

## National Bank of Ras Al Khaimah (RAKBANK)

One-off gain from the merchant business sales boosted the bottom-line

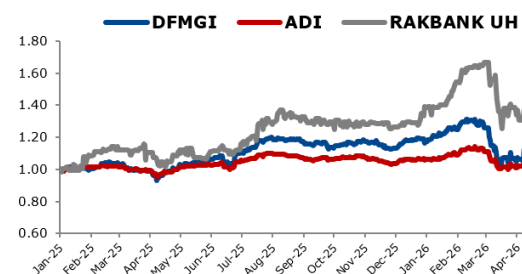
**Current Price**  
AED 8.34

**Target Price**  
AED 10.00

**Upside/Downside (%)**  
+20%

**Rating**  
BUY

- The Bank recorded one-off gain of AED 473 Mn from the sale of its merchant acquiring business to Network International LLC.
- Net advances increased 16.4% YOY and 4.0% QOQ to AED 55.4 Bn in 1Q26, supported by broad-based lending growth across retail and corporate segments.
- The Bank's risk-adjusted NIM declined to 3.0% in 1Q26 from 3.9% in 1Q25, reflecting the increasing impact of rate cuts and higher precautionary provisioning amid regional volatility.
- CASA (calculated) deposits grew 22.7% YOY to AED 48.8 Bn in 1Q26, with a CASA ratio of 65.6%.
- The Bank paid a cash dividend of AED 1,267 Mn, representing 63% of its issued and paid-up share capital for FY2025.



### 1Q26 Net Profit higher than our estimate

National Bank of Ras Al-Khaimah (RAKBANK/the Bank) reported a 43.0% YOY increase in net profit to AED 1,004 Mn in 1Q26, higher than our estimate of AED 727 Mn. The increase in net profit is mainly driven by robust growth in non-funded income, supported by higher fee-based income and a significant increase in other operating income, coupled with growth in net funded income due to higher loan and investment volumes, partially offset by rise in operating expenses, impairment charges, income tax expense.

### P&L Highlights

RAKBANK's interest income grew 10.1% YOY to AED 1,230 Mn in 1Q26, supported by growth in investment and advances, partially offset by a decline in asset yield. Whereas interest expense expanded 14.5% YOY to AED 424 Mn in 1Q26, due to higher customer deposits, partially offset by a decline in cost of funds. Thus, net interest income from conventional loans and advances increased 7.9% YOY to AED 806 Mn in 1Q26. Income from Islamic financing grew 8.0% YOY to AED 199 Mn in 1Q26, while Islamic financing expenses declined 9.3% YOY to AED 58 Mn in 1Q26. As a result, total funded income increased 9.8% YOY to AED 1,429 Mn in 1Q26, while total funded expenses grew 11.0% YOY to AED 482 Mn in 1Q26. Thus, net funded income increased 9.2% YOY to AED 947 Mn in 1Q26. Resultantly, our calculated NIM contracted 31 bps YOY to 3.7% in 1Q26. Net fee and commission income increased 9.3% YOY to AED 206 Mn, while foreign exchange income rose 17.1% YOY to AED 114 Mn in 1Q26. RAKBANK recorded a profit from insurance underwriting of AED 4 Mn in 1Q26, compared to a loss of AED 3 Mn in 1Q25. Additionally, investment income fell substantially 57.6% YOY to AED 54 Mn in 1Q26, primarily driven by lower net gain on disposal of investments and fair value loss recorded in 1Q26, compared to a gain in 1Q25. On the other hand, other operating income expanded significantly from AED 24 Mn in

### Stock Information

Market Cap (AED, Mn)	16,775.86
Paid Up Capital (Mn)	2,011.49
52 Week High	10.10
52 Week Low	6.21
3M Avg. daily value(AED)	1,396,637

### 1Q26 Result Review (AED, Mn)

Total Assets	107,323
Total Liabilities	93,124
Total Equity	14,199
Total Deposits	74,308
Net Profit	1,004

### Financial Ratios

Dividend Yield (12m)	7.55
Dividend Pay-out (%)	38.67
Price-Earnings Ratio(x)	5.78
Price-to-Book Ratio (x)	1.28
Book Value (AED)	6.49
Return-on Equity (%)	23.60

### Stock Performance

5 Days	-0.60%
1 Months	-0.12%
3 Months	-4.14%
6 Months	6.92%
1 Year	29.50%
Month to Date (MTD%)	2.96%
Quarter to Date (QTD%)	2.96%
Year to Date (YTD%)	-0.71%

1Q25 to AED 496 Mn in 1Q26, primarily driven by a gain of AED 473 Mn from the sale of the merchant acquiring business to Network International LLC. Consequently, total non-funded income expanded substantially from AED 433 Mn in 1Q25 to AED 873 Mn in 1Q26. Thus, total operating income rose 40.0% YOY to AED 1,820 Mn in 1Q26. Operating expenses increased 9.6% YOY to AED 476 Mn in 1Q26, driven by a rise in staff costs, outsourced staff costs and other expenses, with the cost-to-income ratio declined 725 bps YOY to 26.2% in 1Q26. Impairment charges more than doubled to AED 238 Mn in 1Q26 compared to AED 94 Mn in 1Q25, primarily due to a substantial rise in impairment charges on loans and advances. Income tax expenses rose 45.0% YOY to AED 98 Mn in 1Q26 in line with growth in profit before tax. Profit attributable to NCI stood at AED 3 Mn in 1Q26 compared to AED 2 Mn in 1Q25.

### Balance Sheet Highlights

RAKBANK's total assets rose 18.2% YOY and 2.2% QOQ to AED 107.3 Bn in 1Q26, primarily driven by growth in gross loans and advances, investment portfolio, and due from banks. Net advances increased 16.4% YOY and 4.0% QOQ to AED 55.4 Bn in 1Q26, supported by broad-based lending growth across segments. Customer deposits grew 21.7% YOY and 5.5% QOQ to AED 74.3 Bn in 1Q26, driven by robust growth in CASA deposits. The CASA deposit base increased 22.7% YOY to AED 48.8 Bn in 1Q26, resulting in a CASA ratio of 65.6%.

### Target Price and Rating

We maintain our BUY rating on RAKBANK with a revised target price of AED 10.0. RAKBANK reported strong profitability growth in 1Q26, primarily driven by a significant increase in non-funded income, supported by a one-off gain from the sale of the merchant acquiring business to Network International LLC. The growth in net profit is further driven by higher loan volumes and increased income from Islamic financing. RAKBANK's net advances increased 16.4% YOY and 4.0% QOQ to AED 55.4 Bn during 1Q26, driven by strong growth across all the business segments. Retail Banking loans and advances rose 1.9% QOQ to AED 25.4 Bn in 1Q26, driven by mortgage and expat lending. Wholesale Banking loans and advances expanded 7.5% QOQ to AED 21.2 Bn, supported by growth across corporate and financial institutions. While Business Banking loans and advances increased 2.6% QOQ to AED 11.5 Bn in 1Q26, primarily led by SME and commercial loans. Thereby demonstrating the Bank's ability to maintain a well-diversified loan book and sustain strong lending momentum even during heightened regional uncertainty, supporting overall balance sheet expansion. RAKBANK's customer deposits increased 21.7% YOY and 5.5% QOQ to AED 74.3 Bn in 1Q26. Furthermore, the CASA ratio stood at 65.6%, reflecting the Bank's strong ability to maintain a stable and low-cost funding base. Additionally, the elevated CASA mix is expected to support earnings performance in a declining interest rate environment, driven by relatively lower funding costs. Furthermore, RAKBANK's calculated cost of risk rose to 1.7% in 1Q26 from 0.7% in 1Q25, reflecting higher impairment charges driven by increased provisioning on loans and advances, as the Bank adopted a more prudent stance to mitigate potential credit risks amid ongoing regional uncertainty. Additionally, the Bank's asset quality improved with calculated NPL ratio declining from 2.4% in 1Q25 to 1.9% in 1Q26. Stage 2 assets also improved from 3.7% in 4Q25 to 3.3% in 1Q26. The calculated provision coverage increased from 231.8% in 1Q25 to 252.2% in 1Q26, reflecting a strengthened buffer against potential credit losses amid heightened geopolitical uncertainty. The Bank's capitalization remained strong with a total CAR of 18.7% during 1Q26. RAKBANK also delivered strong returns, with calculated ROAA and ROAE of 2.9% and 23.6%, respectively, in 1Q26. The Bank paid a cash dividend of AED 1,267 Mn, equivalent to 63 fils per share in 2025. Thus, based on our assumptions, we maintain our BUY rating on the stock.

#### RAKBANK - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	22.45	14.50	9.52	8.19	6.53	5.76
PB	2.03	1.89	1.64	1.58	1.15	1.04
BVPS	4.147	4.471	5.134	5.352	7.315	8.114
EPS	0.376	0.582	0.887	1.030	1.293	1.465
DPS	0.188	0.283	0.310	0.500	0.630	0.730
Dividend yield	2.2%	3.4%	3.7%	5.9%	7.5%	8.6%

FABS Estimates & Co Data

**RAKBANK P&L**

AED Mn	1Q25	4Q25	1Q26	1Q26F	var.	YOY Ch	QOQ Ch	2025	2026F	Change
Interest Income	1,301	1,429	1,429	1,449	-1.4%	9.8%	0.0%	5,527	5,814	5.2%
Interest expense	-434	-468	-482	-458	5.3%	11.0%	2.9%	-1,842	-1,933	4.9%
<b>Net funded income</b>	<b>867</b>	<b>961</b>	<b>947</b>	<b>991</b>	<b>-4.5%</b>	<b>9.2%</b>	<b>-1.5%</b>	<b>3,686</b>	<b>3,882</b>	<b>5.3%</b>
Net fees and commissions	188	174	206	182	12.7%	9.3%	18.3%	774	836	8.0%
Foreign exchange gain	98	101	114	102	11.8%	17.1%	12.9%	390	410	5.0%
Gross insurance underwriting Profit	-3	-7	4	-7	NM	NM	NM	-13	-23	70.0%
Investment Income	126	24	54	83	-35.7%	-57.6%	NM	231	248	7.0%
Other operating income	24	21	496	23	NM	NM	NM	100	574	NM
<b>Total non-funded income</b>	<b>433</b>	<b>313</b>	<b>873</b>	<b>384</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>1,482</b>	<b>2,045</b>	<b>37.9%</b>
<b>Net operating income</b>	<b>1,300</b>	<b>1,273</b>	<b>1,820</b>	<b>1,375</b>	<b>32.4%</b>	<b>40.0%</b>	<b>42.9%</b>	<b>5,168</b>	<b>5,926</b>	<b>14.7%</b>
Operating expenses	-434	-513	-476	-461	3.4%	9.6%	-7.1%	-1,852	-1,991	7.5%
<b>Pre-provision profit</b>	<b>866</b>	<b>761</b>	<b>1,344</b>	<b>914</b>	<b>47.0%</b>	<b>55.2%</b>	<b>76.6%</b>	<b>3,316</b>	<b>3,935</b>	<b>18.7%</b>
Impairment	-94	-180	-238	-113	NM	NM	32.4%	-451	-687	52.5%
<b>Profit before tax</b>	<b>772</b>	<b>581</b>	<b>1,106</b>	<b>802</b>	<b>37.9%</b>	<b>43.2%</b>	<b>90.3%</b>	<b>2,865</b>	<b>3,248</b>	<b>13.4%</b>
Income tax expense	-68	-52	-98	-72	36.0%	45.0%	87.5%	-256	-292	14.3%
<b>Profit before NCI</b>	<b>704</b>	<b>529</b>	<b>1,008</b>	<b>730</b>	<b>38.1%</b>	<b>43.0%</b>	<b>90.6%</b>	<b>2,609</b>	<b>2,956</b>	<b>13.3%</b>
Non-controlling interest	-2	-3	-3	-3	38.6%	52.0%	33.7%	-9	-9	0.2%
<b>Net profit attributable</b>	<b>702</b>	<b>526</b>	<b>1,004</b>	<b>727</b>	<b>38.1%</b>	<b>43.0%</b>	<b>90.9%</b>	<b>2,600</b>	<b>2,947</b>	<b>13.3%</b>

*FABS estimate & Co Data*
**RAKBANK - KPI**

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	66.7%	75.4%	52.0%	-1,466	-2,344	71.3%	65.5%	-582
NIM	4.0%	3.9%	3.7%	-31	-20	4.0%	3.7%	-29
NIS	3.7%	4.0%	3.7%	-2	-38	3.6%	3.4%	-25
Fees & comms/OI	14.5%	13.6%	11.3%	-316	-235	15.0%	14.1%	-87
Foreign exchange gain/OI	7.5%	7.9%	6.3%	-123	-167	7.6%	6.9%	-64
Other operating income/OI	1.9%	1.7%	27.2%	2,537	2,555	1.9%	9.7%	775
Inv Income/OI	9.7%	1.9%	2.9%	-678	108	4.5%	4.2%	-30
Cost to income	33.4%	40.3%	26.2%	-725	-1,410	35.8%	33.6%	-224
Impairment/PPP	10.8%	23.6%	17.7%	689	-591	13.6%	17.5%	388
NP/OI	54.0%	41.3%	55.2%	118	1,386	0.0%	0.0%	0
Cost of risk	0.7%	1.3%	1.7%	92	36	0.8%	1.2%	32
Loan-to-deposit	78.0%	75.6%	74.5%	-344	-104	75.6%	74.0%	-157
NPL - calculated	2.4%	1.9%	1.9%	-51	5	1.9%	1.8%	-6
NPL Coverage - calculated	231.8%	258.8%	252.2%	2,042	-657	258.8%	264.0%	524
Capital adequacy	18.6%	18.1%	18.7%	11	60	18.1%	17.7%	-40
ROAE	20.2%	20.5%	23.6%	342	310	19.6%	19.0%	-65
ROAA	2.6%	2.7%	2.9%	33	24	2.7%	2.7%	-1

*FABS estimate & Co data*
**RAKBANK - Key B/S items**

AED Mn	1Q25	2Q25	3Q25	4Q25	1Q26	YOY Ch
Net advances	47,590	48,662	51,228	53,246	55,381	16.4%
QOQ change	0.8%	2.3%	5.3%	3.9%	4.0%	
Total assets	90,804	94,961	99,459	105,018	107,323	18.2%
QOQ change	2.8%	4.6%	4.7%	5.6%	2.2%	
Customer deposits	61,038	61,079	65,621	70,460	74,308	21.7%
QOQ change	2.3%	0.1%	7.4%	7.4%	5.5%	
Total Equity	11,579	12,341	14,202	14,756	14,199	22.6%
QOQ change	-1.8%	6.6%	15.1%	3.9%	-3.8%	

*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	10.37	70.0%	7.26
Relative Valuation (RV)	9.13	30.0%	2.74
<b>Weighted Average Valuation (AED)</b>			<b>10.00</b>
Current market price (AED)			8.34
Upside/Downside (%)			+20%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.8%. 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 4.7%. 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)	3,423
Terminal value (AED, Mn)	4,379
Book Value of Equity (as of March 2026)	13,054
<b>FV to Common shareholders (AED, Mn)</b>	<b>20,856</b>
No. of share (Mn)	2,011
Current Market Price (AED)	8.34
<b>Fair Value per share (AED)</b>	<b>10.37</b>

### Residual Income Method

(All Figures in AED Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Net Profit	2,874	2,533	2,422	2,393	2,349
(-) Equity Charge	-1,338	-1,496	-1,601	-1,711	-1,823
<b>Excess Equity</b>	<b>1,536</b>	<b>1,037</b>	<b>821</b>	<b>683</b>	<b>526</b>
Discounting Factor	0.94	0.85	0.78	0.71	0.64
<b>Present Value of Excess Equity</b>	<b>1,079</b>	<b>884</b>	<b>638</b>	<b>483</b>	<b>338</b>

Source: FAB Securities

## 2) Relative Valuation:

We have used local peers to value RAKBANK, and it is valued using the P/B multiple. It is valued at a 2026 P/B multiple of 1.2x 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	3,048	1.4	NA	8.8	NA	5.8%	NA
Commercial Bank of Dubai	7,477	1.4	1.4	7.8	9.5	6.7%	NA
Emirates NBD	51,450	1.2	1.1	8.0	7.4	3.5%	3.9%
Mashreq Bank	11,906	1.1	1.2	6.3	7.0	7.5%	NA
Abu Dhabi Commercial Bank	27,941	1.2	1.1	8.7	7.7	5.2%	5.5%
Dubai Islamic Bank	14,500	1.1	1.1	8.1	7.7	5.2%	5.7%
<b>Average</b>		<b>1.2x</b>	<b>1.2x</b>	<b>7.9x</b>	<b>7.9x</b>	<b>5.6%</b>	<b>5.0%</b>
<b>Median</b>		<b>1.2x</b>	<b>1.1x</b>	<b>8.0x</b>	<b>7.7x</b>	<b>5.5%</b>	<b>5.5%</b>
<b>Max</b>		<b>1.3x</b>	<b>1.2x</b>	<b>8.5x</b>	<b>7.7x</b>	<b>6.5%</b>	<b>5.6%</b>
<b>Min</b>		<b>1.2x</b>	<b>1.1x</b>	<b>7.8x</b>	<b>7.4x</b>	<b>5.2%</b>	<b>4.7%</b>

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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