

**Interview with Mr Faisal Al Ayyar
Vice Chairman, KIPCO**

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- **The Kuwait Stock Exchange saw a rise at the beginning of the year and a drop in June. What is your view on this?**

There was optimism at the beginning of the year about the new parliament in Kuwait. This was replaced by concern over the political scene before the Constitutional Court made its ruling on the country's voting system. I believe the drop in June was linked to several factors: the Constitutional Court ruling, the beginning of the summer, the advent of Ramadan, as well as the upcoming elections. Factor in the regional climate and the drop in Gulf market performance because of the political events in the region, as well as the uncertainty of the global economy.

- **Do you find the rise in share prices healthy?**

One must look at every share performance separately. Some shares have seen a justified rise when taking into account the book and market values of the share. However, as we have said repeatedly, share trading in Kuwait is not conducted by scientific methodology, but driven by rumour and sentiment. Share speculation is dangerous to the market in the long run.

- **Is the local banking crisis over?**

Let me clarify something: institutions in Kuwait showed no favors to local banks during the crisis. The banks paid the price for the crisis by making provisions. The crisis may be over, but there is some residue of it here and there, and every bank has its own circumstances.

- **The recent United Real Estate Company (URC) bond was very successful. Who subscribed to the bond?**

The response to the URC bond was excellent and most subscribers were local institutions. In the past when KIPCO and Burgan Bank have issued bonds, our clients were from other companies and places like Saudi Arabia and the UAE. The success of the URC bond is due to the trust and confidence investors have in KIPCO and its companies.

- **Why is it that KIPCO and its companies issue bonds and other companies don't?**

We are very active when it comes to issuing bonds. Many companies have financial commitments and are burdened by debts taken out against assets, which does not help when you want to issue bonds. Investors prefer companies like KIPCO that have little debt and no mortgaged assets.

- **Where will KIPCO be in the next five years?**

In the next few years, we will be concentrating on building growth within our core companies. There is also space for new ideas, such as the Takaoud pensions company we launched in Bahrain. We are also very interested in the healthcare and the education sectors because they have huge potential.

- **KIPCO Group is bidding for the new health insurance hospitals being built in Kuwait. What are you expecting from this government project?**

This is an important project for Kuwait and it is commercially feasible. However, its capital cost is high when you consider the risk that comes with dealing with the government

- **What percentage of OSN will KIPCO own after OSN is listed?**

The company is ready for listing, but we have made no decision yet. We have hired Rothschilds to advise us on the best options in terms of a potential IPO timing. They will also advise us on which market to list the company: our options are London or New York and each market has its advantages and disadvantages.

- **Was the merger between Orbit and Showtime the reason for the company's current success?**

OSN's success is mainly due to the anti-piracy technology we introduced and the high quality programming we have developed. This combination is unique in the region. At present, if a local subscriber wants a pay-tv service, OSN is the only choice. We have a market of over 300 million people that extends from the Atlantic to the Arabian Gulf, so perhaps it's no surprise that OSN is successful.

- **Is KIPCO working on any new acquisitions?**

We are always looking for investment opportunities. The insurance sector, for instance, is active and holds many opportunities, as does the media sector. We are always on the lookout for opportunities in such sectors.

- **If someone had a million dinars, how would you advise them to invest it?**

My advice is to always distribute your investments. So, hold 20% as cash – either as a deposit or in another monetary tool. Invest another 20% in good local stocks. Place 40% in local bonds because their yield is relatively high in Kuwait. Finally, invest 20% outside the country, especially in the United States.

- **What is the office occupancy rate in KIPCO Tower?**

It's close to 80%. This is excellent rate given that many other office towers in Kuwait are having problems filling their space. The reason for this is that KIPCO Tower is a smart building with the latest technology, a prime location and parking for tenants and guests. The tower's residential units are also attracting a lot of interest from Kuwaitis and international business people.