

# Mashreq Bank

1Q 2015 results



## Disclaimer

*The material in this presentation is general background information about MashreqBank's activities current at the date of the presentation. It does not constitute or form part of and should not be construed as, an offer to sale or issue or the solicitation of an offer to buy or acquire securities of MashreqBank in any jurisdiction or an inducement to enter into investment activity.*

*Although MashreqBank UAE has obtained the information provided from sources that should be considered reliable, it cannot guarantee its accuracy or completeness. The information provided is purely of an indicative nature and is subject to change without notice at any time.*

*The person retrieving information is responsible for its selection and all aspects of its use. The information may only be used by the person retrieving it. The person retrieving the information may not transfer, duplicate, process or distribute it. The person retrieving the information is obliged to follow all instructions from MashreqBank concerning its use. No part of the content of this presentation may be copied.*

# 1Q 2015 results

- > Performance highlights

- > Financial results

## Performance highlights

- > Stable growth in operating income (8.0% Y-o-Y) and profitability (13.2% Y-o-Y)
- > Substantial improvement in NIM (3.12% vs 3.08% in 1Q 2014)
- > Consistently high fee and other income proportion (44.3%)
- > Steady growth in customer deposits (3.9%)
- > Improving asset quality and enhanced coverage (131.0%)
- > Prudent cost management resulting in stable efficiency (40.5%)
- > Diversified revenue base from international operations (20%)

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

### Consolidated Income statement

|                           | 1Q 2015 | 1Q 2014 | Variance |
|---------------------------|---------|---------|----------|
| <b>Operating income</b>   | 1,492   | 1,382   | 8.0%     |
| <b>Operating expense</b>  | 605     | 524     | 15.3%    |
| <b>Operating profit</b>   | 887     | 857     | 3.5%     |
| <b>Impairment charges</b> | 196     | 251     | (22.0%)  |
| <b>Net profit</b>         | 651     | 575     | 13.2%    |

### Comments

- > **Operating income** up by 8.0% driven by strong growth in net interest income
- > **Operating expenses** grew by 15.3%
- > **Impairment charges** decreased by 22.0% due to improved asset quality
- > **Net profit** higher by 13.2% on account of higher Net Interest Income supported by lower impairment charges

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

### Consolidated Balance sheet

|                             | 31 Mar 2015 | 31 Dec 2014 | Variance |
|-----------------------------|-------------|-------------|----------|
| <b>Total Assets</b>         | 106,930     | 105,840     | 1.0%     |
| <hr/>                       |             |             |          |
| <b>Loans &amp; Advances</b> | 56,667      | 58,046      | (2.4%)   |
| <hr/>                       |             |             |          |
| <b>Customers' deposits</b>  | 71,166      | 68,488      | 3.9%     |
| <hr/>                       |             |             |          |
| <b>Total Equity</b>         | 16,835      | 16,919      | (0.5%)   |
| <hr/>                       |             |             |          |
| <b>Risk weighted assets</b> | 108,390     | 106,628     | 1.7%     |

### Comments

- > **Total assets** moderately up by 1.0%
- > **Customer loans and advances** at AED 57 billion, fell marginally by 2.4%, led by conventional loans
- > **Customer deposits** up by 3.9% predominantly led by 13% growth in Islamic deposits; CASA increased by 12.3% to form 67% of total deposits
- > **Total Equity** remained constant at ~AED 17 billion
- > **Risk weighted assets** increased slightly to reach AED 108 billion

## Financial track record

|   | <u>31 Mar 2015</u> | <u>31 Dec 2014</u> | <u>31 Dec 2013</u> |
|---|--------------------|--------------------|--------------------|
| <b>Capital adequacy</b>                     |                    |                    |                    |
| <b>Tier I Capital Ratio</b>                 | 15.0%              | 15.3%              | 16.4%              |
| <b>Total Capital Ratio</b>                  | 16.2%              | 16.6%              | 18.1%              |
| <b>Liquidity</b>                            |                    |                    |                    |
| <b>Liquid Assets to Total Assets</b>        | 29.0%              | 27.7%              | 26.5%              |
| <b>Advances to Deposits</b>                 | 79.6%              | 84.8%              | 86.1%              |
| <b>Asset quality</b>                        |                    |                    |                    |
| <b>NPL Coverage Ratio</b>                   | 131.0%             | 120.4%             | 96.1%              |
| <b>NPL to Gross Advances</b>                | 3.7%               | 3.7%               | 5.1%               |
| <b>Performance</b>                          |                    |                    |                    |
| <b>ROA</b>                                  | 2.4%               | 2.5%               | 2.2%               |
| <b>ROE</b>                                  | 16.2%              | 15.7%              | 13.1%              |
| <b>Net Interest Margin</b>                  | 3.1%               | 3.2%               | 2.9%               |
| <b>Efficiency Ratio</b>                     | 40.5%              | 37.8%              | 42.2%              |
| <b>Fee and other income to total income</b> | 44.3%              | 46.5%              | 49.5%              |

# 1Q 2015 results

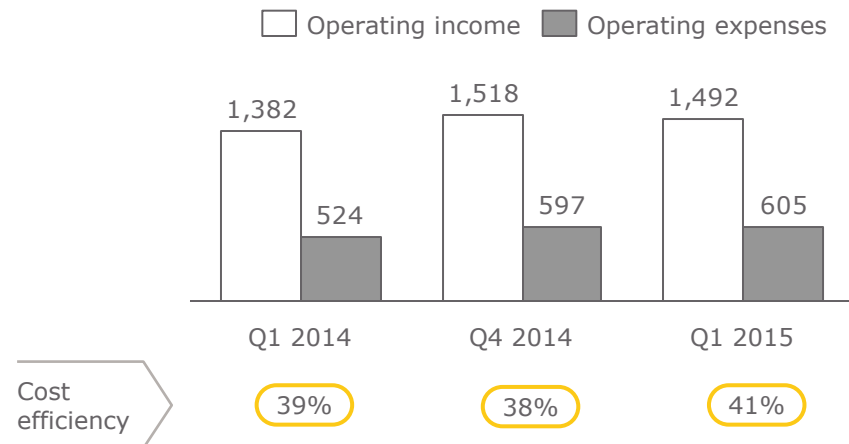
- > Key highlights

- > Financial results

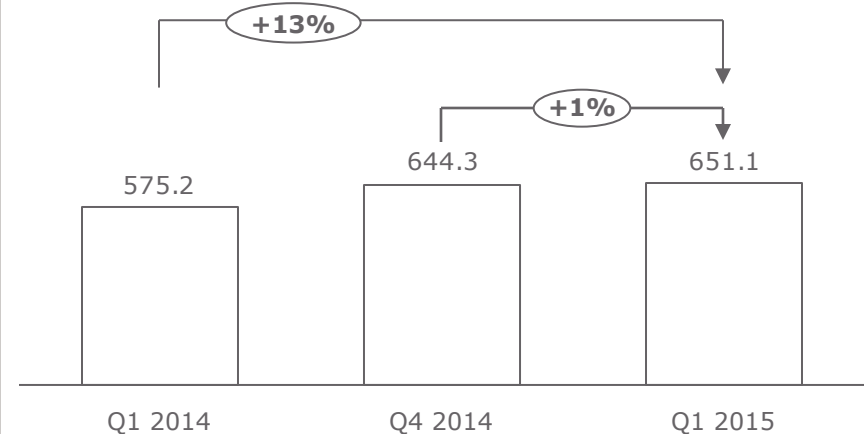


# Operating income, expense and net profit [AED million]

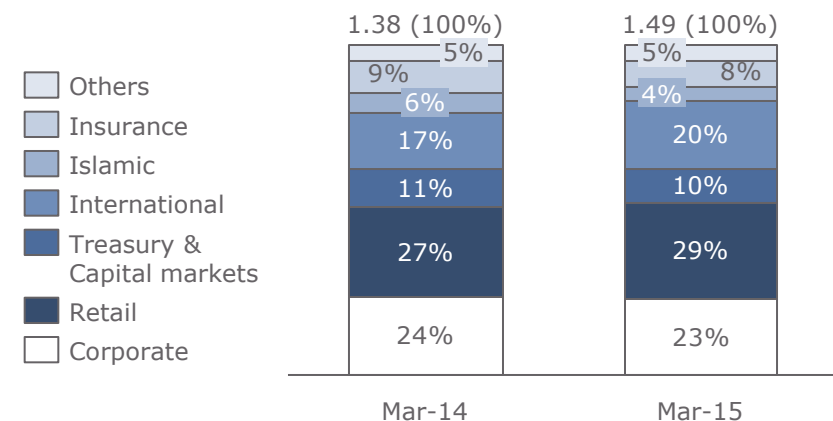
## Operating income and expenses



## Net profit



## Operating income split by segments

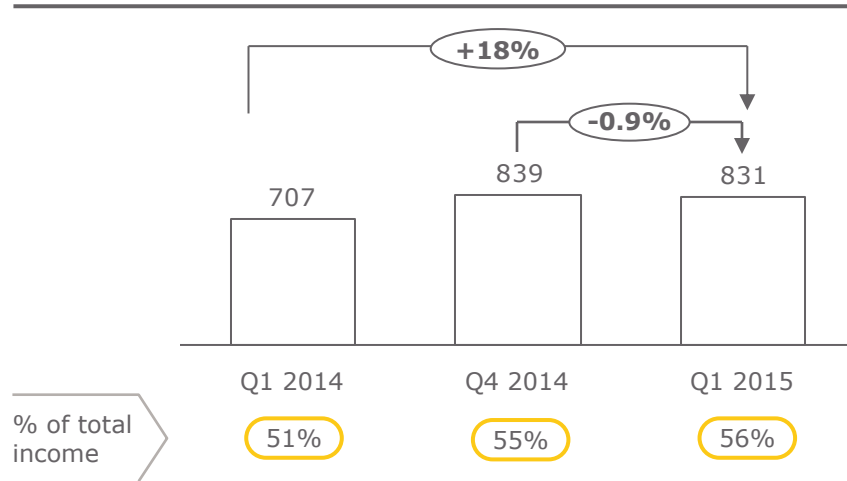


## Key Points

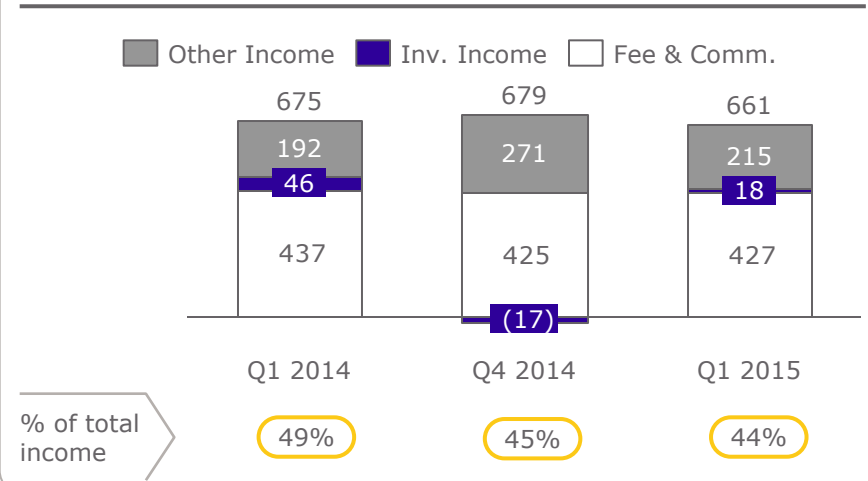
- > Q1 2015 Operating Income grew by 8.0% Y-o-Y while expenses grew by 15.3%
- > On a Q-o-Q basis Q1 2015 operating income reduced marginally by 1.7% while expenses growth was controlled at 1.3%
- > Efficiency ratio increased slightly to reach 41% as compared to 38% in Q4 2014 and 39% in Q1 2014
- > Net profit grew by 13.2% Y-o-Y and 1.1% Q-o-Q
- > Retail banking accounted for the largest portion of Q1 2015 Operating Income with 29% contribution, followed by Corporate Banking and International Banking

# Operating income mix [AED million]

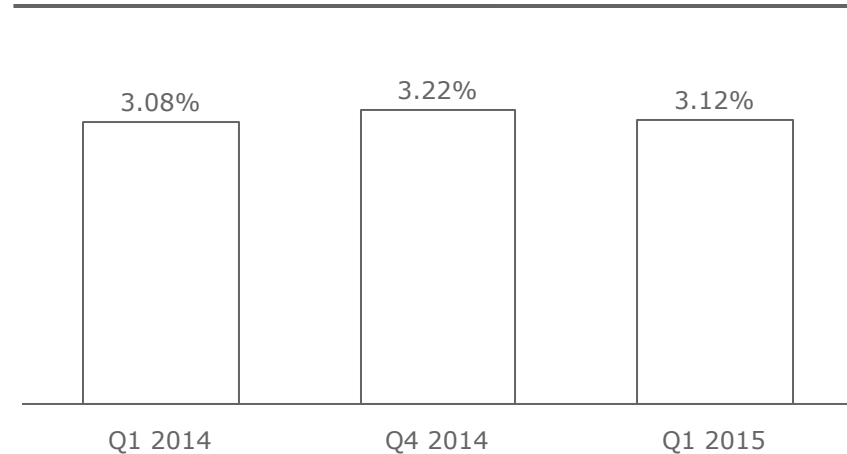
## Net interest income<sup>1)</sup>



## Net fee and other income<sup>1)</sup>



## Net interest margin<sup>1)</sup> [%]

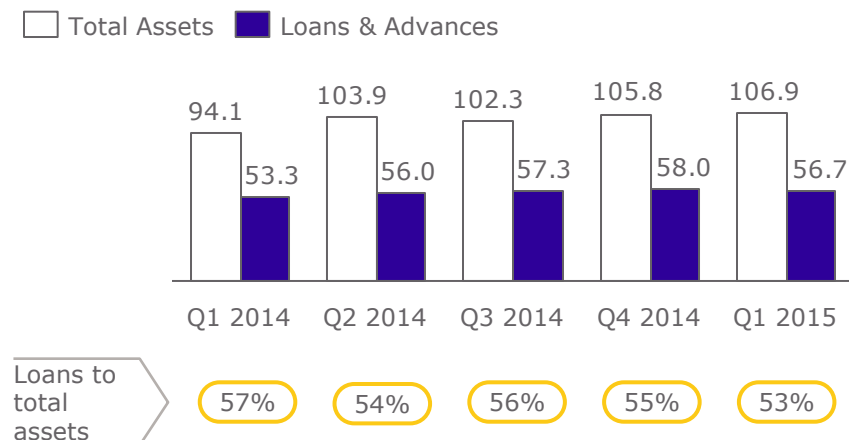


## Key Points

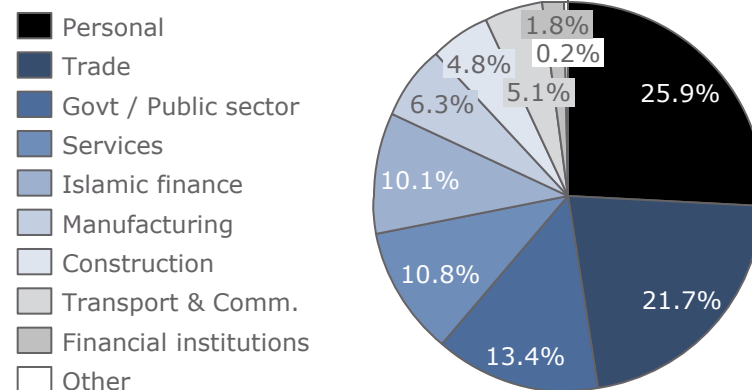
- > Q1 2015 Net Interest Income increased by 17.6% Y-o-Y driven by 6.4% loan growth and 5 bps Y-o-Y improvement in NIM
- > Change in balance sheet structure and reduced cost of funds have been the key drivers of NIM improvement
- > Net Fee & other income fell by 2.1%, driven by 2.3% fall in Fee & Commission income and 59.7% reduction in investment income; % of total income remained high at 44% for Q1 2014
- > On a Q-o-Q basis, Q1 2015 Net Interest Income remained stable, while Net Fee & other income decreased moderately by 2.7% as stable Net fee & commission income were offset by decline in Investment income and other income

## Asset mix [AED billion]

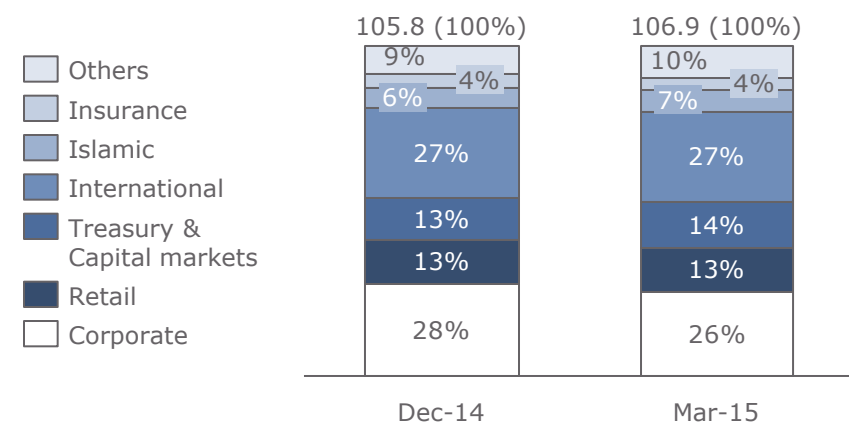
### Total Assets and Loans & Advances



### Loans portfolio split as of March 2015



### Asset split by segments

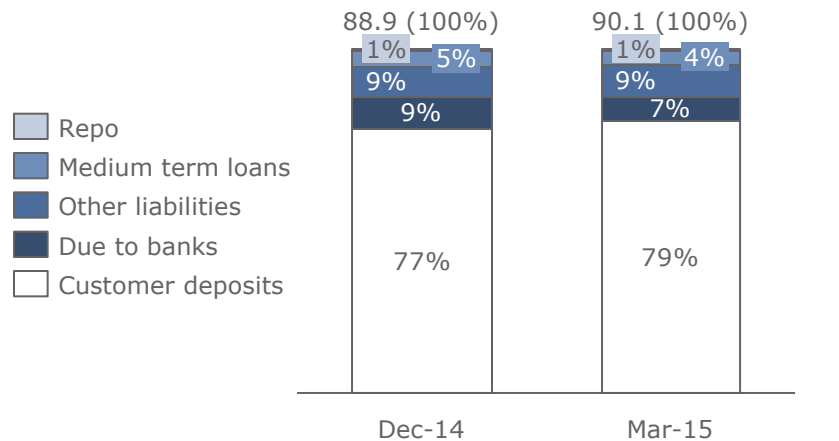


### Key Points

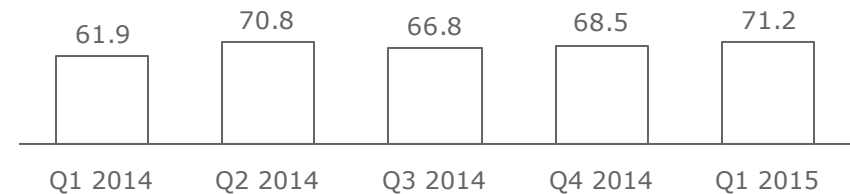
- > Total assets increased moderately by 1.0% to reach AED 106.9 billion, as compared to AED 105.8 billion in FY 2014
- > Loans & advances fell slightly by 2.4% to reach AED 56.7 billion, led by Trade, Manufacturing, Construction and Financial Institutions
- > Diversified loans portfolio with Corporate and Personal segments contributing 74% and 26% of the Gross Loans respectively
- > Within Corporate segment, no individual sector accounts for >25% of the total loan portfolio
- > Assets mix fairly balanced between domestic and international locations with International business accounting for 27% of the assets as of March 2015

# Liability mix [AED billion]

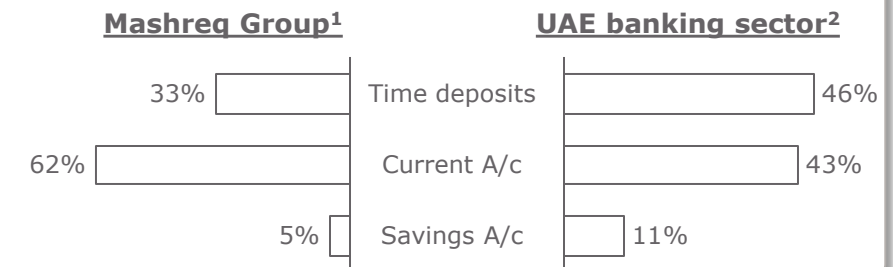
## Liability mix



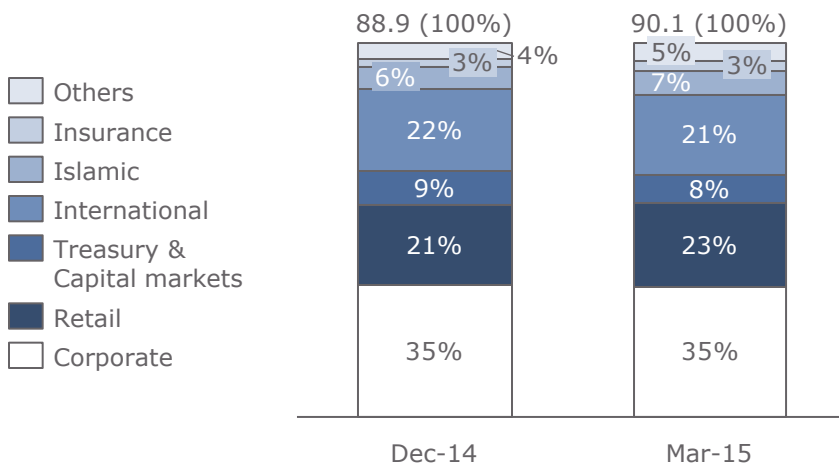
## Customer deposits



## Customer deposits split comparison (Mar 2015)



## Liabilities split by segments



## Key Points

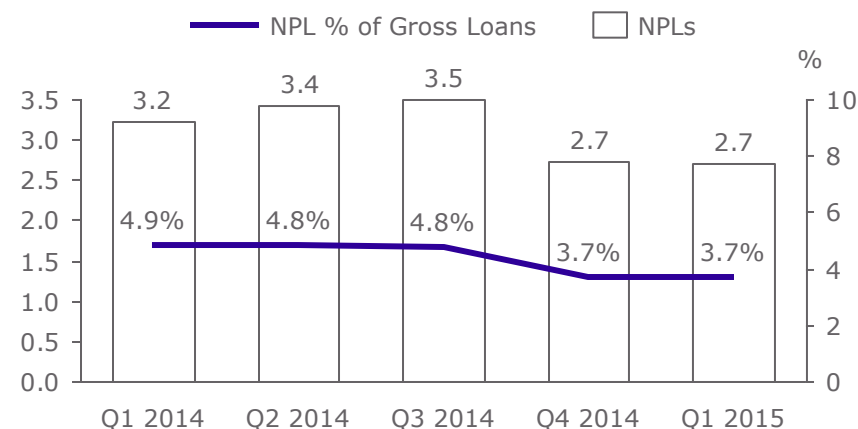
- > Customer deposits accounted for 79% of total liabilities, slightly higher than in Q4 2014
- > Bank increased its customer deposits by 3.9% as compared to Q4 2014
- > CASA formed a majority portion of customer deposits at 67% as compared to overall market at 54%; Time deposits contributed 33% of total deposits
- > Corporate Banking accounts for the largest portion of liabilities at 35% followed by Retail Banking at 23%

1) Represents data of Mashreq Group including overseas deposits

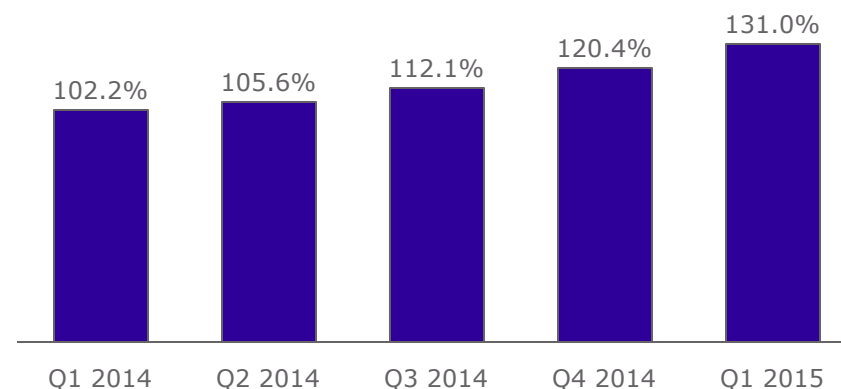
2) Represents data of UAE banking sector as of Dec 2014 sourced from Central Bank Statistical Bulletin Dec 2014

# Asset quality and liquidity [AED billion]

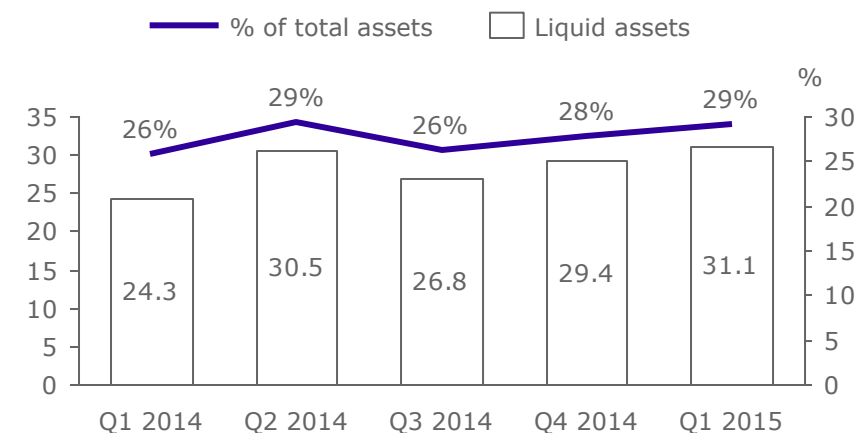
## NPLs and % of Gross Loans



## NPL Coverage Ratio [%]



## Liquid assets trend

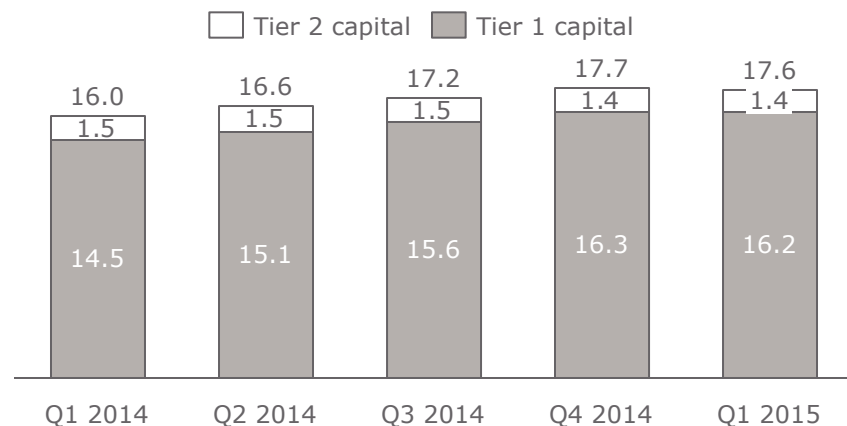


## Key Points

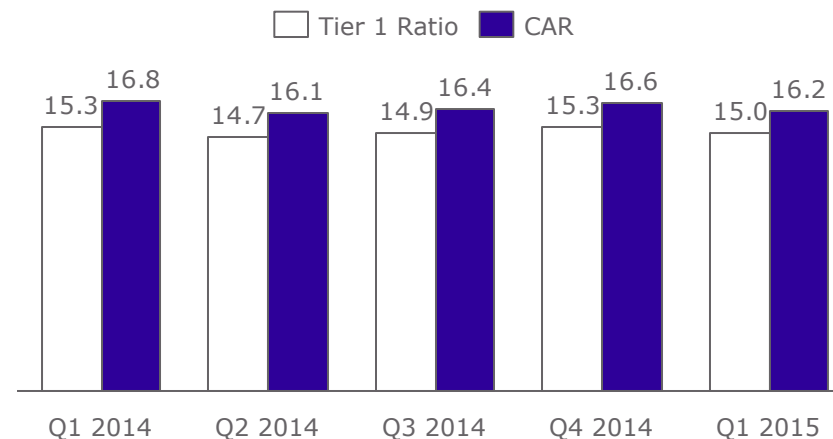
- > NPLs have remained stable at AED 2.7 as compared to Q4 2014 leading to NPLs as % of Gross loans also being stable at 3.7% as compared to Q4 2014 and lower than 4.9% in Q1 2014
- > Coverage ratio in Q1 2015 has improved further to reach 131% vs. 120% in Q4 2014 and 102% in Q1 2014
- > Continuing with prudent provisioning policy, Mashreq has set aside AED 196 million for Impaired assets in Q1 2015
- > Liquid assets to total assets as of Q1 2015 was at 29%, as compared to 28% in Q4 2014 and 26% in Q1 2015

# Capital adequacy [AED billion; %]

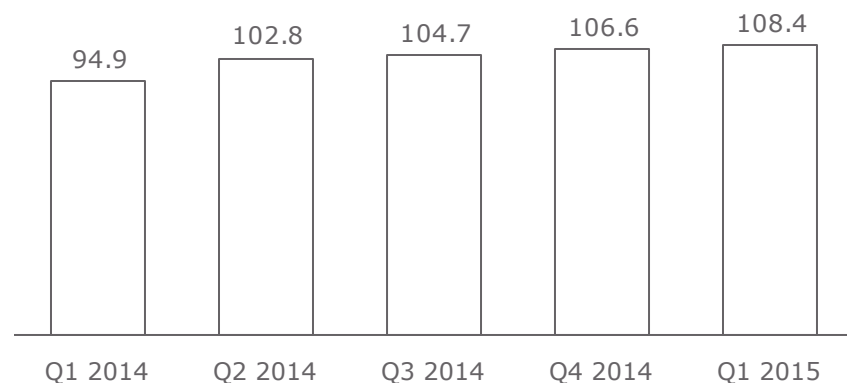
## Tier I and Tier II Capital [AED billion]



## Tier I and Capital Adequacy Ratios [%]



## Risk-weighted assets [AED billion]

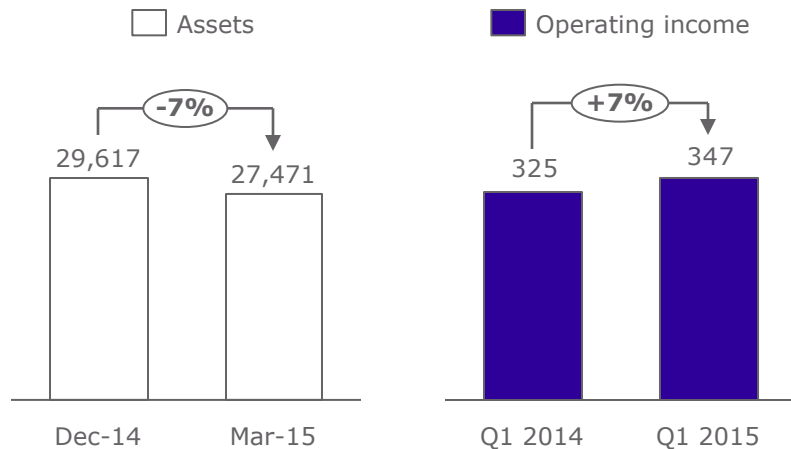


## Key Points

- > Tier 1 capital decreased slightly to reach AED 16.2 billion
- > Tier 1 capital ratio of the bank was at 15.0% as of March 2015 as compared to 15.3% at end of 2014 and in Q1 2014
- > The banks' overall capital adequacy ratio at 16.1% is higher than the regulatory requirements as per Central Bank of UAE (Basel II)

## Business segment information [AED million]

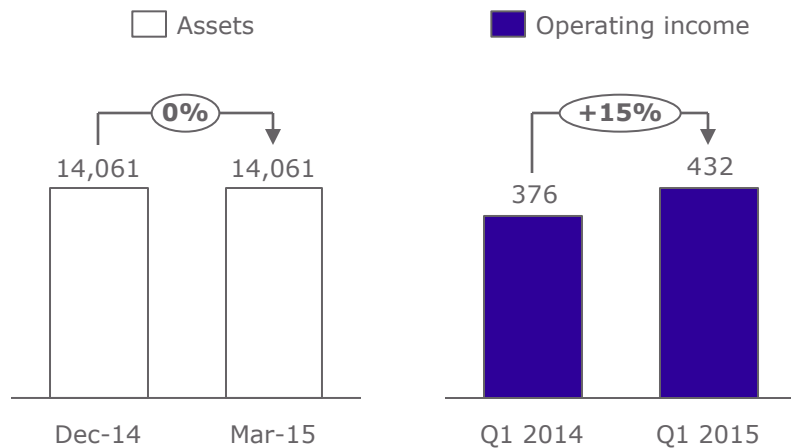
### Corporate Banking



### Key Points

- > Corporate banking is the biggest segment in Mashreq in terms of liabilities
- > Assets fell by 7% as compared to Q4 2014, contributing towards 26% of total assets in Q1 2015
- > Operating income increased by 7% in Q1 2015 as compared to last year, accounting for 23% of total operating income in Q1 2015
- > Corporate Banking got off to a strong start in Q1 2015 with the closing of 4 transactions amounting to USD 2.0 billion in transaction value
- > Won "**Best Investment Bank**" in UAE 2015 from Global Finance Magazine

### Retail Banking

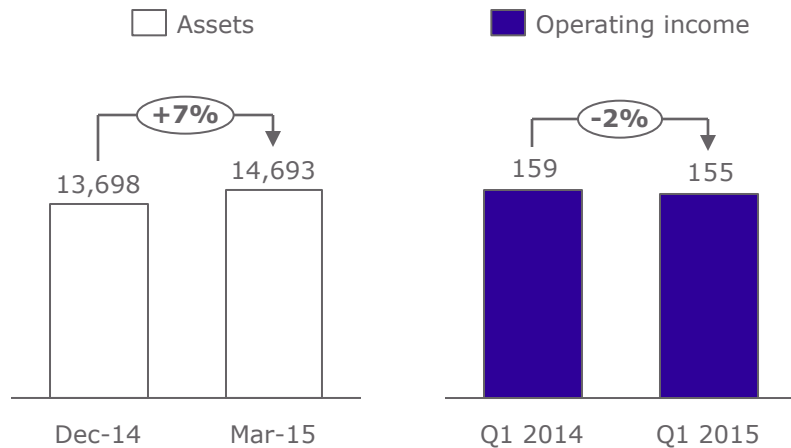


### Key Points

- > Retail banking is the largest contributor towards operating income at 29%
- > Y-o-Y operating income grew by 15% driven by Business Banking and Private Banking
- > Retail banking assets remained stable at AED 14.0 billion
- > Opened the First Fully Automated Branch 'imashreq' technology store in Q1 2015
- > Launched Portraits, UAE's 1st 'Selfie' Credit Card
- > Won multiple awards including "**Best Retail Bank in the UAE**" by Global Banking & Finance Review Awards for 2015

## Business segment information [AED million]

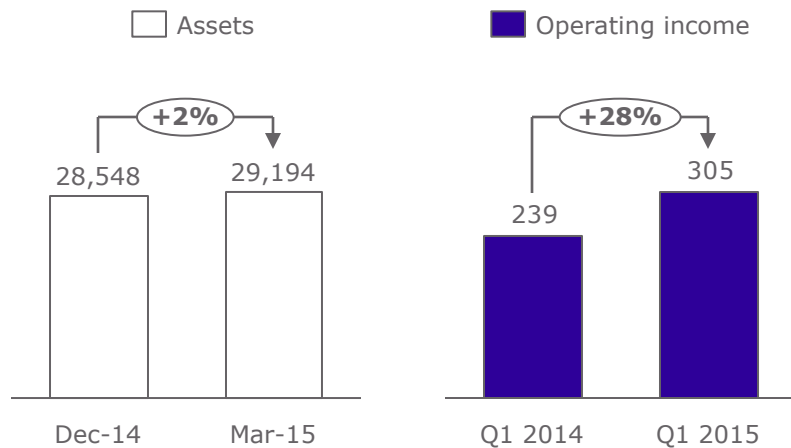
### Treasury & Capital Markets



### Key Points

- > Treasury & Capital markets account for 14% of assets and 8% of liabilities in 2014; Assets grew by 7% in the first 3 months of 2015
- > Operating income accounted for 10% of total operating income in 2014
- > Operating income fell by 2.4% as compared to Q1 2014 due to one-off mark-to-market gains in the Equities portfolio and better volumes in Brokerage business in Q1 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 27.3%
- > Additionally, contribution of International business formed 20% of operating income and 21% of liabilities leading to a more diversified base of business
- > International Banking grew assets by 2.3% as compared to December 2014
- > Y-o-Y operating income grew by 28% driven by Qatar, Egypt and overall Financial Institutions business
- > Key awards include "**Best Regional Debt bank**" in ME 2015 by Global Finance



# APPENDIX

## Q1 March 2015 financials – Consolidated Income statement [AED million]

| Income statement<br>AED million             | 2015         | 2014         |              | Variance (% change)           |                               |
|---|--------------|--------------|--------------|-------------------------------|-------------------------------|
|   | Q1           | Q1           | Q4           | Q1 2015 vs Q1 2014<br>(Y-o-Y) | Q1 2015 vs Q4 2014<br>(Q-o-Q) |
| Net interest income <sup>1)</sup>           | 831          | 707          | 839          | 17.6%                         | (0.9%)                        |
| Fees and commission                         | 427          | 437          | 425          | (2.3%)                        | 0.3%                          |
| Investment income /<br>(loss) <sup>1)</sup> | 18           | 46           | (17)         | (59.7%)                       | NM                            |
| Other income                                | 215          | 192          | 271          | 12.1%                         | (20.5%)                       |
| <b>Total operating income</b>               | <b>1,492</b> | <b>1,382</b> | <b>1,518</b> | <b>8.0%</b>                   | <b>(1.7%)</b>                 |
| Operating expenses                          | (605)        | (524)        | (597)        | 15.3%                         | 1.3%                          |
| Impairment allowance                        | (196)        | (251)        | (215)        | (22.0%)                       | (8.7%)                        |
| Overseas tax expense                        | (23)         | (13)         | (34)         | 78.4%                         | (33.3%)                       |
| Minority interest                           | (17)         | (18)         | (27)         | (4.9%)                        | (38.0%)                       |
| <b>Net income</b>                           | <b>651</b>   | <b>575</b>   | <b>644</b>   | <b>13.2%</b>                  | <b>1.1%</b>                   |

## Q1 March 2015 financials - Consolidated Balance sheet [AED million]

| Balance sheet                                | 31 Mar 2015    | 31 Dec 2014    | Variance (% change) |
|--|----------------|----------------|---------------------|
| <b>Assets</b>                                |                |                |                     |
| Cash and balances with Central Banks         | 14,937         | 15,159         | (1.5%)              |
| Deposits and balances due from Central Banks | 16,119         | 14,211         | 13.4%               |
| Loans and advances                           | 50,850         | 52,247         | (2.7%)              |
| Islamic financing and investment products    | 5,817          | 5,799          | 0.3%                |
| Other financial assets                       | 10,587         | 10,789         | (1.9%)              |
| Goodwill                                     | 18             | 27             | (31.3%)             |
| Interest receivable and other assets         | 7,014          | 6,012          | 16.7%               |
| Investment properties                        | 490            | 490            | 0.0%                |
| Property and equipment                       | 1,098          | 1,106          | (0.8%)              |
| <b>Total Assets</b>                          | <b>106,930</b> | <b>105,840</b> | <b>1.0%</b>         |
| <b>Liabilities</b>                           |                |                |                     |
| Deposits and balances due to banks           | 6,100          | 8,225          | (25.8%)             |
| Repurchase agreement with banks              | 579            | 623            | (7.1%)              |
| Customers' deposits                          | 65,328         | 63,305         | 3.2%                |
| Islamic customers' deposits                  | 5,838          | 5,183          | 12.6%               |
| Insurance and life assurance funds           | 1,688          | 1,655          | 2.0%                |
| Interest payable and other liabilities       | 6,744          | 5,923          | 13.9%               |
| Medium-term / long-term loans                | 3,818          | 4,008          | (4.7%)              |
| <b>Total Equity</b>                          | <b>16,835</b>  | <b>16,919</b>  | <b>(0.5%)</b>       |
| <b>Total Liabilities and Equity</b>          | <b>106,930</b> | <b>105,840</b> | <b>1.0%</b>         |