short-Term Payables	6,308	1,818	1,962	1,438	381	-7.31	36.48	277.37	-60.53	3.45	4.07	2.46	0.47
Prepayments & Accruals	1,583	456	524	460	411	-12.97	14.05	11.76	-29.93	0.87	1.09	0.79	0.51
Long-Term Debt					10,908			-100.00	-29.17				13.45
Long-Term Payables													
Reserve for Retirement Pay & Insurance									-100.00				
Due To Unc. Subsidiaries & Associates	0	0	0	0	1,416			-100.00	3.83				1.75
Other Liabilities													
TOTAL LIABILITIES	**74,911**	**21,597**	**17,767**	**24,343**	**47,771**	**21.55**	**-27.01**	**-49.04**	**-40.83**	**40.98**	**36.89**	**41.61**	**58.89**
EQUITY:													
Equity Attributable To Shareholders of Parent Co.													
Share Capital	107,092	30,875	30,875	30,875	30,875				0.05	58.58	64.11	52.77	38.06
Share Premium	1,082	312	312	312	312				463.38	0.59	0.65	0.53	0.38
Less: Treasury Shares													
Statutory Reserve	4,391	1,266	1,266	1,266	1,179			7.38		2.40	2.63	2.16	1.45
Voluntary Reserve	4,314	1,244	1,244	1,244	1,157			7.52		2.36	2.58	2.13	1.43
General Reserve									-100.00				
Cumulative Change in Fair Value													
Gain on Sale of Treasury Shares													
Foreign Currency Translation				116	153		-100.00	-24.43	98.33			0.20	0.19
Proposed Dividend													
Retained Earnings	-8,986	-2,591	-3,307	352	-327	-21.66	-1039.22	-207.75	-108.29	-4.92	-6.87	0.60	-0.40
SUB-TOTAL	**107,894**	**31,106**	**30,390**	**34,164**	**33,349**	**2.36**	**-11.05**	**2.45**	**-11.11**	**59.02**	**63.11**	**58.39**	**41.11**
Minority Interest													
TOTAL EQUITY	**107,894**	**31,106**	**30,390**	**34,164**	**33,349**	**2.36**	**-11.05**	**2.45**	**-11.11**	**59.02**	**63.11**	**58.39**	**41.11**
TOTAL LIABILITIES & EQUITY	**182,805**	**52,703**	**48,157**	**58,507**	**81,120**	**9.44**	**-17.69**	**-27.88**	**-31.40**	**100.00**	**100.00**	**100.00**	**100.00**

AL MANAR FINANCING AND LEASNING COMPANY K.S.C

PROFIT AND LOSS ACCOUNT (KWD 000) External Audit	09/2012 USD 000	UNAUD 09/2012	AUD 12/2011	AUD 12/2010	AUD 12/2009	Growth (%) 09/2012	Growth (%) 12/2011	Growth (%) 12/2010	Growth (%) 12/2009	% of Average Total Assets 09/2012	% of Average Total Assets 12/2011	% of Average Total Assets 12/2010	% of Average Total Assets 12/2009
Interest Income / Financing Income	9,903	2,855	4,340	6,185	8,770	-34.21	-29.84	-29.47	-22.17	5.66	8.14	8.86	8.80
Interest Expense / Financing Expense	-3,041	-877	-1,105	-2,349	-4,960	-20.67	-52.96	-52.63	-25.13	-1.74	-2.07	-3.37	-4.98
NET INTEREST INCOME / NET FINANCING INCOME	**6,862**	**1,978**	**3,235**	**3,836**	**3,810**	**-38.84**	**-15.67**	**0.67**	**-17.94**	**3.92**	**6.07**	**5.49**	**3.82**
Fees & Commission Income			231	249	272	-100.00	-7.36	-8.39	-64.74		0.43	0.36	0.27
Rental Income	38	11	84	50	23	-86.85	67.62	114.76		0.02	0.16	0.07	0.02
Dividend Income			40		2	-100.00		-100.00	-98.20		0.08		0.00
Foreign Exchange Income					-839			-100.00	43.69				-0.84
Investment Income	77	22	-4,735	-838	-1,593	-100.47	465.33	-47.43	-212.29	0.04	-8.88	-1.20	-1.60
Share of Results of Unc. Subsidiaries & Associates			-266	188	-454	-100.00	-241.63	-141.37	-357.01		-0.50	0.27	-0.46
Profit on Sale of Unc. Subsidiaries & Associates													
Other Income	1,782	514	97	238	644	431.97	-59.42	-63.02	82.21	1.02	0.18	0.34	0.65
NON-INTEREST INCOME / NON-FINANCING INCOME	**1,897**	**547**	**-4,549**	**-112**	**-1,945**	**-112.03**	**3952.35**	**-94.23**	**-187.48**	**1.08**	**-8.53**	**-0.16**	**-1.95**
GROSS INCOME	**8,759**	**2,525**	**-1,314**	**3,723**	**1,865**	**-292.17**	**-135.29**	**99.67**	**-72.84**	**5.01**	**-2.46**	**5.33**	**1.87**
General & Administrative Expense	3,541	1,021	1,656	1,709	2,062	-38.33	-3.13	-17.11	-17.52	2.02	3.10	2.45	2.07
Lease / Rental Expense													
Depreciation & Amortization			16	53	59	-100.00	-69.29	-11.32	-11.13		0.03	0.08	0.06
Other Expenses					2			-100.00	-96.61				0.00
OPERATING EXPENSES	**3,541**	**1,021**	**1,672**	**1,762**	**2,123**	**-38.93**	**-5.11**	**-17.02**	**-18.88**	**2.02**	**3.13**	**2.52**	**2.13**
OPERATING PROFIT	**5,218**	**1,504**	**-2,986**	**1,962**	**-258**	**-150.38**	**-252.21**	**-859.62**	**-106.08**	**2.98**	**-5.60**	**2.81**	**-0.26**
Provisions For Doubtful Financing Receivables	-2,681	-773	-673	-1,092	-4,010	14.87	-38.35	-72.78	297.92	-1.53	-1.26	-1.56	-4.02
Other Provisions													
GROSS PROFIT	**2,537**	**731**	**-3,659**	**870**	**-4,268**	**-119.99**	**-520.53**	**-120.38**	**-231.68**	**1.45**	**-6.86**	**1.25**	**-4.28**
Extraordinary Items													
Taxes	-53	-15		-17			-100.00		-100.00	-0.03		-0.02	
NET PROFIT (LOSS)	**2,484**	**716**	**-3,659**	**853**	**-4,268**	**-119.57**	**-529.02**	**-119.98**	**-234.66**	**1.42**	**-6.86**	**1.22**	**-4.28**
APPROPRIATION OF SURPLUS:													
Attributable To Minority Interests													
Dividends									-100.00				
Transfer To Equity	**2,484**	**716**	**-3,659**	**853**	**-4,268**	**-119.57**	**-529.02**	**-119.98**	**-4379.59**				
Bonus Shares Issued									-100.00				
Changes In Equity Not Through P&L	**2,484**	**716**	**-3,774**	**815**	**-4,168**	**-118.97**	**-562.87**	**-119.56**	**-1730.09**				

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.