

National Bank of Ras Al Khaimah PSC Consolidated Financial Q1 2019 Results

Ras Al Khaimah, 24 April 2019 - The National Bank of Ras AL Khaimah (ADX: RAKBANK) today announced its results for the quarter ended 31 March 2019. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the “Group”.

Q1 2019 Highlights

Net Profit of AED 270.2 million

Net Profit is up by 31.7% compared to Q1 2018 and up 10.0% compared to Q4 2018

Total Income of AED 1.0 billion

Total Income is up by 8.5% compared to Q1 2018 and up 0.9% compared to Q4 2018

Total Assets at AED 53.5 billion

Total Assets are up by 1.6% year to date and up 9.0% year on year

Gross Loans & Advances at AED 34.6 billion

Gross Loans and Advances are down by 0.5% year to date and up 3.3% year on year

Total Deposits at AED 35.4 billion

Total Deposits are up by 3.8% year to date and 6.4% year on year

Return on Assets at 2.1%* and Return on Equity at 15.1%*

Total Capital Adequacy ratio at 17.4% compared to 17.2% as at 31 December 2018

Common Equity Tier 1 Capital Adequacy ratio at 16.3% compared to 16.0% as at 31 December 2018

*Annualised

Q1 Review

Commenting on the results, Peter England, Chief Executive Officer, said: “Total income for the first quarter of 2019 exceeded AED 1 billion, which is only the second time in RAKBANK’s history that we have achieved such a result. This is a clear outcome of the Bank’s diversification strategy which commenced 4 years ago and is now delivering solid results. Non-interest income particularly was very strong for the first quarter rising to AED 317 million which is an all-time high, and was achieved by impressive results across all business lines especially our Treasury and Wholesale Banking / Financial Institutions units. Our diversification strategy has also helped our provision line to graduate down by 5% year-on-year whilst retaining a coverage ratio in excess of 130%. Cost to income remained stable at 38.4% despite being impacted by an annual true-up of VAT and some other timing differences.

Beyond our strong financial performance, the Bank delivered a range of important initiatives in the first quarter. We continued to grow and develop our market leading position as the biggest small business bank in the UAE with a number of enhancements to our digital banking proposition and our Innovation Lab continued on the journey of developing exciting new offerings that will be launched through the course of 2019. Our instant remittance product also crossed a new all-time high of 60,000 transactions per month and our Card Acquiring business launched early 2018 produced exceptional results in the first quarter with some very large deals. More recently, in April we returned to the bond market, in line with our funding diversification efforts, which will enable us to continue to harness new technology to deliver best-in-class services across business units. Our outlook for the second quarter continues to be positive, with expectations that the UAE’s financial services sector will continue to improve, and we look forward to reporting on both financial and non-financial achievements in the first half of 2019.”

RAKBANK FINANCIAL SNAPSHOT FOR Q1 2019 RESULTS

Income Statement Highlights					
(AED Mn)	Quarter Results			Variance	
	Q1 '19	Q4 '18	Q1 '18	Q1 '19 vs Q4 '18	Q1 '19 vs Q1 '18
Net Interest Income and net income from Islamic financing	683.8	702.8	670.9	(2.7%)	1.9%
Non-Interest Income	317.2	289.5	251.7	9.6%	26.0%
Total Income	1,001.0	992.3	922.6	0.9%	8.5%
Operating Expenditures	(384.5)	(375.3)	(353.3)	(2.5%)	(8.9%)
Operating Profit Before Provisions for Impairment	616.5	617.0	569.3	(0.1%)	8.3%
Provisions for Impairment	(346.3)	(371.3)	(364.2)	6.7%	4.9%
Net Profit	270.2	245.7	205.1	10.0%	31.7%

Balance Sheet Highlights					
(AED Bn)	Results as at			Variance	
	Mar '19	Dec '18	Mar '18	Mar '19 vs Dec '18	Mar '19 vs Mar '18
Total Assets	53.5	52.7	49.1	1.6%	9.0%
Gross Loans & Advances	34.6	34.8	33.6	(0.5%)	3.3%
Deposits	35.4	34.1	33.3	3.8%	6.4%

Key Ratios Highlights					
Percentage	Results as at			Variance	
	Mar '19	Dec '18	Mar '18	Mar '19 vs Dec '18	Mar '19 vs Mar '18
Return on Equity*	15.1%	13.5%	12.0%	1.6%	3.1%
Return on Assets*	2.1%	1.8%	1.7%	0.3%	0.4%
Net Interest Margin*	5.3%	5.5%	5.7%	(0.2%)	(0.4%)
Cost to Income	38.4%	38.9%	38.3%	0.5%	(0.1%)
Impaired Loan Ratio	4.0%	4.2%	4.1%	0.2%	0.1%
Impaired Loan Coverage Ratio	132.4%	133.1%	139.2%	(0.7%)	(6.8%)
Total Capital Adequacy Ratio Basel III	17.4%	17.2%	18.6%	0.2%	(1.2%)

* Annualised

Q1 2019 Results Review
Total Income

Compared to Q1 2018, the total operating Income was up by AED 78.4 million to AED 1.0 billion. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 683.8 million. Interest Income from conventional loans and investments was up by 9.3% compared to Q1 2018, while Interest Costs on conventional deposits and borrowings increased by 41.3%. Net Income from Sharia-compliant Islamic financing was down by 4.0%. Non-Interest Income was up by AED 65.5 million to AED 317.2 million mainly due to increase of AED 32.7 million in Net Fees and Commission Income and AED 31.6 million in FOREX and Derivative Income. The Total Operating Income was up by AED 8.7 million compared to Q4 2018, mainly due to increase in Non-Interest Income by AED 27.7 million which was partly offset by AED 19.0 million decrease in Net Interest Income and Income from Islamic products net of distribution to depositors due to lesser number of days in the current quarter.

Operating Expenses and Cost-to-Income Ratio

Compared to Q1 2018, Operating Expenses for the quarter were up by 8.9%. This was mainly due to an increase of AED 4.7 million in marketing expenses, staff cost by AED 3.7 million, AED 4.4 million in depreciation and amortization, AED 3.3 million in information and technology expenses and AED 14.0 million in other expenses, largely due to VAT. The Bank's Cost-to-Income ratio increased marginally to 38.4% compared to 38.3% at the end of same quarter last year.

Asset Quality and Impairments

Provision for credit loss decreased by AED 17.9 million compared to Q1 2018 due to decrease in provisions mainly in the Business Banking portfolio. Compared to Q4 2018, provision for credit loss declined by AED 25.0 million due to the decline of provisions across all divisions.

Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 4.0% compared to 4.2% as at 31 December 2018, and Net Credit Losses to Average Loans and Advances closed at 4.0% compared to 4.4% as at end of first quarter of 2018.

Asset Growth

Total Assets increased year to date by AED 822.7 million which translates into a growth of 1.6%. Total Assets increased by AED 4.4 billion to AED 53.5 billion compared to 31 March 2018 with the major contributions coming from Gross Loans and Advances which grew by AED 1.1 billion, Investment Securities grew by AED 1.1 billion and Cash and Central Bank balances grew by AED 831.1 million. Lending in the Wholesale Banking segment grew by AED 1.2 billion year on year which is an increase of 17.8% and Business Banking lending was higher by AED 173.5 million compared to 31 March 2018.

Customer Deposits

Customer Deposits grew by AED 1.3 billion to AED 35.4 billion compared to 31 December 2018. Customer Deposits grew by AED 2.1 billion compared to 31 March 2018. The growth came from an increase of AED 1.5 billion in Time Deposits and AED 665 million in CASA deposits.

Capital and Liquidity

The Bank's total Capital Ratio as per Basel III, was 17.4% compared to 17.2% at the end of the previous year. The Regulatory Eligible Liquid Asset ratio at the end of the quarter was 14.5%, unchanged from the end of 2018, and Advances to Stable Resources ratio stood comfortably at 89.3% compared to 94.5% at the end of 2018.

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 2019	Baa1 / P-2	Stable
Fitch	December 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 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 36 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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