



To: Boursa Kuwait
Peace, Mercy and Blessings of Allah

السادة / بورصة الكويت المحترمين
السلام عليكم ورحمة الله وبركاته

Subject: Disclosure of The KFH's Analysts
Conference For Q1/2018

الموضوع: الإفصاح عن مؤتمر المحللين
للتربع الأول 2018

In reference to the above, and in interest of Kuwait Finance House "KFH" at adhering to Article 8-4-2/4 of Boursa Kuwait Role Book, KFH would like to report the following:

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

Kuwait Finance House has conducted the Analysts Conference at 2 p.m. on Thursday 3 May 2018.

عقد بيت التمويل الكويتي مؤتمر للمحللين عن طريق بث مباشر على شبكة الإنترنت وذلك في تمام الساعة 2 بعد ظهر يوم الخميس الموافق 3 مايو 2018.

Attached is the Conference Minutes of Meeting and the Investors Presentation Q1/2018.

مرفق محضر المؤتمر والعرض التقديمي للمستثمرين للتربع الأول 2018.

Best Regards,

وتفضلوا بقبول فائق الاحترام،

Mazin S Al Nahedh

مازن سعد الناهض



بيت التمويل الكويتي
Kuwait Finance House



First Quarter 2018 – Kuwait Finance House Earnings Webcast Transcript
Thursday, May 3rd 2018 @ 14:00 Kuwait Local Time

Transcript of Kuwait Finance House earnings conference call which took place on Thursday, May 3rd, 2018 at 14:00 Kuwait Local Time.

Speakers from Kuwait Finance House executive management:

Mr. Mazin Al-Nahedh - Group Chief Executive Officer, KFH

Mr. Shadi Zahran - Group Chief Financial Officer, KFH

Mr. Fahad Al-Mukhaizeem - Group Chief Strategy Officer, KFH

Moderator:

Fawaz Alsirri – Managing Partner, Bensirri Public Relations

Here is the list of attendees to the KFH webcast:

Abu Dhabi Commercial bank

Abu Dhabi Investment Authority

Ajeej Capital DIFC Ltd.

Al Rayan Investment

Alaman Investment

Arqaam Capital

Bank Muscat

Bank Sinopac

Bensirri PR

Capital Investments

Dark Horse Capital

Derayah Financial

Dubai Islamic Bank

EFG-Hermes

Exotix Capital

Fiera

Franklin Templeton

Franklin Templeton Investments

Global Investment House

Goldman Sachs

HSBC

Moody's

Nasdaq

NBK Capital

Qatar Insurance Co.

S&P Global Ratings

Wafra International Investment Company

START

Fawaz Alsirri:

Hello and welcome to the Kuwait Finance House call to discuss the bank's earnings for the first quarter of 2018, which were released on April 29. My name is Fawaz Al Sirri, I'm the moderator on the call today and I'm joined with today's speakers: Mr. Mazin Al-Nahedh, the Group CEO for the bank, Mr. Shadi Zahran, the Group CFO, and Mr. Fahad Al-Mukhaizeem, the Group Chief Strategy Officer.

And we have analysts and investors from the following institutions joining us online. If you just give me a second, so I can give you an updated look. We have analysts and investors from Franklin Templeton, Wafra Investments, Goldman Sachs, EFG Hermes Arqaam Capital, HSBC and a few of the local and international banks. And a warm welcome to everyone.

I will soon hand over the mic to Fahad to kick off the call, but before I do, I want to take you through the format of the call. For the next 10 to 20 minutes, the speakers will make their respective statements on the bank's Q1 earnings. Afterwards, a Q&A session will take place immediately. To participate in the Q&A segment, just type in your question on your screen and at any time during the presentation and we will address it during the Q&A session.

One last item before I hand over to Fahad. Some of the statements that will be made today may be forward looking. Such statements are based on KFH's current expectations, predictions and estimates, and are not guarantees of future performance, achievements or results. With that said, Fahad the mic is yours.

Fahad Al-Mukhaizeem:

Thank you Fawaz and good afternoon ladies and gentlemen. We welcome you all to the first quarter 2018 earnings call for Kuwait Finance House Group. As Fawaz mentioned, we're joined today by our Group CEO, Mr. Mazin Al-Nahedh and our Group CFO, Mr. Shadi Zahran. Today, we'll be covering highlights of the Kuwait operating environment with an overview of KFH and the first quarter business highlights. We'll also share with you KFH's strategy, as well as the first quarter financial results. Finally, we'll have time to answer your incoming questions.

Looking at Kuwait economic indicators, as you can see the GDP value is expected to reach 41.5 billion KD in 2018, with an increase of 6% over the past five years. Government capital expenditure in 2017 reached almost 8.9 billion KD and grew by

almost 28% over 2013 numbers. On the other hand, Kuwait's sovereign wealth fund assets have been growing at a 3% range. As far as the Kuwait credit market, the two biggest sectors, we can see are personal facilities making up 42% and construction and real estate comprising 28% of the total. With the rest of the sectors distributed over the remaining 30%.

As an overview of Kuwait Finance House Group, the bank maintains either the top or second position between competitors within the local or regional markets. Being the first and largest Sharia compliance bank in Kuwait, second largest in the world by assets. In terms of an overview in our geographical distribution, we have over 486 branches worldwide. This includes subsidiary banks in various countries covering different continents. In Turkey, for example, covering Asia and Europe and in Germany, we have our bank in Malaysia to cater to the far east. Finally our GCC presence includes Bahrain for example and in addition to the head office in Kuwait.

For KFH strengths, as you see there are many. However we'd like to focus on those key points which benefit our customers. Strong relationship with our clients, strong government sponsorship and at the same time, we have maintained our robust financial performance, which has supported our stock price and led to KFH being segmented as part of the premier market in Boursa Kuwait.

For the key business highlights, we've launched a variety of products and services to benefit our clients and solidify our partnership with them. We've also received many awards on international and regional levels from top institutions. KFH participated in numerous CSR activities including cooperation with the Red Cross Society and other humanitarian efforts. We have further focused on information technology, where we work diligently on upgrading our systems in a very dynamic way.

Now, I'll hand over to our group CEO, Mr. Mazin Al-Nahedh.

Mazin Alnahedh:

Thank you. Good day ladies and gentlemen. It's my pleasure to be here on our debut conference call with the analysts and in regards to our strategy at KFH, it's a journey that we have been embarking over the last three years, basically focusing on three main pillars. Number one, focusing on asset quality and improvement of our efficiencies within the bank and over that period, we've seen a significant improvement. But focusing on going forward. As far as KFH is concerned, the main priority for it is investments in fintech and the digital transformation of the bank. We look to have a customer centric approach towards our fintech. We are investing heavily into that, whether internally or through venture capital funds, to basically bring the latest technology to benefit our clients.

Second, we are focusing on operational excellence. Again, increasing the technology aspect of it. Using technologies such as robotics, such as data analysis and artificial intelligence as much as possible to improve on our delivery of goods and services to our clients, and to make sure that the operation given the complexity of the compliance environment with banks, that would make our job much easier to monitor such activities.

The third element and the most important one is focusing on staff and customers, and with that making sure that our staff engagement at the organization is at the highest level, so our staff can actually cater better to our customers and deliver the best service there is. With that, I'll hand it over to our Group CFO, Mr. Shadi Zahran, who will go through the numbers of Q1 and looking forward to your questions following that.

Shadi Zahran:

Salam Alaikum, good day ladies and gentlemen, I'm Shadi Zahran, the Group CFO of KFH. I'll be covering the financial part. KFH group continued the trend and the momentum of the double digit growth in the balance sheet as well as in the P&L. For the net profit, for the first Quarter of the 2018, the net profit attributable to shareholders stood at 44 million KD, which has increased by 5.4 million, 13.9% as compared to same period of last year, March '17.

And that resulted from mainly from an increase in net financing income by 38.3 million Kuwaiti dinars, offset by the decrease in investment income by KD 15.9 million and higher provisions by KD 4.2. We'll come to more details about these two parts, the investment income and provisions in the next slides. The operating income at 189, as we see on the same slide, KD 189.1 million. It increased by 20.5 million KD, which is 12.2%, mainly resulting from an increase in net financing income as I said, which represents now the net financing income 73.2% of the total operating income versus 59.4% last year and that's actually an evidence of the successful implementation of the group strategy, the focus on core banking and enhancing the sustainability of earnings.

So the majority of the operating income for this work is coming from the net financing income. The net financing income, as I said, is the increase 38.2% as compared to last year, and that was as a result of increasing in average yielding portfolios both financing and Sukuk portfolios by 1.4 billion KD as compared to last year or 11.4%, which was further supported as well by increasing local and international profit rates and improved cost of funds.

On the other hand, the non-financing income or non-yielding income presents only 26.9%, the 20 if you look at the right side of the presentation, 20.9% plus 6% versus last year of the 24.5% plus 16.1%, 40.6%, and that is mainly due to the lower investment

income due to last year higher divestment. The divestment materialized in the first quarter and that's only timing differences. We have planned divestment for the year as well that would come in the coming quarters.

In the next slide, we already talked about the entire thing, this one represents the numbers that we see here. Obviously, the investment income dropped from KD27mn to KD11mn, which is mainly from the one-off last year from the gain divestment of certain investments, which didn't happen in the first quarter. But for the expenses, total operating expenses stood at KD 78.8 million, higher by KD 8.9 million as compared to last year, and that's mainly from the staff cost, and one reason of the staff cost, an important reason that affected Kuwait is the change of the labor law, which actually impacted the increase in staff costs for this year, in addition to the annual increments.

However, the cost income ratio, the cost income ratio dropped from 42.76 to 41.67% as compared to the last year, full year last year 2017, and that is representing the continuity of the efficiency and the improvement in both in the core and stable income, as well as the cost reduction. It's worth to mention here that the group managed to decrease the cost income ratio since 2014 by 10%. Furthermore, I'd like to highlight that Kuwait, KFH Kuwait solo cost to income ratio has maintained at lower level than the market average. at 33%, which is below both, local Islamic and conventional average in the market.

Moving to the next slide, I'd like to highlight more or focus more on the net financing margin, which the other side in the slide is the actual and average profit earning assets, give some hint about the contribution, that increased by 11.8% average earning assets, profit earning assets. However, our net financing margin stood at 3.46%, which shows 65 basis points over the last year, the 2.81%, and that resulted from higher yield on financing, as well as the treasury portfolio by 57 basis points and 37 basis points respectively. Accompanied with higher average financing volume, the 1.1 billion which we see it in the left side, and in addition to that, the Group managed to continue improving the cost of fund and mainly in the both largest entities in the group, Kuwait and Turkey, and that was a result of the improvement in CASAR reaching 46% at the group level.

In the right side here, we look at the profit from banking versus non-banking subsidiaries or entities in the group and maintain at the 91% from banking and that actually improved, this improvement we start to see it after 2014 and '15 and then in '16 and maintained in '17 and now, it's 91 still, like the 2017. With regards to provisions and impairments, expense has increased, the impairments expense has increased on account of more conservative investments impairments mainly in Saudi Arabia investments and that's due to increased regional geopolitical tension, uncertainty and that which affects the market conditions.

We'd like to highlight something that would be maybe a concern of most of you is the IFRS 9 implementation. IFRS 9 implementation Kuwait as maybe most of you know, CBK, Central Bank of Kuwait, partially adopted IFRS 9 for 2018, for the first quarter 2018 and continued with the last year's practice on provisions calculations for credit portfolios. However, our initial implementation results prove significant surplus as we well mention in our financial 2017 from accumulated provisions. CBK, Central Bank of Kuwait guidelines on ECL are expected to be more stringent and to have full implementation during 2018.

With regards to the total assets, total assets stood at 17.4 billion KD, increased by 925 million or 5.8% over the 12 month period. However, it stood at the same level of last year in December. Now the increase as compared to the Q1 '17, came mainly from the increase in the financing portfolio by 1.03 billion KD offset by decrease in investments and assets held for sale, total of 410 million due to the exit from non-core investments. Growth and financing was evident in all business segments driven largely by corporate banking. Growth in financing portfolio in Q1'18 was 3% for the three months, 3%, which actually keeps the same momentum and trends of the growth that we had last year, 12.7%.

With regards to depositors' accounts, at 11.8 KD billion as of 31st March, 2018, increased by 786 million or 7.2% over 12 month period, which is Q1'18 versus Q1'17. Customer deposits as a percentage (if we look at the right side of slide) of total funding base remains at 81% representing solid and healthy funding mix, and CASAR as I said for the group is maintained at 46% of the total deposits base. It's worth to mention that in Kuwait, KFH dominates the market in savings accounts with market share savings and current accounts with market share of 26.4%, and that is based on the most recent CBK published reports, February 2018.

Now this slide talks about the returns on average assets and average equity. A return on average assets improved by 14 basis points from 1.06 to 1.20 for the Q1'18 as compared to Q1 '17, and return equity reached 9.77, 83 basis points higher than last year of 8.94. With regards to the capital adequacy, the capital adequacy ratio stood at 17.5% is marginally lower than last year of 17.76% and well above the minimum regulatory requirement of 15%, which includes 2% being DSIB systemically important, so we are above the 15%. And CAR as of March, it's worth to mention it here, for March 2018, does not include interim profits, which is 44 million KD, as per the regulation in Kuwait.

I'd like to highlight here another point that proved from the trend of the financial for KFH with regards to the capitalization and the growth of the financing portfolio. If we look at the trend for the last year as mainly 2017, the financing portfolio increased by 12.7% and along with growth, in, significant growth actually in Sukuk, the group maintained the the CAR for 2017 at same level of 2016, actually 10 basis points lower

only. In 2017, it stood at 17.76, '16, 17.88. And that actually is due to the implementation of the capital optimization including the divestment of non-core assets, which will continue to enhance capitalization. Q1 2018 divestment was not much and we already reflected in the investment again when we talked about it, that is significantly lower than last year. The divestment was only 7.6 million KD for the Q1. However, we expect for the full year or the plan is to reach 140 million.

The last part I have here, maybe it's not in the presentation is the group NSFR and LCR actually improved. The NSFR improved by 1.2% and stood at 108.1 for Q1 and LCR stood at 153 and both are well above the regulatory issues. EPS, as you see in the financials and in this slide is increased from 6.17 fils to 7.03.

Now I hand this back to Mr. Fawaz.

Q&A

Fawaz Alsirri:

Thank you. Thank you Shadi and Mazin and Fahad.

We will now start our Q&A session. Before we do, let me just point out that we have additional slides in appendix. These slides are financials for the quarter and also we have annual comparisons going back to 2015 and they're there for easy reference.

We will now be taking in your questions, so if you're thinking of asking a question, now is the time to send it through. We already have one on screen. Mr. Ahmad from Alpha Capital, is asking the CFO that you mentioned that net finance income was up by 30 something percent. Can you just give us a bit of background on the increase?

Shadi Zahran:

Yes, which I already explained. There's improvement in the average, actually the net financing income resulted from both, improvement in volume and profit rates, and in the major entities as well, Kuwait and Turkey, actually from all entities, but mainly Kuwait and Turkey, they improve the CASA ratio, the current accounts and saving accounts ratio. We are now at 46% and that actually improved the cost of fund, so that was a result from improvement in three dimensions: the volume, the assets, the yielding assets improved by an average 1.4 billion KD, the financing, and Sukuk, and treasury assets, from the yield, as well as from the improvement in cost of funds.

Fawaz Alsirri:

Thank you. There's a follow up question, also to the CFO. You've mentioned that the CI has dropped by 10% since 2014. Can you give us an outlook on the next two or three years?

Shadi Zahran:

Actually, what we achieved was significant as you know, and now KFH Group operates at a very efficient cost to income ratio as compared to Islamic banking. Islamic banking operating model is more costly than the conventional and that's actually the best in the market. We expect to improve further. Now we are at 41% and we expect maybe, we hope to see the 30s or below 40 inshallah. But 10% again, that's not be, what do you call it, the plan.

Fawaz Alsirri:

Thank you. We have a question from Francesca Maria from Moody's. Francesca is asking can you please provide more color IFRS 9 effects on KFH provisions?

Shadi Zahran:

Yes with pleasure, I think Kuwait may be the only one and then from IFRS 9 and that almost all banks have a surplus from the implementation of IFRS 9. Not like the neighbors and the region and or the rest of the world, and that's why the Central Bank of Kuwait is actually taking their time and put more stringent guidelines through guidelines for the ECL part and we implemented it already in 2017. We are in full implementation of the IFRS 9 for all of our entities and we ended up with real significance from our implementation's excess or surplus of the implementation.

However, still we're waiting for CBK to come, which is expected maybe in the second quarter or third quarter as communicated to us, to come with their guidelines, that's up to ... we don't expect that will be the same. CBK is more stringent and used to be more conservative and that helped the banks now to show the surplus in Kuwait. Actually the surplus in Kuwait for IFRS9 implementation for all banks is a result of the Central Bank of Kuwait conservative approach since the crisis of imposing the provisions on banks and we expect that the implementation of IFRS 9 would bridge maybe some of the surplus. But KFH being a huge bank, because of the size and so previously was at the crisis and from provisions taken, now we see it as maybe the most or one of the big surplus of the IFRS 9.

Fawaz Alsirri:

Thank you and thank you Francesca for that question. Next we have a question from Saud Al Wazzan from Wafra Investments. Saud was asking what is the reason for high employee costs, which is above the average for competitor banks?

Mazin Alnahedh:

I think one of the key reasons behind it is Kuwait Finance House's unique feature of having separate branches for males and females. This specifically increases the costs waste for servicing the same client base, and as such, part of the reason why our employee costs is higher is we actually segregate between those branches. Second, we operate in other jurisdictions. For example, Turkey, and the cost base there relative to the income is relatively higher than the average in Kuwait. So what you see in terms of total staff costs is a function of the group, which operates in multiple jurisdictions, not only Kuwait.

Fawaz Alsirri:

Thank you Mazin for that answer. Next we have a series of questions from Elena Sanchez from EFG Hermes so what I'm going to gentlemen, I'm going to ask them one by one. The first, so I'm going to ask the question. I'll give you time to answer and then I'm going to ask again. The first of her questions is do you expect growth in financing assets to sustain in 2018 at a similar pace than during 2017?

Shadi Zahran:

Actually if we look at the first quarter results, as I said is the financing portfolio increased by 3% for the first three months. So if you just analyze it, it will lead to the same range, the 12.7% we had last year. So we expect to sustain in this year. Maybe not necessarily 12% but we expect to sustain at the same range.

Fawaz Alsirri:

Thank you. Another question by Elena Sanchez is do you have any insights from the Central Bank of Kuwait in terms of how will surplus provisions be treated under IFRS 9? Will the surplus go to shareholders' equity?

Mazin Alnahedh:

It is unclear as of yet. We are still waiting for the regulators to tell us how to be treating this. We don't have any visibility as of yet as to what the regulator will do in regards to the excess of IFRS 9, whether it will go equity or whether it will be part of the P&L.

Fawaz Alsirri:

Thank you. Now, two more of Elena's questions. Firstly, could you please repeat the amount of income from disposals that you expect to reach in 2018? The first quarter was 7.7 million.

Mazin Alnahedh:

We expect disposals, the range of 140 to 150 million KD for an entire year. The income would be determined based on the disposal price so it's quite difficult to anticipate what will be the income from those, but the actual amount of disposals will amount to around 150 million KD.

Fawaz Alsirri:

And her last question is how will the increase in central bank rates impact net financing margins going forward and do you expect a further improvement from the first quarter level?

Mazin Alnahedh:

I think it's quite evident with a significant CASA ratio for our deposits that any increase in the discount rate would lead to a higher financing income generated for Kuwait Finance House. In terms of the actual impact, it will all depend on the liability classes that we hold, so if we see a growth in CASA versus other type of liabilities that are more expensive in terms of Mudharaba structure that is in place with the clients, then we will see a higher margin. But if the majority of those deposits go to the higher earning or higher profit share type deposits, then the margin is going to be lower. But all in all, it's going to be positive for Kuwait Finance House. I don't have an exact number now because it's quite difficult to predict, but if I was to use a yardstick for measuring the impact, it will be for every 50 basis points, we should see an improvement of 20 basis points in the bank's bottom line.

Fawaz Alsirri:

Thank you Mazin. Next up, we have a question from Fawaz Al Hindi from NBK Capital. The question is do you expect to gain market share and financing activity in Kuwait going forward?

Mazin Alnahedh:

We absolutely hope so. We are active in the market and specifically in the infrastructure and oil and gas, and the focus there remains quite strong, as and when those projects are tendered, then we would see the growth taking place without a doubt.

Fawaz Alsirri:

We have a series of questions coming in. If you just give me a second. Let me see if I can group them together for the benefit of the speakers and the audience. Okay. A follow up question from Fawaz Alhindi, he's asking was there any reversal of financing income suspended in the first quarter of 2018?

Shadi Zahran:

In 2018? That was very insignificant.

Fawaz Alsirri:

Very insignificant. Next, we have a question from Raju from Exotix. Raju is asking what is the medium term target for a return of equity and a return of assets?

Shadi Zahran:

In terms of return of equity, we are targeting a 11 to 12% ROE hopefully for this year. In terms of ROA, I think the same level is a good level between 1.22 and 1.3%.

Fawaz Alsirri:

The question is what's the proportion of the business that is still considered to be non-core in terms of revenue and total assets? The question is also from Rahul from Exotix Capital.

Shadi Zahran:

Actually I don't have exact percentage but it's significantly lower than what used to be in 2014 and before and if you look at also from the contribution to the bank profit, it came 91% from the banking. So from the contribution perspective, it's actually below 9%.

Fawaz Alsirri:

I have a question from Shadir from Alrayan. Shadir is asking how do you see the income growth, run rate for 2018?

Mazin Alnahedh:

I think we will see the same run rate that we saw in Q1, as far as fee income growth is expected.

Fawaz Alsirri:

Thank you, Mazin. I think with that, we have answered our last question and if we don't get any questions in the next 10 seconds or so, we will be concluding today's call. So, we'll give it 10 seconds.

Okay, so no more questions coming in? I think gentlemen; you did a great job at explaining the quarter and your financials. Gentlemen, speakers, we will now be concluding our call. Again, thank you Mazin, Fahad and Shadi for the presentation, and thank you ladies and gentlemen for joining the call either live or on demand. We will now conclude our call and the next call will be our Q2 earnings. We hope to see you soon.

- End of Transcript -

The analyst conference was held on Webcast on May 3rd 2018.

The participants from KFH Executive Management in the Webcast were:

Group CEO – Mazin Alnahedh

Group CFO – Shadi Zahran

Group Chief Strategy Officer – Fahad Almukhaizeem

In addition the Webcast was attended from KFH by:

Head Compliance - Meshal Alshaye

Head Public Relations and Media, Yousef Al-Ruwaieh

Head Investor Relations - Anwar Alyahya

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بيت التمويل الكويتي
Kuwait Finance House



First Quarter 2018

Earnings Presentation

May 03, 2018





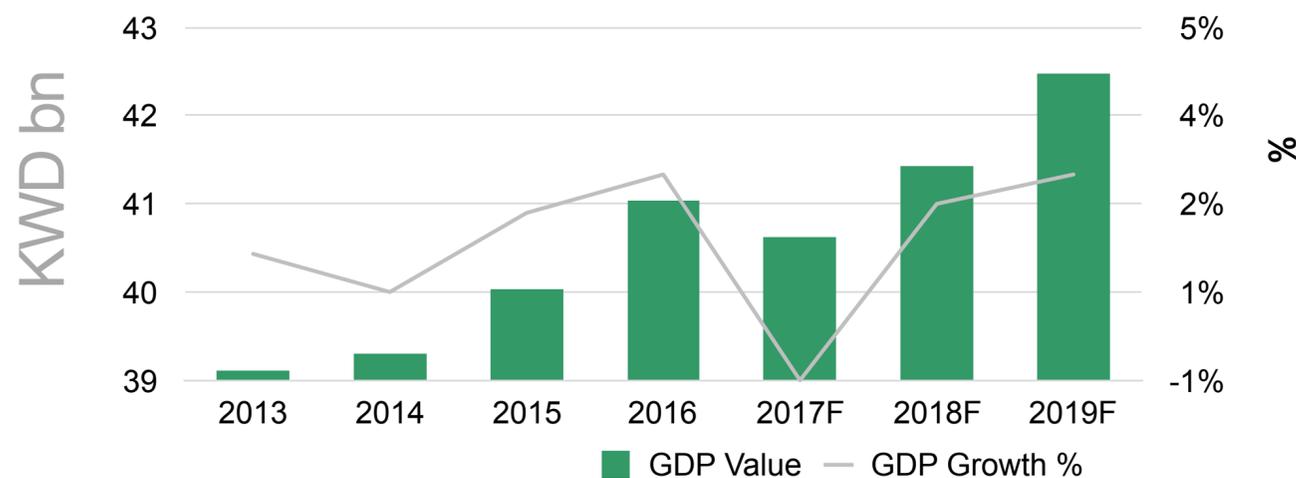
Agenda

1. Kuwait Operating Environment (Highlights)
2. KFH Overview
3. Q1 Business Highlights
4. KFH Strategy
5. First Quarter Financial Results

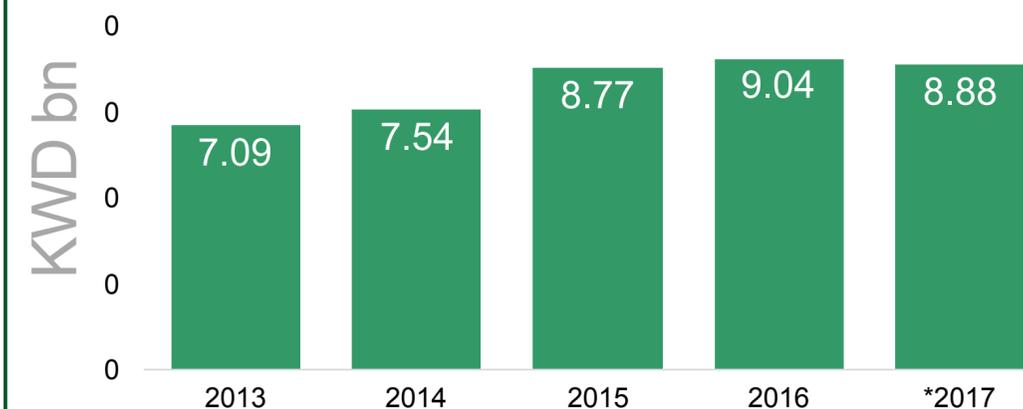
Kuwait

Economic Indicators

Kuwait Gross Domestic Product

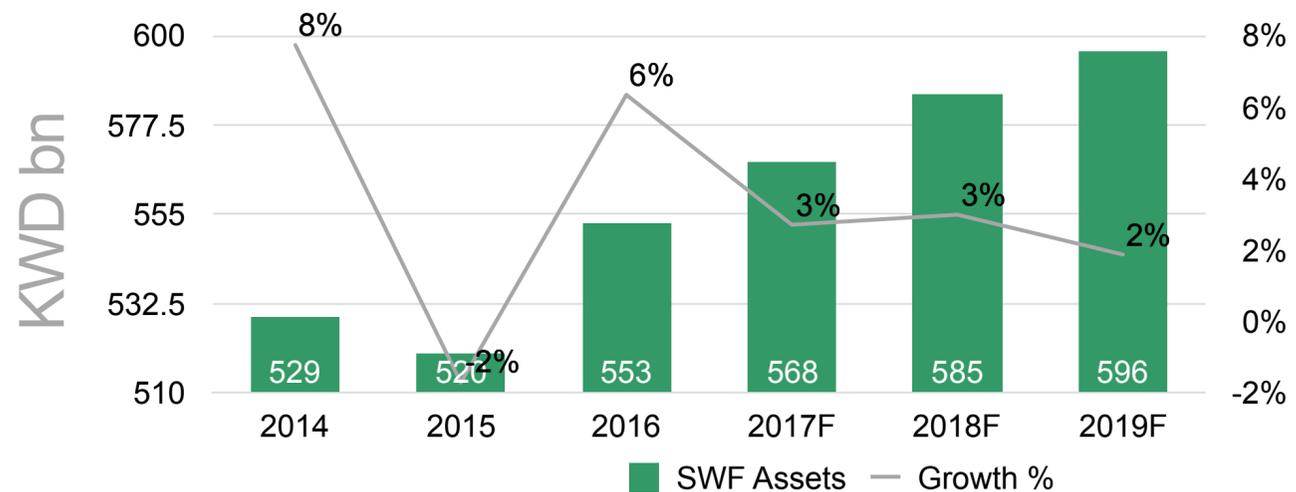


Kuwait Total Government Capital Expenditure (Capital Formation)

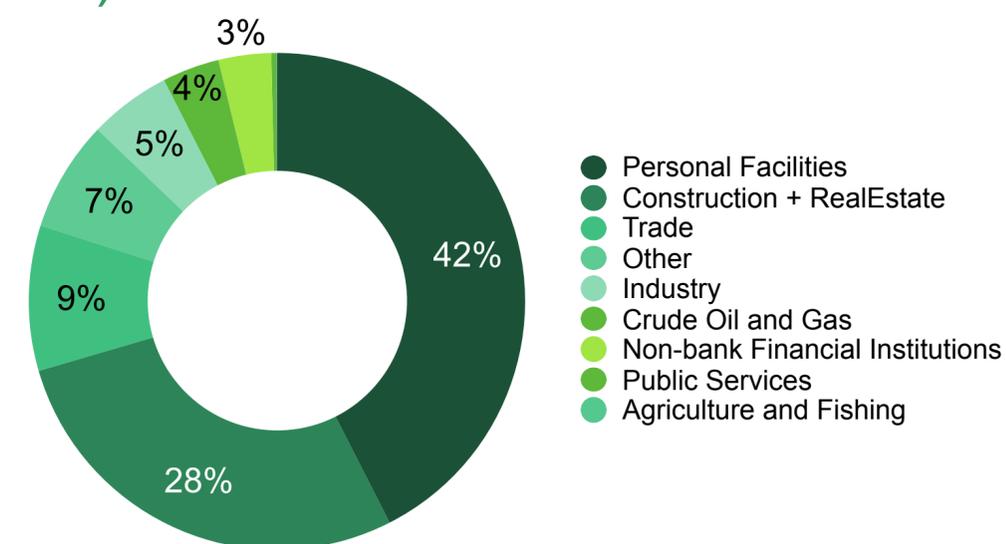


* 2017: Estimation

Kuwait Sovereign Balance Sheet



Kuwait Share of Credit Facilities Provided to Economic Sectors (Feb 2018)



KFH Overview

Kuwait

1st
and largest
Shari'a-compliant
bank in Kuwait

In Kuwait, KFH is the largest Shari'a-compliant bank **by deposits, profitability and by number retail distribution.**

Regional

2nd
largest Shari'a-
compliant bank in
the Gulf

In the Gulf, KFH is the second largest Shari'a-compliant bank **by both assets and deposits.**

Global

2nd
largest Islamic
bank by assets in
the world

Globally, KFH is the **second largest Islamic bank in the world by assets.**

KFH Overview

Vertically and geographically diversified banking group

Germany

1st Islamic bank

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



Saudi Arabia

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



Bahrain

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



Kuwait

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

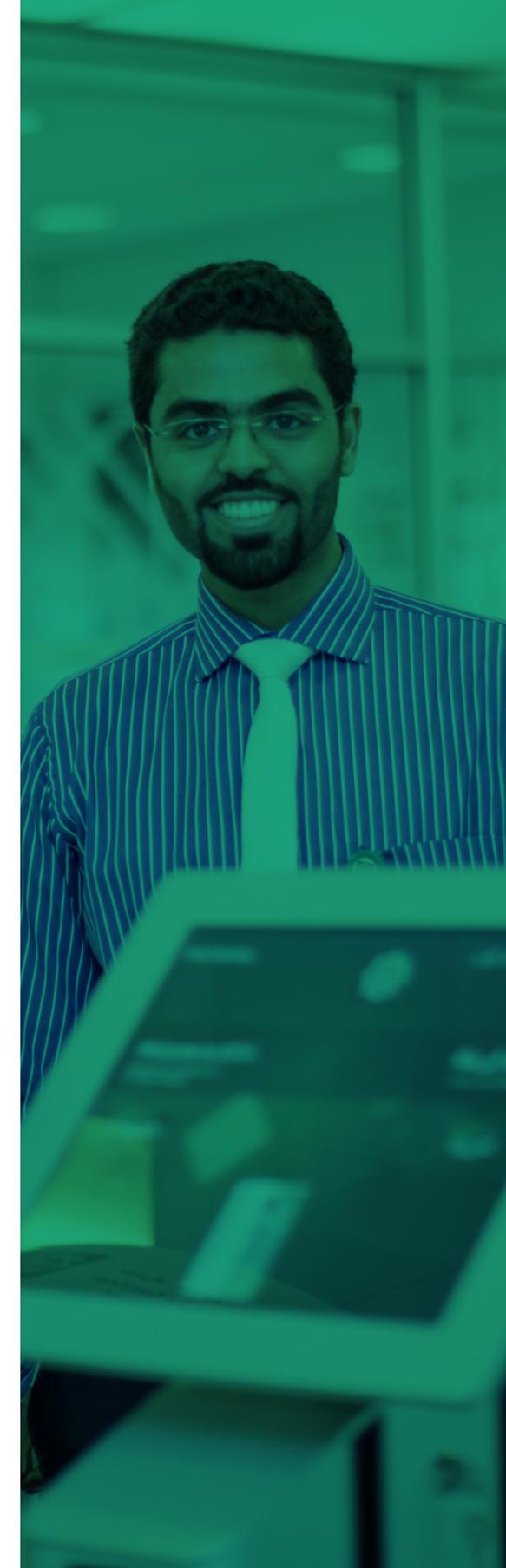
Turkey

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



Malaysia

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



KFH Strengths

Robust Financial Performance	Leading Islamic Financial Institution	Strong Government Sponsorship	Senior 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>Consistent low NPF rates</p> <p>Improving cost to income ratio</p> <p>Solid margins and improving efficiency</p>	<p>Second largest Islamic Financial Institution globally in terms of asset base</p> <p>Operating history of over 40 years</p> <p>Strong retail franchise</p> <p>Pioneer of Islamic products in Kuwait</p> <p>“Islamic Bank of the Year - Middle East”</p>	<p>49% ownership of 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</p> <p>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 dispersed international operation</p> <p>Strong and stable Board, consisting of nine directors, collectively bringing more than two hundred and fifty years of professional experience</p>	<p>Diversified international operations</p> <p>Presence in 6 countries giving access to Europe, Middle East and Asian markets</p> <p>Extensive accessibility option with a wide network of over 480 branches and 1100 ATMs</p>	<p>KFH continues to develop its risk management framework in light of development in the business, banking and market regulations</p> <p>Disciplined and risk-adjusted approach to capital allocation</p> <p>Large and diversified portfolio</p> <p>Exiting non-core investments</p>

Q1'18 Business Highlights

Key Activities

US\$ 124.6 m

Credit facilities LIMAK for completion of Airport project.

Euro 200 m

Credit facilities Limak for the construction of a bridge in Turkey.

KD 120 Million

Credit facilities transactions in favor of MINA HOMES

New Credit Cards

New VISA SIGNATURE credit card with sundry services.

Products and Services

- Signed a memorandum of cooperation with KIPCO to finance customers of Hissa Al-Mubarak district
- Released new VISA SIGNATURE credit card with sundry services
- Inaugurated Edailiya modern hall to serve (Ruwaad – Tammayuz and Nukhba) customers

Awards

- Best Bank for High Net Worth Clients Award from Euromoney
- Recognition Award from MasterCard for implementation of Wallet application
- Best Islamic Bank award in Kuwait from Islamic Finance News (IFN)
- Best Islamic Bank Award in Kuwait and Middle East from EMEAFinance

Social Responsibility

- Signed a cooperation agreement with Kuwait Crescent Society to support human efforts.
- Patronized traffic week
- Patronized Kuwait Investment Forum

Information Technology

- KFH signed a partnership agreement with “Dell EMC” and “ITS” to support fast growing data.

KFH Strategy

KFH's main focus is on core banking business activities. KFH's 3-year strategy ending in 2020 is based on three main pillars

Simplify experience

Digitize operations

Grow business

Across all three main business sectors

Retail

Corporate

Private



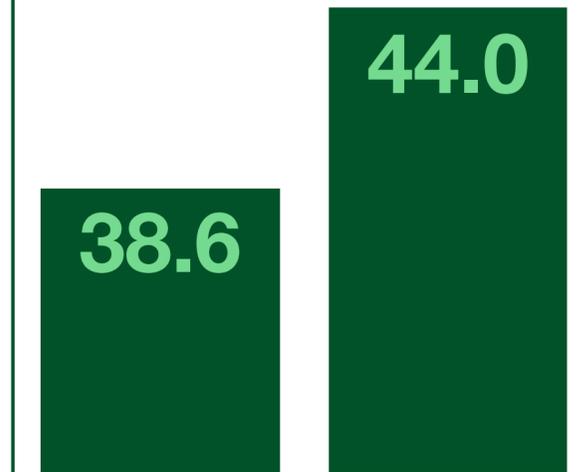
Agenda

1. Kuwait Operating Environment (Highlights)
2. KFH Overview
3. Q1 Business Highlights
4. KFH Strategy
- 5. First Quarter Financial Results**

Q1'18 Operating Performance (KD mn)

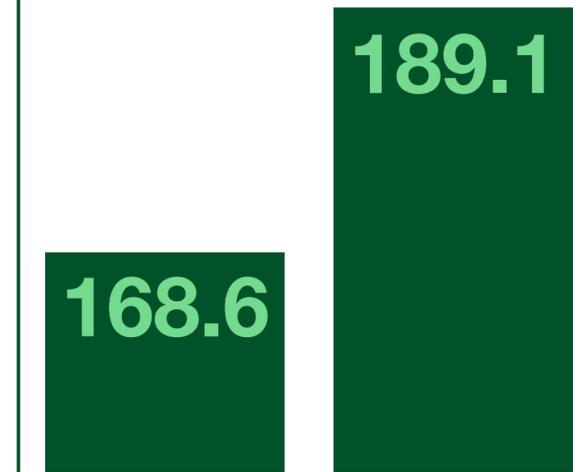
Net Profit for Shareholders

+13.9%



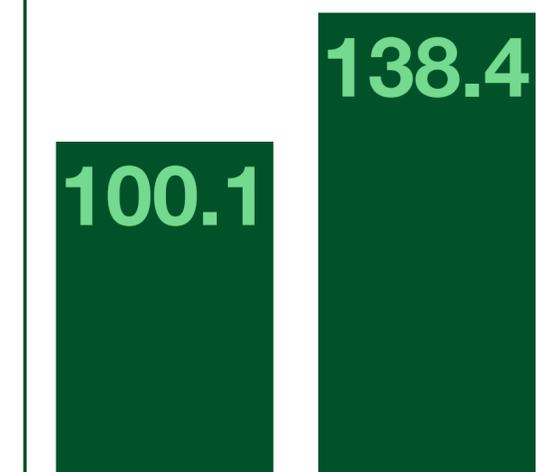
Operating Income

+12.2%



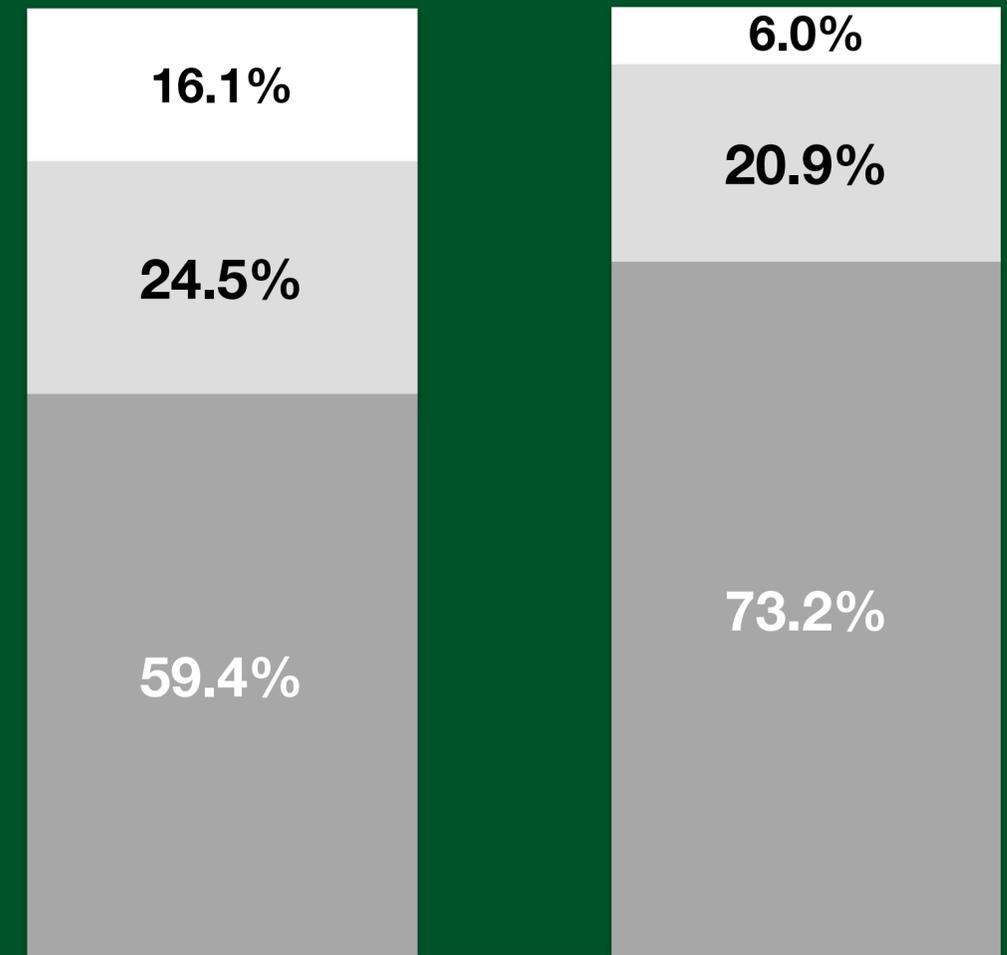
Net Financing Income

+38.2%



Operating Income Profile

- Investment Income
- Non-Financing Income
- Net Financing Income



Q1'17 Q1'18

Q1'17 Q1'18

Q1'17 Q1'18

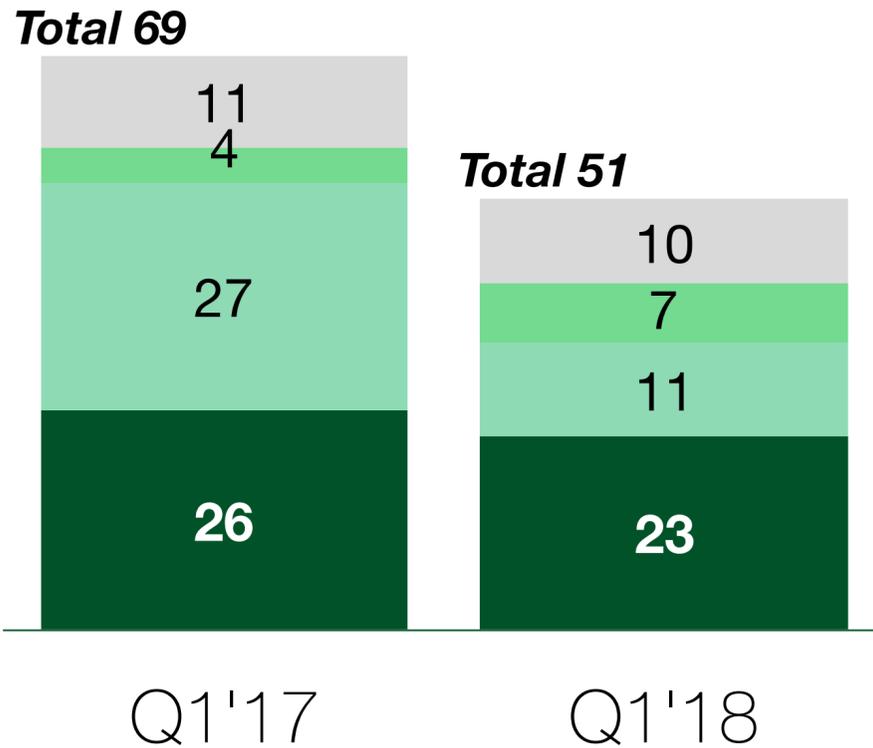
Q1'17

Q1'18

Q1'18 Operating Performance

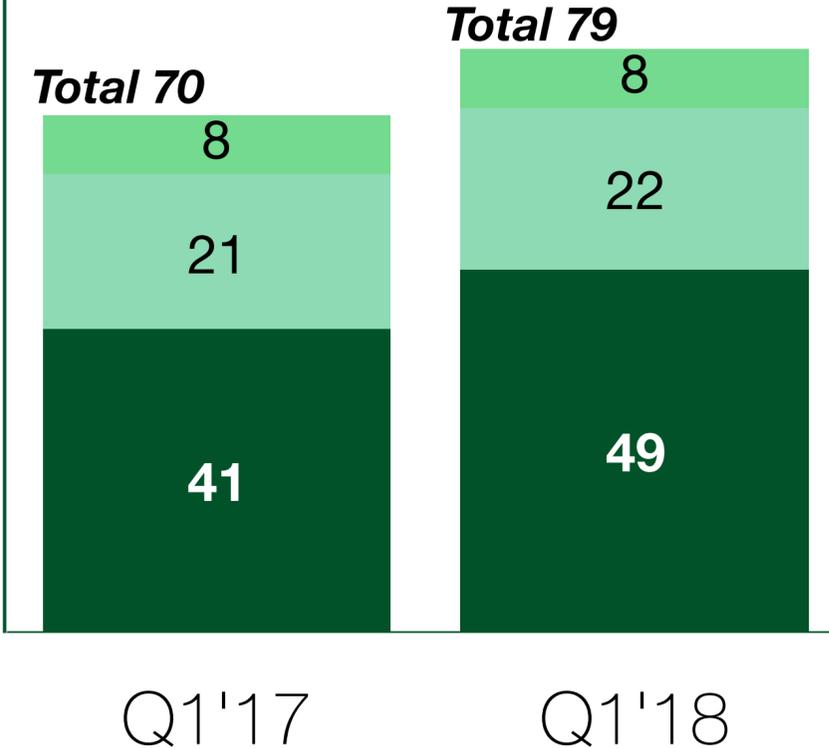
Non Financing Income (KD mn)

- Other income
- Net gain from foreign currencies
- Investment income
- Fees and commission Income

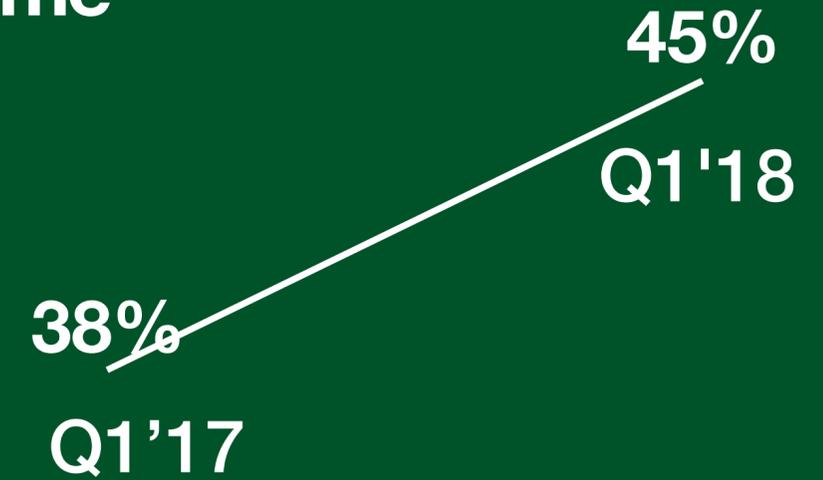


Total Operating Expenses (KD mn)

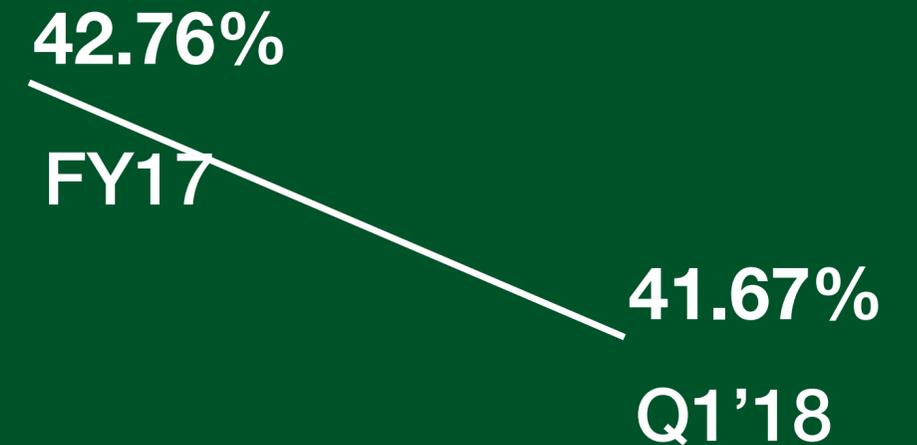
- Depreciation and amortization
- Other operating expenses
- Staff costs



Fees and Commissions % of Non-Financing Income



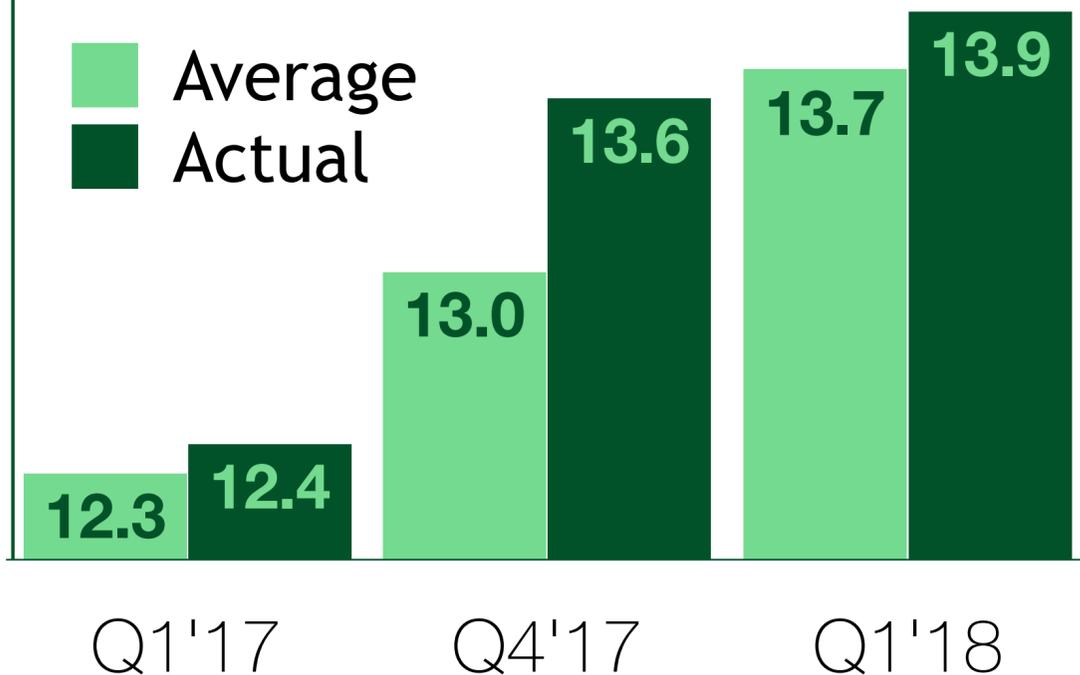
C/I Ratio



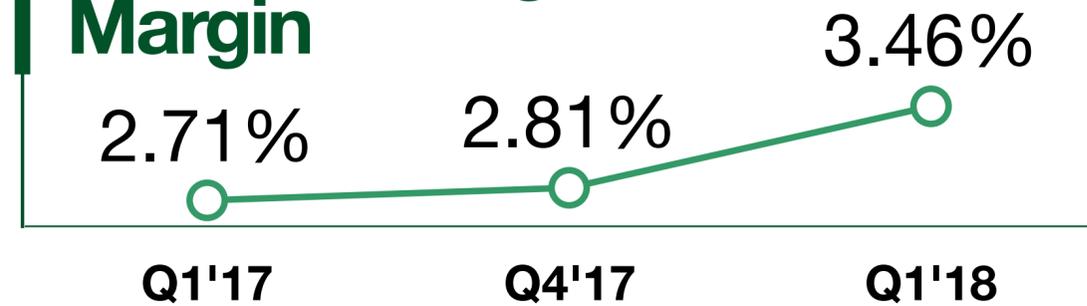
Q1'18 Operating Performance

Actual / Average Profit Earning Assets (KD bn)

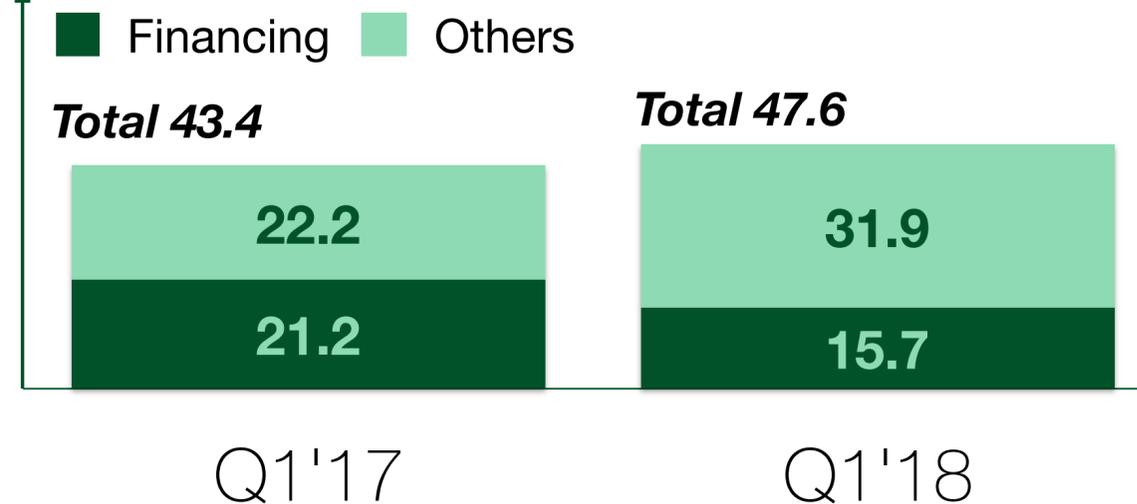
+11.8%



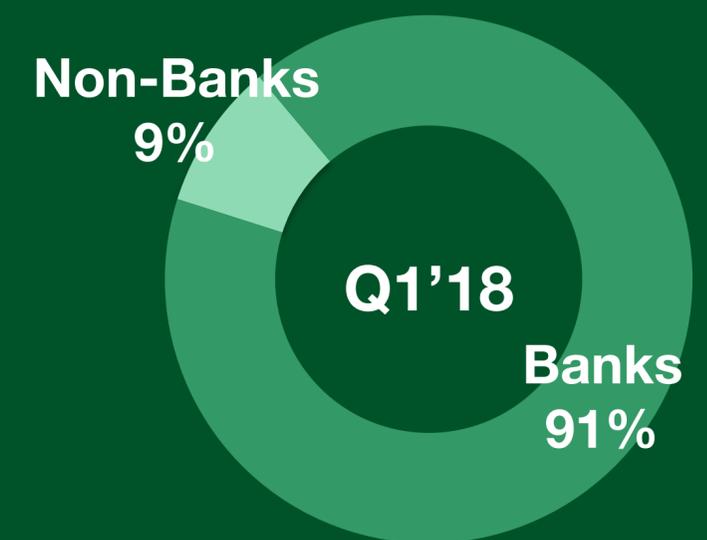
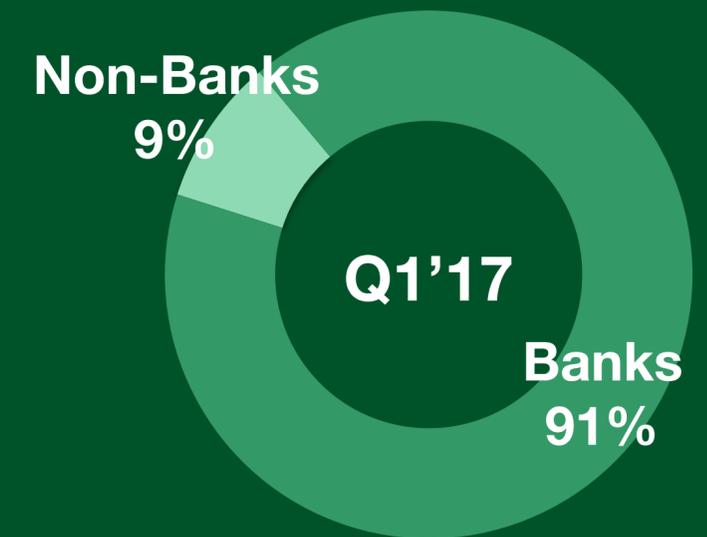
Net Financing Margin



Provision and Impairment (KD mn)



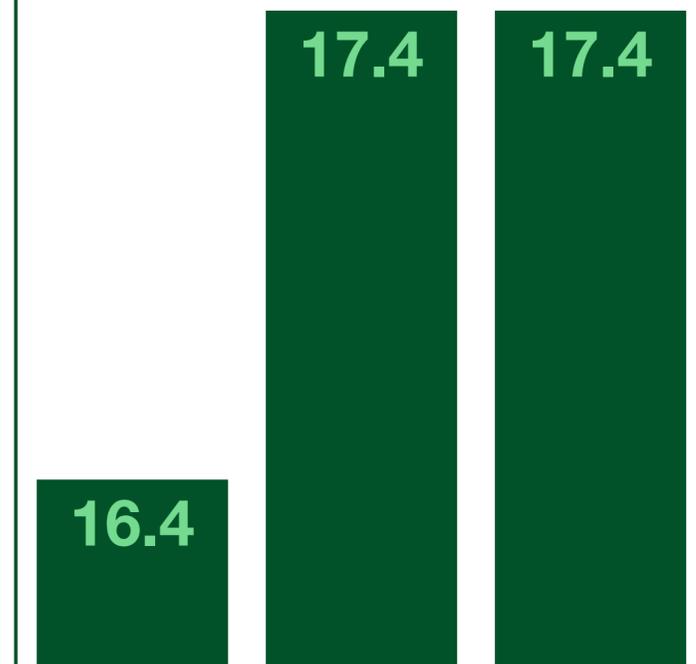
Operating Profit – Banks / Non-Banks



Q1'18 Operating Performance

Total Assets (KD bn)

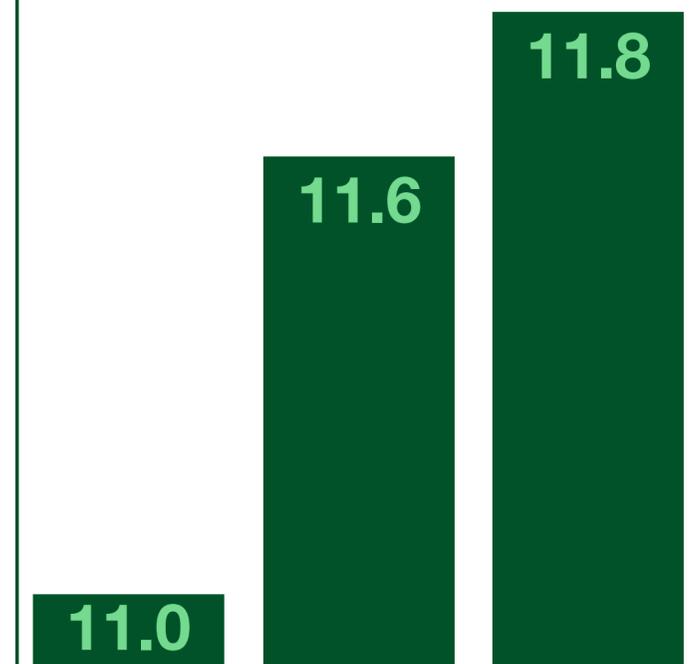
+5.8%



Mar'17 Dec'17 Mar'18

Depositors' Accounts (KD bn)

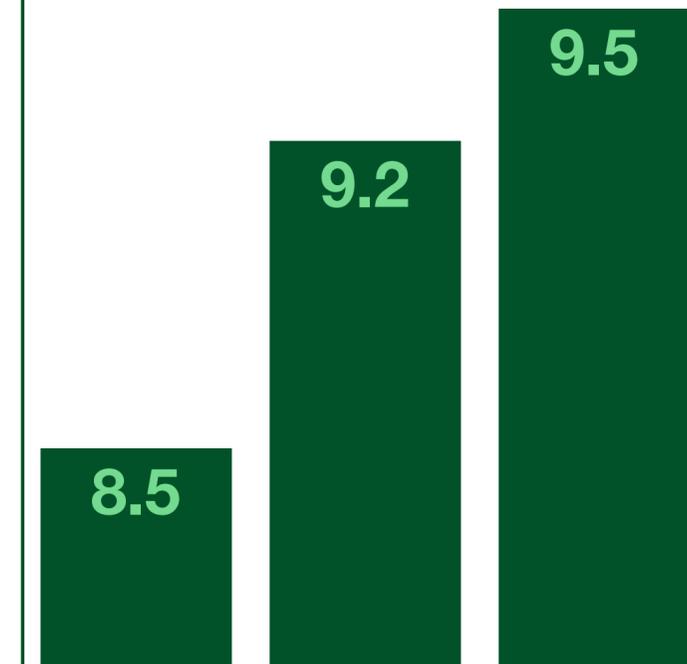
+7.2%



Mar'17 Dec'17 Mar'18

Financing Receivables (KD bn)

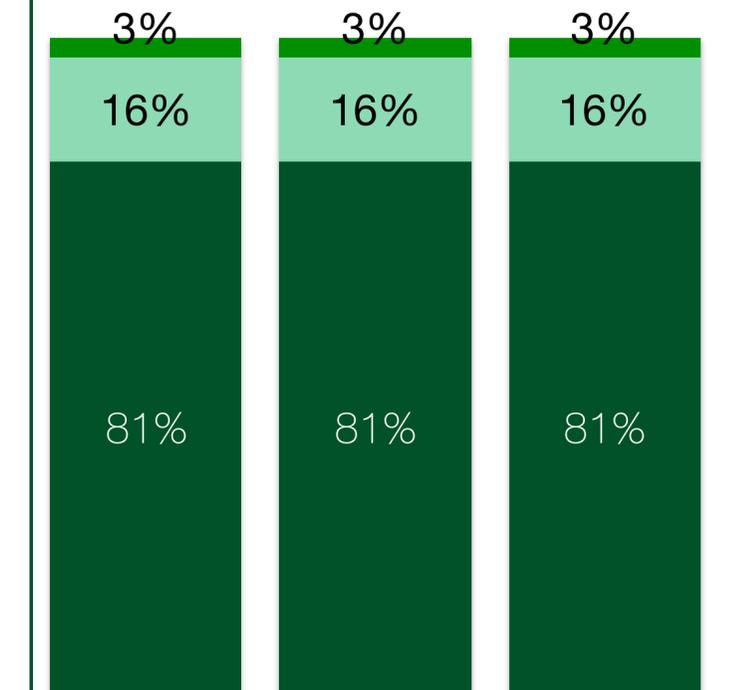
+12.2%



Mar'17 Dec'17 Mar'18

Funding Mix

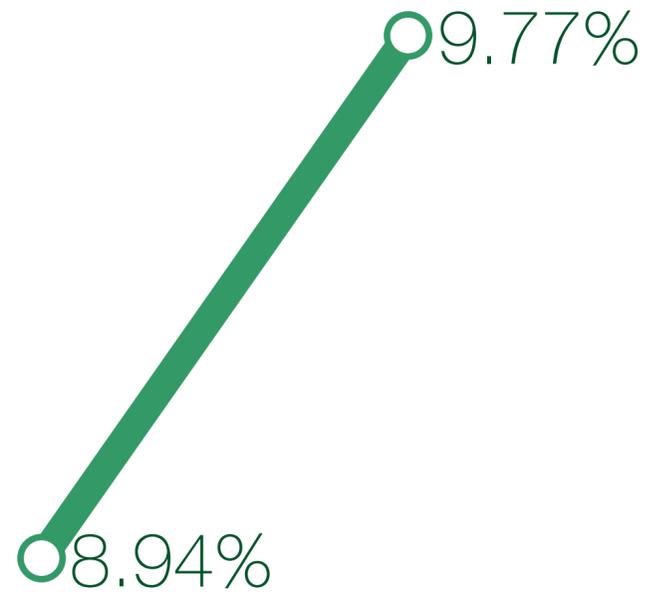
- Sukuk Payable
- Due to Banks & Financial Institutions
- Depositors' Accounts



Mar'17 Dec'17 Mar'18

Q1'18 Operating Performance

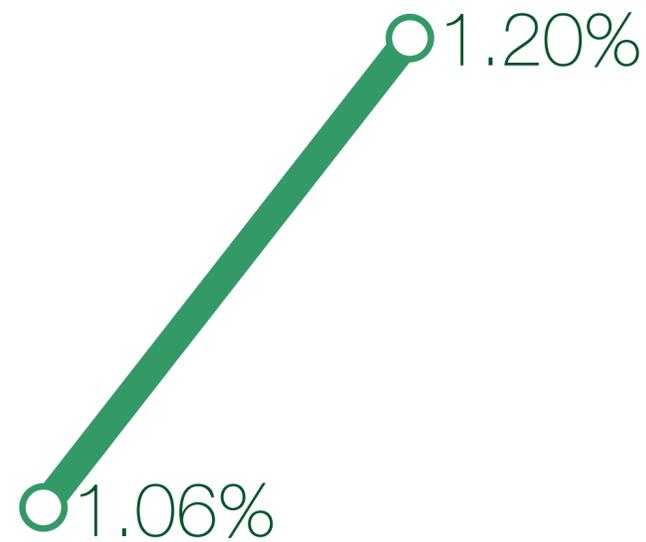
Return on Average Equity



Q1'17

Q1'18

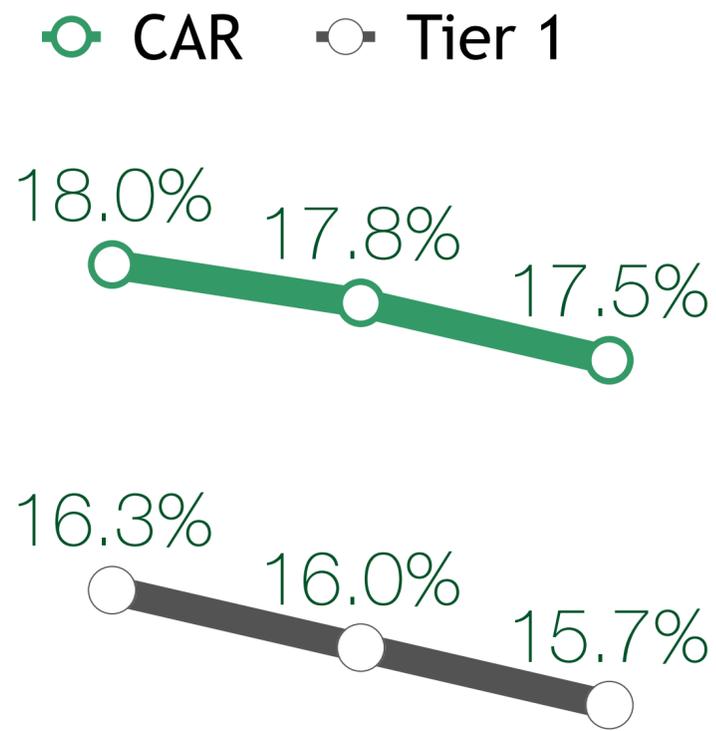
Return on Average Assets



Q1'17

Q1'18

Capital Adequacy Ratios

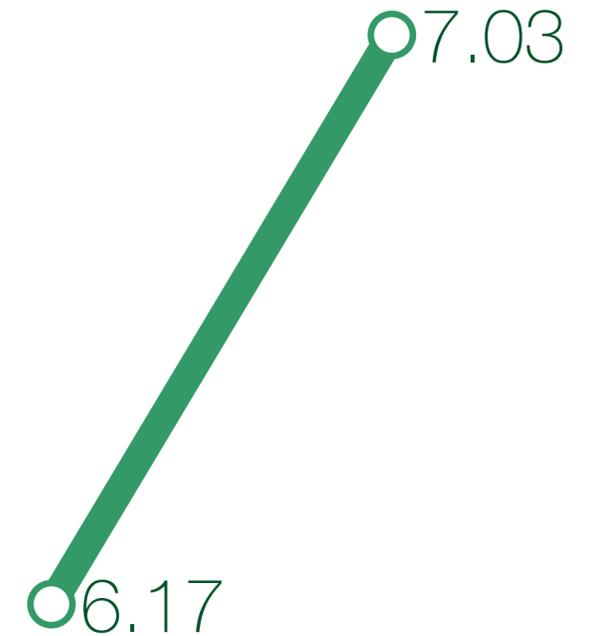


Mar'17

Dec'17

Mar'18

EPS (fils)

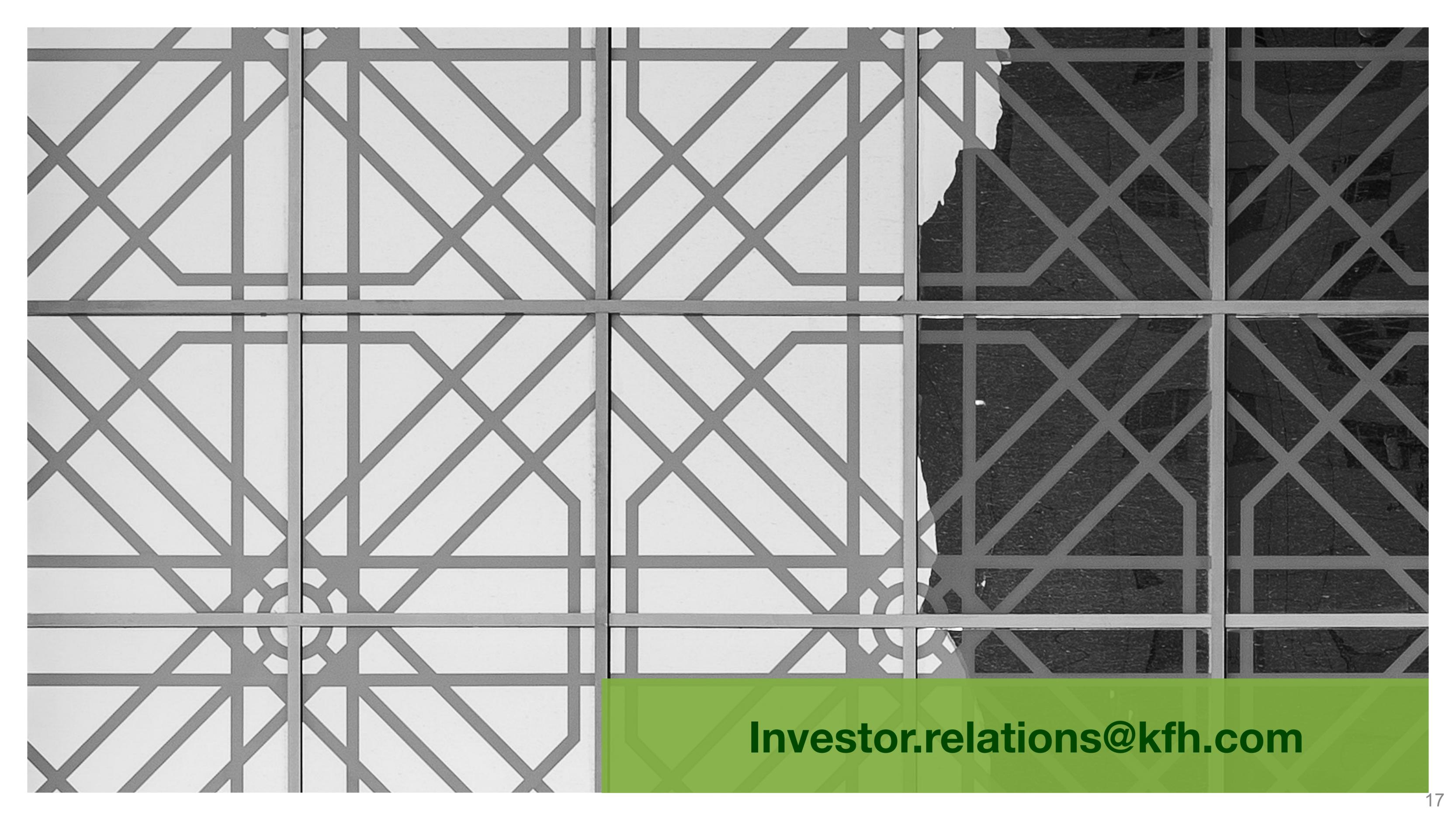


Q1'17

Q1'18



Q&A



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Appendix

Q1'18 Consolidated Financials

Consolidated Statement of Income (KD million)	Mar-17	Mar-18
Financing income	167	209
Financing cost and estimated distribution to depositors	67	70
Net Financing Income	100	138
Investment income	27	11
Fees and commissions income	26	23
Net gain from foreign currencies	4	7
Other income	11	10
Non-Financing Income	69	51
Total Operating Income	169	189
Staff costs	41	49
General and administrative expenses	20	22
Depreciation and amortisation	8	8
Total Expense	70	79
Net Operating Income	99	110
Provisions and impairment	43	48
Loss for the period from discontinued operations	4	4
Profit for the Period Before Taxation	51	58
Taxation	8	7
Non-controlling interests	4	7
Profit Attributable to Shareholders of the Bank	39	44

Consolidated Statement of Financial Position (KD million)	Mar-17	Mar-18
Cash and balances with banks and financial institutions	1,352	1,231
Short-term Murabaha	2,751	3,006
Financing receivables	8,461	9,497
Trading properties	173	159
Investments	346	306
Investment in Sukuk	1,214	1,395
Investment in associates and joint ventures	468	484
Investment properties	592	537
Other assets	502	487
Intangible assets and goodwill	40	38
Property and equipment	212	214
Assets classified as held sale	333	17
Total Assets	16,445	17,371
Due to banks and financial institutions	2,195	2,296
Sukuk payables	462	508
Depositors' accounts	10,978	11,764
Other liabilities	666	822
Liabilities directly associated with assets classified as held for sale	163	2
Total Liabilities	14,466	15,391
Share capital	577	634
Share premium	720	720
Treasury shares	(46)	(45)
Reserves	501	469
Total Equity Attributable to the Shareholders of the Bank	1,751	1,778
Non-controlling interests	228	201
Total Equity	1,979	1,980
Total Liabilities and Equity	16,445	17,371

Q1'18 Performance Measures

<i>Key Performance Indicators</i>	Mar-17	Mar-18
Return on Average Assets (ROAA)	1.06%	1.20%
Return on Average Equity (ROAE)	8.94%	9.77%
NFM	2.71%	3.46%
Cost to Income	41.45%	41.67%
Earnings Per Share (fils)	6.17	7.03
<i>Key Performance Indicators</i>	Dec-17	Mar-18
CET1 Ratio	15.38%	15.42%
Tier 1 Adequacy Ratio	16.00%	15.74%
Capital Adequacy Ratio	17.76%	17.49%
NPL % - as defined by regulator	2.65%	2.77%

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position (KD million)	2014	2015	2016	2017
Cash and balances with banks	1,604	1,600	1,495	1,262
Short-term murabaha	3,222	3,194	2,877	2,925
Financing receivables	8,119	8,095	8,176	9,216
Trading properties	179	214	186	161
investments	512	508	357	304
Investments in sukuk	857	807	1,100	1,429
Investment in associates and joint ventures	463	535	469	464
Investment properties	529	580	591	554
Other assets	639	469	549	465
Intangible assets and goodwill	62	48	39	39
Property and equipment	877	264	216	214
Leasehold rights	117	180	0	0
Assets classified as held for sale	0	0	445	324
Total Assets	17,182	16,495	16,499	17,358
Due to banks and financial institutions	3,226	2,730	2,399	2,240
Sukuk payables	225	322	473	518
Depositors' accounts	10,915	10,756	10,717	11,597
Other liabilities	719	630	645	699
Liabilities directly associated with assets classified as held for sale	0	0	227	188
Total Liabilities	15,085	14,439	14,461	15,242
Share capital	433	477	524	577
Share premium	720	720	720	720
Treasury shares	-52	-50	-49	-45
Reserves	518	487	450	436
Current period income	126	146	165	184
Total Equity Attributable to the Shareholders of the Bank	1,746	1,779	1,810	1,872
Non-controlling interests	351	276	228	244
Total Equity	2,097	2,055	2,039	2,116
Total Liabilities	17,182	16,495	16,499	17,358

Consolidated Statement of Income

Consolidated Statement of Income (KD million)	2014	2015	2016	2017
Financing income	678	695	718	741
Financing cost and distribution to depositors	278	263	283	296
Net Finance Income	400	432	435	445
Investment income	136	108	79	107
Fee and commission income	92	79	89	97
Net gain from foreign currencies	28	25	23	17
Other income	63	59	34	48
Non-Financing Income	319	271	225	268
Total Operating Income	719	703	660	713
Staff costs	175	172	174	188
General and administrative expenses	109	81	84	83
Depreciation and amortization	77	78	37	35
Total Expenses	361	330	295	305
Net Operating Income	358	372	365	408
Provisions and impairment	177	184	157	163
Gain / (Loss) for the period from discontinued operations	8	22	(22)	0
Profit Before Tax and Zakat	188	211	186	245
Taxation and proposed directors' fees	28	21	24	30
Non-controlling interests	34	44	(3)	30
Profit Attributable to Shareholders of the Bank	126	146	165	184

Performance Measures

<i>Key Performance Indicators</i>	2014	2015	2016	2017
Return on Average Assets (ROAA)	0.94%	1.10%	1.00%	1.30%
Return on Average Equity (ROAE)	7.27%	8.40%	9.30%	10.20%
NFM	2.56%	2.61%	2.71%	2.81%
Cost to Income	51.3%	47.01%	44.71%	42.76%
CET1 Ratio	13.52%	14.81%	15.61%	15.38%
Tier 1 Adequacy Ratio	14.80%	15.38%	16.25%	16.00%
Capital Adequacy Ratio	16.25%	16.67%	17.88%	17.76%
Earnings Per Share (fils)	22.3	25.7	29.1	32.4



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