

Consolidated Financial Results for H1 2016

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

H1 2016 Financial Highlights:

- Net Profit of AED 445.5 million, down AED 270.7 million year-on-year
- Total Income of AED 1.97 billion, up 3.2% year-on-year
- Total Assets at AED 40.9 billion, up 7.5% year-on-year
- Gross Loans and Advances at AED 29.2 billion, up 5.5% year-on-year
- Total Deposits at AED 28.0 billion, up 7.5% year-on-year
- Return on Assets at 2.2%* and Return on Average Equity at 11.8%*
- Capital Adequacy Ratio at a healthy level of 24.1% at the end of H1 2016

Financial Review:

AED Millions	Half-year ended 30 June 2016	Half-year ended 30 June 2015	Increase/(Decrease) Variance
Net Interest Income	1,451.7	1,484.1	(2.2)%
Non-Interest Income	516.0	421.7	22.3%
Total Income	1,967.7	1,905.8	3.2%
Operating Expenses	686.8	762.7	(10.0)%
Operating Profit Before Provision for Impairment	1,280.9	1,143.1	12.0%
Provision for Impairment	835.4	427.0	95.7%
Net Profit	445.5	716.2	(37.8)%

AED Billions	30 June 2016	31 December 2015	30 June 2015	Increase/ (Decrease) Variance YTD	Increase/ (Decrease) Variance Y-o-Y
Total Assets	40.9	40.6	38.1	0.9%	7.5%
Gross Loans and Advances	29.2	28.5	27.7	2.4%	5.5%
Deposits	28.0	27.8	26.1	0.7%	7.5%
Impaired Loan Ratio (%)	3.7%	3.2%	2.7%	0.5%	1.0%
Impaired Loan Coverage Ratio (%)	85.4%	81.4%	83.3%	4.0%	2.1%
Capital Adequacy Ratio (%)	24.1%	24.4%	23.7%	(0.3%)	0.4%

* annualized

Total Income:

The Total Operating Income was up by AED 61.8 million to AED 1.97 billion which was partly due to an increase of AED 78.3 million in Investment Income year-on-year. Net Interest Income and Income from Islamic products net of distribution to depositors were AED 1.5 billion. Interest income from conventional loans and investments was down by 1.1% year-on-year, while interest costs on conventional deposits and borrowings increased by 23.3%. Net income from Sharia-compliant Islamic financing was up by AED 7.9 million.

Non-interest income grew by AED 94.2 million to AED 516.0 million on the back of AED 78.3 million in investment income and AED 15.7 million in income from the insurance segment since acquisition of Ras Al Khaimah National Insurance Company PSC (RAK Insurance) in May 2015. Forex & Derivative income was up by AED 2.4 million. Net fees and commission income were down by AED 1.2 million year-on-year.

Operating Expenses and Cost-to-Income Ratio:

Operating Expenses were down by AED 75.9 million, in line with the Bank's cost optimization strategy which saw a decrease of AED 49.3 million in staff costs and AED 18.2 million in outsourced costs. Combined with an increase in Total Operating Income, the Bank's Cost-to-Income ratio dropped to 34.9% compared to 40.0% in the previous year.

Asset Quality and Impairments:

Provision charge for loan impairments increased by AED 408.4 million, from the previous year, as a result of larger payment defaults from unsecured loan products and SME and Commercial Banking units. Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 3.7% compared to 3.2% as at 31 December 2015 and Net Credit Losses to average loans and advances closed at 5.8% (annualized). The Bank is well provisioned against loan losses with a conservative loan loss coverage ratio of 85.4% compared to 83.3% at the end of Q2 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 345.0 million to AED 40.9 billion compared to 31 December 2015 with the major contributions coming from Gross Loans and Advances which grew by AED 683.4 million.

Lending in the Wholesale Banking segment grew by 65.4% over the previous yearend. Retail Banking segment lending was lower by AED 178.1 million compared to 31 December 2015.

Customer Deposits:

Customer deposits grew by AED 183.8 million to AED 28.0 billion compared to December 31, 2015. The growth came mainly from an increase of AED 217.6 million in time deposits.

Capital and Liquidity:

The Bank's Tier 1 ratio as per Basel II was 24.1% 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 18.3%, compared to 19.1% at the end of 2015, and advances to stable resources ratio stood comfortably at 86.8% 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	April 2016	Baa1 / P-2	Stable
Fitch	August 2015	BBB+ / F2	Stable
Capital Intelligence	August 2015	A- / A2	Stable

Peter William England
Chief Executive Officer