

## **National Bank of Ras Al Khaimah PSC Consolidated Financial Full Year 2018 Results**

Ras Al Khaimah, 30 January 2019 - The National Bank of Ras AL Khaimah (ADX: RAKBANK) today announced its results for the year ended 31 December 2018. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the "Group".

### **FY 2018 Highlights**

#### **Net Profit of AED 917.5 million**

Net profit is up by 13.2% compared to previous year

#### **Total Income of AED 3.8 billion**

Total income is up by 0.4% compared to previous year

#### **Total Assets at AED 52.7 billion**

Total assets is up by 8.5%, year-on year

#### **Gross Loans & Advances at AED 34.8 billion**

Gross loans and advances is up by 4.8%, year-on-year

#### **Total Deposits at AED 34.1 billion**

Total deposits is up by 6.1%, year-on-year

**Return on Assets at 1.8% and Return on Average Equity at 13.5%**

**Basel III Total Capital Adequacy ratio as at 31 December 2018 at 17.2% with CET1 at 16.0%**

### **Q4 2018 Highlights**

#### **Net Profit of AED 245.7 million**

Net Profit is up by 20.3% compared to Q4 2017 and up 2.3% compared to Q3 2018

#### **Total Income of AED 992.3 million**

Total Income is up by 5.9% compared to Q4 2017 and up 2.1% compared to Q3 2018

### **The Year in Review**

A number of factors contributed to the Bank's performance during the last quarter of 2018 and the year in general. Our continued focus on improving customer experience, product innovation, investment in digitization together with embarking on strategic partnerships paid off particularly in business and wholesale banking. Despite challenging economic conditions and new market trends in customers' behaviors, the Bank's strategy and its effort

to de-risk helped business shift to better quality earnings and further control provisions.

#### RAKBANK FINANCIAL SNAPSHOT FOR Q4 AND FULL YEAR 2018 RESULTS

Income Statement Highlights						
(AED Mn)	Quarter Results			Full Year Results		
	Q4 '18	Q4 '17	Variance%	FY '18	FY '17	Variance%
Net Interest Income	702.8	687.8	2.2%	2,768.7	2,723.2	1.7%
Non-Interest Income	289.5	248.8	16.4%	1,058.3	1,086.6	(2.6%)
<b>Total Income</b>	<b>992.3</b>	<b>936.6</b>	<b>5.9%</b>	<b>3,827.0</b>	<b>3,809.9</b>	<b>0.4%</b>
Operating Expenditures	(375.3)	(364.4)	(3.0)%	(1,488.3)	(1,446.4)	(2.9%)
Operating Profit Before Provisions for Impairment	617.0	572.3	7.8%	2,338.7	2,363.5	(1.0%)
Provisions for Impairment	(371.3)	(368.0)	(0.9)%	(1,421.1)	(1,553.0)	8.5%
<b>Net Profit</b>	<b>245.7</b>	<b>204.2</b>	<b>20.3%</b>	<b>917.5</b>	<b>810.5</b>	<b>13.2%</b>

Balance Sheet Highlights					
(AED Bn)	Results as at			Variance	
	Dec '18	Sep '18	Dec '17	Quarter-on-Quarter	Year-on-Year
Total Assets	52.7	51.8	48.5	1.8%	8.5%
Gross Loans & Advances	34.8	35.1	33.2	(0.9%)	4.8%
Deposits	34.1	34.6	32.2	(1.5%)	6.1%
Gross Business Assets	38.3	38.4	35.7	(0.2%)	7.2%

Key Ratios Highlights					
Percentage	Results as at			Variance	
	Dec '18	Sep '18	Dec '17	Quarter-on-Quarter	Year-on-Year
Return on Equity	13.5%	13.4%	10.6%	0.1%	2.9%
Return on Assets	1.8%	1.8%	1.8%	0.0%	0.0%
Net Interest Margin	5.5%	5.6%	6.1%	(0.1%)	(0.6%)
Cost to Income	38.9%	39.3%	38.0%	(0.4%)	0.9%
Impaired Loan Ratio	4.2%	3.7%	4.0%	0.5%	0.2%
Impaired Loan Coverage Ratio	133.1%	144.7%	74.6%	(11.6%)	58.5%
Basel III Total Capital Adequacy Ratio	17.2%	18.5%	20.7%	(1.3%)	(3.5%)

#### FY 2018 Results Review

##### Total Income

The Total Operating Income was up by AED 17.1 million to AED 3.8 billion. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 2.8 billion. Interest income from conventional loans and investments was up by 9.5% year-on-year, while interest costs on conventional deposits and borrowings increased by AED 231.5 million. Net income from Sharia-compliant Islamic financing was up by 3.8%.

Non-interest income was down by AED 28.3 million to AED 1.1 billion mainly due to a decline of Investment income AED by 61.2m which was partly offset by increase in net fees and commissions AED 12.7 million and AED 24.0 million in FOREX & derivative income.

### Operating Expenses and Cost-to-Income Ratio

Operating costs were up by AED 41.9 million. This was mainly due to an increase of AED 7.0 million in staff costs and AED 15.7 million in IT related expenses. As a consequence, the Bank's Cost-to-Income ratio increased to 38.9 % compared to 38.0% in the previous year, however trended down in Q4 of 2018.

### Asset Quality and Impairments

Provision charge for loan impairments decreased by AED 131.8 million compared to the previous year. This was due to lower payment defaults in Auto Loans, RAKFinance, SME, Commercial segments compared to 2017. Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 4.2% compared to 4.0% as at 31 December 2017 and Net Credit Losses to average loans and advances closed at 4.1% which is lower than 5.0% in 2017.

### Asset Growth

Total Assets increased by AED 4.1 billion to AED 52.7 billion compared to 31 December 2017 with the major contributions coming from Gross Loans and Advances which grew by AED 1.6 billion and Investment Securities grew by AED 1.6 billion. Lending in the Wholesale Banking segment grew by AED 1.4 billion at 22.2% over the previous year-end. The Retail Banking segment gross lending was lower by AED 346 million and Business Banking lending was higher by AED 494 million compared to 31 December 2017.

### Customer Deposits

Customer deposits grew by AED 2.0 billion to AED 34.1 billion compared to December 31, 2017. The growth came mainly from an increase of AED 2.7 billion in time deposits.

### Capital and Liquidity

The Bank's capital adequacy ratio as per Basel III was 17.2% at year-end. The regulatory eligible liquid asset ratio at the end of the year was 14.5%, much higher than the stipulated regulatory minimum of 10%. The advances to stable resources ratio stood at a comfortable 94.5%, as against the regulatory cap of 100%.

### 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	January 2019	Baa1 / P-2	Stable
Fitch	December 2018	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, is one of the UAE's oldest and 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 small business banking. In addition to offering a wide range of retail 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 35 branches and its Telephone, Online, and Mobile 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](http://www.rakbank.ae) or contact the Call Centre on +9714 213 0000. Alternatively, you can connect with RAKBANK via [twitter.com/rakbanklive](https://twitter.com/rakbanklive) and [facebook.com/rakbank](https://facebook.com/rakbank).

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