

mashreq



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Mashreq

1Q 2018 FINANCIAL RESULTS PRESENTATION

23 April 2018

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Performance Highlights

Financial Results

Appendix

Performance highlights

> Solid growth in Net Profit (9.5% Y-o-Y)

> Industry leading share of CASA in deposits (60.0%)

> Consistently high fee and other income proportion (40.1%)

> Strong growth in loans and advances (3.9% YTD)

> Risk charge for 1Q 2018 has decreased to AED 302 million (2.8% decrease Y-o-Y). Coverage ratio is at 192.7%, NPL to advances at 2.9%

> Prudent cost management continued and efficiency stands at 39.0%; Operating costs up ~4% Y-o-Y

> Most diversified asset base – contribution from international operations is 24%

Financial highlights – Consolidated Income statement [AED million]

Consolidated Income statement

	1Q 2018	1Q 2017	Variance
Operating income	1,518	1,460	4.0%
Operating expense	592	569	4.1%
Operating profit	925	891	3.9%
Impairment charges	302	311	(2.8%)
Net profit	598	546	9.5%

Comments

- > **Operating income** up by 4.0% primarily due to a 6.7% increase in NII and Net Income from Islamic Products
- > **Operating expenses** increased by 4.1% as a result of investment in technology
- > **Impairment charges** decreased by 2.8% mainly as a result of lower risk charge from the retail segment
- > **Net profit** increased by 9.5% primarily on account of an increase in operating income and a decrease in impairment charges

Financial highlights – Consolidated Balance sheet [AED million]

Consolidated Balance sheet

	31 Mar 2018	31 Dec 2017	Variance
Total Assets	123,419	125,188	(1.4%)
<hr/>			
Loans & Advances	65,193	62,734	3.9%
<hr/>			
Customers' deposits	76,526	76,061	0.6%
<hr/>			
Total Equity	19,548	21,126	(7.5%)
<hr/>			
Risk weighted assets	117,810	122,312	(3.7%)

Comments

- > **Customer loans and advances** at AED 65 billion, increased by 3.9% primarily due to a 4.8% growth in conventional loans from Corporate Banking
- > **Customer deposits** increased by 0.6% to AED 77 billion –conventional deposits fell by 0.6% whereas Islamic deposits were up by 13.2%; CASA proportion remains high and constitutes 60.0% of total deposits
- > **Total Equity** decreased by 7.5% mainly due to the impact of IFRS 9 and dividend payouts and stands at 19.5 billion
- > **Risk weighted assets** decreased by 3.7% to reach AED 118 billion driven by a 5% decline in Credit Risk Weighted Assets

Financial track record

	31 Mar 2018	31 Dec 2017	31 Mar 2017
Capital adequacy			
Tier I Capital Ratio ¹⁾	16.1%	16.2%	16.2%
Total Capital Ratio ¹⁾	17.1%	17.2%	17.1%
Liquidity			
Liquid Assets to Total Assets	26.5%	29.6%	28.1%
Advances to Deposits	85.2%	82.5%	80.5%
Asset quality			
NPL Coverage Ratio	192.7%	149.7%	145.5%
NPL to Gross Advances	2.9%	2.9%	3.3%
Performance			
ROA	1.9%	1.7%	1.8%
ROE	12.2%	10.5%	11.7%
Net Interest Margin	3.45%	3.41%	3.34%
Efficiency Ratio	39.0%	39.2%	39.0%
Fee and other income to total income	40.1%	40.5%	41.6%

Note: 1) March 2017 Capital Ratios as per Basel II and Dec 2017 and March 2018 as per Basel III

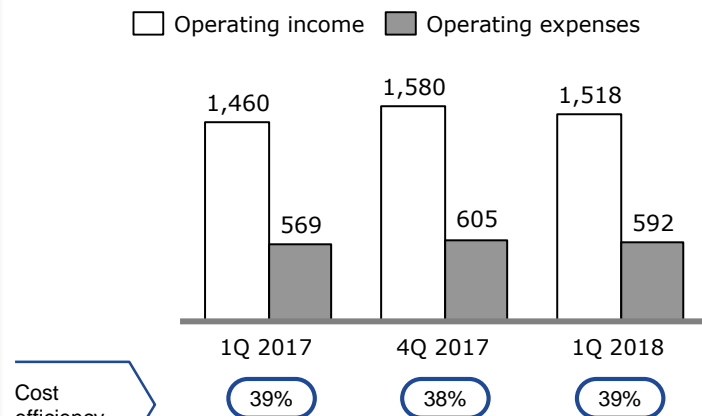
Performance Highlights

▶ Financial Results

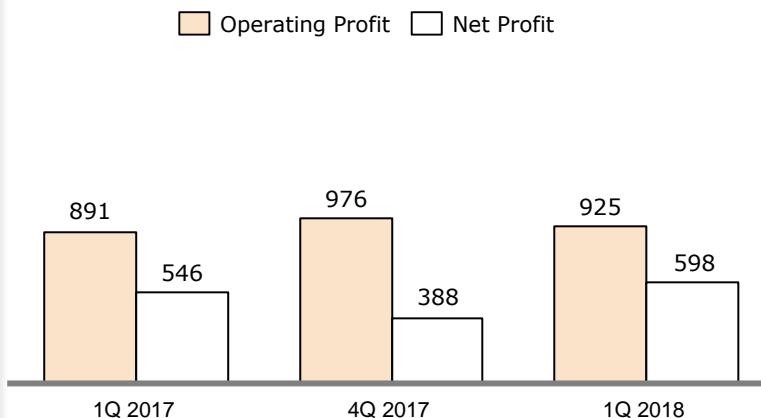
Appendix

Operating income, expense and net profit [AED million]

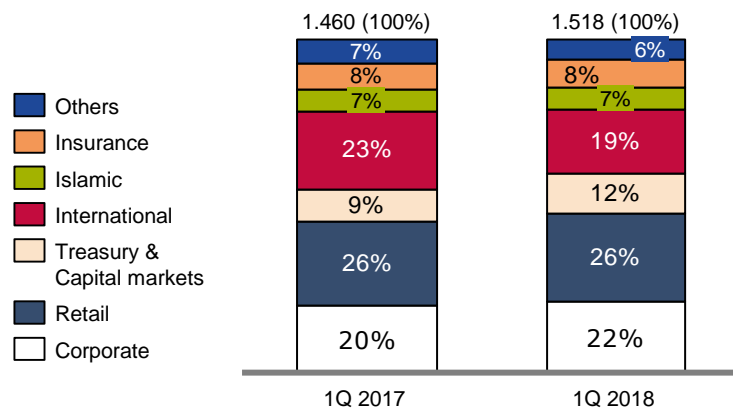
Operating income and expenses



Net profit



Operating income split by segments

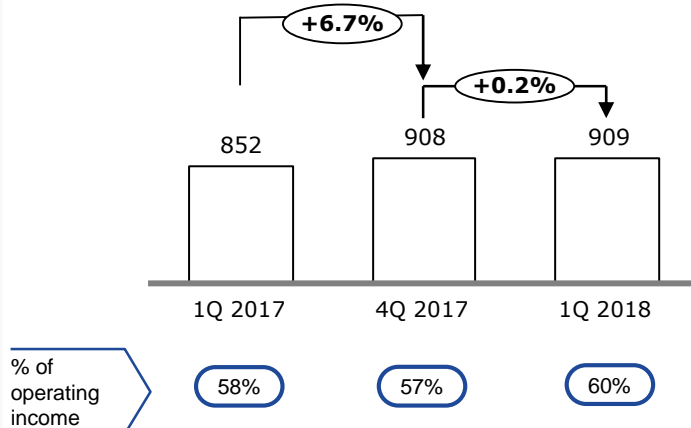


Key Points

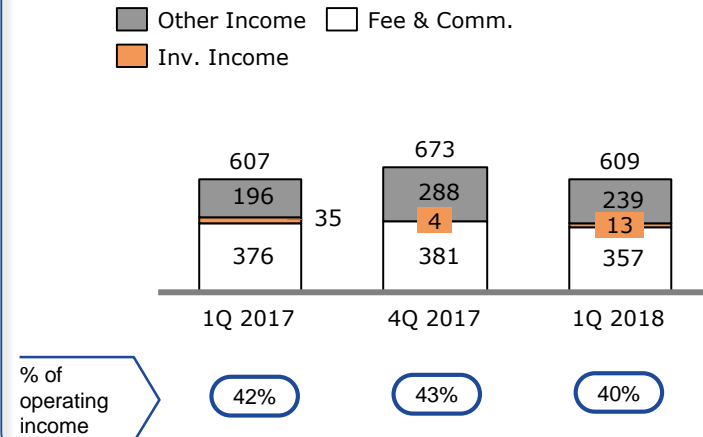
- > 1Q 2018 Operating Income increased by 4.0% Y-o-Y and stands at AED 1.5 billion. The increase was primarily driven by a 6.7% increase in NII and Net Income from Islamic Products
- > On a Q-o-Q basis 1Q 2018 operating income decreased by 4.0% mainly because of a 17.1% decrease in Insurance, Fx & other income
- > Efficiency ratio for the quarter remained stable at 39.0%
- > Operating profit for the quarter increased by 3.9% Y-o-Y but decreased by 5.2% Q-o-Q
- > Net profit for the quarter increased by 9.5% Y-o-Y and by 54.2% Q-o-Q
- > Retail banking accounted for the largest portion of 1Q 2018 Operating Income with 26% contribution, followed by Corporate Banking at 22%

Operating income mix [AED million]

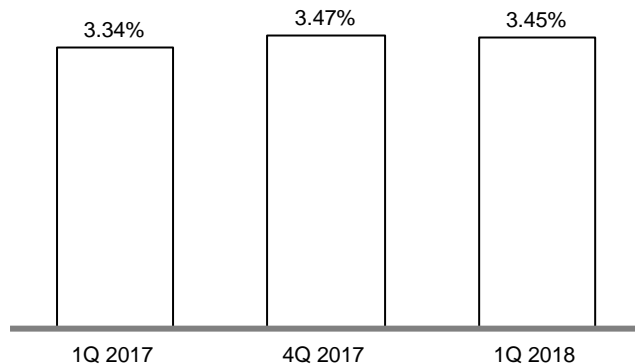
Net interest income



Non-interest income



Net interest margin¹⁾ [%]



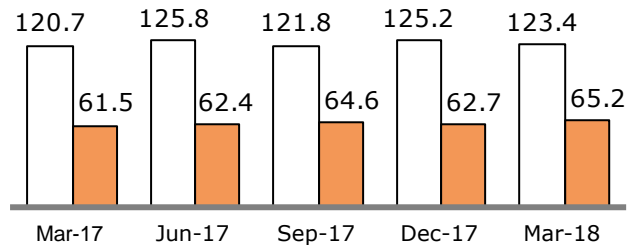
Key Points

- > 1Q 2018 Net Interest Income increased by 6.7% Y-o-Y due to increased loan growth; 1Q 2018 Net Interest Income increased by 0.2% Q-o-Q
- > NIM's have increased by 11 bps Y-o-Y
- > Non-interest income increased by 0.3% Y-o-Y driven by an increase in other income by 21.6%
- > Non interest income as % of total income remained high at 40% for 1Q 2018

Asset mix [AED billion]

Total Assets and Loans & Advances

□ Total Assets ■ Loans & Advances



Loans to total assets

51%

50%

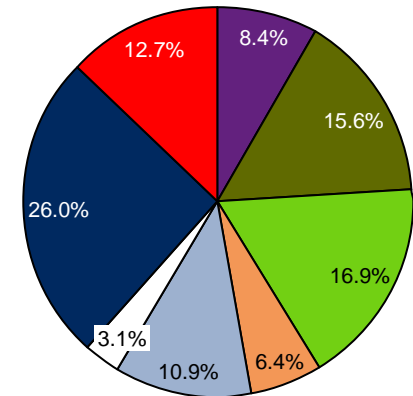
53%

50%

53%

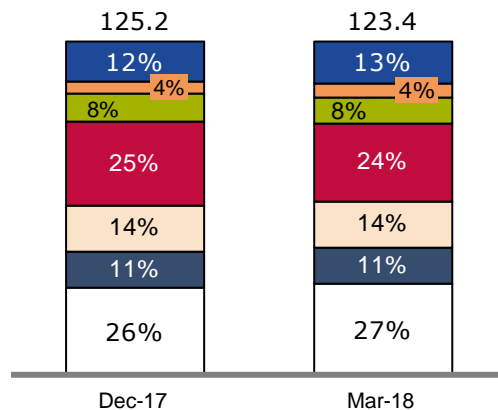
Gross Loans portfolio split as of March 2018

■ Manufacturing
 ■ Construction
 ■ Trade
 ■ Transport & Comm.
 ■ Services
 ■ Financial institutions
 ■ Personal
 ■ Govt/GRE



Asset split by segments

■ Others
 ■ Insurance
 ■ Islamic
 ■ International
 ■ Treasury & Capital markets
 ■ Retail
 ■ Corporate

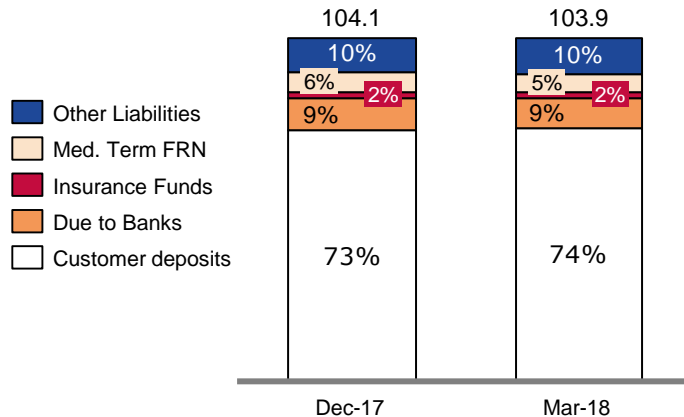


Key Points

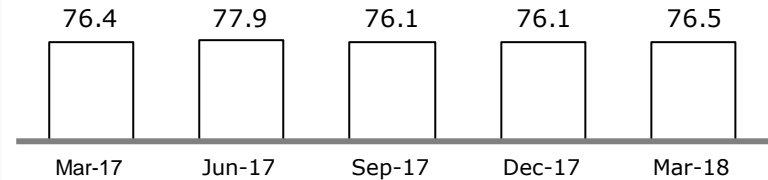
- > Total assets decreased to AED 123.4 billion, as compared to AED 125.2 billion in December 2017
- > Net Loans & advances increased by 3.9% in the year to reach AED 65.2 billion led by Trade
- > Personal segment contributes 26.0% of the Gross Loans
- > Diversified loans portfolio with no individual sector accounting for >17% of the total corporate loan portfolio
- > Assets mix fairly balanced between domestic and international locations with International business accounting for 24% of the assets as of March 2018

Liability mix [AED billion]

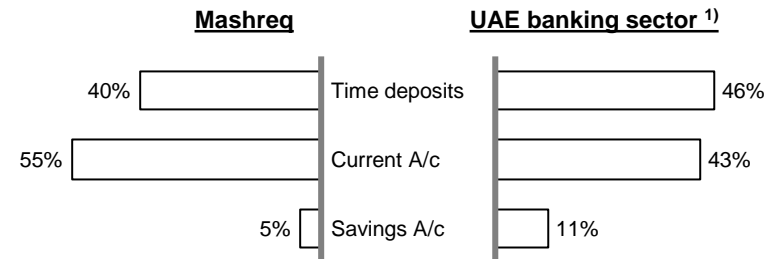
Liability mix



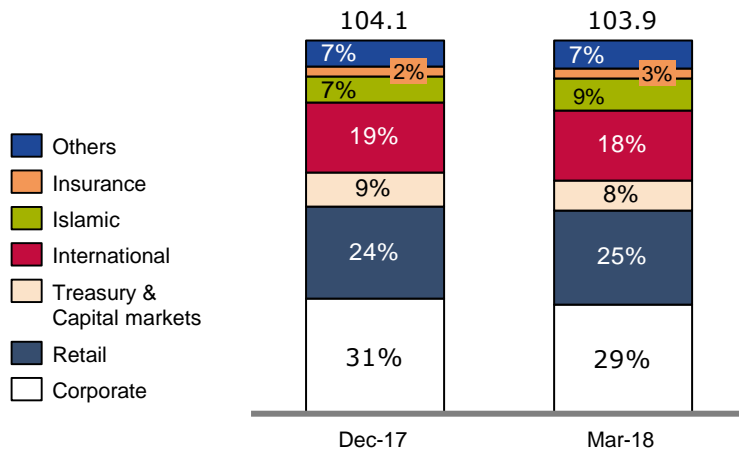
Customer deposits



Customer deposits split comparison (March 2018)



Liabilities split by segments

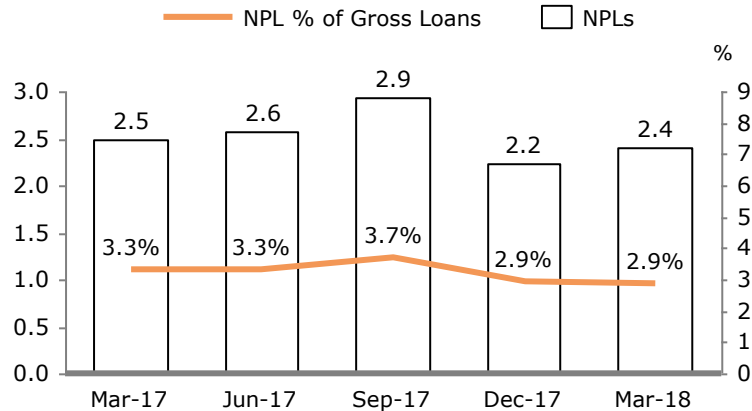


Key Points

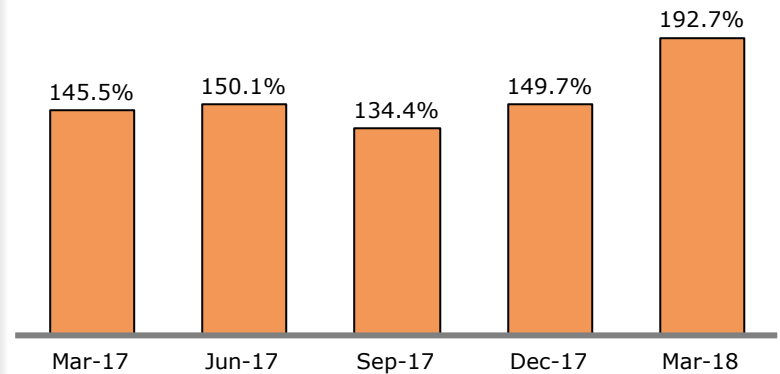
- > Customer deposits accounted for 74% of total liabilities
- > CASA formed a majority portion of customer deposits at 60% as compared to overall market at 54%; Time deposits contributed 40% of total deposits vs 46% for the market
- > Corporate Banking accounts for the largest portion of liabilities at 29%

Asset quality and liquidity [AED billion]

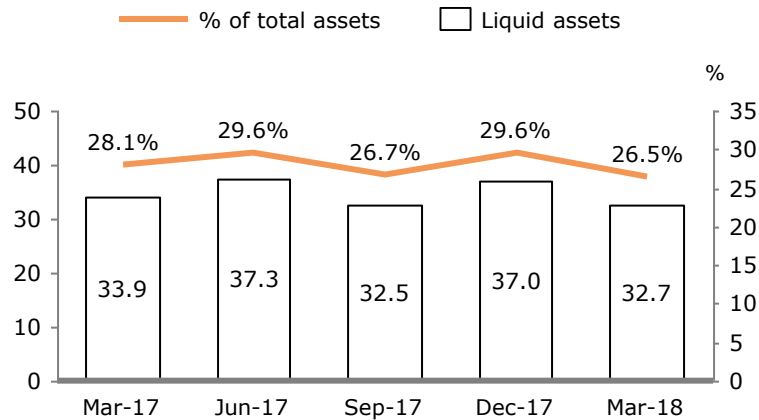
NPL's and % of Gross Loans



NPL Coverage Ratio [%]



Liquid assets trend

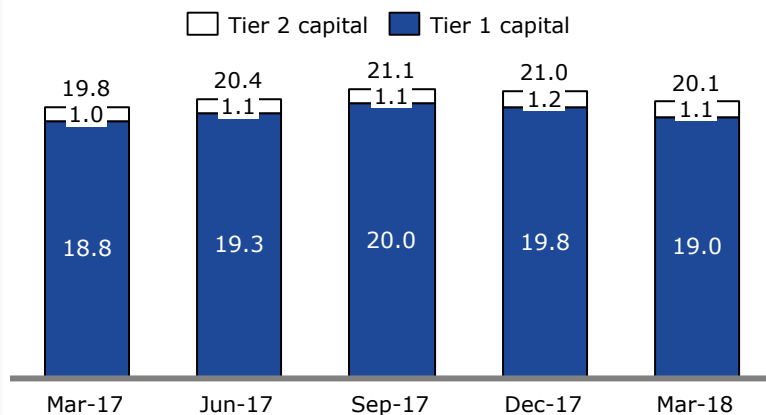


Key Points

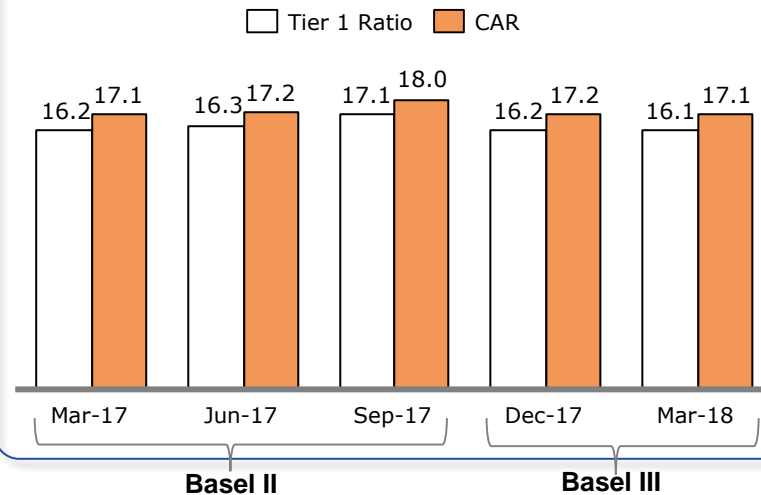
- > Mashreq has set aside AED 302 million net for Impaired assets in 1Q 2018. General provisions stand at 2.5% of Credit Risk Weighted Assets
- > NPLs have increased by 6.7% in March 2018 compared to December 2017 to reach AED 2.4 billion. NPL's as % of Gross loans remains stable at 2.9%
- > Coverage ratio in March 2018 remains high at 192.7%
- > Liquid assets to total assets as of March 2018 was at 26.5%, as compared to 29.6% in December 2017 and 28.1% in March 2017

Capital adequacy [AED billion; %]

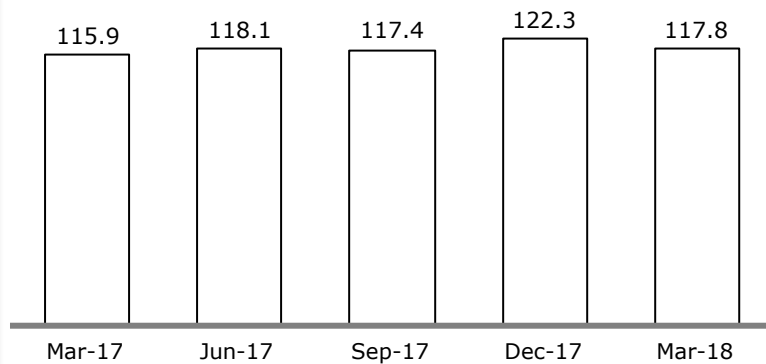
Tier I and Tier II Capital [AED billion]



Tier I and Capital Adequacy Ratios [%] ¹⁾



Risk-weighted assets [AED billion]



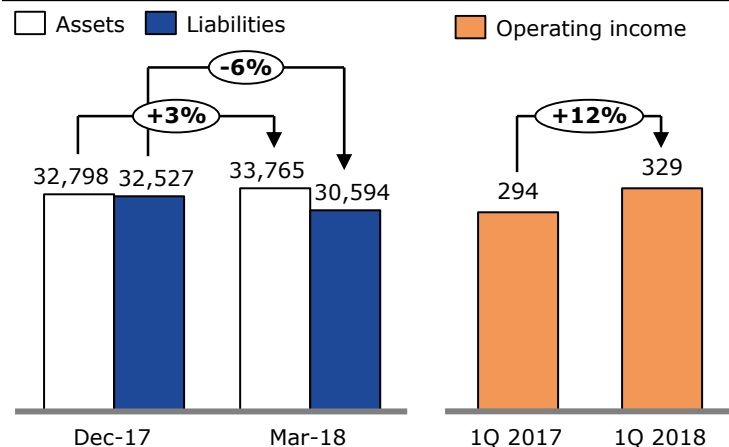
Key Points

- > As per Central bank regulation for Basel III, the capital requirement in the year 2018 is 12.375% (inclusive of capital conservation buffer) and Tier 1 capital must be at least 8.5% of RWA
- > Tier 1 capital remained high at AED 19.0 billion; Tier 1 capital ratio of the bank was at 16.1% as of March 2018 (against a requirement of 8.5%)
- > The banks' overall capital adequacy ratio at 17.1% is higher than the regulatory requirements as per Central Bank of UAE (Basel III)

1) March 2017 Capital Ratios as per Basel II and Dec 2017 and March 2018 as per Basel III

Business segment information [AED million]

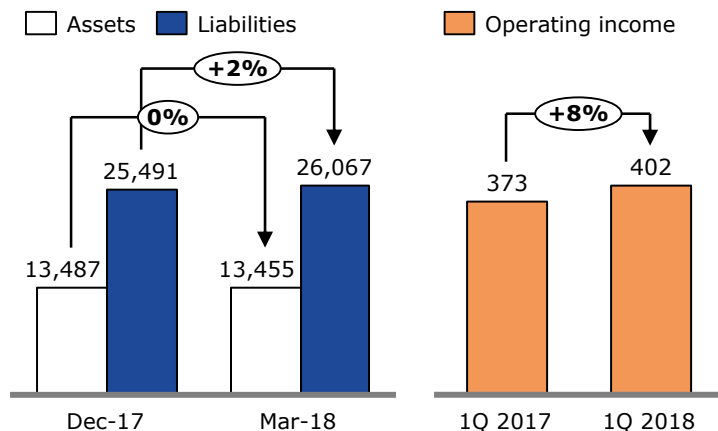
Corporate Banking



Key Points

- > Corporate banking is the biggest segment in Mashreq in terms of assets (27% of total assets) & liabilities (29% of total liabilities)
- > Assets at AED 33.8 billion increased by 3% year to date
- > Operating income increased by 12% Y-o-Y, accounting for 22% of total operating income in 1Q 2018
- > Won "The Innovators 2017 Transactions Services" award by Global Finance for the banks transformative products
- > Best Real Estate Financing award by the Banker Middle East 2017
- > Global Finance - Best Corporate & Institutional Digital Bank – Qatar

Retail Banking

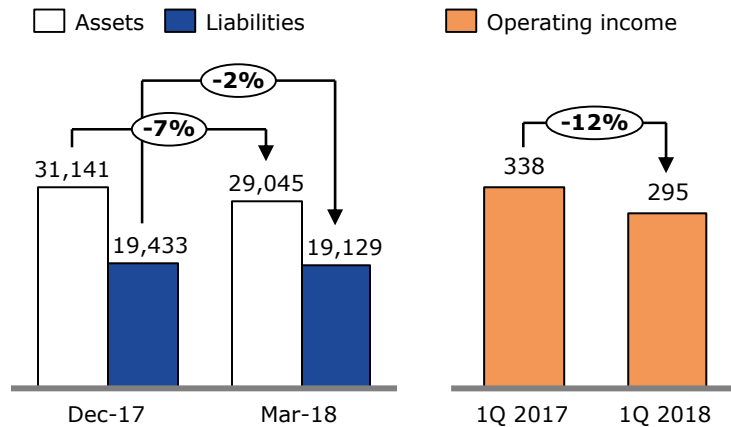


Key Points

- > Retail banking is the largest contributor towards operating income at 26%
- > Y-o-Y operating income increased by 8% driven by growth in Business Banking
- > Retail banking assets remained stable at AED 13.5 billion
- > Best Retail Bank UAE of the Year by Global Banking and Finance review
- > Best Call Center award by Ethos service Olympian

Business segment information [AED million]

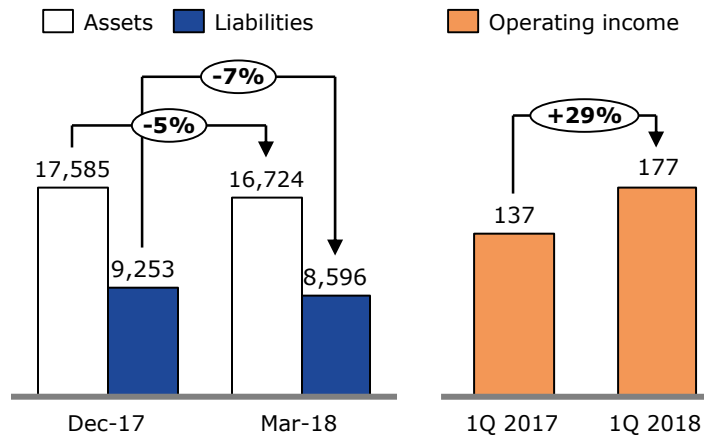
International Banking



Key Points

- > International business contributed 19% of operating income and 18% of liabilities
- > International Banking assets decreased by 7% as compared to December 2017 and make up 24% of total assets
- > Y-o-Y operating income reduced by 12% primarily as a result of the slowdown of business in Qatar

Treasury & Capital Markets



Key Points

- > Treasury & Capital markets accounts for 14% of assets and 8% of liabilities as of March 2018; Assets decreased by 5% in the year and are at AED 16.7 billion
- > TCM Operating income contributed 12% to the total operating income in 1Q 2018
- > Operating income increased by 29% as compared to 1Q 2017 primarily driven by increase in customer flow business.
- > Global Finance award for the best Treasury and Cash Management in the UAE
- > EMEA Finance – Best treasury services in the Middle East

Performance Highlights

Financial Results

► Appendix

1Q 2018 financials – Consolidated Income statement [AED million]

Income statement	2018	2017	2017	Variance (% change)	
	1Q	4Q	1Q	1Q 2018 vs 1Q 2017 (Y-o-Y)	1Q 2018 vs 4Q 2017 (Q-o-Q)
Net interest income	909	908	852	6.7	0.2
Net Fees and commission	357	381	376	(5.2)	(6.5)
Investment income / (loss)	13	4	35	(62.0)	246.8
Other income	239	288	196	21.6	(17.1)
Total operating income	1,518	1,580	1,460	4.0	(4.0)
Operating expenses	(592)	(605)	(569)	4.1	(2.0)
Operating profit	925	976	891	3.9	(5.2)
Impairment allowance	(302)	(571)	(311)	(2.8)	(47.1)
Overseas tax expense	(14)	(8)	(24)	(40.9)	85.4
Non-Controlling Interest	(11)	(9)	(10)	15.9	22.4
Net Profit	598	388	546	9.5	54.2

1Q 2018 financials – Consolidated Balance sheet [AED million]

Balance sheet	31 Mar 2018	31 Dec 2017	Variance (% change)
Assets			
Cash and balances with Central Banks	14,768	16,899	(12.6%)
Deposits and balances due from Banks	17,964	20,135	(10.8%)
Loans and advances	55,973	53,394	4.8%
Islamic financing and investment products	9,220	9,339	(1.3%)
Other financial assets	14,232	14,164	0.5%
Goodwill	14	14	(4.1%)
Other assets	9,385	9,381	0.0%
Investment properties	518	518	0.0%
Property and equipment	1,346	1,343	0.2%
Total Assets	123,419	125,188	(1.4%)
Liabilities			
Deposits and balances due to banks	8,089	9,313	(13.1%)
Repurchase agreements with banks	1,218	557	118.6%
Customers' deposits	68,965	69,380	(0.6%)
Islamic customers' deposits	7,560	6,681	13.2%
Insurance and life assurance funds	1,711	1,583	8.1%
Other liabilities	10,888	10,321	5.5%
Medium-term loans	5,439	6,226	(12.6%)
Total Equity	19,548	21,126	(7.5%)
Total Liabilities and Equity	123,419	125,188	(1.4%)