4Q 2025 Earnings Call Transcript - February 16th 2026

Omnia Kadry:
Good afternoon, everyone, and welcome to Saudi Investment Bank's 2025 Earnings Conference Call. This is Omnia Kadry from EFG RMS, and it's a pleasure to have you all with us today. I will now hand the call over to **Najla,** EVP, Investor Relations. **Najla**, the floor is yours.

Najla Al Mutairi:
Thank you, **Omnia**, and good afternoon, everyone. We're pleased to welcome you all to the Saudi Investment Bank's earnings call for full year 2025. My name is Najla AlMutairi, Head of Investor Relations. Kindly note that our earnings disclosures are available to download from the IR section on our website. And this webcast will be recorded as well, and a transcript will be made available. If there are any members of the media, please be reminded to share your questions separately with the SAIB Corporate Communications team.
I'm joined today by Faisal Al-Omran, our CEO; and Ahmed Almohsen, our CFO. Moving on to the agenda of today's call. Faisal, our CFO, will cover the performance highlights for the period and will update you on our strategy. CFO will then discuss the financial performance and guidance in more details. We will then open the floor for questions. With that, I will now hand over to our CEO to begin the presentation. Over to you, Faisal.

Faisal Al-Omran:
Thank you, Najla. Good afternoon, everyone, and a warm welcome from my side. We delivered an impressive performance during 2025, showing solid progress and robust year-on-year growth across our key performance metrics. We had 13% loan expansion driven by growth in both corporate and private banking segments, 17% deposit growth mainly on higher time deposits, strong credit quality overall and an encouraging direction of travel in our NPLs. And also, we maintained solid capitalization and healthy liquidity positions.

Also, our net income growth of 24% year-on-year to SAR 2.4 billion for 2025, driven by line, including a one-off gain on sale of land and also lowering our operating expense. We have improved our ROE to 14.8%. We have maintained a low cost of risk at 33% -- 33 basis points, maintained cost discipline with underlying cost/income ratio, excluding one-off, improving to 40.5%. If we move to Slide #4, I'll share briefly some of our key highlights and accomplishments for this year. On the DCM front, we successfully launched a $1 billion CD program.

In September 2025, we closed our 750 million Asian syndicated loan, making an important milestone in diversifying our funding base. The transaction also have received strong demand from our international investors. and also demonstrated our ability and confidence in SAIB credit profile and increasing visibility across global capital markets. During the year, we also introduced a Shariah-compliant Zakat exempt saving account offering a best-in-class profit rate and a fully digitized onboarding experience to our mobile app.

We also launched S60 Accelerator, one of our S60 venture initiatives in collaboration with Saudi Fintech. We also launched a revamped corporate account opening journey, enabling a faster, more compliant, more faster, fully digitized onboarding for corporate clients. The bank also continues to receive strong external recognition for its performance in innovation, in governance. In innovation also remains a key area of strength for us as part of Strategy 2027, we've made considerable progress in enhancing our digital capabilities and launching innovative products and strengthening our customer offering and market position.

For example, in the new app banking that we have launched, we launched a completely new mobile banking application with significant improved performance and superior experiences. The app is now rated at 4.8 on the App Store and Google Play, the highest rating among Saudi banks. Also the travel app, we also introduced a dedicated travel app offering fully digital journeys. The app also has received high rating on the App Store and Google Play.

Also, we have launched the first in the Kingdom travel account in partnership with Saudi Airlines, rewarding customers with travel mile based on their account balances, and it was voted one of the best products in 2025. If I move to Slide #6. I think this slide serves as a reminder of our Strategy 2027, including our vision, mission, strategic goals across business segments and the enablers. I think I've covered this really both, and I'll move on to the progress that we have made in the next slide.

Strategy 2027 is transforming bank through 43 initiatives that we have explained before. These initiatives focus mainly on segmentation, stronger value propositions, strengthening performance management, advancing end-to-end digitization, AI and advanced analytics. Execution of the Strategy 2027 is progressing ahead of schedule. Of the 43 initiatives launched, 42 have now been successfully delivered. And all of them will further enhance our differentiated value proposition and accelerated profitable growth.

If I go to the next slide, we have made strong progress across our key enablers, strengthening the foundation that supports our business growth and strategy execution. You can see these initiatives already implemented across our organization and those in the pipeline. For example, we started S60 ventures. We also designed and launched an automated real-time credit scoring engine for the retail loans. In data analytics, we built best-in-class capabilities in the data science, AI and data governance.

We've also revamped key customer journeys, especially within the corporate and private banking. Also to further strengthen our people capabilities, we launched SAIB Academy. In addition, we implemented operating model changes across businesses to improve relationship of managers and their productivity. In the near term, we will continue to drive this strategic change. We're preparing to launch best-in-class corporate Internet banking platform with comprehensive features and enhanced UI/UX for world-class experience.

We've also introduced new analytics powered CRM for corporate and private banking. We also continue to work on initiating business use cases leveraging data science and AI. If I move to the next slide, Slide #9. In fourth quarter 2025, we refreshed our strategy to reassess priorities for the remaining period 2026 and 2027. The refresh was driven by several key considerations.

First, progress achieved over the past three years; second, changes in the macro environment, banking sector dynamics and competitive landscape; three, also the input from the Board of Directors and management on strategic ambitions and focus area for the final two years of the strategy. The final is the peer benchmarking and as generated through the discussion that we had in the workshops.

As a result, we identified additional strategic priorities for 2026 and 2027 as follows: one, revamping our liability strategy to improve the cost of funding; two, enhance trade finance fee income to increase the contribution of noninterest income. Also, a strong focus on customer experience with the ambition to become a leader in customer NPS within our targeted segment. Four, launch of a new corporate Internet banking platform aimed at reducing customer acquisition costs and supporting fee income generation.

This also will be accelerated by, first, more impactful and targeted marketing initiatives; two, increased use of data AI across the organization. Based on this refreshed strategic direction, we are in the process of developing a detailed strategic plan and associated initiatives and more detail will be shared with you upon completion of this process, hopefully in the next quarter earnings call. With that, now I'll hand it over to Mr. Ahmed, our CFO, to go over the financial results.

Ahmed Almohsen:

Thank you, Abu Abdulaziz, good afternoon, everyone. I would also like to extend my warm welcome to all of you joining us today. SAIB delivered another strong performance for 2025, and I will now take you through the financial details. The balance sheet loan increased 13% year-over-year, reaching 112.1 billion. This was supported by deposit growth of 17% year-over-year, taking total deposits to 109.6 billion. NIM continued to contract, declining by 41 basis points year-over-year and reached 2.26%, primarily reflecting a shift in the deposit mix and lower asset yield, which limited the improvement in our cost of funds.

Profitability, however, continued to strengthen, supported by income growth, positive jaws and one-off gain of 535 million from a land sale. As a result, net income increased by 24%. Return on equity reached 14.8%, representing a 202 basis point increase versus last year. SAIB maintained a healthy asset quality with NPL ratio improving to 95 basis points, while the cost of risk remained low at 33 basis points. Equally, capitalization and liquidity were strong and remain supportive future growth.

Turning to Slide 12, please. The balance sheet expanded 10%, driven by higher loans, which increased 13%, investment increased 16% and bank placement, which have increased by 23%. Those were partially offset by lower balances with SAMA, which decreased by 38%. The balance sheet growth was primarily funded by 17% expansion in customer deposits. In addition, SAIB successfully completed a new USD 750 million term loan in September 2025, supporting funding diversification.

We will now look more closely into each of these trends in the following slides, starting with loan and advances on Slide 13. Our loan book continued to demonstrate a solid momentum, recording a 30% growth in 2025. Most of this growth came from corporate lending, which grew by 16% during the year.

We continue to focus lending towards sectors that are aligned with the national priorities and the country long-term vision. Our active participation in financing major infrastructure projects remained a key driver of growth.

This momentum was further supported by broad-based credit demand across key economic segments, including building and construction, utilities, services, transport and communication. On the retail side, the loan portfolio grew by 4%, driven primarily by 14% expansion in private banking. This segment increased by 2 billion during the year, reaching 16.3 billion. Meanwhile, the remainder of the consumer loan book declined by 9% in 2025 as repayment continue to outpace modest new origination.

We expect this segment to gradually stabilize with upside potential as our affluent segment initiatives, particularly in housing, begin to gain traction. Loan growth slowed to 3% in the second half compared with 9% growth in the first half as we focus more on profitable growth amid tight liquidity condition and funding cost pressures. This more selective approach to lending in the fourth quarter, combined with higher-than-expected corporate repayments resulted in a full year loan growth of 13%, which were slightly below our 15% guidance.

Moving on to the next slide. In our investment front, our investment portfolio grew by 16% year-over-year, reflecting our disciplined deployment into attractive market opportunities during the year. Growth was driven primarily by new investments in high-grade fixed rate debt securities issued by bank and financial institutions as well as government and quasi government entities. This strategy allow us to lock in attractive spreads that contribute meaningfully to net special commission income while keeping conservative risk profile.

The portfolio is well positioned with yields broadly stable despite recent rate cuts. As rates begin to ease, we also started to see benefits of our fixed rate positioning with positive mark-to-market impact reflected in our other comprehensive income. Asset quality remains strong with around half of the portfolio invested in government securities and further 38% in banks and financial institutions. Moving to the next slide on deposits. Customer deposits rose 17% year-over-year and reached 109.6 billion. Market liquidity remains tight with intense competition in deposit pricing.

In this context, growth was mainly driven by 31% increase in interest-bearing deposits, mainly in retail with noninterest-bearing deposits declining 12% year-over-year. This shift reflects a broader market-wide trend as many government and public sector organizations have been moving balances from current accounts to core accounts. As a result, our funding mix has adjusted with noninterest-bearing deposits now representing 25.4% of total deposits, down from 33.7% at the end of last year.

In September and as we highlighted, we introduced our new shariah compliant zakat exempt saving account, which attractive profit rates and fully digital experience. And we have already seen encouraging inflows during the fourth quarter. We expect this momentum to continue into 2026 with saving balances playing an increasingly important role in improving our funding mix and supporting funding costs over time.

While near-term deposit growth will continue to be driven mainly by interest-bearing balances, our strategic focus is shifting toward gradually strengthening CASA, particularly through the expansion of saving accounts as we look to 2026 and beyond. Now turning to a summary of our income statement on Slide 16. Net income increased 24% year-over-year, driven by 15% growth in operating income and further supported by improved operating efficiency. This improvement was partially offset by higher impairment and provision for zakat.

On a sequential basis, net income increased by 76%. During the fourth quarter, the bank recognized 535 million gain from a disposal of 44.4% interest in the land asset recorded in the profit and loss statement and contributing positively to 2025 results. ROE reached 14.8% for the year, while this was supported by the one-off gain, our focus is still firmly on delivering gradual and sustainable improvement in our ROE driven by core operating performance. I will expand on all net income components in the following slide.

And first, let's look at the net special commission income and the NIMs on Slide 17. Net special commission was broadly stable year-over-year amounting to 3.5 billion as average earning assets growth of 18% was offset by the NIM contraction. And as you can see from the waterfall chart at the upper middle section of the slide, special commission income from lending increased primarily driven by higher volumes, while income from investment benefited from higher interest rates on the new repurchased instrument during the period.

However, these positive effects were offset by higher funding costs, reflecting the shift in our deposit mix and intensified pricing competition that we have seen in 2025. The net interest margin declined by 41 basis points year-over-year to 2.26% in 2025, driven by 49 basis point decline in asset yield. This was partially offset by 43 basis point reduction in the cost of interest-bearing liabilities, excluding demand deposits, keeping spread broadly stable.

The improvement in overall funding cost was, however, constrained by the deposit mix shift mentioned earlier. On a quarterly basis, the net interest margin increased by 1 basis point in the fourth quarter, driven mainly by 29 basis point reduction in funding costs, which more than offset an 18 basis point decline in asset yield. The stabilization of net interest margin in the fourth quarter reflects our more selective lending approach and stronger focus on growing saving accounts and other alternative funding sources, as we mentioned.

Looking ahead, we expect NIM to stabilize with a range from 2.10% to 2.25% for the year 2026 as we focus more on selective profitable lending growth, we benefited from the rate cuts, while funding will continue to skew toward cost-bearing liabilities. Let's look at fees and other income on the next slide, Slide 18. Fee and other income for 2025 increased 97%. This was mainly driven by one-off gain on sale of land in November 2025. Excluding the one-off gain, fee and other income increased 14% year-over-year and 17% year-over-year on a sequential basis.

Underlying growth was partly driven by robust growth in foreign exchange income, reflecting customer growth and increased activities. This was further supported by higher fees income from banking services from consistent expansion in trade finance and accelerated growth in fund management-related income. Moving to the next slide to operating expenses. In 2025, we delivered continued cost discipline with both absolute operating expenses and cost-to-income ratio improving year-over-year.

Operating expenses declined by 1% to 1.7 billion, while the cost-to-income ratio improved to 40.5% on an underlying basis or 35.9% as reported. The improvement of underlying cost-to-income ratio was driven mainly by lower general and administrative expenses, while rent and premises costs remained stable. Employee-related costs and depreciation increased modestly, reflecting targeted investments.

Importantly, the slight reduction in cost reflects the completion of most strategy-related investment as well as early benefits of our cost optimization program, which we expect to continue into 2026. Our optimization efforts remain focused primarily on non-staff expenses, while on the people side, we are focusing on productivity gains rather than headcount reduction. Looking ahead, cost discipline will remain a key management priority in 2026, and we expect the benefits of our optimization initiatives to continue supporting operating leverage.

Now let's turn our attention to credit quality on the next slide. Credit quality remained resilient throughout 2025 with asset quality indicators continuing to improve. The impairment charge increased by 22% from the previous year to 355 million for the year 2025, resulting in cost of risk that was almost stable year-over-year at 33 basis points. In the fourth quarter, cost of risk increased by 27 basis points to 0.6% from 0.22% in the prior quarter.

This increase mainly reflects additional precautionary provision taken during the quarter to further strengthen coverage, particularly in a period that included one-off income benefits. Importantly, this was not driven by deterioration in portfolio quality. New nonperforming loan formation remains moderate and the NPL ratio improved to 95 basis points as of the end of 2025. Our nonperforming loan coverage ratio strengthened to an extremely comfortable level of 184.1% as of end of December 2025.

Stage 3 ECL coverage increased to 15.5%, while Stage 2 ECL coverage increased to 13.8%. For 2026, we don't expect significant rise in cost of risk or deterioration in credit quality. Moving to capital and liquidity. SAIB continues to maintain a strong capitalization and liquidity position. The liquidity coverage ratio, LCR increased to 185.3% and SFR at 112.0 both at comfortable levels. The SAMA LTD reached 80.3%, quarter-over-quarter improvement arising from higher deposit growth during the fourth quarter.

Total regulatory capital increased 6% during 2025 from profit generation and the favorable OCI movement from investment revaluations, which were partially offset by dividends payment and Tier 1 sukuk costs. Risk-weighted assets grew by 9% year-over-year and reached 119.5 billion, mainly reflecting growth in lending and balance sheet expansion. Sequentially, risk-weighted assets declined by 4%, driven by capital and risk-weighted assets optimization initiatives, which was targeted to improve capital efficiency without constraining business growth.

These key optimization measures include review and rationalization of unutilized credit limits, greater focus on collateralized lending structure within the bank normal course of business and optimization of risk-weighted asset density across selected portfolios. As a result, by the end of the year, our CAR reached 19.3% with Tier 1 at 18.8% and CET1 at 14.3%. Now let's look at the outlook and guidance for the year 2026. Overall, we delivered a solid performance in 2025. Financial results were broadly in line with expectations.

We remain focused on disciplined balance sheet growth, maintaining a strong asset quality and improving efficiency to support sustainable profitability. With continued progress under Strategy Strategy 2027 and strategic refresh for 2026 and 2027, focus on strengthening funding efficiency, enhancing fee income generation and accelerating execution through technology data and customer experience. SAIB is well positioned to support the next phase of sustainable growth.

Looking ahead, we anticipate maintaining a strong lending growth momentum with loan growth projected in the mid- to high single digits. This represents a moderation from 2025 levels, reflecting tight system liquidity, normalized repayment trends and more selective profitability focused approach to lending across the sectors. In terms of NIM, we are guiding to a range from 2.10% to 2.25%, which is broadly stable to possibly slightly up comparing to the Q4 2025 run rate.

This assumes some NIM benefits from rate cuts during the year as well as improved loan spread given our more selective approach, mostly offset by continued tight of funding growth toward cost-bearing liabilities. We expect our operating efficiency to improve to below 40.5%, supported by a combination of enhanced cost management and growth in income. For ROE, we delivered 14.8% in 2025. For 2026, we expect to deliver at least 12.75% underpinned by resilient income generation and disciplined cost and risk management and assuming no material one-off gains.

On cost of risk, the benign credit experience seen so far this year has led us to maintain our guidance range for the upcoming year at the level of 25 to 35 basis points. Finally, our expectation for Tier 1 capital ratio remains unchanged at above 18% for the year 2026, with strong earnings generation expected to offset the impact of dividends and risk-weighted assets growth. That concludes the management's presentation. As we wrap up, I want to extend my sincere gratitude for all of you and for your attention and interest in the Saudi Investment Bank. And now we are happy to answer any questions you may have. Thank you.

Omnia Kadry:

Thank you so much. We will now open the floor for Q&A. Our first question comes from Reem Alkhulayfi.

Reem Alkhulayfi:

I have one question from my side. Could you please quantify the impact of the recent regulatory changes in your fee income, specifically the retail fee adjustment introduced in early January? And would you consider the impact to be material?

Ahmed Almohsen:

New SAMA regulation may result in direct P&L impact. However, we believe such impact is manageable. There are a number of initiatives that we are working on, including some which have already been completed. This should manage the impact. For example, we are working on loyalty buoyance optimization, strengthening the value proposition. We are enabling some annual fees in some of our cards, the customer retention initiatives as well as developing a new product to increase our product line. All of this should help us achieve our projected growth and should minimize any negative impact arising from the new regulations.

Omnia Kadry:

Our second question comes from Murad Ansari.

Murad Ansari:

A few questions around the guidance. On loan growth, so you're guiding to mid- to high single digit. I'm assuming a lot of it is corporate-led growth. So I just wanted to confirm how you see the mix of growth in 2026. And then moving on to NIMs, related to that, you have -- I just wanted to get a sense of how do you see the liquidity situation now that we're almost 1.5 months into the new year. And I think most of the guidance coming from the banks is for a single-digit kind of growth.

Does that somehow impact the liquidity situation and the funding cost? And also on NIMs, if you're seeing any prospects for upward repricing on the margins on corporate lending? And also a question on cost growth. So I see your cost guidance or cost-to-income ratio is about similar to what it was last year. I'm mindful of the fact that you have about a big gain on land sale that's part of that calculation in the denominator. But do you think that on the cost side, I mean, you have had a great year in 2025.

Do you think that now we should see more like normalized kind of growth in line with balance sheet expansion? Or do you see more opportunities for cost optimization and hence, low single-digit kind of loan growth? And then on funding mix, any plans to raise more through debt issuances, either senior or AT1s, et cetera? And sorry, one last question, which is on Zakat. So your rate on Zakat is quite high for this year. I'm assuming it's because of the land sale. So if you could confirm that, that additional Zakat expense is related to what.

Faisal Al-Omran:

I'll answer some of them and Mr. Ahmed, the CFO, will take some of them also. In terms of the growth, we -- I think, as you said, you saw most of the sector expecting mid-single-digit growth. I think that's also our expectation is that for us to mid to higher single digit. We believe SAIB is positioned better in the corporate sector. And you're correct. We believe most of the growth will be driven by the corporate bank. So that's for the growth aspect.

Ahmed Almohsen:

Thank you, Faisal. Murad, for your question on the NIMs, you asked also about the system liquidity. I just would like to highlight on the fourth quarter, liquidity remained tight in the fourth quarter, but we've seen some slight improvement was mainly due to a general slowdown in the loan growth that was witnessed across the banking sector. Also, there have been some cross-border funding through either Tier 1 or Tier 2 issuance of CDs and terms loan.

This have enhanced the liquidity in the system and reduced the liquidity pressure that we have seen prior to that. Also this year, the overall liquidity is improving that can be evident by the increase in the average repo levels that is around 60 billion. as of date. do we will see repricing? This will be within both in the assets and liability side. What we are focusing on is to enhance our spread, if not maintaining this spread.

And that's what led us to project our NIMs. If you look at our NIMs, it's -- our exit NIM for the fourth quarter was around 2.13%. We are expecting -- if the CASA and noninterest-bearing deposits ratio remains as is, we expect to achieve this NIM. If we -- based on our initiative, increase the CASA mix, we might reach the upper level of our NIM or even beyond. In cost-to-income ratio, yes, there was the reduction in the absolute amount, of course, as well as reduction in the cost-to-income ratio.

Our cost optimization program is still ongoing. We still see some further enhancement and optimization as far as the cost concerned. But our focus, as we always highlight, is reducing our cost-to-income ratio, which we are determined to deliver. This year, excluding the one-off, the cost-to-income ratio was around 40.5%. We will be lower than this percentage by year-end. On the debt issuance, I think we have a program of 1.5 billion. We already utilized half of it, we will be evaluating whether to utilize the rest of it or go to Tier 1.

I think we will be clearer on this within our next earnings call. Finally, I think you asked about zakat. We estimate the zakat at the beginning based on the profit. You're right about the sale of land, which has increased the percentage. But eventually, what will be to is based on the actual and if there is any actual calculation and if there is any increase in our provisioning, it will be reversed back to zakat. So I would say zakat in the fourth quarter was more an estimate than the actual as per our balance sheet structure. Hope I answer all of your questions.

Omnia Kadry:

Our next question comes from Noman Khan.

Noman Khan:

Gentlemen, can you hear me?

Omnia Kadry:

Yes.

Noman Khan:

Just a couple of questions about the loan composition and the dividend outlook. The first question is about -- you talked about that the majority of the growth that came in 2025 was led by your lending towards mega projects. Can you quantify how much of your current exposure is towards these mega -- giga projects? That would be my first question. Or do you want to ask all the questions together?

Ahmed Almohsen:

Mega projects roughly between 8% to 10% from our total portfolio is mega project-related loans.

Noman Khan:

Second is -- my question is about dividend outlook as well. As I think you're guiding towards a slightly lower growth now going forward, do you -- again, that will require lesser of a capital or CapEx charge as well. So do we expect the dividends to improve going forward?

Ahmed Almohsen:

On dividends, our approach still remains the same. We evaluate in a semiannual basis, our growth projection, our capital requirements, and we look at the overall operating environment. And based on that, we proposed to our Board the dividends. This approach has not changed.

Noman Khan:

I was just wondering that given that overall, the growth has slowed down as compared to yester years as well. So the capital preservation requirements have also lowered as well. You don't need to preserve as much capital as you used to previously. So shouldn't that theoretically means higher dividend payout going forward?

Faisal Al-Omran:

Well, I think, Noman -- this is Faisal. I think it's difficult to give more clarity than what Ahmed said because I mean, it's a continuous assessment from our side to see the market. And based on that, the Board will make a decision.

Noman Khan:

And again, just last question on the margins as well. And I think this is a follow-up what my previous analysts ask about is, have you -- because we're already 1.5 months into the new year, have you seen any upward adjustments in the credit spreads like the charge -- the pricing has -- have you seen any upward -- uptick in the pricing spreads over the SAIBOR in this year, given everyone is guiding towards slightly lower but profitable growth. So have you seen anything translating into that spreads right now?

Faisal Al-Omran:

I think, in general, we try to push for higher pricing. But usually, that happens with every annual review with corporate proposal that are in the portfolio. Also with new proposal, we're mindful of the cost of funds that is happening in the market. And I think you see always SAIB as one of the highest banks in terms of the asset yield. I don't think that will change based on our strategy.

Omnia Kadry:

Our next question comes from Aditya Nirmal.

Aditya Nirmal:

I have basically two questions. First is regarding the sequential NIM movement. Given that fourth quarter saw like most of the rate cut pricing in the fourth quarter, I can see that your cost of funds did go down by surrounding about 29 basis points. But at the same time, I think your asset yield also decreased by 18 bps. And this was a little bit of surprise for me given that I don't think asset yields fall as quickly as they did.

So if this is not related to the rate cuts, 18 bps of sequential decline on your yields. I mean, eventually, I think they will reprice to the rate cut as well, right? So either this 18 bps is -- I mean, the repricing happened really quickly or we can expect further decline. So any color on this will be very helpful. The second one is on your Tier 1 guidance. So I think FY '25 closed at 18.8%, and you are guiding for 18%.

Now I think the previous gentleman, he asked you about dividends and you said that you're not -- I mean not given that you're going to increase your dividends. Given your loan growth, your RWA expansion also doesn't seem to be so likely. So I'm just wondering how and where the math is going? Is there a redemption in the AT1 because you were also planning or you are considering another AT1. So where is this decline attributable to? These are my two questions.

Faisal Al-Omran:

I'll tackle the second question first and then the CFO will tackle the first one. I think your assumption is that everything is going to happen. For us, it's still under debate, whether we're going to do Tier 1 or not, it's not clear yet. So I think we'll have to factor that into the calculation. Same thing, as I said, we are expecting from mid- to high teens in terms of growth. So it depends also what type of growth that we are looking. If you go for highly accelerated bonds or debt versus local midsized companies, the capital charge also will be very different.

So I think the answer is that Tier 1 is not something that we are saying we're doing 100%. We are still evaluating. So I think that's, I think, how you should read the numbers. In terms of the first one, I think CFO will answer it.

Ahmed Almohsen:

Thank you, Faisal. If I get your question correctly, you were asking about the 18 basis point reduction on the asset yield, and that was a surprise to you. Yes, 18%, I think it was within the market. And as the CEO highlighted earlier, we are among the highest if you compare us with the rest of the banks.

But also, you have also to see that our cost of interest-bearing liabilities have decreased higher by 29 basis points, which have led to a higher spread if we look at only the interest -- the asset yield and interest-bearing liabilities. It's really the cost of -- or the deposit mix that changed during the fourth quarter, which has limited the improvement in the overall cost of funding and the NIM was almost stable or slightly increased to 2.13%.

The repricing of the loans happened if you look at our timing for assets repricing, it's usually happened in four months. So some of the assets get repriced earlier and some of them will be repriced later. Also, just back to the -- your question about the dividends and as the CEO highlighted, also, we have -- we always keep our dividends at below 50%. So this is another factor that you have to look at when you -- when we project our dividends. Thank you.

Omnia Kadry:

Maybe a question from my side. So what's your NIM sensitivity to rate cuts? And how many rate cuts have you factored in your 2026 guidance?

Ahmed Almohsen:

Thank you. And based on the balance sheet structure as of December last year, our sensitivity to 100 basis point cut is improvement of our NIM from 6 to 10 basis points. This is our sensitivity. And the second question, yes, what our expectation is the market currently expect one rate cut of 25 basis points at the mid of the year.

Omnia Kadry:

Maybe I can ask like another question. So what are your loan growth priorities for the coming periods? And which sectors are you expected to drive your mid- to high single-digit guidance?

Faisal Al-Omran:

I think the segment will definitely be corporate will have the lion's share of the growth. And from corporate also, we are strong in contracting in O&M. So I think that also will have a good share in the growth. But I think we remain open. And our portfolio is diversified. So it could be equal. We might just spread it among different sector.

But if we see a good pickup or good credit profile that we like, we might just have more weight. So I think it's too early. But definitely, it will be corporate and there will be a share, and we believe that will be share of contracting and O&M. Also private banking will be a contributor of that also.

Omnia Kadry:

Our next question comes from Eranjan Kulatunga.

Eranjan Kulatunga:

Just one brief question just to confirm that I heard your answer to the previous question correctly. This is regarding the NIM sensitivity. So for every 100 bps cut, you're expecting a positive impact of 6 to 10 bps. Did I hear that correctly? So your sensitivity has changed from negative to positive compared to last year because if I'm not mistaken, end of last year, it was a negative impact.

Ahmed Almohsen:

No. We never said it's negative. Our previous sensitivity, what we have communicated earlier was 3 to 5 basis points and positive 3 to 5 basis points. And by year-end and based on the change in the structure and the balance sheet structure, it has changed to 8 to 10 basis points, has improved to 10 basis points positive for each 100 basis point cut. Not a big change, but this is what has changed.

Omnia Kadry:

We have a follow-up question from Noman Khan.

Noman Khan:

My follow-up question comes in line with the sensitivity question. The sensitivity is that the basic assumption is that you -- the reduction in the cost of fund will outpace the reduction in the asset yield -- reduction in the asset yield. Is that correct, right, behind this 8 to 10 basis point decline improvement?

Ahmed Almohsen:

Yes. Yes, this is correct, considering the no change in the deposit mix. Usually what also play an important role and hard to implement in the sensitivity is the CASA mix. So if we assume the same CASA mix, this is our sensitivity. If our CASA mix improves, our sensitivity will improve as well.

Noman Khan:

Sir just one more follow-up on the question is, do you think given that all the banks are talking about high single-digit growth or mid-single to high single-digit growth as well. And historically, banks -- the deposit growth have been in the same region as well. Do you think the liquidity situation will improve this year? Or it may not worsen because...

Faisal Al-Omran:

I think, Noman, it's too early. It's too early. It depends on the market appetite, depends on the demand, depends on the acceleration on some of the projects that are out there. So I think for us, it will be too early to call that. But SAIB has always maintained that we grow with our means, and we believe we have good liquidity stance. So if we find profitable growth, we believe we will be able to obtain it.

Noman Khan:

There's no follow-up question from me. Thank you very much.

Najla AlMutairi:

Well, we don't have any more questions, I'd like to say that this concludes our earnings call today. If you have any further questions, please reach out to our Investor Relations through email. And with that, thank you, and have a great evening.

Omnia Kadry:

Thank you, everyone, for attending. Have a good day. You may now disconnect.