

Earnings Release

NCB reports 16% year-on-year net income growth after zakat and income tax to SAR 8.0 billion in 9M 2019.

9M 2019 Financial Results Highlights:

- 9M 2019 16% year-on-year net income growth (after zakat and tax) to SAR 8.0 billion on higher operating income, lower operating expenses and lower zakat and income tax
- Total operating income increased by 6% to SAR 15.0 billion, driven by increases in net special commission income and investment income, and lower other operating expenses
- Operating expenses for 9M 2019 improved 2% to SAR 4.9 billion from ongoing digitization and productivity initiatives; Cost to income ratio 260bps lower to 32.48%
- Total assets were SAR 498 billion, 10% higher year to date primarily on growth of financing, investments, and other assets
- Net financing and advances up SAR 15 billion to reach SAR 281 billion, posting a 6% increase since 31 December 2018
- Customers' deposits grew to SAR 340 billion, an increase of 7%, with a corresponding CASA ratio of 75%
- Strong capitalization with T1 capital ratio of 17.2% and total capital ratio of 18.0%
- Comfortable liquidity position with the average Liquidity Coverage Ratio at 173% and the Financing to Customers' deposits ratio at 82% as at 3Q 2019

Jeddah, 29 October 2019. In the first nine months of 2019, NCB generated 16% year-on-year net income growth after zakat and income tax. This growth was the result of a 6% improvement in operating income, 2% lower operating expenses and a 12% reduction in zakat and income tax charges. These improvements were partially offset by 10% higher impairment charges. The overall balance sheet expanded by 10% year to date. The main drivers were 12% growth in investments, as NCB continued to actively participate in the KSA government debt issuance of longer-term debt securities, and 6% growth in financing activity in 9M 2019 predominantly in the Retail segment. NCB has also continued to maintain its strong capitalisation level and healthy liquidity position.

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

"In the first nine months of 2019, NCB once again delivered a record net income of SAR 8.0 billion, the highest among all Saudi banks, delivering strong operating income and a return on equity of 17.5%. Additionally, we have continued to make good progress on our strategic priorities during the period, which

include expanding our Retail market share, consolidating our leadership in Corporate and sustaining revenue and diversifying funding in Treasury, underpinned by our digital transformation journey and relentless focus on improving operating efficiency.”

Additional Performance Highlights

Income Statement highlights for the nine month period ending 30 September 2019:

NCB reported 9M 2019 net income of SAR 8,012 million, up 16% year-on-year. This performance is mainly attributable to 3% growth in net special commission income (NSCI) to SAR 10,912 million, 125% growth in investment-related income, and 41% lower other operating expenses, partially offset by 1% lower fees from banking services and 12% lower foreign exchange income.

NCB's operating expenses improved 2% year-on-year to SAR 4,878 million, primarily as a result of 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 32.5% for 9M 2019, down by 260bps compared to last year.

From a segmental perspective, the 9M 2019 net income growth was led by Retail, where net income grew 29% to SAR 4,124 million from 16% operating income growth and improved operating efficiency which was reduced in part by higher impairment charges. Further, net income in Corporate grew 12% to SAR 1,867 million from a reduction of 38% in impairment charges. Additionally, Treasury's net income increased by 1% from lower impairment charges on stable operating income. Capital Markets net income increased 10%. Finally, the International segment's net income declined by 69% because of an average 21% year-on-year depreciation of the Turkish Lira as well as higher cost of risk resulting from the Turkish banking regulator's (BRSA) pronouncement to classify certain exposures to non-performing loans.

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

NCB reported 3Q 2019 net income of SAR 2,551 million, up 20% year-on-year. The improvement was a result of 6% growth in operating income, across both net special commission income and fee and other income, 1% lower operating expenses, and 15% lower zakat and income tax, partially offset by 8% higher impairment charges.

Balance Sheet highlights as of 30 September 2019

Total assets increased by SAR 44,655 million from 31 December 2018 to SAR 498,045 million. Investments grew to SAR 132,467 million and financing and advances grew to SAR 280,535 million as at 30 September 2019. Domestically, financing and advances increased for the Consumer 9%, Corporate 5% and Financial Institutions 24% portfolios, whilst International financing and advances decreased by 10% due to the weakened Turkish Lira. The NPL ratio stood at 1.88% as at 30 September 2019, with the NPL coverage ratio

at 133.06% and the cost of risk ratio at 55bps. Customers' deposits, which represented 79% of NCB's total liabilities mix, were 7% higher at SAR 340,382 million during 9M 2019. The 5% decline year to date in the CASA ratio, which stood at 75% as of 30 September 2019, was due to some outflows from current accounts, but primarily on switching to special commission bearing deposits by institutional depositors.

NCB continues to deliver profitability growth 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 nine month periods ending 30 September 2019

Figures in SAR millions	3Q 2019	2Q 2019	QoQ % change	3Q 2018	YoY % change	9M 2019	9M 2018	YoY % change
Net special commission income	3,682	3,669	+0%	3,637	+1%	10,912	10,629	+3%
Fee and other income	1,328	1,386	-4%	1,094	+21%	4,105	3,542	+16%
Total operating income	5,009	5,055	-1%	4,732	+6%	15,017	14,171	+6%
Operating expenses	(1,590)	(1,670)	-5%	(1,606)	-1%	(4,878)	(4,972)	-2%
Total impairment charge	(663)	(325)	+104%	(616)	+8%	(1,133)	(1,034)	+10%
Income from operations, net	2,757	3,060	-10%	2,510	+10%	9,006	8,166	+10%
Net income after zakat and tax attributed to equity holders of the Bank	2,551	2,686	-5%	2,120	+20%	8,012	6,888	+16%
EPS	0.82	0.86	-5%	0.68	+21%	2.58	2.21	+17%
DPS, net	0.00	1.10	-100%	0.00	N/A	1.10	1.00	+10%
ROE (%)	16.3%	17.1%	-5%	14.4%	+13%	17.5%	15.8%	+11%
ROA (%)	2.1%	2.3%	-9%	1.9%	+11%	2.3%	2.1%	+10%
Net special commission margin (%)	3.44%	3.55%	-3%	3.60%	-4%	3.51%	3.60%	-3%
Cost to income (%)	31.7%	33.0%	-4%	33.9%	-7%	32.5%	35%	-7%
Cost of Risk (%)	0.9%	0.5%	+101%	0.9%	+6%	0.5%	0.5%	+15%

Income Statement – Segmental Results Summary

For the three and nine month periods ending 30 September 2019

Figures in SAR millions	3Q 2019	2Q 2019	QoQ % change	3Q 2018	YoY % change	9M 2019	9M 2018	YoY % change
Total operating income								
Retail	2,664	2,424	+10%	2,319	+15%	7,456	6,412	+16%
Corporate	974	930	+5%	1,001	-3%	2,937	2,950	-0%
Treasury	826	1,130	-27%	859	-4%	3,031	3,038	-0%
Capital Market	164	217	-24%	155	+6%	561	559	+1%
International	381	354	+8%	399	-5%	1,032	1,212	-15%
Total	5,009	5,055	-1%	4,732	+6%	15,017	14,171	+6%
Net income before zakat and tax for the period								
Retail	1,655	1,231	+34%	1,240	+33%	4,124	3,209	+29%
Corporate	433	614	-30%	301	+44%	1,867	1,668	+12%
Treasury	709	976	-27%	782	-9%	2,642	2,617	+1%
Capital Market	81	144	-43%	70	+17%	326	296	+10%
International	(48)	52	-192%	96	-150%	109	352	-69%
Total	2,829	3,017	-4%	2,575	+12%	9,068	8,141	+11%

Balance Sheet Summary

Figures in SAR millions	30 September 2019	30 June 2019	QoQ % change	30 September 2018	YoY % change	31 December 2018	YTD % change
Investments, net	132,467	126,630	+5%	116,504	+14%	118,090	+12%
Financing and advances, net	280,535	276,267	+2%	268,245	+5%	265,317	+6%
Total assets	498,045	478,643	+4%	460,826	+8%	453,390	+10%
Customers' deposits	340,382	327,437	+4%	325,461	+5%	318,699	+7%
Debt securities issued	1,664	1,865	-11%	8,636	-81%	9,431	-82%
Total liabilities	430,169	410,354	+5%	397,552	+8%	387,721	+11%
Equity attributable to shareholders of the Bank	59,979	60,425	-1%	55,504	+8%	57,737	+4%
Total equity	67,876	68,289	-1%	63,274	+7%	65,669	+3%
Risk weighted assets	397,209	385,372	+3%	361,091	+10%	360,189	+10%
CET1 ratio	15.4%	16.0%	-4%	15.9%	-3%	16.6%	-7%
T1 ratio	17.2%	17.8%	-4%	17.8%	-4%	18.5%	-7%
TC ratio	18.0%	18.7%	-4%	20.0%	-10%	20.6%	-13%
Liquidity coverage ratio (LCR)	173.2%	185.5%	-7%	184.4%	-6%	176.0%	-2%
Basel III leverage ratio	12.6%	13.2%	-4%	12.9%	-2%	13.5%	-6%
Financing to customer deposit ratio	82.4%	84.4%	-2%	82.4%	-0%	83.3%	-1%
NPL ratio	1.9%	1.8%	+5%	1.8%	+2%	1.9%	-2%
NPL coverage ratio	133.1%	144.7%	-8%	154.0%	-14%	141.5%	-6%

Balance Sheet – Segmental Summary

Figures in SAR millions	30 September 2019	30 June 2019	QoQ % change	30 September 2018	YoY % change	31 December 2018	YTD % change
Total assets							
Retail	143,798	140,831	+2%	134,744	+7%	134,020	+7%
Corporate	140,700	138,213	+2%	136,541	+3%	134,385	+5%
Treasury	178,300	165,266	+8%	156,872	+14%	150,468	+18%
Capital Market	1,895	1,767	+7%	1,666	+14%	1,602	+18%
International	33,351	32,566	+2%	31,003	+8%	32,915	+1%
Total	498,045	478,643	+4%	460,826	+8%	453,390	+10%

Additional Information

NCB's 3Q 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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