

National Bank of Ras Al Khaimah PSC Consolidated Financial Q1 2018 Results

Ras Al Khaimah, 26 April 2018 - The National Bank of Ras AL Khaimah (ADX: RAKBANK) today announced its results for the quarter ended 31 March 2018. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the "Group".

Q1 2018 Highlights

Net Profit of AED 205.1 million

Net profit is up by 32.6% compared to Q1 2017 and up by 0.4% compared to Q4 2017

Total Income of AED 914.8 million

Total income is down by 3.4% compared to Q1 2017 and down 2.3% compared to Q4 2017

Total Assets at AED 49.1 billion

Total assets is up by 1.2% year to date and up 14.6% year on year

Gross Loans & Advances at AED 33.6 billion

Gross loans and advances is up by 1.0% year to date and up 10.3% year on year

Total Deposits at AED 33.3 billion

Total deposits is up by 3.6% year to date and 11.9% year on year

Return on Assets at 1.7%* and Return on Average Equity at 12.0%*

Basel III Total capital Adequacy ratio at 18.64% compared to 20.69% as at 31 December 2017
Basel III Tier 1 Capital adequacy ratio at 17.47% compared to 20.69% as at 31 December 2017

*Annualised

Q1 2018 Overview

The Q1 results reaffirm RAKBANK's improved profitability and the strengthening of its balance sheet, compared to the same period of last year. The quarterly performance was based on a number of positive factors that include the improvement in provisions as they continued their downward trajectory, strategic initiatives and partnerships, and the quality of the Bank's offerings that reinforce its business development. Since the beginning of 2018, the Bank's Executive Management and re-elected Board of Directors have embarked on a new three-year strategy implementation that supports the sustainable growth of RAKBANK, innovation, and cost optimization.

RAKBANK FINANCIAL SNAPSHOT FOR Q1 2018 RESULTS

Income Statement Highlights					
(AED Mn)	Quarter Results			Variance	
	Q1 '18	Q4 '17	Q1 '17	Q1 '18 vs Q4 '17	Q1 '18 vs Q1 '17
Net Interest Income and net income from Islamic financing	670.9	687.8	663.3	(2.5%)	1.1%
Non-Interest Income	243.9	248.8	283.3	(2.0%)	(13.9%)
Total Income	914.8	936.6	946.6	(2.3%)	(3.4%)
Operating Expenditures	(345.4)	(364.4)	(351.2)	5.2%	1.6%
Operating Profit Before Provisions for Impairment	569.3	572.3	595.4	(0.5%)	(4.4%)
Provisions for Impairment	(364.2)	(368.0)	(440.7)	1.0%	17.4%
Net Profit	205.1	204.2	154.7	0.4%	32.6%

Balance Sheet Highlights					
(AED Bn)	Results as at			Variance	
	Mar '18	Dec '17	Mar '17	Mar '18 vs Dec '17	Mar '18 vs Mar '17
Total Assets	49.1	48.5	42.9	1.2%	14.6%
Gross Loans & Advances	33.6	33.2	30.4	1.0%	10.3%
Deposits	33.3	32.2	29.8	3.6%	11.9%

Key Ratios Highlights					
Percentage	Results as at			Variance	
	Mar '18	Dec '17	Mar '17	Mar '18 vs Dec '17	Mar '18 vs Mar '17
Return on Equity*	12.0%	10.6%	8.2%	1.4%	3.8%
Return on Assets*	1.7%	1.8%	1.5%	(0.1%)	0.2%
Net Interest Margin*	5.7%	6.1%	6.3%	(0.4%)	(0.6%)
Cost to Income	37.8%	38.0%	37.1%	(0.2%)	0.7%
Impaired Loan Ratio	4.1%	4.0%	4.4%	0.1%	(0.3%)
Impaired Loan Coverage Ratio	139.2%	74.6%	80.7%	64.6%	58.5%
Total Capital Adequacy Ratio Basel III	18.6%	20.7%	NA	(2.1%)	NA

* Annualised

Q1 2018 Results Review
Total Income

The total operating income was down by AED 21.9 million compared to Q4 2017, mainly due to decrease in net interest income by AED 17.0 million due to lesser days in the quarter and non-interest income by AED 4.9 million mainly due to lower retail fees and insurance underwriting income.

Compared to Q1 2017, the total operating Income was down by AED 31.9 million to AED 914.8 million. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 670.9 million. Interest income from conventional loans was up by 7.7% compared to Q1 2017, while interest costs on conventional deposits and borrowings increased by 62.2%. Net income from Sharia-compliant Islamic financing was up by 4.3%. Non-interest income was down by AED 39.4 million to AED 243.9 million mainly due to

decrease of AED 29.1 million in investment income and AED 14.3 million in Net fees and commission income. Forex and Derivative income was up by AED 3.7 million.

Operating Expenses and Cost-to-Income Ratio

Compared to Q4 2017, operating expenses for the quarter were down 5.2% sequentially due to the continued focus on cost optimisation and seasonality of certain expenses. Operating Expenses were down year on year by AED 5.7 million, mainly due to decrease in employment costs by AED 9.6 million. The Bank's Cost-to-Income ratio decreased to 37.8% compared to 38.0% for the previous year.

Asset Quality and Impairments

Compared to Q4 2017, provision for credit loss declined by AED 3.8 million largely due to decline of provisions in business and wholesale banking loans. Provision for credit loss decreased by AED 76.5 million compared to Q1 2017 mainly due to a decrease in provisions in Business Banking, Wholesale Banking and Auto Loan portfolios.

Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 4.1% compared to 4.0% as at 31 December 2017, and Net Credit Losses to average loans and advances closed at 4.4%. The Bank is well provisioned against loan losses with a loan loss coverage ratio of 139.2%, 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 569.2 million which translates into a growth of 1.2%. Total Assets increased by AED 6.3 billion to AED 49.1 billion compared to 31 March 2017 with the major contributions coming from Gross Loans and Advances which grew by AED 3.1 billion. Lending in the Wholesale Banking segment grew by AED 1.7 billion year on year which is an increase of 35.4%. Retail Banking segment lending also grew by AED 851 million and Business Banking lending was higher by AED 535 million compared to 31 March 2017.

Customer Deposits

Customer deposits grew by AED 1.2 billion to AED 33.3 billion compared to 31 December 2017. Customer deposits grew by AED 3.5 billion compared to 31 March 2017. The growth came mainly from an increase of AED 3.1 billion in time deposits.

Capital and Liquidity

The Bank's total capital ratio as per Basel III, was 18.6% compared to 20.7% at the end of the previous year. We believe that this level of capital provides the Bank with ample room for growth in 2018. The regulatory eligible liquid asset ratio at the end of the quarter was 13.6%, compared to 15.0% at the end of 2017, and advances to stable resources ratio stood comfortably at 88.0% compared to 87.8% at the end of 2017. The impact for the Group due to the transition to IFRS 9 amounted to AED 975.9 million. This reduced the Common Equity Tier 1 capital adequacy ratio. The Bank created a General Provision with effect from January 1, 2018 which now qualifies as Tier II capital.

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 2018	Baa1 / P-2	Stable

Fitch

November 2017

BBB+ / F2

Stable

Capital Intelligence

August 2017

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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