Aljazira Bank Earnings Call Transcript
Q3 2026 Financial Results

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Mr. Jassim AlJubran, ***Aljazira Capital Research***

Good afternoon, ladies and gentlemen. This is Jassim AlJubran from Sell-Side Research at Aljazira Capital. On behalf of Aljazira Capital, I would like to thank you all for taking the time to join Aljazira Bank's earnings call for Q3 2026, and I'm pleased to welcome our panelists in the call today. The format of this call will begin with a presentation from the management before opening the floor to participants for a Q&A session, so without further ado, I will start by handing over to the Group Head of Investor Relation, Mr. Majid Khan, Mr. Majid, the floor is yours.

Mr. Majid Khan, ***Head of IR***

Thank you, Jassim, and thank you for hosting today's call. Good day, ladies and gentlemen, and welcome to Aljazira Bank's Q3 2026 Earnings Call. We appreciate you joining us. Representing Aljazira Bank's senior management today are our Chief Executive Officer, Mr. Naif AlAbdulkareem; our Chief Financial Officer, Mr. Hani Noori; the Head of Corporate and Institutional Banking, Mr. Sami Almhaid; the Head of Retail Banking, Mr. Mohammed Al Mousa; our Group Treasurer, Mr. Hani Araki; and our Chief Risk Officer, Mr. Yazid Almobty. Today's call will begin with opening remarks from our CEO on the Bank's performance and strategic progress, followed by our CFO's walkthrough of the financial results for the first nine months of the year, after which we will open the floor for questions. With that, I'm pleased to hand over to Mr. Naif AlAbdulkareem. Naif, the floor is yours.

Mr. Naif AlAbdulkareem, ***Chief Executive Officer***

Thank you, Majid, and good afternoon, everyone. Thank you for joining us.

Before turning to the results, a brief word on the operating environment. Regional geopolitical conditions have remained volatile since our last call, and we continue to monitor developments closely. Our business has remained stable throughout this period, and we entered it from a position of strength: capital comfortably above requirements, deep, high-quality liquidity, a granular, deposit-led funding base, and credit exposure overwhelmingly to the domestic Saudi economy. We stress-test the portfolio regularly under a range of oil price and macroeconomic scenarios, and we have kept a conservative stance on provisioning.

Despite the challenging backdrop, we are pleased with how the year has gone so far. Net income is up 15%, and 3Q was our strongest quarter of 2026. But more important than any single quarter is the progress we are making in the areas that matter most for the future of Aljazira Bank.

We have continued to grow our financing business, deepen our customer relationships and invest in the capabilities we need to compete more effectively. Our focus on affluent customers and corporate banking is increasingly shaping how we develop our products, services and channels, and our work on digital banking and customer experience is a big part of that. There is still a lot to do, but we are making real progress against our strategic priorities. We have the capital, the liquidity and the people to support our ambitions, and our focus remains the same: building a stronger and more profitable bank for the long term.

Let me give you the headline numbers. For 9M, net income reached 1.32 billion, up 15% YoY. Net financing grew 14% YoY to 123 billion across both commercial and consumer, supported by strong customer acquisition as our transformation takes hold. Customer deposits grew 13% to 130 billion, and CASA now makes up 45% of our deposit base, up from about 42% at the start of the year. Asset quality is sound: cost of risk was 28 bps, the NPL ratio is 0.96% with coverage of 169%, and cost-to-assets came down another 10 bps to 1.59%. Our capital adequacy ratio stands at 19.3%, supported by organic generation and the Tier 1 Sukuk we issued earlier this year. Moving to slide 3.

Across the banking sector, credit growth is holding at around 7% and is corporate-led, with corporate lending up 10.1% and retail up 3.7%. Funding is where conditions have tightened most in the sector recently. System deposits grew 4.8%, and we continue to see deposits migrating into time and savings accounts. Our deposits grew 13%, and it is pleasing to see our CASA balances up 22% since the start of the year.

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On scale, net financing grew at a 17% CAGR between 2023 and 2025, and we have kept that momentum this year with 14% growth. On liquidity, deposits grew 11% a year over the same period, and 13% this year. Risk remains well controlled, with cost of risk at 28 bps.

On revenues, fee and other income growth has slowed to 1% YoY after strong growth in 2024 and 2025. The geopolitical situation has weighed on trade-related revenues, and regulatory caps on some retail fees have also had an impact. Efficiency continues to improve. We keep finding savings across our cost base, holding cost growth at 7%, below income growth of 9%. Cost-to-income has come down from 58% in 2023 to under 52% today. All of that comes together in the bottom line: net income of 1.32 billion for 9M, up 15%. Turning to slide 6.

All our business lines made good progress over 9M. In Corporate, we saw healthy, broad-based double-digit growth that did not depend on a handful of large tickets. Corporate non-funded assets grew 3% YoY and 10% YTD, so our core trade and guarantee business is still growing, even though the bank's total non-funded assets declined.

In Treasury, we strengthened our Tier 1 capital through our issuance programs, with a 1.46 billion local AT1 issue and the refinancing of $ 500 million AT1. We also rolled out our FX campaign, and electronic FX trading is being implemented.

In Retail, our goal is to be the bank of choice for affluent clients, and sales are encouraging, particularly in real estate mortgages. On the digital side, the Finalta benchmarking study places us in the top quartile regionally, with about 86% of our customers using digital as their main channel. The same study shows that 90% of our new-to-bank customers came through digital channels in 2025, against a market average of 81%, which puts us in the top four among Middle East peers. Digital is also helping on funding: our digital savings products are growing at double digits, which supports the deposit growth Mr. Hani will talk about.

On lending, personal finance and credit cards are now fully end-to-end on mobile, and early take-up of our relaunched personal finance journey has been strong. We have also launched new services, including a smart investment plan with Aljazira Capital and digital delegation for high-net-worth clients.

On technology and digital, our investment over the last few years is now paying off. On AI, machine-learning use cases now generate around 30% of our retail sales. Our GenAI platform and employee app are live, and AI banking in our front-end channels is being built for year-end.

Overall, I am pleased with what we have achieved over 9M, and we remain on track for our updated full-year 2026 guidance and our 2028 strategic ambitions. With that, I will hand it over to Mr. Hani to take you through the financials.

Mr. Hani Noori, ***Chief Financial Officer***

Thank you, Mr. Naif, and good afternoon, everyone. The main positive in our nine-month results is that our income continued to grow faster than our costs. Operating income rose 9% against a 7% rise in expenses, and with lower impairment charges, net income grew 15% YoY. Financing is up 11% YTD and customer deposits are up 13%. The CASA ratio rose to 45.1% of deposits, which matters in the current rate environment. Cost of risk remains moderate at 28 bps, and our liquidity and capital are comfortable, with a CAR of 19.3%.

Let me take you through the slides, starting with the balance sheet on slide 8. Total assets reached 183 billion, up 10% this year. Financing grew 11% to 123 billion and investments grew 7% to 42 billion. All of this was funded by 13% growth in customer deposits. Total equity is also up 8% to 23.4 billion, supported by retained earnings and the Tier 1 sukuk we issued.

Moving to slide 9, financing grew 11% over the nine months, and the growth was balanced, with commercial up 12% and consumer up 10%. Commercial added 8.4 billion, led by commerce and building and construction, while consumer added 4.1 billion, mostly residential financing. In Q3 on its own, growth slowed to 2%. As we said in July it would, and we are staying selective on pricing and asset quality.

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On slide 10, our investment portfolio grew 7% YTD and 2% in Q3, reaching 41.6 billion. Most of this year's growth came in floating rate instruments, which suits the current rate environment. Government and quasi-government exposure represents 79% of the portfolio.

Turning to liquidity on slide 11, liquidity remained comfortable. Customer deposits accounted for 14.5 billion of the 11% growth in total liabilities, so our growth is funded mainly by our own customers. The headline loan-to-deposit ratio rose to 95% from 91% in June, while the SAMA weighted ratio is 78.8%, well inside the regulatory limit. LCR is reported at 189% and NSFR at 114%, both well above regulatory minimums.

Let's now move to slide 12 to cover deposits. Customer deposits are up 13% this year to 130 billion. They declined 2% in the quarter, mostly in time deposits, offset by interbank funds. The main change is the mix. CASA grew 22% YTD and now accounts for 45.1% of total deposits, up from 41.6% at the end of last year. This was driven by savings and call accounts, which almost doubled, partly thanks to our digital savings tools. Given the current cost of time deposits, the continuing shift toward CASA helps support our margin. This brings us to the income statement on slide 13.

Net income for the nine months was 1.32 billion, a 15% year-on-year increase. Total operating income rose 9% to 3.6 billion, driven by a 13% increase in net financing and investment income, while fees and other income was broadly flat, up 1%. Expenses grew 7%, and the impairment charge was 7% lower. Q3 was our best quarter of the year so far, with net income of 472 million, up 18% YoY and 6% on the previous quarter. This was driven mainly by net financing and investment income, which was 145 million higher than a year ago. Slide 14 has the detail.

Net financing and investment income grew 13% to 2.5 billion, driven by volume growth. Financing added almost 500 million and investments added close to 180 million, more than offsetting about 420 million of higher funding costs. For the nine months, net margin was 2.04%, 4 bps below last year, as lower yields on financing took off 19 bps and lower cost of funds added 16 bps. In Q3, net margin was 2.01%, flat on Q2 and 11 bps better than a year ago. Asset yields picked up to 5.73%, but cost of funds also rose to 4.08% after the September rate hike and the jump in SAIBOR, which is reflected in our updated guidance.

Moving to slide 15, fee and other operating income was up 1% at 1.07 billion and made up about 30% of our operating income. Investment income was the main positive, up 36%, while net fees from banking services were down 10%. Trade finance fees grew 8%, but stock trading, mutual fund and card fees were lower. Total non-funded exposure is 8% lower than a year ago. Growing fee income is a clear priority for us, with a focus on trade finance, cross-selling to corporate clients, and wealth management with Aljazira Capital.

Turning to costs on slide 16, operating expenses grew 7% to 1.85 billion, while operating income rose 9%, so we kept positive jaws. Most of the increase came from salaries, which went up 9% as we invested in our people, and from depreciation on our technology investments, while other G&A was slightly lower. As a result, cost-to-income improved to 51.8% from 52.7% a year ago, and cost to average earning assets fell 10 bps to 1.59%.

Moving to credit quality on slide 17, asset quality remained solid. Cost of risk for the nine months was 28 bps, slightly below last year, and we expect to finish below the 36 bps of 2025. Stronger recoveries and lower charges on unfunded exposure more than offset higher provisions from book growth. The NPL ratio was 0.96%, down from 1.03% at the start of the year, though up from 87 bps in June. Stage 3 loans fell to 1.73% of the book from 2.27%, and NPL coverage is 169%.

Moving to capital on slide 18, our capital position is comfortable. CAR is 19.3%, up 23 bps on a year ago, with Tier 1 at 17.2% and CET1 at 11.2%, all well above regulatory requirements. Over the past year, the AT1 issuance added about 120 bps and retained earnings added 110 bps, more than covering the 200 bps absorbed by risk-weighted asset growth. Total capital grew 8%, ahead of the 7% growth in risk-weighted assets, and risk-weighted assets density eased to 74.4% from 78.1%. On the last call, we said we would keep CET1 above 11%, and as our results show, we have.

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Let's now move to slide 19. Returns have improved every quarter this year. Return on average equity rose from 7.24% in Q1 to 7.78% for the nine months, which were already above our full-year target, and return on average assets is now above 1%. EPS for the nine months was 0.77, slightly below last year, and 0.26 in Q3, reflecting the payment to Tier 1 sukuk holders.

Turning to segments on slide 20, compared to last year, Treasury added 144 million and Corporate added 65 million to pre-zakat income, while Retail was broadly flat and Brokerage and Assets was lower on softer market activity. Corporate remains our largest contributor at 38% of pre-zakat income.

And finally, on slide 21, we cover the guidance. We are updating two guidance items and keeping the others unchanged. On margin, we now expect 2.00% to 2.04% for the full year, down from 2.05% to 2.10%, as the September rate hike, the spike in SAIBOR and stronger competition for deposits have pushed funding costs higher than we assumed. At 2.04% for the nine months, we are at the top of the new range. At the same time, we are lowering our cost of risk guidance to 30 to 35 bps from 35 to 40 bps, reflecting the 28 bps delivered so far. Everything else stays the same. We are on track with low-teens financing growth and cost-to-income, and Tier 1 and return on equity are already better than guidance. Overall, the first nine months brought strong growth, a better funding mix, low credit costs and improved returns. Funding costs remain the main challenge, and we are managing them closely.

Thank you, and I will hand it back to Mr. Majid for the Q&A session.

Mr. Jassim AlJubran, ***Aljazira Capital Research***

Thank you, Majid. Thank you, panelists, ladies and gentlemen. We will now commence with the Q and A session. You may raise your hand to speak with our panelists by pressing the hand icon on your screen or alternatively drop your question onto the Q and A chat box. Please limit your question to two at a time, so we may satisfy as many participants as possible. You are more than welcome, however, to join the back of the queue if you have a follow-up question. You may introduce yourself with your name and the company's name. Without further ado, the Q&A session is now open.

Our first question comes from the line of Ghena Aswad. Ghena, your mic is now open. Please unmute yourself and go ahead with your question.

Questions & Answers Section

Q: Ghena Aswad, ***Magellan Capital***

First of all, thanks for the great presentation and congratulations on your results. So, I just had a question regarding your provisioning. Your NPL ratio is 0.96% but we see that stage three loans are about 1.73% of the book, which is around 1 billion more than reported NPLs, and reserves essentially cover only 93% of that stage three amount. So, can you help us understand what sits in that difference, and should we expect provisions to essentially keep building up until stage three is fully covered, or are we sort of comfortable with where coverage is today?

A: Mr. Majid Khan, ***Head of IR***

Thank you, Ghena. I'll touch base on this question, and maybe I'll hand it over to CRO also to add more. Just to respond to your question. Stage 3 coverage, as we speak for Q3, lands around 60%, which is precisely close to market average, and we have remained in the range of 55 to 65% range throughout past many quarters. The gap that you are referring to between stage three and NPL reflects the fact that stage 3 is more driven by IFRS 9 model, so there's more precise accounting method that's how account income has been recorded, and provisioning has been created. So, it's precisely driven by the model. NPL number reflects those customers that we consider are in non-performing stage, and that's what NPL reflects. The

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gap reflects those customers that are incurring, that are as per understanding, performing and are in the stage of recovery. So, this is where NPL and stage 3 reside. But from the provisioning perspective, provisioning is precisely based on IFRS 9 and coverage of 60% definitely is good enough and precisely according to the market average.

Q: Ghena Aswad, *Magellan Capital*

Thank you, Majid. I simply meant that your Stage 3 loans are above your NPL ratio, so should we expect higher provisions? But I think I got the answer. Thank you.

A: Mr. Majid Khan, *Head of IR*

Yes, as I said, Stage 3 has always been higher than NPLs in our case, and Stage 3 is the one that drives the accounting. So from a P&L perspective, we don't see any impact coming out of that.

Mr. Jassim AlJubran, *Aljazira Capital Research*

Thank you, Majid. Thank you, Ms. Ghena. Moving to the next question from the line of Karan, Mr. Karan, you are unmuted. Please unmute yourself and go ahead with your question

Q: Mr. Karan Shah, *Aranca*

Thank you, management, for the presentation and congrats on a good set of results. I had a couple of questions. So first one is in this quarter, if you see the net income has kind of grown on a YoY basis. However, the EPS fell from around 0.29 per share to around 0.26 per share. So, how will the company fund the double-digit loan growth without further diluting the common shareholders? This is my first question, and I'll stop here before asking my next.

A: Mr. Majid Khan, *Head of IR*

Yeah, Karan, thank you for the question. EPS, you know, is driven by the profitability post Tier 1 cost, and Tier 1 costs are generally adjusted on payment instead of accrual basis, that creates some distraction. This is why if you look at our QoQ EPS, it moves in certain quarters where most of the payment happens. If I understand your question correctly, the flattish earnings per share is driven by, despite like having a higher net profitability, the flattish earnings per share is because of that payment that happened during this quarter and has reduced the earnings per share. Just to add one comment before you move on, we allow you to for the second question is that the Tier 1 instruments that are the capital instrument issued by the bank over a period are mostly for the purpose of capital. So, like all the instruments that have been issued in past year, bank will enjoy the multiplier impact of by building the book over a period of time, so the benefit of capital instrument generally takes a longer period compared to a debt instrument.

Q: Mr. Karan Shah, *Aranca*

Okay, so basically the question was more in terms of the future outlook, how will the company kind of fund a double-digit loan growth without diluting the common shareholders any further. Was it more of a future outlook?

A: Mr. Majid Khan, *Head of IR*

In terms of forward outlook, our capital ratios right now are quite comfortable. Like our total capital is in the range of 19. Our CET1 is over 120, and we have been growing our balance sheet quite decently. For last nine months, 10 to 11%, we see our capital base good enough to support our growth for future periods, and you should see improvement in our EPS QoQ going forward. But only some quarters will have some

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movement because, as you mentioned, payments generally happen on a quarterly basis, it impacts at times those quarterly EPS. But cumulatively, you should see increasing trend in EPS as profitability grows.

Q: Mr. Karan Shah, *Aranca*

Okay, very clear. My next question is in terms of the cost of risk, the new range implies a much higher charge for the fourth quarter. Can you share some light on this?

A: Mr. Majid Khan, *Head of IR*

Cost of risk, we have updated because we were carrying 30-35 bps in our guidance. We saw the first nine months performed really well. Specifically, Q1 and Q2, where we saw some good recoveries, right of recoveries coming up in the P&L. Right now, what we have done is we have adjusted the cost of risk, but it's still on the conservative side. Our YTD cost of risk is around 28 bps. I mean, I see that maybe we'll be touching the 30 bps, and that's it. So I'll keep it on a conservative side as we speak.

Mr. Jassim AlJubran, *Aljazira Capital Research*

Thank you very much, Majid. Thank you, Mr. Karan. Moving to our next question from the line of Mr. Murad Alansari. Mr. Murad, you are unmuted. Please unmute yourself and go ahead with the question.

Q: Mr. Murad Alansari, *GTN Middle East*

Yes. Good afternoon, and thanks for the presentation. So, we just wanted to focus a little bit on NIMs. Obviously, you've had your book positioned well for an interest rate decline. Now that we have reverse rate cycle reversing. We have had one rate hike, possibly another one before the end of the year. Just wanted to get your thoughts on how do you see the impact coming through and how quickly we will see that impact on margins and you know how you would be looking to protect your NIMs against these rate hikes?

Second question is on the theme that's continued to be very strong, and there's obviously some positive impact that's continued to flow through from the mutual fund business or the asset management business. So, just any visibility that you can provide on how you see that sustaining in Q4 and into next year over the medium term and how those will play into your earnings outlook for next quarter and over the medium term. Thank you.

A: Mr. Majid Khan, *Head of IR*

Thank you, regarding the first question on rate hike and impact on NIMs, we've been discussing it before also. Like if you look at our last six to eight quarters, we have been continuously building our balance sheet in a structured way. We were adding a lot more floating rate assets to our balance sheet on the top side, mostly from corporate banking, and on the liability side we were continuously building our CASA, demand call or saving deposits, and we are around 40-50%. And we have maintained that ratio and built up that ratio lately, last two three quarters, knowing that rate hikes were expected, although they were not very visible in a shorter-term curve, but longer-term curve, it was quite visible that this might impact. So, as we speak, I mean, over a period of time, we tried to neutralize that impact. I mean, rate hike straight away impacts margin on a shorter-term basis, but over a period of time, taking different initiative apart from the one I mentioned, including the asset repricing from the corporate side, retail is mostly fixed. We have seen some benefit investments also, some repricing happening there, some floating portfolio build up there. So, all these from fixed to floating, so we expect that we will be not only meeting our guidance for this year, but we will be putting up decent guidance for next year when we come and present our full year projection.

Regarding your second question on fee income, fee income over a period of time has been doing good. Our fee income. As a percentage of average earning asset, which we call fee income margin, is in the range of around 90 bps most of the time. Lately, we have seen some contractions, but those were specific prior to that. We are quiet, I mean, we've been talking about it in our previous call or before also that we want to continue building up that piece of income because of stress in margin. That particular piece of

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revenue definitely helps a lot in building operating income growth and allowing us to improve our jaws, which is one very important KPI internally we monitor. So mutual fund asset management businesses mostly belong to Aljazira Capital and some to Treasury, and they have been doing good. We expect that next year they will come back a lot stronger.

Q: Mr. Murad Alansari, ***GTN Middle East***

Thank you. Just to follow up, if I could, on the liquidity environment. So, I think it's been a common question across all the banks. Earnings calls, and you know we saw how rates moved up towards the end of September. That pressure continued into early October as well. How do you see that the liquidity environment right now? You know, obviously. You've kind of cut back on your or shed some expensive deposits to protect your margins, and you look very comfortable on LDR versus where the rest of the sector is. But do you see those headwinds persisting into fourth quarter as well? Just your thoughts on the liquidity environment. Thank you.

A: Mr. Majid Khan, ***Head of IR***

Thanks, Murad. I'll request the Treasurer to just give you like top down view on the liquidity environment from September till today, and any forward looking.

A: Mr. Hani Araki, ***Head of Treasury***

Thank you, Majid. Thank you, Mr. Murad, for the question on the liquidity side. I think the bank has taken a good measurement beforehand before this action took place, such as the high rate environment or the higher spread during the last quarter, which is September, during September month, and as a result, we have increased our access of liquidity through different avenues, such as long-term reviews, and also extended our maturity. So, we've read the situation maybe during August, and as a result, we have extended the maturity profile of our liability to tackle this. The situation, I think, will remain a little bit during the month of November at high spread. As some banks, they do have some international obligations and they're funding these other currencies through the Saudi Riyal. So, this is what drove the spread higher during October specifically and November. So that's the main issue and also some of the banks do have issues with regulatory ratios and other internal ratios toward taking some deposits in certain buckets such as the three months and six months when the spreads have spiked, so that's generally. However, from our side as Aljazira Bank, as I mentioned, we have extended the majority or good portion of our liability being extended toward at least four months or five months from now. I hope it answers your question. Thank you.

Mr. Jassim AlJubran, ***Aljazira Capital Research***

Thank you, panelists, for sharing this insight. Our next question comes from the line of Waruna Kumarage. Waruna, your line is now open. Please unmute yourself and go ahead with your question.

Q: Mr. Waruna Kumarage, ***SICO***

Yeah, I have a question. I mean, it's a follow-up to Murad's question. My first question is: if you can clarify exactly what happened in late September and October in terms of higher SIBOR SOFR spread. And secondly, there has been some relief during the month of October. The spreads have come down, but not much. But it has come down. And thirdly, what do you expect going into fourth quarter? Because generally, this is where banks generally compete to meet their regulatory requirements. So, do you expect more pressure or more, you know, widening of spread towards end of the year?

A: Mr. Hani Araki, ***Head of Treasury***

Yeah, sure. Thank you for the question. Yeah, we do expect the situation to continue at least till the end of the year, but with less pressure on the spread side. Currently, the spreads have come down by at least 25 to 30 bps during last week, and so we expect the spreads at least for the six months to come down further

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from here, but it would need its time. So, we are calling this a balancing time where obligations are met and also ratios are adjusted during this period. What drove the spread up, which is the first part of your question, is that some of the banks they were reliant on some international funds, and these international funds considered to be hard money and never been renewed or good sum of that that fund being not being renewed, this is why some of the banks increase the reliance or try to take some Saudi Riyal deposits for certain buckets to fund the obligation and adjust the ratios. So, this is basically what has happened during September and October. Again, this is expected to continue furthermore from here, but not for long, maybe another one month or so. Thank you.

Q: Mr. Jassim AlJubran, *Aljazira Capital Research*

Thank you, panelists. Now I will move to take two questions from the Q&A chat box before returning back to the mic. The first question in the Q&A chat box says how large your exposure to the most vulnerable sectors such as trade is finance, shipping, logistics, contracting, and SMEs dependent on regional supply chains.

A: Mr. Yazid Al-mobty, *CRO*

For Aljazira Bank, we remain to have well-diversified sector exposure across the sectors. If you want the numbers specifically, the largest sectors across the bank are probably general contracting, wholesale trade, services, manufacturing, real estate, and the diversification goes very well distributed across them, and that's our aim of managing the concentration across the sectors where we monitor it on quarterly basis. But like the other banks, we do have exploitable real estate and general contracting, wholesale, and manufacturing as well.

Q: Mr. Jassim AlJubran, *Aljazira Capital Research*

Thank you, Yazid. The next question from Ahmed Sultan is saying, "What's behind the fee decline? Is it lower brokerage volume, pricing pressure, or the higher fee products going away? And moreover, how is the dividend income recurring?".

A: Mr. Majid Khan, *Head of IR*

Thank you, Jassim. I understand this question relating to QoQ because YTD we have seen slight growth in our fee income. So, on QoQ, which means Q3 26 vs Q3 25, there are some slowdowns. One element is there was some share trading related to better revenues in Q3 25 vs Q3 26. That is one element. Some mutual fund incomes were lower in Q3 26. Again, that is the second element, and the third is which is taking the major part is the trade income because of geopolitics. Q3 2026 trade income was relatively lower than it was in the last year because last year things were at full potential and the business was growing, building up. We have seen a very recent off-balance sheet growth also. So, these are the major elements where we see some movement in fee income, and that drives the numbers. On YTD, we are still comfortably placed. We are positive at almost +1% last nine months.

Mr. Jassim AlJubran, *Aljazira Capital Research*

Thank you very much, Majid. Very clear. Moving to the mic, the next question comes from the line of Ms. Ghena. Ms. Ghena, your line is now open.

Q: Ms. Ghena Aswad, *Magellan Capital*

Yes, hi, it's Ghena Aswad again from Magellan Capital. I just had two follow-up questions. I can state them both, and then if Hani or Majid can help. So, the first one was just on the CET1 ratio. So, it's currently around 11.2%, a bit down from 12% from the start of the year. So, the question is the cushion above the AT 1 trigger is around six points. Do you have a floor in mind for the CET1 ratio?

And my second question was about the cost to income, which is currently around 50 to 52%, and it's a bit higher than the rest of the sector. So, is there a specific target you have in terms of the guidance towards

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2027, and are you looking to essentially get that from revenue growth alone, or is there any cost reductions in the management's guidance? Thank you.

A: Mr. Majid Khan, *Head of IR*

Thank you, Ghena, I'll take first question like CET1 before we go to the cost income point, CET1 of the bank is 11.2%. You compared it with the last is 12.3% for 2025, post that we did one distribution of dividend, so we went back in Q1 around 11.3%, and that exactly you were discussing earlier that despite having a decent growth in balance sheet, which is around 11%, we are still maintaining a very decent CET 1 at 11.20%.

Although it's not regulatory, we would like to continue building it and maintaining it in 11% and above 11% lower range.

Regarding your second question, which was cost to income ratio, we are seeing like if you are following us, you must have seen a continuous improvement in cost to income over a period of time. In 2024. We were around 50%. We back to +53%. Then moving down to we closed last year around 52.4%. This year around 51.7% and targeting some improvement in that. So probably by year end you should see some improvement in that ratio. As this week it is 51.8%.

In terms of forward outlook and comparison with market. Yes, it is higher versus market, but we are showing consistent improvement in that instead of having a one-offs. So, it's showing a consistent improvement QoQ, and we expect that we will be gaining around 100 bps improvement, by improving our jaws by building our revenue model. So top line will drive the growth in revenues will drive the costing commission improve. So, this is the plan going forward next year, 2028 is our last year of strategy. We expect that this cost-income ratio to decline from 51.8% now to around 50%, and we should be in a decent position when we start our next strategy. And that definitely will drive the future outlook.

Q: Ms. Ghena Aswad, *Magellan Capital*

Okay, thank you. So, it's essentially going to come from revenue growth, not from cost reductions

A: Mr. Majid Khan, *Head of IR*

Cost reduction. If you look at our cost base, it's relatively flat for last four five quarters, despite investing a lot in human capital, in technology, on infrastructure, and on systems. So, CEO talked about Gen AI investment around that. So despite having all this, we are still maintaining our cost in a very decent 5% to 7% growth. We expect that this growth, most I mean, this is the kind of cap level of growth that will continue. But improvement in cost to income will be driven definitely through the revenue side.

Q: Ms. Ghena Aswad, *Magellan Capital*

Okay, perfect. And just sorry, one follow-up regarding the CET1 ratio. It's around six points above the AT 1 triggered. Is that not a worry, or is the cushion essentially too little?

A: Mr. Rajesh, *Head of Enterprise Risk Management*

On the CET1 buffer, we maintain quite a healthy buffer. Like roughly, Basal requirement or the SAMA requirement is somewhere around 4.5% + 2.5%, and we are well above that. So that gives us a very good capacity to even grow, but as Majid already highlighted, we are going to in fact improve this buffer going further with this organic growth in our capital, the CET capital. So, we feel we are quite confident that we'll be able to maintain this buffer and the continuous growth of the bank with this buffer level.

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Mr. Jassim AlJubran, ***Aljazira Capital Research***

Thank you, panelists. thank you, Ghena. Moving to the next question from Mehawish Zafar. Your line is now open. Please unmute yourself.

Q: Ms. Mehawish Zafar, ***Ghobash Group***

Thank you very much for the call today. I would like to touch base on liquidity again and pardon my ignorance. This might be a fairly basic question. So, the way you have been able to manage your cost of funding is quite commendable in the times when liquidity is quite challenging. But I wonder how you are able to keep your CASA ratio on an on an increasing trend, despite the fact where we have seen many UAE banks and some Saudi banks as well, which are currently witnessing a huge shift from current savings accounts towards time deposits. So, one probably, if you can help me understand, how are you able to manage your CASA ratios? And secondly, who are the customers there? Is it big corporates, financial institutions, primarily coming from individuals, and why do you think that they would be happy keeping their money in savings account in the times when liquidity is a challenge and they can earn pretty high and decent rates by putting them in time deposits. So yeah, that's all from my end. Basically, talking about liquidity and the CASA.

A: Mr. Sami Al-Mehaid, ***Head of Corporate and Institutional Banking***

Sure. Thank you for your question. As you have highlighted, our CASA growth reflects our continued focus on developing deeper corporate and capital relationships, particularly through corporate transaction banking. And as highlighted by the CEO, we have invested a lot in digital transformation, which has helped us, especially in cash management as well as in retail banking, rather than competing mainly on deposit pricing, we aim to attract and retain balances through broader banking relationships, including payment solution, collections, digital channels, and day-to-day operations. This relationship. approach has helped us to grow casa balances, and we recognize that deposit competition remains intense, and we continue to monitor the stability and cost of these balances carefully. Our priority is mainly to maintain sustainable CASA growth while optimizing the overall cost and composition of our funding base.

Mr. Jassim AlJubran, ***Aljazira Capital Research***

Thank you very much. Due to time constraint, we'll now be taking the last two questions on the mic. Please limit yourself to one question at a time, Mr. Karan. Your line is now open.

Q: Mr. Karan Shah, ***Aranca***

Hello, thanks for the opportunity. I had a question. So, you have cut the FY '26 net margin guidance to around 2 to 2.04 percentage. I wonder why the margin guidance was lowered just after rate hike. Is the balance sheet liability sensitive because of the shift into the savings and call deposits.

A: Mr. Majid Khan, ***Head of IR***

Yeah, Karan, thanks for coming back. Regarding margin clearance, we closed our cumulative net margin to around 2.44% with rate hike that just happened very recently in September, from the balance sheet perspective, we are like in asset composition. We have higher floating assets from corporate banking mostly, but on the liability side also there are higher floating liability and reliability reinforcing generally happens quicker. So, keeping that in mind and knowing that we are almost at the edge of this number, we have revised our guidance for this quarter. But I don't expect it will go down significantly compared to where we close Q3. And for next year, we will come back with our fresh guidance for full year 2027 when we meet with our full air results somewhere around end of Jan or early Feb.

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Mr. Jassim AlJubran, *Aljazira Capital Research*

Thank you, Karan. Thank you, panelists. We'll now be taking the last question on the mic from the line of Mr. Abdurrahman Al Harbi. Mr. Abdurrahman, your line is now open.

Q: Mr. Abdulrahman AlHarbi, *SNB Capital*

Congrats on the strong set results. Just a follow-up question regarding the CET1. So, with the strong balance sheet performance, and you have mentioned that you want to contain the buffer for improving the buffer of the CET1, how should we look at the dividends going forward? That's my question.

A: Mr. Majid Khan, *Head of IR*

Regarding CET1, yes, CET1 has been hovering around 11.2% to 11.3%, and this quarter we have taken impact from the FVOCI portfolio, and otherwise CET1 should have been touching around 11.40 plus. Regarding dividend, it's a decision that boards take at the end of the year, once we have the full year number. There are different criteria, and capital also very important and very critical at this point in time. So, I think from the decision perspective, from the dividend perspective, most likely will come back to you once we have more visibility. But those decisions most likely will happen in Q1 and onward.

Mr. Jassim AlJubran, *Aljazira Capital Research*

Thank you very much, panelist. And for the remaining question, the Q&A chat box and for direct will be sharing inshallah the management with your email addresses, and that marked the final question for our session today. And on behalf of Aljazira Capital, I would like to extend our sincere thanks to the management of Aljazira Bank and participants for taking time for the call. I will now hand back over to the management for closing remarks, management.

Mr. Naif AlAbdulkareem, *CEO*

Thank you, Jassim. Thank you all for your questions and for your continued support of Aljazira Bank. Just to wrap up quickly, we delivered 15% earnings growth over nine months, our third quarter was the best of the year so far, and we are making progress on our long-term priorities, from corporate and affluent banking to digital. The funding environment is tougher than it was earlier in the year, but our deposit franchise liquidity and capital put us in a good position to deal with it. Inshallah, we remain confident about delivering on our revised full year guidance and our 2028 ambitions. We look forward to updating you on our full year results. Inshallah. If you have any further questions, please don't hesitate to reach out to the investor relations team. Again, thank you and goodbye. Thank you all.

Mr. Jassim AlJubran, *Aljazira Capital Research*

Thanks, everyone, and the meeting is now over. Thank you

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