

## National Bank of Ras Al Khaimah PSC Consolidated Q1 2021 Financial Results

Ras Al Khaimah, 27<sup>th</sup> April, 2021 - The National Bank of Ras Al Khaimah (ADX: RAKBANK) today announced its results for the quarter ended 31 March 2021. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the "Group".

### Q1 2021 Highlights

#### Net Profit of AED 113.9 million

Net profit is down by 25.8% compared to Q1 2020 and up by 70.8% compared to Q4 2020

#### Total Income of AED 800.9 million

Total income is down by 20.0% compared to Q1 2020 and down by 0.8% compared to Q4 2020

#### Total Assets at AED 53.2 billion

Total assets is up by 0.9% year to date and down by 10.9% year on year

#### Gross Loans & Advances at AED 32.7 billion

Gross loans and advances is up by 1.7% year to date and down by 9.6% year on year

#### Total Deposits at AED 36.5 billion

Total deposits is down by 1.3% year to date and 3.5% year on year

#### Capital Adequacy Ratio 18.1%

Capital Adequacy Ratio as at 31 March 2021 is 18.1% after applying the prudential filter compared to 18.6% as at 31 December, 2020

#### Return on Assets at 0.9%\* and Return on Average Equity at 5.9%\*

\*Annualised

### Q1 Review

**Commenting on the results, Peter England, Chief Executive Officer, said:** "The Bank's performance this quarter was solid and driven by a strong momentum from all of our business verticals as this was evident in the year-on-year decrease in Provision for Credit Loss by AED 123.4 million. RAKBANK is on a recovery path post COVID and will continue to maintain that trajectory while retaining healthy capital levels. Additionally, RAKBANK's Asset Portfolio proved its resilience and is a testament to the Bank's sustainability and adaptability, which is clearly articulated in the diversification of our earning streams.

RAKBANK is well positioned to continue helping its customers prepare for a world beyond the pandemic, and that strength is reflected in the earnings achieved this quarter. However, the road to recovery is arduous and our priority as a national bank currently revolves around investing in our community by prioritizing our customer needs and requirements. During the upcoming quarters, the Bank will continue to focus on deepening its customer relationships across business verticals by enhancing its digital capabilities and platforms, with the aim of providing exceptional banking solutions to meet the rapidly changing needs of those we serve."

## RAKBANK FINANCIAL SNAPSHOT FOR Q1 2021 RESULTS

Income Statement Highlights					
(AED Mn)	Quarter Results			Variance	
	Q1 '21	Q4 '20	Q1 '20	Q1 '21 vs Q4 '20	Q1 '21 vs Q1 '20
Net Interest Income and net income from Islamic financing	531.7	561.8	696.1	(5.4%)	(23.6%)
Non-Interest Income	269.2	245.8	305.0	9.5%	(11.8%)
<b>Total Income</b>	<b>800.9</b>	<b>807.6</b>	<b>1,001.2</b>	<b>(0.8%)</b>	<b>(20.0%)</b>
Operating Expenditures	(330.0)	(363.7)	(367.3)	9.3%	10.2%
Operating Profit Before Provisions for Impairment	470.9	443.9	633.9	6.1%	(25.7%)
Provisions for Impairment	(357.0)	(377.1)	(480.4)	5.3%	25.7%
<b>Net Profit</b>	<b>113.9</b>	<b>66.7</b>	<b>153.5</b>	<b>70.8%</b>	<b>(25.8%)</b>

Balance Sheet Highlights					
(AED Bn)	Results as at			Variance	
	Mar '21	Dec '20	Mar '20	Mar '21 vs Dec '20	Mar '21 vs Mar '20
Total Assets	53.2	52.8	59.8	0.9%	(10.9%)
Gross Loans & Advances	32.7	32.2	36.2	1.7%	(9.6%)
Deposits	36.5	36.9	37.8	(1.3%)	(3.5%)

Key Ratios Highlights					
Percentage	Results as at			Variance	
	Mar '21	Dec '20	Mar '20	Mar '21 vs Dec '20	Mar '21 vs Mar '20
Return on Equity*	5.9%	6.5%	7.7%	(0.6%)	(1.8%)
Return on Assets*	0.9%	0.9%	1.1%	0.0%	(0.2%)
Net Interest Margin*	4.2%	4.6%	4.9%	(0.4%)	(0.7%)
Cost to Income	41.2%	39.2%	36.7%	(2.0%)	(4.5%)
Impaired Loan Ratio	5.4%	5.2%	4.0%	(0.2%)	(1.4%)
Impaired Loan Coverage Ratio	125.7%	129.4%	131.5%	(3.7%)	(5.8%)
Total Capital Adequacy Ratio Basel III**	18.1%	18.6%	16.4%	(0.5%)	1.7%

\* Annualised

\*\*After application of Prudential Filter



## Q1 2021 Results Review

### Total Income

Compared to Q1 2020, the total operating Income was down by AED 200.2 million to AED 800.9 million. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 531.7 million. Interest income from conventional loans and investments was down by 33.4% compared to Q1 2020, and interest costs on conventional deposits and borrowings also down by 61.3%. Net income from Sharia-compliant Islamic financing was down by 8.2%. Non-interest income was down by AED 35.9 million to AED 269.2 million mainly due to decrease of AED 18.1 million in Net fees and commission income and AED 33.2 million in FOREX and Derivative income, this was offset by increase of AED 12.1 million in investment income and AED 11.9 million in other operating income.

The total operating income was down by AED 6.7 million compared to Q4 2020, mainly due to decrease in net interest income by AED 30.1 million which was partly offset by AED 23.4 million increase in non-interest income.

### Operating Expenses and Cost-to-Income Ratio

Compared to Q1 2020, operating expenses for the quarter were lower by 10.2%. This was mainly due to a decrease of AED 27.0 million in staff costs, AED 5.6 million in occupancy costs and AED 2.8 million in marketing expenses and most other expenses offset largely by an increase in depreciation expenses. The Bank's Cost-to-Income ratio increased to 41.2% compared to 36.7% at the end of same quarter last year and 39.2% for FY 2020.

### Asset Quality and Impairments

Provision for credit loss decreased by AED 123.4 million compared to Q1 2020 and compared to Q4 2020, provision for credit loss decreased by AED 20.1 million. Non-performing Loans and Advances to Gross Loans and Advances ratio was 5.4% as at 31 March 2021, Net Credit Losses to average loans and advances closed at 4.5% compared to 5.3% as at end of first quarter of 2020.

### Asset Growth

Total Assets increased year to date by AED 458.4 million which translates into a growth of 0.9%, due to an increase in Gross Loans and Advances which increased by AED 531.4 million, Lendings to Banks which increased by AED 1.4 billion, Investments which increased by AED 663.0 million offset by a reduction in Cash and Central Bank balances by AED 1.6 billion. Lending in the Wholesale Banking and Retail Banking segments increased by AED 113.8 million and AED 453.0 million respectively and Business Banking lending was lower by AED 35.4 million compared to 31 December 2020.

Total Assets decreased by AED 6.5 billion to AED 53.2 billion compared to 31 March 2020 mainly due to decrease in Gross Loans and Advances which declined by AED 3.5 billion and Cash and Central Bank balances by AED 2.2 billion.

### Customer Deposits

Customer deposits declined by AED 465.0 million to AED 36.5 billion compared to 31 December 2020 mainly due to decrease of AED 1.1 billion in time deposits which was partly off-set by AED 613.5 million increase in CASA deposits.

Customer deposits declined by AED 1.3 billion compared to 31 March 2020, mainly due to decrease of AED 6.2 billion in time deposits which was partly off-set by AED 4.9 billion increase in CASA deposits.

**Capital and Liquidity**

The Bank's total Capital Ratio as per Basel III, after the application of prudential filter was 18.1% compared to 18.6% at the end of the previous year. The regulatory eligible liquid asset ratio at the end of the quarter was 10.5%, compared to 14.5% as at 31 December 2020, and advances to stable resources ratio stood comfortably at 85.5% compared to 80.6% at the end of 2020.

**Cash Flows**

Cash and cash equivalent as at 31 March 2021 were AED 2.6 billion compared to AED 3.6 billion as at 31 December 2020. Net cash used for operating activities was AED 317.8 million, AED 673.6 million was used in investing activities and AED 5.8 million in financing activities.

**Impact of Projected Capital Expenditure and developments**

The Group incurred AED 13.4 million in capital expenditure compared to AED 18.3 million in first quarter of 2020. In view of the current economic scenario, the Group will be more prudent in spending on capital expenditures. Spending will be more for IT digitization and enhancing e-banking for our customers.

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

**Q1 2021 Major Events and Developments**

- RAKBANK publishes its first Integrated Report
- RAKBANK renews partnership with dynamic Fintech platform Invoice Bazaar
- bfound partners with RAKBANK – Join's SMEsouk Portal
- RAK AMI Hotel secures financing deal from RAKBANK

**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 COVID-19 crisis. 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 have 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. HR has also organized vaccination camps on Bank premises with support from Department of Health.



## 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	December 2020	Baa1 / P-2	Negative
Fitch	July 2020	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](http://www.rakbank.ae) or contact the Call Centre on +9714 213 0000. Alternatively, you can connect with RAKBANK via [twitter.com/rakbanklive](https://twitter.com/rakbanklive) and [facebook.com/rakbank](https://facebook.com/rakbank).

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