



Earnings Conference Call

First Quarter 2026

Edited Script

4 May 2026



Corporate Participants:

Mr. Sami Mahfouz- Acting CEO

Mr. David Challinor – CFO

Ms. Dalal Aldousari – Head of Investor Relations

Host:

Ms. Elena Sanchez – EFG Hermes

Elena: Good morning and good afternoon, everyone. This is Elena Sanchez, on behalf of EFG Hermes; I would like to welcome you all to Gulf Bank first quarter 2026 earnings conference call. It is a great pleasure to have with us on the call Mr. Sami Mahfouz, Gulf Bank Acting CEO, Mr. David Challinor, Gulf Bank CFO and Ms. Dalal AlDousari, Head of Investor Relations at Gulf Bank.

At this point I would like to hand over the call to Dalal, please go ahead.

Dalal: Thank you, Elena. Good afternoon and welcome to Gulf Bank's first quarter 2026 earnings call. We will start our call today with key highlights and updates on the operating environment of Gulf Bank during the first quarter of 2026 presented by Acting CEO, Mr. Sami Mahfouz, followed by a detailed presentation of our financial results by the CFO, Mr. David Challinor.

All amounts in the presentation are in millions of Kuwaiti Dinars and have been rounded to simplify the charts. During our presentation, we will try not to repeat the currency when discussing specific amounts unless that amount is in another currency other than Kuwaiti Dinars.

After the presentation, we will open the floor for Q and A received through the webcast platform. Questions can be posted on the "chat box" and will be visible to all participants. Feel free to type in your questions at any time during the call and we will address them once we open the Q&A session.

Please note that we can only comment on questions and information that are publicly disclosed. I would also like to draw your attention to the disclosure on **page 10** of the presentation, with respect to forward-looking statements and confidential information. Please feel free to reach out to our Investor Relations team if you have any questions.

Now, I would like to hand over the call to Mr. Sami Mahfouz, Sami?

Sami: Thank you, Dalal and Elena. Good morning and good afternoon, everyone, and thank you for joining us today to discuss Gulf Bank's results for the first quarter of 2026. I will begin with a brief overview of the Bank's overall position and the operating environment during the first quarter, before turning to a more detailed review of our financial performance and outlook.

As we all know, we have been operating in an exceptionally challenging environment, as Kuwait and the whole region have been facing hostile security developments and heightened regional tensions since late February 2026. While these conditions have weighed on market sentiment and affected parts of the local and regional economic

landscape, the State's institutional strength, a timely and adequate policy response, have supported the stability of economic activity.

During the first quarter of this year, key sovereign indicators remained robust as Kuwait's credit ratings were reaffirmed by leading credit rating agencies, reflecting the country's strong financial position and external resilience. In parallel, the Kuwait Ministry of Finance presented the draft budget for FY2026/2027 with no changes, describing the fiscal position as stable, with sufficient liquidity to meet both near- and medium-term obligations. While current conditions may place pressure on fiscal balances, Kuwait continues to benefit from funding flexibility supported by domestic market depth and access to international capital markets; this has been demonstrated in April when the Sovereign issued USD 2 billion Bonds through a private placement, as well as 3 domestic local currency issuances totaling KWD 500 million.

In response to hostile geopolitical developments, the Central Bank of Kuwait introduced targeted regulatory and macroprudential measures, including adjustments to liquidity requirements, expansion of lending limits, and the partial release of capital conservation buffers. Collectively, these measures are designed to enhance the banking sector's flexibility, supporting credit flows to the economy, and safeguarding financial stability.

Operationally, Gulf Bank swiftly activated its business continuity and risk management protocols in line with established frameworks and directives from the Central Bank of Kuwait. This ensured the uninterrupted operation of our systems and the continued delivery of services across all channels. Our customers maintained full access to the Bank's services through our branch network, digital platforms, call center, and ATM infrastructure, enabling seamless and secure transactions for both individual and corporate clients. At the same time, we placed strong emphasis on employee wellbeing and operational readiness, ensuring that our teams remain fully equipped to support customers effectively under all circumstances.

We also continued to advance our digital capabilities, enhancing the accessibility, security, and efficiency of our services. At the beginning of the year, Gulf Bank announced the launch of its new mobile application dedicated to SME and Corporate banking clients, designed to meet the evolving needs of businesses across various sectors. The application enables faster decision-making, particularly for critical approvals such as payroll transfers and other transactions carried out by corporate teams, while providing greater flexibility and control over banking activities.

Now turning to Page 2 of presentation, allow me to summarize our financial results with six key messages:



First, we recorded a net profit of KD 9.4 million for the first quarter of 2026, in line with our first quarter of 2025 net profit of KD 9.4 million.

Second, our operating profit before total provisions and impairments losses reached KD 21.7 million, an increase of KD 0.8 million or 4% compared to the first quarter of 2025.

Third, our gross loans and advances reached KD 6.4 billion, a year-to-date increase of KD 331 million or 5% compared to 31 December 2025. This growth came mainly from our corporate banking segment.

Fourth, while the non-performing loan (NPL) ratio increased marginally to 1.3% as of 31 March 2026, the overall portfolio underlying strength remains intact, anchored by prudent underwriting practices. Importantly, our NPL coverage ratio of 312%, inclusive of total provisions and collateral, highlights our strong risk management framework and readiness to absorb potential credit shocks.

Fifth, as of 31 March 2026, our Tier 1 Ratio was 13.7% achieving a buffer of 266 basis points above the new regulatory minimums of 11%, and our Capital Adequacy Ratio was 15.7% achieving also a buffer of 270 basis points above the new regulatory minimums of 13%.

Lastly, the Bank continues as an 'A' rated bank by major credit rating agencies. Our current position stands as follows:

- 'A3' long-term deposit ratings of Gulf Bank with a 'Stable' outlook by Moody's Investors Service.
- Long-Term Issuer Default Rating at 'A' with a 'Stable' outlook and a Viability Rating of 'bbb-' by Fitch Ratings.
- Long-Term Foreign Currency Rating of 'A+' with a 'Stable' outlook by Capital Intelligence.

Overall, as we progress through 2026, we will continue to closely monitor local and regional developments and respond appropriately, while maintaining a disciplined focus on executing our strategic priorities. Gulf Bank remains well-positioned, supported by a resilient balance sheet, enabling us to navigate the current environment while continuing to serve our customers and support the broader economy. We remain hopeful for a swift resolution of the current situation and reaffirm our wishes for the continued safety and security of Kuwait.

With that, I'll turn it over to the CFO, David Challinor, who will cover the financials for the first quarter of 2026 in more depth, thank you. David, over to you.

David: Thanks Sami.

[GBK Classification: PUBLIC]



Turning to page 3, we can see the movement in net profit which has remained flat, at 9.4 million.

Looking at the underlying components, net profit was supported by a 2 million increase in interest income, a 0.9 million rise in non-interest income, and a 0.7 million reduction in credit costs. These gains were partially offset by a 1.8 million increase in interest expense, higher operating expenses of 0.3 million, equivalent to only 1% growth over last year, and a 1.5 million increase in general provisions, reflecting the impact of very strong loan growth in the quarter.

Turning to page 4, we have a detailed breakdown of our income statement.

On line 1, interest income increased by 2.0 million, or 2% year on year, primarily driven by strong loan book growth and the additional interest earned from recent government issuances.

On line 2, interest expense increased by 1.8 million or 3% in Q1 2026 compared to last year.

On line 3, net interest income totaled 35.3 million, representing an increase of 1% in Q1 2026 compared to last year. This growth was primarily driven by strong year on year expansion in interest-earning assets.

On line 4, non-interest income increased by 0.9 million, or 11% year-on-year, reaching 9.8 million in Q1 2026. A key contributor to this growth was the strong performance in fees and commissions income, which rose by 15% year-on-year, which is an encouraging indicator of business momentum.

On line 5, operating income for Q1 2026 reached 45.1 million, an increase of 1.1 million or 3% year on year.

On line 6, operating expenses increased by 0.3 million, or 1% year-on-year, in Q1 2026. And we achieved a positive JAWs ratio of 1.2% in Q1 2026, which was supported by continued cost discipline and a gradual improvement in top-line growth compared to the same period last year.

On line 7, operating profit before total provisions and impairments increased by 0.8 million, or 4%, reaching 21.7 million in Q1 2026.

On line 8, credit costs totaled 9.4 million in Q1 2026, reflecting a decline of 0.7 million, or 7%, compared to the same period last year. This was primarily attributable to the sustained strength and resilience of the corporate portfolio's asset quality.



On line 9, general provisions were 2.4 million in Q1 2026, in comparison to 1 million last year, reflecting the stronger loan growth this year. As per CBK regulations, a 1% general provision charge is required, mainly against non-government loans booked during the quarter.

Turning to page 5, we can see the balance sheet.

On line 7, net loans and advances of 6.2 billion increased by 10% year on year and 6% year to date. Our corporate business remains the growth engine of the loan book.

On line 12, total assets increased by 7% year on year to reach 8 billion. The increase reflects continued growth in net loans and advances, coupled with an increase in exposure to Kuwait government bonds.

On lines 14 & 15, total deposits were 5.9 billion as on 31 March 2026, this represents an increase of 421 million or 8% year on year and 216 million or 4% year to date. Our CASA ratio stood at 23.7% at end of Q1 2026, lower than the same period last year of 29.2%. The decline in CASA reflects a broader market trend, with the market ratio decreasing from 30.5% in Q1 2025 to 27.5% by the end of March 2026. This was primarily driven by a shift in the deposit mix from current accounts to time deposits over the period. However, we anticipate a gradual reversal of this trend. The expected recovery will be supported by the relaunch of prize-based deposit products in the local market, which are CASA in nature, including the flagship Al Danah Millionaire Account offered by Gulf Bank.

On line 16, other borrowed funds increased by 14% year-on-year, and 6% year to date.

Moving on to asset quality, our non-performing loan ratio, shown on line 23, stood at 1.3% at the end of Q1 2026, down 0.2% from the same period last year. We continue to maintain a significant total coverage ratio of 312%, which includes both total provisions and collaterals.

Now, turning to Page 6 you can see in the chart on the left that as at 31 March 2026, we have 74 million of excess provisions, representing 28% of total provisions.

As shown in the pie charts on the top right of the page, Stage 1 loans increased to 96.4%, while Stage 2 loans decreased to 2.2%. Stage 3 loans increased slightly to 1.3% and are predominantly composed of retail accounts.

The chart on the bottom right of the page shows the evolution of Stage 2 and Stage 3 loans. Stage 2 loans are at one of their lowest levels, while Stage 3 loans remain stable and at very low levels.



Turning to page 7, on the top-left, our Tier 1 capital ratio was 13.7%, which is well above the regulatory minimum of 11%. And it's worth noting that all of our Tier 1 is Common Equity Tier 1.

On the bottom-left, our Capital Adequacy Ratio of 15.7% was well above our regulatory minimum of 13% and both ratios don't include Q1 26 profits and are after accounting for the 2025 dividend.

It is worth noting that on 26 March 2026, the Central Bank of Kuwait announced a stimulus package for local banks, reducing the capital conservation buffer by 1%, resulting in a decline in the minimum regulatory capital requirements.

On the top-right, our risk-weighted assets increased by 4% year to date, primarily driven by the strong loan growth.

On the bottom-right, our leverage ratio as at 31 March 2026 was 9.0%, lower than the 9.7% reported on 31 December 2025, but still well above the 3% regulatory minimum.

Turning to page 8, we can see our key liquidity metrics.

The chart on the left shows our quarterly average daily Liquidity Coverage Ratio at 295%, while the chart on the right shows our Net Stable Funding Ratio at 106%. Both key ratios remain well above the regulatory minimum of 80%, reflecting our strong liquidity and funding profile.

As previously noted, and in line with the stimulus package announced by the Central Bank of Kuwait on 26 March 2026, the regulatory minimums for the Liquidity Coverage Ratio and Net Stable Funding Ratio were reduced from 100% to 80%, supporting liquidity and stability in the local banking sector.

Now, I will turn it back over to Dalal for the Q and A session.

Dalal: Thank you, David. We are now ready for Q and A. If you wish to ask a question, please submit your question into the "chat box".

We will wait for a few minutes to receive most of your questions, and we will try to group them by topic.

(Pause)

Dalal(Q1): Okay, we have couple of questions on loan growth? Would you like to take that David?

David (A1): Thanks, Dalal.

We had an exceptionally strong start to the year in terms of loan growth. Net loans and advances grew by 326 million, which was almost 6% growth in just one quarter, and the highest growth for a number of years. Now, I did say on the Q4 call we had a very strong corporate pipeline, and much of this converted in the quarter. And the growth was a mix of both local and international transactions with good margins.

And when we look at total customer loan growth year to date, which excludes lending to banks, our growth was 5.3% for the quarter, versus the market, which was 1.9% to the end of March. And for the corporate segment we grew 9% versus the market, which was 2.8%. So, this is testament to our very strong corporate franchise. And as such strong growth booked early in the year will enhance Net Interest Income throughout 2026.

However, the retail growth in the system remains very slow and subdued, increasing by only 0.1% year to date as per CBK data, and this reflects a very challenging and competitive environment in retail. Internally, we've expanded the product range and are targeting new customer segments and offering competitive pricing for our target customers.

In terms of outlook, on the Q4 call I guided high single digit loan growth for the full year 2026. And I would expect this to be achieved with the possibility of potential upside to those numbers.

Dalal: Thank you, David.

Dalal(Q2): We have also questions on operating expenses. David?

David(A2): Yes, sure thanks Dalal.

So, on operating expenses grew only 1% year on year, which reflected our ongoing cost discipline in relation to our business-as-usual cost base. And our cost-to-income ratio was 51.9% in Q1 26 versus last year Q1 25 which was 52.6% so there has been a reduction there.

Now clearly, we are advancing several strategic projects such as the Islamic conversion and potential merger. And I've indicated before that the year 2026 will bear the majority of these costs. So, my expectation is that the quarterly costs for the remainder of 2026 would be higher than what we saw in Q1.

In terms of guidance, I previously said the absolute cost growth for the full year could be around the mid-to-high single-digit range and that estimate still holds.



Dalal: Thank you, David. We will pause for a few minutes to receive more of your questions.

(Pause)

Dalal(Q3): **We have few questions on Net Interest Margins? David, would you like to take that question?**

David (A3): Yes, sure thanks, Dalal.

The margin contracted 9 basis points in Q1 and so now it's sitting at 1.82%. The contraction which was expected was primarily driven by the full quarter impact of the benchmark rate cuts that happened in December. So, these cuts worked to reduce the income yield on the book, which put downward pressure on the margin.

Now, we did see cost of funds fall during the quarter, but it wasn't enough to offset the income yield drop. We've seen deposit pricing in the local market continue to be relatively sticky in response to recent rate cuts, and the geopolitical events exacerbated this dynamic.

In terms of outlook, at the beginning of the year we didn't provide any margin guidance for the full year 2026 due really because to many moving parts and uncertainty around benchmark rate movements. Although we did indicate that in the short term we would expect a contraction, and that's what we saw. Now the key driver of the margin is movements in benchmark rates. And due to the geopolitical situation, the general consensus seems to be "higher for longer" which would be positive for margin when compared to the prospect of rate cuts in the short term.

Going forward, we also expect CASA levels to improve with the return of the bank prize draws, which were suspended for about a year. The other positive dynamic for margin is that a portion of the retail loan book is due to reprice from historically low levels. And specifically, retail loans written 5 years ago during 2021 at 4.5% will reprice upwards during the 2026 year so supporting margin.

Dalal: Thank you, David.

Dalal(Q4): **Any update you can provide on Islamic banking conversion and on merger? Sami, would you like to take that question?**

Sami(A4): Sure, thank you Dalal.

On the Sharia-compliant conversion, the Bank continues to make measured progress in line with the regulatory framework following the Central Bank of Kuwait's preliminary approval. Implementation efforts are advancing across core workstreams, with dedicated teams overseeing the transition across business, operational, and technical areas. Focus remains on ensuring readiness in a

structured manner, while maintaining consistency in service delivery. Overall, progress remains aligned with the planned timeline.

As for the potential merger with Warba Bank, the evaluation process is ongoing, with due diligence activities nearing final stages, under the guidance of independent advisors and the oversight of both Boards and relevant regulatory authorities. The process is progressing in an orderly manner, and any material updates will be communicated in line with disclosure requirements.

Dalal: Thank you Sami. We will pause for a few minutes to receive more questions.

(Pause)

Dalal(Q5): **We have another question, expectations on timeframe of CBK regulatory guidelines easing, if this is temporary for how long and how much this will impact operations going forward? Sami?**

Sami(A5): Thank you Dalal.

Well basically the we thanked the proactivity of the Central Bank in terms of enacting that easing which is I would say similar to the playbook of Covid and if I go by that playbook, the Central Bank was very patient and disciplined when things stabilized and reverting to old ratios and naturally I would expect them to use the same approach this time. That said the situation remains fluid as we speak while we hope we reach a normal kind of end to the hostilities around the region. We expect the Central bank to apply the same approach and achieve the return to the original ratios in ordinary fashion. That's the only comment I can make on this.

Dalal: Thank you Sami.

Dalal(Q6): **What is your expected Cost of Risk for 2026? David?**

David(A6): Generally, with credit cost, there were 9.4 million for Q1, which represented a year-on-year decrease of 0.7 million or 7%.

And a similar theme has continued, which is that almost all the credit costs relate to retail. And I've mentioned before that the retail credit costs have remained elevated for a prolonged period, but we could expect some normalization to occur as our underwriting amendments coupled with enhancements to the collections process, both work to deliver positive results.

Now in terms of outlook, at the beginning of the year I gave guidance for the full year cost of risk to be in the 50 to 60 basis point range. At Q1, we were 61 basis points so I would expect, at this stage, for the guidance to still hold.

Dalal: Thank you David and Sami.

[GBK Classification: PUBLIC]

I believe we have covered the majority of the topics and questions raised today during the call. And with that, we would like to conclude our call for today. If you have any further questions, you may visit our investor relations page at our website or reach us at our dedicated investor relations email. Thank you all very much for your participation today.

