Subject: Disclosure of Material Information

KFH: Analysts Conference Transcript  
Q 2 / 2021

In reference to the above, and in line with Kuwait Finance House ‘KFH’ interest in adhering to Boursa Kuwait Rulebook Article (7-8-1/4) regarding the Listed Companies Obligations (Analysts Conference), KFH would like to report the following:

• Further to the previous disclosure on 10 Aug 2021, the Analysts Conference Transcript for Q 2 / 2021 is attached.

Best Regards,

Abdulwahab Issa Al-Rushood
Acting Group Chief Executive Officer
### Disclosure of Material Information

<table>
<thead>
<tr>
<th>Date</th>
<th>Listed Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Aug 2021</td>
<td>Kuwait Finance House (KFH)</td>
</tr>
</tbody>
</table>

**KFH: Analysts Conference Transcript**

**Q 2 / 2021**

**Material Information**

- Further to the previous disclosure on 10 Aug 2021, the Analysts Conference Transcript for Q 2 / 2021 is attached.

**Effect of the Material Information on the Company's Financial Position**

- Significant Effect on the financial position shall be mentioned if the material information can measure that effect, excluding the financial effect resulting from tenders or similar contracts.

If a Listed Company, which is a member of a Group, disclosed some material information related to it and has Significant Effect on other listed companies' which are members of the same Group, the other companies' disclosure obligations are limited to disclosing the information and the financial effect occurring to that company itself.

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### الإفصاح عن المعلومات الجوهرية

<table>
<thead>
<tr>
<th>التاريخ</th>
<th>اسم الشركة المدرجة</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 أغسطس 2021</td>
<td>بيت التمويل الكويتي &quot;بيتك&quot;</td>
</tr>
</tbody>
</table>

**بيتك: محضر مؤتمر المجللين**

**الربع الثاني 2021**

**المعلومة الجوهرية**

- استكمالاً لإفصاحنا السابق بتاريخ 10 أغسطس 2021، مرفق محضر مؤتمر المجللين للربع الثاني 2021.

**أثر المعلومات الجوهرية على المركز المالي للشركة**

- يتم ذكر الأثر على المركز المالي في حال كانت المعلومات الجوهرية قابيلة لقياس ذلك الأثر. وستثبت الأثر المالي الناتج من المنافع والممارسات وما ينشأ من عقود.

إذا كانت شركة مدرجة ضمن مجموعة بالإفصاح عن معلومة جوهرية نفسها، فإن انتقال محضر على الشركات المدرجة ضمن المجموعة. فإن واجب الإفصاح على واجب الشركات المدرجة ذات العلاقة يقتصر على ذكر المعلومات والأثر المالي المرتب على تلك الشركة بعدها.
Earnings Presentation

10 August 2021
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1  Kuwait’s Operating Environment

2  Overview of KFH

3  KFH Strategy

4  H1-21 Financial Highlights

5  Appendix

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Economic Highlights

As at June 28th, over 3 million doses of the vaccine had been administered in Kuwait, which is enough to fully cover about 35% of the population, in line with the target of the health minister, to fully vaccinate 2 million of the 4.3 million population by September 2021. The vaccination program will continue into 2022 to inoculate the whole population. By the end of March 2021, the National Assembly has declared the Collateral Law with an estimated value of 224 million dinars as a security for Kuwaiti banks’ financing of affected owners of small, medium and micro enterprises in addition to frontline staffs’ remuneration estimated in 600 million dinars approximately.

Kuwaiti Crude Oil Price closed at USD 73.84 pb at the end of Q2-2021 higher by 103.2% Q-T-Q. Kuwait’s Long-Term Issuer Default Rating (IDR) remained solid as Moody’s rating was fixed at “A1” with a stable Outlook (Sep. 2020), while Fitch affirmed the ratings of Kuwait at “AA” with Negative Outlooks (February 2021) and S&P affirmed at “A+” with a negative Outlook (July. 2021).

The Central Bank of Kuwait (CBK) has maintained the discount rate at 1.5%. Boursa Kuwait Market Capitalization rose by 10.7% to reach KD 37.2 billion, while the market capitalization of KFH increased by 8.7% to reach KD 6.4 billion at the end of H1-2021 compared to Q1 2021.
Overview of KFH’s Awards & Ratings

Kuwait
- Best Islamic Project Finance Provider in the World*
- Global Finance

Regional
- Safest Islamic Bank in the GCC*
- Global Finance

Global
- Best Islamic Financial Institution in the World*
- Global Finance

Fitch Ratings
- Long-Term Issuer Default Rating A+
- Short-Term Issuer Default Rating F1
- NEGATIVE Outlook
  - 19 April 2021

Moody’s
- LT FC Bank Deposits Rating A2
- ST FC Bank Deposits Rating P-1
- STABLE Outlook
  - 24 March 2021

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Overview of KFH

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

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

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

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

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

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

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

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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 527 branches and over 1,629 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></td>
</tr>
<tr>
<td>Solid profit margins and improved efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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KFH Strategy

KFH’s main focus is on core banking business activities

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

Across all four main business sectors

- Retail
- Corporate
- Private
- Treasury
## Contents

1. Kuwait’s Operating Environment
2. Overview of KFH
3. KFH Strategy
4. H1-21 Financial Results
5. Appendix
# H1-21 Financial Highlights

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Profit for Shareholders</strong></td>
<td>KD 102.2 m</td>
<td></td>
</tr>
<tr>
<td></td>
<td>79.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Net Financing Income</strong></td>
<td>KD 291.8 m</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.3%)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Operating Income</strong></td>
<td>KD 248.0 m</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost to Income Ratio</strong></td>
<td>38.01%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>((H1-20: 36.24%))</td>
<td></td>
</tr>
<tr>
<td><strong>EPS (fils)</strong></td>
<td>12.21</td>
<td></td>
</tr>
<tr>
<td></td>
<td>((H1-20: 6.81\fils))</td>
<td></td>
</tr>
</tbody>
</table>
H1-21 Operating Performance

Net Profit for Shareholders (KD m n)
- H1-20: 56.9
- H1-21: 79.5%

Financing Income (KD m n)
- H1-20: 444.9
- H1-21: 436.8

Net Financing Income (KD m n)
- H1-20: 295.7
- H1-21: 291.8

(1.8)%

(1.3)%

Net Operating Income (KD m n)
- H1-20: 267.6
- H1-21: 248.0

(7.3)%

Investment Income (%)
- H1-20: 8.63%
- H1-21: 0.43%

Non-Financing Income (%)
- H1-20: 20.91%
- H1-21: 26.64%

Net Financing Income (%)
- H1-20: 70.46%
- H1-21: 72.93%

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H1-21 Operating Performance

Non-Financing Income (KD mn)
- Other Income
- Net Gain from Foreign Currencies
- Investment Income
- Fees and Commission Income

Total Operating Expenses (KD mn)
- Depreciation and Amortization
- Other Operating Expenses
- Staff Costs

C/I Ratio

H1-20, 38.01%
H1-21, 36.24%

H1-20, 36.24%
H1-21, 38.01%
H1-21 Operating Performance

Average Profit Earning
Assets (KD Bn)

Net Financing Margin

Provision and Impairment (KD mn)

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H1-21 Operating Performance

Total Assets (KD Bln)
- H1-20: 20.58%
- 2020: 21.50%
- H1-21: 21.55%

Financing Receivables (KD Bln)
- H1-20: 9.5%
- H1-20: 10.7%
- H1-21: 11.1%

Investment in Sukuk (KD Bln)
- H1-20: 3.4%
- H1-20: 2.7%
- H1-21: 2.7%

Depositors' Accounts (KD Bln)
- H1-20: 14.6%
- H1-20: 15.3%
- H1-21: 15.8%

Funding Mix
- Depositors Accounts:
  - H1-20: 82.2%
  - 2020: 82.4%
  - H1-21: 85.4%
- Due to Banks & FI's:
  - H1-20: 16.1%
  - 2020: 15.9%
  - H1-21: 13.2%
- Sukuk Payable:
  - H1-20: 0.2%
  - 2020: (19.7)%
  - H1-21: 0.2%
H1-21 Operating Performance

Return on Average Equity (%)

- H1-20: 5.80%
- H1-21: 10.90%

Return on Average Assets (%)

- H1-20: 0.67%
- H1-21: 1.28%

C/I (%)

- H1-20: 36.24%
- H1-21: 38.01%

EPS (fils)

- H1-20: 6.81
- H1-21: 12.21
Q&A
Appendix
### Consolidated Statement of Financial Position (KD million)

<table>
<thead>
<tr>
<th></th>
<th>H1-21</th>
<th>Dec-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with banks and financial institutions</td>
<td>2,958</td>
<td>2,491</td>
</tr>
<tr>
<td>Due from Banks</td>
<td>2,832</td>
<td>3,365</td>
</tr>
<tr>
<td>Financing receivables</td>
<td>11,086</td>
<td>10,748</td>
</tr>
<tr>
<td>Investment in sukuk</td>
<td>2,747</td>
<td>2,742</td>
</tr>
<tr>
<td>Trading properties</td>
<td>100</td>
<td>102</td>
</tr>
<tr>
<td>Investments</td>
<td>226</td>
<td>192</td>
</tr>
<tr>
<td>Investment in associates and joint ventures</td>
<td>496</td>
<td>521</td>
</tr>
<tr>
<td>Investment properties</td>
<td>346</td>
<td>351</td>
</tr>
<tr>
<td>Other assets</td>
<td>507</td>
<td>728</td>
</tr>
<tr>
<td>Intangible assets and goodwill</td>
<td>33</td>
<td>32</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>216</td>
<td>230</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>21,547</td>
<td>21,502</td>
</tr>
<tr>
<td>Due to banks and financial institutions</td>
<td>2,435</td>
<td>2,954</td>
</tr>
<tr>
<td>Sukuk payables</td>
<td>268</td>
<td>315</td>
</tr>
<tr>
<td>Depositors’ accounts</td>
<td>15,776</td>
<td>15,317</td>
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<tr>
<td>Other liabilities</td>
<td>806</td>
<td>814</td>
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<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>19,285</td>
<td>19,401</td>
</tr>
<tr>
<td>Share capital</td>
<td>844</td>
<td>767</td>
</tr>
<tr>
<td>Share premium</td>
<td>720</td>
<td>720</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(28)</td>
<td>(28)</td>
</tr>
<tr>
<td>Reserves</td>
<td>335</td>
<td>476</td>
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<tr>
<td><strong>TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</strong></td>
<td>1,871</td>
<td>1,936</td>
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<tr>
<td>Perpetual Tier 1 Sukuk</td>
<td>226</td>
<td>-</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>165</td>
<td>165</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>2,262</td>
<td>2,101</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td>21,547</td>
<td>21,502</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Income (KD million)

<table>
<thead>
<tr>
<th></th>
<th>H1-21</th>
<th>H1-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing income</td>
<td>437</td>
<td>445</td>
</tr>
<tr>
<td>Financing cost and estimated distribution to depositors</td>
<td>145</td>
<td>149</td>
</tr>
<tr>
<td><strong>Net finance income</strong></td>
<td>292</td>
<td>296</td>
</tr>
<tr>
<td>Investment income</td>
<td>2</td>
<td>36</td>
</tr>
<tr>
<td>Fees and commission income</td>
<td>36</td>
<td>33</td>
</tr>
<tr>
<td>Net gain from foreign currencies</td>
<td>49</td>
<td>37</td>
</tr>
<tr>
<td>Other income</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td><strong>Non-Financing Income</strong></td>
<td>108</td>
<td>124</td>
</tr>
<tr>
<td><strong>Total Operating Income</strong></td>
<td>400</td>
<td>420</td>
</tr>
<tr>
<td>Staff costs</td>
<td>93</td>
<td>89</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>38</td>
<td>41</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>21</td>
<td>22</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>248</td>
<td>268</td>
</tr>
<tr>
<td>Provisions and impairment</td>
<td>90</td>
<td>186</td>
</tr>
<tr>
<td><strong>Profit for the Period Before Taxation</strong></td>
<td>158</td>
<td>81</td>
</tr>
<tr>
<td>Taxation and Proposed Directors’ fees</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>34</td>
<td>9</td>
</tr>
<tr>
<td><strong>Profit Attributable to Shareholders of the Bank</strong></td>
<td>102.2</td>
<td>56.9</td>
</tr>
</tbody>
</table>

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## Consolidated Statement of Financial Position (KD million) 2015 - 2020

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with banks and financial institutions</td>
<td>1,600</td>
<td>1,495</td>
<td>1,262</td>
<td>1,381</td>
<td>1,910</td>
<td>2,491</td>
</tr>
<tr>
<td>Due from Banks</td>
<td>3,194</td>
<td>2,877</td>
<td>2,982</td>
<td>3,444</td>
<td>3,646</td>
<td>3,365</td>
</tr>
<tr>
<td>Financing receivables</td>
<td>8,085</td>
<td>8,176</td>
<td>9,159</td>
<td>9,190</td>
<td>9,474</td>
<td>10,748</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>
<td>2,742</td>
</tr>
<tr>
<td>Trading properties</td>
<td>214</td>
<td>186</td>
<td>161</td>
<td>148</td>
<td>108</td>
<td>102</td>
</tr>
<tr>
<td>Investments</td>
<td>508</td>
<td>357</td>
<td>304</td>
<td>285</td>
<td>195</td>
<td>192</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>
<td>521</td>
</tr>
<tr>
<td>Investment properties</td>
<td>580</td>
<td>591</td>
<td>554</td>
<td>490</td>
<td>455</td>
<td>351</td>
</tr>
<tr>
<td>Other assets</td>
<td>469</td>
<td>549</td>
<td>465</td>
<td>544</td>
<td>547</td>
<td>728</td>
</tr>
<tr>
<td>Intangible assets and goodwill</td>
<td>48</td>
<td>39</td>
<td>39</td>
<td>31</td>
<td>31</td>
<td>32</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>264</td>
<td>216</td>
<td>214</td>
<td>195</td>
<td>229</td>
<td>230</td>
</tr>
<tr>
<td>Leasehold rights</td>
<td>180</td>
<td>0</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>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>16,495</td>
<td>16,499</td>
<td>17,358</td>
<td>17,770</td>
<td>19,391</td>
<td>21,502</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>
<td>2,954</td>
</tr>
<tr>
<td>Sukuk payables</td>
<td>322</td>
<td>473</td>
<td>518</td>
<td>499</td>
<td>320</td>
<td>315</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>
<td>15,317</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>630</td>
<td>645</td>
<td>699</td>
<td>728</td>
<td>848</td>
<td>814</td>
</tr>
<tr>
<td>Liabilities directly associated with assets classified as held for sale</td>
<td>0</td>
<td>227</td>
<td>188</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>14,439</td>
<td>14,461</td>
<td>15,242</td>
<td>15,696</td>
<td>17,147</td>
<td>19,401</td>
</tr>
<tr>
<td>Share capital</td>
<td>477</td>
<td>524</td>
<td>577</td>
<td>634</td>
<td>698</td>
<td>767</td>
</tr>
<tr>
<td>Share premium</td>
<td>720</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>
<td>(28)</td>
</tr>
<tr>
<td>Reserves</td>
<td>632</td>
<td>615</td>
<td>620</td>
<td>584</td>
<td>679</td>
<td>476</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</strong></td>
<td>1,779</td>
<td>1,810</td>
<td>1,872</td>
<td>1,894</td>
<td>2,060</td>
<td>1,936</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>276</td>
<td>228</td>
<td>244</td>
<td>180</td>
<td>183</td>
<td>165</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>2,055</td>
<td>2,039</td>
<td>2,116</td>
<td>2,074</td>
<td>2,243</td>
<td>2,101</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td>16,495</td>
<td>16,499</td>
<td>17,358</td>
<td>17,770</td>
<td>19,391</td>
<td>21,502</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Income (KD million) 2015 - 2020

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Financing income</td>
<td>695</td>
<td>718</td>
<td>741</td>
<td>862</td>
<td>932</td>
<td>893</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>
<td>279</td>
</tr>
<tr>
<td><strong>Net finance income</strong></td>
<td>432</td>
<td>435</td>
<td>445</td>
<td>527</td>
<td>530</td>
<td>614</td>
</tr>
<tr>
<td>Investment income</td>
<td>108</td>
<td>79</td>
<td>107</td>
<td>63</td>
<td>130</td>
<td>-6</td>
</tr>
<tr>
<td>Fees and commission income</td>
<td>79</td>
<td>89</td>
<td>97</td>
<td>87</td>
<td>79</td>
<td>73</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>
<td>70</td>
</tr>
<tr>
<td>Other income</td>
<td>59</td>
<td>34</td>
<td>48</td>
<td>39</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td><strong>Non-Financing Income</strong></td>
<td>271</td>
<td>225</td>
<td>268</td>
<td>219</td>
<td>284</td>
<td>181</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td>703</td>
<td>660</td>
<td>713</td>
<td>746</td>
<td>814</td>
<td>796</td>
</tr>
<tr>
<td>Staff costs</td>
<td>172</td>
<td>174</td>
<td>188</td>
<td>178</td>
<td>182</td>
<td>172</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>81</td>
<td>84</td>
<td>83</td>
<td>81</td>
<td>79</td>
<td>81</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>78</td>
<td>37</td>
<td>35</td>
<td>33</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>330</td>
<td>295</td>
<td>305</td>
<td>292</td>
<td>304</td>
<td>296</td>
</tr>
<tr>
<td><strong>Net Operating Income</strong></td>
<td>372</td>
<td>365</td>
<td>408</td>
<td>454</td>
<td>510</td>
<td>500</td>
</tr>
<tr>
<td>Provisions and impairment</td>
<td>184</td>
<td>157</td>
<td>163</td>
<td>163</td>
<td>197</td>
<td>284</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>
<td>0</td>
</tr>
<tr>
<td><strong>Profit Before Tax and Zakat</strong></td>
<td>211</td>
<td>186</td>
<td>245</td>
<td>291</td>
<td>313</td>
<td>215</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>
<td>31</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>44</td>
<td>(3)</td>
<td>30</td>
<td>36</td>
<td>11</td>
<td>36</td>
</tr>
<tr>
<td><strong>Profit Attributable to Shareholders of the Bank</strong></td>
<td>146</td>
<td>165</td>
<td>184</td>
<td>227</td>
<td>251</td>
<td>148</td>
</tr>
</tbody>
</table>

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Kuwait Finance House

Earnings Webcast Transcript
Q 2 / 2021

Tuesday 10 August 2021
2:00 pm Kuwait Time

الثلاثاء الموافق 10 أغسطس 2021
الساعة 2 طبقاً بتوقيت الكويت
Welcome to the H1-2021 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 Finance House Group. I am Fahad Al-Mukhaizeem, Group Chief Strategy Officer (GCSO).

Speaker from Kuwait Finance House executive management:
- Mr. AbdulWahab Al-Roshood, Acting Group Chief Executive Officer (GCEO), Group Chief Treasury Officer (GCTO).
- 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:
- HSBC
- NBK Capital
- CI Capital
- Bloomberg Intelligence
- EFG Hermes
- CI Capital
- Bloomberg intelligence
- EFG Hermes
- HSBC
- CI Capital
- Bloomberg Intelligence
- EFG Hermes
- CI Capital
- Bloomberg intelligence
- EFG Hermes
- HSBC
- CI Capital
- Bloomberg Intelligence
- EFG Hermes

The beginning of the live webcast text:
Good afternoon ladies and gentlemen and welcome to the Kuwait Finance House H1-2021 results webinar. This is Ahmed El Shazly from EFG-Hermes and it is a pleasure to have with us on the call today:
- Mr. AbdulWahab Al-Roshood, Acting Group Chief Executive Officer (GCEO), Group Chief Treasury Officer (GCTO).
- Mr. Shadi Zahran, (GCFO)
- Mr. Fahad Al-Mukhaizeem, (GCSO)

And we are also joined today by the following attendees:
- Fiera Capital
- Al Rayan Investment
- Franklin Templeton
- HSBC
- Introspect Capital
- NBK Capital
- Bloomberg Intelligence
- EFG Hermes

Among other institutions as well...
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 H1-2021 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. We’ll also share with you KFH’s strategy, as well as H1-2021 results.
• Most countries are now seeing an economic recovery, which will accelerate from the second half of 2021 as immunization rates continue to climb quickly across the world, after the recession in 2020. According to the latest forecasts by the International Monetary Fund (IMF) in April 2021, Kuwait GDP will rebound by 0.7% in 2021 (up from negative 0.1% in 2020) and 3.2% in 2022.

• Kuwait’s Sovereign wealth fund ranked the first in terms of asset value among the Arab countries and the third in the world with 692.9 billion US dollars according to Forbes Middle East.

• As of June 28th, over 3 million doses of the vaccine have been administered in Kuwait, which is enough to fully cover about 35% of the population, in line with the target of the ministry of health, to vaccinate 2 million of the 4.3 million population by September 2021, and the vaccination program will continue into 2022 in an attempt to inoculate the whole population.

• For interest rates, the Central Bank of Kuwait kept interest rate at 1.5% after the last cut of 100 basis points on the 16th of March 2020.

• Further “KFH” enjoys a high creditworthiness, Fitch Ratings affirmed Kuwait Finance House Long-Term Issuer Default Rating at ‘A+’ with a Negative Outlook as a result of revising the outlooks on 11 Kuwaiti banks to Negative from Stable, following a similar action on Kuwait’s sovereign rating on 2 February 2021, and Moody’s assigned A2 long-term deposit rating with a Stable Outlook.

• In addition, KFH Group has recently been named as the Best Islamic Financial Institution in the World by Global Finance Magazine, the Bank of the year in the Middle East and in Kuwait by The Banker, and the Best Domestic bank in Kuwait by AsiaMoney.

• As a part of our sustainable development strategy, KFH has successfully contributing to different strategic initiatives which reflected positively on society and the national economy, such as the KD 20 mln initiative to pay the debts of defaulting debtors, in addition to its excellence in various aspects of social responsibility.

• KFH keeps focusing on developing the products and services provided to its customers and is keen to continue adopting banking digitization in collaboration with FinTechs, employing Artificial Intelligence and robotics, and keeping pace with developments in the global banking industry.

• The digitization of banking operations contributes to raising the efficiency of performance, enhancing financial inclusion, increasing productivity, and reducing costs, and thus enhancing profitability. KFH is moving forward by investing in emerging technologies and FinTech companies, to maintain the lead on competitors and achieve customer’s aspirations in such a rapidly changing and evolving environment.

• Although, KFH has launched a project to develop the sustainability strategy to integrate with business strategy of KFH, paying attention to the efficiency of risk management, developing human resources, enhancing the transparency and credit rating through the 7th sustainability report according to the latest global principles and criteria.

With this, let me hand over to our Acting Group CEO Mr. AbdulWahab Al-Roshood.
Mr. Abdul Wahab Al-Roshood:
Thank you, Fahad. Good day ladies and gentlemen. It's my pleasure to welcome you all to our H1-2021 earnings call.

- KFH has, by the grace of Allah, reported net profit of KD 102.2 Million for KFH shareholders; that represent an increase of 79.5% compared to the same period last year.
- Earnings per share reached 12.21 fils; an increase of 79.3% compared to the same period of last year.
- Total operating expenses for the first half of the year stabilized to reach 152.1 Million at the same level for the comparative period.
- Financing receivables reached KD 11.1 Billion, an increase of KD 338.8 million or 3.2% compared to the year end 2020.
- Investment in Sukuk reached KD 2.7 Billion; an increase of 0.2% compared to year end 2020.
- Total assets reached KD 21.5 Billion, while Depositors' accounts reached KD 15.8 Billion, an increase of KD 459 million or 3.0% compared to end of year 2020.
- The first half positive results reflect the financial strength and creditworthiness of KFH. The figures also confirm the efficiency of KFH’s operational performance and its business model as well as the tangible improvements achieved by the bank in digital transformation and various strategic initiatives.
- KFH successfully issued USD750 million AT1 Mudaraba Sukuk, the largest issuance in Kuwait in terms of size, the received subscription orders reached USD 2 billion, close to 3 times the targeted issue size. That Mudaraba Sukuk aims to support KFH’s Tier 1 capital, diversify its financing resources, increase its financial and investment capabilities, support the infrastructure projects and the local productive economic sectors as well as help customers with their expansion plans regionally and globally.
- KFH plays its role as a main pillar in supporting the national economy and the development plans in Kuwait and the region by participating in project financing and providing a wide range of banking and financing solutions, including trade finance, contracts, SMES, and business banking, in addition to large companies and development projects.
- For more details regarding the Acquisition, we have disclosed to the regulatory authorities and the market the latest developments in this regard. 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 hand over the mic to Group’s Chief Financial Officer, Mr. Shadi Zahran and he will present the financial results up to H1-2021 in details and answer any of your questions afterwards.

Mr. Shadi Zahran:
Thank you, Mr. Abdulwahab, ASA and good day everyone, I’ll be presenting the financial performance of KFH group for the first half of 2021.

The Group has achieved Net Profit After Tax attributable to Shareholders for the period ended 30th June 2021 of KD 102.2 million higher by KD 45.3mm or 79.5% compared to H1-2020 of KD 56.9mm.

Thank you, Fahad. Good day ladies and gentlemen. It’s my pleasure to welcome you all to our H1-2021 earnings call.
• The higher profits is mainly from lower provisions and higher FX income offset by lower investment income.

• We will cover the details on these items later in this presentation.

• Net financing income has witnessed a slight decrease by KD (4)mn or (1.3%) compared to same period last year. Financing income is comparatively lower primarily due to the impact of decrease in local and international benchmark rates started from Q2-20.

• The decrease in COF is mainly due to decrease in benchmark rates across the globe, and improvement in CASA deposits at Kuwait and group level.

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• Net Operating income at KD 248.0mn decreased by KD (19.6)mn or 7.3% compared to same period last year; the decrease is mainly from Investment income by KD (34.5)mn offset by the increase in Net gains from foreign currencies by KD 12.4mn and fees & commissions by KD 2.9mn.

• The decrease in investment income by KD (34.5)mn is mainly due to loss on Islamic derivative transactions (mainly currency & commodity swaps entered by our subsidiary Kuwait Turk) partly offset by increase in other investment income.

• Despite the slight decrease in net financing income, contribution of net financing income to operating income increased from 70% to 73%.

• Moving on to the next slide, non-financing income dropped from KD 124mn for same period last year to KD 108.3mn lower by 12.7% mainly due to lower investment income.

• Total Operating Expenses at KD 152.1mn has been maintained at same comparative period level due to rationalization of certain expenses on account of COVID-19 enforced changes to normal business activities.

• The reduction in operating income resulted in an increase in Cost to income ratio to 38.01% (FY 2020 was 37.21% and H1-20 was 36.24%).

• At KFH-Kuwait, C/I ratio at 30.5% is still below both the local Islamic Banks average of 42.6% and local conventional Banks average of 41.1% (calculated from published financials for Q1-21)

• Average Yielding Assets is up by 3.9% compared to both H1-20 and 2020, resulted mainly from the growth in Financing receivables. (avg. financing receivables is up by KD 0.4bn compared to 2020 and by KD 0.7bn compared to H1-20).

• Group NFM at 2.94% shows (28)bps decrease over H1-20 average of 3.22%.

• The reduction in rental income and decrease in the rent earned on our offices in the City Center is mainly due to the impact of COVID-19.

• The decrease in profit from Interest and fees on account of lower provisions and higher FX gains is mainly from the reduction in Operating Income.

• We have not dealt with the OPEX items, mainly due to the impact of COVID-19 and consequent reduction in various expenses. The OPEX items will be dealt with in the separate presentation on the OPEX items.

• The decrease is mainly due to decrease in benchmark rates across the globe, and improvement in CASA deposits at Kuwait and group level.

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• The $25.8bn reduction in operating income resulted in an increase in Cost to expenses on account of COVID-19 enforced changes to normal operations.

• The higher profits is mainly from lower provisions and higher FX income offset by lower investment income.

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• Group NFM at 2.94% shows (28)bps decrease over H1-20 average of 3.22%.
- Average Yield decreased by (65)bps due to the full impact of the drop in DR by CBK, Fed rates and market rates. However, average COF decline by 30bps due to increase in CASA deposits in the major entities of the group.

- Looking at provisions and impairments, group total impairment charge decreased by KD 96.2mm or 52% to reach KD 90mm for H1-21.

- Credit provisions charge net of recoveries for H1 2021 amounted to KD 92.5mm an increase of KD 0.6mm from KD 91.9mm in H1 2020. The Group has continued to adopt cautious approach towards provisioning and recorded precautionary general provision to address the COVID-19 related uncertainties.

- Impairment related to investments and others reduced by KD 96.8mm with net recovery of KD (2.5)mm recorded in H1 2021 compared to charge of KD 94.3mm in H1 2020. This decline is mainly due to reversal of expected credit losses on Sukuk portfolio of KD 22.4mm during the current period due to improvement in macro-economic factors.

- Here I’d like to highlight that the current credit provisions level in KFH group books exceeds ECL required as per CBK IFRS 9 by KD 291mm as of June 2021.

- Total Assets at KD 21.5bn increased marginally by KD 0.1bn or 0.2% in H1-21.

- Financing receivables at KD 11.1bn increased by 3.2%.

- Growth in financing receivables mainly in Kuwait in both; Corporate and Retail, while decline in Turkey mainly due to devaluation of Turkish Lira. Overall growth in financing receivable without impact of TL devaluation was around 5.8%.

- Investments in Sukuk at KD 2.7bn is maintained at the 2020 level.

- Additionally, deposits for H1-21 at KD 15.8bn are KD 0.5bn or 3% above 2020 level. Growth in Deposits without impact of decline in Turkish Lira was 4.2%.

- The group was able to maintain favorable deposits mix with healthy contribution from CASA deposits at 53.3% of total group deposits as at the end of H1-21 as well as at YE 2020. and is up by 2.8% from H1-20 level of 50.5%.

- It is also worth to mention that KFH Kuwait dominates the saving accounts with market share of 40.9% (as per CBK latest published reports, May-21).

- Customer deposits as a percentage of total funding at 85.4% reflects healthy funding mix and shows robust liquidity.

- An efficient capital management with a target of 22.5% of Tier 1 capital adequacy for the group to fund the growth, and to maintain a strong capital base to support growth.

- The Group has continued to adopt cautious approach towards provisioning and recorded precautionary general provision to address the COVID-19 related uncertainties.

- Impairment related to investments and others reduced by KD 96.8mm with net recovery of KD (2.5)mm recorded in H1 2021 compared to charge of KD 94.3mm in H1 2020. This decline is mainly due to reversal of expected credit losses on Sukuk portfolio of KD 22.4mm during the current period due to improvement in macro-economic factors.

- Here I’d like to highlight that the current credit provisions level in KFH group books exceeds ECL required as per CBK IFRS 9 by KD 291mm as of June 2021.

- Total Assets at KD 21.5bn increased marginally by KD 0.1bn or 0.2% in H1-21.

- Financing receivables at KD 11.1bn increased by 3.2%.

- Growth in financing receivables mainly in Kuwait in both; Corporate and Retail, while decline in Turkey mainly due to devaluation of Turkish Lira. Overall growth in financing receivable without impact of TL devaluation was around 5.8%.

- Investments in Sukuk at KD 2.7bn is maintained at the 2020 level.

- Additionally, deposits for H1-21 at KD 15.8bn are KD 0.5bn or 3% above 2020 level. Growth in Deposits without impact of decline in Turkish Lira was 4.2%.

- The group was able to maintain favorable deposits mix with healthy contribution from CASA deposits at 53.3% of total group deposits as at the end of H1-21 as well as at YE 2020. and is up by 2.8% from H1-20 level of 50.5%.

- It is also worth to mention that KFH Kuwait dominates the saving accounts with market share of 40.9% (as per CBK latest published reports, May-21).

- Customer deposits as a percentage of total funding at 85.4% reflects healthy funding mix and shows robust liquidity.
أريد أن أبين هنا بأن بنك الكويت المالك في عام 2021 مبلغ 750 مليون دولار آمريكي وحال نتائج التحقيق وتحقيق نتائج 3.6% سنوياً وذلك لتوفير مصادر التمويل وتعزيز نسبة رأس المال والنصب القانوني الأخرى.

في الشريحة الأخيرة والمذكورة مؤشرات الأداء للمجموعة أين نحن نعكس النجاح في الربحية بالنسبة للتكلفة / الدخل التي تراجعت قليلاً كما تم توضيح سابقاً.

- زاد العائد على متوسط الأصول من 5.80% إلى 6.58%.
- زاد العائد على متوسط الأصول من 0.67% إلى 1.28%.
- نسبة الكلفة / الإيرادات من 36.24% إلى 38.01%.
- ربحية السنوم من 6.8 إلى 12.2 فلس.

نسبة التكاليف غير المستقلة بشكل طفيف تصل إلى 2.22% (وفقاً لحسابات بنك الكويت المركزكي) مما في النصف الأول من عام 2021 مقارنة بنسبة 2.0% في عام 2020.

بلغت نسبة تغطية المشروعات للجميعة 245% للفترة الأولى من عام 2021 مقابلة 223% لعام 2020.

وإذا كان نجح الجرة الخاص بالنظام المالية شكركم. أحمد الشناوي: نذكروا مرة أخرى راجوا أكتبوا أسئلتك في المعرض الخاص

الأسئلة والأجوبة

سؤال: (إدمعون كريستو)

أنتج فائض المشروعات المتسقة وفيك بنك الكويت المركزكي من تلك المطلوبة وفقاً للعباء النظري للفترة المالية 2021، ونفقاً بنك الكويت المركزكي في المحفظة المغطاة بنسبة 45% في الفئة الثانية مقارنة بنسبة 40% خلال الربع الأول. وإذا كانت حصصاً صحيحة فإن هذا يعتبر انجازاً قوياً، هل تتوقع أن تعمل هذه التغطية القوية والتحسن في الأصول الذي لاحظنا مؤخراً على دعم ومساءدة تكفل الخسائر على أقل من مستوى النصف الأول؟

جواب: (1)

أنا اتفق معك على أن النسبة 45% عبارة عن نسباً عاليًا اهتمامًا ولكننا نزال نراهن بشكل محدود. كما ذكرت مصوصات الامتياز الجيد في دفاتر مجموعة "بنك" بطاح مركزي المغطاة وفقاً للعباء النظري 45% (لا يتأثر بتعزيزات بنك الكويت المركزكي) بقيمة 246 مليون دينار، وقد كانت 246 مليون دينار في الربع الأول وافق دفا ثابت للعوامل المادي. كما تزود في 2020 و2021 نجوم مصوصات إنجازات حيث تم تسجيل بعض التغطيات الإيجابية على مستوى حسابات محددة لبعض العمليات، مما أدى إلى زيادة التخفيضات بشكل غير مباشر وغير مفروض، لأن عندما نحن نحن مصوصات معينة يتعامد مع جيد ومثابرة من انا إجراءنا قدرنا عام 2021 للاستفادة من بعض تحسينات النصيحة، أكرر نحن نحن يمكن أن تكون لدينا مصوصات معينة على مستوى المحافظة ولدينا أيضاً مصوصات مرتبطة بعض الجوانب كيفية.

فيما يتعلق بنك الخسائر في الأجاهدة لم نكون مستمرون بالثبات في الجولات في 2021 نحن نرى بأن الجرو الصعب قد أُفتتح ولكننا نرى أيضاً أنه ليس من المحتمل إصدار أحكام مشابهة في تكمس تكمس المال عام 2021.
Question (2): Edmond Christou

Can you please repeat the NPL ratio as per CBK rules?

Answer (2):

- As per CBK rules, it is 2.22% and if you look at it from the financials its very close to that, its 2.27% as well.

Question (3): Edmond Christou

Do you see CIR edging toward 37% by year end? some guidance would be appreciated

Answer (3):

The cost income ratio we came from before Covid was at a very good level, if you recall the 2014 and before, it was 51% and we managed to reduce it before Covid and we successfully reached the level of 36%, and then maintained it during Covid because of the management actions in managing the operating costs. Now because of the drop in the first half mainly in the operating income and that is impacted by mainly two items: the drop in Net Financing Income and the Investment Income and both are associated with Covid, then we started seeing back at the 38% level. My expectation is that we will stay at that level to the yearend, 38% level, as long as the impact of Covid, especially in the Investment Income and the Net Financing Income continues. But if you look at the expenses, we managed to maintain at the same level for the first half exactly the same level compared to last year’s H1.

Question (4): Elena Sanchez

Can you please elaborate on the drivers of lower asset yields in 2Q21 vs. 1Q21? Was it driven by Kuwait or international segment?

Answer (4):

Actually both, it’s not only Kuwait and its actually as I said. We start to see the full impact of the repricing and drop in the rates in general, that was started last year in the late Q1 I think in March and after. Last year you see the impact of only 3 months; now we see the impact of 6 months for the current H1 compared to the first half in last year’s, so that’s the main reason. It’s the full impact of the drop in rates including market rates in the H1.

Question (5): Rakesh Tripathi

Has NPL ratio declined from 2.6% at end of Q1 to 2.22% now? could you please reconfirm if coverage level is 245% at end of H1?

Answer (5):

- Yes, the coverage I confirm is 245%. Coverage from provisions only on the NPL; 245% which is very solid as you see and very healthy position. And yes I confirm NPL dropped to 2.22% as per CBK and as I mentioned just now 2.27% as per your calculations and normal calculations as per financials. You know CBK has a bit different calculation so 2.22% yes, is our NPL as per CBK calculation for as end of H1 2021.

Question (6): Elena Sanchez

- He have pumped a few of the questions, please reconfirm if coverage level is 245% at end of Q1?

Answer (6):

- Coverage level is 245%.

- Yes, the coverage I confirm is 245%. Coverage from provisions only on the NPL; 245% which is very solid as you see and very healthy position. And yes I confirm NPL dropped to 2.22% as per CBK and as I mentioned just now 2.27% as per your calculations and normal calculations as per financials. You know CBK has a bit different calculation so 2.22% yes, is our NPL as per CBK calculation for as end of H1 2021.

- He want to confirm if coverage level is 245% at end of H1?

Answer (6):

- Yes, the coverage I confirm is 245%. Coverage from provisions only on the NPL; 245% which is very solid as you see and very healthy position. And yes I confirm NPL dropped to 2.22% as per CBK and as I mentioned just now 2.27% as per your calculations and normal calculations as per financials. You know CBK has a bit different calculation so 2.22% yes, is our NPL as per CBK calculation for as end of H1 2021.
Question (6): Elena Sanchez

- Could you give some guidance on net financing margin for 2H21? Would the recent sukuk contribute to lower funding costs?

Answer (6):

- Net Financing Margin, as expected earlier, we are still seeing contraction of overall yield at the group level. As I said this is in-line with our expectation as new assets are booked at lower profit rates, and assets maturing during the period were re-priced at lower market rates. On the other side, the funding cost side, has remained stable as you witnessed and we highlighted this before, it was for the reduction Cost of Funds for two reasons: from the rates and reduced profitability related to Covid which reduced the Cost of Funds on Mudaraba Deposits as well as the improved CASA and this now we have the full impact of it, so I don’t expect further significant change if there is more improvement in Cost of Funds but in the Yield we still have maybe some further decline which would impact the NFM to be declined further. So, I expect in general, maybe answering your question, the NFM would be around 2.8% for the H2, mainly due to the contraction in Yield.

Question (7): Rakesh Tripathi

- Can you please also confirm the CET1 and CAR levels at end of H1?

Answer (7):

- Our CAR level was actually at a very high level compared to regulatory for H1 was 18.58%; 17.53% for 2020. Partially enhanced from the issuance of AT1 Sukuk during the period which we mentioned the USD 750 million. Tier 1 is 17.28% compared to 15.97% for 2020.

Question (8): Waruna Kumarage

- How significant was the impact of higher KFH profitability on the Funding Cost? Is this a major factor for the drop in Net Financing Margin?

Answer (8):

- Ok, this is a good question, but I mentioned part of it. Yes, there is an impact of increasing profitability as I used to explain. We at KFH represent real Islamic banking model and we have significant Mudaraba based Deposits which participate in the profits, so when the profits increase accordingly, they distributable profits increase and then the Cost of Fund increase for those Mudaraba deposits. As you see the profit increased, but still the Cost of Funds improved and that’s because of the increase in Mudaraba cost due to increase in profit is offset from increase in CASA deposits.

- So yes, there is an impact but that’s offsetted by further improvement in CASA, not as a percentage but as the increase in Deposits. Still with increase of deposits, CASA maintained at 53.3% so that helped a lot to mitigate the impact from the Cost of Funding and Financing Margin. But as I said the major factor for the drop in the Net Financing Margin or contraction is the Yield actually, the full impact of the re-pricing of the credit portfolio because if you compare to last year, that drop was significant but started from March, end of March-2020 actually, it impacted only one quarter while this year impact is full 6 months.

Question (6): Elina Santos

- Has the net profit in H1 dropped significantly compared to the same period last year? If yes, could this be attributed to the Covid-19 pandemic?

Answer (6):

- Yes, there has been a significant drop in net profit in H1 compared to the same period last year, primarily due to the Covid-19 pandemic. However, it’s important to note that the negative impact was mitigated by the resulting increase in Mudaraba deposits. This has allowed us to maintain a stable funding cost, which is crucial for our operations.

Question (7): Rakesh Tripathi

- Can you also provide the CET1 and CAR levels at the end of H2?

Answer (7):

- Our CET1 and CAR levels at the end of H2 were maintained at 17.53% and 18.58%, respectively. These levels are well above the regulatory requirements and reflect our strong capital position.

Question (8): Latha Tripathi

- How has the Net Financing Margin evolved over the past year, and what strategies have been implemented to mitigate any negative effects?

Answer (8):

- Over the past year, we have seen a decline in the Net Financing Margin due to the effects of Covid-19. To mitigate these effects, we have implemented strategies to increase Mudaraba deposits and optimize our credit portfolio, which has helped to maintain a stable funding cost.
Question (9): Aybek Islamov

- What are your expectations for Net Interest Income (NII), Net Special Commission Income in H2-21? H1-21 performance in NII doesn't look strong. Why?

Answer (9s):

- As I mentioned this is actually all related to the same question "The Yield" for us its Net Financing Income, not Net Interest Income and that's just because of the reduction in the Yield. You see we have our portfolio growth above 3% and if I consider also the Turkish Lira impact the growth will be 5.8%, so that's very good growth for 6 months in the financing portfolio. But what actually really impacted the Net Financing Income is the Yield, the lower Yield as I explained, and as I said I expect to go further in the Net Financing Margin to reach 2.8% level for the H2 compared to 2.94% now for the H1.

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.....