كيبكو
KIPCO

Ref: KIPCO/DGCEO 73/23 dated May 25, 2023

Boursa Kuwait Company
KUWAIT

السادة / شركة بورصة الكويت المحترمين
دولة الكويت

Subject: KIPCO's Analyst/Investor Conference call Minutes for Q1/2023

الموضوع: محضر مؤتمر المحللين/المستثمرين لمشاريع الكويت القابضة "كيبكو" للربع الأول من السنة المالية 2023

With reference to the above subject, and the requirements of article No. (2-4-8) "Continuing Obligations in the Premier Market" of Boursa Kuwait rule book issued via resolution No. (1) of year 2018, and since KIPCO has been classified in the premier market, Kindly note that the analyst/investor conference was conducted through a conference call at 2:00 PM (local time) on Monday 22/5/2023.

بالإشارة الى الموضوع اعلاه، والى متطلبات المادة (2-4-8) "الإلتزامات المستمرة للسوق الأول" من قواعد البورصة الصادرة بموجب القرار رقم (1) لسنة 2018، وحيث أن كيبكو تم تصنيفها ضمن مجموعة "السوق الأول"، نود ان نحيطكم علما بأن مؤتمر المحللين/المستثمرين قد انعقد عبر مكالمة هاتفية جماعية في تمام الساعة الثانية عصراً (التوقيت المحلي) من يوم الأثنين الموافق 2023/5/22.

Kindly note that no material information has been discussed during the conference. Please find attached the minutes of the conference (Arabic & English) and the investors presentation for Q1-2023.

كما يرجى العلم بأنه لم يتم تداول أي معلومة جوهرية خلال المؤتمر، وتجدون مرفق طيه محضر المؤتمر باللغتين العربية و الإنجليزية والعرض التقديمي للمستثمرين عن الربع الأول لعام 2023.

Sincerely,

وتفضلوا بقبول فائق الاحترام ،،

Samer Khanachet
Deputy Group Chief Executive Officer

سامر خنشت
نائب الرئيس التنفيذي للمجموعة

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Investor Call Transcript
Q1 2023

Transcript: KIPCO Q1 2023 earnings call

Introduction: Good afternoon, everyone. This is Ahmed El Shazly and on behalf of EFG Hermes, I welcome you all to the Q1 2023 earnings call for Kuwait Projects Company (Holding) – KIPCO. It is a pleasure to have with us in the call today Mr. Sunny Bhatia (Group CFO), Mr. Moustapha Chami (Deputy Group CFO), and Ms. Eman Al Awadhi (Group Senior Vice President, Corporate Communications & IR) at KIPCO. I would like to hand over the call to Ms. Eman Al Awadhi. Thank you.

Eman Al Awadhi: Thank you, Elena and good afternoon, everyone. We welcome you to our earnings call for the first quarter ended 31 March 2023. Please note that today's presentation is available on our website along with interim financial statements for the period in review.

Moving on to the presentation, please refer to the brief disclaimer on Slide 2 of the presentation. Some of the statements that we will be making today and information available in the presentation can be forward looking. Such statements are based on KIPCO's current expectations, predictions and estimates and are subject to risks and uncertainties which may adversely or otherwise affect the future outcome. Those statements are not guarantees of future performance, achievements, or results. I will now hand over to Sunny.

Sunny Bhatia: Thank you Eman and good afternoon, everyone.

The past few months have been eventful for KIPCO. As you know, we announced in April that we have entered into a binding agreement with Fairfax Financial Holdings to sell our 46% stake in Gulf Insurance Group (GIG). Depending on when the transaction is executed, the exit is expected to generate a net profit ranging between KD 70m to 80m (US$ 230m to 260m).

In February 2023, we signed a US$ 525m (KD 160.4m) credit facility with a group of nine regional and international banks. The facility has an initial February 2025 maturity and a one-year extension option at KIPCO's sole discretion. The facility is part of our prudent and proactive liquidity and liabilities management strategy, and the proceeds were mainly used to settle the US$500m EMTN notes that was due on 15 March 2023. The facility was oversubscribed, demonstrating the strong support and the confidence of our major relationship banks in KIPCO.

Moving on to slide 5, for the first quarter, we are pleased to report that KIPCO posted a net profit of US$ 17m, representing a net increase of 59% over the same period of 2022. This is primarily due to the positive overall performance across most of the Group sectors, in particular the new sectors that were added as a result of the merger with Qurain Petrochemical Industries Company (QPIC) in Q4 2022.

KIPCO achieved revenue of US$ 1.0b in Q1 2023, nearly double the US$ 529m achieved for the same period last year. This represents an increase of 93% or US$ 494m compared to Q1 2022. This net increase is mainly attributable to two factors, the first being the positive consolidation effect from the addition of several companies within the energy, industrial and logistics sectors following the merger with QPIC in Q4 2022, and secondly, the notable improvement by Jordan Kuwait Bank (JKB).

Total assets of KIPCO at the consolidated level stood at US$ 38.6b at the end of Q1 2023, up 4% from US$ 37.3b reported at the end of 2022.

Moving on to slide 6. Interest income from banking operations increased by US$ 185m or 77% to reach US$ 426m compared to US$ 241m for the same period last year. Fee & commission income increased by US$ 19m or 37% YoY to reach US$ 70m. Meanwhile, income from media & digital satellite network witnessed a mild decrease to US$ 64m compared to US$ 69m during the same period last year, while hospitality and real estate income increased by 17% or US$ 11m YoY to reach US$ 74m. The main increase in revenue and expenses of the energy and industrial & logistics segments stems from the consolidation of the new entities post the merger with QPIC which was concluded in November 2022.

With that being said, total expenses increased to US$ 896m in Q1 2023 versus US$ 450m for the same period last year, an increase of US$ 446m due to higher interest expenses by US$ 186m, and higher G&A expenses by US$ 17m, as well as the increase in energy and industrial & logistics expenses.

Furthermore, the Group's consolidated financial statements include the effects of hyperinflation in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" stemming from our Turkish operations. As a result, the Group recorded a net monetary loss of US$ 21m during the quarter due to Burgan Bank operations in Turkey. For further details, please refer to Note (2.4) from the published interim financial statements.

Provisions for credit losses reduced to US$ 29.6m in 2023 compared to US$48.9m on the back of credit improvement and recoveries.

I will now hand it over to Moustapha to provide details on the financial performance of the Group companies.

Moustapha Chami: Thank you Sunny and good afternoon, everyone.

Moving on to slide 8, where we cover key performance highlights of our banking operations. We start with Burgan Bank Group's results for Q1 2023.

Operating profit during Q1 2023 marked US$ 85m, more or less, flat compared to operating profit of Q1 2022 excluding Bank of Baghdad (BoB) numbers. Net interest income grew by 8% to US$ 112m in Q1 2023 versus US$ 104m during the same period of last year, driven by higher interest rates.

Burgan Bank's loan book stood at US$ 13.7b in Q1 2023 while deposits stood at US$ 13.5b for the same quarter, more or less stable from the end of 2022.

The bank reported a strong liquidity coverage ratio of 159% and net stable funding ratio of 111% in comparison to 120% and 108% respectively reported during the same period of last year.

Provisions charged to income statement significantly decreased by 66% YoY to US$ 16m in Q1 2023 against US$ 46m in Q1 2022 due to improvement in non-performing loans (NPL) recoveries and enhanced collateral values, BBT is a big reason for this improvement. The bank also recorded a net monetary loss of US$ 21m due to the application of IAS 29 accounting standard for hyperinflation on the back of its operations in Turkey.

Burgan Bank Group posted a net profit amounting to US$ 25m in Q1 2023 versus US$ 40m during the same period of last year.

NPL ratio significantly declined to 1.8% as of Q1 2023 from 2.5% in Q1 2022, mainly due to BBT NPL improvement. The bank reported a CET1 Ratio of 11.7% and CAR of 18.0% as of Q1 2023, well above regulatory requirements of 10.5% and 14.0% respectively.

One more highlight of Burgan Bank Group for the quarter is the successful completion of selling its 52% equity stake in BoB to JKB for a total consideration of US$ 125m. The transaction has boosted capital ratios by 70bps largely due to release of Risk Weighted Assets (RWAs) worth US$ 1.1b.

We move on to slide 9 to cover JKB's performance for Q1 2023. JKB reported a notable improvement in its operating results during the quarter, and that was mainly driven by JKB's improved performance, as well as the remarkable performance from its just acquired subsidiary, BoB, which posted strong Q1 net profits amounting to US$ 19m.

During the quarter, JKB's loan book grew by 4% to US$ 2.8b in Q1 2023 versus US$ 2.7b at the end of 2022. Deposits also increased by 24% to US$ 4.2b compared to US$ 3.4b at the end of 2022. Total income grew in Q1 2023 by 120% to reach US$ 86m versus

US$ 39m in Q1 2022. JKB's net profit of US$ 32m for Q1 2023, significantly up from the US$ 1.9m reported during the same period last year.

It is also worth highlighting that JKB is in the process of acquiring a 77% equity stake in the UAE-based brokerage and investment management company, BHM Capital Financial Services, for which the bank has obtained the necessary regulatory approval.

In April 2023, JKB issued the first-ever green bond in Jordan at a value of US$ 50m for five-years, fully invested by International Finance Corporation (IFC). This is an additional step for JKB in the sustainability journey.

Moving on to slide 10 of the presentation to cover GIG's performance. GIG reported total revenue of US$ 513m for Q1 2023, roughly in line with the same period of last year, which amounted to US$ 515m. Operating income was at US$ 31m for Q1 2023, down 10% YoY due to the slower business environment. However, that decline was completely offset by the 77% YoY increase in net investment income that came to US$ 33m versus US$ 19m for the same period last year. As a result, GIG reported a net profit of US$ 31m for Q1 2023, 34% higher than US$ 23m reported during the same period last year. It is worth mentioning that GIG applied the new insurance accounting standards "IFRS 17 "which resulted in restatement in prior year figures.

United Gulf Holding (UGH) is featured on slide 11. UGH incurred a loss of US$ 16m for Q1 2023 compared to a net profit of US$ 5m in Q1 2022. Total revenue was significantly down by 30% to US$ 39m for the quarter compared to US$ 56m for the same period last year, despite the 95% increase YoY in interest income. This decline is mainly attributed to the weaker market dynamics resulting from negative sentiment, elevated interest rates, inflation, and concerns about a potential economic recession.

On slide 12 we have the results of United Real Estate (URC). URC reported a healthy Q1 2023, following the successful merger with United Towers Holding in December 2022. The company registered visible improvement across all key income streams of the business, reporting an increase of 51% YoY in rental income, 37% YoY increase in hospitality, and 11% YoY increase in contracting and services, resulting in a 25% increase in revenue for Q1 2023 at US$ 76m, compared to Q1 2022.

Similarly, operating income significantly increased by 67% to reach US$ 19m versus US$ 12m during the same period last year for the aforementioned reasons. As a result, URC posted a 27% increase in net profit for Q1 2023 at US$ 6m versus US$ 5m during the same quarter last year. It's also worth noting that URC issued a five-year KD denominated bond worth US$ 261m in March 2023.

Moving on to slide 13 to cover the companies that have newly been added to the portfolio.

Starting with our logistics and power rental business, Jassim Transport and Stevedoring Company (JTC). JTC reported a total revenue of US$ 24m for Q1 2023, 13% higher than the US$ 21m reported for Q1 2022. This increase is mainly driven by the overall improvement in the business environment and expansion of port management services to Kuwait's Shuaiba Port. Gross profits for the quarter increased by 25% YoY to reach US$ 8m versus US$ 7m during the same period last year. As such, JTC registered a net profit for Q1 2023 amounting to US$ 5m, 24% higher than the reported US$ 4m for the same period last year, and that was due to the higher revenue and margins.

Moving to National Petroleum Services Company (NAPESCO), our oilfield services provider. NAPESCO's revenue for Q1 2023 increased 44% to reach US$ 33m versus US$ 23m during the same period last year. This was supported by the additional service contracts that were secured in the last twelve months on the back of the improved business environment and margins across both oilfield and non-oilfield segments. Gross revenue for Q1 2023 nearly doubled at US$ 9.4m versus US$ 4.8m during the same period last year, reflecting a YoY increase of 95%. This has enabled NAPESCO to post higher net profit of US$ 7m for this quarter versus US$ 3m during the same period last year.

Moving on to the healthcare sector with Advanced Technology Company (ATC). ATC witnessed a 7% increase in revenue to reach US$ 138m in Q1 2023 as compared to US$ 128m in Q1 2022. The increase in revenue was mainly driven by the overall improvement in all business sectors of ATC represented by maintenance, consumables and medical projects. As a result, ATC achieved a net profit of US$ 19m during the quarter compared to US$ 7m for the same period of last year, representing a strong 176% net increase on the basis of improved business performance and a one-off reversal of provision no longer required. It's also worth highlighting that ATC has recently increased its equity stake in its associate company, Kuwait Medical Center Holding (KMC) from 49% to 75%, which will lead to reclassifying the company to a subsidiary. KMC is the holding company for Kuwait Hospital, a private multi-specialty hospital aiming to provide premium healthcare services across Kuwait.

Finally, slide 14 shows the recent business updates on OSN. OSN continues to focus on growing its streaming business through the optimal use of technology, digital marketing and content diversification. Recently, OSN extended its relationship with Warner Brothers Discovery with a new multi-year licensing deal under which OSN will continue to be the exclusive "Home for HBO" content in the region. OSN will also get premium access to Warner Bros. blockbuster movie hits. Additionally, OSN continues to improve its streaming products, consumer packages, pricing and expanding the distribution network through its network wide partnerships.

I will now hand over the call to Ahmed to invite our listeners to raise any questions they may have.

Moderator: We have our first question from Alexandre. Please go ahead.

Alexandre Ayoub: We wanted to have a better understanding on how are you planning to manage the inflows and outflows at the holding company (Holdco) level. What is the minimum amount of cash you are planning to keep at the Holdco level? Can you remind us of what are the inflows and outflows? How much dividend do you roughly expect? KIPCO has gone through a huge change, thanks to the merger, and now you have this asset disposal, so I think the credit profile is changing a lot and hopefully it could also benefit from some credit upgrade, but before touching on that we just wanted to clarify on the inflow and outflow profile of the Holdco. Thanks.

Moustapha Chami: Thank you Alex. As you rightly pointed out, the merger has brought new entities which added new income streams to KIPCO. I would like to refer you to the relevant disclosures on our financial statements and publicly available information.

With regards to dividends received in Q1 2023, we have received dividends from Equate Petrochemicals and SADAFCO, roughly US$17m in total. As for our other entities like NAPESCO, JTC, Burgan Bank and GIG, the dividends have already been approved and will be reflected in our upcoming Q2 financials.

With regards to outflows, as you may have seen, there has been a settlement of EMTN in March 2023 and the proceeds to settle this were mainly used through the utilization of our syndication loan. If you refer to note no. 5 of the financial statements regarding loans payable, you will notice that the parent loans have increased by roughly US$590m, which was mostly used toward the settlement of the mentioned EMTN. For the rest of the year, as we mentioned, GIG, Burgan Bank, JTC and NAPESCO have already approved their dividends and that will contribute to our overall cash inflows. Our G&A expenses were, more or less, in line with our previous disclosures.

In terms of interest, please refer to note no. 5 and 6 of our financial statements for details regarding our KD bonds, EMTN and the loans amount outstanding, and that can give you a rough idea on how much interest we have to pay by the end of the year.

Alexandre Ayoub: Thanks, but to get a better feel, please tell me if our understanding is correct. Interest expense is roughly US$150m a year and G&A roughly US$20m a year, So, roughly US$170m-200m of outflows to cover interest and G&A at the Holdco. Is that roughly fair?

Moustapha Chami: Yes, we can say, it is roughly a fair assessment.

Alexandre Ayoub: How much are you planning to spend in the Operating Companies (OpCos)? Is it like US$50m-100m going to the OpCos per year, roughly?

Moustapha Chami: Given the recent transactions at KIPCO level, we are a bit constrained from sharing any prospective information. Our budget process at KIPCO starts at the end of each year, and accordingly, we approve the budget that includes capital contributions, but we are restrained from confirming any exact figures.

Alexandre Ayoub: Is it fair to think that you will consider new acquisitions? Or will it be mainly business as usual, where you may do capital injections into OpCos in line with the previous years?

Sunny Bhatia: As a holding company, and our Group CEO shared company's vision which is that continue to look for new opportunities particularly in the alternative energy, food, healthcare and education sectors as core areas of focus going forward. As and when we have any material acquisition which we are in a position to share, we would be more than happy to disclose. Deleveraging is the key priority, but at the same time, rebalancing our portfolio and taking the company's portfolio to the next phase of growth and value creation remains an equally important priority for the management team.

Alexandre Ayoub: Thanks a lot. In terms of debt at the holding level, can you give us a feel for what kind of minimum amount of cash you are planning to keep at the holding level. Like we used to have this kind of feeling prior to the merger, but now its consolidated with the merged entities. Can you give us a feel, is it like may be US$200 million or US$400 million that you are planning to keep of cash on the balance sheet as a minimum buffer? How are you thinking about debt refinancing?

Sunny Bhatia: As we disclosed in note 3 of the Q1 2023 financial statements, the cash at the Holdco or the parent level is US$428m and if we compare that cash with the previous quarters, more or less it is at the similar levels. But at the same time, in our liquidity profile, we now also have unutilized facilities. We had US$525m facility taken in February 2023, which we have not fully utilized and that adds to the available level of liquidity. So, considering the interest rate environment being relatively higher compared to what it was in the past, we would have to manage our cash at a level that has a positive carry for us, and therefore we may consider reducing the level of absolute cash that we maintain while maintaining the liquidity through unutilized committed lines that are available for us.

Alexandre Ayoub: On that front, would you consider bond buy back? The bonds are trading at like 85-90 cents a dollar. Is that something you have considered?

Sunny Bhatia: At this point we would not like to comment on this because at any point of time. The company's management is looking at various possible options to create value and theoretically speaking, when the bonds have misalignment with the credit profile, it would represent a good opportunity, but nevertheless, we have to assess it in accordance with our available liquidity, including the unutilized committed lines, and at the same time in respect of our refinancing needs.

Having said that, you might have noticed what we have done in the past 14 to 15 months, where we have been proactively addressing all the maturities as and when they were coming due. For example, the US$500m EMTN bond which were due on 15 March 2023, way back in June 2022, we arranged an 18-month backstop facility of US$375m plus the cash. Then in December, we went ahead and did liability management for the two KD bonds.

We also raised KD165m (US$539m) which included KD 60m of cash and it also involved an exchange of November 2023 KD bond maturity to the extent of 71.5% and an exchange with the six-year bond for the December 2024 maturity to the extent of 33.6%.

So, we remain committed to proactively manage our liability profile and refinance them with more long dated debt while maintaining the cost of financing at the levels which remains sustainable for us. So definitely, all options are being looked at.

You must have seen that we made an announcement sometime back that CMA has approved our intent to establish a US$2b sukuk program. So, we are always looking at various alternatives of financing to address, not just the maturity, but also the required funding needs which arise as a result of the growth plans of our core portfolio companies and also the new expansion opportunities.

Alexandre Ayoub: That is really comforting and thanks a lot for these reminders. Just a last question. So, you mentioned that you refinanced the US$500m with an eighteen-month backstop facility. Is the plan to refinance that backstop facility with this new sukuk program?

Sunny Bhatia: Actually, we have cancelled the backstop facility of 18 months when we took the 2+1-year US$525m club deal. So, we did not utilize the back stop of US$375m. In fact, we cancelled that facility and replaced it with an effective three-year i.e. (2+1) year. The one-year extension is solely at our discretion to renew, so, we had taken that three-year US$525m facility and partly utilized it to pay the EMTN.

Alexandre Ayoub: I got it. So, I guess if you are planning to come to the bond market, that would be mainly to refinance the facilities that are coming due this year or next year?

Sunny Bhatia: That's right.

Alexandre Ayoub: The 2026 and 2027 bonds are longer dated, so they are not really a priority for now.

Sunny Bhatia: Your assessment is correct on that.

Alexandre Ayoub: Thank you very much.

Moderator: Our next question is from Rakesh Tripathi. Please go ahead.

Rakesh Tripathi: First of all, Congratulations on an improving set of results. I have a couple of questions from my side. The first one is on the US$2bn Sukuk Program that you just alluded to - Will the issuance out of this program be dollar denominated? Or will this be in local currency?

Sunny Bhatia: It is a multi-currency program. So far, we have not done any filing or marketing for the issuance and have taken the approval just for the establishment of the program. As and when we do the issuance, depending on the market conditions, our liquidity and the refinancing needs, our intent is to do the first tranche as a KD tranche, but it is a multi-currency program which is in the process of being established.

Rakesh Tripathi: Perfect. My second question is just to understand something about the deleveraging plan that is in the works. I understand that you will be looking to gradually deleverage over a period of time. Correct me if I'm wrong, based on my understanding and the rough set of numbers, inflows and outflows that we just talked about earlier on this call, about US$130m-US$140m inflows from dividends and interest on the cash you keep on the balance sheet, all at the Holdco level, and then approximately US$170m in outflows for G&A and interest cost, will leave you with a marginal shortfall of US$20m-$30m. Then you got the GIG sale proceeds, starting this year, and assuming that you will also get special dividends from the OpCos that hold GIG stake, you can have access to somewhere around US$180m-200m. Now, if there was some injection of cash into the operating companies, that will leave you with very little cash to be ultimately used for the deleveraging exercise. Also, considering that the GIG sale proceeds will be lower from next year onwards, about US$165m in aggregate across the entire KIPCO Group.

So, if you have deleveraging on your mind, how are you looking at it? How do you eventually plan to conduct that exercise? Because if there are some asset sales from within the portfolio, then it will, at the same time, also impact the asset value. So, if we look at the loan-to-value (LTV) calculation, then while your loan number will go down, the asset value will also go down in the denominator.

I think this is one of the things that Standard & Poor's Global (S&P) has also highlighted in their report that was released today itself. I understand the ratings are withdrawn now, but they have clearly pointed out some of the structural concerns. So how are you looking at these concerns? And what are the plans for resolving some of these concerns.

Sunny Bhatia: Thanks for the question. First, let me reconfirm if we have made our disclosure on S&P, otherwise we might have some constraints on answering your question. Thank you for waiting. It has been disclosed and I can provide you with more details.

As far as S&P is concerned, we have withdrawn our rating from S&P, following their action to downgrade us by one notch. We believe that there was a bit of inflexibility in the rating criteria in assessing the evolution of our credit story, which is actually evolving.

If you look at the S&P rating, as a result of their constraints in the rating methodology, they have not given us the benefit or consideration to three important facts.

One is the GIG sale which is a very important event. We have already entered into a binding agreement and both KIPCO and the acquirer are keen to complete the transaction in Q4 2023. The gross sales proceeds are US$860m, of which US$200m will be a down payment on closure, and four annual installments of US$165m at the first, second, third and fourth anniversaries of the closing. We, as a company, would be looking at all the possible alternatives, including monetizing the deferred payment obligations upfront depending on our targets of deleveraging. We expect a substantial amount of liquidity from the GIG sale, once it is completed and given the transaction is still in the process of being completed, S&P has not considered any impact of this sale on our liquidity and even on the future cash flows because once we use the proceeds to deleverage, our interest cost is going to be lower and so is the dividends, but on net basis, the transaction is still going to be cashflow positive at the operating cashflow levels. This has not been factored in by S&P.

The second factor is that S&P is considering the US$525m facility to mature in 2025, whereas this facility is actually extendable by one-year solely at the discretion of KIPCO. Since there are no conditions attached to the extension of this facility, we view this as a 2026 maturity and not as a 2025 maturity. So, this is something that they do not consider while doing the liquidity analysis or looking at our refinancing needs. Hence there is a disparity between S&P's assessment and the ground realities as far as the US$525m facility is concerned.

The third factor is that we, as a management team, have started taking several value enhancement initiatives at our core portfolio companies' level. We have engaged a strategic consultant to look at our core portfolio companies and identify ways to generate additional shareholders' value.

In some of the portfolio companies there have been changes in senior management. There have been several changes in the way we govern these companies. We engage with the boards and the teams of these companies to monitor their performance and their KPIs on a more regular basis. So, there is a complete value creation and value enhancement plan in respect to all our core portfolio companies, which is not being reflected in our rating even though the rating is supposed to be forward looking.

S&P do recognize the efforts of the management team but at the same, they cannot consider the GIG transaction as it is still in the process of being executed, and the extension option on the $525m facility as we have not yet given notice to extend it.

These are the core differences on the basis of which there is a disparity in our own assessment of credit and the rating action which S&P has taken. Therefore, we decided to withdraw our rating. But nevertheless, we will continue to be rated by Fitch, which has rated us "BB", with "Stable outlook". And we would also continue to be rated by Moody's, which on 4 May 2023 has reaffirmed our rating at Ba2 and continue to retain the credit outlook negative.

The path to stabilize the negative credit outlook is to improve the LTV ratio. The GIG transaction is expected to give us a benefit of around 10%-11% in the LTV ratio.

Rakesh, I think you have raised a very important point. Which is, If the asset value goes away and so does the liability, then how do you achieve an improvement in LTV, when your LTV is in mid-40%?

One important factor that you would have seen from our public disclosures is that the GIG sale is at a significant realized profit, as far as the group is concerned. Depending on how and when we close the transaction, we expect to realize a profit between KD70m to KD80m. So, when we exit an asset at a much higher valuation than our carrying value, it leads to an improvement in the LTV ratio. I hope I have answered most of your questions.

Rakesh Tripathi: Yes, you have. Thank you. I think I was a little surprised as well at S&P's move. Because if something is in the works, not considering it could be a sub-part of their methodology, but to then downgrade, when you have something imminent, appears kind of odd. Usually, the ratings are put on hold for such periods. So, I'm a little bit surprised that S&P took quick action here.

Sunny Bhatia: The credit outlook negative was assigned to us in May of last year, so we were almost nearing the 12 months. We were advised that, based on their strict rating criteria, it wasn't possible to hold on to that negative outlook beyond 12 months. That's what was explained to us, although it is not stated in the rating report. The rest of the exclusions are stated in the report.

Rakesh Tripathi: Right, now is it fair to think that if you were doing a deleveraging exercise, hypothetically speaking, if some of the sale inflows from GIG sale are utilized towards deleveraging, then there's a higher likelihood that it goes towards the US$525m credit facility that you have drawn down.

Based on my understanding where you mentioned that you don't want to keep idle cash, you would want to keep credit facilities at your disposal so that you would eliminate the impact of negative carry. So, is it fair then to believe that your cash balance may go down, but that credit limit availability for you will go up, so you will be paying that down first?

Sunny Bhatia: It won't be appropriate to specify or assign the use of proceeds to a specific facility, but logically speaking, yes, the most expensive and the most short-dated facility would be the order of priority for us. So that we maximize the net interest margin for us, but at the same time we extend the tenor and strengthen the credit. So, rest assured, we would take care of the credit dimension, the net interest margin, or the carry dimension or the interest differential dimension and we would use the proceeds in the most appropriate manner in this regard.

Rakesh Tripathi: That's very helpful. Thank you. Should we expect some of this to actually materialize this year? As the GIG sale is likely to close around Q4. Would it be fair to expect some part of that, if there is any scope for deleveraging, to come through by the end of this year?

Sunny Bhatia: Both of us, the acquirer as well as the seller, are working very closely and targeting to close the transaction in Q4 2023, but it is subject to various regulatory approvals. We are managing the process efficiently with the best possible group of legal advisors, but still, it is subject to regulatory approvals. Our plans are to do it in Q4 and the cash should not sit idle. So, if that materializes, yes, we will use the proceeds as we intend to, but all remains subject to execution and the regulatory approvals.

Rakesh Tripathi: Thank you. That's it from my side.

Moderator: We have a few questions from the chat. I will read them out. The first from Vladimir David. “How much have you injected into subsidiaries year to date and how much do you intend to inject for the rest of the year?”

Moustapha Chami: Thank you, Vladimir. As mentioned before, given the recent transactions at the company level, I would refrain from answering in detail or giving any future projections.

Moderator: Thank you. The second question is from Zafar Nazim. "What is your dividend expectation for this year?"

Moustapha Chami: We have given a rough indication that it's going to be more than US$120 million, so a number between US$130m and US$140m roughly, in the normal course of business.

Moderator: Thank you. The third question is from Divya Poojay. "Are you considering further asset sales like GIG? And what would be the criteria to select assets for sale?"

Moustapha Chami: This depends on the direction and future strategy of the company. As we have mentioned on multiple occasions through our Group CEO and Group CFO, we are not constrained of any particular asset sale. Any opportunity that comes at the right time and at the right price will be explored. However, once an opportunity comes and a decision is made, we will be disclosing it.

Moderator: Another question from Divya Poojay. "Is OSN cash burning? And when would you expect it to turn around and break even?"

Moustapha Chami: Given the private profile of OSN, we'll refrain from disclosing any numbers. However, OSN today is working on four pillars of digital transformation and securing content. They have already secured exclusive contracts with HBO and they also have exclusive contracts with Universal and MGM. Another dimension OSN is working on is the streaming business, which is moving broadly as per plan. Also, they're focused on cost rationalization at the level of the content as well as staff and G&A. What we can say is that OSN is going more or less in line with the budget and the plan that was approved at the beginning of the year.

Moderator: We have a few more questions Alexandre. Please go ahead.

Alexandre Ayoub: Could you repeat the entity being disposed to manage liquidity that S&P did not consider?

Sunny Bhatia: It's GIG, but this disposal was not to manage the liquidity, this disposal was because, as a holding company, we always look at the opportunities, and once we see that we have achieved our return objectives and the sale proceeds in accordance with our expectations, that's the time we would make a decision.

Alexandre Ayoub: In terms of leverage, can you just tell us how we should look at it and what kind of targets you're aiming at?

Sunny Bhatia: Our target would be to achieve an LTV ratio lower than 40%, or something closer to 35%, and we expect about 11% to 12% improvement in our LTV from GIG sale, which according to Moody’s methodology currently is 45.6%.

Alexandre Ayoub: I know you used to report that before but, are you planning to report it? do you have your own methodology, or will you look at the rating agencies and see what they're doing? It would be helpful as investors if you could report what you see as being the LTV, and how you calculate it.

Sunny Bhatia: That’s noted. We would consider that in our engagement with investors.

Alexandre Ayoub: That would be amazing. My last question, can you just remind us of the payment profile for the GIG transaction when it actually materializes, is it split across four-years equally?

Sunny Bhatia: It is US$200m down payment adjusted for any dividends received after the transaction was announced, and US$ 165m for the first anniversary of the closing, second anniversary from closing another US$165m, and then similarly on 3rd and 4th anniversaries, US$165m for each. So, this means that 165 multiplied by four equivalent to US$660m, in addition to the US$200m upfront, that's how the US$860m gross proceeds are to be received.

Alexandre Ayoub: Based on that you would have a significant amount of cash on the balance sheet. Like even if you're, kind of, just barely or neutral on the free cash flow or slightly negative, you would end up with close to US$600m-700m of cash on the balance sheet, which are quite big numbers. Again, to go back to the original question, what you would be doing is either deploy it for some investments or repay the debt. For now, you can't really give much guidance on which direction you're going to go, correct?

Sunny Bhatia: It would be primarily to deleverage, but at the same time we always keep looking for opportunities.

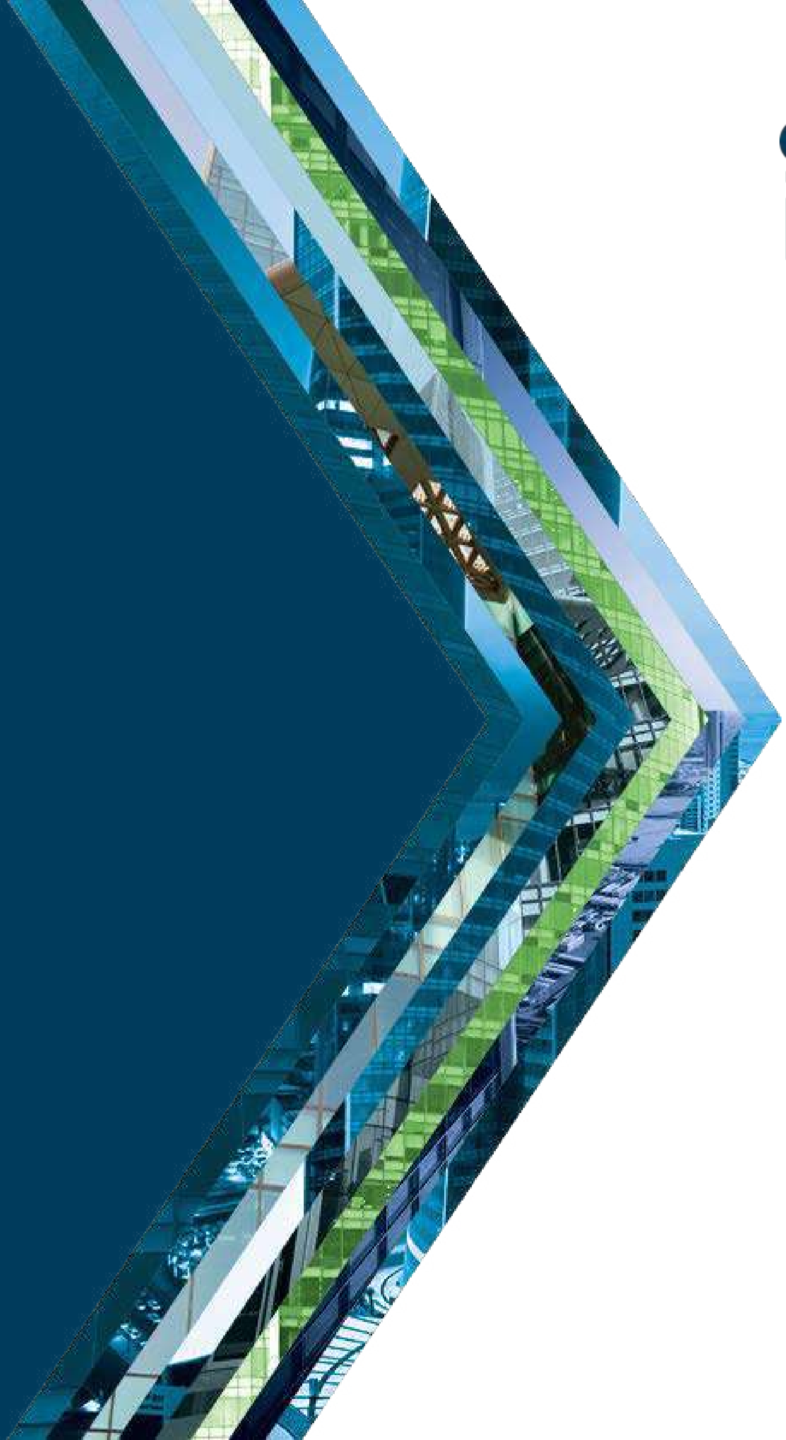
Alexandre Ayoub: Thank you so much. That will be all from my end.

Moderator: I believe we have no further questions at this moment. I will hand it over to the management for any concluding remarks.

Eman Al Awadhi: Thank you, Ahmed, and thank you everyone for joining us. We look forward to having you again with us on our next earnings call. If there's anything we can help you with, please feel free to reach out to us. Thank you and have a good day.

KIPCO Q1 2023 INVESTOR CALL

May 2023



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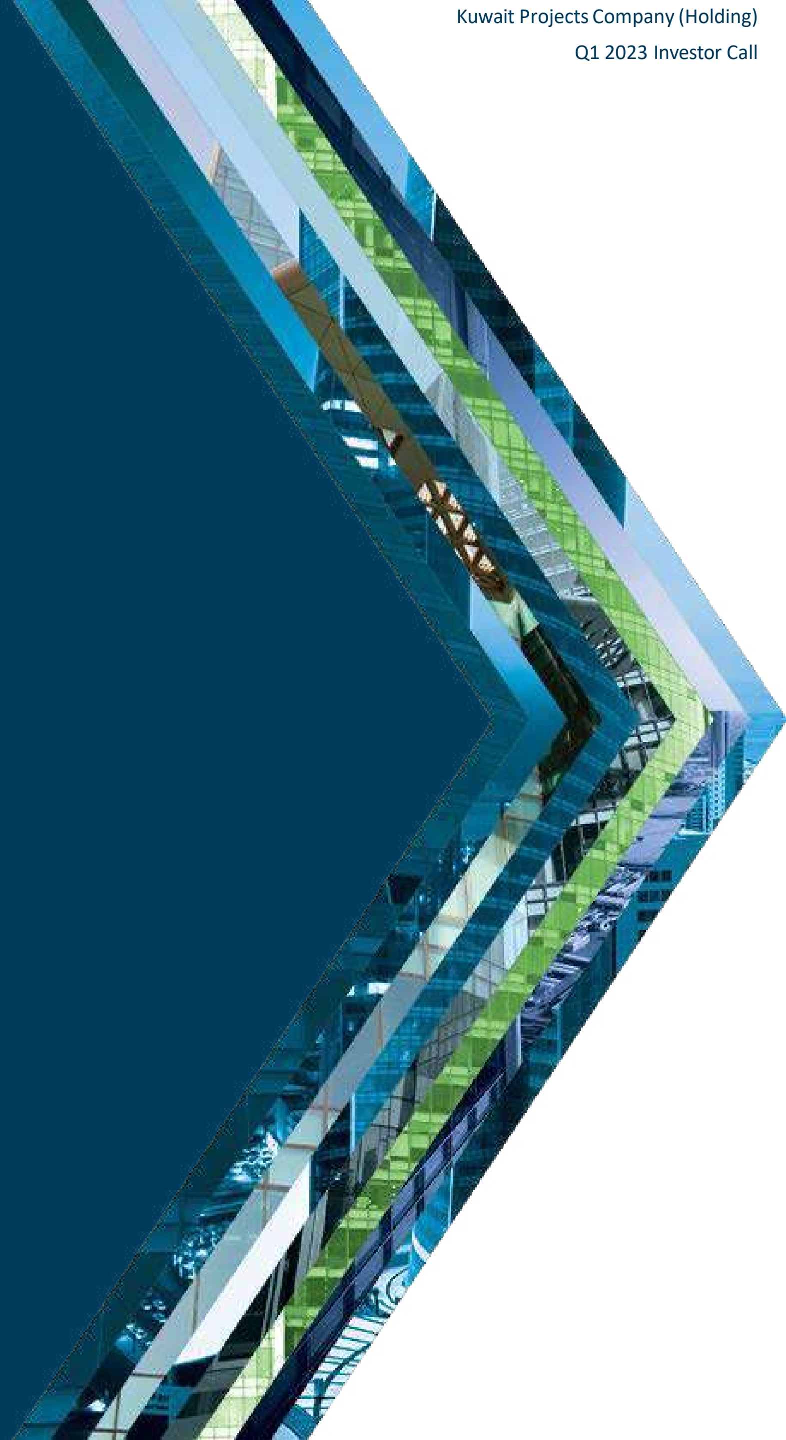
Financial figures in this presentation have been rounded and converted to United States Dollars (US$) using the following exchange rates:

- US$ to Kuwaiti Dinar – (US$/KD) 0.30655;
- US$ to Jordanian Dinar – (US$/JD) 0.70941; and
- US$ to Iraqi Dinar – (US$/ID) 1,314.6.

HIGHLIGHTS OF THE QUARTER



Recent business highlights

59%

Net profit

❖ Positive overall performance across all sectors of the Group portfolio, led by the improvement in commercial banking, energy, industrial & logistic sectors.

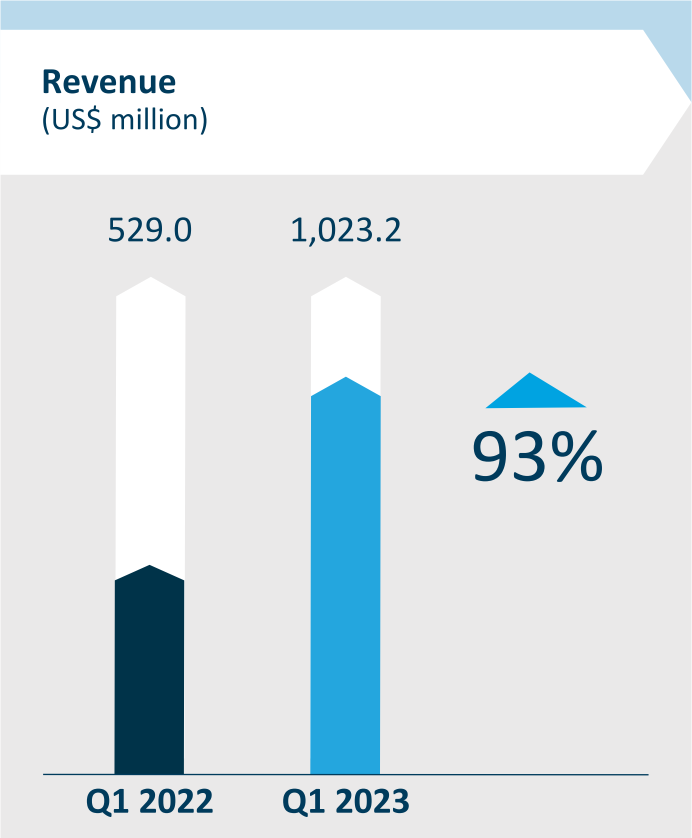
مجموعة الخليج للتأمين
GULF INSURANCE GROUP

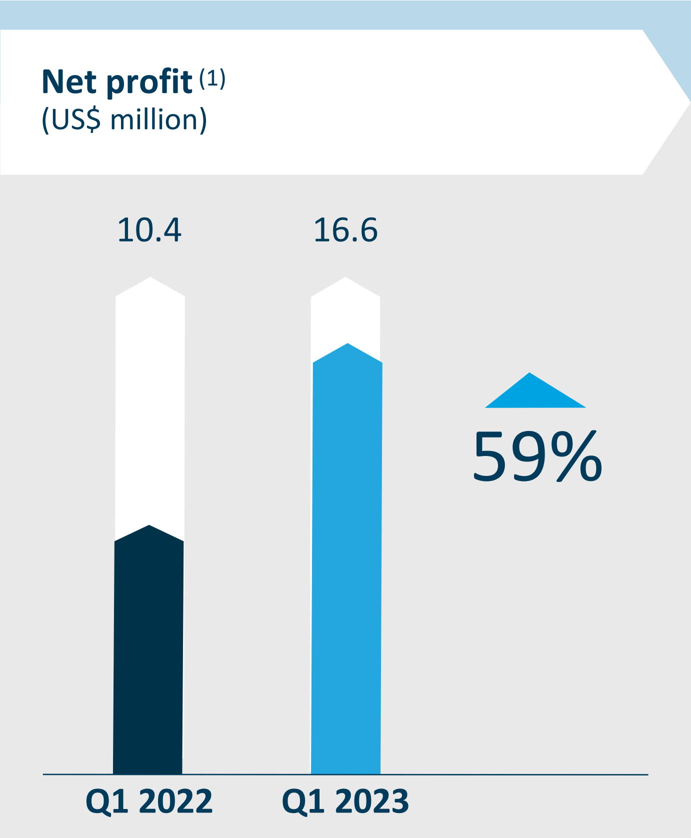
❖ Entered a binding agreement to sell its 46% stake in GIG. Exit is expected to generate ~KD 70-80m (US$ 230-260m) in net profits.

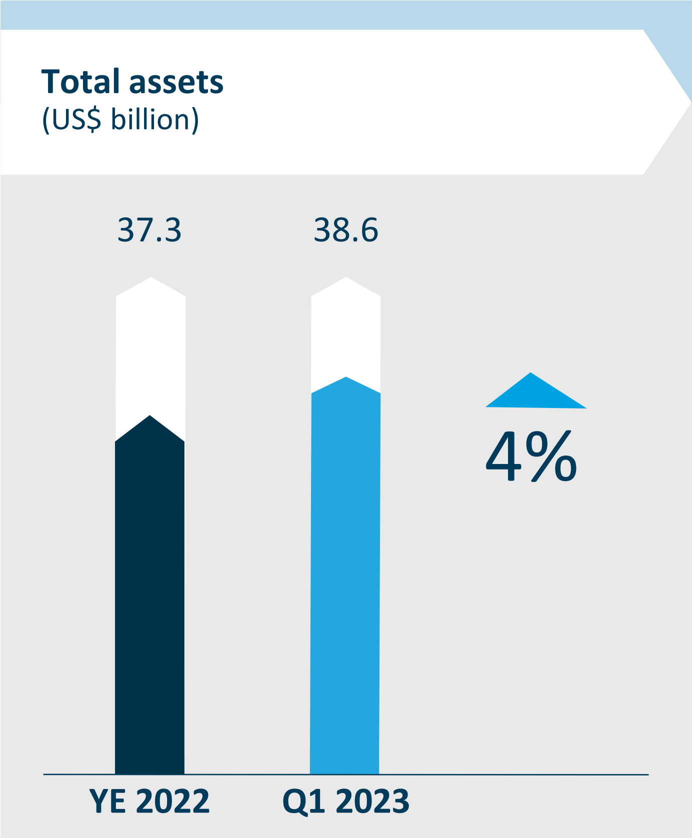
❖ Signed a two-year US$ 525m senior unsecured credit facility extendable by another year solely at KIPCO's discretion.

❖ Settled US$ 500m EMTN 7-years bond maturing in March 2023.

Financial highlights



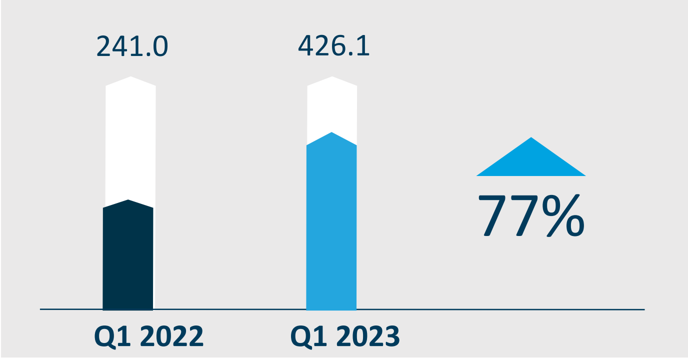




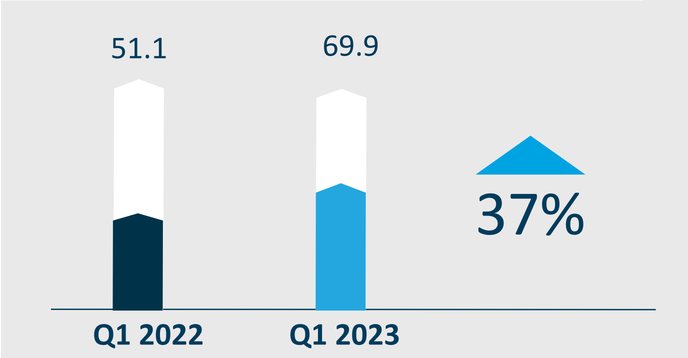
(1) Attributable to the equity holders of the company
Note: 2022 Financials has been restated.

Q1 2023 income breakdown

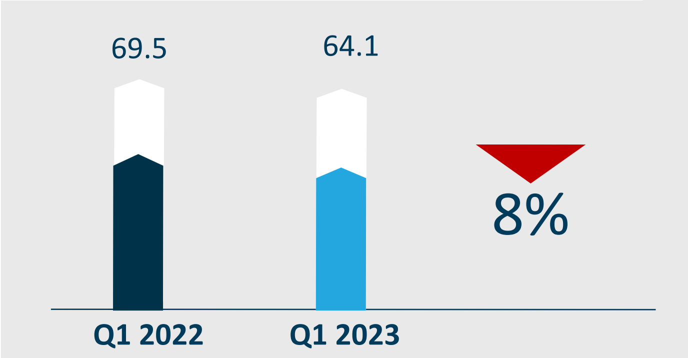
Interest income
(US$ million)



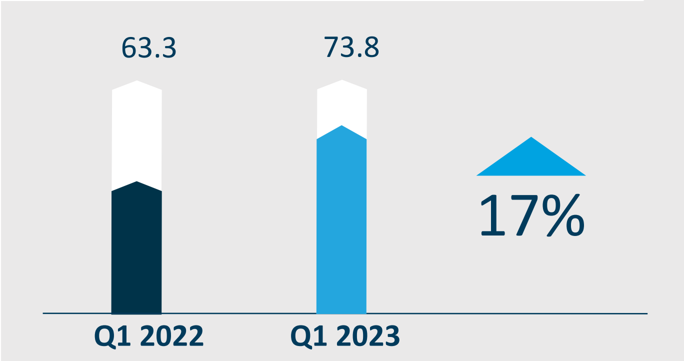
Fee & commission income
(US$ million)



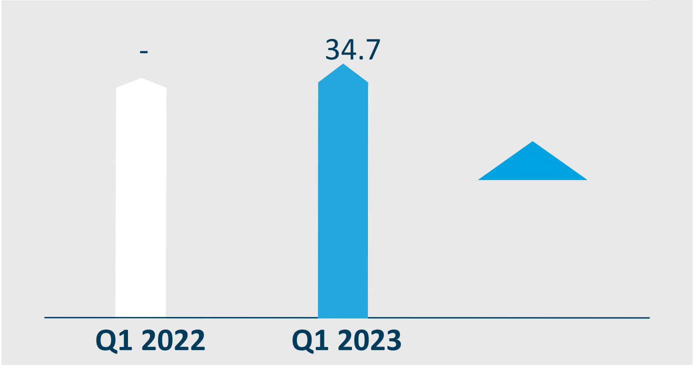
Media & digital satellite network
(US$ million)



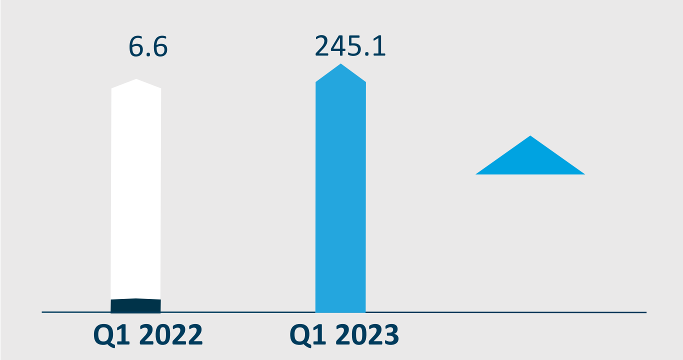
Hospitality and real estate income
(US$ million)



Energy income (1)
(US$ million)



Industrial & logistics income (1)
(US$ million)



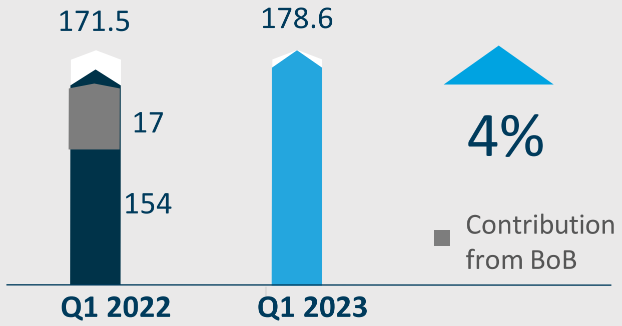
Other income including Investment Income, Share of associates, and foreign exchange amounts to US$ 110m for Q1 2023 vs. US$ 97m in Q1 2022

(1) Include new companies that have been added to the consolidated financial statements in Q4 2022 post the merger with Qurain Petrochemical Industries Company.

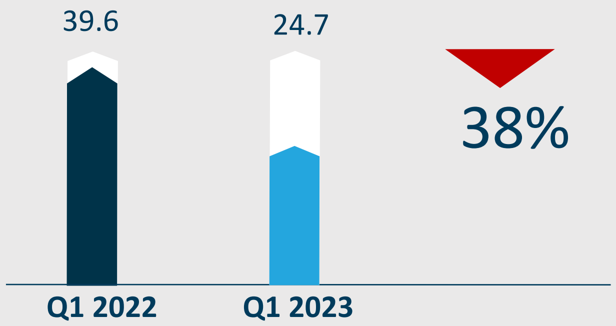
PORTFOLIO FINANCIAL PERFORMANCE

Burgan Bank Group

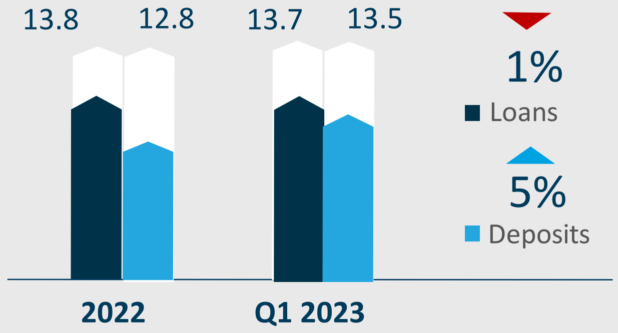
Operating income (1)
(US$ million)



Net income (2)
(US$ million)



Loans & deposits
(US$ billion)



Key ratios

	Q1 2022	Q1 2023
Net interest margin%	2.1%	2.1%
Cost to income%	(3) 44.8%	52.9%
Cost of credit%	(3) 1.1%	0.4%
Non-performing loans ratio%	2.5%	1.8%
Provisions coverage ratio%	155.4%	219.3%

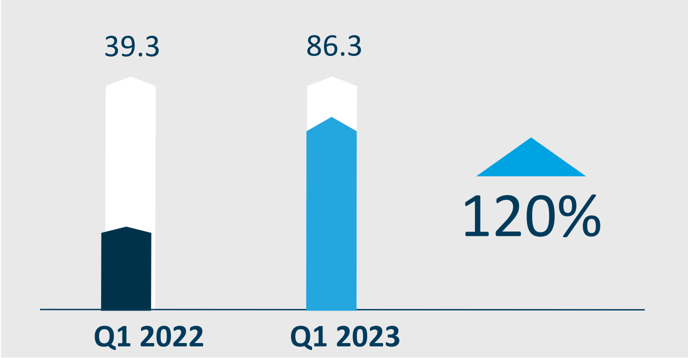
- **Net profits** were negatively impacted by US$ 21m due to the application of IAS 29 accounting standard for hyperinflation.
- **Operating income** was supported by the 8% YoY growth in interest and 9% growth in fee & commission income.
- **Operating profits** at US$ 84m were in line with last year if we excluded BoB's share of profits.
- Successful completion of **selling 52% equity stake** in Bank of Baghdad for a total consideration of US$ 125m, resulting in ~70bps improvement in CET1.
- Group **underlying assets at US$ 23b** in Q1 2023 remain strong and marginally higher than end of 2022, despite the disposal of BoB.

(1) Total Operating income = Kuwait + Regional + Consolidated adjustments andothers
(2) Attributable to the equity holders of the Bank
(3) Excluding Bank of Baghdad (BoB)

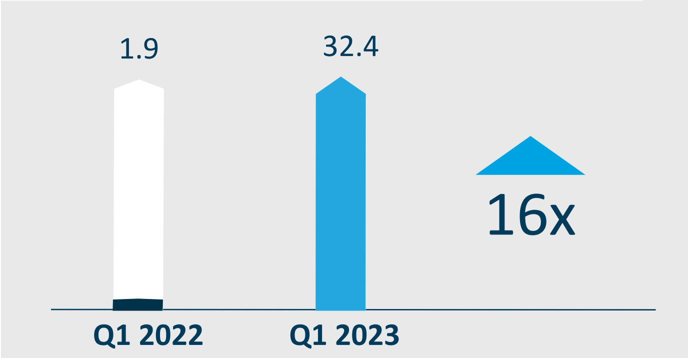
Jordan Kuwait Bank

البنك الأردني الكويتي
JORDAN KUWAIT BANK

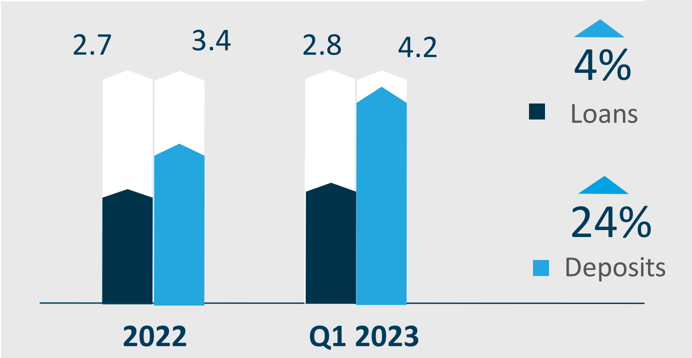
Total income
(US$ million)



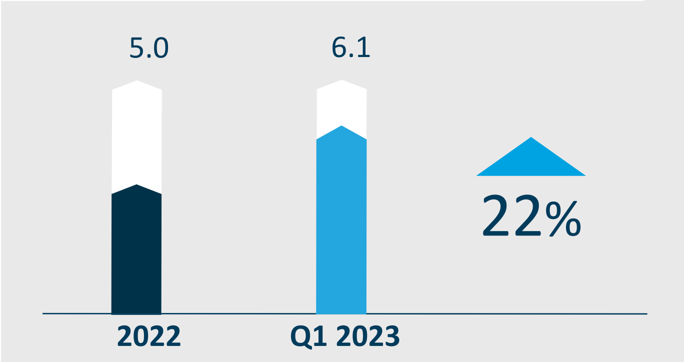
Net profit (1)
(US$ million)



Loans & deposits
(US$ billion)



Total assets
(US$ billion)

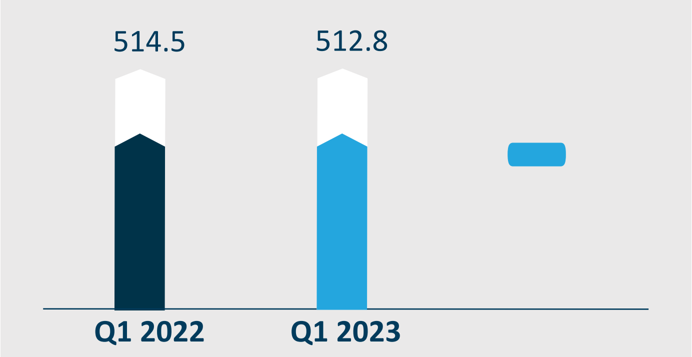


- **Completed acquisition** of 52% equity stake in Bank of Baghdad (BoB) for US$ 125m during Q1 2023.
- BoB posted **solid net profits** for Q1 2023, amounting to US$ 19m versus US$ 7m in Q1 2022 – increased by 1.7x times.
- In April 2023, JKB issued the **first-ever green bond in Jordan**, amounting to US$ 50m for five years.
- **Acquisition ongoing** for a 77% equity stake in UAE-Based BHM Capital Financial Services, an entity that offers brokerage, investment management, corporate advisory, and retail to its regional clients.

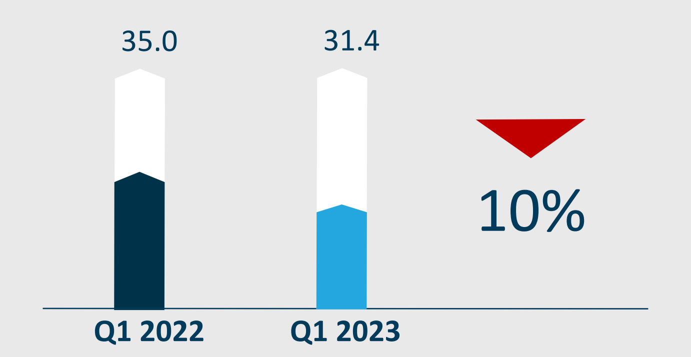
(1) Attributable to the equity holders of the company

Gulf Insurance Group

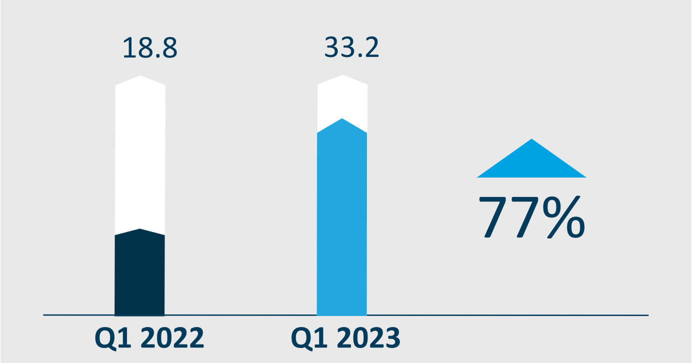
Revenue
(US$ million)



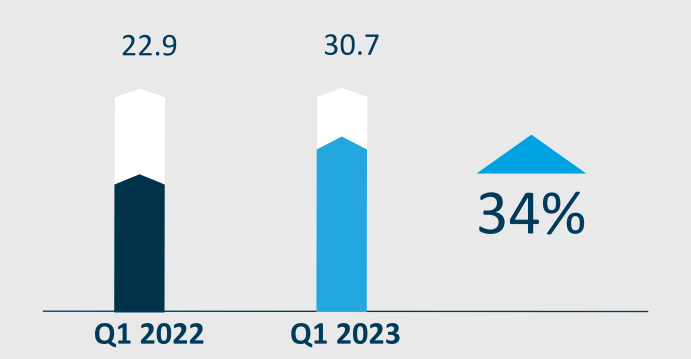
Operating income
(US$ million)



Net investment income
(US$ million)



Net profit [1]
(US$ million)



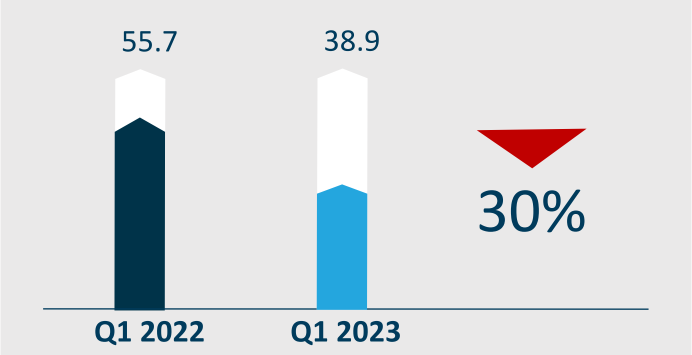
- **Strong performance from the Investment Income covered and exceeded the lower performance from Insurance operations.**
- **Total consolidated assets** grew 6% to reach US$ 3.3b in Q1 2023 vs. US$ 3.1b by end of 2022.
- **Shareholders equity** increased by 2% to reach US$ 782m in Q1 2023 vs. US$ 766m by end of 2022.

(1) Attributable to the equity holders of the company
Note: 2022 Financials has been restated to apply IFRS 17 and IFRS 19.

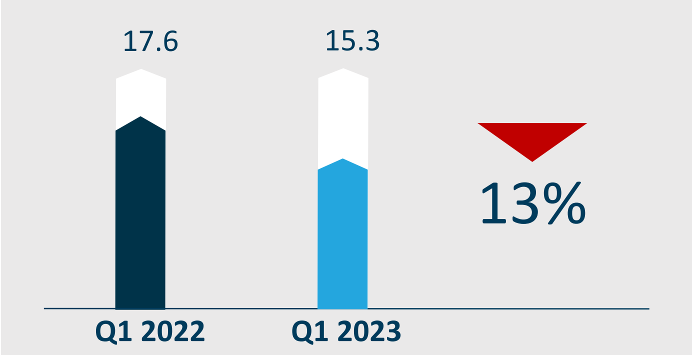
United Gulf Holding

شــركة الخليــج المتحـد القابضــة ش.م.ب
United Gulf Holding Company B.S.C.

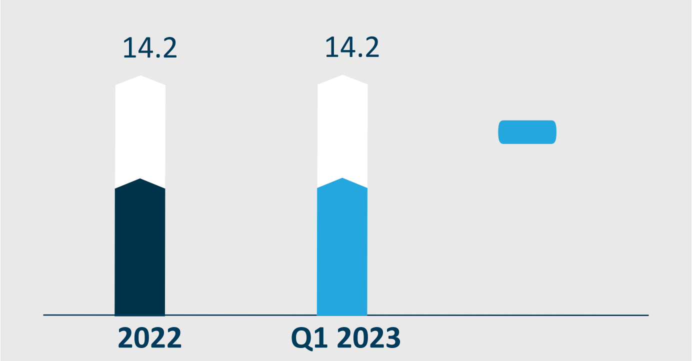
Revenue
(US$ million)



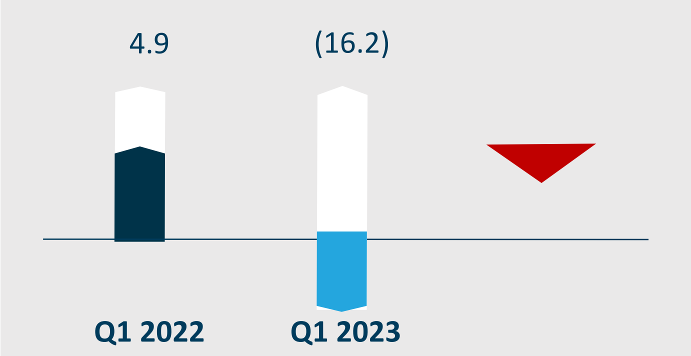
Fee & commission
(US$ million)



Assets under management
(US$ billion)



Net profit (1)
(US$ million)



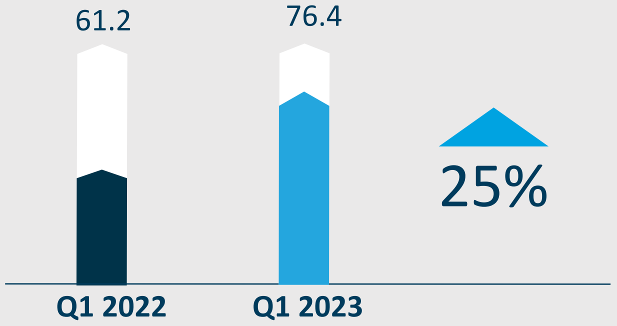
- UGH was severely impacted by **weaker market dynamics** resulting from negative sentiment, elevated interest rates, inflation, and concerns about a potential economic recession.
- **95% increase YoY in Interest Income** was offset by lower contributions from investment income and share of associates.
- **Kamco Invest** incurred losses of US$ 5m for Q1 2023 versus net profits of US$ 12m in Q1 2022

(1) Attributable to the equity holders of the company

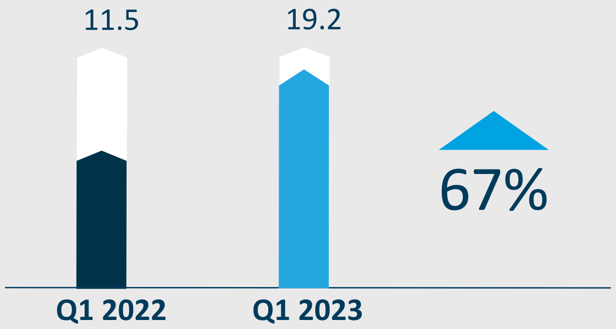
United Real Estate

URC شركة العقارات المتحدة
United Real Estate Co

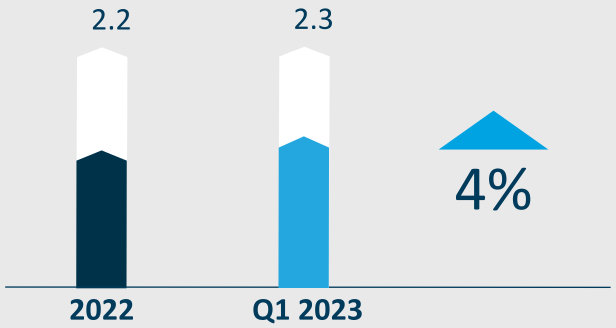
Revenue
(US$ million)



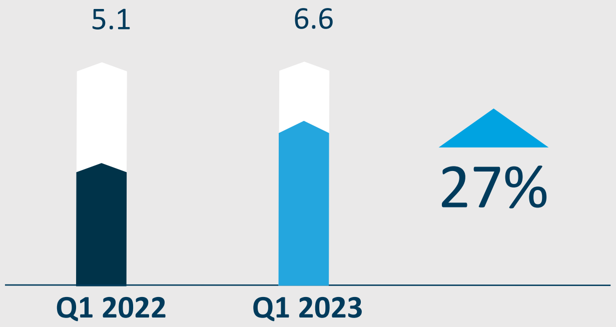
Operating income
(US$ million)



Total assets
(US$ billion)



Net profit (1)
(US$ million)



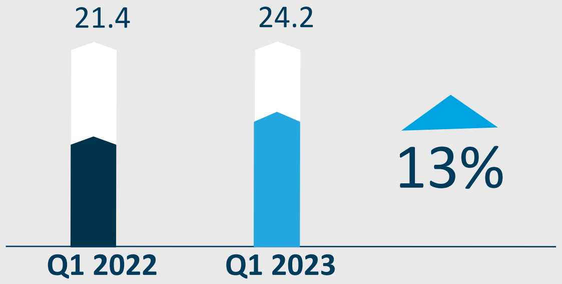
- Healthy Q1 performance with visible **improvements in income across all key segments** of URC;
  - 51% YoY increase in rental
  - 37% YoY increase in hospitality
  - 11% YoY increase in contracting and services
- In March 2023, URC issued KD nominated **5-year bonds worth US$ 261m**.
- In April 2023, URC settled **KD bonds** issued in April 2018 worth US$ 196m.

(1) Attributable to the equity holders of the company

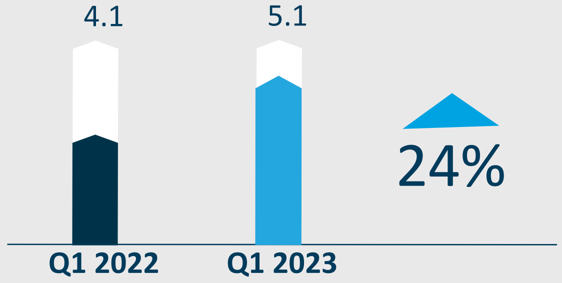
Logistics, energy, and healthcare

Jassim Transport & Stevedoring

Revenue
(US$ million)

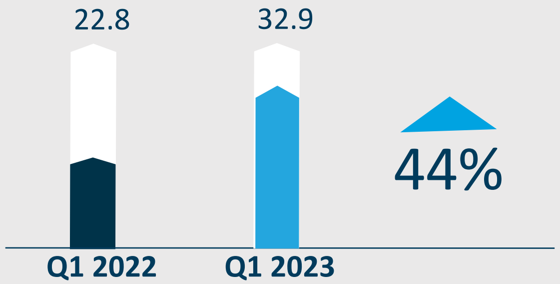


Net income (1)
(US$ million)

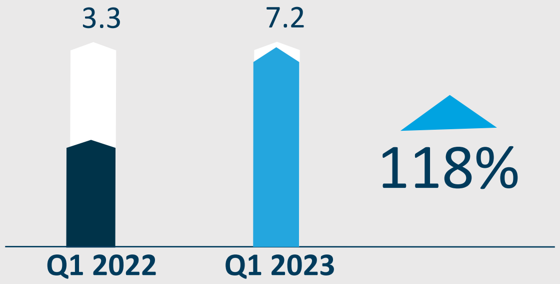


National Petroleum Services

Revenue
(US$ million)

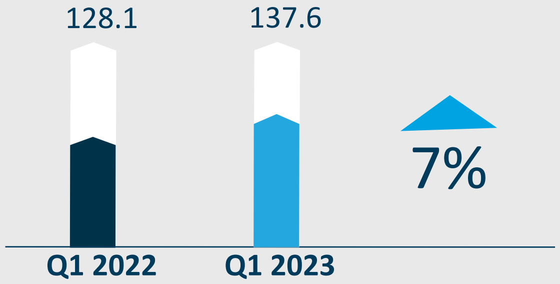


Net income (1)
(US$ million)

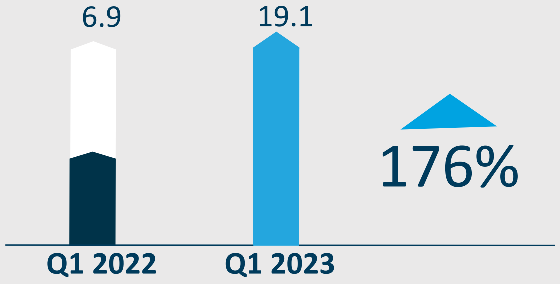


Advanced Technology Co.

Revenue
(US$ million)



Net income (1)
(US$ million)



(1) Attributable to the equity holders of the company

OSN

Business update

Key business updates:

STRATEGY

- OSN remains focused on growing its streaming business through optimal use of technology, digital marketing and content diversification.

OPTIMIZATION

- OSN continues to achieve cost optimization through obtaining long-term content contracts as well as operational day-to-day overheads.

CONTENT

- New multi-year licensing deal was signed in March 2023 with Warner Bros. Discovery, under which OSN will continue to be the exclusive “Home for HBO” content provider in the region.

THANK YOU