

Earnings Release

NCB reports 19% net income growth after zakat and income tax to SAR 11.4 billion in 2019

2019 Financial Results Highlights:

- 19% net income growth (after zakat and income tax) to SAR 11.4 billion in 2019 on higher operating income, and lower operating expenses and impairment charges
- Total operating income increased by 9% to SAR 20.6 billion, driven by increases in net special commission income and investment income, and lower other operating expenses
- Operating expenses for 2019 improved 2% to SAR 6.3 billion from ongoing digitization and productivity initiatives; Cost-to-income ratio 334bps lower to 30.7%
- Total assets were SAR 507 billion, 12% higher year-on-year primarily on growth of financing and investments
- Net financing and advances up SAR 17 billion to reach SAR 282 billion, posting a 6% increase since 31 December 2018
- Customers' deposits grew to SAR 353 billion, an increase of 11%, with a corresponding CASA ratio of 71%
- Strong capitalization with T1 capital ratio of 18.0% and total capital ratio of 18.7%
- Comfortable liquidity position with the average Liquidity Coverage Ratio at 169% and the Net Stable Funding Ratio at 124% as at 4Q 2019

Jeddah, 18 February 2020. NCB generated 19% year-on-year net income growth after zakat and income tax in 2019. This growth was the result of a 9% improvement in operating income, 2% lower operating expenses, and a 13% improvement in impairment charges. These improvements were partially offset by 29% higher zakat and income tax charges. The overall balance sheet expanded by 12% during the year. The main drivers were 14% 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 during 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:

"NCB delivered a strong bottom-line performance in 2019 with record net income of SAR 11.4 billion, operating income growth of 9% and a return on equity of 18.4%. Additionally, delivered on our strategic priorities for the year, which include expanding our Retail market share, consolidating our leadership in

Corporate and sustaining revenue and diversifying funding in Treasury. Our digital transformation journey and relentless focus on operational excellence and customer care have also been a big part of NBC's ongoing success."

Additional Performance Highlights

Income Statement highlights for the year ending 31 December 2019:

NCB reported 2019 net income after zakat and income tax of SAR 11,401 million, up 19% from the previous year. This performance is mainly attributable to 5% growth in net special commission income (NSCI) to SAR 15,807 million, 175% growth in investment-related income, and 51% lower other operating expenses, partially offset by 9% lower foreign exchange income.

NCB's total operating expenses improved 2% year-on-year to SAR 6,331 million, primarily as a result of lower rent and premises related expenses, which was partially offset by higher depreciation. The cost-to-income ratio stood at 30.7% for 2019, down by 334bps compared to last year.

From a segmental perspective, the 2019 net income growth was led by Retail, where net income grew 32% to SAR 5,765 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 21% to SAR 2,905 million from 8% operating income growth and a reduction of 23% in impairment charges. Additionally, Treasury's net income increased by 2% from lower impairment charges on stable operating income, while investment related income jumped by 175%. Capital Markets net income increased 22%. Finally, the International segment's net income improved by 11% from 23% lower operating expenses, despite an average 11% year-on-year depreciation of the Turkish Lira and a higher cost of risk resulting from regulatory directives to classify certain exposures to non-performing status.

Income Statement highlights for the 3 month period ending 31 December 2019:

NCB reported 4Q 2019 net income of SAR 3,212 million, up 19% year-on-year. The improvement was a result of 14% growth in operating income, across both net special commission income and fee and other income, 1% lower operating expenses, 52% lower impairment charges, partly offset by higher zakat and income tax.

Balance Sheet highlights as of 31 December 2019

Total assets increased by SAR 55,087 million from 31 December 2018 to SAR 507,264 million. Investments grew 14% to SAR 134,077 million. Financing and advances grew 6% to SAR 282,289 million as at 31 December 2019. Domestically, financing and advances increased 18% for the Consumer and 19% for the Financial Institutions financing portfolios, whilst Corporate financing declined moderately by 1% due to elevated levels of repayments during the fourth quarter. International financing and advances decreased by 8% due to the weakened Turkish Lira. The NPL ratio stood at 1.84% as at 31 December 2019, with the NPL

coverage ratio at 138.1% and the cost of risk ratio at 51bps. Customers' deposits, which represented 81% of NCB's total liabilities, were 11% higher to SAR 353,389 million as at 31 December 2019. The 9% decline in the CASA ratio during the year, which stood at 71% as of 31 December 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 twelve month periods ending 31 December 2019

Figures in SAR millions	4Q 2019	3Q 2019	QoQ % change	4Q 2018	YoY % change	2019	2018	YoY % change
Net special commission income	4,152	3,929	+6%	4,036	+3%	15,807	15,123	+5%
Fee and other income	1,260	1,136	+11%	719	+75%	4,801	3,804	+26%
Total operating income	5,412	5,066	+7%	4,756	+14%	20,607	18,927	+9%
Operating expenses	(1,453)	(1,590)	-9%	(1,475)	-1%	(6,331)	(6,446)	-2%
Total impairment charge	(287)	(663)	-57%	(601)	-52%	(1,420)	(1,635)	-13%
Income from operations, net	3,672	2,813	+31%	2,680	+37%	12,856	10,846	+19%
Net income for the period before Zakat and income tax	3,673	2,885	+27%	2,689	+37%	12,919	10,830	+19%
Net income after zakat and tax attributed to equity holders of the Bank	3,212	2,607	+23%	2,706	+19%	11,401	9,594	+19%
EPS (SAR)	1.04	0.84	+24%	0.87	+19%	3.68	3.08	+19%
DPS, net (SAR)	1.20	0.00	-	1.10	+9%	2.30	2.10	+10%
ROE	20.5%	16.7%	+23%	18.4%	+11%	18.4%	16.2%	+14%
ROA	2.6%	2.1%	+20%	2.4%	+7%	2.4%	2.2%	+10%
Net special commission margin	3.80%	3.67%	+3%	3.93%	-3%	3.77%	3.81%	-1%
Cost to income	26.8%	31.4%	-14%	31.0%	-13%	30.7%	34.1%	-10%
Cost of risk	0.42%	0.94%	-56%	0.59%	-29%	0.51%	0.51%	+1%

Income Statement – Segmental Results Summary

For the three and twelve month periods ending 31 December 2019

Figures in SAR millions	4Q 2019	3Q 2019	QoQ % change	4Q 2018	YoY % change	2019	2018	YoY % change
Total operating income								
Retail	2,675	2,640	+1%	2,260	+18%	10,052	8,672	+16%
Corporate	1,191	1,055	+13%	1,111	+7%	4,385	4,061	+8%
Treasury	891	826	+8%	908	-2%	3,922	3,947	-1%
Capital Market	225	164	+38%	162	+39%	787	720	+9%
International	429	381	+13%	315	+36%	1,461	1,527	-4%
Total	5,412	5,066	+7%	4,756	+14%	20,607	18,927	+9%
Net income before zakat and tax for the period								
Retail	1,720	1,631	+5%	1,166	+47%	5,765	4,375	+32%
Corporate	781	513	+52%	731	+7%	2,905	2,399	+21%
Treasury	855	709	+21%	801	+7%	3,497	3,418	+2%
Capital Market	134	81	+64%	79	+68%	459	376	+22%
International	184	(48)	-479%	(89)	-307%	293	263	+11%
Total	3,673	2,942	+25%	2,689	+37%	12,919	10,830	+19%

Balance Sheet Summary

Figures in SAR millions	31 December 2019	30 September 2019	QoQ % change	31 December 2018	YoY % change
Investments, net	134,077	132,467	+1%	118,090	+14%
Financing and advances, net	282,289	280,535	+1%	265,062	+6%
Total assets	507,264	498,045	+2%	452,177	+12%
Customers' deposits	353,389	340,382	+4%	318,701	+11%
Debt securities issued	1,016	1,664	-39%	9,431	-89%
Total liabilities	437,476	430,169	+2%	386,508	+13%
Equity attributable to shareholders of the Bank	61,888	59,979	+3%	57,737	+7%
Total equity	69,788	67,876	+3%	65,669	+6%
Risk weighted assets	390,331	397,209	-2%	360,189	+8%
CET1 ratio	16.2%	15.4%	+5%	16.6%	-2%
T1 ratio	18.0%	17.2%	+5%	18.5%	-3%
TC ratio	18.7%	18.0%	+4%	20.6%	-9%
Liquidity coverage ratio (LCR)	168.9%	173.2%	-3%	176.0%	-4%
Basel III leverage ratio	12.8%	12.6%	+1%	13.5%	-5%
Net stable funding ratio (NSFR)	124.4%	123.2%	+1%	128.0%	-3%
Financing to customer deposit ratio	79.9%	82.4%	-3%	83.2%	-4%
NPL ratio	1.8%	1.9%	-2%	1.9%	-4%
NPL coverage ratio	138.1%	133.1%	+4%	141.5%	-2%

Balance Sheet – Segmental Summary

Figures in SAR millions

	31 December 2019	30 September 2019	QoQ % change	31 December 2018	YoY % change
Total assets					
Retail	153,735	143,798	+7%	134,021	+15%
Corporate	133,425	140,700	-5%	134,128	-1%
Treasury	185,235	178,300	+4%	149,511	+24%
Capital Market	2,091	1,895	+10%	1,602	+31%
International	32,777	33,351	-2%	32,915	-0%
Total	507,264	498,045	+2%	452,177	+12%

Additional Information

NCB's 4Q 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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