

National Bank of Ras Al Khaimah PSC Consolidated Financial Q1 2020 Results

Ras Al Khaimah, 30 April 2020 - The National Bank of Ras Al Khaimah (ADX: RAKBANK) today announced its results for the quarter ended 31 March 2020. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the “Group”.

Q1 2020 Highlights

Net Profit of AED 153.5 million

Net profit is down by 43.2% compared to Q1 2019 and down by 40.0% compared to Q4 2019

Total Income of AED 1.0 billion

Total income is flat compared to Q1 2019 and up 2.1% compared to Q4 2019

Total Assets at AED 59.8 billion

Total assets is up by 4.6% year to date and up 11.7% year on year

Gross Loans & Advances at AED 36.2 billion

Gross loans and advances is down by 0.1% year to date and up 4.5% year on year

Total Deposits at AED 37.8 billion

Total deposits is up by 2.6% year to date and 6.6% year on year

Capital Adequacy Ratio 16.1%

Capital Adequacy Ratio as at 31 March 2020 is 16.1% and at 16.4% after applying the prudential filter compared to 16.8% as at 31 December, 2019

Return on Assets at 1.1%* and Return on Average Equity at 7.7%*

*Annualised

Q1 Review

Commenting on the results, Peter England, Chief Executive Officer, said: “RAKBANK had an exceptional January and February and were on track for one of our best quarters on record until the events around COVID-19 began to unfold. Despite this our operating performance for the first quarter remained strong. However, like most banks globally we have taken pre-emptive judgemental overlays in our IFRS9 provisions to factor in the challenges that lie ahead which has led to additional provisions of just over AED 130 million for the quarter.

We are continuously monitoring the developments of COVID-19 and are always prepared to support our customers facing financial hardship or loss of income due to its economic impact on individuals, SMEs and corporates, including elimination or reduction of many fees and rates. These measures were made possible with the support of the Central Bank of the UAE’s financial stimulus packages that directly benefited customers by relieving them of their financial burdens during the health crisis. This important step underscores the resilience of UAE’s financial system and the strength of our regulators. RAKBANK will monitor evolving conditions and consider more actions as necessary with the ultimate aim of further supporting our customers. RAKBANK is very well positioned to weather the current challenges with very high levels of Capital, Liquidity and precautionary provisions leaving us in a very strong position to help our clients through these very challenging times.”

RAKBANK FINANCIAL SNAPSHOT FOR Q1 2020 RESULTS

Income Statement Highlights					
(AED Mn)	Quarter Results			Variance	
	Q1 '20	Q4 '19	Q1 '19	Q1 '20 vs Q4 '19	Q1 '20 vs Q1 '19
Net Interest Income and net income from Islamic financing	696.1	710.4	683.8	(2.0%)	1.8%
Non-Interest Income	305.0	270.2	317.2	12.9%	(3.8%)
Total Income	1,001.2	980.6	1,001.0	2.1%	0.0%
Operating Expenditures	(367.3)	(395.4)	(384.5)	7.1%	4.5%
Operating Profit Before Provisions for Impairment	633.9	585.2	616.5	8.3%	2.8%
Provisions for Impairment	(480.4)	(329.3)	(346.3)	(45.9%)	(38.7%)
Net Profit	153.5	255.9	270.2	(40.0%)	(43.2%)

Balance Sheet Highlights					
(AED Bn)	Results as at			Variance	
	Mar '20	Dec '19	Mar '19	Mar '20 vs Dec '19	Mar '20 vs Mar '19
Total Assets	59.8	57.1	53.5	4.6%	11.7%
Gross Loans & Advances	36.2	36.3	34.6	(0.1%)	4.5%
Deposits	37.8	36.8	35.4	2.6%	6.6%

Key Ratios Highlights					
Percentage	Results as at			Variance	
	Mar '20	Dec '19	Mar '19	Mar '20 vs Dec '19	Mar '20 vs Mar '19
Return on Equity*	7.7%	14.9%	15.1%	(7.2%)	(7.4%)
Return on Assets*	1.1%	2.0%	2.1%	(0.9%)	(1.0%)
Net Interest Margin*	4.9%	5.1%	5.3%	(0.2%)	(0.4%)
Cost to Income	36.7%	39.5%	38.4%	2.8%	1.7%
Impaired Loan Ratio	4.0%	4.0%	4.0%	0.0%	0.0%
Impaired Loan Coverage Ratio	131.5%	118.4%	132.4%	13.1%	(0.9%)
Total Capital Adequacy Ratio Basel III	16.1%/16.4**	16.8%	17.4%	(0.7%)/(0.4%)**	(1.3%)/(1.0%)**

* Annualised

**After application of Prudential Filter

Q1 2020 Results Review

Total Income

Compared to Q1 2019, the total operating Income was up by AED 146K to AED 1.0 billion. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 696.1 million. Interest income from conventional loans and investments was down by 6.6% compared to Q1 2019, and interest costs on

conventional deposits and borrowings also down by 16.9%. Net income from Sharia-compliant Islamic financing was up by 46.3%. Non-interest income was down by AED 12.2 million to AED 305.0 million mainly due to decrease of AED 10.4 million in Net fees and commission income and AED 6.0 million in FOREX and Derivative income.

The total operating income was up by AED 20.6 million compared to Q4 2019, mainly due to increase in non-interest income by AED 34.9 million largely due to higher Investment income which was partly offset by AED 14.3 million decrease in net interest income and Income from Islamic products net of distribution to depositors due to lesser number of days in the current quarter.

Operating Expenses and Cost-to-Income Ratio

Compared to Q1 2019, operating expenses for the quarter were lower by 4.5%. This was mainly due to a decrease of AED 7.2 million in staff costs, AED 4.9 million in legal and collection expenses and AED 11.8 million in other expenses. This was partly offset by adverse variance of AED 7.6 million outsourced staff costs. The Bank's Cost-to-Income ratio decreased to 36.7% compared to 38.4% at the end of same quarter last year.

Asset Quality and Impairments

Provision for credit loss increased by AED 134.1 million compared to Q1 2019 largely due to higher IFRS 9 provisions due to a deterioration in future economic outlook under the current COVID-19 conditions. Compared to Q4 2019, provision for credit loss increased by AED 151.1 million due to the same reason. Non-performing Loans and Advances to Gross Loans and Advances ratio remained flat at 4.0% compared to 31 December 2019, and Net Credit Losses to average loans and advances closed at 5.3% compared to 4.0% as at end of first quarter of 2019 due to higher provisions under IFRS 9.

Asset Growth

Total Assets increased year to date by AED 2.6 billion which translates into a growth of 4.6%. Total Assets increased by AED 6.2 billion to AED 59.8 billion compared to 31 March 2019 with the major contributions coming from Gross Loans and Advances which grew by AED 1.6 billion, Bank placements which grew by AED 3.6 billion and Cash and Central Bank balances grew by AED 882.8 million. Lending in the Wholesale Banking segment grew by AED 2.1 billion year on year which is an increase of 26.8%. Business Banking and Retail Banking lending was lower by AED 251.7 million and AED 266.8 million respectively compared to 31 March 2019.

Customer Deposits

Customer deposits grew by AED 973.9 million to AED 37.8 billion compared to 31 December 2019. Customer deposits grew by AED 2.4 billion compared to 31 March 2019. The growth came from an increase of AED 1.5 billion in time deposits and AED 883 million in CASA deposits.

Capital and Liquidity

The Bank's total Capital Ratio as per Basel III, was 16.1% compared to 16.8% at the end of the previous year. After the application of the prudential filter the Capital Adequacy Ratio as at March 31, 2020 improves to 16.4%. The regulatory eligible liquid asset ratio at the end of the quarter was 12.8%, compared to 12.9% as at 31 December 2019, and advances to stable resources ratio stood comfortably at 88.2% compared to 89.1% at the end of 2019.

Cash Flows

Cash and cash equivalent as at 31 March 2020 were AED 3.3 billion compared to AED 1.9 billion as at 31 December 2019. Net cash generated from operating activities was AED 1.5 billion, of which AED 75.4 million was used in investing activities and AED 4.3 million in financing activities.

Impact of projected capital expenditure and developments

The Group incurred AED 18.3 million in capital expenditure compared to AED 22.2 million in first quarter of 2019. In view of the current economic scenario, the Group will be more prudent in spending on capital items and operating expense is expected to be lower compared to the previous year. Spending will be more for IT digitization and enhancing e-banking for our customers and enabling remote working for our staff.

In view of the expected economic impact of COVID-19, the Group is taking necessary steps to reduce operating costs by as much as possible without impact the long term franchise value of RAKBANK.

Q1 2020 Major Events and Developments

- RAKBANK implemented the UAE Pass registration, a National Digital Identity and Digital Signature solution for the UAE, across all 36 branches. The UAE Pass solution enables the Bank's customers and potential customers to complete their registration seamlessly and securely in just a few simple clicks of a device with the help of the Bank's staff at any of the branches.
- RAKBANK announced further plans to provide financial relief to individuals, SMEs, and corporates impacted by the economic consequences of the coronavirus.

Risk Management in the Current Economic Scenario

The economic fallout of COVID-19 crisis is expected to be significant and is rapidly evolving. The Group has invoked several management actions aimed at ensuring the safety and security of all our stakeholders as well as supporting their financial well-being. We are taking prudent measures to mitigate the impacts of the crisis with full support of UAE Central Bank. Whilst credit quality was stable in Q1 2020, the Group increased impairment allowances for Stage 1 and 2 coverage in recognition of a potential deterioration in credit quality in subsequent quarters related to the coronavirus (COVID-19) pandemic. We have taken additional provision of AED 88 million for stage 1 and AED 42 million for stage 2 totalling AED 130 million as a proactive step.

ALCO heightened the monitoring around the liquidity position of the bank with frequent meetings and multiple calls every day. CBUAE also reduced Reserve Requirement against CASA balances, providing an immediate boost to UAE banks' liquidity. Also CBUAE announced a comprehensive TESS (Targeted Economic Support Scheme) program allowing UAE banks to access zero cost funding and pass on the benefit through Principal or/and Interest deferrals to their clients.

The Bank is closely monitoring the situation and has invoked crisis management actions to ensure the safety and security of Bank staff and an uninterrupted service to our customers. Remote working arrangements have been put in place and majority of the staff are currently working from home. The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels. The Bank has taken all measures to ensure that service levels are maintained as best as possible, customer complaints are addressed and the Bank continues to meet the expectations of their clients as they would in a normal scenario.

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	February 2020	Baa1 / P-2	Stable
Fitch	December 2019	BBB+ / F2	Stable
Capital Intelligence	August 2019	A-/A2	Stable



Peter William England
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 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 36 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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