CAPITAL intelligence

CORPORATE RATING

Al Manar Financing and Leasing Company K.S.C.

December 2013

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Corporate Rating Report

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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 2006. The ratings were last updated in January 2013.

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, December 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	**Positive**	Stable	Dec 13

FINANCIAL HIGHLIGHTS

USD (mn) KWD (mn)	Q3 2013 USD	Q3 2013 KWD	2012 KWD	2011 KWD
Net Financing Income	10.9	3.07	2.9	3.2
Non-Financing Income	2.6	0.7	0.6	-4.5
Operating Expenses	4.0	1.1	1.5	1.7
Net Profit / Loss	5.4	1.5	1.2	-3.7
Total Assets	182.2	51.5	54.4	48.2
Net Financing Rec.	134.2	37.9	39.2	34.0
Total Debt	52.1	14.7	19.5	15.3
Total Equity	117.1	33.1	31.6	30.4
Exchange Rate: USD/KWD		*0.283*	*0.281*	*0.288*
NPFR / Financing Receivables		15.13	38.86	44.65
FR-Loss Reserve / NPFR		45.67	55.72	51.13
Total Equity / Total Assets		64.29	58.04	63.11
Leverage		0.56	0.72	0.58
ROAA (%) *Annualised*		3.85	2.33	-6.86
ROAE (%) *Annualised*		6.30	3.86	-11.34

RATINGS DRIVERS

Supporting the Rating

- Significant improvement in the non-performing financing receivables (NPFRs) ratio, although this remains elevated.
- A return to profitability in both 2012 and 2013.
- Debt service adequately supported by collection of receivable instalments.
- Demonstrated funding support by a major shareholder.

Constraining the Rating

- Low financing receivable loss coverage level, although partly mitigated by collateral held.
- 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's (Al Manar) Corporate Ratings at 'B+' Long-Term and 'B' Short-Term. These ratings are supported by the improvement in the quality of the Company's financing receivable book, in terms of the substantial fall of its NPFRs ratio, and by the company's sustained return to profitability. Ratings, however, remain constrained by the below satisfactory NPFR loss coverage ratio, the high concentration in its funding base, the narrow revenue base, and by the small absolute size of the balance sheet. With the good performance to end Q3 2013 and a new funding facility currently being finalised to support future asset growth, a 'Positive' Outlook is assigned to the Company's ratings. An upward revision of the ratings would, however, require the Company to demonstrate sustained portfolio growth and a more diversified funding base, while maintaining the improving asset quality and earnings trends.

Al Manar saw a turnaround with a return to asset growth and profitability in 2012 which was followed by a significant improvement to the quality of its financing receivable book and an even higher net profit for the nine months to end Q3 2013. The growth of its financing receivables book in 2012 – the first growth since 2008 – was a welcomed change. However, as with its bigger peers, its financing receivable book contracted marginally in the nine months to end Q3 2013, given the still challenging operating environment, increased competition in the consumer financing market in Kuwait, as well as the scarcity of funding sources. The Company's large portfolio of NPFRs has been declining over the past few years and the large write off of unsecured NPFRs in Q3 2013 led to a significant improvement in the quality of its financing receivable book. The Company's NPFRs ratio fell notably, although remaining a little on the high side compared to some of its bigger peers. However, NPFR loss coverage weakened in Q3 2013 as a result of these write-offs, although this is partly mitigated by the collateral held. The maturity profile of the financing receivable book has shortened in recent periods, providing liquidity and ample support to the Company debt serviceability. At end Q3 2013, short term financing receivables remained well in excess of the Company's total debt. Its funding base, however, remained highly concentrated and the secured nature of its borrowings meant that a fairly large proportion of its asset base is encumbered. That said, as these borrowings have declined, some of the pledged assets are being released, allowing the Company to secure new funding. In line with the Company's business model, its revenue streams are very narrow and largely confined to its financing receivable book. The latter, has always been a profitable business for the Company, although margins have narrowed over the years. Losses in previous years were largely due to the negative impact of its financial investments. Encouraged by the improved stock market, the impact on its financial investments has been positive, providing a boost to the Company's bottom line in recent periods.

OUTLOOK

With the strong results for the first nine months, the Company is reasonably assured of a good performance for full year 2013. The improved financial profile and the recent success in sourcing new funding have brightened the growth prospects for the Company. That said, loan demand has thus far remained generally weak. Borrowers remained constrained by the tight regulations governing consumer credit in Kuwait, and at the same time the consumer financing market in Kuwait has seen an increase in competition from both conventional and Islamic banks. However, 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 that should provide it with a competitive edge.

Al Manar is likely to maintain the improving quality trend of its financing receivable portfolio, although its NPFR loss coverage ratio may still lag its larger peers. This, will thus remain a constraining factor for the Company's ratings. Both liquidity and debt servicing will remain supported by the collection of receivable instalments. On the other hand, revenue streams will be largely confined to its financing receivable portfolio. Despite a lean operation and a good grip on cost control, the profit margin is likely to be constrained by relatively low interest rates and a limitation on associated fees that can be charged under the National Credit Act. The potential volatility of the Company's unquoted investments holding will continue to have an impact to its bottom line.

COMPANY HISTORY AND STRATEGIES

History

Al Manar's Major Shareholders as at 31st October 2013	%
Investment House (Clients A/C-Qatari Client: QIPCO Holding)	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 2013, the Company employs 62 staff members, down from 65 at end 2012 and a high 83 at end 2008.

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 (CBK).

Business Model

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

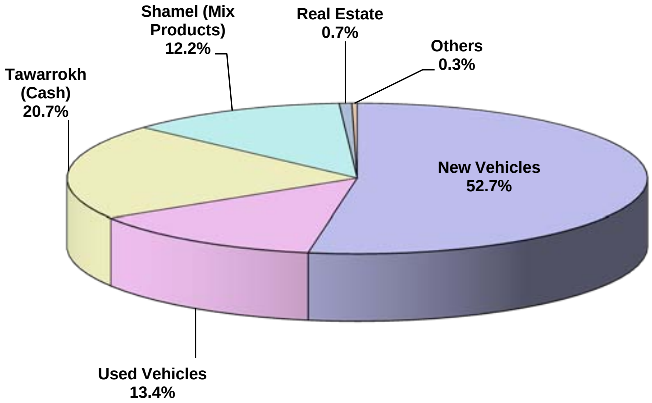
This targets companies and agencies that wish to finance their fleets of vehicles.

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) 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). However, more recently, particularly in 2012 and Q3 2013, there was a further shift to new vehicles financing. The latter, accounted for a third (33.8%) of the receivable book at end 2011, but rose to represent more than half (52.7%) of the total receivable book at end Q3 2013. The composition of the receivable book at end Q3 2013 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 including balloon financing although this is no longer allowed under current regulations).

Composition of Gross Financing Receivables Q3 2013



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.

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 2013, as in previous years, Al Manar's investments include a portfolio of FVTIS (Fair Value Through Income Statement) and AFS (Available For Sale) investments, comprising largely unquoted investments and a small portfolio of investment properties. The latter, consisted of four fairly small buildings which were rented out. Contributions to revenue were however modest. Net contributions from the financial investments portfolio had also largely been negative up to end 2012, reflecting the then prevailing relatively weak stock market and the impact of the slower economy on companies in Kuwait. For the first nine months of 2013, the net contribution from this portfolio was positive, although modest at KWD152k.

FUNDING

Al Manar operates under an Investment Company license; therefore, it cannot accept deposits. Consequently, funding must 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. Please see *Funding and Liquidity* in the Financial Analysis section (p.13) for further details.

PRINCIPAL BUSINESS STRATEGIES

Since the onset of the regional recession in 2008 and until relatively recently, the main challenges for Al Manar have 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:

- As regards asset quality, NPFRs have ceased to climb, slowly declining over the past few years and improved substantially in the first nine months of 2013, with the large write off of unsecured NPFRs in past due over 365 days category.
- Operating expenses are well under control.
- 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.

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; the Bank may also divest the remaining (14.8%) stake in Qatar Finance House.

ECONOMIC OUTLOOK - KUWAIT

For Kuwait, an outlook for 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 educational systems.

Oil prices. From the macroeconomic viewpoint, the Kuwaiti economy continues to do well – something that has been the case for a number of years. Governmental revenues have been strong on the back of higher oil prices as volumes are constrained by adherence to the country's OPEC production quota.

The last three years were very good for oil producers in general – at least in price and therefore, income terms (with the 2012 exception of Iran due to sanctions). The adjacent table shows the average price for Brent crude, the average price at which Kuwait Export Crude (KEC) sold since the 2009-10 financial year, together with the estimated price for oil which Kuwait must obtain to balance the governmental budget. It is clear that with oil prices at current levels, Kuwait will continue to post substantial budget surpluses. However, the table also underlines two other factors that need to be noted. The first (which is positive) is that the historical difference between KEC and Brent has compressed. Given limits on output under the OPEC quota, this has been positive for revenues. Should this gap widen, however, it would be a negative, especially if this was linked with a fall in Brent prices. The second factor is negative and relates to the sharp rise in the 'budget breakeven' KEC price. Government spending has been rising – with most of the increases going on entitlements and other transfers rather than into infrastructure. This makes Kuwait more vulnerable to any prolonged period of weakness in oil prices, although it should also be pointed out that nearly every other oil producer has a higher 'pain point' than Kuwait.

	Brent USD		KEC USD	Budget Breakeven USD
		2009-10	68.60	28.00
2010	80.00	**2010-11**	82.50	46.00
2011	110.91	**2011-12**	109.70	44.00
2012	111.68	**2012-13**	106.60	49.00

Oil Price Outlook. The IEA's latest estimates for demand growth in 2013 are for an increase of 1.0mbpd or 1.1%, in line with the actual result for 2012. While this is not a historically strong number, 2012 was a year in which oil prices remained strong. On the supply side, OPEC output had been dropping. This reflected the Iran sanctions and lower Nigeria production, but also output cuts by swing-producer KSA. More recently (September), OPEC output (ex-Iraq) fell to 28.6mbd – earlier this year it had been as high as 30.5mbpd. OPEC production in 2012 was 30.8mbpd. Factors contributing to the decline are Iran, Libya and Nigeria. Iraqi output has also fallen back during H2. For 2013 as a whole, the most likely scenario is higher non-OEC output led by the US and lower overall OPEC output (to support prices remaining above USD100) despite earlier higher production in Iraq. For 2014, OPEC expects oil demand to grow by 1.1mbpd. While this would appear encouraging for oil prices, OPEC also expects non-OPEC output to grow by 1.5mbpd, with non-conventional oil production in the US and Canada making up a large part of the growth. This in turn would imply either lower prices or (more likely) output cuts by OPEC to maintain price stability.

Budget FY2011-12 and FY2012-13. Kuwait's budgetary year runs from April to March so the high oil prices during calendar 2012 had a major impact on the 2012-13 financial year revenues. In FY2011-12, the budget showed a surplus (after the transfer to RFFG)[1] of KWD10.2 billion (up from KWD3.13 billion in the previous financial year) on oil revenues of KWD28.57 billion. Actual government expenditure was KWD17.0 billion, barely up on the KWD16.2 billion in the previous fiscal year. The 2011-12 transfer to the RFFG was KWD3.02 billion.

For FY2012-13, the official budget was based on oil revenues of KWD12.77 billion. As this latter figure is itself based on an assumed average KEC price of USD65, the revenue number was extremely low.

[1] RFFG = Reserve Fund for Future Generations.

In reality, oil revenues came in at KWD30.2 billion. On the expenditure side, the official budget envisaged spending of KWD21.2 billion. This compares with the budgeted expenditure in the previous fiscal year of KWD19.44 billion. As usual, there was an underspend and actual expenditure came out at KWD19.3 billion– leaving another surplus of KWD12.7 billion (after RFFG, KWD4.7 billion).

Budget FY2013-14. Once again, the official budget figures are an exercise in make-believe, based as they are on an oil price of just USD70 and consequent total revenues of KWD18.1billion (o/w oil KWD16.9 billion). With budgeted expenditures of KWD21.1 billion, the budget forecasts a deficit of KWD3.1 billion. Using an oil price for KEC of USD104, oil revenues rise to KWD30.0 billion – implying a surplus before transfers to the RFFG of KWD11.2 billion.

Politics Matter. 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 – with BOT projects or projects involving foreign oil companies in actual production in particular drawing the ire of MPs in the past. Following the December 2012 elections, there was more reason for optimism that matters would change – perhaps significantly for the better. The recent nullification of these elections and the consequent dissolution of parliament has however once again thrown matters into flux – a new election has just been held. The recent removal of many of the senior managers in the oil& gas sector is also bound to impact decision-making.

While the composition of the new parliament is now known, the implications for the relationship between the government and the legislature will take time to become clear as there was only a single session before Eid – and then a break until the autumn. Moreover, more than half the newly-elected members are serving in parliament for the first time – and their views are therefore, less predictable than may have been the case with the familiar faces of the past.

Longer Term Concerns

- **Narrow economic base.** Kuwait remains heavily dependent on the oil sector, which accounts directly for around 50% of nominal GDP, 80% of budget revenues, and 90% of exports.

- **The government budget is structurally weak.** This reflects a very narrow non-oil revenue base and significant expenditure rigidities, with the bulk of total spending geared to the payment of wages, social benefits and subsidies.

- **Small private sector.** The private sector of the economy is small, dependent on government spending, and employs relatively few nationals.

- **Infrastructure deficit.** Physical and social infrastructure is poor compared to countries with a similar level of per capita income.

- **Low level of Foreign Direct Investment (FDI).** The business environment is somewhat challenging – as with other GCC countries, corporate governance practices are seen as being below international best practice. Kuwait also attracts relatively little FDI. These are perceived weaknesses that the government hopes to tackle with the implementation of new corporate regulations published in November 2012.

The structure of the Kuwaiti economy is not sufficiently flexible to cope with mounting demographic pressures, which, if not addressed over the coming years, could potentially result in serious labour market strains and the erosion of real income per capita in the medium to long-term. The capacity for the capital-intensive energy sector and state institutions to provide meaningful jobs for the fast growing indigenous population is approaching its limits and a stronger reform effort is needed to promote faster and more self-sustaining private sector growth.

DEVELOPMENTS IN THE CONSUMER CREDIT MARKET

As in many of the GCC countries, problems were caused by the pile-up of a large volume of consumer debt by Kuwaiti citizens. With financing that had historically been readily available, and an apparent concentration by borrowers on instalment size rather than overall cost, the result was that in some cases the less financially-aware fell into a debt trap, whereby so much of their monthly income went to debt servicing that the only way to make ends meet was to take out further loans.

The government initially addressed this problem in two ways. The first was to limit both the amount of debt that an individual can take on, and the maximum proportion of his monthly salary that can go in debt service. The second was to arrange relief for those who were 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 to the way in which finance charges could be calculated, 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 five years have passed. 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 any later rises in system rates will compress margins.

Between the regulatory changes and the effects of the economic downturn, the result was a fall in overall consumer/personal lending volumes in the market as a whole. These fell by 14% over the 2007-10 period, but began to then recover, rising by 8.7% in 2011, and then by a further 2.4% in 2012. Aggregate personal loans in Kuwait have been reported as totalling KWD18 billion.

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

In 2008, a Rescue Fund of KWD500mn from the government 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.

New 2013 debt relief scheme. The new family fund scheme was announced and approved by the Kuwaiti parliament in April 2013. This new scheme is intended to benefit Kuwaiti citizens who:

- availed loan facilities before March 2008, but
- were not beneficiaries of any earlier debt relief schemes.

Under the scheme, the outstanding principal and accrued interest as of 12th June 2013 will be settled by the government on behalf of the *approved*[2] clients from the fund. This would include non-

[2] *Eligible borrowers must apply to be able to benefit from the scheme – enrollment is not automatic.*

performing outstandings. However, this Act will not have an impact on Islamic lenders, including Al Manar.

Moral Hazard – and the potential effect on non-performing loans (NPLs). The main pressure for consumer debt relief has come from some sections of Parliament. While the intentions may have been positive, there were (and continue to be) some very obvious moral hazard risks, and in the past 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. While there is so far no talk of new debt relief initiatives, it would not be surprising to see some MPs return to the subject in the future.

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

RISK FACTORS

Credit risks:

The Company’s NPFRs in money terms had peaked in 2009 and began to gradually fall from 2010 onwards. In Q3 2013, the Company also wrote off a substantial amount of unsecured NPFRs which were overdue over 365 days. Thus, the Company’s NPFRs ratio fell substantially from 38.9% at end 2012 to 15.1% at end Q3 2013. Although the latter remains high, the gap with its peers has narrowed significantly. The NPFRs position is also partly mitigated by the substantial amount of collateral held, as well as the Company’s success in bad debt collection.

Borrowing / funding risks:

As Al Manar cannot have a core customer deposit base, funding is reliant upon bank facilities and other wholesale funding sources. A positive factor was the ability to rollover, as well as to extend the tenor of existing facilities in recent periods. The Company continues to borrow largely on a secured basis and consequently, a large proportion of its assets were pledged to existing facilities at end Q3 2013. However, as borrowings have declined, some of the pledged assets have been released. This, together with the improved financial profile, would aid the Company in obtaining new facilities to fund future growth.

Competitive risks:

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. At the same time, growth in the overall market remained constrained by regulations. Increased market share by banks would thus 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:

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) which was largely due to the Company’s conservative approach to the valuation and booking of these investments. With the improving stock market, impact has been fairly positive thus far. The Company also remains focused on running an efficient operation and operating expenses are expected to remain well under control.

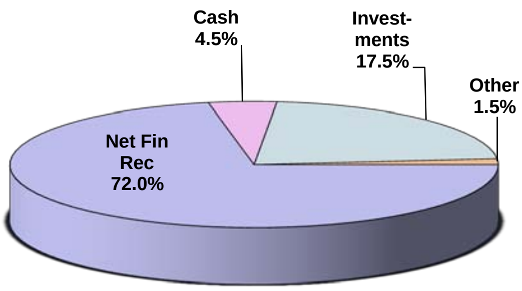
FINANCIAL ANALYSIS

The 2012 consolidated financial statements of Al Manar and its subsidiaries were prepared by management in accordance with International Financial Reporting Standards and 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 2012 accounts are unqualified. The following analysis also uses the nine months ending September 2013 financials which are unaudited, but reviewed.

BALANCE SHEET

While the asset growth in 2012 reversed the year-on-year (YoY) balance sheet contraction of the past three years, there was however a small decline of asset base at end Q3 2013. The Company's asset base expanded by 13.0% in 2012 which was a welcomed change from the YoY contraction of the past three years (2011: -17.7%, 2010: -27.9%, 2009: -31.4%). The contraction of the asset base in previous years was largely attributed to the steady shrinkage of the financing portfolio due to much reduced new lending, reflecting the 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 resume. Nonetheless, at end 2012, the Company's asset base of KWD54.4mn (USD193.4mn) was equivalent to only 67.1% of its balance sheet in 2009.

Asset Composition - Q3 2013



The bulk of growth in 2012 was attributed to the expansion of the Company's financing portfolio, although there was a small increase in the investments portfolio. In line with its business model, these two asset classes represented the bulk (94.0%) of the Company's asset base at end 2012, as in previous years. The remainder of the Company's asset base was largely made up of cash balances, fixed assets and other assets.

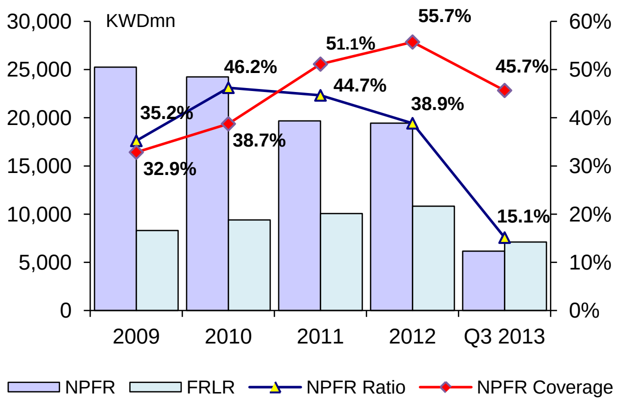
At end of the Q3 2013, however, the Company's asset base declined fairly modestly by 5.4% – which was contributed by small contractions in both the receivable and investments portfolio, as well as cash holdings. Asset composition as at end Q3 2013 is as shown in the pie-chart above.

Resumption of financing activities was short lived, reflecting the challenging consumer financing market and the limited funding availability. Since 2009, there has been a continuing decline at both the gross and net levels, but finally in 2012, the financing receivables book grew by a solid 15.3% to reach KWD39.2mn, which represented 72.0% of total assets (2011: 70.5%).

At end Q3 2013 however, there was a small contraction of the receivable book to KWD37.9mn. But, with the sharper decline of asset base, this book represented a higher 73.7% of total asset base. At end Q3 2013, more than half (52.7%) of this book comprised new vehicles financing followed by tawarrouk (20.7%), used vehicles financing (13.4%) and shamel (12.2**%).** The maturity profile of this book has also shortened significantly, with instalment payments due under one year accounting for a high 43.2% at end Q3 2013, up from 38.4% at end 2011. The bulk of the remainder was due between one and three years (46.9% of total receivable book).

Substantial lowering of NPFR ratio, especially in Q3 2013, although this positive development was to some extent offset by the fall in the NPFR loss coverage ratio. NPFRs have fallen steadily from a high KWD25.3mn in 2009 to KWD19.7mn at end 2011. But, with a faster contraction of the financing receivable book, Al Manar's NPFR ratio climbed from 35.2% in 2009 to a high 46.2% in 2010, only improving slightly in 2011 to 44.7%. In 2012, there was a marginal decline of NPFRs to KWD19.4mn, but with the good growth of the financing receivable book, the Company's NPFR ratio showed a good improvement to 38.9%, although remaining high.

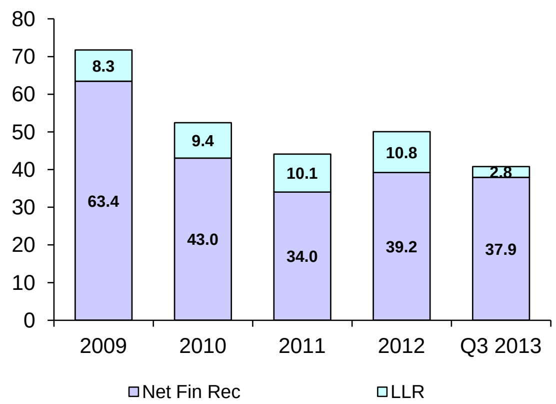
Financing Receivale Loss Reserve & Coverage



Aging of NPFRs KWDmn	2011	2012	Q3 2013
91-180 Days	1.14	1.92	1.52
181-360 Days	2.70	0.93	1.76
360 + Days	15.85	16.59	2.89
Total	**19.69**	**19.44**	**6.17**

However, in the first nine months of 2013, the Company wrote off a substantial amount of NPFRs thus, improving the quality of its financing receivables. The NPFRs written off were largely in the overdue more than one year category and were largely unsecured. As shown in the adjoining aging table, the NPFRs overdue by more than one year fell from a high KWD16.6mn to KWD2.9mn at end Q3 2013. This led to a significant 68.3% fall of total NPFRs to KWD6.2mn at end Q3 2013, while the Company's NPFRs ratio improved substantially to 15.1%. Nonetheless, this remained a fairly high ratio compared to some of its peers, in particular Commercial Facilities Company; however, the gap has narrowed significantly.

Financing Receivables Portfolio



NPFR loss reserve coverage remained below an adequate level at end Q3 2013. Following the sharp rise in NPFRs in 2008, the coverage level declined, but gradually rose thereafter up to 2012, as shown in the chart above. Despite lower NPFR, the Company modestly increased FRLR (Financing Receivable Loss Reserve) in both 2011 (7.1%) and 2012 (7.7%). The coverage ratio of 55.7% at end 2012 was considered just adequate. However, in Q3 2013, with the substantial write off of NPFRs in the over one year category which carries 100% provisioning, the loss reserve fell substantially from KWD10.8mn to KWD2.8mn due to the KWD9.1mn write-offs (largely specific provisions). The NPFRs loss coverage ratio fell to 45.7% – which is below an adequate level, although the level of unprovided NPFRs has also reduced considerably in money terms.

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.

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 CBK minima for classified loans and for general reserves. These minimum requirements are based on outstandings net of qualifying collateral[3]. At the same time, to significantly build the FRLR earnings capacity at the operating level is required – and at Al Manar, operating profit was negative in 2011. The latter, was largely due to the fair value losses on its FVTPL (Fair Value Through Profit and Loss) financial assets and impairment losses on its AFS (Available for Sales) investments. Encouragingly, operating profit growth at end 2012 was a positive KWD2.0mn and rose further to KWD2.7mn at end Q3 2103. On the other hand, provisions taken increased by 14.5% in 2012 and by 46.8% in Q3 2014; however, as discussed earlier, NPFR loss coverage remained below satisfactory.

Collateral held remained largely in the form of real estate assets. The Company held collateral with an aggregate value of KWD5.9mn which remained largely in the form of real estate assets against its NPFRs book. While the coverage would rise to above 100% if these collateral were included, CI remains of the opinion that FR Loss Reserve in any consumer finance business should be much higher to reflect the effective collectable value of security and the intrinsic risk of this type of lending. It is worth mentioning here that vehicles financed are registered under the Company's name, but this is not recognised by the CBK as acceptable collateral. Management advises that the track record of NPFRs collection in the vehicle financing category remains satisfactory, as borrowers can always liquidate the vehicle with the permission from the Company to pay any past due instalments.

Collateral Type KWDmn	2011	%	2012	%	Q3 2013	%
Shares	0.93	8.0	0.68	5.8	0.7	11.5
Real Estate	10.27	88.1	10.99	92.8	5.1	87.2
L/G	0.46	3.9	0.17	1.4	0.1	1.3
Total	**11.66**	**100.0**	**11.96**	**100.0**	**5.9**	**100.0**

Based on the annualised operating profit at end Q3 2013, it would take the Company approximately 11.3 months to reach full coverage.

Investments Type KWDmn	2011	2012	Q3 2013
Securities (FVIS & AFS)	6.9	6.7	6.2
Islamic Instruments	1.5	3.1	3.1
Properties	2.0	2.1	2.1
Associates	-	-	-
Total	**10.4**	**11.9**	**11.4**

A fairly modest investments book in money terms. The components of the Company's investment portfolio are illustrated in the adjoining table. This portfolio grew by 14.4% to KWD11.9mn in 2012 compared to the contractions seen in the past three years (2011: -17.7%, 2010: 10.6% and 2009: 17.1%). In Q3 2013, however, this portfolio fell slightly, but represented a higher 22.1% of total asset base (2012: 21.9%).

The securities book was largely stable and comprised predominately unquoted investments. As shown in the table above, this book has been declining modestly for the past few years. As in previous years, in Q3 2013, a large proportion (68.3%) of these investments was classified as financial assets at FVTPL, with the remainder in the AFS classification. The latter, consisted largely of the Company's investment in Qatar Finance House*. The Company's ownership had reduced from 20.0% to 14.8% in 2012.

**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*

[3] *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.*

(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 FVTPL book was made up of investments in unquoted local shares and funds in the following sectors: real estate 49%, financial services 39% and healthcare 12%. A valuation of its eight unquoted securities (excluding the fund portfolios) is carried out annually 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 dated December 2012 showed that the fair market value of these investments had declined by 18.0% from 2011. Valuation of these unquoted investments stood at KWD6.5mn – which was slightly lower than the KWD6.6mn carrying value in Al Manar's book. Accordingly, the carrying value of these unquoted investments was revised to KWD6.2mn, highlighting the Company'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 (p.11), 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, but to a still low KWD3.1mn and generated a modest average yield of 1.26% per annum.

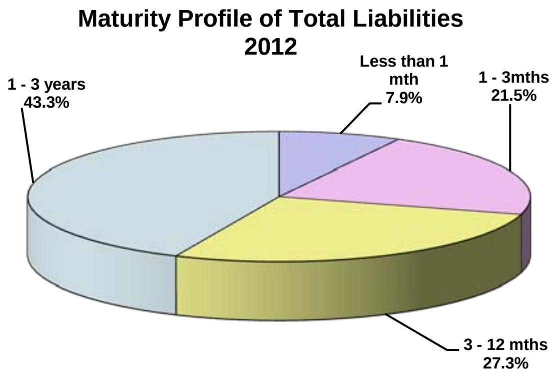
The investment properties as detailed below totalled KWD2.1mn at end 2012. Rentals revenues of these properties are limited in volume and, therefore, do not significantly contribute to the top line.

Area	Size (sqm)	Number Of Floors	Monthly Income KWD	Market Value KWD
Al-Mahboola	500	Basement + Ground + 5 Floors + Outside Shop	4,870	579,208
Al-Fahaheel	747	Ground + 2 Floors	2,760	704,951
Al-Mangaf	1000	Two Buildings :		
		Building 1 - Ground + 5 Floors	2,400	862,376
		Building 2 - Ground + 7 Floors+ Outside Shop	3,600	

FUNDING & LIQUIDITY

Funding rose in 2012, but declined in Q3 2013. 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 2012, these payables had risen to KWD19.0mn, largely reflecting the KWD4.2mn net increase of funding facilities. As previously stated in the *Business Model* section (p.3), 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, some of the newer facilities were also secured against cash and AFS investments. With both these classes of assets being limited, the ability to arrange further secured facilities against these types of assets is likely to be limited**.** At end Q3 2013, the Company's borrowing declined by 25.4% to KWD14.2mn, while assets assigned to these facilities amounted to KWD40.7mn.

The Company's funding base remained very narrow with existing borrowings provided by two 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. From information provided by management, the facilities from one local bank accounted for a high 80.2% of total borrowings as at end Q3 2013.



Management has recently advised of the near finalisation of a new facility (KWD6.0mn) from an investment company in Kuwait which should help lower the concentration of its current funding base.

Maturity profile of funding base improved significantly. As the bulk of the Company's financing receivables have an average tenor of around three years, management have sought for matching funding. To this end, most of the newer facilities have a tenor of three years. All existing facilities as at end Q3 2013 have a final maturity date in 2015. Facilities of above one year accounted for a fairly high 50.6% of total funding, compared to the lower 34.9% a year earlier. That said, a large proportion of borrowings is on a reducing balance basis and this was the main reason for the decline of borrowings at end Q3 2013.

KWDmn	Q3 2013
Cash	1.55
Quoted Securities	-
S/T FRs	19.40
Total – A	**20.95**
Total liabilities (TL)	18.39
Total A/TL	**113.92**

Liquidity largely supported by the scheduled instalment of financing receivables. As shown in the table to the left, the Company's holding of liquid assets remained limited. In fact, cash balance has declined from KWD2.5mn at year end 2012 to KWD1.6mn, and there were almost no unutilised credit limits at end Q3 2013. Al Manar's liquidity, as in previous years, was thus largely supported by the collection of instalment of financing receivables. These short-term financing receivables were more than sufficient to meet all the total liabilities of the Company at end Q3 102. However, they provided a modest buffer against any FRs turning non-performing and/or delays of receipt of payments. Thus, the liquidity position is considered satisfactory.

A very low leverage at end Q3 2013. Leverage rose to 0.72 times at end 2012 in view of the higher level of borrowings, but declined at end Q3 2013 to 0.56 times with the lower level of borrowings and growth of equity base. While CI normally welcomes lower leverage, this can go too far when the company in question is a finance company. Al Manar needs to rebuild its financing receivables portfolio to grow earnings and to also to further improve its asset quality ratios.

Collection of account receivables contributed to the positive operating cash flow in Q3 2013. Cash from operating activities in 2012 was a net outflow of KWD2.0mn, compared to the cash inflow of KWD12.4mn for the same period last year. This was due to the disbursement of KWD6.0mn of account receivables compared to the collection of account receivables totalling KWD8.3mn in 2011.

The Company also purchased additional Islamic instruments and completed the building in Mangaf, Kuwait. The net cash used in investing activities totalled KWD1.7mn, although this was lower than the KWD2.3mn 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 KWD2.9mn, which contrasted sharply to the cash outflow of KWD8.3mn, reflecting repayments totalling KWD7.2mn and finance costs paid of KWD1.1mn. The Company's cash balance decrease of KWD0.9mn compared to an increase of KWD1.8mn a year earlier.

In the first nine months of 2013, however, the Company generated KWD4.6mn from operating activities which largely reflected higher earnings, collection of account receivables (versus a disbursement of KWD2.8mn in the same period last year) and an increase of account payables. Cash inflow from investing activities was limited at KWD20k compared to KWD1.7mn outflow in the same period last year. Cash from financing activities on the other hand was a negative KWD5.5mn. The latter, reflects net payment of KWD4.8mn in Islamic Murabaha and Wakala payables (net increase of KWD4.5mn in the same period last year) and finance cost paid. The resultant effect was a decrease of cash balance by KWD917k to KWD1.6mn at end Q3 2013.

Debit servicing remained dependent on financing receivables and/or refinancing. While profitability has improved, particularly in Q3 2013, the Company's debt servicing remains dependent on receipt of payments from its financing receivables portfolio. As stated earlier, short-term financing receivables are more than sufficient to cover the Company's total debt and other liabilities as at end Q3 2013. As long as there is no substantial deterioration of the credit quality of these financing receivables – which is unlikely in the short term – 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. With net profit achieved in 2012 and Q3 2013, the Company's equity base rose to KWD33.1mn at end Q3 2013. There are currently no plans to raise capital.

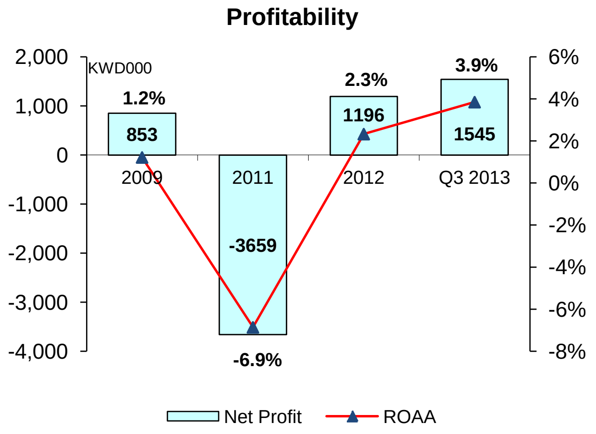
Equity KWDmn	**2011**	**2012**	**Q3 2013**
Capital+premium	31.2	31.2	31.2
Reserves	2.5	2.5	2.5
Retained Earnings	-3.3	-2.1	-0.6
Total	**30.4**	**31.6**	**33.1**

Internal capital generation improved in 2012 and Q3 2013. 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. In 2012, however, the Company returned to a modest profit of KWD1.2mn and the performance at end Q3 2013 was encouraging, with net profit exceeding the full year of 2012.

EARNINGS PERFORMANCE

Return to profitability. The Company suffered a setback in 2011 when it had to recognise fair value and impairment losses on its FVIS and AFS investments – totalling KWD4.7mn.

In 2012, with the growth of the financing receivable book and investment portfolio, the Company's gross income rose to KWD3.5mn compared to the KWD1.3mn loss incurred in 2011. Operating expenses were under control, declining further by 9.2%. Al Manar reported a net profit of KWD1.2mn for 2012 which was a good recovery from the net loss of KWD3.7mn incurred a year earlier.



In the first nine months of 2013, the Company was able to grow finance income, despite a small contraction of the receivable book. In turn, the good growth in gross income enabled the Company to absorb the increase in operating costs (largely staff costs) and higher provision charge. The Company's return on average assets (ROAA) rose to 2.3% in 2012 and further to 3.9% at end Q3 2013.

Gross Income KWD	2011	2012	Q3 2012	Q3 2013
Net financing inc.	3.24	2.92	1.98	3.07
Net investment inc.	(4.69)	(0.18)	0.03	0.15
Other income	0.15	0.75	0.51	0.58
Total	**(1.30)**	**3.49**	**2.52**	**3.80**

Solid growth of financing income, particularly in Q3 2013. As shown in the adjoining table, gross income improved significantly on the back of a much lower net loss in investment income and higher contribution from other income. The latter, comprised largely of financing fee and rental income. Financing income remained the Company's largest and stable contributor to the total revenue, which is also a reflection of the sizeable financing receivable book in relation to its total asset base. In the first nine months of 2013, gross income registered another strong increase (50.8%) largely due to the solid and improved growth in financing activities.

Contributions from the investments portfolio remained limited. As stated in earlier sections, the net contributions from this portfolio (comprising the securities and investment properties) were largely negative over the past few years due to the large fair value and impairment losses on its securities holdings. At end 2012 and Q3 2013, with improved stock market conditions, net investment income turned positive, although remaining modest.

However, growth of operating profit bottom line is constrained by the relatively high provision charges. Operating expenses were well under control, although these expenses rose marginally in the first nine months of 2013. The Company's operating profit turned positive in 2012, compared to the large loss incurred in 2011 and in Q3 2013, operating profit grew by strong 77.9% YoY.

Despite the improving quality of its financing receivable book, the Company's provision charge rose by 14.5% in 2012 and doubled in Q3 2013. But as discussed earlier, the Company's NPFR loss coverage remained below satisfactory at end Q3 2013. These provision charges consumed a moderately high 38.9% of operating profit in 2012 and 42.3% in Q3 2013.

FINANCIAL FORECASTS 2014–2018

The Company has provided CI with a forecast for the period 2014 to 2108. This forecast is based on a number of assumptions including:

- Availability of additional funding (to borrow KWD62.5mn).
- Generating KWD156.7mn credit sales and settling KWD63.2mn during the same period.
- No additional or disposals from funds or equities.

Highlights and a summary of the forecast are appended below:

Asset Composition KWDmn	2014	2015	2016	2017	2018
Financing Receivables	43.2	47.3	50.4	51.8	52.1
Investments	11.5	11.5	11.5	11.5	11.5
Cash	0.1	0.8	0.2	0.3	0.7
Others*	0.1	0.1	0.1	0.1	0.1
Total	**54.9**	**59.7**	**62.2**	**63.7**	**64.4**

**Fixed Assets - KWD5k*

Increased lending activities. As shown in the table to the right, the asset base is projected to grow on the back of increased lending volumes. The financing receivables portfolio is to expand by 20.6% over the forecast period. Sales projections were based on actual sales during 2013 of around KWD27mn and an annual growth rate of 5% is targeted. This portfolio, on average, would account for almost 80% of the total asset base over the forecast period. While the main assets financed will remain with new and used vehicles, the Company is also looking to increase tawarrokh financing, as well as financing for heavy equipment.

The Company's 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 2013. Needless to say, these investments remain subject to potential volatility.

KWDmn	2014	2015	2016	2017	2018
Wakala payables	15.3	17.3	16.6	14.6	11.4
*Total liabilities**	*19.3*	*21.4*	*20.8*	*18.9*	*15.8*
Total equity	*35.6*	*38.3*	*41.3*	*44.8*	*48.5*
Leverage	0.54	0.55	0.50	0.42	0.32

**include KWD3.0mn of creditors*

Dependence on additional borrowings, but leverage is to remain low. External funding is projected to increase in 2015 when current facilities expire and new facilities are drawn up, in particular, the very large reducing balance facility. Nonetheless, the level of borrowings is modest in absolute money terms and contributed to a low leverage for a finance company over the forecast period. Management will also continue 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 around 8.0% annually through retained earnings, based on lending volumes projected.

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 years, will remain supported by receipt of payments from the financing receivable book.

Debt service through instalments collection. 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 (supported largely by the collection of instalments) to settle borrowings totalling KWD63.2mn, while achieving improving net profit over the forecast period.

Improving net profit forecast. Income from the financing portfolio is to grow by 21.3% in 2015, 12.3% in 2016, 7.4% in 2017 and 4.6% in 2018 – in line with the projected increases in lending volumes. Together with associated fees, gross profit is projected to grow each year except in 2017. The latter, will contract marginally by 1.9% due to the increase of operating expenses (largely related to staff expenses). Operating expenses are expected to remain under control growing by a modest 4.2% annually, but to increase by 8.2% in 2017. Provisions for bad debts, on the other hand, are projected to increase by near 5% annually. Nonetheless, the Company anticipates net profit to grow annually from KWD2.3mn at end 2014 to KWD3.9mn at end of the forecast period in 2018 – which translate to an improving return on average equity (ROAE) from 7.5% at end 2014 to 12.5% at end 2018.

Conclusion

The new projections provided by management show a slight downward revision of new lending activities which may be prudent in light of the still challenging environment in Kuwait, increased competition in the consumer financing market, as well as the modest availability of funding lines. While there remains a demand for consumer financing, the market has become more competitive in recent years with the entry of banks. The projection also assumes that the net financing receivable portfolio will reach KWD43.2mn at end 2014 – which may be a challenge to accomplish, given that this portfolio had declined to KWD37.9mn at end Q3 2013.

The increase of lending activities is to a large extent dependent on the renewal of revolving facilities and new funding lines. The Company borrows on a secured basis and collateral given is largely in the form of assignment of receivables. At end Q3 2013, the bulk (94.8%) of its receivables book was pledged to existing facilities. Other pledgeable assets comprising its financial investments (largely unquoted investments), Islamic instruments and investment properties are fairly modest, and of which 50.0% (in the form of unquoted investments and all the Islamic instruments) were also pledged at end Q3 2013. That said, as borrowings have declined, some of these pledged assets have been released. An alternative route to support growth is through a capital increase, although this is not in the Company's business plan. The near finalisation of a new facility from an investment company in Kuwait as advised by management is a positive recent development.

As for earnings, revenue streams will remain confined to its financing receivables business which is largely profitable. However, the Company's bottom line will continue to be impacted by the potential volatility of its unquoted investments.

The forecast also reveals a positive point in that the Company can rely on cash flow from operation to fund its financing activities if external funding is not available. However, sales amount will be substantially reduced; but nonetheless, the Company is expected to remain profitable. Also, the profit and loss forecast does not include any contribution from the investments portfolio, while in reality there would be some impact from either disposals or revaluation.

Appendix 1

SUPERVISION & REGULATION

Al Manar is supervised and regulated by the Central Bank of Kuwait (CBK) and by the Ministry of Commerce. In the medium-term, Al Manar plans to apply for a listing on the Kuwait Stock Exchange (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 CBK, 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 occasion 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

KW60

SUMMARY RATIOS	External Audit	AUD 09/2013	AUD 12/2012	AUD 12/2011	AUD 12/2010
A . SIZE FACTORS (KWD 000)					
1 . Total Assets		51,516	54,435	48,157	58,507
2 . Net Financing Receivables		37,942	39,199	34,011	43,026
3 . Total Equity		33,122	31,593	30,390	34,164
4 . Tangible Net-Worth		33,122	31,584	30,386	34,155
5 . Total Debt		14,721	19,487	15,281	22,446
6 . Net Profit		1,529	1,196	-3,659	853
7 . Assets Under Management					
B . ASSET QUALITY (%)					
8 . Total Assets Growth Rate		-5.36	13.04	-17.69	-27.88
9 . FR-Loss Reserve / Financing Receivables		6.91	21.65	22.83	17.91
10 . Non-Performing FR / Financing Receivables		15.13	38.86	44.65	46.24
11 . FR-Loss Reserve / Non-Performing FR		45.67	55.72	51.13	38.74
12 . Unprovided Non-Performing FR / Total Equity		10.12	27.25	31.65	43.46
13 . FR-Loss Provision Charge / Financing Receivables		-2.78	-1.54	-1.53	-2.08
C . CAPITAL AND LEVERAGE					
14 . Total Equity Growth Rate (%)		4.84	3.96	-11.05	2.45
15 . Total Equity / Total Assets (%)		64.29	58.04	63.11	58.39
16 . Leverage (Times)		0.56	0.72	0.58	0.71
17 Leverage - Excluding Minority Interest (Times)		0.56	0.72	0.58	0.71
18 . Total Liabilities / Tangible Net-Worth (Times)		0.56	0.72	0.58	0.71
19 . Long-Term Debt / Total Equity (Times)		0.00	0.00	0.00	0.00
20 . Total Debt / Total Equity (Times)		0.44	0.62	0.50	0.66
D . LIQUIDITY AND COVERAGE					
21 Current Ratio (Times)					
22 . Cash + QI + ST Gross FR / ST Debt (Times)		0.45	0.39	0.47	0.08
23 . Cash & Quoted Investments / Total Assets (%)		12.95	14.14	14.83	2.96
24 . Cash & Quoted Investments / Total Liabilities (%)		36.27	33.69	40.21	7.12
25 . Net Financing Receivables / Total Assets (%)		73.65	72.01	70.62	73.54
26 . Net Financing Receivables / Total Liabilities (%)		226.70	179.50	192.36	164.96
E . PROFITABILITY (%)					
27 . Return on Average Assets (ROAA)*		3.85	2.33	-6.86	1.22
28 . Return on Average Equity (ROAE)*		6.30	3.86	-11.34	2.53
29 . Funding Cost*		5.52	6.70	5.86	6.91
30 . Financing Income on Average Earning Assets*		12.41	10.35	10.58	11.20
31 . Financing Differential		6.89	3.64	4.73	4.29
32 . Non-Financing Income / Gross Income		19.35	16.39	346.14	-3.01
33 . Operating Expenses / Gross Income		29.66	43.43	-127.22	47.32
34 . Operating Profit Growth Rate		35.27	-166.26	-252.21	-859.62
35 . Operating Profit / Average Assets*		6.74	3.86	-5.60	2.81
36 . Risk Provisioning Charge / Operating Profits		-42.26	-38.94	22.54	-55.65
37 . Realized Income / Gross Income		102.83	100.00	100.00	100.00
38 . Dividend Payout Ratio					
F . INVESTMENT					
39 . Market Capitalization (KWD 000)					
40 . Share Price (KWD)					
41 . Earnings Per Share (KWD)		0.005	0.004	-0.012	0.003
42 . Earnings Per Share Growth (%)		27.89	-132.68	-529.02	-119.98
43 . Price / Earnings Ratio (Times)					
44 . Price / Book Ratio (Times)					
45 . Cash Dividend Per Share (KWD)					
46 . Stock Dividend Per Share (%)					
G . REFERENCE DATA					
. Exchange Rate (Units per USD)		0.283	0.281	0.288	0.288
. Inflation Rate (%)					2.96

*Annualised ratios for September 2013.

AL MANAR FINANCING AND LEASNING COMPANY K.S.C

External Audit	09/2013	AUD	AUD	AUD	AUD	Growth (%)				Breakdown (%)			
BALANCE SHEET - ASSETS (KWD 000)	**USD 000**	**09/2013**	**12/2012**	**12/2011**	**12/2010**	**09/2013**	**12/2012**	**12/2011**	**12/2010**	**09/2013**	**12/2012**	**12/2011**	**12/2010**
Cash & Banks	5,492	1,553	2,470	3,368	1,600	-37.13	-26.67	110.50	-34.15	3.01	4.54	6.99	2.74
Net Financing Receivables	134,189	37,942	39,199	34,011	43,026	-3.21	15.25	-20.95	-32.17	73.65	72.01	70.62	73.54
Other Receivables													
Prepayments & Accruals				45	69		-100.00	-34.39	-37.76			0.09	0.12
Investments	40,735	11,518	11,981	10,432	12,676	-3.86	14.85	-17.71	-10.57	22.36	22.01	21.66	21.67
Net Fixed Assets	230	65	44	18	9	47.37	144.13	110.48	-79.16	0.13	0.08	0.04	0.01
Due From Associates													
Goodwill & Other Intangible Assets			9	4	9	-100.00	124.32	-55.13	-59.81		0.02	0.01	0.02
Other Assets	1,551	439	732	279	1,118	-40.11	162.31	-75.04	22.94	0.85	1.35	0.58	1.91
TOTAL ASSETS	**182,196**	**51,516**	**54,435**	**48,157**	**58,507**	**-5.36**	**13.04**	**-17.69**	**-27.88**	**100.00**	**100.00**	**100.00**	**100.00**

AL MANAR FINANCING AND LEASNING COMPANY K.

External Audit	09/2013	AUD	AUD	AUD	AUD	Growth (%)				Breakdown (%)			
BALANCE SHEET - LIABILITIES (KWD 000)	**USD 000**	**09/2013**	**12/2012**	**12/2011**	**12/2010**	**09/2013**	**12/2012**	**12/2011**	**12/2010**	**09/2013**	**12/2012**	**12/2011**	**12/2010**
Short-Term Debt	52,064	14,721	19,487	15,281	22,446	-24.46	27.53	-31.92	-35.23	28.58	35.80	31.73	38.36
Short-Term Payables	12,990	3,673	2,878	1,962	1,438	27.62	46.69	36.48	277.37	7.13	5.29	4.07	2.46
Prepayments & Accruals			476	524	460	-100.00	-9.14	14.05	11.76		0.88	1.09	0.79
Long-Term Debt									-100.00				
Long-Term Payables													
Reserve for Retirement Pay & Insurance													
Due To Unc. Subsidiaries & Associates	0	0	0	0	0				-100.00				
Other Liabilities													
TOTAL LIABILITIES	**65,054**	**18,394**	**22,842**	**17,767**	**24,343**	**-19.47**	**28.56**	**-27.01**	**-49.04**	**35.71**	**41.96**	**36.89**	**41.61**
EQUITY:													
Equity Attributable To Shareholders of Parent Co.													
Share Capital	109,195	30,875	30,875	30,875	30,875					59.93	56.72	64.11	52.77
Share Premium	1,104	312	312	312	312					0.61	0.57	0.65	0.53
Less: Treasury Shares													
Statutory Reserve	4,477	1,266	1,266	1,266	1,266				7.38	2.46	2.33	2.63	2.16
Voluntary Reserve	4,399	1,244	1,244	1,244	1,244				7.52	2.41	2.28	2.58	2.13
General Reserve													
Cumulative Change in Fair Value													
Gain on Sale of Treasury Shares													
Foreign Currency Translation					116			-100.00	-24.43				0.20
Proposed Dividend													
Retained Earnings	-2,059	-582	-2,111	-3,307	352	-72.43	-36.16	-1039.22	-207.75	-1.13	-3.88	-6.87	0.60
SUB-TOTAL	**117,116**	**33,114**	**31,585**	**30,390**	**34,164**	**4.84**	**3.93**	**-11.05**	**2.45**	**64.28**	**58.02**	**63.11**	**58.39**
Minority Interest	27	8	8							0.01	0.01		
TOTAL EQUITY	**117,143**	**33,122**	**31,593**	**30,390**	**34,164**	**4.84**	**3.96**	**-11.05**	**2.45**	**64.29**	**58.04**	**63.11**	**58.39**
TOTAL LIABILITIES & EQUITY	**182,196**	**51,516**	**54,435**	**48,157**	**58,507**	**-5.36**	**13.04**	**-17.69**	**-27.88**	**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	09/2013 USD 000	AUD 09/2013	AUD 12/2012	AUD 12/2011	AUD 12/2010	Growth (%) 09/2013	12/2012	12/2011	12/2010	% of Average Total Assets 09/2013	12/2012	12/2011	12/2010
Interest Income / Financing Income	13,360	3,778	4,090	4,340	6,185	-7.63	-5.76	-29.84	-29.47	7.13	7.97	8.14	8.86
Interest Expense / Financing Expense	-2,505	-708	-1,165	-1,105	-2,349	-39.21	5.45	-52.96	-52.63	-1.34	-2.27	-2.07	-3.37
NET INTEREST INCOME / NET FINANCING INCOME	**10,855**	**3,069**	**2,924**	**3,235**	**3,836**	**4.96**	**-9.60**	**-15.67**	**0.67**	**5.79**	**5.70**	**6.07**	**5.49**
Fees & Commission Income			381	231	249	-100.00	64.94	-7.36	-8.39		0.74	0.43	0.36
Rental Income			128	84	50	-100.00	52.42	67.62	114.76		0.25	0.16	0.07
Dividend Income	181	51		40			-100.00		-100.00	0.10		0.08	
Foreign Exchange Income									-100.00				
Investment Income	355	100	-176	-4,735	-838	-157.13	-96.29	465.33	-47.43	0.19	-0.34	-8.88	-1.20
Share of Results of Unc. Subsidiaries & Associates				-266	188		-100.00	-241.63	-141.37			-0.50	0.27
Profit on Sale of Unc. Subsidiaries & Associates													
Other Income	2,067	585	240	97	238	143.74	148.29	-59.42	-63.02	1.10	0.47	0.18	0.34
NON-INTEREST INCOME / NON-FINANCING INCOME	**2,604**	**736**	**573**	**-4,549**	**-112**	**28.45**	**-112.60**	**3952.35**	**-94.23**	**1.39**	**1.12**	**-8.53**	**-0.16**
GROSS INCOME	**13,458**	**3,805**	**3,497**	**-1,314**	**3,723**	**8.80**	**-366.14**	**-135.29**	**99.67**	**7.18**	**6.82**	**-2.46**	**5.33**
General & Administrative Expense	3,923	1,109	1,500	1,656	1,709	-26.06	-9.38	-3.13	-17.11	2.09	2.92	3.10	2.45
Lease / Rental Expense													
Depreciation & Amortization	69	19	18	16	53	5.46	14.10	-69.29	-11.32	0.04	0.04	0.03	0.08
Other Expenses									-100.00				
OPERATING EXPENSES	**3,992**	**1,129**	**1,519**	**1,672**	**1,762**	**-25.68**	**-9.15**	**-5.11**	**-17.02**	**2.13**	**2.96**	**3.13**	**2.52**
OPERATING PROFIT	**9,466**	**2,676**	**1,979**	**-2,986**	**1,962**	**35.27**	**-166.26**	**-252.21**	**-859.62**	**5.05**	**3.86**	**-5.60**	**2.81**
Provisions For Doubtful Financing Receivables	-4,001	-1,131	-770	-673	-1,092	46.82	14.49	-38.35	-72.78	-2.14	-1.50	-1.26	-1.56
Other Provisions													
GROSS PROFIT	**5,465**	**1,545**	**1,208**	**-3,659**	**870**	**27.91**	**-133.02**	**-520.53**	**-120.38**	**2.92**	**2.36**	**-6.86**	**1.25**
Extraordinary Items													
Taxes	-58	-16	-13		-17	29.81		-100.00		-0.03	-0.02		-0.02
NET PROFIT (LOSS)	**5,408**	**1,529**	**1,196**	**-3,659**	**853**	**27.89**	**-132.68**	**-529.02**	**-119.98**	**2.89**	**2.33**	**-6.86**	**1.22**
APPROPRIATION OF SURPLUS:													
Attributable To Minority Interests													
Dividends													
Transfer To Equity	**5,408**	**1,529**	**1,196**	**-3,659**	**853**	**27.89**	**-132.68**	**-529.02**	**-119.98**				
Bonus Shares Issued													
Changes In Equity Not Through P&L	**5,408**	**1,529**	**1,203**	**-3,774**	**815**	**27.07**	**-131.88**	**-562.87**	**-119.56**				

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

F . INVESTMENT

39 . MARKET CAPITALIZATION	WEIGHTED AVG. NUM. OF SHARES OUTSTANDING X END OF PERIOD SHARE PRICE
40 . SHARE PRICE	END OF PERIOD SHARE PRICE
41 . EARNINGS PER SHARE	NET PROFIT / WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING
42 . EARNINGS PER SHARE GROWTH (%)	(CURRENT Y. EARNINGS PER SHARE – PREVIOUS Y. EARNINGS PER SHARE) x 100 / PREVIOUS Y. EARNINGS PER SHARE
43 . PRICE / EARNINGS RATIO (TIMES)	END OF PERIOD SHARE PRICE / EARNINGS PER SHARE
44 . PRICE / BOOK RATIO (TIMES)	END OF PERIOD SHARE PRICE / (TOTAL EQUITY / WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING)
45 . CASH DIVIDEND PER SHARE	CASH DIVIDEND PAID PER SHARE
46 . STOCK DIVIDEND PER SHARE (%)	STOCK DIVIDEND PAID PER SHARE AS A PERCENTAGE OF SHARE PAR VALUE

RATINGS DEFINITIONS

Foreign & Local Currency Ratings For Corporates

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

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

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

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

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

Long-Term Issuer Ratings

Investment Grade

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

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

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

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

Speculative Grade

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

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

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

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

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

Short-Term Issuer Ratings

Investment Grade

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

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

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

Speculative Grade

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

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

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

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

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

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