

بيت التمويل الكويتي
Kuwait Finance House



H1-2023

Earnings Presentation

Date: 26 July 2023

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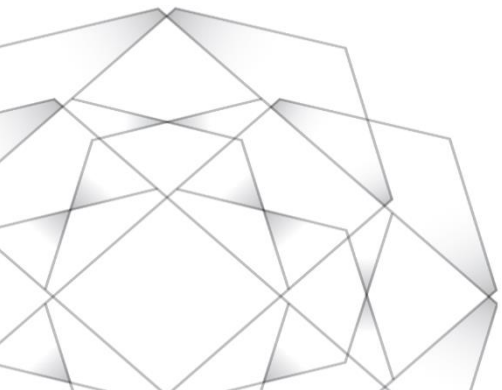
- 1 **Kuwait's Operating Environment**

- 2 **Overview of KFH**

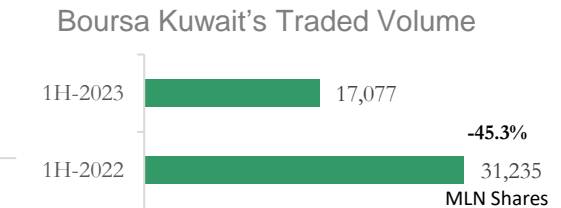
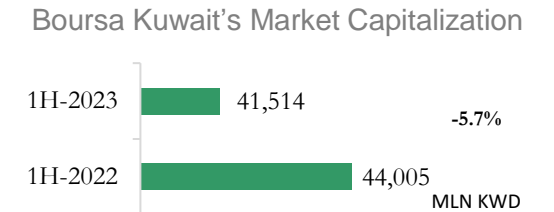
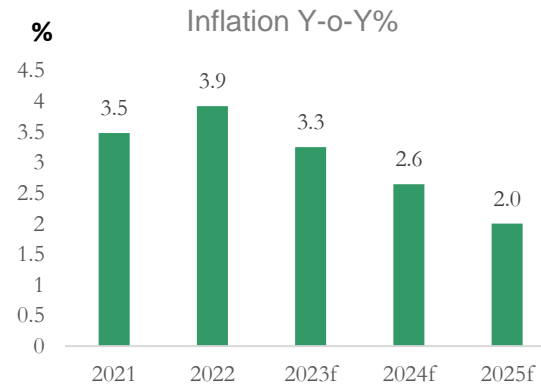
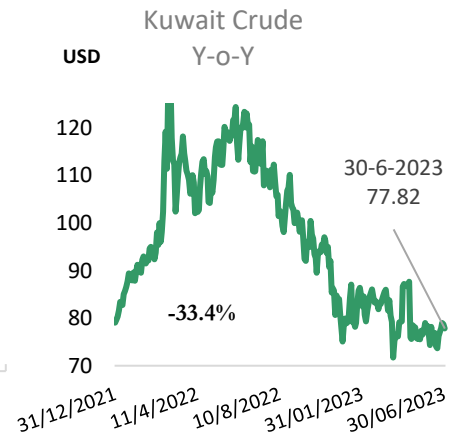
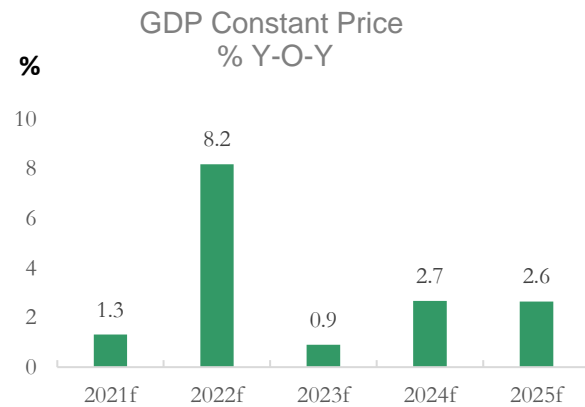
- 3 **KFH Strategy**

- 4 H1-23 Financial Results

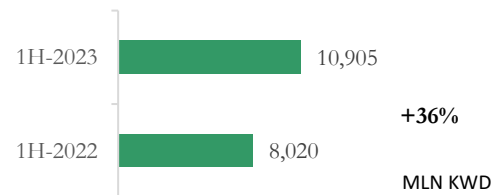
- 5 Appendix



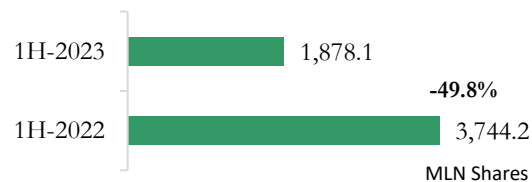
Kuwait's Economic Highlights



KFH Kuwait's Market Capitalization



KFH Kuwait's Traded Volume



- The latest International Monetary Fund (IMF) April 2023 forecasts Kuwait to register 8.2% GDP growth in 2022, and a positive growth in 2023. The annual inflation rate in Kuwait stood at 3.7% Y-o-Y in May of 2023, the same as the previous month.
- Kuwaiti Crude Oil Price closed at USD77.82pb at the end of June 2023 lower by 33.4% compared to same period last year.
- Standard & Poor's credit rating for Kuwait stands at A+ with stable outlook. Moody's credit rating for Kuwait was last set at A1 with stable outlook. Fitch's credit rating for Kuwait was last reported at AA- with stable outlook.
- On 25th January 2023, The Central Bank of Kuwait increased its key discount rate by 50 bps to 4%.
- Boursa Kuwait Market Capitalization declined by 5.7% to reach KWD41.5bln, while the market capitalization of KFH notably increased by 36% to reach almost KWD10.9bln at the end of 1H2023 compared to the same period last year.
- Boursa Kuwait traded volume declined by 45.3% to reach 17.1bln shares, while the traded volume of KFH decreased by 49.8% to reach 1.9bln shares at the end of 1H2023 compared to the same period last year.

Overview of KFH's Awards & Ratings

Kuwait

Best

Islamic Bank
in Kuwait
euromoney

Regional

Best

Islamic Bank
in the Middle East
Global Finance

Global

Best

Islamic Financial Institution
in the World
Global Finance

FitchRatings

Long-Term Issuer Default Rating A

Short-Term Issuer Default Rating F1

STABLE Outlook

13 February 2023

MOODY's

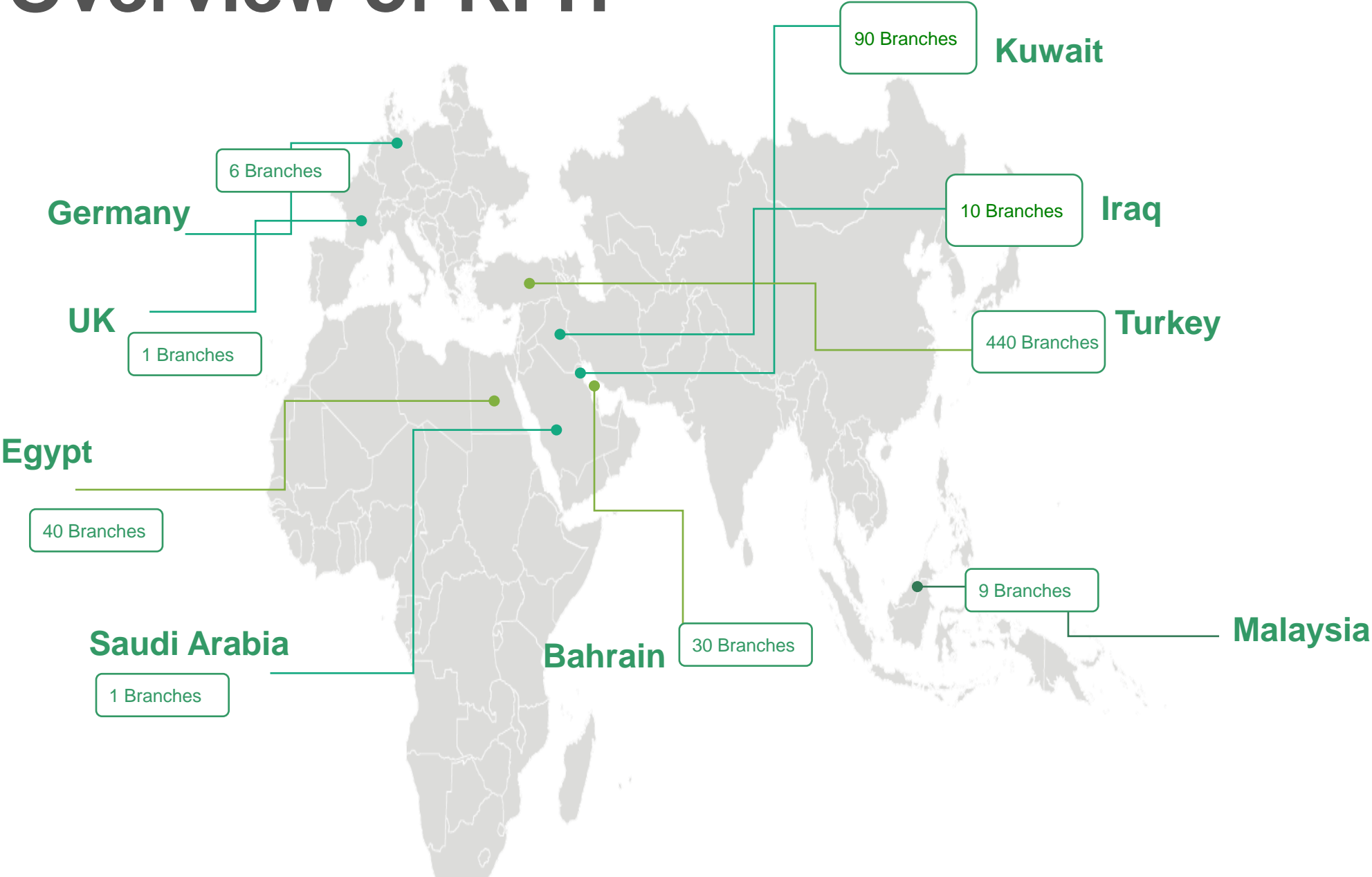
LT FC Bank Deposits Rating A2

ST FC Bank Deposits Rating P-1

STABLE Outlook

27 February 2023

Overview of KFH

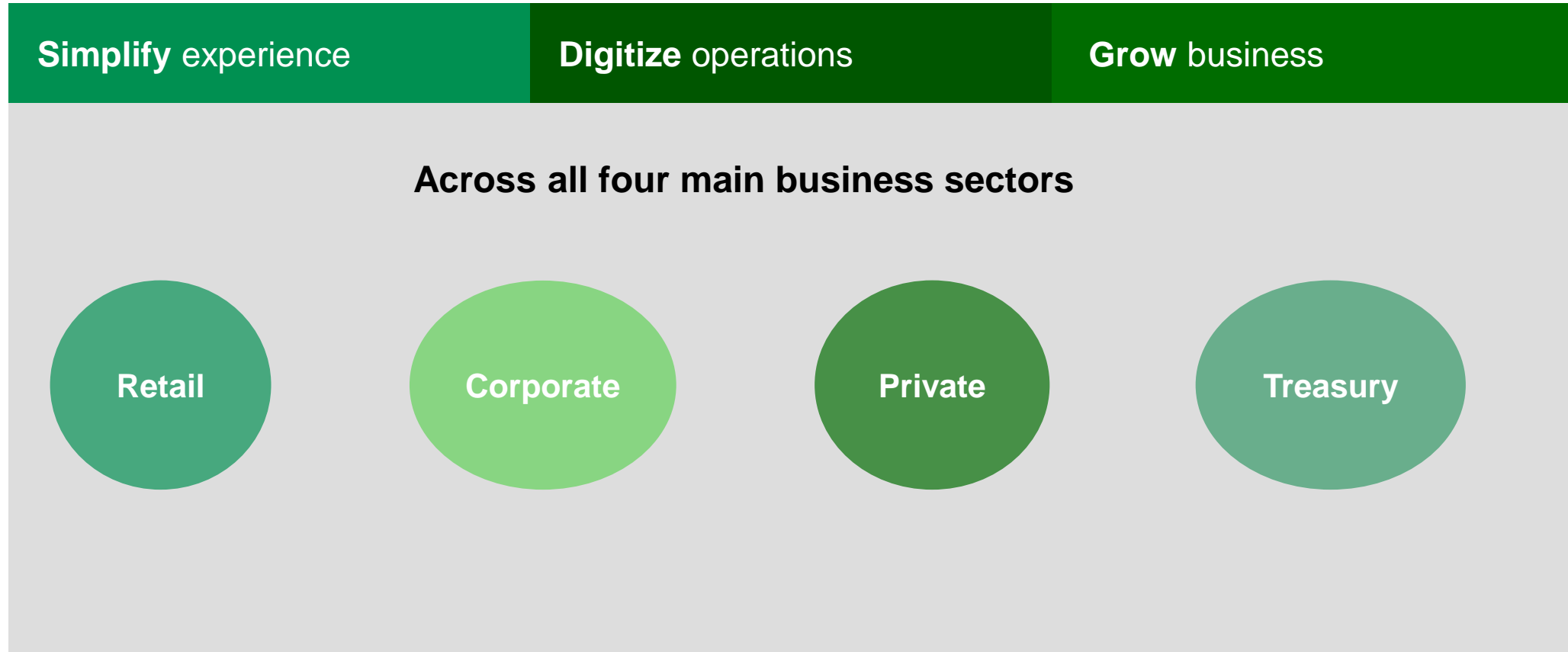


KFH Strengths

| Robust Financial Performance | Leading Islamic Financial Institution | Strong Government Sponsorship | Professional Management Team | Strategic Distribution Channels | Effective Risk Management Framework |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>A consistent track record of profitability & dividend payment</p> <p>Solid funding and liquidity profile</p> <p>Consistently low NPF rates</p> <p>Improved cost to income ratio</p> <p>Solid profit margins and improved efficiency</p> | <p>Second largest Islamic Financial Institution globally in terms of asset base</p> <p>Operating history of more than 40 years</p> <p>Strong retail franchise</p> <p>Pioneer of Islamic products in Kuwait</p> | <p>38.4% ownership by various Kuwaiti Government authorities</p> <p>KFH operates mainly in Kuwait where the economy benefits from high level of economic strength</p> <p>Systemic important bank in Kuwait Large retail deposit and global flagship Islamic bank</p> | <p>Well-rounded human capital through meritocratic management structure</p> <p>Significant improvement in the Management team for the diversified international operation</p> <p>Strong and stable Board of Directors, collectively bringing more than two hundred and fifty years of professional experience</p> | <p>Diversified international operations</p> <p>Presence in 9 countries giving access to Europe, Middle East and Asian markets</p> <p>Extensive accessibility option with a wide network of 637 branches and over 2,025 ATMs</p> | <p>KFH continuously develops its risk management framework in light of development in the business, banking and market regulations</p> <p>Disciplined & risk adjusted approach to capital allocation</p> <p>Large and diversified portfolio</p> <p>Reduced non-core assets</p> |

KFH Strategy

KFH's main focus is on core banking business activities



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H1-23 Financial Highlights

Net Profit
for Shareholders

KD 333.4 m

141.4%

Net Financing
Income

KD 458.5 m

43.2%

Net Operating
Income

KD 489.1 m

58.6%

Cost to Income Ratio

33.40%

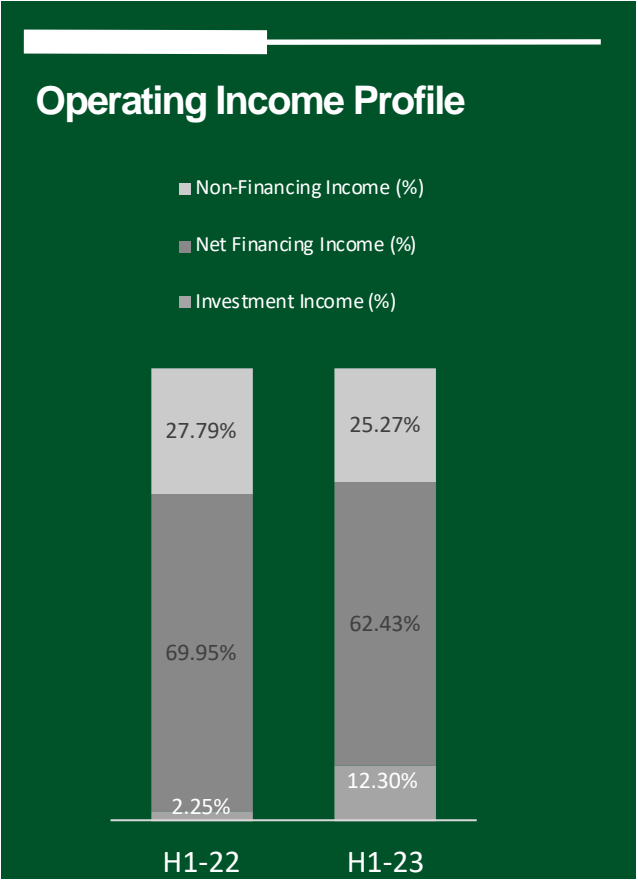
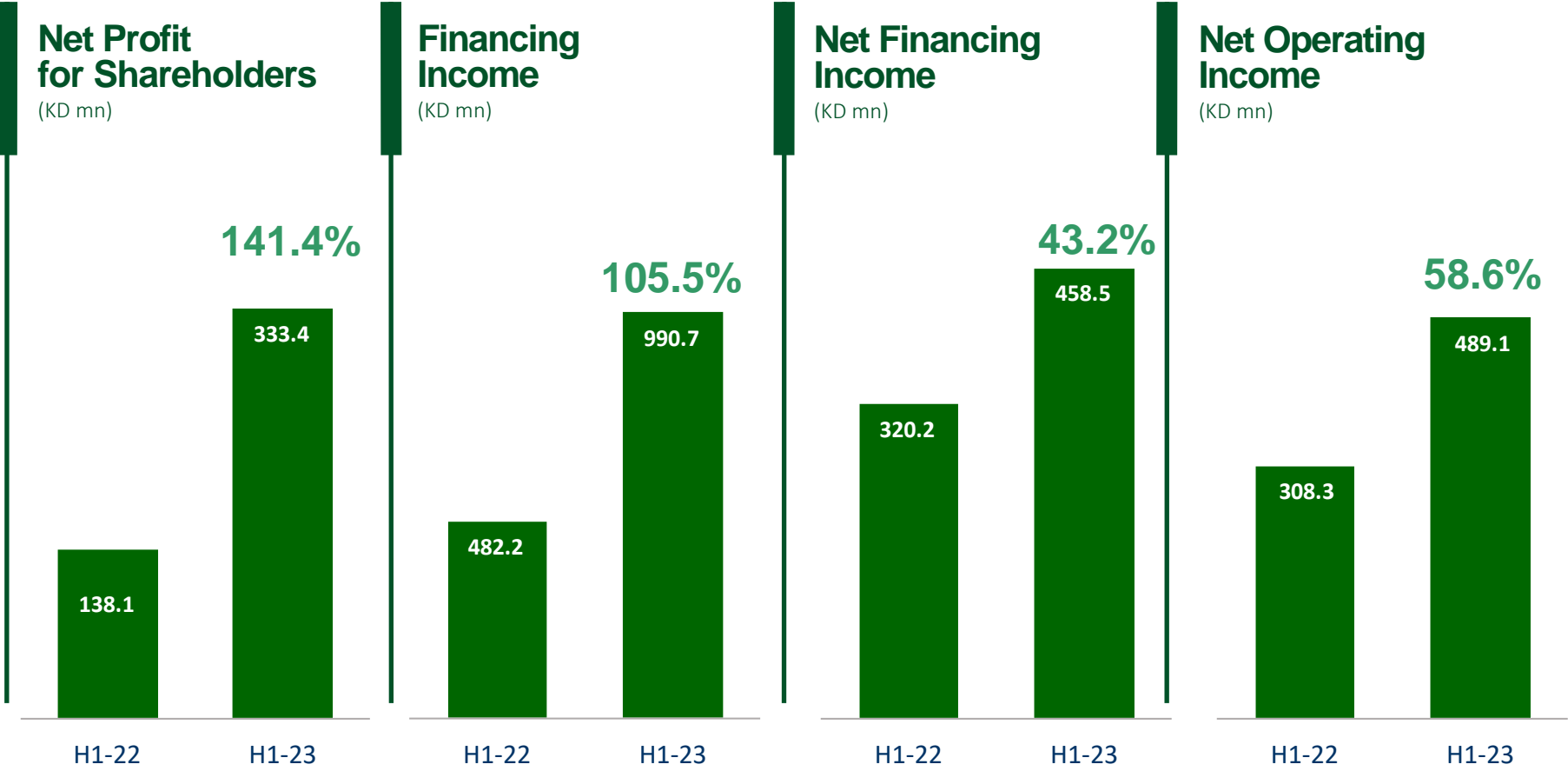
(H1-22: 32.64%)

EPS (fils)

22.03

(H1-22 : 12.71fils)

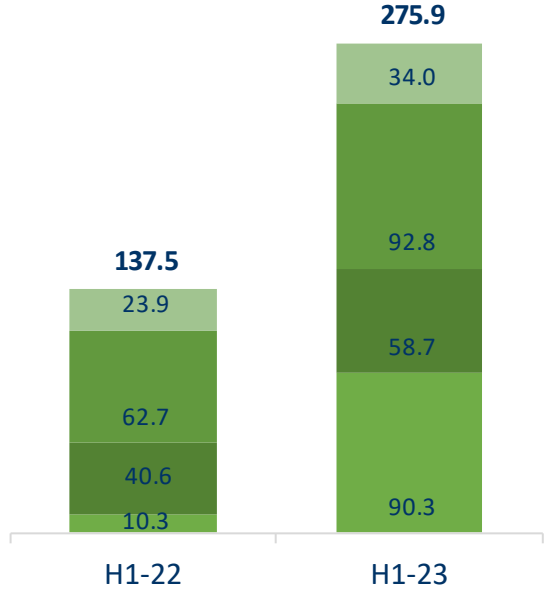
H1-23 Financial Performance



H1-23 Financial Performance

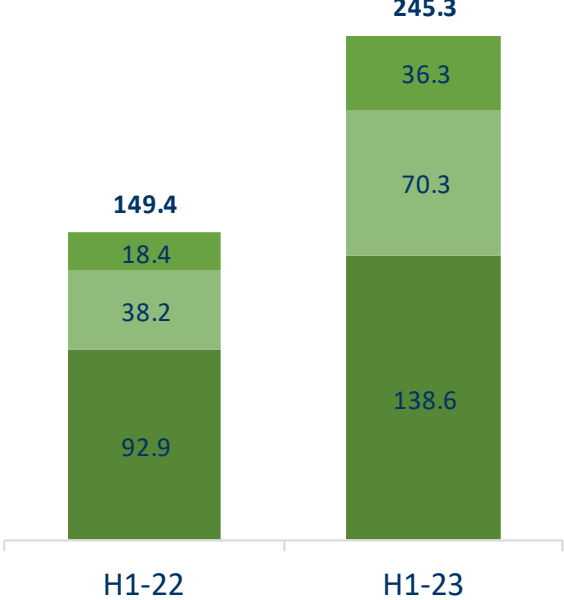
Non - Financing Income (KD mn)

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



Total Operating Expenses (KD mn)

- Depreciation and Amortization
- Other Operating Expenses
- Staff Costs

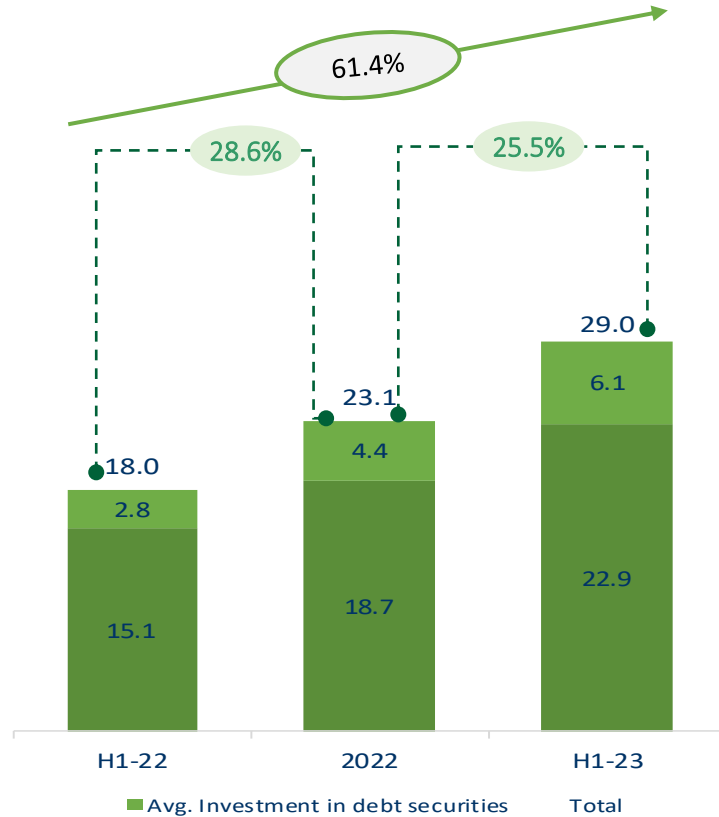


C/I Ratio

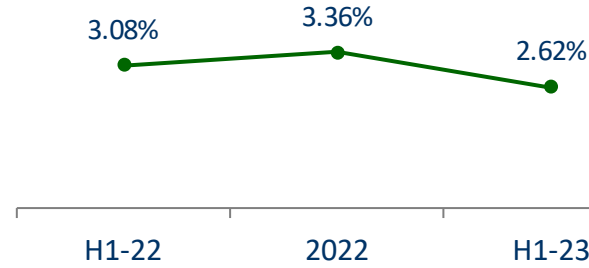


H1-23 Financial Performance

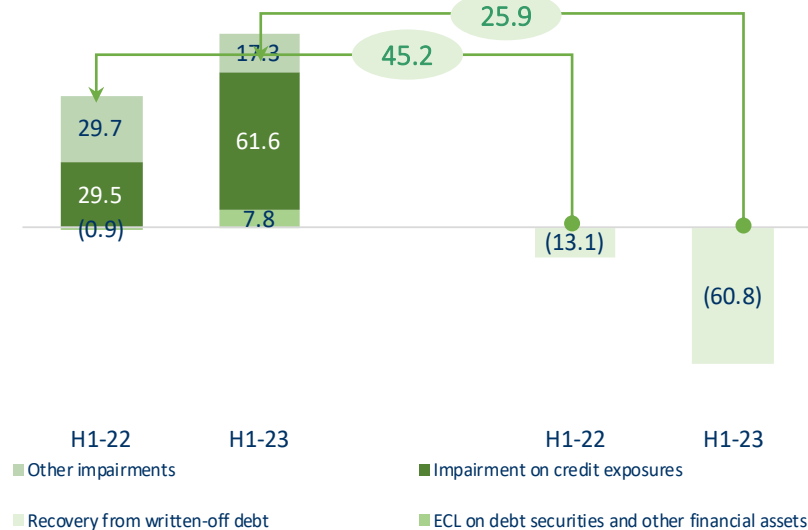
Average Profit Earning Assets (KD bn)



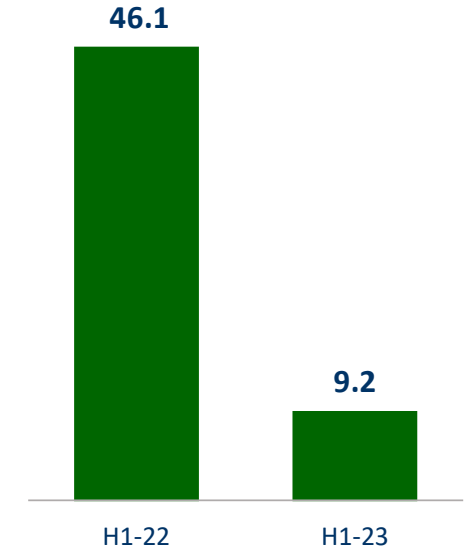
Net Financing Margin



Provision and Impairment (KD mn)



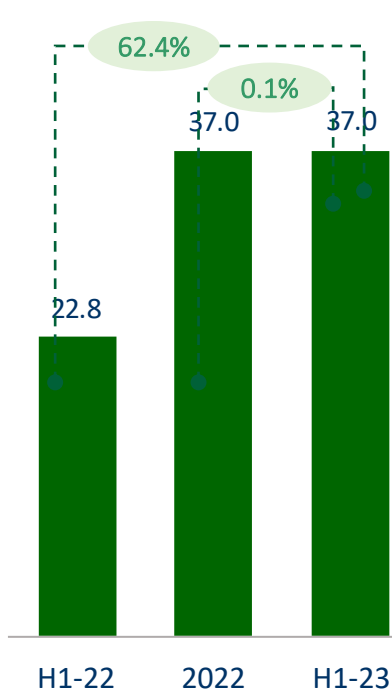
Net Monetary Loss* (KD mn)



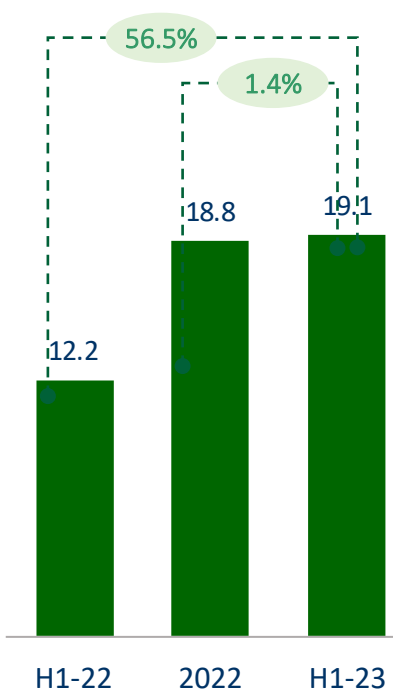
* Hyper-inflation impact

H1-23 Financial Performance

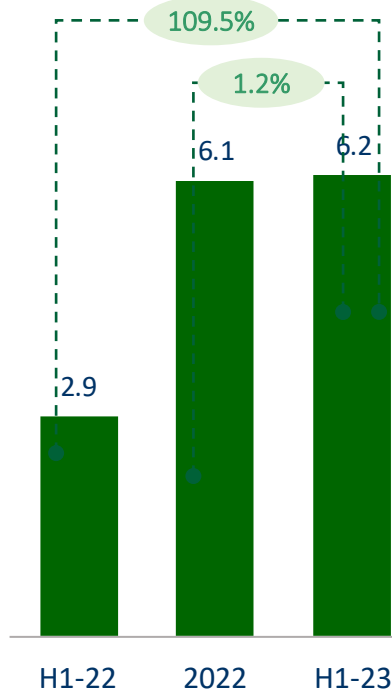
Total Assets
(KD bn)



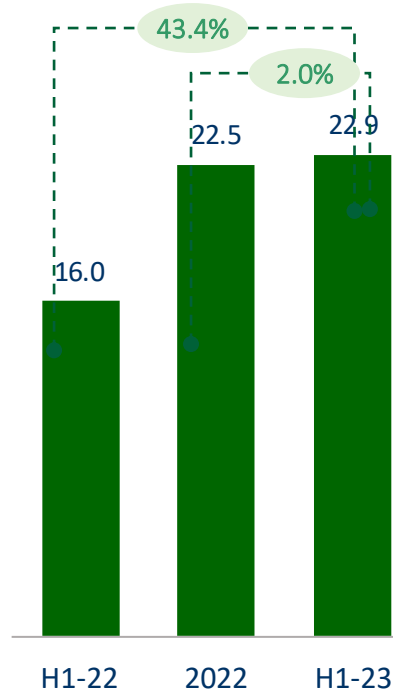
Net Financing
(KD bn)



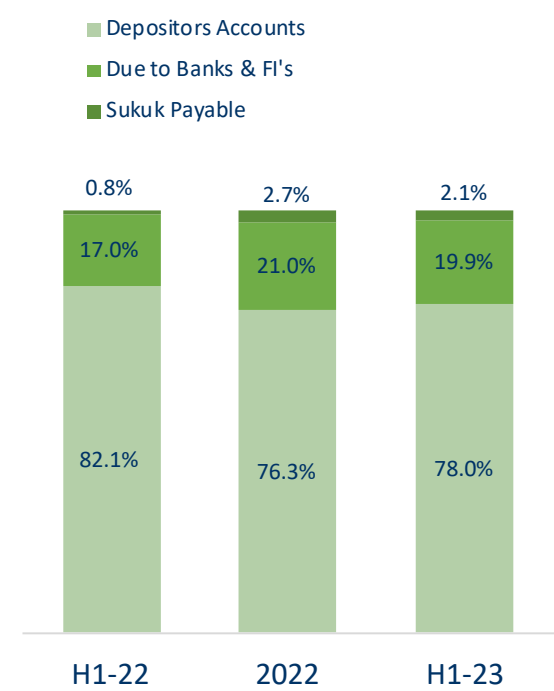
Investment in debt securities
(KD bn)



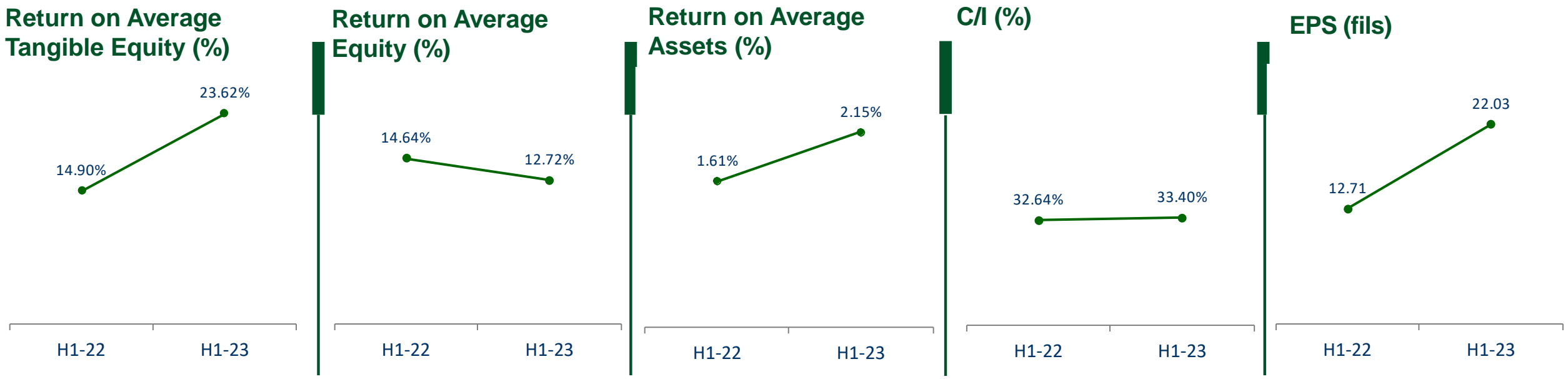
Depositors' Accounts
(KD bn)



Funding Mix



H1-23 Key Financial Ratios



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Q&A

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 word "Appendix" is prominently displayed in a bold, green, sans-serif font on the left side of the slide.

Appendix

Consolidated Financial Statements H1-23 Vs. H1-22

| Consolidated Statement of Financial Position (KD million) | Jun-23 | Jun-22 |
|-----------------------------------------------------------------|---------------|---------------|
| Cash and balances with banks and financial institutions | 2,568 | 2,293 |
| Due from Banks | 3,966 | 3,366 |
| Financing receivables | 19,108 | 12,213 |
| Investments in debt securities | 6,157 | 2,939 |
| Trading properties | 95 | 97 |
| Investments | 268 | 220 |
| Investment in associates and joint ventures | 515 | 477 |
| Investment properties | 400 | 300 |
| Other assets | 1,186 | 623 |
| Goodwill and Intangible assets | 2,420 | 35 |
| Property and equipment | 336 | 228 |
| TOTAL ASSETS | 37,021 | 22,790 |
| Due to banks and financial institutions | 5,849 | 3,319 |
| Sukuk payables and term financing | 629 | 160 |
| Depositors' accounts | 22,942 | 16,001 |
| Other liabilities | 1,545 | 953 |
| TOTAL LIABILITIES | 30,966 | 20,432 |
| Share capital | 1,476 | 929 |
| Share premium | 3,612 | 720 |
| Treasury shares | (82) | (28) |
| Reserves | 229 | 299 |
| TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHODERS OF THE BANK | 5,235 | 1,920 |
| Perpetual Tier 1 Capital Securities and Sukuks | 503 | 230 |
| Non-controlling interests | 317 | 207 |
| TOTAL EQUITY | 6,055 | 2,358 |
| TOTAL LIABILITIES AND EQUITY | 37,021 | 22,790 |

| Consolidated Statement of Income (KD million) | Jun-23 | Jun-22 |
|--------------------------------------------------------|------------|------------|
| Financing income | 991 | 482 |
| Financing cost and distribution to depositors | 532 | 162 |
| Net finance income | 458 | 320 |
| Investment income | 90 | 10 |
| Fees and commission income | 59 | 41 |
| Net gain from foreign currencies | 93 | 63 |
| Other operating income | 34 | 24 |
| Non-Financing Income | 276 | 138 |
| Tota Operating Income | 734 | 458 |
| Staff costs | 139 | 93 |
| General and administrative expenses | 70 | 38 |
| Depreciation and amortization | 36 | 18 |
| Total Expenses | 245 | 149 |
| Net Operating Income | 489 | 308 |
| Provisions and impairment | 26 | 45 |
| Net Monetary Loss | 9 | 46 |
| Profit for the Period Before Taxation | 454 | 217 |
| Taxation | 59 | 39 |
| Non-controlling interests | 61 | 40 |
| Profit Attributable to Shareholders of the Bank | 333 | 138 |

Consolidated Statement of Financial Position 2018 - 2022

| Consolidated Statement of Financial Position (KD million) | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash and balances with banks and financial institutions | 1,381 | 1,910 | 2,491 | 2,325 | 3,156 |
| Due from Banks | 3,444 | 3,646 | 3,365 | 3,350 | 3,870 |
| Financing receivables | 9,190 | 9,474 | 10,748 | 11,355 | 18,840 |
| Investments in debt securities | 1,563 | 2,292 | 2,742 | 2,735 | 6,085 |
| Trading properties | 148 | 108 | 102 | 96 | 95 |
| Investments | 285 | 195 | 192 | 219 | 247 |
| Investment in associates and joint ventures | 499 | 504 | 521 | 492 | 520 |
| Investment properties | 490 | 455 | 351 | 325 | 384 |
| Other assets | 544 | 547 | 728 | 654 | 976 |
| Goodwill and Intangible assets | 31 | 31 | 32 | 32 | 2,463 |
| Property and equipment | 195 | 229 | 230 | 204 | 335 |
| TOTAL ASSETS | 17,770 | 19,391 | 21,502 | 21,788 | 36,969 |
| Due to banks and financial institutions | 2,689 | 2,427 | 2,954 | 2,595 | 6,181 |
| Sukuk payables and term financing | 499 | 320 | 315 | 217 | 784 |
| Depositors' accounts | 11,780 | 13,553 | 15,317 | 15,867 | 22,483 |
| Other liabilities | 728 | 848 | 814 | 803 | 1,235 |
| TOTAL LIABILITIES | 15,696 | 17,147 | 19,401 | 19,481 | 30,683 |
| Share capital | 634 | 698 | 767 | 844 | 1,342 |
| Share premium | 720 | 720 | 720 | 720 | 3,612 |
| Treasury shares | (44) | (36) | (28) | (28) | (42) |
| Reserves | 584 | 679 | 476 | 395 | 446 |
| TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK | 1,894 | 2,060 | 1,936 | 1,932 | 5,358 |
| Perpetual Tier 1 Capital Securities and Sukuks | 0 | 0 | 0 | 227 | 502 |
| Non-controlling interests | 180 | 183 | 165 | 149 | 427 |
| TOTAL EQUITY | 2,074 | 2,243 | 2,101 | 2,307 | 6,286 |
| TOTAL LIABILITIES AND EQUITY | 17,770 | 19,391 | 21,502 | 21,788 | 36,969 |

Consolidated Statement of Income 2018 - 2022

| Consolidated Statement of Income (KD million) | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------------------------------------------|------------|------------|------------|------------|--------------|
| Financing income | 862 | 932 | 893 | 871 | 1,322 |
| Financing cost and distribution to depositors | 335 | 401 | 279 | 286 | 522 |
| Net finance income | 527 | 530 | 614 | 586 | 801 |
| Investment income | 63 | 130 | -6 | 16 | 44 |
| Fees and commission income | 87 | 79 | 73 | 72 | 90 |
| Net gain from foreign currencies | 30 | 34 | 70 | 89 | 93 |
| Other income | 39 | 41 | 45 | 48 | 44 |
| Non-Financing Income | 219 | 284 | 182 | 225 | 272 |
| Total operating income | 746 | 814 | 796 | 811 | 1,072 |
| Staff costs | 178 | 182 | 172 | 184 | 209 |
| General and administrative expenses | 81 | 79 | 81 | 82 | 95 |
| Depreciation and amortisation | 33 | 43 | 43 | 42 | 45 |
| Total Expenses | 292 | 304 | 296 | 308 | 349 |
| Net Operating Income | 454 | 510 | 500 | 503 | 723 |
| Provisions and impairment | 163 | 197 | 284 | 135 | 62 |
| Net Monetary Loss | 0 | 0 | 0 | 0 | 128 |
| Profit Before Tax and Zakat | 291 | 313 | 216 | 368 | 534 |
| Taxation and Proposed Directors' fees | 27 | 51 | 31 | 58 | 99 |
| Non-controlling interests | 36 | 11 | 36 | 67 | 77 |
| Profit Attributable to Shareholders of the Bank | 227 | 251 | 149 | 243 | 358 |



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