



Date: 30 October 2018
21 Safar 1440
Ref 10/10/ ١٥٤٣ / 2018

التاريخ: 30 أكتوبر 2018 م
الموافق: 21 صفر 1440 هـ
الإشارة: 2018/١٥٤٣/10/10

To: Boursa Kuwait

Peace, Mercy and Blessings of Allah be upon you

السادة / بورصة الكويت المحترمين
السلام عليكم ورحمة الله وبركاته

**Subject: Disclosure of The KFH's Analysts
Conference For Q 3 / 2018**

**الموضوع: إفصاح بيتك عن مؤتمر المحللين
الربع الثالث 2018**

In reference to the above, and in line with Kuwait Finance House 'KFH' interest in adhering to Boursa Kuwait Role Book (Article 8-4-2/4), KFH would like to report the following:

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

KFH has conducted the Analysts Conference For Q 3 / 2018 through live broadcasting on internet (Live Webcast) at 2 p.m. on Monday 29 October 2018.

عقد بيتك مؤتمر للمحللين للربع الثالث 2018 عن طريق بث مباشر على شبكة الإنترنت وذلك في تمام الساعة 2 من بعد ظهريوم الإثنين الموافق 29 أكتوبر 2018.

Attached is the Conference Minutes of Meeting and the Investors Presentation Q3 / 2018 for your reference. A copy of the same has been submitted to Capital Markets Authority.

مرفق محضر المؤتمر والعرض التقديمي للمستثمرين للربع الثالث 2018، هذا وتم تزويد السادة / هيئة أسواق المال بنسخة منه.

Best Regards,

وتفضلوا بقبول فائق الاحترام.

Mazin S Al Nahedh

مازن سعد الناهض



بيت التمويل الكويتي
Kuwait Finance House



Third Quarter 2018 – Kuwait Finance House Earnings Webcast Transcript
Monday, October 29, 2018 Time: 14:00 Kuwait Time

Transcript of Kuwait Finance House earnings conference call which took place on October 29, 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

Mr. Fawaz Al Sirri, Bensirri PR

List of attendees:

Abu Dhabi Commercial Bank

Abu Dhabi Investment Authority (ADIA)

Aventicum Capital

Bank Muscat

CI Capital Holding

Dark Horse Capital

Derayah Financial

EFG Hermes

Franklin Templeton Investments

GULF BANK

Harding Loevner

HSBC

Jadwa Investment

NBK Capital

Rasmala Investment Bank

S&P

Schroders

SICO Bank

The National Investor

Tundra Fonder AB

Waha Capital

- WEBCAST TRANSCRIPT STARTS -

Fawaz Al Sirri:

Good afternoon ladies and gentlemen and welcome to this Kuwait Finance House webcast. This call is live on October 29, 2018 to review and discuss the Bank's earnings for the nine months ending September 30, 2018. My name is Fawaz Al Sirri. I'm the moderator on the call, and I'm joined today with today's speakers:

Mr. Mazen Al-Nahedh, Group CEO

Mr. Shadi Zahran, Group CFO

And Mr. Fahad Al-Mukhaizeem. Group Chief Strategy Officer

And we are also joined today by the following attendees:

SICO Bahrain

Franklin Templeton,

Deraya Financial

HSBC

Abu Dhabi Commercial Bank

EFG Hermes

CI Capital

Schroders

Dark Horse Capital

Among others

And a warm welcome to everyone and thank you for joining us today.

I will soon handover the mic to Fahad to kick off the call, but before I do allow me to take you through the format of the call: For the next 10 to 15 minutes, the speaker's will make their Q3 statements on the KFH's earnings.

This will be then followed by a 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.

Before I handover, I would like mention that a live recording of this call will be available on the same link within about two hours. 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. Fahad, the mic is yours.

Fahad Al Mukhaizeem:

Thank you Fawaz and good afternoon ladies and gentlemen. We are glad to welcome you to the Third quarter 2018 earnings call for Kuwait Finance House Group. I am Fahad Al Mukhaizeem – Group Chief Strategy Officer with you. 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 the third quarter financial results.

The International Monetary Fund (IMF) expects Kuwait's GDP growth to reach 2.3% in 2018, according to its latest data, and it also expects the current account to reach USD16.4bln or 11.3% of total GDP. On another front Fitch Ratings recently affirmed Kuwait's sovereign rating at AA with a stable Outlook as well as affirmed KFH rating at A+ with a stable outlook.

Progress in the past year in Kuwait has paved the way for its growth as a pioneer in the Islamic finance industry. Boursa Kuwait was recently included in the FTSE Emerging Markets Index. The move is anticipated to encourage the flow of foreign investments into the Kuwaiti capital market. Investors and industry participants are keen on the Kuwaiti Islamic finance story, and the authorities have been a strong force in effectively advancing the industry and turning Kuwait into a contender among its peers in the Gulf region.

As an overview of Kuwait Finance House Group, the bank maintains its top position as the most trusted and safest Islamic Bank in the region. We are the first and largest Sharia compliant bank in Kuwait and second largest Islamic Bank in the world by assets and we are the First Islamic Bank in Germany. In terms of our geographical diversification, we have 402 branches in Turkey, 60 in Kuwait, 14 in Malaysia, 10 in Bahrain, 4 in Germany.

Most recently Kuwait Finance House won the prestigious award from Global Finance Magazine as the Safest Islamic Institution in the GCC -2018, this affirms customers' confidence in the Bank and KFH's leading role in the international development of Islamic Banking and Financial Services industry at a global level.

For the key business highlights, we've launched a variety of products and services especially targeting the Youth segment in Kuwait. Across the fintech world, our Bank is continuing its efforts in providing a digital experience for our new generation customers, providing them with digital banking platform that is intuitive and simple to use. KFH continues its strong support and sponsorship for its CSR activities. KFH participated as a platinum sponsor in the third edition of ArabNet Kuwait showing our keenness in promoting the

latest development in the digital world and the financial technology for serving our customers.

With this let me hand over the mic to our Group CEO, Mr. Mazin Al-Nahedh.

Mazin Al Nahedh:

Thank you Fahad. Good day ladies and gentlemen. It's my pleasure to welcome you all to our Third Quarter 2018 earnings call. Let me highlight the financial performance for the third quarter of 2018:

KFH reported a KD 169.10million net profit to shareholders upto end of Q3 2018 compared to KD 137.87million for the same period last year i.e. an increase of 22.7%.

Net Financing income as of Q3 2018 reached KD 404.82million i.e. a growth of 25.4% compared to the same period last year. Total operating income until the end of Q3 2018 reached KD 589.61 million, i.e. a growth of 12.3 % compared to the same period last year and net operating income reached KD 367.47million, i.e. a growth of 17.9% compared to the same period last year.

Earnings per share reached 27.04 fils, compared to 22.06 fils for the same period last year i.e. an increase of 22.6%.

Despite a real growth in the business, the decline in the Turkish currency rate against Kuwaiti Dinar during the third quarter of the current year impacted the consolidated balances. After excluding this effect, the total assets of the Group increased by 4.3%. The financing portfolio increased by 6.8%, and depositors' accounts increased by 4.4% compared to the year ended 31st December 2017.

In terms of our strategy, we are focusing on the quality of assets and improving our competencies within the bank, and we have seen a remarkable improvement during the period. The focus moving forward will be with investment in technology and digital transformation of the bank. During the third Quarter, KFH uniquely provided several Artificial Intelligence services. We signed a partnership agreement with Ernst & Young (EY) to launch an ambitious Robotic Process Automation (RPA) program as the first Bank in Kuwait to integrate Artificial Intelligence into operation.

One of the most important aspects is to focus on human resources and customers by ensuring that our employees are highly committed to the organization, which is reflected in their performance in providing the best services to our customers.

KFH enjoys a leadership position in the Sukuk market and the Islamic financial services in general. The vast experience of KFH Group in the Sukuk issuance has positioned it as a trustworthy and highly recognized organization by major corporates and governments globally.

Just to give you a flavor for the year 2018 KFH capital has led as a JLM Book runner for the following sukuk issues:

- Dubai Islamic Bank USD 1 bn issue
- First Abu Dhabi Bank USD 650 mn issue
- Oman Sovereign Sukuk USD 1.5bn issue
- In addition KFH Capital was the joint lead underwriter (JLU) on a GCC Sovereign Private Placement of USD 500mn in which the name cannot be disclosed as it is a private deal.

With regards to our strategy in supporting the national economy and achieving the comprehensive development, the most recent deal was a contract of credit facility with Kuwait Integrated Petroleum Industries Company (KIPIC) where KFH participated in financing the company's \$2.3 billion Liquefied Natural Gas (LNG) import. KFH was selected to lead the deal of the Islamic banks for their share in the \$500 million. KFH is currently studying different other projects to finance.

Also KFH pays great attention to the small and medium enterprises SMEs. The Bank enjoys great share in financing SMEs as they play a significant role in supporting the youth segment and improving the performance of the entrepreneurs. This contributes in diversifying income resources, creating new jobs while building national expertise in business.

Finally, the positive ratings as mentioned by my Colleague Fahad, by international rating agencies are considered as a positive indicator on the soundness and success of our plans. The agency had recognized KFH's geographical footprint, large branch network, diversified banking and investment services, and strong brand name that strengthened the bank's distribution capabilities, deposit collection and profit margins. Fitch's assessment also recognized the positive impact of divestments from equity securities, trading and investment properties, and non-performing non-core banking assets towards traditional commercial banking. KFH's leading Islamic franchise, the improving asset quality, the resilient profitability and regulatory capital ratios along with the bank's conservative risk appetite, and stable funding were considered as positive drivers for affirming the credit rating.

Regarding the topic of the potential Merger with AUB, we have disclosed to the regulatory authorities and the market the latest developments in this regard and there are no further updates at this time. 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 for the 3rd Quarter and first Nine months of 2018 in details and answer any of your questions afterwards. Thank you.

Shadi Zahran:

Good afternoon ladies and gentlemen, As-salamu Alaikum Wa Rahmathullah Wabarakathuhu, I am Shadi Zahran presenting the Financials for KFH Group for the third Quarter.

The group Net Profit After Tax (NPAT) attributable to Shareholders for the period ended 30th Sep 2018 stood at KD 169.1mn and higher than same period of 2017 by 22.7%, that's mainly from an increase in net finance income by KD 81.9mn, and partially offset by a decrease in investment income by KD (35.2) mn, and increase in both Operating Expenses and Provisions by KD 8.8 mn and KD 6.1mn respectively. As we used to do before we will explain each part separately in the coming slides.

Before we do so I would like to highlight some important points that despite the reduction in investment income, which we saw KD 35.2mn the group operating income and net profit as well improved significantly confirming successful KFH transformation in the past four years toward stable and core business.

Now on the same slide we have the Net Financing Income at KD 404.8mn represents an increase of 25.4% as compared to Sep-2017 resulting from the increase in average yielding assets portfolios by 6.3% and improved Net Financing Margin.

Total Operating income at KD 589.6mn increased by KD 64.6mn or 12.3% resulted mainly from the increase in net finance income KD 81.9mn contributing 68.7% to the total operating income compared to last year's contribution of only 61.5%. Accordingly the non-financing income (including investment income) contribution to total operating income has dropped by 7.2% to reach 31.3% (as you see the investment income contribution dropped from (as you can see on the right side of the slide) dropped from 16.8% to only 9.0%), and that is due to lower divestment of non-core assets as compared to last year.

In the next slide you will note the decrease in total Non-Financing Income from KD 202.1mn to KD 184.8mn, was mainly due to the lower investment income by KD 35.2mn as mentioned (actually dropped from KD 88.2mn to KD 52.9mn). On the other hand, the increase in Net gain from foreign currencies by KD 19.7mn has partially offset the decline in the non-financing income which was mainly from our Subsidiary in Turkey & Kuwait. However, the higher income in our subsidiary Kuwait Turk was due to higher volume in FX trading activities during Q318 along with improved margins as a result of exchange rate volatility during the period, I mean during the third quarter specifically. Accordingly, the contribution of investment income to total non-financing income (as you can see on the right side of the slide) dropped from 43.6% to 28.6%.

The Total Operating Expenses at KD 222.1mn has increased only by KD 8.8 million or 4.1%.

Out of that, the staff cost at KD 137.3 mn increased by KD 6.9mn mainly from the Parent in Kuwait due to impact of labor law amendments in addition to the normal annual increment of salaries and staff benefits, along with increase in headcounts mainly in Kuwait and Turkey.

Other operating expenses decreased by KD (1.4)mn or (2.2)%. Which is maintained at the same level despite the business growth due to the continuous Group efforts towards cost optimization as a result the Net Operating income at KD 367.5mn increased by KD 55.7mn or 17.9% as compared to 9M-17.

Now There is another point I would like to stress on it is that, Although total operating expenses have increased by 4.1%, which is mainly attributable to support the growth in Kuwait and international banking operations, operating income has increased by 12.3%. This represents continuous efficiency in group operations reflected in further reduction in C/I ratio which has reached 37.7% as end of Sep for 9M18 at a Group level compared to 42.8% for the full year 2017 coming from 51% for 2014, this is the continuous improvement on our efficiency in group operation and also shows that we are maintaining the same momentum in cost optimization at group level.

Furthermore, at KFH-Kuwait, C/I ratio is maintained at 31.1% which is below both the local Islamic Banks average of 38.8% and local conventional Banks average of 34.4% Both calculated as per the published financials for H1-18.

Now in the next slide we look at the Average Profit Earning Assets is up by 6.3%, although the total assets / total balance sheet declined by 0.3% illustrating an increase in yielding assets contribution trend.

This is also an evidence of efficient balance sheet that focuses on sustainability of earnings and also reflected in the improved Net Financing Income

For the Group Net Financing Margin, the group NFM for banking subsidiaries reached at 3.3% shows a 50bps increase over last year 2.8%. The Group average yield improved in line with increase in local and international profit rates. Cost Of Fund has also increased, however due continuous improvement in funding mix “mainly CASA forms now “47.4%” of total group deposits as of Sep 2018”, the overall NFM improved to reach 3.3%.

With regards to Provisions and Impairments I would like to highlight again what we previously presented in the First Half of the year 2018 that the increase in Provisions and Impairments was on account of conservative impairment charged in H1'18 against legacy real estate investments in GCC due to negative outlook, that was as disclosed in the financials of first half that is same amount as KD 63.7mn out of the total provision now charge for the three quarters of KD 131.2mn.

However, lower impairment on financing portfolio was recorded in 2018 due to the continued declining trend of our groups cost of Risk. The Group's Cost Of Risk is below 1%, and declined in gross provisions in “Financing portfolio” by 13% as compared to same period last year, that's all for the financing portfolio separately for the group.

For this part It is also worth mentioning that Central Bank of Kuwait has still not fully adopted IFRS 9, and requirements for ECL on financing facilities have been replaced by CBK existing credit loss requirements as clearly disclosed in our financial statements.

On the right side we see the same distribution that we used to present for Operating Profit from banking activities, it is maintained above 92% of total Operating income of the Group and is being maintained as part of overall Group Strategy.

Before we move to the next slide as we already talked about provisions and impairments, I would like to highlight the NPL ratio which stood at 2.84% in 9M-18 compared to 2.65% at YE-17, this is as per the CBK rules. However the coverage ratio by provisions only, without any collaterals “only by provision”, for the group is 163% and for solo is 258%.

In the next slide, the Total Assets as you see is stood at KD 17.3bn marginally decreased by KD (50)mn or (0.3)% over a 9 month period (9M18 vs. FY17). And that's because of TL devaluation. The growth as Mr. Mazin mentioned, without TRL devaluation is 4.3 % (impact of KD 0.8bn).

Similarly we have for the Financing Receivables and Deposits Financing receivables at KD 9.2bn decreased by KD (50) mn or (0.5%) over a 9 month period (9M18 vs. FY17). The Growth without TRL devaluation is KD 0.6bn or 6.8%. Growth in financing receivable from all banking entities and business units.

Depositors' Accounts at KD 11.5 bn decreased by KD (94) mn or (0.8%) over a 9 months period (9M18 vs. FY17) from KD 11.6bn in Dec-17. However if you look at the Growth without TL devaluation during 9M18 is 4.4%.

Customer deposits as a percentage of total deposits at 78.7% remains at a healthy funding mix. It is worth to mention that KFH Kuwait dominates the market in saving accounts at almost 42% (Based on CBK report published as of July-18).

In the next slide we look at the Return on Average Assets, Return on Equities, EPS and Capital Adequacy ratios "Masha Allah" all of them we have very positive trend based on 2014.

Return on Average Assets improved by 61bps from 0.94% in 2014 to 1.55% in 9M-18.

Return on Average Equity also increased by 522bps from 7.27% in 2014 to 12.49% as end of 9M-18.

Capital Adequacy ratio at 17.12% is 10bps above comparative period last year and is well over the minimum regulatory requirement. Expected divestment of non-core assets will continue to reinforce capitalization.

And EPS is up by 5.0fils compared with the same 9 months period 27.04fils or Annualized is 36, this is just annualized and doesn't give the indication for the full year.

Now looking at the Group 3rd Quarter standalone performance (unfortunately I don't have the slide here but I will give briefly the figures for the three months period or 3rd quarter ended on 30th September 2018)

Profit attributable to shareholders for Q-3 2018 was KD 73.9mn representing KD 17.7mn or 31.4% increase as compared to Q-3 2017 resulted from improved net operating income by KD 20.2mn or 18.1%, which represents an

increase in total operating income by KD 17.9mn or 9.8% and decrease in operating expenses by KD (2.3)mn or (3.3)%.

Profit attributable to shareholders for Q-3 2018 standalone was higher by KD 22.6mn or 44.2% increase as compared to Q-2 2018 and by KD 29.9mn or 68.1% as compared to Q-1 2018. It worth to mention that the first half of the year i.e., the first quarter and 2nd quarter 2018 was charged with one off provision as mentioned earlier for the legacy assets in one of the GCC investment.

Group C/I ratio for Q3-2018 three months period was only 34.1% as compared to 37.5% for Q2-2018, 41.7% for Q1-2018 and 42.8% for the whole year 2017. This shows the continuation of improved efficiency on quarterly basis.

By that I finished my part, thank you, and I give it back to Mr. Fawaz.

Fawaz Al Sirri:

Thank you Shadi we will now be taking our audience's questions. If you allow us just to pause for about a minute .. to give everyone a chance to ask a question then we will selecting key questions for the speakers to answer.

Mazin Al Nahedh:

Any questions please ladies and gentlemen.

Fawaz Al Sirri:

Alright, I think your presentations were detailed and answered everyone's questions. Gentlemen thank you for your time today now before we conclude would like to end with some sort of a closing statement or is there something you wished to have emphasized enough but you didn't now is your opportunity before we conclude for the quarter,

Shadi Zahran:

I was expecting actually some questions on the Turkish lira which may be considered as the most recent hot topic for now.

You know the current devaluation or depreciation of Turkish lira have impacted adversely the overall economic situation in Turkey and hence the asset quality for banks operating in Turkey. KTPB's NPL increased like other banks marginally from 1.8% to 2.0% as of 30th September however we noted the increase in other banks was much more than that. KTPB NPL rate is amongst the lowest in entire banking sector.

KTPB is well positioned to withstand the impact of asset quality deterioration with minimal impact on profitability. InSha'Allah. This is mainly due to the risk

mitigation factors employed by the management including robust underwriting criteria and diversification of portfolio in both sector and currency within KTPB. Further diversification of portfolio is improving further by expansion of KT Germany operations. In the other side if some one is interested in asking about the impact of Turkish lira on Income Statement of KTPB actually the impact on the Income Statement was minimal since it affected short period basedd on average rates. Also the rate deterioration affecting both sides of income statements, the income and expenses, however our bank in Turkey “as mentioned in the beginning” the net gain of FCY increased in the third quarter because of the situation increased the volume of trading in FCY. Actually that benefited the profitability of KTPB.

Fawaz Al Sirri:

Thank you. We actually have a few questions coming in so we are going to select a few. The first one we are going with is from Elena Sanches of EFG Hermes.

Q1) Elena Sanchez from EFG Hermes: Do provision cost for the financing portfolio of the year end September 30th include reversals of provisions?

Shadi Zahran:

A1) Yes, covered but I mentioned very important point that enhance the or prove that the cost of risk is really improved and continue to improve that for the 9 months compared to last year, the gross provision before any recovery is lower by 13% on credit and the financing portfolio.

Fawaz Al Sirri:

Q2) Waruna from SICO Bahrain: What is your expectation for impairment of real estate assets going forward.?

Mazin Al Nahedh:

A2) Our anticipation that our real estate assets or accounting policy here adopts basically cost or market whichever is lower and as such we have a very conservative approach in that regard. The issue that Mr Shadi referred to earlier about the write off, of some GCC lands was due to certain changes I would say in the political climate and as such the bank opted to be on the conservative side to basically take a full write off against those lands in anticipation for any recovery that would come through the legal system. So we have a very conservative approach we do not anticipate to see further deterioration in our real estate values I think it's the opposite we would realize profits upon the sale of real estate assets.

Fawaz Al Sirri:

Thank you. We have two more questions to go through but before we do. We also have questions about KFH and the potential merger with AUB ...

Mazin Al Nahedh:

It think we covered that in the presentation, there is nothing new in this regard. Anything that will come up we will be disclosing.

Fawaz Al Sirri:

Thank you. Next up, we have a follow up question from Waruna from SICO Bank.

Q3) Waruna from SICO Bahrain: Has the deterioration of Turkish Lira affected the capital adequacy of the subsidiary?

Mazin Al Nahedh:

A3) Mazin: As a matter of fact we didn't see an impact on the deterioration of the capital adequacy, we as a matter of fact from a group perspective saw an improvement due to the shrinkage of risk weighted assets in Turkish Lira in relation to the capital consumption. So in essence we didn't see any issues with the capital adequacy when it came to our Turkish operations because you know, I think certain institutions within Turkey are over exposed to foreign currency lending to institutions that do not have foreign currency receipts to repay those obligations and as such this is not a position that we are in as Kuwait Turk. We ensure that the main source of repayment is actually coming from foreign sources before we grant any loan in foreign currency. For that reason, we do not anticipate any problems in this regard nor deterioration in capital.

Fawaz Al Sirri:

Q4) Waruna from SICO Bahrain: Can you expect the cost of risk to remain at current level going forward?

Shadi Zahran:

A4) Actually, I explained the most important part which is the development in Turkey. If we talk about the group, yes its improved and the improvement is continuing and we confidently say it's below 1%, it is actually with really good margin but the only thing that is going on now is the NPL increasing in Turkey's country zone, but there as I explained Kuwait Turkey Bank is ranked actually at very good position actually we are as recall the 2nd lowest NPL there in Turkey and our NPL increased only by 20 bps during this quarter while other banks increased significantly, so at end it does not have a significant impact on the group cost of risk. So overall, yes it will remain at the current level and will may be improve at group level.
With that question we don't have any more questions.

Fawaz Al Sirri:

Thank you Shadi, and thank you Mazin, and thank you Fahad for answering these questions and also for your detailed presentation. We will now conclude today's call. As a reminder for our audience, a live recording of this call will be available on the same link used to access this live version of the call in about two hours or so. Thank you again for joining and hope to see you soon.

- WEBCAST TRANSCRIPT ENDS -

The analyst conference was held on October 29, 2018.

بيت التمويل الكويتي
Kuwait Finance House



Q3'18

Earnings Presentation

October 29, 2018



Disclaimer

IMPORTANT NOTICE

This presentation has been prepared by Kuwait Finance House and is subject to the applicable laws and regulations in the State of Kuwait. It is for information purposes only and it shall not be reproduced or redistributed to any other person without obtaining Kuwait Finance House's prior written consent. It does not and shall not constitute either an offer to purchase or buy or a solicitation to purchase or buy or an offer to sell or exchange or a solicitation to sell or exchange any securities of Kuwait Finance House. Neither this presentation nor anything contained herein shall form the basis of any contract, commitment or advice whatsoever. This Presentation must be read in conjunction with all other publicly available information. To the maximum extent permitted by law, Kuwait Finance House and its directors, employees, agents, consultants, affiliates and subsidiaries expressly exclude all liability and responsibility for any loss or damage arising from the use of, or reliance on, the information contained in this presentation or the website whether or not caused by any negligent act or omission. Neither Kuwait Finance House nor any of its directors, employees, agents, consultants, affiliates, or subsidiaries warrant or represent the correctness, accurateness or completeness of the information provided herein. This document is not to be relied upon in any manner as legal, tax or investment advice. Each recipient hereof shall be responsible for conducting its own investigation and analysis of the information contained herein and shall familiarize and acquaint itself with, and adhere to, the applicable local legislations. Except where otherwise expressly indicated herein, this presentation contains time-sensitive information which is based on currently available information to Kuwait Finance House as of the date stated or, if no date is stated, as of the date of this preparation and accordingly does not guarantee specific future results, performances or achievements. The information and the opinions contained herein are subject to change without notice. None of Kuwait Finance House or any of its subsidiaries or affiliates assume any obligation to update or otherwise revise any such information to reflect information that subsequently becomes available or circumstances existing or changes occurring after the date hereof.

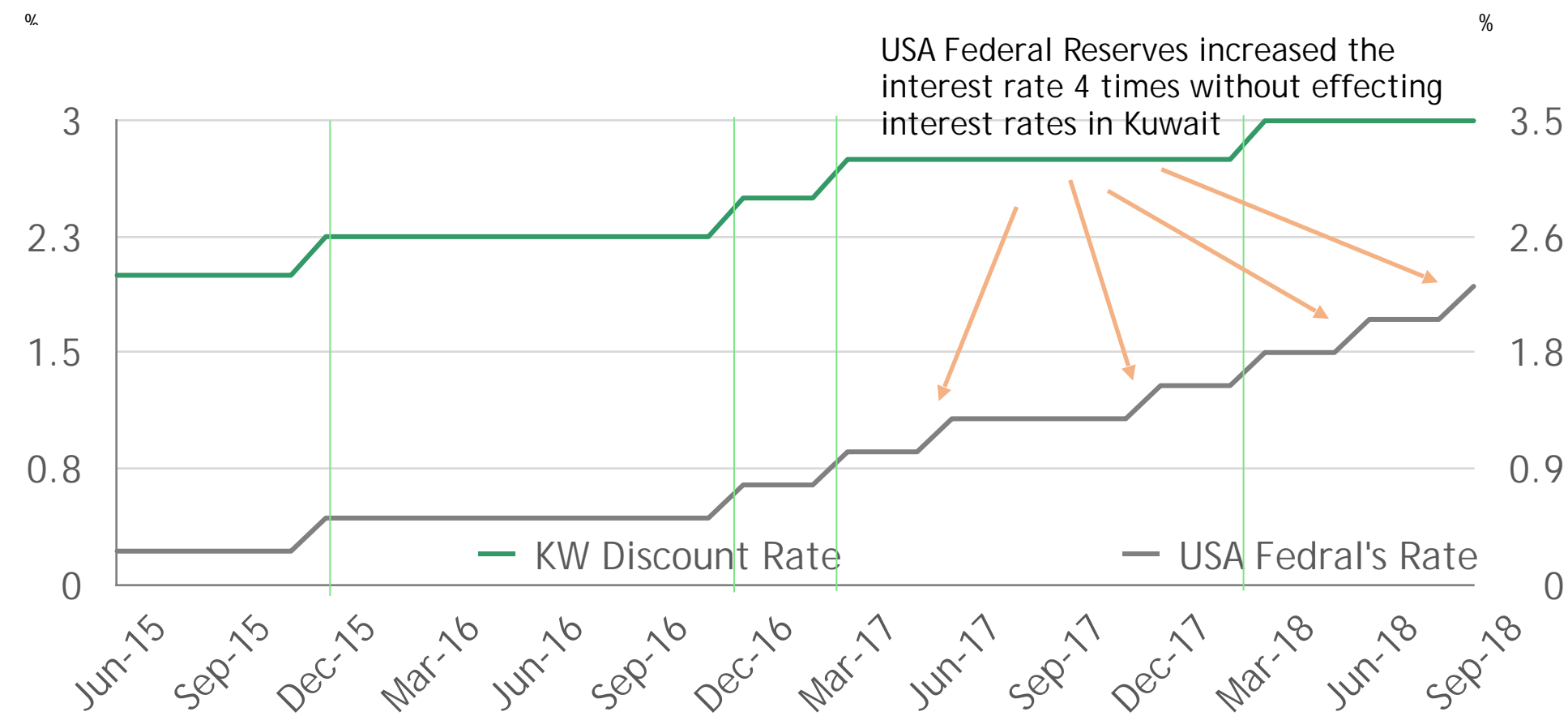
FORWARD-LOOKING STATEMENTS

All statements included or incorporated by reference in this presentation, other than statements or characterizations of historical fact, are forward-looking statements. Such forward-looking statements are based on Kuwait Finance House's current expectations, predictions and estimates and are not guarantees of future performance, achievements or results. Forward-looking statements are subject to and involve risks and uncertainties and actual results, performance or achievements of Kuwait Finance House may differ materially or adversely from those expressed or implied in the forward-looking statements as a result of various factors. In addition, even if Kuwait Finance House's results of operations, financial condition and the development of the industry in which it operates are consistent with forward-looking statements contained herein, those results or developments may not be indicative of results or developments in subsequent periods. Kuwait Finance House does not undertake to update any forward-looking statements made herein. Past results are not indicative of future performance.



Economic Indicators

Development of Discount rate by Central Bank of Kuwait



Source: Central Bank of Kuwait, KFH

Kuwait's GDP & Current Account Balance

Subject Descriptor	2017	2018	2019	2020	2021
Gross domestic product, constant prices (Percent change)	-3.4	2.3	4	4.1	4
Current account balance (U.S. dollars, Billions)	7.1	16.4	16.8	14.1	11.8
Current account balance (Percent of GDP)	5.9	11.3	11	8.9	7.2

Shaded cells indicate IMF estimates
Source: International Monetary Fund (IMF), KFH

- The decision to maintain the discount rate at 3% in Kuwait came to support the recovering economic growth rates, even though the US Federal Reserve raised its interest rate from 2.0% to 2.25% in September 2018.
- Fitch affirmed Kuwait at 'AA'; outlook stable, the agency expects state budget to post surplus of KWD 900 mln, or about 2.4% of GDP. Kuwait's key credit strengths are exceptionally strong fiscally and its external metrics at a forecast of USD 56 bbl, one of the lowest fiscal breakeven oil prices. Fitch Ratings also affirmed Kuwait Finance House's Long-Term Issuer Default Ratings at A+ with a Stable Outlook.
- The International Monetary Fund (IMF) expects Kuwait's GDP growth to reach 2.3% in 2018, according to its latest data, after a negative forecasted growth by 3.4% in 2017. The IMF expects the current account to reach USD16.4bln by the end of 2018, or 11.3% of total GDP, compared by USD7.1bln or 5.9% of GDP in 2017 according to the expectations of IMF.
- Real-Estate transaction values reached KWD 136 million in Aug 2018 according to the latest data by the Ministry of Justice, after a significant increase at the previous month when reached to 548 bln in July, it reached the highest levels in July 2018 however declined in August. Number of transactions decreased by 9.4% compared to August 2017

KFH Overview

Kuwait

1st

and largest
Shari'a-compliant
bank in Kuwait

Regional

Safest

Islamic Financial
Institution in the GCC*

*According to Global Finance

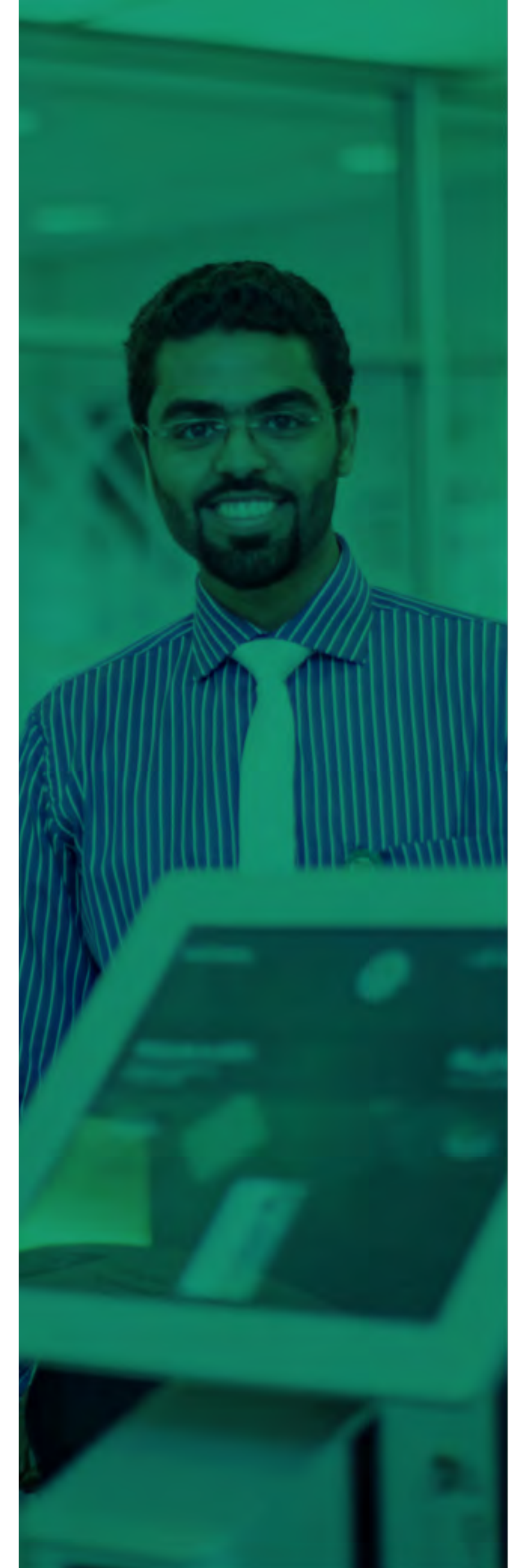
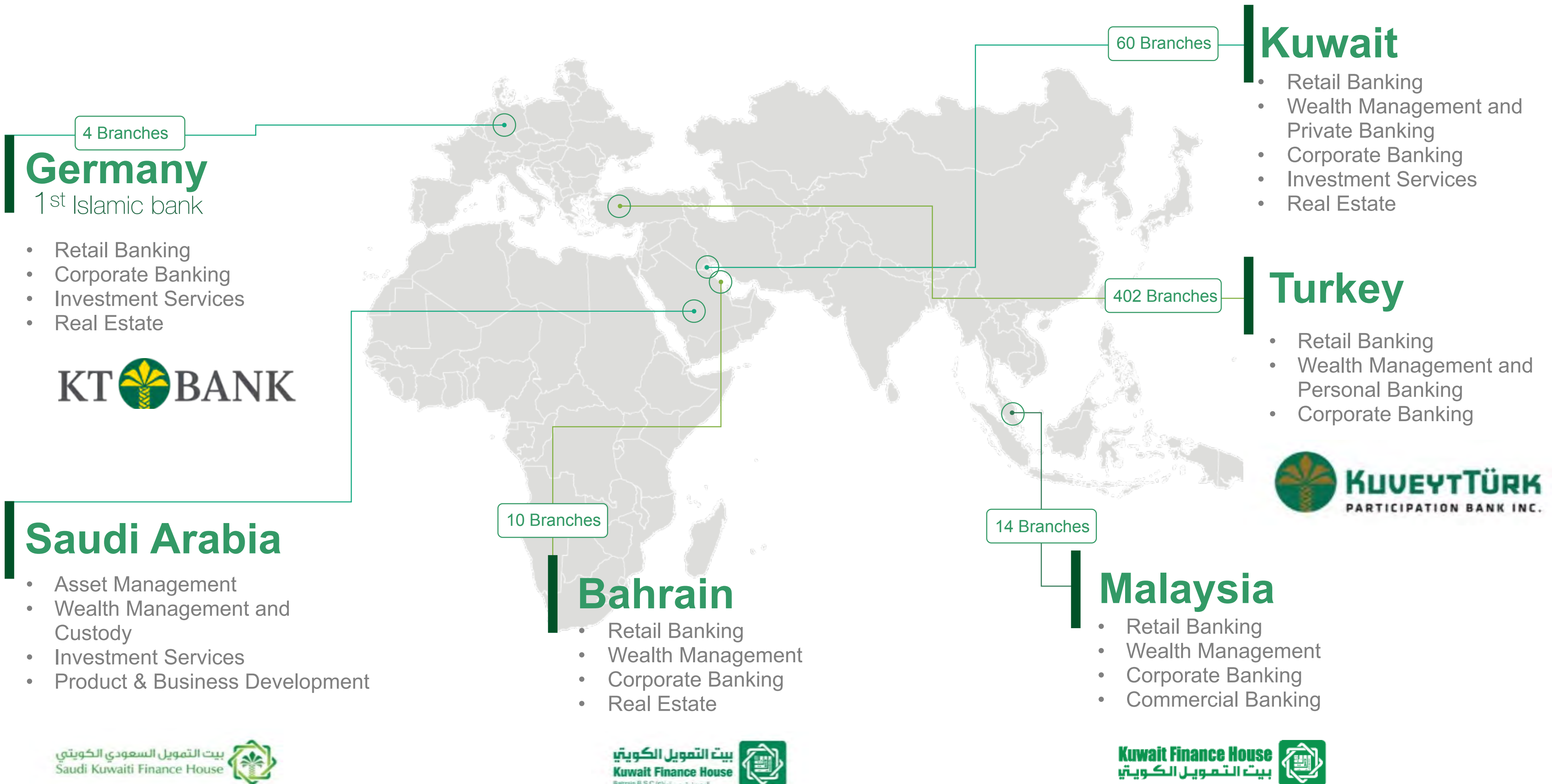
Global

1st


Islamic bank in
Germany

KFH Overview

Geographically diversified banking group



KFH Strengths

 Robust Financial Performance	Leading Islamic Financial Institution	Strong Government Sponsorship	Professional Management Team	Strategic Distribution Channels	Effective Risk Management Framework
<p>A consistent track record of profitability & dividend payment</p> <p>Solid funding and liquidity profile</p> <p>Consistently low NPF rates</p> <p>Improving cost to income ratio</p> <p>Solid profit margins and improving efficiency</p>	<p>Second largest Islamic Financial Institution globally in terms of asset base</p> <p>Operating history of over than 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>48% ownership by various Kuwaiti Government authorities</p> <p>KFH operates mainly in Kuwait where the economy benefits from high level of economic strength</p> <p>Systemic important bank in Kuwait</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 diversified international operation</p> <p>Strong and stable Board of Directors, collectively bringing more than two hundred and fifty years of professional experience</p>	<p>Diversified international operations</p> <p>Presence in 6 countries giving access to Europe, Middle East and Asian markets</p> <p>Extensive accessibility option with a wide network of over 490 branches and over 1,100 ATMs</p>	<p>KFH continuously develops its risk management framework in light of development in the business, banking and market regulations</p> <p>Disciplined & risk adjusted approach to capital allocation</p> <p>Large and diversified portfolio, focused on core banking assets</p>

Business Highlights



 **300 Million Shares**

.....

KFH Saudi was as one of the main underwriters of premier equity shares to Al-Jazeera Bank.

 **Euro 200 Million**

.....

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

 **KD 120 Million**

.....

Credit facilities transactions in favor of MINA HOMES

 **SME Support**

.....

Supporting over 1000 SME customers.

Products and Services

- Launched a new banking product Visa Credit Card (Signature) with unique advantages at market level.
- Inaugurated the opening of two banking halls in to serve Ruwaad, Tamayuz and Nukhba customers.

Awards

- KFH named as the “Safest Islamic Financial Institution in the GCC” by Global Finance.
- KFH-Turkey “Best Islamic Bank in Turkey” by Global Finance.
- KT Bank AG-Germany “Best Islamic Bank” in Europe by Global Finance.
- 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

- More than KD 11.2 million in corporate participation to support families & social institutions in Kuwait as part of our CSR.
- Partnership agreement with Kuwait Red Crescent Society (KRCS).
- Strategic partner in “Kuwait Capital of Arab Youth” Activities.

Q3'18 Financial Highlights

Net Profit
for Shareholders

KD 169.1 m
+22.7%

Total Financing Income

KD 636.5 m
+17.4%

Net Financing Income

KD 404.8 m
+25.4%

Cost to Income Ratio

37.7%
Improved by 3%

EPS (fils)

27.0
+22.6%

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

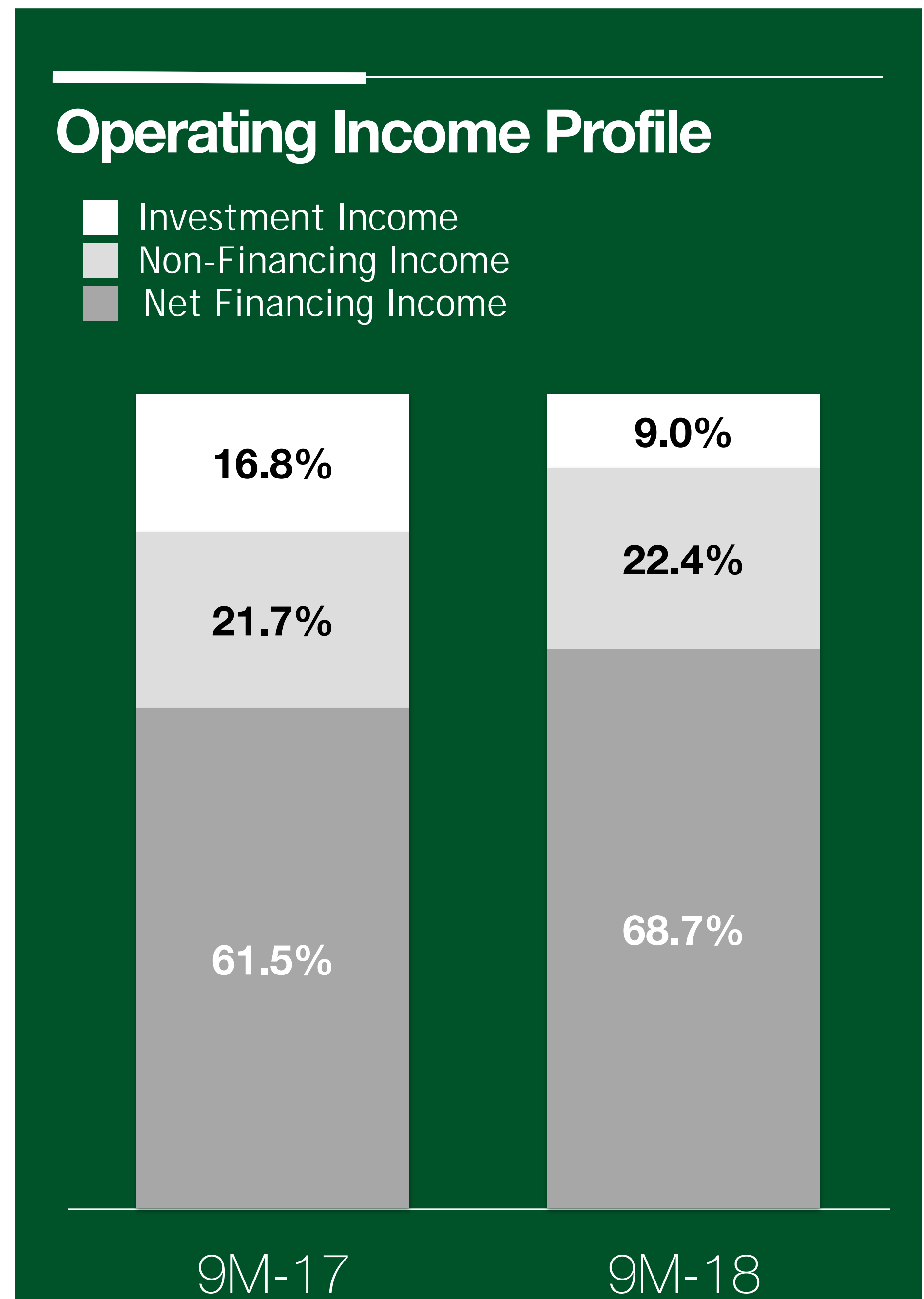
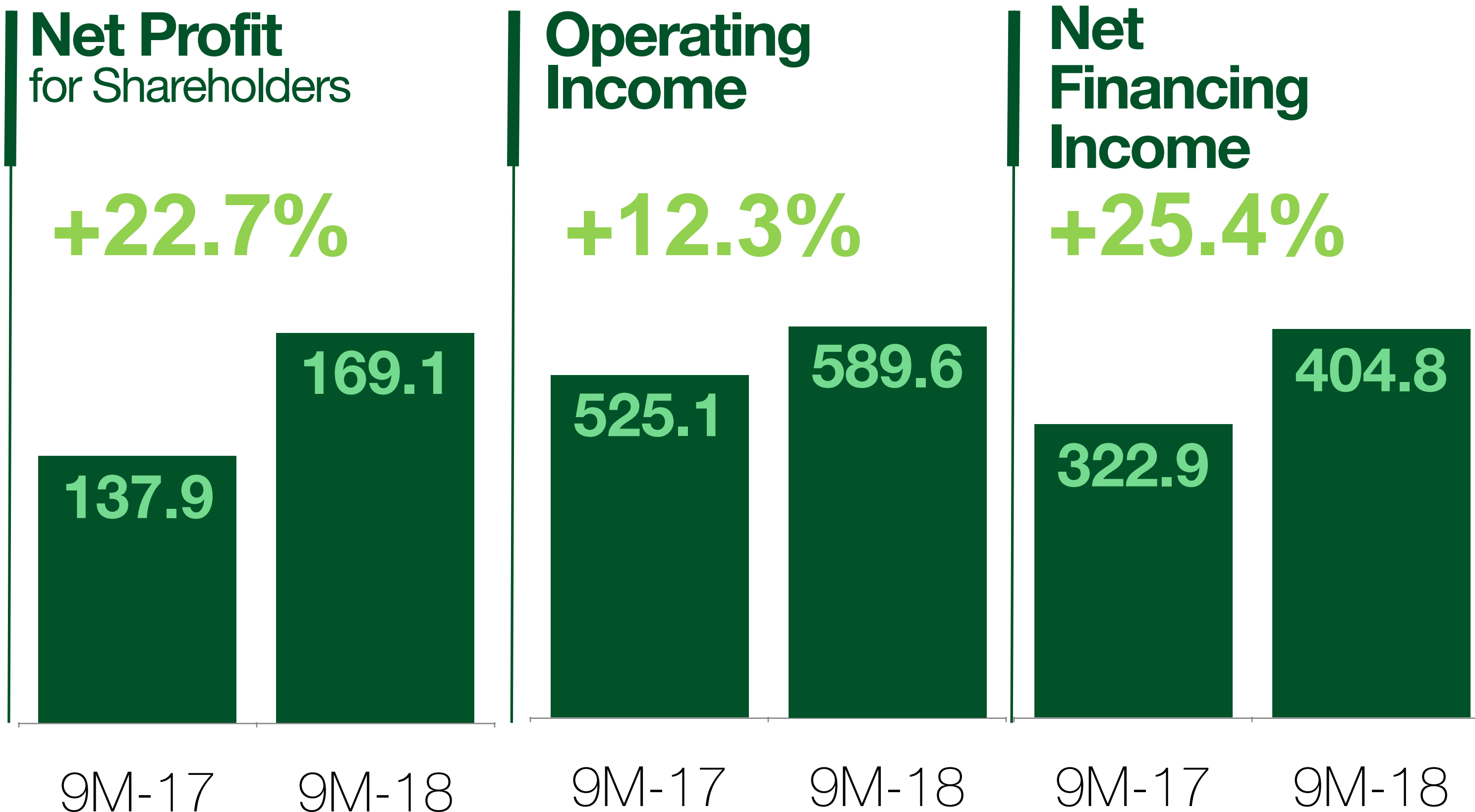
Retail

Corporate

Private

Q318 Operating Performance

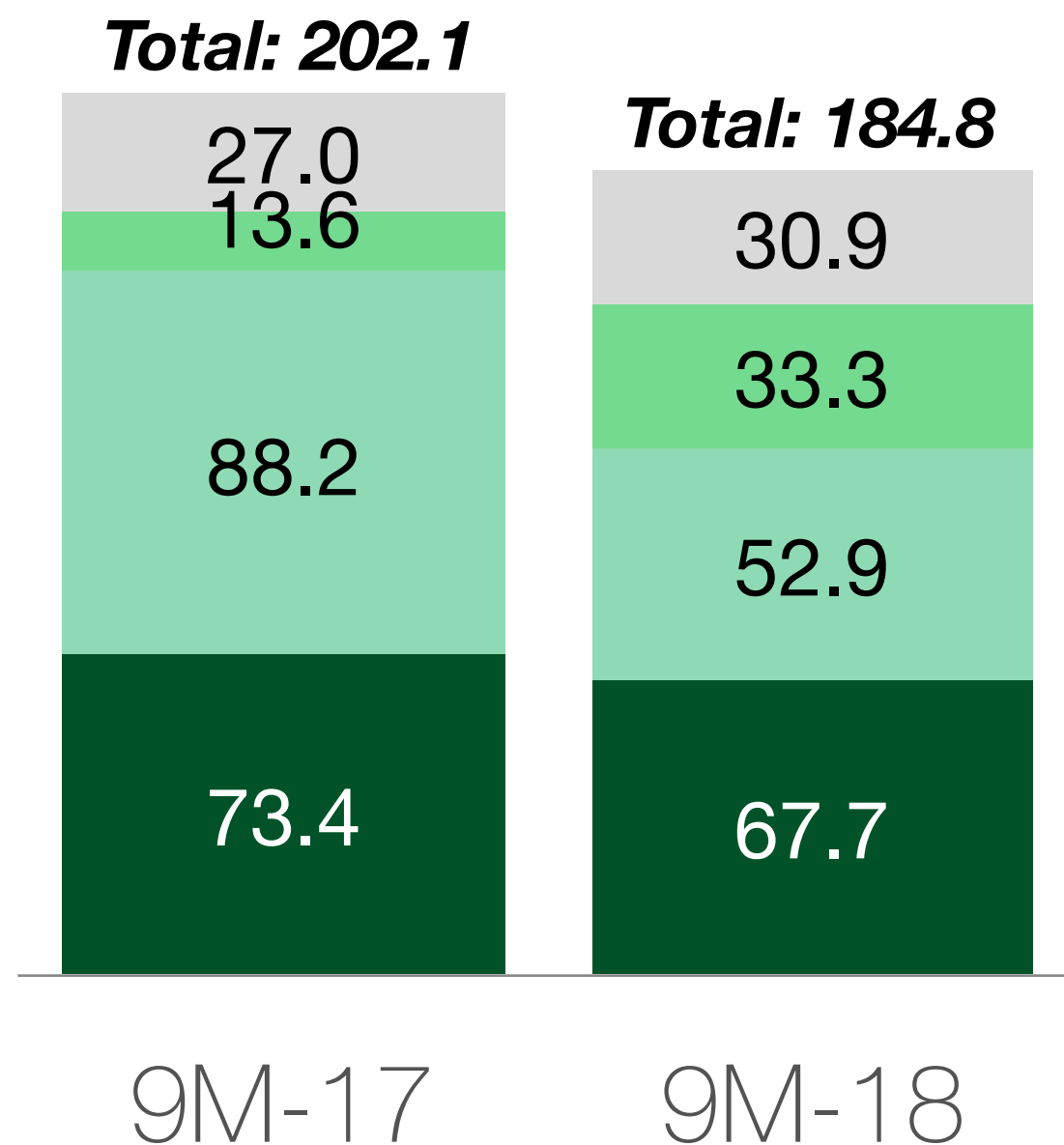
(KD mln)



Q318 Operating Performance

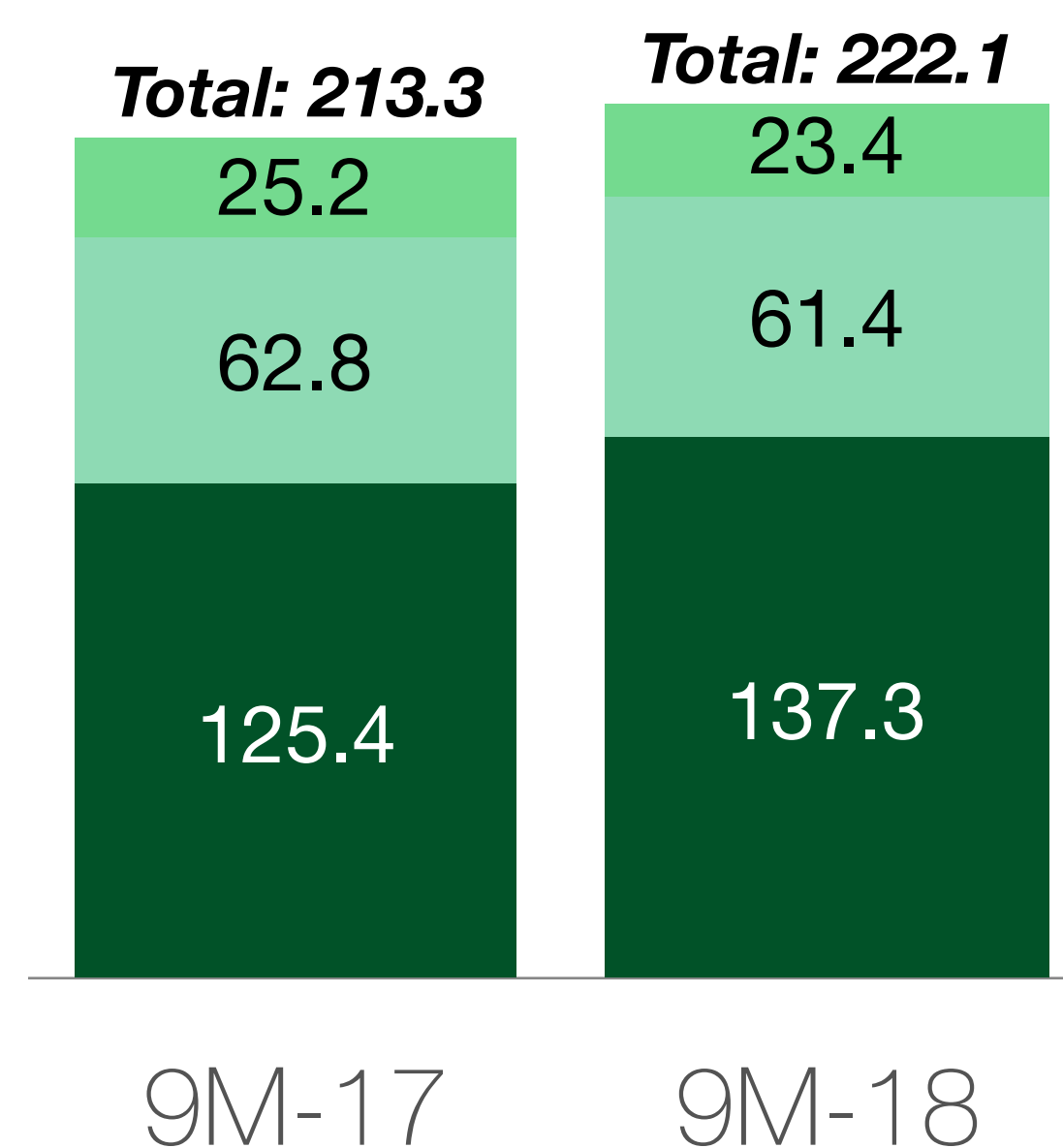
Non Financing Income (KD mln)

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

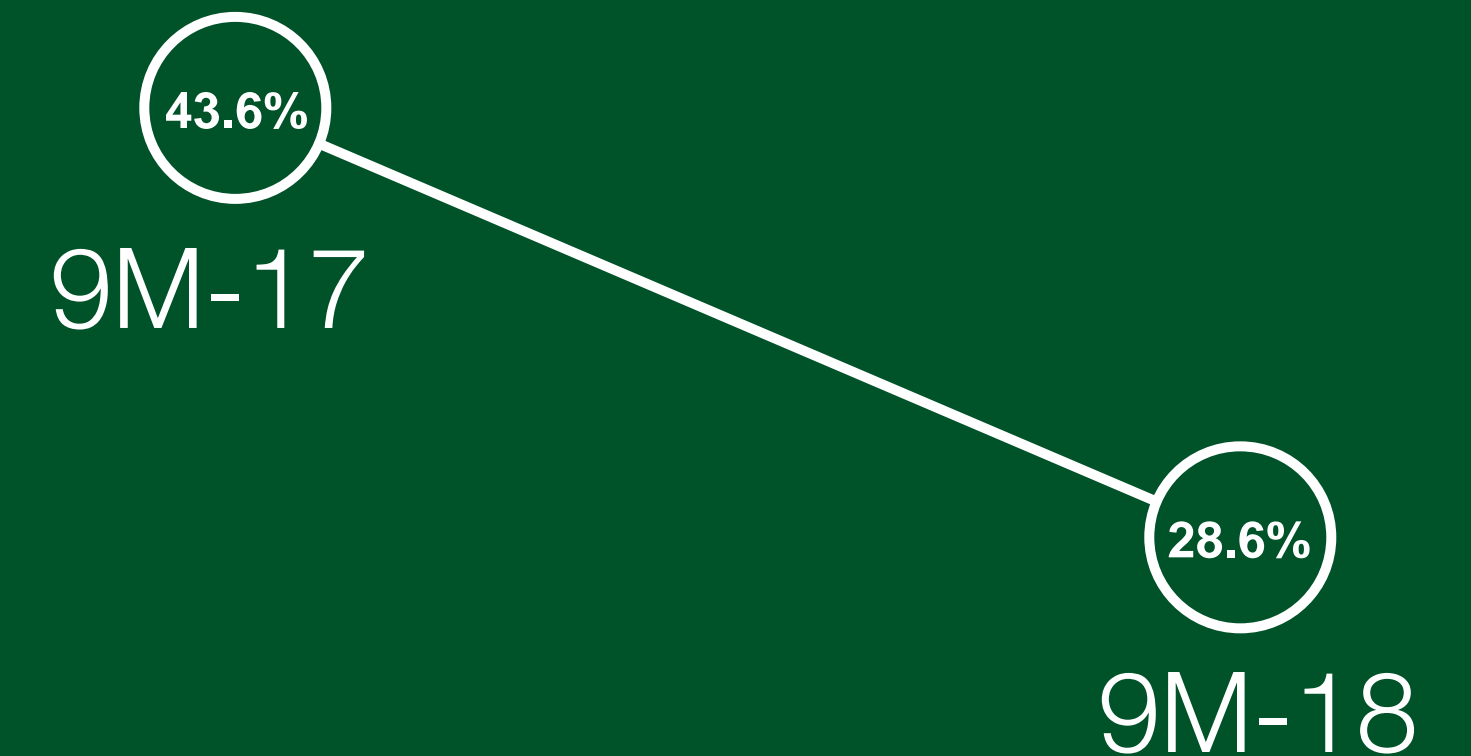


Total Operating Expenses (KD mln)

- Depreciation and amortization
- Other operating expenses
- Staff cost



Investment Income as % of Non-Financing Income



C/I Ratio

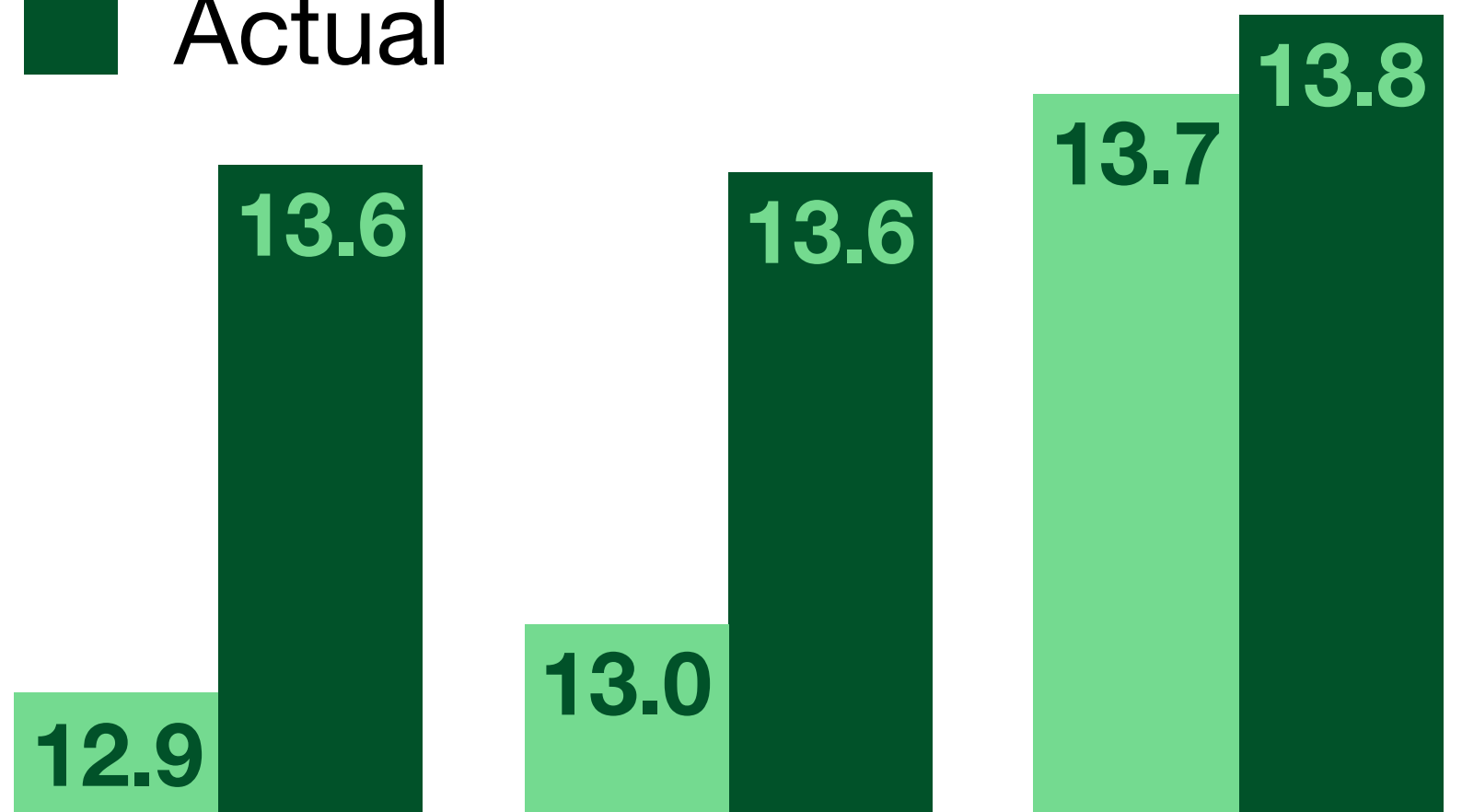


Q318 Operating Performance

Actual / Average Profit Earning Assets (KD bln)

+6.3%

■ Average
■ Actual



9M-17

Q4-17

9M-18

Net Financing Margin

2.7%

2.8%

3.3%

9M-17

Q4-17

9M-18

Provision and Impairment (KD mn)

■ Others
■ Financing

Total 125.1

58.7

66.4

Total 131.1

97.7

33.5

9M-17

9M-18

Operating Profit – Banks / Non-Banks

Non-Banks
7.4%

9M-17

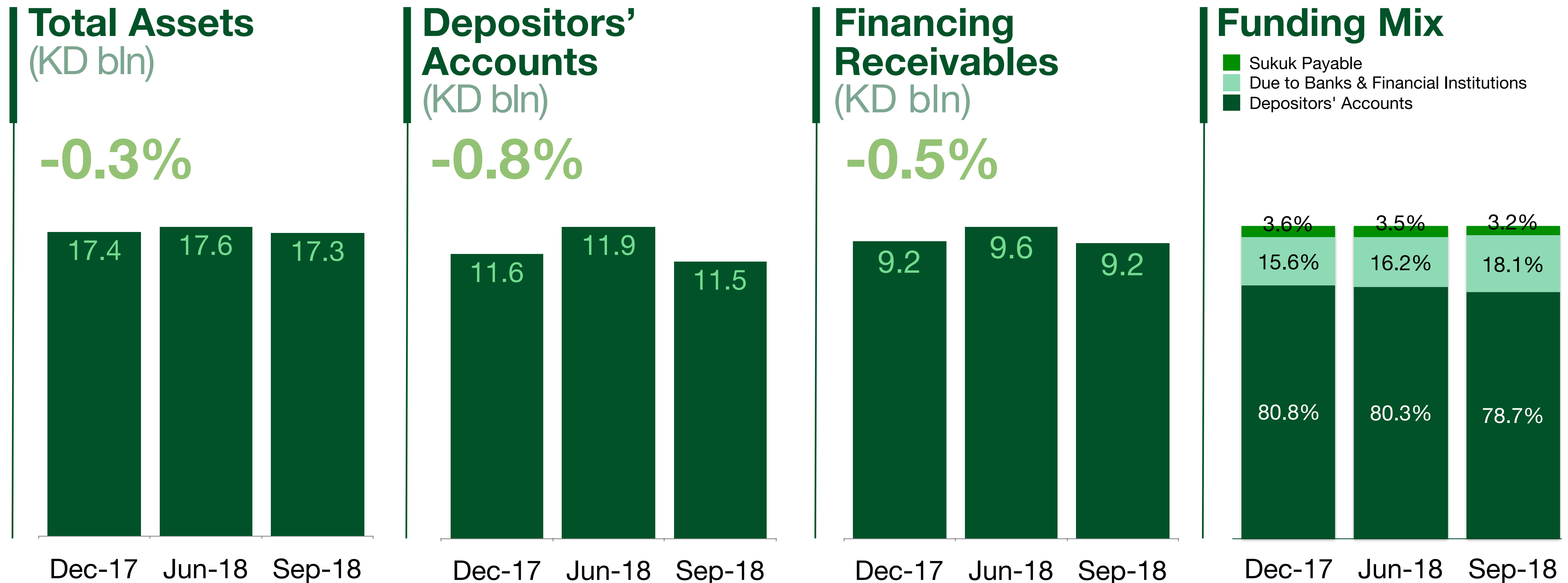
Banks
92.6%

Non-Banks
7.6%

9M-18

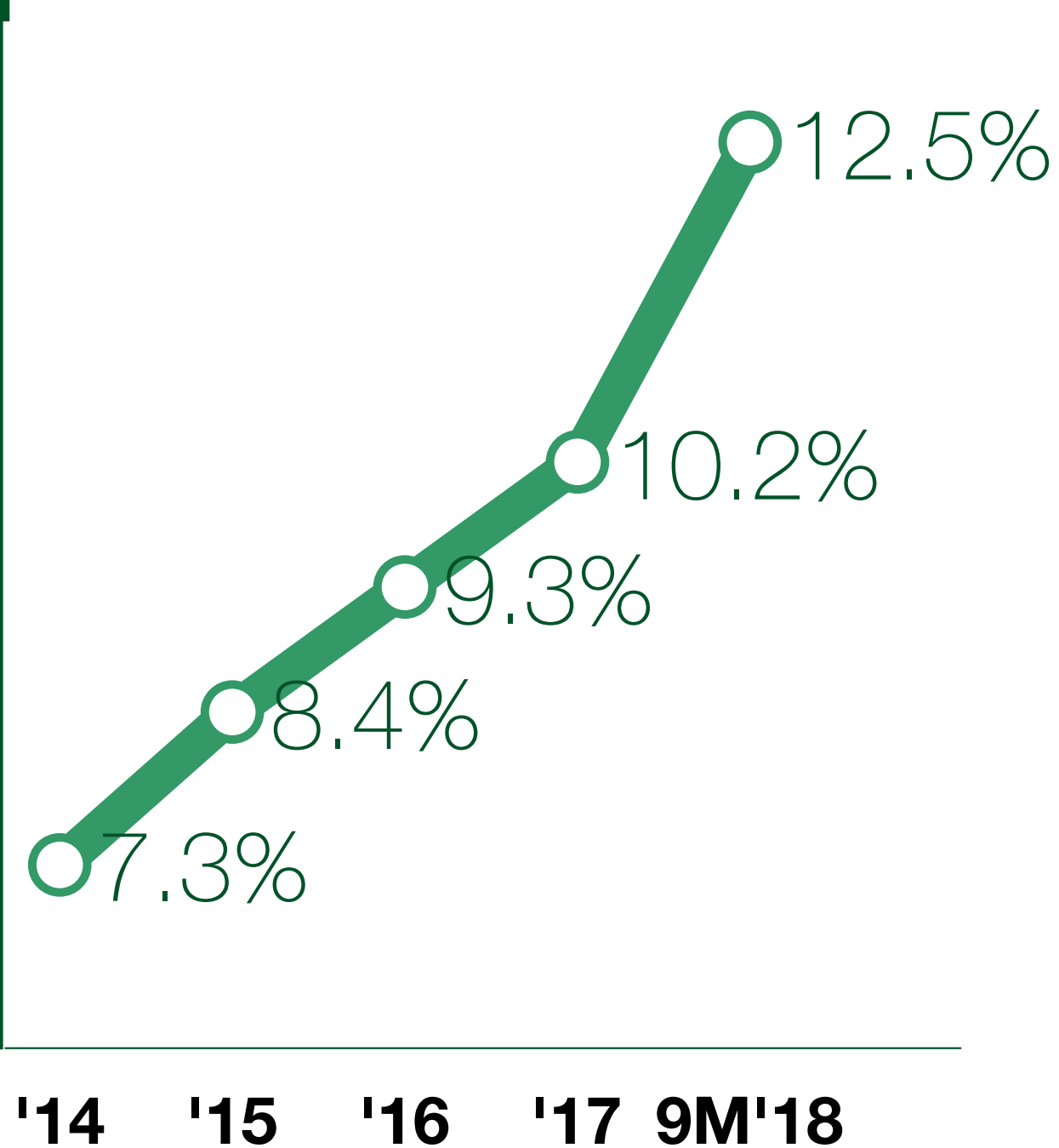
Banks
92.4%

Q318 Operating Performance

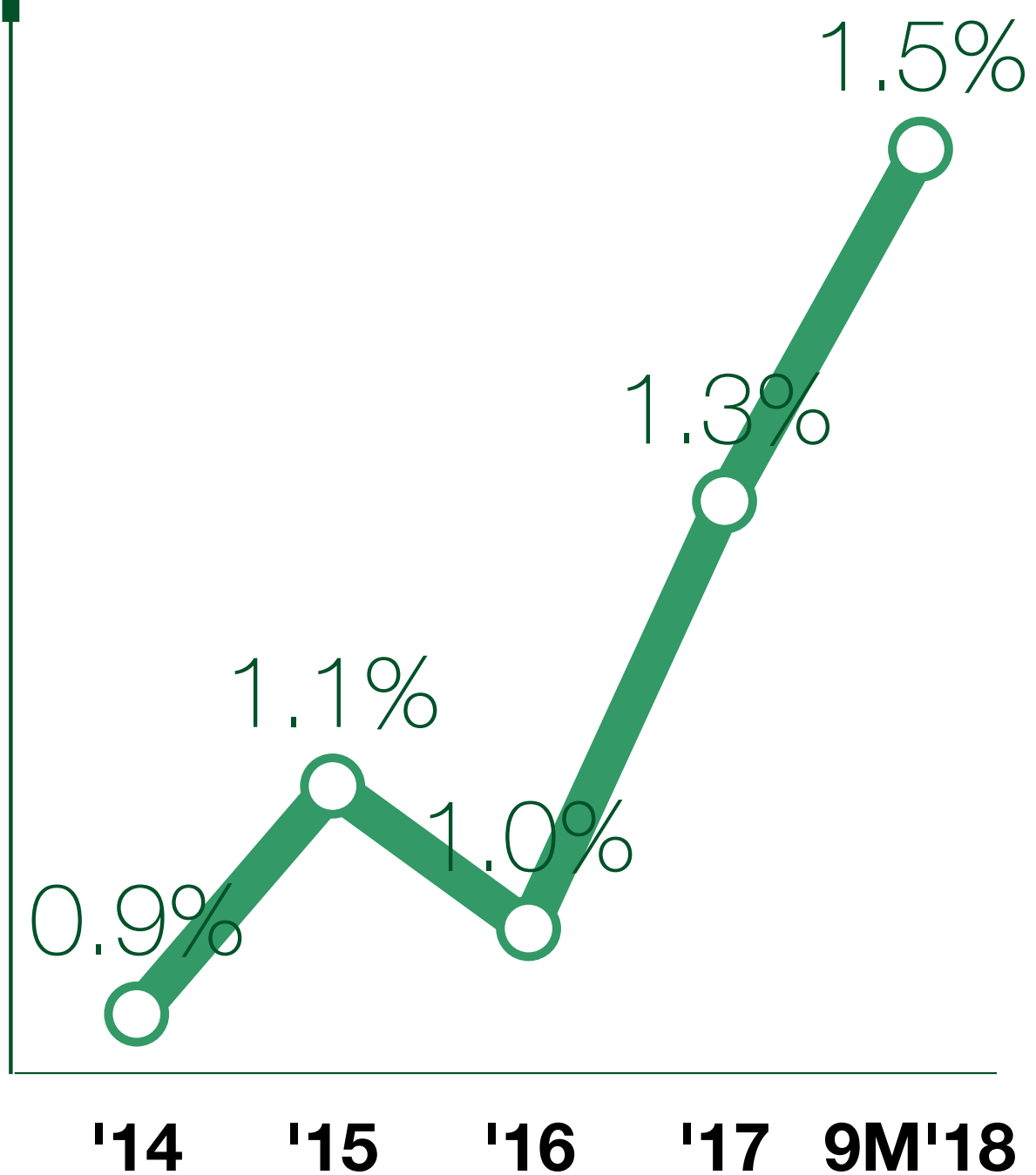


Q3'18 Operating Performance

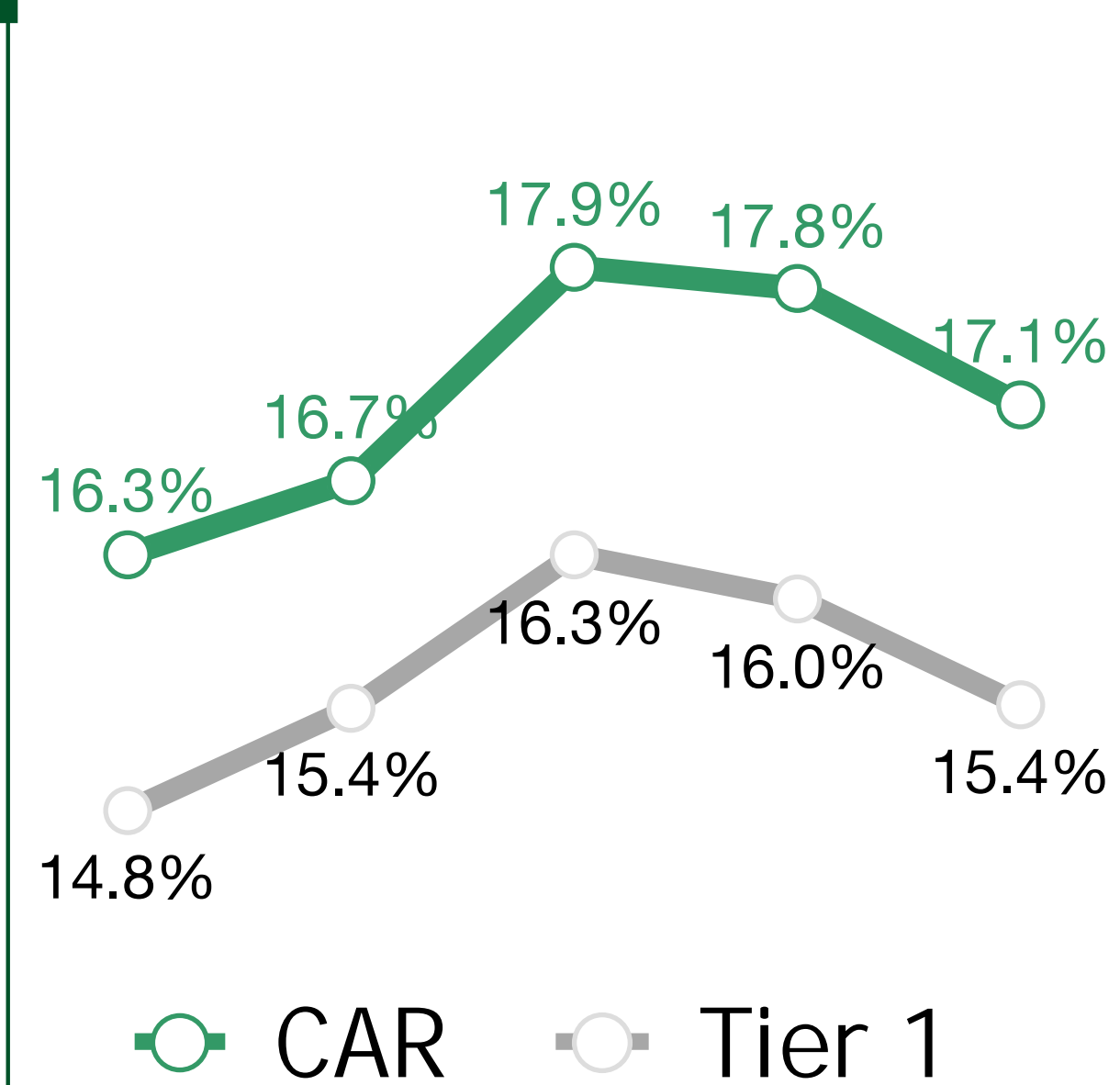
Return on Average Equity



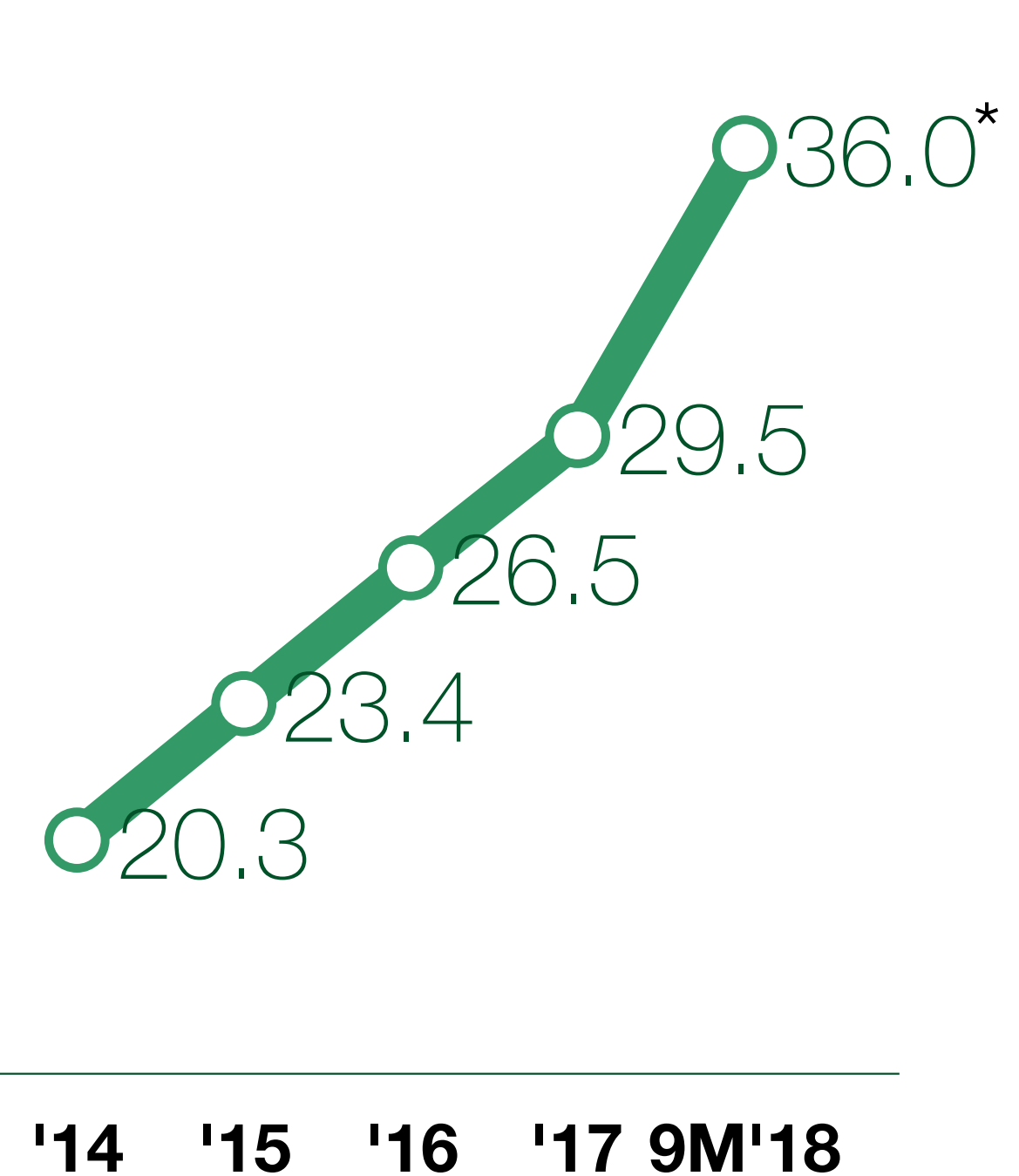
Return on Average Assets



Capital Adequacy Ratios



EPS (fils)



* Annualized. 9M-18 is 27.0 vs. 9M-17 is 22.0



Q&A



Investor.relations@kfh.com



Appendix

Q3'18 Consolidated Financials

Consolidated Statement of Income (KD million)	Sep-18	Sep-17
Financing income	636	542
Financing cost and estimated distribution to depositors	232	219
Net finance income	405	323
Investment income	53	88
Fees and commission income	68	73
Net gain from foreign currencies	33	14
Other income	31	27
Non-Financing Income	185	202
Total Operating Income	590	525
Staff costs	137	125
General and administrative expenses	61	63
Depreciation and amortization	23	25
Total Expenses	222	213
Net Operating Income	367	312
Provisions and impairment	131	125
Loss for the period from discontinued operations	4	8
Profit for the Period Before Taxation	233	179
Taxation	31	24
Non-controlling interests	32	16
Profit Attributable to Shareholders of the Bank	169	138

Consolidated Statement of Financial Position (KD million)	Sep-18	Sep-17
Cash and balances with banks and financial institutions	1,266	1,229
Short-term murabaha	3,140	2,947
Financing receivables	9,166	9,274
Investment in sukuk	1,476	1,358
Trading properties	155	158
Investments	303	333
Investment in associates and joint ventures	498	453
Investment properties	512	586
Other assets	554	497
Intangible assets and goodwill	31	40
Property and equipment	191	217
Assets classified as held for sale	17	309
TOTAL ASSETS	17,308	17,401
Due to banks and financial institutions	2,640	2,256
Sukuk payables	469	513
Depositors' accounts	11,503	11,661
Other liabilities	717	716
Liabilities directly associated with assets classified as held for sale	2	171
TOTAL LIABILITIES	15,331	15,318
Share capital	634	577
Share premium	720	720
Treasury shares	(45)	(46)
Reserves	501	595
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	1,811	1,846
Non-controlling interests	166	237
TOTAL EQUITY	1,977	2,083
TOTAL LIABILITIES AND EQUITY	17,308	17,401

Q3'18 Key Performance Indicators

<i>Key Performance Indicators</i>	Sep-18	Sep-17
Return on Average Assets (ROAA)	1.5%	1.2%
Return on Average Equity (ROAE)	12.5%	10.2%
Cost to Income	37.7%	40.6%
Earnings Per Share (fils)	27.0	22.1
<i>Key Performance Indicators</i>	Sep-18	Sep-17
CET1 Ratio	15.1%	14.6%
Tier 1 Adequacy Ratio	15.4%	15.2%
Capital Adequacy Ratio	17.1%	17.0%

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	8,090	8,095	8,176	9,216
Investments in sukuk	857	807	1,100	1,429
Trading properties	179	214	186	161
Investments	512	508	357	304
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	17,153	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	690	630	645	699
Liabilities directly associated with assets classified as held for sale	0	0	227	188
Total Liabilities	15,056	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 and Equity	17,153	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