



**Investor Presentation | September, 2019**

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## Key Investment Highlights

# Our business, strategy and team



Our

## Business

- ▶ Holding company with total assets of USD33.2bn<sup>1</sup>
- ▶ Operating across the GCC and wider MENA region; presence in 24 countries
- ▶ Multi-sector operator: commercial banking, asset management and investment banking, insurance, media, real estate and industrial
- ▶ Proven track record; 27 consecutive years of profits, 17 years of dividend payment and ~11% book value per share growth in last 15 years<sup>2</sup>
- ▶ Listed on the Bursa Kuwait with a market capitalisation of USD1.1bn<sup>3</sup>



Our

## Strategy

- ▶ Controlling stakes in operating businesses in growth markets
- ▶ Seek to generate sustainable and predictable operating cash flows
- ▶ Partner with global or local businesses with a proven track record
- ▶ Maximize value from businesses with a medium-to long-term horizon
- ▶ Target 15% revenue growth and 15% ROE over the business cycle
- ▶ Selective disposal where targeted growth criteria is not met



Our

## Team

- ▶ Average tenure of management is 16 years
- ▶ Vice Chairman, COO & Group CFO have been with the Group for 30 years

***KIPCO is a multi-sector operating holding company with a diversified portfolio spanning the GCC and wider MENA region***

<sup>1</sup> As of 30 June 2019

<sup>2</sup> Assuming no dividend was paid between 31 December 2003 and 30 June 2019

<sup>3</sup> As of 01 September 2019

Note: : Exchange rate of USD/KD of 0.30315 has been used in the presentation for financial numbers

# Key investment highlights



## Proven Track Record

- ▶ Sustained profitability for the last 27 years
- ▶ 17 years of continuous dividends



## Ruling Family Shareholders

- ▶ Al Futtooh Holding Co. owned by members of Kuwaiti ruling family have a direct holding of 44.7%
- ▶ Shareholders since 1988; have supported KIPCO in all capital raising exercises



## Market Leadership<sup>1</sup>

- ▶ Burgan Bank is #2 conventional bank in Kuwait<sup>2</sup>, OSN is leading pay-TV platform in MENA<sup>3</sup>, Gulf Insurance Group is #1 insurer in Kuwait<sup>4</sup>, United Real Estate Company is #2 real estate player on KSE<sup>2</sup>



## Strong Liquidity<sup>1</sup>

- ▶ Cash balance of USD827mn; covers all debt repayments due till December 2022
- ▶ ~50% of the portfolio<sup>5</sup> is listed, and can be liquidated at short notice



## Credit Rating

- ▶ BBB-/Negative (S&P), Baa3/Stable (Moody's)
- ▶ Burgan Bank and Gulf Insurance Group have strong investment grade ratings



## Diversified Portfolio

- ▶ Benefit from growth and economic diversification in Kuwait and the broader MENA region
- ▶ Portfolio spans multiple industries at different stages in the business life-cycle



## Financial Discipline<sup>1</sup>

- ▶ Maintained between three to four dollars of assets for every dollar of net debt for 12 consecutive years
- ▶ Average debt maturity of 4.4 years as of 30 June 2019



## "Best in Class" Transparency

- ▶ First company in the GCC to host annual investor forum with earnings guidance
- ▶ "Best in Class" Investor Relations Department with current and up-to-date disclosure

<sup>1</sup>As of 30 June 2019

<sup>2</sup>By assets

<sup>3</sup>By revenue and countries of operations

<sup>4</sup>By Gross premiums & net premiums written

<sup>5</sup>Comprises listed principal companies and listed investments as of 30 June 2019



## Business Overview

# Our strategy

## Building Businesses

**MENA**

*Regional outlook*

**Being first in the  
region**

*Thought leadership*



**Target ROE: 15%+**

*Investing in engines of  
growth*

**Balanced Portfolio**













*Diversified revenue streams*

**Team Approach**

*Strong managerial  
expertise*



# Our presence by geographies & sectors

Geography	Major sectors							Revenue (2018) <sup>1</sup>
	Commercial banking	Media	Insurance	Real Estate	AMIB <sup>4</sup>	Industrial	Others	
Kuwait 	●	●	●	●	●	●	●	45%
KSA 		●	●			●		4%
UAE 	●	●	●	●	●			5%
Bahrain 		●	●		●			4%
Qatar 		●		●				1%
Turkey 	●		●					17%
Jordan 	●	●	●	●				9%
Egypt 		●	●	●			●	5%
Algeria 	●	●	●					5%
Iraq 	●	●	●		●			1%
Malta 	●				●			2%
Tunisia 	●	●			●			1%
Others	●	●	●	●	●		●	1%
Revenue (H1'19) <sup>2</sup>	45%	12%	18%	11%	5%	5%	4%	
Assets (H1'19) <sup>3</sup>	71%	4%	5%	8%	7%	3%	2%	

## Attractive presence in high growth economies and promising sectors

Note: The business of OSN represented the entirety of the Group's media operating segment. In accordance with IFRS 5, the investment in OSN is classified as a discontinued operation and accordingly, the media segment is no longer presented in the segment note since Q3'2018

<sup>1</sup> Assuming consolidation of GIG & OSN

<sup>2, 3</sup> Total revenue of USD1.9bn and total assets of USD39.3bn respectively, based on reported segmental revenue (before inter group eliminations) post consolidation of 100% revenue of GIG & OSN ; <sup>4</sup>AMIB = Asset Management & Investment Banking



# Core holdings

All core holdings are market leaders in their space



**Investing in companies which have potential to be market leaders**

<sup>1</sup> In terms of assets (based on latest financials)







<sup>2</sup> In terms of revenue and countries of operations

<sup>3</sup> By Gross premium written (GPW) and Direct premiums

<sup>4</sup> By GPW

<sup>5</sup> By technical profit among private sector players (all rankings as of 31 December 2018)

# Controlling or majority stakes

Main Entities	 بنك بروٲان BURGAN BANK	 osn	 UGH	 KAMCO كامل	 gig شركة التأمين الكويتية	 شركة العقارات المتحدة United Real Estate Co
KIPCO Effective Stakes <sup>1</sup>	63.0%	60.5%	93.0%	80.3% <sup>3</sup>	45.4%	72.5%
Board Representation	6 of 9	2 of 7 <sup>5</sup>	4 of 7	5 of 5	4 of 10 <sup>4</sup>	4 of 7
Market Cap (USDmn) <sup>2</sup>	2,990	Unlisted	1,358	72	369	219
Credit Ratings	S&P: BBB+ / A2 Moody's: A3/ P2 Fitch: A+	Unrated	CI: BBB (UGB)	Unrated	S&P: A- (GIRI); A- (GIG) Moody's: A3 AM Best: A	CI: BBB
	Commercial Banking	Media	Asset Management & Investment Banking (AMIB)		Insurance	Real Estate

**Solid & well managed portfolio of fast growing and attractive industries**

## Notes:

<sup>1</sup> Effective stakes given are as of 30 June 2019

<sup>2</sup> Market capitalisation as of 01 September 2019 (Source: Bloomberg for market price)

<sup>3</sup> Stake in KAMCO is held through UGH

<sup>4</sup> GIG has 10 board members – 4 from KIPCO, 3 from Fairfax and 3 independent directors

<sup>5</sup> OSN has 7 board members – 2 each from KIPCO and Mawarid and 3 independent directors

CI = Capital Intelligence    GIRI = Gulf Insurance & Reinsurance Company - the core Kuwaiti subsidiary of Gulf Insurance Group (GIG)

# Supportive shareholder with ruling family links

## Kuwaiti ruling family support

KIPCO's principal shareholder is Al Futtooh Holding Company K.S.C. (Closed) ("AFH"), a Kuwaiti company owned by members of the Kuwaiti ruling family

Direct holding of 44.7%; Shareholder since 1988

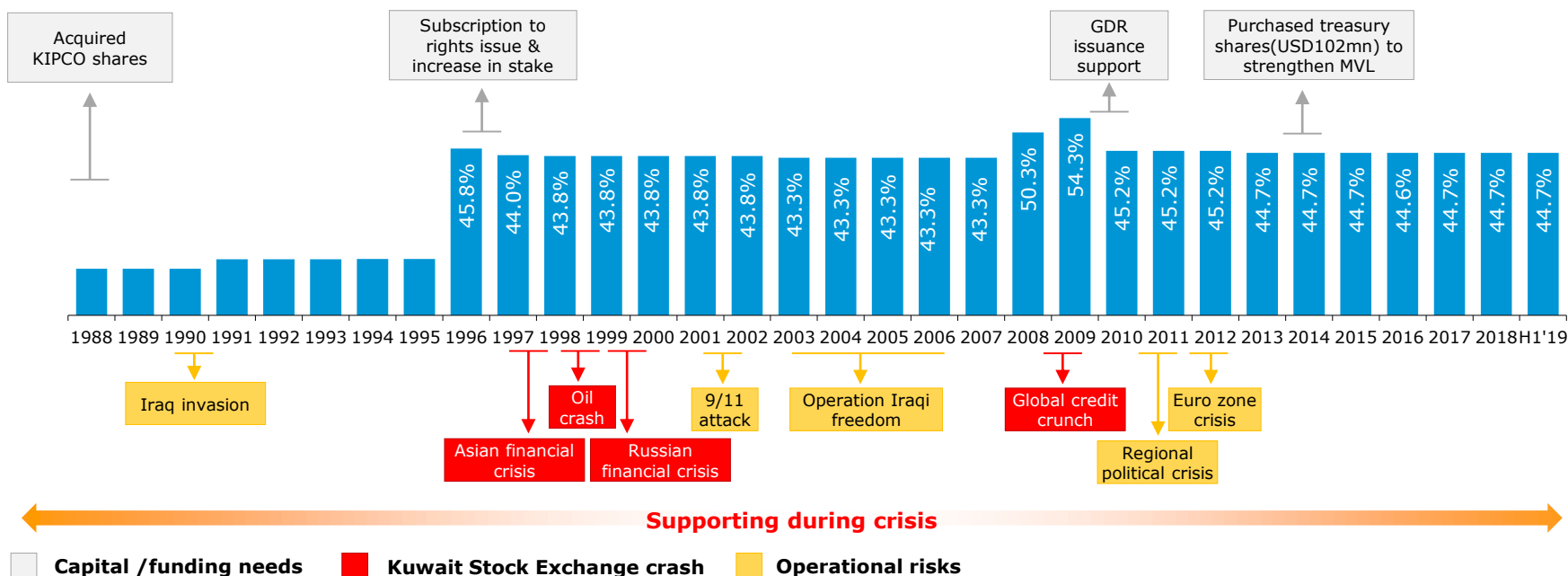
Have supported KIPCO in all its endeavors including capital raising, reduced dividends and treasury shares repurchases

Focused on promoting KIPCO as a role model for the private sector in the region

**Successful completion of rights issue in July 2019**

**17% oversubscription shows confidence of shareholders in the company**

## AFH's continuing support to KIPCO










## Key developments & performance update

# Burgan Bank Group (BBG)

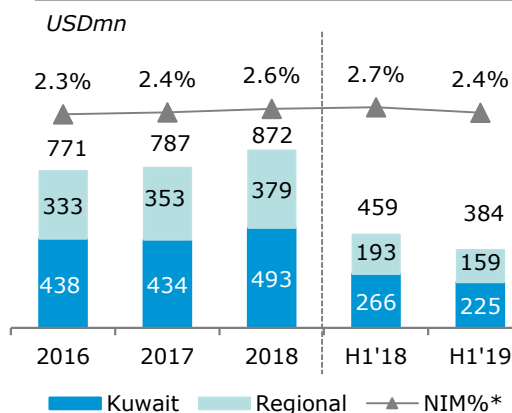
## Business highlights

- ▶ Kuwait based commercial bank with a regional presence in seven countries
- ▶ 2nd largest conventional bank in Kuwait in terms of assets (Total assets of USD23.0bn<sup>1</sup>)
- ▶ BBB+ rating from S&P and A3 from Moody's and A+ from Fitch. All with stable outlook
- ▶ Basel III capital adequacy ratio of 17.0%<sup>1</sup>
- ▶ Listed on the Boursa Kuwait with a market cap of USD2,990mn as of 01 September 2019

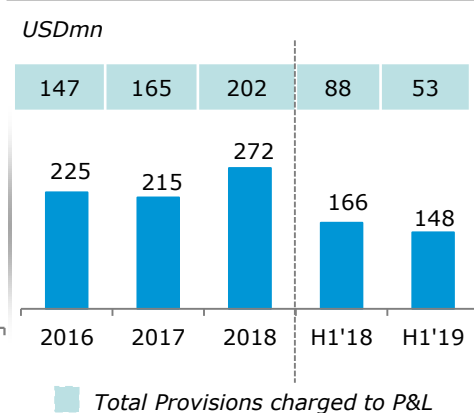
## Key Franchises

Name	Market Position	Effective Stake <sup>1</sup>	Assets <sup>1</sup> USDmn	Revenue <sup>2</sup> USDmn
 BURGAN BANK Kuwait	#2 conventional bank	100.0%	17,795	233
 BURGAN BANK Turkey	Niche player in corporate banking	99.5%	3,974	71
 بنك الخليج الجزائر Gulf Bank Algeria ACB	#3 private sector bank in Algeria	86.0%	2,031	64
 مصرف بغداد Bank of Baghdad	#1 licensed private sector bank in Iraq	51.8%	921	16
 بنك تونس الدولي Tunis International Bank	Leading offshore bank in Tunisia	86.7%	494	7

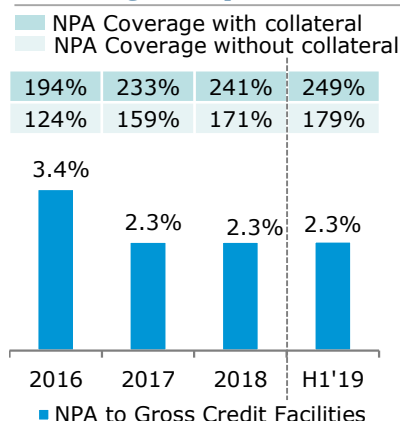
## Operating Income



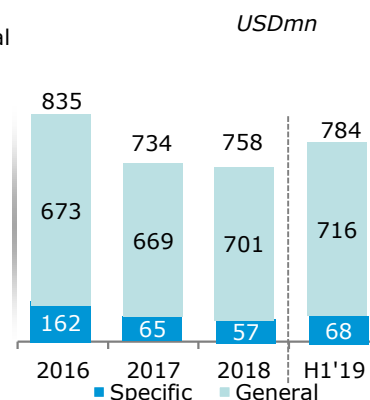
## Net Profit & Provision



## Loan Quality



## Total Provisions



**BB, the commercial banking arm of KIPCO group, is a regional player with market leadership position**

<sup>1</sup>As on 30 June 2019

<sup>2</sup>Operating income defined as revenue and for the period ending 30 June 2019

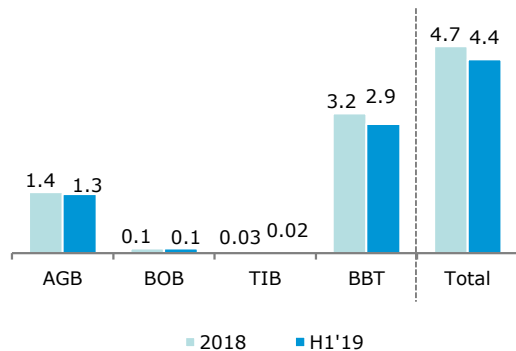
\* Annualizing factor used for NIM calculation is 2.0

Note: Financial results of H1'19 include only five months (i.e. January to May 2019) performance of subsidiaries instead of six months as included in the prior period

# BBG: Regional operations

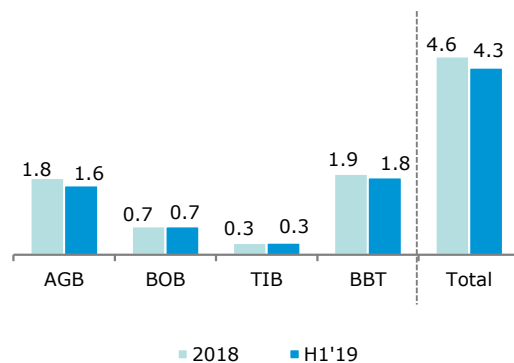
## Loans

USDbn



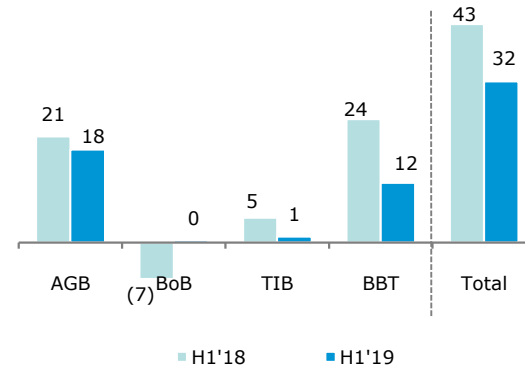
## Deposits

USDbn



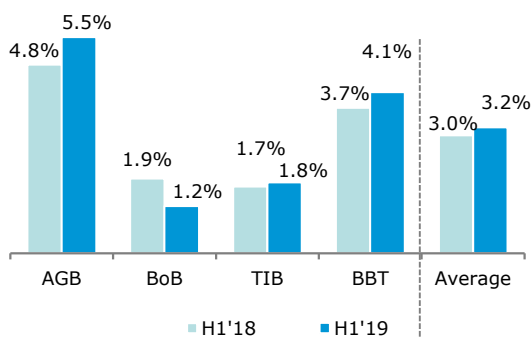
## Net Profit

USDmn



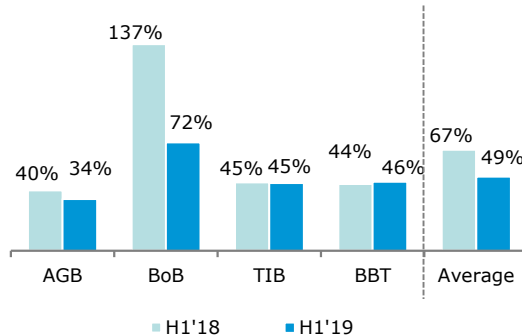
## Net Interest Margin\*

Percentage



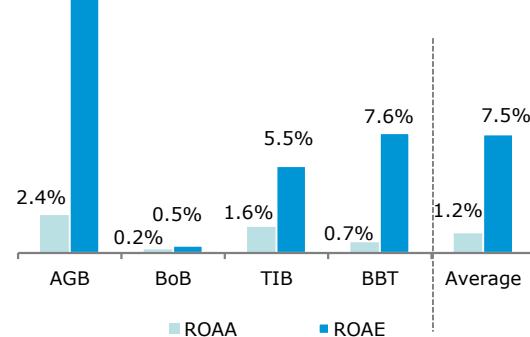
## Cost to Income

Percentage



## Return on Assets & Equity\*

Percentage

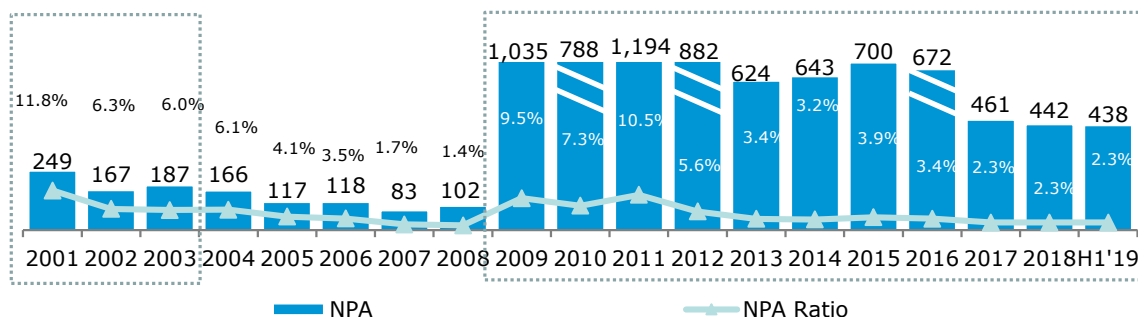


\* Annualizing factor used in H1'19 for AGB, TIB, BBT calculation is 2.4 due to five month reporting

# BBG: NPA<sup>1</sup> & provisioning trend

## NPA Trend

NPA (USDmn)  
NPA Ratio (Percentage)



## Provisions Trend

NPA Coverage with collateral  
NPA Coverage without collateral

50%	80%	87%	81%	116%	119%	165%	321%	90%	111%	108%	144%	175%	184%	184%	194%	233%	241%	249%
50%	80%	87%	81%	116%	119%	165%	321%	57%	72%	49%	76%	123%	131%	120%	124%	159%	171%	179%



- ▶ At end of 30 June 2019, NPA coverage with provisions and collaterals was **249%**
- ▶ NPA Ratio was 2.3% as on 30 June 2019
- ▶ ~91% provisions in general category as on 30 June 2019
- ▶ Prudent approach to credit cycle
  - Loan Loss Reserves (against Loans and Advances to Customers) created during 2008-09 **higher than those created during 2000-01 cycle**

<sup>1</sup>NPA includes on balance sheet and off balance sheet exposure



# Gulf Insurance Group (GIG)

## Business highlights

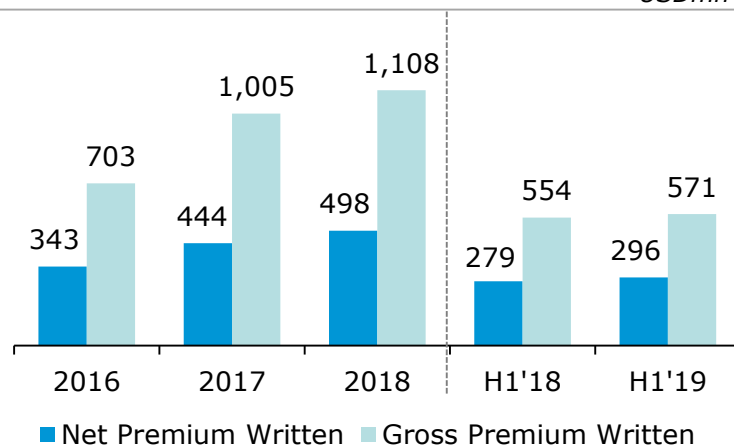
- ▶ Kuwait-based insurance company listed on the KSE
- ▶ Presence across the MENA region
- ▶ Operates through a network of 50 branches in MENA
- ▶ Market leader in Kuwait (by GPW and direct premiums) for 17 consecutive years
- ▶ GIG & GIRI: A- rating from S&P; A3 from Moody's; A- from AM Best

## Key Franchises

Name	Market Position	Effective Stake <sup>1</sup>	Assets <sup>1</sup> USDmn	Revenue <sup>2</sup> USDmn
Gulf Insurance & Reinsurance Company	#1 by GPW in Kuwait	99.8%	627	166
Bahrain Kuwait Insurance	#1 by GPW in Bahrain	56.1%	583	51
Arab Orient Insurance	#1 by GPW in Jordan	90.4%	171	35
Arab Misr Insurance	#1 by technical profits in Egypt	94.9%	117	18
Fajr Al Gulf Insurance	Niche player in Lebanon	92.7%	10	0.1
Dar Al Salam Insurance	Niche player in Iraq	79.9%	5	0.1

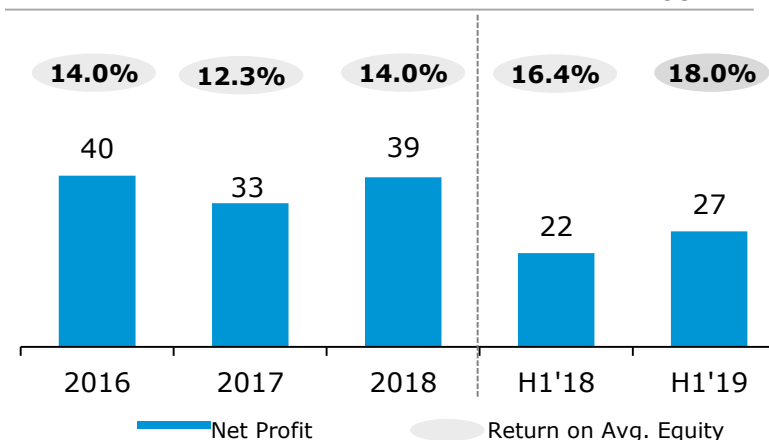
## Gross & Net Premium Written

USDmn



## Net Profit & ROE

USDmn



**GIG, the insurance arm of KIPCO, is amongst the top insurance players in the MENA Region**

<sup>1</sup> As of 30 June 2019  
the period ending 30 June 2019

<sup>2</sup> Revenue includes net premiums earned, reinsurance commission, policy issuance fees and net investment income and for the period ending 30 June 2019

# OSN

Leading Pay TV operator in MENA region (HQ in Dubai), created by the merger of Showtime and Orbit in 2009

Licensed to operate in 25 countries in MENA with focus on 7 core markets

Subscriber base of around 1.2mn, 117k subs for WAVO, 45k subs for OSN Play and 137k subs for OSN Demand

First in the region to introduce digital platform with OSN Play in 2012. Launched its OTT proposition OSN Go in 2014; WAVO has been re-launched in April 2019 with superior user interface and functional capabilities, benchmarked with leading OTT players globally

Exclusive access to the most comprehensive portfolio of rights from 7 major Hollywood studios

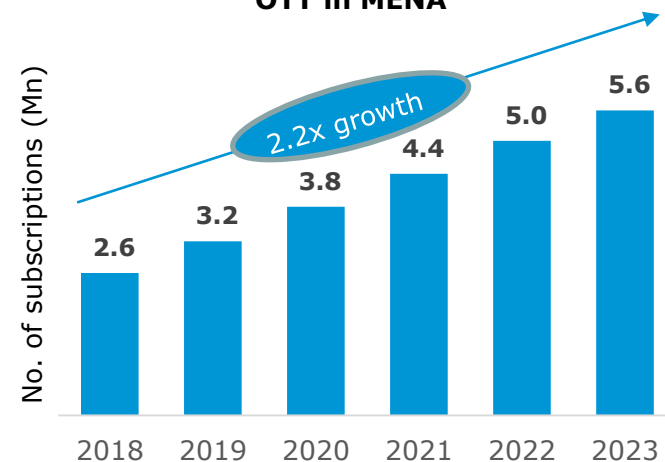
Premium content offerings with over 96 channels incl. 57 HD channels, and 21 owned and operated with 16 Filipino channels

~1,291 employees in 13 offices, 30 retail locations across MENA and a network of 166 partners

## Low Pay TV penetration in MENA indicates huge market potential

	Population (Mn)	Pay TV/ TV Households (%)
<b>MENA Region<sup>1</sup></b>	<b>367</b>	<b>~10%</b>
<b>Latin America</b>	621	44%
<b>UK</b>	67	56%
<b>India</b>	1,352	66%
<b>US</b>	330	79%

## Strong expected growth of OTT in MENA



Source: IHS Market

<sup>1</sup>MENA region represents data of: Bahrain, KSA, Kuwait, Oman, Qatar, UAE, Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia and Yemen (OSN's core and target markets);





Source: IMF WEO Database April 2019, Euromonitor, Statista, Nielsen, Broadband TV News, Economic times

# United Gulf Holding Company (UGH)\*

## Business highlights

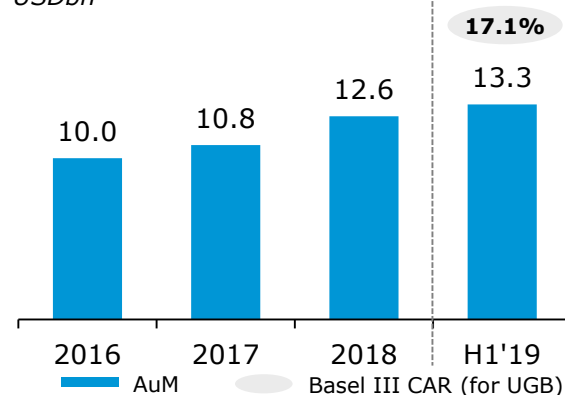
- ▶ Bahrain-based financial services group listed on the Bahrain Stock Exchange
- ▶ Activities include asset management, corporate finance advisory and brokerage services in a number of MENA countries
- ▶ Investments in companies in financial services and real estate sectors to provide a recurring and stable revenue stream
- ▶ Asset base of USD3.4bn<sup>1</sup>

## Key Franchises

Name	Market Position	Effective stake <sup>1</sup>	Assets <sup>1</sup> USDmn	Revenue <sup>2</sup> USDmn
 KAMCO	#1 asset management company in Kuwait by AuM	86%	469	44
 BURGAN BANK	#2 conventional bank in Kuwait by assets	15%	23,045	384
 URC شركة العقارات المتحدة United Real Estate Co	#2 real estate company in Kuwait by assets	10%	2,054	183
 FIMBANK	Niche trade finance player in Malta	61%	1,771	28

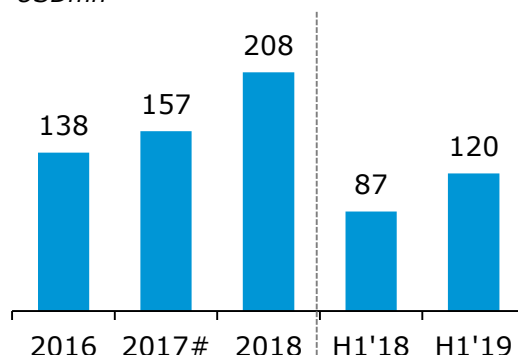
## AuM & Capitalisation

USDbn



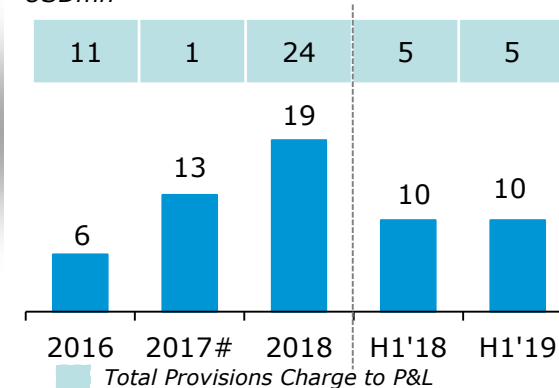
## Revenue

USDmn



## Net Profit & Provisions

USDmn



**UGH, the Asset Management and Investment Banking arm of KIPCO Group, is focused on growing the financial services network across the MENA region**

\*\*United Gulf Bank (UGB) has undergone corporate reorganization (in September 2017) and has split its operations across a holding company - United Gulf Holding Company B.S.C. (UGH) and the regulated banking entity- UGB. For details, please refer press release: [UGB reorganization press release](#). Financials for the years ending 2016 and the nine months ending September 2017 correspond to erstwhile UGB

# As UGH was incorporated in September 2017, financials of UGH for 2017 comprise of first nine months results for UGB and Q4'17 results for UGH

<sup>1</sup> As of 30 June 2019







<sup>2</sup> Operating income is defined as revenue for the period ending 30 June 2019

# United Real Estate Company (URC)

## Business highlights

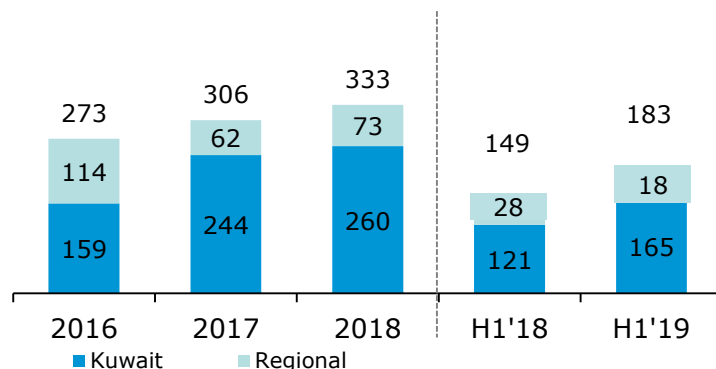
- ▶ Operations across the Middle East region through a mix of fully-owned properties, subsidiaries and investment arms
- ▶ Stable rental income; rental income growth prospects supported by newly completed Abdali mall
- ▶ Major real estate player in Kuwait, ranked second in real estate sector on KSE in terms of asset size of USD2.1bn as of 30 June 2019

## Key Franchises

Country		Name of properties
Kuwait		KIPCO Tower, Al Shaheed Tower, Marina World, Marina Hotel, Saleh Shehab
Jordan		Abdali Mall, Abdali Boulevard
Oman		Salalah Mall
UAE		Meydan Office Tower
Egypt		Aswar Villas, Heliopolis, Sharm Al Sheikh
Lebanon		Bhamdoun, Rouche 1090

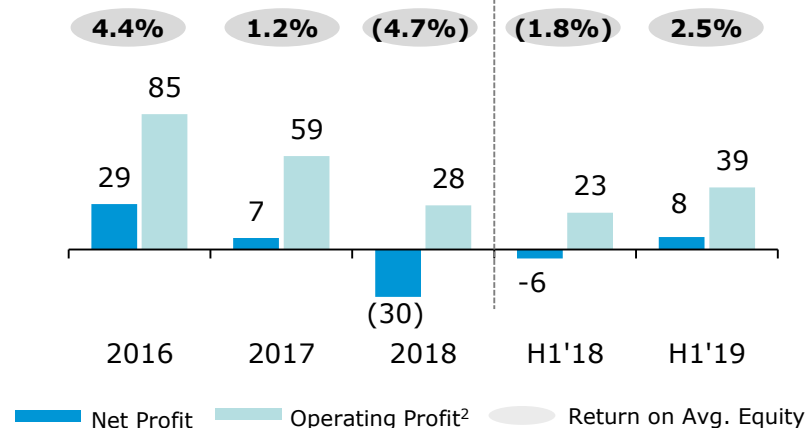
## Total Revenue<sup>1</sup>

USDmn



## Profit & ROE

USDmn



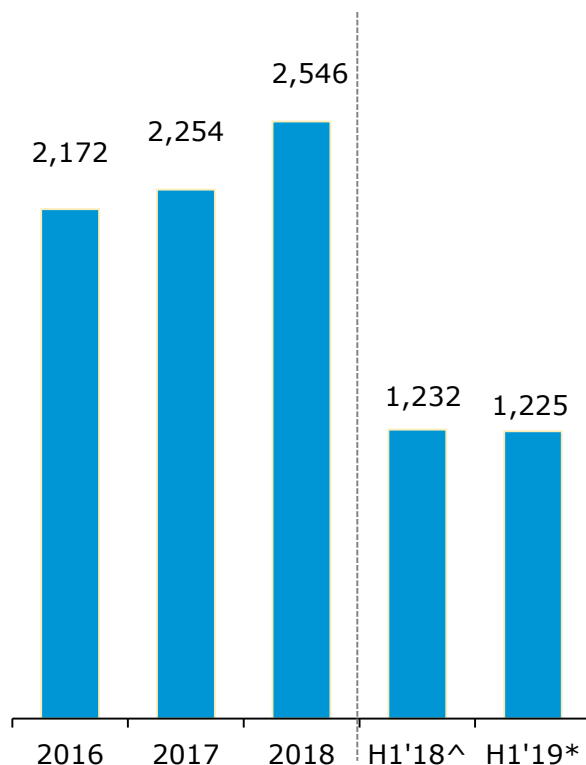
**URC is a major real estate player in Kuwait, ranked second based on its assets on KSE**

<sup>1</sup>Total revenue includes income from operational properties, gain on sale of properties, fixed assets & associates, valuation gain on properties, investment income, share in income from associates, interest income & forex gains <sup>2</sup> Includes gain on sale of associates, share in associates' income, interest income & forex gains

# KIPCO consolidated: Financial performance

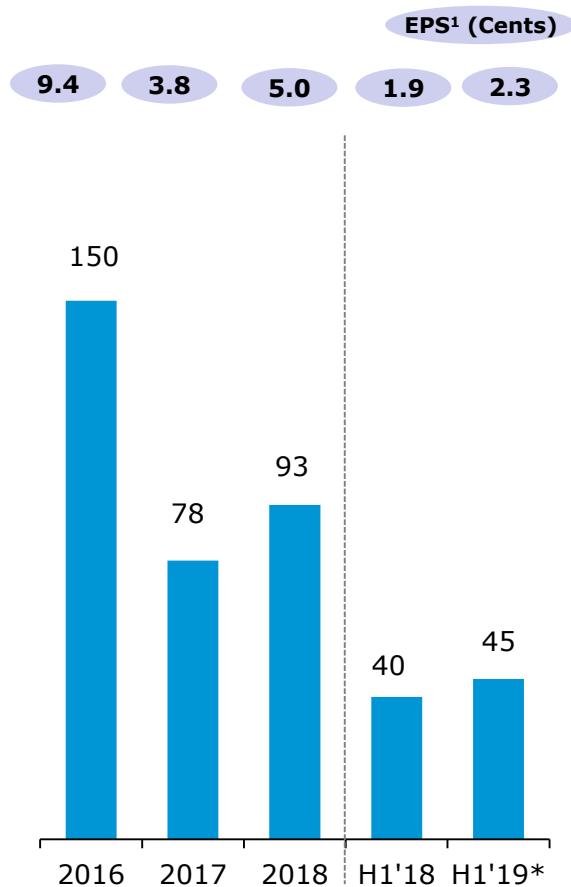
## Revenue

USDmn



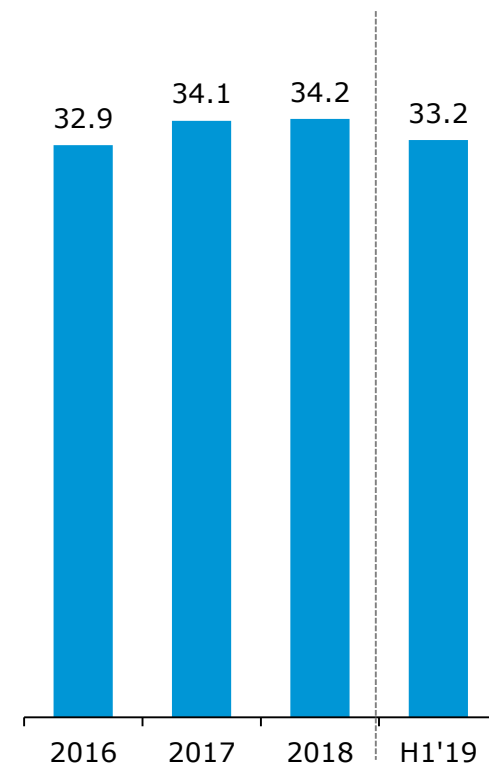
## Net Profit

USDmn



## Consolidated Assets

USDbn



^ Restated to reflect change in classification of OSN as a discontinued operation, accordingly share of loss from OSN has been classified as loss from discontinued operation

\*H1'19 includes only five months (i.e. January to May 2019) performance of banking subsidiaries (BBT, AGB, TIB) instead of six months as included in the prior period

Note: Exchange rate of USD/KD of 0.30315 has been used in the presentation for financial numbers

<sup>1</sup>Basic Earning per share (reported)



## Debt Metrics

# KIPCO (Parent): Debt Metrics

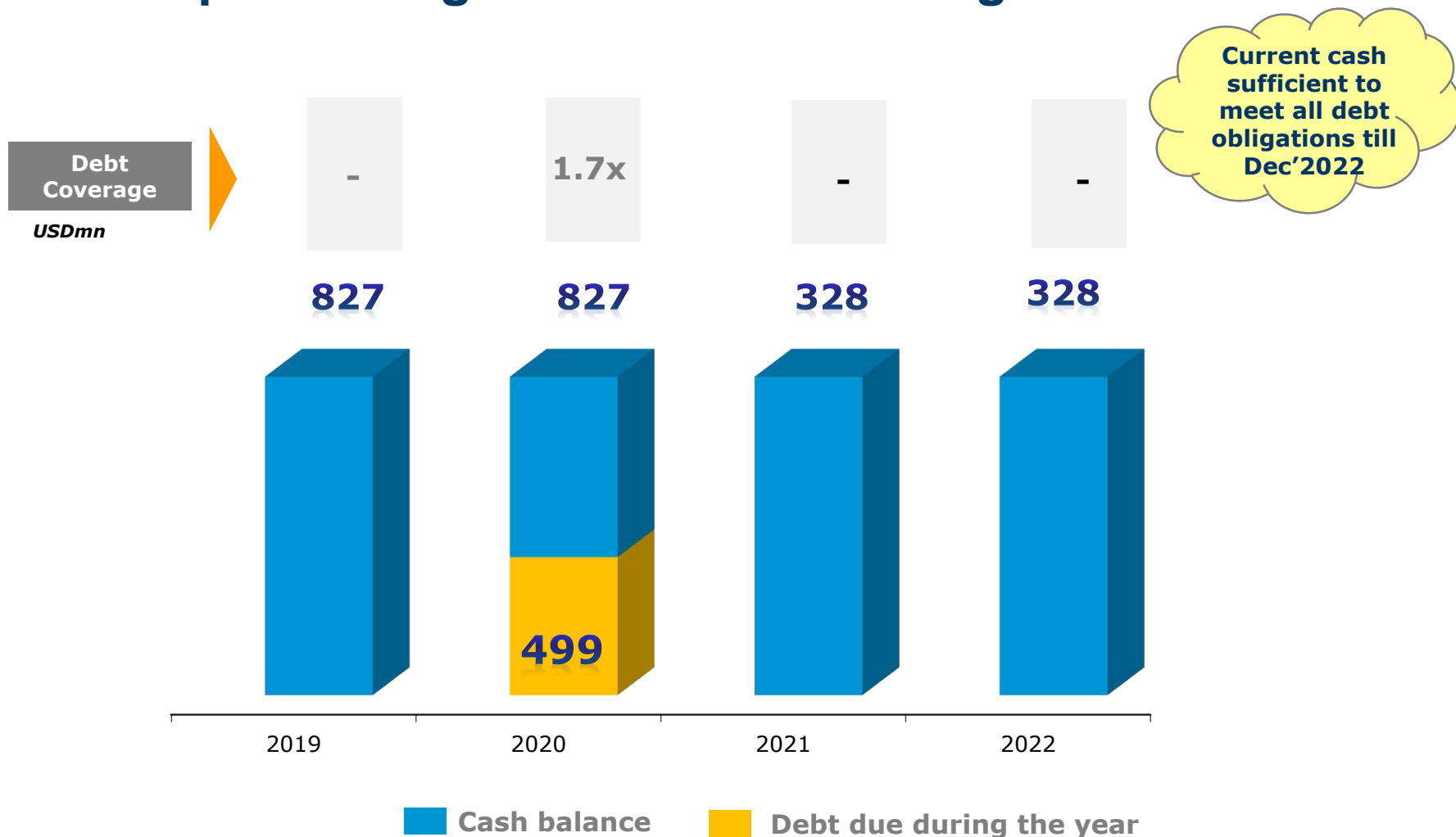
(USDmn)

KIPCO (Parent)	Financial Targets	30 June 2019
Cash & Cash Equivalents		827
Gross Debt		2,142
Net Debt		1,315
Shareholders' Equity attributable to parent <sup>1</sup>		844
<b>Net Parent Debt / Shareholders' Equity<sup>1</sup></b>	<b>&lt;2.5x</b>	<b>1.56x</b>
Estimated Investment Portfolio Value		4,020
<b>Net Debt / Portfolio Value</b>	<b>20 – 30%</b>	<b>32.7%</b>

<sup>1</sup> Equity attributable to equity holders of the parent company as per consolidated financials



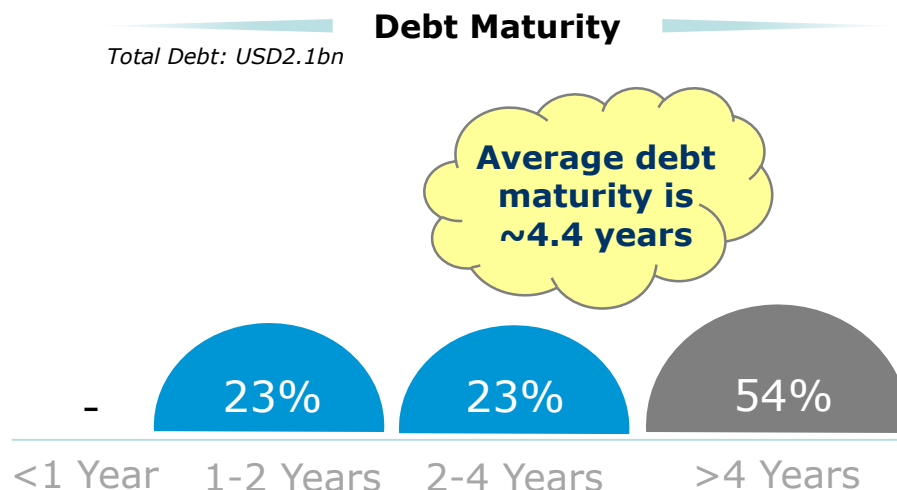
# KIPCO parent: Significant cash coverage till 2022



***KIPCO has a comfortable debt coverage till 2022***

*Debt coverage: Available Cash / Debt due in the year*

# KIPCO parent debt profile: As at 30 June 2019



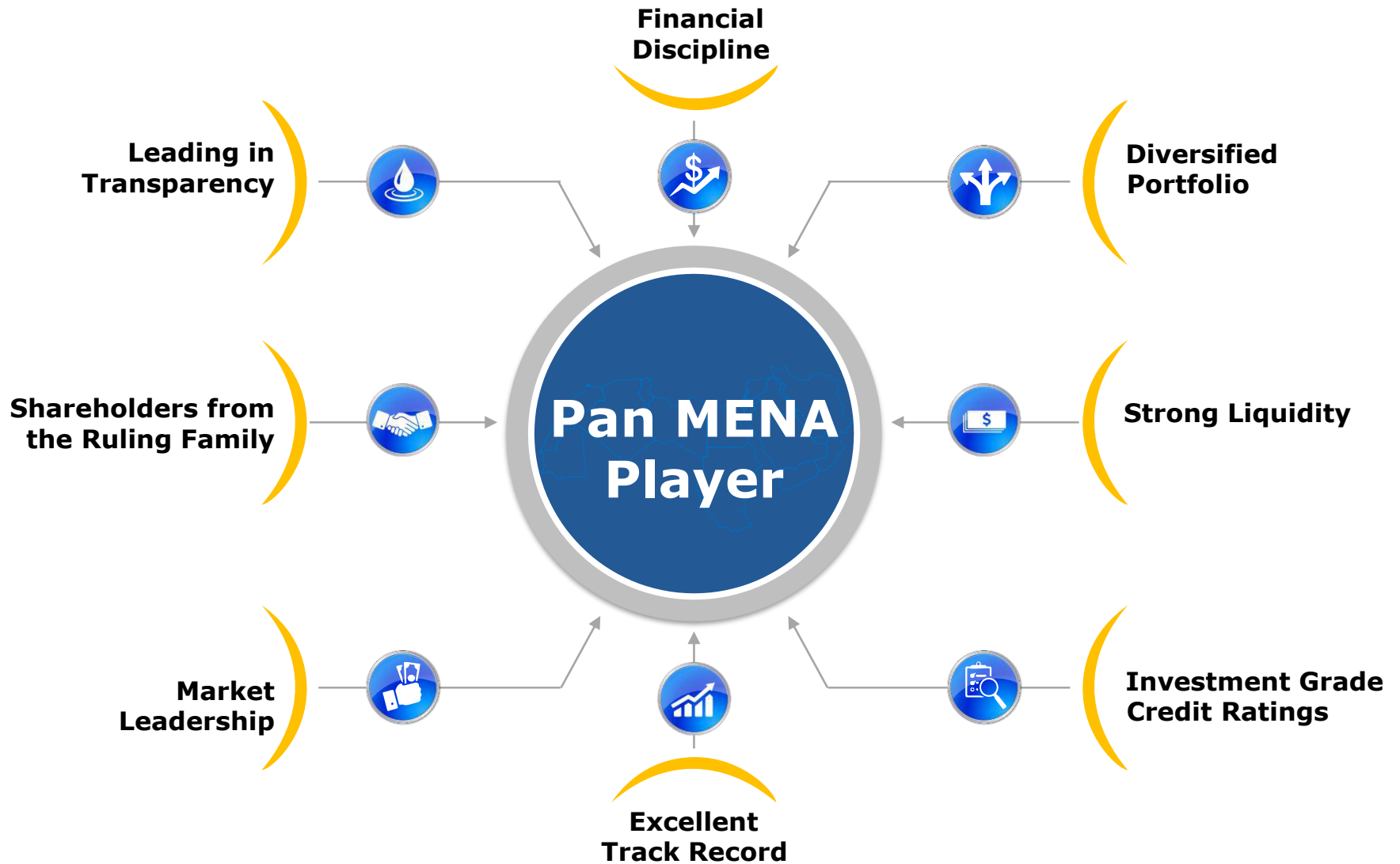
- Cash & bank balance of USD827mn
  - The current cash balance covers all debt obligations due till 2022 (1.7x coverage for 2020)
- Placements are with investment grade rated domestic institutions; having short duration and are typically rolled over on a monthly basis

***KIPCO has a comfortable cash balance covering all debt obligations till 2022***



Why KIPCO

# Key credit highlights





Thank you





## Annexure

# United Industries Company (UIC)

## Business highlights

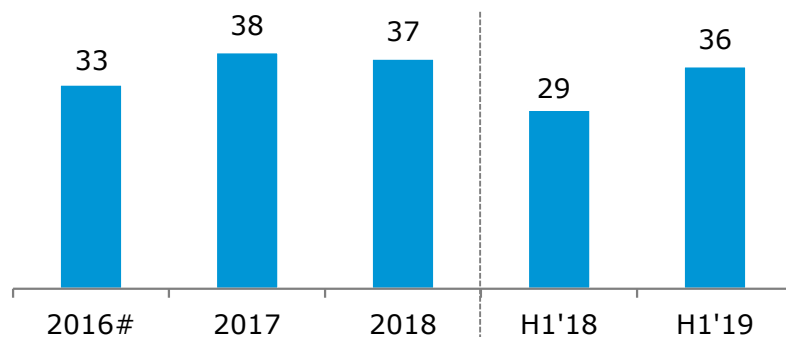
- ▶ Established in 1979, UIC operates as a holding company for the group's industrial investments
- ▶ UIC's mission is to manage a diversified portfolio of investments in the energy, food & basic industries sector

## Key Franchises

Name	Market Position	Effective Stake	Assets <sup>1</sup> USDmn	Revenue <sup>2</sup> USDmn
 <b>Kuwait</b>	Leading private company in petrochemical	31%	2,636	167
 <b>Kuwait</b>	Leading distributor of healthcare equipments	19%	959	195

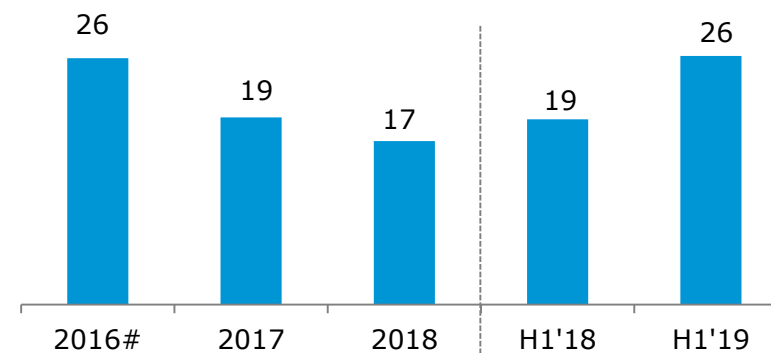
## Income from Associates

USDmn



## Net Profit

USDmn



***UIC seeks to be a leading regional investment house with activities in the industrial sector***

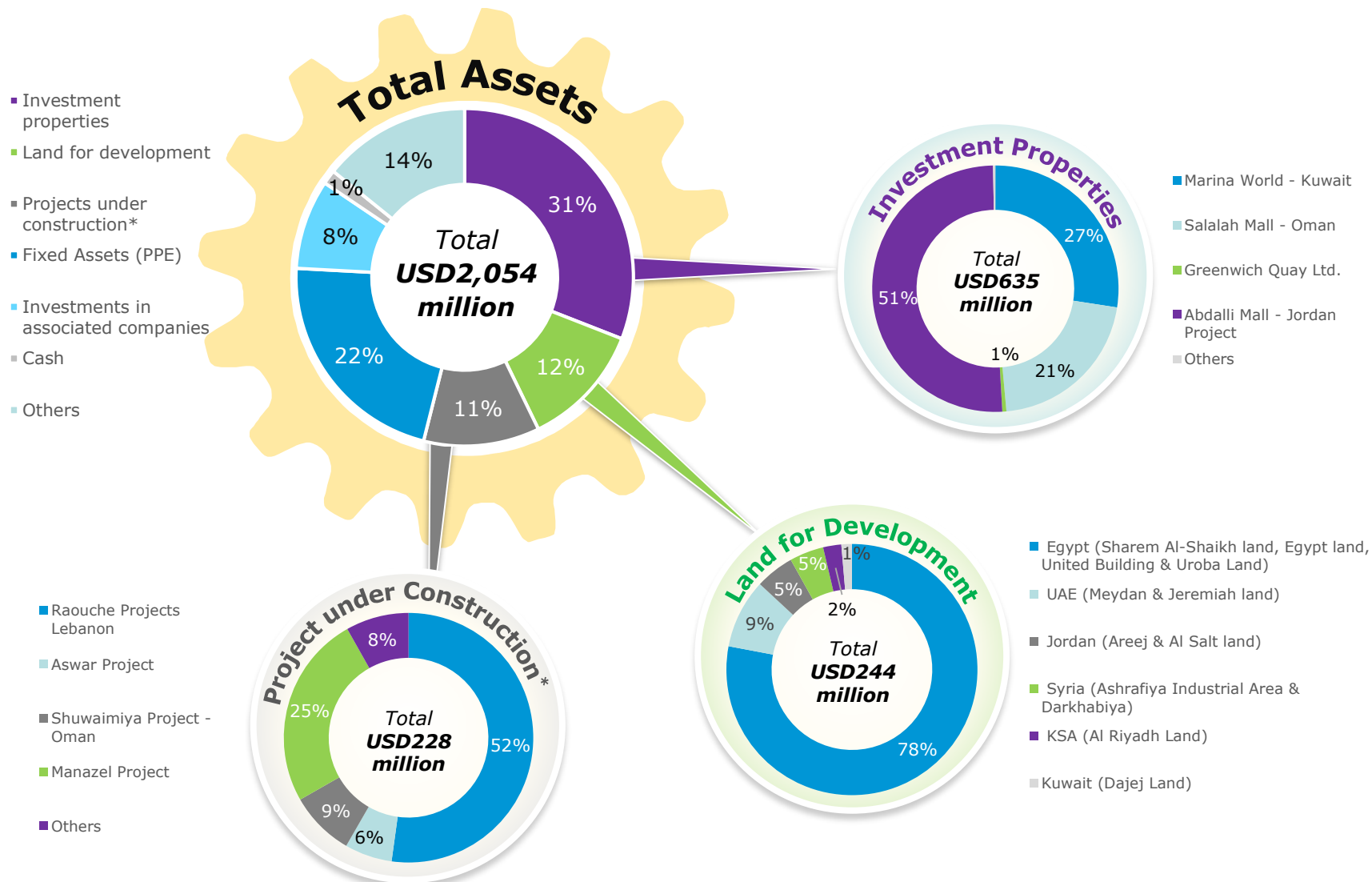
<sup>1</sup> As of 30 June 2019

<sup>2</sup> For the period ended 30 June 2019

# Includes USD13mn as of one-off income on reclassification of investment from AFS to associate



# URC: Balance sheet (Break-up)<sup>1</sup>



\* Includes Raouche, Aswar & Manazel which are reported under inventory in the financials

<sup>1</sup> As on 30 June 2019

# Jordan Kuwait Bank (JKB)

## Business highlights

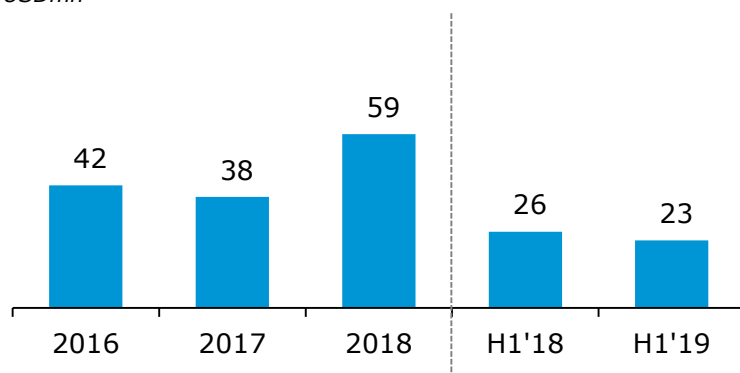
- ▶ Jordan based commercial bank with operations in Jordan, Palestine and Cyprus
- ▶ Listed on Amman Stock Exchange with a market capitalization of USD395mn<sup>1</sup>
- ▶ 5<sup>th</sup> largest conventional bank in Jordan in terms of asset size of USD3.8bn<sup>2</sup>
- ▶ Focus on stable and essential sectors like Energy, Industry and Trade and retail and SME segment through expanded distribution network
- ▶ Capital adequacy ratio of 18.7%<sup>2</sup>

## Operational highlights



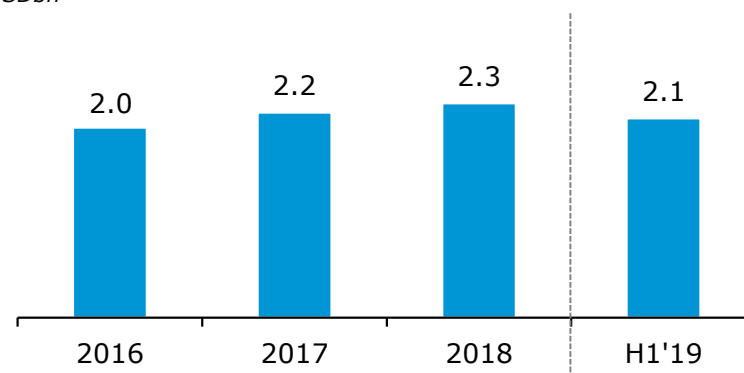
## Net Profit

USDmn



## Loans and Advances

USDbn



Notes: Exchange rate of USD/JOD of 0.7090 as of 30 June 2019 has been used for conversion

<sup>1</sup> As of 01 September 2019

<sup>2</sup> As of 30 June 2019

<sup>3</sup> As of 31 December 2018

<sup>4</sup> Source: Central Bank of Jordan

# KIPCO: Executive management



## **Faisal Hamad Al Ayyar | Vice Chairman - Executive**

- ▶ Joined KIPCO Board in 1990
- ▶ Recipient of Arab Bankers Association of North America Achievement Award (2005)



## **Samer Subhi Khanachet | Group COO**

- ▶ Joined KIPCO in 1990; Board and committee member of American University of Kuwait, MIT
- ▶ BSc from MIT and MBA from Harvard University



## **Tariq Abdulsalam | CEO – Investment**

- ▶ Joined KIPCO in 1992 and became in charge of KIPCO's Investment Division from 1996 to 1999
- ▶ BSc in Accounting from Kuwait University



## **Pinak Maitra | Group CFO**

- ▶ Joined KIPCO in 1988
- ▶ Recipient of the MENA Private Sector CFO of the Year Award (2008)



## **Khaled Al Sharrad | Group Chief HR & Admin. Officer, Board Secretary**

- ▶ Joined KIPCO in 2012, previously Head of Human Resources at the Kuwait Foreign Trading Contracting Investment Company (KFTCIC). He is on the Board of the American Management Association International in New York



## **Eric Schumacher | Group Treasurer**

- ▶ Joined KIPCO in 2019, previously held leading positions in Citi and HSBC
- ▶ Holds an MBA from Concordia University in Canada and is a Chartered Financial Analyst



## **Mohsen Ali Husain | Group Chief Audit Executive**

- ▶ Joined KIPCO in 2006, previously worked at KPMG
- ▶ Holds a CPA, CISA, CIA and B.Sc. in Accounting



## **Mazen Hawwa | Deputy Group COO And Group Executive VP - Finance**

- ▶ Joined KIPCO in 2001, previously worked at Anderson & Co.
- ▶ Graduate of Lebanese American University, Holds CPA and CMA



## **Joe Kawkabani | Group Chief Strategic Initiatives Officer**

- ▶ Joined KIPCO in 2018, previously set up and served as CEO of CPC Africa
- ▶ Holds a Bachelor's Degree in Business Administration from Saint Joseph University



## **Adel Al Waqayan | Treasurer**

- ▶ Joined KIPCO in 1995, previously with Burgan Bank Treasury
- ▶ MBA in 1986 from USI University



## **Osama Al Ghousein | SVP - Banking**

- ▶ Joined KIPCO Group in 2013, previously Senior Vice President in Pictet & Cie.
- ▶ Over 30 years of experience in global and regional banking



## **Tawfiq Al Jarrah | ED – Hessa Al Mubarak District**

- ▶ Joined KIPCO in 2016, previously with Kuwait Commercial Markets Complex Company
- ▶ Holds a CPA and BA in business



## **Eman Al Awadhi | Group Communications Director**

- ▶ Joined KIPCO in 2010
- ▶ Over 10 years of experience in communications, media relations and journalism



## **Robert Drolet | Consultant**

- ▶ Joined KIPCO in 2006, previously held leadership positions for Cable & Wireless and Bell Canada
- ▶ B.LL from Laval, LL.M Osgoode, M.Litt. Oxford

**Board of Directors is actively involved in overseeing the management and strategy of the company under the chairmanship of Sheikh Hamad Sabah Al Ahmad Al Sabah**

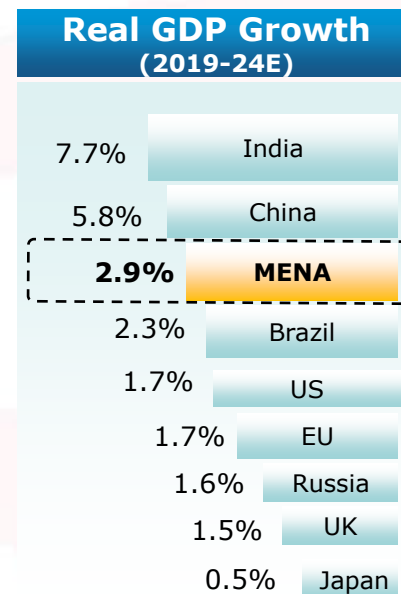
# KIPCO consolidated: Balance Sheet

Consolidated Balance Sheet (USDmn)	2016	2017 Restated	2018	H1 2019
Cash in hand and at banks	4,793	5,160	6,965	5,127
Treasury bills, bonds & other debt securities	2,220	2,126	2,388	2,295
Investment in associates	1,455	1,234	1,083	1,128
Investment in a media joint venture	492	585	-	-
Non-current assets held for sale	-	-	616	663
Investment properties	1,410	1,719	2,056	2,060
Other investments	1,869	2,061	1,705	1,734
Other assets (inc. goodwill & intangibles)	20,576	21,123	19,277	20,181
<b>Total assets</b>	<b>32,814</b>	<b>34,008</b>	<b>34,090</b>	<b>33,187</b>
Due to Banks & Other FI's	7,591	6,621	6,769	4,394
Deposits from Customers	15,844	16,861	16,067	17,681
Debt	4,213	4,881	6,026	5,851
Other liabilities	1,168	1,660	1,906	1,942
Equity attributable to equity holders of the Parent Company	1,550	1,444	911	844
Perpetual capital securities	481	481	481	483
Non-controlling interest	1,967	2,059	1,930	1,992
<b>Total liabilities and shareholders equity</b>	<b>32,814</b>	<b>34,008</b>	<b>34,090</b>	<b>33,187</b>

# KIPCO consolidated: Income Statement

Consolidated Income Statement (USDmn)	2016	2017 Restated	2018	H1 2018 Restated	H1 2019
Interest income	1,224	1,270	1,464	721	678
Investment income	92	233	120	29	37
Fees and commission income	184	174	200	78	93
Share of results of associates	118	42	61	42	54
Share of results of a media joint venture	(21)	-	-	-	-
Hospitality and real estate income	254	308	360	154	190
Other revenues	320	227	342	208	173
<b>Total revenues</b>	<b>2,172</b>	<b>2,254</b>	<b>2,546</b>	<b>1,232</b>	<b>1,225</b>
Interest Expenses	791	816	979	463	482
General and administrative expenses	563	607	632	303	306
Other expenses and provisions	468	475	549	251	277
Taxation	60	51	34	26	26
Loss from discontinued operations	-	99	76	65	-
Non-controlling interest	140	128	182	84	90
<b>Net profit attributable to Equity Holders of the Parent Company</b>	<b>150</b>	<b>77</b>	<b>93</b>	<b>40</b>	<b>45</b>
Basic Earnings Per Share, Cents (Reported)	9.4	3.8	4.9	1.9	2.3
Basic Earnings Per Share for continuing operations, Cents (Reported)	-	10.8	10.3	6.5	2.3

# MENA region: Poised for strong economic growth

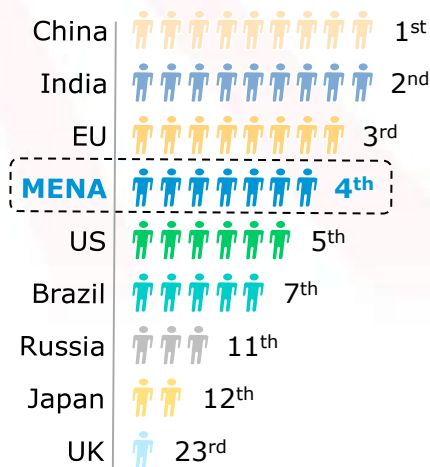


**MENA region is characterized by favourable demography and business climate**

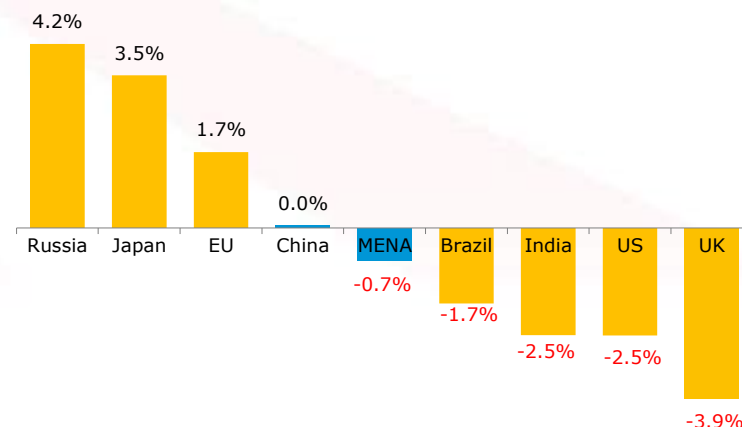
**Currently low level of competition and under penetration**

**Small but consistently growing non-oil economy**

## Population 2019E



## Current Account Balance as a % of GDP (2019-24E)



Source: IMF-WEO Database, April 2019

# GCC region: Well positioned to deliver growth

One of the highest per capita income, large sovereign wealth funds,

**31%** of world's proven **oil reserves**,

along with robust and growing non-oil sector activity ...

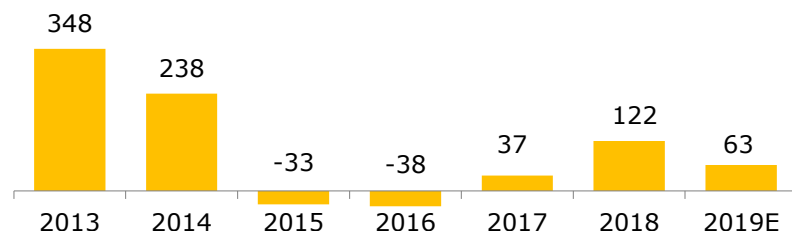
....All contribute to

**STRONG GROWTH**

fundamentals in the **GCC**....

## Current Account Surplus

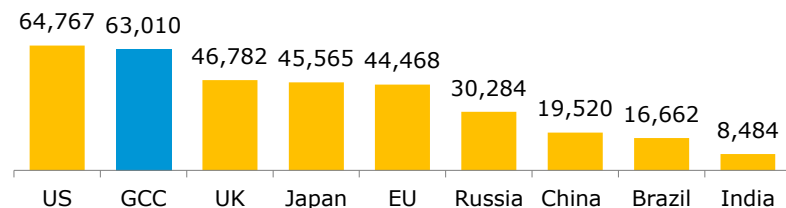
(In USDbn)



**"Accumulated current account surplus of over USD0.7tn from 2013 to 2019"**

## GDP / Capita, PPP (2019E)

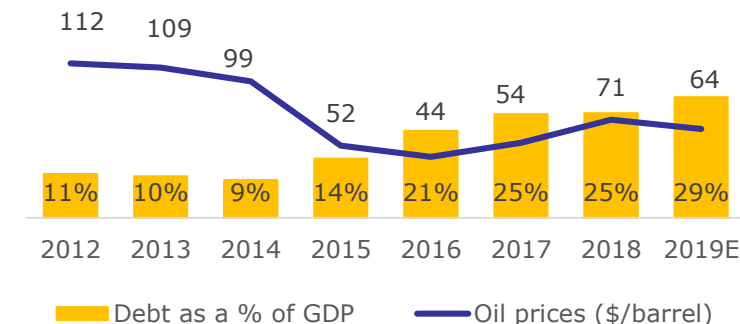
(In USD)



Source: IMF-WEO Database, April 2019, CIA

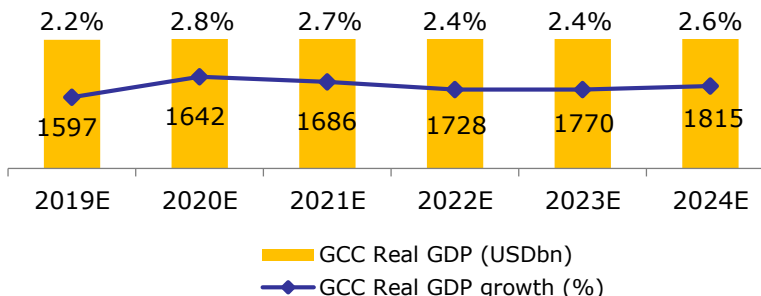
Kuwait Projects Company (Holding)

## Government debt as a % of GDP



## Real GDP & GDP Growth (2019-24E)

(In USDbn)





# Kuwait: Protected against oil price decline

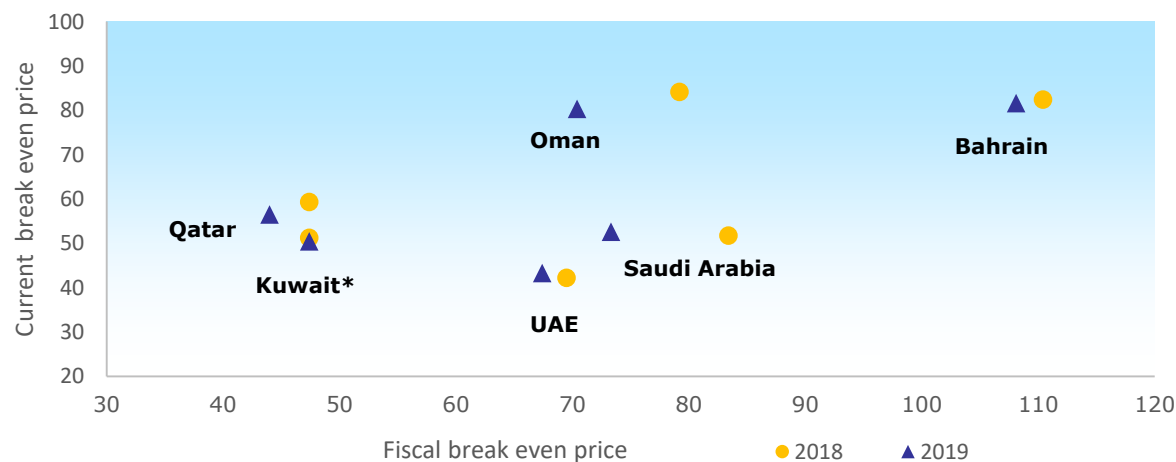
**Prudent Oil  
Wealth  
Management  
and Strong  
Net External  
Position**

## Kuwait ratings affirmed at 'AA/A-1+', with stable outlook

- ▶ Track record of prudent fiscal policy that has focused on creating large fiscal assets
- ▶ Law requires 10% of revenues to be transferred to FGF (Future Generations Fund); this allocation was increased to 25% in some years of high oil prices
- ▶ Net general government assets at 400% of GDP as of end-2018, which is the highest ratio of all the rated sovereigns
- ▶ Oil output to rise from 2.7mn barrels / day currently to over 4.0mn barrels/day by 2020
- ▶ Kuwait has the second lowest fiscal breakeven oil price in the GCC region

Source: S&P Rating on Kuwait, July 2018 and January 2019

## Fiscal and current account break even oil price (USD/ BBL)



\*Kuwait's fiscal break-even oil price is ~USD47/BBL

Source: REO Database, IMF, April 2019

# Kuwait: Stable macro-economic environment

## Kuwait – commitment to a vision of sustainable future growth beyond oil

**Large  
Hydrocarbon  
Reserves  
and Low  
Govt. Debt**

### Kuwait's credit rating stable at Aa2:

- ▶ Country has substantial oil and gas reserves
- ▶ Moody's believes that Kuwait's exceptionally large wealth, with sovereign wealth fund assets estimated at around 370% of GDP and vast hydrocarbon reserves, will continue to support the sovereign's fiscal strength and creditworthiness
- ▶ Moody's expects only a few fiscal consolidation measures to be implemented in the next few years, possibly an introduction of Value-Added Tax as implemented in the region, and higher excise taxes on tobacco and sugary drinks
- ▶ Low external breakeven as per Moody's at USD51/barrel, will ensure that the country continues to accrue wealth through sustained current account surpluses under our \$50-70/barrel oil price range assumption

Source: Moody's credit opinion on Kuwait, May 2019

## Demographic & External balances Snippets (2019)

2019 Macro-economic KPI's	Kuwait	Qatar	UAE	KSA	Bahrain	Oman	GCC
<b>Population (mn)</b>	4.7	2.8	10.7	33.9	1.5	4.4	<b>58.0</b>
<b>Nominal GDP (USDbn)</b>	136.9	193.5	427.9	762.3	39.0	79.5	<b>1,639.0</b>
<b>Fiscal balance (% GDP)</b>	12.0	10.5	1.3	(1.7)	(8.2)	0.8	<b>1.7</b>
<b>Gross official reserves (USDbn)</b>	38.9	24.7	122.4	558.2	2.0	17.6	<b>763.8</b>
<b>Sovereign Wealth Fund (SWF) Assets (USDbn)</b>	592.0	320.0	1,172.8	875.6	10.6	24.0	<b>2,995.0</b>
<b>Sovereign Wealth Fund Assets/GDP (% GDP)</b>	432.3	165.4	274.1	114.9	27.2	30.2	<b>182.7</b>

Source: WEO & REO Database, IMF, April 2019 and SWF institute, August 2018

**6%<sup>1</sup> of world's oil reserves (6<sup>th</sup> largest in the world); sufficient to last for 100+ years**

<sup>1</sup> In 2018, As Per CIA

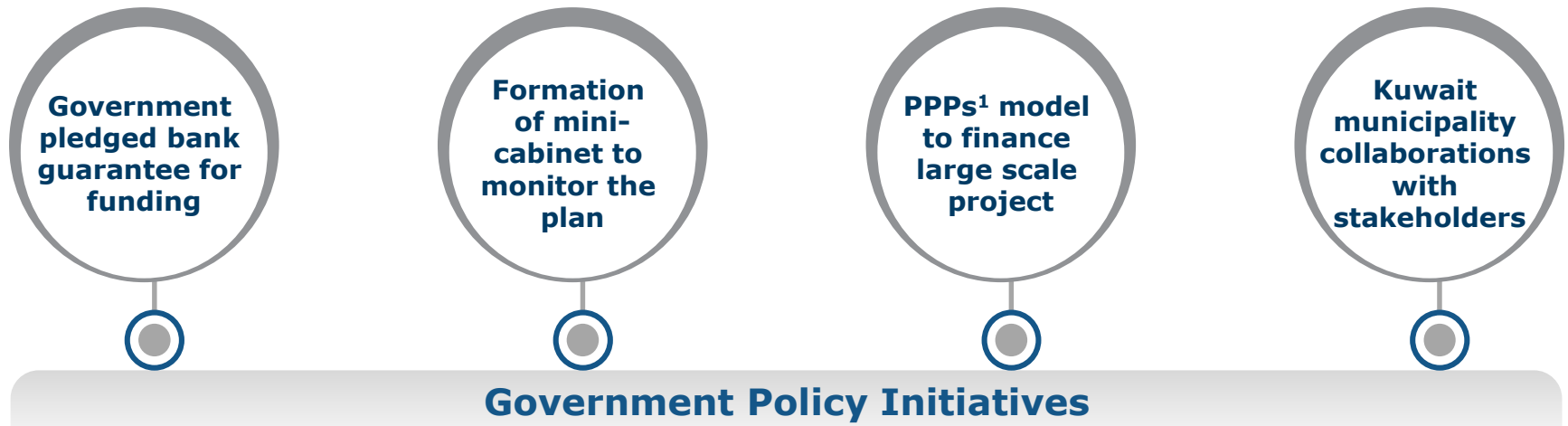
# Kuwait development plan overview

## Purpose

In February 2010, the Kuwaiti authorities announced a series of five-year plans stretching to 2035 aimed at diversifying the economy and expanding the role of the private sector while tackling much needed investments in health, education and infrastructure and improving the efficiency of the country's oil industry.

## Progress

Significant progress was made on several projects overcoming challenges related to administration, finance, technology, legislature and control. The Kuwaiti government plans to launch contracts worth KD37.8bn (USD126.5bn), including a railway network project, waste management plant and expanding its solar generation capacity. Of the pending projects, hydrocarbon sector has the larger share at KD15.6bn (USD51.4bn), accounting for nearly 42% of the total, with transport at KWD8.1bn (USD26.6bn, 22%) and residential at KWD7.8bn (USD25.7bn, 21%).



<sup>1</sup> Public-Private Partnership

Source: Meed Projects, Markaz, Capital Standard and Press

# Kuwait development plan: Projects in action

## Key Projects under the plan

### Clean Fuels Project (CFP)

- Specification upgrade and expansion of 2 existing refineries to produce 0.8mn b/d
- Underway: The project has progressed by 97%. Full operation expected to be completed by Nov 2019. Cost: **USD14.5bn**

### New Refinery Project (NRP)

- New 615,000 bpd refinery by KNPC
- Underway: The project has progressed by 83%. Overall project expected to be completed by 2020. Cost: **USD12.9bn**

### Kuwait Metro (PPP)

- 160km long, running across Kuwait
- Underway: The project has progressed by 11% & expected to complete in 2019. Cost: **USD11.4bn**

### South Al Mutlaa City

- 30,000 residential units, other facilities
- Underway: The project has progressed by 20%. Completion date for various phases are between Sep-2019 to Dec-2020 Cost: **USD11.9bn**

### Kuwait Airport Expansion

- To increase the annual handling capacity of the airport to 20mn passengers
- Underway: The project has progressed by 59%. Expected completion of T2 by Q4 2022. Cost: **USD6.3bn**

### Sheikh Jaber Al-Ahmad Causeway

- 48.5 km causeway linking Kuwait City with Subiya area in northern Kuwait
- **Completed** on May 1, 2019. Cost: **USD3.1bn**

### LNG Import & Regasification Terminal

- 4 full containment LNG tanks each with a working capacity of 225,500 m<sup>3</sup>; regasification plant with capacity of 1500 BBTU/day
- Underway: Construction expected to be completed in June 2020. Cost: **USD2.6bn**

### Jurassic Non Associated Oil & Gas Reserves Expansion: Phase 2

- Production of 120,000 b/d of wet crude & more than 300mn cubic feet a day (cf/d) of sour gas
- Underway: Completed work on 2 units, 1 unit in final stage, & the tender for remaining 2 units anticipated by end Q3'19.
- Cost: **USD4.0bn**

### Regional Road South

- 135 km highway south of Kuwait as part of the International ME Arab Highways Network
- Underway: The overall project has progressed by 25% with the completion expected by end of 2020. Cost: **USD1.0bn**

### Oil & Gas Projects\*

- Awarded: Contracts awarded by Kuwait Oil Company. Cost: ~**USD11.8bn**

### Offshore Drilling

- 6 new drilling locations to boost the daily oil production by 700,000 b/d and gas production to 1 bn cubic feet
- Underway: Contract awarded to Halliburton, first 2 due in Jul'2020 & Jan'2021. Cost: **USD3.0bn**

### Al-Khairan Power & Desalination Plant (IWPP)

- Net capacity of a min 1,500MW of power & a min 125 MIGD of desalinated water
- Bidding: Project will progress after the awarding of Al-Zour North P-2 & P-3. Cost: **USD1.7bn**

### Al-Dibdibah Solar PP

- Capacity to produce 1GW solar project
- Bidding: Tender by 2020. Cost: **USD1.6bn**

### Khairan City

- 140mn m2 residential city, incl 10,000 houses, 22,000 apts, other facilities
- Planning: Study phase. Cost: **USD13.9bn**

### Kuwait National Railroad (PPP)

- Railroad system (575 Km) linking Kuwait to GCC
- Planning: The project is currently in the feasibility study phase. Cost: **USD7.9bn**

### Petrochemical Facility at Al-Zour

- Petrochemical plant to be integrated with Al-Zour refinery
- Underway: Contract awarded to Honeywell. Project to be completed by Q3 2023. Cost: **USD6.6bn**

### Olefins III project

- Petrochemical plant to be integrated with new refinery project (Al Zour Refinery)
- Underway: FEED<sup>1</sup> phase underway; Technology contract awarded to McDermott. Cost: **USD6.3bn**

### Other projects

- **Underway:** Umm Al Hayman Waste Water (PPP). Cost: **USD1.6bn**
- **Underway:** Kabd Municipal Solid Waste Project. Cost: **USD1.0bn**
- **Bidding:** Al-Abdaliya (ISCC) Power Plant (CSP). Cost: **USD0.7bn**
- **Planning:** Al-Zour North (IWPP) – P2 & P3. Cost: **USD1.6bn**
- **Planning:** Upgrades to Mina Al Ahmadi Refinery. Cost: **USD0.9bn**

USDbn

Project Stage	Q2'19	2018
Underway	73.4	58.9
Awarded	21.4	11.8
Bidding	4.1	7.0
Planning	24.3	36.2
Completed	3.1	-
<b>Total</b>	<b>126.3<sup>^</sup></b>	<b>113.9</b>

Source: NBK report dated June 2019; <sup>1</sup>FEED= Front End Engineering Design; \*MEED (Dec 2018);

<sup>^</sup>Excludes other small projects of USD0.2bn