

# **RAKBANK** Investor Relations Presentation

Full Year 2014



**RAKBANK**  
*Simply Better*

## 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 35 branches and over 200 ATMs in the UAE.

### 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 13.85 billion as of 31 December 2014. The Board of Directors consists of 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 88.7%, 5.6%, and 5.7% of Operating Income respectively for the period ended 31 December 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.

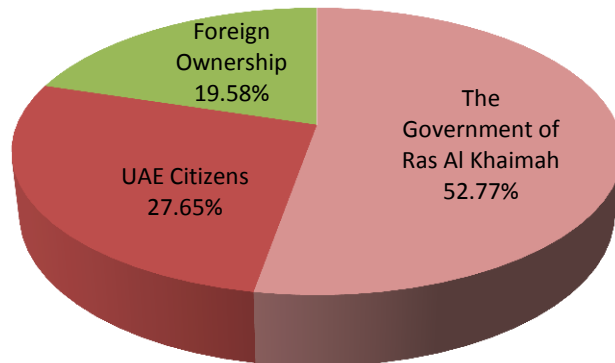
## Subsidiaries

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 31 December 2014)



## Board of Directors

H.E. Sheikh Omar bin Saqr Al-Qasimi	Chairman
H.E. Sheikh 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 Al 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 lines 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 AMAL Islamic Banking
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

## Financial Snapshot

<b>Income Statements (AED millions)</b>	<b>FY2014</b>	<b>FY2013</b>	<b>Y-o-Y Growth</b>	<b>% Growth</b>
Net Interest Income	2,757	2,466	291	11.8
Fee and Commission Income	653	529	124	23.4
Investment Income	6	41	(35)	(85.4)
Forex Income	87	75	12	16.0
Other Income	52	40	12	30.0
<b>Total Income</b>	<b>3,555</b>	<b>3,150</b>	<b>405</b>	<b>12.9</b>
Operating Expenditures	1,505	1379	126	9.1
Provisions	595	341	254	74.5
<b>Net Profit</b>	<b>1,455</b>	<b>1,431</b>	<b>24</b>	<b>1.7</b>

## Loans and Advances

<b>(AED millions)</b>	<b>FY2014</b>	<b>FY2013</b>	<b>Y-o-Y Growth</b>	<b>% Growth</b>
Total Loans & Advances	25,859	22,419	3,440	15.3
Gross Loans	25,806	22,355	3,451	15.4
Impairment Provisions	539	396	143	36.1
<b>Net Loans</b>	<b>25,266</b>	<b>21,959</b>	<b>3,307</b>	<b>15.1</b>

## Bank News

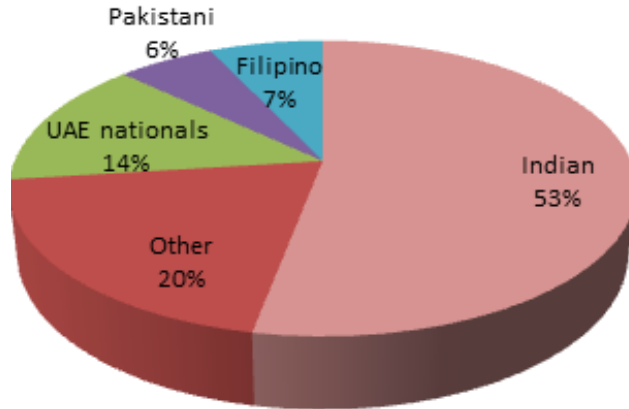
- Successfully completed its issuance of a 5-year USD 500 million bond under its EMTN Program.
- Received shareholder approval for the acquisition of Ras Al Khaimah National Insurance Company (RAKNIC). Central Bank approval followed in January 2015.
- Launched Asset Based Finance to the core SME and Commercial segments under "RAKBiz-Equip".
- Established Trade Finance service desks in several emirates.
- Introduced Mobile Cash and several other digital solutions.
- Increased the Bank's foreign ownership limit to 40%.

## Islamic Banking Update

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

- As of 31 December 2014, Gross Finance and Advances stood at AED 3.4 billion and Deposits at AED 2.6 billion
- Compared to 31 December 2013, Gross Finance and Advances grew by 189% while Deposits went up by 32.1%
- Launched AMAL Home Finance, AMAL Instant Finance, and AMAL Education and Rent Finance over the course of 2014.

## Customer Count by Nationality



## Retail Banking

- Retail Banking has around half a million customers serviced through a network of 35 branches, over 200 ATMs, as well as Online, Phone, and Mobile Banking solutions.
- Sales takes place across all channels over and above the Bank's mobile sales force of over 2000 staff.
- Retail Banking made up 88.7% of Operating income and 69.1% of assets for the period ended 31 December 2014.
- It has a strong fee-based income from the sale of Bancassurance and investment products, foreign exchange, trade services, Debit Cards, and Prepaid Cards.

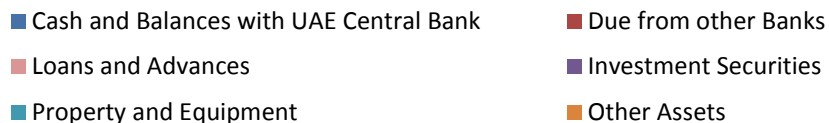
## Business Banking

- While the Bank had reduced its exposure to Commercial Banking business in the past, it re-established its presence in the Commercial sector in 2014 with growth levels in SME and Commercial lending exceeding 130% during the year.
- The existing Commercial exposure is distributed largely across Dubai and Ras Al Khaimah.
- Business Banking made up 5.6% of operating income and 6.3% of total assets for the period ended 31 December 2014.
- Asset Based Finance crossed AED 100 million in just six months since its launch in mid-2014.

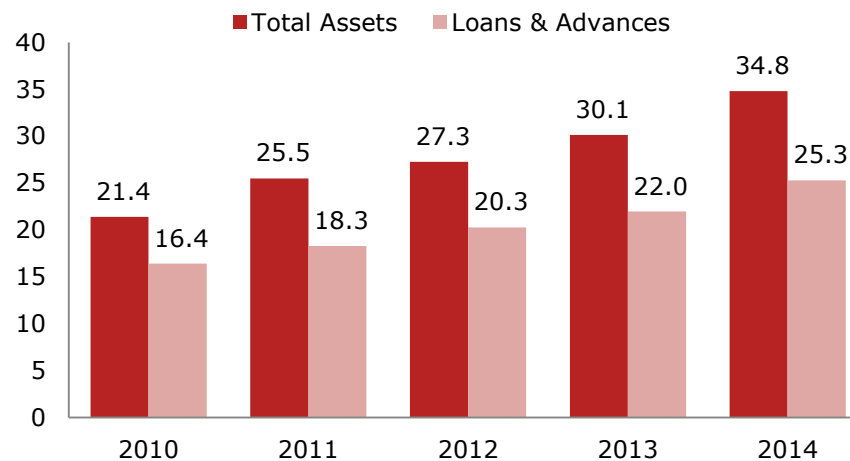
## Treasury

- The Treasury division made up 5.7% of operating income and 21.7% of total assets for the period ended 31 December 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.

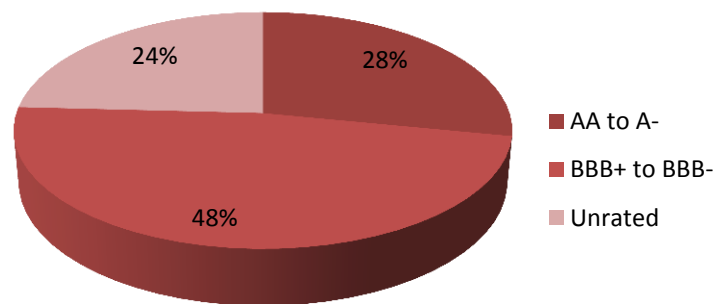
## Breakdown of Assets by Type (as at 31.12.14)



## Assets and Loans & Advances (AED billions)



## Analysis of Debt Securities\* (as at 31.12.14)



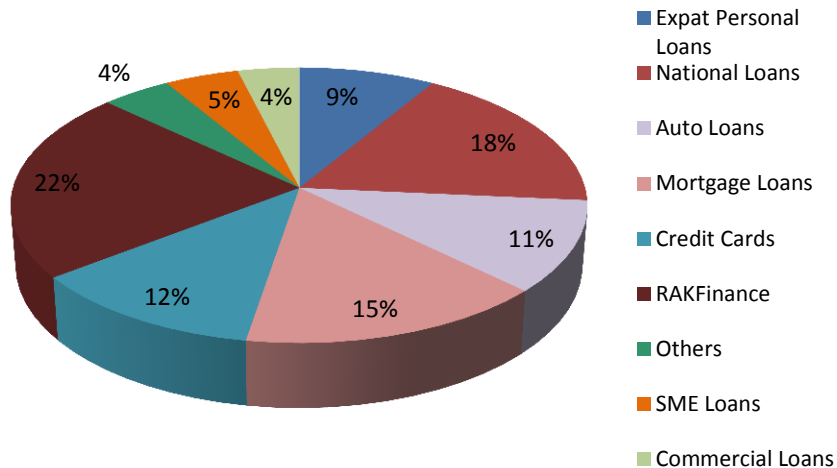
\*Based on Moody's and Fitch ratings

## Notes

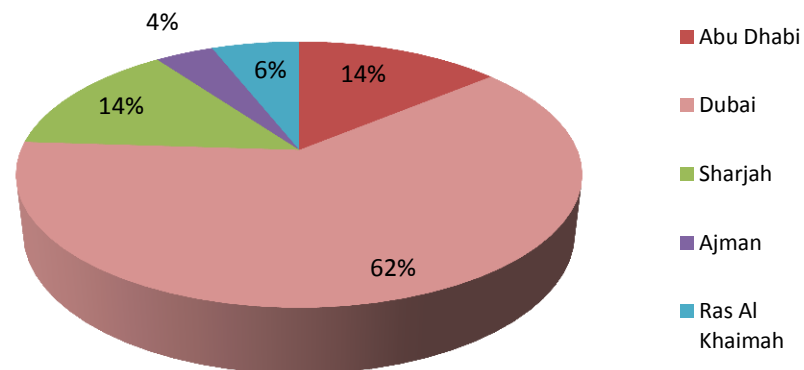
- Only 0.5% of the Bank's investment securities are equity and 99.5% are debt
- 98.4% of investments are in the 'held to maturity' category
- As at 31 December 2014, Lending to Stable Resources Ratio (LSRR) stood at 88.2% before dividend payments and Liquid Asset Ratio (LAR) stood at 20%.

## As at 31 December 2014

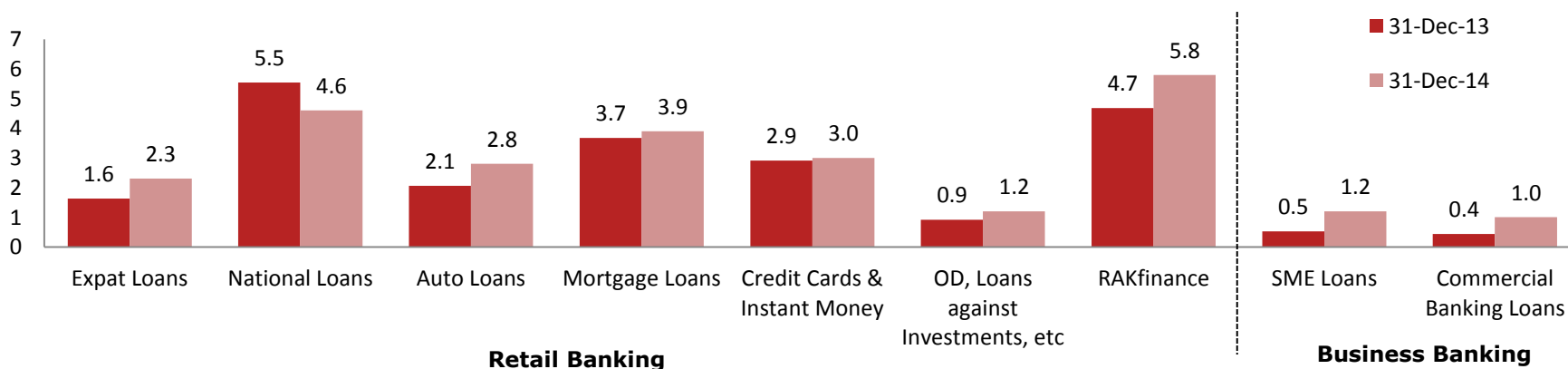
### Breakdown of Loans and Advances by Value



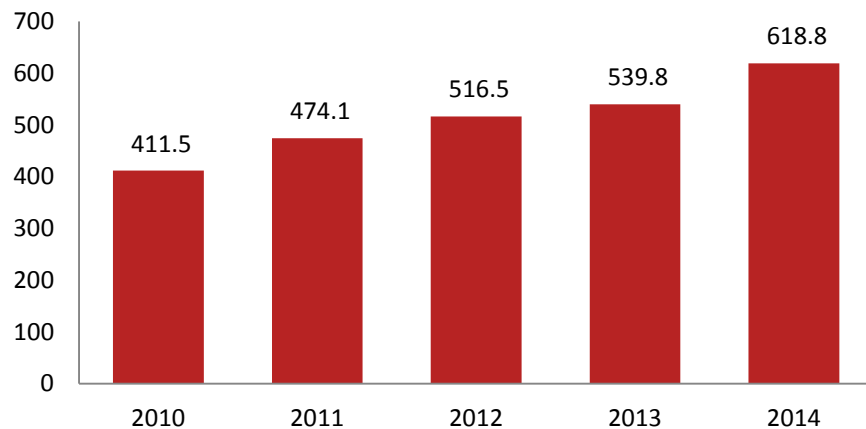
### Loans by Geography by Value



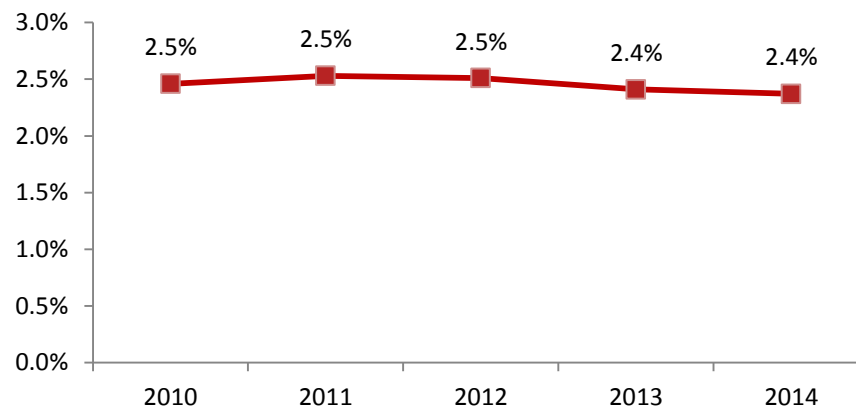
## Asset Breakdown by Product (AED billions)



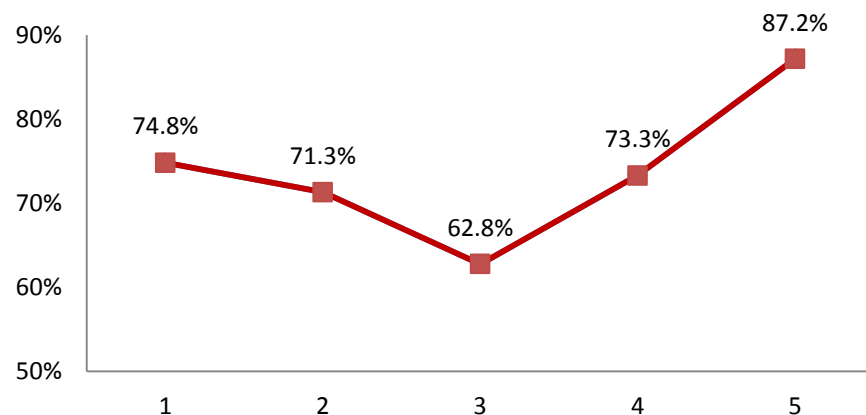
## Non-Performing Loans (AED millions)



## Impaired Loans to Gross Loans & Advances



## Coverage Ratio

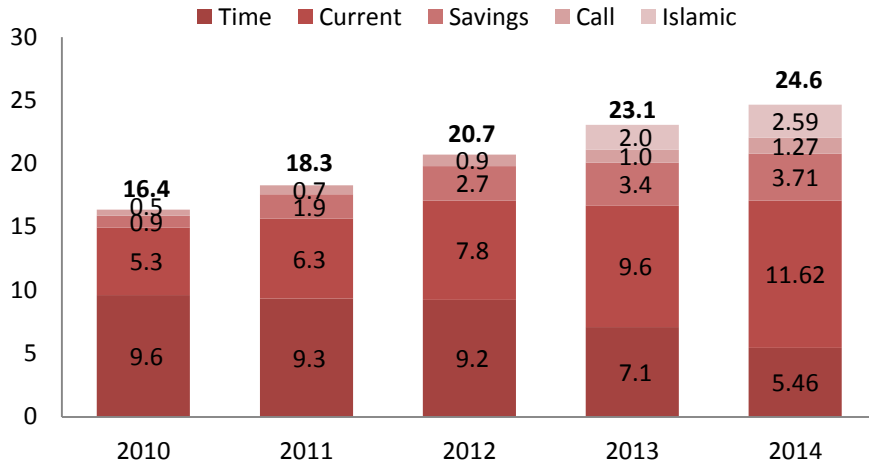


## Notes

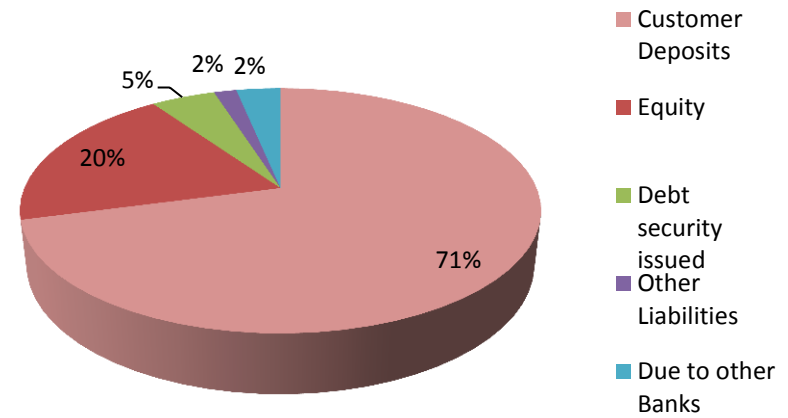
- Over and above the loan loss provisions, the Bank has non-distributable credit risk reserve at 1.5% of credit risk-weighted assets which as of 31 December 2014 stood at AED 334 million.
- The Bank regularly monitors its retail portfolio and stressed accounts.
- The Bank has a strong retail underwriting experience and team.



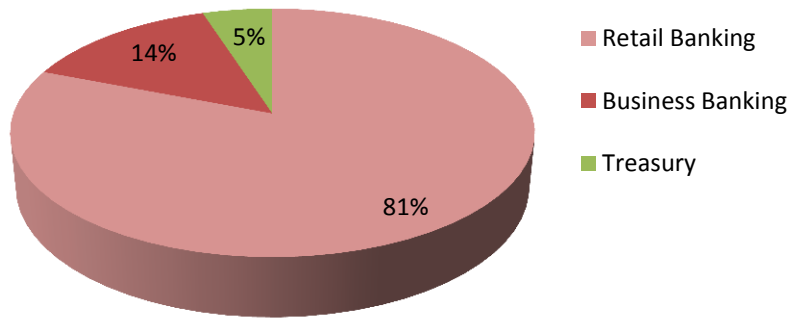
## Customer Deposits (AED billions)



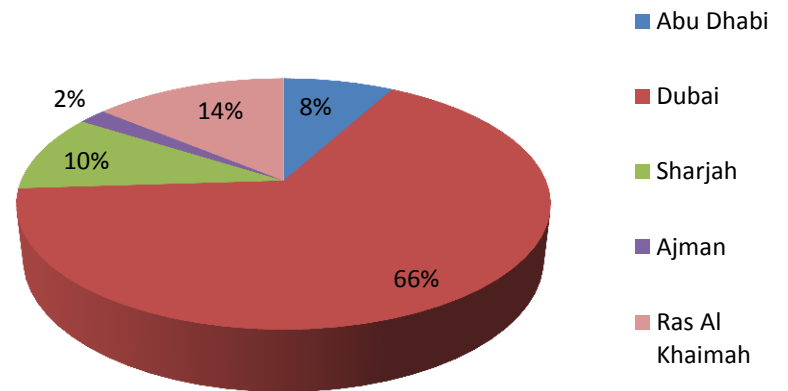
## Liabilities Mix



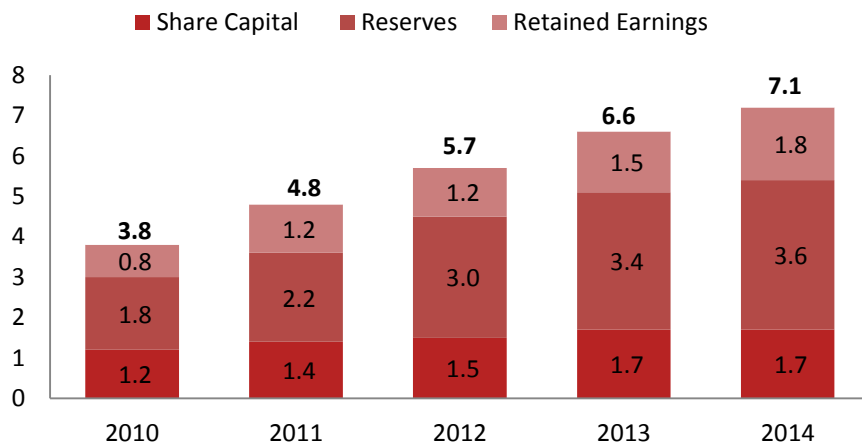
## Deposit Value by Segment



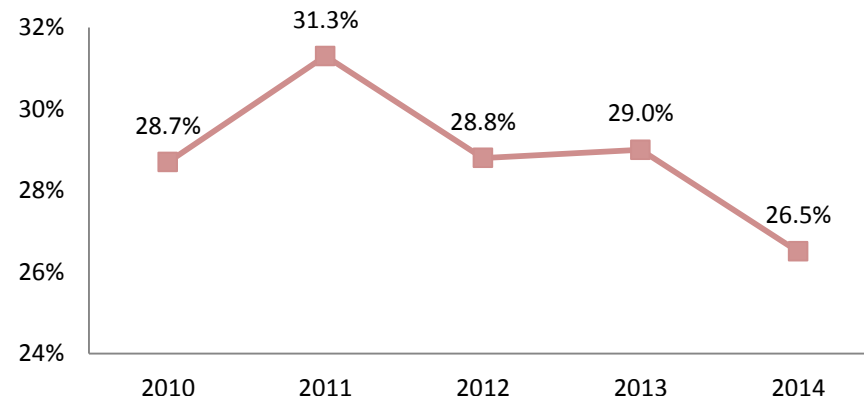
## Customer Deposit Value by Geography



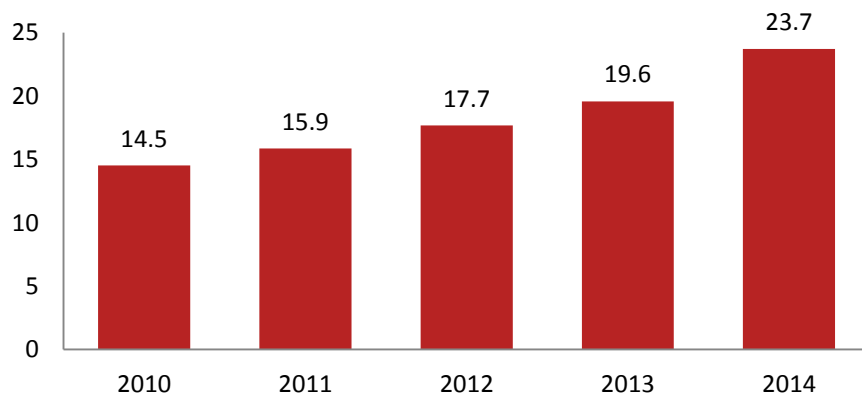
## Equity Breakdown (AED billions)



## 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.
- 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 31 December 2014, the Bank's total Tier 1 capital was AED 5,676 million.

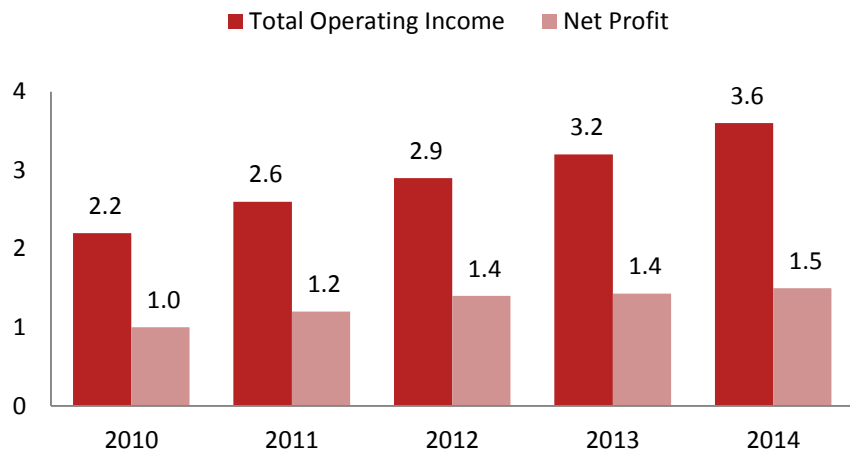
## Income Statement for the year ended 31 December 2014 (AED millions)

(AED millions)	FY2014	FY2013	Y-o-Y Growth	% Growth
Net Interest Income	2,757	2,466	291	11.8
Fee and Commission Income	653	529	124	23.4
Investment Income	6	41	-35	-85.4
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Other Income	52	40	12	30.0
<b>Total Income</b>	<b>3,555</b>	<b>3,150</b>	<b>405</b>	<b>12.9</b>
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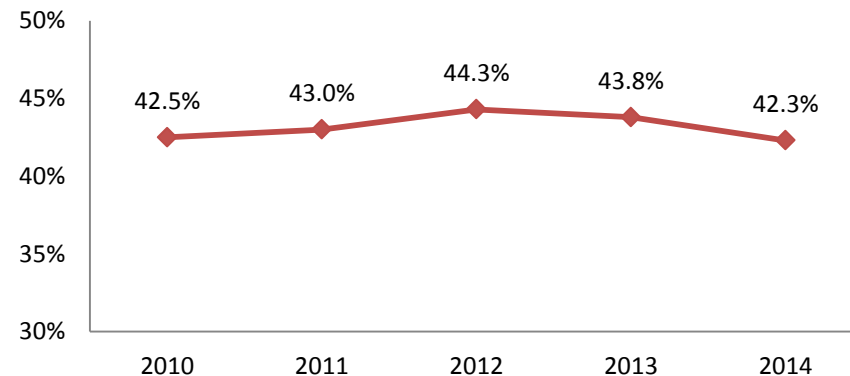
## Key Ratios

Percentage (%)	FY2014	FY2013	Y-o-Y Growth
Return On Equity	22.2	23.4	(1.2)
Net Interest Margin	8.3	8.6	(0.3)
Cost to Revenue	42.3	43.8	(1.5)
Gross Impaired Loans Ratio	2.4	2.4	0
Return On Assets	4.4	5.0	(0.6)
Non-Performing Loans Coverage Ratio	87.1	73.3	13.8
Lending to Stable Resources Ratio	88.2	88.1	(0.2)
Net Credit Loss	2.5	1.6	0.9
Liquid Asset Ratio	20.0	19.8	0.2

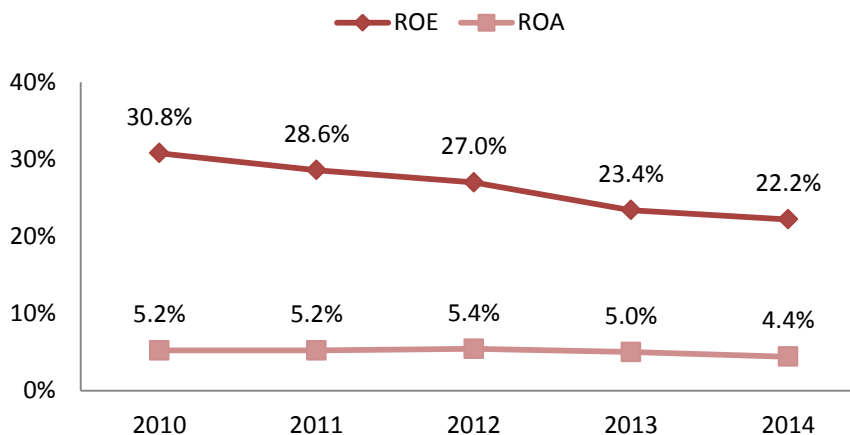
## Profitability (AED billions)



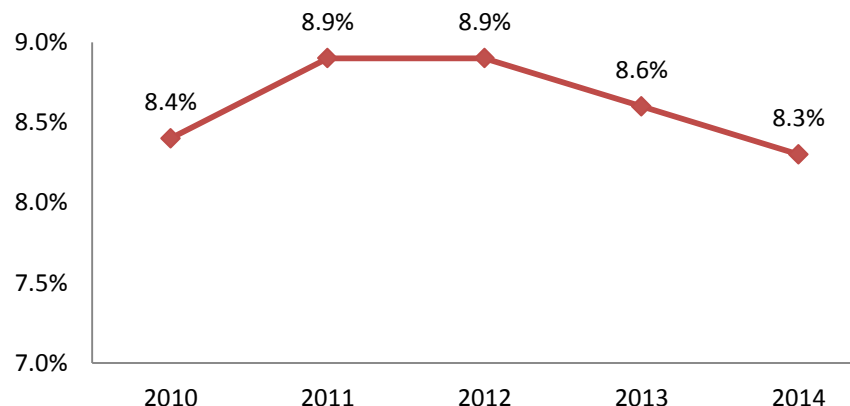
## Cost-to-Income Ratio



## Annualized Returns

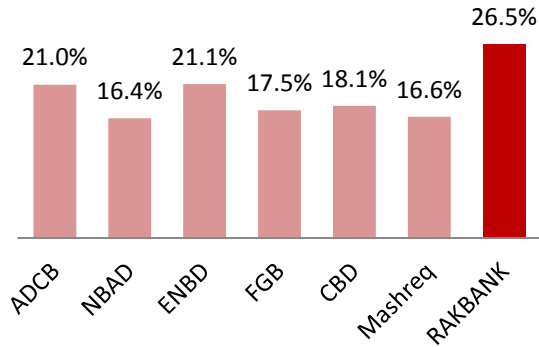


## Net Interest Margin

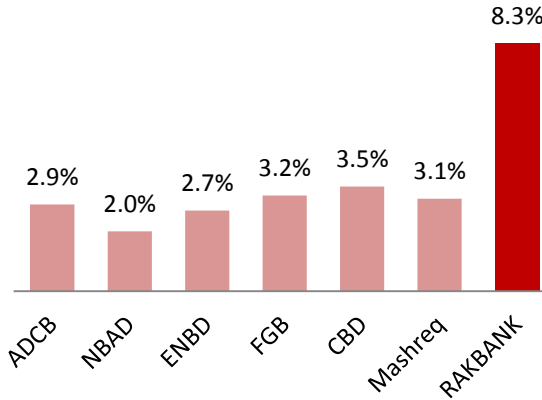


# Key Ratios Comparisons (FY2014)

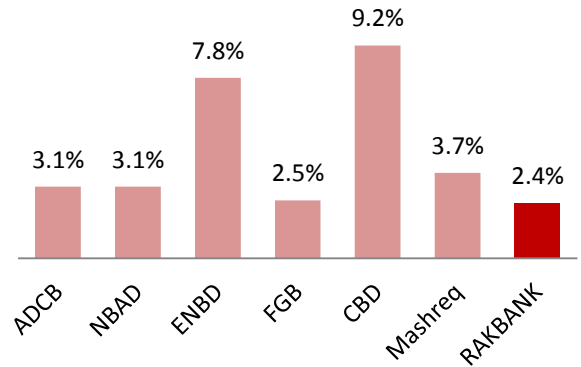
## Capital Adequacy Ratio



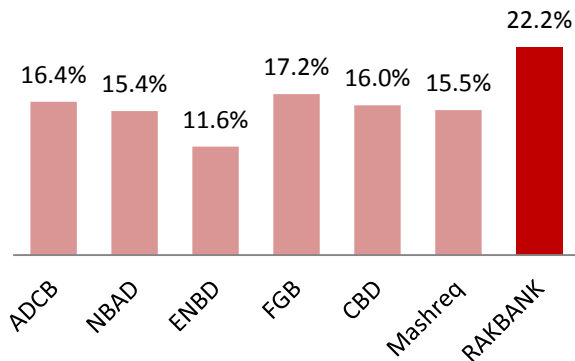
## Net Interest Margin



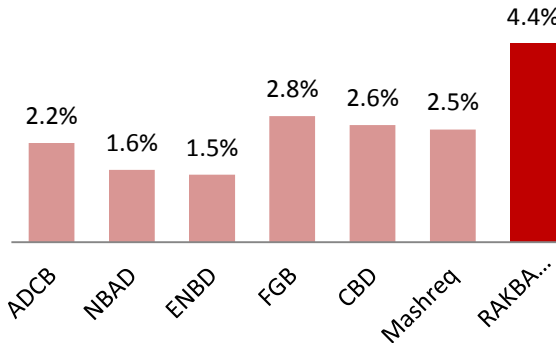
## NPL Ratio



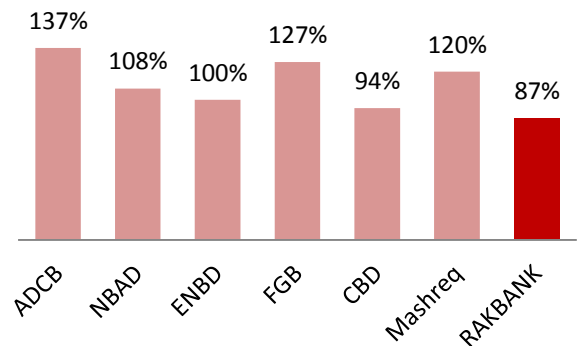
## Return on Equity



## Return on Assets



## NPL Coverage



# Appendix

# USD 500 million Fixed Rate Note

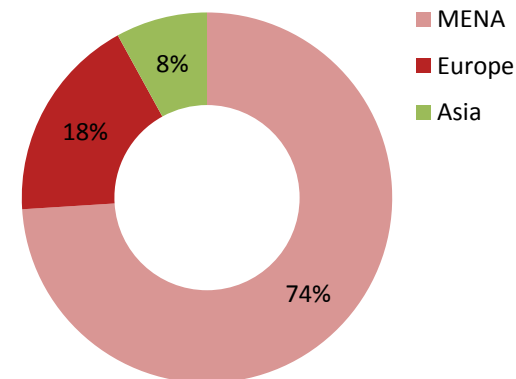
## Transaction Summary

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

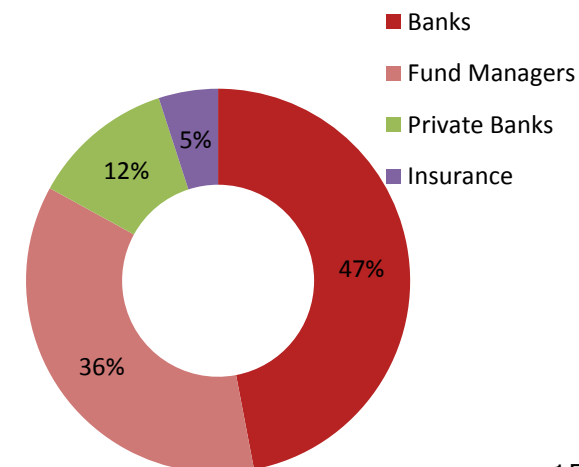
## Transaction Highlights

- 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



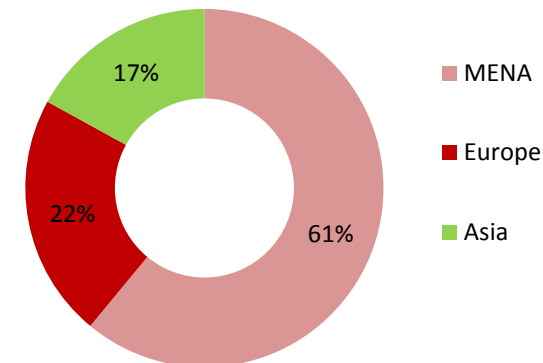
## Investors by Type



## Transaction Summary

Issuer	RAKFUNDING CAYMAN LTD
Guarantor	The National Bank of Ras Al Khaimah (P.S.C)
Guarantor Rating	Baa1 (Moody's) / BBB+ (Fitch)
Format	Regulation S only
Status	Senior Unsecured
Listing	Irish Stock Exchange
Tap Size	USD 300mn
Trade Date	23-Feb-15
Fungibility Date	Fungible on 02 March 2015
Maturity	24-Jun-19
Tap Price	100.88%
Tap Spread	MS+142.9bps

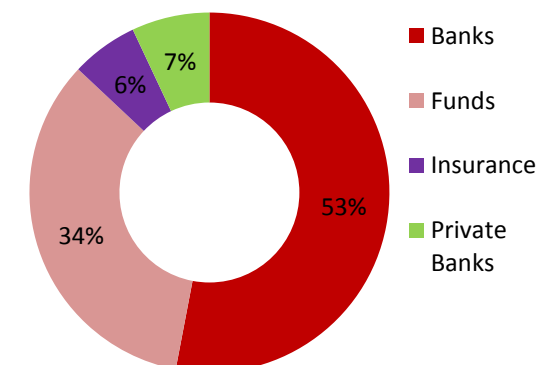
## Investors by Geography



## Transaction Highlights

- On February 23<sup>rd</sup> 2015, The National Bank of Ras Al-Khaimah P.S.C. ("RAKBANK"), successfully priced, via an interday execution, a USD300mn tap of its outstanding USD500mn 3.250% notes due 2019, bookrun by NBAD in June 2014.
- The announcement of the reopening of the notes was released to the market on Monday 23<sup>rd</sup> at 8:00am London time. The tap price guidance was set at 100.875% +/- 0.125%. The cash price at the time of announcement was 101.50%.
- A global investor call took place at 09:00am London. By 11:15am London, the orderbook was in excess of USD500mn and final tap price was set at 100.875%. An unexpected issue size of USD300mn was indicated. The books went subject at 11:30am London.
- The transaction was launched at 12:00pm London time for a final tap amount of USD300mn. The tap price equates to a spread of MS+142.9bps.
- This is the fourth occasion RAKBANK has tapped the international debt capital markets and second tap following the reopening in 2006 of its floating notes due 2010.

## Investors by Type





# Disclaimer

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