

Financial Results for the Year 2015

The National Bank of Ras al Khaimah (ADX:RAKBANK) today announced its results for the year ended 31 December 2015.

2015 Financial Highlights

- Net profit of AED 1,405.3 million, down AED 49.3 million from 2014
- Cash dividend of 50% proposed for 2015 (subject to approval from shareholders and the UAE Central Bank)
- Total Income of AED 3.9 billion, up 10.8% from 2014
- Total assets at AED 40.6 billion, up 16.4% from AED 34.8 billion at the end of 2014
- Gross customer loans at AED 28.5 billion, up 10.6% from AED 25.8 billion at the end of 2014
- Customer deposits at AED 27.8 billion, up 12.9% from AED 24.7 billion at the end of 2014
- Return on Assets at 3.7% and Return on Average Equity at 19.3%
- Capital Adequacy Ratio at a healthy level of 24.4% at the end of 2015 including current year profit and post proposed dividend (subject to approval from shareholders and the UAE Central Bank)

Financial Review:

AED Millions	Year end 31 Dec 2015	Year end 31 Dec 2014	Increase/(Decrease) Variance
Net Interest income	3,048.3	2,757.2	11%
Non-Interest Income	890.9	797.9	12%
Total Income	3,939.2	3,555.1	11%
Operating expenses	1,478.5	1,505.2	(2%)
Operating profit before provision for Impairment	2,460.7	2,049.9	20%
Provision for Impairment	1,055.4	595.3	77%
Net profit	1,405.3	1,454.6	(3%)

AED Millions	As at 31 Dec 2015	As at 31 Dec 2014	Increase/(Decrease) Variance
Total Assets	40,553.1	34,830.2	16%
Gross loans and advances	28,542.7	25,805.7	11%
Deposits	27,820.1	24,651.4	13%
Impaired loan ratio (%)	3.2	2.4	0.8%
Impaired loan coverage ratio (%)	81.4	87.2	(5.8%)
Capital Adequacy ratio (%)	24.4	26.5	(2.1%)

Total Income:

The total operating income increased by AED 384.1 million to AED 3.9 billion was mainly due to an increase of AED 291.1 million in Net Interest Income and Income from Islamic financing compared to the previous year. Net Interest Income and Income from Islamic products net of distribution to depositors increased to AED 3.0 billion. Interest income from conventional loans and investments increased by 4.2% over the previous year, while interest costs on conventional deposits and borrowings increased by 8.1%. Net income from Sharia-compliant financing was up by AED 191.4 million which was in line with the increase in Islamic Financing portfolio.

Non-interest income grew by AED 93.0 million to AED 890.9 million, on the back of AED 37.5 million in income from the insurance segment since acquisition of Ras Al Khaimah National Insurance Company PSC (RAK Insurance) in May 2015. There was an increase of AED 29.3 million in net fees and commission income compared to 2014. Foreign exchange and derivative income was up by AED 8.1 million and investment income decreased by AED 12.6 million over the previous year. The decrease in investment income was due to an impairment charge for the decline in value of the equity investments portfolio compared to a gain on sale of investments in the previous year.

Operating Expenses and Cost-to-Income Ratio:

Operating expenses were down by AED 26.7 million, in line with the Bank's cost optimization strategy. This was mainly due to a decrease of AED 10.5 million in outsourced staff costs, AED 2.8 million in marketing costs. Combined with an increase in Total Operating Income, the Bank's cost to revenue ratio dropped to 37.5% compared to 42.3% by the end of the previous year.

Asset Quality and Impairments:

Provisions for loan impairments increased by AED 460.1 million from the previous year as a result of larger payment defaults from the unsecured loan products and SME and Commercial Banking units. Non-performing loans and advances to gross loans and advances ratio closed at 3.2% compared to 2.4% and net credit losses to average loans and advances closed at 3.8% compared to 2.5% in the previous year. The Bank is well provisioned against loan losses with a conservative loan loss coverage ratio of 81.4% compared to 87.1% at the end of 2014, which does not take into consideration mortgaged properties and other realizable asset collateral available against the loans.

Asset Growth:

Total assets increased by AED 5.7 billion to AED 40.6 billion compared to the end of 2014 with the major contributions coming from gross loans and advances and lending to banks, which grew by AED 2.7 billion and AED 1.6 billion respectively. Lending in the Wholesale Banking segment grew by around 138.1% over the previous year. Retail banking segment loan portfolio which includes small and medium business loans grew by AED 1.3 billion compared 31 December 2014.

Our 'Amal' Islamic Banking unit continues to grow, achieving an increase of AED 1.1 billion in its financing portfolio, up by 33.2% over the last year.

Customer Deposits:

Customer deposits grew by AED 12.9% to AED 27.8 billion compared to 2014. The growth came mainly from an increase of AED 2.5 billion in demand deposits and AED 653 million in time deposits. Islamic customer deposits grew by AED 899.2 million to AED 3.5 billion compared to the previous year.

Capital and Liquidity:

During the first half of 2015, the Group successfully issued the second tranche of USD 300 million notes under its USD 1 billion medium term note program at a premium rate of 100.875% through its subsidiary RAKFunding Cayman Ltd, to take advantage of the low-cost financing opportunities in the bond market and to proactively tackle the duration mismatch from funding longer tenure loans using short-term deposits. So far the Group has issued USD 800 million of these notes against the original programme of USD 1 billion. These notes mature in 2019 and carry a fixed interest rate of 3.25% per annum. Interest on these medium term notes is payable half-yearly in arrears.

In the Ordinary General Assembly on 18 August 2014, the shareholders of the Bank had approved the acquisition of a majority stake in RAK Insurance at a cash price of AED 3.64 per share. The Bank received approval on 6 January 2015 from the Central Bank of UAE to proceed with the share purchase offer to the shareholders of RAK Insurance. In May 2015 the Bank made a public offer to shareholders of the insurance company to purchase their shareholding at a cash price of AED 3.64 per share. 79.23% of RAK Insurance shareholders accepted this offer and on 28 May 2015 the bank acquired 79.23% stake in the company which has been accounted for as a subsidiary since then.

The Bank's Tier 1 ratio as per Basel II after taking into consideration the profit for 2015 and the proposed dividend was 24.4% at yearend (subject to shareholders and UAE Central Bank approval), compared to 26.5% at the end of 2014, against a requirement of 12% set by the UAE Central Bank. We find that this level of capital provides the Bank with ample room for growth in 2016. The regulatory eligible liquid asset ratio at the end of the year was 19.1%, compared to 20.0% at the end of 2014, and advances to stable resources ratio stood comfortably at 83.3% compared to 87.9% at the end of 2014.

Dividend and Appropriation of Profits:

At the board meeting held on 2 February 2016, the Directors recommended a cash dividend of 50%. The Directors consider that the Bank is well placed to meet the continuing challenges which will be faced during 2016. The dividend recommendations will result in 40% of net profit being retained within the Bank's shareholders equity thereby increasing capital and reserves to strengthen the Bank's overall position and provide support for future growth.

The Directors propose to increase the general banking risk reserve by AED 100 million, credit risk reserve by AED 100 million and regulatory credit risk reserve by AED 43 million to align it at 1.5% of the Bank's total credit risk weighted assets. These measures will increase the Bank's shareholders' equity to AED 6.8 billion after payment of the proposed cash dividend. A detailed appropriation schedule is provided in note 14 to the financial statements.

Key Developments in 2015:

- Raising an additional USD 300 million bond through its EMTN
- Appointing a new Chairman, HE Mohamed Omran Alshamsi
- Acquiring 79.23% stake in RAK Insurance
- Selectively re-entering the Wholesale Banking segment to diversify the Bank's risk profile
- Launching of RAKelite premium banking service
- Achieving the ISO 9001:2015 version certificate for the Bank's Branches and Inbound Contact Centre, certified by QCS Management Pvt Ltd of ISO 9001:2015 Quality Management System
- Introducing RAKMoneyTransfer's new remittance business with corridors to India
- Launching three new MasterCard Credit Cards including RAKBANK World, Red 'Tap & Go', and Kalyan Jewellers
- Introducing a new logo and refreshed corporate branding

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	September 2015	Baa1 / P-2	Stable
Fitch	August 2015	BBB+ / F2	Stable
Capital Intelligence	August 2015	A- / A2	Stable



H.E. Mohamed Omran Alshamsi
Chairman