

Earnings Release

NCB reports stable year-on-year net income at SAR of 11.4 billion in 2020

2020 Financial Results Highlights:

- Stable year-on-year net income (after zakat and tax) at SAR 11.4 billion on higher operating income and improved operational efficiency offsetting Covid-related pressures on cost of risk, banking fees and margins
- Total operating income increased by 4% to SAR 21.5 billion, driven by higher net special commission income and investment income
- Operating expenses for 2020 increased by 3% to SAR 6.5 billion from 12% rise in other general and administrative expenses due to VAT hike in July and higher IT costs to support increased demand for digital transactions; Cost-to-income ratio improved 33bps year-on-year to 30.3%
- Total assets were SAR 599 billion, 18% higher year-on-year primarily on growth of financing, investments and other assets.
- Net financing and advances up SAR 65 billion to reach SAR 347 billion, posting a 23% increase since 31 December 2019
- Customers' deposits grew 18% to SAR 416 billion, with a corresponding CASA ratio of 77%
- Healthy capitalisation with T1 capital ratio of 19.3% and total capital adequacy ratio of 20.3%
- Strong liquidity position with the average Liquidity Coverage Ratio at 172.5% and the Net Stable Funding Ratio at 122.5% as at 4Q 2020

Jeddah, 15 January 2021. NCB reported stable year-on-year net income after zakat and income tax in 2020. This growth resulted from a 4% improvement year-on-year in operating income and improved operational efficiency, which offset Covid-related pressures on cost of risk, banking fees and margins. The overall balance sheet expanded by 18% year to date. The main drivers were 42% growth in Retail financing, principally from strong growth in mortgages, 3% Corporate financing growth and 8% growth in investments as NCB continued to participate in the KSA government issuance of debt securities. Customers' deposits rose 18% year-on-year, driven by strong CASA growth of 27%. NCB has also continued to maintain healthy capitalisation levels and a strong liquidity position.

Additional Performance Highlights

Income Statement highlights for the year ending 31 December 2020:

NCB reported 2020 net income after zakat and income tax of SAR 11,440 million, stable year-on-year. This performance is mainly attributable to a 4% growth in operating income to SAR 21,458 million and improved operating efficiency, more than offsetting a 37% rise in impairments.

Impairments increased by SAR 531 million year-on-year to SAR 1,951 million in 2020, from Covid-19 related adjustments. These included recalibration of ECL models for revised macroeconomic forecasts and scenario probabilities, as well as proactive and accelerated corporate credit risk assessments and higher NPL inflow.

NCB's total operating expenses increased 3% year-on-year to SAR 6,497 million from 12% rise in other general and administrative expenses due to the VAT hike in July and higher IT costs to support increased demand for digital transactions. The cost-to-income ratio stood at 30.3% for 2020.

From a segmental perspective, 2020 net income growth was registered in all segments, except Corporate, where net income declined 49% to SAR 1,679 million from a 13% reduction in operating income and higher impairment charges. In Retail, net income grew 7% year-on-year to SAR 5,765 million from 3% operating income growth and a lower impairment charge. Additionally, Treasury's net income increased 20% to SAR 4,198 million from 18% growth in operating income. Capital Markets net income increased 78% on strong growth in brokerage income. Finally, the International segment's net income improved by 62% in SAR terms from 10% higher operating income, despite an average 20% year-on-year depreciation of the Turkish Lira.

Balance Sheet highlights as of 31 December 2020

Total assets increased by SAR 92,627 million from 31 December 2019 to SAR 599,446 million. Investments grew 8% to SAR 144,853 million from continued participation in Saudi Government and high-quality securities. Financing and advances grew 23% year to date to SAR 346,708 million as at 31 December 2020. Domestically, net financing and advances increased 3% in Corporate, 42% in Retail and 57% in Financial Institutions financing portfolios. International net financing and advances increased by 14% as 45% growth in local currency was partly offset by 20% depreciation in the Turkish Lira.

The NPL ratio stood at 1.72% as at 31 December 2020, with the NPL coverage ratio at 143.5% and the cost of risk ratio at 60bps. Customers' deposits, which represented 80% of NCB's total liabilities, were up 18% to SAR 416,419 million as at 31 December 2020. This was principally from 27% growth in CASA balances during the year, which led to a 6 percentage point improvement in the CASA ratio to 77% from 71% as of 31 December 2019.

On 11 October 2020, The National Commercial Bank and Samba Financial Group announced that they have entered into a binding agreement to merge. All regulatory approvals for the transaction have been received. The next milestone in the merger journey is for the shareholders to approve the transaction in the Extraordinary General Meetings (EGM) for both banks.

The merger will bring together two highly complementary banks to create Saudi Arabia's largest bank with the ability to generate significant value for customers, shareholders and the overall Saudi economy.

Both banks will continue to operate independently until shareholders have voted on the merger. The deal is expected to conclude on 1 April 2021. NCB will be the surviving entity into which Samba will merge. New shares in NCB will be issued to Samba shareholders by way of a capital increase. The Merged Bank's headquarter will be in Riyadh and change its name to 'Saudi National Bank'.

Income Statement Summary

For the year ending 31 December 2020

| Figures in SAR millions | 4Q 2020 | 3Q 2020 | QoQ % change | 4Q 2019 | YoY % change | FY 2020 | FY 2019 | YoY % change |
|--|--------------|--------------|-----------------|--------------|-----------------|---------------|---------------|-----------------|
| Net special commission income | 4,414 | 4,179 | +6% | 4,484 | -2% | 16,687 | 16,382 | +2% |
| Fee and other income | 1,336 | 1,459 | -8% | 1,093 | +22% | 4,771 | 4,192 | +14% |
| Total operating income | 5,749 | 5,638 | +2% | 5,577 | +3% | 21,458 | 20,575 | +4% |
| Operating expenses | (1,636) | (1,640) | -0% | (1,440) | +14% | (6,497) | (6,299) | +3% |
| Total impairment charge | (348) | (379) | -8% | (287) | +21% | (1,951) | (1,420) | +37% |
| Income from operations, net | 3,766 | 3,619 | +4% | 3,850 | -2% | 13,010 | 12,856 | +1% |
| Net income for the period before zakat and income tax | 3,765 | 3,569 | +5% | 3,851 | -2% | 12,933 | 12,919 | +0% |
| Net income after zakat and tax attributed to equity holders of the Bank | 3,360 | 3,158 | +6% | 3,390 | -1% | 11,440 | 11,401 | +0% |
| EPS | 1.08 | 1.01 | +7% | 1.10 | -2% | 3.68 | 3.68 | -0% |
| DPS, net | 0.00 | 0.00 | | 1.20 | -100% | 0.00 | 2.30 | -100% |
| ROE (%) | 19.3% | 19.0% | +2% | 21.8% | -12% | 16.8% | 18.5% | -9% |
| ROA (%) | 2.3% | 2.3% | +2% | 2.7% | -15% | 2.1% | 2.4% | -13% |
| Net special commission margin (%) | 3.41% | 3.36% | +2% | 4.11% | -17% | 3.46% | 3.91% | -11% |
| Cost to income (%) | 28.4% | 29.1% | -2% | 25.8% | +10% | 30.3% | 30.6% | -1% |
| Cost of Risk (%) | 0.33% | 0.48% | -30% | 0.42% | -20% | 0.60% | 0.52% | +17% |

Income Statement – Segmental Results Summary

For the year ending 31 December 2020

| Figures in SAR millions | 4Q 2020 | 3Q 2020 | QoQ % change | 4Q 2019 | YoY % change | FY 2020 | FY 2019 | YoY % change |
|---|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| Total operating income | | | | | | | | |
| Retail | 2,670 | 2,513 | +6% | 2,512 | +6% | 10,030 | 9,708 | +3% |
| Corporate | 1,035 | 996 | +4% | 1,527 | -32% | 4,084 | 4,711 | -13% |
| Treasury | 1,418 | 1,417 | +0% | 883 | +61% | 4,609 | 3,908 | +18% |
| Capital Market | 378 | 286 | +32% | 225 | +68% | 1,133 | 787 | +44% |
| International | 249 | 426 | -42% | 429 | -42% | 1,602 | 1,461 | +10% |
| Total | 5,749 | 5,638 | +2% | 5,577 | +3% | 21,458 | 20,575 | +4% |
| Net income before zakat and tax for the period | | | | | | | | |
| Retail | 1,654 | 1,436 | +15% | 1,561 | +6% | 5,765 | 5,398 | +7% |
| Corporate | 398 | 472 | -16% | 1,112 | -64% | 1,679 | 3,272 | -49% |
| Treasury | 1,374 | 1,323 | +4% | 861 | +60% | 4,198 | 3,497 | +20% |
| Capital Market | 294 | 210 | +40% | 134 | +120% | 816 | 459 | +78% |
| International | 44 | 128 | -65% | 184 | -76% | 475 | 293 | +62% |
| Total | 3,765 | 3,569 | +5% | 3,851 | -2% | 12,933 | 12,919 | +0% |

Balance Sheet Summary

| Figures in SAR millions | 31 December 2020 | 30 September 2020 | QoQ % change | 31 December 2019 | YoY % change |
|--|------------------|-------------------|--------------|------------------|--------------|
| Investments, net | 144,853 | 144,200 | +0% | 134,077 | +8% |
| Financing and advances, net | 346,708 | 336,415 | +3% | 281,843 | +23% |
| Total assets | 599,446 | 576,638 | +4% | 506,819 | +18% |
| Customers' deposits | 416,419 | 408,474 | +2% | 353,389 | +18% |
| Debt securities issued | 1,773 | 1,177 | +51% | 1,016 | +74.5% |
| Total liabilities | 519,231 | 500,429 | +4% | 437,476 | +19% |
| Equity attributable to shareholders of the Bank | 69,210 | 65,262 | +6% | 61,443 | +13% |
| Total equity | 80,215 | 76,210 | +5% | 69,343 | +16% |
| Risk weighted assets | 425,439 | 430,952 | -1% | 389,997 | +9% |
| CET1 ratio | 16.9% | 15.8% | +6% | 16.1% | +5% |
| T1 ratio | 19.3% | 18.2% | +6% | 17.9% | +8% |
| TC ratio | 20.3% | 19.2% | +6% | 18.7% | +9% |
| Liquidity coverage ratio (LCR) | 172.5% | 184.9% | -7% | 168.9% | +2% |
| Basel III leverage ratio | 12.5% | 12.5% | +4% | 12.7% | +3% |
| Net stable funding ratio (NSFR) | 122.5% | 121.2% | +1% | 124.2% | -1% |
| Financing to customer deposit ratio | 83.3% | 82.4% | +1% | 79.8% | +4% |
| NPL ratio | 1.7% | 1.7% | -0% | 1.8% | -6% |
| NPL coverage ratio | 143.5% | 143.1% | +0% | 138.1% | +4% |

Balance Sheet – Segmental Summary

| Figures in SAR millions | 31 December 2020 | 30 September 2020 | QoQ % change | 31 December 2019 | YoY % change |
|-------------------------|---------------------|-------------------------|-----------------|---------------------|-----------------|
| Total assets | | | | | |
| Retail | 204,642 | 189,002 | +8% | 154,249 | +33% |
| Corporate | 139,448 | 145,987 | -4% | 132,100 | +6% |
| Treasury | 211,401 | 200,243 | +6% | 185,601 | +14% |
| Capital Market | 3,166 | 2,767 | +14% | 2,091 | +51% |
| International | 40,789 | 38,640 | +6% | 32,777 | +24% |
| Total | 599,446 | 576,638 | +4% | 506,819 | +18% |

Additional Information

NCB's 4Q 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

For more information, please contact the NCB Group at:

The National Commercial Bank
P.O. Box 3555
21481 Jeddah, Kingdom of Saudi Arabia

Shareholders contact

NCB Shareholder Affairs
shareholdersaffairs@alahli.com

Institutional investor contact

NCB Investor Relations
investorrelations@alahli.com

Media contact

NCB Press Office
pressoffice@alahli.com