

National Bank of Ras Al Khaimah PSC

Consolidated Results for the Half Year ended June 30, 2019

Ras Al Khaimah, 22 July 2019 - The National Bank of Ras Al Khaimah (ADX: RAKBANK) today announced its results for the half year ended 30 June 2019. The following Management's Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the "Group".

Q2 2019 Highlights

Net Profit of AED 284.8 million

Net profit up by 25.7% compared to Q2 2018; up by 5.4% compared to the previous quarter

Total Income of AED 992.7 million

Total income up by 5.5% compared to the Q2 2018; down by 0.8% compared to the previous quarter

Total Assets at AED 57.3 billion

Total assets up by 12.1% year on year; up by 8.7% year to date

Gross Loans & Advances at AED 35.3 billion

Gross loans and advances up by 0.4% year on year; up by 1.4% year to date

Total Deposits at AED 38.9 billion

Total deposits up by 15.0% year on year; up by 13.9% year to date

Capital Adequacy Ratio 17.3%

Capital adequacy ratio as at 30 June 2019 was 17.3% compared to 17.2% as at the previous year-end
Common Equity Tier 1 (CET1) ratio was 16.2% compared to 16.0% as at the previous year-end

H1 2019 Highlights

Net Profit of AED 554.9 million

Net profit up by 28.5% compared to H1 2018

Total Income of AED 2.0 billion

Total income up by 7.0% compared to H1 2018

Return on Assets* at 2.1% and Return on Average Equity* at 15.6%

*Return on Assets and Return on Average Equity are annualized

Q2 2019 Overview

Commenting on the results, Peter England, CEO of RAKBANK, said: "It has been a very strong first half for 2019. Whilst loan growth has been challenging in our Personal Banking and SME segments due to market conditions, we continue to see good traction in our Wholesale and Financial Institutions Businesses. In terms of asset quality, we continue to see a reduction in the Non-performing Loans to Gross Loans and Advances ratio that closed the period at 3.7%, while our increasingly diverse revenue streams are demonstrated by growth in fee and commission income of AED 44 million compared to H1 2018 and an increase of AED 56.9 million in Forex and Derivative income. Our strategy remains focused on achieving diversification in our business, and its rewards are clearly seen in numbers achieved across business units.

Our robust performance was supported by key initiatives launched during the second quarter. We announced our partnership to power all retail payment transactions for Dubai's Coca-Cola Arena, and partnered up with the Department of Tourism and Commerce Marketing (DTCM), supporting strategic initiatives and becoming key sponsors of their retail events such as Dubai Summer Surprises (DSS). Our outlook for the coming periods remains positive, as we continue to focus on boosting the performance of individual business units, while at the same time innovating to roll-out a more diverse range of products, services and solutions. We are looking forward to launching a number of new initiatives during the second half of this year."

RAKBANK FINANCIAL SNAPSHOT FOR H1 2019 RESULTS

Income Statement Highlights								
(AED Mn)	Quarter Results					Half Year Results		
	Q2'19	Q2'18	Q1'19	Q2'19 vs Q2'18	Q2'19 vs Q1'19	H1'19	H1'18	H1'19 vs H1'18
Net Interest Income and net income from Islamic financing	695.7	686.3	683.8	1.4%	1.7%	1,379.5	1,357.2	1.6%
Non-Interest Income	297.0	254.2	317.2	16.8%	(6.4%)	614.2	505.9	21.4%
Total Income	992.7	940.5	1,001.0	5.5%	(0.8%)	1,993.7	1,863.1	7.0%
Operating Expenditures	(395.8)	(389.4)	(384.5)	(1.7%)	(2.9%)	(780.4)	(742.6)	(5.1%)
Operating Profit Before Provisions for Impairment	596.9	551.2	616.5	8.3%	(3.2%)	1,213.4	1,120.5	8.3%
Provisions for Impairment	(312.1)	(324.6)	(346.3)	3.8%	9.9%	(658.4)	(688.8)	4.4%
Net Profit	284.8	226.6	270.2	25.7%	5.4%	554.9	431.7	28.5%

Balance Sheet Highlights					
(AED Bn)	Results as at			Variance	
	Jun'19	Dec'18	Jun'18	Jun'19 vs Dec'18	Jun'19 vs Jun'18
Total Assets	57.3	52.7	51.1	8.7%	12.1%
Gross Loans & Advances	35.3	34.8	35.2	1.4%	0.4%
Deposits	38.9	34.1	33.8	13.9%	15.0%

Key Ratios Highlights					
Percentage	Results as at			Variance	
	Jun'19	Dec'18	Jun'18	Jun'19 vs Dec'18	Jun'19 vs Jun'18
Return on Equity	15.6%*	13.5%	13.4%*	2.1%	2.2%
Return on Assets	2.1%*	1.8%	1.8%*	0.3%	0.3%
Net Interest Margin	5.2%*	5.5%	5.6%*	(0.3%)	(0.4%)
Cost to Income	39.1%	38.9%	39.9%	(0.2%)	0.8%
Impaired Loan Ratio	3.7%	4.2%	3.9%	0.5%	0.2%
Impaired Loan Coverage Ratio	131.8%	133.1%	138.7%	(1.3%)	(6.9%)
Capital Adequacy Ratio	17.3%	17.2%	18.2%	0.1%	(0.9%)

*Annualized

Q2 2019 Results Review

Total Income

The Total Operating Income increased by AED 52.2 million to AED 992.7 million compared to Q2 2018. The Total Operating Income was down by AED 8.3 million compared to Q1 2019. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 695.7 million. Interest income from conventional loans and investments was up by 6.8% compared to Q2 2018, while interest costs on conventional deposits and borrowings increased by 46.5 million. Net income from Sharia-compliant Islamic financing was up by 5.8%. Non-interest income was up by AED 42.8 million to AED 297.0 million mainly as Investment income increased by AED 11.2 million and FOREX and Derivative income was up by AED 25.3 million.

Operating Expenses

Operating Expenses were up marginally by AED 6.5 million compared to Q2 2018 largely due to an increase in VAT related expenses, marketing expenses, depreciation expenses and offset partially by a reduction in staff costs and legal costs.

Asset Quality and Impairments

Provision for credit loss for the quarter decreased by AED 12.5 million compared to Q2 2018. Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 3.7% compared to 3.9% as at 30 June 2018 and 4.2% as at 31 December 2018. The Bank is well provisioned against loan losses with a loan loss coverage ratio of 131.8%.

Asset Growth

Total Assets increased by AED 4.6 billion to AED 57.3 billion compared to 31 December 2018 with the major contributions coming from bank placements which grew by AED 2.2 billion and certificates of deposits with the Central Bank which grew by AED 1.2 billion. Lending growth came from all three segments. Lending in the Wholesale Banking segment grew by AED 249.5 million over the previous year-end to AED 8.2 billion. Retail Banking segment lending was higher by AED 236.3 million and Business Banking lending was higher by AED 9.5 million compared to 31 December 2018.

Customer Deposits

Customer deposits grew by AED 4.7 billion to AED 38.9 billion compared to 31 December 2018. The growth came mainly from an increase of AED 3.2 billion in time deposits and 1.4 billion in customers' current accounts.

Capital and Liquidity

The Bank's Common Equity Tier 1 ratio as per Basel III, was 16.2% compared to 16.0% at the end of the previous year. The regulatory eligible liquid asset ratio at the end of the period was 15.1%, compared to 14.5% at the end of 2018, and advances to stable resources ratio stood comfortably at 80.5% compared to 94.5% at the end of 2018. The Bank raised five year bonds amounting USD 500 million in April 2019 under the Bank's EMTN programme and paid back the outstanding nominal amount of USD 681.67 million on its 5-year USD 800 million bond that matured on 24th June 2019.

H1 2019 Results Review

Net Interest Income and Income from Islamic products net of distribution to depositors for the six months ended 30 June 2019 was up by 22.3 million compared to same period in the previous year. Non-interest income was up by AED 108.3 million to AED 614.2 million, mainly due to an increase in FOREX & Derivative income of AED 56.9 million and in Fees & Commission of AED 44 million compared to H1 2018.

Operating Expenses were up by 5.1% to AED 780.4 million. However, the Bank's Cost-to-Income ratio decreased to 39.1% compared to 39.9% for the same period in the previous year.

Net credit losses to average loans and advances for the half year ended 30 June, 2019 was 3.8% compared to 4.1% for the same period last year and 4.1% for fiscal 2018.

Ratings

The Bank is currently rated by the following leading rating agencies. Their ratings have been given below:

Rating Agency	Last Update	Deposits	Outlook
Moody's	July 2019	Baa1 / P-2	Stable
Fitch	June 2019	BBB+ / F2	Stable
Capital Intelligence	August 2018	A-/A2	Stable



Peter William England
 Chief Executive Officer

About RAKBANK

RAKBANK, also known as The National Bank of Ras Al Khaimah (P.S.C), is one of the UAE's most dynamic financial institutions. Founded in 1976, it underwent a major transformation in 2001 as it rebranded into RAKBANK and shifted its focus from purely corporate to retail and business banking. In addition to offering a wide range of Personal Banking services, the Bank increased its lending in the traditional SME, Commercial, and Corporate segment in recent years. The Bank also offers Islamic Banking solutions, via RAKIslamic, throughout its 36 branches and its Telephone and Digital Banking channels. RAKBANK is a public joint stock company headquartered in the emirate of Ras Al Khaimah and listed on the Abu Dhabi Securities Exchange (ADX). For more information, please visit www.rakbank.ae or contact the Call Centre on +9714 213 0000. Alternatively, you can connect with RAKBANK via twitter.com/rakbanklive and facebook.com/rakbank.

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Management's Discussion & Analysis - 22/07/2019

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