

# **RAKBANK** Investor Relations Presentation H1 2014

## Overview of RAKBANK

### Establishment

The National Bank of Ras al Khaimah was founded in 1976. It underwent a major transformation in 2001 as it rebranded into RAKBANK and shifted its focus from corporate banking to retail banking.

RAKBANK is a public joint stock company headquartered in the emirate of Ras Al Khaimah (RAK). It has 34 branches and over 200 ATMs in the UAE.

### Ownership

RAKBANK is listed on the Abu Dhabi Securities Exchange (ADX) and 52.76% of the Bank's shares are owned directly and indirectly by the government of RAK.

The market capitalization of RAKBANK is AED 16.34 billion as of 4 September 2014.

The Board of Directors consists of several members of the RAK ruling family and businessmen from UAE and Kuwait.

### Segments

The Bank operates via 3 main business divisions: Retail Banking, Business Banking, and Treasury, which accounted for 90%, 4%, and 6% of Operating Income respectively (for the period ended 30 June 2014). The Bank launched AMAL Islamic Banking services in January 2013 and currently offers retail banking products and services.

### Strategy


Historically, the strategy focus has been on the Retail and SME Banking sectors in which the Bank enjoys a strong foothold and high margin.

While the Bank had reduced its exposure to Commercial Banking business, it has now reestablished itself in the commercial sector.

## Subsidiaries

Subsidiary	Ownership	Country	Purpose
RAK Islamic Finance Company	99.99%	UAE	To enable the Bank to sell Sharia-compliant products
Back Office Support Services (BOSS)	80%	UAE	To provide back office support services
RAK Technology	80%	UAE	To supply information technology support
RAKFUNDING CAYMAN LTD	99.99%	Cayman Islands	To enable the issuance of notes

## Credit Ratings

Rating Agency	Last Update	Long Term Rating	Outlook
	April 2014	Baa1	Stable
	March 2014	BBB+	Stable
	August 2014	BBB+	Stable

## Board of Directors

H.E. Shaikh Omar bin Saqr Al-Qasimi	Chairman
H.E. Shaikh Salim bin Sultan Al-Qasimi	Member
Mr. Hamad Abdulaziz Al Sagar	Member
Mr. Abdul Aziz Abdullah Al Zaabi	Member
Mr. Yousuf Obaid Essa Al Nuaimi	Member
Mr. Ahmed Essa A Naeem	Member
Mr. Salem Al Sharhan Al Nuaimi	Member
Mr. John Graham Honeybill	Member

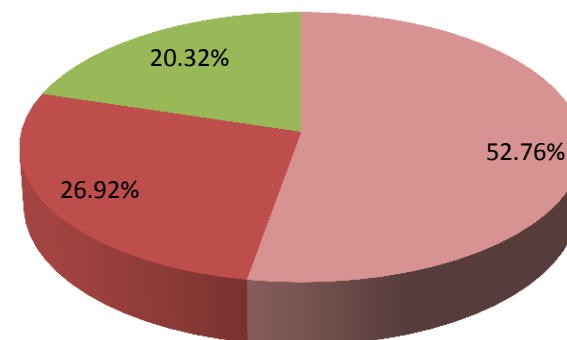
## CEO Profile

### Peter England

Peter England became the CEO of RAKBANK on 1<sup>st</sup> November 2013. Before joining RAKBANK, Peter spent seven years as the Head of Retail Banking at CIMB Bank Berhad – a subsidiary of CIMB Group, one of the largest banks in ASEAN where he managed CIMB Bank Malaysia's business for individual and small enterprise customers and worked on developing a wide range of conventional and Islamic products and services.

## Ownership Structure (as of 4 September 2014)

■ The Government of Ras Al Khaimah ■ UAE Citizens ■ Foreign Ownership



## Management

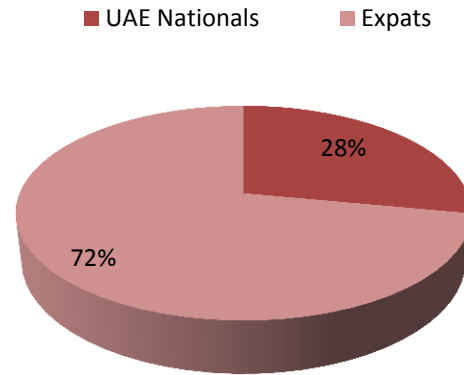
Ian Hodges	Head of Retail Banking
Raghuveer Mehra	Head of Credit for Retail Banking
Deepak Majithia	Chief Financial Officer
Tim Basford	Chief Operating Officer
Mufaddal Khumri	Head of Islamic Banking - AMAL
Rahul Oberoi	Head of Business Banking
Mahadevan Radhakanthan	Head of Credit for Business Banking
K.S. Ramakrishnan	Head of Internal Audit
Malcolm D'Souza	Head of Treasury

## Retail Banking

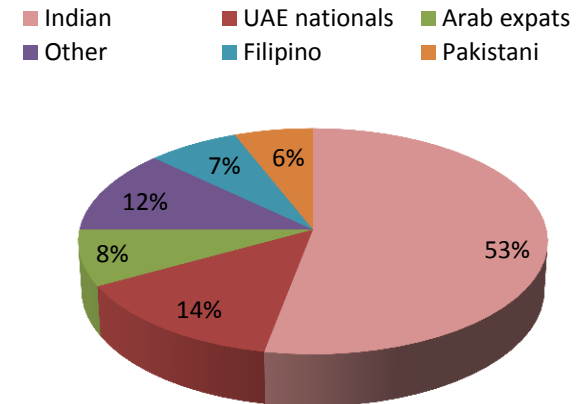
### Financial Snapshot (30 June 2014)

	AED billions	% of Total
Assets	23.0	67
Liabilities	20.2	72
Operating Income	1.5	90

### Loans by Nationality (as at 30 June)



### Customers by Nationality (30 June 2014)



## Business Banking

- Business Banking comprised of 4% of operating income and assets for the period ended 30 June 2014.
- The division offers the following services: fund based overdrafts, bills discounting, invoice discounting, loans and import/export financing.
- While the Bank had reduced its exposure to the Commercial Banking business, it has now re-established its presence in the Commercial sector.
- The existing Commercial exposure is distributed largely across Dubai and Ras Al Khaimah.

## Treasury

- The Treasury division comprises 6% of operating income for the period ended 30 June 2014.
- The main activities of the Treasury business include activities related to money market activities, investments in debt and equity securities, foreign exchange transactions with other banks and financial institutions including the UAE Central Bank.
- In addition, the division is the custodian of liquidity and primarily supports the growth of the Retail and Business Banking divisions.

## Issuance of USD 500 million Bond

- Successfully priced a 5-year USD 500 million bond issuance at 99.275% which pays an annual coupon of 3.250%, equivalent to 160 bps over 5-year USD Mid Swaps.
- Strong investor demand received for the issuance with an orderbook of USD 1.6 billion, representing an oversubscription of over 3.2 times.
- Captured investor base was well diversified with banks comprising 47% of the orderbook, followed by fund managers (36%), private banks (12%) and insurance companies (5%).

## Intent to Acquire RAKNIC

- The Bank announced its intent to obtain a majority stake in Ras Al Khaimah National Insurance Company (RAKNIC) as the Bank attempts to move to a fully-fledged Financial Services Company.
- RAKNIC is currently a very successful general insurance provider and has a full license. It made more than AED 34 million in profit last year and we see upside potential.
- Through this acquisition, the Bank hopes to jointly develop a range of savings and life insurance products over time.

## Other News

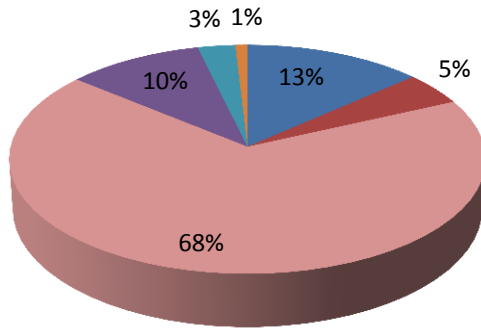
- RAKBANK AMAL, the Bank's Islamic Banking unit, touched AED 2.2 billion in assets by 30 June 2014.
- Foreign Ownership Limit was increased to 40%.
- Partnered with Wildlife Middle East as part of the Bank's Corporate Social Responsibility to financially support their biggest conservation and research project on wildlife in the emirate of Ras Al Khaimah.
- Set up the longest advertising hoarding in the UAE that features a wide range of the Bank's products and services.

## Awards & Recognitions in H1

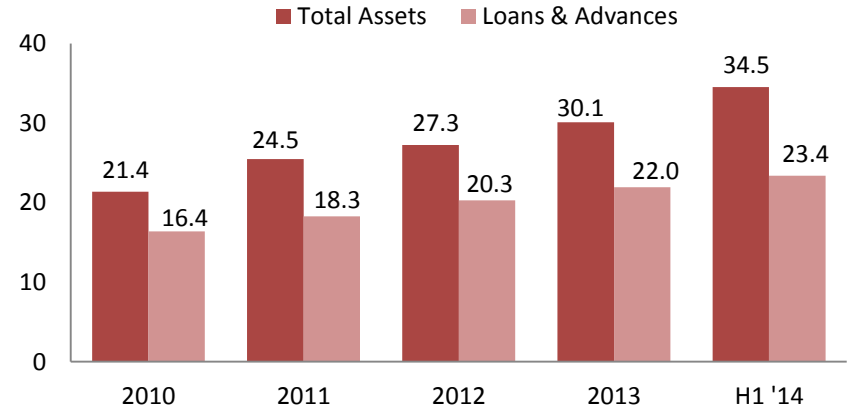
- 1st in the GCC by Return On Assets (ROA) and 2nd in the UAE by Return on Capital (ROC) according to The Banker's 2014 Top 1000 World Bank Rankings.
- Best Internet Banking Initiative award in the Middle East at the 2014 Asian Banker Middle East Retail Product Awards.
- Best Core Banking Implementation Project award in the Middle East at the 2014 Asian Banker Middle East Retail Product Awards.
- Best New Employer for national talent by Dubai's Higher Colleges of Technology.

## Breakdown of Assets by Type (as at 30 June)

- Cash and Balances with UAE Central Bank
- Due from other Banks
- Loans and Advances
- Investment Securities
- Property and Equipment
- Other Assets

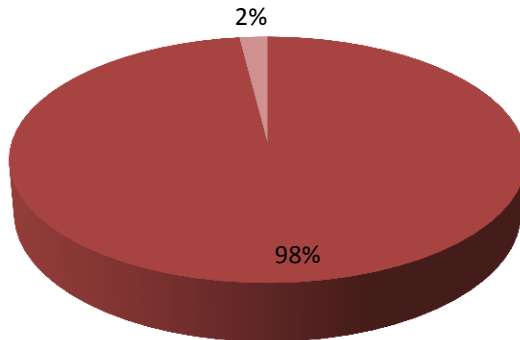


## Assets and Loans & Advances (AED billions)



## Breakdown of Investment Securities (as at 30 June)

- Debt Securities
- Equity Securities



## Key Highlights

- Stable and consistent growth in RAKBANK's assets driven by strong growth in the Bank's loan book (CAGR of 10.3% since 2010).
- Total assets are primarily comprised of Loans & Advances (68% as of 30 June 2014), but also include a liquid investment securities portfolio that is focused on regional debt.

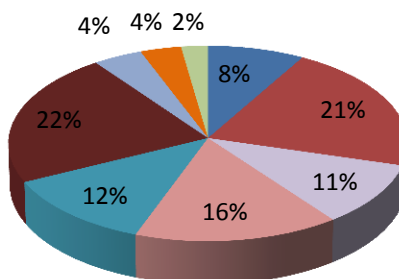
## As at 30 June 2014

### Financial Snapshot

(AED millions)	H1 '14	H1 '13	Y-o-Y	Q-o-Q
Total Loans & Advances	23,931	21,240	12.7%	3.6%
Less: Advance EMIs	43	74	-41.9%	-27.1%
Gross Loans	23,889	21,166	12.9%	3.7%
Impairment Provisions	476	298	59.7%	6.4%
<b>Net Loans</b>	<b>23,413</b>	<b>20,868</b>	<b>12.2%</b>	<b>3.6%</b>

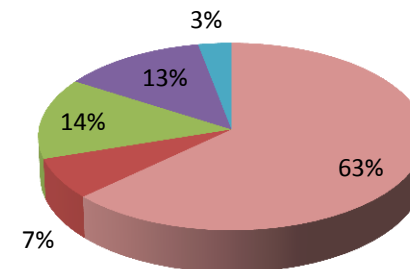
### Breakdown of Loans & Advances

- Expat Personal Loans
- National Loans
- Auto Loans
- Mortgage Loans
- Credit Cards
- RAKFinance
- Others
- SME Loans
- Commercial Loans

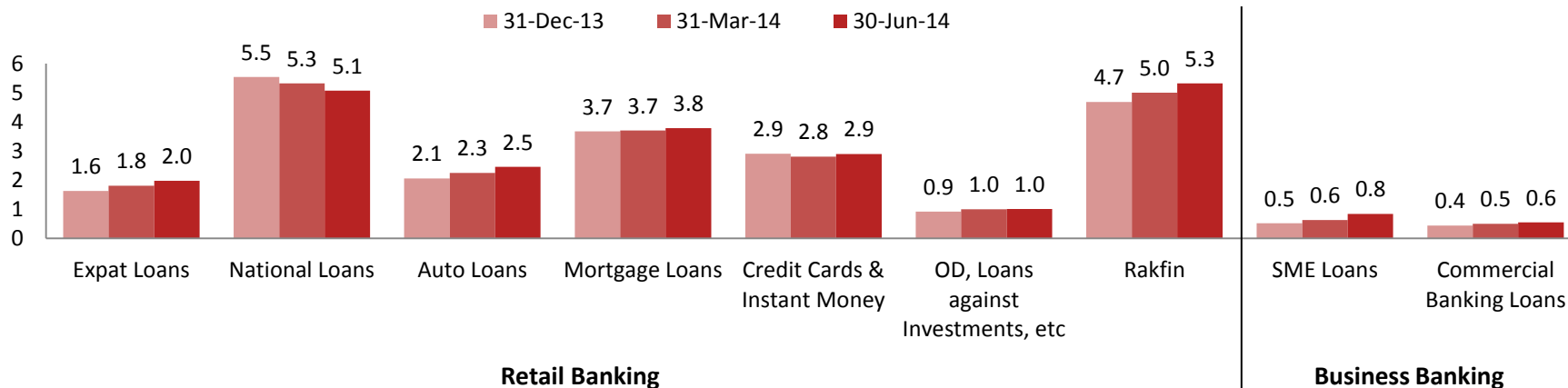


### Loans by Geography

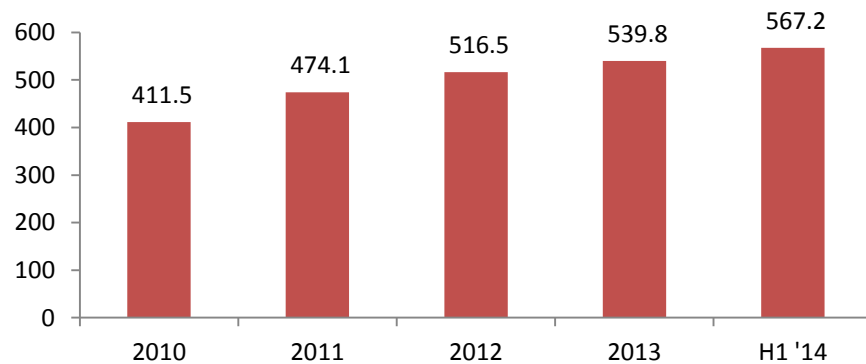
- Dubai
- Ras Al Khaimah
- Abu Dhabi
- Sharjah
- Ajman



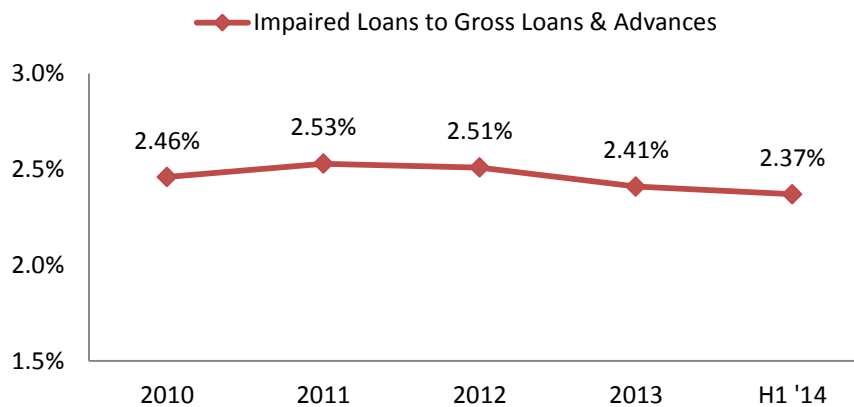
## Asset Breakdown by Product (AED billions)



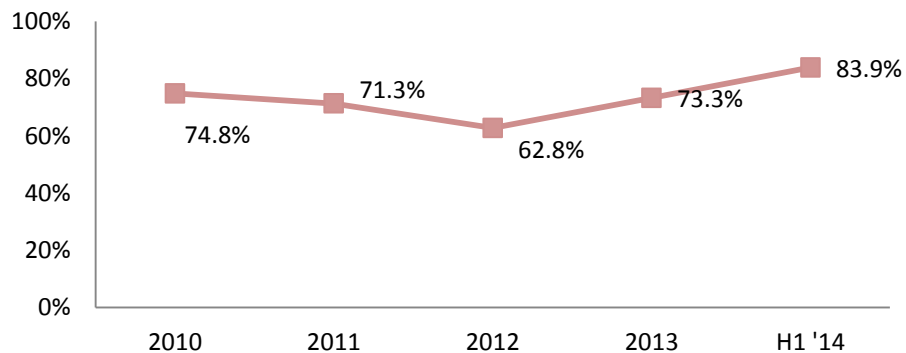
## Non-Performing Loans (AED millions)



## Impaired Loans to Gross Loans & Advances



## Coverage Ratio

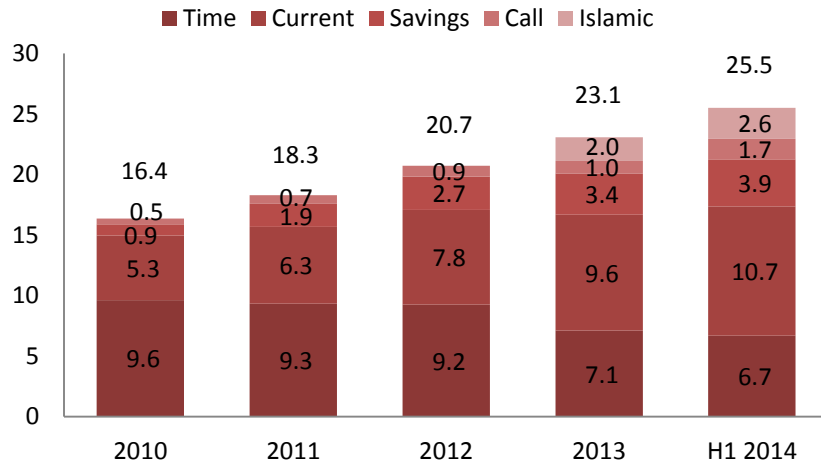


## Key Highlights

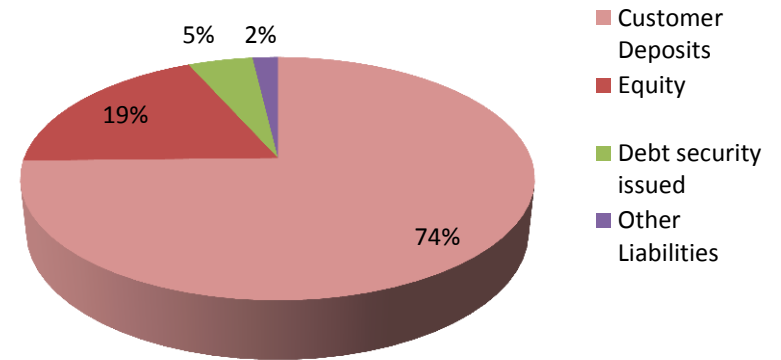
- Over and above the loan loss provisions, the Bank has non-distributable credit risk reserve at 1.5% of credit risk-weighted assets which as of 31 December 2013 stood at AED 281 million.
- Regular monitoring of retail portfolio and stressed accounts.
- Strong retail underwriting experience and team.



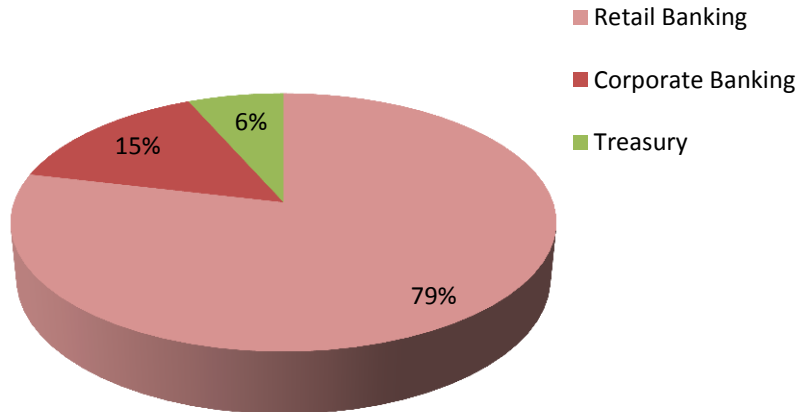
## Customer Deposits (AED billions)



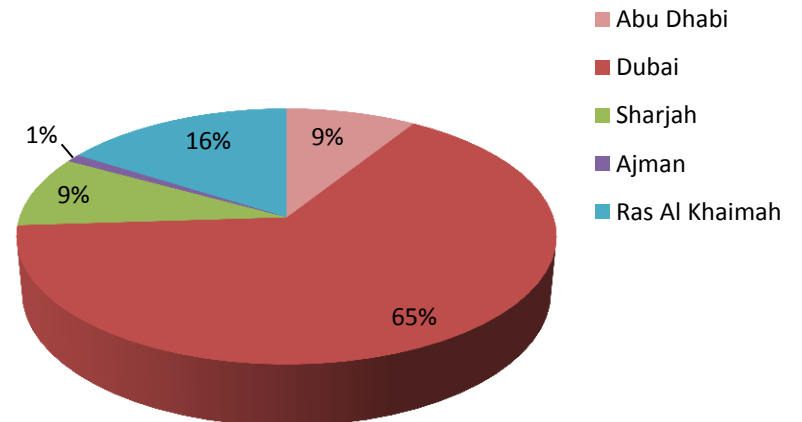
## Liabilities Mix



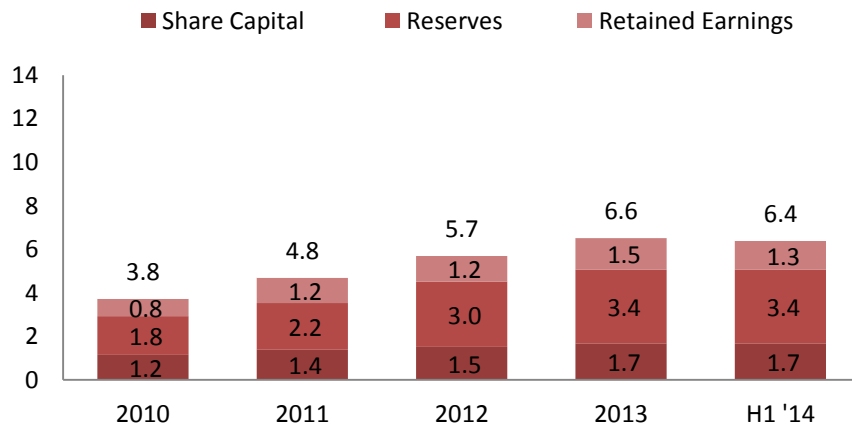
## Total Deposits by Segment



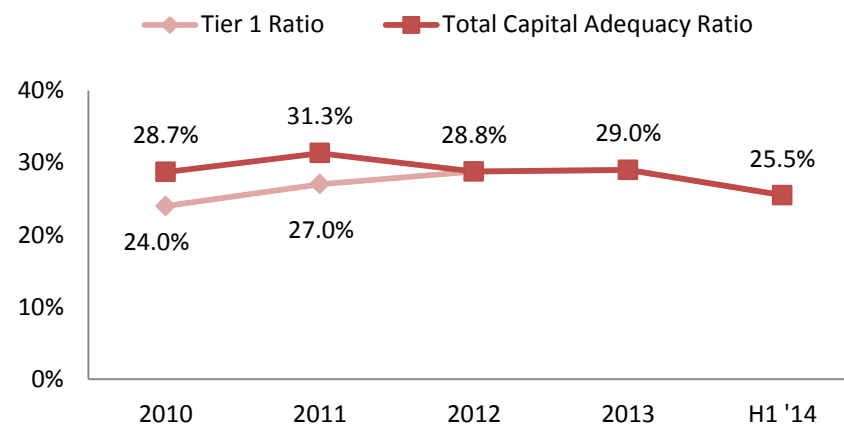
## Customer Deposits by Geography



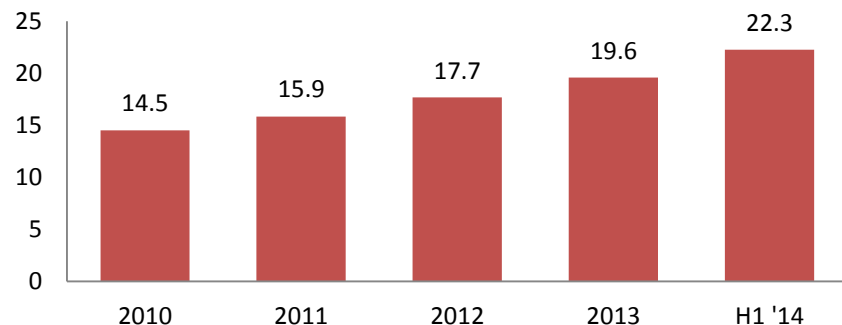
## Equity Breakdown (AED billions)



## Capital Adequacy



## Risk Weighted Assets (AED billions)



## Key Highlights

- The Bank maintains a leadership position in the UAE in terms of its Tier 1 capital ratio which as at 30 June 2014 stood at 25.51%.
- The Bank's capital position provides it with a substantial capital base to enable it to pursue its strategic initiatives and to support the growth of its business.
- As at 30 June 2014, the Bank's total Tier 1 capital was 5,676.6 million.

# Income Statement & Key Ratios

## Income Statement as at 30 June (AED millions)

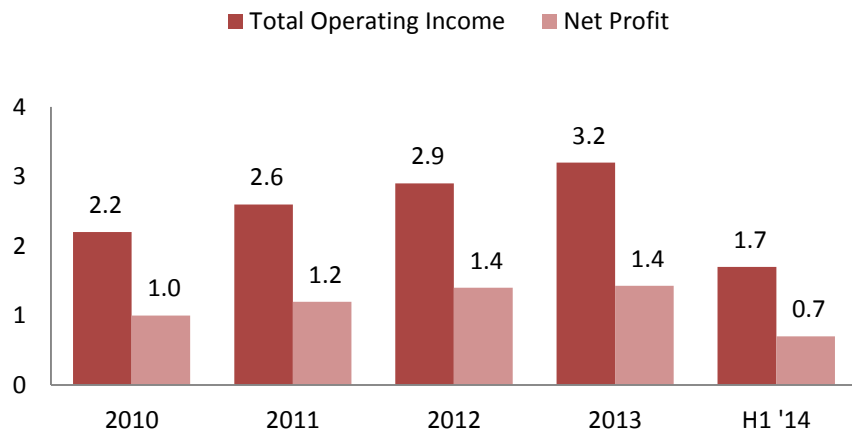
	H1 2014	H1 2013	Y-o-Y	Q2 2014	Q1 2014	Q-o-Q
Net Interest Income	1,257	1,192	5.5%	640	616	3.9%
Net Income from Islamic financing	58	8	652.0%	35	23	54.5%
Net interest income & Income from Islamic financing	1,315	1,200	9.6%	676	639	5.8%
Net Fee and Commission Income	320	265	20.8%	170	150	13.6%
Investment Income	2	19	-89.5%	0	2	-113.0%
Forex Income	41	37	11.8%	21	20	5.0%
Other Operating Income	21	21	0.0%	7	13	-45.2%
<b>Total Income</b>	<b>1,699</b>	<b>1,542</b>	<b>10.2%</b>	<b>874</b>	<b>824</b>	<b>6.1%</b>
Operating Expenditures	-740	-664	11.4%	-380	-360	5.6%
Provisions	-258	-118	118.6%	-128	-130	-1.6%
<b>Net Profit</b>	<b>700</b>	<b>760</b>	<b>-7.9%</b>	<b>366</b>	<b>335</b>	<b>9.2%</b>

## Key Ratios

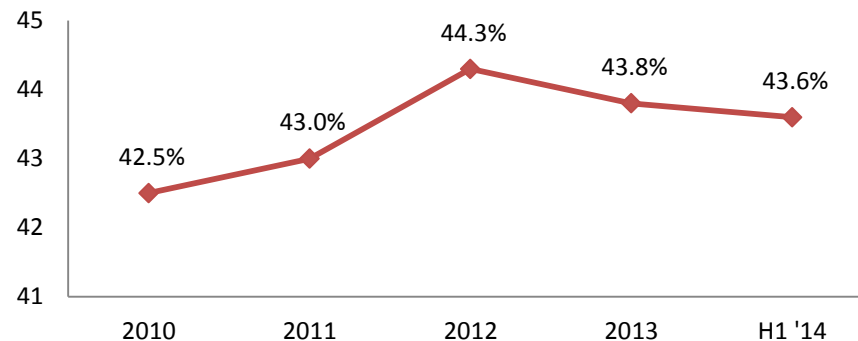
Percentage (%)	H1 2014	H1 2013	Y-o-Y
ROE*	22.2%	26.8%	-4.6%
NIM*	8.4%	8.6%	-0.2%
Cost to Revenue	43.6%	43.1%	0.6%
Gross Impaired Loans Ratio	2.4%	2.3%	0.1%
ROA*	4.5%	5.5%	-1.0%
NPL Coverage Ratio	83.9%	63.2%	20.7%

\*Annualized

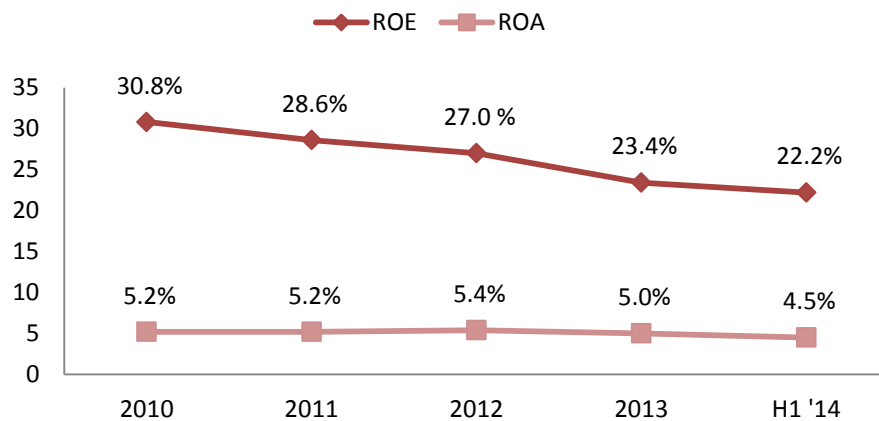
## Profitability (AED billions)



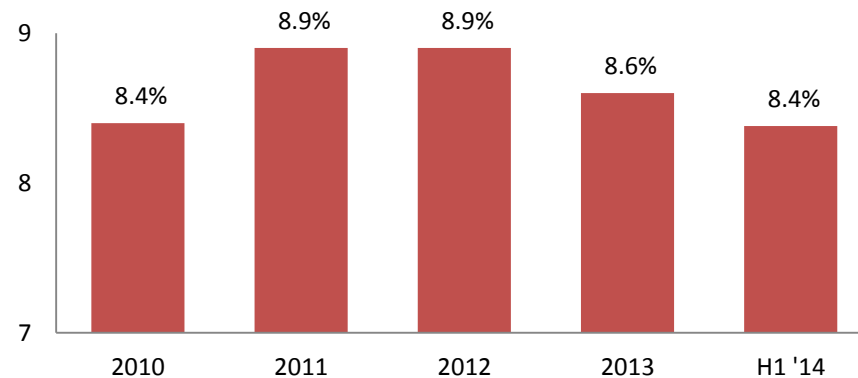
## Cost-to-Income Ratio



## Annualized Returns

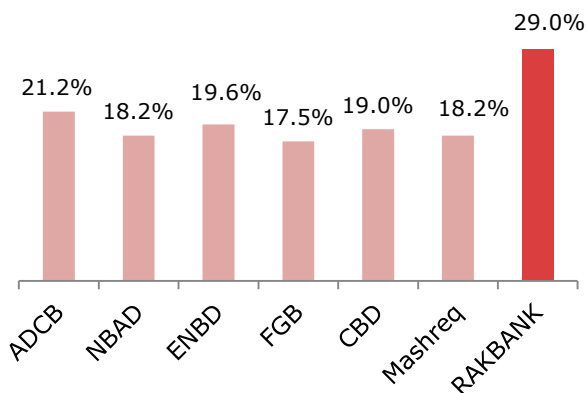


## Net Interest Margin

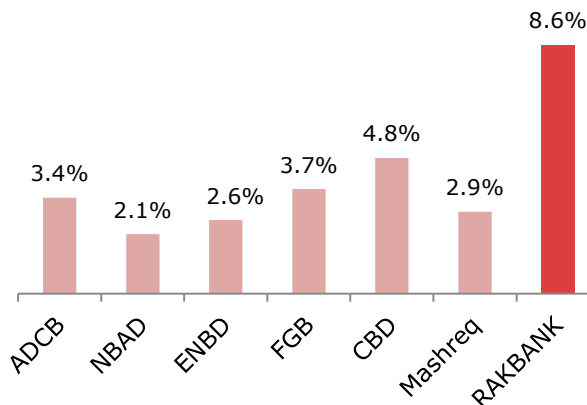


# Key Ratios Comparisons (31 December 2013)

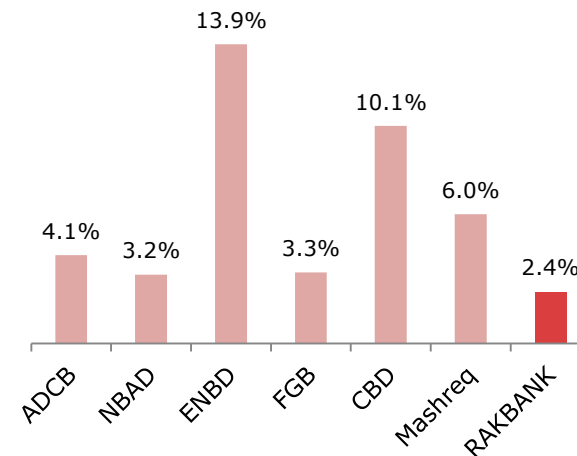
## Capital Adequacy Ratio



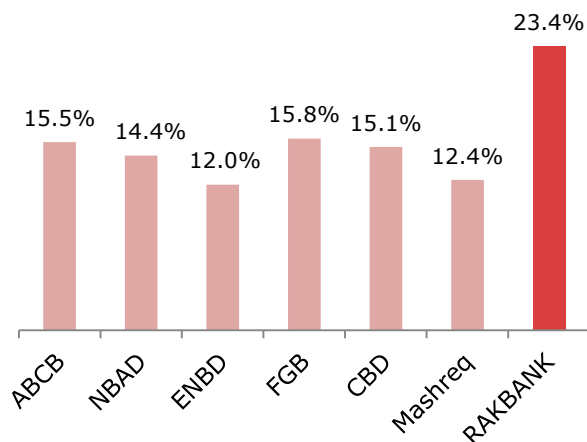
## Net Interest Margin



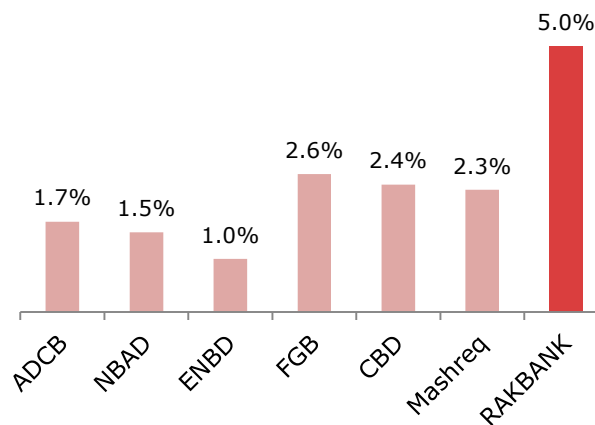
## NPL Ratio



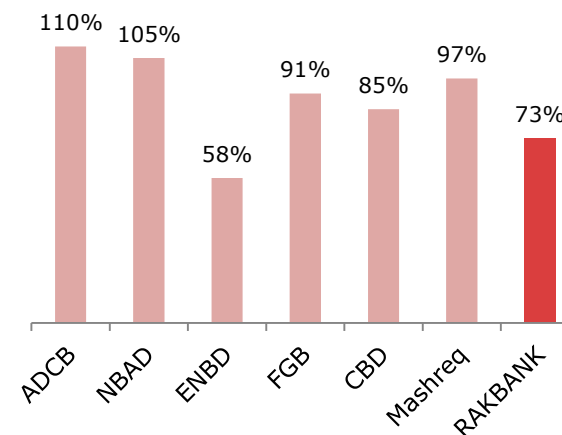
## Return on Equity



## Return on Assets



## NPL Coverage



# USD 500 million Fixed Rate Note

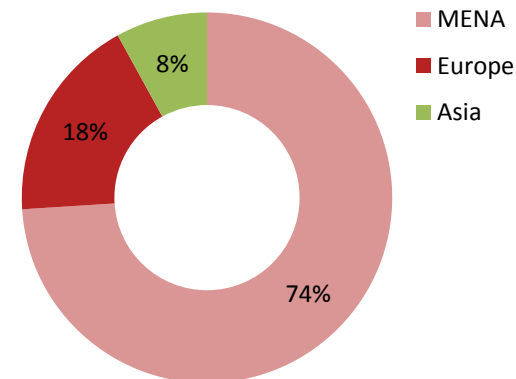
## Transaction Summary

Issuer	RAKFUNDING CAYMAN LTD
Guarantor	The National Bank of Ras Al-Khaimah
Guarantor Rating	Baa1 (Moody's) / BBB+ (Fitch)
Status	Senior Unsecured
Format	Regulation S only
Pricing Date	17 June 2014
Settlement Date	24 June 2014
Issue Size	USD 500,000,000
Maturity Date	24 June 2019
Issue Price	99.275%
Yield to Maturity	3.409%
Coupon	3.250%
Spread over MS	5Y MS + 160bps
Listing	Irish Stock Exchange
Governing Law	English Law
Arranger/Bookrunner	Standard Chartered Bank

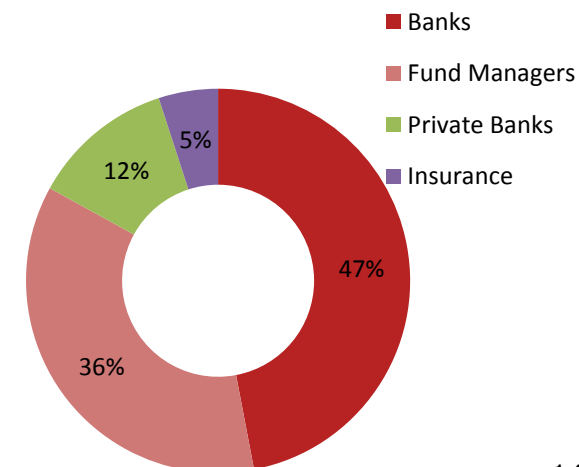
## Transaction Highlights

- On Tuesday 17<sup>th</sup> June 2014, Standard Chartered Bank and National Bank of Abu Dhabi successfully priced a USD 500 million 5-year bond for RAKBANK. The transaction was priced at 99.275% with a coupon rate of 3.250% and yield of 3.409%, representing 160bps over 5-year USD Mid Swaps. The issuance was executed as the first drawdown under the Bank's newly established USD 1,000 million Euro Medium Term Note Programme.
- RAKBANK's issuance marks its return to the bond markets after a hiatus of nine years (its debut bond was in 2005 which was followed by a tap in 2006).
- The success of the transaction came at the back of a focused marketing strategy aimed at reintroducing RAKBANK's credit story to fixed income investors and included a roadshow covering Abu Dhabi, Dubai, Singapore and London.
- Investors responded positively to the bond announcement given the scarcity value of FIG credits in general. RAKBANK's strong financial metrics and the limited primary supply seen from MENA FIs in 2014 (the transaction is only the second MENA FI USD benchmark issuance this year).
- The strong investment demand received on the issuance, as evidenced by an orderbook of USD 1.6 billion, representing an oversubscription of over 3.2 times, allowed RAKBANK to price a 160bps over USD Mid-Swaps, which was 10bps inside the initial price guidance of 170bps area over USD Mid-Swaps.
- The investor base captured was well diversified with banks comprising 47% of the orderbook, followed by fund managers (36%), private banks (12%) and insurance companies (5%).
- The transaction represents the only non-Sovereign issuance from the emirate of Ras Al-Khaimah since 2006.

## Investors by Geography



## Investors by Type



# Disclaimer

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