
National Bank of Ras Al Khaimah PSC
Consolidated Results for the Half Year ended June 30, 2018

Ras Al Khaimah, 24 July 2018 - The National Bank of Ras Al Khaimah (ADX: RAKBANK) announced its results for the half year ended 30 June 2018. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the "Group".

Q2 2018 Highlights**Net Profit of AED 226.6 million**

Net profit down by 0.1% compared to Q2 2017; up by 10.5% compared to previous quarter

Total Income of AED 940.5 million

Total income down by 2.7% compared to the Q2 2017; up by 1.9% compared to previous quarter

Total Assets at AED 51.1 billion

Total assets up by 16.1% year on year; up by 5.2% year to date

Gross Loans & Advances at AED 35.2 billion

Gross loans and advances up by 11.3% year on year; up by 5.9% year to date

Total Deposits at AED 33.8 billion

Total deposits up by 10.6% year on year; up by 5.0% year to date

Capital Adequacy Ratio 18.2%

Capital adequacy ratio as at 30 June 2018 was 18.2% compared to 20.7% as at previous year-end

H1 2018 Highlights**Net Profit of AED 431.7 million**

Net profit up by 13.2% compared to H1 2017

Total Income of AED 1.9 billion

Total income down 2.6% compared to H1 2017

Return on Assets* at 1.8% and Return on Average Equity* at 13.4%

*Return on Assets and Return on Average Equity are annualized

Q2 2018 Overview

The Q2 results showed improvements over the first quarter of 2018. RAKBANK continues to deliver steady and improved growth in terms of profitability as provisions continue their downward trend during the first six months ended 30 June 2018, where solid progress is being made by all business units in the Bank despite the current market conditions especially in the SME and Retail sectors. The underlying quarterly business performance and profitability have improved, particularly driven by an increase in net interest income and net income from Islamic financing. RAKBANK continues its focus on innovation and technology to support the sustainable growth of the Bank. The Bank's Executive Management and Board of Directors have embarked on rationalizing its operations and focusing on cost optimization to improve overall efficiency, which will show significant results in 2019.

RAKBANK FINANCIAL SNAPSHOT FOR H1 2018 RESULTS

Income Statement Highlights								
(AED Mn)	Quarter Results					Half Year Results		
	Q2'18	Q2'17	Q1'18	Q2'18 vs Q2'17	Q2'18 vs Q1'18	H1'18	H1'17	H2'18 vs H2'17
Net Interest Income and net income from Islamic financing	686.3	672.8	670.9	2.0%	2.3%	1,357.2	1,336.1	1.6%
Non-Interest Income	254.2	293.6	251.7	(13.4%)	1.0%	505.9	576.9	(12.3%)
Total Income	940.5	966.4	922.6	(2.7%)	1.9%	1,863.1	1,913.0	(2.6%)
Operating Expenditures	(389.4)	(364.7)	(353.3)	(6.7%)	(10.2%)	(742.6)	(715.9)	(3.7%)
Operating Profit Before Provisions for Impairment	551.2	601.6	569.3	(8.4%)	(3.2%)	1,120.5	1,197.1	(6.4%)
Provisions for Impairment	(324.6)	(374.9)	(364.2)	13.4%	10.9%	(688.8)	(815.6)	15.6%
Net Profit	226.6	226.7	205.1	(0.1%)	10.5%	431.7	381.5	13.2%

Balance Sheet Highlights					
(AED Bn)	Results as at			Variance	
	Jun'18	Dec '17	Jun'17	Jun'18 vs Dec'17	Jun'18 vs Jun'17
Total Assets	51.1	48.5	44.0	5.2%	16.1%
Gross Loans & Advances	35.2	33.2	31.6	5.9%	11.3%
Deposits	33.8	32.2	30.6	5.0%	10.6%

Key Ratios Highlights					
Percentage	Results as at			Variance	
	Jun'18	Dec '17	Jun'17	Jun'18 vs Dec'17	Jun'18 vs Jun'17
Return on Equity	13.4%	10.6%	10.2%	2.8%	3.2%
Return on Assets	1.8%	1.8%	1.8%	0.0%	0.0%
Net Interest Margin	5.6%	6.1%	6.2%	(0.5%)	(0.6%)
Cost to Income	39.9%	38.0%	37.4%	1.9%	2.5%
Impaired Loan Ratio	3.9%	4.0%	4.0%	(0.1%)	(0.1%)
Impaired Loan Coverage Ratio	138.7%	74.6%	79.7%	64.1%	59.0%
Capital Adequacy Ratio	18.2%	20.7%	21.1%	(2.5%)	(2.9%)

Q2 2018 Results Review

Total Income

The Total Operating Income increased by AED 17.9 million to AED 940.5 million compared to Q1 2018. The Total Operating Income was down by AED 25.9 million compared to Q2 2017. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 686.3 million. Interest income from conventional loans and investments was up by 9.4% compared to Q2 2017, while interest costs on conventional deposits and borrowings increased by 59.1 million. Net income from Sharia-compliant Islamic financing was up by 11.6%. Non-interest income down by AED 39.4 million to AED 254.2 million, mainly Investment income declined by AED 24.2 million. Forex and Derivative income was down by AED 5.8 million.

Operating Expenses

Operating Expenses were up by AED 24.6 million compared to Q2 2017, mainly due to an increase in employment cost and computer expenses.

Asset Quality and Impairments

Provision for credit loss for the quarter decreased by AED 50.3 million compared to Q2 2017, as a result of higher recoveries in Auto Loans and lower provisions in Rakfinance loans. Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 3.9% compared to 4.0% as at 30 June 2017 and 4.0% as at 31 December 2017. The Bank is well provisioned against loan losses with a loan loss coverage ratio of 138.7%, which does not take into consideration mortgaged properties and other realizable asset collateral available against the loans.

Asset Growth

Total Assets increased by AED 2.5 billion to AED 51.1 billion compared to 31 December 2017 with the major contributions coming from Gross Loans and Advances which grew by AED 2.0 billion and Investments which grew by AED 1.5 billion. Lending growth came from all three segments. Lending in the Wholesale Banking segment grew by AED 1.3 billion over the previous year-end to AED 7.8 billion. Retail Banking segment lending was higher by AED 163 million and Business Banking lending was higher by AED 528 million compared to 31 December 2017.

Customer Deposits

Customer deposits grew by AED 1.6 billion to AED 33.8 billion compared to 31 December 2017. The growth came mainly from an increase of AED 1.9 billion in time deposits.

Capital and Liquidity

The Bank's Common Equity Tier 1 ratio as per Basel III, was 17.0% 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 period was 13.2%, compared to 15.0% at the end of 2017, and advances to stable resources ratio stood comfortably at 91.5% compared to 87.8% at the end of 2017.

H1 2018 Results Review

Net Interest Income and Income from Islamic products net of distribution to depositors for the six months ended 30 June 2018 was up by 21.1 million compared to same period in the previous year. Non-interest income was down by AED 71.0 million to AED 505.9 million as Investment Income was down by 53.2 million compared to last year at AED 77.5 million.

Operating Expenses were up by 3.7%, mainly due to an increase in employment costs and computer expenses. As a consequence, the Bank's Cost-to-Income ratio increased to 39.9% compared to 37.4% in the previous year; however this will begin to moderate down.

Net Credit Losses to average loans and advances for the half year ended 30 June, 2018 closed at 4.1% compared to 5.5% for the same period last year and 5.0% for fiscal 2017.

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	July 2018	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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