

3Q25 FINANCIAL RESULTS

EARNINGS CALL TRANSCRIPT

October 27, 2025

Sultan Altowaim
Head of Research, Al-Rajhi Capital

Good afternoon, everyone. This is Sultan Altowaim from Al Rajhi Capital. We are pleased to host Al Rajhi Bank Q3 2025 Earnings Call. Welcome, everyone, to this event. Without further delay, I'll hand it to Mr Sulaiman Alquraishi, the Head of Investor Relations, to introduce the management, please the floor is yours.

Sulaiman Alquraishi
Senior Director Investor Relations, Al-Rajhi Bank

Thank you, Dr Sultan. Good day, everyone, and thank you for joining the call. With us on the call today, our group CFO, Mr Abdulrahman Alfadda, and treasury group general manager, Mr Abdulrahman Alajaji. We apologise, due to an emergency, our managing director and CEO, Mr Waleed Al-Mogbel couldn't attend today's call and his section will be covered by the CFO. Our CFO, Mr Abdulrahman, will cover the results, highlights, and strategy performance, then he will cover the financial performance in more details. At the end of the call, we will open the floor for your questions. Please note that the results presentation is now available on both Al Rajhi Bank website and the Al Rajhi Bank IR app. And now, I'll hand over to Mr Abdulrahman.

Abdulrahman Alfadda
Chief Financial Officer, Al-Rajhi Bank

Thank you, Thank you. Sulaiman. Welcome, everybody, and thank you for joining our earnings call for the third quarter of 2025. On behalf of Waleed Al-Mogbel, our MD and CEO, I will start by highlighting our performance, followed by an overview of the strategy, Harmonise the Group, then I will cover the financial performance in more details. Now, let's take a closer look to our performance for the first nine months of 2025.

In the last quarter, the bank has delivered an excellent performance, supported by our strategy execution and improved economic environment, resulting in an outstanding net income of 18.4 billion, alongside with a healthy balance sheet growth. Starting with the balance sheet, we are able to deliver 9% growth year to date, with a total asset standing at almost SAR 1 trillion plus. This asset growth was primarily driven by 9% year-to-date increase in our net financing book. On the liability side, our total liabilities stand at 922 billion, reflecting 8% increase year to date, which brings our regulatory LDR at approximately 81%.

Moving to the profitability, our net income reached 18.4 billion for the first nine months of 2025, higher by 30% compared to the same period in 2024. Net yield income grew by 21%, while the non-yield income has increased by healthy growth of almost 29%. This resulted in a total operating income increase of almost 23%, reaching almost SAR 29 billion. Regarding the credit quality, we continue to maintain best-in-class asset quality with a cost of risk around 31 basis points. Additionally, our NPL ratios stand at 76 basis points, supported by a healthy coverage ratio exceeding 150%.

On the ratio side, our market leading cost-to-income ratio has further improved to 22.5%, supported by our operational efficiency. The bank also maintained a strong financial position, with a total capital of 21%, well above the regulatory minimum requirement. Lastly, our NIM maintained at 3.09%, supported by our focus in enhancing the yield and optimising the bank cost of funds.

Moving to the next slide, to highlight the progress of the Harmonise the Group strategy. As you know, we started the strategy back in 2024 when we highlighted the key KPIs of the strategy. Allow me to elaborate further in our strategy, starting with the first pillar, business to consumer. Our focus on the retail cross-selling is a primary goal of the strategy, evidenced by increase in the product per customer ratio, which has increased to almost 45%, compared to almost 38% in 2023. Additionally, our sales from the target customer portfolio has increased by almost 300% compared to 2023, backed by our efforts to expand our customer base across both existing and new segments. Our universal offering and financial solutions have made us the bank of choice for over 20 million customers, while we're maintaining our customer satisfaction, reflecting a net promoter score of 85.

Moving on to the second pillar, B2B, our corporate portfolio has increased, reaching almost 270 billion, 23% higher year to date, and 30% year on year. This growth has resulted from an ongoing effort to expand the wholesale lending and focus more on SME, which has grown massively by almost 35% year to date, and 52% compared to the same period last year. SME now represents 20% of our total non-retail book, and almost 7% of our financing book. The bank focus in developing investment banking businesses is a key aspect also of our strategy to enhance the non-yield income, where the revenue from investment banking activities have grown by almost 220% since 2023.

Looking at the third pillar, support businesses, we continue to invest in technology and automation across the group to drive innovation and operational excellence, reflected by the percentage of processes automated that reached almost 58% as of third quarter of 2025, while the percentage of the application that is cloud-ready has increased to 89%, supporting our strategy on becoming a cloud-ready bank.

Finally, on the digital and data pillar, our digital-to-manual ratio has further improved to 96-to-4 by the end of the third quarter of 2025, highlighting our digital expansion. In addition, AI and event-driven activities are gaining momentum and generating revenue through data-driven marketing, which has increased by almost 360% since 2023.

Now, I will go over the financial performance for the third quarter in further details. Our total balance sheet stood at 1,059 billion as of the third quarter, almost 17% increase year on year, and 2% on a sequential basis. To analyse the 9% increase year to date, as you can see on the bottom left-hand side of the chart, mainly driven by the increase in our financing book by almost 9%. I'll cover the financing book in further details on the following slide. Our total funding has also increased by 9%, mainly driven by almost 6.7% increase in our customer deposit, while we've seen a further improvement in the other line items within the total funding to reflect the management initiative to diversify our funding sources.

Zooming further into the main drivers of the balance sheet movements, our total financing book stands at 756 billion as of the third quarter, almost 16.5% increase year on year, and 2% on a sequential basis. To analyse the 9% increase year to date, as you can see on the top right-hand side of the chart, our mortgage book has increased by 4%. Ex-mortgage of the retail book was almost flat, which will bring the total retail book growth of almost 3%. Corporate and SME have grown by 21% and 35% respectively. Mortgage book stands at 278 billion, which represent almost 56% of the retail book, and almost 36% of the overall financing book.

It's worth to highlight that in the third quarter of this year we securitised close to 5 billion of mortgages and almost 2 billion of ex-mortgage of the retail book. Our total customer deposits stand at SAR 670 billion, almost 8% increase year on year, and 4% increase on a sequential basis. Our CASA, as a percentage of the overall customer deposit, have dipped to almost 65.6%, compared to 68.4% in the second quarter.

To analyse the 7% movement of our total customer deposits, as you can see on the bottom right-hand side of the chart, our CASA went lower by almost 4%. If you recall, in the first quarter, we have seen a transitory deposit that has moved

and impacted the CASA balances. Nevertheless, removing that one-off factor, our CASA has been increasing quarter over quarter. Time deposit has increased by almost 38%, to improve further our funding profile and support the balance sheet growth. Our investment book stands at 179 billion as of the third quarter, where 87% of the book is sukuk and Murabaha with SAMA, 75% of the book is fixed rate. And finally, 83% of the book is domestic.

If we move to the profitability section, our net income for the third quarter was almost 6.4 billion, 25% increase year on year, and 3% increase on a sequential basis. To analyse the 3% sequential movement, as you can see on the bottom left-hand side of the chart, NII went down by 11 million. Non-yield income has shown a healthy growth of almost 13% on a sequential basis, while OpEx have increased by 3%. That has been our pre-provision profit to be higher by almost 3% on a sequential basis.

Our net income of the period is at 18.4 billion, 30% higher year on year. And the driver, as you can see on the bottom right-hand side of the chart, our NII has increased by almost 3.8 billion, non-yield income by almost 1.6 billion, offset by increase in our OpEx by 500 million, which will bring our pre-provision profit to be higher by almost 28% year on year.

To further zoom into the net income drivers, I'll start with the operating income. Our operating income for the Q3 was at almost 9.9 billion, 17% increase year on year, and 3% increase on a sequential basis. Our total operating income for the period was at 28.7 billion, 23% higher year on year. And the driver, as you can see on the top right-hand side of the chart, our NII has increased by 21%, supported by increase in our average earning asset by a similar magnitude.

Our fees have increased by almost 27% year on year. The fees growth that we have delivered is a part of the management initiative to execute the 2026 strategy by focusing on the fee income, leveraging from the cross-sell and further improving on some of the few line items. We have seen a healthy growth in the payments, trade, cash management, investment banking activities through our subsidiary Al Rajhi Capital. Exchange income has increased by 15% year on year.

Other income has increased by almost 51% year on year. The two main drivers are as follows. The upfront gains in securitising some of the transactions that I have highlighted in the third quarter, coupled with a further improvement into the mark-to-market and the dividends, finally on the derivative business as well. Our NIM for the period stands at 3.09%, one basis point higher compared to the same period last year. It is worth to highlight that our NIM for the third quarter has dipped by almost 14 basis points on a sequential basis, and the driver is as follows. We have seen the gross yield has increased by two basis point, however the cost of fund has increased by 16 basis points in the third quarter, given the liquidity premium that we've seen recently.

Moving on, our OpEx for the third quarter is at 2.2 billion, 7% higher year on year, and 3% on a sequential basis. Our total OpEx for the period was at 6.5 billion, higher by almost 9% year on year. The main driver of the increase in our OpEx are coming from the salaries coupled with the depreciation. All those increases are enablers for the management to execute the 2026 strategy KPIs. Our cost-to-income dipped by almost 293 basis points, reaching a leading cost-to-income ratio in the market at 22.5%. That drop in our cost-to-income ratio has been reflected by the growth in our operating income of 23% higher year on year, offset by OpEx increase of almost 9%. Very healthy positive jaws, and the management will continue to focus in further maintaining positive jaws over the medium term.

Our net impairment charge for the third quarter was 570 million, 17% lower year on year. Cost of risk at 31 basis point, two basis points lower compared to the same period last year. Our total net impairment charge for the period was at 1.7 billion, almost 8% increase year on year. It's worth to highlighted that although our gross charge has increased by 1.2 billion, as you can see in the bottom left-hand side, the decrease in the provision charge was almost 43%. However, that has been offset by a very healthy growth improvement in our recovery, where our recovery has improved by almost

91%, where we have delivered almost 1.1 billion improvement in our recovery. The recovery improvement is a part of the management initiative as a strategic and a sustainable business model to negate the increase in the gross charge. It's worth to highlight the recovery for the first nine months of 2025 equates to the full 2024 recovery.

Our NPL balance stands at 5.8 billion, almost 9% increase year on year. And we've seen an increase in our retail NPL by almost 389 million year to date. At the movement, as you can see, although we have written off almost 3.6 billion, it's offset by further inflow of around 4.1 billion. Our NPL ratio stands at 76 basis point, three basis point lower year on year, and two basis point higher on a sequential basis. Our retail NPL is at 43 basis point, while our corporate NPL is at 1.36%. NPL coverage stands at the healthy level of 151% plus. Our ECL stock stands at 8.8 billion. And as you can see on the top right-hand side of the chart, we have further increased our non-retail book, given that we've seen a very healthy growth in our corporate and the SME book.

Stage one exposure stands at 742 billion, close to 97.1% compared to 96.7% at the same period last year, which shows a healthy origination of the new book from last year till today. Our stage coverage, no material movement, stage one at 37 basis point, stage two at 11.4%, and finally, stage three at 56.3%.

Our HQLA balance stands at SAR 122 billion, although our headline LDR stands at 112.8%, but if you include the sukuk and the other syndicated loans, the LDR will go lower to 93.5%, while the regulatory LDR at 81.2%, all above the minimum regulatory requirement. LCR and NSFR at a comfortable level, and above the minimum regulatory requirement.

Our total RWA stands at 670 billion, almost 16% higher year on year, mainly driven by the healthy growth in our financing book. It's worth to highlight that our RWA density stands at 63.3%, compared to 64% at the same period last year. Our CET1 ratio has improved to 15.9%, tier 1 at 19.7%, and total capital at 21.1%. We've seen a 44-basis point improvement in our tier 1 ratio, as you can see on the bottom right-hand side of the chart, whereby the credit portfolio growth, coupled with the dividend distribution, has contributed to almost 350 basis points of a drop in our capital ratio. However, there has been a 300-basis point offset of an internal capital generation, given the healthy RWA density.

Retained metrics have further improved, and are considered to be leading in the industry, where we have further improved our RoRWA to 3.83% compared to 3.45%. Our ROE further expanded to 23.55%, compared to 20.5% in the same period last year. Finally, our ROA has further improved from 2.2% to almost 2.4% in the third quarter.

At the macro level, we've seen the second quarter GDP flash estimate, where it's estimated to further expand by almost 4%, driven by almost 4.6% growth in our non-oil GDP. IMF revised the full 2025 to 4%, and maintaining the same for 2026, which shows a very healthy macro outlook for the Saudi economy. Consumer spending is still improving, where we have seen a 10% increase year on year. On the interest rate, we still factored in a couple of one-to-two rate cuts by the Fed between now and till the year-end. It's worth to highlight that we have seen SRC has reduced the mortgage origination for 20-year mortgage to almost 7.1%, compared to close to 7.4% in the second quarter of 2025.

Having said that, we kept our guidance unchanged for our financing book, given that we have seen a further corporate repayment in the fourth quarter. We downgraded our NIM guidance to be between minus 5 to plus 5, taking into consideration the current liquidity premium. In the third quarter, SOFR-SAIBOR spreads were at around 119 basis points versus what we have seen as of today, around 125 basis points. Cost-to-income ratio, we have upgraded our guidance to be below 23%, and the ROE to be above 23%, cost of risk to be in the range of 25 to 35 basis points, and finally our tier one capital to be above 20%. Now, I will open the floor for the Q&A session. Sam, back to you.

QUESTION AND ANSWER SECTION

Operator: Thank you. If you would like to ask a question and have joined the call via WebEx, please press the raise hand icon on your screen. And if you have joined us over the phone, please press star, followed by one on your telephone keypad. Our first question today will be from the line of Gabor Kemeny with Autonomous Research. Please go ahead. Your line will be open.

Jon Peace

Head of MENA Equity Research, UBS

Q

Hi, there. Thanks for taking the question. First one, please, is on the non-interest income growth. I just wondered, I know you don't tend to guide on that line item, but it's been growing extremely quickly and substantially quicker than lending growth. I know it's a part of the strategy. Could we imagine it continuing to grow at these very strong rates as we go into next year in the teens, or even higher?

And my second question, please, is around the capital, and in particular around the decision to reduce the interim dividend. I just wonder if you could give us a little bit more colour around that decision, and if you're targeting a certain level of CET1 as a management team going forward. Thank you.

Abdulrahman Alfadda

Chief Financial Officer, Al-Rajhi Bank

A

Hi Jon, first of all, on the non-yield income, that's been the key driver of our Harmonise the Group strategy, where we have built a universal bank offering with a large customer base and satisfied customers, and a scalable business. The whole objective is to be able to improve the cross-sell. If you see on our strategy update, the percentage of the customer base that they have in more than one product were only 38%. We managed to grow to almost 45%, and we are in the second year of our strategy, so cross-sell, introducing a new product and services that will help us to focus into improving the non-yield income as a contribution to the bottom line is the key priority for the management initiative.

Although we don't provide any guidance in the growth into the non-yield income, the way that I see it, that we forecast that the non-yield income will grow faster than the financing book growth over the medium term. If you see that our financing book has grown by almost 16.5% year on year, while our fee income has increased by almost 27%, we would like to continue maintaining that positive momentum over the medium term.

As far as the second question, related to the capital and the decision to reduce the pay-out ratio, we have probably spoken about it, or we have communicated to some of you guys when the management recommend the dividend pay-out ratio to the board, we usually take into consideration the following factors. The operating environment from a liquidity and a funding diversification, the growth outlook over the medium term, and finally maintaining a healthy capital ratio over our minimum requirements.

Historically, we have seen an opportunity to expand our ROE by increasing our leverage and reducing the pay-out ratio. If you recall, between the period of 2020 and 2022, we reduced our pay-out ratio to the range between 24% to 29%. But we managed to increase the ROE from 20.5% to an average of almost 22% during that period. This time

around, given that the profitability has further improved and the growth outlook has normalised, we have taken a decision this time around to maintain a healthy capital ratio by reducing the pay-out ratio.

There has been a couple of public information that most of you guys are aware of it. The increase into the counter-cyclical buffer that will be affected from May next year by an almost 100-basis-point increase. Second, is the increase in the interest rate shock, as per Basel rule, the increase in the interest rate shock for the SAR has increased from 200 basis points to almost 275 basis point effective 1st January 2026.

All of that public information would require us to maintain a much higher capital minimum requirement over the current level. Hence, we have taken a decision to, in the short term, improve the capital ratios by reducing the pay-out ratio. However, the management is still looking to maintain a healthy pay-out ratio, by going back to our historical pay-out ratio over the medium term while improving the ROE.

Chiro Ghosh***Vice President - Research, SICO*****Q**

Hi, this is Chiro Ghosh from SICO Bahrain. So, my couple of questions, first is you appear to be on a slightly deleveraging strategy, basically the loan-to-deposit is on the downward trend, so, how should we see it? Is it a short-term plan? Or once the interest rate comes off, you plan to, again, leverage your book up to boost your margin and net interest income? So, some clarity on that direction would be very useful.

Second one is more on the asset quality side of it. So, the asset quality remains quite strong, but my only concern is because the NPL ratio is so low that the 150% order and NPL coverage has a very little buffer, it's still very thin. So how should we read it? Because the recovery was quite good this quarter. So how risky is it in the sense that if there are some major defaults, how well-positioned are you? And on similar lines, in a downward trending interest rate cycle, is it fair to assume that the defaults will come down or, for the retail loan book, it remains the same? retail default have anything to do with the interest rate cycle? If the interest rate goes down, the retail default goes down?

Abdulrahman Alfadda***Chief Financial Officer, Al-Rajhi Bank*****A**

On the first question on the regulatory LDR, which is public information, 81.2% is our LDR. The regulatory requirement is not to exceed 90%. In the organisation, we have an internal risk appetite. This risk appetite is reviewed regularly by the Asset and Liability Committee, and also by the Board Risk Management Committee, and also the board. So, this is something that is a continuous process that we are doing on a regular basis. Now, do we have an internal target? Definitely. Number one is to maintain a very healthy loan-to-deposit ratio that is within the regulatory requirement, and also within our acceptable risk appetite. Abdulrahman, if you want to add anything on that regard?

Abdulrahman Alajaji***General Manager Treasury, Al-Rajhi Bank*****A**

Just one more point. If you go back in the day, specifically in 2023, the regulator has revised the existing loan-to-deposit ratio guidelines to comprehensively capture the bank's funding base. So, the purpose of the guideline was to include weights on long term, to incentivise the sector or the local banks into getting into sukuk, bonds, syndicated to get more weight on the LDR.



Abdulrahman Alfadda
Chief Financial Officer, Al-Rajhi Bank

A

On the second question related to the asset quality, first of all, you need to take into consideration the following factor. Retail, as a percentage of our financing book, stands at 64%. The retail book, which is considered to be the majority of our financing book, is well distributed among many retail borrowing customers. The credit appetite is focused on salaries assigned plus government-related employees, so we haven't seen, even during a down-turn, or recession, any impact into the retail NPL, given the conservative credit underwriting standards. Now, as far as your comments into what you said, that probably NPL coverage is low, I probably disagree with that statement, probably lower compared to the historical standards for Al Rajhi Bank, but if you compare it against competition, as of the second quarter, the NPL coverage for Al Rajhi Bank was 151%. The industry-wide NPL coverage is around 154%. So that's number one.

Secondly, you guys know us, we are a very conservative organisation. Whenever we have seen any customer who is considered to be stage two, we consider topping up coverage in case the customer moves to a stage three. So that's on the asset quality.

On the third question, technically, conceptually, no, because all retail lending is fixed rate. So, either in the higher interest rate environment, if you see when the interest rate has increased from beginning of 2022, we haven't seen any material increase into the retail NPL, nor in the lower interest rate environment.

Gabor Kemeny
Senior Analyst, Autonomous

Q

Thank you. Hi. My first question is on the margins, please. I believe your NIM guide for 2025 leaves room for a relatively broad range of outcomes for the fourth quarter, ranging from a possible further decline to a turnaround and increase. Can you perhaps elaborate a little bit on the moving parts? And comment on the NIM outlook for 2026 under your current baseline rate outlook? I understand that you linked the NIM outlook to the liquidity premium to an extent, do you have a view on how the liquidity premium may develop going forward? And the final one would be just one related to a previous question on capital. Can you share any target levels of capital you have? Reason I'm asking, because your capital ratios are already relatively at stable levels in a global context. Thank you.

Abdulrahman Alfadda
Chief Financial Officer, Al-Rajhi Bank

A

The first part, the moving parts on our NIM for the fourth quarter, there are multiple moving parts. Number one is any change in the asset mix or any change into the repricing of the asset mix. That's on the asset side. On the liability, again, similarly, in the change into the liability mix, if we have seen a further, I would say, drop into the CASA as a percentage of the overall customer deposit, that might have an impact into the cost of funds. Also, the liquidity premium, and I have highlighted earlier, Gabor, that the average for the SOFR-SAIBOR spread in the third quarter was one of the highest levels I've ever seen, around 119 basis point compared to the third quarter in 2024 of almost 100 basis points. So, these are the moving parts into our NIM outlook for the fourth quarter.

As far as 2026, again, probably the same drivers will be applicable for 2026. However, we take into consideration the positive outlook into the rate cut of the Fed between now and 2026. That will have a positive impact into the NIM. The NIM theoretical sensitivity, for every 25-basis point drop into the SAIBOR, the NIM will expand by almost seven



basis points. Again, that is theoretical, not taking into consideration the change in asset mix, nor the repricing in the asset, or in the liability mix, or repricing, or liquidity premium into the liability side. Is there any indication of the liquidity premium, how that will move? I will leave it to my colleague, Abdulrahman Alajaji.

Abdulrahman Alajaji
General Manager Treasury, Al-Rajhi Bank

A

Thank you, Abu Al Joharah, it is a real indicator to monitor the SAIBOR-SOFR spread, which has been accelerating since the beginning of the year. However, from an ARB, Al Rajhi point of view, we will continue to diversify our funding mix. This is a journey that we've started two or three years ago, to further optimise our cost of fund cash flow requirements and ratios. As an example, in this quarter, we have successfully tapped into the debt capital market with a tier-two issuance, and we have further expanded our Certificate of Deposit programme, which all of these transactions have taken place in the third quarter.

Abdulrahman Alfadda
Chief Financial Officer, Al-Rajhi Bank

A

Last question, Gabor, related on that, is there any minimum capital requirement. If you recall, in one of the slides that have highlighted about the CET1, tier one and total capital, although those are from a pillar one requirement, and I'm sure that you're aware on the Basel, they give the flexibility to the regulator to impose a pillar two. From a pillar one plus pillar two, although that is not disclosed, we would like to maintain a very healthy buffer, of at least 50 to 75 basis points, above the minimum pillar one plus pillar two.

Waruna Kumarage
Head of Asset Management Research, SICO

Q

Hi, thank you very much. I have three questions. The first one is a clarification regarding your comment on the additional buffers that will apply from next year. You mentioned 100 basis point of counter-cyclical buffer, and did you mention that this interest rate shock will go up from current 200 basis point to 270 basis point in 26, is that what you mentioned?

And secondly, as far as liquidity premium is concerned, now, as you mentioned, the SOFR-SAIBOR spread was very high in the third quarter, but when I look at the rate in the current, at least rates in October, their spread has narrowed, not by much but maybe back to 100 basis points. Is that a fair statement, or am I missing something? And then lastly, as far as the OpEx, the run rate of OpEx now you had, the OpEx was around 2.2 billion. Can we consider this as a run rate going forward? Do you expect further acceleration from here?

Abdulrahman Alfadda
Chief Financial Officer, Al-Rajhi Bank

A

Regarding the new changes on the capital requirements, Yes, it's 100 bps for CCYB that will be applied starting from Jan 1st, and 270 for the interest rate shock that will take place during 2026. Regarding your second question, I think that's a categorically inaccurate statement. As of today, the SOFR-SAIBOR spread was at 125 basis points. On OpEx Waruna, we don't provide any guidance into the OpEx. We provide a guidance in the cost-to-income ratio. The management is not shying away from investing, as long as we see that the return is factored into the operating income, and to improve further or to maintain very healthy positive jaws. Our OpEx has increased by almost 9% year on year,

while operating income has increased by 23%. So, we continue to look into opportunities. Again, this is something, an ongoing exercise that we do on a regular basis.

Abdullah Al Buraidi**Senior Investment Manager, Emirates NBD****Q**

Thank you very much, and congrats for the great results. Asking regarding the guidance. So, basically, you're keeping that loan book guidance unchanged despite achieving it in the third quarter. However, you're reducing the guidance for the net interest margin. So basically, if the loan book is going to stay, we would expect, that you are going to be less aggressive in pricing, either in terms of paying for deposits or pricing the loan book. However, this is not happening. Moreover, you've mentioned that the theoretical sensitivity is six to seven basis points. However, we are one cut down the road, and two cuts expected remaining of this year. However, the NIM guidance has been revised down. And we are noticing that on OTC, on fixed-rate deposits, Al Rajhi usually pays more than the average. So, it seems like you're still aggressive on expansion. Do you see any probability of overachieving the loan book and underachieving the NIM?

Abdulrahman Alfadda**Chief Financial Officer, Al-Rajhi Bank****A**

The first part, on the correlation between the financing book guidance versus the NIM. First of all, let me be 100% clear, the management has been saying, over the last six to eight quarters, the focus is onto the value rather than volume. If you look at our financing book, probably it might be lower than the aggregate into the market, and we probably lost market share, but again, the focus is to maintain a very healthy margin. We are not aggressive into the asset origination. If you can see our pricing in the consumer loans, it is considered to be the highest in the street. That shows that we are not looking for a price war. Mortgage is being capped at the SRC rates. Corporate, again, there has been many transactions where we didn't like the margin and we walked away. So, again, the management is not aggressive, and I wanted to be 100% clear and to reiterate, the management focus is on value rather than volume.

As far as the NIM guidance and your points, if you recall, Abdullah, I've mentioned, and I think I sound like a broken record, several times, NIM sensitivity is theoretical. It's not taken into consideration, the change in asset mix, nor liability mix, nor the asset repricing or the liquidity premium. What we have seen, and if you recall my earlier statement, SOFR-SAIBOR spread has increased to one of the highest elevated levels in the third quarter, to be around an average of 119 basis point, compared to 100 basis point in the same period last year. Third question is related to paying up for the deposit. I'll leave it to my colleague Abdulrahman.

Abdulrahman Alajaji**General Manager Treasury, Al-Rajhi Bank****A**

This also has been mentioned several times throughout the year. The growth in demand deposits last year was driven mainly by a transitory deposit from government-related entities. Now, these deposits are no longer within our CASA since the beginning of the year, or the Q1 of 2025. That migration naturally has put some pressure on our cost of funds. As our CFO has mentioned, the SAIBOR-SOFR spread has widened since the beginning of the year, in addition to the increased premium on top of the benchmark to generate liquidity.

**Abdullah Al Buraidi****Senior Investment Manager, Emirates NBD****Q**

Okay, pretty informative. One question more regarding the non-interest income. We notice you found other value extraction points, given the visa regulation, that now you're charging a fee on riyal payment if the merchant is a foreigner. Has this, and other value channels took full place this year, or are we still going to see some visa regulation changes?

Abdulrahman Alfadda**Chief Financial Officer, Al-Rajhi Bank****A**

if you recall, in the third quarter, there has been regulatory change, and I've been transparent and said that the management has put lots of initiatives to counter impact of the changes. And if you see the result for the fee income growth in the third quarter, compared on a sequential basis, you can see that the fee income has further improved in the third quarter, you can see that on the second quarter our fee income was close to 1.4 billion, third quarter, 1.5 billion. So, the management have delivered their commitment. Now, do we see any further regulatory changes? Nothing that we are aware of.

Abdullah Al Buraidi**Senior Investment Manager, Emirates NBD****Q**

So, you've taken a precaution measures to bring back that lost fee income. Have they taken full impact, or are we still to see further improvement in the fourth quarter?

Abdulrahman Alfadda**Chief Financial Officer, Al-Rajhi Bank****A**

The only comment that I can highlight is the management is still focused to improve the fee income contribution to the bottom line, whether from this initiative or any other initiatives.

Mohammed Al-Rasheed**Senior Analyst, Hassana****Q**

Just one question from my side. We noticed that the operational risk RWA has declined by around 10 billion on a quarter-over-quarter basis, may I understand what drove such a decline? should we expect it to be a trend across the sector as well.

Abdulrahman Alfadda**Chief Financial Officer, Al-Rajhi Bank****A**

There has been a change, or clarification, from the regulator related to the recent Basel requirement on the operational risk, mainly related to the historical losses previously. And we are in line with the regulation. I can't highlight on the other banks, I only know from my side, Mohammed. Every bank has its own calculation of their operational risk.

**Adnan Farooq****MD & Head of Research, Jadwa****Q**

Thank you for the opportunity. I have two questions. One, I just wanted to clarify, you mentioned that there were securitisation transactions during the third quarter as well, you said 5 billion in mortgages and 2 billion other retail products? And can you give us an idea about what sort of gain did you book on this? And then, the other thing I wanted to ask was about exchange income. You mentioned fee income was exceptionally strong, even the exchange income was exceptionally strong this quarter. What led to this improvement? Are there any market-related factors that led to growth in exchange income? And we should see that normalise going forward, or these are part of the Harmonise the Group strategy, which is leading to better exchange income and should continue going forward?

Abdulrahman Alajaji**General Manager Treasury, Al-Rajhi Bank****A**

Yes Adnan, however the gain is undisclosed. For the FX income, as mentioned by our CFO, grew by 15% year over year. This is mainly due to our clear strategy, which we've been mentioning, to increase market share in both retail and corporate segments. We have focused on better improved pricing, improved customer experience and enhanced our digital offerings. The strategy has worked very well, and we expect the growth momentum to continue going forward.

Abdulrahman Alfadda**Chief Financial Officer, Al-Rajhi Bank****A**

Also, Adnan, on the exchange income as well, you guys know that Al Rajhi Bank started as an exchange company back in 1957, we do have the highest market share in the remittance business. And this is something that I would like to highlight, these are strategic initiatives that have been highlighted by my colleague, Abdulrahman. And will continue to focus to further improving our position in the remittance business.

Mehmet Sevim**Executive Director EMEA Research, J.P. Morgan****Q**

Good evening. Thanks very much for taking my question. I just wanted to come back to your comments on the dividend pay-out. I was just wondering if you think you've addressed your wish to improve the capital buffers now with the dividend decision that you took for this quarter? Or will we see the pay-out at these levels for the coming period as well? I know you mentioned the medium term, but just wanted to come back to this comment.

And also, you highlighted the public announcements recently for capital regulations, including the counter-cyclical buffer and the IRRBB. Is there anything else you think that may come at some point, for example, maybe a potential increase in the DCIT buffer or anything like that, which makes you a bit more cautious right now? Thank you.



Abdulrahman Alfadda

Chief Financial Officer, Al-Rajhi Bank

Thanks, Mehmet, for, again coming to the points related to the dividend pay-out ratio. we are reviewing the operating environment on a regular basis. This is something that we believe, that the decision to reduce the pay-out ratio is short term to improve the buffer. We will monitor the situation on a regular basis. And the management direction over the longer term, to still go back to the historical pay-out ratio while maintaining and expanding our ROE. So, this is something that we will review on a regular basis, and we believe that it is only short term. But over the medium term, we will continue to go back to our historical pay-out ratio. As far as if there is any other capital requirement that we are anticipating, from the information and the dialogue that we are having, we are not aware of any further changes into the capital requirement as we speak.

Operator: Unfortunately, we have run out of time for any further questions. So, at this time, I would like to hand the call back over to the CFO, Mr Abdulrahman Alfadda please, go ahead.

Abdulrahman Alfadda

Chief Financial Officer, Al-Rajhi Bank

Thank you, everyone, for joining the call, and wish you all the best. And hopefully we speak to you soon in our full year earnings call. Wish you all the best. Good luck. Al Salaam-Alaikum.