

## Earnings Release

# NCB reports 2% year-on-year net income growth after zakat and income tax to SAR 2.8 billion in 1Q 2020

### 1Q 2020 Financial Results Highlights:

- 2% net income growth (after zakat and income tax) to SAR 2.8 billion in 1Q 2020 on higher operating income
- Total operating income increased by 7% to SAR 5.3 billion, driven by increases in net special commission income and fee and other income
- Operating expenses for 1Q 2020 increased 5% to SAR 1.7 billion from additional digitization expenses; Cost-to-income ratio 76bps lower year-on-year to 31.9%
- Total assets were SAR 535 billion, 5% higher year to date primarily on growth of financing and other assets
- Net financing and advances up SAR 23 billion to reach SAR 305 billion, posting an 8% increase since 31 December 2019
- Customers' deposits grew 6% to SAR 375 billion, with a corresponding CASA ratio of 78%
- Healthy capitalization with T1 capital ratio of 16.0% and total capital ratio of 16.9%
- Strong liquidity position with the average Liquidity Coverage Ratio at 176% and the Net Stable Funding Ratio at 117% as at 1Q 2020

**Jeddah, June 2020.** NCB generated 2% year-on-year net income growth after zakat and income tax in 1Q 2020. This growth was the result of a 7% improvement in operating income, partially offset by 5% higher **operating** expenses and a SAR 271 million increase in impairments. The overall balance sheet expanded by 5% during the first quarter. The main driver was 6% growth in Retail financing, principally from mortgages, and 8% Corporate financing growth. Customers' deposits rose 6% in the first quarter, driven by strong CASA growth of 16%. NCB has also continued to maintain healthy capitalisation levels and strong liquidity position.

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

"In the first quarter, NCB performed at its best. The bank delivered a strong financial performance that was only moderately impacted by emerging trends.

Right from the start of the Covid-19 pandemic in March, NCB initiated business continuity management protocols as well as health and safety measures that focused on serving our customers with minimal disruption. During this difficult period our previous investments into an advanced technology infrastructure and digital channels ensured that the bank was operationally prepared to absorb the initial

impact of the crisis and adapted seamlessly to the new environment. We are immensely proud our employees who have displayed the true character of NCB by staying focused on what matters most to our customers, shareholders and the communities we serve.

The shift in our operating environment, has reinforced our conviction in our strategy with its focus on Retail and Digital. In particular, the mortgage business has proven to be resilient and continues to benefit from strong and sustainable demand. The lockdowns have accelerated the shift towards digital and the rapid removal of regulatory hurdles. We expect this to further support migration of sales to digital channels and reinforce productivity gains across our distribution network.”

## Additional Performance Highlights

### Income Statement highlights for the quarter ending 31 March 2020:

NCB reported net income after zakat and income tax of SAR 2,834 million for the first quarter of 2020, up 2% from the comparable quarter of the previous year. This performance is mainly attributable to 7% growth in operating income to SAR 5,305 million, partly offset by an increase in impairments and a 5% increase in operating expenses.

Impairments increased by SAR 271 million year-on-year to SAR 415 million in the first quarter of 2020, from higher International impairments and lower domestic Corporate recoveries. During the quarter, the Bank adjusted the macro-economic scenario probabilities used in the determination of ECL to reflect the impact of Covid-19. These probability weighting adjustments resulted in an additional ECL's model estimate of approximately 17% for the Bank.

NCB's total operating expenses increased 5% year-on-year to SAR 1,692 million, primarily due to higher digitization expenses. The cost-to-income ratio stood at 31.9% for the first quarter of 2020, an improvement of 76bps compared to the comparable quarter in 2019.

From a segmental perspective, year-on-year net income growth for the quarter was registered in all segments, except Corporate, where net income declined 23% to SAR 712 million from a 4% reduction in operating income and higher impairment charges. In Retail, net income grew 4% year-on-year to SAR 1,183 million from 4% operating income growth. Additionally, Treasury's net income increased by 4% from 7% growth in operating income. Capital Markets net income increased 65% on strong growth in brokerage income. Finally, the International segment's net income improved by 98% from 60% higher operating income, despite an average 9% year-on-year depreciation of the Turkish Lira and a higher cost of risk.

### Balance Sheet highlights as of 31 March 2020

Total assets increased by SAR 27,743 million from 31 December 2019 to SAR 535,007 million. Investments declined 1% to SAR 133,000 million as a negative mark-to-market revaluation of SAR 3,480 was recorded resulting from widening credit spreads and declining equity market valuations due to Covid-19. Financing and advances grew 8% quarter-on-quarter to SAR 305,214 million as at 31 March 2020. Domestically, financing and advances increased 8% for the Corporate, 6% for the Consumer and 46% for the Financial Institutions loan portfolios. International financing and advances increased by 3% as 14% growth in local currency was partly offset by 9% depreciation in the Turkish Lira. The NPL ratio stood at 1.72% as at 31 March 2020, with the NPL coverage ratio at 139.5% and the cost of risk ratio at 55bps. Customers' deposits, which represented 80% of NCB's total liabilities, were 6% higher to SAR 375,241 million as at 31 March 2020. This was principally from strong 16% growth in CASA balances during the quarter, which increased the CASA ratio to 78% from 71% as of 31 December 2019.

Despite the challenges posed by the current operating environment, NCB is resilient and aims to continue to deliver profitability, growth and strong value to shareholders through disciplined implementation of its long term strategy, effective execution of its operating plans, and decisive and agile responses to Covid-19 related challenges.

## Income Statement Summary

For the quarter ending 31 March 2020

Figures in SAR millions	1Q 2020	4Q 2019	QoQ % change	1Q 2019	YoY % change
Net special commission income	4,013	4,077	-2%	3,754	+7%
Fee and other income	1,292	1,336	-3%	1,197	+8%
<b>Total operating income</b>	<b>5,305</b>	<b>5,412</b>	<b>-2%</b>	<b>4,951</b>	<b>+7%</b>
Operating expenses	(1,692)	(1,453)	+16%	(1,616)	+5%
Total impairment charge	(396)	(287)	+38%	(145)	+173%
<b>Income from operations, net</b>	<b>3,218</b>	<b>3,672</b>	<b>-12%</b>	<b>3,189</b>	<b>+1%</b>
<b>Net income for the period before Zakat and income tax</b>	<b>3,211</b>	<b>3,673</b>	<b>-13%</b>	<b>3,192</b>	<b>+1%</b>
<b>Net income after zakat and tax attributed to equity holders of the Bank</b>	<b>2,834</b>	<b>3,212</b>	<b>-12%</b>	<b>2,776</b>	<b>+2%</b>
EPS (SAR)	0.91	1.04	-12%	0.89	+2%
DPS, net (SAR)	1.20	1.20	+0%	0.00	
ROE	18.4%	20.5%	-10%	18.2%	+1%
ROA	2.2%	2.6%	-14%	2.4%	-10%
Net special commission margin	3.60%	3.80%	-5%	3.75%	-4%
Cost to income	31.9%	26.8%	+19%	32.6%	-2%
Cost of risk	0.55%	0.42%	+32%	0.21%	+161%

## Income Statement – Segmental Results Summary

For the quarter ending 31 March 2020

Figures in SAR millions	1Q 2020	4Q 2019	QoQ % change	1Q 2019	YoY % change
<b>Total operating income</b>					
Retail	2,321	2,518	-10%	2,241	+4%
Corporate	1,113	1,527	-14%	1,157	-4%
Treasury	1,148	890	+29%	1,074	+7%
Capital Market	249	225	+11%	181	+38%
International	475	429	+11%	297	+60%
<b>Total</b>	<b>5,305</b>	<b>5,590</b>	<b>-2%</b>	<b>4,951</b>	<b>+7%</b>
<b>Net income before zakat and tax for the period</b>					
Retail	1,183	1,581	-27%	1,137	+4%
Corporate	712	1,099	-19%	920	-23%
Treasury	1,001	854	+17%	959	+4%
Capital Market	171	134	+28%	103	+65%
International	144	184	-22%	72	+98%
<b>Total</b>	<b>3,211</b>	<b>3,851</b>	<b>-13%</b>	<b>3,192</b>	<b>+1%</b>

## Balance Sheet Summary

Figures in SAR millions	31 March 2020	31 December 2019	QoQ % change	31 March 2019	YoY % change
Investments, net	133,000	134,077	-1%	123,419	+8%
Financing and advances, net	305,214	282,289	+8%	267,215	+14%
<b>Total assets</b>	<b>535,007</b>	<b>507,264</b>	<b>+5%</b>	<b>464,906</b>	<b>+15%</b>
Customers' deposits	375,241	353,389	+6%	309,676	+21%
Debt securities issued	565	1,016	-44%	4,421	-87%
<b>Total liabilities</b>	<b>470,027</b>	<b>437,476</b>	<b>+7%</b>	<b>397,243</b>	<b>+18%</b>
<b>Equity attributable to shareholders of the Bank</b>	<b>57,159</b>	<b>61,888</b>	<b>-8%</b>	<b>59,761</b>	<b>-4%</b>
<b>Total equity</b>	<b>64,979</b>	<b>69,788</b>	<b>-7%</b>	<b>67,663</b>	<b>-4%</b>
Risk weighted assets	415,612	390,331	+6%	374,193	+11%
CET1 ratio	14.4%	16.2%	-11%	16.3%	-12%
T1 ratio	16.0%	18.0%	-11%	18.2%	-12%
TC ratio	16.9%	18.7%	-10%	19.0%	-11%
Liquidity coverage ratio (LCR)	176.1%	168.9%	+4%	183.9%	-4%
Basel III leverage ratio	11.4%	12.8%	-11%	13.4%	-15%
Net stable funding ratio (NSFR)	117.1%	124.4%	-6%	124.0%	-6%
Financing to customer deposit ratio	81.3%	79.9%	+2%	86.3%	-6%
NPL ratio	1.7%	1.8%	-6%	1.8%	-4%
NPL coverage ratio	139.5%	138.1%	+1%	145.3%	-4%

## Balance Sheet – Segmental Summary

Figures in SAR millions

	31 March 2020	31 December 2019	QoQ % change	31 March 2019	YoY % change
<b>Total assets</b>					
Retail	161,795	154,386	+5%	137,272	+18%
Corporate	142,755	132,775	+7%	132,902	+7%
Treasury	194,327	185,235	+5%	159,032	+22%
Capital Market	2,307	2,091	+10%	1,646	+40%
International	33,823	32,777	+3%	34,054	-1%
<b>Total</b>	<b>535,007</b>	<b>507,264</b>	<b>+5%</b>	<b>464,906</b>	<b>+15%</b>



## Additional Information

NCB's 1Q 2020 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](http://www.alahli.com/en-us/Investor_Relation)

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