Mehmet Good afternoon everyone, and good morning to those joining us from the U.S. This is Mehmet Sevim from JP Morgan. Thank you for being with us. It's our pleasure to host Alinma Bank management this quarter as they walk through their second quarter results and take your questions. With that, I'll hand over to Arwa Alshehri, head of investor relations to start us off. Arwa, please go ahead.

Arwa Thank you, Mehmet, and thank you JP Morgan, for hosting this call. Hello, everyone. Good day, and thank you for joining us today for the Alinma's earnings call for the second quarter of 2026. We will begin today with our MD & CEO, Abdullah AlKhalifa, who will be providing an overview of the bank's financial highlights followed by the 2030 strategy recap and key achievements, concluding with the initiatives that have been progressed for this year. After that, our CFO will give you a detailed presentation for the financial performance and ending with the guidance for the year. We will make sure to have proper time for Q&A where our deputy CEO covering retail, digital, and private, Saleh Alzumaie, and Chief Corporate Officer Jameel AlHamdan will be answering your questions along with our CFO and CEO. With that, I'll hand it over to CEO, Abu Faisal, to begin.

Abdullah Thank you, Arwa. Welcome everyone. Thank you for allocating the time for our earning call. I start my presentation from slide six, high level financial performance. In Q2, our financing increased by 6% year-to-date. That's aligned also with our current guidance. Total assets also increased by 6% year-to-date. Our operating income increased by 7%, while our net income increased by 6%. Our NPL is 96 basis point, and our coverage ratio is 176%. Customer deposits increased faster than loans, 8%. More importantly, CASA increased by 6% year-to-date. As a result of faster increase in total assets compared to growth in CASA, our CASA's percentage of deposit is 47.3%. Cost to income improved to 31.5 compared to, I mean, this is the half year, but compared to first quarter, Q2 was much better. Net profit margin decreased by six basis point compared to the same period last year. Our ROE reached 17.8%. On slide eight, a quick reminder of our current 2030 strategy.

The main headlines is basically the most customer-centric, most innovative bank underpinned by laser focus on profitability, and followed by next page gives you more details by business. So in retail, one of the pillars aspire for primacy for all our customer segments and also innovate with segment-specific offering. Delight our customer with memorable customer journey across all channels. In private banking, we want to set up market differentiating value proposition for our customers, offer world-class global and exclusive investments opportunities. In corporate banking, again, the word primacy comes back because that's our target for all our customers, as well as upgrade transaction banking and build best-in-class scalable operating model, leveraging obviously the cutting-edge technologies and AI. Digital banking, want to develop intelligent banking platform to drive primacy. We want to launch beyond banking digital offering through more strategic partnerships and enhanced operating model, including monetization, improvement, and streamlined collaboration with other business units. Treasury, want to expand the options of funding local and international, as well as grow our FX and other derivatives and shift investments toward better yield income for the bank.

The next slide shows you more aspiration in our current strategy. So want to be similar to what we had in our previous strategy. Want to be a leading employer of choice, number one, basically, and establish the bank as a digital leader by driving innovation, technology and data, leading also risk adjustment decisions and pricing, as well as being among the top five brands in the country and market leader in operational excellence driven by digitalization and heavy use of AI.

On next slide 11 shows you some of the achievements so far in Q2. So we've completed the two AI use cases. One is proactive customer engagement and credit underwriting for retail. We also entered into financing guarantees program under the Environment Fund. We launched alinma Fantasy around the recent FIFA World Cup resulting over 100,000 new to bank customers being onboarded. Also, introduced tailored lending and mortgage program for affluent expats. And also, as maybe mentioned before, we're the third-largest in terms of assets under management by fully-owned subsidiary. They've experienced significant growth year-on-year, 39% year-on-year as of half year. Also had experienced 28% increase in SME as well as 23% increase in mid-corporates. We issued three billion riyal as well as $500 million AT1 sukuk. Basically, this is to refinance our current or the previous issuance that we did in 2021, five billion riyal that was paid in the beginning of July. We had also 24% year-on-year growth on Profit Rate Swaps, 106% year-on-year growth in FX forwards.

Some of the things that we'll be continuously working on this year, want to build obviously R&D and innovation hub to drive innovation in the bank. As you know, innovation is one of the main headlines in our current strategy. Want to advance comprehensive customer engagement, develop customer-focused use cases, additional use cases, driving hyper-personalized journeys. Want to continue to build more strategic partnerships with global asset management to develop the region-specific investment opportunity for our customers. Develop and roll out client-centric primacy model for target customers, strengthen trade finance as through partnership with global corporate banks, develop GenAI and AI-powered app companions to drive more usage of our customers, more engagement by our customers and more hyper-personalized journeys.

With that, I give the floor to the CFO to walk you through the financial performance.

Adel Thank you. A very good afternoon to you all, and welcome again to our earning call for the first half this year. As said, I'll be walking you through the details on the financial performance for the first half, and then that will be followed by our outlook and the guidance for the remaining of the year.

So starting from slide number 14 on the balance sheet trend, we have seen a growth of 6% of the total assets. Clearly, this was driven by the financing growth, 14.2 billion for the first half from December, which represents 6%. On the total liabilities total movement, we have seen a 6% growth primarily driven by 8% growth in customer deposits. And also we have seen 2.2 billion growth in our other than customer deposits funding, which is the sukuk and the certificates of deposits to have been active in issuing during the first half of this year.

Moving to second slide, the slide number 15 on the P&L trends, the overall growth in the net income year-on-year is at 6%. This was driven primarily by 7% growth in total operating income, a 6% growth that was offset by 6% growth in operating expenses. We have 9% year-on-year increase in the impairments, and we'll have more details on the expenses and also the income side. The overall operating income composition at the end of June, 82% is in the funded income and 12% relates to the fees from banking services, and 3% each for investment and dividends and gains on FX income.

On the following slide, slide number 16 on the financing, 2% growth on a sequential basis from Q1. We have seen from December 4% growth in corporate financing and also 14% growth on the retail financing from December. The lending book composition by end of June, large corporate and projects financing represents 61%, 7% is mid-corporate. You've seen mid-corporate is taking more size on the pie from the base of 248 billion overall lending book. SMEs remains 5%. Mortgage book represents 13% and 14% for other retail products for consumer financing, which includes also the credit cards and also auto lease

The following slide, which is slide 17 on the deposits, the overall growth in customers deposits is 8% from December. This was driven by time deposits growth of 10%. We have seen CASA growth 6%. In fact, the growth in time deposits being higher than the growth that we have seen in CASA in the first six months. As diluted, the CASA as a percentage of total deposits, as you can see in the graph in the center of the page where we were, CASA's percentage of total deposits in Q1 was 49.5% because they diluted by end of June being 47.3%.

On the following slide, which is slide number 18 on the funded income, income from investment and financing, we have seen a growth in sequential base from Q1 is 4%. The growth year-on-year is 7% from financing, and also the funded income from investments is 9% growth year-on-year. In the bottom of the slide, you can see the movements on the net profits margin. Three basis points, contraction and investment yield, and also financing yield contracted 25 basis points, which was offset by the reduction in cost of funding rate by 21 basis points. So the overall contraction for the six months year-on-year is six basis points moving from where we were in Q1, 3.47, only one basis point by end of June, where the net profit margin is 3.46%.

On the next slide, slide number 19 on the non-funded income, from what we have seen in the first quarter where there was a drop 26% year-on-year, we started to see slight improvement on a sequential basis where the growth from Q1 was 8%. If we look at the movement of non-funded income year-on-year, fees from banking services is lower by 14%. Exchange income is lower by 9%. This was partially offset by 44 million increase on the investment gains and dividends. And also there was a five million reduction in other income. The overall fees from banking services, 50% is in fund management, 4% the card services with the reduction we have seen in card services where it used to be 7% from the overall fees from banking services. We have 12% related to trade fees and 8% on the brokerage and 26% on the others.

On the following slide, which is slide 20, in the operating expenses, there is a reduction in the expenses on a sequential basis from Q1 by 3%. And as you can see from the slide, there's a 3% sequentially in the G&A. There was a reduction there and also about 11% on the depreciation. So this reflects a 6% growth year-on-year on the overall expenses. The positive jaws that we have seen during the quarter by end of June has positively impacted the cost-to-income ratio, where it was by end of the Q1, 32.6%. If we look at the cost-to-income ratio for Q2 alone is 30.36%.

On the following slide, slide number 21, which is on the impairments, just maybe to remind you that last quarter, which is Q1, the charge was 154 million. There was a total recovery, sizeable recovery during Q1, which was totaling 472 million. This quarter alone, the impairment charge for financing is 388. Of course, you'll see in the P&L a total of 400 because there is a 12 million relates to investment related provisions. So the growth in the provision year- on-year is 8%. This increase that you have seen in the second quarter of this year on the overall impairment has increased the cost of risk clearly from which where we were in Q1, 26 basis points.

We are standing by end of June at 45 basis points cost of risk. And the following slide, which is slide number 22 on the NPL and the NPL coverage ratio, we have seen an 11%
growth on the NPL. However, if you look at the sequential basis, almost the NPLs are flat, and this is also a reflection of where we were in Q1, 93 basis points on the NPL ratio. We are at 96. We have seen a slight improvement on the NPL coverage ratio as well, standing at the end of June at 175.9%. On the stage-wise coverage, as you can see in the bottom of the slide, we have seen a reduction on the stage two coverage. Stage one remains at 40 basis points flat. Stage two reduced to 9.8%

from 11.6 and also we are able, part of the provision that was taken to favor also stage three coverage that is increasing from Q1, ending at 73.9%, almost 74%.

On the following slide, slide 23, on the capitalization and liquidity. On the capitalization, tier one and tier two capital for pillar one risk is around 20%. We have seen a drop on the ROE, Q1, we are at 18.4. Now ROE is standing at 17.8%. And also we have seen 10 basis points reduction in return on assets. As far as the liquidity and prudential ratios all remain healthy; LCR is at 139%, and also LDR is around 80, which is well below the regulatory maximum when we have NSFR at 111.3, almost flat from where we were in Q1.

On the following section of the outlook and the guidance for the remaining of the year, we have achieved the growth of 6% on the financing YTD. We are keeping the guidance at low teens for the full year of the 2026. The six-basis points contraction on the NIMS year-on-year, where we at 3.46%, we're keeping the guidance also unchanged from minus five to minus 10 basis points.

Also, the guidance for cost to income remained unchanged below 30.5%. The two guidance that we have changed, and you can see it's the cost of risk. Cost of risk is revised from being 45 to 35, with the new trend that we are seeing on that, especially the provision that's being taken during Q2. We are revising the guidance from 55 to 45. And of course, as a result of that, we're revising the return on equity guidance from previously being above 19% to the new guidance, which is 18 to 19%. CAR pillar one for tier one and tier two capital remains around 19. Just a reminder, maybe in the long-term guidance that we give for 2030, the asset growth, low double digits remain as a CAGR. Return on equity above a 22% and cost to income is below 29%. And we are still keeping the long-term guidance for CAR pillar one for tier one and tier two capital for pillar one that's set above 18%. With that, I'll hand it back to the operator for the questions.

Moderator Hello. If you would like to ask a question, please use the raise hand feature at the bottom of your screen. If you're dialed in by phone, please use number nine to raise your hand. And number six to unmute your line. I'll pause now for a moment to allow the queue to form.

Arwa Can I check back with the operator, are we audible?

Mehmet Yes, you are audible. Hi, operator, can you start the Q&A session, please? Thank you.

Moderator Absolutely. So our first question comes from Naresh Bilandani. I do not have his company. Sorry, but this is our first question. If you would like to unmute yourself, please.

Naresh Bilandani Hi, can you hear me? Hello?

Abdullah Yes, we can, Naresh. Go ahead.

Naresh Bilandani Oh, excellent. Hi, Abdullah and Adel. It's Naresh from Jefferies. Thank you so much for the presentation. Really useful. Two questions, please. Just keen to hear more color into the notable pickup that we've had in the impairment charges, which I think have taken the scene off what is a good set of numbers actually in the second quarter. So just keen to understand what led to this pickup. I know you had a big recovery in Q1, but I think the Q2 charge still seems to be elevated. I mean, is it linked to the projects that were canceled? And you have previously highlighted that there have been some exposures into projects that were canceled. Is this what is causing pressures? And if yes, do you feel that the second quarter impairment charges, the risk of elevation is behind us? Or do you feel that conservatism is justified as we go into the second half of this year? So just keen to understand the pickup behind the impairment charge; that's one. And my second question is on the fee incomes, and this is more of an industry-wide question also as much as it is for Alinma. Do you feel the industry at this stage has fully born the pressure of the fee income from regulatory changes that were implemented in the previous quarters, and the worst is behind us? And we could see a recovery on the fee income line, especially for the industry as a whole, as we go into the second half of this year. And maybe one final question, if I could please just add. I think if I take a look at the slide 18, if I take a look at the net interest margin, clearly I think the NIM has held up very well in the interim periods. Do you see the case for getting a better-than-expected NIM than what is baked into your guidance by the year-end, or you're just being somewhat conservative in your guidance? I'm just keen to hear some thoughts on the NIM line. Thank you very much.

Abdullah Thank you, Naresh. Let's cover the first point about the impairment charge. Yes, there was a large project that we financed a contractor, and has mutually agreed to suspend or cancel that project. Now we understand that there should be some amounts, some compensation paid to the contractor. However, being prudent and being conservative, we felt that this may call for, obviously set up some provision against that. And that's why our change in cost of risk from 35 to 45 basis point previous guidance now to 45, 55. So another effectively 10 basis point increase in that guidance. The difference between, obviously, Q1 and Q2, as you mentioned, Naresh, is because we had sizable recovery in Q1, and that's what led to big variance between Q1 and Q2. But it's better to be prudent and building up provision. We don't know at this moment; we don't know how much the compensation will be paid to the contractors that will allow them to pay back our exposure and whether that will take time.

That's obviously not something they can fund that quickly. On the fee income, look, the fee income story this year has been impacted by multiple factors. One, as you mentioned, the regulatory changes in terms of pricing on the cards business as well as instant remittance fees, as well as the upfront management fee that we collect on consumer and mortgage fees, and that has been reflected in our results this year. We understand that we've already have taken half the impact roughly of that already, but there are other stories within fees or fee income also. Maybe it's a chance to expand on that. One of the factor is obviously international spend. I guess the number of travelers overseas has reduced. So we see lower international spend that affected our fee on cards. But another important factor is we've done a new arrangement with a major supplier or vendor of point of sale machines that has changed the business model to include profit sharing there.

But unfortunately, you see half the story because the point of sale business previously, we have that fee, which obviously on all transactions, but there's also the leasing expenses that shows in G&A. So what you saw, you saw the impact on the fee. However, it doesn't show the impact on the saving on the leasing of these machines. Net-net impact is actually positive with this new deal that we've done. But unfortunately, because the amount of split cost goes into other operating expenses while the revenue on the top. So that's another one factor, another factor to consider. Also, we've seen trade finance. We lost on market share in trade finance. However, overall, probably so from statistics from SAMA, the level of imports in the first six months compared to the same period last year has reduced by 5%. And that obviously has an impact on all seas business specifically. We've also seen an overall reduction in brokerage income because of the overall volume. Traded volume was lower in the first half this year versus last year. So I think that in a way summarizes the impact that we had on fee income.

Naresh Bilandani Thank you very much

Adel Maybe in the NIMS and Naresh can take this. As you rightly said, I mean, if you look at the NIMs following the Q2 numbers, it still looks like it's holding up. We're keeping the guidance to contraction 5 to 10. Could we end up within a year based on any development at the end of the guidance. We'll definitely keep on the viewing the same. And of course, following Q4, based on any development that would be communicated on time. However, you're rightly said the NIMs that we are seeing it's holding up so far, but the range, as you said, from 5 to 10, could this be at the end of the range of the five? We'll definitely re-update that whenever any changes needed following Q4, but this is the way we see it in terms of Q2.

Naresh Bilandani Got it. Thank you very much.

Moderator Hello. We now have a question from Shabbir Malik, who is from Morgan Stanley. Shabbir, if you could just unmute yourself and ask your question. Thanks so much.

Shabbir Malik Sorry about that. Can you hear me now?

Moderator Yes, that's perfect.

Shabbir Malik Thank you very much for the presentation. I have a question around your margin expectations. So there is an increasing chance of a rate hike this year. I was just curious, in this assumption of NIMs or the guidance for NIM, what kind of rate expectations have you built in? And if you can also please remind us what's your sensitivity to a 25 basis points increase in interest rates, that would be pretty useful as well. Thank you.

Adel Hey, Shabbir. So we're rolling out our forecast to really take the latest yield curve of the market seed. Now, as you can appreciate, the volatility was huge really recently, and also the probabilities for the rates that we have seen in that was reflecting in the yield curve that was applied in our forecasting, as far as the guidance is concerned. The guidance, there are probabilities of a rate hike, but this probability, as I said, it's really volatile, and hence the yield curve that we have taken probably did not reflect that.

But as we mentioned, maybe to Naresh in the previous question, it's actually, as we see it in Q2, is holding up. And along with the repricing that's being done, expectation. If it's achieved on the kind of growth internally that we have, I will definitely update the same. Could we end up in the year by, as I said, at the end of the range of this guidance? Probably. But to be sure, we will be, again, updating this whenever needed following Q3. But as far as the Q2, this is where we see it. And it could be ending, as I mentioned, by the end of the guidance, that that's really probable.

Shabbir Malik And in terms of NIM sensitivity, if you can point towards that. And maybe if I can ask one more question, year-to-date, your loan growth has been about 6%. You're targeting low teens. So that kind of suggests an uptick in the second half. So if you can comment on that as well. Thank you.

Adel Yeah. So on the NIM sensitivity, again, did not change much as we previously communicated. We checked this space in our position by end of June. It's one to two basis points for every 25 bps. As far as the 6% growth that the guidance suggests for the financing, you'd assume a portion of that would come from corporate. And right now it may be project financing and along with SMEs. And you will see a small portion of that coming also supported by retail growth for the second half of this year, both in mortgage and consumer finances.

Shabbir Malik Thank you.

Moderator Okay. So, our next question comes from Jon Peace from UBS. If you could just unmute yourself, please, John.

Jon Peace Hi, thank you for taking my questions. The first one is just on the cost of risk. And can you remind us what sort of run rates you had embedded in your 2030 plan? Should we imagine in the medium term it stays around this 45 to 55 basis points range?

And second question please was just a little bit more color on the lending outlook. Firstly, on retail, you seem to be gaining some good market share versus your peers. What's really driving that? Is it the products you're playing in? Is it the pricing? Just a little more color there.

And secondly, on the project finance market, we can see in the data that the second quarter seems to have had quite a nice acceleration in new government project awards. What are you seeing in your pipeline? Thank you.

Abdullah Thank you. Now obviously on cost of risk, we give guidance on a yearly basis and we can obviously update it every quarter. We haven't given a specific guidance on 2030, what we use every year, but every year we'll come to you and give you guidance on that yearly. We give few 2030 guidance like capital adequacy, ROE, cost of income, but the cost of risk is not something that we provide guidance for. On retail growth, Saleh here.

Saleh Yeah, again, we keep emphasizing on this, so we are not going anywhere price. We have enough customers, so we have to see the opportunities within the bank. As mentioned in this presentation and previous presentations that we are one of the biggest bank and acquisition customers. Now we are a third largest in retail customer base.

We also, as mentioned by the CEO, we invest a lot in customer journeys, especially in digital channels. So a lot of our products in retail, you can name it, mortgage, personal finance, credit cards, auto lease are on our application, end-to-end journeys, and we are monitoring this. So customer experience, full range of product that we have, turnaround time, this is what we always capitalize on in our retail business.

Abdullah I may add, this is not one off. I mean, we've been a long track record now outperforming the industry in terms of long growth in retail. On projects?

Jameel In project finance, as you have rightly said, yes, there were announcements in some projects and we have captured good portion of infrastructure as well as power generation that will feed up our future pipeline in this sector.

Abdullah And in fact, significant portion of the growth from now to the end of the year is also coming from project finance, what we see in our pipeline.

Jon Peace Great, thank you.

Operator Okay. And our next question comes from Olga Veselova from Bank of America. If you could just unmute yourself, please, Olga.

Hello, Olga. I can see that you are now unmuted if you would like to ask your question. Thanks so much.

Arwa Operator, can you make sure that Olga has access to unmute herself?

Operator Yes, I can see that Olga is unmuted.

Arwa Operator, can you go next in line and then come back to Olga?

Operator Yes, no problem. So next we have Rahul Bajaj from Citi. If you could please unmute yourself and ask your question please, Rahul.

Rahul Bajaj Hi, this is Rahul Bajaj from Citi. Thanks for taking my questions. I have two questions mainly. The first one is on cost of risk. And as you mentioned, the increase in cost of risk in 2Q was largely driven by a particular project which was canceled and you're taking provisions prudently, which is good on part of that project.

Are you concerned that there are other projects in your portfolio which has been canceled or are facing delays and these could drive higher cost of risk maybe in the second half of this year or through 2027, 28? Do you see that likelihood shaping up as we move ahead? Or you think that the second quarter charge was just a one-off and you're not expecting any material change in cost of risk expectations as we move ahead? So that's my first question.

My second question is on margins. I see the second quarter margins have actually held up pretty well. Just trying to understand how this moves from here on. I see your guidance, which is five to 10 basis points. But then if I think about the components of margin cost of funding yields, how are you expecting these two components independently to move over the next few quarters?

Also linked to it is the repricing of corporate loans that was happening at the system level, and alinma was also part of it. We're trying to understand, is the repricing all done or you expect some more repricing to happen on the corporate side as we move ahead? Thank you.

Abdullah Yeah, thank you, Rahul. Obviously every year is normal that you see some project may be delayed, maybe canceled, but it's usually small size, nothing significant that we've seen. We had some projects before was canceled. But this time when I mentioned the specific project, it was large. The size of the project is what really matter. We've seen smaller ones that has really small impact or little impact on our cost of risk, but this one is large, that's why.

In terms of margins, as the CFO already Adel already covered that, before the earning call, we do re-forecast again using the latest market forward yield curve. We don't build our own model for yield curve, we use the market itself. And our assessment is showing maintaining that guidance of five to 10 basis points.

Now, as Adel mentioned, there's also, if you look at the market probability of rate hike and it keep changing significantly, sometimes it's close to 100. Now I think recently it's about 80. So obviously that has an impact on the forward yield curve. So I guess on daily basis that forward yield curve is changing. And we reassess it again every quarter and we'll see a guidance is changeable, we'll change the guidance.

Rahul Bajaj Thank you, Abdullah. Just to clarify on the NIMs, from a cost of funding perspective, are you not seeing or are you seeing any major change in cost of funding outlook in terms of competition or it remains pretty stable now?

Abdullah Yeah, actually, Rahul, I forgot to comment about this. One of the very positive things that happened over this year compared to same period last year is obviously the amble level of liquidity that we see in the market. The level of liquidity has increased. As a result, it's reducing the aggressive competition on deposits, which means we're getting now deposit at SIBOR, at SIBOD even. So unlike the same period last year where we had to pay more to get the deposit. I'm talking about the institutional depositors. So that is have lowered the cost of funding.

The same time, if you look at three-month average, SIBOR three-month average compared to the first six months last year, it actually gone down by almost 61 basis point. So you have the benchmark itself is lower by 61 basis point, but at the same time, the ample level of liquidity has improved and reduced the aggressive competition on those two parts.

Rahul Bajaj Understood. This is very clear. Thank you.

Moderator Okay. So we're going to try Olga again. Would you like to unmute yourself and see if it works this time, please?

I can see you're now unmuted, Olga. Okay. It doesn't seem to be working.

For now, we will move on to Aybek Islamov from HSBC. If you would like to unmute yourself and ask your question, please.

Aybek Islamov Yes. Hi, everyone. Thank you for the conference call. Thank you for taking my questions. Well, I think what I'd like to ask is on your medium-term program that you announced earlier in the year, to what extent does it assume that you need to ramp up your costs pretty aggressively at the start of this program in order to produce results later on? And what are the implications for the cost-income ratio? Obviously you're tracking slightly above your full year target for the time being. What are the chances we're going to see that excess in cost-income ratio in the next reporting quarters? That's first.

And secondly, I can see that your long growth guidance continues to be quite good compared to what the sector is delivering so far. I mean, you are outperforming. So how should we think about the implications of the stronger long growth for you? I mean, particularly for your asset quality. And what do you think about growing above sector in an economy which is slowing down? What are your thoughts?

Abdullah Thank you, Aybek. Obviously on the point of sale business model that we've done, it started somewhere during Q1. So as we've seen so far, it has a positive net impact on the bottom line. The difference is obviously between fees and expenses, which is positive. But it's that the first phase we are expecting further improvements. I don't want to get into details, but there are additional phases that should help us grow our business even further in that area.

On finance growth, obviously, as you know, Aybek, we'll be talking about it in the previous, I think, questions. Our retail team has done a fantastic job outperforming the markets for a year. Wasn't like one of two years or three years. We've been outperforming the market for at least five years now, growing much faster than the markets. And this is to do with customer acquisition, level of service quality that we provide our customers, the turnaround time, you name it, and the simplicity of applying to these products. And then we're going to continue our strength. We've gathered a significant customer base now that allows us to continue our growth.

In terms of project finance also, as you know, it's another inherent advantage that we have. We've been one of the major players in that project finance business, as we know under 2030. There's a lot of projects being done in the private sector, and we're in very good position to penetrate that business. As well as obviously we started, I have to say, started a little bit late on mid-corporate and this SMEs our growth rates continue to be significant as we've already highlighted in the first half. And that will continue to be there.

Moderator Okay. If we're ready for our next caller, we have Abdullah from ENBD Capital KSA. If you would like to unmute yourself and ask your question, please, Abdullah.

Abdullah Al Buraidi Hello, this is Abdullah Al Buraidi from Emirates NBD Capital KSA. Thank you very much for your great presentation. Congrats for the great results. I have maybe two follow-up questions. The first one regarding the cost of risk. So you've mentioned that you are being prudent on a single contractor regarding a certain type of a project, and you're increasing that cost of risk guidance in reference to this. So could it be that when all the exposure by default being realized that we get out of such a guidance or you believe this guidance is covering all of such exposure? That's the first question.

And the second one, how do you see the evolution of the non-funded income going on into the second half? Do you expect us to appear on a second half that is somewhat close to the second half last year? Of course, excluding the market-related income that is dependent on instrument movements. That's it.

Abdullah Thank you, Abdullah. Obviously on the second point, we don't give specific guidance on fee income or non-funded income, whether it's for the full year or the second half compared to the first half. It's part of our guidance on the cost to risk. It's part of our guidance on the return equity. Sorry on the cost to income and ROE, but we don't give specific guidance on non-yield income.

Now in terms of cost of risk, as I mentioned, the contract that was canceled, sizable, and we felt that we need to be conservative, prudent, and start building provision because the final outcome of how much compensation the contractor will get is not yet clear to us. We know some estimate, so we will see how... And that takes time. That is not something I would say, yeah, you know what? Maybe in Q3 we'll fully understand, and we may revise the cost of risk. At the moment, it should take time, and this is our best estimate for this year.

Abdullah Al Buraidi Okay. Just to follow up on the non-funded income, maybe not a guidance, but rather an evolution. Do you see it picking up from where we are or is it still as slow as it is?

Abdullah I think, I talked about the point of sale business model that we've done, and I mentioned there are phases to come, and that phases should help us in growing our bottom line, and all the business or the income on that business. Other than that, it's really hard to... If we see a significant increase in shares traded in the market in the second half, that should help us grow our brokerage business, but it's very hard to give specific guidance, and we do the forecast, we understand, but we don't really communicate that to the market.

Abdullah Al Buraidi Okay, thank you very much.

Moderator Okay. Our next question is from Murad Ansari from GTN Middle East. If you would like to unmute yourself and ask your question, please.

Murad Ansari Yes. good afternoon, thank you for the presentation. Just one question on dividends. So, you've clearly laid out over last year your plan, that dividend payout ratios are going to be lower than what they've historically been, and we saw that last year, three interim dividends, and then a bonus stock dividend at the end of the year. And this year seems to be, you've given out two interim dividends similar to last year. So, is the playbook similar to last year that we have three interim dividends and possibly a fourth quarter skip? If you could give us any indication on how you're thinking on the dividend payouts. Thank you.

Abdullah Thank you, Murad. Obviously on dividends, it's really hard to give comments about the potential level of payouts, this is obviously already not subject to the board and to our regulators. I think even though similar level of amounts paid to last year, I think the net income is obviously higher than last year. So payout ratio is lower, and we expect that our net income and the partners to come will be improved further, and we'll see what level of payout, but we were not going to be aggressive and payout ratio certainly would be not far off from what we had maybe last year.

Murad Ansari Great. Thank you so much. That's it.

Moderator Okay. Now for our next question, we have Nauman Khan from SNB Capital. If you would like to unmute yourself, please.

Nauman Khan Hello, can you hear me? Hello?

Arwa Go ahead.

Nauman Khan Yeah, thank you. Again, I have two set of questions again, and they're both, again, relate to NIMs as well as cost of risk. For NIM guidance as well, I think you have elaborated it, but just for a little more clarity, the 5 to 10 basis point decline that you are assuming, do you think it will be coming from further repricing of the asset-yields? Or do you think you feel that there is still further room for the asset deals to come down? Or is it the cost of funds? Are you seeing some pressure for coming in cost of funds going forward? This is my first question. Second question is regarding the provision that you have taken. If you may elaborate on that, have you taken the entire set of provision that is required on that project or is still something that can come in Q3 and Q4? And these are my two questions. Did I do that project?

Adel Sure Nauman Yeah, sure Nauman. So on the first question on the NIMS, as I mentioned maybe earlier, we are still guiding for a contraction of 5 to 10 bps. Could this change following Q3 results or to be, as I mentioned, at the end of the guidance, could this be 5 rather than 9 or 10? We'll definitely take the yield curve and reflect that following Q3. As we speak, this is the way we see it. Ideally, we have as rightly suggest that this is both. I mean, continuously pricing on the corporate, even though we've seen the benchmark itself moving, as CEO mentioned, the 61 basis points in three-month SIBOR, but also the level of liquidity that you're not seeing really an immediate intense competition on deposits, which could help. But as far as the Q2, this is the guidance for the full year. Again, how the market is leading the yield curve is really becoming so volatile and we are taking the latest.

Maybe it's changing as we speak now, but again, of course, following Q3 will be updating the same. As far as the cost of risk, and besides what was mentioned by our CEO, I have to clarify maybe something. It's maybe probably an uplift from one contractor whether the project was canceled. But I needed some questions regarding if we taking the whole filling back or nothing back. It's an IFRS9-based model that reflects the nature of every... Of course, it allows for the management overlays, but at the end there are stage movements that there are conditions for every client when to move and how to move, and at what level of a provision based on the BDs, as you know, the technicalities behind this. So beside that, this may be the driving the big movement still remains subject to the requirements of the model itself that we are validating and reviewing obviously every year.

Nauman Khan Thank you very much. Thank you again.

Moderator Okay. We now have Dan Mikhailov from Vergent Asset Management. If you would like to unmute yourself, please.

Dan Mikhailov Hello, am I audible?

Arwa Dan, go ahead.

Dan Mikhailov Marvelous. Congratulations, the results. Just a quick question on the cost side. I see that Q2 OpEx base was about 3% lower sequentially. Were there any one-offs in the OpEx in Q2, or can we assume that the Q2 OpEx is a sustainable run rate for the rest of the year?

Adel So as you rightly observed, the 3% reduction in Q2 sequentially from Q1, there are two major parts of that, of course, besides the ongoing exercise that we are running on the efficiency side, but of course in the same time we'll continue to invest for the strategy. There are two main parts. One is what was mentioned by the CEO earlier on the point of sales related programs. You'll see some reduction of the leasing point of sales terminal that used to be part of the G&A. Now the bank is not paying anything on that as part of the profit sharing on the income side. But also another major, and you will see this was on the financial statements, we put the separate notes, note number 3 on that, which is on the depreciation side. We have seen the competition.

We have layout the benchmark on changing or assessing the useful lives of buildings and softwares and that we have taken the impact in this quarter. Of course, the impact that we have taken this quarter is not from beginning of the year, it's from April, so it's reflecting in three months. On the note to the financial statement, you will see that there is 23 million for the second quarter. That was the immediate impact. And the financials also as part of the assessment to put in its disclosure around 76 million will be for the remaining of the year from Q2 until year end. And of course in the disclosure as well, 105 million will be for 2027, assuming the new lives. So the change is on the buildings and also the software.

Dan Mikhailov Thank you. And just to confirm both of these changes, were they embedded in the guidance that you gave at the beginning of the year? Or were these not budgeted in? How should we think about them versus the guidance? Are these been up? So is this a benefit to the guidance or were they budgeted in?

Adel These changes are already part of the guidance that was mentioned during this call.

Dan Mikhailov Okay, thank you so much.

Moderator Okay. We now have Ahmed Arif from Al Jazeera Capital, if you could please unmute yourself.

Ahmed Arif Hi, First of all, congratulations on the results, and thank you for the presentation. I just wanted to ask on the ROE guidance, the revision of the ROE, could you talk through the main factors behind that revision other than obviously the cost of risk?

Abdullah Yeah, obviously the cost of risk is the main driver behind that revision. As I mentioned, I think the revision is effectively... We look at the two ranges, it's about 10 basis point shift. So that obviously has a negative impact on the ROE.

Ahmed Arif Thank you very much.

Abdullah Sorry, and it's also reflecting the changes in regulatory pricing for the consumer products. That's out of it. As well as I mentioned, the impact that we've seen, negative impact on lower international spend by our customers because of the geopolitics maybe, and the impact on trade finance that you've seen because of lower imports that we've seen so far.

Ahmed Arif All right, thank you for the guidance.

Moderator Okay, so we have our final question as we are at time from Bijoy Jay from Quick.

Bijoy Jay Thank you. Thank you for the call. My question is on NPLs. Given the current environment where a lot of businesses and corporates getting impacted, how do you see the NPLs shaping up over the next couple of quarters? And obviously there'll be a lag effect on the bank. So is the management prudently going to increase the cost of risk in the short term to cushion any increase in NPLs over the coming quarters?

Abdullah Yeah, I mean we don't see any significant change in formation of new NPLs. I mentioned already the far large project that was suspended or canceled. And as I mentioned, it'll take time to find out exactly how much contracts will get in compensation and i.e., how much money will be recovering and maybe a year or so to find out exactly how much that. So it'll take time, but I don't think we've seen specific change in the migration of NPLs. The NPLs level now is below 1%. I don't suspect that will change significantly.

Bijoy Jay Yeah. Okay. And my second question is on the dividends. Any change in dividend policy? Do you plan to increase in line with the profitability?

Abdullah	Yeah, I think I already covered that dividends level or payout ratio already covered the previous question. Thank you.
Bijoy Jay	Thank you.
Moderator	Thank you so much everyone. We are now at time and I would like to pass you back to our host. Thank you so much.
Arwa	Thank you everyone. Please reach out if you have any follow-up questions. Especially Olga, we would be happy to receive your question. Thank you so much.