

## Banking

**NEUTRAL : 12M TP @ 0.780**

*Downside - 3.3%*

### Valuation Summary (TTM)

Price (KWD)	0.807
PER TTM (x)	24.5
P/Book (x)	2.7
Dividend Yield (%)	2.6
Free Float (%)	66%
Shares O/S (mn)	17,944
YTD Return (%)	17%
Beta	1.1

(mn)	KWd	USD
Market Cap	14,481	47,301
Total Assets	38,498	125,753

Price performance (%)	1M	3M	12M
Kuwait Finance House	1%	11%	19%
Boursa Kuwait All Share	3%	8%	19%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover	8,757,387	11,375,880	10,590,280
Avg Daily Volume	14,991	14,869	14,180
52 week	High	Low	CTL*
Price (KWD)	0.82	0.64	25.2

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

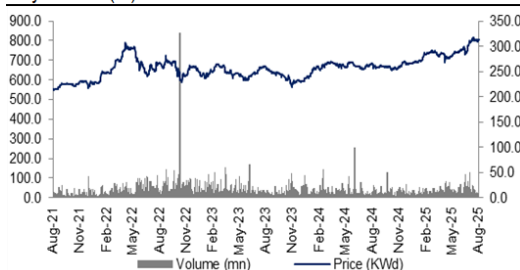
### Major share holders

State of Kuwait	24.7%
General Authority fo	6.8%
Vanguard Group Inc/T	2.9%
Others	65.5%

### Other details

Exchange	Kuwait
Sector	Banks

Key ratios	2022	2023	2024
EPS (KWD)	0.02	0.04	0.04
BVPS (KWD)	0.34	0.36	0.35
DPS (KWD)	0.01	0.02	0.02
Payout ratio (%)	50%	50%	60%



## Kuwait Finance House – Valuations remain rich

KFH reported 2Q25 operating income (OI) of KD 421 million, marking a year-over-year (YoY) and sequential decline of 2.3% and 7.4%, respectively. The OI was 2.5% below our estimate of KD 432 million. Net income for 2Q25 stood at KD 196 million, reflecting a YoY increase of 5.8% and a quarter-over-quarter (QoQ) rise of 3.7%. This exceeded our estimate of KD 172 million by 1.2%. The decline in OI was driven by decreases in both net interest income and non-interest income, each down 2.3% YoY. The reduction in net interest income was mainly due to a 19 bps YoY compression in net interest margins (NIMs), caused by a lag between asset and deposit repricing. However, a 7.5% YoY growth in the loan book provided some cushion to the NIMs. Non-interest income in 2Q24 included a one-off gain of KD 70 million from the sale of investments in KFH Bahrain. Excluding this, non-interest income effectively doubled, driven by a 60% increase in net fees and commissions due to higher transaction fees and improved margins. Similarly, 1Q25 saw a one-off gain of KD 20.2 million from the sale of its stake in Ahli Bank Oman. Excluding this, non-interest income rose an impressive 15% QoQ. Operating expenses declined at a rate similar to that of OI, keeping the cost-to-income (CI) ratio flat YoY at 35.6%.

There was a net provision write-back of KD 5.0 million in 2Q25, compared to provision charges of KD 11 million in 2Q24 and KD 19 million in 1Q25. Provision expenses have been volatile in recent quarters, largely due to recoveries. Management has guided for a full-year cost of risk in the 40–50 basis point range, suggesting provision expenses may rise in 2H25. Net monetary losses from hyperinflation declined by 17% YoY and 30.8% QoQ, reflecting easing inflation in Turkey. The effective tax rate remained steady at 20%, aligned with the bank's compliance of Pillar II tax norms. Despite the decline in operating profit, improvements in provision expenses and reduced monetary losses contributed to a 5.8% YoY growth in profit after tax.

For 1H25, net loans and deposits rose 7.5% and 1.0% YoY, and a sequential growth of 6.0% and 1.3% respectively in 2Q25. The non-performing loan (NPL) ratio improved to 1.78% in 2Q25. Given the strong growth in the corporate banking portfolio, management has revised its loan growth guidance for 2025 to high-single digits.

Valuations remain rich:- While profit growth aligns with expectations and the upward revision in loan guidance is encouraging, we believe that these positives are already priced in. The stock currently trades at a 2025e PE/PB/DY of 22.5x/2.3x/2.2%. With the share price up 11% over the past three months, further upside appears limited. We maintain our NEUTRAL rating with a revised target price of KD 0.780/share.

## Summary of key numbers

in KWD mn	2Q25	1Q25	QoQ (%)	2Q24	YoY (%)	1H25	1H24	YoY (%)	2025e	2024
Operating Income	421	455	-7.4%	431	-2.3%	876	823	6.4%	1,697	1,631
Operating Expenses	-150	-159	-5.8%	-153	-2.1%	-309	-298	3.8%	-594	-600
Operating Profit	271	296	-8.4%	278	-2.5%	567	525	7.9%	1,103	1,031
Provision Expenses	5	-19	-128.1%	-11	-149.6%	-14	-6	118.7%	-59	-58
Net monetary loss	-29	-42	-30.8%	-35	-17.4%	-71	-87	-17.9%	-175	-155
Profit before tax	247	234	5.6%	232	6.7%	482	432	11.4%	869	817
Tax+Others	-51	-45	13.5%	-46	10.7%	-96	-78	22.1%	-174	-175
Profit after tax	196	189	3.7%	186	5.8%	386	354	9.0%	695	642
Profit attributable to Equity holders	174	168	3.5%	178	-2.4%	342	341	0.3%	635	602
Tier 1 bond interest + Others	-11	-	nm	-11	-0.4%	-11	-11	-0.4%	-22	-23
Profit for the year	163	168	-3.2%	167	-2.5%	331	330	0.3%	614	579
Loan Book	20,430	19,278	6.0%	19,002	7.5%	20,430	19,002	7.5%	20,601	19,070
Deposits	19,730	19,476	1.3%	19,539	1.0%	19,730	19,539	1.0%	20,373	19,220
Total Equity (Excl tier 1 bond)	5,565	5,489	1.4%	5,346	4.1%	5,565	5,346	4.1%	5,885	5,519
Cost to Income ratio	35.6%	35.0%		35.5%		35.3%	36.2%		35.0%	36.8%
NPL Ratio	1.78%	1.84%		1.77%		1.78%	1.77%		1.75%	1.78%
Net Loan to deposits	103.5%	99.0%		97.3%		103.5%	97.3%		101.1%	99.2%

Income Statement (KD Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Interest Income	871	1,322	2,194	2,886	2,913	2,681	2,350	2,411
Interest Expense	-286	-522	-1,228	-1,739	-1,733	-1,409	-1,028	-1,050
<b>Net Interest Income</b>	<b>586</b>	<b>801</b>	<b>966</b>	<b>1,147</b>	<b>1,180</b>	<b>1,272</b>	<b>1,323</b>	<b>1,361</b>
Non Interest Income	225	272	495	484	517	535	548	557
<b>Operating Income</b>	<b>811</b>	<b>1,072</b>	<b>1,461</b>	<b>1,631</b>	<b>1,697</b>	<b>1,806</b>	<b>1,871</b>	<b>1,918</b>
Operating Expenses	-308	-349	-515	-600	-594	-632	-655	-671
Impairment charge/Net Monetary Loss	-135	-190	-117	-214	-234	-222	-149	-151
<b>Profit Before Taxation</b>	<b>368</b>	<b>534</b>	<b>828</b>	<b>817</b>	<b>869</b>	<b>952</b>	<b>1,067</b>	<b>1,096</b>
Tax expense/Director remuneration	-58	-99	-153	-172	-174	-190	-213	-219
<b>Profit for the year</b>	<b>310</b>	<b>435</b>	<b>675</b>	<b>645</b>	<b>695</b>	<b>762</b>	<b>854</b>	<b>877</b>

Balance sheet (KD Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Cash and bal with banks and Fis	2,325	3,156	3,612	3,695	4,075	4,173	4,465	4,772
Deposits with Banks	3,350	3,870	2,971	2,227	2,004	2,055	2,106	2,159
Financing Receivables	11,355	18,801	19,425	19,070	20,601	21,425	22,067	22,729
Investments	3,445	6,852	7,860	7,490	8,201	8,592	8,797	9,007
Investment/Trading Properties	421	495	482	458	481	505	530	557
Property and Equipment/Intangibles	237	2,797	2,757	2,704	2,654	2,598	2,540	2,479
Other Assets	654	999	903	1,059	1,112	1,168	1,226	1,287
<b>Total Assets</b>	<b>21,788</b>	<b>36,969</b>	<b>38,010</b>	<b>36,703</b>	<b>39,128</b>	<b>40,515</b>	<b>41,732</b>	<b>42,991</b>

#### LIABILITIES AND SHAREHOLDER'S EQUITY

Due to banks	2,595	4,937	4,777	5,644	5,785	5,900	6,018	6,139
Deposits to Fis	0	2,696	3,207	3,030	3,182	3,277	3,343	3,410
Customers' deposits	15,867	21,030	21,813	19,220	20,373	20,984	21,404	21,832
Sukuk Payables and term financing	217	784	636	987	1,529	1,606	1,686	1,770
Other Liabilities	803	1,235	1,414	1,405	1,475	1,549	1,626	1,707
<b>Total Liabilities</b>	<b>19,481</b>	<b>30,683</b>	<b>31,847</b>	<b>30,286</b>	<b>32,344</b>	<b>33,317</b>	<b>34,078</b>	<b>34,859</b>
Paid-up Capital	844	1,342	1,476	1,711	1,711	1,711	1,711	1,711
Other Reserves	877	3,904	3,786	3,773	3,773	3,773	3,773	3,773
Reserves	210	111	53	35	400	815	1,271	1,749
<b>Shareholder's Equity</b>	<b>1,932</b>	<b>5,358</b>	<b>5,316</b>	<b>5,519</b>	<b>5,885</b>	<b>6,299</b>	<b>6,755</b>	<b>7,233</b>
Non - Controlling Interests	149	427	345	395	395	395	395	395
Perpetual Tier 1 Capital Securities	227	502	502	504	504	504	504	504
<b>Total Equity</b>	<b>2,307</b>	<b>6,286</b>	<b>6,163</b>	<b>6,418</b>	<b>6,784</b>	<b>7,198</b>	<b>7,654</b>	<b>8,132</b>
<b>Total Liabilities and Equity</b>	<b>21,788</b>	<b>36,969</b>	<b>38,010</b>	<b>36,703</b>	<b>39,128</b>	<b>40,515</b>	<b>41,732</b>	<b>42,991</b>

Cash Flow Statement (KD Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Cash flow from operating activities	-526	-279	577	29	224	427	670	683
Cash flow from investing activities	23	827	-104	376	-58	-59	-60	-62
Cash flow from financing activities	39	-234	-626	-7	213	-270	-318	-314
Net change in cash	-463	313	-153	397	379	98	292	308
<b>Cash at the end of period</b>	<b>2,888</b>	<b>3,201</b>	<b>3,048</b>	<b>3,446</b>	<b>4,075</b>	<b>4,173</b>	<b>4,465</b>	<b>4,772</b>

Key ratios	2021	2022	2023	2024	2025E	2026E	2027E	2028E
<b><u>Operating performance</u></b>								
Yield on average earning assets	4.3%	4.0%	6.5%	8.9%	8.7%	7.7%	6.5%	6.5%
Cost of funds	1.5%	2.2%	4.1%	5.9%	5.8%	4.5%	3.2%	3.2%
Interest spread	2.7%	1.9%	2.4%	3.0%	2.9%	3.2%	3.3%	3.3%
NIM	2.9%	3.0%	2.9%	3.5%	3.5%	3.6%	3.7%	3.7%
Interest income/operating income	107.5%	123.3%	150.2%	177.0%	171.7%	148.4%	125.6%	125.7%
Net interest income/operating income	72.2%	74.7%	66.1%	70.3%	69.5%	70.4%	70.7%	71.0%
Non interest income/operating income	27.8%	25.3%	33.9%	29.7%	30.5%	29.6%	29.3%	29.0%
Cost to income ratio	38.0%	32.5%	35.3%	36.8%	35.0%	35.0%	35.0%	35.0%
<b><u>Liquidity</u></b>								
Net Loan to Deposit Ratio	71.6%	89.4%	89.1%	99.2%	101.1%	102.1%	103.1%	104.1%
Customer deposits/total deposits	100.0%	88.6%	87.2%	86.4%	86.5%	86.5%	86.5%	86.5%
Net loans to customer deposits	71.6%	89.4%	89.1%	99.2%	101.1%	102.1%	103.1%	104.1%
Investments/total assets	15.5%	18.5%	20.5%	20.6%	21.2%	21.5%	21.4%	21.4%
<b><u>Asset quality</u></b>								
Stage 1 loan ratio	82.3%	88.8%	87.5%	86.3%	87.0%	87.0%	87.0%	87.0%
Stage 2 loan ratio	14.5%	9.1%	10.5%	11.4%	11.3%	11.5%	11.7%	11.7%
Stage 3 loan ratio	3.2%	2.1%	2.0%	2.3%	1.8%	1.5%	1.3%	1.3%
NPL ratio	1.7%	1.4%	1.6%	1.8%	1.8%	1.5%	1.3%	1.3%
Provision as a % of gross loans	5.4%	4.7%	4.7%	4.7%	4.2%	4.2%	4.2%	4.2%
NPL Coverage	318.7%	341.3%	294.5%	262.8%	240.0%	280.0%	323.1%	323.1%
Cost of credit	1.2%	0.2%	0.3%	0.5%	0.3%	0.3%	0.3%	0.3%
<b><u>Capital adequacy</u></b>								
Tier I ratio	91.8%	90.5%	90.4%	90.7%	92.0%	92.7%	93.3%	93.9%
Tier II ratio	8.2%	9.5%	9.6%	9.3%	8.0%	7.3%	6.7%	6.1%
CAR	18.7%	17.7%	18.2%	19.9%	20.8%	21.7%	23.0%	24.3%
Net Equity to Gross Loans	16.1%	27.2%	26.1%	27.6%	27.4%	28.2%	29.3%	30.5%
Net Equity to Total Assets	8.9%	14.5%	14.0%	15.0%	15.0%	15.5%	16.2%	16.8%
<b><u>Return ratios</u></b>								
Reported ROE	12.6%	9.8%	11.0%	11.1%	11.1%	11.4%	12.0%	11.8%
Adjusted ROE	10.9%	8.0%	9.0%	9.2%	9.3%	9.6%	10.3%	10.2%
ROA	1.1%	1.2%	1.6%	1.6%	1.7%	1.7%	1.9%	2.0%
RoRWA	1.8%	2.0%	2.6%	2.8%	2.8%	2.9%	3.1%	3.2%
<b><u>Per share ratios</u></b>								
EPS	0.03	0.03	0.04	0.03	0.04	0.04	0.04	0.05
BVPS	0.23	0.46	0.33	0.32	0.34	0.37	0.39	0.42
DPS	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02
<b><u>Valuation</u></b>								
Price (KD)	0.69	0.70	0.71	0.79	0.81	0.81	0.81	0.81
P/E	24.0	23.5	20.1	23.5	22.5	20.6	18.1	17.2
P/B	3.0	1.5	2.1	2.5	2.3	2.2	2.0	1.9
Dividend Yield	1.7%	2.2%	2.8%	2.8%	2.2%	2.4%	2.7%	2.7%

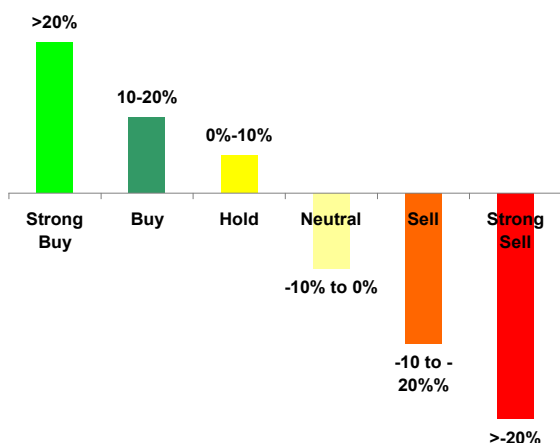
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## Rating Criteria and Definitions

### Rating



### Rating Definitions

<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%
<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%
<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%
<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%
<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%
<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%
<b>Not rated</b>	This recommendation used for stocks which does not form part of Coverage Universe

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