Date: 24 July 2019
21 Dhu al-Qa'dah 1440
Ref: 10/10/303 / 2019

To: Boursa Kuwait

Peace, Mercy and Blessings of Allah be upon you

Subject: Disclosure of The KFH’s Analysts Conference For Q2 / 2019

In reference to the above, and in line with Kuwait Finance House ‘KFH’ interest in adhering to Boursa Kuwait Role Book (Article 8-4-2/4), KFH would like to report the following:

Further to the previous disclosure on 23 July 2019, the Conference Minutes of Meeting Q2/2019 is attached.

A copy of the same has been submitted to Capital Markets Authority.

Best Regards,

Mazin S Al Nahedh

[Signature]

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First Half 2019
Kuwait Finance House Earnings Webcast Transcript

Monday, 22 July 2019, 2:00 pm Kuwait Time

Speakers from Kuwait Finance House executive management:

- Mr. Mazin Al-Nahedh, Group Chief Executive Officer (GCEO).
- Mr. Shadi Zahran, Group Chief Financial Officer (GCFO).
- Mr. Fahad Al-Mukhaizeem, Group Chief Strategy Officer (GCSO).

Chairperson

- Mr. Ahmed El Shazly, EFG-HERMES.

-The beginning of the live webcast text-

Good afternoon ladies and gentlemen and welcome to the Kuwait Finance House H1 2019 results webcast. This is Ahmed El Shazly from EFG-Hermes and it is a pleasure to have with us on the call today:

- Mr. Mazin Al-Nahedh, Group CEO
- Mr. Fahad Al-Mukhaizeem, Group CSO
- Mr. Shadi Zahran, Group CFO

And we are also joined today by the following attendees:

- Franklin Templeton Investments
- Fiera Capital
- Arzan Financial Group
- Schroders
- OSOUL Investment Company
- Dark Horse Capital
- Wafra International Investment
- HSBC
- Goldman Sachs
- RWC Partners

In addition to other companies...
A warm welcome to everyone and thank you for joining us today.

We will start the call with the management presentation for the next 10 to 15 minutes, then this will be followed by the Q&A session. To ask a question, just type in your question on your screen at any time during the presentation and we will address it during the Q&A session.

I would also like to mention that some of the statements that might be made today may be forward looking. Such statements are based on the company’s current expectations, predictions and estimates. There are no guarantees of future performance, achievements or results.

And now I will hand over the mic to Mr. Fahad to start with the presentation.

Thank you.

**Fahad Al-Mukhaizeem:**

Thank you, Ahmed, and good afternoon ladies and gentlemen. We are glad to welcome you to H1 earnings call for Kuwait Finance House Group. I am Fahad Al-Mukhaizeem, Group Chief Strategy Officer. Today, we’ll be covering highlights of Kuwait’s operating environment with an overview on KFH. We’ll also share with you KFH’s strategy, as well H1-2019 results.

On June 25, 2019, (MSCI) announced the conditional upgrade of Boursa Kuwait on its main index for emerging markets. The fruits of the 2035 Development Plan are beginning to be seen in the economic environment for the State of Kuwait concerning the encouragement of foreign investments, in several areas. The most important sign of success is the liquidity enhancement in Boursa Kuwait which shows a rise since the beginning of the year. The average daily trading value has tripled as of the First half of 2019 over the same period last year.

Kuwait (GDP) is expected to reach 2.5% in 2019, according to the (IMF). This is supported by the higher average prices for Kuwaiti crude oil.
Moody’s recently affirmed KFH’s long term rating and upgraded KFH’s baseline credit assessment (BCA) to baa3 from ba1, with stable outlook reflecting sustained improvements in the bank’s asset quality and earnings.

KFH won Kuwait’s Best Bank 2019 from both Euromoney Group and Asiamoney which confirms KFH’s leadership and success in Kuwait.

Currently KFH branch network exceeded 509 branches around the world. Thus continuing our Key strengths which include Strategic distribution channels in addition to our robust financial performance.

Some of the business highlights include opening of the Largest Auto Showroom in the Middle East, with more than 20 car dealerships, valuation services, a ladies’ section, in addition to a charging station for electric vehicles. This achievement strengthens KFH’s role in serving the national economy and the retail market as well.

As a strategy, KFH uses state of the art technology in its digital banking services to meet customer demand. Through the innovative KFH-Go branches customers can perform 90% of their required banking transactions. KFH also introduced the first ever Mobile Deposit for Cheques in Kuwait, through KFH Online app.

**With this, let me hand over the mic to our Group CEO, Mr. Mazin Al-Nahedh.**

**Mazin Al-Nahedh:**

Thank you, Fahad. Good day ladies and gentlemen. It’s my pleasure to welcome you all to the first half 2019 earnings call. Let me highlight the financial performance of H1-2019:

KFH reported a **Net Profit Attributed to Shareholders** of **KWD 107.7 million** for the first half of 2019 compared to **KWD 95.2 million** for the same period last year i.e. an increase of **13.1%**.
Total Financing Income for H1 this year reached KWD 460.5 million an increase of 8.6% and Net Operating Income reached KWD 240.7 million i.e. a growth of 2.1% compared to the same period last year.

Cost to Income Ratio dropped to reach 38.7% for H1-2019, compared to 39.5% for the same period last year. Improving by 87 basis points.

Earnings per Share for H1 of 2019 reached 15.64 fils, compared to 13.84 fils for the same period last year i.e. an increase of 13%.

These positive financial results and the operating profits stemmed from the focus on the core banking activities. They reflect the stable and sustained growth in profitability, encompassing all indicators, confirming the success of our long-term strategy despite the challenging economic and political developments.

Our efforts have been focused on maintaining profit growth rates and implementing the best banking practices in full compliance with supervisory and sharia directives. This in addition to taking advantage of technology, administrative and organizational plans. These plans include raising employee efficiency, innovation, customer care, ensuring the interests of the shareholders, depositors and increasing the return on their investments.

Keeping in mind the current public projects in the pipeline, the banking sector is well-equipped to play an important role to support the long-term development of Kuwait’s infrastructure. KFH is involved in nearly every major financial transaction in Kuwait, from financing government and private companies for local projects to financing their ventures abroad and internationally.

KFH is a key component of the Kuwait 2035 vision as a leading Islamic financial institution enabling national development and growth of the financial services industry, while also helping facilitate the growth and diversification of investment efforts of many other economic sectors.

Furthermore, KFH Group has succeeded in consolidating its position in the Sukuk market. The bank has arranged issuances worth more than USD 5 billion for companies
and governments through KFH Capital, the investment arm of KFH. This is in addition to launching a new index for dollar-denominated Sukuk issuances in the global markets.

Finally, regarding the potential Acquisition of AUB Bahrain, we have disclosed to the regulatory authorities and the market the latest developments in this regard and there are no further updates at this time. And we will disclose as and when any new developments take place.

Now, I will hand over the mic to the Group’s Chief Financial Officer, Mr. Shadi Zahran and he will present the financial results for the first half in details. Thank you.

Thank you Mazin, Aslaam ‘Alaikum ladies and gentlemen and good day for you all. It’s my pleasure to present you the financial performance for the Group of the first half 2019,

The Group has achieved Net Profit After Tax (NPAT) attributable to Shareholders for the period ended 30th June 2019 of KD 107.7mn higher by KD 12.4mn or 13.1% compared to H1 2018 of KD 95.2mn.

Total Operating income at KD 392.4mn increased by KD 2.5mn or 0.6% as compared to same period last year; the increase is mainly from Investment Income by KD 30.7mn offset by the decrease in NFI by KD 27.2mn.

The increase in investment income is mainly attributable to finalization of projects and divestments which led to increase in investment income to total operating income to reach 15.4% compared to 7.6% last year. However, the other non-yielding income contribution remained at almost same level of 21%.

Net financing income (NFI) has decreased by KD 27.2 mn or 9.8% compared to same period last year. This is due to increase in COF by KD 63.6 mn which is partly offset by increase in financing income of KD 36.4mn.

Financing income increase resulted mainly from the increase in average yielding assets. On the other hand, increase in COF is mainly due to the full effect of increase in
benchmark rates impacting financing cost, and the increase in distribution to depositors as a result of higher Group profitability and Mudaraba based deposits concentration.

**Total Operating Expenses** at **KD 151.7mn** have decreased by **KD (2.4)mn** or (1.6)%.

And that’s mainly due to continuous efforts at the Group level made towards cost optimization and rationalization which has resulted in the containment of costs despite expansion of Banking Business and inflationary conditions seen in some markets where the Group operates.

Then, **Net Operating income** at **KD 240.7mn** increased by **KD 4.9mn** or **2.1%** compared to Jun-18 and cost to income ratio improved by a further **87bps** to reach **38.65%**. Displaying an improved efficiency, and optimized total operating expenses.

Furthermore, at KFH-Kuwait, **C/I ratio** at **36.9%** which is below both the local Islamic Banks average of **38.1%** and local conventional Banks average of **38.4%** (calculated from published financials for Q1-19).

**Average Profit Earning Assets** is up by **6.3% compared to June 2018**, maintaining the growth momentum of yielding assets for the past few years. (avg. YoY financing receivables and MM is up by **KD 400mn** and avg. Sukuk is up by **KD 400mn**)

**Group NFM** at **3.03%** shows a **15bps** decrease over 2018 of average **3.18%**.

Group average yield slightly improved despite the increase in local and international profit rates mainly on account of aggressive market competition and slow discount rate evolvement compared to Fed rate. However, as mentioned earlier the COF is higher as compared to H1-18 on account of KFH increased profitability and higher market rates.

The Group total provisions and impairment charge increased by **KD 1.9mn** or **2.0%** to reach **KD 99.9mn**. **Higher provisions on financing by KD36.3 mn** is on account of precautionary provision of **KD 40mn** recorded at Group level on our Turkish subsidiary financing portfolio on conservative basis in view of market outlook.
Provisions and impairment for **investments and others** decreased from **KD 65.5mn** to **KD 31.2mn** due to last year one-off impairment for certain legacy properties in GCC.

**Net Operating Income (before provisions) from banking activities remained** at **90.0%** of Group Net Operating income.

**Total Assets** at **KD 18.7bn** increased by **KD1.0bn** or **5.5%** over 6 months period (Jun-19 vs. Dec-18).

The Group achieved an outstanding growth in deposits during the first half of **KD 1.1bn** or **9.0%** with contribution from all banking operations reflecting the results of investments made in digitalization and depositors confidence in KFH Group.

Additionally, the favorable deposits mix continues to show very healthy contribution from CASA deposits which represents **45.8%** of total Group deposits as at the end of H1 2019 – maintaining same level during the past few years. It is also worth to mention that KFH Kuwait dominates the saving accounts with market share of **41.1%** (as per CBK latest published reports, May-19).

**Financing receivables** at **KD 9.2bn** increased by **0.5%** over 6 months period (Jun-19 vs. Dec-18). **Growth without TRL devaluation is 2%**. Growth in financing receivables contributed from Kuwait and Bahrain despite market competition and challenges while other international banking entities demonstrated slower growth focusing on asset quality.

**Investments in Sukuk** at **KD 2.1bn** increased by **KD 582mn** or **37.2%** since **Dec-18** with a growth contribution from all banking entities and the majority of the balance represents investment in Sovereign Sukus. The growth in Sukuk portfolio is a response of growth in deposits in all markets we operate in with limited good asset quality financing opportunities and Group’s overall Risk profile.

**Customer deposits as a percentage of total deposits** at **81%** continues to improve reflecting in the healthy funding mix and shows robust liquidity.
NPL ratio reduced to reach 1.90% (as per CBK calculation) in Jun-19 compared to 2.83% at Jun-18 (2018: 1.99%). Account of improvement in overall risk profile of the Bank supported by recoveries and write-offs.

Coverage ratio (provision) for Group is 211% in Jun-19 (2018: 191%).

Coverage ratio (provision + collateral) for Group is 263.6% in Jun-19 (2018: 247%).

In the last slide looking at the key performance ratios, the Group compared to last year same period is as follow:
- ROAE from 10.60% to 11.63%
- ROAA from 1.32% to 1.23%
- C/I from 39.52% to 38.65%, and
- EPS from 13.84 fils to 15.64 fils for H119.

With that concludes my part, thank you.

Ahmed Al Shazly: Again to ask a question, Just please type it in the question box in your screen, so we can be able to reply to it.

Q & A

Question 1: Financing outlook for the remainder of the year? especially in light of Turkish Lira depreciation? Corporate Kuwait? Retail Kuwait?

Maha Soueiss - Schroders

Answer by Mr. Mazin: I will answer the question in two parts:

Part I): Growth in Turkey, as far as financing growth it has not been significant during 2019 and the reason behind that is focusing on Asset Quality. So we had a significant increase in deposits there and those deposits were primarily deployed in government based Sukuk in Turkey. As such, we would not be following growth in Assets unless they are of high quality as such we don’t expect to see much growth on the corporate
side, however we see growth in the Sukuk and the government based deposits that can carry a lower risk weight.

Part II) As far as corporate in Kuwait we’re seeing… I would say very low growth this year both in corporate and in retail. The forecasts for the remainder of the year is going to be I would say in-line with what we have seen so far during the first half, but this also depends on what the Fed would do and what the Central Bank of Kuwait would follow in this regard, if we see a drop in the discount rate for example that might spur further growth in financing, specifically on the corporate side. On the retail side we don't foresee significant growth during 2019. (GCEO)

**Question 2:** Asset quality issues: cost of risk expected for the year? Do you foresee more pain in Turkey?

**Maha Soueissy - Schroders**

**Answer by Mr. Mazin:** As Shadi already mentioned we’ve already taken precautionary 40 million KD against our portfolio in Turkey. This is very conservative and this takes into account the potential there and we anticipate Cost of Risk for the Group to be at 1.2% for the 2019, mainly because of the increase in Costs of Risk specifically in Turkey.

Do we foresee more pain in Turkey? We don’t expect to see a significant increase in the Cost of Risk in Turkey but potentially as a conservative bank we would provide for it... and we believe that we would achieve our objective and target for the year despite all of the challenges.

**Question 3:** Can you provide us more information regards the reasons under the significant increase in the financing cost which increased by 43.4% in H1-2019 compared to H1-2018 however financing income only increased by 8.6% during the same period?

**Alaa Alatilie - Arzan Financial Group**

**Answer by Mr. Mazin:** I think Shadi already answered this question earlier in his presentation by stating that Mudharaba based deposits takes not only financing income but also investment income and as such we see at the second element of it is
the distribution between the different product line and within the Mudharaba pool. So as such, do we foresee that it will increase it will all depend on the behavior of our customers moving forward, this is not withstanding an increase in Wakala based deposits which are pre-determined in rates and they are linked to the repo rate or linked to the deposit rate in the market and as you well know the compression in the margins due to the central bank rates, increasing deposit rates while keeping the discount rate flat is creating that pressure. (GCEO)

**Question 4:** Fitch cuts the Turkish's credit rating to BB- with negative outlook in the near future, how do you think this could affect KFH in Turkey?

**Alaa Alatifie - Arzan Financial Group**

**Answer by Mr. Mazin:** Actually, Fitch cut the Turkish credit rating to BB- because of the resignation of the central bank governor or the intervention by the government to remove the central bank governor and basically we are waiting to see what’s going to be their next move as far as interest movement in Turkey and that would determine what will happen next. (GCEO)

**Question 5:** I appreciate that you have provided all public info regarding the merger to the market. However, you had previously guided that the merger terms would be confirmed by June. May I ask you to comment on the reasons for the delay and the potential bottlenecks you have been encountering?

**Stefan Bottcher - Fiera Capital**

**Answer by Mr. Mazin:** It was mainly on the regulatory side to receive approvals for the due diligence as you well know we operate in multiple geographies, we expected the timelines to be much faster, however the regulatory approvals from the various jurisdictions that both KFH and Ahli United Bank operate in took longer than expected, we hope to basically conclude within the next couple of months and have a result in that regard.

**Question 6:** When would you expect to have to increase the capital of the Turkish entity and how much might be required?

**Stefan Bottcher - Fiera Capital**
**Answer by Mr. Mazin:** We’ve already increased the capital in Turkey by 200 million through the issuance of Tier-1 Capital and they are in US dollars to basically mitigate any potential devaluation of the Turkish Lira. As such this has already been done and their capitalization is significantly higher than what the requirements are.

**Question 7:** Can you provide a breakdown of the financing book by geography?

**Answer by Mr. Mazin:** 62% of the financing book is from Kuwait, a range of 25-26% is from Turkey and Bahrain 8% and Malaysia 4%.

**Rahul Shah - Tellimer**

**Question 8:** You say that cost of risk this year will be 1.2%. But what is a normal (over the cycle) cost of risk for the Group?

**Rahul Shah - Tellimer**

**Answer by Mr. Shadi:** 1.2%, yes is that's the Group now Cost of Risk, it’s a bit inflated as mentioned by Mazin for Turkey... and the normal for us is still 1. This first half is impacted with precautionary provision, we took it in Turkey.

**Ahmed El Shazly:** Ok, so this concludes our call. I would like to thank everyone for joining our call and if you have any more questions please send them to investor.relations@kfh.com, so again thanks everyone and thank you to the management.

End of the Web Cast.....
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**Economic Highlights**

- Crude Oil price closed at USD 66.8 p/b in H1-19 i.e. lower by 1.7% Q-T-Q and by 13.8% Y-T-Y.
- Moody's credit rating for Kuwait was last set at A1 with stable outlook. While Fitch rating was A+ with stable outlook.
- The Central Bank of Kuwait has maintained its key discount rate at 3%, after US Fed rate maintained its level in the last meeting held on 19 June 2019.
- Morgan Stanley Capital International (MSCI) announced on Tuesday, June 25, 2019 the conditional upgrade of the Boursa Kuwait as its main index for emerging markets. This is the third upgrade of the Boursa Kuwait after the first upgrade of FTSE Russell and Standard & Poor's Dow Jones Global Markets Index.
Kuwait

1st Safest Islamic Financial Institution in the GCC
*According to Global Finance Magazine

Regional

1st Islamic Bank in Germany

Global

1st

Kuwait’s Best Bank*

*According to Euromoney

Largest Sharia*-Compliant Bank in Kuwait.
KFH Overview

- Saudi Arabia
  - Asset Management
  - Wealth Management and Custody
  - Investment Services
  - Product & Business Development

- Bahrain
  - Retail Banking
  - Wealth Management
  - Corporate Banking
  - Real Estate

- Kuwait
  - Retail Banking
  - Wealth Management and Private Banking
  - Corporate Banking
  - Investment Services
  - Real Estate Financing

- Turkey
  - Retail Banking
  - Wealth Management and Personal Banking
  - Corporate Banking

- Germany
  - 1st Islamic bank
  - Retail Banking
  - Corporate Banking
  - Investment Services
  - Real Estate Financing

- Malaysia
  - Retail Banking
  - Wealth Management
  - Corporate Banking
  - Commercial Banking
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<tr>
<th>Robust Financial Performance</th>
<th>Leading Islamic Financial Institution</th>
<th>Strong Government Sponsorship</th>
<th>Professional Management Team</th>
<th>Strategic Distribution Channels</th>
<th>Effective Risk Management Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>A consistent track record of profitability &amp; dividend payment</td>
<td>Second largest Islamic Financial Institution globally in terms of asset base</td>
<td>48% ownership by various Kuwaiti Government authorities</td>
<td>Well-rounded human capital through meritocratic management structure</td>
<td>Diversified international operations</td>
<td>KFH continuously develops its risk management framework in light of development in the business, banking and market regulations</td>
</tr>
<tr>
<td>Solid funding and liquidity profile</td>
<td>Operating history of over than 40 years</td>
<td>KFH operates mainly in Kuwait where the economy benefits from high level of economic strength</td>
<td>Significant improvement in the Management team for the diversified international operation</td>
<td>Presence in 6 countries giving access to Europe, Middle East and Asian markets</td>
<td>Disciplined &amp; risk adjusted approach to capital allocation</td>
</tr>
<tr>
<td>Consistently low NPF rates</td>
<td>Strong retail franchise</td>
<td>Systemic important bank in Kuwait</td>
<td>Strong and stable Board of Directors, collectively bringing more than two hundred and fifty years of professional experience</td>
<td>Extensive accessibility option with a wide network of over 500 branches and over 1,155 ATMs</td>
<td>Large and diversified portfolio</td>
</tr>
<tr>
<td>Improving cost to income ratio</td>
<td>Pioneer of Islamic products in Kuwait</td>
<td>Large retail deposit and global flagship Islamic bank</td>
<td></td>
<td></td>
<td>Reduce non-core assets</td>
</tr>
<tr>
<td>Solid profit margins and improving efficiency</td>
<td>“Islamic Bank of the Year - Middle East”</td>
<td></td>
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KFH: Kuwait Finance House
NPF: Non-Performing Financing
KFH: Kuwait Finance House
Business Highlights

Products and Services “Digital Focused”
- KFH presenting Cheque Deposit Solution via mobile, the first in Kuwait.
- KFH Opens its Second Digital Self-Banking Station “KFH-Go”.
- Transferring Egyptian Pounds currency directly to Egypt for KFH’s customers.
- KFH launched Visa Infinite Charge Card with enhanced benefits to customers exclusively designed for private banking customers.
- Car financing services outside Kuwait (USA, Egypt, Jordan and Turkey).

Awards by KFH in H1-2019
- Kuwait’s Best Bank 2019 by Euromoney.
- Kuwait’s Best Bank for Asia 2019 by Asiamoney.

Key Achievements by KFH Capital in H1-2019
- USD 5 billion in Sukuk issuances for companies and governments.
- Recently launched a new index for dollar denominated Sukuk issuances in global markets.

Key Events and Corporate Social Responsibility
- KFH has increased investors engagement by participating in conferences such as Kuwait Corporate Day (London) arranged by Morgan Stanley and EFG Hermes Investor Conference (Dubai) whereby KFH took a part as a presenter in One-to-One and group meetings to enhance and increase transparency with institutional investors.
- In partnership with KDIPA, Kuwait Finance House participated in “The Role of the Private Sector in the Future of the Kuwaiti Economy” conference organized by The Business Year (TBY) magazine.

Key Activities

KFH inaugurates Largest Auto Showroom in the Middle East

KFH Capital arranges US$ 1.25 Billion First Sukuk Issuance Transaction for Saudi Telecommunications Company
# H1’19 Financial Highlights

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<th>Net Profit for Shareholders</th>
<th>Total Financing Income</th>
<th>Net Operating Income</th>
</tr>
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<tbody>
<tr>
<td>KD 107.7 m</td>
<td>KD 460.5 m</td>
<td>KD 240.7 m</td>
</tr>
<tr>
<td>+13.1%</td>
<td>+8.6%</td>
<td>+21%</td>
</tr>
</tbody>
</table>

**Cost to Income Ratio**

- **38.65%**
  - Improved by 87bps

**EPS (fils)**

- **15.64**
  - +13% (H1-18: 13.84 fils)
KFH’s main focus is on core banking business activities. KFH’s 3-year strategy is based on three main pillars:

- **Simplify experience**
- **Digitize operations**
- **Grow business**

Across all four main business functions:

- Retail
- Corporate
- Private
- Treasury
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2. KFH Overview
3. H1-19 Business (Highlights)
4. KFH Strategy
5. H1-19 Financial Results
H1’19 Operating Performance

**Net Profit for Shareholders (KD mln)**
- H1-18: 95.2
- H1-19: 107.7

**Total Operating Income (KD mln)**
- H1-18: 389.9
- H1-19: 392.4

**Net Financing Income (KD mln)**
- H1-18: 277.8
- H1-19: 250.6

**Operating Income Profile**
- Investment Income: 7.6% (H1-18), 15.4% (H1-19)
- Non-Financing Income: 21.1% (H1-18), 20.7% (H1-19)
- Net Financing Income: 71.3% (H1-18), 63.9% (H1-19)
H1’19 Operating Performance

**Non Financing Income (KD mn)**
- Other income
- Net gain from foreign currencies
- Investment Income
- Fee and Commission Income

<table>
<thead>
<tr>
<th></th>
<th>H1-18</th>
<th>H1-19</th>
<th>Total 112.1</th>
<th>Total 141.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other income</td>
<td>21.5</td>
<td>12.1</td>
<td>29.8</td>
<td>48.7</td>
</tr>
<tr>
<td>Net gain</td>
<td>12.1</td>
<td>29.8</td>
<td>21.5</td>
<td>12.1</td>
</tr>
<tr>
<td>Investment</td>
<td>48.7</td>
<td>42.6</td>
<td>29.8</td>
<td>48.7</td>
</tr>
<tr>
<td>Fee and</td>
<td>48.7</td>
<td>42.6</td>
<td>21.5</td>
<td>12.1</td>
</tr>
<tr>
<td>Commission</td>
<td>12.1</td>
<td>29.8</td>
<td>21.5</td>
<td>12.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>112.1</td>
<td>141.7</td>
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</tr>
</tbody>
</table>

**Total Operating Expenses (KD mn)**
- Depreciation and amortization
- Other Operating expenses
- Staff costs

<table>
<thead>
<tr>
<th></th>
<th>H1-18</th>
<th>H1-19</th>
<th>Total 154.1</th>
<th>Total 151.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>16.0</td>
<td>42.1</td>
<td></td>
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<tr>
<td>Amortization</td>
<td>60.4</td>
<td>96.0</td>
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<tr>
<td>Other</td>
<td>42.1</td>
<td>38.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>20.4</td>
<td>19.8</td>
<td></td>
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<tr>
<td>expenses</td>
<td>18.3</td>
<td>38.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
<td>42.6</td>
<td>93.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>154.1</td>
<td>151.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**C/I Ratio**
- H1-18: 39.52%
- H1-19: 38.65%
### H1’19 Operating Performance

#### Average Profit Earning

- **Assets (KDbln)**
  - **Avg Financing**
  - **Avg Sukuk**

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg Financing</th>
<th>Avg Sukuk</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1-18</td>
<td>13.8</td>
<td>1.4</td>
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<tr>
<td>2018</td>
<td>13.9</td>
<td>1.5</td>
</tr>
<tr>
<td>H1-19</td>
<td>14.6</td>
<td>1.9</td>
</tr>
</tbody>
</table>

#### Provision and Impairment

<table>
<thead>
<tr>
<th>Year</th>
<th>Financing (KDbln)</th>
<th>Others (KDbln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1-18</td>
<td>32.5</td>
<td>65.5</td>
</tr>
<tr>
<td>2018</td>
<td>68.8</td>
<td>31.2</td>
</tr>
<tr>
<td>H1-19</td>
<td>68.8</td>
<td>31.2</td>
</tr>
</tbody>
</table>

#### Net Financing Margin

- **Jun-18:** 3.3%
- **2018:** 3.2%
- **Jun-19:** 3.0%

#### Net Operating Income Banks/ Non-Banks

- **Banks, 91.5%**
- **Non-Banks, 8.5%**

- **H1-18:** Non-Banks, 8.5%
- **H1-19:** Non-Banks, 10.0%

- **Banks, 90.0%**
H1’19 Operating Performance

- **Total Assets (KD Bln)**
  - 2018: 17.8
  - H1-19: 18.7

- **Depositors’ Accounts (KD Bln)**
  - 2018: 11.8
  - H1-19: 12.8

- **Financing Receivables (KD Bln)**
  - 2018: 9.2
  - H1-19: 9.2

- **Investment in Sukuk (KD Bln)**
  - 2018: 1.6
  - H1-19: 2.1

- **Funding Mix**
  - Sukuk Payable: 3.3%
  - Due to Banks & Fis: 18.0%
  - Depositors Accounts: 78.7%
  - H1-19: 81.0%
### H1’19 Operating Performance

<table>
<thead>
<tr>
<th>Metric</th>
<th>H1-18</th>
<th>H1-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Average Equity (%)</td>
<td>10.60%</td>
<td>11.63%</td>
</tr>
<tr>
<td>Return on Average Assets (%)</td>
<td>39.52%</td>
<td>38.65%</td>
</tr>
<tr>
<td>C/I (%)</td>
<td>31.5</td>
<td>27.9</td>
</tr>
<tr>
<td>EPS (fils)</td>
<td>39.52%</td>
<td>1.23%</td>
</tr>
</tbody>
</table>

Note: The charts show a comparison between H1-18 and H1-19 for each metric.
Q&A
Appendix
### H1’19 Consolidated Financials

#### Consolidated Statement of Income (KD million) | Jun-19 | Jun-18
---|---|---
Financing income | 461 | 424
Financing cost and estimated distribution to depositors | 210 | 146
**Net Finance Income** | **251** | **278**
Investment income | 60 | 30
Fees and commission income | 43 | 49
Net gain from foreign currencies | 18 | 12
Other income | 20 | 21
**Non-Financing Income** | **142** | **112**
**Total Operating Income** | **392** | **390**
Staff costs | 93 | 96
General and administrative expenses | 39 | 42
Depreciation and amortization | 20 | 16
**Total Expenses** | **152** | **154**
**Net Operating Income** | **241** | **236**
Provisions and impairment | 100 | 98
Loss for the period from discontinued operations | 0 | 4
**Profit for the Period Before Taxation** | **141** | **134**
Taxation | 29 | 20
Non-controlling interests | 4 | 19
**Profit Attributable to Shareholders of the Bank** | **107.7** | **95.2**

---|---|---
Cash and balances with banks and financial institutions | 1,508 | 1,435
Due from Banks | 3,669 | 3,087
Financing receivables | 9,237 | 9,484
Investment in sukuk | 2,145 | 1,370
Trading properties | 145 | 158
Investments | 252 | 300
Investment in associates and joint ventures | 507 | 491
Investment properties | 477 | 514
Other assets | 551 | 520
Intangible assets and goodwill | 31 | 38
Property and equipment | 225 | 207
Assets classified as held for sale | 0 | 17
**Total Assets** | **18,747** | **17,622**
Due to banks and financial institutions | 2,492 | 2,414
Sukuk payables | 530 | 517
Depositors’ accounts | 12,837 | 11,947
Other liabilities | 828 | 769
Liabilities directly associated with assets classified as held for sale | 0 | 3
**Total Liabilities** | **16,687** | **15,651**
Share capital | 698 | 634
Share premium | 720 | 720
Treasury shares | (42) | (45)
Reserves | 508 | 471
**Total Equity Attributable to the Shareholders of the Bank** | **1,884** | **1,780**
Non-controlling interests | 176 | 191
**Total Equity** | **2,060** | **1,971**
**Total Liabilities and Equity** | **18,747** | **17,622**
## H1’19 Key Performance Indicators

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>Jun-19</th>
<th>Jun-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Average Assets (ROAA)</td>
<td>1.23%</td>
<td>1.32%</td>
</tr>
<tr>
<td>Return on Average Equity (ROAE)</td>
<td>11.63%</td>
<td>10.60%</td>
</tr>
<tr>
<td>NFM</td>
<td>3.03%</td>
<td>3.30%</td>
</tr>
<tr>
<td>Cost to Income</td>
<td>38.65%</td>
<td>39.52%</td>
</tr>
<tr>
<td>Earnings Per Share (fils)</td>
<td>31.5</td>
<td>27.9</td>
</tr>
<tr>
<td>CET1 Ratio</td>
<td>14.92%</td>
<td>15.03%</td>
</tr>
<tr>
<td>Tier 1 Adequacy Ratio</td>
<td>15.37%</td>
<td>15.35%</td>
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<tr>
<td>Capital Adequacy Ratio</td>
<td>16.93%</td>
<td>17.10%</td>
</tr>
<tr>
<td>Consolidated Statement of Financial Position (KD million)</td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Cash and balances with banks</td>
<td>1,600</td>
<td>1,495</td>
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<td>Short-term murabaha</td>
<td>3,194</td>
<td>2,877</td>
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<td>Financing receivables</td>
<td>8,095</td>
<td>8,176</td>
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<td>Investments in sukuk</td>
<td>807</td>
<td>1,100</td>
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<td>Trading properties</td>
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<td>186</td>
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<td>Investments</td>
<td>508</td>
<td>357</td>
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<tr>
<td>Investment in associates and joint ventures</td>
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<td>469</td>
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<tr>
<td>Investment properties</td>
<td>580</td>
<td>591</td>
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<td>Other assets</td>
<td>469</td>
<td>549</td>
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<tr>
<td>Intangible assets and goodwill</td>
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<td>39</td>
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<tr>
<td>Property and equipment</td>
<td>264</td>
<td>216</td>
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<tr>
<td>Leasehold rights</td>
<td>180</td>
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<td><strong>TOTAL ASSETS</strong></td>
<td>16,495</td>
<td>16,499</td>
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<tr>
<td>Due to banks and financial institutions</td>
<td>2,730</td>
<td>2,399</td>
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<td>Sukuk payables</td>
<td>322,466</td>
<td>473</td>
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<td>Depositors’ accounts</td>
<td>10,756</td>
<td>10,717</td>
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<td>Other liabilities</td>
<td>630</td>
<td>645</td>
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<td>Liabilities directly associated with assets classified as held for sale</td>
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<td><strong>TOTAL LIABILITIES</strong></td>
<td>14,439</td>
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<td>Share capital</td>
<td>477</td>
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<td>Share premium</td>
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<td>720</td>
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<td>Treasury shares</td>
<td>(50)</td>
<td>(49)</td>
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<td>Reserves</td>
<td>487</td>
<td>450</td>
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<td><strong>TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</strong></td>
<td>1,779</td>
<td>1,810</td>
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<td>Non-controlling interests</td>
<td>276</td>
<td>228</td>
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<td><strong>TOTAL EQUITY</strong></td>
<td>2,055</td>
<td>2,039</td>
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<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td>16,495</td>
<td>16,499</td>
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</table>
## Consolidated Statement of Income 2015 - 2018

<table>
<thead>
<tr>
<th>Consolidated Statement of Income (KD million)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Financing income</td>
<td>695</td>
<td>718</td>
<td>741</td>
<td>862</td>
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<td>Financing cost and distribution to depositors</td>
<td>263</td>
<td>283</td>
<td>296</td>
<td>335</td>
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<tr>
<td><strong>Net finance income</strong></td>
<td><strong>432</strong></td>
<td><strong>435</strong></td>
<td><strong>445</strong></td>
<td><strong>527</strong></td>
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<tr>
<td>Investment income</td>
<td>108</td>
<td>79</td>
<td>107</td>
<td>63</td>
</tr>
<tr>
<td>Fees and commission income</td>
<td>79</td>
<td>89</td>
<td>97</td>
<td>87</td>
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<tr>
<td>Net gain from foreign currencies</td>
<td>25</td>
<td>23</td>
<td>17</td>
<td>30</td>
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<tr>
<td>Other income</td>
<td>59</td>
<td>34</td>
<td>48</td>
<td>39</td>
</tr>
<tr>
<td><strong>Non-Financing Income</strong></td>
<td><strong>271</strong></td>
<td><strong>225</strong></td>
<td><strong>268</strong></td>
<td><strong>219</strong></td>
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<tr>
<td>Total operating income</td>
<td>703</td>
<td>660</td>
<td>713</td>
<td>746</td>
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<td>Staff costs</td>
<td>172</td>
<td>174</td>
<td>188</td>
<td>178</td>
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<tr>
<td>General and administrative expenses</td>
<td>81</td>
<td>84</td>
<td>83</td>
<td>81</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>78</td>
<td>37</td>
<td>35</td>
<td>33</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>330</strong></td>
<td><strong>295</strong></td>
<td><strong>305</strong></td>
<td><strong>292</strong></td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>372</td>
<td>365</td>
<td>408</td>
<td>454</td>
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<td>Provisions and impairment</td>
<td>184</td>
<td>157</td>
<td>163</td>
<td>163</td>
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<td>Gain / (Loss) for the year from discontinued operations</td>
<td>22</td>
<td>(22)</td>
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<td>0</td>
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<tr>
<td><strong>Profit Before Tax and Zakat</strong></td>
<td><strong>211</strong></td>
<td><strong>186</strong></td>
<td><strong>245</strong></td>
<td><strong>291</strong></td>
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<td>Taxation and Proposed Directors' fees</td>
<td>21</td>
<td>24</td>
<td>30</td>
<td>27</td>
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<tr>
<td>Non-controlling interests</td>
<td>44</td>
<td>(3)</td>
<td>30</td>
<td>36</td>
</tr>
<tr>
<td><strong>Profit Attributable to Shareholders of the Bank</strong></td>
<td><strong>146</strong></td>
<td><strong>165</strong></td>
<td><strong>184</strong></td>
<td><strong>227</strong></td>
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</table>
## YE’18 Key Performance Indicators

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Average Assets (ROAA)</td>
<td>1.3%</td>
<td>1.5%</td>
</tr>
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<td>39.2%</td>
</tr>
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<td>29.5</td>
<td>36.4</td>
</tr>
<tr>
<td>CET1 Ratio</td>
<td>15.4%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Tier 1 Adequacy Ratio</td>
<td>16.0%</td>
<td>15.9%</td>
</tr>
<tr>
<td>Capital Adequacy Ratio</td>
<td>17.8%</td>
<td>17.5%</td>
</tr>
</tbody>
</table>