

National Bank of Ras Al Khaimah PSC Consolidated Financial Q1 2017 Results

Ras Al Khaimah, 19 April 2017 - The National Bank of Ras Al Khaimah (ADX: RAKBANK) today announced its results for the quarter ended 31 March 2017. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the "Group".

Q1 2017 Highlights

Net Profit of AED 154.7 million

Net profit up by 42.3% compared to Q4 2016

Total Income of AED 946.6 million

Total income up by 2.6% compared to Q4 2016

Total Assets at AED 42.9 billion

Total assets up by 0.8% compared to end of Q4 2016

Gross Loans & Advances at AED 30.4 billion

Gross loans and advances up by 2.2% compared to 31 December 2016

Total Deposits at AED 29.8 billion

Total deposits up by 1.3% compared to 31 December 2016

Return on Assets* at 1.5% and Return on Average Equity* at 8.2%

Capital Adequacy Ratio 22.2%

Capital adequacy ratio at 22.2% against 22.3% compared to December 2016

*Annualised

In Review

Towards a more diversified strategy to achieve long term earnings stability

Quarter I results showed positive signs, as the Bank continued implementing its diversification strategy with the aim of tackling current market conditions and achieving long term sustainability of its earnings. While the shift in product mix impacted net interest income, improvements were seen in provision trends, collections and recoveries. Higher fee income from wholesale banking and treasury were also realized. The Bank's liquidity and capital position remained strong and supportive of future growth. RAKBANK's further expansion in terms of conventional and Islamic products and banking innovation was achieved. These products and services include in addition to the very well received Home in One mortgage product, the Fawrun deposit product from RakIslamic, the expansion in credit cards offerings to include RAKBANK HighFlyer Platinum Credit Card, and My RAK VISA Platinum Credit Card, and the continued enhancement of the customer service experience via the new digital banking platform, the revamping of RAKrewards, and the launch of new payment solutions.

RAKBANK FINANCIAL SNAPSHOT FOR Q1 2017 RESULTS

Income Statement Highlights					
(AED Mn)	Quarter Results			Variance	
	Q1 '17	Q4 '16	Q1 '16	Q1 '17 vs Q4 '16	Q1 '17 vs Q1 '16
Net Interest Income and net income from Islamic financing	663.3	687.1	744.3	(3.5%)	(10.9%)
Non-Interest Income	283.3	235.4	245.7	20.4%	15.3%
Total Income	946.6	922.5	990.0	2.6%	(4.4%)
Operating Expenditures	(351.2)	(353.3)	(341.7)	0.6%	(2.8%)
Operating Profit Before Provisions for Impairment	595.4	569.3	648.3	4.6%	(8.2%)
Provisions for Impairment	(440.7)	(460.6)	(398.3)	4.3%	(10.7%)
Net Profit	154.7	108.7	250.0	42.3%	(38.1%)

Balance Sheet Highlights					
(AED Bn)	Results as at			Variance	
	Mar '17	Dec '16	Mar '16	Mar '17 vs Dec '16	Mar '17 vs Mar '16
Total Assets	42.9	42.5	41.0	0.8%	4.6%
Gross Loans & Advances	30.4	29.8	28.8	2.2%	5.7%
Deposits	29.8	29.4	28.4	1.3%	4.9%

Key Ratios Highlights					
Percentage	Results as at			Variance	
	Mar '17	Dec '16	Mar '16	Mar '17 vs Dec '16	Mar '17 vs Mar '16
Return on Equity*	8.2%	8.7%	12.8%	(0.5%)	(4.6%)
Return on Assets*	1.5%	1.6%	2.5%	(0.1%)	(1.0%)
Net Interest Margin*	6.3%	6.9%	7.4%	(0.6%)	(1.1%)
Cost to Income	37.1%	35.6%	34.5%	(1.5%)	(2.6%)
Impaired Loan Ratio	4.4%	4.2%	3.6%	(0.2%)	(0.8%)
Impaired Loan Coverage Ratio	80.7%	84.3%	83.5%	(3.6%)	(2.8%)
Capital Adequacy Ratio	22.2%	22.3%	24.3%	(0.1%)	(2.1%)

* Annualised

Q1 2017 Results Review
Total Income

The total operating income was up by AED 24.1 million compared to Q4 2016, mainly due to increase in non-interest income by AED 47.9 million which was partially offset by decrease in Net Interest Income and Income from Islamic products net of distribution to depositors. The increase in non-interest income was largely due to profit on sale of investments and fees and commission income.

Compared to Q1 2016, the total operating Income was down by AED 43.4 million to AED 946.6 million. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 663.3 million. Interest income from conventional loans and investments was down by 7.4% compared to Q1 2016, while interest costs on conventional deposits and borrowings increased by 17.1%. Net income from Sharia-compliant Islamic financing was down by 18.5%. Non-interest income grew by AED 37.6 million to AED 283.3 million on the back of growth of AED 19.6 million in investment income and AED 13.2 million in Net fees and commission income. Forex and Derivative income was up by AED 7.6 million.

Operating Expenses and Cost-to-Income Ratio

Operating expenses for the quarter were down 0.6% sequentially due to the continued focus on cost optimisation. Operating Expenses were up year on year by AED 9.5 million, mainly due to higher legal and collection charges of AED 16.0 million. As a consequence, the Bank's Cost-to-Income ratio increased to 37.1% compared to 34.5% in the previous year.

Asset Quality and Impairments

Provision charges for loan impairments declined sequentially by AED 19.9 million largely due to a decline in retail and commercial loans. Provision charge for loan impairments increased by AED 42.4 million compared to Q1 2016, as a result of larger payment defaults from unsecured SME and Commercial loan products.

Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 4.4% compared to 4.2% as at 31 December 2016, and Net Credit Losses to average loans and advances closed at 6.0%. The Bank is well provisioned against loan losses with a conservative loan loss coverage ratio of 80.7% compared to 84.3% at 31 December 2016, which does not take into consideration mortgaged properties and other realizable asset collateral available against the loans.

Asset Growth

Total Assets increased year to date by AED 349 million which translates into a growth of 0.8%.

Total Assets increased by AED 1.9 billion to AED 42.9 billion compared to 31 March 2016 with the major contributions coming from Gross Loans and Advances which grew by AED 1.6 billion. Lending in the Wholesale Banking segment grew by AED 2.2 billion year on year which is an increase of 86.4%. Retail Banking segment lending was lower by AED 131.0 million and Business Banking lending was lower by AED 502 million compared to 31 March 2016.

Customer Deposits

Customer deposits grew by AED 393 million to AED 29.8 billion compared to 31 December 2016.

Customer deposits grew by AED 1.4 billion compared to 31 March 2016. The growth came mainly from an increase of AED 1.7 billion in demand deposits.

Capital and Liquidity

The Bank's Tier 1 ratio, was 22.2% compared to 22.3% at the end of the previous year. We believe that this level of capital provides the Bank with ample room for growth in 2017. The regulatory eligible liquid asset ratio at the end of the quarter was 15.5%, compared to 16.9% at the end of 2016, and advances to stable resources ratio stood comfortably at 86.7% compared to 85.5% at the end of 2016.

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	March 2017	Baa1 / P-2	Stable
Fitch	September 2016	BBB+ / F2	Stable
Capital Intelligence	September 2016	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 small 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 38 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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