

# **RAKBANK** Investor Relations Presentation for the First 9 Months of 2014

## Financial Snapshot

(AED millions)	9M '14	9M '13	Growth Y-o-Y
Net Interest Income	2,027	1,828	199
Fee and Commission Income	489	398	91
Investment Income	7	19	(12)
Forex Income	65	56	9
Other Income	38	33	5
<b>Total Income</b>	<b>2,626</b>	<b>2,335</b>	<b>292</b>
Operating Expenditures	1,128	1,014	113
Provisions	425	183	242
<b>Net Profit</b>	<b>1,073</b>	<b>1,137</b>	<b>(64)</b>

## Loans and Advances

(AED millions)	9M '14	9M '13	FY '13	Growth YTD	Growth Y-o-Y
Total Loans & Advances	24,990	22,050	22,419	2,570	2,940
Less: Advance EMI's	(52)	(69)	(64)	13	18
Gross Loans	24,938	21,981	22,355	2,583	2,957
Impairment Provisions	(495)	(308)	(396)	(100)	(187)
<b>Net Loans</b>	<b>24,443</b>	<b>21,673</b>	<b>21,959</b>	<b>2,483</b>	<b>2,770</b>

## Islamic Banking Update

AMAL, along with IFC (the provider of the Shariah-compliant credit cards), is the Islamic Banking unit launched by the Bank in late January 2013

- As of 30 September 2014, Gross Finance and Advances stood at AED 2.9 billion and Deposits at AED 2.4 Billion
- Compared to Q2 2014, Gross Finance and Advances grew by 27.70% in Q3 while Deposits dropped by 5.5%
- Launched AMAL Instant Finance, the Sharia compliant version of Instant Money

## Other Bank News

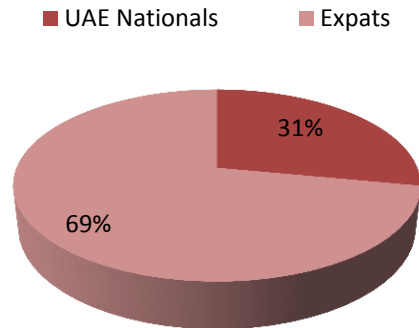
- Received shareholder approval to acquire a majority stake in Ras Al Khaimah National Insurance Company (RAKNIC) at AED 3.64 per share and is currently awaiting regulatory approvals to proceed with the transaction.
- Titanium Business Credit Card won the MasterCard's Best Payment Program award for SMEs in the Middle East, Africa, and South East Asia
- The Bank ranked 1<sup>st</sup> in the UAE by Return On Assets (ROA) and 17<sup>th</sup> in the world according to The Banker's 2014 Top 1000 World Bank Rankings.
- Launched FutureInvest by Orient Insurance PJSC as a Unit Linked Insurance Policy designed to meet customers' saving and protection requirements based on changing circumstances.

## Retail Banking

### Financial Snapshot (as at 30.09.2014)

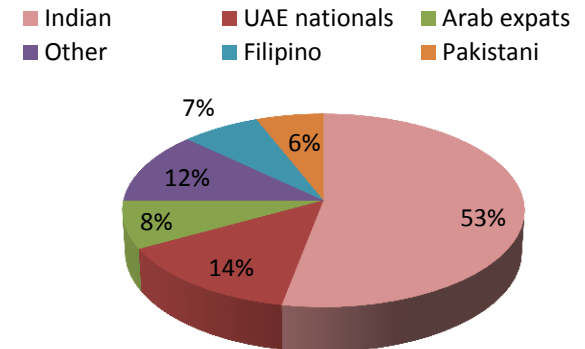
	AED billions	% of Total
Assets	23.87	68.60%
Liabilities	19.81	70.63%
Operating Income	2.34	89.06%

### Loans by Nationality (as at 31.08.2014)



\*based on number of loans

### Customers by Nationality (as at 31.08.2014)



\*based on number of customers

## Business Banking

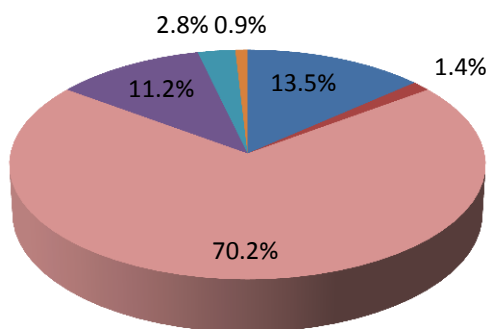
- Business Banking comprised of 5.17% of operating income for the period ended 30 September 2014.
- The division offers the following services: fund based overdrafts, bills discounting, invoice discounting, loans and import/export financing.
- While the Bank had reduced its exposure to Commercial Banking 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

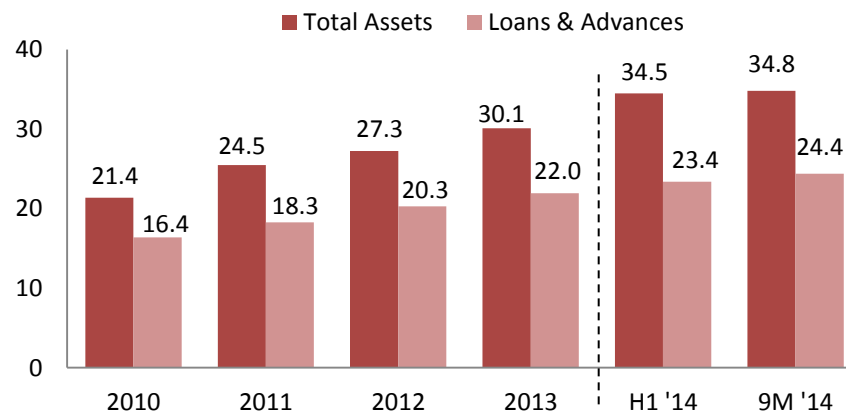
- The Treasury division comprises of 5.77% of operating income for the period ended 30 September 2014.
- The main activities of the Treasury business include activities related to money market activities, investments in debt and equity securities, foreign exchange transactions with other banks and financial 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.

## Breakdown of Assets by Type (as at 30.09.14)

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

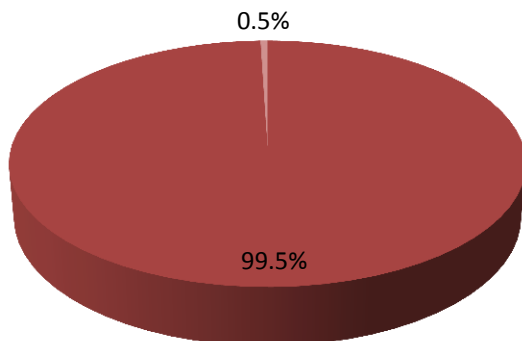


## Assets and Loans & Advances (AED billions)



## Breakdown of Investment Securities (as at 30.09.14)

- Debt Securities
- Equity Securities



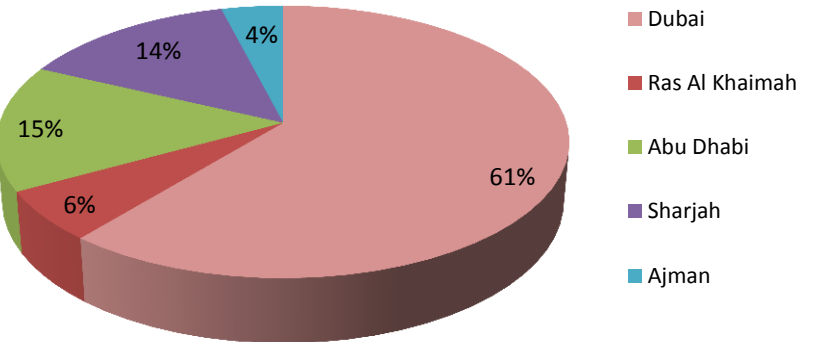
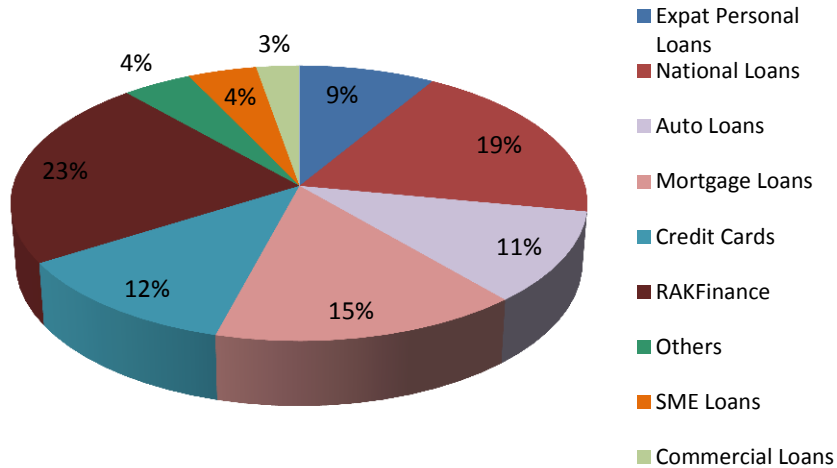
## Notes

- 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 (70.2% as of 30 September 2014), but also include a liquid investment securities portfolio that is focused on regional debt.
- Reduced exposure in equity securities by 1.5% in Q3

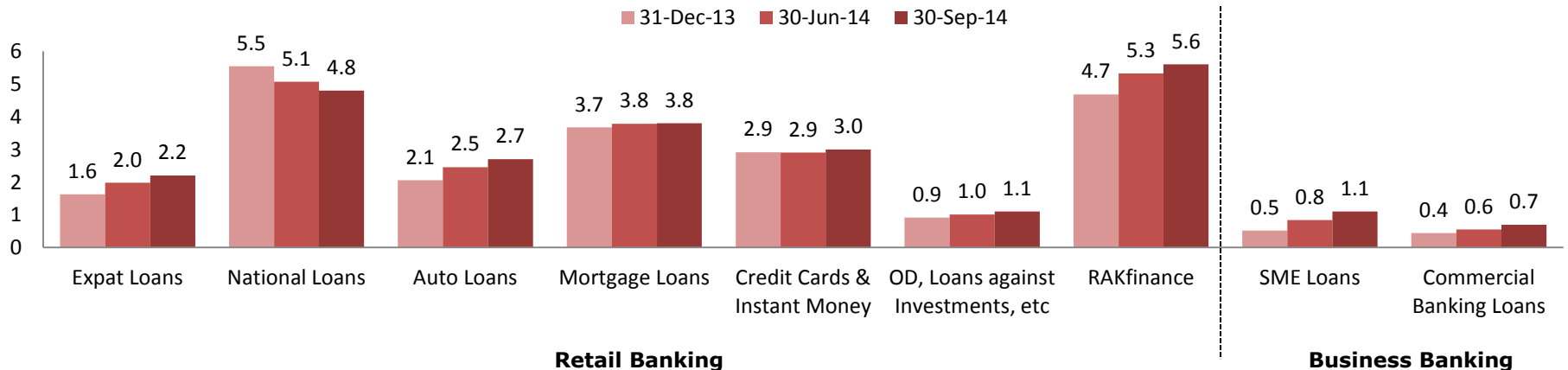
## As at 30 September 2014

### Breakdown of Loans and Advances

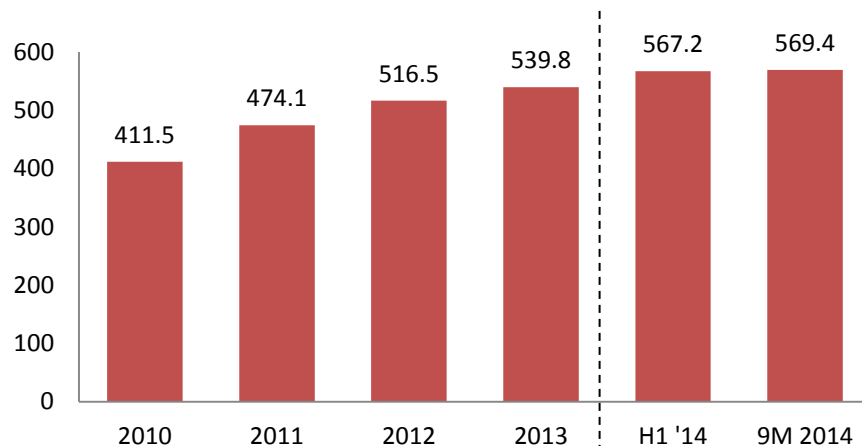
### Loans by Geography



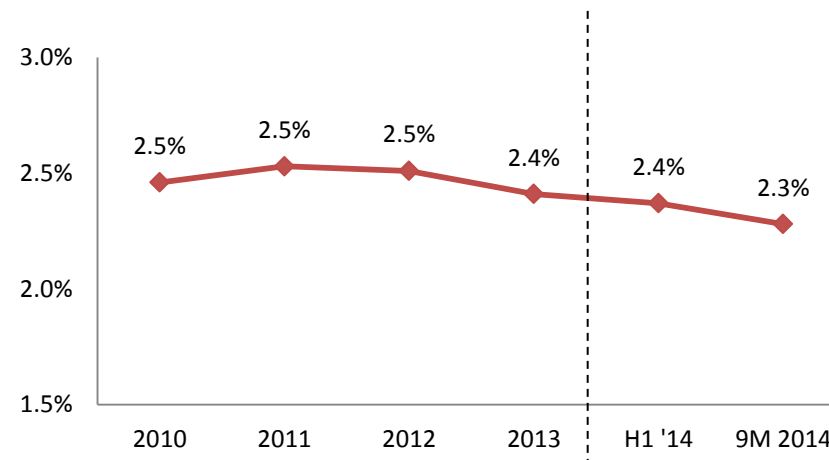
## Asset Breakdown by Product (AED billions)



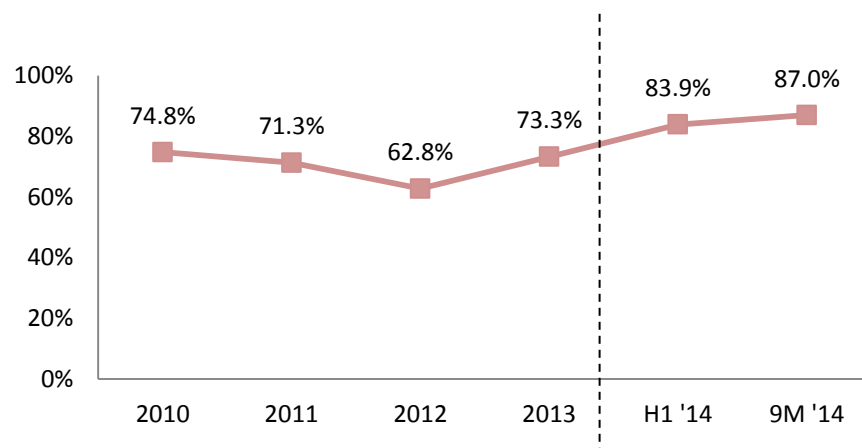
## Non-Performing Loans (AED millions)



## Impaired Loans to Gross Loans & Advances



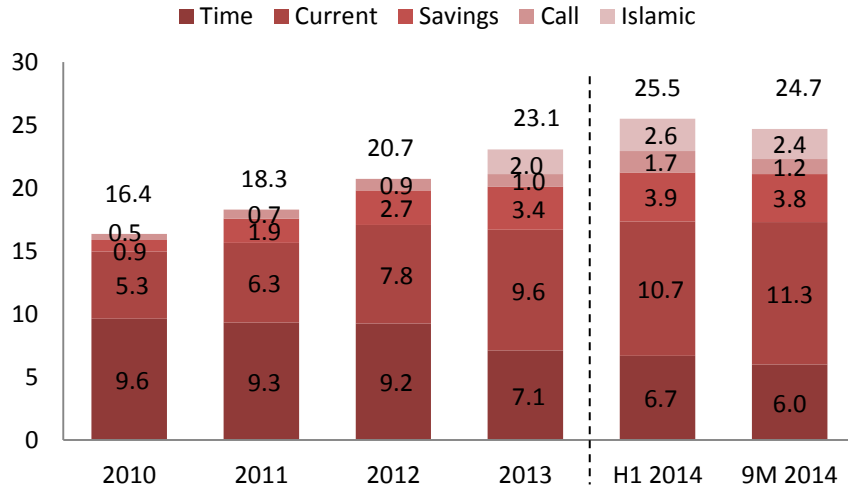
## Coverage Ratio



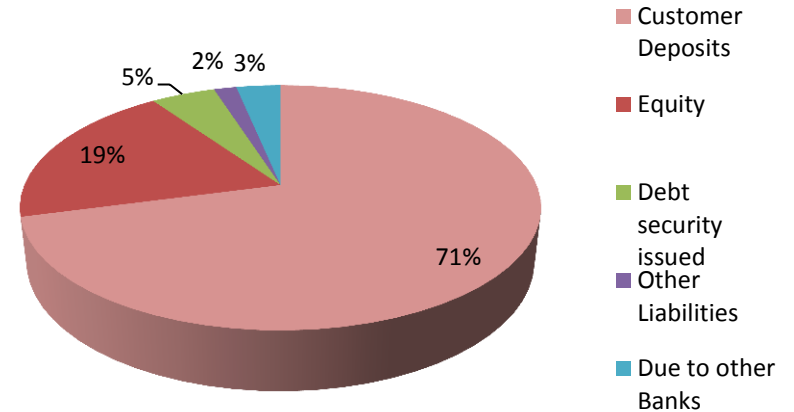
## Notes

- 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.

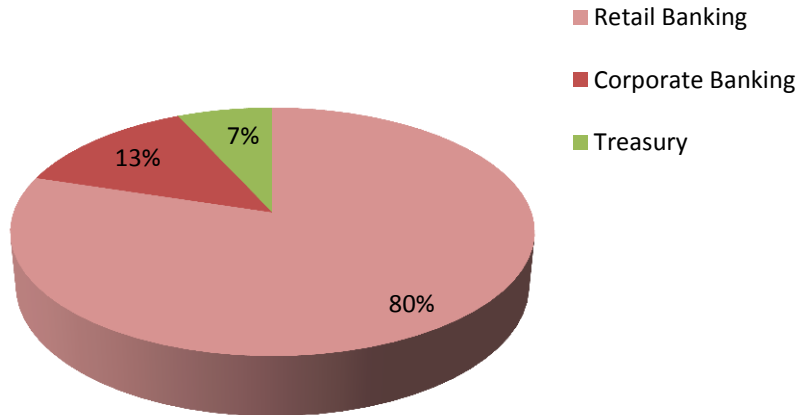
## Customer Deposits (AED billions)



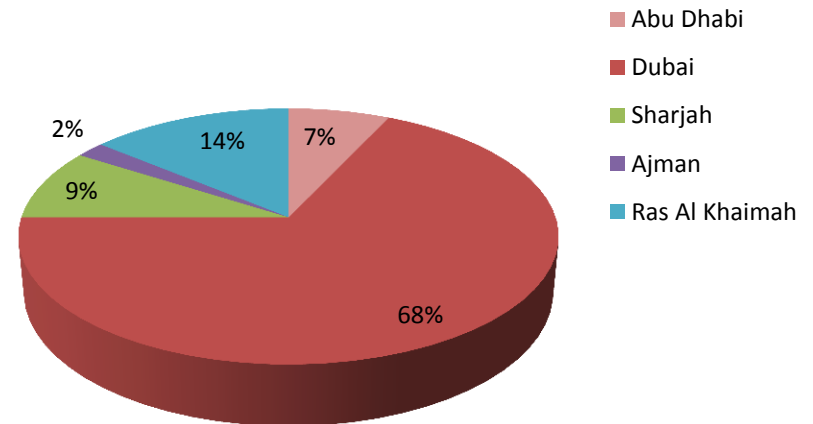
## Liabilities Mix



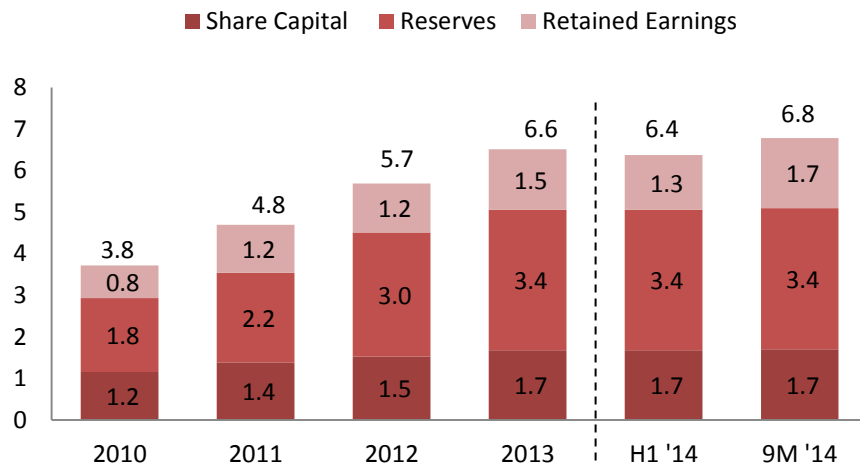
## Total Deposits by Segment



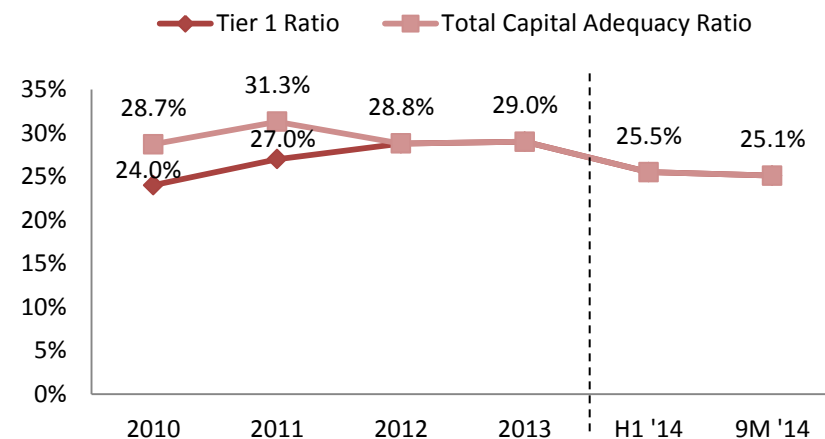
## Customer Deposits by Geography



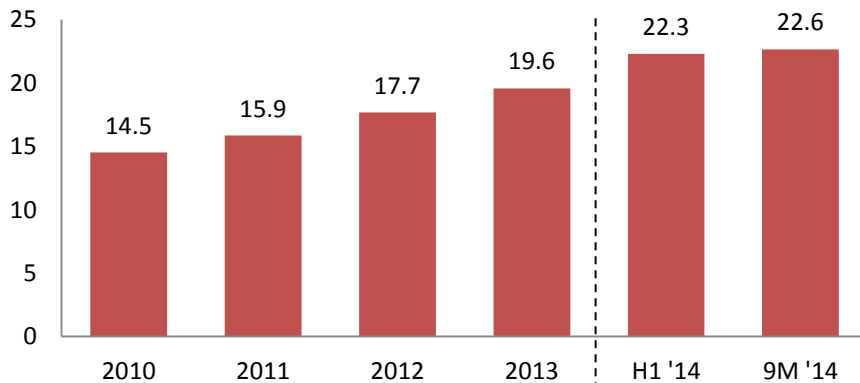
## Equity Breakdown (AED billions)



## Capital Adequacy



## Risk Weighted Assets (AED billions)



## Notes

- The Bank maintains a leadership position in the UAE in terms of its Tier 1 capital ratio which as at 30 September 2014 stood at 25.1%.
- 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 September 2014, the Bank's total Tier 1 capital was 5,678.9 million.



# Income Statement & Key Ratios

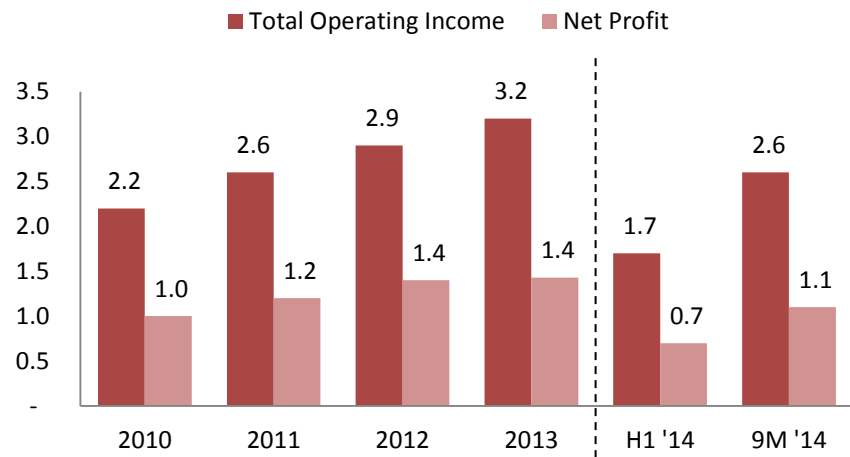
## Income Statement as at 30 September (AED millions)

Income Statements (AED millions)	9M 2014	9M 2013	Y-o-Y	Q3 2014	Q2 2014	Q-o-Q
Net Interest Income	2,027	1,828	199	712	676	36
Fee and Commission Income	489	398	91	169	170	(1)
Investment Income	7	19	(12)	5	0	5
Forex Income	65	56	9	23	21	2
Other Income	38	33	5	17	7	10
<b>Total Income</b>	<b>2,626</b>	<b>2,335</b>	<b>292</b>	<b>927</b>	<b>874</b>	<b>53</b>
Operating Expenditures	1,128	1,014	113	387	380	7
Provisions	425	183	242	167	128	39
<b>Net Profit</b>	<b>1,073</b>	<b>1,137</b>	<b>(64)</b>	<b>373</b>	<b>366</b>	<b>7</b>

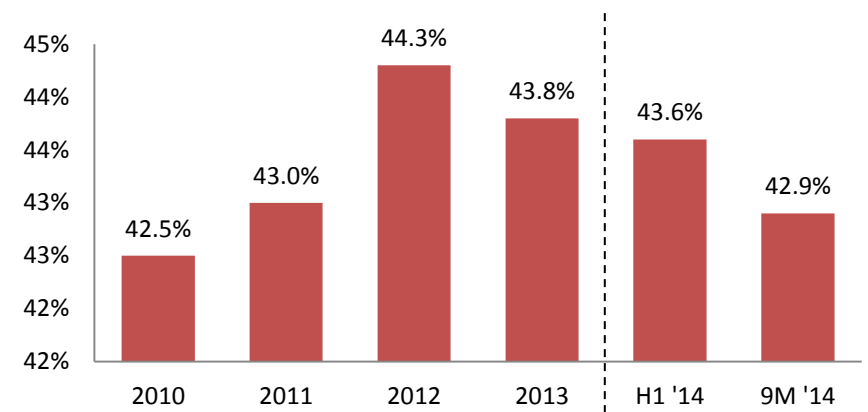
## Key Ratios

Percentage (%)	9M 2014	9M 2013	Y-o-Y	Q3 2014	Q2 2014	Q-o-Q
ROE	22.3	25.6	(3.3)	22.5	23.6	(1.1)
NIM	8.3	8.6	(0.3)	8.1	8.3	(0.2)
Cost to Revenue	42.9	43.4	(0.5)	41.8	43.5	(1.7)
Gross Impaired Loans Ratio	2.3	2.3	-	2.3	2.4	(0.1)
ROA	4.4	5.4	(1.0)	4.2	4.5	(0.3)
NPL Coverage Ratio	87	60.4	26.6	87.0	83.9	3.1
Advance to Deposit Ratio	86.4	92.2	(5.9)	86.4	82.0	4.4

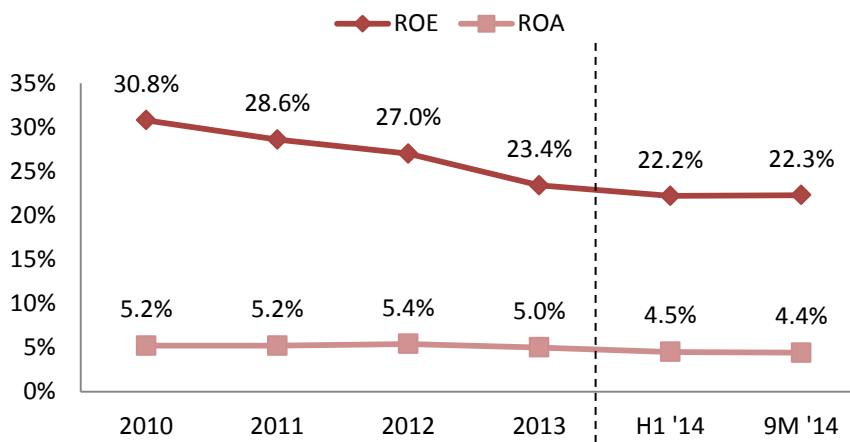
## Profitability (AED billions)



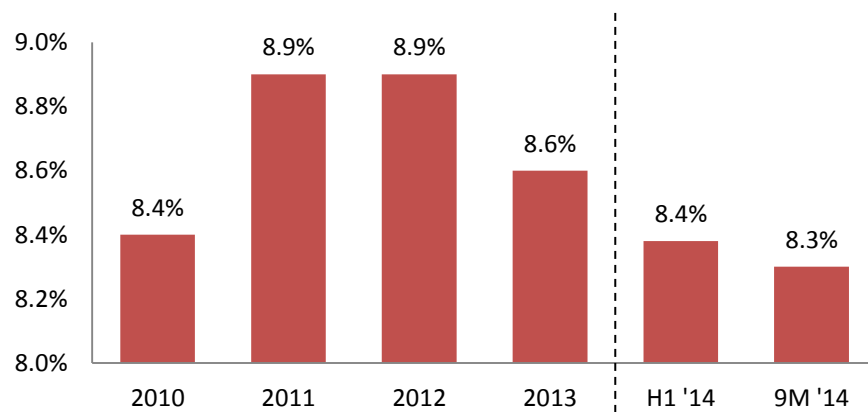
## Cost-to-Income Ratio



## Annualized Returns

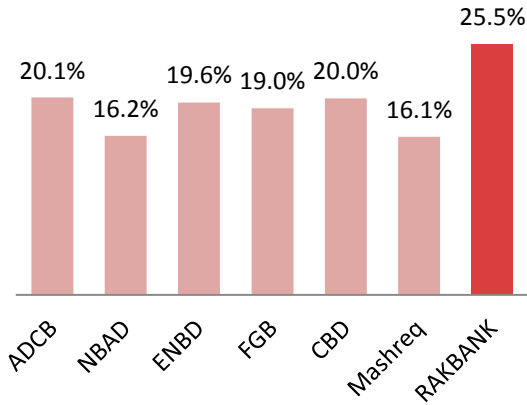


## Net Interest Margin

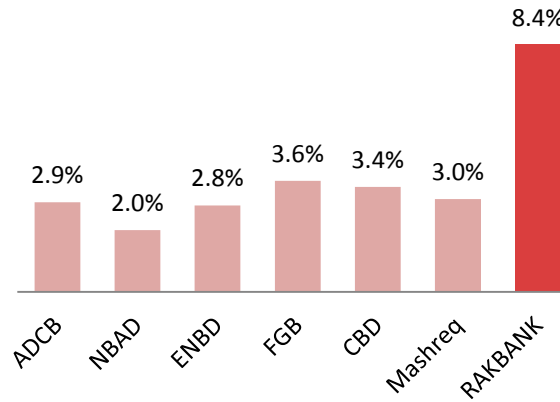


# Key Ratios Comparisons (30 June 2014)

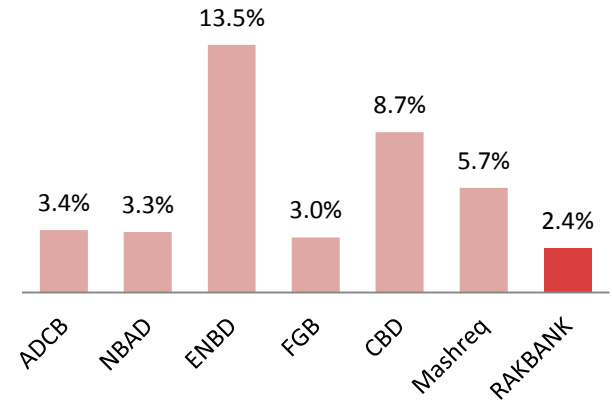
## Capital Adequacy Ratio



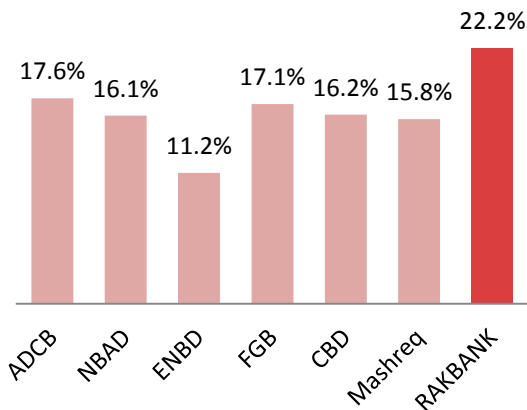
## Net Interest Margin (annualized)



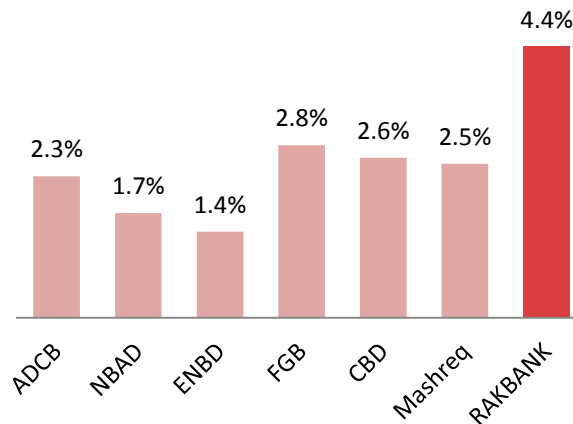
## NPL Ratio



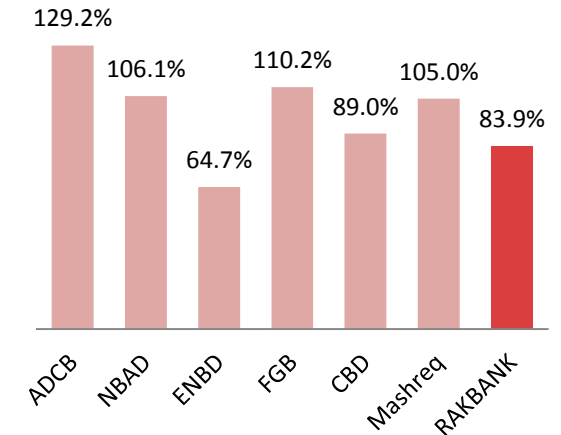
## Return on Equity (annualized)



## Return on Assets (annualized)



## NPL Coverage



# Appendix

## 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 15.3 billion as of 30 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 89%, 5%, and 6% of Operating Income respectively (for the period ended 30 September 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.

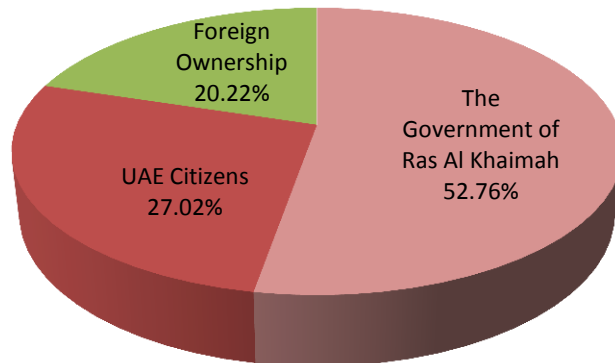
## Subsidiaries

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
	October 2014	Baa1	Stable
	March 2014	BBB+	Stable
	August 2014	A-	Stable

## Ownership Structure (as at 28 October 2014)



## 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.

## 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

# USD 500 million Fixed Rate Note

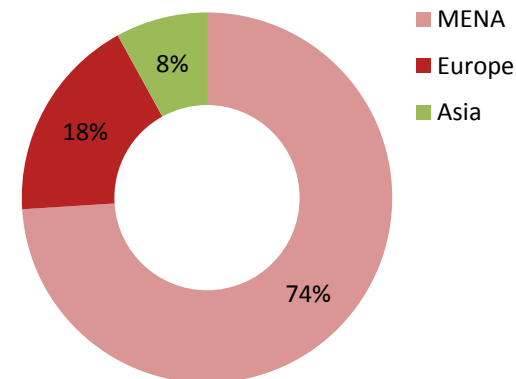
## Transaction Summary

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

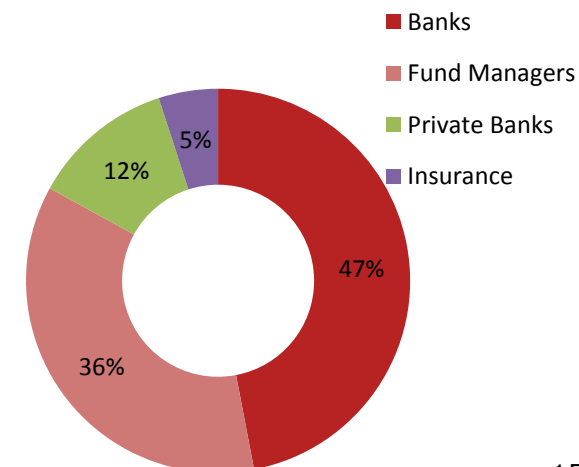
## Transaction Highlights

- 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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