



Saudi Awwal Bank 1Q26 Earnings Call

Tuesday, 5th May 2026

Operator: Welcome to the Saudi Awwal Bank First Quarter 2026 Results webcast. With us today, we have the CEO and managing director, Tony Cripps, chief financial officer, Lama Ghazzaoui, and the head of investor relations, Sirish Patel. At this time, all participants are in a listen only mode. After the speakers' presentation, there will be a question-and-answer session. To ask a question during the session, you'll need to press star one and one on your telephone and you'll then hear an automated message advising your hand is raised. Please be advised that today's conference is being recorded. I'll now hand you over to Sirish.

Introduction

Sirish Patel

Head of Investor Relations, Saudi Awwal Bank

Thank you. Hello and welcome to our results call for the first quarter of 2026. As mentioned by the phone operator, we have our CEO, Tony Cripps, and our CFO, Lama Ghazzaoui, with us on the call today. Tony will provide a brief intro on the first quarter, and Lama will delve into some of the key financials. I'll now hand over to Tony to start the presentation.

1Q26 Key Messages

Tony Cripps

CEO & Managing Director, Saudi Awwal Bank

Thanks, Sirish, and welcome everyone to our first call of 2026. It's been quite a few months for the region, to say the least. An environment that clearly wasn't anyone's base case for 2026. However, it is a testament to the kingdom in its management of the situation and essentially how it has protected the economy. And growth is such a challenged and stressed backdrop when in fact, financial results for the banking system have been strong and consistent. To some degree, it has felt like business as usual despite the disruptions, and growth has continued. Loan assets have grown across the sector, although at a slower pace compared with the last few years, and that was expected. This was the original start of the year expectation, and it hasn't been curtailed by other events.

It would be clearly irresponsible to say that the outlook is clear and rosy or predictable to some extent, because there is a lot of uncertainty that exists because the initial impact of the conflict, the impact of the prolonged closure of the strait and what it means for supply chains, what it means for inflation globally. But it is really comforting to see how March and April our business performance has reacted consistently, and that gives much more confidence to the outlook, no matter how uncertain that outlook looks.

We as a bank are prudent, conservative. So we have taken steps to strengthen our position because of these uncertainties that exist this quarter. Lama can provide more details on this as she talks through the financials. But essentially, we have taken two key steps this quarter, which have had an impact on a strong set of underlying results. Firstly, we have built up liquidity. What I would describe as a war chest of liquidity to ensure that we more than meet our regulatory commitments, but also have this in our back pocket, essentially for supporting

our customers in a tougher environment ahead should that happen. And yes, this will be a temporary drag to the NIM short term. And that is something we absolutely accept and plan for.

Secondly, we've conducted a thorough review of our portfolios for a couple of sensitive sectors to the current disruptions. A handful of customers where we feel a prudent overlay would be reflecting what is happening today. And again, we've modelled this on heightened stress on these portfolios in particular customers and essentially have taken a significant overlay of ECLs. Also, a further layer of prudence we have taken this quarter is by maintaining the oil price at lower levels than we are currently seeing. And also, currently expect for the short term, oil prices at higher levels often have a positive effect on our models that we haven't assumed this in the short term.

Despite all of this, our cost of risk still remains at guidance levels. These factors have impacted 1Q26 financials. But essentially they were planned for and endorsed by management and our board. These conservative measures can obviously be reversed later this year. And we hope they will be as a positive improvement in fundamentals for the region will support this for results, for our results later in the year, but we can't predict them, I think nobody can at this point in time. To some degree, at the start of the year, our plan was to build up liquidity. Given the direction of oil prices heading lower, essentially in the planning cycle. And this has turned out not to be the case. So now the prices are high. As I said, this won't be built into our plan.

So given this backdrop, I am pleased to say that the bank has delivered loan growth of 3% quarter on quarter. We've delivered ₪3.6 billion of revenue, and we've delivered sequential profit growth and profits would have been significantly more, obviously, if we had not taken two conservative steps to protect our fortress balance sheet against uncertain events in the next three quarters of 26 and beyond. With that, thank you again for joining the call. I'll hand you over to Lama.

1Q26 Financials

Lama Ghazzaoui

Chief Financial Officer, Saudi Awwal Bank

Financial Summary

Thank you, Tony. I'll start on slide five and go through the highlights. We've delivered ₪2.1 billion riyals of net income during the first quarter, which was marginally down on the first quarter of 2025 and up. On a sequential basis, revenues were flat on a year-on-year basis as mainly lower fees from the impact of changes to consumer regulations, and also costs relating to some of our credit card programs were broadly offset by tactical gains we took leveraging our investment portfolio. The reduction in fees was also a driver for the quarter-on-quarter variance, but the movement in revenue between the periods was also exacerbated by around ₪50 million, one off in net commission income in quarter four.

And as Tony mentioned, we have taken steps to build up what we consider to be a reservoir of liquidity. It's in the bank's DNA to be at the forefront of liquidity and funding, in part because of the relationship led corporates that we bank. This is in the short term, does have a minor drag effect on our special commission expense, which also partly explains the stability in our

net commission income compared with the growth that some of our peers might have witnessed. Costs were up 3% year on year, but down significantly quarter on quarter. 3% is a fair reflection of the expected cost inflation for SAB.

Impairments

Moving to impairments. Expected credit losses increased ₪25 million year on year, but fell around ₪97 million quarter on quarter. And during the quarter, we received a sizeable recovery on a legacy client following several years of work. At the same time, as Tony mentioned, we did take a review of sectors that we felt were more at risk if the current geopolitical environment continued well into 2026. This highlighted two sectors and a small handful of specific lines that we felt could be at risk in a particularly stressed environment. It's worth mentioning that neither the sectors we highlighted which were the transport and the logistics sectors, nor the specific clients are currently experiencing any stress.

However, the modelling suggested a significant sized ECL, which we therefore took in the first quarter. And despite this, the cost of risk for the quarter was only 21 basis points still below the guidance level for the full year. Another subtle layer of prudence taken was to not increase the oil price. In our current ECL models, we feel that the price of oil is likely to remain elevated, so we will review this at 2Q26 in our models. Key ratios are at the top right-hand side of the slide. Obviously, we are only one quarter into the year. NIM is largely where we expected it to be, with yields coming off from the rate cuts in the second half of last year. Cost of fund is also roughly where we were anticipating, but the level of such commission expense is probably a little higher than originally expected because of the buildup of liquidity.

Cost efficiency is lower than expected because of the headwind we have faced on fee income capture. Costs remain in line with the plan and cost of risk as I mentioned earlier, is in line with the expectations, albeit a couple of moving parts in there offsetting each other.

On to balance sheet, gross loans grew 3% during the quarter. So far, we have seen very little impact of the conflict on our loan growth, with growth seen in both March and April. So this is pleasing. And we conducted an analysis of around 300 top corporate clients, which probably represent close to 75% of the portfolio. Our RMs reached out to these companies to get an initial understanding of their sentiment following the outbreak of the war. It was comforting to see that only an extremely small handful of clients felt that the conflict could significantly impact their outlook and strategies. But the vast majority of clients felt that the impact would not affect their sentiment or outlook. Customer deposits grew. Our simple LDR ratio still remains low, and as mentioned earlier, even before the conflict started, we had decided as a bank that we would build up liquidity given pre conflict macro indicators such as a moderating oil price. NIBs balances also grew a healthy 4% during the quarter. Investments fell due to tactical disposals.

Revenue

On to slide six. As mentioned, four factors to focus on with respect to the first quarter revenues. We delivered ₪3.6 billion of revenue, where we have leveraged the investment portfolio this quarter in order to offset some challenging conditions in fee capture, following the regulatory changes that have come in on personal lending and other retail products. We built up considerable portfolio of investments. And given the current backdrop, we have felt it's useful to capture some capital gains, which at the same time has marginally increased our NIM sensitivity as we feel the outlook for rates in the second half of the year will tend to be in higher

for longer mode. And if pockets of inflation come through, there is also a scenario that rates could also increase.

Secondly, we have experienced fee income softness, which I will mention later on, on slide eight. And as mentioned earlier, we have built up liabilities which was always going to be the strategy pre-conflict, but has held us in good stead in the current climate. This has meant our commission expense and cost of funds probably haven't seen the reductions to the extent that other banks might have. And finally, again, as a reminder, we had a sizeable one-off last quarter in net commission income, which we did call out in our earnings call, which has distorted a little bit the quarter-on-quarter movement. A bit of further info in the coming two slides on revenue.

NSCI and Non-Funds Revenue

So on slide seven, I will not be spending too much time on this slide as we've covered most of it. But net special commission income shows a level of stability over the last few quarters. We didn't see a marked increase this quarter because, as I said last quarter we had this ₪50 million one-off, and we have elected to build up the deposits. As I mentioned, yields came down as we expected with the lower rates from the second half of last year coming through in repricing. And we continue to see customers repricing upwards. And we expect to see a larger impact in the second half of the year.

Cost of funds came down but could have been more. But as we said, we have made the decision to build the liquidity levels and NIM still remains in our guidance range. So we're pleased with this. One last comment on this slide is just a reminder that we are in the last year of our five year strategy, delivering ₪2.9 billion on net commission income this quarter. And this has been stable to showing growth over the last couple of years, which is testament to the strategy and its success going back to 2021 and 2022, we were actually delivering only half of these levels, and delivery had a certain amount of volatility.

Non-Funds Revenue

Slide eight. As can be seen on the slide, trade fees have been solid this quarter despite the challenges in the region, particularly with the blockades of the Strait. The business continues to perform well. It has been a challenging time for a number of our trade customers, but the business has been working around the clock to support customers with extensions, rerouting timelines, et cetera. However, the bank has seen softness in fee income, so we've tried to give a little more colour on this on the right-hand side.

Gross fee income has been fairly stable during the first quarter compared with the previous quarter, but within this we have seen a drag from the consumer regulation changes. So what is pleasing is that we have managed to offset some of the lost revenue from the regulatory changes to keep gross fee income stable. Seasonality also has had a small impact in corporate fees. We have also seen increased costs related to both our merchant acquiring business and also our credit card programs. Although some of this is timing and we do expect this to come down in the future quarters.

Costs

On to slide nine. Costs to be brief, costs fairly stable, 3% growth year on year and 8% decrease quarter on quarter. We expect cost growth for the year to be low single digit; cost efficiency was marginally higher quarter on quarter and driven by the softer revenue in Q1.

Impairment Analysis and Credit Quality

Slide ten. As we mentioned earlier, we have elected to take the overlay for sectors and customers, which we feel might be acutely impacted if the challenging geopolitical environment continues for a protracted time. We've done this for prudence, and many of our regional peers also elected to take this approach. We do not see any heightened stress in these sectors currently. You can get a sense of the size of the elected overlay from our financial statements, and we've shown the gross charge versus the recoveries on the slide.

Also, for an additional layer of prudence, we have opted to maintain the oil price at pre-conflict levels in our ECL models, but our expectation is that we expect oil prices to remain elevated for the bulk of 2026. So if our overlay is not required, we will be able to release this back to the P&L later this year. We do remain watchful on other key names that are under stress, although not conflict related.

Customer Lending

Slide 11. Lending growth. We have continued to grow the book and have seen the 3% quarter on quarter growth, which was balanced throughout the quarter. And the growth has continued into April. It's very pleasing given the current backdrop. And we continue to grow both corporate and retail. And the growth remains fairly balanced across both businesses.

Slide 12. Corporate loan growth was 3%. As you can see, originations are also healthy.

Wealth and Personal Lending Business

Slide 13 displays retail, which was faster than market retail growth, although the overall sector is slowing. Mortgage originations also remain strong but clear that the market continues to slow down.

Funding and Liquidity

On to funding and liquidity. Slide 14. As I mentioned earlier, at the start of the year, we felt as a management team that it would be prudent to ensure that our liquidity levels remained high, oil price was moderating, retail growth was slowing, and government reprioritization of large projects was occurring. The economy still had lots of growth potential, but we felt that we might be entering a part of the cycle, which could see some downside risks emerging. So we have ensured that our LDR ratios remain stable and we have grown our NIBs balances. And given the current backdrop, which obviously wasn't in our base case, we are happy that we took these prudent options.

Capital and Returns

On to capital and returns. We generated a RoTE of 13.8% post AT1 coupon for the first quarter of 2026. This, as you can imagine, includes the effect of significant overlay in ECL, headwinds on the fee income and additional cost of liquidity. So we are pleased that we are very close to the guidance range given these factors. CET1 fell to 14.56%, reflecting RWA growth in line with the growth we saw in both consumer lending and also off-balance sheet performance. Volatility

in CET1 from the OCI mark to market was limited because of the effect from rising longer-term rates was in fact offset by narrowing Saudi spreads and from the disposal of part of the portfolio.

Guidance

On to guidance. First quarter performance has been largely in line with the plans at the start of the year, although the factors we've mentioned earlier will have had some impacts on our first quarter financials, notably the impact from the regulatory changes on the fees, prudent buildup of liquidity, and also prudently taking overlay in ECL. But the outlook remains uncertain. That's not to say it's all doom and gloom. There are opportunities as well as risks. We think what is certain is that the outlook is challenging to predict. We have just been in the middle of a conflict which the region, unfortunately has experienced for over the last few decades, but it would be foolish to say that the visibility is 20/20 clear.

So the loan growth and the off-balance sheet growth were in line with plans in Q1. And this has continued into April, which has been really pleasing to see. And we feel no need to shift our guidance here. Yes, uncertainty exists, but the visibility of the pipeline for the next six months is fairly clear and gives us confidence. We're now planning for a scenario of stable rates in 2026 versus the one to two rate cuts we were originally envisaging. This should reflect a better NIM in the second half of the year, and upside risk also exists if rates go up, because it is difficult to envisage a world without inflationary pressures due to the conflict. Again, with our NIM sensitivity, this could mean a further uplift to revenue. So we hold our NIM guidance for the time being. But we note the upside risks exist.

Cost efficiency tracks upwards in Q1. But this is temporary from the drop in revenue, which was again exacerbated by the lower fee income, which I discussed earlier. We have plans in place to mitigate some of this, which we can discuss through the Q&A. Cost inflation remains moderate, and we have active optimisation efforts to ensure that the cost growth remains well contained. Cost of risk includes our overlay. It remains low, and as mentioned earlier, we have been prudent in not reflecting the current elevated oil price in the model and also if the overlay is not needed, as we said, we would be reversing this. So again, we maintain our cost of risk guidance. CET1 guidance remains as is. And we are expecting lower balance sheet growth this year and are evaluating further opportunities to optimise RWAs. So given the above, currently we do not see any needed changes to the full year guidance. But again, we note that upside risks do exist. That's it from me. Over to the operator for Q&A.

Q&A

Operator: Thank you. To ask a question, you will need to press star one and one on your telephone and wait for your name to be announced. To withdraw your question, please press star one and one again. One moment for our first question. And our first question comes from the line of Shabbir Malik from Morgan Stanley. Please go ahead.

Shabbir Malik (Morgan Stanley): Hi. Thank you very much for the presentation. I have two questions. The first one is around loan repricing and those efforts. How have those been so far, or what level of success you've had in terms of repricing your loans? Because NSCI, it's been a bit weak sequentially. I think part of that is mainly because of the rates and partly it could be because of liquidity. But just want to hear your thoughts on repricing how far, or how much more can come from that from the repricing of assets. My second question is around your non-

funds contribution to revenue, which is around 20%. Roughly speaking of your revenue right now, how, what levers do you think you still have in terms of improving this? And what would be a desirable level for you, let's say, over the next two to three years? Thank you.

Tony Cripps: Hi. Thanks for the questions. On the first one on credit repricing, we have seen pockets of repricing, definitely both on the corporate side and on the retail side. But obviously retail volumes are down significantly in mortgages as an example. Other areas personal loan growth has actually been very strong. And what we have previously said is on the corporate side, which is the biggest part of the balance sheet, is that that pricing should flow through in the second half of the year, not the first half. We don't yet know and aren't making a prediction of how much, but it's not surprising that we haven't seen it yet, given that repricing really only started in Q4 last year and the roll in the books is three to six months. But yes, we've seen some of it. And the volatility that the markets are experiencing currently is likely to see more in the second half. On the second question, I'll hand to Lama.

Lama Ghazzaoui: Yes. Hi, Shabbir. So, our non-fund mix has been a little weaker this quarter. Again, with the challenges from the changes in regulation, higher costs related to some of our programs, although some of it is timing. Our SAB Invest business has also seen the impact from a lower performing Tadawul. And this is again, a business that is mostly fees. And again, the geopolitical environment has led to some of the lower income from some lines being softer, such as FX, for example. We are developing now our next five-year strategy, and the mix would be, or we expect that the non-fund revenue to be a larger contributor to the overall revenue moving forward. But the average of the past has been 80/20.

Shabbir Malik (Morgan Stanley): Okay. And in terms of trade, it still looks pretty resilient, the trade related fees. Is there scope for this to come down further in the coming quarters?

Tony Cripps: So overall, the market is a bit softer. Not surprisingly, our market share is actually going up. So the reduction in volumes is less for us than the market overall. But there is uncertainty. Obviously, supply chain disruptions across a number of sectors mean lower volumes. But we feel like we're in a strong position. We have technology leadership in trade, which will continue to improve services for customers throughout the year. And so, we're confident we can maintain.

Shabbir Malik (Morgan Stanley): Thank you.

Tony Cripps: Thanks.

Operator: Thank you. Our next question comes from the line of Rahul Bajaj from Citi. Please go ahead.

Rahul Bajaj (Citi): Hi. Thank you. Thank you for taking my question. Rahul Bajaj from Citi here. I have three questions if I may please. The first one is on margins. And please correct me if I misunderstood, my understanding from what you said was if interest rates do go up, given your increased sensitivity to interest rates and also the fact that you've been repricing loans, the effect of which will be seen in the second half of the year, there is upside risk to your margin guidance. However, if rates do not go up, if we are in a flat rate environment, is it fair to think that kind of margins will remain broadly stable from the first quarter levels, or you think there is still upside risk to the margin expectation, even in a flat rate environment? So that's my first question.

My second question is on the cost of risk. You mentioned there was an overlay you took in first quarter. Could you please quantify the overlay for us? And at the same time, you mentioned there was a sizeable recovery for one specific account. Are you able to quantify that recovery for us so that we can look at the underlying sort of run rate without the overlay and without the kind of one-off recovery of the cost of risk during the first quarter. So, so that's my second question and my third and final question fee income. Yes, I can understand the kind of pressure coming from the regulatory changes, but that pressure, and please correct me if I'm wrong, that pressure apparently is only for a month or a month and a half, right? I mean, it's only half of the quarter. So is it fair because the regulatory changes came in, I think in February, I believe. So is it fair to assume that in 2Q, we could probably see further pressure in the fee income line, as we see the full quarter impact of those regulatory changes being felt? So those are my three questions. Thank you.

Tony Cripps: Hi. Thanks for the questions. I'll take the first one. Yeah, so when we came into the year, our planning was factoring in a couple of rate cuts. And we were guiding that. We had one to three basis points of sensitivity, which that plan was developed in November last year, approved by the board. And that's what we came in with when we saw the risks on inflation coming through from the previous impact from tariffs perhaps coming through this year on higher inflation. And if the Fed had been mindful to cut rates in that environment, the yield curve was going to steepen. So when we thought about that, we decided to reduce the risk in the investment book, which we always said we were going to do if we felt rates were bottoming out.

So we decided in the first quarter, at the start of the year, that rates were bottoming out for those reasons, not because we expected the political military conflict to break out, obviously. So we took some of the profit on the book, as we said we would. And that was reflected in the Q1 results. Also, it meant that our sensitivity has now gone up to rates going up. And therefore, yes, if rates go up, that will be a positive for us. If rates stay stable and don't move throughout the year and the yield curve is static, then there won't be much impact and NIM is likely to just remain stable. But as I've just reiterated, we have risks to the upside now and we have flexibility. If rates go up high enough, we can again reinvest in the Treasury book, in the investment book at higher yields than today. But we're not yet at that point, but we could well be later in the year.

Lama Ghazzaoui: Yes, and hi. on your second question, Rahul, on the recovery we have in the disclosure split the recoveries from the charges. So they almost offset at least the sizeable recovery that we had, almost offset the overlays that we took. So the net is immaterial. And on your question on fee income, the regulation that came in January. Yes. Impacted for a month and a half close to two months. But there were also some regulatory changes that came up during last year that also had some impact. Again, having said that, we did clarify that there were some additional loyalty program costs or additional product costs that we took. And this is the time where we budget for those. And then during the year, we utilise and then we release what's not utilised. So it's really more timing on the cost side. But yes, the fee income from this year was largely one and a half months. But as I said, the stuff from last year also did have some impact.

Rahul Bajaj (Citi): Understood. Thank you.

Operator: Thank you. Our next question comes from the line of Naresh Bilandani from Jefferies International. Please go ahead.

Naresh Bilandani (Jefferies International): Yes. Hi. Thank you, Tony and Lama. It's Naresh from Jefferies. Just two quick questions, please. One could you please explain the driver of the elevated fee income fee and commission expense, please? I mean, the pace of increase in this line is quite notable. Could you please also clarify what is in there, how you're controlling it and how should we see this trend evolve? Specifically on the fee and commission expense, please from this point on. That's the first question.

Second is just to reconfirm, now we've seen an increase in the RWA density is would you attribute that the increase in commitments to extend credit, the key factor of increase in the RWA density? Or is there any other factor that you would attribute? Because 86% level that we are seeing is much higher than what we've seen in the past. So just keen to understand also, if that was the key driver, how should we model the density from here? And traditionally, what's been the conversion rate of these credit commitments to on balance sheet credit? So these are two questions. Thank you.

Tony Cripps: Great. Thanks for the questions. On the cost, the fee costs. This is an investment in future revenue gains. So take the example of credit cards where we the cost is loyalty points et cetera up front campaigns to, to attract new customers and then profits come later. That's one example. The second I guess would be in our merchant acquiring business, which is very significant. If you look at payment volumes in the kingdom through merchants, I think the online payment volumes out of the billions of transactions that were done actually went up to 85% last year. So for us, this is an incredibly important strategic business, but you do end up paying fees up front before realising benefits in following quarters. So they're the two main drivers of the higher fees. But we're confident that that spend will result in better revenues across those two examples later in the year.

Lama Ghazzaoui: Hi, Naresh. On your second question on RWA density, yes, it was 83% in Q4 and now it's 86% driven by a combination of factors. So we've seen one, we've seen an increase in credit risk RWA from both on and off-balance sheet growth. And the on-balance sheet, the growth in the quarter was weighed a bit more towards corporate lending with higher average risk weights, which has shifted the mix slightly and lifted the density. It doesn't mean we're taking additional risk, but this was the mix for the growth in quarter one. Second off-balance sheet items grew faster than on balance sheet, and particularly credit commitments and guarantees, which also contributed to the increase in RWA relative to total assets. And finally, the quarter-on-quarter comparison is also affected by the annual operational risk model update, which is recognised in the first quarter and has added to the RWA, further supporting the uplift in density. So again, a bit of timing. Net net, it's a mix effect plus stronger off balance sheet growth with the usual Q1 operational risk refresh, which also was in the numbers.

Naresh Bilandani (Jefferies International): Thank you very much. Just on the conversion rate of these credit commitments to credit, is there any indicator that you can offer?

Lama Ghazzaoui: I don't have that maybe handy, but we can discuss it if you want.

Naresh Bilandani (Jefferies International): No worries. I'll take it from Sirish. Thank you very much. Thanks, Tony.

Operator: Thank you. Our next question. Comes from the line of Olga Veselova from Bank of America. Please go ahead.

Olga Veselova (Bank of America): Thank you and good day. I have several questions. One is on capital adequacy. I'm looking at your CET1 ratio. It is now close to 14.5%, which you mentioned should be viewed as internal level of comfort. And you keep growing above sector average and you say in the second quarter, loan growth continues at a similar pace. So how should we think about this? Would you assume or shall we assume that dividend payout would be the preferred instrument to manage CET1 ratio in future in the next 12 months? And I appreciate the dividend is not decided now, but conceptually is this direction of thinking.

My second question is on sensitivity of net interest margin. You might have mentioned this. Apologies, but just to double check what has helped you to increase the sensitivity of margin to policy, right. And my third question is just clarification. When do you plan your new strategy at presentation?

Lama Ghazzaoui: Hi, Olga. So on your first question, CET1, we have utilised our capital to grow over the last three to four years as part of our growth strategy. And of course, at the same time, we have created optimisation efforts and plans where we saw opportunities to further utilise and optimise the capital, which is why you can't just simply extrapolate the CET1, of course, ratio moving forward. But on top of this, we are in now the final stages of implementing capital allocation models, more sophisticated ones, which will allow us to make better decisions on allocating capital. So again, this is more sustainable plan to develop core capital. So we are more comfortable when we're releasing capital to the business.

Of course, our aim has always been to grow dividends in line with the earnings. And there's no change to that. And for now, we do maintain the payout ratio of 45% to 55%. And we will be launching the new strategy of 2027. 2026 is our last year. So I'm addressing your last question. When do we intend to disclose the new strategy? It's with yearend results usually. We will be carving out part of the time of the call to explain the new strategy. So we are, it's work in progress now as we speak. On your second question, what helped us is simply selling fixed rate assets like the investments. This actually contributed one to two basis points on the sensitivity.

Olga Veselova (Bank of America): Thank you, Lama. Can I check what is your current yield on securities portfolio?

Lama Ghazzaoui: Yield on the investment book.

Olga Veselova (Bank of America): Yes. On the investment book.

Lama Ghazzaoui: It's between 4.2 to 4.3. This range.

Olga Veselova (Bank of America): Perfect. Thank you.

Operator: Thank you. Our next question comes from the line of John Peace from UBS. Please go ahead.

John Peace (UBS): Hi. Thank you. Could I just maybe ask a couple of clarifications on some previous questions and answers? First one on capital, I think you said there was still some RWA optimisation you were working on. You've had quite some success there in some previous quarters. I mean, what would the size of the opportunity be? Could you still squeeze a few tens of basis points. And then the second one was, sorry to go back to the non-funds revenue slide.

Slide eight. I'm just struggling still to understand the split between permanent and temporary impacts. I wondered if I could push you for the fee income part, what you think the run rate might be going into Q2 and H2? Thank you.

Lama Ghazzaoui: Hi, John. So. Yes. We do expect more benefit from these optimisation efforts. Each one of them is now, it's work in progress. It's in the making. We did have a range when we first started exploring. And then these developed as we, as we started realising those. So yes, we still have some room. We are not just - it's not just internal or utilising more data, et cetera. It's actually also looking at the Basel rules and trying to figure out how we can utilise those to our benefit, especially when we are more of a prudent bank. And we've been putting maybe some buffers in certain places that we can utilise eventually. The second question, Sirish, would you like to take that?

Sirish Patel: On fees, we can have a catch up later, John. But some of it is temporary. As Tony mentioned, it's like an upfront investment in some of the credit card loyalty programs and also in merchant acquiring some of that can be quite seasonal as well at times. So I would expect we would expect a certain amount of alleviation in Q2, but don't expect it to go back to Q2 of last year levels. Trade fees look very resilient and robust. The non-trade proportion, you can't expect it to jump back to the levels we saw last year, but we should see improvements in Q2 and beyond.

John Peace (UBS): Got it. Thank you.

Operator: Thank you. Our next question comes from the line of Murad Ansari from GTN Middle East. Please go ahead.

Murad Ansari (GTN Middle East): Yes. Hi. Good afternoon. So just a couple of questions on fees because I think just maybe a number check here. I think in the fourth quarter call, you had mentioned, in fact, estimated impact of about \$100 to \$150 million on fee income from the regulatory changes. That's the annual impact I think you mentioned. Is that still broadly the kind of impact you're seeing? And then on the NIM side, so obviously, a few drags here that is this excess liquidity that you've carried. How should we, and obviously the rate cut impact that we had towards the end of last year as well, how should we think of NIM evolving from here for the rest of the quarters? I mean, I presume that you would probably want to carry some of that excess liquidity for a little while as well. So that and just going back to the trade side, I think Tony mentioned at the start of the call that April has seen a good bounce back on business activity. So just wanted to get your thoughts on how soon how strong is the recovery coming through in April? If you could just give us maybe a very broad-brush overview on the bounce back. Thank you.

Tony Cripps: Okay. On the business activity, the last point, I did mention that things are fairly normal in April and that is what we are seeing. But again, assuming the positive April will be consistent throughout the rest of the year is not an easy forecast. But at the moment, as I said, activity appears pretty normal and therefore our trade business is gaining market share even though volumes have been a bit lower. On the other questions, I'll leave those to Lama. Thanks.

Lama Ghazzaoui: So on your question on NIM, moving forward, we, again, where we landed on NIM is in line with our original expectations where we were expecting first half NIMs to be slightly lower as the repricing down following the rate cuts of second half of last year. This actually has largely come through, but we are now repricing customers upwards. And we have

always said that we expect this to be more meaningful in the second half. So you will see some improvement in NIM. Of course, the timing impact, but also, again, utilising the liquidity that we've built up and optimising the liquidity that we built up at the beginning of the year will also contribute positively.

Tony Cripps: Just to add to that, our NIM sensitivity, because of the sale of the investment book, has increased our sensitivity to rates going back up. We were guiding one to three through all of last year, and now it's probably three to four. So slightly up, which will help if rates get increased.

Murad Ansari (GTN Middle East): All right. And just on the retail banking fee impact that you shared last in fourth quarter, is that roughly the amount you're sticking to that? That's the impact of the regulatory changes ₪100 to ₪250 million.

Lama Ghazzaoui: Yes. This is still the range that we've indicated.

Murad Ansari (GTN Middle East): And there's obviously a volume counter to it as well. But I mean, has that in any way also been reflected in pricing on the retail loans to kind of compensate for that fee drop?

Lama Ghazzaoui: So the consumer lending is a highly regulated activity. So there are caps to fees or to usually to these pricing activities. But on the fee side, it's highly regulated and there are caps on it. So how we can offset this challenge is actually higher volumes, more optimisation of the cost, ensuring that the timelines or the timely booking is taking place in relation with the, with the revenue. So yes, we will, we are working on mitigating this. We're looking, we're doing a deep look through into all our programmes. And if we deem necessary, we could price upwards or change the matrix. But this is again a highly regulated activity.

Sirish Patel: Sorry. Just to add to that, the quarter-on-quarter drop, the weight of it is really more geared towards the expenses rather than gross fee income. I think you can see from the slide that quarterly gross fee income, once you remove trade fees is about ₪0.8 billion. It's been fairly steady quarter on quarter, which is a good sign. There is the drag from consumer regulation changes in there. But the fact that it's been stable is a good sign. The bigger drag, I guess for us this quarter has come from the expenses, which we as we mentioned earlier, some of it is upfront investment for future gains. And some of it we will look to remediate through looking at some of our expenditure on credit card programs, as we mentioned earlier.

Murad Ansari (GTN Middle East): Great. Thank you very much.

Lama Ghazzaoui: I'm sorry, I just want to clarify something again to Olga's question on the yield. Just to correct the statement, this is more of a 4.2% to 4.3%. This is the updated yield.

Operator: Thank you. Our next question comes from the line of Aditya Modi from Arranca. Please go ahead.

Aditya Modi (Arranca): Good evening, gentlemen. Thanks for the opportunity. First off, I remember a couple of years back, you gave the statement saying that rate cuts will lead to some sort of an investment gain of up to \$1 billion USD per ppt. Now I sat down and I saw like, say, for 175 bps cuts that we've seen so far. I mean, on the SOCI booked and unbooked, it's roughly come to about a ₪1.5 billion of gain. And I just want to get some sort of clarity here that as to this \$1 billion amount, where did it come from? And how are we going to see it? Or am I missing something here? That's just my first question.

The second one is on again your non-yielding fee specifically. I mean, there is one element to the fee income. I think you guys are very good at cards. So most of it is coming from there, I'm assuming. And so, there is an element of foreign spending which is not an impact from the consumer regulations. It's an impact from geopolitics. So can we just give me a broad estimate as to how much that would be? And I'm assuming that that will recover only with geopolitics, right? That's my second.

And third, forgive me for asking this. This might sound a little outlandish, but my third and final question is if geopolitics flaring up and you guys are exceptional with affluent expats, right? And you guys get a lot of deposits from there. So with geopolitics flaring up, do you see a risk of Saudi temporarily not being such an attractive market for expats to come to, and a risk of that sort of costs are to slightly moderate or dilute? These are my three questions. Thanks so much.

Tony Cripps: Just to take the last one, we haven't seen any flow of significance. In fact, it's the opposite actually. And you're right, we have an affluent client base, which keeps growing and we have developed multi-currency deposit products in Australian dollars, sterling, euros, et cetera, so the deposits are more likely to stay for those customers in local currency. So that's a strategy for us. So we think that will keep building positively on the first question about the billion that you remembered from two years ago that was the sensitivity on the whole book. So the size of the book peaked at like \$108 billion, roughly. And the sensitivity at that time was \$11 million USD per basis point. So if rates move by 1 per cent, that was the value of the book would shift by \$1 billion positively. It was never guided that we would realise that as a profit. But we have now, as I said, reduced that sensitivity from that kind of level of \$11 million a basis point down to about \$7 or \$8.

So we've taken significant risk off and realise some capital gains. And it puts us in a position of more or less neutrality in a way where if rates do increase, we have capacity to build yield in the book. And if rates end up going back down again, then we still have a significant sized position that has reduced our sensitivity. But as I said, we took action as we always said we would if our rate view started to shift. And it did at the start of the year, not because of the conflict, but it was really because of the potential impact on inflation through the US economy and steepening of the yield curve expectations. So and on the second question around fees, I think you asked.

Aditya Modi (Arranca): Yeah. Fee and the impact of foreign spending like which is stalled temporarily. Yeah. Foreign spending.

Tony Cripps: So on credit cards, we've got an affluent client base and a big expat base. So we've seen a reduction in, in travel and therefore that's impacted that segment. But equally, we've seen more spending domestically. And as we continue to acquire, that will help offset that proportion. What happens later in the year again, difficult. You can't predict if that travel is going to rebound strongly. We know what's happened is the cost of that travel has gone up a lot. So the volume associated with travel will be increased through inflation if the volumes return. And again, so I have to leave you to work that out unfortunately.

Aditya Modi (Arranca): Oh, all right, all right. Just one more question on your investment strategy. So as you said that rates are - I mean, probably we, I mean, at the max, we might see 50 bps of cuts in that to maybe in the next year. So I just wanted to ask you from a strategy

point of view, at the bottom of the rate cut cycle, would you prefer to hold your investments at the bottom of the rate cut cycle or book out because holding would give you some sort of a padding on your NIM going forward when the rates start increasing. So I mean, what is the optimal strategy that your department might deploy on this, like to book out? And because when once rates start going up and the cycle reverses, that ballooned up gain that we're seeing on the SOCI is going to start fizzling out. So which of these two sides is the prudent measure and where do you draw the line balance?

Tony Cripps: Yeah, we always said we didn't have a specific guidance strategy around this and that we would take a view on rates and whether or not to keep the investments and therefore keep the NII, or if we thought rates were going to go up and we want more sensitivity in the balance sheet to higher rates and be able to invest in the future. So we would make a decision around that. And so, at the start of the year we did, we decided that there was a risk of higher yields and we wanted less. We wanted less risk in the book because a proportion of it hits capital. That's the other consideration, the mark-to-market swings around and impacts consumption of capital. So we took a view that we wanted less risk and therefore less volatility in the use of capital around higher yields. And also obviously we realise those capital gains in order to do that. So at this point the expectation of higher yields is not certain. But we want the flexibility to be able to take action if that happens.

Aditya Modi (Arranca): Sure, sure. That makes sense. And I'm so sorry. Just one last question. I wanted to know if how do you see the impact of what's going on in the region on trade book, on your trade fees, right? Because if trade is somehow impacted negatively, I mean, do you see a bit of an impact - are you cautious about that?

Tony Cripps: Yeah, I have already commented that the trade business is holding up pretty well. Volumes are down and we have customers impacted as everyone does, but our capabilities mean that we're taking more market share. We're already obviously number one, as but our market share has gone up, and therefore it is somewhat offsetting the lower volumes overall. What happens later in the year is very difficult to forecast at the moment. Business conditions are stable. So we're hopeful that that will continue. But we're not predicting any geopolitical outcomes associated with that.

Aditya Modi (Arranca): All right. Thank you, gentlemen. And thank you, everyone.

Tony Cripps: Thanks for your questions.

Operator: Thank you. That was our final question for today. I will now hand the call back to Tony Cripps for closing remarks.

Tony Cripps: Thanks very much for joining the call, and thanks for the questions. We are pleased with the Q1 results. We're pleased with the conservative approach to what is a fairly uncertain environment, but we're also pleased to see so far in the year that business conditions have been pretty strong given the uncertainties. Customer behaviour has been normal. Normal liquidity in the banking system has been stable. And so, our outlook currently is cautiously optimistic but prudent. And we have built up buffers to deal with increased risks later in the year. So with that, I'll just thank you again for your questions and for your participation in the call. Thank you.

Operator: Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]