

Earnings Release

NCB reports 6% net income growth year-on-year to SAR 3.2 billion in 1Q 2019.

Financial highlights for the first quarter of 2019:

1Q 2019 net income growth of 6% year-on-year to SAR 3.2 billion on higher operating income and lower operating expenses

Total operating income increased by 4% to SAR 4.8 billion driven by net commission margin improvement and higher investments related income

Operating expenses for 1Q 2019 improved 3% to SAR 1.7 billion from ongoing digitization and productivity initiatives, Cost to income ratio 223bps lower year-on-year to 32.67%

Total assets at SAR 466 billion, 3% higher Year to Date primarily on higher investments, financing and other assets

Financing and advances at SAR 268.7 billion; Customers' deposits at SAR 309.7 billion; Financing to customer deposit ratio at 86.8% and CASA ratio at 76.10%

Strong capitalization with tier 1 capital ratio of 18.4% and total capital ratio of 19.3%

Average 1Q 2019 liquidity coverage ratio of 184% demonstrates strong liquidity position

Jeddah, 1 May 2019. NCB reported 6% year-on-year net income growth in 1Q 2019, driven by 4% higher operating income, 3% improvement in operating expenses and flat impairment cost. The overall balance sheet expanded by 3% year to date. The main drivers were 5% growth in investments as NCB continued to actively participate in the KSA government debt issuance of longer term debt securities, and 1% growth in net financing. NCB has also maintained its strong capitalisation level and healthy liquidity position.

Faisal Omar Alsakkaf, Chief Executive Officer of NCB, said:

"During 1Q 2019, NCB reported the highest ever quarterly net income in Saudi banking sector history; the result of a successful ongoing implementation of NCB's long term strategy and disciplined execution of our operating plans. Promisingly, economic indicators in the Kingdom continue to demonstrate improvement towards a more robust operating environment. Similarly NCB continues to partner closely with market stakeholders and government sponsored initiatives under Saudi Arabia's Vision 2030 to participate in the success story of the development of the Financial Sector and transformation of the National Economy."

Additional Performance Highlights

NCB reported 1Q 2019 net income of SAR 3,164.7 million, up 6% year-on-year. This performance is mainly attributable to a 4% growth in net special commission income (NSCI) to SAR 3,562 million, higher investment-related income by 25% and lower other operating expenses by 24%, partially offset by lower fee from banking services by 8% and foreign exchange income by 9% in 1Q 2019.

NCB's operating expenses improved 3% year-on-year to SAR 1,618 million, primarily driven by lower rent and premises related expenses which were partially offset by higher depreciation. The cost to income ratio stood at 32.67% at 1Q 2019.

From a segmental perspective, net income growth in 1Q 2019 was led by Retail, where net income grew 5% to SAR 1,229 million on an 11% improvement in operating income, partly offset by higher impairment charges. Corporate Net Income grew 22% to SAR 790 million on 15% higher operating income and 10% lower operating expenses. Treasury's net income increased by 4% mainly from lower Impairment charges. Capital Markets' net income declined 26% mainly due to lower asset management fees. The International segment's net income declined by 38% mainly due to 29% depreciation of average Turkish Lira during 1Q 2019 as compared with 1Q 2018.

Total assets increased by SAR 12,958 million or 3% from 31 December 2018 to SAR 466,348 million. Investments grew 5% to SAR 123,419 million as at 31 March 2019. Financing and advances grew 1% to SAR 268,657 million as at 31 March 2019. Domestically, Consumer financing and advances increased 2% and Corporate remained flat. International financing and advances decreased 2% due to weakened Turkish Lira. Other assets increased to SAR 17,192 million. The NPL ratio stood at 1.79% at the end of 1Q 2019, with NPL coverage at 145.3% and the Cost of Risk at 21 basis points. Customers' deposits, which represented 78% of NCB's total liabilities mix, were lower at SAR 309,661 million as at the end of 1Q 2019. The 8% decline year to date in the CASA ratio, which stood at 76% as of 1Q 2019, was in part due to outflows and switching into cost bearing liabilities by institutional depositors.

NCB continues to deliver robust profitability and strong value to shareholders through disciplined implementation of its long term strategy and effective execution of its operating plans.

Income Statement Summary

SAR (mn)	1Q 2019	4Q 2018	QoQ % change	1Q 2018	YoY % change
Net special commission income	3,562	3,741	-5%	3,419	+4%
Fee and other income	1,391	1,015	+37%	1,361	+2%
Total operating income	4,953	4,756	+4%	4,779	+4%
Operating expenses	(1,618)	(1,475)	+10%	(1,668)	-3%
Total impairment charge	(145)	(601)	-76%	(83)	+75%
Income from operations, net	3,189	2,680	+19%	3,028	+5%
Net income attributed to equity holders of the Bank	3,165	2,647	+20%	2,987	+6%
EPS	1.02	0.85	+20%	0.97	+6%
DPS, net	0.00	1.10	-100%	0.00	
ROE (%)	20.7%	18.0%	+15%	20.6%	+1%
ROA (%)	2.8%	2.4%	+18%	2.7%	+1%
Net special commission margin (%)	3.55%	3.64%	-3%	3.59%	-1%
Cost to income (%)	32.7%	31.0%	+5%	34.9%	-6%
Cost of Risk (%)	0.2%	0.6%	-65%	0.0%	-5931%
Segmental Composition of Net income attributed to equity holders					
Retail	1,229	1,129	+9%	1,166	+5%
Corporate	790	725	+9%	650	+22%
Treasury	996	832	+20%	958	+4%
Capital Market	100	76	+31%	135	-26%
International	49	(115)	-142%	78	-38%
Total	3,192	2,647	+21%	2,987	+7%

Balance Sheet Summary

SAR (mn)	31 March 2019	31 December 2018	QoQ % change	31 March 2018	YoY % change
Investments, net	123,419	118,090	+5%	113,555	+9%
Financing and advances, net	268,657	265,317	+1%	252,777	+6%
Total assets	466,348	453,390	+3%	438,896	+6%
Customers' deposits	309,661	318,699	-3%	309,001	+0%
Debt securities issued	4,421	9,431	-53%	10,528	-58%
Total liabilities	397,507	387,721	+3%	374,035	+6%
Equity attributable to shareholders of the Bank	60,939	57,737	+6%	56,684	+8%
Total equity	68,841	65,669	+5%	64,861	+6%
Risk weighted assets	375,404	360,189	+4%	357,954	+5%
CET1 ratio	16.5%	16.6%	-0%	16.2%	+2%
T1 ratio	18.4%	18.5%	-0%	18.2%	+1%
TC ratio	19.3%	20.6%	-7%	20.4%	-5%
Liquidity coverage ratio (LCR)	183.9%	176.0%	+4%	198.6%	-7%
Basel III leverage ratio	13.6%	13.5%	+1%	13.5%	+1%
Financing to customer deposit ratio	86.8%	83.3%	+4%	81.8%	+6%
NPL ratio	1.8%	1.9%	-7%	1.8%	-1%
NPL coverage ratio	145.3%	141.5%	+3%	164.5%	-12%
Segmental Composition of Total assets					
Retail	137,774	134,020	+3%	125,975	+9%
Corporate	133,847	134,385	-0%	127,191	+5%
Treasury	159,027	150,468	+6%	147,993	+7%
Capital Market	1,646	1,602	+3%	1,513	+9%
International	34,054	32,915	+3%	36,223	-6%
Total	466,348	453,390	+3%	438,896	+6%

Additional Information

NCB' s 1Q 2019 financial statements, earnings release, investor presentation and financial data supplement are available on the NCB IR website at:

http://www.alahli.com/en-us/Investor_Relation

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