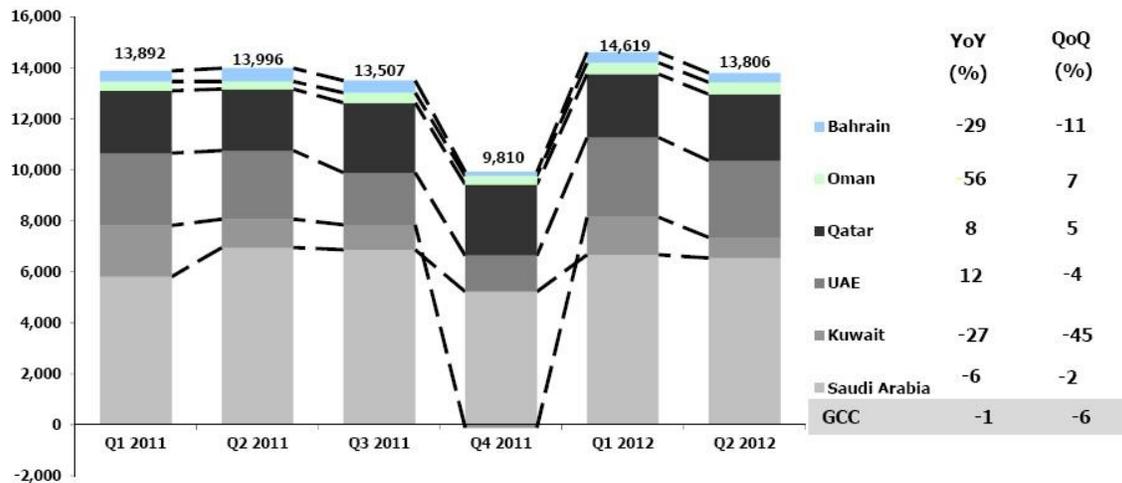


Second Quarter 2012 GCC Corporate Earnings show weakness

Kuwait Sep 12th, 2012 – A study of over 650 companies across GCC for 2Q12 earnings revealed weakness according to a new research published by Kuwait Financial Centre "Markaz". The overall net earnings for the second quarter declined by 1% to USD13.8b compared to the same quarter last year (year on year). The decline was led by Saudi Arabia and Kuwait companies whose aggregate net incomes dropped 6% and 27% respectively. Bahrain also reported considerable weakness though it has a smaller share. Oman, UAE and Qatar firms' net income grew 56%, 12% and 8% respectively. Among the three largest sectors (Banks, Commodities and Telecom), commodities showed considerable weakness (-30%) while Banks stayed put (+1%) with Telecom showing some good signs of growth (+8%).

Earnings Trend – GCC – 2Q12 (USD mn)



Source: Thomson Reuters Eikon, Markaz Research

Saudi Arabia

Earnings of Saudi Arabian companies totaled USD 6.5bn, a 6% decrease compared to the same quarter previous year. SABIC, which reported USD 1.4bn in 2Q profits, saw its bottom-line decline by 35% due to softening of global petrochemical prices and higher raw materials costs. Saudi Banks earnings increased 11% with Al Rajhi Bank reporting a 14% growth in net income to USD

558mn, on account of higher operating income. Telecom sector's earnings grew 18% to USD 891mn as Etihad Etisalat's earnings rose 22% to USD 379mn due to higher revenue from data services. Saudi Telecom posted a 7% growth in earnings at USD 642mn

Kuwait

Kuwait corporate earnings dropped 27% in 2Q12 to USD 811mn compared to similar quarter in the previous year. Kuwait saw its earnings recover in the first quarter of 2012 after three consecutive quarters of decline. However Kuwait corporations haven't been able to sustain the recovery. Bank earnings declined 25% over the year and to USD 380mn. National Bank of Kuwait's earnings dropped 41% to USD 142mn due to a USD 96.4mn provision it took due to the deteriorating operating environment. Telecom companies reported a bottom-line of USD 310mn (-20%) Wataniya's profits fell almost 50% as a result of competitive pressures in the country and negative exchange rate movements in Algeria. Zain earnings dropped 1% over the year, settling at USD 254mn. However, Real Estate sector performed well with a profit growth of 39%.

UAE

During 2Q12, UAE companies posted earnings of USD 3.0bn, a 12% growth compared to similar quarter in the previous year. Banking sector, which accounts for 54% of UAE profits, declined 7% to USD 1.6bn. Emirates NBD which had recovered from its lackluster performance during 1Q12 registered 13% fall in net earnings this quarter compared to similar quarter in the previous year. The bank's 1H12 profits settled 40% lower than that of 1H11 due to gain on the sale of a stake in Network International last year. NBAD reported 2% growth in net income to USD 285mn primarily due to lower provisioning. Telecom earnings grew 22% to USD 597mn. Etisalat reported a net profit of USD 508mn, 17% growth buoyed by robust international operations. Real estate continued its recovery with profits of USD 355mn (1Q12: USD 342mn, 2Q11: USD 5mn). While Emaar witnessed a 146% growth in earnings to USD 167mn driven by increase in contribution of subsidiaries, Aldar's 228% increase in profits is led by better occupancy.

Qatar

Qatar's earnings continued to grow at a stable rate of 8% compared to similar quarter previous year to USD 2.6bn. Industries Qatar's earnings sustained recovery this quarter too with a 3% growth over the year to USD 585mn. Bank

earnings continue to benefit from higher government spending with growth of 9% to USD 1.14bn. Qatar National Bank's net income (USD 580mn) grew 17%—slowest bottom-line growth in the last 2 years.

Oman

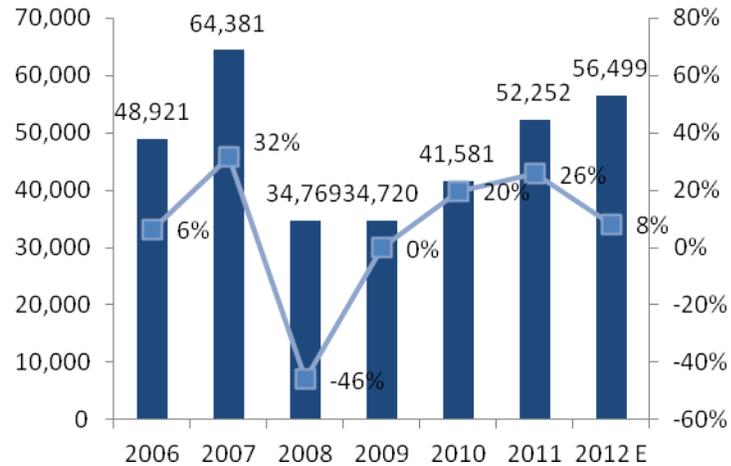
Oman's corporate earnings grew 56% to USD 469mn, one of the strongest showing. Banking sector profits grew to USD 173mn (+114%) aided by Bank Muscat's net income growth of 19% to USD 91mn.

Bahrain

Bahrain's corporate profits dropped 29% in 2Q12 to USD 370mn compared to similar quarter previous year. . Banking profits plunged 28% to USD 186mn. The drastic decline in banking income was led by Bahrain Islamic Bank (a loss of USD 44mn) and a 25% and 13% decline in earnings of Arab Banking Corporation and United Gulf Bank respectively. Higher gas costs and lower London Metal Exchange Levels impacted Aluminum Bahrain's bottom-line (-49%) while Bahrain Telecom's net profit was affected by lack of growth and stiff competition. The company's 2Q profit was USD 49mn (-13%)

Looking Ahead

Based on the current trend, we expect a muted earnings growth of 8% during the year 2012. We expect Saudi Arabia to clock a 9% growth to USD 27b while UAE is expected to post a growth of 11% to USD 10.8 b. Kuwait earnings is expected to contract by 5% to USD 3.9b. Banks (38%), Commodities (23%) and Telecom (14%) account for over 75% of earnings. We expect Banks to post a growth of 8% to USD 21.5b, Commodities and Telecom are likely to contract by 1% each. Overall, stock markets should look for triggers other than earnings to support it in 2012.



Source: Thomson Reuters Eikon, Markaz Research

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About Kuwait Financial Centre "Markaz"

Kuwait Financial Centre S.A.K. 'Markaz', established in 1974 with total assets under management of over KD 878 million as of June 30th, 2012, is the leading and award winning asset management and investment banking institution in the Arabian Gulf Region. Markaz is listed on the Kuwait Stock Exchange (KSE) since 1997 under ticker Markaz.

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