

National Bank of Ras Al Khaimah (RAKBANK)

Higher non-funded income and impairment release supported earnings growth

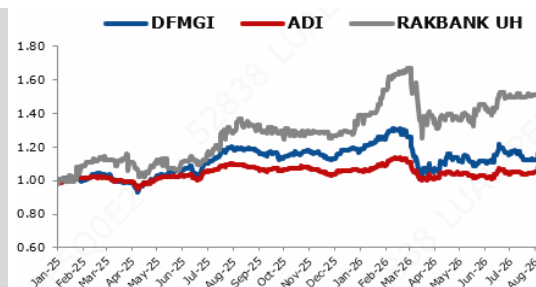
Current Price
AED 9.86

Target Price
AED 11.00

Upside/Downside (%)
+11.56%

Rating
ACCUMULATE

- Net advances increased 24.2% YOY and 9.5% QOQ to AED 63.6 Bn in 3Q26, supported by growth across Retail, Wholesale and Business Banking.
- Customer deposits increased 21.3% YOY and 5.9% QOQ to AED 79.6 Bn in 3Q26, supported by growth in time deposits.
- Calculated net interest margin (NIM) contracted 60 bps YOY and 9 bps QOQ to 3.4% in 3Q26.
- Asset quality remained strong, with the impaired loans ratio improving to 1.7% in 3Q26 from 2.0% in 3Q25, while Stage 3 loan coverage stood at 85.9%.
- Capital adequacy ratio stood at 18.4% in 3Q26, compared to 19.6% in 3Q25, while the eligible liquid assets ratio was 14.5%.



Stock Information

Market Cap (AED, Mn)	20,014.37
Paid Up Capital (Mn)	2,011.49
52 Week High	10.16
52 Week Low	7.44
3M Avg. daily value(AED)	1,332,074

3Q26 Result Review (AED, Mn)

Total Assets	120,172
Total Liabilities	104,642
Total Equity	15,530
Total Deposits	79,588
Net Profit	806

Financial Ratios

Dividend Yield (12m)	6.39
Dividend Pay-out (%)	38.67
Price-Earnings Ratio(x)	6.59
Price-to-Book Ratio (x)	1.39
Book Value (AED)	7.15
Return-on Equity (%)	21.30

Stock Performance

5 Days	-0.50%
1 Months	-1.68%
3 Months	9.34%
6 Months	19.16%
1 Year	29.56%
Month to Date (MTD%)	-0.50%
Quarter to Date (QTD%)	-0.50%
Year to Date (YTD%)	18.45%

3Q26 Net Profit higher than our estimate

National Bank of Ras Al-Khaimah (RAKBANK/the Bank) reported a 14.3% YOY increase in net profit attributable to equity shareholders to AED 806 Mn in 3Q26, higher than our estimate of AED 726 Mn. The increase in net profit was primarily driven by higher non-funded income and a reversal of impairment charges, partially offset by higher operating expenses, income tax expenses and non-controlling interests, coupled with lower net funded income.

P&L Highlights

RAKBANK's interest income increased 10.5% YOY to AED 1,344 Mn in 3Q26, supported by growth in loans and investments, partially offset by a decline in yield on assets. The Bank's interest expense grew 32.2% YOY to AED 550 Mn in 3Q26, due to higher customer deposits, partially offset by a lower cost of funds. Thus, net interest income from conventional loans and advances declined marginally by 0.8% YOY to AED 793 Mn in 3Q26. Income from Islamic financing declined marginally by 0.2% YOY to AED 208 Mn in 3Q26, while Islamic financing expenses declined 6.3% YOY to AED 56 Mn in 3Q26. Thus, the net Islamic financing income increased 2.3% YOY to AED 152 Mn in 3Q26. As a result, total funded income rose 8.9% YOY to AED 1,552 Mn in 3Q26, while total funded expenses increased 27.3% YOY to AED 606 Mn in 3Q26. Consequently, net funded income declined marginally 0.3% YOY to AED 946 Mn in 3Q26. Resultantly, the calculated NIM contracted by 60 bps YOY to 3.4% in 3Q26. Net fee and commission income grew 2.7% YOY to AED 229 Mn in 3Q26, while foreign exchange income increased 45.5% YOY to AED 135 Mn in 3Q26. RAKBANK recorded a profit from insurance underwriting of AED 8 Mn in 3Q26, compared to a loss of AED 3 Mn in 3Q25. Meanwhile, investment income declined from AED 51 Mn in 3Q25 to AED 15 Mn in 3Q26, while other operating income decreased 15.5% YOY to AED 9 Mn in 3Q26. Consequently, total non-funded income rose 5.5% YOY

to AED 395 Mn in 3Q26. As a result, total operating income increased 1.3% YOY to AED 1,341 Mn in 3Q26. However, the operating expenses grew 2.7% YOY to AED 461 Mn in 3Q26, while the cost-to-income ratio increased by 47 bps YOY to 34.4% in 3Q26. The Bank recorded a net impairment release of AED 11 Mn in 3Q26, compared to an impairment charge of AED 98 Mn in 3Q25. Meanwhile, income tax expenses rose 13.8% YOY to AED 80 Mn in 3Q26, while profit attributable to non-controlling interests increased from AED 1 Mn in 3Q25 to AED 4 Mn in 3Q26.

Balance Sheet Highlights

RAKBANK's total assets increased 20.8% YOY and 10.6% QOQ to AED 120.2 Bn in 3Q26, primarily driven by growth in gross loans and advances, the investment portfolio, and balances due from banks. Net advances rose 24.2% YOY and 9.5% QOQ to AED 63.6 Bn in 3Q26, supported by growth across wholesale, retail and business banking loans. Customer deposits increased 21.3% YOY and 5.9% QOQ to AED 79.6 Bn in 3Q26, driven by time deposit growth. The CASA deposit base rose 11.3% YOY but declined marginally by 0.1% QOQ to AED 48.3 Bn in 3Q26, resulting in a CASA ratio of 60.6%. The calculated loan-to-deposit ratio increased from 77.3% in 2Q26 to 79.9% in 3Q26.

Target Price and Rating

We revise our rating on RAKBANK from HOLD to ACCUMULATE with a revised target price of AED 11.0. RAKBANK reported improved profitability in 3Q26, primarily driven by higher non-funded income and a shift from net impairment charges to a net impairment reversal, partially offset by higher operating expenses, income tax expenses and lower net funded income. The Bank continued to invest in technology, data and digital capabilities, with capital expenditure increasing to AED 237 Mn in 9M26 from AED 194 Mn in 9M25. RAKBANK's net advances increased 24.2% YOY and 9.5% QOQ to AED 63.6 Bn in 3Q26, supported continued expansion across its lending portfolio. Retail Banking loans and advances reached AED 29.2 Bn in 3Q26, driven by growth in mortgage and leverage loans. Wholesale Banking loans and advances increased to AED 24.9 Bn in 3Q26, with the corporate lending portfolio growing more than 50% YOY. Business Banking loans and advances reached AED 12.1 Bn in 3Q26, primarily supported by SME and commercial lending. During 9M26, the Bank onboarded 12,000 SMEs and disbursed AED 4.2 Bn in new financing. RAKBANK's customer deposits increased 21.3% YOY and 5.9% QOQ to AED 79.6 Bn in 3Q26. CASA deposits increased 11.3% YOY to AED 48.3 Bn in 3Q26, although the CASA ratio declined to 60.6% in 3Q26 from 64.3% in 2Q26. Business Banking remained the largest contributor to the Bank's CASA base, while Personal Banking deposits exceeded AED 25 Bn. Wholesale Banking continued to improve its funding mix through escrow and corporate current account balances. Time deposits also rose, mainly driven by Wholesale and Personal Banking, providing additional funding for lending and investment expansion. Meanwhile, the Bank's reported NIM declined from 4.2% in 3Q25 to 3.6% in 3Q26, amid a more competitive funding environment. The calculated NIM stood at 3.4% in 3Q26, compared to 4.0% in 3Q25. Asset quality remained strong during 3Q26, with the impaired loans ratio improving to 1.7% in 3Q26 from 2.0% in 3Q25, while Stage 3 loan coverage stood at 85.9%. Capitalization remained robust, with the capital adequacy ratio standing at 18.4% in 3Q26, compared to 19.6% in 3Q25, while the eligible liquid assets ratio stood at 14.5%. The Bank's reported return on common equity declined to 20.8% in 3Q26 from 22.0% in 3Q25, while return on assets declined marginally to 2.8% from 2.9% during the same period. Accordingly, we revised our rating to ACCUMULATE on the Bank.

RAKBANK - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	26.23	16.94	11.12	9.57	7.63	6.24
PB	2.38	2.21	1.92	1.84	1.35	1.23
BVPS	4.147	4.471	5.134	5.352	7.315	7.988
EPS	0.376	0.582	0.887	1.030	1.293	1.579
DPS	0.188	0.283	0.310	0.500	0.630	0.786
Dividend yield	1.9%	2.9%	3.1%	5.1%	6.4%	8.0%

FABS Estimates & Co Data

RAKBANK P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Interest Income	1,425	1,447	1,552	1,475	5.2%	8.9%	7.2%	5,527	6,082	10.0%
Interest expense	-476	-528	-606	-517	17.2%	27.3%	14.8%	-1,842	-2,268	23.1%
Net funded income	949	919	946	958	-1.2%	-0.3%	2.9%	3,686	3,814	3.5%
Net fees and commissions	223	213	229	218	5.0%	2.7%	7.6%	774	836	8.0%
Foreign exchange gain	93	116	135	119	13.7%	45.5%	16.0%	390	507	30.0%
Gross insurance underwriting Profit	-3	0	8	0	NM	NM	NM	-13	7	NM
Investment Income	51	44	15	47	NM	NM	NM	231	139	-40.0%
Other operating income	11	13	9	32	NM	-15.5%	-30.0%	100	533	NM
Total non-funded income	375	386	395	416	-5.0%	5.5%	2.4%	1,482	2,022	36.4%
Net operating income	1,323	1,305	1,341	1,373	-2.4%	1.3%	2.7%	5,168	5,836	12.9%
Operating expenses	-449	-440	-461	-464	-0.6%	2.7%	4.8%	-1,852	-1,897	2.4%
Pre-provision profit	875	865	880	909	-3.2%	0.6%	1.7%	3,316	3,940	18.8%
Impairment	-98	-92	11	-111	NM	NM	NM	-451	-434	-3.7%
Profit before tax	777	774	890	799	11.5%	14.6%	15.1%	2,865	3,506	22.4%
Income tax expense	-70	-69	-80	-71	12.5%	13.8%	16.2%	-256	-316	23.3%
Profit before NCI	707	705	811	728	11.4%	14.7%	15.0%	2,609	3,190	22.3%
Non-controlling interest	-1	-2	-4	-2	NM	NM	NM	-9	-13	50.0%
Net profit attributable	705	702	806	726	11.1%	14.3%	14.8%	2,600	3,177	22.2%

FABS estimate & Co Data

RAKBANK - KPI

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	71.7%	70.4%	70.5%	-117	9	71.3%	65.4%	-596
NIM	4.0%	3.5%	3.4%	-60	-9	4.0%	3.5%	-49
NIS	3.7%	3.5%	3.3%	-36	-15	3.6%	3.3%	-28
Fees & comms/OI	16.8%	16.3%	17.1%	24	77	15.0%	14.3%	-65
Foreign exchange gain/OI	7.0%	8.9%	10.1%	305	115	7.6%	8.7%	114
Other operating income/OI	0.8%	1.0%	0.7%	-14	-32	1.9%	9.1%	720
Inv Income/OI	3.9%	3.4%	1.1%	-280	-228	4.5%	2.4%	-210
Cost to income	33.9%	33.7%	34.4%	47	68	35.8%	32.5%	-334
Impairment/PPP	11.2%	10.6%	-1.2%	NM	NM	13.6%	11.0%	-257
NP/OI	53.3%	53.8%	60.1%	684	632	50.3%	54.4%	411
Cost of risk	0.7%	0.6%	-0.1%	-81	-68	0.8%	0.7%	-15
Loan-to-deposit	78.1%	77.3%	79.9%	187	264	75.6%	77.4%	178
NPL - calculated	2.0%	1.8%	1.7%	-27	-9	1.9%	1.7%	-16
NPL Coverage - calculated	247.2%	252.6%	229.0%	NM	NM	258.8%	230.0%	NM
Capital adequacy	19.6%	19.3%	18.4%	-120	-90	18.1%	16.1%	-202
ROAE	20.0%	22.2%	21.6%	162	-58	19.6%	20.2%	53
ROAA	2.7%	2.9%	2.8%	8	-12	2.7%	2.8%	8

FABS estimate & Co data

RAKBANK - Key B/S items

AED Mn	3Q25	4Q25	1Q26	2Q26	3Q26	YOY Ch
Net advances	51,228	53,246	55,381	58,082	63,618	24.2%
QOQ change	5.3%	3.9%	4.0%	4.9%	9.5%	
Total assets	99,459	105,018	107,323	108,611	120,172	20.8%
QOQ change	4.7%	5.6%	2.2%	1.2%	10.6%	
Customer deposits	65,621	70,460	74,308	75,147	79,588	21.3%
QOQ change	7.4%	7.4%	5.5%	1.1%	5.9%	
Total Equity	14,202	14,756	14,199	15,019	15,530	9.4%
QOQ change	15.1%	3.9%	-3.8%	5.8%	3.4%	

FABS estimate & Co data

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
Residual Income	12.01	70.0%	8.40
Relative Valuation (RV)	8.64	30.0%	2.59
Weighted Average Valuation (AED)			11.00
Current market price (AED)			9.86
Upside/Downside (%)			+11.56%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.6%. Cost of equity is calculated by using the 10-year government bond yield of 5.5%, a beta of 1.0 and equity risk premium of 4.0%. 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)	3,688
Terminal value (AED, Mn)	6,080
Book Value of Equity (as of September 2026)	14,380
FV to Common shareholders (AED, Mn)	24,149
No. of share (Mn)	2,011
Current Market Price (AED)	9.86
Fair Value per share (AED)	12.01

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Profit	3,104	2,519	2,439	2,440	2,402	2,565
(-) Equity Charge	-1,307	-1,437	-1,520	-1,623	-1,730	-1,833
Excess Equity	1,796	1,081	919	817	672	732
Discounting Factor	0.98	0.90	0.82	0.75	0.68	0.62
Present Value of Excess Equity	442¹	970	752	611	458	455

FAB Securities, ¹Adjusted 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 2027 PB multiple of 1.1x 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	3,418	1.1	1.1	9.8	9.8	6.8%	3.4%
Commercial Bank of Dubai	7,884	1.6	NA	8.8	NA	5.9%	NA
Emirates NBD	52,764	1.3	1.1	8.1	7.4	3.3%	3.7%
Mashreq Bank	17,315	NA	NA	NA	NA	NA	NA
Abu Dhabi Commercial Bank	33,951	1.5	1.3	10.1	9.1	4.3%	4.7%
Dubai Islamic Bank	13,958	1.1	1.0	7.9	8.1	4.9%	5.0%
Average		1.3x	1.1x	8.9x	8.6x	5.0%	4.2%
Median		1.3x	1.1x	8.8x	8.6x	4.9%	4.2%
Max		1.5x	1.2x	9.8x	9.3x	5.9%	4.8%
Min		1.1x	1.0x	8.1x	7.9x	4.3%	3.6%

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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