



The National Bank of RAS-Al Khaimah (P.S.C.)

**Financial Results Press Release
and Management Discussion & Analysis**

H1 2023

July 25, 2023



RAKBANK delivers highest ever half yearly net profit of AED 901M, up 71% year on year

Ras Al Khaimah, United Arab Emirates, 25 July 2023 – The National Bank of Ras Al Khaimah (RAKBANK) today reported its financial results for the first half of 2023 (“H1’23”)

Highlights H1 2023	Total Income	Gross Loans & Adv. ~AED 40B	Deposits	Return on Equity	Return on Assets
	AED 2.2B +42% YoY	+7% YoY	AED 49B +19% YoY	19.3%	2.7%

Key Financial Highlights

Record net profit in H1 2023 driven by diversified growth in balance sheet, continued sales momentum and strong credit quality.

- Income up 42% YoY as sustained increase in operating accounts drive low cost deposits while a well diversified growth on the asset side continues.
- Cost increases 7% YoY as we accelerate our strategic transformation for H1’23 whilst delivering operational efficiencies, cost to income ratio for H1’23 at 36.3% vs. 48.0% in H1’22.
- Gross Loans & advances increased to ~AED 40B, up 7% YoY, whilst all segments reflect growth, Wholesale banking advances up 13% YoY representing 27% of the asset mix against 25% in H1’22.
- Customer deposits increased to AED 49B, up 19% YoY with the share of CASA deposits at 68% being one of the best in the industry, reflecting a 10% growth YoY.
- Portfolio credit quality remains robust with cost of risk at 2.6% and with one of the industry leading impaired loan coverage ratio of ~232% for H1’23 against ~142% for H1’22.

RAKBANK delivered strong shareholder returns with ROE of 19.3% and ROA of 2.7%, whilst remaining highly liquid and well capitalized.

- Strong profitability and diversified growth on the balance sheet drives healthier Capital Adequacy Ratio (CAR) at 17.7% for H1’23 vs. 16.8% in H1’22.
- We remained highly liquid with Regulatory Eligible Liquid Asset Ratio at 15.1% for H1’23 and the Advances to Stable Resources Ratio stood comfortably at 79.9%.
- The bank delivered enhanced shareholder value with the Return on Assets improving to 2.7% against 1.8% for H1’22.
- The Impaired Loan ratio improved to 2.5% against 3.4% for H1’22.

Raheel Ahmed, Group Chief Executive Officer, RAKBANK said, "We continue to make strong progress in implementing our new strategy to build a 'digital bank with a human touch'. At the same time we consistently pivot the culture and mindset of our company to being 'customer first' in everything we do.



Raheel Ahmed, CEO

Our active customer base grew 5% YoY. In H1 we supported over 900 customers with home loans. Being the 'go to' SME bank of the UAE, we opened 7,800 accounts for budding entrepreneurs and small businesses. We also disbursed over AED 1 billion of business loans. Our wholesale banking business is now well established with strong product capabilities and is growing in double digits.

Our existing customers continue to increase their trust and engagement with us. Our deposits grew by 19% YoY with robust growth in operating accounts. Spends on our cards are up 20% YoY. Our digital banking was accessed over 21M times in H1 (up 15%) and digital transactions have grown over 10% YoY.

A deep-rooted commitment to contribute back to the society in which we operate is embedded in our DNA. We actively promote financial inclusion and green financing solutions. In line with UAE's vision for Net Zero by 2050, we have partnered with Honeywell to reduce our electricity consumption by 20% in next 12 months.

Whilst the UAE economy continues to demonstrate positive momentum & growth as we enter the second half of 2023, we do remain cautious about the global macro environment and the downstream impact of rising interest rates & inflation on our customers.

We enter the second half of the year with great excitement as we prepare to launch a range of transformational initiatives in the market. These initiatives will showcase our relentless commitment to innovation and our dedication to meeting the evolving needs of our customers."

Digital Transactions	Card Spends	Payment through our rails (In/Out)	Digitally Active Customers
+10% YoY	+20% YoY	+7% YoY	+18% YoY

RAKBANK AWARDS & ACCOLADES FOR H1 2023

 **Best SME Bank in the UAE**
Global Finance Magazine

 **Most Transformed Islamic Bank in the UAE**
Euromoney

 **Digital Account Onboarding - Channel Innovation – Platinum Award Winner**
Infosys Finacle Innovation Awards 2023

 **Most Innovative Home Loan Product for UAE – Home in One**
International Finance Award

 **Best use case of Customer Analytics**
5th Middle East Banking AI and Analytics Summit & Awards 2023

 **Innovative leader in AI & Analytics 2023**
5th Middle East Banking AI and Analytics Summit & Awards 2023

 **Best User Experience Solution Provider for Skiplly - UAE**
MEA Finance Awards

 **Best Innovation in Corporate Banking & Finance (Digital SME Loan)**
MEA Finance Awards

 **Cyber Strategists Award 2023**
CXO Insight Middle East Magazine

 **BFSI Cybersecurity Leader of the Year 2023**
MMA Awards

 **Most Innovative Digital Financing Initiative for SME's - UAE 2023**
GBO Awards 2023

Financial Highlights for Q2/H1 of 2023

Income Statement Highlights	Quarter Results					Half Year Results		
	(AED Mn)	Q2'23	Q1'23	Q2'22	Q2'23 vs Q1'23	Q2'23 vs Q2'22	H1'23	H1'22
<i>Net Interest Income and net income from Islamic financing</i>	828.4	788.8	563.0	5.0%	47.1%	1,617.2	1,103.4	46.6%
<i>Non-Interest Income</i>	287.8	284.4	252.0	1.2%	(14.2%)	572.1	438.5	(30.5%)
Total Income	1,116.1	1,073.2	815.0	4.0%	36.9%	2,189.3	1,541.9	42.0%
<i>Operating Expenditures</i>	(405.6)	(389.0)	(367.7)	(4.3%)	(10.3%)	(794.6)	(740.1)	(7.4%)
Operating Profit Before Provisions for Impairment	710.5	684.2	447.3	3.8%	58.8%	1,394.8	801.9	73.9%
<i>Provisions for Impairment</i>	(260.0)	(233.9)	(140.0)	(11.2%)	(85.8%)	(494.0)	(274.5)	(80.0%)
Net Profit	450.5	450.3	307.3	0.0%	46.6%	900.8	527.4	70.8%

Balance Sheet Highlights	Results as at				Variance		
	(AED Bn)	Jun'23	Mar'23	Dec'22	Jun'22	Jun'23 vs Dec'22	Jun'23 vs Jun'22
<i>Total Assets</i>	71.9	68.9	66.4	62.2	8.3%	15.5%	4.3%
<i>Gross Loans & Advances</i>	39.9	38.7	38.1	37.2	4.6%	7.1%	3.1%
<i>Deposits</i>	49.0	46.4	44.9	41.0	9.1%	19.4%	5.6%

Key Ratios	Quarter Ratios					Half Year Ratios		
	Percentage	Q2'23	Q1'23	Q2'22	Q2'23 vs Q1'23	Q2'23 vs Q2'22	H1'23	H1'22
<i>Return on Equity*</i>	19.2%	19.4%	14.8%	(0.2%)	4.4%	19.3%	12.7%	6.6%
<i>Return on Assets*</i>	2.6%	2.8%	2.1%	(0.2%)	0.5%	2.7%	1.8%	0.9%
<i>Net Interest Margin*</i>	4.9%	4.9%	3.8%	0.0%	1.1%	4.9%	3.8%	1.1%
<i>Cost to Income</i>	36.3%	36.2%	45.1%	(0.1%)	8.8%	36.3%	48.0%	11.7%
<i>Impaired Loan Ratio</i>	2.5%	3.0%	3.4%	0.5%	0.9%	2.5%	3.4%	0.9%
<i>Impaired Loan Coverage Ratio</i>	231.5%	192.1%	142.1%	39.4%	89.4%	231.5%	142.1%	89.4%
<i>Total Capital Adequacy Ratio Basel III**</i>	17.7%	16.8%	16.8%	0.9%	0.9%	17.7%	16.8%	0.9%

* Annualized

**After application of Prudential Filter



Key Highlights

Profitability growth supported by Income momentum

- 70.8% increase in Net Profit to AED 900.8M in H1 2023. Net profit for the quarter at AED 450.5M up 46.6% compared to Q2 2022, reflecting the highest quarterly Net Profit since 2015.
- Net Interest Income and Income from Islamic products net of distribution to depositors was AED 1.6B.
- Interest income from conventional loans and investments was up by 80.9% compared to H1 2022, and interest costs on conventional deposits and borrowings was up by 278.0%. Net income from Sharia-compliant Islamic financing was up by 9.2%.
- Non-interest income was up by AED 133.6M to AED 572.1M mainly due to an increase of AED 96.1M in Forex and Derivative income, Investment income increased by AED 31.7M and Net insurance underwriting profit increased by AED 12.0M. This was partly offset by AED 3.8M decrease in Net Fee and Commission and AED 2.3M decrease in other operating income.
- The total operating income was up by AED 647.4M compared to H1 2022, mainly due to increase in interest income by AED 513.8M and increase in non-interest income by AED 133.6M.
- Operating Expenditure at AED 794.6M for H1 2023 reflected an increase of 7.4% as compared to H1 2022 and 10.3% as compared to Q2 2022 as the bank continued to invest for growth. Compared to the previous quarter, the Operating Expenditure is higher by 4.3%.
- Compared to H1 2022, operating expenses for first half of this year were higher by 7.4%. This was mainly due to an increase of AED 30.4M in Staff costs, AED 21.4M increase in other operating expenses, AED 10.9M in Card expenses and AED 2.7M in Technology expenses. This was partly offset by AED 7.9M in Occupancy costs and AED 3.2M in Communication costs.
- Cost-to-Income ratio for the Bank decreased to 36.3% compared to 48.0% at the end of same period last year and 43.0% for FY 2022.
- Provision for credit loss at AED 494.0M as at H1 2023, increased by 80.0% compared to H1 2022 and 85.8% compared to Q2 2022.
- Net Credit Losses to average loans and advances closed at 2.6% compared to 1.5% as at end of first half of 2022.



Balance Sheet crosses AED 71 Billion with a strong uptick across customer segments

- Balance Sheet crosses AED 71B as the Total Assets increased year to date by AED 5.5B reflecting a growth of 8.3%, due to an increase in Gross Loans and Advances by AED 1.8B, Cash and Central Bank balance increased by AED 2.2B, Lending to Banks which increased by AED 1.4B and Investments increased by AED 260M.

- Lending in the Retail Banking increased by AED 888M, Wholesale Banking segment increased by AED 376M and Business Banking lending increased by AED 495M compared to 31 December 2022. Strong balance sheet momentum was visible across all the segments.
- Wholesale Banking Segment reflects a strong YTD growth of 3.7% on the back of ~7% growth in the Corporate portfolio.
- Growth for Retail Banking supported by a strong sales momentum across products, with Mortgage loans reflecting 11.4% YTD growth, Auto loans growing by 11.2%, and Credit Cards by 4.1%.
- Business Banking segment recorded a 5.5% growth YTD backed by 10.3% growth on Business Loans while trade and working capital loans reflected 2.5% growth YTD.
- Non-performing Loans and Advances to Gross Loans and Advances ratio was 2.5% as at 30 June 2023 compared to 3.4% as at 30 June 2022 and 3.0% as at December 2022.

Strong growth in Customer Deposits as we become the main bank for more of our customers

- Customer deposits increased by 19.4% as against first half of 2022 and 9.1% or AED 4.1B to AED 49.0B compared to 31 December 2022 mainly due to an increase of AED 2.5B in time deposits and AED 1.6B in CASA accounts, endorsing the trust our customers place in the RAKBANK franchise and our services.

Capital and Liquidity

- The Bank's total Capital Ratio as per Basel III, after the application of prudential filter was 17.7% compared to 16.4% at the end of the previous year.
- The regulatory Eligible Liquid Asset Ratio at the end of the first half was 15.1%, compared to 12.8% as at 31 December 2022, and Advances To Stable Resources Ratio stood comfortably at 79.9% compared to 79.4% at the end of 2022.

Cash Flows

- Cash and cash equivalents as at 30 June 2023 were AED 4.0B compared to AED 4.3B as at 30 June 2022.
- Net cash generated from operating activities was AED 184.2M, AED 299.0M was used in investing activities and AED 192.2M was used in financing activities.

Impact of Capital Expenditure and developments

- The capital expenditure more than doubled to AED 80.3M in H1'23 against 31.9M in H1'22 as we continued to invest in our digitization initiatives and strengthening our regulatory and customer protection framework compliance.
- The Bank will continue to invest in innovative digital first solutions to offer a highly personalized & digitized experience to our customers.

Ratings

RAKBANK gets continuously rated by leading rating agencies with their latest ratings shown in the table below. This rating reflects the institutional strength of the Bank that is backed by trust and transparency in financial reporting.

Rating Agency	Last Update	Deposits	Outlook
Moody's	May 2023	Baa1 / P-2	Stable
Fitch	April 2023	BBB+ / F2	Stable
Capital Intelligence	August 2022	A- / A2	Positive



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 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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