

Earnings Release

NCB reports SAR 7.2 billion of net income for the first 9 months of 2017

- 3Q 2017 total operating income SAR 4.49 billion; net income SAR 2.13 billion; net special commission margin 3.43%; earnings per share SAR 1.02
- Return on common equity 17.4% for 9M 2017
- Financing and advances SAR 256.9 billion; Customers' deposits SAR 302.6 billion; Financing to customer deposit ratio 84.9%
- Total assets SAR 444.7 billion; risk-weighted assets SAR 379.8 billion Tier 1 capital ratio 16.4%; average 3Q 2017 Liquidity coverage ratio 172.5%

Jeddah, 25 October 2017 NCB reported 3Q 2017 net income of SAR 2,126 million, up 8% year-on-year. Total operating income declined by SAR 171 million to SAR 4,492 million compared to the same quarter last year. Domestically, operating income grew by 1% as higher net special commission income (+4%) and fees from banking services (+9%) were partially offset by lower non-recurring investment-related income. Total operating income from International operations declined by 33% due in part to a 15% depreciation in the Turkish Lira. Total operating expenses improved by SAR 100 million (-5%) year-on-year to SAR 1,602 million. The cost base benefited from ongoing digitisation and efficiency improvement initiatives, the cessation of intangible assets amortisation and currency depreciation in the Turkish subsidiary. The cost to income ratio for the quarter ended 30 September 2017 was 35.7%.

For the first nine months of 2017, NCB reported growth of 3% in net income of SAR 7,246 million compared to the same period of the previous year. Total operating income declined by 2% to SAR 13,830 million year-on-year. Domestically, operating income grew by 3% as higher net special commission income (+5%) was partially offset by lower fees from banking services (-5%). Total operating income from International operations declined by 31% due in part to depreciation in the Turkish Lira. Total operating expenses improved by SAR 412 million (-8%) to SAR 4,811 million on account of ongoing digitisation and efficiency improvement initiatives, the cessation of intangible assets amortisation and currency depreciation in the Turkish subsidiary. During the same period, total impairment charges were reduced by 6% to SAR 1,593 million and cost of risk (CoR) was 0.8%. The cost to income ratio for the first nine months of 2017 was 34.8%.

Total assets increased by SAR 3,188 million from 31 December 2016 to SAR 444,679 million. Financing and advances grew 1% to SAR 256,852 million as at 30 September 2017. Domestically, financing and

advances increased for the Corporate (+3%) and Consumer (+4%) segments; conversely, International advances decreased (-6%) due to both organic decline and continuing Turkish Lira depreciation. The NPL ratio stood at 1.77% as at 30 September 2017, with strong NPL coverage of 142.3%. Customers' deposits declined by 4% to SAR 302,593 million during the first nine months of 2017 as the funding mix was optimized through a reduction in time deposits. Current and savings accounts grew by 4% since the beginning of the year and represented 77% of customers' deposits as at 30 September 2017.

NCB maintained its strong financial position, with a core equity tier 1 capital ratio of 14.5%, a tier 1 capital ratio of 16.4% and an average liquidity coverage ratio for 3Q 2017 of 172.5%. Equity attributable to the shareholders of the bank, exclusive of the Tier 1 Sukuk, rose by SAR 1,396 million to SAR 54,433 million from 31 December 2016. Risk-weighted assets increased to SAR 379.8 billion since the beginning of the year.

Mansour S. Al Maiman, Chairman of the Board of NCB Group:

"NCB delivered strong earnings in the third quarter and the first nine months of the year despite continued economic headwinds. Our net income growth demonstrates the resilience of our diversified business model, the positive effects of our group-wide efficiency focus, and the overall strength of our domestic banking platform. As we aim to enhance our customers' banking experience with NCB, we continue to grow our branch network in strategic locations across Saudi Arabia and to implement additional digital initiatives"

Segmental Performance Highlights

Retail Banking

Retail banking provides banking services, including Shariah-compliant lending and current accounts. In the third quarter of 2017, total operating income grew 8% to SAR 2,126 million. Net special commission income improved by 6% compared to last year, due to a 4% increase in retail financing. Fee income improved by 7% mainly from financing-related activity. The impairment charge decreased by 64% to SAR 148 million in 3Q 2017 due to higher recoveries and improved risk management. As a combined result of improvements in operating income, operating efficiency and impairments, Retail Banking's net income rose by SAR 476 million to SAR 885 million.

Corporate Banking

Corporate banking offers products and services to small, medium and large organizations. Total operating income declined 6% to SAR 1,042 million in the third quarter 2017. During the period, net special commission income dropped 8% year-on-year to SAR 761 million despite broadly stable average financing balances due to lower commission margins resulting from a drop in SAIBOR in 2Q and 3Q of 2017 compared with 2016. Fee income remained stable year-on-year. During the third quarter, Corporate Banking continued to provide adequate provision coverage for non-performing

corporate financing formation, which resulted in an impairment charge of SAR 465 million compared with SAR 188 million in the comparable quarter of 2016. As a result of declining operating income and rising expenses and impairments, Corporate Banking's net income declined to SAR 311 million compared with SAR 715 million in 3Q 2016.

Treasury

Treasury provides a full range of treasury and correspondent banking products and services, including money market and foreign exchange, to NCB's clients, in addition to carrying out investment and trading activities (local and international) and managing liquidity risk, market risk and credit risk. In the third quarter 2017, total operating income declined by 13% to SAR 763 million, mainly resulting from lower gains on non-trading investments, which more than offset a 16% improvement in net special commission income. Investment impairments were negligible during 3Q 2017, while the comparative quarter was impacted by SAR 122 million relating to impairments of certain investments of a non-recurring nature. Net income rose by 2% to SAR 792 million.

Capital Market

NCB Capital (subsidiary) provides wealth management, asset management, investment banking and shares brokerage services to local, regional and international clients. In the third quarter of 2017, total operating income improved 35% to SAR 154 million as a result of higher fee income, mainly from the asset management business. Higher operating income and operating expenses that improved by 2% to SAR 79 million, increased overall net income by SAR 43 million to SAR 76 million for the third quarter 2017.

International

International comprises principally of banking services provided by Türkiye Finans Katılım Bankası (subsidiary). Total operating income was 33% lower at SAR 406 million in 3Q 2017 and was adversely impacted by continuing currency depreciation. Net income improved by SAR 54 million as a significant reduction in the cost base and normalization of the cost of credit more than offset declining operating income. Operating expenses in the subsidiary fell by 29% to SAR 214 million. This improvement resulted from the on-going progress made in cost-optimisation initiatives, the cessation of intangible assets amortisation from the start of 2017 as well as Turkish Lira depreciation. Impairment charges for the third quarter 2017, declined by 66% due to limited new NPL formation in the Turkish subsidiary over the period, further aided by the Turkish Lira depreciation.

Income Statement Summary

SAR (mn)	QoQ			YoY			YoY		
	3Q 2017	2Q 2017	Δ%	3Q 2016	Δ%	9M 2017	9M 2016	Δ%	
Net special commission income	3,449	3,473	-1%	3,442	+0%	10,283	10,226	+1%	
Fee and other income	1,042	1,005	+4%	1,221	-15%	3,546	3,821	-7%	
Total operating income	4,492	4,478	+0%	4,663	-4%	13,830	14,047	-2%	
Operating expenses	(1,602)	(1,521)	+5%	(1,702)	-6%	(4,811)	(5,222)	-8%	
Total impairment charge	(695)	(475)	+46%	(956)	-27%	(1,593)	(1,698)	-6%	
Income from operations, net	2,195	2,483	-12%	2,005	+9%	7,426	7,127	+4%	
Net income attributed to equity holders	2,126	2,417	-12%	1,962	+8%	7,246	7,030	+3%	
EPS	1.02	1.17	-13%	0.94	+8%	3.51	3.41	+3%	
Interim DPS, net	0.00	1.10	-100%	0.00	-100%	1.10	0.60	+83%	
ROE (%)	15.2%	17.3%	-12%	14.5%	+6%	17.4%	18.0%	-3%	
ROA (%)	1.9%	2.2%	-12%	1.8%	+9%	2.2%	2.1%	+4%	
Net special commission margin (%)	3.43%	3.47%	-1%	3.40%	+1%	3.46%	3.33%	+4%	
Cost to income (%)	35.7%	34.0%	+5%	36.5%	-2%	34.8%	37.2%	-6%	
Cost of Risk (%)	1.1%	0.7%	+59%	1.3%	-17%	0.8%	0.8%	+2%	

Balance Sheet Summary

SAR (mn)	30 September 2017	30 June 2017	Δ%	31 December 2016	Δ%
Investments, net	116,900	114,634	+2%	111,509	+5%
Financing and advances, net	256,852	256,901	-0%	253,592	+1%
Total assets	444,679	449,776	-1%	441,491	+1%
Customers' deposits	302,593	314,690	-4%	315,618	-4%
Debt securities issued	10,166	9,926	+2%	9,918	+3%
Total liabilities	381,944	388,623	-2%	381,566	+0%
Equity attributable to shareholders	54,433	52,876	+3%	53,038	+3%
Total equity	62,736	61,152	+3%	59,926	+5%
Risk weighted assets	379,814	379,533	+0%	352,547	+8%
CET1 ratio	14.5%	14.1%	+3%	15.3%	-5%
T1 ratio	16.4%	16.0%	+2%	16.9%	-3%
TC ratio	18.5%	18.2%	+2%	19.2%	-3%
Liquidity coverage ratio (LCR)	172.5%	166.1	+4%	172.5%	+0%
Basel III leverage ratio	12.7%	12.2%	+3%	12.2%	+4%
Financing to deposit ratio	84.9%	81.6%	+4%	80.3%	+6%
NPL ratio	1.8%	1.6%	+8%	1.5%	+17%
NPL coverage ratio	142.3%	150.0%	-5%	151.0%	-6%

Segmental Performance

SAR (mn)	3Q 2017	2Q 2017	Δ%	3Q 2016	Δ%
Total Assets					
Retail	106,939	109,354	-2%	109,687	-3%
Corporate	143,378	143,320	+0%	141,459	+1%
Treasury	153,802	156,203	-2%	139,529	+10%
Capital Market	1,562	1,465	+7%	1,568	-0%
International	38,998	39,433	-1%	46,522	-16%
Total	444,679	449,776	-1%	438,765	+1%
Operating Income					
Retail	2,126	2,019	+5%	1,967	+8%
Corporate	1,042	1,100	-5%	1,104	-6%
Treasury	763	820	-7%	874	-13%
Capital Market	154	144	+7%	114	+35%
International	406	396	+3%	603	-33%
Total	4,492	4,478	+0%	4,663	-4%
Net income					
Retail	885	768	+15%	409	+116%
Corporate	311	659	-53%	715	-57%
Treasury	792	872	-9%	778	+2%
Capital Market	76	54	+41%	33	+130%
International	94	98	-4%	40	+135%
Total	2,159	2,451	-12%	1,976	+9%

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Additional Information

NCB's 3Q 2017 financial statements, earnings release, investor presentation and financial data pack are available to the general public on the IR website: http://www.alahli.com/en-us/Investor_Relation

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