



RAKBANK

Simply Better



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

Q2/H1 2022

**FINANCIAL RESULTS PRESS RELEASE AND
MANAGEMENT DISCUSSION & ANALYSIS**

26 July 2022

RAKBANK.AE/IR

RAKBANK REPORTS NET PROFIT OF AED 527.4MN IN H1 2022, UP 72.4% YoY

Ras Al Khaimah, United Arab Emirates, 26 July 2022 – The National Bank of Ras Al Khaimah (PSC), RAKBANK, today reported its financial results for the first half of 2022 (H1'22)

Key Highlights Q2/H1'22

Net Profit AED 527.4 mn +72.4% YoY	Total Assets AED 60.8 bn +11.9% YoY	Gross Loans & Adv. AED 35.8 bn +7.8% YoY	Return on Equity 12.7% for H1'22 +4.8% over H1'21
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Strong profit growth driven by diversified balance sheet & lower cost of risk in a buoyant macro-economic environment.

- ▶ Net profit for the quarter at 307.3 mn up 39.7% compared to Q1 2022, reflecting the highest quarterly Net Profit since 2015.
- ▶ Compared to Q1 2022, total Income increased by 12.1% to AED 815 mn during this quarter, supported by a strong increase of 4.2% on the Net Interest Income to AED 563.0 mn and an increase of 35.1% on the Non Interest Income to AED 252.0 mn.
- ▶ Gross Loans & Advances at AED 35.8 bn, up 7.8% YoY and 4.7% year-to-date.
- ▶ Customer Deposits at AED 39.6 bn, up 6.8% YoY and 5.1% year-to-date.
- ▶ Balance sheet crosses the AED 60 bn milestone.
- ▶ Well diversified asset growth and continued improvement in the macro-economic environment led to 58.0% YoY reduction in impairments.



Healthy returns whilst remaining well capitalized and having one of the best provision coverage ratios in the industry.

- ▶ Net Interest Margins stable at 3.9%, continues to be one of the highest in the Industry.
- ▶ Non-Performing Loans ratio at 3.6% continues to improve.
- ▶ Loan Provision coverage ratio at 142.1% remains one of the strongest in the industry.
- ▶ Solid returns with annualized ROA at 1.9% and annualized ROE at 12.7%.
- ▶ With Capital Adequacy Ratio (CAR) at 16.8%, the Bank remains well capitalized.



RAKBANK continued the momentum in Q1 to deliver a strong set of financial results in Q2, recording a net profit of AED 527 mn for H1 2022. Our return on equity is at 12.7% & we continue to maintain an industry leading provision coverage ratio of 142.1%.

We have seen broad based asset growth (7.8% YOY) across all segments of our business, as part of our diversification strategy. Similarly, we are equally pleased with strong deposit growth (6.8% YoY). We maintained our net interest margins at 3.9%, one of the highest in the industry.

Innovation is in our DNA. To support the UAE's vision to become a global hub for digital assets, we have partnered with Kraken, a global crypto exchange licensed by ADGM, to soon enable their customers to trade directly between crypto & dirhams through local bank accounts. Similarly, as the "go to" bank for the budding entrepreneurs and the thriving SMEs we offered financing solutions to more than



Raheel Ahmed, CEO

2,400 small and medium enterprise customers in the last six months. This will not only enable them to launch or grow their businesses, but also contribute to the country's economic growth. We also partnered with DIFC & a few other banks to launch the region's first Open Finance Lab to promote the development and growth of the UAE financial technology sector.

We continue to accelerate our focus on being trusted advisors to our customers and clients for all their financial needs enabled by digital solutions, personalization (through analytics) & a customer obsessed mind-set and culture. I am pleased to report that we crossed 5Mn digital transactions in H1 of 2022 (up 20% YoY). Customer engagement also continues to strengthen with 26% YoY spend growth on our cards & 6% YoY increase in payments by customers on RAKBANK rails.

In line with the buoyancy in the UAE economy, our outlook for H2 2022 remains positive. However, we continue to carefully monitor the rising interest rates, inflation & the current geopolitical tensions & its potential impact on our customers and clients & supporting them to manage their finances through these uncertain times.



<p>+20% YoY</p> <p>#Q2'22 Digital Transactions</p>	<p>+26% YoY</p> <p>H1'22 Card Spends</p>	<p>+6% YoY</p> <p>Payments through our rails (In/Out)</p>	<p>+5% YoY</p> <p>#Q2'22 Digitally Active Customers</p>
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Q2/H1 2022 Management Discussion & Analysis

Financial Highlights for Q2/H1 2022

Income Statement Highlights (AED Mn)	Quarter Results					Half Year Results		
	Q2'22	Q2'21	Q1'22	Q2'22 vs Q2'21	Q2'22 vs Q1'22	H1'22	H1'21	H1'22 vs H1'21
Net Interest Income and net income from Islamic financing	563.0	543.0	540.4	3.7%	4.2%	1,103.4	1,074.8	2.7%
Non-Interest Income	252.0	288.8	186.5	(12.7%)	35.1%	438.5	557.9	(21.4%)
Total Income	815.0	831.8	726.9	(2.0%)	12.1%	1,541.9	1,632.7	(5.6%)
Operating Expenditures	(367.7)	(343.1)	(372.4)	(7.2%)	1.3%	(740.1)	(673.1)	(9.9%)
Operating Profit Before Provisions for Impairment	447.3	488.7	354.6	(8.5%)	26.2%	801.9	959.6	(16.4%)
Provisions for Impairment	(140.0)	(296.6)	(134.5)	52.8%	(4.1%)	(274.5)	(653.6)	58.0%
Net Profit	307.3	192.1	220.1	60.0%	39.7%	527.4	306.0	72.4%

Balance Sheet Highlights (AED Bn)	Results as at				Variance		
	Jun'22	Mar'22	Dec'21	Jun'21	Jun'22 vs Dec'21	Jun'22 vs Jun'21	Jun'22 vs Mar'22
Total Assets	60.8	58.6	56.3	54.3	7.9%	11.9%	3.7%
Gross Loans & Advances	35.8	35.8	34.2	33.2	4.7%	7.8%	0.0%
Deposits	39.6	38.5	37.6	37.0	5.1%	6.8%	2.9%

Key Ratios Percentage	Quarter Ratios					Half Year Ratios		
	Q2'22	Q2'21	Q1'22	Q2'22 vs Q2'21	Q2'22 vs Q1'22	H1'22	H1'21	H1'22 vs H1'21
Return on Equity*	14.8%	9.8%	10.5%	5.0%	4.3%	12.7%	7.8%	4.9%
Return on Assets*	2.1%	1.5%	1.6%	0.6%	0.6%	1.9%	1.2%	0.7%
Net Interest Margin*	3.9%	4.2%	3.9%	(0.3%)	0.0%	3.9%	4.2%	(0.3%)
Cost to Income	45.1%	41.3%	51.2%	(3.8%)	6.1%	48.0%	41.2%	(6.8%)
Impaired Loan Ratio	3.6%	5.1%	3.7%	1.5%	0.1%	3.6%	5.1%	1.5%
Impaired Loan Coverage Ratio	142.1%	127.7%	137.8%	14.4%	4.3%	142.1%	127.7%	14.4%
Total Capital Adequacy Ratio Basel III**	16.8%	17.8%	16.5%	(1.0%)	0.3%	16.8%	17.8%	(1.0%)

* Annualized

**After application of Prudential Filter

Key Highlights



Profitability Growth supported by Income momentum and improvement in Provisions

- 72.4% increase in Net Profit to AED 527.4 mn in H1 2022. Net profit for the quarter at 307.3 mn up 39.7% compared to Q1 2022, reflecting the highest quarterly Net Profit since 2015.
- Net Interest Income and Income from Islamic products net of distribution to depositors at AED 1.1 bn for the first half of 2022 an increase of 2.7% compared to H1 2021.
- Interest income from conventional loans and investments was up by 4.7% compared to H1 2021, and interest costs on conventional deposits and borrowings was up by 14.8%. Net income from Sharia-compliant Islamic financing was down by 0.9%.
- Non-Interest Income at AED 438.5Mn reflects a reduction of 21.4% mainly on account of exceptional trading losses booked in Q1'22.
- Non-interest income was down by AED 119.4 mn mainly due to a decrease of AED 66.7 mn in investment income, decrease of AED 15.9 mn in Forex and Derivative income, decrease of AED 12.5 mn in Net Fee and commission, decrease of AED 11.3 mn in other operating income and Net insurance underwriting profit decreased by AED 13.1 mn.
- Total Income continues to benefit from the momentum attained on the balance sheet with Total Income increasing by 12.1% as against the previous quarter, while the same is lower by 5.6% compared to H1 2021 due to lower Non Interest Income.
- Operating Expenditure at AED 740.1 mn for H1 2022 reflected an increase of 9.9% as compared to H1 2021 and 7.2% as compared to Q2 2021 as the bank continued to invest for growth. Compared to the previous quarter the Operating Expenditure is lower by 1.3% as we start delivering the cost efficiencies to fund our strategic investments.
- Compared to H1 2021, operating expenses for first half of this year were higher mainly due to an increase of AED 45.6 mn in staff costs, AED 20.8 mn in Card expenses, AED 3.1 mn in occupancy costs and 1.5 mn in other expenses. This was partly offset by a reduction of AED 3.8 mn in depreciation and AED 1.1 mn in marketing expenses.
- Cost-to-Income ratio for the bank increased to 48.0% compared to 41.2% at the end of same period last year and 43.2% for FY 2021 largely due to the losses in the Trading book during the first quarter, leading to lower income for H1. As for Q2 2022 the same was at 45.1% improving against the 51.2% for Q1 2022.
- Provision for credit loss at AED 274.5 mn as at H1 2022, decreased by 58.0% compared to H1 2021 and 52.8% compared to Q2 2021 driven by a change in business mix, improvement in portfolio credit quality supported by continued improvement in the macro-economic environment.
- Net Credit Losses to average loans and advances closed at 1.5% compared to 4.0% as at end of first half of 2021.



Balance Sheet crosses AED 60 Bn with a strong uptick across customer segments

- Balance sheet crosses AED 60 bn as the Total Assets increased year to date by AED 4.5 bn reflecting a growth of 7.9%, due to an increase in Gross Loans and Advances by AED 1.6 bn, Cash and Central Bank balance increased by AED 1.3 bn, Lending to Banks which increased by AED 907 mn and Investments increased by 264 mn.
- Lending in the Wholesale Banking increased by AED 754.0 mn, Retail Banking segment increased by AED 339.7 mn and Business Banking lending increased by AED 522.7 mn compared to 31 December 2021. Strong balance sheet momentum was visible across all the segments
- Wholesale Banking Segment reflecting a strong YTD growth on the balance sheet of 8.7% on the back of over 20% growth in the Financial Institutions portfolio
- Growth for Retail Banking supported by a strong sales momentum across products, with Auto loans reflecting 5.1% YTD growth, Mortgages growing by 3.7%, and Credit Cards by 1.2%.
- Business Banking segment recorded a 6.5% growth YTD backed by 4.8% growth on Business Loans while trade and working capital loans reflected 8.9% growth YTD.
- Total Assets increased by AED 6.5 bn to AED 60.8 bn compared to 30 June 2021 mainly due to an increase in Gross Loans and Advances AED 2.6 bn, AED 2.0 bn in Cash and Central bank balances, AED 846 mn in Investments and AED 475 mn in Due from other banks.
- Non-performing Loans and Advances to Gross Loans and Advances ratio was 3.6% as at 30 June 2022 compared to 5.1% as at 30 June 2021 and 4.1% as at December 2021.

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

- Customer deposits increased by 6.8% as against first half of 2021 and 5.1% or AED 1.9 bn to AED 39.6 bn compared to 31 December 2021 mainly due to increase of AED 1.3 bn in time deposits and AED 624.4 mn 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 16.8% compared to 17.0% at the end of the previous year.
- The regulatory eligible liquid asset ratio at the end of the first half was 13.0%, compared to 11.6% as at 31 December 2021, and advances to stable resources ratio stood comfortably at 82.0% compared to 82.9% at the end of 2021.

Cash Flows

- Cash and cash equivalent as at 30 June 2022 were AED 4.3 bn compared to AED 2.8 bn as at 30 June 2021.
- Net cash generated from operating activities was AED 2.9 bn, AED 720.2 mn was used in investing activities and AED 1.2 bn used in financing activities.

Impact of Projected Capital Expenditure and developments

- The Group incurred AED 31.9 mn in capital expenditure primarily focused on implementing and embedding Consumer Protection Framework while enhancing our AML / CFT systems.
- The Bank will continue to invest in innovative digital first technological solutions to offer a highly personalized & digitized experience for our customers.

Further embedding ESG into RAKBANK's Strategy and Mission

- Over 2.6 mn digital transactions were conducted in the second quarter of 2022.
- Based on results compounded from customer surveys the Net promoter Score of the Bank for Q2'22 improved to 51 and is above the UAE market benchmark.
- In line with the Bank's ESG Framework, we supported budding entrepreneurs and the thriving SME sector by offering financing solutions to more than 2,400 small and medium enterprises customer throughout the last six months, that will not only enable them to develop their businesses, but also contribute to the economic growth of the UAE.
- During Ramadan, RAKBANK supported Al Jalila Foundation's campaign called basma. This campaign was an event for all the women who survived/fighting cancer to a wholesome iftar whereby 100% of the proceeds from basma campaign was used to support pioneering childhood cancer research and help children with cancer whose families are unable to afford quality treatment.
- RAKBANK and Edenred's collaboration with United Nations Capital Development Fund (UNCDF) aims to improve access, uptake, and usage of the Bank's digital remittance solutions, RAKMoneyTransfer (RMT), among the 1.3 million blue collared migrant workers receiving their wages digitally (C3 cardholders). In addition to the fully digital solution RMT, the Edenred C3 card offers users flexibility with their finances, including access to micro credit facilities, mobile top ups, etc. and is designed to support financial inclusion for the unbanked section of the society.
- The Bank continues to raise awareness about the evolving tax system here in the UAE by inviting over 800 Business Banking customers to attend a comprehensive webinar on the newly announced Corporate Tax. RAKBANK invited panelists and speakers that comprised of top management from Deloitte and MI Capital, tax industry experts that shared their insight on the United Arab Emirates (UAE) federal Corporate Tax (CT) announcement.
- In 2021, the Bank's Environmental, Social and Governance (ESG) framework was rated as BBB by Morgan Stanley Capital International (MSCI). For more details on the Bank's ESG Framework and Approach the Bank urges the public to read the [RAKBANK 2021 Annual Integrated Report](#).

Q2 2022 Major Events and Developments

- RAKBANK is one of the four Banks to partner with DIFC to launch the region's first Open Finance Lab to promote the development and growth of the UAE financial technology sector.
- RAKBANK revamped its Digital Market place for SMEs (SMEsouk) with added features and functionalities such as trade license comparator, business toolkit, Digital onboarding, and more.

Risk Management in the Current Economic Scenario

- The ongoing geopolitical crisis in conjunction with the rising interest rates has and is expected to continue to exert an upward pressure on the prices of the most basic necessities.
- Sharp rise in input costs, as prices for fuel, metals, chemicals etc. remain elevated impacted by the global supply-chain challenges
- These factors are expected to prompt a greater caution and risk aversion as we tread cautiously into the second half of 2022.

Strategy Going Forward

- RAKBANK is refreshing its 5-year strategy which defines the bank's renewed purpose of 'Simply Better' banking by becoming the trusted advisor for its customers & clients for their financial needs.
- We are making rapid process in further strengthening our SME customer experience through the launch of digital onboarding & loan capabilities & diversifying & enhancing our wholesale banking business into a relationship led model.


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 up by trust and transparency in financial reporting.


Rating Agency	Last Update	Deposits	Outlook
Moody's	May 2022	Baa1 / P-2	Stable
Fitch	April 2022	BBB+ / F2	Stable
Capital Intelligence	August 2021	A- / A2	Stable





Raheel Ahmed
Chief Executive Officer


RAKBANK Awards & Accolades


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One of the World's Best Banks of 2021
Forbes
- 


The Number 1 Top Investment House in MENA
The Asset Benchmark Research
- 


Gold Award Winners
The Asset ESG Corporate Awards 2021
- 


Certificate on Environment for 2021
Dubai Chamber CSR Label
- 


Best Wealth Management Provider in the UAE
World Finance Wealth Management Awards
- 


Banking Innovation Awards
EFMA Accenture Banking Innovation Awards
- 


Customer Journey Reimagination category-SME Digital Onboarding
Infosys Finacle Innovation Awards
- 


Best Online Bank UAE
International Business Magazine
- 


Best Bank for Insurance in the UAE
International Business Magazine
- 


Best Sustainable Work Practices Excellence Bank Award
Middle East Banking Innovation Summit
- 


Best Self-Service Banking Implementation in Middle East for "Quick Apply"
Asian Banker Financial Technology Innovation Awards
- 

Best Retail Payment Implementation in the Middle East for "Skiplly"
Asian Banker Financial Technology Innovation Awards
- 

Best Trade Finance Bank
MEA Trade Review Awards
- 

Best AI Technology Implementation for the "Insurance Chatbot"
MEA Finance Awards
- 

Outstanding Digital Transformation in Payments for Skiplly
ME&A Innovation Awards
- 

Best Use of MarTech EnterpriseBank Award
Vibe MarTech Awards
- 

Advertiser of the Year
MMA Smarties Award

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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