

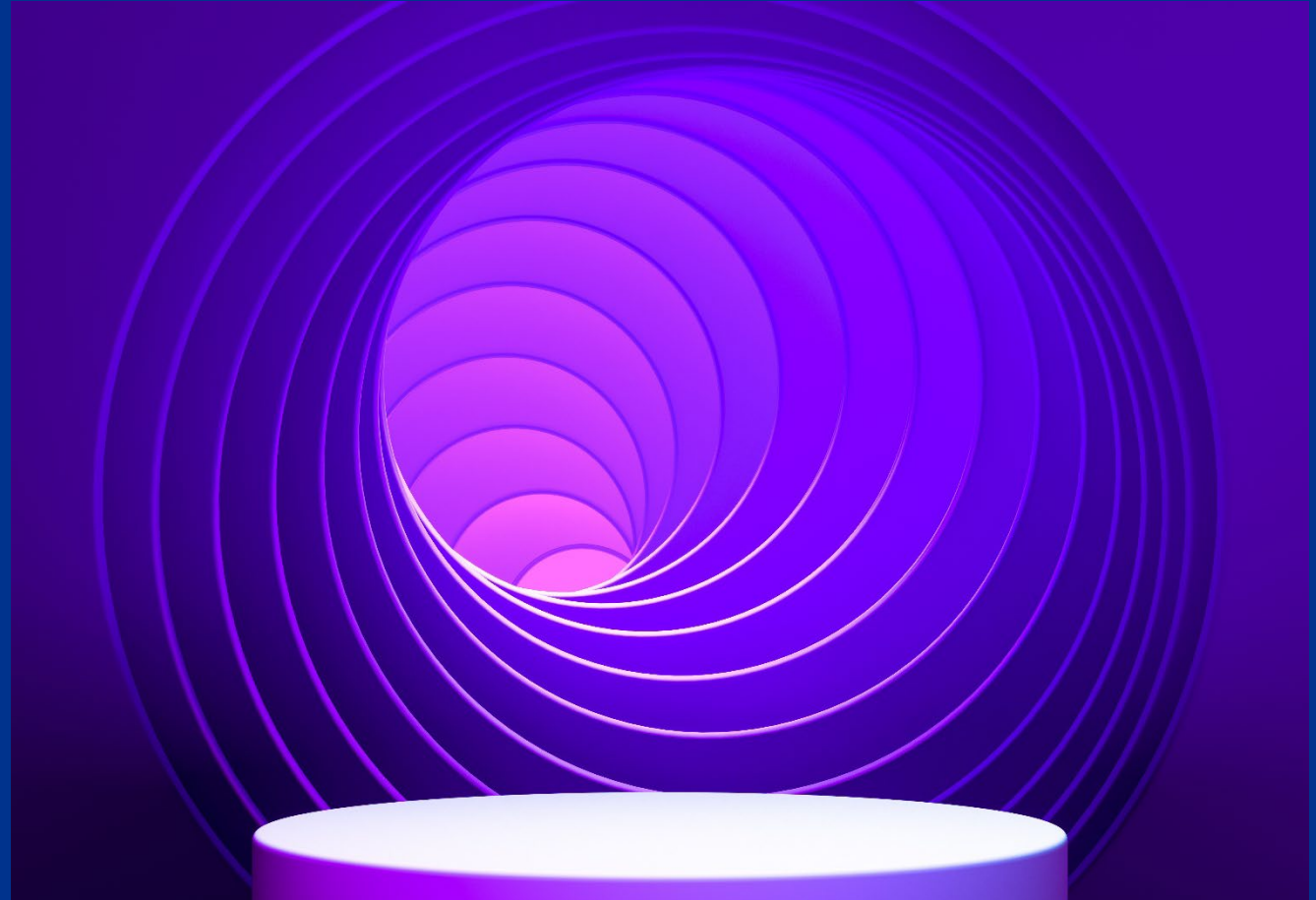


Project Amass II

Valuation Report
Deal Advisory

September 2023

Strictly private and confidential
(not for circulation)





Private and Confidential

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SAN: 1673825091

13 September 2023

Valuation Report

Dear Mr. Hamad and Dr. Anwar,

Please find enclosed our Valuation Report (the "Report") for assisting Kuwait Finance House K.S.C.P. ("KFH") and Ahli United Bank K.S.C.P., Kuwait ("AUBK"), collectively referred herein as (the "Clients" or "Companies" or "You") and individually referred herein as ("Client" or "Company") in relation to carrying out an indicative valuation analysis of both KFH and AUBK and arriving at the resultant swap ratio as at 30 June 2023 or any other date as mutually agreed prior to commencement of this Engagement (the "Valuation Date").

This Report has been prepared in accordance with our engagement letter dated 02 August 2023 and its attachments (our "Engagement Letter"). You have agreed that the final written report shall take precedence over any draft Report, and that no reliance will be placed by you on any draft other than at your own risk.

We draw your attention to the Important Notice included in this Report, which should be read in conjunction with our Engagement Letter. You should note that this Report does not constitute recommendations to you as to whether or not you should proceed with your intended decision.

The important notice on the following pages should be read in conjunction with this letter. The Report has been prepared solely for the purpose stated herein and should not be relied upon for any other purpose. Our Report is confidential and is released to you on the basis that it is not to be copied, referred to or disclosed, in whole or in part, without our prior written consent, except as specifically provided in our Engagement Letter. To the fullest extent permitted by law, we accept no duty of care to any third party in connection with the provisions of this Report and/or any related information or explanation (together, the "Information").

Accordingly, regardless of the form of action, whether in contract, tort (including, without limitation, negligence) or otherwise, and to the extent permitted by applicable law, we accept no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us, except where otherwise stated herein, and no assurance is given.

By its very nature, financial forecasts and valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. The information used by us in preparing this Report has been obtained from a variety of sources as indicated within the Report.

Yours sincerely,

Ankul Aggarwal
Partner and Head – Deal Advisory

Important notice

KPMG Advisory W.L.L., Kuwait ('KPMG'), has been appointed by the Clients in relation to carrying out an indicative valuation analysis of KFH and AUBK. This Valuation Report (the "Report") presents the indicative value of the Companies as at 30 June 2023 (the "Valuation Date").

This Report has been prepared in accordance with KPMG's terms of reference as set out in our Engagement Letter dated 02 August 2023 (the "Engagement Letter") with You, on the basis that it is for the Client's internal use only and that this Report will not otherwise be quoted or referred to, in whole or in part, without KPMG's prior written consent. The contents of this Report should be read in conjunction with our Engagement Letter.

In preparing the Report, our primary source has been the information provided and representations made to us by the Client. We have not carried out any independent validation or due diligence with respect to the information made available to/obtained by us. We have only reviewed the same from a commercial perspective and do not accept responsibility for such information which remains the responsibility of management.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the Engagement Letter. We have satisfied ourselves, so far as possible, that the information presented in our Report is consistent with other information which was made available to us in the course of our work in accordance with the terms of our Engagement Letter. We have not, however, sought to establish the reliability of the sources by reference to other evidence.

This Report is not suitable to be relied on by any party wishing to acquire rights against KPMG (other than the Client) for any purpose or in any context. Any party other than the Client that obtains access to this Report or a copy and chooses to rely on this Report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG does not assume any responsibility and will not accept any liability, including any liability arising from fault or negligence, for any loss arising from the use of this Report or its contents or otherwise in connection with it to any recipient other than the Client.

If this Report is received by anyone other than our Client, in jurisdictions outside Kuwait they should inform themselves about and observe any applicable legal or regulatory requirements in relation to the distribution or possession of this Report to or in that jurisdiction. In this respect, neither KPMG International, KPMG Kuwait nor any of their affiliates nor their respective directors, officers, employees and agents nor any of the Parties accept any liability to any person in relation to the distribution or possession of this Report to or in any such jurisdiction.

KPMG, nor affiliated partnerships or bodies corporate, nor the directors, shareholders, managers, partners, employees or agents of any of them, make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information contained in the Report. All such parties and entities expressly disclaim any and all liability for or based on or relating to any such information contained herein, or errors or omissions from this Report or based on or relating to the use of this Report.

Neither KPMG nor any of its affiliates worldwide are responsible for updating this Report because of events, circumstances or transactions occurring or information received subsequent to the date of this Report. Any updates or second opinions on this document cannot be sought by the Client from external agencies including global offices of KPMG without the prior written permission of KPMG Advisory W.L.L.

Further, the Client agrees to indemnify and hold harmless KPMG, its directors, employees and agents from and against any and all costs, expenses, losses, claims, demands, actions, suits or proceedings paid, incurred or suffered by or made or initiated against them or any of them by any third party arising out of or in connection with this engagement, except to the extent that any such costs, expenses, claims, demands, actions, suits or proceedings arise from our willful default.

In case you disclose our Report to third parties in relation to the potential transaction, provided that when doing so you inform them that, to the fullest extent permitted by law, we accept no responsibility or liability to them in connection with our Report and our work. If a copy of the Report should need to be released to another party for information purposes, we will request the Client and the requesting party to indemnify KPMG from any liability related to the distribution of this Report. Such readers, however, will not be considered to be "users" of our Report.

Important notice

Scope and Limitations

- KPMG’s review and analysis is based on information provided by the Client. We have not verified any of the information presented in this Report, including the information provided by the Client or obtained by us from secondary/published sources. In addition, the Report has been corroborated by industry and market data based on readily available secondary research sources that we believe to be reliable. We have relied upon the Client to provide us with written representation that the information contained in this Report is materially accurate and complete, fair in the manner of its portrayal and therefore forms a reliable basis for this Report. If there were any omissions, inaccuracies or misrepresentations of the information provided by them, this may have a material effect on our findings and assessment. This Report sets forth KPMG’s analysis based on the facts and assumptions made available to us by the Client.
- We have not been engaged to express our opinion of the market value of the Client. Accordingly, the estimates of value contained in this Report do not constitute opinion of the market value of the businesses. Rather, they are merely intended to provide the Client with an indication of value for the purpose outlined. The valuation arrived at by us is not necessarily the price at which a seller will eventually conclude a transaction with a buyer.
- In undertaking our Valuation, we have relied on the information furnished to us by the Client and seek a written confirmation from you as to its accuracy and completeness; we will not seek to undertake any due diligence on such information.
- Based on the inputs provided on contingent liabilities, we considered the impact of such liabilities on the valuation. However, it must be noted that we did not investigate the potential of contingent liabilities materializing in the future.
- Our Valuation approach does not specifically take into account the IFRS and other similar accounting requirements and its impact on the Client’s books, if any.
- Our Valuation is not intended to represent that the fair values set out therein are in fact realizable at the amounts estimated and/or within the timelines envisaged.
- Our scope of work does not include the identification of specific transactions or deal structures for the underlying assets and implementation assistance.
- Any decision made by the Client based on this Report, shall rest with the Client and the Client is solely responsible for the results as well.
- We would like to highlight that the analysis is based on the information provided by the Client. If any of the above foregoing is not entirely complete or accurate, it is imperative that we are informed immediately, as the inaccuracy or incompleteness could have a material effect on our conclusions.
- On corporate tax and value added tax, our work does not take into consideration the impact of a potential future change to tax legislation in Kuwait or elsewhere. We would be happy to review the tax implications and impact on our work under a separate engagement based on your formal instructions.

Important notice

Basis of information

In preparation of this Report, we have relied on the following information:

- Audited financial statements of KFH as at 31 December 2021 and 2022;
- Audited financial statements of AUBK as at 31 December 2021 and 2022;
- Interim unaudited financial statements of KFH as at 30 June 2023;
- Interim unaudited financial statements of AUBK as at 30 June 2023;
- Net operating profit after taxes post AT-1 for KFH and AUBK for FY22 and H123
- Number of shares outstanding as at the Valuation Date for the Companies;
- Dividend payout ratio of the Companies for the projected period
- Meetings and discussions with Client; and
- Other publicly available information.

Glossary

bn	billion	NCI	Non-Controlling Interest
cap	Capitalization	NPAT	Net profit after tax
Co.	Company	NTM	Next Twelve Months
CoCo	Comparable Companies	P/BV	Price to Book ratio
CoTrans	Comparable Transactions	P/E	Price to Earning ratio
DDM	Dividend Discount Method	TTM	Trailing Twelve Months
FY	Financial Year	VWAP	Volume Weighted Average Price
K.S.C.C.	Kuwaiti Shareholding Company (Closed)	W.L.L.	With Limited Liability
K.S.C.P.	Kuwait Shareholding Company (Public)	WACC	Weighted Average Cost of Capital
KD	Kuwaiti Dinar		
MM	Market Multiples		
Mn	million		

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01

Basis of preparation and valuation approach

Basis of preparation

Following are the key assumptions/inputs that have been used to determine the valuation range (where applicable) of the assets and liabilities set out in this Report. If one or more of these assumptions/inputs prove to be materially different from what have been assumed/provided, the conclusions set out in this Report could be materially different and could potentially make those conclusions inappropriate.

Basis of preparation

- Valuation has been undertaken based on the approaches set out later in this report and in accordance with our agreed scope as detailed in our Letter of Engagement with You;
- Valuation of KFH and AUBK set out in this Report has been prepared based on desktop research of the Companies and on the basis of available secondary market information and specific, but limited information provided to us by the Clients including audited financial statements, dividend payout, etc.;
- The nature and extent of information made available to us may not have been uniform, consistent and extensive by the Clients;
- The valuation methodologies adopted in conducting the Valuation have been largely driven by the nature and extent of information made available to us and the time available to conduct such analysis; and
- Information specific to the Companies has largely been sourced from the Clients itself. The Management accepts the responsibility for the factual accuracy of all investment related information contained in this report; and.

Source of information

- We have relied upon information provided by the Clients to conduct our Valuation. We have not verified the accuracy of such information, including but not limited to, cash and balances with bank, deposits with the Central Bank of Kuwait, deposits with other banks, deposits from banks and other financial institutions, deposits from customers, investment securities, investment in an associate, investment properties, premises and equipment, other assets, Perpetual Tier 1 Sukuk, customer deposits, net financing income, net fees and commission income, other income, staff cost, depreciation and other operating expenses.
- Based on enquiries, we understand that all material information with respect to Companies' assets and liabilities as at the Valuation Date have been made available to us and this has been one of the key basis for our conclusions in this Report.

Basis of our conclusion

- In carrying out our Valuation, we have assumed that Companies' assets will continue to be in suitable operating condition. We have not carried out a verification in relation to any of the assets and liabilities of the Companies as at the Valuation Date.
- We have used audited financial information, which may or may not coincide with the Valuation Date of 30 June 2023.

Valuation approaches and selection rationale

The following methodologies have been considered (where applicable) to value the Companies:

Valuation Approaches	Valuation Methodology	KPMG Comments
Dividend Discount Method (“DDM”)	This model discounts forecasted dividends by a dividend yield and the DDM assumed that the only funds which will be available to the shareholders are the dividends which will be distributed, and the dividend yield is invariably lower than the cost of equity. This model is useful to value mature companies which attract shareholders by paying regular dividends (quarterly), and for which the dividend yield can be benchmarked.	A basic condition to satisfy for using a DDM method is the regularity in payment of dividends by the company. In the given case KFH and AUBK has steadily growing profits with the dividend payout ratio ranging between 55% to 60%. Accordingly, DDM approach seems appropriate for valuation purposes.
Volume Weighted Average Price (“VWAP”)	A VWAP approach is used with a view to minimize the effect of volatility. The VWAP measure is based on the total volume traded within a given time frame.	Reliance on VWAP approach may be placed when the shares are adequately traded. The trading volumes for KFH and AUBK are adequate and therefore the market price of the security has been considered for valuation purposes.
Comparable Companies approach (“CoCo’s”)	Several listed companies in Kuwait and the region are screened that are engaged in the banking business. As a result, relative valuation based on Price to Earnings (“P/E”) and Price to Book Value (“P/BV”), multiples have been considered for this current exercise.	Reliance on the CoCo’s approach may be placed when the shares of comparable companies are adequately traded. The comparable companies included as part of our analysis fulfils this basic requirement. Therefore, using a Market Multiples approach is deemed as appropriate.
Comparable Transactions approach (“CoTrans”)	A comparable transaction is a popular method of valuing a company that is being targeted in an M&A deal. The various transaction multiples being used are P/E and P/BV. This method of valuation can help approximate the market-clearing price of the target that shareholders would be willing to accept.	CoTrans approach usually is biased with several factors such as number of transactions, percentage stake sought, total deal value, transaction period, expected synergies, etc. Considering this, the estimated multiples seem comparable to the Companies.

02

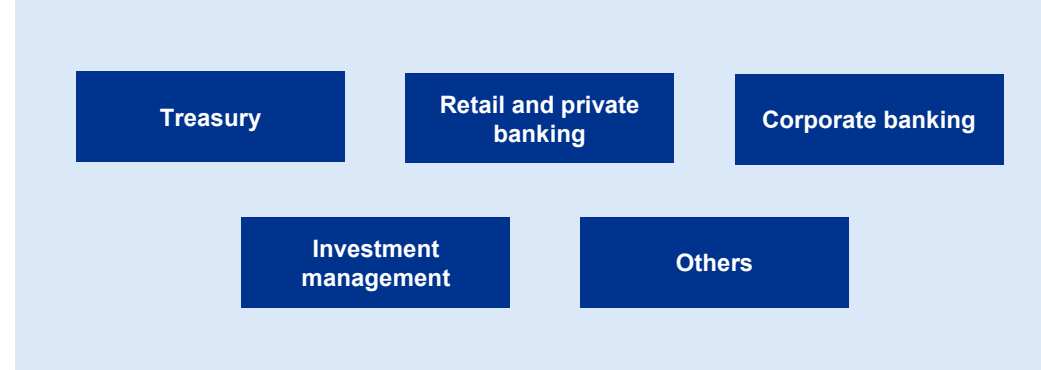
Company overview | KFH

KFH overview

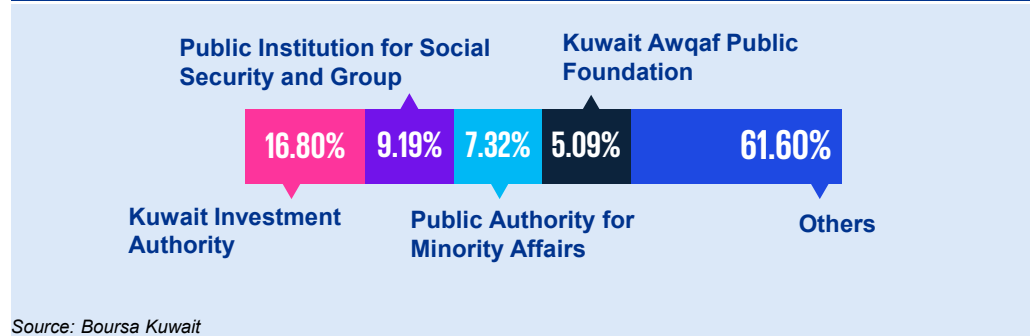
Overview

- Kuwait Finance House K.S.C.P. (“KFH”) is engaged in providing Islamic banking services in the Middle East, Europe and internationally with ~500 operational branches and ~1,200 ATM’s.
- It is listed on Bursa Kuwait and on Bahrain Bourse and its main shareholder include Kuwait Investment Authority and Public Institution for Social Security.

Revenue segments



Shareholding structure of KFH



Key operating metrics as at 30 June 2023

KD 991 mn	KD 395 mn	39.9%
Financing Income	Net Profit	Net Margin
KD 37 bn	KD 31 bn	KD 6.1 bn
Total Assets	Total Liabilities	Total Equity

Source: Company website, Audited financial statements as at 31 December 2022 and interim unaudited financial statements as at 30 June 2023

03

Historical financial analysis - KFH

Statement of income

Statement of income				
KD million	FY20	FY21	FY22	30-Jun-23
Financing income	893	871	1,322	991
Finance cost and distribution to depositors	(279)	(286)	(522)	(532)
Net financing income	614	586	801	458
Investment income (loss)	(6)	16	44	90
Fees and commission income	73	72	90	59
Net gain from foreign currencies	70	89	93	93
Other income	45	48	44	34
Total operating income	796	811	1,072	734
Staff costs	(172)	(184)	(209)	(139)
General and administrative expenses	(81)	(82)	(95)	(70)
Depreciation and amortization	(43)	(42)	(45)	(36)
Total operating expenses	(296)	(308)	(349)	(245)
Net operating income before provisions and impairment and net monetary loss	500	503	723	489
Provisions and impairment	(284)	(135)	(62)	(26)
Net monetary loss	0	0	(128)	(9)
Operating profit before taxation and proposed director's fees	215	368	534	454
Taxation	(31)	(56)	(98)	(59)
Proposed directors' fees	(1)	(1)	(1)	0
Profit for the year	184	310	435	395

Source(s): Audited financial statements as at 31 December 2021, 2022 and interim unaudited financial statements as at 30 June 2023

Overview

- KFH generates revenue from financing and banking activities in accordance with the Islamic Sharia'a law.
- Net financing income increased from KD 614 million in 2020 to KD 801 million in 2022 primarily on account of the improvement in economic activity post covid resulting in an increase in income generated from banking activities. For the six months ending 30 June 2023, KFH's net financing income stood at KD 458 million.
- Fees and commission income include fees charged by the Bank. These increased from KD 73 million in 2020 to KD 90 million in 2022.
- Investment income includes gain on sale/ liquidation of investments, rental income from investment properties, dividend income and others.
- Provisions and impairment losses primarily include the net impairment of financing receivables and recoveries from written off debts.
- Taxation includes taxation related to subsidiaries, contribution to KFAS, NLST and Zakat.
- Accordingly, net profit of KFH increased from KD 184 million in 2020 to KD 435 million in 2022. For the six months ending 30 June 2023, KFH's net profit stood at KD 395 million.

Statement of financial position

Statement of financial position				
KD million	31-Dec-20	31-Dec-21	31-Dec-22	30-Jun-23
Assets				
Cash and balances with banks and financial institutions	2,491	2,325	3,156	2,568
Due from banks	3,365	3,350	3,870	3,966
Financing receivables	10,748	11,355	18,840	19,108
Investment in debt securities	2,742	2,735	6,085	6,157
Trading properties	102	96	95	95
Investments	192	219	247	268
Investment in associates and joint ventures	521	492	520	515
Investment properties	351	325	384	400
Other assets	728	654	976	1,186
Goodwill and intangible assets	32	32	2,463	2,420
Property and equipment	230	204	335	336
Total assets	21,502	21,788	36,969	37,021
Liabilities				
Due to banks and financial institutions	2,954	2,595	6,181	5,849
Sukuk payables and term financing	315	217	784	629
Depositors' accounts	15,317	15,867	22,483	22,942
Other liabilities	814	803	1,235	1,545
Total liabilities	19,401	19,481	30,683	30,966
Equity attributable to the shareholders of the bank				
Share capital	767	844	1,342	1,476
Share premium	720	720	3,612	3,612
Proposed issue of bonus shares	77	84	134	-
Treasury shares	(28)	(28)	(42)	(82)
Reserves	323	210	111	83
	1,860	1,831	5,158	5,089
Proposed cash dividends	76	100	200	146
Total equity attributable to the shareholders of the bank	1,936	1,932	5,358	5,235
Perpetual Tier 1 Capital Securities and Sukuks	-	227	502	503
Non-controlling interests	165	149	427	317
Total equity	2,101	2,307	6,286	6,055
Total liabilities and equity	21,502	21,788	36,969	37,021

Source(s): Audited financial statements as at 31 December 2021, 2022 and interim unaudited financial statements as at 30 June 2023

Overview

- Total assets of KFH increased from KD 21.5 billion as at 31 December 2020 to KD 37 billion as at 30 June 2023 primarily due to the increase in financing receivables and investment in debt securities.
- Financing receivable comprise murabaha, wakala, leased assets, istisna'a balances and other financing receivables and advances, net of impairment. These increased from KD 10.7 billion as at 31 December 2020 to KD 19.1 billion as at 30 June 2023 mainly due to the increase in murabaha and wakala receivables.
- Investment in debt securities primarily comprise assets held at FVOCI and amortized cost. These increased from KD 2.7 billion as at 31 December 2020 to KD 6.2 billion as at 30 June 2023.
- Other assets comprise derivative assets, trade receivables, clearing accounts, precious metals inventory and others.
- Depositors' accounts includes non-investment deposits in the form of current accounts and investment deposits. These increased from KD 15.3 billion as at 31 December 2020 to KD 22.9 billion as at 30 June 2023.
- Other liabilities comprise trade payables, accrued expenses and others. The same increased from KD 814 million as at 31 December 2020 to KD 1.5 billion as at 30 June 2023 due to the increase in trade payables and accruals.
- Equity attributable to equity shareholders of KFH increased from KD 1.9 billion as at 31 December 2020 to KD 5.2 billion as at 30 June 2023. Similarly, the Company's total equity increased from KD 2.1 billion as at 31 December 2020 to KD 6.1 billion as at 30 June 2023.

04

Valuation analysis | KFH

04.1

Dividend Discount Model

Dividend Discount Model

Dividend discount model (Scenario - Payout ratio at 55.0%)					
KD million	2023	2024	2025	2026	2027
Net profit after taxes (Post AT 1 Sukuk cost)	626	688	750	780	803
Payout ratio	55%	55%	55%	55%	55%
Dividend payout	198	378	413	429	442
Terminal Value					4,162
Period factor	1.000	2.000	3.000	4.000	5.000
Discount factor	0.873	0.763	0.666	0.582	0.508
Present value of cash flows to the firm	173	289	275	250	2,341
Equity value	3,327				

Dividend discount model (Scenario - Payout ratio at 60.0%)					
KD million	2023	2024	2025	2026	2027
Net profit after taxes (Post AT 1 Sukuk cost)	626	688	750	780	803
Payout ratio	60%	60%	60%	60%	60%
Dividend payout	376	413	450	468	482
Terminal Value					4,540
Period factor	1.00	2.00	3.00	4.00	5.00
Discount factor	0.87	0.76	0.67	0.58	0.51
Present value of cash flows to the firm	328	315	300	272	2,553
Equity value	3,769				

Valuation analysis - DDM	
Growth rate	3.5%
COE	14.5%

DDM - Conclusion		
KD million	Min	Max
DDM Equity Value	3,327	3,769
Add: Excess Capital release	365	365
Equity value	3,692	4,133
Equity value per share	0.253	0.283

Source: Client information and KPMG Analysis

- Applying a cost of equity of 14.5%, terminal growth rate of 3.5% and post adjustment for release of excess Tier 1 capital, the value of KFH considering the DDM approach is estimated between KD 3,692 million and KD 4,133 million as at 30 June 2023.
- Accordingly, the per share value is estimated between KD 0.253 and KD 0.283 as at 30 June 2023.

Note: Excess capital over the regulatory required capital has been assumed for one time disbursement.

Please refer page 47 for Cost of Equity working.

04.2

**Volume
Weighted
Average
Price**

Volume Weighted Average Price

Valuation analysis- Volume Weighted Average Price							
		24 months period	12 months period	6 months period	3 months period	As at 30 June 2023	Average
Number of shares outstanding (million)	14,606						
Kuwait Finance House K.S.C.P. VWAP price (KD)		0.761	0.750	0.741	0.729	0.744	0.745
Average daily volume traded (in Mn)		13.402	17.142	15.782	14.703	6.594	13.525
Kuwait Finance House K.S.C.P. (KD million)		11,119	10,959	10,829	10,643	10,862	10,882

Source: S&P Capital IQ and KPMG analysis

- Based on VWAP approach, the value of KFH is estimated to range between KD 10,643 million and KD 11,119 million as at 30 June 2023.
- Accordingly, the per share value is estimated between KD 0.729 and KD 0.761 as at 30 June 2023.

04.3

Comparable companies approach

Comparable companies approach

Valuation analysis - Market multiples approach						
Comparable company	Country	Market cap (KD bn)	P/E		P/BV	
			TTM	NTM	TTM	NTM
Abu Dhabi Islamic Bank PJSC	United Arab Emirates	3			1.8x	2.0x
Al Rajhi Banking and Investment Corporation	Saudi Arabia	24	24.4x	17.1x		
Bank Albilad	Saudi Arabia	3		16.8x	2.7x	2.5x
Bank AlJazira	Saudi Arabia	1	21.2x	17.7x		
Bank Dhofar SAOG	Oman	0		17.3x		
Boubyan Bank K.S.C.P.	Kuwait	3				2.9x
National Bank of Bahrain BSC	Bahrain	1			2.6x	
National Bank of Kuwait S.A.K.P.	Kuwait	7	20.3x	14.3x	2.1x	1.9x
Qatar International Islamic Bank (Q.P.S.C)	Qatar	1	22.1x	15.6x		2.1x
Qatar Islamic Bank (Q.P.S.C.)	Qatar	4				1.7x
Riyad Bank	Saudi Arabia	8	19.4x		1.8x	1.8x
Saudi Awwal Bank	Saudi Arabia	6	19.3x			
Weighted average			22.1x	16.5x	2.1x	2.0x
Marketability discount				0%		
Adjusted average			22.1x	16.5x	2.1x	2.0x
Financial metric (KD mn)			532	647	5,089	5,525
Indicative Equity Value (KD mn)			11,751	10,659	10,527	11,201
Value per share (KD)			0.805	0.730	0.721	0.767

Source: S&P Capital IQ and KPMG analysis

- Considering KFH's history of growth in operations and earnings, using earning multiples of comparable companies to arrive at the fair value of KFH's equity value seems appropriate.
- Further, given that the majority of KFH's assets are marked to market, we have considered using the book value multiples. Accordingly, P/E and P/BV ratios have been applied.
- The comparable companies have been selected through a selective approach based on several factors such as similarity in business, operating market, asset size, etc. Post selection of the comparable companies, the outliers have been excluded.
- Considering P/E multiple, the value of KFH is estimated between KD 10,659 million and KD 11,751 million as at 30 June 2023. Accordingly, the per share value is estimated between KD 0.730 and KD 0.805 as at 30 June 2023.
- Applying P/BV multiple, the value of KFH is estimated between KD 10,527 million and KD 11,201 million as at 30 June 2023. Accordingly, the per share value is estimated between KD 0.721 and KD 0.767 as at 30 June 2023.

04.4

Comparable transactions approach

Comparable transactions approach

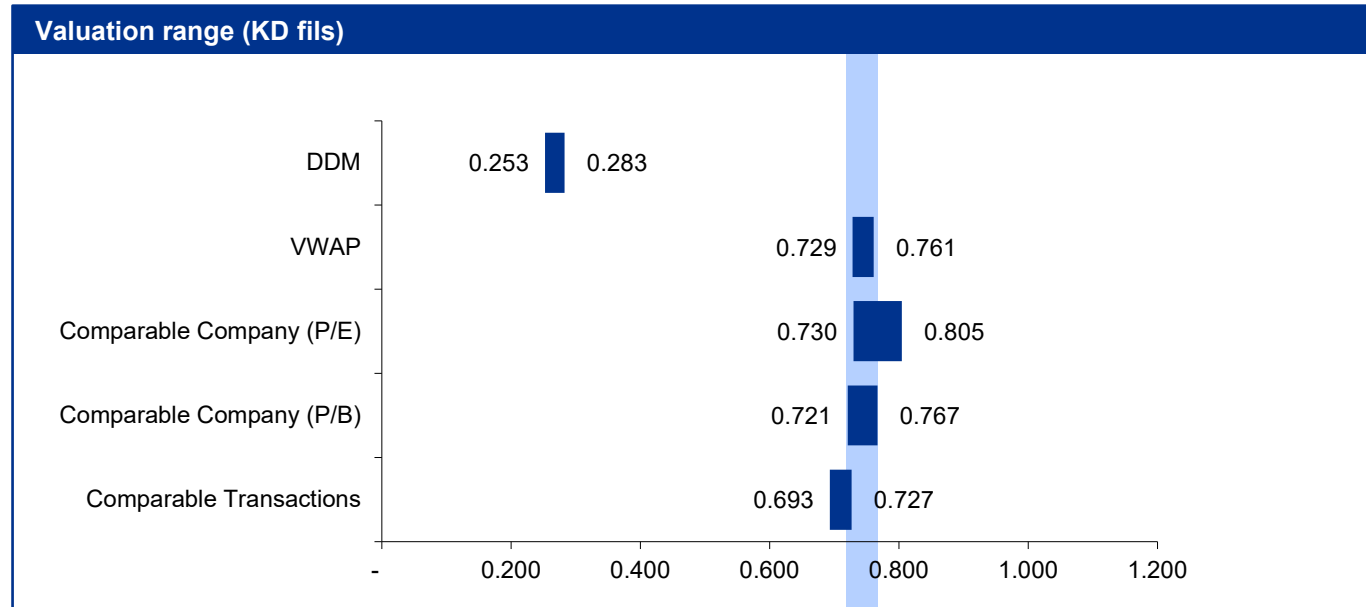
Valuation analysis - Comparable transactions approach									
KD million									
No.	Date of announcement	Target	Bidder	Country	Total Transaction value (KD million)	Stake	P/E	P/BV	
1	3-Nov-19	Bahrain Islamic Bank B.S.C.	National Bank of Bahrain BSC	Bahrain	51	Acquisition of Majority Stake	20.0x		
2	24-Jan-19	Ahli United Bank B.S.C.	Kuwait Finance House K.S.C.P.	Bahrain	3,620	Acquisition of Majority Stake	19.8x	2.3x	
3	25-Jun-20	Samba Financial Group	The National Commercial Bank (nka:The Saudi National Bank)	Saudi Arabia	4,567	Acquisition of Majority Stake	18.3x	1.6x	
4	16-May-18	Alawwal Bank	The Saudi British Bank (nka:Saudi Awwal Bank)	Saudi Arabia	1,526	Acquisition of Majority Stake	21.7x		
5	29-Jan-19	Union National Bank - PJSC	Abu Dhabi Commercial Bank PJSC	United Arab Emirates	1,225	Acquisition of Majority Stake	17.8x		
6	17-Aug-10	Credit Libanais SAL	EFG-Hermes Holding S.A.E (nka:EFG Holding)	Lebanon	167	Acquisition of Majority Stake	16.6x	2.1x	
Median							19.0x	2.1x	
Source: S&P Capital IQ and KPMG analysis							Financial metric	532	5,089
							Equity value	10,126	10,616
							Equity value per share	0.693	0.727

- Based on Comparable transactions approach, the value of KFH is estimated to range between KD 10,126 million and KD 10,616 million as at 30 June 2023.
- Accordingly, the per share value is estimated between KD 0.693 and KD 0.727 as at 30 June 2023.

04.5

**Value
conclusion**

Value conclusion



Source: KPMG Analysis

Summary

- Based on the applicable valuation approaches discussed earlier, KFH has been valued using the VWAP, comparable companies and comparable transactions approaches.
- Considering the above, the indicative valuation of KFH ranges between KD 10,527 million and KD 11,201 million as at 30 June 2023.
- Accordingly, the per share value of KFH is estimated between **KD 0.721 and KD 0.767 as at 30 June 2023.**

05

**Company
overview | AUBK**

AUBK overview

Overview

- Ahli United Bank K.S.C.P., Kuwait (“AUBK”) is an Islamic Sharia’a compliant bank listed on the Kuwaiti Stock Exchange. AUBK is a subsidiary of Ahli United Bank B.S.C., a Bahraini bank which was fully acquired by KFH effective 2 October 2022, making KFH the ultimate parent company of AUBK.
- AUBK operates a full-fledged commercial bank providing personal banking, corporate banking and wealth management services to its customers.

Revenue segments

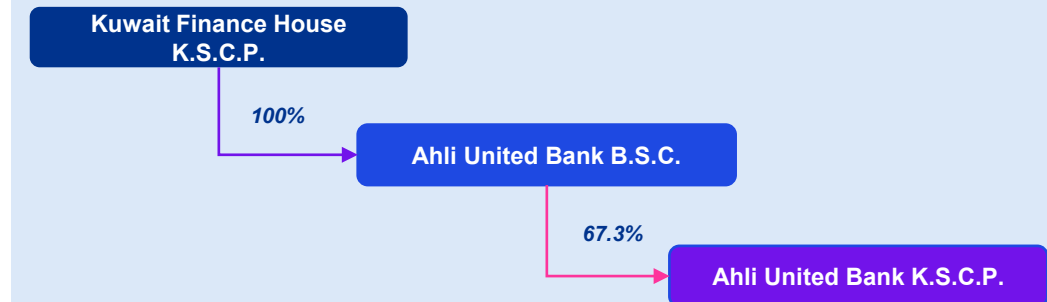
Corporate banking
and treasury services

Personal banking

Private banking and
wealth management
solutions

Others

Shareholding structure of AUBK



Source: Boursa Kuwait, Audited financials

Key operating metrics as at 30 June 2023

KD 108 mn

**Financing
Income**

KD 20.5 mn

Net Profit

18.9%

Net Margin

KD 4.5 bn

Total Assets

KD 3.9 bn

Total Liabilities

KD 666 mn

Total Equity

Source: Company website, Audited financial statements as at 31 December 2022 and interim unaudited financial statements as at 30 June 2023

06

Historical financial analysis - AUBK

Statement of income

Statement of income				
KD'000	FY20	FY21	FY22	30-Jun-23
Financing income	138,395	119,197	151,901	108,035
Distribution to depositors	(63,098)	(41,552)	(73,891)	(72,994)
Net financing income	75,297	77,645	78,010	35,041
Net fees and commission income	5,847	6,997	6,317	2,594
Foreign exchange gains	3,618	3,623	5,051	1,987
Net gain from investment securities	5,651	1,612	108	2,785
Net gain on sale of investment properties	720	879	-	-
Share of results from an associate	(540)	306	592	50
Other income	119	369	743	234
Net operating income	90,712	91,431	90,821	42,691
Provision and impairment losses	(26,095)	(23,090)	(14,614)	(2,827)
Net operating income after provision and impairment losses	64,617	68,341	76,207	39,864
Staff costs	(18,633)	(19,737)	(20,976)	(10,493)
Depreciation expense	(4,068)	(4,311)	(4,472)	(2,373)
Other operating expenses	(10,495)	(11,691)	(12,191)	(5,591)
Total operating expenses	(33,196)	(35,739)	(37,639)	(18,457)
Profit before taxation and directors' remuneration	31,421	32,602	38,568	21,407
Taxation	(1,437)	(1,117)	(1,687)	(950)
Directors' remuneration	(255)	(264)	(474)	-
Profit for the year	29,729	31,221	36,407	20,457

Source(s): Audited financial statements as at 31 December 2021, 2022 and interim unaudited financial statements as at 30 June 2023

Overview

- AUBK generates revenue from financing and banking activities in accordance with the Islamic Sharia'a law.
- Distribution to depositors represents the depositors shares of profit based on AUBK's results at the end of each quarter. The board of directors of AUBK determine the payout to depositors.
- Net financing income increased from KD 75.3 million in 2020 to KD 78 million in 2022 primarily on account of the increase in income generated from banking activities due to improvement in economic activity. For the six months ending 30 June 2023, AUBK's net financing income stood at KD 35 million.
- Net fees and commission income include fees charged by the Bank. These increased from KD 5.8 million in 2020 to KD 6.3 million in 2022.
- Share of results from an associate represent a 30% equity investment in Middle East Financial Investment Company in Saudi Arabia. The same increased from a loss of KD (0.5) million in 2020 to KD 0.6 million in 2022.
- Provision and impairment losses primarily include the net impairment of financing receivables and recoveries from written off financing receivables.
- Taxation includes contribution to KFAS, NLST and Zakat.
- Accordingly, net profit of AUBK increased from KD 29.7 million in 2020 to KD 36.4 million in 2022. For the six months ending 30 June 2023, AUBK's net profit stood at KD 20.5 million.

Statement of financial position

Statement of financial position				
KD'000	31-Dec-20	31-Dec-21	31-Dec-22	30-Jun-23
Assets				
Cash and balances with bank	184,276	183,320	228,804	149,949
Deposits with the Central Bank of Kuwait	274,476	184,270	238,164	371,944
Deposits with other banks	322,281	383,094	261,416	211,394
Financing receivables	3,113,685	3,342,148	3,405,004	3,281,229
Investment securities	392,492	380,840	453,453	404,775
Investment in an associate	7,778	8,070	8,761	8,853
Investment properties	18,360	19,919	20,297	25,531
Premises and equipment	40,109	39,310	40,836	42,152
Other assets	16,541	32,464	54,952	41,649
Total assets	4,369,998	4,573,435	4,711,687	4,537,476
Liabilities				
Deposits from banks and other financial institutions	772,097	736,274	710,030	708,150
Deposits from customers	3,008,222	3,109,922	3,241,346	3,057,597
Repurchase agreements with banks	7,585	-	-	-
Other liabilities	78,891	79,584	93,151	105,700
Total liabilities	3,866,795	3,925,780	4,044,527	3,871,447
Equity				
Share capital	216,587	238,245	250,158	250,158
Reserves	269,933	272,707	280,299	279,168
Treasury shares	(43,957)	(43,957)	(43,957)	(43,957)
Attributable to Bank's equity shareholders	442,563	466,995	486,500	485,369
Perpetual Tier 1 Sukuk	60,640	180,660	180,660	180,660
Total equity	503,203	647,655	667,160	666,029
Total liabilities and equity	4,369,998	4,573,435	4,711,687	4,537,476

Source(s): Audited financial statements as at 31 December 2021, 2022 and interim unaudited financial statements as at 30 June 2023

Overview

- Total assets of AUBK increased from KD 4.4 billion as at 31 December 2020 to KD 4.5 billion as at 30 June 2023 primarily due to the increase in financing receivables and deposits with CBK.
- Financing receivable comprise retail and commercial financing, post provision for impairment. These increased from KD 3.1 billion as at 31 December 2020 to KD 3.3 billion as at 30 June 2023 mainly due to the increase in receivables under the commercial financing segment.
- Investment in securities primarily comprise assets held at amortized cost including Sukuks. These increased from KD 392.4 million as at 31 December 2020 to KD 404.8 million as at 30 June 2023.
- Investment properties represent real estate properties acquired by AUBK. These are revalued by independent valuers for the purpose of impairment testing on a yearly basis.
- Premises and equipment include freehold land valued by independent valuers based on observable market data.
- Other assets comprise profit receivables, fair value of derivatives, government grant receivables and others.
- Deposits from customers represent deposits received under current accounts, saving investment accounts and fixed term investment accounts. These increased marginally from KD 3 billion as at 31 December 2020 to KD 3.1 billion as at 30 June 2023.
- Other liabilities comprise depositors' profit share payables and accounts payables, accruals and others. The same increased from KD 78.9 million as at 31 December 2020 to KD 105.7 million as at 30 June 2023 primarily due to the increase in accounts payables.
- Equity attributable to AUBK's equity shareholders increased from KD 442.6 million as at 31 December 2020 to KD 485.4 million as at 30 June 2023. Similarly, AUBK's total equity increased from KD 503.2 million as at 31 December 2020 to KD 666 million as at 30 June 2023.

07

**Valuation
analysis | AUBK**

07.1

Dividend Discount Model

Dividend Discount Model

Calculation of forecast dividends (Scenario - Payout ratio at 55.0%)					
KD million	2023	2024	2025	2026	2027
Net profit after taxes (Post AT 1 Sukuk cost)	36.3	41.9	46.1	48.4	49.9
Payout ratio	55.0%	55.0%	55.0%	55.0%	55.0%
Dividend payout	20.0	23.1	25.4	26.6	27.4
Terminal Value					383.5
Period factor	1.000	2.000	3.000	4.000	5.000
Discount factor	0.906	0.821	0.744	0.674	0.611
Present value of cash flows to the firm	18.1	18.9	18.9	18.0	250.9
Equity value	324.8				

Calculation of forecast dividends (Scenario - Payout ratio at 60.0%)					
KD million	2023	2024	2025	2026	2027
Net profit after taxes (Post AT 1 Sukuk cost)	36.3	41.9	46.1	48.4	49.9
Payout ratio	60.0%	60.0%	60.0%	60.0%	60.0%
Dividend payout	21.8	25.2	27.7	29.1	29.9
Terminal Value					418.4
Period factor	1.000	2.000	3.000	4.000	5.000
Discount factor	0.906	0.821	0.744	0.674	0.611
Present value of cash flows to the firm	19.7	20.7	20.6	19.6	273.7
Equity value	354.3				

Valuation analysis - DDM	
Growth rate	3.0%
COE	10.37%

DDM - Conclusion		
KD million	Min	Max
DDM Equity Value	325	354
Add: Excess capital release	212	212
Equity value	537	566
Equity value per share	0.238	0.251

Source: Client information and KPMG Analysis

- Applying a cost of equity of 10.37%, terminal growth rate of 3% and post adjustment for release of excess Tier 1 capital, the value of AUBK considering the DDM approach is estimated between KD 537 million and KD 566 million as at 30 June 2023.
- Accordingly, the per share value is estimated between KD 0.238 and KD 0.251 as at 30 June 2023.

Note: Excess capital over the regulatory required capital has been assumed for one time disbursement.

Please refer page 48 for Cost of Equity working.

07.2

**Volume
Weighted
Average
Price**

Volume Weighted Average Price

Valuation analysis- Volume Weighted Average Price						
	24 months period	12 months period	6 months period	3 months period	As at 30 June 2023	Average
Number of shares outstanding in AUB	2,252,286,284					
Ahli United Bank K.S.C.P. VWAP price (KD)	0.289	0.278	0.276	0.271	0.258	0.274
Average daily volume traded (in 000)	620	669	581	400	103	475
Ahli United Bank K.S.C.P. (KD million)	650	626	622	611	581	618

Source: S&P Capital IQ and KPMG analysis

- Based on VWAP approach, the value of AUBK is estimated to range between KD 611 million and KD 650 million as at 30 June 2023.
- Accordingly, the per share value is estimated between KD 0.271 and KD 0.289 as at 30 June 2023.

07.3

Comparable companies approach

Comparable companies approach

Valuation analysis - Market multiples approach						
Comparable company	Country	Market cap (KD mn)	P/E		P/BV	
			TTM	NTM	TTM	NTM
Commercial Bank of Kuwait K.P.S.C. (KWSE:CBK)	Kuwait	929	12.9	-	-	-
National Bank of Bahrain BSC (BAX:NBB)	Bahrain	1,123	19.0	-	-	-
Sharjah Islamic Bank PJSC (ADX:SIB)	UAE	563	-	-	-	1.0
Kuwait International Bank K.S.C.P. (KWSE:KIB)	Kuwait	260	19.9	17.0	-	-
Qatar International Islamic Bank (Q.P.S.C) (DSM:QIIB)	Qatar	1,277	15.3	15.6	-	-
National Bank of Fujairah PJSC (ADX:NBF)	UAE	885	-	-	1.8	-
The National Bank of Ras Al-Khaimah (P.S.C.) (ADX:RAKBANK)	UAE	758	-	-	1.0	1.0
Bank Dhofar SAOG (MSM:BKDB)	Oman	415	19.2	17.3	-	0.9
National Bank of Oman SAOG (MSM:NBOB)	Oman	364	-	-	1.0	-
Al Ahli Bank of Kuwait K.S.C.P. (KWSE:ABK)	Kuwait	437	15.6	-	-	-
Ahli Bank Q.P.S.C. (DSM:ABQK)	Qatar	839	-	-	1.3	1.4
Emirates Islamic Bank PJSC (DFM:EIB)	UAE	3,318	26.4	-	-	-
Sohar International Bank SAOG (MSM:BKSB)	Oman	397	14.7	-	0.9	-
Warba Bank K.S.C.P. (KWSE:WARBABANK)	Kuwait	439	-	17.5	1.5	1.3
Weighted average			20.4x	16.4x	1.3x	1.1x
Marketability discount	0%					
Adjusted average			20.4x	16.4x	1.3x	1.1x
Financial metric (KD mn)			29	40	485	503
Indicative value (KD mn)			601	662	636	573
Value per share (KD)			0.267	0.294	0.282	0.254

Source: S&P Capital IQ and KPMG analysis

- Considering AUBK's history of growth in operations and earnings, using earning multiples of comparable companies to arrive at the fair value of AUBK's equity value seems appropriate.
- Further, given that the majority of AUBK's assets are marked to market, we have considered using the book value multiples. Accordingly, P/E and P/BV ratios have been applied.
- The comparable companies have been selected through a selective approach based on several factors such as similarity in business, operating market, asset size, etc. Post selection of the comparable companies, the outliers have been excluded.
- Considering P/E multiple, the value of AUBK is estimated between KD 601 million and KD 662 million as at 30 June 2023. Accordingly, the per share value is estimated between KD 0.267 and KD 0.294 as at 30 June 2023.
- Applying P/BV multiple, the value of AUBK is estimated between KD 573 million and KD 636 million as at 30 June 2023. Accordingly, the per share value is estimated between KD 0.254 and KD 0.282 as at 30 June 2023.

07.4

Comparable transactions approach

Comparable transactions approach

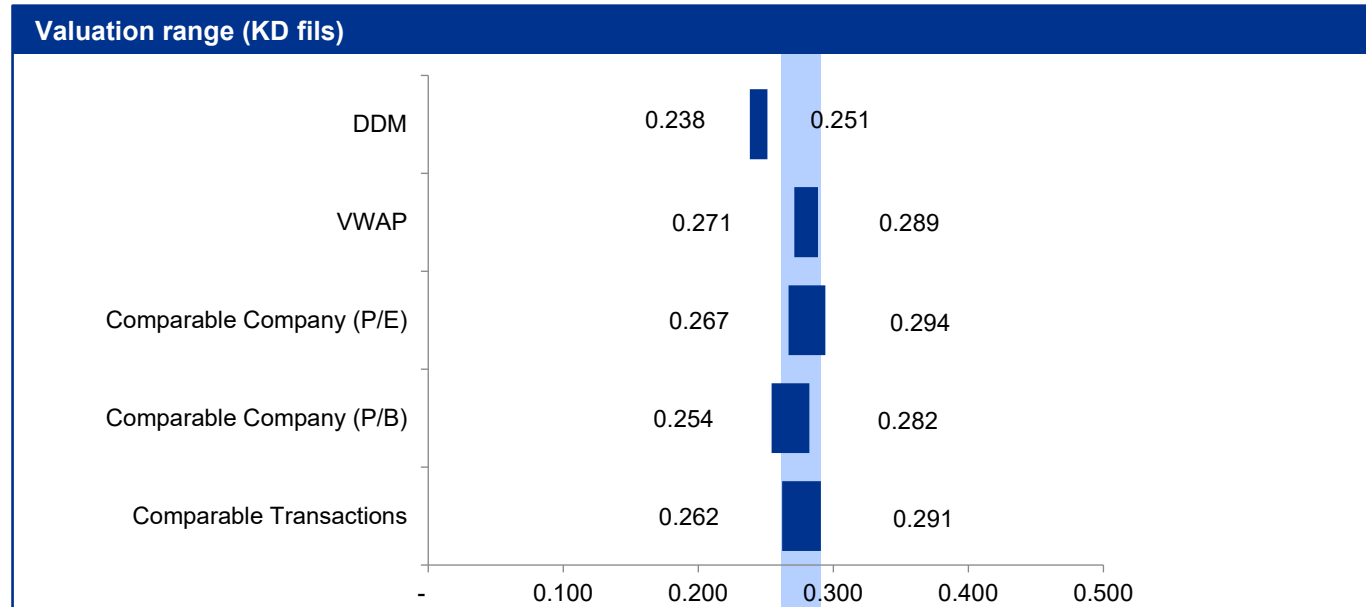
Valuation analysis - Comparable transactions approach							
KD million							
No.	Date of announcement	Target	Bidder	Country	Total Transaction value (KD million)	Stake	P/E P/BV
1	7-Jan-21	Al Khalij Commercial Bank P.Q.S.C.	Masraf Al Rayan (Q.P.S.C.)	Qatar	686	Acquisition of Majority Stake	1.1x
2	25-Jun-20	Samba Financial Group	The Saudi National Bank	Saudi Arabia	4,567	Acquisition of Majority Stake	1.6x
3	3-Nov-19	Bahrain Islamic Bank B.S.C.	National Bank of Bahrain BSC	Bahrain	51	Acquisition of Majority Stake	20.0x 1.0x
4	29-Jan-19	Union National Bank - Public Joint Stock Company	Abu Dhabi Commercial Bank PJSC	United Arab Emirates	1,225	Acquisition of Majority Stake	0.9x
5	24-Jan-19	Ahli United Bank B.S.C.	Kuwait Finance House K.S.C.P.	Bahrain	3,620	Acquisition of Majority Stake	19.8x 2.3x
6	16-May-18	Alawwal bank	The Saudi British Bank	Saudi Arabia	1,526	Acquisition of Majority Stake	21.7x 1.6x
Median							20.0x 1.4x
Source: S&P Capital IQ and KPMG analysis							Financial metric 29 485
							Equity value 591 655
							Equity value per share 0.262 0.291

- Based on Comparable transactions approach, the value of AUBK is estimated to range between KD 591 million and KD 655 million as at 30 June 2023.
- Accordingly, the per share value is estimated between KD 0.262 and KD 0.291 as at 30 June 2023.

07.5

**Value
conclusion**

Value conclusion



Source: KPMG Analysis

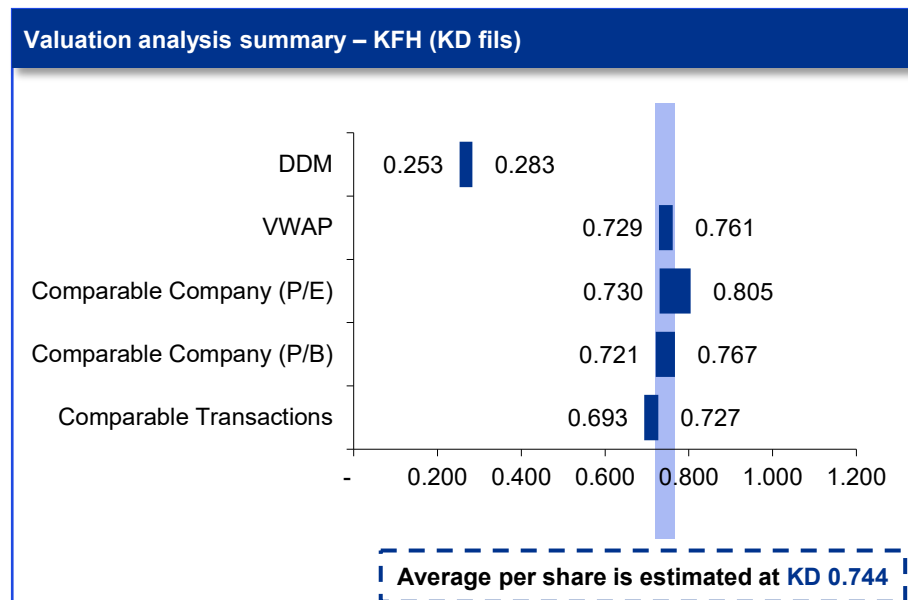
Summary

- Based on the applicable valuation approaches discussed earlier, AUBK has been valued using the VWAP, comparable companies and comparable transactions approaches.
- Considering the above, the indicative valuation of AUBK ranges between KD 591 million and KD 655 million as at 30 June 2023.
- Accordingly, the per share value of AUBK is estimated between **KD 0.262 and KD 0.291 as at 30 June 2023.**

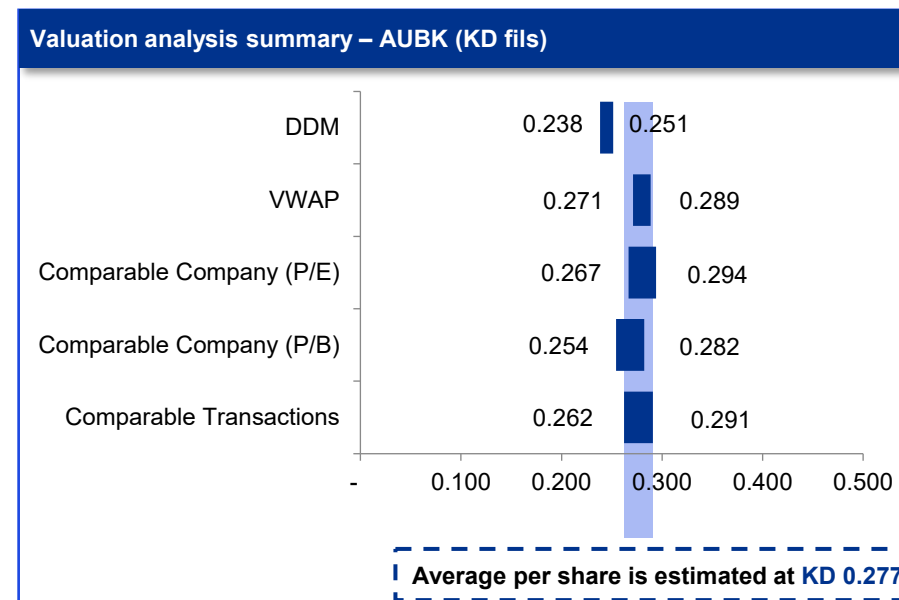
08

Valuation summary and Swap Ratio

Valuation summary (1/2)



Source: KPMG Analysis



Summary

- The valuation range for KFH works out between KD 0.721 per share to KD 0.767 per share as at 30 June 2023. Accordingly, the average per share value is estimated at KD 0.744 per share as at 30 June 2023.
- The valuation range for AUBK works out between KD 0.262 per share to KD 0.291 per share as at 30 June 2023. Accordingly, the average per share value is estimated at KD 0.277 per share as at 30 June 2023.
- **Accordingly, the swap ratio is estimated at 0.3723118279 shares of KFH for 1 share of AUBK as at 30 June 2023.**

Valuation summary (2/2)

As at 30 June 2023

Valuation date as at 30 June 2023	Total assets (1) [KD]	Total liabilities (2) [KD]	Non-controlling interest and others (3) [KD]	Net asset value (Book value) (1)-(2)-(3) [KD]	Indicative valuation [KD]	Number of shares outstanding (in numbers)	Value per share [KD]
Merging Company (KFH)	37,020,758,000	30,966,026,000	819,393,000	5,235,339,000	10,863,988,929	14,606,341,104	0.744
Merged Company (AUBK)	4,537,476,000	3,871,447,000	180,660,000	485,369,000	623,003,655	2,252,286,284	0.277

* Note: Noncontrolling interest and others include perpetual capital securities

Our valuation analysis of KFH and AUBK is based on applicable valuation approaches, namely, VWAP, comparable companies, comparable transactions approaches and DDM. Considering the said methodologies the value of KFH is estimated to be KD 0.744 per share, leading to a share premium of KD 0.644 per share (based on par value of KD 0.100); similarly the value of AUBK is estimated to be KD 0.277 per share, leading to a share premium of KD 0.177 per share (based on par value of KD 0.100).

Valuation summary – Swap ratio

- KFH proposes to merge with AUBK through a mutually agreed share swap transaction.
- Accordingly, each shareholder of AUBK will exchange their respective shares with KFH in ratios to be proposed by the respective Boards.
- Post the merger KFH (the merged entity) will own the assets and liabilities of AUBK along with its existing assets and liabilities.

Swap exhibit	Amounts in KD	
As at 30 June 2023	KFH	AUBK
No. of shares issued	14,764,456,572	2,501,577,259
No. of shares outstanding (issued less treasury shares) (d)	14,606,341,104	2,252,286,284
Valuation average (c)	10,863,988,929	623,003,655
Indicative value per share (e) = (c/d)*	0.744	0.277
Share swap ratio	0.3723118279	

Valuation average		
As at 30 June 2023	KFH	AUBK
No. of shares outstanding (a)	14,606,341,104	2,252,286,284
Indicative price per share (KD) (b)	0.744	0.277
Total value (KD) (c) = (a*b)	10,863,988,929	623,003,655

Source: KPMG analysis, Boursa Kuwait and interim unaudited financial statements as at 30 June 2023

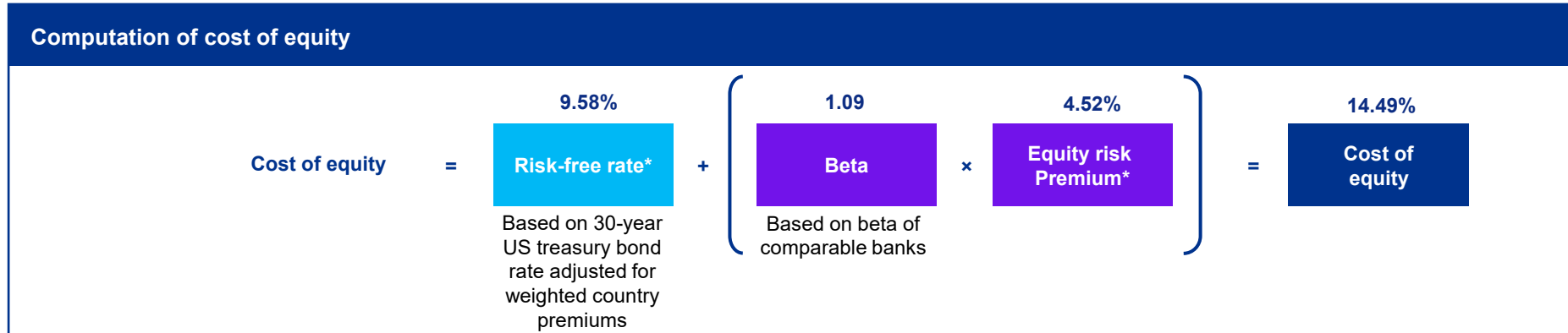
* Rounded off to 3 decimal places

- **Considering the average per share value, the indicative share swap ratio is 0.3723118279 shares of KFH for 1 share of AUBK.**

09

Appendices

Cost of equity - KFH



Source: Aswath Damodaran, NYU, Stern School of Business Professor, website (<http://pages.stern.nyu.edu/~adamodar/>)
 Note: *Computed considering countries of operational interest; rates weighted by contribution to operating income

DDM assumptions - KFH

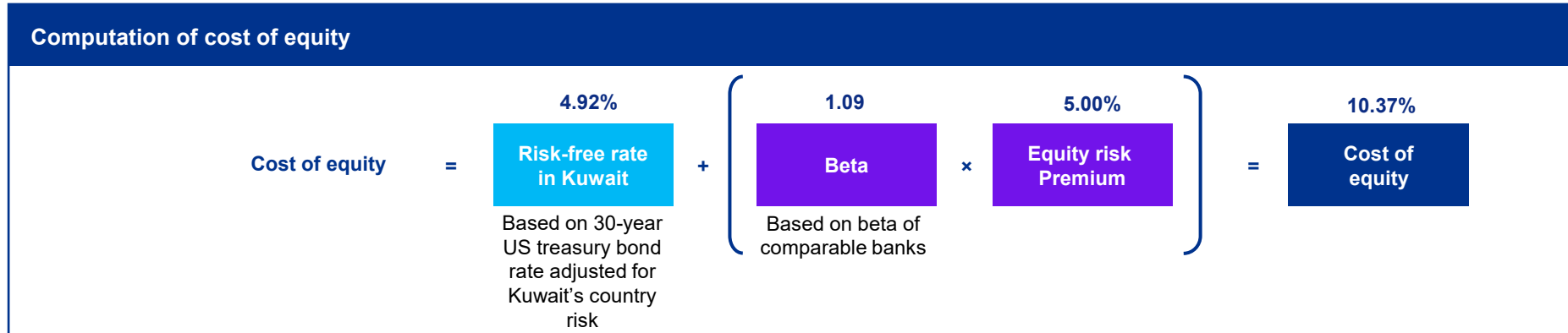
Excess capital (KD millions)	
KD million	
Risk weighted assets	21,259
TIER 1 capital required	2,764
Actual TIER 1 capital	3,128
Excess capital (KD)	365

Source: Client information and interim unaudited financials as at 30 June 2023

Tier 1 Capital requirements based on a adequacy ratio of 13%

The actual Tier 1 Capital maintained by KFH is 14.7%.

Cost of equity - AUBK



Source: Aswath Damodaran, NYU, Stern School of Business Professor, website (<http://pages.stern.nyu.edu/~adamodar/>)

DDM assumptions - AUBK

Excess capital KD (millions)	
Risk weighted assets	3,780
Tier 1 Capital required	435
Actual Tier 1 capital	646
Excess capital	212

Tier 1 Capital requirements based on a adequacy ratio of 11.5%

The actual Tier 1 Capital maintained by AUBK is 17.1%.

Source: Client information and interim unaudited financials as at 30 June 2023



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