



Date: 3 February 2020  
9 Jumada Al-Akhar 1441  
Ref 10/10/ 67 /2020

التاريخ: 3 فبراير 2020  
الموافق: 9 جمادى الآخر 1441  
الإشارة: 10/10/ 67 /2020

To: Boursa Kuwait

Peace, Mercy and Blessings of Allah be upon you

السادة / بورصة الكويت المحترمين

السلام عليكم ورحمة الله وبركاته

Subject: Disclosure of The KFH's Analysts  
Conference for Q 4 / 2019

الموضوع: إفصاح بيتك عن مؤتمر المحللين  
الربع الرابع 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:

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

KFH has conducted the Analysts Conference for Q 4 / 2019 through live broadcasting on internet (Live Webcast) at 2 p.m. on Monday 3 February 2020, There was no other material information had been discussed during the conference.

عقد بيتك مؤتمر المحللين للربع الرابع 2019 عن طريق بث مباشر على شبكة الإنترنت وذلك في تمام الساعة 2 من بعد ظهريوم الإثنين الموافق 3 فبراير 2020. علماً بأنه لم يتم تداول أي معلومات جوهرية أخرى خلال المؤتمر.

Attached is the Investors Presentation Q 4 / 2019 for your reference. A copy of the same has been submitted to Capital Markets Authority.

مرفق العرض التقديمي للمستثمرين للربع الرابع 2019. هذا وتم تزويد السادة / هيئة أسواق المال بنسخة منه.

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

سوف يقوم بيتك بالإفصاح لاحقاً عن محضر المؤتمر خلال 3 أيام عمل من تاريخ إنعقاده.

Best Regards,

Mazin S Al Nahedh

وتفضلوا بقبول فائق الاحترام،

مازن سعد الناهض



بيت التمويل الكويتي  
Kuwait Finance House



# Year End-2019

## Earnings Presentation

February 3<sup>rd</sup> , 2020

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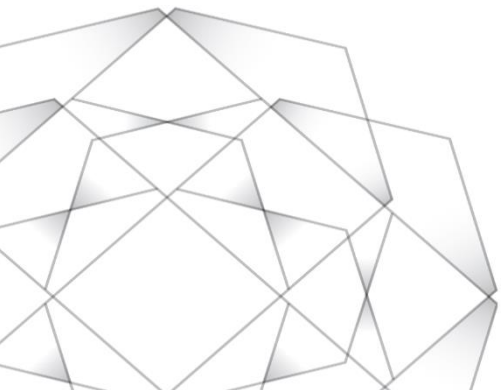
- **FORWARD-LOOKING STATEMENTS**

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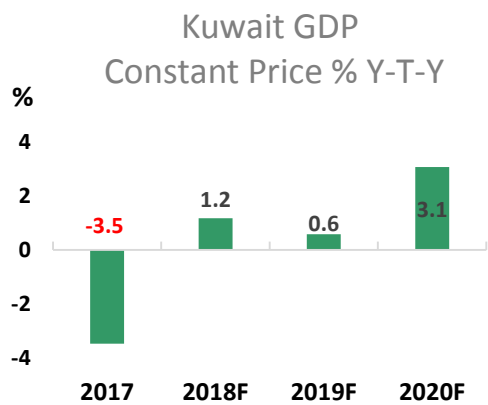
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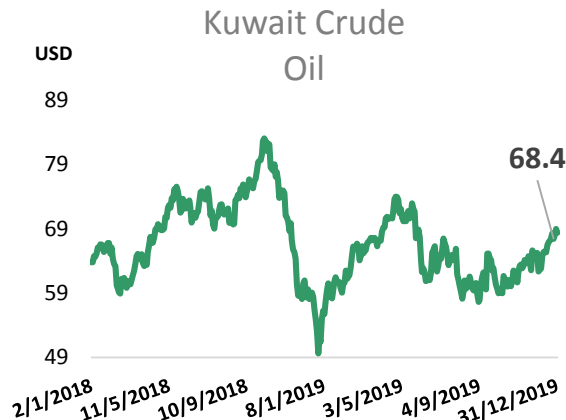




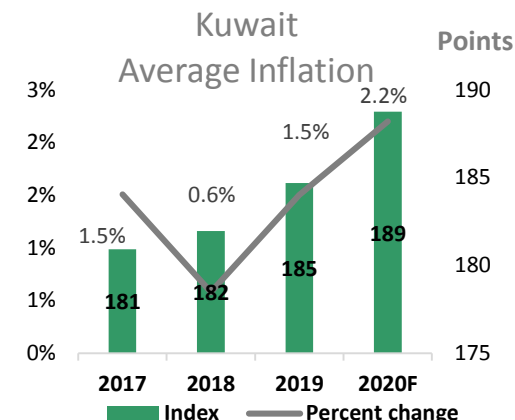
# Kuwait's Economic Highlights



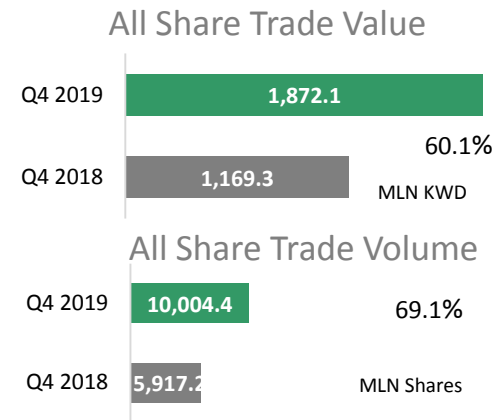
Source: IMF, KFH



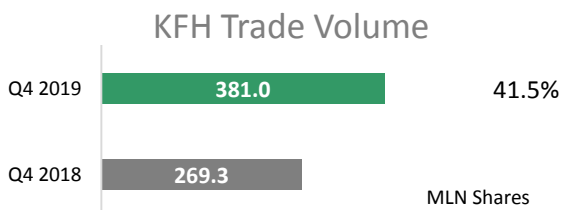
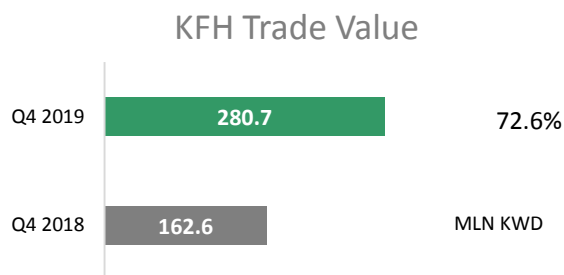
Source: EIA, KFH



Source: IMF, KFH



Source: Boursa Kuwait , KFH



Source: Boursa Kuwait, KFH

- Kuwaiti Crude Oil Price closed at USD 68.4 p/b in Q4-19, higher by 11.1% Q-T-Q and 31% 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".
- Central Bank of Kuwait left its benchmark interest unchanged at 2.75% on 11 December 2019 after cutting it by 25 bps in October 2019.
- MSCI a leading provider of research based Indexes and analytics announced on 18 December 2019, that it will reclassify the MSCI Kuwait indexes to Emerging Markets status as a part of May 2020 semi – Annual Index review , in one step as Kuwaiti equity market now meets all the necessary requirements.

# Overview of KFH's Awards & Ratings

## Kuwait

**Best**

**Bank in Kuwait**

\*According to Islamic Finance News

## Regional

**Safest**

**Islamic Financial Institution  
in the GCC**

\*According to Global Finance

## Global

**Best**

**Islamic Financial Institution  
in the World**

\*According to Global Finance

**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

As of: 23 January 2020

# Overview of KFH

## Germany

1<sup>st</sup> Islamic bank

5 Branches

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



## Saudi Arabia

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



## Bahrain

9 Branches

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



62 Branches

## Kuwait

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

430 Branches

## Turkey

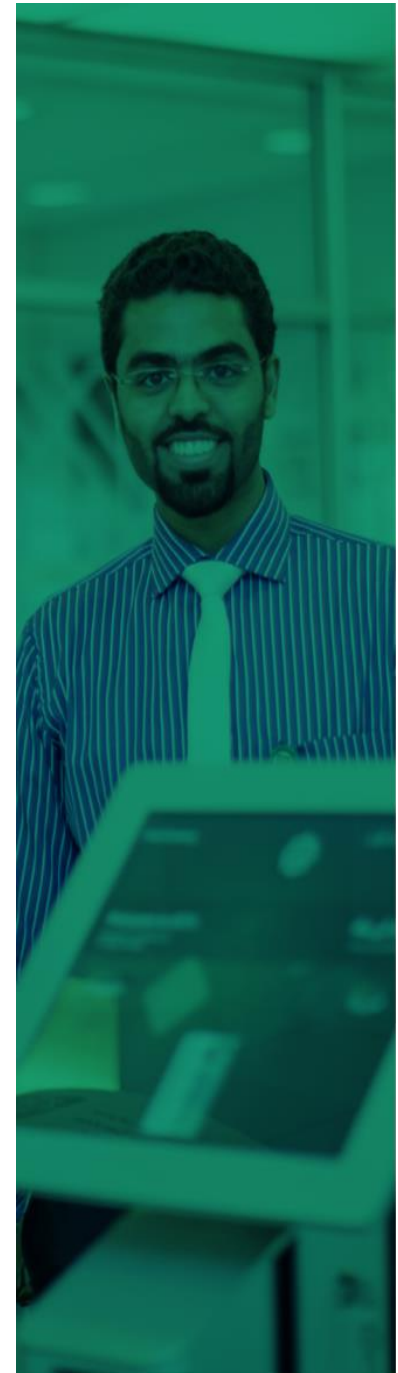
- Retail Banking
- Wealth Management and Personal Banking
- Corporate Banking



14 Branches

## Malaysia

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



# KFH Strengths

Robust Financial Performance	Leading Islamic Financial Institution	Strong Government Sponsorship	Professional Management Team	Strategic Distribution Channels	Effective Risk Management Framework
A consistent track record of profitability & dividend payment	Second largest Islamic Financial Institution globally in terms of asset base	48% ownership by various Kuwaiti Government authorities	Well-rounded human capital through meritocratic management structure	Diversified international operations	KFH continuously develops its risk management framework in light of development in the business, banking and market regulations
Solid funding and liquidity profile	Operating history of more than 40 years	KFH operates mainly in Kuwait where the economy benefits from high level of economic strength	Significant improvement in the Management team for the diversified international operation	Presence in 6 countries giving access to Europe, Middle East and Asian markets	Disciplined & risk adjusted approach to capital allocation
Consistently low NPF rates	Strong retail franchise	Systemic important bank in Kuwait Large retail deposit and global flagship Islamic bank	Strong and stable Board of Directors, collectively bringing more than two hundred and fifty years of professional experience	Extensive accessibility option with a wide network of 515 branches and over 1,424 ATMs	Large and diversified portfolio
Improved cost to income ratio	Pioneer of Islamic products in Kuwait				Reduced non-core assets
Solid profit margins and improved efficiency					



# Major Business Achievements

## Major Deals

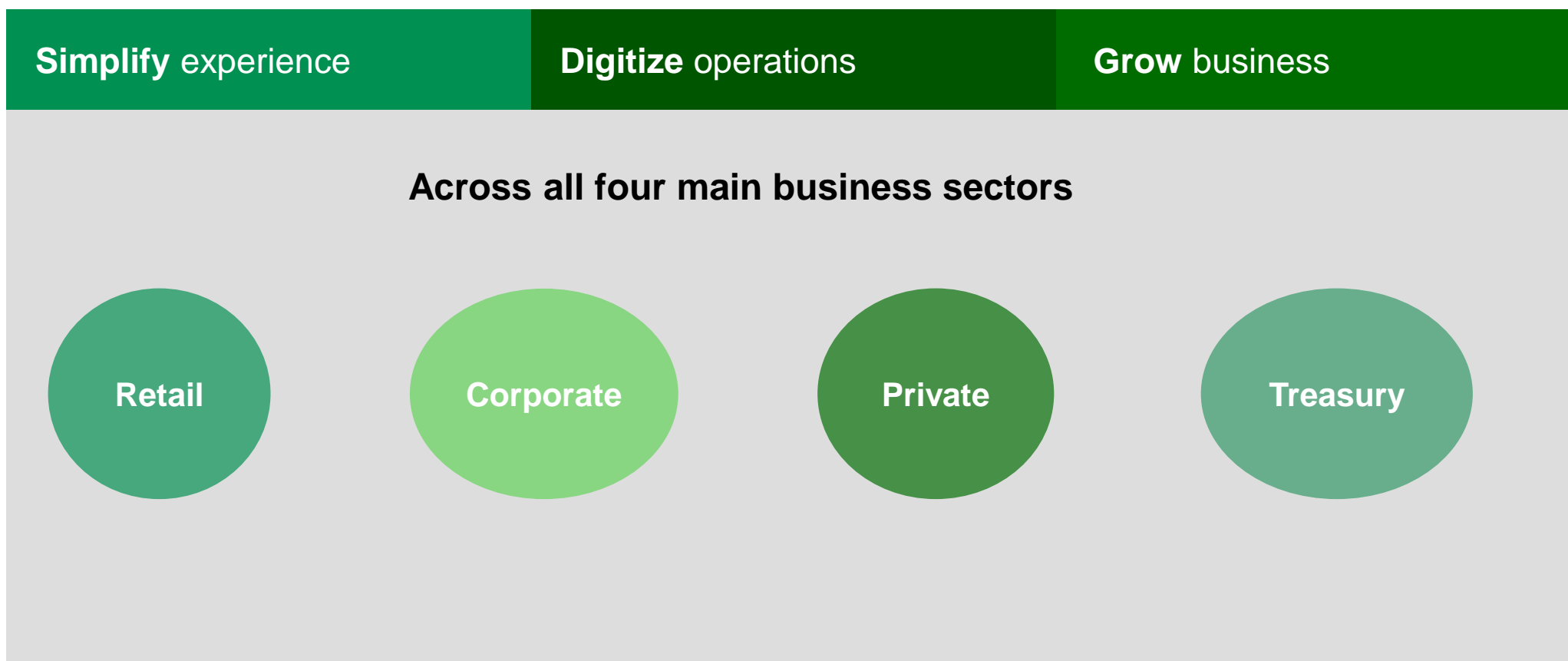
- **Kuwait Integrated Petroleum Industries Company (KIPIC)**, USD 500 million.
- **Duqm Refinery** for **USD 500 million**.
- **Kuwait's Clean Fuel Project**: Kuwait National Petroleum Company (KNPC), KWD 275 million
- **Ministry of Electricity and Water**, KWD 120 million.
- **ALAFCO Aviation Lease & Finance Company**, KWD 124 million.
- **Turkey's Bridge Construction Project**: Limak, Euro 200 Million.
- **Kuwait Airport**: USD 831 Million (jointly with another conventional bank).

## Digital Products & Services

- Robotic process automation (RPA)
- Mobile Cheque Deposit Solution
- Skiplino service for booking appointments electronically in bank branches.
- KFH Go, fully-automated digital self-banking stations.
- "Cardless" Cash withdrawals using QR code, Civil ID or mobile number.
- Instant financial transfers service using Ripple Net network.
- Fast cross-border money transfer service "KFH Xpress".
- Requesting finance and updating information through KFH online app
- KFH-Turkey mobile branch, XTMs and wide range of digital services.
- Jazeel App by KFH Bahrain is revolutionizing the way we do banking.
- Robot service, Chatbot, wallet payment and many other digital services.

# KFH Strategy

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



# 2019 Financial Highlights

Net Profit  
for Shareholders

**KD 251 m**

+10.4%

Total Financing  
Income

**KD 931.6 m**

+8.1%

Net Operating  
Income

**KD 510.1 m**

+12.5%

Cost to Income Ratio

**37.36%**

*Improved by 184bps*

EPS (fils)

**36.45**

*+3.39fils (2018: 33.06fils)*

# Key Highlights of Ordinary & Extra Ordinary General Assemblies (Dated: Jan. 20<sup>th</sup> , 2020 )

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- **Approved the Sharia Supervisory Board's report on KFH's acquisition** of Ahli United Bank BSC, and to convert its businesses and the businesses of its subsidiary banks into Islamic Sharia compliant.
- **Approved the assessment reports prepared by the international advisors;** Credit Suisse and HSBC, and the fair exchange rate of 2.325581 shares of Ahli United Bank BSC for one share of Kuwait Finance House.
- **Approved the listing of KFH in Bahrain Bourse** and to authorize the Board of Directors , or whoever assigned by the Board of Directors, to set the date of implementation of the decision and to take all relevant actions required.

*\* For more details, please refer to KFH's Disclosure: "Outcomes of KFH Ordinary and Extra-Ordinary General Assemblies - Convened on 20 January 2020", dated Jan 20<sup>th</sup>, 2020.*



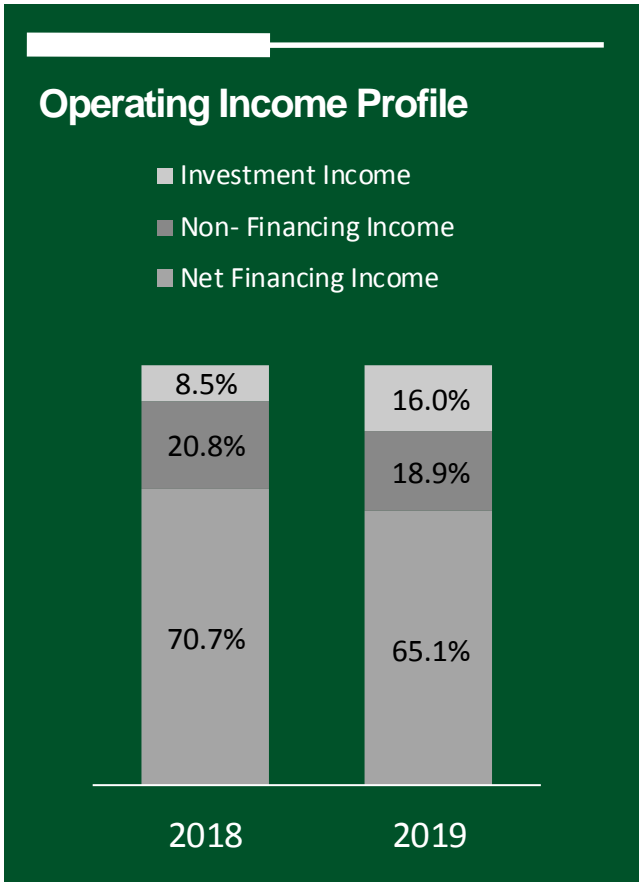
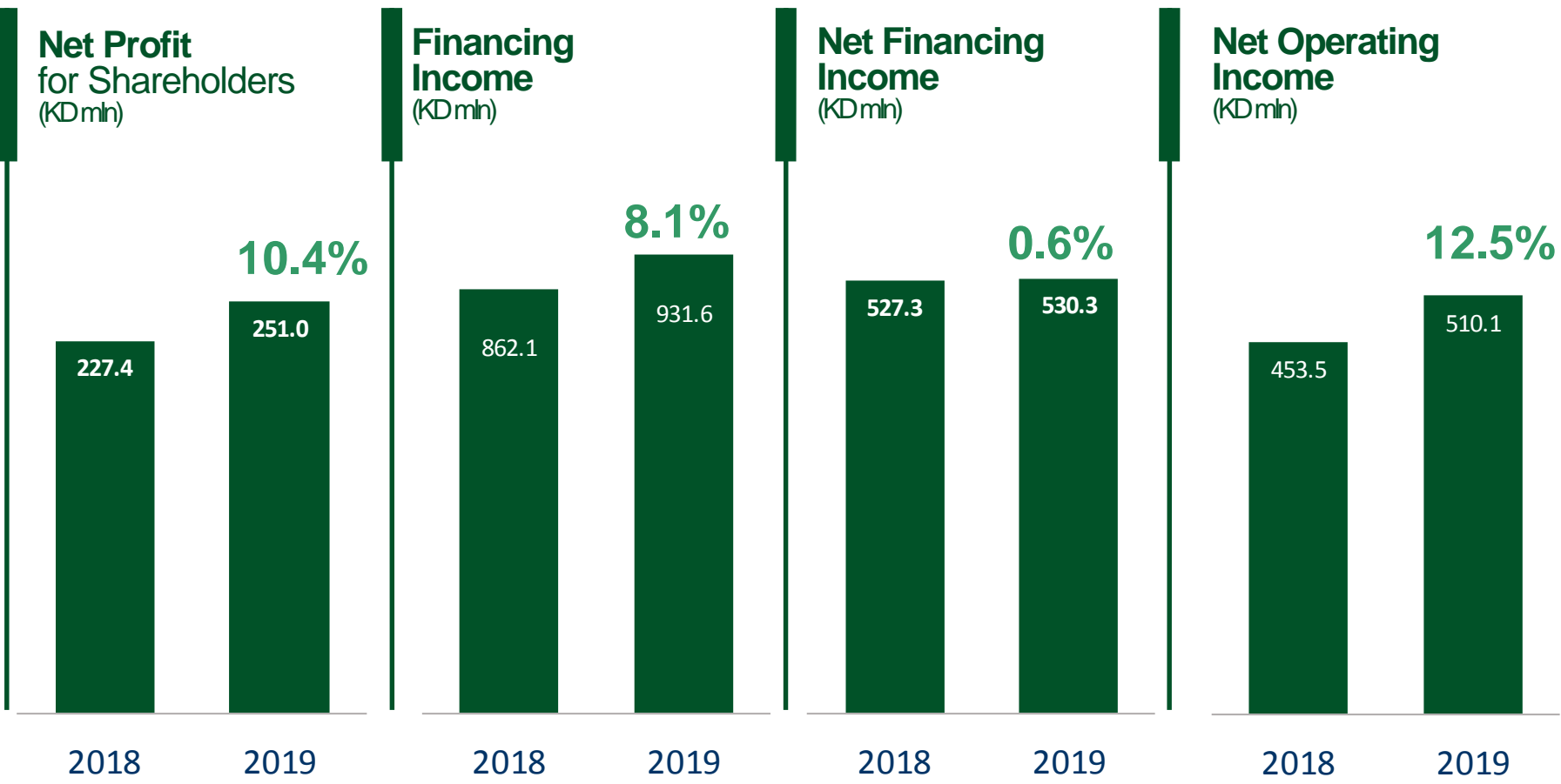


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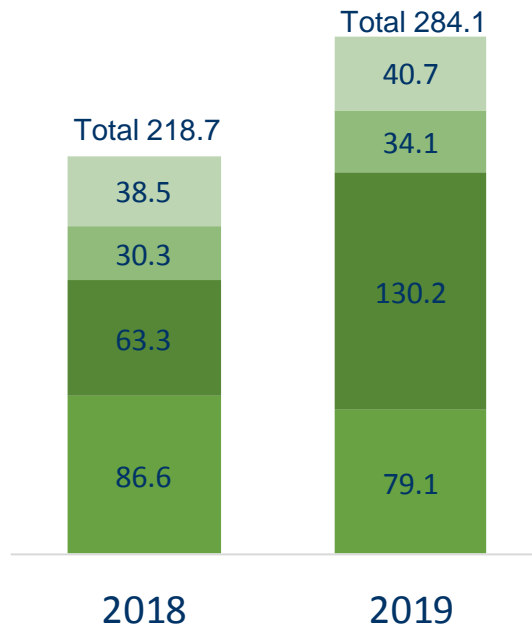
# 2019 Operating Performance



# 2019 Operating Performance

## Non - Financing Income (KD mn)

- Other income
- Net gain from foreign currencies
- Investment Income
- Fee and Commission Income



## Total Operating Expenses (KD mn)

- Depreciation and amortization
- Other Operating expenses
- Staff costs



## C/I Ratio

2018  
39.20%

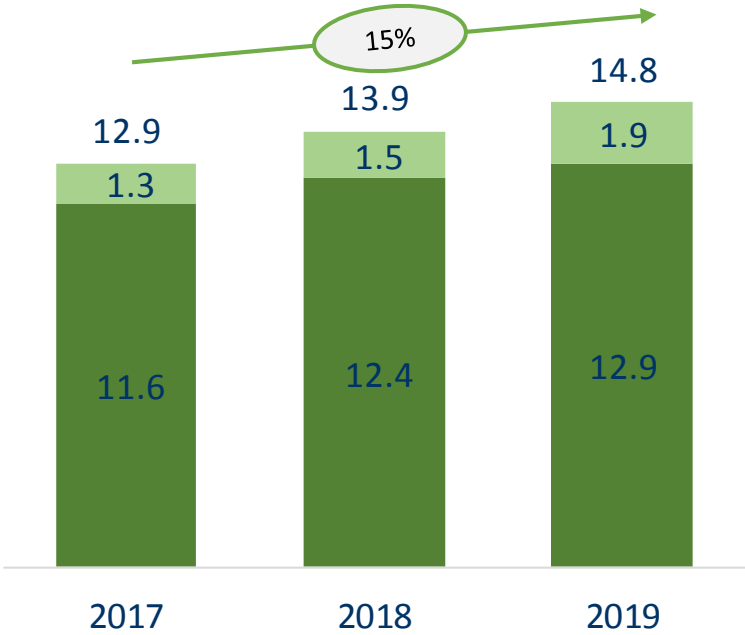
2019  
37.36%

# 2019 Operating Performance

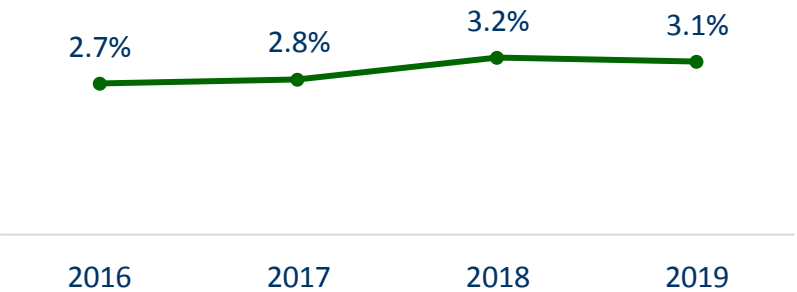
## Average Profit Earning

Assets (KD Bln)

- Avg Financing
- Avg Sukuk

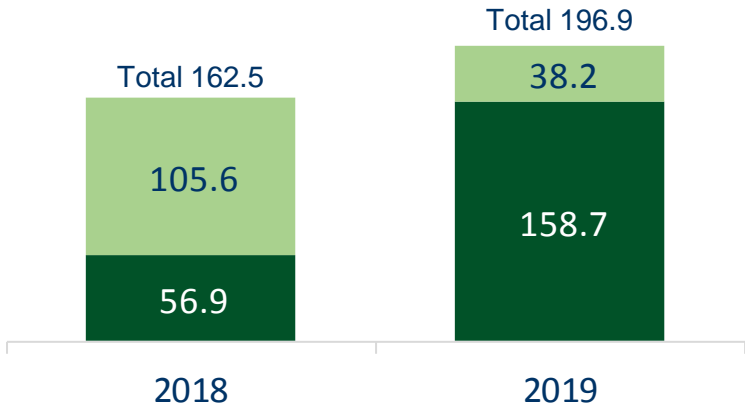


## Net Financing Margin

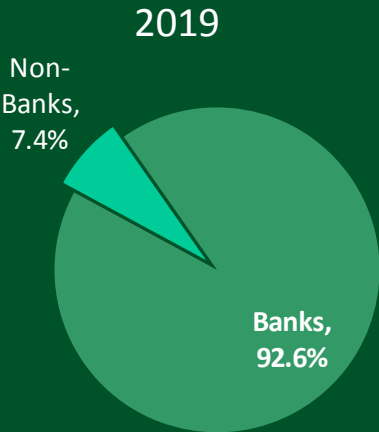
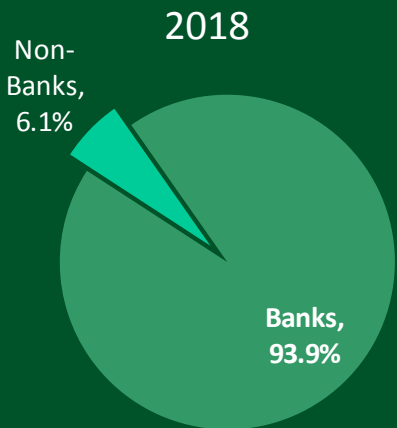


## Provision and Impairment (KD mln)

- Financing
- Others

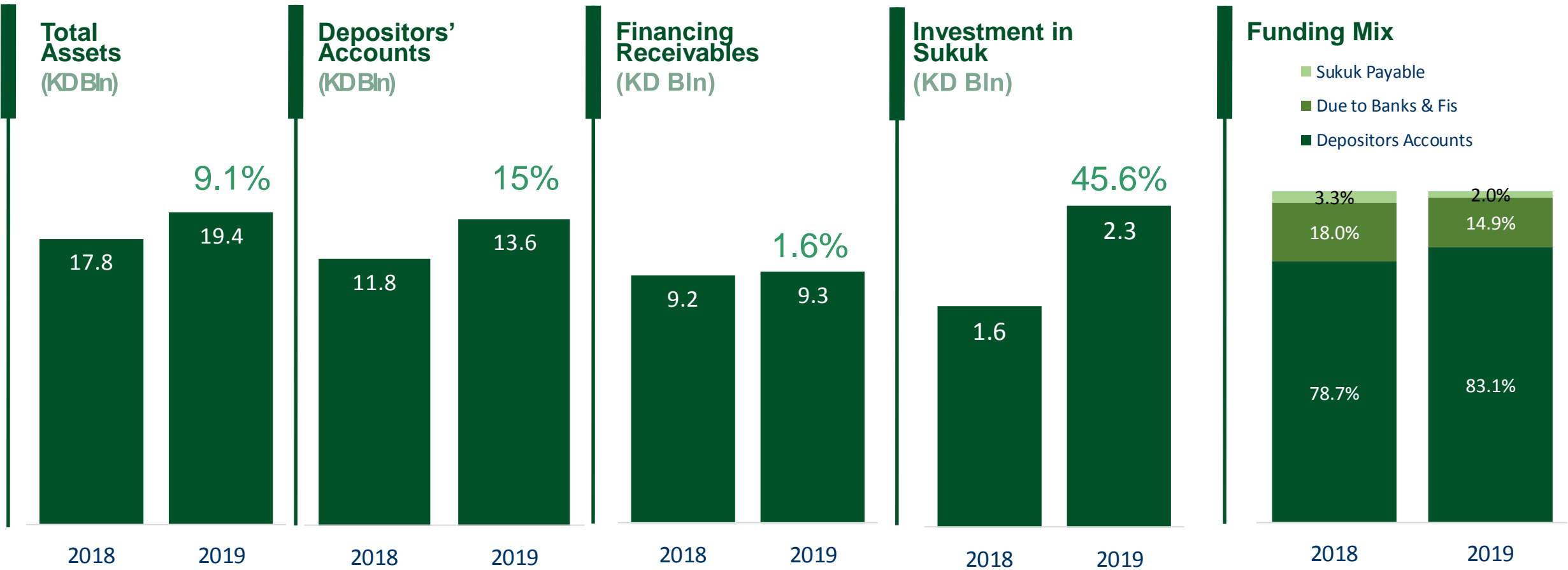


## Net Operating Income Banks/ Non-Banks

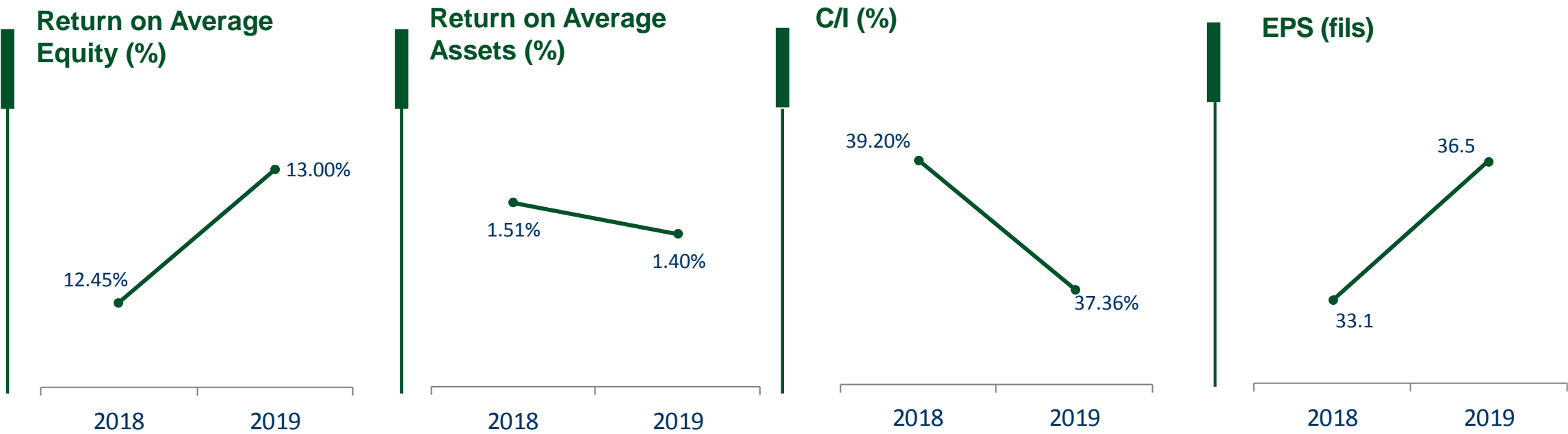




# 2019 Operating Performance



# 2019 Operating Performance



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# Appendix

# 2019 Consolidated Financials

Consolidated Statement of Income (KD million)	Dec-19	Dec-18
Financing income	932	862
Financing cost and estimated distribution to depositors	401	335
<b>Net finance income</b>	<b>530</b>	<b>527</b>
Investment income	130	63
Fees and commission income	79	87
Net gain from foreign currencies	34	30
Other income	41	39
<b>Non-Financing Income</b>	<b>284</b>	<b>219</b>
<b>Tota Operating Income</b>	<b>814</b>	<b>746</b>
Staff costs	182	178
General and administrative expenses	79	81
Depreciation and amortization	43	33
<b>Total Expenses</b>	<b>304</b>	<b>292</b>
<b>Net Operating Income</b>	<b>510</b>	<b>454</b>
Provisions and impairment	197	163
Loss for the period from discontinued operations	0	0
<b>Profit for the Period Before Taxation</b>	<b>313</b>	<b>291</b>
Taxation	51	28
Non-controlling interests	11	36
<b>Profit Attributable to Shareholders of the Bank</b>	<b>251.0</b>	<b>227.4</b>

Consolidated Statement of Financial Position (KD million)	Dec-19	Dec-18
Cash and balances with banks and financial institutions	1,910	1,381
Due from Banks	3,783	3,444
Financing receivables	9,337	9,190
Investment in sukuk	2,276	1,563
Trading properties	108	148
Investments	211	285
Investment in associates and joint ventures	504	499
Investment properties	455	490
Other assets	547	544
Intangible assets and goodwill	31	31
Property and equipment	229	195
Assets classified as held for sale	0	0
<b>TOTAL ASSETS</b>	<b>19,391</b>	<b>17,770</b>
Due to banks and financial institutions	2,427	2,689
Sukuk payables	320	499
Depositors' accounts	13,553	11,780
Other liabilities	848	728
Liabilities directly associated with assets classified as held for sale	0	0
<b>TOTAL LIABILITIES</b>	<b>17,147</b>	<b>15,696</b>
Share capital	698	634
Share premium	720	720
Treasury shares	(36)	(44)
Reserves	679	395
<b>TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHODERS OF THE BANK</b>	<b>2,060</b>	<b>1,894</b>
Non-controlling interests	183	180
<b>TOTAL EQUITY</b>	<b>2,243</b>	<b>2,074</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>19,391</b>	<b>17,770</b>



# Consolidated Statement of Financial Position 2015 - 2019

Consolidated Statement of Financial Position (KD million)	2015	2016	2017	2018	2019
Cash and balances with banks	1,600	1,495	1,262	1,381	1,910
Short-term murabaha	3,194	2,877	2,925	3,444	3,783
Financing receivables	8,095	8,176	9,216	9,190	9,337
Investments in sukuk	807	1,100	1,429	1,563	2,276
Trading properties	214	186	161	148	108
Investments	508	357	304	285	211
Investment in associates and joint ventures	535	469	464	499	504
Investment properties	580	591	554	490	455
Other assets	469	549	465	544	547
Intangible assets and goodwill	48	39	39	31	31
Property and equipment	264	216	214	195	229
Leasehold rights	180	0	0	0	0
<b>TOTAL ASSETS</b>	<b>16,495</b>	<b>16,499</b>	<b>17,358</b>	<b>17,770</b>	<b>19,391</b>
Due to banks and financial institutions	2,730	2,399	2,240	2,689	2,427
Sukuk payables	322,466	473	518	499	320
Depositors' accounts	10,756	10,717	11,597	11,780	13,553
Other liabilities	630	645	699	728	848
Liabilities directly associated with assets classified as held for sale	0	227	188	0	0
<b>TOTAL LIABILITIES</b>	<b>14,439</b>	<b>14,461</b>	<b>15,242</b>	<b>15,696</b>	<b>17,147</b>
Share capital	477	524	577	634	698
Share premium	720	720	720	720	720
Treasury shares	(50)	(49)	(45)	(44)	(36)
Reserves	487	450	436	395	428
<b>TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</b>	<b>1,779</b>	<b>1,810</b>	<b>1,872</b>	<b>1,894</b>	<b>2,060</b>
Non-controlling interests	276	228	244	180	183
<b>TOTAL EQUITY</b>	<b>2,055</b>	<b>2,039</b>	<b>2,116</b>	<b>2,074</b>	<b>2,243</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>16,495</b>	<b>16,499</b>	<b>17,358</b>	<b>17,770</b>	<b>19,391</b>

# Consolidated Statement of Income 2015 - 2019

Consolidated Statement of Income (KD million)	2015	2016	2017	2018	2019
Financing income	695	718	741	862	932
Financing cost and distribution to depositors	263	283	296	335	401
<b>Net finance income</b>	<b>432</b>	<b>435</b>	<b>445</b>	<b>527</b>	<b>530</b>
Investment income	108	79	107	63	130
Fees and commission income	79	89	97	87	79
Net gain from foreign currencies	25	23	17	30	34
Other income	59	34	48	39	41
<b>Non-Financing Income</b>	<b>271</b>	<b>225</b>	<b>268</b>	<b>219</b>	<b>284</b>
<b>Total operating income</b>	<b>703</b>	<b>660</b>	<b>713</b>	<b>746</b>	<b>814</b>
Staff costs	172	174	188	178	182
General and administrative expenses	81	84	83	81	79
Depreciation and amortisation	78	37	35	33	43
<b>Total Expenses</b>	<b>330</b>	<b>295</b>	<b>305</b>	<b>292</b>	<b>304</b>
<b>Net Operating Income</b>	<b>372</b>	<b>365</b>	<b>408</b>	<b>454</b>	<b>510</b>
Provisions and impairment	184	157	163	163	197
Gain / (Loss) for the year from discontinued operations	22	(22)	0	0	0
<b>Profit Before Tax and Zakat</b>	<b>211</b>	<b>186</b>	<b>245</b>	<b>291</b>	<b>313</b>
Taxation and Proposed Directors' fees	21	24	30	27	51
Non-controlling interests	44	(3)	30	36	11
<b>Profit Attributable to Shareholders of the Bank</b>	<b>146</b>	<b>165</b>	<b>184</b>	<b>227</b>	<b>251</b>

# YE'19 Key Performance Indicators

Key Performance Indicators	2018	2019
Return on Average Assets (ROAA)	1.5%	1.4%
Return on Average Equity (ROAE)	12.4%	13.0%
Cost to Income	39.2%	37.4%
Earnings Per Share (fils)	33.1	36.5
CET1 Ratio	15.5%	15.7%
Tier 1 Adequacy Ratio	15.9%	16.1%
Capital Adequacy Ratio	17.5%	17.7%

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# **Key Acquisition Highlights**

# Key Transaction Highlights

All Share Merger	Pro Forma Ownership	Implied Price and Premium	Conditions
<p>Agree average exchange ratio of <b>2.325581</b> shares of AUB for each share of KFH (or <b>0.430</b> shares of KFH for each share of AUB)</p> 	<p>Prior to the merger:</p> <ul style="list-style-type: none"> <li>KFH had c. 6,893m shares outstanding; and</li> <li>AUB had c. 8,774m AUB shares outstanding</li> </ul> 	<p>Implied price per share of <b>\$1.00</b> based on KFH's share price of \$2.32 as at 11-Sep-2019</p> <p>Implied total value of <b>\$8.8bn</b> in issued KFH shares for AUB shareholders as at 11-Sep-2019</p> 	<p>AUB shareholders to approve the transaction</p> 
<p>Conditional <b>approvals granted by Central Bank of Kuwait and Central Bank of Bahrain</b></p>	<p>Following merger, KFH Group will have c. 10,655 shares outstanding and the combined bank will be owned<sup>1</sup>:</p> <ul style="list-style-type: none"> <li><b>c. 65%</b> by KFH's shareholders</li> <li><b>c. 35%</b> by AUB's shareholders</li> </ul>	<p><b>7.2% premium to AUB share price</b> of as at 11-Sep-2019, which was the last trading day prior to the parties' confirmation of the exchange ratio</p>	<ul style="list-style-type: none"> <li>AUB shareholder <b>acceptance of at least 85% of total issued capital</b></li> <li>Following receipt of requisite acceptances, <b>approval &amp; acceptance</b> of AUB shareholders for <b>100% acquisition</b> by way of an extra ordinary general assembly resolution</li> <li><b>Approval</b> of AUB shareholders <b>to convert AUB business in Bahrain to Sharia'a compliant</b></li> <li><b>Receipt of all regulatory and statutory approvals</b></li> </ul>

Note: Market Data as at 11-Sep-2019

<sup>1</sup> Pro Forma Ownership based on KFH's existing share count plus the shares issued to AUB shareholders at the agreed exchange ratio as at 11-Sep-2019.

# This Transaction Combines Complementary Businesses And Delivers Scale to Become A Regional Powerhouse



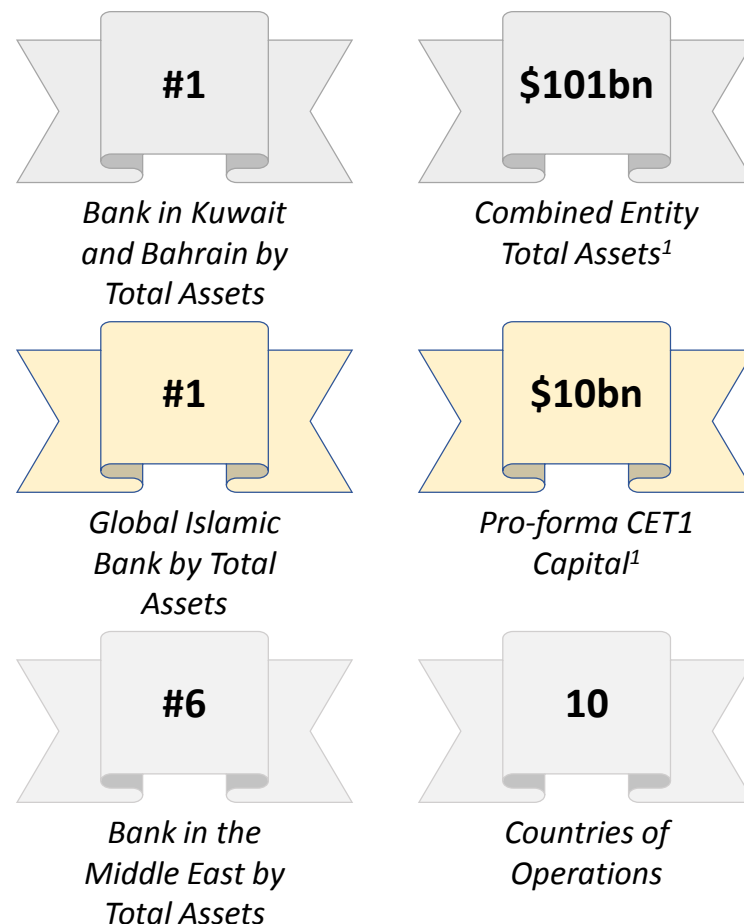
## Leading Retail Bank in Kuwait

- ✓ Currently 2<sup>nd</sup> 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, Germany and KSA



## 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



<sup>1</sup> As of 30-Sep-2019.



# Compelling Strategic Rationale

A transformational transaction that brings significant benefits to all stakeholders

1

Strengthens our position as the leader in our 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 assets<sup>1</sup>**

2

We will become the world's leading Islamic bank



**World's largest Islamic bank by total assets and the #2 Islamic bank in terms of customer deposits**

3

This transaction makes KFH one of the dominant banks in the Middle East, with significant footprint diversification and expansion



**Strengthened position in Kuwait and Bahrain**



**Entry into new markets**

4

Enhanced scale and deep relationships across corporate and retail customers



**Corporate Banking contribution increasing to 35% of pro forma segment assets**

5

We will achieve significant operational efficiencies as a result of this transaction



**Run rate synergies expected to be 10-15% of the combined cost base**

6

Extremely well capitalised and funded, ideally positioning us to better pursue growth



**\$3.9bn increase in CET1 capital**



**Strong and diverse funding base**

7

This transaction is EPS and value accretive to KFH shareholders



**EPS and DPS accretive by 31.8% including synergies and 21.8% and excluding impact of synergies**

8

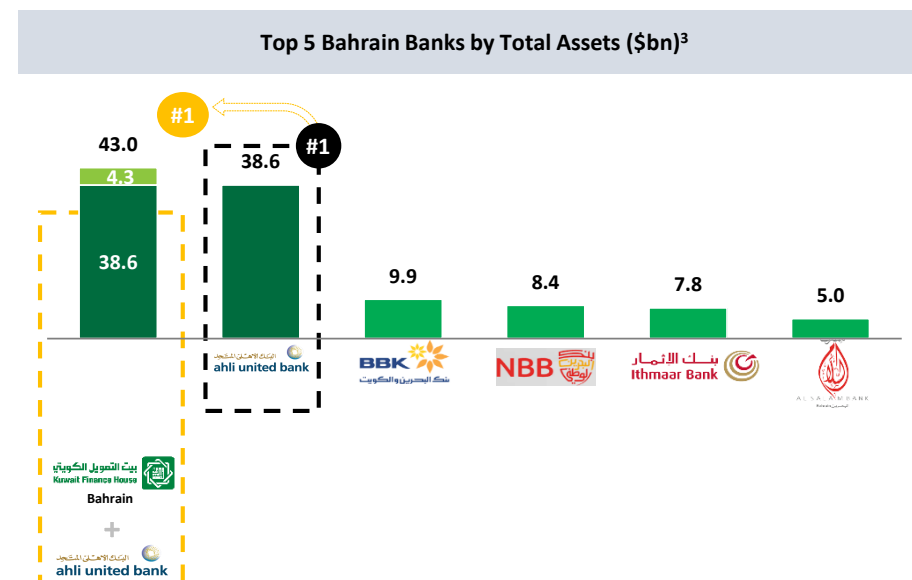
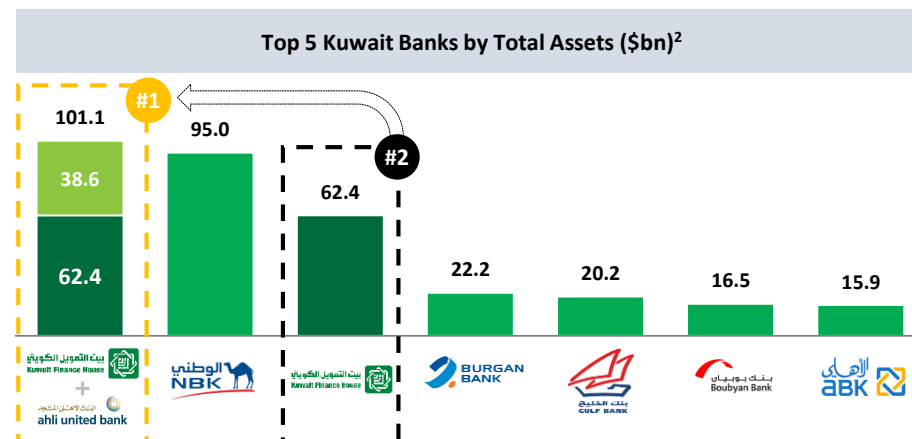
**Evident financial rationale with strong pro-forma KPI**



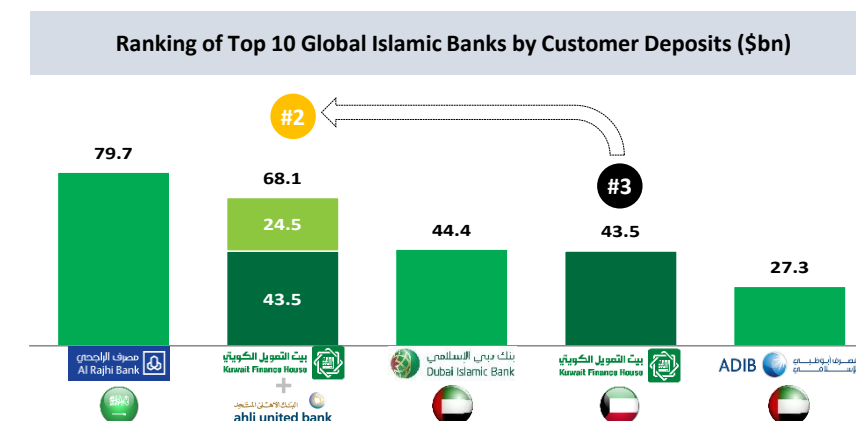
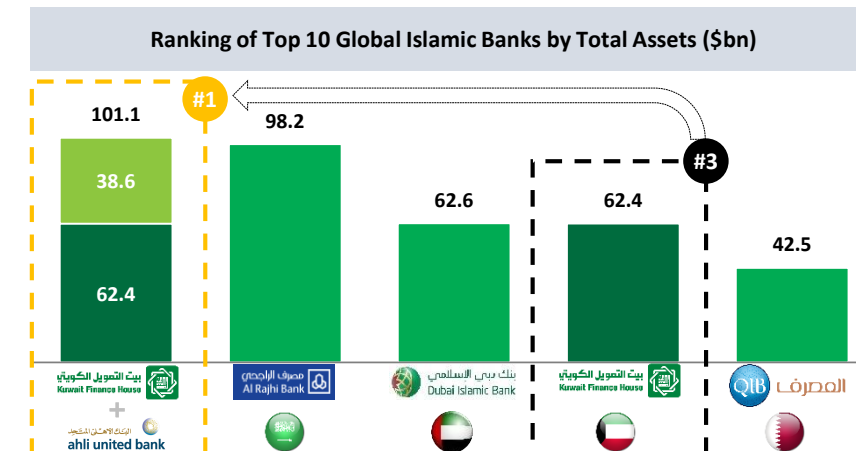
**Enhancement in all KPI with ROAE of 15.2% and C/I ratio of 34.5%**

<sup>1</sup> Market share calculated as KFH+AUB combined total assets over the sum of total assets of all publically traded banks in Kuwait.

## 1 STRENGTHENS OUR POSITION AS THE LEADER IN OUR HOME MARKETS



## 2 WE WILL BECOME THE WORLD'S LEADING ISLAMIC BANK



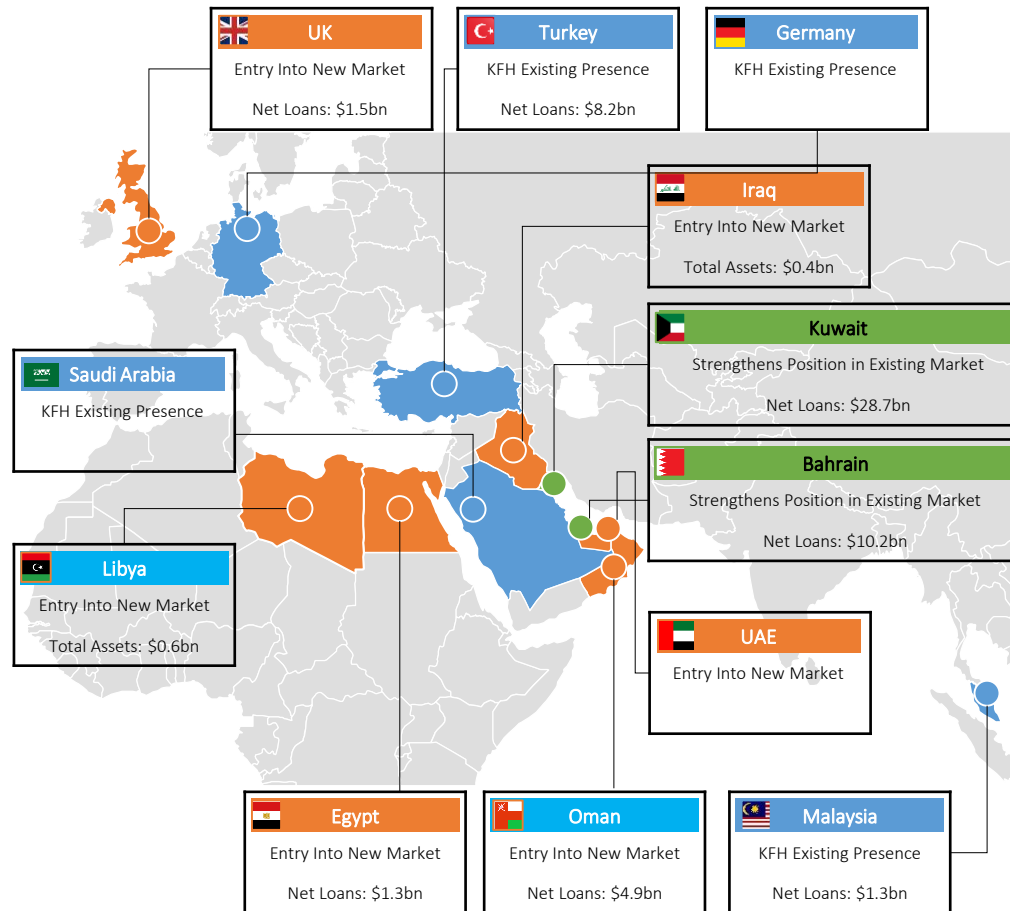
Source: Q3-2019 company financials. Note: KWD/BHD converted to USD as per FX rate as at 30-Sep-2019. Pro Forma total assets exclude goodwill on acquisition.


<sup>1</sup> Market share calculated as KFH+AUB combined total assets over the sum of total assets of all publically traded banks in Kuwait.

<sup>2</sup> Includes 5 largest publically listed banks in Boursa Kuwait. <sup>3</sup> Includes 5 largest publically listed banks in Bahrain Stock Exchange.

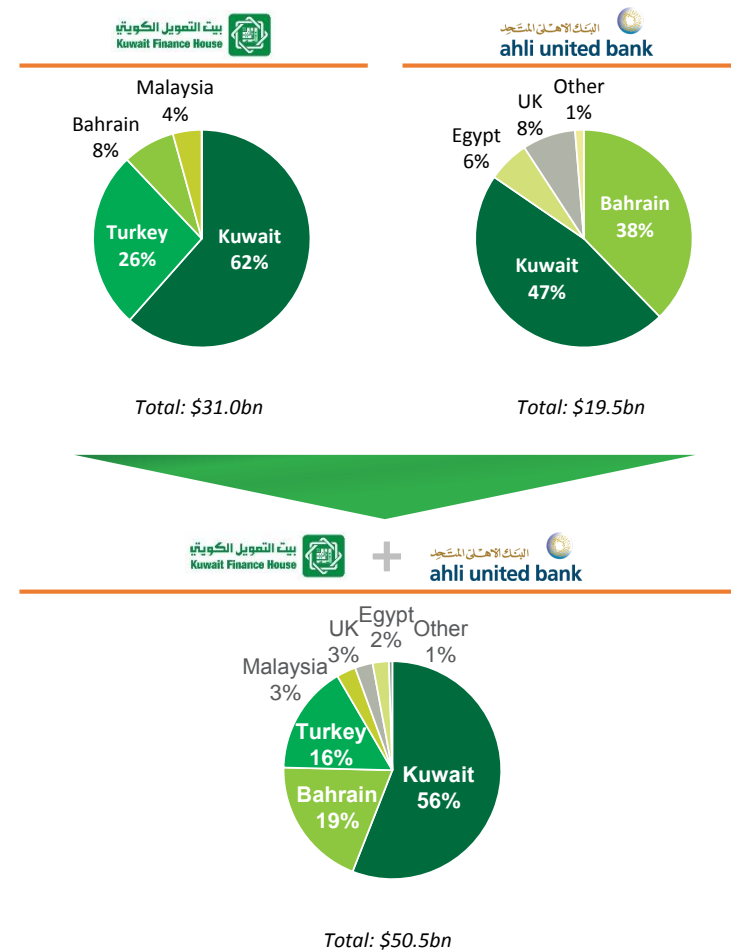
### 3 Makes us One of the LEADING Banks in the Middle East, OFFERING Footprint Diversification and Expansion

International Presence (As At 31-Dec-2018)



 Represent investment in Associates

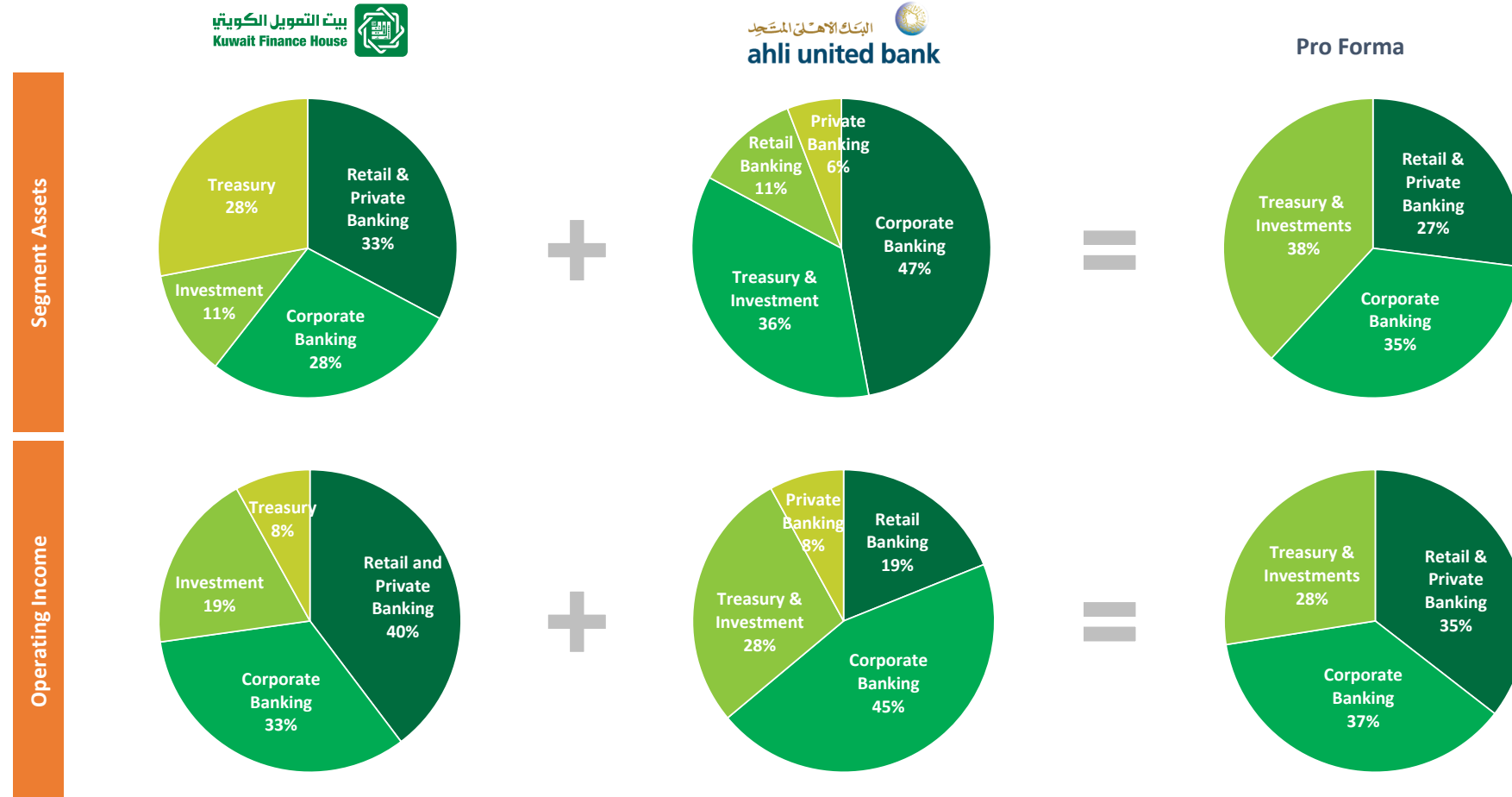
Net Financing Receivables by Geography (As At 31-Dec-2018)



4

# Enhanced Scale And Deep Relationships Across Corporate And Retail Customers

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



## 5 WE WILL ACHIEVE SIGNIFICANT OPERATIONAL EFFICIENCIES AS A RESULT OF THIS TRANSACTION

### 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

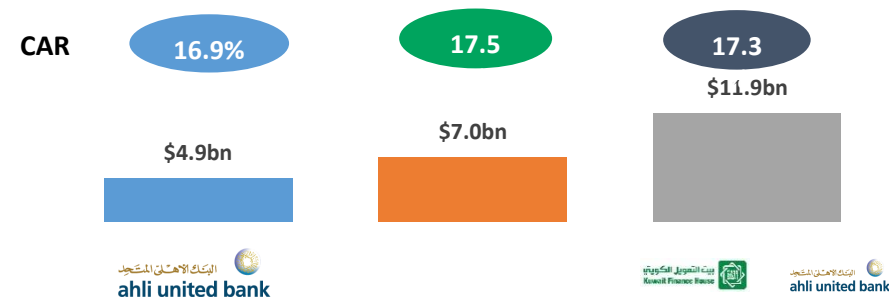
### Revenue Synergies Potential by Closing Performance Gap

- Customer churn offset by:
- Product penetration gap closure
- Branch productivity gap closure
- Lower cost of funding
- Digital Bank in Kuwait

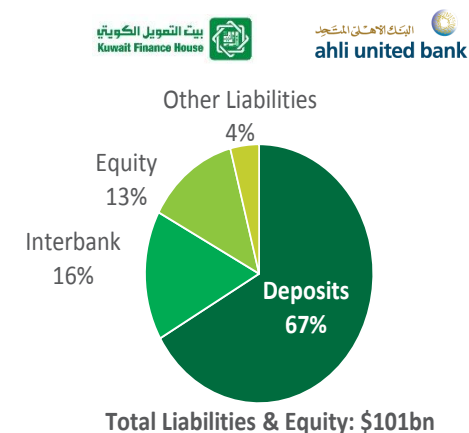
Run Rate Synergies represents 10-15% of Combined Cost Base

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

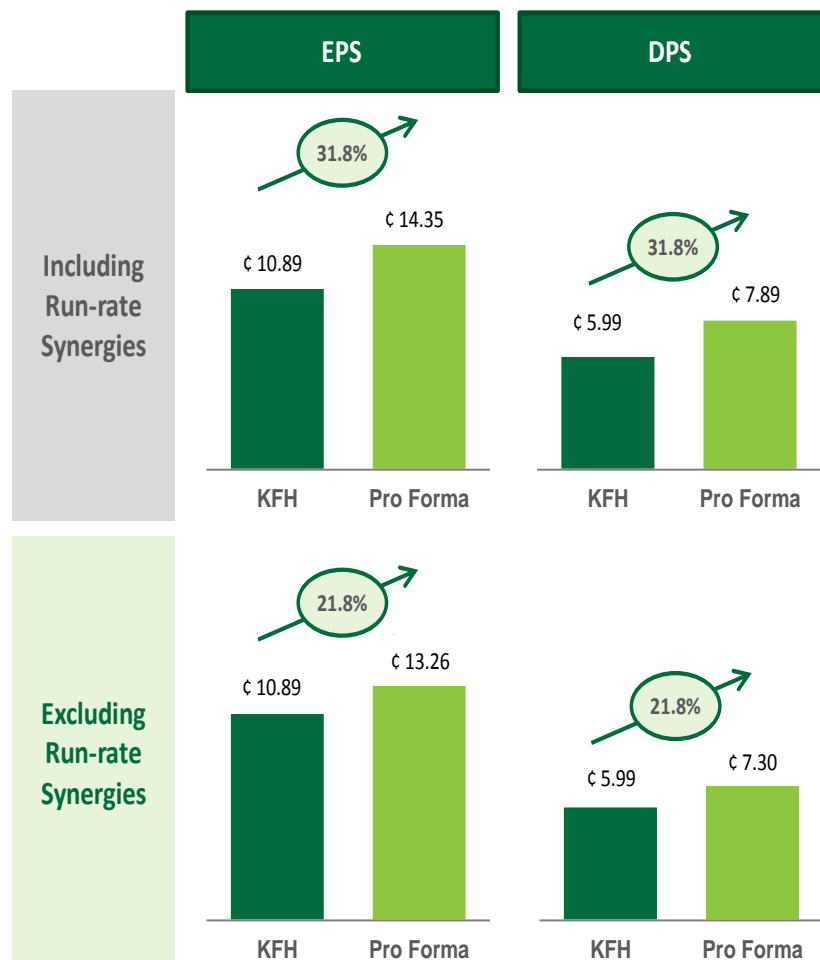
### Significant Pro Forma Capital Position (As At 31-Dec-2018)



### Strong And Diverse Funding Base (As At 30-Sep-2019)



## 7 THIS TRANSACTION IS EPS AND VALUE ACCRETIVE TO KFH SHAREHOLDERS



## 8 EVIDENT FINANCIAL RATIONALE WITH STRONG PRO-FORMA KPI

1	Scale position where assets >\$100bn	✓ Combined assets of \$101.1bn
2	Diversified funding base	✓ 75.1% Net Financing Receivables / Deposits ✓ Funding comprises 67% deposits
3	Prudently risk-managed portfolio	✓ NPF Ratio of 2.1% <sup>1</sup>
4	Improving efficiency profile	✓ Cost / Income Ratio of 34.5%
5	Strong return profile	✓ Return on Average Equity of 15.2% <sup>2</sup>
6	Robust capital position	✓ CET1 Ratio of 14.5% <sup>3</sup> ✓ CAR of 17.3% <sup>3</sup>

Source: Company financials as at Q319

<sup>1</sup> As at 31-Dec-2018. <sup>2</sup> Q318 – Q319. <sup>3</sup> The pro forma capital position is calculated as the sum of KFH and AUB's standalone capital as at 31 Dec 2018.

The background of the slide features a series of thin, dark gray lines that intersect to form a complex geometric pattern. These lines create various triangular and quadrilateral shapes across the white background. The lines are not parallel and intersect at different angles, creating a dynamic and modern aesthetic.

**Q & A**





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