

**International Financial Advisors (IFIN.KW)**
**UNDERWEIGHT**

**CMP** KWD 0.061  
**Target** KWD 0.059  
**Downside** 3.5%

MSCI GCC Index 414.45  
 KSE Price Index 6,674.70

**Key Stock Data**

Sector Investments  
 Reuters Code IFIN.KW  
 Bloomberg Code IFA KK Equity  
 Net Out. Shares (bn) 0.655  
 Market Cap (KWD bn) 0.039  
 Market Cap (USD bn) 0.138  
 Avg. 12m Vol. (mn) 17.994  
 Volatility (30 day) 47.383  
 Volatility (90 day) 53.734

**Stock Performance (%)**

52 week high / low (KWD) 0.138 / 0.046

	1M	3M	12M
Absolute (%)	-3.2	-19.7	-58.2
Relative (%)	-4.5	-15.9	-50.6

**Shareholding Pattern (%)**

Al Deera Holding Company	25.55
Al Bab Commercial Company	10.09
Kuwait Invest Holding Company	7.03
Suburbs Investment Company	6.69
Jeezan Holding Company	6.27
Kuwait Holding Company	6.06
Public	38.31

**IFA and KSE Price Index**

**Quarterly Result Update**

- International Financial Advisors (IFA) reported a total loss of KWD 2.00 million in 1H10 from KWD 9.28 million in 1H09. Net loss for the period declined to KWD 11.69 million from KWD 3.64 million in 1H09.
- We have revised our FY2010E operating income downwards by 56.3%, as we have factored in impairments and loss in available-for-sale investments during 1H10 in our 2010 estimates.
- We expect a total income of KWD 5.54 million and a net loss of KWD 18.79 million for 2010.
- We are reiterating our earlier UNDERWEIGHT recommendation on IFA with a revised target price of KWD 0.059, implying a downside of 3.5%.

**Overview**

KWD Million	2008A	2009A	2010E	2011E	2012E
Total Income/(Loss)	-35.85	10.13	5.54	20.96	32.96
YoY Growth	NA	NA	-45.3%	278.1%	57.2%
Net Profit	-81.61	-16.80	-18.80	-8.13	0.38
YoY Growth	NA	-79.4%	11.9%	-56.7%	NA
Adjusted EPS (KWD)	-0.125	-0.026	-0.029	-0.012	0.001
Total Assets	555.09	622.51	634.24	645.46	662.14
RoAE	-40.3%	-11.1%	-14.1%	-7.0%	0.3%

**Total Income**

IFA registered a total loss of KWD 2.00 million during 1H10 as opposed to total profit of KWD 9.28 million in 1H09 mainly due to impairment and loss on available-for-sale investments, loss in associated companies and net loss on investments at fair value. Interest and similar income declined 58.7% YoY to KWD 1.32 million from KWD 3.20 million. Dividend income was also down 47.1% to KWD 0.84 million from KWD 1.59 million, while management and commission income declined 27.4% to KWD 0.56 million. Similarly, gain on sale of properties under development plunged 99.6% to KWD 0.02 million from KWD 5.49 million, while the share of loss from associated companies widened to KWD 2.49 million as compared to KWD 1.11 million in the year-ago period. Loss from investments at fair value stood at KWD 0.66 million as opposed to a profit of KWD 1.19 million. Impairments and loss on available-for-sale investments was reported at KWD 4.42 million as compared to a loss of KWD 3.10 million during the same period in the prior year. Other income declined 31.8% YoY to KWD 0.67 million from KWD 0.99 million. On the positive side, net income from hotels and related services doubled to KWD 2.06 million. The company reported a foreign exchange gain of KWD 0.27 million during 1H10, as against a loss of KWD 3.17 million.

**Expenses**

Total expenses and other charges were up 6.8% YoY to KWD 11.27 million compared to KWD 10.56 million in 1H09 due to higher staff and related costs and depreciation charges, partly offset by lower operating expenses. Staff and related costs were up 5.4% to KWD 3.51 million from KWD 3.33 million, while depreciation charge increased 78.0% to KWD 1.29 million. On the other hand, other operating expenses declined 0.5% to KWD 6.47 million.

### Profitability/ Loss

IFA reported a total operating loss of KWD 13.27 million from an operating loss of KWD 1.27 million in 1H09. The company also witnessed higher interest expense of KWD 5.02 from KWD 4.87 million earlier. As a result, net loss during 1H10 was KWD 11.69 million compared to KWD 3.64 million in 1H09. Adjusted loss per share stood at KWD 0.036 compared to KWD 0.011 in 1H09.

### New Projects & Strategies

The central bank of Kuwait has approved the company's 10% share buyback request, which will spread over a six-month period, effective August 13, 2010.

### Risks and Concerns to Valuation:

- ❖ Total income is dependent on realised and unrealised gains on investments and disposal of investments. With no major benefits from such transactions during 1H10 and 2009, we have followed a conservative approach in our forecasting. However, if the company books substantial gains from such transactions during 2010, it would call for a revision in our estimates and rating.

### Valuation Methodology:

We have used two valuation methods for arriving at IFA's fair value, as explained below:

- I. Target P/BV approach based on the Gordon Growth Model (GGM), and
- II. Comparative P/BV method.

### Target P/BV Multiple Approach using the Gordon Growth Model (GGM)

The model uses sustainable return on average equity (RoAE), cost of equity (Ke) and expected growth in earnings (g) to arrive at the target P/BV for the company using the formula:

$$\text{Target P/BV} = (\text{RoAE} - g) / (\text{Ke} - g)$$

Subsequently, we multiplied the target P/BV multiple for 2010E with the 2010E BVPS to arrive at the company's fair value over a medium-term investment horizon.

We have used the following assumptions to arrive at the target P/BV multiple for 2010:

- i. Sustainable RoAE has been taken as the 3-year average of the RoAE over 2012E-2014E.
- ii. The cost of equity (Ke) has been calculated as 15.68% using the Capital Asset Pricing Model (CAPM).
- iii. The terminal growth rate (g) has been taken as 2.00%.

GGM Valuation Summary	
Sustainable RoAE	5.58%
Cost of Equity (Ke)	15.68%
Perpetual Growth Rate	2.00%
<b>Target P/BV Multiple for 2010E (x)</b>	<b>0.262</b>
2010E BVPS (KWD)	0.184
<b>Fair Value per Share using Target P/BV (KWD)</b>	<b>0.048</b>
CMP (KWD)	0.061
<b>Upside/(-)Downside</b>	<b>-21.1%</b>

## Sensitivity Analysis

The following tables present a sensitivity analysis for the estimated fair value per share based on various terminal growth rate, cost of equity and RoAE scenarios. The shaded area represents the most probable outcomes.

Sensitivity Analysis - GGM (Ke vs. g)					
Cost of Equity	Terminal Growth Rate (g)				
	1.00%	1.50%	2.00%	2.50%	3.00%
13.68%	0.066	0.062	0.056	0.051	0.044
14.68%	0.062	0.057	0.052	0.047	0.041
<b>15.68%</b>	0.057	0.053	<b>0.048</b>	0.043	0.037
16.68%	0.054	0.049	0.045	0.040	0.035
17.68%	0.051	0.046	0.042	0.037	0.032

Sensitivity Analysis - GGM (Ke vs. RoAE)					
Cost of Equity	Return on Average Equity (RoAE)				
	3.58%	4.58%	5.58%	6.58%	7.58%
13.68%	0.025	0.041	0.056	0.072	0.088
14.68%	0.023	0.037	0.052	0.066	0.081
<b>15.68%</b>	0.021	0.035	<b>0.048</b>	0.062	0.075
16.68%	0.020	0.032	0.045	0.057	0.070
17.68%	0.019	0.030	0.042	0.054	0.065

Sensitivity Analysis - GGM (RoAE vs. g)					
Return on Average Equity	Terminal Growth Rate (g)				
	1.00%	1.50%	2.00%	2.50%	3.00%
3.58%	0.032	0.027	0.021	0.015	0.008
4.58%	0.045	0.040	0.035	0.029	0.023
<b>5.58%</b>	0.057	0.053	<b>0.048</b>	0.043	0.037
6.58%	0.070	0.066	0.062	0.057	0.052
7.58%	0.082	0.079	0.075	0.071	0.066

## Comparative P/BV Multiple Based Valuation

P/BV Multiple Based Valuation Summary	
IFA's 2010E BVPS (KWD)	<b>0.184</b>
Target P/BV (x)	0.378
Fair Value per Share using Target P/E	<b>0.070</b>
CMP (KWD)	0.061
Upside/(-)Downside	<b>14.0%</b>

Companies	Outstanding Shares (Million)	CMP# (KWD)	Market Capitalisation (KWD Million)	BVPS (KWD)	P/BV
IFA	655	0.061	40	0.195	0.313
Kuwait Investment Company	525	0.108	57	0.225	0.480
Bayan Investment Company	393	0.052	20	0.133	0.390
AREF Investment Group	1,061	0.053	56	0.161	0.329
<b>Average P/BV</b>					<b>0.378</b>

Sources: Zawya and IFA's Financial Statements, # CMP as on August 23, 2010

## Weighted Average Fair Value

Applying equal weights (GGM – 50% and comparative P/BV – 50%), we arrived at a final fair value or target price of KWD 0.059, which implies a downside of 3.5% over the current market price of KWD 0.061 (as on August 23, 2010).

Weighted Average Fair Value			
Valuation Method	Fair Value per Share (KWD)	Weightage	Weighted Value per Share (KWD)
GGM based P/BV Multiple Method	0.048	50%	0.024
Comparative P/BV Multiple Method	0.070	50%	0.035
<b>Target Price</b>			<b>0.059</b>
CMP			0.061
<b>Upside/(-)Downside</b>			<b>-3.5%</b>

## Investment Opinion

IFA's business is split into two divisions: asset management offering fund and wealth management services, and investment services engaged in core holdings and strategic portfolio investments. Investment services witnessed a huge decline by value due to the liquidity crunch following the global economic slowdown. The company's investments plunged 61.6% YoY to KWD 93.79 million during 2008, marred by impairments and losses to the tune of KWD 78.20 million. The value of investments jumped 6.6% YoY in 2009, but declined 23.9% from 2009 to 1H10. This drop in value of investments resulted in a total loss of KWD 2.00 million in 1H10, as opposed to a total profit of KWD 10.12 million in 2009. Moreover, substantial operating and interest expenses have hampered bottom-line performance as the company is yet to break the trend of losses since 2008. However, net loss has narrowed from KWD 81.61 million in 2008 to KWD 16.80 million in 2009. During 1H10, the company reported a net loss of KWD 11.68 million. This has, in turn, depleted shareholders' wealth, which declined 7.3% YoY in 2009, and by an additional 12.4% from 2009 to 1H10. Various government initiatives to revive economic growth are noteworthy, but recovery is expected to be gradual. Given the company's exposure to investments and the expectation of weak financial performance, we recommend an exit strategy on the stock.

We had initiated IFA on July 14, 2010 with an UNDERWEIGHT recommendation (target price of KWD 0.057, indicating a 7.4% downside). Currently, the company's stock is trading at a negative P/E multiple of 2.12x and 4.91x on 2010E and 2011E loss, respectively. It is also trading at a P/BV multiple of 0.26x and 0.31x on 2010E and 2011E BVPS, respectively. The stock has underperformed the index losing 33.0% since the beginning of this year compared to a fall of 4.7% in the KSE Price Index. Considering the above factors, we have arrived at a price target of KWD 0.059, implying a downside of 3.5% over the current price of KWD 0.061 (as on August 23, 2010). **Accordingly, we are reiterating our earlier UNDERWEIGHT recommendation on International Financial Advisors.**

## Financial Statements

(KWD '000)	Consolidated Income Statement						
	2008A	2009A	1H09A	1H10A	2010E	2011E	2012E
<b>Income</b>							
Interest and similar income	5,015	5,655	3,205	1,325	2,595	2,974	3,395
Management fees and commission income	4,884	1,508	775	562	1,220	1,647	2,059
Dividend income	3,301	1,702	1,591	843	1,123	2,656	4,191
Net income from hoteliers and related services	2,383	2,366	908	2,064	4,006	5,609	8,974
Net (loss)/gain on investments at fair value through income statement	-35,146	-1,296	1,194	-661	1,836	2,503	3,459
Net gain on investment properties	758	-4,256	-320	-187	-187	0	0
Gain on sale of properties under development	40,491	6,628	5,496	22	336	1,698	3,809
Gain on sale of shares in a consolidated subsidiary company	9,111	1,978	1,804	0	0	0	0
Share of (loss)/profit from associated companies	-6,172	-1,654	-1,115	-2,492	-2,586	2,313	5,073
Loss on sale of shares in associated companies	-2,142	1,043	1,035	0	0	0	0
Impairment in value of investment in associated companies	-17,487	0	0	0	0	0	0
Impairment in value of available for sale investments	-43,054	-2,487	-2,430	-1,107	-1,107	0	0
Gain on sale of available for sale investments	0	0	-671	-3,321	-3,321	0	0
Foreign currency exchange losses	0	0	-3,179	272	272	0	0
Other income	2,212	-1,062	995	678	1,357	1,560	1,995
<b>Total (losses)/income</b>	<b>-35,846</b>	<b>10,127</b>	<b>9,289</b>	<b>-2,002</b>	<b>5,544</b>	<b>20,960</b>	<b>32,955</b>
<b>Expenses and other charges</b>							
Staff and related costs	-7,178	-7,016	-3,330	-3,510	-6,805	-6,942	-7,080
Other operating expenses	-16,274	-12,911	-6,505	-6,472	-11,878	-11,997	-12,117
Depreciation	-1,182	-1,667	-727	-1,294	-2,169	-2,324	-2,364
<b>Total expenses and other charges</b>	<b>-24,634</b>	<b>-21,594</b>	<b>-10,562</b>	<b>-11,276</b>	<b>-20,853</b>	<b>-21,262</b>	<b>-21,561</b>
<b>Operating profit</b>	<b>-60,479</b>	<b>-11,467</b>	<b>-1,273</b>	<b>-13,278</b>	<b>-15,309</b>	<b>-302</b>	<b>11,394</b>
Interest and similar expenses	-10,635	-9,962	-4,870	-5,027	-10,382	-10,738	-10,888
<b>(Loss)/profit before KFAS, National Labour Support Tax, Zakat, Directors' remuneration and taxation on overseas subsidiaries</b>	<b>-71,114</b>	<b>-21,428</b>	<b>-6,144</b>	<b>-18,305</b>	<b>-25,691</b>	<b>-11,040</b>	<b>506</b>
Taxation on overseas subsidiaries	1,145	-528	84	-43	-61	-81	6
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	-542	0	0	0	0	0	0
Contribution to Zakat	-602	0	0	0	0	0	0
National Labour Support Tax (NLST)	-1,505	0	0	0	0	0	0
<b>(Loss)/ profit for the year</b>	<b>-72,617</b>	<b>-21,956</b>	<b>-6,060</b>	<b>-18,348</b>	<b>-25,752</b>	<b>-11,122</b>	<b>513</b>
<b>Attributable to :</b>							
<b>Shareholders of the parent company</b>	<b>-81,614</b>	<b>-16,797</b>	<b>-3,644</b>	<b>-11,688</b>	<b>-18,797</b>	<b>-8,133</b>	<b>376</b>
Minority interest	8,997	-5,159	-2,416	-6,660	-6,956	-2,989	137

Consolidated Balance Sheet							
(KWD '000)	2008A	2009A	1H09A	1H10A	2010E	2011E	2012E
<b>ASSETS</b>							
Cash and cash equivalents	55,269	43,373	42,177	44,815	34,566	35,119	35,912
Investments at fair value through statement of income	14,364	17,992	23,866	17,646	17,989	18,953	20,105
Receivables and other debit balances	67,697	54,418	64,787	52,795	53,824	54,775	56,853
Loans receivable	9,200	7,742	9,204	7,305	7,571	7,672	7,837
Due from related parties	25,879	33,693	31,785	40,718	42,780	44,182	45,986
Available for sale investments	79,422	81,998	78,790	58,443	69,132	71,000	72,173
Trading properties	0	6,160	4,717	4,110	4,110	4,110	4,110
Investment properties	20,050	16,010	26,546	15,618	16,312	16,600	17,030
Investment in associated companies	53,737	49,561	45,709	46,824	48,592	49,451	50,730
Goodwill	48,245	49,023	48,129	49,021	49,021	49,021	49,021
Properties under development	112,617	173,911	146,686	166,335	168,074	169,755	173,150
Capital work in progress	46,854	63,641	58,751	78,368	81,183	82,618	84,754
Property, plant and equipment	21,756	24,988	26,145	40,124	41,087	42,198	44,480
<b>Total Assets</b>	<b>555,092</b>	<b>622,510</b>	<b>607,293</b>	<b>622,122</b>	<b>634,242</b>	<b>645,455</b>	<b>662,141</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
Payables and other credit balances	77,743	84,189	92,539	90,627	91,965	93,591	96,010
Due to related parties	11,769	13,055	12,331	12,435	14,886	15,149	15,541
Term loan from a related party	1,720	1,720	1,720	1,720	1,720	1,720	1,720
Borrowings	156,571	181,111	169,147	185,448	190,233	193,596	195,290
Advances received from customers	118,991	168,678	144,486	182,969	193,919	211,002	222,670
<b>Total Liabilities</b>	<b>366,794</b>	<b>448,753</b>	<b>420,224</b>	<b>473,199</b>	<b>492,723</b>	<b>515,058</b>	<b>531,231</b>
<b>Equity</b>							
Share capital	72,000	72,000	72,000	72,000	72,000	72,000	72,000
Share premium	11,973	11,973	11,973	11,973	11,973	11,973	11,973
Treasury shares	-36,392	-36,046	-36,580	-35,821	-35,821	-35,821	-35,821
Statutory and voluntary reserves	61,650	61,650	61,650	61,650	61,650	61,650	61,650
Cumulative changes in fair value	455	4,555	2,345	-1,660	-1,660	-1,660	-1,660
Treasury shares profit reserve	1,362	0	0	0	0	0	0
Foreign exchange translation reserve	-5,230	-1,440	-1,944	-1,547	-1,547	-1,547	-1,547
Retained earnings	51,046	32,771	46,212	20,900	13,792	5,659	6,035
<b>Equity attributable to equity holders of the company</b>	<b>156,864</b>	<b>145,462</b>	<b>155,656</b>	<b>127,495</b>	<b>120,386</b>	<b>112,254</b>	<b>112,629</b>
Minority interest	31,434	28,294	31,413	21,428	21,132	18,143	18,280
<b>Total Liabilities and Equity</b>	<b>555,092</b>	<b>622,510</b>	<b>607,293</b>	<b>622,122</b>	<b>634,242</b>	<b>645,455</b>	<b>662,141</b>

<b>Consolidated Cash Flow Statement</b>							
<b>(KWD '000)</b>	<b>2008A</b>	<b>2009A</b>	<b>1H09A</b>	<b>1H10A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
<b>Cash Flows from Operating Activities</b>							
(Loss)/ profit for the year attributable to the shareholders of the parent company	-81,614	-16,797	-3,644	-11,688	-18,797	-8,133	376
<b>Adjustments:</b>							
Unrealised gain on investment properties (Loss) /gain on sale of available for sale investments	-758	4,256	320	187	187	0	0
Impairment in value of available for sale investments	496	840	671	3,321	3,321	0	0
Gain on sale of shares in a consolidated subsidiary company	43,054	2,487	2,430	1,107	1,107	0	0
Loss on sale of shares in associated companies	-9,111	-1,978	-1,804	0	0	0	0
Impairment in value of investment in associated companies	2,142	-1,043	-1,035	0	0	0	0
Gain on sale of properties under development	17,487	0	0	0	0	0	0
Dividend income	-40,491	-6,628	-5,496	-22	-336	-1,698	-3,809
Interest and similar income	-3,301	-1,702	-1,591	-843	-1,123	-2,656	-4,191
Interest and similar expenses	-5,015	-5,655	-3,205	-1,325	-2,595	-2,974	-3,395
Depreciation	10,635	9,962	4,870	5,027	10,382	10,738	10,888
Share of loss/(profit) from associated companies	1,182	1,667	727	1,294	2,169	2,324	2,364
Foreign exchange losses on non-operating assets and liabilities	6,172	1,654	1,115	2,492	2,586	-2,313	-5,073
<b>Operating profit before changes in working capital</b>	<b>-58,904</b>	<b>-9,906</b>	<b>-3,463</b>	<b>-722</b>	<b>-3,370</b>	<b>-4,712</b>	<b>-2,841</b>
<b>Changes in operating assets and liabilities</b>							
Investments at fair value through statement of income	51,295	-3,628	-9,502	346	3	-964	-1,152
Receivables and other debit balances	-21,553	13,280	2,911	5,113	594	-952	-2,078
Loans receivable	1,172	1,458	-4	437	171	-102	-165
Due from related parties	-2,088	-7,814	-5,906	-7,025	-9,087	-1,402	-1,804
Advances received from customers	97,451	62,424	35,960	25,849	25,241	17,083	11,668
Goodwill	-9,328	-778	116	0	2	0	0
Trading properties	325	-6,160	-4,717	2,050	2,050	0	0
Payables and other credit balances	11,251	6,446	14,796	6,438	7,776	1,626	2,419
Due to related parties	9,236	1,286	562	-619	1,832	263	392
<b>Net cash generated from operations</b>	<b>78,857</b>	<b>56,608</b>	<b>30,753</b>	<b>31,868</b>	<b>25,211</b>	<b>10,842</b>	<b>6,438</b>
Dividend income received	3,301	1,702	1,591	843	1,123	2,656	4,191
Interest income received	5,015	5,655	3,205	1,325	2,595	2,974	3,395
Interest paid	-10,635	-9,962	-4,870	-5,027	-10,382	-10,738	-10,888
<b>Net cash from operating activities</b>	<b>76,538</b>	<b>54,003</b>	<b>30,679</b>	<b>29,008</b>	<b>18,547</b>	<b>5,734</b>	<b>3,136</b>
<b>Cash Flows from Investing Activities</b>							
Proceeds from sale of shares in a consolidated subsidiary company	18,162	4,833	4,391	0	0	0	0
Net additions to investment in associated companies	-2,925	-2,803	-25,838	0	-1,618	1,454	3,795
Net addition to properties under development	-76,004	-67,402	-39,037	-19,861	6,173	17	414
Net additions to capital work in progress	-15,698	-16,786	-11,896	-14,728	-17,542	-1,435	-2,136
Net additions to property, plant and equipment	-7,183	-4,899	-5,116	-528	-18,268	-3,434	(4,646)
Net additions to investment properties	-315	0	-6,816	205	-489	-288	(429)
Net purchase of available for sale investments	-19,353	4,565	-23,211	-9,008	-16,207	-1,868	-1,173
Acquisition of shares in a consolidated subsidiary company	-16,650	-3,627	-2,225	0	0	0	0
<b>Net cash used in investing activities</b>	<b>-119,966</b>	<b>-86,119</b>	<b>-53,330</b>	<b>-25,491</b>	<b>-29,521</b>	<b>-5,555</b>	<b>-4,175</b>

<b>Consolidated Cash Flow Statement (Contd.)</b>							
<b>(KWD '000)</b>	<b>2008A</b>	<b>2009A</b>	<b>1H09A</b>	<b>1H10A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
<b>Cash Flows from Financing Activities</b>							
Loan obtained from banks/ repayment	23,092	16,394	5,388	5,857	9,121	3,363	1,694
Loan obtained from a related party	1,720	0	0	0	0	0	0
Changes in minority interest	8,498	-2,369	-383	-6,866	-7,162	-2,989	137
Net of proceeds/purchase of treasury shares	-3,837	-2,494	-2,742	42	42	0	0
Net movement on foreign currency translation reserve	-4,492	8,689	7,297	-1,108	165	0	0
<b>Net cash used in financing activities</b>	<b>24,981</b>	<b>20,219</b>	<b>9,560</b>	<b>-2,075</b>	<b>2,167</b>	<b>374</b>	<b>1,831</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>-18,448</b>	<b>-11,897</b>	<b>-13,092</b>	<b>1,443</b>	<b>-8,807</b>	<b>553</b>	<b>793</b>
Cash and cash equivalents at beginning of the period	73,717	55,269	55,269	43,373	43,373	34,566	35,119
<b>Cash and cash equivalents at end of the period</b>	<b>55,269</b>	<b>43,373</b>	<b>42,177</b>	<b>44,815</b>	<b>34,566</b>	<b>35,119</b>	<b>35,912</b>

## Financial Ratios

	2008A	2009A	1H09A	1H10A	2010E	2011E	2012E
<b>Margins</b>							
Interest and similar income to average interest earning assets	3.3%	7.6%	8.3%	3.8%	4.3%	4.8%	5.3%
Interest and similar income to Total income	NA	55.8%	34.5%	-66.2%	46.8%	14.2%	10.3%
Interest and similar expenses to average loans	7.2%	5.8%	5.9%	5.4%	5.5%	5.5%	5.6%
Interest and similar expenses to Total income	-29.7%	98.4%	52.4%	-251.1%	187.3%	51.2%	33.0%
Staff and related costs to Total income	NA	69.3%	35.9%	-175.3%	122.8%	33.1%	21.5%
<b>Profitability Ratios:</b>							
RoAE	-40.3%	-11.1%	-4.7%*	-17.1%*	-14.1%	-7.0%	0.3%
RoAA	-14.3%	-2.9%	-1.3%*	-3.8%*	-3.0%	-1.3%	0.1%
<b>Leverage Ratios:</b>							
Debt to Equity (D/E) Ratio (x)	1.01	1.26	1.10	1.47	1.59	1.74	1.75
Shareholders' Equity to Total Assets Ratio (x)	0.28	0.23	0.26	0.20	0.19	0.17	0.17
Total Liabilities to Total Assets Ratio (x)	0.66	0.72	0.69	0.76	0.78	0.80	0.80
<b>Growth Rates:</b>							
YoY Growth in Total (losses)/income	NA	NA	-75.6%	NA	-45.3%	278.1%	57.2%
YoY Growth in Operating Profit	NA	NA	NA	NM	NA	NA	NA
YoY Growth in EBITDA	NA	NA	NA	NM	NA	NA	580.6%
YoY Growth in Net Profit	NA	NA	NA	220.8%	NA	NA	NA
YoY Growth in Total Assets	-5.5%	12.1%	4.9%	2.4%	1.9%	1.8%	2.6%
YoY Growth in Shareholders' Equity	-36.7%	-7.3%	-32.1%	-18.1%	-17.2%	-6.8%	0.3%
<b>Ratios used for Valuation:</b>							
Adj. EPS (KWD)	-0.125	-0.026	-0.011*	-0.036*	-0.029	-0.012	0.001
Adj. BVPS (KWD)	0.24	0.22	0.24	0.19	0.24	0.19	0.18
P/E Ratio (x)	-0.49	-2.38	-5.48	-1.71	-2.12	-4.91	106.36
P/BV Ratio (x)	0.25	0.27	0.26	0.31	0.26	0.31	0.33
Current Market Price** (KWD)	0.061	0.061	0.061	0.061	0.061	0.061	0.061

\* Annualised

NA – Not Applicable; NM – Not Meaningful

\*\* Price as on August 23, 2010

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