To: Bourse Kuwait

Peace, Mercy and Blessings of Allah be upon you

Subject: Disclosure of The KFH’s Analysts Conference for Q 3 / 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 29 October 2019, the Conference Minutes of Meeting Q3/2019 is attached.

A copy of the same has been submitted to CMA.

Best Regards,

Shadi Zahran
Acting Group CEO
EFG Hermes is pleased to invite you to participate in the

**KFH Q3-2019 Analysts’ Webcast / Conference Call**

**Monday, 28 October | 14:00 (Kuwait) | 15:00 (Dubai) | 11:00 (London)**

**Speakers**

- **Mr. Shadi Zahran** – Group Chief Financial Officer / Acting GCEO
- **Mr. Fahad Al Mukhaizeem** – Group Chief Strategy Officer

**Chairperson**

- **Ahmed El-Shazly** – Financials Analyst, EFG Hermes

**Webcast Details**

This call is a webcast call. You can see the presentation and listen to the speakers using the link below. Please log in 5 minutes prior to the event.

[https://globalmeet.webcasts.com/starthere.jsp?ei=1266134&tp_key=639f1e81eb](https://globalmeet.webcasts.com/starthere.jsp?ei=1266134&tp_key=639f1e81eb)
Quarter 3 2019
Kuwait Finance House Earnings Webcast Transcript

Monday, 28th October 2019, 2:00 pm Kuwait Time

Speakers from Kuwait Finance House Executive Management:

- Mr. Shadi Zahran, Acting Group Chief Executive Officer (GCEO), 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 Q3 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. Shadi Zahran, Acting GCEO & GCFO
- Mr. Fahad Al-Mukhaizeem, GCSO

And we are also joined today by the following attendees:

- Norges Bank Investment Management
- HSBC
- CI Capital
- Al Rayan Investment
- Franklin Templeton
- Dark Horse Capital
- Wafra International Investment
- Fiera Capital
- Aventicum Capital Management
- NBK Capital
- HSBC
- FIM Partners
- ADIA
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.

Mr. Fahad Al-Mukhaizeem:

Thank you, Ahmed, and good afternoon ladies and gentlemen. We are glad to welcome you to Q3 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 as Q3-2019 results.

GDP growth in Kuwait is expected to pick up in 2020 to reach 3.1% after a bit of a slowdown expected in 2019. The Consumer Price Index (CPI) is expected to reach 1.8% in 2019 as the IMF expects inflation to increase to 3% in 2020.
Fitch recently affirmed Kuwait Finance House’s (KFH) Long-Term Issuer Default Rating (IDR) at ‘A+’ with a Stable Outlook. Fitch has also affirmed the bank’s Viability Rating (VR) at ‘bb+’.

KFH won Best Islamic Financial Institution in the world for 2019 from Global Finance which confirms KFH’s leadership and success globally.

Currently KFH’s 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.

The success of the digital transformation strategy in the Group, pointing to a qualitative move in rolling out digital financial solutions, such as the self-service banking services and AI-enabled robotics. KFH launched the first ever Mobile Deposit of Cheques service to customers where they can simply log into their KFH mobile app, go to the cheque deposit menu and take a picture of both sides of the cheque using their smart phone camera. The funds will then be deposited directly into their accounts through the KFH Online app.

KFH also succeeded in enhancing security and data analysis, upgrading the infrastructure and e-service platforms in order to improve customer experience which becomes a strategic factor in continuing or actually in confronting the challenges of digitalization and adapting to fast-paced and competitive environments in the banking sector in accordance with the highest standards. KFH aims to expand its operations in the Middle East and Europe through the services of the “digital bank” in Turkey and the “Jazeel” platform in Bahrain, in addition to the modern, sophisticated and highly efficient online services.

With this, let me hand over the mic to our Acting Group CEO and Group CFO Mr. Shadi Zahran.

Mr. Shadi Zahran: Thank you, Fahad. Alsalam Alykum good day ladies and gentlemen. I am Shadi Zahran, the Group CFO and Acting Group CEO. It's my pleasure
to welcome you all to the third quarter 2019 earnings call. Let me start by
highlighting the financial performance of Q3-2019:

KFH Group reported **Net Profit** of **KWD 190.5 million** until end of Q3 2019 for KFH
Shareholders compared to **KWD 169.1 million** for the same period last year represent
an increase of **12.7%**.

**Total Financing Income** for Q3 this year reached **KWD 701.2 million** an increase of
**10.2%** and **Net Operating Income** for Q3 this year reached **KWD 393.0 million** with a
growth of **7.0%** compared to the same period last year.

**Cost to Income Ratio** dropped to reach **36.1%** for as at the end of Q3-2019, compared
to **37.7%** for the same period last year.

**Earnings per Share** for the third quarter of 2019 reached **27.67 fils**, compared to **24.58 fils**
for the same period last year i.e. an increase of **12.6%**.

Our double-digit growth in net profits and the bank’s positive financial indicators are
results of the successful sustainability strategy of focusing on core banking activities,
exitng non-strategic investments, and improved assets quality. Also, the ongoing
increase in net operating income backed by the increased operating income and
controlled costs had a positive impact on net profit.

We are on track in promoting synergy among the Group’s banks in line with the
strategies aimed to utilize the strength of the markets we operate in.

KFH is a major player in financing mega projects and supporting the National
Development Plan, Kuwait Vision 2035 to transform the country into a regional and
global financial and commercial hub. We financed many projects including energy,
water, power, infrastructure and construction. We also have a global leading role in
Sukuk issuances for local and international companies and governments.

KFH Capital launched the first REIT Fund to be listed in Boursa Kuwait with a capital of
up to KWD 100 Million with monthly distributions to diversify investment opportunities
for its customers, by providing new tools that contribute to achieving profitable returns, and take advantage of market developments locally and regionally.

Finally, regarding the potential acquisition and merger with 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. All these disclosures were published via the official website of Boursa Kuwait and any new development will be updated as and when it comes available.

Now, I will move to the financial performance in details for the Group. As I mentioned earlier,

The Group has achieved Net Profit After Tax (NPAT) attributable to Shareholders for the period ended 30th September 2019 of KD 190.5mn higher by KD 21.4mn or 12.7% compared to the same period last year of KD 169.1mn.

Financing income increased by KD 64.8mn or 10.2% resulted mainly from the increase in average yielding assets.

As we will see in the next slide, Net financing income (NFI) has decreased by KD (9.2) mn or (2.3%) compared to same period last year. This is due to increase in Cost of Fund (COF) by KD 74.0 mn which is partly offset by the increase in financing income of KD 64.8mn. 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 with the concentration on Mudaraba based deposits.

Net Operating income at KD 393.0mn increased by KD 25.6mn or 7.0% compared to Sept-18, and the increase is mainly from the Investment Income by KD 43.1mn offset by the decrease in NFI by KD (9.2) mn. The increase in investment income by KD 43.1mn is mainly attributable to finalization of projects and divestments which led to increase in investment income to total operating income to reach 15.6% compared to 9.0% last year. However, the other non-yielding income contribution remained at 20%.
Next Slide: Total Operating Expenses at KD 222.1mn is at the same level as compared to prior year.

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, Cost to income ratio improved by a further 157bps to reach 36.11%. Displaying an improved efficiency and optimized operating expenses.

Furthermore, with regards to cost to income ratio at KFH-Kuwait, C/I ratio at 32.1% is below both the local Islamic Banks average of 41.2% and local conventional Banks average of 37.0% (calculated from published financials for H1-19).

Looking at the Average Profit Earning Assets is up by 7.5% compared to Sept 2018, maintaining the growth momentum of yielding assets for the past few years. (avg. YoY financing receivables and MM is up by KD 0.7mn and avg. Sukuk is up by KD 0.3mn)

Group NFM at 3.14% shows a 4bps decrease compared to 2018 of average 3.18%.

Group average yield slightly improved despite the increase in the 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 2018 same period on account of KFH increased profitability and higher market rates.

The group total provisions and impairment charge increased by KD 13.8mn or 10.6% to reach KD 145.0mn. Higher provisions on financing by KD 78.8mn is on account of precautionary provision of KD 60mn 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 as compared to last year from KD 97.7mn to KD 32.7mn due to the last year one-off impairment for certain legacy properties in GCC.
Net Operating Income (before provisions) from banking activities remained at over 90% of group net Operating income.

In this slide, Total Assets at KD 19.0bn increased by KD1.2bn or 6.9% over 9 months period (Sept-19 vs. Dec-18).

The group achieved an outstanding growth in deposits for the period 9M-19 of KD 1.5bn or 12.5% with contribution from all banking operations reflecting customers confidence in KFH group across all entities besides the results of investments made in digitalization.

Additionally, the favorable deposits mix continues to show very healthy contribution from CASA deposits which represents 44.5% of total group deposits as at the end of 9M 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 41.4% (as per CBK latest published reports, Aug-19).

Financing receivables at KD 9.4bn increased by 1.8% over 9 months period (Sept-19 vs. Dec-18). Growth without TRL devaluation in 2019 is 2.9%. Growth in financing receivables contributed from Kuwait, Turkey and Bahrain despite the 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 568.6mn or 36.4% 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 the 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 82.7% continues to improve reflecting the healthy funding mix and shows robust liquidity.

In the last slide looking at the key performance ratios, the group compared to last year same period is as follow:
• ROAE from 12.49% to 13.41%
• ROAA from 1.55% to 1.47%
• C/I from 37.68% to 36.11%, and
• EPS moved from 24.58 fils to 27.67 fils for 9M19

It is worth mentioning in regard to asset quality that NPL ratio reduced to reach 1.73% (as per CBK calculation) in Sept-19 compared to 2.83% at Sept-18 (2018: 1.99%) on account of the improvement in overall risk profile of the Bank supported by recoveries and write-offs.

Coverage ratio (provision) for Group is 225% in Sept-19 (2018: 191%).

Coverage ratio (provision + collateral) for Group is 275% in Sept-19 (2018: 247%).

With that I conclude the financial part, thank you.

Mr. 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: Loan growth outlook in Kuwait? update on project awards? consumer appetite? Reason behind big increase in deposits? NIM outlook? reason behind weakness in fees and commission income?

Maha Soueissy - Schroders

Answer by Mr. Shadi: As I mentioned the growth came from all banking subsidiaries, mainly from Kuwait and from all sectors, in retail came less than the corporate in Kuwait. The outlook is expected to remain at the same level. Fees & commission is actually reflecting or is associated with the growth of the portfolio this is one part and the other part is some fees were eliminated this year due to the regulations especially in the retail area.
**Question 2:** Can you please elaborate more on a q/q increase in net interest income to KWD145m in Q3 19 from KWD122m in Q2 19? What’s behind this jump and what should we expect going forward?

*Aybek Islamov - HSBC*

**Answer by Mr. Shadi:** Actually, for us its net financing income and not net interest income and the net financing income is actually reflecting the increase in the average yield assets, this is one.

The other part costs of fund at the 3rd quarter will be less as compared to the 2nd and 1st quarter and here we have mainly two reasons reflecting more stability now and deposits mix changed more too. We noticed from Wakala to Mudharaba, besides the provision that I mentioned that we took it conservatively on Turkey is affecting the distribution of the Mudharaba deposits.

**Question 3:** Can you clarify the date for the merger? The date was previously mentioned as H1 2020 in terms of getting approvals and doing a share swap. However as per a recent interview with the CEO mentioned it will be completed 2021 end. Can we please have clarification on the statement?

*Hamad Al Ebraheem – NBK Capital*

**Answer by Mr. Shadi:** As I mentioned, all the disclosures were published and will be published as well as and when it comes available. Recently as you know and published, we got the CBK approval conditional for some details working on and next step will be the AGM, but anything, any update will be published as per CMA and CBK regulatory authorities as and when it comes available, In Sha’ Allah.

**Question 4:** Can you explain the decline in financing cost and distribution to depositors in 3Q19 compared to 2Q19, which resulted in margin expansion?

*Waruna Kumarage – SICO Bank*

**Answer by Mr. Shadi:** Already explained, I explained it.
Question 5: What’s driving the growth in investment income? **Hamad Al Ebraheem** – NBK Capital

**Answer by Mr. Shadi:** It is as I mentioned the divestment for the three quarters for the full nine months. The divestment, the group made is around 75 million KWD and that brought profit of gain of almost 25 million KWD versus last year for the same period only 6 million KWD, so mainly coming from the divestment.

Question 6: What is the normalized yield of the investment portfolio? **Waruna Kumarage** – SICO Bank

**Answer by Mr. Shadi:** The normalized income for the investment portfolio if you simply take the divestment gain that I referred to 25 million KWD, that would be the normalized income on the investment part.

Question 7: Main reasons for increase in Cash and other asset? Please Clarify reasons for increase in tax expense? **Fahad Al Awadi** – Wafra International Investment

**Answer by Mr. Shadi:** Reason for increase in cash as you know reflecting the balance sheet development increase when we had increase in deposits by 1.5 billion KWD for the nine months compared to December, as you see the development in the financing receivable is 1.8 %, and if you exclude the Turkish Lira devaluation it is 2.9%, and then the Sukuk, so KFH always is at healthy liquidity position. The other part was the tax, this I think was explained the first quarter, the increase in the tax was the one-off tax we took in the first quarter on our subsidiary in Malaysia and that was explained as I recall and that we carried until the 3rd quarter due to change in the tax law, and we took it in the first quarter.

Question 8: CASA contribution as of the end of Sep please? **Sara Boutros** – CI Capital

**Answer by Mr. Shadi:** As I mentioned, the CASA is very stable for the past (actually long period) 5 years was the stable same ratio between 45% and 44% and now it is as I mentioned, 44.5% at group level.

Question 9: Is the decrease in funding cost achieved in 3Q19 sustainable?
Answer by Mr. Shadi: I would say the net financing margin is sustainable and started actually to improve as compared to first and second quarter, and I explained the reasons behind the decrease cost of funds.

Question 10: On the back of Central Bank of Turkey's directives do you expect additional impairment of loans at the Kuwait Turkish participation bank?

Answer by Mr. Shadi: By the ways as I mentioned the 60 million KWD we took is a precautionary provision at the group level over and above what our subsidiary takes as provision at their books following the regulatory there, as you know here during 2018 and let me just explain a bit behind the precautionary provision as you know during the 2018 and mainly in August after when the currency deteriorated heavily in Turkey.

Turkey witnessed a downturn in the economic growth with decline in value of Turkish Lira as you know and that affected the various or put pressure on various industrial sectors in Turkey to service their debts and recovery issues became more visible in the current economic situation of Turkey and for the that we’ve done our assessment as a group management and precautionary we took this one-off 60 million KWD as provision at the group level for the Kuwait Turk for our subsidiary in Turkey financing portfolio. So, it’s not by the regulator it’s from the group management.

Question 11: Ok, we have a follow-up question can you repeat what’s the reason behind the increase in deposits?

Answer by Mr. Shadi: The increase in deposits we witnessed in the first half and continued in the 3rd quarter, it came from all subsidiaries with no exception... all banking and as I said the largest portion is just reflecting the confidence from our depositors and that’s what we used to have a growth in our deposits. However, this year the additional incremental on that came from our investments in the... or reflecting the results in investments of digitalization mainly in Turkey we have very
successful -digital- experience in digital banking in Turkey and as well in Bahrain (Jazeel), as mentioned by Fahad at the beginning of this presentation.

**Mr. Ahmed Al 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 Webcast Conference....**
To: Boursa Kuwait

Peace, Mercy and Blessings of Allah be upon you

Subject: Disclosure of The KFH's Analysts Conference for Q 3 / 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:

KFH has conducted the Analysts Conference for Q 3 / 2019 through live broadcasting on internet (Live Webcast) at 2 p.m. on Monday 28 October 2019. There was no other material information had been discussed during the conference.

Attached is the Investors Presentation Q 3 / 2019 for your reference. A copy of the same has been submitted to Capital Markets Authority.

KFH will disclose later for the Conference Minutes of Meeting within 3 working days from the date of conducted.

Best Regards,

Shadi Zahran
Acting Group CEO
Disclaimer

• IMPORTANT NOTICE

• This presentation has been prepared by Kuwait Finance House and is subject to the applicable laws and regulations in the State of Kuwait. It is for information purposes only and it shall not be reproduced or redistributed to any other person without obtaining Kuwait Finance House's prior written consent. It does not and shall not constitute either an offer to purchase or buy or a solicitation to purchase or buy or an offer to sell or exchange or a solicitation to sell or exchange any securities of Kuwait Finance House. Neither this presentation nor anything contained herein shall form the basis of any contract, commitment or advice whatsoever. This Presentation must be read in conjunction with all other publicly available information. To the maximum extent permitted by law, Kuwait Finance House and its directors, employees, agents, consultants, affiliates and subsidiaries expressly exclude all liability and responsibility for any loss or damage arising from the use of, or reliance on, the information contained in this presentation or the website whether or not caused by any negligent act or omission. Neither Kuwait Finance House nor any of its directors, employees, agents, consultants, affiliates, or subsidiaries warrant or represent the correctness, accurateness or completeness of the information provided herein. This document is not to be relied upon in any manner as legal, tax or investment advice. Each recipient hereof shall be responsible for conducting its own investigation and analysis of the information contained herein and shall familiarize and acquaint itself with, and adhere to, the applicable local legislations. Except where otherwise expressly indicated herein, this presentation contains time-sensitive information which is based on currently available information to Kuwait Finance House as of the date stated or, if no date is stated, as of the date of this preparation and accordingly does not guarantee specific future results, performances or achievements. The information and the opinions contained herein are subject to change without notice. None of Kuwait Finance House or any of its subsidiaries or affiliates assume any obligation to update or otherwise revise any such information to reflect information that subsequently becomes available or circumstances existing or changes occurring after the date hereof.

• FORWARD-LOOKING STATEMENTS

• All statements included or incorporated by reference in this presentation, other than statements or characterizations of historical fact, are forward-looking statements. Such forward-looking statements are based on Kuwait Finance House's current expectations, predictions and estimates and are not guarantees of future performance, achievements or results. Forward-looking statements are subject to and involve risks and uncertainties and actual results, performance or achievements of Kuwait Finance House may differ materially or adversely from those expressed or implied in the forward-looking statements as a result of various factors. In addition, even if Kuwait Finance House’s results of operations, financial condition and the development of the industry in which it operates are consistent with forward-looking statements contained herein, those results or developments may not be indicative of results or developments in subsequent periods. Kuwait Finance House does not undertake to update any forward-looking statements made herein. Past results are not indicative of future performance.
Contents

1  Kuwait Operating Environment [Highlights]
2  KFH Overview
3  9M-19 Business [Highlights]
4  KFH Strategy
5  9M-19 Financial Results
6  Appendix
Economic Highlights

- Crude Oil price closed at USD 61 p/b in Q3-19, lower by 9.7% Q-T-Q and 26.3% Y-T-Y.
- Kuwait’s Long-Term Foreign-Currency Issuer Default Rating (IDR) remained solid with Stable Outlooks, Fitch “AA”, Moody’s “Aa2”, and S&P “AA”.
- The Central Bank of Kuwait maintained the discount rate at its current level of 3.0% despite Federal Reserve’s interest-rate cut of 25 bps on September 18th, 2019.
- Kuwait ranked among top 20 countries in Ease of Doing Business 2020 Index, out of 190 countries.
- Kuwait’s Capital Markets Authority (CMA) launched the Initial Public Offering (IPO) of its full 50% stake in Boursa Kuwait.
- Kuwait Authority for Partnership Projects (KAPP) launched the Initial Public Offering (IPO) on 50% of its stake in Al-Zour North One Independent Water & Power Project (IWPP).
KFH Overview

Kuwait

Strongest

Bank in Kuwait

*According to The Asian Banker

Regional

Safest

Islamic Financial Institution in the GCC

*According to Global Finance

Global

Best

Islamic Financial Institution in the World

*According to Global Finance
KFH Overview

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

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

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

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

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

14 Branches
425 Branches
62 Branches
5 Branches
9 Branches

KFH Overview
## KFH Strengths

<table>
<thead>
<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>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Business Highlights

Products and Services “Digital Focused”
- KFH launched KFH Pass Service "Postpone Your Installments as Needed".
- KFH and Xpress Money launched “KFH Xpress” for instant cross-border money transfer.
- KFH inaugurated its third digital self-banking station “KFH-Go”.
- KFH introduced customers’ data update through smart-phones via KFH-Online.
- KFH introduced an International Toll-Free Service for KFH customers in 7 countries.

Awards by KFH in Q3-2019

Key Achievements by KFH Capital in Q3-2019
- KFH Capital launched the first REIT Fund to be listed in Boursa Kuwait with a capital up to KWD 100 Million invested in real estate with monthly distributions.

Key Events and Corporate Social Responsibility
- KFH participated in the International Banking Conference organized by the Central Bank of Kuwait.
- KFH made a Partnership Agreement with DISC to promote Employee Wellness.
- KFH made a strategic partnership with Kuwait University, College of Business Administration (CBA) and Center of Excellence, in which preparation program for IELTS tests has been launched to train and qualify 300 Kuwaiti students.
- KFH supported the Coding Program to develop technological innovation for high school students.
- KFH launched Summer Club Programs for Hesabi and Bayti customers.
- KFH participated in the graduation ceremony of students of College of Engineering and Petroleum-Kuwait University.

Major Achievements

KFH Capital launched the first REIT Fund to be listed in Boursa Kuwait with a capital up to KWD 100 Million invested in real estate with monthly distributions.
9M’19 Financial Highlights

Net Profit for Shareholders
KD 190.5 m  +12.7%

Total Financing Income
KD 701.2 m  +10.2%

Net Operating Income
KD 393.0 m  +7.0%

Cost to Income Ratio
36.11%
Improved by 157bps

EPS (fils)
27.67
+3.1fils (9M-18: 24.58fils)
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

1. Kuwait Operating Environment [Highlights]
2. KFH Overview
3. 9M-19 Business [Highlights]
4. KFH Strategy
5. 9M-19 Financial Results
6. Appendix
## 9M’19 Operating Performance

<table>
<thead>
<tr>
<th></th>
<th>Financing Income (KD mln)</th>
<th>Net Financing Income (KD mln)</th>
<th>Net Operating Income (KD mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9M-18</td>
<td>169.1</td>
<td>404.8</td>
<td>367.5</td>
</tr>
<tr>
<td>9M-19</td>
<td>190.5</td>
<td>701.2</td>
<td>393.0</td>
</tr>
</tbody>
</table>

### Operating Income Profile

- **Investment Income**
  - 9M-18: 9.0%
  - 9M-19: 15.6%
- **Non-Financing Income**
  - 9M-18: 22.4%
  - 9M-19: 20.1%
- **Net Financing Income**
  - 9M-18: 68.7%
  - 9M-19: 64.3%
## 9M’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>9M-18</th>
<th>9M-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>184.8</td>
<td>184.8</td>
</tr>
<tr>
<td>Other</td>
<td>30.9</td>
<td>30.9</td>
</tr>
<tr>
<td>Net gain</td>
<td>33.3</td>
<td>33.3</td>
</tr>
<tr>
<td>Invest.</td>
<td>52.9</td>
<td>53.0</td>
</tr>
<tr>
<td>Fee</td>
<td>67.7</td>
<td>67.7</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>9M-18</th>
<th>9M-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>222.1</td>
<td>222.1</td>
</tr>
<tr>
<td>Deprec.</td>
<td>23.4</td>
<td>23.4</td>
</tr>
<tr>
<td>Other</td>
<td>61.4</td>
<td>56.4</td>
</tr>
<tr>
<td>Staff</td>
<td>137.3</td>
<td>135.7</td>
</tr>
</tbody>
</table>

### C/I Ratio
- 9M-18: 37.68%
- 9M-19: 36.11%
9M’19 Operating Performance

Average Profit Earning
Assets (KD Bln)
- Avg Financing
- Avg Sukuk

<table>
<thead>
<tr>
<th></th>
<th>9M-18</th>
<th>2018</th>
<th>9M-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.7</td>
<td>13.9</td>
<td>14.7</td>
<td></td>
</tr>
</tbody>
</table>

7.5%

Net Financing Margin

<table>
<thead>
<tr>
<th></th>
<th>Sep-18</th>
<th>2018</th>
<th>Mar-19</th>
<th>Jun-19</th>
<th>Sep-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.3%</td>
<td>3.2%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.1%</td>
<td></td>
</tr>
</tbody>
</table>

Provision and Impairment (KD mln)
- Financing
- Others

<table>
<thead>
<tr>
<th></th>
<th>9M-18</th>
<th>9M-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total 131.2</td>
<td>97.7</td>
<td>32.7</td>
</tr>
<tr>
<td>33.5</td>
<td>112.3</td>
<td></td>
</tr>
</tbody>
</table>

Net Operating Income Banks/ Non-Banks

- Banks, 92.4%
- Non-Banks, 7.6%

Banks, 90.7%
Non-Banks, 9.3%
9M’19 Operating Performance

Total Assets (KD Bln)
- 2018: 17.8
- 9M-19: 19.0

Depositors’ Accounts (KD Bln)
- 2018: 11.8
- 9M-19: 13.2

Financing Receivables (KD Bln)
- 2018: 9.2
- 9M-19: 9.4

Investment in Sukuk (KD Bln)
- 2018: 1.6
- 9M-19: 2.1

Funding Mix
- Sukuk Payable: 78.7%
- Due to Banks & Fis: 18.0%
- Depositors Accounts: 3.3%

Operating Performance
- 6.9%

Investment in Sukuk
- 36.4%

Funding Mix
- 2018: 2.3%
- 9M-19: 15.0%

Depositors’ Accounts
- 2018: 11.8
- 9M-19: 13.2

Sukuk Payable
- 78.7%

Due to Banks & Fis
- 18.0%

Depositors Accounts
- 3.3%

Funding Mix
- 2018: 2.3%
- 9M-19: 15.0%
9M’19 Operating Performance

- Return on Average Equity (%): 12.49% (9M-18), 13.41% (9M-19)
- Return on Average Assets (%): 1.55% (9M-18), 1.47% (9M-19)
- C/I (%): 37.68% (9M-18), 36.11% (9M-19)
- EPS (fils): 24.6 (9M-18), 27.7 (9M-19)
Q&A
Appendix
### Consolidated Statement of Income (KD million)

<table>
<thead>
<tr>
<th></th>
<th>Sep-19</th>
<th>Sep-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing income</td>
<td>701</td>
<td>636</td>
</tr>
<tr>
<td>Financing cost and estimated distribution to depositors</td>
<td>306</td>
<td>232</td>
</tr>
<tr>
<td><strong>Net finance income</strong></td>
<td>396</td>
<td>405</td>
</tr>
<tr>
<td>Investment income</td>
<td>96</td>
<td>53</td>
</tr>
<tr>
<td>Fees and commission income</td>
<td>62</td>
<td>68</td>
</tr>
<tr>
<td>Net gain from foreign currencies</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>Other income</td>
<td>32</td>
<td>31</td>
</tr>
<tr>
<td><strong>Non-Financing Income</strong></td>
<td>220</td>
<td>185</td>
</tr>
<tr>
<td><strong>Total Operating Income</strong></td>
<td>615</td>
<td>590</td>
</tr>
<tr>
<td>Staff costs</td>
<td>136</td>
<td>137</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>56</td>
<td>61</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>30</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>222</td>
<td>222</td>
</tr>
<tr>
<td><strong>Net Operating Income</strong></td>
<td>393</td>
<td>367</td>
</tr>
<tr>
<td>Provisions and impairment</td>
<td>145</td>
<td>131</td>
</tr>
<tr>
<td>Loss for the period from discontinued operations</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td><strong>Profit for the Period Before Taxation</strong></td>
<td>248</td>
<td>233</td>
</tr>
<tr>
<td>Taxation</td>
<td>45</td>
<td>31</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>12</td>
<td>32</td>
</tr>
<tr>
<td><strong>Profit Attributable to Shareholders of the Bank</strong></td>
<td>190.5</td>
<td>169.1</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Financial Position (KD million)

<table>
<thead>
<tr>
<th></th>
<th>Sep-19</th>
<th>Sep-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with banks and financial institutions</td>
<td>1,678</td>
<td>1,266</td>
</tr>
<tr>
<td>Due from Banks</td>
<td>3,718</td>
<td>3,193</td>
</tr>
<tr>
<td>Financing receivables</td>
<td>9,356</td>
<td>9,113</td>
</tr>
<tr>
<td>Investment in sukuk</td>
<td>2,132</td>
<td>1,476</td>
</tr>
<tr>
<td>Trading properties</td>
<td>147</td>
<td>155</td>
</tr>
<tr>
<td>Investments</td>
<td>245</td>
<td>303</td>
</tr>
<tr>
<td>Investment in associates and joint ventures</td>
<td>503</td>
<td>498</td>
</tr>
<tr>
<td>Investment properties</td>
<td>465</td>
<td>512</td>
</tr>
<tr>
<td>Other assets</td>
<td>509</td>
<td>552</td>
</tr>
<tr>
<td>Intangible assets and goodwill</td>
<td>32</td>
<td>31</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>212</td>
<td>191</td>
</tr>
<tr>
<td>Assets classified as held for sale</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>18,999</td>
<td>17,307</td>
</tr>
<tr>
<td>Due to banks and financial institutions</td>
<td>2,404</td>
<td>2,640</td>
</tr>
<tr>
<td>Sukuk payables</td>
<td>369</td>
<td>469</td>
</tr>
<tr>
<td>Depositors' accounts</td>
<td>13,248</td>
<td>11,503</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>794</td>
<td>717</td>
</tr>
<tr>
<td>Liabilities directly associated with assets classified as held for sale</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>16,814</td>
<td>15,331</td>
</tr>
<tr>
<td>Share capital</td>
<td>698</td>
<td>634</td>
</tr>
<tr>
<td>Share premium</td>
<td>720</td>
<td>720</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(39)</td>
<td>(45)</td>
</tr>
<tr>
<td>Reserves</td>
<td>615</td>
<td>500</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHODERS OF THE BANK</strong></td>
<td>1,994</td>
<td>1,810</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>190</td>
<td>166</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>2,185</td>
<td>1,975</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td>18,999</td>
<td>17,307</td>
</tr>
</tbody>
</table>
## 9M’19 Key Performance Indicators

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>Sept-19</th>
<th>Sept-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Average Assets (ROAA)</td>
<td>1.47%</td>
<td>1.55%</td>
</tr>
<tr>
<td>Return on Average Equity (ROAE)</td>
<td>13.41%</td>
<td>12.49%</td>
</tr>
<tr>
<td>NFM</td>
<td>3.14%</td>
<td>3.32%</td>
</tr>
<tr>
<td>Cost to Income</td>
<td>36.11%</td>
<td>37.68%</td>
</tr>
<tr>
<td>Earnings Per Share (fils)</td>
<td>27.7</td>
<td>24.6</td>
</tr>
<tr>
<td>CET1 Ratio</td>
<td>14.78%</td>
<td>15.09%</td>
</tr>
<tr>
<td>Tier 1 Adequacy Ratio</td>
<td>15.22%</td>
<td>15.40%</td>
</tr>
<tr>
<td>Capital Adequacy Ratio</td>
<td>16.80%</td>
<td>17.12%</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>
</tr>
<tr>
<td>Short-term murabaha</td>
<td>3,194</td>
<td>2,877</td>
</tr>
<tr>
<td>Financing receivables</td>
<td>8,095</td>
<td>8,176</td>
</tr>
<tr>
<td>Investments in sukuk</td>
<td>807</td>
<td>1,100</td>
</tr>
<tr>
<td>Trading properties</td>
<td>214</td>
<td>186</td>
</tr>
<tr>
<td>Investments</td>
<td>508</td>
<td>357</td>
</tr>
<tr>
<td>Investment in associates and joint ventures</td>
<td>535</td>
<td>469</td>
</tr>
<tr>
<td>Investment properties</td>
<td>580</td>
<td>591</td>
</tr>
<tr>
<td>Other assets</td>
<td>469</td>
<td>549</td>
</tr>
<tr>
<td>Intangible assets and goodwill</td>
<td>48</td>
<td>39</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>264</td>
<td>216</td>
</tr>
<tr>
<td>Leasehold rights</td>
<td>180</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>16,495</strong></td>
<td><strong>16,499</strong></td>
</tr>
<tr>
<td>Due to banks and financial institutions</td>
<td>2,730</td>
<td>2,399</td>
</tr>
<tr>
<td>Sukuk payables</td>
<td>322,466</td>
<td>473</td>
</tr>
<tr>
<td>Depositors’ accounts</td>
<td>10,756</td>
<td>10,717</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>630</td>
<td>645</td>
</tr>
<tr>
<td>Liabilities directly associated with assets classified as held for sale</td>
<td>0</td>
<td>227</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>14,439</strong></td>
<td><strong>14,461</strong></td>
</tr>
<tr>
<td>Share capital</td>
<td>477</td>
<td>524</td>
</tr>
<tr>
<td>Share premium</td>
<td>720</td>
<td>720</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(50)</td>
<td>(49)</td>
</tr>
<tr>
<td>Reserves</td>
<td>487</td>
<td>450</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</strong></td>
<td><strong>1,779</strong></td>
<td><strong>1,810</strong></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>276</td>
<td>228</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td><strong>2,055</strong></td>
<td><strong>2,039</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td><strong>16,495</strong></td>
<td><strong>16,499</strong></td>
</tr>
</tbody>
</table>
## Consolidated Statement of Income (KD million) 2015 - 2018

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing income</td>
<td>695</td>
<td>718</td>
<td>741</td>
<td>862</td>
</tr>
<tr>
<td>Financing cost and distribution to depositors</td>
<td>263</td>
<td>283</td>
<td>296</td>
<td>335</td>
</tr>
<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>
</tr>
<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>
</tr>
<tr>
<td>Net gain from foreign currencies</td>
<td>25</td>
<td>23</td>
<td>17</td>
<td>30</td>
</tr>
<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>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td><strong>703</strong></td>
<td><strong>660</strong></td>
<td><strong>713</strong></td>
<td><strong>746</strong></td>
</tr>
<tr>
<td>Staff costs</td>
<td>172</td>
<td>174</td>
<td>188</td>
<td>178</td>
</tr>
<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>
</tr>
<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><strong>Net Operating Income</strong></td>
<td><strong>372</strong></td>
<td><strong>365</strong></td>
<td><strong>408</strong></td>
<td><strong>454</strong></td>
</tr>
<tr>
<td>Provisions and impairment</td>
<td>184</td>
<td>157</td>
<td>163</td>
<td>163</td>
</tr>
<tr>
<td>Gain / (Loss) for the year from discontinued operations</td>
<td>22</td>
<td>(22)</td>
<td>0</td>
<td>0</td>
</tr>
<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>
</tr>
<tr>
<td>Taxation and Proposed Directors’ fees</td>
<td>21</td>
<td>24</td>
<td>30</td>
<td>27</td>
</tr>
<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>
</tr>
</tbody>
</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>
<tr>
<td>Return on Average Equity (ROAE)</td>
<td>10.2%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Cost to Income</td>
<td>42.8%</td>
<td>39.2%</td>
</tr>
<tr>
<td>Earnings Per Share (fils)</td>
<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>