Mehmet Good afternoon, ladies and gentlemen. Thank you for joining us today. This is Mehmet Sevim from JP Morgan's CEEMEA financials research team and we are delighted to host Alinma Bank's 3Q '26 results call. Please note that this call will be recorded and the replay will be made available after the call. Let me now please hand it over to Arwa Alshehri, head of investor relations, to start the call. Arwa, please go ahead.

Arwa Thank you, Mehmet, and thank you JP Morgan for hosting the calls. Good day, everyone. Welcome and thank you for joining us today on Alinma's third quarter 2026 earnings call. We'll start today by providing the agenda. Our MD and CEO, Mr. Abdullah AlKhalifa, will begin by providing an overview of Alinma's performance financial highlights, followed by strategy recap and update on the strategy progress. After that, our CFO, Mr. Adel Abalkhail, will be presenting a detailed financial performance up to September this year, ending with the guidance for the rest of the year. We will try to make sure to have proper time for Q&A where our deputy CEO, Saleh AlZumaie, is covering retail, private, and digital. And our chief corporate officer, Mr. Jameel AlHamdan, also with our MD and CEO and CFO, will be all answering your questions. With that, I'll hand it over to the CEO to begin with his presentation.

Abdullah Hello, everyone, and thank you for attending our call. I'll take you through a quick presentation on the page, slide number six, high level financial performance. Our financing increased by 10% year-to-date. Total asset is as well increased by 10%. Nine months operating income increased by 6%, net income by 4%. NPL ratio reached 93 basis points. Coverage ratio, 189%. Customer deposit reached almost 252 at 11% year-to-date. CASA, 118.9, and we also put for the first time average CASA for the first nine months, 115.8. That's what really earned the income on the average. CASA has a percentage of deposit at 47.2%. Cost to income, 31.1%. Net profit margin, 3.47, one basis point below same period last year. And ROE reached 17.6%.

On page eight, which covers our strategy, the main headline for our strategy is to be the most innovative and customer-centric in KSA, focus on profitability, and building distinctive differentiation through the latest AI technology. Main pillars in our strategy is to be more customer-centric, most innovative, and underpinned by lesser focus on profitability. We'll expand a little bit further on the business sectors. On retail, we aspire for primacy to all our customers. We want to innovate with segment-specific offering. We want to have a memorable customer journey throughout all channels. Private banking, want to differentiate through value proposition. We also offer world-class global and exclusive local investment opportunities for our customers

In corporate, same thing. We aspire for primacy for all our segments. We want to also upgrade our transaction banking and build best in class scalable operating model. Digital banking, we want to develop intelligent banking platform to drive primacy. We also run beyond banking digital offering through partnerships with certain third parties, enhanced operating models including monetization, and improvements to streamline collaboration with business units. And treasury wants to continue to diversify our funding basis, grow effects and other derivatives, and shift investments towards better yield enhancements.

On the next page, some additional headlines from different categories. For example, we aspire to be the number one leading employer among the Saudi banks. Want also to be a digital leader, as well as the leading risk-adjusted decisions and among the top five in the country in terms of brand and market leading operational excellence. On the next page is all of the things that we achieved in third quarter. We've already implemented three new AI family cases that we launched for retail, corporate, and IT. We also launched Global Blue VAT refund through the international airport. Musharakah LCs is fully digital in our platform. We achieved third- largest in terms of assets under management with year-on-year growth 33%. We had also experienced 28% growth in SME, as well as 21% growth in mid-corporates. We've launched a new application for accelerating client applications, accelerating credit process. We finalized a repo to maturity with multiple international banks. We issued two billion in tier one in private placements. We have also achieved 23% growth on profit swaps of some version of IRSs, as well as 42% growth in our forward FX.

On the next page, it talks about some of the issues that we've been working on in Q4 and deliver obviously enhanced customer experience across all channels. Build an open architecture for wealth ecosystem with global asset managers, build research and development innovation to drive faster innovation in all our digital platforms, specific customer focus use cases to drive hyper-personalization and better journey for our customers, form strategic partnerships with global asset managers to offer our high affluent customers and privates, some opportunities for investments, want to accelerate FX and derivatives business, develop gen AI and AI-powered ad companion for hyper-personalization, strengthen trade finance, and develop a rollout robust, client-centric primacy model to enable us to continue to measure and drive primacy to our customers. That's a quick highlight of our strategy and our progress so far and I'll hand it to our CFO for detailed and financial presentation.

Adel Thank you. Very good afternoon to you all and welcome again to our earning call for the third quarter of this year. As usual, I'll be walking you through the financial performance in a bit of more details that will be followed as usual by our outlook and the guidance for the remaining of this year. Starting with slide number 14 in the

presentation on the balance sheet trend, total assets has grown 10%, clearly was driven by financing growth. Our investment portfolio was almost flat YTD. However, we have 5.3 billion increase in cash central banks and also balances in the central bank. In the total liabilities movement from December, 10% growth in the liability side. Clearly also in line with the financing growth, 11% driven by customer deposit. That has grown 11%. And also, in our efforts to continue diversifying the funding, 1.7 billion was relating to the issuance we did for Tier 2 Sukuk and also the incremental certificates of deposit that we have issued during the nine months of this year.

Moving to slide number 15 on the P&L trends, the year-on-year growth in the bottom line was 4%. This was driven mainly by the 10% growth on the funded income. This was upset by a contraction of 8% on the non-funded income and we'll have more details on the non-funded income. And also, this was upset by 5% growth in the overall OPEX and also the impairment charges year-on-year that has grown 25%.

Moving into slide number 16 on the financing, on a sequential basis for Q3 from Q2, we have seen 4% growth. That's brought up the financing growth from December to 10% as gross financing. This growth was brought up by 16% growth in our retail portfolio and also a 9% growth in the corporate book around 15 billion. As of September, the overall composition of the financing portfolio, 73% relates to corporate and 27% relates to retail. Out of the total 257 billion outstanding financing as a growth by September, 53% roughly the project financing and remaining 28% is the large corporate. Mid-corporate represents 7% and we have 5% for SMEs, and 13% with mortgage represents from the portfolio by September. And the 14% remaining relates to consumer financing, which includes also credit cards and auto lease.

Moving into next slide, slide number 17 on the deposits. As mentioned earlier, the growth year-on-year in customer deposit is 11%. It was driven by 8% to growth YTD on CASA. However, as mentioned earlier by the CEO, the CASA average growth was only 4%, which also that's what has impacted the cost of funding. 13% was the growth in time deposits. So the 8% growth from CASA versus the higher growth in customer deposit has brought down the CASA as a percentage of total deposits, slightly down from where we were in Q2 where it was 47.3% and now standing at 47.2%.

Moving into slide number 18 on the NIMs, we have seen the 5% growth from quarter to quarter from same quarter as last year. If you look at the nine months, which is nine months, the funded gross income has grown 7%. 6% was from financing and 7% was from investments. Look at the bottom left of the slide. It's the net profit margin movement. It's almost flat. It's minus one basis point that was driven by reductions that we have seen by three basis points in the investment portfolio. And also, we

have seen a contraction of 19 basis points for the same period of last year in the financing yield. This was offset by a 21 basis point reduction of cost of funding that has made a difference year-on-year at one basis point. So the YTD was standing at 3.45% at NIMs versus where we were YTD in the first six months of this year was 3.46%.

Moving into slide number 19 on the non-yield income, non-yield income has contracted 7% on a sequential basis. This brought the reduction or the decrease on the non-funded income year-on-year by 8%, but it's worth mentioning that the drop that we can see in Q3 versus in Q4, we actually had 11% growth from the net banking services fees. Most of the reduction around 78 million, that came from the other income that's not related to the fees from banking services. We're seeing the pickup in the third quarter versus at least what we have seen in the preceding quarter, which is Q2 this year. We've seen also the growth year-on-year now on the exchange income representing 7%. Most of the drop on the investment gain and dividends was relating to the fair valuation of those investments held at fair value for income statements.

Moving into slide number 20, which is on the operating expenses, we are sequentially flat with what we have to spend in Q2. When we look at the year-on-year for the nine months, the overall OPEX is 5%, mainly driven by personnel cost that has grown by 8% and also the depreciation and amortization that has increased by 8% and looking at the other G&A where the flat is year-on-year. This actually slightly dropped the cost to income ratio from where we were in Q2, where it was 31.5%. We're standing at 31.1% as of September this year. Moving into slide number 21 on the impairment, the impairment is 26% impairment on financing, 25% year-on-year. This was increased and impacted the cost of risk, which has moved six basis points sequentially from Q2 where we are standing now at 51 basis points cost of risk at the end of September. Moving into the next slide, slide number 22 on the NPL and NPL coverage.

We have seen a 12% increase from December on the overall NPL. However, the NPL at the ratio remains slower than Q2 by three basis points, so standing at 93 basis points NPL ratio. As also the NPL coverage ratio has improved from Q2 at 176%, standing at almost 189% by end of September. Stagewise coverage, the stage one coverage remains flat from the previous quarter and this has been the trend at 40 basis points. We have built up during the quarter stage two coverage reaching now 11.5%, which has increased by 1.7 points per thousand from Q2. And also stage three coverage stands at 73.3% by end of September.

Moving into slide 23, which is in the overall capitalization, the overall capitalization, which is tier one and tier two for Piller One risk standing at almost 21%, this was almost 20% back in June this year. This is clearly the impact of the two billion worth of tier one that we have issued during Q3 this year. The profitability in the ROE, ROE

has came down 20 basis points from 17.8% to back in Q2, standing at 17.6% by September and also almost a flat on the ROA. With respect to the prudential ratios are all looking healthy, LCR is standing as of September at 136%, well above our regulatory minimum of 100. LDR, which is SAMA LDR standing at 81, small Pickup from Q2, but still well below the regulatory maximum of 90%. And NSFR is standing at 111%, which is also another position versus the regulatory minimum 100%.

Moving into the next section is the guidance and the update to the guidance for the remaining of this year. We have seen, as mentioned earlier, the growth on financing at 10% YTD. We are still keeping the guidance at 10%, sorry, at low teens for the remaining of this year. Net profit margin, as I mentioned earlier, we have seen YTD at one basis point, sorry, year-on-year, one basis point contraction. We are revising the guidance from previously 10 basis points to five basis points. Now we're revising the guidance to be flat to minus five basis points. Cost-income ratio, we are standing at 31.1%. Our guidance is devised to be below 31 from the previous guide to the guidance to be below 30 and a half. This clearly impacts the return on equity along with the cost of risk that I will come to where we are standing at 17.6% and we are guiding for around 17%. This is devised down from the previous guidance in ROE, which is 18 to 19%. Cost of risk, we're standing, as I mentioned earlier, at 51 basis point. We are revising the guidance to be 65 to 55 basis point. This is a revision from the previous guidance, which is 55 to 45.

Total capital CAR for Pillar One, it's standing at almost 21% to remain around. We have revised that around 20%. We've revised that from around 19%. And this is clear for I mentioned as a result of the capital instrument that were issued during Q3, which we expect to support this ratio until the year-end. So with that, I'll hand it over for the Q&As. Thank you.

Moderator If you would like to ask a question, please use the raise hand feature or the Q&A box at the bottom of your screen. If you're dialed in by phone, please use star nine to raise your hand and use star six to unmute your line. I'll pause for a moment to call out the queue to call.

The first question will come from Rahul Bajaj from Citi. Please state your name and the company before asking your question.

Rahul Bajaj Hi, this is Rahul Bajaj from Citi. Thanks for taking my questions. I have two mainly. The first one is on credit cost, cost of risk. So nine month '26, the run rate has been around 51 basis points, but you are guiding to 55 to 65 for the full year. Does that mean that in the fourth quarter you're expecting a major spike in cost of risk? Linked to this question, also the fact the coverage ratio, which you have nicely built over the last few quarters, we are now close to 190%. I think Alinma is probably for the

total coverage highest in the sector now. Where is the end game? I mean, do you think that it will go into the 200% mark or where do we go from here in terms of the total coverage ratio? So that's my first question.
My second question is on cost where I see the run rate of cost growth has come down quite materially over the past few quarters. We are now running at much below the run rate we were in 2024 or 2025 when cost growth was around 10 to 11%. How should we think about cost growth going forward in the medium term? Is it fair to say it will remain in the mid to low single digit or around mid-single digit range from a cost growth perspective or you think growth will come back next year on the cost side? Thank you. Those are my two questions.

Abdullah

Thank you Rahul. Obviously on the cost of risk, the revision on the guidance is basically based on multiple factors. One is we've been talking in Q3 about that big contract that was lost for one of our clients. That was a reason why we upgraded the cost of risk in Q2. And we anticipate that just to be conservative, we'll build more provision there. Second factor is the macroeconomics of facts that is obviously with what's happening in the region and geopolitical risks. I think the update on that also would drive more provision from the model, the change in the model. The same thing as I mentioned, the whole thing about economic activity due to the regional crisis or regional geopolitical risk would expect it to drive more provision just to be more conservative.

The coverage ratio, I agree with you. It's one of the highest in the market at 189, but we also anticipate in Q4 to see some movement from stage two to stage three based on the past use. That would obviously would expect to reduce maybe the coverage ratio at that time. In terms of

Adel

Yeah, so to your question in the OpEx, we've seen a trending OpEx lower growth than what we used to see, at least in the recent history. But we have to be really mindful that if you look at the growth this nine months versus nine months last year was 5%. But as it presented, there is still a growth that the bank is investing into the new strategy. We are seeing a growth in the personal cost, of course, the depreciation and G&A in general. However, if we look at the G&A itself, it was a flat year-on-year. And this is part of it relates to what we have mentioned back in Q2 call, which is actually the impact of the savings that we are doing as part of the point of sale leasing through the partnerships that we have entered with one of the providers in a profit-sharing agreement.

So overall, as you know, we don't really guide on the OpEx growth itself. We guide as far as the cost of income, which of course going into 2027 will communicate the same once the business plan is final. However, we are also in addition to that continuing to monitor the long-term contracts and also look at the efficiencies and

would expect to benefit also from the efficiencies on deployment of those use cases. Some of them mentioned by the CEO already that we have closed three use-case families. Hope that answered the question.

Rahul Bajaj Thank you so much.

Moderator The next question comes from Shabbir Malik at Morgan Stanley. Please state your name and company before asking a question.

Shabbir Thank you very much. Can you hear me?

Arwa Go ahead, Shabbir.

Shabbir Yes, hi. Thanks very much. Thanks very much for the presentation. I have a couple of questions please. First of all, on loan growth, you're financing, you're seeing low teens growth for 2026. I think you're at 10% year to date. I was wondering, what your guidance implies a two to 3% growth in the fourth quarter. Considering the liquidity at the bank LDR has gone up, also, if I look at economic growth and the latest economic growth number suggests slowdown in the economy, where would this growth likely to come from? So that's my first question.

My second question is around your cost of risk. You've indicated that there have been certain stage two movements which drove the increase or where you expect you need to take some additional provisions. Can you shed some light on what sectors or which segments do these stage two loans represent? And maybe if you can give us some sense on what would be the medium-term cost of risk guidance, because for this year it was initially at 45 to 55 basis points. Now you're looking more at 55 to 65 basis points. Should we see this as more of a medium-term cost of risk guidance as well? So yeah, those are the questions please. Thank you.

Abdullah Thank you, Shabbir. In terms of long growth, we've already mentioned the strong growth happening already on the SME and the mid-corporates. That's one aspect. Also, if you look at project finance, especially on the PPP types of project, those are projects that does not really relate to the price of oil or economic or any other conditions. It's all private sector like renewables and data centers now and other. These things continue to develop as well as we've been, as you've seen our track record, we've been growing in retail double or sometimes even triple the market growth. We're very successful in getting new customers and obviously selling some

of those products to our customers. So the growth is not going to come from one segment. I think it's multiple segments despite the economic activities in the country.

Now in terms of cost of risk, it's our first year that we've seen our cost of risk higher than the previous year. If you look at our history over the last five years, our cost of risk has always been higher than the market average just because we're very prudent taking provision and building protection in the portfolio. But we've been declining cost of risk year-on-year. This is the first year that we've seen growth on the cost of risk. I mentioned some of the examples in the microeconomic factors that is due to the regional tension as well as the large contract that lost in Q3 for one of our important clients. As well as far as the migration to stage three, I don't think it's a specific sector. It's different customer, whether it's an SME side, whether it's mid-corporates or whether it's a large corporate, retail also. So it's not specific sector. There was no concentration on the migration.

Now in terms of the medium cost of risk or medium-term cost of risk guidance, we don't... Every year we're going to give you the guidance and we have to amend it every quarter. If we feel the conditions are different or changed, we do that as we always promise on that. But as far as the medium term, we give some guidance, but does not include cost of risk. If you follow our trends, typically we've seen lower cost of risk year-on-year, except this year. This is the first year in the last six years, actually. This is the sixth year since I joined the bank. I would expect to see hopefully lower cost of fund next year, but we'll give you update on the guidance once we finalize our business plan.

Shabbir So this 55 to 65 kind of reflects the slowdown in the economic growth. And if let's say economic growth picks up, this could potentially be lower?

Abdullah Yes, of course. I mean obviously one of the factors is what's happening in the regional tension. I mean obviously that has impact on macroeconomics inputs into the model. So if that changes, obviously, that would be supportive.

Shabbir Great. Thank you.

Moderator The next question comes from Jon Peace at UBS. Please state your name and company before asking a question.

Jon Hi, thank you. Yes, it's Jon Peace from UBS. First question please is on the net profit margin. I think you said in response to the last question, something about your cost of funding may go lower next year. How should we think about the net profit margin overall given higher interest rates? Would you expect it could expand a little bit going into next year? And then the second question please is on the 2030 ROE targets of greater than 22%. You're starting from 17% this year. As I look in consensus, actually it seems to be modeling it pretty flat at 17% in the medium term. So I wondered if you could just maybe at a high level give us a bridge from 17 to 22. How do you expect to raise the profitability, and where is consensus being too conservative? Thank you.

Abdullah Thank you, Jon. Obviously on the NIM, the fact that our portfolio 73% are corporates linked directly to SAIBOR plus and higher rate would mean typically good results for us. So at that rate, I mean obviously once we finalize our business plan for 2027, we take at that time the latest forward yield curve of the market and we use that. But typically I agree with you, the higher SAIBOR, the better impact on NIMs. Now as far as the 2030 ROE target, we kept it the same. I think following the full year performance, we will update that and I suspect that would be lower than what it currently is. And we'll explain the reason at that time, but we have not done it on a quarterly basis. We'll do it following Q4.

Jon Okay, thank you.

Moderator The next question comes from Rahul Rajan of Bank of America. Please state your name and company before asking your question.

Rahul Rajan Hi, good evening. This is Rahul Rajan from Bank of America. A few questions from my side please. Firstly on the headline LDR levels. So where do you see that going from here and broadly do you expect deposit growth to continue to lag the financing growth? So that's number one. Secondly is on dividends. So like last year, should we see 4Q dividends being paid through stock and not through cash? That's number two. And number three is from a fee income perspective, how sustainable do you think the fee income levels are that was posted in third quarter as also with FX gains? I see that the FX-related gains have also seen an uptick in 3Q. So those are the three questions from my side, please. Thank you.

Abdullah Thank you, Rahul. Obviously on the LDR level, it's something that, as Adel mentioned, it's way below mandatory requirements or maximum requirement of 90%. We're at 81, a slight change since last quarter. We try to be very efficient in

liquidity, build the protection that we need in case of any adverse market movements, but at the same time do not obviously try to be efficient in terms of liquidity. On dividends, I mean obviously we do not do bonus shares in every year. So at the moment we'll wait for the decision of the board and obviously central bank, but I would expect that it's not something that we do every year. Every two or three years we might do it, but not every year. In terms of fee, sustainability of fee income, actually we didn't do well on fee income and we expect to see improvement on fee income in the years to come. With all our initiatives in place, our focus, that should drive fee income higher than this year, in terms for FX also.

Rahul Rajan Got it. Thank you.

Moderator The next question comes from Abdullah Al Buraidi at ENBD Capital. Please state your name and company before asking your question.

Abdullah AlBuraidi Hello. Thank you very much for the great presentation. Congrats for the great result. This is Abdullah Al Buraidi from ENBD Capital. I just have two question and there might be a follow-up to some extent. The first question is regarding the cost of risk. Since the beginning of the year, we've seen that stage two spike by around four, sorry, three to four billion. And forgive my ignorance, but if we assume that most of it coming from the exposure that lost the contract, then the increase in the allowance ratios is still far to cover even 30 to 40% of that exposure. So based on the updated guidance, which indicates that we might continue to see the cost of risk in the fourth quarter in line of 60 to 65 basis point, do you believe with that it will be over with and there will be no further risk from that specific exposure or we are still expected to see some of it in the next year?

The second question is regarding the NIM. Your performance in NIM has been quite wonderful since the beginning of the year and you are revising the guidance upward. However, what we are seeing since maybe the end of September and the beginning of October is that some liquidity pressure has came back and that might put further pressure on the cost of funding. So how do you see yourself achieving that in the fourth quarter given the cost of funding pressure came back as last year? Thank you very much. Sorry for taking long.

Abdullah Thank you, Abdullah. In terms of the growth in stage two, we have to realize this is not necessarily deterioration of credits or risk quality of the portfolio. There are rules within IFRS 9, including structuring. We do structuring in the term because the business has changed for the client and you restructure this typically also seen by our risk as a trigger to move it to stage two. So it doesn't mean the growth in stage

two that will ultimately move to stage three. Then when we have to move there for a certain period, and I think there's a minimum period required to stay there and then potentially can go back to stage one. I mentioned that we're expecting potential downgrade from stage two to stage three, but it's not in the same volume that you've seen growth in stage two. So we expected some, but not very significant number.

In terms of NIMs, yes, you're right. The cost of liquidity since I would say early October on have been surprising to say the least, because if you recall our early call in Q2, we actually seen improvement in level of liquidity in the first half this year. What we start seeing and you're right in late September, early October, we start seeing significant competition on deposits. And that's maybe one of the reasons that our revision and guidance did not shift significantly. Five basis point improvement could have been more if we had similar level liquidity that we had in the first half.

Abdullah AlBuraidi Thank you very much.

Moderator Our next question comes from Aybek Islamov of HSBC. Please state your name and firm before asking a question.

Aybek Yes. Good evening everyone. Thank you for the conference call. This is Aybek Islamov from HSBC. Well, I have two questions really. One is on your AT1 debt, right? I can see that the share of AT1 debt within your total tier one capital is now 27% in the third quarter. So it really grew progressively from last year. So is there a maximum level of AT1 you would be comfortable holding? I'm just curious to understand that given that you continue to grow your loans above sector, I presume you probably need to issue more AT1, correct me if I'm wrong, or are there any plans to recall maturing AT1 in 2027? So that's my first question on AT1 funding strategy.

The second one is on your net profit margins. The asset yields are lagging the increase in the cost of funds in the first nine months as you've shown in slide 19. I mean you do have more rate sensitive assets than rate sensitive liabilities on the balance sheet. What's preventing you from raising the asset spreads more aggressively in order to defend your net profit margin? So I'm trying to understand that. And that links up to one previous question about the net profit margin outlook for next year, right? I mean, how strong is your conviction that the net profit margin would improve in 2027 with more rate hikes to come?

Adel Aybek, on the maybe first question and then come later to the second question. On the AT1, as I mentioned during Q3, we have issued two billion SAR on private placement, which as you rightly said, increased the percentage to 27% of the total capital. As we always announced that we have programs in place that cleared all the approvals and then whenever we see the market and the pricing is reasonable, then we can tap on the market for whatever size that we need. And hence that's the two billion that came for issuance in Q3. We're not scrolling any exact limit to where AT1 would stand as a percentage of the total capital. However, as you can appreciate that the bank has started first time to issue tier two Sukuk was back last year in the second half. And this was the first time of issuance.

We were diversifying also the funding side, we issued last year and then also the CDs. So we're active both in funding and also diversifying the capital support instruments that we have. That's something that we will continue to issue, sorry, to continue to call before. We've been always clear that we probably, and as we did with the five billion SAR yield that we issued back in 2021, we call it in the first year pricing a call date and you expect the same to go for the other AT1s that we have issued already. On the NIM, as we've been saying before, Aybek, that we're positive in the medium term to rising interest rates. And we have seen that throughout the past four years or so because we have more rate sensitive assets than the sensitive liabilities. This could be explained by the sensitivities that we have, it haven't moved a lot from Q2, but of course where the impact will take 12 months period, it's around two basis points for every 25 basis point hikes.

But again, that's the impact that you would roll over for 12 months, keeping every other factor also constant because we have seen all the volatility in liquidity, the volatility in percentage of CASA versus also the total deposit. So if rates continue to go up, definitely we are positively disclosed given the fact that we are now mentioned earlier in the presentation, 73% of our book is corporate, which big part of that ideally floating and we will be able up to price as the repricing date comes in.

So we guide based on the latest that we see in the market. Of course, we're finalizing our business plan for '27 and will look into 2027. But this year as mentioned by the CEO, it could have been maybe slightly better guidance than maybe what we had to revise, but given the liquidity that we have seen going lower end of October where we saw SAIBOR-SOFR spread has gone down from maybe what we have seen in September or end of September. So it's the way we see it now. And I think the revision that came because of what we expect from the pricing block, the repricing that we have been doing since second half of last year, hope that's clarified.

Aybek Thank you.

Moderator The next question comes from Naresh Bilandani of Jefferies. Please state your name and company before asking your question.

Naresh Yes. Hi, Abdullah, Adel. It's Naresh from Jefferies. Thank you very much for the presentation. Sorry, just a few quick follow-up questions and sorry to probe further on these. Clearly we had a spike in the stage two in Q2, which you had attributed to as the cause for the increase in the risk guide and the cost of risk guidance as we went into the second quarter. You had mentioned that this was due to deterioration in visibility on the cash flows on a project where one contractor was affected. Do you have any better visibility on the cash flows on that account now that a couple of months have passed since we first realized that issue? So any visibility there would be helpful. That's first.

Second is if I can ask some of the previous questions in a different direction. We've seen the pace of write-offs as extremely low compared to what we've seen in the previous years, which I think is also adding to the buildup of the coverage. As we go into Q4, are we about to see a pickup in the write-offs on that line or do you think that's unlikely to be the case? I'm just trying to get a sense still if the cost of risk, that guidance that you offered, is more conservatism and model driven, or are you seeing some real deterioration which would require some write-offs to emerge in Q4 or probably in Q1 next year? That's the second question.

And my third question, slightly off the beat. Would you please be able to share, on the current balance sheet structure, how much of the balance sheet, whether it's on assets and liabilities, is linked to the three-month SAIBOR and the higher tenors of the SAIBOR? Because in the past, I remember from our discussions, you had mentioned that you have a bigger portion of your loan book that is linked to the six-month and 12-month SAIBOR, and you were consciously trying to bring that closer to a three-month SAIBOR linkage. So any split there would be very helpful just to gauge on how the NIM could potentially behave in the short term for the franchise. Thank you very much.

Abdullah Thank you, Naresh. Obviously on the large projects, that obviously one of the reasons why we upgraded our cost of risk. As the project is canceled, it will take a long time between the project owner, their consultant and the contractor to come up with final assessment on all the amounts that they're entitled to claim from project owner. So at the moment, the process is a bit lengthy. We'll have to wait. Nothing yet on the expected claims that the constructor would raise and whether those claims will be enough to pay the outstanding debt with us and their plan. And so we just want to be conservative and we'll start building provision on that.

On the other questions, I don't think we-

Naresh The write-offs.

Abdullah Yeah, the write-offs, obviously we have, you're right, in the past had higher write-offs because the bank was very slow in taking write-offs. I think that is something that we've cleared. It will be normal write-off going forward, yes. I don't expect a sudden pickup in Q4, but write-off follows the normal process for us.

The other one is, you're right, when we were expecting future SAIBOR to decline, we were actually encouraging our clients to go for longer benchmark, either six months or 12 months. We've been actively trying to push customers towards those. Now things are different, so obviously now new lending and new renewals and so on, we're pushing for shorter benchmark as the rate is expected to go up. We don't actually give a breakdown in how much of our, for example, corporate loans link to three months, six months or 12 months SAIBOR. It's something that I don't think we do disclose.

Naresh Understood. Thank you very much. Just a very quick follow-up. Just to get a sense, are you trying to say that the pace of write-offs, this is the new normal, and in the past, you were writing off a lot more aggressively and now you don't see the need, so we should see the levels of coverage stay elevated? Or are you being conservative and you probably expect the write-off pace to pick up in the short term, given how the state of affairs is on the ground?

Abdullah So what I've said, Naresh, is that the bank historically been reluctant to do write-offs, and I think that is something that we fixed, so that's why you saw higher write-offs in previous years. I think now in terms of write-off follow, this becomes normal. It's not like elevated level of write-offs. I did also mention in previous questions that we expect some migration from stage two to stage three and that the higher coverage ratio is not expected to go significantly higher. It may go down either.

Naresh Thank you very much, Abdullah. Very helpful. Thanks.

Moderator The next question comes from Chiro Ghosh of SICO. Please state your name and company before asking your question.

Chiro Hi, this is Chiro Ghosh from SICO Bahrain. First, thanks for the conference call and for clarifying most of our questions. Just one last one which I have is purely from the retail loan and the SME loan which I'm looking at. So retail loan, pace of retail loan

has come up a little bit in this quarter, but still, you are massively outpacing the industry. So can you give some clarity what differently you are doing? Because it does not seem to have any major impact on your margin also, so it appears that you're not even cutting price to gain market share, so if you can give some clarity on that. And as well as the SME side, because most banks are looking to get into the SME sector, so how is the competition there? How is the pricing power there?

Saleh Hi, this is Saleh. Thank you for the question. Yes, we grow our retail loan book without compromising the price. As we mentioned earlier in the previous earning calls that we grow our customer base significantly, and also, we invest in our customer experience journeys and turnaround time, and this is what makes us grow our portfolio in retail more than the competitors, 16% in the first nine months. So no, we are not compromising the price.

Chiro Are you doing something different where you can be growing at this pace which others are unable to?

Arwa Can you repeat your question? You're not audible.

Chiro No, I'm saying in the same context. So is Alinma doing something very different where all other banks are struggling to grow their retail book while Alinma continues to grow? Is it just the customer base or there's something else?

Saleh I mentioned it's not only the customer base, it's the customer journeys experience, digitalization of most of the journeys nowadays. And we are very, very efficient in terms of turnaround time. The customer application approvals come within an instant now in our application, so this is what makes us grow business. So it's both growing the customer base and investing in the customer experience and journey.

Abdullah In all the business that we do, we never actually go... We don't use the price as a strategy. We tend to be in the middle, even a bit higher, but we don't go for aggressive pricing at all. Corporate, retail, all the business that we do, pricing is not something that we go aggressive for.

Chiro How's the competition there ....

Arwa Sorry, you're not audible. Moderator, can we go to the next question?

Moderator The next question comes from Salman of Alrajhi Capital. Please state your name and company before asking your question.

Salman Good evening. Two questions from my side. The first question is regarding the spread between SAIBOR and SOFR. We've seen that spread has been widening in October and that has led to, let's say, a hike in the SAIBOR. How do you see that in terms of deposit competition as well as how would that impact your fourth quarter results?
My second question is regarding the OCI. So we have seen that you have recorded a decline of 21% year over year in other comprehensive income and 15% on a Q over Q basis. That's mainly on the back of fair value. Yeah. How do you see it? How do you see the impact given the further interest rate hike?

Adel Yeah, so to the first part, the first question on SOFR and SAIBOR, as you rightly said, we have seen this is going a bit lower end of October and hope that would also reflect maybe lower SAIBOR levels that we are seeing now. But in any way, as far as the competition, maybe the last month or so, we've seen financing to still..... Can you mute please because there is the echo coming?

Salman I don't think that's the voice coming from my mic, because I'm...

Arwa Yeah, Salman. Moderator, can you mute other participants? Thank you. Go ahead Adel.

Adel Yes, sorry, Salman.. Just to continue. So again, of course, as mentioned, SAIBOR, we're again positively exposed to that and an increase of course in that. It just depends on the maturities and whether deposits will be repricing higher or quicker than what we would have realized from the asset side. On your next question on the OCI. Of course, yes, we've put some losses in the OCI. This is a normal mark to market that we usually hit the OCI and then eventually the equity. But I have to say really, if you look at the 56 billion total investment portfolio that we have, all of our OCI classified investments is around the 11%. That's less than 19% of that. But also, not all the OCI related investments are sukuk. Some of them would be a normal mark to market when it comes to the equity, and also maybe you've seen in the financials as well that we already published that we have sold all of our equity

portfolio for some losses also that was realized within equity, but the mark to market was done before.

So it's also related to some of the OCI holdings for corporate Sukuk. That is also floating, so you wouldn't expect much of the changes or losses for even again as the floating Sukuk will be marked to market as it moves. So I hope that answers the question, Salman.

Salman Just a follow-up on that. As expected, we might see a further hike. Do you have an expectation or guidance regarding how much the OCI would be impacted given a further hike or every 25 Bps, how much would impact the OCI?

Adel Salman, the sensitivity of investment really to OCI, but I would refer you back to the percentage of OCI as total percentage of total investment is really not that much as most of our investments is government sukuk, and this as you know classified as a monetized cost that wouldn't touch the equity or OCI.

Salman That's really helpful.

Moderator That is all the questions we have time for today. I would now like to hand over the call to the management for closing remarks.

Arwa Thank you so much everyone for joining the call and for your time. If you have any follow-up questions, please refer to IR@alinma.com Thank you.