

# Mashreq Bank

9M 2016 Results



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# 9M 2016 Results

- > Performance highlights

- > Financial results

## Performance highlights

- > Stable growth in operating income (4.6% Y-o-Y) and operating profit (9.2% Y-o-Y)
- > Industry leading share of CASA in deposits (61.3%)
- > Consistently high fee and other income proportion (42.6%)
- > Steady growth in loans and advances (6.7% Y-o-Y)
- > Adequate coverage (Coverage 136.0%, NPL to advances 3.6%)
- > Prudent cost management resulting in improved efficiency (38.3%)
- > Diversified revenue base from international operations (24%)

## Financial highlights – Consolidated Income statement [AED million]

### Consolidated Income statement

	9M 2016	9M 2015	Variance
<b>Operating income</b>	4,664	4,458	4.6%
<b>Operating expense</b>	1,787	1,823	(2.0%)
<b>Operating profit</b>	2,877	2,635	9.2%
<b>Impairment charges</b>	1,308	682	91.8%
<b>Net profit</b>	1,486	1,846	(19.5%)

### Comments

- > **Operating income** up by 4.6% driven by 4.9% growth in net interest income
- > **Operating expenses** decreased by 2.0%
- > **Impairment charges** increased by 91.8% however adjusting for the impact of one-off recoveries the normalized increase is 46.9% (large one-off recovery of AED 204 million in 9M 2015)
- > **Net profit** lower by 19.5% primarily on account of an increase in impairment charges. Adjusting for impact of recoveries in 9M 2015, normalized net profit decreased by 9.4% on a year on year basis

## Financial highlights – Consolidated Balance sheet [AED million]

### Consolidated Balance sheet

	30 Sep 2016	31 Dec 2015	Variance
<b>Total Assets</b>	119,624	115,157	3.9%
<hr/>			
<b>Loans &amp; Advances</b>	62,297	60,166	3.5%
<hr/>			
<b>Customers' deposits</b>	75,276	73,635	2.2%
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<b>Total Equity</b>	19,213	18,486	3.9%
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<b>Risk weighted assets</b>	119,142	113,514	5.0%

### Comments

- > **Total assets** increased by 3.9% and stood at AED 119 billion
- > **Customer loans and advances** at AED 62.3 billion, increased by 3.5%, led by a 21.3% growth in Islamic loans
- > **Customer deposits** increased by 2.2% to reach AED 75 billion – the growth in conventional deposits of 6.1% was brought down by a 28.3% decline in Islamic deposits; CASA increased by 1.5% and constitutes 61.3% of total deposits
- > **Total Equity** increased to AED 19.2 billion
- > **Risk weighted assets** increased by 5.0% to reach AED 119.1 billion

## Financial track record

	<u>30 Sep 2016</u>	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
<b>Capital adequacy</b>			
<b>Tier I Capital Ratio</b>	15.7%	15.8%	15.9%
<b>Total Capital Ratio</b>	16.7%	16.8%	16.9%
<b>Liquidity</b>			
<b>Liquid Assets to Total Assets</b>	26.8%	26.6%	29.9%
<b>Advances to Deposits</b>	82.8%	84.2%	81.7%
<b>Asset quality</b>			
<b>NPL Coverage Ratio</b>	136.0%	134.1%	145.0%
<b>NPL to Gross Advances</b>	3.6%	3.5%	2.8%
<b>Performance</b>			
<b>ROA</b>	1.7%	1.9%	2.2%
<b>ROE</b>	10.9%	12.0%	14.2%
<b>Net Interest Margin</b>	3.0%	3.1%	3.1%
<b>Efficiency Ratio</b>	38.3%	38.0%	41.4%
<b>Fee and other income to total income</b>	42.6%	43.2%	42.8%

# 9M 2016 results

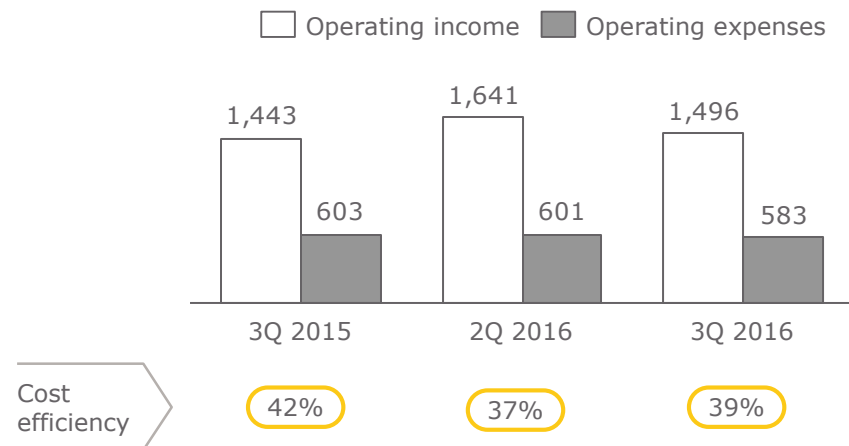
- > Key highlights

- > Financial results

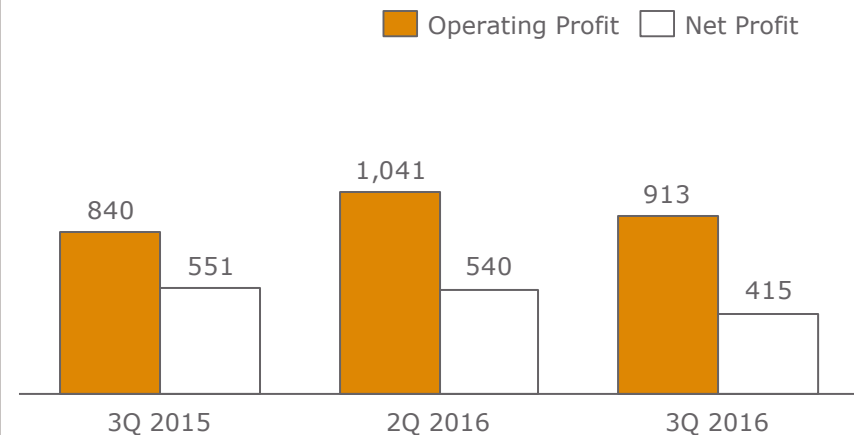


# Operating income, expense and net profit [AED million]

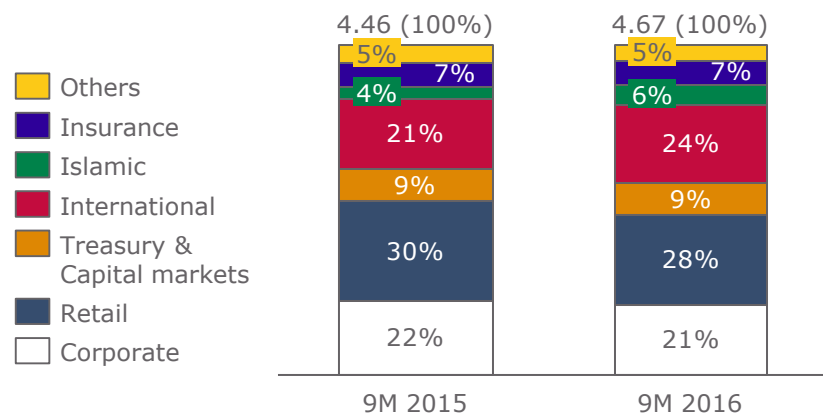
## Operating income and expenses



## Net profit



## Operating income split by segments

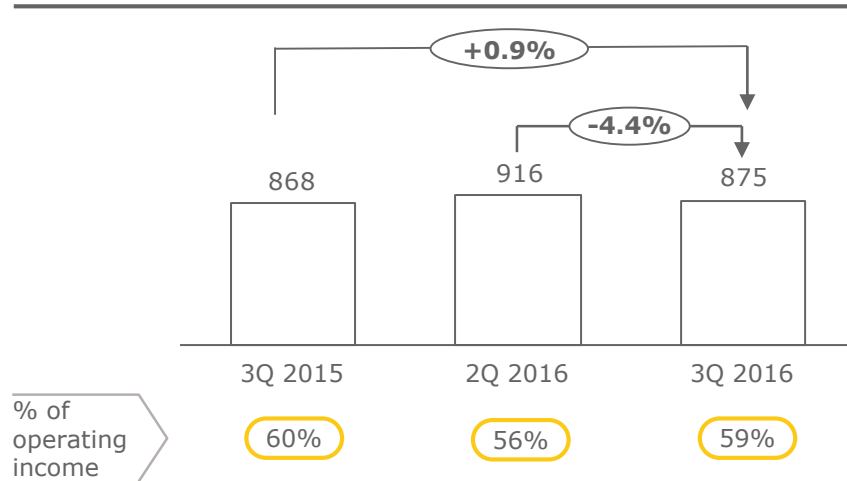


## Key Points

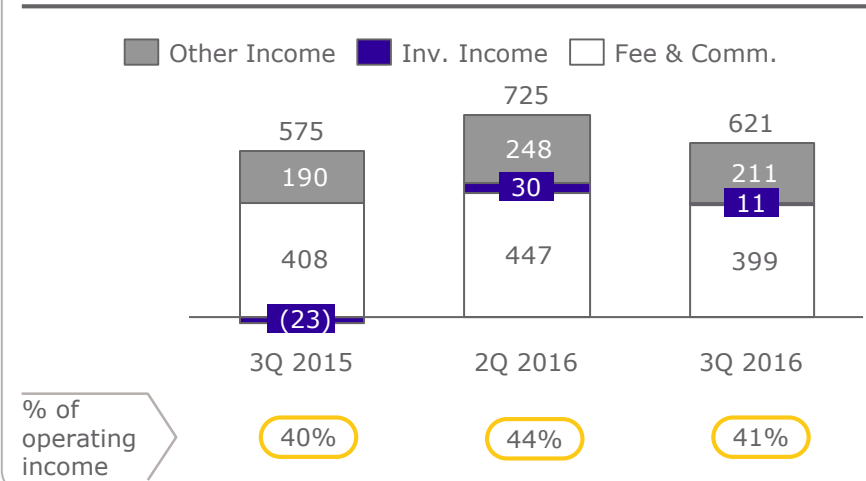
- > 3Q 2016 Operating Income grew by 3.7% Y-o-Y while expenses fell by 3.4%
- > On a Q-o-Q basis 3Q 2016 operating income decreased by 8.8% while expenses decreased by 3.0%
- > Efficiency ratio stood at 38.3% for 9M 2016 as compared to 41.4% in YE 2015
- > Operating profit for the quarter increased by 8.8% Y-o-Y but decreased by 12.2% Q-o-Q
- > Net profit for the quarter decreased by 24.8% Y-o-Y and by 23.2% Q-o-Q
- > Retail banking accounted for the largest portion of 9M 2016 Operating Income with 28% contribution, followed by International Banking and Corporate Banking

# Operating income mix [AED million]

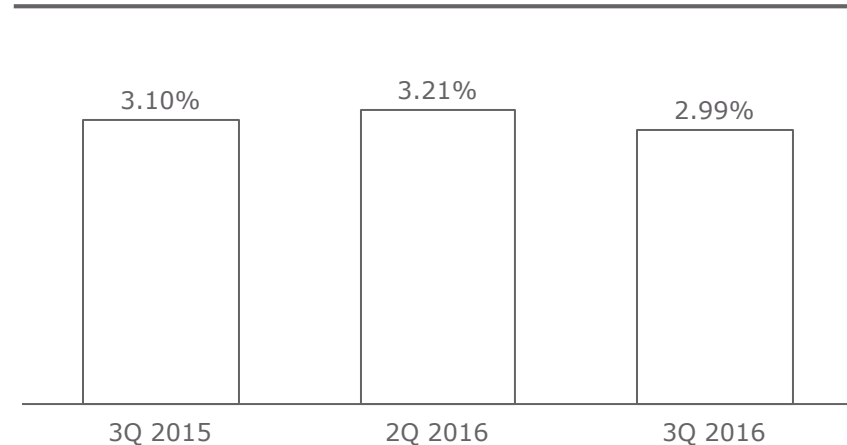
## Net interest income<sup>1)</sup>



## Non interest income<sup>1)</sup>



## Net interest margin<sup>2)</sup> [%]



## Key Points

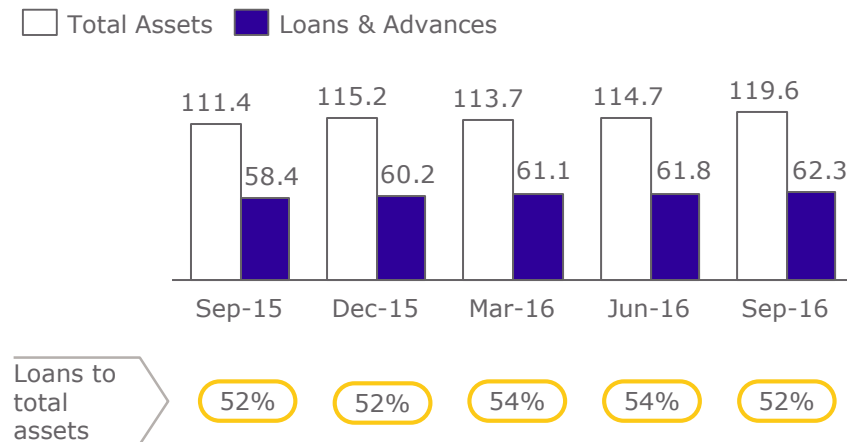
- > 3Q 2016 Net Interest Income increased by 0.9% Y-o-Y driven by 6.7% increase in loan growth; on a Q-o-Q basis Net Interest Income decreased by 4.4%
- > Non interest income decreased by 14.3% Q-o-Q primarily driven by a decrease in fee & commission income
- > Non interest income as % of total income remained high at 41% for 3Q 2016
- > NIM's have decreased 22 basis points Q-o-Q

1) NII component booked under Investment income as per IFRS, has been reclassified under NII in the above representation

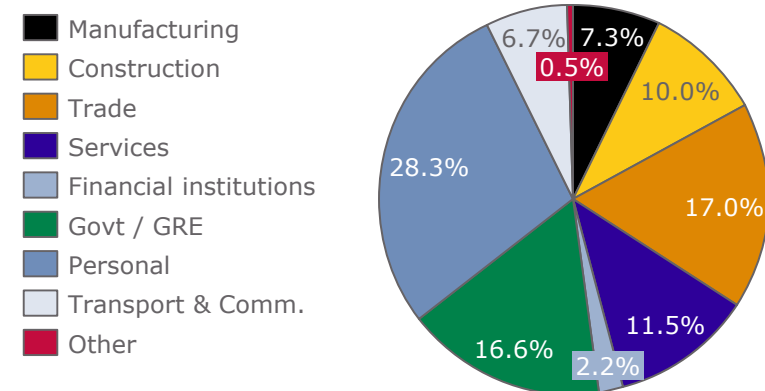
2) Based on annualized quarterly NII

# Asset mix [AED billion]

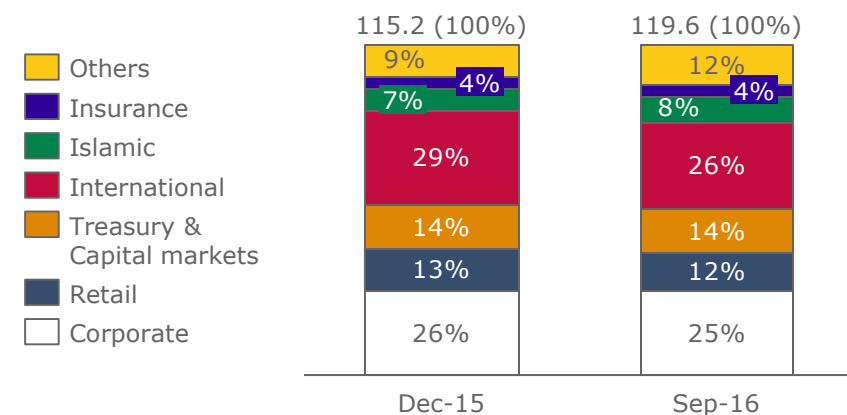
## Total Assets and Loans & Advances



## Gross Loans portfolio split as of September 2016



## Asset split by segments

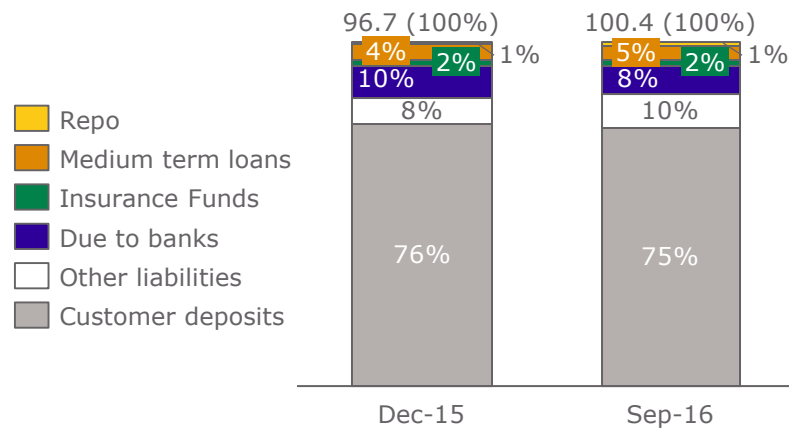


## Key Points

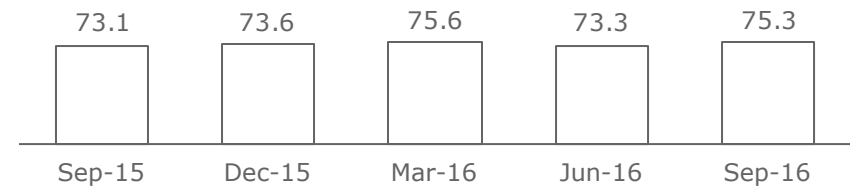
- > Total assets increased by 3.9% to reach AED 119.6 billion, as compared to AED 115.2 billion in December 2015
- > Loans & advances increased by 3.5% in the year to reach AED 62.3 billion led by Services and Construction
- > Personal segment contributes 28.3% of the Gross Loans
- > Diversified loans portfolio with no individual sector accounting for >20% of the total corporate loan portfolio
- > Assets mix fairly balanced between domestic and international locations with International business accounting for 26% of the assets as of September 2016

# Liability mix [AED billion]

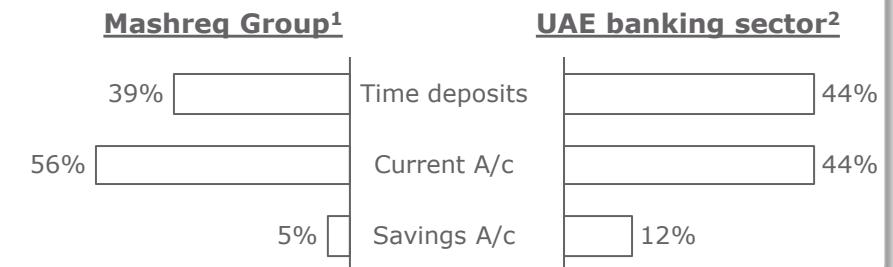
## Liability mix



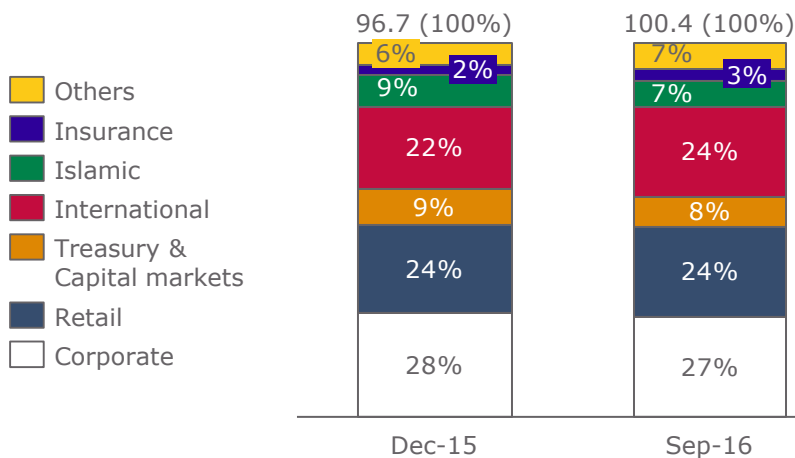
## Customer deposits



## Customer deposits split comparison (Sep 2016)



## Liabilities split by segments



## Key Points

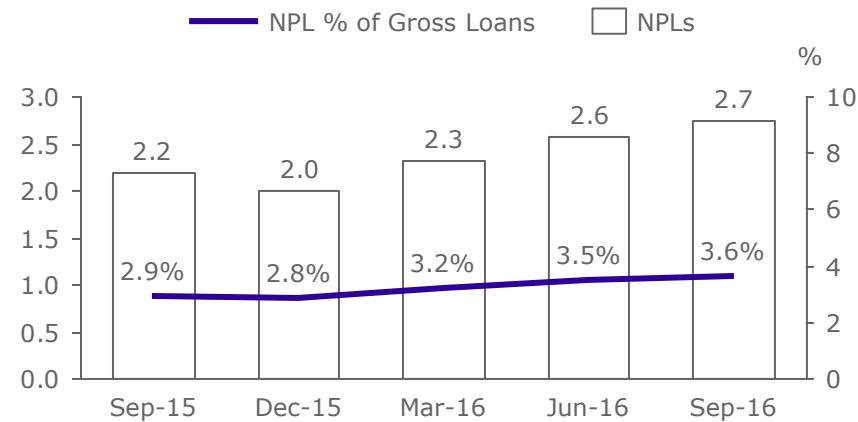
- > Customer deposits accounted for 75% of total liabilities, slightly lower than in December 2015
- > Customer deposits increased by 2.2% as compared to December 2015
- > CASA formed a majority portion of customer deposits at 61% as compared to overall market at 56%; Time deposits contributed 39% of total deposits vs 44% for the market
- > Corporate Banking accounts for the largest portion of liabilities at 27%

1) Represents data of Mashreq Group including overseas deposits

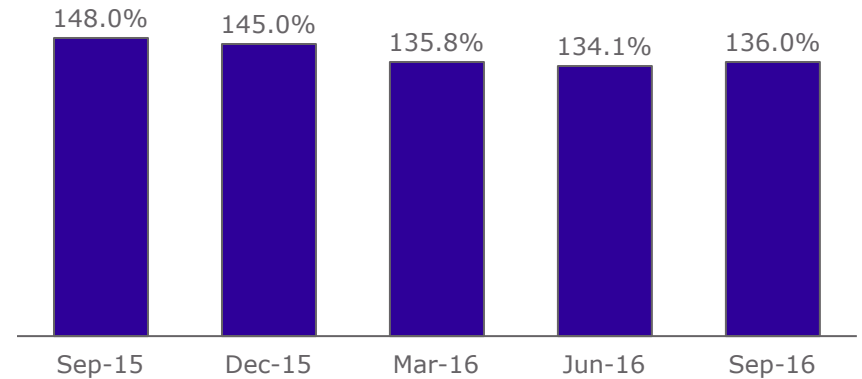
2) Represents data of UAE banking sector as of August 2016 sourced from Central Bank Statistical Bulletin

# Asset quality and liquidity [AED billion]

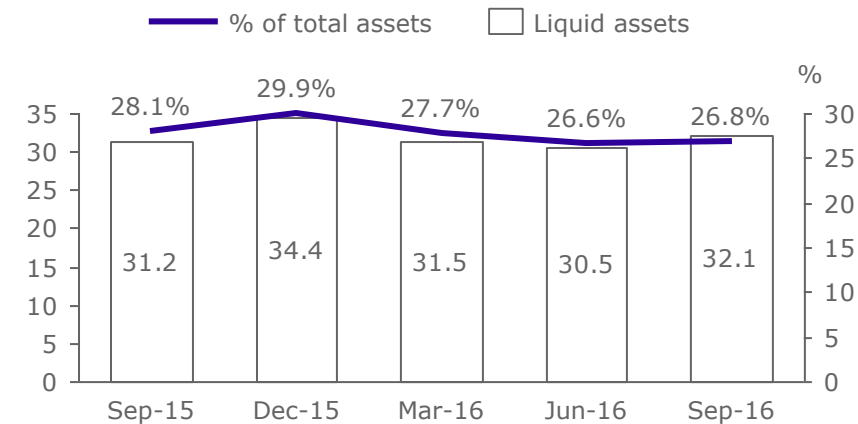
## NPLs and % of Gross Loans



## NPL Coverage Ratio [%]



## Liquid assets trend

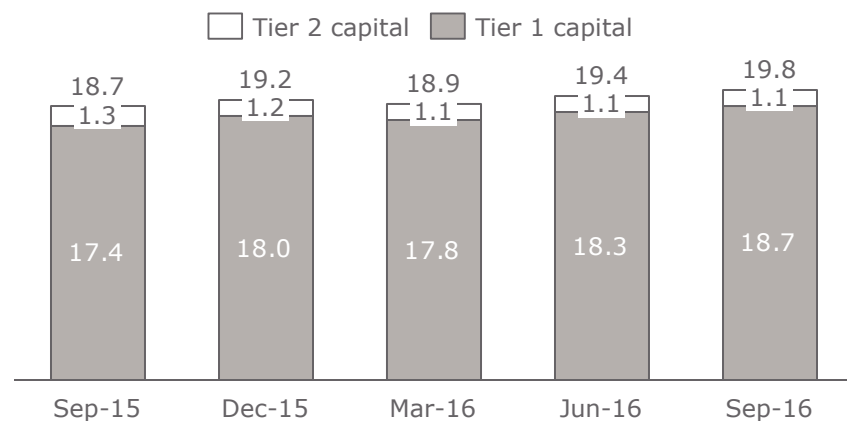


## Key Points

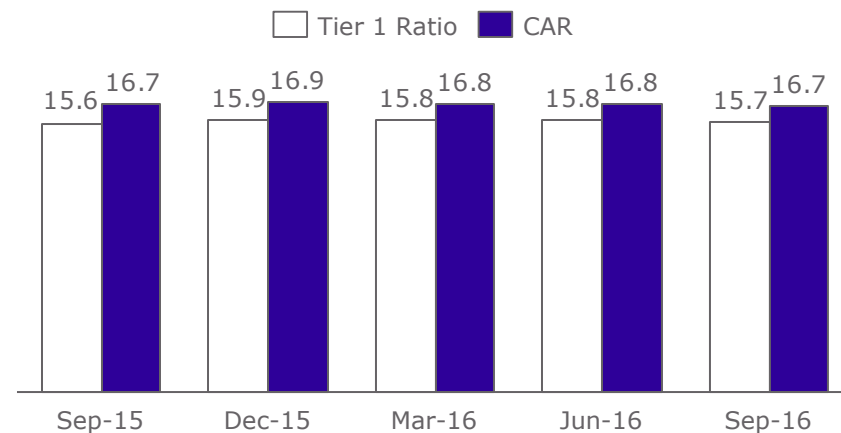
- > NPLs have increased slightly to reach AED 2.7 billion as compared to June 2016. Consequently the NPLs as % of Gross loans has increased to 3.6%
- > Coverage ratio in September 2016 remains high at 136.0%
- > Continuing with a prudent provisioning policy, Mashreq has set aside AED 470 million net for Impaired assets in 3Q 2016
- > Liquid assets to total assets as of September 2016 was at 26.8%, as compared to 29.9% in December 2015 and 26.6% in June 2016

# Capital adequacy [AED billion; %]

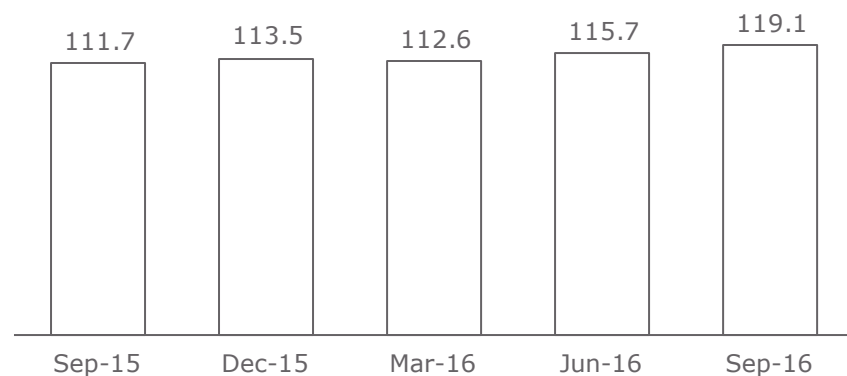
## Tier I and Tier II Capital [AED billion]



## Tier I and Capital Adequacy Ratios [%]



## Risk-weighted assets [AED billion]

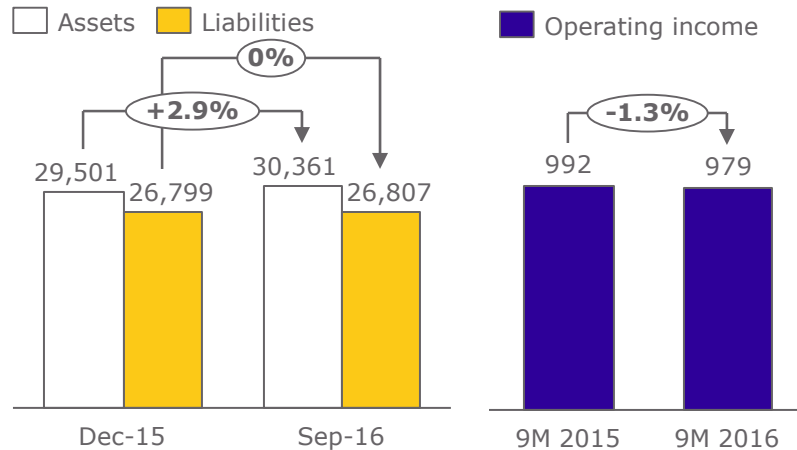


## Key Points

- > Tier 1 capital increased to reach AED 18.7 billion
- > Tier 1 capital ratio of the bank was at 15.7% as of September 2016; stable as compared to June 2016
- > The banks' overall capital adequacy ratio at 16.7% is higher than the regulatory requirements as per Central Bank of UAE (Basel II)

## Business segment information [AED million]

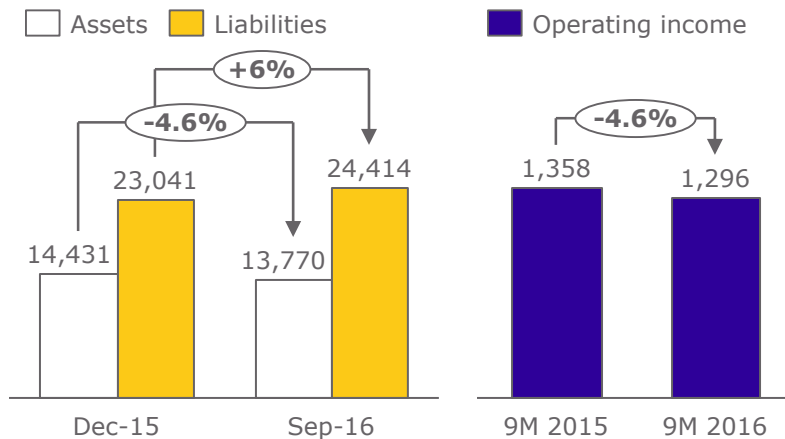
### Corporate Banking



### Key Points

- > Corporate banking is the biggest segment in Mashreq in terms of liabilities (27% of total liabilities)
- > Assets increased by 2.9% at AED 30.4 billion as compared to Year End 2015, and make up 25% of total assets in 9M 2016
- > Operating income decreased by 1.3% in 9M 2016 as compared to last year, accounting for 21% of total operating income in 9M 2016
- > Won "Best Real Estate Finance" in 2016 from the Banker ME Industry Awards

### Retail Banking

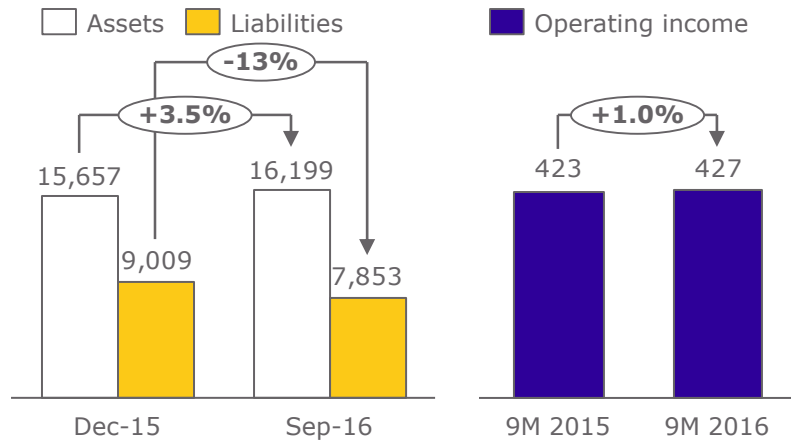


### Key Points

- > Retail banking is the largest contributor towards operating income at 28%
- > Y-o-Y operating income decreased by 4.6% driven by Business Banking
- > Retail banking assets decreased by 4.6% and stand at AED 13.8 billion
- > Won multiple awards including "Best Regional Retail Bank" by Banker ME Industry Award 2016

## Business segment information [AED million]

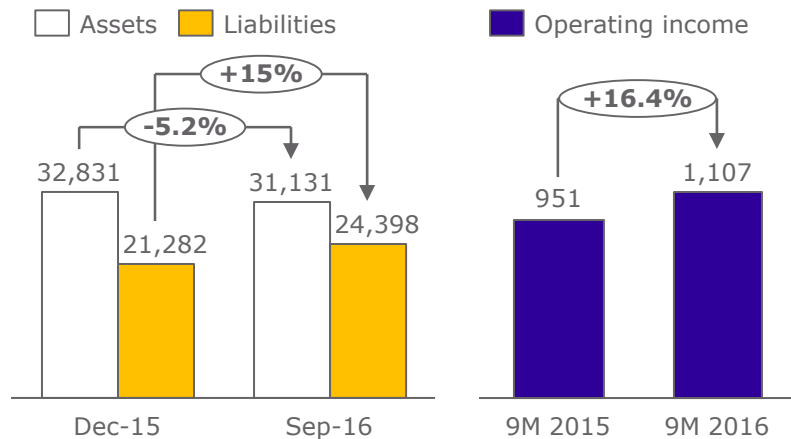
### Treasury & Capital Markets



### Key Points

- > Treasury & Capital markets accounts for 14% of assets and 8% of liabilities as of September 2016; Assets increased by 3.5% in the first nine months of 2016
- > TCM Operating income contributed 9% to the total operating income in 9M 2016
- > Operating income increased by 1% as compared to 9M 2015

### International Banking



### Key Points

- > International Banking is the largest segment in terms of assets at 26%
- > Additionally, contribution of International business formed 24% of operating income and 24% of liabilities
- > International Banking assets decreased by 5.2% as compared to December 2015
- > Y-o-Y operating income grew by 16.4% driven by Egypt



# APPENDIX

## 3Q 2016 financials – Consolidated Income statement [AED million]

Income statement	2016		2015	Variance (% change)	
AED million	3Q	2Q	3Q	3Q 2016 vs 3Q 2015 (Y-o-Y)	3Q 2016 vs 2Q 2016 (Q-o-Q)
Net interest income <sup>1)</sup>	875	916	868	0.9%	(4.4%)
Fees and commission	399	447	408	(2.3%)	(10.9%)
Investment income / (loss) <sup>1)</sup>	11	30	(23)	(146.6%)	(63.9%)
Other income	211	248	190	11.0%	(14.8%)
<b>Total operating income</b>	<b>1,496</b>	<b>1,641</b>	<b>1,443</b>	<b>3.7%</b>	<b>(8.9%)</b>
Operating expenses	(583)	(601)	(603)	(3.4%)	(3.0%)
Operating profit	914	1,041	840	(12.2%)	8.8%
Impairment allowance	(470)	(472)	(258)	82.0%	(0.5%)
Overseas tax expense	(24)	(15)	(19)	30.4%	57.9%
Minority interest	(5)	(14)	(12)	(59.9%)	(66.4%)
<b>Net income</b>	<b>415</b>	<b>540</b>	<b>551</b>	<b>(24.7%)</b>	<b>(23.1%)</b>

### 3Q 2016 financials - Consolidated Balance sheet [AED million]

Balance sheet	30 Sep 2016	31 Dec 2015	Variance (% change)
<b>Assets</b>			
Cash and balances with Central Banks	16,735	19,424	(13.8%)
Deposits and balances due from Central Banks	15,327	15,010	2.1%
Loans and advances	54,278	53,555	1.3%
Islamic financing and investment products	8,019	6,611	21.3%
Other financial assets	14,217	11,918	19.3%
Goodwill	18	18	(1.5%)
Interest receivable and other assets	9,361	6,929	35.1%
Investment properties	524	528	(0.8%)
Property and equipment	1,146	1,165	(1.6%)
<b>Total Assets</b>	<b>119,624</b>	<b>115,157</b>	<b>3.9%</b>
<b>Liabilities</b>			
Deposits and balances due to banks	8,078	9,232	(12.5%)
Repurchase agreement with banks	873	735	18.7%
Customers' deposits	69,255	65,244	6.1%
Islamic customers' deposits	6,021	8,391	(28.2%)
Insurance and life assurance funds	1,577	1,560	1.1%
Interest payable and other liabilities	10,114	7,404	36.6%
Medium-term / long-term loans	4,494	4,106	9.4%
<b>Total Equity</b>	<b>19,213</b>	<b>18,486</b>	<b>3.9%</b>
<b>Total Liabilities and Equity</b>	<b>119,624</b>	<b>115,157</b>	<b>3.9%</b>