

**National Bank of Ras Al Khaimah PSC**  
**Consolidated Results for the nine months ended September 30, 2020**

**Ras Al Khaimah, 22 October 2020** - The National Bank of Ras Al Khaimah (ADX: RAKBANK) today announced its results for the nine months ended 30 September 2020. The following Management Discussion and Analysis includes financial results from RAKBANK and its subsidiaries, together referred to as the “Group”.

**Q3 2020 Highlights****Net Profit of AED 132.0 million**

*Net profit down by 53.6% compared to Q3 2019; down by 13.8% compared to previous quarter*

**Total Income of AED 852.5 million**

*Total income down by 15.1% compared to the Q3 2019; down by 5.6% compared to previous quarter*

**Total Assets at AED 52.3 billion**

*Total assets down by 7.0% year on year; down by 8.4% year to date*

**Gross Loans & Advances at AED 32.6 billion**

*Gross loans and advances down by 10.2% year on year; down by 10.1% year to date*

**Total Deposits at AED 34.2 billion**

*Total deposits down by 6.2% year on year; down by 7.1% year to date*

**Capital Adequacy Ratio 19.4%**

*Capital adequacy ratio as at 30 September 2020 of 19.4% against 16.8% compared to the previous year-end*

*Common Equity Tier 1 (CET1) ratio was 18.2% compared to 15.7% as at the previous year-end*

**YTD 2020 Highlights****Net Profit of AED 438.6 million**

*Net profit down by 47.7% compared to YTD 2019*

**Total Income of AED 2.8 billion**

*Total income down by 8.1% compared to the YTD 2019*

**Return on Assets\* at 1.1% and Return on Equity\* at 7.6%**

\*Annualised

**Q3 2020 Review**

**Commenting on the results, Peter England, Chief Executive Officer, said:** *"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."*

*"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."*

**RAKBANK FINANCIAL SNAPSHOT FOR 9 MONTHS ENDED 30 SEPTEMBER 2020 RESULTS**

Income Statement Highlights								
(AED Mn)	Quarter Results					9 Months Results		
	Q3'20	Q3'19	Q2'20	Q3'20 vs Q3'19	Q3'20 vs Q2'20	Sep'20	Sep'19	Sep'20 vs Sep'19
Net Interest Income and net income from Islamic financing	601.1	712.1	666.5	(15.6%)	(9.8%)	1,963.7	2,091.7	(6.1%)
Non-Interest Income	251.4	292.5	236.2	(14.0%)	6.4%	792.7	906.7	(12.6%)
<b>Total Income</b>	<b>852.5</b>	<b>1,004.6</b>	<b>902.8</b>	<b>(15.1%)</b>	<b>(5.6%)</b>	<b>2,756.4</b>	<b>2,998.3</b>	<b>(8.1%)</b>
Operating Expenditures	(325.7)	(394.7)	(338.7)	17.5%	3.8%	(1,031.6)	(1,175.0)	12.2%
Operating Profit Before Provisions for Impairment	526.8	609.9	564.1	(13.6%)	(6.6%)	1,724.8	1,823.3	(5.4%)
Provisions for Impairment	(394.8)	(325.5)	(411.0)	(21.3%)	3.9%	(1,286.2)	(983.9)	(30.7%)
<b>Net Profit</b>	<b>132.0</b>	<b>284.5</b>	<b>153.1</b>	<b>(53.6%)</b>	<b>(13.8%)</b>	<b>438.6</b>	<b>839.4</b>	<b>(47.7%)</b>

Balance Sheet Highlights						
(AED Bn)	Results as at			Variance		
	Sep'20	Dec'19	Sep'19	Sep'20 vs Dec'19	Sep'20 vs Sep'19	
Total Assets	52.3	57.1	56.3	(8.4%)	(7.0%)	
Gross Loans & Advances	32.6	36.3	36.3	(10.1%)	(10.2%)	
Deposits	34.2	36.8	36.5	(7.1%)	(6.2%)	

Key Ratios Highlights					
Percentage	Results as at			Variance	
	Sep'20	Dec'19	Sep'19	Sep'20 vs Dec'19	Sep'20 vs Sep'19
Return on Equity	7.6%*	14.9%	15.5%*	(7.3%)	(7.9%)
Return on Assets	1.1%*	2.0%	2.1%*	(0.9%)	(1.0%)
Net Interest Margin	4.7%*	5.1%	5.2%*	(0.4%)	(0.5%)
Cost to Income	37.4%	39.5%	39.2%	2.1%	1.8%
Impaired Loan Ratio	5.1%	4.0%	3.7%	(1.1%)	(1.4%)
Impaired Loan Coverage Ratio	131.2%	118.4%	129.1%	12.8%	2.1%
Capital Adequacy Ratio Basel III	19.4%**	16.8%	17.5%	2.6%	1.9%

\* Annualized

\*\*After application of Prudential Filter

**Q3 2020 Results Review**
**Total Income**

Total Income was down by AED 152.1 million to AED 852.5 million compared to Q3 2019. The Total Income was down by AED 50.2 million compared to Q2 2020. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 601.1 million. Interest income from conventional loans and investments was down by 28.0% compared to Q3 2019, while interest costs on conventional deposits and borrowings decreased by AED 80.3 million. Net income from Sharia-compliant Islamic financing was up by 42.7%.

Non-interest income decreased by AED 41.0 million compared to Q3 2019 to AED 251.4 million. Forex and Derivative income was down by AED 9.5 million, Net fees and commission income down by AED 38.0 million and Other operating income down by AED 6.4 million. This was partly offset by increase in Investment income by AED 11.8 million.

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

Operating Expenses were down by AED 69.0 million compared to Q3 2019, mainly due to decrease in Staff and outsourced staff costs, marketing and communication charges, occupancy costs and other miscellaneous costs. The Bank's Cost-to-Income ratio improved to 37.4% compared to 39.2% at the end of same quarter last year.

### **Asset Quality and Impairments**

Provision charge for credit loss for the quarter increased by AED 69.4 million compared to Q3 2019 largely due to higher IFRS 9 provisions. Non-performing Loans and Advances to Gross Loans and Advances ratio closed at 5.1% compared to 3.7% as at 30 September 2019 and 4.0% as at 31 December 2019 due to lower advances. The Bank is well provisioned against loan losses with a conservative loan loss coverage ratio of 131.2%, which does not take into consideration mortgaged properties and other realizable asset collateral available against the loans.

### **Assets**

Total Assets decreased by AED 4.8 billion to AED 52.3 billion compared to 31 December 2019, mainly due to decrease in gross loans and advances by AED 3.7 billion. Lending in the Wholesale Banking segment declined by AED 1.1 billion over the previous year-end to AED 8.4 billion. Retail Banking segment lending was lower by AED 1.7 billion and Business Banking lending was lower by AED 873.5 million compared to 31 December 2019. Additionally, due from Banks grew by AED 1.2 billion and the Investment book declined by AED 0.6 billion and Cash and Balances from Central bank declined by AED 1.2 billion compared to 31 December 2019.

### **Customer Deposits**

Customer deposits decreased by AED 2.6 billion to AED 34.2 billion compared to 31 December 2019, mainly due to decrease in time deposits AED 4.7 billion. This was partly offset by increase in CASA accounts by AED 2.0 billion.

### **Capital and Liquidity**

The Bank's Capital Adequacy ratio as per Basel III was 19.4% compared to 16.8% at the end of the previous year. The Common Equity Tier 1 ratio of the Bank stood at 18.2%. The regulatory eligible liquid asset ratio at the end of September 2020 was 9.7%. The advances to stable resources ratio stood comfortably at 86.0% compared to 89.1% at the end of 2019.

### **Cash Flows**

Cash and cash equivalent as at 30 September 2020 were AED 4.0 billion compared to AED 1.9 billion as at 31 December 2019. Net cash generated from operating and investing activities were AED 3.3 billion and AED 597.2 million respectively and AED 1.8 billion cash was used in financing activities.

### **YTD 2020 Results Review**

Total Income was down compared to YTD 2019 by AED 241.9 million to AED 2.8 billion. Net Interest Income and Income from Islamic products net of distribution to depositors was AED 2.0 billion. Non-interest income was down by AED 114.0 million to AED 792.7 million due to a decrease of AED 32.4 million in Forex & Derivative income, decrease in Net Fees & Commission Income by 103.2 million, and decrease in other operating income

by AED 1.8 million. This was partially offset by higher investment income AED 16.7 million and Gross insurance underwriting profit AED 6.8 million.

Operating Expenses were down by 12.2%, mainly due to decrease in Staff costs, marketing and communication charges, occupancy costs and other miscellaneous costs. The Bank's Cost-to-Income ratio was 37.4% compared to 39.2% in end of September previous year.

Net Credit Losses to average loans and advances for 9 months ended 30 September, 2020 closed at 4.9% compared to 3.7% for the same period last year and 3.7% for fiscal 2019 due to higher IFRS 9 provisions and lower loans and advances.

### **Impact of Projected Capital Expenditure and Developments**

The Group incurred AED 68.2 million in capital expenditure during the period compared to AED 53.7 million in first nine months of year 2019. In view of the current economic scenario, the Group will be more prudent in spending on capital items and operating expense is expected to be lower compared to the previous year. The Bank will spend more on IT digitization and enhancing of its e-banking offerings for its customers.

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

### **YTD 2020 Major Events and Developments**

- RAKBANK implemented the UAE Pass registration, a National Digital Identity and Digital Signature solution for the UAE, across all branches. The UAE Pass solution enables the Bank's customers and potential customers to complete their registration seamlessly and securely in just a few simple clicks of a device with the help of the Bank's staff at any of the branches.
- RAKBANK has entered into a multi-year agreement with Emirates Skywards, the award-winning loyalty programme of Emirates airline, to announce the launch of the RAKBANK Emirates Skywards World Elite Mastercard, available in both conventional and sharia' compliant Islamic variants.
- RAKBANK announced further plans to provide financial relief to individuals, SMEs, and corporates impacted by the economic consequences of the coronavirus.
- RAKBANK partnered with BDO Unibank, a full-service universal bank in the Philippines, to enhance the Bank's RAKMoneyTransfer (RMT) footprint in the Philippines. The RMT services will now enable customers to make instant, frictionless, and secure money transfer services to any bank account in the Philippines.
- RAKBANK expanded its RAKMoneyTransfer (RMT) services into the Bangladeshi corridor by partnering with Bank Asia, a third generation Private commercial bank. The Bank's RMT service now facilitates transfers to Bank Asia accounts within minutes and to any other bank account in Bangladesh within 24 hours.
- RAKIslamic played an active role in containing the spread of the novel coronavirus in the country by partnering with Thumbay University Hospital to sponsor COVID-19 swab tests and medical screenings for blue collar workers based in Dubai and Ras Al Khaimah.
- RAKBANK partnered with Dubai Economy along with Emirates NBD, HSBC, ADCB and CBD to form the KYC (Know Your Customer) Blockchain Consortium to enable data sharing between banks and licensing authorities in the UAE.
- SwatchPAY! – a contactless payment solution is now available in the United Arab Emirates, launched in exclusive partnership with RAKBANK.

- RAKBANK partners with the Ministry of Finance to become one of the partnering banks of the new eDirham payment gateway.
- RAKBANK hosts the Second Edition of the much anticipated SME Conclave that aims to create a supportive ecosystem for SMEs by equipping them with useful information, tools and solutions that assist them in running their operations efficiently, effectively and sustainably.

### Risk Management in the Current Economic Scenario

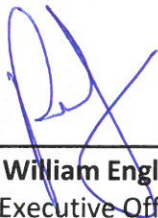
The economic fallout of COVID-19 crisis is expected to be significant and is rapidly evolving. The Group has invoked several management actions aimed at ensuring the safety and security of all our stakeholders as well as supporting their financial well-being. We are taking prudent measures to mitigate the impacts of the crisis with full support of UAE Central Bank. Whilst credit quality was stable in nine months of year 2020, the Group increased impairment allowances for Stage 1 and 2 coverage in recognition of a potential deterioration in credit quality in subsequent quarters related to the coronavirus (COVID-19) pandemic.

Under CBUAE TESS (Targeted Economic Support Scheme) program Bank has received zero cost funding of AED 1.42 billion which was passed on to its customers through Principal or/and Interest deferrals .

### Ratings

The Bank is currently rated by the following leading rating agencies. Their ratings have been given 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



**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 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](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 Discussion & Analysis –22/10/2020

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