Shabbir Good afternoon, everyone. This is Shabbir Malik, and on behalf of EFG Hermes I would like to welcome you to Alinma Bank's First Quarter 2025 Results Call. With us to discuss the results today and answer your questions by the senior management of the bank.

I will now hand over the call to Miss Arwa Alshehri, the Head of Investor Relations. Arwa, over to you please.

Arwa Thank you, Shabbir. Welcome, everyone, and thank you for joining us today for Alinma's earnings call for the first quarter 2025. Our CEO, Mr. Abdullah Khalifa will begin by providing an overview of Alinma's performance and financial updates, followed by a recap and an update on the bank's current strategy. After that, our CFO, Mr. Adel Abalkhail will present the financial performance of the bank of the first quarter and share an update on the guidance for the rest of the year. We will conclude the call with the Q&A session where our CEO, Deputy CEO, Mr. Saleh AlZumaie; CFO and Chief Corporate Banking Officer, Mr. Jameel Alhamdan will address your questions.

With that, I will hand it over to the CEO.

Abdullah Thank you. Welcome, everyone. I fully appreciate the time to log in from different time zones for our earning call in Q1 2025. I'll start with, as Arwa mentioned, a high level overview of our financial performance.

Our financing increased 4% year to date to reach 209 billion. Total assets increased with a similar rates at 4% year to date to reach 287 billion. Customer deposits increased 4% year to date to reach 219 billion. More importantly, the growth in CASA is 8%, double that the growth overall deposit, 8% growth of CASA to reach almost 118 billion.

On the income side, our operating income increased 10% year-on-year to reach 2.8 billion. Net income increased 15% to 1.5 billion. CASA as a percentage of customer deposits with the strong growth that we have seen in the first quarter, reached almost 54% of total customer deposits. Cost to income improved to 32.2%.

In terms of credit quality, our NPL ratio reached 1.27%, while our coverage ratio exceeded 156%. Net profit margin, we lost about six basis points compared to the same period last year to reach 3.63%, and our ROE is 18%, a 49 basis point improvement.

On page 8, just a quick reminder of our current five-year strategy, which, as you know, this is the last year of this strategy. We've always had ambition to be number one in terms of being the fastest and most convenient bank in the country. We want to be number one in terms of net promoter score, and number one is employer of choice.

And if we flip to the next slide, we'll reveal more detail by the business side. Obviously to be the most convenient and the fastest, we needed to invest in digital so we set up a digital factory and obviously decisions we want to improve our analytics skills, to improve our decision making, and, of course, the cultural transformation to have the ability to attract and retain the best talent in the country.

Now, if you look at business by business, retail is based on three main pillars. The first one is focused on growing affluent and private business. The second pillar is to focus on attracting the youth segments. And the third pillar is to provide the best service quality that we can offer our customers. And corporates who want to be the core bank, not only for large and project finance, but also for mid corporates, covering all segments in all the sectors of the economy. The second pillar is to develop the SME business. And third pillar is to focus on cross selling cash and trade products.

So on treasury we want to be, obviously, the core partner for our corporate clients needs in terms of hedging or investments. We want to grow our FI business and maintain an ALM, highest quality ALM function.

Now on the next page, page 10, we basically give you a flavor of things that we've achieved during Q1 2025. We launched a digital trade finance system. We migrated our customers to a new corporate platform. In retail, we've introduced or implemented a modern secure card system. We've also updated the digital platforms to have a full digital journey in real estate or mortgage. We've introduced persona and behavior based segmentation. In corporate, the automation of supply chain finance. We had also witnessed a 14% growth in corporate year-on-year, of which 32% growth in mid-corporates and 28% growth in SME. And treasury, we've continued to enhance our cross-sell by increasing our exchange income by 19% year-on-year. We added six more banks to our FI network, and our cash flow hedge reached about 5 billion by end of the quarter.

On the next page, page 11, we're just giving you some insight of things that we're working on. So, for example, we're working on leveraging the Gen AI, whether in the customer service, whether it's an efficiency, whether it's in better risk predictions and forecasting and so on. We're invested in GPUs from Nvidia. We've also hired ten new graduates to take them through a full six months training specifically on Gen AI.

On retail, we want to accelerate and work on accelerating the sale of insurance products. We also want to automate and complete the automation of Customer Value Management and introduce salary advance digitally.

Corporate, obviously want to continue to diversify products that can allow us to attract more customer deposits, especially on the CASA side, and we want to continue to enrich in terms of features the digital trade finance. I do apologize as built actually enhancing or adding more features of the already existing digital trade finance. And obviously, we wanted to add more and more of the value added services to our customers.

On treasury, we want to obviously continue to focus on driving more long term funding and the continuous focus on cross selling with the businesses.

On page 12, it gives you some of the KPIs on where our strategy is helping to drive these numbers. For example, revolving credit card portfolio, we had 28% growth year-on-year. Auto lease, we had a very strong 75% growth on auto lease, business and accounts opening used to be 84% of account opened online. Now it's 93%.

On corporate, project finance went through a 10% growth year-on-year, while, as I mentioned before, SME and Mid corporate has a stronger growth. Treasury, with the average yield and investments improved by 17 basis points, cost of funding improved by 37 basis points. The exchange income increased by 19%.

With that, I give the floor to our CFO to take you through a detailed presentation on the financial performance.

Adel Thank you. A very good afternoon and welcome again for our earnings call for the first quarter of this year. As usual, we bring you through the financial performance that will be followed by our guidance for the remaining of the year, try to go through that quickly so that we allow more time for the Q&A session.

Starting from slide 14 on the balance sheet trend, we have seen a 4% YTD growth in total assets that was mainly driven by the growth in the financing, 7.1 billion growth YTD. And also we have 2% growth in the investment. Also, we have almost 2 billion growth in our cash interbank and balances with the central bank.

On the liability side, also we have seen a 4% growth YTD on the total liabilities, obviously driven by a 4% customer deposits growth. This was offset by 10% lower due to SAMA also in the interbank.

On the next slide, slide 15 on the P&L trend, net income for the quarter was year-on-year 15%. This was mainly driven by a 13% growth on the funded income. This was upset partially by a 4% lower non-funded income, mainly from the fees from banking services, which we will come to in details later on. Operating expenses also has grown 5% on a sequential basis. We'll have a separate slide in the opex later on.

The next slide, we have slide 16. This is on the financing. So year-on-year gross financing has grown 16%, which is also 4% on a sequential basis from Q4 reaching 213.7 billion by end of Q1. This growth and the financing YTD was a 3% growth on the retail portfolio, which is 1.7 billion, and also we have around 6 billion growth on the corporate financing that translates into 4% YTD growth in the corporate portfolio.

As you can see in the top right graph, the composition of the financing portfolio by end of a Q1 was 65% as it relates to large corporate project financing, also the portfolio management. We have 6% relates to the mid corporate of the commercial segment; 5% was for SMEs; and the 12% each for mortgage and also the other retail products.

The next slide, slide 17, that's mainly on the deposits. As mentioned earlier, 4% growth in the total customer deposits YTD, mainly from strong growth that we have seen during the quarter from December, 8% growth in CASA. That's 9.2 billion. And obviously this was upset by a slight reduction in the time deposits during the quarter by less than a billion, which is 1%.

This actually brings the CASA as a percent of total deposits to be almost 54% by end of Q1. This is up from where it was, if you recall in Q1 last year, was standing at 50.7%.

In the next slide, slide 18, the income from financing and investment, we have seen the gross funded income continues to have healthy growth, driven by 23% growth on the investment income, and 6% was the growth on the financing income. We have seen a 2% drop in a consequential basis. This was mainly on the drop on the growth field. And this would be more clear if we look at the bottom left graph, which is the net profits margin movements year-on-year. 49 basis points was the drop on the overall financing and this was offset by higher six basis points on the investment yield and also an improvement in the cost of funding rate by 56 basis points year-on-year, which brought the NIMs to be minus 6 basis points if you compare this to the same quarter of last year. So our YTD NIM stands at 3.63%. This is seven basis points, just around six basis points drop from the full year of last year.

The next slide, slide 19, on the non-yield income, fees and other income we have seen the overall non-yield year-on-year is minus 4%. This is because of 15 million lower fees from banking services, and this actually has been increased from expenses rather than the income itself, as the income has grown, even if we compare it year-on-year. So, the drop was mainly on the fees from banking services. If we compare it to the overall non-yield, it was 28 million.

The overall fees composition is 58%. That's the fund management, card services related fees, 15%, 14% on the trade, we have 11% of the brokerage and the remaining 22% for other fees.

On slide 20 on the operating expenses, year-on-year overall opex are 9%, up on a sequential basis from Q4. Overall, opex are up by 5%. As you can see, mainly driven by 21 million increase on the personnel related costs. And this is usual in the first quarter as it relates to the normal increases and the impacts on other personnel costs. Parts of it would be the end of services and others.

Also increase in depreciation and amortization, 15% year-on-year. And also other G&As are 8%. So the growth of 9% operating expenses have actually lowered the cost to income to be 32.2 if we compare it to where we closed the last year of 30.9. However, if we compare it to the same quarter last year, it's actually lower where we were at 32.5%.

The next slide, slide 21 this is the impairment. So the impairments, the total chart for the quarter needs to be recovered, of course, is 226. This is 15% lower from what we have charged for the same quarter of last year. This has also brought the cost of risk down from 59 basis points back last Q1 2024 to be 43 basis points by end of Q1. If you recall, we closed the year with a cost of risk of 55, so that's a seven basis points drop, more than seven base point drop in the cost of risk for Q1.

Slide 22, in the NPLs and the NPL coverage ratio, NPLs have increased by 0.5 billion from Q4. That's 25%. That system migration is some of the accounts which actually led to an increase, if you look at the top right graph, an increase in the NPL ratio reaching 1.27% by end of Q1. This also has an impact on the NPL coverage ratio. If we see the trend, we closed the year last December was 172.3%. That is 156.4%. So Stage-Wise coverage, no big change in movements from the last two quarters. So, 54.8% was stage three coverage, 14.4% stage two coverage, and also 40 bps stage one coverage by end of the Q1.

Slide 23, on the capitalizations and liquidity. Tier one and tier two, CAR pillar 1 is standing in the end of the quarter at 18.3%. Also, as mentioned here by the CEO, ROE was standing at 18% by end of the quarter. And also return on assets is at 2.1% by end of the quarter.

In the second section of the same slide in the provincial ratios, all remains healthy. LCR is at 130%, which is well above the regulatory minimum. Also, LDR at 83.2% which is well below the 90% regulatory maximum. NSFR is at 108 which is also all and above the regulatory minimum.

On the next section on the guidance, this is slide 25, so on the guidance for the financing growth, we have seen an almost 15% year-on-year growth. So the guidance for the remaining of the year remains unchanged as mid teens. And the net profit margin, we closed the quarter, as I mentioned, 3.63 with anticipation for a little bit of elevated cost of funding. The guidance is revised from previously plus five basis points to minus five basis points. Now the guidance for the year is zero to minus 10 basis points.

And also this is related to the revision we are making on the cost income ratio. Previously, the guidance for the year on the cost income ratio is below 30. The guidance we were given for the revised guidance for the remaining year will be 30.5%.

Return on equity, we closed at 18%. The guidance remains unchanged as above 19%. And also we're revising down the cost of risk from previously 55 to 45. The new guidance for the cost of risk will be 50 to 40 basis points. CAR pillar 1 tier one and tier two stands at 18.3 and no change to the guidance, which is actually 18% to 19%.

There is one slide at the end of the presentation on the update for the ESG, for your good read. Now, with that, I will hand it back to the operator for the Q&A's. Thank you.

Shabbir Thank you very much for the presentation. We'll now open the line for Q&A. If you would like to ask a question, you can raise your hands. Or if you would like to send in a text message, you can type it in the Q&A box.

Our first question comes from the line of Mohammed Al Rasheed. Mohammed, your line is open. Please go ahead.

Mohammed Thank you, gentlemen for the presentation, and congrats on the results. A couple of questions from my side. My first question is regarding your slight NIM revision down. So, I would like to understand whether it's mainly driven by higher anticipated cost fund due to liquidity, or would it be because of lower assets yield than expected, which can be due to differences in expectation in terms of the mix of the growth, or because of higher competition? That's my first question.

My second question is regarding your cost of risk. So, we noticed that in the first quarter, you have booked around 355 million reversal related to off balance sheet commitment, while in the fourth quarter I think you booked around 270 million to 280 million provision on off balance sheet. So, can you please help me understand what's driving this volatility in the off balance sheet reversal? And is the reverse on this quarter related to the provision book during the first quarter or not?

And my final questions regarding your RWA intensity. We witnessed a drop around 200 something basis points on a quarter-over-quarter basis. So, your credit risk increased by around 2 billion year to date, while your corporate book alone grew by 5.8 billion. So, this tells me that most of your corporate book was toward exposure with lower than 100 risk weight, which means that maybe project finance growth wasn't as strong as other segments of the corporate portfolio. So, color on that would be very helpful. Thank you.

Adel Thank you. Mohammed. I'll take the three questions. So, the first question on the NIMs or revision, this actually relates to what we are anticipating, and this is what we have seen also during the quarter for elevated cost of funding for the remaining of the year, so that would be the main driver for the revision that we are seeing. Previously we have, as you know, the flattish NIMs still zero to minus ten, five basis points more on the lower range of the guidance. But I would refer this back to mostly anticipation on what we would see for the remaining nine months of the year on the cost of funding side.

On the cost of risk, there was with during the quarter most were related to two accounts, explicitly on the non-funded exposure. That was an unfunded and it's obviously once become a stage 3 and an NPL, it gets migrated to on balance sheet. And that's why you'll see the provision, the on balance sheet provision will be higher as compared to the non-funded provision.

On the risk weighted assets density for Q1, yes, it's lower in Q1 if you look at where we were in Q4 or the full year last year, and this was primarily for certain equity eligible collaterals that were taken into account in calculating the risk weighted assets as part of the process the bank does on trying to optimize the risk density given the level where it's hard. So, I hope this answers them.

Mohammed Okay. Would it be possible to share what's the benefit in terms of basis points of incorporating this equity as a collateral?

Adel That would be around a basis point or slightly lower than that.

Mohammed Okay, very clear. And just to confirm my understanding, so basically the provisions on the off balance sheet was removed to stage three on balance sheet, and hence you reverse the provision you took in the fourth quarter on off balance sheet, so it was basically a reclassification?

Mohammed Very clear. Thank you.

Shabbir Thank you. We'll now move to the next question. This is from the line of Naresh Bilindani. Naresh, your line should be open.

Naresh	Naresh from Jefferies. Thank you for the presentation. A few questions, please. One is, it's a bit more of a qualitative question. I'm just keen to understand in the context of your NIM guidance change, could you just provide some, even if approximate levels of pricing in the high grade corporate lending in the country? Do you believe that there's some rational pick up through pricing banks? I mean, are banks able to pass on the liquidity premium a lot more effectively into the book than they were in the previous quarter? So, any thoughts there would be very helpful. That's the first question. My second question is on asset quality. Just keen to hear your insights into the steady build up that we've seen in the corporate NPLs. I think the bottom was in Q2 and since then, we've consistently seen the NPLs on the corporate book increase. So, any thoughts there on what's driving this would be helpful. And my third question is actually on the fee income. I'm just keen to understand the mix of card fees, if I was comparing this to your previous quarters, it's dropped to roughly about 15% in Q1 and I think the historical levels this ratio always was above 20%. So just keen to understand what's caused this drop in the cards fee, please. Thank you.
Abdullah	I'll take the first part, actually, in addition to what the CFO previously mentioned about anticipated higher cost of funding due to the strong growth in the industry. And even if you look at SAMA numbers, you would see that the growth in total customer deposits in the market, which includes not just the ten listed banks, but also all the banks in the country, including foreign banks, the deposits, the growth in customer deposit was about 8% while the demand of private sector was up by 15%. So it tells you that the growth in loans is more than the growth of deposits, and that's one part. And I would also add typically in these periods where we see higher cost of funding, typically banks increase their spreads to their customers. And that is sort of almost everybody in that line, which makes sense. It's rational. Cost of funding, you try to pass some of that cost to your clients, but not during this period. I think this period is unlike all the periods where rational decisions amongst banks is made, clearly higher cost of funding, let's pass some of that through higher spreads to the customer. We don't see that, and that's the reason why I mean the combination of both, or the reason why we reduced our NIM guidance by five basis points. The other question:
Adel	So on the NPLs as you rightly referred to, on the corporate side, so we have been at the level of 1.1 billion back in Q2 last year. This was elevated in the last two quarters, specifically in Q1 but this is two parts. One is the increase that we are seeing

recently and for the quarter was just a normal migration with certain accounts, as per the model. But just to have to take into account also Q2 where it maybe went to the lower level was also for which we disclosed at that time that there was also sizable write offs happening during that quarter, of which is Q2 last year. So, comparing to Q2 were some write-offs, sizable write-offs that has happened to also certain migrations into stage three that has happened for corporate book during Q1.

Maybe on the fee income on the cards business, or the cards income, you're right, the composition is dropping. We, as I mentioned, in the main drop of 4% year-on-year on the fees from banking services. This was mostly on the card services, and yet, that's why we're seeing the composition changing from what we used to see in the card related income.

I can say that the drop in card services was slightly on the income side, but also we have seen the increase in the expenses related to the fee income of the card businesses itself.

Naresh Okay, but there's no other factor that you would attribute? So higher expenses on the card fees, is it led by any regulatory change, or is this driven by higher incentives or costs related to the cards promotion? Is there any attributable reason for this drop?

Adel There is a slight change in the margin. It just like something that we would maybe expect to continue, but it just was the Q1 also, if you recall, the more utilizations mean more expenses that our bank would pay given the seasonality's from the first quarter of this year.

Naresh Okay, all right. Thank you very much.

Shabbir We now move to the next question. This is from the line of Olga Vesalova. Olga, your line should be open.

Olga Several questions please. One is on loan growth. We saw three consequent quarters of slowdown in loan growth, around 3%-3.5% per quarter versus a much higher quarterly run rate in the previous two years. My question is, why? You have been arguing that demand is ample, LDR is among the best in the sector, so why would you prefer to slow down? This is one.

Second question is on project finance. I actually very welcomed you disclosed this separately on slide 12, 70 billion project finance is about a third of total loans, and it was growing by 10% year over year, which means that the share of project finance and total financing was going down in the past 12 months. What would be your outlook on project finance? And am I right that you were earlier guiding that project finance would be around 50% of new credit issuance?

And my last question is on asset quality. Again, I appreciate your explanation that there was migration from off balance sheet to on balance sheet, and there was a stage three pickup, but stage two ratio went up as well. So, what makes you comfortable to improve full year cost of risk guidance, if there were increases in NPL stage two, stage three? And also in which segments were those migrations? Thank you.

Abdullah Thank you, Olga. I'll possibly cover the loan growth. With our guidance, the growth that we've seen in the first quarter is pretty much in line with our guidance of mid-teens. We did not intentionally slow down, but I think in the comment on the NIMs what I mentioned that some of the pricing that we've seen in the market may not be very attractive to us, and we could have grown more if we actually reduced our margins, which we don't, because we know there is higher cost of funding. Naturally, we should increase spreads, not actually reduce spreads. So I think this is in line with our forecasted growth.

In terms of the project finance, it's as a percentage, Adel, of the total portfolio? 33, 1/3 of the total portfolio is actually project finance. Jameel, do you want to comment on the project finance outlook?

Jameel Yes. There is continuous growth, but this is a matter with the business and this type of project. But maybe our large corporates also grow with a faster pace, which is one of the largest segments we have. There is that diversification within the entire portfolio of the corporate as well.

Adel Olga, on the last question on the changes and the reflection of the provisions from being off balance sheet to on balance sheet, and also your reference to the stage two coverage. So, as you know, automatically accounts that are already in stage two move to stage three. Ideally, they wouldn't take the exact coverage being in stage three versus the level of coverage that you would usually hold for stage two accounts. So, with the growth respect in the financing and also the outlook, even though we have this one movement, we didn't say it's a specific to a sector, but it's a normal movement as per the model. So, it's not something that we would see consistent to certain sectors. It's just one account it was moved. But again, maybe an explain, moving an account from stage two to three would immediately affect the overall stage two coverage, and of course would be also maybe impacting the stage three coverage lower mathematically, because of the certain minimum coverages for every stage.

Olga I see. Can I just double-check on your second answer? So 33% of your loans will be project financed. Do you think this share will be going up or down in the next several quarters?

Abdullah I think the demand of project finance as the pipeline for PPP title project is going to be still strong in the next years to come. However, as I mentioned before, we actually grew also much faster in terms of growth rates. In the mid corporates and the SME, I think they used to be below 10%, now they're 11% of the portfolio. This is a portfolio that we're really focused on growing. We're not reducing our appetite in terms of project finance. But as I mentioned, we will not take any project regardless of pricing. That's the reason.

Olga Thank you so much.

Shabbir Thank you. We'll now move to the next question. This is from the line of John Peace. John, please go ahead.

John Hi there. So, my first question, please, is on the non funded income growth. I just wondered if you could give us any thoughts on how fast it might grow this year, even if, for example, should it grow at the same pace as funded income growth? Just some thoughts, given the decline in the first quarter.

And the second question is on the change in guidance on cost income. Was that entirely related to slightly slow revenue growth with the lower margin, or was it related to the rate of absolute growth in costs? I just wondered if you might be able to comment on what you think the absolute growth rate of costs might be this year. Thank you.

Abdullah By the way, on the non-funded income, I think it's not mentioned in our comments before, we had a full month of Ramadan during Q1 this year. Typically, Ramadan falls some of it in Q1, some of it Q2. This time the full month of March was Ramadan, so that obviously, in certain transactions or certain customer transactions that generate fees, obviously had been impacted. And also, I think we have the aid that's also part of it. Adel, anything else? Okay.

On the cost to income ratio, our revision is not a significant revision. We said below 30. Now we say below 30.5. It's two things to reflect, for example, the anticipated cost of funding and lack of our ability to pass all that, or at least major part of that anticipated higher cost of funding to our customers through higher spreads, so obviously impacting our growth in the top line. But as I mentioned, I think in the strategy update, I mentioned that we are investing in different technologies, and I mentioned the example of Gen AI. I mentioned the example of purchasing GPUs and hiring experts in that area, in addition to the ten new graduates that we're taking them through a dedicated program. So, all these investments obviously have some impact on the growth of our operating expense. So, a combination of both is why we have amended or adjusted our guidance on cost income.

Adel Just maybe one point from the previous question, and then unfunded as well. Maybe I didn't mention when I was going through the financial performance, which is besides the 4% that we have seen as a drop year-on-year in the fee from banking services, it's also another naturally higher impact of 16 million year-on-year was lower investment gains and dividends. Which this is, as you know, technical by nature. This relates to the investments held at their fair value through the income statement, which is the nature of the business. I mean, this is near volatile by nature, so that's also impacting the drop in the overall money.

John Thank you.

Shabbir Thank you. Now we'll move to the next question. This is from the line of Jiro Ghosh. Jiro, your line should be open now. Give me one moment please.

Jiro Can you hear me?

Shabbir Yes. Can you go ahead?

Jiro Yes, fine. This is Jiro Ghoash from SICO Bahrain. So my question is related to your core tier one capital position. That still appears to be lower than your peers. So, at this kind of loan growth, would there be a requirement to eventually raise fresh capital? So that would be my question.

Adel So I believe you're referring to the T1 level, it has been one of the lowest in the market. Of course, this is still, by the way, well above the requirements. I would say the requirements is different when it comes to how we look at it. Of course, we have the internal limits, we more look into the overall capital tier one and tier two with relation to overall pillar one and pillar two risks. This is the way we look at it. As always mentioned, it was always trying, as far as the capital, to strike the balance between the growths in assets that we expect, but also to be able to also continue paying the dividends.

Jiro And just one more question. You have a big building and construction sector exposure, so with this white tax coming in, would you be better off, or would it have impact on the collateral and other things? I mean, how are you seeing it?

Abdullah The sector, the building construction, as you know, the whole country now is a big workshop. If you drive around the country, you can't look anywhere without seeing so many cranes. So, this business is booming. There's a lot of projects either happening or things that expected to come soon. So that sector, I mean, typically in a lower economic activities, high carry has higher risk. But I think the outlook for economic activities in the country that's relating to building so many things in the country is really positive for the next at least five years, I would say. So yes, obviously we have limits, internal limits in terms of appetite and board limits and so on. We are growing other sectors, things like green projects, for example, we will focus on. We're not aggressively growing there, but I'm telling you that business is very booming in the country now.

Jiro Okay, that's all from my side. Thank you.

Shabbir We'll now move to the next question. This is from the line of Murad Ensari.

Murad Thank you for the presentation. Just sticking to loan growth, what we've seen over the last two to three quarters is an acceleration in your consumer loan growth momentum. It's, I think, for first quarter, on a year on year basis, you're up about 20% versus last year. And at the start of the presentation, in the first few slides, you also give a breakdown of your retail portfolio, where I think the auto portfolio has grown considerably. It's still small in the overall context of things, but I just wanted to get a sense of the key drivers around here on loan growth. Is the rate environment a key driver here, or is there more focus from the bank in terms of some of these products, particularly when we see the kind of growth that we've seen in the auto portfolio?

Secondly, on provisions and coverages, you revised down your guidance or improved the guidance on cost of risk slightly. I mean, your NPL coverage on absolute level is very healthy, but I'm just trying to get a sense, are you looking to improve coverage on these various stages of stage two and stage three? Stage two in particular is well below where it used to be, closer to 20% before and now it's mid-teens. Is that something that we should expect to improve? And how does that tie in, in terms of your lower cost, slight reduction in cost of risk guidance? Thank you.

Abdullah I'll take the second part and leave the first part for our Deputy CEO. He's looking at the retail as part of this portfolio.

Now, in terms of cost of risk, certainly, I think I've been mentioning this for a while now, we want to continue to improve the coverage on stage two and specifically stage three. We want to be in line with the industry average. Sometimes the movement from stage two to stage three reduces the coverage, especially with the ones with overlays may reduce the overall coverage of stage two. But this is something that we continue to improve, and certainly it's taken to consideration to our current guidance of 40 to 50 basis points.

Saleh, you want to comment on the retail?

Saleh Hi, everyone. I think we reason for this high growth is not one reason, there's different reasons. As mentioned, we are the largest in terms of customers, retail customers, so the continuous acquisition of customers definitely will help us in selling more loans. As you know, the whole country's unemployment percentage is declining, so this would mean more bankable customers that we could extend our loans to. Plus, the normal things that we are doing in every customer journey that we focus in customer journeys, turnaround time for our product, digitalization of the products through our alternative channel, the training of the people and put the right and incentive in place to enhance the productivity of our agents in the branches or as outsource agents. For the auto lease and maybe also the mortgage, partnerships, so we go into other agreements and partnerships, and we focus on the whole journey of the client with our partners.

Murad Thank you. If I could add a follow up, on just on loan growth. Mr. Khalifa, just going back to what you had highlighted at some of the challenges in fourth quarter, particularly one was you had mentioned that in the fourth quarter funding costs had just gone exorbitantly high, with banks competing for deposits. I'm getting the impression from some of the other banks that that kind of competition has kind of eased off, or that extra bit that was there specifically in fourth quarter. Would you have the same view that that kind of extra impact on funding costs that has eased away?

And secondly, you've mentioned that there's pricing competition, there's competition for loans and you are deliberately shying away from lending on lower margins. This was something that was presented in the fourth quarter as well, which you talked about. And in fourth quarter, one of the impacts of that was that you had some prepayments come in as banks, or some of the customers refinanced with other banks were offering much more comparative rates. Would you still see that as a risk persisting in 2024 with some of the portfolio shifting away if pricing becomes too competitive?

Abdullah Thank you. I think in terms of the cost of funding that we've seen in Q4, it certainly eased off, but I wouldn't say it's back to the level that we've seen in the first half of '24. It's still a bit elevated, much lower than what we saw in Q4, but I think the competition deposit is there. That's what we anticipate going forward.

And I mentioned some of the statistics that the central bank population in terms of growth and customer deposits, 8% versus loan growth of 15%. So naturally, the demand is very strong going forward on loans, so that will continue to drive higher cost of funding, not necessarily to the level that really surprised us in Q4. I think it made to do also the year end sort of phenomena, but certainly eased off, but not significantly eased off.

In terms of price and competition, obviously, yes, we had prepayment in Q4. Some of it at least a lower pricing offer to our customers by some of the competition, which we didn't want to meet or match because we felt it was very low. Some of it was higher liquidity in certain customers due to payments, government projects and so on. But yes, part of it was the lower pricing on some of the loans of our customers.

Do I anticipate this lower or aggressive pricing to continue? The common sense says no. If you're expecting higher cost of funding, why would you be up doing the opposite by lowering your margin rather than increasing the margin, if not at least keeping the margin as is? But we know that in the market this could be some competition, certain projects or certain names, whatever, but I think the pie is also getting much bigger. And you know that, theoretically, should ease off the aggressive prices. So higher anticipated cost of funding, as well as much bigger pie, much bigger demand in credit, but it remains to be seen. We will obviously comment and listen every quarter on our earnings call. Thank you.

Murad Sure. Thank you so much.

Shabbir We'll move to the next question. This is from the line of Waruna Kumarage. Waruna, your line should be open, please.

Waruna Hello. Am I audible?

Shabbir Yes, go ahead.

Waruna Thank you very much. I have two questions. The first one is on the staging. As one of the previous attendees asked this question, if you aggregate corporate stage two and stage three, there is a notable jump in this quarter. It's I think about 3 billion, if you would adapt the two, about 2.6 billion in stage two increase. So, I just want to know whether there is any systemic trend that you are seeing, or is it like a one off blip for this increase in stage two in this particular quarter? That's my first question.

And secondly, in terms of the first quarter, in terms of funding, it's very impressive that you managed to gather the CASA, but despite that, you are not very positive on the cost of funding going forward. So, I'm just thinking, are you anticipating any transition of these deposits into time deposits going forward? That's it. Thank you.

Abdullah I'll take the second part. The anticipation on the higher than at least when we did the Q4 earnings call, we anticipate now a bit higher cost of funding because of the outlook of the loan growth. As I mentioned, certainly there's a big demand, there's larger connectivity's, which large projects in the pipeline, all this requiring financing. So, I would expect due to much higher growth in loans compared to the growth in customer deposits that means competition will be more aggressive in getting the deposits.

Yes, we're really focused on growing our CASA. I think over the last few years, we've shown strong record on growing that and we're going to continue to focus on that. But in terms of migrations and so on to the country, I think if you look at the first sort of the average for three months cyber in Q1 last year versus Q1 this year, it actually went down by almost 81 basis points. So it's not an occasion that would create more migration to timed deposit. But as I mentioned, the ultimate growth in loans will be higher than the growth of deposits, which means should translate to higher competition on deposit.

On the staging, Adel.

Adel On the staging, as we mentioned earlier, we always keen to improve the coverage, the coverage for this stage two and stage three. Just what we are seeing is the overall migrations as part of the model that we have isolated cases. It's not really a trend for certain sectors or group of customers within one sector moving together into different stages.

We have to be really mindful that also the stage coverage is also getting back to not only by the additions, but also you would have reforming customers that would have to serve some current period before the schedule goes back to the improved the stage being stage one or two. So that's basically the fact behind what we are seeing the. Of course, maybe looking into the sector stage two might be a bit lower. This was, as we mentioned, the movement that has also lowered the stage three coverage, but that's something we're always looking into it. And also, as a business as usual, you will see some also improving customer that will move backwards into better stages. It just they have to serve some current period as per the model.

Waruna Okay, so that doesn't necessarily, I mean in terms of coverage of stage two, although it has dropped over a period, from what you're saying, I gather that it doesn't mean that you will increase the coverage of stage two, because you expect some of these to move to stage one after the quarter end period, right?

Adel Something between, as mentioned before, the cost of risk guidance, the new revised one is slightly lower by five bps is also taking into account the improvement in the stage two and three coverages.

Waruna Okay. Thank you.

Shabbir We will move to the next question. One moment, please. This is from the line of Edmond.

Edmond I have a question. Can you help me understand how the lending mix will shift in the next 6 to 12 months? If I understand correctly, you will see less as a percentage of

	the total loan portfolio less project finance, and more mid-sized, large corporate credit exposure? And if that is true, I would assume that the project finance lending usually take more than 100, 120, or above 100% RWA? So we should compared probably 200 or below for some of the corporates and SMEs, so I will expect some capital saving here? If that is true, first question.
Abdullah	Obviously, as mentioned, the project finance is almost 1/3 of the whole portfolio. So naturally, the growth rate is very difficult to meet what's the growth rate that we've seen in mid-corporates or SMEs, because we start on a smaller base. We're really focused on growing all segments. We're among the leaders in project finance and we're going to continue to be a leader in project finance. We're not anticipating a slowdown in project finance, or our appetite has shifted to the country, whether it's a competitive advantage that we have or maintain it, we're investing in capabilities and continue to improve our capacity to take more projects. The projects, though, obviously the timing is like very frequent, every week or every month. Sometimes you had two weeks, months working on a project before it comes into the official awarding stage, so it takes time. But the number of projects we anticipate, whether it's renewables and infrastructure, significant amounts of projects in the pipeline, and the project size is typically the financing is large, so all of a sudden you would have significant growth here, maybe a little bit stability in a few months. And then you have growth, faster growth, so it will take time. In the mix of risk weighted, Adel?
Adel	The second point, we wouldn't really look at the business segment just purely from the angle of how much capital savings we would have. As you know, the normal business is taken by case by case, where we have the risk adjusted return capital that takes into account everything – pricing, business, other businesses, but also the capital chart, which is important given the nature of the business of the lending that we're providing in that certain segment. So, we didn't say that we're moving more toward having more mix in the mid and SME's just because of the capital savings. Just we are looking for every segments in totality.
Edmond	So if I understand correctly, you assume project finance to remain 1/3 for the next 12 months?
Abdullah	Actually, because depending on the project that we finance, it can even get higher than the one-third.
Edmond	Okay, perfect. The second question is on your cost of risk. Are you baking in any overlay for drop in oil prices and the guidance, or not?

Adel As you know, the IFRS 9 model that calculates whereby the ACL numbers are on output of this model takes into account the macroeconomic factors as part of the model. So, certainly the oil prices are part of the macroeconomic factors, but it's not as much of a weight that you would consider for other positive macroeconomic factors, taking unemployment levels and also the level of government spending as well.

Shabbir Okay, thank you very much. I think unfortunately we've run out of time. I think that I see a couple of text questions. Please reach out to the investor relations team. I'll now hand it back to the management for any concluding remarks before we close the call.

Arwa Thank you, Shabbir. Thank you, everyone. If there are any follow up questions, please contact us through our email ir@alinma.com or my personal email, which you have in my signature. Thank you so much.

Shabbir Thank you very much, everyone, and thanks for joining. Have a nice day.