## National Bank of Ras Al Khaimah PSC
## Consolidated Results for the nine months ended September 30, 2018

Ras Al Khaimah, 22 October 2018 - The National Bank of Ras Al Khaimah (ADX: RAKBANK) today announced its results for the nine months ended 30 September 2018. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the "Group".

### Q3 2018 Highlights

**Net Profit of AED 240.1 million**
Net profit up by 6.8% compared to Q3 2017; up by 6.0% compared to previous quarter

**Total Income of AED 971.6 million**
Total income up by 1.2% compared to the Q3 2017; up by 3.3% compared to previous quarter

### YTD 2018 Highlights

**Net Profit of AED 671.8 million**
Net profit up by 10.8% compared to YTD 2017

**Total Income of AED 2.8 billion**
Total income down 1.3% compared to the YTD 2017

**Total Assets at AED 51.8 billion**
Total assets up by 12.4% year on year; up by 6.6% year to date

**Gross Loans & Advances at AED 35.1billion**
Gross loans and advances up by 7.7% year on year; up by 5.7% year to date

**Total Deposits at AED 34.6 billion**
Total deposits up by 10.1% year on year; up by 7.7% year to date

**Capital Adequacy Ratio 18.5%**
Capital adequacy ratio as at 30 September 2018 of 18.5% against 20.7% compared to the previous year-end

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

**Return on Assets and Return on Average Equity are annualized*

### In Review

The third quarter reflected the sustainable gradual improvement in results despite the continuing challenging market environment. Profitability was positively impacted by lower provisions coupled with maintained sales levels as a result of the Bank's focus on further enhancing its offerings and diversifying its services and products. Management's initiatives are building on innovation and sustainable solutions for cost management, while considering growth opportunities across all market segments. As a result, net interest income and net income form Islamic finance for the quarter were higher compared to same period last year. Non-interest income for the quarter was marginally higher compared to Q3 of 2017, due to higher net fee & commission income, foreign exchange & derivative income offset by lower investment income, insurance underwriting profit and other operating income.

## RAKBANK FINANCIAL SNAPSHOT FOR Q3 2018 RESULTS

### Income Statement Highlights

| | Quarter Results | | | | | 9 Months Results | | |
|---|---|---|---|---|---|---|---|---|
| (AED Mn) | Q3'18 | Q3'17 | Q2'18 | Q3'18 vs Q3'17 | Q3'18 vs Q2'18 | Sep'18 | Sep'17 | Sep'18 vs Sep'17 |
| Net Interest Income and net income from Islamic financing | 708.7 | 699.3 | 686.3 | 1.3% | 3.3% | 2,065.9 | 2,035.4 | 1.5% |
| Non-Interest Income | 262.9 | 260.9 | 254.2 | 0.7% | 3.4% | 768.8 | 837.8 | (8.2%) |
| **Total Income** | **971.6** | **960.2** | **940.5** | **1.2%** | **3.3%** | **2,834.7** | **2,873.2** | **(1.3%)** |
| Operating Expenditures | (370.4) | (366.1) | (389.4) | (1.2%) | 4.9% | (1,113.1) | (1,082.0) | (2.9%) |
| Operating Profit Before Provisions for Impairment | 601.2 | 594.1 | 551.2 | 1.2% | 9.1% | 1,721.7 | 1,791.2 | (3.9%) |
| Provisions for Impairment | (361.1) | (369.3) | (324.6) | 2.2% | (11.2%) | (1,049.9) | (1,184.9) | 11.4% |
| **Net Profit** | **240.1** | **224.8** | **226.6** | **6.8%** | **6.0%** | **671.8** | **606.3** | **10.8%** |

### Balance Sheet Highlights

| | Results as at | | | Variance | |
|---|---|---|---|---|---|
| (AED Bn) | Sep'18 | Dec'17 | Sep'17 | Sep'18 vs Dec'17 | Sep'18 vs Sep'17 |
| Total Assets | 51.8 | 48.5 | 46.1 | 6.6% | 12.4% |
| Gross Loans & Advances | 35.1 | 33.2 | 32.6 | 5.7% | 7.7% |
| Deposits | 34.6 | 32.2 | 31.5 | 7.7% | 10.1% |

### Key Ratios Highlights

| | Results as at | | | Variance | |
|---|---|---|---|---|---|
| Percentage | Sep'18 | Dec'17 | Sep'17 | Sep'18 vs Dec'17 | Sep'18 vs Sep'17 |
| Return on Equity* | 13.4% | 10.6% | 10.7% | 2.8% | 2.7% |
| Return on Assets* | 1.8% | 1.8% | 1.9% | 0.0% | (0.1%) |
| Net Interest Margin* | 5.6% | 6.1% | 6.2% | (0.5%) | (0.6%) |
| Cost to Income | 39.3% | 38.0% | 37.7% | (1.3%) | (1.6%) |
| Impaired Loan Ratio | 3.7% | 4.0% | 4.0% | 0.3% | 0.3% |
| Impaired Loan Coverage Ratio | 144.7% | 74.6% | 78.6% | 70.1% | 66.1% |
| Capital Adequacy Ratio | 18.5% | 20.7% | 20.4% | (2.2%) | (1.9%) |

**Annualized except for December 2017 figure*

### Q3 2018 Results Review

**Total Income**

The Total Operating Income increased by AED 31.1 million to AED 971.6 million compared to Q2 2018. The Total Operating Income was up by AED 11.4 million compared to Q3 2017. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 708.7 million. Interest income from conventional loans and investments was up by 10.8% compared to Q3 2017, while interest costs on conventional deposits and borrowings increased by AED 70.8 million. Net income from Sharia-compliant Islamic financing was up by 3.8%. Non-interest income increased by AED 2.0 million to AED 262.9 million compared to Q3 2017.

Gross Insurance underwriting profit was down by AED 2.7 million and Forex and Derivative income was up by AED 8.8 million while Investment Income declined by AED 10.0 million.

**Operating Expenses**

Operating Expenses were up by AED 4.3 million compared to Q3 2017, mainly due to an increase in IT maintenance costs and other miscellaneous costs.

**Asset Quality and Impairments**

Provision charge for credit loss for the quarter decreased by AED 8.3 million compared to Q3 2017, as a result of lower provisions in Rakfinance loans and Auto loans offset by increase in provision related to Expat loans and impact of implementation of IFRS 9. Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 3.7% compared to 4.0% as at 30 September 2017 and 4.0% as at 31 December 2017. The Bank is well provisioned against loan losses with a conservative loan loss coverage ratio of 144.7%, which does not take into consideration mortgaged properties and other realizable asset collateral available against the loans.

**Asset Growth**

Total Assets increased by AED 3.2 billion to AED 51.8 billion compared to 31 December 2017 with the major contributions coming from Gross Loans and Advances which grew by AED 1.9 billion. Lending in the Wholesale Banking segment grew by AED 1.4 billion over the previous year-end to AED 7.9 billion. Retail Banking segment lending was higher by AED 26.4 million and Business Banking lending was higher by AED 511.2 million compared to 31 December 2017.

**Customer Deposits**

Customer deposits grew by AED 2.5 billion to AED 34.6 billion compared to 31 December 2017. The growth came mainly from an increase of AED 3.4 billion in time deposits and offset partially by a decrease in current and saving accounts by AED 966 million.

**Capital and Liquidity**

The Bank's Capital Adequacy ratio as per Basel III was 18.5% 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 13.7%, compared to 15.0% at the end of 2017, and advances to stable resources ratio stood comfortably at 87.7% compared to 87.8% at the end of 2017.

**YTD 2018 Results Review**

The Total Operating Income was down compared to YTD 2017 by AED 38.5 million to AED 2.8 billion. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 2.1 billion. Non-interest income was down by AED 69.0 million to AED 768.8 million due to decrease of AED 63.2 million in investment income. Forex and Derivative income was up by AED 6.7 million and gross insurance underwriting profit was down by AED 2.1 million. Net Fees and commission income was down by AED 7.2 million.

Operating Expenses were up by 2.9%, mainly due to an increase in staff costs, communication costs, IT maintenance expenses and other costs. As a consequence, the Bank's Cost-to-Income ratio increased to 39.3% compared to 37.7% in end of September previous year. We expect cost to increase then to graduate down as 2019 progresses.

Net Credit Losses to average loans and advances for 9 months ended 30 September 2018 closed at 4.1% compared to 5.2% 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 2018 | 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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