

DIRECTORS' REPORT TO THE SHAREHOLDERS

For and on behalf of the Board of Directors

We are pleased to present the results of RAKBANK (the "Bank") and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2021. Net Profit for the year amounted to AED 758.3 million, an increase of AED 252.9 million (50.0%) over the previous year. Total Assets stood at AED 56.3 billion, increasing by 6.7% over 2020. Gross Loans and Advances closed at AED 34.2 billion, up by 6.1% over the previous year. Deposits grew by 1.9% with time deposits growth of AED 660.1 million (7.4%). The Return on Average Assets ratio for the year was 1.4% compared to 0.9% for the previous year and Return on Average Equity was 9.5%, compared to 6.5% in 2020.

Financial performance

The increase of AED 252.9 million in Net Profit was mainly due to decrease in provisions for expected credit losses by AED 586.6 million which was partially offset by decrease in Net Interest Income AED 357.1 million.

Gross Interest Income and Income from Islamic Financing decreased by AED 630.4 million, which was partially offset by decrease in Interest Expense and Distributions to Depositors by AED 273.2 million that resulted in total decrease in Net Interest Income and Net Income from Islamic Financing of AED 357.1 million. Interest income from conventional loans and investments decreased by 21.2%, while interest costs on conventional deposits and borrowings went down by AED 211.2 million. Net income from Sharia-compliant financing decreased by AED 38.6 million. Gross Interest Income and Income from Islamic Financing decreased due to a decline in high yielding loan and investment books because of the lock up, lower credit demand and reduced credit appetite of the Bank for higher risk customer and industry segments. This was further exaggerated by a general decline in interest rates in the economy. Interest Expense and Distributions to Depositors were lower due to the lack of demand for funds due to the declining loan book (on an average basis), higher contribution of CASA deposits and the lower interest rate environment.

Non-Interest Income increased by AED 23.7 million to AED 1.1 billion. This was mainly due to an increase of AED 75.5 million in Net fees and commission and other income partially offset by a decrease of AED 26.8 million in forex and derivative income, investment Income by AED 9.2 million as well as a decrease in Net insurance underwriting profit by AED 15.8 million.

Operating Expenses remained flat at AED 1.4 billion compared to previous year. The staff and outsourcing costs decreased by AED 20.6 million and occupancy cost decreased by 5.4 million, which was offset by an increase of AED 17.3 million in other costs mainly due to increase in credit cards service provider related costs and AED 5.5 million in marketing expenses. The Group's Cost to Revenue ratio increased to 43.2% compared to 39.2% for the previous year.

Operating Profit before impairment losses decreased by AED 333.7 million from 2020 which was offset by decrease in provisions for credit losses AED 586.6 million (35.3%) from the previous year. Total impairment provision for the year was AED 1.1 billion compared to AED 1.7 billion in 2020.

The Non-Performing Loans and Advances to Gross Loans and Advances ratio improved to 4.1% from 5.2% in the previous year. Additionally, the net credit losses to average loans and advances decreased to 3.2% in 2021 compared to 4.8% in 2020.

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Financial performance (continued)

Total Assets increased by 6.7% to AED 56.3 billion compared to 2020. This was due to an increase in Gross Loans and Advances of AED 2.0 billion, Investments increased by AED 1.5 billion and placements with other banks increased by 1.9 billion. This was partially offset by decrease in cash and balances with Central Bank by AED 1.6 billion. Wholesale Banking and Financial Institutions lending was up by AED 1.5 billion compared to 2020 and Retail banking's loan portfolio was also up by AED 709.9 million. Business Banking Loan Portfolio was down by AED 262.3 million compared to the previous year.

Customer deposits grew by AED 702.8 million to AED 37.6 billion compared to 2020. This growth came mainly from an increase of AED 660.1 million in Time Deposits.

After taking into consideration the profit for 2021 and expected dividend, the Bank's Capital adequacy ratio as per Basel III was 17.0% at year-end, compared with 18.6% at the end of 2020. This level of capital provides the Bank with ample room for growth in 2022. The regulatory Eligible Liquid Asset Ratio at the end of the year was 11.6%, compared to 14.5% for the previous year. The Advances to Stable Resources ratio stood at a comfortable 82.9% compared to 80.7% at the end of 2020.

Ratings

The Bank is currently rated by the following agencies. The ratings are given below:

Rating Agency	Last update date	Deposits	Outlook
Moody's	October 2021	Baa1 / P-2	Stable
Fitch	December 2021	BBB+ / F2	Stable
Capital Intelligence	August 2021	A- / A2	Stable

Regulatory disclosure

During the year, the Group has not engaged its external auditor PricewaterhouseCoopers for any non-audit services.

Key Developments in 2021

- RAKBANK's Board of Directors appointed Mr. Raheel Ahmed as the new Chief Executive Officer. He joined RAKBANK on 3rd of January 2022 and will formally become CEO from the 2nd February 2022.
- RAKBANK announced the renewal of its partnership with the Fintech platform Invoice Bazaar. The renewed partnership is in line with the Bank's strategy of creating an efficient ecosystem and environment for SMEs by offering unique financial solutions to e-commerce traders. These include a comprehensive suite of banking services, short-term working capital loans, cloud-based accounting solutions, and instant access to the RAKBANK SMEsouk portal.
- RAKBANK launched its Emirates Skywards Mastercard World Elite Credit Card campaign that offers cardholders the opportunity to earn up to 160,000 bonus Skywards Miles. New cardholders can earn bonus Skywards Miles from three main actions: Applying, Spending and Transferring.
- RAKBANK opened a new RAKelite Center that is conveniently located in Dubai's Business Bay, the heart of the city's business district. The location of the new RAKelite Center offers RAKBANK's valued RAKelite customers easy and instant access to a wide range of financial solutions as well as their dedicated Relationship Managers.
- RAKBANK concluded an issuance of USD 75 million 2.5-year Floating Rate Note (FRN) at a coupon of 3 months USD LIBOR+100 basis points on 24 May 2021
- RAKBANK concluded another issuance of USD 75 million 2.5-year Floating Rate Note (FRN) at a coupon of 3 months USD LIBOR+100 basis points on 27 May 2021

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Developments in 2021 (continued)

- RAKBANK signed a Memorandum of Understanding (MoU) to form a strategic alliance with one of the leading investment destinations in the country: Ajman Free Zone. The signed MoU is in line with both organizations' strategies of supporting SMEs and further developing a sustainable economy.
- In its constant efforts to contribute and promote a sustainable environment, RAKBANK signed an agreement with Ras Al Khaimah Municipality to launch green financing solutions in Ras Al Khaimah. The agreement facilitates several financing options at preferential rates for green housing initiatives, green auto industry, and green personal financing solutions.
- Bfound joined RAKBANK SMEsouk, allowing RAKBANK's Business Debit Cardholders to benefit from an exclusive 25% discount on bfound's digital marketing services.
- RAK AMI Hotel, a Ras Al Khaimah based company focused on developing and managing hotels in the emirate, has secured financing from RAKBANK for a new hotel development project. The funds will be primarily used for RAK AMI Hotel's flagship project, Mövenpick Resort Al Marjan Island, which has a development value of AED 543 million (USD 147 million).
- UAE Trade Connect (UTC), a new nationwide blockchain platform, has officially gone live to help financial institutions combat fraud and duplication. The steering committee for the platform consists of the Central Bank of the UAE, CBI, CBD, Emirates NBD, FAB, Mashreq Bank, NBF, and RAKBANK.
- RAKBANK is one of Mastercard's partner banks for their new, advanced B2B payments with a new supply chain finance offering, empowering more businesses to secure the working capital they need to grow.
- In line with its strategy to promote a cashless economy, Emirates Digital Wallet partnered with RAKBANK to build its nationwide cashless ecosystem, klip. Emirates Digital Wallet, spearheaded by the UAE Banks Federation, operates klip with an aim to reduce the use of physical cash and supports the UAE government's efforts to drive digital transformation.
- RAKBANK partnered with Schroders, a global asset management company, to host a webinar that delves into the Environmental, Social and Governance (ESG) factors that influence the world of investment. This webinar was a forum for the public to discuss and understand the practical aspects of ESG, how it has impacted the investment landscape and what investors are searching for with regards to ESG.
- RAKBANK partnered with Mastercard, a leading technology company in the global payments industry, to launch firefly – a first of its kind companion app for the RAKBANK Emirates Skywards World Elite Mastercard Credit Card.
- In recognition of Breast Cancer Awareness Month, RAKBANK launched an internal breast cancer awareness campaign that aimed at spreading knowledge on early detection, the importance of regular health check-ups, and other combative measures that the Bank's employees can learn from.
- RAKBANK signed a Memorandum of Understanding (MoU) to form a strategic alliance with Jebel Ali Free Zone (Jafza), the leading trade and logistics hub of the UAE. This partnership aligns with both the organizations' strategies of supporting SMEs and further developing a sustainable economy. As part of the agreement, RAKBANK will offer SMEs that operate in Jafza instant access to the Bank's solutions and services.
- MIZA, a UAE based FinTech SME Finance platform provider, announced a strategic partnership with RAKBANK. The partnership is in line with RAKBANK's strategy of creating an efficient ecosystem for SMEs that is designed to be the launchpad for providing innovative supply chain financing solutions to service key sectors of the UAE economy.
- Emirates Development Bank (EDB) entered into a Memorandum of Understanding (MoU) with RAKBANK on Credit Guarantee and Co-lending programs for SMEs in the UAE. Under the agreement, RAKBANK can offer up to AED 10 million financing to SMEs, and 50% of the facility amount will be either guaranteed or co-lent by EDB.

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Developments in 2021 (continued)

- RAK Properties, one of the UAE's leading property development and tourism infrastructure companies, has signed a AED 150 million Term Loan Agreement with RAKBANK for its Bay Residences Project in Hayat Island, Mina Al Arab.
- 16 UAE Nationals working with RAKBANK received their bachelor's degree in banking and finance from the Emirates Institute for Banking and Financial Studies (EIBFS), a regional leader in banking and finance education and training.
- UAE's entertainment destination, Topgolf Dubai, welcomed RAKBANK as an exclusive venue and event partner. The strategic partnership entails that Topgolf's top floor will be renamed the RAKBANK Floor. Topgolf guests stand a chance to win a host of prizes and experiences from RAKBANK just playing on the RAKBANK floor.
- RAKBANK partnered with neo bank, YAP, to form the first independent digital banking platform in the UAE. Like other neo banks, YAP does not have any physical branches and does not offer traditional banking services like loans and mortgages. However, it offers spending and budgeting analytics, peer-to-peer payments and remittances services and bill payments.

Recognition in 2021

- Number 1 Top Investment House in the Middle East & North Africa – by Asset Benchmark Research
- Banking Innovation Awards 2021 – by EFMA Accenture Banking Innovation Awards 2021
- Winner of the Customer Journey Reimagination category – SME Digital Onboarding – by Infosys Finacle Innovation Awards 2021
- Best Wealth Management Provider in the UAE – 2021 by World Finance Wealth Management Awards
- Best Online Bank UAE 2021 – by International Business Magazine
- Best Bank for Insurance UAE 2021 – by International Business Magazine
- Best Sustainable Work Practices Excellence Bank Award – by Middle East Banking Innovation Summit
- RAKBANK is the Gold Award Winners in The Asset ESG Corporate Awards 2021
- RAKBANK has been awarded the Dubai Chamber CSR Label – Environment 2021 Certificate
- Best Self-Service Banking Implementation in Middle East for “Quick Apply” – by the Asian Banker Financial Technology Innovation Awards
- Best Retail Payment Implementation in the Middle East for “Skiplay” – by the Asian Banker Financial Technology Innovation Awards
- Best Trade Finance Bank – by the MEA Trade Review Awards 2021
- Best AI Technology Implementation for the “Insurance Chatbot” at MEA Finance Awards 2021
- One of the World's Best Banks of 2021 – by Forbes
- Outstanding Digital Transformation in Payments for “Skiplay” – by the Middle East & Africa Innovation Awards 2021
- Best Use of Martech Enterprise – by Vibe MarTech Awards 2021
- Advertiser of the Year – by the Mobile Marketing Association's (MMA) Smarties Award
- Brand Awareness – Memotraits – by the Mobile Marketing Association's (MMA) Smarties Award
- Gender Equality in Advertising – She Can Play – by the Mobile Marketing Association's (MMA) Smarties Award
- Product Services Launch – Conversations – Kickstarting new SMEs amidst the Pandemic – by the Mobile Marketing Association's (MMA) Smarties Award
- Mobile Gaming, Gamification & E-sports – Euphoria Moments – by the Mobile Marketing Association's (MMA) Smarties Award
- Mobile Video – Memotraits – by the Mobile Marketing Association's (MMA) Smarties Award
- Mobile Social – She Can Play – by the Mobile Marketing Association's (MMA) Smarties Award

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Outlook for 2022

The 2021 financial year was an interesting journey. In the first half of the year, the UAE economy was recovering from the impacts of the COVID-19 pandemic and the lockdowns of the prior year. However, the second half of the year resulted in a complete turnaround, and this applied to RAKBANK as well. With over 90% of the UAE population being vaccinated, the country eased further the restrictions, which led to positive effects nation-wide.

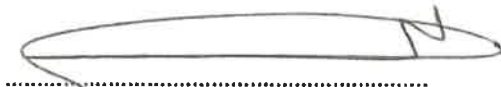
Nonetheless, the pandemic persisted and new variants of the virus were discovered. The government and regulators advocated for booster shots and stricter precautionary COVID-19 measures for public spaces in order to keep the UAE economy open and functioning. This was aimed at deterring the pandemic's effect on the country and encouraging the health and wellbeing of citizens and residents.

Overall, the UAE has seen a significant improvement in the macro-economic environment due to the Leadership's exemplary handling of the pandemic. We expect these positive trends to continue and result in improved outcomes for 2022.

According to the International Monetary Fund (IMF), the UAE's real GDP growth will increase to 3% in 2022. This is supported by the fact that the country has one of the highest vaccination rates in the world, a turnaround and recovery in oil production, a rebound in tourism, ease of residency rules for expats, and several activities in place related to Dubai's Expo 2020.

Just as the UAE economy continues to rebound swiftly from the effects of the COVID-19 pandemic, RAKBANK has demonstrated a similar form of resilience in 2021. This is evident in the Bank's overall improvement in asset quality, which has resulted from the change of mix in the Bank's loan book, in line with its diversification strategy. This has been gradually implemented over the last few years.

The Bank will continue to focus on its digital transformation as we aim to deliver Simply Better banking solutions, whilst equip our customers with the necessary tools for them to gain access to our banking services in a safe and secure manner.



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Mohamed Omran Alshamsi
Chairman