



## National Bank of Ras Al Khaimah PSC Consolidated Q1 2022 Financial Results

Ras Al Khaimah, 26 April, 2022 - The National Bank of Ras Al Khaimah (ADX: RAKBANK) today announced its results for the quarter ended 31 March 2022. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the “Group”.

### Q1 2022 Highlights

#### Net Profit of AED 220.1 million

Net profit is up by 93.1% compared to Q1 2021 and down by 1.6% compared to Q4 2021

#### Total Income of AED 726.9 million

Total income is down by 9.2% compared to Q1 2021 and down by 8.3% compared to Q4 2021

#### Total Assets at AED 58.6 billion

Total assets up by 4.1% year to date and up by 10.1% year on year

#### Gross Loans & Advances at AED 35.8 billion

Gross loans and advances up by 4.7% year to date and up by 9.3% year on year

#### Total Deposits at AED 38.5 billion

Total deposits up by 2.2% year to date and up by 5.4% year on year

#### Capital Adequacy Ratio 16.5%

Capital Adequacy Ratio as at 31 March 2022 is 16.5% compared to 17.0% as at 31 December, 2021

#### Return on Assets at 1.6%\* and Return on Average Equity at 10.5%\*

*\*Annualised*

### Q1 Review

#### Commenting on the results, Raheel Ahmed, Chief Executive Officer, said:

“Our diversification strategy is working well. Q1 2022 net profit at AED 220.1 million is 93.1% higher compared to Q1 2021. We have delivered this very significant increase in net profit by improving our return on equity by 460 basis points to 10.5%, improving our returns on assets to 1.6%, whilst maintaining one of the highest impaired loan coverage ratio in the industry at 138%. We saw a reduction in our non-interest income driven by lower trading forex & derivatives & Investment Incomes. However, we expect that this will not be repeated in subsequent quarters. We have a strong balance sheet momentum across all lines of businesses as is evident from the 9.3% year-on-year growth in gross loans and advances. We have seen over a 20% year-on-year increase in digital engagement with customers & have seen double digit growth in both customer spend & customer payments versus Q1 2021. Continuing our journey of innovation, we launched Digital Lending for SMEs & further enhanced our SMESouk portal - [www.smesouk.com](http://www.smesouk.com) - the one stop digital platform for businesses in the UAE.”

“The impact of rising interest environment, Russia & Ukraine conflict & increase in inflation will have to be managed carefully. There is also intense competition for talent globally. However the UAE economy continues to grow strongly & there has been a significant improvement in both business & consumer sentiment. At RAKBANK we will continue to rapidly accelerate our focus on delivering personalized & convenient financials solutions for our clients whilst providing brilliant customer experience at all touch points.” **said Raheel Ahmed.** “We strongly believe that whilst continuing to build secure digital solutions is critical, so is ensuring that our colleagues are always there to support our customers, when needed. We are investing in both to deliver ‘Simply Better’ banking.”



## RAKBANK FINANCIAL SNAPSHOT FOR Q1 2022 RESULTS

Income Statement Highlights					
(AED Mn)	Quarter Results			Variance	
	Q1 '22	Q4 '21	Q1 '21	Q1 '22 vs Q4 '21	Q1 '22 vs Q1 '21
	Net Interest Income and net income from Islamic financing	540.4	547.2	531.7	(1.2%)
Non-Interest Income	186.5	245.3	269.2	(24.0%)	(30.7%)
<b>Total Income</b>	<b>726.9</b>	<b>792.4</b>	<b>800.9</b>	<b>(8.3%)</b>	<b>(9.2%)</b>
Operating Expenditures	(372.4)	(371.1)	(330.0)	(0.3%)	(12.9%)
Operating Profit Before Provisions for Impairment	354.6	421.3	470.9	(15.8%)	(24.7%)
Provisions for Impairment	(134.5)	(197.7)	(357.0)	32.0%	62.3%
<b>Net Profit</b>	<b>220.1</b>	<b>223.6</b>	<b>113.9</b>	<b>(1.6%)</b>	<b>93.1%</b>

Balance Sheet Highlights					
(AED Bn)	Results as at			Variance	
	Mar '22	Dec '21	Mar '21	Mar '22 vs Dec '21	Mar '22 vs Mar '21
	Total Assets	58.6	56.3	53.2	4.1%
Gross Loans & Advances	35.8	34.2	32.7	4.7%	9.3%
Deposits	38.5	37.6	36.5	2.2%	5.4%

Key Ratios Highlights					
Percentage	Results as at			Variance***	
	Mar '22	Dec '21	Mar '21	Mar '22 vs Dec '21	Mar '22 vs Mar '21
	Return on Equity*	10.5%	9.5%	5.9%	1.0%
Return on Assets*	1.6%	1.4%	0.9%	0.2%	0.7%
Net Interest Margin*	3.9%	4.1%	4.2%	(0.2%)	(0.3%)
Cost to Income	51.2%	43.2%	41.2%	(8.0%)	(10.0%)
Impaired Loan Ratio	3.7%	4.1%	5.4%	0.4%	1.7%
Impaired Loan Coverage Ratio	137.8%	133.7%	125.7%	4.1%	12.1%
Total Capital Adequacy Ratio	16.5%	17.0%	18.1%	(0.5%)	(1.6%)

\* Annualized

\*\*After application of Prudential Filter

\*\*\* Positive is favorable and Negative is unfavorable





## Q1 2022 Results Review

### Total Income

Compared to Q1 2021, the total operating Income was down by AED 74.0 million to AED 726.9 million. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 540.4 million. Interest income from conventional loans and investments was up by 1.5% compared to Q1 2021, and interest costs on conventional deposits and borrowings was down by 8.7%. Net income from Sharia-compliant Islamic financing was down by 3.4%. Non-interest income was down by AED 82.7 million to AED 186.5 million mainly due to decrease of AED 40.8 million in Forex and Derivative income, AED 29.3 million in investment income and AED 13.6 million in other operating income. This was partly offset by an increase of AED 2.1 million in Net insurance underwriting profit.

The total operating income was down by AED 65.5 million compared to Q4 2021, mainly due to decrease in non-interest income by AED 58.8 million.

### Operating Expenses and Cost-to-Income Ratio

Compared to Q1 2021, operating expenses for the quarter were higher by 12.9%. This was mainly due to an increase of AED 18.7 million in staff costs, AED 5.1 million in IT costs, AED 2.8 million in occupancy costs, AED 11.7 million in Cards and AED 5.0 million in management consultancy and other costs. The Bank's Cost-to-Income ratio increased to 51.2% compared to 41.2% at the end of same quarter last year and 43.2% for FY 2021 largely due to the losses in the Trading book leading to lower income.

### Asset Quality and Impairments

Provision for credit loss decreased by AED 222.5 million compared to Q1 2021 and compared to Q4 2021, provision for credit loss decreased by AED 63.2 million. Non-performing Loans and Advances to Gross Loans and Advances ratio was 3.7% as at 31 March 2022 compared to 5.4% as at 31 March 2021. Net Credit Losses to average loans and advances closed at 1.6% compared to 4.5% as at end of first quarter of 2021.

### Asset Growth

Total Assets increased year to date by AED 2.3 billion which translates into a growth of 4.1%, due to an increase in Gross Loans and Advances which increased by AED 1.6 billion, Lending to Banks which increased by AED 751 million, offset by a reduction in Cash and Central Bank balances by AED 128 million. Lending in the Wholesale Banking increased by AED 1.3 billion, Retail Banking segment increased by AED 104 million and Business Banking lending increased by AED 238 million compared to 31 December 2021.

Total Assets increased by AED 5.4 billion to AED 58.6 billion compared to 31 March 2021 mainly due to an increase in Gross Loans and Advances AED 3.1 billion, AED 1.3 billion in Due from other banks and AED 850 million in Investments.

### Customer Deposits

Customer deposits increased by AED 811 million to AED 38.5 billion compared to 31 December 2021 mainly due to increase of AED 322 million in time deposits and AED 489 million in CASA accounts.

### Capital and Liquidity

The Bank's total Capital Ratio as per Basel III, after the application of prudential filter was 16.5% compared to 17.0% at the end of the previous year. The regulatory eligible liquid asset ratio at the end of the quarter was 11.9%, compared to 11.6% as at 31 December 2021, and advances to stable resources ratio stood comfortably at 87.0% compared to 82.9% at the end of 2021.



### Cash Flows

Cash and cash equivalent as at 31 March 2022 were AED 3.0 billion compared to AED 3.3 billion as at 31 December 2021. Net cash used for operating activities was AED 175.9 million, AED 150.3 million was used in investing activities and AED 9.9 million in financing activities.

### Impact of Projected Capital Expenditure and developments

The Group incurred AED 14.5 million in capital expenditure compared to AED 13.4 million in first quarter of 2021. In view of the challenging economic scenario, the Group will be more selective in spending on capital expenditures which will be more for regulatory requirements, digitization and enhancing experience for our customers.

### Q1 2022 Major Events and Developments

- RAKBANK and Tradeling announce a strategic partnership to support the growth of SMEs in UAE and provide enhanced value offering to RAKBANK Business Cardholders.
- RAKBANK Launches a “first of its kind” digital on-boarding experience in the region which will enable SMEs to apply for Business Loans, Term and Working Capital Finance and Asset Based Finance.

### Risk Management in the Current Economic Scenario

Whilst the economic fallout of COVID-19 crisis continues (albeit with a slower pace) to disrupt businesses and economy in 2022, financial markets and macro sentiment have been put to trial with rising inflation and interest rates in many emerging market economies and geopolitical tension in Ukraine and Russia. The group is closely monitoring unfolding geo-political situation in Egypt, Sri Lanka and other vulnerable economies. The Group has a robust Risk Management process for monitoring cross-border exposure.

### 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	October 2021	Baa1 / P-2	Stable
Fitch	April 2022	BBB+ / F2	Stable
Capital Intelligence	August 2021	A- / A2	Stable

RAKBANK's Environmental, Social and Governance (ESG) framework is currently rated as BBB by Morgan Stanley Capital International (MSCI).

Raheel Ahmed  
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 27 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](http://www.rakbank.ae) or contact the Call Centre on +9714 213 0000. Alternatively, you can connect with RAKBANK via [twitter.com/rakbanklive](https://twitter.com/rakbanklive) and [facebook.com/rakbank](https://facebook.com/rakbank).

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