

## Banking

**HOLD : 12M TP @ 1.085**

**Upside + 5%**

### Valuation Summary (TTM)

Price (KWD)	1.033
PER TTM (x)	15.1
P/Book (x)	2.1
Dividend Yield (%)	4.6
Free Float (%)	87%
Shares O/S (mn)	8,743
YTD Return (%)	21%
Beta	1.1

(mn)	KWd	USD
Market Cap	9,031	29,611
Total Assets	43,648	143,108

Price performance (%)	1M	3M	12M
National Bank of Kuwait	8%	11%	24%
Boursa Kuwait All Share	4%	8%	20%

Trading liquidity (.000)	1M	3M	6M
Avg daily turnover	5,121,584	5,521,875	6,195,946
Avg Daily Volume	5,711	5,728	6,438
52 week	High	Low	CTL*
Price (KWD)	1.05	0.80	29.1

\* CTL is % change in CMP to 52wk low

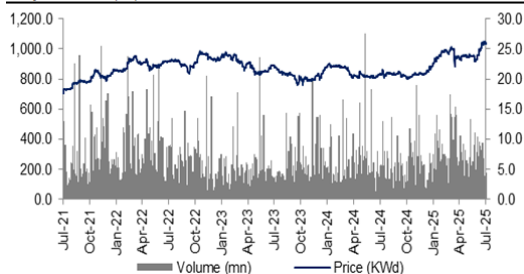
### Major share holders

State of Kuwait	6.1%
Vanguard Group Inc/T	4.1%
Blackrock Inc	2.5%
Others	87.3%

### Other details

Exchange	Kuwait
Sector	Banks

Key ratios	2022	2023	2024
EPS (KWD)	0.06	0.07	0.07
BVPS (KWD)	0.47	0.49	0.53
DPS (KWD)	0.04	0.04	0.04
Payout ratio (%)	54%	50%	53%



## NBK – Reversal of provisions aid profit growth

NBK reported 2Q25 operating income of KD 321 million, up 5.7% year-over-year (YoY) and 3.2% quarter-over-quarter (QoQ), broadly in line with our estimate of KD 322 million. Net profit after tax came in at KD 192 million, rising 23.9% YoY and 32.5% QoQ, and exceeded our estimate by 26.5%. This earnings beat was primarily driven by a reversal of loan provisions, partially offset by an increase in taxes. Operating income growth was supported by a 4% YoY increase in net interest income and a 14% YoY rise in non-interest income. The growth in net interest income was largely driven by an 11% YoY increase in average interest-bearing assets, despite a 22-basis point (bps) YoY compression in net interest margins (NIMs). The NIM contraction was mainly due to a shift in asset mix and the impact of the Egyptian pound devaluation in the previous year. Management has guided for further NIM contraction in 2025. Non-interest income growth was driven by a 7% YoY increase in net fees and commissions, while net investment income doubled YoY. The cost-to-income (C/I) ratio rose by 85 bps YoY to 38.8%, as operating expenses grew at a faster pace (8.1% YoY) than operating income. Management expects the C/I ratio to remain in the high 30s for the rest of the year.

Provisions surprised positively, with a net write-back of KD 32 million in 2Q25 compared to a write-off of KD 22 million in the prior quarter. The write-back was mainly due to the reversal of KD 44 million in loan-related provisions, while non-loan provisions stood at KD 12 million. These reversals were attributed to recoveries from previously recognized credit losses. As a result, the cost of risk (CoR) turned negative at -0.70% for 2Q25. Management guided for a full-year CoR of 40 bps before considering the write-backs, while we have modelled a CoR of 35 bps for 2025. The effective tax rate increased to 15.7% in 2Q25 from 9.3% a year ago, reflecting the implementation of Pillar II taxation norms. Despite higher taxes, profit growth of 23.9% YoY was supported by provision write-backs.

Net loan and deposit growth remained strong at 12% and 13% YoY, respectively. Loan growth was primarily driven by international operations, with personal loans now accounting for 30% of the loan book. A large portion of these loans is extended to government employees, who have historically low default rates. Deposits comprised 62% of total liabilities, down from 67% last year, as interbank deposits and other borrowings increased. In July 2025, the bank raised a USD 800 million Tier 1 bond to refinance a USD 750 million bond maturing in November 2025. Non-performing loans (NPLs) improved to 1.3% from 1.5% last year, with provision coverage remaining robust at over 250%.

While profits exceeded expectations due to lower provisions, we expect credit costs to normalize to 2024 levels in 2025. We maintain our HOLD rating with a revised target price of KD 1.085 per share. The bank is currently trading at 2025e P/E, P/B, and dividend yield of 13.7x, 1.8x, and 3.4%, respectively, which we believe reflect a fair valuation.

## Summary of key numbers

in KWD mn	2Q25	1Q25	QoQ (%)	2Q24	YoY (%)	1H25	1H24	YoY (%)	2025e	2024
Operating Income	321	311	3.2%	303	5.7%	631	612	3.1%	1,381	1,251
Operating Expenses	-124	-116	7.5%	-115	8.1%	-240	-227	6.0%	-518	-468
Operating Profit	196	195	0.7%	188	4.2%	391	386	1.4%	863	783
Provision Expenses	32	-22	-247.8%	-17	-285.4%	10	-43	-124.1%	-89	-86
Profit before tax	228	173	31.5%	171	33.3%	402	343	17.0%	774	697
Taxation	-36	-28	26.7%	-16	125.3%	-64	-32	102.5%	-116	-58
Profit after tax	192	145	32.5%	155	23.9%	337	311	8.3%	658	639
Tier 1 Bond	-5	-6	-10.1%	-5	0.0%	-11	-11	0.2%	-22	-22
Profit attributable to shareholders	181	134	35.1%	146	24.2%	315	292	7.8%	618	600
Loan Book	25,492	24,607	3.6%	22,732	12.1%	25,492	22,732	12.1%	25,873	23,708
Deposits	25,889	25,249	2.5%	22,891	13.1%	25,889	22,891	13.1%	25,342	24,368
Total Equity (Excl tier 1 bond/MI)	4,232	4,029	5.0%	3,920	8.0%	4,232	3,920	8.0%	4,479	4,112
Cost to Income	38.79%	37.26%		37.94%		38.04%	37.00%		37.50%	37.40%
NPL ratio	1.33%	1.38%		1.52%		1.33%	1.52%		1.30%	1.34%
Net Loan to Deposit	98.47%	97.46%		99.31%		98.47%	99.31%		102.09%	97.29%

Income Statement (KD Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Interest Income	889	1,235	2,035	2,264	2,285	2,360	2,452	2,499
Interest Expense	-220	-479	-1,130	-1,283	-1,200	-1,207	-1,222	-1,196
<b>Net Interest Income</b>	<b>669</b>	<b>756</b>	<b>905</b>	<b>980</b>	<b>1,085</b>	<b>1,152</b>	<b>1,230</b>	<b>1,303</b>
Non Interest Income	231	254	262	271	295	317	361	386
<b>Operating Income</b>	<b>900</b>	<b>1,010</b>	<b>1,167</b>	<b>1,251</b>	<b>1,381</b>	<b>1,470</b>	<b>1,591</b>	<b>1,688</b>
Operating Expenses	-352	-386	-426	-468	-518	-551	-589	-616
Impairment charge	-132	-45	-103	-86	-89	-109	-128	-134
<b>Profit Before Taxation</b>	<b>415</b>	<b>578</b>	<b>637</b>	<b>697</b>	<b>774</b>	<b>810</b>	<b>874</b>	<b>939</b>
Tax expense	-34	-47	-47	-57	-116	-121	-131	-141
<b>Profit for the year</b>	<b>381</b>	<b>532</b>	<b>590</b>	<b>640</b>	<b>658</b>	<b>688</b>	<b>743</b>	<b>798</b>

Balance sheet (KD Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Cash and short term funds	5,082	5,323	4,385	5,323	4,206	3,941	4,349	4,914
Bonds - Central bank & Kuwait Government	1,247	1,093	1,051	492	502	512	522	533
Deposits with Banks	885	1,490	1,318	1,383	1,425	1,468	1,526	1,587
Loans & advances to customers	19,722	20,998	22,281	23,708	25,873	27,454	28,650	29,796
Investment securities	4,915	5,635	6,885	7,626	7,932	8,249	8,579	8,922
Property and Equipment/Intangibles	1,037	1,010	1,015	1,028	1,042	1,057	1,080	1,114
Other Assets	368	789	730	777	816	857	900	945
<b>Total Assets</b>	<b>33,257</b>	<b>36,338</b>	<b>37,665</b>	<b>40,338</b>	<b>41,795</b>	<b>43,536</b>	<b>45,606</b>	<b>47,811</b>

#### LIABILITIES AND SHAREHOLDER'S EQUITY

Due to banks	4,099	4,018	3,964	5,404	5,620	5,845	6,079	6,322
Deposits from Fis	3,136	3,741	3,726	2,950	2,802	2,858	2,915	2,974
Customers' deposits	19,620	21,980	22,772	24,368	25,342	26,356	27,674	29,058
Other borrowings	1,267	1,244	1,331	1,520	1,520	1,520	1,520	1,520
Other Liabilities	668	721	966	940	987	1,036	1,088	1,142
<b>Total Liabilities</b>	<b>28,789</b>	<b>31,703</b>	<b>32,758</b>	<b>35,181</b>	<b>36,272</b>	<b>37,616</b>	<b>39,276</b>	<b>41,016</b>
Paid-up Capital	719	755	793	833	833	833	833	833
Other Reserves	1,234	1,253	1,274	1,296	1,296	1,296	1,296	1,296
Retained earnings	1,587	1,614	1,817	1,984	2,350	2,747	3,157	3,622
<b>Shareholder's Equity</b>	<b>3,540</b>	<b>3,623</b>	<b>3,884</b>	<b>4,112</b>	<b>4,479</b>	<b>4,876</b>	<b>5,286</b>	<b>5,751</b>
Non - Controlling Interests	489	573	584	605	605	605	605	605
Perpetual Tier 1 Capital Securities	439	439	439	439	439	439	439	439
<b>Total Equity</b>	<b>4,467</b>	<b>4,635</b>	<b>4,907</b>	<b>5,157</b>	<b>5,523</b>	<b>5,920</b>	<b>6,330</b>	<b>6,795</b>
<b>Total Liabilities and Equity</b>	<b>33,257</b>	<b>36,338</b>	<b>37,665</b>	<b>40,338</b>	<b>41,795</b>	<b>43,536</b>	<b>45,606</b>	<b>47,811</b>

Cash Flow Statement (KD Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Cash flow from operating activities	1,025	1,822	531	1,978	-452	417	1,151	1,325
Cash flow from investing activities	-227	-1,309	-1,254	-896	-374	-391	-409	-428
Cash flow from financing activities	381	-272	-216	-143	-291	-291	-333	-333
Net change in cash	1,179	241	-939	939	-1,117	-265	408	565
<b>Cash at the end of period</b>	<b>5,082</b>	<b>5,323</b>	<b>4,385</b>	<b>5,323</b>	<b>4,206</b>	<b>3,941</b>	<b>4,349</b>	<b>4,914</b>

Key ratios	2021	2022	2023	2024	2025E	2026E	2027E	2028E
<b>Operating performance</b>								
Yield on average earning assets	2.8%	3.6%	5.7%	5.9%	5.9%	5.8%	5.8%	5.7%
Cost of funds	0.8%	1.6%	3.6%	3.9%	3.4%	3.4%	3.3%	3.1%
Interest spread	2.0%	2.0%	2.1%	2.0%	2.5%	2.4%	2.5%	2.6%
NIM	2.2%	2.3%	2.6%	2.6%	2.7%	2.9%	3.0%	3.0%
Interest income/operating income	98.8%	122.3%	174.4%	180.9%	165.5%	160.5%	154.1%	148.0%
Net interest income/operating income	74.4%	74.9%	77.6%	78.3%	78.6%	78.4%	77.3%	77.2%
Non interest income/operating income	25.6%	25.1%	22.4%	21.7%	21.4%	21.6%	22.7%	22.8%
Cost to income ratio	39.2%	38.2%	36.6%	37.4%	37.5%	37.5%	37.0%	36.5%
<b>Liquidity</b>								
Net Loan to Deposit Ratio	100.5%	95.5%	97.8%	97.3%	102.1%	104.2%	103.5%	102.5%
Customer deposits/total deposits	86.2%	85.5%	85.9%	89.2%	90.0%	90.2%	90.5%	90.7%
Net loans to customer deposits	107.9%	104.1%	101.5%	103.7%	108.5%	110.5%	109.5%	108.1%
Investments/total assets	18.5%	18.5%	21.1%	20.1%	20.2%	20.1%	20.0%	19.8%
<b>Asset quality</b>								
NPL ratio	1.0%	1.4%	1.4%	1.3%	1.3%	1.2%	1.2%	1.2%
Provision as a % of gross loans	3.1%	3.8%	3.7%	3.5%	3.4%	3.3%	3.2%	3.2%
NPL Coverage	300.0%	267.0%	271.0%	262.6%	261.5%	275.0%	266.7%	266.7%
Cost of credit	0.6%	0.0%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%
<b>Capital adequacy</b>								
Tier I ratio	86.7%	86.6%	86.9%	87.2%	88.1%	89.0%	89.7%	90.5%
Tier II ratio	13.3%	13.4%	13.1%	12.8%	11.9%	11.0%	10.3%	9.5%
CAR	18.1%	17.4%	17.3%	17.3%	17.6%	18.2%	18.7%	19.2%
Net Equity to Gross Loans	17.4%	16.6%	16.8%	16.7%	16.7%	17.2%	17.9%	18.7%
Net Equity to Total Assets	10.6%	10.0%	10.3%	10.2%	10.7%	11.2%	11.6%	12.0%
<b>Return ratios</b>								
Reported ROE	8.8%	11.6%	12.3%	12.7%	12.3%	12.0%	12.1%	12.2%
Adjusted ROE	10.6%	14.2%	14.9%	15.0%	14.4%	13.9%	13.8%	13.7%
ROA	1.2%	1.5%	1.6%	1.6%	1.6%	1.6%	1.7%	1.7%
RoRWA	1.7%	2.2%	2.3%	2.4%	2.3%	2.3%	2.4%	2.4%
<b>Per share ratios</b>								
EPS	0.05	0.06	0.06	0.07	0.07	0.08	0.08	0.09
BVPS	0.49	0.48	0.47	0.49	0.54	0.59	0.63	0.69
DPS	0.02	0.04	0.04	0.04	0.04	0.04	0.04	0.04
<b>Valuation</b>								
Price	940	1,045	980	847	1,033	1,033	1,033	1,033
P/E	19.9	16.2	15.1	12.2	14.4	13.7	12.6	11.7
P/B	1.9	2.2	2.1	1.7	1.9	1.8	1.6	1.5
Dividend Yield	2.1%	3.4%	3.6%	4.1%	3.4%	3.4%	3.9%	3.9%

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## Rating Criteria and Definitions

Rating	Rating Definitions
	<p><b>Strong Buy</b> This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%</p> <p><b>Buy</b> This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%</p> <p><b>Hold</b> This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%</p> <p><b>Neutral</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%</p> <p><b>Sell</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%</p> <p><b>Strong Sell</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%</p> <p><b>Not rated</b> This recommendation used for stocks which does not form part of Coverage Universe</p>

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