

Mashreq Bank

9M 2015 Results



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9M 2015 Results

- > Performance highlights

- > Financial results

Performance highlights

- > Stable growth in operating income (3.0% Y-o-Y) and profitability (5.1% Y-o-Y)
- > Maintained NIMs (3.10% in 3Q 2015 vs 3.11% in 2Q 2015)
- > Consistently high fee and other income proportion (42.8%)
- > Steady growth in customer deposits (6.7%)
- > Improving asset quality and enhanced coverage (Coverage 148.0%, NPL to advances 2.9%)
- > Diversified revenue base from international operations (21%)

Financial highlights – Consolidated Income statement [AED million]

Consolidated Income statement

	9M 2015	9M 2014	Variance
Operating income	4,458	4,327	3.0%
Operating expense	1,823	1,612	13.0%
Operating profit	2,636	2,715	(2.9)%
Impairment charges	682	860	(20.7)%
Net profit	1,846	1,757	5.1%

Comments

- > **Operating income** up by 3.0% driven by 10.0% growth in net interest income
- > **Operating expenses** grew by 13.0%
- > **Impairment charges** decreased by 20.7% due to improved asset quality
- > **Net profit** higher by 5.1% on account of higher Net Interest Income supported by lower impairment charges

Financial highlights – Consolidated Balance sheet [AED million]

Consolidated Balance sheet

	30 Sept 2015	31 Dec 2014	Variance
Total Assets	111,378	105,840	5.2%
<hr/>			
Loans & Advances	58,386	58,046	0.6%
<hr/>			
Customers' deposits	73,070	68,488	6.7%
<hr/>			
Total Equity	18,004	16,919	6.4%
<hr/>			
Risk weighted assets	111,664	106,628	4.7%

Comments

- > **Total assets** moderately up by 5.2%
- > **Customer loans and advances** at AED 58.4 billion, increased marginally by 0.6%
- > **Customer deposits** up by 6.7% predominantly led by 80.2% growth in Islamic deposits; CASA increased by 10.6% to form 64.4% of total deposits
- > **Total Equity** increased to ~AED 18.0 billion
- > **Risk weighted assets** increased by 4.7% to reach AED 111.7 billion

Financial track record

	<u>30 Sept 2015</u>	<u>30 Jun 2015</u>	<u>31 Dec 2014</u>
Capital adequacy			
Tier I Capital Ratio	15.6%	15.2%	15.3%
Total Capital Ratio	16.7%	16.5%	16.6%
Liquidity			
Liquid Assets to Total Assets	28.1%	29.7%	27.7%
Advances to Deposits	79.9%	77.6%	84.8%
Asset quality			
NPL Coverage Ratio	148.0%	138.4%	120.4%
NPL to Gross Advances	2.9%	3.7%	3.7%
Performance¹⁾			
ROA	2.3%	2.4%	2.5%
ROE	14.7%	15.7%	15.7%
Net Interest Margin	3.1%	3.1%	3.2%
Efficiency Ratio	40.9%	40.5%	37.8%
Fee and other income to total income	42.8%	44.2%	46.5%

1) Annualised YTD

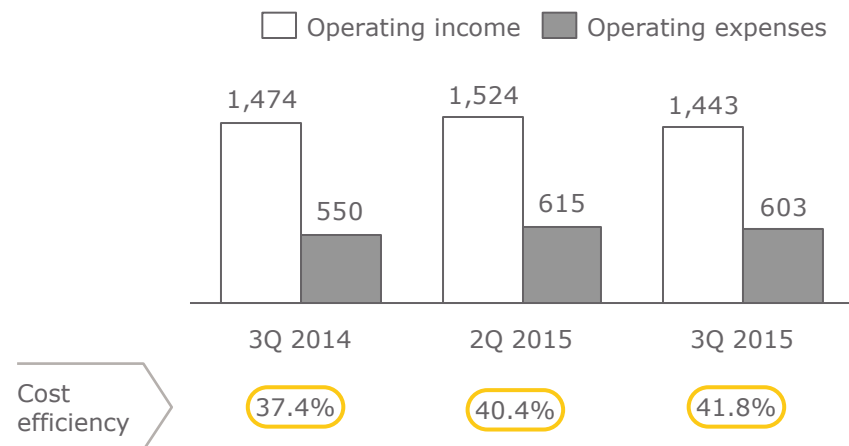
9M 2015 results

- > Key highlights

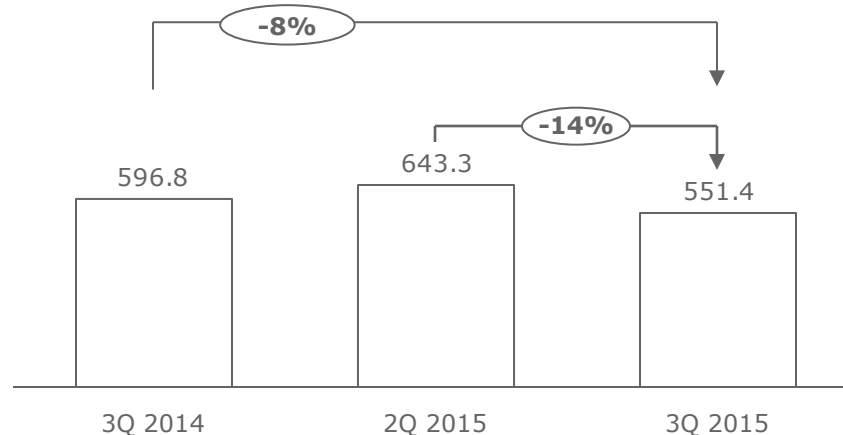
- > Financial results

Operating income, expense and net profit [AED million]

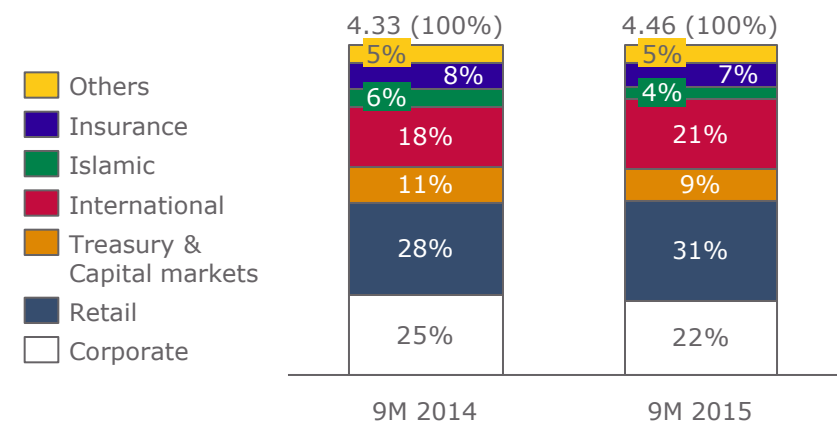
Operating income and expenses



Net profit



Operating income split by segments

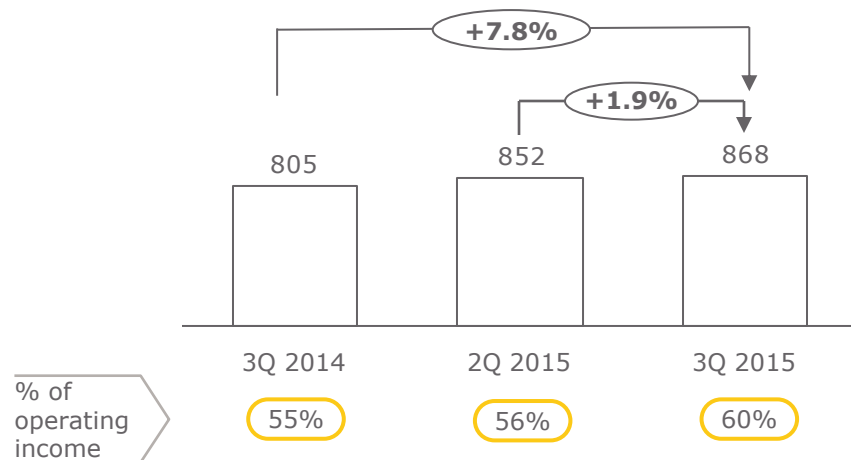


Key Points

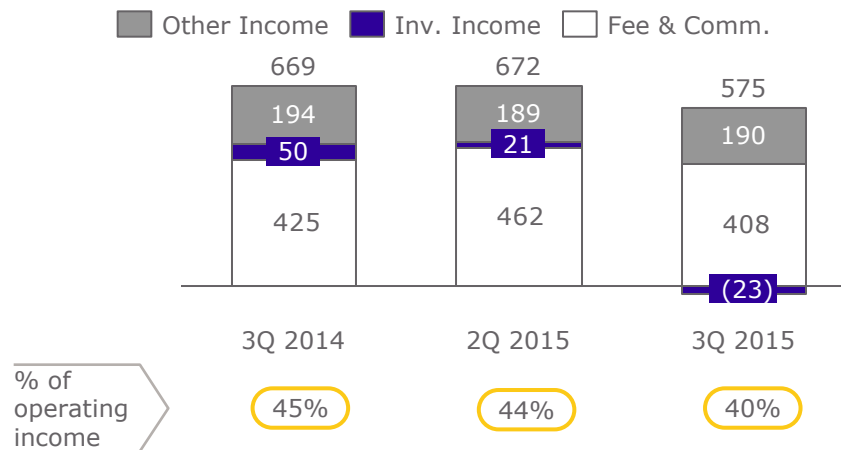
- > 9M 2015 Operating Income grew by 3.0% Y-o-Y while expenses grew by 13.0%
- > On a Q-o-Q basis 3Q 2015 operating income decreased by 5.3% while expenses fell by 1.9%
- > Efficiency ratio stood at 40.9% for 9M 2015 as compared to 37.3% in 9M 2014
- > Net profit for the quarter decreased by 8.0% Y-o-Y and 14% Q-o-Q
- > Retail banking accounted for the largest portion of 9M 2015 Operating Income with 31% contribution, followed by Corporate Banking and International Banking

Operating income mix [AED million; %]

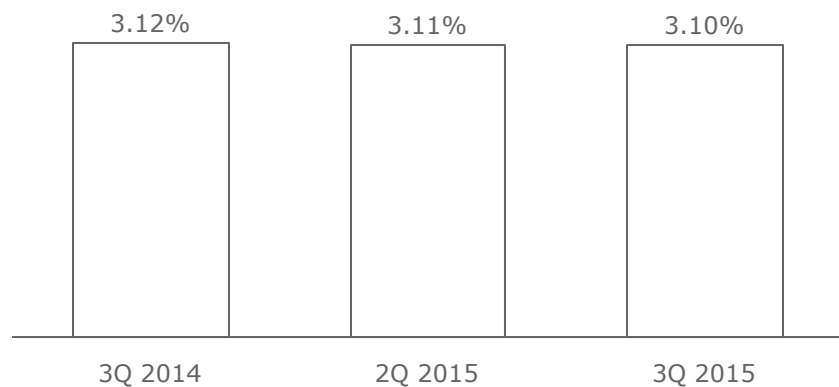
Net interest income¹⁾



Net fee and other income¹⁾



Net interest margin²⁾ [%]



Key Points

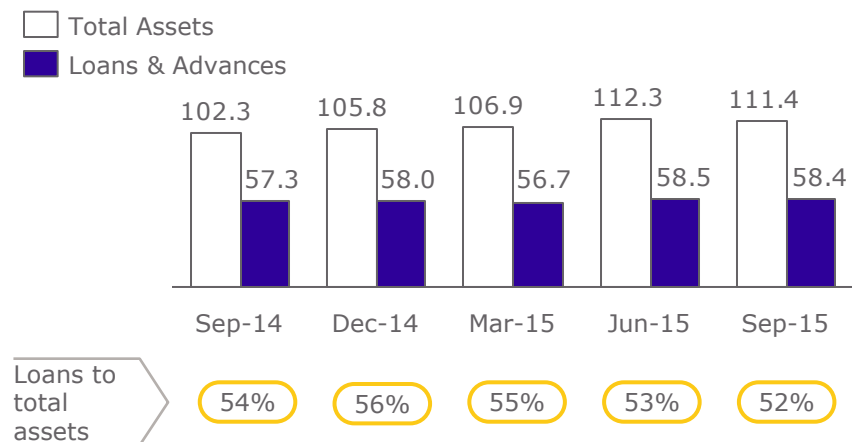
- > 3Q 2015 Net Interest Income increased by 7.8% Y-o-Y driven by 1.9% loan growth; on a Q-o-Q basis Net Interest Income increased by 1.9%
- > Net Fee & other income decreased by 14.4% Q-o-Q primarily driven by decrease in Investment Income
- > Non interest income as % of total income remained high at 40% for 3Q 2015
- > NIMs have been maintained

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

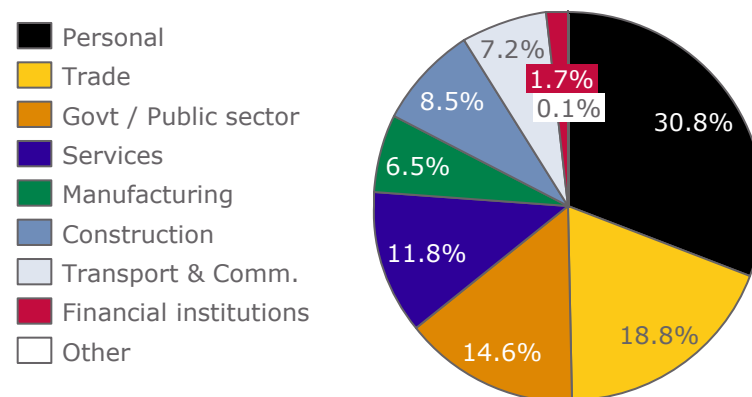
2) Based on annualized quarterly NII and average assets for the quarter

Asset mix [AED billion; %]

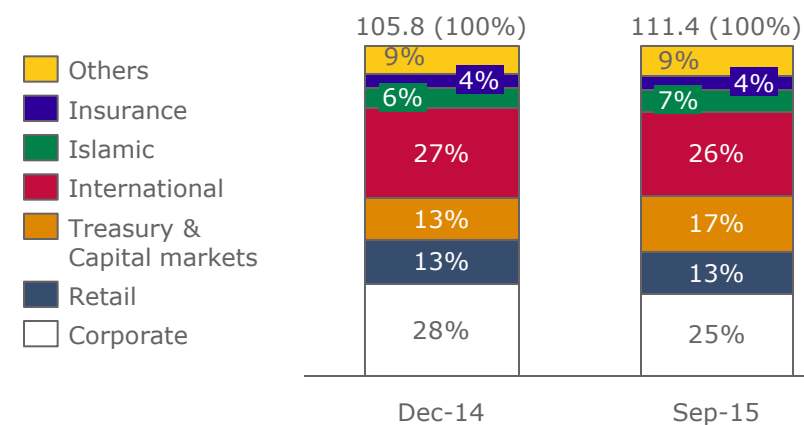
Total Assets and Loans & Advances



Gross Loans portfolio split as of September 2015



Asset split by segments

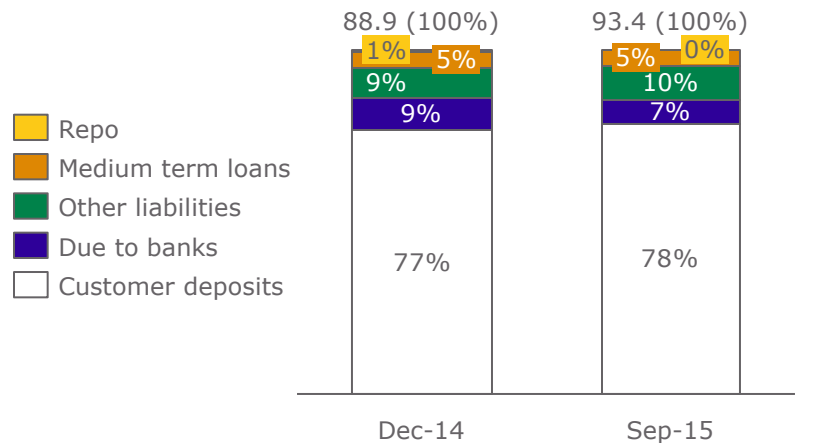


Key Points

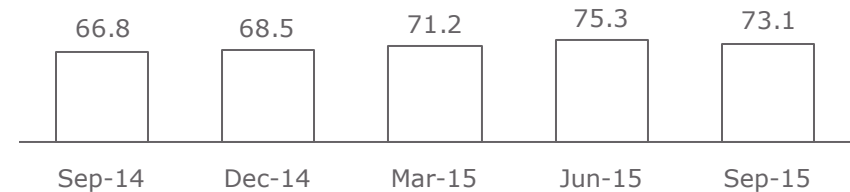
- > Total assets increased by 5.3% to reach AED 111.4 billion, as compared to AED 105.8 billion in December 2014
- > Loans & advances increased slightly by 0.6% to reach AED 58.4 billion led by Personal, Transport, GRE and Services
- > Personal segment contributes 30.8% of the Gross Loans respectively with remaining 69.2% being from Corporate
- > Diversified loans portfolio with no individual sector accounting for >27% 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 2015

Liability mix [AED billion; %]

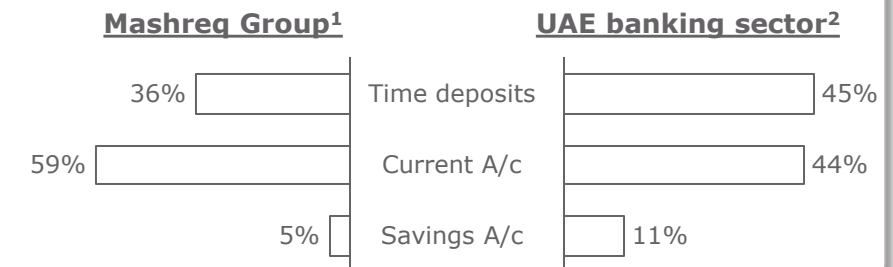
Liability mix



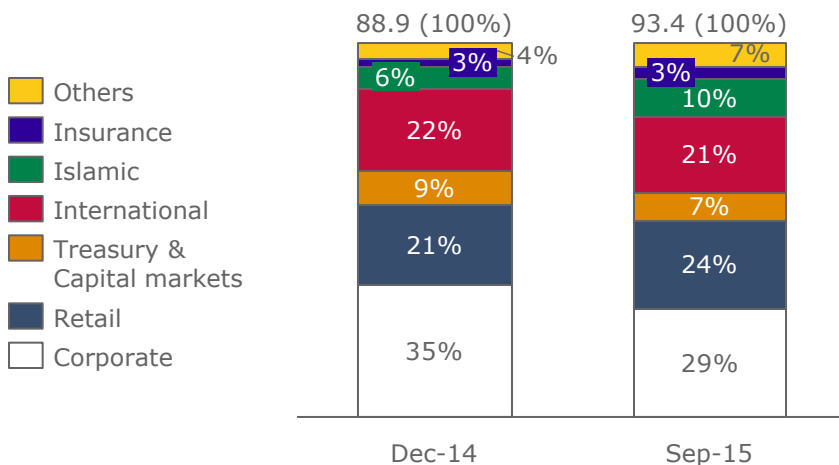
Customer deposits



Customer deposits split comparison (Sep 2015)



Liabilities split by segments



Key Points

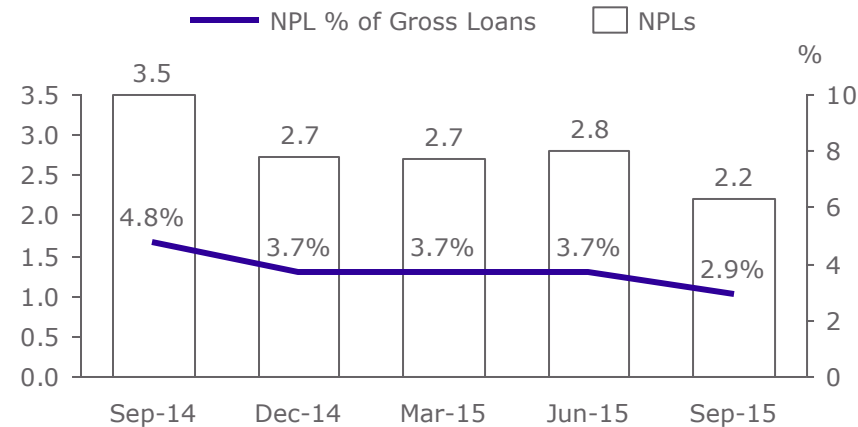
- > Customer deposits accounted for 78% of total liabilities, slightly higher than in December 2014
- > Customer deposits increased by 6.7% as compared to December '14
- > CASA formed a majority portion of customer deposits at 64% as compared to overall market at 55%; Time deposits contributed 36% of total deposits vs 45% for the market
- > Corporate Banking accounts for the largest portion of liabilities at 29% followed by Retail Banking at 24%

1) Represents data of Mashreq Group including overseas deposits

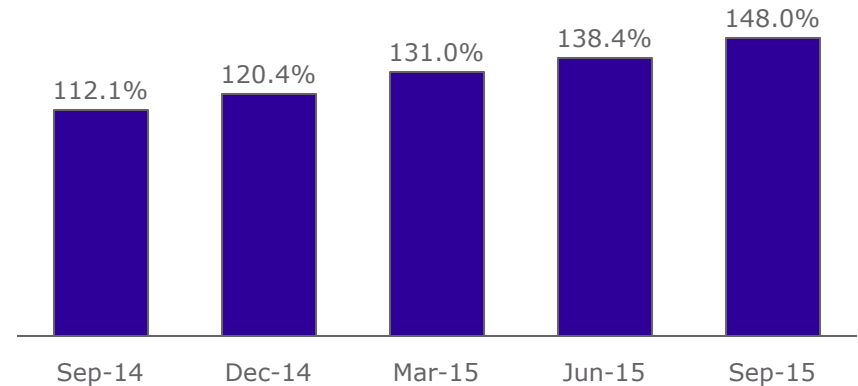
2) Represents data of UAE banking sector as of August 2015 sourced from Central Bank Statistical Bulletin (excluding government deposits and commercial pre-payments)

Asset quality and liquidity [AED billion; %]

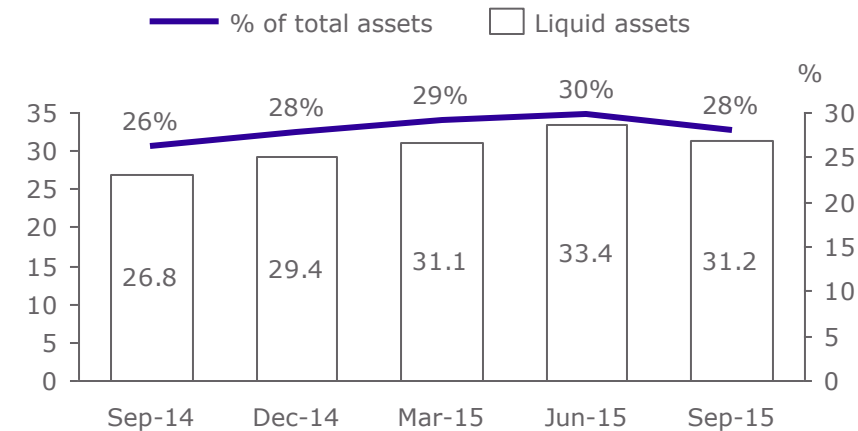
NPLs and % of Gross Loans



NPL Coverage Ratio [%]



Liquid assets trend

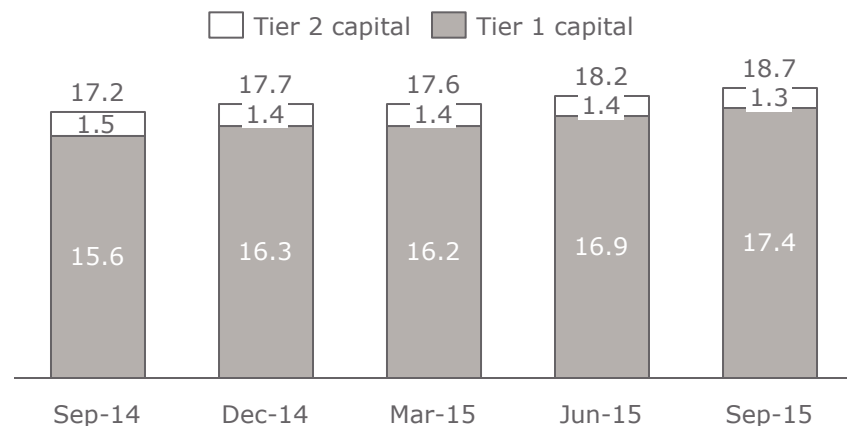


Key Points

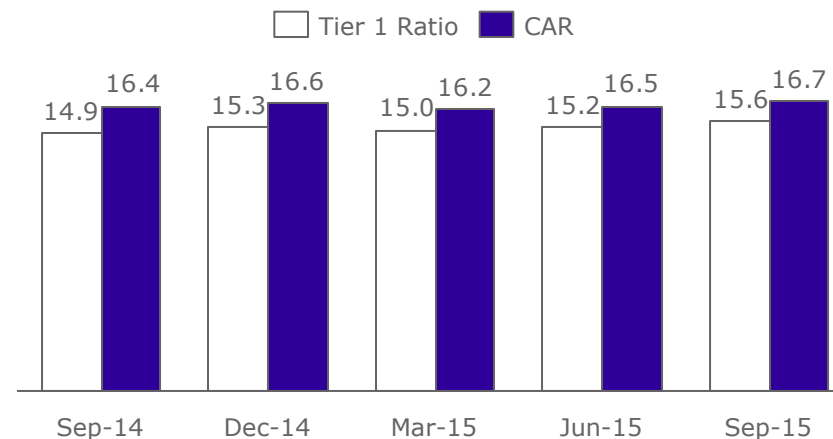
- > NPLs stand at AED 2.2 bn as of September 2015; NPL as % of Gross loans is currently at 2.9%
- > Coverage ratio in September 2015 has improved further to reach 148.0% vs. 138.4% in June 2015 and 120.4% in December 2014
- > Continuing with a prudent provisioning policy, Mashreq has set aside AED 258 million net for Impaired assets in 3Q 2015
- > Liquid assets to total assets as of September 2015 was at 28%, as compared to 28% in December 2014 and 26% in September 2014

Capital adequacy [AED billion; %]

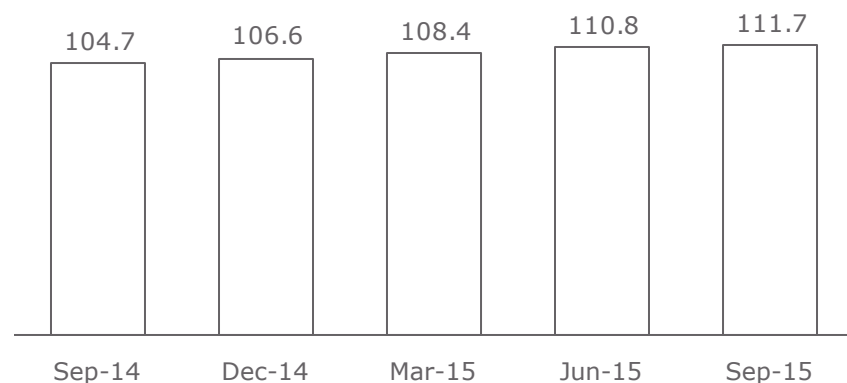
Tier I and Tier II Capital [AED billion]



Tier I and Capital Adequacy Ratios [%]



Risk-weighted assets [AED billion]

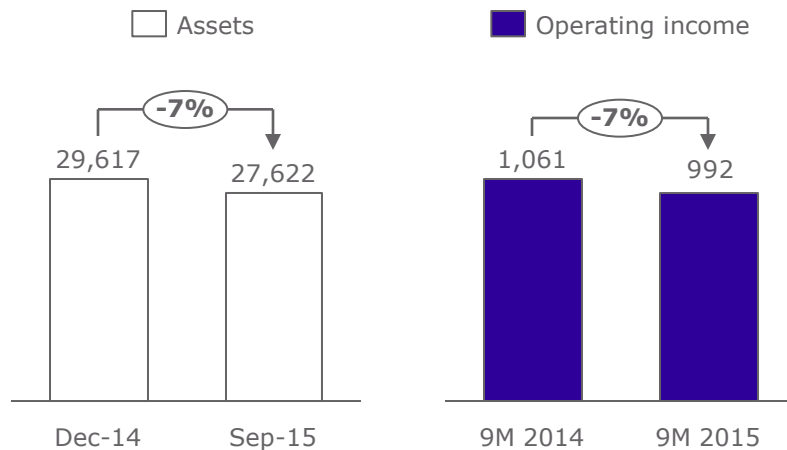


Key Points

- > Tier 1 capital increased to reach AED 17.4 billion
- > Tier 1 capital ratio of the bank was at 15.6% as of September 2015 as compared to 15.2% at end of June 2015
- > 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]

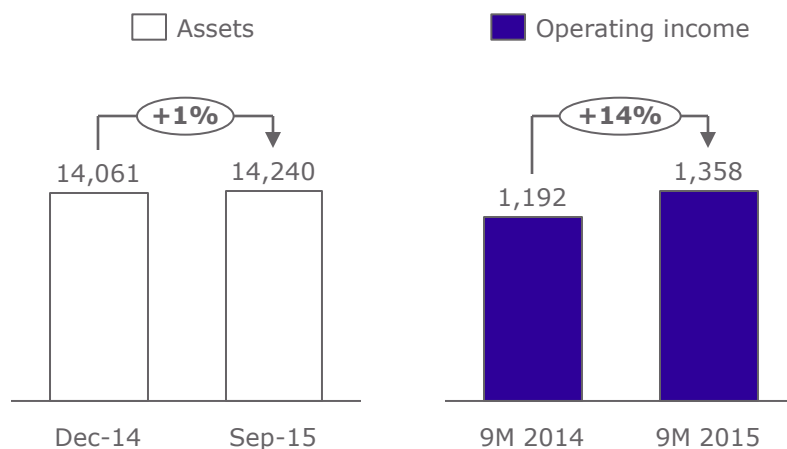
Corporate Banking



Key Points

- > Corporate banking is the biggest segment in Mashreq in terms of liabilities (28.8% of total liabilities)
- > Assets fell by 7% as compared to Year End 2014, and make up 24.8% of total assets in September 2015
- > Operating income decreased by 7% in 9M 2015 as compared to last year, accounting for 22.2% of total operating income in 9M 2015
- > Won "Best Investment Bank" in UAE 2015 from Global Finance Magazine

Retail Banking

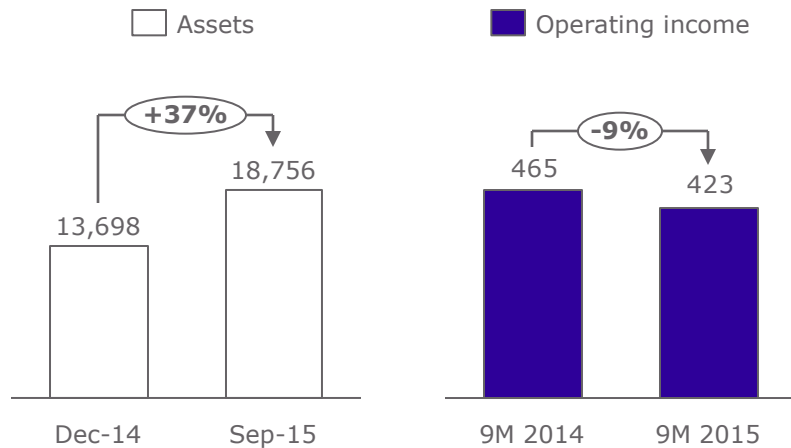


Key Points

- > Retail banking is the largest contributor towards operating income at 30.5%
- > Y-o-Y operating income grew by 14% driven by Business Banking, Credit cards and Fee revenues (FX, Insurance)
- > Retail banking assets increased by 1% to AED 14.2 billion
- > First Bank to integrate Emirates Identity Authority (EIDA) cards with all banks processes
- > Launched Instant Online Foreign Currency Account and Smartsaver Visa Platinum Card
- > Won multiple awards including "Best Retail Bank in the UAE" by Global Banking & Finance Review Awards for 2015

Business segment information [AED million]

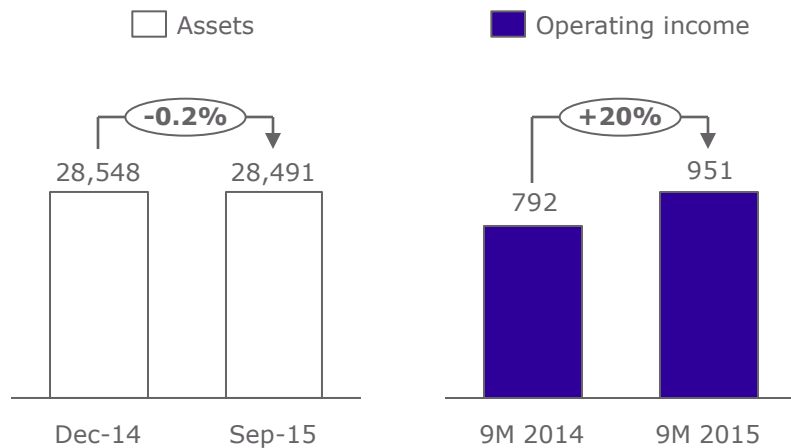
Treasury & Capital Markets



Key Points

- > Treasury & Capital markets account for 16.8% of assets and 7.2% of liabilities as of September 2015; Assets grew by 37% in the 9M 2015
- > TCM Operating income accounted for 9.5% of total operating income in 2015
- > Operating income fell by 9% as compared to 9M 2014
- > Won "Best Fixed Income Fund" award in 3-year categories and Sharia'h Compliant Fixed Income fund of the year" 2015 by MENA Fund Manager awards

International Banking



Key Points

- > International Banking has become the largest segment in terms of assets at 25.6%
- > Additionally, contribution of International business formed 21.3% of operating income and 20.8% of liabilities leading to a more diversified base of business
- > International Banking assets decreased by 0.2% as compared to December 2014
- > Y-o-Y operating income grew by 20% driven by Egypt, Qatar and overall Financial Institutions business
- > Mashreq has received UAE Central Bank's approval for opening Rep office in Kenya

APPENDIX

3Q 2015 financials – Consolidated Income statement [AED million]

Income statement AED million	2015		2014	Variance (% change)	
	3Q	2Q	3Q	3Q 2015 vs 3Q 2014 (Y-o-Y)	3Q 2015 vs 2Q 2015 (Q-o-Q)
Net interest income ¹⁾	868	852	805	7.8%	1.9%
Fees and commission	408	462	425	(4.0)%	(11.7)%
Investment income / (loss) ¹⁾	(23)	21	50	121%	100%
Other income	190	189	194	(1.8)%	0.7%
Total operating income	1,443	1,524	1,474	(2.1)%	(5.3)%
Operating expenses	(603)	(615)	(550)	9.6%	(1.9)%
Impairment allowance	(258)	(228)	(304)	(15.1)%	13.4%
Overseas tax expense	(19)	(22)	(14)	37.7%	(13.4)%
Minority interest	(12)	(16)	(9)	31.8%	(27.8)%
Net income	551	643	597	(7.6)%	(14.3)%

3Q 2015 financials - Consolidated Balance sheet [AED million]

Balance sheet	30 Sep 2015	31 Dec 2014	Variance (% change)
Assets			
Cash and balances with Central Banks	15,848	15,159	4.5%
Deposits and balances due from Central Banks	15,393	14,211	8.3%
Loans and advances	51,867	52,247	(0.7)%
Islamic financing and investment products	6,519	5,799	12.4%
Other financial assets	12,477	10,789	15.6%
Goodwill	16	27	(41.4)%
Interest receivable and other assets	7,637	6,012	27.0%
Investment properties	526	490	7.2%
Property and equipment	1,097	1,106	0.8%
Total Assets	111,378	105,840	5.2%
Liabilities			
Deposits and balances due to banks	6,548	8,225	(20.4)%
Repurchase agreement with banks	-	623	NA
Customers' deposits	63,731	63,305	0.7%
Islamic customers' deposits	9,339	5,183	80.2%
Insurance and life assurance funds	1,659	1,655	0.3%
Interest payable and other liabilities	7,880	5,923	33.1%
Medium-term / long-term loans	4,217	4,008	5.2%
Total Equity	18,004	16,919	6.4%
Total Liabilities and Equity	111,378	105,840	5.2%