

Mehmet

Good afternoon, ladies and gentlemen, and welcome to alinma's Full Year 2025 earnings call. This is Mehmet Sevim from JP Morgan's CMEA Financials research team, and we're honored to host alinma's management today.

Without further ado, I'll now hand the floor to Arwa Alshehri, Head of Investor Relations, to begin the call.

Arwa

Thank you, Mehmet and JPM for hosting this call. Good day, everyone, welcome, and thank you for joining us after we met earlier in the Bank Strategy 2030 Reveal call.

On that, I would like to let you all know that the Webcast replay is now available in the newly launched strategy tab in the IR website to maintain transparency and continuous disclosure. Presenting first is our dear MD & CEO, Mr. Abdullah AlKhalifa. He will begin by providing an overview of the bank's performance and financial highlights, followed by the strategy overview.

After that Our CFO, Mr. Adel Abalkhail, will be presenting a detailed financial performance for the full year 2025, concluding with the guidance for the rest of the year. As always, we'll make sure to make proper time for Q&A. Where we will be addressing your question, along with our Deputy CEO, Mr. Saleh Alzumaie, covering retail, private, and digital, and Chief Corporate Officer Mr. Jameel AlHamdan. With that, I will pass the floor to you Abu Faisal.

Abdullah

Thank you Arwa. Hello and welcome, everyone, I'll start my presentation on slide number 6, high-level performance review. Our financing, or our loan portfolio, increased by 14% to reach 229.7, total assets increased to 311.1, 12% year-to-date. That puts us now as the fifth largest bank in the country.

Our operating income increased 9%, net income increased by 10%, NPL ratio is 92 basis point, and our coverage ratio is 150%. Our Q4 customer deposit is 227.4, an 8% increase. However, CASA increase is only now down to 1%. I think we had large movement towards the end of the quarter, Q4, by some of the government and quasi-government institutions. That's why, if you recall, we were showing significant growth up to the September, up to Q3.

As a result, CASA the percentage of deposits declined to 48.3%. Cost-to-income ratio is 31.2. Net profit margin was about 23 basis points to 3.47%. And ROE growth to 18.7%. Now, as you know, 2025 is the end of our previous strategy, 5-year strategy. And as a result, I'm going to show you just the results, quick results of that strategy and the accomplishments during those 5 years on slide number 8. I've seen we've been growing our assets from 2020 to end of 2025 at an average growth rate of 15% per annum. Our loan portfolio is also similar growth, 15%. Our customer

deposit not far off, by 14% on an annual basis. CASA was growing at 9%, would have been higher if we had, did not have that loss at the end of, Q4.

Corporate financing loans has grown by 14% on average. Project finance, including that, was growing at a faster, at 15%. Mid-corporate, as you recall, we didn't have actually any focus on mid-corporates. grew at an astonishing rate of 111% per annum to reach 15.1 billion from the base of 2021. Actually, we didn't have much in 2020, so it's 750Mn. SME is growing at a fast rate of 27% to reach 12 billion. Our retail is growing much faster than the industry. It's growing at an average growth rate of 20%. to reach a total portfolio of 59.2. Mortgage had even faster growth of 11.5 to 29.3, that's an average growth rate of 21%. Auto loans and revolving credit card, we had none, at the end of 2020. Now it reached the level of auto loans at 3.9 billion and 1.1 billion for revolving credit cards.

Another thing that we're very proud of, if you look at return equity, we started with a low base of 8.4%. And now we close the 2025 at 18.7%. That's 10.3 percentage point increase over that period. Return on assets also increased by, from 1.4% to 2.2%, and cost of income improved from 36.4% down to 31.2%. Now, the next slide, I'm going to take you quickly through a 2030 strategy. We did a full presentation on January 14th. But I'll just be very quick clear into summarizing the headlines in our strategy. So, if you recall, our previous strategy was really mainly focused on fastest and most convenient bank. That was important, because of the digital transformation required. As well as the expanding our customer base. So now we're shifting to, to be the most innovative and customer-centric bank in the country, with a clear focus on profitability, building distinctive differentiation. Now, if you look at the components of that, most customer-centric, we want to focus on seamless and memorable AI-powered journeys we want to be, the main bank for all our clients, which we are going to mention in the details to follow. And also most innovative means we lead with cutting-edge technology. AI is a strong component of our 2030 strategy. We're going to focus on it.

On the profitability, we want to drive profitability through a scalable operating model. Improve monetization and streaming cross-functional collaboration. On slide number 10 gives more details by business. Again, that's headline, you probably have seen more details in the presentation in January, but for Retail Bank, we aspire to primacy with all customer segments that we serve. We want to also have all our customers have memorable journeys, customer journey, across digital and also physical channels. In private banking, we want to set up market differentiating. And proposition for our clients, and also world-class, and exclusive local investments, opportunities. For corporate banking, similar thing, we aspire to primacy for all our customers that we serve. And also want to create even more distinctive page on SME financing. Upgrade transactional banking for large corporates to become the private sector preferred gateway in the kingdom.

For digital bank, obviously, when we talk about innovations and so on, that they're going to play a continuously important role there. So, for Digital Bank, we want to develop an intelligent banking platform to drive primacy. We want to launch beyond banking digital offering, leveraging strategic partnerships and investments to drive innovation.

Treasury, we want to continue to expand our array of, funding instruments. From local and international partners want to shift investment composition to better yield enhancements without taking significant risk there.

On the next slide, cover another line, like in human capital, who aspire to be the leading employer of choice among the Saudi banking sector on AI, digital, and on technology and data. We established a bank as a digital leader to drive innovation in technology and data that sets local benchmarks.

On credit risk and compliance, we also have a leading risk-adjusted decisions on pricing practices and marketing want to be among the top 5 brands in the country, not just among banks, but all corporates or brands in corporates. Operation Market Leader and Operation Excellence. By driving digitalization and client-first mindset. So that was a quick, as I mentioned, we've actually covered more in detail In our January meeting. With that, I give the floor to our CFO to take you through the, detailed financial performance.

Adel

Thank you. Very good afternoon to you all, and welcome again to our earnings call for Q4 2025 results. I will start with the financial performance with the details, then that will be, as usual, followed by an outlook and the guidance for 2026.

So, starting with slide number 13 on the overall balance sheet trend. The total asset growth is 12% year-on-year. Total assets has reached 311 billion by end of December, which, as mentioned by the CEO earlier, the next alinma Bank is the fifth largest bank as of December, in terms of total assets. But also the total liabilities, we've seen 12% growth in the overall liabilities, clearly driven by 8% growth in deposits, which we'll come to later. But also, if you can see in the graph, in the bottom right graph. The, the growth of 7.6 billion, these are the new source of fundings, ranging from senior unsecured and also the certificates of deposit that we have issued throughout 2025.

Moving to next slide, slide number 14 on the P&L trend. Overall net income year-on-year is 10%. The growth, that was driven, mainly by the growth in funded income, of 8%, also non-funded income has grown year on year 10% that was upset by 10% growth in the operating expenses, and we have 11% overall impairment, lower impairment charge year on year.

So the operating income composition by December, around 80% of the funded income, and also the 15% would be relating to the pure fees, from banking services, and we have the investment gains and dividends related, plus the exchange income, 3% each.

Moving to, slide number 15 on the financing, as you can see in the top left graph, Q4, the growth in financing was a bit slowing down in sequential basis, 1%. That was mostly driven by retail that has grown by 3.6 billion. The growth year-on-year, retail portfolio overall was, 17% versus 12% on the corporate portfolio. The financing composition did not change, 25% as of December for retail and 75% for corporate. 63% relates to project finance and large corporate. 52% of the 63% relates to the project financing. Mid-corporate, represents 6% of the portfolio, 5% for the SMEs. And the consumer financing and mortgage, is 13% each as end of December.

On the second slide, slide, on the next slide, slide number 16, on the deposits, as you can see from the graph, total deposits has dropped 3% on a sequential basis. However, year-on-year, we have seen 8% growth. CASA was 1% growth, but 16% was the growth on the time deposits. The lower growth in CASA, from what we have seen, Q3, has lowered the CASA as a percentage of total deposits being 48.3% from what it was same period last year at 51.6%. The overall deposits, 65% of them is being managed by retail, and the remaining is managed by the non-retail segments within the bank.

On slide number 17, on the NIMS and the income from financing and investment. Given the slower growth that we have seen in the financing side, almost the total funded income on a sequential basis was flat. However, year on year, the growth was 8%, was driven by 6% growth in the financing, and also an 18% growth in the investment income. So, on the NIMS movement, we have seen a contraction on the NIMS by 23 basis points from the same period last year, and this was mainly a drop on 51 basis points from the financing yield. This was offset by 25 basis points improvement in the overall cost of fund, and also we have 2 basis points improvement in the investments-related yield.

So the net profit margin at the 23 basis points, year-on-year contraction. However, we have seen a sequential basis, 8 basis points improvement in Q4 versus Q3. Q3, NIMs were 3.38%. While the Q4, standing alone Q4 was 3.46%.

Moving on slide number 18, on the fees, and non-funded income we have seen a very good growth on a sequential basis for Q4, 21%. And also, year-on-year, the growth is 10%, as mentioned earlier, the fees related from banking services was 8%. We have seen a drop on the FX income year-on-year by 4%, but this was also upset by the investment gains and dividends, and also, other income. The overall fees composition as of December, mostly in the fund management, 36%. We have 22% relates to card services. And also, we have trade-related fees is 13%, 8% is the

brokerage fees, and there are other fees, other cash management-related fees, representing 21% of the overall fees, at the end of December.

On the next slide, slide number 19 on the operating expenses, we have seen a pickup on a sequential basis, 3%. There was one-off there in Q4. However, overall, year-on-year, 10% growth was mostly personal-related cost was 9%, and also we have seen the other G&A 8%, 22% have been those smaller based on the depreciation and amortization, but in that amount, the increase is 77 million. This increase in the cost, with, 8.8% growth in overall operating income with 9.8% growth in overall OPEX, I think, drove the cost-to-income, ratio to be 31.2%, up from 30.9%. However, this cost-to-income ratio by year-end is lower, where we have seen nine months, where it was 31.6% by end of September.

Slide number 20 on the impairment, we have seen 15% growth on a sequential basis. However, the overall impairment year-on-year is lower, by 2%. So the overall impairment allowance is a balance. Most of it, 82%, obviously relates to corporate. And 18% relates to retail. So we have seen, cost of risk reaching 47 basis points by end of December, versus where we were, same period last year, where it was 55 basis points.

On the next slide, on the NPLs and NPL coverage, we have seen a 22% drop on the NPLs for Q4. And Barclay, part of that is mostly movements, but also there is impact of the write-offs that the bank has done during Q4. This has dropped the NPL ratio from Q3 1.2% to be 92 basis points by end of December. Also coverage ratio has dropped from 158% to, still 150%, 150.3% on the stage-wise coverage, we might notice that the stage 3 coverage, went down from September, it was 66.4%, it's standing at 45.6%, and part of that would be related to the write-offs that I mentioned earlier.

Slide number 22 relating to the capitalization and liquidity, the overall Tier 1 and Tier 2 for Pillar 1 risks stands at almost 20% by the end of the year. The ROE standing at 18.7%. It's a 10 basis point drop from where we were last year. Looking at the prudential ratios, LCR is at 131%, which is still well above the regulatory minimum, and also we have seen a pickup in the LDR is still way below the regulatory maximum, standing at 82.1%, and NSFR remained healthy at 110.5% by December.

In the next section on the slide 24, on the guidance for this year, and where we are with the guidance for this year, and also next year. So, for 2025, the mid-teens guidance was achieved on the financing growth, where we closed the year by 14%. On the NIMS, the guidance was 10 to 20 basis points. The contraction was 23 basis points, which is 3 basis points at the lower end of the guidance. Cost to income is going to 0.20 points per thousand, higher than the guidance given, which is below, 31%. However, for return on equity, cost of risk, and also the total CAR, it's all within the communicated guidance for 2025.

Looking into the guidance for 2026, the financing growth to be, at low teens throughout 2026. The guidance for net profit margins is a further lower contraction, and we're guiding for 5 to 10 basis points contraction for 2026. The cost-to-income ratio guidance is below 30.5%, and also return on equity guidance, is above 19%. Cost of risk is 45 to 35 basis points for 2026. And the CAR Pillar one for Tier 1 and Tier 2 capital is around 19%.

Just a quick reminder on 2030 guidance, what we have communicated back in January, for the asset growth, low double digits on a CAGR basis. Return on equity above a 22% cost-to-income ratio below 28.6%, and the overall CAR for Pillar 1, Tier 1, and Tier 2 capital to be above 18%. So with that, I will hand it back to the operator for the Q&A. Thank you.

Operator

We'll now start with the Q&A, and our first question comes from Olga Veselova of Bank of America. Please unmute yourself to ask your question.

Olga

Good day, and thank you for taking my questions. I have three. First question is on provisioning Outlook. What makes you comfortable to guide decline in cost of risk this year? And it actually... the guidance is below through the cycle normalized level for alinma. How does this sit with the increase in cost of risk in the fourth quarter and a decline in coverage ratios by the end of the year? So that's question number one. Question number two is on margin, on asset yield. Do you do repricing of existing or only new corporate loans, and by how much do you amend spreads over cyber? And maybe even more important, how much more room do you think you can have to keep repricing, spreads on financing? And my last question is on... on fees. There was a very nice pickup in fees quarter over quarter by the end of the year. Which... so, were there any one-offs, and what were the drivers in this quarter? And what would be your estimate of impact from recent regulatory changes on fees in the first quarter. Thank you.

Abdullah

Okay, Olga. Obviously, on the cost of risk, it's in line with the good economic conditions in the country, in all aspects, all sectors are doing very well with these projects that's happening in the country. The country is really a huge workshop, plenty of activities. You know, whether it's in real estate, whether it's manufacturing, whether it's on tourism, entertainment, renewables, you name it.

So these are, obviously, have a positive impact on cost of risk typically. The other thing is also it's in line with the trend that you see in the market for us. We've been always higher as a conservative bank in deciding on the provision, the staging, and so on. We've always been, over the last 5 years, higher than the market average.

However, this has been also a declining, cost of risk throughout the last few years. And we believe that even with the strong, economic conditions. I've always had this view that you shouldn't have significantly low cost of risk. So, I've been transparent with the investors, and I'm not saying that you know, even in good conditions, we should have at least 40. If it goes below 40, should not go significantly below that. So we're comfortable with that level of cost of risk.

On the asset yield repricing, obviously, as you know, the portfolio is segmented in most of the retail, or all the retail, actually. Exposure is not re-priceable. However, there is always a refinancing and top up that gives you a chance to improve on the yield on the portfolio. In corporate, you know, also depends if you look at syndicated loans it is highly unlikely to have flexibility to reprice. On bilaterals, you have better options and repricing, especially on new facilities, or renewed facilities, like revolving. Working capital and so on. And we've, we've seen a better trend in the last half of the year. with our ability to reprice. I would say towards the most of the second half last year and the first half this year, we've seen this aggressive pricing, and I think that is now disappearing in the markets, and that helped us in repricing some of the assets that we have. On the fees, Adel?

Adel

Olga, on the fees, on a sequential basis from Q3, there was an increase in the overall fees. Part of it is business as usual, but definitely there was, someone else there, not all of it one-offs, but, this is, in line with, what we have mentioned before about a continuous effort to improve our collaboration with certain this relates to card services income, and this is part of our continuous improvement on the operating model that we have with most of the card, schemes and providers that we continue to improve, which reflects positively on the P&L.

Olga

Thank you, and impact from the recent regulatory changes?

Saleh

Hi, everyone. Yes, there are, SAMA attended toward the end of the year, some changes, especially in the consumers. We've calculated this, and we budgeted for next year. We know that there is new ways that we could generate more fees, especially we focus now on the bank assurance and other fees, so the good thing that is communicate to us before our budget for 2026, and we do believe there are some impacts but not that significant. It's towards some services and products, and it will become through other fee income products that we will introduce this year.

Olga

Thank you.

Operator

As a reminder, if you wish to ask a question, please use the raise hand function at the bottom of your Zoom screen. If you have dialled in, please select star 9 to raise your hand and star 6 to unmute. The next question comes from John Peace from UBS. Please unmute yourself and ask your question.

Jon

Oh, hi, thank you very much for taking the questions. So, firstly, on the NIM, sorry if I missed it, but how many rate cuts do you assume, and what is your, liability mix, or your CASA assumption that's embedded within the NIM guidance? And then second question, please, on cost growth, could you give us an idea of what the absolute run rate of cost growth might be in 2026? And then finally, and sorry if I missed it, do you have a CET1 ratio for year-end? And, I know you've done the bonus issue, but is there a cash dividend as well? Thank you.

Adel

Yeah, hi, John. So, the rate cut, whenever we, construct our business plan, we take whatever the market with, would, would assume. So probably, what, at that time, when, when our, targets has been set for the year, is probably, one rate cut, another rate cut could be toward the end of the year. and we don't really disclose the mix of those liabilities, where it's, there are, of course, internal targets for both IBs and NIBS, of course, and the CASA also, but it's part of the overall calculation of the NIMS guidance. I would say we didn't close really the targets of the CASA as a percentage total deposits, as a specific guidance.

On the cost, it's, we are, as mentioned, there are still, we are getting into a new strategy, of course, we'll continue to invest. However, if you recall, we have mentioned in our call, I don't know if you were there or not, in January, part of the strategy is also to build a braiding model all around AI. We have been talking about 600 to 1 billion financial impacts of what we are trying to do for the next 5 years. And 35% of that is relating to growth efficiency. So, of course, that is part of the overall growth direction. So, the 10% growth that we have this year is technically a rounded number. It's single-digit 9.8%. However, we always continue to look for the facts here and there, but also the implementation of the new strategy is definitely going to be driven part of it are going to be driven for the efficiency.

On the CET1, on looking into at least where we are on the market, we're number 7 when it comes to the CET1. We're still around slightly above the 13% CET1, So that, still did not change much as end of December, because even any cash dividends that would be announced. which we didn't, it would still be reflected in the subsequent period rather than December's reporting period itself. Hopefully that... hope that answered the question of CET1.

Jon Yes, and sorry, just to confirm on the dividend, did you announce the cash dividend yet, or is it just the bonus issue? Thank you.

Adel We did announce the bonus shares, already right after the announcement of the results.

Jon Okay, thank you.

Operator Okay, the next question is from Rahul Bajaj from Citi. Please unmute yourself and ask your question.

Rahul Hi, this is Rahul Bajaj from Citi. I have two quick questions, actually. First one is on stage 2 and 3 coverage. I see the coverage levels have declined, quite materially in the final quarter of 2025. Actually, it's the lowest level in the last several quarters. Are you looking to build coverage levels from these levels, coverage from these levels for Stage 2 and Stage 3, or you think the current levels are kind of etiquette, so you'll run with that. So that is my first question. My second question is on the growth rate we've seen in the investment portfolio, which has been much stronger than the financing sort of book growth. Is this a deliberate strategy to grow investment portfolio at this stage, and going forward, how should we think about growth in the investment book Vs the growth in the financing book? Thank you.

Abdullah Thank you, Raul. Obviously, I think Adel mentioned in his presentation that the drop in Stage 3 coverage ratio, that was main reason for this was the write-off that took place in Q4. Obviously, when we write out for loans, 100% provision against 100% exposure. And which is 100% coverage, so that, obviously, when you write it off, both sides disappear, mathematically lower the coverage ratio, and certainly, it's not the level that we want to maintain. We want to continue to increase that and go back to within the line of the average of the markets. And in term growth, rate, growth in investment portfolio. Obviously, as our business grows, we have to buy more high-quality liquid assets, and obviously, for us, it's mainly Saudi government sukuk. The funding part of that is much easier, because obviously you can do a repo, we can also finance it from Interbank, finance it from the equity, growth and equity, and finance it from the extra remaining deposit that you get from the client, because obviously, LDR is 90%, so whatever extra deposit is used for investment.

Operator And the next question is from Naresh Bilandani from Jefferies. Please unmute yourself and ask your question.

Naresh

Yes, hi, thank you very much. It's, Naresh from Jefferies. Three questions, please. One, does the current CAR guidance build in an AT1 issuance this year, or do you believe that the capital buildup will be done internally, only? That's the first question.

The second, on the write-off that you have reported, is this a bilateral exposure which was specific to Alinma that moved the needle? Or was this exposure syndicated among, other banks, too, within the industry? And my third question is, As you discussed earlier, I hear your comfort on the cost of risk, given the current economic momentum, but given your significant exposure to project finance, just keen to understand if you have had any exposure to projects that have been cancelled or scaled back, and how do you see your comfort on these exposures? So three questions. So, you know, the power guidance and build-up internally, or AT1, the write-off with that was specific to alinma, or syndicated among banks, and your comfort, on the cost of risk and exposure to approach projects that have been cancelled, or scaled back. Thank you.

Abdullah

Thank you, Nareesh. Obviously, on the CAR guidance, certainly, we've been very clear that, we'll continue to tap in the international markets. We have a 5 billion Riyal Tier 1 sukuk coming for callability in July. And, as I'll mention, clearly, that's always going to pull back in time, because that's the market expectation, we call back, on the first calling period, something that we continue to do, so unless the appetite disappeared from the international market, then that'll be a different, scenario, but in our plan, we are going to go and issue for more of Tier 1 or Tier 2, or a combination of both.

On the write-off, it's bilateral loans, not syndicated. On the cost of risk, Nareesh you mentioned that you know, because of our exposure to project finance, most of the project finance that we've done is really to do with either renewable, utility, sewage treatment with the clear uptake by, ultimately, government entities. We don't see any risk there. In fact, we should carry much lower cost of risk for those types of projects.

Nareesh

Understood, that's very clear. Thank you.

Operator

And the next question is from Murad Ansari. Please unmute yourself and ask your question.

Murad

Yes, hi, good afternoon. Thanks for the presentation. On the NIMS guidance, so, for this year, you're guiding to a small compression. I just wanted to get a sense of, A,

how the liquidity situation in the domestic market has been, given that we've seen a slowdown across the sector on loan growth momentum, and at least some of the other banks that have come up with guidance for next year are guiding to, you know, single-digit or mid-single-digit kind of growth, so it seems like the pressure on liquidity probably is not going to be as much as it was over the last couple of years.

So that liquidity situation, and also, how does that feed into your NIM guidance? I mean, I would have thought that given how the pressures have been on, on liquidity, and, and given that we've, on funding costs. My impression was that we might see funding costs coming off at a faster pace versus the asset-year decline. So just your thoughts on that. I mean, the decline in NIMS, is that more driven primarily by the impact of the rate cuts.

My second question is on the loan growth spread, I mean, in terms of sectors, or rather, in terms of segment consumer versus corporate, how do you see 2026 to be more, again, stronger? Do you expect corporate to be stronger? And fourth quarter, as you mentioned in the presentation, was quite strong on retail, so just your thoughts on what's driven that.

And finally, on dividends. So, you've been very, I think, transparent about talking about your views on capital and how to build that up. It appears that the fourth quarter dividend has been skipped, and we've got a Stock dividend, this quarter. How should we think about, 2026 in terms of dividends? You're the only bank that pays out a quarterly dividend, or has a history. So has your... you know, are you comfortable with where your capital ratios have improved to after this dividend skip, and... What should we think about in terms of dividends going into 2026? Thank you.

Abdullah

Thank you, Murad. On the liquidity, I wish I can say that liquidity will be going to improve in 2026. I've heard about some of the guidance that some of our banks gave in, maybe, mid-high single digits. If that's the case for the industry, that's good news. That means less competition on deposits, yes, the rate is expected to go down. However, the amounts or the number of basis points that banks are paying on top of that. It's not really helping to get the benefits of the decline in rates. So that's our assumption, that we built it there, that liquidity costs will still be... or liquidity itself will be still tight.

On the long growth, yeah, we're very comfortable with the loan growth demands, not only next year, but I would say easily the next 3 to 5 years we're comfortable with the growth on both sides. On the wholesale side, there's obviously, as I mentioned, there's a lot of activities, a lot of sectors. In fact, there are new sectors in the economy that haven't yet came for a significant demand for credit, something like mining, maybe tourism and defines industries and so on. These are segments we

know it's in the country vision, but we have not translated that into yet strong demand of credit. It's most likely gone come.

On the retail side, unemployment is low, demand portability on mortgage is helping, so that the demographics are young, so I think that will continue to have a strong demand on retail.

On the dividend side, obviously, again, we've been in multiple occasions, talking to the investors and analysts has been clear that you know, we know that we have strong demand on credit, we know that we needed to continue to have the capacity to continue to grow from the liquidity side, which would diversifying, obviously, in multiple instruments and multiple regions to get the liquidity.

However, on the CAR. Certainly, the, Sukuk, Tier 1, Tier 2 help, but as we need also to improve on, generating internal capital, you know, we announced in Q4 bonus shares, we have not announced dividends whether the board will decide on it or not, but, I mean, our announcement is clear, it's a bonus share. I think if you go back in a short history, in 2023, we did issue also a bonus share for Q4, and we did not pay any cash dividends for Q4 and I think, you know, next year, 2026, will be certainly lower pay out ratios than what we've seen, like, in the first 9 months of the year, we were paying, I think, an average 47 basis points... 47% pay out ratio, so that will be lower.

Murad

Great, thank you.

Operator

And the next question comes from Adnan Farouq from Jadwa. Please unmute yourself and ask your question.

Adnan

Hi, Assalamu alaykum. Thank you for the presentation and the call. A couple of questions from my end. First was on the... when you were describing the costs in the fourth quarter, did I hear you correct? There were one-offs in the cost? Can you quantify how much were those one-offs? And secondly, on the write-offs that took place, can you tell us which sectors where they related to?

Adel

So Adnan, on the, first question, we mentioned that, Q4 if you see on a sequential basis, OPEX we're a bit higher than what we have for Q3. It's not one off set, it's a part of the increase is also a one off, by nature, didn't expect that to be repeated, so, yes, there was part of it, not really material, but it's still a one-off that was recorded during Q4, within the G&A.

Jameel On the write-off sector, it's a contracting and construction, it's a legacy lending that was for many years, but however, we did write off during this year.

Adnan Thank you.

Operator And the next question comes from Shabir Malik from Morgan Stanley. Please unmute yourself and ask your question. Shabbir please unmute yourself?

Arwa Can we take the next question in line, and then come back to Shabir if he's still raising his hand?

Rahul Yep, his audio doesn't seem to be working. So the next question will come from Abdullah Al-Buraidi. Please unmute yourself and ask your question.

Abdullah Yeah, hello, am I audible? Yeah, thank you very much, and congrats for the very, very great results. I have a few questions. The first one regarding, the asset pricing. We noticed, that the asset yield spread versus SAIBOR has increased, this quarter, which is, typical given that, cost of funding repricing is quicker than the asset yield. But if we look at the pricing table for 2024, which is... I know it is outdated by now, and compare it with 2023, we notice that most of assets has turned to be repriced in the first 3 months to be between 3 to 6 months. So, should we expect that asset yield versus SABIOR to be under slight pressure, in the first and second quarter for this year. This is for, the first question.

The second question regarding the other income, we noticed a huge pickup in the fourth quarter, and now the, sorry, not the other income, the non-funding income. And now the non-funding income consists out of one-fifth of the operating profit. So how should we see this going forward? Especially that, with, maybe lower, mega and giga projects, pickup, the exchange income might be impacted a bit.

The last question regarding the mortgages, we noticed that, big players with high duration, mismatch has a slowdown in mortgages and started securitization, and Alinma given the balanced, duration of the book that, it has, it might be an advantage to take advantage of such mortgage uptick. How do you see this going through?

Adel So maybe in the first, two parts, I'll take two parts, the repricing and also the fees part, or the non-funded income of the other income side. So the repricing, we're

targeting today to upload our 2025 financials, where you will see as you rightly said, maybe 2024 is a bit, one year back. But you will still see on the, on the note of the financial statement where we segregate the repricing on the asset side, you will see there is still about the big gap on the net assets, which exposes positively. If there are rates increased, then obviously it will be negatively, or vice versa. So, so that's, that's on the repricing. Of course, repricing, that would maybe somehow relate to the sensitivity as well, which is something theoretical when, as you know, when you look at the note itself tells you either. However, the mix of the corporates, you'll tend usually to extend the benchmark rates on the lower benchmark rates environment, versus if rates are picking up, so... The financials will be out, so we'll give the most recent picture about the net commission sensitivity, net assets that we have.

On the other income on the, non-funded income, as I mentioned, besides there was an improvement on the operating model, again, on the CAR that affected the CAR business. But the other income also, it's volatile in nature. You'll see, certain increases in certain quarters, certain drops, because the part of the non-funded income that is not relating directly to the fees for banking services. It includes, as you know, the... those three investments related mark-to-market, that is held, as, as a fair valuation through the income statement, at least our volatile nature. This is including mostly the funds, that we are investing in, and we do the NTM on a monthly basis, so that's why we have seen a pickup on that. And also, there were other small other incomes that have been added to the non-funded income on the other income side.

On the mortgage side, I think the question was.

Saleh

If I understand you well, that there is a drop in the mortgage market, in the market, but we are increasing. Yes, due to this, our strategy, if you remember, in the last five years, we focused on customer acquisition, and we did.

Today, we are ranked as the third largest customer base in the country, and this reflects and, and the effort, sold to our customers, mortgage, as you mentioned. And also, increasing our liabilities and current account this is a result of the acquisition. Now we cultivate the strategy, of the first five years of customer acquisition, and we'll continue to lead the market and retail in the coming years and so.

Abdullah

Okay, just to follow up on the non-funded income, so do you see it to grow faster than the funded income, or within the same pace?

Adel

So, as we don't really guide on the non-funded income separately, however, we've been communicating as part of also the strategy communication that the non-funded income part of the P&L is a focus by management and there are certain areas, definitely, I know we are maybe in the lower side of the market average when it comes to non-funded income as a percentage of total operating income, so certainly there are rooms for improvements within that, but we don't specifically guide as a percentage of the total operating income.

Abdullah

Thank you very much, and wishing you all the best.

Operator

And the next question come from Nauman Khan. Please unmute yourself to ask your question.

Nauman

Good morning, good day. Can you hear me? Hello?

Abdullah

Nauman, we can hear you, please go ahead.

Nauman

Yeah, thank you. Sorry, I think I had some problems with it. I think the majority of my questions have been answered. I just wanted to have a sense of...what do you think of the overall loan growth, for the sector in 2026 as well? I think one of the participants also asked you earlier as well, that the other people have come out. And have, come up with a slightly conservative loan growth of single digits and high single digits numbers. So your loan growth guidance is quite different from what the other people have come out with. So how... what is the sense of... what do you think the total loan growth to the sector would be in 2026?

And are you... and in terms of strategy, are you still going for volume over value? Margins? Something that, I think if you can, do too. Thank you. These are my two questions. Thank you.

Abdullah

Thank you, Nauman. Obviously, you know, I think in the next few days, maybe a week or so, Max, you will see all the guidance of the banks probably give you a better idea.

Our focus, obviously, always on improving the bottom line. So, we're not, fighting for market share on the expense of better yield in fact, we, if you look at, you know, in the first half of this year, if you go back even a couple of years, we've been missing growing at all, because of the aggressive prices that we saw in the market. So, yeah,

certainly we can offer or come... match those prices, but that's not good in the long term, so that's... we didn't do that. We didn't do that for retail.

when there was a fight on consumer loans, on mortgage, we didn't fight for it we actually always focused on growing our core business, but at the same time for better use of our bottom line.

Nauman Thank you. I think that answered my questions. Thank you very much.

Operator Okay, can we come back to Shabbir Malik? Please try to unmute yourself and ask your question, Shabbir.

Shabbir Hey, can you hear me now?

Arwa Yes Shabbir, we can.

Shabbir Great. So, this year we've seen good growth from, from the bank and retail, especially in auto financing. I just want to get a sense of, how the margins on auto financing compares with, other products, such as, personal finance.

And secondly, If for... we've seen some of the banks, securitize part of their mortgage book to generate liquidity is there any scope to potentially securitize some of your project finance loans in the near to medium term, or has there been any such transactions? Thank you.

Abdullah Thank you, Shabbir. Obviously, I'll leave the first question to Salah, but on the securitization, we've done this, you can continue to focus on potentially doing further deals with the SRC, Saudi refinance company. Saleh, on the first part?

Saleh Yeah, you know, to us, auto-lease it's almost similar to the personal loan pricing. We do monitor this, and we introduce some products that we could also refinance the auto lease after 2 years, which will give us better yield as well. And it's in line with the budget set for us. We do place, we do place the riyal in the right place. And we have to offer this to lease financing, which is in line with the budget, that, set up for the portfolio.

Shabbir

Thank you. Abdullah, my question was more also on the project financing side, so is securitizing project financing loans, is that a possibility in this market, or that's not something that you've seen? Happening in the kingdom as of yet.

Abdullah

Sorry, Shabbir I heard it, like auto finance. Project finance is something, obviously, we are continue to expand on it, we feel that it's actually better, typically better, yield than a large corporate, bilateral large loans for large corporates. And the risk is lower. Because the fact that, we know the, the investment, the investor, or the consortium investors in that project, as well as the offtake of that project by government or quasi-government entities, we feel it's a very, it's a good risk. We have built strong expertise and knowledge, and a long track record on these types of projects. We're going to continue to focus on growing that business. So, generally speaking, it's better yield than, bilateral large corporate.

Shabbir

Great, thank you so much.

Operator

Here we have time for one more question. Abdulaziz al-Seif, if you could unmute yourself to ask your question.

Abdulaziz

Hi, everyone. Two questions. One on the dividend pay out. So you mentioned the pay-out to be lower in 26 versus 25. If you can just provide maybe a range of pay-out. Potential pay-out ratio. And the second thing is, I heard you saying you're, factoring in one rate cut in 2026, in terms of your NIMs. Is that accurate, or are you factoring one rate, one cut, in the first half of the year, and then one towards the end? Thank you.

Abdullah

Thank you, Abdulaziz. On the dividends pay out, as I mentioned, the common sense is that we're still going with the growth in terms of the demand on credits, and naturally, we cannot continue to pay, like the level, like, 47,50 pay-out ratios. So, it's common that that should be lower. It may not be an absolute value, it's actually growing, because our profitability is growing. Exactly the guidance on this is not in my control, it's actually the board, and we have to get the regulatory approval on every dividend announcement, but we should normally expect to see lower.

On the rate cuts, look, we actually do not develop our own forward yield curve. We do, when we do our business plan, we take from the market the forward yield curve. That's how the market looks at it. We don't put our own factors into it. And before the earning call, typically, we re-run our forecast based on the latest forward yield

curve. So we don't actually build it. It suggests, what Adel mention, it suggests that this would be like a rate cut.

Abdulaziz

Sorry, it's just one rate cut this year. Is that what you said?

Adel

As mentioned at this by our CEO, it's we take the yield curve, the yield curve that is being developed by the market, it suggests that, our rate cut, and maybe another rate cut toward the year end. And again, for the guidance, as just mentioned by the CEO, we always take the, rollover forecast for the full year, also because if you're linking this back to the NIMs, it has other factors, not necessarily how the benchmark rate itself. Or the rate cuts itself, because also the movements of SAIBOR, we have seen recently different movements. Again, it's the pure rate cut as basis points, but also the funding mix, the level of CASA growth, the also, growth in the assets, and the mix in the asset growth, also retail, and within retail, and for corporate, and within corporate as well.

Abdulaziz

Okay, fair enough. Thank you very much.

Operator

There will be no further questions on the webinar. I will now pass back to management for closing remarks.

Arwa

Thank you, everyone, for joining this call. Please contact IR@Alinma.com for any follow-up questions.