

Lowering Our Fair Value; Retain Buy Rating

FAIR VALUE CHANGE

BANKS | KUWAIT

1Q2010 Net Income Below Our Expectations; Provisioning Remains High

Burgan Bank reported 1Q2010 net income of KWD1.9 million, well below our forecast of KWD13 million, as provisioning was much higher than expected. Earnings declined by 83% Y-o-Y, although they recovered from the KWD8 million net loss reported in 4Q2009 thanks to a slight decline in credit provisioning and higher investment income. Asset growth was muted and slightly below our expectations, with the net loan book contracting by 2% Q-o-Q.

Cutting Our 2010 Forecasts; Recovery in Earnings to be Delayed until 2011

We have lowered our net profit estimate for 2010 to KWD17 million from KWD54 million after increasing our provisioning forecasts. Management does not anticipate a significant inflow of fresh NPLs this year, and in turn expects NPLs to decline thanks to recoveries and restructuring. However, the ageing of existing NPLs (most of Burgan's NPLs were created in 2009) means that further provisioning will be required in the coming quarters according to Kuwait's Central Bank rules. We now expect the bank's return to normalised profitability levels to be delayed until 2011.

Fair Value Lowered to KWD0.47, Buy Rating Maintained

We have lowered our fair value (FV) estimate to KWD0.47 from KWD0.53. Our FV implies what we believe is a conservatively estimated P/BV of 1.4x in 2011. At the current estimated 2011 P/E of 8.6x and P/BV of 1.1x, Burgan continues to trade at a large discount to the Kuwait banks' average multiples. While we believe that a discount to its larger peer, National Bank of Kuwait (NBK), is justified, we still believe that the shares are fundamentally undervalued and fail to reflect the bank's medium-term growth prospects from the regional entities bought in 2008-2009 (particularly Algeria and Iraq). Our FV estimate implies 33% upside potential. We therefore retain our Buy rating on the stock.

FINANCIAL HIGHLIGHTS

December Year End (KWD mn)	2009a	2010e	2011e	2012e
Banking Income	155	159	192	227
Operating Income (Pre-Provisions)	111	106	131	158
Net Attributable Income	6	17	57	69
EPS (KWD)	5.17	6.13	7.42	8.59
P/E* (x)	62.0	26.3	8.6	7.1
P/BV* (x)	1.2	1.1	1.1	1.0
Dividend Yield	0.0%	1.0%	5.1%	7.6%
ROAE	2.0%	4.6%	12.5%	14.2%
Capital Adequacy Ratio	16.9%	18.6%	17.1%	16.1%
NPL Coverage	49%	78%	78%	81%

*Price as at 17 May 2010

Source: EFG Hermes estimates



المجموعة المالية هيرميس
EFGHERMES

Elena Sanchez-Cabezudo, CFA

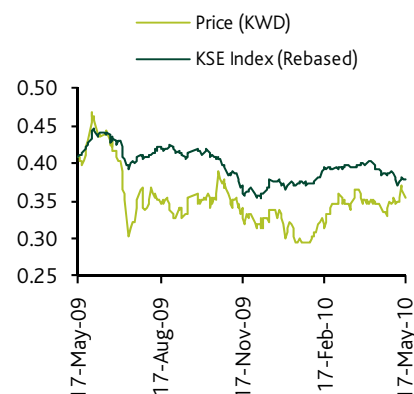
+20 2 35 35 6145

esanchez@efg-hermes.com

STOCK DATA

Price	KWD0.36*
Fair Value	KWD0.47
Last Div. / Ex. Date	KWD0.06 on 25 Mar 08
Mkt. Cap / Shares (mn)	KWD497.5 / 1,401
Av. Mthly Liqdt (mn)	KWD11.5
52-Week High / Low	KWD0.47 / KWD0.29
Bloomberg / Reuters	BURG KK / BURG.KK
Est. Free Float	44%

SHARE PRICE PERFORMANCE RELATIVE TO KSE REBASED



CONTENTS

I. 1Q2010 NET PROFIT BELOW EXPECTATIONS	2
II. LOWERING OUR EARNINGS FORECASTS	4
III. FAIR VALUE LOWERED TO KWD0.476	
IV. FINANCIAL FORECASTS	7



I. 1Q2010 NET PROFIT BELOW EXPECTATIONS

Provisioning absorbs 77% of Burgan's operating income in 1Q2010

Provisioning Trend Improves Q-o-Q, but Charges Higher than Forecasted

Burgan Bank's 1Q2010 net profit of KWD1.9 million came in well below our estimate of KWD13.2 million, with the main area of disappointment versus our forecast being credit provisioning charges. Provisioning remained high in 1Q2010, with the charges through the income statement accounting for 77% of operating income. Although the trend has improved slightly Q-o-Q (provisioning absorbed 109% of operating earnings in 4Q2009), the 1Q2009 charge is still ahead of the quarterly provisioning burden of 69% reported in 2009.

Burgan did not disclose non-performing loans (NPLs) data for 1Q2010 (Kuwaiti banks only report NPL ratios at the year-end mark). NPLs had increased 6.6x during 2009, and the NPL ratio rose to 10% in December 2009 from 1.4% in December 2008. Loan loss provisions covered c50% of NPLs in 2009 compared to 199% in 2008. The coverage ratio as at December 2009 was c90% when collateral is accounted for.

Provisioning in 1Q2010 driven by ageing of existing NPLs rather than by NPL inflows

According to management, NPLs did not experience a significant increase during 1Q2010, with the large provisioning charge in 1Q2010 being the result of the ageing of existing NPLs and the need to set aside provisions according to the Central Bank of Kuwait's rules (NPLs overdue for more than 360 days need to be 100% provisioned, while NPLs, which are overdue for more than 180 days and 90 days, need to be provisioned by 50% and 20%, respectively).

Weak Balance Sheet Growth

The loan book contracted by 2% Q-o-Q and by 1% Y-o-Y, below our expectations of 2% Q-o-Q growth. Deposits grew by 1% Q-o-Q and declined by 9% Y-o-Y, as the bank lowered its exposure to expensive corporate deposits throughout 2009. Burgan is not currently focusing on growing strongly its deposit base, given the poor short-term outlook for lending in Kuwait, the bank's comfortable liquidity position, and the low yield currently offered by government securities.

Revenue Grows by 37% Y-o-Y, in Line with Our Expectations

Revenue growth of 37% Y-o-Y and 11% Q-o-Q was 2% ahead of our estimate. Despite weak asset growth, net interest income picked up by 13% Y-o-Y on higher net interest spreads, and thanks to a reduction in funding costs. Fee income recovered by 10% Y-o-Y. Core banking income (i.e., net interest and fee income) came in 9% below our expectations, with the variance being offset by higher-than-expected investment income. The quality of revenues was therefore a bit weaker than we had expected.

Burgan started to fully consolidate Bank of Baghdad (BoB, 51%-owned by Burgan) during 1Q2010 (it accounted for it as an associate during 2009), although the impact on the group's revenue was small (around 3% of consolidated revenues were sourced from BoB in 1Q2010). We note however that Algeria Gulf Bank (65.1%-owned by Burgan) has been fully consolidated from 30 April 2009. We estimate that the contribution of AGB to the groups' revenue was KWD4.4 million in 1Q2010 (assuming a similar quarterly contribution than in 2009). We estimate Burgan's like-for-like revenue growth of c20% Y-o-Y.

**FIGURE 1: BURGAN BANK'S 1Q2010 RESULTS – MAIN HIGHLIGHTS**

in KWD million, unless otherwise stated

	1Q09	4Q09	1Q10a	1Q10e	Y-o-Y	Q-o-Q	Vs. Est.
Net Interest Income	21.7	27.3	24.5	28.4	13%	-10%	-14%
Net Fees & Commission Income	6.4	7.6	7.7	7.2	20%	1%	7%
Trading & Investment Income	1.5	0.5	10.1	5.2			
Other Income	1.9	3.5	0.9	1.7			
Non-Interest Income	9.9	11.6	18.6	14.1	89%	60%	32%
Banking Income	31.6	38.9	43.2	42.5	37%	11%	2%
Operating Expenses	(9.8)	(12.2)	(13.8)	(11.0)	41%	13%	26%
Operating Income (Pre-provisions)	21.8	26.7	29.4	31.5	35%	10%	-7%
Provisions for Loans	(4.3)	(29.2)	(22.5)	(12.0)	424%	-23%	88%
Provisions for Securities	(0.6)	(1.1)	(0.0)	-			
Extraordinary & Others	-	(0.0)	-	-			
Pre-Tax Income	16.9	(3.6)	6.8	19.5	-60%		-65%
Zakat & Taxes	(2.5)	(2.7)	(2.4)	(3.9)			
Net Income	14.4	(6.3)	4.4	15.6	-69%		-72%
Minority Interests	(3.1)	(1.2)	(2.5)	(2.3)			
Net Income after Minorities	11.3	(7.6)	1.9	13.2	-83%		-86%
Customer Loans	2,235	2,247	2,203	2,314	-1%	-2%	-5%
Customer Deposits	2,677	2,425	2,445	2,473	-9%	1%	-1%
Total Assets	4,104	4,094	4,140	4,210	1%	1%	-2%
Shareholders' Equity	328	325	330	339	1%	1%	-3%

Source: Burgan Bank, EFG Hermes estimates



II. LOWERING OUR EARNINGS FORECASTS

We now expect the bank's return to normalised levels of profitability to be delayed until 2011

We have done a significant downward revision to our 2010 net profit forecast, following weaker-than-expected 1Q2010 results and the negative surprise in provisioning charges. We have reduced our 2010 net earnings estimate to KWD17 million from KWD52 million. Around 60% of the earnings estimate cut stems from increasing our credit provisioning charges in 2010. Our previous estimate was based on our assumption that provisioning would see a marked decline in 2010 compared to 2009. While we still expect net profit expansion this year (on a Y-o-Y basis), we now assume that the return to normalised levels of profitability will not take place in 2010 and will be delayed until 2011. Beyond 2010, our earnings forecasts have been cut by an average of 10%.

We summarise below the main changes to our estimates.

PROVISIONING EXPECTED TO REMAIN HIGH IN FY2010

While management does not expect a significant inflow of NPLs this year, there will likely be new provisioning needed in the coming quarters due to the ageing of existing NPLs (and according to the Central Bank of Kuwait's rule of 20%, 50% and 100% provisioning requirement for loans overdue for more than 90, 180 and 360 days, respectively). Around 90% of Burgan's NPLs as at December 2009 are relatively new as they were created during 2009. The maturity profile of NPLs is not provided in Burgan's accounts, and it is difficult therefore to accurately estimate the amount of extra provisions needed to be set aside for existing NPLs. We have taken what we believe is a conservative assumption that provisioning charges will remain close to the 1Q2010 level over the next two quarters, with a slight improvement in the provisioning trend in 4Q2010.

We note that management has guided that the company expects a reduction in NPLs due to recoveries and/or restructuring. Our provisioning forecasts do not currently account for any major positive impact due to recoveries.

ASSET GROWTH FORECASTS TRIMMED

We have lowered both our deposits and loan growth expectations. We are forecasting loan growth of 4% Y-o-Y (down from our previous estimate of 10% Y-o-Y). We believe that lending growth opportunities will likely remain scarce in Kuwait over at least the coming two quarters. The government has nevertheless announced a spending plan of USD130 billion for the coming few years. In case of successful implementation, the plan has the potential of boosting asset growth for Kuwait's banking sector.

**FIGURE 2: CHANGE IN EARNINGS FORECASTS**

in KWD million, unless otherwise stated

	2010e			2011e		
	New Estimates	Previous Estimates	Change	New Estimates	Previous Estimates	Change
Net Interest Income	104	111	-6%	121	123	-2%
Non-Interest Income	55	77	-28%	71	81	-13%
Banking Income	159	188	-15%	192	204	-6%
Expenses	(54)	(51)	4%	(61)	(60)	2%
Operating Income	106	137	-23%	131	144	-10%
Provisioning	(69)	(48)	44%	(11)	(17)	-36%
Other	-	(5)	-100%	-	(2)	-100%
Pre-Tax Income	37	84	-56%	120	126	-5%
Taxes & Minorities	(20)	(32)	-37%	(63)	(48)	33%
Net Attributable Income	17	52	-67%	57	78	-28%

Source: EFG Hermes estimates



III. FAIR VALUE LOWERED TO KWD0.47

We have lowered our fair value (FV) estimate for Burgan Bank to KWD0.47 from KWD0.53. We use an updated discounted equity cash flow (DECF) model to arrive at our new FV, where we assume a cost of equity of 11.5%, a long-term growth rate of 3.5%, and a minimum capital adequacy ratio (CAR) of 12%. Our FV of KWD0.47 implies an estimated P/BV multiple of 1.5x in 2010 and 1.4x in 2011. We expect the bank's ROE to improve to 13% in 2011 from 5% in 2010.

KWD100 million Rights Issue Completed: Management recently announced that the KWD100.8 million rights issue - 360 million new shares at a subscription price of KWD0.28 - launched in mid-April 2010 has been completed. We estimate that the new funds will increase the bank's Tier 1 ratio to 14.5% in December 2010 from 12.1% in December 2009 and the total capital adequacy ratio (CAR) will rise to 18.6% in December 2010 (from 16% in December 2009). The purpose of the capital increase is to return to a more comfortable core capital position, which had weakened following Burgan's purchase of United Gulf Bank's (a KIPCO subsidiary) commercial bank operations in Jordan, Algeria and Iraq. The regional subsidiaries currently account for 29% of Burgan's pre-provisions earnings and 31% of the banks' total assets.

We note that our FV already factors in the impact of the rights issue.

Retain Buy Rating; Our FV Still Offers 33% Upside Potential: We retain our Buy rating on the stock, with our FV of KWD0.47 offering 33% upside potential to the current share price. Burgan continues to trade at a large discount to its peers in Kuwait (a 2011e P/B discount of 40% and P/E discount of 25% to the average multiples for Kuwaiti banks under our coverage). While we believe that a discount to the market leaders and particularly National Bank of Kuwait (NBK) is justified by Burgan's weaker market positioning in its domestic market and poorer short-term earnings outlook, we still believe that Burgan's shares are fundamentally undervalued. Burgan is backed by a strong shareholder, KIPCO (which owns 56% of the shares), and the recent expansion in MENA markets, particularly Iraq and Algeria, have the potential to enhance earnings growth significantly in the medium term. We believe nonetheless that short-term sentiment on the stock might continue to be weak, particularly from domestic retail investors (following two years of no cash dividend payments).

UPSIDE RISKS

The Kuwaiti Government's announced spending plan of around USD130 million over the next four year will, if effectively implemented, lead to a major boost in economic activity in Kuwait and could lead to strong growth in corporate lending for Kuwaiti banks. We have factored in relatively conservative loan growth forecasts of 4% in 2010, 12% in 2011 and 13% in 2012.

DOWNSIDE RISKS

Provisioning: The majority of new NPLs created in 2009 were sourced from the corporate sector, and we believe particularly from Kuwait's investment companies segment. While we are seeing signs that the larger investment companies in Kuwait, Global Investment and Investment Dar are progressing on the restructuring of their debt, we have little visibility on the sector's smaller players and the extent of the Burgan's exposure to these. There is a possibility that further problems might occur on this front.



IV. FINANCIAL FORECASTS

FIGURE 3: INCOME STATEMENT (DECEMBER YEAR END)

In KWD million, unless otherwise stated

	2008a	2009a	2010e	2011e	2012e
Interest Income	209	202	182	210	250
Interest Expense	(141)	(100)	(78)	(90)	(105)
Net Interest Income	68	102	104	121	145
Fee & Commission Income	22	30	32	37	44
FX Income	(0)	4	5	5	6
Investment Income	26	6	13	18	20
Other Income	4	13	6	10	12
Non-Interest Income	53	53	55	71	82
Total Banking Income	121	155	159	192	227
Operating Expenses	(32)	(44)	(54)	(61)	(69)
Operating Income	89	111	106	131	158
Loan Loss Provisions	(36)	(79)	(69)	(11)	(12)
Other Provisions	(10)	(3)	0	0	0
Other Income / Expense	0	0	0	0	0
Pre-Tax Income	42	28	37	120	146
Taxes	(5)	(8)	(11)	(33)	(40)
Net Income before Minorities	37	21	27	87	106
Minority Interests	(1)	(14)	(9)	(30)	(37)
Net Attributable Income	36	6	17	57	69

Source: Burgan Bank, EFG Hermes estimates

FIGURE 4: BALANCE SHEET (DECEMBER YEAR END)

In KWD million, unless otherwise stated

	2008a	2009a	2010e	2011e	2012e
Cash & Central Bank Deposits	551	602	637	660	719
Interbank Assets	532	407	485	558	630
Financial Investments	495	558	644	694	748
Customer Loans (Net)	2,133	2,247	2,340	2,613	2,956
Goodwill	101	148	160	160	160
Fixed & Other Assets	101	132	153	156	158
Total Assets	3,913	4,094	4,418	4,841	5,372
Interbank Liabilities	795	978	1,018	1,072	1,169
Customer Deposits	2,416	2,425	2,546	2,750	2,997
Borrowings	198	123	122	121	118
Other Liabilities	148	140	64	118	190
Total Liabilities	3,557	3,666	3,750	4,061	4,474
Minority Interests	45	103	112	143	180
Shareholders' Equity	311	325	556	638	718
Total Liabilities & Shareholders' Equity	3,913	4,094	4,418	4,841	5,372

Source: Burgan Bank, EFG Hermes estimates

**FIGURE 5: DUPONT ANALYSIS**

as a % of average assets, unless otherwise stated

	2008a	2009a	2010e	2011e	2012e
Net Interest Income	2.01%	2.54%	2.45%	2.61%	2.84%
Non-Interest Income	1.57%	1.32%	1.30%	1.53%	1.60%
Operating Expenses	-0.95%	-1.09%	-1.26%	-1.32%	-1.35%
Other Revenue / (Expenses)	0.00%	0.00%	0.00%	0.00%	0.00%
Total Provisioning	-1.38%	-2.07%	-1.61%	-0.23%	-0.23%
Taxes & Minorities	-0.18%	-0.55%	-0.47%	-1.37%	-1.51%
ROAA	1.08%	0.16%	0.41%	1.22%	1.35%
Average Gearing (Assets / Equity)	11.1	12.6	11.1	10.2	10.5
ROAE	12.0%	2.0%	4.6%	12.5%	14.2%

Source: EFG Hermes estimates

FIGURE 6: VALUATION METRICS

	2008a	2009a	2010e	2011e	2012e
Per Share Data (KWD)					
EPS	0.033	0.006	0.014	0.041	0.050
DPS	-	-	0.004	0.018	0.027
Dividend Payout Ratio	0%	0%	30%	45%	55%
BVPS	0.279	0.292	0.313	0.335	0.357
BVPS (ex-goodwill)	0.189	0.159	0.199	0.221	0.243
Valuation					
P/E (x)	10.8	62.0	26.3	8.6	7.1
Dividend Yield	0.0%	0.0%	1.0%	5.1%	7.6%
P/B (x)	1.3	1.2	1.1	1.1	1.0
P/B (ex-goodwill) (x)	1.9	2.2	1.8	1.6	1.5

Source: EFG Hermes estimates

FIGURE 7: PROFITABILITY

	2008a	2009a	2010e	2011e	2012e
Yield on Earning Assets	6.61%	5.43%	4.70%	5.00%	5.35%
Cost of Funds	-4.83%	-2.95%	-2.15%	-2.35%	-2.55%
Net Interest Spread	1.79%	2.48%	2.55%	2.65%	2.80%
Net Interest Margin	2.16%	2.76%	2.69%	2.87%	3.11%
Non-Interest Income / Total Banking Income	43.8%	34.2%	34.7%	37.0%	36.0%
Costs to Income	26.5%	28.1%	33.6%	31.9%	30.4%
Tax Rate	12.6%	27.3%	29.2%	28.2%	28.2%
ROAA	1.08%	0.16%	0.41%	1.22%	1.35%
ROAE	12.0%	2.0%	4.6%	12.5%	14.2%

Source: EFG Hermes estimates



FIGURE 8: CREDIT QUALITY AND CAPITAL ADEQUACY

	2008a	2009a	2010e	2011e	2012e
Credit Quality					
NPL Ratio	1.41%	10.01%	9.80%	9.25%	8.37%
Provisions / NPLs	199%	49%	78%	78%	81%
Provisioning to Average Gross Loans (bps)	55	290	280	40	40
(NPLs-Provisions) / Equity	-9.9%	36.8%	9.7%	8.9%	7.2%
Provisions / Operating Income (Pre-provisions)	-41%	-71%	-65%	-8%	-8%
Capital					
Tier-1 Ratio	8.97%	12.09%	14.58%	13.61%	13.11%
Capital Adequacy Ratio (CAR)	13.77%	16.86%	18.64%	17.05%	16.10%
Risk-Weighted Assets (RWAs) / Total Assets	70%	64%	66%	69%	70%

Source: EFG Hermes estimates

FIGURE 9: GROWTH RATIOS

Y-o-Y change, unless otherwise stated

	2008a	2009a	2010e	2011e	2012e
Loans (Net)	50%	5%	4%	12%	13%
Deposits	47%	0%	5%	8%	9%
Assets	37%	5%	8%	10%	11%
Risk-Weighted Assets (RWAs)	48%	18%	11%	15%	12%
Net Interest Income	33%	50%	2%	16%	20%
Fee Income	31%	40%	6%	18%	18%
Non Interest Income	-3%	0%	5%	28%	15%
Total Banking Income	15%	28%	3%	20%	18%
Operating Income (Pre-provisions)	14%	25%	-5%	23%	21%
Pre-Tax Income	-45%	-33%	32%	221%	22%
Net Attributable Income	-51%	-83%	180%	225%	22%

Source: EFG Hermes estimates

FIGURE 10: BALANCE SHEET STRUCTURE AND OTHER RATIOS

	2008a	2009a	2010e	2011e	2012e
Loans / Deposits (Net)	88%	93%	92%	95%	99%
Loans / Assets (Net)	55%	1%	1%	1%	1%
Net Interbank / Assets	-7%	-14%	-12%	-11%	-10%
Financial Investments / Assets	13%	14%	15%	14%	14%
Deposits / Assets	62%	59%	58%	57%	56%
LT & MT Borrowings / Liabilities	5.6%	3.4%	3.2%	3.0%	2.6%

Source: EFG Hermes estimates

EGYPT SALES TEAM

Local call center 16900
cc-hsb@efg-hermes.com

Head of Western Institutional Sales

Mohamed Ebeid
+20 2 35 35 6054
mebeid@efg-hermes.com

Local Institutional Sales

Amr El Khamissy
+20 2 35 35 6045
amrk@efg-hermes.com

UAE SALES TEAM

call center
+971 4 306 9333
uaerequests@efg-hermes.com

Western Institutional Sales

Julian Bruce
+971 4 363 4092
jbruce@efg-hermes.com

Head of GCC Institutional Sales

Amro Diab
+971 4 363 4086
adiab@efg-hermes.com

Gulf HNW Sales

Chahir Hosni
+971 4 363 4090
chosni@efg-hermes.com

UAE Retail Sales

Reham Tawfik
+971 4 306 9418
rtawfik@efg-hermes.com

KSA SALES TEAM

call center
+800 123 4566
RiyadhCallCenter@efg-hermes.com
RiyadhTraders@efg-hermes.com

Deputy Head of Gulf Sales

Ahmed Sharawy
+9661 279 8677
asharawy@efg-hermes.com

RESEARCH MANAGEMENT

Cairo General + 20 2 35 35 6140
UAE General + 971 4 363 4000
efgresearch@efg-hermes.com

Head of Research

Wael Ziada
+20 2 35 35 6154
wziada@efg-hermes.com

Head of Publ. and Distribution

Rasha Samir
+20 2 35 35 6142
rsamir@efg-hermes.com

DISCLOSURES

I, Elena Sanchez-Cabezudo, hereby certify that the views expressed in this document accurately reflect my personal views about the securities and companies that are the subject of this report. I also certify that neither I nor my spouse or dependants (if relevant) hold a beneficial interest in the securities that are traded in the Kuwait stock Exchange. EFG Hermes Holding SAE hereby certifies that neither it nor any of its subsidiaries owns any of the securities that are the subject of this report.

Funds managed by EFG Hermes Holding SAE and its subsidiaries (together and separately, "EFG Hermes") for third parties may own the securities that are the subject of this report. EFG Hermes may own shares in one or more of the aforementioned funds or in funds managed by third parties. The authors of this report may own shares in funds open to the public that invest in the securities mentioned in this report as part of a diversified portfolio over which they have no discretion. The Investment Banking division of EFG Hermes may be in the process of soliciting or executing fee earning mandates for companies that are either the subject of this report or are mentioned in this report.

DISCLAIMER

This Research has been sent to you as a client of one of the entities in the EFG Hermes group. This Research must not be considered as advice nor be acted upon by you unless you have considered it in conjunction with additional advice from an EFG Hermes entity with which you have a client agreement.

Our investment recommendations take into account both risk and expected return. We base our long-term fair value estimate on a fundamental analysis of the company's future prospects, after having taken perceived risk into consideration. We have conducted extensive research to arrive at our investment recommendations and fair value estimates for the company or companies mentioned in this report. Although the information in this report has been obtained from sources that EFG Hermes believes to be reliable, we have not independently verified such information and it may not be accurate or complete. EFG Hermes does not represent or warrant, either expressly or implied, the accuracy or completeness of the information or opinions contained within this report and no liability whatsoever is accepted by EFG Hermes or any other person for any loss howsoever arising, directly or indirectly, from any use of such information or opinions or otherwise arising in connection therewith. Readers should understand that financial projections, fair value estimates and statements regarding future prospects may not be realized. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice. This research report is prepared for general circulation to the clients of EFG Hermes and is intended for general information purposes only. It is not intended as an offer or solicitation or advice with respect to the purchase or sale of any security. It is not tailored to the specific investment objectives, financial situation or needs of any specific person that may receive this report. We strongly advise potential investors to seek financial guidance when determining whether an investment is appropriate to their needs.

GUIDE TO ANALYSIS

EFG Hermes investment research is based on fundamental analysis of companies and stocks, the sectors that they are exposed to, as well as the country and regional economic environment.

Effective 16 December 2009, EFG Hermes changed its investment rating approach to a three-tier, long-term rating approach, taking total return potential together with any applicable dividend yield into consideration.

In special situations, EFG Hermes may assign a rating for a stock that is different from the one indicated by the 12-month expected return relative to the corresponding fair value.

For the 12-month long-term ratings for any investment covered in our research, the ratings are defined by the following ranges in percentage terms:

Rating	Potential Upside (Downside) %
Buy	Above 15%
Neutral	(10%) and 15%
Sell	Below (10%)

EFG Hermes policy is to update research reports when appropriate based on material changes in a company's financial performance, the sector outlook, the general economic outlook, or any other changes which could impact the analyst's outlook or rating for the company. Share price volatility may cause a stock to move outside of the longer-term rating range to which the original rating was applied. In such cases, the analyst will not necessarily need to adjust the rating for the stock immediately. However, if a stock has been outside of its longer-term investment rating range consistently for 30 days or more, the analyst will be encouraged to review the rating.

COPYRIGHT AND CONFIDENTIALITY

No part of this document may be reproduced without the written permission of EFG-Hermes. The information within this research report must not be disclosed to any other person if and until EFG-Hermes has made the information publicly available.

CONTACTS AND STATEMENTS

Background research prepared by EFG Hermes Holding SAE. Report prepared by EFG Hermes Holding SAE (main office), Building No. B129, Phase 3, Smart Village - km 28 Cairo Alexandria Desert Road, Egypt. Tel +2 (0)2 3535 6140 | Fax +2 (0)2 3537 0939 which has an issued capital of EGP 1,939,320,000.

Reviewed and approved by EFG Hermes KSA (closed Joint Stock Company) which is commercially registered in Riyadh with Commercial Registration number 1010226534, and EFG Hermes UAE Limited, which is regulated by the DFSA and has its address at Level 6, The Gate, DIFC, Dubai, UAE. The information in this document is directed only at institutional investors. If you are not an institutional investor you must not act on it.