First Look Note | 3Q25

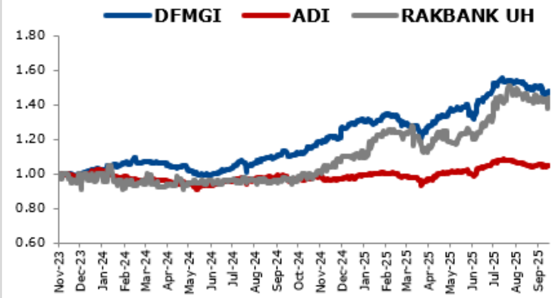
UAE Equity Research   Sector: Banking   Market: ADX

National Bank of Ras Al Khaimah (RAKBANK)

Strong non-interest income along with robust credit quality boosted profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 7.68	AED 8.60	+12.0%	ACCUMULATE

- Net advances grew 10.9% YOY and 5.3% QOQ to AED 51.2 Bn during 3Q25, supported by solid performance across all business segments.
- Between 2024 and 2025, RAKBANK increased its technology CAPEX by 47% and introduced new offerings, including crypto brokerage and escrow services.
- Asset quality slightly improved with the calculated NPL ratio declining from 2.4% in 3Q24 to 2.0% in 3Q25.
- CASA deposit base grew 21.5% YOY and 7.4% QOQ to AED 43.4 Bn in 3Q25, accounting for 66.1% of total deposits.
- RAKBANK delivered strong returns, posting a ROE of 20.0% and ROA of 2.7% in 3Q25.



Stock Information	
Market Cap (AED, mn)	15,729.89
Paid Up Capital (mn)	2,011.49
52 Week High	8.50
52 Week Low	5.30
3M Avg. daily value(AED)	3,912,480

3Q25 Result Review (AED, Mn)	
Total Assets	99,459
Total Liabilities	85,257
Total Equity	14,202
Total Deposits	65,621
Net Profit	705

Financial Ratios	
Dividend Yield (12m)	6.39
Dividend Pay-out (%)	48.52
Price-Earnings Ratio(x)	6.40
Price-to-Book Ratio (x)	1.11
Book Value (AED)	7.04
Return-on Equity (%)	19.14

Stock Performance	
5 Days	2.09%
1 Months	-0.38%
3 Months	-1.76%
6 Months	19.39%
1 Year	42.44%
Month to Date (MTD%)	1.56%
Quarter to Date (QTD%)	1.56%
Year to Date (YTD%)	29.26%

3Q25 Net Profit is in line with our estimate

National Bank of Ras Al-Khaimah (RAKBANK/the Bank) recorded an 18.0% YOY growth in net profit to AED 705 Mn in 3Q25, in line with our estimate of AED 696 Mn. The rise in net profit was primarily driven by growth in net funded and non-funded income, coupled with lower impairment charges, partially offset by higher operating expenses and tax charges.

P&L Highlights

RAKBANK's interest income from conventional loans and investments grew 2.2% YOY to AED 1,216 Mn in 3Q25, whereas interest expense on conventional deposits and borrowings grew 9.3% YOY to AED 416 Mn in 3Q25. Thus, net interest income from conventional loans and advances declined 1.2% YOY to AED 800 Mn in 3Q25. Income from Islamic financing grew significantly, 30.9% YOY to AED 209 Mn in 3Q25, while Islamic financing expenses declined 10.7% YOY to AED 60 Mn in 3Q25. As a result, total funded income increased 5.6% YOY to AED 1,425 Mn in 3Q25, while total funded expenses grew 6.3% YOY to AED 476 Mn in 3Q25. Thus, net funded income increased 5.2% YOY to AED 949 Mn in 3Q25. Resultantly, our calculated Net interest margins (NIMs) contracted 53 bps YOY to 4.0% in 3Q25. Net fee and commission income increased strongly by 20.2% YOY to AED 201 Mn, while foreign exchange income also rose 3.6% YOY to AED 93 Mn in 3Q25. RAKBANK recorded a loss from underwriting income of AED 3 Mn in 3Q25 compared to AED 2 Mn in 3Q24. Additionally, the Bank recorded substantial growth in investment income from AED 17 Mn in 3Q24 to AED 51 Mn in 3Q25, primarily driven by gains from the disposal of investments and fair value income. Other operating income increased 3.3% YOY to AED 33 Mn in 3Q25. Consequently, total non-funded income grew 23.9% YOY to AED 375 Mn in 3Q25. Thus, total operating income grew 9.9% YOY to AED 1,323 Mn in 3Q25.

Operating expenses rose 11.2% YOY to AED 449 Mn in 3Q25, driven by outsourced staff cost and other expenses, with the cost-to-income ratio increasing 38 bps YOY to 33.9% in 3Q25. Impairment charges declined significantly, 30.9% YOY to AED 98 Mn in 3Q25, owing to an improvement in the Bank's loan portfolio. Income tax expenses rose 18.8% YOY to AED 70 Mn in 3Q25. Profit attributable to NCI stood at AED 1 Mn in 3Q25 compared to AED 2 Mn in 3Q24.

Balance Sheet Highlights

RAKBANK's total assets rose 18.6% YOY and 4.7% QOQ to AED 99.5 Bn in 3Q25, primarily attributable to an increase in gross loans and advances, investments portfolio, and cash and bank balance. Net advances grew 10.9% YOY and 5.3% QOQ to AED 51.2 Bn in 3Q25. Customer deposits climbed 14.6% YOY and 7.4% QOQ to AED 65.6 Bn in 3Q25, supported by growth in CASA deposits. The CASA deposit base grew 21.5% YOY and 7.4% QOQ to AED 43.4 Bn in 3Q25, accounting for 66.1% of total deposits in 3Q25 compared to 62.4% in 3Q24.

Target Price and Rating

We maintain our ACCUMULATE rating on RAKBANK with a target price of AED 8.60. RAKBANK posted a robust growth in profitability, driven by higher net funded and strong non-funded income, coupled with lower impairments during 3Q25. The contribution of non-core income increased from 25.1% total operating income in 3Q24 to 28.3% in 3Q25, supported by its initiatives to diversify fee and forex income, along with episodic gains from investment income. RAKBANK's net advances grew 10.9% YOY and 5.3% QOQ to AED 51.2 Bn during 3Q25, driven by strong growth across all business segments. The expansion was primarily led by wholesale lending, which increased 16.3% YOY to AED 18.3 Bn, playing a key role in the overall balance sheet growth. Business Banking segment reported 4.8% YOY growth to AED 11.2 Bn in 3Q25, driven by growth across SME and commercial loans. Personal Banking loans rose 8.2% YOY to AED 24.4 Bn in 3Q25, driven by strong growth in mortgage and expat loans. The Bank also continues to expand its Corporate Banking offerings across crypto brokerage and escrow services, which is expected to support growth in fee-based and non-funded income. RAKBANK's customer deposits increased 14.6% YOY and 7.4% QOQ to AED 65.6 Bn in 3Q25, with higher CASA ratios of 66.1% in 3Q25. The Bank's higher CASA ratio is expected to support its performance in a declining interest rate environment, driven by its lower funding costs. The Bank's calculated NIMs remained stable at 4.0% in 3Q25 compared to 2Q25. RAKBANK's calculated cost of risk declined 48 bps YOY but grew 12 bps QOQ to 0.7% during 3Q25, mainly due to the improvement in the loan portfolio. The Bank's asset quality continued to improve with the calculated NPLs ratio declining from 2.4% in 3Q24 to 2.0% in 3Q25. The calculated provision coverage also increased from 242.9% in 2Q25 to 247.2% in 3Q25, indicating a strong buffer against bad loans during the medium term. In 2024 and 2025, Capex increased by 47% in technology, and this was reflected in digital transaction growth of 24% YOY during 9M25. Capitalization also remained strong with a total CAR of 19.6% in 3Q25, compared to 18.8% in 2Q25. RAKBANK also delivered strong returns, posting a ROE of 20.0% and a ROA of 2.7% in 3Q25 on a calculated basis. In July 2025, the Bank issued USD 300 Mn in perpetual, subordinated, and unsecured Additional Tier 1 (AT1) capital notes at a fixed coupon rate of 6.625% per annum. Interest is payable semi-annually until July 2031, after which it resets every six years. The Bank may skip coupon payments or redeem the notes in 2031 with regulatory approval. Proceeds are expected to strengthen the Bank's capital base, enhance lending capacity, and support strategic growth initiatives. Thus, based on our assumptions, we maintain our ACCUMULATE rating on the stock.

RAKBANK - Relative valuation

(at CMP)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025F**
P/E	30.66	20.43	13.20	8.66	7.45	5.77
P/B	1.98	1.85	1.72	1.50	1.43	1.05
BVPS	3.881	4.147	4.471	5.134	5.352	7.340
EPS	0.250	0.376	0.582	0.887	1.030	1.330
DPS	0.125	0.188	0.283	0.310	0.500	0.652
Dividend yield	1.6%	2.4%	3.7%	4.0%	6.5%	8.5%

FABS Estimates & Co Data

FAB SECURITIES أبوظبي الأول للأوراق المالية

RAKBANK P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	Change
Interest Income	1,350	1,372	1,425	1,428	-0.2%	5.6%	3.9%	5,234	5,605	7.1%
Interest expense	-448	-463	-476	-487	-2.2%	6.3%	2.9%	-1,672	-1,857	11.0%
Net funded income	**902**	**909**	**949**	**941**	**0.9%**	**5.2%**	**4.4%**	**3,562**	**3,749**	**5.2%**
Net fees and commissions	167	211	201	226	-11.1%	20.2%	-4.9%	644	805	25.0%
Foreign exchange gain	89	99	93	101	-8.1%	3.6%	-6.3%	352	401	14.0%
Gross insurance underwriting Profit	-2	0	-3	0	NM	28.7%	NM	-45	-18	-60.0%
Investment Income	17	30	51	33	54.6%	210.8%	73.1%	88	229	NM
Other operating income	32	22	33	23	43.3%	3.3%	50.5%	112	95	-15.0%
Total non-funded income	**302**	**362**	**375**	**383**	**-2.2%**	**23.9%**	**3.5%**	**1,150**	**1,512**	**31.4%**
Net operating income	**1,204**	**1,271**	**1,323**	**1,324**	**0.0%**	**9.9%**	**4.1%**	**4,713**	**5,261**	**11.6%**
Operating expenses	-404	-456	-449	-461	-2.6%	11.2%	-1.6%	-1,658	-1,783	7.5%
Pre-provision profit	**800**	**814**	**875**	**863**	**1.3%**	**9.3%**	**7.4%**	**3,054**	**3,478**	**13.9%**
Impairment	-141	-79	-98	-96	2.0%	-30.9%	23.0%	-776	-527	-32.1%
Profit before tax	**659**	**735**	**777**	**768**	**1.2%**	**17.9%**	**5.7%**	**2,278**	**2,951**	**29.5%**
Income tax expense	-59	-66	-70	-69	1.5%	18.8%	6.8%	-202	-266	31.2%
Profit before NCI	**600**	**669**	**707**	**698**	**1.2%**	**17.8%**	**5.6%**	**2,076**	**2,685**	**29.4%**
Non-controlling interest	-2	-3	-1	-2	-32.7%	-28.7%	-49.5%	-3	-10	NM
Net profit attributable	**598**	**667**	**705**	**696**	**1.3%**	**18.0%**	**5.8%**	**2,072**	**2,675**	**29.1%**

FABS estimate & Co Data

RAKBANK - KPI

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	74.9%	71.5%	71.7%	-319	16	75.6%	71.3%	-432
NIM- calculated	4.6%	4.1%	4.0%	-53	-1	4.8%	4.5%	-31
NIS	4.2%	3.7%	3.7%	-50	-2	4.5%	3.6%	-91
Fees & comms/OI	13.9%	16.6%	15.2%	130	-144	13.7%	15.3%	164
Foreign exchange gain/OI	7.4%	7.8%	7.0%	-42	-78	7.5%	7.6%	16
Other operating income/OI	2.6%	1.7%	2.5%	-16	76	2.4%	1.8%	-57
Invt Income/OI	1.4%	2.3%	3.9%	251	155	1.9%	4.4%	248
Cost to income	33.5%	35.9%	33.9%	38	-199	35.2%	33.9%	-130
Impairment/PPP	17.7%	9.8%	11.2%	-650	142	25.4%	15.2%	-1,025
NP/OI	49.6%	52.5%	53.3%	364	84	44.0%	50.9%	688
Cost of risk	1.2%	0.6%	0.7%	-48	12	1.7%	1.0%	-69
Loan-to-deposit	80.7%	79.7%	78.1%	-261	-160	79.2%	80.0%	83
NPL - calculated	2.4%	2.1%	2.0%	-41	-11	2.2%	2.0%	-25
NPL Coverage - calculated	233.8%	242.9%	247.2%	1,339	427	253.2%	245.0%	-822
CET 1	17.1%	16.5%	17.0%	-16	47	15.7%	15.7%	7
Capital adequacy	19.6%	18.8%	19.6%	0	78	18.1%	17.8%	-26
ROAE	19.9%	20.4%	20.0%	7	-41	18.8%	20.2%	141
ROAA	2.7%	2.7%	2.7%	-4	0	2.6%	2.8%	22

FABS estimate & Co data

RAKBANK - Key B/S items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
Net advances	46,198	47,224	47,590	48,662	51,228	10.9%
QOQ change	12.7%	2.2%	0.8%	2.3%	5.3%	
Total assets	83,891	88,325	90,804	94,961	99,459	18.6%
QOQ change	4.3%	5.3%	2.8%	4.6%	4.7%	
Customer deposits	57,266	59,650	61,038	61,079	65,621	14.6%
QOQ change	-2.1%	4.2%	2.3%	0.1%	7.4%	
Total Equity	11,561	11,797	11,579	12,341	14,202	22.8%
QOQ change	7.1%	2.0%	-1.8%	6.6%	15.1%	

FABS estimate & Co data

Valuation:

We use Residual Income and Relative Valuation (RV) method to value RAKBANK. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	8.20	70.0%	5.74
Relative Valuation (RV)	9.53	30.0%	2.86
Weighted Average Valuation (AED)			**8.60**
Current market price (AED)			7.68
Upside/Downside (%)			+12.0%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.5%. Cost of equity is calculated by using the 10-year government bond yield of 4.8%, a beta of 1.0 and equity risk premium of 4.6%. Government bond yield is calculated after adding Abu Dhabi 10-year CDS spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	2,882
Terminal value (AED, Mn)	522
Book Value of Equity (as of Sep 2025)	13,091
FV to Common shareholders (AED, Mn)	**16,495**
No. of share (Mn)	2,011
Current Market Price (AED)	**7.68**
Fair Value per share (AED)	8.20

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	2,675	2,557	2,473	2,200	2,000	1,766
(-) Equity Charge	-1,120	-1,304	-1,423	-1,533	-1,621	-1,704
Excess Equity	**389**	**1,254**	**1,051**	**667**	**379**	**62**
Discounting Factor	0.98	0.90	0.82	0.75	0.68	0.62
Present Value of Excess Equity	**96**[1]	**1,126**	**862**	**500**	**259**	**39**

Source: FAB Securities, [1]Adjusted for partial year

2) Relative Valuation:

We have used local peers to value RAKBANK, and it is valued using the PB multiple. It is valued at a 2026 PB multiple of 1.3x in line with peers.

Company	Market	P/B (x)		P/E (x)		Dividend Yield (%)	
	(USD Mn)	2025F	2026F	2025F	2026F	2025F	2026F
Sharjah Islamic Bank	2,519	NA	1.1	NM	9.1	0.1%	NA
Commercial Bank of Dubai	7,801	1.6	1.6	8.4	10.3	5.7%	4.2%
Emirates NBD	46,943	1.2	1.1	7.2	7.3	3.8%	4.0%
Mashreq Bank	13,003	1.3	1.2	6.5	6.7	7.1%	8.4%
Abu Dhabi Commercial Bank	31,277	1.5	1.4	11.0	10.0	4.1%	4.4%
Dubai Islamic Bank	18,868	1.6	1.5	10.1	10.0	4.8%	4.9%
Average		**1.5x**	**1.3x**	**8.6x**	**8.9x**	**4.3%**	**5.2%**
Median		**1.5x**	**1.3x**	**8.4x**	**9.5x**	**4.4%**	**4.4%**
Max		**1.6x**	**1.4x**	**10.1x**	**10.0x**	**5.5%**	**4.9%**
Min		**1.3x**	**1.1x**	**7.2x**	**7.8x**	**3.9%**	**4.2%**

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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