# Kuwait Finance House (KFH)

## 3Q 2026 & 9M 2026 Results Analysis

Latest results with three-year context (FY2023–FY2025)
Focus: margin analysis — NIM, profit earned on earning assets, cost of profit-bearing liabilities

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# Key Takeaways — 3Q & 9M 2026

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**KD 630.7mn**

9M 2026 net profit before minority & Tier 1 distribution

**+11.8% YoY**

**KD 196.6mn**

3Q 2026 net profit before minority & Tier 1 distribution

**+10.3% YoY**

**4.38%**

NIM — 9M 2026 (annualised)

**-0.34 pp vs 9M 2025**

**11.41%**

Profit earned on earning assets (annualised)

**-0.56 pp vs 9M 2025**

**6.12%**

Cost of profit-bearing liabilities (annualised)

**-0.17 pp vs 9M 2025**

**30.8%**

Cost-to-income ratio — 9M 2026

**-3.1 pp vs 9M 2025**

## What the quarter tells us

- **Double-digit profit growth**: 9M net profit before minority & Tier 1 distribution rose +11.8% to KD 630.7mn and 3Q +10.3% to KD 196.6mn — but half of the 9M increase went to non-controlling interests (+50%), so profit attributable to KFH shareholders after Tier 1 grew a more modest +5.4% (EPS 27.56 fils vs 26.15).
- **Operating leverage is the story:** revenue +6.7% against costs −3.0%, driving pre-provision profit +11.7% and cost-to-income down to 30.8% from 33.9%.
- **Margin is compressing** here too: NIM 4.38% vs 4.72% (3Q 4.52% vs 5.06%), with profit earned on earning assets falling faster than funding cost as Turkish and Kuwaiti rates come down. Net financing income still grew +4.8% on a 13% larger average earning-asset base.
- **Credit cost is rising**: financing impairment charge +59% YoY (KD 101mn vs 52mn), partly offset by a lower Turkish net monetary loss (KD 87mn vs 103mn). Stage 3 ratio edged up to 2.48% from 2.24% at December.

# Income Statement — 9M 2026 and 3Q 2026 vs Prior Year

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| KD million | 9M 2026 | 9M 2025 | YoY | 3Q 2026 | 3Q 2025 | YoY |
|---|---|---|---|---|---|---|
| Financing income | 2,577.8 | 2,394.5 | +7.7% | 812.6 | 932.0 | -12.8% |
| Finance cost & distribution to depositors | (1,588.3) | (1,450.2) | +9.5% | (472.5) | (595.0) | -20.6% |
| **Net financing income** | **989.5** | **944.3** | +4.8% | **340.1** | **337.0** | +0.9% |
| Net fees, FX & other income | 335.0 | 304.6 | +10.0% | 89.6 | 98.2 | -8.8% |
| Investment income | 127.7 | 111.7 | +14.3% | 32.0 | 24.2 | +31.9% |
| **Total non-financing income** | **462.7** | **416.3** | +11.1% | **121.6** | **122.5** | -0.7% |
| **Total operating income** | **1,452.2** | **1,360.6** | +6.7% | **461.7** | **459.5** | +0.5% |
| Operating expenses | (447.5) | (461.5) | -3.0% | (144.8) | (152.3) | -4.9% |
| **Net operating income before provisions** | **1,004.7** | **899.1** | +11.7% | **316.8** | **307.2** | +3.1% |
| Provisions, impairment & net monetary loss | (222.8) | (188.7) | +18.0% | (76.8) | (78.5) | -2.1% |
| Operating profit before taxation | 781.9 | 710.4 | +10.1% | 240.0 | 228.7 | +4.9% |
| Taxation | (151.3) | (146.4) | +3.3% | (43.4) | (50.5) | -14.1% |
| **Net profit before minority & Tier 1 distribution** | **630.7** | **564.0** | +11.8% | **196.6** | **178.2** | +10.3% |
| Tier 1 sukuk profit payments | (15.9) | (11.2) | +41.6% | 0.0 | 0.0 | n/a |
| Non-controlling interests | (107.3) | (71.3) | +50.5% | (36.3) | (27.7) | +31.1% |
| **Attributable to shareholders (post-Tier 1)** | **507.4** | **481.5** | +5.4% | **160.3** | **150.5** | +6.5% |
| **Basic & diluted EPS (fils)** | **27.56** | **26.15** | +5.4% | **8.71** | **8.18** | +6.5% |

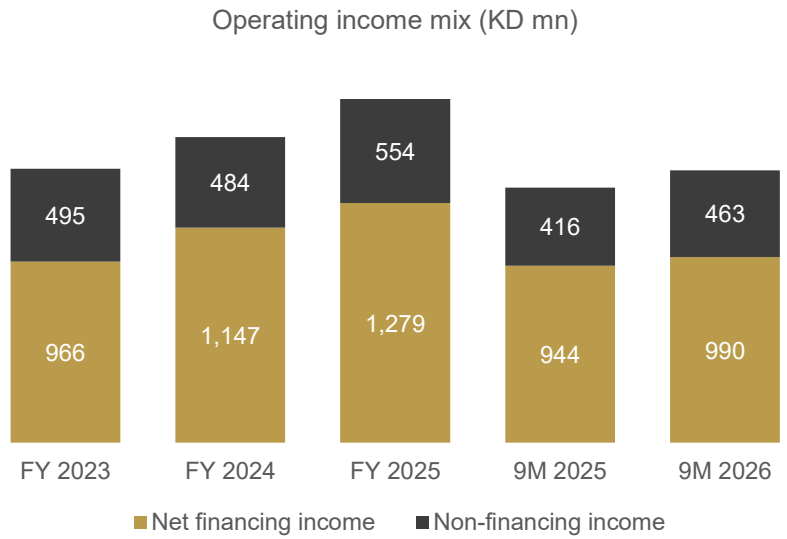
*Negative figures in parentheses and red. Attributable to shareholders shown after Tier 1 sukuk payments (per EPS note 4); reported attributable profit before Tier 1 was KD 523.4mn (9M 2025: KD 492.7mn). Provision line combines provisions & impairment with net monetary loss, as in the Coast master file.*

## Reading the numbers

- Financing income +7.7% in 9M but −12.8% in 3Q: the quarter shows the full effect of lower rates, with finance cost falling even faster (−20.6%), so 3Q net financing income still edged up 0.9%.
- Net fees +20.6% (KD 200mn) and investment income +14.3% lifted non-financing income 11.1% in 9M; 3Q was flat as other income halved.
- Opex fell 3.0% — staff +1.9%, G&A −8.2%, depreciation −12.6% — the main driver of the 11.7% rise in pre-provision profit.
- Provisions & impairment +59% to KD 136mn; net monetary loss from Turkish hyperinflation accounting fell to KD 87mn from KD 103mn.
- Minority interest absorbed KD 107mn (+50%), reflecting stronger subsidiary earnings and the IAS 29 impact.
- No Tier 1 payment fell in 3Q; 9M payment KD 15.9mn (KD 200mn AT1 sukuk issued May 2026).

# Three-Year Profitability Trend — FY2023 to 9M 2026

| KD million | FY 2023 | FY 2024 | FY 2025 | 9M 2025 | 9M 2026 |
|---|---|---|---|---|---|
| Net financing income | 965.9 | 1,147.0 | 1,279.2 | 944.3 | 989.5 |
| Total non-financing income | 494.9 | 483.7 | 554.1 | 416.3 | 462.7 |
| **Total operating income** | **1,460.9** | **1,630.7** | **1,833.3** | **1,360.6** | **1,452.2** |
| Operating expenses | (515.4) | (600.0) | (624.3) | (461.5) | (447.5) |
| Net operating income before provisions | 945.4 | 1,030.7 | 1,209.0 | 899.1 | 1,004.7 |
| Provisions, impairment & net monetary loss | (117.2) | (213.8) | (296.8) | (188.7) | (222.8) |
| **Net profit before minority & Tier 1 distribution** | **675.1** | **641.9** | **720.3** | **564.0** | **630.7** |
| Attributable to shareholders (post-Tier 1) | 584.5 | 601.8 | 632.1 | 481.5 | 507.4 |
| Cost-to-income ratio | 35.3% | 36.8% | 34.1% | 33.9% | 30.8% |
| Non-financing income / operating income | 33.9% | 29.7% | 30.2% | 30.6% | 31.9% |
| RoE (annualised, post-Tier 1) | 11.0% | 11.1% | 11.2% | 11.5% | 11.8% |
| RoA (annualised, net profit before minority & Tier 1) | 1.80% | 1.72% | 1.81% | 1.94% | 1.94% |



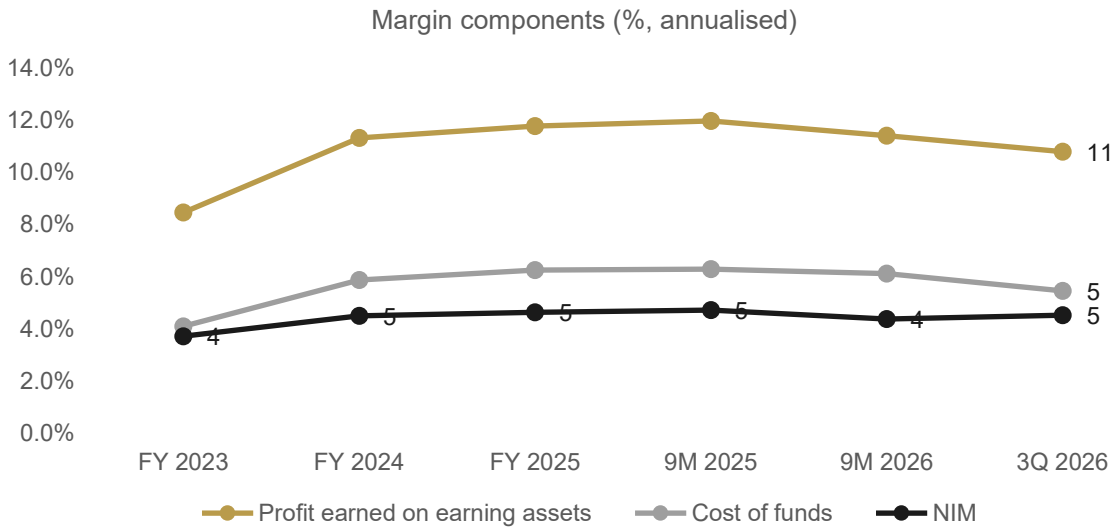

## Trend read-across

KFH has compounded operating income at roughly 12% a year since FY2023, with net financing income up a third over the period as the Ahli United (AUB) integration and the Turkish book repriced upward. Profit before minority & Tier 1 has grown every year except FY2024, when provisions doubled. The 9M 2026 cost-to-income of 30.8% is the lowest in the series and well below the 34–37% of the last three years, so the bank is now converting revenue to profit more efficiently than at any point since the merger. RoE remains in the 11–12% range, held back by the large goodwill and equity base inherited from the AUB acquisition.

# Margin Analysis — Earning Rate, Cost of Funds and NIM

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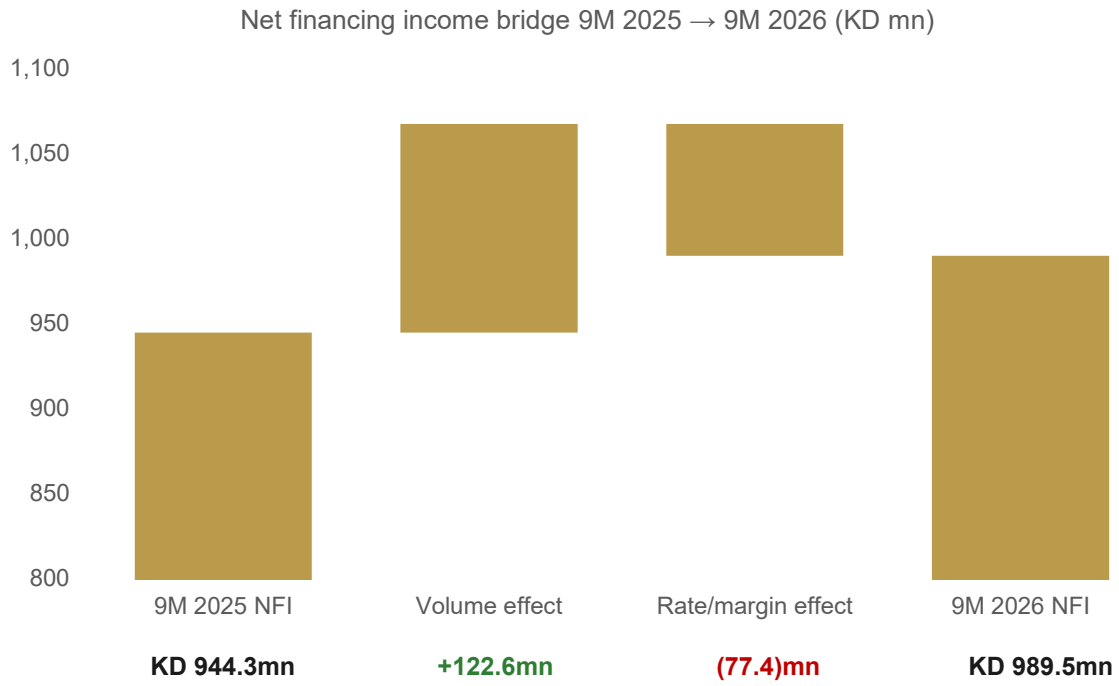
| Annualised, % of average balances | FY 2023 | FY 2024 | FY 2025 | 9M 2025 | 9M 2026 | 3Q 2025 | 3Q 2026 |
|---|---|---|---|---|---|---|---|
| Profit earned on earning assets | 8.46% | 11.32% | 11.77% | 11.97% | 11.41% | 13.98% | 10.79% |
| Cost of profit-bearing liabilities | 4.10% | 5.87% | 6.25% | 6.29% | 6.12% | 7.74% | 5.46% |
| **Spread** | **4.36%** | **5.45%** | **5.51%** | **5.69%** | **5.29%** | **6.24%** | **5.33%** |
| **Net interest margin (NIM)** | **3.72%** | **4.50%** | **4.63%** | **4.72%** | **4.38%** | **5.06%** | **4.52%** |
| Gross revenue on earning assets | 5.63% | 6.39% | 6.64% | 6.80% | 6.43% | 6.89% | 6.13% |
| Average earning assets (KD mn) | 25,937 | 25,500 | 27,627 | 26,665 | 30,127 | 26,665 | 30,127 |
| Average profit-bearing liabilities (KD mn) | 29,940 | 29,656 | 31,517 | 30,754 | 34,607 | 30,754 | 34,607 |




## Interpretation

- NIM compressed 34 bp YoY to 4.38% in 9M and 54 bp in 3Q (4.52% vs 5.06%): profit earned on earning assets fell 56 bp while funding cost eased 17 bp.
- KFH's rates run far above NBK's (NIM 4.4% vs 2.9%) because the Turkish subsidiary (KTPB) earns and pays very high nominal rates under hyperinflation accounting — the gross spread is wide, but the net monetary loss (KD 87mn in 9M) offsets part of it below the line.
- The 3Q step-down in earning rate (10.8% vs 14.0%) is the sharpest in the series, consistent with falling Turkish policy rates and CBK cuts; the funding side followed (5.5% vs 7.7%), so 3Q spread held at 5.3%.
- Average earning assets grew 13% YoY — enough to lift net financing income 4.8% despite the thinner margin.

# Net Financing Income Drivers and the Quarterly Margin Picture




Growth in the balance sheet added roughly KD 123mn of net financing income; margin compression took back roughly KD 77mn, leaving net growth of KD 45.2mn. KFH is the clearest example in the sector of volume outrunning rate — **the earning-asset base is 13% larger than a year ago.**

## 3Q 2026 vs 3Q 2025 — margin snapshot (annualised)

| | 3Q 2026 | 3Q 2025 | Change |
|---|---|---|---|
| Profit earned on earning assets | 10.79% | 13.98% | **-319 bp** |
| Cost of profit-bearing liabilities | 5.46% | 7.74% | **-228 bp** |
| **Spread** | **5.33%** | **6.24%** | **-91 bp** |
| **Net interest margin (NIM)** | **4.52%** | **5.06%** | **-54 bp** |
| Gross revenue on earning assets | 6.13% | 6.89% | **-76 bp** |
| Net financing income (KD mn) | 340.1 | 337.0 | **+0.9%** |

## Quarter read

- Both sides of the balance sheet repriced down hard in 3Q — earning rate −319 bp, funding cost −228 bp — so the spread narrowed 91 bp and NIM 54 bp YoY. Most of this is the Turkish book, where nominal rates have fallen with disinflation.
- Sequentially, 3Q NIM (4.52%) is above the 9M average (4.38%), so the margin is not deteriorating within the year — the YoY gap is against an unusually high 3Q 2025 base.
- Net financing income still grew 0.9% YoY in the quarter: the funding-cost relief (−KD 122mn) almost fully offset the drop in financing income (−KD 119mn).

*Margin ratios are computed on Coast's in-house methodology using average balances and annualised interim figures; other analysts may define earning assets and profit-bearing liabilities differently. Please contact the author for clarification.*

# Balance Sheet — Growth and Funding Mix

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| KD million | Dec 2023 | Dec 2024 | Dec 2025 | Sep 2025 | Sep 2026 | YoY | YTD |
|---|---|---|---|---|---|---|---|
| Cash & balances with banks | 3,612 | 3,695 | 4,999 | 4,182 | 4,558 | +9.0% | -8.8% |
| Financing receivables (net) | 19,425 | 19,070 | 21,817 | 21,221 | 23,446 | +10.5% | +7.5% |
| Due from banks | 2,971 | 2,227 | 3,447 | 2,936 | 1,987 | -32.3% | -42.3% |
| Investments (debt securities, associates, properties) | 8,341 | 7,949 | 8,586 | 8,616 | 9,402 | +9.1% | +9.5% |
| Other assets (incl. goodwill, PPE) | 3,660 | 3,763 | 3,911 | 3,798 | 4,412 | +16.2% | +12.8% |
| **Total assets** | **38,010** | **36,703** | **42,760** | **40,752** | **43,806** | +7.5% | +2.4% |
| **Earning assets (Coast definition)** | **26,009** | **24,992** | **30,263** | **28,338** | **29,991** | +5.8% | -0.9% |
| Due to banks, FIs, sukuk & term financing | 8,619 | 9,661 | 13,124 | 12,507 | 12,385 | -1.0% | -5.6% |
| Depositors' accounts | 21,813 | 19,220 | 21,029 | 20,120 | 22,676 | +12.7% | +7.8% |
| Other liabilities | 1,414 | 1,405 | 1,761 | 1,692 | 2,027 | +19.8% | +15.1% |
| **Total liabilities** | **31,847** | **30,286** | **35,915** | **34,319** | **37,087** | +8.1% | +3.3% |
| **Profit-bearing liabilities** | **30,432** | **28,881** | **34,154** | **32,627** | **35,060** | +7.5% | +2.7% |
| **Shareholders' equity** | **5,316** | **5,519** | **5,747** | **5,604** | **5,739** | +2.4% | -0.1% |
| Perpetual Tier 1 sukuk | 502 | 504 | 641 | 381 | 462 | +21.1% | -28.0% |
| Non-controlling interests | 345 | 395 | 456 | 448 | 517 | +15.4% | +13.4% |
| Financing / depositors' accounts | 89% | 99% | 104% | 105% | 103% | | |
| Equity / total assets | 14.0% | 15.0% | 13.4% | 13.8% | 13.1% | | |

## Balance sheet observations

- Financing receivables +10.5% YoY to KD 23.4bn — the strongest growth in the series after two flat years (FY2023–FY2024) spent digesting the AUB book.
- Depositors' accounts grew even faster (+12.7% YoY) and the financing-to-deposits ratio eased to 103% from 105%; interbank and sukuk funding was flat.
- Funding actions in 2026: USD 1bn 5-year senior sukuk issued in January at 4.563%; USD 750mn and USD 600mn Tier 1 sukuk called and replaced with a KD 200mn AT1 sukuk at 5.5% (May); a USD 600mn subsidiary sukuk repaid in September.
- Shareholders' equity is flat YTD despite KD 523mn of profit: KD 425mn of dividends (final 14 fils + interim 10 fils) and KD 112mn of FX translation losses on the Turkish subsidiary absorbed it.
- Due from banks fell 42% YTD as liquidity was redeployed into financing and debt securities (+9.5% YTD).

# Asset Quality and Provisioning

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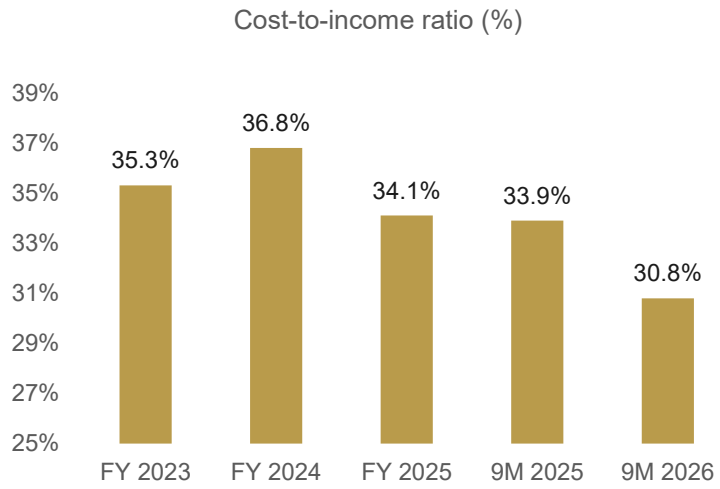
| KD million | Sep 2025 | Dec 2025 | Sep 2026 |
|---|---|---|---|
| Gross financing receivables | 22,164.5 | 22,762.9 | 24,459.1 |
| of which Stage 2 | 2,627.9 | 2,734.6 | 2,776.4 |
| **of which Stage 3 (credit-impaired)** | **547.8** | **509.0** | **606.2** |
| **Stage 3 ratio** | **2.47%** | **2.24%** | **2.48%** |
| Stage 2 ratio | 11.86% | 12.01% | 11.35% |
| IFRS 9 ECL provision (cash & non-cash facilities) | 508.2 | 460.5 | 549.8 |
| CBK provision for credit facilities (recognised) | 986.2 | 987.2 | 1,049.7 |
| Balance-sheet provision on financing receivables | 943.6 | 945.9 | 1,012.8 |
| **ECL coverage of Stage 3 financing** | **93%** | **90%** | **91%** |
| CBK provision coverage of Stage 3 financing | 180% | 194% | 173% |

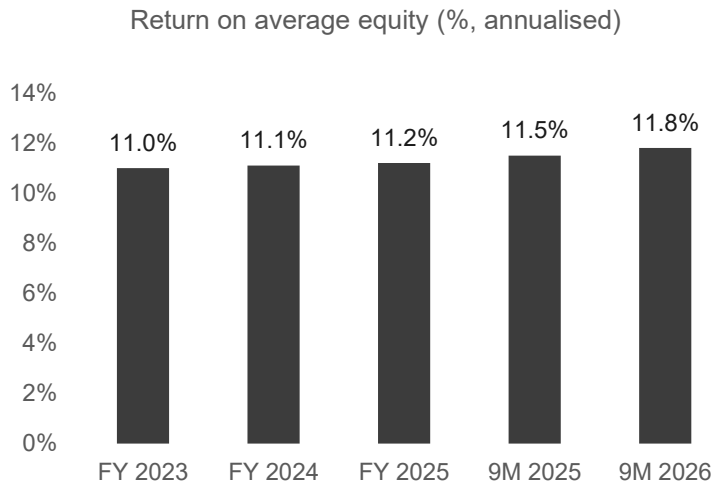
| Provision charge, KD million | 3Q 2026 | 3Q 2025 | 9M 2026 | 9M 2025 |
|---|---|---|---|---|
| Impairment on financing receivables | 40.5 | 22.9 | 100.9 | 52.1 |
| Recovery of written-off debts | (8.7) | (10.3) | (39.3) | (33.5) |
| Non-cash facilities & debt securities ECL | 2.9 | (0.9) | 1.0 | (1.7) |
| Other provisions & impairment | 18.1 | 34.9 | 73.2 | 68.9 |
| **Total provisions & impairment** | **52.7** | **46.7** | **135.9** | **85.7** |
| Net monetary loss (IAS 29, Turkey) | 24.1 | 31.8 | 86.9 | 103.0 |
| Cost of risk incl. monetary loss (annualised, % avg financing) | 1.36% | 1.56% | 1.31% | 1.25% |

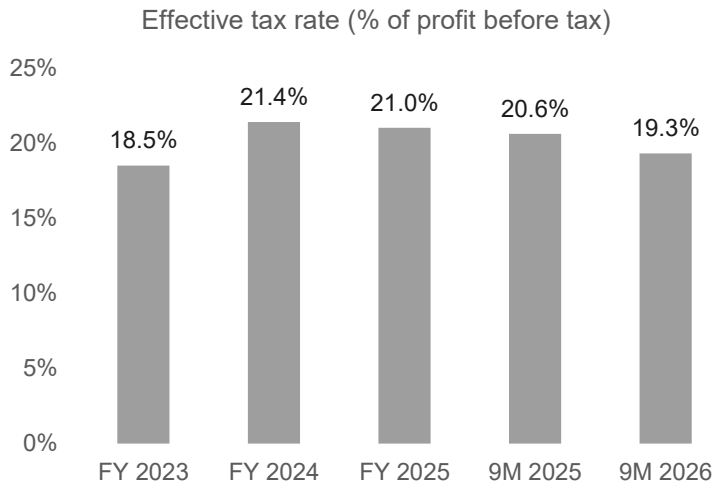
## Assessment

- **Asset quality is weaker than NBK's and drifting**: Stage 3 financing rose KD 97mn (+19%) since December to KD 606mn, taking the Stage 3 ratio back to 2.48% — about double NBK's 1.29%. Stage 2 is high at 11.4% of the book, though it edged down.
- Coverage is adequate rather than strong: IFRS 9 ECL covers Stage 3 at 91% and the recognised CBK provision at 173% (down from 194% at December as Stage 3 grew faster than provisions). The CBK provision exceeds IFRS 9 ECL by KD 500mn — a sizeable buffer.
- The financing impairment charge nearly doubled YoY (KD 101mn vs 52mn); Stage 3 ECL alone saw KD 101mn of new charges against KD 33mn of write-offs. Recoveries of written-off debts (KD 39mn) continue to soften the net charge.
- "Other provisions & impairment" of KD 73mn — non-financing items such as investments, properties and legal — remain a recurring and large line for KFH.
- The net monetary loss (KD 87mn) is an accounting consequence of Turkish hyperinflation, not credit — it is falling as Turkish inflation decelerates (conversion factor 1.23 vs 1.31 at December).

# Efficiency, Returns and Tax




| Operating expenses, KD million | 9M 2026 | 9M 2025 | YoY |
|---|---|---|---|
| Staff costs | 271.1 | 266.1 | +1.9% |
| General & administrative expenses | 118.0 | 128.6 | -8.2% |
| Depreciation & amortisation | 58.4 | 66.8 | -12.6% |
| **Total operating expenses** | **447.5** | **461.5** | -3.0% |

*Cost growth shown in red as adverse to earnings; cost reductions in green.*

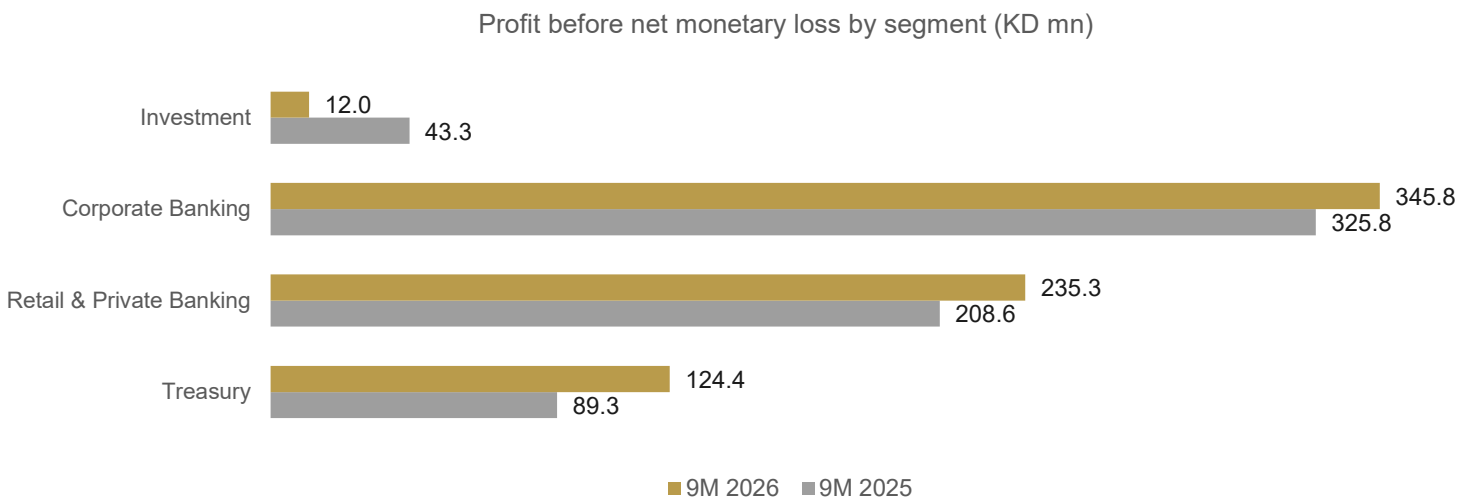
## Assessment

- Cost-to-income of 30.8% is the best in the series and ~3 pp better than 9M 2025 — G&A down 8% and depreciation down 13% point to post-merger synergies maturing and FX translation shrinking the Turkish cost base in KD terms.
- RoE of 11.8% (post-Tier 1, annualised) improved on 9M 2025 (11.5%) as attributable profit grew while equity stayed flat; RoA of 1.94% is the highest in the series.
- The effective tax rate fell to 19.3% from 20.6% — KFH carries overseas tax (Turkey, Bahrain) plus Kuwait DMTT, zakat and KFAS contributions, so it structurally runs above NBK's ~15%.

# Segment Performance — 9M 2026 vs 9M 2025

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| KD million | Op. income 9M26 | Op. income 9M25 | YoY | Profit* 9M26 | Profit* 9M25 | YoY | Assets Sep-26 |
|---|---|---|---|---|---|---|---|
| Treasury | 191.3 | 109.2 | +75.2% | 124.4 | 89.3 | +39.3% | 16,312 |
| Retail & Private Banking | 489.5 | 485.4 | +0.8% | 235.3 | 208.6 | +12.8% | 8,696 |
| Corporate Banking | 591.6 | 578.9 | +2.2% | 345.8 | 325.8 | +6.1% | 14,721 |
| Investment | 179.7 | 187.0 | -3.9% | 12.0 | 43.3 | -72.2% | 4,076 |
| **Group before net monetary loss** | **1,452.2** | **1,360.6** | +6.7% | **717.6** | **667.0** | +7.6% | **43,806** |
| Net monetary loss | | | | (86.9) | (103.0) | -15.7% | |
| **Net profit before minority & Tier 1 distribution** | | | | **630.7** | **564.0** | +11.8% | |




## Where the growth is

- Treasury was the standout: operating income +75% and profit +39% as liquidity was deployed into debt securities and interbank placements at still-high rates — KD 35mn of the group's KD 51mn profit increase came from here.
- Corporate Banking (34% of assets, 48% of profit) grew profit 6% on 2% higher income — cost control doing the work.
- Retail & Private Banking profit +13% on flat income, again cost-driven; it carries the deposit franchise (41% of liabilities).
- Investment segment profit collapsed to KD 12mn from KD 43mn — lower gains on investment properties and higher impairments on non-banking entities.
- Analytical inference: treasury gains of this kind are rate-dependent and less repeatable than the core banking franchises as rates fall.

** Profit for the period before net monetary loss, non-controlling interests and Tier 1 payments, as disclosed in note 15.*

# Conclusions and What to Watch

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## Positives

- Net profit before minority & Tier 1 distribution +11.8% in 9M and +10.3% in 3Q — the fastest growth among the large Kuwaiti banks reporting so far.
- Cost-to-income at a record-low 30.8%; opex actually fell 3% while income rose 7%.
- Financing +10.5% and deposits +12.7% YoY; the earning-asset base is 13% larger, which is why net financing income grew despite a thinner margin.
- Treasury and fee income (+21%) are diversifying earnings; net monetary loss is shrinking as Turkish inflation decelerates.

## Concerns

- NIM down 34 bp (9M) and 54 bp (3Q) YoY; Turkish rate cuts will keep pulling the gross earning rate down.
- Stage 3 ratio back up to 2.48% with Stage 3 financing +19% YTD; financing impairment charge nearly doubled.
- Minority interests took KD 107mn (+50%) — shareholders' share of profit grew only 5.4%, and EPS 5.4%.
- Equity flat YTD: KD 112mn FX translation loss and KD 425mn dividends offset profit; goodwill of KD 2.3bn still weighs on RoE (11.8%).

## Watch in 4Q 2026 / FY2026

- Turkish lira and inflation path — they drive both the net monetary loss and the KD value of KTPB's earnings and equity.
- Whether the Stage 3 build is concentrated (a few corporate names) or broad — watch the FY2026 credit disclosure.
- Dividend: FY2025 paid 24 fils total (14 final + 10 interim) plus 7% bonus; 9M EPS of 27.56 fils supports at least a repeat.
- Refinancing of Tier 1 and senior sukuk at lower coupons as rates fall — a tailwind for 2027 funding cost.

**Bottom line: KFH is delivering the strongest earnings growth in the sector on operating leverage and balance-sheet expansion, but the quality of that growth is lower than NBK's — more of it accrues to minorities, credit costs are rising, and the margin is more exposed to Turkey. A simple run-rate of 9M points to FY2026 net profit before minority & Tier 1 distribution of roughly KD 830–850mn (analytical inference).**

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