



Earnings Conference Call

Year End 2025

Edited Script

5 February 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 year end 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, Elena. Good afternoon and welcome to Gulf Bank's year end 2025 earnings call. We will start our call today with key highlights and updates on the operating environment of Gulf Bank during the year 2025 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 year-end 2025. I will begin with a brief overview of Gulf Bank's overall position and the economic context in which we operated during 2025, before we move into a more detailed discussion of our financial performance and outlook.

The operating environment in 2025 remained challenging globally, shaped by geopolitical tensions, tariffs threats and oil elevated volatility; while locally, Kuwait's economic landscape showed signs of improvement, supported by fiscal reforms and renewed development activity. The approval of the Public Debt Law, progress on real estate and housing legislation, and an increased government capital spending improved the domestic economic momentum. And in line with the global easing in interest rates, the Central Bank of Kuwait adopted a supportive stance, reducing the discount rate to 3.50%, helping to sustain credit demand and business confidence.

Against this backdrop, Gulf Bank delivered solid performance while strengthening its operating platform. During the year, we concluded our 2025 five-year strategy, completing several foundational initiatives, including the core banking transformation, enhancements to digital and omni-channel capabilities, and the continued expansion of our investment arm InvestGB. These efforts improved efficiency, service delivery, and our ability to support clients across key segments.

Building on this progress, we launched our new five-year strategy for 2030, which centers on reinforcing our market position, driving sustainable growth across core businesses, and completing our transition to a Sharia-compliant Bank. During the year, we received the Central Bank of Kuwait's initial approval to proceed with the conversion, marking an important milestone. In parallel, we continue to assess strategic opportunities, including the potential merger with Warba Bank, in close coordination with the regulators.

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

First, we recorded a net profit of KD 52.4 million for the full year 2025, a decline of KD 7.8 million or 13% compared to 2024's full year net profit of KD 60.2 million.

Second, our earnings per share reached 13 fils for the year ending 31 December 2025. Accordingly, the Board of Directors is recommending a distribution of cash dividend of 9 fils per share, representing a 68% cash payout, in addition to 5% bonus shares. These recommendations are subject to shareholders' approval at the Annual General Meeting expected to be held in March 2026.

Third, our gross loans and advances reached KD 6.1 billion, an increase of KD 382 million or 7% compared to 31 December 2024. This growth came primarily from the corporate segment.

Fourth, our asset quality indicators remained strong, with the non-performing loan (NPL) ratio at 1.1% and a comprehensive NPL coverage ratio of 370%—factoring in total provisions and collateral—demonstrating the effectiveness of our credit and risk management practices.

Fifth, as of 31 December 2025, our Tier 1 Ratio was 14.8% with a buffer of 278 basis points above regulatory minimums of 12%, and our Capital Adequacy Ratio was 16.9% with a buffer of 285 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.

Overall, Gulf Bank enters 2026 from a position of financial strength and operational readiness. Our focus remains on executing our strategy with rigor, maintaining asset quality, and advancing our Sharia conversion while continuing to support our customers and a focus on consistent execution.

With that, I'll turn it over to the CFO, David Challinor, who will cover the financials of the year end 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 60.2 to 52.4 million, which is a decline of 7.8 or 13%.

Looking at the components, the largest driver of the decline was a 23.1 million decrease in interest income, which was partially offset by a decrease in interest expense of 12.9, which resulted in year-on-year margin compression. Non-interest income was relatively flat, and there was a 1.7 million increase in operating expenses, which represented only a 2% growth over the prior year, which reflects our ongoing cost optimization program. Credit costs improved by 6.3 million on account of the corporate book and we also saw general provisions increase by 2 million due to the loan growth differential.

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

On line 1, interest income declined by 23.1 million, or 6% compared to last year. This was primarily driven by repricing impacts resulting from a 25-basis point cut in the KD rate, and a 100-basis point cut in the USD rate during 2024. And a further 50 point cut in KD rates and 75 points in USD rates, in the latter part of 2025.

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

On line 2, interest expense decreased by 12.9 million or 5% in 2025 compared to last year.

On line 3, net interest income was 146 million, representing a decline of 7% in 2025 compared to last year. Which in the main was due to the slower nature of liability repricing as compared to assets. In addition, the market witnessed an overall fall in



CASA and saw continued strong competition amongst banks in local deposit pricing despite the fall in rates.

On line 4, non-interest income was relatively flat, showing a slight decline of 0.2 million, or 1%, to reach 42.9 million for 2025. It's worth noting that in Q4 24 we had a 3.6 million one-off sale of land which was part of other income, but when we look at fees and commissions only, they increased by 2.7 million, or 10%. This is an encouraging development, as growth in fees and commissions income remains a key strategic focus area for the Bank.

On line 5, operating income for the full year 2025 decreased by 10.4 million or 5%.

On line 6, operating expenses increased by 1.7 million, or 2% year-on-year, for 2025. This growth was mainly driven by the other expense category and depreciation. And Q4 operating expenses of 22.8 million were the lowest of any quarter in the year.

On line 7, operating profit before total provisions and impairments declined by 12.2 million, or 11%, reaching 94.6 million in 2025. However, Q4 operating profit of 25.6 million was the highest level of operating profit of any quarter during the year.

On line 8, credit costs were 36.2 million for 2025, reflecting a decline of 6.3 million or 15% compared to last year. This improvement was largely driven by improved performance in the corporate business.

On line 9, general provisions were 3.1 million in 2025, in comparison to 1.1 million 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 5.9 billion increased by 7% year on year and 3% during the quarter. Our corporate business remains the growth engine of the loan book where it grew by 13% year on year.

On line 12, total assets increased by 3% year on year to reach 7.7 billion. The increase is primarily due to the growth in net loans and advances and Kuwait government bonds.

On lines 14 & 15, total deposits were 5.7 billion, representing an increase of 123 million or 2.2% year on year. Our CASA ratio stood at 24.4% at Q4 2025, lower than the Q4 2024 level of 27.7%. This declining trend in CASA is a systemic feature, as the market saw a decrease from 30% in Q4 2024 to 27.5% by the end of December 2025, due mainly to the shift in deposit mix from current accounts to time deposits during 2025.



On line 16, other borrowed funds increased by 50% year-on-year, 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 1.1% at the end of Q4 2025, down 0.2% from the same period last year. We continue to maintain a significant total coverage ratio of 370%, 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 December 2025, we have 90 million of excess provisions, representing 35% of total provisions.

Looking at the pie charts on the top right of the page, you can see that our Stage 1 loans increased to 96%, while Stage 2 and Stage 3 exposures decreased to 2.7% and 1.2%, respectively. And our Stage 3 loans are predominantly composed of retail accounts.

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 have increased slightly from their all-time low of 1.9% yet remain significantly below historical levels. Stage 3 loans continue to remain stable and very low.

Turning to page 7, on the top-left, our Tier 1 capital ratio was 14.8%, 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 16.9% was well above our regulatory minimum of 14%.

On the top-right, our risk-weighted assets increased by 5.6% year on year, primarily driven by loan growth year on year.

On the bottom-right, our leverage ratio as at 31 December 2025 was 9.7%, 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 249%, 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.

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 few questions on NIM's? David, would you like to cover that?

David (A1): Thanks, Dalal.

I said on the Q3 earnings call that the outlook for margin in the short term was to the downside. And in Q4 we saw the margin drop by 4 basis points. Benchmark rates were cut between September and December and this led to corporate asset repricing, which reduced income yields. And whilst the cost of funds did in fact move lower in Q4, it wasn't enough to offset the asset yield drops which led to the margin compression.

Year on year we saw the margin decline by 18 basis points, which was primarily driven by the repricing impacts on the asset side, whilst liabilities repriced slower and the levels have remained relatively sticky for local currency deposits, despite benchmark rate cuts. We also saw CASA balances decline in the overall market, which has further pressured cost of funds, leading to margin contraction.

Looking forward into 2026 the biggest negative impact to margin would be further benchmark rate cuts. And the impact of a 25-basis point cut is 3.3 million KD to net interest income, which translates to around 4 to 5 basis points of margin.

Having said that, we do anticipate several dynamics that potentially could mitigate any margin compression due to potential rate cuts. The first is an expectation that CASA levels in the market will start to increase in 2026, and the second is the fact that a portion of our retail book is due to reprice from historically low levels. Specifically, loans written 5 years ago during 2021 at 4.5%, will reprice upwards during the year 2026. And also, in our corporate business we're actively targeting higher margin transactions.

Although, in the short term we may see margin continue to fall due to the full quarter impact of the rate cuts we saw in mid-December.

So given the number of variables at play and the uncertainty around size and timing of potential benchmark cuts it's difficult, at this stage, to give reliable guidance. But we do remain hopeful that there are several mitigants that may offset the impact of any future cuts.

Dalal: Thank you, David.

Dalal(Q2): We also have couple of questions on loan growth? Would you like to take that David?

David (A2): Thanks, Dalal.

We had very strong loan growth of circa 150 million in Q4, which brings the full year growth to 7%, and our guidance at the beginning of the year was mid-single digit so that was comfortably achieved. Now, as I've said in previous quarters, the growth this year has been dominated by the corporate segment and Q4 was no different. When we look specifically at customer loan growth, which excludes banks, our corporate segment grew around 13% versus the market growth of 11%, so we gained market share. In fact, 2025 is the second consecutive year of market share gains in corporate. We have a very strong corporate franchise and a healthy pipeline and given the increased project activity in Kuwait we could expect this sort of momentum to continue into 2026 and beyond.

Now, when we look at retail, the growth environment continues to be challenging for us, although we could expect improved conditions if benchmark rates were to fall further in 2026. But internally we've been actively expanding our product range and targeting new customer segments which should support a return to growth.

Looking ahead into 2026, I'd expect corporate to continue its strong growth momentum whilst also seeing a pick-up in our retail activity. So, overall, I think high single digits loan growth is going to be achievable for 2026.

Dalal: Thank you, David.

Dalal(Q3): We have few questions on asset quality and credit costs. David, would you like to take those questions?

David(A3): Year-to-date credit costs were down 15% versus last year. And when we split the components between retail and corporate we saw that retail was relatively flat compared to last year and corporate was significantly down, the latter driven by lower specific provisions and higher recoveries. And in Q4 specifically, almost all the credit costs came from the retail book, which was also the case in Q3.

The full year cost of risk came in at 61 basis points versus 75 last year. And at the beginning of the year, we gave guidance of 60-70 points, so we landed at the bottom end of our range which is encouraging.

Our stage 2 percentage continued to fall in Q4 and now stands at only 2.7%. And our NPL percentage also fell in Q4 and now stands at only 1.1%.

Looking forward into 2026, we'd expect corporate credit costs to remain low and retail credit costs to start normalizing closer to historical levels at some point. We think given the changes made to underwriting, coupled with enhanced recovery efforts, that we could start to see some positive developments in this space. So, in

terms of full year guidance for 2026, we'd estimate that credit costs in the 50–60 point range may be achievable.

Dalal(Q4): We have few questions on operating expenses. David?

David(A4): Sure. Total operating expenses grew only 2% for the full year, which is the lowest cost growth the bank has seen since 2020. And this was achieved despite additional costs relating to both our Islamic conversion and potential merger. And also we had an 8% increase in depreciation which relates to the completion of our digital transformation in prior years. I've said before that we'd previously embarked on a comprehensive cost optimization program, and it's clearly delivered strong results in our BAU cost base this year.

Now, when we look at the cost-to-income ratio for Q4, it was 47.1%, which was the lowest level of any quarter during 2025. But on a full year basis it's 49.9% which is an increase of 3.5 percentage points from 2024. And the increase is due largely to the 5% drop in operating income driven mainly by asset repricing.

Going forward, I'd expect BAU costs to continue to be optimized and managed well, but we expect a ramp up in Islamic conversion costs and potential merger costs as well. So, the absolute cost growth for 2026 could be around the mid to high single digit range. Although, the cost to income may remain relatively stable year on year as the increased cost growth should be matched by expected income improvements.

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

(Pause)

Dalal(Q5): Another question, would you have any update on timeline for Sharia conversion and the M&A that you could share with us? Sami?

Sami(A5): Sure, thank you Dalal.

Let me cover the Sharia compliant conversion. First, we continued to advance our strategic transformation toward becoming a Sharia-compliant institution. Following the most recent Central Bank of Kuwait's preliminary approval to begin Sharia compliant conversion activities. We have 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 and timeline. 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.

Now as far as the potential merger with Warba and what's the expecting processing timeline, we have commenced the due diligence process and continue to evaluate the potential merger with Warba Bank. Independent financial and legal advisors had been hired by both sides and are currently working on 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.

Thank you Dalal.

Dalal: Thank you Sami. We will take another pause to receive any additional questions.

(Pause)

Dalal(Q6): **We received few questions on mortgage law; Sami would you like to comment on that?**

Sami(A6): Will yes, actual I have a short comment on that matter. We are waiting for further updates from the authority on that matter, and internally we are preparing ourselves for this. However, this is completely a regulatory matter in terms of when it is launched, there is nothing further to add from our side.

Dalal: Thank you Sami.

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.

