COMPANY EARNING REPORT • ISLAMIC BANKING

Kuwait Finance House K.S.C.P.

2Q FY2026 Earnings Analysis — Trailing-Twelve-Month Basis

BOURSA KUWAIT	PERIOD	BASIS	REPORT DATE
KFIN / 108	2Q & 1H FY 2026	IFRS as adopted by CBK	27 July 2026

Clients Portfolio & Research Department | Coast Investment & Development Co. K.S.C.C.

2Q and trailing-twelve-month scorecard

KD 215.0mn*
2Q FY2026 net profit
+9.5% YoY

KD 768.5mn
TTM net profit
+6.7% vs FY2025

34.19 fils
TTM EPS
post Tier 1 Sukuk payment

32.1%
TTM cost-to-income
200 bps improvement

Where the growth came from — and where it stopped

KD '000	2Q 2026	2Q 2025	YoY	1H 2026	1H 2025	YoY	TTM Jun-26	FY2025	Chg
Financing income (gross Murabaha)	900,414	711,077	+26.6%	1,765,208	1,462,512	+20.7%	3,553,208	3,250,512	+9.3%
Finance cost & distribution	(582,941)	(422,628)	+37.9%	(1,115,763)	(855,207)	+30.5%	(2,231,844)	(1,971,288)	+13.2%
Net financing income	**317,473**	**288,449**	**+10.1%**	**649,445**	**607,305**	**+6.9%**	**1,321,364**	**1,279,224**	**+3.3%**
Total operating income	494,143	432,983	+14.1%	990,514	901,111	+9.9%	1,922,729	1,833,326	+4.9%
Total operating expenses	(146,930)	(150,032)	–2.1%	(302,663)	(309,237)	–2.1%	(617,770)	(624,344)	–1.1%
Pre-provision operating profit	**347,213**	**282,951**	**+22.7%**	**687,851**	**591,874**	**+16.2%**	**1,304,959**	**1,208,982**	**+7.9%**
Provisions & impairment	(49,023)	(6,508)	NM	(83,168)	(39,038)	+113.0%	(205,574)	(161,444)	+27.3%
Net monetary loss (IAS 29)	(30,574)	(29,122)	+5.0%	(62,748)	(71,203)	–11.9%	(126,918)	(135,373)	–6.2%
Profit for the period	**214,962**	**196,365**	**+9.5%**	**434,056**	**385,766**	**+12.5%**	**768,545**	**720,255**	**+6.7%**
Attributable to shareholders	**186,535**	**174,040**	**+7.2%**	**363,054**	**342,149**	**+6.1%**	**653,013**	**632,108**	**+3.3%**

Pre-provision operating profit grew 22.7% in the quarter; net profit grew 9.5%. The KD 42.5 million increase in the provisioning charge is the entire difference.
**: Inclusive of Minority Interest*

Cost of funds on interest-bearing liabilities — TTM basis

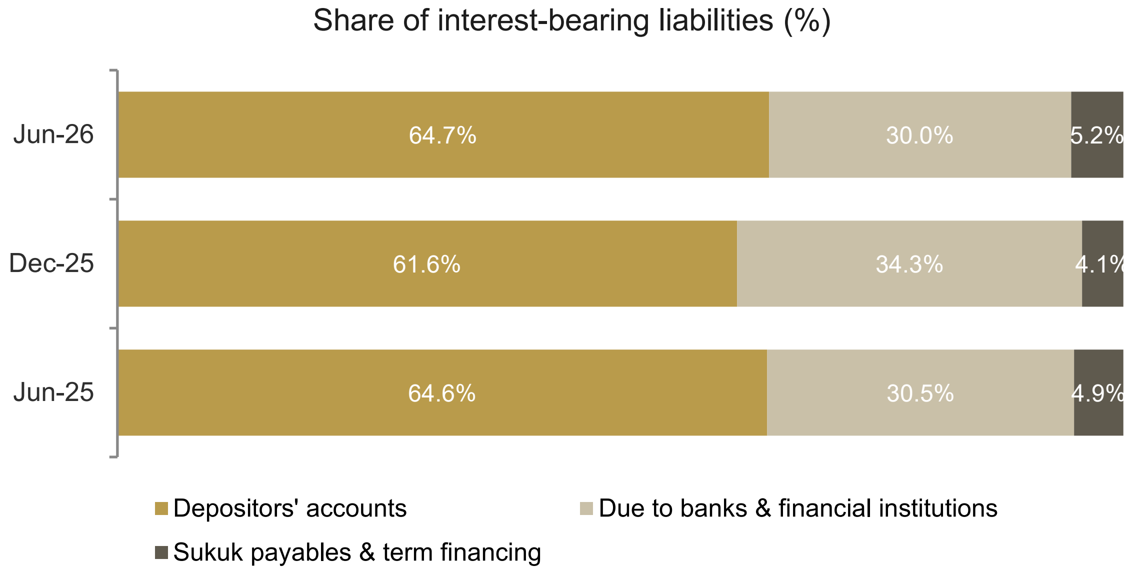
KD '000 / %	TTM Jun-26	FY2025
Financing income (gross Murabaha)	3,553,208	3,250,512
Finance cost & distribution to depositors	2,231,844	1,971,288
Net financing income	1,321,364	1,279,224
Average interest-bearing liabilities	31,951,125	31,517,228
Average earning assets	31,325,292	30,501,576
Gross yield on earning assets	11.34%	10.66%
Cost of funds on interest-bearing liabilities	**6.99%**	**6.25%**
Spread	4.36%	4.40%
Net financing margin (NIM)	**4.22%**	**4.19%**

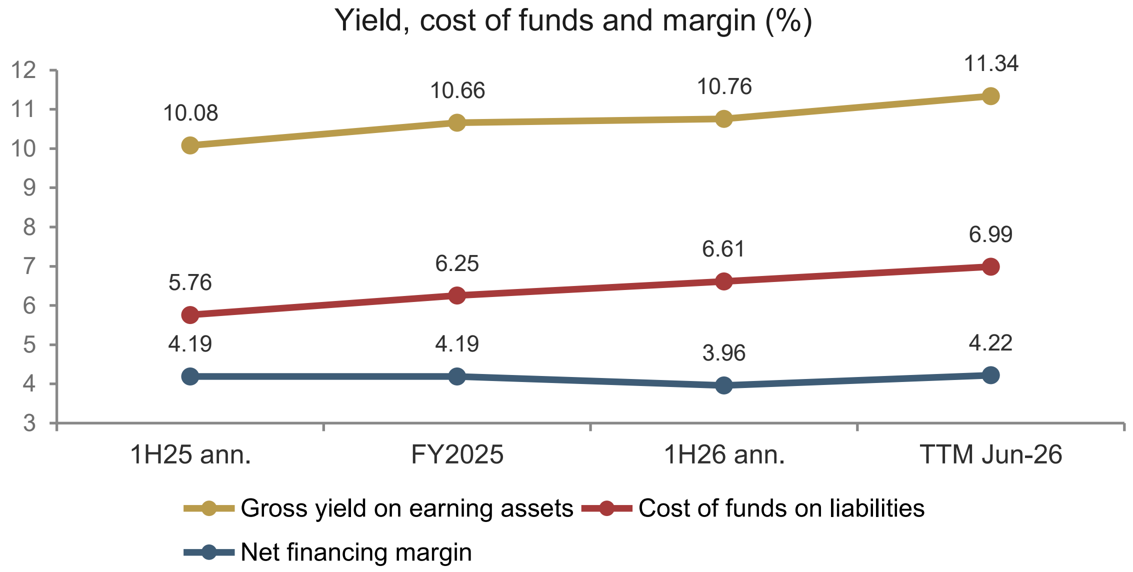
The trailing-twelve-month view understates a compression that started this year

TTM: margins broadly flat

- **Cost of funds +74 bps to 6.99%**, but **gross yield +68 bps to 11.34%**
- Spread narrowed just 4 bps; NIM actually widened 3 bps to 4.22%

Liability mix and the repricing of the funding base





- Deposit funding recovered to 64.7% of interest-bearing liabilities from 61.6% at December 2025, as due to banks was cut 25.0% year to date and depositors' accounts grew 9.4% year on year.
- Sukuk and term financing rose to 5.2% of the funding base following the January 2026 five-year USD 1.0 billion senior issue at 4.563% — 81 bps inside the January 2025 issue at 5.376%.
- Financing-to-deposits rose to 105.5% from 103.5% a year ago, so incremental asset growth is still being met at the higher marginal cost of wholesale and capital markets funding.
- Additional Tier 1 was refinanced from 3.6% and 3.875% into KD 200m at 5.5% — charged to equity rather than finance cost, but a permanent increase in the servicing burden.

Non-performing assets, coverage and cost of risk

2.44%
NPL ratio (Stage 3)
2.24% at Dec-25 | 2.51% Jun-25

171.3%
NPL coverage
from 185.8% at Dec-25

0.91%
Cost of risk (TTM)
0.76% for FY2025

KD 504.0mn
CBK buffer over IFRS 9
regulatory provisioning binds

KD '000 / %	Jun-2026	Dec-2025	Jun-2025
Gross financing receivables	23,776,755	22,762,941	21,349,179
Stage 1 / gross financing	85.86%	85.75%	85.99%
Stage 2 / gross financing	11.71%	12.01%	11.50%
Stage 3 (non-performing)	579,857	508,995	535,089
NPL ratio (Stage 3 / gross)	**2.44%**	**2.24%**	**2.51%**
Balance-sheet provision	993,086	945,937	919,503
NPL coverage (provision / Stage 3)	**171.3%**	**185.8%**	**171.8%**
Stage 3 ECL coverage	53.4%	52.0%	53.7%
Total CBK-basis provision	1,029,086	987,153	961,189
CBK excess over IFRS 9 ECL	**503,953**	**526,631**	**494,078**

Reading

- Stage 3 up KD 70.9mn in 1H; ratio still below Jun-25
- Coverage consumed — Stage 3 +13.9% vs provisions +5.0%
- Stage 2 flat: no broad migration wave
- 1H recoveries KD 30.6mn exceeded write-offs KD 16.7mn

Of the KD 205.6m TTM provisioning charge, only KD 112.2m is financing provisions. Other provisions and impairment of KD 44.2m in 2Q alone (vs KD 12.2m) drove the step-up — a line that in FY2025 included KD 71.1m of Takaful contract liability losses.

First-half segment results and return on assigned assets

1H, KD '000	Assets	YoY	Liabilities	Op. income	YoY	Profit*	YoY	RoA †	Δ bps
Treasury	15,465,899	+8.9%	12,774,217	128,866	+178.2%	84,776	+143.7%	1.10%	+61
Retail & Private Banking	8,310,968	+10.3%	14,750,882	313,890	+0.9%	154,962	+24.3%	3.73%	+42
Corporate Banking	14,360,187	+11.9%	6,701,195	410,950	+0.9%	238,308	–7.2%	3.32%	–68
Investment	4,078,017	+4.0%	1,210,547	136,808	+0.2%	18,758	–53.9%	0.92%	–115
Total before net monetary loss	**42,215,071**	**+9.7%**	**35,436,841**	**990,514**	**+9.9%**	**496,804**	**+8.7%**	**2.35%**	**–2**

** Profit before net monetary loss (IAS 29), which is not allocated to segments. † Annualised segment profit over period-end segment assets.*

Segment profit over segment-assigned financing

Period	Corporate: assigned financing	Profit / financing	Retail: assigned financing	Profit / financing
1H 2026	15,060,488	3.16%	8,716,267	3.56%
1H 2025	13,450,932	3.82%	7,898,247	3.16%
Change (bps)	**–**	**–65**	**–**	**+40**

Gross financing receivables allocated between Corporate and Retail pro rata to disclosed segment assets — an analytical estimate; the Bank does not disclose financing by segment.

- Corporate Banking is the consequential trend: assets +11.9% but profit –7.2%, taking profit over assigned financing from 3.82% to 3.16%. It still contributes 48.0% of segment profit, so the 65 bps decline matters most.
- Retail is the most capital-efficient franchise — 19.7% of assets producing 31.2% of profit, with returns up 40 bps on essentially flat income against 10.3% asset growth.
- Treasury holds 36.6% of group assets at a 1.10% return. Its profit nearly 2.5x'd, but off a very low base and partly on KD 78.1m of first-half FX gains.

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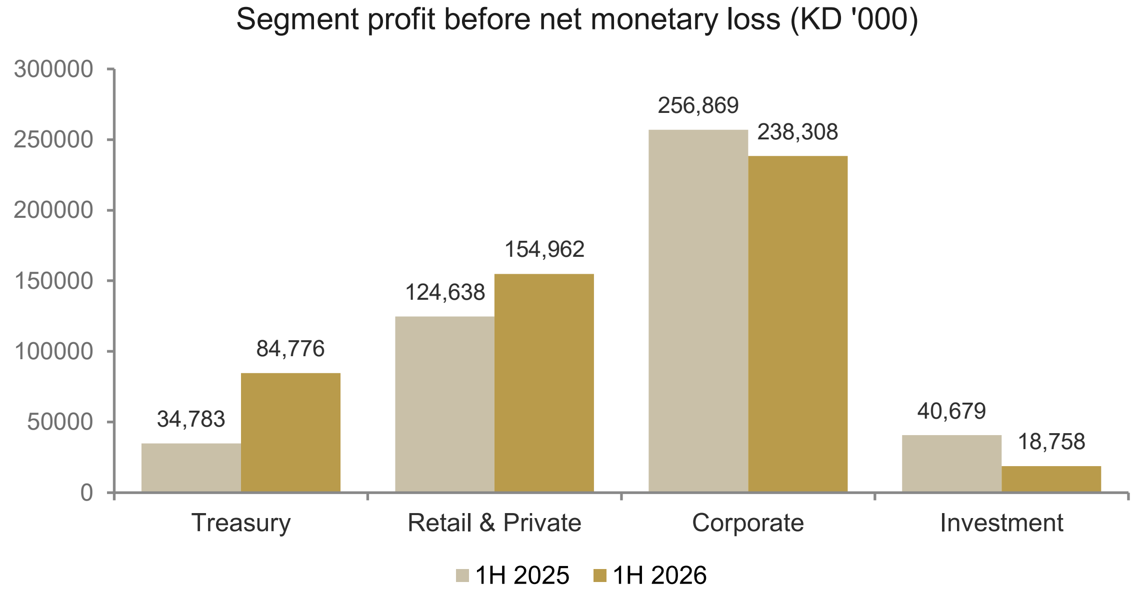
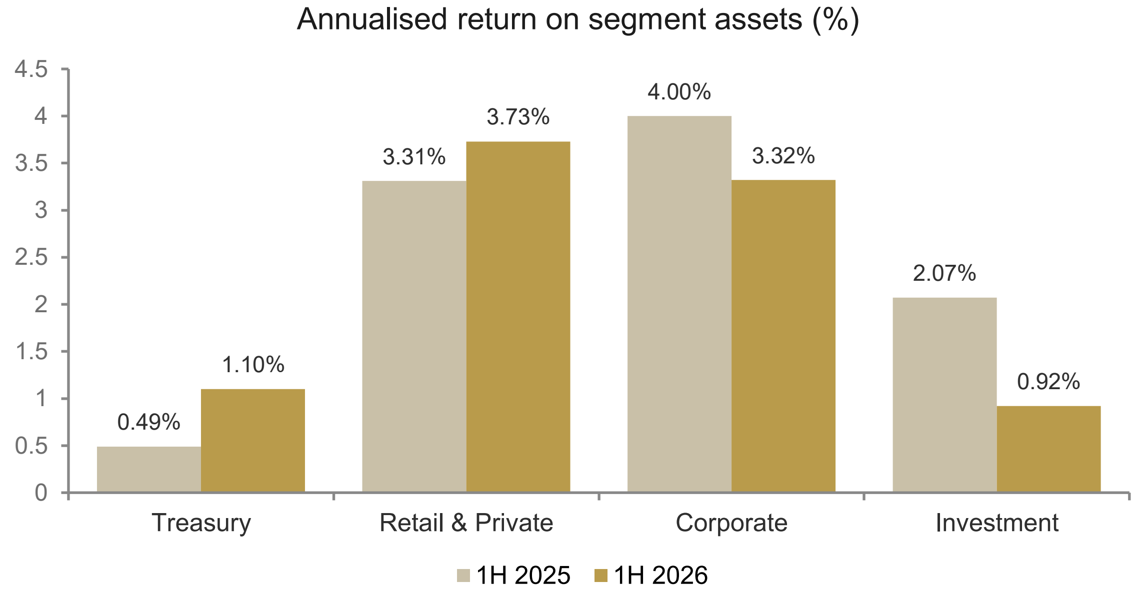
Where profit came from, and the return on assets behind it





Treasury up, off a low base

- Profit KD 34.8m → 84.8m
- Return still lowest at 1.10%
- 36.6% of assets, 17.1% of profit

Corporate reversing

- Assets +11.9%, profit –7.2%
- Return 4.00% → 3.32%
- Largest profit pool at 48.0%

Retail compounding quietly

- Profit +24.3% on +0.9% income
- Return 3.31% → 3.73%
- Best capital efficiency in group

Growth, per-share metrics and capital actions

KD '000	Jun-2026	Dec-2025	Jun-2025	YoY	YTD
Total assets	**42,215,071**	**42,759,812**	**38,497,723**	**+9.7%**	**–1.3%**
Financing receivables (net)	22,783,669	21,817,004	20,429,676	+11.5%	+4.4%
Investment in debt securities	7,801,436	7,577,615	7,424,323	+5.1%	+3.0%
Goodwill & intangible assets	2,331,947	2,328,566	2,329,631	+0.1%	+0.1%
Depositors' accounts	**21,592,132**	**21,029,418**	**19,730,422**	**+9.4%**	**+2.7%**
Due to banks	5,231,676	6,971,768	6,157,947	–15.0%	–25.0%
Sukuk payables & term financing	1,744,256	1,414,401	1,507,421	+15.7%	+23.3%
Total equity	**6,778,230**	**6,844,869**	**6,358,671**	**+6.6%**	**–1.0%**
Perpetual Tier 1 Sukuks	461,715	641,257	381,661	+21.0%	–28.0%
Non-controlling interests	516,264	456,470	411,630	+25.4%	+13.1%

Capital actions in the period

- 6 Jan 2026: third 5-yr senior Sukuk, USD 1.0bn at 4.563% (vs 5.376% in Jan-25)
- Called USD 750m Perpetual T1 (3.6%) and USD 600m AT1 (3.875%); issued KD 200m AT1 at 5.5%, callable Nov-2031
- Net Tier 1 outflow of KD 201.3m plus KD 240.9m dividends explains equity falling 1.0% YTD despite KD 434.1m of profit
- Interim dividend of 10 fils declared (KD 184,092k), unchanged YoY

Ratio / per share	Jun-26	Dec-25	Jun-25
Financing / deposits	105.5%	103.7%	103.5%
Equity / total assets	16.1%	16.0%	16.5%
Goodwill & intangibles / equity	40.2%	40.5%	41.9%
Book value per share (fils)	315.1	334.0	323.5
Tangible book value per share (fils)	**188.4**	**198.7**	**188.1**

Per-share figures use shares net of treasury: 18,409,222k at Jun-26. The sequential fall in book value per share is a mechanical effect of the 7% bonus issue registered 7 April 2026, not value erosion. Capital adequacy is not disclosed at interim; the last reported ratios were 19.81% total and 18.02% Tier 1 at Dec-25.

Supporting the earnings profile, and requiring monitoring

Supporting the earnings profile

- TTM net profit KD 768.5mn, +6.7%; PPOP +7.9%; cost-to-income improved 200 bps to 32.1%
- Gross Murabaha KD 3,553.2mn TTM, +9.3%, on gross financing +11.4% YoY — volume engine intact and accelerating
- Operating expenses fell in absolute terms in the quarter, the half and TTM, on a balance sheet growing 9.7%
- Non-funded income 31.3% of TTM operating income; fees +7.6%, FX gains +62.9% TTM
- January 2026 senior Sukuk priced 81 bps inside the prior comparable issue — relief from 2H onward
- IAS 29 net monetary loss narrowed 11.9% in the half to KD 62.7mn
- CBK provisioning buffer of KD 504.0mn above IFRS 9 ECL; NPL coverage still above 170%

Requiring monitoring

- Cost of funds 6.99% TTM, +74 bps on FY2025; NII grew only 3.3% TTM against 9.3% gross financing income growth
- 1H annualised NIM 3.96% vs 4.19% — 23 bps of compression the TTM lens does not yet show
- Cost of risk 0.91% TTM vs 0.76%; 2Q charge KD 49.0m vs KD 6.5mn; coverage 185.8% → 171.3%
- Corporate Banking: assets +11.9%, profit –7.2%, profit over assigned financing –65 bps to 3.16%
- Financing / deposits 105.5% vs 103.5% — continued reliance on higher-cost wholesale funding
- Tier 1 repriced from 3.6%/3.875% to 5.5%, permanently raising the equity servicing burden
- Goodwill of KD 2,331.9mn is 40.2% of equity and untested at interim; tangible BVPS 188.4 vs 315.1 fils headline
- NCI took 15.0% of TTM profit and grew 31.1% vs 3.3% for shareholders — growth accruing outside the parent

Coast Investment and Development Co. K.S.C.P P.O. Box 26755, Safat 13128 | Kuwait | Tel +965 22230555 | Fax: +965 22408932 | www.coast.com.kw | Email cidco@coast.com.kw