

Recommended All-share Combination of Kuwait Finance House and Ahli United Bank

Leader in Islamic Banking

July 2022

بيت التمويل الكويتي
Kuwait Finance House



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1.

Key Transaction Highlights



KEY TRANSACTION HIGHLIGHTS

All Share Acquisition	Pro Forma Ownership	Implied Price and Premium	Conditions
<p>Revised exchange ratio of 2.695 shares of AUB for each share of KFH (or 0.371 shares of KFH for each share of AUB)</p> 	<p>Prior to the acquisition:</p> <ul style="list-style-type: none"> KFH had c. 9,207m shares outstanding; and AUB had c. 11,148m AUB shares outstanding 	<p>Implied price per share of \$1.040 based on KFH's share price of \$2.803 as at 6-Jul-2022</p> <p>Implied total value of \$11.6bn in issued KFH shares for AUB shareholders as at 6-Jul-2022</p> 	<p>The following is an indicative list of the Conditions, which remain under discussion with, and is subject to the final approval of the CBB</p> <p>KFH and AUB shareholders to approve the transaction</p> 
<p>Conditional approvals granted by Central Bank of Kuwait and Central Bank of Bahrain</p>	<p>Following acquisition, KFH Group will have c. 13,344 shares outstanding and the combined bank will be owned¹:</p> <ul style="list-style-type: none"> c. 69% by KFH's shareholders c. 31% by AUB's shareholders 	<p>13.1% premium to AUB share price of as at 6-Jul-2022, which was the last trading day prior to the parties' confirmation of the new exchange ratio</p>	<ul style="list-style-type: none"> AUB shareholder acceptance of at least 90% of total issued capital Taking all necessary steps towards cross-listing Receipt of all regulatory and statutory approvals No material breach of warranties No Material Adverse Effect

Note: Market Data as at 6-Jul-2022

¹ Pro Forma Ownership based on KFH's existing share count plus the shares issued to AUB shareholders at the agreed exchange ratio as at 7-Jul-2022 subject to acquisition of 100% shares of AUB by KFH

THIS TRANSACTION COMBINES COMPLEMENTARY BUSINESSES AND DELIVERS SCALE TO BECOME A REGIONAL POWERHOUSE

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Kuwait Finance House



Leading Retail Bank in Kuwait

- ✓ Currently 2nd largest bank and largest Islamic bank in Kuwait
- ✓ Offers retail banking, corporate banking, financing, investment, private banking, real estate services
- ✓ Internationally integrated operations in Kuwait, Bahrain, Turkey, Malaysia and Germany

البنك الأهلي المتحد
ahli united bank



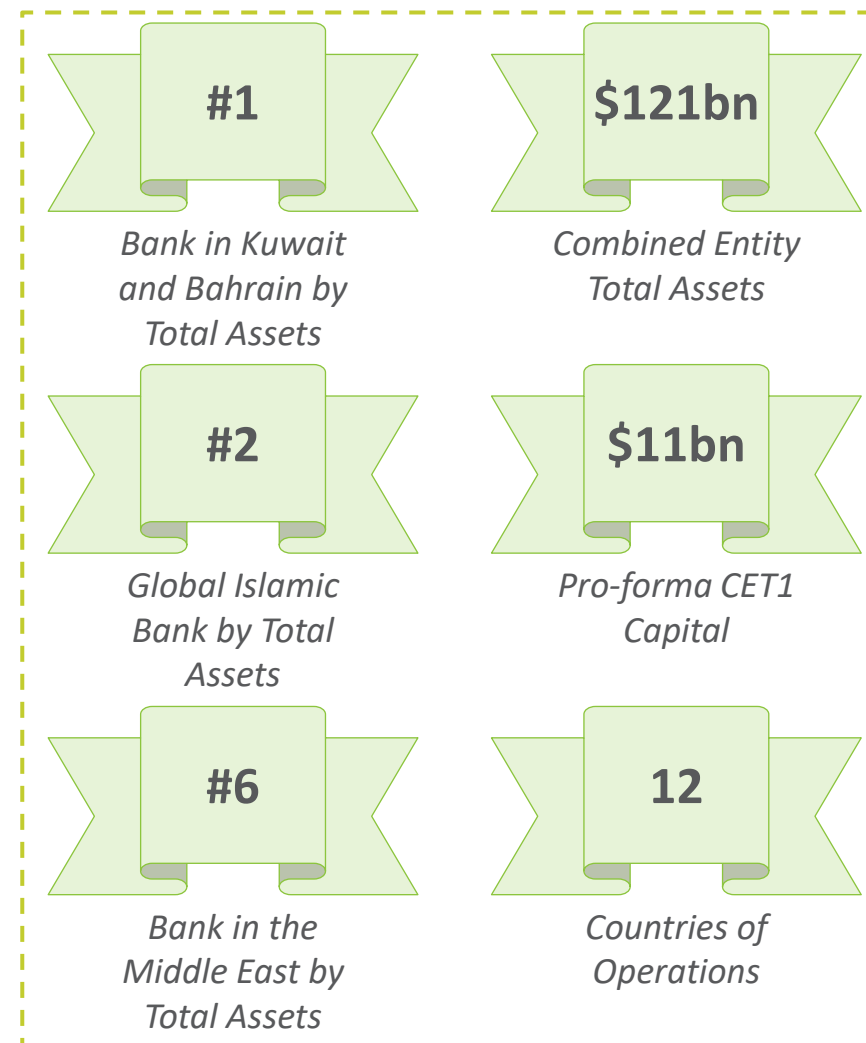
Leading Corporate Bank in Bahrain

- ✓ Bahrain's largest bank
- ✓ Focus on corporate banking with private banking & wealth management, retail banking services
- ✓ Strong foothold in Bahrain, Kuwait, Egypt, UK, Oman, Iraq, Libya and UAE

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SHAREHOLDER VALUE CREATION

Creating a Stronger and More Diversified Banking Franchise

- Broader customer base and stronger market position in Kuwait and Bahrain
- Diverse geographic footprint and product offering accessible to customers
- Complementary businesses positioned to capture opportunities arising from existing relationships
- Larger balance sheet and capital base to pursue growth and bigger scale lending opportunities

Significant Synergy Potential

- Anticipated annual run-rate cost synergies in the range of 10-12% of combined cost base expected from:
 - Optimisation of systems, distribution, infrastructure and real estate
 - Improved supplier negotiating positions
 - Rationalisation of operations and branches over time
- Synergies are expected to be realised over 3 years post completion

Compelling Shareholder Value Creation Potential

- ✓ EPS accretive to KFH shareholders with and without synergies
- ✓ Value creation potential driven by significant synergy potential
- ✓ Larger and more diversified bank able to pursue significant growth opportunities

BEST POSITIONED TO SUPPORT THE NEW KUWAIT VISION 2035

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Vision 2035
Relevant Themes

Globally
Connected Bank

Expanded regional and international banking footprint to support trade and investment

Robust Capital
Base

Enlarged balance sheet capacity to support transformational infrastructure projects

Support the
Growth of the
Economy

Increased ability to enable the growth of public and private sector players investing in economic diversification initiatives

- ✓ Enhance foreign direct investment across all sectors
- ✓ Develop and modernize national infrastructure
- ✓ Diversification of production base away from oil and into financial, commercial and transport services



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2. Strategic Rationale



COMPELLING STRATEGIC RATIONALE

A transformational transaction that brings significant benefits to all stakeholders

1 Strengthen KFH's position as the leader in its home markets

✓ #1 bank in terms of total assets and deposits in Kuwait and Bahrain with over 27% of total market share in Kuwait by assets¹

2 Strengthen Islamic Banking leadership

✓ #2 largest Islamic bank globally by assets and customer deposits

3 Propel KFH's regional leadership

✓ Strengthened position in Kuwait and Bahrain
✓ Entry into 6 new markets

4 Enhance scale and deepen relationships across corporate and retail customers

✓ Corporate Banking contribution increasing to 31% a pro forma basis

5 Provide significant operational efficiencies potential

✓ Cost synergies expected to be 10-12% of the combined cost base

6 Well capitalised and funded, ideally positioning KFH to better pursue growth

✓ \$4bn increase in CET1 capital
✓ Strong and diverse funding base

7 EPS and value accretive to KFH shareholders

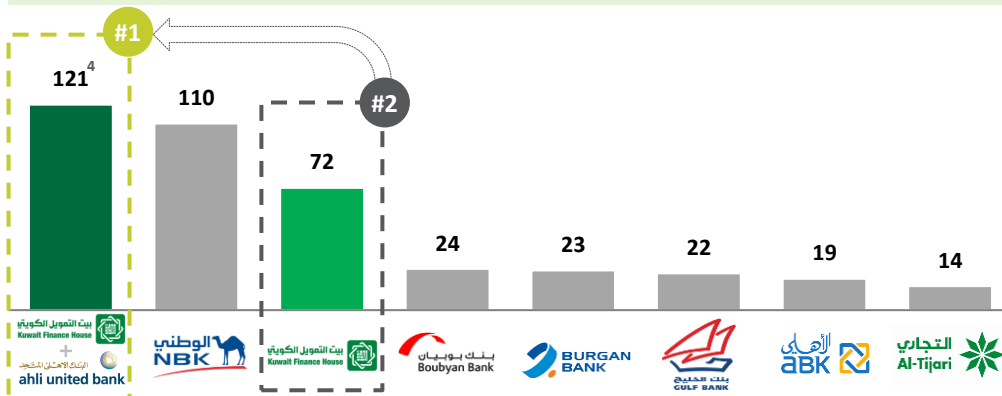
✓ EPS accretive including and excluding impact of synergies

¹ Market share as of FY21, calculated based on domestic market data for KFH+AUB (excluding foreign assets of Kuwaiti banks) divided by the sum of total domestic assets of publicly traded banks in Kuwait (as per CBK).

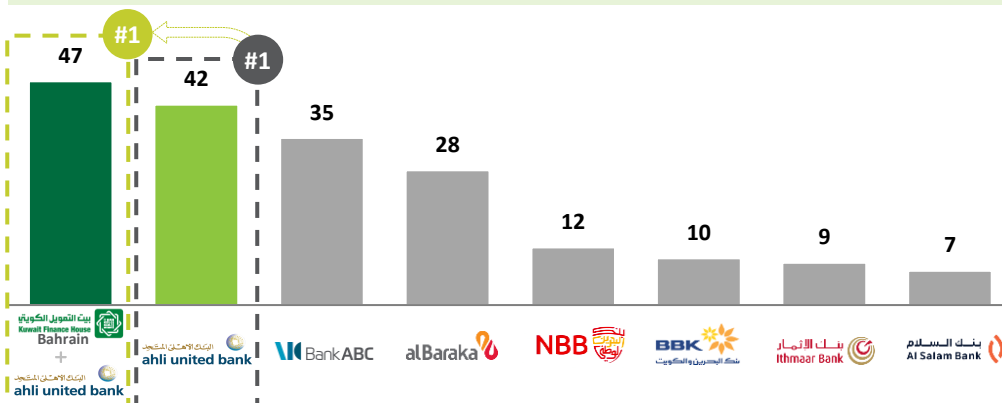
1 STRENGTHENS OUR POSITION AS THE LEADER IN OUR HOME MARKETS

- Following the completion of the acquisition, KFH will become the undisputed leading banking institution in Kuwait and Bahrain
- #1 bank in terms of Total Assets and Deposits (with over 27% of total assets market share¹ in Kuwait)

Top Kuwait Banks by Total Assets (\$bn)²



Top Bahrain Banks by Total Assets (\$bn)³



MENA National Champions (Ranking by Total Assets)

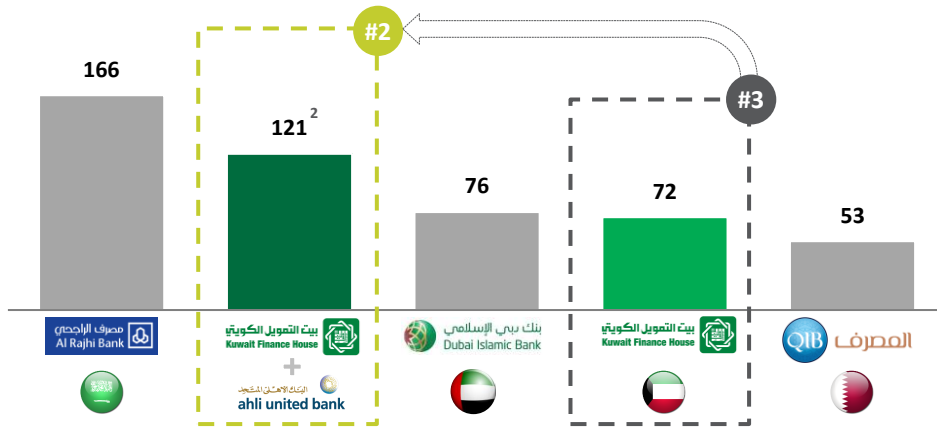
Country	National Champions	Total Assets
	ahli united bank + بيت التمويل الكويتي Kuwait Finance House + الوطني NBK	\$121bn ⁴ #1 \$110bn
	ahli united bank + بيت التمويل الكويتي Kuwait Finance House	\$47bn #1
	بنك أبوظبي الأول FAB1 First Abu Dhabi Bank	\$272bn
	SNB	\$244bn
	QNB	\$300bn
	بنك مسقط Bank Muscat	\$34bn

Source: FY2021 company financials, Central banks. Note: with preliminary illustrative acquisition impact. KWD, SAR, AED, QAR, BHD, OMR converted to USD per FX rate of 3.306, 0.267, 0.272, 0.275, 2.659, 2.601 respectively, as at 31-Dec-2021. ¹ Market share as of FY21, calculated based on domestic market data for KFH+AUB (excluding foreign assets of Kuwaiti banks) divided by the sum of total domestic assets of publicly traded banks in Kuwait (as per CBK). ² Largest banks publicly listed in Boursa Kuwait. ³ Includes largest banks publicly listed in Bahrain Stock Exchange. ⁴ With preliminary illustrative acquisition impact

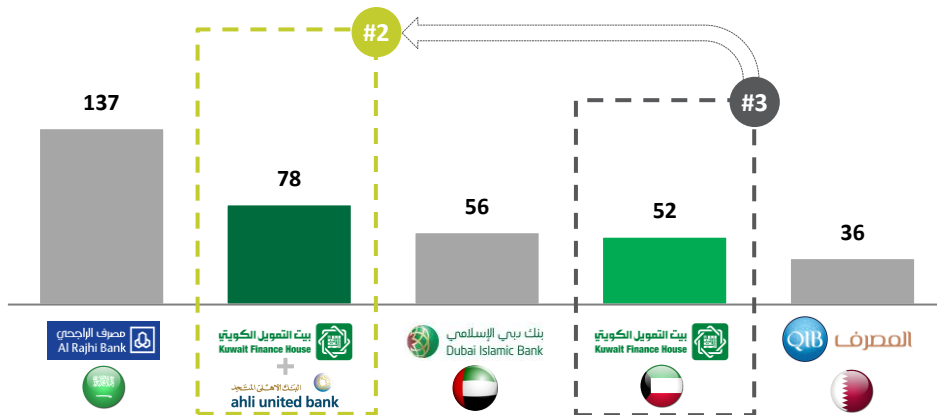
2 STRENGTHEN ISLAMIC BANKING LEADERSHIP

- KFH will become the world's second largest Islamic bank by total assets and customer deposits
- As one of the world's leading Islamic banks, KFH will drive the growth of Islamic Banking

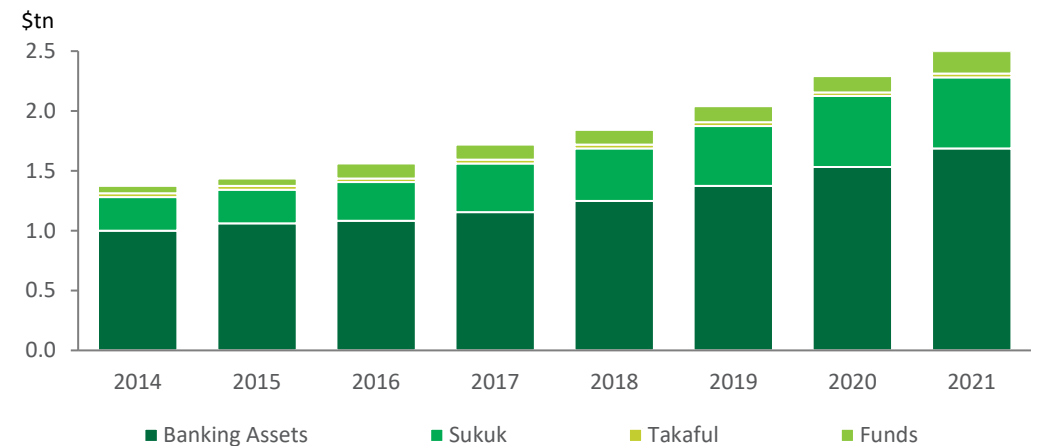
Ranking of Top Global Islamic Banks¹ by Total Assets (\$bn)



Ranking of Top Global Islamic Banks¹ by Customer Deposits (\$bn)



Islamic Finance is a \$2.5 Trillion Industry



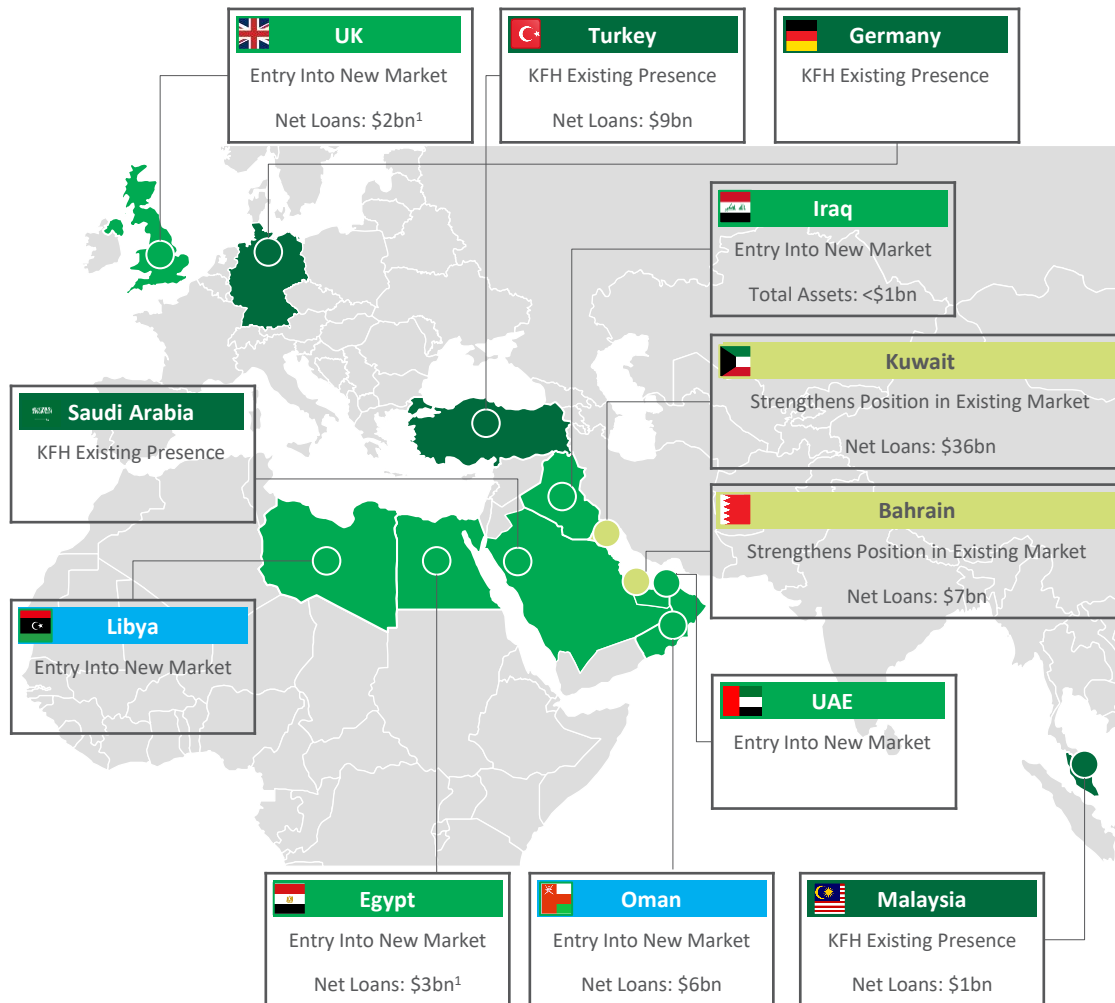
- Islamic finance industry's assets reached \$2.5 trillion at year-end 2021
- It expanded by c.10% in 2021 vs. 11% in 2020, with strong support from the banking assets in GCC and Malaysia
- Islamic finance remains concentrated primarily in oil exporting countries in Middle East and Malaysia accounting for over 80% of industry assets
- Islamic banking growth is expected to accelerate underpinned by higher oil prices, increased government spending and investments
- Islamic finance is expected to grow by 10% annually in 2022-2023

Source: FY2021 company financials, S&P Global Ratings, Central banks. Note: with preliminary illustrative acquisition impact. KWD, SAR, AED, QAR, BHD converted to USD per FX rate of 3.306, 0.267, 0.272, 0.275, 2.659 respectively as at 31-Dec-2021. ¹ Only considers publically listed, 100% Islamic banks (i.e. excludes any conventional banks with Islamic portfolios/operations) and also excludes Iran-based banks given limited and outdated disclosure. ² With preliminary illustrative acquisition impact.

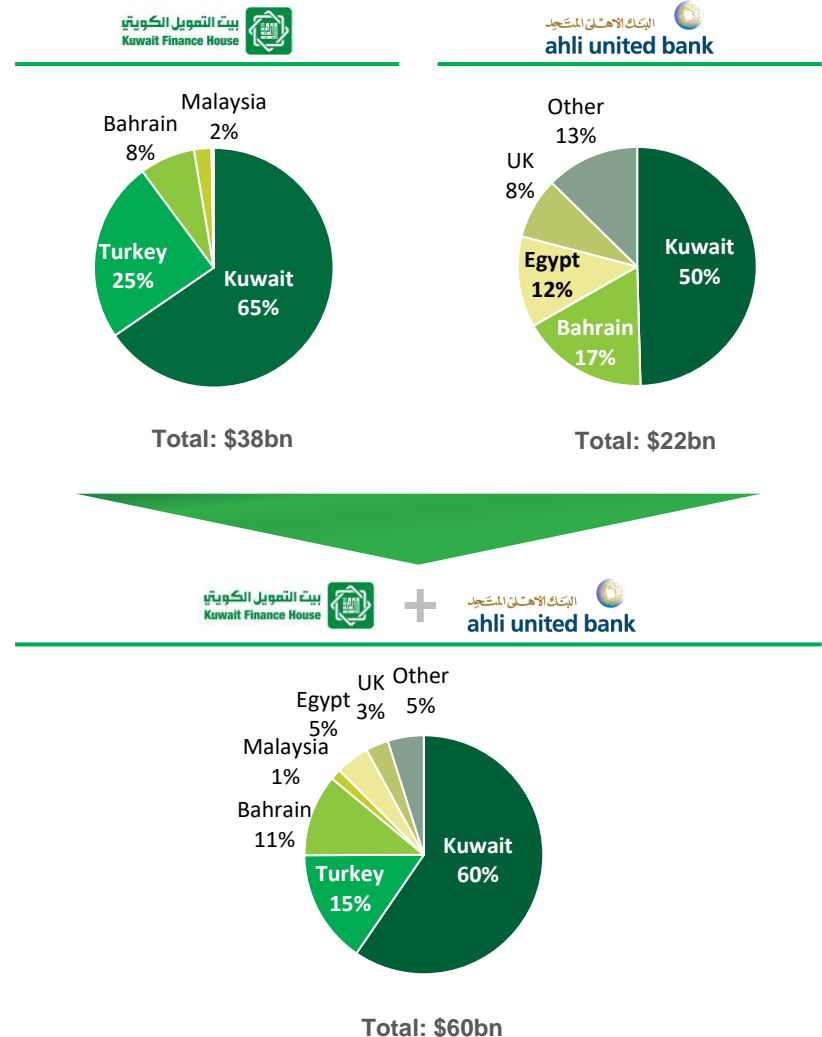
3

PROPEL KFH'S REGIONAL FOOTPRINT

International Presence (As At 31-Dec-2021)



Net Financing Receivables by Geography (As At 31-Dec-2021)

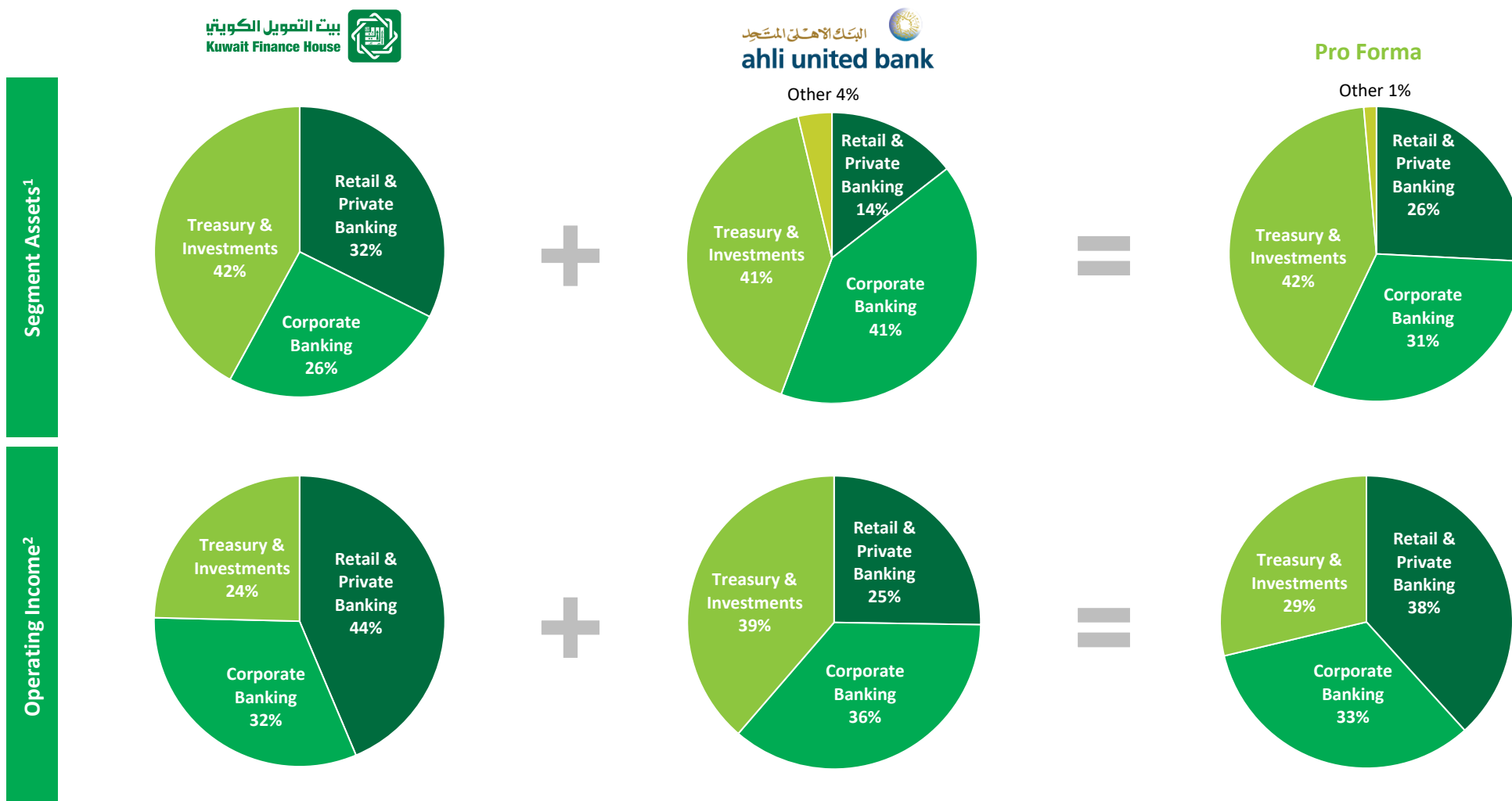


Represent investment in Associates

Source: FY2021 company filings, Central banks. Note: with preliminary illustrative acquisition impact. KWD, BHD, TRY, MYR, OMR converted to USD per FX rate of 3.306, 2.659, 0.075, 0.240, 2.601 respectively as at 31-Dec-2021.

4 ENHANCED SCALE AND DEEP RELATIONSHIPS ACROSS CORPORATE AND RETAIL CUSTOMERS

AUB's mainly corporate business mix complements KFH's orientation towards retail



Source: FY2021 company financials, Central banks. Note: with preliminary illustrative acquisition impact. ¹ KWD converted to USD per FX rate of 3.306 as of 31-Dec-2021. ² KWD converted to USD per average FX rate of 3.314 for FY2021.

5 SIGNIFICANT OPERATIONAL EFFICIENCIES

Substantial Cost Saving Opportunities

Branch footprint and ATM optimisation based on geographic overlap

IT systems integration

Branch, HQ and central functions consolidation

Cost benefits to be realised over 3 years

Focused on overlapping geographies in Kuwait and Bahrain

Cost Benefits Represents 10-12% of Combined Cost Base

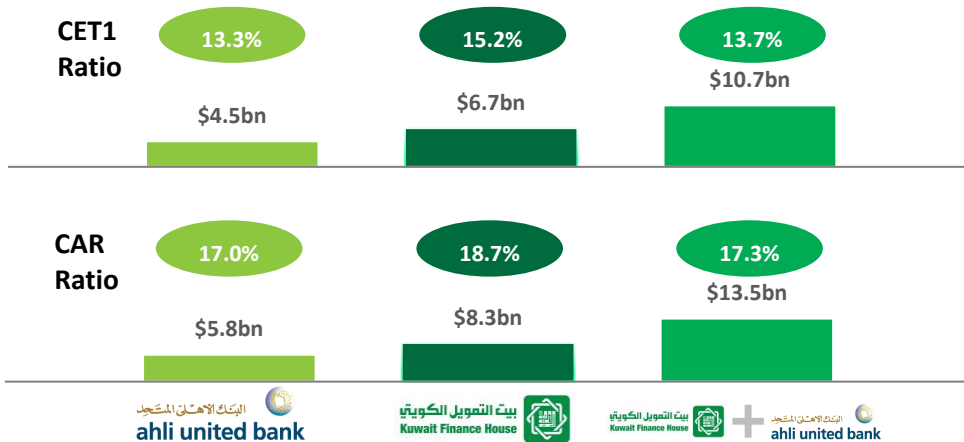


Potential for revenue synergies

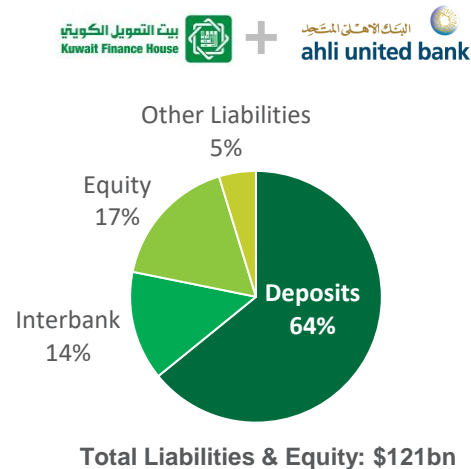
6

WELL CAPITALISED AND FUNDED, IDEALLY POSITIONING US TO BETTER PURSUE GROWTH

Significant Pro Forma Capital Position (As At 31-Dec-2021)



Strong And Diverse Funding Base (As At 31-Dec-2021)



Strategic Opportunities

- Drive growth in core regions and products
- Better serve Kuwaiti corporates with international ambitions
- Support international companies operating in Kuwait

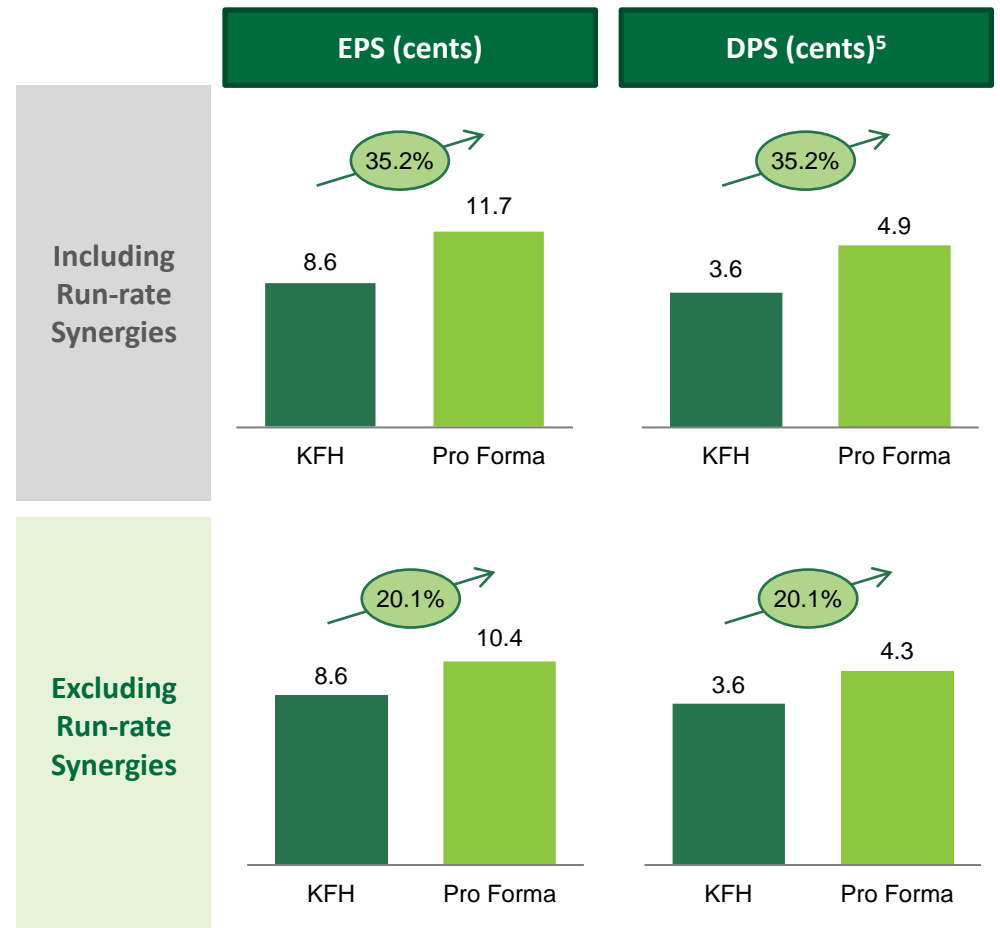
- Leverage technology to enhance customer experience
- Invest in distribution capabilities
- Drive wealth management cross-sell
- Additional cross-sell delivered through better consumer client segmentation

7 EARNINGS ACCRETIVE TO KFH SHAREHOLDERS

ILLUSTRATIVE EPS & DPS ACCRETION BASED ON 2021 PRO FORMA FINANCIALS

Pre and Post Acquisition			
	Metric	USD ⁴	KWD
Pre-Acquisition	2021 Net Income (m)	793	239
	Number of Shares Outstanding (m) ¹	9,207	9,207
	Shareholding %	100%	100%
	2021 EPS (cents / fils)	8.6	26
Post-Acquisition ³	2021 Pro Forma Net Income (m) ²	1,381	417
	2021 Pro Forma Net Income Incl. Total Synergies (m)	1,555	469
	Pro Forma Combined Number of Shares Outstanding	13,344	13,344
	Pro Forma Shareholding %	69%	69%
	2021 Pro Forma EPS Incl. Total Synergies (cents / fils)	11.7	35
	2021 Pro Forma EPS Excl. Synergies (cents / fils)	10.4	31

Illustrative EPS and DPS Accretion Based on 2021 Pro Forma Calculations³



Transaction accretive to earnings per share for KFH's shareholders including and excluding the impact of synergies

Note: ¹ As at 31-Mar-2022. ² Net of Tier 1 securities costs and Zakat. ³ Including net income from AUB Kuwait minorities intended to be acquired post completion. ⁴ At KWD:USD exchange rate of 3.314 based on average daily exchange rate in 2021. ⁵ Pro forma cash dividends calculated assuming a pay-out ratio of 42% based on KFH's 2021 cash pay-out ratio.

3.

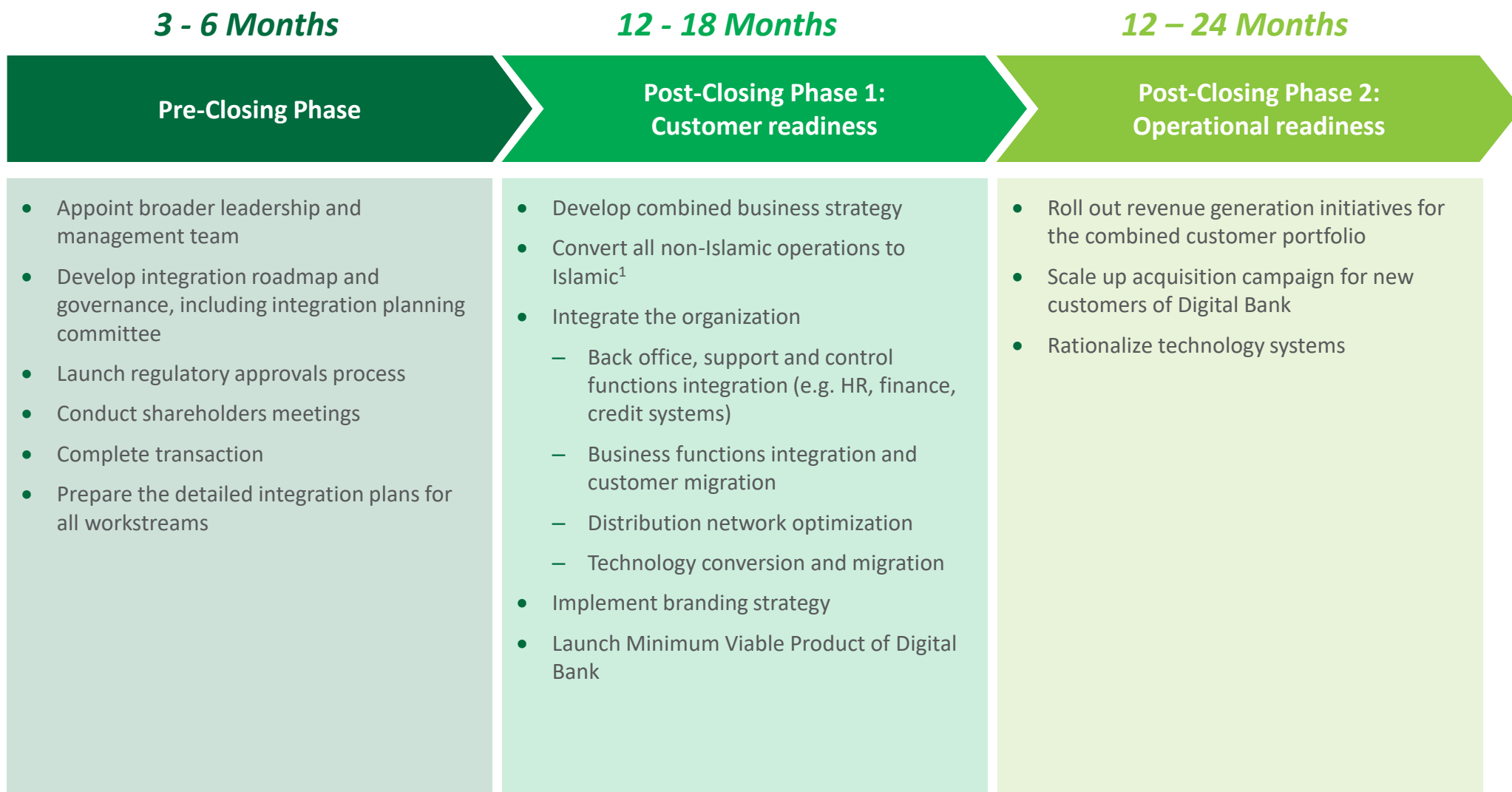
Integration



KFH STRATEGIC PLAN POST ACQUISITION

- **Maintain current structure**, save for any Bahrainization requirements or any personnel changes that may be required for the purposes of achieving the anticipated synergies, converting AUB's business Sharia'a compliant or as part of AUB's existing strategy
- **Conversion of AUB Bahrain and its subsidiaries into Sharia'a compliant businesses** that offer a full range of Sharia'a compliant banking products
- **Conduct the statutory merger** of the Group's two subsidiaries in Bahrain (**AUB and KFH Bahrain**) following the successful completion of the conversion of AUB's business into a Sharia'a compliant bank
- **Change AUB's name to KFH Bahrain**, following the successful implementation of the Acquisition
- Submit a **mandatory tender offer** with respect to the **shares in AUB Kuwait**
- **Conversion of AUB Kuwait into a digital bank**
- **Maintain KFH Group's existing dividend policy**

HIGH-LEVEL INTEGRATION PLAN AND TIMELINE



Note: ¹Conversion timeline will vary country to country; all conversion expected to be complete within 18 – 36 months.

4. Vision and Mission



MATCHING VISIONS, STRATEGIES AND MISSIONS

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Vision and Strategy

- To lead the **international development of Islamic financial services** and become the **most trusted** and **most consistently profitable Sharia'a-compliant bank** in the world

Mission

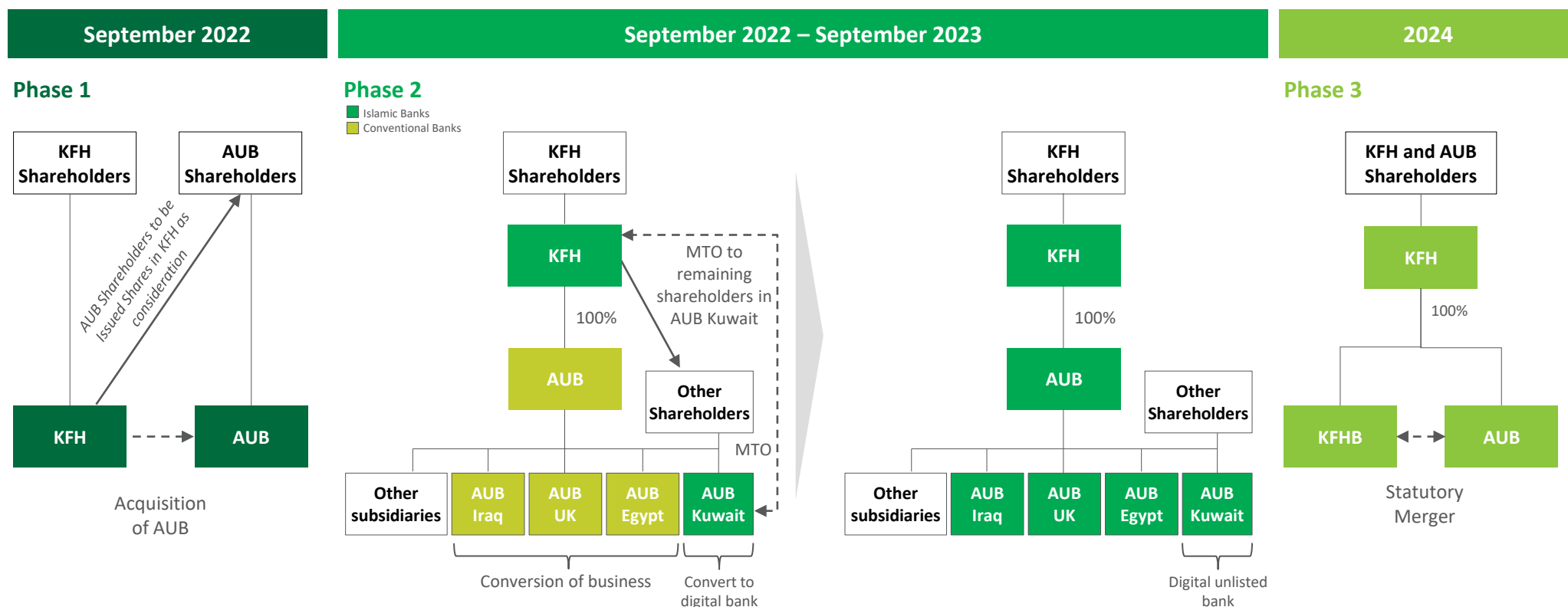
- To deliver **superior innovation** and **customer service excellence** whilst **protecting** and **enhancing** the **interests** of all **stakeholders**

5.

Transaction Structure



ENVISAGED TRANSACTION STRUCTURE



Key Steps for Phase 1

- 1 Acquisition of AUB by KFH via share swap

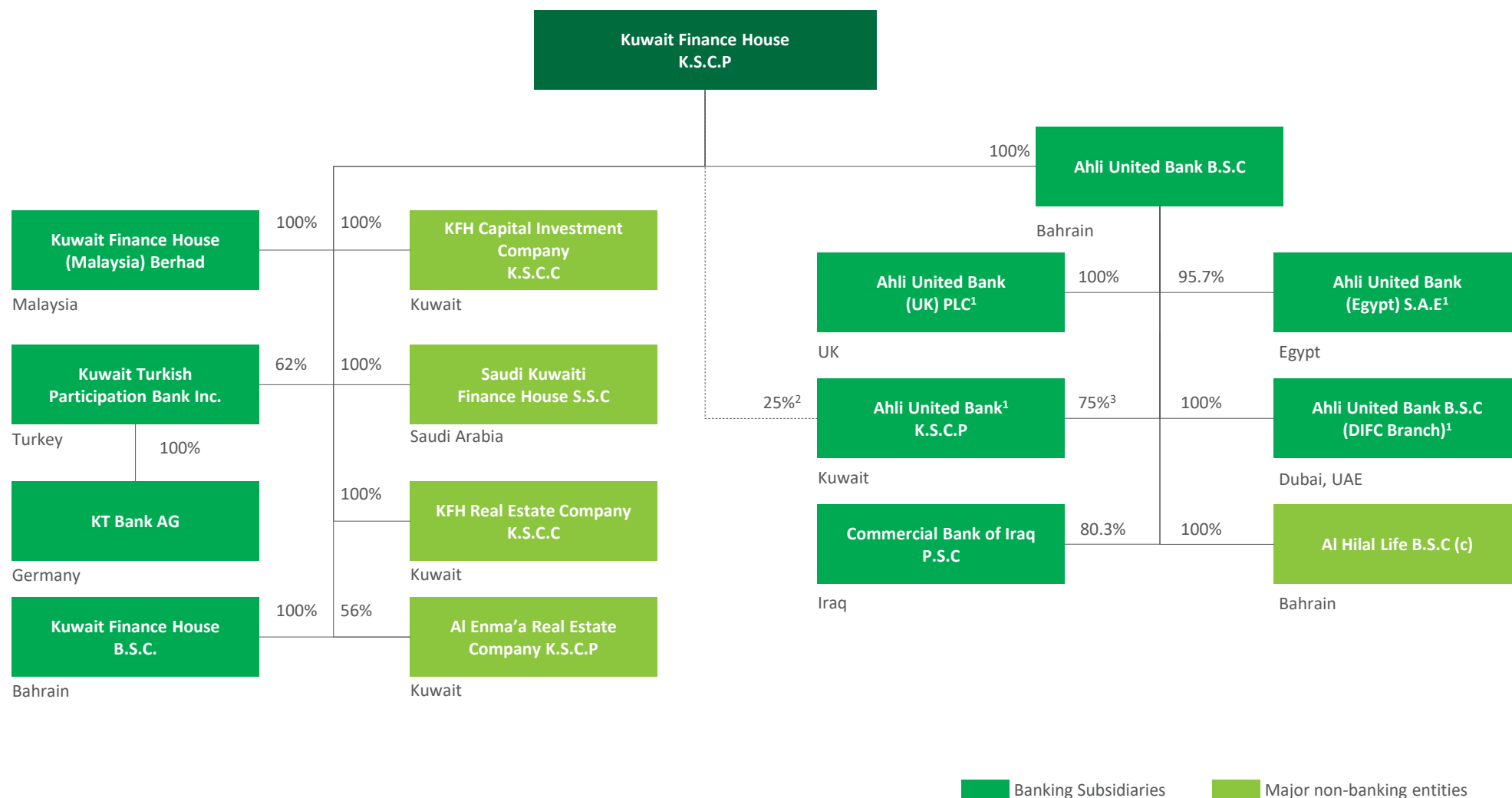
Key Steps for Phase 2

- 1 Conversion of AUB Bahrain and its subsidiaries into Sharia'a compliant businesses

Key Steps for Phase 3

- 1 Statutory merger between KFHB and AUB
- 2 KFHB dissolved and its assets and liabilities assumed by AUB

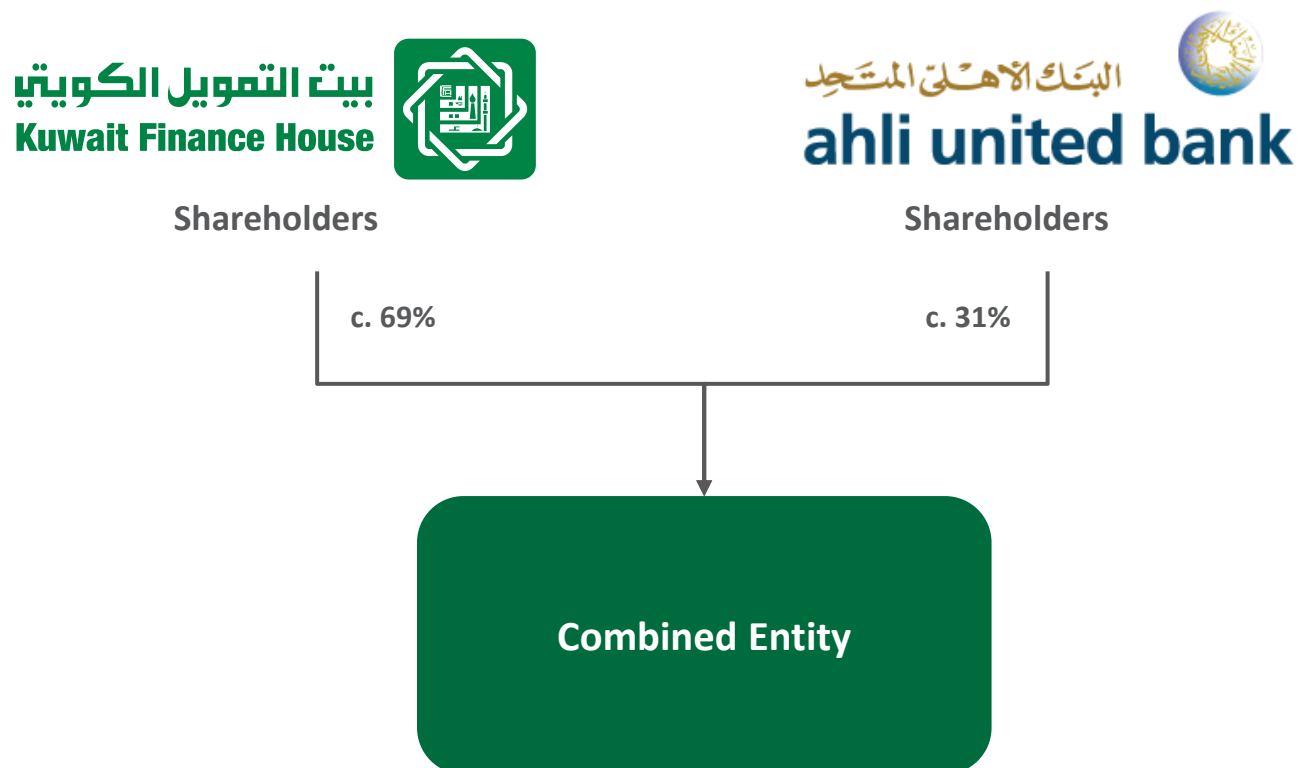
KFH GROUP STRUCTURE POST-ACQUISITION



Note: ¹ Names of these entities will be changed to KFH subject to required approvals. ² Subject to successful completion of Mandatory Tender Offer by KFH. ³ AUB B.S.C owns 74.9% of AUB K.S.C.P. or 75% if rounded up, as in the diagram above.

POST-ACQUISITION SHAREHOLDING

Post-Acquisition Shareholding Structure



Note: Pro forma shareholding is based on current shares outstanding subject to 100% acquisition of AUB by KFH and is subject to change due to movement in Treasury shares.

6.

Financial Highlights

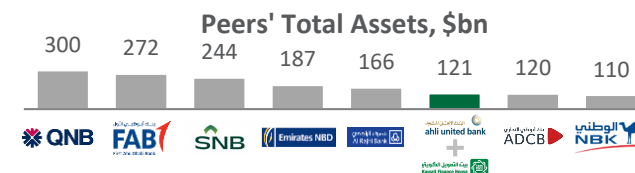


EVIDENT FINANCIAL RATIONALE

A transformational transaction that brings significant benefits to all stakeholders

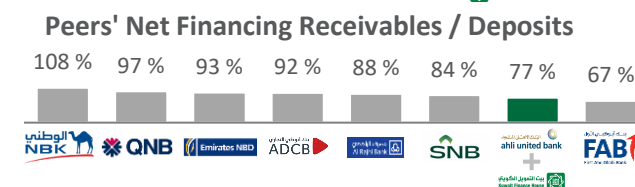
1 Scale position where assets >\$120bn

✓ Combined assets of \$121bn



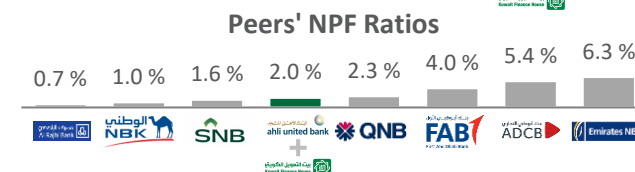
2 Diversified funding base

✓ 77% Net Financing Receivables / Deposits
✓ Funding comprises 64% deposits



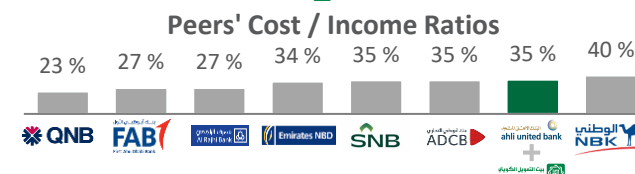
3 Prudently risk-managed portfolio

✓ NPF Ratio of 2.0%



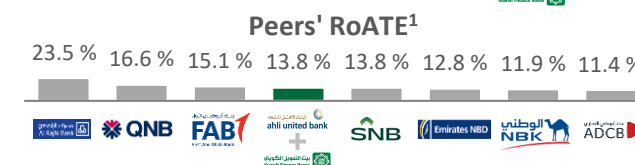
4 Improving efficiency profile

✓ Cost / Income Ratio of 35%



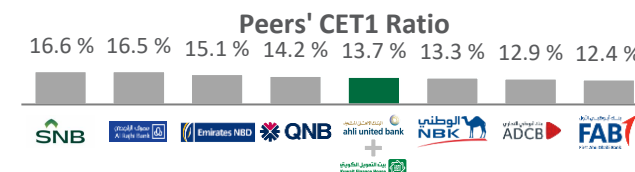
5 Strong return profile

✓ Return on Average Tangible Equity of 13.8%




6 Robust capital position

✓ CET1 Ratio of 13.7%
✓ CAR of 17.3%



Source: FY2021 company financials, Central banks. Note: with preliminary illustrative acquisition impact. KWD, SAR, AED, QAR, BHD converted to USD per FX rate of 3.306, 0.267, 0.272, 0.275, 2.659 respectively, as at 31-Dec-2021. ¹ Calculated for FY2021 as net income attributable to shareholders post costs related to Sukuk/Tier I Capital notes divided by average tangible equity attributable to shareholders (excluding Sukuk/Tier I Capital notes).

FINANCIAL AND OPERATIONAL METRICS

Metrics (USD and FY2021)	 بيت التمويل الكويتي Kuwait Finance House	 البنك الأهلي المتحد ahli united bank	Pro Forma ⁶
Net Income, \$m	793	588 ¹	1,381 ¹
Total Assets, \$m	72,027	41,913	121,066
Net Financing, \$m	37,538	22,075	59,614
Total Deposits, \$m	52,453	25,204	77,657
Net Income ² / Total Assets	1.1%	1.4%	1.1%
Net Financing / Deposits	72%	88%	77%
CET1 Ratio	15.2%	13.3%	13.7%
CAR Ratio	18.7%	17.0%	17.3%
Cost / Income Ratio	38.0%	29.5%	35.5%
Return on Average Tangible Equity ³	12.6%	15.1%	13.8%
Branches	526	157	683
Staff	c. 13,000	3,294	c. 16,294
Liquidity Banking Assets ⁴ / Tangible Banking Assets ⁵	26.1%	18.5%	23.3%

Note: Financial and Operational Metrics as per FY2021 company financials. KWD:USD FX rate of 3.306 as at 31-Dec-2021 used for balance sheet metrics and 3.314 as at 2021 average used for P&L metrics. ¹ Including net income from AUB Kuwait minorities intended to be acquired post completion. ² Net income post Sukuk costs, for AUB and Pro Forma includes net income from AUB Kuwait minorities intended to be acquired post completion. ³ Calculated as net income attributable to shareholders post costs related to Sukuk divided by average tangible equity attributable to shareholders (excluding Sukuk). ⁴ Liquid Banking Assets include Cash and Cash Equivalents, Deposits with Banks and T-Bills. ⁵ Total Assets less Goodwill and Intangibles. ⁶ With preliminary illustrative acquisition impact.



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