



The National
Commercial
Bank

Earnings Presentation

1Q 2019 Results

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Strategy Update


1Q 2019 Results

NCB 1Q 2019 Strategy Update

Record Net Income SAR 3.17 bn | Progress on Mortgage | Digital Adoption Continues

 <p>Expand market share in Retail Banking</p> <p>Financing up 2% YTD 7% Mortgage growth >85% REDEF Origination</p> <p>Retail Market Share 20.7% in 2018 19.5% in 2017</p>	 <p>Increase returns in Corporate Banking</p> <p>Financing stable -0.45% YTD Higher profitability Proactive credit management</p> <p>Corporate Return Profile NOR +15% YoY COR at -0.1%</p>	 <p>Sustain Treasury revenues & diversify funding</p> <p>Effective ALM: Sourcing & Diversifying Funding Managing increase in CoF</p> <p>Addressing 5.5% growth of Earning Assets T2 Sukuk redemption Deposits -2.8% YTD, CASA 76%</p>
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➤ *Customer service* *Time to market* *Cost efficiency* ◀

 <p>Strategic Enablers</p>	<p>Digital and data</p> <ul style="list-style-type: none"> 55% of Retail sales are digital (vs. 29% in 2018) 97.5% of Bank financial transactions are digital 106 Self Service kiosks installed carved out 72% of covered transactions 	<p>Operations excellence</p> <p>Lean branches</p> <ul style="list-style-type: none"> 2 new branches, continued FTE density improvement 9.7 average FTE per branch with newest locations at 6
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Financial Results Highlights

1Q 2019 Results

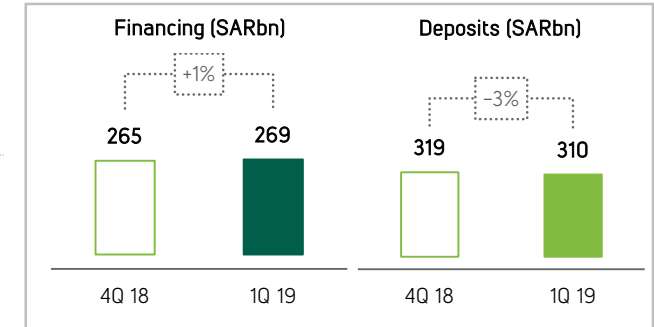


Key messages

1Q 2019 Results

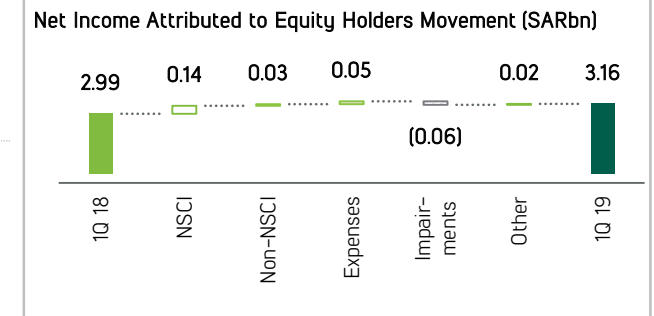
Balance Sheet

- 3% increase in total assets
- 1% Financing growth
- 5% investments growth
- 3% decline in customers' deposits
- CASA ratio at 76% of deposits



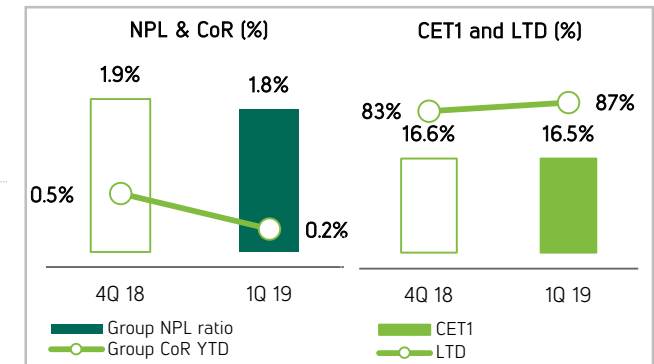
Income Statement

- 6% net income growth
- 4% NSCI growth
- 2% Increase in Fee and other income
- 3% lower operating expenses
- CoR stands at 21bps



Asset Quality, Capital & Liquidity

- NPL ratio at 1.8% and NPL coverage of 145%
- CET1 of 16.5% and T1 ratio of 18.4%
- LTD ratio of 87%.
- LCR of 184%
- Leverage Ratio of 13.6%



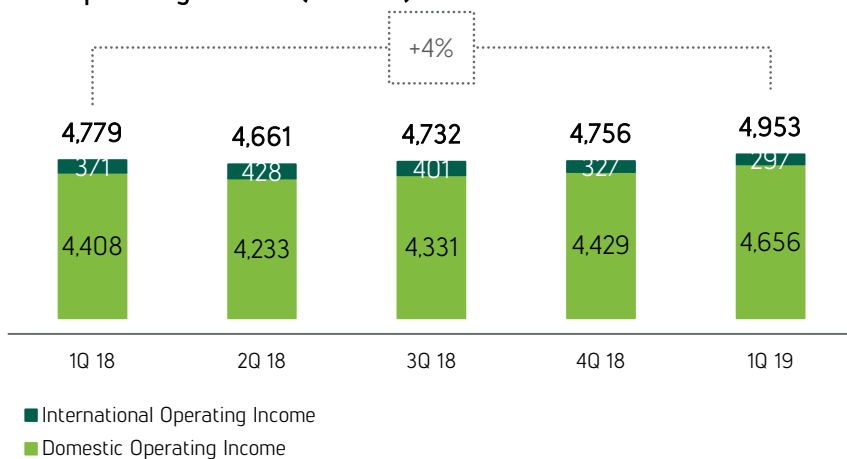
Income Statement

Higher 1Q 2019 net income derived from higher operating income and lower operating expenses, partly offset by higher impairments

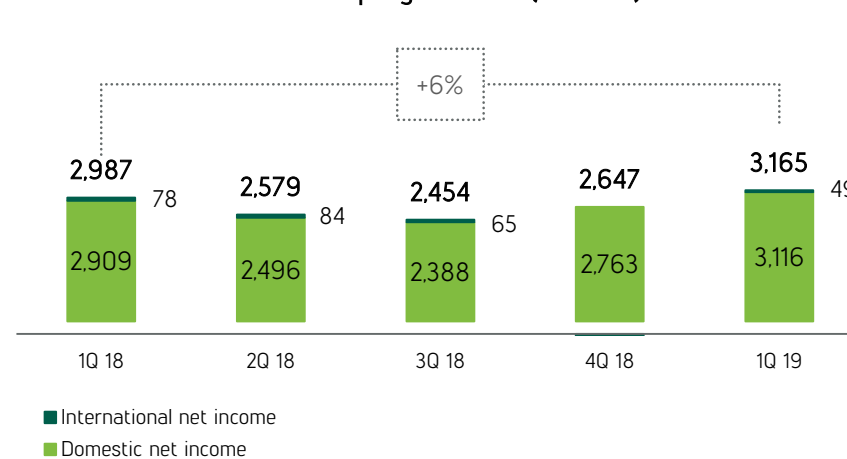
Profitability Trends

SAR (mn)	1Q 2019	4Q 2018	1Q 2018	YoY % change
Net special commission income	3,562	3,741	3,419	+4%
Fee and other income	1,391	1,015	1,361	+2%
Total operating income	4,953	4,756	4,779	+4%
Operating expenses	(1,618)	(1,475)	(1,668)	-3%
Total impairment charge	(145)	(601)	(83)	+75%
Income from operations, net	3,189	2,680	3,028	+5%
Net income attributed to equity holders	3,165	2,647	2,987	+6%

Total Operating Income (SARmn)



Net Income Attributed to Equity Holders (SARmn)



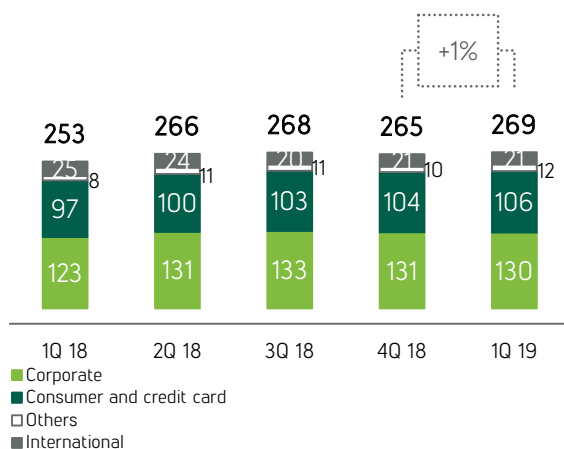
Balance Sheet

3% YTD increase in total assets from financing and investments.

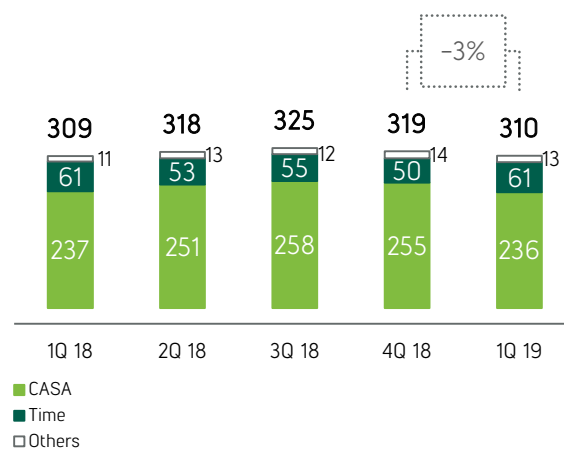
Balance Sheet Trends

SAR (mn)	1Q 2019	1Q 2018	YoY % change	4Q 2018	YTD % change
Investments, net	123,419	113,555	+9%	118,090	+5%
Financing and Advances, net	268,657	252,777	+6%	265,317	+1%
Total assets	466,348	438,896	+6%	453,390	+3%
Due to banks and other financial institutions	63,127	37,978	+66%	45,963	+37%
Customers' deposits	309,661	309,001	+0%	318,699	-3%
Debt securities issued	4,421	10,528	-58%	9,431	-53%
Total liabilities	397,507	374,035	+6%	387,721	+3%
Equity attributable to shareholders	60,939	56,684	+8%	57,737	+6%
Total equity	68,841	64,861	+6%	65,669	+5%

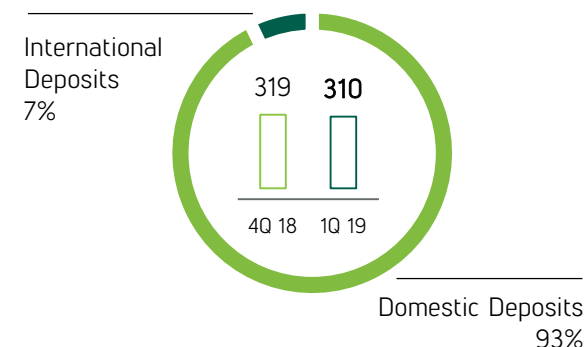
Financing & Advances, net (SARbn)



Customers' Deposits (SARbn)



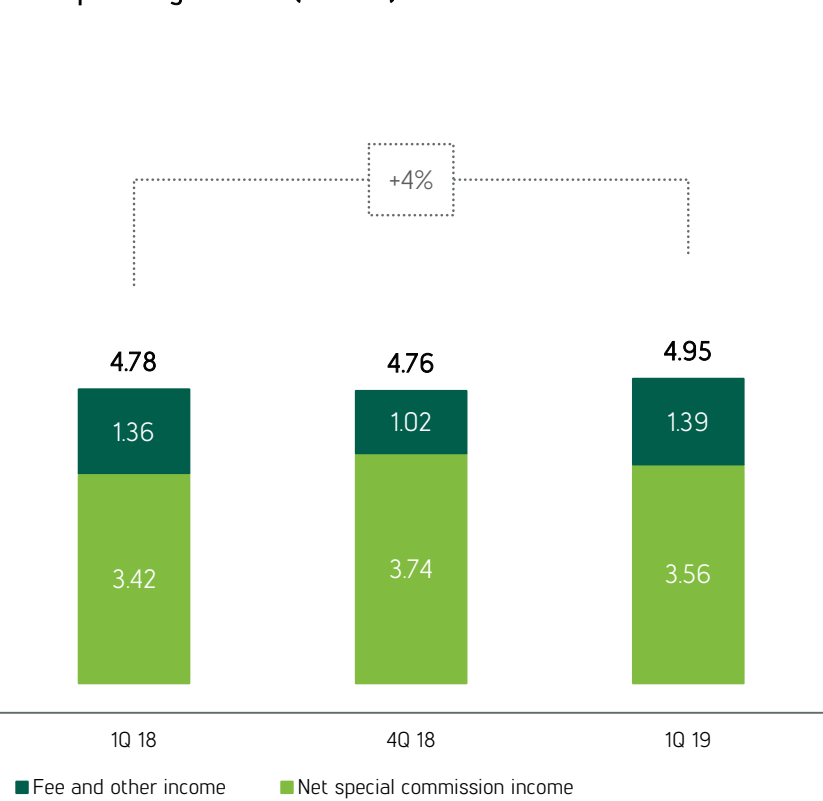
Customers' Deposits Mix (SARbn)



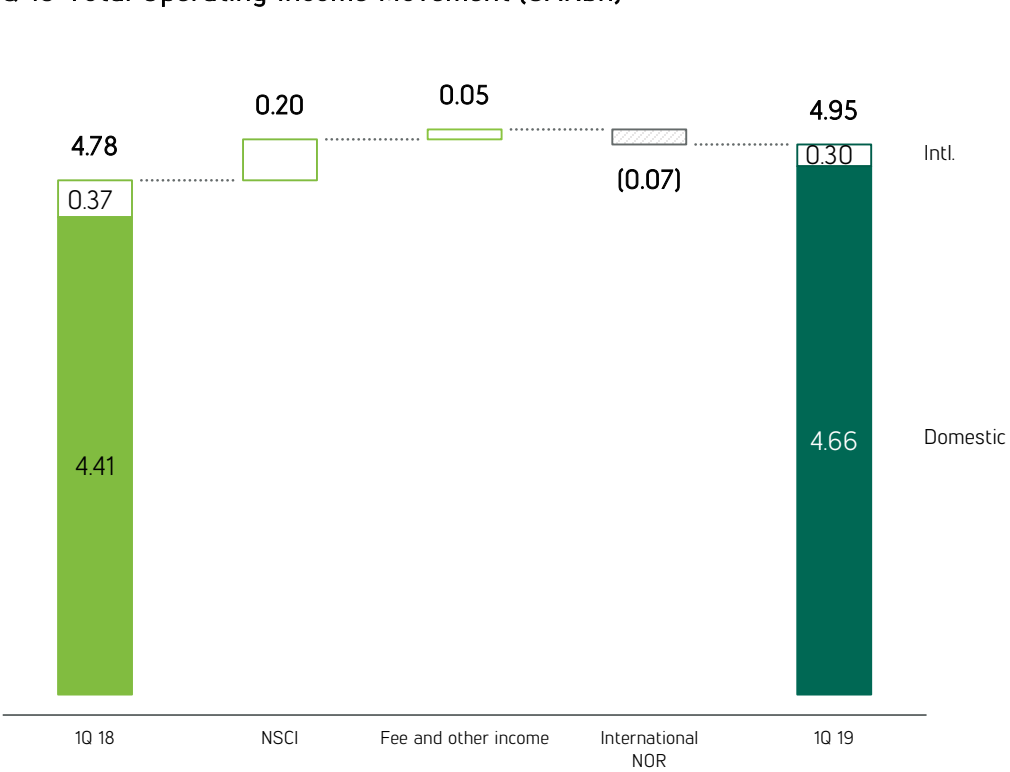
Operating Income Highlights

Higher 1Q 2019 total operating income driven by net special commission income and investment related income

Total Operating Income (SARbn)



1Q 19 Total Operating Income Movement (SARbn)



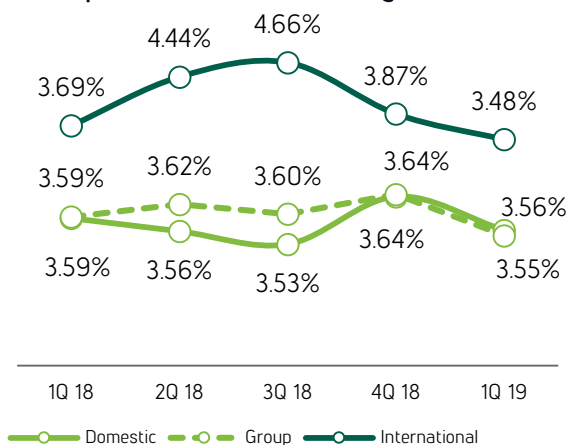
Net special commission income trends

1Q 2019 net special commission income grew by 4%, despite 61% increase in special commission expenses

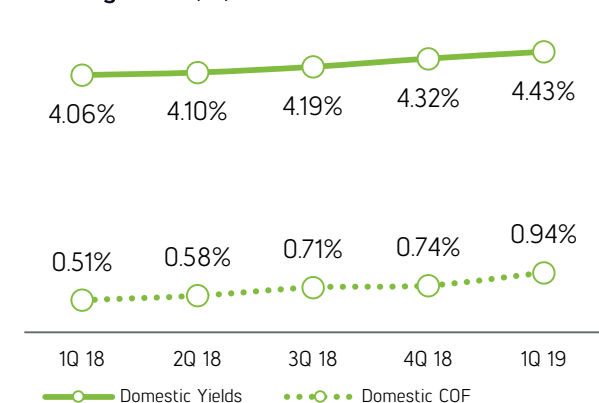
Net Special Commission Income

SAR (mn)	1Q 2019	4Q 2018	1Q 2018	YoY % change
Special commission income	4,863	4,936	4,228	+15%
Special commission expense	(1,302)	(1,195)	(809)	+61%
Net special commission income	3,562	3,741	3,419	+4%
Commission yield (%)	4.85%	4.81%	4.44%	+9%
Funding cost (%)	1.41%	1.25%	0.91%	+55%
Net special commission margin (%)	3.55%	3.64%	3.59%	-1%

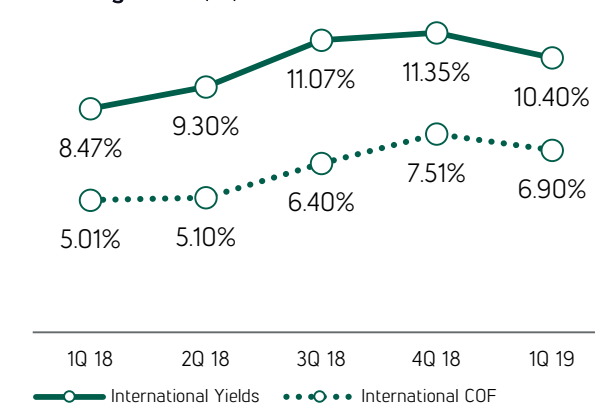
Net Special Commission Margin (%)



Domestic Commission Yield and Funding Cost (%)



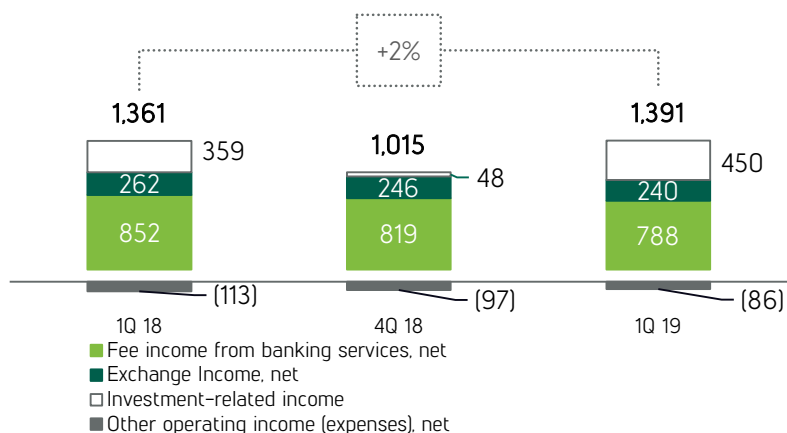
International Commission Yield and Funding Cost (%)



Fee and other income trends

Higher 1Q 2019 Investment income partially offset by lower fees and exchange income.

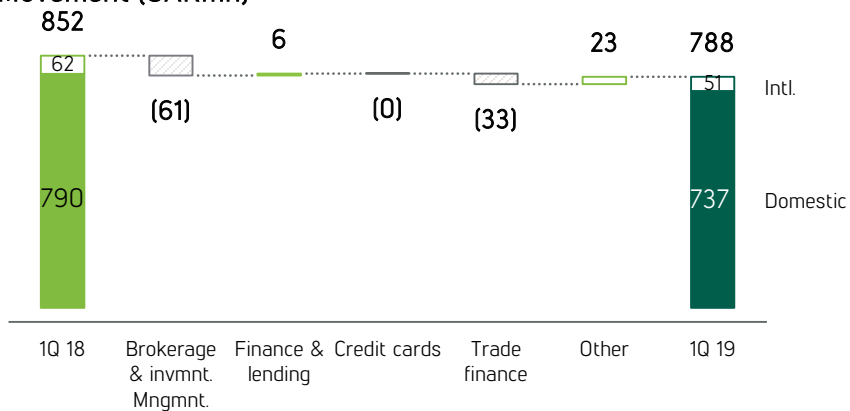
Fee and Other Income (SARmn)



Fee Income

SAR (mn)	1Q 2019	4Q 2018	1Q 2018	YoY % change
Finance and lending	364	367	358	+2%
Trade finance	104	79	137	-24%
Investment management services	129	123	164	-22%
Shares brokerage	35	38	60	-42%
Credit cards	38	16	38	-0%
Others	119	194	96	+23%
Fee income from banking services, net	788	819	852	-8%

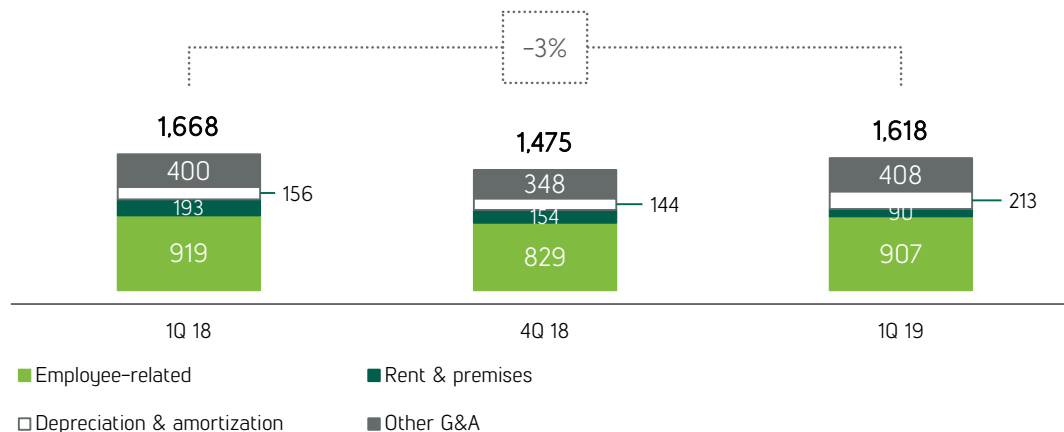
1Q 19 Drivers of Fee Income from Banking Services Movement (SARmn)



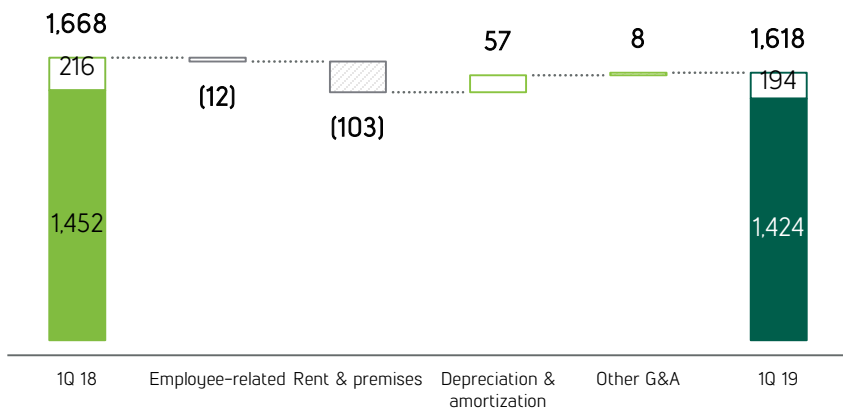
Expense highlights

Digitization, productivity enhancement and optimization delivered expense savings in 1Q 2019

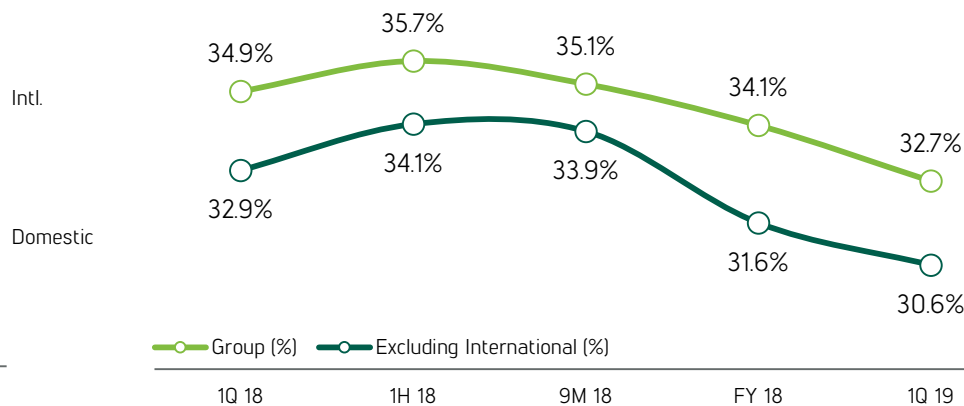
Operating Expenses (SARmn)



1Q 19 Operating Expenses Movement Drivers (SARmn)



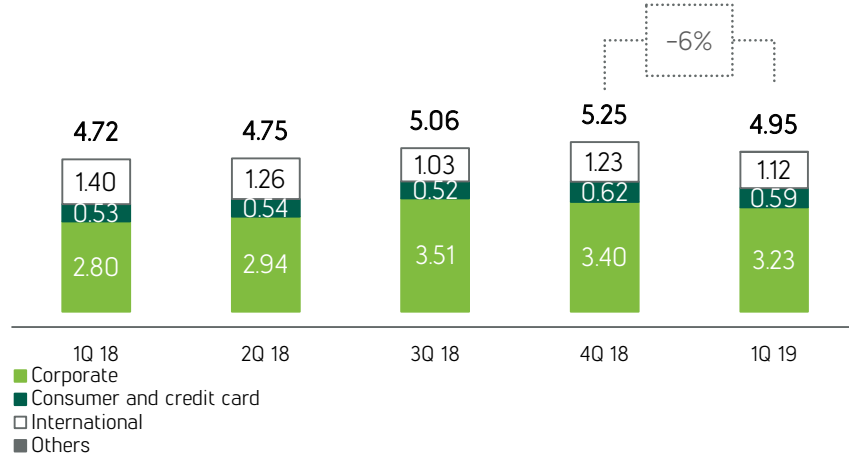
Cost to Income Ratio (YTD %)



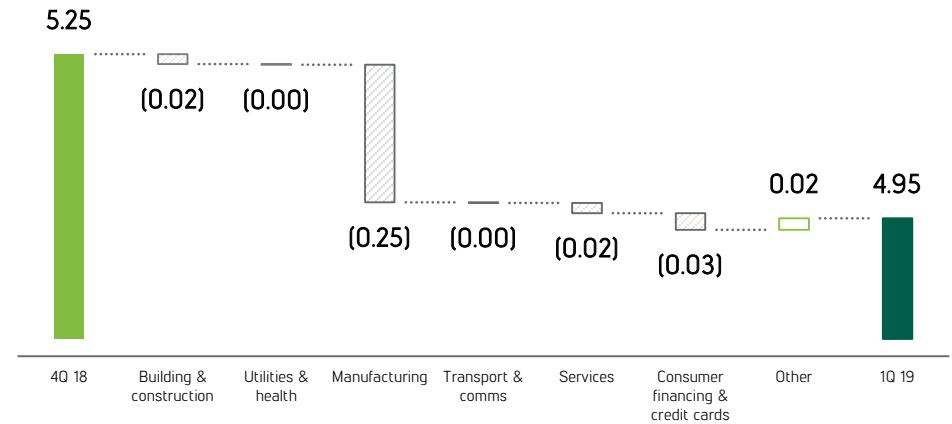
Financing and advances credit quality

YTD NPLs have fallen, particularly in the manufacturing sector

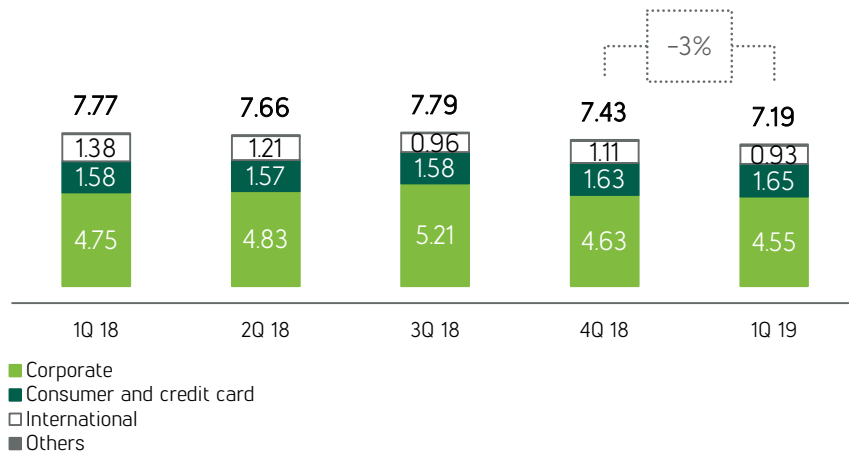
NPL (SARbn)



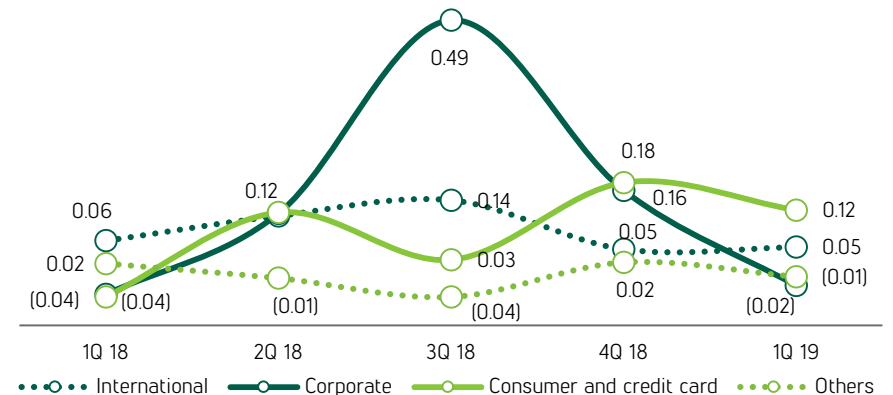
Movement NPLs by Economic Sector (SARbn)



Impairment Allowances (SARbn)



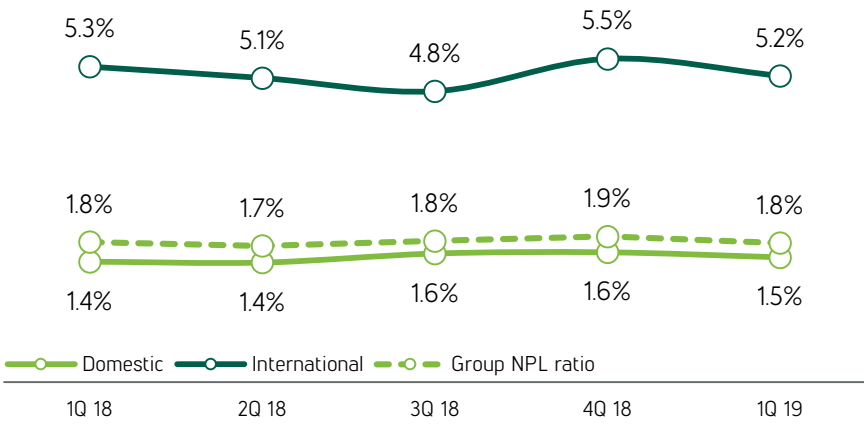
Impairment Charge (SARbn)



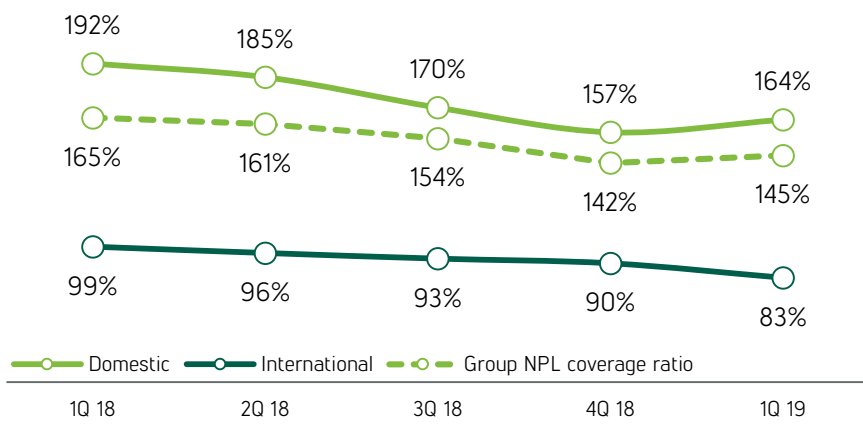
Financing and advances credit quality

Stable NPL ratio and higher NPL coverage

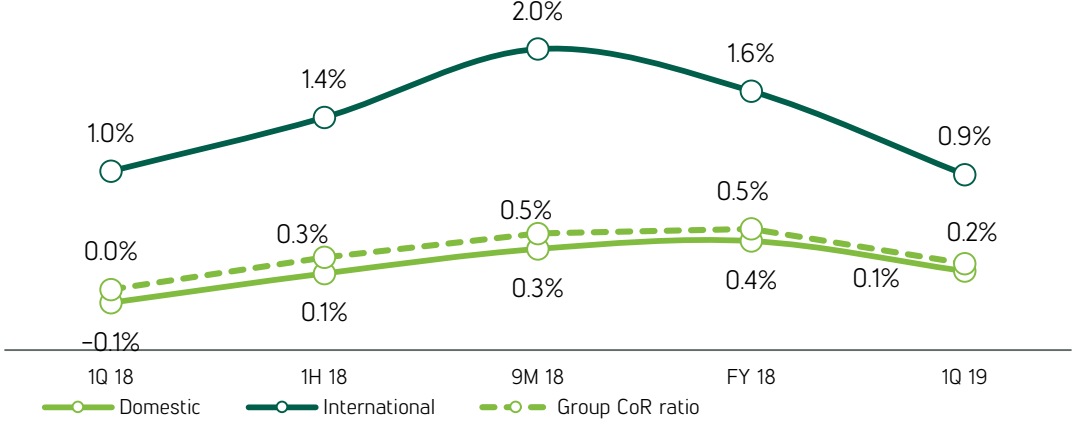
NPL Ratios (%)



NPL Coverage Ratios (%)



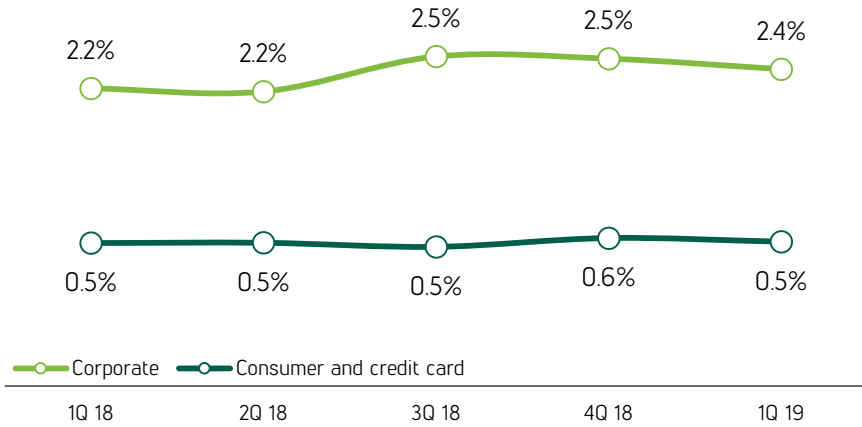
CoR Ratios (YTD %)



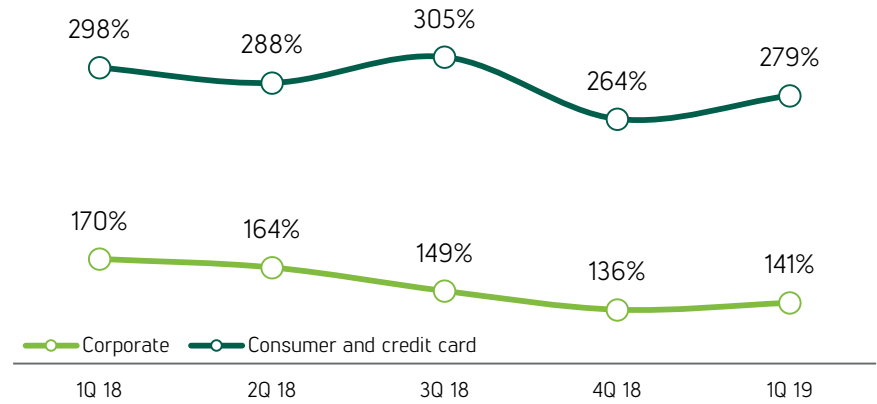
Domestic financing and advances credit quality

Corporate and Consumer NPL ratios have improved

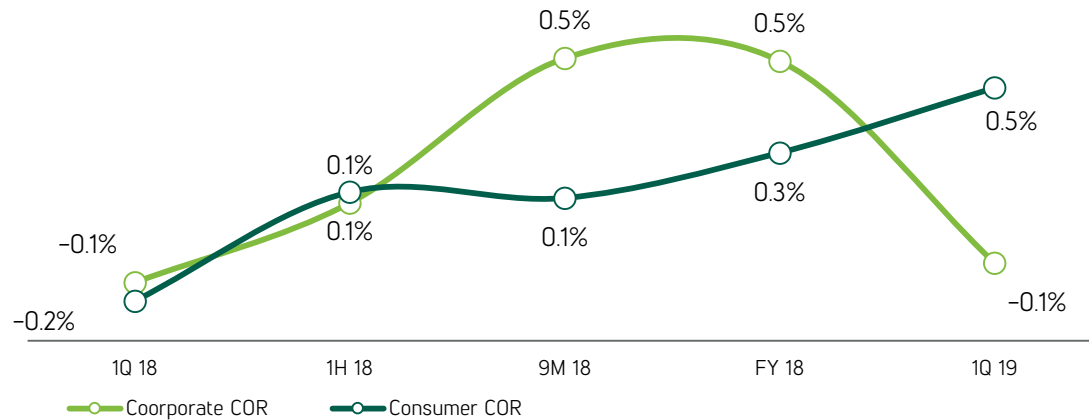
NPL Ratios (%)



NPL Coverage Ratios (%)



CoR Ratios (YTD %)



Outlook Update

1Q 2019 Results



Outlook Update

Improved macroeconomic environment expected to drive growth

2019 Macroeconomic Outlook

- Average Arabian light oil price of USD 65 per barrel
- No US Fed rate hikes expected in 2019 (revised from two 25bps hikes)
- 2019's expansionary fiscal policy is expected to underpin GDP and Credit growth
- Real GDP growth is estimated to reach 2.6%
- The budget deficit projected to narrow to 4.2% of GDP
- Inflation to ease to 2.3% as energy price subsidies remain unchanged

Balance Sheet

Financing growth

6%

+1%

4% to 6%

Within guidance

Profitability

NSCI margin

3.61%

3.55%

3.65% - 3.69%

At 1Q 2019 level

Cost to income

34.1%

32.7%

Below 34%

Within guidance

Capitalization and Asset Quality

Tier 1 CAR

18.5%

18.4%

16% to 18%

Upper end of the guidance

Group Cost of Risk

0.52%

0.21%

0.6% to 0.8%

Lower end of the guidance

Additional Information

1Q 2019 Results



Additional Information

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