

Earnings Conference Call

Third Quarter 2025

Edited Script

29 October 2025



Corporate Participants:

Mr. Sami Mahfouz- Acting CEO

Mr. David Challinor – CFO

Ms. Dalal Aldousari – Head of Investor Relations

Host:

Mr. Ahmed El-Shazly– EFG Hermes

Ahmed: Good morning and good afternoon, everyone. This is Ahmed El-Shazly, on behalf of EFG Hermes; I would like to welcome you all to Gulf Bank third quarter 2025 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, Ahmed. Good afternoon and welcome to Gulf Bank's third quarter 2025 earnings call. We will start our call today with key highlights and updates on the operating environment of Gulf Bank during the first nine months of the year 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. Good morning and good afternoon, everyone, and thank you for joining us today to discuss Gulf Bank's results for the third quarter of 2025.

Gulf Bank's performance over the first nine months of the year demonstrates continued progress in strengthening the Bank's financial position. This was driven by steady loan growth, stable asset quality, and a robust capital base. These results reflect the resilience of our business model, the strength of our franchise, and the prudence of our credit risk management.



The broader operating environment in Kuwait is gradually becoming more favorable. The Central Bank of Kuwait's recent decision to lower the discount rate to 3.75%, in line with the Federal Reserve's recent 25-basis-point interest rate cut, is expected to foster a more supportive climate for credit expansion and stimulate business activity. Furthermore, Kuwait's successful return to debt markets both locally with regular issuances and globally with an issuance of a US \$11.25 billion sovereign bond which has been met with a very strong investor demand and priced at one of the lowest spreads recorded for an emerging market sovereign issuance. This achievement, combined with the positive momentum generated by national development projects, is set to further enhance credit conditions and reinforce business confidence in the local economy.

Another important development in the local landscape is the inauguration of the Real Estate Developer Law, which represents a major step toward addressing the local structural housing shortage. The new framework enables qualified private developers to undertake residential projects under long-term concession models, promoting transparency, competition, and faster housing delivery. This initiative is expected to attract both local and foreign investors and stimulate lending activity related to project finance and contractor support. Over time, it could also diversify the composition of credit demand, creating new opportunities for the banking sector and the broader economy. In parallel, the progress on the long-awaited Real Estate Financing Law, which would establish Kuwait's first mortgage framework, is set to complement these efforts and open new avenues for local credit growth across both retail and corporate segments.

Within this evolving environment, Gulf Bank continues to advance its strategic transformation toward becoming a fully Sharia-compliant institution. Following the most recent Central Bank of Kuwait's preliminary approval to begin Sharia compliant conversion activity. The Bank has established dedicated governance structures and cross-functional teams to manage the conversion process across all operational, legal, and product-related areas. We are also investing in employee training to build the required competencies and are working closely with our technology partners to ensure systems readiness in line with the Central Bank of Kuwait framework. This program is progressing well to meet the stipulated timelines, with a focus on maintaining business continuity and customer service excellence throughout the preparations for the transition.

At the same time, the Bank continues to evaluate the potential merger with Warba Bank. Independent financial and legal advisors have been appointed to conduct a comprehensive assessment under the supervision of the Board of Directors and the relevant regulatory authorities. Any future developments will be communicated in accordance with disclosure requirements.

And as we move into the final quarter of the year, our focus remains on maintaining stability, advancing the Islamic conversion program, and preparing for the next phase

of growth. We are approaching this transformation with discipline and confidence in the Bank's ability to create value for its stakeholders.

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

First, we recorded a net profit of KD 38.4 million for the first nine months of 2025, a decline of KD 1.8 million or 5% compared to 2024's first nine months net profit of KD 40.2 million.

Second, our operating income reached KD 140.5 million, representing a decline of 4% compared to the first nine months of 2024.

Third, our gross loans and advances reached KD 5.9 billion, a year-to-date increase of KD 229 million or 4% compared to 31 December 2024. This growth came primarily from the corporate segment.

Fourth, the portfolio continued to be resilient as our non-performing loan ratio as of 30 September 2025 stood at 1.4%, with a strong NPL coverage ratio of 324% including total provisions and collaterals.

Fifth, as of 30 September 2025, our Tier 1 Ratio was 14.3% with a buffer of 230 basis points above regulatory minimums of 12%, and our Capital Adequacy Ratio was 16.4% with a buffer of 239 basis points above regulatory minimums of 14%.

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.

In conclusion, Gulf Bank is well-positioned to build on the positive momentum in its operating environment, entering the final quarter of 2025 focused on driving strategic transformation, sustaining meaningful loan growth, and upholding operational excellence.

With that, I'll turn it over to the CFO, David Challinor, who will cover the financials of the first nine months of 2025 in more depth, thank you. David, over to you.

David: Thanks Sami.

Turning to page 3, we can see the movement in net profit from 40.2 to 38.4 million, which is a decline of 1.8 million or 5%. This marks a significant improvement from H1 where the decline was 15%.

Looking at the components, we can see the biggest decline is a 20.5 million decrease in interest income followed by a 4.1 million increase in operating expenses, which was mainly driven by the other expense category.

This was offset by a decrease in interest expense of 12.5 million, increase in non-interest income of 2.5, and a decrease in credit costs of 7.8 million.

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

On line 1, interest income declined by 20.5 million or 7% in the first nine months of 2025 compared to the same period last year. This was primarily driven by the repricing effects of the 25-basis point cut in the KD rate and the 100-basis point cut in the USD rates between September and December 2024. On September 18, 2025, the Central Bank of Kuwait further reduced the discount rate by 25 points—from 4% to 3.75%—in line with the Fed cut but the impact on income in the quarter was negligible.

Despite the year-on-year decline, interest income has shown improvement on a quarterly basis beginning in Q1 2025, reflecting the growth in interest earning assets.

On line 2, interest expense decreased by 12.5 million or 7% in the first nine months of 2025 compared to the same period last year.

On line 3, net interest income amounted to 109.3 million, representing a decline of 7% in the first nine months of 2025 compared to the same period last year.

On line 4, non-interest income grew by 2.5 million or 9%, to 31.2 million in the first nine months of 2025 and grew by 20% from Q2 to Q3. This favorable development was primarily driven by higher net fees and commissions which is a key focus area for the Bank.

On line 5, operating income for the first nine months of 2025 decreased by 5.5 million or 4%. However, Q3 operating income increased by 1.0 million or 2% compared to Q2 which also showed improvement from Q1.

On line 6, operating expenses increased by 4.1 million or 6% year-on-year in the first nine months of 2025. This growth was mainly driven by the other expense category due to several ongoing strategic initiatives.

On line 7, operating profit before provisions and impairments declined by 9.6 million or 12%, reaching 69.0 million in the first nine months of 2025.



On line 8, credit costs were 27.0 million in the first nine months of 2025, reflecting a decline of 7.8 million or 22% compared to last year. This improvement was largely driven by higher recoveries. On a quarterly basis, credit costs increased by 1.9 million or 26% compared to Q2, however were significantly lower by 4.7 million or 33% compared to Q3 2024.

On line 9, general provisions were 1.7 million in the first nine months of 2025, which was the same as last 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 5.7 billion increased by 2% year on year and 4% year-to-date. Our corporate business remains the growth engine of the loan book.

On line 12, total assets increased by 2% both year on year and year-to-date to reach 7.6 billion. The increase is primarily due to the growth in net loans and advances and higher balances of Kuwait government bonds in Q3 compared to year end 2024 and the same period last year.

On lines 14 & 15, total deposits were 5.6 billion, representing an increase of 25 million or 0.4% year to date, and a decline of 111 million or 2% year-on-year. Our CASA ratio stood at 27.1% at Q3 2025, marginally lower than the Q4 2024 level of 27.7% and Q3 2024 level of 28.1%. This declining trend in CASA is a systemic feature but we have declined at a lower pace, as the market saw a decrease from 30% in Q4 to 28.4% by the end of August.

On line 16, other borrowed funds increased by 52% year-on-year and 46% year-to-date, primarily due to the successful issuance of a 650-million-dollar senior unsecured term facility during Q1.

Moving on to asset quality, our non-performing loan ratio, shown on line 23, stood at 1.4% at the end of Q3 2025, up 0.1% from the same period last year. We continue to maintain a strong total coverage ratio of 324%, which includes both provisions and collaterals.

Now, turning to Page 6 you can see in the chart on the left that as at 30 September 2025, we have 99 million of excess provisions, representing 37% of total provisions.

Looking at the pie charts on the top right of the page, you can see that our Stage 1 loans have declined to 95.6%, Stage 2 has increased to 3.0%, and Stage 3 at 1.4% is the same as at 31 December 2024. The majority of Stage 3 loans comprise of retail.

The chart on the bottom right side of the page shows the evolution of Stage 2 and Stage 3 loans. We can see that Stage 2 loans increased slightly from their all-time low of 1.9%, but they continue to remain significantly below historical levels. Stage 3 loans continue to remain low and stable.

Turning to page 7, on the top-left, our Tier 1 capital ratio was 14.3%, which is well above the regulatory minimum of 12%. 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 16.4% was well above our regulatory minimum of 14% and both ratios don't include interim profits for the first nine months of 2025.

On the top-right, our risk-weighted assets increased by 2.3% year to date, primarily driven by loan book growth year to date and a shift in the asset mix.

On the bottom-right, our leverage ratio as at 30 September 2025 was 9.3%, slightly lower than the 9.8% reported on 31 December 2024, 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 254% while the chart on the right displays our Net Stable Funding Ratio at 108%. Both key ratios remain well above the regulatory minimum of 100%, reflecting our strong liquidity and funding profile.

To conclude, the third quarter's performance demonstrates solid progress in strengthening the Bank's financial position, supported by steady loan growth, stable asset quality, and a robust capital base. As we head into the final quarter of the year, we remain positive and focused on maintaining a disciplined and balanced approach to credit origination and risk management, operational efficiency and executing on our strategic priorities.

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)



Ok, we will go through the questions now.

Dalal(Q1): We have a question on NIM's? NIM's were pressured this quarter after good recovery in 2Q. How should we see NIM's evolving over the next quarter? David?

David (A1): Thanks, Dalal.

In Q3, we saw the overall net interest margin fall from Q2 by 9 basis points although we still remain 5 points above Q1 levels.

I mentioned on the Q2 investor call that the market for local currency deposits had become very competitive and this was putting upward pressure on the cost of funds. And we saw a continuation of this trend throughout Q3. So, our local currency cost of funds increased from Q2 to Q3, and even though we did see a marginal decrease in foreign currency cost of funds, it wasn't enough to offset the increase.

Now, the income yields were flat from Q2 to Q3, so the margin compression in the quarter was entirely driven by the cost of fund increase.

As we know, we had a 25-point rate cut in both KD and USD in mid-September but the impact in Q3 on both income yields, and cost of funds was negligible. But we'll see larger impacts flow through the full quarter in Q4. And given the asset repricing is ahead of the liability repricing, particularly for the local currency deposits, the overall outlook for margin, even without any further cuts, is to the downside.

Dalal: Thank you, David.

Dalal(Q2): We have couple of questions on loan growth? David?

David (A2): Thanks, Dalal.

Our loan book was basically flat for Q3, with both the corporate and retail books being around the same levels as at H1. But in total we have a 4% growth year to date.

Now, in terms of corporate, we did see several new deals booked in the quarter, but these were offset by settlements so that there was no net growth in the overall book. However, we do have a significant pipeline in this space and would expect Q4 to be a strong quarter in terms of corporate loan growth. And when we compare our corporate growth to the system, we are at 7.4% year-to-date growth versus the system at 8.3%. So, we are almost in line with the system growth but could expect to outperform in Q4 given the strong pipeline of deals.

And even though we had a flat quarter in terms of corporate loan growth there was a strong performance in fee income, which is a strategic focus area for the bank. In fact, the total fee income for Q3 was the highest we have seen since beginning of 2023.

When we look at retail, even though Q3 was flat it was a relative turnaround from the prior quarters where we saw degrowth. And we would expect a better quarter in Q4 as demand may be stimulated by the recent rate cuts and any future ones occurring in the upcoming quarter. And to further support the retail growth outlook, we are actively expanding the product range and commencing the targeting of new customer segments.

Looking ahead, we gave guidance at the beginning of the year that full year loan growth would be around mid-single digit, but we could expect to exceed this if the strong corporate pipeline converts.

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

(Pause)

Dalal(Q3): **What is the NIM sensitivity of a 25 basis points change in US and KD rates?**
David?

David(A3): For the KD it's 2.2 million and the FC it's about half a million and that assumes a parallel shift on both sides of the balance sheet.

(Pause)

Dalal(Q4): **Any updates on merger with Warba and what to expect in terms of process and timeline?**

Sami(A4): Will I cannot comment directly on the process or the timeline, I can reaffirm what I mentioned earlier that independent financial and legal advisors have been appointed to conduct a comprehensive assessment under the supervision of the Board of Directors and the relevant regulatory authorities. And any future developments will be communicated in accordance with disclosure requirements.

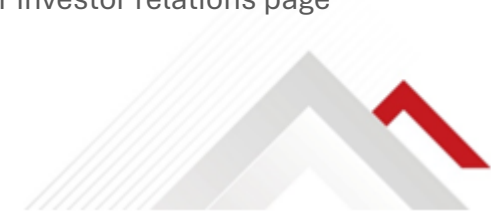
Dalal: Thank you Sami.

Dalal(Q5): **We saw the shift from CBK bonds to KW government bonds. Can you comment on its effect on asset yields? Sami?**

Sami(A5): To be very specific in this, we are seeing a migration in issuances from the CBK to the Kuwait government and the government takes back this task. As far as the effect on asset yield, it's very marginal because the issuances are small in nature and as I said it's a migration, so it's not an additional supply to have an impact on asset yield so far. This may change in the future but so far it's a pure migration.

Dalal: Thank you Sami.

I believe we have covered the majority of topics and questions raised today during the call. 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.

And with that, we would like to conclude our call for today.