

1Q26 FINANCIAL RESULTS

EARNINGS CALL TRANSCRIPT

April 28, 2026

Charlie (Moderator)

Welcome, everyone to the Al Rajhi Bank Q1 2026 Earnings Call. My name is Charlie, and I'll be coordinator today. If you'd like to ask a question at the end of the call and you've joined via Webex, please press the raise hand icon on your screen toolbar. If you've joined via the telephone line, please press star, followed by 1 on your telephone keypad.

Alternatively, users that have joined via Webex can also submit their questions in writing via the Q&A chat box. I will now hand over to our host, Dr. Sultan Altowaim, Head of Research at Al Rajhi Capital, to begin. Dr. Sultan, please go ahead.

Sultan Altowaim (Head of Research)

Good afternoon, everyone. This is Sultan Altowaim from Al Rajhi Capital. We are pleased to host Al Rajhi Bank Q1 2026 earnings call. Welcome, everyone, to this event. Without further ado, I'll hand it to Mr. Sulaiman Alquraishi, the Head of Investor Relations to introduce the management team.

Sulaiman Alquraishi (Head of Investor Relations)

Thank you, Dr. Sultan. Good day, everyone, and thank you for joining the call. With us on the call today are Managing Director and CEO, Mr. Waleed Al-Mogbel; CFO, Mr. Abdulrahman Al Fadda; and Chief Credit Officer, Mr. Salim Musallam.

As always, our CEO will start with the results highlights and strategy performance, then the CFO will cover the financial performance in more details. And finally, we will open the floor for your questions. Please note that the result presentation is now available in both Al Rajhi Bank website and Al Rajhi Bank IR app. And now I'll hand over to Mr. Waleed.

Waleed Al-Mogbel (Managing Director and CEO)

Thank you, Sulaiman. Welcome, everyone, and thank you for attending our earnings call for the first quarter of 2026. As always, I will start by taking you through our performance highlights, followed by an overview of our performance on our strategy Harmonize the Group. Then I will hand the floor to the CFO to cover the financial performance in more detail.

Now let's take a closer look at our quarter 1 of this year performance. In the first quarter of this year, the bank delivered an excellent performance supported by the progress in our strategy execution, and the healthy economy. This resulted in an outstanding net income of SAR 6.8 billion alongside healthy balance sheet growth.

The balance sheet remained solid. Total assets reached SAR 1.051 billion, higher 3% year-on-year and 1% year-to-date, while total liabilities were flat at SAR 899 billion during the first quarter of 2026 with a healthy LDR of 82.6%.

Looking at the profitability, net income reached SAR 6.8 billion as I mentioned, in the first quarter of this year, higher by 14% versus the same quarter of last year. Net yield income grew by 18%, while the non-yield income increased by 1%. As a result, total operating income grew by 14%, reaching SAR 10.5 billion. In terms of the credit quality, we continue to maintain best-in-class asset quality with a cost of risk of 33 bps and NPL stands at 77 bps, supported by a coverage ratio of 150%.

Moving into key ratios, the bank maintained strong operating efficiency with a cost-to-income ratio standing at 23.3%. Total capital ratio reached 23%, well above the regulatory minimum, reflecting the bank's healthy financial position. Our NIM expanded to 3.54%, higher by 38 bps year-on-year, and that is driven by ongoing efforts to improve yield and optimize the cost of funds in the current rate environment.

Moving to the next slide, it allows me to give you highlights on the progress of our strategy execution. As I mentioned before, this year is the last year of our three-year strategy, Harmonize the Group. If we walk you through the pillar of our strategy, starting with the first pillar, B2C, our focus on retail cross-selling remains a key goal.

The product where customer ratio stands at 44.2%, higher by 6% since we introduced our strategy. Our sales from our targeted customer portfolio have witnessed a growth of 371% since the beginning of the strategy in 2023, and that's backed by our effort to expand our customer base across both existing and new segments.

Our universal offering and financial solution have made us the bank of choice for over 21 million customers across the Kingdom. We also maintained high customer satisfaction, reflecting in a Net Promoter Score, NPS of 82.

Moving to the second pillar of our strategy, B2B, our corporate portfolio continued to grow, reaching around SAR 273 billion, higher 15% year-on-year. This growth was driven by our ongoing effort to expand wholesale lending and focus more on SMEs, which has grown massively by 51% year-on-year. And now the SMEs representing 24% of our non-retail book and 9% of our financing book. Our focus on developing the investment banking business is a key part of our strategy to enhance non-yield income with revenue from investment banking activity, which has grown by 318% since 2023.

In terms of the third pillar, support business, we continue to invest in technology and automation across the group to drive innovation and operational excellence. As of the first quarter 2026, the percentage of

the process automated reached now 65%, while the percentage of applications that are cloud-ready increased to 96%, and that's supporting our strategy of becoming a cloud-ready bank.

For the last pillar, digital and data, the digital to manual ratio stands at 96 bps to 4 by end of the first quarter 2026, highlighting solid progress in our digital transformation. AI and marketing driven activities continue to build momentum in generating revenue through data-driven marketing, which increased by more than 500% since the beginning of this strategy in 2023. Now please allow me to hand over to our CFO, Abdulrahman, to provide a detailed update of our financial performance, and thank you.

Abdulrahman Al Fadda (Chief Financial Officer)

Thank you, Waleed. Good day, ladies and gentlemen. It is my pleasure to welcome you again to our Q1 2026 earning call. As usual, I'll go over the financial performance slides very quickly so that we'll have further time during the Q&A session.

Starting with the balance sheet. As you can see that our total balance sheet stands at SAR 1.05 trillion, 3% growth year-on-year, driven by 4% growth in our financing book year-on-year. On a sequential basis, it's almost flat, no material movement, as you can see on the bottom left-hand side of the chart. On the funding side, we've managed to further increase our customer deposits. That gives us the flexibility to shed off almost SAR 13 billion of an expensive interbank deposit in order to manage our cost of funds efficiently. We also tapped in the international debt capital market earlier in January, where we raised \$1 billion of a Tier 1 sukuk issuance.

Zooming further into the main driver of the balance sheet movements, as you can see on the top left-hand side of the chart, our total financing book stands at SAR 754 billion, almost 4% growth year-on-year. Retail representing almost 64% of our financing book, no movement compared to the year end.

To analyze the year-to-date movement, as you can see on the top right-hand side of the chart, our mortgage book has grown by 1%, ex-mortgage of the retail book contracted by almost SAR 3.1 billion. It's worth to highlight that we securitized close to SAR 1.4 billion of our consumer loans in order to help further boost the liquidity and the capital profile for the organization.

In continuation of our repricing efforts, there has been a repayment on our corporate book by almost SAR 5 billion. Those were paid, and the pricing of those corporate exposure were at a low spread. However, that has been managed and negated by further growth in the SME book by almost SAR 7 billion. Those initiatives are part of the management action to further improve the asset mix and to improve the repricing, which will subsequently have a better impact into our gross yield expansion.

Our total customer deposits stand at SAR 679 billion, 3% growth year-on-year, and almost 2% on a sequential basis. CASA as a percentage of the customer deposit stands at 67.8% compared to 64.8% as

of December 2025. The movement of our customer deposits, as you can see on the bottom right-hand side of the chart, we managed to grow our CASA by almost 6.5% year-to-date.

That growth helped us to further shed off a time deposit of almost SAR 16 billion, coupled with a SAR 13 billion, as we discussed on the previous slide, that will help to manage our cost of funds efficiently. Our investment book stands at almost SAR 173 billion, no material movement both on a sequential and a year-to-year basis nor the mix. 75% of the book is fixed rate and close to 83% of the book is in domestic.

We move to the profitability section. Our net income for the first quarter was SAR 6.752 billion, almost 14% growth year-on-year and 6% on a sequential basis. As you can see, the driver of the sequential movement on the bottom left-hand side of the chart, our yield income has grown by 3%. Non-yield income was lower by 6%.

The driver of that non-yield income is mainly under the other income, where, as you can see on the table in front of you, we got impacted in the first quarter. This is due to the investment book mark-to-market where we have seen both an interest rate increase, coupled with the credit spread widening.

Expense was lower by 8%, which brings the pre-provision profit to be 4.4% expansion on a sequential basis. The year-to-date movement, as you can see on the bottom right-hand side of the chart, yield income has grown by 18%. Non-yield income despite the impact on the investment book is still growing at 1% year-on-year. Expenses were higher by 17.7%, which brings the pre-provision profit to be around 13.5% higher year-on-year.

To further zoom in into the net income driver, our operating income for the period were at SAR 10.5 billion, 14% increase year-on-year and almost 1% expansion on a sequential basis. Driver of the year-on-year movement, as you can see on the top right-hand side of the chart, although that our average earning assets has increased by 6%, however, we had also the benefit of a 38-basis point expansion on NIM, which brings the NII to be higher by 18%.

Fees have shown a very healthy growth of 17% year-on-year, mainly driven by executing Harmonize the Group strategy, as Waleed mentioned earlier, cross-sell, where we have seen a good improvement in both retail, corporate transactions. Exchange income has shown a healthy growth of 24% year-on-year.

On the other income, which we highlighted earlier due to the mark-to-market of the investment book. NIM for first quarter was at 3.54%, almost 38 basis point expansion year-on-year and 19 basis points compared to Q4. The driver of the NIM expansion, as you can see on the bottom right-hand side of the chart, we managed to further increase the gross yield by 24 basis points, coupled with a further improvement in the cost of fund by 13 basis points.

If you recall, our NIM sensitivity for every 25 basis points drop into the three-month SAIBOR, the NIM or the theoretical NIM will expand by 7 basis points. The SAIBOR movement year-on-year were almost 57

basis points, i.e., that will equate to a 16 basis points of the NIM expansion due to the SAIBOR movement. However, the delta of the 22 basis points was due to the management action vis-à-vis the following factors: the asset repricing, the asset mix, also the liability mix given that the focus into the CASA and finally, optimize our paid liability efficiently.

OpEx were around SAR 2.5 billion, a 17.7% increase year-on-year and 8.3% lower sequential basis. The driver, as you can see on the top right-hand side of the chart, mainly on to the staff costs as well as into the G&A. Those are indeed required to further execute our Harmonize the Group strategy.

Our cost-to-income ratio for the period were around 23.3% as of Q1 compared to 22.7% as of the same period last year. However, if you compare it against the Q4, we stand at 25.7%. NCL for the period, SAR 631 million, almost 20% higher year-on-year, while the cost of risk is around 33 basis points.

As you can see on the bottom left-hand side of the chart, although our gross charge has increased by SAR 200 million, however, it has been negated by further improvement in our recoveries effort to negate that increase in the gross charge. The movement on the NCL mainly are going into the non-retail book, which we've seen a 15% growth year-on-year.

NPL stands at SAR 5.9 billion, 3.5% higher on a sequential basis. And if you look at the movement, write-off and inflow are in line of our expectation and better than Q1 of 2025. NPL ratio stands at 77 basis points, no material movement compared to the same period last year nor the year-end. That coupled with a still healthy NPL coverage of 150% plus.

Our ECL stock at almost SAR 8.9 billion, 7% higher year-on-year and was across between retail and non-retail book. Stage 1 exposure at 96.7% as of Q1. In terms of the stage coverage, as you can see on the bottom left-hand side of the chart, no material movement, still Stage 1 at 38 basis points, Stage 2 at 10.8%, and finally, Stage 3 at 55.3%.

Although our headline LDR at 111%, but if you include the sukuk plus the syndicate loan, our LDR will drop to 95% compared to regulatory LDR of 82.6%, still further room below the regulatory requirement of 90%. LCR and NSFR at a healthy level and above the minimum regulatory requirement.

On the capital side, our total RWA stands at SAR 683 billion, 5% increase year-on-year, mainly driven by almost 7.5% increase in our credit risk RWA. RWA density at 65%. Our capital ratio, CET1 at 17.3%, Tier 1 at 21.6%, and finally, our total capital at 23%.

On our Tier 1, as you can see on the bottom right-hand side of the chart, there has been a 113 basis point improvement in our capital adequacy due to the following factors: the internal capital generation of almost 88 basis points, coupled with the sukuk benefit, which we discussed earlier. Our profitability metrics remain healthy. We have seen our RORWA reaching one of the highest levels at almost 4%

compared to 3.79% at Q4. Our ROE at 22.9% compared to 22.8% in Q4. Finally, our ROA expanded to 2.58% versus 2.43% in Q4.

At the macro-outlook, IMF has updated the Saudi GDP forecast for 2026 to be 3.1% expansion, mainly driven by non-oil GDP and kept the 2027 GDP expansion of around 4.5%. Consumer spending is still healthy and where we have seen almost 10% increase year-on-year as of end of February. In terms of the rate outlook, our best case forecast for the rate, we don't expect any further movement into the rate environment. Finally, SRC rate for the 20-year mortgage stands at 7.4%.

Reflecting in Q1 performance and outlook for the remaining of the year, we have updated our guidance for the NIM where we upgraded the guidance to be 30 to 40 basis points and upgraded our Tier 1 guidance to be above 21%. We have kept the guidance unchanged for the other metrics. Waleed, back to you.

Waleed Al-Mogbel (Managing Director and CEO)

Thank you, Abdulrahman, for the financial highlights. We are so proud of our outstanding performance and the progress made across all KPIs of our strategy, Harmonize the Group. Now we will open the floor for Q&A. Operator, back to you.

Charlie (Moderator)

Thank you. Of course, we will now begin the question and answer session. As a reminder, if you'd like to ask a question on today's call, please use the raise hand feature on your toolbar. If you're joined via the telephone, please dial star, followed by 1. Alternatively, Webex users can submit questions in writing via the Q&A function on your screen. Our first question today comes from Jon Peace of UBS. Jon, your line is open. Please go ahead.

Jon Peace (Analyst, UBS)

Thanks very much for taking the questions. The first one is the NIM upgrade is a welcome surprise, given how the curve has moved in your theoretical sensitivity. I just wondered what was the main driver behind that? What's really sort of changed since the outlook that you expected at the start of the year? Is it higher asset yields? Is it deposit mix? How have you managed to deliver that upgrade?

And then on the non-interest income, what was the impact in the quarter from the regulatory fee caps? And I guess we may have only seen a partial quarter impact of that. How might that look as we go into the second quarter? And then if I could just finally ask on the cost of risk. Was there any overlays that you took for the current environment or anything that you might anticipate taking at the half-year stage? Thanks very much.

Abdulrahman Al Fadda (Chief Financial Officer)

Jon, on the NIM driver, if you recall the NIM slide, we managed to grow our NIM by 38 basis points year-on-year. And if you recall our NIM sensitivity, due to the rate movement on the SAIBOR, it's around 16 basis points. Over the last 18 months, we've been discussing that the bank focusing is into the value rather than profitability.

The management focus was to reprice our assets to reflect the liquidity premium, looking at opportunities on the asset mix to improve the gross yield and also opportunities to improve our CASA as a percentage of the overall customer deposit, and also finally, optimizing our cost of funds. All those four factors have contributed to 22 basis points out of the 38-basis point NIM expansion year-on-year.

Now, the way that we're looking, three-month SAIBOR stands at 4.78% as we speak today. We don't expect any material movement into the rate. Based on SAMA bulletin data as of February, we've seen a very good growth into the customer deposits of almost SAR 115 billion, while the loan portfolio was lower than that. So that is improving in terms of the SAIBOR. SOFR-SAIBOR spread is looking much better than the peak that we've seen in Q3. All those three factors are taken into consideration the NIM upgrade that we have highlighted earlier.

As far as the second question into the fee income, although some of the regulatory changes that has happened in February, nevertheless, if you look at our fee income growth on a sequential basis, we managed to further grow our fee income by almost 3% on a sequential basis. Also, if you recall, there has been further regulatory changes into the fee income or the payment that has happened in July last year. but through the management initiatives, taken a few actions in terms of counter impact, we overcome those regulatory changes, and the way that we will work is to find a way how to further improve the fee income contribution to the bottom line.

As far as the cost of risk, we keep updating our ECL model on a regular basis, taking into consideration the operating environment. There are elements within our ECL model have shown a negative side, but also there are other elements that have shown a positive sign, for example, oil prices. Overall, as we speak, 33 basis points cost of risk for the first quarter is adequate. As per our current best-case forecast, we are comfortable with the cost of risk guidance for 2026 to be in the range between 30 to 40 basis points.

Jon Peace (Analyst, UBS)

Great. Thank you very much.

Charlie (Moderator)

Thank you. Our next question comes from Rahul Bajaj of Citi. Rahul, your line is open. Please go ahead.

Rahul Bajaj (Analyst, Citi)

Rahul Bajaj from Citi here. I have two questions mainly. First one is on securitization. So, if I understand correctly and got the number correctly, you've done SAR 1.4 billion of securitization in the first quarter. Just to clarify, this is mortgages or non-mortgage retail book securitization? And if I'm not mistaken, there were some further news around securitization in the last few days around mortgages. Could you just clarify what is the kind of quantum of the securitization that you've done in April?

And the guidance on loan growth is post these securitizations, just to clarify, that -- if my understanding is correct. So that's my first question. And my second question is on -- I just want to understand if there are projects being re-prioritized or shelved in the current sort of environment in Saudi. What kind of exposure do you have to such projects which are probably being put on the back burner? Are there any such exposures? And if such, how do you feel about kind of provisioning levels for those projects? Thank you.

Abdulrahman Al Fadda (Chief Financial Officer)

First one, the SAR 1.4 billion securitization that we've done in the first quarter is ex-mortgages the retail book. Second question is on mortgage. Yes, we've done a securitization post Q1 results. Mortgage securitization is something as available tools for the management to be able to diversify the funding as well as improving the capital structure.

It is one of the main initiatives as a part of the management action to optimize our NIM. And we've been saying regularly, as long as the delta between the new origination rate minus the securitized book rate plus any fees, that will have a positive impact over the medium term. Third question, I'll leave it to my colleague, Salim.

Salim Musallam (Chief Credit Officer)

We don't have any major exposure to any deprioritized projects. This was the question?

Rahul Bajaj (Analyst, Citi)

Just to clarify, are there SMEs who you might have exposure to who would be impacted by these project cancellations?

Salim Musallam (Chief Credit Officer)

Okay. Just to answer the question specifically on SME, basically, our SME exposure is largely based on program lending, like point-of-sale financing, lease financing. So again, the answer would be we don't have a major exposure in SME or even corporate to any deprioritized projects.

Rahul Bajaj (Analyst)

Thank you.

Charlie (Moderator)

Thank you. Our next question comes from Murad Ansari of GTN. Murad, your line is open. Please proceed with your question.

Murad Ansari (Analyst, GTN)

Good afternoon and thanks for the presentation. So, I wanted to just understand on the corporate loan repayment that's come in in this quarter. So, this was scheduled or was it more of a pricing kind of adjustment that led to this repayment? So, understanding if it was a maturity or if it was a prepayment? And are there other parts of the corporate book where you'd be looking to optimize the asset yields or the returns?

So, is that something that we should expect happening over the course of the year? My second question was on the SME loan book. It's been phenomenally strong over the last many years. This last few quarters, average growth has been around 50% plus. How do you see the growth on the SME side progressing over the course of this year?

I mean 50% is high, but is the market expanding? Are you taking away market share from peers? So just wanted to get a sense of that. And thirdly, on the CASA mix improvement. Is that primarily retail or corporate? And you've made very strong improvement on this in one quarter. Do you see prospects of further improvement? What are the key drivers or factors affecting this improvement in CASA? Thank you.

Waleed Al-Mogbel (Managing Director and CEO)

Thank you, Murad, for your question. For the corporate growth, the repayment in the first quarter was a mix of both scheduled payments and other customer payments for the pricing purposes. For the SME, we believe still the market is there for growing in SME. And we believe as part of our strategy, Harmonize the Group as we should be the bank of choice for the SME customers, considering our experience in retail and most of the lending, as my colleague, Salim mentioned, is the program lending product for the SME, also considering the network that we have across the Kingdom.

Murad Ansari (Analyst, GTN)

Thank you. And just on the CASA growth, key drivers here and -- I mean, you've made very strong improvement in the first quarter. Do you see this trend sustaining through the course of the year, meaning further improvement or -- just your thoughts around that.

Abdulrahman Al Fadda (Chief Financial Officer)

Sure. at the system level, based on the available information through the Tadawul announcement, the total system growth in the customer deposits in the first quarter were close around SAR 113 billion. So overall, the majority of the CASA that we have improved in the first quarter are coming mainly from the non-retail book. Now is it sustainable? Is it something that we anticipate that it could be a transitory? And I think it's too early to take a call as we speak.

And we would like to see overall another quarter. And we keep our team at the corporate, private, the entire organization are on a regular contact of our customers. You know Al Rajhi, one of the main competitive advantages for Al Rajhi Bank is making sure that we have a sustainable and stable CASA. Long story short, Murad, I think it's too early. Nevertheless, this is something that we'll continue to focus on growing our CASA accordingly.

Murad Ansari (Analyst, GTN)

All right. Thank you very much.

Charlie (Moderator)

Thank you. Our next question comes from Mohammed Al-Rashid of Hassana. Mohammed, please open your line and proceed with your question. My apologies, they have just removed their question registration, so we'll move on to the next question that we have in the queue, and that is Chiro Ghosh of SICO Bank. Chiro, your line is open. Please go ahead.

Chiro Ghosh (Analyst, SICO)

Hi, this is Chiro Ghosh from SICO Bahrain. So, my first question is related to the liquidity. Now that not only Al Rajhi, most banks got a deposit infusion. So, are you already seeing a pickup in competitive pressure or price cutting, especially on the lending side of it? So, I just want to get a sense on the ground reality. I mean, how is the competitive market space, especially on the corporate side of it?

And similarly, I know you gave some clarity, but again, on the asset quality side of it, especially on the corporate side, we are a little surprised that there was no major pickup in like higher ECL on the side. I know again, you gave some clarity on it, but still would like to pick your brain to better understand how are you able to manage such steady asset quality in the corporate side, especially. These are my two questions.

Abdulrahman Al Fadda (Chief Financial Officer)

On the liquidity side, Chiro, as I mentioned earlier, we've seen the total increase into the customer deposits based on the public information in the first quarter, around SAR 114 billion. We also see that

the total customer loans were around SAR 50 billion. So that gives you an indication that the loan-to-deposit ratio for the banking system in the first quarter has improved compared to the year-end.

That has eased the pressure into the sector, which we've seen also the SOFR-SAIBOR spread has improved over the last three months. Overall, in our perspective, and I think liquidity is there, it's about managing the asset pricing, coupled with the cost of funds in order to further improve the NIM. That's on the liquidity side.

On the second question related to the cost of risk. Alhamdulillah, if you look at the Saudi economy has been resilient over the last three months to the current geopolitical tension. And the business it is a BAU. We haven't seen any large deposit outflow. In fact, the deposits in the system have improved.

We don't see any major signs of a stress as we speak. Nevertheless, between us and the credit team, we're monitoring the situation on a regular basis, and if there's any action that we need to do, we'll take it. But as we speak, based on the best case forecast for us and the available information we have, cost of risk guidance for this year are still intact.

Chiro Ghosh (Analyst, SICO)

Perfect. Yes, very clear. Thank you very much.

Charlie (Moderator)

Thank you. Our next question comes from Olga Veselova of Bank of America. Olga, your line is open. Please proceed with your question.

Olga Veselova (Analyst, BofA)

Thank you and good day, three questions from my side. One is on fee income growth. If possible, maybe you could provide us your outlook on the pace of growth for the next several quarters. My second question is about your subsidiaries, Emkan, Ejada. Are you sticking to plan to consider potential monetization of these subsidiaries at some point? And what would be the triggers to come back to this plan?

And my third question is about your expansion of retail client base. In the annual report, we noticed you added 1.1 million of nonresident retail clients last year, which is, of course, a great addition. What is product proposition there? And what's take-up of products by these clients? How much do you cross-sell on top of remittances to them? Thank you.

Abdulrahman Al Fadda (Chief Financial Officer)

Thank you for the questions, Olga. As far as the first question, I'm sure that you're aware that we don't provide any specific guidance on the fee income. But nevertheless, if you recall, in early February 2024, when we come to the market with our updated strategy, Harmonize the Group strategy, one of the KPIs that we mentioned very clearly and articulated is the cross-sell.

End of 2023, the percentage of the customer base, it used to be 38%, while as we speak, it stands at 44.2%. So that shows the focus of the management of the bank and the group subsidiaries is to be able to improve the customer lifetime value and that should help into improving the fee income. However, rest assured that we are continuing that despite some of the regulatory changes that has happened recently, fee income is showing a very healthy growth, either customer acquisition, improving the cross-sell and looking at the product features, services, the digitizing of the customer journey. All of those have helped to further improve the fee income.

The second question related to monetizing some of the subsidiaries, definitely, this is something that we are looking to do. And we are in the process. As I mentioned, this is something that we believe any of our subsidiaries that have reached the right maturity level in terms of product and customer diversification, improvement into the overall management, key personnel, governance, etc., and there is a value for the shareholder, we'll definitely take the call. And this is something that we assess on a regular basis.

The last question is on the retail client acquisition. The bank has been investing quite a lot in improving our digital platform. We've been leveraging from the whole digital economy in Saudi by leveraging through the government KPIs, whether it's a KYC, employee verification, salary verification and finally, any credit history verification.

By leveraging on the targeted campaigns, also Waleed had mentioned it earlier, the sales from a targeted client base are one of the key focus areas. We do have lots of program within the organization to make sure that we do have a healthy client acquisition to help us to improve the cost share.

Olga Veselova (Analyst, BofA)

Thank you.

Charlie (Moderator)

Thank you. Our next question comes from Shabbir Malik of Morgan Stanley. Shabbir, your line is open. Please proceed with your questions.

Shabbir Malik (Analyst, Morgan Stanley)

Yes. Hi. Thank you very much. I have three questions, please. I know you give your cost-to-income guidance, but in terms of the evolution of cost from this point onwards, when we think about costs in sequential terms, do you expect a slowdown in cost growth? Is 1Q a good kind of starting point for us to kind of map or project the cost for the rest of the year?

And my second question is around your NIM guidance assumptions. You may have touched upon this, but I just want to kind of reconfirm what kind of rate cut assumptions are you factoring in your NIM guidance? And assuming that there are no rate cuts this year, do you expect any meaningful impact on your NIM guidance as a result of that?

And my final question is around geopolitics, and you've provided a lot of detail on the potential that in terms of asset quality, you still feel quite comfortable. But in terms of trends on fee income, on payments, has there been any effect of this geopolitical uncertainty on credit card spend on transaction volumes, which could potentially reflect negatively on fee income in 2Q?

Abdulrahman Al Fadda (Chief Financial Officer)

In terms of the OpEx outlook, Shabbir, we don't provide any specific outlook on the OpEx. We provide a guidance into the cost-to-income ratio. Overall, our cost-to-income ratio for the first quarter were at 23.3%. We are comfortable to reach our guidance that we have provided on the cost-to-income ratio for 2026. And Waleed mentioned earlier in terms of the strategy execution, we'll continue to execute.

We continue to deliver our KPIs that should help further the ROE expansion. The way that we see that, we still continue to execute our strategy. And if we believe that any investment in our infrastructure that should be having a positive impact into the operating income, we'll definitely take that. Second question is very easy. I think I mentioned it earlier, best case forecast, no rate change for remaining of 2026.

Waleed Al-Mogbel (Managing Director and CEO)

Regarding your last question, we haven't noticed that much of drop in our fees because of the geopolitical things, except of what you have mentioned that the card international spending fees, which doesn't represent that much of fees compared to the total fees of the bank.

Shabbir Malik (Analyst, Morgan Stanley)

Got it. Thank you.

Charlie (Moderator)

Thank you. Our next question comes from Fahad Irfan of AlJazira Capital. Fahad, your line is open. Please unmute yourself locally.

Fahad Irfan (Analyst, Aljazira Capital)

Thank you, management. My question is around the gross asset yields. So, we have seen that there is a sizable improvement. How much room do you think there still exists with the changing balance sheet mix or focus on quality in a stable rate environment? Have you done any sensitivity on that? And second question is that even in a stable environment, you don't see any improvement in SAIBOR given that liquidity should improve this year?

Abdulrahman Al Fadda (Chief Financial Officer)

On the first question, by and large, our ex-mortgages of the retail book have been repriced. If you recall, we are coming to the end of whatever have been originated back in 2021 at lower rates when SAIBOR used to be around 70 basis points. So, that has played a major impact in the NIM expansion that we've seen. If you recall, out of the 24-basis point NIM expansion, 21 basis points are coming from the retail. So, the repricing that we've done was on the ex-mortgages retail book.

Corporate has shown also close to 7 basis points. Overall, I doubt that there will be any further opportunity on the retail side on the repricing because we repriced the old vintage book. On the corporate, this is a journey we started somewhere last year. We'll continue to look at repricing our corporate assets and looking at the mix on the corporate side. That's on the first part.

As far as the last question related to the SAIBOR, I think the best benchmark to look at is the SOFR-SAIBOR spread. Which is currently stable. I recall when the tension started, I think the SOFR-SAIBOR spread were around 125. As we speak, it's around 110. Yes, it's peaked around 140 and as we speak, it is stable at 107 given two factors; liquidity has improved quite a lot in the system, and loan portfolio is not growing as fast as the customer deposit.

Is the pressure into the loan-to-deposit ratio? we are conservatively forecasting the SAIBOR to be within the same for the remaining of the year. Definitely, if there is a rate cut or a further improvement into the liquidity, it will have a positive impact on the SOFR-SAIBOR spread that will have a positive impact by the virtue of our critical NIM sensitivity.

Fahad Irfan (Analyst, Aljazira Capital)

If I can just add one question. So, over the medium term, what's the outlook on -- when will the repricing effect or if any repricing effect would happen because of lower rates or you expect the gross

yields to sustain the 6% odd level over the next two, three years, given that you had a sizable increase in assets in the early 2021 and 2022?

Abdulrahman Al Fadda (Chief Financial Officer)

Fahad, you're looking at one part. You're looking at only the gross yield. And I think what we should focus on is the NIM. If you look at mix of our financing book, mortgage book represents almost SAR 277 billion of our financing book. The ex-mortgage of the retail book was close to around SAR 200 billion. Now if you look at our time deposits and the paid liability, around SAR 300 billion plus. So, in a lower interest rate environment, we are geared for a NIM expansion. Yes, probably asset yield might go lower, but it's not as fast as the cost of fund, which should have a positive impact into the NIM over the medium term.

Fahad Irfan (Analyst, Aljazira Capital)

Exactly. That is why I mean, in a stable environment, actually the focus goes more towards trying to assess the asset yields. So that is where the question came from. Thank you. Thank you so much for your advice.

Charlie (Moderator)

Thank you. And our final question of today comes from Aditya Nirmal Modi of Aranca.

Aditya Nirmal Modi (Analyst, Aranca)

Thanks. I just have one simple question. I noted that in your presentation, in the strategic highlights that the percentage of customers with more than one product has declined sequentially, which was like the first time that I noticed this for Al Rajhi Bank. Can you just give me some color as to what is happening here? Is it that you are onboarding customers very strongly and hence, customer growth is outpacing your cross-sell? Thanks. That's my question.

Abdulrahman Al Fadda (Chief Financial Officer)

That's a very smart observation, valid. You're absolutely correct. End of the year, the percentage of customer base of having more than one product was 44.6%. It came at the first quarter to 44.2%. The reason is we have onboarded close to 170,000 customers, and the number of the improvement in the cross-sell were lower than that. That's why the percentage is going lower. Nevertheless, we see a very positive trajectory over the medium term.

Aditya Nirmal Modi (Analyst, Aranca)

Okay. Thank you so much.

Charlie (Moderator)

Thank you. We have no further questions registered on today's call. So, handing back to the management team for closing remarks.

Waleed Al-Mogbel (Managing Director and CEO)

Thank you, everyone, for attending the call and for your trust in us. We will continue to achieve our strategic goals for this year and beyond, Inshallah, with our new strategy. We look forward to meeting you on the next earnings call. Thank you.