



# RAKBANK

**Investor Relations**

**Presentation**

Q1 2016

## 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 and small businesses.
- RAKBANK is a public joint stock company headquartered in the emirate of Ras Al Khaimah (RAK). It has 35 branches and over 250 ATMs in the UAE.
- In late January 2013, the Bank launched its Islamic Banking unit – AMAL.

## Strategy

- Since 2001, the strategy focus has been on Retail and Small Business Banking in which the Bank enjoys a strong foothold. In late 2013, the Bank increased its lending in the traditional SME and Commercial Banking segment and more recently into Corporate Banking to diversify its portfolio mix.
- During 2015, the Bank acquired a majority stake in RAK Insurance Company and launched a Remittance service as it moves ahead with its diversification strategy.
- In early 2016, the Bank launched a separate Business Banking segment for the Bank's small business and SME portfolios.
- Going forward, the Bank plans to become a broad-based financial services company by taking advantage of opportunities that enhance revenue and market share through acquisitions and new business.

## Ownership

- RAKBANK is listed on the Abu Dhabi Securities Exchange (ADX) and 52.77% of the Bank's shares are owned directly and indirectly by the government of RAK. The market capitalization of RAKBANK is AED 10.06 billion (US\$2.74 billion) as of 31 March 2016.
- The Board of Directors consists of the RAK ruling family and businessmen and professionals from UAE and Australia.

## Awards & Recognition

- Best Internet Banking product of the year for web chat at The Asian Banker Middle East Retail Product Awards 2016.
- Best Mobile Banking Initiative for MobileCash and Best SME Bank in the Middle East for RAKfinance at The Asian Banker Middle East Retail Product Awards 2015.
- 2<sup>nd</sup> Best Performing Commercial Bank in the GCC according to the 2015 darien analytics survey.
- 22<sup>nd</sup> most valuable brand in the GCC in 2015 according to BrandFinance Mena 50.
- Best Segment Solution award for RAKBANK World MasterCard® Credit Card at the MasterCard Innovation Forum 2015.
- Best Digital Bank in the Middle East among 100 banks in the MENA region during the Genesys Summit 2015.
- EMEA Customer Innovation Award, Genesys G-Force Awards 2015.
- Best Service Innovation (Customer Web-Chat), Ethos UAE Service Olympian Awards 2015.
- Best Mobile App, Ethos UAE Service Olympian Awards 2015.
- 1<sup>st</sup> in the UAE by Return on Assets and 26<sup>th</sup> globally according to The Banker's Top 1000 Bank Rankings 2015.

## Subsidiaries

Subsidiary	Ownership	Country	Purpose
RAK Insurance	79.23%	UAE	To develop insurance products
RAK Islamic Finance Company	99.99%	UAE	To sell Sharia-compliant products
RAKFUNDING CAYMAN LTD	99.99%	Cayman Islands	To enable the issuance of bonds
Back Office Support Services (BOSS)	80%	UAE	To provide back office support services
RAK Technology	80%	UAE	To supply information technology support

## Ratings

Rating Agency	Last Update	Deposits	Outlook	Support
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April 2016

Baa1 / P-2

Stable

2



August 2015

BBB+ / F2

Stable

2



August 2015

A- / A2

Stable

2

## Regulatory Framework

### The Central Bank of the UAE

- Regulations cover both Conduct of Business and prudential regulations.
- Acts as the clearing house for all AED payments.
- Conducts a detailed inspection of the bank on annual basis.
- Anti Money laundering and Suspicious Cases Unit of the CB-UAE acts as the FIU of the UAE.

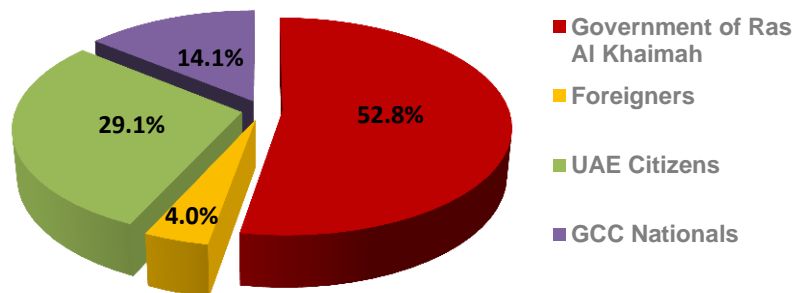
### Securities & Commodities Authority (SCA) & Abu Dhabi Securities Exchange (ADX)

- SCA is the main regulator of funds houses, custodians, capital market operations, stock exchanges and financial brokerage business in the UAE.
- RAKBANK complies with all listing requirements stipulated by ADX.

### Insurance Authority (IA)

- IA is concerned with regulating and supervising the UAE insurance sector to promote the role of the insurance industry and ensure fair and effective competition.

## Ownership Structure



## CEO's 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 and one of the largest banks in ASEAN – where he managed CIMB Bank Malaysia's business lines for individual and small enterprise customers and worked on developing a wide range of conventional and Islamic products and services.

Peter was elected member of RAK Insurance Board of Directors on 30 August 2015.

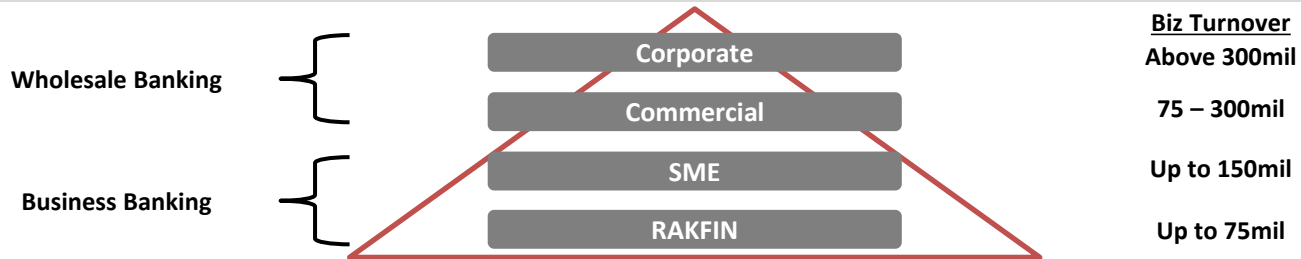
## Board of Directors

H.E. Mohamed Omran Alshamsi	Chairman
H.E. Sheikh Salem Al Qasimi	Director
Mr. Ahmed Essa Al Naeem	Director
Mr. Ahmad Abdulkarim Julfar	Director
Mr. Salem Ali Al Sharhan	Director
Mr. Rajan Khetarpal	Director
Mr. Allan Griffiths	Director

## Management

Deepak Majithia	Chief Financial Officer
Geoff Stecyk	Chief Operating Officer
K.S. Ramakrishnan	Chief Risk Officer
Vikas Suri	MD, Treasury
Ian Hodges	MD, Retail Banking
Raghuveer Mehra	MD of Credit & Assets, Retail Banking
Abdul Karim Juma	Director, Islamic Banking
Rahul Oberoi	MD, Wholesale Banking
Mahadevan Radhakanthan	Director of Credit, Wholesale Banking
Saleh Ali Saleh	Director, RAK Business

<b>Retail Banking</b>	<p>Retail Banking customers are serviced through a network of 35 branches, over 250 ATMs, as well as Online, Phone, and Mobile Banking solutions. Sales takes place across all channels and through 2000+ mobile staff. This segment has a strong fee-based income from the sale of Bancassurance and investment products, foreign exchange, trade services, Debit Cards and Prepaid Cards.</p>
<b>Business Banking</b>	<p>In the first quarter of 2016 the Bank introduced a separate Business Banking segment to handle the asset and liability needs of Small-to-Medium Enterprises (SMEs) in a more holistic manner. As the largest SME lender in the country, the Bank remains firmly committed to helping this segment grow, particularly during challenging times.</p>
<b>Wholesale Banking</b>	<p>RAKBANK re-established its presence in the Commercial sector in late 2013 and selectively re-entered the Corporate lending sector in 2015. The Wholesale Banking segment was introduced to increase the Bank's penetration into larger businesses and to focus on growing Corporate and Commercial Banking, Trade Sales, Financial Institutions Lending, and Asset Based Finance.</p>



<b>Treasury</b>	<p>The main activities of the Treasury business include 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 segment is the custodian of liquidity and primarily supports the growth of Retail and Wholesale Banking.</p>
<b>Insurance</b>	<p>The Bank sees an opportunity for growth in its business by diversifying into the local insurance market. With a controlling stake in RAK Insurance, the Group are collaborating on manufacturing and selling insurance products to enhance revenue and market share and ensure that customers enjoy a more wholesome experience.</p>

# Q1 2016 Highlights

## Financial Snapshot

AED millions	Q1 2016	Q1 2015	Variance%
Net Interest Income	744.3	733.5	1.5%
Non-Interest Income	245.7	198.8	23.6%
<b>Total Income</b>	<b>990.0</b>	<b>932.3</b>	<b>6.2%</b>
Operating Expenditures	(341.7)	(377.0)	(9.4%)
Operating Profit Before Provisions for Impairment	648.3	555.3	16.8%
Provisions for Impairment	(398.3)	(193.1)	106.3%
<b>Net Profit</b>	<b>250.0</b>	<b>362.2</b>	<b>(31.0%)</b>

## Balance Sheet Highlights

AED billions	31.03.16	31.12.15	31.03.15	Growth % YTD	Growth % Y-o-Y
<b>Total Assets</b>	<b>40.9</b>	<b>40.6</b>	<b>41.0</b>	<b>0.9%</b>	<b>(0.2%)</b>
<b>Gross Loans and Advances</b>	<b>28.8</b>	<b>28.5</b>	<b>26.7</b>	<b>0.9%</b>	<b>7.9%</b>
<b>Deposits</b>	<b>28.4</b>	<b>27.8</b>	<b>29.9</b>	<b>2.1%</b>	<b>(4.9%)</b>

## Key Ratios

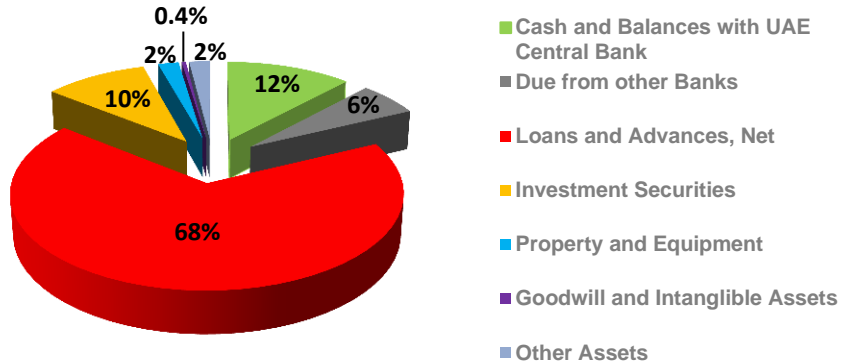
Ratios	Q1 2016	Q1 2015	Y-o-Y
<b>Return On Equity</b>	12.8%	20.1%	-7.3%
<b>Net Interest Margin</b>	7.4%	8.3%	-0.9%
<b>Cost-to-Income</b>	34.5%	40.4%	-5.9%
<b>Return On Assets</b>	2.5%	4.1%	-1.6%
<b>Coverage Ratio</b>	83.5%	84.6%	-1.1%
<b>Gross Impaired Loans Ratio</b>	3.6%	2.7%	0.9%
<b>LSRR</b>	82.5%	74.9%	7.6%
<b>Liquid Asset Ratio</b>	18.4%	16.6%	1.8%
<b>Capital Adequacy Ratio</b>	24.3%	24.2%	0.1%
<b>Tier One*</b>	24.3%	24.2%	0.1%

## Notes

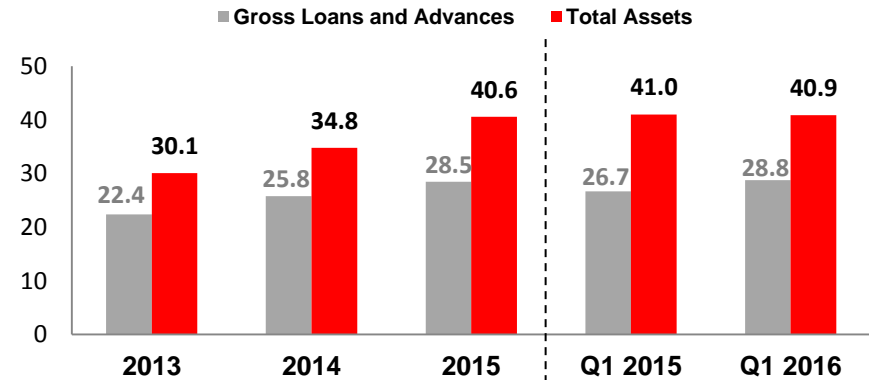
- Total Operating Income grew by AED 57.7 million year-on-year.
- Operating Expenses decreased by AED 35.3 million year-on-year. As the Group continues to focus on cost optimization, Cost-to-Income ratio dropped to 34.5% compared to 40.4% by the end of the previous year.
- Consolidated Operating Profit Before Provisions for Impairment grew by 16.8% to AED 648 million year-on-year.
- Gross Loans and Advances saw an increase of AED 2.1 billion year-on-year across most of the Bank's Retail, Business and Wholesale Banking portfolios.
- Deposits decreased to AED 28.4 billion compared to AED 29.9 billion by the end of the previous year (as there was a one off deposit of AED 3.6 billion in Q1'15 adjusted for this the growth in deposits was 8.0%)
- The decline in ROA is due to the decrease in net profit associated with an increase in the average balance of the assets for Q1'16 compared to Q1'15.

# Balance Sheet Overview

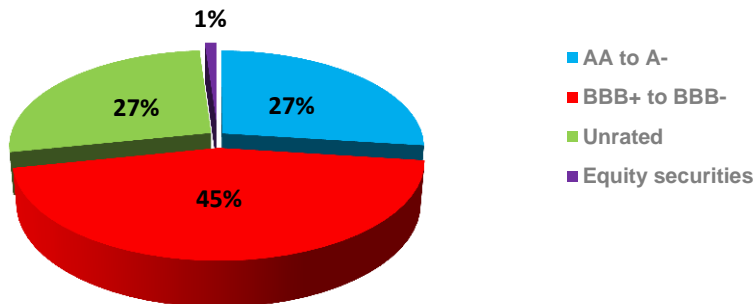
## Breakdown of Assets by Type (as at 31.03.16)



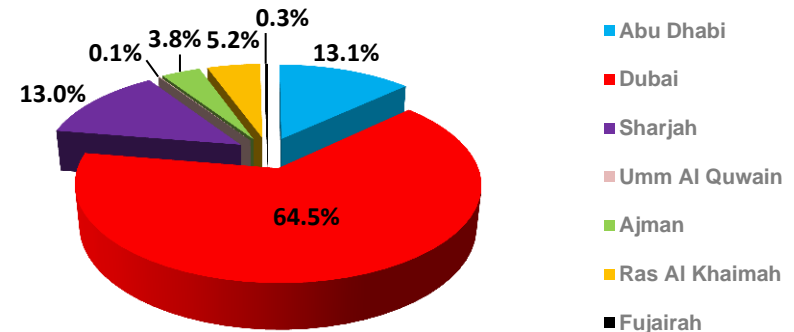
## Assets and Gross Loans & Advances (AED billions)



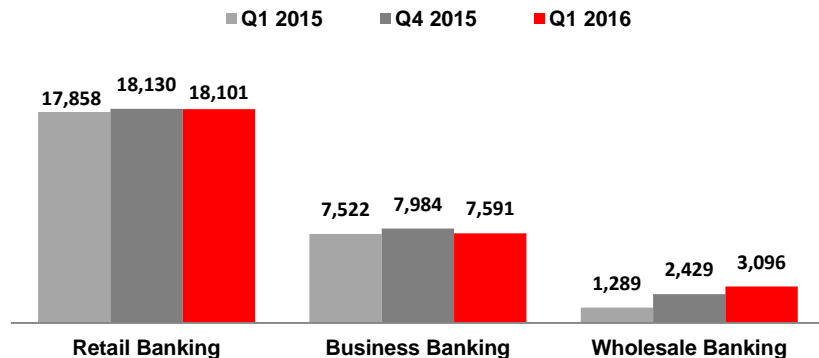
## Analysis of Investment Securities (as at 31.03.16)



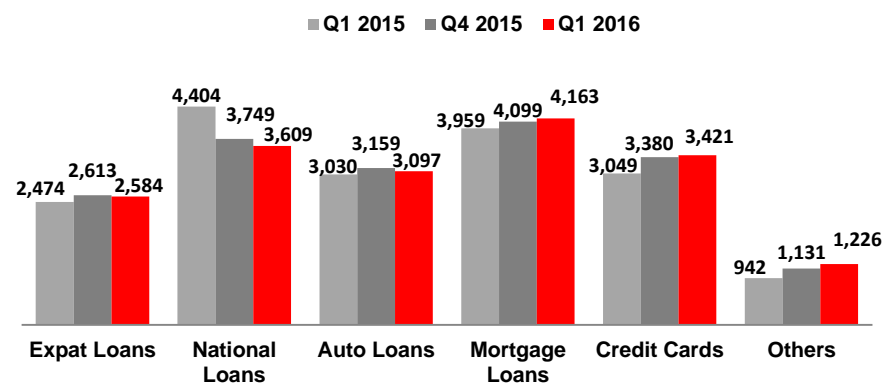
## Loans by Geography, by Value



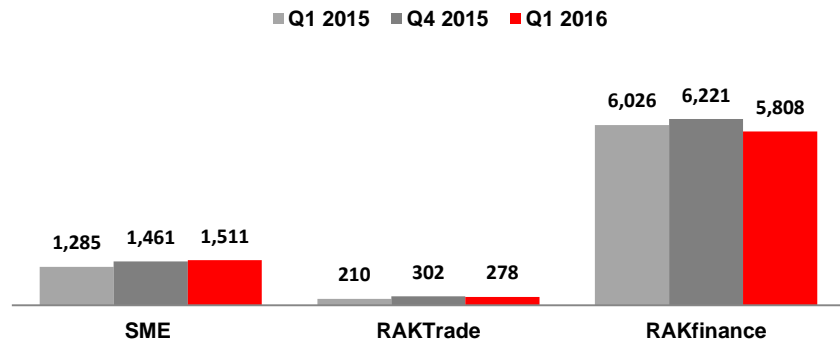
## Total Loans & Advances by Segment (AED millions)



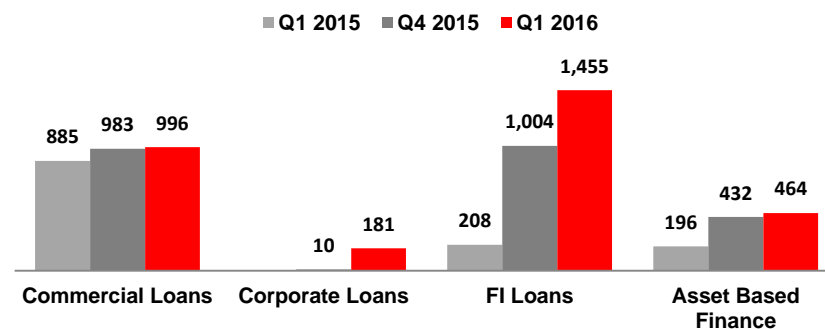
## Total Loans & Advances - Retail (AED millions)



## Total Loans & Advances – Business (AED millions)

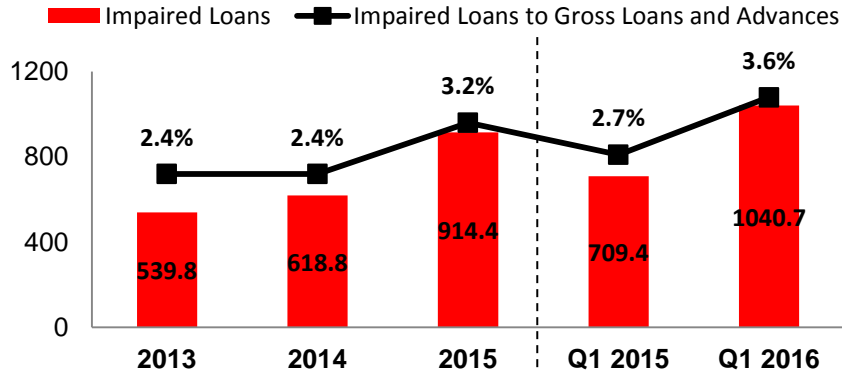


## Total Loans & Advances – Wholesale (AED millions)

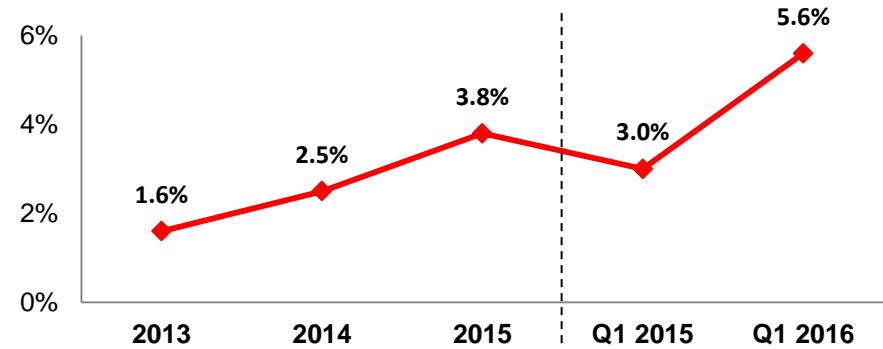




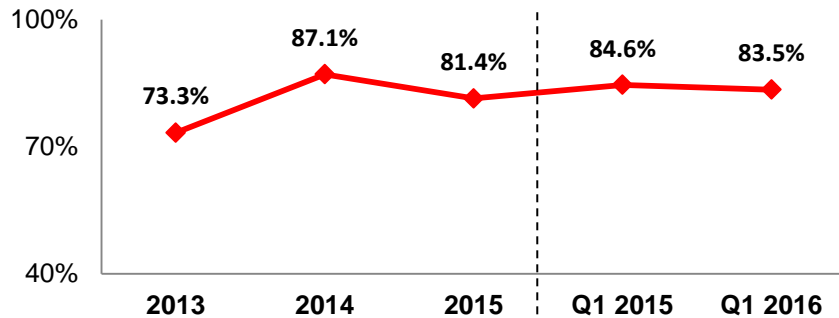
## Non-Performing Loans (AED millions)



## Net Credit Loss



## Coverage Ratio

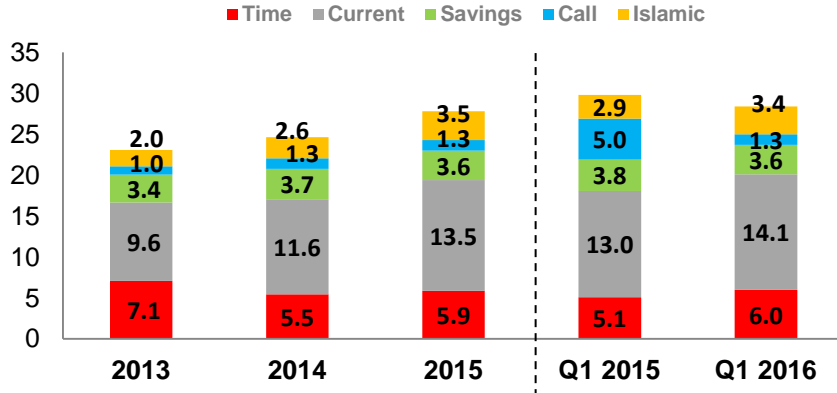


## Notes

- The Bank has been diversifying the product mix into lower risk business by growing its traditional SME lending Business Banking segment and its Commercial, FI, and Asset Based Finance portfolios under its Wholesale Banking segment.
- Coverage Ratio is lower due to the increase in the non-performing loans.
- Rising NCL because of Personal Loans, RAKfinance, Auto loans, and Credit Cards.

# Liabilities

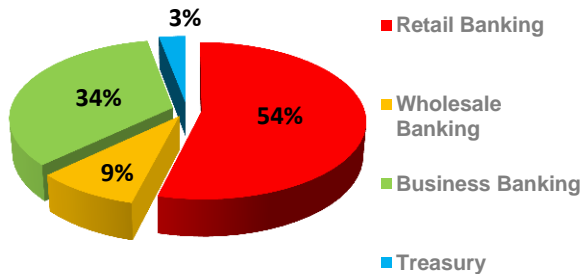
## Customer Deposits (AED billions)



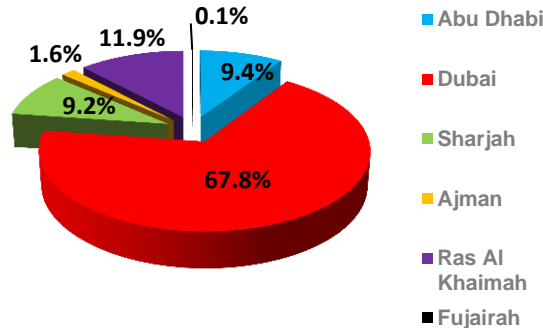
## Notes

- Customer deposits grew by 2.1% to AED 28.4 billion compared to December 31, 2015. The growth came mainly from an increase of AED 631.3 million in demand deposits.
- The deposits from the Retail, Business and Wholesale Banking segment amounts to 54%, 34% and 9% of the total deposits respectively.

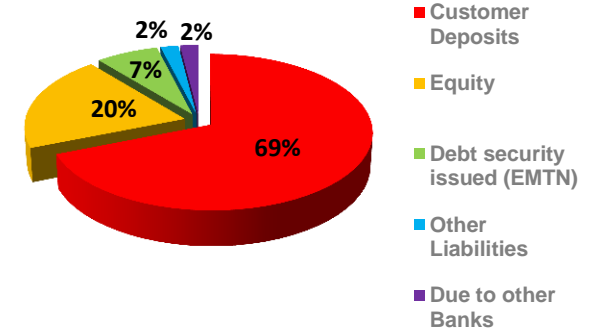
## Deposit Value by Segment (31.03.2016)



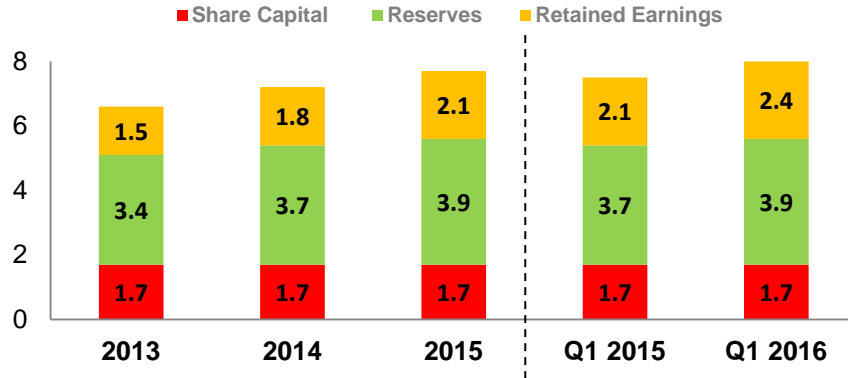
## Customer Deposits by Geography by Value (31.03.2016)



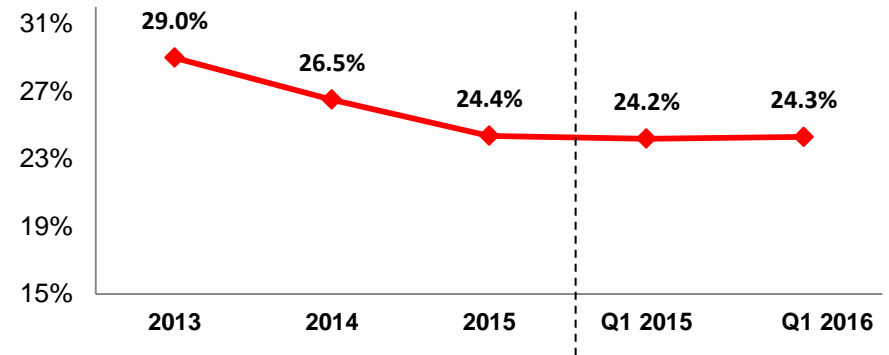
## Liabilities Mix (31.03.2016)



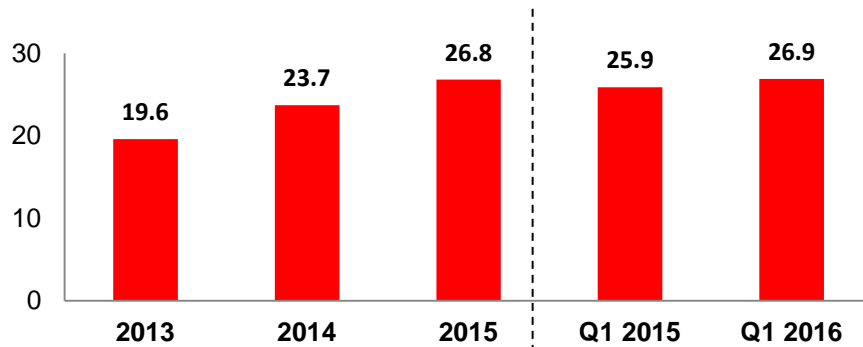
## Equity Breakdown (AED billions)



## Capital Adequacy Ratio (CAR)



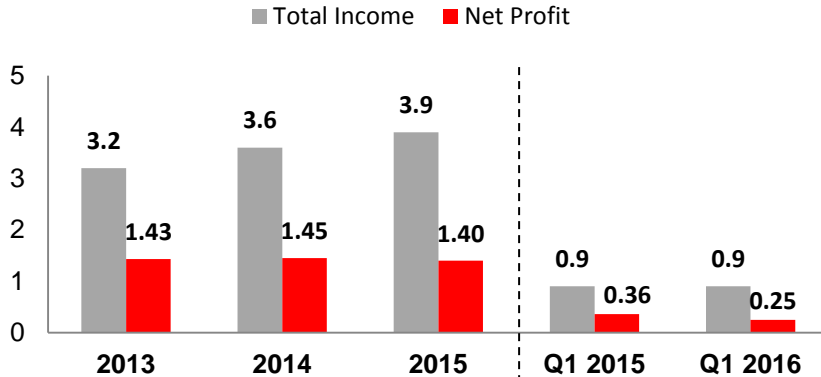
## Risk Weighted Assets (AED billions)



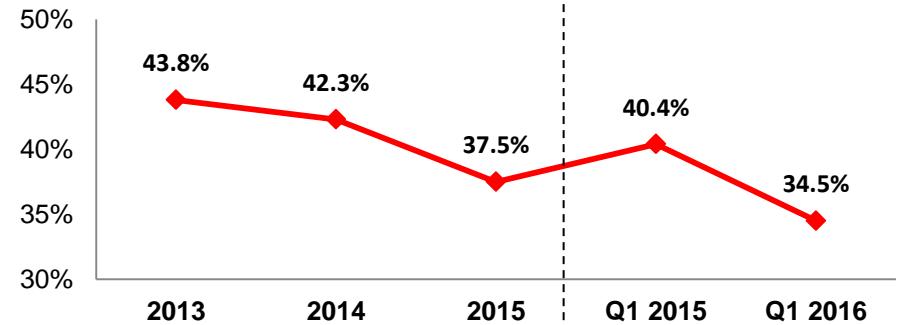
## Notes

- CAR is stable at 24.3%
- The Bank continues to have one of the highest CARs among banks in the UAE.

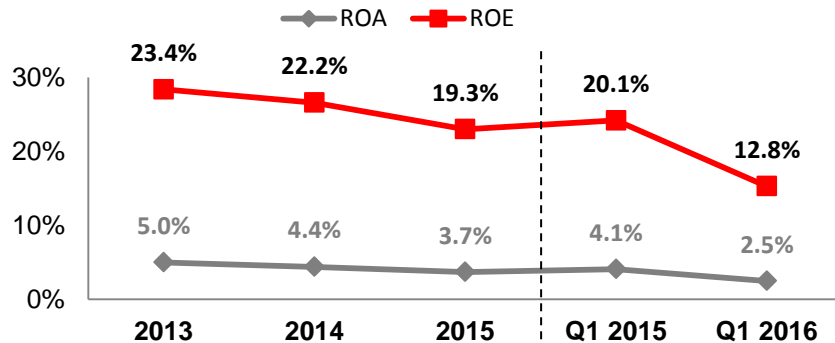
## Profitability (AED billions)



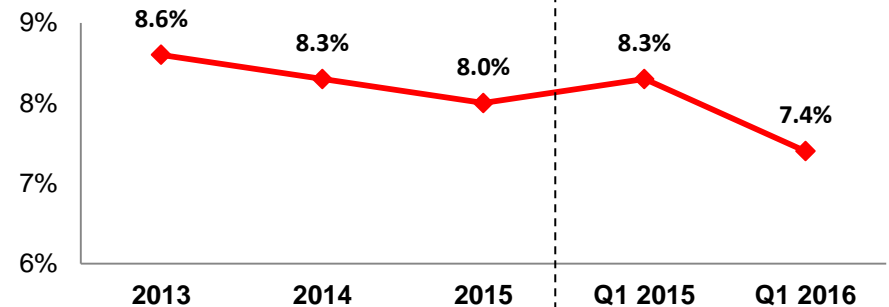
## Cost-to-Income Ratio



## Annualized Returns



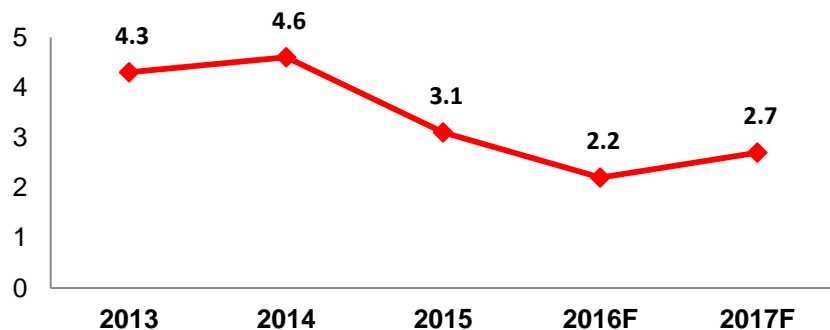
## Net Interest Margin



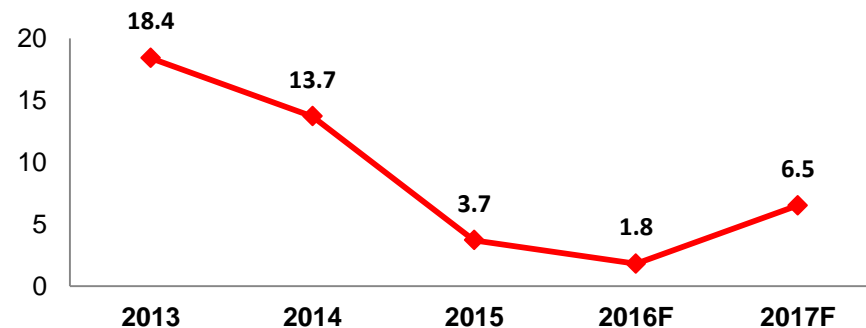
# Appendix

# The UAE's Economic Indicators

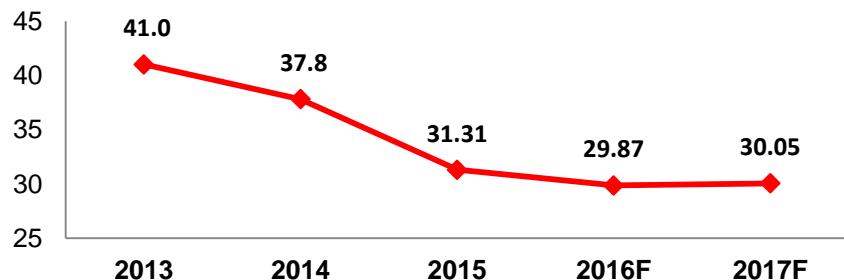
## Growth of Real GDP (%)



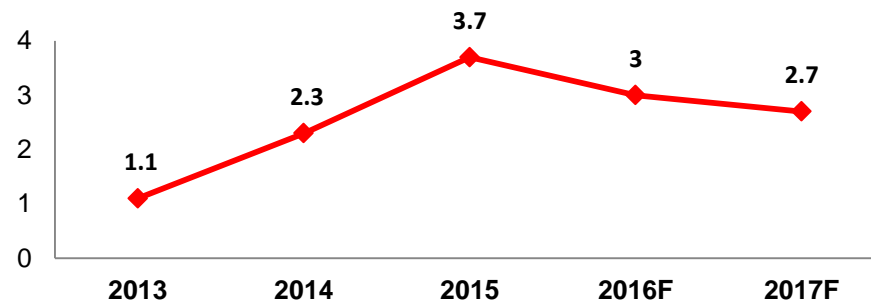
## Current Account Balance (% of GDP)



## Government Revenue % of GDP

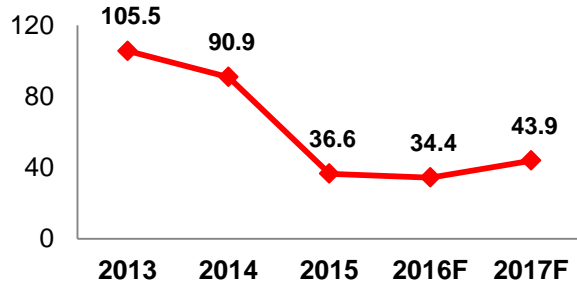


## CPI Inflation (%)



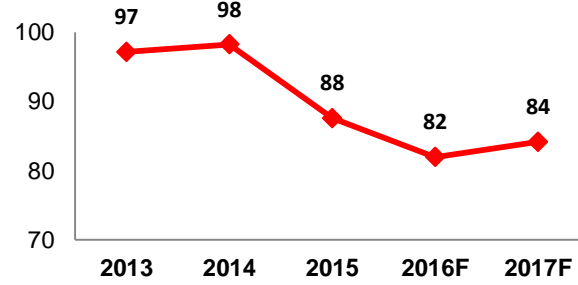
# Commodity prices across key indices

Crude oil/barrel avg. spot price (USD)



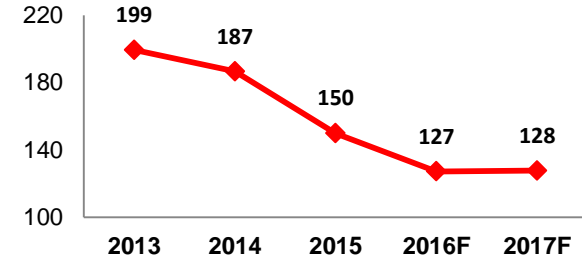
Source: World Bank & IMF

Aluminium (USD/export unit weight)



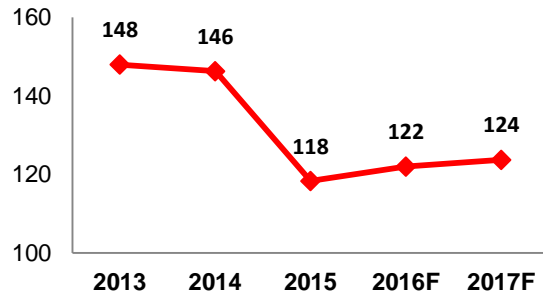
Source: IMF & Standard Chartered Research  
Notes: Indices of Medium Term Baselines Prices in USD

Copper (USD/export unit weight)



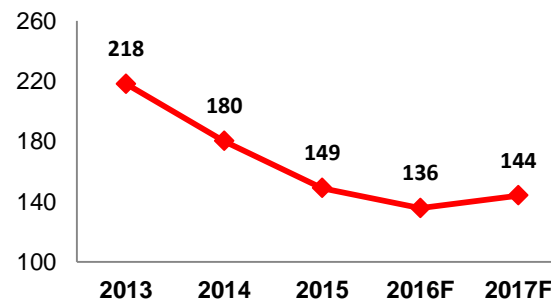
Source: World Bank  
Notes: Indices of Medium Term Baselines Prices in USD

Sugar (USD/export unit weight)



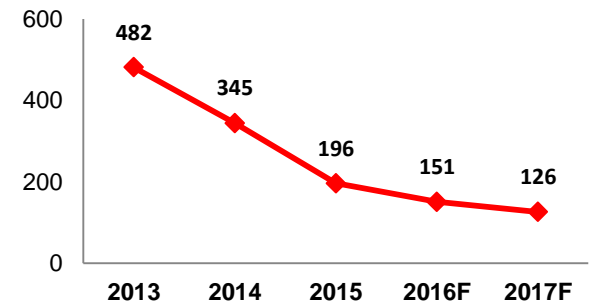
Source: World Bank  
Notes: Indices of Medium Term Baselines Prices in USD

Cereals (USD/export unit weight)



Source: World Bank  
Notes: Indices of Medium Term Baselines Prices in USD.  
Includes Wheat, Rice, Barley and Maize

Iron Ore (USD/export unit weight)



Source: World Bank  
Notes: Indices of Medium Term Baselines Prices in USD

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