



**YTD Sep'2023**

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

**Financial Results Press Release  
and Management Discussion  
& Analysis**



## **RAKBANK delivers highest ever Net Profit of AED 1.35B for YTD Sep'2023, up 54% year on year**

**Ras Al Khaimah, United Arab Emirates, 23 October 2023** – The National Bank of Ras Al Khaimah (RAKBANK) today reported its financial results for the first nine months of 2023

<b>Highlights YTD Sep'2023</b>	<b>Total Income AED 3.3B +35.4% YoY</b>	<b>Total Assets AED 72.0B +10.2% YoY</b>	<b>Deposits AED 48.5B +16.0% YoY</b>	<b>Return on Equity 18.9% YTD</b>	<b>Return on Assets 2.7% YTD</b>
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### **Key Financial Highlights**

**Record net profit for YTD Sep'23 driven by diversified growth in balance sheet, continued sales momentum and strong credit quality**

- Income up 35.4% YoY due to continued growth in low cost deposits and diversified growth across all segments of the business.
- Cost increases 10.4% YoY as we accelerate our strategic transformation whilst delivering operational efficiencies.
- Gross Loans & advances increased to AED 41.1B, up 9.5% YoY. All segments reflect growth with Wholesale Banking advances up 19.2% YoY, Business banking up 9.3% YoY and Retail banking up 4.8%.
- Customer deposits increased to AED 48.5B, up 16.0% YoY. Share of CASA deposits at 68.2% continues to one of the best in the industry and has grown 4.9% YoY.
- Portfolio credit quality remains robust with cost of risk at 2.5% with impaired loan coverage ratio of 210.3% for YTD Sep'23.

**RAKBANK delivered strong shareholder returns with ROE of 18.9% and ROA of 2.7% for YTD Sep'23, whilst remaining highly liquid and well capitalized.**

- Strong profitability and diversified growth on the balance sheet drives healthier Capital Adequacy Ratio (CAR) at 18.5% as of Sep'23 vs. 16.9% as of Sep'22.
- We remained highly liquid with Regulatory Eligible Liquid Asset Ratio at 16.9% as of Sep'23. Advances to Stable Resources Ratio stood comfortably at 81.6%.
- The bank delivered enhanced shareholder value with the Return on Assets improving to 2.7% against 1.9% for prior period.
- The Impaired Loan ratio improved to 2.8% against 3.2% for the prior period.

**Raheel Ahmed, Group Chief Executive Officer, RAKBANK said, "We have achieved**



**Raheel Ahmed, CEO**

another record performance for YTD Sep'23, underlining our diversification strategy. We reported a record net profit of AED 452.1 M and a total income of AED 1.1 B for the quarter as we continue to make progress in delivering our strategy of being a 'digital bank with a human touch'.

As a leading SME bank in the UAE, we remain steadfast in our support of entrepreneurs and start-ups. In Q3'23 alone, we facilitated the opening of over 3,750 business accounts. We also disbursed AED 595 million in business loans in Quarter 3.

Our existing customers continue to trust and engage with us as we remain committed to delivering awesome customer experiences. In YTD Sep'2023, our deposits grew by 16% YoY, and there was solid growth in CASA balances. Card spends increased by 20% YoY, and our digital banking platform was accessed 11.4 M times during the quarter, marking an 18% increase YoY. Digital transactions also grew by over 15% YoY. We continue to evolve our award-winning family app, Skiplly. Tremendous strides have been made, witnessing an impressive growth, with 221 registered educational institutions and 145k registered users now on the platform.

We are proud to become the first bank in the GCC to have published our Social Finance Framework in September. This framework builds upon our ESG principles and commitment to contributing to the sustainable growth of the UAE economy through our continued support for entrepreneurs and small businesses.

We've extended operating hours in branches across Ras Al Khaimah, Dubai, and Abu Dhabi to include evening hours and weekends. Ultimately, our goal is to be where our customers are, both physically and digitally by striking a balance between the convenience of digital banking and the personalized assistance that customers seek during their banking journey.

As we look ahead, we acknowledge the challenges of inflation, rising interest rates and geopolitical developments. Despite these factors, we remain focused on delivering consistent results, in line with our strategic ambitions. We will move forward to close out 2023 with confidence."

Digital Transactions	Card Spends	Payment through our rails (In/Out)	Digitally Active Customers
<b>+15% YoY</b>	<b>+20% YoY</b>	<b>+16% YoY</b>	<b>+20% YoY</b>

## RAKBANK Awards & Accolades for Q3'23

**Most Transformed Islamic Bank in the UAE**



*Euromoney*

**Best Consumer Lending Solution**



*Finovate*

**Islamic Finance Awards**



*The Asset*

**Best SME Bank in the UAE**



*Global Finance Magazine*

**Most Innovative Home Loan Product for UAE – Home in One**



*International Finance Award*

**Best Loan for Home in One**



*Asian Banking & Finance Retail Awards*

**Best Fraud Initiative of the year**



*Asian Banking & Finance Retail Awards*

**Best Islamic Initiative**



*Asian Banking & Finance Retail Awards*

**Best Cyber Security and IT Risk Management Technology Implementation**



*The Middle East and Africa Awards 2023*

**Skiplly**



*The Middle East National Business Awards 2023*

**Outstanding Digital Innovation in SME Banking**



*Global Retail Banking Innovation Awards 2023*

**Micro & SME Banking Awards**



*The Middle East National Business Awards 2023*

**The top CISO BFSI award**



*3rd Security Conclave & Awards 2023*

## Financial Highlights for YTD Sep'2023

Income Statement Highlights	Quarter Results					Nine months YTD Results			
	(AED Mn)	Q3'23	Q2'23	Q3'22	Q3'23 vs Q2'23	Q3'23 vs Q3'22	YTD'23	YTD'22	YTD'23 vs YTD'22
<i>Net Interest Income and net income from Islamic financing</i>	842.7	828.4	652.8	1.7%	29.1%	2,459.9	1,756.2	40.1%	
<i>Non-Interest Income</i>	294.1	287.8	262.3	2.2%	12.2%	866.3	700.9	23.6%	
<b>Total Income</b>	<b>1,136.8</b>	<b>1,116.1</b>	<b>915.1</b>	<b>1.9%</b>	<b>24.2%</b>	<b>3,326.1</b>	<b>2,457.1</b>	<b>35.4%</b>	
<i>Operating Expenditures</i>	(434.1)	(405.6)	(372.9)	(7.0%)	(16.4%)	(1,228.7)	(1,113.0)	(10.4%)	
<b>Operating Profit Before Provisions for Impairment</b>	<b>702.7</b>	<b>710.5</b>	<b>542.3</b>	<b>(1.1%)</b>	<b>29.6%</b>	<b>2,097.4</b>	<b>1,344.1</b>	<b>56.0%</b>	
<i>Provisions for Impairment</i>	(250.6)	(260.1)	(190.9)	3.6%	(31.3%)	(744.6)	(465.3)	(60.0%)	
<b>Net Profit</b>	<b>452.1</b>	<b>450.5</b>	<b>351.4</b>	<b>0.4%</b>	<b>28.7%</b>	<b>1,352.9</b>	<b>878.8</b>	<b>53.9%</b>	

Balance Sheet Highlights	Results as at				Variance		
	(AED Bn)	Sep'23	Jun'23	Dec'22	Sep'22	Sep'23 vs Dec'22	Sep'23 vs Sep'22
<i>Total Assets</i>	72.0	71.9	66.3	65.4	8.5%	10.2%	0.2%
<i>Gross Loans &amp; Advances</i>	41.1	39.9	38.1	37.5	7.7%	9.5%	3.0%
<i>Deposits</i>	48.5	49.0	44.9	41.8	8.0%	16.0%	(1.0%)

Key Ratios	Quarter Ratios					YTD Ratios		
	Percentage	Q3'23	Q2'23	Q3'22	Q3'23 vs Q2'23	Q3'23 vs Q3'22	YTD'23	YTD'22
<i>Return on Equity*</i>	18.3%	19.2%	16.2%	(0.9%)	2.1%	18.9%	13.9%	5.0%
<i>Return on Assets*</i>	2.6%	2.6%	2.3%	0.0%	0.3%	2.7%	2.0%	0.7%
<i>Net Interest Margin*</i>	4.8%	4.9%	4.2%	(0.1%)	0.6%	4.8%	3.9%	0.9%
<i>Cost to Income</i>	38.2%	36.3%	40.7%	(1.9%)	2.5%	36.9%	45.3%	8.4%
<i>Impaired Loan Ratio</i>	2.8%	2.5%	3.2%	(0.3%)	0.4%	2.8%	3.2%	0.4%
<i>Impaired Loan Coverage Ratio</i>	210.3%	231.5%	156.5%	(21.2%)	53.8%	210.3%	156.5%	53.8%
Total Capital Adequacy Ratio Basel III**	18.5%	17.7%	16.9%	0.8%	1.6%	18.5%	16.9%	1.6%

\* Annualized

\*\*After application of Prudential Filter



## Key Highlights

### Profitability growth supported by Income momentum

- Net Profit for the first nine months at AED 1.35B, up 54.0% compared to the same period during 2022. Net profit for the quarter at AED 452.1M up 28.7% compared to Q3 2022, reflecting the highest quarterly Net Profit since 2015.
- Net Interest Income and Income from Islamic products net of distribution to depositors was AED 2.5B for the first nine months reflecting an increase of AED 703.7M driven by growth of UAE economy as well as rising interest rate environment. This is complemented by Bank's market leading CASA ratio of ~68% reflecting the Bank's ability to attract and retain low-cost deposits.
- Interest income from conventional loans and investments for the first nine months was up by AED 1.2B (71.1%) compared to same period in 2022, and interest costs on conventional deposits and borrowings was up by AED 513M (219.3%). Net income from Sharia-compliant Islamic financing for the first nine months was up by 6.5%.
- Non-interest income was up by AED 165.4M to AED 866.3M on account of the Bank's strategy to diversify its product mix and focusing on growing the fee-based income. The increase in non-interest income was led by Foreign Exchange and Derivatives income (+AED 108.5M), Investment income (+AED 36.9M), Net insurance underwriting profit (+AED 22.7M) and Net Fee and Commission (+AED 7.7M). This was partly offset by AED 10.4M decrease in other operating income.
- As a result of the above, the total operating income was up by AED 869.1M compared to the first nine months of 2022.
- Operating Expenditure of AED 1.2B for first nine months of 2023 reflected an increase of 10.4% as compared to the same period last year as we continue to invest for growth and transformation of our businesses, strengthen our regulatory compliance alongside inflationary pressures.
- The key drivers of increase in operating expenses for the first nine months of 2023 are Staff related costs, depreciation, marketing, and technology expenses amongst others. This was partially offset by a reduction in occupancy and communication costs.
- Cost-to-Income ratio for the Bank decreased to 36.9% compared to 45.3% at the end of same period last year mainly due to increase in total income, complemented by the Bank's continuous focus on strategic cost management.
- Provision for credit loss at AED 744.6M for the first nine months of 2023, increased by 60.0% compared to same period last year factoring in the headwinds from uncertain macroeconomic conditions coupled with recent volatility in geopolitical environment, consequently the Net Credit Losses to average loans and advances was at 2.5% compared to 1.7% during the same period last year.



## **Total Balance Sheet at AED 72 Billion, with a strong growth across customer segments**

- Balance Sheet surpassed the AED 72B mark as the Total Assets increased year to date by AED 5.7B (+8.5%), due to an increase in Gross Loans and Advances (+AED 2.9B), Investments (+AED 1.7B), Cash and Central Bank balances (+AED 1.4B) and other assets (+AED 670.3M) which was partly offset by reduction in Lending to Banks (AED 642.8M).
- Strong balance sheet momentum was visible across all the segments. Lending in Retail Banking increased by AED 1.3B, Wholesale Banking by AED 903.0M and Business Banking by AED 744M compared to 31 December 2022.
- In line with the Bank's efforts to diversify its business, Wholesale Banking Segment continues to grow recording a strong YTD growth of 8.8% on the back of 15.4% growth in the Corporate Banking portfolio.
- Strong sales momentum was visible across products for Retail Banking. Key contributors of YTD balance sheet growth are Mortgage loans (+18.4%), Auto loans (+13.7%) and Credit Cards (+10.0%).
- Business Banking recorded YTD balance sheet growth of 8.2% backed by 14.8% growth in Business Loans and 4.3% growth in other business banking exposures.
- Non-performing Loans and Advances to Gross Loans and Advances ratio was 2.8% as at 30 September 2023 compared to 3.2% as at 30 September 2022 and 3.0% as at December 2022.

## **Strong growth in Customer Deposits as we become the main bank for more of our customers**

- Customer deposits of AED 48.5B increased by 16.0% compared to same period of last year and by 8.0% compared to 31 December 2022. The YTD growth was mainly driven by increase of AED 2.1B in time deposits and of AED 1.5B 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 18.5% compared to 16.4% at the end of 2022.
- The regulatory Eligible Liquid Asset Ratio at the end of the first nine months was 16.9%, compared to 12.8% as at the end of 2022, and Advances to Stable Resources Ratio stood comfortably at 81.6% compared to 79.4% at the end of 2022.

## **Cash Flows**

- Cash and cash equivalents as at 30 September 2023 were at AED 3.5B largely flat to the same period last year.
- Net cash generated from operating activities was AED 1.1B, AED 1.8B was used in investing activities and AED 107.2M was used in financing activities.

## **Impact of Capital Expenditure and developments**

- The capital expenditure was AED 110.8M during the first nine months of 2023 against AED 58.7M in same period last year as we continued to invest in our digitization initiatives and strengthening our regulatory and customer protection framework compliance.

- The Bank continues to invest in innovative digital first solutions to offer a highly personalized & digitized experience to our customers.

## 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 by trust and transparency in financial reporting.

Capital Intelligence upgraded the Bank's Long-Term and Short-Term Foreign Currency Rating by one notch in August 2023 on the back of improvements in the Bank's asset quality metrics and the substantial efforts made by management over the last several years to diversify the business base and income streams and grow stable funds.

Rating Agency	Last Update	Deposits	Outlook
Moody's	May 2023	Baa1 / P-2	Stable
Fitch	April 2023	BBB+ / F2	Stable
Capital Intelligence	August 2023	A / A1	Stable



**Raheel Ahmed**

**Group Chief Executive Officer**

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## 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](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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