Mehmet Good afternoon, everyone. Thank you for taking the time to join us today. My name is Mehmet Sevim, MENA banks analyst at JP Morgan, and we're delighted to host Alinma Bank for their first quarter 2026 results call. Please note that this call is being recorded. The management team will take us through the quarterly highlights before we open up for Q&A.

And with that, let me hand it over to Arwa Alshehri, head of investor relations.

Arwa Thank you, Mehmet. Good day everyone. Welcome and thank you for joining us today in Alinma's earning call for the first quarter 2026. Our MD and CEO, Mr. Abdullah AlKhalifa, will begin by providing an overview of Alinma's performance, financial highlights, followed by our new strategy recap and update on the strategy achievement. After that, our CFO, Mr. Adel Abalkhail, who will be presenting detailed financial performance for up to this March 2026, ending with the guidance for the rest of the year. We will make sure to have proper time for Q&A where we will be addressing your questions along with our deputy CEO, Mr. Saleh Alzumaie, covering retail digital and private, and our chief corporate officer, Mr. Jameel Alhamdan.

With that, I will hand it over to you Abu Faisal to begin.

Abdullah Thank you, Arwa. Hello everyone and welcome.
I'll start our presentation on Slide 6 on high level financial performance. Our financing increased by 4% year to date, as well as our total assets reached 324 billion. Our operating income increased 7%. And at same time, our net income increased 11%. First quarter NPL ratio was 93 basis points and coverage ratio is 167 basis points. Cost of risk is obviously lower than our guidance due to large one-off recoveries that we managed to get in the first quarter. Customer deposits increased 5% year to date. More importantly, the growth in CASA experienced 11% compared to the overall growth of 5% in customer deposits. As a result, CASA now reaches 49.5% of our total customer deposits. Our cost-to-income is standard 32.6%. Our NIMs is 3.47%, 16 basis points lower than same quarter last year. However, it's one basis point higher than Q4. Our ROE reached 18.4%.

On the Slide 8, I'll take a quick presentation on our current 2030 strategy. The main headline in our current strategy is to be the most innovative and customer-centric with a clear focus on profitability and building distinctive depreciation using technology and AI.

So, in terms of most customer-centric, we want to engage our customers' seamless and memorable journeys throughout their journey through digital and even physical channels. We want to be most innovative, leading with cutting edge technology and AI to deliver segment-specific offerings, intelligent platforms, and beyond bank and digital offering. Underpinned by laser focus on profitability, we want to drive

profitability through scalable operating models, improved monetization, and streamlined cross-functional collaboration.

Next slide, 9, we go with more detail seen by business. So, on retail bank, we want to aspire to primacy with all our customers. We want to innovate with segment-specific offerings. We want to delight our customer with their memorable journey using technology and AI. In private, I want to create a market depreciating value proposition and service model for our private bank customers. We want to offer world-class global and exclusive local investment opportunities and services. In corporates, again, the aspiration is for primacy for all our customers, but also building a distinctive edge on SME financing.

We want to upgrade our transaction banking through the use of technology and AI and build best in class scalable operating model. In digital banking, digital banking will help us in developing an intelligent banking platform to drive primacy and to launch beyond banking digital offerings. And then, obviously enhance our operating model through the use of monetization and technology and AI. The treasury want to diversify and innovate on the funding instruments. We want to grow our FX and other derivatives through other products for our customers to unlock the flows from the business units. We want to obviously continue to work on enhancing our yield on our investment portfolio.

On the next page, I'm not going to go through line by line, but some of the other non-financial goals. One of them is to become a leading employer of choice among the Saudi banks. We want to establish the bank as a digital leader, specifically on innovation and on AI, and leading on the risk-adjusted decision pricing practices.

On Page 11, this is some of the things that we've achieved during the first quarter. We've launched two open banking products, microfinance for IZ youth . We also allow now visitors to open wallets in our alinmapay . We launched four new private funds with AUMs of 22 billion riyal. We've increased our growth in SME by 29%, mid-corporate by 31%, two fully digital products. We've issued our first time Tier 2 private placement, $300 million, as well as $475 million in CDs. We've increased our profit rate swabs, which is the Islamic version of the IRS, by 2.7 billion. And we had a significant increase on FX forward by 266% year-on-year growth.

On Page 12, this is some of the things we're working on. We want to drive end-to-end process streamlining and digitizing customer journeys, build research and development and innovation hub, develop customer focus use cases to hyper-personalize customer journeys, as well as obviously develop a robust client- centric primacy model, strengthen the trade finance through the use of technology and partnerships, develop AI and other use cases, of which the total initiative...

This is now a group. We're going to continue to update you as a group rather than just the bank. So, this current strategy has 87 initiatives. I'm stuck with derivatives, I guess. But we started working on 61 out of those 87. Some of them will be completed this year. Some will be completed in next year, and maybe some others will maybe go up to three years, but we started already in 61 out of the 87 initiatives.

With that, I give the floor to the CFO for detailed financial presentation.

Adel Thank you. Good afternoon to you all, and welcome again to our earnings call for the results of the Q1 of this year. As usual, I'll be running you through the bit of more details on the financial performance for the quarter. And as Arwa was saying before, we'll be followed by the guidance and then we'll open up for Q&A.

So, starting with Slide 14, an overall balance sheet trend, we have seen total assets growing 4%. That was driven by financing that's grown during the quarter by 4%. And also this was covered by 2% growth on the investment portfolio. On the total liability side, 5%, there was the growth on the total liabilities driven as mentioned earlier by our CEO, 5% on the customer deposits. We will come maybe later on more details on the same. But also, worth mentioning the 2.9 billion SAR growth on the other funding tools that we continue to tap on, including Q1, which is the Sakuk, the $ 300 million private placement for the Tier 2. And also we continue to tab on the CDs 475 million during the first quarter of this year.

In the second slide, Slide 15 on the P&L, net income growth was 11% year-on-year. This was a growth of 8% on the funded income. We have seen a modest growth on the non-funded income side year-on-year, along with growth in the overall OpEx, operating expenses, by 9%. So, the impairments also is lower. As mentioned earlier, there was sizeable recovery. We have charged the PNL 156 million during the quarter and this is 30% lower year-on-year.

On the next slide, Slide 16 on the financing, 4% growth that we have seen mostly was driven by 10% growth of retail and absolute amount is at six billion growth in retail portfolio during the first quarter. And the remaining four billion, which translates into 2%, was the corporate growth from December 2025. So, with the growth of retail, we started to see the composition slightly changing from what we used to see in the overall financing portfolio. Corporate now represents 73% and retail is 27%. Clearly, large corporate and project financing as a composition part of the overall financing represents 62%. By end of March, 6% on the mid-corporate SMEs is still 5% and the home financing is 13%. The remaining is for personal consumer financing and other retail products.

On the next slide, Slide 17 on the customer deposits, as mentioned again earlier by the CEO as well on the CASA growth, we have seen good growth from Q4 last year on CASA, which is 8% growth. And also, the time deposit has grown 3% from

December. If you recall CASA as a percentage of total deposits by the end of last year was 48.3%. We've seen with the growth of CASA of 8% this a quarter, CASA's as a percentage of total deposits now represent 49.5%.

On the next slide, Slide number 18 on the yield income, the income from financing and investment, we've seen 7% growth on the financing income. That was also covered by 10% growth in the investment-related yield income, which in total translates to year-on-year 7% on the funded income growth. Maybe in the lower section of this slide is the analysis around the clarification around the movements on the NIMS year-on-year. We have seen three basis points drop on the investment yield. The financing yield was lower by 33 basis points, which was offset by positive impact and cost of funding rate by 19 basis points. So, we've seen the first quarter NIMS is 47 basis points, which is equal to the full year NIMS of last year that was standing at 3.47 basis points. Looking at the quarter, Q4 NIMS has improved one basis point during the quarter, if you compare it to the quarter to date NIMS of last year.

On the next slide, Slide 19 on the non-yield income, there was a drop on the non-yield income overall on a sequential basis by 26%. If you recall, Q4 last year has included some one-offs that were booked during the last quarter of last year. If we normalize the same, the Q1 non-yield income would be lower by 12% if we normalize it for the one-offs that we have taken Q4 last year. We have seen also the drop in year-on-year on the FX income. And this is part of it that relates to the volume and back that we have seen up to February for the market. We are yet to see march but there wasn't really big a growth in the volume for FX. This was compensated by 27 million. That was an increase of 47% for the investment and dividends and investment-related gains.

On the next slide, Slide 20 on the operating expenses, we've seen 2% growth on a sequential basis from Q4 on the overall OpEx. Nevertheless, the G&A was lower than Q4, but the big part of the growth was in the personnel cost. And as we used to see this always in first quarter of the year. That would relate to certain adjustments related to the personnel. The depreciation also 22% growth in the small base, so this translates into year-on-year 9% growth on the OpEx. So, the drop from Q4 on the total operating income by 5%, coupled with sequential growth on the OpEx by 2% has negatively impacted cost to income, going up from 31.2% last year in Q4 for the full year to 32.6% by the end of the first quarter.

In the next slide, which is the slide on impairments, Q1, as you can see, 46% on a sequential basis from what we are taking in Q4. And this is a reason for lower charges because of the one-off recovery that we have realized during the first quarter. And this is more details on it on the financials that we have published already in note 16 to the financials. So this has dropped the overall impairments charge for financing only by 32%. And this has clearly lowered the cost of risk for

the quarter to be 26 basis points down from 47 basis points for the full year of last year.

On the next slide, which is slide 22. On the NBL, NBL has increased 5%, nothing specific. It's normal accumulation. Also, the NBL ratio, if we compare it to Q4, it's almost within the 90 basis point. And also the coverage ratio has improved from 150 by end of last year to 166.5%. On the stage-wise coverage, maybe there was a swing on the stage three coverage on the last two quarters, but I would say that Q4, stage three coverage was exception because of the write-off that was done. We talked about it in Q4. And now we are seeing stage three coverages getting back to the norm, standing at 63.2%. And also, there's no big drop in stage two, slightly from Q4. Stage one coverage remains a flat at 40 basis points.

On the next slide, the slide on capitalization slide number 23. On pillar one, tier one, and tier two total CAR is 19.9%. We have seen drop, as mentioned earlier as well, 30 basis points on ROE from which we have closed at the year-end last year. At the bottom of the page, the prudential ratios remain all healthy. LCR is at 132%, well above the 100 regulatory minimum there. And LDR as well remains healthy at 80%. This is the weighted one again. Well below the 90%, which is the regulatory maximum. And also NSFR remains healthy at 111 or almost 112%, well above 100, which is regulatory minimum.

And the next section is overall on the outlook and the guidance for the remaining of the year, the way we see it after closing the first quarter. So no changes to the guidances. All the guidances were given following Q4 results, no changes to any of the guidances. So financing growth, we realized 4% growth for Q1. So the guidance remains low teens for the full year. Net profit margin year-on-year 16 basis points, yet with expectations on better funding costs and also the repricing, we are still keeping the guidance as a contraction from five to 10 basis points.

Cost income ratio 32.6. Guidance remains below 30.5%. Retain on equity is 18.4%, and the guidance remains above 19% by year-end. Cost of risk, 26 basis points. That's the actual for the quarter, and the guidance remains 45 to 35 basis points. And the overall CAR for pillar one, tier one, and tier two remains as a guidance around 19%. Just a reminder on the 2030 long-term guidance is the asset growth by 2030 is a low double digits on a CAGR basis, and also the retain on equity to be above 22%, and cost to income ratio below 29%. And again, the CAR, total CAR pillar one, tier one and tier two will be above 18%. With that, I'll hand it back for the Q&A. 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 are dialed in by phone, please use star nine to raise your hand and star six to unmute your line. I'll pause for a moment to allow the queue to form.

The first question will come from Shabbir Malik. Please unmute and ask your question.

Shabbir Malik Hi, thank you very much for the presentation. A couple of questions from my side. Just the first one is around the recovery that you spoke about. Is this recovery unique to Alinma or is that a sector-wide exposure, and other banks would have experienced something similar as well? My second question is around the loan growth outlook in light of the potential recalibration of Vision 2030. PIF has also come out with new plans for the next few years.

How do you see those plans evolving from the government and the authorities affecting your loan growth prospects? Anything in particular that you think is likely to feature more strongly in the coming years in your loan growth versus other sectors? So any color on loan growth , that will be pretty useful.

My third question is around the AT1. I believe you are in the market to renew or raise AT1 capital. Can you give us a sense of pricing on these AT1s relative to your existing AT1 notes? Thank you.

Abdullah Thank you, Shabbir. On that recovery, first part of your questions, on recovery is we believe it's a one-off. It's unique to us. It's one of the clients that we've got more than 400 million of recoveries, and that's what drove the cost of risk lower for this quarter, yet our guidance for the remains 35 to 45.

In terms of the new PIF strategy and repriorization, but at the end of the day, I don't think it may lead to a bit of slowness in certain projects, but acceleration. So to give you an example, due to this geopolitical risk, and we know that's going to be an acceleration, certain investments in say logistics, if it's industries and others, the focus on energy, the focus on renewable, the focus on PPP types of project is going to continue to be there.

So we don't believe that this may change the overall demand in credits may shift a little bit from one sector to another, but I'm still very positive about the growth of credit or the demand on credit for the years to come. On AT1, obviously in terms of pricing will be announced in due course. As you know, Shabbir, it all depends on market conditions and the appetite and so on. We'll announce that, I think, in due course.

Shabbir Malik Thank you.

Moderator Our next question comes from Reem Alkhulayfi. Please unmute and ask your question.

Reem Alkhulayfi Am I audible?

Moderator Yes.

Reem Alkhulayfi Thank you management for the presentation. This is Reem Alkhulayfi from Riyad Capital. I have three questions from my side. The first one, given the recent pickup and the deposit across the sector, to what extent do you see these influence transitory versus structural? And if you can comment on the current liquidity environment, the second one in non-funded income, we saw a decline during the quarter three. Does it imply a reset and run rate in light with the recent regulatory changes? And the last one, with some changes in project momentum recently, have you observed any early sign of risk in contracting or project finance exposure? Thank you.

Abdullah Thank you. Obviously on liquidity, we see it in a very good position compared to, let's say, maybe a year ago, liberal liquid example. We've seen overall long growth in the industry. I'm not talking about alinma industry was lower, so that obviously leads to lower demand on liquidity. Typically, geopolitics, so whatever happens in the region may really lead to some more deposits going back to the country rather than placed maybe in the region. So in terms of liquidity, I think the level is satisfactory now compared to a year ago. The other questions on non-funding?

Adel Yeah. So Reem, on the non-yield part, the growth, as I mentioned, it was modest 1%. We picked drop from Q4. As I mentioned, if you compare it to the quarter of the previous quarter, it's obviously one off. But looking ahead in where we are now, the Q1, there was actually a decrease in certain areas within the non-yield.

One, you would, of course, I think see the FX income. There was a drop by 10%, as you mentioned earlier, and this is broadly related to the volume that we have seen lower in the market overall. But on the fees from banking services specifically, the drop that we have seen came from certain areas. Clearly the brokerage was lower, much lower. If you compare the same, we're talking about year-on-year comparison here, and also slight drop on the investment banking side. And also we have seen some drop in the cards related fees.

We communicated before that the regulatory limits on certain fees did not have really material impact as far as the number of cards and the size of the business there, but just the other sides of the business that was lower year-on-year, as I mentioned, specifically in the brokerage and also slightly on the trade as well.

Moderator Our next question comes from Abdullah Al Buraidi. Please unmute and ask your question.

Abdullah Al Buraidi Hello, am I audible?

Moderator Yes.

Abdullah Al Buraidi Yeah. Thank you very much for the great presentation and the results. My question is regarding the non-interest income, which the strategy heavily depends on. We noticed that on some banks that the decline in non-interest income came from the curve movement. However, what we notice in Alinma is that it is both, it's coming from a decline in trading income due to maybe curve movement and even the fee income and the exchange income.

I'm not talking about comparing it to a one-off. I'm talking as a last year average. this is for one. On the other hand, when we compare larger banks to smaller banks, we noticed that all banks has gained quite a bit loan book growth in the first quarter, except maybe the larger two or three banks. Would you expect some competition in the upcoming quarters from the larger ones given that their growth loan book hasn't been that strong in the first quarter?

Adel So non-yield, Abdullah, not only comparing, maybe I was referring to Q4 as well on what was booked but also even Q2 last year, if you recall, there was also certain one-offs there during the second quarter of 2025. So the average of last year might not be the right number. It's just what we are referring to on the fact that this remain a focus on the bank strategy.

We've talked earlier about the continuous cross-sell, and also we've talked during our strategy as well, that the bank assurance also is going to be a big part of the overall money in the growth. We're talking about also the focus on CAR. Just exceptionally this quarter, I believe in the upcoming quarters, we'd hope to see a bigger picture there on the non-yield itself. However, the first quarter, I think I referred to the brokerage specifically and investment banking along with part of the cards feed and also almost a flat on the trade that was mainly the impact.

Abdullah And the other part, Abdullah, on the growth or long growth among banks and the point you mentioned about the large banks showing single-digit growth, are we worried that in future they may be more aggressive and growing? No, not really.

I mean, the market is very competitive anyway. Competition is there, it's healthy, but the pie is getting much bigger. The demand, like the old days, the demand is getting very strong. Competition never worries us, except when certain point of time where we saw aggressive pricing on the assets. At the time where cost of

funding was going up. That is hopefully behind us now. I've seen our ability and other banks, I'm sure, are probing pricing on corporate loans. This is something we could not do when the aggressive competition on pricing was there. Now we see it as much better. I would say, over the last possibly at least six months, things are improved significantly.

Abdullah Al Buraidi Okay. Given the guidance, we noticed that the loan book growth for this quarter has been really strong and might be higher than one anticipated. Do you expect the interest income to offset the non-interest income for the return on equity guidance for the year?

Abdullah I didn't get that. Abdullah, if you could repeat it please.

Abdullah Al Buraidi We noticed that the loan book growth for the first quarter has been quite strong and it might be even higher than what's internally guided for. So do you expect the growth and interest income to offset the slower non-interest income for the year to achieve the return on equity guidance?

Abdullah Yeah, we certainly, as I mentioned, we started aggressively on our repricing of the corporate loans. Now, as you may appreciate, not every single loan you can reprice, there are term loans and our ability to reprice some of those is limited. The new loan and revolving facilities and unutilized portions is something that we're trying to improve pricing on. We need to see better also lower cost of funding, continuous lower cost of funding. There are also investments, which is fixed rate. It's not something that we are going to be able to price. You get also most of the retail loans, which is basically effectively a fixed rate. So certainly we are expecting to improve on the interest income going forward, but not necessarily exactly much in any, let's say ... Or similar growth to the loan itself.

Abdullah Al Buraidi Okay. Thank you very much. Very informative.

Moderator Next question comes from Naresh Bilandani. Naresh, you may unmute.

Naresh Bilandani Yes. Hi. Thank you very much. It's Naresh Bilandani from Jefferies. Just two quick questions, please. One, the decline in the card services fees is quite notable in Q1. Is the Q1 level a good number to extrapolate from? I'm thinking that the second quarter will also be under pressure as we bake in the full quarter impact of fee regulations. Is that the right way to think about this or that's perhaps not?

But I think it's quite visible that the first quarter pressure on card fees was quite notable. So I'm just trying to think if Q2 will be just around the same or it could be worse, at least on this line. That's the first question. And second is also the benefit of recoveries. Will that be limited only to this quarter? And by second quarter, we go back to our old 250 to 300 million impairment charge run rate. Or do you sense

	that the recovery that you enjoyed this quarter does have a portion that spills over into Q2, and so Q2 could also be subdued? Thanks a lot
Abdullah	Thank you, Naresh. I'll take this with the last part and my colleagues here can address the previous one. In terms of the recovery, we'd all do our best to continuously improve our process and our capability, our also team capabilities, as well as technology to improve the collections and recoveries, generally speaking. The one that we had in Q1, I would love to see that every quarter happening, but it's one of, which basically, done and dusted, is not going to have a second part in second quarter. It's one case. We're hoping to see that level of recoveries. We're trying our best. You can drive whatever expected in terms of charge based on the guidance of cost of risk that we're given already.
Adel	And the other part, Naresh, on the non-yield again, and the focus on the lower card services related fees, of course there'll be a small impact as we communicated earlier from whatever regulatory limits and certain charges. However, we wouldn't really take Q1 as really the guidance for the full year. Again, maybe also back to the previous question, past the question previously, is this how the non-yield would be covering the gap between the ROE that we have, and whether this will be fully compensated by the yield itself. So it was many factors. Card services was lower, of course, but it depends also, Naresh, where you compare it. If you compare it to the average full year that I mentioned, there were certain one offs there. But also the other parts that we've talked about within the non-yield that were surprisingly lower year-on-year. However, it would remain a focus to improve going forward, which as we mentioned always, that the non-yield would remain a main driver, or remain focused as part of the overall strategy, Naresh.
Naresh Bilandani	Okay. Thank you, Adel. Thank you so much.
Moderator	Our next question comes from Waruna Kumarage. Waruna, please unmute and ask your question.
Waruna Kumarage	Hello?
Arwa	Yes, we can hear you.
Waruna Kumarage	Yeah. Hi, thank you very much. Yes, I have three questions. The first one, first question is related to the retail growth. It's very impressive, this 10% growth in the quarter. Just want to get an idea how much of this growth is coming from mortgages and how much from the non-mortgage side, and how you were able to do it considering that the other leaders like larger banks were not able to achieve this growth in the retail side in the first quarter. That's my first question.

Secondly, in terms of deposits, you got, again, a decent amount of deposits, mainly CASA. And I want to understand whether … Is there any transitory element in those deposits which came in or do you expect these deposits to be stable for some time?

And thirdly, I want to understand, I mean, if you factor in that, you said the recovery is around 200 million, but so if you factor that in, the gross impairment will be around 500 million. So just want to understand if you applied any overlays on the ECL model to factor in any downside risk going forward? Thank you very much.

Abdullah On the recovery, obviously there are a continuous recovery in the likes of, for example, retail. There is always a certain level you'd expect on a monthly basis. This is not … I mean, what you see in the financial is overall recoveries, but there is a one-off corporate recovery over 400 million. That's what basically increased the level of recoveries. But typically there are an expected level of recovery on retail and every once in a while you get successful in getting some recoveries from the corporate or large private written off loans in the past. On the other part is …

Adel Yeah, the other part, first question is on the retail growth that we have seen at the 6 billion net absolute amount in the quarter versus last quarter, whether this is mortgage. The growth in retail was almost 50/50 coming from mortgage and the same coming from also the consumer financing. On the CASA, the second question on the CASA, whether these are transitory to deposits, I would say the growth is really a mix of both, but it was a good growth in CASA, you would assume always that the nature of those deposits, part of it would be transitional, but still it's a mix of both tow.

Abdullah If I may add on the CASA, I mean, I think we have very good track record over the years in terms of growing our CASA. Yes, obviously nobody has any assurance about whether some of it is transitory or permanent, but I think historically we've been focusing and being able to grow our CASA throughout the period there. So I think in Q4, we had some unexpected drawdown, but majority, our track record shows that we continuously improve on our CASA.

Waruna Kumarage All right, thanks. Just a couple of follow-ups. As far as mortgages are concerned, did you conduct any campaigns or anything to attract this loan growth? And secondly, following up on the impairments, just to confirm, have you applied any overlays, any buffers to factor in any potential future loan losses in this quarter?

Adel So again, the growth and retail really wouldn't be specific companies. There will be always tactical conveyance here and there, which is business as usual. But to your question on the impairments and what did we do to assist the current geopolitics situation, you can see on the financials themselves, actually what we did, there are two parts of it. One is the impact of the macroeconomic factors, and clearly you

would see negative impact from, for example, GDP growth that maybe it's lower now for this year, but again, the expansion of the growth the year after will be higher. But if you take this year, the growth would be negative. But then on the other hand, the level of oil prices as a macroeconomic factor to the overall model is positive. That's in one hand.

So you would assume that the overall macroeconomic factors would be on a net basis positive. But there is the other part which we already disclosed in our financials is our review of the scenarios for the IFRS9 model itself. As of December, the scenarios for the base scenario was 50%. We have 30% for the upturn and we have 20% for the downturn. What has happened during the quarter, we have changed the upturn from 30% from the upturn to be 20, and then we have increased the downturn from 20% to 30% where the base scenario remains 50. So this triggered certain overlay that was not significant at all, but was taken already as part of the ECL charge for the quarter.

Waruna Kumarage Thank you very much. That's very helpful. And wish you all the best.

Moderator The next question comes from Mohammed Alrasheed. Mohammed, please unmute to ask your question.

Mohammed Hello, gentlemen. Thank you for the presentation. Just one question from my side, which is regarding this spread of your interest paying liabilities over benchmark rates. So it has declined significantly over the last two quarters, currently stand at just three basis points. That's around 40 basis point decline on a quarter over quarter basis.

So my question is how much of this is attributed to better funding position for the bank and overall better liquidity in the system versus movement or inter-quarter movement where basically majority of the interest paying liability growth came toward the end of the quarter. In another word, is this three basis point over benchmark rate for your despairing liabilities sustainable throughout the remainder of the year? Thank you.

Adel So Mohammed, out of the spread, the spread would remain in total. So to be specific, the size of the deposit the maturity, maybe the spread that you have driven, maybe it was in total. Then of course, employees averages of the last two quarters, but we have maybe mentioned also earlier by the CEO on the overall liquidity position, especially in Q1 this year, and also not maybe factoring the fact that the diversification of funding, especially in Q4 and also Q1, that you wouldn't see on the time deposits that we published because it's another line under the sukuk and other certificates of deposits that we have issued about 1.5 billion in total up to end of this quarter.

So liquidity position is high. We haven't seen maybe, as we have seen before, the liquidity that would trigger more spread that we have to pay in deposits. But I believe, I guess the alternative fundings that we have secured to fund the growth also help letting go most of the costly deposits that we have.

Mohammed Okay.

Moderator The next question comes from Murad Ansari. Murad, please unmute and ask the question.

Murad Ansari Yes, thank you. Salam alaikum. Just one question on fee income. So first quarter had seasonality over there, you had Ramadan, Eid, and then the conflict as well later in March. And you did mention about lower trade fees to a certain extent. So the question, I just wanted to check on the fee income momentum, how has that recovered in April? If you can give us some idea if there was any impact of the conflict given how trade was disrupted.

And obviously we have some regional banks that have also talked about the fact that international travel was restricted and hence card fees on international spend was lower. Have you seen any of those impacting your fee income as well? And how have they behaved now in April? If you can give us a very broad brush idea on that. Thank you.

Saleh Yes, you are spot on it, Murad. We see the international usage of the card decline due to the unrest in the region and the restriction on the travel. And we do believe the impact will continue in April, but going forward from May and we have also the World Cup. We do believe the internationals will be increased in the coming few months and will recover decline happened in the Q1.

Also, the decline is also coming from the international remittances from decline because a lot of people will tend to keep their money inside the country whether nationals or expat. So those two factors impacted the non yield income and mainly from card remittance.

Adel And maybe just to add one point on the trade, just to correct. I did not say it was radically lower. I was just referring to it as being only flat.

Murad Ansari Oh, okay. All right. Thanks for that. Thank you.

Moderator The next question comes from Abdullah Alwehaibi. Please unmute. Ask your question.

Abdullah Alwehaibi Yep. Yes. Hello. Am I audible?

Moderator Yes.

Abdullah Alwehaibi Yes. Thank you management for the presentation. I have two question for my side. First, when we exclude the recoveries this quarter, the cost of risk actually has increased significantly and I believe it's the highest in the last five years. Could you please clarify what are the drivers and what is your outlook for the coming quarters?

Second, on the guidance, and correct me if I'm wrong, I believe that when you communicate that your guidance, the market was pricing two rate cuts. However, this is not the case anymore. So would you expect further lower contraction on your NIMs? That's my second question. Thank you.

Abdullah Thank you, Abdullah. On the cost of risk, I think in the presentation where the CFO on the stage-wise coverage, as what happened in Q4, I think the level of coverage on stage three was, I think, 45. Was it? So naturally, we've been even transparent that stage wide coverage is also important to want to be around the industry average. And that's one of the reason we took the opportunities to obviously increase coverage on stage three, and that's gone up from 45, I remember, to 63. Coverage is stage three. So that's the reason for that. In terms of the guidance, we actually rerun our forecast literally a day or two before the earning call, taking the latest forward yield curve in our forecast. We don't build our yield curve, forward yield curve based on our own assumption. When is the rate cut? We take the markets, which is more of the average the market, how you see the forward yield curve . And that's why our guidance hasn't changed following that forecast.

Moderator The next question comes from Olga Veselova. Olga, please unmute, ask the question.

Rahul Rajan Hi, may I audible?

Saleh Yes, you are.

Rahul Rajan Yes, this is Rahul Rajan from Bank of America. Two questions from my side. Firstly is on the real estate reform. So help us as to what's the kind of projectory been or what's the kind of impact?

Arwa Can you repeat your question?

Abdullah Quality wasn't good.

Rahul Rajan Yes, I will repeat. In terms of the real estate reforms, if you can sort of talk about any implications that you're starting to see, be it in terms of the quality, cost of risk, or the real estate prices in Riyadh especially, that's number one. And second

question is on the strategy part, if you can talk any specific new initiatives that you have taken, you mentioned in the starting of the presentation, but something which is more material and which you have started to see an impact because of the new strategy. Thank you.

Abdullah Thank you. And obviously our real estate report, honestly, I see this as quite positive impact on the economy because basically that drives more demand on development and building. If you drive around Riyadh, it's now a city of cranes, there's cranes everywhere. The projects, the towers being built everywhere. The supply for the mortgage, improve for the mortgage, which helps the affordability.

The money for the land or the value of the land is basically sitting, doing nothing in the economy. Now, whether it's developed or sold to a developer, it's actually having a positive impact on construction material, on contractors, and ultimately on furnitures and sales and all other impact on the economy.

The other part was about strategy. Yeah, obviously we've been quite successful in our previous strategy and we're working very hard from as soon as the board gave us the green light back in September last year, we started working on some of these initiatives. We didn't wait for the clock to change to January 1st. We actually started early.

There are a variety of initiatives and each one has different financial impact and some of them have better impact on our staff, our customers, and that will drive more and more the growth in our business. And so it's certainly, we did not implement those initiatives because of lower impact. Certainly, we believe they are strong impact, that's why 87 initiatives. What's mentioned in this example, these are not initiatives, by the way. We can't obviously disclose what are exactly our initiatives. We sort of put our targets, but the exact initiatives is not something we disclose for, of course

Moderator Our next question comes from Murad Ansari. Murad, if you still have a question, please unmute.

We'll take a question from Abdullah Al Buraidi. Abdullah, please unmute and ask your question.

Abdullah Al Buraidi Hello. Thank you for letting me ask again. I have question regarding the cost of risk guidance. So you're noticing that a handsome recovery that took place that made the cost of risk appear lower in the first quarter. And I understand that the gross of provisioning is still the same, but keeping the cost of risk guidance as is means that you will achieve the same cost of risk guided by having a higher gross provisioning in the upcoming quarters. Am I understanding correct?

Abdullah It is a logical expectation, of course. We're keeping the guidance at 35 to 45, and Q1 was 26. Certainly that means on average quarterly, the next quarters, you'll see higher provision than what we just disclosed in Q1, what we talk on Q1.

Abdullah Al Buraidi Yeah, but, I mean, that means that the upcoming three quarters will have an average of the same guidance to even out the guidance for the whole year, right?.

Abdullah Well, look, actually on a monthly basis, our risk team run this IFRS9 model. Then it's discussed with the impairment committee, which is basically chaired by me and all the most relevant N -1 team. And so we do our best to forecast today, but things may change from one quarter to another. We may have unexpected recovery. We may have unexpected customer deterioration. Can happen. But generally speaking, we try to forecast every quarter to reassess our guidance. And based on that rate of forecast that we did, our expected cost of risk remain.

Abdullah Al Buraidi Okay. Thank you very much.

Moderator There are no further questions at this time. I'll pass back to your host.

Mehmet Thank you. Maybe I can jump in with one question, and this is with regards to your direct or indirect exposure to some of the recently canceled projects like Trojena. Last time we spoke, you gave us an optimistic outlook on those. You've mentioned those contracts included termination for convenience closes, the residual values would be positive. Has there been any change in that assessment at all so far? And do you expect any impact at all coming from those exposures?.

Abdullah Yeah, I mean, obviously we don't talk specifically about our customer exposure, but certainly we have a contractor that was involved in one of the projects for specifically preparing Trojena for the Asian Winter Olympic in '29. And since that is postponed or changed, the hosting nation changed. Yes, some of the contractors was canceled and we don't believe-

Jameel We do have sufficient coverage and as per the agreement with the project owner that all due payment or any cost incurred by the contractor will be covered by the project owner.

Mehmet Super. Thanks very much. And thank you very much for your time today. And let me hand it back to you for closing remarks.

Arwa Thank you, Mehmet. Thank you, everyone. Have a good day. And for any follow-up questions, please reach out to the IR department. We'll be glad to get back to you. Thank you so much.