

Financial Results for Q1 2016

The National Bank of Ras al Khaimah (ADX:RAKBANK) today announced its financial results for the quarter ended 31 March 2016.

Q1 2016 Financial Highlights

- Net Profit of AED 250.0 million, down AED 112.2 million year-on-year
- Total Income of AED 990.0 million, up 6.2% year-on-year
- Total Assets at AED 40.9 billion, down 0.2% year-on-year
- Gross Loans and Advances at AED 28.8 billion, up 7.9% year-on-year
- Total Deposits at AED 28.4 billion, down 4.9% year-on-year
- Return on Assets at 2.5%* and Return on Average Equity at 12.8%*
- Capital Adequacy Ratio at a healthy level of 24.3% at the end of Q1 2016

Financial Review:

AED Millions	Quarter ended 31 March 2016	Quarter ended 31 March 2015	Increase/(Decrease) Variance
Net Interest Income	744.3	733.5	1.5%
Non-Interest Income	245.7	198.8	23.6%
Total Income	990.0	932.3	6.2%
Operating Expenses	341.7	377.0	(9.4)%
Operating Profit Before Provision for Impairment	648.3	555.3	16.8%
Provision for Impairment	398.3	193.1	106.3%
Net Profit	250.0	362.2	(31.0)%

AED Billions	31 March 2016	31 December 2015	31 March 2015	Increase/ (Decrease) Variance YTD	Increase/ (Decrease) Variance Y-o-Y
Total Assets	40.9	40.6	41.0	0.9%	(0.2)%
Gross Loans and Advances	28.8	28.5	26.7	0.9%	7.9%
Deposits	28.4	27.8	29.9	2.1%	(4.9)%
Impaired Loan Ratio (%)	3.6%	3.2%	2.7%	0.4%	0.9%
Impaired Loan Coverage Ratio (%)	83.5%	81.4%	84.6%	2.1%	(1.1)%
Capital Adequacy Ratio (%)	24.3%	24.4%	24.2%	(0.1)%	0.1%

* annualized

Total Income:

The Total Operating Income for the first quarter of 2016 was up by AED 57.7 million to AED 990.0 million which was partly due to an increase of AED 10.8 million in Net Interest Income and Income from Islamic financing year-on-year. Net Interest Income and Income from Islamic products net of distribution to depositors grew to AED 744.3 million. Interest income from conventional loans and investments was up by 1.6% year-on-year, while interest costs on conventional deposits and borrowings increased by 25.3%. Net income from Sharia-compliant financing was up by AED 12.5 million which was in line with the increase in Islamic Financing portfolio.

Non-interest income grew by AED 46.9 million to AED 245.7 million on the back of AED 12.1 million in income from the insurance segment since acquisition of Ras Al Khaimah National Insurance Company PSC (RAK Insurance) in May 2015. Investment income and net fees and commission income increased year-on-year by AED 27.8 million and AED 2.3 million respectively.

Operating Expenses and Cost-to-Income Ratio:

Operating Expenses were down by AED 35.3 million in line with the Bank's cost optimization strategy, which saw a decrease of AED 28.8 million in staff costs and AED 8.1 million in outsourced costs. Combined with an increase in Total Operating Income, the Bank's Cost-to-Income ratio dropped to 34.5% compared to 40.4% in the previous year.

Asset Quality and Impairments:

Provisions for loan impairments increased by AED 205.2 million from the previous year as a result of larger payment defaults from the unsecured loan products and SME and Commercial Banking units. Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 3.6% compared to 2.7% as at 31 March 2015 and Net Credit Losses to average loans and advances closed at 5.6% compared to 2.9% at the end of same period last year. The Bank is well provisioned against loan losses with a conservative loan loss coverage ratio of 83.5% compared to 84.6% at the end of Q1 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 352.7 million to AED 40.9 billion compared to 31 December 2015 with the major contributions coming from Gross Loans and Advances and lending to banks, which grew by AED 244.8 million and AED 358.5 million respectively.

Lending in the Wholesale and Business Banking segment grew by around 2.6% over the previous yearend. Retail banking segment lending was lower by AED 28.7 million compared to 31 December 2015.

Our 'Amal' Islamic Banking unit continues to grow, achieving an increase of AED 559.5 million in its financing portfolio, up by 14.2% year-on-year.

Customer Deposits:

Customer deposits grew by 2.1% to AED 28.4 billion compared to December 31, 2015. The growth came mainly from an increase of AED 631.3 million in demand deposits.

Capital and Liquidity:

The Bank's Tier 1 ratio as per Basel II was 24.3% at the end of Q1 2016 compared to 24.2% at the end of Q1 2015, 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 17.8%, compared to 19.1% at the end of 2015, and advances to stable resources ratio stood comfortably at 82.5% 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
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