Subject: Disclosure of Material Information
Analysts Conference
Q1/2020 and Q2/2020

In reference to the above and in line with Kuwait Finance House ‘KFH’ interest in adhering to Bourse Kuwait Role Book Article (7-8-1/3) regarding the Listed Companies Obligations (Analysts Conference), KFH would like to report the following:

• KFH has conducted the Analysts Conference for Q1/2020 and Q2/2020 through live broadcasting on internet (Live Webcast) at 2 p.m. on Monday 13 August 2020. There was no other material information had been discussed during the conference.

• KFH will disclose the Conference Minutes of Meeting within 3 working days after the conference.

• Attached is the Investors Presentation Q1/2020 and Q2/2020 for your reference. A copy of the same has been submitted to Capital Markets Authority.

Best Regards,
Ahmed Soud Al Kharji
Acting Group Chief Executive Officer
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Contents

1  Kuwait’s Operating Environment & Overview

2  GCEO Opening Remarks

3  1Q2020 & 1H2020 Financial Results

4  Appendix
The COVID-19 pandemic represents a serious health threat to people around the world and a significant disruption to daily life. It is having a major impact on the global and Kuwaiti economies. Some sectors, such as the energy, travel and hospitality, and service industries, are being particularly hard hit.

Kuwait's Long-Term Foreign-Currency Issuer Default Rating (IDR) remained solid with Stable Outlooks, Fitch "AA", Moody's "Aa2", while S&P has lowered Kuwait's Rating to "AA-" with a Negative Outlook.

Central Bank of Kuwait on March 2020 has lowered the discount rate by 1% from 2.5% to 1.5%, a simulative step by CBK to overcome covid-19 pandemic economic impacts.

Morgan Stanley Capital International (MSCI) will implement the reclassification of the MSCI Kuwait Indexes to Emerging Market in November 2020.
Overview of KFH’s Awards & Ratings

Kuwait

Best
Bank in Kuwait
*According to Islamic Finance News

Regional
Best
Safest
Islamic Financial Institution in the GCC
*According to Global Finance

Global
Best
Islamic Financial Institution in the World
*According to Global Finance

Kuwait

Regional

Global

Fitch Ratings

Long-Term Issuer Default Rating A+
Short-Term Issuer Default Rating F1
Viability Rating bb+
STABLE Outlook
As of 30 September 2019

Moody’s

LT FC Bank Deposits Rating A1
ST FC Bank Deposits Rating P1
Baseline Credit Assessment baa3
POSITIVE Outlook Rating Under Review
As of 23 January 2020

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Overview of KFH

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

1st Islamic bank

62 Branches

434 Branches

9 Branches

11 Branches

5 Branches

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# 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 more 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 Large retail deposit and global flagship Islamic bank</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 521 branches and over 1,480 ATMs</td>
<td>Large and diversified portfolio</td>
</tr>
<tr>
<td>Improved cost to income ratio</td>
<td>Pioneer of Islamic products in Kuwait</td>
<td></td>
<td></td>
<td></td>
<td>Reduced non-core assets</td>
</tr>
<tr>
<td>Solid profit margins and improved efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
GCEO Opening Remarks

KFH’s main focus is on core banking business activities. KFH’s strategy is based on four main pillars:

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

Across all four main business sectors:

- Retail
- Corporate
- Private
- Treasury
## H120 Financial Highlights

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit for Shareholders</td>
<td>KD 56.9 m</td>
<td>(47.1)%</td>
<td></td>
</tr>
<tr>
<td>Net Financing Income</td>
<td>KD 295.7 m</td>
<td>+18.0%</td>
<td></td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>KD 267.6 m</td>
<td>+11.2%</td>
<td></td>
</tr>
</tbody>
</table>

**Cost to Income Ratio**
- **36.24%**
  - Improved by 241bps

**EPS (fils)**
- **15.06**
  - (H119: 28.68fils)
H120 Operating Performance

Net Profit for Shareholders (KD mln)

<table>
<thead>
<tr>
<th>H1-19</th>
<th>H1-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>107.7</td>
<td>56.9</td>
</tr>
</tbody>
</table>

Financing Income (KD mln)

<table>
<thead>
<tr>
<th>H1-19</th>
<th>H1-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>460.5</td>
<td>444.9</td>
</tr>
</tbody>
</table>

Net Financing Income (KD mln)

<table>
<thead>
<tr>
<th>H1-19</th>
<th>H1-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>250.6</td>
<td>295.7</td>
</tr>
</tbody>
</table>

Net Operating Income (KD mln)

<table>
<thead>
<tr>
<th>H1-19</th>
<th>H1-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>240.7</td>
<td>267.6</td>
</tr>
</tbody>
</table>

(47.1)%

(3.4)%

18.0%

11.2%

Operating Income Profile

- Investment Income (%)
- Non-Financing Income (%)
- Net Financing Income (%)

<table>
<thead>
<tr>
<th>H1-19</th>
<th>H1-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>64%</td>
<td>70%</td>
</tr>
</tbody>
</table>

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H120 Operating Performance

Non - Financing Income (KD mn)

- Other Income
- Net Gain from Foreign Currencies
- Investment Income
- Fees and Commission Income

H1-19: 141.8
- 20.4
- 18.3
- 60.4
- 42.6

H1-20: 124.0
- 18.0
- 36.7
- 36.2
- 33.2

Total Operating Expenses (KD mn)

- Depreciation and Amortization
- Other Operating Expenses
- Staff Costs

H1-19: 151.7
- 19.8
- 38.8
- 93.0

H1-20: 152.1
- 21.7
- 41.0
- 89.5

C/I Ratio

H1-19, 38.65%
H1-20, 36.24%
H120 Operating Performance

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

<table>
<thead>
<tr>
<th></th>
<th>H1-19</th>
<th>2019</th>
<th>H1-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.6</td>
<td>14.8</td>
<td>16.1</td>
<td></td>
</tr>
<tr>
<td>1.9</td>
<td>1.9</td>
<td>2.9</td>
<td></td>
</tr>
<tr>
<td>12.8</td>
<td>12.9</td>
<td>13.3</td>
<td></td>
</tr>
</tbody>
</table>

Net Financing Margin
- 3.03%
- 3.10%
- 3.22%

Provision and Impairment (KD mln)
- Financing
- Other

<table>
<thead>
<tr>
<th></th>
<th>H1-19</th>
<th>2019</th>
<th>H1-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>100.0</td>
<td></td>
<td></td>
<td>186.2</td>
</tr>
<tr>
<td>28.2</td>
<td>71.8</td>
<td>94.3</td>
<td></td>
</tr>
<tr>
<td>91.9</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Operating Performance
- Avg. Financing (incl. DFB)
- Avg. Sukuk

Net Operating Income Banks/ Non-Banks
- H1-19
- H1-20

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H120 Operating Performance

- **Total Assets (KD Bln)**
  - H1-19: 18.7
  - 2019: 19.4
  - H1-20: 20.6
  - Change: 9.8%

- **Depositors’ Accounts (KD Bln)**
  - H1-19: 12.8
  - 2019: 13.6
  - H1-20: 14.6
  - Change: 13.6%

- **Financing Receivables (KD Bln)**
  - H1-19: 9.2
  - 2019: 9.3
  - H1-20: 9.9
  - Change: 6.8%

- **Investment in Sukuk (KD Bln)**
  - H1-19: 2.2
  - 2019: 2.3
  - H1-20: 3.4
  - Change: 58.1%

- **Funding Mix**
  - Depositors Accounts: 83.1%
  - Due to Banks & FI’s: 14.9%
  - Sukuk Payable: 2.0%
H120 Operating Performance

Return on Average Assets (%)

- H1-19: 1.23%
- H1-20: 0.67%

Return on Average Equity (%)

- H1-19: 11.63%
- H1-20: 5.80%

C/I (%)

- H1-19: 38.65%
- H1-20: 36.24%

EPS (fils)

- H1-19: 28.68
- H1-20: 15.06

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Q120 Operating Performance

Net Profit for Shareholders (KD mln)

- Q1-19: 51.6
- Q1-20: 44.3

Net Operating Income (KD mln)

- Q1-19: 128.2
- Q1-20: 145.8

Net Financing Income (KD mln)

- Q1-19: 228.4
- Q1-20: 225.6

Operating Income Profile

- Q1-19: 13% (Investment Income), 22% (Non-Financing Income), 65% (Net Operating Income)
- Q1-20: 12% (Investment Income), 22% (Non-Financing Income), 66% (Net Operating Income)

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Q120 Operating Performance

### Total Assets (KD Bln)
- 2019: 19.4
- Q1-20: 20.0
- Change: 3.2%

### Depositors’ Accounts (KD Bln)
- 2019: 13.6
- Q1-20: 14.3
- Change: 5.3%

### Financing Receivables (KD Bln)
- 2019: 9.3
- Q1-20: 9.8
- Change: 4.9%

### Investment in Sukuk (KD Bln)
- 2019: 2.3
- Q1-20: 2.6
- Change: 12.2%

### Funding Mix
- Depositors Accounts
  - 2019: 83.1%
  - Q1-20: 84.0%
- Due to Banks & FI’s
  - 2019: 14.9%
  - Q1-20: 14.1%
- Sukuk Payable
  - 2019: 2.0%
  - Q1-20: 1.9%

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# Q120 Operating Performance

<table>
<thead>
<tr>
<th></th>
<th>Return on Average Assets (%)</th>
<th>Return on Average Equity (%)</th>
<th>C/I (%)</th>
<th>EPS (fils)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-19</td>
<td>1.38%</td>
<td>11.26%</td>
<td>39.98%</td>
<td>27.62</td>
</tr>
<tr>
<td>Q1-20</td>
<td>1.07%</td>
<td>8.79%</td>
<td>36.82%</td>
<td>23.45</td>
</tr>
</tbody>
</table>

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Appendix
### Consolidated Statement of Income (KD million) Mar-20 vs Mar-19

<table>
<thead>
<tr>
<th>Category</th>
<th>Mar-20</th>
<th>Mar-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing income</td>
<td>226</td>
<td>228</td>
</tr>
<tr>
<td>Financing cost and estimated distribution to depositors</td>
<td>80</td>
<td>100</td>
</tr>
<tr>
<td><strong>Net finance income</strong></td>
<td>146</td>
<td>128</td>
</tr>
<tr>
<td>Investment income</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Fees and commission income</td>
<td>19</td>
<td>24</td>
</tr>
<tr>
<td>Net gain from foreign currencies</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>Other income</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td><strong>Non-Financing Income</strong></td>
<td>74</td>
<td>69</td>
</tr>
<tr>
<td><strong>Total Operating Income</strong></td>
<td>220</td>
<td>197</td>
</tr>
<tr>
<td>Staff costs</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>22</td>
<td>20</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>81</td>
<td>79</td>
</tr>
<tr>
<td><strong>Net Operating Income</strong></td>
<td>139</td>
<td>118</td>
</tr>
<tr>
<td>Provisions and impairment</td>
<td>75</td>
<td>40</td>
</tr>
<tr>
<td><strong>Profit for the Period Before Taxation</strong></td>
<td>64</td>
<td>78</td>
</tr>
<tr>
<td>Taxation</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td><strong>Profit Attributable to Shareholders of the Bank</strong></td>
<td>44.3</td>
<td>51.6</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Income (KD million) Jun-20 vs Jun-19

<table>
<thead>
<tr>
<th>Category</th>
<th>Jun-20</th>
<th>Jun-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing income</td>
<td>445</td>
<td>461</td>
</tr>
<tr>
<td>Financing cost and estimated distribution to depositors</td>
<td>149</td>
<td>210</td>
</tr>
<tr>
<td><strong>Net finance income</strong></td>
<td>296</td>
<td>251</td>
</tr>
<tr>
<td>Investment income</td>
<td>36</td>
<td>60</td>
</tr>
<tr>
<td>Fees and commission income</td>
<td>33</td>
<td>43</td>
</tr>
<tr>
<td>Net gain from foreign currencies</td>
<td>37</td>
<td>18</td>
</tr>
<tr>
<td>Other income</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td><strong>Non-Financing Income</strong></td>
<td>124</td>
<td>142</td>
</tr>
<tr>
<td><strong>Total Operating Income</strong></td>
<td>420</td>
<td>392</td>
</tr>
<tr>
<td>Staff costs</td>
<td>89</td>
<td>93</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>41</td>
<td>39</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>22</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>152</td>
<td>152</td>
</tr>
<tr>
<td><strong>Net Operating Income</strong></td>
<td>268</td>
<td>241</td>
</tr>
<tr>
<td>Provisions and impairment</td>
<td>186</td>
<td>100</td>
</tr>
<tr>
<td><strong>Profit for the Period Before Taxation</strong></td>
<td>81</td>
<td>141</td>
</tr>
<tr>
<td>Taxation</td>
<td>15</td>
<td>29</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td><strong>Profit Attributable to Shareholders of the Bank</strong></td>
<td>56.9</td>
<td>107.7</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Financial Position (KD million)

<table>
<thead>
<tr>
<th></th>
<th>Dec-19</th>
<th>Mar-20</th>
<th>Jun-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with banks and financial institutions</td>
<td>1,910</td>
<td>1,712</td>
<td>1,763</td>
</tr>
<tr>
<td>Due from Banks</td>
<td>3,783</td>
<td>3,745</td>
<td>3,576</td>
</tr>
<tr>
<td>Financing receivables</td>
<td>9,337</td>
<td>9,795</td>
<td>9,864</td>
</tr>
<tr>
<td>Investment in sukuk</td>
<td>2,292</td>
<td>2,555</td>
<td>3,422</td>
</tr>
<tr>
<td>Trading properties</td>
<td>108</td>
<td>107</td>
<td>106</td>
</tr>
<tr>
<td>Investments</td>
<td>195</td>
<td>207</td>
<td>171</td>
</tr>
<tr>
<td>Investment in associates and joint ventures</td>
<td>504</td>
<td>491</td>
<td>551</td>
</tr>
<tr>
<td>Investment properties</td>
<td>455</td>
<td>457</td>
<td>397</td>
</tr>
<tr>
<td>Other assets</td>
<td>547</td>
<td>675</td>
<td>472</td>
</tr>
<tr>
<td>Intangible assets and goodwill</td>
<td>31</td>
<td>32</td>
<td>31</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>229</td>
<td>234</td>
<td>229</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>19,391</td>
<td>20,011</td>
<td>20,582</td>
</tr>
<tr>
<td>Due to banks and financial institutions</td>
<td>2,427</td>
<td>2,388</td>
<td>2,856</td>
</tr>
<tr>
<td>Sukuk payables</td>
<td>320</td>
<td>326</td>
<td>310</td>
</tr>
<tr>
<td>Depositors’ accounts</td>
<td>13,553</td>
<td>14,277</td>
<td>14,587</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>848</td>
<td>846</td>
<td>791</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>17,147</td>
<td>17,838</td>
<td>18,543</td>
</tr>
<tr>
<td>Share capital</td>
<td>698</td>
<td>698</td>
<td>767</td>
</tr>
<tr>
<td>Share premium</td>
<td>720</td>
<td>720</td>
<td>720</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(36)</td>
<td>(35)</td>
<td>(28)</td>
</tr>
<tr>
<td>Reserves</td>
<td>679</td>
<td>610</td>
<td>403</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</strong></td>
<td>2,060</td>
<td>1,993</td>
<td>1,863</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>183</td>
<td>180</td>
<td>176</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>2,243</td>
<td>2,173</td>
<td>2,039</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td>19,391</td>
<td>20,011</td>
<td>20,582</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Financial Position (KD million) 2015 - 2019

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with banks</td>
<td>1,600</td>
<td>1,495</td>
<td>1,262</td>
<td>1,381</td>
<td>1,910</td>
</tr>
<tr>
<td>Due from Banks</td>
<td>3,194</td>
<td>2,877</td>
<td>2,925</td>
<td>3,445</td>
<td>3,783</td>
</tr>
<tr>
<td>Financing receivables</td>
<td>8,095</td>
<td>8,176</td>
<td>9,216</td>
<td>9,189</td>
<td>9,337</td>
</tr>
<tr>
<td>Investments in sukuk</td>
<td>807</td>
<td>1,100</td>
<td>1,429</td>
<td>1,563</td>
<td>2,292</td>
</tr>
<tr>
<td>Trading properties</td>
<td>214</td>
<td>186</td>
<td>161</td>
<td>285</td>
<td>108</td>
</tr>
<tr>
<td>Investments</td>
<td>508</td>
<td>357</td>
<td>304</td>
<td>148</td>
<td>195</td>
</tr>
<tr>
<td>Investment in associates and joint ventures</td>
<td>535</td>
<td>469</td>
<td>464</td>
<td>499</td>
<td>504</td>
</tr>
<tr>
<td>Investment properties</td>
<td>580</td>
<td>591</td>
<td>554</td>
<td>490</td>
<td>455</td>
</tr>
<tr>
<td>Other assets</td>
<td>469</td>
<td>549</td>
<td>465</td>
<td>544</td>
<td>547</td>
</tr>
<tr>
<td>Intangible assets and goodwill</td>
<td>48</td>
<td>39</td>
<td>39</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>264</td>
<td>216</td>
<td>214</td>
<td>195</td>
<td>229</td>
</tr>
<tr>
<td>Leasehold rights</td>
<td>180</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Assets classified as held for sale</td>
<td>0</td>
<td>445</td>
<td>324</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>16,495</strong></td>
<td><strong>16,499</strong></td>
<td><strong>17,358</strong></td>
<td><strong>17,770</strong></td>
<td><strong>19,391</strong></td>
</tr>
<tr>
<td>Due to banks and financial institutions</td>
<td>2,730</td>
<td>2,399</td>
<td>2,240</td>
<td>2,689</td>
<td>2,427</td>
</tr>
<tr>
<td>Sukuk payables</td>
<td>322</td>
<td>473</td>
<td>518</td>
<td>499</td>
<td>320</td>
</tr>
<tr>
<td>Depositors’ accounts</td>
<td>10,756</td>
<td>10,717</td>
<td>11,597</td>
<td>11,780</td>
<td>13,553</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>630</td>
<td>645</td>
<td>699</td>
<td>728</td>
<td>848</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>14,439</strong></td>
<td><strong>14,461</strong></td>
<td><strong>15,242</strong></td>
<td><strong>15,696</strong></td>
<td><strong>17,147</strong></td>
</tr>
<tr>
<td>Share capital</td>
<td>477</td>
<td>524</td>
<td>577</td>
<td>634</td>
<td>698</td>
</tr>
<tr>
<td>Share premium</td>
<td>720</td>
<td>720</td>
<td>720</td>
<td>720</td>
<td>720</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(50)</td>
<td>(49)</td>
<td>(45)</td>
<td>(44)</td>
<td>(36)</td>
</tr>
<tr>
<td>Reserves</td>
<td>632</td>
<td>615</td>
<td>620</td>
<td>584</td>
<td>679</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>
<td><strong>1,872</strong></td>
<td><strong>1,894</strong></td>
<td><strong>2,060</strong></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>276</td>
<td>228</td>
<td>244</td>
<td>180</td>
<td>183</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td><strong>2,055</strong></td>
<td><strong>2,039</strong></td>
<td><strong>2,116</strong></td>
<td><strong>2,074</strong></td>
<td><strong>2,243</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td><strong>16,495</strong></td>
<td><strong>16,499</strong></td>
<td><strong>17,358</strong></td>
<td><strong>17,770</strong></td>
<td><strong>19,391</strong></td>
</tr>
</tbody>
</table>
## Consolidated Statement of Income (KD million) 2015 - 2019

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing income</td>
<td>695</td>
<td>718</td>
<td>741</td>
<td>862</td>
<td>932</td>
</tr>
<tr>
<td>Financing cost and distribution to depositors</td>
<td>263</td>
<td>283</td>
<td>296</td>
<td>335</td>
<td>401</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>
<td><strong>530</strong></td>
</tr>
<tr>
<td>Investment income</td>
<td>108</td>
<td>79</td>
<td>107</td>
<td>63</td>
<td>130</td>
</tr>
<tr>
<td>Fees and commission income</td>
<td>79</td>
<td>89</td>
<td>97</td>
<td>87</td>
<td>79</td>
</tr>
<tr>
<td>Net gain from foreign currencies</td>
<td>25</td>
<td>23</td>
<td>17</td>
<td>30</td>
<td>34</td>
</tr>
<tr>
<td>Other income</td>
<td>59</td>
<td>34</td>
<td>48</td>
<td>39</td>
<td>41</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>
<td><strong>284</strong></td>
</tr>
<tr>
<td>Total operating income</td>
<td><strong>703</strong></td>
<td><strong>660</strong></td>
<td><strong>713</strong></td>
<td><strong>746</strong></td>
<td><strong>814</strong></td>
</tr>
<tr>
<td>Staff costs</td>
<td>172</td>
<td>174</td>
<td>188</td>
<td>178</td>
<td>182</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>81</td>
<td>84</td>
<td>83</td>
<td>81</td>
<td>79</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>78</td>
<td>37</td>
<td>35</td>
<td>33</td>
<td>43</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>
<td><strong>304</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>
<td><strong>510</strong></td>
</tr>
<tr>
<td>Provisions and impairment</td>
<td>184</td>
<td>157</td>
<td>163</td>
<td>163</td>
<td>197</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>
<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>
<td><strong>313</strong></td>
</tr>
<tr>
<td>Taxation and Proposed Directors’ fees</td>
<td>21</td>
<td>24</td>
<td>30</td>
<td>27</td>
<td>51</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>44</td>
<td>(3)</td>
<td>30</td>
<td>36</td>
<td>11</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>
<td><strong>251</strong></td>
</tr>
<tr>
<td>Date</td>
<td>Subject</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14-May-20</td>
<td>Supplementary Disclosure Extending the Nomination Period for Members of KFH’ BOD the Fifteenth Session (2020 - 2022)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07-May-20</td>
<td>Boursa Kuwait announces that it will be suspending trading (KFH) shares for one hour as per CMA Request.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07-May-20</td>
<td>Material Information Disclosure KFH Acquisition of AUB-Bahrain</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>04-May-20</td>
<td>Material Information Disclosure Rescinding the GCEO’s Employment Contract</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22-Apr-20</td>
<td>Distribution of Cash and Bonus Shares Dividends FYE 31 December 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02-Apr-20</td>
<td>Credit Rating Disclosure</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>23-Mar-20</td>
<td>Supplementary Disclosure Announcement (2) for AUB-Bahrain’ Shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Boursa Kuwait
Kuwait Finance House Earnings Webcast Transcript  
1H2020  

Thursday, 13th of August 2020, 2:00 pm Kuwait Time  

Speakers from Kuwait Finance House executive management:  

- Mr. Ahmed AlKharji, Acting 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.  

Some of attendees:  

- ADCB  
- Kuwait Investment Company  
- Schroders  
- Fiera Capital  
- Tscribe  
- Derayah Financial  
- INTROSPECT CAPITAL  
- Saudi Fransi Capital  
- PGi  
- CI Capital  
- NBK Capital  
- Beltone Financial  
- Bloomberg intelligence  
- SICO Bank  

The beginning of the live webcast text-  

Good afternoon ladies and gentlemen and welcome to the Kuwait Finance House 1H2020 results webcast. This is Ahmed El Shazly from EFG-Hermes and it is a pleasure to have with us on the call today:  

- Mr. Ahmed AlKharji, Acting Group Chief Executive Officer (GCEO)
And we are also joined today by the following attendees:

- ADCB
- Kuwait Investment Company
- SICO Bank
- Schroders
- HSBC
- NBK Capital
- CI Capital

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.

Mr. Fahad Al-Mukhaizeem:

Thank you Ahmed, and good afternoon ladies and gentlemen. We are glad to welcome you to the H1-2020 earnings call for Kuwait Finance House Group. I am Fahad Al-Mukhaizeem, Group Chief Strategy Officer. Today, we'll be covering highlights of the Kuwait operating environment with an overview on KFH.
Central Bank of Kuwait lowered the discount rate to 1.5% as a stimulus for the economy against the COVID-19 effect. On the other hand, the IMF expects around 1% decrease in GDP in 2020.

KFH has supported the local economy during the coronavirus pandemic which included contributions to the dedicated government fund to combat the spread of COVID-19. KFH also postponed customer installments for six months providing further support for the corporates and SMEs. This comes in line with the KFH’s commitment to its social and national responsibility.

KFH benefitted from its digital strategy & FinTech innovations which allowed for a smooth customer experience during lockdowns, and the successful activation of the business continuity plan in emergency cases.

KFH’s online services proved their efficiency to meet customer needs. Customers benefited from Swift GPI, online gold purchasing and selling, Kuwait Clearing Co. dividend subscriptions, cardless withdrawals using QR code through mobile, in addition to many other high-quality digital banking services online.

As an overview of KFH’s awards and ratings, KFH won many prestigious awards. Fitch and Moody’s have affirmed long term ratings for KFH at A+ and A1 respectively. Moody’s have recently changed their outlook from Stable to Positive and put the rating under review.

Furthermore, KFH, through its more than 521 branches, continues to participate locally and regionally in key mega projects in such vital sectors as energy, water, infrastructure, and construction.

**With this, let me hand over the mic to our Group CEO Mr. Ahmed AlKharji.**

**Mr. Ahmed AlKharji:**

Thank you, Fahad. Good day ladies and gentlemen. It’s my pleasure to welcome you all to our H1-2020 earnings call. Let me highlight the financial performance for H1 2020.
• KFH has, by the grace of Allah, reported net profit of KD 56.9 Million for the first half of 2020 for KFH shareholders; which represents a decrease of 47.1% compared to the same period last year. Yet and despite COVID-19 pandemic, KFH Group achieved an 18% increase in the Net financing income for the same period where the same reached KD 295.7 Million.

• Net operating income for the first half of the year reached KD 267.6 Million which represent a growth of 11.2% compared to the same period last year.

• Total assets rose by KD 1.2 Billion to reach KD 20.6 Billion, representing a growth of 6.1% compared to end of last year 2019.

• Financing portfolio grew by 5.7% which is actually KD 528 million as an amount which will bring our financing portfolio to KD 9.9 Billion for the first half of this year.

• Investment in Sukuk for the first half of 2020 reached KD 3.4 Billion; an increase of KD 1.1 Billion representing a growth of 49.3% compared to end of last year 2019.

• Depositors accounts reached KD 14.6 Billion i.e., increasing by KD 1.0 Billion or 7.6% compared to the end of last year.

• Needless to say, KFH enjoys a robust capital based reflected in capital adequacy ratio of 16.53% which is above the minimum required limit.

I now, will hand over the mic to Group's Chief Financial Officer, Mr. Shadi Zahran and he will present the financial results for the year 1H2020 in details and answer any of your questions afterwards. Thank you.

Mr. Shadi Zahran:

Thank you, Ahmad. Alsalam Alykum Good day ladies and gentlemen. It’s my pleasure to welcome you all to the 1H2020 earnings call. Let me highlight the financial performance of 1H2020:
Given that Kuwaiti banks including KFH didn’t publish financials for the first quarter of this year due to COVID-19 pandemic and local regulations, we will cover in this call In Sha’ Allah the financial performance for KFH group for first quarter 2020, and first half 2020. However, we will cover first the full period H1-2020 then move to the first quarter results separately at the end.

The Group has achieved Net Profit After Tax (NPAT) attributable to Shareholders for the period ended 30th June 2020 of KD 56.9mn lower by KD (50.7) mn or (47.1%) compared to same period last year of KD 107.7mn.

The lower profits is mainly due to higher provisions including precautionary provisions on potential COVID-19 consequences considering the uncertainty from current unprecedented regional and global situation.

**Net financing income** (NFI) has increased by **KD 45.1mn** or 18.0% compared to last year mainly on account of lower COF with significant improvement in Kuwait and Turkey.

The decrease in COF is due to decrease in benchmark rates, lower distributable profits impacting distribution to depositors, and the improvement in CASA deposits at group level.

**Net Operating income** at **KD 267.6mn** increased by **KD 26.9mn** or **11.2%** compared to H1-19; the increase is mainly from **Net Financing Income** by **KD 45.1mn and Net gain from Foreign currency transactions by KD 18.3mn** offset by the decrease in **Investment income** by **KD (24.2) mn** and fees and commissions by **KD (9.5)mn as a result of lower business and investment activities due to COVID 19 lockdown.**

The decrease in investment income by KD (24.2) mn is mainly attributable to prior year's gains, which led to drop in the contribution from investment income to total operating income to reach 9% compared to 15% last year. However, the other non-yielding income contribution remained at 21% of total operating income.

**Total Operating Expenses** at **KD 152.1mn** has increased slightly by KD 0.5mn or 0.3% compared to prior year same period.
Cost to income ratio improved further by 241bps to reach 36.24% compared to H1-19, due to increase in operating income while maintaining the group expenses at the same level.

Furthermore, at KFH-Kuwait, C/I ratio at 32.6% which is significantly below the local Islamic Banks average of 43.6% and lower than local conventional Banks average of 36.6% (this calculated from published financials for 2019)

**Average Yielding Assets** is up by 9.1% compared to 2019 and 10.3% compared to H1-19, resulted from the growth in Financing receivables and Sukuk. (avg. YoY financing receivables is up by KD 0.5bn and avg. Sukuk is up by KD 1.0bn)

**Group Net Financing Margin NFM** at 3.22% shows a 19bps increase over H1-19 of average 3.03%.

**Average Yield** decreased by (80) bps due to drop in DR by CBK and Fed rates. However average COF declined by 99 bps due to increase in CASA in the major entities and drop in distributable profits.

**Net Operating Income contribution from banking activities** improved by 3% to form 93% of Group Net Operating income

Now, with regards to provisions, the group total provisions and impairment charge for the period increased by KD 86.2mn or 86.2% to reach KD 186.2mn.

**Higher financing receivables and investments provisions** are mainly on account of conservative provisions on potential consequences of COVID-19

**Total Assets** at KD 20.6bn increased by KD 1.2bn or 6.1% over 6 months period. (9.8% compared to Jun 19)

**Financing receivables at KD 9.9bn** increased by 5.7% from Dec 2019, (6.8% compared to Jun 19). **Significant portion of the** Growth in financing receivables was during the first quarter “pre-COVID-19” and contributed mainly from Kuwait and Turkey while other international banking entities demonstrated slower growth.
I would like to highlight here that Group financing receivable is affected by the KD 96m modification loss on consumer and installments financing receivables deferral of 6 months.

During the period, in response to COVID-19 pandemic Kuwaiti banks agreed to provide 6 months payments deferral for consumer and installments financing without charging the customers additional profits.

Based on the regulatory directive issued by CBK as concessionary measures to mitigate the impact of COVID-19, the one-off modification losses of KD 96 mn arising due to the 6-months payments holiday has been recognized directly in equity. However, for capital adequacy ratio, CBK allowed to phase out this charge equally over 4 years starting from 2021.

**Investments in Sukuk** at KD 3.4bn increased by KD 1.1bn or 49.3% since Dec-19 **(58.1% compared to Jun 19)** with major growth contribution from KTPB, mainly in Sovereign Sukuk.

The growth in Sukuk portfolio was mainly in response to rapid growth in deposits with limited good quality financing opportunities available within the Group’s overall Risk appetite in view of COVID-19.

The group achieved significant growth in deposits in H1-20 of KD 1.0bn or 7.6% (13.6% compared to Jun 19) with contribution from all banking operations reflecting depositors confidence in KFH group.

Additionally, the favorable deposits mix continues to show very healthy contribution from CASA deposits which now represents 50.5% of total group deposits as at the end of H1-20 compared to 44.3% at the end of 2019.

It is also worth mentioning that KFH Kuwait dominates local market in saving accounts with share of 40.0% (as per CBK latest published reports, May-20).

**Customer deposits as a percentage of total deposits** at 82.2% reflecting healthy funding mix and shows robust liquidity.
Looking at the key performance ratios for H1-20 compared to last year same period are as follow:

- ROAA decrease from 1.23% to 0.67%
- ROAE decrease from 11.63% to 5.80%
- C/I improved from 38.65% to 36.24%, and
- EPS decrease from 28.68 fils to 15.06 fils

**NPL ratio** increased to reach **2.23%** *(as per CBK calculation)* in Jun-20 compared to 1.90% at Jun-19 (2019: 1.88%).

**Coverage ratio (provision)** for Group is **209%** in H1-20 (2019: 231%).

**Now moving to first quarter performance**

For the period ended 31st March 2020, **The Group achieved Net Profit After Tax attributable to Shareholders of KD 44.3mn lower by KD (7.3) mn or (14.2%)** compared to Q1-19 of **KD 51.6mn**.

The lower profits were mainly due to higher provisions.

**Net financing income** (NFI) increased by **KD 17.6mn** or 13.7% compared to last year mainly on account of lower COF.

**Net Operating income** at **KD 139.1mn** increased by **KD 20.9mn** or 17.7% compared to Q1-19; the increase is mainly from **Net Financing Income by KD 17.6mn and Net gain from foreign currency transactions by KD 8.9mn** offset by the decrease in fees and commissions by **KD (4.7) mn**.

There was a slight increase in investment income by KD 0.5mn as compared to Q1-19, however investment income and other non-yielding income contribution to total operating income **both remained at same level of last year**.
Total Assets by end of first quarter reached KD 20.0bn representing an increase of KD 0.6bn or 3.2% compared to Dec 2019.

Financing receivables at KD 9.8bn increased by 4.9% over 3 months period (Q1-20 vs. 2019). Growth in financing receivables contributed from Kuwait, Turkey and Bahrain despite market competition and challenges during first quarter while other international banking entities demonstrated slower growth focusing on asset quality.

Investments in Sukuk reached KD 2.6bn as of 31st March 2020 representing an increase of KD 0.3bn or 12.2% since Dec-19, again with a major growth contribution from KTPB and mainly in Sovereign Sukuk.

The group deposits increased by KD 0.7bn or 5.3% during the first quarter of this year reaching KD 14.3bn, with contribution from all banking entities in KFH Group.

Customer deposits as a percentage of total deposits at 84.0% as at the end of Q1-20 reflects healthy funding mix and robust liquidity.

Now, In the last slide looking at the key performance ratios for the first quarter 2020, compared to last year same period are as follow:

- ROAA decrease from 1.38% to 1.07%
- ROAE decrease from 11.26% to 8.79%
- C/I improved from 39.98% to 36.82%, and
- EPS decrease from 27.62 fils to 23.45 fils.

With that I conclude my part and we may move to the Q&A SESSION

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:** The investment in Sukuk increased 58% y-o-y, should we expect this to continue or to increase at the same pace in H2?  
*from Vikram NBK Capital*

**Answer by Mr. Shadi:** As we explained the increase in in Sukuk was in response to the rapid increase in deposits mainly in our subsidiary in Turkey, we expect that it will remain at the same level or maybe a slight increase but not to increase with the same big jump we had in the first half.

It was 58% from June not from December, from December it was 49%.

**Question 2:** Provisions on other assets, are they all attributed to the investment portfolio?

**Answer by Mr. Shadi:** Yes, most of it is attributed to the investment portfolio as I mentioned was the more conservative and precautionary provisions due to the potential COVID-19 expectations or consequences.

**Question 3:** Sensitivity of Turkish Lira depreciation to the Capital Ratios?

**Answer by Mr. Shadi:** Due to affecting or reflecting the depreciation previous years... the equity remained in the Balance Sheet is relatively much less and the impact or the sensitivity is much less to the TL depreciation but whatever depreciation there is, it is already reflected and our capital still maintained robust levels above 16.5%.

**Question 4:** Any comments from consumer loans demand preparing to long term instalment loans in July and August so far?

**Answer by Mr. Shadi:** Yes, we are witnessing, you know, after the full lockdown was lifted, we are witnessing good demand. Part of it would also be refinancing for the customers benefit from the lower discount rate.

**Question 5:** May I please ask for the date of the merger discussions with AUB.

**Answer by Mr. Shadi:** We have no new information; all the information has been disclosed. We will definitely make appropriate disclosures as and when we have any updates.
Mr. Ahmed: If I may add also; for more details regarding this subject as Mr shadi mentioned we have disclosures that you can refer to in our official website and or in the stock exchange website.

**Question 6:** What’s the expectation for asset yield and cost of funding in H2 2020?

**Answer by Mr. Shadi:** As I explained the improvement in the net financing margin which is the yield and cost of fund came from the improvement of cost of funding which was more than the drop in yield that reflects or was a response for the drop in the rates in the market, discount rate and Fed. The improvement from Cost of Funds came as a result of continuation increase in CASA, deposits in the group entities, in addition to the drop in distributable profits during the period, accordingly any improvement in group profitability will increase the cost of funds. Otherwise Net Financing Margin is expected to be maintained at current levels.

**Question 7:** Can you please summarise, what support are you providing to customers for example, like the 6 months no interests to consumers. So is there any other initiatives that you’re doing?

**Answer by Mr. Shadi:** Actually, the initiative, are directives from the CBK which we are adhering to, also there are directives coming not out of CBK, coming from the cabinet, the government which are the moratorium for the consumer instalments, credit card and SME’s. The support we are giving to the clients are in-line with the directives whether from the government or from CBK.

**Question 8:** Why did the profits attributed to the minority interests increase y-o-y H2?

**Answer by Mr. Shadi:** As maybe, some of you recall last year as we disclosed. we charged significantly for the first half it was KWD 40 million and was disclosed in the financials as General Provision on our business in Turkey and that was over and above all of the provision and ECL calculated there, that one is not this year. This year is the normal ECL and precautionary for the COVID-19. So that was more significant which impacted both the group profitability and the minority as well from Turkey.

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 Web Cast.....