May 2015

KUWAIT IN FOCUS

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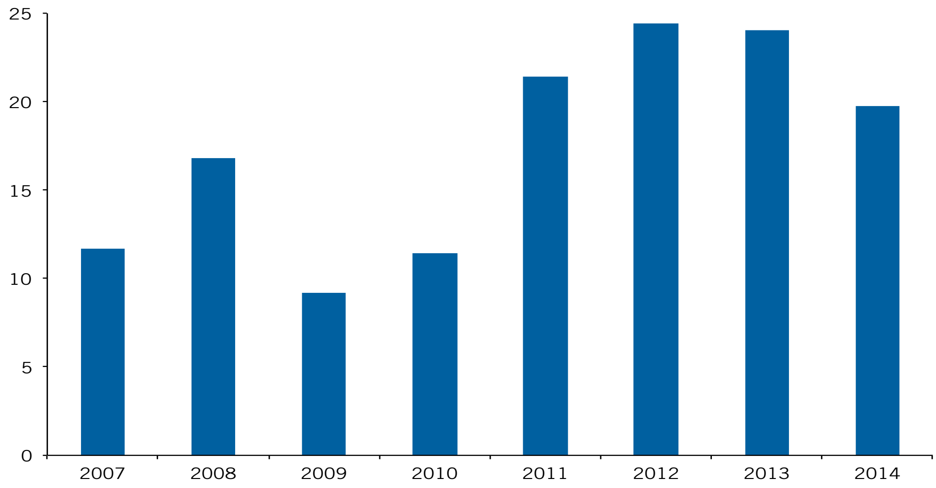
FOREIGN TRADE

Kuwait: 2014 trade surplus driven lower by fall in oil prices

Kuwait's trade surplus slipped in 2014, after oil export revenues fell for the first time in six years. The surplus fell by 18% in 2014 to KD 19.8 billion, mainly due to lower oil export receipts. A decline in non-oil export earnings also dragged the surplus lower. With oil prices forecast to continue to fall or remain low in 2015, downward pressures on the surplus are expected to persist. Still, Kuwait continued to enjoy a relatively large surplus estimated at 41% of GDP in 2014, which was also its fourth highest on record.

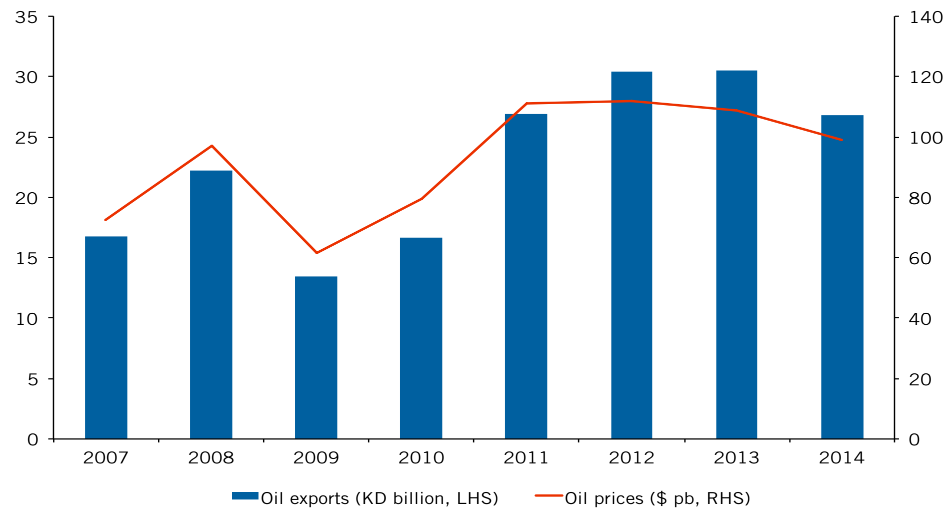
Figure 1 Balance of trade in goods (KD billion)



Source: Central Statistical Bureau

Oil export earnings fell by 12% in 2014 to KD 26.8 billion, its lowest in four years. Oil export earnings have been hampered by weaker oil prices. The Kuwait Export Crude (KEC) price was down 8.6% during the year, logging in an average of $95.6 per barrel in 2014. Oil export revenues are forecast to weaken further in the near- to medium-term, as oil prices continue to average lower. The KEC price averaged $48 per during the first quarter of 2015.

Figure 2 Oil exports



Source: Central Statistical Bureau, Kuwait Petroleum Corporation

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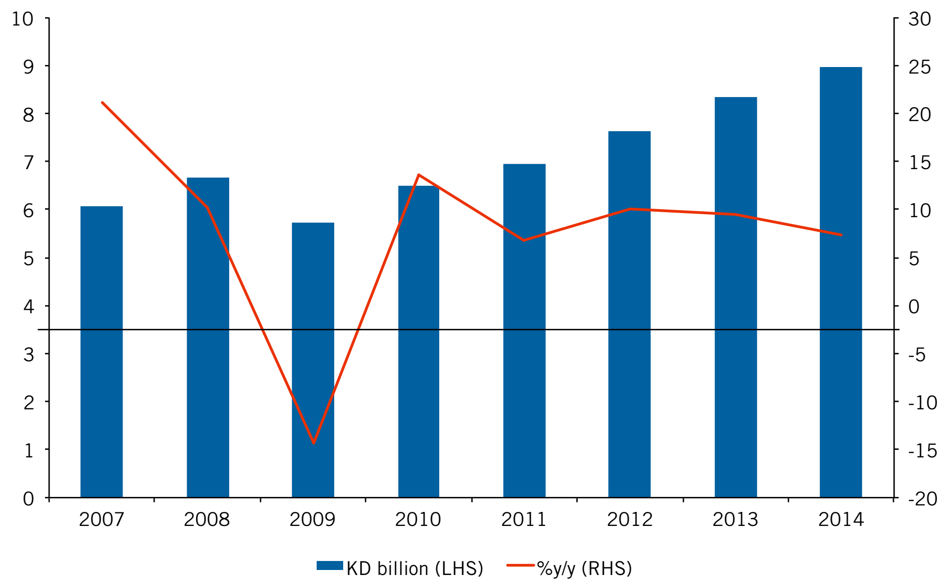
Non-oil exports declined by 6.3% in 2014 and stood at KD 1.4 billion. Non-oil exports were mainly driven lower by a decline in ethylene prices. The stronger dinar against major currencies, with the exception of the dollar, might also be hindering non-oil export growth. We may see a slight pick-up in non-oil exports in the first quarter of this year, following a slight rebound in ethylene prices.

Figure 3 Imports



Source: Central Statistical Bureau

Import growth softened further in 2014 but still churned out another record high of KD 9.0 billion. Import growth continued to gradually weaken in 2014, possibly due to the stronger Kuwaiti dinar, which would reduce the cost of imports on average. Import growth is forecast to continue to gradually soften in the near-to-medium term, before picking up slightly on the back of greater economic activity and investment spending.

Figure 4 Foreign trade

(KD billion)	Exports					
	Oil	Non-oil	Re-exports	Total	Imports	Trade balance
2010	16.6	1.0	0.3	18.0	6.5	11.5
2011	28.9	1.2	0.3	28.0	6.9	21.4
2012	30.4	1.3	0.4	32.1	7.6	24.4
2013	30.5	1.4	0.4	32.4	8.4	24.0
2014	**26.8**	**1.4**	**0.5**	**28.7**	**9.0**	**19.8**
KD change	-3.7	-0.1	0.1	-3.7	0.6	-4.3
% y/y	-12.0	-6.3	27.1	-11.3	7.3	-17.7

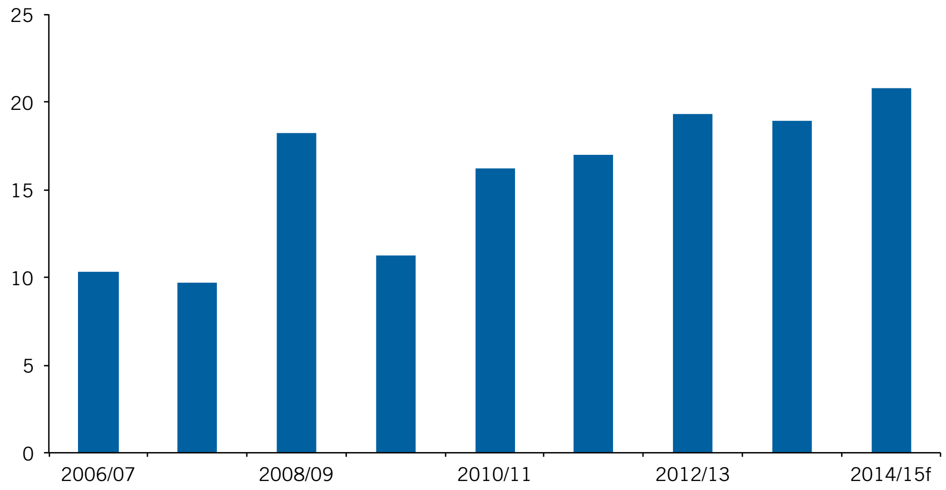
Source: Central Statistical Bureau

PUBLIC FINANCE

Kuwait: Current spending trends up despite drop in oil revenues

Government spending continued to trend upward a month before the closing of the fiscal year for 2014/15 (FY14/15), despite the sharp decline in revenues. The trend in spending is supported by strong growth in both current and capital expenditures. Total spending rose to KD 13.3 billion during the first 11 months of the fiscal year, up 17% year-on-year (y/y). Coupled with lower oil revenues, the interim surplus contracted further this month reaching KD 9.9 billion fiscal-year-to-date (fytd). We expect the surplus to narrow further once fiscal yearend adjustments are made, to close FY14/15 at KD 3.9 billion or 8.2% of GDP.

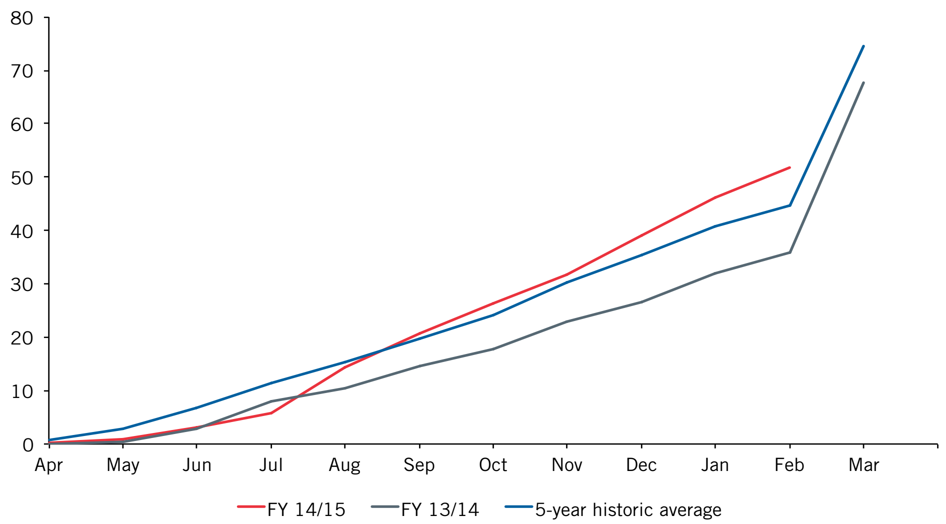
Figure 1 Total Spending (KD billion)



Source: Ministry of Finance, NBK estimates

Current spending remained resilient, rising by 16.4% y/y to reach KD 12.1 billion fytd. Some of this growth came from the civilian wage bill which was up by 13% to reach KD 3.4 billion fytd, but it was not the main driver. Goods & services spending was one other source, as it grew by 24% y/y. Surprisingly, a large part of the gain was in fuel subsidies, which rose by 90% y/y, even though the market cost of fuels have fallen over the last year.

Figure 2 Capital Spending (% of full-year budget)



Source: Ministry of Finance

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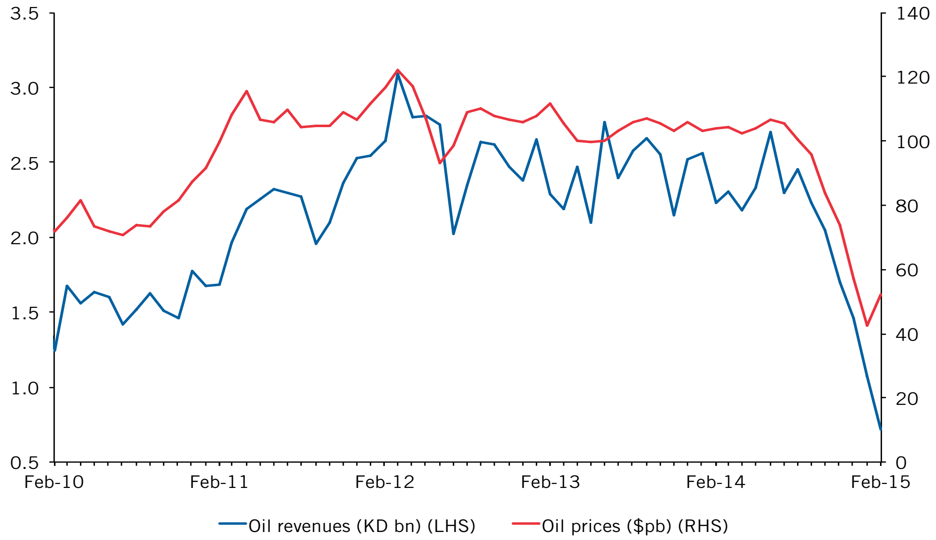
Capital spending growth remained strong at 28% y/y to read KD 1.2 billion fytd, driven by a pickup in project implementation. The progress in capital spending is also evident in the improvement seen in the ratio of spending to budget which has risen to 52% fytd, seven percentage points higher than the 5-year average. The bulk of capital spending came from three ministries mainly the Ministry of Energy, Ministry of Public Works and the Amiri Diwan. The latter showed substantial growth in project spending to reach KD 258 million, three times the size of last year's outlay.

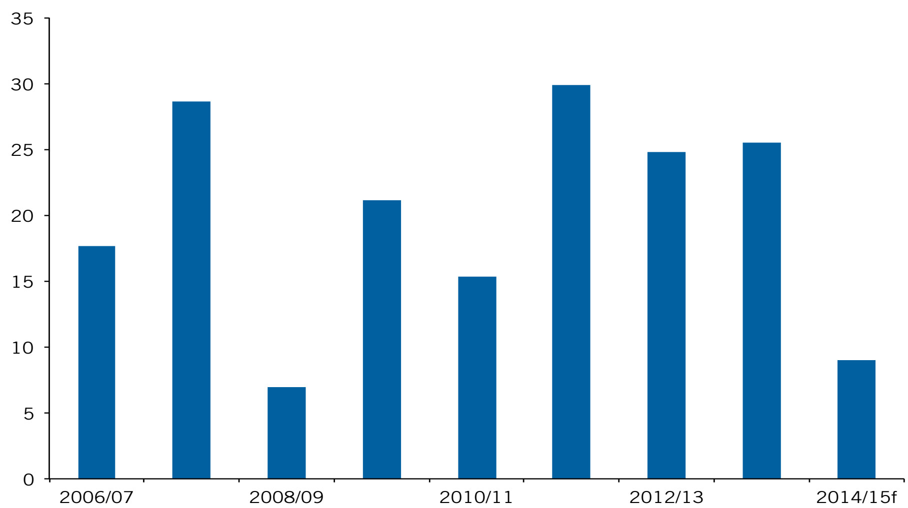
Figure 3 Oil Revenues and Prices



Source: Ministry of Finance, Kuwait Petroleum Corporation

Both oil production and prices declined in the eleven months to February, pulling oil revenues down by 22% to KD 21.2 billion. Kuwait Export Crude (KEC) averaged $84.01 per barrel fytd, 19% lower than in the same period last year as production declined to an average of 2.855 million barrel per day. Compared to the budget, oil revenues stood at 113%, significantly lower than the five year average of 201%.

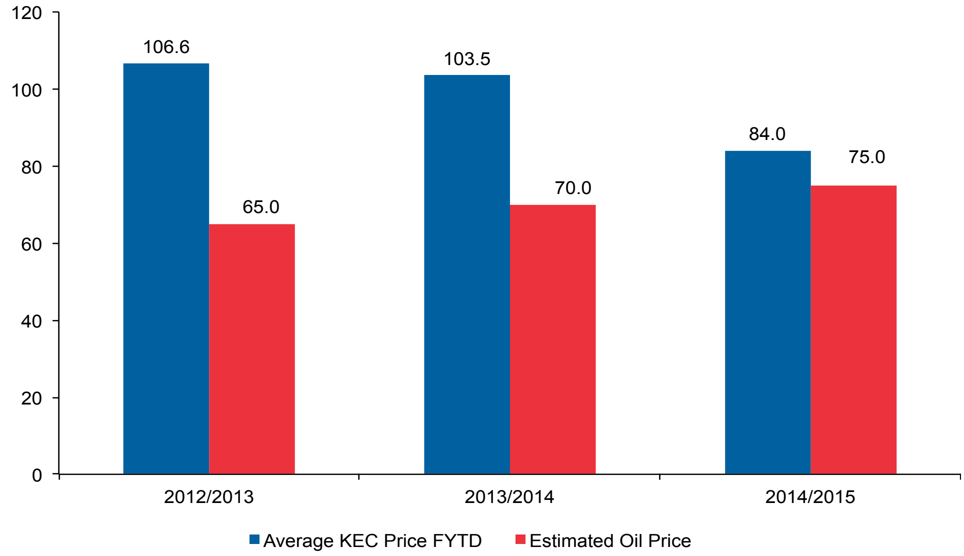
Figure 4 Budget Balance (% of GDP)



Source: Ministry of Finance, NBK estimates

Non-oil revenues came in at KD 2 billion, growing by 3.3% y/y. Support came mainly from robust growth in service charges and income taxes which rose by 12% and 18% y/y, respectively. Corporate income taxes on KSE listed companies grew by 23% y/y, reflecting a general improvement in profitability of the listed companies throughout 2014.

Figure 5 Oil Price Indicators ($ per barrel)



Source: Ministry of Finance, NBK estimates

The government's proposed budget for FY15/16 projects a deficit of 18% of GDP even after an 18% cut in budgeted spending. Projected oil revenues are based on a $45 per barrel price for oil and output at 2.7 million barrel per day. We expect the budget deficit to be somewhat smaller at around 5% of GDP, with oil revenues higher than the draft projections due to expectations of a higher average oil price and no decline in crude production.

Government Revenues and Expenditures

	Actual (8 months)			Actual to full-year budget (11 months)	
	FY14/15	FY13/14		FY14/15	Average[1]
	KD bn	KD bn	% y/y	%	%
Revenues	23.2	28.9	-19.8	115.6	192.2
Oil	21.2	27.0	-21.5	112.7	201.3
Non-oil	2.0	1.9	3.3	159.0	120.3
Expenditures	13.3	11.3	17.4	57.2	58.1
Wages	3.4	3.0	13.2	61.4	58.2
Goods & services	2.3	1.8	24.0	57.9	56.7
Vehicles & equipment	0.08	0.07	17.9	29.3	26.0
Projects, maintenance & land	1.1	0.9	29.4	55.0	48.2
Miscellaneous & transfers	6.4	55	15.7	56.0	62.7
Balance	9.9	17.6	-	-	-
After RFFG	4.1	10.4	-	-	-
Note:					
Current expenditures[2]	12.1	10.4	16.5	57.8	57.9
Capital expenditures	1.2	0.9	28.5	51.7	44.7
Oil production (mbpd)	2.855	2.951	-2.3	-	-
Oil prices ($/bbl, KEC)	84.01	103.8	-49.9	-	-

Source: Ministry of Finance, NBK estimates.
[1] 5-year average for comparable period.
[2] Includes the wages & salaries, good & services, and miscellaneous & transfers categories.

OIL MARKETS

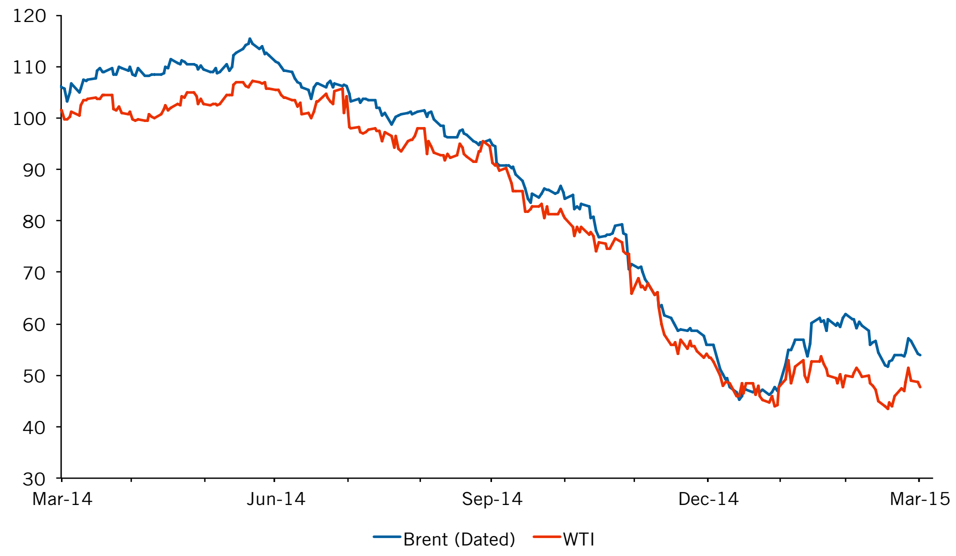
Oil prices retreat in March on crude stock buildups and oversupply

- Oil prices retreated in March, weighed down by continued crude inventory buildups and the prospect of Iranian crude rejoining already oversupplied crude markets; Brent prices declined by 13% in March to close at $53.9/bbl.
- OECD commercial stocks continue to increase above seasonal average levels; US stock levels in particular are at record highs.
- The IEA has revised up its forecast for global demand growth in 2015 by 75,000 b/d to 1 mb/d, in line with an improving outlook.
- OPEC production slipped in February to 30.2 mb/d on supply outages in Libya and Iraq; at the same time, non-OPEC supply was up by 1.4 mb/d to 57.3 mb/d.

Prices retreated in March on continuing crude inventory buildups and the prospect of Iranian crude returning to oversupplied markets

March saw oil prices pare back some of their gains from February's rally as concerns over rising commercial crude stocks began to weigh on market sentiment. The International benchmark Brent crude (dated) was down almost $8 per barrel (bbl), or 13%, to $53.9/bbl by the end of March. West Texas Intermediate (WTI), the US marker, also retreated, by $2.0/bbl during the month to settle at $47.7/bbl. (Chart 1.) Similarly, local crude, Kuwait Export Crude (KEC), declined by $5.8/bbl to close at $49.2/bbl on 31 March.

Figure 1 Crude Oil Spot Prices ($/bbl)



Source: Thomson Reuters Datastream

March was also notable for the return of geopolitics as a factor influencing oil prices, first with Saudi Arabia's military intervention in Yemen, and second, with the Wests' potential nuclear deal with Iran.

In the former, the price of Brent crude rose almost 6% after Saudi Arabia launched airstrikes on rebel Houthi positions in Yemen on 25-26 March. Markets were initially concerned that the fighting would impact regional oil supply, both through the loss of Yemeni crude and, more importantly, via disruption of the vulnerable Bab-el-Mandeb straight between Yemen and Djibouti. The straight sees almost 4 million barrels of mostly Gulf oil pass daily en route to the

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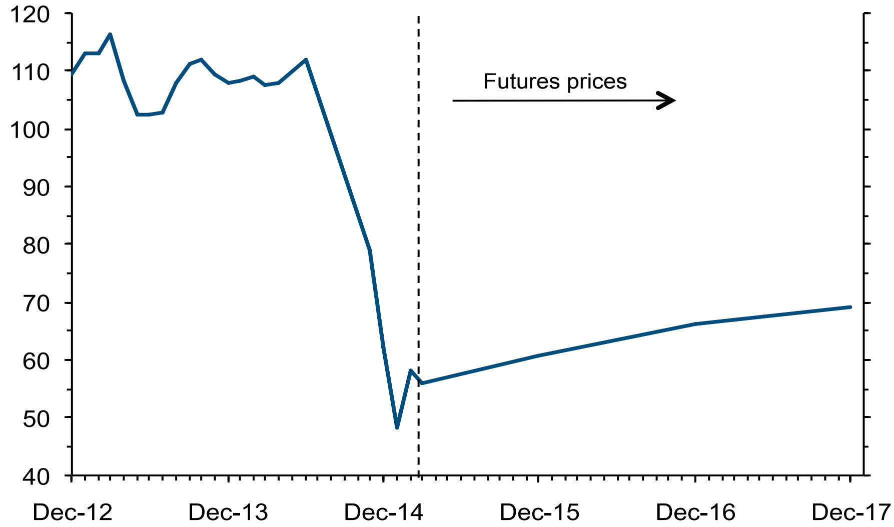
Suez Canal and western markets. The risk premium narrowed, however, after Saudi-led forces moved to secure the shipping lanes.

Meanwhile, as the 31 March deadline approached for an agreement between the P5+1 and Iran on the latter's nuclear program, oil traders were anxiously contemplating the prospect, should sanctions be lifted, of increased quantities of Iranian crude coming back onto already oversupplied markets. Iran's exports are currently at half their 2011 levels, at around 1.1 million barrels per day (mb/d), and the expectation is that anywhere between 500,000 to 750,000 b/d of Iranian crude could be back on international markets within a year of a permanent agreement being signed in June.

Figure 2 Brent Crude Futures ($/bbl)



Source: Thomson Reuters Datastream

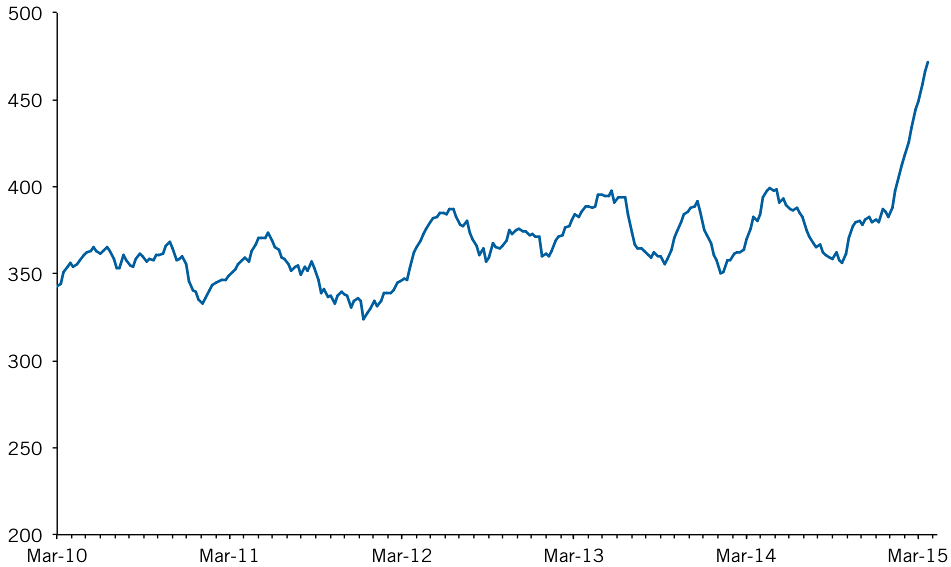
Supply glut sees OECD and US commercial crude stocks continue to rise

The buildup in commercial crude inventories continued through March, depressing both near and long-term oil prices. Brent futures were ranging between $60.8-68.9/bbl for deliveries in December 2015-17 on 31 March (Chart 2.), down from the $68-74/bbl range they were trading in at the end of February. While the rise in OECD stocks, to 2,791 million barrels in February (using data from the US Energy Information Agency EIA) continues to be in excess of the seasonal average, the buildup in US commercial inventories has been especially acute. US stocks hit 471 million barrels on 27 March, an increase of more than 24% y/y. (Chart 3.) Stock levels at Cushing, Oklahoma, the storage and pricing point for WTI, are at record highs of above 54.4 million barrels. US stocks have soared as a result of a drop in refinery throughputs, strong domestic production growth and continuing US imports. The onset of the Spring refinery maintenance season, when crude stocks traditionally build up, should see inventory levels and downward pressure on oil prices, especially WTI, increase further.

Accelerating global growth to underpin a recovery in global oil demand in 2015

The International Energy Agency (IEA) has revised upwards its demand growth forecast for 2015 by 75,000 b/d to 1.0 mb/d. (Chart 5.) This comes after oil demand came in better than expected during 4Q2014 and 1Q2015, which was likely a reflection of improving macroeconomic conditions and 'one off' factors such as the impact of colder weather in the northern hemisphere and a base effect boost from 2013. The International Monetary Fund (IMF) expects the global economy to expand further in 2015, by 3.7%, which should help oil demand reach 93.5 mb/d in 2015, an increase of 1% on 2014.

Figure 3 US Commercial Crude Stocks (million barrels)



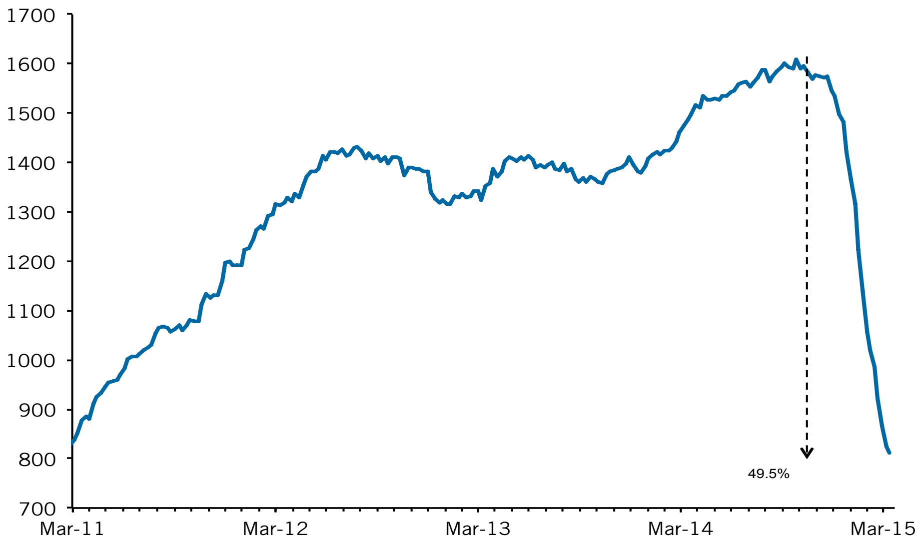
Source: EIA

OPEC production slips in February on supply outages in Libya and Iraq

OPEC output fell to 30.2 mb/d in February, its lowest level in two years, according to OPEC data obtained through direct communication with national sources. (Chart 6.) The drop of 330,000 b/d compared to January was primarily a reflection of outages in Libya and Iraq. Libyan output declined further to 341,000 b/d in February as the conflict between the country's two rival governments continued to impact oil fields and installations. Since last October's high of 900,000 b/d, two thirds of the country's oil production has been taken offline.

In Iraq, meanwhile, storage constraints at the country's southern tank farms and bad weather in the Shatt Al-Arab saw crude production decline by almost 260,000 b/d to 2.7 mb/d during the month. This is the second month in a row since December that production has fallen. Output had reached a 35-year high of 3.6 mb/d last December, according to OPEC secondary sources.

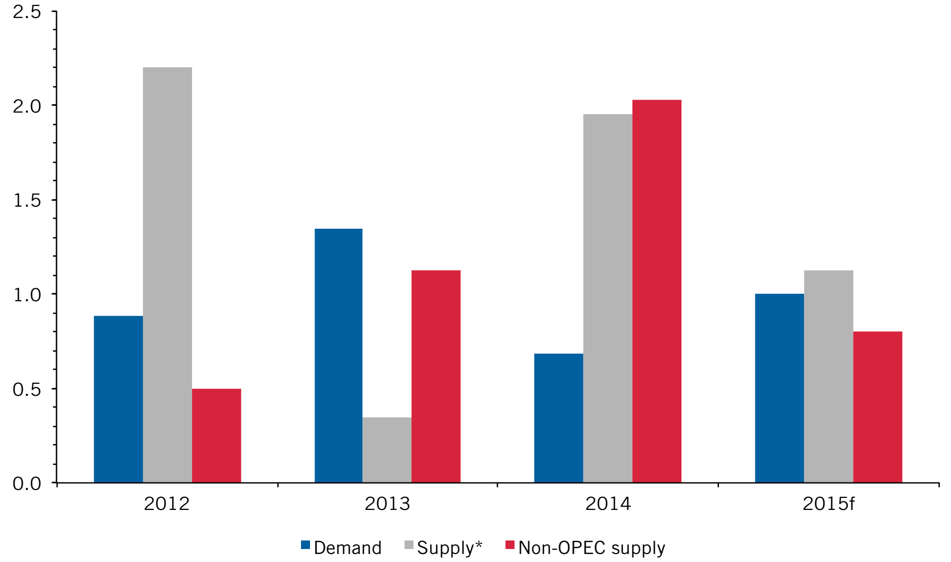
Figure 4 US Oil Rig Count



Source: Baker Hughes

Saudi Arabian production was also down, by 44,000 b/d to 9.6 mb/d during February. Nevertheless, since OPEC's Saudi-led decision in November to hold off on cutting output below the group's official target level of 30 mb/d, the kingdom has steadfastly stuck to its strategy of protecting market share and kept its production relatively steady; even the loss of the 300,000 b/d Khafji oil field in the Neutral Zone, which Saudi Arabia shares 50/50 with Kuwait, was compensated by increasing production from other fields.

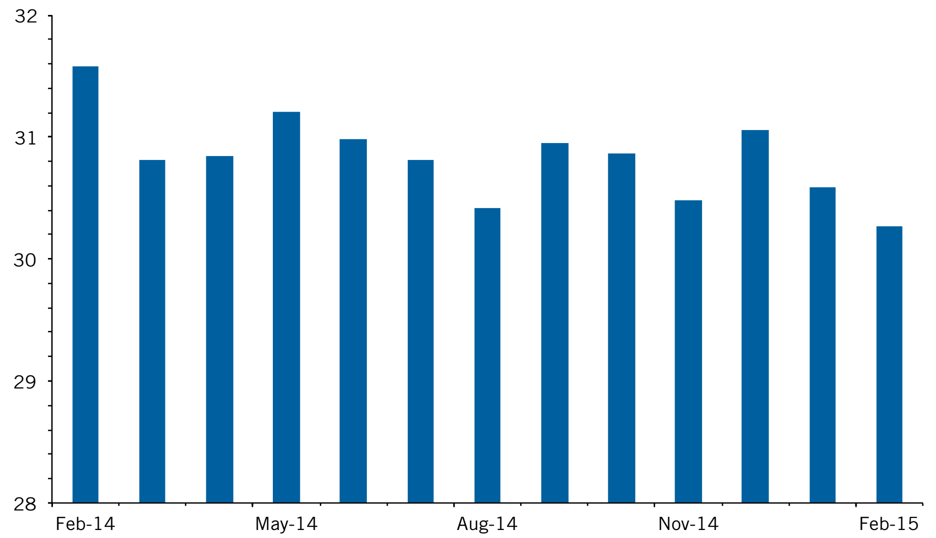
Figure 5 Change in World Oil Supply and Demand (mb/d)



*Source: IEA, *2015 supply growth forecast based on current*

While February saw OPEC output exceed the 30 mb/d level for the tenth consecutive month, improving global oil demand this year should help narrow the OPEC supply-demand mismatch to 0.7 mb/d if OPEC maintains production at current levels for the remainder of the year. OPEC would thus need to cut output by 0.7 mb/d to 29.5 mb/d (the "call on OPEC crude and stock change) in order to balance expected demand this year. Often during the second half of 2014, OPEC was producing at least 1.2 mb/d in excess of the "call".

Figure 6 OPEC Crude Oil Production (mb/d)

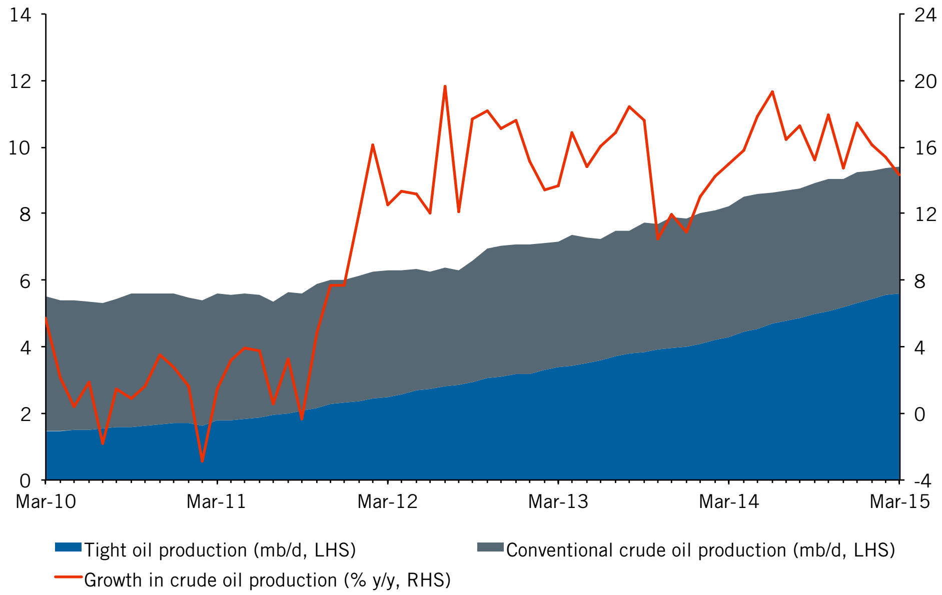


Source: OPEC

Burgeoning US crude production helped propel non-OPEC supply growth to 1.4 mb/d in February

According to the IEA, non-OPEC supply increased by 1.4 mb/d to 57.3 mb/d in February and was supported by surging North American production which continues to offset supply outages elsewhere. Total US crude production reached 9.4 mb/d, an increase of 15% y/y, according to the EIA. (Chart 7.) Of this, approximately 5.6 mb/d, or 59%, is crude from shale/tight oil formations. Output has, on an aggregate monthly level, shown little sign of slowing down in March despite a 49.5% reduction in the number of active oil rigs (from an all-time high in October, see Chart 4.) and drilling permits. The cutback in capital expenditure is expected to be in the order of 20-40% this year. April may be a slightly different story, however, as preliminary data released by the EIA on 2 April pointed to a 36,000 b/d decline in US production from the previous week. The EIA had earlier indicated in its March Drilling Productivity Report that it expected crude output from three key shale/tight oil producing regions, Eagle Ford, Niobrara and Bakken, to fall during March-April; aggregate production, however, would remain unchanged in April as these declines would be offset by production gains elsewhere. Overall, the IEA expects non-OPEC supply to increase by 800,000 b/d in 2015.

Figure 7 US Crude Oil Production (mb/d)



Source: EIA

Companies in Focus

- Agility
- Ahli United Bank (Almutahed)
- Al Ahli Bank of Kuwait (ABK)
- Alargan International Real Estate Company (ALARGAN)
- Aviation Lease and Finance Company (ALAFCO)
- Boubyan International Industries Holding Company (BIIHC)
- Boubyan Petrochemical (BPCC)
- Burgan Bank
- Commercial Bank Kuwait (CoBK)
- Commercial Real Estate Company (Al Tijaria)
- Gulf Bank
- Gulf Cable and Electrical Industries Company (Gulf Cable)
- Gulf Insurance Group (GINS)
- Injazzat Real Estate Development Company (Injazzat)
- Kuwait Finance House (KFH)
- Kuwait Food Company (Americana)
- Kuwait and Gulf Link Transport Company (KGL)
- Kuwait Projects (KIPCO)
- Mobile Telecommunications Company (Zain)
- National Industries Group Holding (NIG)
- National Investment Company (NIC)
- National Real Estate Company (NREC)
- Qurain Petrochemical Industries Company (QPIC)
- Sultan Center (Sultan)
- Asiya Capital Investment Company (ASIYA)
- United Real Estate Company

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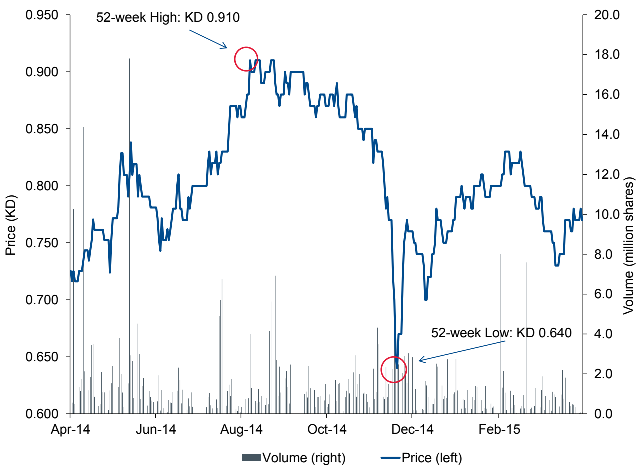
AGILITY

Key Data

General		Daily Liquidity	
KSE Code	AGLTY.KSE	52-week avg. volume	1,455,550
Reuters	AGLT.KW	52- week avg. value (KD)	1,169,560
Price (KD)		**Price Performance**	
Closing Price	0.770	YTD	4.1%
52-week High/Low	0.910 / 0.640	12-month	6.2%
Market Capitalization		**Issued Shares**	
KD (million)	888.69	Millions	1,154.14
Ownership Structure			
Closely-held: 42.30%		Public: 57.70%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

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Highlights

- Agility's core business has changed significantly since 2010 following its 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 to the company's commercial divisions, which include the Global Integrated Logistics (GIL) and Infrastructure divisions.
- Agility has realigned its strategy to focus on developing the GIL division (78% of total revenue) by expanding its reach in emerging markets and increasing efficiencies.
- Agility reported a 1.3% YoY decrease in revenue to KD 1.36 billion in 2014, mainly due to the 3.2% YoY decrease in GIL. GIL revenue for 2014 came in at KD 1.06 billion, representing a 6% decline from 2013. This could be attributed to both; the general economic volatility and the slowdown in major project logistics held in Australia and Papua New Guinea. However, profitability margins for the GIL segment improved 160 bps from 21.8% in 2013 to 23.4% for 2014. According to the company, this comes as a result of continued growth in contract logistics across the Middle East and Asia. Agility's infrastructure division posted an 18% YoY increase in revenue to reach KD 303 million.
- Agility has a 24% indirect equity stake in Korek Telecom, a telecom operator in Iraq, coupled with a shareholder loan of KD 29.3 million. Combined, the company's total book value of the investment in Korek was KD 134.4 million as of end of December 2014 and represents around 16% of Agility's current market cap.
- Agility's board of directors (BOD) proposed a dividend distribution of 35% (35 fils per share) and 5% bonus share for FY2014. This translates to a dividend yield of 5%, based on the stock's market price on April 21, 2015.
- The U.S. legal case remains a key risk for Agility, and predicting an outcome is impossible.

Key Ratios

	2010	2011	2012	2013	2014
Gross Profit Margin	30%	28%	26%	28%	29%
EBITDA Margin (adj. for one-offs)	7%	4%	5%	6%	6%
Net Profit Growth	-84%	8%	25%	37%	10%
Net Profit Margin	1.6%	2.0%	2.4%	3.4%	3.7%
Cash-to-Total Assets	14%	9%	10%	11%	13%
Interest Coverage (x)	6.0	2.2	5.8	7.5	6.9
RoAA	1.5%	1.9%	2.4%	3.2%	3.5%
RoAE	3%	3%	4%	5%	6%

Source: Company's financial statements and NBK Capital

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 (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 in 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 78% of the company's revenue in FY2014. 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 manage the supply chain of commercial client's.
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 multiple 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 22% 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:

- **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 successfully expand its operations across emerging markets.
- **Reducing Costs** – Agility is looking to invest in technology to increase efficiency and unify the subsidiaries into one operating platform. If this is successful, we believe the company can make a lot of progress in this area since the GIL division has grown as a result of several acquisitions.

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:

- **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.
- **Gulf Warehousing Company (GWC)** – Agility has a 21% 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 37.4 million, a 100% premium over the transaction price.

Latest News

- **March 2015:** Agility won a contract by DMG Events to manage international freight and provide on-site handling services for the Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC), which will be held at the Abu Dhabi National Exhibition Center in 2015 and 2016. The company will be in charge of supporting exhibitors and their contractors with logistical requirements and shipping of exhibits to and from the ADIPEC events.
- **January 2015:** Agility will develop a logistics park on a 40-acre site in the Tema Port Free Trade Zone Enclave in Ghana. The distribution center is planned for completion in 4Q2015. When completed, it will provide, the equivalent of 100 thousand sqm of diverse warehouses. Agility is also planning to build a series of warehouses across Africa.

These logistics hubs will provide international standard logistics infrastructure to local, regional and global companies, to serve the needs of Agility's existing and new customers, as they seek distribution facilities across the African continent. According to Bloomberg, Agility's CEO for Africa Geoffrey White announced in an interview in the Ghanaian capital Accra, that the company will invest a total of USD 4.2 billion for expansion projects in Africa, starting with the USD 60 million logistics park in Tema.

- **December 2014:** Agility is founding a new technology company named Foresight, which offers IT consultancy services and solutions to government and commercial sectors in Kuwait to help them become more innovative, efficient, and competitive in the global marketplace. Foresight is currently working on two government projects: Kuwait Government Online Phase II (KGO II) and Kuwait General Administration of Customs (KGAC).

Potential for Improvement in Core Operations through Margin Enhancement – GIL

- One of Agility's key focus areas is managing 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 that of other global freight forwarding companies. The average EBITDA margin of seven global freight forwarding companies, with operations similar to Agility's GIL division, is c. 5.4% as of 2014. However, Agility's GIL segment has an EBITDA margin of 1.8% as of 2014 (2.1% as of 2013), less than half of the peers' average. This shows that the GIL division has significant potential for margin enhancement that could result in improved profit margins and strong cash flow generation and essentially unlock value in the company's stock.

Margin Pressure Due to Higher G&A Expenses

- Agility recorded a significant increase in G&A expenses during 4Q2014 of KD 47.4 million, an increase of 37% YoY. This led to a lower adjusted EBITDA level at KD 8.4 million, compared to an average of KD 22.7 million during 9M2014. As a result, the company's adjusted EBITDA (clean from one-offs) margin for FY2014 declined 30-basis-points YoY to come in at 5.6%.
- Due to the revaluation gains of KD 18.8 million that the company recorded during 4Q2014, EBITDA on an adjusted basis increased 9% YoY during 4Q2014 to KD 26.8 million. This led to Agility recording an EBITDA level of KD 100 million for FY2014, an increase of 6% YoY.

We believe 1H2015 will be a test of Agility's ability to follow through with this strategy of lowering costs and improving efficiencies.

Strong Cash-generating Abilities

- Agility continues to show an outstanding ability to generate operating cash flows through the company's core segments. In 2014, cash flow from operations reached KD 81 million, 18% lower than 2013 levels due to a significant increase in trade receivables. Although these levels remain well below historic highs, the cash levels generated per year are still significant, as cash generated in 2014 represented more than 10% of the company's current market capitalization.
- Agility maintains a strong balance sheet, highlighted largely by a cash balance of KD 87.5 million in 2014, which represents 6% of the company's total assets and 11% of its total market cap. In addition, the cash balance exceeds the company's total debt of KD 73.3 million as of 2014. Overall, we believe this provides Agility with sufficient liquidity to follow through with the company's expansion strategy.

Dividends

- Agility proposed, a DPS of KD 0.035 per share for 2014. This comes in higher than Agility's dividend payment over the past two years (0.030 in 2013 and 0.031 in 2012), and higher than their stated strategy of paying KD 0.030 per share as a minimum (for 2013, 2014, and 2015). The dividend translates into a dividend payout of 91% and a dividend yield of 5.7%.

Financial Statements

Income Statement (KD million)	2011	2012	2013	2014
Revenue	1,330.9	1,417.8	1,375.7	1,357.3
Cost of Goods Sold	(955.8)	(1,047.7)	(989.4)	(965.3)
Gross Profit	375.1	370.1	386.3	392.0
General and Admin Exp.	(121.7)	(116.3)	(118.7)	(126.1)
Salaries and Emp. Benefits	(203.1)	(184.4)	(186.2)	(189.6)
Adjusted EBITDA	50.3	69.4	81.4	76.4
Other Operating Income (Expenses)	8.1	9.4	12.6	23.6
EBITDA	58.4	78.8	94.0	100.0
Depreciation	(30.8)	(27.8)	(25.8)	(25.9)
Ammortization	(0.5)	(2.3)	(3.6)	(3.6)
EBIT	27.134	48.7	64.6	70.4
Interest Income	20.9	6.3	5.2	4.9
Finance Costs	(8.5)	(6.8)	(6.9)	(6.8)
Directors remuneration	(0.2)	(0.2)	(0.2)	(0.1)
Net Profit Before Tax and Min. Int.	39.3	48.1	62.7	68.4
Tax	(8.1)	(8.1)	(9.7)	(10.0)
Minority Interest	(4.2)	(6.3)	(6.8)	(7.5)
Net Profit	27.0	33.7	46.2	50.8

Balance Sheet (KD million)	2011	2012	2013	2014
Cash and Cash Equivalents	119.7	143.5	152.7	190.4
Total Receivables, Net	279.3	274.1	256.2	270.6
Inventory	10.7	13.8	15.1	19.7
Other Current Assets	96.5	78.8	73.2	75.0
Total Current Assets	506.1	510.1	497.3	555.7
Property, Plant & Equipment	202.0	189.7	170.8	161.9
Intangibles	250.7	288.8	281.5	281.5
Projects in Progress	21.1	18.9	25.1	25.1
Long Term Investment Props.	218.1	214.6	213.6	213.6
Financial Assets	132.7	143.6	151.8	151.8
Other Long Term Assets	71.7	67.1	72.1	72.1
Total Long Term Assets	896.3	922.7	915.0	906.1
Total Assets	1,402.4	1,432.8	1,412.3	1,461.8
Accounts Payables	379.8	381.8	376.3	392.9
Dividends Payable	7.5	7.7	7.6	8.1
Current Portion of LT Debt	38.3	36.7	33.3	47.1
Total Current Liabiities	425.7	426.2	417.1	448.0
Prov. for End of Service Benefits	18.1	20.1	32.5	36.9
Minority Interest	7.3	14.9	19.1	22.0
Other Long Term Liabilities	35.1	34.0	29.1	30.1
Long Term Debt	24.5	42.7	37.0	26.2
Total Current Liabiities	85.0	111.6	117.6	115.3
Total Equity	891.8	895.0	877.5	898.5
Total Liabilities and Equiy	1,402.4	1,432.8	1,412.3	1,461.8

Source: Company's financial statements and NBK Capital

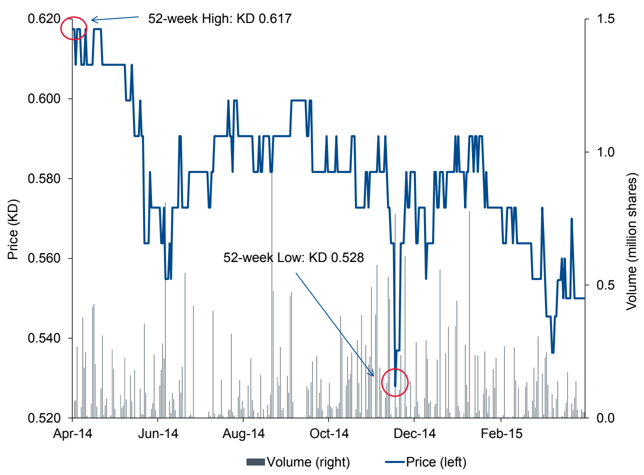
AHLI UNITED BANK (ALMUTAHED)

Key Data

General		Daily Liquidity	
KSE Code	ALMUTAHED.KSE	52-week avg. volume	137,449
Reuters	BKME.KW	52- week avg. value (KD)	80,358
Price (KD)		**Price Performance**	
Closing Price	0.550	YTD	-4.0%
52-week High/Low	0.617 / 0.528	12-month	-10.9%
Market Capitalization		**Issued Shares**	
KD (million)	787.44	Millions	1,431.71
Ownership Structure			
Closely-held: 78.30%		Public: 21.70%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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Highlights

- Ahli United Bank (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 47.0 million in FY2014, 11% above FY2013 driven by higher operating income. Net interest income grew by 2% and reached KD 79.5 million in FY2014 driven by strong volumes. Non-interest income grew by 4% in FY2014 and was driven by net investment earnings, which reached KD 4.8 million in FY2014 compared to KD 1.5 in FY2013. Total operating income growth reached 2% for the period, and stood at KD 101.2 million following 14% growth for FY2013.
- Loan loss provisioning charges increased by 9% YoY, standing at KD 19.7 million in FY2014 compared to KD 18.0 million in FY2013.
- Financing receivables decreased by 0.7% in 4Q2014 following a positive growth in the previous three quarters. This resulted in 16% YTD growth in FY2014.
- In FY2014, NPRs grew by 15% following a significant 36% increase in FY2013. This resulted in NPRs amounting to KD 76.0 million at the end of December 2014, compared with KD 66.1 million in FY2013. As a result, Almutahed's NPR Ratio remained flat at 3.0% at the end of December 2014. Additionally a 3% increase in provisioning did not offset the higher NPR accumulation, resulting in a decline in the NPR coverage to 118% by the end of December 2014 (131% at the end of December 2013)

Key Ratios

	2010	2011	2012	2013	2014
Growth in Financing *	3%	3%	9%	24%	16%
Growth in Deposits	-12%	30%	7%	17%	17%
Growth in Net Profit	95%	13%	22%	10%	11%
Growth in Operating Income	-9%	0%	11%	14%	2%
NPR Ratio	2.9%	2.8%	2.7%	3.0%	3.0%
NPR Coverage	113%	149%	161%	131%	118%
Capital Adequacy	18.8%	20.1%	18.2%	17.8%	16.3%
Growth in Costs	3%	8%	-4%	3%	6%
Cost-to-Income	37%	40%	34%	31%	32%
RoAA	1.2%	1.2%	1.5%	1.5%	1.4%
RoAE	12%	12%	14%	14%	15%

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

Overview

Ahli United Bank (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 67.3% 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 37 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, Fitch and Standard & Poor's at A2, A+ and BBB+, respectively.

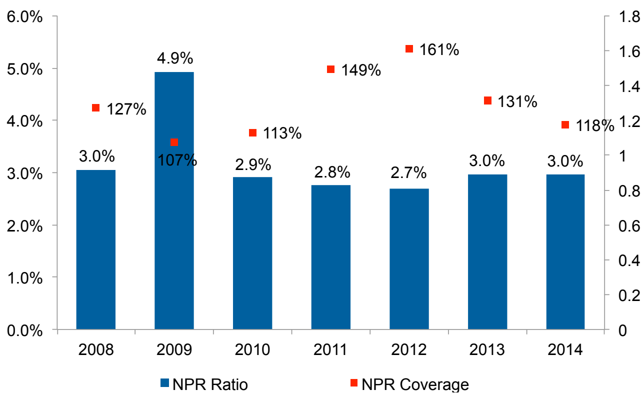
Latest News

- **March 2015:** Almutahed distributed cash dividends of KD 0.010 (starting 2 April 2015) and a 10% bonus share issue (starting 15 April 2015) for FY2014.
- **April 2015:** Richard William Groves was appointed CEO of Almutahed.
- **January 2015:** Kuwait Real Estate Co. said in a statement on the Kuwait Stock Exchange, that it has secured a KD 75 million (USD 255 million) credit facility from Almutahed at an annual interest rate ranging between 1.75% and 2.4%. The company will repay those facilities in 2020, and the loan obtained is part of a rescheduling of a loan previously obtained by Kuwait Real Estate Co.
- **December 2014:** Advanced Technology received a KD 45 million loan from Almutahed, to finance The Kuwait Cancer Center project. This falls within the bank's strategy to boost the government development plan.

Asset Quality

- In FY2014, NPRs grew by 15% following a significant 36% increase in FY2013. This resulted in NPRs amounting to KD 76.0 million at the end of December 2014, compared with KD 66.1 million in FY2013.
- As a result, Almutahed's NPR Ratio remained flat at 3.0% at the end of December 2014. Additionally a 3% increase in provisioning did not offset the higher NPR accumulation, resulting in a decline in the NPR coverage to 118% by the end of December 2014 (131% at the end of December 2013)

Asset Quality Indicators



Sources: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

FY2014

- Almutahed posted a net profit of KD 47.0 million in FY2014, 11% above FY2013 driven by higher operating income.
- Net interest income grew by 2% and reached KD 79.5 million in FY2014 driven by strong volumes. Non-interest income grew by 4% in FY2014 and was driven by net investment earnings, which reached KD 4.8 million in FY2014 compared to KD 1.5 million in FY2013. Fee and commission income growth, however, contracted 3% in FY2014
- All in all, total operating income growth reached 2% for the period, and stood at KD 101.2 million following 14% growth for FY2013.
- Loan loss provisioning charges increased by 9% YoY, standing at KD 19.7 million in FY2014 compared to KD 18.0 million in FY2013.

- Almutahed's total costs inched up by 6% YoY, bringing the cost-to-income (CIR) to 32% compared to 31% in FY2013.

Balance Sheet

- Financing receivables decreased by 0.7% in 4Q2014 following a positive growth in the previous three quarters. This resulted in 16% YTD growth in FY2014.
- On the other hand, deposits from customers declined by 4% in 4Q2014 following an 11% growth in 3Q2014, resulting in a 17% YTD growth in FY2014.
- As a result, the bank's LDR stood at 101% at the end of December 2014, compared with 102% at the end of December 2013.

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Interest Income	96.3	97.9	97.1	110.7
Interest Expense	(33.0)	(26.3)	(19.2)	(31.2)
Net Interest Income	63.4	71.6	77.8	79.5
Fees and Commissions	9.3	9.3	10.8	10.5
Foreign Exchange Income	3.3	3.8	4.2	4.3
Net Investment Earnings	0.0	(0.3)	1.5	4.8
Other Operating Income	1.6	1.9	4.3	2.1
Total Operating Income	77.6	86.4	98.7	101.2
Staff Expenses	(17.7)	(17.2)	(18.5)	(19.4)
Depreciation	(3.6)	(3.5)	(3.0)	(2.8)
Other Expenses	(9.5)	(8.9)	(9.0)	(10.1)
Total Operating Expenses	(30.8)	(29.6)	(30.5)	(32.4)
Loan Loss Prov.	(9.0)	(16.0)	(18.0)	(19.7)
Investment and Other Prov.	(10.8)	(0.9)	(5.3)	(0.4)
Other Income / (Exp.)	(1.5)	(2.0)	(2.1)	(2.3)
Minority Interest	6.1	0.5	(0.5)	0.6
Net Profit	31.5	38.5	42.5	47.0

Balance Sheet (KD millions)	2011	2012	2013	2014
Assets				
Cash and Cash Equivalents	423.3	267.2	181.0	89.0
Due from Banks	453.9	478.2	661.3	766.9
Financing Receivables	1,583.3	1,728.1	2,140.9	2,480.4
Net Investments	47.2	49.2	69.0	150.9
Investment in Associates	8.4	9.2	9.9	9.9
Net Fixed Assets	42.7	38.9	39.2	39.0
Others	34.7	62.2	63.6	60.8
Total Assets	2,627.8	2,632.9	3,165.0	3,596.9
Liabilities and Shareholders'Equity				
Due to Banks and Oth.Fin.Inst.	633.2	500.6	700.4	756.7
Customers' Deposits	1,678.8	1,796.3	2,093.0	2,453.8
Other Liabilities	40.7	40.6	48.4	47.1
Total Liabilities	2,352.8	2,337.5	2,841.8	3,257.6
Total Shareholders' Equity	262.2	282.8	309.8	326.9
Minority Interest	12.8	12.6	13.4	12.5
Total Liabilities and Equity	2,627.8	2,632.9	3,165.0	3,596.9

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

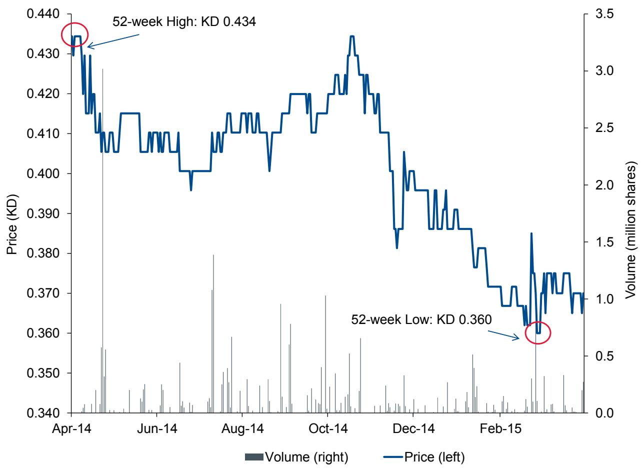
AL AHLI BANK OF KUWAIT (ABK)

Key Data

General		Daily Liquidity	
KSE Code	ABK.KSE	52-week avg. volume	113,936
Reuters	ABKK.KW	52- week avg. value (KD)	47,378
Price (KD)		**Price Performance**	
Closing Price	0.370	YTD	-6.5%
52-week High/Low	0.434 / 0.360	12-month	-14.8%
Market Capitalization		**Issued Shares**	
KD (million)	599.09	Millions	1,619.17
Ownership Structure			
Closely-held: 56.86%		Public: 43.14%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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Highlights

- Al Ahli Bank of Kuwait 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 owns approximately 31% of the bank's total share capital.
- ABK reported a net profit of KD 37.6 million in FY2014, 6% above FY2013. The YoY improvement was mainly driven by higher operating income and lower other operating expenses. Net interest income increased 1% YoY to KD 84.4 million in FY2014 from KD 83.8 million in FY2013. In 1Q2015, ABK's net profit increased by 11% YoY to KD 9.1 million in 1Q2015, mainly driven by higher operating income.
- Loan loss provisioning charges amounted to KD 40.7 million in FY2014, 6% higher than the KD 38.5 million recorded at the same period last year. In 1Q2015, loan loss provisioning charges decreased by 5% YoY to KD 11.9 million.
- Cost efficiency was controlled as the bank's cost-to-income ratio remained unchanged compared with December 2013 at around 30% as costs increased slightly by 3% in FY2014 and total operating income increased by 2%. In 1Q2015, the cost-to-income ratio was 30%.
- The bank's loan book increased by 3% QoQ in 4Q2014, resulting in 11% YoY growth. The bank's deposit book contracted 10% in 4Q2014, but remained unchanged on a YoY basis. As a result, the bank's LDR, increased from 112% at the end of December 2013 to 125% at the end of December 2014. In 1Q2015, loans increased by 4% QoQ and deposits grew by 6% QoQ, which led to a LDR of 123%.
- Overall, ABK's asset quality indicators improved slightly during the year as the NPL ratio decreased to 2.5% at the end of December 2014 from 2.6% at the end of December 2013. Meanwhile NPL coverage increased to 242% compared to 237% at the end of December 2013, driven by higher provisions.

Key Ratios

	2011	2012	2013	2014	1Q2015
Growth in Loans	3%	-4%	10%	11%	4%
Growth in Deposits	4%	-13%	6%	0%	6%
Growth in Net Profit	-5%	-40%	18%	6%	11%
Growth in Operating Income	9%	1%	-1%	2%	4%
NPL Ratio	4.2%	5.3%	2.6%	2.5%	n/a
NPL Coverage	134%	132%	237%	242%	n/a
Capital Adequacy	25.1%	27.7%	26.9%	23.7%	n/a
Growth in Costs	9%	0%	-5%	3%	5%
Cost-to-Income	31%	31%	29%	30%	30%
RoAA	1.7%	1.0%	1.1%	1.1%	0.3%
RoAE	11%	6%	7%	7%	1.7%

Source: Company's financial statements and NBK Capital

Overview

Al Ahli Bank of Kuwait is a mid-sized bank in Kuwait with a market share of 7% of the total assets. The bank was established in 1967 by the Behbehani group, which currently owns approximately 37% of the bank's total share capital. Another 20% is owned by government and public institutions. ABK operates via a network of 31 branches in Kuwait and two branches in the United Arab Emirates (UAE; one each in Dubai and Abu Dhabi). 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, Moody's, and Fitch as BBB+, A+, and A+, respectively.

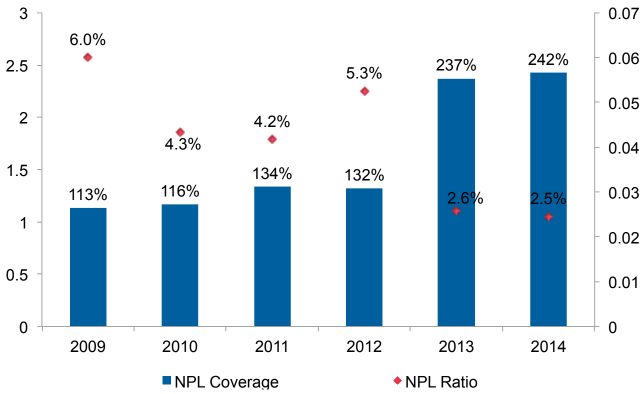
Latest News

- **March 2015:** Moody's affirmed ABK rating at "A2/ Prime-1" for both long-term and short-term deposits, bank's standalone financial strength at "D+", and baseline credit assessment at "baa3", with future stable outlook.
- **March 2015:** ABK's shareholders approved the distribution of KD 0.013 per share for FY2014.
- **March 2015:** The AGM appointed Talal Mohammed Reda Behbehani as BOD Chairman.
- **December 2014:** ABK Chairman Ahmed Yousef Behbehani announced his resignation, due to health issues, which will be effective starting December 24. Deputy Chairman Talal Mohamed Reda Yousef will replace replace Behbehani, as the new chairman of ABK.

Asset Quality

- Overall, ABK's asset quality indicators improved slightly during the year as the NPL ratio decreased to 2.5% at the end of December 2014 from 2.6% at the end of December 2013. Meanwhile NPL coverage increased to 242% compared to 237% at the end of December 2013, driven by higher provisions. General provisions grew by 9% in FY2014 while specific provisions were 4% lower YoY at the end of the year.
- NPL's increased 5% in FY2014 following a 46% drop in FY2013. Additionally, write-offs also declined 26% to KD 33 million in FY2014.
- ABK's net provisioning charges remained high in FY2014 and increased by 6% to KD 40.7 million, compared with KD 38.5 million in FY2013 and KD 42.9 million in FY2012, putting a strain on bottom-line growth.

Asset Quality Indicators



Sources: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

1Q2015

- ABK's net profit increased by 11% YoY to KD 9.1 million in 1Q2015, mainly driven by higher operating income.
- Net interest income increased 4% YoY to KD 22 million in 1Q2015 from KD 21.1 million in 1Q2015. Non-interest income increased by 3% YoY, mainly due to 11% growth in fees and commission, which stood at KD 6.5 million in 1Q2015.
- Consequently, operating income increased by 4% YoY to KD 31 million.
- Loan loss provisioning charges totaled KD 11.9 million in 1Q2015, 5% lower than the KD 12.6 million recorded at the same period last year. Total operating expenses increased by 5% YoY, to KD 9.2 million. As a result, the cost-to-income ratio was 30% in 1Q2015.

FY2014

- ABK reported a net profit of KD 37.6 million in FY2014, 6% above FY2013. The YoY improvement was mainly driven by higher operating income and lower other operating expenses. Net interest income increased 1% YoY to KD 84.4 million in FY2014 from KD 83.8 million in FY2013.
- Non-interest income increased by 4.5% YoY, mainly due to the 20% growth in net investment earnings, which totaled KD 4.5 million in FY2014 compared with KD 3.8 million in FY2013.

- Thus, operating income stood at KD 117.6 million in FY2014, 2% higher than the KD 115.6 million achieved in FY2013.
- Loan loss provisioning charges totaled KD 40.7 million in FY2014, 6% higher than the KD 38.5 million recorded at the same period last year. Looking at quarterly trends, we note a QoQ decrease in provisioning charges in 4Q2014 (-21%).
- Total operating expenses increased by 3% YoY from KD 34.1 million to KD 35.1 million, as a result of the 11% increase in staff expenses and a 9% YoY drop in other operating expenses and depreciation.
- Cost efficiency was controlled as the bank's cost-to-income ratio remained unchanged compared with December 2013 at around 30% as costs increased slightly by 3% in FY2014 and total operating income increased by 2%.

Balance Sheet

- The bank's loan book increased by 3% QoQ in 4Q2014, resulting in 11% YoY growth. The bank's deposit book contracted 10% in 4Q2014, but remained unchanged on a YoY basis. As a result, the bank's loans-to-deposits ratio (LDR), increased from 112% at the end of December 2013 to 125% at the end of December 2014.
- In 1Q2015, loans increased by 4% QoQ, and deposits grew by 6% QoQ, which led to a LDR of 123%.

Financial Statements

Income Statement (KD millions)	2013	2014	1Q2014	1Q2015
Interest Income	105.6	111.8	26.6	29.4
Interest Expense	(21.8)	(27.5)	(5.5)	(7.4)
Net Interest Income	83.8	84.4	21.1	22.0
Fees and Commissions	22.0	22.0	5.8	6.5
Foreign Exchange Income	2.8	3.0	0.6	0.5
Net Investment Earnings	3.8	4.5	1.6	1.3
Income from Associate	1.8	2.0	0.4	0.6
Other Operating Income	1.5	1.7	0.3	0.2
Total Operating Income	115.6	117.6	29.8	31.0
Staff Expenses	(20.0)	(22.2)	(5.4)	(5.6)
Other Operating Expenses	(14.1)	(12.9)	(3.3)	(3.5)
Total Operating Expenses	(34.1)	(35.1)	(8.7)	(9.2)
Loan Loss Prov.	(38.5)	(40.7)	(12.6)	(11.9)
Investment and Other Prov.	(5.5)	(1.7)	0.0	0.0
Other provisions	0.0	0.0	0.0	0.0
Other Income / (Exp.)	(2.1)	(2.6)	(0.4)	(0.9)
Net Profit	35.4	37.6	8.1	9.1

Balance Sheet (KD millions)	2012	2013	2014	Mar-15
Assets				
Cash and Cash Equivalents	722.9	673.0	645.9	621.3
Loans and Advances	1,986.9	2,189.4	2,422.3	2,525.7
Net Investments	189.5	252.2	345.0	338.9
Net Fixed Assets	29.2	30.6	33.8	34.3
Investments in Associate	10.8	13.6	14.9	15.5
Others	33.7	34.3	37.2	41.7
Total Assets	2,973.0	3,193.1	3,499.0	3,577.3
Liabilities and Shareholders' Equity				
Due to Banks and Oth.Fin.Inst.	557.7	639.2	923.8	884.8
Customers' Deposits	1,838.7	1,947.3	1,938.3	2,059.4
Other Liabilities	59.9	65.8	78.6	86.9
Total Liabilities	2,456.3	2,652.3	2,940.7	3,031.1
Total Shareholders' Equity	516.7	540.8	558.3	546.2
Total Liabilities and Equity	2,973.0	3,193.1	3,499.0	3,577.3

Source: Company's financial statements and NBK Capital

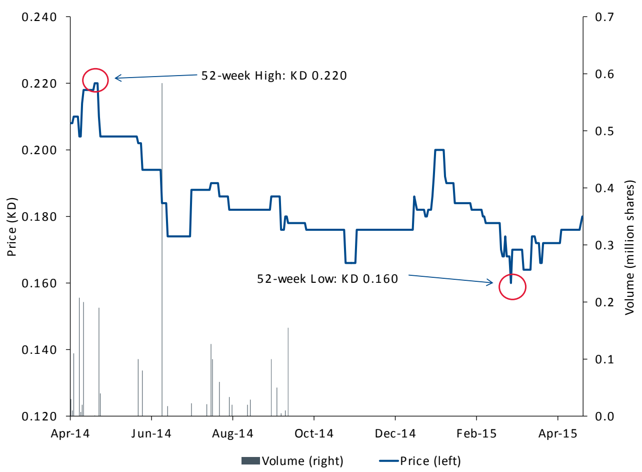
ALARGAN INTERNATIONAL REAL ESTATE COMPANY (ALARGAN)

Key Data

General		Daily Liquidity	
KSE Code	ARGAN.KSE	52-week avg. volume	40,402
Reuters	ARGK.KW	52- week avg. value (KD)	7,018
Price (KD)		**Price Performance**	
Closing Price	0.180	YTD	-1.1%
52-week High/Low	0.220 /0.160	12-month	-13.5%
Market Capitalization		**Issued Shares**	
KD (million)	47.70	Millions	265.00
Ownership Structure			
Closely-held: 62.96%		Public: 37.04%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Highlights

- ALARGAN International Real Estate Company was initially started as a family-owned contracting company in 1994, specializing in the construction of residential projects. Now, the company has grown to become one of the leading residential developers in the GCC, offering a wide array of real estate services.
- EBITDA amounted to KD 8.3 million in 2014, a 9% increase YoY from KD 7.6 million in 2013. This was essentially due to a KD 3.3 million gain that was realized from the sale of a partial stake in ALARGAN Projects Company. ALARGAN also recorded KD 2.3 million in unrealized loss on investment properties and land held for trading as against KD 1.2 million of unrealized gains in 2013. Adjusting EBITDA for these items would result in KD 7.3 million, a 15% increase YoY.
- As of December 31, 2014, the company's net-debt-to equity ratio stood at 0.72x, higher than 0.65x at the end of 2013.
- Net profit increased 20% YoY to KD 4.7 million from level of KD 3.9 million in 2013.
- During 2014, a subsidiary of ALARGAN purchased a land plot in Oman from an associate company for an amount of KD 2.9 million for the purpose of developing it.

Analyst

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Key Ratios

	2010	2011	2012	2013	2014
Net Share in Associates' Results (% of Operating Income)	66%	55%	37%	40%	52%
Net Share in the Associates' Results (% of Net Profit)	98%	74%	66%	71%	85%
Net Profit Growth	18%	33%	-17%	-12%	20%
EBITDA Interest Cover (x)	4.50	5.38	2.57	2.67	3.26
Net debt-to-total-equity (x)	0.52	0.52	0.61	0.65	0.72
Investment in Associates (% of Total Assets)	20%	25%	19%	18%	8%
Investment in Associates (% of Total Equity)	34%	42%	35%	36%	16%

Source: Company's financial statements and NBK Capital

Overview

ALARGAN International Real Estate Company was initially started as a family-owned contracting company in 1994, specializing in the construction of residential projects. Now, the company has grown to become one of the leading residential developers in the GCC, offering a wide array of real estate services.

Through strategic integration, ALARGAN expanded its reach by developing operating companies for major real estate services, including property management, contracting, brokerage, landscaping, hospitality and project management. The synergies created from these operating companies have helped the company optimize its value creation throughout the real estate development cycle.

The company also followed a strategy of regional expansion to maximize its growth potential, which led to the establishment of strategic partnerships in Oman in 2003, Bahrain in 2005, and Saudi Arabia in 2006. In 2007, ALARGAN was listed on the Kuwait Stock Exchange.

ALARGAN Core Business

ALARGAN focuses on the development and marketing of integrated, quality and affordable residential communities throughout the GCC. ALARGAN also moved into the hospitality segment through the development of several projects in Kuwait and Oman. In addition, the company is present in commercial services.

ALARGAN's current emphasis is on geographic and segment diversification. However, the company continues to regard affordable housing as its core business. This strategy has proved successful in Oman, Bahrain, and most notably Saudi Arabia, which offers a vast market and has fewer established developers.

Moreover, ALARGAN continues to pursue a strategic integration of its services under the real estate value chain. In that respect, ALARGAN's contracting and project management subsidiaries, serve as service providers in the majority of the company's own developments. ALARGAN also holds strategic stakes in other real-estate-related companies primarily in the areas of property management, sales, and financing.

ALARGAN believes that the macroeconomic fundamentals within the GCC remain attractive, despite the recent reduction in oil prices. Several encouraging factors such as population growth act as catalysts for further growth of the real estate sector. However, if oil prices remain low for a prolonged period, government spending could come under pressure. In the long term, ALARGAN aims to further expand into new markets within the MENA region which exhibit robust economic and population growth.

Figure 1 ALARGAN Main Subsidiaries

Company Name	Country	Ownership
ALARGAN Int'l. Real Estate Limited Company	UK	100%
Telal Alqurom Real Estate Company	Oman	99.99%
Support Real Estate Company	Kuwait	99.99%
Jenan United Real Estate Company	Kuwait	99.99%
ARGANA Resorts & Hotels	Kuwait	99.95%
Masaken National Company	Saudi Arabia	99.95%
ALARGAN Landscaping Company	Kuwait	99.67%
ALARGAN Holding Company	Kuwait	99%
ALARGAN National General Trading & Contracting	Kuwait	99%
Al Jood Holding Company B.S.C.	Bahrain	99%
Shams Al Fouz Real Estate Company	Bahrain	99%
ALARGAN Investment Real Estate Company	Egypt	98%

Source: Company financial statements

The company's current revenue-generating assets include the following:

- **Movenpick Hotel, Al Bida'a, Kuwait:** With a total built-up area of 41,020 sqm, this project includes a resort, health club, villas, and service flats. In addition, the hotel encompasses an additional commercial area of 3,380 sqm, which comprises 16 shops and numerous high-end restaurants.
- **ARGAN Business Park, Kuwait:** Completed in 4Q2011, it is a waterfront office complex, located in the Free Trade Zone. It consists of nine buildings linked together, with a total built-up area of 20,665 sqm.
- **Al Rimal Hotel and Resort, Al Bida'a, Kuwait:** Previously known as "SHIIK Resort", Al Rimal Hotel and Resort was completed in 2Q2010 with a land area of 22,202 sqm. The development includes a hotel/resort (built-up area of 26,842 sqm), a commercial area of 16 shops (built-up area of 5,086 sqm), and a club (built-up area of 2,900 sqm).
- **C Club, Al Bida'a, Kuwait:** The health club, with a built-up area of 2,938 sqm, has a capacity for 500 members.
- **ALARGAN Square, Salmiyah, Kuwait:** In 2013, the company commenced construction activities for ALARGAN Square, a retail/commercial complex set on a 7,000 sqm plot under a private long lease structure. The company anticipates that this project, located in a prime location in Salmiyah, will be a landmark income-generating property within its existing portfolio of assets.
- The company also generates revenues from its contracting activity in Kuwait. The contracting backlog amounted to KD 5.2 million at the end of 2014.
- Most of the company's middle-income housing projects are undertaken through associate companies, and are therefore not part of the consolidated revenues. This is where most of the value-creation could originate from in the near future.

Figure 2 Upcoming Projects across the GCC

Project Name	Project Description	Al Argan Share
Bahrain		
ALARGAN Village	Commercial component of Jeyoun	10.00%
Al Jood Bu Gowa	Townhouses/commercial (20,100 sq.m)	100.00%
Kuwait		
ALARGAN Square	Commercial (Rent) (Previously known as Al Salmiya Complex)	100.00%
Oman		
Beyout Al Faye*	Residential/Commercial	7.50%
Telal Al Qurm	Mixed-Use Development (10,578 sq.m)	100.00%
Surouh Al Qurm	Residential/Commercial	28.48%
Al Waha**	Mixed-Use Development (684,154 sq.m)	37.50%
Barka Resort***	Mixed-Use Development (500,000 sq.m)	30.00%
Naseem Salalah	Residential	100.00%
* Breakdown of AIRE's share: 15% through ATI		
** Breakdown of AIRE's share: 25% direct, 12.5% through ATI		
*** Breakdown of AIRE's share: 60% through ATI		
Saudi Arabia		
Manazel Qurtoba 1	Mixed Use,Integrated housing community (364,035 sq.m)	25.514%
Manazel Qurtoba 2	Mixed Use (133,000 sq.m)	25.514%
Murjana	Residential (113,000 sq.m)	25.514%
Murooj	Mixed Use (234,000 sq.m)	25.514%
Al Suhool	Mixed Use (977,000 sq.m)	25.514%
Al Argan Gardens	Western-Style community (44,159 sq.m)	25.514%
Al Rehab	Residential, (386,000 sq.m)	25.514%
Janadriya	Mixed Use (2,135,000 sq.m)	25.514%
Green Oasis	Integrated housing community (712,000 sq.m)	25.514%

Source: ALARGAN International Real Estate Company

Latest News

- **April 2015:** The second tranche of GCC Property Fund I, representing 92.5% of the total shares, was sold for SAR 521 million (approx. KD 41.9 million). The financial impact of this transaction will be reflected in the 2Q2015 financial statements.
- **March 2015:** The board of directors has proposed the distribution of KD 0.007 in cash dividends for FY2014. This is in line with the dividend that was paid for FY2013, and translates to a payout ratio of 38%.
- **December 2014:** GCC Property Fund I (ALARGAN's fully owned subsidiary) has signed two agreements to sell its entire 27.6% stake in ALARGAN Projects Company in two tranches for SAR 579 million (approx. KD 45.2 million). The first tranche, representing 7.5% of the total shares, was already sold for SAR 58 million (KD 4.5 million), and the company realized a gain of KD 3.3 million on this.
- **December 2014:** Capital Intelligence affirmed an investment grade (BBB-) rating with a stable outlook on the KD 26.5 million five-year bond issued by ALARGAN in April 2012.

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 integrates the gross profit from all three segments (contracting and real estate services, rentals, and resorts) as well as the share in results of associates (through which the company performs its main activity, development of middle-income housing). Resorts have historically accounted for around half of this gross operating profit, with the proportion increasing to 56% in 2014. Meanwhile, rental income accounted for the majority of the remaining portion.

Income Statement

2014

- Gross profit from resorts amounted to KD 3.59 million in 2014, as against KD 3.54 million in 2013 (1.4% YoY). Meanwhile, gross profit from rents amounted to KD 2.8 million as against KD 2.9 million in 2013 (-3% YoY). As for projects, gross profit declined from KD 0.8 million to KD 0.06 million (-92% YoY).
- EBITDA amounted to KD 8.3 million in 2014, a 9% increase YoY from KD 7.6 million in 2013. This was essentially due to a KD 3.3 million gain that was realized from the sale of a partial stake in ALARGAN Projects Company. ALARGAN also recorded KD 2.3 million in unrealized loss on investment properties and land held for trading as against a KD 1.2 million of unrealized gains on investment properties in 2013. Adjusting EBITDA for these items would result in KD 7.3 million, a 15% increase YoY for 2014.
- Net profit increased 20% YoY to KD 4.7 million from a level of KD 3.9 million in 2013.

Balance Sheet

- As of December 31, 2014, the company's net-debt-to equity stood at 0.72x, higher than 0.65x at the end of 2013.
- The company recorded a significant increase in short-term dues from related parties, which in turn led to a cash outflow of KD 4 million from operating activities in 2014 compared to a cash inflow of KD 2.2 million in 2013.

Financial Statements

Income Statement (KD thousands)	2011	2012	2013	2014
Gross Profit from projects	(88)	478	828	58
Gross Profit from rents	1,954	2,120	2,908	2,799
Gross Profit from resorts	2,863	3,308	3,541	3,585
Dep. on projects, rents and resorts	425	507	473	565
Share of results from associates	3,935	2,897	574	895
Operating Gross Profit	9,089	9,309	8,324	7,903
Gain on partial sale of associate	-	2,068	-	-
Realized gain on sale of inv propertie	-	-	-	192
Impairment loss for land held for trad	-	-	-	(836)
Unrealized gain (inv. prop.)	2,037	493	1,218	(1,497)
General and admin. expenses	(3,345)	(3,481)	(4,099)	(3,777)
Profit from disc. operations	-	-	2,185	6,321
EBITDA	7,781	8,389	7,628	8,307
Depreciation & amortization	(676)	(654)	(645)	(720)
Operating Profit	7,105	7,735	6,982	7,587
Net gains (losses) on investments	(104)	22	(79)	(84)
Net Interest Income (Expense)	(1,432)	(3,215)	(2,843)	(2,525)
Others	(144)	33	(4)	(60)
EBT	5,426	4,575	4,056	4,917
Taxes	(10)	(119)	(121)	(131)
BOD remuneration	(25)	(30)	-	(25)
Minority Interest	91	48	71	106
Net Profit	5,300	4,378	3,864	4,656

Balance Sheet (KD thousands)	2011	2012	2013	2014
Cash and cash equivalents	587	5,873	12,318	6,228
Murabaha Investments	806	806	806	922
Due from customers for contracts	715	2,313	3,319	2,411
Current Receivables	10,989	14,954	15,559	24,412
Land held for trading	7,954	8,046	8,193	7,724
Inventory	265	290	301	323
Assets held for sale	-	-	-	15,934
Due from related parties- Long term	7,063	10,812	11,010	11,273
Investment in associates	28,711	24,334	25,845	12,224
Development Properties	-	-	2,938	7,602
Investment properties	54,674	55,688	58,869	58,651
Other Assets	4,380	4,193	3,597	3,108
Total Assets	116,143	127,307	142,755	150,812
Total Debt	36,011	49,056	59,484	61,608
Total Liabilities	48,490	57,466	70,926	74,195
Minority Interest	685	734	723	831
Shareholders' Equity	66,968	69,107	71,106	75,786
Total Liabilities and Equity	116,143	127,307	142,755	150,812

Source: Company's financial statements and NBK Capital

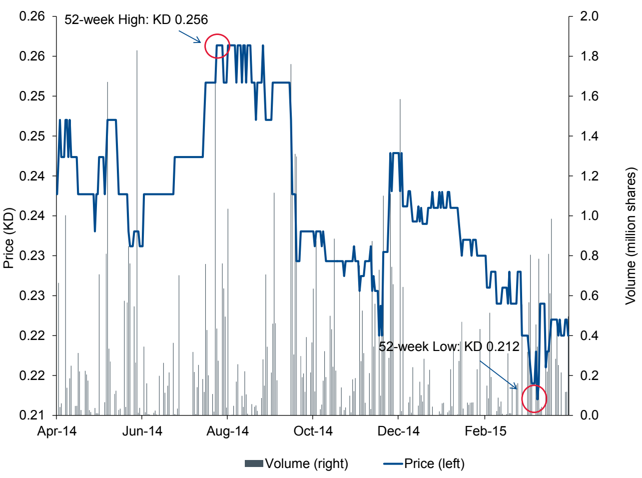
AVIATION LEASE AND FINANCE COMPANY (ALAFCO)

Key Data

General		Daily Liquidity	
KSE Code	ALAFCO.KSE	52-week avg. volume	282,560
Reuters	ALAF.KW	52- week avg. value (KD)	67,483
Price (KD)		**Price Performance**	
Closing Price	0.220	YTD	-6.9%
52-week High/Low	0.256 / 0.212	12-month	-7.5%
Market Capitalization		**Issued Shares**	
KD (million)	180.13	Millions	818.76
Ownership Structure			
Closely-held: 65.16%		Public:34.84%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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Highlights

- ALAFCO is a Kuwait-based Shari'ah-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 under which the lessee is responsible for operating expenses such as maintenance and insurance (i.e., dry lease).
- ALFACO owns a fleet of 50 planes that is composed mostly of single-aisle aircraft (Airbus A320 and Boeing 737). In addition, the company manages three aircraft for an investor.
- 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 (26% 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.Thus, the company has placed orders for 117 aircraft for delivery between 2017 and 2022.
- According to the latest financial statements, ALAFCO has capital commitments of KD 1.6 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, makes the operations less complex and reduces the volatility inherent in the airline leasing business.

Key Ratios

	FY2010/11	FY2011/12	FY2012/13	FY2013/14	1Q2014/15
Unadjusted Net Profit Growth	nm	-45.1%	-19.5%	-20.0%	-0.7%
Unadjusted Net Profit Margin*	90.0%	46.7%	40.2%	29.4%	29.6%
Adjusted Net Profit Margin**	19.9%	22.8%	26.8%	29.4%	29.6%
Net debt-to-total equity (x)	2.5	1.9	1.9	1.5	1.4
Interest Coverage Ratio (EBIT / Net Int. Exp.)	2.2	2.2	2.7	3.3	3.4
RoAA	8.4%	4.4%	3.3%	2.5%	2.5%
RoAE	38%	17%	12%	9%	9%

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

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. Moreover, the aircraft leased by ALFACO are being leased for passenger transport.

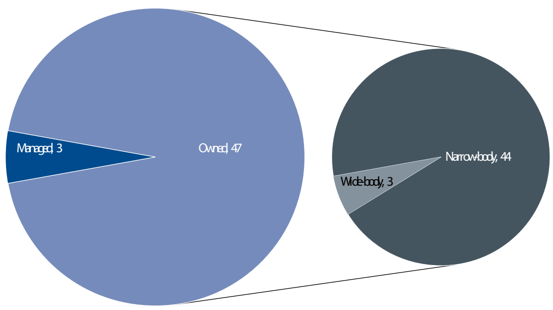
Latest News

- **April 2015:** ALAFCO Chairman and CEO Ahmad Al-Zabin, issued a press release to announce the company's KD 3.9 million net profit for 2Q2014-15. This represents a 10% QoQ decrease compared to 1Q2014-15 and an 8% YoY decrease compared to 2Q2013-2014. He also noted that the company's earnings came in line with management's expectations and strategy. Total operating income increased by 10% from a QoQ perspective from KD 15 million to KD 16.4 million, which is not surprising since ALAFCO announced in early March the signing of a new aircraft lease agreement with Fly Leasing Limited. In fact, the increase in operating revenue was mainly due to the 10% QoQ increase in operating lease income to KD 16 million. The chairman added that this positive outlook will allow ALAFCO to broaden its expansion strategy and strengthen its presence in the Gulf region.
- **March 2015:** ALAFCO announced on the Kuwait Stock Exchange the purchase of three aircraft from Fly Leasing Limited. The portfolio includes two Boeing B737-800s rented by Malaysia Airlines for a period of 11 years and a Boeing B737-800 leased to Thailand NokAir for a period of 10 years. The total value of the transaction is USD 137 million (KD 40.7 million), and the monthly rent is equivalent to 1% of the value of the aircraft. This transaction will increase ALAFCO's fleet from 47 to 50 aircraft. The new aircraft are single-aisle aircraft, the type that ALAFCO generally favors.
- **December 2014:** The general assembly approved the distribution of 5% cash dividends, representing KD 0.005 per share (total KD 3.8 million), for FY2013/14, and the distribution of 5% bonus shares. The chairman also announced the cancellation of the listing of ALAFCO's shares on the LSE, since the amount to be listed seemed very low and insufficient
- **October 2014:** ALAFCO is looking to acquire around 15 aircraft (worth around USD 600 million) over the course of the next two years. This will fill the gap before the first aircraft are received from its massive 117 aircraft order (scheduled for delivery between 2017 and 2022). The aircraft they are looking for should be already leased and would immediately contribute to revenue. In addition, the CEO reiterated the company's inclination to set up funds that invest in aircraft leasing, with which ALAFCO would manage the leasing activities (for a fee) and sell some of its aircraft.

A Young Fleet Composed of Mostly Narrow-body Aircraft

ALFACO owns a fleet of 50 planes that is composed mostly of single-aisle aircraft (Airbus A320 and Boeing 737). In addition, the company manages three aircraft for a third party. The average age of ALACFCO's fleet is relatively young at around 6 years.

Figure 1 Fleet Overview

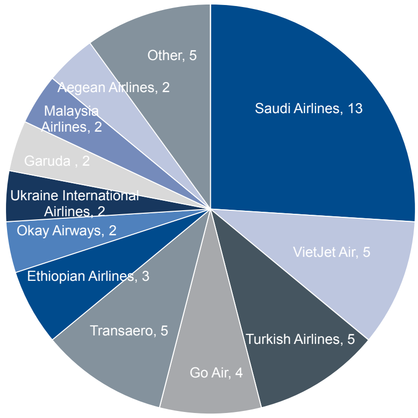


Source: ALAFCO

A Diverse Client Base

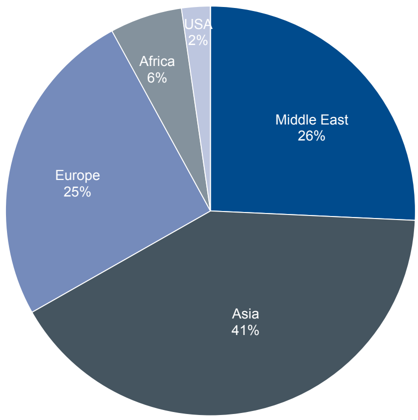
ALAFCO has a diverse client base of 16 airlines. The highest client concentration is with Saudi Arabian Airlines, for which the company leases 13 Airbus A320s (26% of ALAFCO's fleet by number of aircraft). We feel that government ownership of the Saudi Airlines reduces the concentration risk of this client and thus, we feel the client portfolio is well diversified. Moreover, the charts show that 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 aircraft 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 positively ALAFCO's focus on the next generation single-aisle aircraft 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. More operationally efficient – The next-gen planes will offer significant operational efficiencies, most notably lower fuel consumption (A320neo is expected to have 15% lower fuel consumption).

Overview of 1Q2014/15 Results

- Total operating revenue increased by 4% from a QoQ perspective to KD 14.6 million in 1Q2014/15, which is not surprising since no new aircraft lease agreements were signed during the period.
- Operating profit increased by 4% QoQ to KD 4.2 million, as a result of the increase in operating revenue with growth in operating expenses contained at 5% QoQ.
- The net profit increased by 7% QoQ to KD 4.3 million, following the 4% QoQ increase in operating revenue.

Balance Sheet

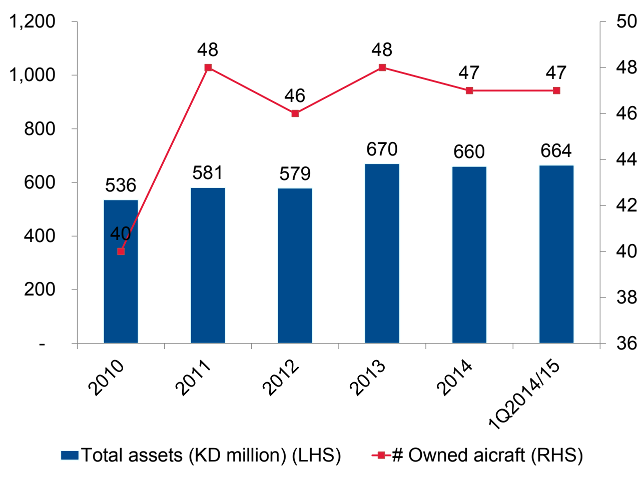
Capital commitments appear large at first glance but are spread over a long period

- According to the latest financial statements, ALAFCO has capital commitments of KD 1.65 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 on 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 1.4x seems favorable compared to the industry average of around 2.9x (based on publicly listed aircraft lessors). Therefore, we feel, the company has some room to increase its gearing.
- Management is looking to finance the order book through a range of options available including direct bank facilities, ECA financing, and equity infusion. Since 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 that 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 is unlikely that the company will increase its dividend payout ratio (FY2014 payout of 24%) and we view ALAFCO as a growth stock.

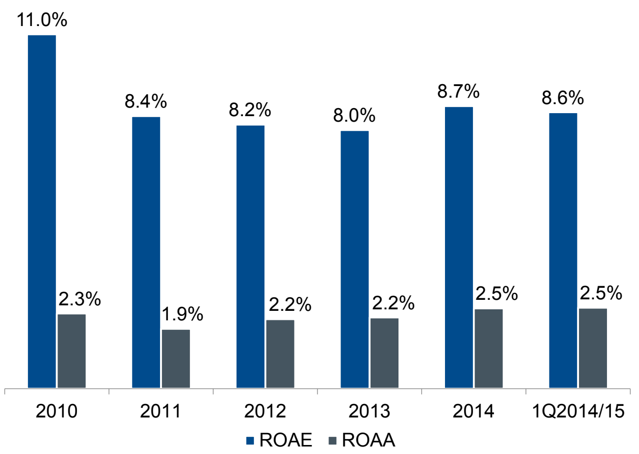
Key Financial Highlights

Figure 5 Assets and Fleet Growth



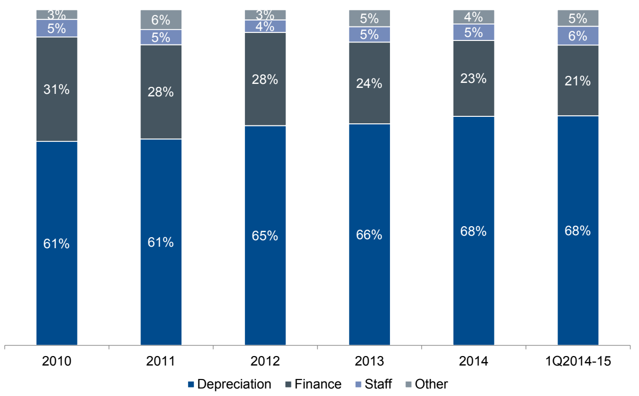
Source: ALAFCO and Bloomberg

Figure 6 Adjusted Returns (excluding one-offs)



Source: ALAFCO and Bloomberg

Figure 7 Breakdown of Key Costs Items



Source: ALAFCO and NBK Capital

Comparison with Other Listed Lessors

We believe ALAFCO has a low-risk business model compared to some of its listed global 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*	1,132	148	213	127	50
On order	380	-	364	-	117
Average age of crafts	7.7	8.4	3.5	7.8	5.7
Net debt to equity (FY 2014)^	3.6	2.1	2.3	3.5	1.5
Adjusted ROAE (FY 2014)**	15.3%	10.2%	5.0%	4.4%	8.7%
Adjusted ROAA (FY 2014)**	3.0%	2.8%	1.3%	0.8%	2.5%
P/B trailing (x)	1.17	1.06	1.37	0.81	0.95
Adjusted Cash ROAE (FY 2014)**	40.1%	28.0%	13.1%	27.7%	23.4%
Adjusted Cash ROAA (FY 2014)**	7.8%	7.5%	3.5%	5.3%	6.6%
Reported ROAE (FY 2014)	15.6%	6.0%	5.0%	7.4%	8.7%

**excluding managed, ^Alafco's figures are as of 30 September, 2014, and all other figures are as of 31 December, 2014, ** Adjusted for depreciation and one-offs, we used the TTM Net income for the peers. Source: Bloomberg and Respective Company Data*

Risks

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 thecompany's growth plan. However, given the current low gearing, we do not see this as a major risk for ALAFCO.

Financial Statements

Income Statement (KD millions)	FY2012/13	FY2013/14	1Q2013/14	1Q2014/15
Operating lease income	51.2	55.9	14.0	14.6
Consultancy and service income	0.2	0.4	0.2	0.0
Total Adj. Revenue	51.4	56.2	14.2	14.6
Murabaha income	1.3	1.5	0.4	0.4
Gain on cancl. of aircraft agrmt.	7.1	0.0	0.0	0.0
Other income	0.8	0.1	0.1	0.0
Staff costs	(1.8)	(2.0)	(0.5)	(0.6)
Depreciation	(25.6)	(27.6)	(7.0)	(7.2)
Impairment loss	(0.2)	0.0	0.0	0.0
Finance costs	(9.5)	(9.2)	(2.4)	(2.2)
Other operating expenses	(1.8)	(1.6)	(0.3)	(0.5)
Directors' fees	(0.1)	(0.1)	0.0	0.0
Profit before tax	21.6	17.3	4.6	4.5
Adjusted Operating Profit	22.1	25.0	6.5	6.4
Zakat	(0.2)	(0.2)	(0.0)	(0.0)
KFAS	(0.2)	(0.2)	(0.0)	(0.0)
NLST	(0.5)	(0.4)	(0.1)	(0.1)
Net Profit	20.6	16.5	4.4	4.3
Adjusted Net Profit	13.8	16.5	4.4	4.3

Balance Sheet (KD millions)	FY2011/12	FY2012/13	FY2013/14	1Q2014/15
Assets				
Aircraft, engines & equipment	508.4	566.5	535.8	537.4
Capital advances	16.4	20.7	38.8	39.4
Receivables	10.3	19.7	14.9	17.1
Cash and cash equivalents	43.9	62.8	70.5	70.6
Total Assets	579.0	669.8	660.0	664.5
Liabilities and Shareholders' Equity				
Due to financial institutions	353.2	401.8	360.7	355.9
Security deposits	14.7	15.1	14.8	14.9
Maintenance reserve	40.1	57.3	79.7	85.3
Other liabilities	8.0	14.7	7.8	7.5
Total Liabilities	415.9	489.0	463.0	463.7
Total Equity	163.2	180.8	197.1	200.8
Total Liabilities & Equity	579.0	669.8	660.0	664.5

Source: 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	1,109,750
Reuters	BIIHC.KW	52- week avg. value (KD)	84,246
Price (KD)		**Price Performance**	
Closing Price	0.054	YTD	-21.7%
52-week High/Low	0.106 / 0.051	12-month	-46.0%
Market Capitalization		**Issued Shares**	
KD (million)	16.20	Millions	300.00
Ownership Structure			
Closely-held: 41.53%		Public: 58.47%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance

Source: Bloomberg and NBK Capital

Analyst

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Highlights

- Boubyan International Industries Holding Company (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 totaled KD 71 thousand during 1H2014-2015, a 66% YoY decrease, compared to KD 208 thousand during 1H2013-2014. Cost of sales also decreased by 43% YoY to KD 85 thousand, resulting in a gross loss of KD 15 thousand compared to a gross profit of KD 59 thousand during 1H2013-14. The company's fiscal year ends on July 31 of each year.
- The company continued to incur losses at the net level during 1H2014-2015. The net loss during this period amounted to KD 280 thousand, versus a net loss of KD 242 thousand in 1H2013-2014.
- The company's investments accounted for 93.2% of its total assets at the end of January 2015, compared to 94.1% the previous quarter.

Key Ratios

	FY2010-2011	FY2011-2012	FY2012-2013	FY2013-2014	1H2014-2015
Net debt-to-total-equity (x)	0.2	0.2	0.1	0.1	0.1
Investments/Total Assets	90%	90%	94%	93.9%	93.2%
Investments/Equity	117%	111%	100%	101%	102%
Net Profit Growth	-94%	nm	-39%	-35%	16%
RoAA	0.3%	nm	nm	-10.7%	-10.7%
RoAE	0.4%	nm	nm	-11.5%	-11.6%

Source: Company's financial statements and NBK Capital

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 and related entities:

Figure 1 BIIHC's direct investments and related entities

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

Source: Zawya

Latest News

- **August 2014:** BIIHC received a credit facility of KD 3 million from Gulf Bank of Kuwait. The loan is supposed to be partially directed toward financing the capital increase of its sister company with the remaining KD 2.2 million used to meet other financial obligations.
- **June 2014:** BIIHC sold 30 million shares or 10% of its capital to National Investments Co. for 104 fils per share at a total value of KD 3.12 million, through an auction.

Financial Statement Analysis

Income Statement

1H2014-2015

- BIIHC's revenues totaled KD 71 thousand during 1H2014-2015, a 66% YoY decrease, compared to KD 208 thousand during 1H2013-2014. Cost of sales also decreased by 43% YoY to KD 85 thousand, resulting in a gross loss of KD 15 thousand compared to a gross profit of KD 59 thousand during 1H2013-14. The company's fiscal year ends on July 31 of each year.
- Operating expenditures (excluding depreciation) amounted KD 192 thousand in 1H2014-2015, a 29% decline when compared to KD 273 million in 1H2013-2014, and was mainly driven by a 41% decline in staff costs during the period.
- BIIHC recorded losses from associates of KD 15 thousand in 1H2014-2015, compared to a gain of KD 55 thousand during the same period last year.
- The company continued to incur losses at the net level during 1H2014-2015. The net loss during this period totaled KD 280 thousand, versus a net loss of KD 242 thousand in 1H2013-2014.

Balance Sheet

1H2014-2015

- BIIHC's cash balance stood at KD 0.55 million at the end of January 2015, representing a significant rise when compared to KD 0.11 million at the end of October 2014. The net debt totaled KD 2.2 million, which led to a net debt to equity ratio of 0.1x.
- Total assets amounted to KD 34.9 million at the end of January 2015, a 1% increase from KD 34.6 million at the end of October 2014.
- Total liabilities totaled KD 2.9 million at the end of January 2015, a 20% increase from KD 2.4 million at the end of October 2014, mainly due to a 22% QoQ increase in term loans.
- The company's investments accounted for 93.2% of its total assets at the end of January 2015, compared to 94.1% the previous quarter.

Financial Statements

Income Statement (KD thousands)	FY2012-13	FY2013-14	1H2013-14	1H2014-15
Sales	428	379	208	71
Cost of sales	(322)	(273)	(149)	(85)
Gross Profit	107	106	59	(15)
Murabaha income	-	-	-	-
Dividened income	1,128	125	-	-
Net investment income (loss)	358	11	(1)	4
Gain on bargain purchase	-	-	-	-
Share of results of associates	(893)	(161)	55	(16)
Gain(loss) on foreign exchange	(262)	(15)	(5)	1
Staff Cost	(320)	(344)	(168)	(99)
Gen. and admin. expenses	(298)	(192)	(105)	(94)
Depreciation	(15)	(15)	(7)	(7)
Murabaha expenses	(329)	(139)	(70)	
Finance Costs				(54)
Profit Before Impairment	(523.966)	(625)	(242)	(280)
Impairment	(5,442)	(3,247)	-	-
Profit Before taxes & Dir. Fees	(5,966)	(3,872)	(242)	(280)
KFAS	-	-	-	-
Directors' fees	-	-	-	-
Net Profit	(5,966)	(3,872)	(242)	(280)

Balance Sheet (KD thousands)	FY2011-12	FY2012-13	FY2013-14	Jan-2015
Cash and cash equivalents	595	117	139	553
Accounts receivable & prepayments	267	183	158	57
Inventories	3	8	1	1
Inv. at fair value through P&L	8,916	5,526	5,466	5,466
Investments available for sale	30,646	26,739	24,265	24,239
Investments in associates	4,159	2,994	2,829	2,835
Exchange of deposits	1,818	-	-	-
Property and equipment	2,051	1,911	1,806	1,762
Intangible assets	48	33	19	11
Goodwill	-	-	-	-
Total Assets	48,503	37,511	34,684	34,924
Term Loan			2,240	2,740
Murabaha payable	8,699	2,165	-	-
Accounts payable and accruals	270	259	126	125
Total Liabilities	8,969	2,424	2,366	2,865
Total Shareholders' Equity	39,534	35,087	32,317	32,059
Total Liabilities and Equity	48,503	37,511	34,684	34,924

Source: Company's financial statements and NBK Capital

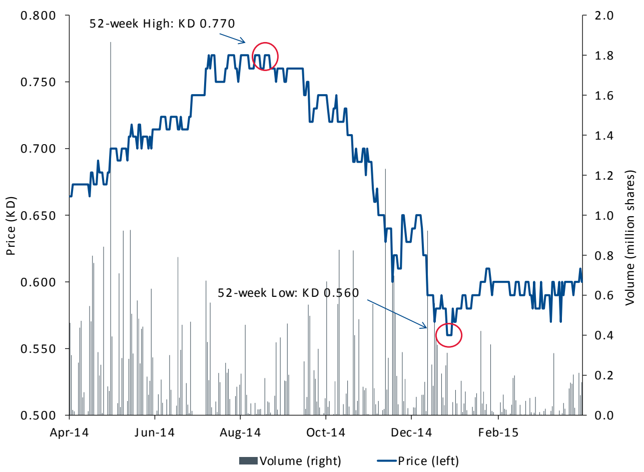
BOUBYAN PETROCHEMICAL (BPCC)

Key Data

General		Daily Liquidity	
KSE Code	BPCC.KSE	52-week avg. volume	195,027
Reuters	BPCC.KW	52- week avg. value (KD)	135,642
Price (KD)		**Price Performance**	
Closing Price	0.600	YTD	-7.7%
52-week High/Low	0.770 /0.560	12-month	-9.7%
Market Capitalization		**Issued Shares**	
KD (million)	305.61	Millions	509.36
Ownership Structure			
Closely-held: 17.03%		Public: 82.97%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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Highlights

- BPCC was 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 direct investments in industrial projects, particularly petrochemicals.
- Revenues increased 12.3% YoY to KD 30.7 million in FY2013-2014 (fiscal year ends April) from KD 27.3 million in FY2012-2013. However, during 1H2014-2015, the company's top-line performance fell 6 %, both sequentially and annually, to KD14.4 million.
- During FY2013-2014, BPCC received KD 32.3 million in dividends, of which EQUATE and TKOC made up KD 30.6 million—the largest contributor to BPCC's bottom line. EQUATE and TKOC have a mandate to pay out most of their earnings as dividends. Going forward, these investments are likely to continue to contribute significantly to BPCC's financial performance.
- BPCC recorded a net income of KD 27.5 million in FY2013-2014, a slight improvement over the same period last year of KD 26.2 million. This was largely supported by higher dividends received from investments, coupled with a decline in finance costs (likely due to the company paying down its debt). In 1H2014-2015, the company reported a net profit of KD1.7 million, more than doubling the profit in 1H2013-2014 profit of KD 0.5 million.
- EQUATE is a key strategic investment for the company since BPCC has board representation and is involved in the decision-making process. BPCC's 9% stake in EQUATE makes up KD 142 million, and is the single largest investment in the company's portfolio. Another key investment on BPCC's balance sheet is its 9% stake in The Kuwait Olefins Company (TKOC). This investment is classified as held-for-trading investment, making up KD 101 million as of October 2014.
- BPCC is currently trading at a 2013-2014 PBV of 1.1x and a PER of 10.4x, compared to its historical five-year average of 1.1x and 14.1, respectively.
- The company has paid out an annual dividend of 45-55 fils per share over the past three years, representing a payout ratio between 75% and 100%. The stock currently offers a dividend yield of 7.8% based on FY2013-2014 dividends.

Key Ratios

	2010-2011	2011-2012	2012-2013	2013-2014	9M2014-2015
Gross Margin	20%	18%	22%	14%	12%
Net Income Growth	7%	8%	6%	5%	86%
RoAA (%)	5.3%	5.8%	6.2%	6.8%	7.4%
RoAE (%)	9%	9%	9%	10%	11%
Net debt-to-total-equity	0.6	0.4	0.3	0.2	0.4
Investments/Total Assets	85%	77%	75%	76%	79%
Investments/Equity	142%	119%	111%	104%	112%

Source: Company's financial statements and NBK Capital

Overview

BPCC was 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. As of January 2015, the company's total investment portfolio accounted for about 88% of its total assets. Therefore, when analyzing the company's operations, BPCC is a holding company with investments primarily in Kuwait-based petrochemical companies.

News

- **January 2015:** Equate Petrochemical Company, a joint venture (JV) between Petrochemical Industries Company, Dow Chemical, Boubyan Petrochemical Company, and Qurain Petrochemical Industries Company, announced the successful completion of its plants' turnaround and the first phase of the polyethylene plant debottlenecking project. All units were shut down from November 20, 2014, to December 20, 2014, and the units resumed normal operations on December 23, 2014.

Financial Statement Analysis

Income Statement

- Revenues increased 12.3% YoY to KD 30.7 million in FY2013-2014 from KD 27.3 million in FY2012-2013. Gross profit fell to KD 4.3 million in FY2013- 2014 from KD 5.9 million in FY2012-2013 due to a significant increase in COGS. The gross profit margin (GPM) dropped by 760 basis points, from 21.7% to 14.1%. During 9M2014-2015, the company's top-line performance increased 11 % YoY to KD 20.6 million. However, gross profit remained relatively flat in 9M2014-2015, reported at KD 2.6 million (-1.5% YoY). As a result, GPM contracted to 12.5% in 9M2014-2015 (-160 bps YoY).
- BPCC generated a loss at the EBIT level of KD 6.1 million during FY2013-2014, compared to a loss of KD 5.1 million in FY2012-2013. However, in 9M2014-2015, the company showed strong YoY growth in operating profit, increasing to KD 3 million, compared to an operating profit of KD 1.3 million in 9M2013-2014. The YoY improvement was largely due to lower impairment costs coupled with an improvement in income from affiliates.
- During FY2013-2014, BPCC received KD 32.3 million in dividends, of which EQUATE and TKOC made up KD 30.6 million—the largest contributor to BPCC's bottom line (and represents more than 100% of the company's bottom line) and 6.6% growth over FY2012-2013. In the latest announcement, the combined dividend payout from EQUATE and TKOC will amount to KD 27.7 million for BPCC in FY 2014-2015 (which will be booked in 4Q2014-2015), a 10% YoY decline. EQUATE and TKOC have a mandate to pay out most of their earnings as dividends. Going forward, these investments are likely to continue to contribute significantly to BPCC's financial performance.
- In addition, BPCC sold a portion of its "other" available-for-sale (AFS) investments during the FY2013-2014 year, resulting in a gain of KD 2.5 million. However, this gain was more than offset by an impairment charge from the remaining "other" AFS assets on the company's books to the tune of KD 6.9 million.
- BPCC recorded a net income of KD 27.5 million in FY2013-2014, a slight improvement over the same period last year of KD 26.2 million. This was largely supported by higher dividends received from investments, coupled with a decline in finance costs (likely due to the company paying down its debt). In 9M2014-2015, the company reported a net profit of KD 1.8 million, more than 80% higher than the net profit achieved in 9M2013-2014 profit of KD 1 million. However, during the 9M2013-2014 period, BPCC recorded an impairment charge of KD 2.1 million on AFS investments. Adjusting for the impairment charge, net income would have weakened by 15% YoY in 9M2014-2015 period.

Balance Sheet

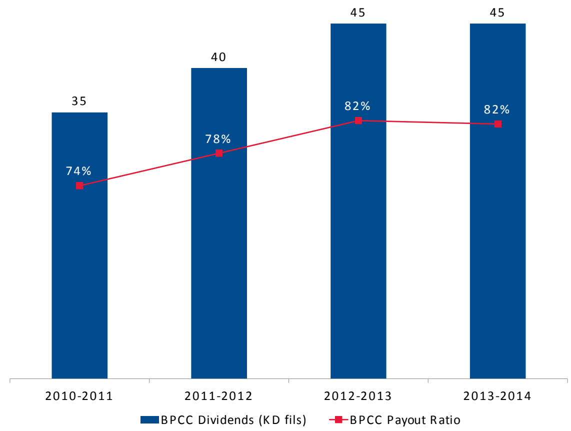
- The major components of BPCC's asset portfolio are investments constituting 88% of total assets, which include held-for-trading (HFT) and AFS investments (79%—consists of EQUATE, TKOC, and other investments), as well as investments in associates (9%), effectively making BPCC a holding company. Operating assets, which include PP&E and cash, accounted for only 5.7% of total assets at the end of January 2015.
- EQUATE is a key strategic investment for the company, since BPCC has board representation and is involved in the decision-making process. BPCC's 9% stake in EQUATE is KD 143 million—the single largest investment in the company's portfolio, making up c.38% of BPCC's total asset base as of January 2015.
- Another key investment on BPCC's balance sheet is its 9% stake in The Kuwait Olefins Company (TKOC). This investment is classified at fair value through income statement, KD 101 million as of January 2015.

- Other AFS investments also contributed quite significantly to BPCC's total asset base, making up 14%, or KD 55 million as of January 2015. The majority of these investments are classified as unquoted equity investments for which we have limited clarity. However, we understand that these investments are primarily within the energy and transportation sectors. Nevertheless, we suspect that BPCC is attempting to unwind its position in such assets due to poor performance over the course of the past few years. BPCC has reported annual impairment from these investments, with the latest impairment charge of KD 6.3 million (c.23% of net income) in FY2013-2014. These assets were valued at KD 160 million (37% of the total assets) in FY2011-2012, down to just KD 55 million (15% of the total assets) as of January 2015.

Valuation

- BPCC is currently trading at a 2013-2014 PBV of 1.1x and a PER of 10x, compared to its historical three-year average of 1.1x and 11.8x, respectively.
- The company has paid out an annual dividend of 40-45 fils per share over the past three years, representing a payout ratio between 75% and 85%. The stock currently offers a dividend yield of c.7% based on FY2013-2014 dividends (DPS of 45 fils). Based on the company's 9M2014-15 earnings of c. KD 1.8 million, coupled with announced dividends from major AFS investments of KD 27.7 million (to be booked in 4Q2014-15), we expect the company to report more than KD 29 million net income in FY2014-15 (ending April), equivalent to EPS of over c.60 fils. Based on this, we consider that the company is likely to pay a DPS in the range of 40-45 fils.
- Dow Chemical announced its intention to divest some of its 42.5% stake in Equate and TKOC by mid-2016. We think that such an event will enhance the understanding of the strength of the underlying businesses and could potentially unlock value, in our view.

Figure 1 BPCC Dividends



Source: Company Reports and NBK Capital

Financial Statements

Income Statement (KD millions)	2012-2013	2013-2014	9M2013-2014	9M2014-2015
Sales	27.3	30.7	18.5	20.6
Cost of Sales	(22.2)	(26.4)	(15.9)	(18.0)
General and administrative expens	(4.1)	(3.5)	(1.7)	(2.5)
Operating Income	**1.0**	**0.8**	**0.9**	**0.1**
Dividend income	30.3	32.2	0.9	0.1
Net investment income	6.9	2.5	2.3	0.3
Share of results of associates	1.3	1.4	1.3	2.2
Finance cost	(6.5)	(4.0)	(3.2)	(1.9)
Other Income (Expenses)	0.6	1.2	1.4	0.8
Profit before impairment	**33.6**	**34.3**	**3.7**	**1.5**
Impairment of investments AFS	(6.0)	(6.8)	(2.1)	(0.1)
Taxes	(1.2)	(1.1)	-	(0.4)
Directors' fees	(0.1)	(0.1)		
Profit/(Loss) from Disc. Operations	-	1.2	(0.1)	-
Other			(0.4)	0.8
Minority Interest	(0.1)	-	(0.1)	(0.0)
Net Profit	**26.2**	**27.5**	**1.0**	**1.8**

Balance Sheet (KD millions)	2011-2012	2012-2013	2013-2014	9M2014-2015
Cash and cash equivalents	35.5	21.1	26.2	1.7
Exchange of deposits	4.1	5.1	-	
Accounts receivable	8.2	10.9	10.0	11.7
Inventories	4.3	5.4	5.6	6.6
Investments carried at fair value	101.0	101.0	101.0	101.0
Total Current Assets	**153.1**	**143.5**	**142.8**	**121.0**
Investments AFS (EQUATE)	138.3	136.2	141.5	142.7
Investments AFS (Others)	92.5	72.1	56.3	54.6
Investments in associates	18.1	33.3	33.4	35.5
Property, plant, and equipment	20.4	20.3	19.6	20.0
Goodwill	6.0	6.0	6.0	6.0
Total Assets	**428.4**	**411.4**	**399.5**	**379.8**
Accounts payable and accruals	12.5	14.6	11.9	9.5
Dividends payable	2.9	3.1	3.2	3.9
Islamic financing payables	73.1	62.7	37.2	35.9
Term loans	60.0	50.8	53.9	63.1
Other			5.1	
Total Liabilities	**148.5**	**131.2**	**111.2**	**112.4**
Total Shareholders' Equity	**278.4**	**278.7**	**286.9**	**267.4**
Minority Interest	1.4	1.5	1.3	-
Total Liabilities and Equity	**428.4**	**411.4**	**399.5**	**379.8**

Source: Company's financial statements and NBK Capital

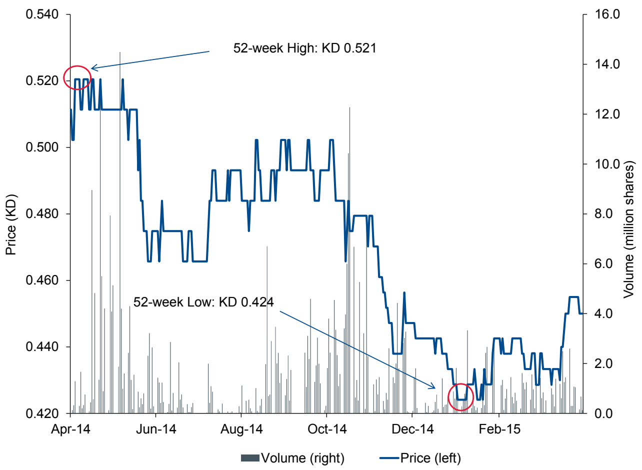
BURGAN BANK

Key Data

General		Daily Liquidity	
KSE Code	BURG.KSE	52-week avg. volume	1,494,611
Reuters	BURG.KW	52- week avg. value (KD)	734,816
Price (KD)		**Price Performance**	
Closing Price	0.450	YTD	1.7%
52-week High/Low	0.521 / 0.424	12-month	-12.0%
Market Capitalization		**Issued Shares**	
KD (million)	922.21	Millions	2,049.36
Ownership Structure			
Closely-held: 70.03%		Public: 29.97%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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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's net profit tripled in FY2014 increasing from KD 20.1 million in FY2013 to KD 61.8 million in FY2014 on lower provisioning charges. Net interest income increased 12% in FY2014 to KD 185.5 Although fee income grew 9% and gain on AFS investment was robust (+44%), this was partially offset by a drop in foreign exchange income.
- Loan loss provisioning charges dropped 32% YoY in FY2014, following a significant increase in FY2013 (+149%) and thus supporting bottom line growth.
- Burgan Bank's net loans advanced 3% QoQ in 4Q2014, resulting in 11% loan growth in FY2014. However, deposit growth was slower at 1% in FY2014. This resulted in an increase in the bank's loan-to-deposit ratio from 85% at the end of December 2013 to 93% at the end of December 2014.
- Asset quality indicators improved for Burgan Bank in FY2014. NPLs ticked up only 1% during 2014, despite 11% loan growth expansion. As a result, the bank's NPL ratio dropped from 4.2% at the end of December 2013 to 3.9% at the end of December 2014. The bank's NPL coverage ratio increased to 89% by the end of December 2014 from 78% at the end of December 2013.
- The bank announced that its capital adequacy ratio was 13.5% under Basel III, compared with 18.6% by the end of September 2014 under Basel II. We note that the bank also received approval from the Central Bank of Kuwait to sell or buy back a maximum of 10% of its issued shares for a period of six months (until August 4, 2015).

Key Ratios

	2010	2011	2012	2013	2014
Growth in Loans	-5%	5%	50%	17%	11%
Growth in Deposits	15%	9%	39%	19%	1%
Growth in Net Profit	-25%	nm	10%	-64%	207%
Growth in Operating Income	7%	-1%	16%	33%	9%
NPL Ratio	6.1%	11.5%	7.1%	4.2%	3.9%
NPL Coverage	73%	35%	50%	78%	89%
Capital Adequacy	21.0%	19.6%	18.5%	15.4%	13.5%
Growth in Costs	50%	-6%	16%	59%	8%
Cost-to-Income	40%	38%	37%	45%	44%
RoAA	0.1%	1.2%	1.1%	0.3%	0.8%
RoAE	1%	12%	12%	4%	10%

Source: Company's financial statements and NBK Capital

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 in 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 27 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. The Turkish bank was renamed Burgan Bank – Turkey (BBT). In May 2013, the bank received official approval from Malta Financial Services Authority to acquire 25% of Fimbank in Malta. The bank is rated by Standard and Poor's (S&P) and Moody's at BBB+ and A3, respectively.

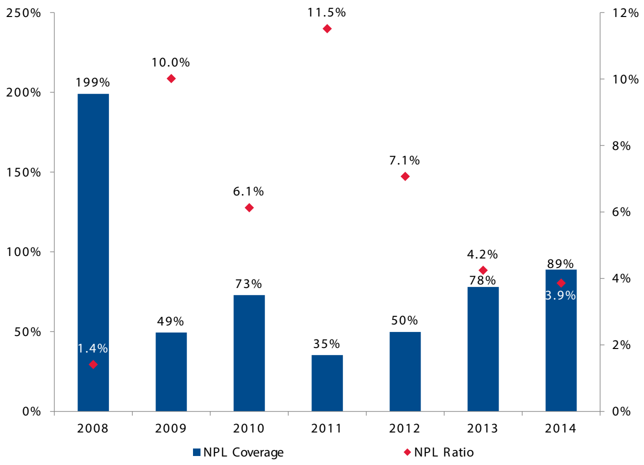
Latest News

- **May 2015: Burgan Bank announced its 1Q2015 Result.** The bank announced a 2% YoY net profit growth in 1Q2015 with net profit increasing from KD 17.1 million in 1Q2014 to KD 17.5 million in 1Q2015. The YoY improvement was mostly driven by higher interest income and increasing net gains from foreign currencies. Net interest income increased 14% in 1Q2015 (67% of total revenue), while fee and commission income was up 6% (16% of total revenue). Net gain from foreign currencies also increased significantly from KD 1.3 million in 1Q2014 to KD 8 million in 1Q2015 (11% of total revenue). All in all, total operating income reached KD 70.5 million in 1Q2015, an increase of 14% compared with 1Q2014. However, loan provisioning charges increased 22% YoY in 1Q2015. The bank's loan book decreased by 0.65% QoQ in 1Q2015, while deposit grew by 1.8% QoQ. The bank announced that its capital adequacy ratio stood at 13.3% under Basel III, compared with 13.5% by the end of December 2014.
- **March 2015:** Burgan Bank announced that the ordinary general assembly approved during its meeting to distribute cash dividends of 15 fils for FY2014 as well as bonus shares of 5% of the issued and paid-up capital.
- **January 2015:** Burgan Bank announced that Moody's Investors Service affirmed its long-term global local currency (GLC) deposit rating of A3.The rating benefits from four notches of support uplift from the company's ba1 standalone baseline credit assessment (BCA).
- **November 2014:** Burgan Bank has announced that it would open subscription for its rights issue on November 16, 2014, with its shares priced at KD 0.475. Since 216 million new shares will be issued, the rights issue will total KD 102.6 million. The bank also announced that subscription would run until December 14, 2014.
- **October 2014:** Burgan Bank has announced that it plans to launch a KD 21.6 million rights issue by the end of 2014 pending regulatory approvals. Thus, the bank plans to issue 216 million new shares, raising its paid-up capital to around KD 197 million. The shares will be available to existing shareholders on a proportional basis, and any unsold shares will then be put on general sale.
- **September 2014:** KIPCO said on Thursday it had received approval from Kuwait's Central Bank to increase its stake in Burgan Bank by 5%. A bourse filing by KIPCO added its direct and indirect stake currently stands at 58%. It is still unknown when the stake increase would be completed.
- **August 2014:** The bank announced in its conference call that with tensions escalating in Iraq, it has closed down eight of its branches in the country, while 30 remain operational.

Asset Quality

- Asset quality indicators improved for Burgan Bank in FY2014. NPLs ticked up only 1% during 2014, despite an 11% loan growth expansion. As a result, the bank's NPL ratio dropped from 4.2% at the end of December 2013 to 3.9% at the end of December 2014.
- General provisions increased by 9% in 2014 while specific provisions were up 10%. Thus, the bank's NPL coverage ratio increased to 89% by the end of December 2014 from 78% at the end of December 2013 but remains largely below 2008 levels where NPL coverage totaled almost 200%.

Asset Quality Indicators



Sources: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

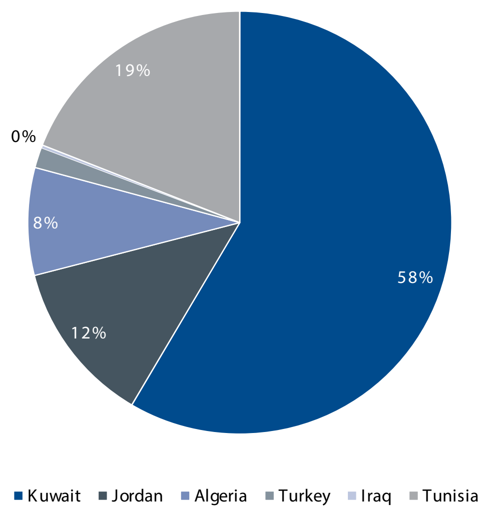
FY2014

- Burgan Bank's net profit tripled in FY2014, increasing from KD 20.1 million in FY2013 to KD 61.8 million in FY2014. For 4Q2014, net profit stood at KD 13.1 million, up from KD 2.5 million in 4Q2013. The YoY improvement was mostly driven by lower provisioning charges.
- Net interest income increased 12% in FY2014 to KD 185.5 million. Non-interest income growth slowed to 2% in FY2014, compared to 24% growth in FY2013. While fee income grew 9% and the gain on AFS investment was robust (+44%), this was partially offset by a drop in foreign exchange income.
- Overall, total operating income reached KD 276 million in FY2014, an increase of 9% compared with FY2013. For 4Q2014, operating income totaled KD 75 million, up 13% YoY and 7% QoQ.
- Loan loss provisioning charges dropped 32% YoY in FY2014, following a significant increase in FY2013 (+149%) and thus supporting bottom-line growth.
- Cost growth was controlled with costs growing 8% during the year and resulting in a slight decrease in the bank's cost-to-income ratio from 45% in FY2013 to 44% in FY2014.

Balance Sheet

- Burgan Bank's net loans advanced 3% QoQ in 4Q2014, resulting in 11% loan growth in FY2014. On the other hand, deposit growth was slower at 1% in FY2014. This resulted in an increase in the bank's loan-to-deposit ratio from 85% at the end of December 2013 to 93% at the end of December 2014.
- As for the geographic distribution of the bank's loan book, international customer loans contributed 41% of total loans at the end of December 2014, compared to 39% in the same period of the previous year. As for the bank's deposit book, international deposits represented 48% of the total deposits at the end of December 2014, compared with 41% at the end of December 2013.
- The bank announced that its capital adequacy ratio was 13.5% under Basel III, compared with 18.6% by the end of September 2014 under Basel II. We note that the bank also received approval from the Central Bank of Kuwait to sell or buy back a maximum of 10% of its issued shares for a period of six months (until August 4, 2015).

Loans – Geographical distribution



Sources: Company's financial statements and NBK Capital

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Interest Income	166.6	190.9	270.4	305.1
Interest Expense	(62.0)	(72.0)	(104.9)	(119.5)
Net Interest Income	104.6	118.9	165.4	185.5
Fees and Commissions	38.1	38.1	44.6	48.6
Foreign Exchange Income	7.8	17.6	18.7	7.3
Net Investment Earnings	7.9	4.2	14.2	18.2
Income from Associate	0.0	0.0	0.0	0.0
Other Operating Income	5.1	11.3	10.6	16.2
Total Operating Income	163.4	190.1	253.6	275.7
Staff Expenses	(28.0)	(32.4)	(53.6)	(58.5)
Other Expenses	(33.4)	(38.8)	(59.2)	(63.6)
Total Operating Expenses	(61.4)	(71.2)	(112.8)	(122.2)
Loan Loss Provisions	(29.1)	(36.1)	(89.9)	(61.3)
Investment Provisions	(4.5)	(4.0)	(3.0)	(2.1)
Other Income / (Exp.)	(10.7)	(16.1)	(15.8)	(17.5)
Minority Interest	(7.0)	(7.1)	(12.0)	(10.9)
Net Profit	50.6	55.6	20.1	61.8

Balance Sheet (KD millions)	2011	2012	2013	2014
Assets				
Cash and Cash Equivalents	986.4	1,271.1	1,587.9	1,670.4
Due from Banks	843.2	610.8	700.1	689.8
Loans and Advances	2,252.3	3,374.8	3,954.8	4,386.5
Net Investments	148.6	311.0	421.4	484.9
Net Fixed Assets	49.2	69.1	81.4	93.6
Others	272.1	336.1	409.1	426.2
Total Assets	4,551.8	5,972.9	7,154.8	7,751.4
Liabilities and Shareholders' Equity				
Due to Banks and Oth.Fin.Inst.	942.1	1,024.9	1,449.1	1,626.4
Customers' Deposits	2,795.8	3,895.1	4,640.1	4,708.3
Borrowings	107.9	231.0	227.6	226.6
Other Liabilities	140.3	202.1	218.2	234.1
Total Liabilities	3,986.1	5,353.1	6,534.9	6,795.5
Minority Interest	118.4	129.1	144.4	151.0
Total Shareholders' Equity	447.3	490.7	475.5	804.9
Total Liabilities and Equity	4,551.8	5,972.9	7,154.8	7,751.4

Source: Company's financial statements and NBK Capital

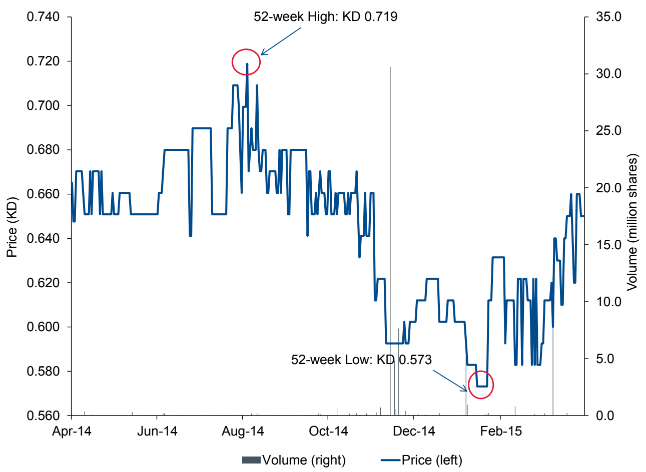
COMMERCIAL BANK OF KUWAIT (CoBK)

Key Data

General		Daily Liquidity	
KSE Code	CBK.KSE	52-week avg. volume	285,459
Reuters	CBKK.KW	52- week avg. value (KD)	174,476
Price (KD)		**Price Performance**	
Closing Price	0.650	YTD	6.2%
52-week High/Low	0.719 / 0.573	12-month	-2.3%
Market Capitalization		**Issued Shares**	
KD (million)	917.76	Millions	1,411.94
Ownership Structure			
Closely-held: 23.11%		Public: 76.89%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: 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 managemen,t and stock brokerage services. The bank's subsidiaries include Al Tijari Investment Company and Union Securities Brokerage Company KSCC.
- CoBK's net profit increased in FY2014, reaching KD 49.2 million compared to KD 23.7 million in FY2013. In 1Q2015, CoBK's net profit witnessed a 17% YoY increase in 1Q2015, reaching KD 6.3 million compared to KD 5.4 million in 1Q2014.
- Loan loss provisioning and other provisions dropped 24% YoY to KD 58.4 million in FY2014 versus KD 77.0 million in FY2013. Furthermore, loan loss provisioning and other provisions increased 10% YoY to KD 20.8 million in 1Q2015 versus KD 18.9 million in 1Q2014.
- The bank's loan book remained flat at KD 2.3 billion in FY2014. Customer deposits increased by 6% QoQ in 3Q2014 resulting in 3% YoY decline by the end of December 2014. This led to an increase in the bank's loans-to deposits ratio to 91% as of December 2014 from 88% as of December 2013. In 1Q2015, the loan book decreased 4% QoQ to KD 2.2 billion, while customer deposits increased by 1% QoQ to KD 2.6 billion, resulting in a loans-to deposits ratio of 86%.
- In March 2015, the NPL ratio increased to 0.9% from 0.8% at the end of December 2014.

Analyst

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Key Ratios

	2011	2012	2013	2014	1Q2015
Growth in Loans	-8%	-2%	9%	0%	-4%
Growth in Deposits	-1%	0%	17%	-3%	1%
Growth in Net Profit	-98%	35%	n/m	108%	17%
Growth in Operating Income	5%	-5%	9%	8%	8%
NPL Ratio	6.7%	2.8%	1.4%	0.8%	0.9%
NPL Coverage	92%	169%	367%	752%	n/a
Capital Adequacy	18.6%	20.0%	18.4%	18.2%	18.6%
Growth in Costs	-5%	3%	10%	7%	-2%
Cost-to-Income	22%	24%	24%	24%	24%
RoAA	0.0%	0.0%	0.6%	1.2%	1.2%
RoAE	0%	0%	4%	9%	9%

Source: 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 GCC equity fund, the Islamic fund, and the India fund. The bank's subsidiaries include, Union Securities Brokerage Company KSCC, which is engaged in brokerage services (owned 80%). The bank operates via a network of 52 branches and an ATM network spread across the country.

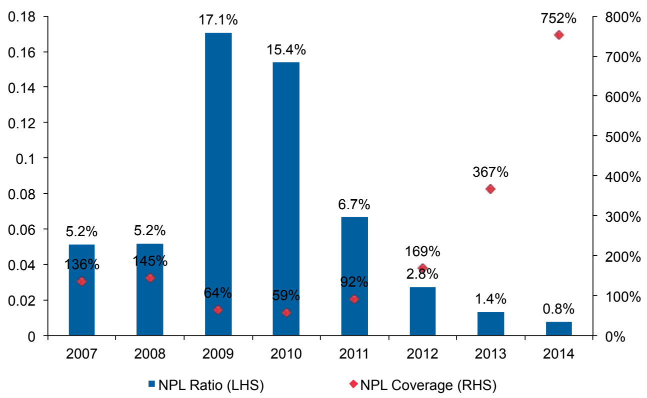
Latest News

- **April 2015:** CoBK's AGM approved the distribution of a KD 0.018 per share for FY2014, amounting to a total KD 25.4 million. The AGM also elected a new board for the next three-year term and appointed Ali Mousa as BOD chairman.
- **January 2015:** Capital Intelligence (CI) has raised CoBK's Financial Strength Rating (FSR) to "A-", with a stable outlook. CI also upgraded the Long-Term Foreign Currency (FC) Rating to "A", and maintained the Short-Term FC Rating at "A2".
- **December 2014:** CoBK received a KD 1.38 million payment from Noor Financial Investment following its debt restructuring plan.
- **December 2014:** CoBK reduced its stake in Boubyan Bank from the 19.9 % in September to about 12.7%. The bank is not planning to divest all of its stake, noting that CoBK is selling the bonus shares it obtained from Boubyan over the years.
- **December 2014:** Moody's has affirmed its rating for CoBK at "A3/Prime-2" for its local and foreign-currency deposit ratings, "D+" for its standalone bank financial strength and "ba1" for its credit assessment.
- **November 2014:** CoBK announce its rating has been affirmed by Fitch at "A+" for its long term issuer default rating, "F1" for its short-term rating, viability rating at "bb-", and support rating at "1", and based support rating floor at "A+", with future stable outlook. ABK's rating reflects Fitch's view that there is an extremely high probability of support being provided by the Kuwaiti authorities to all domestic banks if needed.

Asset Quality

- The bank's asset quality indicators continued to improve in FY2014, per their recent announcement, with the NPL ratio dropping to 0.8% at the end of December 2014 compared to 1.4% at the end of December 2013. However, in 1Q2015, the NPL ratio increased by 11% QoQ to 0.9%. Higher provisioning also resulted in a noticeable improvement in the bank's NPL coverage, which increased to 752% at the end of December 2014 compared to 367% at the end of December 2013.
- CoBK's asset quality indicators improved for the fifth consecutive year in a row, driven by a steep drop in NPLs. NPLs decreased by 40% in FY2014 to KD 19.8 million, compared with KD 33.0 million in FY2013. This compares to a peak of KD 462 million in FY2009. The large drop in the NPL ratio have been mostly driven by significant write-offs totaling to KD 20 million.
- NPL coverage continued to improve strongly to 752% in December 2014, driven by the drop in NPLs during the year. However, CoBK's specific provisions decreased by 23% in FY2014 while general provisions increased by 31%.

Asset Quality Indicators



Source: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

1Q2015

- CoBK's net profit witnessed a 17% YoY increase in 1Q2015, to KD 6.3 million, compared to KD 5.4 million in 1Q2014.
- Net interest income remained flat at KD 21 million in 1Q2015. On the other hand, the non-interest income increased by 22% YoY to KD 15 million in 1Q2015. The YoY improvement came in as dividend income increased

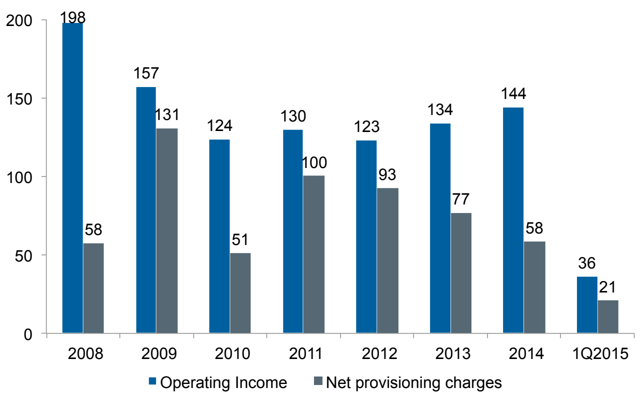
to KD 3.3 million when compared to KD 1.2 million in 1Q2015, in addition to a gain in disposal of assets that recorded a gain of KD 1.7 million in 1Q2015, and was equal to zero in 1Q2014. As such, operating income increased by 8% YoY in 1Q2015, at KD 36.2 million.

- Loan loss provisioning and other provisions increased 10% YoY to KD 20.8 million in 1Q2015 versus KD 18.9 million in 1Q2014. However, costs decreased by 2%, resulting in a cost-to-income ratio of 24%.

FY2014

- CoBK's net profit increased in FY2014, reaching KD 49.2 million compared to KD 23.7 million in FY2013.
- Net interest income slightly decreased to KD 84.5 million in FY2014. However, the non-interest income increased to KD 59.8 million in FY2014, up 27% from FY2013. The YoY improvement came in as investment income increased to KD 17.8 million compared to KD 3.4 million in FY2013, in addition to a 39% YoY increase in foreign exchange gains, which stood at KD 5.5 million, along with a 7% YoY increase in fee and commission income, which reached KD 32.4 million in FY2014.
- Thus, operating income increased by 8% YoY in FY2014, to KD 144.4 million.
- Loan loss provisioning and other provisions dropped 24% YoY to KD 58.4 million in FY2014 versus KD 77.0 million in FY2013.
- However, costs increased by 7% YoY driven by a 5% increase in staff costs, combined with a 12% YoY increase in G&A expenses, and resulting in cost-to-income ratio of 24%.

Operating Income and Net Provisioning Charges

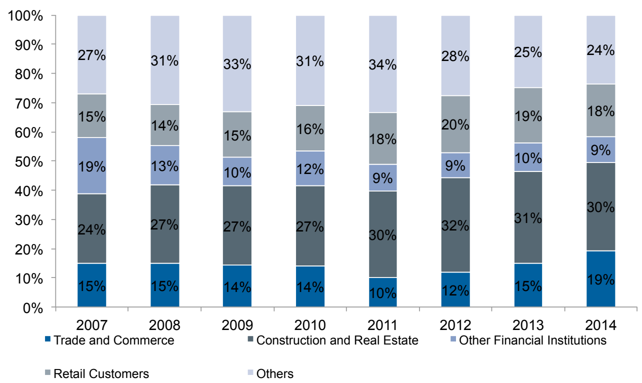


Source: Company's financial statements and NBK Capital

Balance Sheet

- The bank's loan book remained flat at KD 2.3 billion in FY2014. Customer deposits increased by 6% QoQ in 3Q2014 resulting in 3% YoY decline by the end of December 2014. This led to an increase in the bank's loans-to deposits ratio to 91% as of December 2014 from 88% as of December 2013. In 1Q2015, the loan book decreased 4% QoQ to KD 2.2 billion, while customer deposits increased by 1% QoQ to KD 2.6 billion, resulting in a loans-to deposits ratio of 86%.
- A closer look reveals that the unchanged loans in FY2014 were mainly driven by lending classified as "Trade and Commerce" (19% of gross loans), which increased 31% in FY2014 to KD 478.2 million. However, retail loans were down by 4% during the year, while corporate loans decreased by 3% to account for 54% of total loans compared with 56% at the end of December 2013, and financial loans decreased by 9% YoY accounting for 9% of total loans.

Loans Classification



Source: Company's financial statements and NBK Capital

Financial Statements

Income Statement (KD millions)	2013	2014	1Q2014	1Q2015
Interest Income	106.7	109.3	26.5	27.6
Interest Expense	(19.8)	(24.7)	(5.3)	(6.5)
Net Interest Income	86.9	84.5	21.2	21.1
Fee and Commission Income	30.3	32.4	7.4	8.1
Fund Management fees	-	-	-	-
Foreign Exchange gain/loss	4.0	5.5	1.3	1.0
Investment Income	3.4	17.8	2.2	0.6
Dividend Income	2.3	2.2	1.2	3.3
Gain on disposal of assets	5.6	0.6	0.0	1.7
Other Operating Income	1.6	1.3	0.3	0.3
Operating Income	134.1	144.4	33.6	36.2
Impairment and other Provisions	(77.0)	(58.4)	(18.9)	(20.8)
Staff Costs	(18.2)	(19.1)	(5.2)	(5.2)
Gen and Admin Expenses	(13.1)	(14.6)	(3.5)	(3.6)
Depreciation	(1.1)	(0.9)	(0.2)	(0.1)
Operating Profit	24.8	51.4	5.7	6.5
Taxes	(1.1)	(2.2)	(0.2)	(0.2)
Net Profit	23.7	49.2	5.4	6.3

Balance Sheet (KD millions)	2012	2013	2014	Mar-15
Assets				
Cash and Short Term Funds	253.8	436.6	525.3	819.8
Treasury Bills and Central Bank	444.2	341.3	363.9	325.4
Deposits with banks and other FI.	373.0	393.8	701.7	436.3
Loans and advances	2,127.7	2,317.0	2,319.7	2,228.9
Investment Securities	395.1	355.5	208.9	227.5
Investment in Associate	3.2	-	-	-
Premises and Equipment	25.8	26.7	30.0	30.4
Goodwill and other Intangible assets	9.9	9.8	9.8	9.8
Other assets	35.3	48.8	53.4	21.2
Total Assets	3,668.1	3,929.5	4,212.8	4,099.4
Liabilities and Sh. Equity				
Due to Banks and Fin. Inst.	817.3	685.6	1,004.1	835.9
Customer Deposits	2,257.3	2,630.5	2,554.3	2,582.3
Other Liabilities	40.5	50.5	100.7	118.8
Total Liabilities	3,115.1	3,366.6	3,659.0	3,537.0
Minority Interest	1.0	1.1	1.1	1.1
Share Capital	127.2	127.2	141.2	141.2
Proposed bonus shares	-	14.0	-	
Treasury Shares	(0.1)	(4.0)	-	-
Reserves	309.7	299.8	253.5	255.8
Retained Earnings	115.3	115.9	132.6	139.0
Proposed Dividend	-	8.9	25.4	25.4
Total Shareholders' Equity	552.1	561.8	552.7	561.3
Total Liabilities and Equity	3,668.1	3,929.5	4,212.8	4,099.4

Source: Company's financial statements and NBK Capital

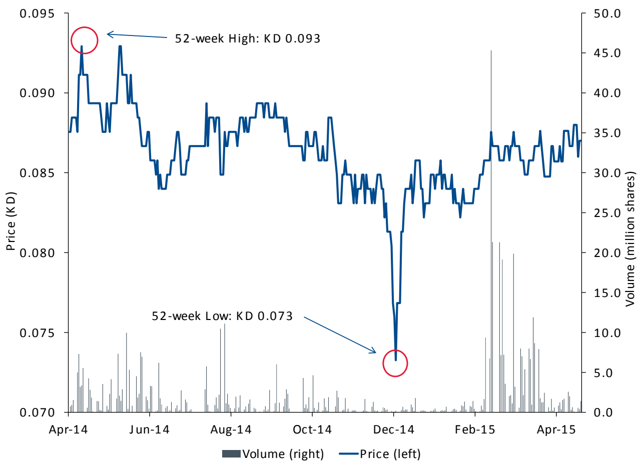
COMMERCIAL REAL ESTATE COMPANY (AL TIJARIA)

Key Data

General		Daily Liquidity	
KSE Code	ALTIJARIA.KSE	52-week avg. volume	2,152,615
Reuters	TIJK.KW	52- week avg. value (KD)	197,688
Price (KD)		**Price Performance**	
Closing Price	0.087	YTD	1.4%
52-week High/Low	0.093 /0.073	12-month	-0.6%
Market Capitalization		**Issued Shares**	
KD (million)	148.07	Millions	1,701.99
Ownership Structure			
Closely-held: 18.44%		Public: 81.56%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Highlights

- Al Tijaria is a Shari'ah-compliant real estate investment, development, and management company. The company's main focus is residential and commercial property development in Kuwait and within the GCC.
- Total real estate revenue decreased 17% YoY to KD 32.1 million in 2014 from KD 38.8 million in 2013.
- A closer look at debt serviceability shows that the company's EBITDA interest coverage decreased to 5.9x in 2014 versus 8x in 2013.
- Net profit increased 26% YoY from KD 15 million to KD 18.9 million in 2014, primarily due to a significant decline in impairments on the AFS portfolio.
- The company's investment properties had a market value of KD 286.1 million as of December 31, 2014, and accounted for 69% of total assets.

Analyst

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Key Ratios

	2010	2011	2012	2013	2014
Rental Income (% of real-estate-related rev.)	23%	15%	38%	33%	44%
EBITDA interest cover (x)	2.1	4.3	4.5	8.0	5.9
Net debt-to-total equity (x)	0.6	0.4	0.3	0.4	0.4
Operating Profit Margin	85%	72%	82%	83%	78%
Net Profit Margin	22%	24%	43%	42%	67%
Net Profit Growth	-71%	90%	4%	37%	26%
Investment Book (% of Total Assets)	9%	8%	8%	8%	10%
Investment Book (% of Total Equity)	16%	12%	12%	12%	15%

Source: Company's financial statements and NBK Capital

Overview

The Kuwait-based Al Tijaria, is a Shari'ah-compliant real estate investment, development, and management company. The company's focus is residential and commercial property development in Kuwait and the GCC, and it also generates income from its investment property portfolio. Al Tijaria was established in 1968 and listed on the Kuwait Stock Exchange in 2004. The company aims to grow by seizing investment and real estate opportunities and is also working on expanding abroad. Al Tijaria's network expansion through consortiums and alliances with various firms within the GCC allows the company to develop large-scale projects across the region.

Latest News

- **April 2015:** The company announced that it has signed an agreement for bank facilities in an amount of KD 8 million. The financial impact of this will be reflected in the 2Q2015 financial statements.
- **April 2015:** Al Tiajria announced that it has realized a gain of KD 1.7 million from selling its remaining 4.25% stake in Markaz Real Estate Fund. The financial impact of this transaction will be reflected in the 2Q2015 financial statements.
- **April 2015:** The company announced that it has started taking steps to develop 3 real estate projects in Bahrain at a total estimated cost of KD 25 million (excluding the cost of the land). Construction work is set to start by the end of the year, with an expected timeframe of 2.5 years for completion.
    - The first project includes hotel apartments, and apartments to be developed for sale
    - The second project consists of villas and apartments
    - The third project, which will be in collaboration with Bahraini and Saudi partners, will entail developing middle-income housing units.

  The company expects the return from these projects to be 14%.
- **April 2015:** Al Tijaria, through "Bayan for Real Estate Development," in which Al Tijaria holds a 21% stake, has started work on the "Bayan Al Aziziya" project in Saudi Arabia. This is a mixed-use development, covering a total land area of 652 thousand sqm and has an estimated development cost of KD 63 million.
- **April 2015:** The company paid out a cash DPS of KD 0.05 for FY2014, which is in line with the dividend payment for FY2013. This translates to a payout ratio of 53%.
- **November 2014:** Al Tijaria entered into a new investment in Norway, in partnership with a group of investors, for the development of a warehouse. The company holds a 49.64% stake of the total investement, which is equivalent to a value of KD 3.9 million. The company expects to generate a profit margin of 9.25%, and the financial impact of this transaction would be reflected in the 1Q2015 financials.
- **November 2014:** The company bought out the remaining share of one of its subsidiaries in mutual investment properties and land plots in Bahrain, for a value of KD 2.8 million. Al Tijaria now owns 100% of these properties, as compared to 75% previously.
- **September 2014:** The company made the following investments:
    - acquisition of a group of office complexes covering an area of 32,648 sqm in Chicago, for an amount of KD 1.5 million, along with a group of investors and with Arzan Wealth Ltd. The company said that the annual expected return, as cash dividend would be 7.75% of the total investment.
    - purchase of a 44,535 sqm plot of undeveloped land in London for KD 2.4 million, in partnership with a group of investors.
    - purchase of a 10 million sqm agricultural land plot in Turkey for KD 2.9 million. The company aims to develop this land along with other partners, and has already signed a contract with an international company, which would purchase the produced crops.

Major Projects

Major projects completed – Kuwait

- **Juman Residential Complex** – Built on an area of 7,950 sqm, this residential project is located in Mahboula, facing the Fahaheel Express Road. The complex consists of two buildings, 12 floors each, which include apartments, penthouses, and townhouses.
- **Al Tijaria Tower** – This is a mixed-use development that includes a mall and office space. The tower is located in the Sharq area and is built on an area of 4,294 sqm.
- **The Dome** – Located in Abu-Hulaifa on the coastal road, the project has a BUA of 9,800 sqm 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 11,750 sqm. The project consists of two towers, and includes retail shops, a hotel, and office space.

On-going Projects – Kuwait

- **Dine Zone Restaurants** – This is located along the sea-front at Oqaila beach and consists of 26 villa-type restaurants, covering a total BUA of 8,300 sqm.
- **Light Restaurants** – This restaurant complex houses 11 fine dining restaurants. The location is at the main intersection along the coastal road in Mahboula stretching over an area of 5,940 sqm.
- **Thatcher Residential Complex** – Located on a plot of 5,373 sqm, the complex offers a range of different sized residential units and facilities including playgrounds, swimming pools and a health club.

Financial Statement Analysis

Income Statement

- Total real estate revenue decreased 17% YoY to KD 32.1 million in 2014 from KD 38.8 million in 2013. The significant decline in profit from selling land and development properties held for trading (-61% YoY), more than offset the improvement in rental income during the period (+9% YoY). This also led to a 23% decline YoY in EBIT, from KD 32.3 million to KD 24.9 million in 2014.
- A closer look at debt serviceability shows that the company's EBITDA interest coverage decreased to 5.9x in 2014 versus 8x in 2013.
- Net profit rose 26% YoY from KD 15 million to KD 18.9 million in 2014, primarily due to a significant decline in impairments on the AFS portfolio.

Balance Sheet

- The company's investment properties had a market value of KD 286.1 million as of December 31, 2014, and accounted for 69% of total assets.
- Cash and cash equivalents witnessed a 14% increase YoY, from KD 5.7 million to KD 6.5 million at the end of 2014. Meanwhile, total debt increased by 18% YoY to KD 120 million. Al Tijaria's net-debt-to-total equity ratio remained constant at 0.4x.
- The company's investment book (both AFS and investments at fair value through profit or loss) stood at KD 40.5 million at the end of 2014, which represents 10% of total assets and 15% of shareholders' equity.

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Real estate rental Income	6.5	10.7	12.9	14.1
Profit from land and other assets	42.5	8.2	11.2	4.4
Change in fair value	(7.6)	10.5	15.8	14.4
Hotel income/(loss)	2.4	(1.3)	(1.0)	(0.9)
Total Real Estate Revenue	43.8	28.1	38.8	32.1
Other operating income	1.1	0.8	0.1	0.1
Operating expenses	(9.0)	(4.4)	(5.6)	(6.2)
Administrative expenses	(4.2)	(1.4)	(1.0)	(1.1)
EBIT	31.7	23.1	32.3	24.9
Other Income	(12.4)	(5.7)	2.1	2.7
Finance charges	(8.3)	(5.6)	(4.3)	(4.6)
Impairments on AFS Investments	-	1.7	(10.4)	(0.2)
Provisions and reversals	-	(0.9)	(2.5)	(0.5)
Contribution to KFAS	(0.1)	(0.1)	(0.1)	(0.2)
Contribution to NLST	(0.2)	(0.3)	(0.4)	(0.5)
Zakat expenses	(0.1)	(0.1)	(0.1)	(0.1)
Minority Interest	-	1.1	1.3	2.6
Net Profit	10.5	10.9	15.0	18.9

Balance Sheet (KD millions)	2011	2012	2013	2014
Property plant and equipment	33.9	32.0	29.8	29.2
Project in Progress	7.8	15.7	21.8	1.7
Investment Properties	236.5	241.8	257.2	286.1
Investments in associates	22.6	22.3	21.7	32.7
Investments available for sale	30.3	29.3	24.3	21.9
Investments in joint venture	0.7	-	-	-
Total non current assets	**331.9**	**341.1**	**354.8**	**371.7**
Cash and Bank Balances	13.0	11.3	5.7	6.5
Lands and real estate held for tradi	9.4	10.4	7.9	8.5
Other assets	36.1	11.0	13.9	25.1
Total current assets	**58.5**	**32.7**	**27.6**	**40.2**
Total Assets	**390.4**	**373.8**	**382.4**	**411.8**
Short-Term Debt	14.1	16.5	14.5	23.2
Long-Term Debt	95.1	80.6	87.0	96.7
Other Liabilties	13.9	11.2	12.4	11.7
Total Liabilities	**123.1**	**108.3**	**113.9**	**131.6**
Shareholders' Equity	**251.2**	**251.3**	**257.8**	**267.9**
Minority Interest	16.1	14.1	10.7	12.4
Total Liabilities and Equity	**390.4**	**373.8**	**382.4**	**411.8**

Source: Company's financial statements and NBK Capital

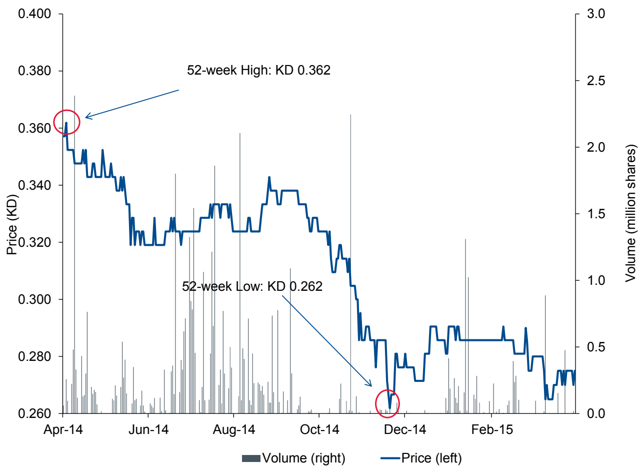
GULF BANK

Key Data

General		Daily Liquidity	
KSE Code	GBK.KSE	52-week avg. volume	811,448
Reuters	GBKK.KW	52- week avg. value (KD)	241,865
Price (KD)		**Price Performance**	
Closing Price	0.275	YTD	-0.4%
52-week High/Low	0.362 / 0.262	12-month	-23.0%
Market Capitalization		**Issued Shares**	
KD (million)	838.24	Millions	3,048.13
Ownership Structure			
Closely-held: 48.88%		Public: 51.12%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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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 59 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 35.5 million in FY2014, 10% higher than FY2013, which came on the back of a 13% YoY decline in loan provisioning. In 1Q2015, Gulf Bank's net profit increased by 12% YoY KD 9.8 million, due to a 9% YoY increase in interest income and a 48% YoY decrease in other expenses.
- Net interest income decreased by 3% in FY2014 to KD 117.7 million. Non-interest income also dropped by 9% to KD 40.5 million driven by a 37% YoY decrease in foreign exchange income to KD 8.6 million and an increase in impairment loss to KD 4.6 million. Net interest income increased by 9% in 1Q2015 to KD 31.2 million. However, non-interest income declined by 23% to KD 9.8 million, mainly caused by the decrease in investment income from KD 3.9 million in 1Q2014 to zero in 1Q2015.
- Total loan provisioning declined by 13% YoY. While specific provisioning increased by 56% YoY in FY2014 to KD 114.0 million, general provisioning witnessed a significant decrease to reach recoveries of KD 16.7 million in FY2014 compared to an expense 10.0 million in FY2013, combined with an increase in write-offs to KD 32.4 million. In 1Q2015, Total loan provisioning increased by 15% YoY. While specific and general provisioning decreased by 29% and 99% YoY, respectively, in 1Q2015, write-offs increased from a gain of KD 10.1 million in 1Q2014 to a loss of KD 3.2 million in 1Q2015.
- In 1Q2015, loans increased by 1% QoQ to KD 3.6 billion; however, deposits remained flat in 1Q2015, which led to an LDR of 99%.

Key Ratios

	2011	2012	2013	2014	1Q2015
Growth in Loans	5%	0%	1%	7%	1%
Growth in Deposits	8%	-2%	2%	10%	0%
Growth in Net Profit	61%	1%	4%	10%	12%
Growth in Operating Income	-17%	11%	-1%	-5%	-1%
NPL Ratio	14.6%	10.6%	6.7%	3.2%	3.0%
NPL Coverage	38%	56%	95%	266%	290%
Capital Adequacy	16.9%	16.8%	17.4%	15.5%	15.2%
Growth in Costs	10%	13%	-1%	-3%	-20%
Cost-to-Income	34%	35%	35%	35%	35%
RoAA	0.7%	0.6%	0.6%	0.7%	0.7%
RoAE	7%	7%	7%	7%	7%

Source: Company's financial statements and NBK Capital

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 59 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. The bank lends primarily to the real estate and personal sectors, which accounted for 20% and 32%, respectively, of total loans as of December 2014.

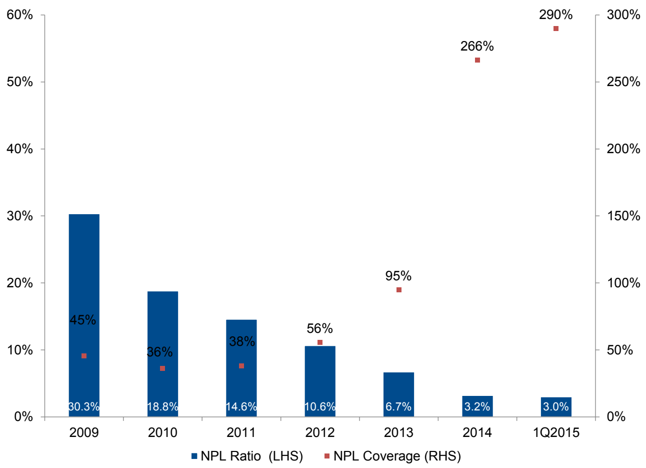
Latest News

- **March 2015:** Gulf Bank of Kuwait OGM approved the distribution of 5% bonus shares of paid capital (5 free shares for every 100 shares held) for FY2014.
- **March 2015:** Gulf Bank received KD 7.8 million from Noor Financial Investment on March 5, 2015.
- **December 2014:** Manazel for Reconstruction, 99%-owned by Manazel Holding, paid a total of KD 25 million to Gulf Bank under a debt settlement agreement, which will be reflected in the bank's 2014 results.
- **December 2014:** Gulf Bank announces that Moody's Investors Service had affirmed its long-term global local currency deposit rating to "Baa2", short-term to "B-2", and financial strength rating of the bank at "D" with positive outlook.
- **November 2014:** Gulf Bank announced that Fitch Ratings has affirmed its long-term issuer default rating to "A+", short-term rating at "F1", viability rating to "bb-" with stable outlook, support rating at "1", and support rating floor at "A+".

Asset Quality

- NPLs continued their downtrend in 2014, declining 47% YoY, after dropping 38%, in FY2013. The bank witnessed declining NPLs, led by significant write-offs and some recoveries. As of December 2014, Gulf Bank's NPL ratio declined to 3.2% from 6.5% in December 2013, while NPL coverage increased to 266% from 187% at the end of December 2013. In 1Q2015, Gulf Bank's NPL ratio declined to 3.0%, while NPL coverage increased to 290%.

Asset Quality Indicators



Source: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

1Q2015

- Gulf Bank's net profit increased by 12% YoY KD 9.8 million in 1Q2015, due to a 9% YoY increase in interest income and a 48% YoY decrease in other expenses.
- Net interest income increased by 9% in 1Q2015 to KD 31.2 million. However, non-interest income declined by 23% to KD 9.8 million, mainly caused by the decrease in investment income from KD 3.9 million in 1Q2014 to zero in 1Q2015.
- Consequently, total operating income decrease by 1% YoY to KD 41.1 million.
- Total loan provisioning increased by 15% YoY. While specific and general provisioning decreased by 29% and 99% YoY, respectively, in 1Q2015, write-offs increased from a gain of KD 10.1 million in 1Q2014 to a loss of KD 3.2 million in 1Q2015.
- Total costs declined by 20% YoY in 1Q2015, mainly due to a 48% YoY decrease in other expenses.

FY2014

- Gulf Bank reported a net profit of KD 35.5 million in FY2014, 10% higher than FY2013, which came on the back of a 13% YoY decline in loan provisioning.

- Net interest income decreased by 3% in FY2014 to KD 117.7 million. Non-interest income also dropped by 9% to KD 40.5 million. As such, the growth in fee and commission income (+6%) and almost doubling investment income (from KD 2.3 million in FY2013 to KD 6.1 million in FY2014) did not offset the significant drop in foreign exchange income (-37%) and the increase in the impairment loss on AFS investments from KD 1.2 million to KD 4.6 million.
- The decrease in net interest income and non-interest income led to a 5% decline in total operating income, which stood at KD 158.2 million in FY2014 compared with KD 165.7 million in FY2013.
- Total loan provisioning declined by 13% YoY. While specific provisioning increased by 56% YoY in FY2014 to KD 114.0 million, general provisioning witnessed a significant decrease to recoveries of KD 16.7 million in FY2014 compared to an expense of KD 10.0 million in FY2013, combined with an increase in write-offs to KD 32.4 million.
- Total costs declined by 3% in FY2014, resulting in a broadly stable cost-to-income ratio (CIR) of 35%.

Balance Sheet

- Gulf Bank's loan book increased (+6.6%) in 2014, following a marginal 1.2% growth in 2013. However, deposits decreased by 11% in FY2014, following a 10% YoY decrease in 2013. As a result, the bank's loans-to-deposits ratio (LDR) decreased to 98% at the end of December 2014, from 101% at the end of December 2013. In 1Q2015, loans increased by 1% QoQ to KD 3.6 billion; however, deposits remained flat in 1Q2015, which led to an LDR of 99%.
- Taking a closer look at loans, we notice that personal and real estate loans make up for almost 53% of Gulf Bank's total loan portfolio; the share of personal loans increased from 20% in 2008 to 32% in 2014.
- The bank's capital adequacy ratio was 15.2% at the end of March 2015 (from 15.5% at the end of December 2014), higher than the regulatory requirement of 12%.

Financial Statements

Income Statement (KD millions)	2013	2014	1Q2014	1Q2015
Interest Income	166.7	166.4	39.8	43.3
Interest Expense	(45.3)	(48.7)	(11.1)	(12.1)
Net Interest Income	121.4	117.7	28.7	31.2
Fee and Commission Income	26.2	27.9	6.1	7.3
Foreign Exchange Income	13.6	8.6	2.1	1.8
Investment Income	2.3	6.1	3.9	-
Dividend Income	0.7	1.5	0.5	0.8
Impairment loss on investments AFS	(1.2)	(4.6)	(0.1)	(0.5)
Other Income	2.8	1.0	0.4	0.4
Operating Income	165.7	158.2	41.4	41.1
Specific Provisions	(73.2)	(114.0)	(18.7)	(13.2)
General Provisions	(10.0)	16.7	(5.7)	(0.1)
Loans written off	8.8	32.4	10.1	(3.2)
Staff Costs	(39.5)	(41.3)	(11.1)	(10.2)
Gen and Admin Expenses	(3.4)	(3.7)	(0.9)	(0.9)
Depreciation	(3.0)	(2.6)	(0.7)	(0.5)
Other expenses	(11.6)	(8.5)	(5.2)	(2.7)
Operating Profit	33.8	37.3	9.1	10.2
Directors' Fees	(0.1)	(0.1)	-	-
Kuwait Foundation	(0.3)	(0.4)	(0.1)	(0.1)
NLST	(0.8)	(0.9)	(0.2)	(0.3)
Zakat	(0.3)	(0.4)	(0.1)	(0.1)
Net Profit	32.2	35.5	8.7	9.8

Balance Sheet (KD millions)	2012	2013	2014	1Q2015
Assets				
Cash and Short Term Funds	483.2	533.4	607.4	654.3
Treasury Bills and Bonds	290.2	177.1	188.1	201.2
Central Bank of Kuwait Bonds	424.4	539.5	588.2	574.1
Deposits with banks and other FI.	32.7	14.1	22.0	10.0
Loans and Advances to Banks	92.6	125.4	127.6	122.6
Loans and advances to Customers	3,322.5	3,361.2	3,583.1	3,608.1
Investments AFS	122.4	124.0	82.3	87.9
Other Assets	53.1	164.1	104.4	108.6
Premises and Equipment	25.6	25.8	27.7	28.0
Total Assets	4,846.7	5,064.8	5,330.9	5,394.8
Liabilities and Sh. Equity				
Due to banks and FI	127.4	307.8	354.7	465.7
Deposits from FI	846.6	759.8	678.7	685.0
Customer deposits	3,247.6	3,326.3	3,661.7	3,654.5
Subordinated loans	84.4	84.6	43.9	-
Other Liabilities	91.5	103.1	80.5	70.1
Total Liabilities	4,397.4	4,581.6	4,819.5	4,875.2
Treasury Shares	(56.3)	(62.9)	(66.5)	(67.9)
Share Capital	263.3	276.5	290.3	304.8
Proposed Bonus Shares	13.2	13.8	14.5	-
Reserves	53.4	65.1	65.1	65.0
Share Premium	153.0	153.0	153.0	153.0
Proposed Dividend	-	-	-	-
Accumulated Deficit	22.7	37.7	54.9	64.7
Total Shareholders' Equity	449.2	483.1	511.4	519.5
Total Liabilities and Equity	4,846.7	5,064.8	5,330.9	5,394.8

Source: Company's financial statements and NBK Capital

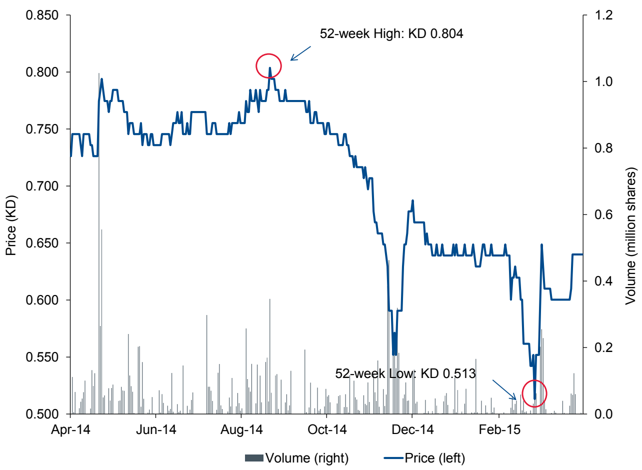
GULF CABLE AND ELECTRICAL INDUSTRIES COMPANY (GULF CABLE)

Key Data

General		Daily Liquidity	
KSE Code	CABLE.KSE	52-week avg. volume	65,740
Reuters	CABL.KW	52- week avg. value (KD)	47,493
Price (KD)		**Price Performance**	
Closing Price	0.640	YTD	-4.2%
52-week High/Low	0.804 / 0.513	12-month	-11.9%
Market Capitalization		**Issued Shares**	
KD (million)	134.36	Millions	209.93
Ownership Structure			
Closely-held: 42.89%		Public: 57.11%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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Highlights

- Gulf Cable is the market leader in Kuwait, with the largest market share in the electric cable business.
- Gulf Cable reported a sales figure of KD 112.4 million in FY2014, a 15% increase compared to FY2013.
- Net profit totaled KD 4.5 million in FY2014, down 54% YoY, despite the increase in EBITDA. Stripping out impairment losses, Gulf Cable would have reported a net profit of KD 13.2 million in FY2014 and KD 10.6 million in FY2013.
- AFS investments decreased 16% QoQ to KD 115 million at the end of December 2014. AFS investments continued to be the largest portion of assets, representing 55% of total assets and 87% of shareholders' equity.

Key Ratios

	2010	2011	2012	2013	2014
EBITDA Margin	7%	18%	9%	5%	10%
EBIT Margin	5%	16%	7%	3%	8%
Net Profit Margin	28.3%	30.4%	12.6%	10.2%	4.0%
Net Profit Growth	150.9%	37.5%	-68.5%	-12.7%	-54%
Investment Book-to-Assets	72%	61%	64%	60%	55%
Investment Book-to-Equity	101%	82%	92%	91%	87%
Investment Loss/Income-to-Net Income	104.5%	63.9%	62.4%	86.1%	-50.7%
RoAA	9.0%	12.9%	4.9%	4.4%	2.1%
RoAE	13%	18%	7%	6%	3%
Net debt-to-total equity (x)	0.3	0.2	0.3	0.4	0.4

Source: Company's financial statements and NBK Capital

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 ones 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

- **April 2015:** Gulf Cable received a purchase order from the Ministry of Electricity and Water totaling KD 6.8 million, which will result in an operating profit of 5% of the order's value. This will be reflected in Gulf Cable's financial statements in 2Q2015 and 1Q2016.
- **April 2015:** The AGM approved the distribution of cash dividends of KD 0.020 per share for FY2014.

Financial Statement Analysis

Income Statement

- Gulf Cable reported a sales figure of KD 112.4 million in FY2014, a 15% increase compared to FY2013.
- In FY2014, the gross profit increased 58% to KD 14.4 million, higher than the increase in sales. The gross profit margin in FY2014 reached 12.8% compared with 9.3% in FY2013. Accordingly, the EBITDA increased 112% YoY to KD 10.7 million in FY2014 against KD 5 million in FY2013.
- Net profit totaled KD 4.5 million in 2014 down 54% YoY, despite the increase in EBITDA. In fact, "other income" decreased significantly from a gain of KD 9.5 million to a loss of KD 1.8 million, mainly due to a decline of 20% in dividend income, combined with a significant increase in impairment losses of AFS investments (KD 0.7 million in 2013 to KD 8.7 million in 2014). Stripping out the impairment losses, Gulf Cable would have reported a net profit of KD 13.2 million in 2014 and KD 10.6 million in 2013.

Balance Sheet

- Available-for-sale (AFS) investments decreased 16% QoQ to KD 115 million at the end of December 2014. AFS investments continued to be the largest portion of assets, representing 55% of total assets and 87% of shareholders' equity.
- Gulf Cable's net debt-to-total equity ratio increased to 0.38x in December 2014 from 0.32x in September 2014. Total shareholders' equity decreased by 13% QoQ to KD 132 million in December 2014, and net debt increased 4% QoQ to KD 50 million.
- Gulf Cable reported weak net operating cash flow generation in line with a YoY drop in net profit in 2014. The operating cash flow totaled KD 0.2 million in 2014, down from KD 3.0 million in 2013.

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Total Revenue	119.3	90.5	97.9	112.4
Cost of Revenue	(93.9)	(79.0)	(88.8)	(98.0)
Gross Profit	25.4	11.5	9.1	14.4
Selling/General/Admin Expenses	(6.0)	(5.2)	(5.9)	(5.3)
EBIT	19.4	6.2	3.3	9.1
Other Income	22.2	8.0	9.5	(1.8)
Other Expenses	(4.0)	(2.1)	(2.2)	(2.4)
Earnings Before Taxes	37.6	12.0	10.6	4.9
Taxes	(1.2)	(0.6)	(0.6)	(0.3)
Net Profit before Minority Interest	36.5	11.5	10.0	4.6
Minority Interest	(0.2)	(0.0)	(0.0)	(0.0)
Net Profit	36.3	11.4	10.0	4.5

Balance Sheet (KD millions)	2011	2012	2013	2014
Property, plant and equipment	12.1	10.6	9.2	8.5
Available for sale investment	143.0	147.9	135.4	115.2
Non-Current Assets	155.0	158.6	144.6	123.7
Inventories	37.4	42.1	45.0	51.8
Trade Account Receivable	30.4	25.0	25.6	28.8
Other Receivable and prepayments	0.8	0.4	0.6	1.4
Fixed deposit	0.4	0.0	0.0	0.0
Cash and bank balances	10.4	4.6	10.2	3.6
Current Assets	79.4	72.2	81.4	85.7
Total Assets	234.4	230.8	226.0	209.4
Provision staff indemnity	1.7	1.9	2.1	2.5
Long term loans	1.2	32.8	19.9	7.1
Non Current Liabilities	2.9	34.8	22.1	9.6
Trade A/P	2.5	2.5	3.8	3.5
Other Payables and accruals	9.7	8.3	7.8	7.3
Current Portion of LT loans	5.5	12.5	13.0	13.2
Murabaha Payable	0.0	0.0	0.0	10.6
Short term loans	40.0	11.0	30.3	33.0
Due to banks	0.2	1.5	0.1	0.0
Current Liabilities	57.9	35.8	54.9	67.7
Total Liabilities	60.9	70.5	77.0	77.2
Other Components of Equity	22.7	13.3	(2.8)	(17.9)
Other Equity	150.4	146.5	151.2	149.5
Total Equity	173.1	159.8	148.5	131.6
Minority Interest	0.4	0.5	0.5	0.5
Total Liabilities and Equity	234.4	230.8	226.0	209.4

Source: Company's financial statements and NBK Capital

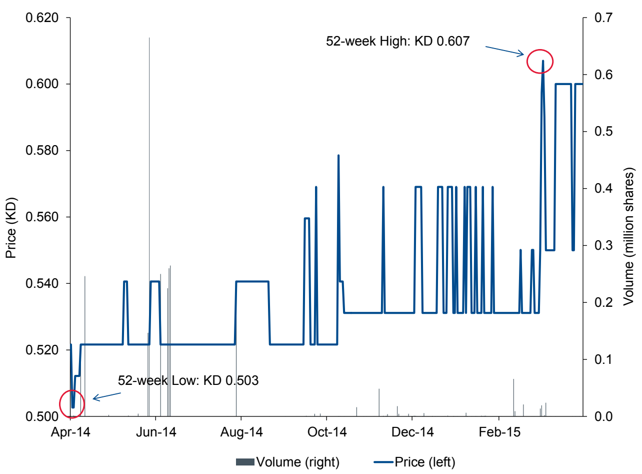
GULF INSURANCE GROUP (GINS)

Key Data

General		Daily Liquidity	
KSE Code	GINS.KSE	52-week avg. volume	11,127
Reuters	GINS.KW	52- week avg. value (KD)	6,086
Price (KD)		**Price Performance**	
Closing Price	0.600	YTD	5.4%
52-week High/Low	0.607 / 0.503	12-month	15.0%
Market Capitalization		**Issued Shares**	
KD (million)	112.22	Millions	187.04
Ownership Structure			
Closely-held: 85.47%		Public: 14.53%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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Highlights

- GINS is the largest insurance company in Kuwait in terms of written and retained premiums.
- Approximately 44% of GINS is owned by KIPCO (the largest major shareholders are the Al Sabah family).
- In 2014, the company reported 11% growth in written premiums reaching KD 173.6 million. Written premiums on property and medical-related insurance, which grew 66% and 12%, respectively, led to the growth in FY2014. Total general and risk insurance (which includes vehicles, properties, and engineering-related activities) had a lower claims rate in FY2014 (32%) compared to medical and life insurance (39%).
- In FY2014, the company reported a 40% increase in net investment income, reaching KD 11.2 million. Most of the increase came from realized gain on AFS investments and property held for sale.
- GINS reported a net profit of KD 12 million in FY2014, 18% growth YoY.
- The company reported an investment book of KD 86 million (25% of the total assets) in December 2014, a 2% increase compared to December 2013. AFS investments represented 41% of the total investments by the end of 2014.

Key Ratios

	2010	2011	2012	2013	2014
Net Profit Growth	52%	-8%	30%	10%	18%
Loss Ratio	72%	70%	77%	79%	79%
Expense Ratio	23%	20%	22%	19%	17%
Combined Ratio	95%	90%	99%	98%	96%
RoAA	3.7%	3.4%	3.9%	3.9%	4.2%
RoAE	11%	10%	13%	13%	15%
Inv Book-to-total Assets	35%	27%	26%	26%	25%
Inv Book-to-total Equity	128%	108%	108%	108%	103%

Source: Company's financial statements and NBK Capital

Overview

Gulf Insurance Group (GINS) is the largest insurance company in Kuwait in terms of written and retained premiums. Established in 1962, GINS 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 2015:** Buruj increased its capital by 92.3%, from SAR 130 million to SAR 250 million, through a rights offering.
- **April 2015:** Bahrain Kuwait Insurance Company (BKIC), which is 56.1% owned by GIC, has acquired on April 6 2015, a 40.9% stake in Takaful International Company for BHD 2.45 million.
- **March 2015:** GIC's OGM approved the distribution of cash dividends of KD 0.033 per share for FY2014.
- **February 2015:** GIC increased its stake in Saudi Arabia's Buruj Cooperative Insurance to 24.5%, equivalent to 3.18 million shares.
- **January 2015:** The Kuwait Stock Exchange announced that the Capital Markets Authority had approved GINS's request to purchase or sell no more than 10% of its shares, for a period of six months starting the date of approval, but the amount of the purchase should not exceed the amount of funding available in equity, according to the materials of Law No. 7 of 2010.
- **July 2014:** GINS announced it had established a joint venture life insurance company in Algeria with a capital USD 12.7 million. The new company will be named Algerian Gulf Insurance Company. GINS's percentage ownership in the new company will be 42.5%.

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. GINS has consistently managed to increase written premiums over the past seven years. In 2014, the company reported 11% growth in written premiums reaching KD 173.6 million. Written premiums on property and medical-related insurance, which grew 66% and 12%, respectively, led to the growth in FY2014. Total general and risk insurance (which includes vehicles, properties, and engineering-related activities) had lower claims rate in FY2014 (32%) compared to medical and life insurance (39%).
- 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). GINS has consistently managed to maintain positive underwriting results, largely due to contributions from ceded reinsurance (explained further in the next point). GINS's underwriting profit increased (3%) from KD 8.5 million in FY2013 to KD 8.8 million in FY2014.
- 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. GINS recorded a combined ratio of 96% in FY2014, lower than the 98% reported in FY2013. This means that for every KD 1.000 in written premiums in FY2014, GINS paid out KD 0.960 as claims. The calculations were conducted without including discounts on premiums offered by GINS. Including discounts, the combined ratio would have been above 107.6%.
- 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. GINS 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, GINS 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 0.4 million in FY2014, down from KD 2.1 million in FY2013. In FY2014, the company reported a 40% increase in net investment income, reaching KD 11.2 million. Most of the increase came from realized gain on AFS investments and property held for sale.

- GINS reported a net profit of KD 12 million in FY2014, 18% growth YoY. The stronger performance came despite higher claims and was largely due to the increase in written premiums and the offsetting factor of an increase in investment income as highlighted earlier.

Balance Sheet

- The company reported an investment book of KD 86 million (25% of the total assets) in December 2014, a 2% increase compared to December 2013. AFS investments represented 41% of total investments by the end of 2014.
- 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 GINS owes in reported claims. The company reported outstanding claims of KD 98 million as of December 2014, of which KD 50 million have been reinsured. Taking these factors into consideration, as of December 2014, the company displayed strong liquidity figures, with cash covering 2.0 times the net outstanding claims (or 98% of the total reported claims). Thus, we believe GINS 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 2014 to make any required payments. GINS's debt-to-equity ratio remained at 0.3x by the end of December 2014. The relatively low leverage reflects favorably on the company's ability to repay future debt obligations.

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Premiums written	133.9	145.4	157.0	173.6
Reinsurance premiums ceded	(66.7)	(71.7)	(73.7)	(82.7)
Net premiums written	67.2	73.7	83.3	90.9
Movement in unearned premiums	(1.8)	(3.6)	(4.4)	(0.9)
Net premiums earned	65.4	70.1	78.9	90.0
Commission on ceded reinsurance	9.3	10.8	11.2	11.9
Policy issuance fees	2.7	3.4	3.4	3.3
Net Inv. income from life insurance	(0.5)	2.8	2.1	0.4
Net Revenue	76.9	87.1	95.7	105.6
Claims incurred	(43.2)	(51.5)	(58.8)	(68.5)
Commission and discounts	(7.9)	(9.0)	(9.7)	(10.5)
Inc. in life mathematical reserve	(1.4)	(1.1)	(1.8)	(0.1)
Inc. in additional reserve	(0.0)	(0.1)	(0.8)	(0.2)
Maturity & cancel of life ins. policy	(1.1)	(1.2)	(1.4)	(1.9)
Gen. and Admin. expenses	(13.4)	(15.4)	(14.8)	(15.6)
Expenses	(67.0)	(78.4)	(87.2)	(96.9)
Net Underwriting Results	9.8	8.7	8.5	8.8
Net Investment (loss) income	2.8	6.3	8.0	11.2
Sundry Income	0.2	0.5	0.4	0.4
Other Charges	(3.8)	(4.4)	(4.9)	(6.5)
Net Profit before Minority Interest	9.0	11.1	12.0	13.9
Minority Interest	(1.9)	(1.8)	(1.8)	(1.9)
Net Profit	7.1	9.3	10.2	12.0

Balance Sheet (KD millions)	2011	2012	2013	2014
Property and Equipment	11.5	11.3	12.9	15.7
Investments in ass. comp.	13.3	21.3	24.2	28.1
Intangible assets	8.5	8.4	9.0	9.0
Financial Instruments	71.4	78.1	84.1	86.0
Loans sec.by life ins. policies	0.8	1.0	1.2	1.3
Prem. and insurance receivable	42.1	51.5	48.6	47.2
Reins. recoverable on out.claims	41.8	40.7	47.4	50.1
Property held for sale	0.2	0.6	0.4	0.3
Other Assets	12.3	18.7	12.7	12.8
Cash and Cash Equivalents	64.8	66.7	79.9	96.7
Total Assets	266.8	298.3	320.4	347.2
Total liab. from ins. contracts	122.0	129.0	145.2	156.9
Bank Overdraft	14.7	20.4	20.4	21.5
Premiums received in advance	0.3	0.2	0.3	0.8
Insurance payables	33.3	43.0	41.3	44.4
Other liabilities	14.7	16.9	17.9	21.8
Total Liabilities	185.0	209.6	225.1	245.4
Total Equity	66.5	72.9	78.5	84.2
Minority interest	15.2	15.9	16.8	17.7
Total Liabilities and Equity	266.8	298.3	320.4	347.2

Source: Company's financial statements and NBK Capital

INJAZZAT REAL ESTATE DEVELOPMENT COMPANY (INJAZZAT)

Key Data

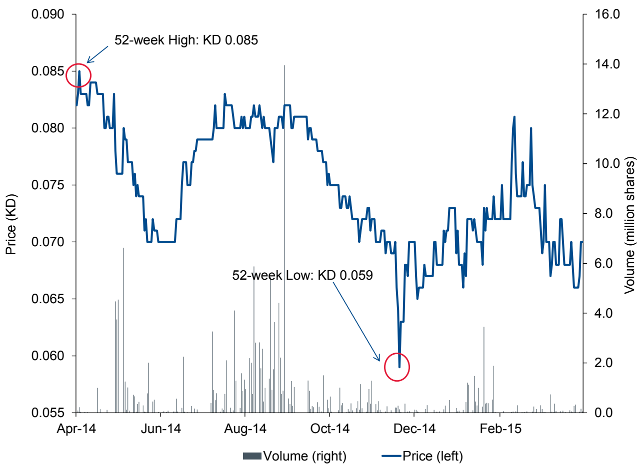
General		Daily Liquidity	
KSE Code	INJAZZAT.KSE	52-week avg. volume	613,478
Reuters	INJA.KW	52- week avg. value (KD)	47,620
Price (KD)		**Price Performance**	
Closing Price	0.070	YTD	6.1%
52-week High/Low	0.085 / 0.059	12-month	-14.6%
Market Capitalization		**Issued Shares**	
KD (million)	24.20	Millions	345.65
Ownership Structure			
Closely-held: 50.01%		Public: 49.99%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Highlights

- Injazzat is a Kuwait-based real estate company that operates across commercial, residential, and hotel segments. The company also owns a portfolio of investments in funds and shares of other real estate companies.
- Rental income increased by 16%, to KD 2.6 million in FY2014, compared to KD 2.2 million in FY2013.
- However, total revenue from real estate operations remained flat at KD 4.8 million in FY2014, mainly due to no benefit from the gain on sale of investment properties compared to last year.
- The company's investment properties had a market value of KD 59 million at the end of December 2014.

Stock Performance



Source: Bloomberg and NBK Capital

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Key Ratios

	2010	2011	2012	2013	2014
Rental Income (% of Real-Estate-Related Revenue)	48%	nm	34%	46%	54%
Net Profit Growth	nm	nm	nm	-41%	108%
EBITDA Interest Cover (x)	1.2	nm	1.5	1.7	1.5
Net debt-to-total equity	1.5	1.6	1.1	0.6	0.7
Investment Book (% of Total Assets)	9%	11%	11%	15%	15%
Investment Book (% of Total Equity)	26%	29%	23%	29%	29%

Source: Company's financial statements and NBK Capital

Overview

Established in 1998, Kuwait-based Injazzat was listed on the Kuwait Stock Exchange in 2002. The company owns and operates residential properties, retail developments, mixed-use commercial developments, and hospitality and entertainment properties. Injazzat also engages in real estate activities, investments and 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 sqm block. The tower consists of 28 floors covering a built-up area of about 15,750 sqm. 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 office space of 10,634 sqm and is fully occupied, under long-term leases, by 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 land plot of 100,000 sqft with an estimated total built-up area of approximately 227,000 sqft. 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 57,000 sqft. The project consists of two floors with397 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.

Other Geographic Exposure

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 sqm 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 that were sold during 2013. Injazzat 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, about 56,700 sqm, is situated in Umm Al Tho'oub, and the second parcel of about 6,272 sqm is situated in the Al Maidan area. The company sold part of the land in 2013.

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 plots of land totaling 28.71 acres in McKinney, Texas, for trading purposes.

Latest News

- **April 2015:** Injazzat reported preliminary earnings for 1Q2015, which show a significant improvement on sale of an investment property. Injazzat reported a total operating revenue of KD 2.9 million in 1Q2015 (+234% YoY), and a net operating profit of KD 2.8 million in 1Q2015 (+289% YoY). The YoY increase in revenue was mainly due to the increase in gain on sale of investment properties from KD 13 thousand in 1Q2014 to KD 2.0 million, contributing to 72% of the total revenue in 1Q2015. The company had already disclosed this transaction on the KSE on March 6, whereby it sold 50% of its share on a land plot located in the Marina area in Qatar, for a total amount of KD 9.5 million. In terms of recurring income, net rental revenue grew 45.4% YoY to KD 640 thousand. Net profit stood at KD 2.2 million 1Q2015 compared to KD 106 thousand in 1Q2014. In addition to recording gain on sale of an investment property, the company also highlight benefitting from FX related movements.

- **March 2015:** Injazzat's AGM approved the board's recommendation to withhold dividends for FY2014. The company also didn't pay any dividends for FY2013.
- **March 2015:** Injazzat issued a statement on March 6 2015, on the KSE, stating that it has sold its 50% share on a land plot located in the Marina area in Qatar, for KD 9.5 million. The gain from the sale is KD 2.1 million, which will be reflected in the 1Q2015 financial results.
- **August 2014:** Injazzat announced that its subsidiary has acquired, with the collaboration of French and Canadian investors, a building comprising eight floors in Germany, which is fully leased until 2020 to Hitachi Port, with an area of 20.2K sqm. Injazzat's share in this property is 50% for an investment of KD 4.1 million. The expected annual yield from this investment is 8.5%.

Financial Statement Analysis

Income Statement

- Rental income increased by 16%, to KD 2.6 million in FY2014, compared to KD 2.2 million in FY2013.
- Total revenue from real estate operations remained flat at KD 4.8 million in FY2014. Since the activities of the company's associates is primarily real estate development, we have also included results of associates as part of the total real-estate related revenue. The surge in real-estate-related revenue in FY2013, came on the back of KD 3.6 million in gains on sale of investment properties however, this was not the case in FY2014. The share of results of associates and the change in fair value of investment properties improved significantly to KD 1 million and KD 1.3 million, respectively, which led to a flat revenue performance during FY2014.
- Nonetheless, driven by a loss of KD 0.5 million in other income/expenses, EBITDA dropped from KD 2.7 million in FY2013 to KD 2.3 million in FY2014.
- Foreign exchange gains of KD 0.8 million were recorded in FY2014, which led to an increase in net profit to KD 1.5 million in FY2014, compared to KD 0.7 million in FY2013.

Balance Sheet

- The company's investment properties had a market value of KD 59 million at the end of December 2014. Investment properties accounted for 56% of total assets and 106% of total equity as of December 31, 2014.
- Injazzat's investment book totaled KD 16 million in December 2014, which accounted for 15% of total assets and 29% of total equity.
- The company's net debt-to-total equity ratio was 0.7x at the end of 4Q2014, recording approximately the same levels as at the end of 2013. Total equity and total debt stood at KD 55.6 million and KD 45.0 million, respectively, as of December 31, 2014.

Financial Statements

Income Statement (KD Thousands)	2011	2012	2013	2014
Rental income	2,046	2,559	2,229	2,590
Gain on sale of inv. properties	-	5,817	3,615	(185)
Management and placement fees	64	67	139	202
Change in fair value of inv. properties	(1,907)	(181)	(183)	1,259
Share of results of associates	(499)	(743)	(959)	958
Gain on sale of subsidiary	-	556	-	-
Total Real Estate-Related Revenue	(295)	8,075	4,841	4,824
Distribution income from AFS inv.	68	102	77	133
Other Income	1,047	(679)	195	(525)
Total income	820	7,498	5,113	4,431
Operating Costs	1,849	2,410	2,445	2,082
EBITDA	(1,029)	5,087	2,668	2,349
Depreciation	84	48	53	47
EBIT	(1,113)	5,040	2,615	2,303
Foreign exchange gain (loss)	(208)	303	287	(831)
Finance costs	4,128	3,460	1,572	1,561
Taxes	-	42	28	58
Net profit before minority interest	(4,837)	1,181	731	1,517
Minority Interest	(195)	53	(2)	(3)
Net profit	(5,032)	1,234	728	1,514

Balance Sheet (KD Thousands)	2011	2012	2013	2014
Cash and Bank Balances	4,089	2,012	6,672	8,636
Investment Properties	103,501	76,064	62,188	59,071
Investments	20,718	20,647	6,357	16,074
Other Assets	22,631	25,055	23,906	21,633
Total Assets	150,939	123,777	99,124	105,415
Total Debt	91,635	61,985	40,978	45,043
Other liabilities	5,245	5,042	4,864	4,809
Total Liabilities	96,880	67,027	45,842	49,852
Attributable Equity	49,476	52,114	53,188	55,471
Minority Interest	4,583	4,637	95	92
Total Equity	54,060	56,751	53,283	55,563
Total Liabilities and Equity	150,939	123,777	99,124	105,415

Source: Company's financial statements and NBK Capital

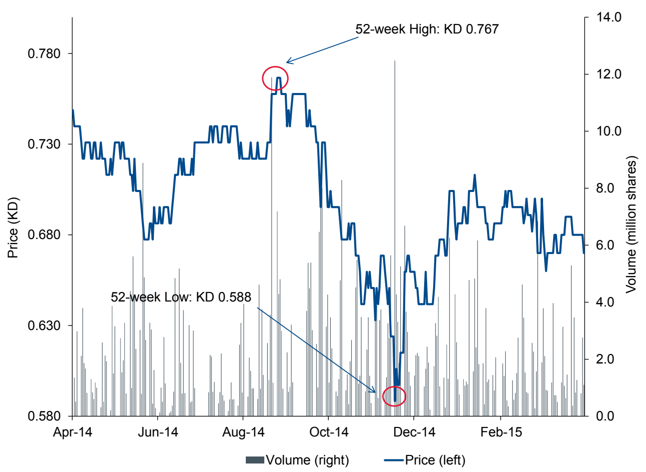
KUWAIT FINANCE HOUSE (KFH)

Key Data

General		Daily Liquidity	
KSE Code	KFIN.KSE	52-week avg. volume	2,312,446
Reuters	KFIN.KW	52- week avg. value (KD)	1,628,247
Price (KD)		**Price Performance**	
Closing Price	0.670	YTD	4.4%
52-week High/Low	0.767 / 0.588	12-month	-10.5%
Market Capitalization		**Issued Shares**	
KD (million)	3,192.57	Millions	4,765.04
Ownership Structure			
Closely-held: 48.87%		Public: 51.13%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

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Highlights

- Kuwait Finance House (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 over 380 branches, of which 63 are domestic.
- KFH's net profit grew 9% in FY2014 to KD 126 million driven by an increase in financing income and a decrease in impairment.
- Net financing income increased 8% in FY2014 to KD 363 million. Non-financing income, however, decreased 8% in FY2014.
- Thus, operating income totaled KD 752 million in FY2014, down 1% YoY.
- Loan loss provisioning charges dropped 23% in FY2014
- Receivables grew 7% in FY2014, following double-digit increases in the previous two years, to KD 8.1 billion in FY2014. The increase was mostly driven by a 7% increase in 9M2014, which was followed by broadly muted growth in 4Q2014. Depositors' accounts, however, grew at a slightly faster pace of 8% in FY2014, to KD 10.9 billion.
- The bank's NPR ratio was stable at 10.4% at the end of December 2014. However, NPR coverage declined to 55% at the end of December 2014, compared with 59% at the end of December 2013.

Key Ratios

	2010	2011	2012	2013	2014
Growth in Receivables	9%	6%	13%	14%	7%
Growth in Depositors' Accounts	5%	16%	6%	8%	8%
Growth in Operating Income	2%	26%	5%	9%	-1%
Growth in Net Profit	-11%	-24%	9%	32%	9%
NPR Ratio	15.1%	11.3%	9.6%	10.4%	10.4%
NPR Coverage	53%	70%	62%	59%	55%
Capital Adequacy	14.2%	13.7%	13.9%	17.4%	16.3%
Growth in Costs	6%	20%	5%	9%	10%
Cost-to-Income	48%	46%	46%	46%	51%
RoAA	0.9%	0.6%	0.6%	0.8%	0.8%
RoAE	8%	6%	7%	8%	7%

Source: Company's financial statements and NBK Capital

Overview

Kuwait Finance House (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. 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 390 branches in various countries. The bank has subsidiaries and associates in Kuwait, Saudi Arabia, UAE, Bahrain, Malaysia, the Cayman Islands, and Turkey, offering various services, including Islamic banking, investments, real estate, and leasing services. The bank is rated by Standard and Poor's, Moody's, and Fitch as A-, A1, and A+, respectively.

Subsidiaries and Associates as of April 2015

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

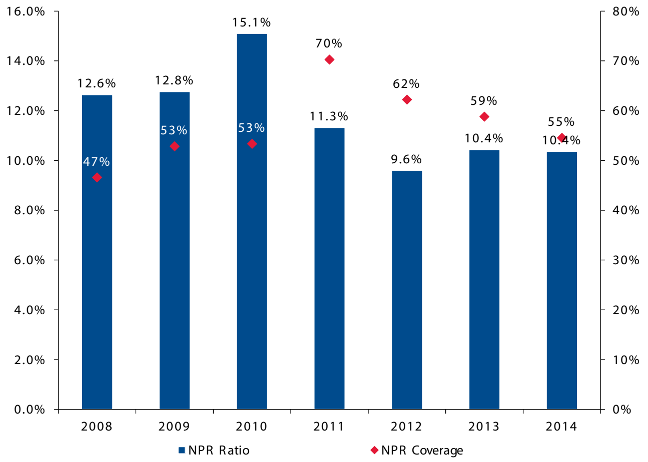
Latest News

- **April 2015:** KFH reported earnings for 1Q2015. The bank recorded a net profit of KD 29.9 million in 1Q2015, up 15% YoY. Net financing income reached KD 92 million in 1Q2015, up 11%YoY, and total operating revenue increased by 3.6% YoY to 233 million. Total financing portfolio increased by 8% YoY, while total deposits increased by 4.3%; as a result, there was a 4.5% rise in total assets. The bank also announced that the capital adequacy ratio reached 16.24% in 1Q2015 (16.25% in FY2014). At the press conference held to discuss KFH's 1Q2015 results, the company's chairman confirmed that the 1Q2015 profits are consistent with the plans set for the company and are in line with the company's willingness to pursue a conservative policy in order to strengthen its financial position, and to deal with the changes in the market conditions.
- **March 2015:** Kuveyt Turk (62% owned by KFH) said it would launch Germany's first full-fledged Islamic bank in July, a first step intended at offering sharia-compliant retail banking services across the continent. The wholly-owned subsidiary will be called KT Bank AG and use Frankfurt as its base, aiming to tap Europe's second-largest Muslim community, many of whose members are of Turkish descent.
- **February 2015:** KFH announced that it had rejected a debt compromise deal proposed by Investment Dar. KFH said it would take all legal measures available against Investment Dar to try to collect its debt. It did not specify a monetary sum.
- **December 2014:** The bank announced that its Turkish subsidiary has secured a USD 350 million syndicated loan. The dual-currency Murabaha transaction for Kuveyt Turk was arranged in two tranches, one maturing after two years for USD 300 million and the other including one- and two-year terms for a combined total of 40 million euros (USD 48.63 million). The participating banks were Boubyan Bank, Kuwait International Bank, Saudi British Bank, Ahli United Bank, United Arab Bank, and Commerzbank.
- **December 2014:** KFH announced that its subsidiary would hold an auction to sell a number of it property portfolio, for a total value of KD 105 million.
- **November 2014:** Fitch Ratings has affirmed its long-term issuer default rating at "A+" with a stable outlook, short-term rating at "F1", viability rating to "bb", support rating at "1", and support rating floor at "A+".
- **September 2014:** KFH appointed Saad Ali Al Nahed the company's chief executive, effective October 1, 2014.

Asset Quality

- Following a 24% increase in non-performing receivables (NPRs) in 2013, NPRs grew by 6% in FY2014. Thus, NPRs totaled KD 892 million at the end of December 2014, compared with KD 844 million at the end of December 2013.
- Coupled with moderate growth in the bank's receivables, the bank's NPR ratio was stable at 10.4% at the end of December 2014. However, NPR coverage declined to 55% at the end of December 2014, compared with 59% at the end of December 2013.

Asset Quality Indicators



Sources: Company's financial statements and NBK Capital

Financial Statement Analysis

Income Statement

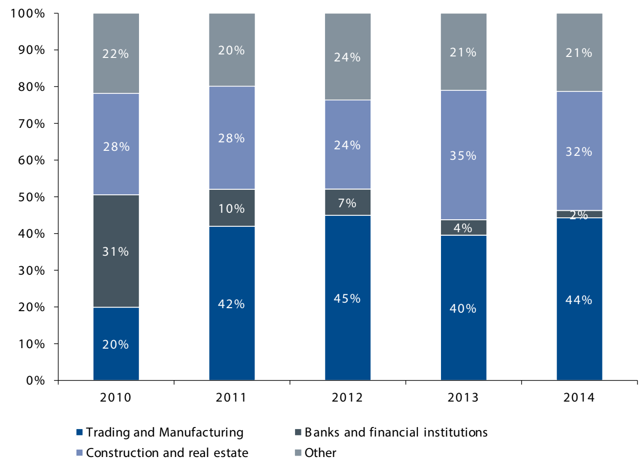
FY2014

- **KFH's net profit grew 9% in FY2014 to KD 126 million driven an increase in financing income and a decrease in impairment.**
- **Net financing income increased 8% in FY2014 to KD 363 million.** Non-financing income, however, decreased 8% in FY2014. While the bank recorded KD 75 million in investment income in 4Q2014 (versus an average of KD 30 million quarterly in the previous three quarters), investment income for FY2014 still came 33% below what was recorded in FY2013. In turn, the 2% increase in fee income and foreign exchange income along with the 53% increase in other income, did not fully offset the drop in investment income.
- Operating income stood at KD 752 million in FY2014, down 1% YoY.
- **Loan loss provisioning charges dropped 23% in FY2014.** While loan loss provisioning charges averaged KD 20 million per quarter in the first three quarters of the year, they reached KD 118 million in 4Q2014 (+43% YoY, +440% QoQ).
- **Total costs (now excluding subsidiary taxes) grew 10% in FY2014** driven by higher staff costs (+8%), and resulting in an increase in the bank's CIR from 46% at the end of December 2013 to 51% at the end of December 2014.

Balance Sheet

- Receivables grew 7% in FY2014, following double-digit increases in the previous two years, to KD 8.1 billion in FY2014.
- **A closer look at receivables growth reveals that the increase in FY2014 was mostly driven by** the trading and manufacturing sector which increased 20% during the year and contributed 44% of the total increase in receivables. On the other hand, the banks and financial institutions sector witnessed a 49% decrease in FY2014.
- Depositors' accounts grew at a slightly faster pace of 8% in FY2014, to KD 10.9 billion.
- **The bank's capital adequacy ratio (CAR)** slightly dropped from 17.4% in FY2013 to 16.2% in FY2014.

Receivables Breakdown



Sources: Company's financial statements and NBK Capital

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Financing Income	524.0	573.5	571.4	645.8
Distribution to Depositors	(152.7)	(171.1)	(235.0)	(282.4)
Murabaha and Ijara costs	(53.8)	(59.1)	0.0	0.0
Net Financing Income	317.5	343.3	336.4	363.4
Fee and Commission Income	55.9	72.7	79.7	81.5
Foreign Exchange Income	3.7	19.5	27.3	27.9
Investment Income	188.2	229.3	246.4	164.6
Income from associates	0.0	1.6	10.9	25.1
Other Income	100.2	32.1	58.9	89.8
Operating Income	665.6	698.6	759.5	752.3
Impairments	(321.3)	(251.4)	(231.5)	(178.2)
Staff Costs	(124.3)	(134.6)	(169.3)	(182.2)
Gen and Admin Expenses	(101.8)	(111.3)	(106.4)	(116.5)
Depreciation	(79.4)	(74.8)	(73.9)	(86.9)
Operating Profit	38.8	126.5	178.3	188.4
Other Expenses	(1.7)	(3.2)	(29.3)	(28.3)
Minority Interest	43.2	(35.6)	(33.2)	(33.6)
Net Profit	80.3	87.7	115.9	126.5

Balance Sheet (KD millions)	2011	2012	2013	2014
Assets				
Cash and Bank Balances	619.6	814.3	1,070.5	1,604.1
Short-term Intl. Murabaha	1,478.1	1,185.7	2,423.5	3,222.4
Receivables	5,864.8	6,652.9	7,595.3	8,118.9
Trading properties	273.7	255.9	288.9	179.3
Investments	1,302.2	1,248.8	1,343.3	1,369.5
Investments in Associates	490.1	580.3	490.1	462.7
Investment Properties	536.4	557.3	524.3	529.3
Other Assets	705.6	1,020.9	739.5	818.3
Fixed Assets	767.1	733.7	812.6	877.4
Total Assets	13,459.8	14,703.3	15,288.1	17,181.9
Liabilities and Sh. Equity				
Due to Banks and Fin. Inst.	1,818.6	2,254.9	2,468.5	3,451.3
Depositor's Accounts	8,881.8	9,392.7	10,104.0	10,881.4
Other Liabilities	681.7	735.0	762.3	752.2
Total Liabilities	11,382.2	12,382.5	13,334.8	15,084.9
Minority Interest	264.7	311.3	290.1	351.5
Total Shareholders' Equity	1,292.4	1,328.1	1,663.1	1,745.6
Total Liabilities and Equity	13,459.8	14,703.3	15,288.1	17,181.9

Source: Company's financial statements and NBK Capital

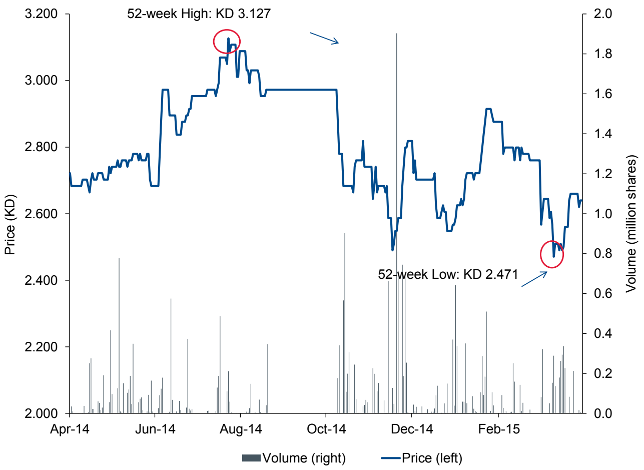
KUWAIT FOOD COMPANY (AMERICANA)

Key Data

General		Daily Liquidity	
KSE Code	FOOD.KSE	52-week avg. volume	97,818
Reuters	FOOD.KW	52- week avg. value (KD)	274,078
Price (KD)		**Price Performance**	
Closing Price	2.640	YTD	-2.3%
52-week High/Low	3.127 / 2.471	12-month	-3.0%
Market Capitalization		**Issued Shares**	
KD (million)	1,061.29	Millions	402.00
Ownership Structure			
Closely-held: 66.80%		Public: 33.20%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Highlights

- Americana has three main lines of business: operating food and beverage outlets (1,556 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 continued to post growth in sales of 6% YoY in 2014, reaching KD 922 million. Two segments mainly drive total revenue: the restaurants segment (54% of total revenue) and the industrial and commercial segment (46% of total revenue) which increased 9% and 4% YoY in 2014, respectively.
- Americana's net profit increased by 3% YoY to KD 52 million in 2014. Excluding the impact of losses/gains from AFS, Americana's FY2014 adjusted net profit would have increased by 4% YoY.
- Americana continued to have a solid interest coverage ratio of 12.4x in 2014.

Analyst

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Key Ratios

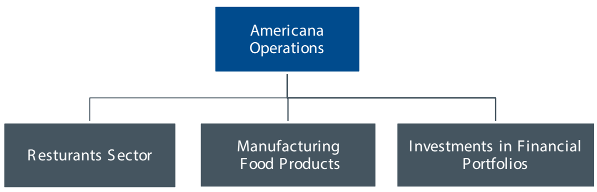
	2010	2011	2012	2013	2014
Sales Growth	10%	6%	12%	7%	6%
Net Profit Growth	27%	4%	-4%	10%	3%
EBITDA (KD millions)	94	98	111	120	124
EBITDA Margin	13.82%	13.65%	13.68%	13.85%	13.48%
Gross Profit Margin	17.66%	17.48%	18.12%	18.70%	18.74%
Operating Margin	8.48%	8.65%	9.24%	9.71%	9.29%
Net Profit Margin	6.79%	6.66%	5.67%	5.84%	5.64%
RoAE	15%	15%	15%	16%	15%
RoAA	8%	8%	8%	9%	9%
Net debt-to-total equity	0.2	0.2	0.1	0.0	-0.1
Interest Coverage (EBIT / Interest Expense)	6.2	7.4	7.9	9.9	12.4
Receivables Days Sales Outstanding (DSO)*	23.7	24.3	23.6	23.2	23.5
Days Sales of Inventory (DSI)*	41.8	45.1	44.2	43.0	42.4
Current Ratio	1.1	1.2	1.3	1.4	1.4
Quick Ratio	0.5	0.5	0.6	0.7	0.8
Investment/Equity	0.6	0.4	0.4	0.3	0.2

**Taking into consideration two-year inventory average. Source: Company financial statements and NBK Capital*

Overview

Americana has three main lines of business: operating food and beverage outlets (1,556 restaurants and outlets), manufacturing of food products, and a portfolio of investments.

Figure 1 Americana's Core Operations



Source: Company Annual Report and NBK Capital

The manufacturing business produces meat and poultry goods, canned food, dairy foods, frozen potatoes and vegetables, and salty snacks. Products are distributed in Arab countries, Europe, Asia, and America.

Food & Beverage Outlets (Restaurants Business)

Americana operates a total of 1,556 restaurants in 13 countries 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 2014, Americana operated 1,473 fast food restaurants and 83 casual dining restaurants.

Figure 2 Overview of Restaurant Business

	2009	2010	2011	2012	2013	2014
Number of restaurants	1,157	1,233	1,301	1,366	1,462	1,556
Number of chains	19	20	21	22	23	23
Number of cities	79	87	91	98	100	105

Source: Company financials 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).

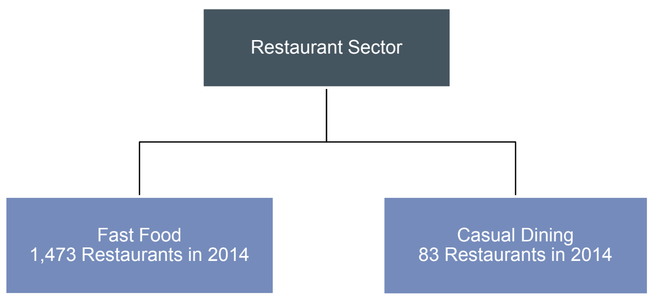
Casual Dining

Casual dining restaurants serve moderately priced food in a casual atmosphere, and, the restaurant usually has table service. By the end of 2014, the company had 83 casual dining restaurants, a 31% increase from the 52 restaurants it operated in 2010.

At present, the company operates the following restaurants:

- T.G.I Friday's chain. Americana added four restaurants to reach 52 in 2014
- Red Lobster, chain that serves sea food in American style
- Olive Garden, which serves Italian cuisine in American style
- Fusion chain, which serves a mix of Japanese and Chinese cuisine
- Signor Sassi, chain which serves Italian cuisine
- Fish Market chain, which serves a selection of fish and sea food
- 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-year period. The first Counter Burger was lunched in Kuwait in December 2012. 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



Source: Company financials and NBK Capital

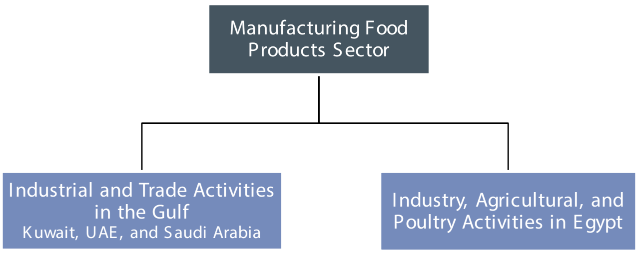
The restaurant activity of the company is managed through managerial clusters:

- Kuwait (189 restaurants and outlets)
- KSA (405 restaurants and outlets)
- UAE (284 restaurants and outlets)
- Egypt (396 restaurants and outlets)
- Other (Qatar, Bahrain, Oman, Iran, Kazakhstan, Kurdistan, and the Levant countries with 282 restaurants and outlets)

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



Source: Company financials 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 like mortadella and turkey. Americana is a leading manufacturer of meat products in the GCC. In 2014, the company enjoyed high market shares in the frozen meat production with 55%, 42%, 23%, and 15% in Kuwait, Saudi Arabia, Bahrian, and UAE compared to 49%, 40%, 21%, and 15%, respectively in 2013. The company is planning to expand its product range during 2015. Americana's market share in Kuwait increased in 2014, as it has 63% of the mortadella market (2% YoY growth), 62% of the hamburger market (5% YoY growth), and 52% of the chicken filet market (14% 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 ready-to-serve products, such as prepared beans, seafood, vegetables and fruits, in addition to sauces and dressings. One of the most famous products is canned beans with different flavors such as fava beans. In 2014, California Garden increased its market share in canned beans in different countries as illustrated in Figure 5.

Figure 5 California Garden Market Share in Canned Beans

	2011	2012	2013	2014
Emirates	76%	80%	83%	84%
Kuwait	68%	71%	73%	73%
Oman	77%	80%	-	-
Qatar	67%	80%	-	-
Saudi Arabia	-	-	61%	63%
Egypt	-	-	46%	52%

Source: Company financials and NBK Capital

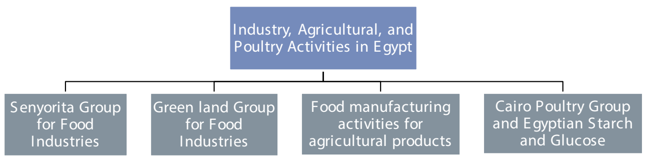
California Garden also manages Gulfa Mineral Water in the UAE (GULFA). Gulfa was established in 1975 in the United Arab Emirates, and became the first bottled brand of mineral water in the GCC. Currently, Gulfa is distributed in neighboring countries (Kuwait, Qatar, and Iraq). California Garden is also managing the commercial franchise in Kuwait as it is responsible for distributing international products such as Heinz and Divella (for Italian Macaroons) inside Kuwait.

National Food Industries Company, Cake Sector – Saudi Arabia and Kuwait

Americana Cake is a well-known leader in baked goods, pastries, and cakes in the MENA region. In 2014, the company's pastry market share in Kuwait was 34%.

Industry, Agricultural, and Poultry Activities in Egypt

Figure 6 Manufacturing Companies in Egypt



Source: Company financials 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, flavors are 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 (apple, orange, and guava). In addition to Egypt, Greenland products are distributed across Kuwait, Saudi Arabia, and the UAE.

Food manufacturing activities for agricultural products (Farm Frites, potato farming, vegetables 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 it 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.

International Company for Agricultural Production and Processing

The company produces frozen vegetables such as okra, peas, and mallow. In FY2014, the company's sales exceeded EGP 296 million. The company exports its products to a number of countries in the region, most notably Kuwait, Saudi Arabia, UAE, Bahrain, and Oman.

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. In 2014, the cultivated land totals more than 6,900 acres.

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. These products are available in the Egyptian market and are exported to neighboring as well as international markets.

Cairo Poultry Group (CPG) and Egyptian Starch and Glucose

CPG has a wide variety of products under the brand name 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. 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 also exports to Tunisia, Libya, Syria, Algeria, Sudan, and other African countries.

Latest News

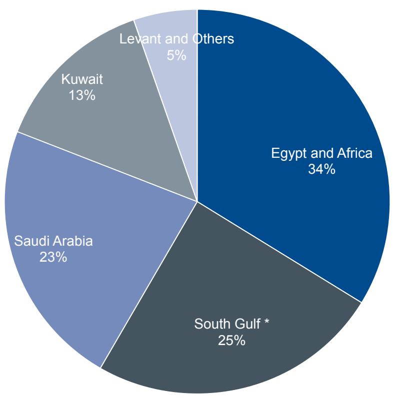
- **January 2015:** Al Khair National for Stocks and Real Estate Co. (Al Khair) [which is owned by the Kharafi family], issued a statement on the Kuwait Stock Exchange that talks are still ongoing with several parties regarding the sale of its stake in Americana. The company also added that they are still evaluating strategic options regarding their investments in Americana, adding that they had not received any binding offers to date. They also mentioned that, if any substantial or final developments occurred in that matter, would be disclosed according to the market.
- **January 2015:** According to Reuters, the potential sale of Americana is close to being put on hold, due to a disagreement on the pricing between the buyers and the Kharafi family, in addition to several other obstacles. However, sources said that the deal could come back at a later stage.
- **November 2014:** Al Khair National for Stocks and Real Estate Co. (Al Khair) released a note on the KSE that provides some clarity about its intention to sell its 66.8% stake in Americana. Al Khair has been entertaining potential buyers for its stake in Americana, but the process is still in the early stages, and Americana has yet to open its books to allow potential bidders to start due diligence. However, before a stake sale can take place, several factors need to be taken care of: 1) Many of Americana's franchising rights have a clause stating that the rights can be terminated if there is change in the company's major shareholders; therefore, in order to execute the transaction, Americana needs to get approval from the franchisors, 2) The required legal and regulatory approvals (U.S. Department of Justice, Capital Markets Authority, Kuwait Stock Exchange, and the required approval for the anti-trust law), and 3) an appropriate valuation.
- **October 2014:** According to Bloomberg, BRF SA, Brazil's largest food maker, is making a joint bid for Americana with private equity firms KKR & Co. and CVC Capital Partners. BRF is interested in the food manufacturing segment of Americana, while the two private equity firms are interested in the restaurant arm of the company. The news mentioned that Savola is another party interested in bidding for Americana.

Financial Statements

Income Statement

- Americana continues to post growth in sales of 6% YoY in 2014, reaching KD 922 million. Two segments mainly drive total revenue: The restaurants segment (54% of total revenue) and the industrial and commercial segment (46% of total revenue) contribute to the top-line growth with a 9% YoY increase and a 4% YoY increase in 2014, respectively.
- Geographically, the highest contributors to revenue in 2014 were Egypt and Africa, representing 34% of total revenue. South Gulf (which includes Qatar, UAE and Oman) contributed 25% while Saudi Arabia contributed 23% of total revenue. The strongest performers for the period were Saudi Arabia with 10% YoY growth, followed by Kuwait with a 9% YoY growth and the Levant & Others with a growth rate of 6% YoY.

Revenue Breakdown Geographically



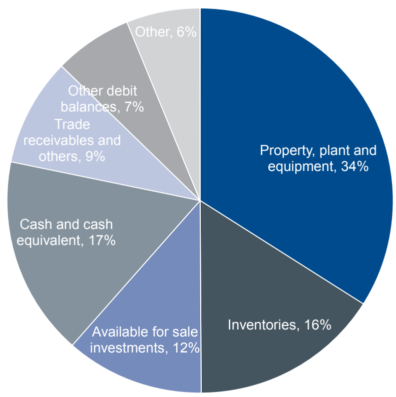
**Includes Qatar, UAE, and Oman. Sources: Company's financial statements and NBK Capital*

- During 2014, the gross profit margin of 18.7% was generally in line with the 2013 margin. Gross profit for 2014 increased by 7% YoY to KD 173 million. In addition, S&GA expenses for the same period increased by 12% YoY to KD 85.8 million. Therefore, operating profit increased by 2% YoY to KD 85.6 million in 2014 while the EBIT margin decreased to 9% in the period compared to 10% in 2013.
- In 2014, Americana's financial portfolio posted larger losses of KD 17.6 million following losses of KD 16.3 million in 2013 (stated as gain/loss from AFS in the company's financials).
- Americana's net profit increased by 3% YoY to KD 52 million in 2014. Excluding the impact of losses/gains from AFS, Americana's 2014 adjusted net profit would have increased by 4% YoY.

Balance Sheet

- Americana's investment portfolio decreased by 18% YoY. The company's investment portfolio totaled KD 80 million at the end of December 2014 compared to KD 97 million at the end of December 2013. The investments portfolio represents 12% of the total assets and 22% of total shareholders' equity.
- Total assets increased by 6.5% YoY to KD 688 million at the end on December 2014. Inventory (16% of total assets) increased by 4.3% YoY to KD 109 million, and cash and cash equivalents (17% of total assets) increased by 22% YoY to KD 115 million.

Total Assets Breakdown



Source: Company's financial statements and NBK Capital

- TTM Days Sales of Inventory (DSI) decreased by 1.2% YoY. Americana's DSI decreased to 42.4 days at the end of December 2014 from 43.0 days in 2013. Average inventory increased by 5% YoY while sales grew by 6% YoY to KD 922 million compared to KD 867 million in 2013.
- By the end of December 2014, Americana recorded net cash position of KD 47.8 million, a significant YoY increase from the KD 11.8 million recorded in 2013. This was due to the 22% YoY increase in cash and cash equivalents to KD 115 million and the 18% YoY drop in total debt to KD 67 million at the end of December 2014.
- Americana continued to have a solid interest coverage ratio of 12.4x in 2014.

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Sales	720.8	809.6	866.9	922.4
Cost of sales*	(594.8)	(662.9)	(704.8)	(749.5)
Gross Profit	126.0	146.7	162.1	172.8
Selling and marketing expenses	(56.1)	(65.2)	(70.6)	(80.1)
General and administrative	(5.0)	(5.9)	(6.0)	(5.7)
Other operating expenses	(2.5)	(0.8)	(1.3)	(1.4)
EBIT	62.4	74.8	84.2	85.6
Other income	0.3	-	-	-
Investment properties income	-	-	6.7	8.6
Gain (Loss) from AFS	6.0	(6.8)	(16.3)	(17.6)
Net foreign exchange gain/losses	0.6	-	-	-
Borrowing Cost	(8.5)	(9.5)	(8.5)	(6.9)
Profit Before Taxes	60.8	58.6	66.1	69.7
Taxes	(6.3)	(8.5)	(7.7)	(11.4)
Board of Directors' remuneration	(0.1)	(0.1)	(0.1)	(0.1)
Net Profit for the Year	54.5	50.0	58.3	58.2
Minority Interest	6.5	4.1	7.7	6.2
Net Profit	48.0	45.9	50.6	52.0

**Cost of sales includes depreciation and amortization.*

Balance Sheet (KD millions)	2011	2012	2013	2014
Inventories	96.8	99.1	105.0	109.5
Trade receivables and others	51.0	53.8	56.5	62.3
Other debit balances	36.4	39.0	40.8	45.0
Investment properties	-	-	17.0	27.0
Cash and cash equivalent	51.4	52.3	94.4	115.2
Total Current Assets	235.7	244.2	313.6	358.9
Property, plant and equipment	218.3	230.6	220.3	234.0
Biological assets	1.4	2.4	2.4	2.5
Intangible assets	12.0	11.7	12.9	13.1
Available-for-sale investments	113.8	114.1	96.8	79.8
Total Assets	581.1	603.0	646.1	688.2
Loans and bank facilities	68.3	61.7	56.7	54.3
Payables and other credit bal.	120.6	130.6	153.7	176.1
Total Current Liabilities	188.8	192.2	210.4	230.4
Loans	36.2	29.2	25.9	13.1
Provision for indemnity	26.7	30.7	33.4	39.2
Total Liabilities	251.8	252.1	269.8	282.7
Total Equity	329.3	350.9	376.3	405.5
Total Liabilities and Equity	581.1	603.0	646.1	688.2

Source: Company's financial statements and NBK Capital

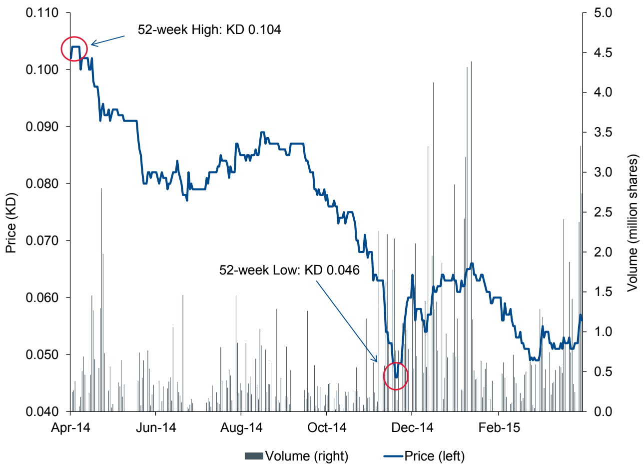
KUWAIT AND GULF LINK TRANSPORT COMPANY (KGL)

Key Data

General		Daily Liquidity	
KSE Code	KGL.KSE	52-week avg. volume	640,889
Reuters	KGLK.KW	52- week avg. value (KD)	43,184
Price (KD)		**Price Performance**	
Closing Price	0.056	YTD	-3.4%
52-week High/Low	0.104 / 0.046	12-month	-45.1%
Market Capitalization		**Issued Shares**	
KD (million)	14.80	Millions	264.27
Ownership Structure			
Closely-held: 17.69%		Public: 82.31%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

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 totaled KD 29.8 million in FY2014 compared to KD 26.8 million in FY2013, representing a YoY increase of 11%.
- KGL reported a net profit of KD 1 million in FY2014 compared with a net profit of KD 0.2 million in FY2013.
- KGL's property, plant, and equipment (PP&E), which stood KD 61 million as of December 31, 2014, accounted for 30% of the company's total assets.

Analyst

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Key Ratios

	2010	2011	2012	2013	2014
Net Profit Growth	nm	114%	-23%	-97%	nm
Gross Profit Margin	47%	40%	32%	28%	36%
Net Profit Margin	-9.8%	-23.8%	-22.8%	0.6%	3.3%
EBITDA Margin	29%	20%	2%	-1%	8%
ROAA	-2.0%	-4.5%	-3.7%	-0.1%	0.4%
ROAE	-7%	-15%	-13%	0%	2%
Current Ratio (x)	1.1	0.8	0.7	1.4	1.4
Quick Ratio (x)	1.0	0.7	0.6	1.4	1.3
Debt-to-Assets (x)	0.6	0.6	0.5	0.5	0.5
Net debt-to-total equity (x)	1.7	1.8	1.8	1.9	2.0
Interest Coverage Ratio (x)	1.8	1.2	0.1	0.0	0.5
Investment to Equity (x)	0	0	0	0	0

Source: 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

- **January 2015:** KGL was granted approval by the Kuwait Stock Exchange to buyback 10% of its outstanding shares over a period of six months, effective 31 December 2014.
- **November 2014:** KGL signed a KD 3.65 million contract with the Public Authority for Applied Education and Training (PAAET), in order to lease buses for transporting PAAET students for a period of three years.
- **September 2014:** KGL announced that its fully-owned subsidiary, KGL Passenger Transport Services KPC, signed a new contract of KD 3.6 million with state-run Kuwait Petroleum Corporation, to provide them with 436 rented vehicles and drivers, starting from March 1, 2015. The contract's duration is two years.
- **August 2014:** KGL'S wholly owned subsidiary, KGL Passenger Transport Services, has been awarded by Kuwait Oil Company a four-year transportation contract for drivers. The contract value is KD 10.8 million.

Financial Statement Analysis

Income Statement

- KGL's revenue totaled KD 29.8 million in FY2014 compared to KD26.8 million in FY2013, representing a YoY increase of 11%. The company has three reporting business segments: 1) transportation, 2) lease, and 3) others. The YoY increase in revenue is mainly due to a 26% YoY increase in transport services to KD 22.6 million, which remains the highest contributor to the revenue (76% of the total revenue).
- KGL reported an improvement in its operational performance in FY2014. If we adjust the cost of goods sold (COGS) to exclude depreciation, a non-cash component, the FY2014 gross profit was KD 10.1 million compared with a gross profit of KD 6.7 million in FY2013.
- The company witnessed an improvement in profitability in FY2014, with EBITDA margin increasing from -4% in FY2013 to 6% in FY2014.
- General and administration expenses increased by 8% YoY from KD 7.7 million in FY2013 to KD 8.2 million in FY2014.
- In FY2014, KGL witnessed a significant improvement in EBITDA, which stood at KD 1.8 million in FY2014 compared to a loss KD 1 million in FY2013.
- In addition, KGL's share of results of associates decreased by 37% YoY from KD 5.1 million in FY2013 to KD 3.2 million in FY2014. However, other income grew by 74% YoY from KD 2 million in FY2013 to KD 3.4 million in FY2014.
- Consequently, KGL reported a net profit of KD 1 million in FY2014 compared with a net profit of KD 0.2 million in FY2013.

Balance Sheet

- The company's total debt decreased 1% QoQ to KD 106 million in 4Q2014.
- The company's net debt-to-total equity ratio was 2.0x in 4Q2014.
- Current assets totaled KD 60 million as of December 2014 and represented 30% of the total assets. On the, current liabilities decreased by 10% QoQ to KD 44 million, and accounted for 30% of the total liabilities. At the end of December 2014, the company's current ratio increased by 16% QoQ to 1.4x.
- KGL's property, plant, and equipment (PP&E), which stood KD 61 million as of December 31, 2014, accounted for 30% of the company's total assets. KGL's investment in associates totaled KD 54 million at the end of December 2014, witnessing 1% increase compared to September 2014.
- Total assets totaled KD 200 million at the end of December 2014, representing a 2% increase from September 30, 2014.

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Revenue	40.0	30.2	26.8	29.8
Adjusted cost of sales	(24.0)	(20.5)	(20.1)	(19.8)
Gross Profit	16.0	9.8	6.7	10.1
Share of results of associates	4.8	5.5	5.1	3.2
Increase in fair value of inv. property	-	4.5	4.9	2.7
Gain/Loss on sale of PP&E	-	-	-	-
Gain/(Loss) on disposal of PP&E		0.2	(0.2)	(0.2)
Unrealized gain/(loss) on financial assets at fv through P&L		(0.2)	0.3	(0.1)
Impairment loss on investments in unconsolidated subsidiary	(0.2)	(0.2)	-	-
Allowance for doubtful debts	(0.4)	(0.4)	(0.2)	(0.1)
Dividend income	-	-	-	-
Other income	1.9	2.3	2.0	3.4
G&A expenses	(8.1)	(9.2)	(7.7)	(8.2)
Depreciation	(16.1)	(13.6)	(5.8)	(5.0)
Finance costs	(6.9)	(5.9)	(5.3)	(4.6)
Provision for slow moving inventory				(0.3)
Profit from continued operations	(8.9)	(7.1)	(0.2)	0.9
NLST	-	-	-	(0.0)
Zakat	-	-	-	(0.0)
Profit before minority interest	(9.2)	(6.9)	0.2	1.0
Minority Interest	0.3	(0.2)	(0.4)	(0.1)
Net Profit	(8.9)	(7.1)	(0.2)	0.9

Balance Sheet (KD millions)	2011	2012	2013	2014
Property, plant, and equipment	92.0	76.0	67.0	60.7
Intangible assets	0.8	0.8	0.8	0.8
Investment properties	9.6	14.1	20.3	23.1
Investment in associates	35.3	39.3	43.3	53.9
Investment in uncon.subsidiaries	3.4	0.7	-	-
Available-for-sale investments	1.8	3.4	1.9	1.8
Projects in progress	-	-	-	-
Total non-current assets	142.9	134.2	133.3	140.2
Inventory and spare parts	2.5	2.1	2.0	1.8
Receivables	23.9	17.9	26.5	28.4
Due from related parties	9.2	5.3	5.7	7.6
Cash and cash equivalents	2.0	1.5	2.8	1.3
Investments at FV through IS	20.9	20.6	20.9	20.8
Total current assets	58.5	47.4	57.9	59.8
Total assets	201.4	181.7	191.1	200.1
Share capital	26.4	26.4	26.4	26.4
Treasury shares	(0.0)	(0.0)	(0.0)	(0.0)
Share premium	30.3	30.3	26.0	26.0
Statutory reserve	8.1	8.1	0.0	0.1
Voluntary reserve	7.4	7.4	0.0	0.1
Foreign currency translation reserve	(1.1)	(2.2)	(2.1)	(3.0)
Employee stock option reserve	1.0	-	-	-
Fair value reserve	0.1	0.4	-	-
Retained earnings	(13.9)	(19.8)	0.1	0.1
Equity attributable to shareholders	58.2	50.6	50.5	49.8
Minority interest	3.3	2.1	1.7	2.6
Total equity	61.5	52.7	52.2	52.4
Provision for employees' indemnity	1.6	1.9	2.0	2.3
Non-current portion of term loans	31.1	47.1	95.9	101.3
Non-current Murabaha payable	32.0	9.0	-	-
Total non-current liabilities	64.8	58.0	97.9	103.7
Current portion of term loans	46.7	42.1	5.7	4.1
Current portion of Murabaha payable	-	-	-	-
Trade payables	24.8	21.7	24.1	27.0
Due to related parties	2.2	6.3	10.3	12.3
Bank overdraft	1.4	0.9	0.9	0.7
Total current liabilities	75.1	71.0	41.0	44.1
Total liabilities	139.9	129.0	138.9	147.7
Total Equity and Liabilities	201.4	181.7	191.1	200.1

Source: Company's financial statements and NBK Capital

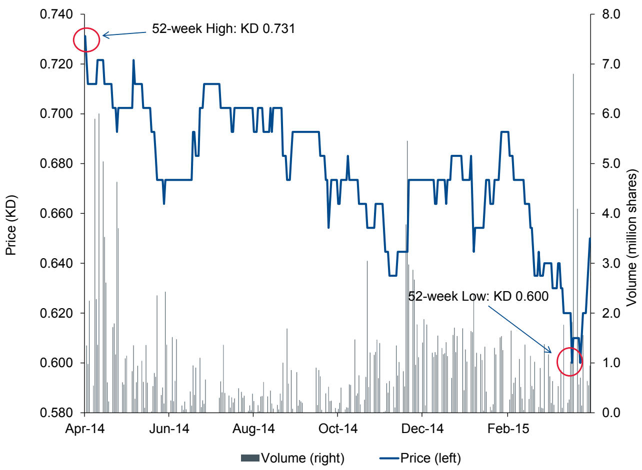
KUWAIT PROJECTS (KIPCO)

Key Data

General		Daily Liquidity	
KSE Code	KPROJ.KSE	52-week avg. volume	924,807
Reuters	KPRO.KW	52- week avg. value (KD)	639,704
Price (KD)		**Price Performance**	
Closing Price	0.650	YTD	-3.5%
52-week High/Low	0.731 / 0.600	12-month	-11.1%
Market Capitalization		**Issued Shares**	
KD (million)	957.82	Millions	1,473.57
Ownership Structure			
Closely-held: 62.45%		Public: 37.55%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: 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 38) and b) United Gulf Bank. The subsidiaries are fully consolidated and constitute a large portion of KIPCO's assets.
- OSN (60.5% owned by KIPCO) is the largest pay-TV player in the Middle East and North Africa (MENA) market in terms of content (with more than 85 premium channels) and holds contracts with all major Hollywood studios with a staggered maturity profile. In addition, OSN recently expanded 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 looking ahead.
- KIPCO reported a 15% YoY increase in net profit to KD 46.1 million in FY2014.

Key Ratios

	2010	2011	2012	2013	2014
Net Profit Margin	4.4%	8.6%	7.8%	7.8%	7.7%
Net Profit Growth (%)	-54%	78%	5%	27%	15%
Net Debt-to-Total Equity (x)	1.2	1.4	1.6	1.9	2.6
Investment-to-Equity (HFT + AFS)	54%	55%	70%	88%	93%
RoAA	0.3%	0.5%	0.5%	0.5%	1.0%
RoAE	3%	5%	6%	7%	9%

Source: 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

- **May 2015:** KIPCO reported 1Q2015 results. Total revenue reached KD 140 million in 1Q2015, a 2% increase compared to KD 137 million recorded in 1Q2014. Top line growth was largely due to a 6% YoY increase in the commercial banking segment, reaching KD 99 million (71% of total revenue) and a 16% YoY growth in the hospitality and real estate segment, reaching KD 15 million (11% of total revenue). Operating profit increased 9% YoY to KD 37 million in 1Q2015, compared to KD 34 million profit achieved in 1Q2014. Net profit stood at KD 12 million in 1Q2015, a 17% increase over KD 10.3 million achieved during the same period last year. Total assets increased to KD 9.4 million in 1Q2015 compared to KD 9.3 million in FY2014.
- **March 2015:** KIPCO's AGM approved the distribution of cash dividends of KD 0.025/share.
- **February 2015:** According to the KSE, KIPCO has received approval from the Central Bank of Kuwait to raise its stake in Burgan Bank by 5%.
- **September 2014:** KIPCO said it had received approval from the country's central bank to increase its stake in Burgan Bank by 5%. A bourse filing by KIPCO added that its direct and indirect stake in Kuwait's third-largest lender by assets currently stands at 58%.

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% stake in Jordan Kuwait Bank (JKB), a 91% stake in Algeria Gulf Bank (AGB), a 52% stake in Bank of Baghdad (BoB), and an 87% stake in Tunis International Bank (TIB). For more details on Burgan Bank, please refer to page 38.

Gulf Insurance Group

Gulf Insurance Group (GINS) is the largest insurance company in Kuwait in terms of written and retained premiums. Established in 1962, GINS covers life and non-life segments throughout the region through subsidiaries. In 2010, KIPCO sold a 39% stake in GINS to Fairfax Insurance Company to improve GINS's growth opportunities. As a result, KIPCO's stake in GINS dropped and is now at 45.7%, and GINS is no longer accounted for as a subsidiary of KIPCO. For more details on GINS, please refer to page 54.

Media Segment – OSN

Overview

KIPCO's presence in the media division is through its 60.5% stake in OSN, while the remaining 39.5% is owned by Al Mawarid. The formation of OSN came about in 2009; Orbit and Showtime, two heavyweight players in pay-satellite television service, merged into one large broadcasting platform. Now, OSN is the leading player in the market in terms of content (with more than 85 premium channels) and has contracts with all major Hollywood studios with a staggered maturity profile. In addition, OSN 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 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 18.1 million in FY2014, compared to a loss of KD 10.4 million in FY2013. KIPCO's share of the profit increased by 73% YoY from KD 6.3 million in FY2013 to KD 11 million in FY2014. We believe the merger between Orbit and Showtime is starting to pay off from a profitability perspective as a result of improved efficiency. In addition, the expenditure in revamping the company's platform (to enhance services and combat piracy 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 will continue to focus on increasing its subscriber base and maintaining profitability.
- OSN has experienced strong growth in its subscriber base, increasing from 995,000 in FY2013 to 1.1 million by FY2014, an 8% increase 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 9%, compared to other parts of the world, such as the United States (88%), India (86%), the United Kingdom (53%), and Latin America (30%), according to KIPCO's March 2015 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 for KIPCO 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 the future compared to very little contribution currently.
- We did a quick exercise to get the implied value of OSN using reverse NAV methodology. We stripped from KIPCO's total market cap the market value of KIPCO's main subsidiaries and adjusted for net debt. We arrived at an implied market value of KD 831 million (USD 2.7 billion) for 100% of OSN.

United Gulf Bank (UGB)

Overview

United Gulf Bank (UGB) was incorporated in 1980 and was acquired by KIPCO in 1988 (KIPCO currently owns 97% 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 a 78% stake in KAMCO, a 17% stake in Burgan Bank, and a 19% stake in United Real Estate. All are listed on the Kuwait Stock Exchange and can be accessed separately.
- UGB reported a net profit of USD 19 million in FY2014, well above FY2013 levels (USD 3 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, hospitality, real estate, and others). Total revenues reached KD 598 million in FY2014, 16% growth over FY2013. The largest contributors to growth for the year were KIPCO's commercial banking activities and the hospitality and real estate division.
- KIPCO reported 15% YoY growth in net profit to KD 46.1 million in FY2014. The growth was driven by strong interest income (growing 16% YoY) aided by 152% growth in associate income and a 26% growth in hospitality and real estate income.
- KIPCO's loans and advances still make up the lion's share of total assets (KD 4.8 billion), representing 51%, of which Burgan Bank accounted for about 92% in December 2014. 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.
- KIPCO's BOD approved a DPS distribution KD 0.025 for FY2014, an increase over the FY2013 DPS of KD 0.020. This translates into a dividend yield of 4%.

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Interest Income	160.2	180.6	266.3	309.4
Investment Income	31.8	66.0	40.5	43.8
Fees and commission income	48.4	46.1	53.7	59.8
Share of results from associates	8.3	4.0	13.7	34.5
Share of results from media JV	0.0	(2.1)	6.3	10.9
Digital satellite television services	49.5	10.6	21.5	23.4
Hospitality and Real estate income	23.5	34.1	45.9	57.6
Foreign exchange gain	13.8	15.7	19.8	6.6
Manufacturing Industries		33.0	33.7	33.2
Other Income	15.8	14.1	12.7	18.6
Total Revenue	**351.2**	**402.2**	**514.1**	**597.9**
Total Expenses	(276.5)	(319.6)	(445.2)	(494.1)
Profit from Discontinued Ops	-	11.5	40.0	-
Profit Before Tax	**74.8**	**94.1**	**109.0**	**103.9**
Tax	(9.9)	(14.0)	(15.8)	(16.4)
Net Profit before Minority Interest	**64.9**	**80.1**	**93.2**	**87.4**
Minority Interest	34.9	48.6	53.1	41.3
Net Profit	**30.0**	**31.6**	**40.1**	**46.1**

Balance Sheet (KD millions)	2011	2012	2013	2014
Cash in Hand and at Banks	960.1	1,009.7	1,373.5	1,515.7
T Bills and Bonds	419.1	483.6	583.6	629.8
Loans and advances	2,650.2	3,578.8	4,334.1	4,764.6
Fair Value through profit and loss	22.5	36.7	48.6	66.8
Financial Assets Available for sale	287.3	337.5	427.9	364.8
Financial assets held to maturity	7.6	7.3	17.8	48.0
Other Assets	166.4	296.8	354.0	359.0
Investments in Associates	325.4	316.5	377.0	393.3
Investment in Media JV		137.3	144.1	162.7
Investment Properties	390.3	424.9	412.4	445.5
Property and Equipment	139.3	220.4	229.9	244.0
Intangible Assets	482.2	352.5	334.7	334.0
Total Assets	**5,850**	**7,202**	**8,638**	**9,328**
Due to banks and Fin. Institutions	960.1	1,033.6	1,582.0	1,836.1
Deposits from customers	2,806.0	3,862.4	4,729.9	4,842.0
Loans payable	342.6	242.7	233.5	231.1
Bonds	40.0	213.4	230.0	230.1
Medium term notes	398.8	399.7	400.5	562.6
Other Liabilities	264.0	354.4	347.5	351.8
Total Liabilities	**4,812**	**6,106**	**7,523**	**8,054**
Equity (Parent Company)	**574.2**	**546.6**	**560.4**	**659.2**
Minority Interest	464.6	549.1	553.7	615.3
Total Liabilities and Equity	**5,850**	**7,202**	**8,638**	**9,328**

Source: Company's financial statements and NBK Capital

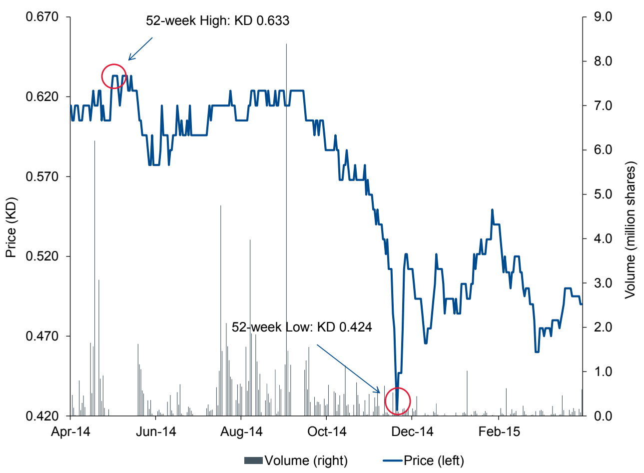
MOBILE TELECOMMUNICATIONS COMPANY (ZAIN)

Key Data

General		Daily Liquidity	
KSE Code	ZAIN.KSE	52-week avg. volume	2,144,403
Reuters	ZAIN.KW	52- week avg. value (KD)	1,226,309
Price (KD)		**Price Performance**	
Closing Price	0.490	YTD	-0.7%
52-week High/Low	0.633 / 0.424	12-month	-20.3%
Market Capitalization		**Issued Shares**	
KD (million)	2,120.26	Millions	4,327.06
Ownership Structure			
Closely-held: 40.08%		Public:59.92%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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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 24.61% stake.
- Zain’s FY2014 revenue decreased by 2.2% YoY to KD 1.213 billion. Despite a 2% YoY increase in Zain Kuwait’s top line (29% of group revenue), group revenue was slowed down by an 8% YoY drop in Iraq (38% of group revenue and a 5% YoY drop in Jordan revenue (11% of group revenue).
- EBITDA decreased by 6% YoY from KD 538 million to KD 507 million. Consequently, the EBITDA margin weakened to 41.8% in FY2014 from 43.4% in FY2013. EBITDA was mainly weighed down by the performance in the Iraqi market (36% of group EBITDA), which witnessed a 19% YoY drop in EBITDA due to the frequent temporary network shutdowns and related higher network operational costs. The Jordanian operations also weighed EBITDA down (12% of group EBITDA), declining by 8% YoY on the back of a decrease in voice revenues.
- Net profit decreased by 10.2% YoY to KD 194 million in FY2014. Despite lower depreciation expenses (-12% YoY) and the improvement in other income from a loss of KD 7.9 million to a loss of KD 3.2 million, net income growth was slowed down mainly on the back of higher OPEX (+5% YoY) and higher losses from currency revaluation which increased 74% YoY to KD 43 million in FY2014. In addition, net profit was also weakened by the 38% increase in provision for doubtful debts to KD 10.7 million and the decrease in investment income from a gain of KD 2 million in FY2013 to a loss of KD 1.9 million in FY2014.

Key Ratios

	2010*	2011*	2012*	2013	2014
Net Profit Growth	nm	-73%	-11%	-14%	-10%
Gross Profit Margin	74%	73%	71%	72%	72%
EBITDA Margin	46%	45%	45%	43%	42%
Operating Profit Margin	33%	33%	29%	28%	28%
Net Profit Margin	21.6%	21.5%	19.7%	17.5%	16.0%
RoAA	6.2%	8.1%	8.1%	7.2%	6.7%
RoAE	12%	12%	14%	13%	12%
Current Ratio (x)	1.5	0.9	0.8	1.0	0.9
Net debt-to-EBITDA (x)	-0.7	0.2	0.6	0.7	0.9
Investment/Equity	10%	9%	22%	19%	17%
Receivables Turnover Ratio (x)	3.2	3.5	3.9	3.7	3.4
Inventory Turnover Ratio (x)	15.5	20.6	22.1	26.2	21.2
Payables Turnover Ratio (x)	0.5	0.6	0.7	0.7	0.6

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

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 24.61% stake.

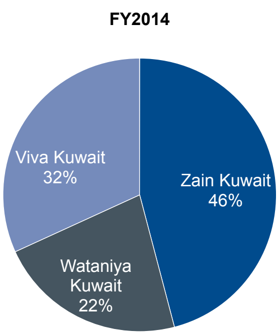
Zain, which was once on its way to becoming a global telecom operator, reverted to become a regional player instead. After the sale of Zain's African assets in 2010, the scope of the company's operations was cut to eight countries out of 24, with Iraq, Kuwait, Republic of Sudan, South Sudan, Jordan, and Bahrain being the major revenue sources, together with a management contract in Lebanon, and associates in Saudi Arabia and Morocco. Iraq, Kuwait, and Sudan (including South Sudan) are Zain's largest operations, which combined accounted for 82% of the group's revenue in FY2014. Zain's subscriber base stood at 44.3 million at the end of December 2014 (-4% YoY).

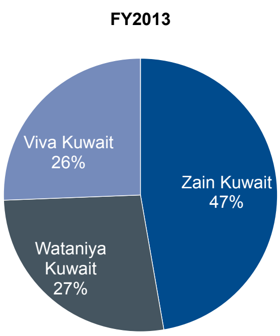
A View of Zain's Key Markets

Kuwait: Fierce Competition

Competition in Kuwait has been increasing since Viva Kuwait's entry (commercial launch December 2008). Nevertheless, Zain Kuwait's revenue market share slightly decreased in FY2014 to 46% compared to 47% in FY2013, whereas Wataniya Kuwait's revenue market share dropped significantly to 22% in FY2014 (from 27% in FY2013). On the other hand, Viva Kuwait's revenue market share increased to 32% in FY2014 from 26% in FY2013.

Kuwait Revenue Market Share

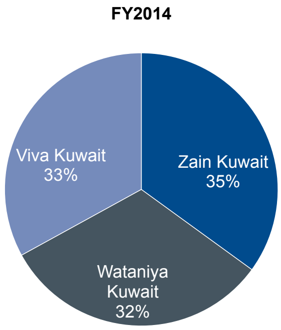


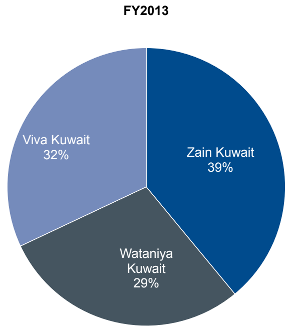


Source: Company financials and NBK Capital

Zain Kuwait still maintains its leadership in the Kuwait telecom market in terms of revenue share (46% in FY2014) and subscriber share (reported at 35% at the end of December 2014), meanwhile its ARPU decreased to USD 36 in FY2014 compared to USD 39 in FY2013.

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 evidenced by its high-postpaid subscriber base, (which represents 26% of its total customer base) and 31% data revenue contribution.

Iraq: Security Conditions Deteriorating

Zain Iraq maintained its leadership position in terms of subscriber market share (reported at 42% at the end of December 2014) in a three-player market, competing against Asiacell (39% market share according to Zain) and Korek Telecom (19% market share according to Zain). Zain Iraq's subscriber base declined by 13% YoY at the end of December 2014, while Korek Telecom's subscriber growth remains the fastest, growing by 17.5% YoY in December 2014 according to Informa.

Furthermore, Zain Iraq's revenue declined by 8% YoY in FY2014, due to the deteriorating security conditions and Internet outages. Overall, ARPUs declined by 10% to USD 9 in FY2014 from USD 10 in FY2013.

In its FY2014 earnings release, the company stated that the company entered into an agreement with Iraq's Communication and Media Commission (CMC) in November, 2014, earning the right to utilize the 3G spectrum following an installment payment of USD 76.8 million representing 25% of the total USD 307 million spectrum fee.

As per the terms of the mobile license agreement, all mobile operators in Iraq were expected to launch 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 had intended to list its shares on the Iraq Stock Exchange (ISX) during 1H2013; however, the listing process did not take place. In its FY2014 earnings release, the company stated it plans to IPO its shares in the near future at an appropriate time to maximize its shareholders, value.

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 continues to maintain its market leadership with a reported subscriber market share of 42% at the end of December 2014, competing with MTN and Sudani with 31% and 27% subscriber market share, respectively, according to Zain. The operator reported blended mobile ARPU at USD 5 in FY2014, decreasing from USD 4 in FY2013.

In local currency terms, revenues from Sudan increased by 14% YoY in FY2014, mainly due to increase in voice, data and interconnect revenues. At the end of December 2014, the Sudanese Dinar (SD) depreciated by 20% against the USD YoY as a result, the Sudanese operations' revenues (16% of group revenue) saw an 8% YoY increase in revenue in KD terms during FY2014, which is weaker than the 14% YoY increase in local currency.

Latest News

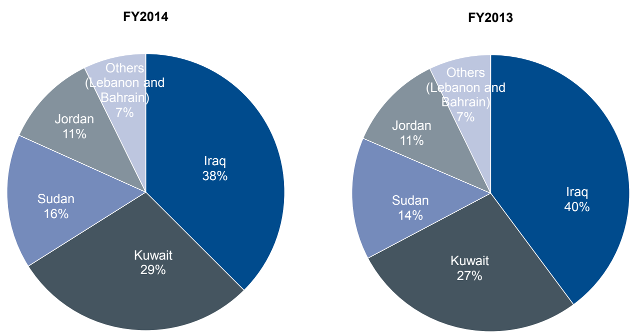
- **February 2015:** Zain Group officially launched 4G LTE services in Jordan on February 14, 2015, making it the first and only operator in the Kingdom to do so. Zain Jordan's investment in 4G LTE in 2014 totaled JOD 200 million (USD 282 million), and the company will dedicate an additional JOD 100 million (USD 141 million) for the new technology through 2017.
- **February 2015:** The general assembly approved the distribution of 40% cash dividends, representing KD 0.040 per share for FY2014.
- **January 2015:** Zain Group officially launched 3.9G voice and data services in Iraq on January 1, 2015. This followed the completion of an agreement with Iraq's Communications and Media Commission (CMC) back on November 10, 2014, in which Zain Iraq paid an initial 25% of the overall 3G spectrum fee of USD 307 million.
- **January 2015:** Zain announced that it has appointed advisors to explore the possibilities of selling, leasing, or contributing to its transmitter towers in some of the eight markets in which it operates. This will allow the company to reduce its CAPEX, increase its cash, and focus on its marketing strategy and promotions. The company also confirmed that this is an initial study, and no final decision has been reached. According to Reuters, Zain appointed City Group as an advisor on this project; Bloomberg also mentioned that Zain is dealing with an American bank regarding the sale of its towers in Kuwait and KSA.
- **December 2014:** Zain KSA announced the latest developments relating to the arbitration procedures with Mobily. According to the announcement, the two parties, namely, Zain KSA and Mobily, had jointly met and appointed a third arbitrator, and accordingly the arbitration panel has been fully formed.
- **November 2014:** Zain Iraq announced, through a press release, that it has entered into an agreement with the Iraqi Ministry of Communications in partnership with the Iraqi Telecommunications and Postal Company (ITPC). This agreement gives Zain Iraq the first right of use to utilize local data through the national optical fiber infrastructure.
- **October 2014:** The company offered 15% of its issued share capital, equivalent to 48 million shares, in Zain Bahrain on the Bahrain Stock Exchange (BSE), in line with the license terms. This is the market's second telecom listing, following Batelco.

Financial Statement Analysis

Income Statement

- Zain's FY2014 revenue decreased by 2.2% YoY to KD 1.213 billion. Despite a 2% YoY increase in Zain Kuwait's top line (29% of group revenue), group revenue was slowed down by 8% YoY drop in Iraq (38% of group revenue and a 5% YoY drop in Jordan revenue (11% of group revenue).

Segmental Revenue



Sources: Company financials and NBK Capital

- Gross profit decreased by 1.3% YoY to KD 877 million, due to the 2.2% decrease in revenue and despite the 4.4% YoY decrease in cost of services sold. This translates into a gross profit margin of 72.3% in FY2014 from 71.6% in FY2013, which remains slightly below the five-year historical average of 72.5%.
- EBITDA decreased by 6% YoY from KD 538 million to KD 507 million. Consequently, the EBITDA margin weakened to 41.8% in FY2014 from 43.4% in FY2013. EBITDA was mainly weighed down by the performance in the Iraqi operations (36% of group EBITDA), which witnessed a 19% YoY drop in EBITDA due to the frequent temporary network shutdowns and related higher network operational costs. The Jordanian operations also weighed EBITDA down (12% of group EBITDA), declining by 8% YoY on the back of a decrease in voice revenues.
- Net profit decreased by 10.2% YoY to KD 194 million in FY2014. Despite lower depreciation expenses (-12% YoY) and the increase in other income from a loss of KD 7.9 million to KD 3.2 million, net income growth was slowed down mainly on the back of higher OPEX (+5% YoY) and higher losses from currency revaluation which increased 74% YoY to KD 43 million in FY2014. In addition, net profit was also weakened by the 38% increase in provision for doubtful debts to KD 10.7 million and the decrease in investment income from a gain of KD 2 million in FY2013 to a loss of KD 1.9 million in FY2014.

Balance Sheet

- Zain's net debt increased 25% YoY to KD 445 million at the end of December 2014. This was mainly due to their recent financing facilities obtained in 2014.
- The trailing net debt-to-EBITDA ratio increased to 0.9x at the end of December 2014 compared to 0.7x at the end of December 2013. This is mainly due to the 25% YoY increase in net debt.

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Revenue	1,321.9	1,281.9	1,240.0	1,213.2
Cost of Services sold	(353.9)	(365.8)	(351.6)	(336.0)
Gross Profit	**968.0**	**916.1**	**888.5**	**877.2**
Operating and Administrative exp	(358.0)	(337.2)	(342.9)	(359.7)
Depreciation & Amortization	(170.7)	(193.0)	(194.6)	(171.7)
Prov. for Doubtful Debt	(9.7)	(8.2)	(7.7)	(10.7)
Operating Income	**429.7**	**377.7**	**343.3**	**335.1**
Investment Income	0.7	(8.8)	2.0	(1.9)
Share of associates and JVs	(29.6)	(31.6)	(36.2)	(34.1)
Other income	1.8	14.6	(7.9)	(3.2)
Net Finance Income (Cost)	(7.6)	(9.4)	(5.5)	(7.6)
Gain (Loss) from currency reval.	(34.3)	(8.5)	(24.9)	(43.4)
Board of directors remuneration	(0.4)	(0.4)	(0.4)	(0.3)
Profit before Tax	**360.2**	**333.6**	**270.4**	**244.6**
Taxes and others	(59.0)	(53.4)	(26.5)	(30.4)
Profit before MI	**317.5**	**280.2**	**243.9**	**214.2**
Minority interest	32.7	28.0	27.5	19.9
Net Profit	**284.9**	**252.1**	**216.4**	**194.3**

Balance Sheet (KD millions)	2011	2012	2013	2014
Cash and bank balances	404.8	302.6	399.2	343.6
Trade and other receivables	332.8	319.1	350.3	358.4
Inventories	21.2	11.9	14.9	16.8
Invs. - at fair value through P&L	5.9	2.7	1.9	1.9
Current Assets	**764.7**	**636.3**	**766.4**	**720.7**
Investments - available-for-sale	62.5	48.7	46.4	37.7
Investment in associates and joint ventures	126.0	300.8	265.2	239.0
Loan to associates	190.2	145.8	170.5	199.1
Property and equipment	795.6	699.0	734.6	852.6
Intangible assets	1,256.1	998.1	993.7	1,095.0
Other financial assets	92.2	102.2	120.2	133.0
Total Non-Current Assets	**2,522.6**	**2,294.7**	**2,330.5**	**2,556.3**
Total Assets	**3,287.2**	**2,931.0**	**3,096.9**	**3,277.1**
Trade and other payables	506.5	535.1	542.6	656.1
Due to banks	540.0	651.8	755.7	788.3
Other non-current liabilities	35.2	33.3	35.5	38.8
Total Liabilities	**1,081.7**	**1,220.2**	**1,333.7**	**1,483.1**
Share capital	430.8	431.5	432.3	432.7
Share premium	1,703.4	1,705.4	1,706.8	1,707.2
Treasury shares	(567.8)	(567.8)	(567.8)	(567.8)
Legal reserve	215.4	215.8	216.1	216.4
Foreign currency translation reserve	(214.1)	(694.2)	(684.7)	(677.0)
Treasury shares reserve	2.0	2.0	2.0	2.0
Equity issue transaction cost of assoc.	(1.8)	-	-	-
Investment fair valuation reserve	(10.0)	(1.0)	2.4	1.2
Share-based compensation reserve	7.1	8.8	5.5	-
Hedge reserve	(0.8)	-	(1.2)	(1.9)
Retained earnings	516.5	490.2	509.3	512.8
Total Shareholders' Equity	**2,080.5**	**1,590.6**	**1,620.7**	**1,625.4**
Minority Interest	125.0	120.1	142.5	168.6
Total Liabilities and Equity	**3,287.2**	**2,931.0**	**3,096.9**	**3,277.1**

Source: Company financial statements and NBK Capital

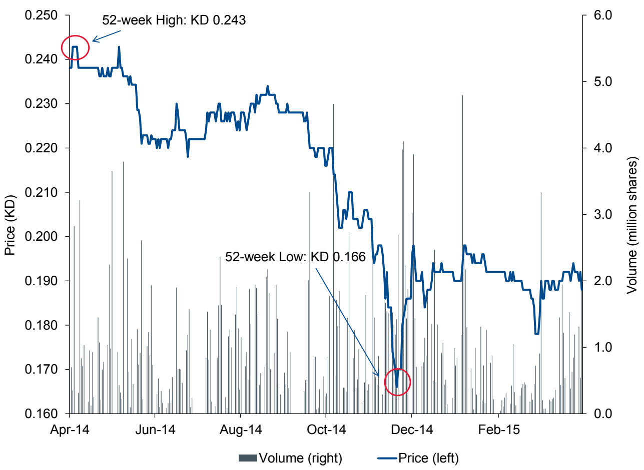
NATIONAL INDUSTRIES GROUP HOLDING (NIG)

Key Data

General		Daily Liquidity	
KSE Code	NIND.KSE	52-week avg. volume	1,011,674
Reuters	NIND.KW	52- week avg. value (KD)	212,623
Price (KD)		**Price Performance**	
Closing Price	0.188	YTD	-1.1%
52-week High/Low	0.243 / 0.166	12-month	-21.0%
Market Capitalization		**Issued Shares**	
KD (million)	255.65	Millions	1,359.85
Ownership Structure			
Closely-held: 26.48%		Public: 73.52%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Highlights

- National Industries Group Holding (NIG) was established with the purpose of participating in Kuwait's infrastructure sector and the building materials industry. NIG has operations across several industries such as building materials manufacturing and, petrochemicals across Kuwait and the GCC
- In FY2014, NIG's revenue increased by 8% YoY to KD 126.6 million versus KD 116.9 million in FY2013.
- NIG net profit grew by 178% YoY to KD 28.3 million in FY2014 compared to KD 10.2 million in FY2013.
- The company's investments (58% of the company's total assets accounting for 1.8x shareholders' equity) decreased by 13% QoQ to KD 801 million by the end of December 2014.

Analyst

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Key Ratios

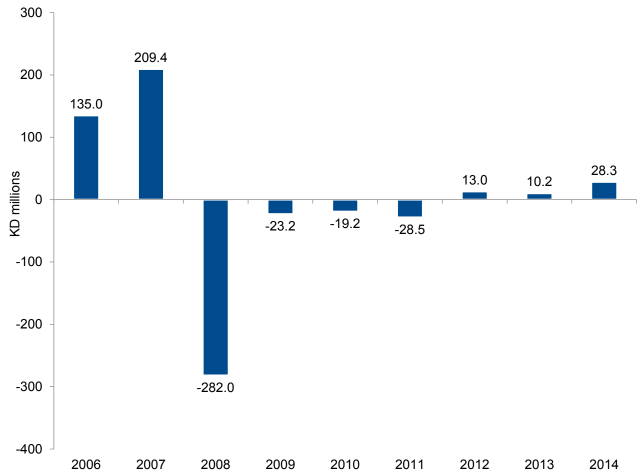
	2010	2011	2012	2013	2014
Net Profit Growth	-17%	48%	nm	-22%	178%
Net debt-to-total equity (x)	1.3	1.5	1.4	1.3	1.1
Investments/Total Assets	0.6	0.6	0.6	0.6	0.6
Investments/Equity	2.3	2.4	2.3	2.1	1.8

Source: 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 purpose of participating in Kuwait's infrastructure sector and the 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. Later, the company embarked on product diversification and international expansion, with the GCC serving as its first target market outside Kuwait. As a result, NIG has operations spanning several industries such as building materials, petrochemicals, oil and gas materials, financial services, utility services, and real estate.

NIG - Net profit trend



Source: Company's financial statements and NBK Capital

Latest News

- **March 2015:** NIG's BOD recommended the distribution of dividends, amounting to KD 0.012/share for the fiscal year ended 31 December 2014, with a payout ratio of 56%. Injazzat didn't pay any cash dividends for FY2013 but distributed bonus shares of 5%.
- **December 2014:** NIG sold several of its investments cumulatively worth KD 46.9 million, which included stakes in private and foreign funds. Gains from sale of these investments were included in the company's 4Q2014 results. NIG recorded a total KD 22 million of gains from the sale of investments in 4Q2014.

Financial Statements Analysis

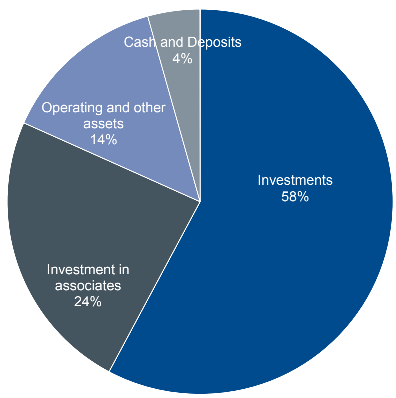
Income Statement

- In FY2014, NIG's revenue increased by 8% YoY to KD 126.6 million versus KD 116.9 million in FY2013. Gross profit also increased by 10% YoY to KD 29.6 million reflecting a gross profit margin of 23% the same as in FY2013.
- NIG net profit grew by 178% YoY to KD 28.3 million in FY2014 compared to KD 10.2 million in FY2013. The increase was mainly due the increase in the share of profits of associates from KD 18.4 in FY2013 to KD 41.7 million in FY2014 along with a 20% YoY increase in income from investments to KD 60.9 million in FY2014.

Balance Sheet

- The company's investments (58% of the company's total assets accounting for 1.8x shareholders' equity) decreased by 13% QoQ to KD 801 million by the end of December 2014. The following chart presents a breakup of NIG's asset structure. NIG's investments are largely dominated by available-for-sale (AFS) investments (KD 680.3 million) consisting of unquoted equity investments, quoted shares as well as managed funds. The remaining investments are distributed between held-for-trading investments and investment properties.

NIG's Asset Structure – December 2014



Source: Company's financial statements and NBK Capital

- NIG's total debt decreased by 2% QoQ in December 2014 to KD 727.4 million with short-term debt representing 49% of the company's total debt. The company's net debt-to-total equity ratio remained flat on a QoQ basis, at 1.1x at the end of December 2014.

- NIG's short-term financing obligations totaled KD 357 million against its cash and current investments (AFS as well as investments at fair value through P&L) of KD 184 million at the end of FY2014. In fact, the short-term borrowing over cash and current investments ratio was 1.9x in FY2014, higher than the company's 4-year average of 1.4x.
- During FY2014, NIG sold around 0.5% stake in Mabanee that resulted in a net gain of KD 1.1 million for NIG. The company currently holds a 18% stake in Mabanee that accounts for around 41% of NIG's overall KD 331 million investment in associates.

Financial Statements

Income Statement (KD millions)	2011	2012*	2013	2014
Sales	99.9	106.4	116.9	126.6
Cost of sales	(74.6)	(80.6)	(90.0)	(96.9)
Gross Profit	25.289	25.9	26.9	29.6
Income from investments	26.1	49.8	50.7	60.9
Share of profits of associates	14.5	16.6	18.4	41.7
Interest and other opr. income	7.5	7.3	6.1	2.9
Distribution costs	(4.7)	(4.7)	(5.4)	(6.7)
G&A	(21.4)	(21.9)	(21.5)	(23.9)
Finance costs	(41.1)	(38.9)	(34.8)	(30.5)
Profit on disposal of PP&E	-	(0.0)	1.7	0.0
Imprm. in value of AFS inv.	(40.1)	(12.5)	(24.7)	(28.2)
Imprm. in value of rec. & other	-	(1.4)	(0.9)	(1.4)
Imprm. in value of inv. in assoc.	-	(0.6)	(0.1)	(2.2)
Other imparments	-	(2.0)	(1.0)	(3.6)
(Loss)/gain on foreign exchg.	2.2	(3.2)	(0.9)	(3.8)
Profit before taxes and dir. rem.	(31.6)	16.3	16.3	39.7
Taxes and directors' rem.	(1.7)	(1.1)	(1.5)	(2.9)
Profit/(loss) from discontinued operations	(0.4)	2.6	1.8	-
Net Profit for the year	(33.8)	17.8	16.6	36.8
Minority Interest	5.3	(4.8)	(6.5)	(8.5)
Net Profit	(28.5)	13.0	10.2	28.3

*Restated

Balance Sheet (KD millions)	2011	2012	2013	2014
Assets				
Goodwill	6.6	7.1	9.2	17.5
PPE	65.3	64.0	70.7	70.6
Investment in associates	283.1	287.5	294.4	331.0
Investment properties	13.9	25.3	49.9	61.4
Long-term AFSIs	739.3	698.1	673.3	616.9
Accounts recieveable and other assets	7.8	2.0	2.1	2.1
Total Non-current Assets	1,116.2	1,083.9	1,099.7	1,099.6
Inventories	23.6	25.6	31.9	32.0
Short-term AFSIs	86.7	79.8	76.0	63.4
Accounts recieveable and other assets	68.2	62.2	66.2	70.6
Murabaha and wakala inv.	8.4	11.3	4.5	0.6
Investments at fair value	81.8	62.0	65.2	59.7
Short-term deposits	79.0	6.1	2.1	6.7
Bank balances and cash	35.7	57.1	32.3	53.4
Total Current Assets	383.5	304.2	278.1	286.4
Total Assets	1,499.7	1,388.1	1,377.7	1,385.9
Liabilities and Shareholders' Equity				
Bonds and trust cert.	-	-	-	-
Long-term borrowing	395.0	523.9	529.6	370.3
Leasing creditors	0.3	0.2	0.1	0.5
Provisions	9.6	15.1	12.7	15.8
Total Non-current Liabilities	404.9	539.2	542.5	386.5
Accounts payable	56.1	50.7	48.4	55.2
Bonds issued	132.5	-	-	-
Short-term borrowing	360.9	256.3	200.4	335.5
Due to banks	23.7	17.9	23.1	21.7
Total Current Liabilities	573.2	324.9	271.8	412.3
Total Liabilities	978.1	864.1	814.3	798.8
Total Shareholders' Equity	376.9	382.1	415.4	440.4
Minority Interest	144.7	141.8	148.0	146.7
Total Equity and Liabilities	1,499.7	1,388.1	1,377.7	1,385.9

Source: Company financial statements and NBK Capital

NATIONAL INVESTMENT COMPANY (NIC)

Key Data

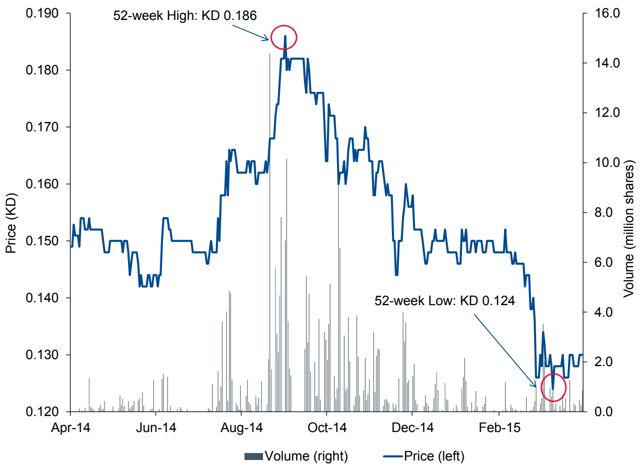
General		Daily Liquidity	
KSE Code	NINV.KSE	52-week avg. volume	1,076,037
Reuters	NINV.KW	52- week avg. value (KD)	175,489
Price (KD)		**Price Performance**	
Closing Price	0.130	YTD	-14.5%
52-week High/Low	0.186 / 0.124	12-month	-12.8%
Market Capitalization		**Issued Shares**	
KD (million)	113.91	Millions	876.21
Ownership Structure			
Closely-held: 72.67%		Public: 27.33%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Highlights

- NIC is one of the largest asset management companies in Kuwait, with a market capitalization of approximately KD 112.2 million.
- NIC reported a net profit of KD 6.7 million in FY2014, up by 9% YoY compared to a net profit of KD 6.2 million recorded in FY2013. Nonetheless, NIC net profits tend to be inherently volatile largely due to its high dependence on investment earnings and investment provisioning.
- AFS investments, which continue to represent the largest portion of total assets (54% by December 2014), decreased by 13% QoQ in 4Q2014, to KD 111 million.

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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Key Ratios

	2010	2011	2012	2013	2014
AFS-to-Assets	68%	66%	59%	54%	54%
AFS-to-total equity	86%	75%	61%	55%	57%
Net Profit Growth	nm	nm	nm	1%	9%
RoAA	1.7%	-13.6%	3.5%	4.0%	3.0%
RoAE	2%	-14%	7%	3%	4%
Net debt-to-total equity (x)	0.2	0.1	-0.1	-0.1	-0.1

Source: 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 manages several funds, including equity, alternative, and money market funds. Some of the most notable equity funds include the Al-Wataniya Fund (invests in Kuwaiti listed equities), the Al-Safwa Fund (Shari'ah-compliant equity investments), and the Al-Darij Fund (GCC Shari'ah-compliant equities). NIC also has a large proprietary book from which the company tries to derive most of its profits.

Latest News

- **March 2015:** On March 29, 2015, NIC's 99% owned Bahraini subsidiary, Gulf Investment Co, which is currently being liquidated, settled another part, equivalent to USD 29 million (KD 8.7 million) out of the total debt of USD 107.9 million. This will be included in the 1Q2015 results. With this, Gulf Investment has settled 60% of the total debt.
- **March 2015:** According to a statement on the KSE, NIC invested with its customers, a total amount of USD 14.9 million (KD 4.5 million) in a US real-estate portfolio. The deal is in cooperation with Dubai's GFH Capital, which is wholly owned by Bahrain's Gulf Finance House (GFH). The transaction will be reflected in the 1Q2015 financials. If the project achieves a full occupancy, the annual return is expected to be between 8% and 9%.
- **March 2015:** NIC stated that the court has issued a ruling in its favor against Munshaat Real Estate Projects regarding the case of Al-Qibla A Tower in Medina. The court accepted the appeal filed by NIC and ordered the cancellation of the association between the two parties due to the expiry of the contract they signed. The court also ordered Munshaat to pay NIC USD 22.5 million (KD 6.7 million) in addition to paying KD 2,000 for legal fees.
- **February 2015:** NIC acquired an investment property in the Mangaf area, for a total of KD 2.2 million, with an annual return of 7.7%. The profit contribution from this property should start in February 2015.
- **January 2015:** NIC purchased an investment property for KD 1.9 million that would generate an annual return of 7%, equivalent to KD 131 thousand. These results will be reflected in the company's financial statements starting February 2015.
- **January 2015:** NIC has signed a contract to acquire a 9.25% stake in NBK-Lebanon, for KD 1.78 million. The company is still waiting for Lebanon's Central Bank approval to finalize the deal.
- **December 2014:** NIC was paid KD 10.3 million, equivalent to USD 35.1 million, from its 99% owned Bahraini Gulf Investment subsidiary.

Financial Statement Analysis

Income Statement

- NIC reported a net profit of KD 6.7 million in FY2014, up by 9% YoY compared to a net profit of KD 6.2 million recorded in FY2013.
- The YoY improvement in net profit was driven by the significant growth in other income, which increased from KD 0.4 million in FY2013 to KD 10.3 million in FY2014. Included in other income is the settlement amount of KD 10.3 billion that was paid by its 99% owned Bahraini subsidiary, out of a liquidation process.
- However, this was countered by a 57% decline in realized/unrealized gain on investment to KD 3.4 million and a 61% YoY increase in impairment loss on financial assets available for sale to KD 8.2 million.

Balance Sheet

- AFS investments, which continues to represent the largest portion of total assets (54% by December 2014), has decreased by 13% QoQ in 4Q2014, to KD 111 million.
- By December 2014, the company's cash balance totaled KD 21 million. The debt level remains at a minimal level, representing 2% total equity.

Financial Statements

Income Statement (KD millions)	2011	2012*	2013	2014
Realized/Unrealized gain on invest.	(6.5)	4.9	7.8	3.4
Gain on sale of trading property	-	-	-	-
Investment Income	21.2	10.7	10.4	9.7
Foreign Exchange Trading	0.3	0.2	0.3	0.3
Share of Results from Associates	(1.1)	0.5	1.1	0.1
Other Income	-	0.9	0.4	10.3
Income	13.9	17.1	19.9	23.8
Selling/General/Admin Expenses	(7.7)	(4.8)	(6.5)	(6.9)
Operating Income	6.1	12.2	13.4	16.8
Finance Costs	(1.7)	(0.5)	(0.1)	(0.1)
Other, Net	(31.7)	(4.7)	(5.0)	(9.9)
Net Profit before Taxes	(27.3)	7.0	8.3	6.8
Taxes	(0.0)	(0.1)	(0.2)	(0.5)
Net Profit before Minority Interest	(27.3)	6.8	8.1	6.3
Minority Interest	0.0	(0.7)	(1.9)	0.4
Net Profit	(27.3)	6.1	6.2	6.7

Balance Sheet (KD millions)	2011	2012*	2013	2014
Cash and Cash Equivalents	6.1	11.1	21.7	20.7
Investments	150.3	149.2	146.6	139.3
Other Assets	44.3	37.1	37.3	46.0
Goodwill	-	-	2.9	1.4
Total Assets	200.7	197.4	208.5	207.4
Short Term Debt	16.6	1.1	1.1	4.1
Accounts Payable and Accruals	7.2	5.6	6.0	8.7
Total Liabilities	23.9	6.7	7.1	12.8
Total Equity	176.8	190.7	201.3	194.6
Total Liabilities and Equity	200.7	197.4	208.5	207.4

**Restated. Source: Company's financial statements and NBK Capital*

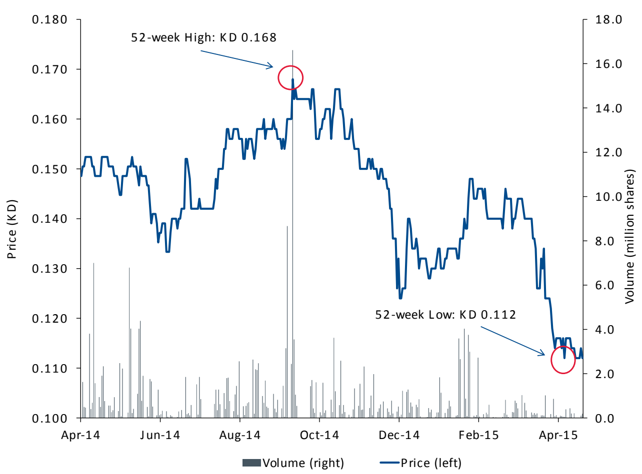
NATIONAL REAL ESTATE COMPANY (NREC)

Key Data

General		Daily Liquidity	
KSE Code	NRE.KSE	52-week avg. volume	906,005
Reuters	NREK.KW	52- week avg. value (KD)	135,946
Price (KD)		**Price Performance**	
Closing Price	0.112	YTD	-15.2%
52-week High/Low	0.168 /0.112	12-month	-24.6%
Market Capitalization		**Issued Shares**	
KD (million)	100.54	Millions	897.65
Ownership Structure			
Closely-held: 37.39%		Public: 62.61%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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Highlights

- NREC is a real estate developer whose development and investment properties are spread across the Middle East, including Kuwait, UAE, Egypt, Libya and Iraq. The company also holds a 23.5% stake in Agility, which makes up for 33% of its total assets.
- NREC's ongoing flagship project, Grand Heights, is being developed by its 79% owned subsidiary, KWADICO. The entire land area stretches over 3.8 million sqm in the 6th of October City in Egypt, out of which, NREC will develop 1.6 million sqm, while the remainder would be developed by Egypt-based Amer and Mountain View. Grand Heights is expected to be completed in 2016.
- The company expects its primary investment property, the Reem Mall in Abu Dhabi, to open in 2018. The mall is expected to have a GLA of 190 thousand sqm with Phase I development cost estimated at USD 1 billion.

Key Ratios

	2010	2011	2012	2013	2014
Rental Income (% of Operating Income)	33%	62%	36%	43%	62%
Net Share in Associates' Results (% of Operating Income)	20%	42%	30%	46%	68%
Net Share in the Associates' Results (% of Net Profit)	n/m	n/m	75%	67%	114%
Net Profit Growth	n/m	19%	n/m	53%	-32%
Net debt-to-total equity	0.8	0.9	0.9	0.8	0.7
Investment in Associates (% of Total Assets)	34%	36%	34%	34%	33%
Investment in Associates (% of Total Equity)	79%	95%	90%	87%	83%
Investment Book (% of Total Assets)	3%	1%	1%	1%	0.4%
Investment Book (% of Total Equity)	6%	3%	2%	2%	1%
Interest Coverage*	n/m	n/m	0.03	0.58	1.56

**EBIT excludes associates and joint ventures. Based on restated financial statements. Source: Company's financial statements and NBK Capital*

Overview

NREC was established in 1973, and listed on the Kuwait Stock Exchange in 1984. It is a real estate developer with development and investment properties spread across the Middle East, including Kuwait, UAE, Egypt, Libya and Iraq. The company also holds a 23.5% stake in Agility, which makes up for 33% of its total assets.

Figure 1 NREC's Project Portfolio

Projects	Location	Overview
Development - Ongoing & pipeline		
Grand Heights	Egypt	3.8 million sqm land area
West End	Lebanon	Commercial office tower, 8K sqm space
Pearl	Lebanon	Commercial office tower, 8K sqm space
Palm Waterfront	Libya	Mixed use, 61K sqm BUA, through a JV
Carina Views	Abu Dhabi	125K sqm BUA, but not imminent
The North Project	Jordan	Mixed use, 534K sqm
Investment portfolio completed		
Souq Sharq Mall	Kuwait	31K sqm area
El Joan Resort	Kuwait	40 serviced villas
Dasman Complex	Kuwait	17K sqm commercial space
Mishal Tower	Kuwait	3.7K sqm commercial space
Boubyan Complex	Kuwait	10K sqm commercial space
Wataniya Tower	Kuwait	3.4K sqm commercial space
Palm City Residences	Libya	213K sqm area, through a JV
ANREPCO	Jordan	1.5 million sqm warehousing units
Erbil	Iraq	15K sqm retail space
Investment portfolio ongoing		
Reem Mall	Abu Dhabi	USD 1 billion project, 190K sqm GLA, completion 2018

Source: NREC

Key Development Project - Grand Heights (high-end villa compound)

- The company is developing this project through its 79% owned subsidiary, KWADICO.
- Grand Heights stretches over an area of 3.8 million sqm, in the Sixth of October City in Egypt. NREC will develop 1.6 million sqm of the project area, with the remainder being developed by Amer and Mountain View. In return, the company will receive a certain percentage of the sale value from the projects developed by the co-developers.
- NREC intends to generate total sales of USD 1 billion (c. KD 300 million) from Grand Heights and has already sold 85% of Phase I and Phase II.
- The company has achieved EGP 1.3 billion (+56% YoY) (c. KD 51 million) in new sales from the project and recognized EGP 185.2 million (+34% YoY) (c. KD 7 million) in revenue in 2014.
- The company expects Grand Heights to be completed in 2016, with cash flow receipts (from co-developers as well) expected by the end of 2019.
- NREC has already started recognizing revenue and collecting cash flows from the project, and this was an important feature of the 2014 financial performance. This can be seen from the improvement in cash flow from operations from KD -6.4 million during 2013 to KD 3.9 million in 2014. This was primarily driven by payments for properties under development as well as increasing payables.
- Since the Egyptian real estate market continues to be supported by sustained fundamental drivers, management is optimistic on this project.

Key Investment Project – Reem Mall (mid-market mall)

- NREC's primary investment property is the Reem Mall in Abu Dhabi. The company is looking to select the main contractor for this, and has already shortlisted a set of contractors. The company expects the project to be completed by 2018, after a series of delays.
- The mall is planned to have a GLA of 190 thousand sqm, with Phase I development cost estimated at USD 1 billion. Meanwhile, Phase II is planned to have hotel and commercial space as well at a later stage.
- The company plans to finance 55% of the project using debt and the remaining 45% through equity. It has already invested around USD 250 million (mainly in the form of land) and has also recently collaborated with United Projects for Aviation Services Company (UPAC), a subsidiary of Agility, to contribute USD 225 million to the project. For the debt financing portion, NREC has been in talks with UAE banks.

Jordan

- NREC achieved an increase in revenue of 17% YoY, and an increase in net profit of 41% YoY at its operations in Jordan. Furthermore, the company's Jordanian subsidiary is planning to distribute dividends for the second year in a row.

Latest News

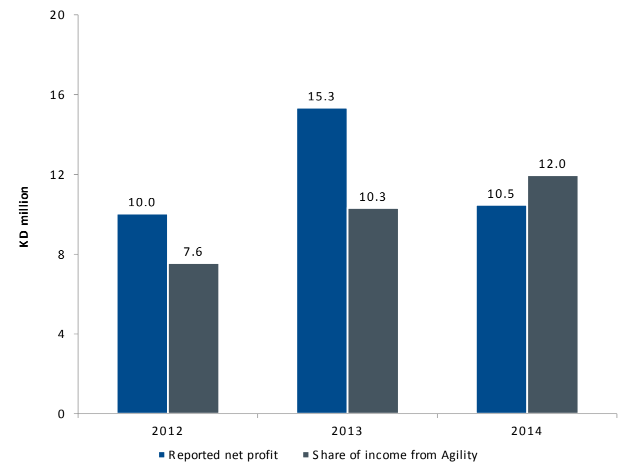
- **April 2015:** The company's board of directors has recommended 5% bonus shares, which will take the issued number of shares from 898 million to 943 million.

Financial Statement Analysis

Income Statement

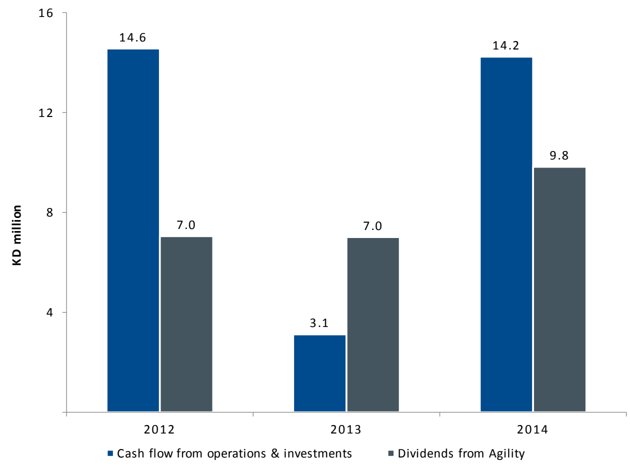
- The company's rental income reached KD 10.8 million in 2014, compared to 9.7 million in 2013 (+11% YoY). In addition, NREC generated revenues of KD 8.6 million from the sale of inventory properties. In our opinion, most of the revenue from the sale of inventory properties was contributed by the Grand Heights project in Egypt.
- As a result, EBIT rose significantly from KD 2.3 million in 2013 to KD 5.8 million in 2014.
- Nevertheless, the company recorded a large decline in net profit for the period, from KD 15.3 million in 2013 to KD 10.5 million. This was primarily due to a non-cash impairment charge of KD 7.4 million, which the company recorded against its JV investments (through Mediterranean Investments Holding Co.) in Libya.
- Furthermore, NREC reported KD 1.5 million in impairment losses on property, plant and equipment, and reversed KD 1.3 million of provisions during the period (these are shown under "Others" below).
- The contribution of Agility to NREC's bottomline as well as cash flows remained very significant. The share of income from Agility increased 16% YoY to reach KD 12 million.

Figure 2 Contribution of Agility to NREC's Net Profit



Source: NREC

Figure 3 Contribution of Agility to NREC's Cash Flows



Source: NREC

Balance Sheet

- NREC holds a 23.5% stake in Agility at a book value of KD 184.8 million on its balance sheet, constituting 33% of total assets as of December 2014.
- The company's net debt-to-total equity ratio slightly decreased to 0.7x at the end of 2014, from 0.8x at the end of 2013.

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Rental income	8.9	9.2	9.7	10.8
Net sales (including inventory properties)	9.8	3.5	8.0	8.6
Staff costs	(4.4)	(4.3)	(4.5)	(4.1)
Cost of sales (including inventory properties)	(10.4)	(3.7)	(4.8)	(5.4)
General and administrative	(4.2)	(3.8)	(5.6)	(3.8)
EBITDA	**(0.3)**	**0.9**	**2.7**	**6.2**
Depreciation & amortization	(0.8)	(0.7)	(0.4)	(0.3)
EBIT	**(1.0)**	**0.3**	**2.3**	**5.8**
Net Share in the Associates' Results	6.1	7.6	10.3	12.0
Share in the joint venture results	(0.5)	8.8	2.6	(5.3)
Investment Income	0.2	0.5	0.8	0.2
Net finance costs	(0.5)	(7.5)	(3.9)	(3.6)
Others	(31.6)	0.3	2.0	0.8
Change in fair value of inv. properties	(15.6)	-	3.3	1.5
EBT	**(43.0)**	**10.0**	**17.4**	**11.5**
Taxes	-	(0.1)	(0.5)	(0.4)
BOD remuneration	-	-	(0.1)	(0.1)
Minority Interest	(2.1)	(0.2)	1.5	0.5
Net Profit	**(40.9)**	**10.0**	**15.3**	**10.5**

Balance Sheet (KD millions)	2011	2012	2013	2014
Cash & Cash Equivalent	5.5	10.5	7.2	11.0
Investment in Associates	176.2	172.1	182.4	184.8
Investment in a joint venture	18.6	28.3	32.1	24.6
Investment Properties	138.1	138.6	152.2	161.9
Capital Work in Progress	109.2	122.7	117.9	126.7
Total Assets	495.0	512.7	532.1	553.0
Total Debt	180.5	182.6	177.6	176.4
Total Liabilities	308.6	322.2	322.8	329.8
Minority Interest	23.4	22.6	22.7	23.3
Parent Shareholders' Equity	163.0	167.8	186.6	199.9
Total Liabilities and Equity	495.0	512.7	532.1	553.0

Source: Company's financial statements and NBK Capital

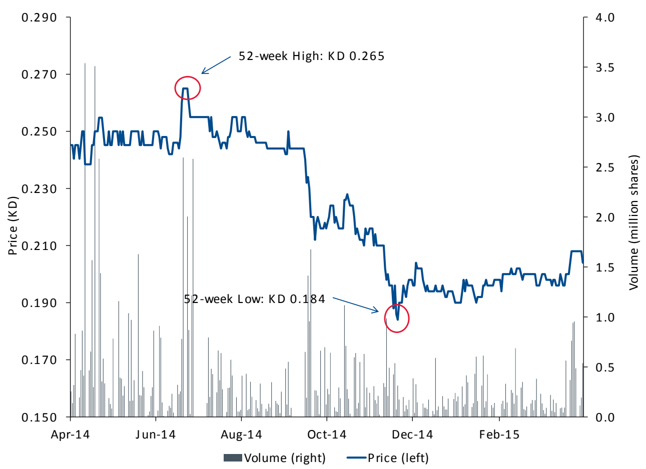
QURAIN PETROCHEMICAL INDUSTRIES COMPANY (QPIC)

Key Data

General		Daily Liquidity	
KSE Code	ALQURAIN.KSA	52-week avg. volume	376,392
Reuters	ALQK.KW	52- week avg. value (KD)	88,555
Price (KD)		**Price Performance**	
Closing Price	0.204	YTD	1.0%
52-week High/Low	0.265 /0.184	12-month	-16.8%
Market Capitalization		**Issued Shares**	
KD (million)	224.40	Millions	1,100.00
Ownership Structure			
Closely-held: 39.53%		Public: 60.47%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Highlights

- QPIC started as a holding company with investments focused on oil and gas and downstream sectors such as EQUATE, The Kuwait Olefins Company (TKOC), and Kuwait Aromatics Company (KARO). However, amid limited regional opportunities in this space, QPIC has broadened its objective to invest in industrials as well. The company considers its recent investment in Saudi Dairy and Foodstuff Company (SADAFCO), a Saudi listed F&B producer, part of this broadened objective, which has now been classified as a subsidiary.
- During the 9M2014-2015 period, QPIC net profit jumped to KD 14.9 million, a 67% increase over the KD 8.9 million achieved in the same period last year. This was largely due to the revaluation gain accorded as the company reclassified SADAFCO from an investment in associate to a subsidiary (QPIC's stake increased from 29% to 40% in July 2014). Excluding this revaluation gain of KD 13 million, QPIC's net income came in at KD 2 million in 9M2014-2015.
- QPIC mentioned the importance of paying out dividends going forward in order to create value for shareholders. Since the company operates at a stable rate with no major CAPEX plans going forward, we believe that 2014/15 DPS is likely to be in line with the previous fiscal year.

Analyst

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Key Ratios

	FY2010-2011	FY2011-2012*	FY2012-2013	FY2013-2014	9M2014-2015
Net Income Growth (%)	nmf	83%	-31%	24%	67%
Current Ratio (x)	11.5	14.2	6.5	0.7	2.3
ROAA (%)	9%	14%	8%	8%	7%
ROAE (%)	9.1%	14.4%	8.3%	9.4%	10.9%
Investments in Associates (% of total assets)	21.0%	16.9%	16.5%	36.5%	14.0%
Investments in Associates (% of total equity)	21.2%	17.1%	17.4%	44.0%	22.8%
Financial assets AFS (% of total assets)	65.9%	65.5%	67.5%	56.4%	41.1%
Financial assets AFS (% of total equity)	66.7%	66.4%	71.1%	68.0%	67.0%

**Refers to 15-month period from Jan-2011 to Mar-2012. Source: 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 that produce petrochemical products and related by-products, including Benzene, Para-Xylene, Light Naphtha, Styrene, etc. QPIC is part of the KIPCO Group, and QPIC's direct investments are as follows:

Figure 1 QPIC Investments

Investment	QPIC Stake
Available for Sale	
The Kuwait Olefins Co.	6.0%
EQUATE	6.0%
Associates	
Kuwait Aromatics Company (KARO)	20.0%
Algerian Methanol SPA (Almet)	42.5%
United Precision Drilling CO (UPDC)	47.5%
Al Khorayef United Holding Co.	25.0%
United Carbon Projects Co.	36.0%
Subsidiary	
Saudi Dairy and Foodstuff Co (SADAFCO)	40.0%
United Oil Projects CO. (UOP)	41.0%

**This represents QPIC's stake as of the latest available financial report (1H2014-15). QPIC has increased its stake in SADAFCO to 40% in 2Q2014-15*

Latest News

- **January 2015:** Equate Petrochemical Company, a joint venture (JV) between Petrochemical Industries Company, Dow Chemical, Boubyan Petrochemical Company, and Qurain Petrochemical Industries Company, announced the successful completion of its plants' turnaround and the first phase of the polyethylene plant debottlenecking project. All units were shut down on November 20, 2014, and resumed normal operations on December 23, 2014.

Financial Statement Analysis

Income Statement

- During the 9M2014-2015 period, QPIC net profit jumped to KD 14.9 million, a 67% increase over the KD 8.9 million achieved in the same period last year. This was largely due to the revaluation gains accorded as the company reclassified SADAFCO from an investment in associate to a subsidiary (QPIC's stake increased from 29% to 40% in July 2014). Excluding this revaluation gain of KD 13 million, QPIC's net income came in at KD 2 million in 9M2014-2015.

- The reason for such a significant decline in net profit (after excluding the revaluation gain) was mainly due to the poor performance from a key associate: the 20% stake in KARO (and its fully owned investment Kuwait Paraxylene Production Company (KPPC)). According to QPIC's management, the anticipated downturn in the products' prices have started affecting KPPC's performance and profitability. Share of profits from KARO dropped by c.94% YoY. Nevertheless, QPIC remains confident that Kuwait Petroleum Corporation will intervene in order to resolve the pending issues and restructure the company to prevent the project from faltering. Paraxylene prices declined by c.40% between January and December 2014.

- SADAFCO announced its 9M2014-2015 (FY ends March) results, and announced a net profit of SAR 112.1 million (c.KD 8.6 million), a 5.1% decrease compared to 9M2013-2014.

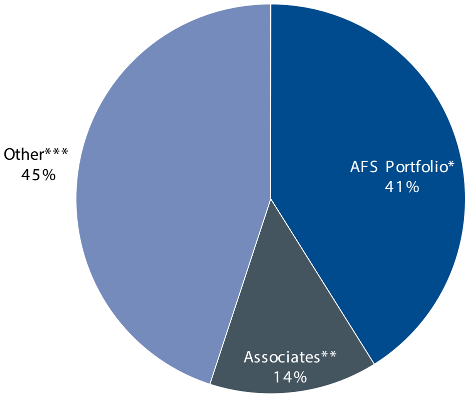
- QPIC's dividend income is primarily derived from its investments in EQUATE and TKOC (The Kuwait Olefins Company). Both companies have a mandate to pay most of their earnings as dividends on an annual basis, and we understand that over the past three years these companies had a payout ratio of more than 90%. In FY2013-2014, the combined dividend income from these investments was c.KD 20 million. In the latest announcement, the combined dividend payout from EQUATE and TKOC will amount to KD 18 million for QPIC in FY 2014-2015 (which will be booked in 4Q2014-2015), a 10% YoY decline. Looking ahead, we expect EQUATE and TKOC to continue with their stated mandate and are likely to continue to contribute significantly to QPIC's financial performance.

- SADAFCO paid out SAR 113.75 million (KD 8.9 million) in dividends for shareholders as of June 25, 2014. This marks a 17% increase compared to the past four consecutive (2010-2013) years of paying SAR 97.5 million. This translates into a FY2013-2014 payout ratio of 66% and a dividend yield of c.2.7%.

Balance Sheet

- Available-for-sale (AFS) investments and associates made up 55% of QPIC's total asset base as of December 2014. The AFS portfolio constitutes a 6% stake in EQUATE and the Kuwait Olefins Company (TKOC). EQUATE is a fully integrated producer of chemical products, with a 825 ktpa capacity of polyethylene (PE) and 550 ktpa capacity of ethylene glycol (EG); while TKOC has a 660 ktpa capacity for producing EG. However, QPIC's exposure to associates largely consists of Kuwait Aromatics Company (KARO, which owns 100% of KPPC), a major producer of styrene. This investment is likely to be held for the long term, and will continue to contribute significantly to QPIC's bottom line performance. The recent reclassification changed SADAFCO from an associate to subsidiary. As a result, QPIC's fixed asset base increased to KD 66.5 million in December 2014, from less than KD 1 million in January 2014. Fixed assets represent 13% of the total assets.

Figure 2 AFS and Associate Exposure to Total Assets



** AFS consists of EQUATE and TKOC **Associates consist mainly of KARO and Al Khorayef United Holding Co.***Other represents remaining portion of total assets*
Source: Company report

- Acquisition Financing: QPIC made two transactions to acquire a total of 40% stake in SADAFCO from United Industries:
  - November 3, 2013: QPIC announced it has purchased 29% stake in SADAFCO at a price of SAR 92.50/share, which translates into SAR 872 million, or KD 66 million. QPIC financed its KD 66 million acquisition of SADAFCO through KD 40 million term loans, with a maturity in the range of one to three years. Out of this, KD 20 million is categorized as a current liability on company's latest available balance sheet (ending June 2014). We understand that these term loans were KD denominated, and the company refinanced these facilities with USD-denominated loans.
  - July 23, 2014: QPIC announced it has purchased an 11% stake in SADAFCO at a price of SAR 100/ share, which translates into a total price of SAR 361 million, or KD 27.2 million. We believe the company raised debt in order to help finance this acquisition. Long-term loans increased to KD 68 million by December 2014, a KD 47 million increase since the beginning of the year. Nevertheless, the company's balance sheet remains healthy, with 9M2014/2015 leverage of 0.2x.

Valuation

- Dividend Outlook: QPIC does not have a defined dividend policy; however, the company considers dividends an important element to create value for its shareholders. The company started paying dividends in FY2011/2012 as many of its investments within the petrochemical sector (such as TKOC and KARO) started production during 2009/2010. Since then, the company has consistently paid dividends. Looking ahead, we expect the company to continue to pay out dividends, since it is operating at stable rates, underscoring limited capex needs. Additionally, the company does not have any major planned future investment. We expect the company to maintain a DPS of over KD 10 fils, supported by dividends from its AFS investments and SADAFCO.
- The company paid out dividends of c.KD 11 million (or 10 fils/ share) for the FY2013-2014 period, in line with last year's payment. This represents a payout of 40% and a yield of c.4.8%.
- Dow Chemical announced its intention to divest some of its 42.5% stake in Equate and TKOC by mid-2016. We think that such an event will enhance the understanding of the strength of the underlying businesses and could potentially unlock value, in our view.

Financial Statements

Income Statement (KD Millions)	FY2012-13	FY2013-14	9M2013-14	9M2014-15
Sales	2.7	3.2	2.5	69.8
Cost of Sales	(2.4)	(2.9)	(2.2)	(49.9)
Gross Profit	0.2	0.3	0.2	19.9
Dividend income	18.2	21.0	0.6	0.2
Realised (loss) gain on AFS	1.8	0.1	0.1	0.6
Share of results of associates	5.9	9.4	9.6	2.6
Income	26.1	30.9	10.5	23.3
Impairment Charges	(1.2)	(0.0)	-	-
General/Admin Expenses	(2.4)	(2.4)	(1.6)	(16.1)
Foreign exchange gain (loss)	(0.0)	(0.0)	(0.0)	0.0
Gain on FV of SADAFCO				12.9
Earnings before Int. and Taxes	22.6	28.4	8.9	20.5
Finance Income/(Cost)	0.9	0.6	0.8	(0.5)
Tax	(0.7)	(0.9)	(0.2)	(1.0)
Board of Directors' remuneration	(0.1)	(0.1)	(0.1)	(0.1)
Other	-	-	0.0	(0.4)
Minority Interest	(0.5)	(0.6)	(0.5)	(3.5)
Net Profit	22.2	27.5	8.9	14.9

Balance Sheet (KD Millions)	FY2011-12	FY2012-13	FY2013-14	Dec 2014-15
Cash and cash equivalents	0.8	44.3	22.4	4.2
Time Deposits with banks	25.8		-	-
Accrued income and others	0.7	1.4	1.1	18.6
Inventories	-	0.5	0.5	29.1
Total Current Assets	27.4	46.2	24.0	51.9
Due from related parties	0.2	0.8	1.3	1.3
Financial assets available for sale	138.2	201.7	205.4	206.1
Investment in associates	44.0	49.3	132.8	70.0
PP&E	0.0	0.9	0.9	66.5
Goodwill	-	-	-	105.8
Total Assets	209.8	299.0	364.3	501.6
Accounts payable and others	2.4	7.1	8.8	19.4
Term loans	-	-	24.9	71.2
Employees' end of service	0.1	0.4	20.5	7.1
Minority Interest				96.3
Total Liabilities	2.5	7.4	54.2	194.1
Total Shareholders' Equity	207.3	291.6	310.1	307.5
Total Liabilities and Equity	209.8	299.0	364.3	501.6

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

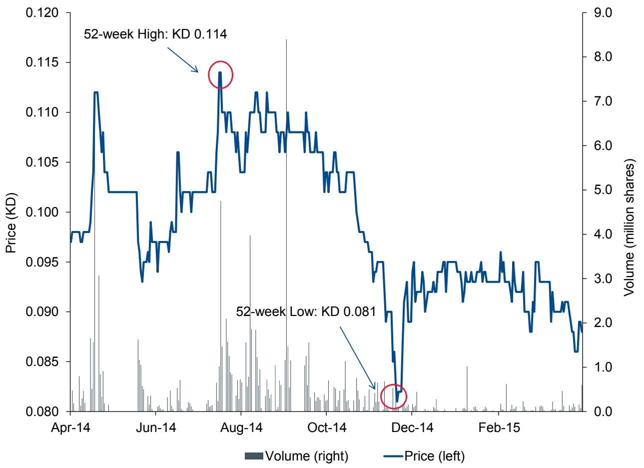
SULTAN CENTER (SULTAN)

Key Data

General		Daily Liquidity	
KSE Code	SULTAN.KSE	52-week avg. volume	423,282
Reuters	SCFK.KW	52- week avg. value (KD)	44,231
Price (KD)		**Price Performance**	
Closing Price	0.088	YTD	-4.3%
52-week High/Low	0.114 / 0.081	12-month	-9.3%
Market Capitalization		**Issued Shares**	
KD (million)	50.94	Millions	578.83
Ownership Structure			
Closely-held: 43.36%		Public: 56.64%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Analyst

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Highlights

- Sultan is a leading grocery retailer in Kuwait with operations in Lebanon, Jordan, Oman, and Bahrain. In addition, the company operates across other lines of businesses including fashion retail, restaurants, and trading.
- Total revenue increased by 4% YoY to KD 267.1 million in FY2014. Three main segments mainly drive the company's operating revenue: sales (which include retail and wholesale sales), construction contract revenue, and service contract revenue.
- Net profit declined by 53% YoY to KD 1 million in FY2014 compared with KD 2.1 million in FY2013.
- Investment in associates represents 37% of total assets. The company's investment in associates was KD 106.2 million as of December 31, 2014.

Key Ratios

	2010	2011	2012	2013	2014
Net Profit Growth	nm	10%	nm	nm	-57%
Sales to Working Capital (x)	-5.3	-4.0	-4.3	-4.2	-4.7
Gross Profit Margin	18%	19%	19%	19%	18%
EBITDA Margin	0%	1%	3%	3%	1%
Operating Income Margin	-3%	-3%	0%	1%	-2%
Net Profit Margin	-11.9%	-15.3%	0.1%	0.8%	0.3%
Investment Book-to-Assets	43%	43%	45%	44%	44%
Net debt-to-total equity (x)	1.6	3.5	3.2	3.2	3.2

Source: Company's financial statements and NBK Capital

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 has operations in Oman, Jordan, Bahrain, and Lebanon. In addition, Sultan has a 30.5% stake in National Real Estate Company (NREC).

Latest News

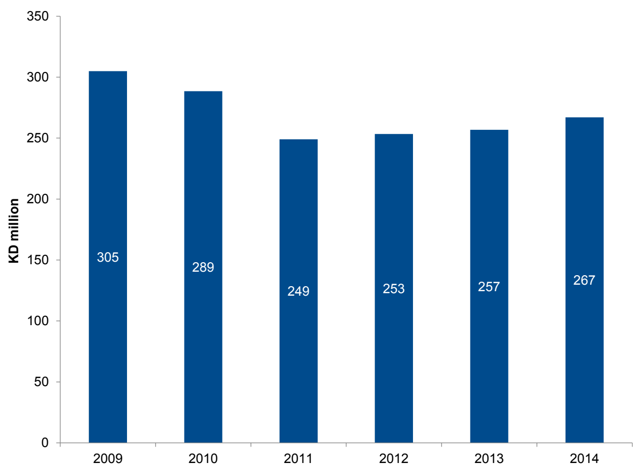
- **December 2014:** Sultan's subsidiary signed a new tender contract with the Ministry of Health in Kuwait. The value of the contract is KD 3.1 million, and has a duration of three years.
- **December 2014:** One of Sultan's fully owned subsidiary won a tender from Kuwait Petroleum Corporation, amounting to around KD 3 million.

Financial Statement Analysis

Income Statement

- **Total revenue increased by 4% YoY to KD 267.1 million in FY2014.** Three main segments mainly drive the company's operating revenue: sales (which include retail and wholesale sales), construction contract revenue, and service contract revenue.

Operating Revenue



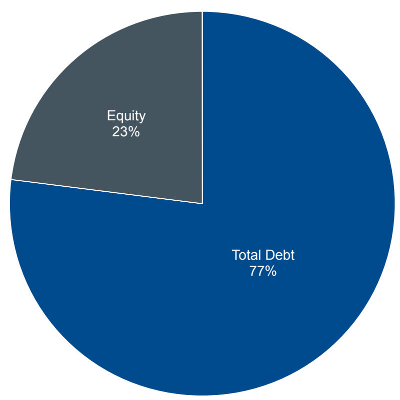
Source: Company's financial statements and NBK Capital

- **Sultan recorded an operating loss of KD 5.3 million in FY2014, when compared to a gain of KD 1.9 million in FY2013.** The operating loss was mainly driven by a 19% YoY increase in selling, general, and administrative expenses, which stood at KD 55.6 million in FY2014. However, Sultan sold a land plot in Al Jahra that totaled KD 13.8 million and was recorded under gain on sale of fixed assets and included in other income expenses.
- **Consequently, net profit declined by 53% YoY to KD 1 million in FY2014 compared with KD 2.1 million in FY2013.**

Balance Sheet

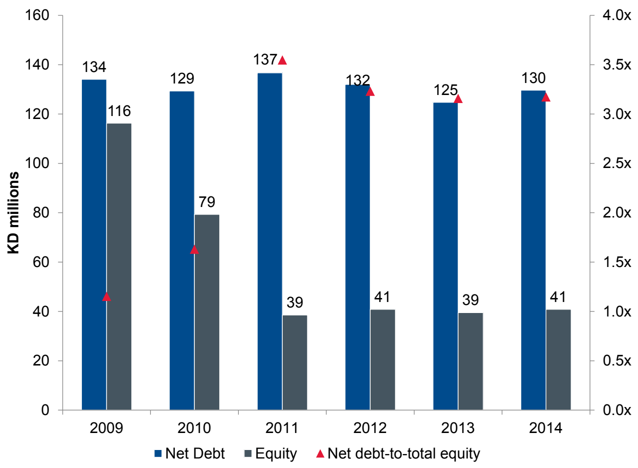
- **Sultan has negative working capital** (i.e., more current liabilities than current assets), a common feature for retailers. Sales-to-working capital improved from negative 5.0x in September 2014 to negative 4.7x in December 2014.
- **Net debt-to-total equity increased from 3.0x in September 2014 to 3.2x at the end of December 2014.** Sultan Center's net debt increased by 3% QoQ to KD 129.6 million in 4Q2014. We would like to highlight that total debt accounts for 77% of the capital structure.

December 2014 Capital Structure



Source: Company's financial statements and NBK Capital

Net debt-to-total equity



Source: Company's financial statements and NBK Capital

- **Investment in associates represents 37% of total assets.** The company's investment in associates was KD 106.2 million as of December 31, 2014. 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 for 30% of Sultan Center's total assets.

Financial Statements

Income Statement (KD millions)	2011	2012	2013	2014
Total Revenue	249.1	253.3	256.9	267.1
Cost of Revenue	(202.4)	(205.6)	(208.7)	(218.3)
Gross Profit	46.7	47.7	48.2	48.7
Other Operating Income	6.3	7.8	7.6	9.3
Selling/General/Admin. Expenses	(48.4)	(46.7)	(46.8)	(55.6)
Other Operating Expenses	(2.8)	(0.3)	(0.2)	(0.9)
EBITDA	1.8	8.6	8.8	1.5
Depreciation/Amortization	(8.4)	(8.7)	(6.9)	(6.8)
EBIT	(6.6)	(0.1)	1.9	(5.3)
Group's Share of Results from Associates	(12.2)	0.8	5.3	4.1
Finance Charges	(7.1)	(8.4)	(6.3)	(6.5)
Non-Operating Income-Expenses	(12.0)	7.9	1.3	8.8
Net Profit Before Deductions	(38.0)	0.2	2.1	1.1
NLST	-	-	-	(0.0)
Zakat	-	-	-	(0.0)
Board of Director's Remuneration	-	-	-	(0.1)
Net Profit Before MI	(38.0)	0.2	2.1	1.0
Minority Interest	(0.0)	(0.0)	0.0	(0.1)
Net Profit	(38.0)	0.2	2.2	0.9

Balance Sheet (KD millions)	2011	2012	2013	2014
Cash on Hand	8.2	5.8	6.9	7.1
Account Receivable and other debit balances	14.9	13.1	13.4	17.0
Due from related parties	1.7	0.6	1.4	1.7
Gross Amount due from customers	2.4	2.2	4.4	1.9
Inventories	18.5	22.0	25.1	28.0
Current Assets	45.6	43.6	51.2	55.7
Investments	107.2	111.2	109.3	113.8
Fixed assets	101.6	93.8	89.9	87.5
Other assets	35.0	32.4	31.2	31.1
Long Term Assets	243.7	237.4	230.4	232.3
Total Assets	289.3	281.1	281.6	288.0
Borrowings	125.5	121.3	118.1	60.2
Accounts payable	97.7	95.8	104.5	103.9
Provision for contingent liabilities	-	-	-	-
Other	2.3	0.9	0.4	0.3
Current Liabilities	225.5	218.0	223.0	164.4
Borrowings	19.4	16.4	13.5	76.5
Provision for end of service indemnity	5.9	5.8	5.6	6.3
Long Term Liabilities	25.3	22.2	19.2	82.8
Total Liabilities	250.8	240.2	242.1	247.2
Equity	38.5	40.8	39.5	40.9
Total Liabilities and Equity	289.3	281.1	281.6	288.0

Source: Company's financial statements and NBK Capital

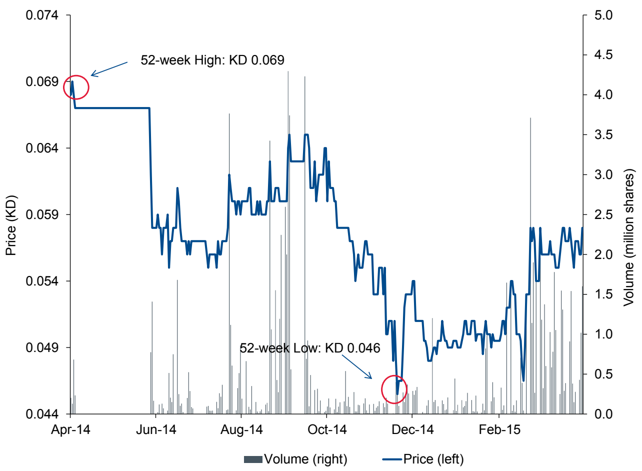
ASIYA CAPITAL INVESTMENTS COMPANY (ASIYA)

Key Data

General		Daily Liquidity	
KSE Code	ASIYA.KSE	52-week avg. volume	410,997
Reuters	ASIYA.KW	52- week avg. value (KD)	23,757
Price (KD)		**Price Performance**	
Closing Price	0.058	YTD	13.7%
52-week High/Low	0.069 / 0.046	12-month	-14.7%
Market Capitalization		**Issued Shares**	
KD (million)	46.40	Millions	800.00
Ownership Structure			
Closely-held: 22.48%		Public: 77.52%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Highlights

- ASIYA (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 income for FY2014 reached KD 9.2 million, compared to KD 7.8 million recorded in FY2013, representing an 18% increase.
- Overall, the company reported a net profit of KD 1.8 million for FY2014, compared to KD 1.0 million in FY2013, representing 75% growth.
- Financial assets carried at fair value through the income statement (FVIS investments) continue to represent the largest portion of the total assets, was 41% at the end of December 2014. The high proportion of FVIS investments exposes the company's income statement to significant volatility due to mark-to-market gains and losses.

Analyst

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Key Ratios

	2010	2011	2012	2013	2014
FVIS-to-Total-Income	30%	nm	65%	11.6%	39.1%
Net Profit Growth	-47%	nm	nm	-81%	75%
RoAA	5.1%	-10.6%	5.6%	1.0%	2.4%
RoAE	5%	-11%	6%	1.2%	2.0%
Equity-to-Assets	91%	87%	88%	81%	71%

Source: Company's financial statements and NBK Capital

Overview

ASIYA 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 shareholders 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. In addition, the company provides client advisory services aimed at defining and executing its clientele's Asia investment mandates.

Latest News

- **March 2015:** The board of directors recommended the distribution of cash dividends of KD 0.005 per share for FY2014.
- **December 2014:** The managing director of ASIYA announced the launch of a KD 1 billion Murabaha Fund in Asia, in cooperation with Gulf Bank, which will be in charge of marketing the fund's units. He also added that the company's general assembly meeting has approved to change the company's name to become Asiya investments.

Financial Statement Analysis

Income Statement

- Total income for FY2014 reached KD 9.2 million compared to KD 7.8 million recorded in FY2013, representing an 18% increase. The increase in total revenue cwas primarily driven by a significant growth in realized gains on FVIS, which jumped from KD 0.9 million in FY2013 to KD 3.6 million in FY2014. However, this was countered by a decline in gains on de-recognition of an associate to nil in FY2014 from KD 3.5 million in FY2013, and an increase in management fees from KD 0.2 million in FY2013 to KD 1.3 million in FY2014.
- Total expenses for FY2014 increased by 23% YoY to KD 6.1 million, compared to KD 4.9 million in FY2013. The increase was mainly due to a 34% YoY increase in staff costs.
- However, impairment losses on AFS investments decreased 90% YoY from KD 1.5 million in FY2013 to KD 0.15 million in FY2014.
- Overall, the company reported a net profit of KD 1.8 million for FY2014, compared to KD 1.0 million in FY2013, representing 75% growth.

Balance Sheet

- FVIS investments continue to represent the largest portion of the total assets, standing at 41% at the end of December 2014. The high proportion of FVIS investments exposes the company's income statement to significant volatility due to mark-to-market gains and losses.
- Total investments (FVIS and AFS, excluding HTM) represented 82% of the company's shareholders' equity at the end of December 2014, compared to 84% at the end of September 2014.
- Cash and cash equivalents increased 41% QoQ to KD 9 million, representing 7% of the assets at the end of December 2014.

Financial Statements

Income Statement (KD thousands)	2011	2012	2013	2014
Realized/Unrealized gains on FVIS	(10,933)	7,792	903	3,614
Interest Income	651	548	650	487
Foreign Exchange Trading	128	13	119	(61)
Share of Results from Associates	77	1,130	(671)	-
Gain on derecognition of an associate	-	-	3,494	-
Murabaha Income	-	-	249	382
Management Fees	136	346	255	1,348
Other Income	3,148	2,145	2,802	3,465
Income	**(6,793)**	**11,974**	**7,800**	**9,236**
Selling/General/Admin Expenses	(2,975)	(4,968)	(4,949)	(6,104)
Operating Income	**(9,768)**	**7,006**	**2,851**	**3,132**
Finance Charges	(86)	(184)	(206)	(130)
Provisions & Impairments	-	(1,336)	(1,525)	(146)
Net Income before Taxes	**(9,854)**	**5,486**	**1,119**	**2,856**
Contribution to KFAS	-	(21)	(10)	(17)
NLST	-	(137)	(30)	(49)
Directors' fees	-	(40)	(40)	(40)
Zakat	-	(55)	(12)	(19)
Net Profit before Min. Int.	**(9,854)**	**5,234**	**1,028**	**2,731**
Minority Interest	575	(35)	(16)	(955)
Net Profit	**(9,279)**	**5,199**	**1,012**	**1,776**

Balance Sheet (KD thousands)	2011	2012	2013	2014
Cash and Cash Equivalents	2,203	6,866	9,250	8,974
Murabaha receivables	-	-	2,339	9,129
FVIS	45,516	43,082	40,712	51,855
AFS Investments	30,586	28,064	36,491	35,845
Other Assets	12,063	17,478	16,746	19,794
Total Assets	**90,367**	**95,491**	**105,538**	**125,597**
Other Liabilities	8,268	7,823	8,971	18,410
Total Liabilities	**8,268**	**7,823**	**8,971**	**18,410**
Total Equity	**82,099**	**87,667**	**96,568**	**107,187**
Total Liabilities and Equity	**90,367**	**95,491**	**105,538**	**125,597**

Source: Company's financial statements and NBK Capital

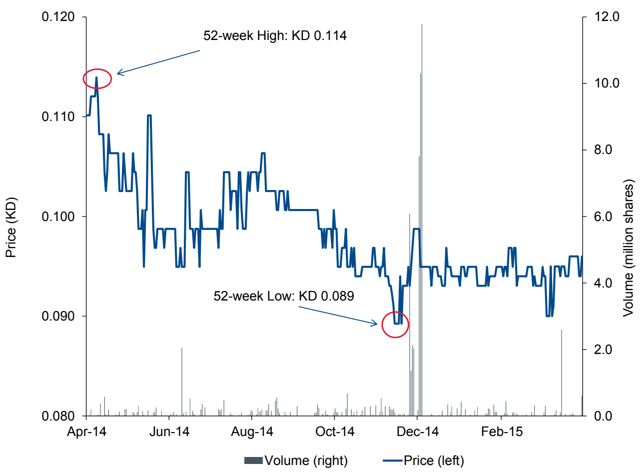
UNITED REAL ESTATE COMPANY

Key Data

General		Daily Liquidity	
KSE Code	URC.KSE	52-week avg. volume	287,305
Reuters	UREK.KW	52- week avg. value (KD)	29,045
Price (KD)		**Price Performance**	
Closing Price	0.096	YTD	1.1%
52-week High/Low	0.114 / 0.089	12-month	-12.8%
Market Capitalization		**Issued Shares**	
KD (million)	114.05	Millions	1,187.97
Ownership Structure			
Closely-held: 60.01%		Public: 39.99%	

Price as of close on April 28, 2015. Source: Bloomberg, Zawya, and KSE

Stock Performance



Source: Bloomberg and NBK Capital

Highlights

- United Real Estate Company (URC) is a property developer whose portfolio includes commercial complexes, hotels, resorts, residential buildings, shopping malls, as well as mixed-use projects.
- Real-estate-related income increased 23% in FY2014 to reach KD 51.7 million, compared to KD 42.1 million in FY2013.
- The company reported an attributable net profit of KD 7.9 million in FY2014, compared to KD 11.2 million during the same period last year. This variance is mostly due to a lower revaluation gain on investment properties which decreased by 53% YoY from KD 4.7 million in FY2013 to KD 2.2 million in FY2014, along with smaller share of income from associates.
- URC's net debt-to-equity ratio remained almost unchanged during the period, at 0.87x. Interest coverage on EBITDA at the end of December 2014 stood at 2.1x, as against 1.8x by the end of 2013.

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Key Ratios

	2010	2011	2012	2013	2014
Rental Income (as a % of Real estate income)	61%	51%	36%	38%	33%
Non-operating Income (% of Net Profit)	44%	125%	132%	87%	92%
Net Profit Growth	24%	115%	123%	-50%	-30%
EBITDA Interest Cover (x)	1.72	1.58	1.86	1.77	2.14
Net debt-to-total-equity (x)	0.42	0.80	0.81	0.84	0.87
Investment in associates (% of Total Assets)	20%	7%	6%	13%	13%
Investment Book (% of Total Assets)	5%	3%	6%	3%	3%
Investment Book (% of Total Equity)	10%	5%	14%	6%	7%

Source: Company's financial statements and NBK Capital

Overview

Founded in 1973, United Real Estate is a property developer whose portfolio includes commercial complexes, hotels, resorts, residential buildings, shopping malls, as well as mixed-use projects. The company is part of the KIPCO Group, and was listed on the Kuwait Stock Exchange in 1984. The company also acts as a rental agent and manager for third-party properties. URC has major projects across various business segments and geographic locations, namely, the UAE, Qatar, Oman, Egypt, Jordan, Lebanon, and Syria.

Latest News

- **March 2015:** URC's OGM approved to distribute a cash dividend of KD 0.005/share for the fiscal year 2014, less than the KD 0.008/share cash dividend distributed for FY2013. This implies payout ratio of 68% in FY2014 compared to a payout ratio of 77% in FY2013.
- **January 2015:** Capital Intelligence (CI) has affirmed the rating for URC's KD 60 million unsecured bond at 'BBB', with stable outlook.
- **September 2014:** The company announced that Mr. Mohammed Ahmed Al Saqqaf has stepped down as the CEO, but has not provided any reasons for this. There are no updates regarding the appointment of a new CEO for URC.

Financial Statement Analysis

Income Statement

FY2014

- Real-estate-related income increased 23% in FY2014 to reach KD 51.7 million, compared to KD 42.1 million in FY2013. This was primarily due to a surge in contracting and service revenues, and higher income from properties held for sale, which increased to KD 8.6 million and 4.9 KD million, respectively.
- EBIT grew by 34% to KD 16.5 million in FY2014 from KD 12.3 million in FY2013, despite the 18% YoY rise in operating expenses to KD 35.2 million. Accordingly EBIT margin improved 300 bps YoY to 32% in FY2014.
- The company reported an attributable net profit of KD 7.9 million in FY2014, compared to KD 11.2 million during the same period last year. This variance is mostly due to a lower revaluation gain on investment properties which decreased by 53% YoY from KD 4.7 million in FY2013 to KD 2.2 million in FY2014, along with smaller share of income from associates.

Balance Sheet

- The company's investment properties (including land for development, projects under construction, and developed properties) stood at KD 257.3 million as of December 31, 2014, compared to KD 234.5 million at the end of FY2013. This was mainly due to an addition of KD 23.4 million to URC's retail properties during FY2014.
- United Real Estate's net debt-to-equity ratio remained almost unchanged during the period, at 0.87x. EBITDA interest coverage at the end of December 2014 stood at 2.1x, as against 1.8x by the end of 2013.
- The company's investment book stood at KD 15.8 million in FY2014, accounting for 3% of total assets and 7% of shareholders' equity.

Financial Statements

Income Statement (KD thousands)	2011	2012	2013	2014
Rental Income	14,261	14,118	16,127	17,261
Hotel Operating Income	7,783	16,824	17,811	19,033
Contracting and services revenue	-	1,853	4,967	8,590
Sale of properties held for trading	1,375	3,150	72	4,939
Other Operating Income	4,779	3,036	3,095	1,889
Real estate related income	28,198	38,981	42,072	51,712
Operating expenses	17,258	27,590	29,788	35,222
EBIT	10,940	11,390	12,284	16,490
Other costs	(1,085)	(2,800)	(34)	(4,106)
Gain on sale of an associate	-	21,243	-	-
Share of results from associates	(263)	253	131	961
Other Income	12,186	8,434	8,661	5,900
Provisions - net	(1,985)	(6,362)	(580)	(365)
Foreign exchange (loss) gain	740	(126)	902	357
Net finance costs	(8,339)	(8,093)	(9,148)	(9,887)
Net Profit before taxation	12,194	23,940	12,214	9,352
Taxes	(752)	(1,350)	(1,169)	(1,626)
Net Profit after Tax	11,441	22,590	11,046	7,725
Minority Interest	(1,332)	(69)	153	151
Net Profit	10,109	22,521	11,199	7,876

Balance Sheet (KD thousands)	2011	2012	2013	2014
Cash and cash equivalents	11,637	14,654	11,420	13,027
Accounts rec. and prepayments	32,523	18,454	19,230	22,969
Properties held for trading	3,296	43,610	49,818	58,849
Available-for-sale investments	13,355	9,359	13,171	15,770
Investment in associates	38,971	34,963	60,345	66,581
Investment properties	336,874	366,240	234,460	257,298
Property and equipment	84,952	63,631	84,739	86,520
Goodwill	12	12	12	12
Total assets	521,621	550,924	473,194	521,028
Accounts payable and accruals	64,402	70,920	51,095	57,730
Loans and borrowings	129,270	155,340	134,318	157,531
Bonds	40,000	40,000	60,000	60,000
Tawarruq Payable	39,733	23,863	-	-
Deferred tax liabilities	-	8,562	9,061	10,137
Total liabilities	273,405	298,685	254,474	285,399
Equity attributable to shareholders	196,827	205,397	194,407	198,195
Minority interests	51,389	46,842	24,314	37,434
Total Liabilities and Equity	521,621	550,924	473,194	521,028

Source: Company's financial statements and NBK Capital

Economic Statistics

Kuwait: Credit weakened by one-off factors, fiscal and external surplues narrow on lower oil prices

- Credit growth has been weaker as one-off corporate repayments, the Family Fund weighed on lending.
- Money supply growth eased to its slowest pace in four years.
- Inflation remained relatively subdued at around 3% y/y, though core inflation has seen a gradual pickup.
- Oil revenues have more than halved following the retreat of oil prices.
- The trade balance shrank in 4Q14, largely reflecting the lower price of oil in late 2014.
- Consumers' card spending growth remained robust through 4Q14.
- The stock market weakened in March following a stronger performance earlier in the first quarter.

National Bank of Kuwait

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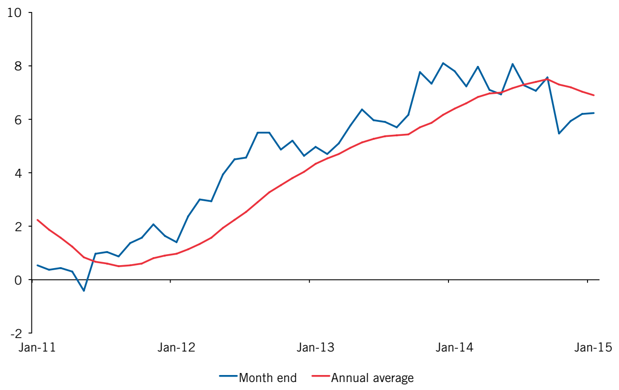
Private Credit (y/y %)

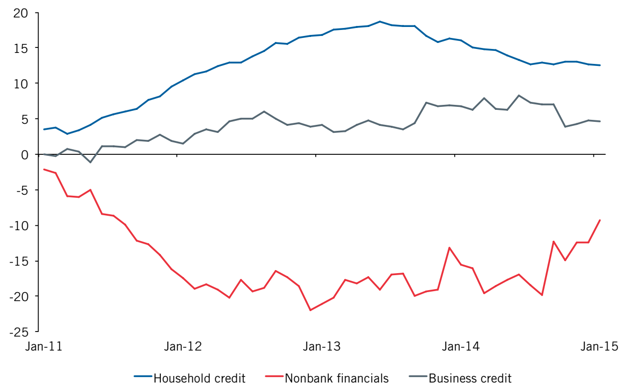
Credit growth has been weaker as one-off corporate repayments and as the Family Fund weighed on lending



Source: Central Bank of Kuwait

Credit by Sector (y/y %)

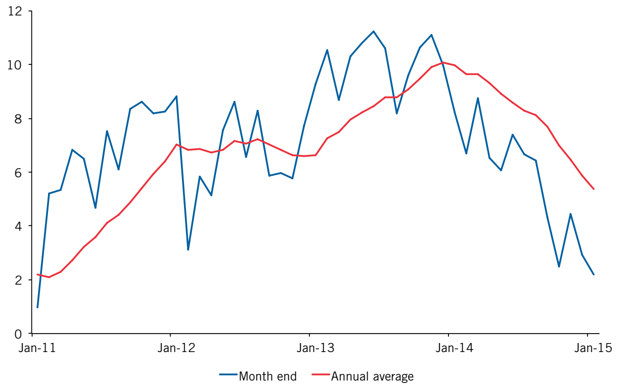
Household credit growth remained robust, while business credit slipped in Q4



Source: Central Bank of Kuwait

Money Supply (M2) (y/y %)

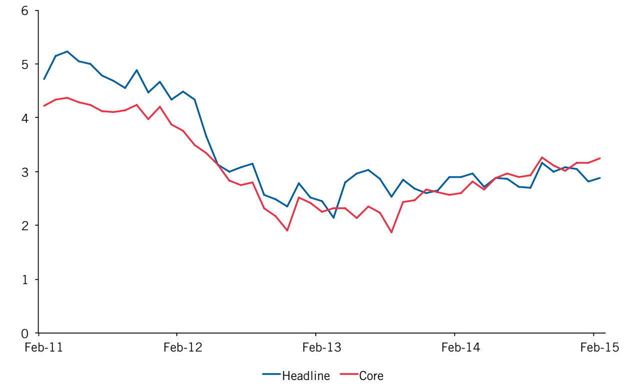
Money supply growth eased to its slowest pace in four years



Source: Central Bank of Kuwait

Consumer Price Inflation (y/y %)

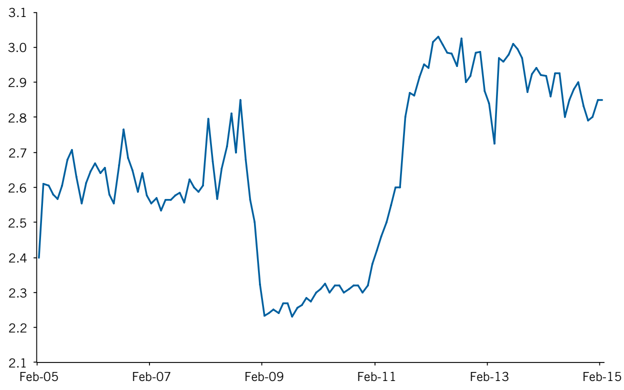
Inflation remained relatively subdued at around 3% y/y, though core inflation has seen a gradual pickup



Source: Central Statistical Bureau

Crude Oil Production (million barrels per day)

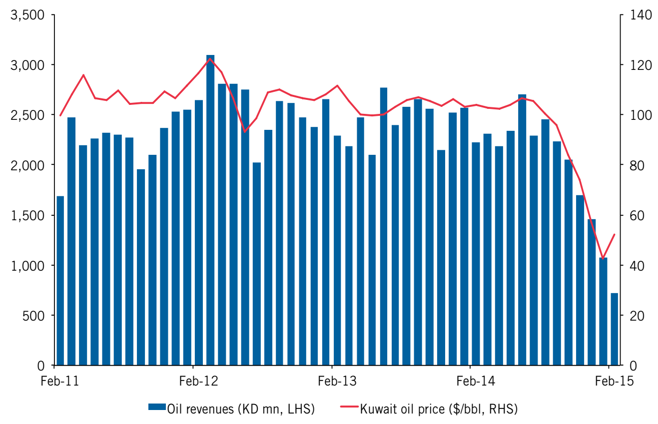
Oil production has declined slightly over the last year



Source: Joint Organizations Data Initiative

Oil Price and Government Revenues

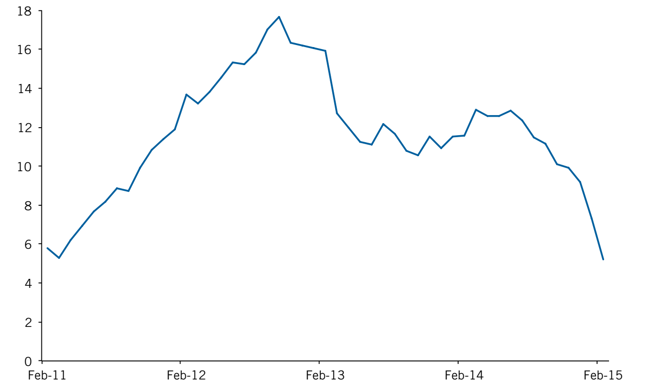
Oil revenues have more than halved following the retreat of oil prices



Source: Ministry of Finance, Kuwait Petroleum Corporation

Budget Balance (KD billion, 12-month trailling)

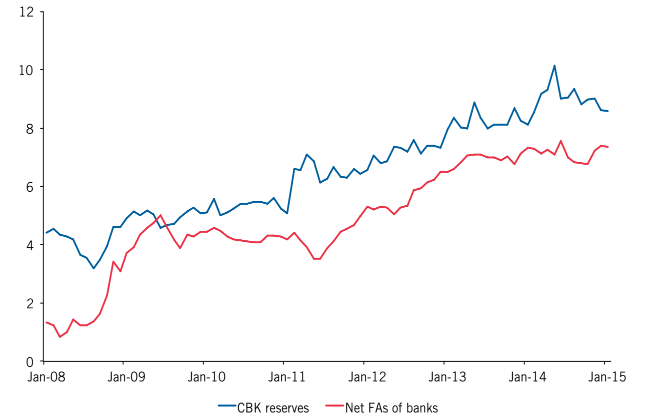
The 12-month trailing budget surplus declined to KD 5.2 billion in February 2015



Source: Ministry of Finance

Foreign Assets (KD billion)

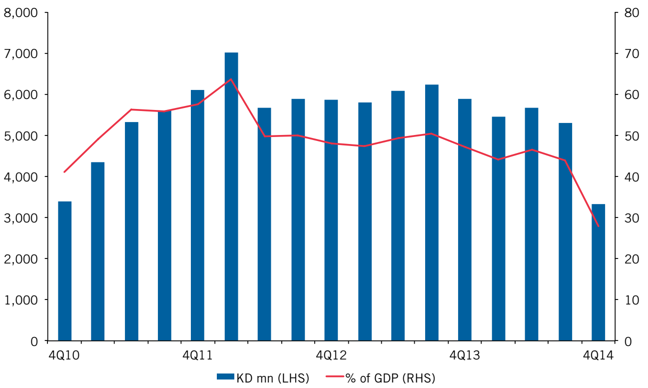
Foreign assets of the central bank and the net foreign assets of Kuwaiti banks have been steady



Source: Central Bank of Kuwait

Trade Balance

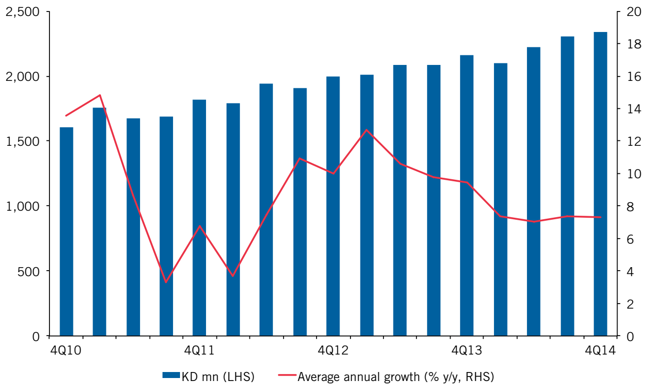
The trade balance shrank in 4Q14, largely reflecting the lower price of oil in late 2014



Source: Central Statistical Bureau

Imports

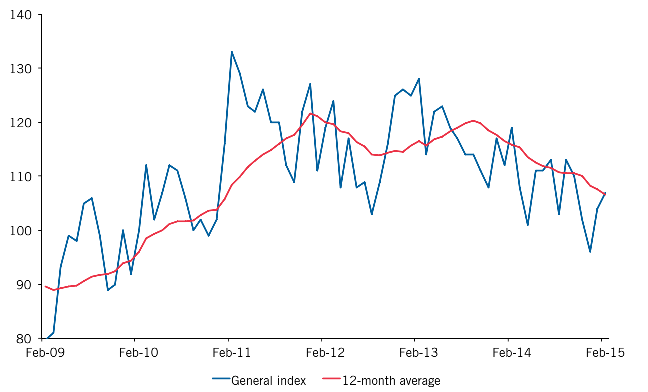
Growth of imports remained robust, averaging around 7.3% y/y in 4Q14



Source: Central Statistical Bureau

Consumer Confidence (index)

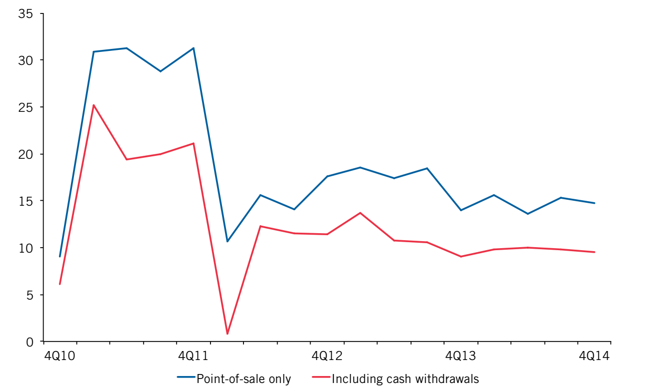
Consumer confidence bounced back in early 2015 following a weaker December



Source: ARA Research & Consultancy

Card Transactions (y/y %)

Consumers' card spending growth remained robust through 4Q14



Source: Central Bank of Kuwait

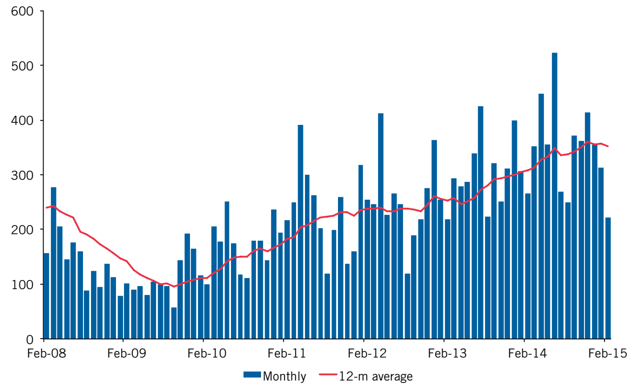
Stock Market (index)

The stock market weakened in March following a stronger performance earlier in the first quarter

Source: Thomson Reuters Datastream

Real Estate Sales (KD millions)

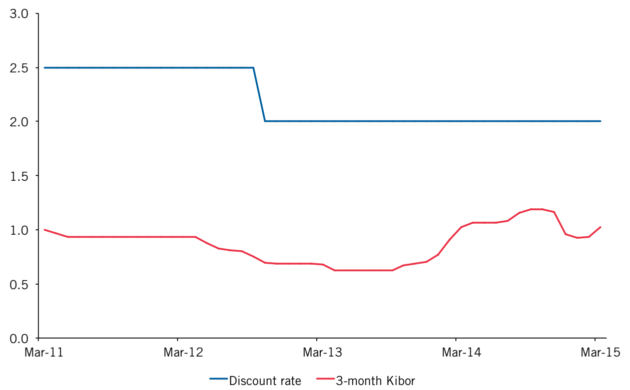
Real estate sales were weaker thus far in 2015



Source: Ministry of Justice

Interest Rates (%)

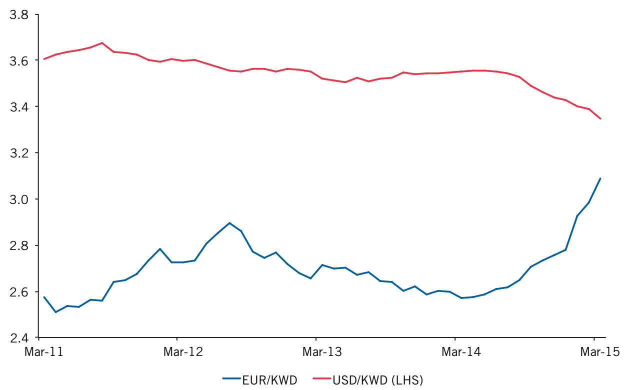
Kibor rates eased following a period of increase that started in 2013. CBK policy rates have been unchanged



Source: Central Bank of Kuwait, Thomson Reuters Datastream

Exchange Rate

The stronger US dollar continued to see the dinar weaken, though it has gained against the EUR and other currencies



Source: Central Bank of Kuwait, Thomson Reuters Datastream

Kuwait Market Statistics

- Market Statistics

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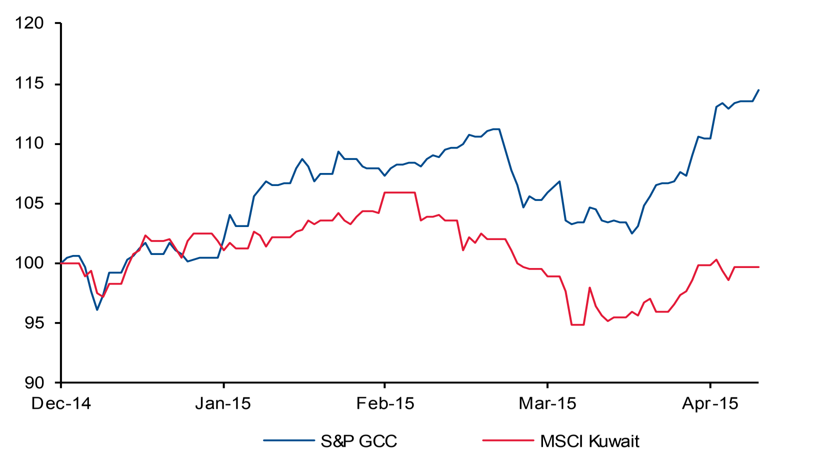
Rebased Performance



Summary

MSCI Kuwait (% Chg. YTD)	534 / -1%
52 week High / Low	628 / 487
KSE General Index (% Chg. YTD)	6,360 / -3%
KSE General Index 52 week High / Low	7,661 / 6,116
Market Cap. (KD millions)	27,119

Best Performers

Best Performers	Close	%Chg.**
Asiya Capital Investments Co.	0.058	14%
Injazzat Real Estate Development Co	0.070	6%
Agility	0.770	4%
Commercial Bank of Kuwait	0.650	3%
Kuwait Finance House	0.670	2%

Highest Turnover

Highest Turnover	Turnover (KD)
Mobile Telecommunications Co.	1,729,992
Kuwait Finance House	1,416,292
Agility	850,088
Kuwait Projects Co. (Holding)	787,196
Burgan Bank	425,511

Worst Performers

Worst Performers	Close	%Chg.**
Boubyan International Industries Hol	0.054	-22%
National Real Estate Co.	0.112	-15%
National Investments Company	0.130	-14%
Al Ahli Bank of Kuwait	0.370	-10%
Boubyan Petrochemical Co.	0.600	-8%

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	2014	12-month		PE*	PB*
Agility	0.770	4%	0.780	0.700	850	1,091	0.910	0.640	-15%	13%	6%	888.7	16.8	0.9
Ahli United Bank - Kuwait	0.550	-4%	0.600	0.564	75	130	0.617	0.528	-11%	-2%	-11%	787.4	17.0	2.4
Al Ahli Bank of Kuwait	0.370	-7%	0.410	0.400	26	67	0.434	0.360	-15%	-7%	-15%	599.1	15.4	1.2
Al Argan International Real Estate Co.	0.180	-1%	0.200	0.180	15	86	0.220	0.160	-18%	12%	-13%	47.7	n/a	0.6
Alafco Aviation Lease and Fin. Co.	0.220	-7%	0.238	0.234	50	223	0.256	0.212	-14%	-13%	-8%	180.1	10.9	0.9
Boubyan International Industries Holding Company	0.054	-22%	0.070	0.064	109	1,771	0.106	0.051	-49%	-30%	-46%	16.2	n/a	0.5
Boubyan Petrochemical Co.	0.600	-8%	0.650	0.560	69	117	0.770	0.560	-22%	5%	-10%	305.6	10.5	1.1
Burgan Bank	0.450	2%	0.457	0.443	426	957	0.521	0.424	-14%	-6%	-12%	922.2	13.1	1.1
Commercial Bank of Kuwait	0.650	6%	0.640	0.620	150	246	0.719	0.573	-10%	-6%	-2%	917.8	21.5	1.5
Commercial Real Estate Co.	0.087	1%	0.091	0.088	341	3,713	0.093	0.073	-6%	4%	-1%	148.1	8.1	0.6
Gulf Bank	0.275	0%	0.290	0.271	207	739	0.362	0.262	-24%	-19%	-23%	838.2	22.0	1.6
Gulf Cable and Electrical Industries Co.	0.640	-4%	0.690	0.660	19	30	0.804	0.513	-20%	-19%	-12%	134.4	28.2	1.0
Gulf Insurance Co.	0.600	5%	0.600	0.560	2	3	0.607	0.503	-1%	9%	15%	112.2	8.7	1.2
Injazzat Real Estate Development Co.	0.070	6%	0.073	0.066	18	257	0.085	0.059	-18%	-30%	-15%	24.2	n/a	0.4
Kuwait Finance House	0.670	4%	0.718	0.655	1,416	2,049	0.767	0.588	-13%	2%	-11%	3,192.6	24.1	1.9
Kuwait Food Co.	2.640	-2%	2.820	2.640	275	100	3.127	2.471	-16%	11%	-3%	1,061.3	19.8	2.8
Kuwait and Gulf Link Transport Co.	0.056	-3%	0.064	0.054	55	933	0.104	0.046	-46%	-42%	-45%	14.8	2.4	0.3
Kuwait Projects Co. (Holding)	0.650	-4%	0.710	0.690	787	1,183	0.731	0.600	-11%	19%	-11%	957.8	19.9	1.5
Mobile Telecommunications Co.	0.490	-1%	0.560	0.500	1,730	3,275	0.633	0.424	-23%	-23%	-20%	2,120.3	9.8	1.3
National Industries Grp. Holding	0.188	-1%	0.194	0.184	143	747	0.243	0.166	-23%	-15%	-21%	255.7	8.9	0.6

*Price as of close on April 28, 2015. **%Change YTD. Source: Bloomberg and NBK Capital

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	2014	12-month		PE*	PB*
National Investments Company	0.130	-14%	0.152	0.146	58	412	0.186	0.124	-30%	-5%	-13%	113.9	14.6	0.6
National Real Estate Co.	0.112	-15%	0.134	0.128	72	533	0.168	0.112	-33%	-10%	-25%	100.5	9.3	0.5
Qurain Petrochemicals Industries Co.	0.204	1%	0.202	0.190	45	227	0.265	0.184	-23%	-9%	-17%	224.4	6.5	0.7
Sultan Center Food Products Co.	0.088	-4%	0.095	0.090	11	117	0.114	0.081	-23%	-7%	-9%	50.9	13.9	1.3
Asiya Capital Investments Co.	0.058	14%	0.051	0.048	20	20	0.069	0.046	-16%	-22%	-15%	46.4	25.5	0.5
United Real Estate Co.	0.096	1%	0.102	0.098	86	864	0.114	0.089	-16%	-15%	-13%	114.0	41.6	0.6

*Price as of close on April 28, 2015. **%Change YTD. Source: Bloomberg and NBK Capital

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