

## National Bank of Ras Al Khaimah PSC Consolidated Financial Full Year 2019 Results

Ras Al Khaimah, 5 February 2020 - The National Bank of Ras AL Khaimah (ADX: RAKBANK) today announced its results for the year ended 31 December 2019. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the "Group".

### FY 2019 Highlights

**Net Profit of AED 1,095.3 million**

Net profit up by 19.4% compared to previous year

**Total Income of AED 3.98 billion**

Total income up by 4.0% compared to previous year

**Total Assets at AED 57.1 billion**

Total assets up by 8.4%, year-on year

**Gross Loans & Advances at AED 36.3 billion**

Gross loans and advances up by 4.1%, year-on-year

**Total Deposits at AED 36.8 billion**

Total deposits up by 7.9%, year-on-year

**Capital Adequacy Ratio 16.8%**

Capital adequacy ratio as at 31 December 2019 is 16.8% compared to 17.2% of the previous year-end

**Return on Assets at 2.0% and Return on Equity at 14.9%**

### Q4 2019 Highlights

**Net Profit of AED 255.9 million**

Net profit up by 4.1% compared to Q4 2018 and down 10.1% compared to Q3 2019

### Overview

Commenting on the results, **H.E. Mohamed Omran Alshamsi, Chairman of RAKBANK**, said: "In a steadily growing economy marked by digital advancements and product launches, the Bank produced yet another strong fourth quarter and full year, allowing us to increase investments in our customer value proposition, the community, and employees, while keeping a close eye on expenses. RAKBANK's core business is resilient and our diversified portfolio resulted in an increase in the Bank's assets and the growing customer deposits, which in turn will allow us to continuously deliver robust and sustainable results for the future."

**RAKBANK CEO, Peter William added:** "2019 represented a milestone for RAKBANK with total income reaching close to AED 4 billion for the first time in the bank's history. We also saw a significant boost in our fee income line to reach an all-time high of AED 1.18 billion. The results of our significant shift in strategy that we set out on in 2015 to diversify the bank's earnings base continue to deliver market leading results. The growth in RAKBANK's net profit for 2019 was supported by a year-on-year drop in the Bank's provision for credit loss by AED 107.9 million which again demonstrates the effectiveness of our diversification strategy and continual focus on asset quality.

Gross Loans and Advances grew year-on-year and Customer Deposits climbed to a record high, increasing by 4.1% and 7.9% respectively compared to the previous year. Loan growth was largely driven by our Wholesale Banking and Financial Institutions businesses whilst the Bank retained our market leading position in the small business sector and continued to roll out innovative offerings in the Personal Banking space."

## 2019 Main Developments

### Partnerships and Strategic Alliances

- 5-year partnership with Coca-Cola Arena to facilitate seamless transactions as a Founding Partner and Official Retail Bank.
- Multi-year agreement designating RAKBANK as exclusive banking partner of Dubai Festivals and Retail Establishment's retail calendar.
- Agreement signed with Emirates Development Bank for AED 100 million SME credit guarantee.
- Agreement signed with Etihad Credit Insurance (ECI), the UAE Federal export credit company, to assist local SMEs in accessing international markets via a number of financial services and educational tools.

### Launch of New Products and Services and Digitization Efforts

- Launch of Mini-Gold product a result of MoU signed with DGCX to develop bullion products.
- Launch of SMEsouk, providing small businesses via a digital community platform with non-banking value-added services.
- Introduction of Skiply app for online payments with any bank card for school fees, excursions, uniforms and other school expenses.
- RAKBANK provided access to all digital wallets – including Google PayTM, Fitbit Pay, Garmin Pay, in addition to the current digital wallet solutions on hand such as Samsung Pay and Apple Pay.

### Operational Developments

- Completion of a strategic offshoring programme in full compliance with CBUAE guidelines on outsourcing.
- RAKBANK went live as a Trade Member on Dubai Gold and Commodities Exchange (DGCX).

## 2020 Outlook

Despite on-going regional and global geopolitical risk and challenges with Trade agreements we expect the UAE banking sector to remain stable in 2020. Whilst we expect loan growth to remain relatively subdued we believe we will see some further improvement in the operating environment especially as the activities relating to EXPO 2020 gain increasing traction. UAE Banks generally are well capitalised and the market remains flush with domestic liquidity ensuring the market will be resilient to any external factors that may prevail.

At RAKBANK, whilst we continue our journey of diversification, we remain as always very committed to the UAE SME market where we are a clear market leader. We also intend to continue developing our growing corporate business and engagement with financial institutions through capitalizing on selective syndication deals, trade finance and corporate loans to diversify our revenue streams. We also believe we will see strong results from our revitalised personal banking franchise. The Bank's funding cost will also be managed by continued efforts to grow low cost customer deposits across segments, particularly with on-going focus on retail and SME customers. This is expected to facilitate revenue growth over and above our solid result in 2019. Asset quality is expected to remain stable and continue to improve gradually as we see ongoing improvement through our strong risk management practices and proactive governance in managing customer credit profiles. All things considered, we expect RAKBANK to improve the profitability and other key metrics in 2020.



**RAKBANK FINANCIAL SNAPSHOT FOR Q4 AND FULL YEAR 2019 RESULTS**

| Income Statement Highlights                       |                 |              |               |                   |                |              |
|---|-----------------|--------------|---------------|-------------------|----------------|--------------|
|   | Quarter Results |              |               | Full Year Results |                |              |
| (AED Mn)  | Q4 '19          | Q4 '18       | Variance%     | FY '19            | FY '18         | Variance%    |
| Net Interest Income                               | 710.4           | 702.8        | 1.1%          | 2,802.1           | 2,768.7        | 1.2%         |
| Non-Interest Income                               | 270.2           | 289.5        | (6.7%)        | 1,176.8           | 1,058.3        | 11.2%        |
| <b>Total Income</b>                               | <b>980.6</b>    | <b>992.3</b> | <b>(1.2%)</b> | <b>3,978.9</b>    | <b>3,827.0</b> | <b>4.0%</b>  |
| Operating Expenditures                            | (395.4)         | (375.3)      | (5.4%)        | (1,570.4)         | (1,488.3)      | (5.5%)       |
| Operating Profit Before Provisions for Impairment | 585.2           | 617.0        | (5.2%)        | 2,408.5           | 2,338.7        | 3.0%         |
| Provisions for Impairment                         | (329.3)         | (371.3)      | 11.3%         | (1,313.2)         | (1,421.1)      | 7.6%         |
| <b>Net Profit</b>                                 | <b>255.9</b>    | <b>245.7</b> | <b>4.1%</b>   | <b>1,095.3</b>    | <b>917.5</b>   | <b>19.4%</b> |

| Balance Sheet Highlights |               |         |         |                    |              |
|--------------------------|---------------|---------|---------|--------------------|--------------|
|                          | Results as at |         |         | Variance           |              |
| (AED Bn)                 | Dec '19       | Sep '19 | Dec '18 | Quarter-on-Quarter | Year-on-Year |
| Total Assets             | 57.1          | 56.3    | 52.7    | 1.5%               | 8.4%         |
| Gross Loans & Advances   | 36.3          | 36.3    | 34.8    | (0.1%)             | 4.1%         |
| Deposits                 | 36.8          | 36.5    | 34.1    | 1.0%               | 7.9%         |

| Key Ratios Highlights                  |               |         |         |                    |              |
|--|---------------|---------|---------|--------------------|--------------|
|  | Results as at |         |         | Variance           |              |
| Percentage                             | Dec '19       | Sep '19 | Dec '18 | Quarter-on-Quarter | Year-on-Year |
| Return on Equity                       | 14.9%         | 15.5%*  | 13.5%   | (0.6%)             | 1.4%         |
| Return on Assets                       | 2.0%          | 2.1%*   | 1.8%    | (0.1%)             | 0.2%         |
| Net Interest Margin                    | 5.1%          | 5.2%*   | 5.5%    | (0.1%)             | (0.4%)       |
| Cost to Income                         | 39.5%         | 39.2%   | 38.9%   | (0.3%)             | (0.6%)       |
| Impaired Loan Ratio                    | 4.0%          | 3.7%    | 4.2%    | (0.3%)             | 0.2%         |
| Impaired Loan Coverage Ratio           | 118.4%        | 129.1%  | 133.1%  | (10.7%)            | (14.7%)      |
| Basel III Total Capital Adequacy Ratio | 16.8%         | 17.5%   | 17.2%   | (0.7%)             | (0.4%)       |

\*Annualized

**FY 2019 Results Review**
**Total Income**

The Total Operating Income was up by AED 151.9 million to AED 3.98 billion. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 2.8 billion. Interest income from conventional loans and investments was up by 3.2% year-on-year, while interest costs on conventional deposits and borrowings increased by AED 88.9 million. Net income from Sharia-compliant Islamic financing was up by 7.8%.

Non-interest income was up by AED 118.6 million to AED 1.2 billion mainly due to increase of AED 84.2 million in FOREX & derivative income, net fees and commissions AED 43.1 million and Investment income AED 22.7 million which was partly offset by reduction in Gross insurance underwriting profit AED 27.2 million.

**Operating Expenses**

Operating costs were up by AED 82.1 million. This was mainly due to increase of AED 13.5 million in marketing expenses, AED 11.2 million in IT related expenses, AED 12.7 million in communication costs and AED 43.7 million in other costs largely due to VAT expenses. As a consequence, the Bank's Cost-to-Income ratio increased to 39.5 % compared to 38.9% in the previous year.

**Asset Quality and Impairments**

Provision charge credit loss decreased by AED 107.9 million compared to the previous year. This was due to lower payment defaults in RAK Finance loans, Credit Cards, Auto loans and Commercial segments compared to 2018. Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 4.0% compared to 4.2% as at 31 December 2018 and Net Credit Losses to average loans and advances closed at 3.7% which is lower than 4.1% in 2018.

**Asset Growth**

Total Assets increased by AED 4.4 billion to AED 57.1 billion compared to 31 December 2018 with the major contributions coming from Gross Loans and Advances which grew by AED 1.4 billion, Bank loans grew by AED 1.8 billion and Investment Securities grew by AED 1.0 billion. Lending in the Wholesale Banking segment grew by AED 1.4 billion at 17.9% over the previous year-end. The Retail Banking segment gross lending was higher by AED 232.5 million and Business Banking lending was lower by AED 226.9 million compared to 31 December 2018.

**Customer Deposits**

Customer deposits grew by AED 2.7 billion to AED 36.8 billion compared to December 31, 2018. The growth came mainly from an increase of AED 2.2 billion in CASA Deposits (AED 1.9 billion in current accounts and AED 0.3 billion from savings and call deposit accounts)

**Capital and Liquidity**

The Bank's capital adequacy ratio as per Basel III was 16.8% at year-end. The Common Equity Tier 1 ratio of the Bank stood at 15.7%. The regulatory eligible liquid asset ratio at the end of the year was 12.9%, much higher than the stipulated regulatory minimum of 10%. The advances to stable resources ratio stood at a comfortable 89.1%, as against the regulatory cap of 100%. In April 2019, the Group issued five year USD 500 million Euro Medium Term Notes (EMTN) under its USD 2 billion EMTN programme through its subsidiary RAK Funding Cayman limited. This was issued at a discounted rate of 99.692% and carries a fixed interest rate of 4.125% per annum which is payable half yearly in arrears. These notes mature in April 2024.

**Cash Flows**

Cash and cash equivalents as at 31<sup>st</sup> December 2019 were AED 1.9 billion compared to AED 2.4 billion as at 31 December 2018. Net cash generated from operating activities was AED 630.6 million, which was partly used in investing activities amounting to AED 645.9 million. Additionally, there was a net cash out flow from financing activities amounting to AED 503.9 million.



### Impact of Projected Capital Expenditures and Developments

The Bank incurred AED 84.3 million in capital expenditures during FY2019, against AED 86.3 million in the previous year. Similar levels of spending on capital expenditures are expected in the coming year and will largely be allocated to investments in IT and digitization plans.

Operating cost will be managed with streamlining of non-value add activities and legacy structures and seeing the full year benefit of our offshoring program. Moreover, we will intensify our commitment to the digital transformation of all aspects of product development, sales and service channels as well as back-end operations. The objective of these transformational initiatives is to facilitate more efficient and effective service delivery of the Bank's offerings with scope to better capitalize on future business opportunities.


### Dividends

The Board of Directors recommended a distribution of cash dividend of 30 fils per share for shareholders' consideration and approval at the AGM.

### 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              | August 2019 | Baa1 / P-2 | Stable  |
| Fitch                | August 2019 | BBB+ / F2  | Stable  |
| Capital Intelligence | August 2019 | A- / A2    | Stable  |



**Mohamed Omran Alshamsi**  
Chairman



### 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](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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## Management's Discussion & Analysis –05/02/2020

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