

2Q 2025 Earnings Call Transcript - August 7th 2025

Nauman Khan:

Greetings, everyone. This is Nauman Khan. On behalf of SNB Capital. I would like to welcome you to a call with SAIB's management regarding the Q2 2025 performance of the bank. Representing the management today are, the CEO, Mr. Faisal Al-Omran, the CFO, Mr. Ahmed Al-Mohsen, EVP Investor Relation, Ms. Najla Al-Mutairi. We're going to first listen to the management feedback. Following this, we'll open the floor for the Q&A. SAIB's management, please begin your feedback.

Najla Almutairi:

Thank you, Nauman. Good afternoon, everyone. We're pleased to welcome you all to the Saudi Investment Bank's earning call for Q2 2025. My name is Najla Al-Mutairi, the bank's Head of Investor Relations. Kindly note that our earnings disclosures are available to download from the IR section of our website. Also, please be aware that this webcast will be recorded, and a transcript will be made available as well. If there are any members of the media, please be reminded to share your questions separately to the corporate communications team.

Today, I'm joined by Faisal Al-Omran, our CEO, and Ahmed Al-Mohsen, our CFO. Moving on to the agenda of today's call, our CEO will cover the performance highlights for the period, and will update you on our strategy progress. The CFO will then discuss the financial performance and guidance in more details. We will then open the floor for all your questions. With that, I will now hand over to our CEO to begin the presentation. Over to you, Faisal,

Faisal Alomran:

Thank you, Najla. Good afternoon, everyone, and welcome. Pleased to be with you today. Before we dive into our financial results, for our new joiners, I'd like to take a moment to highlight what truly sets SAIB apart in the market. First, our client service

model is a key differentiator. We focus on building trust, offering fast, tailored solutions that meet our client needs. Two, we are a relationship-driven bank, not a transactional one. That means clients choose us for the value we provide, not just the price. Three, this approach has helped us build strong position in our core segments, which is corporate and private banking, where we constantly like we punch above our weight when consider the market share versus our total assets. For our strategy, we are delivering ahead of plan. We are on track to achieve the core milestones of the strategy, 2027, hopefully by 2026. Also, innovation is another key competitive advantage for us. Our mobile app ranks among the highest rated in the Kingdom. And we were also the first to introduce a multi-currency card in Saudi Arabia, also, along the related app for it. Also, I'm also pleased to note that SAIB has delivered one of the strongest share price in 2024, and this is a clear sign of our confidence that is in our investors. It is driven by the fundamentals of the bank.

If we move to the next slide, which has the performance highlights, we delivered good performance during 2Q 2025, demonstrating good progress and robust year-on-year growth across our key performance metrics. If you see sustained, strong balance sheet growth momentum, 9% loan expansion, driven by growth in both corporate and private banking segments, 7% deposit growth, mainly on higher term deposits, strong credit quality overall. Also, we have maintained strong capitalization and healthy liquidity positions.

In terms of improved profitability, net income growth of 9% year-on-year to reach 1.016 billion for first half of 2025. Improved ROE to 13.1%. Also, despite the NIM contraction, due to decrease in asset yield and shift in the deposit mix, which I think will come later on the detail of the performance with our CFO, our cost of risk remained low at 24. Also, we have maintained strong cost discipline, with cost income ratio improving to 41%.

In the next slide, I will talk about the strategy. Our vision is to be a trusted bank to our clients. And our mission is to build long-term relationships with them, create an unrivaled work environment for our people, and to deliver consistent value for our shareholder. Our strategic objectives for our business segments, first, accelerated profit growth in corporate and private banking. Two, increase penetration and

growth in the current accounts and fees from the public institution segment. Four, differentiated value proposition in our consumer banking. And consumer, we are mainly referring to the affluent segment. There are critical enablers in the strategy, which include the Treasury, IT, digital, HR, risk, and marketing. This clear focus on the strategy drives and achieve across the organization, the team is making excellent progress so far in execution all areas of business. And we'll go into details on the next slide.

Our strategy is transforming the bank through 40+ key initiatives, as we have said before, spanning over our core business segments and other functions such as Treasury, IT, human resources, risk management, and marketing. These initiatives, focuses mainly on segmentation, improving our value proposition, performance framework, end to end digitization, AI, advanced analytics. Also, we are delivering strategy 2027 ahead of plan. We have successfully completed 32 of these initiatives, which we'll cover in detail in the next slide. As of today, the 32 actually are higher than the 32.

Next slide. In the first half of the year, we made further progress in our strategy implementation. In corporate, we have introduced new, innovative digital services for corporate banking customers. We have expanded our MSME product and solutions. We have optimized and maintained internal processes for faster turnaround. We have also completed IT development and deployment of the new CRM system. We have also implemented fee structure and guidelines to enhance our fee income in the bank. In terms of our consumer and private banking segments, we have introduced a new customer segment to cater for these needs. Not yet implemented but already approved internally. Streamlined account opening and KYC process for key segments in the bank, redesigned saving programs to attract customers. And this is a big focus for the bank for the rest of the year. Also, we have enhanced the lending products' digital journey. If we go to the public institution, our aim is to build best in class CRM platform for our employees. Also, we have redesigned the operating model and organization structure to enable improvement in the RM efficiencies above 60%. Also improved sales effectiveness through account planning, RM training, and performance management. Also, we have revamped account opening journey for our PIs.

There are other initiatives that we have implemented, improving our support function. For example, we have identified Treasury products for cross sell opportunities. We have developed IT strategy with priority on IT architecture, enterprise architecture, and IT operating model, which increase our efficiency and cost and our agility. Developed a new and working on a brand identity so that we revise our brand positioning, architecture, naming, and visual identity. Also in HR initiatives, implementation of integrated HR system. We have updated our performance and talent management framework and structured roadmap for key interventions in the bank. Also, we have strengthened our risk management framework by revising risk appetite framework. We have done a full revamp of our operating model and governance structure. And also, we have introduced our new credit policy and lending monitoring guides, which basically puts the bank 100% alignment on the strategy and increases our agility.

If we go to the next slide, looking forward to the rest of 2025, we have a busy period ahead with ambitious goals. Within corporate banking, what we're looking to launch revamped account opening, trade process and enhance operating model. This is an ongoing process, and we keep improving whatever we have delivered before, to ensure that we are always aligned with our customer requirements. Two, we are launching digital services for corporate banking customers. And also, we are implementing a new platform for providing services, different either for employees or for our customers. As for consumer and private banking, we will launch our new segmentation with improved value proposition and new products. We will optimize our branch footprint and format to deliver the new value proposition. Also, we'll introduce account planning, also analytics-based actions to deepen customer relation. For PI, also, we are revamping the account opening journey. We will deploy our new CRM. We will introduce new products and capabilities in collaboration with personal banking cash management to ensure higher wallet share from our PI customers. In addition, going to the support function, there is an implementation of new employee performance management framework. Also, we are working on very large project for improving our organization health index. We have already launched our SAIB Academy. We are also launching our credit decisioning engine. We are further strengthening the cross-sell opportunity and operating model. And also, we will launch use cases to leveraging AI, machine learning, and advanced analytics.

We believe we have achieved good progress during the first half of the year, advancing our key strategic initiatives across our core business areas. Looking forward, our focus remains on executing our 2025 strategy, as we discussed for the remaining of the year, guided by our clear, defined priorities. Majority of the transformation-related expenses are now behind us, and we remain strongly committed to maintaining the cost discipline while continuing to pursue our sustained growth and our long-term vision for building a relationship driven client base. So, with that, I will hand it over to the CFO, Mr. Ahmed, to take us through the financial presentation.

Ahmed Almohsen:

Thank you, Abo Abdulaziz. Assalamu alaikum. And good afternoon, everyone. I would like to welcome all of you joining us today. And I'm pleased to present our results for the first half of 2025, reflecting solid performance across the bank's core financial indicators. We saw robust growth in our balance sheet, with loan increasing by 9% year-to-date, and 20% year-on-year, reaching 108.4 billion. This was supported by 7% year-to-date and 5% year-over-year increase in customer deposits, which rose 100.2 billion. Our profitability improved as well, with income growth and positive jaws, contributing to a 9% increase in net income. And our return on equity reached 13.1%, underscoring the strength of our earning generation. We also maintain a healthy assets quality, with NPL ratio improving to 96 basis point, and the cost of risk declined to 24 basis points. In addition, our capitalization and liquidity position remain strong, providing a solid foundation for continued growth and resilience.

With that, let's turn to slide 12, to take a closer look at the balance sheet. On slide 12, our balance sheet expanded 7% in the first half of the year, driven by 9% loan growth and 6% increase in investments. Which were partially offset by decrease in balances with SAMA and bank placement. The balance sheet growth was mostly funded by 7% expansion in customer deposits, and 10% growth in interbank fundings. We will be looking more closely into each of these components on the following slides, starting with loan and advances on slide 13.

Our loan book has shown continued strength, with 9% growth for the first half of the year. This growth was largely driven by corporate lending, which rose 12%, supported by active participation in syndicated loans for large infrastructure projects and strong demand across key sectors, including utilities, services, construction, commerce, and manufacturing. On the retail side, the portfolio grew 2%, driven by 6% growth in private banking, which added 900 million and reached 15.2 billion. Meanwhile, while we witnessed increase in home loans by more than 7% year-to-date, the broader consumer loan book declined 4% year-to-date, as repayment outpace modest origination. We expect this to improve in the coming quarter, as our affluent segment strategy gains traction. And if you recall from our previous calls, while we do anticipate some corporate repayment in the second half of 2025, we remain on track to achieve our year end growth guidance of 15% or more.

Moving to the next slide on the investment. And after remaining stable in Q1 2025, our investment portfolio resumed growth in Q2, driven by favorable market opportunities identified during the second quarter. We booked approximately 3 billion in new investment, resulting in a 6% increase, and bringing the portfolio to 43.1 billion by the end of the first half of the year. These investments were primarily in banks and financial institutions where we secured attractive splits that positively contribute to the net special commission income. Our investment strategy has not changed, and we remain focused on high grade, fixed rate debt securities. This consistent approach ensures we enhance yield without taking on undue risk, while also supporting the bank's overall interest margin. The quality of the investment book remains strong, with 50% of the securities being government issued, and 36 by banks and other financial institutions, as shown in the charts in the bottom right.

Moving to the next slide on deposits. Slide 15. Customer deposits rose 7% year-to-date and reached 100.2 billion. Market liquidity remains tight, with intense competition in pricing. Growth was mainly driven by 14% increase in interest bearing deposits, while non-interest-bearing deposits declined 7% year-to-date, leading to a shift in our funding mix. Non-interest-bearing deposits now represent 29.4 of total deposits, down from 33.7 at year end. In Q2, we mitigated this trend by reducing reliance on higher cost customer deposits and increasing use of interbank funding, which has resulted in interest bearing deposits declining 1% on a sequential basis.

Our funding strategy remains dynamic and guided by market rates. If customer deposits pricing becomes more attractive, we are ready to shift back to deposits based funding.

Now, turning to a summary of our income on slide 16. Net income increased 9% year over year, driven by 5% growth in operating income, further supported by improved cost of risk and operating efficiency. On a quarterly basis, net income grew by 5% compared with the same quarter of last year, also supported by increasing operating income. And it has increased by 2% in a sequential basis.

I will expand on these components in the following slide, starting with the net special commission income and the NIMs, on slide 17.

Net special commission income grew by 4% year over year and reached 1,796 million, as average earning assets growth of 21% year over year, although partially offset by the NIM contraction. And as you can see in the waterfall chart at the upper middle section of the slide, while special commission income from lending and investment increased, driven by higher volumes, it was partially offset by higher funding costs, particularly due to shifts in our deposits mix, which resulted in growth being funded by interest bearing liabilities. As a result, our net interest margin declined by 39 basis points year-on-year, settling at 2.40%. This was mainly due to 56 basis point drop in assets yield, while the cost of fund improved by 17 basis points, reaching 4.16%. On a quarterly basis, the NIM declined slightly by 10 basis points, mainly due to assets yield pressure. Looking ahead, we expect NIM to stabilize within the range of 2.30% to 2.40% for the full year, a 15 basis point downward revision from our previous guidance.

Let's look at fee and other income on slide 18. Fee and other income increased 12% during the first half of the year. This was partially driven by robust growth in foreign exchange income reflective of customer growth and activities, a trend that we expect to continue in the second half. The overall growth was also supported by increase in fee income from banking services, from consistent expansion in trade finance. We have seen also an accelerated growth in fund management related income and international brokerage fees, despite the decrease in local brokerage activities.

Moving to the next slide. On slide 19, operating expenses rose by modest 2% year over year, and reached 896 million. This was mainly driven by higher employee related costs as well as depreciation and amortization expenses, while general and administrative expenses declined. And again, as you may recall from our previous call, we kept our cost growth contained through two key factors. First, most strategy-related investments have been already made. Second, our cost optimization program is underway, with further benefit expected in the coming quarters. The cost to income ratio improved to the level of 41%, decreasing from 41.5% as of December last year, and from 42.1% one year ago. For the full year 2025, we are revising our guidance to be below 41%, down from 41.5%, reflecting better than expected performance in the first half of the year.

Turning our attention to credit quality, on slide 20. The impairment charge decreased by 13% from the previous year, to 126 million for the first half of the year. This reduced our cost of risk by nine basis points, and bringing it down to 24 basis points for the first half, reflecting a stable credit environment and healthy overall assets. NPL formation also remains moderate, and the NPL ratio was further improved to 96 basis point as of the end of June, 2025. Our NPLs remain adequately covered, with an overall coverage ratio now standing at 165.7%. Stage three ECL coverage decreased modestly to 43.8%, while stage two ECL coverage slightly decreased to 13.2%. Looking ahead, we don't anticipate a significant rise in cost of risk or deterioration in the credit quality. However, we remain cautious of potential macroeconomic shift that could impact the ECL model. And as such, we are maintaining our guidance at 30 to 35 basis points, as a conservative stance.

Moving to capital and liquidity on slide 21. SAIB continues to maintain a strong capitalization and liquidity positions. The liquidity coverage ratio increased to 212%, NSFR at 110.1%, all at comfortable level. The SAMA LDR reached 86.6%, which we are managing actively to remain with the potential levels. Total regulatory capital increased 3% during the first half from profit generation, which was partially offset by dividends payment. Risk-weighted assets grew by 6% year-to-date and reached 115 billion during the period, primarily due to growth in lending. And we mentioned that we had launched risk-weighted assets of the optimization project. This initiative has had slower sequential risk weighted assets growth at only 2%. As a result, our

capital ratio has been steady on a sequential basis. CAR at 19.1%, with tier one at 18.5%, and CT1 at 13.8%. Each down slightly year-to-date, but slightly higher quarter over quarter. Looking at the second half of the year, we expect capital ratio to hold steady and now guiding for a tier one ratio above 18% versus 18.75% previously communicated.

Moving to slide 23 on the outlook and guidance. Overall, we have delivered a solid first half of the year. And as I mentioned, we have revised our full year 2025 guidance for the NIM cost to income ratio and tier one ratio. However, our projection growth in lending remains at above 15%, and our ROE outlook remains unchanged at above 13.25%. With that, this concludes the management presentation. I would like to thank you once again. And now we are happy to answer any question you may have.

Q&A

Nauman:

Thank you, management, for the comprehensive feedback. We will now open the floor for the Q&A. We'll wait for a moment for the questions to line up. Just as a reminder, if you wish to ask a question, you can click on the raise hand icon on your webcast, or alternately, you can feed your questions through the Q&A chat box as well. We'll wait for a moment for the questions to line up. Our first question is coming from the line of Mr. Shabbir Malik. Mr. Shabbir, if you can unmute yourself locally. Mr. Shabbir?

Shabbir: Thank you very much for the presentation, Mr. Faisal and Mr. Ahmed. A couple of questions from my side. The first one, when I look at your regulatory LDR, it has increased to 87%. This is high relative to your recent history. What is your desirable level of the regulatory LDR? And if this is above your desirable level, what is your plan to bring it down to something that you're more comfortable with? That's number one. My second question is around the general liquidity environment and competitive landscape in Saudi. 2Q, I think, based on the comments from some of

the other banks, the common trend has been that liquidity has been relatively tight, and that has meant the cost of time deposits has gone up significantly. Have things changed in July or early in third quarter for the better? Or the trend is similar to what we saw in 2Q? And thirdly, this is around credit card fee caps that were recently announced by the Saudi Central Bank. You have a joint venture with American Express. I'm sure you have your own card portfolio as well. What kind of impact, if any, do you foresee because of these new regulations? Thank you.

Ahmed: Thank you, Shabbir. First on the SAMA LTD ratios, our LTD ratios reach 86.6. And the maximum required is 90. We would like to maintain a weighted LTD ratio between 78 and 87 in line with our risk appetite. This has been affected mainly because of the short-term funding that we have observed during the second quarter. It was driven by cost efficiencies. And this is how we manage our deposits. We'd like to go with the most cost-efficient venue while maintaining the regulatory approach. And we are cautious of these ratios, and we will keep it below the required level. On the liquidity?

Faisal: Hello, Shabbir. For liquidity, yes, we have seen, I would say, competition on liquidity. And this is, I think, we have been saying, is that, liquidity will be under pressure, under competition. However, so far, source in liquidity from our side, has been okay, which a little bit short of our LDR. We work on bringing it back. But I think we're being very conscious about cost, so that we really have to pick and choose which deposit we take, which one do we retire? We expect the situation to continue. And hence, you have seen the NIM going a bit lower. But as we said, our NIM is limited. We are monitoring. But what's the decision driver for us is our return on equity.

Ahmed: On the credit card, Shabbir, the new card, and generally the regulation announced by SAMA, may have a negative impact on the overall credit card segments. However, for our bank, credit card related fees income is not a significant portion of our total fee income. So we don't really expect material impact from these changes. That being said, also, the new regulation could potentially lead to increased business card activities, the way we look at it. And aside, we have been actively working to grow card-related fee income through various initiatives that

enhance profitability without increasing the burden on our client. These efforts are beginning to show positive sign, and we remain optimistic about the long-term impact.

Shabbir: Thank you. If I maybe ask one more question. Your investment growth has been pretty solid, and you indicated that your growth has been led by investment in financial institutions. Just how do the yields compare on this, compared to, let's say, corporate lending? And are these financial institutions mostly domestic? Thank you.

Ahmed: Yeah. This was mainly on banks and sovereign bonds or financial securities. We've increased by around 3 billion. The yield of these investments during the second quarter was around 5.9%. So I would say it's very rewarding comparing to their risk. And I think also our investment team have been really active, especially during the period of late April, early May, where some opportunistic opportunities that our investment team were able to capture.

Shabbir: Got it. Thank you very much.

Faisal: And also, maybe Shabbir to add, is that maybe also, even if some of the yields are lower on the investment side, but actually, the funding cost for these investments when compared to corporate would be lower also.

Shabbir: Because these can be report?

Faisal: Because they have report. Some of the papers that we buy have high demand in the market. So we can really fund it at a price that eventually the NIM would be attractive for us.

Ahmed: And Shabbir, you mentioned whether it's foreign and local. The majority are foreign.

Shabbir: Got it. Thank you so much.

Nauman: Thank you, Shabbir. Again, if you wish to ask a question, you can click on the raise hand icon on your webcast, or alternately, what you can do is feed the questions on the Q&A chat box as well. We'll take a couple of questions coming from

the chat box. There's a question from Adnan Farooq. Can you comment on pricing competition in the corporate segment?

Faisal: I think the competition is still ongoing. I don't think the picture changed from what we have seen from the first quarter or second quarter. We believe competition will continue as the mega projects grow, as the demand for the contractors, the developers, continue. So, I don't think the picture will change till the year end. From our side, as we said, we are really trying to be selective on our lending. As we said, we're always relationship driven, not transaction driven. That means we need to make sure that whatever growth we're doing has to accrue positively to our return equity. We really don't want to grow and subsidize our growth based on our financial return. So far, we've been able to manage that. And I don't think that we will change for the remainder of the year.

Nauman: Thank you. There's a follow up question from Adnan. Some banks have mentioned their intention to increase credit spreads and increase pricing. Have you absorbed that in the market?

Faisal: Well, so far, no. The same picture for us has continued to be the same picture. I mean, from our side, you see our asset yield, relatively is higher, so we're always on the higher side.

Nauman: Thank you management for that. There is a question from Ajay [SP]. Is the growth in the digital banks also fueling higher competition for consumer deposits? How do you look at competition from digital banks?

Faisal: Okay. We'll take it two side, the liability side and the asset side. From the liability side, I think most digital banks, from what we have seen, are targeting the mass retail segment. Today, that's not a segment that we are focusing in, in Saudi Investment Bank. So from that angle, we don't expect that we will compete on them, on that segment. What we're looking at is the affluent segment. If we see a move in the digital bank to start approaching more of the affluent side, then I think this is something that then we have to look at and strategize how to approach. In terms of the asset side, I think the same thing, most of what we have seen competition on is the payments, BNPL, which I think also from our side, it's not a focus as of today.

However, we have seen some banks be the travel segment, basically offering something close to what we have today, the travel card. And we are monitoring closely that. But as I said, we will not go into a price competition. We believe that we can still offer value to our customer while maintaining a profitable pricing for us.

Nauman: Thank you, management. There is a couple of more follow up questions from Mr. Adnan. Adnan is asking, there has been some regulatory changes related to counter cyclic buffer on capital and fee changes on cards. How will that impact SAIB, if you can elaborate on it?

Ahmed: I think change on cards, we've addressed this. As far as counter cyclical buffer, this 100 basis point was requested by SAMA, will be implemented on May next year. This 1% will be an extra requirement for all the capital ratios from the CT1, or the tier one ratio, or the capital ratio. I think the bank has very sufficient buffer to absorb this buffer.

Nauman: Thank you, management. We have a couple of questions from Muhammad Ahmed. The first one, he's asking, the bank has been growing at a really fast pace in term of loan growth since the past many quarters. When is the loan growth expected to moderate around the average industry levels in the future?

Ahmed: I think, last year, yes, we were among the highest growth. I think for the first half of the year, we relatively grow with the market. What we can comment on is that we are committed to achieve our guidance of 15% growth in our loan portfolio.

Nauman: Thank you. Just as a follow up on this as well. What do you think overall industry size loan growth to grow by?

Faisal: Growth in what? In loans?

Nauman: Both the corporate and individuals loan.

Faisal: I see. Everything is positive, the growth in the mega projects, the growth on demand on contractor delivering, real estate, even with the recent, I would say, regulation that has happened, which also will help affordabilities for most citizens,

so that we'll see pickup in maybe other other low products. So everything we see as of today points to a positive growth. As for us, that general statement, we have to drill down to see which segments, because there are segments that are growing that could not... Maybe it's not our market segment that we're focusing on. Others, maybe is something that we're focusing on. As we said before, we were expecting the corporate market to grow, and when that happened, we'll grow accordingly. And that has happened from our side. We believe that will continue from our side. And we think that we have a healthy pipeline so far. If there is something that could derail the growth from our side, would be either maybe pricing that we don't like it or we don't like the credit profile, so we'll also be selective in terms of our growth.

Nauman: Thank you, management, for the comprehensive feedback. There is one follow up questions from Ahmed again. What is the loan disbursement philosophy of the bank to ensure that cost of risk remains within management levels?

Ahmed: The bank generally has a robust credit risk underwriting process, with very good ongoing monitoring of exposure through close interbank between our relationship management unit and customer. And I can give, for example, one of the segments is the contracting. We monitor disbursement and income payment from the project owners. We have an engineering team who do site visits, periodic site visits. And in addition to that, we are also evaluating accredited automation project which is designed to transform the end-to-end credit process. So we have in place a very robust and sufficient process to ensure that cost of risk remain within the desired level.

Faisal: And also, I think if you see, according to what Ahmed said, historically, SAIB has managed its cost of risk prudently. We do have the framework in place, but as the question said, ensuring that... All banks try to ensure that their work produces a lower cost of risk. But they don't ensure that it's going to be low, because it depends on what's the market, what's happening with the economy, the quality of projects that are being deployed. From our side, our history supports our prudent approach to risk. And this is actually what we have ensured in our revamped credit policy guide, which we have said that we have already did to ensure that we align our booking to, I would say our best practices for risk mitigates.

Nauman: Thank you, management, on this. Just to have a similar follow up question on the cost of risk. The question is coming from Fawad Khan. Why the bank has not revised down its cost of risk guidance, given strong performance in each one? Any particular sector area the bank is expected to have higher cost of risk in H2?

Ahmed: Thank you. There is no specific sector or particular areas that we expect, but the fact that we kept it at the same level first... Now, we will be evaluating our ECL model, something that we do in a periodically, almost in each two years. We are also cautious of the macroeconomic conditions that could affect the ECL models and its inputs. And from conservative approach, we are keeping it at the same guide that we have been communicating since the beginning of the year. But to answer the question, there is no specific sector that we expect to have a higher cost of risk.

Nauman: Thank you, management, for a very comprehensive answer for that as well. Just as a reminder, if you wish to ask a question, you can click on the raise hand icon on your webcast. Or alternatively, you can provide your questions through a Q&A chat box as well. There's a question that is coming from the lines of Muhammad Arsalan Siddiqui. How do you see corporate asset yields playing out in H2 2025, providing majority of the banks are targeting lower loan growth in H2 versus H1?

Ahmed: Generally speaking, the corporate yield will be following the interest rate environment. That's our expectation in terms of yield. The demand is still there. We have seen some banks revising their loan growth projection, and other bank increasing their loan projections. But in terms of yield, it will be reflective of the interest rate environment.

Nauman: Thank you, management. There's one question coming from the lines of Mr. Omar Baata. He is asking about the NIM guidance. Your NIMs have dropped by 39 basis point in the past six months. How confident are you on the guidance of achieving the NIM change between zero to minus 10 basis points?

Ahmed: Yes, it's dropped 39 basis points. But if you also see our non-interest bearing deposits used to be 53.7 and it's dropped also to 29.4 by June. This has affected our NIM, and that's why we are revising it down. Do we expect the trend to continue? Of course, no. Unless, God forbidden, zakat continued to decrease. But

that's what we are expecting. And also, if you recall, now, we said before our sensitivity to the interest rate in general are very minimal. We were talking about three to five basis point for each 100 basis cut, which is still true, by the way, until now. I know some banks have changed their sensitivity, but based on our analysis, the sensitivity analysis still the same. Maybe because of our balance sheet structure has not changed much [inaudible 00:46:51] mix.

Nauman: Thank you, management. We have Adnan with raises hands. Adnan, I'm unmuting you. If you can go ahead, please.

Adnan: Hello?

Nauman: Adnan, we can hear you now, if you can go ahead, please.

Adnan: Thank you. Thank you for the presentation. I had a question about the SIBOR rates. We witnessed that during the past, actually, in July. Six months SIBOR increased significantly, while three months, although it did increase, but remained at low levels. Just wanted your opinion, or your expert opinion, on what happened in the market and how does that impact you. And moreover, if you can tell us which rate is your corporate book linked more, three months or six months, that would be really helpful.

Faisal: Hi, Adnan, thank you for that question. I think it's all what we have seen. The increase in SIBOR definitely affect our cost of funding. I didn't think there's any shying away from it, unless there is a growth in our, I would say, non-interest bearing deposits, then we are exposed to the SIBOR increasing. However, I think the mitigates on that is that, our corporate loan book is repricing at around three month, four month bucket. So I think that also gives us the ability to reprice our asset accordingly. So, that's our mitigate going forward.

Adnan: Understood. But the reference rate generally that you use for corporate loans is three months SIBOR or six months SIBOR?

Faisal: I would say mostly three months, mostly three months, mostly three months. That's the market, and usually the market practice.

Adnan: And do you have an opinion on why the divergence between six months SIBOR, three months SIBOR happened?

Faisal: Well, I don't have a very... I'm sure our treasury guides have it. But for me today, I don't have. I'm happy to come back on that.

Adnan: Thank you so much. Just thought if you had anything. Thank you so much.

Nauman: Thank you, Adnan. Again, just a reminder. If you wish to ask the question, you can click on the raise hand icon on your webcast, or alternately, you can feed us the questions through the Q&A chat box as well. We'll wait for the moment for any follow up question to come in.

Nauman: In case of no follow up questions, we will end the Q&A session now, and I will hand it back to the management for their final remarks.

Najla: Thank you Nauman- thank you everyone for joining our call today. We hope we have answered all your questions. For any follow up questions, please reach out to our group investor relation email. And with that, have a great weekend. We'll see you next quarter, inshallah.

Nauman: Thank you, management. We would like to take this opportunity to thank the management for taking the time to conduct this call. We'd also like to thank all the participants for attending. We wish you all a very pleasant day, a pleasant weekend. You all may disconnect now. Thank you.