

Gulf Bank

Investor Presentation

3rd Quarter 2023


Gulf Bank at a Glance

Gulf Bank is one of the leading Conventional banks in Kuwait




Shareholder information


GBK Index Landscape




Listed in Boursa Kuwait
Under Premier Market



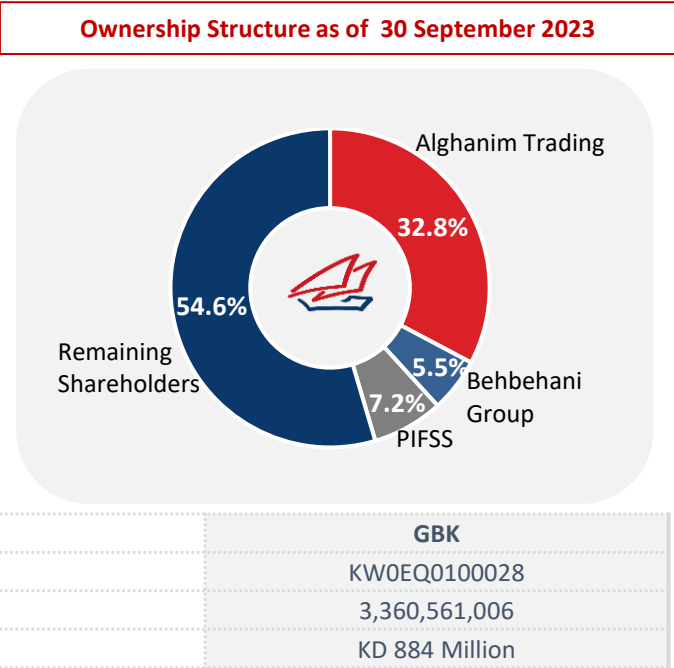
FTSE Russell Emerging Markets
Index since September 2017



S&P DJI Emerging Market
Index since December 2018



MSCI Emerging Market
Index since November 2020



Ticker	GBK
ISIN	KW0EQ0100028
Number of Shares Issued	3,360,561,006
Market Cap as of 30 September 2023	KD 884 Million

Our Business Model

Consumer Banking

Our Consumer Banking serves a broad range of customer segments, offering customer-centric solutions and a unique experience tailored to each customer segment. Our diversified product offering includes personal loan options, credit and debit cards, and deposits.

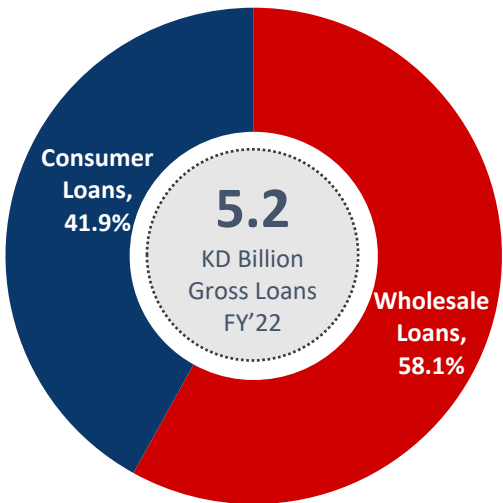
Wholesale Banking

Our Wholesale Banking has a comprehensive suite of wholesale, commercial and Small and Medium Enterprise (SME) banking products and services. These include structured finance, project finance, transaction banking, Advisory / Corporate Finance and Investment Banking, Merchant Banking and Cards.

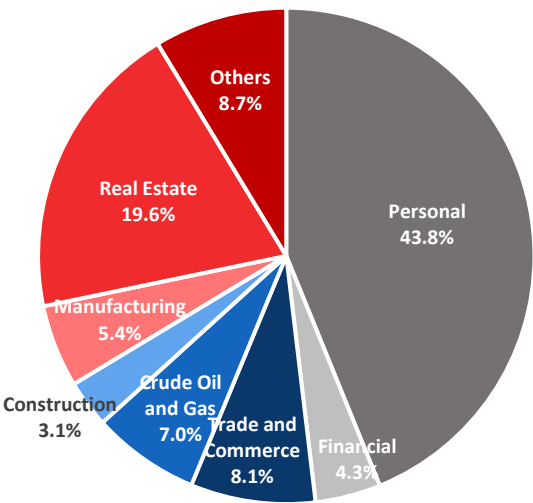
Treasury and Investment

Our Treasury focus is to optimize the balance sheet's efficiency, managing the Bank's liquidity while supporting asset growth and sufficient buffers to meet regulatory requirements. Our Investment Services manages the Bank's proprietary investment and offer investment products to clients.

Gross Loans by Segment⁽¹⁾



Gross Loans by Sector⁽²⁾



(1) Note 24 A in Financial Statement – Credit Quality by class of financial assets and Financial assets individually impaired by segment as of 31 December 2022;

(2) Note 12 A in Financial Statement – Based on the primary purpose of the loans and advances given to customers as of 31 December 2022.

State of Kuwait Operating Environment

1 Overview

- ▶ **The State of Kuwait is a sovereign state** on the coast of the Arabian Gulf with a population of 4.7 million as of Dec 2022, of which 32% are Kuwaiti Nationals.
- ▶ **Kuwait is a constitutional monarchy**, headed by His Highness the Emir, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah. Kuwait constitution was approved and promulgated in November 1962 and an elected National Assembly.
- ▶ **Kuwait Vision 2035**, that was launched in 2019 encompasses seven strategic pillars: 1) Sustainable diversified economy; 2) Effective civil service; 3) Sustainable living environment; 4) Developed infrastructure; 5) High quality healthcare; 6) Creative human capital; and 7) Global positioning.

2 Economy

- ▶ **Kuwait is an oil driven economy**, however, has witnessed growing contribution from non-oil sectors in recent years.
- ▶ **Kuwait has one of the lowest industry breakeven oil prices in the world and a fiscal breakeven lower than some other GCC countries**, making it more resilient to low oil prices. It has one of the world’s largest sovereign wealth funds and very low debt, which underpins its investment grade sovereign credit rating.
- ▶ **Kuwait is one of the richest country in the world by gross national income per capita**, with a GNI per capita reaching \$39,570 for year end 2022 according to the World Bank.

3 Key Indicators

	2023e	2024e
Sovereign Rating	Fitch: “AA-”, Stable Outlook Moody’s: “A1”, Stable Outlook S&P: “A+”, Stable Outlook	
Real GDP ⁽¹⁾	0.1%	2.6%
Inflation (%y/y) ⁽¹⁾	3.6%	3.0%
Public Debt (% GDP) ⁽¹⁾	3.3%	3.2%

Public Finance

- ▶ **KD 6.4 bn Surplus**
2022/23 closing account surplus represents the first surplus in eight years, mainly due to higher oil revenue than originally budgeted.
- ▶ **KD 6.8 bn Budgeted Deficit**
FY23/24 draft budget, which will need to be ratified by the incoming parliament, could result in a deficit of KD6.8 bn due to increase in expenditures and decline in oil revenue.

Major Projects

- ▶ **KD 700 m**
Approx. Awarded Projects in Q3’23
The value of awarded projects in Q3’23 represent the 3rd consecutive quarterly growth. The Q3’2023 value is a 7 year high, with a cumulative KD 1.86 bn to end-Sep, awards this year have far exceeded 2022 levels
- ▶ **KD 8.4 bn**
Expected Projects for FY 2023
The Major projects are in;
 - Chemical sector estimated at KD 2.85 billion,
 - Power & Water estimated at KD 2.4 billion,
 - Construction sector estimated at KD 0.37 billion.

Real Estate Activity⁽²⁾

- ▶ **KD 2.3 bn**
Total Sales in 9M’23
A decline of 24% 9M vs 9M.
 - The decline across all real estate segment with, Residential down 26%, Investment down 20%, and Commercial down 38%.
 - High valuations in the residential sector, rising borrowing costs and an uncertain macroeconomic and policymaking environment—especially over utility subsidy reforms and government land distributions—have all contributed to the slowdown.

Banking Sector

- ▶ **10 Banks**
5 Conventional & 5 Islamic
Prudent regulation and supervision by the Central Bank of Kuwait who have helped maintain a resilient banking system.
- ▶ **KD 85 bn**
System⁽²⁾ Total Assets August 23
Since the beginning of rate tightening cycle back in March 2022, CBK hiked policy rate totaling 275 basis points vs the FED hikes of 525 basis points.
- ▶ An increase of 3.2% y/y and up 0.1% ytd.
- ▶ The system total Credit Facilities reached KD 53 bn, up 2.5% y/y and up 0.3% ytd.
- ▶ Banking sector market capitalization reached KD 24.8 bn⁽³⁾, down 3.7% y/y.

Gulf Bank Strategy 2025

Gulf Bank's strategy is based on simple and innovative services that facilitate customers' lives and achieve sustainable growth, with the aim of cementing the Bank's position as the leading Kuwaiti Bank of the Future. The Bank new strategy aims to provide customers with an unprecedented banking experience in Kuwait, based on digital transformation processes already underway both at the customer service level and internal operations level. The focus of Strategy '2025' is on:

- Promoting selective growth in the corporate banking and SME segment by expanding our product range and services;
- Growing Consumer banking market share, while supporting the youth, women and affluent client segments; and
- Developing the Bank's digital banking platforms in order to improve services and increase competitiveness.

Digital Transformation Strategic Focus



1

Digitization of Operations

- ▶ Use Advance Data Science to improve engagement with customers and grow market share.
- ▶ Upgrade of the Core Banking System, which will introduce new products, services and features including Omni-channel initiative.
- ▶ Install new Treasury System to cater for the Full Treasury Trade Cycle and introduce new automation, products, robust credit and market risk limits monitoring, in addition to seamless operational back-office services.
- ▶ Optimize physical branch network utilizing the Banks' digital transformation journey.

2

Tailored Customer Offerings

- ▶ Improve sales and service levels by identifying profitable segments under consumer banking.
- ▶ Develop business with the affluent segment by providing premium services.
- ▶ Expand product range, transaction banking, corporate finance and include small and mid-sized enterprises.
- ▶ Expand footprint outreach in-line with Kuwait Vision 2035 "New Kuwait".

Gulf Bank Strategy 2025

Vision and Mission



Our Vision

To be the leading Kuwaiti bank of the future.



Our Mission

To provide customers with simple and innovative services, in order to enable sustainable growth.

To ensure the success of this strategy, Gulf Bank has set the foundation to foster a performance-driven culture, introduce new technology solutions and adopt world-class risk management practices. This is facilitated through new Core Values of being 'Ambitious' in providing the best solutions, engaging our 'People' to provide customer excellence and to serve the community, by individually taking 'Ownership' to stand up to our challenges and by removing unnecessary complexities to make our banking enjoyable with 'Simple', efficient and elegant solutions.

Gulf Bank is committed to maintaining a robust sustainability program at the community, economic, and environmental levels through sustainability initiatives that are strategically selected to benefit both the country and the Bank.

Strategic Foundation

People

Foster a performance-driven culture based on meritocracy and engagement

Technology

Introduce technology solutions to enable a bank wide digital transformation

Risk

Adopt world-class Risk Management practices

Core Values



Ambitious

We are ambitious in meeting the challenges of the future, and in providing the best banking solutions.



People

We engage, empower and develop our people in order to provide customer excellence and to serve the community.



Ownership

We individually take ownership before we hold anyone else accountable, we stand up to our challenges and support each other as one family.



Simple

We strive to remove unnecessary complexities in our processes to make banking enjoyable for our customers. Solutions that are simple, efficient and elegant.

Gulf Bank Strategy Alignment with Kuwait Vision 2035

The banking sector plays a vital role in implementing Kuwait's 2035 vision. Kuwait's 2035 vision focuses on transforming Kuwait into a regional and international financial and trade hub, making it more attractive to investors. According to the Vision, the private sector leads the economy, creating competition and promoting production efficiency. In this regard, we have aligned our strategy elements with New Kuwait 2035 Vision.

	New Kuwait 2035	Gulf Bank
Creative Human Capital	Reform the education system to better prepare youth to become competitive and productive members of the workforce	The launch of the Data Ambassadors program, as the first program in Kuwait targeting 10% of the bank's team on data science and prepare productive members for future industry changes with data and technology innovations.
Sustainable Diversified Economy	Develop a prosperous and diversified economy to reduce the country's dependency on oil export revenues	Gulf Bank strategy continues to support & engage with the SME sector in Kuwait through a "one-stop shop" by providing lending & non-lending products & services on a sustainable basis. Introduce world-class transaction banking, corporate finance and other new products.
Strong Progressive Infrastructure	Develop and modernize the national infrastructure to improve the quality of life for all citizens	Seeking to play an important role in providing financial advice and solutions for New Kuwait projects. Gulf Bank is a leading provider of financial services to the Engineering, Procurement and Construction industry with expertise in contract financing.
High Quality Healthcare	Improve service quality and develop national capabilities in the public healthcare system at a reasonable cost	Active in financing hospital construction, specialized medical institutions, medical equipment & medicine suppliers. Focusing on staff health & wellbeing by providing insurance, promoting sporting events & by engaging with medical bodies such as the Heart Institute & Diabetes Centre.
Sustainable Living Environment	Ensure the availability of living accommodation through environmentally sound resources and tactics	Gulf Bank has identified a range of environmental & social issues (climate change, conservation, customer protection, data privacy, etc.). Gulf bank has kicked off the digitization project of all bank reports to reduce printing of regular reports.

Sustainability at Gulf Bank

Gulf Bank is committed to having a significant role and contribution in the marketplace by exhibiting exceptional services and products, and operational performance progression that ultimately have an impact towards international and national goals for respected sustainability frameworks and enablers. We believe that our performance should extend beyond finance and should emphasize our non-financial performance and contribution to the four sustainability dimensions and our integration of ESG criteria within our daily practices and initiatives.

Gulf Bank contribution to and alignment to ESG international and national frameworks

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

Women's Empowerment Principles (WEPs)



Kuwait National Development Plan (KNDP)



United Nations Sustainable Development Goals (SDGs)



Global Reporting Initiative



بورصة الكويت
BOURSA KUWAIT

Boursa Kuwait Sustainability Disclosure Guide

2021 Gulf Bank Sustainability Highlights

Marketplace



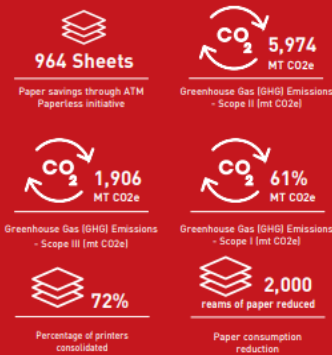
Community



Workplace

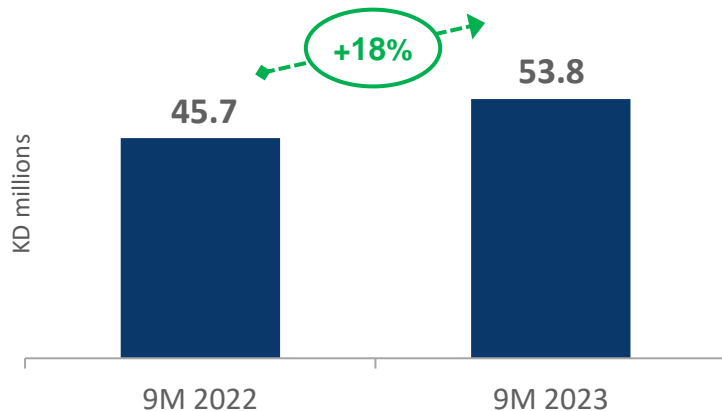


Environment

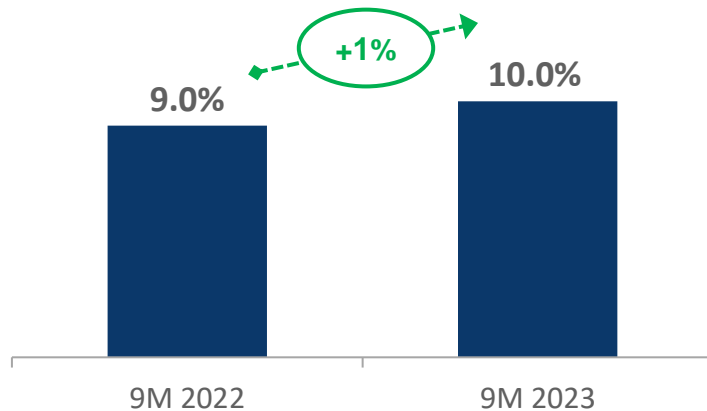


9 Months 2023 Key Highlights

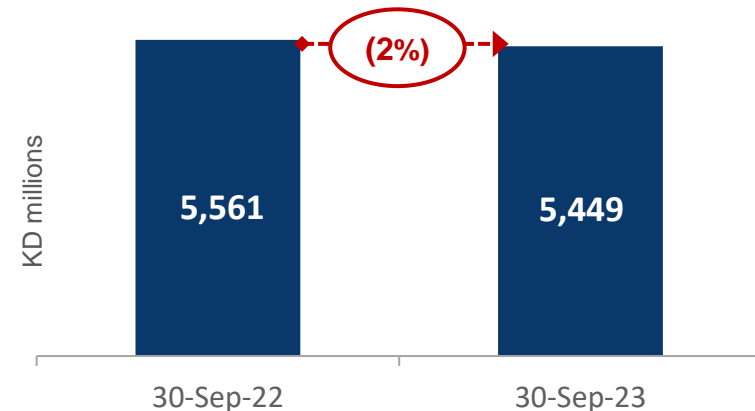
1 Net Profit



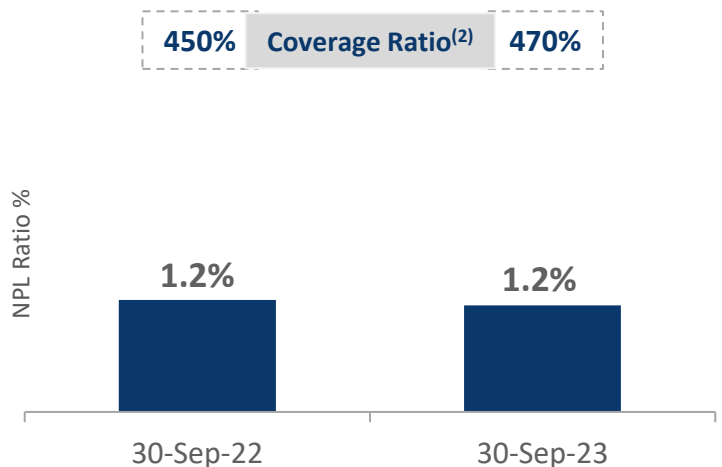
2 Return on Equity



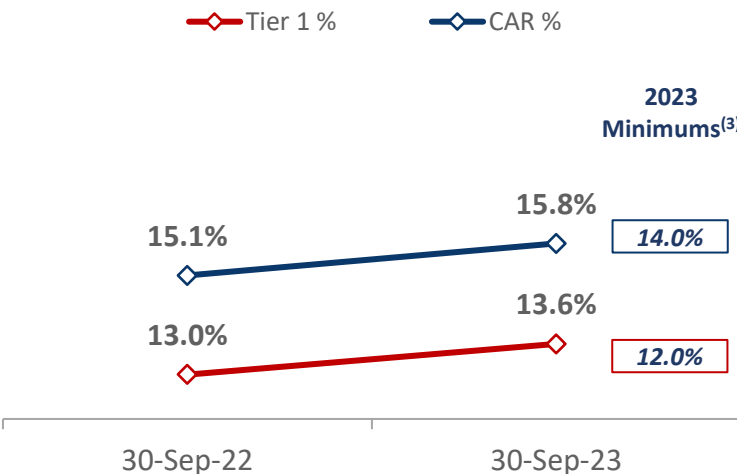
3 Gross Loans and Advances⁽¹⁾



4 Asset Quality



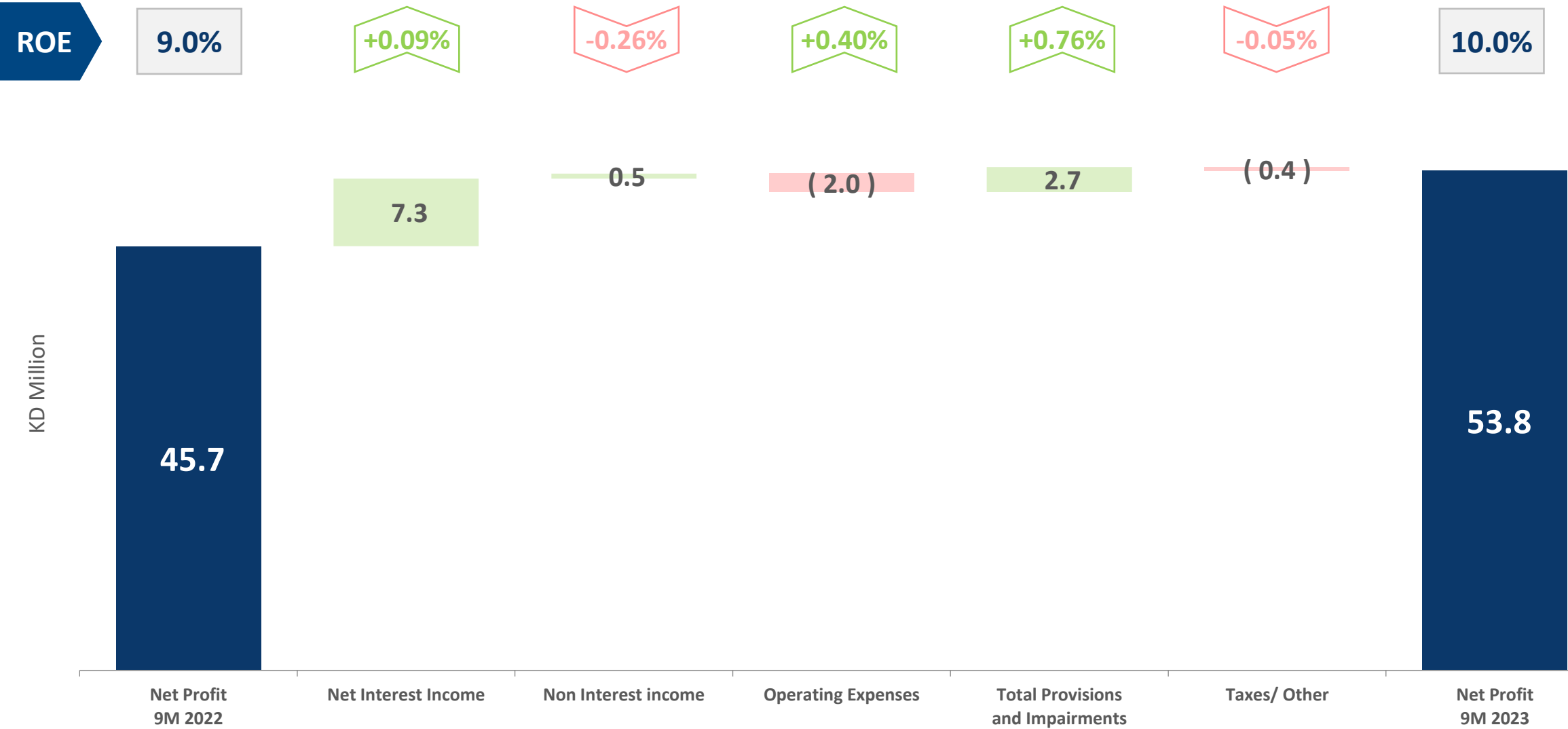
5 Capital Ratios



6 Credit Ratings

	Credit Rating	Outlook
Moody's	A3	Stable
Capital Intelligence	A+	Stable
Fitch Ratings	A	Stable

9 Months 2023 Net Profit vs. 9 Months 2022 Net Profit Evolution



Income Statement

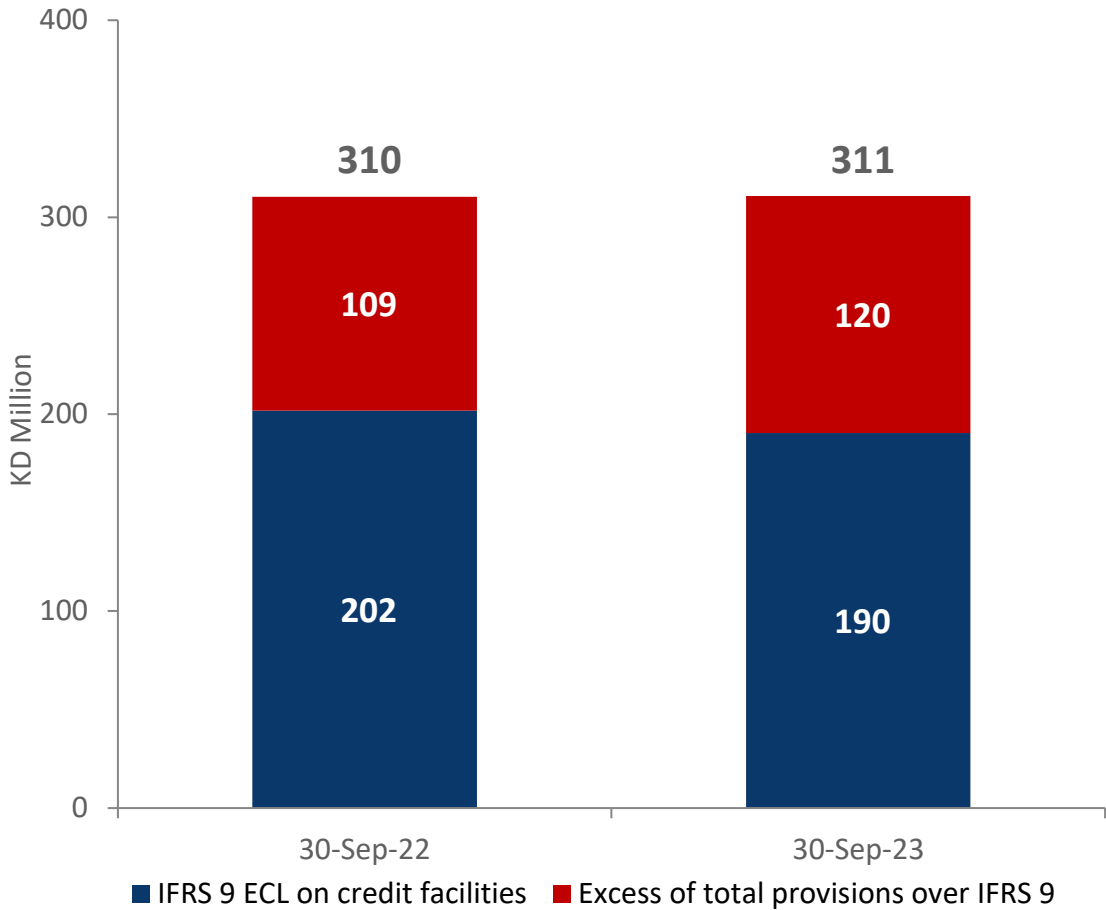
KD Millions	Q1 2022A	Q2 2022A	Q3 2022A	Q4 2022A	Q1 2023A	Q2 2023A	Q3 2023A	Q3 23A vs Q2 23A		9M 2022A	9M 2023A	9M 23A vs 9M 22A	
								Amt	%			Amt	%
1 Interest Income	46.7	52.5	67.0	78.3	85.6	89.8	95.0	5.1	6%	166.2	270.4	104.2	63%
2 Interest Expense	(14.4)	(19.1)	(29.6)	(39.2)	(50.8)	(53.0)	(56.2)	(3.2)	-6%	(63.1)	(160.0)	(96.9)	-154%
3 Net Interest Income	32.2	33.5	37.4	39.1	34.8	36.8	38.7	1.9	5%	103.1	110.4	7.3	7%
4 Non Interest Income ⁽¹⁾	9.3	10.3	9.6	9.7	11.6	9.0	9.1	0.1	1%	29.2	29.7	0.5	2%
5 Operating Income	41.5	43.8	47.0	48.7	46.4	45.9	47.9	2.0	4%	132.3	140.1	7.8	6%
6 Operating Expenses	(19.8)	(21.5)	(21.6)	(23.3)	(21.4)	(21.5)	(21.9)	(0.4)	-2%	(62.9)	(64.9)	(2.0)	-3%
7 Operating Profit	21.7	22.3	25.3	25.4	25.0	24.3	25.9	1.6	7%	69.4	75.2	5.8	8%
8 Credit Costs ⁽²⁾	(5.1)	(2.9)	(8.0)	(8.8)	(7.2)	(4.9)	(7.2)	(2.3)	-47%	(16.1)	(19.3)	(3.2)	-20%
9 General Provisions ⁽³⁾	(0.9)	(3.4)	(1.1)	0.4	0.3	0.0	0.1	0.1	-663%	(5.4)	0.5	5.9	109%
10 Taxes/ Other	(0.7)	(0.7)	(0.7)	(0.9)	(0.8)	(0.9)	(0.9)	0.0	3%	(2.2)	(2.6)	(0.4)	-19%
11 Net Profit	15.0	15.2	15.4	16.1	17.3	18.5	18.0	(0.6)	-3%	45.7	53.8	8.1	18%
12 Return on Assets (ROA) %	0.9%	0.9%	0.9%	0.9%	1.0%	1.1%	1.0%			0.9%	1.0%		
13 Return on Equity (ROE) %	9.2%	9.1%	8.9%	9.0%	9.9%	10.4%	9.8%			9.0%	10.0%		
14 Cost to Income Ratio (CIR) %	47.7%	49.0%	46.0%	47.8%	46.1%	46.9%	45.8%			47.5%	46.3%		
15 Net Interest Margin (NIM) bps ⁽⁴⁾	200	201	213	223	207	215	221			204	214		
16 Cost of Risk (COR) bps ⁽⁵⁾	40	22	58	64	54	36	52			40	47		

Balance Sheet

KD Millions	30-Sep-22	% of Total	31-Dec-22	% of Total	30-Sep-23	% of Total	Var Sep 23 vs Dec 22		Var Sep 23 vs Sep 22	
							Amount	%	Amount	%
ASSETS										
1 Cash and cash equivalents	1,035		930		1,130		200	22%	95	9%
2 Kuwait Government Bonds	22		22		17		-6	-25%	-6	-25%
3 CBK Bonds	370		338		332		-6	-2%	-38	-10%
4 Deposits with banks and OFIs	77		131		74		-57	-43%	-3	-4%
5 Liquid Assets	1,504	21%	1,421	21%	1,553	22%	132	9%	49	3%
6 Gross loans and advances ⁽¹⁾	5,561		5,423		5,449		27	0%	-112	-2%
7 Provisions	-291		-294		-293		1	0%	-1	0%
8 Net Loans and advances	5,270	75%	5,129	75%	5,157	74%	28	1%	-113	-2%
9 Investment securities	106	2%	129	2%	109	2%	-20	-16%	2	2%
10 Other assets	140		134		114		-21	-15%	-26	-19%
11 Premises and equipment	36		39		39		0	0%	3	9%
12 Other assets	176	2%	173	3%	153	2%	-20	-12%	-23	-13%
13 TOTAL ASSETS	7,056	100%	6,851	100%	6,971	100%	119	2%	-85	-1%
LIABILITIES										
14 Due to banks	618		490		416		-74	-15%	-203	-33%
15 Deposits from FIs	807		775		855		81	10%	49	6%
16 Customer deposits	4,469	63%	4,247	62%	4,265	61%	18	0%	-204	-5%
17 Other borrowed funds	321		494		540		46	9%	219	68%
18 Other liabilities	137		126		155		28	22%	18	13%
19 TOTAL LIABILITIES	6,352	90%	6,131	89%	6,231	89%	99	2%	-121	-2%
20 Total Equity	704	10%	720	11%	740	11%	20	3%	36	5%
21 TOTAL LIABILITIES AND EQUITY	7,056	100%	6,851	100%	6,971	100%	119	2%	-85	-1%
22 Average assets	6,746		6,767		6,889					
23 Average equity	678		686		722					
24 NPL ratio	1.2%		1.1%		1.2%					
25 Coverage ratio ⁽²⁾	450%		504%		470%					
26 CASA Ratio	34.3%		35.2%		32.3%					

Total Credit Provisions exceed IFRS 9 accounting requirements by KD 120 million

Total Provisions on Credit Facilities

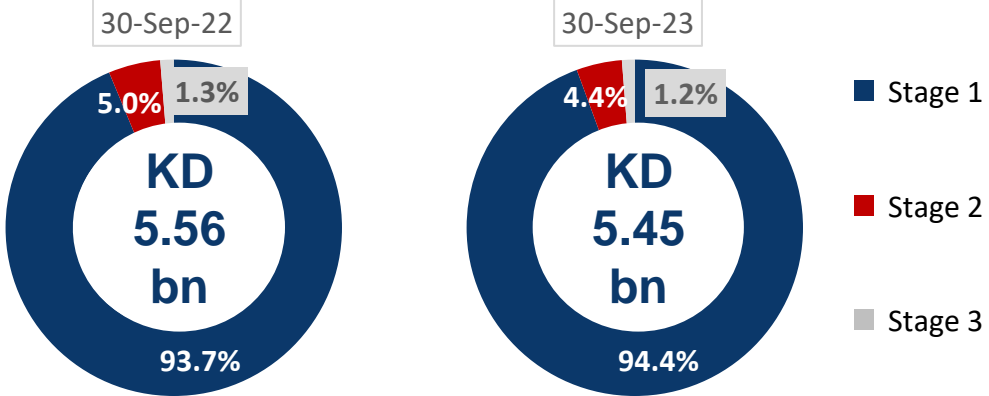


Excess /
Total Provision

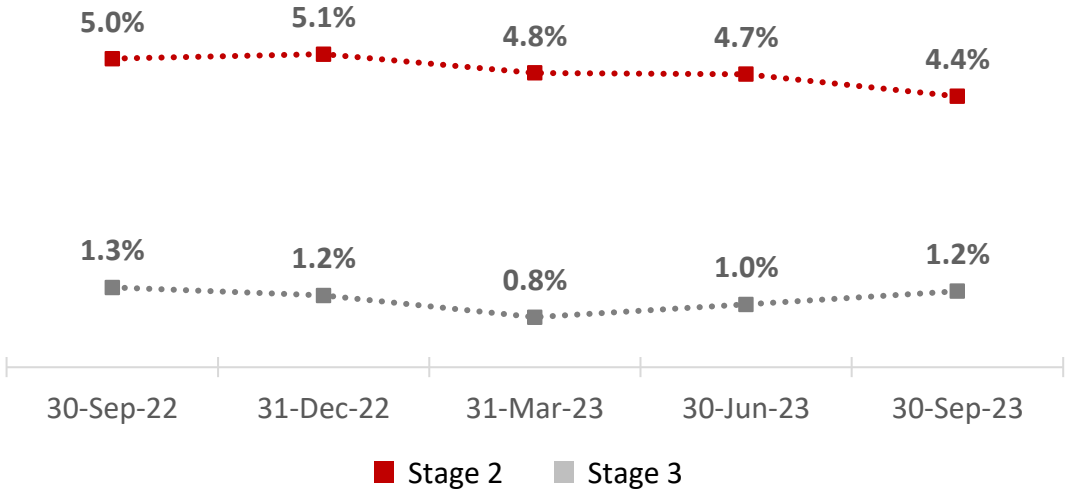
35%

39%

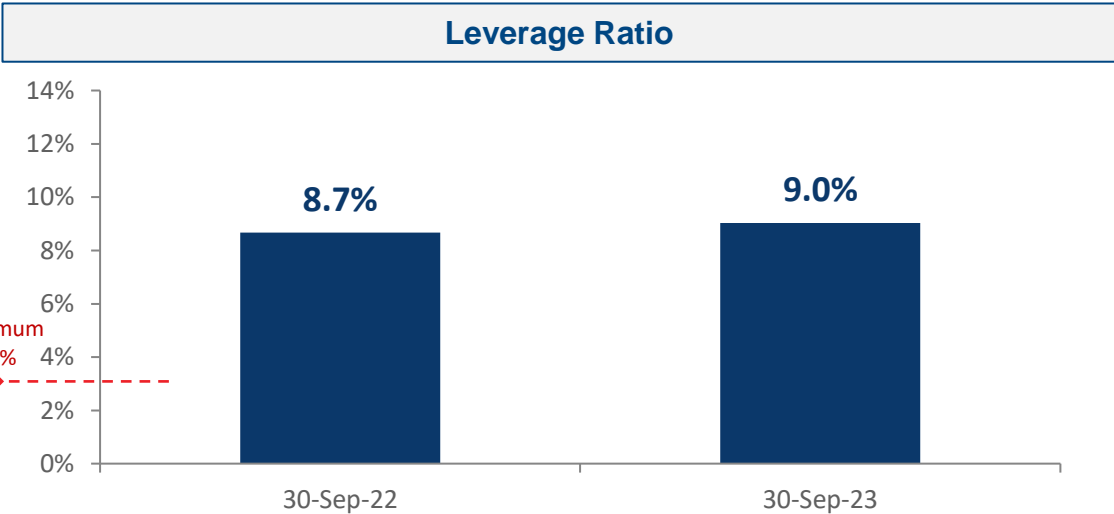
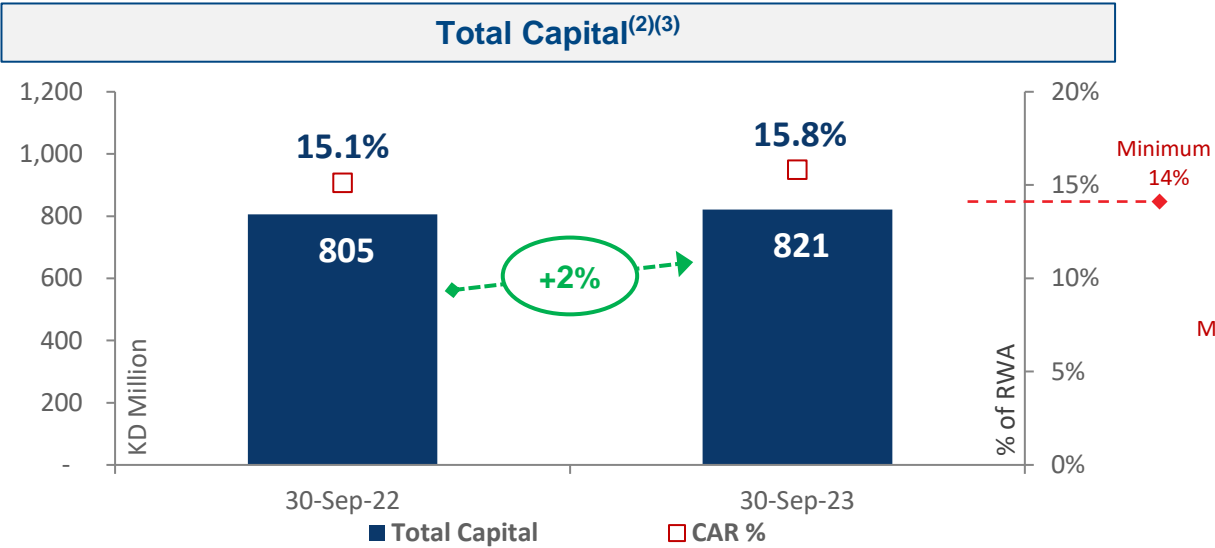
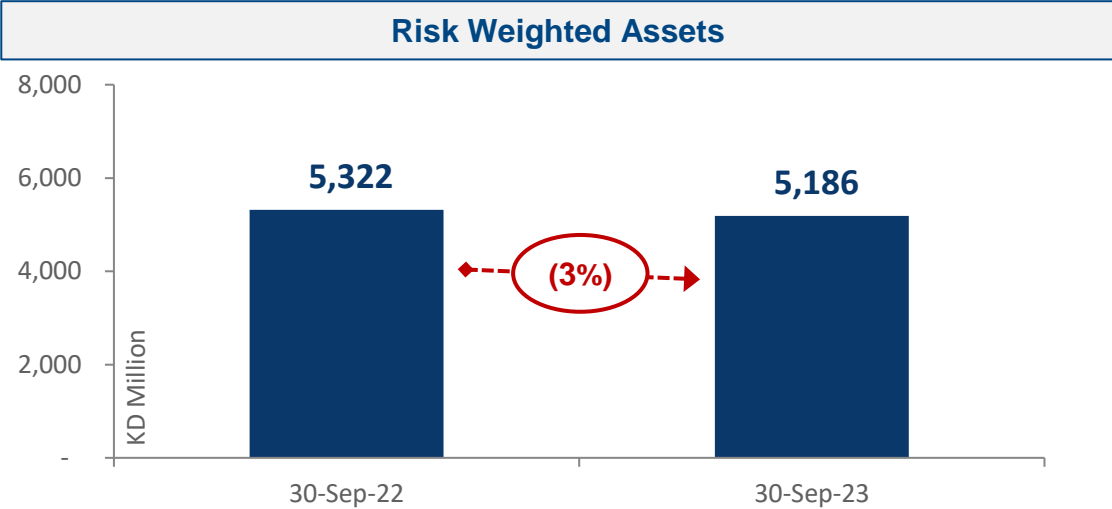
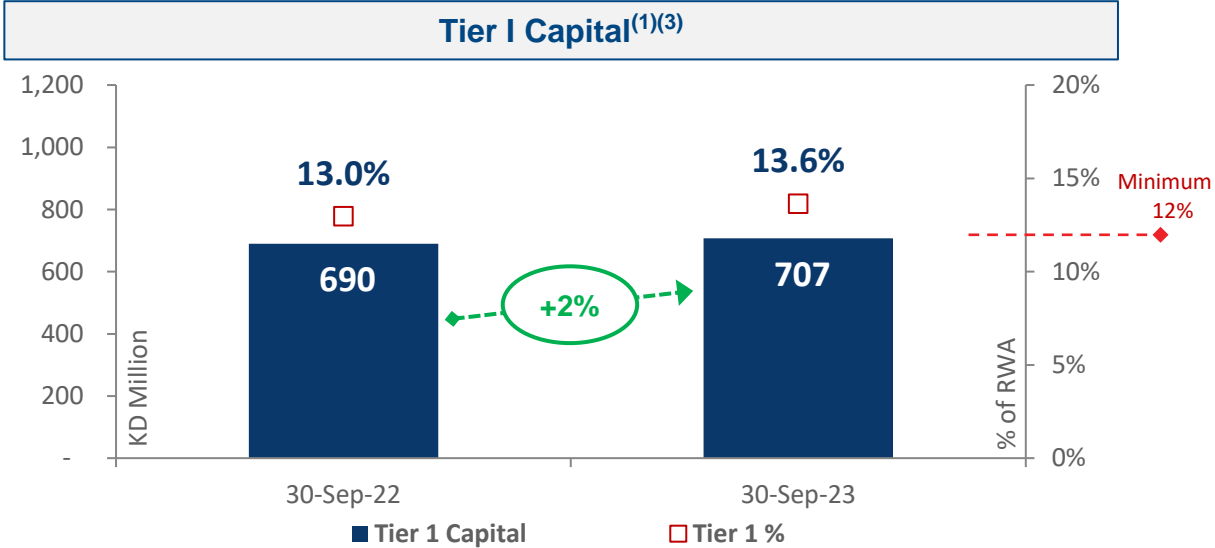
Gross Loans by Stages %⁽¹⁾



Evolution of Gross Loans Stages 2 and 3 (%)⁽¹⁾



Capital and Leverage Ratios

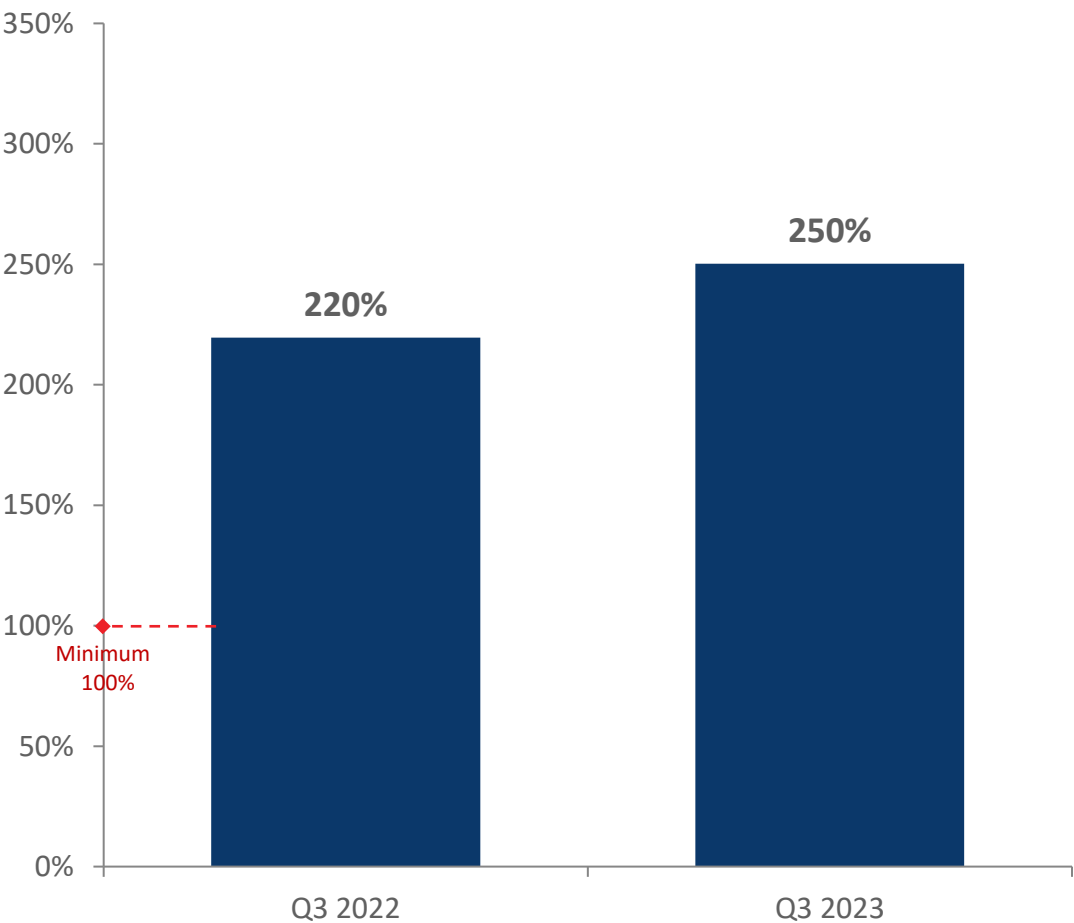


% Tier 1 86% 86%

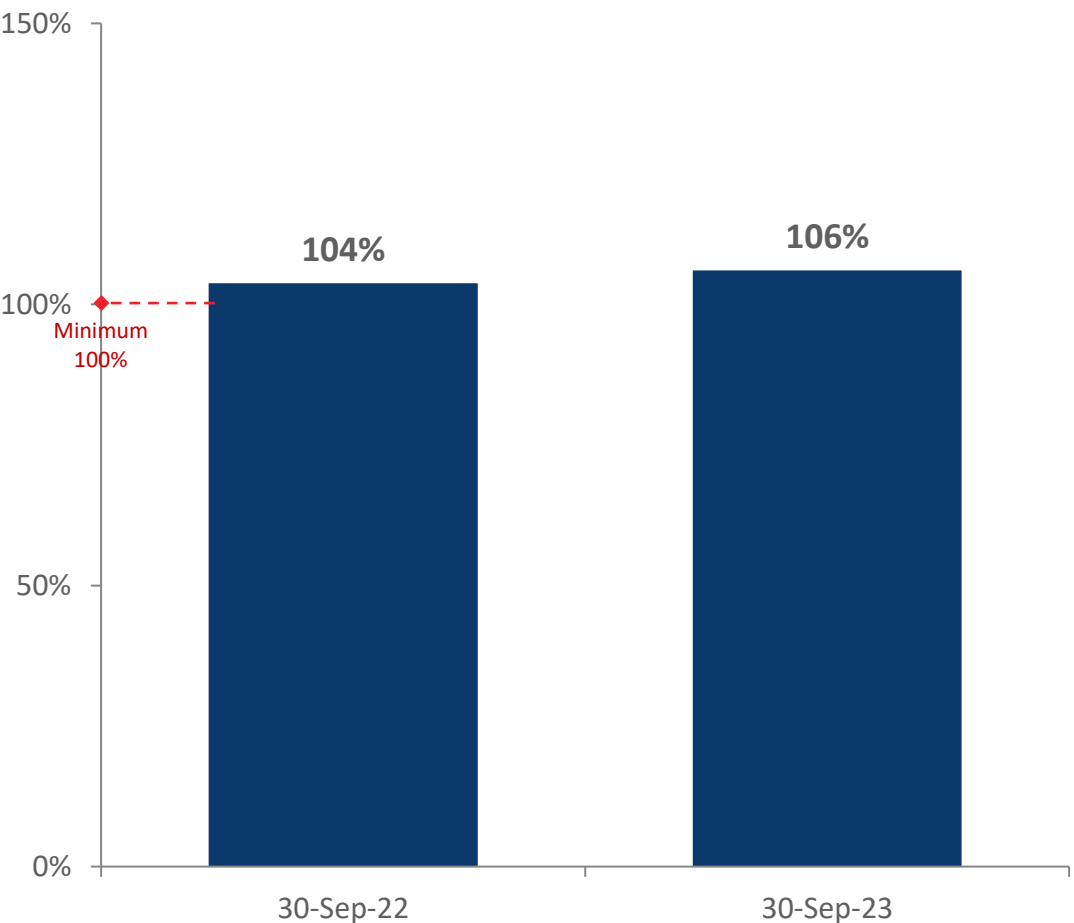
13 (1) Tier 1 Ratio regulatory minimum is 12%; (2) CAR regulatory minimum is 14%; (3) Tier 1 and CAR regulatory minimums include 1% DSIB charge.

Liquidity Ratios

Liquidity Coverage Ratio⁽¹⁾



Net Stable Funding Ratio⁽¹⁾



14 (1) Liquidity Coverage Ratio and Net Stable Funding Ratio regulatory minimums is 100% in 2023.

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