

RAKBANK Reports Nine Months Ended 30 September 2020 Net Profit of AED 438.6 million

United Arab Emirates, 22 October 2020: The National Bank of Ras Al-Khaimah ("RAKBANK") announced a consolidated net profit of AED 438.6 million for the nine-month period ended 30 September 2020. Third quarter earnings were lower due to reduced income resulting from a subdued loan demand and higher IFRS 9 provisions that are set aside as precautionary measures to combat the economic impact of COVID-19.

For the nine months ended September 30, 2020, the Bank's Total Income of AED 2.8 billion was down by AED 241.9 million on a year-on-year basis due to a decline in Net Interest Income and Net Income from Islamic Financing as well as a lower Non-Interest Income. Moreover, Total Assets stood at AED 52.3 billion as at 30 September 2020, decreasing by 7.0% year-on-year and by 8.4% year-to-date.

RAKBANK CEO, Peter England, commented: *"Since the gradual reopening of the business, we are seeing signs of improvement in the UAE economy. However customer demand for loans has declined considerably as many SMEs and individuals continue to take a cautious stand. This combined with a low interest rate environment is providing challenges for the Bank's top line income. To help cushion some of this impact, RAKBANK has taken a very proactive approach to cost optimisation and this is evident with the Bank's Operating Expenditures reducing by 12.2% year-on-year, which has resulted in an improvement in Cost to Income ratio of 37.4%. Other than the continued precautionary loan loss provisions being taken under IFRS 9, the underlying asset quality of our book remains in decent shape, which of course has been supported by the Central Bank of the UAE's very proactive approach in providing the Targeted Economic Support Scheme (TESS) for borrowers who are challenged in this time."*

Performance review YTD 2020

Total Income decreased by 8.1% to AED 2,756.4 million, as compared to the same period of the previous year, mainly due to a decrease in Non-Interest Income by AED 114.0 million on account of the lower business activity and the decline of AED 127.9 million in Net Interest Income and Net Income from Islamic Products because of a declining balance sheet and lower margins. In addition, Net Interest Income and Net Income from Shariah-Compliant Islamic Financing weakened by 6.1% year-on-year to AED 1,963.8 million and the Non-Interest Income reduced by 12.6% to AED 792.7 million, as a result of the year-on-year decrease of AED 103.2 million in Net Fee & Commission Income and AED 32.4 million in Forex & Derivative Income.

Asset

Total Assets decreased by AED 4.8 billion or 8.4% year-to-date and by AED 3.9 billion year-on-year, mainly due to the reduction in customer Loans & Advances and Cash & Balances with Central Bank of the UAE offset by higher balances with banks.

Asset quality

Provisions for Credit Loss increased by AED 302.3 million year-on-year and this stemmed from the additional precautionary provisions adopted to combat the expected economic and operating slowdown in the environment resulting from the pandemic. The Non-Performing Loans & Advances to Gross Loans & Advances ratio closed at 5.1% compared to 4.0% as at 31 December 2019 as a repercussion of the decline in Loans & Advances. Additionally, the annualised Net Credit Losses to Average Loans & Advances ratio closed

at 4.9% compared to 3.7% in YTD September 2019 due to the higher provisions under IFRS 9 and a declining loan book.

Capitalization and liquidity

The Bank's total Capital Ratio as per Basel III, after the application of the prudential filter, improved to 19.4% compared to 16.8% at the end of the previous year. The regulatory eligible liquid asset ratio at the end of the period was 9.7%, compared to 12.9% as at 31 December 2019. Similarly, the advances to stable resources ratio stood comfortably at 86.0% compared to 89.1% at the end of 2019.

2020 outlook

"The third quarter has remained challenging for RAKBANK, and we have to expect this trend to continue for next few quarters at least as it takes time for the gradual recovery to flow through the economy and begin to translate into improved performance at RAKBANK. In the meantime however, we have used this time to make significant progress in our Digital Transformation including launching our new Mobile Application and a host of digital initiatives in the SME space in the third quarter. The rollout plan for a large number of other new digital initiatives in the next few quarters with a number of exciting new market-firsts is gaining significant momentum and we look forward to adding substantial value for our clients with these offerings." **Peter England** concluded.

Financial highlights

Income statement highlights

(AED Mn)	Q3'20	Q3'19	YTD'20	YTD'19
Net Interest Income and net income from Islamic financing	601.1	712.1	1,963.7	2,091.7
Non-Interest Income	251.4	292.5	792.7	906.7
Total Income	852.5	1,004.6	2,756.4	2,998.3
Operating Expenditures	(325.7)	(394.7)	(1,031.6)	(1,175.0)
Operating Profit Before Provisions for Impairment	526.8	609.9	1,724.8	1,823.3
Provisions for Impairment	(394.8)	(325.5)	(1,286.2)	(983.9)
Net Profit	132.0	284.5	438.6	839.4

Balance sheet highlights

(AED Bn)	Sep'20	Dec'19	Sep'19
Total Assets	52.3	57.1	56.3
Gross Loans & Advances	32.6	36.3	36.3
Deposits	34.2	36.8	36.5

Key ratios highlights

Percentage	Sep'20	Dec'19	Sep'19
Return on Equity	7.6%*	14.9%	15.5%*
Return on Assets	1.1%*	2.0%	2.1%*
Net Interest Margin	4.7%*	5.1%	5.2%*
Cost to Income	37.4%	39.5%	39.2%

Impaired Loan Ratio	5.1%	4.0%	3.7%
Impaired Loan Coverage Ratio	131.2%	118.4%	129.1%
Total Capital Adequacy Ratio Basel III	19.4%**	16.8%	17.5%

* Annualised

** After application of Prudential Filter

Total Assets decreased by AED 4.8 billion to AED 52.3 billion compared to 31 December 2019 with the major reduction resulting from customer Loans & Advances, down by AED 3.7 billion and Central Bank of the UAE balances also decreased by AED 1.2 billion offset by an increase in balances due from banks by AED 1.2 billion. Moreover, RAKBANK's Wholesale Banking lending declined by 8.8%, down by AED 810 million year-on-year. The Personal Banking's loan portfolio decreased by AED 1.8 billion and the Business Banking's loan portfolio also declined by AED 1.1 billion compared to 30 September 2019.

Likewise, Customer Deposits decreased by AED 2.6 billion to AED 34.2 billion compared to 31 December 2019. The reduction was mainly in Time Deposits, which decreased by AED 4.7 billion but was partially offset by the increase of AED 2.0 billion in CASA Deposits. Similarly, the Central Bank of the UAE reduced its Reserve requirement against CASA balances by 50% in order to increase the circulation of money into the economy during these trying times.

Furthermore, to protect our customers the Asset & Liability Committee (ALCO) focused on increased monitoring around the Bank's liquidity position throughout the year as well as assessing and monitoring market risks amid this difficult period.

RAKBANK is currently rated by the following leading rating agencies, with their ratings provided below:

Rating Agency	Last Downdate	Deposits	Outlook
Moody's	June 2020	Baa1 / P-2	Negative
Fitch	May 2020	BBB+ / F2	Stable
Capital Intelligence	August 2020	A-/A2	Stable

-Ends-

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 decreased 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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