الرئيس التنفيذي للمجموعة
Group Chief Executive Officer

بيت التمويل الكويتي
Kuwait Finance House

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

التاريخ: 24 يوليو 2019 م
الموافق: 21 ذو القعدة 1440 هـ
الإشارة: 2019/303/10/10

To: Boursa Kuwait

Peace, Mercy and Blessings of Allah be upon you

Subject: Disclosure of The KFH's Analysts Conference For Q 2 / 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

السادة / بورصة الكويت المحترمين

السلام عليكم ورحمة الله وبركاته

الموضوع: إفصاح بيتك عن مؤتمر المحللين الربع الثاني 2019

بالإشارة إلى الموضوع أعلاه، وحرصاً من بيت التمويل الكويتي "بيتك" على الإلتزام بمتطلبات المادة (8-4-2/4) من كتاب قواعد البورصة، نود الإفادة بما يلي:

إستكمالاً لإفصاحنا السابق بتاريخ 23 يوليو 2019، مرفق محضر مؤتمر المحللين للربع الثاني 2019.

هذا وتم تزويد السادة /هيئة أسواق المال بنسخة منه.

وتفضلوا بقبول فائق الإحترام،

مـازن سعد النـاهـض

بيت التمويل الكويتي
Kuwait Finance House

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رقم السجل التجاري ٢٦٠٦٦ | رأس المال المدفوع ٦٩٧,٦٤٨,٩٢٠/٢٠٠ د.ك
ص.ب ٢٤٩٨٩، الصفاة ١٣١١٠، الكويت
ت: ٢٢٤٥٥٨٦٢ ٩٦٥+ - ٢٢٤٢٩٩٤٣ ٩٦٥+ | ف: ٢٢٤١٣٩٢٠ ٩٦٥+
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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 Sukuks. 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 Soueissy - 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 Alatilie - 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

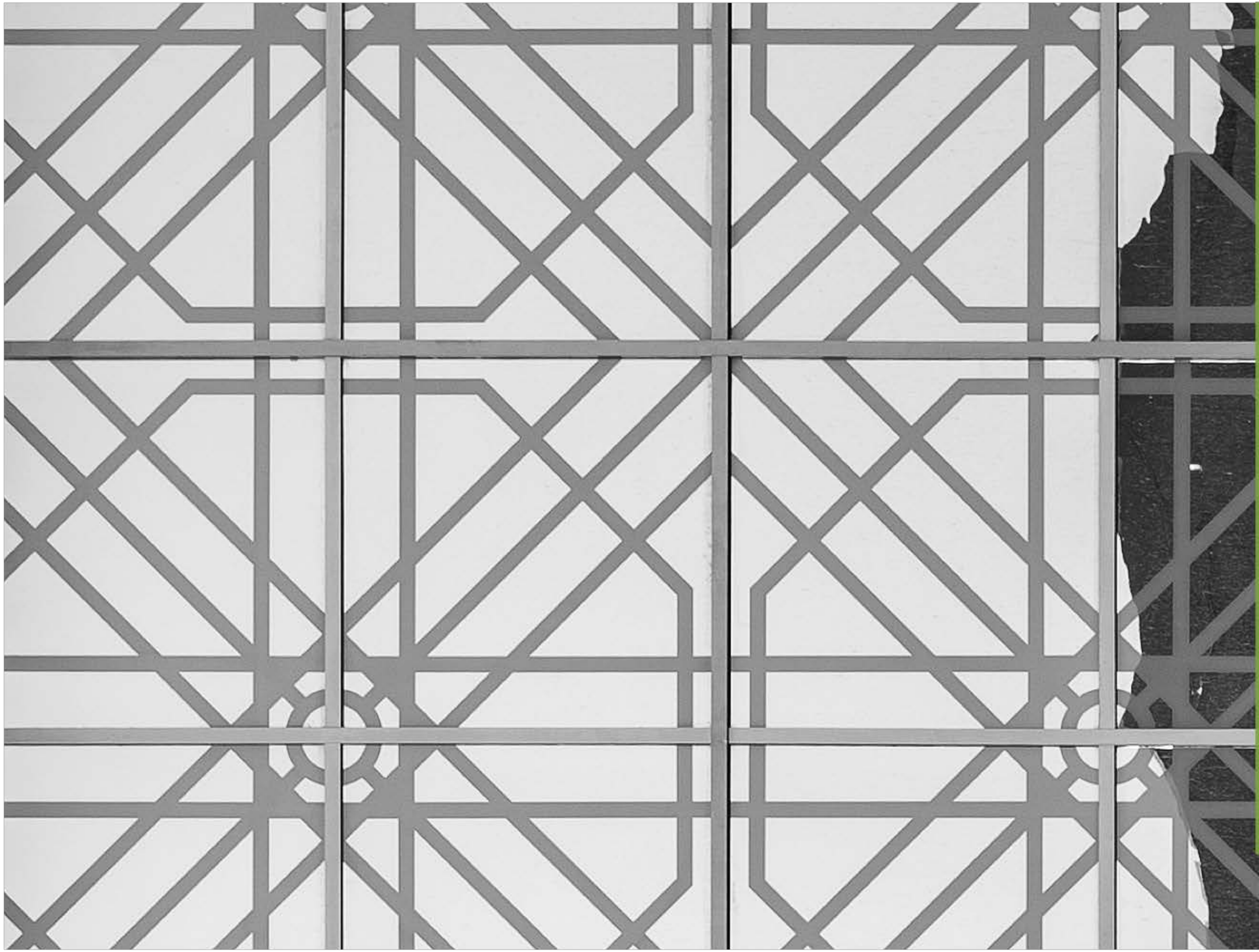
Question 8: You say that cost of risk this year will be 1.2%. But what is a normal (over the cycle) cost of risk for the Group?

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…..



بيت التمويل الكويتي
Kuwait Finance House

H1-19

Earnings Presentation

July 22, 2019

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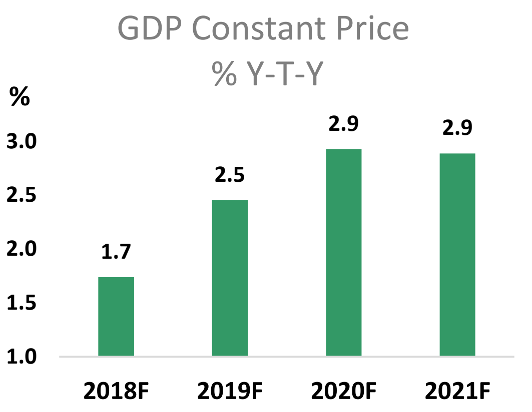
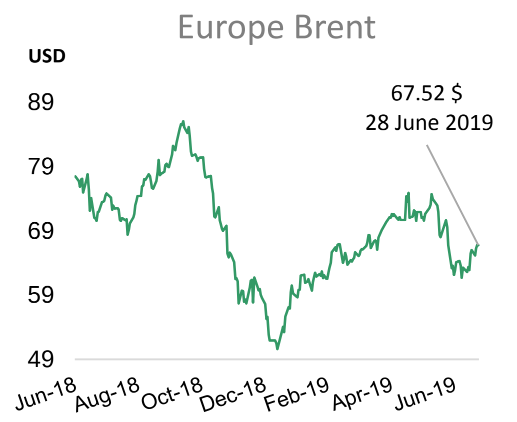
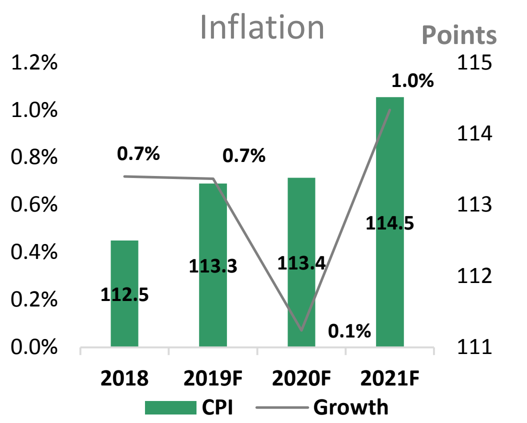
Economic Highlights



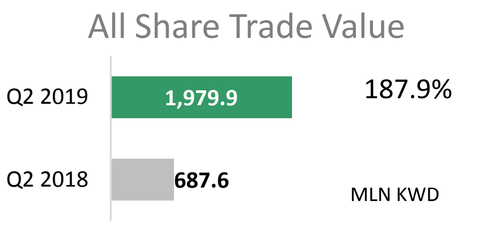
Source: IMF, KFH

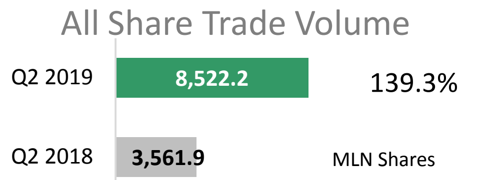


Source: Energy Information Administration

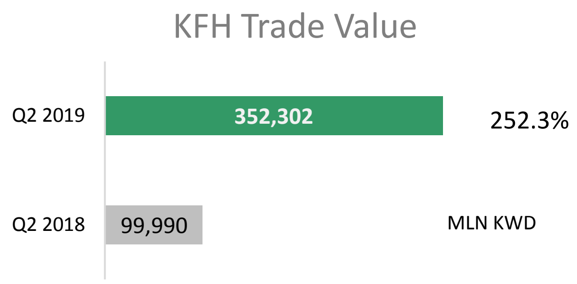


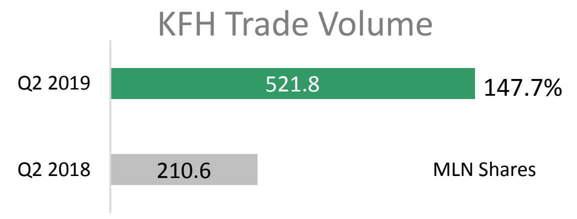
Source: www.csb.gov.kw, KFH





Source: Boursa Kuwait , KFH





Source: Boursa Kuwait, KFH

- 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.

KFH Overview

Kuwait

Regional

Global

1st

Largest Sharia'- Compliant Bank in Kuwait.

Kuwait's Best Bank*

*According to Euromoney

Safest

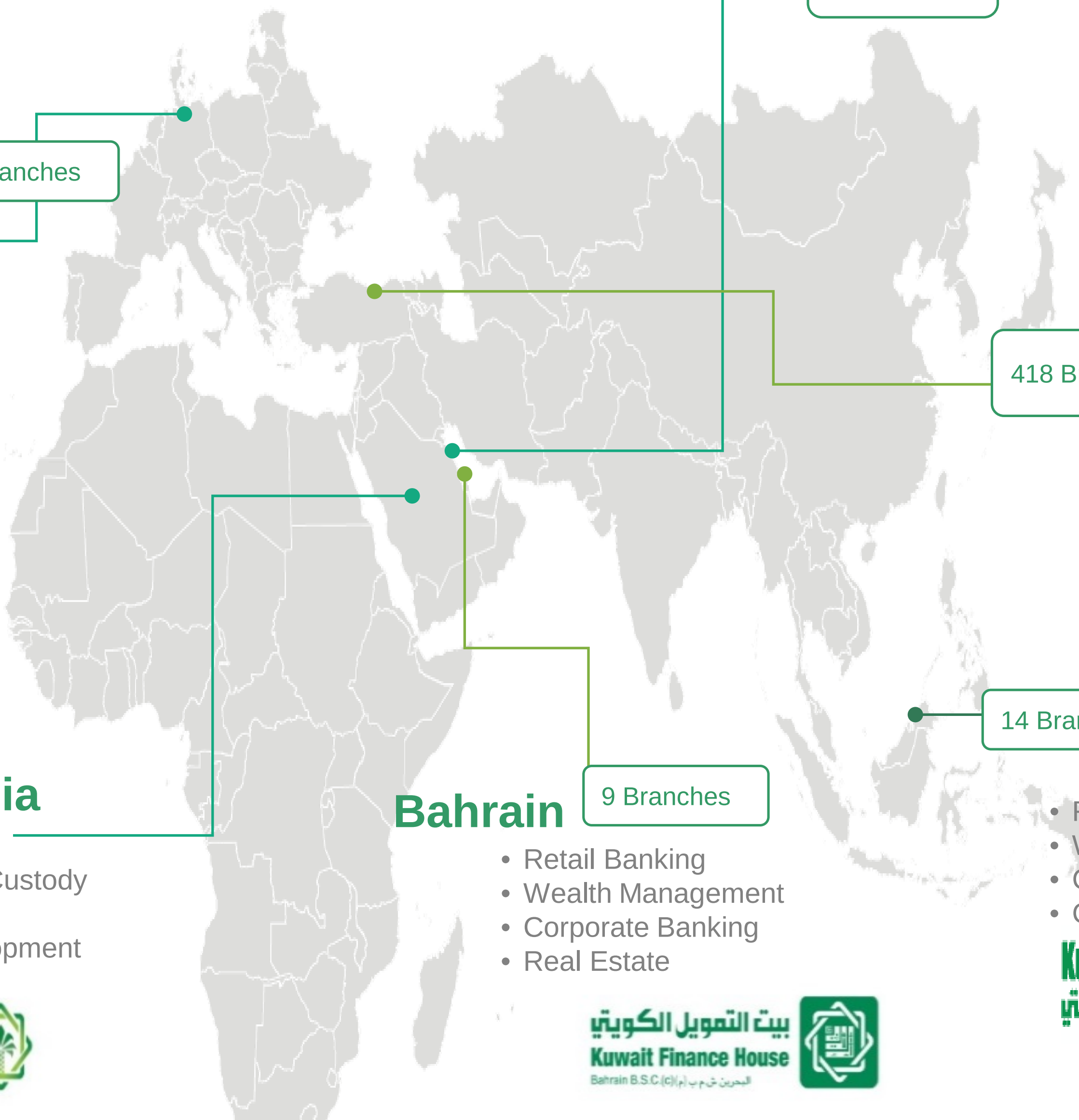
Islamic Financial Institution in the GCC

*According to Global Finance Magazine

1st

Islamic Bank in Germany

KFH Overview



Kuwait
62 Branches

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

Germany
5 Branches

1st Islamic bank

- Retail Banking
- Corporate Banking
- Investment Services
- Real Estate Financing

Turkey
418 Branches

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

Saudi Arabia

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

Bahrain
9 Branches

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

Malaysia
14 Branches

- Retail Banking
- Wealth Management
- Corporate Banking
- Commercial Banking

KFH Strengths

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

Business Highlights

KFH inaugurates **Largest** Auto Showroom in the Middle East

KFH Capital arranges **US$ 1.25 Billion** First Sukuk Issuance Transaction for Saudi Telecommunications Company

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, Jordon 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 lunched 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.

H1'19 Financial Highlights

Net Profit for Shareholders

KD 107.7 m

+13.1%

Total Financing Income

KD 460.5 m

+8.6%

Net Operating Income

KD 240.7 m

+2.1%

Cost to Income Ratio

38.65%

Improved by 87bps

EPS (fils)

15.64

+13% (H1-18: 13.84 fils)

KFH Strategy

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

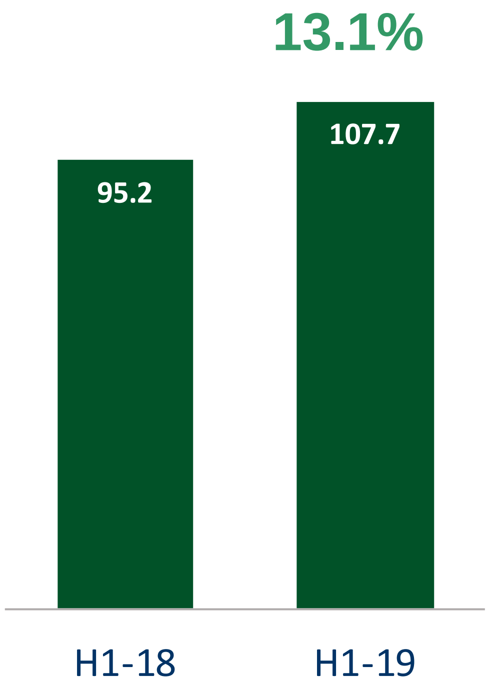
Across all four main business functions

- **Retail**
- **Corporate**
- **Private**
- **Treasury**

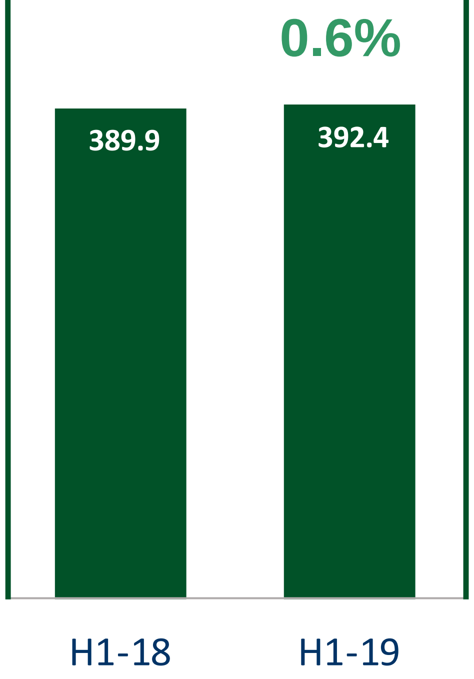
Contents

H1’19 Operating Performance

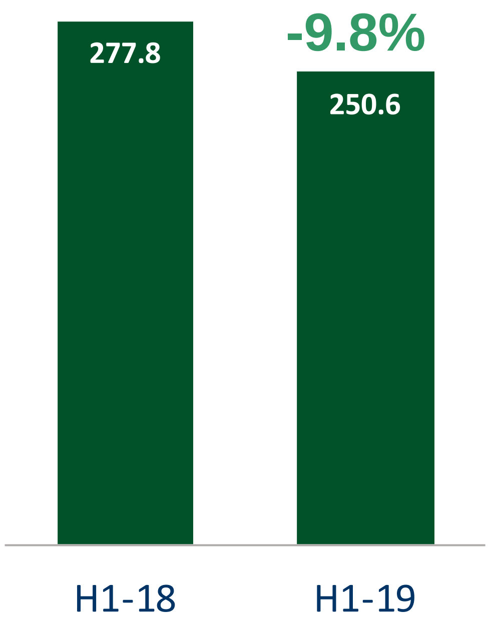
Net Profit
for Shareholders
(KD mln)



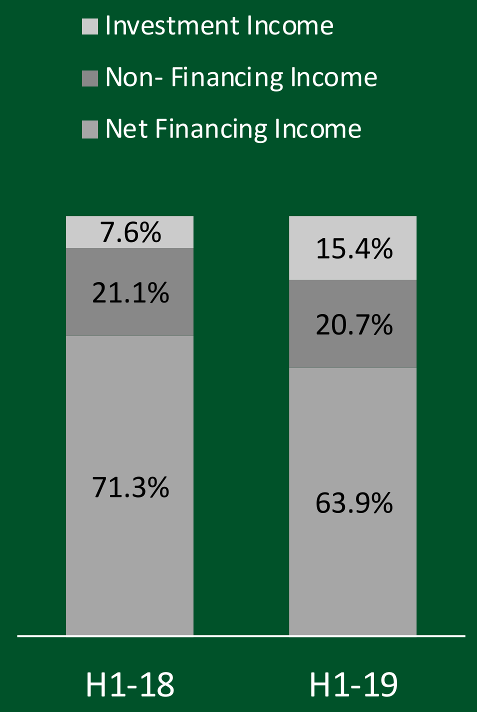
Total Operating Income
(KD mln)



Net Financing Income
(KD mln)

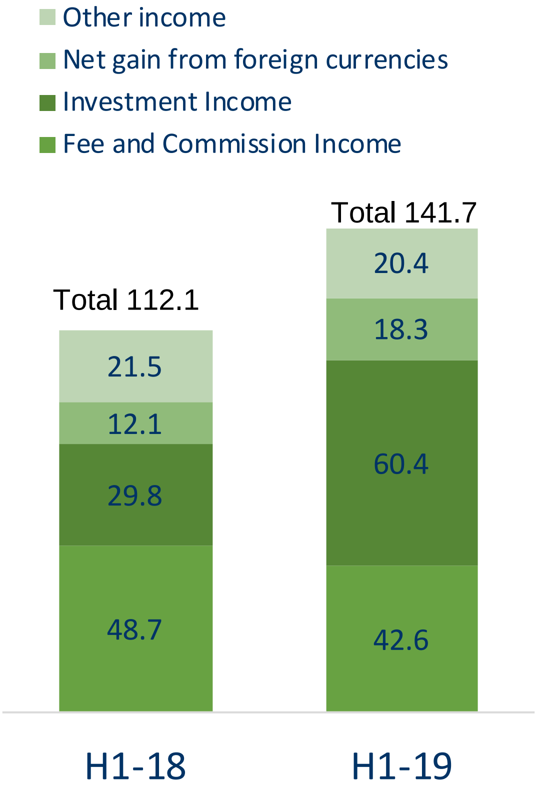


Operating Income Profile

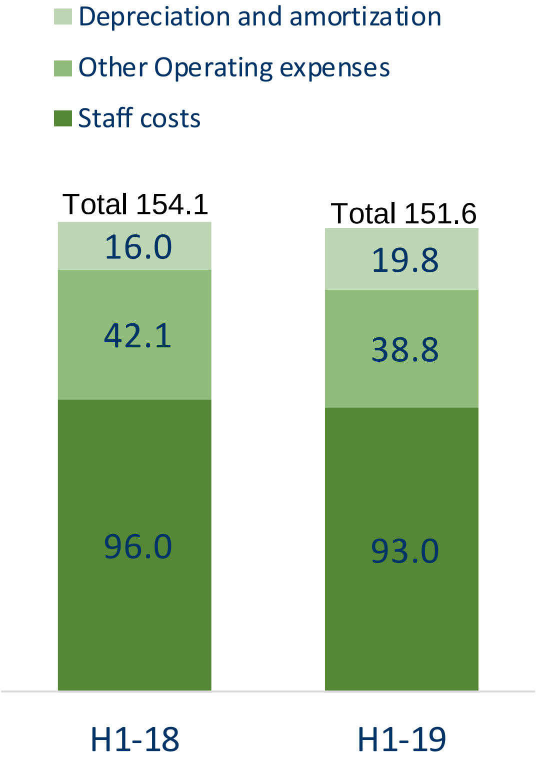


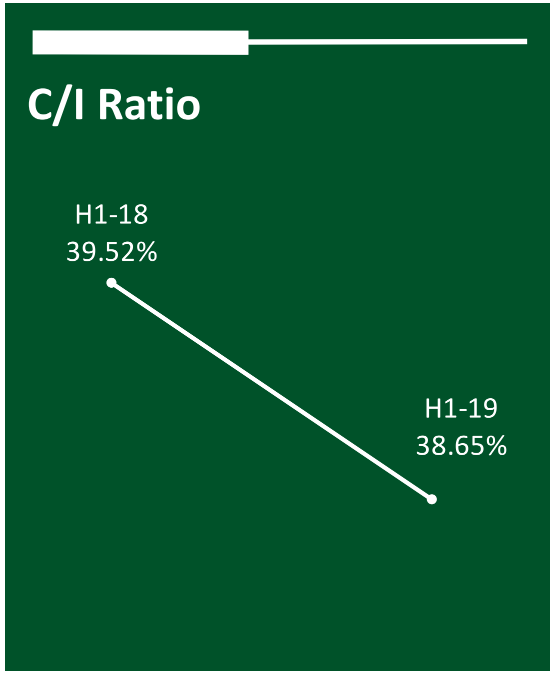
H1'19 Operating Performance

Non Financing Income (KD mn)



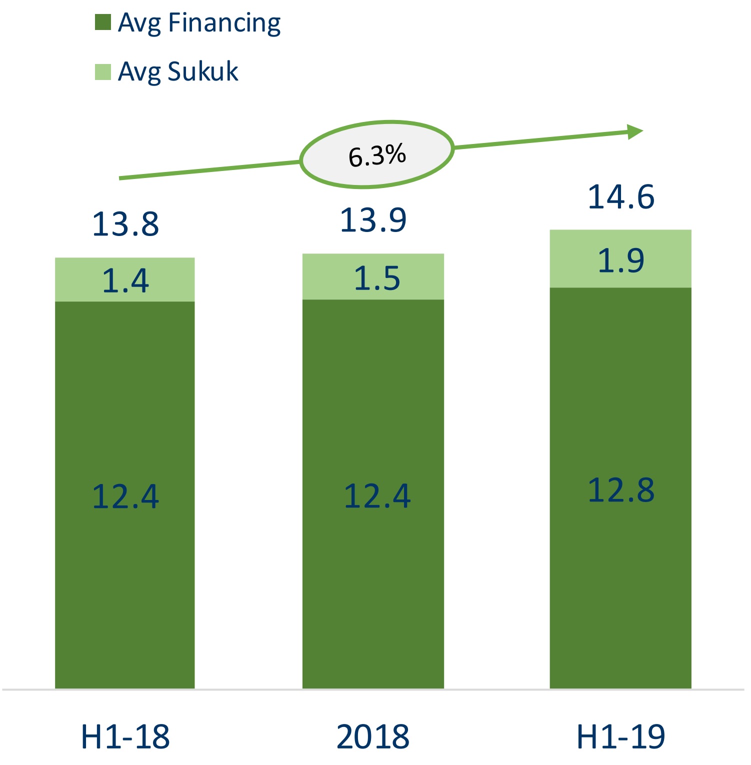
Total Operating Expenses (KD mn)



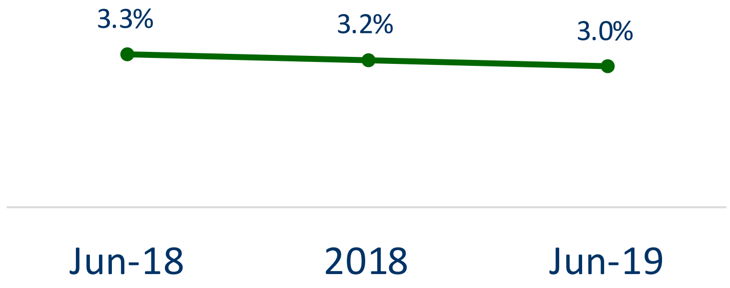


H1'19 Operating Performance

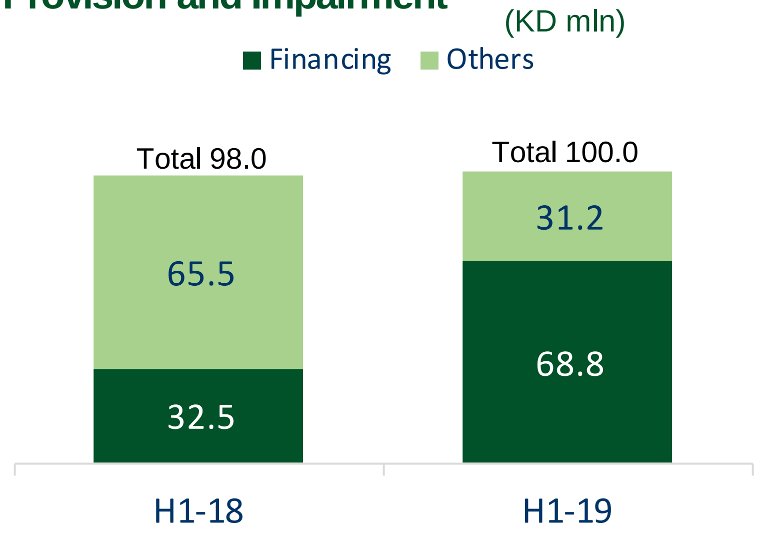
Average Profit Earning Assets (KD Bln)



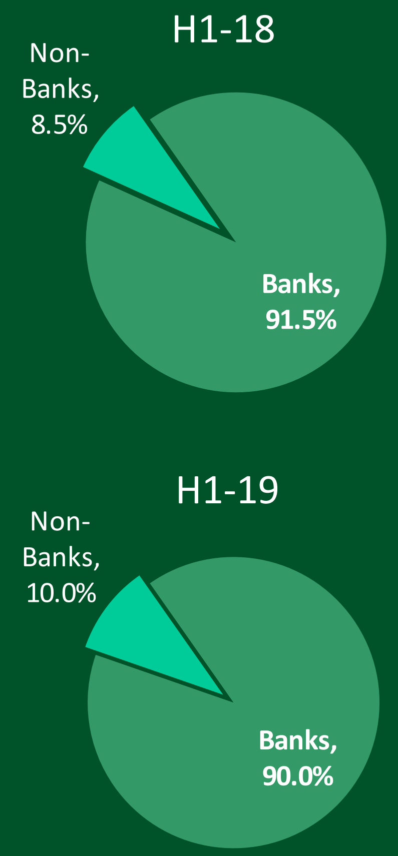
Net Financing Margin



Provision and Impairment

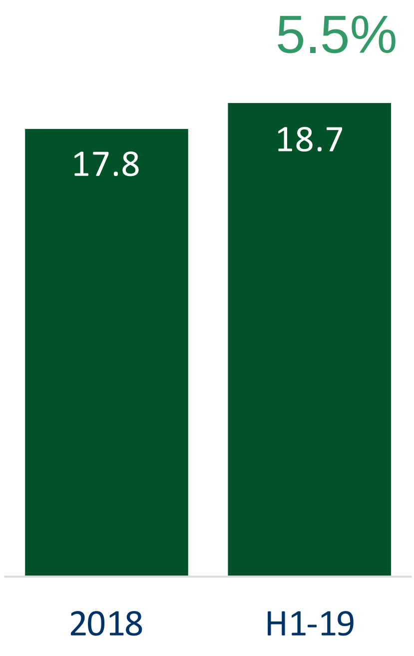


Net Operating Income Banks/ Non-Banks

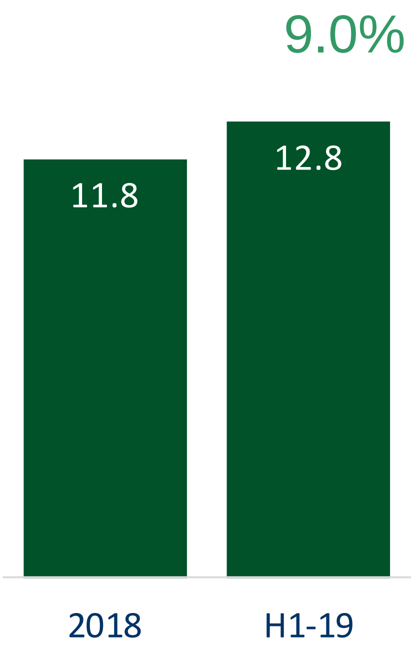


H1’19 Operating Performance

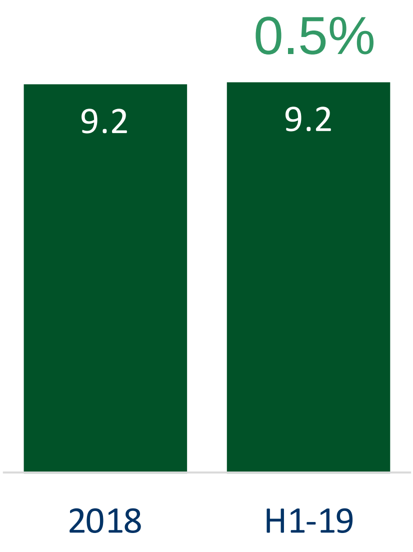
Total Assets
(KD Bln)



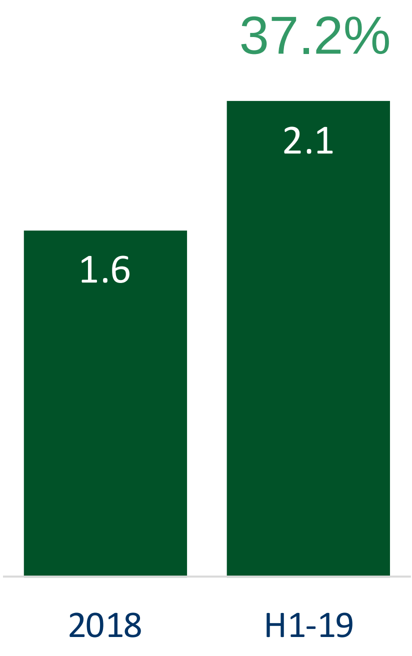
Depositors’ Accounts
(KD Bln)



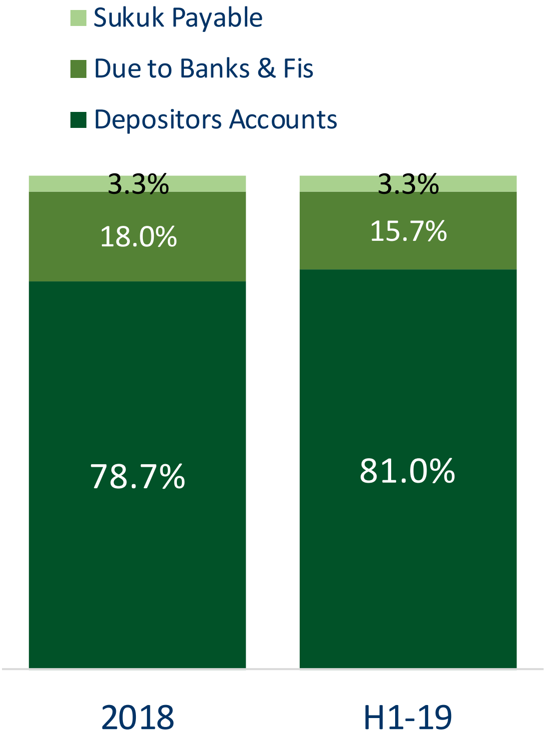
Financing Receivables
(KD Bln)



Investment in Sukuk
(KD Bln)

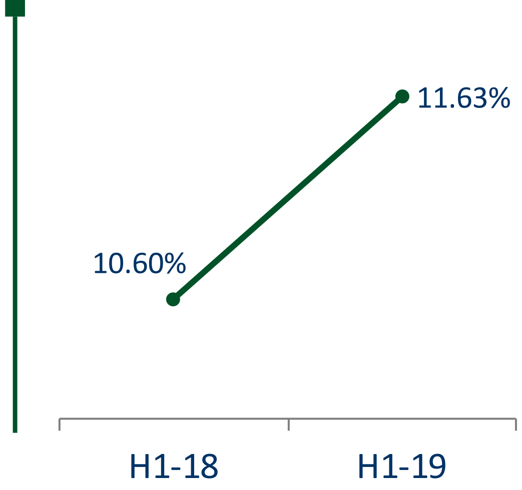


Funding Mix

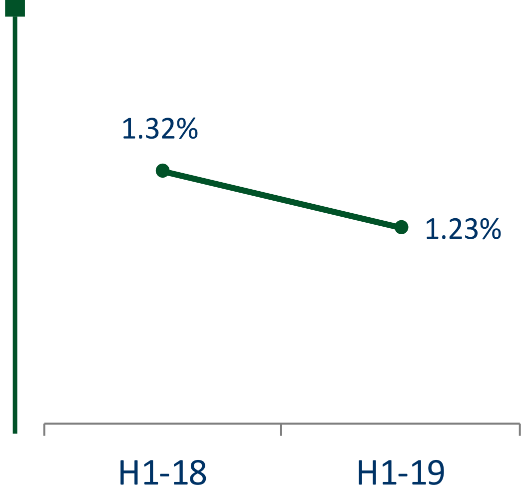


H1’19 Operating Performance

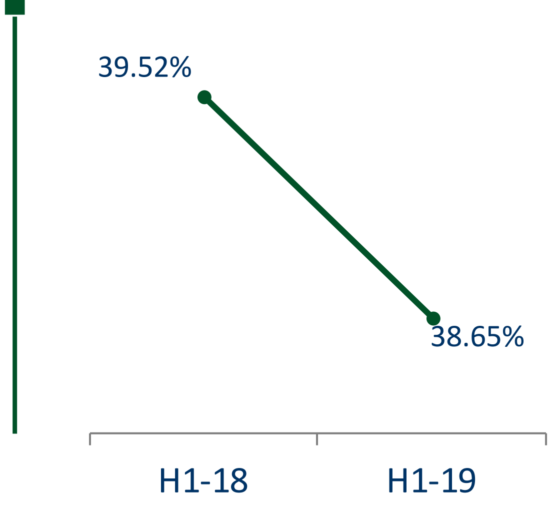
Return on Average Equity (%)



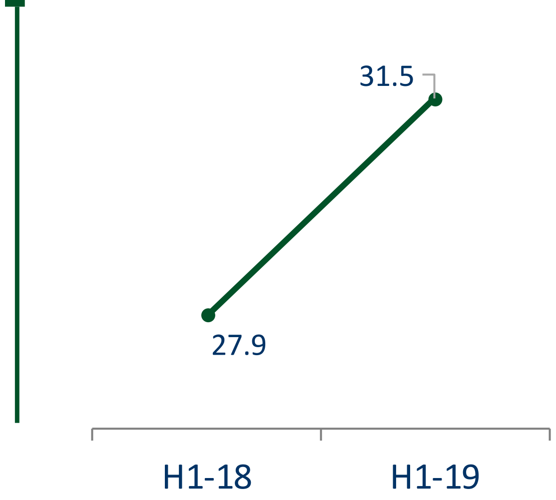
Return on Average Assets (%)



C/I (%)



EPS (fils)



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**
Tota 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**

Consolidated Statement of Financial Position (KD million)	Jun-19	Jun-18
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 SHAREHODERS 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

Key Performance Indicators	Jun-19	Jun-18
Return on Average Assets (ROAA)	1.23%	1.32%
Return on Average Equity (ROAE)	11.63%	10.60%
NFM	3.03%	3.30%
Cost to Income	38.65%	39.52%
Earnings Per Share (fils)	31.5	27.9
CET1 Ratio	14.92%	15.03%
Tier 1 Adequacy Ratio	15.37%	15.35%
Capital Adequacy Ratio	16.93%	17.10%

Consolidated Statement of Financial Position 2015 - 2018

Consolidated Statement of Financial Position (KD million)	2015	2016	2017	2018
Cash and balances with banks	1,600	1,495	1,262	1,381
Short-term murabaha	3,194	2,877	2,925	3,445
Financing receivables	8,095	8,176	9,216	9,189
Investments in sukuk	807	1,100	1,429	1,563
Trading properties	214	186	161	148
Investments	508	357	304	285
Investment in associates and joint ventures	535	469	464	499
Investment properties	580	591	554	490
Other assets	469	549	465	544
Intangible assets and goodwill	48	39	39	31
Property and equipment	264	216	214	195
Leasehold rights	180	0	0	0
TOTAL ASSETS	**16,495**	**16,499**	**17,358**	**17,770**
Due to banks and financial institutions	2,730	2,399	2,240	2,689
Sukuk payables	322.466	473	518	499
Depositors' accounts	10,756	10,717	11,597	11,780
Other liabilities	630	645	699	728
Liabilities directly associated with assets classified as held for sale	0	227	188	0
TOTAL LIABILITIES	**14,439**	**14,461**	**15,242**	**15,696**
Share capital	477	524	577	634
Share premium	720	720	720	720
Treasury shares	(50)	(49)	(45)	(44)
Reserves	487	450	436	356
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	**1,779**	**1,810**	**1,872**	**1,894**
Non-controlling interests	276	228	244	180
TOTAL EQUITY	**2,055**	**2,039**	**2,116**	**2,074**
TOTAL LIABILITIES AND EQUITY	**16,495**	**16,499**	**17,358**	**17,770**

Consolidated Statement of Income 2015 - 2018

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

YE’18 Key Performance Indicators

Key Performance Indicators	2017	2018
Return on Average Assets (ROAA)	1.3%	1.5%
Return on Average Equity (ROAE)	10.2%	12.5%
Cost to Income	42.8%	39.2%
Earnings Per Share (fils)	29.5	36.4
CET1 Ratio	15.4%	15.5%
Tier 1 Adequacy Ratio	16.0%	15.9%
Capital Adequacy Ratio	17.8%	17.5%

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