



# RAKBANK

**Investor Relations**

**Presentation**

H1 / 6M 2017

## 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 (re-branded to Personal Banking) and small businesses.
- RAKBANK is a public joint stock company headquartered in the emirate of Ras Al Khaimah (RAK). It has 38 branches and over 275 ATMs in the UAE.
- In late January 2013, the Bank launched its Islamic Banking unit – RAK Islamic.

## Ownership

- RAKBANK is listed on the Abu Dhabi Securities Exchange (ADX) and 52.8% of the Bank's shares are owned directly and indirectly by the government of RAK. The market capitalization of RAKBANK is AED7.68Bn (USD2.09Bn) as of June 30, 2017.

## Strategy

- Since 2001, the strategy focus has been on Personal 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 and FI Banking to diversify its portfolio mix.
- During 2015, the Bank acquired a majority stake in RAK Insurance Company and launched a Remittance service as part of 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 businesses.
- The Bank continues to invest in strategic areas including opening new market segments and offering payroll solutions through its partnership with C3, expanding its remittance solutions, introducing new and innovative digital solutions, and having a strong pipeline of products and services.

## Awards & Recognition

- Advertising Campaign of the Year in the UAE
- New Consumer Lending Product of the Year in the UAE
- Best Service Performance Brand 2016
- Remittance Product of the Year in the Middle East by The Asian Banker
- Best SME Program by MasterCard
- 11th Middle East Happiness and Positivity Excellence Award
- Network Security Project of The Year by Network World Reader's Choice Awards
- Best Security and Risk Management Project by The Asian Banker
- CISO 100 – Information Security Executives Middle East Security Awards (MESA) 2017
- Middle East Internet Banking Product of the Year for Web Authentication Chat at the Asian Banker Middle East Retail Product Awards
- SME Bank of the Year at the Arabian Business StartUp Awards
- 'First Launches in the Country' award for the launch of the Kalyan Jewellers co-branded credit card and MasterCard Titanium credit card at the MasterCard Customer Event
- Most Outstanding Security Team of the Year at the Security Advisor Middle East Awards
- Best Branding/Marketing Campaign for the launch of RAKelite at the Banker Middle East Awards
- Security Leader of the Middle East at the Middle East Security Awards (MESA)
- Best Overall Website Service Olympian Award from Ethos Integrated Solutions
- Best Customer Feedback Implementation Service Olympian Award from Ethos Integrated Solutions




## 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)	80.00%*	UAE	To provide back office support services
RAK Technology	80.00%*	UAE	To supply information technology support

\* These represent legal ownership of the Bank. However, beneficial ownership is 100% as the remaining interest is held by a related party

\*\* On 19 April 2017, the shareholders at the annual general meeting resolved to liquidate RAK Islamic Finance Company Pvt. J.S.C. ("the Company") and transfer its net assets and obligations to the Bank at book value. On 21 June 2017, the shareholders at the General Assembly meeting approved to liquidate the Company and resolved to dissolve it in accordance with the provisions of the Federal Law No. (2) of 2015.

## Ratings

Rating Agency	Last Update	Deposits	Outlook	Support
 MOODY'S	March 2017	Baa1 / P-2	Stable	2
 FitchRatings	July 2017	BBB+ / F2	Stable	2
 CAPITAL Intelligence	September 2016	A- / A2	Stable	2

## Regulatory Framework

### The UAE Central Bank (CB-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 banks on annual basis.
- Anti Money Laundering and Suspicious Cases Unit of the CB-UAE acts as the Fraud Investigation Unit (FIU) of the UAE.

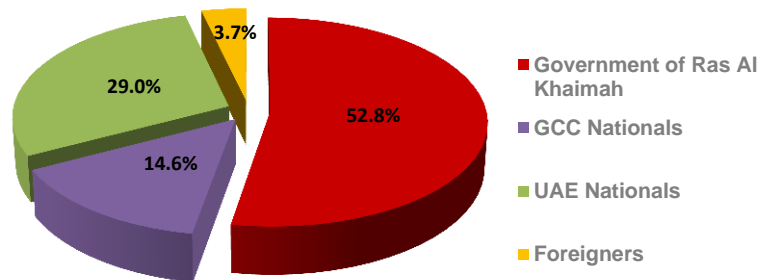
### Securities & Commodities Authority (SCA) & Abu Dhabi Securities Exchange (ADX)

- 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



Numbers may not add up due to rounding

## CEO's Profile

### Peter England

Peter England was appointed as RAKBANK's CEO on 1st November 2013. In the past 3 years he has implemented a strategy to diversify the Bank's balance sheet and income base. The strategy included rebuilding Wholesale Banking, developing the Business Banking Unit, and enhancing the Personal Banking product suite. The change has broadened the Bank's fee income base by growing the capability in areas such as Treasury, Foreign Exchange, Insurance, and proprietary Asset Management. Additionally, Peter played a vital role in the Bank's acquisition of a major stake in RAK Insurance, and on 30th August 2015 he was elected as a member of the Board of Rak Insurance. Peter has over 35 years of banking experience in all aspects of retail business and wealth management in Australia and Asia. Immediately prior to 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 in Malaysia, Singapore, and Cambodia and worked on developing a wide range of conventional and Islamic products and services.

## Board of Directors

H.E. Mohamed Omran Alshamsi	Chairman
H.E. Sheikh Salem Al Qasimi	Director
Mr. Salem Ali Al Sharhan	Director
Mr. Ahmed Essa Al Naeem	Director
Mr. Ahmed Abdulkarim Julfar	Director
Mr. Rajan Khetarpal	Director
Mr. Kantic Dasgupta*	Director

\* With effect from 5 April 2017

## Management

Deepak Majithia	Chief Financial Officer
Geoff Stecyk	Chief Operating Officer
K.S. Ramakrishnan	Chief Risk Officer
Mahadevan Radhakanthan	Chief Credit Officer
Venkat Raghavan	Director Compliance & Internal Controls
Nabil Azar	Head of Legal and Company Secretary
Vikas Suri	MD, Treasury
Rahul Oberoi	MD, Wholesale Banking
Dhiraj Kunwar	MD, Business Banking
Saleh Ali Saleh	Director, RAK Business
Abdul Karim Juma	Director, Islamic Banking

## Personal Banking

Personal Banking customers are serviced through a network of 38 branches, over 275 ATMs, as well as its Telephone and Digital Banking channels. Sales takes place across all channels and through 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.

## Business Banking

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.

## Wholesale Banking

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, and Financial Institutions Lending.



## Treasury

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 Personal and Wholesale Banking.

## Insurance

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.

# H1 / 6M 2017 Highlights

## Financial Snapshot

(AED Mn)	Quarter Results					Half Year Results		
	Q2'17	Q2'16	Q1'17	Q2'17 v/s Q2'16	Q2'17 v/s Q1'17	H1'17	H1'16	H1'17 v/s H1'16
Net Interest Income and net income from Islamic financing	673	707	663	(4.9%)	1.4%	1,336	1,452	(8.0%)
Non-Interest Income	294	270	283	8.6%	3.6%	577	516	11.8%
<b>Total Income</b>	<b>966</b>	<b>978</b>	<b>947</b>	<b>(1.2%)</b>	<b>2.1%</b>	<b>1,913</b>	<b>1,968</b>	<b>(2.8%)</b>
Operating Expenditures	(365)	(345)	(351)	(5.7%)	(3.9%)	(716)	(687)	(4.2%)
<b>Operating Profit Before Provisions for Impairment</b>	<b>602</b>	<b>633</b>	<b>595</b>	<b>(4.9%)</b>	<b>1.0%</b>	<b>1,197</b>	<b>1,281</b>	<b>(6.5%)</b>
Provisions for Impairment	(375)	(437)	(441)	14.2%	14.9%	(816)	(835)	2.4%
<b>Net Profit</b>	<b>227</b>	<b>196</b>	<b>155</b>	<b>16.0%</b>	<b>46.5%</b>	<b>382</b>	<b>446</b>	<b>(14.4%)</b>

## Key Ratios

Ratios	Jun '17	Dec '16	Jun '16	Jun '17 v/s Dec '16	Jun '17 v/s Jun '16
Return On Equity*	10.2%	8.7%	11.8%	1.5%	(1.6%)
Return On Assets*	1.8%	1.6%	2.2%	0.2%	(0.4%)
Net Interest Margin*	6.2%	6.9%	7.2%	(0.7%)	(1.0%)
Cost-to-Income	37.4%	35.6%	34.9%	1.8%	2.5%
Coverage Ratio	79.7%	84.3%	85.4%	(4.6%)	(5.7%)
Gross Impaired Loans Ratio	4.0%	4.2%	3.7%	(0.2%)	0.3%
LSRR	90.9%	85.5%	86.8%	5.4%	4.1%
Liquid Asset Ratio	14.9%	16.9%	18.3%	(2.0%)	(3.4%)
Capital Adequacy Ratio	21.1%	22.3%	24.1%	(1.2%)	(3.0%)
Core Equity Tier One	21.1%	22.3%	24.1%	(1.2%)	(3.0%)

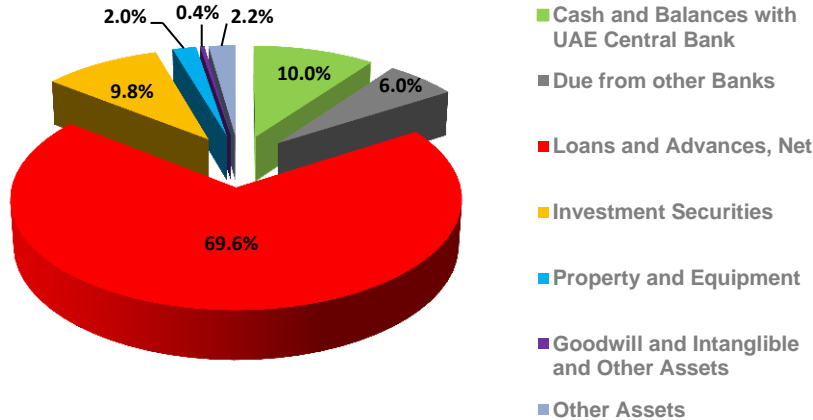
## Balance Sheet Highlights

(AED Bn)	Jun '17	Dec '16	Jun '16	Growth YTD	Growth Y-o-Y
<b>Total Assets</b>	<b>44.0</b>	<b>42.5</b>	<b>41.0</b>	<b>3.4%</b>	<b>7.4%</b>
<b>Gross Loans and Advances</b>	<b>31.6</b>	<b>29.8</b>	<b>29.2</b>	<b>6.2%</b>	<b>8.2%</b>
<b>Deposits</b>	<b>30.6</b>	<b>29.4</b>	<b>28.0</b>	<b>3.9%</b>	<b>9.1%</b>

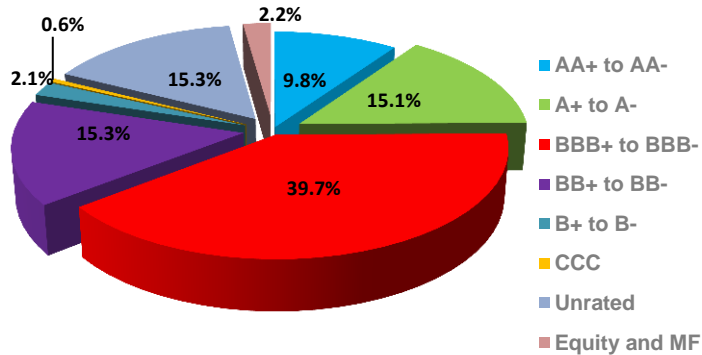
\*Annualized  
Numbers may not add up due to rounding

# Balance Sheet Overview

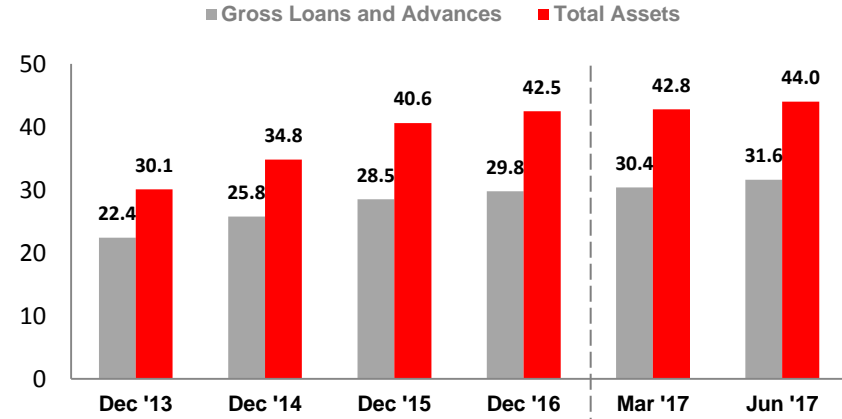
## Breakdown of Assets by Type (as at 30.06.17)



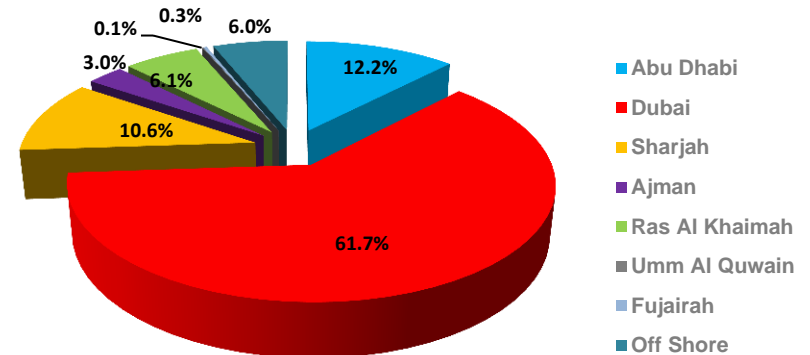
## Analysis of Investment Securities (as at 30.06.17)



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

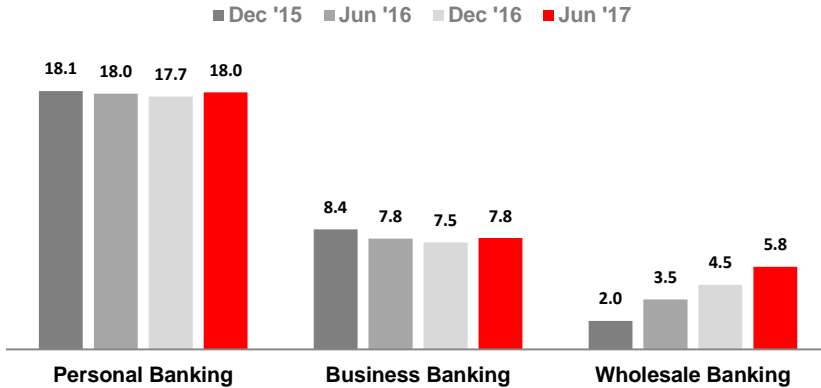


## Loans by Geography, by Value (as at 30.06.17)

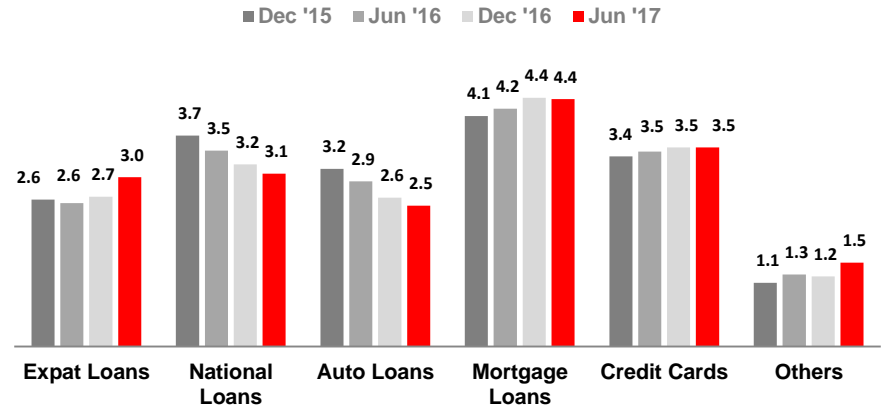


# Loans Mix

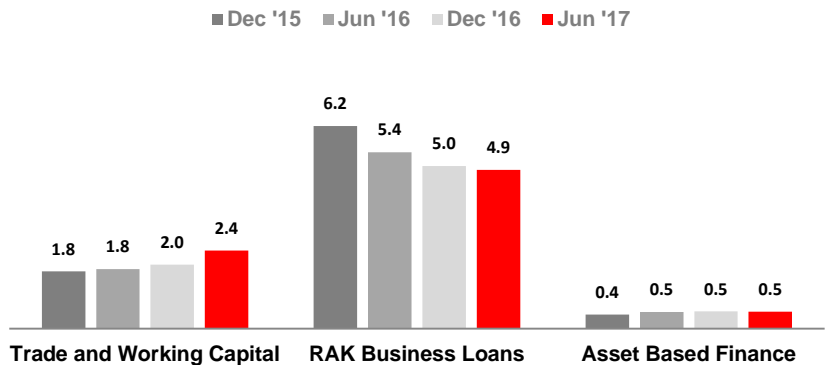
## Total Loans & Advances by Segment (AED Bn)



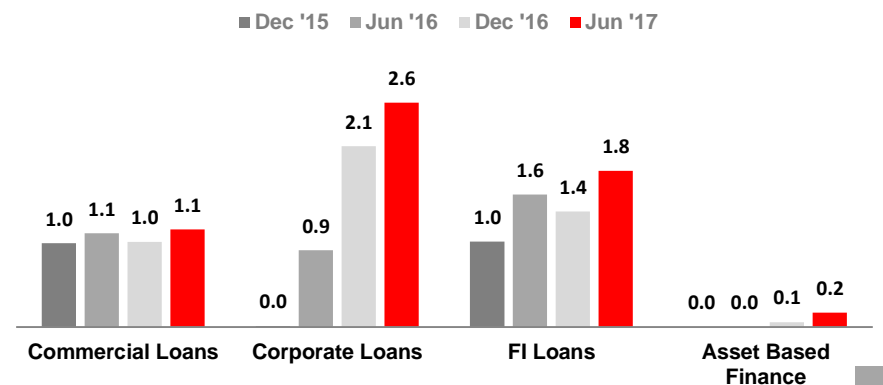
## Total Loans & Advances - Personal Banking (AED Bn)



## Total Loans & Advances – Business Banking (AED Bn)



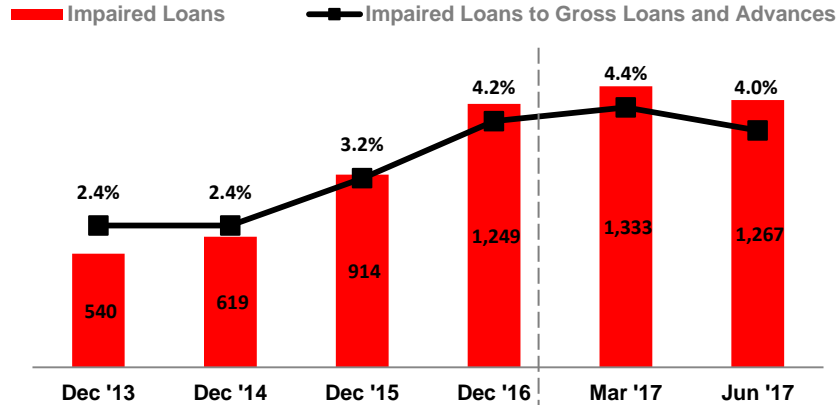
## Total Loans & Advances – Wholesale Banking (AED Bn)



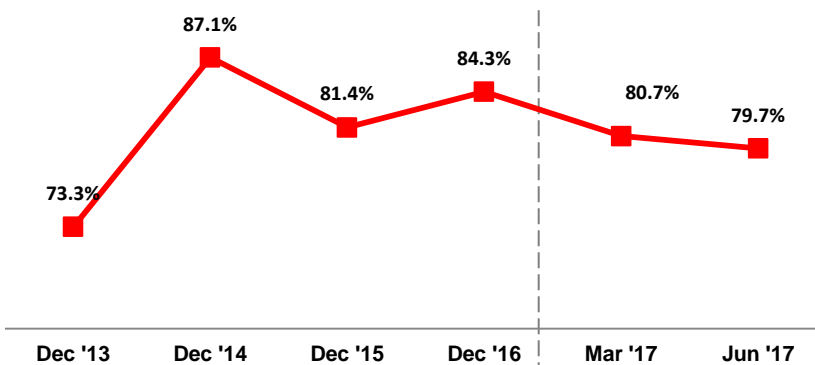
\*excludes FI Assets that amount to AED2,243Mn not classified as loans and advances



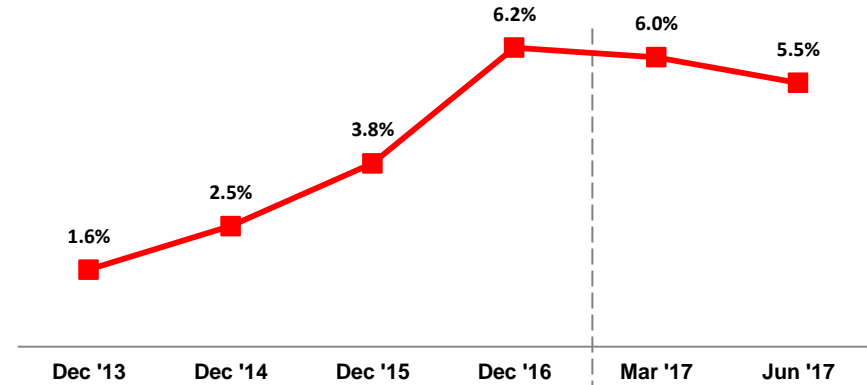
## Non-Performing Loans (AED Mn)



## Coverage Ratio



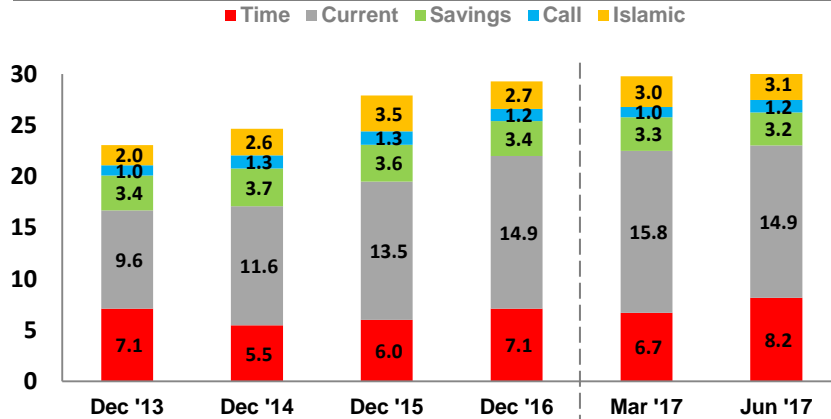
## Net Credit Loss



## Notes

- The Bank has been diversifying the product mix into lower risk business by growing its traditional Trade and Working Capital lending, and Asset Based Finance under Business Banking segment and its Corporate, Commercial, and FI portfolios under its Wholesale Banking segment.
- The Bank is well provisioned against loan losses with a conservative loan loss coverage ratio of 79.7% compared to 84.3% at 31 December 2016, which does not take into consideration mortgaged properties and other realizable asset collateral available against the loans.

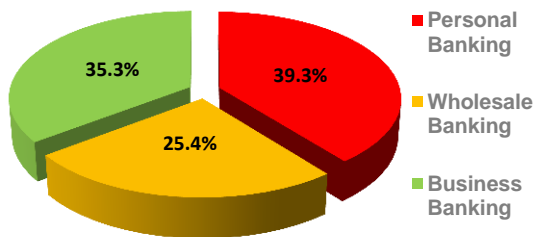
## Customer Deposits (AED Bn)



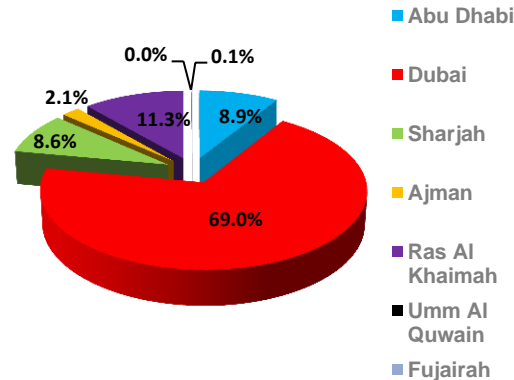
## Notes

- Customer deposits grew by AED1.2Bn to AED30.6Bn compared to 31 December 2016. Customer deposits grew by AED2.6Bn compared to 30 June 2016.
- The deposits from the Personal, Business, Wholesale Banking and Treasury segments amount to 39.3%, 35.3%, and 25.4% of total deposits respectively.

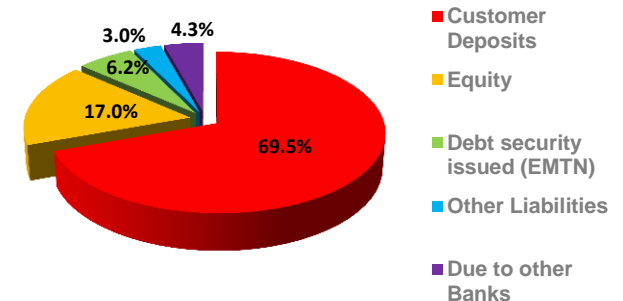
## Deposits Value by Segment (30.06.2017)



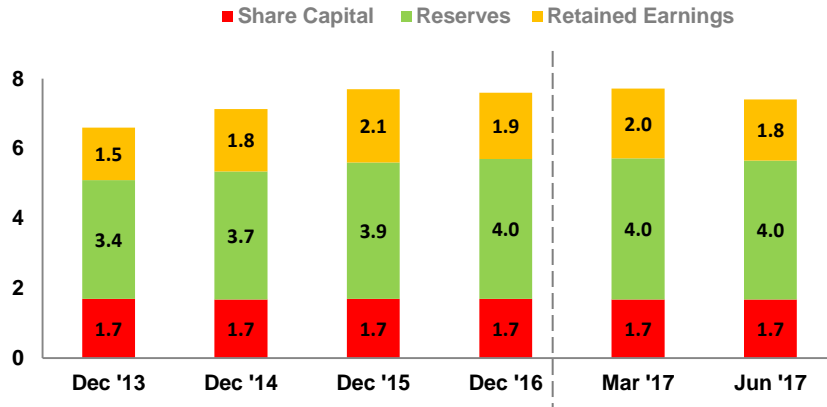
## Customer Deposits by Geography by Value (30.06.2017)



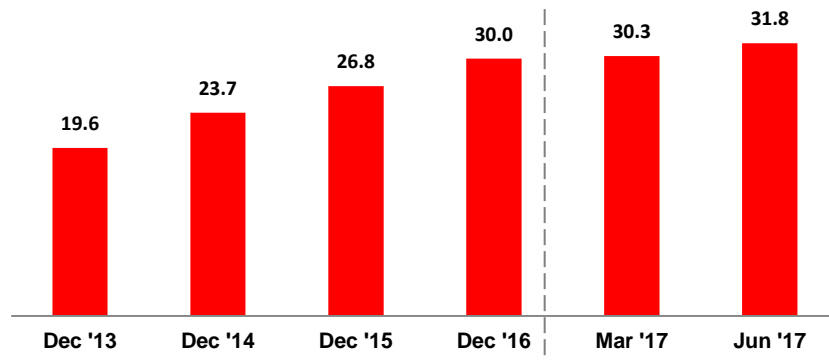
## Liabilities Mix (30.06.2017)



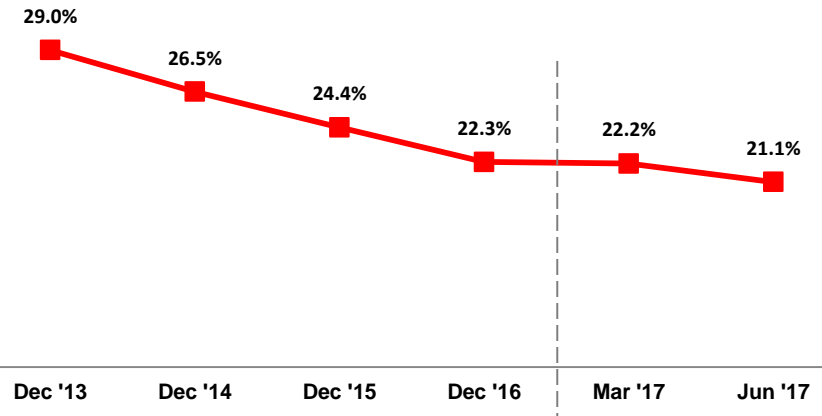
## Equity Breakdown (AED Bn)



## Risk Weighted Assets (AED Bn)



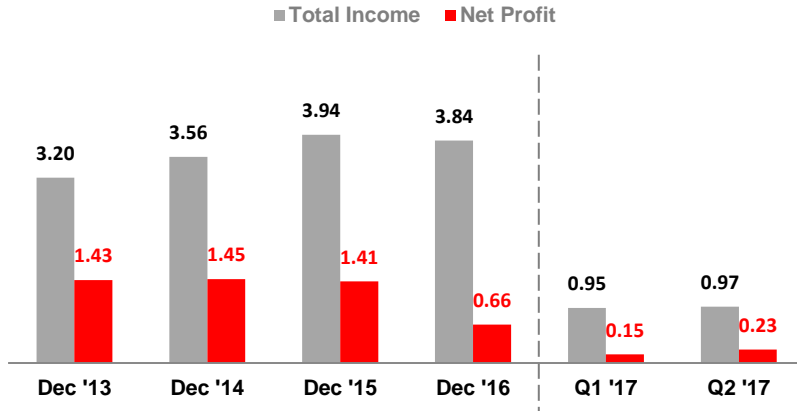
## Capital Adequacy Ratio (CAR)



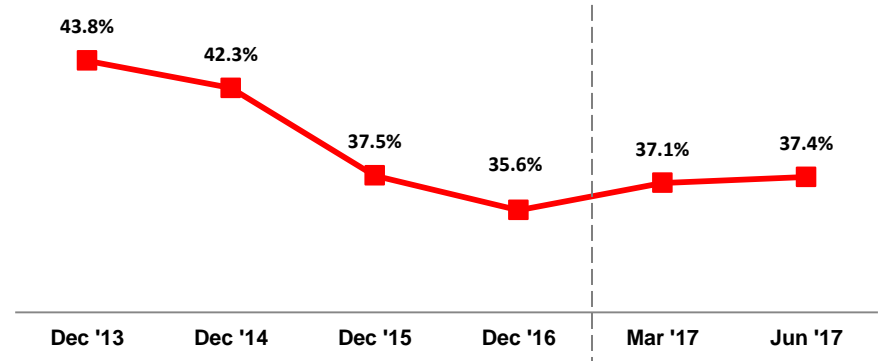
## Notes

- Capital Adequacy Ratio (CAR) as at 30 June 2017 is at 21.1% against 22.3% compared 31 December 2016.
- No impact of Basel III regulations on the quality of capital.

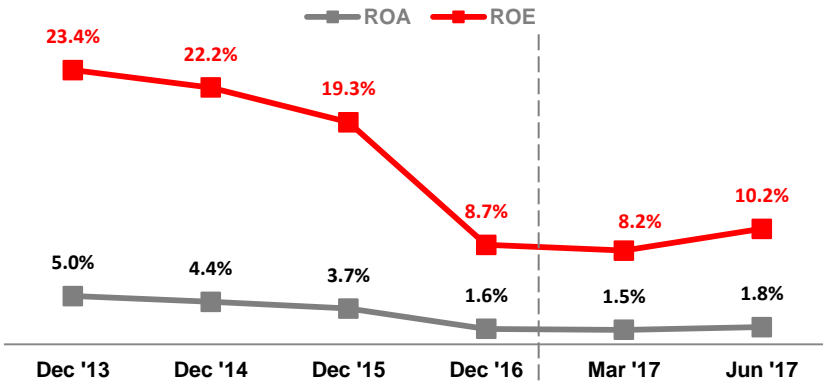
## Profitability (AED Bn)



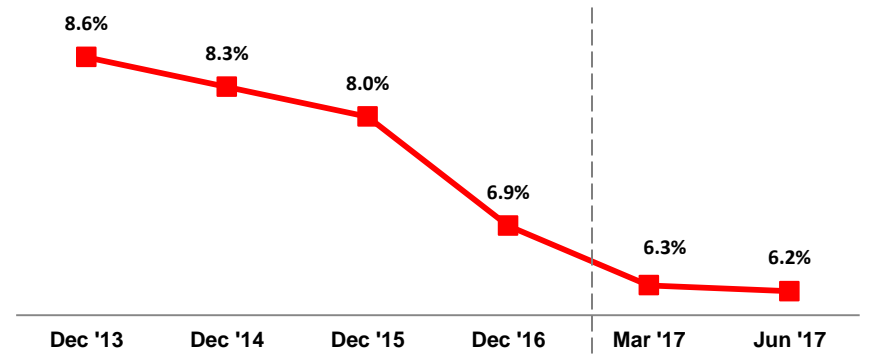
## Cost-to-Income Ratio



## Annualized Returns



## Net Interest Margin



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