Credit Rating Report

AL MANAR FINANCING AND LEASING COMPANY K.S.C.

Country: Kuwait; **Report Date:** 5 December 2019

Rating Action Snapshot

- **Foreign Currency:** LT and ST Affirmed. Outlook Remains Stable.

Current Ratings

International Issue Credit Ratings	
Long-Term Foreign Currency (LT FCR)	**BB**
Short-Term Foreign Currency (ST FCR)	**B**
Outlook	**Stable**

Financial Highlights

USDmn KWDmn	9 mo 2019 USD	9 mo 2019 KWD	2018 KWD	2017 KWD
Net Financing Income	6.9	2.1	2.9	3.0
Non-Financing Income	1.2	0.4	0.0	0.6
Operating Expenses	4.8	1.5	1.9	1.9
Net Profit / Loss	3.5	1.1	0.7	1.8
Total Assets	143.8	43.7	42.4	46.3
Net Financing Rec.	93.8	28.5	29.4	32.4
Total Debt	25.5	7.7	6.7	6.5
Total Equity	110.0	33.4	32.3	36.0
Exchange Rate: USD/KWD		*0.304*	*0.304*	*0.362*
NPFR / FRs		12.67	19.87	16.24
FR-Loss Reserve / NPFR		85.78	104.26	74.95
Unprovided NPFR/Total Equity		1.72	0	4.18
Total Equity / Total Assets		76.48	76.22	77.76
Leverage		0.31	0.31	0.29
ROAA (%)*		3.32	1.46	3.59

*annualised

Key Rating Factors

Credit Strengths

- Comfortable debt service capability supported by collection of FRs; well matched maturity profile.
- Well capitalised balance sheet and high level of unencumbered assets; low debt to equity ratio.
- Sound profitability; improved net financing margin.

Credit Challenges

- Still high NPFR to Stage 3 FRs ratio despite reduction this year.
- Very limited and concentrated lender base.
- Low NFI reflecting the narrow business model.
- Small balance sheet and modest market share in the Kuwait consumer financing sector.

Primary Analyst: Agnes Seah, +357 2526 0000, agnes.seah@ciratings.com
Secondary Analyst: Darren Stubing, +357 2626 0000, darren.stubing@ciratings.com

RATING RATIONALE

Rating Action

Capital Intelligence Ratings (CI Ratings or CI) has affirmed the LT FCR and ST FCR of Al Manar Financing and Leasing Company K.S.C. (Al Manar) at 'BB' and 'B', respectively. The Outlook on the ratings remains Stable.

Rating Drivers

The ratings are underpinned by the Company's comfortable debt service capability, the high level of unencumbered assets, the low debt to equity ratio and sound profitability metrics.

The main constraints to the ratings are the still high Stage 3 financing receivables (FR) ratio, although this has improved noticeably at end Q3 2019, the very limited and concentrated lender base and the low non-financing income (NFI), reflecting Al Manar's narrow business model. Other constraints are the small balance sheet and modest market share in consumer finance.

Notwithstanding the improved financial metrics, particularly asset quality and profitability at end Q3 2019, the Outlook for the ratings remains Stable given the challenging operating environment in Kuwait. For Al Manar this relates to the steady but slow economic growth, the high degree of competition in the consumer finance market and the domination of the non-bank consumer financing market by its largest competitor.

Al Manar is a relatively small-scale finance and leasing company in Kuwait with a fairly modest share of the consumer financing market. The latter continues to be dominated by its largest peer, Commercial Facilities Company (CFC), and together with keen competition from banks, financing activities of most non-banking finance companies (NBFCs) in Kuwait have been on the decline in recent periods. Mirroring this trend, Al Manar's financing book also contracted in both 2018 and at end Q3 2019. An offsetting positive, was a significant improvement in the quality of the FR book following a large write off in the period ending Q3 2019. Despite this, the Stage 3 FRs ratio remains fairly high, while Stage 2 FRs represented a still sizeable proportion of gross FRs at end Q3 2019. The latter however is similar to that of many of its peers in the region following the adoption of IFRS 9. The Company's FR loss coverage fell from more than full at end last year to what was still a fairly good level at end Q3 2019, with unprovided non-performing FRs (NPFRs) to total equity being very modest. While Al Manar's key asset quality metrics have improved from being one of the weakest to just above average among the other consumer finance companies rated by CI in the region, the still high Stage 3 ratio remains a constraint to the ratings.

With surplus resources deployed to investments and more particularly the acquisition of foreclosed properties in the nine months ending Q3 2019, Al Manar's portfolio of investments – comprising murabaha receivables, financial investments and investment properties – increased, representing a fairly sizeable proportion of total assets at end Q3 2019. However, as a large proportion of these investments are either pledged to existing borrowings or unquoted investments, the Company's effective liquidity, as in prior years, is linked to its collections of FRs which remains comfortable.

The Company's lender base was stable but remains limited and concentrated, with one lender providing the bulk of funding. The Company continues to borrow on a secured basis but the level of unencumbered assets (especially FRs) had risen to a high level at end Q3 2019. The latter would provide the security to raise additional funding to support financing growth if required. The debt maturity profile is well matched with that of its FRs, resulting in positive gaps in all maturity buckets and supporting the Company's good debt service capability.

Al Manar is well capitalised. Its debt to equity ratio remains low and its leverage is also considered low for a finance company, something which constrains earnings. A relating negative is the high dividend payment paid-out ratio and the negative internal capital generation in 2018. While dividend payments have been stable and relatively modest as a percentage of capital, the Company's net profit has also been fairly moderate over the past few years; in 2018 net profit did not cover the dividend payment.

Despite an improvement in the net financing margin in the first nine months of this year, the Company's net financing income growth was constrained by a volume decline in lending. Together with the decline in non-financing income (NFI) due to larger net investment losses in 2018 and an impairment of investment properties in 2019, the Company registered a contraction of gross income in both periods. The recurring income contribution from the Company's investments portfolio remains fairly moderate. NFI as a percentage of gross income remained modest, reflecting Al Manar's still fairly narrow business model. The continued expansion of financing fee income reflects sound growth of new FRs and is an offsetting positive. Given rises in operating expenses, the Company's operating profit fell in both periods. At the net level, a provision charge in 2018 compared to a write back a year earlier resulted in the Company reporting a large contraction of the bottom line. In the nine months ending Q3 2019, Al Manar benefitted from another write back which contributed to the recovery of profitability from the low 2018 level.

PERFORMANCE OUTLOOK

The operating environment for Al Manar remains challenging given the slow – but steady – economic growth in Kuwait, as well as the strong competition. While consumer finance has picked up in recent periods with the relaxation of the maximum consumer loan amount as stipulated by the Central Bank of Kuwait (CBK), the largest proportion of consumer lending relates to loans for repair and purchase of private homes. This type of lending benefits the banks rather than consumer finance companies. Moreover, the Kuwaiti non-bank consumer finance market remains largely dominated by CFC – Al Manar's largest competitor. Consequently, while prospects have improved, lending growth is likely to be moderate. Should opportunities to grow the financing portfolio arise, the Company has a significant volume of unencumbered FRs to support additional funding if needed. The book of income generating properties is also another source of liquidity/funding.

The Company is again projecting a balance sheet growth for the next five years from 2019 onwards, albeit once again from a lower starting point. Given that there is no radical change planned in the basic business model, expected growth in the new forecast is supported almost completely by growth in the FR book. The Company's forecast for the next five years is also based on funding coming from its somewhat concentrated lender base. Notwithstanding the projected rise in borrowings, leverage is forecast to remain low. Liquidity and debt repayment will remain supported by Al Manar's collection of FRs. In terms of earnings, gross income is projected to grow, supported by the expansion of the FR book but other forms of income are to remain limited. Operating expenses are projected to increase fairly moderately, allowing the growth in operating profit over the forecast period. Projections of higher provision expense have resulted in lower net profit compared to previous forecasts. Nonetheless, the Company's profitability ratios are anticipated to remain sound, rising steadily over the forecast period.

The Company has made no projection for contributions from its investment portfolio. While recurring income from this portfolio is likely to remain moderate, the Company's earnings could be impacted by potential fair valuation losses or impairment allowances, as seen in 2018 and in the nine months ending Q3 2019, respectively. With Qatar Finance House (QFH) turning loss making in Q3 2019, the Company may also need to take additional impairment against this investment in Q4 2019. Also lacking is any forecast for dividend payment, although CI believes that the Company would probably distribute annual dividends if possible.

COMPANY HISTORY AND STRATEGIES

History and Ownership

Al Manar Financing and Leasing Company K.S.C. (Closed) was established in November 2003. Al Manar's primary area of activity remains the provision of consumer finance, largely for the purchase of automobiles. However, it also makes other types of loans to consumers and provides real estate and vehicle fleet financing for commercial customers. Al Manar conducts its financial services activities in accordance with Islamic Shari'a principles and is regulated and supervised by the CBK and Capital Market Authority (CMA). Al Manar's major shareholders, which had been very stable for many years, changed with Aqar acquiring 29.0% of the Company on 24 November 2019.

Major Shareholders as at 24 November 2019 (%)	
Aqar Middle East Real Estate Co (Aqar)	29.0
Wafra International Investment Co (Clients account: PIFSS)	14.5
Others	56.5
Total	**100.00**

Aqar is a 100% subsidiary of Aqar Real Estate Investments Company which was established in 1997 in Kuwait and listed on the Kuwait Stock Exchange since 2005. At end Q3 2019, the parent had assets totalling KWD28.3mn with an equity base of KWD28.3mn and limited liabilities. The company reported an 18.9% year-on-year (YoY) increase in net profit for the nine months ending Q3 2019.

Business Model

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

1. **Consumer Financing**

Vehicle purchase. Facilities for the purchase of new vehicles and facilities for the purchase of used vehicles are similar in structure. The main differences are that the tenors of used car facilities will typically be shorter, while the cost to the customer will be marginally higher. Average facility amounts will normally be lower, reflecting the lower cost of a used vehicle. All vehicles are effectively mortgaged in favour of Al Manar by means of registration of the charge at the traffic department as this prevents transfer of ownership to a third party while the financing contract remains outstanding. The maximum tenor of financing facilities is 60 months.

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

2. **Fleet Financing**

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

3. **Real Estate Financing**

Real estate facilities are (unlike vehicle purchase or cash loans) offered to Kuwaitis only, either individuals or local companies. All real estate financings require a first mortgage on the property, or (more normally) Ijara contract structure. For income producing investment property, the maximum loan to value level is 65%. Raw land is not financed. The maximum tenor for real estate financing is 15 years.

4. **Pricing**

This varies depending on a number of factors including tenor, nature of asset being financed, and purpose/use of asset, as well as Al Manar's own cost of funds. Comparisons with competitor financing also play a significant role. Despite its partially secured basis, pricing on real estate lending is at the high end because of tenor, while the lowest rates are for vehicles for personal use. However, overall pricing has been declining over the years due largely to the high competition from both financial institutions and non-financial financing companies.

Investments

Al Manar maintains a book of financial investments comprising largely unquoted financial investments, Islamic instruments and investment properties. The latter comprised of properties acquired from the foreclosure of NPFRs in earlier years and additional properties purchased given the slow FRs activities in recent years. This book of investment property increased noticeably at end Q3 2019 to form a fairly sizeable 29.8% of total assets largely due to the acquisition of foreclosed properties. Contribution from these investments in terms of dividend income (from its financial investments), rental income (from its investment properties) and financing income (from its Murabaha investments) however remains fairly moderate. The Company's NFI was impacted by the relatively large impairment taken against its QFH investment due to net losses at the latter in prior years. With QFH returning to a net loss position at end Q3 2019, the Company may need to take further impairment at end 2019.

**QFH is a company incorporated in Qatar and its principal activity is consumer financing in accordance with the Sharia'a. QFH was loss making for a number of years but turned profitable in 2017 and 2018. However, this was attributed to a large reversal in provision in 2017 and a large revaluation gain for real estate investments. At end Q3 2019, the Company's assets amounted to QAR191.0mn and an equity base of QAR134.3mn. The company reported a net loss of QAR2.3mn with the jump in provisions for non-performing receivables.*

Funding

Al Manar operates under an Investment Company licence and it therefore cannot accept deposits. Consequently, funding must come from capital or from borrowings. As the Company operates on a Sharia'a compliant basis, all borrowings are via Islamic structures on an effectively secured basis, usually with assignment of FRs. The latter has however expanded in recent years to include Islamic instruments, financial investments and investment properties.

Franchise Strength

Al Manar's key strength is its well established franchise. The Company has a sound share of the non-bank financing market in Kuwait in relation to its size. Another strength of the Company lies with its in-depth knowledge and experience in Kuwait's consumer financing market, while its key competitive edge relates largely to the speed and quality of its service.

Business Strategies

The main challenges and risk factors for Al Manar have remained the same and they relate to asset quality, availability of funding lines and operating efficiencies.

Improving the quality of the FR book

With a large write off in the period ending Q3 2019, the quality of the FR book has improved noticeably. The Company's NPFRs/Stage 3 ratio dropped to a fairly moderate level and compared favourably with the other consumer finance companies rated by CI in the region, including its largest peer CFC. There however remains a fairly large proportion of Stage 2 FRs, although this is in line with many of its peers following the adoption of IFRS 9. The Company's FRs loss coverage has also dropped from the more than full position at end 2018 but remained at a fairly good level, and the unprovided NPFR/Stage 3 FRs to total equity was very modest at end Q3 2019. Management remains focused on improving asset quality and will continue to speed up recovery processes and where possible obtain additional collateral to further improve debt recovery prospects.

Diversifying funding base

Al Manar does not have a customer deposit base due to regulatory restrictions and, as previously stated, apart from capital, funding is reliant upon bank facilities and other wholesale funding sources. In this regard there remains a general reluctance of banks to lend to the finance companies. Al Manar's funding base has been fairly stable for a number of years with the main lender, KFH, providing the bulk of funding at end Q3 2019. This concentration risk is to some extent unavoidable given the limited number of fully Islamic banks in Kuwait. On the other hand, debt serviceability is good and is largely supported by the collection of FRs. The Company also has a high level of unencumbered assets to secure additional funding if required. The slow finance receivable activities, as evidenced by the contraction seen at end Q3 2019, however would suggest that the need for additional funding is likely to remain moderate.

Increasing operating efficiency and profitability

Staff numbers have not increased significantly and increases in operating expenses were largely due to regulatory requirements and consequently outside the control of the Company. The noticeable jump in the cost to income ratio in 2018 was caused by the double digit drop in gross revenue rather than the modest increase in operating expenses. Some improvement was however seen in the period ending Q3 2019, although Al Manar's cost to income ratio remained much higher than many of the NBFCs rated by CI in region. Nonetheless, the Company's profitability ratios, which had recovered in Q3 2019, were better than many of its peers in the region.

Narrow business line

The Company has applied a 'back to basics' strategy and all available resources have been redeployed back to Kuwait and, within Kuwait, into the core business. Al Manar will continue to look to divest its remaining (14.8%) stake in QFH. Recurring income from its larger investments portfolio is rising although it remained fairly moderate at end Q3 2019.

Rising competition

Given the lower funding costs and increased focus on the retail and SME segments by banks, competition has risen more noticeably in recent years. Together with the slow economic growth in Kuwait, the lending books of NBFCs have been largely on a declining trend over the past few years. In Kuwait, the NBFC market remained dominated by CFC, which is Al Manar's largest peer. As in previous years, Al Manar will continue to draw on its experience and expertise to provide a competitive edge in terms of quality of service and speedy process to maintain its market share.

FINANCIAL ANALYSIS

Accounting and Disclosure

The 2018 consolidated financial statements of Al Manar and its subsidiaries were prepared by management in accordance with International Financial Reporting Standards (IFRS) and audited to International Accounting Standards by Deloitte & Touche, Al Wazzan & Co. The 2018 accounts are unqualified. The following analysis also uses the nine months ending September 2019 financials, which are unaudited but reviewed.

The Company adopted IFRS 9 on 1 January 2018. The largest impact on equity was the KWD2.7mn increase in loss allowance relating to FRs.

Disclosure in the financial statements is satisfactory and management has also provided substantial additional information to CI.

Funding and Liquidity

Increased borrowings at end Q3 2019; lender base remained concentrated. As previously stated, the Company operates on a Sharia'a compliant basis and consequently, all borrowings are via Islamic structures. The Company's borrowings were stable in 2018 but rose by 16.1% at end Q3 2019. As in the year earlier, these borrowings were from two local Islamic banks, with KFH remaining the Company's main lender and accounting for 90.5% of total borrowings at end Q3 2019. KFH's funding lines consisted of a KWD5.8mn revolving facility, of which the outstanding stood at KWD5.6mn at end Q3 2019, and a fully drawn leasing line of KWD1.4mn. The remaining borrowing relate to a term facility of KWD1.7mn from Boubyan maturing in 2020, of which the outstanding at end Q3 2019 was KWD0.7mn. Collateral pledged to these facilities is as shown in the table below.

Encumbered Assets Q3 2019	KWDmn	% of Total Portfolio	% of Total Assets
Investment properties	3.4	81.0	7.8
FRs	0.9	3.2	2.1
Islamic Instruments	4.3	100.0	9.8
Total	**8.6**	**26.3**	**19.7**

High level of unencumbered assets. In aggregate, the percentage of collateral over borrowings has been rising over the years from 243.3% in 2015 to 304.6% at end 2017. At end 2018, this ratio inched up further to 305.8%. Nonetheless, as shown in the above table, these encumbered assets accounted for a fairly moderate 19.7% of total assets at end Q3 2019. The high level of unencumbered FRs would enable the Company to raise additional borrowings to fund future growth if needed. However, with the slow FRs activities as evidenced by the overall contraction of the FR book at end Q3 2019, the financing needs for Al Manar are likely to remain moderate.

Good effective liquidity. The Company's liquidity assets comprised largely cash and cash balances which remained fairly modest, and Islamic investments which are already pledged to existing borrowings. Financial investments are largely unquoted, although there are some secondary market activities. The portfolio of income generating investment properties is another source of liquidity if needed. However, similar to previous years – and in line with the business model – the Company's effective liquidity is good, supported by the instalment collections from FRs activities. As shown in the table below, maturity gap of FRs and borrowings for all buckets remained highly positive.

Maturity Gap KWDmn	>3 mths	3-6mths	6-12mths	>1yr
2018				
FRs	4.43	3.30	5.69	15.94
Borrowings	0.98	0.78	1.41	3.50
Gap	**3.45**	**2.52**	**4.28**	**12.44**
Q3 2019				
FRs	3.88	3.50	5.49	15.60
Borrowings	0.89	0.87	1.64	4.34
Gap	**2.99**	**2.63**	**1.15**	**11.26**

Debt Service Ability

Sound debt maturity profile. The Company's short-term borrowings accounted for a much lower 47.5% at end 2018 compared to 69.6% a year earlier. At end Q3 2019, this ratio slipped further to a still sound 44.0%.

Debt Service Ability KWDmn	2018	Q3 2019
S/T borrowings	3.17	3.41
Other payables	2.14	1.34
Total S/T Liabilities	**5.31**	**4.75**
S/T Finance Receivable	13.41	12.87
Cash & cash equivalent	1.59	0.84
Total	**15.00**	**13.71**
Cash & S/T FR /ST Liabilities (times)	**2.82**	**2.88**
Cash & S/T FR / S/T borrowings (times)	**4.73**	**4.02**

Good debt servicing ability. Al Manar's debt repayment capacity remained good and continued to be supported by the collection of FRs. As shown in the above table, cash and short-term FRs provided more than sufficient cover for short-term borrowings. As stated earlier, the Company's liquid asset holdings remained relatively modest and its effective liquidity is largely supported by its short-term proportion of FRs. The latter accounted for a high 45.7% and 45.2% of net FRs at end 2018 and Q3 2019, respectively. The quality of the FRs book has improved noticeably at end Q3 2019, although there is a fairly high proportion of Stage 2 FRs. A weakening of these exposures could have an impact collection of FRs.

Cash flow analysis is not particularly meaningful for a finance company Nonetheless, Al Manar's operating cash flow remained positive at KWD2.3mn in 2018, down slightly from KWD2.9mn in 2017. Cash flow for investing activities was negative due to the purchase of investments properties and additional investments in Murabaha receivables. While new funding was largely offset by net payment for Islamic Wakala and Murabaha payables, the net cash in financing activities was an outflow of KWD2.3m comprising dividends paid and finance cost. The result was a KWD0.5mn decline in cash and cash equivalents.

For the first nine months of 2019, net cash from operating activities was substantially down at KWD80k compared to KWD3.1mn in the same period last year. This was largely due to the much lower FR of KWD0.8mn (Q3 2018: KWD1.7mn) and the KWD1.1mn paid for other receivables (Q3 2018: KWD0.3mn increase in other receivables). Net cash used in investing activities was also higher at KWD1.5mn compared to KWD0.9mn in Q3 2018. The positive net movement of Islamic Murabaha and Wakala payables was partly offset by dividend paid and finance costs but remained positive at KWD0.6mn. The resultant effect was another decrease in cash and cash equivalent by KWD0.8mn.

Capital Base

Equity KWDmn	2017	2018	Q3 2019
Capital & Premium	31.2	31.2	31.2
Reserves	3.4	3.2	3.2
Retained Earnings	1.4	-2.1	-1.0
Total	**36.0**	**32.3**	**33.4**

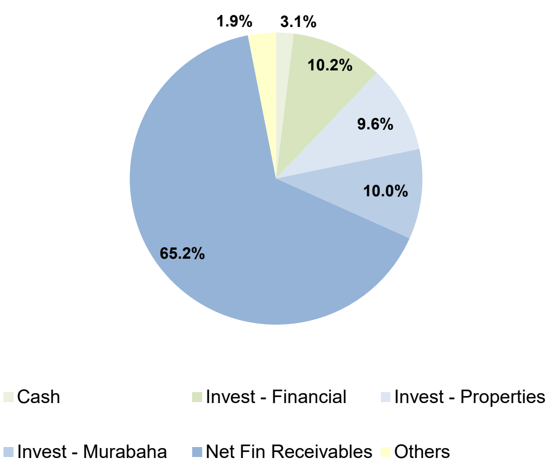
Small equity base; stable and high dividend payment in relation to earnings. Al Manar has never had a large paid-in equity base and the KWD4.2mn loss posted in 2009 wiped out retained earnings. A small recovery (KWD0.9mn) was seen in 2010 but the Company suffered a further setback with the net loss of KWD3.7mn incurred in 2011. The Company has, however, returned to profit since 2010. The Company's internal capital generation was good in previous years with the full retention of net profit – but given the resumption of dividend payments in 2014, internal capital generation has dropped substantially. While the amount of dividend paid in absolute money terms has been the same for a number of years at KWD1.5mn, the net profit in 2016 and in 2017 was not that much higher – both at a fairly stable KWD1.7mn. This equated a very high payout ratio of 98.2% for FYE 2016 and 89.6% for FYE 2017. The Company has decided not to pay any dividend for FYE 2018. Retained earnings were also replenished by the profit for the nine months ending Q3 2019 which offset the small KWD18k impact following the adoption of IFRS 9. Nonetheless, retained earnings remained negative.

Low leverage for a finance company. The contraction of the Company's equity base saw leverage rising but to a still modest at 0.31% at both end 2018 and Q3 2019. While CI normally welcomes lower leverage, this can go too far when the company in question is a finance company. Al Manar needs to rebuild its FRs portfolio to grow earnings, which will in turn require new funding. The latter will remain in the form of bank borrowings as it cannot accept customer deposits

Balance Sheet

Further contraction of asset base in 2018 but expanded moderately at end Q3 2019. Al Manar's asset base declined by 8.3% in 2018 and largely reflected the trend of its net FRs book. The declining trend of net FRs however mirrored those of its peers and largely reflects the weak demand given the slow economic growth in Kuwait in recent years. Nonetheless, the net FRs book constituted more than two thirds of total assets at end 2018. Surplus resources were largely deployed to investments in properties and Murabaha investments.

Asset Composition 9 mo 2019



At end Q3 2019, total assets rose by 3.0% as a result of the higher level of investment properties and the sharp increase in other assets, particularly other debit balances. The largest proportion of which relates to staff receivables which in turn comprised interest free loans to staff (monthly repayment up to ten years). In 2019, Al Manar's BOD decided to lend all staff 75% of their indemnity.

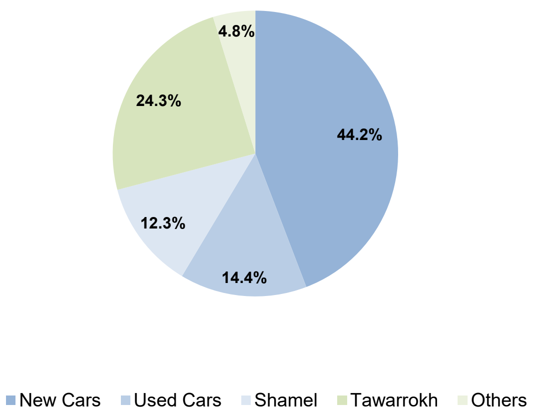
In line with the Company's business model and focus, its assets remained predominately in Kuwait. Going forward, given the continued slow economic growth in Kuwait and compounded by the high competition from banks, FR growth prospects for NBFCs including Al Manar are likely to remain weak.

Low related party transactions. FRs to related parties rose to KWD100k which represented a very low 0.2% of gross FRs at end 2018. The other related parties transaction was the KWD145k due from a related party. The latter is a fairly new company set up for collections of instalments, and amounts are transferred to Al Manar on a daily basis. In aggregate, these related parties transactions equated to a low 0.8% of total equity at end 2018. Other contingent liabilities and commitments at end 2018 were also fairly limited (KWD5k in letters of guarantee). This information is not available for the nine months period ending Q3 2019 but unlikely to be substantially different from end 2018.

Quality of FRs and Investments

While credit demand had picked up in 2018, the largest proportion of borrowings was provided by the banking sector. Lending to the household segment was up by 7.8% and remained the top recipient of credit for the fourth consecutive year. While household credit growth was slightly better than in 2017, it was still slower than the much stronger expansion earlier years. The bulk of household loans comprised housing loans which are long term personal loans for repair and purchase of private homes. This was followed by consumer loans which represented a fairly moderate 11.4% of total household loans.

FRs by Economic Sector 9 mo 2019



At Al Manar the net FRs book declined by 9.5% in 2018 but picked up by 2.6% before declining again by 5.5% in Q3 2019. Q3 tends to a slow period as Kuwaitis generally travel abroad during the summer months. The composition of this book has not changed significantly over the years and the position at Q3 2019 is illustrated in the charts below.

Rising level of Tawarroukh financings largely due to the demand in the market. Tawarroukh financings are largely used for the purchase of residential and investment properties as well as heavy equipment. These financings have been rising noticeably in recent years largely due to the demand for real estate financings. Nonetheless, at end 2018, financings for new vehicles constituted the largest proportion of the gross FRs book (Q3 2019: 444.2%) despite the declining trend, as shown in the table below. The third largest type of financings relates to Shamil which is used for the purchase of building materials, trucks and fleet of vehicles for business purposes. This is followed by the financings for used cars. In aggregate, these four types of financings formed the bulk (80.8%) of gross FRs at end Q3 2019. By customer segment, the largest proportion of lending remained with the corporate segment at 89.3% of gross FRs at end Q3 2019.

	Gross Financings			NPFRs			NPFR Ratio		
KWD000	2017	2018	Q3 2019	2017	2018	Q3 2019	2017	2018	Q3 2019
New Cars	19,489	18,809	16,510	1,785	2,232	337	9.2	11.9	2.0
Tawarroukh	8,113	9.736	9,081	2,233	3,002	2,582	27.5	30.8	28.4
Used Cars	6,512	6,176	5,394	671	745	111	10.3	12.1	2.1
Shamil	6,627	5,785	4,479	1,297	1,357	974	19.6	23.5	21.2
Others	1,816	2,326	1,799	14	22	43	0.8	0.9	8.4
Total	**42,557**	**42,832**	**37,263**	**6,000**	**7,358**	**4,047**	**14.1**	**17.2**	**10.8**

Note: Gross Financings include deferred revenue. NPFR refers to Stage 3 loans and the NPFR ratios differed from CI spreads due to the exclusion of deferred revenue from gross financings.

A substantial lowering of NPFRs aided by a large write off in the period ending Q3 2019. At end Q3 2019, the Company's Stage 3 FRs registered a substantial drop due to a large write off totalling KWD4.0mn. Consequently, despite the contraction of the FRs book, the Stage 3 ratio improved noticeably to 10.8%. The latter has moved from one of the weakest positions to one of the best among the consumer finance companies rated by CI in the region. The level of Stage 2 FRs also saw a significant decline from KWD8.5mn at end 2018 to KWD4.8mn, which represented a still fairly high 12.9% of gross FRs at end Q3 2019.

Following the adoption of IFRS 9 in 2018, the Company's Stage 3 FRs had risen by a sizeable 22.6% and together with the contraction of the FRs book, the already high NPFR ratio had inched up to 17.2% at end 2018. Stage 2 FRs also formed an equally high at 19.8% of total gross FRs (including deferred revenue) at end 2018, although this was largely in line with its peers in the region.

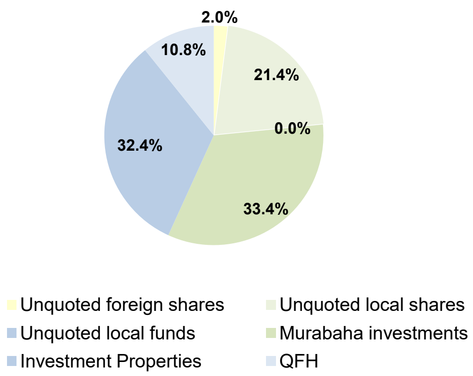
By financing types, the largest proportion of Stage 3 FRs remained with Tawarroukh financings which accounted for 40.5% of total. This was followed by Shamil, new vehicle and used vehicles which in aggregate accounted for another 59.3% of total Stage 3 FRs. The weaker quality of Tawarroukh financings, as evidenced by the high Stage 3 ratios, is partly mitigated by the high level of collateral. While the quality of Shamil financings also remains equally weak and the level of collateral was also lower, credit risk is partly mitigated by the declining exposure and NPFRs, as well as the fact that some of this exposure relates to government projects.

Moderate loss reserve coverage. With the large write off in first nine months period ending September 2019, provision for credit losses declined sharply by almost half, providing a lower but still good 85.8% of Stage 3 FRs. The provision coverage for the combined Stage 2 and 3 FRs was however less than satisfactory at 39.1% at end Q3 2019, although this largely reflects the high level of collateral. The unprovided Stage 3 FRs to total equity ratio was a modest 1.72% at end Q3 2019.

In 2018, FRs loss reserve increased by a substantial 70.6% in 2018 which provided a more than full coverage for Stage 3 FRs at 104.3%. The strictly Stage 3 provisions also provided a fairly good cover of 75.8% in 2018. However, the coverage for the combined Stage 2 and 3 FRs was fairly moderate at 48.5% at end 2018.

Good effective collateral. Stage 3 collateral provided more than full coverage of Stage 3 FRs but Stage 2 collateral was negligible (2.5% of Stage 2 FRs). Together with loss reserves, the coverage of Stage 3 FRs was a high 279.8%, while the cover for Stage 2 and 3 loans remained more than full at 127.7%. Nonetheless, CI remains of the view that provisions for credit losses in any consumer finance business should be high, to reflect the (lower) effective collectable value of security and the intrinsic risk of this type of lending.

Composition of Investments
9 mo 2019



Investments Type (KWDmn)	2017	2018	Q3 2019
Financial Investments	5.3	4.5	4.4
Islamic Instruments	4.3	4.4	4.4
Properties	1.5	2.3	4.2
Total	**11.1**	**11.2**	**13.0**
% of TL Assets	**24.0**	**26.3**	**29.8**

Rising and now sizeable portfolio of investments. The components of the Company's investments portfolio are shown in the table above. The main contributor to the increase of the Company's investment portfolio was the rise in investment properties. The sharper increase in the nine months ending Q3 2019 was the result of the acquisition of foreclosed properties. Total investments represented a sizeable 29.8% of total assets at end Q3 2019.

Investment properties are residential buildings located in Kuwait. These properties are held to earn rentals and/or for capital appreciation. Valuations are carried out twice a year, in June and December, by independent valuers who are not related to the Company. As shown in the table below, rental income in absolute terms remained fairly moderate but on a rising trend reflecting the additions to this portfolio.

Investment Properties (KWD000)	Value 2018	Value Q3 2019	Rental 2018	Rental Q3 2019
Hawally (New)	-	1,768	-	10.1
Mangaf	852	852	83.6	64.6
Hawally	862*	839	47.6	41.9
Mahboola	625	625	66.9	48.7
Shaab (New)	-	130	-	3.9
Total	**2.339**	**4,214**	**198.1**	**169.2**

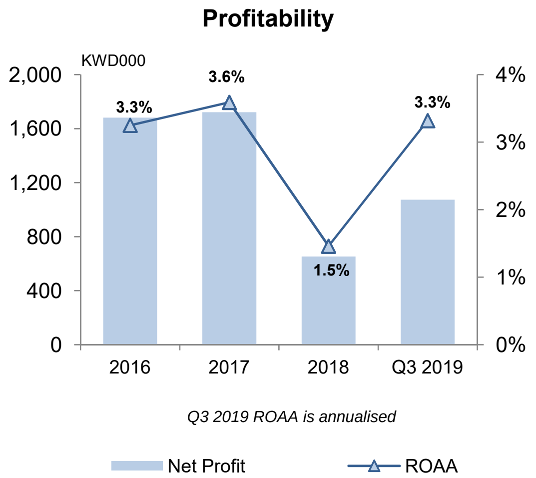
**rounded down to balance total*

Financial investments are largely unquoted. The largest proportion (Q3: 2019: 62.5%) of financial investments was in local unquoted shares. This was followed by the investment in QFH (Q3 2019: 31.7%), with the remainder (Q3 2019: 5.8%) in other foreign unquoted shares and a very small amount of local funds. Concentration remains with the same three holdings (including QFH), which accounted for the bulk (86.8%) of total financial investments at end Q3 2019. While all the financial investments were unquoted, they carried a level 2 fair value hierarchy which indicate some secondary market activities. With the adoption of IFRS 9, apart from the QFH investment – which was classified as financial assets at FVOCI (Fair Value Other Comprehensive Income) – all other financial investments were classified as financial assets at FVTPL (Fair Value Through Profit and Loss).

Fairly stable level of Murabaha investments consisting of three Murabaha investments with KFH. Income from these investments remains fairly modest and booked under other income.

Earnings Performance

Net profit substantially down in 2018 but improved in the first nine months of 2019. Al Manar's gross income in 2018 contracted by a sizeable 17.9% compared to the almost flat growth a year earlier. This was attributed to a larger net investment loss, as well as the decline in finance revenues. Operating expenses rose by a much slower 3.5% compared to the 8.2% increase seen a year earlier. Given the large drop in gross income, the Company registered a substantial 40.6% decline in operating profit in 2018. Compounded by an increase in provisioning charges, the Company reported a large 62.5% decline in net profit.



In the nine months ending Q3 2019, the Company's gross income registered a further decline – albeit by a slower 4.1% YoY. This contraction is due to the further drop in finance revenue and a net loss from its investment properties portfolio. Together with a sharper YoY increase in operating expenses, the Company's operating profit declined by another sizeable 20.1% year-on-year. But thanks to a reversal of provision, the Company posted a 16.1% YoY increase in net profit for the nine months ending Q3 2019. Al Manar's ROAA, which fell to a low 1.46% in 2018, improved to 3.32% (annualised basis) in the nine months ending Q3 2019.

Net financing income continued its declining trend, largely reflecting the contraction of the FR book. Income from its FR activities is the Company's primary source of revenue in line with its business model. Like many of its peers in Kuwait, this income has been on a declining trend due to the overall weak financing activities, the slow economic growth and the keen competition in this market. Financing income fell by 3.8% in 2018 and the NFM narrowed to 4.02% due to higher cost of funds, which offset the improvement in financing income to average earning assets. In the nine months ending Q3 2019, financing income on average earning assets rose by 119 basis points (bps), more than covering the 51 bps increase in funding cost, resulting in the widening of the NFM to 5.22% – the widest NFM achieved. Consequently, net financing income registered a modest YoY decline of 1.8% despite the larger contraction of the FR book.

Contraction of NFI in both periods. The Company's NFI dropped substantially in 2018 due to the net loss from financial investments. The latter was contributed solely the fair value change in financial investments at FVPTL as well as losses from sale.

Non Financing Income (NFI) (KWD000)	2018	2017	Q3 2019	Q3 2018
Fee income	247	230	161	149
Net investments	(531)	(38)	96	15
Investment Properties	198	142	(17)	137
Others	170	120	127	135
Total	**(84)**	**454**	**367**	**436**

For the nine months ending Q3 2019, NFI declined by a further 15.8% YoY due to the net loss from its investment properties in connection with impairment of one of its foreclosed properties (Hawally). A positive development is the sustained expansion of financing fee income reflecting sound growth of new FRs. As a percentage of gross income, Al Manar's NFI dropped to a low 2.9% in 2018 before climbing back up to a still moderate 13.3%, reflecting the Company's narrow business model.

High cost to income ratio. Operating expenses rose by a modest 3.5% but with the large decline in gross income, Al Manar's cost to income ratio rose to a high 64.9% in 2018. Notwithstanding a further – albeit modest – decline in gross income and a YoY increase in operating expense in the first nine months of 2019, the cost to income ratio improved marginally but to a still fairly high 59.0% which compared unfavourably with many of consumer finance companies rated by CI in the region.

Impairment charges. The provision charge in 2018 amounted to KWD383k compared to a write back of KWD202k a year earlier. Management advises that the write-backs were not related to specific recoveries but reversal of precautionary provision taken in early in 2017. Provisioning expense as a percentage of operating profit in 2018 was fairly moderate at 36.9%. In the nine months ending Q3 2019, there was a reversal of KWD387k due largely to the large NPFRs write offs. This partly offset the KWD300k provision (in other expenses) relating to extra and precautionary provisioning.

SUPPLEMENTARY INFORMATION

I. Financial Forecasts

The Company has provided CI a forecast for the period 2019-23. This forecast was based on a number of assumptions including the limited available funding lines from KFH and Boubyan, as well as increase provision in line with IFRS 9.

Asset Composition is not expected to change. The Company is again projecting a balance sheet growth from 2019 onwards, albeit once again from a lower starting point. Given that there is no radical change planned in the basic business model, the forecast growth in the new forecast is supported almost completely by growth in the FR book.

Asset Composition KWDmn	**2019**	**2020**	**2021**	**2022**	**2023**
FRs	31.4	33.9	37.1	39.1	40.5
Investments	5.0	5.0	5.0	5.0	5.0
Murabaha & Wakala	4.4	4.4	4.4	4.4	4.4
Invest Properties	2.3	2.3	2.3	2.3	2.3
Cash	0.2	0.5	0.3	0.0	0.7
Others*	0.8	0.7	0.5	0.4	0.2
Total	**44.0**	**46.8**	**49.6**	**51.2**	**53.1**

rounded up to balance total

The investments portfolio (financial investments, murabaha & wakala receivables and investment properties) is projected at a stable KWD11.7mn for the forecast period. However, at end Q3 2019, this portfolio stood at a higher KWD13.0mn largely due to the larger investment properties book with the acquisition of foreclosed properties.

Leverage is projected to remain low for a finance company. With the revised FR book, the level of borrowings has also been adjusted downwards. Funding sources are assumed to remain with the same two Islamic banks, and with KFH providing the bulk of funding.

KWDmn	**2019**	**2020**	**2021**	**2022**	**2023**
Wakala payables	6.4	7.3	9.2	9.8	10.3
Other creditors	*2.5*	*2.6*	*2.8*	*2.8*	*3.1*
Total liabilities	*9.7*	*10.6*	*12.8*	*13.3*	*14.2*
Total equity	*34.3*	*36.2*	*36.9*	*37.8*	*38.9*
Leverage	**0.28**	**0.29**	**0.34**	**0.35**	**0.36**

No capital increase is projected for the forecast period. Equity base is projected to grow in line with earnings projections. Notwithstanding the projected rise in borrowings, the Company's leverage is projected to remain low as shown in the table above.

While cash flow forecast does not show any dividend payment, the Company will more than likely to distribute annual dividends to reinforce the value of its shares.

Liquidity and debt service will remain supported by its collections from FRs. The Company's liquid asset holdings will remain confined to the small amount of cash balances and murabaha and wakala investments. The latter are however currently pledged to existing borrowings. Financial investments are moderate and likely to remain largely unquoted. The book of investment properties of income generating properties will remain another source of liquidity/funding. However, as in previous years and in line with its business model, the Company's effective liquidity is largely supported by its collections from FRs. The cash flow forecast shows instalments collection far exceeding debt settlement over the forecast period, supporting the good debt serviceability of the Company.

Lower net profit from previous forecast due largely to high provisions. As shown in the table below, net financing income is expected to grow over the forecast period although more noticeably in 2020 due to the growth of the FR book but also improvement in the NFM with a lowering of cost of funds. Other income is projected to remain relatively modest.

Profit and Loss KWDmn	**2019**	**2020**	**2021**	**2022**	**2023**
Financing Income	*3.32*	*3.90*	*4.30*	*4.76*	*4.91*
Funding Cost	*(0.37)*	*(0.34)*	*(0.39)*	*(0.50)*	*(0.51)*
Net Financing Income	2.95	3.56	3.9 1	4.26	4.40
Other income	0.78	0.80	0.81	0.82	0.84
Gross Income	3.73	4.36	4.72	5.08	5.24
Operating expenses	(1.74)	(1.82)	(1.89)	(1.97)	(2.05)
Operating Profit	1.99	2.54	2.83	3.11	3.19
Provision	(0.85)	(0.82)	(0.80)	(0.80)	(0.81)
Net Profit	**1.14**	**1.72**	**2.03**	**2.31**	**2.38**
Growth (%)	**75.5**	**1.70**	**2.00**	**2.26**	**3.03**
ROAA (%)	**2.63**	**3.78**	**4.21**	**4.57**	**4.57**

It is noted that the Company has not made any projections for revaluation and impairment of its investments portfolio. As seen in prior years, these can be relatively large such as the impairment related to its QFH investments and investment properties. Recurring income in the form of dividend, rental and profit sharing (murabaha receivables) is expected to remain moderate in line with the size of these investments. The Company's NFI as a percentage of gross income will therefore remain fairly modest.

The Company's cost to income ratio is anticipated to improve with the good growth of gross income in relation to the moderate increase in operating expenses. Projections show a growth in operating profit and the bottom line throughout the forecast period. ROAA is thus projected to rise from 2.6% at end 2019 to 4.6% at end 2023.

II. Supervision and Regulation

Al Manar is supervised and regulated by the CBK, the CMA and by the Ministry of Commerce. In the medium term, Al Manar plans to apply for a listing on the Kuwait Stock Exchange (KSE). In terms of reporting, a range of quarterly returns would be required. In addition, any purchases or sales of treasury stock would have to be reported immediately to the KSE. The Company currently submits monthly reports to the CBK in a manner similar to that of commercial banks and must obtain central bank approval and permission before the release of financial information. The supervision department of the central bank periodically audits the Company for compliance with regulatory requirements. The regulatory regime in Kuwait includes regular on-site inspections, as well as ongoing off-site supervision.

Al Manar follows the common regulatory requirements for consumer lending in Kuwait. These apply to all lenders, both bank and non-bank. The main areas covered are:

a) Maximum interest rates (related to the CBK discount rate);

b) Maximum tenors; and

c) Repayment ability assessment.

As with other consumer lenders in Kuwait, Al Manar must report all outstanding financings to the Ci-Net credit bureau system, Kuwait's credit bureau.

Collateral Policy

Listed stocks

Acceptable shares should be those of Kuwaiti companies listed on the KSE. The coverage ratio for those shares is a minimum of 200% and the customer is required to sign a contract that gives the Company the right to liquidate those shares at any time without referring to the customer.

Real estate

The real estate should be located in Kuwait. The maximum loan to value is 65% for income producing real estate, while 200% collateral coverage is required for non-income producing real estate. The real estate should be registered as having a first-charge collateral status for the facility and the customer is required to sign a contract that gives Al Manar the right to liquidate at any time without referring to the customer.

Letter of Guarantee

The letter of guarantee should normally be issued by a Kuwaiti bank. On the rare occasions where a guarantee is issued by an overseas bank, prior approval of the Company's board is required. The letter of guarantee should cover 100% of the required loan.

III. Economic Outlook

Real GDP growth is expected to remain positive in 2019 owing to an increase in oil production and higher non-oil growth dynamics. After an estimated growth of 2.3% in 2018, real GDP is forecast to expand by 2.5% in 2019. Growth in 2018 was lifted by an increase in oil production levels since OPEC+ members partially reversed earlier oil production cuts during the year. Kuwait's oil production is set to further increase by 2.0% in 2019, reaching over 1.1 billion barrels per annum, while non-oil GDP is expected to expand by 3.0%.

In terms of finances, the government's fiscal strength is strong. The central government budget balance recorded a surplus of 11.8% of GDP in the fiscal year that ended in March 2018, up from 8.1% in FYE 2017, and is expected to remain in surplus in FYE 2019 and FYE 2020. Taking into account investment income and excluding transfers to the intergenerational equity fund, the budget surplus is expected to reach 6.8% of GDP in FYE 2019 and 8% in FYE 2020.

Notwithstanding the high dependence on hydrocarbons, with oil receipts accounting for over 80% of total revenue, Kuwait is still in a good position to weather any long term period of subdued oil prices. Kuwait enjoys a lower breakeven fiscal oil price than its GCC peers, something which increases its capacity to absorb mild price shocks. Risks related to shocks in oil prices are mitigated in the short and medium term by the large financial buffers which are estimated to exceed 460% of GDP according to the IMF. Moreover, low government debt, estimated at 22.5% of GDP in FYE 2019, provides space to smooth the needed fiscal adjustment and support growth through infrastructure spending.

Consumer Sector Overview and Outlook

The banking system reported healthy growth in 2018, although slower than in 2017. The largest proportion of lending was to the corporate sector followed by household, which accounted for a moderate 25.7% of overall credit and outstanding loans at end 2018. The share of SMEs in overall lending declined to a low 2.8%. SMEs in Kuwait do not face any serious funding constraints given the National Fund. The bulk of household lending relates to housing loans (2018: 86.5%) which are largely long term personal loans for repair and purchase of private homes. Consumer loans constituted a fairly low 11.4% of total household loans with the remaining 2.1% relating to credit cards.

Consumer loans are general-purpose loans with a maximum maturity of five years used for personal consumption such as car purchases, education/medical expenses, or the purchase of durable goods. In 2018, the CBK increased the loan amount to KWD25,000 from KWD15,000, although it may not exceed 25-fold a client's salary or KWD25,000, whichever is lower. The debt servicing to income ratio (DSTI) is currently capped at 40% for employees and 30% for retirees. Some adjustments to terms and conditions of loan contracts were also introduced. The new guidelines aim to foster competition and smooth transfer of loans from one bank to another.

Consumer spending growth moderated in Q1 2019 amid an easing of consumer confidence largely due to the uncertainty over public spending and revenue, policy affecting expatriates and modest wage growth. The exodus of expatriates has a particular bearing on public spending as they account for roughly 70% of the Kuwaiti population. There was however an overall increase in the number of expatriates due to the recruitment of foreign blue-collar workers with the rollout of new infrastructure and development. Buoyed the steady economic growth in Kuwait, consumer demand has picked in recent periods. According to the CBK, the consumer spending index expanded by 3.3% in Q2 2019. The CBK's data on point-of-sale transactions and ATM withdrawals also showed an increase of around 4% YoY in Q2 2019. The pick up in consumer lending was largely driven by the loosening of consumer loan limits as stated above. The improving job front is another positive for consumer spending. Employment growth recovered in 2018, although the continued softness in wage growth could still weigh on spending.

Source: Publicly available information including CBK.

IV. Ratings History (Past Actions)

Corporate Ratings and Outlook

	Current	Nov 2018	Nov 2017	Nov 2016
Long-Term	BB	BB	BB	BB
Short-Term	B	B	B	B
Outlook	Stable	Stable	Stable	Stable

Memo:
Sovereign Ratings – Kuwait

	Current
Long-Term Foreign Currency	AA-
Short-Term Foreign Currency	A1
Outlook Foreign Currency	Stable
Long-Term Local Currency	AA-
Short-Term Local Currency	A1
Outlook Local Currency	Stable

AL MANAR FINANCING AND LEASNING COMPANY K.S.C

KW60

SUMMARY RATIOS	External Audit	AUD 09/2019	AUD 12/2018	AUD 12/2017	AUD 12/2016
A . SIZE FACTORS (KWD 000)					
1 . Total Assets		43,669	42,412	46,269	49,614
2 . Net Financing Receivables		28,471	29,354	32,444	32,532
3 . Total Equity		33,400	32,326	35,981	35,802
4 . Tangible Net-Worth		33,400	32,326	35,981	35,802
5 . Total Debt		7,744	6,668	6,492	10,941
6 . Net Profit		1,074	646	1,723	1,683
7 . Assets Under Management					
B . ASSET QUALITY (%)					
8 . Total Assets Growth Rate		2.96	-8.34	-6.74	-7.77
9 . FR-Loss Reserve / Financing Receivables		10.87	20.72	12.17	12.29
10 . Non-Performing FR / Financing Receivables		12.67	19.87	16.24	16.48
11 . FR-Loss Reserve / Non-Performing FR		85.78	104.26	74.95	74.58
12 . Unprovided Non-Performing FR / Total Equity		1.72		4.18	4.34
13 . FR-Loss Provision Charge / Financing Receivables		1.21	-1.03	0.55	-1.45
C . CAPITAL AND LEVERAGE					
14 . Total Equity Growth Rate (%)		3.32	-10.16	0.50	0.39
15 . Total Equity / Total Assets (%)		76.48	76.22	77.76	72.16
16 . Leverage (Times)		0.31	0.31	0.29	0.39
17 Leverage - Excluding Minority Interest (Times)		0.31	0.31	0.29	0.39
18 . Total Liabilities / Tangible Net-Worth (Times)		0.31	0.31	0.29	0.39
19 . Long-Term Debt / Total Equity (Times)		0.13	0.12	0.05	0.12
20 . Total Debt / Total Equity (Times)		0.23	0.21	0.18	0.31
D . LIQUIDITY AND COVERAGE					
21 Current Ratio (Times)		5.02	4.55	3.31	3.48
22 . Cash + QI + ST Gross FR / ST Debt (Times)		5.54	8.86	3.78	2.96
23 . Cash & Quoted Investments / Total Assets (%)		1.93	3.75	4.58	10.87
24 . Cash & Quoted Investments / Total Liabilities (%)		8.19	15.79	20.61	39.03
25 . Net Financing Receivables / Total Assets (%)		65.20	69.21	70.12	65.57
26 . Net Financing Receivables / Total Liabilities (%)		323.45	351.72	355.31	264.81
E . PROFITABILITY (%)					
27 . Return on Average Assets (ROAA)*		3.33	1.46	3.59	3.25
28 . Return on Average Equity (ROAE)*		4.36	1.89	4.80	4.71
29 . Funding Cost*		5.39	5.94	5.03	6.01
30 . Financing Income on Average Earning Assets*		10.62	9.96	9.36	9.24
31 . Financing Differential*		5.22	4.02	4.33	3.23
32 . Non-Financing Income / Gross Income		14.94	2.85	17.93	17.58
33 . Operating Expenses / Gross Income		58.96	64.92	51.51	47.46
34 . Operating Profit Growth Rate		-1.95	-40.57	-7.97	0.58
35 . Operating Profit / Average Assets		2.36	2.34	3.64	3.67
36 . Risk Provisioning Charge / Operating Profits		8.59	-36.90	0.64	-32.27
37 . Realized Income / Gross Income		100.00	100.00	100.00	100.00
38 . Dividend Payout Ratio			238.87	91.73	98.23
F . INVESTMENT					
39 . Market Capitalization (KWD 000)					
40 . Share Price (KWD)					
41 . Earnings Per Share (KWD)		0.003	0.002	0.006	0.005
42 . Earnings Per Share Growth (%)		66.18	-62.49	2.37	7.09
43 . Price / Earnings Ratio (Times)					
44 . Price / Book Ratio (Times)					
45 . Cash Dividend Per Share (KWD)					
46 . Stock Dividend Per Share (%)					
G . REFERENCE DATA					
. Exchange Rate (Units per USD)		0.304	0.304	0.302	0.306
. Inflation Rate (%)					

*Annualised ratios for September 2019

AL MANAR FINANCING AND LEASNING COMPANY K.S.C

External Audit	09/2019	AUD	AUD	AUD	AUD	Growth (%)				Breakdown (%)			
BALANCE SHEET - ASSETS (KWD 000)	**USD 000**	**09/2019**	**12/2018**	**12/2017**	**12/2016**	**09/2019**	**12/2018**	**12/2017**	**12/2016**	**09/2019**	**12/2018**	**12/2017**	**12/2016**
Cash & Banks	2,770	841	1,592	2,121	5,391	-47.18	-24.93	-60.66	4.36	1.93	3.75	4.58	10.87
Net Financing Receivables	93,791	28,471	29,354	32,444	32,532	-3.01	-9.52	-0.27	-13.72	65.20	69.21	70.12	65.57
Other Receivables													
Prepayments & Accruals													
Investments	42,849	13,007	11,157	11,099	11,404	16.58	0.53	-2.68	7.32	29.79	26.31	23.99	22.99
Net Fixed Assets				56	68		-100.00	-17.58	106.24			0.12	0.14
Due From Associates													
Goodwill & Other Intangible Assets													
Other Assets	4,446	1,349	308	550	219	338.45	-44.07	151.87	-17.35	3.09	0.73	1.19	0.44
TOTAL ASSETS	**143,856**	**43,669**	**42,412**	**46,269**	**49,614**	**2.96**	**-8.34**	**-6.74**	**-7.77**	**100.00**	**100.00**	**100.00**	**100.00**

AL MANAR FINANCING AND LEASNING COMPANY K.S.C

External Audit BALANCE SHEET - LIABILITIES (KWD 000)	09/2019 USD 000	AUD 09/2019	AUD 12/2018	AUD 12/2017	AUD 12/2016	Growth (%) 09/2019	12/2018	12/2017	12/2016	Breakdown (%) 09/2019	12/2018	12/2017	12/2016
Short-Term Debt	11,228	3,408	2,679	4,519	6,804	27.25	-40.73	-33.58	5.49	7.81	6.32	9.77	13.71
Short-Term Payables	3,221	978	1,389	1,422	819	-29.59	-2.38	73.76	-63.92	2.24	3.27	3.07	1.65
Prepayments & Accruals	1,205	366	747	1,260	1,055	-51.08	-40.70	19.45	78.19	0.84	1.76	2.72	2.13
Long-Term Debt	14,282	4,335	3,989	1,973	4,138	8.68	102.14	-52.31	-47.31	9.93	9.41	4.27	8.34
Long-Term Payables													
Reserve for Retirement Pay & Insurance													
Due To Unc. Subsidiaries & Associates	0	0	0	0	0								
Other Liabilities	3,893	1,182	1,282	1,113	997	-7.82	15.15	11.66	3.19	2.71	3.02	2.41	2.01
TOTAL LIABILITIES	**33,829**	**10,269**	**10,086**	**10,289**	**13,812**	**1.82**	**-1.97**	**-25.51**	**-23.82**	**23.52**	**23.78**	**22.24**	**27.84**
EQUITY:													
Equity Attributable To Shareholders of Parent Co.													
Share Capital	101,709	30,875	30,875	30,875	30,875					70.70	72.80	66.73	62.23
Share Premium	1,028	312	312	312	312					0.71	0.74	0.67	0.63
Less: Treasury Shares													
Statutory Reserve	6,591	2,001	2,001	2,001	1,825			9.62	10.37	4.58	4.72	4.32	3.68
Voluntary Reserve	3,949	1,199	1,199	1,414	1,442		-15.23	-1.95	6.33	2.75	2.83	3.06	2.91
General Reserve													
Cumulative Change in Fair Value													
Gain on Sale of Treasury Shares													
Foreign Currency Translation													
Proposed Dividend													
Retained Earnings	-3,276	-994	-2,068	1,372	1,340	-51.93	-250.80	2.35	-8.10	-2.28	-4.88	2.96	2.70
SUB-TOTAL	**110,002**	**33,392**	**32,318**	**35,973**	**35,794**	**3.32**	**-10.16**	**0.50**	**0.39**	**76.47**	**76.20**	**77.75**	**72.14**
Minority Interest	25	8	8	8	8					0.02	0.02	0.02	0.02
TOTAL EQUITY	**110,027**	**33,400**	**32,326**	**35,981**	**35,802**	**3.32**	**-10.16**	**0.50**	**0.39**	**76.48**	**76.22**	**77.76**	**72.16**
TOTAL LIABILITIES & EQUITY	**143,856**	**43,669**	**42,412**	**46,269**	**49,614**	**2.96**	**-8.34**	**-6.74**	**-7.77**	**100.00**	**100.00**	**100.00**	**100.00**

AL MANAR FINANCING AND LEASNING COMPANY K.S.C

PROFIT AND LOSS ACCOUNT (KWD 000) External Audit	09/2019 USD 000	AUD 09/2019	AUD 12/2018	AUD 12/2017	AUD 12/2016	Growth (%) 09/2019	12/2018	12/2017	12/2016	% of Average Total Assets 09/2019	12/2018	12/2017	12/2016
Interest Income / Financing Income	7,903	2,399	3,263	3,393	3,733	-26.49	-3.81	-9.13	-1.06	5.57	7.36	7.08	7.22
Financing Receivables	*7,903*	*2,399*	*3,263*	*3,393*	*3,733*	*-26.49*	*-3.81*	*-9.13*	*-1.06*	*5.57*	*7.36*	*7.08*	*7.22*
Investments													
Other - No Breakdown													
Interest Expense / Financing Expense	-960	-292	-391	-439	-758	-25.46	-10.83	-42.15	31.93	-0.68	-0.88	-0.91	-1.47
Financing Receivables	*-960*	*-292*	*-391*	*-439*	*-758*	*-25.46*	*-10.83*	*-42.15*	*31.93*	*-0.68*	*-0.88*	*-0.91*	*-1.47*
Investments													
Other - No Breakdown													
NET INTEREST INCOME / NET FINANCING INCOME	**6,942**	**2,107**	**2,872**	**2,954**	**2,975**	**-26.63**	**-2.77**	**-0.72**	**-6.99**	**4.90**	**6.48**	**6.16**	**5.75**
Fees & Commission Income			247	230	189	-100.00	7.37	21.52	-47.28		0.56	0.48	0.37
Rental Income	557	169	198	142	129	-14.59	39.54	10.16	-21.94	0.39	0.45	0.30	0.25
Dividend Income	317	96	-2	82	120	-6190.32	-101.92	-31.66	44.86	0.22	0.00	0.17	0.23
Foreign Exchange Income													
Investment Income	-605	-184	-529	71	20	-65.30	-844.20	263.64	-109.64	-0.43	-1.19	0.15	0.04
Realized	*-605*	*-184*	*-529*	*71*	*20*	*-65.30*	*-844.20*	*263.64*	*-109.64*	*-0.43*	*-1.19*	*0.15*	*0.04*
Unrealized													
No Breakdown													
Share of Results of Unc. Subsidiaries & Associates													
Profit on Sale of Unc. Subsidiaries & Associates													
Other Income	950	288	170	120	177	69.68	41.43	-32.00	-12.83	0.67	0.38	0.25	0.34
NON-INTEREST INCOME / NON-FINANCING INCOME	**1,220**	**370**	**84**	**645**	**635**	**339.42**	**-86.94**	**1.68**	**4.57**	**0.86**	**0.19**	**1.35**	**1.23**
GROSS INCOME	**8,162**	**2,478**	**2,956**	**3,599**	**3,610**	**-16.20**	**-17.86**	**-0.29**	**-5.15**	**5.76**	**6.67**	**7.51**	**6.98**
General & Administrative Expense	4,459	1,354	1,888	1,823	1,685	-28.29	3.56	8.19	-10.85	3.15	4.26	3.80	3.26
Lease / Rental Expense													
Depreciation & Amortization	353	107	32	31	28	238.11	2.10	9.09	-5.33	0.25	0.07	0.06	0.05
Other Expenses													
OPERATING EXPENSES	**4,812**	**1,461**	**1,919**	**1,854**	**1,713**	**-23.89**	**3.53**	**8.20**	**-10.77**	**3.39**	**4.33**	**3.87**	**3.31**
OPERATING PROFIT	**3,350**	**1,017**	**1,037**	**1,745**	**1,897**	**-1.95**	**-40.57**	**-7.97**	**0.58**	**2.36**	**2.34**	**3.64**	**3.67**
Provisions For Doubtful Financing Receivables	1,276	387	-383	202	-538	-201.21	-289.38	-137.60	328.89	0.90	-0.86	0.42	-1.04
Other Provisions	-988	-300		-191	-74		-100.00	156.71	-52.31	-0.70		-0.40	-0.14
GROSS PROFIT	**3,638**	**1,104**	**654**	**1,757**	**1,285**	**68.75**	**-62.74**	**36.74**	**-19.93**	**2.57**	**1.48**	**3.66**	**2.48**
Extraordinary Items				-16	415		-100.00	-103.81	-2971.18			-0.03	0.80
Taxes	-100	-30	-8	-18	-16	272.18	-54.39	10.19	-11.87	-0.07	-0.02	-0.04	-0.03
NET PROFIT (LOSS)	**3,538**	**1,074**	**646**	**1,723**	**1,683**	**66.18**	**-62.49**	**2.37**	**7.09**	**2.50**	**1.46**	**3.59**	**3.25**
APPROPRIATION OF SURPLUS:													
Attributable To Minority Interests													
Dividends			1,544	1,544	1,544	-100.00							
Transfer To Equity	**3,538**	**1,074**	**-897**	**179**	**139**	**-219.67**	**-601.02**	**28.69**	**401.81**				
Bonus Shares Issued													
Changes In Equity Not Through P&L	**3,538**	**1,074**	**-3,655**	**179**	**139**	**-129.38**	**-2140.63**	**28.69**	**401.80**				

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General Contact Information

Capital Intelligence Ratings Ltd, PO Box 53585, 3303 Limassol, Cyprus

+357 2526 0000

marketing@ciratings.com

www.ciratings.com

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