



Q1 2023

FINANCIAL RESULTS PRESS RELEASE AND MANAGEMENT DISCUSSION & ANALYSIS

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

26 April 2023



RAKBANK more than doubles its quarterly Net Profit at AED 450M for Q1'23 on the back of strong income growth

Ras Al Khaimah, United Arab Emirates, 26 April 2023 – The National Bank of Ras Al Khaimah (RAKBANK) today reported its financial results for the first quarter of 2023 ("Q1'23")

Highlights Q1 2023	Total Income AED 1,073M +48% YoY	Total Assets AED 68.9B +14.8% YoY	Deposits AED 46.4B +16.4% YoY	Return on Equity 19.4%	Return on Assets 2.8%
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RAKBANK delivered a Net Profit increase of 105% for Q1 2023 driven by a robust and diversified growth on both sides of the balance sheet. This was underpinned by strong sales momentum and lower cost of funds.

- Total Income performance was supported by a strong net interest income of AED 788.8M, up 46.0% YoY. Net interest margins increased to 4.9% against 3.8% (Q1'22) and continues to be among the highest in the Industry. Q1'23 non-interest income of AED 284.4M, up 52.5% YoY. The growth in non-interest income was driven by higher forex and derivative income.
- Gross loans & advances at AED 38.7B, reflecting a 1.4% increase compared to 31 December 2022 on the back of a changing balance sheet mix in line with the strategic direction of the bank.
- Customer deposits stood at AED 46.4B, an increase of 3.3% compared to 31 December 2022. The Bank has a strong Current & Saving Account (CASA) franchise with the CASA ratio of 70.5%.
- Cost of Risk remained low due to the Bank's diverse business mix and resilient UAE economic environment, leading to a 30.9% reduction in impairments as against Q4'22. Impaired Loan provision coverage ratio increased to 192.1% against 137.8% in Q1'22, remaining one of the strongest in the industry.

The Bank achieved balanced growth across all Business Segments:

Personal Banking:

- Gross loans & advances at AED 19.1B are up 1% YoY and +2% against FY'22 driven by the sales momentum across products with balance sheet for Auto loans +6%, Mortgages +5% and Personal loans +0.3%.
- Customer deposits of AED 16.7B, are up 22% YoY and +6% during the quarter driven by higher Term deposits +30% & CASA +0.3%.
- Q1'23 income supported by net interest income of AED 229M, +19.0% YoY and non-interest income of AED 123M, +1% YoY.

Business Banking:

- Gross loans & advances of AED 9.3B, are up 12% YoY and +3% against FY'22 mainly through higher volumes for Rak business loans +5%.
- Customer deposits of AED 19.7B, are up 14% YoY and +7% during the quarter driven by higher CASA deposits +7% & Term deposits +2.7%.
- Q1'23 income supported by net interest income of AED 337M, +57.0% YoY and non-interest income of AED 77M +6% YoY.

Classification: RAKBANK-Public

Wholesale Banking & Others:

- Gross assets (including lending to banks) of AED 19.8B, are up 13% YoY and +1% against FY'22 mainly driven by higher FI bank lending +2%.
- Customer deposits of AED 9.9B, are up 13% YoY and +7% during the quarter.
- Q1'23 income supported by net interest income of AED 224M, +68.0% YoY and non-interest income of AED 84M against a loss of 8Mn in Q1'22.

RAKBANK delivered strong shareholder returns with ROE of 19.4% and ROA of 2.8%, and remained highly liquid and well capitalized.

- The Bank's Capital Adequacy Ratio (CAR) was at 16.8%.
- The regulatory eligible liquid asset ratio at 14.8%, compared to 12.8% as at 31 December 2022, and the advances to stable resources ratio stood comfortably at 81.8% compared to 79.7% at the end of 2022.
- Cost-income ratio improved to 36.2% driven by strong cost discipline, automation and digitization.
- The Bank's non-performing loans ratio improved to 3.0% against 3.6% in Q1'22.

Raheel Ahmed, CEO of RAKBANK said, "Delivering on our multi-year strategy, we accelerated our growth and achieved a record net profit of AED 450M and a record total income of AED 1,073M for the quarter. In addition to this impressive growth, I am very pleased with the progress we are making in laying the foundation for sustainable growth.



Raheel Ahmed, CEO

In diversifying our income sources, we achieved robust growth on both sides of the balance sheet, across interest and fee incomes, and in all our segments. In terms of building deeper customer relationships, we achieved strong growth in digitally active customers with digital transactions growing by 12% YoY. Our high CASA ratio in our deposit base of 70.5% despite the high interest rate environment is a testament of the strong relationships we built with our customers and clients. We enhanced our operational leverage and improved our cost-income ratio through our strong cost discipline, and our cost of risk reduced via diversifying our business mix. The Bank remains well capitalized and liquid with a Capital Adequacy Ratio of 16.8% and an Eligible Liquid Asset Ratio of 14.8%. As a result of our progress, we achieved an ROE of 19.4% and ROA of 2.8%.

Being one of the largest SME banks in the UAE, we continue to back entrepreneurs and start-ups by opening more than 4,000 business accounts in Q1 2023, of which 1,600 accounts were opened for start-ups. Similarly, we disbursed AED 571M in business loans, out of which AED 394M were disbursed for new business loan customers.

As we grow, we are investing heavily in technology while maintaining cost discipline to digitize customer journeys, upgrade core data architecture, and revamp compliance and risk infrastructure. This investment will enable RAKBANK's journey to provide a superior customer experience that is characterized by its hyper-personalization and relevance. The recent launch of our first fully digital accounts opening capability with straight-through processing is a good example of how we are digitizing our customer journeys.

Continuing from Q4 2022, we are focusing on expanding strategic hires to lead our growth, and we remain committed to and supporting the career aspirations and ambitions of our colleagues. Special attention is drawn to developing our Emirati talents as we align ourselves to the UAE leadership's mission of growing and nurturing local talent.

As one of the nation's leading financial institutions, RAKBANK recognizes our responsibility to support the 'UAE Net Zero by 2050' initiative. The team is actively engaged with RAK Government on COP28 submissions, working on financial inclusion and reducing emissions. We continue to support financial inclusion and accelerate digital remittances through our wages protection system partner and the United Nations Capital Development Fund.

Lastly, our outlook for FY 2023 remains positive yet cautious, with the buoyant UAE economy and uncertain global macro set up as backdrops. While we closely monitor the headwinds of inflation, rising interest rates, geopolitical developments, we will continue building on the Bank's strengths and remain committed to delivering on our strategy."

Digital Transactions	Card Spends	Payment through our rails (In/Out)	Digitally Active Customers
+12% YoY	+24% YoY	+9% YoY	+15% YoY

Financial Highlights for Q1 2023

Income Statement Highlights (AED Mn)	Quarter Results			Variance	
	Q1'23	Q4'22	Q1'22	Q1'23 vs Q1'22	Q1'23 vs Q4'22
Net Interest Income and net income from Islamic financing	788.8	733.1	540.4	46.0%	7.6%
Non-Interest Income	284.4	261.6	186.5	52.5%	8.7%
Total Income	1,073.2	994.8	726.9	47.6%	7.9%
Operating Expenditures	(389.0)	(371.4)	(372.4)	(4.5%)	(4.7%)
Operating Profit Before Provisions for Impairment	684.2	623.3	354.6	93.0%	9.8%
Provisions for Impairment	(233.9)	(338.7)	(134.5)	(73.9%)	30.9%
Net Profit	450.3	284.6	220.1	104.6%	58.2%

Balance Sheet Highlights (AED Bn)	Results as at			Variance	
	Mar'23	Dec'22	Mar'22	Q1'23 vs Q1'22	Q1'23 vs Q4'22
Total Assets	68.9	66.4	60.0	14.8%	3.8%
Gross Loans & Advances	38.7	38.1	37.2	4.1%	1.4%
Deposits	46.4	44.9	39.8	16.4%	3.3%

Key Ratios Percentage	Quarter Ratios			Variance	
	Mar'23	Dec'22	Mar'22	Q1'23 vs Q1'22	Q1'23 vs Q4'22
Return on Equity*	19.4%	12.5%	10.5%	8.9%	6.9%
Return on Assets*	2.8%	1.7%	1.5%	1.3%	1.1%
Net Interest Margin*	4.9%	4.5%	3.8%	1.1%	0.4%
Cost to Income	36.2%	37.3%	51.2%	15.0%	1.1%
Impaired Loan Ratio	3.0%	3.0%	3.6%	0.6%	0.0%
Impaired Loan Coverage Ratio	192.1%	181.7%	137.8%	54.3%	10.4%
Total Capital Adequacy Ratio Basel III**	16.8%	16.4%	16.5%	0.3%	0.4%

* Annualized

**After application of Prudential Filter

Classification: RAKBANK-Public

Profitability Growth supported by Income momentum and improvement in Provisions

- Net Profit increased by 104.6% to 450.3M (vs Q1'22 104.6% and Q4'22 58.2%).
- Net Interest Income and Income from Islamic products net of distribution to depositors increased by 46.0% to AED 788.8M (vs Q4'22 7.6%).
- Interest income from conventional loans and investments increased by 79.7%, while interest costs on conventional deposits and borrowings increased by 300.5%. Net income from Sharia-compliant Islamic financing increased by 7.8%.
- Non-Interest Income increased by 52.5% to AED 284.8M (vs Q1'22 52.5% and Q4'22 8.7%), primarily due to forex and derivative income booked in Q1 2023.
- Total Income increased by 47.6% (vs Q4'22 7.9%), benefiting from the balance sheet growth momentum.
- Operating Expenditure was AED 389.0M (vs Q1'22 AED 372.4M), reflecting a 4.5% increase compared to the same period in 2022, and a 4.7% increase compared to Q4 2022, due to the Bank's growth investments.
- Operating Expenses increased mainly due to higher staff costs, card expenses, and other operating expenses. However, these were partly offset by lower IT expenses, occupancy costs, depreciation, and communication expenses.
- Cost-to-Income ratio for the bank decreased to 36.2% (vs Q1'22 51.2% and Q4'22 37.3%).
- Provision for credit loss increased by 73.9% to AED 233.9M for Q1 2023 compared to Q1 2022, due to prudent precautionary measures in anticipation of expected developments. However, compared to Q4 2022, the provision for credit loss decreased by 30.9% for Q1 2023.
- Net Credit Losses to average loans and advances closed at 2.5% (vs Q4'22 3.4%).

Balance Sheet crosses AED 68.9B with a strong uptick across all customer segments

- Balance sheet crosses AED 68.9B as the Total Assets increased by AED 2.5B compared to 31 December 2022 reflecting a growth of 3.8%, with an increase in Cash/Central Bank balances by AED 929.2M, Investments by AED 805.8M, Gross Loans and Advances by AED 551.9M and Lending to Banks by AED 480.3M as compared to 31 December 2022.
- Business Banking portfolio increased by AED 264M, Retail Banking by AED 286.2M and Wholesale Banking segment (including bank lending) increased by AED 211M compared to 31 December 2022.
- Business Banking recorded 2.9% growth compared to 31 December 2022 with Business Loans growing by 5.3% and an increase of 1.5% on the Trade and Working Capital Loans portfolio.
- Retail Banking reflected a growth of AED 286.2 M supported by a strong sales momentum across products with Mortgages growing by 4.8% and Auto Loans by 6.4%.
- Non-performing Loans and Advances to Gross Loans and Advances ratio remained same at 3.0% as at 31 March 2023 compared to 31 December 2022.

Robust Growth in Customer Deposits as we continue to be the main bank for most of our customers

- Q1'23 Customer deposits increased by 3.3% compared to 31 December 2022, mainly due to an increase of AED 1,089.5M in CASA deposits and AED 404.7M in time deposits, endorsing the trust our customers place in RAKBANK's solutions and services. RAKBANK has built a strong CASA franchise with a CASA ratio of 70.5 % as at 31 March 2023.

Classification: RAKBANK-Public

Strong Capital and Liquidity position

- The Bank's Capital and Liquidity ratios remained strong.
- With a Total Capital Ratio as per Basel III, after the application of prudential filter, at 16.8% compared to 16.4% at the end of 2022.
- The regulatory eligible liquid asset ratio at the end of 31 March 2023 at 14.8%, compared to 12.8% as at 31 December 2022, and the advances to stable resources ratio stood comfortably at 81.8% compared to 79.7% at the end of 2022.

Healthy Cash Flows from operating activities

- Cash and cash equivalent as at 31 March 2023 were AED 4.7B compared to AED 4.3B as at 31 December 2022.
- Net cash generated from operating activities was AED 1.2B, AED 819.8M was used in investing activities and AED 4.7M used in financing activities.

Impact of Projected Capital Expenditure and developments

- The Group incurred AED 37.3M in capital expenditure in Q1 2023.
- RAKBANK will carry on advancing its investment towards customer-centric technology transformation.

Ratings

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	November 2022	Baa1 / P-2	Stable
Fitch	April 2023	BBB+ / F2	Stable
Capital Intelligence	August 2022	A- / A2	Positive

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 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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