Earnings Call Transcript

3Q 2026 Earnings Call Transcript - November 2nd 2026

Muhammad A. Afzal:
Good afternoon, everyone.
And thank you for joining Saudi Investment Bank's third quarter 2026 results earnings call. I am Mohammad Adnan Afzal from ANB Capital, and we are pleased to host today's call.
We are delighted to have the senior management of Saudi Investment Bank with us today.
Management will begin with a presentation of the quarter's results, which will be followed by a Q&A session. With that, it is my pleasure to hand over the call to Ms. Najla Al-Mutairi, Head of Investor Relations, Saudi Investment Bank.

Najla Al Mutairi:
Thank you, Mohammed. Good afternoon, everyone. We're pleased to welcome you all to Saudi Investment Bank's earning call for Q3 2026. My name is Najla Al-Mutairi, Head of Investor Relations.
Kindly note that our earnings disclosures are available on the IR website of our webpage. This webcast will be recorded and a transcript will be made available on the IR webpage.
If there are any members of the media, please be reminded to share your questions separately with the corporate communications team. I am joined today by Mr. Salman AlFughom, our newly appointed Chief Executive Officer, and Mr. Ahmed Al-Mohsen, our Chief Financial Officer. We're pleased to welcome Mr. Salman to his first earning call as CEO following his appointment effective October 1st.
He brings more than 20 years of banking and leadership experience, including roles at SAMA and senior positions at SAIB, most recently as deputy CEO. His expertise spans treasury, investment capital, and balance sheet management, complemented by a deep understanding of the bank and its operations. Before handing over to CEO, let me briefly outline the agenda for today's call.
CEO will cover the performance highlight for the period and will update you on our strategy. CFO will discuss the financial performance and guidance in more details. We will then open the floor for questions. With that, I will now hand over to our CEO to begin the presentation. Over to you, Salman.

Salman AlFughom:
Thank you, Najla. Good afternoon, everyone.
and warm welcome to this call. I'm privileged and excited to be leading SAIB. I'm looking forward to meeting you all over the coming months. Before turning to our results, let me briefly address the regional geopolitical environment. The security situation in Saudi Arabia has been very well managed recently.
and I am pleased to report that SAIB has operated normally throughout the first nine months of 2026. We are monitoring the development closely and remain focused in supporting our customers, maintaining disciplined risk management and preserving prudent funding and liquidity position.
Against this backdrop, SAIB delivered solid set of results for the first nine months of 2026. Healthy balance sheet growth, strong operating efficiency and sound assets quality supported our performance despite continued pressure on margins. Let me now take you through the financial highlights.
We continue to deliver healthy balance sheets growth and strong credit quality. We have seen 6% loan expansion driven by growth in both corporate and retail banking segments, despite deposit increase by 10%, mainly driven by higher time and saving deposits.
and credit quality remains strong overall, with encouraging trend in the non-performing loans.

We also maintain healthy liquidity and solid capital position to support our balance sheet growth. Turning to profitability, net income grew by 2% year on year to SAR 1.558 billion, supported by modest operating income growth. Return on equity stood at
12.1, reflecting resilient profitability and then narrowed by 2.15%, reflecting continued margin pressure during the period. We have maintained low cost of risk at 21 basis point.
and maintain cost discipline with the cost to income ratio improving to 40.3%.
Overall, balance sheet growth, operating efficiency and resilient credit quality helped offset margin pressure and supported solid profitability outcome for the first nine months of the year.
Turning to slide #4, let me highlight some of the key corporate and digital development during the period.
On the corporate side, a key development was the agreement to sell our entire 50% stake in American Express Saudi Arabia to our partner, AMEX Middle East. This will monetize the successful investments and release capital to support our core banking growth priorities.
Under the term of the agreement, SAIB will receive SAR 1.43 billion upon completion, together with the additional deferred consideration. The price was determined under the existing shareholder agreement and is more than twice the investment reported book value. The expected gain
Of this sales is around SAR 792 million.
Completion remains subject to regulatory approval and we will provide further updates as the transaction progress.
Following the quarter end, shareholder approved 20% increase in our share capital on the 1st of October, bringing it to SAR 15 billion a year. The increase was implemented through a bonus issue, with the shareholder receiving one additional share for every five shareholders.
As I take on the role of the CEO, my priority is to maintain momentum in executing the strategy 2027 and build on the progress achieved to date. Our focus remains on delivering sustainable, profitable growth underpinned by the continued improvement in funding efficiency and cost discipline.
SAIB also during this period received several awards and industry recognition during that period.
Turning to slide number 5, number six, I will briefly walk you through the next few slides as a reminder of our strategy 2027.
covering our vision and mission, strategy goals across the business segment and the key enabler supporting the delivery, treasury, data and AI, human resources and the risk, marketing and customer experience.
Turning to slide number 7, as a brief reminder of strategy 2027 has driven the bank wide transformation with all the 43 original initiatives now completed. An additional initiative launched this year.
are underway focused on the translating this capability into stronger financial performance, particularly through improved funding efficiency and higher non-interest income. This priority will be supported by further enhancement to customer experience, the rollout of our new corporate and internet banking platform.
and the greater use of data and AI on targeted marketing. Accordingly, nine additional initiatives are now underway, maintaining the direction of the strategy 2027 while sharpening our focus on growth.
revenue quality and profitability. Moving to the next slide with some of the capability already delivered and the initiative currently in progress.
Moving to slide #8.
We discussed this initiative in detail last quarter, so I will keep this recap and brief. Strategy 2027 has strengthen capability across our businesses and key enabling function including risk data and AI and HR.
We remain on track with implementation, including our enhanced corporate internet banking platform, analytic-enabled CRM, and targeted data and analytic use cases. Our focus remains on

translating these capabilities into better customer service and customer experience, stronger revenue, and improved funding efficiency.
while maintaining discipline cost management. In summary, I want to repeat the excitement that I feel on becoming the CEO of SAI. Our strategy is well underway and has already resulted in a strong improvement. We will be able, we will be using the rest of the year
and next to determine our vision of the future of site beyond the 2027 strategy. And I look forward to updating you in the next stage of the bank evolution in due course. Thank you very much to you, Ahmed.

Ahmed Almohsen:
Thank you, Salman. Salaam alaikum. Good afternoon, everyone.
I would also like to extend my warm welcome to all of you joining today, SAIB delivered a sound set of results in the nine months of 2026. And I will now take you through the key financial developments. Starting with the balance sheet, loan grew by 6% year to date, reaching 119 billion, with both corporate and retail lending increasing by 6%. Customer deposits rose by 10% year to date, taking total deposits to 120.8 billion. Net interest margin declined by 16 basis point year on year to 2.15%, reflecting a shift in the deposit mix that limited the improvement in funding costs. Improving the deposit mix and enhancing funding efficiency remain key priority for the bank, and the stronger CASA ratio reflects progress in this area. Operating income increased modestly by 1%, while continued cost discipline kept operating expenses stable. And as a result, the cost to income ratio improved by 48 basis points year on year to 40.3%. Income growth and stable operating expenses supported a 2% increase in net income to 1.558 billion. Our return on equity remained sound at 12.1%, slightly decreased by 66 basis points from last year on a higher equity base.
SAIB also maintained a healthy assets quality with NPL ratio improving to 92 basis point, while the cost of risk remained low at 21 basis point. This reflects our continued focus on controlled growth and prudent risk management. Our capital position remains strong with tier one ratio of 18.7%. Liquidity also remained healthy, supporting the bank's growth plans. Turning to slide 11, please. The balance sheet expanded 10%, driven by 6% higher loans together with higher cash and placement with SAMA and higher bank placement. This increased the bank, the increase in bank placement reflects short-term US dollar funding, which Treasury placed with other financial institutions to earn a positive spread. This explains the temporary nature of these positions and the corresponding increase in amount due to banks seen during the quarter. In the financial statement, you may also notice a new assets held for sale line within other assets on the balance sheet. This reflects the reclassification of our stake in American Express Saudi Arabia from investment and associate following the agreement to sell the stake. In the funding side, customer deposits increased by 10% year to date to 120.8 billion and remain the primary source of balance sheet growth. Overall, the bank maintain a healthy liquidity and capital position with balance sheet growth continuing to be predominantly funded by customer deposits. Starting with loan and advances on slide 12. Our loan book continue to demonstrate a solid momentum, recording a 6% growth and reach 119 billion in the nine months of the current year, with 1% increase during the third quarter. Corporate lending increased by 6% year to date, accounting for most of the overall growth. This reflected normal business activity with no major individual transactions driven the movement. The expansion was broad-based across key economic sectors, including building and construction, utilities, banks and other financing activities, services and commerce. We continued to manage the portfolio actively, prioritizing lending opportunities that offer attractive risk-adjusted returns while maintaining disciplined underwriting and a clear focus on margins. Retail lending also grew by 6% year to date with stronger momentum outside private banking. This portfolio expanded by 12% or 1.3 billion and reached 11.8 billion, while private banking lending increased by 2%. The acceleration in retail lending was particularly evident in the third quarter, when lending outside private banking grew by 10%, supported by consumer finance and home loans. As discussed earlier this year, expanding our

offering for affluent customers, particularly in housing finance, has been a priority. Home loan increased by approximately 8% during the quarter to 4 billion, reflecting the growing contribution of our retail initiatives. Expanding these customer relationships also supports our effort to grow fees, fee income, and current account balances. Our full year loan growth guidance remains unchanged at mid to high single digit, and we remain on track following our performance in the first nine months of 2026. Moving on, investment slide 13. Our investment portfolio remained mostly stable at 46.8 billion, down 1% year to date, including a decline of approximately 0.6 billion during the third quarter. We maintained A selective approach to new investments, moderating portfolio growth as we assess the interest rate outlook and market opportunities. Fixed rate securities continue to account for a majority of the portfolio at 86%, while the share of floating rate securities increased to 12%. Since the second quarter, we have placed greater emphasis on floating rate investments, reflecting our interest rate expectations and their more favorable capital treatment. The portfolio remains focused on high-quality debt securities, predominantly government and quasi-government instruments, alongside exposures to banks and other financial institutions. We will continue to assess opportunities selectively, balancing returns, credit quality, and capital efficiency. Moving to the next slide on deposits. Customer deposits rose 10% year to date to 120.8 billion, despite a 1% decline during the third quarter. Year-to-date growth was driven by a 20% increase in interest-bearing deposits, including higher time and saving balances, including higher time and saving balances. by segment. Detailed deposits, which include public institutions, increased by 18%, while treasury and investment deposits remained stable. Corporate deposits declined by 21% year to date, reflecting intense competition for deposits and the broader shift toward interest-bearing products. Which has put pressure on current account balances across most customer segments. As a result, non-interest bearing balances declined by approximately 10% during the quarter. with reductions across most customer segments, including public institutions and private banking. These balances represented 18.6 of total deposit at the end of September. Nevertheless, our CASA ratio improved by 27 basis points during the quarter and reached 29.6%, supported by continued inflows into saving account. Call and saving balances increased by 8.9 billion year to date, supported by the Sharia compliant Zakat exempt saving product launched last year. Our focus remains on growing saving balances and strengthening our current account base through new products and customer incentives with the aim of improving our funding mix and reducing funding costs. Turning to slide 15 on income statement.

Net income increased by 2% year-on-year and reached 1.558 billion in the first nine months of 2026, supported by income growth and continued cost discipline. Total operating income grew by 1%, driven by net special commission income. With operating expenses stable year on year, we deliver a positive and 3% increase in net operating income. Credit cost decreased modestly by 2%, while the cost of risk improved to 21 basis points from 23 basis points in the prior year period.

These positive developments were partially offset by a 20% reduction in the share of earnings from associates, reflecting lower business activities at our associates. Return on equity was 12.1%, 66 basis points lower year on year, reflecting a higher equity base. I will now take you through the main income statement driver, starting with net special commission income and margins on slide 16. Net special commission income grew by 2% year over year, amounting to 2.705 billion, as average earning assets growth of 10% year over year was partially offset by NIM contraction. As shown in the waterfall chart at the upper middle section of the slide, higher income from corporate loans and investment was largely offset by higher funding expenses and lower income from SAMA and interbank placements. The net interest margin declined by 16 basis point year on year to 2.15%. Assets yields decreased by 37 basis points to 5.91, primarily reflecting the lagged impact of previous rate cuts on the loan portfolio. This was partially offset by 52 basis point reduction in the cost of interest bearing liabilities to 4.77%. The third quarter showed a more favorable trend in spreads, as its yield increased by one basis point quarter on quarter to 5.89, while the cost of interest bearing liabilities declined by 4 basis points to 4.72%. Despite this improvement, quarterly NIM fell by 4 basis

point to 2.09%, reflecting the further decline in the proportionate of non-interest bearing deposits. Improving our funding mix remains a key priority alongside disciplined funding cost and assets pricing. We continue to expect full year NIM to remain within our guidance range of 2.10 to 2.25, with expectation to land toward the lower end of the range by the year end. Let's look at the fee and other income on slide 17. Fee and other income for the nine months of the current year decreased 1% year over year and amounted to 506 million. For the nine-month period, investment-related income decreased by 30%, mainly reflecting lower unrealized gain on fair value through P&L investment, while foreign exchange income declined by 5%. This decline was partially offset by 6% growth in net fee income from banking services. Third quarter fee and other income totaled 148 million, down 22% year on year and 29% sequentially. The sequential decline in overall fee and other income reflected weaker foreign exchange income and lower investment related gains. Foreign exchange income fell by 34% quarter on quarter, partially due to our zero FXP campaign in July and August, and lower gains from FX swaps. Within that total, however, net fees income from banking services increased by 4% and have reached 104 million, supported by trade finance and fees from Alistithmar Capital, our investment banking and assets management subsidiary.

Trade finance income reached 47 million, while trading and fund management income totaled 50 million. We remain focused on expanding recurring fees streams through deeper client relationships, trade finance and investment services, helping to reduce the sensitivity of non-funded income to fluctuations in foreign exchange and investment related gains. The growth in banking services fee demonstrates progress in this area. Now, moving to the next slide to operating expenses. During the nine months of the current year, we maintain a strong cost discipline, keeping operating expenses broadly stable at 1.3 billion. Lower general and administrative expenses together with reduced depreciation and amortization offset higher employee-related costs and modest increase in premises expenses.

Third quarter operating expenses declined by 1% sequentially to 438 million. A key contributor was the revision of the useful life of certain fixed assets implemented during the quarter and disclosed in our financial statements. This reduced depreciation expenses by approximately 10 million in the third quarter.

Combined with 1% growth in operating income, stable expenses deliver a positive operating leverage. As a result, the cost to income ratio improved by 48 basis point year over year to 40.3%. Cost optimization remains the priority, and we continue to identify opportunities to improve productivity and operating efficiency while supporting the bank growth. We remain on track to meet our full year cost-to-income ratio guidance of below 40.5%. Turning our attention to credit quality in slide 19. Credit quality remains resilient throughout the nine months, supported by disciplined underwriting and active portfolio management. The impairment charge declined by 2% year on year to 182 million during the nine months, together with loan growth, this brought the cost of risk to 0.21%. The NPL ratio improved to 0.92% as of the end of the third quarter. During the third quarter, we completed two significant settlements, approximately 660 million relating to a stage 3 exposure and 722 million relating to a stage 2 exposures. These settlements also affected our coverage ratio. Stage 3 ECL coverage increased to 65.9%, while stage 2 ECL coverage declined to 8%, reflecting the settlement of the exposure and the associated reduction in the allowances. Overall, NPL coverage stood at 175.2%, down 8.9 percentage point year to date, and 26.7 percentage point quarter on quarter due to decrease in ECL allowances from the settlement and the related write-offs during the quarter. The reduction in allowances associated with the stage 2 settlement contributed to this decline. We continue to monitor regional development closely. To date, we have not observed any material deterioration in the quality of our loan portfolio and credit risk remain manageable. At 21 basis point year to date, cost of risk remains below our full year guidance range of 25 to 35 basis point. We continue to assess provisioning needs as part of our prudent approach to risk management.

Moving to capitalized liquidity. SAIB continues to maintain a strong capitalization and liquidity positions. The liquidity coverage ratio, the LCR, increased to 206.7%, NSFR at 112%, both at comfortable levels. The SAMA LDR reached 78.4%. Competition for deposits remains intense, reinforcing our focus on disciplined funding management. Total regulatory capital increased 10% during the nine months from tier one issuance and net income, which were partially offset by dividends payment. Risk-weighted assets grew by 10% year to date to 131 billion during the period, mainly reflecting balance sheet expansion. As a result, by the end of September, our CAR stood at 19.4% with Tier 1 at 18.7 and CET1 ratio of 13.3%.

Now moving to the outlook and guidance for the full year. Overall, we deliver a solid result in the nine months of 2026, combining healthy balance sheet growth, resilient asset quality, and improved operating efficiency despite continued margin pressure.

Financial results were generally in line with the expectation. Based on our performance to date and current outlook, we are maintaining our full year guidance across all metrics at this stage. We continue to monitor regional development closely. Throughout the end of September, we had not observed a material direct impact on lending activity or credit quality, although competition for funding remains strong. For financing, loan increased by 6% year to date, and we remain on track to deliver full year growth within the mid to high single digit range. We continue to pursue opportunities across corporate and retail banking, supported by disciplined underwriting and a focus on attractive risk-adjusted returns. For NIM, we maintain our full year guidance range of 2.10% to 2.25% with the full year outcome expected toward the lower end. Nine-month NIM stood at 2.15%, improving our funding mix and reducing funding costs remain central priorities, supported by growth and saving balances and initiatives to strengthen our current account base.

We expect cost to income ratio to remain below 40.5%. At 40.3% for the first nine months, we are on track, supported by continued cost discipline and the benefits of our cost optimization initiatives. For return on equity, our full year target remains above 12.75% compared with 12.1% for the first nine months. The anticipated gain in the amount of 792 million from the sale of our stake in American Express Saudi Arabia provides potential upside, subject to completion of the transaction. For cost of risk, we maintain our guidance range of 25 to 35 basis points, compared with 21 basis points for the first nine months. While credit quality remain resilient, we continue to assess the provisioning needs and maintain a prudent approach as regional conditions evolve. Finally, our Tier 1 capital ratio guidance remains above 18%. The ratio stood at 18.7% at the end of September, providing a strong capital base to support continued growth. Overall, our priorities remain clear: improve funding efficiency, grow fee income, and sustain cost discipline while maintaining sound credit quality and delivering profitable growth.

That concludes the management presentation. As we wrap up, I want to extend my sincere gratitude again for all for your continued attention and interest in the Saudi Investment Bank. Now, we are happy to answer any questions you may have.

Muhammad A. Afzal:

Thank you to the management for a very insightful presentation. We will now begin today's Q&A session. So as a reminder, if you would like to ask a question on today's call, please use the raise hand icon and please state your affiliation before asking your question. Alternatively, you may submit your questions through the Q&A box at any time during the call.

To save time, please limit yourself to a maximum of two questions. You are more welcome to rejoin the queue and raise any further questions. Thank you. And our first question comes from Reem Al Khulayfi. Reem, you may go ahead and unmute yourself.

Reem, can you hear us?

Reem Al Khulayfi:
Am I audible?

Muhammad A. Afzal:
Yes, please, you may proceed.

Reem Al Khulayfi:
This is.
The first one is regarding the market.

Muhammad A. Afzal:
Reem, your voice is breaking up a little bit. Can you repeat your question, please?
I think we're having some audio difficulties with Reem. We'll go to the next question. So, the next question comes from Mr. Shahrukh. Mr. Shahrukh, you may unmute yourself and go ahead, please.

Shahrukh Nawaz:
Hi, this is Shahrukh Nawaz from Bank Fab. Thank you for the presentation. I have two questions. First is, we can see that the customer deposit is declining from the last three quarters in 2026. Can you please provide a clear picture? How can we look at this element going ahead? The second question is looking to non-funded income. I see there is a decline in foreign exchange income and investment related income. Can we assume this to decline in the 4Q26 and first quarter 27 as well? Is the bank working on any strategies for this? And the third is when does the bank expect a slow repricing and how much Rate hikes do you expect by the end of 2026? Thank you.

Ahmed Almohsen:
Thank you. Yes, we we've seen a decline in customer deposits during the 3rd quarter. I think this generally was the case for the banking sector in general. If you've seen the latest result by SAMA total deposits for the banks, for total banks have actually
decrease. However, for SAIB in particular, there was a reduction toward the end of the third quarter. This was scheduled maturities, but actually, if we look at the average deposits during the third quarter, it was
indeed higher than the average deposit during the second quarter. So it was this was scheduled maturities. We have not seen any change in our relationship with the clients. And we see this just normal activities within the client operations. This is regarding the first question. Second question was the reduction of non-funded income. If you look at it, now we focus on two things. As we always, we always target to increase our non-funded income to total income.
If you look at our fees, it have actually increased compared to the previous quarter. But what had affected the non funded income, two things. First, the exchange income. And as we highlighted during the presentation, we had the zero campaign during the month of July and August for our travel card. While this, we benefited from this campaign in increasing activities and other balances, current account balances. Exchange income was lower due to this campaign, and also we've seen this FX swap gain during the third quarter. Investment income through fair value,
This depends on the evaluation of the investment, but one important thing is the evaluation of American Express. This we have stopped to evaluate it. We had benefited before from evaluating the put option on our investment in American Express. But since now it's been classified to available for sale, we stopped the evaluation. Thus, there was no correspondent gain in this regard.
The third question was regarding a loan repricing, but what was the question? If you could repeat it, please.

Shahrukh Nawaz:
Yeah, actually, when does the bank expect to see on repricing, and how much rate hikes do you expect by the end of 2026?

Ahmed Almohsen:
Repricing is a normal practice. We, based on our needs, we look at our client base and see wherever, and also based on the interest rate environment.
We reprice accordingly. We have done the repricing, if you recall, last year, and we are evaluating whether to do this again.

Shahrukh Nawaz:
Thank you.

Muhammad A. Afzal:
Thank you. And then we'll go to the next question. The next question comes from Murad Ansari. Murad, you may go ahead and bring yourself unmute.
Murad, you may proceed with your question.

Murad Ansari:
Yes, thank you. Good afternoon and thanks for the presentation. So my first question is, I just wanted to get your thoughts around the, you know, the liquidity situation. Obviously, you've talked about the strong deposit competition that was there in the third quarter. I just wanted to get a sense of
How is the fourth quarter looking like? And does that mean that we could see NIM pressure continue into the fourth quarter? And then related to that, I mean, how does that impact your loan growth outlook? My second question is on the sale of American Express, your stake. What led to this decision on the sake? It's been a long association between SAIB and American Express. I just wanted to understand what went behind in terms of making this decision. And on the capital gain, I mean, is this definite that the agreement and everything will be completed within the fourth quarter and the gain will materialize in the fourth quarter? And related to that, does the reclassification have any impact on your capital ratios? Thank you.

Ahmed Almohsen:
Thank you, Murad. For liquidity, as you stated, we've seen actually pressure on liquidity toward the end of third quarter, even during the first two weeks of October. This was evident by the increase in SAIBOR SOFAR split. However, the past
two weeks, liquidity position have improved in general and in the system with new fundings injected in the system. So I think, I would think if things continue at this level, we might see improvement on the liquidity. Also, we are waiting to see all the results of the higher oil prices reflected in the system.
We've seen also increase in the reverse repo with the SAMA, so which reflected of better liquidity positions. This is for liquidity. As far as the sale of American Express, first of all, the classification it should not affect the capital charges. And whether it's definite to happen in Q4, we expect it to happen in Q4, but we cannot say anything definite because there are requirements or approvals still bending, but we expect to be materialized and booked during the fourth quarter. Why we decided to do this? I think this was mutual agreement between the two parties. American Express has been a long partnership with us during the past probably 20 years or so. It was mutually agreed to terminate this.

Murad Ansari:
Okay, and just on, so, you know, just to follow up on this, so you've said that liquidity situation has improved. Has there been an injection by the central bank or deposit flows from the government that has helped that liquidity situation, or is that just the overall, you know, flows, liquidity flow has improved domestically? And just
I mean, I would take your, you know, the answer that you gave to suggest that NIMs, you would expect NIMs to be broadly stable at current levels in fourth quarter as well.

Salman AlFughom:
Just, just on the liquidity, this is Salman just on the liquidity update. The central bank always very close to banks in terms of understanding the liquidity situation. Sometimes there is a cyclicality in the liquidity position, where there could be some dividends payout from large corporate. However, liquidity were there, but it has a price. And maybe some banks at one point of time, they are fixing some of their ratio. But that peak took maybe 3 to 4 years, and now that ease is not there anymore. We have seen prices came down. So again, the central bank always close to the banking sector and there is always a dialogue and discussion going forward.

Murad Ansari:
Alright, thank you so much.

Muhammad A. Afzal:
As a reminder, if you'd like to ask a question on today's call, again, you can raise your hand and then please, you know, state your affiliation. And then alternatively, you may again submit your questions through the Q&A section. And we do have a few questions now on the Q&A. One is coming from Reem Al Khulayfi. Unfortunately, we could not have her on the call. I think her call went through. She's asking about the CET1 declined by 72 basis points quarter on quarter. How much of this was driven by OCI versus RWA growth?

Ahmed Almohsen:
For the CET1, this was affected by the decline is this, as you know, the combination of whatever was whatever increase in net income of the dividends payment during the period, and also the decrease of OCI during the quarter has impacted the CET1 during the quarter. My expectation is think in the fourth quarter if the AMEX transaction completed. And if also interest rate improve, which will be reflected in our investment portfolio. I don't have any from OCI, from risk-weighted assets, and I don't have exact number, but I would assume 20 basis point, roughly 20 basis points from the OCI. And double that, 40 basis points due to the increase in risk weighted assets.

Muhammad A. Afzal:
Thank you for that, sir. And if I may go to the next question. This is coming from Ambreen Jivani. She's asking about if you are seeing any weakness in the project financing portfolio. Has there been any slowdown in projects and these loans may need restructuring?

Ahmed Almohsen:
Actually, we have seen a very healthy pipeline. I think it's a lender market, a couple of transaction. We are looking at them at the moment. So we're not seeing any slowdown in the pipeline. And I think we would see more projects coming as the Expo 2030 start commencing, would see more of that happening.

Muhammad A. Afzal:
Thank you for that. And I think in the absence of any further question, I'll take one more from the Q&A box. So this one comes from Gaurav Shailar. His question is, again, maybe we have touched upon that already with the potential increase in interest rates, how would a higher rate environment impact SAIB NIM? cost of funding and net special commission income. What would be the expected net impact on earnings considering the repricing of financing assets and customer deposits?

Ahmed Almohsen:
Thank you. As we've said before, our NIM is not really sensitive to the interest rate environment. What really impacted the NIM during the current year or even last year, if you look at our NIM is DDA shares. As a matter of fact, if you look at our earning assets yield and bearing liabilities, bearing liabilities cost, the split has increased. It was positive in terms of assets and liability. In other words, had we maintained the same DDA ratios at the beginning of the year, our NIM would have increased. But due to the reduction in the DDA during the year, our NIM has declined. In the sensitivity analysis, as we always say, and our balance sheet has not the struggle has not materially changed our balance sheet structure in a way that is not very sensitive to interest rate movement. And based on our latest assessment, 100 basis point change in the interest rate in general would affect our NIM by only five basis points.

Muhammad A. Afzal:
Thank you very much, sir, for that. And I think we have one more question from Reem Al Khulayfi. And her question is regarding market risk RWAs rose from Saudi Riyal 448 million to Saudi Riyal 2.3 billion. What drove the increase and is it temporary?

Ahmed Almohsen:
This was due to open a FX position that might affect the market risk.

Muhammad A. Afzal:
Thank you very much, sir.
And if there are no further questions, then I would like to conclude today's Q&A session. Thank you all for your questions. And I would also like to thank the management team for their time. And I'll now hand the call back to Ms. Najla Al-Mutairi to provide the concluding remarks. Najla, over to you, please?

Najla Al-Mutairi:
Thank you everyone for joining today's call and for your continued interest in Saudi Investment Bank. We appreciate your participation. If you have any further questions, please feel free to reach out to our group. Have a great evening. Thank you.

“This transcript has been prepared from the recording of The Saudi Investment Bank's "SAIB" earnings call and reflects the statements made during the call. Where applicable, the financial information referred to herein is derived from the Bank's published financial statements. In the event of any inconsistency between this transcript or the recorded call and such published financial statements, the published financial statement shall prevail. This transcript is provided for information purposes only and does not constitute investment advice or an offer, solicitation or invitation in respect of any securities. Any forward-looking statements are subject to risk and uncertainties, and SAIB undertakes no obligation to update or revise them, except as required by applicable law or regulation.”