

Commercial Facilities Company

Tickers:
FACI.KW (Reuters)
FACIL KK (Bloomberg)

May, 2009

BUY

Listing:
Kuwait Stock Exchange

Current Price:
285 fils (As on May 12th, 2009)

Investment Summary

- **Commercial Facilities Company (CFC)** posted a net profit of KD15.2mn in 2008, exhibiting a decline of 58.2%YoY in the bottom-line of the company. The decline in profits was directly attributed to the investments losses amounted to KD7.2mn last year, which was normal, given the collapse of financial markets around the world. Still, the company's profits have outperformed the overall market, and also its sector.
- Installment income, the company's main source of operational revenues, has decreased slightly by 3.5% to KD42.5mn in 2008 from KD44.1mn 2007. On the other hand, the cost of borrowings in nominal terms has also decreased by 21.9% over the same period. Thus, operating profits margin has increased in 2008.
- Despite the credit crunch late in 2008, the company has been able to increase its gross profits (income from credit installment minus cost of borrowing) by 5.0%. The cause for increasing gross profits was directly attributed to the increase in spread between lending rate and borrowing rate.
- CFC's assets continued its growth in 2008, increasing from KD381.7mn to reach KD400mn, a growth rate of 4.8%. The major asset that constituted 80.5% was the net installment debtors, which decreased last year because of an increase in provisions combined with a decrease in loans originations.
- This assets growth was financed by the growth in liabilities which increased by 14.6% from KD217mn in 2007 to reach KD249mn in 2008. Total debt of the company constituted 29.2% short term debt, and 70.8% long term debt.
- CFC is focused on providing credit lending to individuals. Lending includes car financing, house-furnishing loans, and simple cash loans. According to management, 60% of the outstanding loans are car financing. Besides, the average loan amount is close to KD3,400 and the top 100 clients' outstanding loans contribute less than 1% of the total loan portfolio of CFC.

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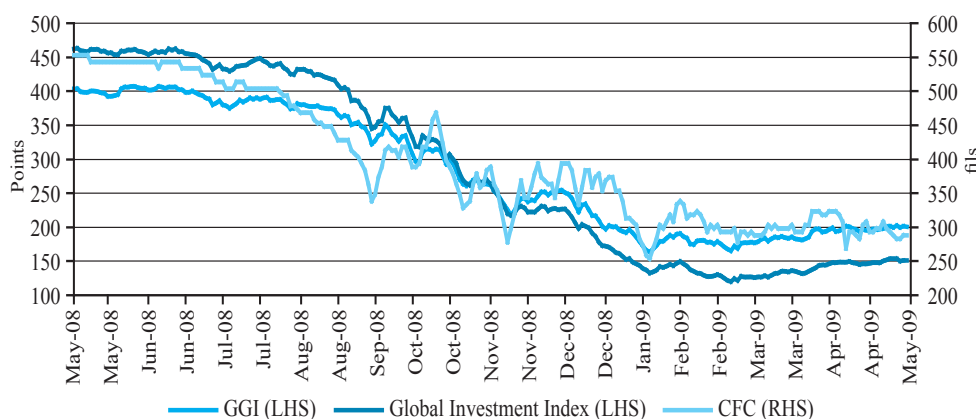
- First quarter results were announced on May 7 2009. The company has sustained losses of KD3.8mn (EPS of 7 fils) in the first quarter, as compared to profits of KD9.6mn (EPS of 18 fils) in 1Q2008. Details of the results are yet to be announced.
- The credit market in Kuwait is going through challenging times, but these troubles are mainly concentrated in the corporate lending sector. Consumer credit is less affected by the crisis. Besides, most of CFC's clients are Kuwaiti nationals, of which approximately 80% are employed by the government sector. Thus, the client base for CFC still enjoys a strong income stream that would enable them to continue borrowing.
- Based on the current market price of 285 fils/share (as on May 12, 2009), CFC is trading at a 2009E P/E and P/BV multiple of 9.5x and 1.0x respectively. Our estimated value for CFC scrip is worked out to be 355fils based on DDM (80%) and peer group relative valuation approach (20%). According to our fair value the company scrip offers an upside of 24.6% on the closing price of 285fils per share; we therefore recommend a **BUY** on the scrip.

Table 01: Investment Indicators

Price (May 12, 2009) - fils		Shares in issue (mn)		Market Cap - KD mn				52 - week price range	
285		536.8		153.0				250 - 550 fils	
	Operating Revenues	Operating Profit	Net Profit	EPS	BVPS	ROAA	ROAE	P/E	P/BV
Year	(KD mn)	(KD mn)	(KD mn)	(fils)	(fils)	(%)	(%)	(x)	(x)
2010F	42.1	28.0	24.4	45	316	6.2%	14.9%	6.3	0.9
2009F	39.8	26.9	16.0	30	293	4.1%	10.4%	9.5	1.0
2008A	42.5	27.2	15.2	28	281	3.9%	9.7%	13.2	1.3
2007A	44.1	25.8	36.5	68	306	9.7%	23.6%	8.0	1.8

Source: **Global Research**.

Historical P/E & P/BV multiples pertain to respective year -end prices, while those for future years are based on closing prices on the KSE as of May 12, 2009.

Chart 01: Performance of CFC vs Global General Index (GGI) & Global Investment Index

Source: **Global Research & KSE**

Recent Developments

- In January 2008, CFC acquired 37.23% interest in Priority Automobile Company K.S.C (Closed) which specializes in renting and leasing of luxury cars. CFC's investment in the leasing company is KD2.0mn.
- On February 1 2008, a CFC subsidiary, Tasshilat Real Estate Finance Company, started operations. The subsidiary sole activity is to provide real estate financing. CFC ownership amounts to 25%.

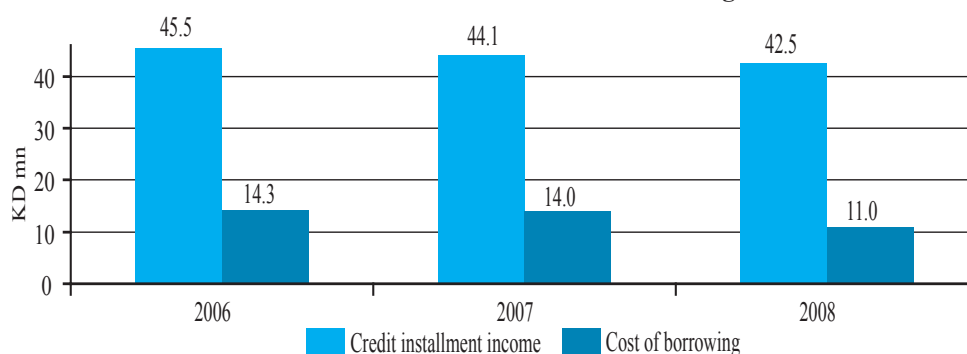
Analysis of 2008 Performance:

Net Income decreased, but Operating Income increased

Due to the collapse in the financial markets around the world, the company was not able to sustain its bottom-line income growth. The decline was mainly caused by the losses in the investment portfolio of the company. These losses were expected, given the heavy losses that were sustained by all types of investments (equities, fixed-income, commodities, etc..) around the world. The investments losses amounted to KD7.2mn last year. This has resulted net income to drop from KD36.5mn in 2007 to reach KD15.2mn in 2008, a decrease by 58.2%.

Still, this performance is strong, given the market conditions. In fact, the company's profits have outperformed the overall market, and also its sector. For example, the investment sector incurred losses of KD603mn, excluding companies that have not yet reported their financial earnings at the time of writing this report. Besides, the total earnings earned by Kuwaiti listed companies (excluding non-Kuwaiti and parallel sectors) have declined by 91.9% in 2008.

Chart 02: Income from Credit Installment vs Cost of Borrowing.

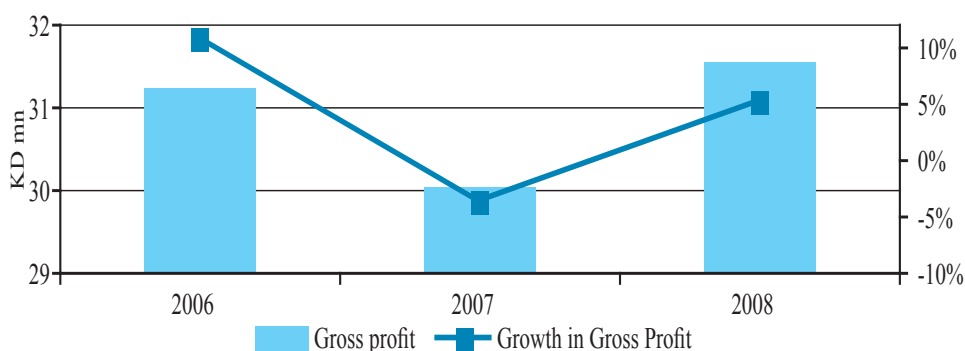


Source: *Global Research & Company's Reports*

Installment income, the company's main source of operational revenues, has decreased slightly by 3.5% in 2008 as compared to 2007. This decrease in installment income follows the overall market decline in loan originations, as a direct cause of the credit crunch the country is going through. On the other hand, the cost of borrowings has also decreased by 21.9% over the same period. Because most of the borrowing was dominated with US dollar, the decline in the cost of borrowing was caused by the gradual decline in US interest rates that was taking place last year. Since the decline in the cost of borrowing was faster than decrease in the income from credit installment, spread has increased.

Despite the credit crunch late in 2008, the company has been able to increase its gross profits (income from credit installment minus cost of borrowing) by 5.0%. The cause for increasing gross profits was directly attributed to the increase in spread between lending rate and borrowing rate. The interest-bearing loan portfolio for Commercial Facilitates constituted 40.8% Kuwaiti Dinar, and the rest (59.2%) was USD denominated. The weighted average of borrowing rate for the US dollar loans declined by 129 basis points (bps) in 2008, as compared to 2007. At the same time, the weighted average KD borrowing rate declined by 180 bps. This growth comes after a decline in gross profits in 2007 by 3.8%.

Chart 03: Gross Profits and its Growth



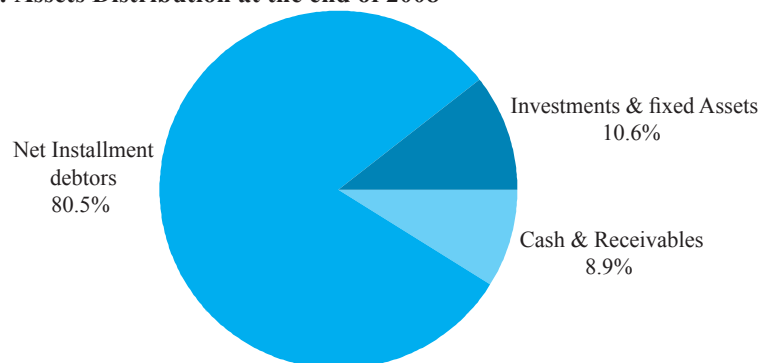
Source: **Global Research & Company's Reports**

The company was able to lower its operational expenses by 1.4% in 2008 to reach KD4.4mn. This decrease in expenses, coupled with gross profit increase, enabled the company's to experience a growth in operating income by 5.6% to reach KD27.2mn.

Assets still on the Rise

Assets continued its growth in 2008, increasing from KD381.7mn to reach KD400mn, a growth rate of 4.8%. The major asset that constituted 80.5% was the net installment debtors, which decreased last year because of an increase in provisions combined with a decrease in loans originations. This decline in loan origination is one of the precautionary moves by management to weather the financial troubles. Besides, the company's cash holding jumped by more than 11 times from KD2.1mn in 2007 to reach KD24.7mn in 2008, which also shows the conservatism strategy followed by company during turbulent times.

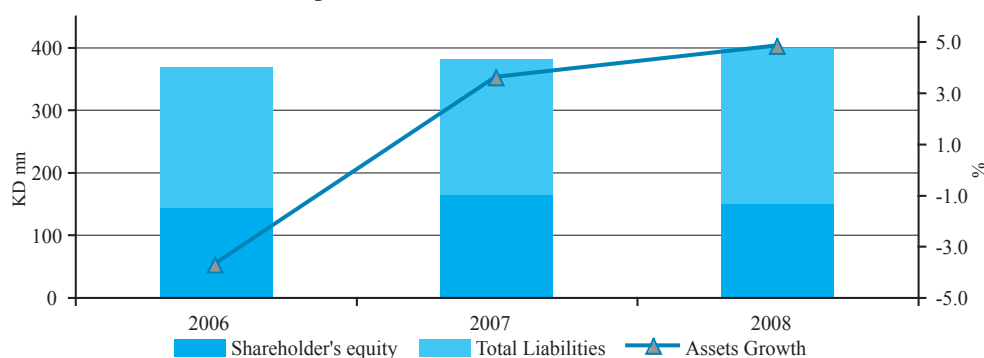
Chart 04: Assets Distribution at the end of 2008



Source: **Global Research & Company's Reports**

This growth was financed by the growth in liabilities which increased by 14.6% from KD217mn in 2007 to reach KD249mn in 2008. On the other hand, shareholder's equity decreased by 8.2% over the same period. This decline was mainly due the distribution of dividends (KD 24.9mm) more than the profits (KD 15.2mm in 2008) the company has earned last year. This move by the company shows management's confidence on the prospect of the company future. The Debt to equity ratio for the company was 1.53x in 2008 up from 1.23x in 2007. Total debt of the company constituted 29.2% short term debt, and 70.8% long term debt.

Chart 05: Assets Size, Components & Growth



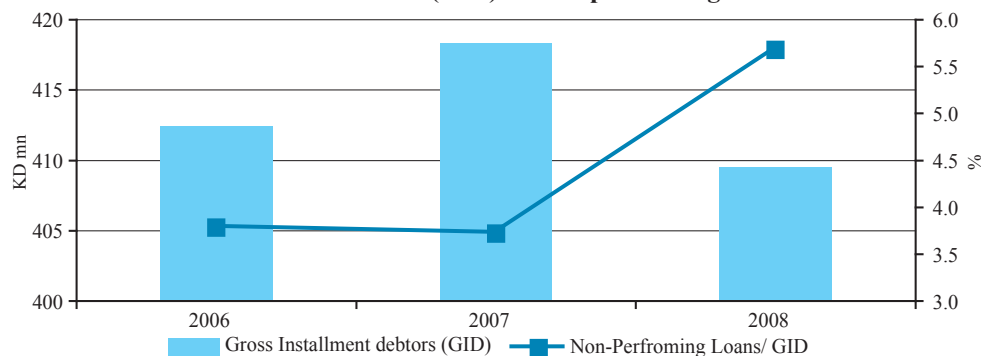
Source: *Global Research & Company's Reports*

Diversified Loan Portfolio

CFC is focused on providing credit lending to individuals. Lending includes car financing, house-furnishing loans, and simple cash loans. According to management, 60% of the outstanding loans are car financing. Besides, the average loan amount is close to KD3,400 and the top 100 clients' outstanding loans contribute less than 1% of the total loan portfolio of CFC.

In addition, 89% of the clients are Kuwaiti citizens, whereas the rest are expatriates living in Kuwait. Majority of clients are returning customers who had previously borrowed from CFC. The company maintains a well maintained database about the financial history of its customers. We can conclude that loan portfolio is retail and well-diversified, and the company is not exposed to commercial loans, and no major write-downs are expected.

Chart 06: Gross Installment Debtors (GID) & Non-performing Loans relative to GID



Source: *Global Research & Company's Reports*

Non-performing loans:

Non-performing loans relative to the total loans stood at 5.7% at the end of 2008, as compared to 3.7% in 2007. The increase in nonperforming loans to the overall loan portfolio is normal, given the market conditions. Besides, local political and social factors partially contributed to the increased in nonperforming loans. An example of that includes the promises that were being made by members of the parliament to write-off citizen's debt.

However, the management seemed to have taken cautionary steps to protect the company from the financial crisis. Firstly, the company gross loans decreased by 2.1% which means maturing loans were greater in value than newly originated ones. This caused cash holding to increase in 2008 by more than three times.

Another cautionary step taken by management was taking more provisions which amounted to 1.51x times its total non-performing loan portfolio. This has resulted in growth in provisions by 15.9% last year from KD30.3mn in 2007 to reach KD35.1mn in 2008.

First Quarter of 2009

First quarter results were announced on May 7 2009. The company has sustained losses of KD3.8mn (EPS of 7 fils) in the first quarter, as compared to profits of KD9.6mn (EPS of 18 fils) in 1Q2008. Details of the results are yet to be announced.

Outlook

The credit market in Kuwait is going through challenging times, but these troubles are mainly concentrated in the corporate lending sector. Consumer credit is less affected by the crisis. Besides, most of CFC's clients are Kuwaiti nationals, of which approximately 80% are employed by the government sector. Thus, the client base for CFC still enjoys a strong income stream that would enable them to continue borrowing. However, there will be some consumer segments being affected by the crisis, given the decline in wealth resulted from financial assets value fall, especially in the stock market. Still, this wealth decline will not be substantial to severely hurt the consumer credit market.

The new financial stability law will provide protection for only banks, leaving out many credit lenders, such as, CFC. However, some investments companies will be able to benefit from the law, but they will have to accept the tight requirements imposed by the law. Therefore, we do not think CFC will apply to benefit from the government aid of KD1.5bn aimed for investment companies. Nevertheless, CFC will still be able to benefit from this law indirectly. The benefit will come in the form of a better credit environment. Besides, liquidity will be more available than it was in the midst of the credit crunch.

Valuation & Recommendation

For arriving at the fair value of BISB, we have used two valuation methods:

1. Cash flow approach represented by the Dividend Discounting Model (DDM).
2. P/BV target multiple approach.

Dividend Discount Model (DDM):

The DDM model is based on a 4-year forecast of dividends as cash flows (2009-12). The dividends for the forecasted period and the terminal value are then discounted back at the cost of equity to arrive at the total net present value (NPV) of the bank. In our calculations, we have made the following assumptions in order to arrive at the equity value of CFC:

1. Cost of Equity derived using Capital Asset Pricing Model.
 - a. Risk free rate of 6.5%.
 - b. Equity risk premium of 6.0%.
 - c. Beta of 1.0.
2. Terminal growth rate of 3.0%.

Table 02: DDM Valuation

	2009 F	2010 F	2011 F	2012 F
Amounts in KD '000	0.64	1.64	2.64	3.64
Dividends	11,230	16,165	20,179	20,934
NPV of Dividends	10,416	13,325	14,784	13,631
Terminal Growth Rate	3.00%			
Terminal Value 2012F	226,607			
PV of Terminal Value	147,554			
Total Value	199,710			
No of shares	536,764			
Value Per Share (fils)	372			

Source: *Global Research*

Based on our assumptions and dividends forecast, DDM valuation yielded a price of 372 fils per share for CFC. We have put an 80% weight on DDM valuation method, to derive the share value.

Sensitivity – DDM

We have also prepared a sensitivity analysis for the estimated fair price based on various terminal growth rates and COE.

Table 03: DDM Sensitivity

		Terminal Growth rate				
		1.5%	2.5%	3.0%	3.5%	4.5%
Cost of Equity	11.0%	385	421	443	467	528
	12.0%	347	376	393	412	457
	12.5%	331	357	372	389	428
	13.0%	316	340	353	368	403
	14.0%	291	310	321	333	360

Source: *Global Research*

Peer Group Valuation

The peer group valuation is performed to compare the intrinsic value of CFC arrived at using the DDM method. The peer group valuation is done by comparing the price to Book Value (P/BV) multiples enjoyed by similar companies. Within the investment sector in Kuwait there are many listed companies though not all are comparable because of their diverse nature of activities. We believe that a representative group of comparable companies for the purpose of calculating average P/BV ratio should include the finance companies that provide consumer credit products.

The average P/BV multiple for the finance companies in Kuwait (as on May 12, 2009) is around 1.02x. Therefore value of CFC's stock is 288 fils per share based on the estimated book value for FY2008. As the book value multiples vary with time and are dependent on several factors such as market sentiment and other qualitative factors, we have provided 20% weightage to the P/BV multiple and 80% to the DDM method.

Table 04: Valuation

	Value Per Share (fils)	Weightage
As per DDM method	372	80%
As per P/BV multiple	288	20%
Weighted Value	355	100%

Source: *Global Research*

Based on the current market price of 285 fils/share (as on May 12, 2009), CFC is trading at a 2009E P/E and P/BV multiple of 9.5x and 1.0x respectively. Our estimated value for CFC scrip is worked out to be 355fils based on DDM (80%) and peer group relative valuation approach (20%). According to our fair value the company scrip offers an upside of 24.6% on the closing price of 285fils per share; we therefore recommend a **BUY** on the scrip.

BALANCE SHEET

Commercial Facilities Company							
Amount in KD '000	2006	2007	2008	2009 F	2010 F	2011 F	2012 F
Cash & cash equivalents	6,810	2,102	24,715	11,950	4,886	9,759	6,135
Quoted Investments (Held for trading)	16,157	25,887	10,299	11,782	12,018	12,979	13,953
Other receivables & advances	2,362	2,650	10,887	2,177	4,790	2,874	3,162
Gross Installment debtors (GID)	412,398	418,304	409,474	440,185	477,600	530,136	577,849
Less Deferred Income	(65,880)	(64,090)	(52,145)	(74,831)	(81,192)	(90,123)	(86,677)
GID Less Deferred Income	346,518	354,214	357,329	365,353	396,408	440,013	491,171
Less : Provision	(26,841)	(30,297)	(35,125)	(44,390)	(51,533)	(57,202)	(63,852)
Net Installment debtors	319,677	323,917	322,204	320,963	344,875	382,811	427,319
Total Current Assets	345,006	354,556	368,105	346,873	366,569	408,423	450,568
Unquoted investments (Available for sale)	21,573	17,258	18,811	19,281	19,763	20,949	21,997
Investment in affiliates	451	6,438	9,385	11,731	12,904	13,550	14,227
Gross fixed assets	2,987	4,943	5,233	5,495	5,769	6,058	6,361
Accumulated depreciation	(1,449)	(1,495)	(1,514)	(1,679)	(1,852)	(2,034)	(2,224)
Net fixed assets	1,538	3,448	3,719	3,816	3,917	4,024	4,136
Total Assets	368,568	381,700	400,020	381,701	403,154	446,946	490,928
Liabilities							
Due to banks	195	9,949	-	500	3,500	2,625	2,231
Trade creditors	3,326	4,013	2,606	2,736	2,873	3,017	3,168
Provision for staff indemnity	2,284	2,777	3,246	3,636	3,817	4,199	4,619
Accrued Liabilities	6,134	7,669	12,847	13,489	14,501	15,661	17,540
Current portion of LT loans	54,715	52,678	67,267	61,196	59,478	69,175	77,822
Total Current Liabilities	66,654	77,086	85,966	81,557	84,169	94,677	105,380
Long term loans	123,591	140,276	163,189	142,790	149,216	169,360	190,530
Bonds	34,000	-	-	-	-	-	-
Total Liabilities	224,245	217,362	249,155	224,347	233,385	264,037	295,911
Paid-up capital	48,227	51,120	53,676	53,676	53,676	53,676	53,676
Share Premium	1,433	1,433	1,433	1,433	1,433	1,433	1,433
Legal reserve	31,260	35,055	36,662	38,335	40,871	43,842	47,130
Voluntary reserve	31,260	35,055	37,856	39,529	42,065	45,036	48,324
Land Revaluation reserve	107	2,042	2,042	2,042	2,042	2,042	2,042
Cumulative changes in fair value	1,844	1,628	109	65	39	24	14
Foreign currency translation reserve	58	34	(86)	(86)	(86)	(86)	(86)
Retained earnings	39,441	43,982	27,288	29,249	37,313	43,764	48,619
Gain on Treasury shares	40	47	47	47	47	47	47
Treasury shares	(9,347)	(6,058)	(8,162)	(6,938)	(7,631)	(6,868)	(6,181)
Shareholder's equity	144,323	164,338	150,865	157,353	169,769	182,909	195,017
Total Equity & Liabilities	368,568	381,700	400,020	381,701	403,154	446,946	490,928

PROFIT & LOSS STATEMENT

	Commercial Facilities Company					
<i>Amount in KD '000</i>	2006	2007	2008	2009 F	2010 F	2011 F
Income from installment credit	45,496	44,072	42,508	39,799	42,075	47,851
Cost of borrowing	(14,258)	(14,027)	(10,956)	(8,384)	(9,761)	(12,661)
Gross profit	31,238	30,045	31,552	31,415	32,314	35,191
G&A expenses						
Staffing	(2,561)	(3,220)	(3,000)	(3,150)	(3,308)	(3,736)
Other	(780)	(1,066)	(1,346)	(1,380)	(969)	(1,056)
Operating profit	27,897	25,759	27,206	26,886	28,037	30,399
Profit / Loss from investments	687	5,829	(7,253)	1,864	2,542	2,884
Provision for Doubtful Debts	(846)	(3,497)	(5,425)	(9,265)	(7,143)	(5,669)
Revaluation of land	-	-	-	-	-	-
Other income	2,575	9,880	590	(3,226)	1,402	1,520
Income from affiliates	(72)	(18)	948	474	521	574
Profit before KFAS & Directors Remuneration	30,241	37,953	16,066	16,732	25,360	29,708
Contribution to KFAS	(302)	(380)	(161)	(167)	(254)	(297)
National Labour Support Tax and Zakat	(746)	(967)	(553)	(411)	(625)	(732)
Director's remuneration	(126)	(126)	(105)	(110)	(116)	(122)
Net profit	29,067	36,480	15,247	16,043	24,366	28,557
P&L Appropriation Account:						
Op Balance of Retained Earnings	40,010	39,441	43,982	27,288	29,249	37,313
Net Profit for the year	29,067	36,480	15,247	16,043	24,366	28,557
Issue of Bonus Shares	(4,385)	(2,893)	(2,556)	-	-	-
Trfr to Legal Reserve	(3,024)	(3,795)	(1,607)	(1,673)	(2,536)	(2,971)
Trfr to Voluntary Reserve	(3,024)	(3,795)	(2,801)	(1,673)	(2,536)	(2,971)
Dividend	(19,237)	(21,456)	(24,977)	(10,735)	(11,230)	(16,165)
Trf to P&L on sale of available for sale inv>ts	34	-	-	-	-	-
Sale of Treasury Shares	-	-	-	-	-	-
Cl Balance of Retained Earnings	39,441	43,982	27,288	29,249	37,313	43,764
						48,619

CASH FLOW STATEMENT

<i>Amount in KD '000</i>	2006	2007	2008	2009 F	2010 F	2011 F	2012 F
Operating							
Profit from Operations	30,241	37,953	16,066	16,732	25,360	29,708	32,876
Depreciation	86	74	74	165	173	182	191
Profit / Loss from Investments	(687)	(5,829)	7,253	(1,864)	(2,542)	(2,884)	(3,235)
Interest and other income	(197)	(225)	(199)	3,226	(1,402)	(1,520)	(1,698)
Share of profit / loss of associated companies	72	18	(948)	(474)	(521)	(574)	(631)
Provision for doubtful debts	846	3,497	5,425	9,265	7,143	5,669	6,651
Provision for staff indemnity	520	552	615	467	218	458	504
Dividend income	(1,062)	(1,405)	(969)	(311)	(795)	(848)	(899)
Foreign currency translation - investment	(136)	337	-	-	-	-	-
Gain on disposal of Property & Equipment	-	-	(6)	-	-	-	-
Cash From Operating Activities Before WC Changes	29,683	34,972	27,311	27,207	27,634	30,191	33,759
Installment debtors	24,718	(7,737)	(3,712)	(8,024)	(31,055)	(43,605)	(51,158)
Other receivables and advances	(1,357)	(288)	(8,237)	8,021	(3,607)	765	(1,554)
Trade Creditors and accrued liabilities	(3,079)	749	2,846	773	1,149	1,304	2,030
Changes in working capital:	20,282	(7,276)	(9,103)	769	(33,514)	(41,536)	(50,682)
Staff Idemnity paid	(336)	(59)	(146)	(78)	(36)	(76)	(84)
Interest received	197	225	199	(3,226)	1,402	1,520	1,698
Dividends received	1,062	1,405	969	311	795	848	899
Cash From Operating Activities	50,888	29,267	19,230	24,983	(3,720)	(9,053)	(14,410)
Investing							
Fixed Assets	(29)	(49)	(339)	(262)	(275)	(288)	(303)
Purchase of investments	(15,201)	(22,752)	(12,277)	(1,997)	(744)	(2,163)	(2,030)
Proceeds from sale of investments	5,498	22,826	17,468	1,864	2,542	2,884	3,235
(Investment in) /proceeds from associated companies or subsidiaries	-	(6,242)	(1,999)	(1,872)	(652)	(72)	(47)
Cash From Investing Activities	(9,732)	(6,217)	2,853	(2,267)	872	361	856
Financing							
Dividend paid to shareholders	(19,204)	(21,456)	(24,919)	(10,735)	(11,230)	(16,165)	(20,179)
Change in due to banks	(8,890)	9,754	(9,949)	500	3,000	(875)	(394)
Change in terms loans	(5,901)	14,648	37,502	(26,470)	4,707	29,842	29,817
Net purchase of / proceeds from treasury shares	(1,972)	3,296	(2,104)	1,224	(694)	763	687
Change in bonds	-	(34,000)	-	-	-	-	-
Cash From Financing Activities	(35,967)	(27,758)	530	(35,481)	(4,216)	13,565	9,931
Net Increase/Decrease in cash	5,189	(4,708)	22,613	(12,765)	(7,064)	4,873	(3,624)
Cash & Cash Equivalents at the beginning of year	1,621	6,810	2,102	24,715	11,950	4,886	9,759
Cash & Cash Equivalents at end of year	6,810	2,102	24,715	11,950	4,886	9,759	6,135

FACT SHEET

	Commercial Facilities Company						
	2006	2007	2008	2009 F	2010 F	2011 F	2012 F
PROFITABILITY							
Growth in gross installment credit portfolio	-7.1%	1.4%	-2.1%	7.5%	8.5%	11.0%	9.0%
Total return on installment credit	10.6%	10.6%	10.3%	9.4%	9.2%	9.5%	9.6%
Net return on installment credit	7.3%	7.2%	7.6%	7.4%	7.0%	7.0%	7.1%
Interest paid to borrowings	6.7%	6.9%	4.8%	4.1%	4.6%	5.3%	5.3%
Interest paid to average borrowings	6.5%	6.8%	5.1%	3.9%	4.7%	5.6%	5.6%
Net Interest Spread	4.1%	3.9%	5.2%	5.5%	4.5%	3.9%	4.1%
Operating profit margin	61.3%	58.4%	64.0%	67.6%	66.6%	63.5%	63.6%
Net profit margin	63.9%	82.8%	35.9%	40.3%	57.9%	59.7%	59.2%
Return on average equity	20.3%	23.6%	9.7%	10.4%	14.9%	16.2%	16.7%
Return on average assets	7.7%	9.7%	3.9%	4.1%	6.2%	6.7%	6.7%
LEVERAGE							
Debt	212,501	202,903	230,456	204,486	212,194	241,160	270,584
Equity	144,323	164,338	150,865	157,353	169,769	182,909	195,017
Debt %	59.6%	55.3%	60.4%	56.5%	55.6%	56.9%	58.1%
Equity %	40.4%	44.7%	39.6%	43.5%	44.4%	43.1%	41.9%
Debt to equity ratio (x)	1.47	1.23	1.53	1.30	1.25	1.32	1.39
Interest coverage (over operating profit)	2.0	1.8	2.5	3.2	2.9	2.4	2.4
LIQUIDITY							
Current ratio (x)	2.09	1.98	2.08	1.94	1.95	1.94	1.89
Debt equity ratio (x)	1.47	1.23	1.53	1.30	1.25	1.32	1.39
Total liabilities to equity (x)	2.55	2.32	2.65	2.43	2.37	2.44	2.52
CREDIT QUALITY							
NPL (as a % of Gross Loans)	3.8%	3.7%	5.7%	6.2%	6.9%	6.8%	6.8%
Provision (as a % of Gross Loans)	6.5%	7.2%	8.6%	10.1%	10.8%	10.8%	11.1%
NPL Coverage ratio	172.1%	195.0%	151.1%	162.7%	156.4%	158.7%	162.5%
RATIOS USED FOR VALUATION							
Par value (fils)	100	100	100	100	100	100	100
Market price of the share (fils)*	548	543	375	285	285	285	285
Book value per share (fils)	268.9	306.2	281.1	293.2	316.3	340.8	363.3
EPS (fils)	54.2	68.0	28.4	29.9	45.4	53.2	58.9
P/E**	10.1	8.0	13.2	9.5	6.3	5.4	4.8
P/BV**	2.0	1.8	1.3	1.0	0.9	0.8	0.8
Cash dividend payout ratio	73.8%	68.5%	70.4%	70.0%	66.3%	70.7%	66.2%

* Market price for 2009 and subsequent years as per closing price on Kuwait SE on May 12, 2009.

**Historical P/E & P/BV multiples pertain to respective year -end prices, while those for future years are based on closing prices on the KSE as of May 12, 2009.

The following is a comprehensive list of disclosures which may or may not apply to all our researches. Only the relevant disclosures which apply to this particular research has been mentioned in the table below under the heading of disclosure.

Disclosure Checklist

Company	Recommendation	Ticker	Price	Disclosure
Commercial Facilities Company	BUY	FACI.KW (Reuters) FACIL KK (Bloomberg)	285 fils	1, 10
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Global Rating	Definition
Buy	Fair value of the stock is >10% from the current market price
Hold	Fair value of the stock is between +10% and -10% from the current market price
Reduce	Fair value of the stock is between -10% and -20% from the current market price
Sell	Fair value of the stock is < -20% from the current market price

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