



Q4/FY 2023

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

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



RAKBANK delivers record annual profit before tax of AED 1.8B, up 54.6% over last year

Ras Al Khaimah, United Arab Emirates, January 29, 2024 – The National Bank of Ras Al Khaimah (RAKBANK) today reported its financial results for the full year and the fourth quarter of 2023

Highlights	Total Income	Total Assets	Deposits	Return on Equity	Return on Assets
Full year 2023	AED 4.4B +29.7% YoY	AED 74.0B +11.5% YoY	AED 50.4B +12.3% YoY	18.4% FY'23	2.6% FY'23

Key Financial Highlights – FY 2023

RAKBANK delivers record historical profits driven by a strong growth on both sides of the balance sheet propelling Net Interest Income to AED 3.3B up 34%, supported by a robust fee income of AED 1.1B up 17.8%.

- Gross loans & advances at AED 42.0B are up 10.1% YoY. As the bank continues to diversify its balance sheet, wholesale banking loans and advances grew at an impressive rate of 16.3%.
- Customer deposits are up 12.3% YoY as the bank continues to build primary operating account relationships with its customers, delivering a CASA ratio of 66.9%.
- FY'23 Operating income up 29.7% YoY, supported by a net interest margin of 4.9% complemented by higher interest rates and solid performance in foreign exchange & investment income.
- Strong use of digital channels by customers, targeted operating efficiencies and robust revenue momentum led to a drop in the Cost to Income ratio to 36.4% against 42.3% in 2022.
- Robust shareholder returns with Return on Equity (ROE) of 18.4% and Return on Assets (ROA) of 2.6% for FY'23, whilst remaining highly liquid and well capitalized.
- Record profitability along with a broad based balance sheet growth drives healthier Capital Adequacy Ratio (CAR) at 17.8% vs. 16.4% as at 31 December 2022.
- Strong liquidity position as reflected by an Eligible Liquid Asset Ratio of 13.0% and Advances to Stable Resources Ratio of 82.1%.
- The impaired loan ratio improved to 2.6% against 3.0% for the previous year while the provision coverage ratio improved to 227.0% against 181.7% and remains one of the highest in the industry.

Key Financial Highlights – Q4 2023

- Gross loans & advances for the quarter are up 2.2% vs Q3'23 mainly on account of growth in the Wholesale Banking segment, up 6.9% on the back of higher Corporate Loans.
- Customer deposits increased by 4% during Q4'23.
- Profits before Tax for Q4'23 at AED 444.6M reflect an increase of 56.5% YoY and a slight reduction of 1.7% against Q3'23.
- Income was up 14.9% vs Q4'22 largely driven by higher net interest income reflecting a growth of 19.5% vs Q4'22.



Since 2022, RAKBANK has been implementing our strategy to be the “Digital Bank with a human touch, with our customers in their key moments of truth.”

2023 proved to be a year of continuing our delivery against this strategy. We are on one hand deepening our multi-year transformation to build out important foundations in terms of digital, technology and ways of working to become the leader in customer experience. On the other hand, we have achieved record financials in terms of revenue, profit, business assets and customer deposits.

We believe the ultimate delivery of our long-term transformation strategy will be an outcome of the collective commitment and capability of our colleagues. Therefore, we continue to invest in developing, training and nurturing talent while making RAKBANK a great place to work. Alongside we are convinced that the Emirati talent will play a pivotal role in our transformation as we grow and empower them.

As we look ahead, we see 2024 as a year full of opportunities, albeit challenging. While the broader global environment will create headwinds, we have confidence in the strength of the UAE economy. The country continues to see strong growth driven by key initiatives taken by the UAE leadership including ongoing economic diversification initiatives, progressive immigration policy, and reforms in business ownership, just to name a few.

With this backdrop, we will continue with our goal to deliver on the strategic journey we have set out to achieve. We will continue to drive large scale investments to secure necessary core technology, digital and data use cases and human capital that advance customer experience. In parallel, we will continue to diversify our business mix to achieve a balanced and sustainable growth, while strengthening our governance and risk management capabilities.

We are confident that these initiatives will ensure RAKBANK produces sustainable growth for our shareholders and allow us to positively contribute to the UAE economy through supporting our customers.



Raheel Ahmed,
Group CEO

Our strategic transformation is on course, and we are making solid progress on becoming the ‘digital bank with a human touch’.

We are placing as much emphasis on creating a culture that drives ownership of ‘awesome customer experience’ across all our employees as we are on modernizing our tech and data capabilities as well as installing best in class risk and compliance management capabilities.

We continue to diversify our balance sheet, reduce our risk profile and add on new value-added products and services for our customers.

The Bank remains well capitalized, delivering strong shareholder returns and having one of the highest provision coverage ratios in the industry.

Being the leading SME bank in the UAE, we will continue to support entrepreneurs and small businesses that are one of the greatest assets in a flourishing economy. We opened more than 10K accounts for start-ups & SMES whilst providing them AED 2.2B in financing to establish or scale their businesses. Equally, we grew commercial SME business by 68% YoY.

In Personal Banking we have seen strong momentum across key products, including an increase of 19% in our Credit Card spends. We saw record growth in our mortgage book, up 21% YoY. Our RAKMoney transfer payment service is now providing industry-leading solutions, setting a new standard for global financial transactions. We take pride in offering instant money transfers to 179 countries, underscoring our commitment to facilitating seamless and secure cross-border transactions.

Our Wholesale Banking division continues to rapidly add new capabilities for our clients. This includes the launch of our upgraded foreign exchange platform, RAKFX, which contributed to delivering a record customer foreign exchange revenue performance for RAKBANK and a 35% YoY growth in Treasury sales revenue. We also onboarded several new clients, allowing us to continue growing the business while de-risking elements of our cross-border exposure. The Wholesale Bank remains a key pillar of our strategy and performance, now constituting 28% of the Bank’s total loans & advances.

We continue to focus on offering our customers a personalized and brilliant experience with the introduction of digital capabilities across account opening and credit card applications. We witnessed a 68% digital share of new account opening. While we continue to evolve our award-winning family app, Skiplly, we are also seeing a 27% YOY growth in the registered merchants. We launched our new website with a best-in-class Design Language System, providing our customers with an immersive and human-centric experience. In addition to that, we recently upgraded our Card Management System to offer more robust and secure features to all cardholders.

In 2023, the UAE embraced the Year of Sustainability, notably hosting COP28. We actively participated with a commitment to contributing to the UAE banking sector’s pledge to reach AED 1 trillion in sustainable finance by 2030. Additionally, RAKBANK unveiled its ambitious plan to achieve net zero emissions in banking operations by 2030.

But none of that would be possible without our colleagues. We are committed to investing in the growth and development of our employees while fostering a self-learning culture by providing access to several learning platforms.

Finally, I would like to thank our customers for their trust, we will continue to put the customer at the heart of what we do as we deliver on the Bank’s strategy. Looking ahead, we remain cautiously optimistic for 2024 with the UAE economy continuing to perform well despite challenges in the broader global economy.

Digital Transactions	Card Spends	Payment through our rails (In/Out)	Digitally Active Customers
+13% YoY	+19% YoY	+13% YoY	+18% YoY

RAKBANK Awards & Accolades for Q4/FY 2023

Most Transformed Islamic Bank in the UAE



Euromoney

Best Consumer Lending Solution



Finovate

The Top Investment House in G3 Asian Bonds from Middle East



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

Skiplay



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 Q4/FY 2023

Income Statement Highlights (AED M)	Quarterly Results					Full Year Results		
	Q4'23	Q4'22	Q3'23	Q4'23 vs Q4'22	Q4'23 vs Q3'23	FY'23	FY'22	FY'23 vs FY'22
<i>Net interest income and net income from Islamic financing</i>	876.4	733.1	842.7	19.5%	4.0%	3,336.3	2,489.3	34.0%
<i>Non-interest Income</i>	201.6	205.5	294.1	(1.9%)	(31.4%)	1,067.9	906.4	17.8%
Operating income	1,078.1	938.6	1,136.8	14.9%	(5.2%)	4,404.2	3,395.7	29.7%
<i>Operating expenditures</i>	(372.6)	(322.4)	(434.1)	(15.6%)	14.2%	(1,601.3)	(1,435.3)	(11.6%)
Operating profit before provision for credit loss	705.5	616.2	702.7	14.5%	0.4%	2,802.9	1,960.4	43.0%
<i>Provision for credit loss, net</i>	(260.9)	(332.1)	(250.6)	21.4%	(4.1%)	(1,005.5)	(797.4)	(26.1%)
Profit before tax	444.6	284.1	452.1	56.5%	(1.7%)	1,797.5	1,162.9	54.6%
Deferred income tax expense	(13.7)	-	-	(100%)	(100%)	(13.7)	-	(100%)
Profit after tax	430.9	284.1	452.1	51.6%	(4.7%)	1,783.7	1,162.9	53.4%

Balance Sheet Highlights (AED B)	Results as at				Variance		
	Dec'23	Sep'23	Dec'22	Sep'22	Dec'23 vs Dec'22	Dec'23 vs Sep'23	Sep'23 vs Sep'22
<i>Total Assets</i>	74.0	72.0	66.3	65.4	11.5%	2.7%	10.2%
<i>Gross Loans & Advances</i>	42.0	41.1	38.1	37.5	10.1%	2.2%	9.5%
<i>Deposits</i>	50.4	48.5	44.9	41.8	12.3%	4.0%	16.0%

Key Ratios Percentage	Quarterly Ratios					Full Year Ratios		
	Q4'23	Q4'22	Q3'23	Q4'23 vs Q4'22	Q4'23 vs Q3'23	FY'23	FY'22	FY'23 vs FY'22
<i>Return on Equity*</i>	16.8%	12.5%	18.3%	4.3%	(1.5%)	18.4%	13.5%	4.9%
<i>Return on Assets*</i>	2.4%	1.7%	2.6%	0.7%	(0.2%)	2.6%	1.9%	0.7%
<i>Net Interest Margin*</i>	4.9%	4.5%	4.8%	0.4%	0.1%	4.9%	4.1%	0.8%
<i>Cost to Income</i>	34.6%	34.3%	38.2%	(0.3%)	3.6%	36.4%	42.3%	5.9%
<i>Impaired Loan Ratio</i>	2.6%	3.0%	2.8%	0.4%	0.2%	2.6%	3.0%	0.4%
<i>Impaired Loan Coverage Ratio</i>	227.0%	181.7%	210.3%	45.3%	16.7%	227.0%	181.7%	45.3%
<i>Total Capital Adequacy Ratio Basel III**</i>	17.8%	16.4%	18.5%	1.4%	(0.7%)	17.8%	16.4%	1.4%

* Annualized

**After application of Prudential Filter

Figures in brackets represent unfavorable movements



Key Highlights

Record Profitability growth supported by strong income momentum (FY'23)

- The increase of AED 634.5M in Profit before tax was mainly due to an increase in Net interest income and net income from Islamic financing by AED 846.9M and non-interest income by AED 161.6M. This was partly offset by higher operating expenses by AED 165.9M and provisions for expected credit losses by AED 208.1M.
- Gross interest income and income from Islamic financing increased by AED 1,576.4M which was offset by an increase in interest expense and distributions to depositors by AED 729.5M. The movement on net interest income was supported by a strong balance sheet growth across products complimented by the rising rate environment.
- Interest income from conventional loans and investments increased by AED 1,464.2M, while interest costs on conventional deposits and borrowings increased by AED 627.3M. Net income from Sharia-compliant financing increased by AED 10.0M as yields improved on loans and investment books.
- Non-Interest Income increased by AED 161.6M, mainly due to an increase of AED 107.7M in foreign exchange income on back of higher FX volumes, along with an increase in investment income by AED 41.1M.
- Operating Expenses increased by AED 165.9M with higher performance and volume related costs, depreciation, technology, and other expenses partly offset by our digitized processes driving efficiencies in conjunction with a strong revenue momentum, which led to a drop in Cost to Income Ratio to 36.4 % compared to 42.3 % for 2022.
- Operating Profit before provision for credit loss increased by AED 842.6M from 2022 as a result of the positive jaws delivered through better income and cost performance.
- Provisions for credit losses increased by AED 208.1M despite a benign credit environment, shift in business mix towards secured low risk assets and better portfolio performance largely on account of the global macroeconomic and regional geopolitical developments.
- Group has performed an impact assessment of the UAE Corporate Tax Law and has recognized a potential deferred tax liability of AED 13.7M.



Total Balance Sheet at AED 74.0 B, with growth across customer segments

- Balance sheet touches AED 74.0B as the Total Assets increased by AED 7.6B YoY reflecting a growth of 11.5%, with an increase in Gross Loans and Advances by AED 3.8B, Investments by AED 1.8B, Cash and Balance with CBUAE by AED 1.0B and due from other banks by AED 0.9B YOY.
- Wholesale Banking loans increased by AED 1.7B, Business Banking by AED 0.9B and Retail Banking increased by AED 1.3B YOY, as we strategically diversify our portfolio mix.
- **Growth in Wholesale banking was largely on account of an increase in Corporate Loans portfolio of 23.8%. Business Banking growth was supported by an uptick of 15.7% in business loans, while Retail banking growth was on**

account of a strong sales momentum across Mortgages, Auto Loans and Credit Cards.

- Customer deposits increased by 12.3% mainly driven by an increase of AED 3.4B in time deposits and AED 2.2B in CASA accounts with a CASA ratio of 66.9%, endorsing the trust our customers place in the RAKBANK franchise and our services.

Capital and Liquidity

- Capital adequacy ratio for the bank was at 17.8% against 16.4% as at Dec'22.
- Eligible Liquid Assets Ratio for the bank was at 13.0% against 12.8% as at Dec'22 while Advances to Stable Resources Ratio was 82.1% against 79.4% as at Dec'22.

Cash Flows

- Cash and cash equivalents as at 31 December 2023 were at AED 7.9B increasing by AED 1.4B against Dec'22
- Net cash generated from operating activities was AED 4.1B, AED 1.6B was used in investing activities and AED 1.1B was used in financing activities.

Impact of Capital Expenditure and developments

- We more than doubled our capital expenditure to AED 165.4M (2022: AED 82.6M) as we continued to invest in our key foundation pillars while enhancing our digital and technological capabilities to deliver awesome customer experience while strengthening our regulatory compliance.

Ratings

RAKBANK is rated by leading rating agencies. The current ratings are summarized below. These ratings reflect the institutional strength of the Bank that is backed by trust and transparency in financial reporting and disclosures.

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

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.



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 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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