To: Boursa Kuwait

Peace, Mercy and Blessings of Allah

Subject: Response To News

Re-Classification of ‘Aref Investment Group’

In reference to the above, and in interest of Kuwait Finance House “KFH” at adhering to the requirements of Article 4-4-1 ‘Dealing with News’ of Chapter 4 ‘Disclosure of Material Information’ of CMA Executive Bylaws Book 10 ‘Disclosure and Transparency’, KFH would like to report the following in response to the Article published on 27 May 2018 in Al Rai Newspaper:

KFH has lost the control over Aref Investment Group, through loss of its substantive rights as a result of recent settlement of a portion of the facilities formerly provided to Aref by the Bank, bringing the Bank’s credit exposure to Aref below 50% of Aref’s loans and financing payables.

In view of these developments, the management of KFH has re-assessed its control over Aref and concluded that it is no longer able to exercise such control. Accordingly, the Bank has re-classified Aref from Subsidiary classified as an asset held for sale and recognized its interest ownership in Aref as an investment in associate.
The deconsolidation of Aref has resulted in reduction in the non-current assets classified as held for sale, liabilities directly associated with the assets classified as held for sale and non-controlling interests reported in the interim condensed consolidated statement of financial position for first quarter 2018 by KD 308,045 thousand, KD 185,319 thousand, and KD 43,972 thousand respectively.

Best Regards,

Mazin S Al Nahedh