Earnings Conference Call

Third Quarter 2026

Edited Script

5 November 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

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Elena: Good afternoon, everyone and welcome to Gulf Bank's 3Q 2026 earnings call. This is Elena Sanchez from EFG Hermes; 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.

Dalal: Thank you, Elena. Good afternoon and welcome to Gulf Bank's third quarter 2026 earnings call. We will start our call today with key highlights and updates on the operating environment of Gulf Bank during the third 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 third quarter of 2026.

Let me begin with an overview of the operating environment and the progress made on Gulf Bank's key business and strategic priorities during the first nine months of 2026, before handing over to David for a detailed review of our financial performance.

The regional operating environment continued to be shaped by geopolitical developments during the third quarter, which influenced market sentiment and led to greater caution in investment decisions. Although uncertainty may affect the pace of business activity, Kuwait continued to benefit from a stable financial

system and progress across several national initiatives. We remain optimistic that an improvement in regional conditions would strengthen business confidence and support broader economic momentum.

Monetary policy was another important feature of the quarter. In September, the U.S. Federal Reserve raised the target rates by 25 basis points. The Central Bank of Kuwait did not follow this hike and maintained its discount rate at 3.50%.

Within Kuwait, one of the most significant developments was the issuance of the Decree related to real estate financing for beneficiaries of housing welfare. The detailed regulations are expected to be introduced in the coming months under the supervision of the Central Bank of Kuwait, providing greater clarity on implementation.

This was complemented by the qualification of 22 consortiums under the Real Estate Developer Program, an important step toward accelerating residential development and increasing private-sector participation. Together, these initiatives are expected to generate activity across the construction and real estate value chain, with corresponding opportunities for retail banking, corporate financing, transaction services, and project-related lending.

Against this backdrop, Gulf Bank maintained healthy business momentum during the first nine months of the year, with lending growth primarily driven by strong corporate demand. This performance was achieved while preserving asset quality through disciplined credit management. Looking ahead, we expect government development projects and recent economic reforms to contribute to a promising financing pipeline and create opportunities across the Bank's business segments over time.

In terms of Gulf Bank's planned conversion to an Islamic Sharia'a compliant bank, we achieved two major milestones so far this year. Within the one-year timeframe specified in the Central Bank of Kuwait's initial approval back in August 2025, Gulf Bank fulfilled the regulatory and operational requirements set for that stage and requested approval to proceed with the conversion. The second milestone was achieved this morning, with the Central Bank of Kuwait granting its approval for the full conversion of Gulf Bank to operate in accordance with Islamic Sharia'a principles and to move forward with the remaining conversion procedures.

Reaching this stage reflects the extensive work undertaken across the Bank, including preparations relating to governance, products, systems, policies, operational processes and employee readiness. The conversion remains a defining strategic priority for Gulf Bank, and today's approval marks a significant step towards our transformation journey. Our focus now is on completing the next

phase in a disciplined manner, and in compliance with the remaining regulatory and shareholder approvals.

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

First, we recorded a net profit of KD 41.9 million for the first nine months of 2026, an increase of 9.1% compared to the first nine months of 2025 net profit of KD 38.4 million.

Second, our operating income reached KD 143.1 million, an increase of KD 2.5 million or 1.8% compared to the first nine months of 2025.

Third, our gross loans and advances reached KD 6.5 billion, a year-to-date increase of KD 417 million or 6.8% compared to 31 December 2025. This growth came mainly from our corporate banking segment.

Fourth, our asset quality metrics remained strong, underpinned by disciplined risk management and prudent underwriting practices. The non-performing loan (NPL) ratio stood at 1.2% as of 30 September 2026, while our NPL coverage ratio remained robust at 334%, inclusive of total provisions and collateral.

Fifth, as of 30 September 2026, our Tier 1 Ratio was 13.7% achieving a buffer of 270 basis points above the new regulatory minimums of 11%, and our Capital Adequacy Ratio was 15.7% achieving also a buffer of 269 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.

As we approach the last quarter of 2026, our priorities remain centered on supporting responsible business growth, preserving the quality of our portfolio and advancing the next phase of the conversion program. The progress achieved during the year, together with the opportunities emerging from Kuwait's economic reform initiatives, provides a constructive foundation for Gulf Bank's future direction.

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With that, I'll turn it over to the CFO, **Mr. David Challinor**, who will cover the financials for the third quarter of 2026 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 38.4 to 41.9 million, representing an increase of 3.5 million, or 9.1%.

Looking at the underlying components, the net profit growth was driven by a 8.8 million increase in interest income and a 8.1 million reduction in credit costs. These positives were partially offset by a 5.8 million increase in interest expense, a decline in non-interest income of 0.4 million, higher operating expenses of 5.7 million and a 1.4 million increase in general provisions, which is primarily attributable to higher loan growth during the first nine months compared to last year.

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

On line 1, interest income increased by 8.8 million, or 3% in the first nine months of 2026 compared to the same period last year, and by 2.7 million, or 3%, compared to Q3 2025. Interest income remained broadly stable compared with the previous quarter.

On line 2, interest expense increased by 5.8 million or 3% in the first nine months of 2026 compared to the same period last year.

On line 3, net interest income reached 112.3 million for the first nine months of 2026, representing an increase of 3% year on year, while Q3 2026 recorded a growth of 6% compared with Q3 2025.

On line 4, non-interest income reached 30.8 million in the first nine months of 2026, slightly down by 0.4 million year-on-year. Fees and commission income remained broadly stable compared with the corresponding period of the prior year, reaching 20.5 million reflecting the timing and composition of loan growth during the period

On line 5, operating income for first nine months of 2026 reached 143.1 million, an increase of 2.5 million or 2% year on year.

On line 6, operating expenses increased by 5.7 million, or 8% year-on-year, in the first nine months of 2026. This growth was mainly driven by higher other expenses category.

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On line 7, operating profit before total provisions and impairments declined by 3.2 million, or 5%, reaching 65.9 million in the first nine months of 2026. However, Q3 operating profit improved by 0.3 million or 1% sequentially.

On line 8, credit costs were 18.9 million in the first nine months of 2026, declining by 8.1 million, or 30%, compared to the same period last year. The quarterly credit costs during 2026 have consistently remained below the corresponding levels recorded in the prior year.

On line 9, general provisions were 2.9 million in the first nine months of 2026, a 1.2 million increase compared to the same period last year. This reflects strong loan growth achieved during 2026. As per CBK regulations, a 1% general provision is required, mainly for non-government loans booked during the year.

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

On line 7, net loans and advances of 6.3 billion increased by 10% year on year and 7% year to date. This growth was driven by the corporate segment.

On line 10, total assets increased by 4% year on year to reach 7.9 billion. The increase reflects continued growth in net loans and advances, coupled with an increase in exposure to Kuwait government bonds.

On lines 12 & 13, total deposits were 5.8 billion as on 30 September 2026, this represents an increase of 160 million or 3% year on year and 61 million or 1% year to date. Our CASA ratio stood at 25.2% at end of Q3 2026, higher than the year end 2025 level of 24.4%, however lower than the same period last year of 27.1%. From a broader market perspective, the system CASA ratio stood at 26.1% at the end of September 2026, compared with 27.5% at year-end 2025 and 28.5% in September 2025, primarily reflecting strong growth in time deposits rather than a contraction in CASA balances. Looking ahead, we remain focused on broadening and diversifying our funding base to support the CASA ratio improvement over time.

On line 14, other borrowed funds increased by 13% year-on-year, and 10% year to date.

Moving on to asset quality, our non-performing loan ratio, shown on line 21, stood at 1.2% at the end of Q3 2026, down 0.2% from the same period last year. We continue to maintain a significant total coverage ratio of 334%, which includes both total provisions and collaterals.

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Now, turning to Page 6 you can see in the chart on the left that as at 30 September 2026, we have 89 million excess of total provisions over IFRS 9, representing 35% of total provisions.

As shown in the pie charts on the top right of the page, Stage 1 loans decreased to 95.6%, Stage 2 loans have increased to 3.2%, and Stage 3 loans were flat at 1.2% when compared to 31 December 2025. The majority of Stage 3 loans comprise of retail accounts.

The chart on the bottom right illustrates the evolution of Stage 2 and Stage 3 loans. Stage 2 exposures remained within a low and narrow range, while Stage 3 continued to be contained, reflecting stable asset quality.

Turning to page 7, on the top-left, our Tier 1 capital ratio was 13.7%, which is well above the current 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 current regulatory minimum of 13% and both ratios don't include the first nine months of 2026 profits.

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 lower minimum regulatory capital requirements.

On the top right, our risk-weighted assets have increased by 3% year to date, primarily driven by strong loan growth.

On the bottom-right, our leverage ratio as at 30 September 2026 was 9.2%, 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 235%, while the chart on the right shows our Net Stable Funding Ratio at 105%. 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.

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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, NIM's have improved for the second consecutive quarter. Is this largely driven by the retail loan book re-pricing that you spoke about at the start of the year? Are there any other factors driving NIM improvement? Is the retail loan book repricing complete? David, would you like to take that please?**

David (A1): Yes, sure thanks, Dalal.

We saw a continued sequential expansion in margin during Q3, with the margin increased 3 basis points from Q2. This follows the 8-basis-point improvement in Q2. Yes, so there is some retail repricing going on there.

However, funding costs were elevated in the latter part of Q3 as tighter liquidity conditions continued to affect deposit pricing, and also together with increased cost of funds related to the foreign currency funding, so we saw some pressure at the end of Q3.

In terms of our interest rate sensitivity, for every 25 basis points change in interest rates, there is around KD 3.3 million impact on net interest income, as reported in year-end financial statement.

As for guidance, at the start of the year we never provided any due to the number of moving parts in terms of NIM calculation and also on future benchmark rates and also local liquidity conditions which are key drivers of the NIM, so we didn't give any guidance.

Dalal: Thank you, David.

Dalal(Q2): **Next question. Given the final approval for the conversion to an Islamic Bank has been given by the CBK, what are the next steps required before the conversion process starts? Can you provide a timeline when this will be completed?? Sami, would you like to take that question?**

Sami(A2): Sure, thank you Dalal.

Well basically, let's define the final approval. This is not the final approval; the final approval will come when it is for us to basically operate as a Sharia'a

complaint bank. This approval its considered as an interim approval to start the process for the conversion of the company into a Sharia'a complaint entity and get ourselves a basically an Islamic banking license issued by the authorities here. Which implies that we need to go to our shareholders to get their final approval, change the article of association and commercial registration of the entity. So basically, many administrative steps at the corporate level as well as basically finalizing the consent with our clients.

As far as timeline are concerned, because it involves third parties, I am not able to give you a precise timeline. We are working on our progress with the Central Bank, and any development will be disclosed as we have been doing in due course.

Dalal: Thank you Sami.

Dalal(Q3): **We have a question on loan growth slowed sharply versus 1H 2026. Should we expect this trend to sustain in 4Q 2026? David would you like to take this question?**

David (A3): Thanks, Dalal.

Gross loans increased by 6.8% year to date, ahead of industry growth of 3.8% to the end of September 2026. This was entirely driven by corporate lending, which grew by 12.1% year to date, compared to a market growth of 3.5%.

As we indicated during the half-year earnings call, we expected loan growth to moderate following the strong expansion recorded in the first six months. This is what we saw in Q3, with the loan book remaining relatively flat, as we focused more on asset quality, enhancements to the margin and capital efficiency rather than pursuing further volume.

On the retail side, this remains an important area of focus given the attractive yields. Our approach continues to be selective, with disciplined underwriting and an emphasis on portfolio quality rather than growth. Once the planned Islamic conversion is completed, we expect to broaden our product offering and benefit from the wider opportunities available within Islamic banking.

In terms of guidance, we started the year targeting high-single-digit loan growth, and we expect the full-year position to consolidate around that level.

Dalal: Thank you, David.

Dalal(Q4): **Can you elaborate on what comprises the other expenses and what has driven the increase there in Q3 and 9M? David?**

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David(A4): Thanks Dalal. Operating expenses increased by 8% during the first nine months of 2026 compared with the same period last year, reflecting expenditure associated with our strategic projects and other non-recurring items. We expect these costs to normalize at some point next year as the projects move toward completion. Sequentially, from Q2 we saw operating expenses decline by 2.5%, reflecting our continued focus on cost discipline.

Looking at the composition of expenses, most of the year-on-year increase was in the other expense category, including costs related to the planned Islamic conversion and also the potential merger. When we exclude this category, staff, occupancy and depreciation costs, which together represent approximately two-thirds of our cost base, they increased by less than 3%. This is consistent with the trend reported at the half year and confirms that our core underlying operating expenses remain well controlled.

In terms of guidance, we continue to expect full-year operating expense growth to be in the high single-digit range.

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

(Pause)

Dalal(Q5): **What is the reason behind the uptick in stage 2 loans in 3Q 2026? Is it related to selected corporate exposures? Are these likely to move to stage 3? David?**

David(A5): Sure. The overall asset-quality on the book continues to be excellent. Credit costs declined by KD 8.1 million, or 30%, compared with the same period last year, and the cost of risk year to date is 40 basis points. This remains below our full-year guidance of 50 basis points and was a key driver in the year-on-year profit growth.

On the retail side, the measures we have taken over the past several quarters, including tighter underwriting and improvements to the collections process, continued to deliver good results through lower specific provisions and stronger recoveries. On the corporate side, provision releases and recoveries also contributed positively in lowering credit costs.

Asset quality remained resilient, with Stage 3 loans at 1.2%. Stage 2 loans increased modestly to 3.2%, mainly due to the downgrade of a few corporate accounts during the quarter, but the ratio remains among the lowest in the market, indicating the overall health of the portfolio.

In terms of guidance, we lowered our full-year cost-of-risk expectation during the first half to be below 50 basis points. And based on the performance during the first nine months, we continue to expect the full-year outcome to be below that level.

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Dalal: Thank you, David.

Dalal(Q6): **Fee income was weak versus the previous quarter, why was that? David?**

David(A6): Non-interest income reached KD 30.8 million during the first nine months of 2026, so that was a slight decline of 1% compared with the same period last year. At the half we were at 10%, with the change in Q3 mainly reflecting lower loan-arrangement fees due to a flat corporate loan book, and also softer card-related income.

Dalal: Thank you David. I think Sami would like to say few words, Sami?

Sami: The word is about David. I would like to say few words before concluding our call today. As this is David's last earnings call as Gulf Bank's as Chief Financial Officer before his conclusion of the executive phase of his career, I would like to take a moment to thank David personally for his friendship, as well as leadership, commitment and valuable contribution to the Bank over the past five years. David, it has been a pleasure working with you, and on behalf of everyone at Gulf Bank, I wish you all the very best for the next chapter of your life and career probably.

Looking forward, I am pleased to welcome Lity Mathews as our new Acting Chief Financial Officer. Lity has been with Gulf Bank for ten years, serving as Deputy Chief Financial Officer, and brings extensive banking and finance experience as well as a deep knowledge of the Bank. We are confident that Lity will provide strong leadership and continuity as she takes over her new role.

I would also like to announce to everyone that Dalal will be expanding her role to take on the role of the Deputy Chief Financial Officer, and support Lity and Bank in the next phase of its journey. All the best David, congratulations to Lity and Dalal on their new role. Thanks everyone.

Dalal: Thank you Sami.

David: Thank you Sami.

Dalal: 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, please visit our investor relations page at our website or reach out to investor relations team. Thank you all very much for your participation today.