

National Bank of Ras Al Khaimah (RAKBANK)

Strong non-interest income coupled with robust credit quality boosted bottom line

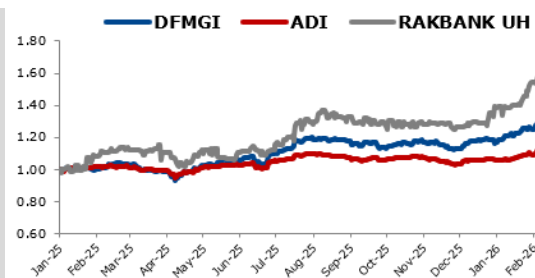
Current Price
AED 9.85

Target Price
AED 9.50

Upside/Downside (%)
-3.6%

Rating
HOLD

- Gross advances grew 11.7% YOY and 3.9% QOQ to AED 55.9 Bn in 4Q25, supported by strong performance across business segments.
- Reported risk-adjusted NIM remained stable at 3.7% in 2025 compared to 2024, despite the impact of interest rate cuts.
- CASA deposit base grew 22.6% YOY to AED 45.8 Bn in 4Q25, accounting for 65% of total deposits.
- Asset quality improved with calculated NPL ratio declining from 2.0% in 3Q25 to 1.9% in 4Q25.
- Capital ratio remained strong with a total CAR and CET 1 ratio of 18.1% and 14.5%, respectively during 4Q25.



Stock Information

Market Cap (AED, mn)	19,813.22
Paid Up Capital (mn)	2,011.49
52 Week High	9.85
52 Week Low	5.99
3M Avg. daily value(AED)	1,710,916

4Q25 Net Profit in line with our estimate

National Bank of Ras Al-Khaimah (RAKBANK/the Bank) reported a 36.6% YOY increase in net profit to AED 526 Mn in 4Q25, in line with our estimate of AED 541 Mn. The increase in net profit is mainly driven by higher net funded and non-funded income coupled with lower impairment charges, partially offset by increased operating expenses and tax charges.

P&L Highlights

RAKBANK's interest income from conventional loans and investments grew 5.1% YOY to AED 1,223 Mn in 4Q25, whereas interest expense on conventional deposits and borrowings decreased 4.3% YOY to AED 370 Mn in 4Q25. Thus, net interest income from conventional loans and advances increased 9.7% YOY to AED 853 Mn in 4Q25. Income from Islamic financing grew 11.3% YOY to AED 206 Mn in 4Q25, while Islamic financing expenses increased substantially from AED 65 Mn in 4Q24 to AED 99 Mn in 4Q25. As a result, total funded income increased 5.9% YOY to AED 1,429 Mn in 4Q25, while total funded expenses grew 3.9% YOY to AED 468 Mn in 4Q25. Thus, net funded income increased 6.9% YOY to AED 961 Mn in 4Q25. Resultantly, our calculated Net interest margins (NIMs) contracted 44 bps YOY to 3.9% in 4Q25. Net fee and commission income increased 24.2% YOY to AED 174 Mn, while foreign exchange income rose 15.7% YOY to AED 101 Mn in 4Q25. RAKBANK recorded a lower loss from insurance underwriting of AED 7 Mn in 4Q25, compared to AED 14 Mn in 4Q24. Additionally, the Bank recorded growth in investment income from AED 12 Mn in 4Q24 to AED 24 Mn in 4Q25, primarily driven by gains from the disposal of investments and fair value gains. Other operating income decreased from AED 36 Mn in 4Q24 to AED 21 Mn in 4Q25. Consequently, total non-funded income grew 19.5% YOY to AED 313 Mn in 4Q25. Thus, total operating income grew 9.8% YOY to AED

4Q25 Result Review (AED, Mn)

Total Assets	105,018
Total Liabilities	90,263
Total Equity	14,756
Total Deposits	70,460
Net Profit	526

Financial Ratios

Dividend Yield (12m)	5.08
Dividend Pay-out (%)	38.67
Price-Earnings Ratio(x)	7.62
Price-to-Book Ratio (x)	1.46
Book Value (AED)	6.77
Return-on Equity (%)	20.49

Stock Performance

5 Days	2.60%
1 Months	17.40%
3 Months	26.61%
6 Months	23.13%
1 Year	45.71%
Month to Date (MTD%)	5.46%
Quarter to Date (QTD%)	17.26%
Year to Date (YTD%)	17.26%

1,273 Mn in 4Q25. Operating expenses rose 10.1% YOY to AED 513 Mn in 4Q25, driven by outsourced staff cost and other expenses, with the cost-to-income ratio increasing 12 bps YOY to 40.3% in 4Q25. Impairment charges declined significantly, 33.5% YOY to AED 180 Mn in 4Q25, owing to an improvement in the Bank's loan portfolio. Income tax expenses rose 38.3% YOY to AED 52 Mn in 4Q25. Profits attributable to NCI stood at AED 3 Mn in 4Q25 compared to AED 1 Mn in 4Q24.

Balance Sheet Highlights

RAKBANK's total assets rose 18.9% YOY and 5.6% QOQ to AED 105 Bn in 4Q25, primarily driven by growth in gross loans and advances, investments portfolio, and cash and bank balance. Gross loans and advances increased 11.7% YOY and 3.9% QOQ to AED 55.9 Bn in 4Q25. Customer deposits grew 18.1% YOY and 7.4% QOQ to AED 70.5 Bn in 4Q25, driven by strong growth in CASA deposits. The CASA deposit base increased 22.6% YOY to AED 45.8 Bn in 4Q25, resulting in a CASA ratio of 65%.

Target Price and Rating

We maintain our HOLD rating on RAKBANK with a revised target price of AED 9.50. The Bank's stock price grew 16.7% since our last rating (January 2026). RAKBANK delivered strong profitability growth in 4Q25, supported by higher net funded income, solid non-funded income, and significantly lower impairment charges. RAKBANK's gross advances increased 11.7% YOY and 3.9% QOQ to AED 55.9 Bn during 4Q25, driven by strong growth across all the business segments. Retail Banking loans and advances rose by AED 1.7 Bn to AED 25 Bn in 4Q25, driven by mortgage and expat lending. Wholesale Banking loans and advances expanded 22.0% YOY to AED 19.7 Bn, supported by growth across corporate and financial institutions, while Business Banking loans and advances increased 6.1% YOY to AED 11.3 Bn in 4Q25, primarily led by SME and commercial loans. RAKBANK's customer deposits rose 18.1% YOY and 7.4% QOQ to AED 70.5 Bn in 4Q25, with a CASA ratio of 65%. The higher CASA ratio is expected to support performance in a declining interest rate environment, driven by its lower funding costs. The Bank's reported risk-adjusted NIM remained stable at 3.7% in 2025 compared to 2024, despite the impact of interest rate cuts. However, given RAKBANK's positive interest rate sensitivity gap, a continued easing cycle could still weigh on margins and net interest income going forward. RAKBANK's reported cost of risk improved to 0.9% in 4Q25 from 1.7% in 4Q24, reflecting better asset quality and lower credit provisioning pressures. Furthermore, the Bank's asset quality improved with calculated NPL ratio declining from 2.0% in 3Q25 to 1.9% in 4Q25. The calculated provision coverage also increased from 247.2% in 3Q25 to 258.8% in 4Q25, indicating a strong buffer against bad loans during the medium term. The Bank's capital ratio also remained strong with a total CAR and CET 1 ratio of 18.1% and 14.5%, respectively during 4Q25. RAKBANK also delivered strong returns, with reported ROA and ROE of 2.8% and 20.2%, respectively during 2025. Further, RAKBANK Board recommended a cash dividend distribution of 63 fils per share for FY2025. Thus, based on our assumptions, we maintain our HOLD rating on the stock.

RAKBANK - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	26.07	16.84	11.05	9.51	7.58	7.62
PB	2.36	2.19	1.91	1.83	1.34	1.23
BVPS	4.147	4.471	5.134	5.352	7.315	7.936
EPS	0.376	0.582	0.887	1.030	1.293	1.287
DPS	0.188	0.283	0.310	0.500	0.630	0.643
Dividend yield	1.9%	2.9%	3.2%	5.1%	6.4%	6.6%

FABS Estimates & Co Data

RAKBANK P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch	QOQ Ch	2024	2025	Change
Interest Income	1,349	1,425	1,429	1,464	-2.4%	5.9%	0.3%	5,234	5,527	5.6%
Interest expense	-451	-476	-468	-484	-3.3%	3.9%	-1.7%	-1,672	-1,842	10.1%
Net funded income	899	949	961	980	-1.9%	6.9%	1.3%	3,562	3,686	3.5%
Net fees and commissions	140	201	174	204	-15.0%	24.2%	-13.6%	644	774	20.3%
Foreign exchange gain	87	93	101	112	-9.5%	15.7%	9.2%	352	390	11.0%
Gross insurance underwriting Profit	-14	-3	-7	-12	-38.4%	-46.2%	NA	-45	-13	-70.4%
Investment Income	12	51	24	21	11.1%	NM	-53.6%	88	231	NM
Other operating income	36	33	21	17	28.7%	-40.1%	-34.3%	112	100	-10.7%
Total non-funded income	262	375	313	342	-8.6%	19.5%	-16.5%	1,150	1,482	28.9%
Net operating income	1,160	1,323	1,273	1,322	-3.6%	9.8%	-3.8%	4,713	5,168	9.7%
Operating expenses	-466	-449	-513	-517	-0.9%	10.1%	14.2%	-1,658	-1,852	11.7%
Pre-provision profit	694	875	761	804	-5.4%	9.6%	-13.0%	3,054	3,316	8.6%
Impairment	-270	-98	-180	-204	-11.8%	-33.5%	NM	-776	-451	-41.9%
Profit before tax	424	777	581	601	-3.3%	37.0%	-25.2%	2,278	2,865	25.8%
Income tax expense	-38	-70	-52	-56	-6.8%	38.3%	-25.4%	-202	-256	26.4%
Profit before NCI	386	707	529	545	-2.9%	36.9%	-25.2%	2,076	2,609	25.7%
Non-controlling interest	-1	-1	-3	-3	-20.0%	NM	NM	-3	-9	NM
Net profit attributable	385	705	526	541	-2.8%	36.6%	-25.4%	2,072	2,600	25.5%

FABS estimate & Co Data

RAKBANK - KPI

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	77.5%	71.7%	75.4%	-200	376	75.6%	71.3%	-427
NIMs	4.3%	4.0%	3.9%	-44	-14	4.6%	4.0%	-60
NIS	4.0%	3.7%	4.0%	8	36	4.2%	3.6%	-59
Fees & comms/OI	12.1%	15.2%	13.6%	159	-155	13.7%	15.0%	132
Foreign exchange gain/OI	7.5%	7.0%	7.9%	41	94	7.5%	7.6%	9
Other operating income/OI	3.1%	2.5%	1.7%	-140	-78	2.4%	1.9%	-44
Inv Income/OI	1.1%	3.9%	1.9%	80	-201	1.9%	4.5%	261
Cost to income	40.1%	33.9%	40.3%	12	633	35.2%	35.8%	65
Impairment/PPP	38.9%	11.2%	23.6%	NM	NM	25.4%	13.6%	NM
NP/OI	33.2%	53.3%	41.3%	811	NM	44.0%	50.3%	634
Cost of risk	2.2%	0.7%	1.3%	-88	57	1.7%	0.8%	-84
Loan-to-deposit	79.2%	78.1%	75.6%	-360	-250	79.2%	75.6%	-360
NPL - calculated	2.2%	2.0%	1.9%	-38	-12	2.2%	1.9%	-38
NPL Coverage - calculated	253.2%	247.2%	258.8%	554	NM	253.2%	258.8%	554
CET 1	15.7%	16.0%	14.5%	-115	-147	15.7%	14.5%	-115
Capital adequacy	18.1%	19.6%	18.1%	0	-150	18.1%	18.1%	0
ROAE	18.8%	20.0%	20.5%	173	51	18.8%	19.6%	88
ROAA	2.6%	2.7%	2.7%	14	1	2.6%	2.7%	14

FABS estimate & Co data

RAKBANK - Key B/S items

AED Mn	4Q24	1Q25	2Q25	3Q25	4Q25	YOY Ch
Net advances	47,224	47,590	48,662	51,228	53,246	12.8%
QOQ change	2.2%	0.8%	2.3%	5.3%	3.9%	
Total assets	88,325	90,804	94,961	99,459	105,018	18.9%
QOQ change	5.3%	2.8%	4.6%	4.7%	5.6%	
Customer deposits	59,650	61,038	61,079	65,621	70,460	18.1%
QOQ change	4.2%	2.3%	0.1%	7.4%	7.4%	
Total Equity	11,797	11,579	12,341	14,202	14,756	25.1%
QOQ change	2.0%	-1.8%	6.6%	15.1%	3.9%	

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	9.30	70.0%	6.51
Relative Valuation (RV)	9.97	30.0%	2.99
Weighted Average Valuation (AED)			9.50
Current market price (AED)			9.85
Upside/Downside (%)			-3.6%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.3%. Cost of equity is calculated by using the 10-year government bond yield of 4.9%, a beta of 1.0 and equity risk premium of 4.2%. 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)	3,132
Terminal value (AED, Mn)	1,955
Book Value of Equity (as of Dec 2025)	13,612
FV to Common shareholders (AED, Mn)	18,699
No. of share (Mn)	2,011
Current Market Price (AED)	9.85
Fair Value per share (AED)	9.30

Residual Income Method

(All Figures in AED Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Net Profit	2,515	2,461	2,322	2,015	1,891
(-) Equity Charge	-1,271	-1,388	-1,497	-1,595	-1,671
Excess Equity	1,244	1,074	826	420	219
Discounting Factor	0.92	0.84	0.77	0.71	0.65
Present Value of Excess Equity	1,149	907	638	297	142

Source: FAB Securities

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 (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Sharjah Islamic Bank	3,066	1.1	NA	9.1	NA	NA	NA
Commercial Bank of Dubai	7,761	1.5	1.4	10.1	9.5	NA	NA
Emirates NBD	52,622	1.3	1.1	8.2	7.7	3.6%	3.9%
Mashreq Bank	14,200	1.3	1.2	7.3	7.0	NA	NA
Abu Dhabi Commercial Bank	30,362	1.4	1.3	9.9	8.8	4.5%	4.8%
Dubai Islamic Bank	19,184	1.5	1.4	10.0	9.6	4.9%	5.0%
Average		1.3x	1.3x	9.1x	8.5x	3.2%	3.4%
Median		1.3x	1.3x	9.5x	8.8x	4.1%	4.4%
Max		1.5x	1.4x	10.0x	9.5x	4.6%	4.9%
Min		1.3x	1.2x	8.4x	7.7x	2.7%	2.9%

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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