

RAKBANK Reports Net Profit of AED 505.4 million for 2020

- **Bank's Full-Year 2020 Net Profit decreased by AED 589.9 million**
- **RAKBANK's Total Assets declined by 7.6% during 2020 mainly due to reduced loan demand**
- **Gross Loans and Advances stood at AED 32.2 billion as of 31st December 2020**

United Arab Emirates, 2nd February, 2021: The National Bank of Ras Al-Khaimah ("RAKBANK") has announced a consolidated Net Profit of AED 505.4 million for the Full-Year of 2020, decreasing by AED 589.9 million over the previous year. The Bank's results reflect the impact of the pandemic on our customers and the economy whereby Total Assets stood at AED 52.8 billion, decreasing by 7.6% over 2019, and Gross Loans and Advances closed at AED 32.2 billion, down by 11.2% over the previous year. However, business fundamentals remain strong with Deposits growing by 0.3% including the CASA growth of AED 5.1 billion (22.3%). The Return on Average Assets ratio closed the year at 0.9% compared to 2.0% for the previous year and Return on Average Equity was 6.5%, compared to 14.9% in 2019.

The Board of Directors recommended a distribution of cash dividend of 15% of the share capital (15 fils per share) for the shareholders' consideration and approval at the Annual General Meeting (AGM).

RAKBANK CEO, Peter England, commented: *"The efforts of recent years to diversify our balance sheet and revenue stream delivered strong results in the first couple of months of 2020. Our Treasury business displayed an increase in operating profits year on year. Additionally, our income from investments recorded significant revenue growth as compared to the previous year. When the global pandemic struck at the beginning of 2020, the Bank activated its Business Continuity Plan. We focused on maintaining our business-critical activities and the collective wellbeing of our workforce, customers and all stakeholders. In a truly exceptional team effort, RAKBANK's employees worked tirelessly to establish remote working capabilities for large numbers of personnel and ensured that our high levels of customer service standards were maintained at all times. Overall, we came into this period in a very strong position so the Bank has been able to continue to operate very effectively without interruption, but of course we have been impacted. As the pandemic unfolded, many of our SME customers were severely affected – and numerous Personal Banking clients faced salary cuts and other challenges. With the support of the country's regulators, we were able to help our customers through deferrals on repayments and loan restructuring where required and reduced or eliminated a number of charges for clients."*

FY 2020 highlights

- Customer deposits grew by AED 118 million to AED 36.9 billion compared to 2019 with a strong growth of CASA deposits of over AED 5 billion
- Operating Expenses decreased by AED 175.1 million, down by 11.1% compared to the previous year
- Annualized Return on Assets stood at 0.9% and Return on Equity at 6.5%

Performance review

Total Income for the financial year ended 31 December 2020 amounted to AED 3.6 billion, which decreased by 10.4% as compared to the same period of the previous year. Net Interest Income and Net Income from Islamic Finance stood at AED 2.5 billion for the year 2020, decreasing by 9.9% year-on-year. Non-Interest Income decreased by AED 138.4 million year-on-year to AED 1.0 billion, mainly due to a decrease of AED 139.9 million in Net fees and commission income. Operating expenses decreased 11.1% year-on-year and the cost to income ratio closed at 39.2% for the year.

Gross Loans & Advances decreased by AED 4.1 billion to AED 32.2 billion, which is a decline of 11.2% year-on-year resulting in a reduction in Bank's total assets by 7.6% to AED 52.8 billion compared to the end of 2019. Whereas, Customer deposits grew by AED 118 million to AED 36.9 billion, a 0.3% increase compared to the end of 2019.

Asset quality

Provision charges for credit loss increased by AED 350.1 million (FY 2020 Vs FY 2019), which is a 26.7% increase year-on-year however this increase is mainly related to additional precautionary provisions under IFRS 9. The Non-Performing Loans and Advances to Gross Loans and Advances ratio closed at 5.2% compared to 4.0% as at 31 December 2019. RAKBANK is well provisioned against loan losses with a loan loss coverage ratio of 129.4%, excluding mortgaged properties and other realizable asset collateral available against loans.

Capitalization and liquidity

The Bank's Total capital adequacy ratio as per UAE Central Bank regulations stood at 18.6% at the end of December 2020. The Common Equity Tier 1 ratio of the Bank stood at 17.5%. The regulatory eligible liquid asset ratio was 14.5% at the end of December 2020 well above the minimum requirement. The advances to stable resources ratio stood comfortably at 80.6% compared to 89.1% at the end of 2019.

RAKBANK's Chairman, H.E. Mohamed Omran Alshamsi, commented: *"From our perspective, we have been very focused on doing what we can, which is to continue running our business in the best way possible, responding and supporting our customers, making sure we are consistently executing our strategy as well as ensuring we have an even stronger balance sheet so that we are in the best possible position to respond to a variety of different economic scenarios. That said, economic activity in the UAE is in a gradual recovery phase as businesses return to normalcy especially the business segments catered to by RAKBANK. The Bank remains cautiously optimistic about 2021 and will continue to stay vigilant. Technology and specifically digital banking, has played an enormous role in the way we have served our customers, particularly over the last year. The Bank has really been able to further leverage the power of digital banking by expanding our services and solutions on our digital platforms, allowing the majority of customers' day-to-day financial needs to easily be met and completed online in just a few simple steps, without the need to visit a branch. Additionally, we sought to stay connected with our customers throughout these unprecedented times and kept them updated and informed about the support we are offering as well as any changes in our processes or procedures that they need to be aware of."*

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Financial highlights

Income Statement Highlights						
(AED Mn)	Quarter Results			Full Year Results		
	Q4 '20	Q4 '19	Variance%	FY '20	FY '19	Variance%
Net Interest Income	561.8	710.4	(20.9%)	2,525.6	2,802.1	(9.9%)
Non-Interest Income	245.8	270.2	(9.0%)	1,038.4	1,176.8	(11.8%)
Total Income	807.6	980.6	(17.6%)	3,564.0	3,978.9	(10.4%)
Operating Expenditures	(363.7)	(395.4)	8.0%	(1,395.3)	(1,570.4)	11.1%
Operating Profit Before Provisions for Impairment	443.9	585.2	(24.1%)	2,168.7	2,408.5	(10.0%)
Provisions for Impairment	(377.1)	(329.3)	(14.5%)	(1,663.3)	(1,313.2)	(26.7%)
Net Profit	66.7	255.9	(73.9%)	505.4	1,095.3	(53.9%)

Balance Sheet Highlights					
(AED Bn)	Results as at			Variance	
	Dec '20	Sep '20	Dec '19	Quarter-on-Quarter	Year-on-Year
Total Assets	52.8	52.3	57.1	0.9%	(7.6%)
Gross Loans & Advances	32.2	32.6	36.3	(1.2%)	(11.2%)
Deposits	36.9	34.2	36.8	8.0%	0.3%

Key Ratios Highlights						
Percentage	Results as at			Variance		
	Dec '20	Sep '20	Dec '19	Quarter-on-Quarter	on	-Year-on-Year
Return on Equity	6.5%	7.6%	14.9%	(1.1%)		(8.4%)
Return on Assets	0.9%	1.1%	2.0%	(0.2%)		(1.1%)
Net Interest Margin	4.6%	4.7%	5.1%	(0.1%)		(0.5%)
Cost to Income	39.2%	37.4%	39.5%	(1.8%)		0.3%
Impaired Loan Ratio	5.2%	5.1%	4.0%	(0.1%)		(1.2%)
Impaired Loan Coverage Ratio	129.4%	131.2%	118.4%	(1.8%)		11.0%
Basel III Total Capital Adequacy Ratio	18.6%	19.4%	16.8%	(0.8%)		1.8%

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The Wholesale Banking and Financial Institutions lending portfolio declined by 8.0%, down by AED 748.9 million from the previous year. Personal Banking's loan portfolio was down by AED 2.0 billion and Business Banking's loan portfolio also declined by AED 1.3 billion compared to 2019.

Furthermore, Customer deposits increased by 0.3% to AED 36.9 billion, with growth derived mainly from a rise of AED 5.1 billion in CASA Deposits (AED 4.5 billion increase in current account deposits, and 0.6 billion increase in Savings and Call deposits), this was offset by a decrease of AED 5.0 billion in Time Deposits.

The Bank's capital adequacy ratio as per Basel III was 18.6% at year-end. The regulatory eligible liquid asset ratio at the end of the year was 14.5%, which is much higher than the stipulated regulatory minimum. The advances to stable resources ratio stood at a comfortable 80.6%.

RAKBANK is currently rated by the following leading rating agencies, with their ratings provided below:

Rating Agency	Last update	Deposits	Outlook
Moody's	December 2020	Baa1 / P-2	Negative
Fitch	July 2020	BBB+ / F2	Stable
Capital Intelligence	August 2020	A- / A2	Stable

-Ends-

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 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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