



Date: 8 November 2020
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التاريخ: 8 نوفمبر 2020 م
الإشارة: 2020 / 408 / 10 / 10

To: Chief Executive Officer

السيد/ الرئيس التنفيذي المحترم

Boursa Kuwait

بورصة الكويت

Peace, Mercy and Blessings of Allah be upon you,

السلام عليكم ورحمة الله وبركاته،

Subject: Disclosure of Material Information

الموضوع: الإفصاح عن المعلومات الجوهرية

KFH: Analysts Conference Transcript

بيتك: محضر مؤتمر المحللين

Q 3 / 2020

الربع الثالث 2020

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

بالإشارة إلى الموضوع أعلاه، وحرصاً من بيت التمويل الكويتي "بيتك" على الالتزام بمتطلبات المادة (7-8-1/4) من كتاب قواعد البورصة بشأن إلتزامات الشركات المدرجة (محضر مؤتمر المحللين)، نفيديكم بما يلي:

- Further to the previous disclosure on 5 November 2020, the Analysts Conference Transcript for Q 3 / 2020 is attached.

- إستكمالاً لإفصاحنا السابق بتاريخ 5 نوفمبر 2020، مرفق محضر مؤتمر المحللين للربع الثالث 2020.

Best Regards,

Abdulwahab Issa Al-Rushood

Acting Group Chief Executive Officer

وتفضلوا بقبول فائق الاحترام،

عبد الوهاب عيسى الرشود

الرئيس التنفيذي للمجموعة بالتكليف



بيت التمويل الكويتي
Kuwait Finance House

بيت التمويل الكويتي
Kuwait Finance House



3Q2020

Earnings Presentation

5 November 2020

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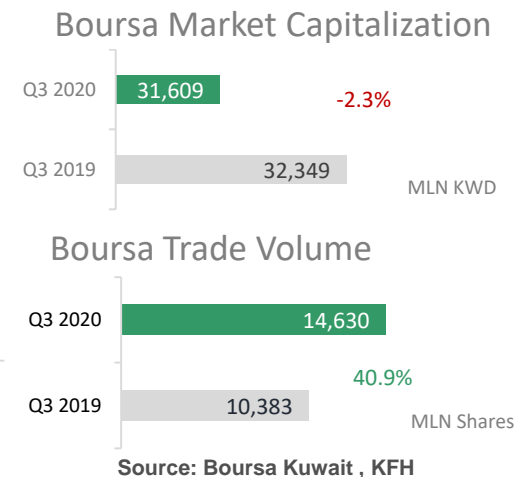
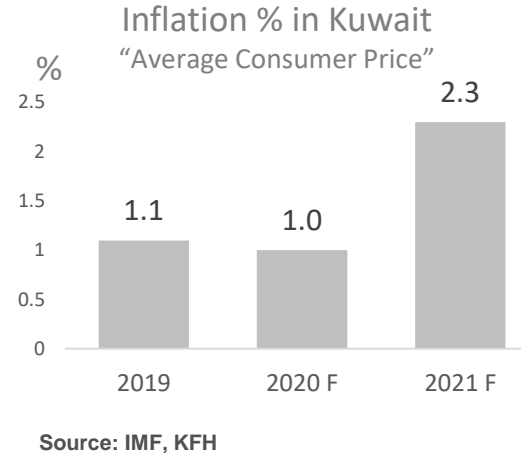
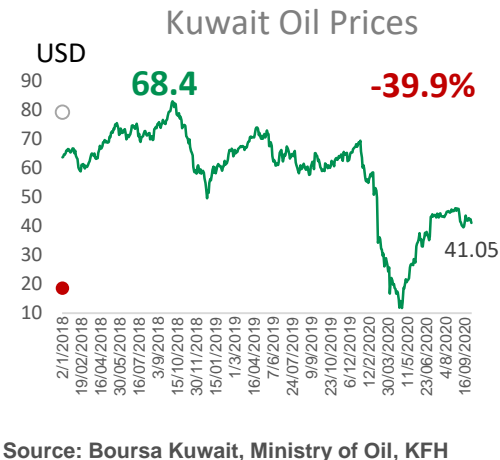
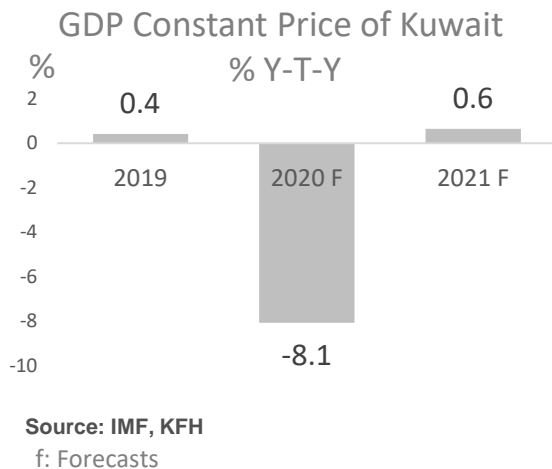
3 **KFH Strategy**

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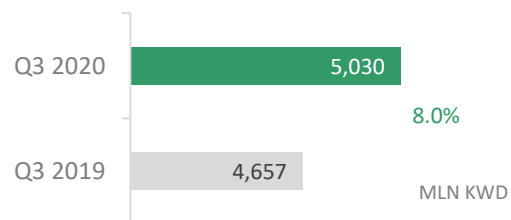
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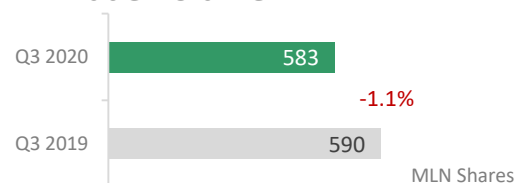
Economic Highlights



KFH Market Capitalization



KFH Trade Volume



Source: Boursa Kuwait, KFH

- The COVID-19 pandemic is representing a health threat to people around the world and a disruption to daily life. It is having an impact on the global and Kuwaiti economies. Some sectors, such as the energy, travel and hospitality, and service industries, are being particularly affected.
- Kuwaiti Crude Oil Price closed at USD 41 p/b as at end of Q3-20 higher by 13.0% Q-T-Q while lower by 39.9% compared to the end of 2019.
- Kuwait's Long-Term Issuer Default Rating (IDR) remained solid despite the downgrade of Moody's to "A1" with stable Outlook, while Fitch affirmed the ratings of Kuwait at "AA" with Stable Outlooks and S&P affirmed at "AA-" with a negative Outlook.
- Central Bank of Kuwait on March 2020 has lowered the discount rate by 1% from 2.5% to 1.5%, a stimulative step by CBK.
- Morgan Stanley Capital International (MSCI) is expected to implement the reclassification of the MSCI Kuwait Indexes to Emerging Market in November 2020.

Overview of KFH's Awards & Ratings

Kuwait

Best

Bank in Kuwait

*According to Asiamoney

Regional

Safest

**Islamic Financial Institution
in the GCC**

*According to Global Finance

Global

Best

**Islamic Financial Institution
in the World**

*According to Global Finance

FitchRatings

Long-Term Issuer Default Rating **A+**

Short-Term Issuer Default Rating **F1**

Viability Rating **bb+**

STABLE Outlook

As of First of September 2020

MOODY's

LT FC Bank Deposits Rating **A2**

ST FC Bank Deposits Rating **P-1**

Baseline Credit Assessment **baa3**

STABLE Outlook

As of 24 September 2020

Overview of KFH

Germany

5 Branches

1st Islamic bank

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



Saudi Arabia

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



Bahrain

9 Branches

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



63 Branches

Kuwait

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

434 Branches

Turkey

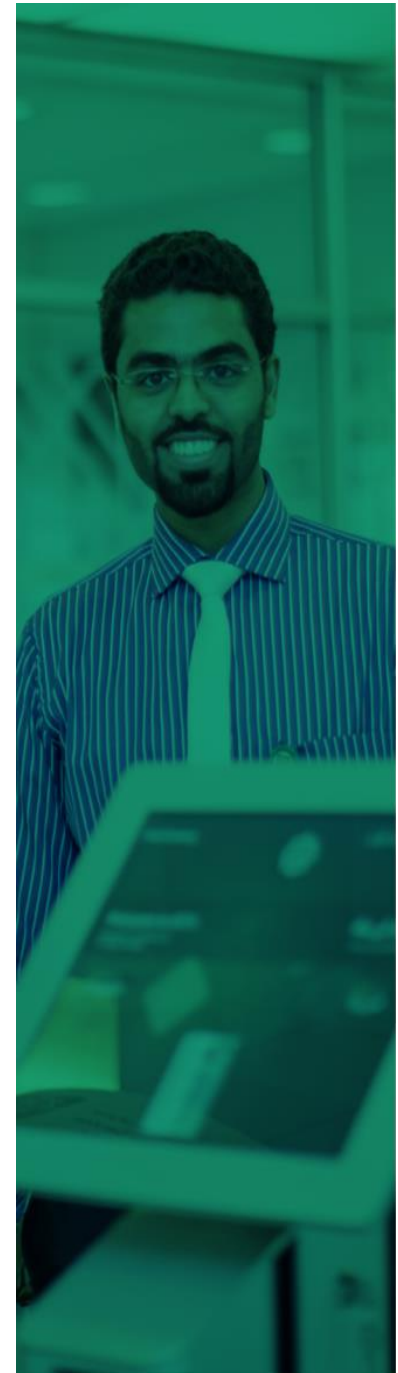
- Retail Banking
- Wealth Management and Personal Banking
- Corporate Banking



11 Branches

Malaysia

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

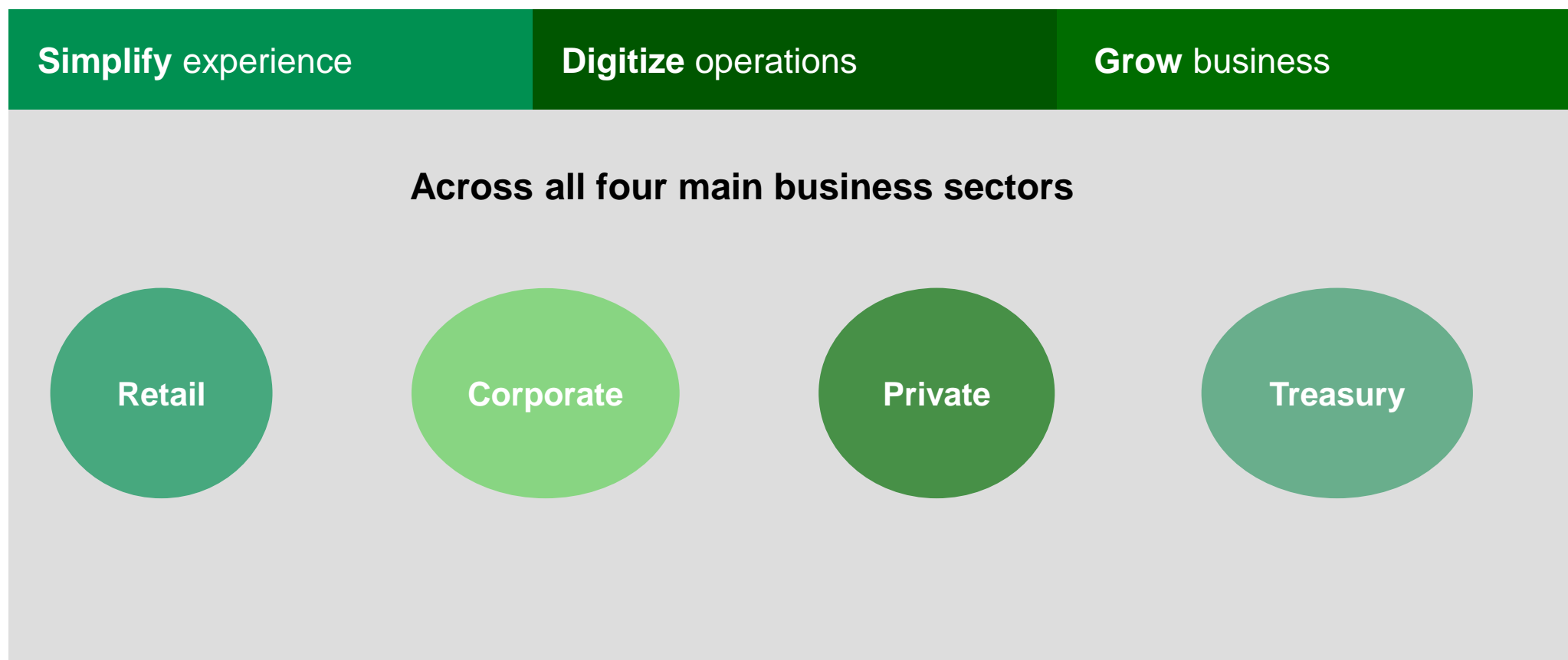


KFH Strengths

Robust Financial Performance	Leading Islamic Financial Institution	Strong Government Sponsorship	Professional Management Team	Strategic Distribution Channels	Effective Risk Management Framework
A consistent track record of profitability & dividend payment	Second largest Islamic Financial Institution globally in terms of asset base	48% ownership by various Kuwaiti Government authorities	Well-rounded human capital through meritocratic management structure	Diversified international operations	KFH continuously develops its risk management framework in light of development in the business, banking and market regulations
Solid funding and liquidity profile	Operating history of more than 40 years	KFH operates mainly in Kuwait where the economy benefits from high level of economic strength	Significant improvement in the Management team for the diversified international operation	Presence in 6 countries giving access to Europe, Middle East and Asian markets	Disciplined & risk adjusted approach to capital allocation
Consistently low NPF rates	Strong retail franchise	Systemic important bank in Kuwait Large retail deposit and global flagship Islamic bank	Strong and stable Board of Directors, collectively bringing more than two hundred and fifty years of professional experience	Extensive accessibility option with a wide network of 522 branches and over 1,535 ATMs	Large and diversified portfolio
Improved cost to income ratio	Pioneer of Islamic products in Kuwait				Reduced non-core assets
Solid profit margins and improved efficiency					

KFH Strategy

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



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9M20 Financial Highlights

Net Profit
for Shareholders

KD 101.2 m

(46.9)%

Net Financing
Income

KD 450.5 m

+13.9%

Net Operating
Income

KD 401.8 m

+2.2%

Cost to Income Ratio

35.48%

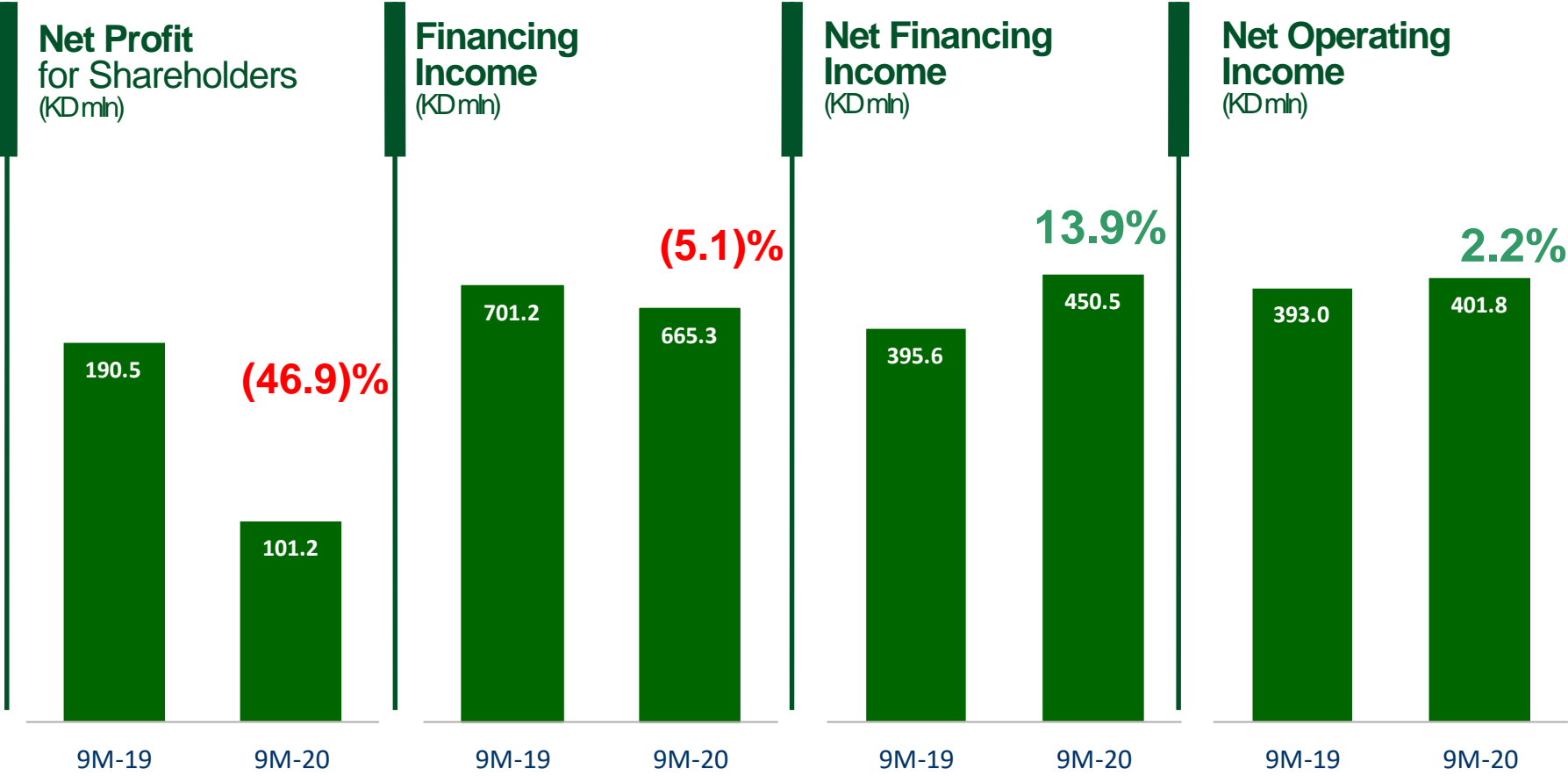
Improved by 63bps

EPS (fils)

13.31

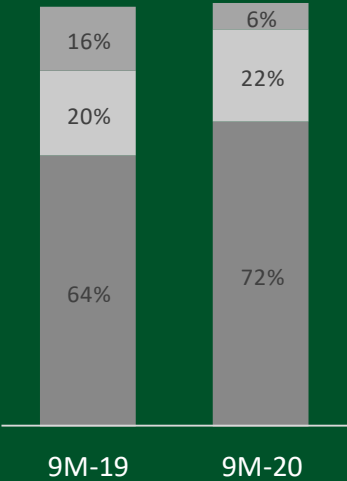
(9M19: 25.15fils)

9M20 Operating Performance



Operating Income Profile

- Investment Income (%)
- Non-Financing Income (%)
- Net Financing Income (%)



9M20 Operating Performance

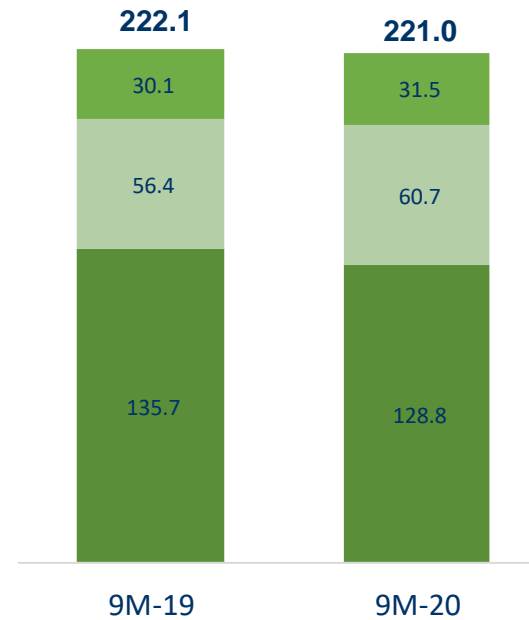
Non - Financing Income (KD mn)

- 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

9M-19,
36.11%

9M-20,
35.48%

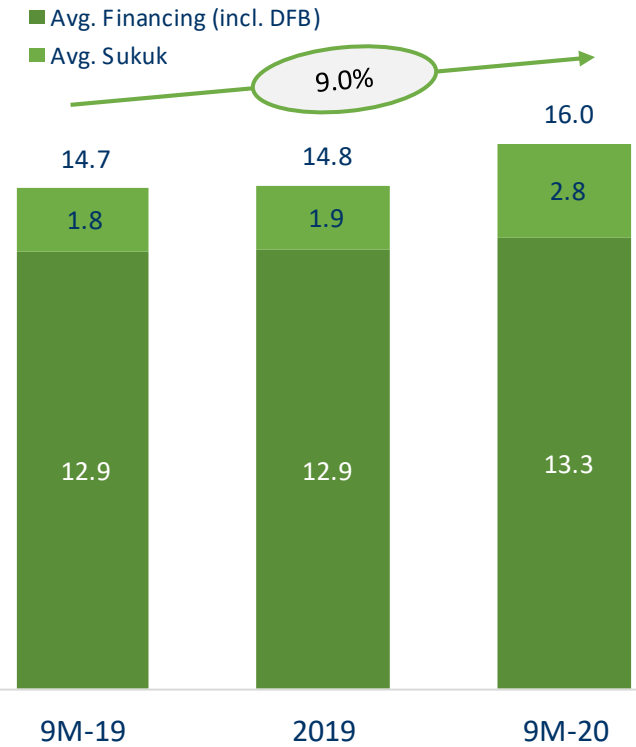
9M-19

9M-20

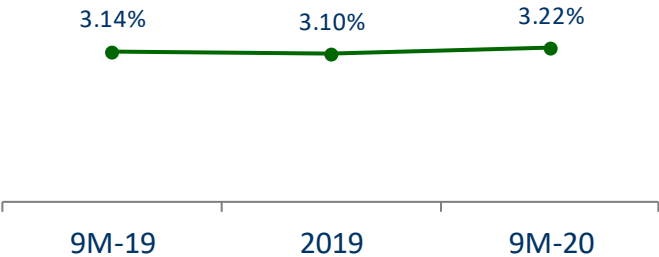
9M20 Operating Performance

Average Profit Earning

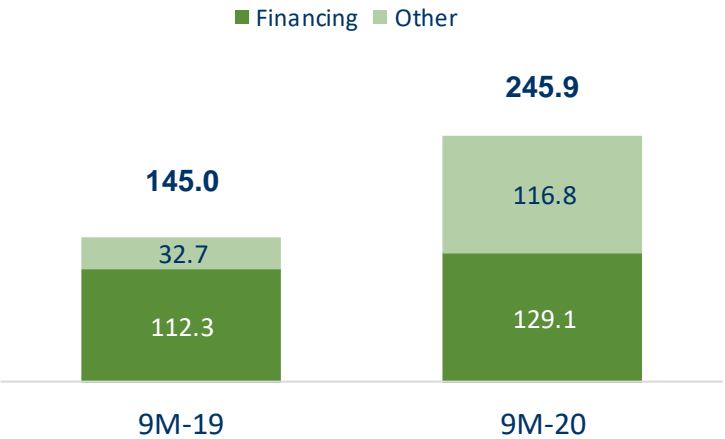
Assets (KD Bln)



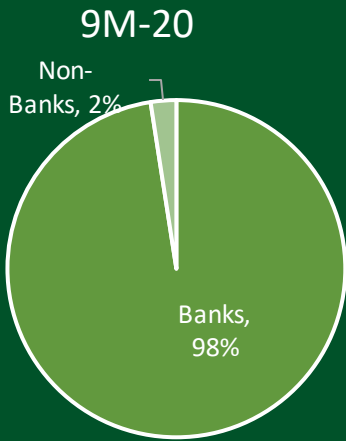
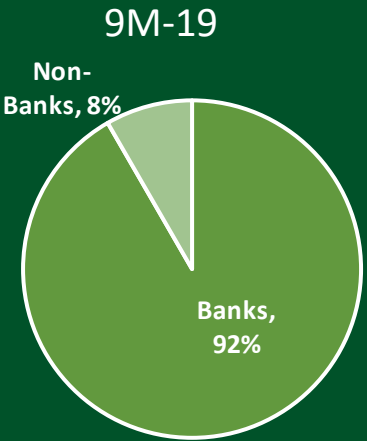
Net Financing Margin



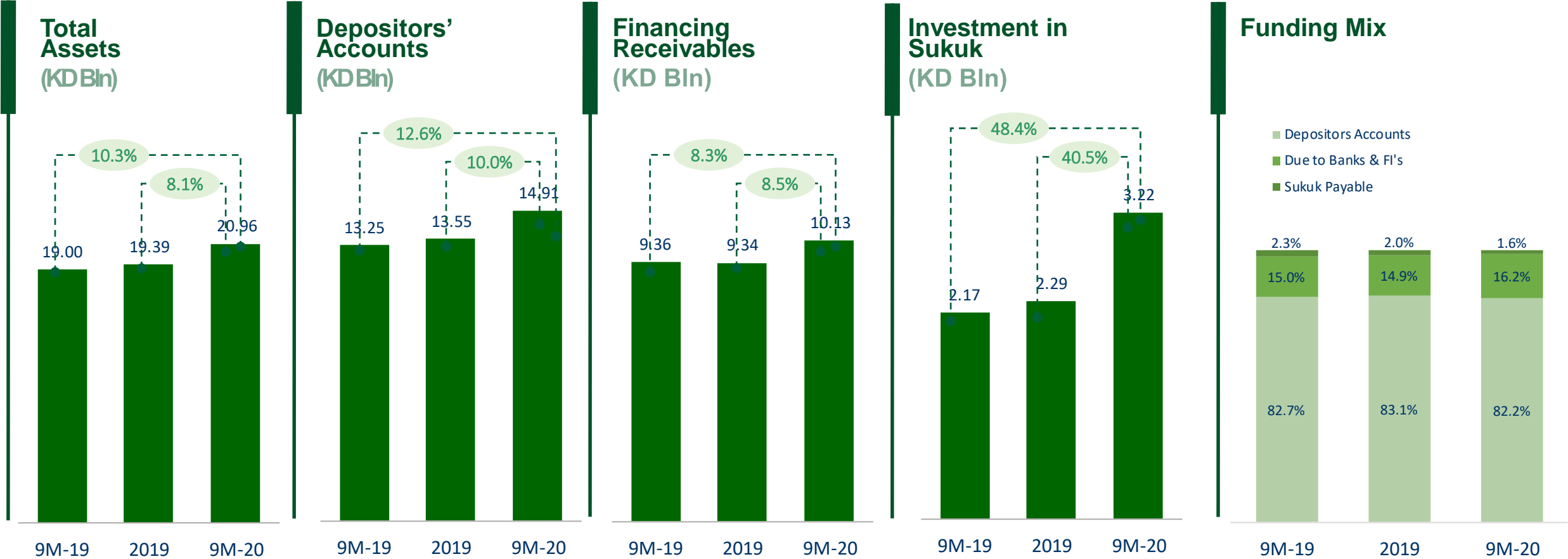
Provision and Impairment (KD mln)



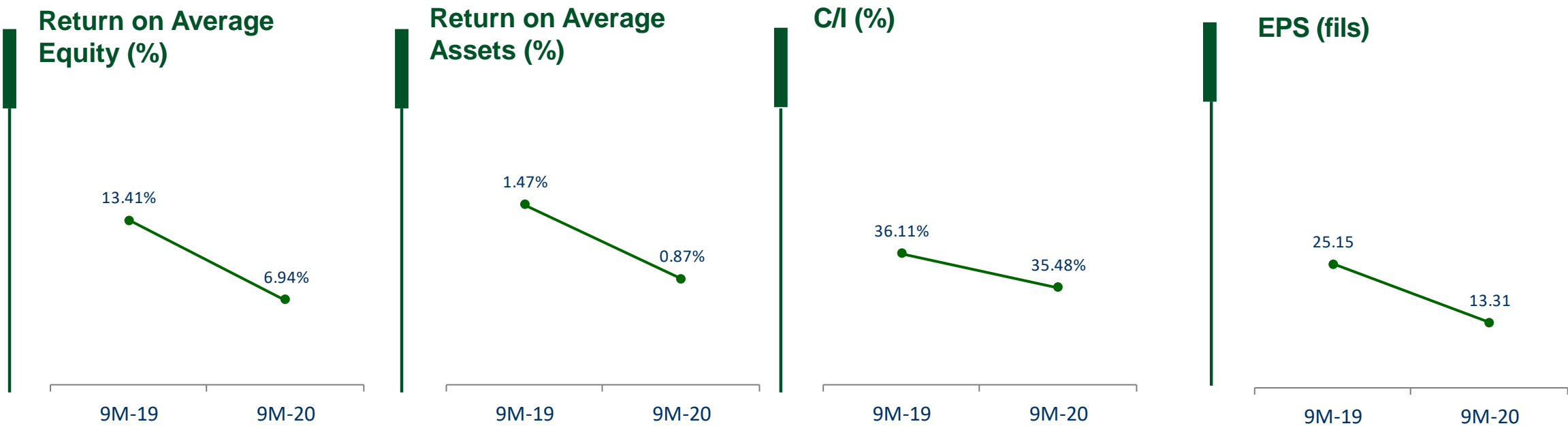
Net Operating Income Banks/ Non-Banks



9M20 Operating Performance



9M20 Operating Performance



Q&A

Appendix

Consolidated Financials

Consolidated Statement of Financial Position (KD million)	Sep-20	Dec-19
Cash and balances with banks and financial institutions	2,453	1,910
Due from Banks	3,283	3,783
Financing receivables	10,130	9,337
Investment in sukuk	3,220	2,292
Trading properties	103	108
Investments	180	195
Investment in associates and joint ventures	527	504
Investment properties	372	455
Other assets	437	547
Intangible assets and goodwill	31	31
Property and equipment	225	229
TOTAL ASSETS	20,961	19,391
Due to banks and financial institutions	2,940	2,427
Sukuk payables	289	320
Depositors' accounts	14,914	13,553
Other liabilities	778	848
TOTAL LIABILITIES	18,921	17,147
Share capital	767	698
Share premium	720	720
Treasury shares	(28)	(36)
Reserves	413	679
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHODERS OF THE BANK	1,873	2,060
Non-controlling interests	167	183
TOTAL EQUITY	2,040	2,243
TOTAL LIABILITIES AND EQUITY	20,961	19,391

Consolidated Statement of Income (KD million)	Sep-20	Sep-19
Financing income	665	701
Financing cost and estimated distribution to depositors	215	306
Net finance income	450	396
Investment income	38	96
Fees and commission income	52	62
Net gain from foreign currencies	54	30
Other income	28	32
Non-Financing Income	172	220
Tota Operating Income	623	615
Staff costs	129	136
General and administrative expenses	61	56
Depreciation and amortization	32	30
Total Expenses	221	222
Net Operating Income	402	393
Provisions and impairment	246	145
Profit for the Period Before Taxation	156	248
Taxation	25	45
Non-controlling interests	30	12
Profit Attributable to Shareholders of the Bank	101.2	190.5

Consolidated Statement of Financial Position 2015 - 2019

Consolidated Statement of Financial Position (KD million)	2015	2016	2017	2018	2019
Cash and balances with banks	1,600	1,495	1,262	1,381	1,910
Due from Banks	3,194	2,877	2,982	3,444	3,783
Financing receivables	8,095	8,176	9,159	9,190	9,337
Investments in sukuk	807	1,100	1,429	1,563	2,292
Trading properties	214	186	161	148	108
Investments	508	357	304	285	195
Investment in associates and joint ventures	535	469	464	499	504
Investment properties	580	591	554	490	455
Other assets	469	549	465	544	547
Intangible assets and goodwill	48	39	39	31	31
Property and equipment	264	216	214	195	229
Leasehold rights	180	0	0	0	0
Assets classified as held for sale	0	445	324	0	0
TOTAL ASSETS	16,495	16,499	17,358	17,770	19,391
Due to banks and financial institutions	2,730	2,399	2,240	2,689	2,427
Sukuk payables	322	473	518	499	320
Depositors' accounts	10,756	10,717	11,597	11,780	13,553
Other liabilities	630	645	699	728	848
Liabilities directly associated with assets classified as held for sale	0	227	188	0	0
TOTAL LIABILITIES	14,439	14,461	15,242	15,696	17,147
Share capital	477	524	577	634	698
Share premium	720	720	720	720	720
Treasury shares	(50)	(49)	(45)	(44)	(36)
Reserves	632	615	620	584	679
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	1,779	1,810	1,872	1,894	2,060
Non-controlling interests	276	228	244	180	183
TOTAL EQUITY	2,055	2,039	2,116	2,074	2,243
TOTAL LIABILITIES AND EQUITY	16,495	16,499	17,358	17,770	19,391

Consolidated Statement of Income 2015 - 2019

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



Investor.relations@kfh.com



Kuwait Finance House Earnings Webcast Transcript

Q3-2020

Thursday, 5th of November 2020, 2:00 pm Kuwait Time

Speakers from Kuwait Finance House executive management:

- Mr. AbdulWahab Al-Roshood, Acting Group Chief Executive Officer(GCEO), 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:

- Tscribe
- Wafra International Investments
- CI Capital
- Arqaam
- EFG Hermes
- Franklin Templeton Investments
- IntrospectCapital
- NBKCapital
- Moon Capital
- Al Rayan Investment
- Fitch Ratings
- SICO Bank
- HSBC
- Ajeej Capital
- Fiera Capital
- ADIA
- Arzan Financial Group



The beginning of the live webcast text-

Good afternoon ladies and gentlemen and welcome to the Kuwait Finance House 3Q2020 results webcast. 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) Chief Treasury Officer (GCTO).
- Mr. Shadi Zahran, (GCFO)
- Mr. Fahad Al-Mukhaizeem, (GCSO)

And we are also joined today by the following attendees:

- Tscribe
- Wafra International Investments
- CI Capital
- HSBC
- Fitch Ratings
- CI Capital
- Franklin Templeton Investments
- IntrospectCapital
- NBKCapital

In addition to other companies...

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 Q3-2020 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 Q3-2020 results.

During the third quarter, Kuwait witnessed a sad event with the passing of His Highness the Amir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, may Allah have mercy on his soul. It was a great loss to the Kuwaiti people as well as the international and regional community. Kuwait witnessed a smooth transition of authority, with the ascension of His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah as the Emir of Kuwait and His Highness Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah as the new Crown Prince, which brought the markets back to their recovery.

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.

On the other hand, according to the IMF latest forecasts, GDP growth is expected to witness a decrease in 2020 compared to a slight growth in 2019.

Further “KFH” enjoys a high creditworthiness, Fitch Ratings Affirmed Kuwait Finance House Long-Term Issuer Default Rating at 'A+' with a Stable Outlook, and Moody's assigned A2 long-term deposit rating with a Stable Outlook. In addition, KFH Group has recently been named the number one safest Islamic Bank in the GCC by Global Finance Magazine.

“KFH” has made a marked progress in the digital transformation strategy, adopting the state-of-the-art technological financial services “FinTech” and applying AI and robotic technology in banking transactions. This is a continuous process with long term benefits and efficiencies.

“KFH” continues to offer many advanced digital services on the mobile app, KFHonline, Web, XTMs and through various alternative channels including KFH Go “smart branches” in several areas of Kuwait. This helps enhance the customer's digital experience as a leader in the digital development of the banking industry.

Furthermore, KFH continues supporting the national economy, financing mega-projects (such as Oil and Gas) and contributing to the development plans and projects in Kuwait and the region.

With this, let me hand over the mic to our Acting Group CEO Mr. AbdulWahab Al-Roshood.

Mr. AbdulWahab Al-Roshood:

Thank you, Fahad. Good day ladies and gentlemen. It's my pleasure to welcome you all to our Q3-2020 earnings call.

Let me highlight the Bank's financial performance.

KFH has, by the grace of Allah, reported a net profit of KD 101.2 Million until end of Q3 of 2020 for KFH shareholders; a decrease of 46.9% compared to the same period last year.

Earnings per share until end of Q3-2020 reached 13.31 fils; a decrease of 47.1% compared to the same period last year.

Net financing income until end of Q3-2020 reached KD 450.5 Million; an increase of 13.9% compared to the same period last year.

Cost to income ratio dropped to reach 35.5% as of Q3-2020, compared to 36.1% for the same period last year.

Total assets rose to reach KD 21.0 Billion, i.e. an increase of KD 1.6 Billion or 8.1% compared to end of last year 2019.

Financing portfolio until end of Q3-2020 reached KD 10.1 Billion, i.e. an increase of KD 794 Million or 8.5% compared to end of last year 2019.

Investment in Sukuk until end of Q3-2020 reached KD 3.2 Billion; an increase of KD 928 Million i.e., a growth of 40.5% compared to end of last year 2019.

Depositors' accounts reached KD 14.9 Billion i.e., an increase of KD 1.4 Billion or 10.0% compared to the end of last year.

In addition, the capital adequacy ratio reached 16.25% which is above the minimum required limit.

Despite of the negative economic trends, the bank's recent financial results confirm the successful strategy of KFH Group, its solid financial position, and its ability to handle these exceptional market conditions. This has been achieved with the support of a conservative policy and the efficiency of KFH's prudent approach to risk management.

Profit rates fell in the first nine months of 2020 because of the challenging operating environment as a result of the pandemic, and the additional precautionary provisions taken by KFH to maintain the quality of financings and build solid buffers against crises.

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 Q3-2020 in details and answer any of your questions afterwards.

Thank you.

Mr. Shadi Zahran:

Thank you, AbdulWahab. AlsalamAlykum Good day ladies and gentlemen. It's my pleasure to welcome you all to the Q3-2020 earnings call. Let me highlight the financial performance of Q3-2020:

The Group has achieved Net Profit After Tax (NPAT) attributable to Shareholders for the period ended 30th September 2020 of KD 101.2mn lower by KD (89.3)mn or (46.9)% compared to 9M-19 of KD 190.5mn.

The lower profits is mainly due to higher provisions including precautionary provisions on potential COVID 19 consequences considering the uncertainty from current unprecedented regional and global situation. We will explain later in this presentation on provisions.

Net financing income (NFI) has increased by **KD 54.9mn** or **13.9%** compared to last year mainly on account of lower COF improved significantly in Kuwait and Turkey.

The decrease in COF is mainly due to decrease in benchmark rates across the globe, lower distributable profits impacting distribution to depositors. In addition to the improvement in CASA deposits at Kuwait and group level.

Net Operating income at **KD 401.8mn** increased by **almost KD 9mn** or **2.2%** compared to same period last year; the increase is mainly from **Net Financing Income** by **KD 54.9mn** and **Net gain from FX** by **KD 23.6mn** offset by the decrease in **Investment income** by **KD (57.6)mn** and fees and commissions by **KD (9.8)mn** as a result of lower business and investment activities due to COVID 19 lockdown.

The decrease in investment income by **KD (57.6)mn** is mainly attributable to prior year gains, which led to decrease in investment income to total operating income to reach **6 %** compared to **16%** last year. However, the other non-yielding income contribution remained at **20 - 22%**.

As a result the non-financing income dropped from **KD 219.6mn** last year to **KD 172.3mn** lower by **(21.5%)**

Total Operating Expenses at **KD 221.0mn** has decreased by **KD (1.2)mn** or **(0.5)%** compared to same period prior year.

Worth to mention the continuous efforts at all Group entities for containment of costs towards cost optimization and rationalization.

Cost to income ratio improved by a further **63bps** to reach **35.48%** due to increase in operating income, while maintaining the group operating expenses at the same level.

Furthermore, at KFH-Kuwait, **C/I ratio** at **33.95%** which is below both the local Islamic Banks average of **49.3%** and local conventional Banks average of **40.5%** (calculated from published financials for H1-20).

Average Yielding Assets is up by **8.3%** compared to Dec-19 and **9.0%** compared to 9M-19, resulted from the growth in both Financing receivables and Sukuk. (avg. YoY financing receivables is up by **KD 0.5bn** and avg. Sukuk is up by **KD 0.9bn**)

Group NFM at **3.22%** shows **8bps** increase over 9M-19 average of **3.14%**.

Average Yield decreased by **(89)bps** due to drop in DR by CBK and Fed rates. However, average **COF** decline by **97bps** due to increase in CASA deposits in the major entities and drop in distributable profits.

Now, with regards to provisions, the group total provisions and impairment charge increased by **KD 100.9mn** or **69.6%** to reach **KD 245.9mn**.

Higher financing receivables and investments provisions are mainly on account of conservative provisions on potential consequences of COVID 19.

Net Operating Income (before provisions) from banking activities improved by 6% to form 98% of Group Net Operating income.

Total Assets at **KD 20.96bn** increased by **KD 1.6bn** or **8.1%** over 9 months period, **(10.3% compared to Sep 19)**.

Financing receivables at **KD 10.1bn** increased by **8.5%** over 9 months period **(8.3% compared to Sep 19)**.

Significant portion of the corporate banking business growth in financing receivables was during the first quarter “pre-COVID-19” and contributed mainly from Kuwait and Turkey while third quarter witnessed more growth in Retail banking business.

Growth in financing receivables was mainly contributed from Kuwait, Turkey, then Bahrain, while other demonstrated slower growth with focus on asset quality.

Investments in Sukuk at **KD 3.2bn** increased by **KD 0.9bn** or **40.5%** since **Dec-19 (48.4% compared to Sep 19)**.with major growth contribution from Kuwait Turk Participation Bank in Sovereign Sukuk.

The growth in Sukuk portfolio is a response of growth in deposits in all markets in which we operate where limited good asset quality financing opportunities are available within the Group's overall Risk appetite.

The group achieved significant growth in deposits in 9M-20 of **KD 1.4bn** or **10.0%** (**12.6% compared to Sep 19**) with contribution from all banking operations reflecting depositors' confidence in KFH group.

Additionally, the favorable deposits mix continues to show very healthy contribution from CASA deposits which now represents **52.4%** of total group deposits as at the end of September 2020 compared to **44.3%** at the end of 2019.

It is also worth to mention that KFH Kuwait dominates the saving accounts with market share of **40.4%** (*as per CBK latest published reports, August-20*).

Customer deposits as a percentage of total deposits at **82.2%** continues to improve reflecting healthy funding mix and shows robust liquidity.

In the last slide looking at the key performance ratios, the group compared to last year same period is as follow:

- ROAE from 13.41% to 6.94%.
- ROAA from 1.47% to 0.87%.
- C/I improved from 36.11% to 35.48%, and,
- EPS from 25.15 fils to 13.31 fils.

NPL ratio increased to reach **2.35%** (*as per CBK calculation*) in Sept-20 compared to **1.88%** for 2019.

Coverage ratio (provision) for Group is **209.7%** in Sept-20 compared to **231.5%** for 2019.



Coverage ratio considering the secured amounts (provision + collateral) for Group is 261.6% in Sept-20 compared to 284.5% for 2019.

With that I conclude my part and we may move to the Q&A SESSION

Thank you.

Mr. Ahmed Al Shazly:

Again, to ask a question, just please type it in the question box in your screen, so we can be able to reply to it.

Q & A

Question 1: Balance sheet growth was driven by retail with assets +16% q/q. What is the driver behind this?(**JananyVamadeva, Arqaam**).

Answer by Mr. Shadi (GCFO):The growth in balance sheet came in definitely from the financing mainly, we grew by 8.5% and as I said from all subsidiaries. The growth in retail we witnessed it more in the 3rd quarter while the growth mainly in from corporate. I can say that 1/3 of the growth from retail and 2/3 from corporate. And we expect to maintain the same growth until the end of the year, if you look at the balance sheet growth it also includes the Sukuk as I mentioned which grew by 40% compared to December last year.

Question 2: Is the drop in distributable profits contributing to lower cost of funding a result of lower profits of KFH?(**WarunaKumarage, SICO Bank**).

Answer by Mr. Shadi (GCFO):Yes, KFH deposits structure mainly from Mudharaba which is based on profit of the bank, so yes it is affecting the drop of net profits of the bank and affect the distributable profit which affected by the provisions and that effects the Cost of Funds improvement. But the improvement of the Cost of Funds as I mentioned came from two sides... the first side: the drop in profitability and distributable profit and the second side is improvement in CASA. We always have healthy CASA deposits, current accounts and savings accounts, we're always above 45%-44%, but this time it increased to reach 52%. That also helped or supported the drop of Cost of Funds or improved the Cost of Funds.



Question 3: Would you consider the increase in CASA deposits as a short-term dynamic due to lower retail consumption and what was the CASA ratio in Sept-20 vs Dec-19?(**Elena Sanchez, EFG Hermes**).

Answer by Mr. Shadi:Part of it, yes but still as I said the significant portion we've never seen lower than 44% of our deposits and CASA deposits so the incremental would be part of it short term. Don't expect to remain above 50% but still above the 45% and 46% which we used to see always.

I think I answered that, Dec 2019 was 44% and I think I mentioned in the presentation and I think it has always been between 44% and 45-46%, this time it increased to 52%.

Question 4: Thank you for the presentation. what's the best way to estimate distributable profit on deposits in order to have a better expectation on cost of funding? should we take into account bad asset charges when estimating distributable profit to depositors?(**Aybek Islamov, HSBC**).

Answer by Mr. Shadi (GCFO):I don't think that you can do an estimation from the financials because there are many components to reach the distributable profits, one of which is the size of Mudharaba but you can have it as an indicator so if the profitability of the Islamic bank, especially the Islamic Banks that have more Mudharaba deposits than Wakala decrease then you would expect the Cost of Fund to increase, or vice versa.

Question 5:What was the contribution to earnings from Turkey in 9M20 vs last year?(**Elena SanchezEFG Hermes**

Contribution from Turkey net profit... I don't have the exact number but its above 40%... 41% the contribution Net Profit from Turkey increased because over and above provisions we took at each entity level, we took more precautionary provisions at group level... consolidated level so that lowered the parent contribution and increased the contribution of subsidiaries.

Question 6:Can you please give some guidance on COR for Q4 and FY 21?(**Maha Marhaba, ADIA**

Answer by Mr. Shadi (GCFO): Actually, maybe we can first talk about it in general, at the beginning of the presentation I said I will explain more on provisions and I expect many questions will be resolved by explaining more on the provisions:

The bank continued its conservative approach to manage its cost of risk, and in response to covid-19, the bank has decided in addition to the existed validated macro-economic models to include in its projected risk scenarios additional expert judgment (SICR) significant increase in credit risk of certain economic sectors which we have limited exposure, in order to increase the precautionary provisions.

Given the outlook on COVID consequences, Although we have not noted serious issues with respect to credit quality and is mainly due to liquidity issues faced by corporate customers. we have recorded provisions with respect to corporate and retail financing portfolios and investment portfolio, investment provisions or impairments where we took were extremely conservative in addition to the precautionary charges as I mentioned. So here Cost of Risk from the numbers on the financials you will see it overstated, I can say that confidently Cost of Risk after the crisis will go back to better than normal and before.

I would like to highlight here that current provision balance level for the group exceed CBK IFRS required provision by KD 225 million as of Sep 2020.

That by itself tells how much we took precautionary provisions and how much Cost of Risk if you calculate it from the financials will not reflect the reality, because it has a lot of additional provisions.

Question 7: When we expect to hear new updates about the merge between AUB & KFH? **Alaa Alatilie, Arzan Financial Group**

Answer by Mr. Shadi (GCFO): We have no information, no new information on the acquisition and all the information has been disclosed as we disclosed early this year that we shall resume in December inshalla in the transaction. We will make an appropriate disclosure as and when we have any update. So far we don't have any information.

Question 8: Can you please confirm if the NPL ratio as of 3Q20 was 1.88%? **WarunaKumarage, SICO Bank**

1.88% was December last year. NPL ratio as per end of the quarter 30th of September was 2.35% based on CBK calculation. Part of the increase in NPL is due to the precautionary provisions from certain accounts, due to being impacted sectors, not necessarily the business impacted of the companies or the corporates are impacted but we had to take provisions because as I explained.. some specific provisions and that makes them to be reported as NPL. So that increased our NPL.

Question 9:What has been the recovery so far in commercial activity post the lows of April-May 2020?**Elena Sanchez, EFG Hermes**

Answer by Mr. Shadi (GCFO):As you know the suffering in the banking sector is not only us, actually all the banks in Kuwait and globally suffer especially the 1st half and especially in the 2nd quarter. The opening here in Kuwait started I can say from August and that was inflicted in the business, we've seen an improvement in business and as I said in retail as well. We hope that we continue and we hope that the 2nd wave will not affect the business that we are starting seeing it around the globe will not affect like the lockdowns we had in the 1st half.

Question 10:Can you explain please the source of the net losses driven by the foreign exchange on translation of foreign operations on the comprehensive income?**AlaaAlatilie, Arzan Financial Group**

Answer by Mr. Shadi (GCFO):Yes, that's mainly is the foreign currency translation for our activities in Turkey our subsidiary and drop in Turkish in Lira.

Question 11:Can we expect deposit growth momentum to continue in 4Q20?**WarunaKumarage, SICO Bank**

Answer by Mr. Shadi (GCFO):AS you see our growth in financings is 8.5% for the 1st 3 quarters. Deposits 10% expected to maintain the same level.

Question 12:Can you please confirm that the excess provisioning of KWD 225m is in excess of CBK requirement or IFRS 9?**JananyVamadeva, Arqaam**

Answer by Mr. Shadi (GCFO):Yes, I confirm this. The excess in my books in total balance of provisions over and above the required as per CBK IFRS9.

We always disclose it in the financials by the way. This year because of the increased provisioning the gap increased positively.

Question 13:How much is the coverage excluding collaterals? **Sara Boutros, CI Capital**

Answer by Mr. Shadi (GCFO):Coverage excluding collaterals as I mentioned is 209.7% almost 210% as of September 2020, group level. Coverages form provisions only.

Question 14:What is the outlook for margins going forward? Shall we expect some increase in cost of funds in Q4?**Maha Marhaba, ADIA**

Answer by Mr. Shadi (GCFO):As I explained the NFM Net Financing Margin increased by 8% compared to last year same period, reaching 3.22% and that is exactly what we had for the first half if you look at the first half it was exactly the same NFM on group level 3.22% and we expect it to remain the same until the year end or around the same range.

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.....