بنك الخليج
GULF BANK

Kuwait, 13 February 2024

Boursa Kuwait
State of Kuwait

Dear Sirs,

Subject: Gulf Bank's Disclosure on its Analysts Conference Call Script for the Financial Year Ending 31/12/2023

In compliance with the provisions of Clause (4) of Article (8-4-2) of Boursa Kuwait rules under Resolution No. (1) of 2018, and based on Gulf Bank's keenness to comply with the requirements of Boursa rules, attached is the Call Script of the Analysts Conference for the financial year ending 31/12/2023, which was held online through Live Webcast on Tuesday, 13/2/2024, at 1:00 PM.

We would like to assure you our continuous cooperation.

Best regards

Mohammad Jasem AlBeloushi
Deputy General Manager
Head of Compliance & Disclosure Unit

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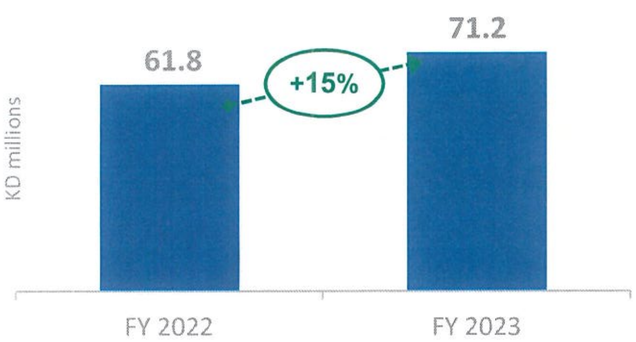
Gulf Bank
Earnings Presentation
Year End 2023

13 February 2024

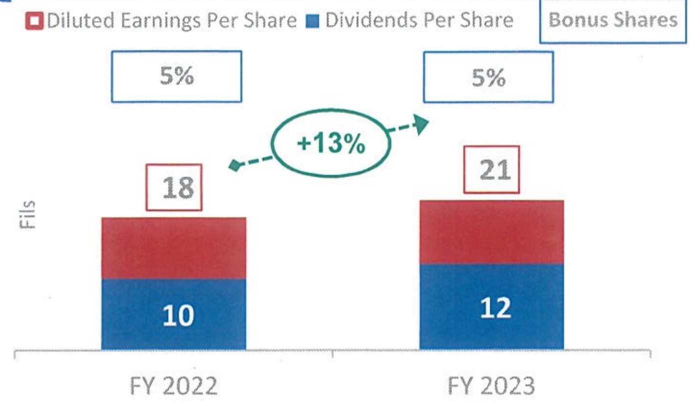
[GBK Classification: PUBLIC]

Year-end 2023 Key Highlights

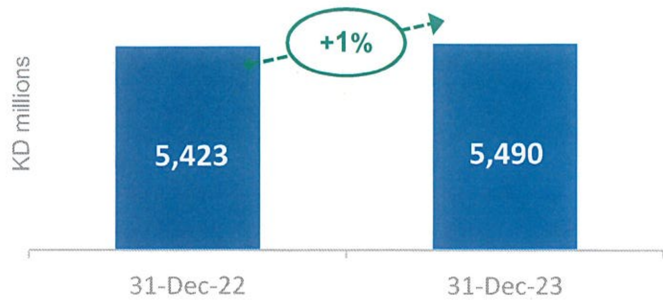
1 Net Profit



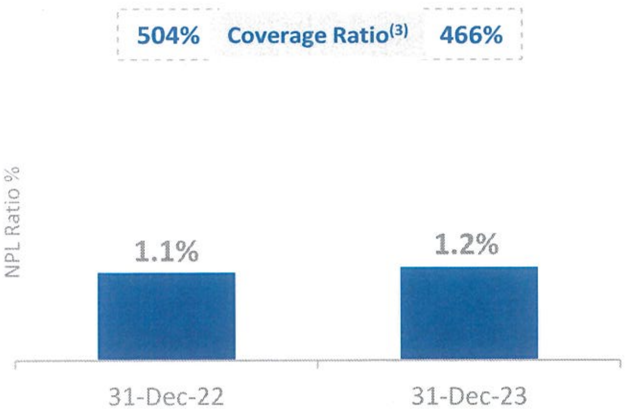
2 Earnings and Dividends Per Share[1]



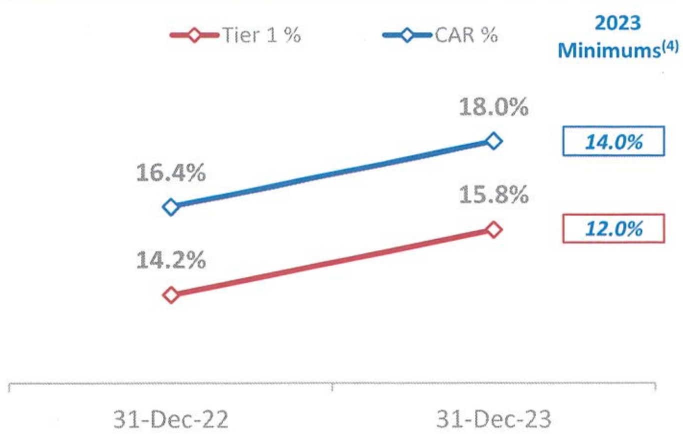
3 Gross Loans and Advances[2]



4 Asset Quality



5 Capital Ratios



6 Credit Ratings

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

(1) 2023 proposed cash dividends and bonus shares are subject to Annual General Meeting shareholders approval expect to be held in March 2024; (2) Gross loans and advances is consolidated(loans and advances to banks and customers); (3) Coverage ratio includes total provisions and collaterals; (4) Tier 1 and CAR regulatory minimums include 1% DSIB charge.

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Year-end 2023 Net Profit vs. Year-end 2022 Net Profit Evolution

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Income Statement

KD Millions	Q1 2022A	Q2 2022A	Q3 2022A	Q4 2022A	Q1 2023A	Q2 2023A	Q3 2023A	Q4 2023A	Q4 23A vs Q3 23A Amt	Q4 23A vs Q3 23A %	FY 2022A	FY 2023A	FY 23A vs FY 22A Amt	FY 23A vs FY 22A %
Interest Income	46.7	52.5	67.0	78.3	85.6	89.8	95.0	99.6	4.6	5%	244.5	370.0	125.5	51%
Interest Expense	(14.4)	(19.1)	(29.6)	(39.2)	(50.8)	(53.0)	(56.2)	(59.5)	(3.3)	-6%	(102.3)	(219.5)	(117.3)	-115%
Net Interest Income	**32.2**	**33.5**	**37.4**	**39.1**	**34.8**	**36.8**	**38.7**	**40.1**	**1.3**	**3%**	**142.2**	**150.4**	**8.2**	**6%**
Non Interest Income[1]	9.3	10.3	9.6	9.7	11.6	9.0	9.1	10.1	0.9	10%	38.9	39.8	1.0	2%
Operating Income	**41.5**	**43.8**	**47.0**	**48.7**	**46.4**	**45.9**	**47.9**	**50.1**	**2.3**	**5%**	**181.1**	**190.3**	**9.2**	**5%**
Operating Expenses	(19.8)	(21.5)	(21.6)	(23.3)	(21.4)	(21.5)	(21.9)	(22.0)	(0.0)	0%	(86.2)	(86.8)	(0.6)	-1%
Operating Profit	**21.7**	**22.3**	**25.3**	**25.4**	**25.0**	**24.3**	**25.9**	**28.2**	**2.2**	**9%**	**94.9**	**103.4**	**8.6**	**9%**
Credit Costs[2]	(5.1)	(2.9)	(8.0)	(8.8)	(7.2)	(4.9)	(7.2)	(9.9)	(2.7)	-37%	(24.9)	(29.2)	(4.2)	-17%
General Provisions/Other[3]	(0.9)	(3.4)	(1.1)	0.4	0.3	0.0	0.1	0.1	(0.0)	9%	(5.0)	0.6	5.6	112%
Taxes/ Other	(0.7)	(0.7)	(0.7)	(0.9)	(0.8)	(0.9)	(0.9)	(1.0)	(0.2)	-17%	(3.1)	(3.6)	(0.6)	-18%
Net Profit	**15.0**	**15.2**	**15.4**	**16.1**	**17.3**	**18.5**	**18.0**	**17.4**	**(0.6)**	**-3%**	**61.8**	**71.2**	**9.4**	**15%**
Return on Assets (ROA) %	0.9%	0.9%	0.9%	0.9%	1.0%	1.1%	1.0%	1.0%			0.9%	1.0%		
Return on Equity (ROE) %	9.2%	9.1%	8.9%	9.0%	9.9%	10.4%	9.8%	8.9%			9.0%	9.6%		
Cost to Income Ratio (CIR) %	47.7%	49.0%	46.0%	47.8%	46.1%	46.9%	45.8%	43.8%			47.6%	45.6%		
Net Interest Margin (NIM) bps[4]	200	201	213	223	207	215	221	225			210	217		
Cost of Risk (COR) bps[5]	40	22	58	64	54	36	52	72			47	54		

(1) Includes Fees and Foreign Exchange Income and Other Income; (2) Includes specific provisions, recoveries, and write-offs (3) Includes General Provisions, Other Provisions/Impairments; (4) Net Interest Income / Average assets; (5) Credit Costs / Average gross loans and advances.

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Balance Sheet

KD Millions	31-Dec-22	% of Total	31-Mar-23	% of Total	30-Jun-23	% of Total	30-Sep-23	% of Total	31-Dec-23	% of Total	Var Dec 23 vs Dec 22		Var Dec 23 vs Sep 23	
											Amount	%	Amount	%
ASSETS														
Cash and cash equivalents	930		1,047		1,079		1,130		1,094		164	18%	-36	-3%
Kuwait Government Bonds	22		22		22		17		17		-6	-25%	0	0%
CBK Bonds	338		343		342		332		338		0	0%	6	2%
Deposits with banks and OFIs	131		56		66		74		181		50	38%	107	144%
Liquid Assets	**1,421**	**21%**	**1,468**	**22%**	**1,509**	**22%**	**1,553**	**22%**	**1,629**	**23%**	**208**	**15%**	**76**	**5%**
Gross loans and advances[1]	5,423		5,394		5,463		5,449		5,490		68	1%	41	1%
Provisions	-294		-285		-289		-293		-294		0	0%	-1	0%
Net Loans and advances	**5,129**	**75%**	**5,109**	**75%**	**5,174**	**75%**	**5,157**	**74%**	**5,197**	**72%**	**68**	**1%**	**40**	**1%**
Investment securities	**129**	**2%**	**92**	**1%**	**73**	**1%**	**109**	**2%**	**191**	**3%**	**62**	**48%**	**83**	**76%**
Other assets	134		112		117		114		118		-16	-12%	4	4%
Premises and equipment	39		39		40		39		39		1	2%	1	2%
Other assets	**173**	**3%**	**151**	**2%**	**158**	**2%**	**153**	**2%**	**158**	**2%**	**-15**	**-9%**	**5**	**3%**
TOTAL ASSETS	6,851	100%	6,821	100%	6,914	100%	6,971	100%	7,175	100%	323	5%	204	3%
LIABILITIES														
Due to banks	490		322		318		416		256		-233	-48%	-159	-38%
Deposits from FIs	775		908		970		855		1,149		374	48%	293	34%
Customer deposits	**4,247**	**62%**	**4,191**	**61%**	**4,216**	**61%**	**4,265**	**61%**	**4,219**	**59%**	**-28**	**-1%**	**-46**	**-1%**
Other borrowed funds	494		539		539		540		570		76	15%	30	6%
Other liabilities	126		156		147		155		164		37	29%	9	6%
TOTAL LIABILITIES	**6,131**	**89%**	**6,116**	**90%**	**6,190**	**90%**	**6,231**	**89%**	**6,358**	**89%**	**226**	**4%**	**127**	**2%**
Total Equity	**720**	**11%**	**705**	**10%**	**723**	**10%**	**740**	**11%**	**817**	**11%**	**97**	**13%**	**77**	**10%**
TOTAL LIABILITIES AND EQUITY	6,851	100%	6,821	100%	6,914	100%	6,971	100%	7,175	100%	323	5%	204	3%
Average assets	6,767		6,836		6,862		6,889		6,946					
Average equity	686		712		716		722		741					
NPL ratio	1.1%		0.8%		1.0%		1.2%		1.2%					
Coverage ratio[2]	504%		692%		546%		470%		466%					
CASA Ratio	35.2%		35.3%		34.8%		32.3%		29.7%					

(1) Gross loans and advances is consolidated (loans and advances to banks and customers).
(2) Coverage ratio includes total provisions and collaterals.

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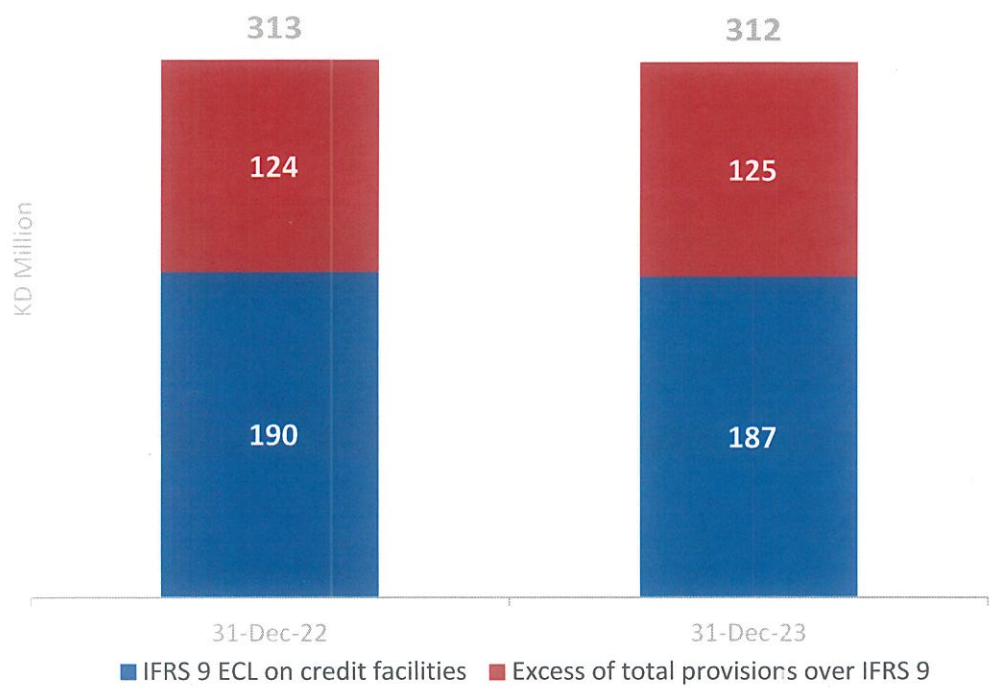
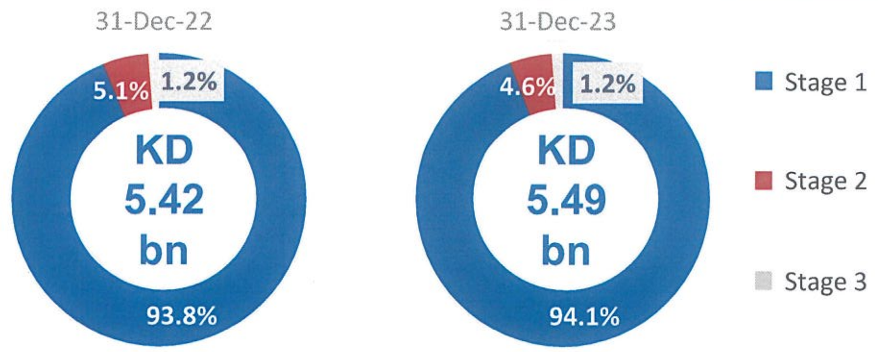
Total Credit Provisions exceed IFRS 9 accounting requirements by KD 125 million

Total Provisions on Credit Facilities

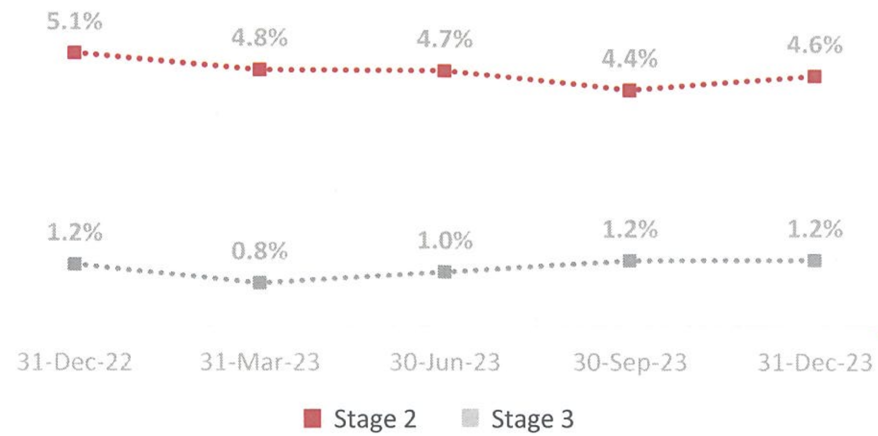


Excess / Total Provision	39%	40%

Gross Loans by Stages %(1)



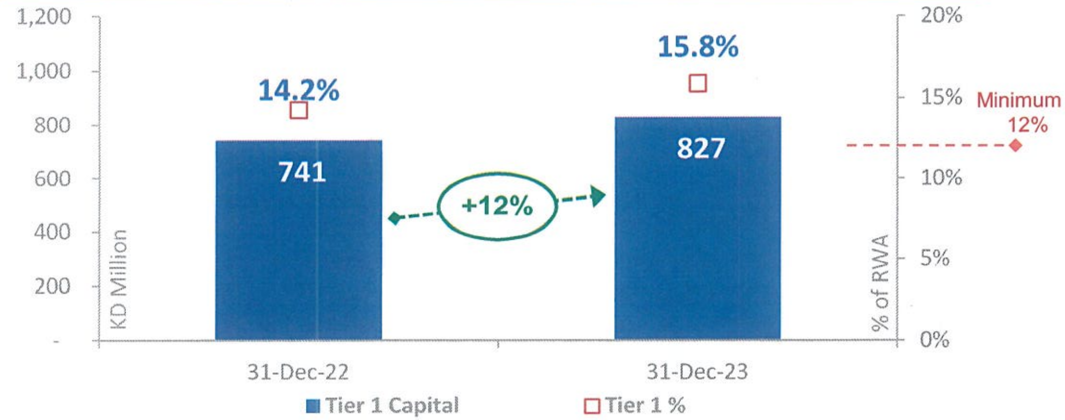
Evolution of Gross Loans Stages 2 and 3 (%)(1)



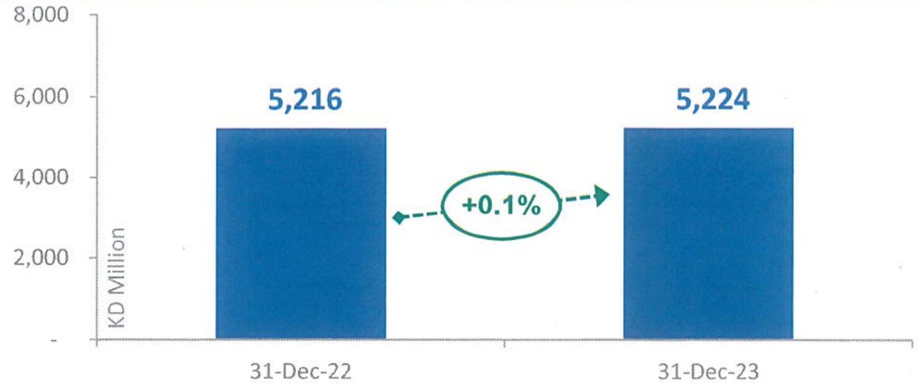
(1) Stage 3 loans are marginally higher than the credit impaired loans due too qualitative and quantitative factors as per IFRS 9.

Capital and Leverage Ratios

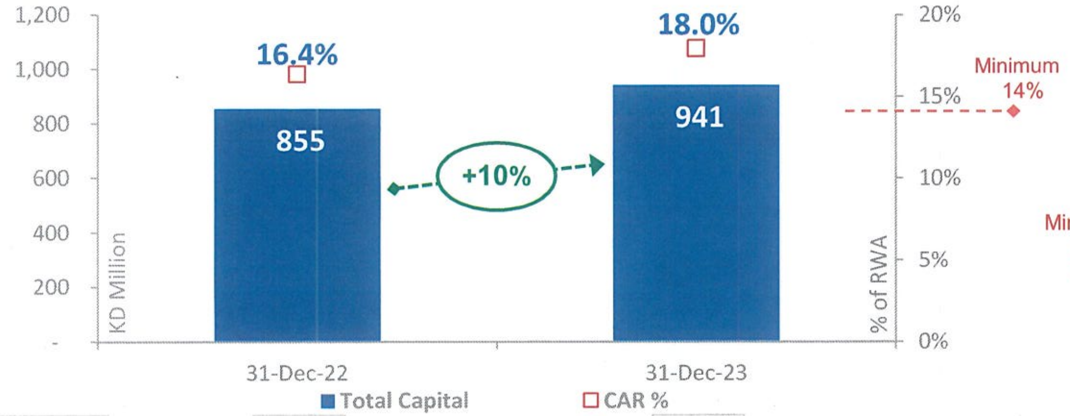
Tier I Capital[(1)(3)]



Risk Weighted Assets

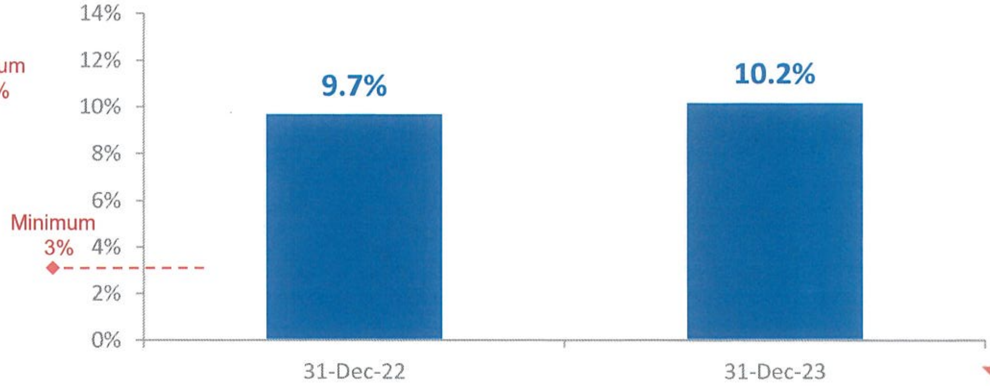


Total Capital[(2)(3)]



% Tier 1	87%	88%

Leverage Ratio



(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.

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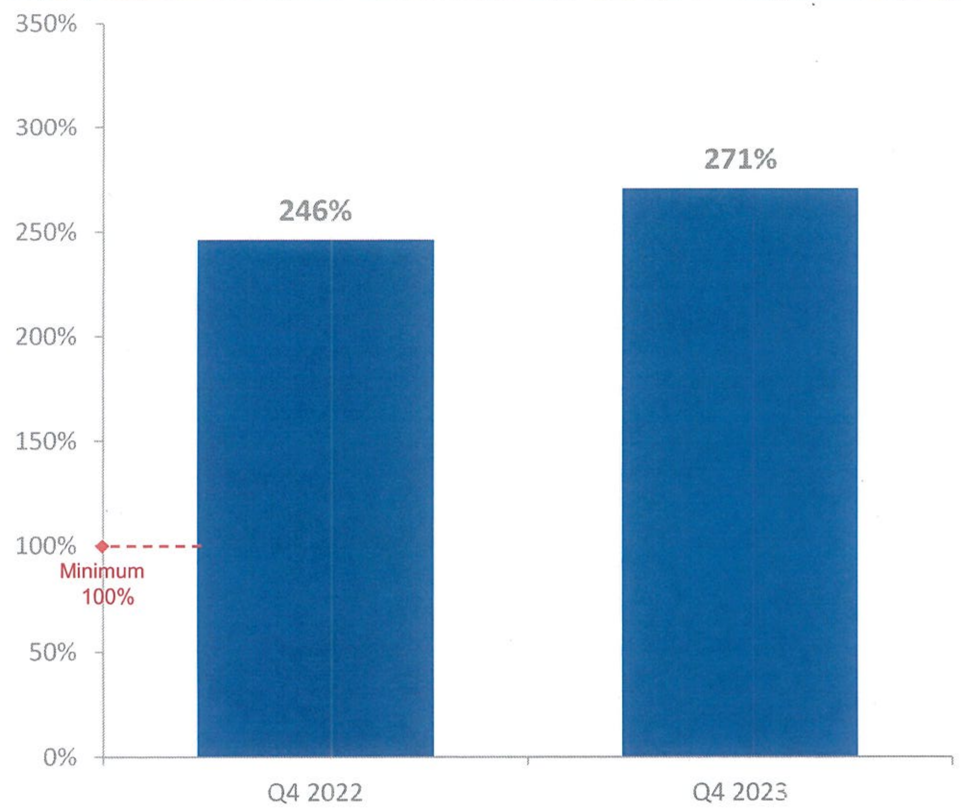
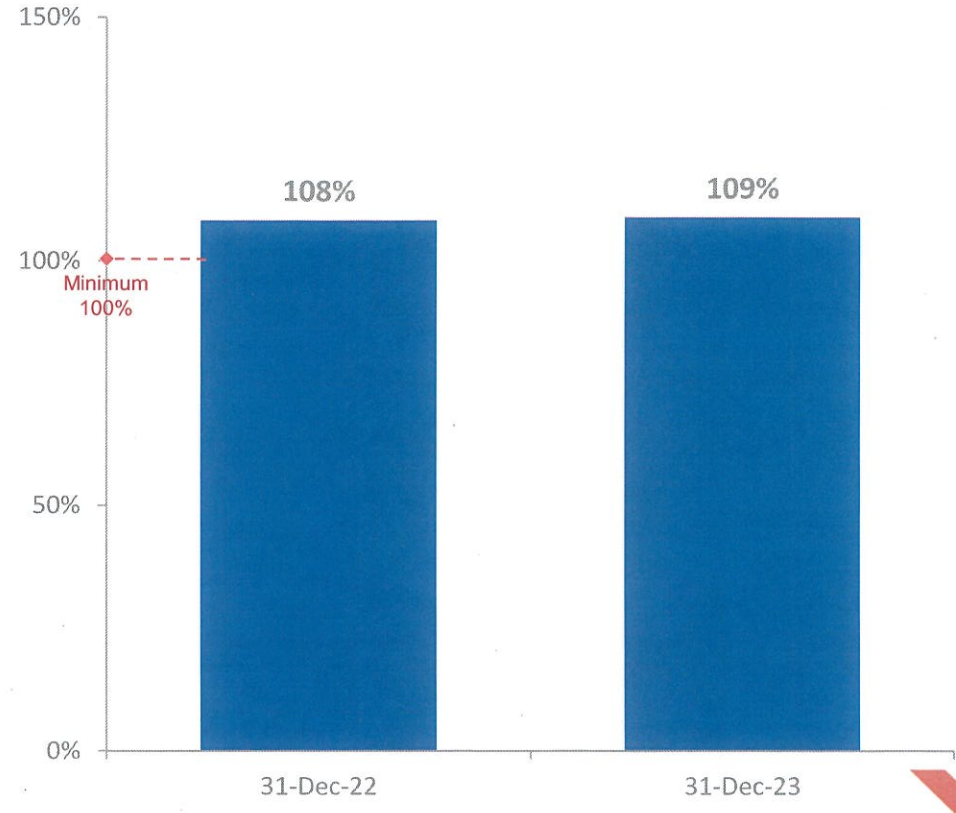
Liquidity Ratios

Liquidity Coverage Ratio[1]



Net Stable Funding Ratio[1]



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

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Q&A

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Guidance for the year 2024

	Earlier Guidance	Actual Outcome FY 2023	Forward Guidance In 2024
1 Loan Growth	Grow faster than the market in Retail	✓ 2.5% vs 1.5%(1)	Mid-single digits for total loans
2 Cost to Income Ratio	Decrease	✓ ⇩ 200 bps	Decrease
3 Cost of Risk	Under 100 bps	✓ 54 bps	50 to 70 bps
4 NPL Ratio	Under 2%	✓ 1.2%	Under 2%

(1) Source: Central Bank of Kuwait Monthly Statistics to the end of December 2023.

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Thank you

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Earnings Conference Call Edited Script - Year-end 2023

13 February 2024

Corporate Participants:

Mr. Waleed Mandani – 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 the Gulf Bank the year-end 2023 earnings conference call. It is a great pleasure to have with us on the call Mr. Waleed Mandani, 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 Ms. Dalal AlDousari, please go ahead.

Dalal: Thank you, Elena. Good afternoon and welcome to Gulf Bank's year-end 2023 earnings call. We will start our call today with key highlights and updates on the operating environment of Gulf Bank during the year-end 2023 presented by the Acting Chief Executive Officer, Mr. Waleed Mandani followed by a detailed presentation of our financial results by the Chief Financial Officer, 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. Feel free to type in your questions at any time during the call. The presentation will be available at our corporate website and will be disclosed to Boursa Kuwait.

Please note that we can only comment on inquiries and information that are publicly disclosed. I would also like to draw your attention to the disclosure on **page 11** 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 handover the call to Mr. Waleed Mandani. Waleed?

Waleed: Thank you, Dalal. Good morning and good afternoon, everybody. Our 2023 performance demonstrates excellent progress with Gulf Bank delivering strong net profit and growth momentum. We made tremendous strides towards our key strategic priorities centered around digital transformation initiatives to improve the customer experience, accelerate development and drive operational efficiencies. We remain focused on generating strong and sustainable long-term value to our stakeholders.

During the year, the Kuwait economy continued to show resilience despite a challenging global market and an uncertain economic outlook. These challenges included high inflation levels, tighter monetary policy, and the geopolitical disputes, amongst others. However, the local economy remained stable, supported by good oil prices, accelerated government project awards and overall recovery of economic activity.

On the local macroeconomic front, the Central Bank of Kuwait has continued to tighten monetary policy, albeit at a relatively slower pace compared to the US Fed. Since the beginning of the year 2023, the Central Bank of Kuwait has raised its key discount rate two times, resulting in a 75 basis points increase, bringing the discount rate to 4.25%. During the year, credit growth slowed down, to 2.2%, compared to an overall credit growth of 8.6% for the prior year according to the latest industry data published by the Central Bank of Kuwait.

One of the key milestones during the year 2023 was the implementation of phase I of the new core banking system. This milestone represents a major leap in the Bank's digital transformation journey. It empowers the Bank to provide enhanced services, improve efficiency, and deliver seamless customer experiences. The new system's deployment showcases Gulf Bank's commitment to better serve its valued customers using cutting-edge technology.

Another major achievement for the Bank during the year was the launch of the latest version of its mobile application. The new version of the app incorporates advanced security features to safeguard customer data and financial transactions while providing a seamless user experience.

In addition, the Bank has obtained the necessary final regulatory approvals to setup Gulf Capital Investment Company, known as Invest GB, to operate officially as a wholly owned investment subsidiary of the Bank. The activities of Invest GB will be focused on asset management and advisory services, complementing the Bank's core business while enhancing customer offerings predominantly for our private and corporate banking clients. We believe these complementary services will positively enhance the fees and commissions income of the Bank in the future.

Furthermore, during the fourth quarter of 2023, Gulf Bank has successfully completed a capital increase totaling KD 60 million. This was approximately seven times oversubscribed. The significant oversubscription reflects shareholders' confidence in Gulf Bank's potential capabilities. The increase aims to strengthen the Bank's capital base, enhance regulatory capital ratios, and enable the pursuit of future growth opportunities aligned with the Bank's long-term strategy.

Now turning to Page 2, I would like to summarize our financial results with six key messages:

First, our net profit grew by 15.2% for the year 2023, to reach KD 71.2 million in comparison to KD 61.8 million reported in 2022.

Second, our earnings per share is up 13.2% to 21 fils and the Board of Directors is recommending a distribution of cash dividend of 12 fils per share, representing a 57.4% cash payout, in addition to 5% bonus shares, for shareholders' approval at the Annual General Meeting to be held in March 2024.

Third, our gross loans and advances reached KD 5.5 billion, an increase of KD 68 million or 1.2% compared to the end of 2022. This growth was supported by both our Corporate and Consumer segments although at a faster pace for Consumer segment.

Fourth, the portfolio continued to be resilient as our non-performing loan ratio (NPL Ratio) for the year end 2023 stood at 1.2%, together with a strong NPL coverage ratio of 466% including total provisions and collaterals.

Fifth, as of 31 December 2023, our Tier 1 Ratio was 15.8% achieving a buffer of 384 basis points above regulatory minimums of 12%, and our Capital Adequacy Ratio was 18.0% achieving a buffer of 402 basis points above regulatory minimums of 14%.

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

> Moody's Investors Service has affirmed the 'A3' long-term deposit ratings of Gulf Bank and changed the outlook to "Positive" from "Stable".
> Fitch Ratings has affirmed the Bank's Long-Term Issuer Default Rating at "A" with a "Stable" outlook and a Viability Rating of 'bbb-
> Capital Intelligence affirmed the Bank's Long-Term Foreign Currency Rating of "A+" with a "Stable" outlook.

So, our performance during the year has further strengthened the Bank's fundamentals. Looking forward, Gulf Bank is very well positioned to deliver superior shareholder returns and will continue to grow in a sustainable way into the future.

With that, I'll turn it over to our CFO, David Challinor, who will cover the financials of the year 2023 in more depth, thank you. David, over to you.

David: Thanks Waleed.

David: **Turning to page 3,** we can see the movement of net profit from 61.8 to 71.2. The increase was mainly driven by 8.2 in net interest income due to asset growth and margin expansion. In addition, there was an improvement of 1.4 in total provisions and impairments and 1 in non-interest income which was partially offset by an increase in operating expenses of 0.6. However, operating expenses increased by only 0.7% year on year.

You can also see Return on Equity improved by 0.6 to reach 9.6%.

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

On line 1, interest income was up 125.5 or 51% for 2023 compared to last year. This was primarily due to CBK discount rate hikes coupled with asset growth.

On line 2, our interest expense increased by 117.3 or 115%. We are continuing to see cost of fund increases but believe we may becoming close to a peak.

On line 3, net interest income grew 6% to reach 150.4, and Q4 grew by 3% when compared to Q3. This represents the third consecutive quarterly growth in net interest income.

On line 4, our non-interest income increased by 1 or 2% compared to last year and Q4 grew by 11% when comparing to Q3. This is the second consecutive quarterly growth in non-interest income.

On line 5, operating income increased by 9.2 or 5%.

On line 6, operating expenses have increased by 0.6 or 1% for the full year 2023, while the cost to income ratio has improved significantly down 2% to 45.6% from

47.6% last year. In addition, the 2023 results have shown positive Jaws as the operating income growth has exceeded the operating expense growth by 4 percentage points.

On line 7, operating profit before provisions and impairments has increased by 8.6 or 9%. In fact, the Q4 Operating Profit of 28.2 million is the highest operating profit since 2019.

On line 8, you can see our credit costs increased by 4.2, from 24.9 in 2022 to 29.2 in 2023. Our cost of risk was 54 basis points this year versus 47 basis points last year. This low level of cost of risk is a result of our prudent risk management and the quality of our loan book that continues to remain resilient in this higher rate environment.

On line 11, our full year 2023 net profit reached 71.2, which is a historic high for the bank since the Global Financial Crisis and represents an increase of 15.2% year on year. Looking at the ratios at the bottom from line 12 to 16, we can see that we had improvements in ROA, ROE, Cost to Income Ratio and NIM. And cost of risk was only 8 basis points higher than 2022 and remains very low.

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

On line 8, Net Loans and Advances of 5.2 billion as at 31 December 2023 increased by 1% year on year. We've seen a significant slowdown in credit growth for 2023 in the system but believe 2024 will be stronger.

On line 13, Total Assets increased by 5% year on year to reach 7.2 billion.

On lines 15 & 16, Total Deposits of 5.4 billion increased by 346 million or 7% year on year. We did see our CASA ratio decline to 29.7% versus 35.2% last year. We've seen a significant decline in CASA in the system due to the higher rate environment, but we've maintained our market share.

On line 17, we've increased our medium-term borrowings by 15% year on year which resulted in further diversification of our funding profile and improvement in overall duration.

Moving on to asset quality, our non-performing loan ratio, shown on line 24, was 1.2% at the end of December 2023, which was only slightly higher than the same period last year of 1.1%. Also, we continue to have a significant NPL coverage ratio of 466% that includes total provisions and collaterals.

Now, turning to Page 6 you can see in the chart on the left that as at 31 December 2023, we have 125 of excess provisions, representing 40% of total provisions.

Looking at the pie charts on the top right of the page, you can see that our stage 1 loans have increased to 94.1%, Stage 2 has declined to 4.6%, and Stage 3 remains the same at 1.2% when compared to last year.

The chart on the bottom right side of the page shows the evolution of Stage 2 and stage 3 percentages historically. We can see that both Stage 2 and Stage 3 remain very low and stable compared to previous quarters which is a very pleasing outcome given the higher rate environment.

Turning to page 7, on the top left, our Tier 1 ratio was 15.8%, which is well above our regulatory minimum of 12%.

On the bottom left, our Capital Adequacy Ratio of 18% was well above our regulatory minimum of 14%. Both ratios were significantly enhanced in Q4 due to the proceeds of the rights issue and the inclusion of the full year profits (less applicable deductions) towards capital.

Our risk weighted assets, shown on the top right, are almost flat when compared to last year.

On the bottom right, our leverage ratio as at 31 December 2023 was 10.2%, in comparison to 9.7% last year, and well above the 3% regulatory minimum.

Turning to page 8, we can see our key liquidity ratios. The chart on the left side shows our quarterly average daily Liquidity Coverage Ratio, which is 271%, and on the right side, you can see the Net Stable Funding Ratio is 109%. Both ratios continue to be well above regulatory minimums of 100%.

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 designated questions text area. We will pause for few minutes to receive most of your questions.

(Pause)

Ok, we will go through the questions.

Dalal (Q1): We can see questions related to Margins and trends going forward? David?

David (A1): For Q4 we continued to see the margin expand but at a slower pace than for Q2 and Q3. For the full year 2023 our net interest margin was 217 basis points versus the prior year which was 210. And this increase was in line with the guidance we gave at the beginning of the year.

As you know the margin dynamics are complex as there are many variables.

We saw cost of fund pressures accentuate in Q4. The system has seen a significant drop in CASA, particularly in the second half of the year. In the first half the system for CASA dropped by KD 440 million or 2.5% but in the second it fell a further KD 1.3 billion which was 7.7%. So, this fall is causing upward pressure on the cost of funds as banks must replace with more expensive fixed deposits, and this too in a quarter where banks are focused on year-end ratio management. Whilst we maintained our market share in CASA the overall drop in the size of the market still impacted our cost of funds negatively.

However, we think the expectations around the level of future rates have dampened such that new term deposits are now being priced lower than earlier in the year. As such we believe the Q4 cost of funds may be nearing a peak, so we may see cost of fund pressures start to ease throughout 2024 which will be positive for margins.

However, the unknown as to whether the local discount rate will drop in 2024, and if so, what the impact will be on the screen rates for deposits.

So, it's very difficult, at this stage, to provide some meaningful guidance around where margin is headed.

Dalal (Q2): **Next, there are few questions on Loan growth and what segment drove this growth? David?**

David (A2): If we look first at Q4, we saw a growth of KD 40 million, which was a good turnaround from the de-growth of KD 17 million we saw in Q3. For the full year, we had overall growth of 1.2%, with retail dominating, leading to another year of market share gains for the retail business.

In terms of the system, 2023 was a slow year with only 2.2% growth, which was much less than the 8.6% we saw in 2022. As I've said before, I think the higher rates curtailed growth coupled with an overhang from such a strong 2022.

If we look at the system for the first half, we saw zero growth in retail and 1.6% growth in corporate. However, what we have seen in the second half is increased momentum in retail which has shown growth of 1.5% in the second half. So, we think that this is a good sign for 2024 and we believe the retail space will return to decent growth. We're aiming to continue gaining market share, which we have done in both 2022 and 2023, so we think this second half trend will play nicely into our strategic goals for next year.

On the corporate side we saw decent growth in Q4 and have a strong pipeline. We also believe that the market will be more active in 2024 and have seen signs of positive movement in the project space locally.

So, all in all, I think we should expect an improvement in loan growth next year, more in line with the long-term system average that seems to have been around mid-single digits.

Dalal: Thank you David.

Dalal (Q3): **On Asset Quality and Cost of Risk, are the levels seen in 2023 sustainable going forward?**

David (A3): For 2023, the credit costs were KD 29 million which translated to a cost of risk of 54 basis points. In 2022, they were slightly lower at KD 25 million which was a cost of risk of 47 basis points. So, we've had 2 consecutive years where credit costs have been historically very low. And for at least the last year we've had interest rates at elevated levels. So, I'm very pleased with this continued low level of credit costs considering where rates are at.

In Q4, we did see a tick up from Q3 in both specific provision and net credit costs. The main driver of this increase was in the retail book. We've seen strong growth in this book in recent years as compared to corporate, so it makes sense that new NPL formation is more likely to come from this segment. However, the good news is that the underlying new NPL formation in the retail book for 2023 was slightly lower than in 2022. And when you also look at the past due but not impaired bucket for retail you can see that its broadly similar from one year to the next which is also encouraging.

On the corporate side, we've seen very little in the way of new NPL generation in 2023 and we had some decent recoveries, especially in the first half.

When we look at the asset quality indicators, we continue to see a very low stage 2 percentage, its only 4.6% of the whole book, which compares very favorably to other banks in the system and is testament to our conservative underwriting policy. And our NPL percentage continues to be very low at 1.2%, which is broadly similar from a year ago.

Looking forward to 2024, my view at this stage, would be we are likely to see credit costs higher than in 2023 and I would expect the full year charge to land somewhere in the 50-70 basis point range. However, we can often see variability in credit costs from quarter to quarter due to provisioning requirements as NPL's age, and also recoveries can be material to the quarterly number, but I think for the full year we could nonetheless expect to land in this range.

Dalal: Thanks David. We will pause for few minutes to receive more questions.

(Pause)

Dalal (Q4): **We received a question on OPEX, and if we have a mid-term target for Cost to Income Ratio?**

David (A4): The total cost growth was under 1% year on year, which is a strong outcome, and demonstrates our prudent approach to cost control during 2023. We saw staff costs drop around KD 1.7 million and other expenses increase by around the same amount. And a key driver of the other expenses was IT costs related to our transformation program.

Looking at the cost to income ratio there's been a meaningful drop of 2% and it now stands at 45.6% down from 47.6% a year ago. And for the fourth quarter only the number is 43.8% which is the lowest quarterly ratio in the last 2 years which is a very positive result.

We've also seen an improvement in the Jaws ratio, where the total income growth percentage is greater than the total cost growth percentage, widen to 4% which is a strong turnaround from the negative Jaws we saw for 2022.

So, looking forward, we've embarked on a journey to bring down the cost to income ratio over time and are targeting a further fall for 2024.

Dalal: Thank you David.

Dalal (Q5): **We received an additional question on Fee Income/Non-Interest Income, how can it be improved from current levels?**

David (A5): We saw an improvement in non-interest income in Q4. It was the second consecutive quarter of positive growth. For the full year we were up 2% which was double the loan growth. We could expect this to keep growing especially given our more positive outlook on loan growth for next year, particularly on the corporate side. We're focused on improving non-interest income and product development and elements of our ongoing transformation will assist in this.

Dalal (Q6): **We received a question if there are any updates on the home financing law?**

Dalal (A6): It's been nearly two years since the first announcement of the draft law of real estate financing for private housing in Kuwait. We have a renewed confidence that the law will ultimately materialize as an alternative financing option through local banks. We are optimistic about the potential mortgage law in Kuwait and its positive impact on the overall credit market. And we believe that the law aligns well with our Bank's retail focused strategy, and we are in a good position to benefit from this market opportunity.

Dalal: I believe we have covered the majority of topics and questions raised today during the call. Now, I would like to move to page 10, to provide guidance on some key indicators:

1. For loan growth, our strategy remains unchanged, that is to grow faster than the market in Retail. We had achieved this as our Retail loans grew 2.5% vs the system growth of 1.5%, resulting in additional market share gains. For the year 2024, we aim to grow more in line with the long-term system average that seems to have been around mid-single digits.

2. We have also guided earlier that the cost to income ratio is expected to decrease. This was achieved during the year and it's at a lower level compared to last year. We expect this declining trend to continue.

3. We have guided earlier that the cost of risk will likely be under 100 basis points. This was achieved throughout 2023, as our cost of risk has been below 100-basis points for the past 8 quarters. We continue to proactively manage our balance sheet and we would expect, at this stage, the full year charge to land somewhere in the 50-70 basis point range.

4. And finally, the non-performing loans ratio was expected to remain under 2%. This was achieved as our NPL ratio remained near the 1% levels over the previous quarters. We aim to keep our NPL ratio under the 2% mark due to our prudent risk management approach.

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

If you have any 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.