



September 2013

KUWAIT IN FOCUS

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Kuwait Economic Brief

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- Consumer Price Inflation
- Monetary Developments
- Public Finance
- Real Estate Activity

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OIL MARKET AND BUDGET DEVELOPMENTS

Crude prices rise sharply on supply shut-ins, Syria concerns... Kuwait could see KD12 bn budget surplus in FY13/14

- Supply outages and intensifying turmoil in Syria have helped push crude oil prices to 6-month highs. Going forward, oil market fundamentals now look tighter than just a couple of months ago.
- The consensus oil demand growth forecast for 2013 has moved up to around 1.0 mbpd. Most of the rise in global oil inventories expected for this year has probably already occurred.
- An oil price of between \$102 and \$106 pb in FY13/14 could generate a budget surplus for Kuwait of between KD 11 and 13 bn this fiscal year, following last year's KD 13 bn surplus.

Crude oil prices strengthened considerably through July and August, with some benchmarks reaching 6-month highs. The price of Kuwait Export Crude (KEC) had risen to \$107 per barrel (pb) by mid-August, up from its \$100 June average and some 13% higher than its 2013 low of \$95 recorded in April. Brent crude prices also made steep gains, rising to above \$117 by late August, compared to a June average of \$103. Strikingly, US West Texas Intermediate (WTI) reached a 16-month high of \$109. WTI's discount to Brent – which has been as large as \$30 in recent years – has narrowed sharply to as little as \$1 of late partly on account of an easing in the recent US supply glut.

Much of the rise in prices appears to be linked to supply issues. Output in OPEC members Iraq, Libya and Nigeria has dropped considerably in recent months owing to a mixture of strikes, sabotage and maintenance issues. In combination with sanctions-affected Iranian output, the US-based Energy Information Agency estimates that some 1.9 million barrels per day (mbpd) of OPEC output – or 2% of global supplies – was shut out in July. Some easing in these supply pressures is expected over coming months, as outages reverse and non-OPEC supplies continue to rise. Given the fragile security situation in some of these locations, however, supply relapses cannot be ruled out.

In addition to supply issues, price pressures were also generated by intensifying turmoil in the Middle East, notably in Egypt and Syria. Although neither country is a major oil producer, there is potential for significant spillover effects that could affect oil markets. The escalating war in Syria and possible intervention by Western military powers, for example, could stoke sectarian conflicts in other MENA countries – especially Iraq. Meanwhile, violence in Egypt has raised concerns over security at the Suez Canal, a major choke point for global oil trade. Some 4.5 mbpd of oil and oil products flowed through the canal (including the nearby SUMED pipeline) in 2012.

Oil demand outlook

Analysts' forecasts for global oil demand growth in 2013 have been revised up over the past couple of months. The International Energy Agency (IEA) sees demand growing by 0.9 mbpd this year, or 1.0%, up from 0.8 mbpd in June and compared to 1.2% last year. The Center for Global Energy Studies has revised its forecast up by an even greater amount, from 0.7 mbpd in June to 1.0 mbpd. The stronger outlook is linked to higher than expected demand levels for 2013 driven by a cold weather snap in 2Q 13 in the northern hemisphere. Initial projections for 2014 show demand rising at the slightly faster pace of 1.1 mbpd, reflecting an improvement in underlying global economic conditions. At these types of levels, demand growth is close to its long-term trend.

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Oil supply outlook

Crude output of the OPEC-11 (i.e. excluding Iraq) dropped by a substantial 276,000 bpd to 27.3 mbpd in June, quickly losing all the gains it had made in the previous month. The main culprit behind the drop was Libya, where output plunged by 207,000 bpd to 1.2 mbpd – its lowest level since January 2012. Libyan production has been hit by a wave of protests and strikes at oil fields and export terminals, and July's output is expected to have fallen even further. West African producers Nigeria and Angola also saw output reductions of some 60-plus kbpd, the former still affected by ongoing security issues and sabotage to oil infrastructure. Only Gulf producers witnessed output gains in June, led by Saudi Arabia which further raised production by some 50,000 bpd to an 8-month high of 9.6 mbpd. In addition to meeting seasonally higher domestic demand, Saudi Arabia has stepped in to compensate for lost Libyan output.

Total OPEC production (including Iraq) fell to 30.4 mbpd – closing in on OPEC's 30 mbpd output ceiling. Iraqi production was down by some 34,000 bpd to 3.1 mbpd in June, following a series of technical, security and weather-related disruptions. Official figures show that production fell to below the 3 mbpd mark for the first time in over a year.

Non-OPEC supplies are projected to increase by a large 1.4 mbpd in 2013, of which less than one-quarter will come from OPEC natural gas liquids. US production alone is expected to rise by 1.0 mbpd this year, accounting for the bulk of the increase in non-OPEC supplies. Despite some recent production increases in the Gulf, OPEC oil supplies may still, on average, fall this year compared to 2012. As a result, total global supplies are expected to increase by less than 1 mbpd in 2013.

Price projections

Thanks to supply outages and stronger demand, oil market fundamentals going forward now look tighter than a couple of months ago. Using the consensus view of an improved 1.1% (1.0 mbpd) increase in global oil demand in 2013, and a large 1.4 mbpd increase in non-OPEC supplies partially offset by OPEC production cuts, global oil inventories could rise by a fairly small 0.4 mbpd in 2013 – most of which has already occurred. In this case, the price of KEC stays at around \$105 pb in the fourth quarter and remains supported there into early next year.

If, on the other hand, demand growth next year turns out just 0.2 mbpd stronger than expected, then oil prices could be set on a higher upward trajectory. In this scenario, the price of KEC rises to just under \$110 pb by 1Q14.

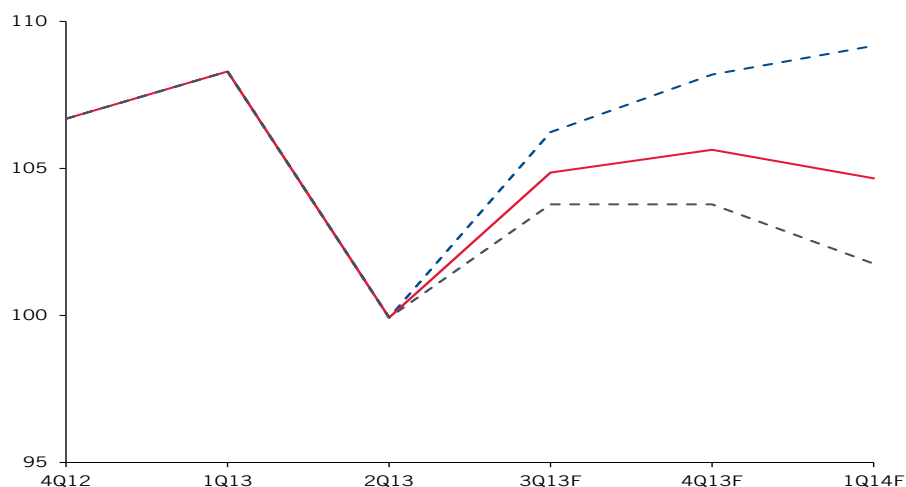
Alternatively, slightly higher non-OPEC supplies next year could begin to bring down prices in 1Q14, although they are likely to remain supported at above \$100 pb. In this case, the price of KEC remains flat in 4Q13, before easing back early next year.

Budget projections

The recently-released government closing accounts for **FY2012/13 reveal a budget surplus of KD 12.7 billion** before allocations to the Reserve Fund for Future Generations (RFFG), equivalent to 25% of GDP. Oil revenues reached a record KD 32.0 billion on the back of high oil prices and a 5% increase in production. Meanwhile, expenditures stood at KD 19.3 billion, some 9% below the government's budgeted amount.

The projections for the **current fiscal year 2013/14** are linked to our three scenarios, which yield oil prices within the narrow range of \$102 to \$106 pb. The recently-released and much-delayed government budget for this fiscal year has set spending at KD 21.0 billion – slightly lower than last year. If spending once again comes in 5-10% below its official target, **the budget would see a surplus of between KD 11.1 billion and KD 13.3 billion** before allocations to the RFFG. This would equate to 23%-27% of forecast 2013 GDP, and would represent Kuwait's 15th successive budget surplus.

Kuwait Export Crude Price Scenarios (USD/barrel)



Source: NBK

KEC Price Scenarios (\$pb)

\$/barrel	Scenarios		
	Low Price	Mid Case	High Price
2012	108.7	108.7	108.7
1Q13	108.3	108.3	108.3
FY12/13	106.6	106.6	106.6
2Q13	99.9	99.9	99.9
3Q13f	103.8	104.9	106.2
4Q13f	103.8	105.6	108.2
2013f	103.9	104.7	105.7
1Q14f	101.8	104.7	109.2
FY13/14f	102.3	103.8	105.9

Source: NBK

Budget Forecast (KD billion unless otherwise stated)

	Under Alternative Oil Price Scenarios					
	FY 2012/13		FY 2013/14			
	Official Budget	Actual	Official Budget	Low Case	Base Case	High Case
Oil Price (\$/barrel)	65.0	106.6	70.0	102.3	103.8	105.9
Total Revenues	13,932	32,009	18,096	31,076	31,520	32,163
Oil Revenues	12,768	29,970	16,883	29,176	29,620	30,263
Non-Oil Revenues	1,164	2,039	1,213	1,900	1,900	1,900
Expenditures (official)	21,240	19,308	21,003	21,003	21,003	21,003
Surplus (deficit)	-7,308	12,701	-2,907	10,073	10,518	11,160
After RFFG	-10,791	4,699	-7,431	2,304	2,638	3,120
Expenditures (NBK estimate)	-	-	-	19,952	19,427	18,902
Surplus (deficit), NBK estimate	-	-	-	11,123	12,093	13,261
After RFFG	-	-	-	3,354	4,213	5,220

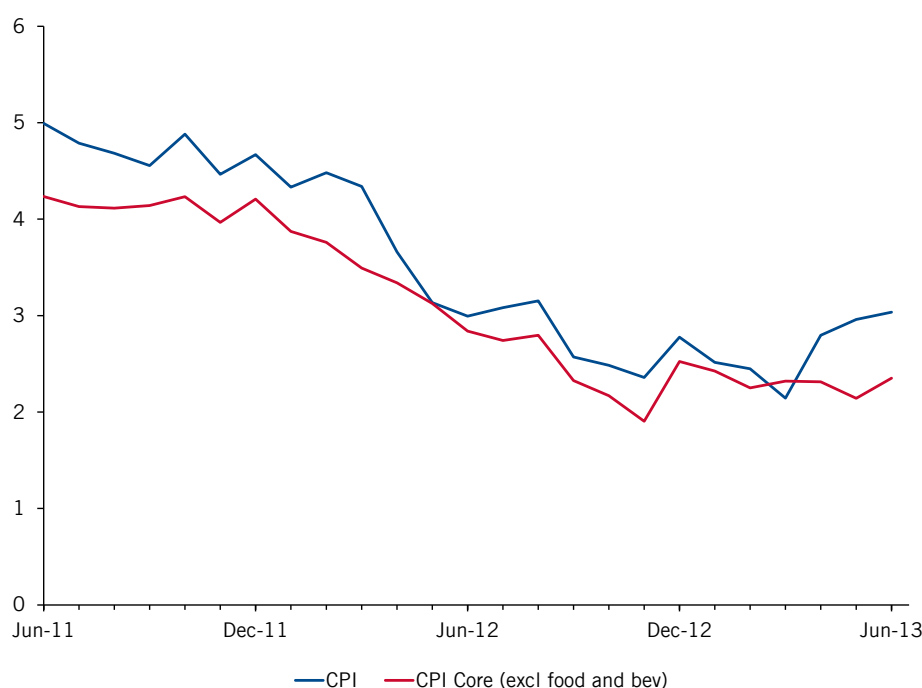
Sources: Ministry of Finance and NBK projections

CONSUMER PRICE INFLATION

Kuwait: Inflation steady at 3% in June, averaged 2.6% in 1H2013

The Consumer Price Index went up by 3.0% y/y in June, similar to the increase in May. But the major components of the consumer basket did not see their inflation rates carry over from May. Inflation in the food component slowed in June, but this was offset by an increase in price inflation in housing services as well as in furnishing and household maintenance, among other components. With some non-food components edging higher, core CPI went up by 2.4% y/y in June, from 2.1% in May (Chart 1).

Consumer Price Inflation (% change y/y)



Sources: Central Statistical Bureau and NBK

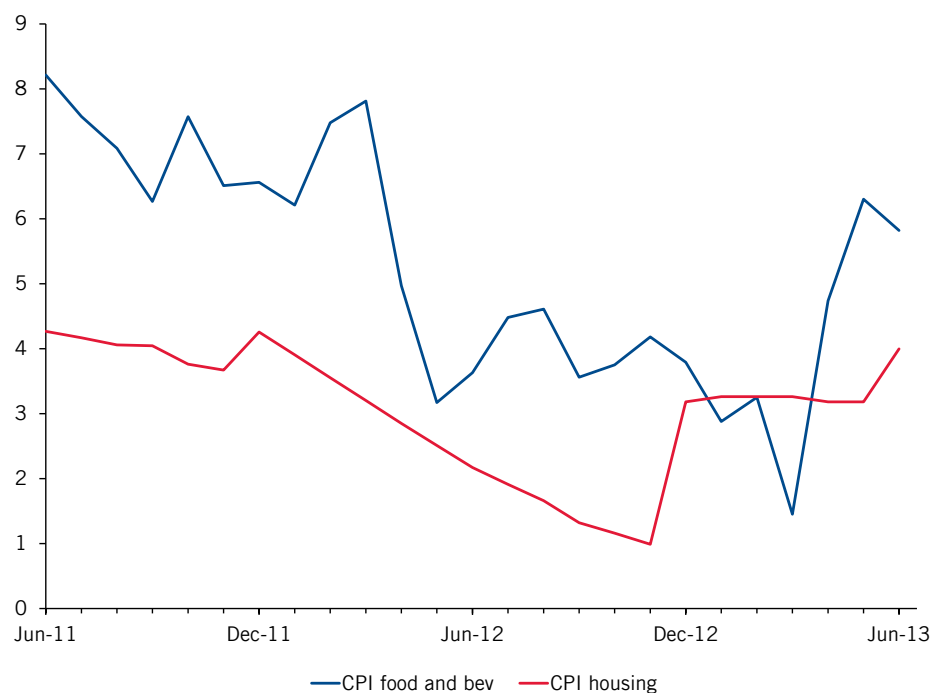
Inflation in housing services reached 4.0% y/y in June, from 3.2% in May. Housing services were the largest source of upward inflationary pressure in June, though inflation in this component should see little movement for the 2 months following June, as most of its sub-components are not updated monthly. Rent, which makes up most of this component, was up by 4.5% y/y in June, from 3.6% in May. Anecdotal evidence points to increased pressure on rents. If such pressures were to materialize in the index, they could easily push inflation higher, as the housing component makes up 29% of the CPI.

Prices in the furnishing and household maintenance component went up by 2.7% y/y in June, from 2.2% in May. This also contributed significantly to the upward pressure on the CPI, as the component is the third largest in the index, making up 11% of the general index. But the component has been relatively stable in recent months, averaging 2.4% in 1H2013, below its 2011 highs.

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CPI Sub-components (yearly average, % y/y)



Sources: Central Statistical Bureau and NBK

CPI Sub-components (% y/y)



Sources: Central Statistical Bureau and NBK

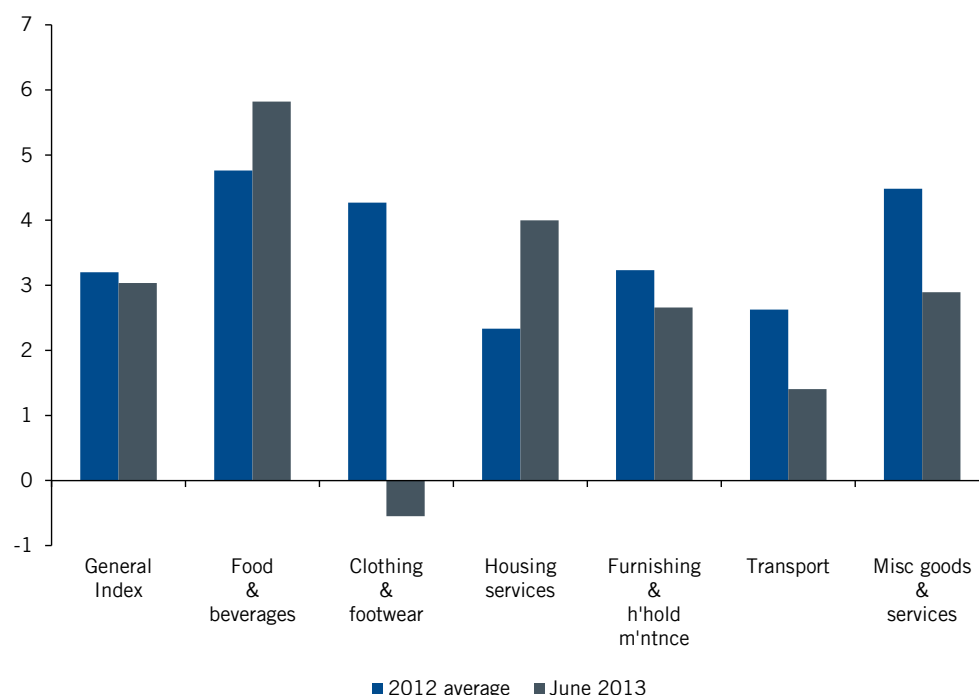
Offsetting some of the upward pressure, inflation in the food and beverages segment slowed to **5.8% y/y in June, from 6.3% y/y in May** (chart 2). Nonetheless, food price inflation in June was still higher than the average for 1H2013, which stood at 4.1%. Some easing in the prices of certain sub-components could continue in the near future, resulting in more modest inflation figures in the food segment (excluding some potential one-offs such as Ramadan).

Another source of downward inflationary pressure was transport, where prices went up 1.4% y/y in June, down from 1.7% in May. The easing came from lower inflation (or deflation) in some sub-components, such as the purchase of and repair of personal vehicles.

Miscellaneous goods and services inflation stood at 2.9% in June, down from 4.3% in May. The component had previously been a source of upward pressure on general inflation, though it had an opposite effect in June. The 1.4 percentage point drop in the June rate came from lower inflation rates in some *personal effects* items, such as *gold jewelry* (up 1.6% y/y in June, from 15.6% in May).

We expect inflation to remain contained for the remainder of this year, averaging around 2.5% for 2013 as a whole (similar to its 1H 2013 average). Key to this is an expected further decline in food price inflation, linked to international food price trends. This should broadly offset what we see as a slight increase in core inflation as the year goes on, including potentially higher housing costs. **Overall, we are still some way from price pressures becoming a major concern for the authorities, who are likely to retain a pro-growth policy bias.**

Inflation in Select Segments (% y/y)



Sources: Central Statistical Bureau and NBK

Consumer Price Inflation

CPI basket	Index weight	m/m %			y/y %		
	%	Apr	May	Jun	Apr	May	Jun
Food & beverages	18.4	1.2	0.0	0.1	4.9	6.3	5.8
Tobacco & cigarettes	0.3	1.2	-0.4	0.3	9.2	8.6	8.7
Clothing & footwear	9.3	0.3	0.4	0.3	-0.8	-0.6	-0.5
Housing services	28.9	-0.1	0.0	0.8	3.2	3.2	4.0
Furnishing & h'hold maintenance	11.3	0.2	-0.2	0.6	2.7	2.2	2.7
Health	1.6	-0.1	0.0	-0.2	2.0	1.8	1.5
Transport	7.9	0.2	0.1	-0.2	1.8	1.7	1.4
Communication	4.0	0.0	-0.2	-0.2	0.5	0.3	0.1
Recreation & culture	4.3	0.3	0.2	0.3	2.1	1.7	1.9
Education	3.0	0.0	0.0	0.6	0.1	0.1	0.2
Restaurants & hotels	3.3	0.0	0.0	0.2	0.0	0.0	0.2
Miscellaneous goods & services	7.8	-0.2	-0.6	-1.1	4.7	4.3	2.9
*Core	81.6	0.1	0.0	0.2	2.3	2.1	2.4
General index	100.0	0.3	0.0	0.0	2.8	3.0	3.0

¹Excludes food and beverages. Sources: Central Statistical Bureau and NBK

MONETARY DEVELOPMENTS

Kuwait: credit growth steady in June on strong household sector borrowing

Bank credit continued its upward trend in June, supported primarily by strong growth in household sector borrowing. Meanwhile, the non-financial business sector experienced its smallest gain in five months. Large withdrawals in savings and time deposits, on the other hand, have led to a contraction in the broader measure of money (M2). We still expect credit to register growth of 7% or more in 2013, the strongest showing since 2009.

Total bank credit rose by a sturdy KD 189 million in June to KD 28 bn, with year-on-year (y/y) credit growth slipping slightly from last month to 6.2%. Total credit was up KD 1.17 billion so far this year compared to an increase of only KD 749 million during 1H12. Annualized growth in 1H13 reached 8.9%, up from 5.9% a year ago.

Growth in household borrowing (personal facilities excluding loans for the purchase of securities) remained strong gaining by KD 123 million in June. Monthly gains have been consistent, averaging KD 100 million over the last twelve months. Growth (y/y) accelerated to a recent record high of 18.6%, pushing the sector's share of total credit to 28%.

Borrowing for the purchase of securities saw an unusually strong increase in June, offsetting last month's large drop. This segment accounted for a large portion of the June gain in credit (up KD 47 million), though growth (y/y) remained flat at 0.3%. Meanwhile, credit to non-bank financial institutions resumed its deleveraging dropping by KD 17 million, with credit down 19.1% from a year ago.

The June gain in non-financial business activity (KD 35 million) was the smallest in five months but came in the wake of a particularly strong gain in the previous month. Though growth (y/y) in business credit eased to 5.3%, it continued to reveal an improving trend over the last year. The trade sector and "other" segment accounted for most of the gains. Meanwhile, real estate, crude oil & gas, and construction saw large declines following noticeable gains the previous month.

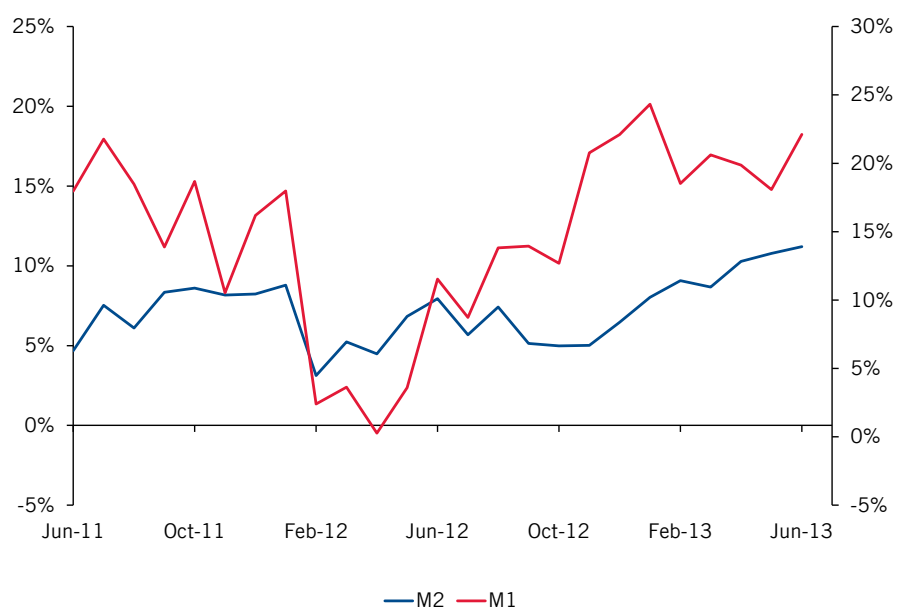
Private sector deposits were down KD 97 million in June on seasonal outflows. The declines were visible in time and saving deposits, which fell by KD 311 million and 98 million, respectively. In contrast, sight and foreign currency deposits were up. **Despite the June drop, deposits were still up by KD 2.1 billion in the first half of 2013 and 11% year-on-year.** The largest contributions came from foreign currency and sight deposits, which grew by 49% and 19% from a year ago. Meanwhile, low interest rates continued to weigh on time deposits which grew by a smaller 3.8%.

Broad money (M2) saw its first contraction in nearly a year falling in June by KD 122 million (-0.4%). Growth (y/y) still accelerated to 11.2%. The narrower measure (M1) saw an increase of KD 157 million on gains in demand deposits.

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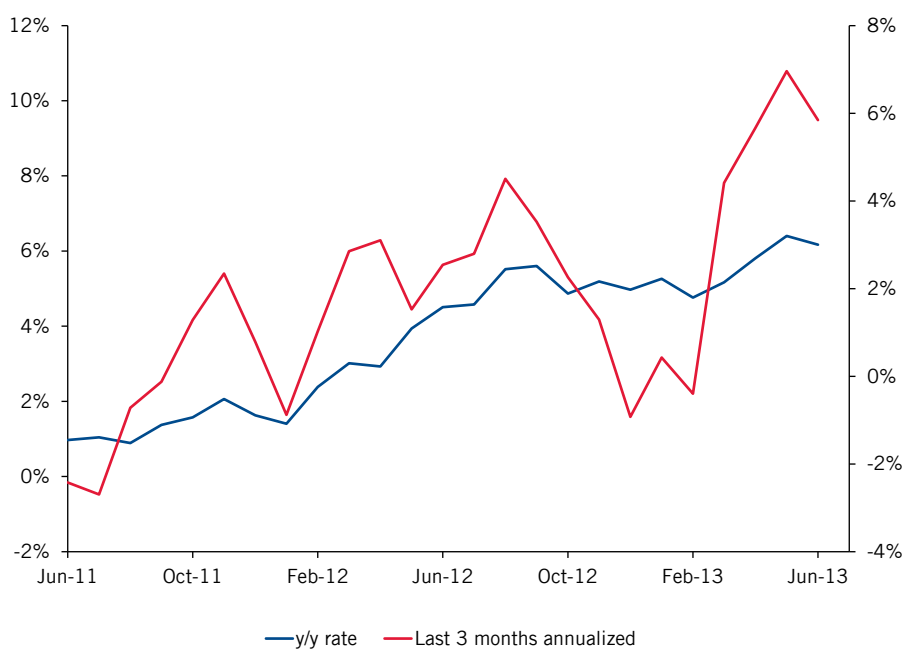
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Money Supply (%y/y)



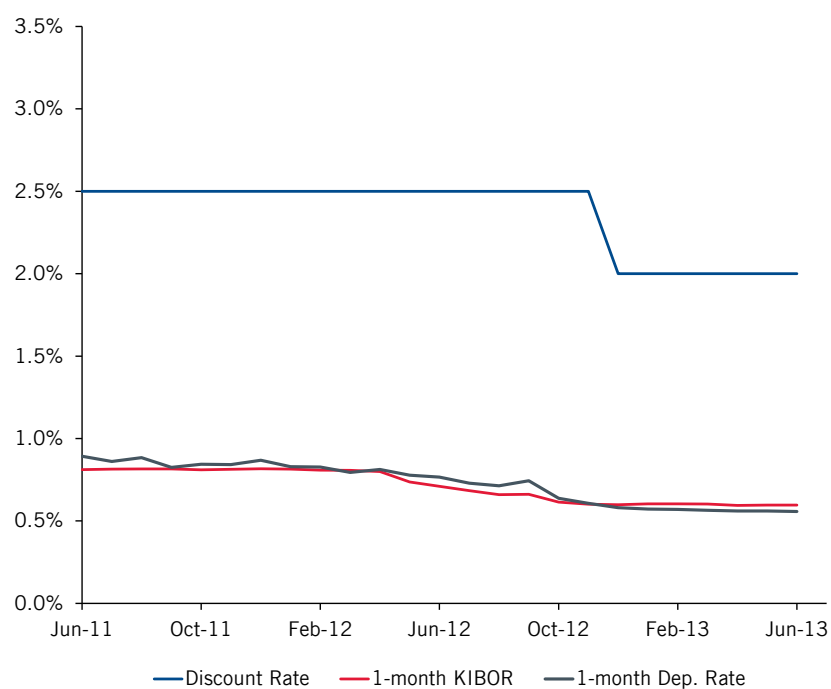
Sources: Central Bank of Kuwait and Reuters

Credit Growth (%y/y)



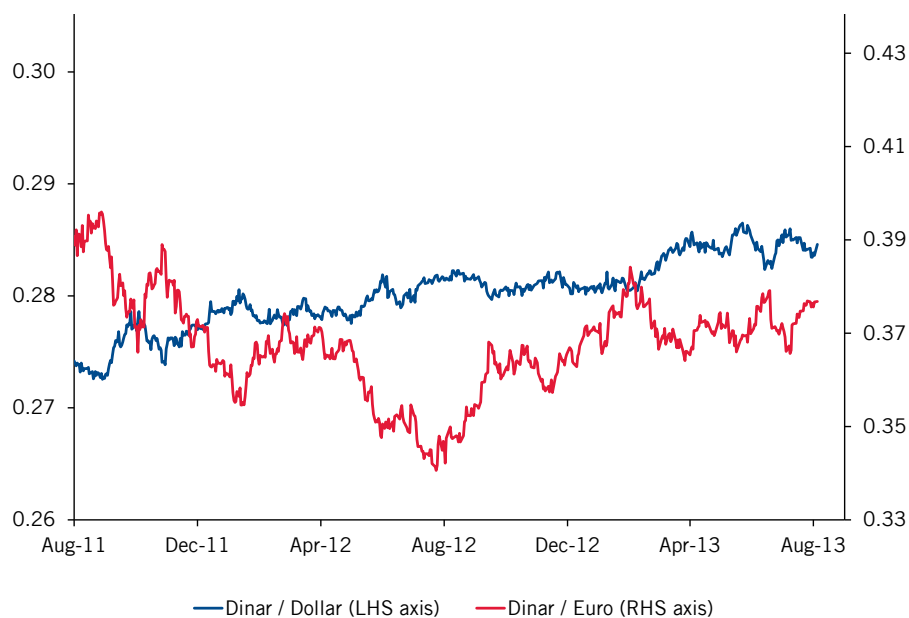
Sources: Central Bank of Kuwait and Reuters

Interest Rates (%y/y)



Sources: Central Bank of Kuwait and Reuters

Exchange Rates (%y/y)



Sources: Central Bank of Kuwait and Reuters

Deposit rates on dinar time deposits remained steady at current low levels. Average rates for 1-month deposits remained unchanged at 0.56%. The 3-month, 6-month and 12-month deposit rates fell between a basis point (bp) and 2 bps and averaged 0.74%, 0.94% and 1.12%, respectively.

Monetary Highlights, June 2013

	KD mn	KD mn	%	KD mn	%	KD mn	%
	Levels	1-Month Change		3-Month Change		12-Month Change	
Total System Liquidity (M2)	31,945	-122	-0.4	879	2.8	3,220	11.2
Currency in Circulation	1,434	-25	-1.7	41	3.0	206	16.7
Private Sector Deposits	30,512	-97	-0.3	838	2.8	3,014	11.0
KD Deposits	27,490	-226	-0.8	838	3.1	2,023	7.9
Sight Deposits	7,016	182	2.7	501	7.7	1,098	18.6
Savings Deposits	4,635	-98	-2.1	73	1.6	345	8.0
Time Deposits & CDs	15,839	-311	-1.9	263	1.7	580	3.8
FC Deposits	3,022	130	4.5	0	0.0	991	48.8

Source: Central Bank of Kuwait

Banking Highlights, June 2013

	KD mn	KD mn	%	KD mn	%	KD mn	%
	Levels	1-Month Change		3-Month Change		12-Month Change	
Total Bank Assets	50,260	580	1.2	1,505	3.1	3,811	8.2
Liquid Assets	8,376	161	2.0	701	9.1	450	5.7
Cash and CBK Balances	462	-172	-27.2	-49	-9.6	-84	-15.4
CBK Bonds	2,028	186	10.1	119	6.2	326	19.2
Public Debt Instruments	1,412	-29	-2.0	-167	-10.6	-568	-28.7
Inter-Local Bank Deposits	1,434	422	41.7	445	45.1	214	17.5
Time Deposits w/ CBK	3,041	-246	-7.5	353	13.1	562	22.6
Credit Facilities	27,987	189	0.7	648	2.4	1,626	6.2
Trade	2,534	27	1.1	40	1.6	50	2.0
Industry	1,775	5	0.3	-23	-1.3	-9	-0.5
Construction	1,845	-9	-0.5	40	2.2	176	10.6
Agriculture and Fishing	9	0	-3.2	-1	-5.3	-2	-18.2
Non-Bank Fin. Inst.	1,764	-17	-0.9	-62	-3.4	-416	-19.1
Personal Facilities	10,677	170	1.6	353	3.4	1,260	13.4
Purchase of Securities	2,716	47	1.8	7	0.3	9	0.3
Other Pers. Fac.	7,961	123	1.6	346	4.5	1,251	18.6
Real Estate	7,269	-22	-0.3	64	0.9	378	5.5
Crude Oil & Gas	128	-22	-14.6	-17	-11.9	-72	-35.9
Other	1,986	57	2.9	254	14.7	260	15.1
Foreign Assets	10,106	184	1.9	71	0.7	1,542	18.0
Other Assets	3,791	46	1.2	85	2.3	194	5.4
Total Bank Liabilities	43,291	282	6.0	1,154	0.0	3,165	9.4
Total Deposit Liabilities	36,702	120	0.3	1,263	3.6	3,164	9.4
Private Sector Deposits	30,512	-97	-0.3	838	2.8	3,014	11.0
Gov't Deposits	4,884	-72	-1.5	69	1.4	-89	-1.8
Interbank	1,434	422	41.7	445	45.1	214	17.5
Foreign Liabilities	3,020	165	5.8	-228	-7.0	-266	-8.1
Other Liabilities	3,569	-3	-0.1	119	3.4	267	8.1
Equity	6,969	298	4.5	350	5.3	646	10.2

Source: Central Bank of Kuwait

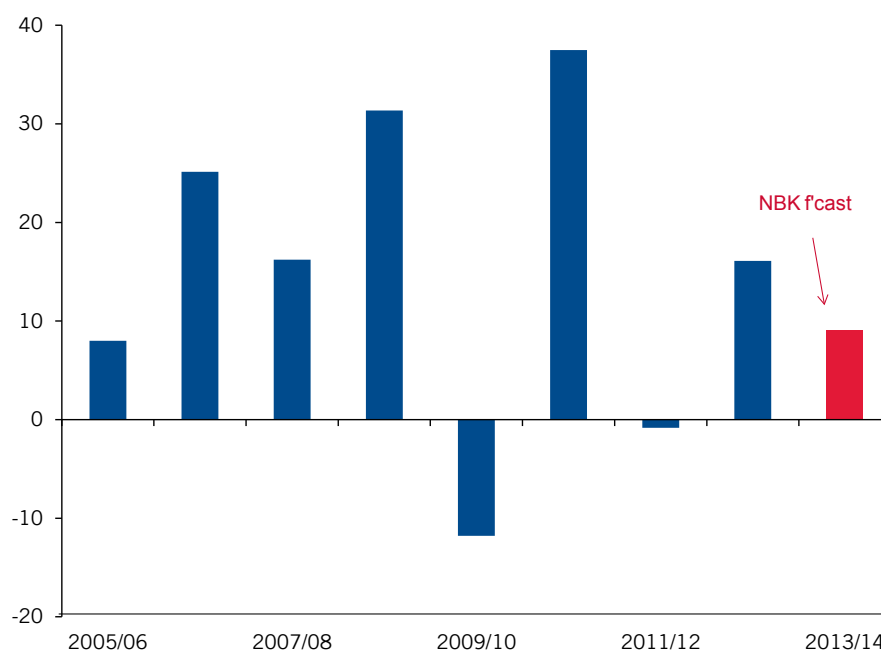
PUBLIC FINANCE

Kuwait: government spending provided significant support for the economy in FY 12/13

Final public finance figures for fiscal year 2012/13 (April to March) show that government spending jumped by 14% last year, much more than expected. The increase will have provided considerable support for the broader economy, where the growth picture remains mixed. However, the spending increase was driven almost entirely by current expenditures rather than investment, whose performance again disappointed. We look for capital spending to improve this year, although overall government spending growth may be more muted.

Total government spending reached KD 19.3 billion, much higher than we had expected thanks to some unusually large adjustments between the 11-month data and the end-year accounts – likely reflecting reporting issues. Current spending, which had looked on track to reach KD 16.0 billion or so, ended up at KD 17.5 billion, a rise of 15% y/y. The surprise came mostly from a sharp rise in the large ‘miscellaneous & transfers’ spending category, which incorporates items such as military salaries, transfers to the social security fund and transfers abroad – all of which jumped in the final accounts. This segment accounted for 52% of current spending.

Actual government spending (%y/y, excludes transfers to PIFSS)

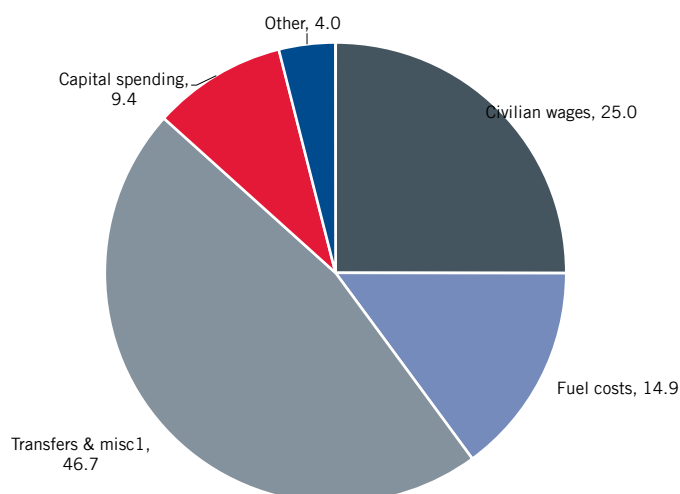


Sources: Ministry of Finance and NBK

Also in current spending, civilian wages and salaries increased by a sizeable 18% y/y to KD 4.8 billion. This follows an even more impressive 20% increase in the previous year. The rise reflects a combination of employment gains – public sector hiring rose by some 10,000 in the year to June 2013 – and pay increases, including a 25% increase in basic pay for Kuwaiti nationals. In combination with high employment rates, these trends have helped support continued strength in the consumer sector, which has been the economy's main bright spot for several years.

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Spending breakdown FY 2012/13

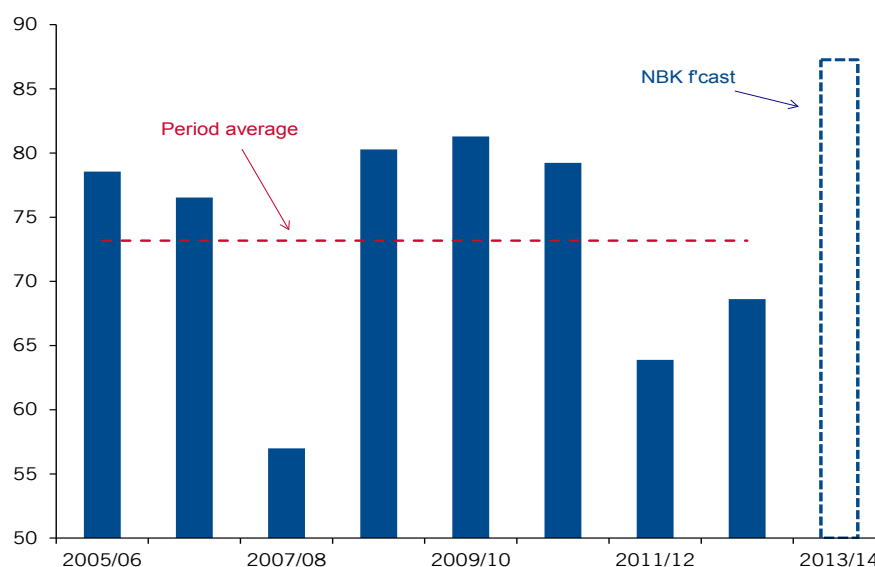


¹Includes transfers to PIFSS, military salaries, fuel subsidies, transfers overseas and other items. Sources: Ministry of Finance and NBK

Current spending was also boosted by a huge 32% increase in spending on 'goods & services' to KD 3.6 billion. These are mostly composed of inter-governmental transfer payments to cover the hypothetical cost of purchasing fuel from local refineries to supply power stations. The increase was trailed in the budget targets for the year, and is likely related to rising electricity output.

Capital spending was unchanged for the year at KD 1.8 billion, partly a reflection of continued sluggish implementation of the government's FY2010/11-13/14 development plan (not all of which appears on budget). The spending execution rate actually improved to 69% last year from an especially soft 64% a year earlier, thanks to a decline in the official budget target for the year. Soft investment spending continues to be one of the economy's key weak spots. Over the past five years, for example, government capital spending has grown by 7% per year on average, compared to 16% for current spending; as a share of total government spending, capital expenditures (capex) stand at 9%, which remains low by regional standards.

Actual vs targeted capital spending (actual capex as % of budget)

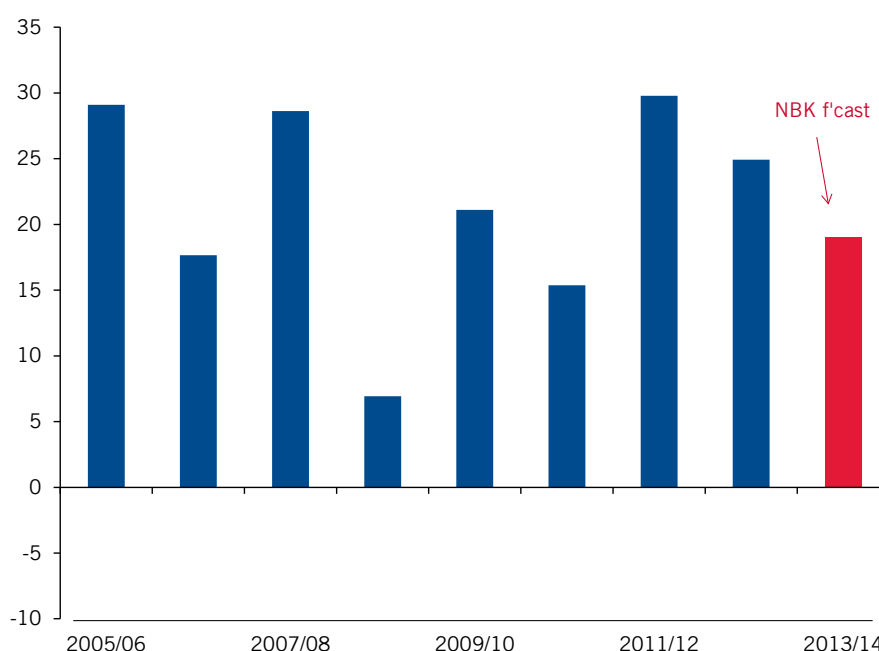


Sources: Ministry of Finance and NBK

In terms of its impact on the overall macro economy, the above spending figures suggest that **fiscal policy was very supportive of economic growth last year**. Once we strip out certain large items (some of which we have estimated) that have little or no impact on domestic demand (such as payments abroad and intergovernmental transfers), looks to have risen by some 15% y/y. This compares to a small reduction the year before.

Unlike expenditures, budget revenues were in line with our expectations, at KD 32.0 billion, up 6% y/y. The bulk of this was oil revenues, which reached an all-time high of KD 30.0 billion. Although oil prices, at \$106 per barrel, averaged a little lower than a year earlier, the impact on revenues was more than offset by a 5% rise in oil production to 2.9 million barrels per day. Kuwait and other OPEC countries increased output to compensate for declining supplies elsewhere. Non-oil revenues also posted a solid-looking 22% y/y increase to a record KD 2.0 billion, driven by higher telecom charges and rising compensation payments from the UNCC.

Budget balance (% GDP)



Sources: Ministry of Finance and NBK

As a result of the unexpected jump in overall budget spending, the FY12/13 fiscal balance turned out a bit lower than the KD 14 billion surplus we had expected, at a still strong KD 12.7 billion. This is equivalent to 25% of 2012 GDP. The surplus is the latest in a long line of super-strong budgetary outcomes, dating back to the turn of the century. Over the past 14 years, the cumulative surplus has totaled some KD 71 billion, which has contributed to Kuwait's now vast sovereign wealth fund.

The year ahead (FY13/14) is likely to see a further large budget surplus, though perhaps slightly lower than last year's. With oil prices and production remaining high, revenues are likely to come in close to last year's levels. The government has outlined a 1% y/y drop in the budget spending target for FY13/14. But given last year's under-spend, this still leaves room for a decent-sized increase in actual spending of 5% or so while staying well within the budget target. This should provide continued support for the broader economy. Just as importantly, we look for capital spending to register a solid gain given recent signs that large government-led projects are at last beginning to get under way.

Government revenues and expenditures

	Actual			Forecasts FY13/14		
	FY11/12	FY12/13		Gov budget	NBK	
	KD bn	KD bn	%y/y	KD bn	KD bn	%y/y ²
Revenues	30.2	32.0	5.9	18.1	29.3	-8.4
Oil	28.6	30.0	4.9	16.9	27.2	-9.4
Non-oil	1.7	2.0	22.3	1.2	2.2	7.0
Expenditures	17.0	19.3	13.5	21.0	20.1	4.0
Wages & salaries	4.1	4.8	17.7	5.2	5.0	3.2
Goods & services	2.8	3.6	31.9	3.9	3.7	2.1
Vehicles & equipment	0.1	0.2	8.2	0.4	0.3	54.5
Projects, maint. & land purchases	1.7	1.7	0.0	2.2	2.0	21.1
Miscellaneous & transfers	8.3	9.0	8.1	9.4	9.1	1.1
Balance	13.2	12.7	-	-2.9	9.3	-
After RFFG	10.2	4.7	-	-7.4	1.9	-
<i>Note:</i>						
Current expenditure ¹	15.2	17.5	15.0	18.4	17.8	1.9
Capital expenditure	1.8	1.8	0.7	2.6	2.3	24.0
Oil production (mbpd)	2.8	2.9	4.6	2.7	2.8	-3.0
Oil prices (\$ pb, KEC)	109.7	106.4	-3.0	70.0	100.0	-6.0

Sources: Ministry of Finance and NBK

¹ Includes the wages & salaries, goods and services, and miscellaneous & transfers categories

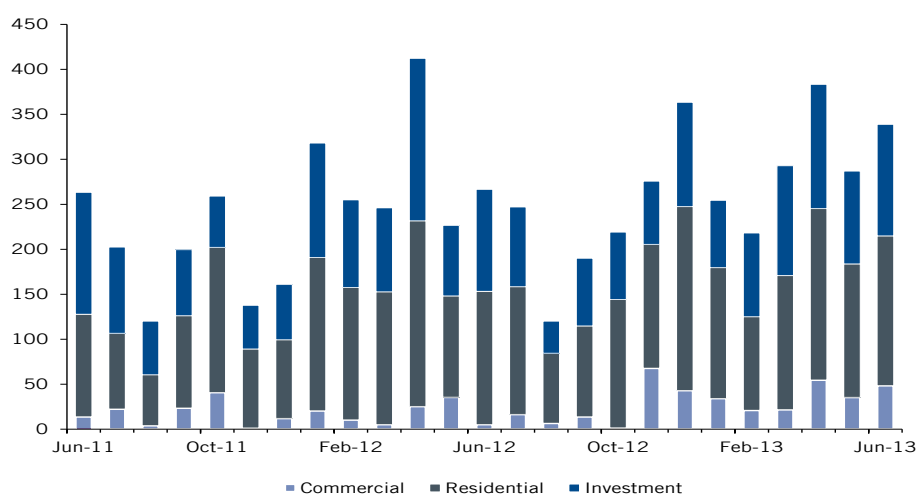
² Increase versus actual figures for FY12/13

REAL ESTATE ACTIVITY

Kuwait: solid sales in June, as 1H2013 sees slight pickup

Official data show June real estate sales increasing by 27% year-on-year, to reach KD 339 million. The solid growth in sales was across the three major segments of the market. Overall, the first half of the year closed on an almost equal footing with the same period of last year, registering a 3% y/y increase. The increase in 1H2013 came on the back of an exceptionally strong-performing commercial sector; by contrast, both the residential and investment sectors were slightly down compared to 1H2012. Nonetheless, the level of real estate transactions in Kuwait overall seems to be in good shape.

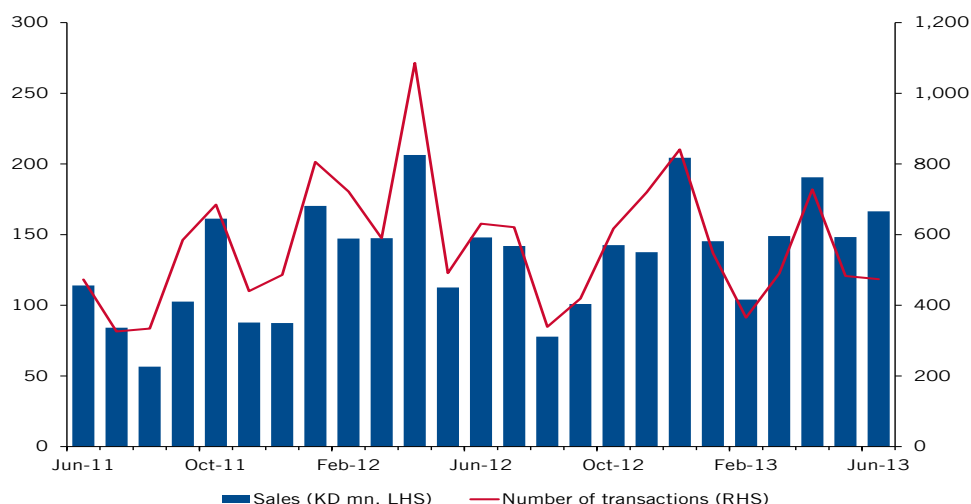
Real Estate Sales (KD mn)



Sources: Ministry of Justice, Savings and Credit Bank, and NBK

Sales in the residential sector totaled KD 166 million in June, up 12% y/y. Similar to May, the increase came about due to rising average transaction size, while the total number of transactions was down y/y in June. Residential sales reached KD 904 million in 1H2013, down a small 3% compared to 1H2012. A relatively sizeable drop in the total number of transactions in the first half was mostly offset by an increase in the average transaction size for both homes and plots of land (which make up most of the transactions in the segment).

Residential Real Estate



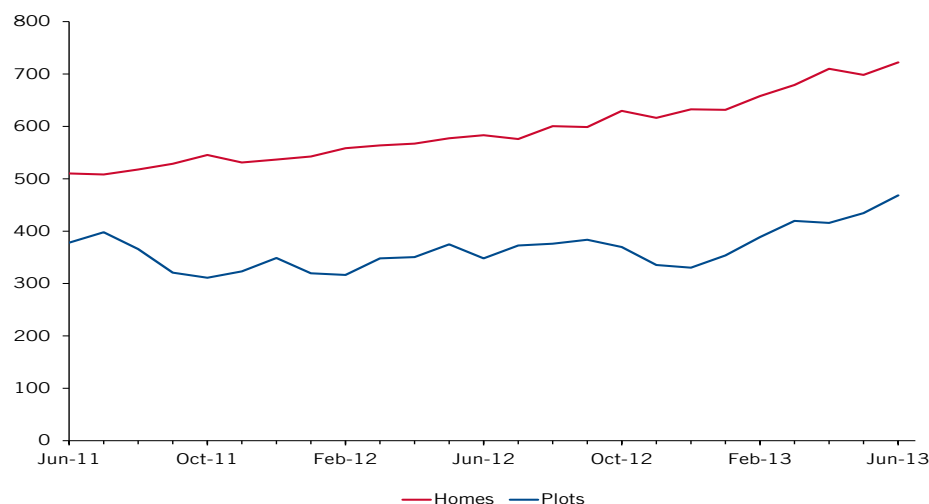
Sources: Ministry of Justice, Savings and Credit Bank, and NBK

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The investment sector saw KD 124 million in sales in June, a 9% y/y increase. This makes the total sales for 1H2013 amount to KD 655 million, a 5% decline from 1H2012. Although the sector saw an increase in the total number of transactions, the drop in sales was due to a smaller average transaction size. This was because the current year saw a substantial increase in the number of apartments sold, while the number of whole buildings sold declined.

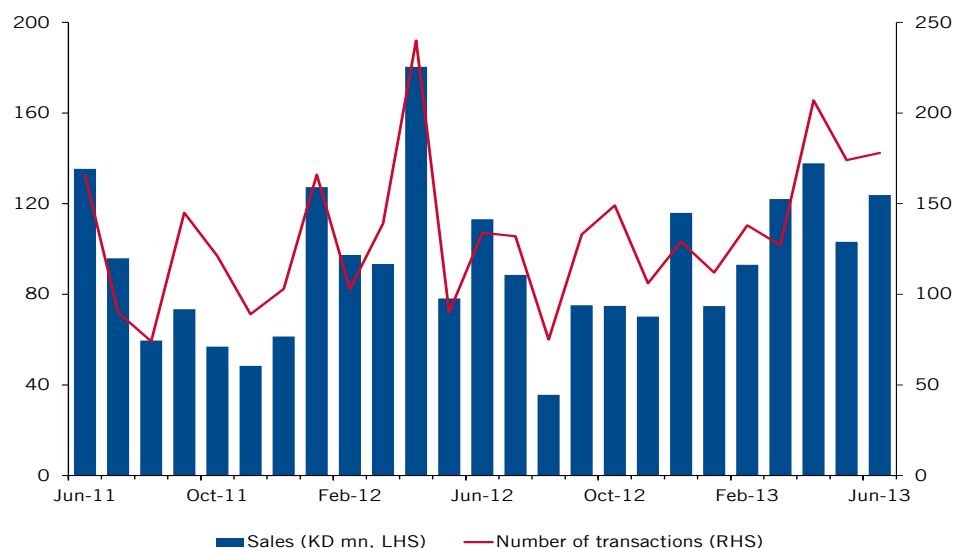
Residential Prices – 3-month Moving Average



Sources: Ministry of Justice, Savings and Credit Bank, and NBK

June sales in the commercial sector reached KD 48 million, a huge 9-fold increase y/y. Such large monthly movements are somewhat common in the sector, though commercial sales have had solid results in the first half of the year. Total sales for the segment reached KD 216 million in the first 6 months of 2013, compared to just KD 102 million in the same period in 2012. The sector has seen some resurgence this year, backed by some involvement by the Kuwait Investment Authority to inject liquidity into the commercial market. Though the extent of KIA's involvement is difficult to quantify, it looks likely that the commercial sector is on its way to a very solid year, possibly surpassing pre-crisis levels of sales.

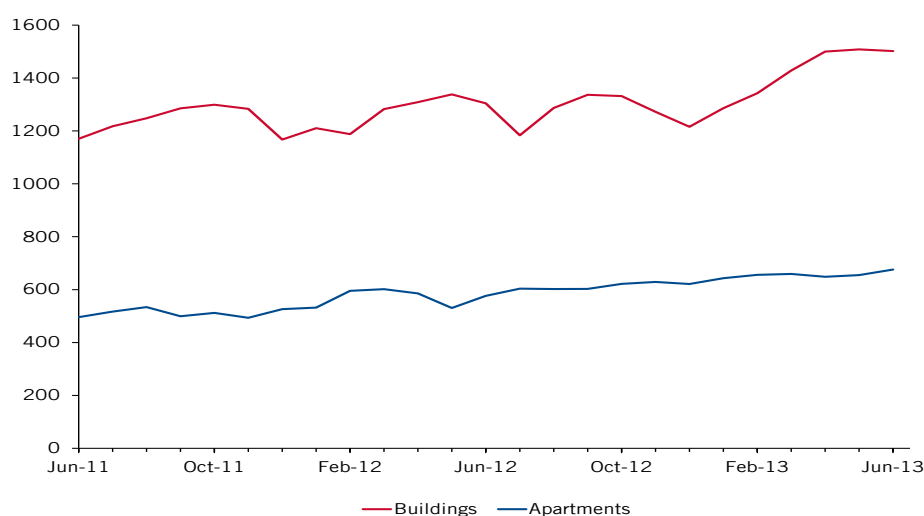
Investment Real Estate



Sources: Ministry of Justice, Savings and Credit Bank, and NBK

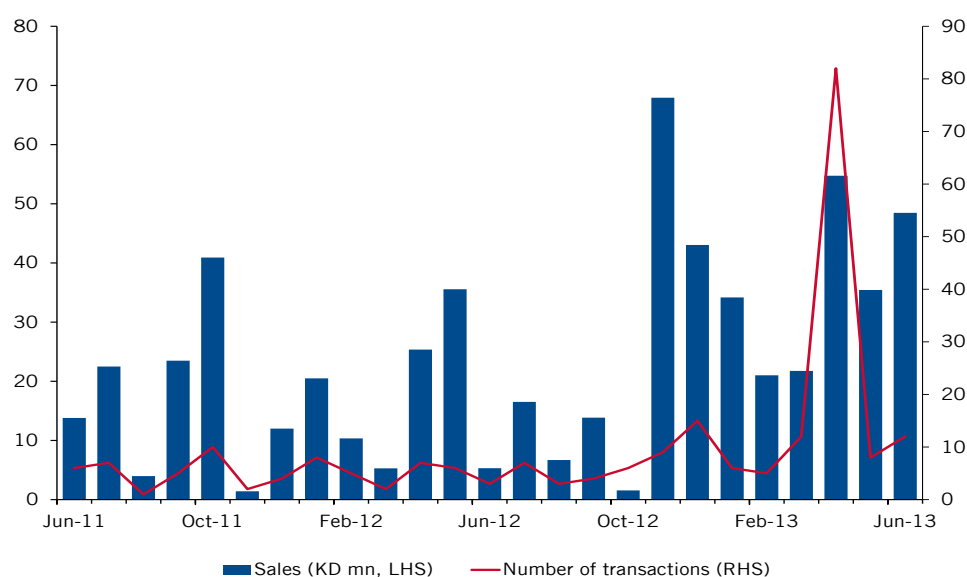
The Savings and Credit Bank disbursed KD 11 million in housing loans in June, while approving a further KD 33 million. A little over half of the approved loans, which came from 662 applications, were for new constructions. In the first 6 months of 2013, the SCB approved 3170 loan applications, worth KD 181 million. These figures are roughly double the amount approved during the same period in 2012. Conversely, the SCB expended about KD 62 million in 1H2013, a 10% decrease compared to 1H2012. The increase in demand for housing financing could potentially have been brought on by a pickup in the pace of government distribution of lands this year, but it also highlights the strong underlying demand existing in the residential sector.

Investment Prices – 3-month Moving Average (KD/m³)



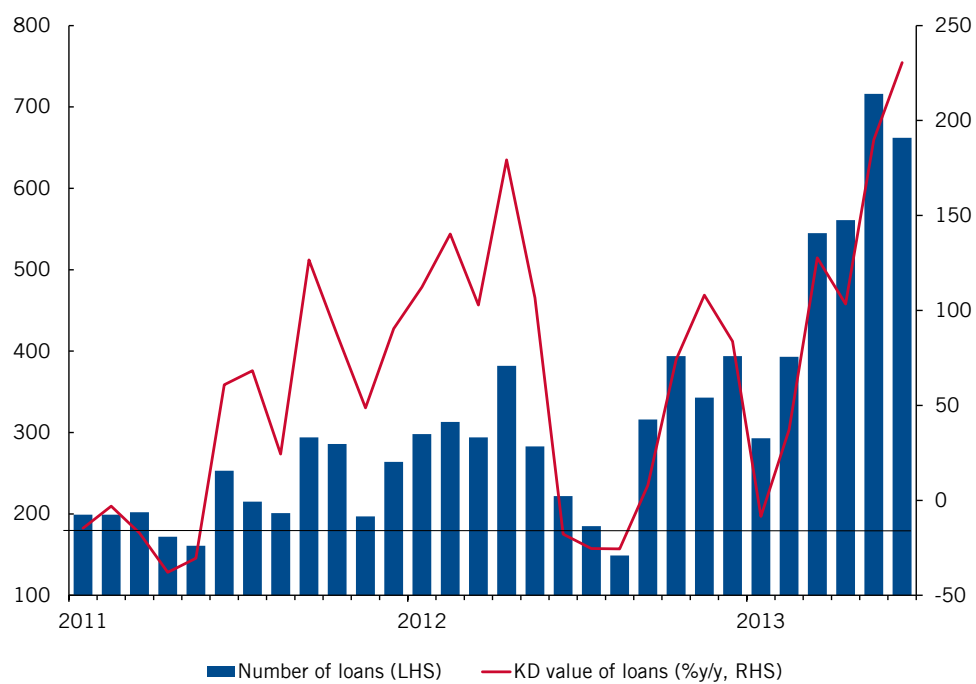
Sources: Ministry of Justice, Savings and Credit Bank, and NBK

Commercial Real Estate



Sources: Ministry of Justice, Savings and Credit Bank, and NBK

SCB Loan Approvals



Sources: Ministry of Justice, Savings and Credit Bank, and NBK

Real Estate Sales and SCB Housing Loans

Real Estate Sales	Monthly Average		April 2013	May 2013	June 2013	m/m %	y/y %
	2011	2012					
Sales values (KD mn)	224.6	261.6	383.1	286.9	338.7	18.1	27.1
Residential property	121.1	144.8	190.6	148.3	166.5	12.3	12.5
Investment property	82.9	95.8	137.8	103.2	123.8	20.0	9.5
Commercial property	20.5	21.0	54.7	35.4	48.5	36.8	811.0
Number of transactions	624.8	796.2	1017	665	664	-0.2	-13.5
Residential property	493.7	656.9	728	483	474	-1.9	-24.9
Investment property	124.3	133.0	207	174	178	2	33
Commercial property	6.8	6.3	82	8	12	50.0	300.0
Transaction size (Avg. 000 KD)	369.7	329.0	376.7	431.5	510.2	18.2	47.1
Residential property	250.8	223.6	261.8	307.1	351.2	14.4	49.7
Investment property	685.6	718.5	665.8	592.9	695.5	17.3	-17.6
Commercial property	2809.2	3110.0	667.5	4430.0	4038.8	-8.8	127.7
SCB Housing Loans	Monthly Average		April 2013	May 2013	June 2013	m/m %	y/y %
	2011	2012					
Value of approved loans (KD mn)	9.8	15.5	35.9	38.9	32.8	-15.6	230.5
New construction	4.9	9.9	31.6	32.3	26.0	-19.5	568.4
Purchase of existing homes	3.1	4.0	3.7	3.7	4.2	13.8	-2.8
Additions & renovations	1.8	1.6	0.6	2.9	2.6	-9.7	53.0
Number of approved loans	220.3	297.8	561	716	662	-7.5	198.2
New construction	74.5	146.8	458	472	377	-20.1	539.0
Purchase of existing homes	61.3	76.75	67	60	71	18	-21
Additions & renovations	84.5	74.2	36	184	214	16.3	193.2
Value of disbursed loans (KD mn)	8.3	10.2	11.0	10.1	11.1	10.2	-13.9
New construction	4.3	5.3	7.2	6.3	7.3	15.5	33.7
Purchase of existing homes	2.5	3.2	2.7	2.5	2.0	-20.1	-61.4
Additions & renovations	1.5	1.8	1.1	1.3	1.9	42.1	-21.0

Sources: Ministry of Justice and Savings and Credit Bank

Companies in Focus

- Acico Industries Company
- Agility
- Ahli United Bank (Almutahed)
- Al Ahli Bank of Kuwait (ABK)
- AlArgan Real Estate Company
- Aviation Lease and Finance Company (ALAFCO)
- Boubyan International Industries Holding Company (BIIHC)
- Boubyan Petrochemical
- Burgan Bank
- Burgan Co. for Well Drilling, Trading & Maintenance (Burgan Well Drilling)
- City Group (CG)
- Combined Group Contracting Company (CGC)
- Commercial Bank Kuwait (CoBK)
- Commercial Facilities Company (CFC)
- Commercial Real Estate Company (Altijaria)
- Gulf Bank
- Gulf Cable and Electrical Industries Company (Gulf Cable)
- Gulf Insurance Company (GIC)
- Injazzat Real Estate Development Company (Injazzat)
- Kuwait Cement Company
- Kuwait Finance House (KFH)
- Kuwait Financial Centre (Markaz)
- Kuwait Food Group (Americana)
- Kuwait and Gulf Link Transport Company (KGL)
- Kuwait National Cinema Company (KNCC)
- Kuwait Projects (KIPCO)
- Mobile Telecommunications Company (Zain)
- National Industries Group Holding (NIG)
- National Industries Company
- National Investment Company (NIC)
- National Real Estate Company (NREC)
- Oula Fuel Marketing Company (Oula)
- Qurain Petrochemical Industries Company (QPIC)
- Sultan Center (Sultan)
- Tamdeen Real Estate (Tamdeen Group)
- Tamdeen Investment Company (Tamdeen)
- The Asiya Investment Group
- United Industries Company (UIC)
- United Real Estate Company
- YIACO Medical Company (YIACO)

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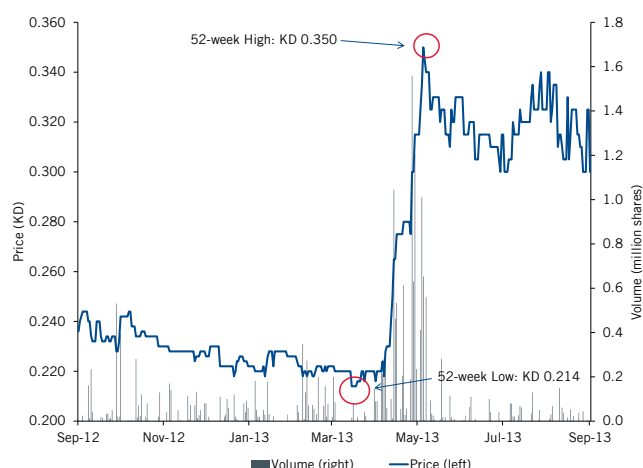
ACICO INDUSTRIES COMPANY

Key Data

General		Daily Liquidity	
KSE Code	ACICO.KSE	52-week avg. volume	104,048
Reuters	ACIC.KW	52-week avg. value (KD)	14,855
Price (KD)		Price Performance	
Closing Price	0.300	YTD	30.4%
52-week High/Low	0.350 / 0.214	12-month	27.1%
Market Capitalization		Outstanding Shares	
KD (million)	74.64	Millions	248.79
Ownership Structure			
Closely-held: 38.41%		Public: 61.59%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Gross Profit Margin	23%	29%	40%	40%	26%
EBITDA Margin	14%	18%	29%	27%	36%
Net Profit Margin	6.6%	8.9%	4.9%	13.3%	16.3%
RoAA	1.5%	1.7%	1.0%	1.3%	1.0%
RoAE	5%	5%	2%	3%	3%
Net Debt-to-Total-Equity (x)	1.4	1.6	1.7	1.7	1.7
Interest Coverage Ratio (x)	3.5	3.4	1.4	1.8	0.9

Sources: Company's financial statements and NBK Capital

Highlights

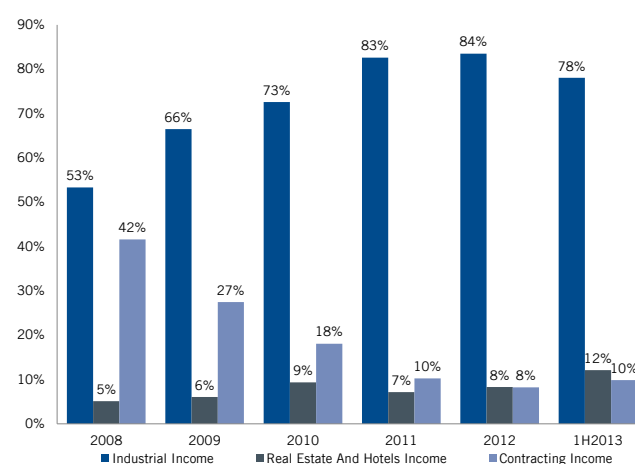
- ACICO Industries Company, formerly known as Aerated Concrete Industries Company, started manufacturing autoclaved aerated concrete under the license of the prominent Hebel Company in Germany.
- The company reported operating revenues of KD 28 million for 1H2013, increasing 30% YoY when compared to KD 21.5 million in 1H2012. Gross profit in turn increased 36% from KD 8.1 million in 1H2012 to KD 11 million in 1H2013.
- By the end of June 2013, ACICO's total debt had increased by 4.7% YTD to reach KD 151 million. The company's net debt-to-equity ratio remained in line with the 2012 figure of 1.7x.

Overview

ACICO Industries Company, initially established to operate as a manufacturer of autoclaved aerated concrete (AAC), has expanded its core business operations to include the following:

1. **ACICO Manufacturing:** the largest manufacturer of autoclaved aerated concrete (lightweight blocks used by contractors for low- and high-rise buildings) in the Middle East with a production capacity of approximately 1 million cubic meters. The company's AAC plants are located in Kuwait, Qatar, Dubai, and Saudi Arabia. However, the company's plant in Dubai has been temporarily shut down due to the over-supply and strong competition in the UAE.
2. **ACICO Cement:** the company operates a cement grinding plant in Kuwait (the company imports its clinker), which is undergoing a capacity expansion to reach one million tons (full capacity is expected to come on board at the end of FY2013). Though the company sells its cement in bulk or 50 kg bags, a large portion of the company's cement production is used in-house. In addition, ACICO operates a dry and wet ready mix concrete plant with two production lines.
3. **ACICO Real Estate:** ACICO Real Estate was essentially established for leasing, selling, and maintaining all properties owned by the group. The company owns two hotels: Radisson Royal Hotel Dubai (on Sheikh Zayed Road) and Radisson Blue Resort Fujairah. ACICO has commissioned the Rezidor Hotel Group, the parent company of the Radisson, to operate its hotels and resorts. In addition, the company owns the Nassima Tower, which consists of office floors and furnished apartments on Sheikh Zayed Road, and ACICO Business Park composed of 9 office floors and some retail space.
4. **ACICO Construction:** ACICO's construction arm is currently the only provider of the bearing-wall system in the Middle East. This system (referred to by the company as ACICO's building system) was introduced to the market in 1988. ACICO's building system has been used to construct 3,000 housing units in Kuwait, 1,000 housing units in the UAE, and 400 housing units in Qatar. The company's latest project includes the construction of 1,000 villas in Saudi Arabia (of which 200 units have been completed). In addition, ACICO Group developed both its hotels in the UAE, and a 60-level multi-use tower on Sheikh Zayed Road.

Figure 1 Revenue Breakdown (As a Percentage of Total Operating Revenue):



Source: Company financial statements

Financial Statement Analysis

Income Statement

1H2013

- The company reported operating revenues of KD 28 million for 1H2013, increasing 30% YoY when compared to KD 21.5 million in 1H2012. **Gross profit in turn increased 36% YoY** from KD 8.1 million in 1H2012 to KD 11 million in 1H2013.
- **EBITDA for 1H2013 amounted to KD 8.6 million, increasing 39% YoY** compared to KD 6.2 million in 1H2012. Thus, the EBITDA margin for this period came in at 37.7%, as against 32.8% during 1H2012. This was essentially due to a large increase of 50% YoY in SG&A expenses.
- Below the operating line, the company reported net investment income of KD 0.5 million for the period, compared to KD 0.2 million in 1H2012. In addition, ACICO reported share of profit from associates of KD 0.17 million for 1H2013, as against a small income of KD 0.01 million from associates during the same period last year.
- Finance charges declined by 10.5% during 1H2013 to stand at KD 3.4 million, as against KD 3.8 million during 1H2012.

- The company reported KD 0.6 million in gains from reassessing their share in an associate as well as from a bargain purchase (which we include in the income statement as part of "Other Income"). These along with the improved operating performance this period resulted in a 61% YoY increase in attributable net profit, which came in at KD 3.7 million, in comparison to KD 2.3 million in 1H2012.

Balance Sheet

- Investment properties continue to comprise the largest portion of assets, representing 68% of total assets (KD 171.9 million) at the end of June 2013.
- By the end of June 2013, ACICO's total debt increased by 4.7% YTD to reach KD 151 million. The company's net debt-to-equity ratio remained in line with the 2012 figure of 1.7x.

Financial Statements

Income Statement (KD '000)	2011	2012	1H2012	1H2013
Operating Revenues	39,146	40,480	21,480	28,028
Operating Costs	(23,380)	(25,220)	(13,439)	(16,988)
Gross Profit from Operations	15,767	15,260	8,041	11,041
Selling/General/Admin Expenses	(4,489)	(4,406)	(1,916)	(2,923)
Depreciation	(164)	(210)	(63)	(91)
Operating Income	11,113	10,645	6,062	8,027
Share of Results from Associates	(851)	194	14	174
Foreign Currency exchange gain	395	(24)	-	-
Other Income	453	608	309	1,150
Finance Charges	(7,892)	(7,727)	(3,772)	(3,436)
Provisions & Impairments	(652)	(554)	(28)	(1,590)
Net Income before Taxes	2,567	3,141	2,585	4,325
Zakat	(15)	(15)	(15)	(39)
Contribution to KFAS	-	(1)	(12)	(20)
NLST	(55)	(64)	(63)	(133)
Directors' fees	-	(5)	-	-
Net Profit before Min. Int.	2,497	3,057	2,495	4,132
Minority Interest	588	415	187	396
Net Profit	1,909	2,641	2,308	3,737

Balance Sheet (KD '000)	2010	2011	2012	Jun-13
AFS Investments	2,552	2,008	1,886	1,794
Fixed Assets	31,782	31,888	32,762	40,562
Other Non Current Assets	185,042	186,227	185,356	184,860
Total Non Current Assets	219,376	220,123	220,005	227,216
Cash and equivalents	2,438	2,337	1,935	5,367
Due from Customers	34	55	306	1,159
Other Current Assets	19,150	19,052	20,198	18,843
Total Current Assets	21,621	21,444	22,440	25,370
Total Assets	240,997	241,567	242,445	252,586
Loans	137,304	139,091	144,404	151,125
Other Liabilities	21,497	20,540	14,478	15,896
Total Liabilities	158,801	159,631	158,882	167,021
Total Equity	82,196	81,936	83,563	85,565
Total Liabilities and Equity	240,997	241,567	242,445	252,586

Sources: Company's financial statements and NBK Capital

AGILITY

Key Data

General		Daily Liquidity	
KSE Code	AGLT.KSE	52-week avg. volume	1,632,593
Reuters	AGLT.KW	52-week avg. value (KD)	653,123
Price (KD)		Price Performance	
Closing Price	0.700	YTD	44.1%
52-week High/Low	0.743 / 0.452	12-month	44.1%
Market Capitalization		Outstanding Shares	
KD (million)	740.50	Millions	1,057.85
Ownership Structure			
Closely-held: 43.2%		Public: 56.8%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Gross Profit Margin	37%	30%	28%	26%	27%
EBITDA Margin (adj. for one-offs)	13%	7%	4%	5%	5%
Net Profit Margin	9.1%	1.6%	2.0%	2.4%	3.1%
Cash-to-Total Assets	18%	14%	9%	10%	9%
Interest Coverage (x)	9.4	6.0	2.2	5.9	8.6
RoAA	9.1%	1.5%	1.9%	2.4%	2.9%
RoAE	18%	3%	3%	4%	4.7%

Sources: Company's financial statements and NBK Capital

Highlights

- Agility's core business has changed significantly since 2010 following the spate of legal issues with the U.S. Government. The Defense Government Services (DGS) division (the previous bread-and-butter segment that handled U.S. military contracts) has shrunk considerably. As a result, Agility's attention has shifted toward the commercial divisions, which include the Global Integrated Logistics (GIL) and Infrastructure divisions.
- Agility has realigned its strategy to focus on developing the GIL division (84% of total revenue) by expanding its reach in emerging markets and increasing efficiencies.**
- Agility reported top-line growth of 5.5% YoY in 1H2013, reaching KD 708 million, driven largely by strong performance by the Infrastructure division.
- Agility recorded a 5.1% drop YoY in overhead expenses in 1H2013, and we believe the company has room to improve cost efficiencies further.** Accordingly, the adjusted EBITDA (excluding one-offs) margin improved to 5.3% in 1H2013, a 190-basis-point increase over 1H2012. Moreover, considering GIL achieved an EBITDA margin of 2.7%, well below the global peers average of 5.6%, we believe there is potential for the GIL segment to improve margins further.
- The U.S. legal case remains a key risk for Agility for which it is impossible to predict the outcome.
- Agility has a 24% indirect equity stake in Korek Telecom, a telecom provider in Iraq, coupled with a shareholder loan of KD 28.5 million. Combined, the company's total book value of the investment in Korek was KD 124.6 million as of 2012 and represents around 20% of Agility's current market cap. **We feel there could be upside value to this investment that could be unlocked through a deal with Agility's partner, France Telecom, or through publicly listing Korek.**
- Agility's board of directors (BOD) approved a forward-looking minimum dividend policy recommendation of KD 0.030 per share cash distribution for 2013, 2014, and 2015. Thus, the minimum expected dividend yield on the stock is 4.3%, based on the last market close.

Company Overview

Agility's Transformation

Agility's core business has undergone a major transition over the past three years. Before 2010, the bulk of Agility's earnings came from the Defense and Government Services (DGS) division. This division contributed around 42% of total revenue in 2009 and was the driving force behind Agility's high operating profit margin (which stood at 10% in 2009). The DGS division benefited mostly from the Subsistence Prime Vendor (SPV) contracts with the U.S. Defense and Logistics Agency to provide U.S. troops in Iraq with food and non-food-related goods. However, following the legal issues associated with the U.S. Government (which started with the indictment on November 2009), Agility's DGS division was suspended from bidding for new contracts with the U.S. Government. Accordingly, the DGS division shrank materially by the end of 2010 (as major U.S. Army contracts ended) and Agility reclassified the DGS division under the Infrastructure division in 2011. **Today, the Global Integrated Logistics (GIL) and Infrastructure divisions are the company's main operating segments. Accordingly, Agility has shifted its focus to providing logistics services to commercial clients.**

Global Integrated Logistics (GIL)

The GIL division contributed 83% of the company's revenue in 2012. This division provides an integrated and comprehensive set of logistics services to commercial clients. The GIL division is broken down into three major segments.

- 1. Freight Forwarding** – This segment offers clients the ability to transport various goods by air, sea, road, and sea/air. Agility collaborates with various partners in each segment to establish the consumer's priorities (such as time, space, frequency, and costs).
- 2. Logistics** – This segment combines Agility's freight forwarding abilities and warehousing management expertise to the manage commercial client's supply chain. Agility assumes responsibility for managing client inventory (such as raw materials) and makes sure it is delivered to the client upon request.
- 3. Specialized Services** – This segment largely involves logistics-related services that require specific capabilities, resources, and specialized knowledge. Such services are typically used for fairs, events, special projects, and transportation of fuels and chemicals.

Infrastructure Division

The company's infrastructure division consists of various companies involved in various activities such as real estate, aviation services, custom optimization and clearance, waste management, recycling, and the recently included DGS division. Overall, the infrastructure division contributes around 16% of Agility's overall revenue.

Agility's New Focus

With attention now on the GIL division, Agility has refined its strategy to focus on two key areas:

- 1. Expanding Presence in Emerging Markets** – Agility's GIL division has an extensive global network with a presence in more than 100 countries, spanning Asia to North America. However, the company's roots and expertise lie in emerging markets. As a result, the company believes it has the knowledge and capabilities to further expand its operations across emerging markets successfully.
- 2. Reducing Costs** – Agility is looking to invest in technology to increase efficiency and unify all of its subsidiaries into one operating platform. If this is successful, we believe the company can make a lot of progress in this area considering that the GIL division has grown as a result of several acquisitions in the past.

In addition to Agility's core divisions, the company has two major investments that are classified as financial assets at fair value through profit or loss on the company's balance sheet:

- 1. Korek Telecom** – Through a 54:46 joint venture with France Telecom (FT), Agility has a 24% indirect stake in Korek Telecom, a telecommunications provider based in Iraq. Agility achieved its stake in Korek by converting USD 286 million of convertible debt into equity in 2011. Following this transaction, Agility issued USD 100 million in interest-bearing debt to Korek in 2011.
- 2. Gulf Warehousing Company (GWC)** – Agility has an 18.1% stake in GWC. Agility achieved this stake in 2011 by selling its 49% stake in its subsidiary "Agility Qatar" to GWC, a commercial and residential logistics company based in Qatar, for a transaction value of KD 13.8 million. Based on the last closing price of the GWC stock, the value of the stake is KD 27.8 million, a 100% premium over the transaction price.

Latest News

- **June 2013:** Major shipping company ANL Singapore Ltd and Agility will launch a new joint venture in Papua New Guinea (PNG) on July 1, 2013. This joint venture company, named ANL Agencies PNG Ltd., will primarily handle ANL's shipping agency business throughout PNG. Previously, the ANL agency functions had been handled by Pacific Shipping Agency (PSA), which was 100% owned and operated by Agility.
- **May 2013:** Agility announced it has won a new contract with the Kuwait National Petroleum Company (KNPC), one of the leading oil companies in the Middle East. The five-year contract, worth an estimated USD 24.4 million, will begin this month.
- **May 2013:** Agility has been awarded a contract to manage international freight and on-site handling services for Gastech 2014, which will be held at the Kintex Exhibition Center in Seoul, Korea, March 24 - 27, 2014.

Room for Improvement in Core Operations Through Margin Enhancement – GIL

- One of Agility's key focus areas going forward is to manage costs effectively through investments in technology. We believe that this could improve the company's profitability since the GIL division's EBITDA margin remains well below other global freight forwarding companies. The average EBITDA margin of seven global freight forwarding companies, with operations similar to Agility's GIL division, stands at 5.6% as of 2012. However, Agility's GIL segment has an EBITDA margin of 2.3% (2.7% as of 1H2013), less than half of the peers' average. This shows that the GIL division has lots of potential for margin enhancement that could result in improved profit margin and strong cash flow generation and essentially unlock significant value in the company's stock.

Figure 1 Operating Expenses

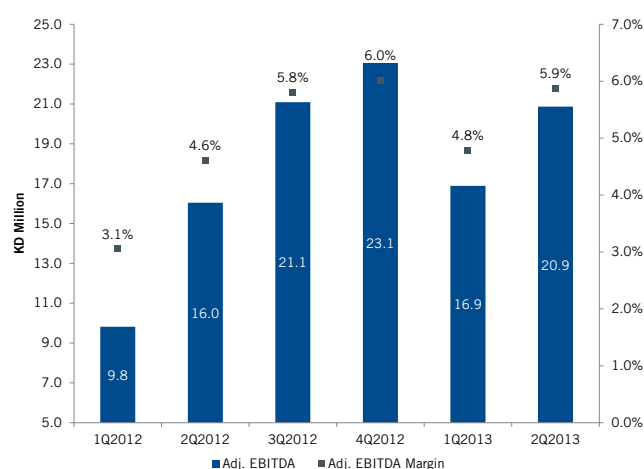
KD millions	2012					2013	
	1Q	2Q	3Q	4Q	FY	1Q	2Q
General and Admin Exp.	30.1	30.3	24.7	31.2	116.3	29.8	27.5
YoY	9.8%	41.7%	-13.2%	-29.9%	-4.5%	-1.1%	-9.2%
QoQ	-32.3%	0.6%	-18.3%	26.0%		-4.4%	-7.6%
Percentage of Sales	9.4%	8.7%	6.8%	8.1%	8.2%	8.4%	7.7%
Salaries and Emp. Benefits	47.1	46.1	46.8	43.7	183.8	47.0	47.2
YoY	-8.9%	-10.5%	-8.8%	-9.8%	-9.5%	-0.3%	2.2%
QoQ	-2.8%	-2.1%	1.5%	-6.6%		7.4%	0.4%
Percentage of Sales	14.6%	13.2%	12.9%	11.4%	13.0%	13.3%	13.3%
Adjusted EBITDA	9.8	16.0	21.1	23.1	70.0	16.9	20.9
YoY	0.8%	-12.3%	80.3%	117.8%	39.1%	72.0%	30.0%
QoQ	-7.3%	63.4%	31.4%	9.4%		-26.8%	23.5%
Percentage of Sales	3.1%	4.6%	5.8%	6.0%	4.9%	4.8%	5.9%

*FY ends January 2013. Source: Bloomberg

Cost-cutting Measures Begin to Bear Fruit

- Agility's efforts to reduce costs continued into 1H2013. The company achieved an adjusted EBITDA (clean from one-offs) margin of 5.3% in 1H2013, a 150-basis-point YoY improvement. Compared to the previous half (2H2012), the EBITDA margin declined by 60 basis points; however, we believe this is due to seasonality. We believe 2H2013 should be a test to Agility's ability to follow through with its strategy of lowering cost and improving efficiencies.

Figure 2 Adjusted EBITDA Trends



Sources: Company financial statements and NBK Capital

Continued Cost Management in GIL Division Could Unlock Value

- The company's GIL division (84% of total revenue) continues to show an improvement in EBITDA margins, both YoY and QoQ. The GIL division reported a 3.3% EBITDA margin in 4Q2012, its highest level in 2012. As of 1H2013, the GIL division reported an impressive 60-basis-point YoY improvement in EBITDA margin compared to the same period last year. We believe this is a good start to the year, and if the company continues along this trajectory, it could translate into a significant YoY improvement in FY2013 results.
- The legal case with the U.S. Government created a large overhang on Agility's operations. Agility was accused of multiple counts of false claims in dealings with the U.S. Military in Iraq toward the end of 2009. This resulted in Agility being prohibited from bidding for contracts with the U.S. Government. **The complexity and volatility of the situation make it nearly impossible to determine the outcome of the legal case.**

Agility's Stake in Korek Could Unlock Value

- In 2014, FT has a call option with the right to acquire a 7% equity stake in Korek through the JV. If ST exercises the option, Agility's stake in the JV will drop from 54% to 47%. Moreover, Agility will have the right to sell 24% of its stake in the JV during the same year, and its remaining stake after 2015. **We feel that this deal could result in untapped value in Agility's balance sheet. If FT exercises its option to increase its stake in Korek Telecom in 2014, this could result in Agility's total stake (i.e. equity and debt) in Korek being valued at more than USD 600 million (compared to c. USD 440 million on the books).**

Strong Cash-Generating Abilities

- Agility continues to show an outstanding ability to generate operating cash flows through its core segments. In 2012, cash flow from operations reached KD 71 million, 57% greater than 2011 levels. Although these levels remain well below historic highs, the cash levels generated per year are still significant, in which 2012 cash generated represented more than 10% of the company's current market capitalization. Strong growth in cash-generating abilities carried into 1H2013; whereby, Agility reported 80% growth YoY to KD 31.7 million.

Solid Balance Sheet

- Agility maintains a strong balance sheet, highlighted largely by a cash balance of KD 131.6 million, which represents 9% of the company's total assets and 20% of its total market cap. In addition, the cash balance dwarfs the company's total debt of KD 73.2 million as of June 2013. Overall, this provides Agility with sufficient liquidity to follow through with the expansion strategy.

Dividends

- Agility's board of directors (BOD) approved a forward-looking minimum dividend policy recommendation of KD 0.030 per share cash distribution for 2013, 2014, and 2015. **We view this announcement as a positive signal to the market, indicating that the company is optimistic about its ability to generate healthy cash flows going forward.**

Financial Statements

Income Statement (KD million)	2011	2012	1H2012	1H2013
Revenue	1,330.9	1,417.8	670.6	707.8
Cost of Goods Sold	(955.8)	(1,047.7)	(491.1)	(518.6)
Gross Profit	375.1	370.1	179.5	189.2
General and Admin Exp.	(121.7)	(116.3)	(60.4)	(57.3)
Salaries and Emp. Benefits	(203.1)	(183.8)	(93.2)	(94.1)
Adjusted EBITDA	50.3	70.0	25.9	37.8
Other Operating Income (Expenses)	8.1	9.4	8.8	7.5
EBITDA	58.4	79.4	34.6	45.3
Depreciation	(30.8)	(27.8)	(14.0)	(13.2)
Amortization	(0.5)	(2.3)	(0.6)	(1.8)
EBIT	27.1	49.3	20.1	30.2
Interest Income	20.9	6.3	2.8	2.7
Finance Costs	(8.5)	(6.8)	(2.6)	(3.5)
Directors remuneration	(0.2)	(0.2)	(0.1)	(0.1)
Net Profit Before Tax and Min. Int.	39.3	48.7	20.2	29.4
Tax	(8.1)	(8.1)	(2.9)	(4.6)
Minority Interest	(4.2)	(6.3)	(2.7)	(3.1)
Net Profit	27.0	34.3	14.6	21.6

Balance Sheet (KD million)	2010	2011	2012	Jun-13
Cash and Cash Equivalents	203.8	119.7	143.5	131.6
Total Receivables, Net	289.7	279.3	274.1	268.9
Inventory	12.5	10.7	13.8	10.8
Other Current Assets	99.0	96.5	78.8	83.4
Total Current Assets	605.0	506.1	510.1	494.7
Property, Plant & Equipment	238.4	202.0	189.7	180.8
Intangibles	255.0	250.7	288.8	285.0
Projects in Progress	24.9	21.1	18.9	21.3
Long Term Investment Props.	214.4	218.1	214.6	238.1
Financial Assets	112.5	132.7	143.6	150.0
Other Long Term Assets	44.5	71.7	67.1	36.4
Total Long Term Assets	889.6	896.3	922.7	911.5
Total Assets	1,494.6	1,402.4	1,432.8	1,406.2
Accounts Payables	382.2	379.8	381.8	382.6
Dividends Payable	6.7	7.5	7.7	11.0
Current Portion of LT Debt	69.2	38.3	36.7	34.5
Total Current Liabilities	458.1	425.7	426.2	428.1
Provision for End of Service Benefi	19.6	18.1	20.1	35.7
Minority Interest	9.4	7.3	14.9	16.8
Other Long Term Liabilities	35.5	35.1	34.0	28.0
Long Term Debt	59.6	24.5	42.7	38.7
Total Current Liabilities	124.1	85.0	111.6	119.2
Total Equity	912.5	891.8	895.0	858.9
Total Liabilities and Equity	1,494.6	1,402.4	1,432.8	1,406.2

Sources: Company's financial statements and NBK Capital

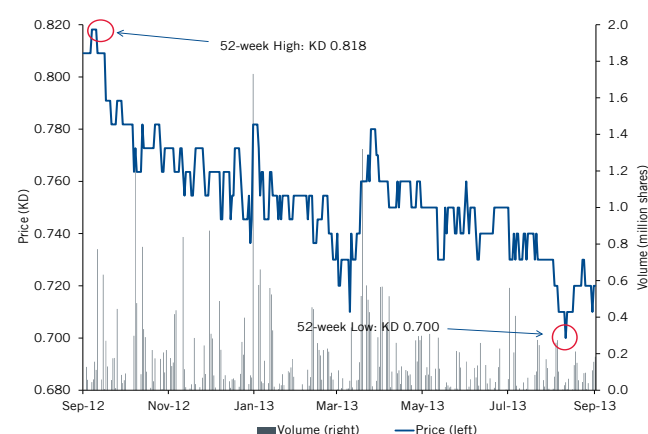
AHLI UNITED BANK (ALMUTAHED)

Key Data

General		Daily Liquidity	
KSE Code	ALMUTAHED.KSE	52-week avg. volume	169,499
Reuters	ALMUTAHED.KW	52-week avg. value (KD)	85,576
Price (KD)		Price Performance	
Closing Price	0.720	YTD	-3.4%
52-week High/Low	0.818 / 0.700	12-month	-11.0%
Market Capitalization		Outstanding Shares	
KD (million)	936.72 Millions		1,301.00
Ownership Structure			
Closely-held: 86%		Public: 14%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Growth in Financing *	6%	3%	3%	9%	18%
Growth in Deposits	2%	-12%	30%	7%	2%
Growth in Net Profit	-72%	95%	13%	22%	13%
Growth in Operating Income	-20%	-9%	0%	11%	12%
NPR Ratio	4.9%	2.9%	2.8%	2.9%	NA
NPR Coverage	107%	113%	149%	161%	NA
Capital Adequacy	16.8%	18.8%	20.1%	18.2%	NA
Growth in Costs	-12.3%	2.9%	8.0%	-4.0%	5.2%
Cost-to-Income	33%	37%	40%	34%	32%
RoAA	0.6%	1.2%	1.2%	1.5%	1.6%
RoAE	6%	12%	12%	14%	16%

*Financing includes financing receivables and conventional loans and advances in 2011 and beyond. Sources: Company's financial statements and NBK Capital

Highlights

- Almutahed was previously known as The Bank of Kuwait and the Middle East and it operated as a conventional banking institution until early 2010, when it converted into an Islamic bank offering complete Shari'ah-compliant services. Ahli United Bank in Bahrain currently owns 67% of Almutahed.
- Almutahed posted a net profit of KD 23.2 million in 1H2013, 13% above 1H2012, mostly driven by higher net interest income. Net interest income grew 8% in 1H2013 and reached KD 36.8 million, on the other hand, non-interest income positively surprised increasing 28% in 1H2013. The positive performance was mostly driven by a 20% boost in fees and commission income.
- Financing receivables grew by an impressive 18% so far this year; deposits on the other hand grew by a marginal 2% YTD. As a result, the bank's loans-to-deposits ratio increased to 109% at the end of June 2013 compared to 96% at the end of December 2012.
- Almutahed's NPR ratio inched up to 2.9% at the end of December 2012, compared with 2.8% at the end of December 2011. However, a 12% increase in provisions resulted in a higher NPR coverage of 161% at the end of December 2012.

Overview

Almutahed was previously known as The Bank of Kuwait and the Middle East and it operated as a conventional banking institution until early 2010. It was the first banking and financial institution incorporated in Kuwait in 1941, when the bank was launched as a branch of a British bank in Kuwait, namely The Iranian Imperial Bank. In 1971, the bank was converted into a 100% Kuwaiti bank, following regulations that restricted foreign ownership in local banks. The majority of the bank has been owned by Ahli United Bank (AUB) in Bahrain since 2002. AUB currently owns 74.9% of Almutahed. Its operations can be broadly broken down into three main segments: retail banking, private banking and wealth management, and corporate banking and treasury. The bank operates via a network of 26 domestic branches. At an extraordinary general meeting held on March 28, 2010, Almutahed shareholders approved the conversion of the bank into an Islamic bank and changing the name of the bank from The Bank of Kuwait and the Middle East to Ahli United Bank. The bank commenced operations as an Islamic bank on April 1, 2010. The bank's principal subsidiary is the Kuwait and Middle East Financial Investment Company (KMEFIC), which offers investment and portfolio management services, and in which Almutahed held a 50% stake as of December 2011. Almutahed is rated by international agencies Moody's and Fitch at A2 and A- respectively.

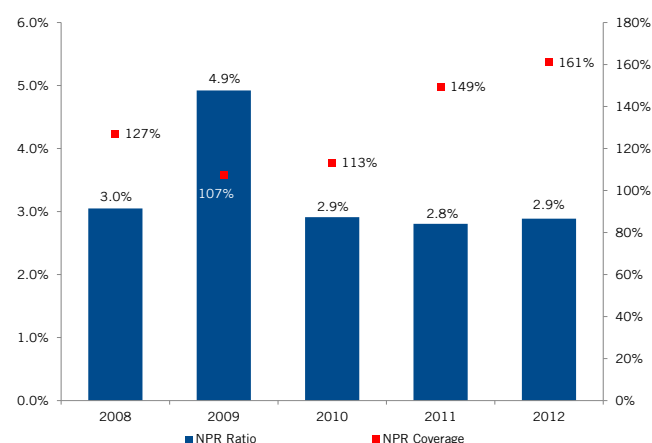
Latest News

- **April 2013:** Moody's Investors Service upgraded its A3 rating to A2 and affirmed Almutahed's standalone bank financial strength rating (BFSR) and short-term deposit ratings of D+ and Prime-1, respectively. The outlook is stable on all the ratings.
- **March 2013:** Almutahed announces that the cash dividends of KWD 0.018 per share for the fiscal year ending December 31, 2012 will be distributed on March 24, 2013. Beneficiaries of the dividends are the company's shareholders who are registered on the general assembly meeting, which was held on March 17, 2013.
- **January 2013:** Almutahed announces that its Board of Directors has recommended the distribution of 18% cash dividends, which is equivalent to KWD 0.018 per share, and 10 shares for every 100 shares owned as bonus shares for the fiscal year 2012.

Asset Quality

- In FY2012, Almutahed saw NPRs increase by 4% to reach KD 48.7 million despite a slight drop in loan growth. Almutahed had registered a 40% drop in NPRs in FY2010 from KD 81.1 million at the end of December 2009 to KD 48.5 million at the end of December 2010 (-40% YoY).
- As a result, Almutahed's NPR ratio inched up to 2.9% at the end of December 2012, compared with 2.8% at the end of December 2011. However, a 12% increase in provisions resulted in a higher NPR coverage of 161% at the end of December 2012 (compared with 149% for the same period last year).

Asset Quality Indicators



Sources: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

1H2013

- **Almutahed posted a net profit of KD 23.2 million in 1H2013, 13% above 1H2012.** The YoY increase was mostly on the back of higher net interest income.
- **Net interest income grew 8% in 1H2013 and reached KD 36.8 million** driven by a 37% decrease in interest expense.
- **On the other hand, non-interest income positively surprised increasing 28% in 1H2013.** The positive performance was mostly driven by a 20% boost in fees and commission income. **As a result, total operating income stood at KD 46.2 million in 1H2013, up 12% compared to 1H2012.**
- **Net provisioning charges increased by 12% in 1H2013,** to reach KD 6.5 million. Following a 14% QoQ decline in provisioning charges in 1Q2013, those picked up again

in 2Q2013 growing by 19% and suggesting continued volatility.

- **Almutahed achieved good cost control**, as the bank's cost-to-income ratio (CIR) dropped to 32% in 1H2013 compared to 34% in 1H2012 as the 5% increase in costs was offset by strong operating income growth.

FY2012

- **Almutahed posted a net profit of KD 38.5 million in FY2012, 22% above FY2011** primarily driven by higher net interest income.
- **Net interest income grew by 13%** and reached KD 71.6 million in FY2012 driven by a 20% decrease in interest expense. Non-interest income was up 3% driven by higher foreign exchange income (15% YoY growth).
- **As a result, total operating income recovered in FY2012**, increasing by 11% YoY following three years of negative to flat growth.
- **Net provisioning charges increased for the second consecutive year, growing 77% YoY** to reach KD 16 million in FY2012. Most of the increase was driven by provisioning charges booked in 3Q2012 which stood at KD 6.8 million compared to an average of KD 3.1 million in the other three quarters of 2012.
- **Almutahed achieved good cost control, as total costs dropped by 4% YoY, bringing the CIR to 34%** compared to 40% at the end of December 2011.

Balance Sheet

- **Financing receivables grew by an impressive 18% so far this year; deposits on the other hand grew by a marginal 2%YTD.** As a result, the bank's loans-to-deposits ratio (LDR) increased to 109% at the end of June 2013 compared to 96% at the end of December 2012.
- Financing receivables marginally slowed down in 4Q2012 (-1%), following consistent positive growth in the previous three quarters. For FY2012, financing receivables increased by 8% to reach KD 1.7 billion.
- On the other hand, deposits from customers grew by 3% in 4Q2012 following a 7% drop in 3Q2012, 9% growth in 2Q2012 and 3% in 1Q2012. All in all, deposits grew by 7% in FY2012.
- As a result, the bank's LDR stood at 95% at the end of December 2012, compared with 99% at the end of September 2012 and 94% at the end of December 2011.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Interest Income	96.3	97.9	48.8	46.2
Interest Expense	(33.0)	(26.3)	(14.8)	(9.4)
Net Interest Income	63.4	71.6	34.0	36.8
Fees and Commissions	9.3	9.3	4.6	5.6
Foreign Exchange Income	3.3	3.8	2.0	2.1
Net Investment Earnings	0.0	(0.3)	0.1	0.0
Other Operating Income	1.6	1.9	0.7	1.8
Total Operating Income	77.6	86.4	41.3	46.2
Staff Expenses	(17.7)	(17.2)	(8.3)	(9.0)
Depreciation	(3.6)	(3.5)	(1.7)	(1.5)
Other Expenses	(9.5)	(8.9)	(4.2)	(4.5)
Total Operating Expenses	(30.8)	(29.6)	(14.2)	(15.0)
Loan Loss Prov.	(9.0)	(16.0)	(5.8)	(6.5)
Investment and Other Prov.	(10.8)	(0.9)	0.0	0.0
Other Income / (Exp.)	(1.5)	(2.0)	(0.9)	(1.1)
Minority Interest	6.1	0.5	0.2	(0.5)
Net Profit	31.5	38.5	20.5	23.2

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Assets				
Cash and Cash Equivalents	383.3	423.3	267.2	189.5
Due from Banks	327.1	453.9	478.2	616.2
Financing Receivables	1,554.0	1,583.3	1,708.5	2,008.9
Loans and Advances	55.9	34.4	19.6	0.0
Net Investments	50.8	47.2	49.2	61.0
Investment in Associates	8.3	8.4	9.2	9.9
Net Fixed Assets	48.1	42.7	38.9	38.0
Others	26.9	34.7	62.2	64.0
Total Assets	2,454.3	2,627.8	2,632.9	2,987.5
Liabilities and Shareholders' Equity				
Due to Banks and Oth.Fin.Inst.	859.7	633.2	500.6	788.5
Customers' Deposits	1,287.5	1,678.8	1,796.3	1,841.2
Other Liabilities	41.8	40.7	40.6	58.7
Total Liabilities	2,189.0	2,352.8	2,337.5	2,688.4
Total Shareholders' Equity	245.7	262.2	282.8	285.8
Minority Interest	19.6	12.8	12.6	13.3
Total Liabilities and Equity	2,454.3	2,627.8	2,632.9	2,987.5

**Interest income and Interest expense include those from Islamic financing Sources: Company's financial statements and NBK Capital*

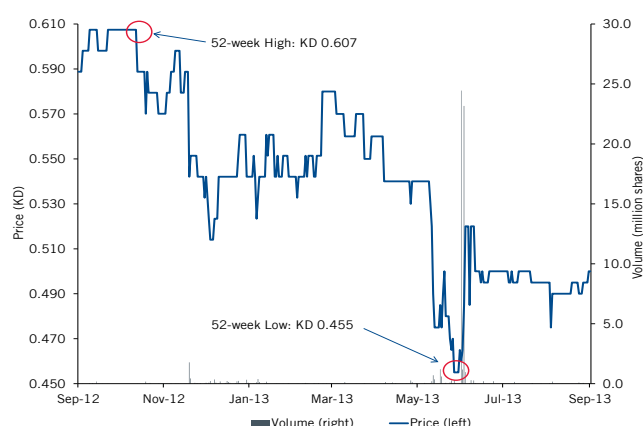
AL AHLI BANK OF KUWAIT (ABK)

Key Data

General		Daily Liquidity	
KSE Code	ABK.KSE	52-week avg. volume	405,165
Reuters	ABKK.KW	52-week avg. value (KD)	82,366
Price (KD)		Price Performance	
Closing Price	0.500	YTD	-4.5%
52-week High/Low	0.607 / 0.455	12-month	-15.1%
Market Capitalization		Outstanding Shares	
KD (million)	809.50	Millions	1,619.00
Ownership Structure			
Closely-held: 57%		Public: 43%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Growth in Loans	-5%	-1%	3%	-4%	5%
Growth in Deposits	-8%	10%	4%	-13%	7%
Growth in Net Profit	-15%	36%	-5%	-40%	-19%
Growth in Operating Income	-2%	-4%	9%	1%	-8%
NPL Ratio	6.0%	4.3%	4.2%	5.3%	NA
NPL Coverage	113%	116%	134%	132%	NA
Capital Adequacy	17.2%	25.5%	25.1%	27.7%	NA
Growth in Costs	5%	8%	9%	0%	3%
Cost-to-Income	28%	31%	31%	31%	33%
RoAA	1.3%	1.8%	1.7%	1.0%	1.1%
RoAE	12%	13%	11%	6%	7%

Sources: Company's financial statements and NBK Capital

Highlights

- ABK is a mid-sized bank in Kuwait with a 7% market share of total assets and 8% share of total loans. The bank was established in 1967 by the Behbehani group, which currently own approximately 24% of the bank's total share capital.
- ABK reported a net profit of KD 17 million in 1H2013, 19% below 1H2012. The steep drop was mainly driven by a decrease in operating income. Net interest income dropped in 1H2013 by 9% despite moderate loan growth. Non-interest income fell by 4% driven by lower net fees and commissions (-4%) and FX income (-27%). As such, operating income dropped 8% in 1H2013.
- Net loans and advances recovered so far this year following five quarters of consecutive drops, growing by 3% in 1Q2013 and 3% in 2Q2013 and bringing YTD growth to a moderate 5%.
- ABK's asset quality indicators slightly deteriorated during the year as the non-performing loan (NPL) ratio increased to 5.1% at the end of December 2012, while NPL coverage slightly dropped but remained high at 132% by the end of 2012 from 134% at the end of December 2011. General provisions increased by 13% in FY2012 and represented as much as 80% of total provisions for the year.

Overview

ABK is a mid-sized bank in Kuwait with a market share of 7% of total assets. The bank was established in 1967 by the Behbehani group, which currently own approximately 25% of the bank's total share capital. Another 20% is owned by government and public institutions. ABK operates via a network of 29 branches in Kuwait and two branches in the United Arab Emirates (UAE; one each in Dubai and Abu Dhabi). However, the bank recently announced that it intended to expand further into the Middle East market, either by opening a new branch in Qatar or by acquiring a strategic stake in an existing Qatari bank. ABK has created a strong franchise in corporate and commercial banking, with an increasing focus on retail banking. In addition to these services, the bank provides asset management services, as well as investment banking services via its wholly owned subsidiary, Ahli Capital Investment Company. ABK is rated by Standard and Poor's (S&P), Moody's, and Fitch as BBB+, A2, and A-, respectively.

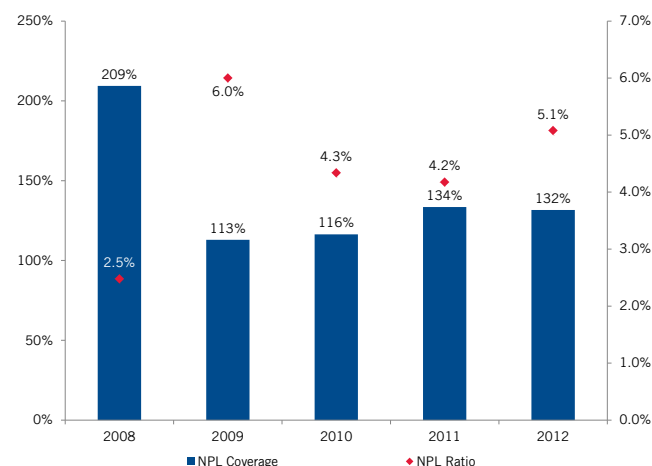
Latest News

- **February 2013:** The board of directors recommended the distribution of 6% cash dividend and 7% bonus shares for FY2012, which is equivalent to a dividend payout ratio of 23% and a dividend yield of 1%.
- **December 2012:** Fitch Ratings has affirmed ABK's Long-term Issuer Default Rating (IDR) at A-, with a stable outlook and its Visibility Rating (VR) of BB+.

Asset Quality

- Overall, ABK's asset quality indicators slightly deteriorated during the year as the NPL ratio increased to 5.1% at the end of December 2012, while NPL coverage slightly dropped but remained high at 132% by the end of 2012 from 134% at the end of December 2011. General provisions increased by 13% in FY2012 and represented as much as 80% of total provisions for the year.
- ABK's net provisioning charges remained high in FY2012 and increased by 79% to reach KD 42.9 million, compared with KD 24.0 million in FY2011 and KD 10.9 million in FY2010, putting a strain on bottom-line growth.
- NPL formation increased in 2012 with NPLs growing by 23% in FY2012 following flat growth in FY2011. ABK had witnessed a noticeable decrease in NPLs in 2010, with NPLs falling 30% from KD 130.3 million as of December 2009 to KD 91.7 million as of December 2010.

Asset Quality Indicators



Sources: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

1H2013

- **ABK reported a net profit of KD 17 million in 1H2013**, 19% below 1H2012. The steep decrease was mainly driven by lower operating income.
- **Net interest income fell by 9% to reach KD 41 million in 1H2013, despite moderate loan growth.**
- Non-interest income dropped by 4% driven by lower net fees and commissions (-4%) and foreign exchange income (-27%). As such, operating income decreased by 8% to reach KD 58 million in 1H2013 compared to KD 62 million in 1H2012.
- **Loan loss provisioning charges marginally fell by 5% in 1H2013 to amount to KD 20 million in 1H2013.** Moreover, it is worth noting that recent quarterly trends seem to be encouraging as provisioning charges were down 6% QoQ in 1Q2013 and 33% QoQ in 2Q2013.
- **Costs grew by 3% YoY in 1H2013**, which increased the CIR to 33% from 31% at the end of December 2012, as the increase in costs was not offset by operating income growth.

FY2012

- **ABK reported a net profit of KD 30.0 million in FY2012**, 40% below FY2011. The steep drop was mainly driven by an increase in loan loss provisioning charges, which increased by almost 80% in FY2012.

- **Net interest income dropped by 1% to reach KD 84.3 million in FY2012, driven by lower interest income from loans and advances.**
- Non-interest income grew by 4% driven by investment income as gains on FVIS investments reached KD 1.6 million in FY2012 compared to a loss of 0.9 million in FY2011. As such, operating income grew by a mere 1% in FY2012. However, a steep increase in provisioning charges significantly hindered bottom-line growth leading to a 40% drop in net profit.
- **Loan loss provisioning charges amounted to KD 42.9 million in FY2012** compared with KD 24.0 million in FY2011. In addition, net investment provisions increased to KD 2.7 million in FY2012 compared with KD 2.1 million in FY2011.
- **Costs grew by 9% YoY in FY2011**, which left CIR at 31%, the same level as FY2010 as the increase in costs was offset by an increase in total operating income.

Balance Sheet

- **Net loans and advances recovered so far in 2013 following five quarters of consecutive drops**, growing by 3% in 1Q2013 and 3% in 2Q2013 and bringing YTD growth to a moderate 5%. On the other hand, deposits grew slightly faster than loans, 7% YTD by the end of June 2013.
- **Net loans and advances dropped for the fifth consecutive quarter in 4Q2012**, bringing YOY growth to -4% for FY2012. Similarly, customer deposits dropped by 6% QoQ in 4Q2012, bringing YoY contraction to -13%. **As a result, the bank's LDR stood at 108% at the end of December 2012, compared with 99% at the end of December 2011.**

Financial Statements

Income Statement (KD millions)	2010	2011	1H2012	1H2013
Interest Income	119.2	121.4	62.9	52.3
Interest Expense	(43.5)	(36.6)	(18.2)	(11.6)
Net Interest Income	75.7	84.8	44.8	40.7
Fees and Commissions	23.0	24.5	12.3	11.8
Foreign Exchange Income	3.6	3.3	2.0	1.5
Net Investment Earnings	3.0	2.1	2.7	2.2
Income from Associate	0.0	0.0	0.0	1.0
Other Operating Income	0.7	0.9	0.7	0.6
Total Operating Income	106.0	115.6	62.5	57.8
Staff Expenses	(21.7)	(23.4)	(11.6)	(11.8)
Other Operating Expenses	(11.3)	(12.6)	(7.2)	(7.5)
Total Operating Expenses	(33.0)	(36.0)	(18.8)	(19.2)
Loan Loss Prov.	(10.9)	(24.0)	(20.8)	(19.9)
Investment and Other Prov.	(5.0)	(1.2)	0.0	0.0
Other Income / (Exp.)	(3.9)	(4.2)	(1.7)	(1.4)
Net Profit	53.2	50.3	21.2	17.2

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Assets				
Cash and Cash Equivalents	701.2	754.6	722.9	738.7
Loans and Advances	2,005.8	2,066.4	1,986.9	2,084.6
Net Investments	180.2	191.7	189.5	231.9
Net Fixed Assets	29.5	28.9	29.2	27.8
Investments in Associate			10.8	29.6
Others	32.5	38.3	33.7	12.8
Total Assets	2,949.1	3,079.8	2,973.0	3,125.4
Liabilities and Shareholders' Equity				
Due to Banks and Oth.Fin.Inst.	397.3	423.0	557.7	575.8
Customers' Deposits	2,022.1	2,102.4	1,838.7	1,964.0
Other Liabilities	61.1	63.4	59.9	61.8
Total Liabilities	2,480.5	2,588.9	2,456.3	2,601.6
Total Shareholders' Equity	468.6	490.9	516.7	523.8
Total Liabilities and Equity	2,949.1	3,079.8	2,973.0	3,125.4

Sources: Company's financial statements and NBK Capital

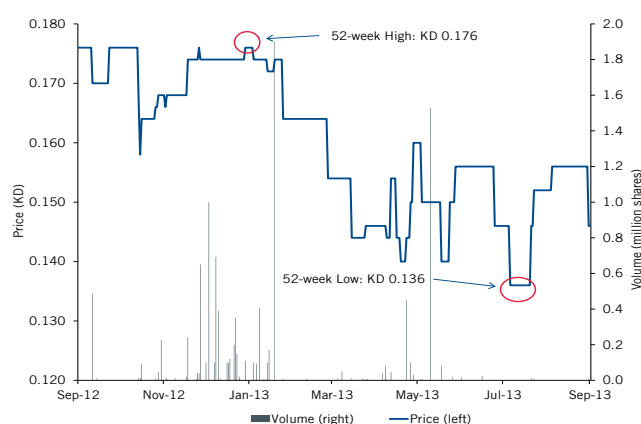
ALARGAN REAL ESTATE COMPANY (ALARGAN)

Key Data

General		Daily Liquidity	
KSE Code	ARGAN.KSE	52-week avg. volume	145,303
Reuters	ARGK.KW	52-week avg. value (KD)	4,898
Price (KD)		Price Performance	
Closing Price	0.146	YTD	-16.1%
52-week High/Low	0.176 / 0.136	12-month	-17.0%
Market Capitalization		Outstanding Shares	
KD (million)	38.69	Millions	265.00
Ownership Structure			
Closely-held: 51.25%		Public: 48.75%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Net Share in Associates' Results (% of Operating Income)	n/m	68%	55%	37%	11%
Net Share in the Associates' Results (% of Net Profit)	n/m	98%	74%	66%	20%
EBITDA Interest Cover (x)	2.39	4.40	5.38	2.57	2.24
Net debt-to-total-equity (x)	0.59	0.53	0.52	0.62	0.65
Investment in Associates (% of Total Assets)	18%	20%	25%	19%	19%
Investment in Associates (% of Total Equity)	32%	34%	42%	35%	36%

Sources: Company's financial statements and NBK Capital

- AlArgan Real Estate, initially established as a family-owned construction company in 1994, has grown into a leading real estate developer in the GCC with strategic partners in Oman, Bahrain, and Saudi Arabia. Since inception, the company has focused on the development of single-family homes and multi-residential projects.
- The company currently holds approximately USD 2 billion in projects under management and around USD 167.4 million in assets under management (as of June 30, 2013).
- When looking at the 1H2013 results, we can see that EBITDA for the period declined 23% YoY due to a gain of KD 1.4 million from the partial sale of an associate in 1H2012, which in turn also boosted net profit for that period.
- As of June 2013, the company's net-debt-to-equity stood at 0.65x, a marginal increase from 0.62x at the end of 2012.

Overview

AlArgan Real Estate, initially established as a family-owned construction company in 1994, has grown into a leading real estate developer in the GCC with strategic partners in Oman, Bahrain, and Saudi Arabia. Since inception, the company has focused on the development of single-family homes and multi-residential projects. AlArgan has now solidified its name as a leader in the development of middle-income housing, which continues to be its primary focus. The company believes that the macroeconomic fundamentals within the GCC region remain attractive due to several encouraging factors such as high oil prices, increased government spending, population growth and structure, which acts as a catalyst for further growth in this segment. Recent regional social and political unrest may represent areas of concern going forward but the measures that regional governments adopted to address them represent significant opportunities for the company's core business. A substantial amount of liquidity has been deployed by regional governments through record budgets, stimulus packages and incentive schemes to stimulate regional economies and to address the local population's housing needs.

The company currently holds approximately USD 2 billion in projects under management and around USD 167.4 million in assets under management (as of June 30, 2013).

ALARGAN's business activities can be classified into the following key business lines:

1. Real Estate Development in Oman, Bahrain, KSA
2. Hospitality (including Leisure and Retail)
3. Property Management (including Brokerage)
4. Project Management (including Engineering & Design)
5. Contracting

Figure 1 AlArgan main subsidiaries and associates

Company Name	Country	Category
ALARAGAN TOWELL Investment Company	Oman	Associate
ALARGAN Bahrain	Bahrain	Associate
ALARGAN Projects	Saudi Arabia	Associate
ALARGAN National General Trading & Contracting	Kuwait	Subsidiary
ALARGAN Real Estate Project Management	Kuwait	Subsidiary
ARGANA Hotels & Resorts	Kuwait	Subsidiary
ALARAGAN Gulf Real Estate Management Company	Kuwait	Subsidiary

Sources: Al Argan Real Estate Company

The company's current revenue-generating assets include:

- **Movenpick Hotel, Al Bida'a, Kuwait:** With a total built up area of 41,020 sq.m, this project includes a resort, health club, villas, serviced flats. In addition, the hotel encompasses an additional commercial area of 3,380

sq.m. The commercial center is comprised of 17 shops and numerous high-end restaurants.

- **C Club, Al Bida'a, Kuwait:** The health club, with a land area of 5000 sq.m. has a capacity of 500 members. The health club's facilities include a gymnasium, aerobic studios, pools, squash courts, and a spa.
- **AlArgan Business Centre, Kuwait:** Located in the Kuwait Free Trade Zone, the business center consists of two units of commercial blocks that consist of 32 offices.
- **Argan Business Park:** A waterfront office complex, located in the Free Trade Zone. It consists of nine buildings linked together and was completed in the last quarter of 2011. The development's total BUA consists of 20,665 sq.m.
- **Al Rimal Hotel and Resort, Al Bida'a, Kuwait:** Previously known as the SHIK Resort, Al Rimal Hotel and Resort was completed in 2Q2010 with a land area of 22,202 sq.m. The development includes a hotel/resort with a BUA of 26,842 sq.m., a commercial area of 16 shops with a BUA of 5,086 sq.m., and a club with a BUA of 2,900 sq.m.
- The company also generates revenues from its contracting activity in Kuwait. The contracting backlog amounted to KD 5.8 million at the end of 1H2013.
- The company's most middle-income housing projects are undertaken entirely through associate companies, and are therefore not part of the consolidated revenues. This is where one can expect most of the value-creation to originate from in the near future.

Figure 2 Upcoming Projects across the GCC

Project Name	Project Description	Duration (months)	Total Cost (millions)	Al Argan Share
Bahrain				
Jeyoun	Townhouses/Commercial	74	BHD 19.3	10.00%
Al Jood Bu Gowa	Townhouses/commercial (20,100 sq.m)	Phase I (BC): 16 Phase II (RA): 24	BHD 18	100.00%
Saar Gate	Commercial (Building 7)	Completed	BHD 0.364	20.00%
Kuwait				
Al Salmiya Complex	Commercial (Rent)	26	KWD 3.24	100.00%
Oman				
Beyout Al Faye*	Residential/Commercial	70	OMR 12.2	15.00%
Al Qurm Gardens**	Residential	80	OMR 7.9	50.00%
Al Qurm Gardens***	Commercial	Completed	OMR 6.97	50.00%
Telal Al Qurm	Mixed-Use Development (10,578 sq.m)	33	OMR 7.8	99.00%
Surooh Al Qurm	Residential/Commercial	33	OMR 49.7	28.48%
Al Waha****	Mixed-Use Development (684,154 sq.m)	131	OMR 49.1	37.50%
Barka Resort*****	Mixed-Use Development (500,000 sq.m)	61	OMR 63.2	30.00%
Naseem Salalah	2 model homes/ selling plots	24	OMR 3	100.00%
Saudi Arabia				
Manazel Qurtoba 1	Mixed Use, Integrated housing community (364,035 sq.m)	84	SAR 424.3	27.58%
Manazel Qurtoba 2	Mixed Use (132,585 sq.m)	36	n/a	27.58%
Mashariq Al Riyad	Mixed Use (711,878 sq.m)	36	n/a	27.58%
Murjana	Residential (112,288 sq.m)	36	SAR 294.5	27.58%
Murooj	Mixed Use (234,340 sq.m)	36	SAR 233.9	27.58%
Al Suhool	Mixed Use (977,307 sq.m)	85	SAR 842.2	27.58%
Al Argan Gardens	Western-Style gated community (44,159 sq.m)	30	n/a	27.58%
Janadriya	Mixed Use (2,135,283 sq.m)	24	n/a	27.58%
Green Oasis	Integrated housing community (~400,000 sq.m)			Potential Project
Al Shurooq	Residential (36,402 sq.m)			Potential Project
Al Fursan	Residential (467,924 sq.m)			Potential Project

* Breakdown of AIRE's share: 7.5% direct, 15% through ATI

** Breakdown of AIRE's share: 25% direct, 15% through ATI

*** Breakdown of AIRE's share: 10% direct, 50% through ATI, 40% through Qurm Gardens

**** Breakdown of AIRE's share: 25% direct, 12.5% through ATI

***** Breakdown of AIRE's share: 30% direct, 60% through ATI

Sources: Al Argan Real Estate Company

Financial Statement Analysis

- The company reports its headline P&L in an unconventional way. The key P&L item is the Operating Gross Profit, which amalgamates the gross profits from the three segments where the company has fully consolidated subsidiaries [projects (mainly contracting but also real estate services), rentals and resorts] as well as the share in results of associates (through which the company performs its main activity of middle-income housing). Resorts have traditionally accounted for more than 45% of this gross operating profit, although it can be expected that, as the affordable housing activity builds up in coming years, associates will become the main item.
- In terms of revenues (specified in the notes to the financial statements), the split is more oriented towards projects/contracting (just under 45%), with resorts representing just under 40% if revenues and rentals just under 15%. Segmental gross margins were in line with sector averages in 1H2013 (projects/contracting: 14.9%, resorts 51% and rentals 90%).
- The balance sheet is moderately geared (net debt-to-equity of around 60% in recent quarters). The company generated free cash flow in FY2012, and can be expected to continue doing so. However, it should be remembered that the affordable housing activity, where the main investments will take place, are housed in associate companies, and as such are not fully consolidated.

Income Statement

1H2013

- Gross profit from projects amounted to KD 0.7 million during the period as against KD 0.2 million in 1H2012. In addition, gross profit from rents and resorts increased 52% and 5.3% YoY, respectively.
- When looking at the 1H2013 results, we can see that **EBITDA amounted to KD 3.0 million, a decline of 23% YoY** from KD 3.9 million during 1H2012. **This was due to a gain of KD 1.4 million from the partial sale of an associate in 1H2012, which in turn also boosted net profit for that period.**
- Though an improvement in the company's operational performance was witnessed during 1H2013, net profit declined 22% YoY to KD 1.4 million from a previous level of KD 1.8 million in 1H2012. This was due to the above mentioned exceptional gain.

Balance Sheet

- As of June 2013, the company's net-debt-to-equity stood at 0.65x, a marginal increase from 0.62x at the end of 2012.

Financial Statements

Income Statement (KD thousands)	2011	2012	1H2012	1H2013
Gross Profit from projects	(88)	478	203	702
Gross Profit from rents	1,954	2,120	974	1,478
Gross Profit from resorts	2,863	3,308	1,892	2,031
Group's share of results from associates	3,935	2,897	911	289
Operating Gross Profit	8,664	8,802	3,980	4,500
Gain on partial sale of an associate	-	2,068	1,421	-
Unrealized gain from change in fair value of inv. prop	2,037	493	-	-
General and administrative expenses	(3,345)	(3,481)	(1,812)	(1,694)
EBITDA	7,356	7,883	3,590	2,806
Depreciation & amortization	(251)	(147)	(74)	(61)
Operating Profit	7,105	7,735	3,516	2,746
Net gains (losses) on investments	(104)	22	(26)	(7)
Net Interest Income (Expense)	(1,432)	(3,215)	(1,698)	(1,343)
Others	(144)	33	37	25
EBT	5,426	4,575	1,829	1,420
Taxes	(10)	(119)	(70)	(40)
BOD remuneration	(25)	(30)	-	-
Minority Interest	91	48	(17)	(46)
Net Profit	5,300	4,378	1,777	1,427

Balance Sheet (KD thousands)	2010	2011	2012	Jun-2013
Cash and cash equivalents	680	587	5,873	4,116
Murabaha Investments	806	806	806	806
Due from customers for contract work	726	715	2,313	2,852
Current Receivables	9,963	10,989	15,152	14,830
Land held for trading	7,999	7,954	8,046	8,175
Inventory	286	265	290	307
Due from related parties- non current portion	9,083	7,063	10,812	10,904
Investment in associates	21,479	28,711	24,334	24,902
Development Properties	0	0	0	2,439
Investment properties	51,156	54,674	55,688	55,901
Other Assets	4,515	4,380	4,193	3,927
Total Assets	106,692	116,143	127,506	129,160
Total Debt	33,740	36,011	49,056	49,609
Total Liabilities	44,381	48,490	57,665	59,353
Minority Interest	594	685	734	628
Shareholders' Equity	61,717	66,968	69,107	69,178
Total Liabilities and Equity	106,692	116,143	127,506	129,160

Sources: Company's financial statements and NBK Capital

AVIATION LEASE AND FINANCE COMPANY (ALAFCO)

Key Data

General		Daily Liquidity	
KSE Code	ALAFCO.KSE	52-week avg. volume	741,986
Reuters	ALAF.KW	52-week avg. value (KD)	162,988
Price (KD)		Price Performance	
Closing Price	0.285	YTD	-19.7%
52-week High/Low	0.365 / 0.270	12-month	-17.4%
Market Capitalization		Outstanding Shares	
KD (million)	222.23 Millions		779.77
Ownership Structure			
Closely-held: 65.16%		Public: 34.84%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	FY2008-2009	FY2009-2010	FY2010-2011	FY2011-2012	9M2012-2013
Adjusted EBIT (KD Millions)*	13.6	19.6	23.4	24.4	18.1
Adjusted EBIT Margin*	50%	50%	45%	44%	47%
Adjusted Net Profit Margin**	26.0%	27.2%	19.9%	22.8%	31.2%
Unadjusted Net Profit Margin*	37.7%	27.2%	90.0%	46.7%	44.0%
Net debt-to-total equity (x)	2.1	3.4	2.5	1.9	1.8
Interest Coverage Ratio (EBIT / Net Int. Exp.)	2.2	2.3	2.2	2.2	3.0
RoAA	3.1%	2.3%	8.4%	4.4%	6.7%
RoAE	12%	11%	38%	17%	24%

*Based on adjusted revenue. **Based on adjusted revenue and normalized net profit (excluding one-off gains and impairments). Sources: Company's financial statements and NBK Capital

Highlights

- ALAFCO is a Kuwait-based Sharia-compliant commercial aircraft leasing company. The company's principal activities are 1) aircraft operating leases, 2) sale and leaseback of aircraft, and 3) aircraft lease management services.
- ALAFCO Typically engages in operating leases for commercial passenger airlines. ALAFCO leases aircraft to airlines on an operating lease basis in which the lessee is responsible for operating expenses such as maintenance and insurance (i.e., dry lease).
- ALAFCO owns a fleet of 48 planes that is composed mostly of single-aisle aircraft (Airbus A320 and Boeing 737). In addition, the company manages 12 planes for third parties.
- ALAFCO has a diverse client base of 16 airlines. The highest client concentration is with Saudi Arabian Airlines, for which the company leases 13 Airbus A320s (27% of ALAFCO's fleet by number of aircraft).
- ALAFCO aims to increase its fleet to 100 aircraft by 2020, more than doubling today's portfolio. As such, the company has placed orders for 117 aircraft for delivery between 2017 and 2022.
- As per the latest financial statements, ALAFCO has capital commitments of KD 1.42 billion (off-balance sheet) composing payments that need to be made toward acquiring ordered aircraft.
- We believe ALAFCO has a low-risk business model compared to some of its listed peers. The focus on narrow-body, young, and fuel-efficient aircraft, as well as the exclusion of freighters, make the operations less complex and reduce the volatility inherent in the airline leasing business.

Overview

A specialized financial services provider with a global reach, Aviation Lease and Finance Company (ALAFCO) is a Kuwait-based Sharia-compliant commercial aircraft leasing company. The company's principal activities are 1) Aircraft operating leases, 2) sale and leaseback of aircraft, and 3) aircraft lease management services.

Typically Engages in Operating Leases for Commercial Passenger Airlines

ALAFCO leases aircraft to airlines on an operating lease basis whereby the lessee is responsible for operating expenses such as maintenance and insurance (i.e., dry lease). The average lease period usually ranges between 8 to 12 years. At the moment, the company does not have any finance leases, though it has done leasing under that method in the past and would use it if the opportunity arises. The aircraft leased by ALAFCO are being leased for passenger transport. According to Flightglobal Insight, ALAFCO is among the top 30 aircraft lessors globally.

Latest News

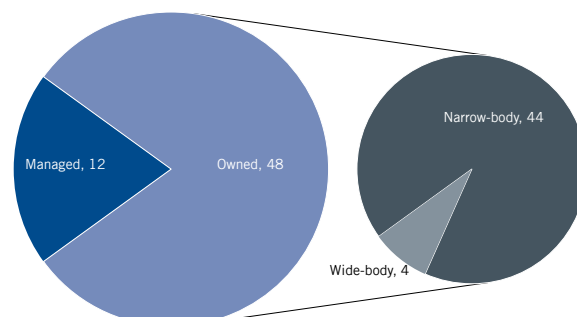
August 2013: ALAFCO will be seeking to list its shares on either the New York Stock Exchange or the London Stock Exchange through a GDR process. Existing shareholders will be entitled to sell up to 30% of their holding through the GDR listing process. ALAFCO will need 4 to 6 months of preparations. The company will start with a dual listing with no capital increase. However, raising capital in new markets in the future might be an option.

July 2013: ALAFCO has leased two aircraft of the type Boeing 737-900 AR for Ukraine International Airlines. The leasing period is 8 years starting from July 2013 following the expiration of the lease contract with Sky Airlines. Highlighting that, the market value per mentioned aircrafts is USD 38 million. The new lease is set at a monthly fee rate of 1% of the aircraft's value.

A Young Fleet Composed of Mostly Narrow-Body Aircraft

ALAFCO owns a fleet of 48 planes that is composed mostly of single-aisle aircraft (Airbus A320 and Boeing 737). In addition, the company manages 12 planes for third parties. The average age of ALAFCO's fleet is relatively young at around 5 years.

Figure 1 Fleet Overview

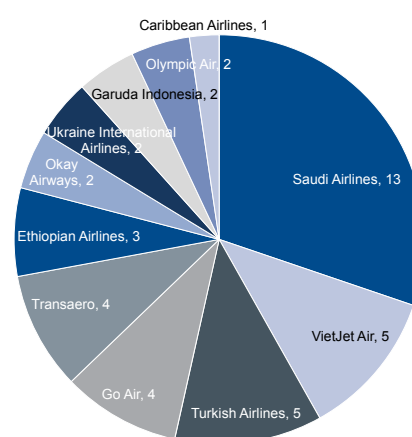


Source: ALAFCO

A Diverse Client Base

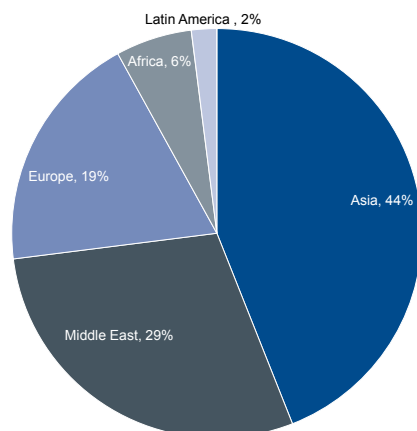
ALAFCO has a diverse client base of 16 airlines. The highest client concentration is with Saudi Arabian Airlines, for which the company leases 13 Airbus A320s (27% of ALAFCO's fleet by number of aircraft). We feel that government ownership of the Saudi Airlines reduces the concentration risk of this client, and thus, we feel the client portfolio is well diversified. Moreover, ALAFCO also has a good level of regional diversification.

Figure 2 Client Base



Source: ALAFCO

Figure 3 Regional Diversification



Source: ALAFCO

Embarking on a Large-scale Expansion

ALAFCO aims to increase its fleet to 100 aircraft by 2020, more than doubling today's portfolio. Thus, the company has placed orders for 117 aircraft for delivery between 2017 and 2022. The order book focuses mostly on the next-generation, single-aisle including Airbus A320neo and Boeing 737MAX. In addition, the company has ordered 12 Airbus A350-900XWB (twin aisle). Moreover, the company may acquire additional aircraft through sale and leaseback transactions.

Figure 4 Order Book

Type	# Craft
A320neo	85
B737 MAX 8	20
A350-900XWB	12
Total	117

Source: ALAFCO

We view ALAFCO's focus on the next-generation, single-aisle aircraft positively as it offers significant flexibility for lessors:

- 1. A large user base** – More than 230 airlines operate A320 for commercial passenger services which would make it easier to lease the plane and preserve the asset's residual value.
- 2. Less customized than double aisle** – The cabin configuration of single aisle tends to see less customization by its operator than wide-body aircraft. This means that it would require minimal cost to reconfigure the cabin to lease the aircraft to a new client as well as reducing idle time.

- 3. Operationally more efficient** – The next-generation planes will offer significant operational efficiencies, most notably lower fuel consumption (A320neo is expected to have 15% lower fuel consumption).

Balance Sheet

Capital Commitments Appear Large at First Glance but Are Spread over a Long Period

- As of the latest financial statements, ALAFCO has capital commitments of KD 1.42 billion (off-balance sheet) composing payments that need to be made toward acquiring ordered aircraft. Management mentioned that the stated capital commitment is not based on the catalogue price but the actual purchase price of aircraft. The maturity of these commitments will resemble the aircraft delivery schedule and thus should be paid by 2022.

Capital Structure is Favorable Compared to the Industry Practice with Several Options Available for Financing the Order-book

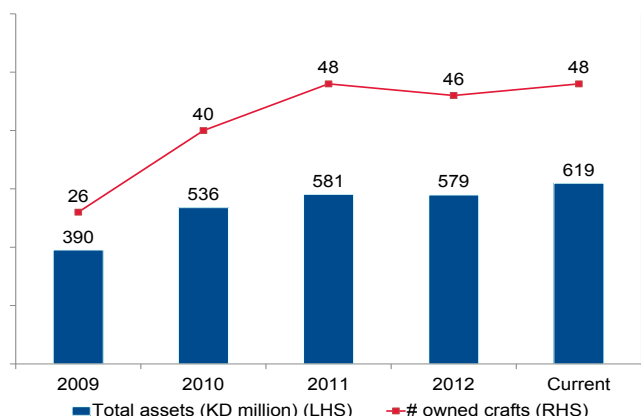
- ALAFCO's current net debt to equity of 1.8x seems favorable compared to the industry average of around 2.4x (based on publicly listed aircraft lessors). Therefore, we feel the company has some room to increase its gearing.
- Management looks to finance the order-book through a range of options available, including direct bank facilities, ECA financing, and equity infusion. Given the interest rate environment currently remains benign, the company at the moment is pursuing direct bank facilities. Management also mentioned that it could create a managed fund as a financing option, which would bring in new investors. In this case, the fund will acquire some of the aircraft on order with ALAFCO managing the assets of the fund.

Strong Growth Potential Means that Earnings Are Most Likely Be Reinvested

- Given the growth potential ahead, we find it unlikely that the company will increase its dividend payout ratio (FY2012 payout of 15%), and we view ALAFCO as a growth stock.

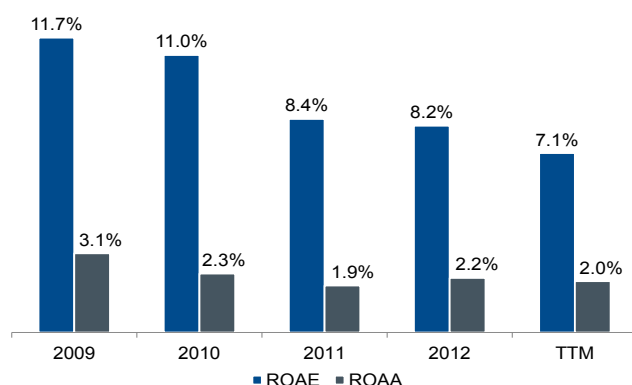
Key Financial Highlights

Figure 5 Assets and Fleet Growth



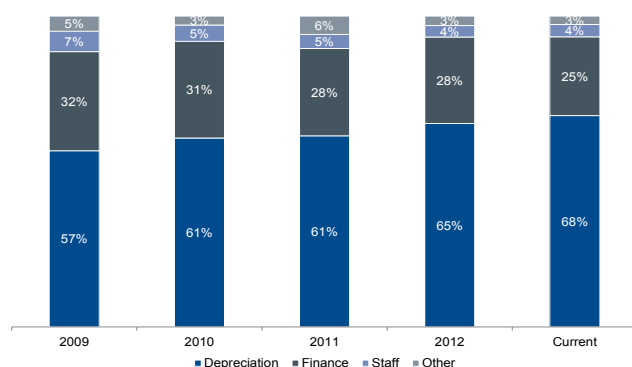
Sources: ALAFCO and Bloomberg

Figure 6 Adjusted Returns (excluding one-offs)



Sources: ALAFCO and Bloomberg

Figure 7 Breakdown of Key Cost Items



Sources: ALAFCO and NBK Capital

Comparison with Other Listed Lessors

We believe ALAFCO has a low-risk business model compared to some of its listed peers. The focus on narrow-body, young, fuel-efficient aircraft and exclusion of freighters make the operations less complex and reduce the volatility inherent in the airline leasing business. We feel a relatively younger fleet compared to the industry and the lowest leverage may justify the current premium against peers on P/B. Additionally, ALAFCO's ROAAs are better than the industry average; due to its low gearing, we feel ROAEs may have some scope for improvement.

Figure 8 Overview

	AerCap	Air Castle	Air Lease	FLY	ALAFCO
Aircraft currently owned*	212	159	155	100	48
On order	45	-	325	-	117
Average age of crafts	5.1	10.7	3.5	9.6	5.0
Net debt to equity (FY2012)^	2.5	1.7	1.8	3.6	1.8
Adjusted ROAE (FY2012)**	10.1%	8.8%	5.9%	10.9%	8.2%
Adjusted ROAA (FY2012)**	2.5%	2.2%	2.1%	1.7%	2.2%
P/B trailing (x)	0.96	0.81	1.14	0.66	1.36

*excluding managed, ^ALAFCO as of June 30, 2013, **excluding one-offs. Sources: Bloomberg and respective company data

Risks

The current weak global economic recovery could continue to pose a challenge to the growth of the aviation business. Therefore, given the size of the plane orders placed by airlines and aircraft lessors globally, any slowdown in air travel may reduce the leasing rates and aircraft residual values for lessors like ALAFCO. Moreover, any credit crunch like the financial crisis of 2007-08 may make it difficult to raise funds to finance the fleet order, hampering the growth plan for the company. However, given the current low gearing, we do not see this as a major risk for ALAFCO.

Financial Statements

Income Statement (KD millions)	FY2010-2011	FY2011-2012	9M2011-2012	9M2012-2013
Operating lease income	51.6	54.6	40.4	38.8
Consultancy and service income	0.3	0.2	0.2	0.1
Total Adj. Revenue	51.9	54.9	40.6	38.9
Murabaha income	0.5	0.9	0.6	1.0
Gain on cancel. of aircraft agrmt.	36.4	20.3	13.3	7.1
Other income	-	0.4	0.3	0.8
Staff costs	(1.8)	(1.6)	(1.1)	(1.1)
Depreciation	(24.6)	(27.8)	(20.7)	(18.9)
Impairment loss	-	(7.2)	0.0	(2.1)
Finance costs	(11.2)	(11.8)	(8.9)	(7.1)
Other operating expenses	(2.2)	(1.1)	(0.9)	(0.8)
Directors' fees	(0.2)	(0.2)	0.0	0.0
Profit before tax	48.8	26.8	23.3	17.9
Adjusted Operating Profit	23.4	24.4	17.9	18.1
Zakat	(0.5)	(0.3)	(0.2)	(0.2)
KFAS	(0.4)	(0.2)	(0.2)	(0.2)
NLST	(1.2)	(0.7)	(0.6)	(0.4)
Net Profit	46.7	25.6	22.2	17.1
Adjusted Net Profit	10.3	12.5	9.0	12.1

Balance Sheet (KD millions)	FY2009-2010	FY2010-2011	FY2011-2012	3Q2012-2013
Assets				
Aircraft, engines & equipment	471.0	532.2	508.4	522.7
Capital advances	43.6	15.4	16.4	21.1
Receivables	0.3	0.5	10.3	22.9
Finance lease receivables	-	-	-	-
Cash and cash equivalents	20.6	32.9	43.9	52.8
Total Assets	535.6	581.0	579.0	619.5
Liabilities and Shareholders' Equity				
Due to financial institutions	370.0	386.6	353.2	367.9
Security deposits	31.3	14.2	14.7	13.9
Maintenance reserve	12.7	24.6	40.1	53.0
Other liabilities	18.8	13.2	8.0	5.6
Total Liabilities	432.8	438.7	415.9	440.5
Total Equity	102.8	142.3	163.2	179.0
Total Liabilities & Equity	535.6	581.0	579.0	619.5

Sources: Company's financial statements and NBK Capital

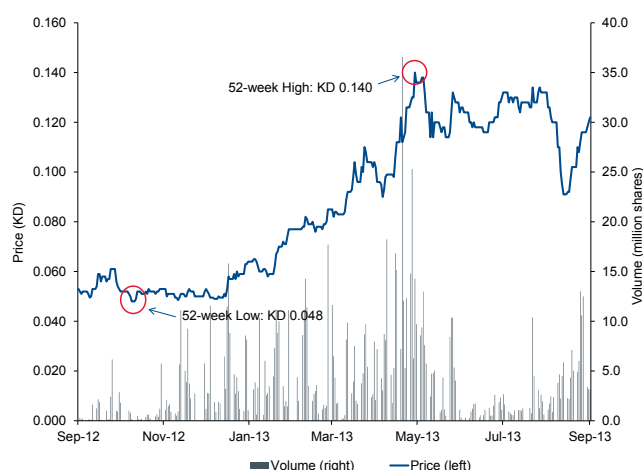
BOUBYAN INTERNATIONAL INDUSTRIES HOLDING COMPANY (BIIHC)

Key Data

General		Daily Liquidity	
KSE Code	BIIHC.KSE	52-week avg. volume	4,129,449
Reuters	BIIHC.KW	52-week avg. value (KD)	262,515
Price (KD)		Price Performance	
Closing Price	0.122	YTD	149.0%
52-week High/Low	0.140 / 0.048	12-month	130.2%
Market Capitalization		Outstanding Shares	
KD (million)	36.60 Millions		300.00
Ownership Structure			
Closely-held: 39.88%		Public: 60.12%	

Price as of close on September 24, 2013. Sources: Bloomberg and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	FY2008-2009	FY2009-2010	FY2010-2011	FY2011-2012	9M2012-2013
Net debt-to-total-equity	0.4	0.3	0.2	0.2	0.1
Investments/Total Assets	92%	86%	90%	90%	92%
Investments/Equity	135%	121%	117%	111%	100%
RoAA	4.1%	4.7%	0.3%	n/m	n/m
RoAE	5.7%	6.8%	0.4%	n/m	n/m

Sources: Company's financial statements and NBK Capital

Highlights

- BIIHC was incorporated in Kuwait in 2004 and is essentially an investment company that was set up mainly to allow the private sector in Kuwait to invest in industrial companies.
- BIIHC's revenues stood at KD 0.34 million during 9M2012-2013, a 35% YoY rise, compared to KD 0.25 million during 9M2011-2012. The company's fiscal year ends on July 31 of each year.
- BIIHC recorded losses from associates of KD 0.24 million in 9M2012-2013, compared to a loss of KD 1.30 million from associates during the same period last year.
- The company incurred losses on the net level during 9M2012-2013. The net loss during this period amounted to KD 2.35 million, versus a huge net loss of KD 8.95 million in 9M2011-2012.
- The company's investments accounted for 93% of its total assets at the end of April 2013, compared to 91% the previous year.

Overview

BIIHC was incorporated in Kuwait in 2004 and was listed on the Kuwait Stock Exchange in 2010. BIIHC is an investment company that was set up mainly to allow the private sector in Kuwait to invest in industrial companies. The following figure shows the company's major direct investments:

Figure 1 BIIHC's Direct Investments

Name	Country	Holding
Al Tameer and al Bena Factory for Cement Block Manufacturing	Kuwait	99%
Boubyan Real Estate Project Management	Kuwait	99%
Boubyan for Real Estate Development	Kuwait	79%
Al-Dhow for Environmental Projects	Kuwait	20%
Al Dhiyafa Al Ahliya Real Estate Company	Kuwait	10%
Edible Oil Company	UAE	10%

Source: Zawya

Latest News

- **November 2012:** The company announced that it has sold its 10% stake in Arabian Waterproofing Industries Company to Boubyan Petrochemical Company for a total value of KD 3.7 million, and realized a profit of KD 67,898 on the sale.

Financial Statement Analysis

Income Statement

- **BIIHC's revenues stood at KD 0.34 million during 9M2012-2013**, a 35% YoY rise, compared to KD 0.25 million during 9M2011-2012. **The company's fiscal year ends on July 31 of each year.**
- Operating expenditures (excluding depreciation) amounted to KD 0.38 million in 9M2012-2013, a 16% YoY decline when compared to KD 0.46 million in 9M2011-2012, and was mainly driven by a 32% decline in general and administrative expenses during the period.
- **BIIHC recorded losses from associates of KD 0.24 million in 9M2012-2013**, compared to a loss of KD 1.30 million from associates during the same period last year.
- **The company incurred losses on the net level during 9M2012-2013.** The net loss during this period amounted to KD 2.35 million, versus a huge net loss of KD 8.95 million in 9M2011-2012.

Balance Sheet

- BIIHC's cash balance stood at KD 0.9 million at the end of April 2013, a 75% QoQ reduction when compared to KD 1.6 million at the end of January 2013. The company's debt figure outweighed its cash balance by the end of April 2013, which led to a net debt-to-equity ratio of 0.1x.

- Total liabilities amounted to KD 3.15 million at the end of April 2013, a 41% drop from KD 4.82 million at the end of January 2013, mainly due to decline in Murabaha payable and accounts payable and accruals by 38%, and 75% QoQ, at the end of April 2013.
- **The company's investments accounted for 93% of its total assets at the end of April 2013**, compared to 91% the previous year.

Financial Statements

Income Statement (KD thousands)	FY2010-2011	FY2011-2012	9M2011-2012	9M2012-2013
Sales	344	369	254	344
Cost of sales	(290)	(285)	(204)	(265)
Gross Profit	54	83	50	79
Murabaha income	1,389	-	10	1
Dividened income	-	821	632	1,126
Net investment income (loss)	2,175	(509)	(29)	59
Gain on bargain purchase	-	228	228	-
Share of results of associates	(20)	(1,329)	(1,299)	(244)
Gain(loss) on foreign exchange	774	-	(40)	18
Staff Cost	(216)	(318)	(254)	(247)
Gen. and admin. expenses	(656)	(608)	(201)	(136)
Depreciation	-	(26)	(104)	(90)
Murabaha expenses	(899)	(688)	(546)	(290)
Foreign exchange gain	-	25	-	-
Profit Before Impairment	2,602	(2,320)	(1,553)	277
Impairment loss on AFS inv.	(2,385)	(7,393)	(7,393)	(2,623)
Profit Before taxes & Dir. Fees	217	(9,713)	(8,946)	(2,346)
KFAS	(2)	-	-	-
Directors' fees	(15)	-	-	-
Net Profit	200	(9,713)	(8,946)	(2,346)

Balance Sheet (KD thousands)	FY2009-2010	FY2010-2011	FY2011-2012	Apr-2013
Cash and cash equivalents	5,431	2,413	595	879
Accounts receivable & prepayments	1,285	755	267	211
Inventories	-	7	3	3
Inv. at fair value through P&L	9,494	9,341	8,916	5,295
Investments available for sale	47,862	44,244	30,646	28,859
Investments in associates	5,655	5,515	4,159	3,767
Exchange of deposits	2,478	1,361	1,818	-
Property and equipment	1,170	1,917	2,051	1,946
Intangible assets	-	-	48	37
Goodwill	-	121	-	-
Total Assets	73,376	65,674	48,503	40,997
Murabaha payable	20,339	14,080	8,699	2,849
Accounts payable and accruals	841	1,098	270	298
Total Liabilities	21,180	15,178	8,969	3,146
Total Shareholders' Equity	52,196	50,497	39,534	37,851
Total Liabilities and Equity	73,376	65,674	48,503	40,997

Sources: Company's financial statements and NBK Capital

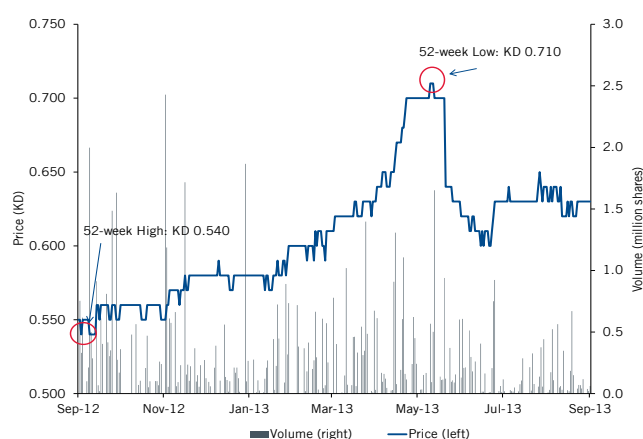
BOUBYAN PETROCHEMICAL (BPCC)

Key Data

General		Daily Liquidity	
KSE Code	BPCC.KSE	52-week avg. volume	297,513
Reuters	BPCC.KW	52-week avg. value (KD)	117,708
Price (KD)		Price Performance	
Closing Price	0.630	YTD	8.6%
52-week High/Low	0.710 / 0.540	12-month	14.5%
Market Capitalization		Outstanding Shares	
KD (million)	305.61	Millions	485.10
Ownership Structure			
Closely-held: 17.03%		Public: 82.97%	

Price as of close on September 24, 2013. Sources: Bloomberg and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	FY2008-2009	FY2009-2010	FY2010-2011	FY2011-2012	FY2012-2013
Gross Margin	24%	29%	20%	18%	18%
RoAA (%)	5.2%	5.4%	5.3%	5.8%	6.3%
RoAE (%)	8%	10%	9%	9%	9%
Net debt-to-total-equity	0.7	0.7	0.6	0.3	0.3
Investments/Total Assets	87%	85%	85%	77%	75%
Investments/Equity	155%	151%	142%	119%	111%
Receivables turnover (x)	3.3	2.6	2.6	2.7	2.9
Payables turnover (x)	2.2	2.1	2.0	1.8	2.0
Inventory turnover (x)	7.5	5.1	4.8	4.5	4.6

Sources: Company's financial statements and NBK Capital

Highlights

- BPCC is the first private sector company in Kuwait to invest in the petrochemical sector. BPCC was established in 1995 as a public shareholding company, with the core business activity being direct investments in industrial projects, particularly petrochemicals.
- Revenues increased 20.5% to KD 27.3 million in FY2012-2013 from KD 22.7 million in FY2011-2012. Gross profit, in turn, also increased to KD 5.1 million in FY2012-2013 from KD 4.2 million in FY2011-2012. The gross profit margin improved by 20 basis points from 18.5% to 18.7%.
- The company's investment portfolio declined quite significantly over the past fiscal year. Net investment income dropped by 82% to reach KD 6.9 million in FY2012-2013 compared to KD 38.3 million during the same period last year.
- BPCC generated an operating income of KD 1 million during FY2012-2013, compared to a loss of KD 0.3 million in FY2011-2012.
- BPCC's net profit improved by 6.1% during FY2012-2013, to reach KD 26.2 million, largely due to the drop in impairment costs from KD 32 million in FY2011-2012, to just KD 6 million in FY2012-2013.
- BPCC's balance sheet indicates that investments constitute the majority of the company's total assets, accounting for 75% of total assets at the end of April 2013, while operating assets constituted 17%.

Overview

BPCC is the first private sector company in Kuwait to invest in the petrochemical sector. BPCC was established in 1995 as a public shareholding company, with the core business activity being direct investments in industrial projects, particularly petrochemicals.

BPCC's Direct Investments

Name	Country	Holding
Boubyan Plastic Industries Company (BPIC)	Kuwait	100.0%
Muna Noor Plastic Industries	Oman	100.0%
Muna Noor Manufacturing & Trading Company (MNMT)	Oman	100.0%
Olayan Arabian Packaging Company (OAPC)	Saudi Arabia	60.0%
Kuwaiti Qatari International Holding Company	Kuwait	50.0%
National Waste Management Company (NWMCO)	Kuwait	50.0%
Al Kout Industrial Projects	Kuwait	24.0%
Edible Oil company	UAE	20.0%
Boubyan International Industries Holding Company	Kuwait	20.0%
Bahrain National Gas Company	Bahrain	12.5%
Equate Petrochemical Company (EQUATE)	Kuwait	9.0%
The Kuwait Olefins Company (TKOC)	Kuwait	9.0%

Sources: Company's financial statements and NBK Capital

As of April 2013, the company's total investment portfolio accounted for about 75% of its total assets. Therefore, when analyzing the company's operations, BPCC can be considered a holding company with investments in other petrochemical companies.

Latest News

- December 2012:** BPCC announced that its fully owned subsidiary, Muna Noor Plastic Industries, had officially opened a factory in Sohar Industrial area in Oman. The plant will produce polypropylene tubes, as well as other plastic products, with production capacity expected to reach 12,000 tons annually.
- December 2012:** The company announced that it has signed an agreement to acquire a 20% stake in Saudi Arabia's Al Borj Medical Lab Co. for about KD 5.7 million.

Financial Statement Analysis

Income Statement

FY2012-2013

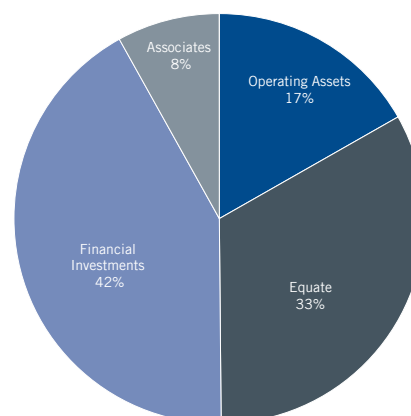
- Revenues increased 20.5% to KD 27 million in FY2012-2013 from KD 22.6 million in FY2011-2012. Gross profit in turn also increased to KD 5.1 million in FY2012-2013 from KD 4.2 million in FY2011-2012. The gross profit margin improved by 20 basis points from 18.5% to 18.7%.
- In addition, general and administrative expenses declined by an impressive 9.5% to KD 4.1 million in FY2012-2013. As a result, the company generated an operating income of KD 1.2 million during FY2012-2013, compared to a loss of KD 0.3 million in FY2011-2012.

- The company's investment portfolio declined quite significantly over the past fiscal year. Net investment income dropped by 82% to reach KD 6.9 million in FY2012-2013 compared to KD 38.3 million during the same period last year. On the plus side, dividend income increased 5.7% to stand at KD 30.2 million in FY2012-2013, compared to KD 28.6 million in FY2011-2012, marginally offsetting the drop in investment income.
- The majority of investment income came from the sale of a portion of BPCC's ownership in Equate Petrochemical Company for a profit of for KD 4.5 million.
- BPCC's net profit improved by 6.1% during FY2012-2013, to reach KD 26.2 million, largely due to the drop in impairment costs from KD 32 million in FY2011-2012, to just KD 6 million in FY2012-2013. Excluding impairment costs from the results, BPCC would have actually recorded a significant YoY decline in net profit.

Balance Sheet

- The major components of BPCC's asset portfolio are investments, which constitute 75% of total assets, effectively making BPCC a holding company. Operating assets accounted for only 17% of total assets at the end of April 2013.
- EQUATE is considered a key strategic investment for the company since BPCC has board representation and is involved in the decision-making process.
- BPCC's net debt-to-total-equity ratio increased from 0.4x at the end of April 2012 to 0.3x at the end of April 2013.

Boubyan Petrochemical Company's Asset Structure – April 2013



Sources: Company's financial statements and NBK Capital

Financial Statements

Income Statement (KD millions)	FY2009-2010	FY2010-2011	FY2011-2012	FY2012-2013
Sales	23.1	23.1	22.7	27.3
Cost of Sales	(16.5)	(18.5)	(18.5)	(22.2)
General and administrative expense	(1.3)	(6.3)	(4.5)	(4.1)
Operating Income	5.3	(1.8)	(0.3)	1.0
Dividend income	14.6	29.4	28.6	30.2
Net investment income	30.7	16.7	38.3	6.9
Share of results of associates	0.2	(0.8)	(0.5)	1.3
Finance cost	(7.8)	(9.0)	(8.0)	(6.5)
Other Income	2.4	0.7	(0.2)	0.5
Profit before impairment	45.4	35.3	57.9	33.6
Impairment of investments AFS	(22.0)	(11.7)	(32.3)	(6.0)
Taxes	(1.0)	(0.8)	(0.9)	(1.2)
Directors' fees	(0.1)	(0.1)	(0.1)	(0.1)
Minority Interest	(1.0)	0.0	0.0	(0.1)
Net Profit	21.4	22.8	24.7	26.2

Balance Sheet (KD millions)	FY2009-2010	FY2010-2011	FY2011-2012	Apr-2013
Cash and cash equivalents	10.0	6.6	35.5	21.1
Accounts receivable	9.3	8.8	8.2	10.9
Inventories	3.8	3.9	4.3	5.4
Investments carried at fair value	56.7	71.9	101.0	101.0
Total Current Assets	79.8	91.1	149.0	138.3
Investments AFS (EQUATE)	130.5	134.0	138.3	136.2
Investments AFS (Others)	182.8	160.5	92.5	72.1
Investments in associates	13.6	20.2	18.1	33.3
Exchange of deposits	6.6	2.4	4.1	5.1
Property, plant, and equipment	14.8	15.6	20.4	20.5
Goodwill	6.0	6.0	6.0	6.0
Total Assets	434.1	429.9	428.4	411.4
Accounts payable and accruals	10.9	12.2	12.5	14.6
Dividends payable	2.7	2.7	2.9	3.1
Bank overdraft	0.3	-	-	-
Islamic financing payables	45.0	60.5	73.1	62.7
Term loans	129.3	94.6	60.0	50.8
Total Liabilities	188.1	170.0	148.5	131.3
Total Shareholders' Equity	244.9	258.5	278.4	278.7
Minority Interest	1.0	1.4	1.4	1.5
Total Liabilities and Equity	434.1	429.9	428.4	411.4

Sources: Company's financial statements and NBK Capital

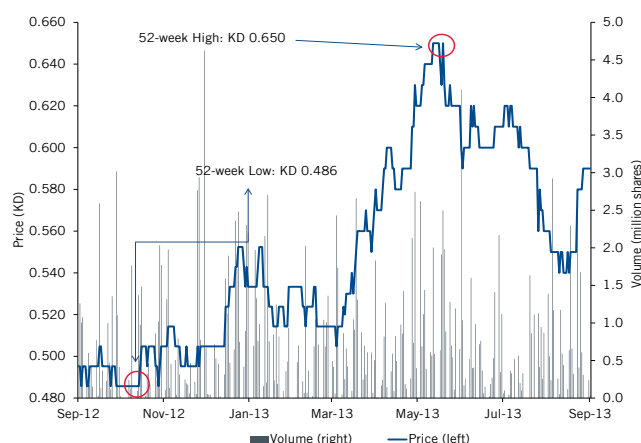
BURGAN BANK

Key Data

General		Daily Liquidity	
KSE Code	BURG.KSE	52-week avg. volume	808,023
Reuters	BURG.KW	52-week avg. value (KD)	300,734
Price (KD)		Price Performance	
Closing Price	0.590	YTD	16.9%
52-week High/Low	0.650 / 0.486	12-month	19.1%
Market Capitalization		Outstanding Shares	
KD (million)	956.98 Millions		1,622.00
Ownership Structure			
Closely-held: 77%		Public: 33%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Growth in Loans	5%	-5%	5%	50%	1%
Growth in Deposits	6%	15%	9%	39%	5%
Growth in Net Profit	-83%	-25%	nm	10%	-11%
Growth in Operating Income	28%	7%	-1%	16%	40%
NPL Ratio	10.0%	6.1%	11.5%	7.1%	5.3%
NPL Coverage	49%	73%	35%	46%	69%
Capital Adequacy	16.9%	21.0%	19.6%	18.5%	17.6%
Growth in Costs	30%	50%	-6%	16%	60%
Cost-to-Income	28%	40%	38%	37%	44%
RoAA	0.0%	0.0%	1.2%	1.1%	0.9%
RoAE	0%	0%	12%	12%	11%

Sources: Company's financial statements and NBK Capital

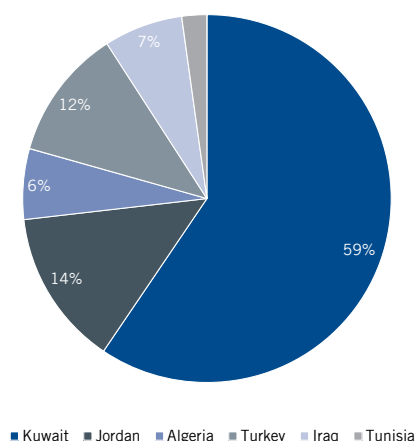
Highlights

- Burgan Bank was established in 1977 and for two decades was primarily owned by the government. Then KIPCO took over the government's share. KIPCO is currently Burgan's largest shareholder with a 41% stake, followed by United Gulf Bank (UGB), which holds a 17% share.
- Burgan Bank reported a net profit of KD 27.9 million in 1H2013, down 11% compared with 1H2012. The drop in net profit was mainly driven by a sharp rise in loan loss provisioning charges. Those stood at KD 24.7 million in 1H2013, up 83% compared with 1H2012. This came despite soaring operating income which was up 40% in 1H2013, mainly on the back of a boost in net interest income.
- Asset quality indicators continued to improve for Burgan Bank. NPLs dropped by 27% QoQ in 2Q2013, reducing the NPL ratio to 5.3% at the end of June 2013 compared to 7.4% at the end of March 2013. Total provisions were up 10% QoQ in 2Q2013 which also contributed to the improvement in NPL coverage, which stood at 69% at the end of June 2013 compared to 46% at the end of March 2013.

Overview

Burgan Bank is a subsidiary of Kuwait Investments Projects Company (KIPCO), a leading holding company in Kuwait, which has a 41% stake in Burgan's capital. United Gulf Bank (UGB) is the next largest shareholder, with an 18% stake of Burgan's total capital. Burgan Bank was established in 1977 and for two decades was primarily owned by the government. Then KIPCO took over the government's share to become the largest shareholder. Burgan's operations can be broadly divided into retail and corporate banking, treasury and investment banking, and international banking. The bank operates via a network of 24 domestic branches. As part of Burgan's expansion strategy, the bank completed its acquisition of majority stakes in four banks in the Middle East and North Africa (MENA) region during 2009 and 2010: Jordan Kuwait Bank (JKB) (51.19%), Algeria Gulf Bank (AGB) (91.09%), Bank of Baghdad (BoB) (51.79%), and Tunis International Bank (TIB) (86.56%). In December 2012, the bank also announced that it has completed the acquisition process to acquire a 99.26% stake in Eurobank Tekfen in Turkey. In May 2013, the bank additionally received official approval from Malta Financial Services Authority to acquire 25% of Fimbank in Malta. The bank is rated by S&P and Moody's at BBB+ and A3, respectively.

Total assets contribution by country – June 2013



Sources: Company's financial statements and NBK Capital

Latest News

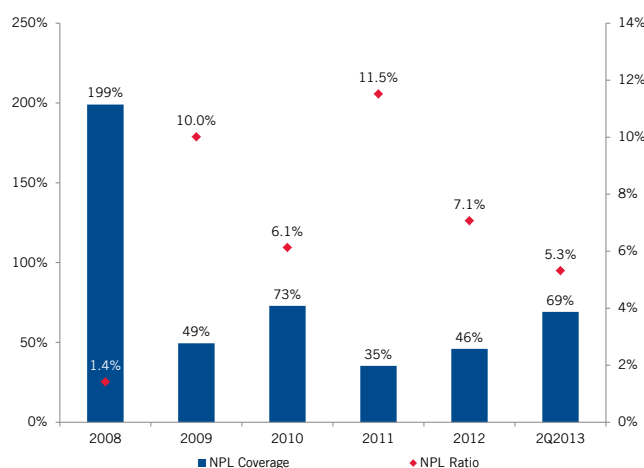
- September 2013:** Moody's affirmed Burgan Bank AS's Ba2 deposit ratings and maintained stable outlook on the bank.
- July 2013:** Burgan Bank SAK announced that it has obtained an approval from the Kuwait Financial Securities Authority to buy back 10% of its outstanding shares for period of six months.
- May 2013:** Burgan Bank SAK announced that Malta Financial Services Authority has approved the bank's request to acquire 25% stakes of Malta-based FIMBank plc's share capital.
- April 2013:** Burgan Bank SAK announced that the cash dividends of KD 0.010 per share for the fiscal year ending December 31, 2012 will be distributed on April 9, 2013. Beneficiaries of the dividends are the company's shareholders who are registered on the general assembly meeting, which was held on April 1, 2013.
- March 2013:** S&P said it revised its outlook on Kuwait-based Burgan Bank to stable from negative on improving asset quality and financial performance. At the same time, they affirmed the 'BBB+/A-2' long- and short-term counterparty credit ratings on Burgan Bank.
- March 2013:** Burgan Bank inaugurated its 24th domestic branch located in Khaitan, extending the bank's offer of financial services.
- February 2013:** The board of directors proposed the distribution of 5% bonus shares as well as cash dividends of 10%. This resulted in a dividend yield of 1.9% and a dividend payout ratio of 26%.
- December 2012:** Burgan Bank announces that it has completed the acquisition process to acquire a 99.26% stake in Eurobank Tekfen in Turkey. Under the terms of the Share Purchase Agreement, Burgan Bank has agreed to acquire the stake for a consideration value of TRY 641 million (KD 99 million). In addition, Burgan Bank has also agreed to acquire an additional portfolio of Turkish loans from Eurobank EFG amounting to KD 78 million.

Asset Quality

- Asset quality indicators continued to improve for Burgan Bank in 2Q2013.** NPLs dropped by 27% QoQ in 2Q2013, dropping the NPL ratio to 5.3% at the end of June 2013 compared to 7.4% at the end of March 2013. Total provisions were up 10% QoQ in 2Q2013 which also contributed to the improvement in NPL coverage which stood at 69% at the end of June 2013 compared to 46% at the end of March 2013.
- Asset quality indicators generally improved for Burgan Bank in FY2012. NPLs dropped by 9% during 2012, despite soaring loan growth. As a result, the bank's NPL ratio dropped to 7.1% at the end of December 2012, from 11.5% at the end of December 2011. NPLs almost doubled between 2010 and 2011 following a 42% drop in the previous year.
- General provisions increased by almost 50% during the

year while specific provisions dropped by 27%, resulting in a 19% increase in total provisions. Thus, the bank's NPL coverage ratio increased to 46% by the end of December 2012 from 35% at the end of December 2011 but remains largely below 2008 levels where NPL coverage stood at almost 200%.

Asset Quality Indicators



Sources: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

1H2013

- **Provisioning charges hit the bottom line.** Burgan Bank reported a net profit of KD 27.9 million in 1H2013, down 11% compared with 1H2012. The drop in net profit was mainly driven by a sharp rise in loan loss provisioning charges. Those stood at KD 24.7 million in 1H2013, up 83% compared with 1H2012.
- **Operating income soared, driven by net interest income.** Operating income stood at KD 126.9 million in 1H2013, up 40% YoY. This was driven by significant growth in net interest income which increased 35% in 1H2013, to stand at KD 78 million.
- **Non-interest income growth was solid,** up 49% in 1H2013. Growth was mainly driven by foreign exchange income which stood at KD 14.3 million in 1H2013 compared to KD 8.1 million in 1H2012, a YoY increase of 85%.
- **Burgan's capital adequacy ratio stood at 17.70% at the end of June 2013** compared to 18.5% at the end of December 2012.

FY2012

- **Following soaring net profit growth in FY2011, Burgan's net profit increased 10% in FY2012** to reach KD 55.6 million, compared with KD 50.6 million in FY2011 and KD 4.7 million in FY2010. The growth in net profit was mainly driven by higher operating income.
- **Net interest income grew by 14% in FY2012 following a 2% drop in the previous year, to reach KD 119 million. Non-interest income growth was strong and increased by 21%, driven by foreign exchange income which doubled during the year.** As a result, total operating income growth stood at a robust 16% in FY2012 to stand at KD 190 million, compared with KD 163 million in FY2011.
- **Net provisioning charges increased 24% in FY2012, despite consecutive drops in the previous two years.** As such, loan loss provisioning charges stood at KD 36 million in FY2012 compared with KD 29 million in FY2011. However, it is worth noting that provisioning charges reached almost KD 14 million in 4Q2012, the highest quarterly level since 3Q2010.
- **Following a 50% increase in total costs between FY2009 and FY2010 and a 6% drop in FY2011, costs increased by 16% in FY2012.** However, the increase in costs was offset by operating income growth, resulting in a CIR of 37% compared to 38% in FY2011.

Balance Sheet

- **Lending growth remains timid in 2Q2013.** Loan growth marginally picked up (+1%) in 2Q2013 following a disappointing 1% contraction in 1Q2013. The bank's loan book had expanded 50% in FY2012, mainly due to the consolidation of BB-Turkey. Deposits, on the other hand, grew 3% in 2Q2013, bringing YTD growth to 5%.
- **Burgan's net loans soared 22% in 4Q2012, resulting in 50% YoY growth** and net loans of KD 3.38 billion in December 2012 compared with KD 2.78 billion in September 2012. The increase in loans came as a result of the consolidation with Eurobank Tekfen, which Burgan Bank acquired and rebranded as Burgan Bank Turkey in December 2012. Deposits also soared, increasing 17% in 4Q2012 and bringing YOY growth to 39%, also as a result of the consolidation.
- **A closer look reveals that the increase in loans in FY2012 was led by** a 59% rise in corporate loans, which had increased by 7% in the previous year. Retails loans, on the other hand, increased by a moderate 4% during the year, following a 3% drop in the previous year. In FY2009, when Burgan was able to increase both the corporate and

retail book, the latter contributed 53% of the total increase in loans in the year. At the end of 2012, corporate loans accounted for around 90% of total loans.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Interest Income	166.6	190.9	93.2	129.8
Interest Expense	(62.0)	(72.0)	(35.2)	(51.8)
Net Interest Income	104.6	118.9	58.0	78.1
Fees and Commissions	38.1	38.1	18.7	22.2
Foreign Exchange Income	7.8	17.6	8.1	14.3
Net Investment Earnings	7.9	4.2	3.1	5.9
Income from Associate	0.0	0.0	0.0	0.0
Other Operating Income	5.1	11.3	2.8	6.5
Total Operating Income	163.4	190.1	90.7	127.0
Staff Expenses	(28.0)	(32.4)	(15.9)	(27.3)
Other Expenses	(33.4)	(38.8)	(19.0)	(28.5)
Total Operating Expenses	(61.4)	(71.2)	(34.9)	(55.8)
Loan Loss Provisions	(29.1)	(36.1)	(13.5)	(24.7)
Investment Provisions	(4.5)	(4.0)	(2.1)	(0.2)
Other Income / (Exp.)	(10.7)	(16.1)	(6)	(12)
Minority Interest	(7.0)	(7.1)	(2.7)	(6.6)
Net Profit	50.6	55.6	31.2	27.9

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Assets				
Cash and Cash Equivalents	1,091.9	986.4	1,271.1	1,461.8
Due from Banks	485.7	843.2	610.8	711.9
Loans and Advances	2,135.8	2,252.3	3,384.4	3,405.8
Net Investments	132.6	148.6	311.0	385.6
Investment in Associates	0.0	0.0	0.0	0.0
Net Fixed Assets	49.4	49.2	68.4	70.1
Others	252.2	272.1	331.0	352.4
Total Assets	4,147.5	4,551.8	5,976.7	6,387.7
Liabilities and Shareholders' Equity				
Due to Banks and Oth.Fin.Inst.	811.5	942.1	1,024.9	1,188.4
Customers' Deposits	2,564.8	2,795.8	3,895.1	4,100.8
Borrowings	109.1	107.9	231.0	230.6
Other Liabilities	123.4	140.3	205.8	237.9
Total Liabilities	3,608.8	3,986.1	5,356.8	5,757.7
Minority Interest	118.2	118.4	129.1	133.7
Total Shareholders' Equity	420.4	447.3	490.8	496.4
Total Liabilities and Equity	4,147.5	4,551.8	5,976.7	6,387.7

Sources: Company's financial statements and NBK Capital

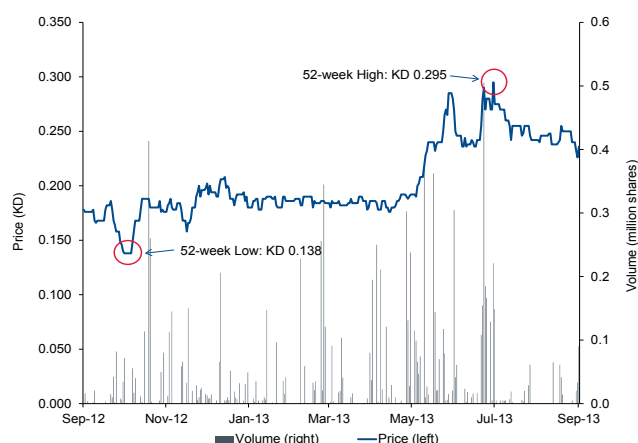
BURGAN CO. FOR WELL DRILLING, TRADING AND MAINTENANCE (BURGAN WELL DRILLING)

Key Data

General		Daily Liquidity	
KSE Code	BURG.KSE	52-week avg. volume	53,452
Reuters	BURG.KW	52-week avg. value (KD)	6,020
Price (KD)		Price Performance	
Closing Price	0.236	YTD	24.2%
52-week High/Low	0.295 / 0.138	12-month	32.6%
Market Capitalization		Outstanding Shares	
KD (million)	49.45 Millions		209.54
Ownership Structure			
Closely-held: 91.42%		Public: 8.58%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	FY2009-2010	FY2010-2011	FY2011-2012	FY2012-2013	1Q2013-2014
Adj. Gross Margin	32%	29%	30%	32%	34%
EBITDA (KD millions)	10.8	11.0	11.9	13.1	3.1
EBITDA Margin	28%	25%	26%	29%	29%
EBIT (KD millions)	5.8	4.3	4.3	5.0	1.1
EBIT Margin	15%	8%	9%	11%	10%
Net Profit Margin	7.4%	3.9%	2.9%	4.4%	4.6%
Current Ratio (x)	0.4	0.5	0.6	0.9	0.9
Net debt-to-total equity (x)	1.5	1.5	1.3	1.1	1.0
Interest Coverage Ratio (EBIT / Net Int. Exp.)	2.1	1.0	1.5	1.5	1.5
RoAA	2.3%	1.1%	0.8%	1.3%	1.4%
RoAE	6%	3%	3%	4%	4%

Sources: Company's financial statements and NBK Capital

Highlights

- Burgan Well Drilling was founded in 1970 and listed on the Kuwait Stock Exchange (KSE) in 2005. The company's primary business activities include exploration for new oil and gas wells (on and off-shore), oil well development, shallow oil well drilling, and work over services.
- Burgan Well Drilling's contract revenue decreased by 8% YoY to KD 10.6 million in 1Q2013-2014. Accordingly, gross profit declined by 16% YoY to KD 1.5 million for the same period.
- The company was able to record a 16% increase in operating profit in FY2012-FY2013 following three years of profit declines, to report KD 5.0 million.
- Despite the reduction in the company's total expenses and charges (G&A, marketing expenses, and depreciation) by 15% YoY in 1Q2013-2014, operating profit decreased by 17% YoY to KD 1.1 million.
- Net profit for 1Q2013-2014 increased by 36% YoY to KD 0.5 million against KD 0.4 million for the same period last year, reflecting a net profit margin of 4.6% versus 3.1% in 1Q2013-2014.

Overview

Burgan Well Drilling was founded in 1970 and listed on the Kuwait Stock Exchange (KSE) in 2005. The company's primary business activities include exploration for new oil and gas wells (on and off-shore), oil well development, shallow oil well drilling, and work over services. The company principally operates in Kuwait and Bahrain and has a longstanding relationship with KOC and its parent, Kuwait Petroleum Corporation. The company's main customers are KOC, the Joint Operations of Chevron-Texaco and Kuwait Gulf Oil Company, and Bahrain Petroleum Co.

Financial Statement Analysis

Income Statement

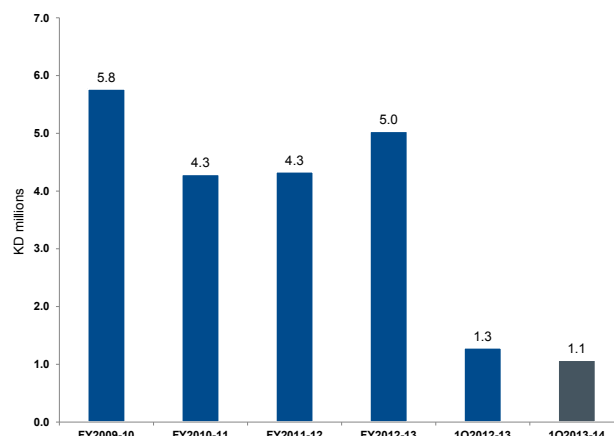
FY2012-2013

- Burgan Well Drilling's FY2012-2013 contracts revenue decreased by 1% YoY to KD 45.5 million. Therefore, contract costs decreased by 3% YoY reflecting an increase in gross profit by 6% YoY to KD 6.6 million for the period.
- In FY2012-2013, total expenses and charges decreased by 19% YoY to KD 1.5 million, reflecting an increase in operating profit of 16% YoY to KD 5.0 million. The company was able to record the increase in operating profit following three years of profit declines.
- Due to the strong upper line the company achieved, net profit increased by 51% YoY to KD 2.0 million compared to KD 1.3 million in FY2011-2012.

1Q2013-2014

- Burgan Well Drilling's contract revenue decreased by 8% YoY to KD 10.6 million in 1Q2013-2014. Accordingly, gross profit declined by 16% YoY to KD 1.5 million for the same period.
- During 1Q2013-2014, the company was able to reduce total expenses and charges by 15% to stand at KD 0.5 million. Therefore, operating profits decreased by 17% YoY to KD 1.1 million.

Operating Profit Trend



Sources: Company financials statements and NBK Capital

- Other income doubled during the period to stand at KD 137 thousand compared to KD 66 thousand in the same period last year. Moreover, finance cost decreased by 28% to KD 713 thousand during 1Q2013-2014. Therefore, profits before taxes increased by 35% YoY and totaled KD 0.5 million.
- The company achieved a net profit of KD 0.5 million (36% YoY) despite the weak upper line as it was cushioned by other income increase and declining finance cost.
- The company's interest coverage ratio improved to 1.5x in 1Q2013-2014 from 1.3x in 1Q2012-2013. The improvement came on the back of the 28% YoY reduction in net interest expenses which amounted to be KD 0.7 million for the same period.

Balance Sheet

- By the end of June 2013, Burgan Well Drilling's net debt decreased by 4% QoQ to KD 57.2 million (short-term debt represented 24% of total debt). Cash on hand and at bank declined by 44% QoQ to stand at KD 1.2 million. Overall, the company's net debt-to-total equity ratio declined to 1.0x from 1.1x at the end of March 2013.

Financial Statements

Income Statement (KD thousands)	FY2011-2012	FY2012-2013	1Q2012-2013	1Q2013-2014
Contract revenue	46,142	45,473	11,552	10,612
Contract costs*	(32,471)	(30,939)	(7,734)	(7,047)
Adjusted Gross Profit	13,671	14,535	3,818	3,565
SG&A	(1,794)	(1,455)	(498)	(458)
Depreciation	(7,541)	(8,042)	(2,034)	(2,034)
Operating Profit	4,336	5,038	1,286	1,073
Provision for bad debts	(696)	-	-	-
Other income	592	670	66	137
Provision for inventory	-	(300)	-	-
Finance costs	(2,833)	(3,302)	(992)	(713)
Foreign exchange gain (loss)	-	-	18	16
Profit Before Taxes	1,400	2,105	379	513
Contribution to KFAS	(13)	(19)	(3)	(5)
NLST	(44)	(65)	(12)	(15)
Zakat	(18)	(26)	(5)	(6)
Net Profit	1,326	1,995	359	488

Balance Sheet (KD thousands)	FY2010-2011	FY2011-2012	FY2012-2013	1Q2013-2014
Cash on hand and at bank	106	197	2,179	1,217
Contract receivables	18,102	9,606	9,764	9,249
Unbilled contract receivables	183	68	395	25
Prepayments and other receivables	11,561	10,911	14,904	13,725
Inventory & construction in progress	5,254	3,710	3,494	4,274
Total Current Assets	35,207	24,492	30,736	28,490
Property, plant, and equipment	137,936	136,845	125,906	124,606
Total Assets	173,143	161,337	156,642	153,096
Due to bank	3,503	3,180	2,133	2,808
Term loans - current portion	7,349	1,320	5,937	5,880
Ijara payable - current portion	13,798	3,673	-	-
Advances from KOC	2,400	2,711	946	728
Notes payable	5,802	1,221	1,693	1,431
Murabaha contract	17,608	25,285	23,750	21,500
Accounts payable	37,149	20,066	14,673	15,389
Total Current Liabilities	87,610	57,455	49,133	47,736
Term loans - non-current portion	25,541	34,376	28,338	26,808
Ijara Payable - non-current portion	3,645	-	-	-
Advances from KOC	3,622	-	-	-
Accounts payable - long term	-	15,321	22,842	21,679
Provision for indemnity	378	513	660	717
Total Liabilities	120,796	107,664	100,974	96,940
Total Equity	52,347	53,673	55,668	56,156
Total Liabilities and Equity	173,143	161,337	156,642	153,096

*Excludes depreciation. Sources: Company's financial statements and NBK Capital

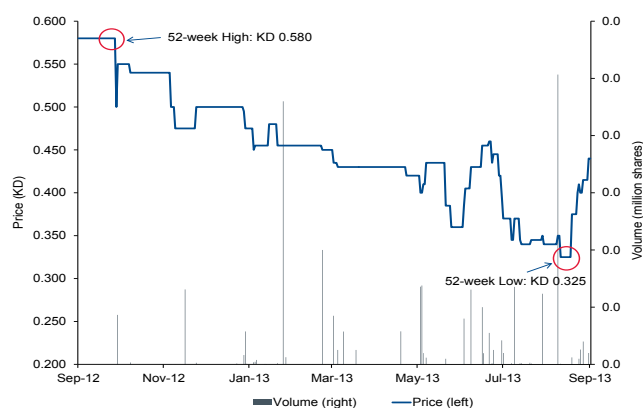
CITY GROUP (CG)

Key Data

General		Daily Liquidity	
KSE Code	TRANSPORT.KSE	52-week avg. volume	2,117
Reuters	TTGC.KW	52-week avg. value (KD)	166
Price (KD)		Price Performance	
Closing Price	0.440 YTD		-12.0%
52-week High/Low	0.580 / 0.325	12-month	-24.1%
Market Capitalization		Outstanding Shares	
KD (million)	49.72 Millions		113.01
Ownership Structure			
Closely-held: 85.31%		Public: 14.69%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Key Ratios

	2009	2010	2011	2012	1H2013
Gross Profit Margin	47%	41%	42%	54%	55%
Operating Profit Margin	18%	3%	-10%	23%	21%
EBIT margin	33%	26%	8%	36%	34%
Net Profit Margin	38.1%	7.0%	-29.0%	22.8%	21.8%
RoAA	9.6%	2.8%	n/m	11.1%	5.6%
RoAE	12%	5%	n/m	16%	8%
Current Ratio (x)	2.0	1.5	2.5	3.8	3.0
Debt-to-Assets (x)	0.1	0.3	0.2	0.1	0.1
Net debt-to-total equity (x)	0.1	0.5	0.2	0.0	0.0
Receivables Turnover Ratio (x)	3.4	3.3	3.7	4.0	1.9
Inventory Turnover Ratio (x)	25.2	22.6	26.6	31.0	14.2
Payables Turnover Ratio (x)	5.0	5.8	6.0	6.0	2.8

Sources: Company's financial statements and NBK Capital

Highlights

- CG, formerly known as The Transport and Warehousing Group, is listed on the Kuwait Stock Exchange (KSE). CG is engaged in various activities such as transport services, warehousing and real estate rental, and travel tourism.
- CG has three reporting business segments: transportation, travel & tourism, and warehousing & real estate. These segments represented 79%, 12%, and 9%, respectively, of the total revenue in 1H2013.
- Although operating cost increased by 7% YoY to KD 3.7 million in 1H2013, gross profit increased by 10% YoY to stand at KD 4.6 million in the same period.
- Operating income increased in 1H2013 to KD 1.8 million versus KD 1.7 million in 1H2012. The increase was driven by improved EBITDA coupled with a 3% YoY decrease in depreciation and amortization expenses.
- Plant, property, and equipment represented 56% of the total assets as at 1H2013.

Overview

CG, formerly known as The Transport and Warehousing Group, is listed on the KSE. The company is engaged in various activities with the following business segments:

Transport Services: Operates public transportation services and provides bus rental services.

Warehousing and Real Estate Rentals: Provides storage services as well as shop and office space rental services.

Travel Tourism: Provides airline ticketing, carriage services, and tourism services.

At present, the company operates 585 buses across 19 routes in Kuwait and has become the country's leading listed public transportation operator through its Citybus division. The company has five fully owned subsidiaries:

- Transport and Warehousing Real Estate Group Company
- Boodai Aviation Company
- Boodai Aviation Agencies
- Kuwait China Bus Company
- Abar Oilfield Services Company

Latest News

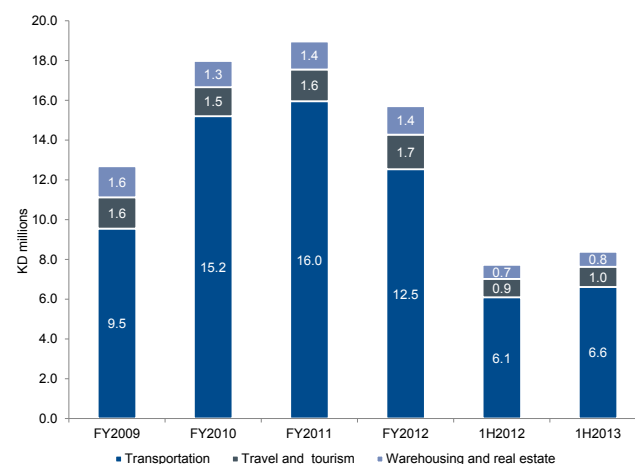
- **January 2013:** CG announced the selling of its 51% stake in Jordan's Comprehensive Multiple Transportation Co. to the Jordanian Government for USD 10 million. The deal will mature over 10 years in equal payments starting in 2013. The deal will be included in the financial results for 1H2013.

Financial Statement Analysis

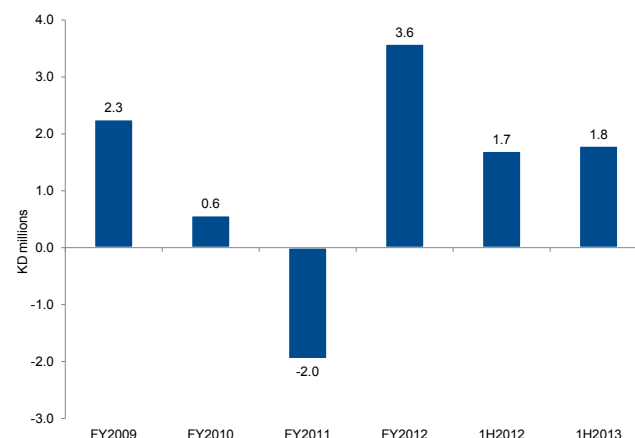
Income Statement

- CG has three reporting business segments: transportation, travel and tourism, and warehousing and real estate. These segments represented 79%, 12%, and 9%, respectively, of the total revenue in 1H2013. Total revenue increased 8% YoY in 1H2013 to stand at KD 8.4 million.

Total Revenue Breakdown



Operating Income



- Although operating cost increased by 7% YoY to stand at KD 3.7 million in 1H2013, gross profit increased by 10% YoY to KD 4.6 million in the same period. As a result, the gross profit margin remained at 55% in 1H2013.
- The EBITDA increased by 2% YoY to KD 2.8 million in 1H2013 driven by strong top-line growth. The EBITDA margin was 34% in 1H2013.
- Operating income increased in 1H2013 to KD 1.8 million versus KD 1.7 million in 1H2012. The increase was driven by improved EBITDA coupled with a 3% YoY decrease in depreciation and amortization expenses.
- CG net profit increased in 1H2013 to KD 1.8 million, representing a 10% YoY increase compared with KD 1.7 million in 1H2012.

Balance Sheet

- Total assets decreased by 11% QoQ in 2Q2013 to KD 33 million. This was due to 51% QoQ reduction in cash and cash equivalents which stood at KD 3 million at the end of June 2013 when compared to KD 6 million at the end of March 2013. The cash and cash equivalents represented 9% of total assets at the end of June 2013.
- Although property and equipment declined 2% QoQ, to KD 19 million, it remains the largest portion of assets at 56%.
- Total current liabilities declined 51% QoQ due to a 58% QoQ reduction in trade and other payables. Total non-current liabilities declined 11% QoQ, due to a 14% QoQ decline in long-term debt and 21% QoQ decrease in the financial leases. We note that the non-current portion of term loans represented 37% of total liabilities at the end of June 2013.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Revenue	19.0	15.7	7.7	8.4
Cost of Goods Sold (COGS)	11.0	7.2	3.5	3.7
Gross Profit	8.0	8.5	4.2	4.6
General and admin expenses	6.5	2.8	1.5	1.8
EBITDA	1.5	5.7	2.8	2.8
Depreciation & amortization	3.4	2.1	1.1	1.0
Operating Income	(2.0)	3.6	1.7	1.8
Other income	0.8	0.4	0.2	0.2
Share of income from associates	-	-	-	-
Unrealized loss on inv sec AFS	(4.5)	-	-	-
Provision for bad debt	-	-	-	-
Finance costs	(0.6)	(0.2)	(0.1)	(0.1)
Profit before Tax	(6.2)	3.7	1.8	1.9
Taxes	(0.0)	(0.2)	(0.1)	(0.1)
Profit from continued operations	(6.2)	3.6	1.7	1.8
Gain on purchase of warehousing bus.	-	-	-	-
Impairment of fixed assets	-	-	-	-
Net Profit before MI	(6.2)	3.6	1.7	1.8
Minority Interest	(0.7)	-	-	-
Net Profit	(5.5)	3.6	1.7	1.8

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Cash and cash equivalents	2.1	3.2	5.0	3.0
Trade and other receivables	6.6	3.7	4.2	4.9
Due from related parties	2.1	2.8	3.9	3.7
Inventories	1.0	0.4	0.6	0.7
Current Assets	11.7	10.1	13.7	12.2
Fixed-assets-PP&E	35.9	21.1	19.2	18.5
Intangible assets	9.5	-	-	-
Goodwill	0.6	0.1	0.1	0.1
Deferred tax assets	0.4	-	-	-
Total Non Current Assets	46.4	21.1	19.3	18.6
Total Assets	58.2	31.3	33.0	30.8
Current portion of loan	4.1	1.5	1.0	1.0
Trade and other payables	3.7	2.6	2.6	3.0
Current Liabilities	7.9	4.1	3.6	4.0
Finance Lease Liability	-	0.3	0.2	0.1
Non-current portion of loan	12.5	4.9	3.5	3.0
Post employment benefits	0.7	0.8	1.0	1.0
Non-Current Liabilities	13.2	6.0	4.6	4.2
Total Liabilities	21.0	10.1	8.2	8.2
Share Capital	11.3	11.3	11.3	11.3
Legal reserve	5.6	5.6	5.7	5.7
General Reserve	5.6	5.6	6.0	3.8
Retained Earnings	4.2	(1.3)	1.8	1.8
Foreign exchange translation reserve	(0.2)	-	-	-
Non-controlling interest	10.7	-	-	-
Total Equity	37.1	21.2	24.7	22.6
Total Liabilities and Equity	58.2	31.3	33.0	30.8

Sources: Company's financial statements and NBK Capital

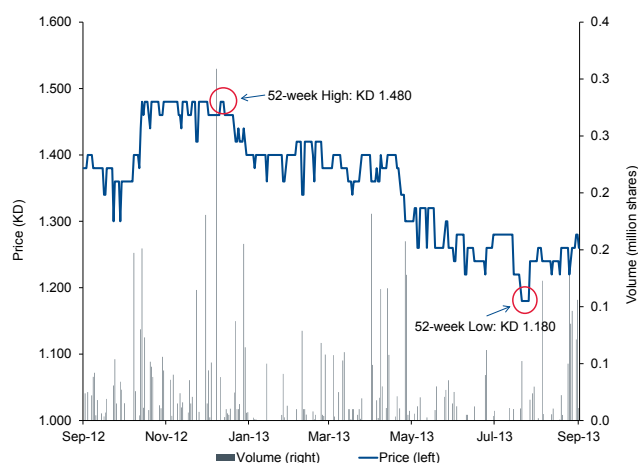
COMBINED GROUP CONTRACTING COMPANY (CGC)

Key Data

General		Daily Liquidity	
KSE Code	CGC.KSE	52-week avg. volume	32,986
Reuters	CGCK.KW	52-week avg. value (KD)	20,207
Price (KD)		Price Performance	
Closing Price	1.260	YTD	-13.7%
52-week High/Low	1.480 / 1.180	12-month	-8.7%
Market Capitalization		Outstanding Shares	
KD (million)	133.80 Millions		106.19
Ownership Structure			
Closely-held: 59.1%		Public: 40.9%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Highlights

- CGC is a Kuwait-based contractor, which specializes in infrastructure, roadways, and general construction. The company expanded its operations to Qatar with a 49% stake in Combined Group for Trading and Contracting Company.
- In 1H2013, the company reported an overall decrease of 2% YoY in total revenues to reach KD 77.7 million.
- Direct costs decreased 3% YoY during 1H2013; thus, the gross profit for the period reached KD 8.2 million, representing an increase of 3% YoY.
- Net debt witnessed an increase of 75% to KD 36.6 million in 2Q2013, compared to KD 21.0 million in 1Q2013; this was due to a 48% QoQ increase in short-term debt. Hence, the company's net debt-to-total equity was 0.9x at the end of June 2013, compared to 0.4x at the end of March 2013.

Key Ratios

	2009	2010	2011	2012	1H2013
Gross Profit Margin	13%	13%	12%	12%	11%
EBITDA Margin	10%	9%	9%	8%	7%
Net Profit Margin	7.3%	7.5%	6.8%	6.1%	5.7%
RoAA	6.7%	7.0%	7.3%	7.0%	7.6%
RoAE	28%	26%	27%	25%	29%
Net debt-to-total equity (x)	0.5	0.3	0.1	0.3	0.9
Current Ratio (x)	1.8	1.7	1.6	1.5	1.7

Sources: Company's financial statements and NBK Capital

Overview

CGC is a Kuwait-based contractor which specializes in infrastructure, roadways, and general construction. Besides Kuwait, and the UAE, CGC has executed projects in Iraq, Oman, Sudan, Lebanon, Indonesia, Malaysia, Tajikistan, Georgia, Mongolia, and Uzbekistan (the company gets the international projects through the Kuwaiti government).

The Group Structure

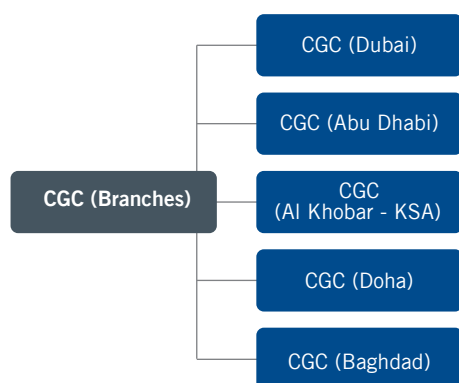
As of 2012, CGC had a total of eight subsidiaries, of which four are located in Kuwait. In addition, the company has 5 branches located outside Kuwait (as illustrated in Figure 2).

Figure 1 CGC Subsidiaries

CGC (the mother company) Subsidiaries	
Inside Kuwait	Outside Kuwait
Combined International Real Estate	Syrian Combined Group Contracting (Syria)
United Kingdom General Trading and Contracting Co.	Combined Group Trading and Contracting Co. (Qatar)
Combined Group Rocks Co.	Combined Group Contracting Co. (Oman)
Al Marouf and Al Barjas Combined for General Trading and Contracting Co.	Combined Group Factories Co. (Qatar)

Sources: Company Annual report and NBK Capital

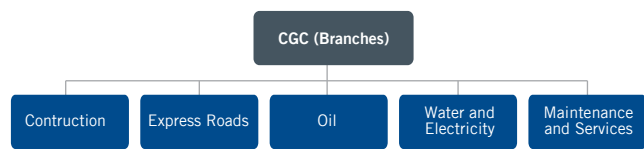
Figure 2 CGC Branches



Sources: Company Annual report and NBK Capital

CGC has five main activities as illustrated in figure 3

Figure 3 CGC Diversified Activities



Sources: Company Annual report and NBK Capital

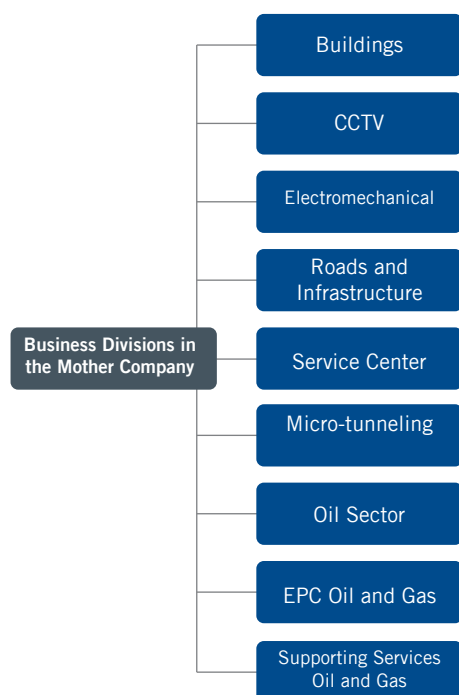
Business Divisions

As of 2012, the company has nine business divisions, divided into: buildings, Closed Circuit Television System (CCTV), electromechanical, roads and infrastructure, service center, micro-tunneling, oil sector, EPC oil and gas, and supporting services oil and gas.

- Buildings:** Construction of offices, apartment blocks, houses, local mosques, shopping malls, boundary walls, and structures.
- CCTV:** Taking video pictures of the existing networks by using CCTV-based sewer monitoring systems, in addition to, executing cleaning work for storm water and sanitary networks.
- Electromechanical:** Executing electrical work such as power supply, street lighting, underground cabling, renewable energy resources, cathode protection, as well as mechanical work such HVAC (heating, ventilation, and air conditioning), firefighting and plumbing, sewage, and water supply.
- Roads and Infrastructure:** Constructing bridges, roads maintenance and repairs, paving work, resurfacing and milling and asphalt work, sanitary sewage networks and maintenance of water and gas networks, street lighting, traffic control system, warning signs, guide signs and road marking, chain link fencing, and overhead sign gantries.
- Service Center:** Operating two asphalt plants, three ready mix concrete plants, an aggregate division, a garage, and vehicles and equipment.
- Micro-tunneling:** Executing infrastructure sanitary and storm water networks for line depth.
- Mechanical Work – Oil Sector:** Handling installation, testing and commissioning of pipelines, isolation cold cutting and removal of existing crude oil lines. All associated civil work such as road crossings, valve pits, fencing, asphalt roadway paving, and electrical, instrumentation, and cathode protection.
- EPC Oil and Gas:** An integrated engineering design system to develop and execute energy-related projects, such as oil and gas.

- 9. Supporting Services Oil and Gas:** Engineering techniques and methods to help in planning and completing a project. Services provided include scaffolding solutions, drawings, trouble shooting, on-site dismantling and installation.

Figure 4 Business Divisions



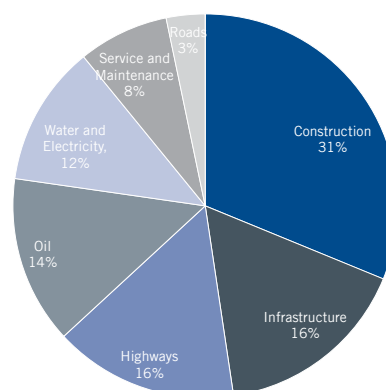
Sources: Company financials and NBK Capital

CGC Projects

CGC signed several joint venture agreements with various international companies spanning the UAE (Arabtec), South Korea (Hyundai, Samsung), India (Flowtech), China (China Communications Construction Co.), Belgium (BESIX), and Spain (Ferrovia Agroman). The company has been carrying out technical projects such as the Fahaheel expressway roads project for the Ministry of Public Works and the Sabah Al Ahmad housing project for the Public Authority of Housing Welfare.

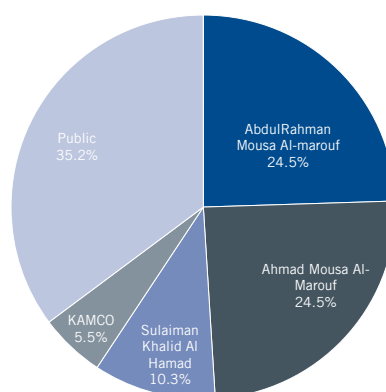
In 2012, the company carried out 28 different projects in various segments, such as construction, service and maintenance, water and electricity, highways, oil, infrastructure, and roads. The projects value amounted to be KD 897 million (Ongoing: KD 627 million, new projects signs: KD 270 million), highlighting that construction projects maintain the greatest portion of total projects (31% of the total projects value).

Figure 5 CGC Projects



Sources: Company financial statements and NBK Capital

Figure 6 CGC Main Shareholders



Sources: Company financial statements and NBK Capital

Latest News

- July 2013:** CGC won a deal worth USD 127.1 million from country's Housing Authority. The deal is a two-year project to build and maintain public buildings at Sabah Al Ahmad City housing development in Kuwait.
- April 2013:** CGC's Qatar-based unit was awarded the road and infrastructure project in North and West Bani Hajer, phase 1 and 2 by the Ministry of Public Works in Qatar, for QAR 326.4 million (KD 25.6 million). CGC's share represents 51% of the project. The project is expected to start in 2Q2013. The implementation of the project will take five quarters. The company announced that it will achieve a profit margin of 2.5% on the project.
- February 2013:** CGC was awarded a contract worth KD 15 million for building multi-purpose buildings with an execution period of 14 months. The contract was awarded to one of the company's branches in the GCC. CGC expects

a loss margin of 3.3% of the project's value by the end of the first year of implementation and a profit margin of 7.3% by the end of the second year.

Income Statement:

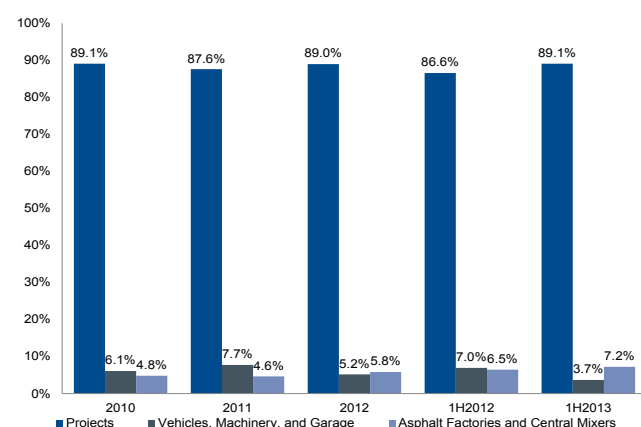
- In 1H2013, the company reported an overall decrease of 2% YoY in total revenues to reach KD 77.7 million. This was mainly driven by a drop of 6% YoY in income from projects and a decrease in income from vehicles, machinery, and garage of 51% YoY.

Operating Revenue Breakdown

	2010	2011	2012	1H2012	1H2013
Projects	127.9	160.6	192.3	80.7	76.1
Vehicles, Machinery, and Garage	8.8	14.2	11.2	6.5	3.2
Interdivisional Transactions	(26.0)	(32.7)	(39.3)	(13.7)	(7.8)
Asphalt Factories and Central Mixers	6.9	8.5	12.6	6.0	6.2
Total	117.6	150.6	176.8	79.5	77.7

Sources: Company financial statements and NBK Capital

Operating Revenue Breakdown



Sources: Company financial statements and NBK Capital

- Direct costs decreased 3% YoY during 1H2013; thus, the gross profit for the period reached KD 8.2 million, representing an increase of 3% YoY. Accordingly, the gross profit margin for 1H2013 increased to 11% from 10% in 1H2012.
- The company's EBITDA for 1H2013 stood at KD 5.2 million, representing 6% YoY decline. However, the EBITDA margin for the period remained flat at 7%.
- Net investment income witnessed a significant improvement during 1H2013 to stand at KD 0.4 million compared to net income of KD 0.08 million during 1H2012.
- The increase in other income to KD 0.4 million (1H2012: KD 0.05 million) aided in increasing net profit by 9% YoY to KD 4.5 million in 1H2013 compared to KD 4.1 million in 1H2012.

Balance Sheet

- The company's current assets made up 88% of total assets by the end of June 2013. Accounts receivables and other debit balances remain the largest portion of assets standing at 42% by the end of the period.
- Short-term debt continues to make up the majority of total debt, at 94% by the end of June 2013. The company's short-term debt amounted to KD 41.2 million, as against cash and cash equivalents of KD 7.0 million.
- Net debt witnessed an increase of 75% to reach KD 36.6 million in 2Q2013, compared to KD 21.0 million in 1Q2013; this was due to a 48% QoQ increase in short-term debt. Hence, the company's net debt-to-total equity stood at 0.9x at the end of June 2013, compared to 0.4x at the end of March 2013.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Operating Income	150.6	176.8	79.5	77.7
Operating Costs	(132.4)	(155.9)	(71.5)	(69.4)
Gross Profit from Operations	18.2	20.8	8.0	8.2
Selling/General/Admin Expenses	(5.6)	(7.0)	(2.9)	(3.4)
Depreciation	(0.7)	(0.9)	(0.4)	(0.3)
Operating Income	11.9	12.9	4.7	4.5
Net Investment Income	(0.3)	0.2	0.1	0.4
Other Income	0.4	1.0	0.1	0.4
Finance Charges	(1.1)	(1.6)	(0.5)	(0.7)
Provisions & Impairments	(0.0)	(1.2)	-	-
Other Expenses	(0.1)	(0.1)	(0.1)	-
Net Income before Taxes	10.8	11.3	4.3	4.6
Zakat	(0.1)	(0.1)	(0.0)	(0.0)
Contribution to KFAS	(0.1)	(0.1)	(0.0)	(0.0)
NLST	(0.3)	(0.3)	(0.1)	(0.1)
Directors' fees	(0.1)	(0.1)	-	-
Net Profit before MI	10.3	10.7	4.1	4.5
Minority Interest	(0.1)	(0.4)	(0.0)	(0.6)
Net Profit	10.2	10.3	4.1	3.9

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Fixed Assets	14.6	16.9	17.5	19.0
Other Non Current Assets	0.1	0.4	0.2	0.2
Total Non Current Assets	14.8	17.3	17.7	19.2
Cash and equivalents	5.3	7.9	13.6	7.0
Due from Customers	9.6	16.2	36.8	39.2
Other Current Assets	105.7	104.2	105.1	106.7
Total Current Assets	120.6	128.3	155.5	153.0
Total Assets	135.4	145.7	173.2	172.1
Loans	2.3	1.6	3.1	2.4
Other Non Current Liabilities	26.6	23.1	20.1	36.4
Total Non Current Liabilities	28.9	24.6	23.3	38.8
Loans	14.2	10.6	24.1	41.2
Other Current Liabilities	55.8	69.9	81.3	50.6
Total Current Liabilities	70.0	80.4	105.4	91.8
Total Liabilities	99.0	105.1	128.7	130.6
Total Equity	36.4	40.6	44.5	41.5
Total Liabilities and Equity	135.4	145.7	173.2	172.1

Sources: Company's financial statements and NBK Capital

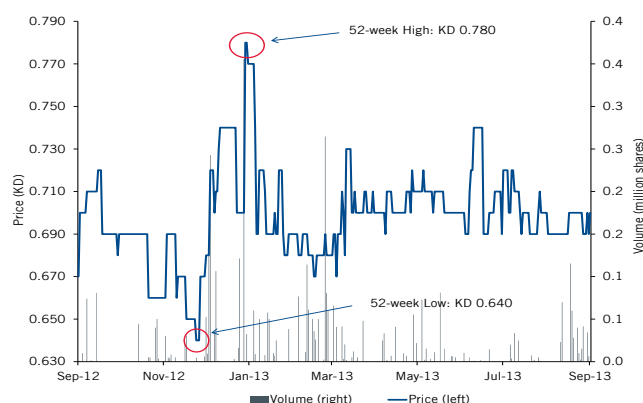
COMMERCIAL BANK OF KUWAIT (CoBK)

Key Data

General		Daily Liquidity	
KSE Code	CBK.KSE	52-week avg. volume	2,821,437
Reuters	CBKK.KW	52-week avg. value (KD)	879,571
Price (KD)		Price Performance	
Closing Price	0.700	YTD	-1.4%
52-week High/Low	0.780 / 0.640	12-month	4.5%
Market Capitalization		Outstanding Shares	
KD (million)	890.40	Millions	1,272.00
Ownership Structure			
Closely-held: 23%		Public: 77%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Highlights

- CoBK was established in 1960 and is the second oldest bank in Kuwait. The bank provides commercial banking services, asset management and stock brokerage services. The bank's subsidiaries include Al Tijari Investment Company and Union Securities Brokerage Company KSCC.
- CoBK's net profit bounced back in 1H2013, reaching KD 7.8 million compared to KD 0.45 million in 1H2012. The YoY improvement was mostly driven by a surge in non-interest income growth. Provisioning charges continue to be high; however, they dropped by 9% in 1H2013 to reach KD 42.6 million compared to KD 46.1 million in 1H2012.
- The bank's loan book expanded for the second quarter in a row, growing by 4% in 2Q2013 and resulting in YTD growth of 8% by the end of June 2013. This comes following a 1.5% contraction in the bank's FY2012 loan book. Deposits, on the other hand, grew even faster at 7% in 2Q2013, resulting in a 14% YTD growth by the end of June 2013.
- The bank's asset quality indicators continued to improve in 2Q2013 with the NPL ratio dropping to 2.04% at the end of June 2013 compared to 2.8% at the end of December 2012. Higher provisioning also resulted in a noticeable improvement in the bank's NPL coverage, which increased to 217% at the end of June 2013 compared to 169% at the end of December 2012.

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Growth in Loans	-1%	-2%	-8%	-2%	8%
Growth in Deposits	-23%	11%	-1%	0%	14%
Growth in Net Profit	-100%	nm	-98%	35%	NM
Growth in Operating Income	-21%	-21%	5%	-5%	8%
NPL Ratio	17.1%	15.4%	6.7%	2.8%	2.0%
NPL Coverage	64%	59%	92%	169%	217%
Capital Adequacy	18.2%	20.0%	18.6%	20.0%	18.5%
Growth in Costs	-24%	15%	-5%	3%	10%
Cost-to-Income	17%	24%	22%	24%	24%
RoAA	0.0%	1.1%	0.0%	0.0%	0.4%
RoAE	0%	9%	0%	0%	3%

Sources: Company's financial statements and NBK Capital

Overview

CoBK was established in 1960 and is the second oldest bank in Kuwait. The bank provides commercial banking services, asset management and stock brokerage services. The corporate and retail banking segment provide a range of lending, deposit and related banking services to domestic and international corporate and individual customers. In addition, the bank also offers a range of fund management services through its Tijari Funds division, which covers investment funds such as the Gulf Cooperation Council (GCC) equity fund, the Islamic fund, and the India fund. The bank's subsidiaries include Al Tijari Investment Company KSCC (owned 100%), which is engaged in investment banking, and has acquired a 32.26% stake in Al Cham Islamic Bank S.A, a private bank incorporated in the Republic of Syria, engaged in Islamic banking activities. CoBK's subsidiaries also include Union Securities Brokerage Company KSCC which is engaged in brokerage services (owned 80%). The bank operates via a network of 56 branches and an ATM network spread across the country.

Latest News

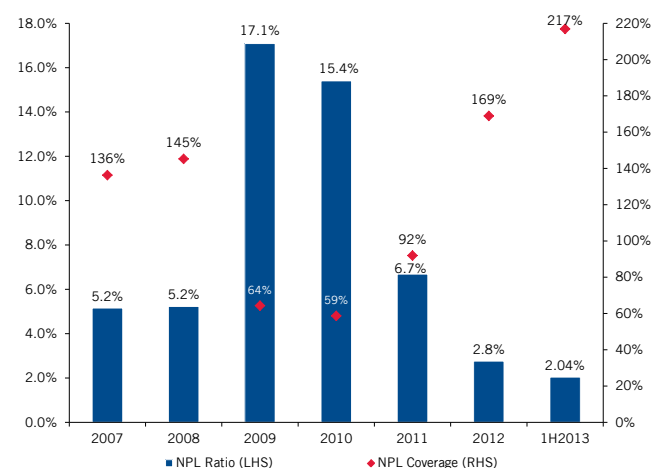
- **July 2013:** CoBK announced that Fitch Ratings has affirmed the company's Foreign Currency Long-Term Issuer Default Rating (IDR) to "A+" and Viability Rating (VR) at "bb-".
- **June 2013:** CoBK announced that Moody's Investors Service (Moody's) assigned A3/Prime-2 to its local and foreign-currency deposit ratings and D+ to standalone bank financial strength. At the same time, Moody's assigned a stable outlook on the company's local and foreign-currency deposit ratings.
- **February 2013:** CoBK announced that its board of directors has decided not to pay any dividend for fiscal year ending December 31, 2012.
- **February 2013:** The shareholders approved the amendment of Item (13) of the Bank's Memorandum of Association, namely to increase the number of the bank's board of directors from seven members to ten members.

Asset Quality

- **The bank's asset quality indicators continued to improve** in 2Q2013 with the NPL ratio dropping to 2.04% at the end of June 2013 compared to 2.8% at the end of December 2012. Higher provisioning also resulted in a noticeable improvement in the bank's NPL coverage which increased to 217% at the end of June 2013 compared to 169% at the end of December 2012.

- CoBK's asset quality indicators improved for the third consecutive year in a row, driven by a steep drop in NPLs. NPLs decreased by 60% in FY2012 to stand at KD 61 million, compared with KD 154 million in FY2011. This compares to a peak of KD 462 million in FY2009. As a result, the bank's NPL ratio dropped to 2.8% as of December 2012, compared with 6.7% as of December 2011 and 15% in December 2010. The large drop in the NPL ratio has been mostly driven by significant write-offs amounting to KD 108 million.
- NPL coverage continued to improve strongly to stand at 169% as of December 2012, driven by the drop in NPLs as provisions dropped by 27% during the year. It is worth noting that CoBK's specific provisions dropped by 67% in FY2012 while general provisions dropped by 6%.

Asset Quality Indicators



Sources: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

1H2013

- **CoBK's net profit bounced back in 1H2013, reaching KD 7.8 million compared to KD 0.45 million in 1H2012.** The YoY improvement was mostly driven by a surge in non-interest income growth.
- **Non-interest income witnessed a robust increase to stand at KD 24.4 million in 1H2013, up 25% from 1H2012.** This was mainly on the back of unspecified "other operating income" which reached KD 3.4 million compared with KD 0.4 million in 1H2012. Investment income also impressed growing by five folds to reach KD 1.4 million compared with KD 0.2 million in 1H2012.

- **Interest income growth, however, was almost flat YoY (-0.1%), despite moderate loan growth.** As such, operating income grew by 8% in 1H2013, to stand at KD 66.9 million.
- **Provisioning charges continue to be high; however, they dropped by 9% in 1H2013** to reach KD 42.6 million compared to KD 46.1 million in 1H2012.
- **Total costs increased 10% in 1H2013**, however, this was mostly offset by similar operating income growth. As a result, the bank's CIR remained similar to the level witnessed in 1H2012 at 24%.
- **In FY2011, CoBK's net loans dropped on a YoY basis for the fourth consecutive year.** Net loans dropped by 1.5% to KD 2.13 billion in FY2012 compared with KD 2.16 billion in FY2011.
- **A closer look reveals that the decline in loans in FY2012** was mainly driven by lending classified as "Others" which fell 20% YoY. On the other hand, retail loans were up 8% during the year, while corporate loans increased by 5% to account for 53% of total loans compared with 49% at the end of December 2011.
- **Customer deposits were nearly flat in FY2012 (+0.1%),** for the second consecutive year. As a result, customer deposits stood at KD 2.26 billion in FY2012. However, it is worth noting that customer deposits increased by 2.5% in 4Q2012 following drops in the previous two quarters of the year of 4.6% and 2.6%, respectively in 2Q2012 and 3Q2012.
- **A closer look at customer deposits reveals that the share of time deposits to total deposits has dropped** from 73% in 2010 to 54% in 2012, mostly driven by a falling interest rate environment. However, current accounts and demand deposits were up 16% in 2012 and contributed 19% to total customer deposits.

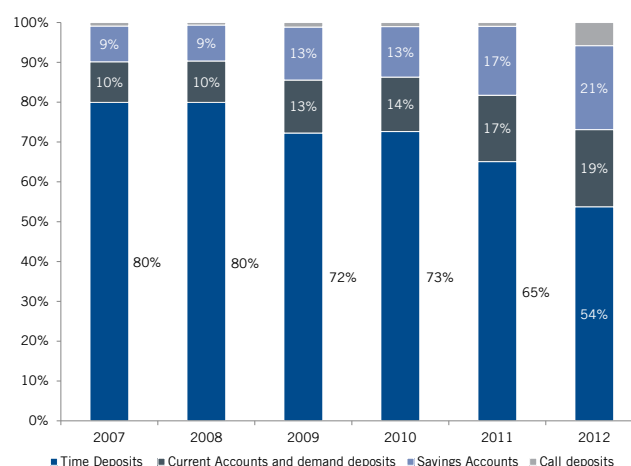
FY2012

- **CoBK has witnessed considerable volatility in net profit, mostly driven by the level of provisioning charges.** The bank recorded a net profit of KD 1.15 million in FY2012, up 35% YoY, despite a 5% drop in operating income. This increase was driven by a 7% drop in provisioning which stood at KD 92.6 million in FY2012 compared with KD 100.6 million in FY2011.
- **CoBK reported a net profit of KD 13.3 million in 4Q2012**, compared with a net loss of KD 12.6 million in 3Q2012 and KD 0.12 million as provisioning levels largely affected bottom line results.
- **Net interest income dropped by 7% in FY2012, following a 4% increase in the previous year.** Non-interest income dropped by 2% as an increase in fee and commission income was offset by a drop in foreign exchange income.
- **Total operating income stood at KD 123 million, down 5% compared with FY2011**, driven primarily by a drop in net interest income.
- **Following a 5% decrease in costs in FY2011, costs increased by 3% in FY2012** resulting in a CIR of 24% as of December 2012 compared with 22% as of December 2011.

Balance Sheet

- **The bank's loan book expanded for the second quarter in a row**, growing by 4% in 2Q2013 and resulting in a YTD growth of 8% by the end of June 2013. This comes following a 1.5% contraction in the bank's loan book FY2012. Deposits, on the other hand, grew even faster at 7% in 2Q2013, resulting in 14% YTD growth by the end of June 2013. This led to a drop in the bank's loans-to-deposits ratio to 89% as of June 2013 from 94% as of December 2012.

Deposit Breakdown



Sources: Company's financial statements and NBK Capital

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Interest Income	132.2	113.9	58.9	52.2
Interest Expense	(40.6)	(28.3)	(16.4)	(9.7)
Net Interest Income	91.6	85.6	42.5	42.5
Fee and Commission Income	27.5	28.0	13.8	14.5
Fund Management fees	0.7	0.2	0.0	0.0
Foreign Exchange gain/loss	5.3	3.9	2.1	2.1
Investment Income	(0.2)	1.7	0.2	1.7
Dividend Income	3.2	2.6	2.2	1.9
Other Operating Income	1.8	1.3	1.1	4.3
Operating Income	129.9	123.2	62.0	66.9
Impairment and other Provisions	(100.4)	(92.6)	(46.8)	(42.6)
Staff Costs	(16.3)	(15.7)	(7.6)	(9.4)
Gen and Admin Expenses	(11.6)	(13.3)	(7.1)	(6.3)
Depreciation	(0.8)	(0.4)	(0.1)	(0.5)
Operating Profit	0.9	1.2	0.5	8.1
Taxes	(0.0)	(0.0)	(0.0)	(0.3)
Net Profit	0.9	1.2	0.5	7.8

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Assets				
Cash and Short Term Funds	208.4	198.5	253.8	186.0
Treasury Bills and Central Bank	500.6	484.0	444.2	416.3
Deposits with banks and other	222.7	406.0	373.0	503.1
Loans and advances	2,348.4	2,161.0	2,127.7	2,292.1
Investment Securities	278.4	394.1	395.1	394.4
Investment in Associate	8.9	9.7	3.2	1.0
Premises and Equipment	24.7	26.2	25.8	24.7
Goodwill and other Intangible	18.4	18.2	9.9	9.9
Other assets	12.3	16.6	35.3	69.1
Total Assets	3,622.6	3,714.3	3,668.1	3,896.6
Liabilities and Sh. Equity				
Due to Banks and Fin. Inst.	806.3	886.5	817.3	711.3
Customer Deposits	2,272.6	2,254.0	2,257.3	2,574.9
Other Liabilities	57.6	42.4	40.5	53.6
Total Liabilities	3,136.6	3,182.9	3,115.1	3,339.8
Minority Interest	1.0	0.9	1.0	1.0
Share Capital	127.2	127.2	127.2	127.2
Treasury Shares	(0.1)	(0.1)	(0.1)	(2.7)
Reserves	225.5	289.2	309.7	308.2
Retained Earnings	113.3	114.1	115.3	123.0
Proposed Dividend	19.1	0.0	0.0	0.0
Total Shareholders' Equity	485.0	530.5	552.1	555.8
Total Liabilities and Equity	3,622.6	3,714.3	3,668.1	3,896.6

Sources: Company's financial statements and NBK Capital

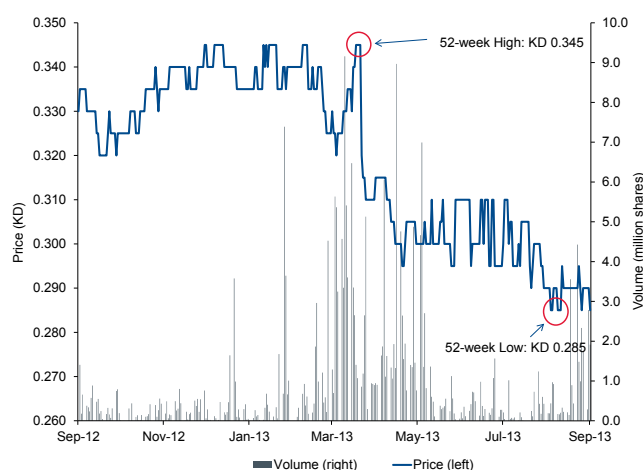
COMMERCIAL FACILITIES COMPANY (CFC)

Key Data

General		Daily Liquidity	
KSE Code	FACIL.KSE	52-week avg. volume	193,690
Reuters	FACIL.KW	52-week avg. value (KD)	34,024
Price (KD)		Price Performance	
Closing Price	0.285	YTD	-17.4%
52-week High/Low	0.345 / 0.285	12-month	-13.6%
Market Capitalization		Outstanding Shares	
KD (million)	146.59 Millions		514.35
Ownership Structure			
Closely-held: 16.56%		Public: 83.44%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Highlights

- Commercial Facilities Company (CFC), the largest non-bank consumer lender in Kuwait, specializes in providing installment credit facilities to finance consumer and commercial products. The main services provided by the company include financing new and used cars, boats and marine equipment, furniture and electrical appliances, basic construction materials, and granting personal cash loans.
- CFC's total income decreased by 12% YoY in 1H2013 to stand at KD 10.1 million against KD 11.6 million in 1H2012.
- Net operating profit decreased by 13% YoY to KD 4.7 million in 1H2013, compared to KD 5.4 million in 1H2012.
- Installment debtors remain the largest portion of the company's assets by representing 75%. By the end of June 2013, cash and cash balances had decreased by 26% to represent 11% of the assets at the end of the period.
- The company's total debt stood at KD 110.2 million as of June 30, 2013, representing a 2% QoQ increase.

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Net Interest Income Growth	-16%	-34%	-11%	-5%	-9%
NPL's-to-Installment Debtors	10%	12%	10%	8%	n/a
RoAA	4.0%	5.5%	4.7%	5.3%	4.7%
RoAE	9%	11%	9%	10%	8%
Net-debt-to-total equity (x)	0.9	0.7	0.5	0.5	0.5

Sources: Company's financial statements and NBK Capital

Overview

Commercial Facilities Company (CFC) is the largest non-bank consumer lender in Kuwait. The company was established in 1977 as the first Kuwaiti closed shareholding company with an initial capital of KD 3.8 million. The company specializes in providing installment credit facilities to finance consumer and commercial products. In 1982, CFC was listed on the Kuwait Stock Exchange and was the first company to be selected for the Kuwaiti government's privatization program. In September 1994, the Kuwait Investment Authority sold 47% of the company to the private sector. The main services provided by the company include financing new and used cars, boats and marine equipment, furniture and electrical appliances, basic construction materials, and granting personal cash loans. CFC represents 20% of the consumer loans market in Kuwait and CFC's share of the financing company market is more than 75%.

Subsidiaries

Subsidiary	Country	Ownership & Voting Held	Principal Activity
First Real Estate Facilities Company W.L.L	Kuwait	100%	Real Estate
Tas-hilat Rating and Collection Company	Kuwait	100%	Collection

Source: Company financial statements and NBK Capital

Latest News

- **April 2013:** CFC's AGM agreed on the distribution of a KD 0.024 cash dividend to shareholders for FY2012.

Financial Statement Analysis

Income Statement

- **CFC's total income decreased by 12% YoY in 1H2013 to stand at KD 10.1 million against KD 11.6 million in 1H2012.** This came on the back of a 13% YoY reduction in income from instalment credit that totaled to KD 8.7 million in 1H2013, highlighting that it represents 86% of total income. We would like to highlight that CFC has two associate companies, Real Estate Facilities Co. and Priority Automobile Co.

Associate Companies*

Name of Associate	Place of Incorporation and Operation	Proportion of Ownership	Proportion of Ownership Interest 2012	Principal Activity
Real Estate Facilities Co.	Kuwait	26.43%	26.43%	Finance of real estate
Priority Automobile Co.	Kuwait	44.56%	44.56%	Renting and leasing of luxury cars

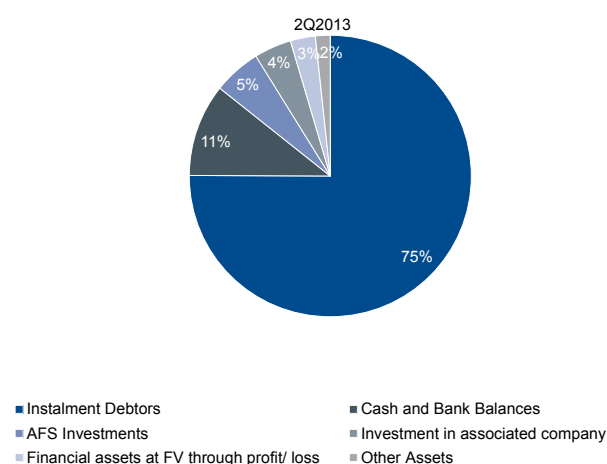
*As of June 30, 2013. Source: Company financial statements and NBK Capital

- Net operating profit is defined as net interest income less staff-related expenses and selling, general, and administrative expenses (SG&A). **Net operating profit decreased by 13% YoY to KD 4.7 million in 1H2013, compared to KD 5.4 million in 1H2012.** This came on the back of 1) a 13% YoY decrease in income from instalment credit which reflected a 9% YoY decrease in net interest income to KD 6.9 million in 1H2013 2) a 6% YoY increase in staff cost and related expenses to KD 1.5 million in 1H2013. However, the operating margin marginally decreased by 20 bps YoY to 54% in 1H2013.
- Because of the reduction in net operating income, net income before taxes decreased by 28% YoY in 1H2013 to KD 7.2 million. There was also a decrease in other income by 35% YoY to KD 0.7 million; therefore, **1H2013 net profit decreased by 28% YoY to KD 6.9 million, as against KD 9.5 million in 1H2012.**

Balance Sheet

- **Installment debtors remain the largest portion of the company's assets representing 75%.** By the end of June 2013, cash and cash balances had decreased by 26% to represent 11% of the assets.

Total Assets Breakdown



Sources: Company financial statements and NBK Capital

- **The company's total debt stood at KD 110.2 million as of June 30, 2013, representing a 2% QoQ increase.** The increase was due to a rise of 69% QoQ in due to banks to KD 2.1 million at the end of June 2013 and a 2% QoQ increase in term loans (represents 19% of total assets) to KD 58.0 million in 2Q2013.

- The bonds that the company issued late in 2011 represent 45% of total debt. These bonds pay a premium of 140 bps over the CBK's interest rate. The bonds pay quarterly coupons in arrears, and will be redeemed in eight quarterly installments of KD 6.25 million each, starting from March 2014 through December 2015.
- The company's net-debt-to-total equity ratio remained stable at 0.5x at the end of June 2013, on a net debt of KD 87.5 million.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Income from Installment Credit	19.9	19.4	10.0	8.7
Foreign Exchange Trading	-	(0.1)	0.0	0.0
Share of Results from Associates	0.4	0.6	0.3	0.6
Other Income	1.0	1.6	1.1	0.7
Income	21.3	21.5	11.5	10.0
Selling/General/Admin Expenses	(4.9)	(4.7)	(2.2)	(2.2)
Operating Income	16.4	16.8	9.3	7.8
Borrowing Costs	(4.2)	(4.5)	(2.4)	(1.8)
Other, Net	3.9	4.3	3.1	1.2
Net gain/losses on investments	(1.1)	0.2	0.1	0.1
Net Profit before Taxes	15.0	16.8	10.0	7.2
Contribution to KFAS	(0.2)	(0.2)	(0.1)	(0.1)
NLST	(0.5)	(0.6)	(0.3)	(0.3)
Directors' fees	(0.1)	(0.1)	(0.1)	(0.1)
Net Profit	14.2	15.9	9.5	6.9

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Cash and Cash Equivalents	14.2	54.5	29.7	22.7
Installment Debtors	237.3	211.1	219.1	218.8
Investments	40.6	35.9	36.3	37.1
Investment property	-	-	1.8	1.8
Other Assets	4.8	5.0	4.8	4.7
Total Assets	296.9	306.5	291.8	285.1
Loans	125.3	82.6	60.6	60.2
Bonds	-	50.0	50.0	50.0
Other Liabilities	10.3	10.0	11.7	11.2
Total Liabilities	135.6	142.6	122.2	121.4
Total Equity	161.4	164.0	169.5	163.7
Total Liabilities and Equity	296.9	306.5	291.8	285.1

Sources: Company's financial statements and NBK Capital

COMMERCIAL REAL ESTATE COMPANY (ALTIJARIA)

Key Data

General		Daily Liquidity	
KSE Code	ALTIJARIA.KSE	52-week avg. volume	2,467,211
Reuters	CRCK.KW	52-week avg. value (KD)	153,894
Price (KD)		Price Performance	
Closing Price	0.095 YTD		33.8%
52-week High/Low	0.108 / 0.070	12-month	28.4%
Market Capitalization		Outstanding Shares	
KD (million)	174.31 Millions		1,834.81
Ownership Structure			
Closely-held: 7.29%		Public: 92.71%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Rental Income (% of real-estate-related rev.)	13%	23%	15%	32%	52%
Change in fair value (% of real-estate-related rev.)	72%	28%	n/m	31%	0%
Revaluation gains (% of net profit)	173%	127%	n/m	87%	0%
EBITDA interest cover (x)	4.0	2.1	3.8	2.4	4.1
Net debt-to-total equity (x)	0.7	0.6	0.4	0.3	0.4
Operating Profit Margin	91%	85%	72%	66%	81%
Net Profit Margin	41.5%	22.4%	24.0%	35.8%	61.7%
Investment Book (% of Total Assets)	10%	9%	8%	8%	8%
Investment Book (% of Total Equity)	18%	16%	12%	12%	12%

Sources: Company's financial statements and NBK Capital

Highlights

- The Kuwait-based Commercial Real Estate Company (Altiaria) is a Shari'ah-compliant real estate investment, development, and management company. The company's main focus is on residential and commercial property development in Kuwait and within the Gulf Cooperation Council (GCC) region.
- The company's rental income increased by 19% to KD 5.9 million in 1H2013 compared to KD 5.0 million in 1H2012.
- Net profit in 1H2013 increased four times 1H2012 and stood at KD 6.8 million when compared to KD 1.6 million for the same period last year.
- The company's investment properties had a market value of KD 242.2 million as of June 30, 2013, which is significantly higher than the company's current market capitalization of KD 158.2 million.

Overview

The Kuwait-based Commercial Real Estate Company (Altijaria) is a Shari'ah-compliant real estate investment, development, and management company. The company's main focus is on residential and commercial property development in Kuwait and within the GCC region. The company generates income from its mix of rental and real estate development businesses. Altijaria was established in 1968 and was listed on the Kuwait Stock Exchange at the end of 2004. The company aims to drive growth by seizing investment and real estate opportunities and plans to expand abroad. Altijaria's network expansion through consortiums and alliances with various firms within the GCC drives the company's focus on developing large-scale projects across the region.

Latest News

- **July 2013:** Altijaria announced that it had signed an agreement on access to banking facilities by Ahli United Bank in Kuwait and Bahrain branches that is worth KD 50 million. It will be repaid over a period of eight years. The value of the listed facilities will be used in the company's settlement of a previous debt to a local bank that is worth KD 50.7 million.
- **May 2013:** The company announced that it started leasing in one of its projects called "Juman Residential Complex" which is located on a land area of 7,950 square meters. The complex is in Al-Mahboula against Fahaheel Expressway and consists of two residential towers, a parking lot, and shops to serve the renters.
- **March 2013:** Altijaria approved the distribution of KD 0.0005 cash dividends for the year ended December 31, 2012.

Major Projects

Major projects completed – Kuwait

- **Juman Residential Complex** – Built on an area of 7,950 sq. m., this residential project is located in Mahboula, facing the Fahaheel Express Road. The design consists of two buildings, 12 floors each, which include apartments, penthouses, and townhouses.
- **Al Tijaria Tower** – This is another mixed-use project that includes malls and office space. The tower is located in the Sharq area and is built on an area of 4,295 sq. m. The top part of the tower, designated for office space, consists of 40 floors.
- **The Dome** – Located in Abu-Halifa on the coastal road, the project is being built on an area of 15,195 sq. m. and consists of restaurants, coffee shops, and facilities for entertainment activities.

- **Symphony** – This mixed-use project is located in Salmiya and is built on an area of 11,500 sq. m. The project consists of retail shops with two towers above. One tower houses offices over 11 floors, and the other tower is a hotel with a height of 16 floors viewing the Arabian Gulf, in addition to a residential area from the 3rd to the 20th floor.

On-going Projects – Kuwait

- **Dine Zone Restaurants** – This is located along the sea-front in Oqaila beach and will consist of 26 villa-type restaurants on a site of 17,378 m². All restaurants will be on the ground and first floors, and surround the extensive central landscape with a total built up area of 8,300 sq. m.
- **Light Restaurants** – This is the first minimalist architectural design style restaurants complex in Kuwait. It houses 11 restaurants. The location is at the main intersection along the coastal road in Mahboula on a site area of 5,940 sq. m. The complex contains raised ground floor restaurants, a parking lot, and storage facilities in the split level lower ground floor, and unique landscape. This project aims to be a landmark in modern restaurants in Kuwait.
- **Ruba** – The Ruba Project, a residential building located in Mahboula, is built on an area of 5,373 sq. m. adjacent to the Fahaheel Expressway. The project will consist of 15 floors, and will contain a mix of residential units, such as individual townhouses and penthouses. The project will include provisions for outdoor and indoor recreational activities.

Financial Statement Analysis

Income Statement

- **The company's rental income increased by 19% to KD 5.9 million in 1H2013 compared to KD 5.0 million in 1H2012.** The increase came on the back of a reduction in net hotel losses which stood at KD 0.4 million versus losses of KD 0.8 million in 1H2013. Rental income represented 52% of the total real estate revenue in 1H2013, compared to 58% in 1H2012.
- **The company net gains from investment properties reported to be KD 4.8 million in 1H2013 against KD 4.5 million same period last year.** This improvement came on the back of net rental income increase.
- **Moreover, total real estate revenue increased by 32% to reach KD 11.3 million in 1H2013, compared to KD 8.6 million in 1H2012.** This increase came on the back of a jump in net profit from land and real estate held for trading, which stood at KD 5.8 million in 1H2013 when compared to KD 0.3 million in the same period last year.

- As a result, EBITDA increased by 42% YoY to KD 9.2 million in 1H2013, compared to KD 6.5 million in 1H2012. It is also to be noted that administrative expenses decreased by 39% YoY to reach KD 1.1 million for the period. Therefore, operating profit margin increased to 81% against 75% in 1H2012.
- A closer look at debt serviceability shows that the company's EBITDA interest coverage increased to 4.1x in 1H2013 versus 2.2x in 1H2012.
- Net profit in 1H2013 increased four times 1H2012 and stood at KD 6.8 million when compared to KD 1.6 million for the same period last year.

Balance Sheet

- The company's investment properties had a market value of KD 242.2 million as of June 30, 2013, which is significantly higher than the company's current market capitalization of KD 158.2 million. Investment properties accounted for 65% of total assets as of June 30, 2013.
- Altijaria's net debt-to-total equity ratio increased to 0.4x as of June 30, 2013 when compared to 0.3x in March 31, 2013 (it is to be noted that the average net debt-to-equity ratio from 2006 to 2011 was 0.6x). The company's equity and total debt stood at KD 260.5 million and KD 104.5 million, respectively, as of June 30, 2013.
- The investment book represents 12% of total equity. Altijaria's investment book (both available for sale [AFS] and investments at fair value through profit or loss) stood at KD 31.4 million as of June 30, 2013, which represents 12% of shareholders' equity and 8% of total assets.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Real estate rental Income	6.5	10.7	5.0	5.9
Profit from land and real estate held for trading	42.5	8.2	0.3	5.8
Change in fair value	(7.6)	10.5	4.2	-
Hotel income/(loss)	2.4	4.3	(0.8)	(0.4)
Total Real Estate Revenue	43.8	33.7	8.6	11.4
Other operating income	1.1	0.8	0.4	0.0
Operating expenses	(9.0)	(8.4)	(0.7)	(1.1)
Administrative expenses	(4.2)	(3.9)	(1.8)	(1.1)
EBIT	31.7	22.2	6.5	9.2
Other Income	(12.4)	(4.0)	(1.3)	0.4
Finance charges	(8.3)	(5.6)	(3.0)	(2.2)
Contribution to KFAS	(0.1)	(0.1)	(0.0)	(0.1)
Contribution to NLST	(0.2)	(0.3)	(0.0)	(0.2)
Zakat expenses	(0.1)	(0.1)	(0.0)	(0.1)
Minority Interest	-	1.1	0.5	0.2
Net Profit	10.5	10.9	1.6	6.8

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Property plant and equipment	33.5	33.9	32.0	30.9
Project in Progress	6.0	7.8	15.7	18.0
Investment Properties	228.7	236.5	241.8	242.2
Investments in associates	49.8	22.6	22.3	25.3
Investments available for sale	37.8	30.3	29.3	29.6
Investments in joint venture	-	0.7	-	-
Total non current assets	355.9	331.9	341.1	345.9
Cash and Bank Balances	3.9	13.0	11.3	9.8
Lands and real estate held for trading	18.8	9.4	10.4	9.9
Other assets	30.9	36.1	11.0	8.4
Total current assets	53.7	58.5	32.7	28.2
Total Assets	409.6	390.4	373.8	374.1
Short-Term Debt	102.9	14.1	16.5	13.4
Long-Term Debt	48.0	95.1	80.6	91.1
Total Debt	0.2	0.1	0.1	0.1
Total Liabilities	166.7	123.1	108.3	113.6
Shareholders' Equity	242.8	251.2	251.3	250.8
Minority Interest	-	16.1	14.1	9.6
Total Liabilities and Equity	409.6	390.4	373.8	374.1

Sources: Company's financial statements and NBK Capital

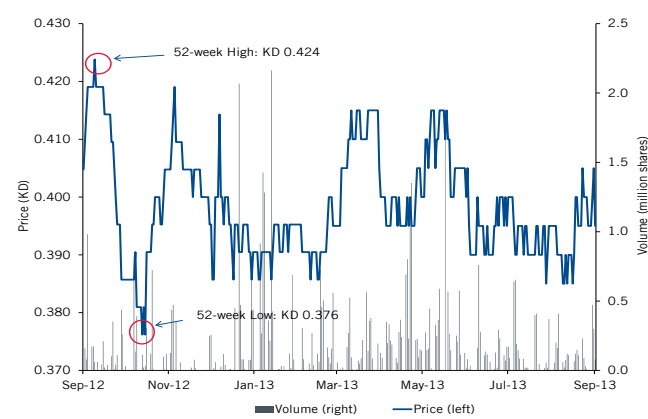
GULF BANK

Key Data

General		Daily Liquidity	
KSE Code	GBK.KSE	52-week avg. volume	1,602,105
Reuters	GBK.KW	52-week avg. value (KD)	428,701
Price (KD)		Price Performance	
Closing Price	0.395	YTD	-1.3%
52-week High/Low	0.424 / 0.376	12-month	-2.4%
Market Capitalization		Outstanding Shares	
KD (million)	1,091.78	Millions	2,764.00
Ownership Structure			
Closely-held: 49%		Public: 51%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Key Ratios

	2009	2010	2011	2012	1H2013
Growth in Loans	-5%	-3%	5%	0%	3%
Growth in Deposits	-18%	-2%	8%	-2%	0%
Growth in Net Profit	nm	nm	61%	1%	12%
Growth in Operating Income	nm	39%	-17%	11%	6%
NPL Ratio	30.3%	18.8%	14.6%	10.6%	NA
NPL Coverage	45%	36%	38%	56%	NA
Capital Adequacy	15.9%	17.5%	16.9%	16.8%	NA
Growth in Costs	11%	-2%	10%	13%	15%
Cost-to-Income	36%	26%	34%	35%	37%
RoAA	-0.6%	0.4%	0.7%	0.6%	0.6%
RoAE	-13%	5%	7%	7%	6%

Sources: Company's financial statements and NBK Capital

Highlights

- Gulf Bank was founded in 1960 as a commercial bank and offers retail, corporate and international banking, treasury, and investment services via a network of 56 branches. The Al Ghanim family is currently the largest shareholder of Gulf Bank, with a 27% stake, followed by the KIA with a 16% stake and the Behbehani family with a 6% stake.
- Gulf Bank reported a net profit of KD 14.3 million in 1H2013, 12% higher than 1H2012. The YoY improvement was mostly on the back of lower impairment losses on investments as the bank's losses narrowed to KD 0.24 million in 1H2013 compared to losses amounting to KD 6.5 million in 1H2012. Gulf Bank's loan book marginally shrank (-0.2%) in 2Q2013, following 4% growth in 1Q2013, resulting in YTD growth of 3%.
- NPLs continued their downtrend in 2012, dropping by 27% YoY, after it dropped by 44% and 20%, respectively in FY2010 and FY2011. The bank witnessed declining NPLs, led by significant write-offs and some recoveries. As of December 2012, Gulf Bank's NPL ratio had declined to 10.6% from 14.6% in December 2011, while NPL coverage increased to 56% from 38% at the end of December 2011.
- Gulf Bank suffered heavy losses in 2008 following which the Central Bank of Kuwait injected KD 420 million as financial support. The bank later conducted a rights issue (KD 375 million) to further strengthen its capital base.

Overview

Gulf Bank was founded in 1960 as a commercial bank and offers retail, corporate and international banking, treasury, and investment services via a network of 51 branches. Gulf Bank suffered heavy losses in 2008 following which the Central Bank of Kuwait injected KD 420 million as financial support. The bank later conducted a rights issue (KD 375 million) to further strengthen its capital base. During the recapitalization in January 2009, the Kuwait Investment Authority (KIA), Kuwait's sovereign wealth fund, acquired a 16% stake in the bank. As such, the combined share of the Al Ghanim family, the Behbehani family and Mahmoud Haji Haider, reduced from 65% to 49% at the time. The Al Ghanim family is currently the largest shareholder of Gulf Bank, with a 27% stake, followed by the KIA with a 16% stake and the Behbehani family with a 6% stake. The bank has consistently lost market share in each of the past five years and is currently the second largest commercial bank in Kuwait and third largest including Islamic banks. As of December 2012, Gulf Bank's assets accounted for around 11% of total banking assets in Kuwait, compared with 15% in 2006. The bank lends primarily to the real estate and personal sectors, which each accounted for 27% of total loans as of December 2012.

Latest News

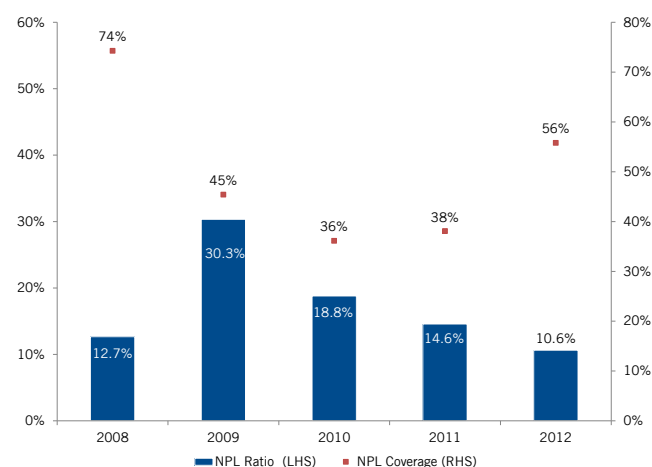
- **June 2013:** Gulf Bank KSC (GB) announced that Fitch Ratings has affirmed Long-term Issuer Default Rating (IDR) at 'A+' with a Stable Outlook. The Viability Rating (VR) has been upgraded to 'bb-' from 'b+'. The upgrade of the VR reflects Gulf Bank's substantial and sustained improvement in asset quality and capitalization since 2009, sound liquidity and relatively cautious growth plans, which focus on its core market.
- **March 2013:** S&P announced that they are raising its long-term rating on Gulf Bank to 'BBB+' from 'BBB' and affirming the short-term rating at 'A-2'. The positive outlook reflects our opinion that Gulf Bank has made great progress in addressing problematic credit exposures from the crisis, and is now in a good position to improve its credit risk profile, provided its current risk appetite or risk-concentration metrics do not change.
- **March 2013:** Chairman Mahmoud Al Nouri announced his decision to step down for health reasons. Following the annual general meeting and the subsequent board meeting, the Gulf Bank board of directors announced that it has selected Omar Kutayba Alghanim to be the new chairman with immediate effect on March 16.
- **December 2012:** Gulf Bank announces its partnership with INJAZ Kuwait for the year 2013. The partnership

involves strategic support from the bank on three key INJAZ programs, Innovation camp, job shadow day and more than money. Gulf Bank's partnership is in line with 2013 Corporate Social Responsibility which focuses encouraging the talents of the next generation of Kuwaiti youth.

Asset Quality

- NPLs continued their downtrend in 2012, dropping by 27% YoY, after dropping 44% and 20%, respectively in FY2010 and FY2011. The bank witnessed declining NPLs, led by significant write-offs and some recoveries. **As of December 2012, Gulf Bank's NPL ratio had declined to 10.6% from 14.6% in December 2011, while NPL coverage increased to 56% from 38% at the end of December 2011.**
- Gulf Bank witnessed significant pressure on asset quality in 2008 and 2009. Gulf Bank's NPL ratio soared to 12.7% and 30% in 2008 and 2009, respectively, compared with 1.7% as of December 2007. NPL coverage fell from 74% in 2008 to 45% in 2009.
- Following the recapitalization and replacement of the board in 1H2009, the bank has made significant efforts towards improving its risk management procedures.

Asset Quality Indicators



Sources: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

1H2013

- Gulf Bank reported a net profit of KD 14.3 million in 1H2013, 12% higher than 1H2012. The YoY improvement was mostly on the back of lower impairment losses on investments.

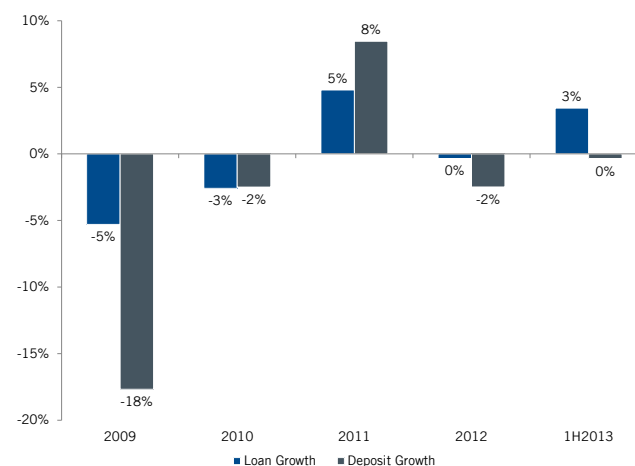
- **Net interest income grew by 3% in 1H2013** to stand at KD 84.2 million. **Non-interest income, on the other hand, witnessed a 17% growth YoY.** This was on the back of a noticeable improvement in investment income, as the bank's losses narrowed to KD 0.24 million in 1H2013 compared to losses amounting to KD 6.5 million in 1H2012.
- **Total operating income thus increased by 6% in 1H2013,** to reach KD 84.2 million in 1H2013 compared with KD 79.1 million in 1H2012.
- **While specific provisioning tripled in 1H2013 to reach KD 33.5 million , general provisioning dropped by 80% YoY.** As a result, those stood at KD 6.9 million in 1H2013, compared to KD 34.6 million in 1H2012, supported by write-backs in 2Q2013 which amounted to KD 4 million.
- **Total costs grew by 15% in 1H2013,** marginally pushing up the CIR 37% in 1H2013 from 34% in 1H2012.

FY2012

- Gulf Bank reported a net profit of KD 30.9 million in FY2012, only 1% higher than FY2011, despite double-digit growth in total operating income
- Net interest income grew by 11% in FY2012 driven by lower interest expense, which dropped by 12% during the year.
- Non-interest income grew by 10% in FY2012, driven by a 64% surge in foreign exchange income which reached KD 26.4 million in FY2012 compared with KD 16.1 million in FY2011.
- Total operating income thus increased by 11% in FY2012, to reach KD 167.7 million in FY2012 compared with KD 151.5 million in FY2011. Total operating growth however, did not trickle down to the bottom line as a result of an increase in loan loss provisioning charges.
- Net loan loss provisioning charges increased by 13% in FY2012, driven by write-backs. While specific and general provisioning dropped by 31% and 3%, respectively in FY2012, write-backs amounted to KD 5.2 million. It is worth noting that general provisioning charges had tripled in FY2011 and stood at KD 60 million in FY2012, representing almost 80% of total provisioning charges.
- Total costs were under control and grew by 3% in FY2012, following a 10% hike in FY2011, marginally pushing up the CIR to 35% from 34% in FY2011.

Balance Sheet

Loan and Deposit Growth



Sources: Company's financial statements and NBK Capital

- **Gulf Bank's loan book marginally shrank (-0.2%) in 2Q2013, following 4% growth in 1Q2013, resulting in a YTD growth of 3%.** Deposits, on the other hand, contracted by 3% in 2Q2013 following a 3% expansion in 1Q2013 and resulting in flat YTD growth. As a result, the bank's LDR ratio increased to 106% at the end of June 2013, from 102% at the end of December 2012.
- Loans were almost flat in FY2012 following a 5% increase in FY2011. Loan growth dropped for two consecutive quarters in 3Q2012 and 4Q2012 following a slightly recovery in 2Q2012.
- Deposits however, dropped around 2% in FY2012 following an 8% increase in FY2011. It is worth noting however, that deposit growth marginally recovered in 4Q2012 recording 2% growth following three consecutive quarters of negative growth.
- Taking a closer look at loans, we notice that personal and real estate loans make up for almost 50% of Gulf Bank's total loan portfolio, with the share of personal loans increasing from 20% in 2008 to 27% in 2012.
- **The bank's capital adequacy ratio stood at 16.8% at the end of December 2012,** higher than the regulatory requirement of 12%, but lower than several of its Kuwait peers.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Interest Income	209.0	180.8	88.6	83.2
Interest Expense	(119.4)	(77.4)	(30.2)	(23.2)
Net Interest Income	89.6	103.4	58.4	60.0
Fee and Commission Income	25.6	27.5	14.4	14.1
Foreign Exchange Income	9.7	33.7	9.4	8.0
Investment Income	10.9	21.6	2.6	0.9
Dividend Income	0.3	0.2	0.2	0.3
Impairment loss on investments				
AFS	(5.6)	(4.8)	(6.5)	(0.2)
Other Income	0.2	0.5	0.6	1.1
Operating Income	130.7	182.2	79.1	84.2
Specific Provisions	(148.7)	(94.9)	(9.3)	(33.5)
General Provisions	39.6	(20.4)	(34.6)	(6.9)
Loans written off	(2.1)	0.0	5.1	2.0
Staff Costs	(26.1)	(28.2)	(16.9)	(20.6)
Gen and Admin Expenses	(2.5)	(2.8)	(1.6)	(1.7)
Depreciation	(2.4)	(2.6)	(1.4)	(1.5)
Other expenses	(16.7)	(13.3)	(7.0)	(7.1)
Operating Profit	(28.1)	20.0	13.4	14.9
Directors' Fees	0.0	(0.2)	0.0	0.0
Kuwait Foundation	0.0	0.0	(0.1)	(0.2)
NLST	0.0	(0.5)	(0.3)	(0.4)
Zakat	0.0	(0.2)	(0.1)	(0.2)
Net Profit	(28.1)	19.1	12.8	14.3

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Assets				
Cash and Short Term Funds	280.2	370.5	483.2	705.3
Treasury Bills and Bonds	521.5	418.2	290.2	168.7
Central Bank of Kuwait Bonds	310.1	429.5	424.4	352.6
Deposits with banks and other	111.2	20.0	32.7	30.8
Loans and Advances to Banks	21.8	34.1	92.6	102.3
Loans and advances to	3181.4	3334.1	3322.5	3436.8
Investments AFS	92.2	106.0	122.4	145.9
Other Assets	55.7	47.5	53.1	42.7
Premises and Equipment	25.8	25.9	25.6	25.3
Total Assets	4599.8	4785.9	4846.7	5010.3
Liabilities and Sh. Equity				
Due to banks and FI	67.3	76.2	127.4	285.6
Deposits from FI	886.6	776.8	846.6	842.6
Customer deposits	3070.9	3330.4	3247.6	3236.3
Subordinated loans	84.2	83.6	84.4	85.6
Other Liabilities	80.1	88.6	91.5	94.7
Total Liabilities	4189.1	4355.6	4397.4	4544.7
Minority Interest	0.0	0.0	0.0	0.0
Treasury Shares	-44.2	-45.0	-56.3	-62.1
Share Capital	250.8	250.8	263.3	276.5
Proposed Bonus Shares	0.0	12.5	13.2	0.0
Reserves	58.6	50.7	53.4	61.2
Share Premium	153.0	153.0	153.0	153.0
Proposed Dividend	0.0	0.0	0.0	0.0
Accumulated Deficit	-7.4	8.2	22.7	37.0
Total Shareholders' Equity	410.7	430.3	449.2	465.6
Total Liabilities and Equity	4599.8	4785.9	4846.7	5010.3

Sources: Company's financial statements and NBK Capital

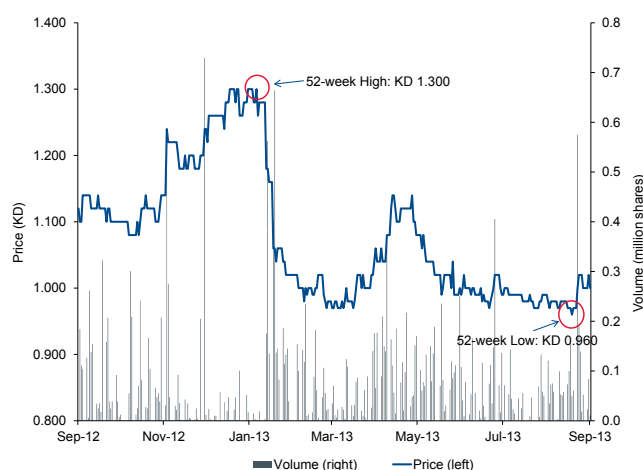
GULF CABLE AND ELECTRICAL INDUSTRIES COMPANY (GULF CABLE)

Key Data

General		Daily Liquidity	
KSE Code	CABL.KSE	52-week avg. volume	87,998
Reuters	CABL.KW	52-week avg. value (KD)	62,688
Price (KD)		Price Performance	
Closing Price	1.000	YTD	-20.6%
52-week High/Low	1.300 / 0.960	12-month	-10.7%
Market Capitalization		Outstanding Shares	
KD (million)	209.93 Millions		209.93
Ownership Structure			
Closely-held: 37.51%		Public: 62.49%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
EBITDA Margin	16%	7%	18%	9%	3%
EBIT Margin	14%	5%	16%	7%	1%
Net Profit Margin	14.8%	28.3%	30.4%	12.6%	18.8%
Investment Book-to-Assets	69%	72%	61%	64%	62%
Investment Book-to-Equity	113%	101%	82%	92%	95%
Investment Income-to-Net Income	41.7%	104.5%	63.9%	62.4%	105.6%
RoAA	4.2%	9.0%	12.9%	4.9%	4.7%
RoAE	7%	13%	18%	7%	7%
Net debt-to-total equity (x)	0.5	0.3	0.2	0.3	0.4

Sources: Company's financial statements and NBK Capital

Highlights

- Gulf Cable is the market leader in Kuwait, with the largest market share of the electric cable business.
- Gulf Cable reported a sales figure of KD 45.0 million in 1H2013, representing a 2% decline compared to 1H2012.
- In 1H2013, the company experienced a change in fortune due to a weaker top-line performance. Consequently, the gross profit decreased 42% YoY to stand at KD 3.6 million.
- Available-for-sale (AFS) investments decreased by 9% QoQ to KD 135 million by the end of June 2013.
- Gulf Cable reported weak cash flow generation in line with a YoY drop in net profit in 1H2013.

Overview

With a production capacity of 105,000 tons/year (the Kuwaiti facility has 75,000 ton capacity and the Jordanian facility has 30,000 ton capacity), Gulf Cable is one of the most dominant regional players in the manufacture and supply of cables. Established in 1975, the company's core operations revolve around producing cables used to distribute electricity. The cables are strictly low- and medium-voltage made of copper (approximately 70% of the total produced cables) or aluminum (approximately 30%). Gulf Cable's production facilities allow it to produce other kinds of cables as well, such as data transmission cables, conductors, and telephone cables. Furthermore, Gulf Cable has its own copper rod plants, enabling it to produce 12,000 tons of copper per year. The group is composed of the parent company and its subsidiary, Gulf Cable and Multi Industries Company located in Jordan. The company sells its products within the Middle East, including the United Arab Emirates (UAE), Oman, Jordan, Qatar, Bahrain, and Saudi Arabia.

Latest News

- **May 2013:** Gulf Cable announced that it has signed two contracts in Bahrain worth a total of Bahraini Dinars 7.37 million. The contract was signed with Central Stores (Electricity and Water Authority) for the supply of medium pressure electrical cables. The supply will be for the years 2013 and 2014.

Financial Statement Analysis

Income Statement

- **Gulf Cable reported a sales figure of KD 45.0 million in 1H2013, representing a 2% decline compared to 1H2012.**
- In 1H2013, the company experienced a change in fortune due to a weaker top-line performance. Consequently, **the gross profit decreased 42% YoY to stand at KD 3.6 million. Accordingly, the EBITDA dropped 63% YoY to reach KD 1.4 million against KD 3.8 million in 1H2012.** Furthermore, the EBITDA margin declined to 3% from 8% in 1H2012.
- **Net profit was down 14% YoY in 1H2013.** Stripping out dividend income, Gulf Cable would have reported a net profit of KD 0.5 million in 1H2013, much lower than the KD 1.4 million net profit that would have been reported in 1H2012. Dividend income continues to present the largest portion of the company's net profit, representing 86% in 1H2012 and 94% in 1H2013.

Balance Sheet

- **Available-for-sale (AFS) investments decreased by 9% QoQ to KD 135 million by the end of June 2013.** Yet AFS investments, for the same period, continued to be the largest portion of assets, representing 62% of total assets and 95% of total shareholders' equity.
- **Gulf Cable's net debt-to-total equity ratio remained at 0.4x in 2Q2013.** However, total equity decreased by 9% QoQ to reach KD 142 million in June 2013. Moreover, net debt increased by 2% QoQ to KD 57 million in the same period.
- **Gulf Cable reported weak cash flow generation in line with a YoY drop in net profit in 1H2013.** The operating cash flow stood at KD 2.1 million in 1H2013, down from KD 4.4 million in 1H2012, representing a drop of 52%.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Total Revenue	119.3	90.5	45.8	45.1
Cost of Revenue	(93.9)	(79.0)	(39.7)	(41.5)
Gross Profit	25.4	11.5	6.1	3.6
Selling/General/Admin Expenses	(6.0)	(5.2)	(3.3)	(3.1)
EBIT	19.4	6.2	2.9	0.5
Other Income	22.2	8.0	8.4	9.5
Other Expenses	(4.0)	(2.1)	(1.1)	(1.2)
Earnings Before Taxes	37.6	12.0	10.2	8.8
Taxes	(1.2)	(0.6)	(0.3)	(0.3)
Net Profit before Minority Interest	36.5	11.5	9.9	8.5
Minority Interest	(0.2)	(0.0)	(0.0)	(0.0)
Net Profit	36.3	11.4	9.8	8.5

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Property, plant and equipment	14.0	12.1	10.6	10.0
Available for sale investment	239.8	143.0	147.9	135.4
Goodwill	0.0	0.0	0.0	0.0
Non-Current Assets	253.8	155.0	158.6	145.4
Inventories	36.8	37.4	42.1	44.6
Trade Account Receivable	27.9	30.4	25.0	22.6
Other Receivable and prepayments	0.7	0.8	0.4	0.8
Fixed deposit	0.4	0.4	0.0	0.0
Cash and bank balances	11.5	10.4	4.6	5.9
Current Assets	77.3	79.4	72.2	73.9
Total Assets	331.1	234.4	230.8	219.3
Provision staff indemnity	1.5	1.7	1.9	2.1
Long term loans	7.7	1.2	32.8	26.5
Non Current Liabilities	9.2	2.9	34.8	28.6
Trade A/P	2.1	2.5	2.5	2.9
Other Payables and accruals	10.1	9.7	8.3	8.5
Current Portion of LT loans	5.0	5.5	12.5	13.6
Short term loans	67.0	40.0	11.0	23.0
Due to banks	0.1	0.2	1.5	0.3
Current Liabilities	84.4	57.9	35.8	48.2
Total Liabilities	93.6	60.9	70.5	76.8
Other Components of Equity	109.5	22.7	13.3	(7.7)
Other Equity	127.8	150.4	146.5	149.7
Total Equity	237.3	173.1	159.8	142.0
Minority Interest	0.2	0.4	0.5	0.5
Total Liabilities and Equity	331.1	234.4	230.8	219.3

Sources: Company's financial statements and NBK Capital

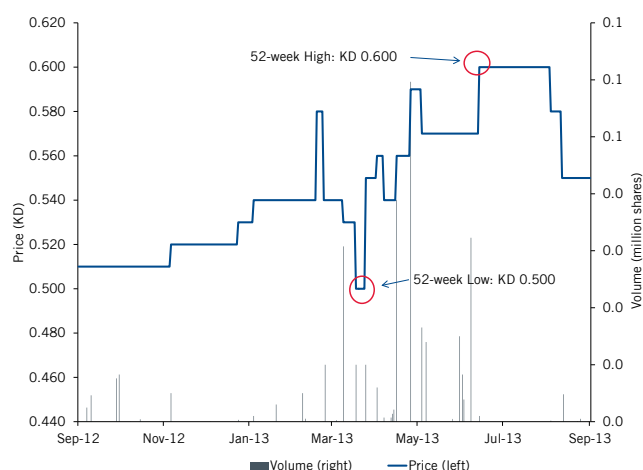
GULF INSURANCE COMPANY (GIC)

Key Data

General		Daily Liquidity	
KSE Code	GINS.KSE	52-week avg. volume	7,221
Reuters	GINS.KW	52-week avg. value (KD)	467
Price (KD)		Price Performance	
Closing Price	0.550	YTD	5.8%
52-week High/Low	0.600 / 0.500	12-month	7.8%
Market Capitalization		Outstanding Shares	
KD (million)	102.87	Millions	187.04
Ownership Structure			
Closely-held: 85.5%		Public: 14.5%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Loss Ratio	76%	72%	70%	77%	82%
Expense Ratio	24%	23%	20%	22%	18%
Combined Ratio	99%	95%	90%	99%	100%
RoAA	2.5%	3.7%	3.4%	3.9%	0.9%
RoAE	7%	11%	10%	13%	3%
Inv Book-to-total Assets	29%	35%	27%	26%	27%
Inv Book-to-total Equity	112%	128%	108%	108%	113%

Sources: Company's financial statements and NBK Capital

Highlights

- GIC is the largest insurance company in Kuwait in terms of written and retained premiums.
- Approximately 43.5% of GIC is owned by KIPCO (the largest major shareholders are the Al Sabah family).
- GIC displayed strong growth in written premiums over the past five years, increasing at a compounded annual growth rate (CAGR) of 14.4%.
- A significant portion of the company's risks are shared with reinsurers, which has helped the company maintain positive net income. If we look at the company's underwriting profit, GIC paid out KD 1.000 in claims for every KD 1.000 underwritten in contracts for 1H2013. This represents a 1.9% increase in claims paid compared to 1H2012.
- The company reported an investment book of KD 81 million (27% of total assets) in June 2013, a 3% increase compared to December 2012. More than 39% of these investments are AFS investments, of which 57% are tied up in unquoted equity securities.
- GIC's cash balance covered up to 1.6 times the net outstanding claims in 1H2013.
- GIC reported a net profit of KD 4.8 million in 1H2013, a 7.8% increase compared to 1H2012. The improvement came as a result of higher written premiums and stronger investment income, offset partly by the increased claims incurred during the year.

Overview

GIC is the largest insurance company in Kuwait in terms of written and retained premiums. Established in 1962, GIC covers life and non-life segments throughout the region through subsidiaries. Areas of covered non-life insurance include motor, marine and aviation, and property and casualty insurance.

Latest News

- **April 2013:** GIC announced that it would pay a cash dividend of KD 0.025 per share for FY2012. This represents a 50% payout ratio.
- **October 2012:** GIC secured USD 52.7 million credit facility from Burgan Bank.
- **June 2012:** S&P reaffirmed GIC's A- rating on strengthened risk controls.

Financial Statement Analysis

Income Statement

- Two major factors make up the growth in written premiums for an insurance company: i) the number of issued contracts and ii) the risk level associated with each contract. **GIC has consistently increased written premiums over the past five years.** In 2012, the company reported 14.4% growth in written premiums year-over-year (YoY), reaching KD 146 million. Written premiums on life and medical-related insurance, which grew 26% and 13%, respectively, led to the growth in FY2012. Total general and risk insurance (which includes vehicles, properties, and engineering-related activities) had a lower claims rate in FY2012 (27%) compared to medical and life insurance (35%). The company continued to show strong growth in 1H2013 as written premiums experienced a 12.4% increase YoY to KD 72 million.
- Underwriting profit is the most important indicator in the insurance industry. This determines how well the company is generating profit strictly from the core business. The underwriting business includes premiums earned, as well as commission on reinsurance and issuance fees less any operating expenses (i.e., claims incurred and other expenses). **GIC has consistently managed to maintain positive underwriting results, largely due to contributions from ceded reinsurance (explained further in the next point).** GIC's underwriting profit fell from KD 10.4 million in FY2011 to KD 6.0 million in FY2012—a 43% decline. The reason for such a steep decline stemmed from the higher claims incurred during the year. We believe the

increase in claims incurred was due to the increase in written premiums for life and medical-related insurance. These types of insurance generally have higher claim rates than other insurance types. This trend continued into 1H2013 as the company reported a 22% decline in underwriting profit YoY due to higher claims incurred, essentially offsetting the major improvement in written premiums.

- Commissions received on ceded reinsurance refer to fees received from reinsurers to share risks (i.e., costs) associated with claims incurred in return for a share of the profits from written premiums. These fees contribute the largest portion to the company's underwriting profit.
- The combined ratio determines the quality of the company's claims by assessing how much the company is making in premiums compared to the claims incurred. A combined ratio of more than 100% indicates the company is paying out more in claims than it is making from premiums, and a ratio of less than 100% means the company is making more on premiums than it is paying out in claims. GIC recorded a combined ratio of 99% in FY2012 compared with a ratio of 90% in FY2011. This means that for every KD 1.000 in written premiums in 2012, GIC paid out KD 0.990 as claims. The calculations were conducted without including discounts on premiums offered by GIC. If these are included in the calculation, the combined ratio would have been above 100%. In 1H2013, the company reported a combined ratio of 100%, marginally higher than the 98% reported in 1H2012.
- In addition to writing premiums, another important aspect of an insurance company stems from its ability to generate strong investment returns on the money received through written premiums. GIC has broken down its income generated from investments into two main categories: i) life insurance and ii) non-life insurance. On the life insurance front, GIC invests in four types of securities: held-for-trading (HFT) investments, available-for-sale (AFS) investments, debt securities, and time and call deposits. Investment earnings from life insurance reached KD 2.8 million in FY2012, up from a loss of KD 0.6 million in FY2011. A closer look reveals that the improvement came largely from a reversal in unrealized losses. GIC recorded a gain of KD 3.2 million in 2012 due to a reclassification of an AFS investment. The details related to this reclassification have not been disclosed. In 1H2013, the company reported a 12.5% YoY improvement in net investment income, reaching KD 4.9 million. Most of the improvement came from higher interest generated on deposits, dividend income, and a realized gain on sale of investments.

- **GIC reported a net profit of KD 9.3 million in FY2012, a 30.4% improvement compared to FY2011.** The stronger performance came despite higher claims and was largely due to the offsetting factor of an increase in investment income as highlighted earlier. In 1H2013, GIC reported net profit of KD 4.9 million, a 7.8% improvement over the same period last year.

Balance Sheet

- **Investment book remains the largest portion of GIC's assets.** The company reported an investment book of KD 79 million (26% of total assets) in December 2012, a 10% increase compared to December 2011. Much of the increase in the investment book was due to a 42% increase in investments in debt securities (which also explains the higher interest income) and 18% growth in HFT investments. In 1H2013, the company's investment book increased further to KD 81 million (27% of total assets). More than 39% of these investments are AFS investments, of which 57% are tied up in unquoted equity securities.
- One measure of success for an insurance business is determined by whether the company has enough liquidity to pay off insurance claims. The outstanding claims account (which is a liability for the company) determines how much GIC owes in reported claims. The company reported outstanding claims of KD 78 million in December 2012, of which KD 42 million (53%) have been reinsured. Taking these factors into consideration, we find that GIC's cash balance covered up to 1.8 times the net outstanding claims. Even if reinsurance claims are not taken into account, the company's cash balance can cover up to 86% of the total reported claims. By June 2013, the company still maintained strong liquidity figures, with cash covering 1.6 times the net outstanding claims (or 76% of total reported claims). **Thus, we believe GIC is in a good position to pay off its outstanding claims.**
- **The company maintains negligible debt levels and had a sufficient cash balance in December 2012 to make any required payments.** GIC's debt-to-equity ratio was 0.3x in December 2012, with a negative net debt balance. The company maintained these levels in June 2013. The lower leverage reflects favorably on the company's ability to repay any future debt obligations.
- GIC acquired a 20% stake in Alliance Insurance Company (from the United States Fire Insurance Company) for a total consideration of KD 6.7 million during 2012. As a result, GIC classified this investment as an associate. Moreover, GIC sold its 39% stake in KIPCO Private Equity Company (classified as an associate) for KD 10 million. Overall, these transactions resulted in the company's

investments in associates increasing from KD 13.3 million in December 2011 to KD 21 million in December 2012.

Financial Statements

Income Statement (KD '000)	2011	2012	1H2012	1H2013
Premiums written	133.9	145.4	68.1	72.9
Reinsurance premiums ceded	(66.7)	(71.7)	(30.1)	(30.1)
Net premiums written	67.2	73.7	38.0	42.7
Movement in unearned premiums	(1.8)	(3.6)	0.8	1.9
Net premiums earned	65.4	70.1	38.8	44.6
Commission on ceded reinsurance	9.3	10.8	6.2	6.0
Policy issuance fees	2.7	3.4	1.6	1.7
Net Inv. income from life insurance	(0.5)	2.8	0.5	0.6
Net Revenue	76.9	87.1	47.1	53.0
Claims incurred	(43.2)	(51.5)	(23.6)	(30.2)
Commission and discounts	(7.9)	(9.0)	(4.9)	(5.0)
Inc. in life mathematical reserve	(1.4)	(1.1)	(4.7)	(5.2)
Inc. in additional reserve	(0.0)	(0.1)	(1.6)	(0.5)
Maturity & cancel of life ins. policy	(1.1)	(1.2)	(0.6)	(0.8)
Gen. and Admin. expenses	(13.4)	(15.4)	(7.6)	(7.9)
Expenses	(67.0)	(78.4)	(43.1)	(49.6)
Net Underwriting Results	9.8	8.7	4.0	3.4
Net Investment (loss) income	2.8	6.3	3.2	4.3
Sundry Income	0.2	0.5	0.2	0.2
Other Charges	(3.8)	(4.4)	(2.2)	(2.3)
Net Profit before Minority Interest	9.0	11.1	5.3	5.6
Minority Interest	1.9	1.8	0.8	0.8
Net Profit	7.1	9.3	4.5	4.9

Balance Sheet (KD '000)	2010	2011	2012	Jun-13
Property and Equipment	7.4	11.5	11.3	13.1
Investments in ass. comp.	3.2	13.3	21.3	22.9
Intangible assets	8.3	8.5	8.4	9.0
Financial Instruments	90.1	71.4	78.1	80.2
Loans sec. by life ins. policies	0.9	0.8	1.0	1.1
Prem. and insurance receivable	40.0	42.1	51.5	40.4
Reins. recoverable on out. claims	40.0	41.8	40.7	45.3
Property held for sale	0.2	0.2	0.6	0.7
Other Assets	9.5	12.3	18.7	18.9
Cash and Cash Equivalents	60.8	64.8	66.7	64.7
Total Assets	260.4	266.8	298.3	296.4
Total liab. from ins. contracts	115.4	122.0	129.0	140.1
Bank Overdraft	15.0	14.7	20.4	17.9
Premiums received in advance	1.2	0.3	0.2	0.3
Insurance payables	33.1	33.3	43.0	33.2
Other liabilities	13.1	14.7	16.9	17.8
Total Liabilities	177.8	185.0	209.6	209.2
Total Equity	70.3	66.5	72.9	71.7
Minority interest	12.3	15.2	15.9	15.5
Total Liabilities and Equity	260.4	266.8	298.3	296.4

Sources: Company's financial statements and NBK Capital

INJAZZAT REAL ESTATE DEVELOPMENT COMPANY (INJAZZAT)

Key Data

General		Daily Liquidity	
KSE Code	INJAZZAT.KSE	52-week avg. volume	4,379,391
Reuters	INJA.KW	52-week avg. value (KD)	267,316
Price (KD)		Price Performance	
Closing Price	0.100	YTD	22.0%
52-week High/Low	0.114 / 0.052	12-month	92.3%
Market Capitalization		Outstanding Shares	
KD (million)	34.56	Millions	345.65
Ownership Structure			
Closely-held: 48.7%		Public: 51.3%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Highlights

- Injazzat Real Estate Development Co. (Injazzat) is a Kuwait-based real estate company that operates across the commercial, residential, and hotel segments. The company also owns a portfolio of investments in funds and shares of real estate companies.
- The company's investment properties had a market value of KD 66 million at the end of June 2013.** Investment properties accounted for 65% of total assets and 121% of total equity as of June 30, 2013.
- Rental income declined by 20%, to KD 0.98 million in 1H2013,** compared to KD 1.2 million in 1H2012.

Stock Performance



Sources: Bloomberg and NBK Capital

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Key Ratios

	2009	2010	2011	2012	1H2013
Rental Income (% of Real-Estate-Related Revenue)	n/m	48%	n/m	32%	23%
EBITDA Interest Cover (x)	n/m	1.2	n/m	1.5	4.2
Net debt-to-total-equity	1.4	1.5	1.6	1.1	0.6
Investment Book (% of Total Assets)	10%	9%	11%	11%	13%
Investment Book (% of Total Equity)	28%	26%	29%	23%	23%

Sources: Company's financial statements and NBK Capital

Overview

Established in 1998, Injazzat is a Kuwait-based company that was listed on the Kuwait Stock Exchange in 2002. The company is an active owner and operator of residential properties, retail developments, mixed-use commercial developments, and hospitality and entertainment properties. Injazzat also engages in real estate activities and investments, including direct and indirect investments, the buying and selling of real estate, and the management of properties within Kuwait, the Middle East, Europe, and the United States.

Major Projects

Major projects completed in Kuwait

Injazzat Tower

This office tower is located next to the Dhow Tower in Sharq on a 1,000 sq.m. block. The tower consists of 28 floors covering a built-up area of about 15,750 sq.m. The construction of Injazzat Tower was completed in August 2010.

Al Dajeej Ministries Building

Injazzat acquired the Al Dajeej Ministries Building, located in Farwaniya, in 2003 as another source of rental income. The property has 10,634 sq.m. of office space and is fully occupied, under long-term leases, by departments of various ministries.

Major projects completed – International

Al Qouz Residential Project

The project consists of two labor accommodation buildings providing 620 rooms along with offices and commercial shops. Located in Dubai, the project is built on a block of 100,000 sq.ft. with an estimated total built-up area of approximately 224,180 sq.ft. In June 2007, after the project reached full occupancy, the company sold a 50% share to a Kuwaiti company.

Al Muhaisna Project

This labor accommodation project is situated in the Al Muhaisna area of Dubai and covers an area of about 56,914 sq.ft. The project consists of two floors, and the building is composed of 401 rooms. It has been fully leased for five years. Injazzat acquired this project in 2007, in a 50% joint venture with First Real Estate Co. (Bahrain), as part of the company's strategy of holding income-generating properties.

Land Trading

An integral part of Injazzat's investment activities involves land trading, which includes buying parcels of land for direct resale or to be split into sub-plots and sold to one or more buyers. The company has experience in land trading in Kuwait, Bahrain, and internationally.

Kuwait

The Al Mal and Aqar Joint Projects Company was established in 2005, in cooperation with Aqar Real Estate Investment Company (Aqar). Injazzat owns 66.7% of the company, while Aqar has a 33.3% stake. The new company merged Injazzat's two plots with Aqar's plot in Sharq, covering an area of 3,000 sq.m. to develop an office tower.

Bahrain

The company has acquired several well-situated parcels of land in Al Seef, Ras Al Zuwaid, Al Janabeah Bahrain Investment Wharf, and the Sar areas in Bahrain.

Saudi Arabia

In December 2007, the company acquired, in association with other parties, a multi-use 223,372 sq.m. plot of land in the eastern area of Dammam. Injazzat intends to develop part of the land and sell the remainder.

Qatar

The company acquired several parcels of land in the Lusail area for development and trading purposes. Injazzat has also acquired shares in a Qatari company that owns land in the Al Khor area resort.

UAE

Injazzat has acquired plots of land in Umm Al Quwain in the United Arab Emirates (UAE). One parcel of land, covering about 56,700 sq.m., is situated in Umm Al Tho'oub, and the second parcel, covering about 6,272 sq.m., is situated in the Al Maidan area. The aim is to hold and ultimately resell these parcels at a profit.

Bulgaria

Injazzat invested in a land acquisition program in Luilin on the northeastern side of Sofia, and in the Bistritsa Hills on the southwestern side of Sofia.

United States

Injazzat, in partnership with other investors, purchased two adjacent tracts of land totaling 28.71 acres in McKinney, Texas, for trading purposes.

Financial Statement Analysis

Income Statement

1H2013

- Rental income declined by 20%, to KD 0.98 million in 1H2013, compared to KD 1.2 million in 1H2012.
- Total revenue from real estate operations (as per the company presentation) amounted to KD 4.3 million in 1H2013, compared to KD 1.6 million during the same period last year. Since the activity of the company's associates is primarily real estate development, we have also included results of associates as part of total real-estate related revenue. The surge in real estate related revenue in 1H2013 came on the back of KD 3.4 million in gains from the sale of investment properties. This in turn led to a significant increase in EBITDA during the period from KD 0.99 million to KD 3.3 million in 1H2013.
- The company recorded a net profit of KD 2.3 million in 1H2013, compared to a net loss of KD 1 million in 1H2012.

Balance Sheet

- The company's investment properties had a market value of KD 66 million at the end of June 2013. Investment properties accounted for 65% of total assets and 121% of total equity as of June 30, 2013.
- Injazzat's investment book stood at KD 12.9 million as of June 30, 2013, which accounted for 13% of total assets and 23% of total equity.
- The company's net debt-to-equity ratio stood at 0.6x as of June 2013, a good improvement from 1.1x at the end of FY2012. Total equity and debt stood at KD 54.9 million and KD 43.1 million, respectively, as of June 30, 2013.

Financial Statements

Income Statement (KD '000)	2011	2012	1H2012	1H2013
Rental income	2,046	2,559	1,221	979
Gain on sale of inv. properties	-	5,817	180	3,446
Management and placement fees	64	67	6	67
Change in fair value of inv. properties	(1,907)	(181)	-	-
Share of results of associates	(499)	(743)	(360)	(161)
Gain on sale of subsidiary	-	556	556	-
Total Real Estate-Related Revenue	(295)	8,075	1,603	4,331
Distribution income from AFS inv.	68	102	52	51
Other Income	1,047	(679)	236	(112)
Total income	820	7,498	1,891	4,270
Operating Costs	1,849	2,410	902	929
EBITDA	(1,029)	5,087	989	3,340
Depreciation	84	48	24	27
EBIT	(1,113)	5,040	966	3,314
Impairment on AFS inv.	-	-	-	-
Foreign exchange gain (loss)	(208)	303	235	100
Finance costs	4,128	3,460	1,742	787
Taxes	-	42	-	86
Net profit before minority interest	(5,032)	1,234	(1,011)	2,341
Minority Interest	(195)	53	5	(1)
Net profit	(4,837)	1,181	(1,016)	2,342

Balance Sheet (KD '000)	2010	2011	2012	Jun-13
Cash and Bank Balances	9,538	4,089	2,012	7,842
Investment Properties	104,977	103,501	76,064	66,445
Investments	21,572	20,718	20,647	8,128
Other Assets	31,680	22,631	25,055	20,291
Total Assets	167,768	150,939	123,777	102,706
Total Debt	99,819	91,635	61,985	43,135
Other liabilities	8,430	5,245	5,042	4,625
Total Liabilities	108,249	96,880	67,027	47,759
Attributable Equity	54,740	49,476	52,114	54,850
Minority Interest	4,779	4,583	4,637	96
Total Equity	59,519	54,060	56,751	54,946
Total Liabilities and Equity	167,768	150,939	123,777	102,706

Sources: Company's financial statements and NBK Capital

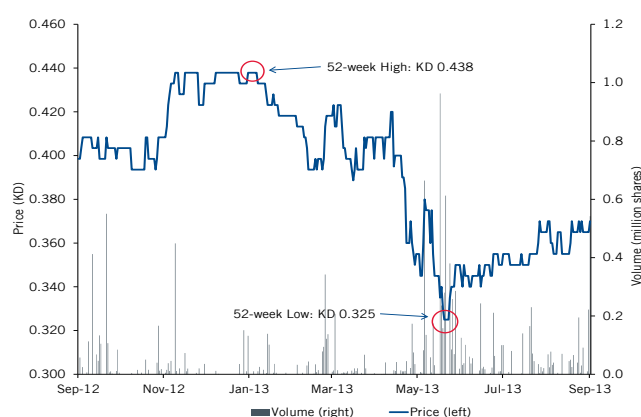
KUWAIT CEMENT COMPANY (KUWAIT CEMENT)

Key Data

General		Daily Liquidity	
KSE Code	KCEM.KSE	52-week avg. volume	70,450
Reuters	KCEM.KW	52-week avg. value (KD)	13,927
Price (KD)		Price Performance	
Closing Price	0.370	YTD	-15.5%
52-week High/Low	0.438 / 0.325	12-month	-7.1%
Market Capitalization		Outstanding Shares	
KD (million)	235.93 Millions		637.66
Ownership Structure			
Closely-held: 63.59%		Public: 36.41%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Key Ratios

	2009	2010	2011	2012	1H2013
Gross Profit Margin	36%	43%	35%	28%	31%
EBITDA Margin	30%	42%	33%	25%	28%
Net Profit Margin	20.7%	29.9%	25.3%	22.3%	29.7%
Investment Book-to-Assets	39%	41%	32%	28%	27%
Investment Book-to-Equity	70%	67%	56%	53%	48%
RoAA	5.2%	5.3%	5.5%	5.4%	3.8%
RoAE	9%	9%	9%	10%	7%
Net Debt-to-Total-Equity (x)	0.3	0.5	0.5	0.7	0.6

Sources: Company's financial statements and NBK Capital

Highlights

- Kuwait Cement Company is one of the key cement players in Kuwait, with products including ordinary Portland cement, sulphate-resistant Portland cement, Portland cement for industrial purposes, and other types of cement.
- Revenues for 1H2013 amounted to KD 36.3 million, increasing 12% YoY. The company reported a gross profit (pre-depreciation) of KD 11.3 million, also increasing 12% YoY.
- Kuwait Cement has significant exposure to investments (KD 82.6 million), which accounted for 27.5% of total assets and 52.2% of shareholders' equity as of June 30, 2013, compared to 28.3% and 53.5%, respectively, as of December 2012.
- Net profit for 1H2013 came in at KD 10.8 million, representing an increase of 22.7% YoY.

Overview

Kuwait Cement Company is one of the main cement players in Kuwait. The company's range of products primarily includes ordinary Portland cement, sulphate-resistant Portland cement, Portland cement for industrial purposes, and other types of cement. The Group has 3 companies under its umbrella namely, Shuwaikh Cement Company, Amwaj Real Estate Company, and Kuwait Cement Ready-Mix Company. Kuwait Cement has an annual cement capacity of 2.4 mt. The company announced that it expected to start up its second plant, worth approximately USD 400 million, at the end of 2011. However, delays were witnessed in the plant's start-up. The new plant's daily capacity will be nearly 8,500 tons, while that of the existing one is 7,500 tons, which will raise the company's daily clinker production capacity to 16,000 tons.

Latest News

- **April 2013:** At the AGM held on April 24, 2013, the company's shareholders approved the distribution of a 15% cash dividend (KD 0.015 per share) for the year 2012.

Financial Statement Analysis

Income Statement

1H2013

- **Revenues for 1H2013 amounted to KD 36.3 million, increasing 12% YoY.** The company reported a gross profit (pre-depreciation) of KD 11.3 million, also increasing 12% YoY, and translating into a gross margin of 31%, almost in line with last year.
- **Along with an increase in CGS for the period, SG&A expenses for 1H2013 increased by 6% to reach KD 1.7 million, in comparison to KD 1.6 million during FY2011.** The company reported an EBITDA of KD 10.2 million, up 12% from 1H2012. Thus, the EBITDA margin for the period stood at 28%, in line with 1H2012.
- Kuwait Cement reported investment gains of KD 1.9 million in 1H2013, compared to KD 0.67 million in 1H2012.
- Finance charges declined by 33% in 1H2013 to stand at KD 0.10 million, as against KD 0.15 million during 1H2012.
- The strong investment gains and the drop in finance charges helped improve net profit to KD 10.8 million, compared to 8.8 million during 1H2012.

Balance Sheet

- **Kuwait Cement has significant exposure to investments (KD 82.6 million), which accounted for 27.5% of total assets and 52.2% of shareholders' equity** as of June 30, 2013, compared to 28.3% and 53.5%, respectively, as of December 2012. Although the investment book, as a percentage of shareholders' equity, is amongst the lowest in the past six years, it still is significant.
- **At the end of June 2013, total debt stood at KD 123.4 million.** The company's net debt-to-equity declined to 0.6x at the end of June 2013, in comparison to 0.7x at the end of 2012.

Financial Statements

Income Statement (KD '000)	2011	2012	1H2012	1H2013
Total Revenue	56,369	66,221	32,538	36,313
Cost of Revenue	(38,638)	(49,526)	(23,415)	(26,218)
Gross Profit	17,731	16,695	9,123	10,095
Selling/General/Admin Expenses	(3,250)	(3,475)	(1,568)	(1,664)
Other Operating Income	2,267	1,465	574	580
Provisions & Impairment	-	-	-	-
Operating Income	16,748	14,685	8,129	9,010
Finance Charges	(848)	(354)	(152)	(109)
Interest Income	136	91	70	26
Gains/Losses from Investments	(888)	1,145	666	1,904
Associate Results	(184)	(74)	513	445
Net Income before Taxes	14,965	15,494	9,227	11,277
Contributions to KFAS	(148)	(141)	(83)	(100)
NLST	(321)	(336)	(184)	(239)
Zakat	(90)	(94)	(52)	(67)
Directors Remuneration	(140)	(140)	(70)	(70)
Net Profit	14,266	14,783	8,838	10,801

Balance Sheet (KD '000)	2010	2011	2012	Jun-13
AFS Investments	93,129	74,552	71,447	72,620
PP&E	89,996	110,895	136,285	147,412
Other Non Current Assets	16,365	16,599	16,489	16,447
Total Non Current Assets	199,489	202,046	224,220	236,479
Held For Trading Investments	11,566	8,773	9,663	9,986
Cash and Cash equivalents	13,170	16,211	11,607	19,087
Other Current Assets	34,081	31,927	40,715	42,138
Total Current Assets	58,817	56,911	61,984	71,212
Total Assets	258,306	258,958	286,205	307,691
Total Equity	156,770	147,580	151,635	173,847
Loans	49,147	61,895	105,294	100,635
Other Non Current Liabilities	1,642	1,711	1,837	1,902
Total Non Current Liabilities	50,789	63,606	107,131	102,536
Loans	35,132	29,833	7,005	16,119
Other Current Liabilities	15,615	17,939	20,435	15,189
Total Current Liabilities	50,747	47,772	27,439	31,308
Total Liabilities	101,536	111,377	134,570	133,844
Total Liabilities and Equity	258,306	258,958	286,205	307,691

Sources: Company's financial statements and NBK Capital

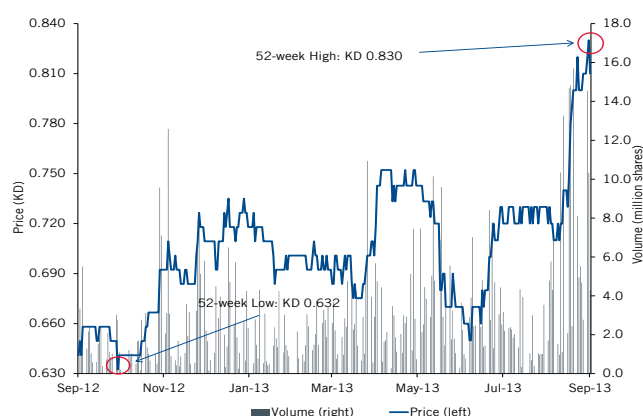
KUWAIT FINANCE HOUSE (KFH)

Key Data

General		Daily Liquidity	
KSE Code	KFIN.KSE	52-week avg. volume	2,974,849
Reuters	KFIN.KW	52-week avg. value (KD)	1,444,604
Price (KD)		Price Performance	
Closing Price	0.810	YTD	17.0%
52-week High/Low	0.830 / 0.632	12-month	26.4%
Market Capitalization		Outstanding Shares	
KD (million)	3,104.73	Millions	3,833.00
Ownership Structure			
Closely-held: 49%		Public: 51%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Key Ratios

	2009	2010	2011	2012	1H2013
Growth in Receivables	6%	9%	6%	13%	1%
Growth in Leased Assets	9%	-1%	12%	16%	11%
Growth in Depositors' Accounts	10%	5%	16%	6%	10%
Growth in Operating Income	-11%	2%	26%	6%	13%
Growth in Net Profit	-24%	-11%	-24%	5%	18%
NPR Ratio	12.8%	15.1%	11.3%	9.6%	NA
NPR Coverage	53%	53%	70%	62%	NA
Capital Adequacy	15.2%	14.2%	13.7%	13.9%	NA
Growth in Costs	22%	6%	20%	6%	21%
Cost-to-Income	46%	48%	46%	46%	51%
RoAA	1.1%	0.9%	0.6%	0.6%	0.7%
RoAE	10%	8%	6%	6%	8%

Sources: Company's financial statements and NBK Capital

Highlights

- KFH, the largest Islamic bank in Kuwait, was established in 1977 as the first pure Islamic banking institution. The bank expanded domestically and internationally via an aggressive expansion policy. The bank now has a presence in Kuwait, Saudi Arabia, United Arab Emirates (UAE), Bahrain, Malaysia, the Cayman Islands and Turkey. KFH's branch network including affiliate branches, reached around 255 branches, of which 54 are domestic.
- KFH's net profit stood at KD 49.8 million in 1H2013, up 18% compared with 1H2012. The YoY improvement was mostly driven by investment income. Net financing income reached KD 170.5 million, 6% above 1H2012. On the other hand, non-financing income impressed, growing 20% in 1H2013. The positive performance was mostly on the back of investment income which grew 24% in 1H2013 to stand at KD 95.5 million compared with KD 76.9 million in 1H2012.
- Growth in receivables was almost flat in 2Q2013 (-0.1%), following a 1.5% expansion in 1Q2013 and resulting in a 1.5% YTD growth. Depositors' accounts, on the other hand, grew at a faster rate of 6% in 2Q2013, resulting in YTD growth of 10%.
- KFH's capital adequacy ratio declined further to reach 13.9% as of December 2012 compared with 14.2% as of December 2010. In April 2013, shareholders agreed to a 20% capital hike. The capital increase could boost KFH's paid-up capital to KD 348.5 million from KD 290.4 million.

Overview

KFH was established in 1977 as the first fully Shari'ah-compliant banking institution and it has since become the second-largest bank in Kuwait. As of June 2011, KFH accounted for 31% of the total assets of the Kuwaiti banking sector. The Kuwait Investment Authority owns the largest stake, 24.08%, in KFH. Additionally, other public institutions own approximately 24% of the company's capital. The bank has created a strong foothold, both domestically and internationally, with a total network of nearly 255 branches in various countries. The bank has subsidiaries and associates in Kuwait, Saudi Arabia, UAE, Bahrain, Malaysia, the Cayman Islands, and Turkey, offering a variety of services, including Islamic banking, investments, real estate, and leasing services. The bank is rated by S&P, Moody's, and Fitch as A-, A1, and A+, respectively.

Subsidiaries and Associates as of September 2013

Consolidated Subsidiaries	Country	Stake	Principal Activities
Kuwait Finance House (Malaysia) Berhad	Malaysia	100%	Islamic banking services
KFH Private Equity Ltd.	Cayman Islands	100%	Islamic investments
KFH Financial Service Ltd.	Cayman Islands	100%	Intl. real estate development and investments
Al Muthana Investment Co.	Kuwait	100%	Islamic finance and investments
Al Nakheel United Real Estate Co.	Kuwait	100%	Real estate development and leasing
Development Enterprises Holding Co.	Kuwait	100%	Infrastructure and industrial investments
Baitak Real Estate Investment Co.	Saudi Arabia	100%	Real estate development and investment
Liquidity Management House	Kuwait	100%	Islamic finance and investments
Saudi Kuwait Finance House	Saudi Arabia	100%	Islamic investments
International Turnkey Systems Co.	Kuwait	97%	Computer maintenance, consultancy, and software services
Kuwait Finance House	Bahrain	93%	Islamic banking services
Kuwait Turkish Participation Bank	Turkey	62%	Islamic banking services
Aref Investment Group	Kuwait	52%	Islamic investments
ALAFCO - Aviation Lease and Finance Co.	Kuwait	53%	Aircraft leasing and financing services
Al Enma'a Real Estate Company	Kuwait	50%	Real estate, investment, trading, and real estate mgmt.
Associates	Country	Stake	Principal Activities
Direct Investments			
First Takaful Insurance Co.	Kuwait	27%	Islamic Takaful insurance
Gulf Investment House	Kuwait	20%	Islamic investments
Sharjah Islamic Bank	UAE	20%	Islamic banking services
First Investment Co.	Kuwait	9%	Islamic investments
Indirect Investments			
Sokouk Real Estate Development Co.	Kuwait	49%	Real estate development
Munsha'at Real Estate Projects Co.	Kuwait	25%	Real estate projects management
Liquidity Management Centre Co.	Bahrain	25%	Islamic banking and financial services
A'ayan Leasing and Investment Co.	Kuwait	16%	Leasing and Islamic investment

Sources: Company's financial statements and NBK Capital

KFH Network

Kuwait	<ul style="list-style-type: none"> 54 operating branches 39 branches have sections for women
KFH - Turkey	<ul style="list-style-type: none"> 181 operating branches (up from 141 as of December 2010) Completed Sukuk Transaction worth USD 350 million with a coupon rate of 5.875%
KFH - Bahrain	<ul style="list-style-type: none"> 9 operating branches 3 showrooms
KFH - Malaysia	<ul style="list-style-type: none"> 11 operating branches

Source: NBK Capital

Latest News

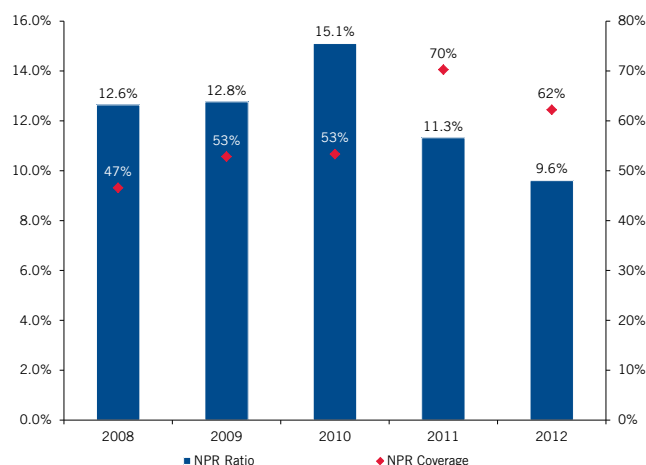
- August 2013:** KFH announced that it has sold an investment property for a total value of KD 50 million. The Company made a profit of KD 26.3 million.
- May 2013:** KFH announced that Moody's Investors Service (Moody's) downgraded its long term ratings by one notch to A1 from Aa3. Moody's also downgraded KFH's baseline credit assessment (BCA) and bank financial strength rating (BFSR) by two notches to ba1/D+ from baa2/C- respectively. The Prime-1 short term rating was confirmed. All ratings assigned to KFH carry a negative outlook.
- April 2013:** The general assembly approved the distribution of a 10% cash dividend and a 10% stock split for registered shareholders. The conversion of 10% of profits to legal reserves was also approved and the board was authorized to sell or acquire 10% of the bank's shares.
- April 2013:** Shareholders agreed to a 20% capital increase. New shares were to be issued at KD 0.100 fils per share plus a premium of KD 0.400. The capital increase could boost KFH's paid-up capital to KD 348.5 million from KD 290.4 million.
- December 2012:** KFH announced that it sold 16 blocks in various locations for KD 84 million as part of its efforts to reorganize its real estate portfolio to achieve better returns for investors and depositors.

Asset Quality

- Following a notable increase in its non-performing receivables (NPRs) in FY2010, KFH witnessed drops in absolute NPRs in FY2011 and FY2012. As such, NPRs stood at KD 679.6 million as of December 2012, compared with KD 721.5 million in FY2011, a 6% drop YoY.

- Thus, the NPR ratio dropped to 9.6% at the end of December 2012, compared with a peak of 15.1% at the end of December 2010. However, the bank decreased provisions for receivables in FY2012 by 17%, which reduced the NPR coverage to 62% at the end of December 2012 from 70% at the end of December 2011.

Asset Quality Indicators



Sources: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

1H2013

- KFH's net profit stood at KD 49.8 million in 1H2013**, up 18% compared with 1H2012. The YoY improvement was mostly driven by investment income.
- Net financing income reached KD 170.5 million, 6% above 1H2012.** On the other hand, non-financing income impressed, growing 20% in 1H2013. The positive performance was mostly on the back of investment income which grew 24% in 1H2013 to stand at KD 95.5 million compared with KD 76.9 million in 1H2012. Fees and commission income and FX income also picked up nicely, both rising 30% in 1H2013.
- As such, operating income grew by 13% in 1H2013 to reach KD 344.5 million.**
- Impairment charges dropped by 6%,** reaching KD 103 million in 1H2013, compared with KD 109.2 million in 1H2012. Those continue to be volatile on a quarterly basis, increasing by 46% QoQ in 2Q2013 after falling 60% QoQ in 1Q2013.

- Total costs were up 21% in 1H2013**, which led to a marginal increase in the bank's CIR to 51% from 47% in 1H2012.

FY2012

- KFH's net profit reported a marginal recovery in FY2012**, as net profit increased by 5% following drops in four consecutive years. This increase was mostly driven by net financing income growth. As such, net profit stood at KD 84.7 million in FY2012 compared to KD 80.3 million in FY2011 and KD 105.9 million in FY2010.
- Net financing income reached a record high of KD 343.3 million in FY2012**, up 8% compared with FY2011. Non financing income increased by 3% in FY2012 as robust growth in fees and commission income, investment income and foreign exchange income was mostly offset by a drop in the "other income" category.
- As such, operating income grew by 6% in FY2012** to reach KD 702.6 million.
- Impairment charges dropped 21% YoY**, reaching KD 255.3 million in FY2012 compared with KD 321.3 million in FY2011.
- Total costs grew 6% in FY2012** compared with a 20% growth in FY2011, reflecting an improvement in cost control.

Operating Income Analysis

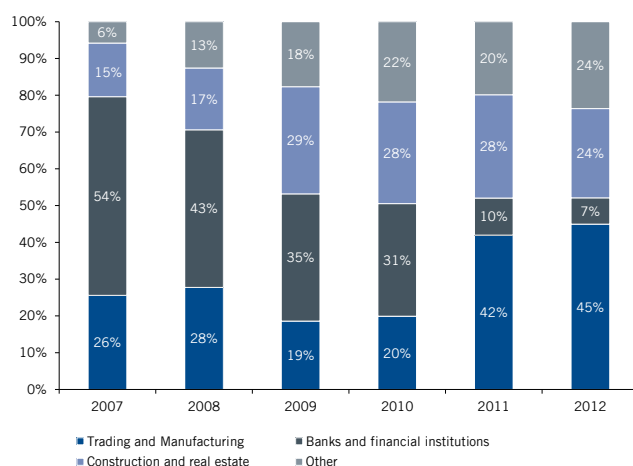
- KFH has witnessed a significant shift in the bank's operating income mix.** Since 2007, the share of net financing income in total operating income has gradually increased. Accordingly, net investment income, which accounted for more than 17% of the bank's operating income in 2010, represented 33% of operating income in FY2012.
- In 2012, net financing income accounted for the majority (49%) of operating income, compared with 2007, when net financing income represented just 30% of operating income. The tremendous increase indicates the bank's increased focus on generating earnings from core-operating activities, which are more sustainable in the long run.

Balance Sheet

- Growth in receivables was almost flat in 2Q2013 (-0.1%),** following a 1.5% expansion in 1Q2013 and resulting in 1.5% YTD growth. Depositors' accounts, on the other hand, grew at a faster rate of 6% in 2Q2013, resulting in YTD growth of 10%. This led to a drop in the bank's LDR to 65% at the end of June 2013 from 71% at the end of December 2012.

- **Receivables grew by a robust 13% in FY2012, following a 6% growth in the previous year**, to reach KD 6.7 billion at the end of December 2012. Most of the growth was driven by an 8% QoQ increase in receivables in 3Q2012.
- **A closer look at receivables growth reveals that the increase in FY2012 was led by growth in the “Trading and Manufacturing” sector which was up 19% YoY and accounted for almost 45% of net receivables in FY2012.** On the other hand, receivables categorized as “Banks and Financial Institutions” saw their share in total receivables drop from 31% at the end of December 2010 compared with 7% at the end of December 2012.
- **Depositors’ accounts, on the other hand, grew at a slower rate than receivables**, at 6% in FY2012 to reach KD 9.4 billion. Looking at quarterly trends, we note that growth in depositors’ accounts was mainly driven by a 5% QoQ boost in 4Q2012.

Receivables Breakdown



Sources: Company's financial statements and NBK Capital

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Financing Income	524.0	573.5	249.4	287.0
Distribution to Depositors	(152.7)	(171.1)	(68.6)	(84.2)
Murabaha and Ijara costs	(53.8)	(59.1)	(20.0)	(32.3)
Net Financing Income	317.5	343.3	160.9	170.5
Fee and Commission Income	55.9	72.7	32.1	41.7
Foreign Exchange Income	3.7	19.5	11.5	15.0
Investment Income	188.2	230.9	76.9	95.5
Other Income	100.2	36.1	24.5	21.8
Operating Income	665.6	702.6	305.9	344.5
Impairments	(321.3)	(255.3)	(109.2)	(103.0)
Staff Costs	(124.3)	(134.6)	(62.1)	(76.8)
Gen and Admin Expenses	(101.8)	(113.6)	(50.6)	(65.6)
Depreciation	(79.4)	(75.5)	(32.4)	(32.7)
Operating Profit	38.8	123.5	51.6	66.4
Other Expenses	(1.7)	(3.2)	(1.0)	(1.0)
Minority Interest	43.2	(35.6)	(8.5)	(15.6)
Net Profit	80.3	84.7	42.1	49.8

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Assets				
Cash and Bank Balances	447.6	619.6	814.3	1,053.6
Short-term Intl. Murabaha	1,597.4	1,478.1	1,185.7	2,044.6
Receivables	5,545.9	5,864.8	6,652.9	6,742.4
Trading properties	221.2	273.7	255.9	277.4
Leased Assets	1,272.7	1,422.4	1,653.5	1,835.9
Investments	1,183.1	1,302.2	1,376.3	1,407.6
Investments in Associates	339.3	490.1	452.8	505.8
Investment Properties	561.4	536.4	557.3	592.9
Other Assets	629.3	705.6	1,020.9	762.9
Fixed Assets	750.7	767.1	733.7	710.5
Total Assets	12,548.5	13,459.8	14,703.3	15,933.5
Liabilities and Sh. Equity				
Due to Banks and Fin. Inst.	2,211.6	1,818.6	2,254.9	2,126.4
Depositor's Accounts	7,649.1	8,881.8	9,392.7	10,314.8
Other Liabilities	602.1	681.7	735.0	760.3
Total Liabilities	10,462.8	11,382.2	12,382.5	13,201.6
Minority Interest	312.0	264.7	311.3	320.0
Deferred Revenue	515.9	608.5	744.0	809.4
Fair Value Reserve	(43.0)	(13.0)	(9.2)	(17.3)
Foreign Currency Trans. Res.	10.5	(74.8)	(53.5)	(54.1)
Total Shareholders' Equity	1,290.3	1,292.4	1,328.1	1,673.9
Total Liabilities and Equity	12,548.5	13,459.8	14,703.3	15,933.5

Sources: Company's financial statements and NBK Capital

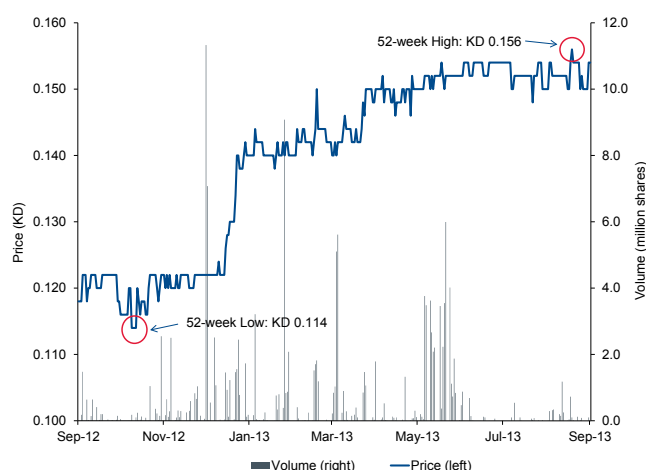
KUWAIT FINANCIAL CENTRE (MARKAZ)

Key Data

General		Daily Liquidity	
KSE Code	MARKAZ.KSE	52-week avg. volume	748,234
Reuters	MARKZ.KW	52-week avg. value (KD)	57,787
Price (KD)		Price Performance	
Closing Price	0.154 YTD		26.2%
52-week High/Low	0.156 / 0.114	12-month	30.5%
Market Capitalization		Outstanding Shares	
KD (million)	74.04 Millions		480.80
Ownership Structure			
Closely-held: 28.75%		Public: 71.25%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Management fees and comm-to-Total Income	93%	53%	138%	55%	47%
RoAA	2.0%	6.3%	-0.3%	3.2%	2.6%
RoAE	3%	9%	0%	5%	4%
Net Debt-to-Total-Equity (x)	0.3	0.3	0.3	0.2	0.2
Interest Coverage Ratio (x)	3.2	11.0	0.8	3.8	7.8
Liquid Assets-to-Total Assets	45%	42%	46%	36%	37%
Debt-to-Assets	27%	27%	35%	20%	18%
Equity-to-Assets	69%	68%	60%	72%	75%

Sources: Company's financial statements and NBK Capital

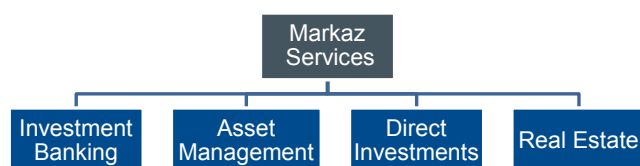
Highlights

- Since 1974, Markaz has retained a client base of high-net-worth individuals, governments, quasi-government institutions, and investment arms of corporations in the GCC and globally. The company has four main practices: investment banking, asset management, direct investments, and real estate.
- Management fees and commissions, which represent the largest portion of operating income at 57%, declined by 4% YoY to stand at KD 3.38 million during 1H2013. However, the company's operating income increased by 41% YoY to reach KD 7.28 million for the period, compared to KD 5.15 million in 1H2012.
- The company reported a net profit of KD 3.45 million in 1H2013, compared to a net profit of KD 1.21 million in 1H2012.
- Assets under management (AUMs) increased by 11% to KD 983.64 million by the end of June 2013, compared to KD 888.02 million by the end of March 2013.

Overview

Since 1974, Markaz has retained a client base of high-net-worth individuals, governments, quasi-government institutions, and investment arms of corporations in the GCC and globally. The company has four main practices: investment banking, asset management, direct investments and real estate.

Main Practices of Markaz



Sources: Markaz and NBK Capital

Markaz provides investment banking services such as mergers and acquisitions, advisory and execution, and capital markets. They directly invest in the oil and gas sector since this is the bloodline of the region's economy, in addition to directly investing in buyouts. Asset management is another service provided through mutual funds, alternative funds, and portfolio management. Finally, they provide services through investing in real estate internationally, in addition to, Middle East and North Africa real estate. In addition, Mar-Gulf Management, Inc. (MGMI) acts as the company's real estate arm in the United States. Markaz has been active in the US real estate market since 1977 with the launching of its first syndicated transaction.

Latest News

- **December 2012:** Markaz announced that it has signed a preliminary agreement to sell a real estate property for KD 5.9 million, which resulted in the recognition of a KD 1.0 million profit during 1Q2013.
- **November 2012:** The company announced that it has signed a 10-year contract with an investor to initiate and manage a KD 250 million real estate portfolio.

Financial Statement Analysis

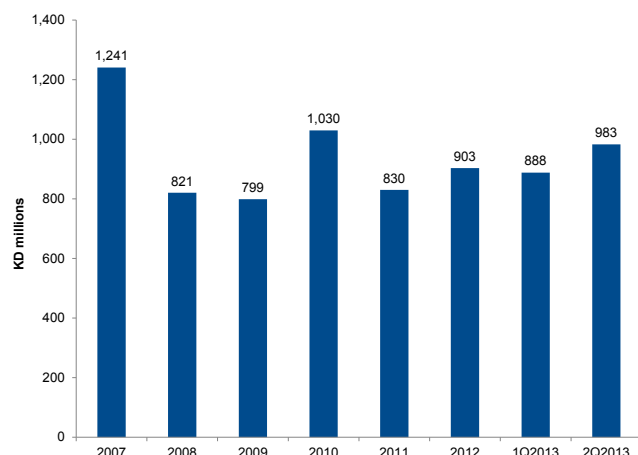
Income Statement

- Management fees and commissions, which represent the largest portion of operating income at 57%, declined by 4% YoY to stand at KD 3.38 million during 1H2013. However, **the company's operating income increased by 41% YoY to reach KD 7.28 million for the period, compared to KD 5.15 million in 1H2012.**
- **The increase in total income is mostly attributed to gains on sale of properties which did not appear in 1H2012.** Gains on sale of properties amounted to KD 0.94 million in 1H2013, representing 13% of operating income. The company recorded a gain of KD 0.87 million from FVIS investments in 1H2013 as against KD 1.68 million in 1H2012, representing a decrease of 48%.
- **Finance charges in 1H2013 decreased by 45% YoY to KD 0.53 million, compared to KD 0.96 million in 1H2012.** In addition, selling, general, and administrative expenses (SG&A) for the period witnessed an increase of 7% to stand at KD 3.12 million, compared to KD 2.91 million in 1H2012.
- **The company reported a net profit of KD 3.45 million in 1H2013, compared to a net profit of KD 1.21 million in 1H2012.**

Balance Sheet

- **AFS investments continue to represent the largest portion of assets, standing at 43% by the end of June 2013.** The company's position in AFS investments increased by a slight 2% from March 2013 to reach KD 51.98 million.
- **By June 30, 2013, the total debt balance remained at KD 22.00 million.** Net debt by the end of June 2013 increased by 10% QoQ to KD 17.22 million, compared to KD 15.61 million by the end of March 2013. The company's net-debt-to-total-equity remained at 0.2x by the end of June 2013 as against March 2013.
- **AUMs increased by 11% to KD 983.64 million by the end of June 2013, compared to KD 888.02 million by the end of March 2013.**

Assets under Management



Sources: Company's financial statements and NBK Capital

Financial Statements

Income Statement (KD thousands)	2011	2012	1H2012	1H2013
Interest and Dividend Income	1,458	1,668	776	579
Mgmt. fees and commissions	8,189	6,707	3,519	3,387
Net gain/(loss) from FVIS Invest.	(5,580)	1,936	(362)	1,375
Net gain/(loss) from AFS Invest.	2,290	1,758	1,277	830
Income on sale of Invest. Prop.	143	-	-	944
Provision for credit losses	(258)	(4)	-	(53)
Change/reversal of provisions	-	-	15	-
Foreign Exchange gain/ (loss)	(308)	(83)	(108)	158
Rental Income	-	178	34	37
Other Income	(16)	2	1	9
Total Operating Income	5,918	12,162	5,152	7,266
General and Admin Expenses	(5,212)	(6,034)	(2,910)	(3,128)
Finance Costs	(936)	(1,621)	(961)	(533)
Total Operating Expenses	(6,148)	(7,655)	(3,871)	(3,661)
Other Expenses	-	(290)	(67)	(166)
Minority Interest	126	94	72	(45)
Net Profit	(356)	4,123	1,142	3,484

Balance Sheet (KD thousands)	2010	2011	2012	Jun-2013
Assets				
Cash and Cash Equivalents	5,677	22,857	5,204	4,773
Trading Investments	52,097	41,863	39,033	40,835
AFS Investments	56,823	52,645	51,567	51,979
Acc. Receivables and Oth. Assets	6,164	3,362	3,897	3,582
Short-term Financing	-	878	42	43
Loans to Customers	12,893	11,884	7,879	7,608
Investment in Associate	-	-	-	2,108
Invest. Prop and Prop. Under Development	2,340	7,538	16,479	10,931
Fixed Assets	426	394	435	387
Total Assets	136,420	141,421	124,536	122,246
Liabilities and Shareholders' Equity				
Due to Banks and Fin. Inst.	3,753	-	3,484	-
Acc. Payables and Oth. Liabilities	4,871	3,976	4,833	4,133
Dividends Payable	344	-	-	-
Short-term Borrowings	5,500	-	-	-
Bonds	28,060	49,896	22,000	22,000
Total Liabilities	42,528	53,872	30,317	26,133
Minority Interest	967	3,377	4,113	4,085
Total Shareholders' Equity	92,925	84,172	90,106	92,028
Total Liabilities and Equity	136,420	141,421	124,536	122,246

Sources: Company's financial statements and NBK Capital

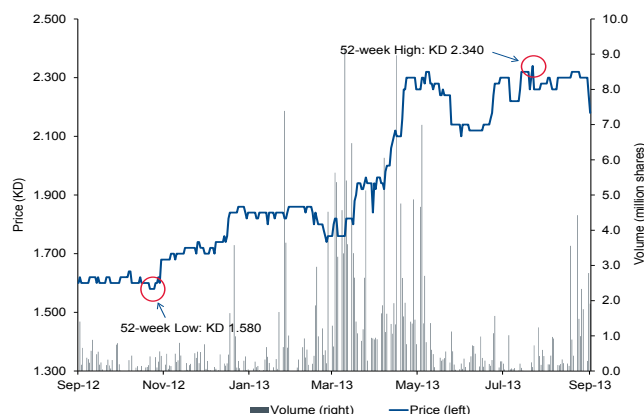
KUWAIT FOOD GROUP (AMERICANA)

Key Data

General		Daily Liquidity	
KSE Code	FOOD.KSE	52-week avg. volume	99,989
Reuters	FOOD.KW	52-week avg. value (KD)	104,956
Price (KD)		Price Performance	
Closing Price	2.180 YTD		25.3%
52-week High/Low	2.340 / 1.580	12-month	36.3%
Market Capitalization		Outstanding Shares	
KD (million)	852.72 Millions		391.15
Ownership Structure			
Closely-held: 66.80%		Public: 33.20%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zaway and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Sales Growth	11%	10%	6%	12%	7%
EBITDA (KD millions)	87	94	98	110	53
EBITDA Margin	14%	14%	14%	14%	12%
Gross Profit Margin	17%	18%	17%	18%	18%
Operating Margin	8%	8%	9%	9%	8%
Net Profit Margin	5.9%	6.8%	6.7%	5.7%	6.5%
RoAE	14%	15%	15%	15%	17%
RoAA	6%	8%	8%	8%	9%
Net debt-to-total equity	0.3	0.2	0.2	0.1	0.1
Interest Coverage (EBIT / Interest Expense)	3.9	6.2	7.4	7.8	7.8
Receivables Days Sales Outstanding (DSO)*	24.9	23.7	24.3	23.6	27.5
Days Sales of Inventory (DSI)*	49.1	41.8	45.1	44.2	47.5
Current Ratio	1.0	1.1	1.2	1.3	1.2
Quick Ratio	0.4	0.5	0.5	0.6	0.6
Investment/Equity	0.5	0.6	0.4	0.4	0.3

*Taking into consideration two years inventory average. Sources: Company financial statements and NBK Capital

Highlights

- Americana has three main lines of business: operating food and beverage outlets (1,366 restaurants), manufacturing food products, and investments in financial portfolios. The company's food and beverage business is divided into fast food restaurants and casual dining restaurants. The manufacturing business covers meat and poultry, canned food, dairy foods, frozen potatoes and vegetables, and salty snacks.
- Americana continues to post growth of 7% YoY in 1H2013, reaching revenue of KD 435 million.
- Geographically, the strongest performers for the period was Saudi Arabia with 11% YoY growth, while the highest contributors to revenue were Egypt and Africa, representing 34% of total revenue.
- In 1H2013, Americana's financial portfolio was able to achieve profits of KD 4.4 million (1H2012 portfolio loss: KD 3.3 million, stated as "gain/loss from AFS" in the company's financial statements).
- TTM Days Sales Outstanding (DSO) has increased to 27.5 days in 2Q2013 when compared to 25.0 days in 1Q2013 (four-year average of 24.1 days).

Overview

Americana, which was established in 1964, has three main lines of business: operating food and beverage outlets (1,366 restaurants), manufacturing of food products, and a managed portfolio of investments.

Figure 1 Americana's Core Operations



Sources: Company annual report and NBK Capital

The manufacturing business is in meat and poultry, canned food, dairy foods, frozen potatoes and vegetables, and salty snacks. Americana is looking forward entering the market of Erbil in Iraq. Products are distributed in the Arab countries, Europe, Asia, and America.

Operating Food & Beverage Outlets Sector (Restaurants Business)

Americana has more than 1,300 restaurants in the MENA region under a series of chains and franchise agreements. The company's restaurants are divided into two main groups: Fast Food Restaurants and Casual Dining. As of year-end 2012, Americana operated 1,299 fast food restaurants and 67 casual dining restaurants.

Figure 2 Overview of Restaurant Business

	2006	2009	2012
Number of restaurants	769	1,157	1,366
Number of chains	17	19	22
Number of countries	13	14	13
Number of cities	66	79	98

Sources: Company financial statements and NBK Capital

Fast Food

Fast food restaurants are divided into four categories:

1. Quick service; such as KFC and Hardees
2. Semi-fast food; such as Sbarro in Kuwait, and Pizza Hut in the UAE, Egypt, Bahrain, Jordan, and Kazakhstan.
3. Café concepts; such as Costa Coffee in Egypt, Jordan, Lebanon, and Kazakhstan

4. Pastries chains; such as Krispy Kreme, Baskin Robbins (in Kuwait, Egypt, and Lebanon), Al Samadi Sweets (in Kuwait and Egypt), and Maestro (in Egypt).

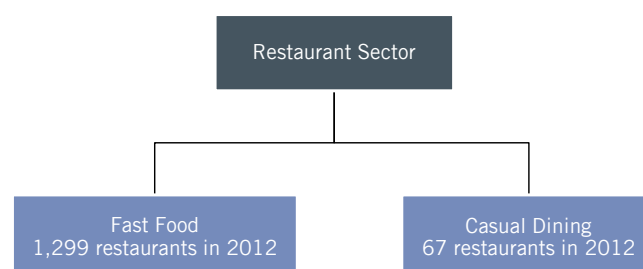
Casual Dining

Casual dining restaurants serve moderately priced food in a casual atmosphere, whereby, the restaurant usually has table service. In 2012, Americana launched several new restaurants, after winning franchising rights from Darden, the owner of Red Lobster, Olive Garden, and Longhorn Steakhouse. Americana is also planning to introduce The Longhorn Steakhouse restaurant in Saudi Arabia in 2013. The company established branches in Iraq's Kurdistan region, and they are expected to start operating at the second half of the year 2013. Moreover, Americana is studying the possibility of entering European markets, in addition to Ukraine and Azerbaijan.

The company operates the following restaurants:

- T.G.I Friday's chain
- Red Lobster chain which serves American-style seafood
- Olive Garden which serves Italian cuisine in American style
- Fusion chain which serves a mix of Japanese and Chinese cuisine
- Signor Sassi chain for Italian cuisine
- Fish Market chain which serves a selection of fish and seafood
- The Counter Burger chain which serves selected gourmet burgers. Americana managed to add The Counter Burger franchise, which will enable the company to open 35 restaurants over an eight years period. The first Counter Burger was launched in Kuwait in December 2012. Moreover, the company is planning to further expand in Kuwait, UAE, Qatar, Bahrain, Oman, Egypt, Lebanon, Jordan, Algeria, Tunisia, Libya, Morocco, and London.

Figure 3 The Segments of the Restaurant Sector



Sources: Company financial statements and NBK Capital

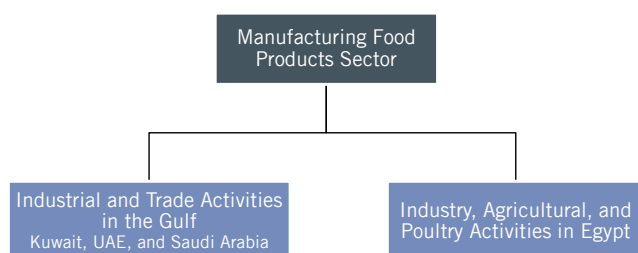
The restaurant activity of the company is managed through four managerial clusters:

1. Kuwait and Levant restaurants
2. KSA restaurants
3. UAE and south GCC (Qatar and Oman) restaurants
4. Egypt restaurants. Americana launched 33 new restaurants in Egypt despite the challenging macro-political environment.

Industrial, Trading, and Agricultural Sector (Food Products Manufacturing)

Americana manufactures several food products that are distributed across 25 countries.

Figure 4 The Manufacturing Food Products Sector



Sources: Company financial statements and NBK Capital

Industrial and Trade Activities in the Gulf

Meat Production Activities in Saudi Arabia and Kuwait

Americana meats are divided into two categories: frozen products that need minimal preparation and ready-to-serve products. Frozen products include burgers, nuggets, popcorn-style minces, hotdogs, kebabs, and koftas. Ready-to-serve products are mostly products such as mortadella and turkey. Americana is a leading manufacturer of meat products in the GCC. The company enjoys high market shares of more than 48%, 41%, 18%, and 15% in Kuwait, Saudi Arabia, Bahrain, and UAE, respectively. The company is planning to expand next year by entering the Moroccan market. Americana's market share in Kuwait increased in FY2012, as the company has 61% of the mortadella market (6%YoY growth), 52% of the hamburger market (3% YoY growth), and more than 33% of the chicken filet market (3% YoY growth).

California Garden (UAE), Gulfa Mineral Water (UAE), and Pastry and Cake Products (Saudi Arabia and Kuwait)

Gulf Food Industries Company – California Garden

California Garden is a leading canned foodstuffs company in the Middle East that manufactures 32 ready-to-serve products, such as prepared beans, seafood, vegetables, and fruits, in addition to sauces and dressings. One of the most famous products of California Garden is the canned beans with different flavors such as fava beans. In 2012, California Garden increased its market share in canned beans in different countries as illustrated in figure 5. Additionally, Americana increased its tuna market share in the UAE from 20% in 2011 to 23% in 2012. The company is planning to enter Iran South Africa, and expand into Iraq.

Figure 5 California Garden Market Share

	2011	2012
Emirates	76%	80%
Kuwait	68%	71%
Oman	77%	80%
Qatar	67%	80%

Sources: Company financial statements and NBK Capital

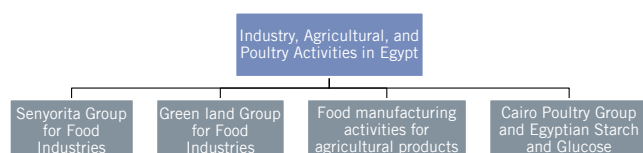
California Garden also manages Gulfa Mineral Water in the UAE (GULFA). Gulfa was established in 1975 in the United Arab Emirates, and became the first bottled brand of mineral water in the GCC. Currently, Gulfa is distributed in neighboring countries (Oman, Kuwait, Qatar, Bahrain, Jordan, and Syria) and is exported to Djibouti, Afghanistan, Pakistan, Malta, and the UK. Gulfa production capacity is at 8 million cartons per annum.

National Food Industries Company, Cake Sector – Saudi Arabia

Americana Cake is a well-known leader in baked goods, pastries, and cakes in the MENA region. In 2012, the company's pastry market share in Kuwait was 34%.

Industry, Agricultural, and Poultry Activities in Egypt

Figure 6 Manufacturing Companies in Egypt



Sources: Company financial statements and NBK Capital

Senyorita Group for Food Industries

Senyorita is an Egypt-based snack manufacturer of potato chips and crispy corn under the brand Lion Chips. Lion Chips are also popular for its wide variety of flavors. In addition to traditional flavors such as salt and ketchup, the brand offers flavors derived from local dishes such as kebab.

Greenland Group for Food Industries

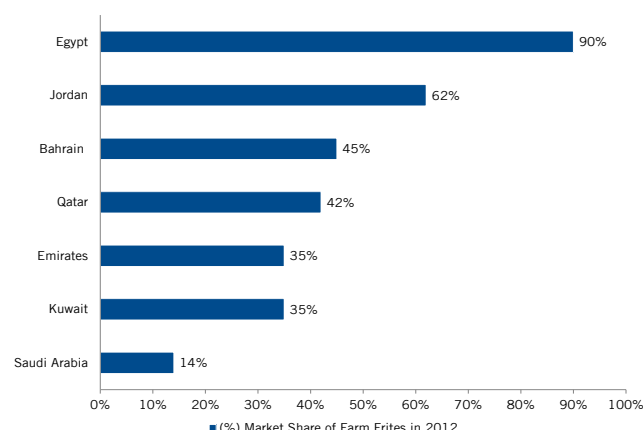
Through the Greenland brand, Americana offers its consumers a range of dairy and cheese products, such as white cheese. In addition, the company offers fresh and healthy products such as fruit juices with different flavors (apple, orange, and guava). In addition to Egypt, Greenland products are distributed across Kuwait, Saudi Arabia, and the UAE. Moreover, the company is considering expansion into new markets in 2013, such as Japan, Korea, and Russia. In FY2012, Greenland owned 24% of the Egyptian white cheese market.

Food manufacturing activities for agricultural products (Farm Frites, potato farming, vegetable products, and olive products)

The International Company for Agricultural Development (Farm Frites) – Egypt

Taking part of its name from the French word for fried potatoes, Farm Frites from the Netherlands created its own freezer-to-fryer cooking methods, as a leading brand of pre-fried frozen potato products in the MENA region. Farm Frites later launched a range of fresh frozen vegetables. The company is the main supplier of pre-fried frozen potatoes for Americana's restaurants. Farm Frites continues to maintain its market share in 2012, as illustrated in figure 7.

Figure 7 Farm Frites 2012 Market Share



Sources: Company financial statement and NBK Capital

The company managed to enter the Chinese market and is planning to expand geographically through the Indian and Pakistani markets in 2013.

International Company for Agricultural Production and Processing

The company produces frozen vegetables such as okra, peas, and mallow. In FY2012, the company's sales exceeded EGP 200 million. Moreover, the company acquired 28% of the Jordanian frozen vegetables market (6% YoY growth), 17% of the Kuwaiti market share (5% YoY growth), more than 15% of the Egyptian market, and 11% of the Saudi Arabia market. The company is planning to expand further by entering the Libyan and Algerian markets in 2013.

Agriculture and Land Reclamation Activities

The farming and land reclamation activities in Egypt include three companies: Americana for Land Reclamation and Cultivation Company, Al Hashimya Land Reclamation and Agriculture Company, and Karwin Land Reclamation Company. They have diversified agricultural crops, such as potatoes, which are used by Farm Frites and olives, which cover some of the Egyptian Canning Company's production needs, in addition to other crops that are sold to the markets.

Egyptian Canning Company – Americana

The Egyptian Canning Company produces canned olives with features ranging from whole, sliced, pitted, and stuffed California-style black olives, as well as Spanish-style green olives. The company's products are available in the Egyptian market, UAE, Libya, Canada, and United States, in addition to other countries. The company is considering to enter the Italian and Brazilian markets.

Cairo Poultry Group and Egyptian Starch and Glucose

CPG has a wide variety of products under the brand name of Koki such as whole chicken, chicken pieces, nuggets, and shawarmas, all are seasoned and ready-to-cook. Koki expanded to introduce a range of value-added poultry products, such as pre-fried or fully cooked chicken, making them ready to serve in just five minutes. More recently, in 2007, Koki continued to expand its product range, adding a number of fresh chilled poultry items. CPG also manages the activities of the Egyptian Company for Starch and Glucose. The company produces starch, glucose, corn oil, animal feed and by-products of this industry, and dry feeds. The company seeks to operate a new production of glucose, environmentally friendly, in 2013, using the latest techniques.

c- Investments in the financial portfolio sector

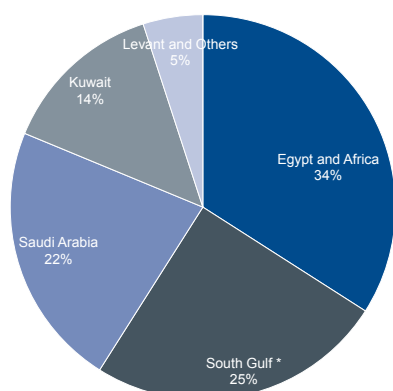
The company has a substantial financial portfolio. The market value of the company's financial portfolio reached to KD 114.1 billion at the end of FY2012 versus KD 113.8 million at the end of FY2011.

Financial Statements

Income Statement

- **Americana continues to post growth of 7% YoY in 1H2013, reaching revenue of KD 435 million.** Two segments mainly drive total revenue: the restaurants segment with 8% YoY revenue growth and the industrial and commercial segment with 5% YoY revenue growth.
- Geographically, the highest contributors to revenue were Egypt and Africa, representing 34% of total revenue, South Gulf (includes Qatar, UAE and Oman) contributing with 25%, and Saudi Arabia contributing 22% of total revenue. The strongest performers for the period was Saudi Arabia with 11% YoY growth, followed by Egypt and Africa with a 6% YoY growth rate, and finally South Gulf with a growth rate of 2% YoY.

Revenue Breakdown Geographically



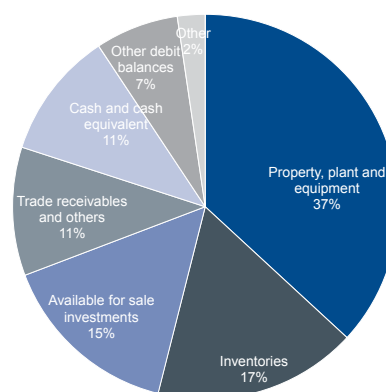
*Includes Qatar, UAE, and Oman. Sources: Company's financial statements and NBK Capital

- Due to the political situation in Syria, Americana decided to stop its Syrian operations. At the end of 2012, Americana had four restaurants. By January 2013 three of them were shut down and one was kept.
- During 1H2013, gross profit increased by 1% YoY to stand at KD 78 million. In addition, S&GA expenses for the period increased by 18% to KD 43 million. This had an adverse impact on the operating profit, which declined by 13% YoY to KD 35 million in 1H2013, and decreased the EBIT margin to 8% in the period compared to 10% in 1H2012.
- **In 1H2013, Americana's financial portfolio was able to achieve profits of KD 4.4 million following one year of losses** (1H2012 portfolio loss: KD 3.3 million, stated as "gain/loss from AFS" in the company's financial statements).
- **Americana's net profit increased by 12% YoY to KD 28 million in 1H2013. Excluding the impact of losses/gains from AFS, Americana's 1H2013 adjusted net profit would have decreased by 5% YoY to KD 24 million.**

Balance Sheet

- **Americana's investment portfolio dropped by 14% QoQ.** The company's investment portfolio stood at KD 94 million at the end of June 2013 compared to KD 109 million at the end of March 2013. We would like to highlight that the investments portfolio represents 15% of total assets and 29% of total shareholders' equity.
- **Total assets decreased by 3% QoQ to stand at KD 613 million at the end on June 2013.** This came on the back of a 20% QoQ decline in cash and cash equivalent (11% of total assets) and 14% QoQ decline in AFS investment (15% of total assets)

Total Assets Breakdown



Sources: Company's financial statements and NBK Capital

- **TTM Days Sales of Inventory (DSI) increased by 2% when compared to 1Q2013.** Americana's DSI increased to 47.5 days at the end of June 2013 from 45.9 days in 1Q2013. Average inventory increased by 5% QoQ while TTM sales grew by 8% YoY to stand at KD 837 million compared to KD 772 million in 1H2013. We would like to highlight that 54% of the inventory is raw material.
- **TTM Days Sales Outstanding (DSO) has increased to 27.5 days in 2Q2013 when compared to 25.0 days in 1Q2013** (four-year average of 24.1 days).
- **By the end of June 2013, Americana's net debt increased by 93% QoQ to KD 41 million against KD 21 million at the end of March 2013.** The increase came on the back of a 20% QoQ reduction in cash and cash equivalents, which totaled KD 65 million.
- Americana continues to have **a solid interest coverage ratio of 7.8x in 2Q2013**, indicating that the company is well positioned to service its debt.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Sales	720.8	809.6	407.5	434.9
Cost of sales*	(594.8)	(666.9)	(330.8)	(357.2)
Gross Profit	126.0	142.7	76.7	77.8
Selling and marketing expenses	(56.1)	(61.2)	(31.6)	(37.2)
General and administrative	(5.0)	(5.9)	(4.9)	(5.8)
Other operating expenses	(2.5)	(1.7)	-	-
EBIT	62.4	73.9	40.1	34.7
Other income	0.3	0.5	0.2	0.2
Gain (Loss) from AFS	6.0	(6.8)	(3.3)	4.4
Net foreign exchange gain/losses	0.6	0.5	0.0	0.9
Borrowing Cost	(8.5)	(9.5)	(5.1)	(4.4)
Profit Before Taxes	60.8	58.6	31.9	38.7
Taxes	(6.3)	(8.5)	(3.6)	(4.5)
Board of Directors' remuneration	(0.1)	(0.1)	-	-
Net Profit for the Year	54.5	50.0	28.2	34.2
Minority Interest	6.5	4.1	3.2	3.1
Net Profit	48.0	45.9	25.0	31.2

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Inventories	81.3	96.8	99.1	104.6
Trade receivables and others	44.8	51.0	53.8	66.1
Other debit balances	35.3	36.4	39.0	42.8
Cash and cash equivalent	43.5	51.4	52.3	65.5
Total Current Assets	205.0	235.7	244.2	281.1
Property, plant and equipment	221.2	218.3	230.6	226.1
Biological assets	1.1	1.4	2.4	2.0
Intangible assets	13.8	12.0	11.7	12.3
Investments in associates	0.0	0.0	0.0	0.0
Available-for-sale investments	184.5	113.8	114.1	93.7
Total Assets	625.6	581.1	603.0	615.2
Loans and bank facilities	59.2	68.3	61.7	77.2
Payables and other credit bal.	119.6	120.6	130.6	148.9
Total Current Liabilities	178.8	188.8	192.2	226.1
Loans	49.2	36.2	29.2	29.1
Provision for indemnity	22.2	26.7	30.7	32.9
Total Liabilities	250.1	251.8	252.1	288.1
Total Equity	375.4	329.3	350.9	325.1
Total Liabilities and Equity	625.6	581.1	603.0	613.2

*Cost of sales includes depreciation and amortization. Sources: Company's financial statements and NBK Capital

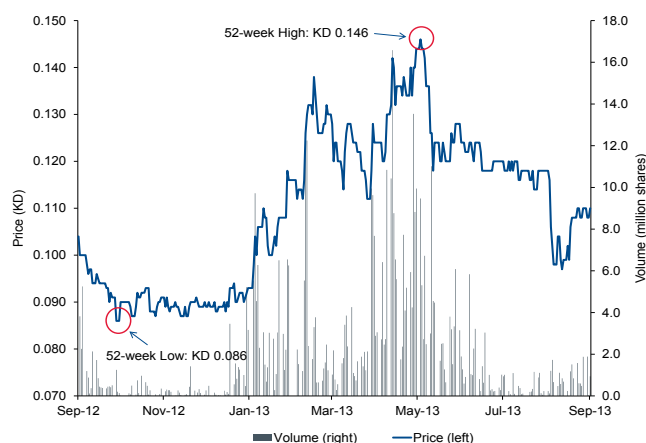
KUWAIT AND GULF LINK TRANSPORT COMPANY (KGL)

Key Data

General		Daily Liquidity	
KSE Code	KGL.KSE	52-week avg. volume	2,082,204
Reuters	KGL.KW	52-week avg. value (KD)	172,628
Price (KD)		Price Performance	
Closing Price	0.110	YTD	25.0%
52-week High/Low	0.146 / 0.086	12-month	5.8%
Market Capitalization		Outstanding Shares	
KD (million)	29.07 Millions		264.27
Ownership Structure			
Closely-held: 17.10%		Public: 82.90%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Highlights

- KGL's core business lies in logistics, transportation, port management, shipping, and freight forwarding. Through the company's transportation unit, KGL provides overland cargo transportation services for manufactured goods, consumables, petroleum, raw materials, and heavy equipment.
- KGL's revenue stood at KD 12.7 million in 1H2013 compared to KD 16.4 million in 1H2012, representing a YoY decrease of 23%.
- The company witnessed a significant pressure on profitability in 1H2013, with EBITDA margin declining from 43% in FY2009 to 4% in 1H2013.
- KGL reported a 1H2013 net loss of KD 0.9 million compared with a net loss of KD 3.8 million in 1H2012.

Key Ratios

	2009	2010	2011	2012	1H2013
Gross Profit Margin	59%	47%	40%	32%	30%
Net Profit Margin	1.1%	-9.8%	-23.8%	-22.8%	-6.8%
EBITDA Margin	43%	29%	20%	2%	4%
ROAA	0.3%	n/m	n/m	n/m	n/m
ROAE	1%	n/m	n/m	n/m	n/m
Current Ratio (x)	1.0	1.1	0.8	0.7	0.8
Quick Ratio (x)	0.9	1.0	0.7	0.6	0.8
Debt-to-Assets (x)	0.5	0.6	0.6	0.5	0.5
Net debt-to-total equity (x)	1.6	1.7	1.8	1.8	2.0
Interest Coverage Ratio (x)	2.9	1.8	1.2	0.1	0.2

Sources: Company's financial statements and NBK Capital

Overview

Established in 1982, Kuwait and Gulf Link Transport Company (KGL) is one of the leading providers of transport-related services in the Gulf region. Headquartered in Kuwait, KGL provides integrated supply chain management services throughout the Gulf and broader MENA region.

KGL's core business lies in logistics, transportation, port management, shipping, and freight forwarding. Through the company's transportation unit, KGL provides overland cargo transportation services for manufactured goods, consumables, petroleum, raw materials, and heavy equipment. KGL's passenger transport service includes bus transportation through local and international lines, in addition to private taxi and limousine operations. The company's car rental unit focuses on renting and leasing vehicles to commercial, corporate, and government clients within Kuwait.

KGL Logistics

KGL Logistics, a 47.3% owned associate of KGL, provides supply chain services specializing in warehousing, freight forwarding, and stevedoring. The warehousing unit offers second-, third-, and fourth-party logistics services. Freight forwarding includes air, sea, and land transport in addition to customs clearance and cargo insurance. The stevedoring function entails establishing partnerships with port authorities and shipping lines within Kuwait and GCC.

KGL Ports International

A 47.7% owned associate of KGL, KGL Ports International covers the development, operations, and management of container terminals and roll-on-roll-off operations. This company is headquartered in Kuwait and has additional operations within Egypt and the United Arab Emirates (UAE). Locally, KGL PI manages and operates the terminal at Shuaiba Port.

Latest News

- **July 2013:** KGL announced it had won a tender from Kuwait Oil Company for providing employees for the inventory audit. The tender is worth KD 782 thousand and the contract duration is four years.

Financial Statement Analysis

Income Statement

- **KGL's revenue stood at KD 12.7 million in 1H2013 compared to KD 16.4 million in 1H2012, representing a YoY decrease of 23%.** The company has three reporting business segments which are: 1) land transport, 2) passenger and petrol transport, and 3) car rental services. During 1H2013, the land transport segment revenues decreased by 40% YoY to stand at KD 5.3 million. However, it remained the highest contributor to KGL's total revenue (42%).
- **KGL reported an improvement in its operational performance in 1H2013.** If we adjust cost of goods sold (COGS) to exclude depreciation, a non-cash component, the 1H2013 gross losses would stand at KD 0.5 million, a decrease in losses of 41%, when compared to losses of KD 0.9 million in 1H2012.
- The company witnessed a significant pressure on profitability in 1H2013, with EBITDA margin declining from 43% in FY2009 to 4% in 1H2013.
- EBITDA stood at KD 0.5 million representing a reduction of 73% when compared to 1H2012.
- General and administration expenses decreased by 12% YoY from KD 3.3 million in 1H2013 to KD 3.7 million in 1H2012.
- KGL reported a 1H2013 net loss of KD 0.9 million compared with a net loss of KD 3.8 million in 1H2012.

Balance Sheet

- **The company's total debt decreased 4% QoQ and stood at KD 103 million as of June 30, 2013,** from KD 108 million at the end of March 2013.
- The company's net debt-to-equity ratio remained at 2.0x in 2Q2013.
- **Current assets stood at KD 60 million as of June 2013 and represented 32% of the total assets.** On the other hand, current liabilities stood at KD 75 million, and accounted for 54% of the total liabilities. At the end of June 2013, the company had a current ratio of 0.8x, slightly lower than the 0.7x seen at the end March 2013.
- **KGL's property, plant, and equipment (PP&E), which stood at KD 71 million as of June 30, 2013, accounted for 37% of the company's total assets.** KGL's investment in associates stood at KD 41 million at the end of June 2013, witnessing 2% QoQ decrease.
- **Total assets stood at KD 190 million at the end of June 30, 2013, representing a 1% decline from March 31, 2013.**

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Revenue	40.0	30.2	16.5	12.7
Adjusted cost of sales	(24.0)	(20.5)	(10.7)	(8.9)
Gross Profit	16.0	9.8	5.7	3.8
Share of results of associates	4.8	5.5	3.2	3.2
Increase in fair value of inv. property	-	4.5	-	-
Gain/Loss on sale of PP&E	-	-	0.2	0.7
Impairment loss of investments	(0.2)	-	-	-
Allowance for doubtful debts	(0.4)	(0.4)	(0.1)	(0.1)
Dividend income	-	1.0	0.0	2.0
Other income	1.9	2.3	0.7	1.5
G&A expenses	(8.1)	(9.2)	(3.7)	(3.3)
Depreciation	(16.1)	(13.6)	(6.6)	(4.3)
Finance costs	(6.9)	(5.9)	(3.2)	(2.5)
Profit from continued operations	(8.9)	(7.1)	(3.8)	(1.0)
Profit before minority interest	(8.9)	(7.1)	(3.8)	(1.0)
Minority Interest	0.3	(0.2)	-	(0.1)
Net Profit	(9.2)	(6.9)	(3.8)	(0.9)

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Property, plant, and equipment	104.2	92.0	76.0	70.8
Intangible assets	0.8	0.8	0.8	0.8
Investment properties	9.6	9.6	14.1	14.1
Investment in associates	19.3	35.3	39.3	41.4
Investment in uncon.subsidiaries	3.4	3.4	0.7	0.7
Available-for-sale investments	4.1	1.8	3.4	2.0
Projects in progress	0.7	-	-	-
Total non-current assets	142.1	142.9	134.2	129.8
Non-current assets classified as held for sales	-	-	-	7.2
Inventory and spare parts	5.1	2.5	2.1	1.9
Receivables	19.3	23.9	17.9	21.6
Due from related parties	17.6	9.2	5.3	5.9
Cash and cash equivalents	3.2	2.0	1.5	3.1
Investments at FV through IS	21.2	20.9	20.6	20.6
Total current assets	66.4	58.5	47.4	60.3
Total assets	208.5	201.4	181.7	190.1
Share capital	26.4	26.4	26.4	26.4
Treasury shares	(0.8)	(0.0)	(0.0)	(0.0)
Share premium	30.3	30.3	30.3	26.0
Statutory reserve	8.1	8.1	8.1	-
Voluntary reserve	8.1	7.4	7.4	-
Foreign currency translation reserve	(1.0)	(1.1)	(2.2)	(2.4)
Employee stock option reserve	1.0	1.0	-	-
Fair value reserve	(2.3)	0.1	0.4	-
Retained earnings	(4.4)	(13.9)	(19.8)	(0.9)
Equity attributable to shareholders	65.3	58.2	50.6	49.1
Minority interest	3.0	3.3	2.1	2.0
Total equity	68.4	61.5	52.7	51.1
Provision for employees' indemnity	2.2	1.6	1.9	2.0
Non-current portion of term loans	37.5	31.1	47.1	54.6
Non-current Murabaha payable	39.4	32.0	9.0	6.9
Total non-current liabilities	79.2	64.8	58.0	63.5
Current portion of term loans	21.4	14.8	9.9	7.1
Current portion of Murabaha payable	17.7	31.9	32.2	32.6
Trade payables	19.4	24.8	21.7	24.2
Due to related parties	1.4	2.2	6.3	9.5
Bank overdraft	1.1	1.4	0.9	2.1
Total current liabilities	61.0	75.1	71.0	75.5
Total liabilities	140.1	139.9	129.0	139.0
Total Equity and Liabilities	208.5	201.4	181.7	190.1

Sources: Company's financial statements and NBK Capital

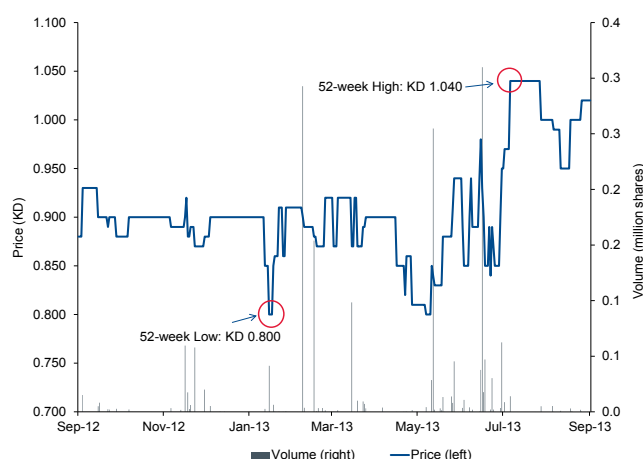
KUWAIT NATIONAL CINEMA COMPANY (KNCC)

Key Data

General		Daily Liquidity	
KSE Code	KCIN.KSE	52-week avg. volume	21,029
Reuters	KCIN.KW	52-week avg. value (KD)	4,402
Price (KD)		Price Performance	
Closing Price	1.020	YTD	13.3%
52-week High/Low	1.040 / 0.800	12-month	15.9%
Market Capitalization		Outstanding Shares	
KD (million)	101.25 Millions		99.26
Ownership Structure			
Closely-held: 28.64%		Public: 71.36%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Key Ratios

	2009	2010	2011	2012	1H2013
Gross Profit Margin	21%	17%	16%	13%	21%
Operating Profit Margin	15%	28%	34%	28%	31%
Net Profit Margin	26.5%	34.4%	38.3%	35.2%	44.8%
RoAA	4.5%	7.2%	7.5%	7.7%	6.0%
RoAE	7%	11%	12%	12%	9%
Current Ratio (x)	0.7	0.6	0.6	0.8	0.7
Debt-to-Assets (x)	0.3	0.3	0.3	0.2	0.2
Net debt-to-total equity (x)	0.2	0.3	0.3	0.1	0.0
Receivables Turnover Ratio (x)	9.2	12.4	7.8	2.8	1.6
Inventory Turnover Ratio (x)	51.0	57.2	44.6	40.9	25.8
Payables Turnover Ratio (x)	2.4	2.6	2.5	2.6	1.3
EBITDA Margin	40%	49%	49%	48%	43%

Sources: Company's financial statements and NBK Capital

Highlights

- **KNCC is engaged in the cinema and entertainment industry in Kuwait.** The company enjoyed a monopolistic position in operating cinema theatres in Kuwait until October 2004. Currently, KNCC imports and distributes videos and cinema films and equipment; KNCC is also involved in constructing cinema theatres, revamping older ones, and handling their operation.
- The company's stock is relatively illiquid, with a 12-month daily average trading volume of 22 thousand shares.
- **In 2Q2013, the operating revenue increased 16% YoY to reach KD 9.1 million.**
- **The gross profit increased 50% to stand at KD 1.9 million in 1H2013.** The increase was supported by the revenue increase of 16% YoY in 1H2013.
- **Net profit for 1H2013 stood at KD 4.1 million, representing a 23% increase from KD 3.3 million in 1H2012.** The net profit margin increased from 42.0% in 1H2012 to 44.8% in 1H2013.
- **Trade and other receivables decreased 65% QoQ from KD 4.1 million in March 2013, to KD 1.4 million in June 2013.**

Overview

KNCC was established in 1954. An affiliate of Tamdeen Real Estate Company, and formerly known as Kuwait Cinema Company, KNCC is in the cinema and entertainment industry in Kuwait. The company imports and distributes videos and cinema films and equipment; KNCC is also involved in constructing cinema theatres and handling the operations of those cinemas. In addition, the company invests in foreign shares and funds. In 2005, KNCC enhanced its corporate and consumer image by rebranding as Cinescape.

The company fully owns the International Film Distribution Company and Al Kout Film Production and Distribution, in addition to having stakes in Tamdeen Shopping Centers Company (30%) and Tamdeen Holding Company (20%). KNCC has been listed on the KSE since 1984. The company's stock is relatively illiquid, with a 12-month daily average trading volume of 22 thousand shares.

Latest News

- **June 2012:** KNCC announced that it has signed a contract to sell a plot of land in the Sabah Al Salem and Al Madraj area for a total value of KD 5.7 million.

Financial Statement Analysis

Income Statement

- In 2Q2013, the operating revenue increased 16% YoY to reach KD 9.1 million. KNCC lost its monopoly status in cinema operations in 2004. Grand Cinemas, a new player, has set foot on the playing field in 2012 and will be competing with KNCC, which has been the sole cinema operator in Kuwait for 59 years.
- The gross profit increased 50% to stand at KD 1.9 million in 1H2013. The increase was supported by the revenue increase of 16% YoY in 1H2013.
- The EBITDA increased 2% to KD 3.9 million in 1H2013 compared to KD 3.8 million in 1H2012. The growth was adversely impacted by a 43% YoY increase in other operating expenses and a 16% YoY increase in G&A, respectively.
- As a result, the EBITDA margin declined from 49% in 1H2012 to 43% in 1H2013. Income from associates increased 41% to KD 2.1 million in FY2012 compared to KD 1.5 million in FY2011.
- Net profit for 1H2013 stood at KD 4.1 million, representing a 23% increase from KD 3.3 million in 1H2012. The net profit margin increased from 42.0% in 1H2012 to 44.8% in 1H2013.

Balance Sheet

- Trade and other receivables decreased 65% QoQ from KD 4.1 million in March 2013 to KD 1.4 million in June 2013. Trade and other receivables accounted for 12% of the total current assets.
- Total assets stood at KD 66.4 million at the end of June 2013, witnessing a 2% decrease from the end of March 2013. Total current liabilities increased 5% QoQ in 2Q2013 to stand at KD 17.4 million. Total shareholders' equity decreased by 4% QoQ to stand at KD 47.9 million.

Financial Statements

Income Statement (KD Thousands)	2011	2012	1H2012	1H2013
Operating Revenues	14,045	15,772	7,881	9,107
Operating Costs	(11,785)	(13,769)	(6,623)	(7,226)
Gross Profit	2,259	2,002	1,258	1,881
Other operating income	5,394	5,667	2,928	3,016
G&A	(1,411)	(1,439)	(717)	(834)
Gain/Loss from inv. at fair value through P&E	-	-	-	-
Impairment in value of P&E	-	-	-	-
Impairment of trade and other receivables	-	(34)	-	-
Impairment in inventory	-	-	-	-
Contingent liabilities provision	-	-	-	-
Other operating exp.	(1,409)	(1,753)	(878)	(1,258)
Decline in inventory's net realizable value	-	-	-	-
Operating Profit	4,833	4,443	2,591	2,804
Impairment in AFS	-	-	-	-
Depreciation	(1,984)	(3,146)	(1,250)	(1,113)
EBITDA	6,817	7,623	3,841	3,918
Gains from available-for-sale investments	124	205	208	298
Gain from associates	1,516	2,134	1,386	1,367
Gain from sale of associates	-	-	(753)	-
Gain on sale of investment property	175	277	-	-
Gain on sale of p&e for purpose of trading	-	305	305	-
Loss on liquidation of associate	-	(753)	-	-
Gain on sale of PP&E	-	-	120	-
Finance costs	(948)	(754)	(427)	(226)
Board of Directors remuneration	(90)	(90)	-	-
Net Profit before tax	5,610	5,767	3,430	4,243
Contribution to KFAS	(40)	(32)	(15)	(26)
National Labour Support Tax	(144)	(153)	(90)	(108)
Zakat	(41)	(34)	(17)	(26)
Net Profit	5,385	5,548	3,308	4,084

Balance Sheet (KD Thousands)	2010	2011	2012	Jun-13
PP&E	14,691	15,416	15,348	14,704
Intangible Assets	928	1,120	724	485
Inv. In associates	30,079	31,455	29,059	29,146
Available for sale investments	9,241	8,574	8,033	9,720
Advance payments to purchase films	122	402	-	-
Total Non-Current Assets	55,060	56,967	53,164	54,055
Inventories	292	337	434	446
Trade and other receivables	997	2,615	8,533	1,442
Real estate held for trade	6,995	5,398	-	-
Inv. at fair value through profit and loss	-	-	-	-
Cash	6,500	8,572	8,837	10,411
Total Current Assets	14,785	16,922	17,804	12,299
Total Assets	69,845	73,889	70,968	66,355
Share capital	10,106	10,106	10,106	10,106
Treasury shares	(854)	(854)	(1,050)	(1,437)
Statutory reserve	5,053	5,053	5,053	5,053
General reserve	6,516	7,086	7,672	7,672
Land revaluation reserve	8,144	8,524	8,524	8,524
Change in fair value reserve	(261)	(813)	(338)	828
Translation reserve	23	(40)	145	181
Retained earnings	15,960	16,779	17,545	16,959
Minority interest	-	-	16	11
Total Equity	44,687	45,841	47,673	47,897
Post Employment benefits	670	735	977	1,053
Total Non-Current Liabilities	670	735	977	1,053
Trade and other payables	5,851	5,577	6,359	7,445
Dividend payables	548	620	-	-
Loans and bank facilities	18,089	21,115	15,959	9,960
Total Current Liabilities	24,488	27,312	22,318	17,405
Total Liabilities	25,158	28,047	23,295	18,458

Sources: Company's financial statements and NBK Capital

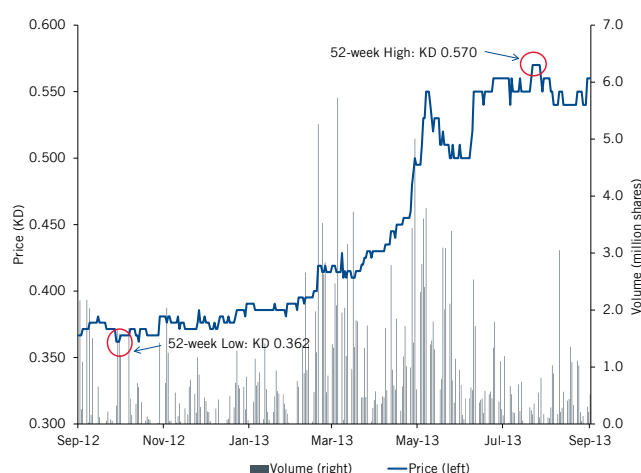
KUWAIT PROJECTS (KIPCO)

Key Data

General		Daily Liquidity	
KSE Code	KPROJ.KSE	52-week avg. volume	897,033
Reuters	KPROJ.KW	52-week avg. value (KD)	269,004
Price (KD)		Price Performance	
Closing Price	0.560	YTD	50.8%
52-week High/Low	0.570 / 0.362	12-month	52.7%
Market Capitalization		Outstanding Shares	
KD (million)	785.91	Millions	1,403.40
Ownership Structure			
Closely-held: 62.9%		Public: 37.1%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Highlights

- KIPCO is Kuwait's largest investment holding company, with investments in more than 60 companies. KIPCO divides its core operations into four main business segments: commercial banking, asset management/investment banking, insurance, and media.
- KIPCO has two main subsidiaries: a) Burgan Bank (refer to page 50) and b) United Gulf Bank. The subsidiaries are fully consolidated and constitute a large portion of KIPCO's assets.
- OSN (60% owned by KIPCO) is the largest pay-TV player in the MENA market in terms of content (with over 85 premium channels) and holds contracts with all major Hollywood studios with a staggered maturity profile. In addition, OSN recently announced that the expansion of its pay-TV services through the strategic acquisition of Pehla Media & Entertainment, the largest provider of South Asian pay-TV content in the Middle East and North Africa.
- OSN is the only unlisted key investment and could be the key differentiator when analyzing the group as a whole compared to the sum of individual listed parts. With high top-line growth prospects and the potential to expand the EBITDA margin, OSN's contribution to KIPCO's bottom line could increase significantly in the future.
- KIPCO reported a 4% increase in net profit to KD 31.3 million in 2012. In 1H2013, the company displayed 6% YoY growth in net profit to KD 32.6 million.

Key Ratios

	2009	2010	2011	2012	1H2013
Net Profit Margin	9.4%	4.4%	8.6%	7.1%	5.9%
Net Debt-to-Total Equity (x)	1.2	1.2	1.4	1.6	1.5
Investment -to-Equity (HFT + AFS)	64%	54%	55%	69%	79%
RoAA	0.7%	0.3%	0.5%	0.5%	0.2%
RoAE	7%	3%	5%	5%	3%

Sources: Company's financial statements and NBK Capital

Overview

KIPCO is one of the region's largest investment holding companies and one of the largest Kuwaiti companies in terms of assets. KIPCO currently has direct and indirect stakes in more than 60 companies (subsidiaries and associates) across 24 countries. The company's primary lines of investment are in banking (commercial and investment), insurance, and digital satellite services. The company was incorporated in 1975 and is largely held by members of the Kuwaiti royal family.

Latest News

- **August 2013:** KIPCO has announced the expansion of its pay-TV company OSN through the strategic acquisition of Pehla Media & Entertainment, the largest provider of South Asian pay-TV content in the Middle East and North Africa. The newly acquired entity has been rebranded to OSN Pehla, and offers nearly 40 popular South Asian channels in Hindi, Urdu, Bengali, Tamil and Malayalam that will be integrated into the OSN platform. OSN Pehla will increase OSN's premium channel line-up and allow the company to target a new group of viewers and deliver even greater choice to its existing subscriber base.

KIPCO's Key Investments

- **KIPCO is Kuwait's largest investment holding company, with investments in more than 60 companies.** KIPCO divides its core operations into four main business segments: commercial banking, asset management/investment banking, insurance, and media. We focus on four key companies that operate in each segment.

Burgan Bank

Established in 1977, Burgan Bank was primarily government-owned for two decades. The bank underwent a major structural change in 1997, when KIPCO purchased the government's share to become the largest shareholder. Between 2009 and 2010, the bank acquired several investments previously owned by the United Gulf Bank (also part of the KIPCO Group). These include a 51.2% stake in Jordan Kuwait Bank (JKB), a 91.09% stake in Algeria Gulf Bank (AGB), a 51.8% stake in Bank of Baghdad (BoB), and an 86.6% stake in Tunis International Bank (TIB). For more details on Burgan Bank, please refer to page 50.

Gulf Insurance Company

Gulf Insurance Company (GIC) is the largest insurance company in Kuwait in terms of written and retained premiums. Established in 1962, GIC covers life and non-life segments throughout the region through subsidiaries. In 2010, KIPCO sold a 39% stake in GIC to Fairfax Insurance Company to improve GIC's growth opportunities. As a result, KIPCO's stake in GIC dropped to 43%, and GIC is no longer accounted for as a subsidiary of KIPCO. For more details on GIC, please refer to page 80.

Media Segment – OSN

Overview

KIPCO's presence in the media division is through its 60% stake in OSN, while the remaining 40% is owned by Al Mawarid. The formation of OSN came about in 2009; Orbit and Showtime, two heavyweight players in the pay-satellite television service merged into one large broadcasting platform. Now, OSN is the leading player in the market in terms of content (with over 85 premium channels) and holds contracts with all major Hollywood studios with staggered maturity profile. In addition, OSN recently announced that the expansion of its pay-TV services through the strategic acquisition of Pehla Media & Entertainment, the largest provider of South Asian pay-TV content in the Middle East and North Africa. The newly acquired entity has been rebranded as OSN Pehla, and offers nearly 40 popular South Asian channels in Hindi, Urdu, Bengali, Tamil and Malayalam that will be integrated into the OSN platform. OSN Pehla will increase OSN's premium channel line-up and allow the company to target a new group of viewers and deliver even greater choice to its existing subscriber base.

OSN – A Closer Look

- Previously, according to IAS 31, as a jointly controlled entity, OSN's assets, liabilities, revenue, income and expenses were proportionately consolidated in KIPCO's financial statements. However, upon the adoption of IFRS 11, OSN is now accounted for using the equity method.
- OSN generated a profit of KD 2.4 million in 1H2013, compared to a loss of KD 0.9 million in 1H2012. This marks OSN's first profitable half. We believe the merger between Orbit and Showtime could contribute to further improvement in profitability, as economies of scale might result in declining costs and improved efficiency. Also, the additional expenditure in revamping the company's platform (to enhance services and combat pricing) should further enable OSN to enhance its

profitability on its growing subscriber base. Moreover, we feel that the acquisition of Pehla could further increase the company's target market (total South Asian households in MENA estimated at 800,000) and economies of scale.

- At the end of 2010, OSN moved to a more secure CAS platform in an attempt to eliminate piracy across the region. As a result, the company saw a surge in the subscriber base. Going forward, the company continues to focus on increasing its subscriber base and turn to profitability.
- OSN has experienced strong growth in its subscriber base, increasing from 672,000 in 2Q2012 to 818,000 by 2Q2013, a 22% jump over the course of a year.
- On the macro level, there is a low penetration rate of pay-TV (to number of households with a TV) in the region, at just 3%, compared to other parts of the world, such as the United States (88%), the United Kingdom (53%), and Latin America (30%), according to KIPCO's September 2013 investor presentation. We believe this could serve as a strong opportunity for growth in a highly underpenetrated market.
- **OSN is the only unlisted key investment and could be the key differentiator when analyzing the group as a whole compared to the sum of individual listed parts. With high top-line growth prospects and potential to improve the EBITDA margin, OSN's contribution to KIPCO's bottom line could increase significantly in future compared to very little contribution currently.**

United Gulf Bank (UGB)

Overview

United Gulf Bank (UGB) was incorporated in 1980 and was acquired by KIPCO in 1988 (KIPCO currently owns 96% of UGB). UGB is mainly involved in asset management, investment banking, corporate finance, and brokerage-related activities.

UGB – A Closer Look

- UGB's key assets are 79% stake in KAMCO, 17% stake in Burgan Bank and 20% stake in United Real Estate. All are listed on Kuwait Stock Exchange and can be accessed separately
- UGB and its key subsidiary KAMCO are currently in a process of deleveraging. Given low volumes on the investment banking and advisory side, we feel, this could be right strategy.
- UGB reported a net profit of USD 11 million in FY2012, significantly above the net profit in FY2011 (USD 1.2 million). This large discrepancy came largely on the back of a USD 24 million impairment charge that was recorded in FY2011. Still, income before provisions increased 8% in FY2012 to reach USD 27.6 million. Most of this increase was derived from a decline in UGB's operating expenses. However, in 1H2013, net income declined by 41% to reach KD 9.7 million.

Financial Analysis

- KIPCO provides a revenue breakdown for the following segments: a) commercial banking, b) asset management and investment banking, c) insurance, d) media, and e) others (industrial, real estate, and others). All divisions displayed double-digit growth in FY2012, with the exception of the asset management/investment banking division. Total revenues reached KD 443 million in FY2012, 26% growth over FY2011. The largest contributors to growth for the year were KIPCO's commercial banking activities and the media division. Both segments continued to perform well in 1H2013, with commercial bankings' top line jumping 42%, while the media division turned a profit for the first time.
- **KIPCO reported a 4% YoY decline in net profit to KD 31 million in 2012.** The slower growth in the bottom line versus revenues resulted from higher operating expenses, mainly resulting from higher digital satellite services and hospitality and real estate expenses. In 1H2013, the company reported a net profit of KD 50.7 million, a 20% increase over the same period last year. This was largely boosted by strong commercial banking activities as well as profitability from OSN.
- **KIPCO's total assets showed a 6% increase in June 1H2013.** Loans and advances still make up the lion's share of total assets, representing 47% in June 2013.
- KIPCO has loans and advances of KD 3.6 billion, of which Burgan Bank accounted for more than 94% in June 2013. In addition, KIPCO has already expanded its core operations to include two other operations: i) savings and pensions and ii) retakaful. KIPCO partnered with Munich Re to provide specialized services for the saving and pension venture.
- We estimate KIPCO's net asset value (NAV) using the current market cap of listed investments and adjust for net debt and operating expenses:

Net Asset Value

Major direct investments	% stake	Current M Cap	M Cap owned by KIPCO	% Contribution
	Direct	KD million	KD million	
Burgan Bank	43.0%	957.1	411.6	44.6%
OSN*	60.4%	423.8	256.0	27.8%
United Gulf Bank (UGB)	87.0%	134.0	116.6	12.6%
United Real Estate (UREC)	36.3%	135.4	49.2	5.3%
Gulf Insurance	39.6%	102.9	40.7	4.4%
United Industries (UIC)	69.6%	69.4	48.3	5.2%
Gross total value			922.3	
Net debt			(217.5)	
Operating expenses capitalized			(10.0)	
Net asset value		KD million	694.8	
KIPCO current M Cap		KD million	785.9	

*Valuation used during the merger of Orbit and Showtime in 2009. Source: NBK Capital

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Interest Income	160.2	180.3	89.1	124.5
Investment Income	31.8	65.7	40.0	14.1
Fees and commission income	48.4	45.9	24.3	25.4
Share of results from associates	8.3	7.8	0.6	9.1
Net insurance premium earned	0.0	0.0	0.0	0.0
Hospitality and Real estate income	23.5	37.0	18.4	24.4
Digital satellite television services	49.5	77.0	0.0	10.5
Foreign exchange gain	13.8	15.8	7.1	13.4
Other Income	15.8	13.7	4.2	5.9
Total Revenue	351.2	443.3	183.7	227.2
Total Expenses	(276.5)	(353.2)	(203.5)	(246.2)
Profit from Discontinued Ops	-	-	-	-
Profit Before Tax	74.8	90.2	(19.8)	(19.0)
Tax	(9.9)	(16.0)	(5.2)	(10.7)
Net Profit before Minority Interest	64.9	74.2	(24.9)	(29.7)
Minority Interest	34.9	42.9	25.2	32.6
Net Profit	30.0	31.3	(50.1)	(62.3)

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Cash in Hand and at Banks	1,143.8	960.1	1,002.7	1,265.7
T Bills and Bonds	467.0	419.1	483.6	521.5
Loans and advances	2,271.1	2,650.2	3,593.4	3,620.8
Fair Value through profit and loss	43.4	22.5	36.6	35.9
Financial Assets Available for sale	251.2	287.3	354.1	398.1
Financial assets held to maturity	8.0	7.6	7.3	7.5
Other Assets	157.3	166.4	239.7	326.6
Investments in Associates	328.0	325.4	366.8	339.5
Investment in Media JV				145.4
Investment Properties	336.0	390.3	421.8	419.3
Property and Equipment	156.0	139.3	180.0	226.5
Intangible Assets	499.4	482.2	498.9	348.4
Total Assets	5,661	5,850	7,185	7,655
Due to banks and Fin. Institutions	837.3	960.1	1,033.6	1,205.7
Deposits from customers	2,573.2	2,806.0	3,867.0	4,066.5
Loans payable	418.5	342.6	250.5	248.1
Bonds	57.2	40.0	213.4	230.2
Medium term notes	481.7	398.8	399.7	406.1
Other Liabilities	281.3	264.0	349.1	377.6
Total Liabilities	4,649	4,812	6,113	6,534
Equity (Parent Company)	559.9	574.2	576.3	561.8
Minority Interest	452.1	464.6	495.3	559.2
Total Liabilities and Equity	5,661	5,850	7,185	7,655

Sources: Company's financial statements and NBK Capital

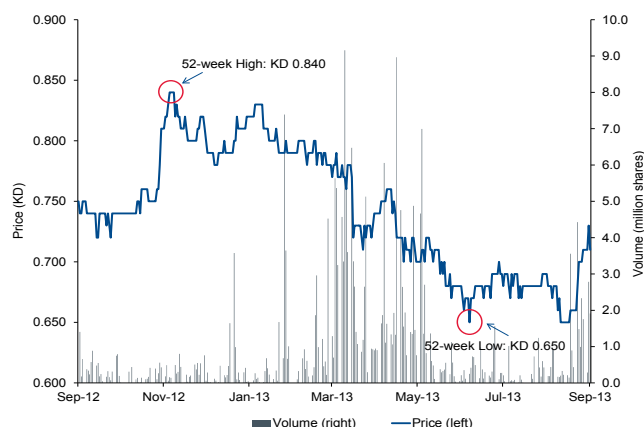
MOBILE TELECOMMUNICATIONS COMPANY (ZAIN)

Key Data

General		Daily Liquidity	
KSE Code	ZAIN	52-week avg. volume	1,786,567
Reuters	ZAIN.KW	52- week avg. value (KD)	898,237
Price (KD)		Price Performance	
Closing Price	0.710	YTD	-9.0%
52-week High/Low	0.840 / 0.650	12-month	-5.3%
Market Capitalization		Outstanding Shares	
KD (million)	2,766.00	Millions	3,895.78
Ownership Structure			
Closely-held: 40.87%		Public: 59.13%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009*	2010*	2011*	2012*	1H2013
Gross Profit Margin	74%	74%	73%	72%	72%
EBITDA Margin	46%	46%	45%	45%	43%
Operating Profit Margin	34%	33%	33%	29%	28%
Net Profit Margin	18.2%	21.6%	21.5%	19.7%	18.4%
RoAA	4.1%	6.2%	8.1%	4.5%	3.8%
RoAE	10%	12%	12%	8%	7%
Current Ratio (x)	0.5	1.5	0.9	0.8	0.8
Net debt-to-EBITDA (x)	3.2	-0.7	0.2	0.6	0.8
Investment/Equity	14%	10%	9%	22%	22%
Receivables Turnover Ratio (x)	3.1	3.1	4.0	2.0	1.8
Inventory Turnover Ratio (x)	10.0	26.8	16.7	17.4	9.1
Payables Turnover Ratio (x)	0.3	0.6	0.7	0.4	0.3

*Excluding the impact of Zain Africa BV. Sources: Company financial statements and NBK Capital

Highlights

- Zain is a leading regional telecom operator. Operating under the brand name "Zain," the company was established in Kuwait in 1983 as the Gulf's first mobile operator. The company's shares are listed on the KSE; Zain's largest shareholder is the Kuwait Investment Authority with a 24.6% stake.
- **Zain's 1H2013 revenue declined by 8% YoY to KD 612 million.** Group revenue was largely pressured due to weaker performance in Sudan (16% of group revenue) and Kuwait (27% of group revenue) in which revenue declined by 36% YoY and 2% YoY, respectively.
- **The gross profit margin has been stabilized since 2008 to stand at 72% in 1H2013 (gross profit margin four-year average of 73%).**
- **Zain's net debt increased by 34% QoQ to KD 453 million at the end of June 2013 as long-term debt due to banks stood at KD 802 million in 2Q2013.**

Overview

Zain is a leading regional telecom operator. Operating under the brand name “Zain,” the company was established in Kuwait in 1983 as the Gulf’s first mobile operator. The company’s shares are listed on the KSE. Zain’s largest shareholder is the Kuwait Investment Authority with a 24.6% stake.

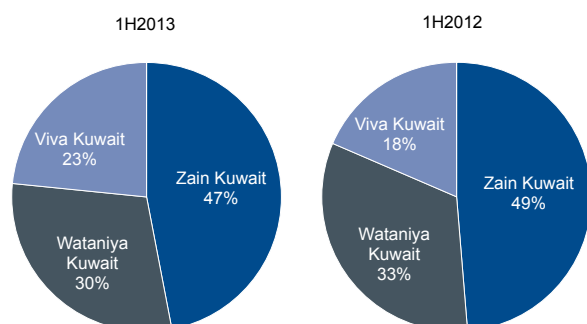
Zain, which was once on its way to becoming a global telecom operator, has clearly reverted to the path of a regional player. After the sale of Zain’s African assets in 2010, the scope of the company’s operations has been reduced to nine countries from 24 countries, with Iraq, Kuwait, Republic of Sudan, South Sudan, Jordan, and Bahrain being the major revenue sources, together with a management contract in Lebanon, and associates in Saudi Arabia and Morocco. Kuwait, Sudan (including South Sudan), and Iraq are Zain’s largest operations, which combined accounted for 79% of the group’s revenue and EBITDA in FY2012. Zain’s subscriber base stood at 44.4 million at the end of June 2013 (+6% YoY).

A View of Zain’s Key Markets

Kuwait: Fierce Competition

The competitive intensity in Kuwait has been increasing with Viva Kuwait (commercial launch in December 2008) continuing to gain revenue market share from both its competitors. Zain Kuwait’s revenue market share declined slightly to 47% in 1H2013 (from 49% in 1H2012 and 48% in FY2012), and Wataniya Kuwait’s revenue market share declined to 30% in 1H2013 (from 33% in 1H2012 and 32% in FY2012). However, Viva Kuwait’s revenue market share has increased to 23% in 1H2013 from 18% in 1H2012 and 20% in 2012.

Kuwait Revenue Market Share

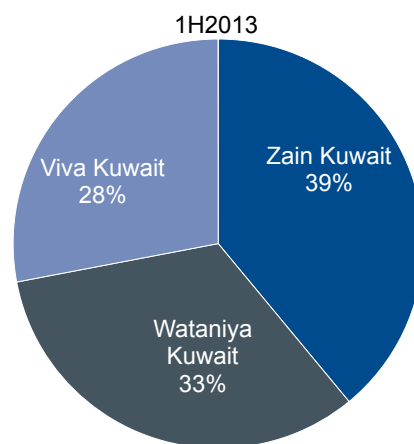


Sources: Company financial statements and NBK Capital

However, Zain Kuwait still maintains leadership in terms of revenue and subscriber market share (reported at 39% at the

end of June 2013), while also maintaining an ARPU level of USD 39 in 1H2013.

Kuwait Customer Market Share



Sources: Zain and NBK Capital

In terms of strategy, we believe that Zain Kuwait maintains a strong high-value subscriber focus (as evidenced by its high postpaid subscriber concentration representing 29%) and continues to invest in network expansion and the implementation of LTE. In addition, the operator has been granted a sub-ISP license from the Ministry of Communications in Kuwait, which the operator expects will help optimize its EBITDA levels going forward.

Iraq: A Key Growth Market

Zain Iraq maintains its subscriber market share leadership (reported at 48% at the end of June 2013) in a three-player market, competing against Asiacell (36% market share according to Zain) and Korek Telecom (16% market share according to Zain). Although Zain Iraq remains fairly aggressive in terms of subscriber net additions (the subscriber base grew by 8% YoY at the end of June 2013), its subscriber market share remains under pressure as Korek Telecom continues to gain traction. Furthermore, the operator has delivered almost flat revenue (up 1.2% YoY in 1H2013) despite the 8% growth in subscriber; therefore, ARPUs declined to USD 10 in 1H2013. In addition, the operator is also focusing on expanding its network presence in Northern Iraq.

As per the terms of the mobile license agreement, all mobile operators in Iraq were expected to launch their IPOs and thereafter list their stocks on the Iraqi Stock Exchange by the end of August 2011. However, all three operators missed the subject deadline. Zain Iraq intended to list its shares on the Iraq Stock Exchange during 1H2013; however, this process was delayed and not implemented.

Sudan: Separating Operations

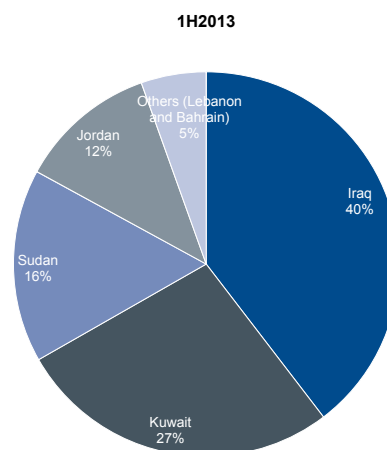
Following the separation of South Sudan and the Republic of Sudan in October 2011, Zain Sudan separated its networks between the Republic of Sudan and South Sudan and launched new dialing codes for South Sudan.

Zain operates via a traditional mobile license in the Republic of Sudan and maintains market leadership with a reported subscriber market share of 43% at the end of June 2013, competing with Sudani and MTN with 31% and 26%, respectively, of the subscriber market shares according to Zain. The operator's reported blended mobile ARPU stood at USD 4 in 1H2013, decreasing from USD 7 in 1H2012.

At the end of June 2012, the Sudanese government devalued the Sudanese Dinar (SD) from SD 2.7/USD to SD 4.4/USD. This devaluation negatively impacted the revenues from Sudan in KD terms, in which the KD-denominated revenue from Sudan declined by 36% YoY during 1H2013 with the 16% revenue contribution from Sudan 1H2013 versus 23% in 1H2012.

the Sudanese Dinar. However, the decline in group revenue was partially cushioned by the 3% YoY growth in revenue from Iraq (40% of group revenue), where the operator continues to compete aggressively in the prepaid market.

Segmental Revenue



Sources: Company financial statements and NBK Capital

Latest News

- **July 2013:** Zain had a 14% drop in 2Q2013 profit as the company's investment in Sudan continued to suffer from the devalued currency. Sudan introduced a new 2.5% revenue tax on telecom operators for the next three years, replacing a 30% tax on net profits, as companies continued to struggle with the volatile currency.
- **July 2013:** Zain's extraordinary general assembly approved in its meeting the public listing of Zain Bahrain.
- **December 2012:** Zain Group paid USD 231 million to Motorola Inc. on behalf of Zain KSA, to help Zain KSA deal with its debt pile and to support its plans and operations. The amount is related to a supply financing agreement with Motorola Inc. and some of its subsidiaries and allows for different payments of certain bills for goods and services provided by Motorola in 2009.
- **Gross profit margin has been stabilized since 2008 to stand at 72% in 1H2013 (gross profit margin four-year average of 73%).**
- **EBITDA declined by 11% YoY to KD 265 million**, with an EBITDA margin of 43% in 1H2013. The decline in EBITDA is attributable to the weakness in overall group revenue, which declined by 8% YoY, as well as a 32% YoY decline in EBITDA from Sudan.
- **Net profit declined by 19% YoY to KD 126 million compared to KD 155 million in 1H2012.**

Balance Sheet

- **Zain's net debt increased by 34% QoQ to KD 453 million at the end of June 2013 as long-term debt due to banks stood at KD 802 million in 2Q2013.** During the period, the parent company raised long-term loans amounting to KD 349 million. Long-term loans include a revolving credit facility of KD 200 million from a consortium of foreign banks.
- Net debt-to-EBITDA ratio has been increasing since 2011 to reach 1.6x in 2Q2013 against 0.7x in 1Q2013. The increase in the ratio was due to the 34% QoQ increase in net debt and a 45% QoQ decrease in annualized EBITDA which totaled KD 277 million at the end of June 2013.

Financial Statement Analysis

Income Statement

- **Zain's 1H2013 revenue declined by 8% YoY to KD 612 million.** Group revenue was largely pressured due to weaker performance in Sudan (16% of group revenue) and Kuwait (27% of group revenue) in which revenue declined by 36% YoY and 2% YoY, respectively. The performance in Kuwait was largely impacted by tough competition while revenue from Sudan was impacted by the devaluation of

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Revenue	1,321.9	1,281.9	663.5	611.9
Cost of Goods sold	(353.9)	(361.0)	(183.6)	(172.9)
Gross Profit	968.0	920.9	479.9	439.1
Distribution, Mkt. and OPEX	(283.1)	(254.8)	(130.3)	(121.2)
G&A expenses	(74.9)	(87.2)	(46.2)	(49.8)
Depreciation & Amortization	(170.7)	(193.0)	(97.8)	(96.1)
Impairment Losses-Goodwill	-	-	-	-
Prov. for Doubtful Debt	(9.7)	(8.2)	(4.4)	(2.9)
Operating Income	429.7	377.7	201.2	169.0
Investment Income	0.7	(8.8)	(1.0)	2.2
Sh. of loss of associates	(35.5)	(41.1)	(15.4)	(21.5)
Sh. of loss on jointly contr. entity	5.9	9.5	6.5	6.3
Other income	1.8	14.6	6.7	(9.3)
Net Finance Income (Cost)	(7.6)	(9.4)	(2.3)	(2.2)
Gain (Loss) from currency reval.	(34.3)	(8.5)	0.2	(9.2)
Board of directors remuneration	(0.4)	(0.4)	(0.2)	(0.2)
Profit before Tax	360.2	333.6	195.7	138.1
Profit (Loss) from discount ops.	-	-	-	-
Taxes and others	(59.0)	(53.4)	(40.4)	(9.5)
Release of provisions	16.3	-	-	-
Profit before MI	317.5	280.2	155.3	128.7
Minority interest	32.7	28.0	13.4	13.0
Net Profit	284.9	252.1	141.9	115.6

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Cash and bank balances	644.2	404.8	302.6	349.2
Trade and other receivables	432.0	332.8	319.1	336.4
Loan to an associate	-	-	-	-
Inventories	13.3	21.2	11.9	19.0
Invs. - at fair value through P&L	7.5	5.9	2.7	2.1
Current Assets	1,096.9	764.7	636.3	706.8
Deferred tax assets	-	-	-	-
Investments - available-for-sale	98.6	62.5	48.7	47.3
Investment in associates	116.1	81.1	246.0	228.0
Investment in jointly cont. ent.	40.3	44.9	54.8	61.9
Loan to associates	187.3	190.2	145.8	160.4
Property and equipment	793.7	795.6	699.0	738.2
Intangible assets	1,304.4	1,256.1	998.1	1,023.3
Other financial assets	72.6	92.2	102.2	111.8
Total Assets	3,709.9	3,287.2	2,931.0	3,077.6
Trade and other payables	593.2	506.5	535.1	546.7
Due to banks	219.7	540.0	651.8	802.4
Deferred tax liabilities	-	-	-	-
Other non-current liabilities	149.1	35.2	33.3	33.3
Total Liabilities	962.0	1,081.7	1,220.2	1,382.4
Share capital	429.7	430.8	431.5	432.1
Share premium	1,697.8	1,703.4	1,705.4	1,706.7
Treasury shares	(567.8)	(567.8)	(567.8)	(567.8)
Legal reserve	214.9	215.4	215.8	215.8
Voluntary reserve	-	-	-	-
Foreign currency translation res	(143.8)	(214.1)	(694.2)	(643.8)
Treasury shares reserve	2.0	2.0	2.0	2.0
Equity issue transaction cost o	(1.8)	(1.8)	-	-
Investment fair valuation reserve	4.5	(10.0)	(1.0)	1.1
Share-based compensation res	7.4	7.1	8.8	4.2
Hedge reserve	(2.5)	(0.8)	-	-
Retained earnings	1,006.6	516.5	490.2	413.2
Dividends Payable	-	-	-	-
Total Shareholders' Equity	2,647.0	2,080.5	1,590.6	1,563.5
Minority Interest	100.9	125.0	120.1	131.7
Total Liabilities and Equity	3,709.9	3,287.2	2,931.0	3,077.6

Sources: Company financial statements and NBK Capital

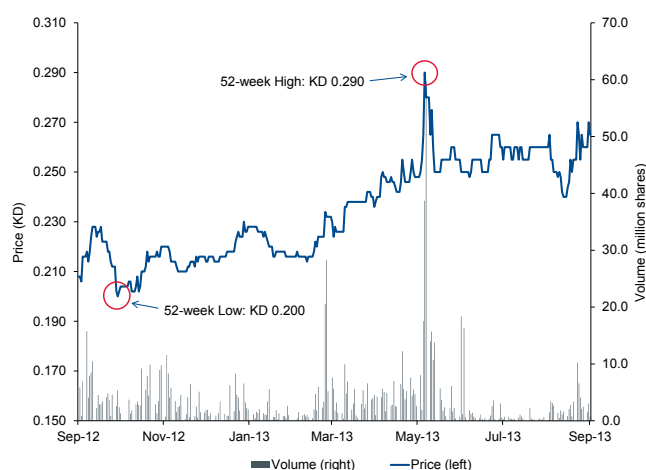
NATIONAL INDUSTRIES GROUP HOLDING (NIG)

Key Data

General		Daily Liquidity	
KSE Code	NIND.KSE	52-week avg. volume	3,809,183
Reuters	NIND.KW	52-week avg. value (KD)	619,860
Price (KD)		Price Performance	
Closing Price	0.265	YTD	23.8%
52-week High/Low	0.290 / 0.200	12-month	27.4%
Market Capitalization		Outstanding Shares	
KD (million)	333.93 Millions		1,260.13
Ownership Structure			
Closely-held: 26.48%		Public: 73.52%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Highlights

- NIG was established with the sole purpose of participating in advancing Kuwait's infrastructure and promoting its progression through the development of Kuwait's building materials industry. The company embarked on a policy of product diversification and international expansion, with the GCC serving as its first target market outside Kuwait. NIG has operations across several industries such as building materials manufacturing and petrochemicals.
- In 1H2013, NIG's revenue decreased by 9% YoY to stand at KD 52.8 million versus KD 57.8 million in 1H2012.
- Net profit before minority interest increased to KD 16.2 million, representing 16% YoY growth. The increase was due to the growth in profit on sale of AFS investments, which represents 82% of net profit before minority interest.
- Net profit for the period remained flat at KD 10.4 million, as minority interest increased by 68% YoY to KD 5.7 million
- The company's investments (representing 61% of the company's total assets and standing at 2.2x shareholders' equity) declined by 4% QoQ to KD 834.7 million by the end of June 2013.

Key Ratios

	2009	2010	2011	2012	2Q2013
Net debt-to-total equity (x)	1.5	1.3	1.5	1.4	1.4
Investments/Total Assets	0.6	0.6	0.6	0.6	0.6
Investments/Equity	2.4	2.3	2.4	2.3	2.2

Sources: Company financial statements and NBK Capital

Overview

NIG is currently one of the largest listed investment holding companies on the Kuwait Stock Exchange since its initial public offering in 1984. Incorporated in 1961, NIG was established with the sole purpose of participating in advancing Kuwait's infrastructure and promoting its progression through the development of Kuwait's building materials industry. In its early years, NIG was instrumental in the development of Kuwait's industrial base through the establishment of companies such as Kuwait Cement Company, Kuwait Metal Pipes Industries, and Gulf Cables. As the company grew, it embarked on a policy of product diversification and international expansion, with the GCC serving as the first target market outside Kuwait. As a result, NIG has a web of operations spanning several industries, such as building materials manufacturing, petrochemicals, oil and gas materials manufacturing, financial services, utility services, and real estate.

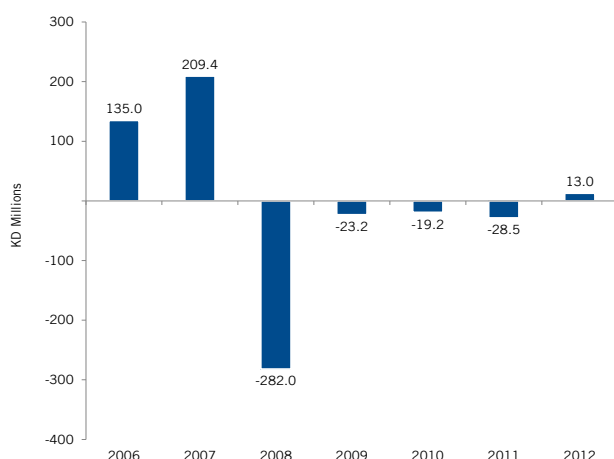
Financial Statements Analysis

Income Statement

FY2012

- **NIG's FY2012 revenue grew by 7% YoY to KD 107.4 million, while gross profit grew by 3% YoY to KD 26.1 million, reflecting a gross margin of 24%.**
- **NIG had a net profit of KD 13.0 million in FY2012 after incurring net losses of four years.** Net profit increased to KD 13.0 million versus a net loss of KD 28.5 million in FY2011. Net profit was largely supported by an 85% YoY increase in income from investments (amounted to KD 46 million in FY2012) and a 69% YoY decline in impairments of AFS investments (that totaled KD 12.5 million).

NIG - Net profit trend



Sources: Company financial statements and NBK Capital

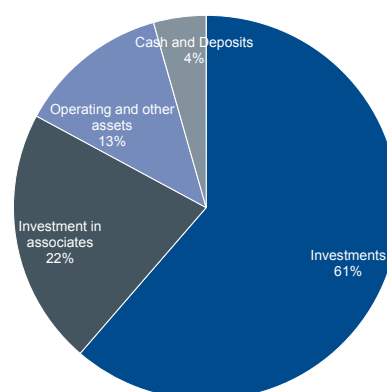
1H2013

- **In 1H2013, NIG's revenue decreased by 9% YoY to stand at KD 52.8 million versus KD 57.8 million in 1H2012.** Therefore, gross profit decreased by 6% YoY to be KD 12.4 million, reflecting a gross profit margin of 23%.
- **NIG doubled its profit on sale of AFS investments to KD 13.2 million in 1H2013.** As a result, income from investment increased by 27% YoY to KD 32.2 million, which reflected a 26% YoY increase in profit before taxes (1H2013: KD 16.3 million).
- **Net profit before minority interest increased to KD 16.2 million, representing 16% YoY growth.** The increase was due to the growth in profit on sale of AFS investments, which represents 82% of net profit before minority interest.
- **Net profit for the period remained flat at KD 10.4 million, as minority interest increased by 68% YoY to KD 5.7 million.**

Balance Sheet

- **The company's investments (representing 61% of the company's total assets and standing at 2.2x shareholders' equity) declined by 4% QoQ to KD 834.7 million by the end of June 2013.** The following chart presents a breakdown of NIG's asset structure. NIG's investments are largely dominated by available-for-sale investments (KD 675.6 million) consisting of unquoted equity practices, quoted shares as well as managed funds. The remaining investments are distributed between held-for-trading investments and investment properties.

NIG's Asset Structure – June 2013



Sources: Company financial statements and NBK Capital

- **NIG's total debt increased by 1% QoQ to KD 777.7 million at the end of June 2013 with short-term debt now representing 43% of the company's total debt.** The company's net debt-to-total equity ratio increased to 1.4x at the end of June 2013, from 1.3x at the end of March 2013.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Sales	99.9	107.4	57.8	52.8
Cost of sales	(74.6)	(81.3)	(44.7)	(40.4)
Gross Profit	25.3	26.1	13.1	12.4
Income from investments	26.1	49.8	26.9	32.2
Share of profits of associates	14.5	16.6	9.2	10.5
Interest and other opr. income	7.5	7.3	3.1	4.5
Distribution costs	(4.7)	(4.8)	(2.2)	(2.2)
G&A	(21.4)	(22.1)	(10.5)	(11.2)
Finance costs	(41.1)	(38.9)	(18.5)	(18.0)
Imprm. in value of AFS inv.	(40.1)	(12.5)	(5.3)	(10.4)
Imprm. in value of rec. & other	-	(1.4)	-	(0.6)
Imprm. in value of inv. in assoc.	-	(0.6)	-	(0.1)
Other impairments	-	(2.0)	-	(0.7)
(Loss)/gain on foreign exchg.	2.2	(3.2)	(1.9)	(1.7)
Profit before taxes and dir. rem.	(31.6)	16.1	14.0	16.3
Taxes and directors' rem.	(1.7)	(1.1)	(0.1)	(0.1)
Profit/(loss) from discontinued operation	(0.4)	2.8	-	-
Net Profit for the year	(33.8)	17.8	13.9	16.2
Minority Interest	(5.3)	4.8	3.4	5.7
Net Profit	(28.5)	13.0	10.5	10.4

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Assets				
Goodwill	6.7	6.6	7.1	6.8
PPE	67.2	65.3	64.0	68.6
Investment in associates	272.5	283.1	287.5	293.5
Investment properties	36.6	13.9	25.3	26.3
Long-term AFS Is	790.4	739.3	698.1	675.6
Total Non-current Assets	1,173.4	1,108.3	1,081.9	1,070.9
Inventories	20.1	23.6	25.6	27.3
Short-term AFS Is	104.5	86.7	79.8	74.5
Accounts receivables and other	59.2	76.1	64.1	70.1
Murabaha and wakala inv.	15.3	8.4	11.3	1.0
Investments at fair value	119.1	81.8	62.0	58.3
Short-term deposits	104.6	79.0	6.1	5.2
Bank balances and cash	38.0	35.7	57.1	53.8
Total Current Assets	460.7	391.4	306.1	290.2
Total Assets	1,634.1	1,499.7	1,388.1	1,361.1
Liabilities and Shareholders' Equity				
Bonds and trust cert.	133.5	-	-	-
Long-term borrowing	165.7	395.0	523.9	446.2
Leasing creditors	0.4	0.3	0.2	0.1
Provisions	11.4	9.6	15.1	14.1
Total Non-current Liabilities	311.0	404.9	539.2	460.4
Accounts payable	43.4	56.1	50.7	52.6
Bonds issued	14.0	132.5	-	-
Short-term borrowing	594.9	360.9	256.3	305.8
Due to banks	33.3	23.7	17.9	25.7
Total Current Liabilities	685.6	573.2	324.9	384.1
Total Liabilities	996.6	978.1	864.1	844.5
Total Shareholders' Equity	463.2	376.9	382.1	381.6
Minority Interest	174.2	144.7	141.8	135.0
Total Equity and Liabilities	1,634.1	1,499.7	1,388.1	1,361.1

Sources: Company financial statements and NBK Capital

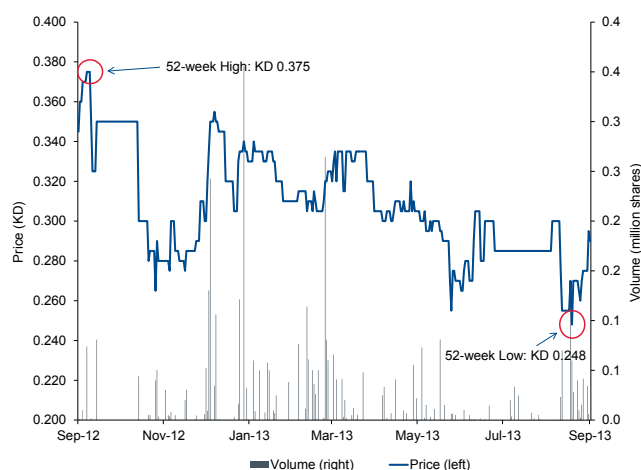
NATIONAL INDUSTRIES COMPANY (NATIONAL INDUSTRIES)

Key Data

General		Daily Liquidity	
KSE Code	NICBM.KSE	52-week avg. volume	26,504
Reuters	NIBM.KW	52-week avg. value (KD)	3,375
Price (KD)		Price Performance	
Closing Price	0.290	YTD	-17.1%
52-week High/Low	0.375 / 0.248	12-month	-15.9%
Market Capitalization		Outstanding Shares	
KD (million)	102.42 Millions		353.18
Ownership Structure			
Closely-held: 69.06%		Public: 30.94%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Gross Profit Margin	32%	29%	29%	28%	25%
Net Profit Margin	n/m	10.0%	10.5%	11.1%	3.5%
ROAA	n/m	3.5%	3.8%	4.2%	1.6%
ROAE	n/m	5%	5%	6%	2%
Current Ratio	1.4	1.4	2.0	1.8	1.8
Net debt-to-total-equity	0.4	0.3	0.2	0.1	0.1
Investments to Equity	0.9	0.8	0.7	0.6	0.6
Receivables Turnover Ratio (x)	2.8	3.1	2.8	2.8	1.6
Inventory Turnover Ratio (x)	2.4	2.7	2.6	2.3	1.2
Payables Turnover Ratio (x)	5.5	6.8	5.6	4.6	2.3

Sources: Company's financial statements and NBK Capital

Highlights

- NICBM was incorporated in 1997, as a subsidiary of the National Industries Group (NIG), a holding group that owns several industrial and financial companies in the Middle East, Europe, and North America. The company's core business activity is the manufacturing and marketing of building materials in Kuwait.
- NICBM revenue remained flat YoY in 1H2013 as it stood at KD 22.0 million. However, cost of sales increased by 9% YoY to KD 16.4 million, which reduced gross profit for the period by 9% YoY to KD 5.5 million.
- Operating expenditures witnessed a 29% YoY rise in 1H2013, essentially due to a 17% hike in distribution expenses which reported to be KD 0.5 million.
- Net profit for the period decreased by 79% YoY and stood at KD 0.8 million versus KD 3.7 million in 1H2012.

Overview

NICBM was incorporated in 1997, as a subsidiary of the National Industries Group (NIG), a holding group that owns several industrial and financial companies in the Middle East, Europe, and North America. The company's core business activity is the manufacturing and marketing of building materials in Kuwait. The manufacturing building materials includes manufacture of ceramic tiles, cement bricks, ready mix concrete, concrete products, sandlime bricks, plastic pipes, insulation products, paints, grouts, mortars and corrosion inhibitors; stone mining. The company was previously known as National Industries Company for Basic Materials.

The company has two main factories group's in Kuwait: Abdullah Port, and Sulaibia.

Regional Investments

The company focuses on investing in the operational industrial sectors such as: oil, energy, natural gas, petrochemicals, generating electricity and real estate sectors. National industries have entered as a strategic partner and founder in several industrial and real estate companies in the region, such as: Dana Gas Company, First Qatar Company For Real Estate Development, Karachi Electric Supply Corporation, Bayan Holding Company, Ikarus Oil Industries Company, and Kuwait Energy Company.

The company has direct operational investment in Saudi Arabia (Al Riyadh, and Jeddah), Bahrain, and Oman.

Figure 1 Direct Investments

Name	Country	Holding
Building Systems Industries Company	Kuwait	100%
National Industries Company for Ceramic	Kuwait	60%
Industrial Constructions Company	Oman	50%
Insulation Systems Factory	Bahrain	50%
Saudi Insulation Bricks Company	Saudi Arabia	50%
Kuwait Rocks Company	Kuwait	38%
Omani German Company for Building Materials	Oman	30%
United Gulf Pipes Factory	Oman	30%
Al Raya Global Real Estate Company	Kuwait	20%

Source: Zawya

Regional Distributers

The company has six distributors through MENA region, as illustrated in Figure 2

Figure 2 Regional Distributers

Name	Country	Ownership
Insulated Block Factory	KSA (Riyadh)	50%
Insulated Block Factory	KSA (Jeddah)	50%
Polyethylene Factory	Oman (Muscat)	30%
Insulated Block Factory	Bahrain	50%
Insulated Block Factory	Oman (Sahar)	30%
Insulated Block Factory	Oman (Muscat)	50%

Source: Zawya

Target markets for expansion

National industries is planning to expand through the MENA region by either entering to new markets or expanding in existing markets. The company is targeting two Egypt, and Libya as new markets, moreover, it is planning to expand though Oman, and Iraq.

Projects in progress

The company is completing the following ongoing projects:

- **Building Insulation Factory Company.** It is an autoclaved aerated concrete (A.A.C) blocks factory in Bahrain where National Industries ownership represents 50%. Building the factory has been completed; pilot production and quality control are ongoing.
- **Omani German Company for Building, materials & Industrial construction company.** It is an A.A.C. factory in Oman (Sahar). National Industries ownership represents 32.5%. Building the factory has been done; pilot production and quality control are ongoing. A unit of bonding and mortar manufacturing has been bought as an extension of the factory

Latest News

- **April 2013:** NICBM approved a cash dividend of 12% of the nominal value of shares (12 fils per share) to shareholders for FY2012.
- **March 2013:** The company's board of directors proposed the distribution of a cash dividend of 12 fils per share translating into a dividend yield of 3.9% for the fiscal year ending December 31, 2012. This is still waiting AGM approval on the 14th of April 2013.

Financial Statement Analysis

Income Statement

FY2012

- **NICBM recorded revenues of KD 42.2 million in FY2012, 4.6% above FY2011.** Gross profit increased to KD 11.9 million in FY2012, from KD 11.5 million in FY2011; however the gross profit margin declined from 28.5% in FY2011 to 28.3% in FY2012.
- **The company recorded losses from its associates, which amounted to KD 0.71 million compared to a loss of KD 0.69 million in FY2011.**
- **Operating expenditures saw a 28.8% rise in FY2012, essentially due to a 37.3% hike in general and administrative expenses.**
- **Net profit for 2012 increased by 10.5% to reach KD 4.7 million from a previous level of KD 4.2 million in 2011.**

1H2013

- **NICBM revenue remained flat YoY in 1H2013 as it stood at KD 22.0 million. However, cost of sales increased by 9% YoY to KD 16.4 million, which reduced gross profit for the period by 9% YoY to KD 5.5 million. Therefore, gross profit margin decreased to 25% from 28% in 1H2012.**
- **Operating expenditures witnessed a 29% YoY rise in 1H2013, essentially due to a 17% hike in distribution expenses which reported to be KD 0.5 million.**
- **Net profit for the period decreased by 79% YoY and stood at KD 0.8 million versus KD 3.7 million in 1H2012.** This came on the back of the 5x increase in impairment loss on AFS investments which reported to be KD 2.0 million in 1H2013, in addition to provision for doubtful debt which doubled within the same period to stand at KD 0.5 million.

Balance Sheet

- **Cash balance increased by 31% QoQ at the end of June 2013, and reached KD 5.3 million.**
- **Accounts receivable decreased by 11% from KD 15.1 million at the end of March 2013 to KD 13.4 million in 2Q2013.**
- **Current liabilities (including short-term debts) amounted to KD 21.2 million as of June 30, 2013, compared to KD 19.2 million as of March 31, 2013.**
- **The company net debt-to-total-equity ratio remained flat and stood at 0.1x at the end of 2Q2013 compared to 1Q2013.**

Financial Statements

Income Statement (KD thousands)	2011	2012	1H2012	1H2013
Sales	40,320	42,185	21,936	21,963
Cost of sales	(28,812)	(30,269)	(15,884)	(16,448)
Gross Profit	11,508	11,916	6,052	5,515
Other operating income	818	714	391	224
Share of profit of associates	(689)	(710)	33	(548)
Loss from acquisition of associate	(55)	-	-	-
Investment and other income	188	364	302	309
Foreign exchange (loss)/gain	163	4	(6)	(27)
Distribution expenses	(770)	(777)	(397)	(466)
Gen. & Admin. Expenses	(2,494)	(3,426)	(1,585)	(1,448)
Finance costs	(538)	(541)	(291)	(137)
Impairment loss on AFS inv.	(3,651)	(2,337)	(391)	(2,000)
Provision for doubtful debt	-	-	(250)	(500)
Impairment on inv. in associate	-	(250)	-	(118)
Net Profit before taxes	4,479	4,957	3,858	804
KFAS	(40)	(48)	(35)	(9)
NLST	(120)	(138)	(109)	(23)
Zakat	(47)	(55)	(43)	(9)
Board of Directors' remuneration	(35)	(35)	-	-
Net Profit	4,236	4,681	3,671	763

Balance Sheet (KD thousands)	2010	2011	2012	Jun-13
Inventories and spare parts	10,405	11,686	14,863	15,955
Inv. at fair value through P&L	5,496	4,181	3,492	3,631
Accounts Receivable & others	13,493	15,646	14,133	13,419
Fixed Deposit	150	150	150	150
Cash and bank balances	3,000	2,814	6,114	5,296
Total Current Assets	32,543	34,477	38,753	38,450
Property, plant and equipment	25,468	26,624	23,868	23,537
Investment in associates	6,680	6,843	5,840	5,222
Available for sale investments	49,965	41,274	42,700	40,948
Total Assets	114,657	109,218	111,160	108,157
Short term loans	2,700	-	-	-
Short term Murabaha	-	-	6,639	7,706
Current portion of Musharaka bonds	14,010	-	-	-
Current portion of long term loan	900	5,301	5,341	3,594
Current portion of Murabaha payables	280	3,075	17	8
Accounts payable & others	5,695	8,783	9,363	9,918
Due to customers for contract work	0	-	-	-
Total Current Liabilities	23,585	17,160	21,361	21,225
Musharaka bonds	-	-	-	-
Long term loan	5,502	7,204	1,902	1,002
Murabaha payables	32	17	-	-
Provision for land-fill expenses	655	681	710	714
Provision for staff indemnity	3,668	4,030	4,419	4,456
Total Liabilities	33,443	29,092	28,391	27,398
Total Equity	81,214	80,127	82,769	80,759
Total Liabilities and Equity	114,657	109,218	111,160	108,157

Sources: Company's financial statements and NBK Capital

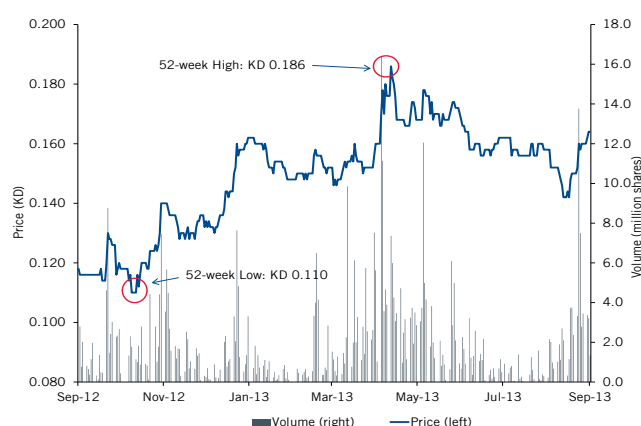
NATIONAL INVESTMENT COMPANY (NIC)

Key Data

General		Daily Liquidity	
KSE Code	NINV.KSE	52-week avg. volume	2,056,494
Reuters	NINV.KW	52-week avg. value (KD)	212,975
Price (KD)		Price Performance	
Closing Price	0.164	YTD	24.2%
52-week High/Low	0.186 / 0.110	12-month	39.0%
Market Capitalization		Outstanding Shares	
KD (million)	143.70	Millions	876.21
Ownership Structure			
Closely-held: 67.7%		Public: 32.3%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Highlights

- NIC is one of the largest asset management companies in Kuwait, with a market capitalization of approximately KD 144 million.
- NIC reported a net profit of KD 6 million in FY2012, compared to a net loss of KD 27.3 million recorded in FY2011. The strong improvement in net profit was largely driven by realized and unrealized gains from held-for-trading (HFT) investments, profit from sale of AFS investments, and lower impairment charges in FY2012. In 1H2013, the company reported a minor improvement in its bottom line, which increased by 4% YoY to KD 2.3 million.
- In 2012, NIC reported an adjusted operating profit (EBIT) of KD 802,000 compared to KD 848,000 in 2011. We define NIC's adjusted operating profit (or EBIT) as management and incentive fees (core operating income) less any general and administrative expenses. In 1H2013, NIC recorded an operating loss of KD 909,000, down from a KD 591,000 gain during the same period last year.
- NIC continues to experience high volatility in yearly net profit, ranging from a loss of KD 26.1 million in FY2009, to a profit of KD 10.9 million in FY2012. This is largely due to the high dependence on investment earnings and the provisioning that might accompany it.
- Debt levels seem to be no threat to the company, although all borrowings are short-term. The company's cash balance and liquid investments can cover the entire debt level. Moreover, the company has been paying down its debt since 2010. By December 2012, the debt level reached KD 1.1 million, less than 1% of the company's total asset base. As of June 2013, NIC's debt levels remained relatively stable YTD.

Key Ratios

	2009	2010	2011	2012	1H2013
Management Fees as Percentage of Avg. AUMs	0.3%	0.2%	0.2%	0.3%	n.a
Advisory Fees as Percentage of Avg. AUMs	0.0%	0.0%	0.1%	0.0%	n.a
AFS-to-Assets	65%	68%	66%	62%	59%
AFS-to-Equity	81%	86%	75%	64%	62%
RoAA	-11.5%	1.7%	2.2%	5.7%	1.1%
RoAE	-13%	2%	2%	12%	1%
Debt-to-Total Equity (x)	0.2	0.2	0.1	0.0	0.0

Sources: Company's financial statements and NBK Capital

Overview

NIC is involved in investment management, including equity trading, private equity investments, and asset management services. The company is responsible for managing several funds, including equity, alternative, and money market funds. Some of the most notable equity funds include the Al-Wataniya Fund (investing in Kuwaiti listed equities), the Al-Safwa Fund (Shari'ah-compliant equity investments), and the Al-Darij Fund (GCC Shari'ah-compliant equities). NIC has a large proprietary book from which the company tries to derive most of its profits.

Latest News

- **April 2013:** The board of directors of NIC recommended withholding dividends for FY2012.

Financial Statement Analysis

Income Statement

- NIC reported a net profit of KD 6 million in FY2012, compared to a net loss of KD 27.3 million recorded in FY2011.
- NIC divides its financial statements into two distinct sections: income and expenses. The "income section" combines any income derived by the company, whether from core operations or investment activities. The "expense section" gives a breakdown of all expenses incurred and is similarly not divided by operational significance. When we refer to "total income" in this report, we mean total income derived by the company; "net profit/loss" represents the bottom-line figure. The strong improvement in net profit was largely driven by realized and unrealized gains from held-for-trading (HFT) investments, profit from sale of AFS investments, and lower impairment charges in FY2012. After excluding one-off impairment charges, NIC's achieved a net income of KD 10.9 million in FY2012, more than double the KD 4.4 million achieved in FY2011. In 1H2013, the company reported a minor improvement in its bottom line, which increased by 4% YoY to KD 2.3 million. The improvement came largely on the back of a 21% increase in dividend income (the largest contributor to the company's bottom line).
- **NIC continues to experience high volatility in yearly net profit, ranging from a loss of KD 26.1 million in FY2009, to a profit of KD 10.9 million in FY2012. This is largely due to the high dependence on investment earnings and the provisioning that might accompany it.**

- **In 2012, NIC reported an adjusted operating profit (EBIT) of KD 802,000 compared to KD 848,000 in 2011.** We define NIC's adjusted operating profit (or EBIT) as management and incentive fees (core operating income) less any general and administrative expenses. This gives us a clearer picture of how the company generates stable income streams from investing clients' capital. In 2012, management fees remained the main contributor of operating income, representing 99% of the total; incentive fees dropped significantly, falling from KD 3 million in 2011 to around nil in 2012. Nevertheless, the 39% YoY decline in general and administrative expenses helped offset much of the decline in incentive fees, essentially causing EBIT to fall by only 5% YoY in 2012. However, NIC reported an operating loss of 909,000 during 1H2013 which is a significant drop compared to an EBIT of 591,000 in 1H2012. This comes as a result of lower management fees coupled with a 38% spike in general and administrative expenses.
- **Investment income nearly doubled to KD 8.2 million in FY2012.** We calculate investment income as income generated from AFS investments and HFT investments. Investment income in 1H2013 remained relatively flat YoY at KD 3.7 million.

Balance Sheet

- **AFS investments continue to represent the largest portion of assets, standing at 62% by December 2012.** Nevertheless, NIC's position in AFS investments declined by 11% in 2012, reaching KD 117 million. This marks the second year in a row of AFS decline after reaching the highest level at the end of 2010 (KD 183 million, or 68% of total assets). The downward trend continued in June 2013 as AFS reached 117 million, representing 59% of total assets.
- **By December 2012, the company's cash balance and HFT investments were KD 36 million.** The debt level seems to be no threat to the company, as the level represents less than 1% of the total assets. The company's cash balance and liquid investments can cover the entire debt.
- The company reported assets under management (AUM) of KD 1.8 million in December 2012, decreasing from KD 2.1 million in 2011. AUMs have been declining since 2010; however, management and incentives fees as a percentage of AUMs have remained relatively stable over the past two years at around 0.3%.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Realized/Unrealized gain on invest.	(6.5)	4.4	1.3	0.5
Investment Income	21.2	10.3	6.4	6.3
Foreign Exchange Trading	0.3	0.2	0.1	0.2
Share of Results from Associates	(1.1)	0.5	(0.2)	0.5
Other Income	-	0.9	-	0.4
Income	13.9	15.4	7.6	7.9
Selling/General/Admin Expenses	(7.7)	(4.7)	(2.5)	(3.5)
Operating Income	6.1	10.7	5.1	4.5
Finance Costs	(1.7)	(0.5)	(0.4)	(0.1)
Other, Net	0.1	0.1	(2.5)	(2.1)
Net Profit before Taxes	4.5	10.2	2.2	2.3
Taxes	(0.0)	(0.1)	(0.0)	(0.0)
Net Profit before Minority Interest	4.4	10.0	2.2	2.3
Minority Interest	(0.0)	0.0	-	0.0
Net Profit	4.4	10.0	2.2	2.3

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Cash and Cash Equivalents	9.7	6.1	10.7	9.9
Investments	201.4	150.3	142.0	145.6
Other Assets	56.4	44.3	37.1	42.6
Total Assets	267.5	200.7	189.9	198.0
Short Term Debt	46.7	16.6	1.1	1.1
Accounts Payable and Accruals	8.1	7.2	5.4	5.9
Total Liabilities	54.8	23.9	6.5	6.9
Total Equity	212.8	176.8	183.4	191.0
Total Liabilities and Equity	267.5	200.7	189.9	198.0

Sources: Company's financial statements and NBK Capital

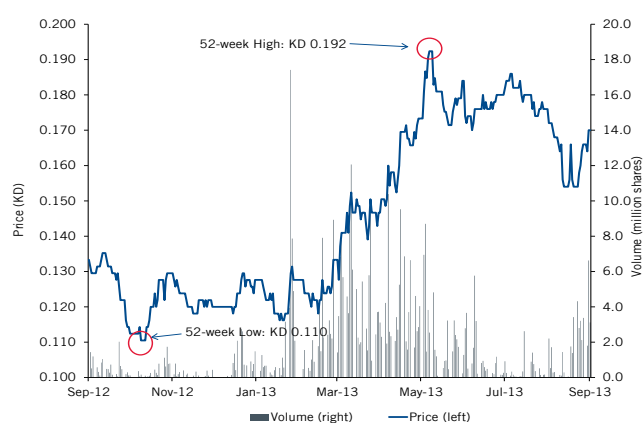
NATIONAL REAL ESTATE COMPANY (NREC)

Key Data

General		Daily Liquidity	
KSE Code	NRE.KSE	52-week avg. volume	1,843,412
Reuters	NREK.KW	52-week avg. value (KD)	185,664
Price (KD)		Price Performance	
Closing Price	0.170	YTD	41.7%
52-week High/Low	0.192 / 0.110	12-month	27.5%
Market Capitalization		Outstanding Shares	
KD (million)	145.33	Millions	854.90
Ownership Structure			
Closely-held: 40.52%		Public: 59.48%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Key Ratios

	2009	2010	2011	2012	1H2013
Rental Income (% of Operating Income)	19%	33%	37%	30%	38%
Net Share in Associates' Results (% of Operating Income)	77%	20%	25%	25%	40%
Net Share in the Associates' Results (% of Net Profit)	135%	n/m	n/m	97%	73%
Net debt-to-total-equity	0.66	0.77	0.94	0.89	0.88
Investment in Associates (% of Total Assets)	35%	34%	36%	34%	33%
Investment in Associates (% of Total Equity)	79%	79%	95%	90%	88%
Investment Book (% of Total Assets)	3%	3%	1%	1%	1%
Investment Book (% of Total Equity)	7%	6%	3%	2%	2%

Sources: Company's financial statements and NBK Capital

Highlights

- NREC is primarily a rental player with operations across the Middle East and North Africa (MENA) region.
- The company is part of the Sultan Group and holds a 22.4% stake in Agility.** As of June 30, 2013, NREC's stake in Agility appeared at a value of KD 168.1 million on the balance sheet, which constitutes the total value of NREC's investment in associates.
- The company's net share in associates' results for 1H2013 is entirely due to Agility.** The net share of the associates' results reached KD 4.9 million in 1H2013, which was 48% higher than 1H2012.
- NREC managed to reduce its operating expenses during 1H2013**, essentially because cost of sales declined by 76% to reach KD 0.69 million (this was due to a change in the revenue mix away from real estate sales towards associates and joint ventures). **This in turn led to a 47% increase in operating profit**, which reached a level of KD 6.9 million in 1H2013, from a previous level of KD 4.7 million in 1H2012.

Overview

The company was established in 1973, and listed on the Kuwait Stock Exchange in 1984. NREC specializes in developing, trading, and managing commercial and industrial real estate properties, including shopping centers, office properties, and resorts and hotels, both locally and internationally.

Developments in Kuwait

Souq Sharq Waterfront

This development covers a total area of 2,400 sq.km. and features a shopping center, a historical fish market, and a marina. Designed in traditional Arabic architecture, the shopping center is home to a variety of retail outlets, restaurants, and coffee shops.

Mishal Tower

This is one of the company's most recent developments in Kuwait. This commercial tower consists of 21 storeys, and is located in the central business district.

El Joan Resort

This resort covers a total land area of 26,000 sq.m., and includes 40 fully serviced three-bedroom villas, a waterfront restaurant and swimming pools for adults and children.

Dasman Complex

This 13-storey building stretches across an area of 17,147 sq.m. and serves as a center for educational activities for both children and adults. The building includes a basement, ground floor, mezzanine, and 10 levels of office space.

Wataniya Tower

The Wataniya Tower covers an area of 3,363 sq.m., and is composed of 10 levels, that offer shopping on the ground floor, as well as offices on the upper floors.

Bobyen Complex

This commercial development is built on an area of 10,404 sq.m. and is occupied primarily by furniture retailers.

International developments

Al Reem Mall – Abu Dhabi

This retail mall is estimated to have a GLA of 180,000 sq.m. when completed, and will feature retail outlets, a family entertainment center, cinemas, roof top gardens, restaurants, and a huge parking lot.

Financial Statement Analysis

Income Statement

1H2013

- **The company's rental income reached KD 4.58 million in 1H2013, compared to 4.61 million in 1H2012.**
- **The company's net share in associates' results for 1H2013 is entirely due to Agility.** The net share of the associates' results reached KD 4.9 million in 1H2013, which was 48% higher than 1H2012.
- **NREC managed to reduce its operating expenses during 1H2013**, essentially because cost of sales declined by 76% to reach KD 0.69 million (this was due to a change in the revenue mix away from real estate sales towards associates and joint ventures). **This in turn led to an 47% increase in operating profit**, which reached a level of KD 6.9 million in 1H2013, from a previous level of KD 4.7 million in 1H2012.
- **The company therefore recorded a significant rise in net profit for the period.** The figure came in at KD 6.7 million in 1H2013, compared to KD 4.1 million in 1H2012.

Balance Sheet

- **The company is part of the Sultan Group and holds a 22.4% stake in Agility.** As of June 30, 2013, NREC's stake in Agility appeared at a value of KD 168.1 million on the balance sheet, which constitutes the total value of NREC's investment in associates.
- **NREC's cash balance was down 7% YTD and stood at KD 9.8 million** at the end of June 2013, compared to KD 10.5 million at the end of 2012.
- **The company had a net debt-to-equity ratio of 0.88x at the end of June 2013, almost unchanged from 2012.** The company's equity and total debt stood at KD 191 million and KD 177.7 million, respectively.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Rental income	8.9	9.2	4.6	4.6
Net Sales	9.8	4.8	2.9	1.0
Net Share in the Associates' Results	6.1	7.7	3.3	4.9
Share in the joint venture results	(0.5)	8.8	0.8	1.6
Staff costs	(4.4)	(4.3)	(1.9)	(2.3)
Cost of sales	(10.4)	(4.8)	(2.8)	(0.7)
General and administrative	(4.2)	(3.8)	(1.9)	(1.9)
EBITDA	5.3	17.5	5.0	7.2
Depreciation & amortization	(0.8)	(0.7)	(0.3)	(0.2)
EBIT	4.5	16.9	4.7	6.9
Investment Income	0.2	0.5	0.0	0.1
Change in fair value of inv. properties	(15.6)	(2.2)	-	-
Net finance costs	(0.5)	(3.7)	0.2	0.2
Others	(31.6)	(3.6)	(0.9)	(0.3)
EBT	(43.0)	7.9	4.1	6.9
Taxes	-	(0.1)	(0.0)	(0.1)
BOD remuneration	-	-	(0.0)	(0.0)
Minority Interest	(2.1)	(0.2)	(0.1)	0.1
Net Profit	(40.9)	8.0	4.1	6.7

Balance Sheet (KD millions)	2010	2011	2012	Jun-2013
Cash & Cash Equivalent	7.9	5.5	10.5	9.8
Investment in Associates	185.9	176.2	172.1	168.1
Investment Properties	151.2	138.1	138.6	141.8
Capital Work in Progress	109.7	109.2	122.7	116.4
Total Assets	540.1	495.0	512.7	503.9
Total Debt	189.5	180.5	182.6	177.7
Total Liabilities	303.8	308.6	322.2	312.9
Minority Interest	25.7	23.4	22.6	21.8
Shareholders' Equity	210.6	163.0	167.8	169.2
Total Liabilities and Equity	540.1	495.0	512.7	503.9

Sources: Company's financial statements and NBK Capital

OULA FUEL MARKETING COMPANY (OULA)

Key Data

General		Daily Liquidity	
KSE Code	OULAFUEL.KSE	52-week avg. volume	81,927
Reuters	OULA.KW	52-week avg. value (KD)	13,118
Price (KD)		Price Performance	
Closing Price	0.210	YTD	-4.1%
52-week High/Low	0.267 / 0.204	12-month	-18.3%
Market Capitalization		Outstanding Shares	
KD (million)	75.26 Millions		358.39
Ownership Structure			
Closely-held: 55.86%		Public: 44.14%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Gross Profit Margin	13%	12%	13%	13%	13%
EBITDA Margin	12%	4%	5%	5%	5%
Operating Profit Margin	11%	2%	4%	4%	4%
Net Profit Margin	11.5%	3.7%	4.6%	4.2%	6.1%
RoAA	19.4%	6.0%	7.9%	6.7%	8.7%
RoAE	24%	8%	10%	9%	11%
Current Ratio (x)	1.5	1.5	1.6	1.7	1.5
Quick Ratio (x)	1.5	1.5	1.6	1.7	1.5
Investment-to-Equity	15%	14%	12%	20%	32%

Sources: Company's financial statements and NBK Capital

Highlights

- Oula Fuel Marketing Company (Oula) is one of two publicly-listed fuel station operators in Kuwait. The company's operating assets primarily consists of 40 gas stations acquired from the government. Oula was listed on the KSE on December 18, 2006.
- Oula reported 1H2013 revenues of KD 49.6 million, representing a 11% YoY increase. 1H2013 gross profit margin stood at 13% in 1H2013, similar to the levels registered in 1H2012. Oula's gross margins have remained broadly stable over the past years as the government sets the retail price of petrol.
- Driven by strong topline growth, net profit increased by 62% YoY in 1H2013 to stand at KD 3.0 million.
- Leasehold rights—the rights to use land for fuel stations—stood at KD 18.6 million as of July 30, 2013, implying a 1% sequential decline.

Overview

Oula is one of the only two publicly-listed fuel station operators in Kuwait. Established in May 2004, the company derives the majority of its revenues from retail petrol sales via 40 petrol stations in Kuwait. Oula also generates income from 1) running customer-service centers at the fuel stations, 2) providing automotive services (car washes, oil changes, car maintenance, etc.), 3) filling and storing fuel, and 4) shipping and trading petroleum products. Historically, the company has been involved in buying, leasing, and selling real estate assets related to its operational activities and has invested a portion of its financial surplus in various financial investments. Oula has two wholly-owned subsidiaries - Oula National Market Services, and One Shop. The company also owns 25% of Petronet Global Computer Services. Oula is 24% owned by the Kuwaiti government (through Kuwait Petroleum Corporation [KPC]), while United Kingdom's Alfa Energy owns 23.7% stake in the company.

Shareholder Structure

Major Shareholders	Type	Country	Holding
Kuwait Petroleum Corporation	Government	Kuwait	24.0%
Alfa Energy	Corporate	United Kingdom	23.7%
United National Holding	Corporate	Kuwait	8.1%
Public			44.1%

Sources: Zawya and NBK Capital

Latest News:

- **May 2013:** Oula has approved to increase the company's capital to reach KD 36.3 million as per the recommendation of AGM held on April 2013.

Financial Statement Analysis

Income Statement

- Oula reported 1H2013 revenues of KD 49.6 million, representing a 11% YoY increase. **1H2013 gross profit margin was 13%, similar to the levels registered in 1H2012.** Oula's gross margins have remained broadly stable over the past years as the government sets the retail price of petrol. The company obtains petrol from the state, which allows the company to market that petrol at a specified gross profit margin. The gross profit for 1H2013 increased by 11% YoY to reach KD 6.3 million.
- **Given the set retail price of petrol, Oula has no control over gross margins. Therefore, the company's operating profitability depends almost entirely on management's ability to streamline operating costs.** EBITDA increased by 32% YoY to reach KD 2.5 million in 1H2013. **General**

and administrative expenses increased by 6% YoY to reach KD 1.8 million during 1H2013 while operating costs stood at KD 4.6 million, witnessing a 12% YoY increase. The operating profit increased by 6% YoY to KD 1.8 million in 1H2013 compared to KD 1.6 million in 1H2012.

- **Due to a strong growth in the top line, net profit increased by 62% YoY in 1H2013 to stand at KD 3.0 million.** The net profit growth was further supported by higher dividend income (1H2013: KD 265 thousand versus KD 7 thousand in 1H2012) , gains from sales of AFS investments (1H2013: KD 891 thousand vs. 1H2012: nil), and the 21% YoY growth in other income.

Balance Sheet

- **Unlike many listed Kuwaiti companies, Oula does not have a significant investment book. However, the company does invest part of its excess capital in financial investments.** Oula's AFS investments reached KD 16 million at the end of June 2013, an increase of 64% since March 2013. Although the investments-to-shareholders' equity ratio has been on a declining trend since 2008, it increased in 2Q2013 to 32% from 20% at the end of March 2013.
- **Oula remains debt-free due to the limited scope of expansion beyond the company's existing footprint in Kuwait.** Cash and cash equivalents declined 22% QoQ at the end of June 2013.
- **Leasehold rights—the rights to use land for fuel stations stood at KD 18.6 million as of July 30, 2013 witnessing a marginal decline of 1% from March 2013.** These rights are amortized over a useful economic life of 26 years. The leasehold rights represented 30% of the total assets.

Financial Statements

Income Statement (KD thousands)	2011	2012	1H2012	1H2013
Revenue	87,524	90,951	44,786	49,560
Cost of Sales	(76,360)	(79,310)	(39,053)	(43,216)
Gross Profit	11,164	11,642	5,733	6,344
Operating Costs	(6,084)	(6,030)	(3,115)	(3,557)
General & Admin. Expenses	(1,873)	(2,056)	(970)	(1,032)
Operating Profit	3,207	3,555	1,648	1,755
Depreciation & Amortization	1,487	1,416	238	733
EBITDA	4,694	4,971	1,886	2,488
Impairment of AFS	(201)	-	-	-
Impairment on trade and other receivables	-	(500)	-	(500)
Impairment on an associate	-	(464)	-	-
Gain/Loss on Sale of AFS	(26)	105	-	892
Group share of results from assoc.	11	-	(356)	-
Cash Dividend	9	53	7	265
Interest income	273	188	99	79
Other Income	1,019	1,135	566	685
EBT	4,292	4,073	1,964	3,176
KFAS	(39)	(37)	(19)	(29)
NLST	(103)	(102)	(49)	(73)
Zakat	(46)	(41)	(22)	(31)
Board of Directors' Remuneration	(45)	(45)	-	-
Net Profit	4,059	3,848	1,873	3,043

Balance Sheet (KD thousands)	2010	2011	2012	Jun-13
PP&E and Intangibles	7,196	9,411	8,200	8,334
Leasehold rights	20,472	19,619	18,766	18,340
Available-for-sale investments	5,386	5,259	9,268	15,935
Investment in associates	451	462	-	-
Total Non-Current Assets	33,506	34,752	36,235	42,608
Inventory	336	306	243	227
Trade and other receivables	2,181	2,869	4,939	3,662
Time deposits	9,250	6,500	9,824	6,873
Cash and cash equivalents	1,705	10,967	5,401	6,217
Total Current Assets	13,472	20,642	20,408	16,979
Non-current assets held for sale	-	-	1,988	1,988
Total Assets	46,978	55,394	58,631	61,575
Share Capital	29,973	32,970	34,618	36,349
Treasury Shares	(1,507)	(1,283)	(1,444)	(1,459)
Treasury Shares reserve	-	36	86	86
Statutory reserve	1,926	2,355	2,763	2,763
Voluntary reserve	1,926	2,355	2,763	2,763
Fair value reserve	195	337	382	1,315
Retained Earnings	5,470	5,674	7,057	8,369
Total Equity	37,982	42,444	46,225	50,187
Provision for staff indemnity	164	185	205	254
Total Non-Current Liabilities	164	185	205	254
Trade payables	2,167	3,121	3,204	2,900
Trade and other payables	-	-	-	2
Ijara Payable	-	-	789	-
Due to related parties	6,664	9,643	8,207	8,234
Total Current Liabilities	8,831	12,765	12,200	11,134
Total Liabilities	8,996	12,949	12,405	11,388
Total Liabilities and Equity	46,978	55,394	58,631	61,575

Sources: Company's financial statements and NBK Capital

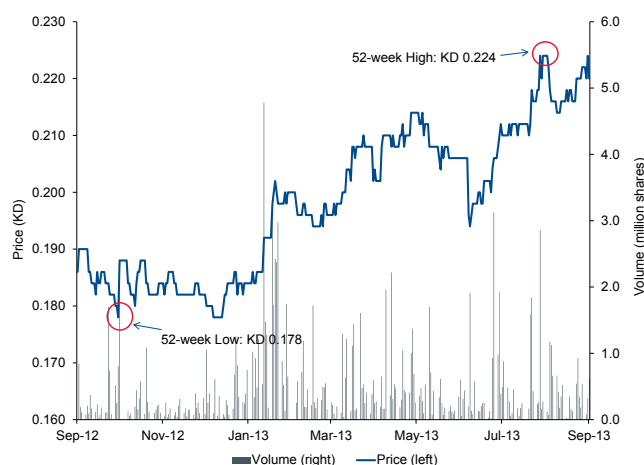
QURAIN PETROCHEMICAL INDUSTRIES COMPANY (QPIC)

Key Data

General		Daily Liquidity	
KSE Code	ALQURAIN.KSA	52-week avg. volume	515,005
Reuters	ALQK.KW	52-week avg. value (KD)	70,180
Price (KD)		Price Performance	
Closing Price	0.220 YTD		23.6%
52-week High/Low	0.224 / 0.178	12-month	18.3%
Market Capitalization		Outstanding Shares	
KD (million)	234.36 Millions		1,065.29
Ownership Structure			
Closely-held: 57.73%		Public: 42.27%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Highlights

- QPIC was established by the Petrochemical Industries Company (PIC) and incorporated in November 2004. It is essentially an investment company with core business activity comprising direct and indirect investments in companies producing petrochemical products and related by-products, including Benzene, Para-Xylene, Light Naphtha, Styrene, etc.
- During 1Q2013-2014, gross profit increased by 24% YoY to KD 81 thousand as a result of a 34% YoY increase in sales to KD 925 thousand within the same period.
- Dividend income more than tripled YoY in 1Q2013-2014 to KD 572 thousand when compared to KD 184 thousand in 1Q2012-2013.
- QPIC net profit plunged to KD 4,151 thousand in 1Q2013-2014, compared to KD 125 thousand during the same period last year.
- The company's total liabilities doubled QoQ at the end of June 2013, and amounted to KD 17,450 thousand. This was primarily due to an increase in accounts payable and others that more than doubled to KD 17,022 at the end of June 2013 compared to KD 7,074 thousand at the end of March 2013.

Key Ratios

	2009	2010	FY2011-2012*	FY2012-2013**	1Q 2013-2014
Current Ratio (x)	6.5	6.4	14.2	6.5	2.5
RoAA	4.3%	n/m	14.1%	0.0%	5.9%
RoAE	4%	n/m	14%	0%	6%
Investments in Associates (% of total assets)	24%	21%	17%	16%	18%
Financial assets AFS (% of total assets)	68%	74%	66%	67%	68%
Financial assets AFS (% of total equity)	73%	75%	66%	69%	72%

*Refers to 15-month period from Jan-2011 to Mar-2012. **Based on restated financial statements. Sources: Company's financial statements and NBK Capital

Overview

QPIC was established by the Petrochemical Industries Company (PIC) and incorporated in November 2004. It is essentially an investment company with core business activity comprising direct and indirect investments in companies producing petrochemical products and related by-products, including Benzene, Para-Xylene, Light Naphtha, Styrene, etc. QPIC is part of the KIPCO Group and its direct investments are as follows:

Figure 1 Qurain's Direct Investments

Name	Country	Holding
United Precision Drilling Company (UPDC)	Kuwait	47.50%
Algerian Methanol Company (Almet)	Algeria	42.50%
Al-Khorayef United Holding Company (Al-Khorayef)	Kuwait	25.00%
Kuwait Aromatics Company (KARO)	Kuwait	20.00%
United Carbon Projects Company (UCP)	Kuwait	36.00%

Sources: Company financial statements and Zawya

Latest News

- **June 2012:** Kuwait bourse announced to add QPIC to the option market.

Financial Statement Analysis

Income Statement

- During 1Q2013-2014, gross profit increased by 24% YoY to KD 81 thousand as a result of a 34% YoY increase in sales to KD 925 thousand within the same period.
- Dividend income more than tripled YoY in 1Q2013-2014 to KD 572 thousand when compared to KD 184 thousand in 1Q2012-2013. Moreover, interest and other income tripled and totaled to KD 171 thousand for the same period.
- Operating income witnessed a rapid increase by approximately 9x in 1Q2013-2014 to KD 5,037 thousand versus KD 560 thousand for the same period last year. This came on the back of a rapid increase in share of results of associated, which represents 71% of operation revenue, and totaled to KD 3,588 thousand compared to KD 208 thousand for the same period last year. In addition to the increase in dividend income, interest and other income.
- Accordingly, the company's EBT witnessed a huge increase to KD 4,545 thousand in 1Q2013-2014 compared to KD 199 thousand for the same period last year.
- QPIC's net profit plunged to KD 4,151 thousand in 1Q2013-2014, compared to KD 125 thousand during the same period last year. Therefore, earning per share stood at 3.89 fils in the same period versus 0.11 fils in 1Q2012-2013.

Balance Sheet

- The company's cash balance increased by 34% QoQ at the end of June 2013, to reach KD 4,511 thousand, from KD 3,358 thousand at the end of March 2013, while time deposits with banks decreased by 13% QoQ to KD 35,640 thousand in June 2013.
- The company's total liabilities doubled QoQ at the end of June 2013, and amounted to KD 17,450 thousand. This was primarily due to an increase in accounts payable and others that more than doubled to KD 17,022 at the end of June 2013 compared to KD 7,074 thousand at the end of March 2013. The increase in accounts payable and others was due to 1) 88% QoQ increase in sundry creditors that totaled to KD 910 thousand at the end of the period, and 2) dividend payable which tripled QoQ at the end of June 2013 to stand at KD 14,897 thousand.

Financial Statements

Income Statement (KD thousands)	FY 2011-2012*	FY 2012-2013	1Q 2012-2013**	1Q 2013-2014
Sales	-	-	690	925
Cost of Sales	-	-	(624)	(844)
Gross Profit	-	-	65	81
Dividend income	31,067	18,099	184	572
Interest and other income	663	695	263	717
Realised (loss) gain on fin. assets AFS	3,697	1,791	(160)	79
Share of results of associates	1,650	5,352	208	3,588
Income	37,077	25,937	560	5,037
Impairment of financial assets AFS	(1,249)	(50)	-	-
Impairment loss on investment in as asso	-	(1,010)	-	-
Staff Costs	(448)	(921)	-	-
General/Admin Expenses	(996)	(967)	(360)	(496)
Foreign exchange gain (loss)	(141)	-	(1)	4
Net Profit before taxes	34,244	22,990	199	4,545
KFAS	(292)	(154)	(1)	(6)
NLST	(852)	(125)	(2)	(99)
Zakat	(14)	-	(0)	(6)
Board of Directors' remuneration	(70)	(100)	-	(25)
Minority Interest	2	4	70	256
Net Profit	33,014	22,608	125	4,151

Balance Sheet (KD thousand)	2010	FY 2011-2012*	FY 2012-2013**	Jun-2013
Cash and cash equivalents	3,967	2,384	3,358	4,511
Time Deposits with banks	6,000	41,814	40,950	35,640
Accrued income and others	737	753	1,444	1,611
Inventories	-	-	486	536
Total Current Assets	10,704	44,952	46,238	42,298
Due from related parties	-	-	805	805
Financial assets available for sale	142,698	167,859	201,737	203,704
Investment in associates	39,799	43,242	49,323	53,478
Furniture and equipment	24	33	927	918
Total Assets	193,225	256,086	299,029	301,203
Accounts payable and others	1,674	3,166	7,074	17,022
Employees' end of service benefits	72	113	375	428
Total Liabilities	1,746	3,278	7,449	17,450
Total Shareholders' Equity	191,479	252,808	291,581	283,753
Total Liabilities and Equity	193,225	256,086	299,029	301,203

*Refers to 15-month period from Jan-2011 to Mar-2012. **Restated. Sources: Company's financial statements and NBK Capital

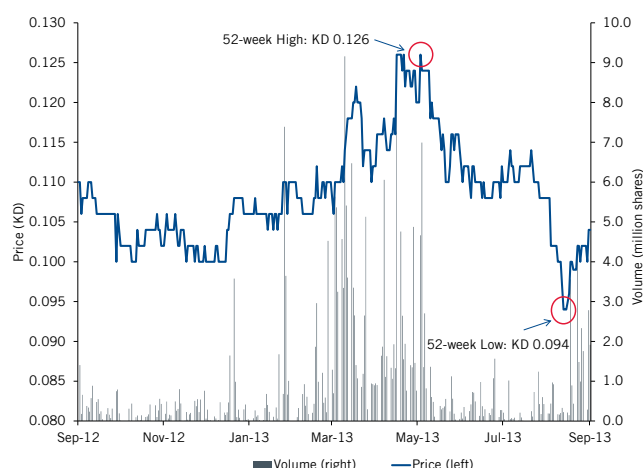
SULTAN CENTER (SULTAN)

Key Data

General		Daily Liquidity	
KSE Code	SULTAN.KSE	52-week avg. volume	1,004,994
Reuters	SCFK.KW	52-week avg. value (KD)	76,310
Price (KD)		Price Performance	
Closing Price	0.104	YTD	2.0%
52-week High/Low	0.126 / 0.094	12-month	-5.5%
Market Capitalization		Outstanding Shares	
KD (million)	58.71 Millions		564.56
Ownership Structure			
Closely-held: 40.93%		Public: 59.07%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Key Ratios

	2009	2010	2011	2012	1H2013
Sales to Working Capital (x)	-7.3	-5.3	-4.0	-4.3	-4.4
Gross Profit Margin	21%	20%	21%	22%	21%
EBITDA Margin	4%	0%	1%	3%	3%
Operating Income Margin	2%	-3%	-3%	0%	0%
Net Profit Margin	1.2%	-11.9%	-15.3%	0.1%	0.3%
Investment Book -to-Assets	44%	43%	43%	45%	43%
Net debt-to-total equity (x)	1.2	1.6	3.5	3.2	3.5

Sources: Company's financial statements and NBK Capital

Highlights

- Sultan is a leading grocery retailer in Kuwait with operations in Lebanon, Jordan and Oman. In addition, the company operates across other lines of businesses including fashion retail, restaurants and trading.
- Operating revenue increased by 2% YoY to stand at KD 124.0 million in 1H2013. The growth was driven by contract revenue that doubled to KD 5.0 million and the 9% YoY increase in service contract revenue that amounted to KD 4.0 million.
- In FY2012, the company achieved positive operating revenue growth considering the decline since FY2009. Moreover, Sultan continues to achieve growth in 1H2013; therefore, this could be an indication of a bottoming out process for the company.
- Sultan was able to record a small operating profit after three years of operating losses. The company reported operating profit of KD 0.1 million versus losses of KD 0.5 million in 1H2012.
- Net profit decreased by 62% YoY to KD 0.4 million in 1H2013 due to assets write-off by KD 1.3 million (fixed assets write-off: KD 0.8 million, other assets write-off: KD 0.5 million). Excluding assets write-off (started to accrue since 1Q2013); Sultan's adjusted net profit for the period was KD 1.7 million.

Overview

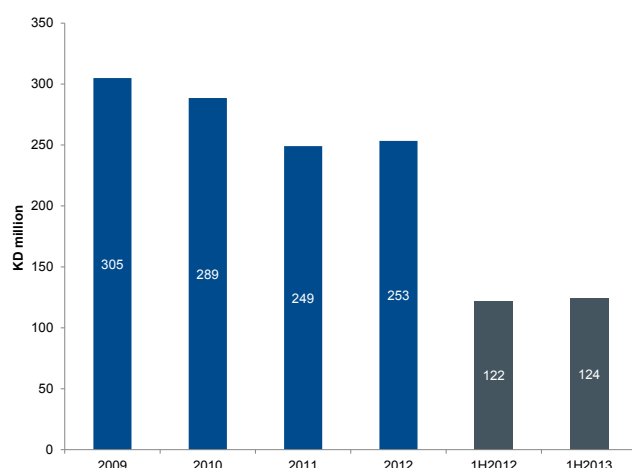
Sultan is Kuwait's largest independent grocery retailer, with operations that also include fashion retail, restaurants, trading and contracting. Sultan operates 14 major retail outlets in Kuwait and also has operations in Oman, Jordan, Bahrain and Lebanon. In addition, Sultan has a 30% stake in National Real Estate Company (NREC). This is classified as investments in associate, contributing heavily to Sultan's bottom line.

Financial Statement Analysis

Income Statement

- **Operating revenue saw marginal growth in 1H2013.** Operating revenue increased by 2% YoY to stand at KD 124.0 million in 1H2013. The company's operating revenue is mainly driven by three main segments: sales (which include retail and wholesale sales), construction contract revenue and service contract revenue.
- **The growth in operating revenue was driven by contract revenue that doubled to KD 5.0 million and the 9% YoY increase in service contract revenue** that amounted to be KD 4.0 million.
- In FY2012, the company achieved positive operating revenue growth considering the decline since FY2009. Moreover, Sultan continues to achieve growth in 1H2013; therefore, this could be an indication of a bottoming out process for the company.

Operating Revenue



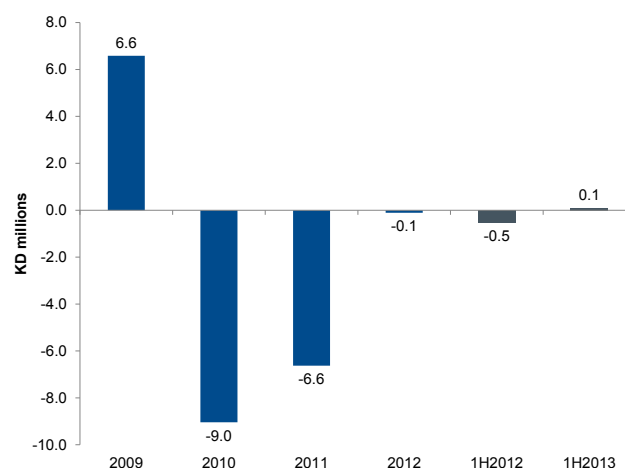
Sources: Company Financials and NBK Capital

- **EBITDA increased in 1H2013 by 14% YoY to KD 4.1 million versus KD 2.2 million in 1H2012.** The increase came on the back of a 4% YoY decrease in S&GA expenses

that amounted to KD 22.0 million, and 77% YoY decrease in other operating expenses which amounted to be KD 21.5 thousand in 1H2013.

- **Sultan was able to record a small operating profit after three years of losses.** The company reported operating profit of KD 0.1 million versus losses of KD 0.5 million in 1H2012.

EBIT Performance



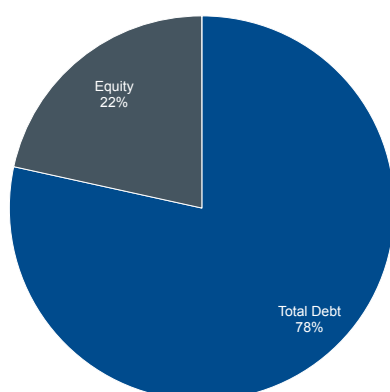
Sources: Company Financials and NBK Capital

- **Although Sultan achieved a strong top line, net profit decreased by 62% YoY to KD 0.4 million in 1H2013 due to assets write-off by KD 1.3 million (fixed assets write-off: KD 0.8 million, other assets write-off: KD 0.5 million). Excluding assets write-off, Sultan's adjusted net profit to the period was KD 1.7 million.**
- **Net profit margin decreased in 1H2013 to 0.3% from 0.9% in 1H2012 due to a sharp drop in net profit.**

Balance Sheet

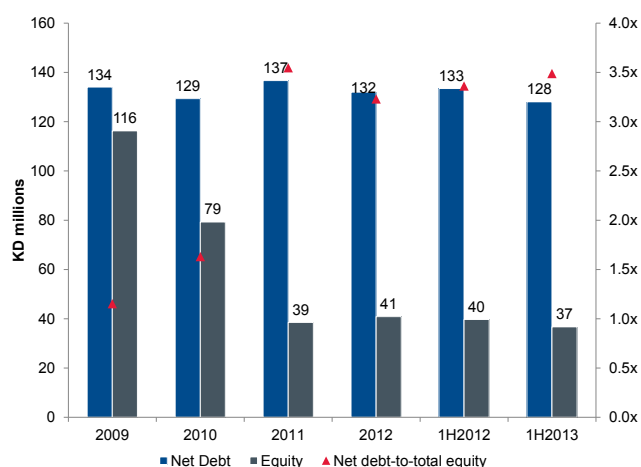
- **Sultan has a negative working capital** (i.e more current liabilities than current assets), a common feature for retailers. Currently, sales-to-working capital stands at negative 4.4x in 2Q2013 when compared to negative 4.2x in 1Q2013.
- **Net debt-to-total equity has slightly increased at the end of June 2013.** Sultan Center's net debt remained flat QoQ to stand at KD 128.1 million in 2Q2013 against KD 128.5 million in 1Q2013. On the other hand, the company's total equity decreased by 7% QoQ to stand at KD 36.7 million. Therefore, net debt-to-total equity stood at 3.5x representing a slight increase when compared to 3.2x in 1Q2013. We would like to highlight that total debt represents 78% of the capital structure.

June 2013 Capital Structure



Sources: Company financials and NBK Capital

Net debt-to-total equity



Sources: Company Financials and NBK Capital

- **Investment in associates represents 36% of total assets.**
The company's investment in associates stands at KD 98.3 million as of June 2013. These investments represent a minority shareholding in six companies, with the 31% stake in NREC being the most notable. The investment in NREC alone accounts to 28% of Sultan Center's total assets.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Total Revenue	249.1	253.3	121.9	124.1
Cost of Revenue	(202.4)	(205.6)	(99.4)	(101.4)
Other Operating Income	6.3	7.8	4.2	3.5
Gross Profit	53.0	55.6	26.7	26.1
Selling/General/Admin. Expenses	(48.4)	(46.7)	(23.0)	(22.0)
Other Operating Expenses	(2.8)	(0.3)	(0.1)	(0.0)
EBITDA	1.8	8.6	3.6	4.1
Depreciation/Amortization	(8.4)	(8.7)	(4.2)	(4.1)
EBIT	(6.6)	(0.1)	(0.5)	0.1
Non-Operating Expenses	(31.4)	0.3	1.6	0.3
Net Profit Before Taxes	(38.0)	0.2	1.1	0.4
Taxes	-	-	-	-
Net Profit Before MI	(38.0)	0.2	1.1	0.4
Minority Interest	(0.0)	(0.0)	(0.0)	-
Net Profit	(38.0)	0.2	1.1	0.4

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Cash on Hand	8.1	8.2	5.8	5.6
Account Receivable and other debit balances	15.8	14.9	13.1	11.6
Due from related parties	5.0	1.7	0.6	0.9
Gross Amount due from customers	2.8	2.4	2.2	4.6
Inventories	16.8	18.5	22.0	24.3
Current Assets	48.5	45.6	43.6	47.0
Investments	124.8	107.2	111.2	104.3
Fixed assets	105.4	101.6	93.8	92.1
Other assets	36.1	35.0	32.4	31.9
Long Term Assets	266.2	243.7	237.4	228.3
Total Assets	314.8	289.3	281.1	275.3
Borrowings	113.1	125.5	121.3	117.8
Accounts payable	90.0	97.7	95.8	98.7
Other	1.4	2.3	0.9	0.4
Current Liabilities	204.5	225.5	218.0	216.9
Borrowings	24.3	19.4	16.4	15.9
Provision for end of service indemnity	6.7	5.9	5.8	5.8
Long Term Liabilities	31.0	25.3	22.2	21.7
Total Liabilities	235.4	250.8	240.2	238.6
Equity	79.3	38.5	40.8	36.7
Total Liabilities and Equity	314.8	289.3	281.1	275.3

Sources: Company's financial statements and NBK Capital

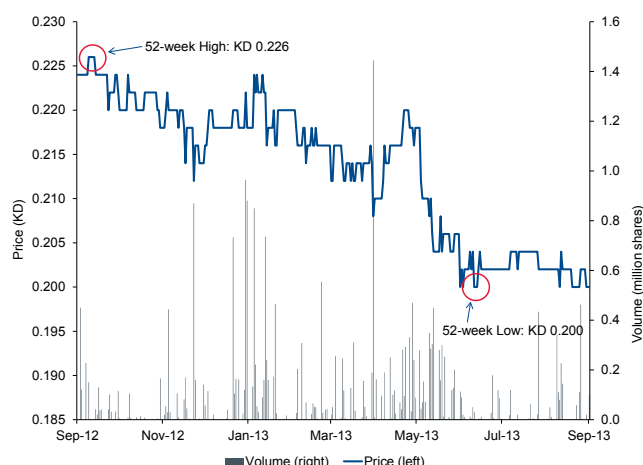
TAMDEEN REAL ESTATE (TAMDEEN GROUP)

Key Data

General		Daily Liquidity	
KSE Code	TAM.KSE	52-week avg. volume	124,137
Reuters	TAMK.KW	52-week avg. value (KD)	14,515
Price (KD)		Price Performance	
Closing Price	0.200	YTD	-8.3%
52-week High/Low	0.226 / 0.200	12-month	-10.7%
Market Capitalization		Outstanding Shares	
KD (million)	74.08 Millions		370.38
Ownership Structure			
Closely-held: 73.74%		Public: 26.26%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Operating Income (% of Total Income)	56%	52%	46%	45%	33%
Total Recurring Income (% of Total Income)	64%	54%	51%	49%	37%
Investment Income (% of Total Income)	13%	17%	16%	27%	43%
EBITDA (KD million)	5.17	4.78	1.59	1.25	1.17
EBITDA Interest Cover (x)	0.6	0.5	0.2	0.2	0.53
Adjusted EBITDA Interest Cover (x)*	0.9	0.7	0.8	0.2	2.9
Net debt-to-total equity	2.4	1.2	1.0	1.0	0.9
Investment Book (% of Total Assets)	19%	35%	36%	35%	38%
Investment Book (% of Total Equity)	100%	101%	98%	94%	98%

*Defined as EBITDA + dividend income/interest expense. Sources: Company financial statements and NBK Capital

Highlights

- Tamdeen group specializes in developing, trading, and managing commercial and industrial real estate, including retail centers, office properties, and hotels in local and international markets.
- The company operates through the following subsidiaries: Tamdeen Housing Company, Tamdeen Investment Company, Manshar Real Estate Company, and Al Adiyat International Real Estate Company.
- During 1H2013, operating revenue dropped by 8% YoY to stand at KD 4.3 million. However, the 42% YoY drop in total operating expenses (1H2013: KD 1.4 million) was offsetting enough to increase net operating revenue by 28% YoY in 1H2013 to KD 2.9 million.
- Tamdeen Group net investment income dropped by 3% YoY to reach KD 5.6 million, compared to KD 5.8 million in 1H2012.
- Tamdeen Group fully consolidates Tamdeen Investment Company, as the parent company holds a 51.37% stake in this subsidiary. Thus, the total debt of KD 104.2 million is not entirely attributable to the parent company. Tamdeen Investment Company, which had KD 30.7 million of debt outstanding as of June 2013, accounted for 29% of Tamdeen Group's total debt.

Overview

Tamdeen group is one of Kuwait's leading real estate companies. The company is engaged in real estate investment and development activities inside and outside Kuwait. Tamdeen Group specializes in developing, trading, and managing commercial and industrial real estate properties, including retail centers, office properties, and hotels. The company sold its flagship property, Al-Fanar Mall in 2008 and completed the 360° Mall in June 2009. Tamdeen Group operates through the following subsidiaries: Tamdeen Housing Company, Tamdeen Investment Company, Manshar Real Estate Company, and Al Adiyat International Real Estate Company.

Subsidiaries

Subsidiaries		
Name	Country	Holding
Tamdeen Investment Company	Kuwait	51.37%
Manshar Real Estate Company	Kuwait	75.68%
Tamdeen Housing Company	Kuwait	45.41%
Al Adiyat International Real Estate	Kuwait	97.75%

Source: Company financials and NBK Capital

Latest News

- May 2013:** Tamdeen group announced that the company has signed a contract worth KD 70 million with Ahmadiyya General Trading and Contracting, for reconstruction and development of the second phase of Fahaheel city, which will be called "Kout". The company has also agreed with Boubyan Bank for the financing of 80% of the project and Tamdeen will finance the remaining 20%.

Major Projects

Major projects completed

360° Mall

The 360° Mall is a shopping destination situated at the intersection of King Faisal Highway and 6th Ring Road. The mall, strategically located in a busy and rapidly growing residential area, has a unique circular design. Completed in June 2009, the mall has a shopping area of more than 82,000 sq. m. and is the second largest mall in Kuwait, after the Avenues.

Madinat Al Fahaheel

Madinat Al Fahaheel is a mixed-use development spread over 300,000 sq. m. in Fahaheel. The project has two main components: Al Kout and Al Manshar Towers and Complex.

Al Kout

The Al Kout shopping center offers a mix of international, regional, and local brands complemented by a food court and a yacht club. The shopping center is acclaimed for its design and has won several accolades.

Al Manshar Towers and Complex

Just a short walk from Al Kout, Al Manshar Towers and Complex is a mixed-use commercial and residential real estate project, featuring a shopping mall, a food court, four residential towers, an office tower, and the five-star Al Manshar Rotana Hotel. This five-star hotel with 200 rooms on 18 floors is located to the west of the Al Manshar Towers and Complex. The hotel was completed in April 2007.

Major upcoming projects

Bait Al Arab- Home of Arab

The Bait Al Arab project is an Arabian horse center where the governmental authorities handed over the responsibility for the state- owned studs to a private management. A dynamic part of the project vision is to educate and assist visitors. Facilities for equine health care, a library, a museum, research rooms and a children's academy will be available too.

The 8

The 8 is located in Sabah Al Salem adjacent to the sea. It has a 15,300 sq. m. of gross leasable area including 70 apartments that are furnished and serviced with a sea view, in-line retail shopping, dining and cafes, and a variety of drive thru services from financial institutions and fast food restaurants.

Madinat Al Hareer – Silk City

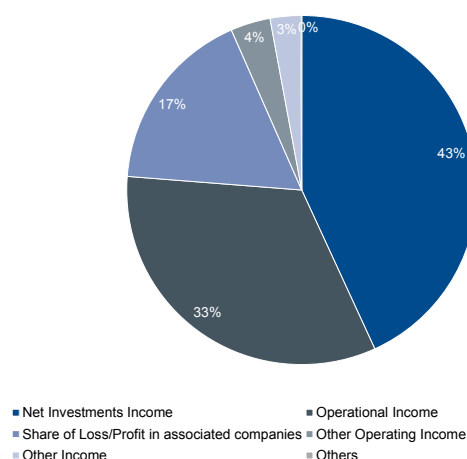
Silk City is located in the Subiya area, situated in Northern Kuwait, which covers approximately 250 square kilometers. The project design was a voluntary initiative by Tamdeen Real Estate Co. in collaboration with Ajiyal Real Estate and Entertainment Co. It aims to provide a complete and integrated commercial and residential environment. The project presents a whole new city with dissimilar quarters, each having its own city center. The Finance City, Leisure City, Ecological City and Residential City will maintain the highest standards in residential, commercial, retail and leisure facilities to match global standards. Kuwait Municipality Council and The Council of Ministers approved the project.

Financial Statement Analysis

Income Statement

- During 1H2013, operating revenue dropped by 8% YoY to stand at KD 4.3 million. However, the 42% YoY drop in total operating expenses (1H2013: KD 1.4 million) was offsetting enough to increase net operating revenue by 28% YoY in 1H2013 to KD 2.9 million.
- The company's total recurring income (which includes operating income, fees from managing real estate and investment portfolios, and other operating income) dropped by 5% YoY to stand at KD 4.8 million, as against KD 5.1 million in 1H2013. This decline was mainly due to a reduction in operating revenue by 8% YoY.
- The company reported a strong increase in EBITDA to stand at KD 1.2 million in 1H2013, compared to KD 39 thousand in 1H2013. This increase can be attributed to the increase in net operating income, along with the growth in other operating income for the period, as well as to the reduction in operating costs.
- Tamdeen Group net investment income dropped by 3% YoY to reach KD 5.6 million, compared to KD 5.8 million in 1H2012. This represents 43% of the company's total income of KD 13.1 million. Moreover, we would like to highlight that 93% of the group's net investment income was due to dividend income that amounted to be KD 5.2 million in the period (36% YoY increase).

Total Income Breakdown



Sources: Company's financial statements and NBK Capital

- Below the operating line, Tamdeen reported a 22% YoY decline in finance costs for the period to stand at KD 2.2 million, compared to KD 2.8 million in 1H2012.
- Net profit for 1H2013 amounted to KD 6.2 million, representing a decline of 1% YoY.

Balance Sheet

- Tamdeen Group's net debt-to-equity ratio remained relatively stable at 0.9x at the end of June 2013. For the period, the company's equity and net debt stood at KD 108.8 million and KD 99.1 million, respectively.
- Tamdeen Group fully consolidates Tamdeen Investment Company, as the parent company holds a 51.37% stake in this subsidiary. Thus, the total debt of KD 104.2 million is not entirely attributable to the parent company. Tamdeen Investment Company, which had KD 30.7 million of debt outstanding as of June 2013, accounted for 29% of Tamdeen Group's total debt.
- The company's investment book (both AFS and held for trading) stood at KD 107 million at the end of June 2013, accounting for 98% of shareholders' equity and 38% of total assets.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Operational Income	9.3	9.4	4.7	4.3
Operational Expenses	3.5	4.0	2.5	1.4
Net Operating Income	5.8	5.4	2.3	2.9
Other Operating Income	1.0	0.7	0.3	0.5
Fees from Management of RE & Inv. Portfolios	0.0	0.0	0.0	0.0
Staff Costs	(2.2)	(2.3)	(1.1)	(1.0)
General and Administrative Expenses	(3.3)	(2.9)	(1.6)	(1.3)
EBITDA	1.6	1.2	0.0	1.2
Depreciation	(0.3)	(0.3)	(0.2)	(0.1)
EBIT	1.3	0.9	(0.1)	1.1
Net Investments Income	3.2	5.5	5.8	5.6
Finance Costs	6.5	5.4	2.8	2.2
Net Profit	5.5	6.1	6.2	6.2
Minority interest	1.6	2.1	2.7	2.4
Shareholders of the Parent Company	3.8	4.1	3.6	3.8

Balance Sheet (KD millions)	2010	2011	2012	Jun-2013
Assets				
Non-current assets				
Available-for-sale investments	104.8	97.4	88.7	106.1
Investments in associated companies	75.1	71.1	77.6	83.5
Investment properties	48.7	49.8	20.9	20.9
Projects in progress	4.0	4.4	35.4	34.8
Machines and equipment	0.7	2.0	1.7	2.1
Total non-current assets	233.2	224.6	224.3	247.4
Current Assets				
Cash and bank balances	4.8	2.7	2.0	3.3
Short-term deposits	7.6	5.3	1.8	1.7
Inv. at fair value through statement of income	0.8	0.8	0.7	0.8
Accounts receivable and other debit balances	17.1	21.3	13.5	13.3
Inv. in lands and real estate held for trading	41.0	16.0	11.3	11.3
Total current assets	71.3	46.1	29.3	30.5
Total assets	304.5	270.7	253.6	277.9
Liabilities and Shareholders' Equity				
Total equity - Parent company	104.6	99.6	95.3	108.8
Minority interest	50.1	47.0	42.9	53.7
Total equity	154.7	146.6	138.2	162.4
Liabilities				
Non-current liabilities				
Term loans	67.0	60.5	60.5	67.5
Refundable rental deposits	1.2	1.1	1.1	1.2
Provision for end of service indemnity	0.5	0.6	0.6	0.7
Total non-current liabilities	68.7	62.2	62.3	69.4
Current liabilities				
Bank facilities	15.2	1.8	8.6	4.2
Accounts payable and other credit balances	11.0	10.1	12.0	9.4
Current portion of term loans	55.0	50.0	32.5	32.5
Total current liabilities	81.2	61.9	53.1	46.1
Total liabilities	149.8	124.1	115.4	115.5
Total Equity and Liabilities	304.5	270.7	253.6	277.9

Sources: Company's financial statements and NBK Capital

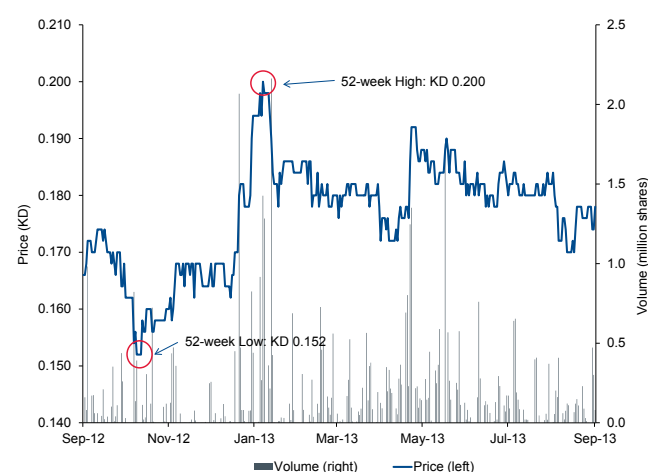
TAMDEEN INVESTMENT COMPANY (TAMDEEN)

Key Data

General		Daily Liquidity	
KSE Code	TAML.KSE	52-week avg. volume	213,229
Reuters	TAML.KW	52-week avg. value (KD)	25,352
Price (KD)		Price Performance	
Closing Price	0.178	YTD	6.0%
52-week High/Low	0.200 / 0.152	12-month	7.2%
Market Capitalization		Outstanding Shares	
KD (million)	52.98 Millions		297.63
Ownership Structure			
Closely-held: 66.37%		Public: 33.63%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Highlights

- In 1997, Tamdeen (formerly known as Gulf Investment Projects Company) was established and registered as an investment company with the Central Bank of Kuwait. The company was listed on the KSE in May 2006. Tamdeen Real Estate Company is Tamdeen's majority shareholder, with 51.37% ownership. Fatah Al Khair Holding Group, a Kuwaiti family-owned business, holds a 15% stake in Tamdeen. Fatah Al Khair also owns a 25% stake in Tamdeen Real Estate Company.
- Gains from AFS investments decrease by 9% YoY in 1H2013, to stand at KD 5.4 million.
- Net profit declined by 3% YoY in 1H2013 to stand at KD 5.0 million. The decline in total income (12% YoY) in 1H2013 was mostly offset by lower expenses (-35% YoY), and translated to a modest decline in net profit in 1H2013.
- AFS investments accounted for 71% of the company's total assets as of June 30, 2013.
- On the liabilities side, Tamdeen has primarily short-term debt, equivalent to 22% of the company's total assets at the end of 2Q2013.
- Total shareholders' equity increased from KD 96.1 million in March 2013 to KD 106.9 million in June 2013, reflecting a 11% QoQ increase.

Key Ratios

	2009	2010	2011	2012	1H2013
Net Profit Margin	19.9%	43.3%	36.1%	52.0%	79.6%
RoAA	1.6%	2.4%	2.1%	3.0%	2.7%
RoAE	3%	4%	3%	4%	4%
Current Ratio (X)	0.1	0.1	0.2	0.1	0.1
Net debt-to-total equity (X)	0.8	0.5	0.4	0.3	0.3
AFS-to-Assets	54%	62%	65%	70%	71%
AFS-to-Equity	100%	98%	97%	96%	93%
Equity-to-Assets	54%	64%	67%	73%	77%

Sources: Company's financial statements and NBK Capital

Overview

In 1997, Tamdeen (formerly known as Gulf Investment Projects Company) was established and registered as an investment company with the Central Bank of Kuwait. The company was listed on the KSE in May 2006. Tamdeen Real Estate Company is Tamdeen's majority shareholder, with 51.37% ownership. Fatah Al Khair Holding Group, a Kuwaiti family-owned business, holds a 15% stake in Tamdeen. Fatah Al Khair also owns a 25% stake in Tamdeen Real Estate Company.

The company's main activities are as follows:

- Managing financial investment transactions related to securities, such as acquiring and selling of shares and bonds of companies and government authorities.
- Providing consulting services to clients on asset utilization, as well as consulting and advisory services on mergers and acquisitions (M&A) and business succession to corporate clients.
- Delivering investment and portfolio management services. The company holds many direct investments. Its primary investments are in Ahli United Bank and Kuwait National Cinema Company.
- Tamdeen's asset base amounted to KD 118.1 million, and shareholders' equity stood around KD 85.8 million as of December 31, 2012.

Latest News

- **December 2012:** Tamdeen announced that Al Madina Al Thaniya General Trading and Contracting Co, a subsidiary of Tamdeen, signed an initial contract to sell a real estate investment for KD 11.62 million.
- **September 2012:** Tamdeen announced that the Kuwait Capital Markets Authority has approved the company's request to buy back up to 10% of its outstanding shares.

Financial Statement Analysis

Income Statement

- Gains from AFS investments decrease by 9% YoY in 1H2013, to stand at KD 5.4 million. It is worth noting that gains from AFS investments represented 86% of 1H2013 total income.
- Total income for 1H2013 stood at KD 6.3 million, representing a YoY decline of 12%. The decline was primarily driven by a 9% YoY reduction in gains from AFS

investments. Other revenues contributed less than 1% in 1H2013 compared with a 7% contribution in 1H2012.

- Total expenses and other charges declined by 35% from KD 2.0 million in 1H2012 to KD 1.3 million in 1H2013. The largest component of the total expenses was finance costs (47% of the total), which declined by 42% YoY to KD 0.6 million.
- Net profit declined by 3% YoY in 1H2013 to stand at KD 5.0 million.
- The decline in total income (12% YoY) in 1H2013 was mostly offset by lower expenses (-35% YoY), and translated to a modest decline in net profit in 1H2013.

Balance Sheet

- AFS investments accounted for 71% of the company's total assets as of June 30, 2013.
- AFS investments stood at KD 98.9 million, an increase of 13% from March 2013.
- On the liabilities side, Tamdeen has primarily short-term debt, equivalent to 22% of the company's total assets at the end of 2Q2013.
- The company's debt accounted for 97% of the total liabilities at the end of 2Q2013. Tamdeen's debt is based on floating interest rates and is secured against AFS investments. The company's debt stood at around KD 30.7 million at June 2013, reflecting 1% QoQ decrease.
- **Total shareholders' equity increased from KD 96.1 million in March 2013 to KD 106.9 million in June 2013, reflecting a 11% QoQ increase.** The fair value reserve increased by 33% QoQ in 2Q2013.
- The share capital represented 29% of the total shareholders' equity at the end of 2Q2013.

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Gains from AFS investments	4.5	6.0	6.0	5.4
Gains from sale of inv in associates	2.7	-	-	-
Gain from sale of lands held for trading	0.2	0.3	(0.1)	-
Share from associates' results	0.5	0.8	0.7	0.8
Provisions no longer required	-	-	-	-
Subscription fees	0.1	0.1	-	-
Loss/gain on FX	-	-	-	-
Portfolio management fees	0.0	-	0.0	0.1
Other revenue	0.7	0.5	0.5	0.01
Loss from a sale of a subsidiary	-	(0.1)	(0.1)	-
Total income	8.6	7.5	7.1	6.3
General and administrative costs	(1.5)	(1.3)	(0.5)	(0.3)
Staff costs	-	-	(0.3)	(0.2)
Finance costs	(2.5)	(2.0)	(1.0)	(0.6)
Loss in fair value	-	-	-	-
Impairment of investment	(1.2)	(0.2)	-	-
Other Expenses	(0.3)	(0.1)	(0.1)	(0.2)
Total expenses & other charges	(5.5)	(3.6)	(2.0)	(1.3)
Net Profit	3.0	3.9	5.1	5.0

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Assets				
Cash and cash equivalents	5.9	6.8	2.2	3.6
Receivables & other debit balances	0.9	2.2	0.8	0.4
Available-for-sale investments	98.6	91.0	82.3	98.9
Properties held for trading	-	-	-	-
Investments in associates	31.4	27.8	32.4	35.3
Land & R/E under development	1.0	0.7	-	-
Real estate held for trading	20.0	11.4	-	-
Properties and equipment	0.3	0.6	0.3	0.3
Total assets	158.1	140.4	118.1	138.6
Liabilities				
Payables and other credit balances	1.5	1.2	2.3	0.9
Loans and bank facilities	56.1	45.2	29.9	30.7
End of service indemnity	0.1	0.1	0.1	0.1
Total liabilities	57.7	46.4	32.3	31.7
Equity				
Share capital	31.2	31.2	31.2	31.2
Share premium	10.0	10.0	10.0	10.0
Changes in fair value reserve	46.9	40.0	30.5	47.4
Group's share in associates' reserves	(0.8)	(1.0)	(1.5)	0.1
Retained earnings	11.7	12.7	14.1	16.7
Other Liabilities	1.4	0.1	1.5	1.5
Total equity	100.4	93.0	85.8	106.9
Total Liabilities and Equity	158.1	139.4	118.1	138.6

Sources: Company's financial statements and NBK Capital

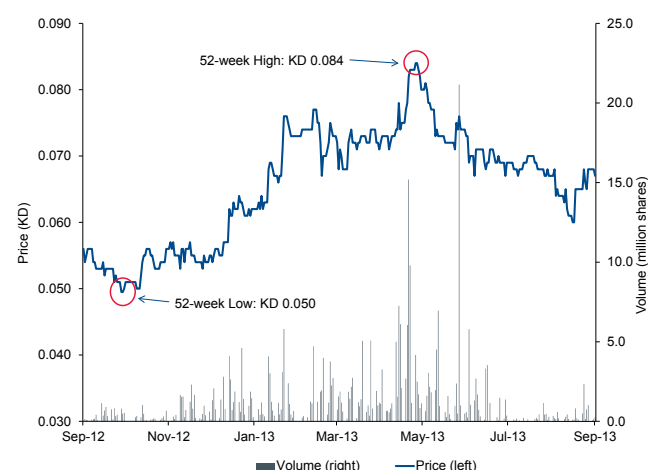
THE ASIYA INVESTMENTS GROUP

Key Data

General		Daily Liquidity	
KSE Code	KCIC.KSE	52-week avg. volume	1,292,879
Reuters	KCIC.KW	52-week avg. value (KD)	61,723
Price (KD)		Price Performance	
Closing Price	0.067	YTD	21.8%
52-week High/Low	0.084 / 0.050	12-month	19.6%
Market Capitalization		Outstanding Shares	
KD (million)	52.02 Millions		776.44
Ownership Structure			
Closely-held: 22.5%		Public: 77.5%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Highlights

- The Asiya Investments Group (formerly Kuwait China Investment Co.) was founded in 2005 by an Amiri decree with a mandate to explore investment opportunities in Asia by building an Asia-focused asset management company. The company's core activities include private equity investments and providing access to long-term capital to Asian investment companies. In partnership with Jade China Value Partners, the company launched the first private equity Fund of Funds with a target size of USD 100 million dedicated to mainland China.
- Total revenue for 1H2013 reached KD 4.5 million, compared to KD 4.3 million recorded in 1H2012, representing a 6% YoY increase.
- Total expenses for 1H2013 increased by 81% to reach KD 3.3 million, compared to KD 1.8 million during 1H2012.
- Overall, the company reported a net profit of KD 1.0 million for 1H2013, compared to KD 2.4 million in 1H2012, representing a decline of 56% YoY.
- Financial assets carried at fair value through the income statement (FVIS) continue to represent the largest portion of total assets, standing at 41% at the end of June 2013, therefore, leaving the company's income statement exposed to significant volatility on account of mark-to-market gains and losses.
- As of June 30, 2013, the company had no debt.

Key Ratios

	2009	2010	2011	2012	1H2013
FVIS-to-Total-Income	81%	30%	n/a	65%	n/m
Growth in Net Profit	n/a	-47%	n/a	n/a	-56%
RoAA	10.2%	5.1%	-10.6%	5.6%	3.8%
RoAE	11%	5%	-11%	6%	4.6%
Equity-to-Assets	96%	91%	87%	88%	98%

Sources: Company's financial statements and NBK Capital

Overview

The Asiya Investments Group (formerly Kuwait China Investment Co.) was founded in 2005 with a capital of KD 80 million by an Amiri decree with a mandate to explore investment opportunities in Asia by building an Asia-focused asset management company. Fifty percent of the paid-up capital was contributed by the founding shareholders, while the remaining equity was publicly placed in Kuwait. The key holders include the Kuwait Investment Authority (KIA), National Investment Company (NIC), and Alghanim Industries.

The company's core activities include private equity investments and providing access to long-term capital to Asian investment companies. In partnership with Jade China Value Partners, the company launched the first private equity Fund of Funds with a target size of USD 100 million dedicated to mainland China. This Fund of Funds invests in top-tier private equity funds and co-investments in mainland China with a focus on investing in fast growing companies. The company's core activities also include investments in public equities with a proprietary portfolio that is actively managed. In addition, the company provides client advisory services aimed at defining and executing its clientele's Asia investment mandates.

Financial Statement Analysis

Income Statement

- **Total revenue for 1H2013 reached KD 4.5 million, compared to KD 4.3 million recorded in 1H2012, representing a 6% YoY increase.** The increase in total revenue came on the back of a gain on derecognition of an associate which stood at KD 3.4 million in 1H2013 (none had occurred in 1H2012). We would like to highlight that this alone accounted for 74% of total 1H2013 revenue.
- **Total expenses for 1H2013 increased by 81% to reach KD 3.3 million, compared to KD 1.8 million during 1H2012, with all cost items up** (finance costs, staff costs, selling, general, and administrative expenses (SG&A), and impairment losses). Staff costs for 1H2013 stood at KD 1.1 million, as against KD 0.9 million in 1H2012. In addition, finance costs for the period increased to KD 0.1 million, compared to KD 0.08 million during 1H2012, whilst SG&A for the year increased by 5% YoY to stand at KD 0.9 million, and finally impairment losses on AFS stood at KD 1.2 million in 1H2013 (none in 1H2012).
- **Overall, the company reported a net profit of KD 1.0 million for 1H2013, compared to KD 2.4 million in 1H2012, representing a decline of 56% YoY.**

Balance Sheet

- **Financial assets carried at fair value through the income statement (FVIS) continue to represent the largest portion of total assets, standing at 41% at the end of June 2013, therefore leaving the company's income statement exposed to significant volatility on account of mark-to-market gains and losses.**
- Total investments (FVIS and AFS) combined represent 90% of the company's equity at 30 June 2013, compared to 84% at the end of March 2013.
- Cash and cash equivalents represented 9% of assets at the end of June 2013, to stand at KD 8.8 million, representing a growth of 64% YoY.
- **As of June 30, 2013, the company had no debt.**

Financial Statements

Income Statement (KD millions)	2011	2012	1H2012	1H2013
Realized/Unrealized gains on FVIS	(10,933)	7,792	2,059	(190)
Interest Income	651	548	300	474
Foreign Exchange Trading	128	13	2	191
Share of Results from Associates	77	1,130	635	(671)
Gain on derecognition of an associate	-	-	-	3,353
Management Fees	136	346	66	144
Other Income	3,148	2,145	1,209	1,218
Income	(6,793)	11,974	4,271	4,518
Selling/General/Admin Expenses	(2,975)	(4,968)	(1,762)	(2,019)
Operating Income	(9,768)	7,006	2,509	2,500
Finance Charges	(86)	(184)	(82)	(103)
Provisions & Impairments	-	(1,336)	-	(1,219)
Net Income before Taxes	(9,854)	5,486	2,428	1,177
Contribution to KFAS	-	(21)	-	(12)
NLST	-	(137)	(63)	(29)
Directors' fees	-	(40)	-	-
Zakat	-	(55)	(25)	(13)
Net Profit before Min. Int.	(9,854)	5,234	2,339	1,123
Minority Interest	575	(35)	23	(92)
Net Profit	(9,279)	5,199	2,362	1,031

Balance Sheet (KD millions)	2010	2011	2012	Jun-13
Cash and Cash Equivalents	18,653	2,203	6,866	8,764
Murabaha receivables	-	-	-	3,006
FVIS	32,252	45,516	43,082	41,821
AFS Investments	29,892	30,586	28,064	36,869
Other Assets	15,448	12,063	17,478	12,013
Total Assets	96,246	90,367	95,491	102,472
Other Liabilities	5,272	8,268	7,823	9,432
Total Liabilities	5,272	8,268	7,823	9,432
Total Equity	90,973	82,099	87,667	93,040
Total Liabilities and Equity	96,246	90,367	95,491	102,472

Sources: Company's financial statements and NBK Capital

UNITED INDUSTRIES COMPANY (UIC)

Key Data

General		Daily Liquidity	
KSE Code	UIC.KSE	52-week avg. volume	205,082
Reuters	UICK.KW	52-week avg. value (KD)	14,839
Price (KD)		Price Performance	
Closing Price	0.140	YTD	42.9%
52-week High/Low	0.162 / 0.090	12-month	53.8%
Market Capitalization		Outstanding Shares	
KD (million)	62.47	Millions	446.22
Ownership Structure			
Closely-held: 66.92%		Public: 33.08%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Key Ratios

	2009	2010	2011	2012*	1H2013
Current Ratio (x)	0.6	0.1	0.2	4.1	2.6
Net debt to assets	0.4	0.4	0.4	0.3	0.2
Net debt-to-total-equity	0.7	0.6	0.7	0.4	0.4
ROAA	n/m	2.6%	0.8%	0.4%	0.8%
ROAE	n/m	4.9%	1.2%	3%	6%
Investment in Associates (% of total assets)	59%	86%	82%	44%	44%

*Based on restated financial statements Sources: Company's financial statement and NBK Capital

Highlights

- UIC was established in 1979, and was listed on Kuwait Stock Exchange (KSE) in 1997. The company is part of the KIPCO Group, and is a holding company that has a diversified portfolio of investments in the energy, real estate, food, financial services and basic materials sectors.
- UIC reported a 112% YoY rise in net profit in 1H2013 to KD 5.3 million, noting that UIC restated its financials in 1Q2013.
- UIC's bank balances and cash increased 60% QoQ by the end of June 2013 to reach KD 10.8 million. At the same time, the company's other assets and prepayments increased 53% QoQ to KD 4.5 million at the end of the same period.

Overview

UIC was established in 1979, and was listed on Kuwait Stock Exchange (KSE) in 1997. The company is part of the KIPCO Group, and is a holding company that has a diversified portfolio of investments in the energy, real estate, food, financial services and basic materials sectors. UIC's investment portfolio includes the following:

Figure 1 UIC's Direct Investments

Name	Country	Holding
United Cement Company	Kuwait	100.00%
North Gulf Cement & Building Materials Company	Kuwait	100.00%
Badael Energy Company	Kuwait	100.00%
Western Projects General Trading Company	Kuwait	100.00%
United Gulf Industries Company	Saudi Arabia	100.00%
United Industrial Gas Company	Kuwait	100.00%
Kuwait National Industrial Projects Company	Kuwait	92.58%
Amaken United Real Estate Company	Kuwait	75.62%
Saudi Dairy and Foodstuff Company (SADAFCO)	Saudi Arabia	30.10%

Sources: Company financial statements and Zawya

Latest News

- **March 2013:** The board of directors of UIC approved the distribution of a cash dividend of KD 5 fils per share for the fiscal year ending December 31, 2012.

Financial Statement Analysis

Income Statement

FY2012

- Net profit rose by 176% YoY in FY2012 to KD 3.3 million. This was driven by a one-off reversal of provisions for impairment of KD 0.54 million which was due from a related party, and a significantly lower impairment on financial assets available for sale.
- In addition, there was a rise in income from associates, with the figure reaching KD 8 million in FY2012, thus marking an 8% increase.
- **Administrative expenses declined 34%** from KD 1.5 million in FY2011 to KD 0.99 million in 9M2012. The company also impaired KD 0.3 million worth of financial assets available for sale.

1H2013

- UIC reported a 112% YoY rise in net profit in 1H2013 to KD 5.3 million, noting that UIC restated its financials in 1Q2013. The increase was driven by a 46% YoY increase in share of results of associates of KD 4.1 million, and a 100% YoY lower impairment on financial assets available for sale.

- **Administrative expenses increased 5% YoY from KD 2.9 million in 1H2012 to KD 3.1 million in 1H2013.** Moreover, sales and distribution expenses increased by 3% YoY to KD 9.0 million during the same period.

Balance Sheet

- UIC's bank balances and cash increased 60% QoQ by the end of June 2013 to reach KD 10.8 million. At the same time, the company's other assets and prepayments increased 53% QoQ to KD 4.5 million at the end of the same period.
- UIC's balance sheet has always been highly leveraged, as net debt represented 37% of total equity by the end of 2Q2013.

Financial Statements

Income Statement (KD thousands)	2011	2012	1H2012*	1H2013
Sales	-	-	52,989	59,986
Cost of sales	-	-	(36,398)	(41,954)
Gross profit	-	-	16,590	18,032
Share of results of associates	7,445	8,066	2,788	4,061
Realised gain on fin. assets at fair value	(18)	-	-	-
Unrealised loss (gain) on fin. assets at fair value	(1)	-	-	-
Realised (loss) gain on fin. assets AFS	20	1	-	240
Change in fair value of inv. properties	4	-	-	-
Reversal of provision for impairment	-	537	537	-
Dividend income	82	55	34	55
Interest income	65	21	125	3
Other income	577	335	470	858
Income	8,174	9,015	20,545	23,250
Admin. exp.	(1,473)	(988)	(2,904)	(3,061)
Selling and distribution exp.	-	-	(8,699)	(8,967)
Impairment of financial assets AFS	(879)	(308)	(308)	(1)
Finance charges	(4,404)	(4,179)	(2,104)	(1,682)
(Loss) Profit from continuing operations	1,417	3,539	6,531	9,539
Taxation	(53)	-	(581)	(388)
Board of Directors' remuneration	(25)	(25)	-	-
Net profit before minority interest	1,340	3,514	5,949	9,151
Minority interest	129	168	3,435	3,831
Net Profit	1,210	3,347	2,515	5,320

*Restated

Balance Sheet (KD Thousand)	2012*	Jun-13
Bank balances and cash	7,022	10,799
Term deposit	5,633	-
Account receivable	17,962	18,094
Inventories	13,950	19,282
Other assets and prepayments	2,192	4,483
Due from related parties	-	9
Total Current Assets	46,758	52,667
Financial assets AFS	13,151	12,218
Inv. in associates	94,891	102,862
Inv. properties	2,386	2,386
Property, plant and equipment	31,256	36,608
Goodwill	28,682	28,682
Total Assets	217,124	235,423
Accounts payable	5,519	4,367
Due to related parties	1,022	2,988
Other liabilities	4,739	13,108
Total Current Liabilities	11,280	20,463
Interest bearing loans	63,200	64,500
Employees' end of service benefits	5,970	6,158
Total Liabilities	80,450	91,121
Total Shareholders' Equity	136,674	144,302
Total Liabilities and Equity	217,124	235,423

*Restated

Balance Sheet (KD Thousand)	2010	2011
Bank balances and ST deposits	5,295	3,340
Other receivable and prepayments	120	545
Due from related parties	9	7
Fin. assets at fair value through P&L	328	24
Total Current Assets	5,752	3,917
Financial assets AFS	9,051	18,968
Inv. in associates	153,626	144,957
Inv. properties	9,593	9,600
Other Non current assets	-	304
Other assets	85	-
Total Assets	178,107	177,746
Bank overdraft	-	147
Interest bearing loan	44,950	19,450
Accounts payable and accruals	4,317	3,210
Due to related parties	323	915
Total Current Liabilities	49,590	23,722
Interest bearing loans	25,000	50,500
Employees' end of service benefits	817	941
Total Liabilities	75,407	75,163
Total Shareholders' Equity	102,699	102,583
Total Liabilities and Equity	178,107	177,746

Sources: Company's financial statements and NBK Capital

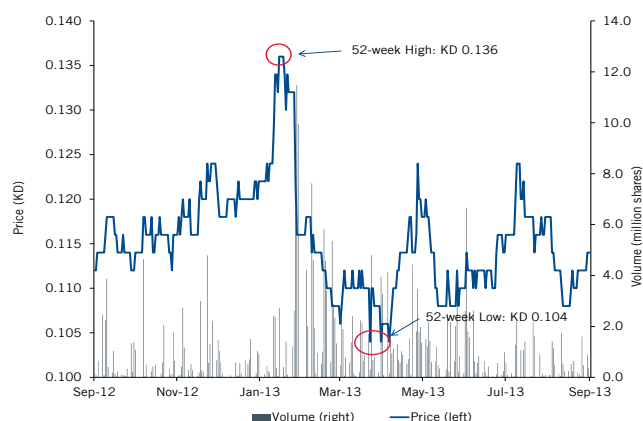
UNITED REAL ESTATE COMPANY

Key Data

General		Daily Liquidity	
KSE Code	URC.KSE	52-week avg. volume	1,136,833
Reuters	UREK.KW	52-week avg. value (KD)	88,141
Price (KD)		Price Performance	
Closing Price	0.114	YTD	-5.0%
52-week High/Low	0.136 / 0.104	12-month	1.8%
Market Capitalization		Outstanding Shares	
KD (million)	135.43 Millions		1,188.00
Ownership Structure			
Closely-held: 60.01%		Public: 39.99%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

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Key Ratios

	2009	2010	2011	2012	1H2013
Rental Income (as a % of Real estate income)	51%	61%	51%	34%	34%
Non-operating Income (% of Net Profit)	21.9%	43.8%	125.3%	132.3%	69.9%
EBITDA Interest Cover (x)	2.81	1.72	1.58	1.86	1.85
Net debt-to-total-equity (x)	0.59	0.42	0.80	0.79	0.77
Investment in associates (% of Total Assets)	21.9%	20.4%	7.5%	6.3%	12.7%
Investment Book (% of Total Assets)	7%	5%	3%	6%	2%
Investment Book (% of Total Equity)	14%	10%	5%	13%	4%

Sources: Company's financial statements and NBK Capital

Highlights

- United Real Estate Company (United Real Estate) is one of the premier real estate companies in Kuwait. The company develops real estate, with a major focus on hospitality, commercial, and retail properties. United Real Estate's property portfolio includes commercial complexes, hotels, resorts, residential buildings, shopping malls, high-rise office buildings, as well as mixed-use projects.
- During 1H2013, the AGM approved the distribution of an in-kind dividend of 116.5 thousand shares in United Towers Holding to the company's shareholders, in proportion to their percentage ownership of the company.
- The company issued on June 24, 2013 unsecured bonds with a principal value of KD 60 million in 2 tranches, and used part of these proceeds to repay a previous bond issue that matured on June 23, 2013.
- Real-estate-related income increased by 29% in 1H2013 to reach KD 23.8 million, compared to KD 18.4 million in 1H2012. This increase is mainly due to the sharp increase in hotel revenues for the period, amounting to KD 12.8 million, compared to KD 7.97 million in 1H2012.
- The company reported a net profit of KD 5.97 million in 1H2013, compared to KD 16.4 million in 1H2012. Net profit was boosted in 1H2012 due to a gain of KD 21.2 million from the sale of an associate.
- United Real Estate's net debt-to-equity ratio remained fairly constant at 0.77x by the end of June 2013, when compared to the end of FY2012. The company's equity and total debt stood at KD 219.6 million and KD 178.9 million as of June 30, 2013, respectively.

Overview

Founded in 1973, United Real Estate Company is one of the premier real estate companies in Kuwait, and is part of the KIPCO Group. The company was listed on the Kuwait Stock Exchange in 1984. United Real Estate focuses on hospitality, commercial, and retail properties as a developer of properties, and as a rental agent and manager of third-party properties. The company has major projects across various business segments and geographic locations, namely, the United Arab Emirates (UAE), Qatar, Oman, Egypt, Jordan, Lebanon, and Syria.

Latest News

- **July 2013:** United Real Estate announced in July 2013, that it secured a loan worth USD 80 million from the European Bank for Reconstruction and Development in order to finance its Abdali Mall project. The mall will have a BUA of 227 thousand sq.m. and will be located in the center of Amman. The grand opening of the mall is expected in 1Q2015.
- **June 2013:** The company issued on June 24, 2013 unsecured bonds with a principal value of KD 60 million in 2 tranches:
 - Tranche A: fixed rate of 5.75% p.a. with quarterly payments and a due date of June 24, 2018
 - Tranche B: 3.25% above the Central Bank of Kuwait's discount rate, with quarterly payments and a due date of June 24, 2018
 - The company used part of the proceeds from this new bond issue to repay their previous bond issue that had matured on June 23, 2013.
- **April 2013:** During 1H2013, the AGM approved the distribution of an in-kind dividend of 116.5 thousand shares in United Towers Holding Company, which is a subsidiary of United Real Estate. The distribution was carried out in proportion to each shareholder's stake in the company. The total carrying value of these shares was equivalent to KD 16.19 million.

Financial Statement Analysis

Income Statement

1H2013

- **Real-estate-related income increased by 29% in 1H2013 to reach KD 23.8 million, compared to KD 18.4 million**

in 1H2012. This increase is mainly due to the sharp increase in hotel revenues for the period, amounting to KD 12.8 million, compared to KD 7.97 million in 1H2012.

- Rental income for 1H2013 increased by 20.9% YoY to stand at KD 8.1 million. However, rental income as a percentage of real-estate-related income declined for the period, to stand at 34.1%, compared to 36.3% in 1H2012.
- **EBITDA increased to KD 8.6 million in 1H2013 from KD 5.7 million in 1H2012.** This was essentially due to the significant improvement in the performance of hotels during the period, which more than compensated for the 19% YoY rise in operating expenses.
- United Real Estate reported investment income of KD 0.25 million during 1H2013, which is an improvement when compared to the investment income of KD 0.06 million reported during 1H2012.
- The company reported a net profit of KD 5.97 million in 1H2013, compared to KD 16.4 million in 1H2012. Net profit was boosted in 1H2012 due to a gain of KD 21.2 million from the sale of an associate, which we elaborate on, in the Balance Sheet section below.

Balance Sheet

- **The company's investment properties (including land for development, projects under construction, and developed properties) stood at KD 259.5 million as of June 30, 2013, compared to KD 351 million as of June 30, 2012.**
- **United Real Estate's net debt-to-equity ratio remained fairly constant at 0.77x by the end of June 2013, when compared to the end of FY2012.** The company's equity and total debt stood at KD 219.6 million and KD 178.9 million as of June 30, 2013, respectively. A closer look at debt serviceability shows that the EBITDA interest coverage at the end of June 30, 2013 stood at 1.85x, as against 1.86x by the end of 2012.
- **United Real Estate's investment book stood at KD 8.7 million as of June 30, 2013, accounting for 4% of shareholders' equity and 2% of total assets.**

Financial Statements

Income Statement (KD' 000)	2011	2012	1H2012	1H2013
Rental Income	14,261	14,118	6,692	8,113
Hotel Operating Income	7,783	19,727	7,967	12,784
Sale of properties held for trading	1,375	3,150	1,600	-
Other Operating Income	4,779	4,889	2,156	2,887
Real estate related income	28,198	41,884	18,415	23,783
Operating expenses	14,986	26,838	12,708	15,184
EBITDA	13,212	15,046	5,707	8,599
Depreciation	2,272	3,656	1,798	1,861
EBIT	10,940	11,390	3,908	6,738
Gain on sale of an associate	-	21,243	21,166	-
Share of results of associates	(263)	253	44	(32)
Other Income	12,186	8,434	209	3,173
Provisions- net	(3,070)	(9,162)	(4,144)	(94)
Foreign exchange (loss) gain	740	(126)	(92)	1,031
Net finance costs	-8,339	-8,093	(3,769)	(4,656)
Net Profit before taxation	12,194	23,940	17,322	6,160
Taxes	(752)	(1,350)	(851)	(323)
Net Profit after Tax	11,441	22,590	16,471	5,837
Minority Interest	(1,332)	(69)	(73)	131
Net Profit attributable to Parent	10,109	22,521	16,398	5,968

Balance Sheet (KD' 000)	2010	2011	2012	Jun-2013
Cash and cash equivalents	27,822	11,637	14,654	9,487
Accounts receivable and prepayments	38,400	32,523	18,454	32,729
Inventories	-	-	23,111	25,349
Properties held for trading	4,059	3,296	-	-
Available-for-sale investments	19,706	13,355	9,359	8,652
Investment in associates	74,342	38,971	34,963	57,960
Investment properties	190,909	336,874	386,738	259,500
Property and equipment	8,562	84,952	63,631	63,622
Goodwill	-	12	12	12
Total assets	363,799	521,621	550,924	457,311
Accounts payable and accruals	49,834	64,402	72,581	58,783
Interest bearing loans and borrowing	72,164	129,270	155,340	118,908
Bonds	40,000	40,000	40,000	60,000
Tawarruq Payable	-	39,733	23,863	-
Total liabilities	161,998	273,405	291,784	237,690
Equity attributable to equity holders	188,752	196,827	211,145	196,100
Minority interests	13,049	51,389	47,995	23,521
Total Liabilities and Equity	363,799	521,621	550,924	457,311

Sources: Company's financial statements and NBK Capital

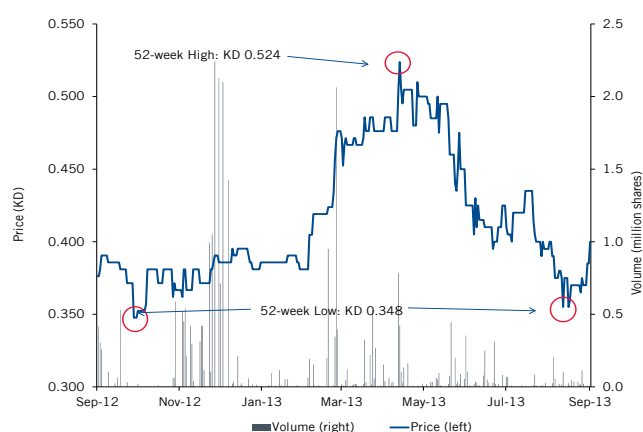
YIACO MEDICAL COMPANY

Key Data

General		Daily Liquidity	
KSE Code	YIACO.KSE	52-week avg. volume	172,901
Reuters	YIAC.KW	52-week avg. value (KD)	33,165
Price (KD)		Price Performance	
Closing Price	0.400	YTD	3.7%
52-week High/Low	0.524 / 0.348	12-month	6.3%
Market Capitalization		Outstanding Shares	
KD (million)	69.30	Millions	173.25
Ownership Structure			
Closely-held: 40.51%		Public: 59.49%	

Price as of close on September 24, 2013. Sources: Bloomberg, Zawya, and NBK Capital

Stock Performance



Sources: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2009	2010	2011	2012	1H2013
Gross Profit Margin (%)	25%	20%	23%	23%	21%
Operating Profit Margin (%)	3%	6%	6%	6%	6%
Net Profit Margin (%)	2%	5%	6%	5.2%	5.4%
ROAA	2.6%	7.2%	7.2%	6.4%	3.6%
ROAE	6%	18%	18%	16%	10%
Current Ratio (x)	1.25	1.30	1.32	1.33	1.33
Net debt-to-total-equity (x)	0.50	0.34	0.39	0.51	0.83
Investment to Equity	31%	29%	27%	26%	26%
Receivables Turnover Ratio (x)	3.74	3.67	3.63	3.27	1.45
Inventory Turnover Ratio (x)	3.01	3.41	3.11	3.04	1.89
Payables Turnover Ratio (x)	3.96	3.79	3.70	3.85	2.51

Sources: Company's financial statements and NBK Capital

Highlights

- YIACO was incorporated in Kuwait in 1952 as the sole marketing agent for numerous multinational, research-focused pharmaceutical manufacturers. Its principal activities are importing and selling medical, chemical, and dental products and equipment and operating healthcare centers in Kuwait and Egypt.
- The shareholders of the company are Project Development Holdings (19.59%), Melas Investments Company (7.85%), Kuwait Finance House (5.49%), Nasca Holdings (5.03%), Schroder Investment Company (0.63%), Kuwait Financial Center (0.38%), and the balance is free float.
- YIACO reported a net profit of KD 3.1 million in 1H2013**, declining by 11% YoY from KD 3.5 million in 1H2012.
- Accounts receivable and inventories combined stood at around KD 70.6 million (+27% YoY) as of June 30, 2013.** We note that they accounted for the majority (76.6%) of total assets. The company's current ratio stood at 1.33x, in line with 2012.
- The company's net debt-to-total-equity increased during the period and stood at 0.83x at the end of June 2013, compared to 0.51x at the end of December 2012.

Overview

YIACO was incorporated in Kuwait in 1952 as the sole marketing agent for numerous multinational, research-focused pharmaceutical manufacturers. The company was known as Yusuf Ibrahim Alghanim and Company until March 2002. YIACO's principal activities are importing and selling medical, chemical, and dental products and equipment.

The company has two key divisions: the pharmaceutical division and the medical, scientific, and dental division.

The pharmaceutical business encompasses four areas: Pharmacies, Skin Care, Animal Health, and Crop Protection Retail Pharmacies.

The medical, scientific, and dental division encompasses the Medical Projects, Scientific, Dental, Imaging, Physiotherapy, Rehabilitation and Home Health Care, Key Accounts, and Medical Furniture divisions.

YIACO currently acts as an envoy for diversified, multinational, research-based companies such as Abbott, Bayer GSK, Braun, Intervet, Pfizer, Merck, Roche, Phillips, and Johnson & Johnson. The company owns and provides health care services through the largest chain of pharmacies in Kuwait; YIACO also owns the Apollo Medical Center, the Canadian Medical Center, and the Adan Diagnostic Center.

YIACO was listed on the Kuwait Stock Exchange (KSE) in November 2007. During that year, as part of the company's expansion plans, YIACO acquired Al Raya Health Care Company and City Medical. During 2008, YIACO significantly increased its representation on Al Salam Hospital's board of directors and, as a result, transferred its investment in that hospital from available for sale (AFS) to investment in associate.

The following figure shows the company's subsidiaries:

YIACO's Subsidiaries

Name	Country	% holding
Al Bayt Medical Company	UAE	100.00%
City Medical for General Trading Company	Kuwait	100.00%
Al Raya Healthcare Company	Kuwait	100.00%
Universal Industrial Medical Company	Egypt	100.00%
Gulf International Company for Tourism	Kuwait	100.00%
Al Kamal Import and Marketing Company	Egypt	95.00%

Source: Company's financial statements

Financial Statement Analysis

Income Statement

1H2013

- **YIACO achieved revenues of KD 57 million in 1H2013, a rise of 19% when compared to KD 47.7 million in 1H2012.** Cost of Sales increased by 25%, but the result was a slight increase of 2.5% YoY in gross profit, which reached KD 12.2 million in 1H2013. Accordingly, **the gross profit margin declined from 24.9% in 1H2012 to 21.4% in 1H2013.**
- **Total operating expenses increased by 6.7% to KD 8.95 million in 1H2013.** This resulted in a **decline of 8.3% in operating income**, which reached KD 3.3 million in 1H2013. The operating margin in turn declined from 7.8% in 1H2012 to 6%.
- **YIACO reported a net profit of KD 3.1 million in 1H2013,** declining by 11% YoY from KD 3.5 million in 1H2012.

Balance Sheet

- **Accounts receivable and inventories combined stood at around KD 70.6 million (+27% YoY) as of June 30, 2013.** We note that they accounted for the majority (76.6%) of total assets. The company's current ratio stood at 1.33x, in line with 2012.
- YIACO's cash and cash equivalents' balance declined from KD 8.7 million at the end of 2012 to KD 4.2 million at the end of June 2013.
- Current liabilities (including short-term debts) amounted to KD 56.3 million as of June 2013, a 12% increase from KD 50.3 million on December 31, 2012. The company's current ratio of 1.33x is at the same level as at the end of 2012.
- Investments in associates stood at around KD 7.97 million at the end of June 2013 and accounted for the majority (89.3%) of YIACO's total investments, and 8.7% of the company's total assets.
- The company's net debt-to-total-equity increased during the period and stood at 0.83x at the end of June 2013, compared to 0.51x at the end of December 2012.

Financial Statements

Income Statement (KD '000)	2011	2012	1H2012	1H2013
Revenue	88,526	96,207	47,721	57,079
Cost of Sales	(68,580)	(74,531)	(35,867)	(44,848)
Gross Profit	19,946	21,676	11,854	12,231
Selling/Distribution/Admin. Exp.	(14,965)	(16,456)	(8,387)	(8,953)
Other operating income	746	497	259	194
Allowance for doubtful debts	(433)	(285)	(118)	(145)
Operating Income	5,295	5,431	3,609	3,327
Other Income	28	-	-	-
Share of results of associates	803	860	470	507
Loss on sale of PP&E and intangibles	(86)	(2)	(0)	(2)
Unrealized loss/gain on inv.	115	(44)	(7)	(98)
Finance Cost	(767)	(833)	(380)	(450)
Impairment of financial asset AFS	(39)	-	-	-
Profit before Tax	5,348	5,413	3,691	3,285
Income Taxes	21	45	39	49
Other Expenses	283	302	182	168
Net Profit before minority interest	5,044	5,067	3,470	3,067
Minority Interest	(10)	(23)	(16)	(12)
Net Profit	5,034	5,044	3,454	3,055

Balance Sheet (KD '000)	2010	2011	2012	Jun-13
Bank balances and cash	7,265	5,478	8,738	4,166
Accounts receivable and others	23,305	25,525	33,338	46,114
Inventories	19,968	24,153	24,816	24,523
Current Assets	50,539	55,155	66,891	74,804
Fixed-assets-PP&E	7,429	9,071	8,229	7,476
Other Non-Current Assets	1,421	1,258	1,090	966
Investment in associates	5,992	6,881	7,468	7,974
Investments carried at fair value	1,592	1,134	971	873
AFS investments	118	78	78	78
Total Non-Current Assets	16,551	18,421	17,836	17,367
Total Assets	67,091	73,576	84,727	92,171
Share Capital	16,500	16,500	16,500	17,325
Statutory reserve	2,656	3,188	3,722	3,722
Voluntary reserve	121	121	121	121
General Reserve	637	637	637	637
F/X Translation Reserve	69	15	(8)	(103)
Retained Earnings	6,379	9,231	11,265	11,844
Attributable Equity	26,361	29,691	32,237	33,547
Non-Controlling Interest	198	177	195	189
Total Equity	26,560	29,868	32,432	33,736
Borrowings	-	-	-	-
Accounts payable and accruals	23,060	24,769	25,179	24,259
Murabaha payable	15,922	17,078	25,094	32,090
Current Liabilities	38,982	41,847	50,273	56,348
Employees end-of-service benefits	1,275	1,665	1,913	2,023
Murabaha payable	274	196	110	64
Non-Current Liabilities	1,549	1,861	2,023	2,087
Total Liabilities	40,531	43,708	52,296	58,435
Total Liabilities and Equity	67,091	73,576	84,727	92,171

Sources: Company's financial statements and NBK Capital

Economic Statistics

- Consumer sentiment and spending remain healthy.
- Real estate market sees growth in all three major segments.
- Inflation likely to remain tame this year; at 2.9% YoY in July.
- Stock market corrects after rallying early in the year.

National Bank of Kuwait

NBK Economic Research

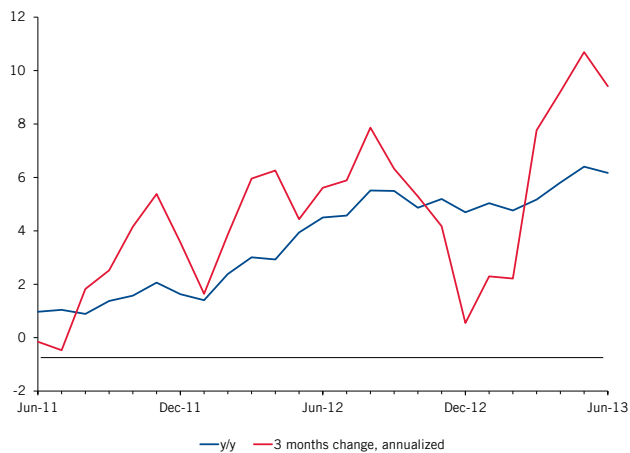
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Total Bank Credit (%)

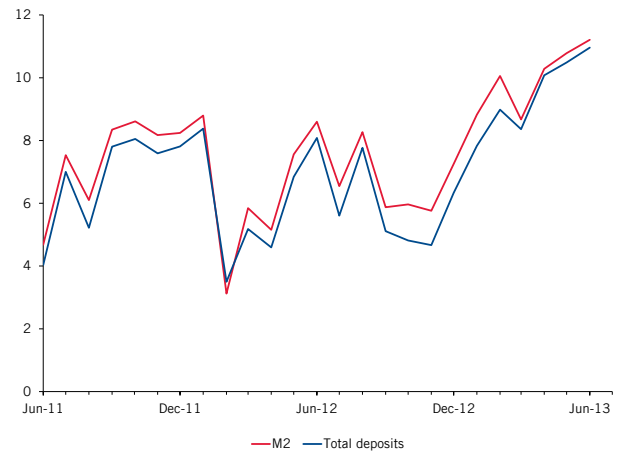
Bank Credit: credit grows 6.2% y/y in June



Source: Central Bank of Kuwait

Credit by Economic Sector (y/y%)

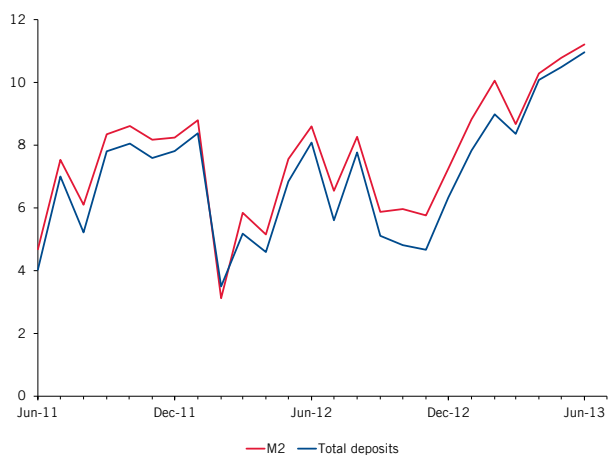
Consumer credit continues strong growth; overall credit growth still hampered by investment companies



Source: Central Bank of Kuwait

Total Deposits and M2 (y/y%)

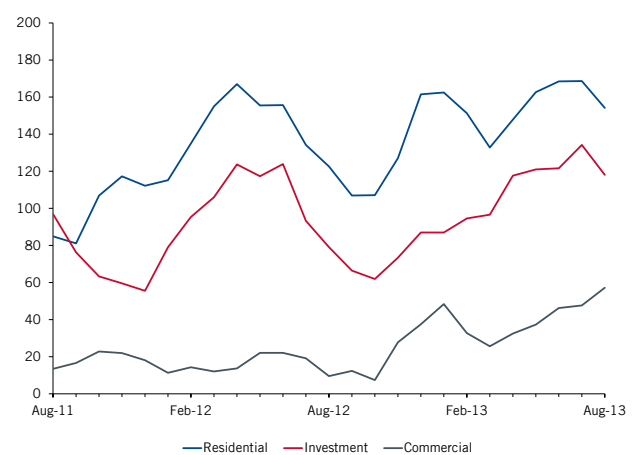
Money supply: strong growth continues through June



Source: Central Bank of Kuwait

Real Estate Sales (3-mos average, KD Mn)

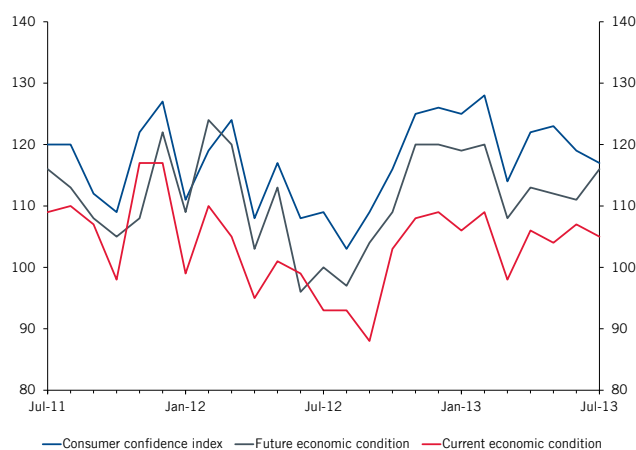
Real Estate: sales improve further in July; commercial segment reaches recent-years high



Source: Central Bank of Kuwait

Consumer Confidence Index (ARA)

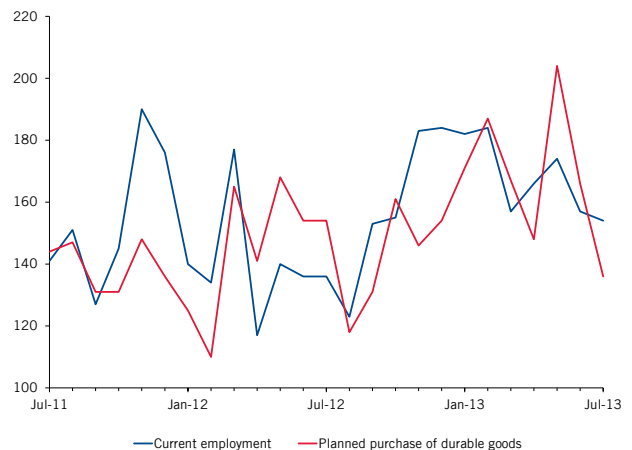
Consumer sentiment slips in July, but future conditions measure strengthens



Source: Araa

Consumer Confidence Index (ARA)

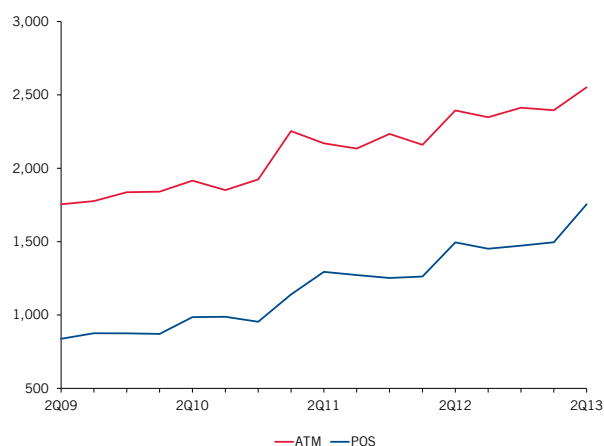
Consumer sentiment: volatile planned purchase of durable goods sees big fall; could be seasonal effect



Source: Araa

Point-Of-Sale Volumes & ATM Withdrawals (KD Mn)

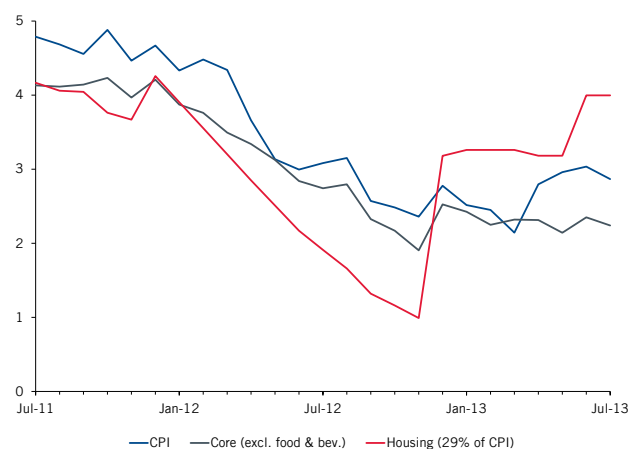
Consumer: POS volumes and cash withdrawals point to strong consumer spending through 2Q2013



Source: Central Bank of Kuwait

Consumer Price Index (y/y%)

CPI: inflation eases slightly in July to 2.9%, 'core' at 2.2%



Source: Ministry of Planning

Capital Spending (actual spending as % of full-year budget)

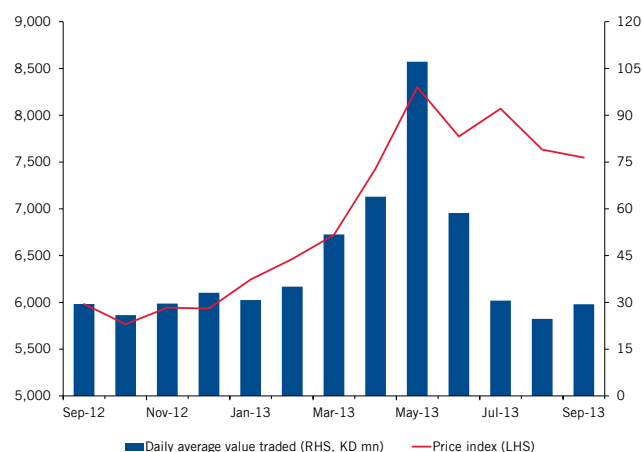
Government Projects: FY 12/13 spending pace catches up with previous averages, partly due to lowered budget targets



Source: Ministry of Finance

Kuwait Stock Exchange (Millions)

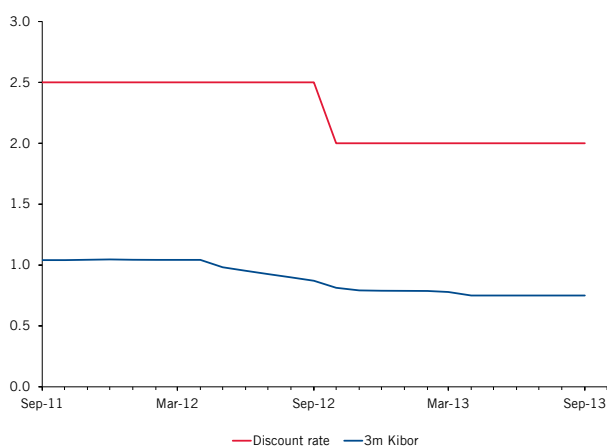
KSE: market correction in September further pressed by negative regional news



Source: Kuwait Stock Exchange

Interest Rates (%)

Kibor more or less flat over the past few months



Source: Central Bank of Kuwait

FX Rates (fils)



Source: Central Bank of Kuwait

Kuwait Market Statistics

- Market Statistics

NBK Capital

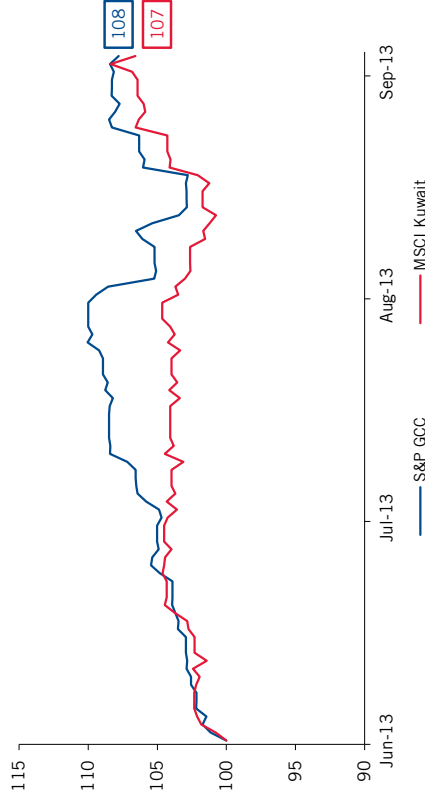
MENA Research

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Rebased Performance



Summary

MSCI Kuwait (% Chg. YTD)	576 / 5%
52 week High / Low	587 / 526
KSE General Index (% Chg. YTD)	7,898 / 33%
KSE General Index 52 week High / Low	8,431 / 5,650
Market Cap. (KD millions)	104,030

Best Performers

	Close	%Chg.**
Boubyan International Industries Holdir	0.122	149%
Kuwait Projects Co. (Holding)	0.560	51%
Agility	0.700	44%
United Industries Co.	0.140	43%
National Real Estate Co.	0.170	42%

Highest Turnover

	Turnover (KD)
Kuwait Finance House	2,378,267
Commercial Bank of Kuwait	2,272,718
Mobile Telecommunications Co.	1,215,537
Agility	1,035,848
National Industries Grp. Holding	956,401

Worst Performers

	Close	%Chg.**
Gulf Cable and Electrical Industries Co.	1.000	-21%
Alafco Aviation Lease and Fin. Co.	0.285	-20%
Commercial Facilities Co.	0.285	-17%
National Industries Co.	0.290	-17%
Al Argan International Real Estate Co.	0.146	-16%

Quotes

Company Name	Close*	YTD				52-Week		% Change		Market Cap. (KD million)	Trailing			
		% Chg.	High	Low	Avg. Turnover (KD '000)	Avg. Volume ('000)	High	Low	Below High		2012	12-month	PE*	PB*
ACICO Industries Company	0.300	30%	0.350	0.214	24	89	0.350	0.214	-14%	8%	27%	18.3	0.9	
Agility	0.700	44%	0.743	0.486	1,036	1,661	0.743	0.452	-6%	36%	44%	17.8	0.9	
Ahli United Bank - Kuwait	0.720	-3%	0.782	0.700	131	174	0.818	0.700	-12%	9%	-11%	21.0	3.0	
Al Ahli Bank of Kuwait	0.500	-4%	0.580	0.455	125	264	0.607	0.455	-18%	-11%	-15%	n/a	n/a	
Al Argan Interanational Real Estate Co.	0.146	-16%	0.176	0.136	21	128	0.176	0.136	-17%	21%	-17%	n/a	n/a	
Alafco Aviation Lease and Fin. Co.	0.285	-20%	0.360	0.270	174	548	0.365	0.270	-22%	13%	-17%	8.7	1.4	
Boubyan International Industries Holding Company	0.122	149%	0.140	0.049	502	5,070	0.140	0.048	-13%	-44%	130%	36.6	0.9	
Boubyan Petrochemical Co.	0.630	9%	0.710	0.570	172	274	0.710	0.540	-11%	4%	15%	11.4	1.2	
Burgan Bank	0.590	17%	0.650	0.505	445	789	0.650	0.486	-9%	17%	19%	17.7	1.8	
Burgan Co. for Well Drilling	0.236	24%	0.295	0.176	11	50	0.295	0.138	-20%	-10%	33%	23.3	0.9	
City Group Company	0.440	-12%	0.500	0.325	1	1	0.580	0.325	-24%	-6%	-24%	n/a	n/a	
Commercial Bank of Kuwait	0.700	-1%	0.780	0.670	2,273	3,247	0.780	0.640	-10%	-10%	4%	105.8	1.6	
Combined Grp Contracting Co.	1.260	-14%	1.480	1.180	35	26	1.480	1.180	-15%	2%	-9%	13.3	3.4	
Commercial Facilities Co.	0.285	-17%	0.345	0.285	54	166	0.345	0.285	-17%	33%	-14%	11.1	0.9	
Commercial Real Estate Co.	0.095	34%	0.108	0.070	243	2,600	0.108	0.070	-12%	-8%	28%	174.3	0.6	
Gulf Bank	0.395	-1%	0.415	0.385	487	1,226	0.424	0.376	-7%	-14%	-2%	32.8	2.3	
Gulf Cable and Electrical Industries Co.	1.000	-21%	1.300	0.960	90	87	1.300	0.960	-23%	-11%	-11%	20.9	1.5	
Gulf Insurance Co.	0.550	6%	0.600	0.500	4	7	0.600	0.500	-8%	-2%	8%	n/a	n/a	
Injazzat Real Estate Development Co.	0.100	22%	0.114	0.079	399	4,091	0.114	0.052	-12%	8%	92%	34.6	0.6	
Kuwait Cement Co.	0.370	-15%	0.438	0.325	24	66	0.438	0.325	-15%	-3%	-7%	14.2	1.4	
Kuwait Finance House	0.810	17%	0.830	0.650	2,378	3,291	0.830	0.632	-2%	-3%	26%	28.4	1.3	

*Price as of close on September 24, 2013. **%Change YTD. Sources: Bloomberg and NBK Capital

Company Name	Close*	YTD				52-Week			% Change			Market Cap. (KD millions)	Trailing	
		% Chg.	High	Low	Avg. Turnover (KD '000)	Avg. Volume ('000)	High	Low	Below High	2012	12-month		PE*	PB*
Kuwait Financial Centre	0.154	26%	0.156	0.122	104	712	0.156	0.114	-1%	5%	31%	81.8	n/a	n/a
Kuwait Food Co.	2.180	25%	2.340	1.740	232	111	2.340	1.580	-7%	18%	36%	876.4	17.4	2.9
Kuwait and Gulf Link Transport Co.	0.110	25%	0.146	0.088	327	2,666	0.146	0.086	-25%	-14%	6%	29.1	n/a	0.6
Kuwait National Cinema Co.	1.020	13%	1.040	0.800	10	11	1.040	0.800	-2%	-9%	16%	103.1	n/a	n/a
Kuwait Projects Co. (Holding)	0.560	51%	0.570	0.371	482	1,038	0.570	0.362	-2%	34%	53%	785.9	23.8	1.4
Mobile Telecommunications Co.	0.710	-9%	0.830	0.650	1,216	1,655	0.840	0.650	-15%	-13%	-5%	3,063.8	12.4	1.8
National Industries Grp. Holding	0.265	24%	0.290	0.214	956	3,821	0.290	0.200	-9%	-18%	27%	343.2	32.9	0.9
National Industries Co.	0.290	-17%	0.350	0.248	7	23	0.375	0.248	-23%	25%	-16%	100.4	44.1	1.3
National Investments Company	0.164	24%	0.186	0.132	319	1,972	0.186	0.110	-12%	-23%	39%	143.7	22.9	0.8
National Real Estate Co.	0.170	42%	0.192	0.116	347	2,275	0.192	0.110	-12%	-2%	28%	145.3	13.2	0.8
Oula Fuel Marketing Co.	0.210	-4%	0.248	0.204	37	155	0.267	0.204	-21%	-19%	-18%	76.3	15.0	1.5
Qurain Petrochemicals Industries Co.	0.220	24%	0.224	0.178	121	599	0.224	0.178	-2%	-17%	18%	242.0	9.0	0.9
Sultan Center Food Products Co.	0.104	2%	0.126	0.094	133	1,166	0.126	0.094	-17%	-15%	-5%	60.2	n/a	1.6
Tamdeen Real Estate Co.	0.200	-8%	0.224	0.200	26	123	0.226	0.200	-12%	-5%	-11%	74.6	17.4	0.7
Tamdeen Investment Co.	0.178	6%	0.200	0.162	42	231	0.200	0.152	-11%	8%	7%	55.5	14.1	0.5
The Asiya Investment Group	0.067	22%	0.084	0.055	107	1,484	0.084	0.050	-20%	0%	20%	53.6	13.5	0.6
United Industries Co.	0.140	43%	0.162	0.097	21	173	0.162	0.090	-14%	-4%	54%	69.4	10.3	0.6
United Real Estate Co.	0.114	-5%	0.136	0.104	153	1,333	0.136	0.104	-16%	20%	2%	135.4	10.5	0.6
YIACO Medical co.	0.400	4%	0.524	0.355	41	94	0.524	0.348	-24%	5%	6%	69.3	14.9	2.1

*Price as of close on September 24, 2013. **%Change YTD. Sources: Bloomberg and NBK Capital

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