EARNINGS ANALYSIS REPORT · INVESTMENT NOTE

National Bank of Kuwait (NBK)

Trailing-Twelve-Month (TTM) Earnings & Asset-Quality Review

DATA TO	LISTING	BASIS
30 June 2026	Boursa Kuwait: NBK	Group consolidated

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Headline Snapshot — TTM to 30 June 2026

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1,010.4
Core margin income (KD mn)
NII + Islamic, +2.2% YoY

816.9
Pre-provision op. profit (KD mn)
+4.6% YoY

564.4
Net profit ex-Tier 1 (KD mn)
to ordinary shareholders

12.9%
ROE (ex-perpetual) · ROA ~1.4%

KD 000's	FY2025	H1-2026	H1-2025	TTM
Net interest income + Islamic (core)	999,546	500,513	489,685	1,010,374
Non-interest income	297,295	161,456	141,694	317,057
Net operating income	1,296,841	661,969	631,379	1,327,431
Pre-provision operating profit	799,134	409,032	391,222	816,944
Provision & impairment charge	64,519	6,438	(10,280)	81,237
Profit attributable to shareholders	575,648	324,783	315,261	585,170
Less: Perpetual Tier 1 distributions	(18,144)	(13,595)	(10,943)	(20,796)
Net profit ex-Tier 1 (ordinary)	**557,504**	**311,188**	**304,318**	**564,374**

TTM methodology. All income-statement figures are trailing-twelve-months (not annualised): TTM = FY2025 + H1-2026 − H1-2025, capturing 1 Jul 2025 – 30 Jun 2026. Balance-sheet & asset-quality figures are point-in-time at 30 Jun 2026. “Net profit” is stated after Perpetual Tier 1 distributions, i.e. profit attributable to ordinary shareholders.

Executive Summary — Five Takeaways

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01

Operating engine is sound; headline growth is optically soft.

PPOP +4.6% YoY (H1); reported net profit +3.0% only because H1-2025 carried a one-off provision recovery that did not repeat — a base effect, not deterioration.

02

Core margin income grows slowly but steadily.

Combined NII + Islamic KD 1,010.4mn TTM (+2.2%). Gross funded income and funding cost both +1–3%; net spread broadly stable at ~2.3% of earning assets.

03

Non-banking income is the standout driver.

Non-interest income +13.9% YoY to 23.9% of net operating income; fees & commissions +7.8%, FX +44.9%, investment income +13.9%.

04

Asset quality improved despite a higher provision line.

NPL ratio fell to 1.22% (from 1.36% at year-end); coverage rose to 256%. The provision rise is the missing ~KD 36mn H1-2025 recovery, not new stress.

05

Below-the-line items cushioned the result.

Effective tax rate eased to 13.7% (from 16.0%) as DMTT normalised; Perpetual Tier 1 coupons of KD 20.8mn TTM leave KD 564.4mn to ordinary shareholders.

Core Banking Income — Interest, Islamic & Net Spread (TTM)

KD 000's	FY2025	H1-2026	H1-2025	TTM
Interest income	1,841,967	915,760	894,516	1,863,211
Interest expense	(1,059,356)	(525,983)	(511,169)	(1,074,170)
Net interest income (conventional)	**782,611**	**389,777**	**383,347**	**789,041**
Islamic financing income	496,210	249,760	241,741	504,229
Finance cost to depositors	(279,275)	(139,024)	(135,403)	(282,896)
Net income from Islamic financing	**216,935**	**110,736**	**106,338**	**221,333**
Combined core margin income	**999,546**	**500,513**	**489,685**	**1,010,374**

+2.2%
Core margin income, YoY (H1)

~2.3%
NII / avg earning assets (proxy)

+8.9%
Net loan growth, YoY

Read-through

Combined core margin income of KD 1,010.4mn (TTM) is up 2.2% on the H1 comparison and 1.1% over the FY2025 run-rate — a slow-but-positive trajectory. Interest income (+2.4%) and interest expense (+2.9%) grew broadly in line, so the net spread held; the Islamic book (net income +4.1%) grew slightly faster, consistent with Boubyan's higher balance-sheet growth. Strong deposit gathering (+13.1% YoY) funds asset growth but reprices marginally ahead of asset yield in a still-elevated rate environment — the reason funding cost outpaced income growth. A true NIM is not computable from interim disclosure; the ~2.3% shown is NII over average earning assets.

Non-Banking Income — Fees, Commissions & Investments (TTM)

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KD 000's	FY2025	H1-2026	H1-2025	TTM
Net fees & commissions	216,780	114,854	106,511	225,123
Net investment income	33,896	17,945	15,757	36,084
Net gains from FX dealing	43,768	27,578	19,030	52,316
Other operating income	2,851	1,079	396	3,534
Total non-interest income	**297,295**	**161,456**	**141,694**	**317,057**
% of net operating income	*22.9%*	*24.4%*	*22.4%*	*23.9%*

+7.8%
Fees & commissions, YoY — the recurring engine

+44.9%
FX dealing gains, YoY (more volatile)

23.9%
Non-interest income / net operating income

Read-through

Non-banking income is NBK's strongest momentum line — up 13.9% YoY, lifting its share of the top line to 23.9%. The most durable component, net fees & commissions (wealth, asset management, brokerage, cards, trade finance), grew 7.8% and comfortably out-paced core margin income (+2.2%), evidencing the quality of the NBK Wealth and Boubyan franchises. FX gains (+44.9%) and investment income (+13.9%) were strong but are inherently more market-sensitive and should not be extrapolated at the H1 rate. Net-net, a higher fee mix diversifies earnings away from spread income and is less capital-intensive — a structurally positive shift.

Operating Performance & Efficiency (TTM)

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KD 000's	FY2025	H1-2026	H1-2025	TTM
Staff expenses	265,634	136,713	131,045	271,302
Other administrative expenses	179,254	88,493	83,359	184,388
Depreciation & amortisation	52,819	27,731	25,753	54,797
Total operating expenses	**497,707**	**252,937**	**240,157**	**510,487**
Net operating income	1,296,841	661,969	631,379	1,327,431
Pre-provision operating profit	**799,134**	**409,032**	**391,222**	**816,944**

38.5%
Cost-to-income (TTM) — best-in-class

+4.6%
PPOP growth, YoY (H1)

+5.3%
Opex growth vs +4.8% income

Read-through

Cost discipline is intact. Operating expenses rose 5.3% YoY, marginally ahead of net operating income (+4.8%), keeping cost-to-income at 38.5% TTM — flat versus FY2025 and firmly best-in-class for a GCC universal bank. Staff costs (+4.3%) grew slower than income; admin (+6.2%) and depreciation reflect continued digital and network investment. The result is PPOP of KD 816.9mn TTM (+4.6% YoY). Critically, PPOP — the cleanest read on the core business before credit-cycle noise — is growing faster than reported net profit, confirming that the softer bottom line is a provisioning/base effect, not an operating problem.

Asset Quality & Non-Performing Assets

1.22%	256%	~0.30%	93.1%
NPL ratio (Stage 3) 1.36% at Dec-25 · 1.33% Jun-25	Loan-loss coverage 271% incl. CBK non-cash	Cost of risk (TTM) low by GCC standards	Stage 1 (performing) share of gross book

Loan staging — IFRS 9 as adopted by CBK (30 Jun 2026)

KD 000's	Stage 1	Stage 2	Stage 3	Total
Gross loans & Islamic financing	26,697,461	1,617,625	350,441	28,665,527
Share of book	*93.1%*	*5.6%*	*1.2%*	*100%*
ECL allowance (IFRS 9 / CBK)	203,687	185,318	286,994	675,999

Read-through

Asset quality strengthened over the half. The NPL ratio improved to 1.22% — among the lowest in the Kuwaiti sector — and the absolute Stage 3 balance fell to KD 350.4mn from KD 376.0mn at year-end, even as gross lending grew 8.9% YoY. Coverage rose to 256% (271% including CBK non-cash provisioning), reflecting the CBK's conservative “higher-of” regime — IFRS 9 ECL of KD 676.0mn is topped up to the required KD 950.1mn. Stage 1/2 composition is unchanged, so there is no early-warning migration building.

Provisions & Cost of Risk — The Base Effect Explained

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KD 000's	H1-2026	H1-2025	TTM
Specific (incl. recoveries)	1,499	(35,868)	—
General provision	15,699	16,274	—
Expected credit losses (release)	(12,378)	111	—
Other impairment	1,618	9,203	—
Total provision & impairment	**6,438**	**(10,280)**	**81,237**

KD 35.9mn

One-off specific recovery in H1-2025 that did NOT repeat

1.22%

NPL still falling — no fresh stress

Why the provision line looks worse than the credit book

On the surface the provision line is unfavourable: a KD 6.4mn charge in H1-2026 versus a KD 10.3mn net release in H1-2025 (TTM KD 81.2mn vs FY2025's KD 64.5mn). **The driver is almost entirely the prior-year comparator, which carried a large KD 35.9mn specific recovery/write-back that flattered H1-2025.** Strip it out and the underlying charge is modest and consistent with a benign environment — corroborated by the improving NPL ratio and stable staging. TTM cost of risk of ~30bps is low by GCC standards. The prudent reading: credit costs are normalising from an unusually low base, not signalling deterioration. Much of the optical decline lands in Corporate Banking, where the prior recovery was booked.

Below the Line — Tax, Perpetual Tier 1 & Net Profit to Ordinary Holders (TTM)

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KD 000's	FY2025	H1-2026	H1-2025	TTM
Pre-provision operating profit	799,134	409,032	391,222	816,944
Less: provision & impairment	(64,519)	(6,438)	10,280	(81,237)
Operating profit before tax*	**734,615**	**402,594**	**401,502**	**735,707**
Taxation (DMTT, KFAS, overseas)	(117,756)	(55,174)	(64,067)	(108,863)
Non-controlling interests	(40,221)	(22,637)	(22,174)	(40,684)
Profit attributable to shareholders	**575,648**	**324,783**	**315,261**	**585,170**
Less: Perpetual Tier 1 distributions	(18,144)	(13,595)	(10,943)	(20,796)
Net profit — ordinary shareholders	**557,504**	**311,188**	**304,318**	**564,374**

** Interim figure is before directors' remuneration (KD 0.99mn, booked at year-end); immaterial to the TTM bridge.*

564.4
Net profit to ordinary holders (KD mn, TTM)

13.7%
Effective tax rate H1 (from 16.0%)

KD 20.8mn
Tier 1 coupon drag (TTM) — rising

Read-through

Perpetual Tier 1 coupons (on the USD 4.5% / 3.625% / 6.375% tranches plus the Boubyan Tier 1 sukuk) rank ahead of ordinary equity and are charged directly to equity, not the P&L. Deducting them (KD 20.8mn TTM) gives net profit truly available to ordinary shareholders of KD 564.4mn — up 2.3% YoY (H1). The deduction is rising (H1: 13.6 vs 10.9mn) after July-2025's new USD 800mn 6.375% issue, a modestly growing drag. A lower effective tax rate (13.7% vs 16.0%) as Kuwait's DMTT and overseas tax normalised provided a meaningful cushion, partly offsetting the provision swing.

Operational Read by Segment (H1-2026 vs H1-2025)

Profit, KD 000's	H1-2026	H1-2025	YoY	Comment
Consumer Banking	50,698	45,548	+11.3%	Retail momentum
Corporate Banking	70,771	107,047	−33.9%	Provision base effect (prior recovery)
NBK Wealth	37,936	32,274	+17.5%	Fee-led growth
Islamic (Boubyan)	55,750	52,205	+6.8%	Steady contribution
Group Centre	55,361	22,773	+143.1%	Treasury / investment gains
International	76,904	77,588	−0.9%	Largest segment, stable
Group profit	**347,420**	**337,435**	**+3.0%**	

Read-through

The segmental split confirms the group narrative. International remains the single largest profit contributor and is stable; Consumer (+11.3%) and NBK Wealth (+17.5%) delivered strong, high-quality growth — the latter reinforcing the fee-income theme. Group Centre profit more than doubled on treasury/investment gains (consistent with the FX and investment-income lines). The 33.9% fall in Corporate Banking profit is again the provision base effect: the prior-year specific recovery was concentrated in the corporate book, so its absence — not revenue weakness — explains the decline (corporate net operating income was only marginally lower, KD 73.6mn vs 77.9mn).

ANALYTICAL CONCLUSION

Solid, well-provisioned earnings beneath a steady headline

Operationally

PPOP compounding at ~4–5% with a 38.5% cost-to-income ratio; the core machine is healthy and out-growing reported net profit.

On income mix

Less reliant on spread income — non-interest income is 23.9% of the top line and growing +13.9%, led by a durable +7.8% fee franchise.

On asset quality

Unambiguously favourable — NPLs 1.22%, coverage 256%, stable staging; the higher provision charge is a one-off base effect, not stress.

Net profit to ordinary shareholders (ex-Tier 1) of **KD 564.4mn TTM** · ROE ~12.9% · ROA ~1.4%. **Watch-items:** rising perpetual-coupon drag; funding cost edging ahead of asset yield; volatility of FX/treasury gains. With low NPLs, heavy coverage and strong pre-provision profitability, NBK is well positioned to absorb a normalising credit cycle amid the CBK's relaxed liquidity/capital buffers.

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