

Earnings Release

NCB reports 15% net income after zakat and tax growth year-on-year to SAR 5.5 billion in the 1H 2019.

1H 2019 Financial Results Highlights:

1H 2019 net income after zakat and tax growth of 15% year-on-year to SAR 5.5 billion on higher operating income, lower operating expenses and lower zakat and income tax

Total operating income increased by 6% to SAR 10 billion, driven by increases in special commission income and investment revenue.

Operating expenses for 1H 2019 improved 2% to SAR 3.3 billion from ongoing digitization and productivity initiatives; Cost to income ratio 280bps lower to 32.86%

Total assets at SAR 479 billion, 6% higher Year to Date primarily on growth of financing, investments, and other assets

Net financing and advances up SAR 11 billion to reach SAR 276 billion, posting a 4% increase since 31 December 2018

Customers' deposits grew to SAR 327 billion, an increase of 3%, with a corresponding CASA ratio of 73.28%

Strong capitalization with T1 capital ratio of 17.8 % and total capital ratio of 18.7%

Comfortable liquidity position with the average Liquidity Coverage Ratio at 186% and the Financing to Customers' deposits ratio at 84% as at 2Q 2019

Jeddah, 6 August 2019. NCB reported a solid 15% year-on-year net income growth after zakat and tax in 1H 2019. The growth was driven by a 6% improvement of operating income, -2% lower operating expenses and -10% reduction in the zakat and tax charge. These were partially offset by 12% higher impairment charges. The overall balance sheet expanded by 6% year to date. The main drivers were 7% growth in investments as NCB continued to actively participate in the KSA government debt issuance of longer term debt securities, and 4% growth in financing in 1H 2019. NCB has also continued to maintain its strong capitalisation level and healthy liquidity position.

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

"During the first half of 2019, NCB once again delivered solid operating and financial performance, producing industry leading profitability and generating strong returns for our shareholders. Our focus continues to be on growing the franchise with attention to productivity and cost efficiency. Central to this strategy is our digital transformation, making convenient digital banking a native element of our customers' banking experience. We are also encouraged by the continuing improvement of the economic environment in the Kingdom."

Additional Performance Highlights

Income Statement highlights for the six month period ending 30 June 2019:

NCB reported 1H 2019 net income of SAR 5,461 million, up 15% year-on-year. This performance is mainly attributable to a 3% growth in net special commission income (NSCI) to SAR 7,231 million, higher investment-related income by 76%, lower other operating expenses by -2% and lower zakat and tax income by -10%, partially offset by lower Fees from banking services by 1% and Foreign exchange income by 4% in 1H 2019.

NCB's operating expenses improved -2% year-on-year to SAR 3,289 million, primarily driven by lower rent and premises related expenses, which were partially offset by higher depreciation and other general and administrative expenses. The cost to income ratio stood at 32.86% at 1H 2019.

From a segmental perspective, the 1H 2019 net income growth was led by Retail, where net income grew 25% to SAR 2,469 million from 17% operating income growth which was offset in part by higher operating expenses and impairment charges. Further, net income in Corporate grew 5% to SAR 1,434 million from -44% lower impairment charges and lower operating expenses by -4%. Additionally, the Treasury's net income increased by 5% from lower impairment charges. Capital Markets net income increased 8%. Finally, the International segment's net income declined by -38% mainly due to an average 27% year-on-year Turkish Lira depreciation.

Income Statement highlights for the 3 month period ending 30 June 2019:

NCB reported 2Q 2019 net income of SAR 2,686 million, up 24% year-on-year. The improvement was a result of 8% growth in operating income, across both net special commission income and fee income, 2% lower operating expenses, 3% lower impairment charges and 20% lower zakat and income tax.

Balance Sheet highlights as of 30 June 2019

Total assets increased by SAR 25,253 million from 31 December 2018 to SAR 478,643 million. Investments grew to SAR 126,630 million and Financing and advances grew to SAR 276,267 million as at 30 June 2019. Domestically, financing and advances increased for the Consumer 6%, Corporate 3% and Financial Institutions by 23%, whilst International financing and advances decreased -5% due to weakened Turkish Lira. The NPL ratio stood at 1.79% at the end of 1H 2019, with the NPL coverage ratio at 144.72% and the cost of risk ratio at 35bps. Customers' deposits, which represented 80% of NCB' s total liabilities mix, were higher at SAR 327,437 million during 1H 2019. The 6% decline year to date in the CASA ratio, which stood at 73% as of 1H 2019, was due to lower current accounts on some outflows, but primarily on switching to special commission bearing deposits 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

For the three and six month periods ending 30 June 2019

Figures in SAR millions	2Q 2019	1Q 2019	QoQ % change	2Q 2018	YoY % change	1H 2019	1H 2018	YoY % change
Net special commission income	3,669	3,562	+3%	3,573	+3%	7,231	6,992	+3%
Fee and other income	1,386	1,391	-0%	1,087	+27%	2,777	2,448	+13%
Total operating income	5,055	4,953	+2%	4,661	+8%	10,008	9,440	+6%
Operating expenses	(1,670)	(1,618)	+3%	(1,698)	-2%	(3,289)	(3,366)	-2%
Total impairment charge	(325)	(145)	+123%	(335)	-3%	(470)	(418)	+12%
Income from operations, net	3,060	3,189	-4%	2,628	+16%	6,249	5,656	+10%
Net income after zakat and tax attributed to equity holders of the Bank	2,686	2,776	-3%	2,166	+24%	5,461	4,768	+15%
EPS	0.00	0.89	-100%	0.69	-100%	1.76	2.12	-17%
DPS, net	1.10	0.00		1.00	+10%	1.10	1.38	-21%
ROE (%)	17.1%	18.0%	-6%	14.6%	+17%	17.8%	16.2%	+10%
ROA (%)	2.6%	2.8%	-7%	2.3%	+10%	2.7%	2.5%	+7%
Net special commission margin (%)	3.55%	3.55%	-0%	3.62%	-2%	3.55%	3.61%	-2%
Cost to income (%)	33.0%	32.7%	+1%	36.4%	-9%	32.9%	35.7%	-8%
Cost of Risk (%)	0.5%	0.2%	+121%	0.5%	-6%	0.33%	0.26%	+28%

Income Statement – Segmental results summary

For the three and six month periods ending 30 June 2019

Figures in SAR millions	2Q 2019	1Q 2019	QoQ % change	2Q 2018	YoY % change	1H 2019	1H 2018	YoY % change
Total operating income								
Retail	2,424	2,367	+2%	2,143	+13%	4,792	4,094	+17%
Corporate	930	1,033	-10%	959	-3%	1,963	1,950	+1%
Treasury	1,130	1,074	+5%	966	+17%	2,205	2,179	+1%
Capital Market	217	181	+20%	176	+23%	398	404	-2%
International	354	297	+19%	442	-20%	651	813	-20%
Total	5,055	4,953	+2%	4,686	+8%	10,008	9,440	+6%
Net income before zakat and tax for the period								
Retail	1,231	1,238	-1%	969	+27%	2,469	1,969	+25%
Corporate	614	821	-25%	600	+2%	1,434	1,367	+5%
Treasury	976	957	+2%	854	+14%	1,933	1,835	+5%
Capital Market	144	100	+44%	84	+70%	244	220	+11%
International	52	49	+8%	98	-46%	101	176	-43%
Total	3,017	3,165	-5%	2,605	+16%	6,182	5,566	+11%

Balance Sheet Summary

Figures in SAR millions	30 June 2019	31 March 2019	QoQ % change	30 June 2018	YoY % change	31 December 2018	YTD % change
Investments, net	126,630	123,419	+3%	114,978	+10%	118,090	+7%
Financing and advances, net	276,267	268,657	+3%	266,043	+4%	265,317	+4%
Total assets	478,643	466,348	+3%	455,734	+5%	453,390	+6%
Customers' deposits	327,437	309,661	+6%	317,653	+3%	318,699	+3%
Debt securities issued	1,865	4,421	-58%	8,754	-79%	9,431	-80%
Total liabilities	410,354	397,507	+3%	390,702	+5%	387,721	+6%
Equity attributable to shareholders of the Bank	60,425	60,939	-1%	57,007	+6%	57,737	+5%
Total equity	68,289	68,841	-1%	65,032	+5%	65,669	+4%
Risk weighted assets	385,372	375,404	+3%	361,096	+7%	360,189	+7%
CET1 ratio	16.0%	16.5%	-3%	16.2%	-1%	16.6%	-3%
T1 ratio	17.8%	18.4%	-3%	18.1%	-2%	18.5%	-4%
TC ratio	18.7%	19.3%	-3%	20.3%	-8%	20.6%	-9%
Liquidity coverage ratio (LCR)	185.5%	183.9%	+1%	211.9%	-12%	176.0%	5%
Basel III leverage ratio	13.2%	13.6%	-3%	13.1%	+0%	13.5%	-2%
Financing to customer deposit ratio	84.4%	86.8%	-3%	83.8%	+1%	83.3%	1%
NPL ratio	1.8%	1.8%	-0%	1.7%	+3%	1.9%	-7%
NPL coverage ratio	144.7%	145.3%	-0%	161.3%	-10%	141.5%	2%

Balance Sheet – Segmental Summary

Figures in SAR millions	30 June 2019	31 March 2019	QoQ % change	30 June 2018	YoY % change	31 December 2018	YTD % change
Total assets							
Retail	140,831	137,774	+2%	131,531	+7%	134,020	+5%
Corporate	138,213	133,847	+3%	134,765	+3%	134,385	+3%
Treasury	165,266	159,027	+4%	153,558	+8%	150,468	+10%
Capital Market	1,767	1,646	+7%	1,575	+12%	1,602	+10%
International	32,566	34,054	-4%	34,306	-5%	32,915	-1%
Total	478,643	466,348	+3%	455,734	+5%	453,390	+6%

Additional Information

NCB' s 2Q 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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