

Consolidated Financial Results for Nine Months ended September 30, 2016

The National Bank of Ras Al-Khaimah (ADX: RAKBANK) today announced its results for the 9 months ended 30th September 2016. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as "The Group".

9M 2016 Financial Highlights:

- Net Profit of AED 554.2 million, down AED 535.1 million year-on-year
- Total Income of AED 2.92 billion, down 0.8% year-on-year
- Total Assets at AED 40.8 billion, up 4.8% year-on-year
- Gross Loans and Advances at AED 29.0 billion, up 0.7% year-on-year
- Total Deposits at AED 28.4 billion, up 6.2% year-on-year
- Return on Assets at 1.8%* and Return on Average Equity at 9.8%*
- Capital Adequacy Ratio at a healthy level of 23.9% at the end of Q3 2016

Financial Review:

AED Millions	9 months ended 30 Sep 2016	9 months ended 30 Sep 2015	Increase/(Decrease) Variance
Net Interest Income	2,138.0	2,277.5	(6.1)%
Non-Interest Income	778.8	663.3	17.4%
Total Income	2,916.8	2,940.8	(0.8)%
Operating Expenses	1,015.4	1,149.5	(11.7)%
Operating Profit Before Provision for Impairment	1,901.4	1,791.3	6.1%
Provision for Impairment	1,347.2	701.9	91.9%
Net Profit	554.2	1,089.4	(49.1)%

AED Billions	30 Sep 2016	31 Dec 2015	30 Sep 2015	Increase/ (Decrease) Variance YTD	Increase/ (Decrease) Variance Y-o-Y
Total Assets	40.8	40.6	39.0	0.7%	4.8%
Gross Loans and Advances	29.0	28.5	28.8	1.6%	0.7%
Deposits	28.4	27.8	26.7	2.0%	6.2%
Impaired Loan Ratio (%)	4.1%	3.2%	2.9%	0.9%	1.2%
Impaired Loan Coverage Ratio (%)	84.5%	81.4%	81.8%	3.1%	2.7%
Capital Adequacy Ratio (%)	23.9%	24.4%	23.2%	(0.5%)	0.7%

* annualized

Total Income:

The Total Operating Income was down by AED 24.0 million to AED 2.92 billion. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 2.1 billion. Interest income from conventional loans and investments was down by 4.0% year-on-year, while interest costs on conventional deposits and borrowings increased by 26.1%. Net income from Sharia-compliant Islamic financing was down by AED 9.7 million.

Non-interest income grew by AED 115.5 million to AED 778.8 million on the back of growth of AED 113.9 million in investment income and AED 8.6 million in income from the Ras Al Khaimah National Insurance Company PSC (RAK Insurance). Forex & Derivative income was up by AED 6.2 million. Net fees and commission income were down by AED 17.6 million year-on-year.

Operating Expenses and Cost-to-Income Ratio:

Operating Expenses were down by AED 134.2 million, in line with the Bank's cost optimization strategy which saw a decrease of AED 91 million in staff costs and AED 25.5 million in outsourced costs. As a consequence, the Bank's Cost-to-Income ratio dropped to 34.8% compared to 39.1% in the previous year.

Asset Quality and Impairments:

Provision charge for loan impairments increased by AED 645.3 million compared to the previous year, 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 4.1% compared to 3.2% as at 31 December 2015 and Net Credit Losses to average loans and advances closed at 6.2% (annualized). The Bank is well provisioned against loan losses with a conservative loan loss coverage ratio of 84.5% compared to 81.8% at the end of Q3 2015, which does not take into consideration mortgaged properties and other realizable asset collateral available against the loans.

Asset Growth:

Total Assets increased by AED 275.3 million to AED 40.8 billion compared to 31 December 2015 with the major contributions coming from Gross Loans and Advances which grew by AED 463.7 million.

Lending in the Wholesale Banking segment grew by 69% over the previous yearend. Retail Banking segment lending was lower by AED 358.6 million compared to 31 December 2015.

Customer Deposits:

Customer deposits grew by AED 544.9 million to AED 28.4 billion compared to December 31, 2015. The growth came mainly from an increase of AED 534.0 million in demand deposits.

Capital and Liquidity:

The Bank's Tier 1 ratio as per Basel II was 23.9% compared to 24.4% at the end of previous year, 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 for the rest of 2016. The regulatory eligible liquid asset ratio at the end of the quarter was 18.7%, compared to 19.1% at the end of 2015, and advances to stable resources ratio stood comfortably at 84.3% compared to 83.3% at the end of 2015.

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	October 2016	Baa1 / P-2	Stable
Fitch	September 2016	BBB+ / F2	Stable
Capital Intelligence	September 2016	A- / A2	Stable



Peter William England
 Chief Executive Officer

