
National Bank of Ras Al Khaimah PSC
Consolidated Results for the Half Year ended June 30, 2021

Ras Al Khaimah, 27 July 2021 - The National Bank of Ras Al Khaimah (ADX: RAKBANK) today announced its results for the half year ended 30 June 2021. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the “Group”.

Q2 2021 Highlights

Net Profit of AED 192.1 million

Net profit up by 25.4% compared to Q2 2020; up by 68.5% compared to the previous quarter

Total Income of AED 831.8 million

Total income down by 7.9% compared to Q2 2020; up by 3.9% compared to the previous quarter

Total Assets at AED 54.3 billion

Total assets down by 0.1% year on year; up by 2.9% year to date

Gross Loans & Advances at AED 33.2 billion

Gross loans and advances down by 3.9% year on year; up by 3.1% year to date

Total Deposits at AED 37.0 billion

Total deposits up by 5.6% year on year; up by 0.2% year to date

Capital Adequacy Ratio 17.8%

*Capital adequacy ratio as at 30 June 2021 was 17.8% compared to 18.6% as at the previous year-end
Common Equity Tier 1 (CET1) ratio was 16.7% compared to 17.5% as at the previous year-end*

H1 2021 Highlights

Net Profit of AED 306.0 million

Net profit down by 0.2% compared to H1 2020

Total Income of AED 1.6 billion

Total income down by 14.2% compared to H1 2020

Return on Assets* at 1.2% and Return on Average Equity* at 7.8%

*Annualised

Q2 Review

Commenting on the results, Peter England, Chief Executive Officer, said:

"Q2 2021 has been a very strong quarter for us. We have seen total income commence growth again after a number of quarters of decline since the beginning of the pandemic. This is a crucial turning point for us as we see growth in our loan book and customer deposits which is a very positive sign. Additionally our provisions for this quarter are the lowest they have been for many years as we see the re-balancing of our portfolio that we have undertaken over the years, bear very positive results. It also demonstrates the significant rebound in the UAE economy and a strong return of consumer confidence that we have witnessed during the first half of this year"

RAKBANK FINANCIAL SNAPSHOT FOR H1 2021 RESULTS

Income Statement Highlights								
(AED Mn)	Quarter Results					Half Year Results		
	Q2'21	Q2'20	Q1'21	Q2'21 vs Q2'20	Q2'21 vs Q1'21	H1'21	H1'20	H1'21 vs H1'20
Net Interest Income and net income from Islamic financing	543.0	666.5	531.7	(18.5%)	2.1%	1,074.8	1,362.7	(21.1%)
Non-Interest Income	288.8	236.2	269.2	22.3%	7.3%	557.9	541.3	3.1%
Total Income	831.8	902.8	800.9	(7.9%)	3.9%	1,632.7	1,903.9	(14.2%)
Operating Expenditures	(343.1)	(338.7)	(330.0)	(1.3%)	(4.0%)	(673.1)	(705.9)	4.7%
Operating Profit Before Provisions for Impairment	488.7	564.1	470.9	(13.4%)	3.8%	959.6	1,198.0	(19.9%)
Provisions for Impairment	(296.6)	(411.0)	(357.0)	27.8%	16.9%	(653.6)	(891.4)	26.7%
Net Profit	192.1	153.1	113.9	25.4%	68.5%	306.0	306.6	(0.2%)

Balance Sheet Highlights						
(AED Bn)	Results as at			Variance		
	Jun'21	Dec'20	Jun'20	Jun'21 vs Dec'20	Jun'21 vs Jun'20	
Total Assets	54.3	52.8	54.3	2.9%	(0.1%)	
Gross Loans & Advances	33.2	32.2	34.6	3.1%	(3.9%)	
Deposits	37.0	36.9	35.1	0.2%	5.6%	

Key Ratios Highlights					
Percentage	Results as at			Variance	
	Jun'21	Dec'20	Jun'20	Jun'21 vs Dec'20	Jun'21 vs Jun'20
Return on Equity	7.8%*	6.5%	7.9%*	1.3%	(0.1%)
Return on Assets	1.2%*	0.9%	1.1%*	0.3%	0.1%
Net Interest Margin	4.2%*	4.6%	4.8%*	(0.4%)	(0.6%)
Cost to Income	41.2%	39.2%	37.1%	(2.0%)	(4.1%)
Impaired Loan Ratio	5.1%	5.2%	4.5%	0.1%	(0.6%)
Impaired Loan Coverage Ratio	127.7%	129.4%	128.2%	(1.7%)	(0.5%)
Total Capital Adequacy Ratio Basel III**	17.8%	18.6%	18.3%	(0.8%)	(0.5%)

* Annualized

**After application of Prudential Filter

Q2 2021 Results Review
Total Income

Compared to Q2 2020, the total operating Income was down by AED 71.0 million to AED 831.8 million. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 543.0 million. Interest income from conventional loans and investments was down by 27.0% compared to Q2 2020 while interest costs on conventional deposits and borrowings decreased by 68.9 million. Net income from Sharia-compliant Islamic financing was down by 9.3%. Non-interest income was up by AED 52.6 million compared to Q2 2020 to AED 288.8 million mainly as Fees and Commission income increased by AED 38.1 million, Investment income increased by

AED 15.9 million and FOREX and Derivative income was also up by AED 10.1 million. This was partially offset by AED 10.2 million in Other operating income. The Total Operating Income was up by AED 30.9 million compared to Q1 2021.

Operating Expenses and Cost-to-Income Ratio

Operating Expenses for the quarter were higher by AED 4.5 million compared to Q2 2020. This was mainly due to an increase of AED 3.9 million in Legal and collections charges, AED 3.6 million in IT costs, and AED 2.2 million in depreciation costs. This was partially offset by decrease of AED 3.4 million in outsource staff costs, occupancy cost by AED 3.2 million and staff cost by AED 2.9 million. The Bank's Cost-to-Income ratio increased to 41.2% compared to 37.1% at the end of same quarter last year largely due to a drop in Total Income. The cost to income ratio was flat compared to Q1 2021.

Asset Quality and Impairments

Provision for credit loss for the quarter decreased by AED 114.4 million compared to Q2 2020 largely due to lower IFRS 9 provisions in the credit cards and personal loans portfolios. Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 5.1% compared to 4.5% as at 30 June 2020 and 5.2% as at 31 December 2020. The Bank is well provisioned against loan losses with a loan loss coverage ratio of 127.7%, which does not take into consideration-mortgaged properties and other realizable asset collateral available against the loans.

Assets

Total Assets increased by AED 1.5 billion to AED 54.3 billion compared to 31 December 2020 mainly due to an increase in Investments by AED 949.0 million and an increase in Loans and Advances by AED 1.0 billion. Lending in the Retail Banking segment is up by AED 656.2 million over the previous year-end to AED 17.4 billion. Wholesale Banking segment's lending was also up by AED 513.6 million compared to 31 December 2020.

Customer Deposits

Customer deposits increased by AED 83.0 million to AED 37.0 billion compared to 31 December 2020. The increase was mainly in time deposits AED 623.0 million which was partially offset by decrease of AED 540.0 million in CASA and Call deposits.

Capital and Liquidity

The Bank's total Capital Ratio as per Basel III, after the application of the prudential filter was 17.8% compared to 18.6% at the end of the previous year. The regulatory eligible liquid asset ratio at the end of the quarter was 9.6%, and advances to stable resources ratio stood comfortably at 83.7% compared to 80.6% at the end of 2020.

Cash Flows

Cash and cash equivalent as at 30 June 2021 were AED 2.8 billion compared to AED 2.6 billion as at 30 June 2020. Net cash generated from operating activities was AED 121.5 million and net cash used in investing activities and financing activities were AED 923.7 million and AED 13.0 million respectively.

H1 2021 Results Review

Net Interest Income and Income from Islamic products net of distribution to depositors for the six months ended 30 June 2021 was down by 287.9 million compared to same period in the previous year. Non-interest income was up by AED 16.7 million to AED 557.9 million, mainly due to increase of AED 20.0 million in Fee & Commission and AED 28.0 million in Investment income which was partially offset by a decrease of AED 23.0 million in FOREX & Derivative income and AED 10.0 million in Gross insurance underwriting profit compared to H1 2020.

Operating Expenses were down by 4.7% to AED 673.1 million. Bank's Cost-to-Income ratio increased to 41.2% compared to 37.1% for the same period previous year largely due to a drop in Total Income.

Net Credit Losses to average loans and advances for the half year ended 30 June, 2021 closed at 4.0% compared to 5.0% for the same period last year and 4.8% for FY 2020.

Impact of Projected Capital Expenditure and Developments

The Group incurred AED 25.4 million in capital expenditure during the period compared to AED 41.0 million in first half of 2021. In view of the current economic scenario, the Group will be more prudent in spending on capital items. The Bank will continue to spend more on IT digitization and enhancing of its e-banking offerings for its customers.

H1 2021 Major Events and Developments

- RAKBANK renews partnership with dynamic Fintech platform Invoice Bazaar
- RAKBANK announced the launch of its Emirates Skywards Mastercard World Elite Credit Card campaign that offers cardholders the opportunity to earn up to 160,000 bonus Skywards Miles
- RAKBANK announced three winners for the Emirates Skywards World Elite Credit Card 1 million Miles draw
- bfound partners with RAKBANK – Join's SMEsouk Portal
- RAK AMI Hotel secures financing deal from RAKBANK
- RAKBANK celebrates the launch of a new RAKelite Center
- RAKBANK issues USD 75 million Floating Rate Note
- RAKBANK issues an Additional USD 75 million Floating Rate Note
- RAKBANK signs a Memorandum of Understanding with Ajman Free Zone
- RAKBANK signs an agreement with MIZA, a UAE based Fintech
- EDB, RAKBANK announce partnership on SME Financing options, credit guarantees
- Invest Bank & RAKBANK announce their launch of Emirates Digital Wallet klip Platform

Risk Management in the Current Economic Scenario

The fiscal and economic measures adopted by regulators and governments across the globe have helped mitigate the impact of the fallout of the pandemic. In line, the Central Bank of UAE (“CBUAE”) introduced and extended the Targeted Economic Support Scheme (TESS) program to support the impacted sectors and individuals in the UAE. The Bank also continues to ensure that its clients are appropriately supported. Vaccine development and roll out of vaccination programs has also started to reflect some positive influence on the economy.

The Bank remains vigilant while continuing to monitor the economic and liquidity scenarios as they unfold and is well prepared for any unexpected developments. The Bank continues to promote usage of digital channels resulting in reduced footfall in Branches. All Branches are fully operational and customers are being serviced. Social distancing and queues are being managed as per local authority guidelines. The Bank has taken measures to monitor service levels and the Bank continues to meet the expectations of our clients and support them effectively during these times. Bank management has been encouraging staff members to get themselves vaccinated to support the vaccination drive by the UAE Government. The Human Resources department has also organized vaccination camps on Bank premises with support from health authorities.

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	July 2021	Baa1 / P-2	Negative
Fitch	May 2021	BBB+ / F2	Stable
Capital Intelligence	August 2020	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 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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