بنك الخليج
GULF BANK

Kuwait, 1 August 2023

Boursa Kuwait
State of Kuwait

Dear Sirs,

Subject: Gulf Bank's Disclosure on its Analysts Conference Call Script for Q2-2023

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 Q2-2023, which was held through live webcast on Tuesday, 1/8/2023, at 1:00 PM.

We would like to assure you our continuous cooperation.

Best regards

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

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Gulf Bank

Earnings Presentation

1st Half 2023

1st August 2023

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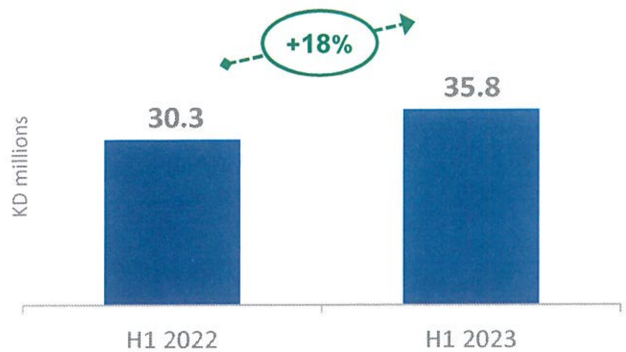
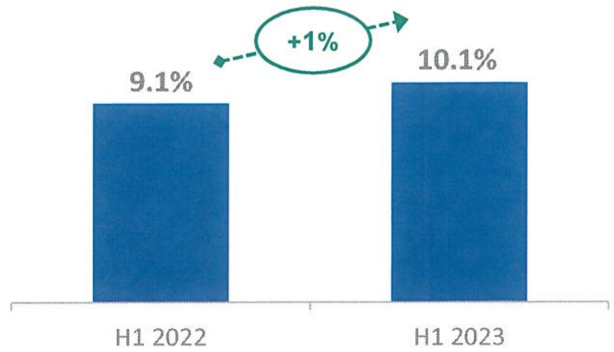
1st Half 2023 Key Highlights

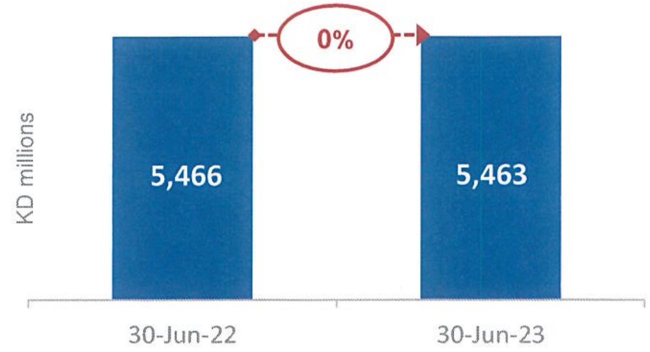
1 Net Profit



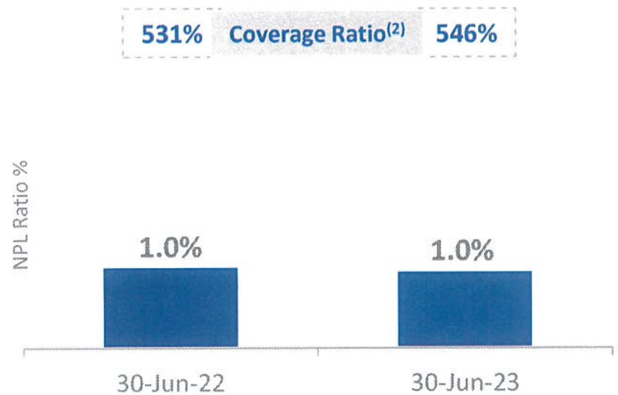
2 Return on Equity



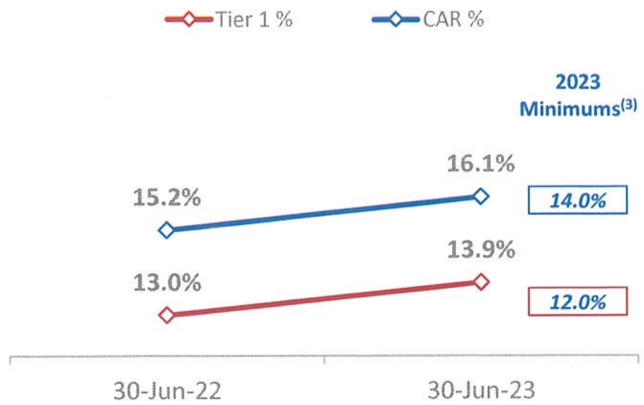
3 Gross Loans and Advances[1]



4 Asset Quality



5 Capital Ratios



6 Credit Ratings

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

2

(1) Gross loans and advances is consolidated(loans and advances to banks and customers); (2) Coverage ratio includes total provisions and collaterals;
(3) Tier 1 and CAR regulatory minimums include 1% DSIB charge.

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1st Half 2023 Net Profit vs. 1st Half 2022 Net Profit Evolution

Income Statement

	KD Millions	Q1 2022A	Q2 2022A	Q3 2022A	Q4 2022A	Q1 2023A	Q2 2023A	Q2 23A vs Q1 23A		H1 2022A	H1 2023A	H1 23A vs H1 22A	
								Amt	%			Amt	%
1	Interest Income	46.7	52.5	67.0	78.3	85.6	89.8	4.3	5%	99.2	175.4	76.2	77%
2	Interest Expense	(14.4)	(19.1)	(29.6)	(39.2)	(50.8)	(53.0)	(2.2)	-4%	(33.5)	(103.8)	(70.3)	-210%
3	**Net Interest Income**	**32.2**	**33.5**	**37.4**	**39.1**	**34.8**	**36.8**	**2.0**	**6%**	**65.7**	**71.7**	**6.0**	**9%**
4	Non Interest Income[1]	9.3	10.3	9.6	9.7	11.6	9.0	(2.5)	-22%	19.6	20.6	1.0	5%
5	**Operating Income**	**41.5**	**43.8**	**47.0**	**48.7**	**46.4**	**45.9**	**(0.5)**	**-1%**	**85.3**	**92.3**	**6.9**	**8%**
6	Operating Expenses	(19.8)	(21.5)	(21.6)	(23.3)	(21.4)	(21.5)	(0.1)	-1%	(41.3)	(42.9)	(1.7)	-4%
7	**Operating Profit**	**21.7**	**22.3**	**25.3**	**25.4**	**25.0**	**24.3**	**(0.6)**	**-3%**	**44.1**	**49.3**	**5.2**	**12%**
8	Credit Costs[2]	(5.1)	(2.9)	(8.0)	(8.8)	(7.2)	(4.9)	2.2	31%	(8.0)	(12.1)	(4.0)	-50%
9	General Provisions[3]	(0.9)	(3.4)	(1.1)	0.4	0.3	0.0	(0.3)	94%	(4.3)	0.3	4.6	108%
10	Taxes/ Other	(0.7)	(0.7)	(0.7)	(0.9)	(0.8)	(0.9)	(0.1)	-7%	(1.5)	(1.7)	(0.3)	-19%
11	**Net Profit**	**15.0**	**15.2**	**15.4**	**16.1**	**17.3**	**18.5**	**1.2**	**7%**	**30.3**	**35.8**	**5.6**	**18%**
12	Return on Assets (ROA) %	0.9%	0.9%	0.9%	0.9%	1.0%	1.1%			0.9%	1.1%		
13	Return on Equity (ROE) %	9.2%	9.1%	8.9%	9.0%	9.9%	10.4%			9.1%	10.1%		
14	Cost to Income Ratio (CIR) %	47.7%	49.0%	46.0%	47.8%	46.1%	46.9%			48.3%	46.5%		
15	Net Interest Margin (NIM) bps[4]	200	201	213	223	207	215			199	211		
16	Cost of Risk (COR) bps[5]	40	22	58	64	54	36			31	45		

(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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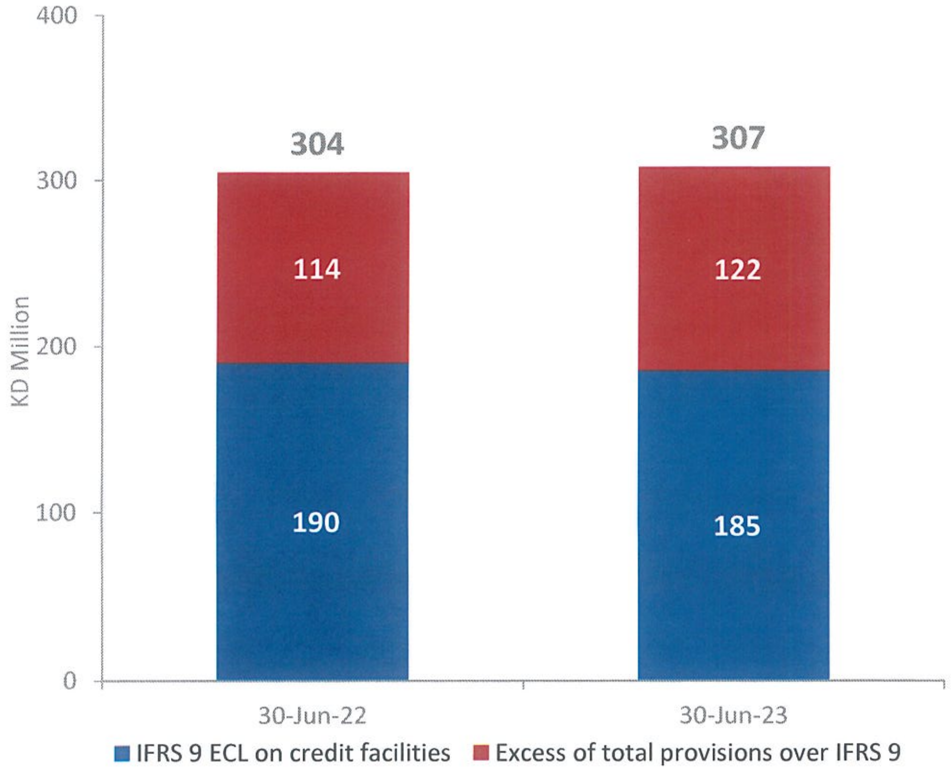
Balance Sheet

	KD Millions	30-Jun-22	% of Total	31-Dec-22	% of Total	30-Jun-23	% of Total	Var Jun 23 vs Dec 22		Var Jun 23 vs Jun 22	
								Amount	%	Amount	%
	ASSETS										
1	Cash and cash equivalents	1,028		930		1,079		149	16%	51	5%
2	Kuwait Government Bonds	48		22		22		0	0%	(26)	-54%
3	CBK Bills	299		338		342		4	1%	43	14%
4	Deposits with banks and OFIs	58		131		66		(65)	-50%	8	14%
5	**Liquid Assets**	**1,433**	**21%**	**1,421**	**21%**	**1,509**	**22%**	**88**	**6%**	**76**	**5%**
6	Gross loans and advances[1]	5,466		5,423		5,463		40	1%	(3)	0%
7	Provisions	(285)		(294)		(289)		5	-2%	(4)	2%
8	**Net Loans and advances**	**5,182**	**75%**	**5,129**	**75%**	**5,174**	**75%**	**45**	**1%**	**(8)**	**0%**
9	**Investment securities**	**111**	**2%**	**129**	**2%**	**73**	**1%**	**(55)**	**-43%**	**(38)**	**-34%**
10	Other assets	116		134		117		(17)	-13%	1	1%
11	Premises and equipment	36		39		40		2	4%	5	13%
12	**Other assets**	**152**	**2%**	**173**	**3%**	**158**	**2%**	**(16)**	**-9%**	**6**	**4%**
13	TOTAL ASSETS	6,878	100%	6,851	100%	6,914	100%	62	1%	36	1%
	LIABILITIES										
14	Due to banks	682		490		318		(172)	-35%	(364)	-53%
15	Deposits from FIs	599		775		970		195	25%	371	62%
16	**Customer deposits**	**4,571**	**66%**	**4,247**	**62%**	**4,216**	**61%**	**(31)**	**-1%**	**(356)**	**-8%**
17	Other borrowed funds	246		494		539		46	9%	294	120%
18	Other liabilities	103		126		147		21	17%	45	44%
19	**TOTAL LIABILITIES**	**6,201**	**90%**	**6,131**	**89%**	**6,190**	**90%**	**59**	**1%**	**(10)**	**0%**
20	**Total Equity**	**677**	**10%**	**720**	**11%**	**723**	**10%**	**3**	**0%**	**46**	**7%**
21	TOTAL LIABILITIES AND EQUITY	6,878	100%	6,851	100%	6,914	100%	62	1%	36	1%
22	Average assets	6,642		6,767		6,862					
23	Average equity	669		686		716					
24	NPL ratio	1.0%		1.1%		1.0%					
25	Coverage ratio[2]	531%		504%		546%					
26	CASA Ratio	37.2%		35.2%		34.8%					

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

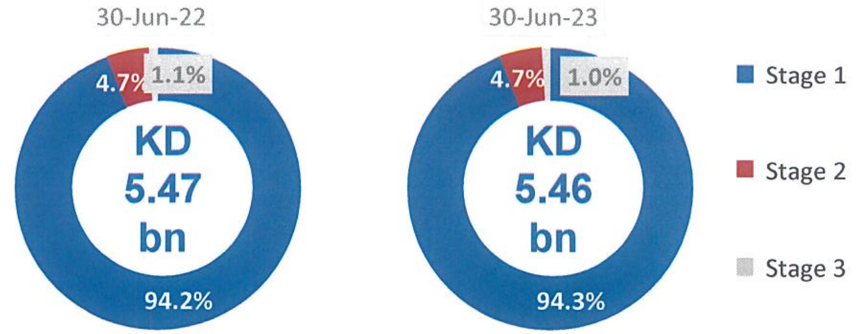
Total Credit Provisions exceed IFRS 9 accounting requirements by KD 122 million

Total Provisions on Credit Facilities

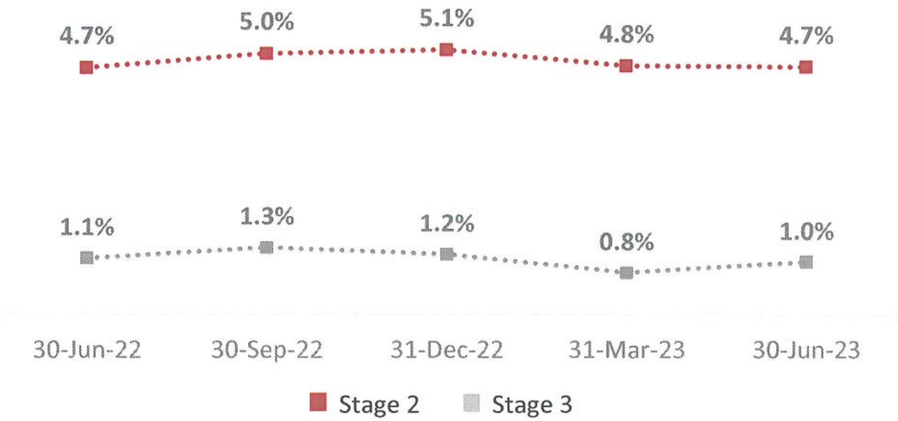


Excess / Total Provision	37%	40%

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;
(2) Total Credit facilities includes Loans and advances to banks and customers and Contingent liabilities and commitments.

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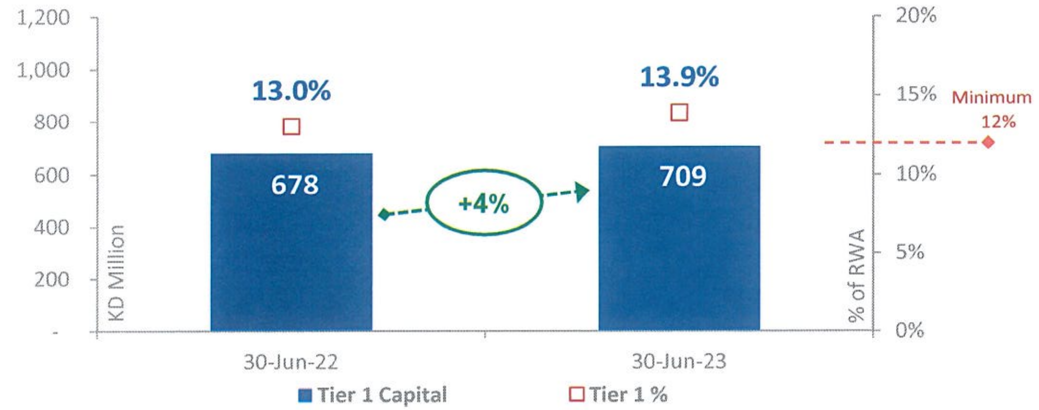
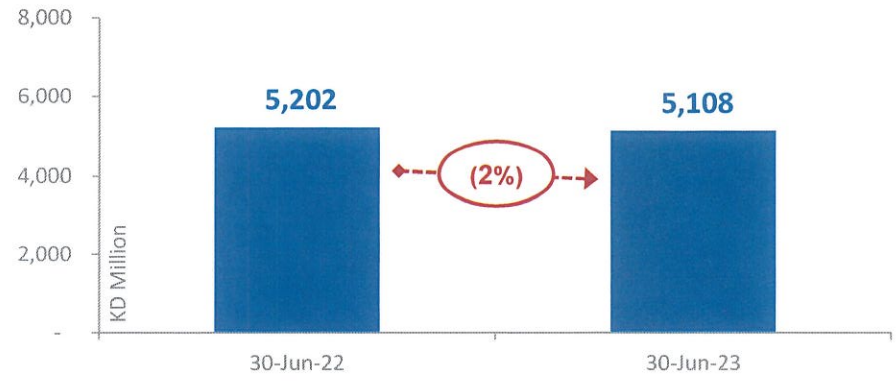
Capital and Leverage Ratios

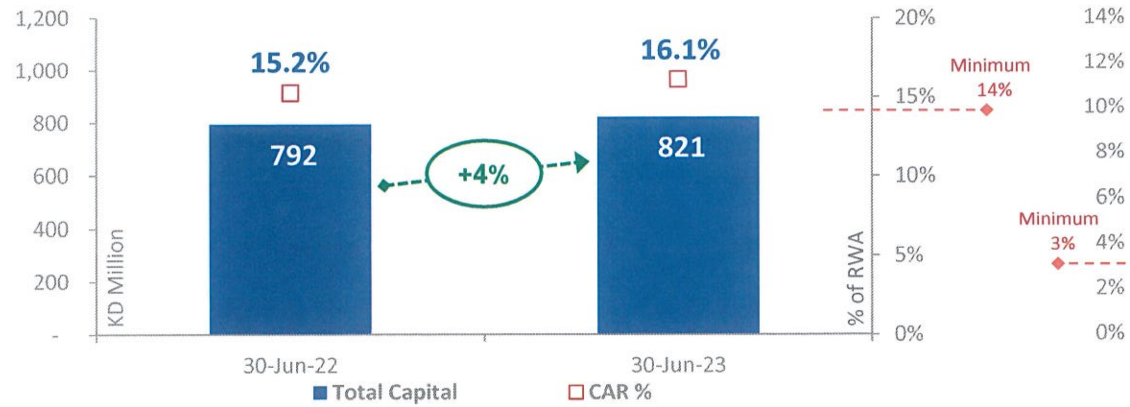
Tier I Capital[(1)(3)]



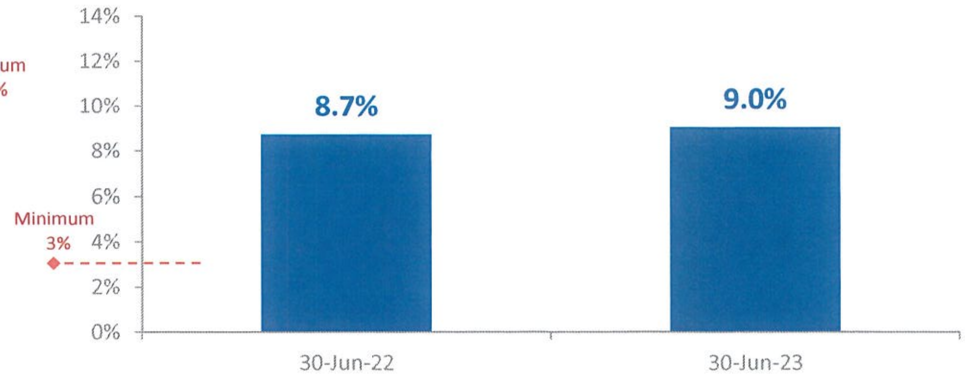
Risk Weighted Assets



Total Capital[(2)(3)]



Leverage Ratio



% Tier 1	86%	86%

(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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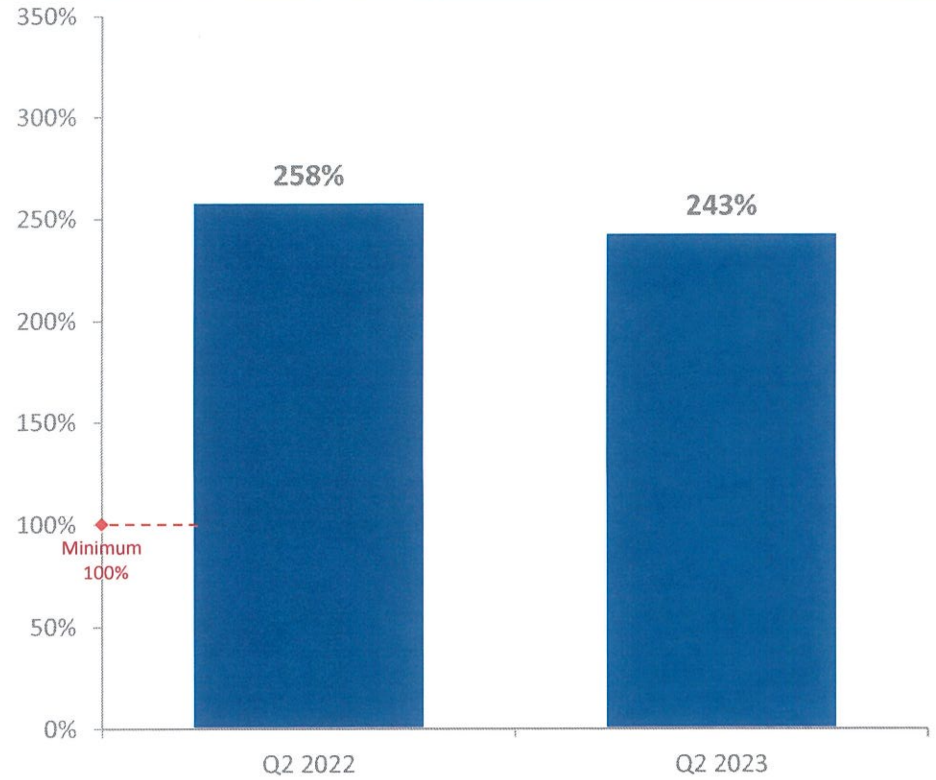
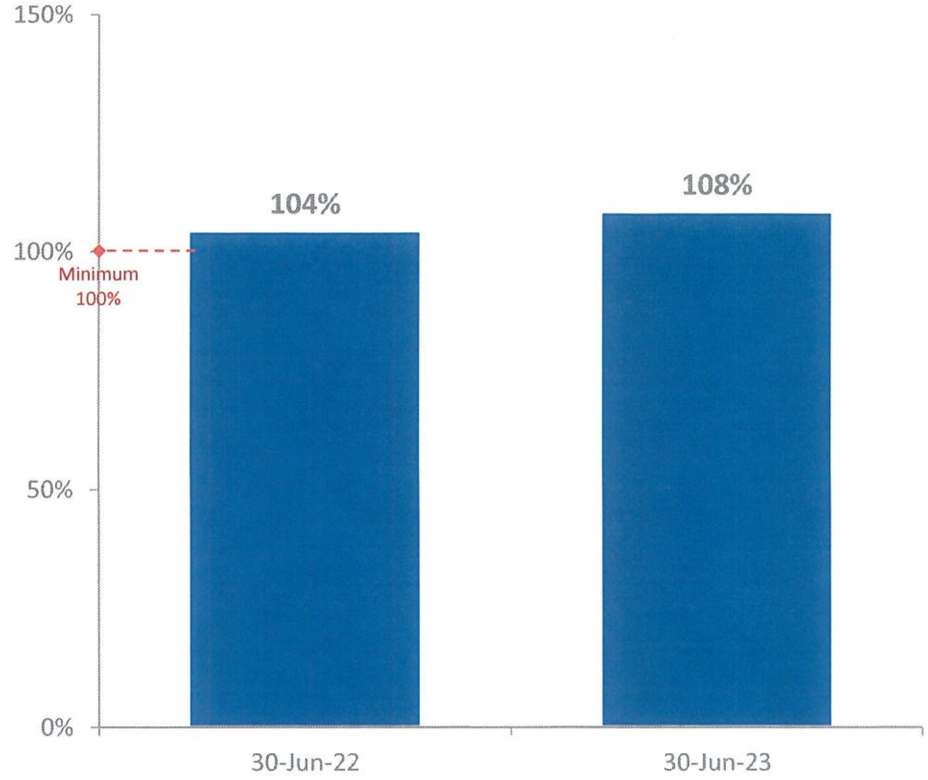
Liquidity Ratios

Liquidity Coverage Ratio[1]



Net Stable Funding Ratio[1]



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

Q&A

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Thank you

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Gulf Bank of Kuwait (K.S.C.C.)

Earnings Conference Call Edited Script

First Half 2023

1 August 2023

Corporate Participants:

Mr. Waleed Mandani – Deputy CEO & Acting CEO

Mr. David Challinor – CFO

Ms. Dalal AlDousari – Head of Investor Relations

Host:

Mr. Ahmed ElShazly – EFG Hermes

Ahmed: Good morning and good afternoon, everyone. This is Ahmed Elshazly, on behalf of EFG Hermes; I would like to welcome you all to the Gulf Bank first half 2023 earnings conference call. It is a great pleasure to have with us on the call Mr. Waleed Mandani, Gulf Bank Deputy CEO and 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, Ahmed. Good afternoon and welcome to Gulf Bank's first half 2023 earnings call. We will start our call today with key highlights and updates on the operating environment of Gulf Bank during the first half of 2023 presented by our Deputy Chief Executive Officer and Acting CEO, 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 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 handover the call to Mr. Waleed Mandani. Waleed?

Waleed: Thank you, Dalal. Good morning and good afternoon, everyone. Thank you for joining us today as we discuss our financial performance and key developments over the past months. We remain optimistic about the opportunities presented by Kuwait's economy as it continues to be generally healthy. We are also witnessing a relative stability in the political landscape, which will lay the foundation for potential government reforms, and further enhancement of the operating environment and outlook of the country.

Additionally, we have closely monitored the banking sector performance, which has experienced a slowdown in loan growth in recent months, especially with the rising interest rate environment and inflation. We acknowledge these industry-wide challenges and have proactively taken steps to navigate this environment effectively. Our focus on prudent risk management and strategic initiatives ensures that we maintain stability and drive sustainable growth.

Now, let's turn our attention to the Bank's performance. I am delighted to announce that during the first half of the year 2023, Gulf Bank achieved a strong financial performance. We have successfully capitalized on the opportunities presented by the evolving market dynamics, which has contributed to our solid results. Our focus on operational excellence and customer-centricity has been instrumental in this achievement.

One significant highlight of this period has been our relentless pursuit of our digital transformation strategy. We recognize that technology is rapidly reshaping the banking industry, and we are committed to staying at the forefront of this revolution. I am proud to share that we have achieved major milestones in our digital transformation journey during the first half of the year. A notable accomplishment was the launch of phase I of our new Core Banking system, which will enhance our operational efficiency and improve the overall customer experience.

On another note, in May 2023, Gulf Bank held an Extraordinary Annual General Assembly Meeting, where shareholders approved the increase of the Bank's authorized capital by KD 150 million. This is an authorized increase only, that will provide the Bank with optionality in the future. The approval received reflects the trust and confidence of shareholders in Gulf Bank's growth prospects and long-term success.

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

First, our net profit grew by 18% for the first half of 2023, to reach KD 35.8 million in comparison to KD 30.3 million reported in the first half of 2022.

Second, our return on average equity increased to 10.1% for the first half of 2023 up from 9.1% at the same period last year.

Third, our gross loans and advances reached KD 5.5 billion, which is relatively flat when compared to the first half of 2022.

Fourth, the quality of our loan book remains resilient, as our non-performing loan ratio (NPL) for the first half of 2023 is at 1.0%, coupled with a strong NPL coverage ratio of 546% including total provisions and collaterals.

Fifth, at the end of the first half of 2023, our Tier 1 Ratio was 13.9% achieving a buffer of 187 basis points above regulatory minimums of 12%, and our Capital Adequacy Ratio was 16.1% achieving a buffer of 208 basis points above regulatory minimums of 14%. These buffers will support the Bank in pursuing growth opportunities in line with its strategy.

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

- Moody's Investors Service maintained the Long-Term Deposits Rating of the Bank at "A3" with a "Stable" outlook.
- Capital Intelligence affirmed the Bank's Long-Term Foreign Currency Rating at "A+" with a "Stable" outlook.
- Fitch Ratings affirmed the Bank's Long-Term Issuer Default Rating at "A" with a "Stable" outlook, and a Viability Rating of 'bbb-'.

As we progress into the second half of the year, we remain focused on our strategic objectives. We will continue to leverage technology and innovation to drive sustainable growth and enhance our competitive edge. We remain committed to provide exceptional customer experiences and maintain strong risk management practices.

With that, I'll turn it over to our CFO, David Challinor, who will cover the financials of the first six months of 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 30.3 to 35.8. The increase was mainly driven by 6 million in net interest income as a result of the interest rate hikes. In addition, non-interest income was higher by 1.0 million due to an increase in foreign exchange and other income. This was offset by an increase in operating expenses of 1.7 for the first half of the year.

You can also see the Bank's Return on Equity improved by 1.0 to reach 10.1%. It's also worth noting that Q2 2023 represented the 8th consecutive quarter of profit expansion.

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

On line 1, interest income was up 76.2 or 77% in the first half of 2023 compared to the same period of last year. This was due to 8 CBK discount rate hikes totaling 250 basis points since March 2022 coupled with a stable loan book year on year.

On line 2, our interest expense increased by 70.3 or 210%. The cost of funds is rising faster than the increase in asset yields on a year-on-year basis; however, the growth in the cost of funds has slowed significantly from Q1 as compared to the growth rates seen in prior quarters.

On line 3, net interest income grew 9% on a year-on-year basis to reach 71.7, and it grew by 6% when compared to first quarter 2023.

On line 4, our non-interest income increased by 1 or 5% compared to the same period last year driven by an increase in foreign exchange and other income.

On line 5, operating income increased by 6.9 or 8%.

On line 6, operating expenses have increased marginally by 1.7 or 4% year-on-year, also the cost to income ratio has improved significantly in the first half of 2023 to 46.5%, down from 48.3% for the same period last year. In addition, the first half results have shown positive Jaws as the operating income has exceeded the operating expenses by 4 percentage points.

On line 7, operating profit has increased by 5.2 or 12% for the first half of 2023 compared to the same period of last year.

On line 8, you can see our credit costs increased by 4, from 8 in the first half of 2022 to 12.1 in the first half of 2023. Our cost of risk for 2023 was 45 basis points, versus 31 basis points in same period of last year. This relatively low level of cost of risk is a result of the excellent quality of our loan book that continues to remain resilient in the higher rate environment.

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

Compared to first half of 2022, the total assets grew 1% to reach 6.9 billion.

Net Loans and Advances remained relatively flat; however, our consumer business continued its strong growth trajectory and grew by 7.6% year on year and 2.4% year to date gaining market share.

On line item 15 & 16, Total Deposits remained stable year on year to reach 5.2 billion. We saw our CASA ratio decline to 34.8% versus 37.2% last year. The decline is due to some migration to term deposits due to the higher interest rate environment.

On line item 17, we have increased our medium term borrowings by 120% 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% at the end of June 2023, the same as last year. Also, the Bank continues to have a significant NPL coverage ratio of 546% including collaterals.

Now, turning to Page 6 you can see in the chart on the left that as at 30 June 2023, the Bank has 122 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 and stage 2 loans have been relatively stable at 94.3% and 4.7% respectively, and Stage 3 declined to 1%.

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 low and stable compared to previous quarters.

Turning to page 7, on the top left, our Tier 1 Ratio was 13.9%, which is above our regulatory minimum of 12%.

On the bottom left, our Capital Adequacy Ratio of 16.1% is above our regulatory minimum of 14%. And both ratios were higher than a year ago.

Our risk weighted assets, shown on the top right, declined by 2%, mainly driven by a flat loan book coupled with RWA optimization.

On the bottom right, our leverage ratio as at 30 June 2023 was 9%, in comparison to 8.7% at the same period of 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 was 243%, and on the right side, you can see the Net Stable Funding Ratio was 108%. 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 see repeated questions and we will try to group them.

Dalal (Q1): The first group of questions are related to the loan book. If we can you give us some color on loan book this quarter? And what are the expectation for the second half of the year?

David (A1): We continued the trend of strong growth in retail during the quarter and grew KD 34 million which was 1.6%. This was the highest growth in retail since Q3 last year and represents yet another quarter of market share gains which is in line with our strategy. In fact, we have grown market share in retail in 5 out of the last 6 quarters. In particular, this quarter, we grew very strongly in the Kuwaiti private banking segment.

The growth in the system has basically been flat for the first 6 months of the year according to the latest data released by CBK. So, against this backdrop of zero industry growth, we managed to grow 2.4%, which is a great outcome.

Retail now represents 43% of the total customer loan book compared to 40% a year ago and 36% 3 years ago. This ongoing asset allocation shift will definitely help support the banks future margin levels as the margins for retail are higher than for corporate.

On the corporate side, despite some customers paying down debt early because of the high rates, the book returned to growth in Q2, and we booked some very high quality and capital efficient deals. In fact, the total bank RWA's were flat from Q1 to Q2 despite the total customer loan book growing almost 1% for the quarter so our capital adequacy ratios were unchanged from Q1.

In terms of outlook, clearly, we are in a very different market from a year ago. The total growth in the system to the end of June is only 1.2%. Last year this figure was 5.8% so you can see the extent of the slowdown. However, we will aim to continue executing our strategy of increasing market share in retail and growing selectively with high quality transactions in corporate.

Dalal (Q2): We have few questions on margins and CASA. What is the outlook for the reminder of the year?

David (A2): I said on the Q1 call we expected an improvement in the banks margin, and we saw this materialize in the form of an 8-basis point increase from Q1 to Q2. This brings the banks margin to 215 for the quarter as compared to 207 for the first quarter. The margin was 201 points a year ago.

Clearly, we've seen very large increases in the cost of funds throughout this entire rate rise cycle. But what we saw in Q2 was a significant slowdown in the quarterly increase. The growth in cost of funds from Q1 to Q2 was around 20bp compared to around 80bp from Q4 to Q1. And we saw similar large increases in prior quarters too. So, the cost growth has slowed down. What we've also seen, which is very encouraging, is that the growth in interest expense from Q1 was lower than the growth in interest income. And this was the first quarter that showed this dynamic, effectively positive interest jaws, since the rate hikes began.

However, last week we did see a 25-basis point rise in Kuwait following the Fed increase. This is the first one in Kuwait since January. So, this will place some upward pressure on the cost of funds. But on the asset side, we repriced our corporate book and also, we have ongoing repricing of the retail book so we believe this will be positive for margin.

In terms of CASA, I think this has held up comparatively well for the first half given where rates have moved too. We did see a small drop in absolute terms of around 30 million for the first half, but this is significantly down from the 200 million drop we saw in the second half of last year. And the good news is the bank has recently increased the grand prize money on its flagship Al Danah product to 2 million KD, the highest in Kuwait, so this should help to drive higher CASA balances in the second half and thereby help the overall margin.

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

(Pause)

Dalal (Q3): **We have a question on the credit cost. Are you seeing any pressure on provisions due to rate hikes? David?**

David (A3): Thanks, Dalal. We continue to see very strong asset quality metrics which are indicative of the high quality of the book. The NPL percentage is only 1. The stage 2 percentage is only 4.7, which is actually the lowest it's been since June 2022. So both these indicators are not only very low historically, but also much lower than where the system average is. The loan book is proving very resilient in this higher rate environment. And for most of the first half rates were at 4%, which gives me some optimism that maybe the positive trends can continue for some time. In fact, on the corporate side the new NPL generation for first half was almost zero out of a book of circa 3 billion.

I think also when we're looking at rates, its useful to realize that in Kuwait the total rises so far have been 2.75% compared to the rest of the GCC where rates have risen by at least 5%. So, in Kuwait the much smaller increase on a relative basis may provide lower potential downside, if any, on bank's asset quality. So, we are very happy with the way everything is holding up and trending.

Dalal (Q4): **I can see questions on operating expenses, could you please provide some color on cost to income ratio trend? David?**

David (A4): Operating expenses have been stable this year as we saw no growth from Q1 to Q2. In fact, the Q2 level of 21.5m is the same as a year ago. For the first half we are up 4% versus last year.

However, even though we've had some expense growth, we've still seen a meaningful drop of almost 2% in the Cost to Income ratio from last year as income has grown faster than expenses. So, the cost to income ratio for the first half now stands at 46.5%.

I think in the second half we may see a moderate increase in costs from current levels, but we should still be able to improve the overall cost to income ratio.

Dalal: Thanks David. I believe we answered the majority of the questions. The remaining questions are either repeated or already covered during the presentation. 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.