

mashreq



WE MAKE POSSIBLE

# Mashreq

4Q 2017 FINANCIAL RESULTS PRESENTATION

28 January 2018

## 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.*



## ▶ Performance Highlights

---

Financial Results

---

Appendix

---

## Performance highlights

- > Solid growth in Net Profit (6.5% Y-o-Y)
- > Industry leading share of CASA in deposits (63.1%)
- > Consistently high fee and other income proportion (40.5%)
- > Strong growth in loans and advances (2.9% YTD)
- > Risk charge for FY 2017 has decreased to AED 1.5 billion ( 14.2% decrease Y-o-Y). Coverage ratio is at 149.7%, NPL to advances at 2.9% and General provisions at 1.7% of Credit Risk Weighted Assets
- > Prudent cost management continued and efficiency stands at 39.2%; Operating costs down ~2% Y-o-Y
- > Most diversified revenue base – contribution from international operations is 21%

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

### Consolidated Income statement

	FY 2017	FY 2016	Variance
<b>Operating income</b>	6,016	6,169	(2.5%)
<b>Operating expense</b>	2,361	2,407	(1.9%)
<b>Operating profit</b>	3,655	3,762	(2.8%)
<b>Impairment charges</b>	1,488	1,734	(14.2%)
<b>Net profit</b>	2,052	1,926	6.5%

### Comments

- > **Operating income** down by 2.5% primarily due to a 6.3% decline in other income
- > **Operating expenses** decreased by 1.9% driven by efficiency initiatives
- > **Impairment charges** decreased by 14.2% mainly as a result of lower risk charge from the retail segment
- > **Net profit** increased by 6.5% primarily on account of a decrease in impairment charges

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

### Consolidated Balance sheet

	31 Dec 2017	31 Dec 2016	Variance
<b>Total Assets</b>	125,188	122,814	1.9%
<hr style="border-top: 1px dashed orange;"/>			
<b>Loans &amp; Advances</b>	62,734	60,994	2.9%
<hr style="border-top: 1px dashed orange;"/>			
<b>Customers' deposits</b>	76,061	77,041	(1.3%)
<hr style="border-top: 1px dashed orange;"/>			
<b>Total Equity</b>	21,126	19,486	8.4%
<hr style="border-top: 1px dashed orange;"/>			
<b>Risk weighted assets</b>	117,969	118,874	(0.8%)

### Comments

- > **Total assets** increased by 1.9% and stand at AED 125 billion
- > **Customer loans and advances** at AED 63 billion, increased by 2.9% primarily due to a 23.5% growth in Islamic loans
- > **Customer deposits** decreased by 1.3% to AED 76 billion –conventional deposits fell by 0.8% whereas Islamic deposits were down by 5.8%; CASA proportion remains high and constitutes 63.1% of total deposits
- > **Total Equity** increased by 8.4% mainly due to increase in retained earnings and stands at 21.1 billion
- > **Risk weighted assets** decreased by 0.8% to reach AED 118 billion driven by a 30% decline in Market Risk

## Financial track record

	<u>31 Dec 2017</u>	<u>30 Sep 2017</u>	<u>31 Dec 2016</u>
<b>Capital adequacy</b>			
Tier I Capital Ratio	17.4%	17.1%	16.0%
Total Capital Ratio	18.3%	18.0%	16.9%
<b>Liquidity</b>			
Liquid Assets to Total Assets	29.6%	26.7%	30.4%
Advances to Deposits	82.5%	85.0%	79.2%
<b>Asset quality</b>			
NPL Coverage Ratio	149.7%	134.4%	151.1%
NPL to Gross Advances	2.9%	3.7%	3.1%
<b>Performance</b>			
ROA	1.7%	1.8%	1.6%
ROE	10.5%	11.5%	10.6%
Net Interest Margin	3.41%	3.45%	3.52%
Efficiency Ratio	39.2%	39.6%	39.0%
Fee and other income to total income	40.5%	39.8%	42.2%



Performance Highlights

---

▶ **Financial Results**

---

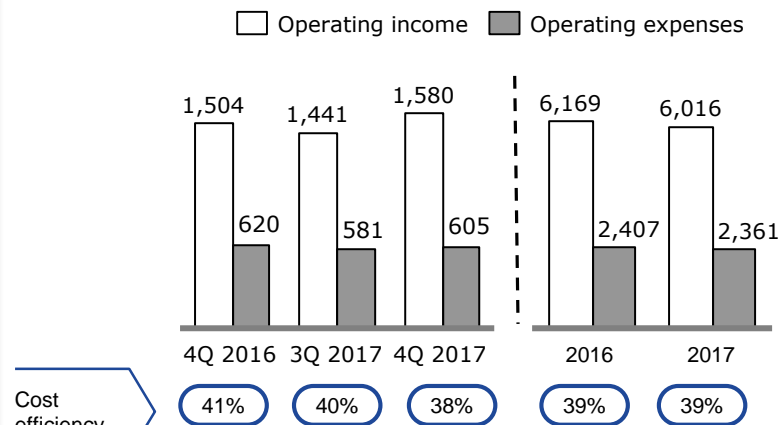
Appendix

---



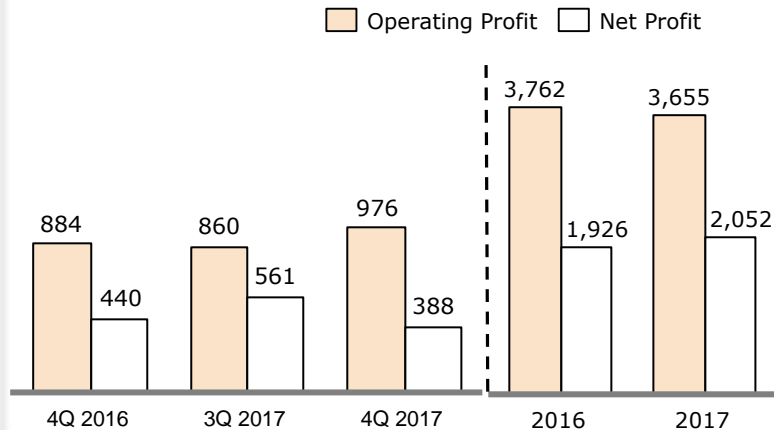
# Operating income, expense and net profit [AED million]

## Operating income and expenses

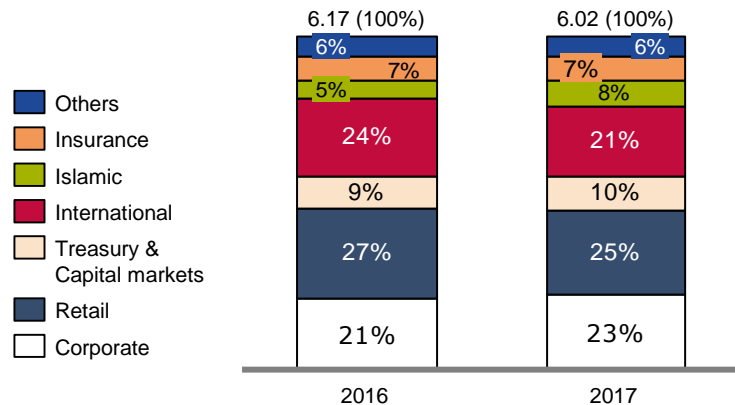


Cost efficiency

## Net profit



## Operating income split by segments

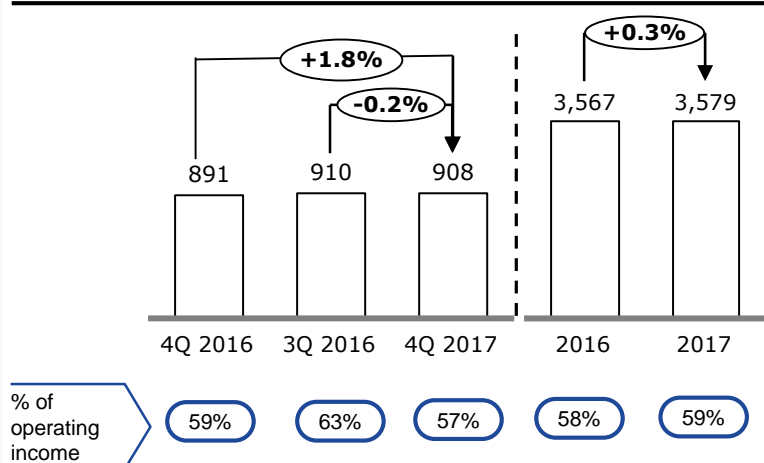


## Key Points

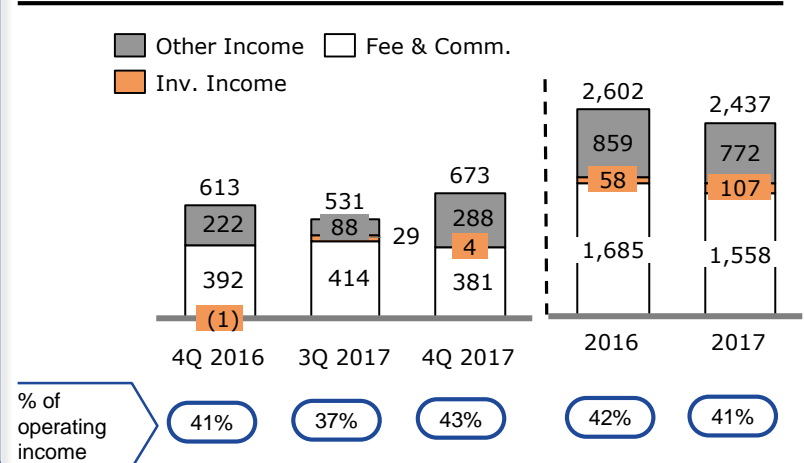
- > FY 2017 Operating Income decreased by 2.5% Y-o-Y and stands at AED 6.0 billion. The decline was primarily driven by a 6.3% fall in other income
- > On a Q-o-Q basis 4Q 2017 operating income increased by 9.7% mainly because of a 228.1% increase in other income
- > Efficiency ratio for the quarter remained stable at 39.2%
- > Operating profit for the quarter increased by 10.4% Y-o-Y and by 13.5% Q-o-Q
- > Net profit for the quarter decreased by 11.9% Y-o-Y and by 30.8% Q-o-Q
- > Retail banking accounted for the largest portion of FY 2017 Operating Income with 25% contribution, followed by Corporate Banking at 23%

# Operating income mix [AED million]

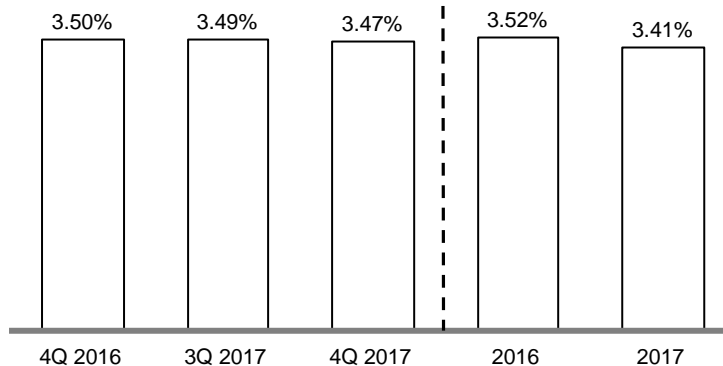
## Net interest income<sup>1)</sup>



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



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



## Key Points

- > 4Q 2017 Net Interest Income increased by 1.8% Y-o-Y due to increased loan growth; on a Y-o-Y basis FY 2017 Net Interest Income remained stable at 3.6 billion
- > NIM's have remained relatively flat Q-o-Q
- > Non-interest income increased by 26.7% Q-o-Q driven by an increase in other income by 228.1%
- > Non interest income as % of total income remained high at 43% for 4Q 2017

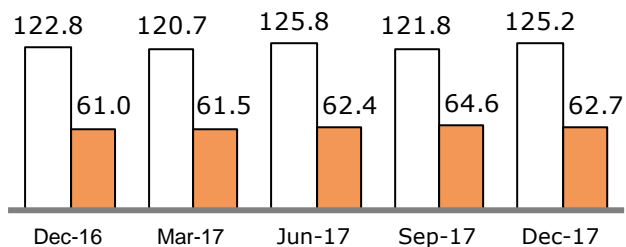
1) NII component booked under Investment income as per IFRS, has been reclassified under NII in the above representation; Includes Income from Islamic Financing

2) Based on annualized quarterly NII

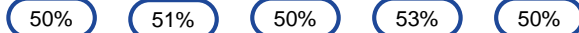
# Asset mix [AED billion]

## Total Assets and Loans & Advances

□ Total Assets    ■ Loans & Advances

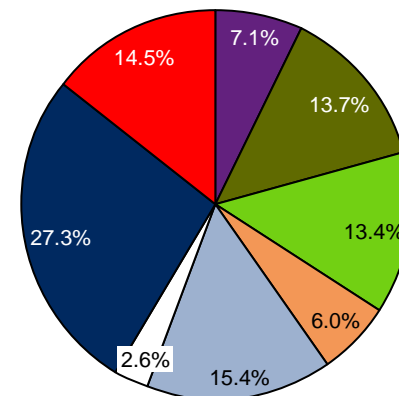


Loans to total assets



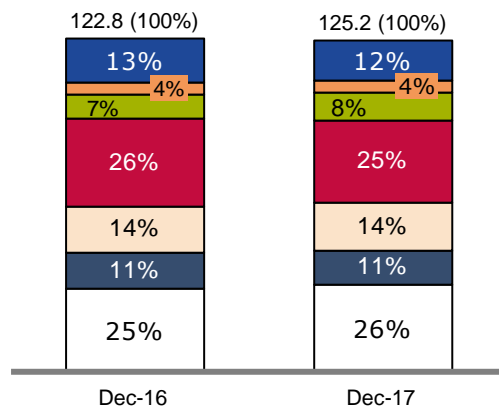
## Gross Loans portfolio split as of December 2017

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



## Asset split by segments

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

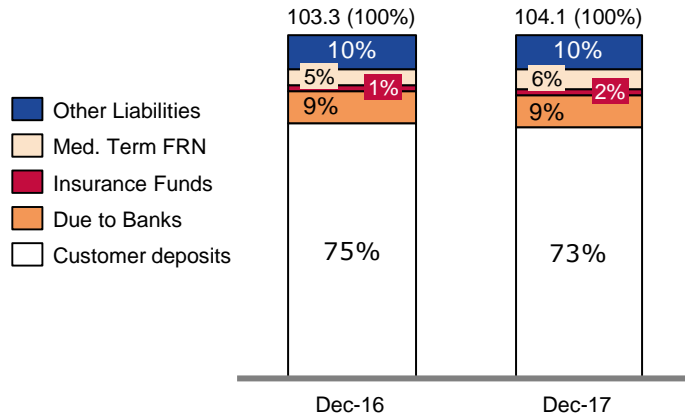


## Key Points

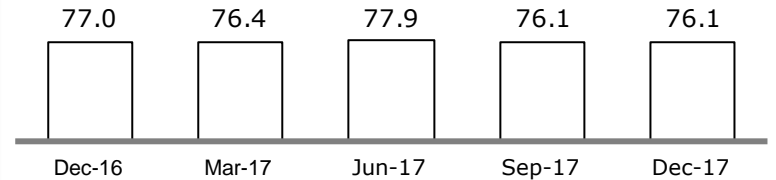
- > Total assets increased to AED 125.2 billion, as compared to AED 122.8 billion in December 2016
- > Net Loans & advances increased by 2.9% in the year to reach AED 62.7 billion led by Services
- > Personal segment contributes 27.3% of the Gross Loans
- > Diversified loans portfolio with no individual sector accounting for >16% of the total corporate loan portfolio
- > Assets mix fairly balanced between domestic and international locations with International business accounting for 25% of the assets as of December 2017

# Liability mix [AED billion]

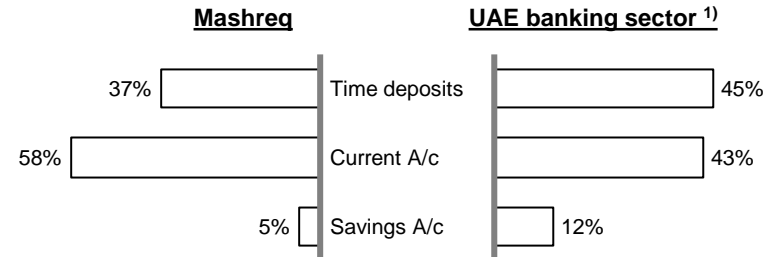
## Liability mix



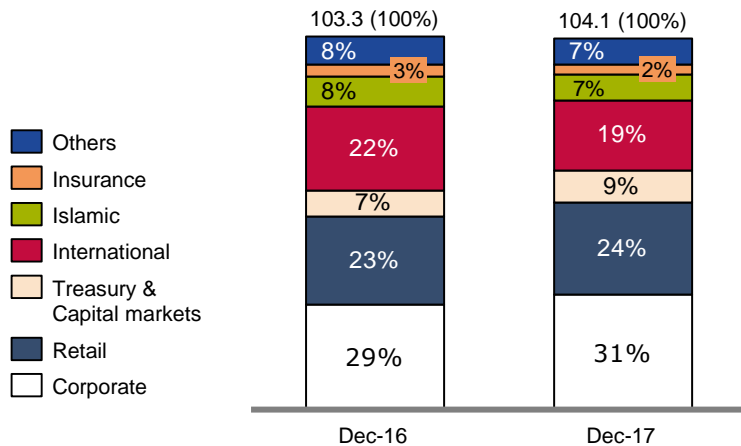
## Customer deposits



## Customer deposits split comparison (December 2017)



## Liabilities split by segments



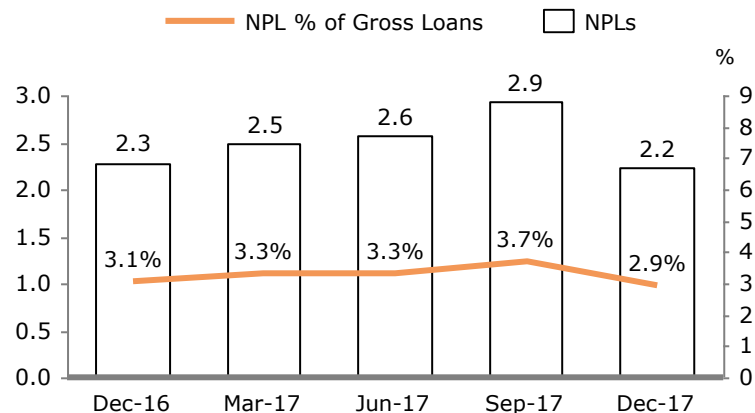
## Key Points

- > Customer deposits accounted for 73% of total liabilities
- > CASA formed a majority portion of customer deposits at 63% as compared to overall market at 55%; Time deposits contributed 37% of total deposits vs 45% for the market
- > Corporate Banking accounts for the largest portion of liabilities at 31%

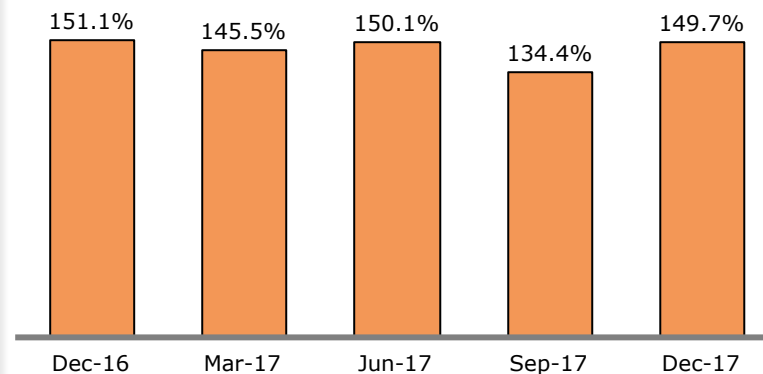
1) Represents data of UAE banking sector as of November 2017 sourced from Central Bank Statistical Bulletin

# Asset quality and liquidity [AED billion]

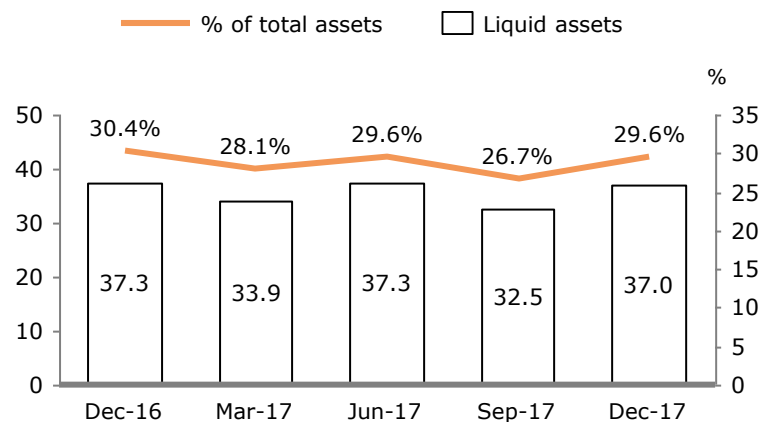
## NPL's and % of Gross Loans



## NPL Coverage Ratio [%]



## Liquid assets trend

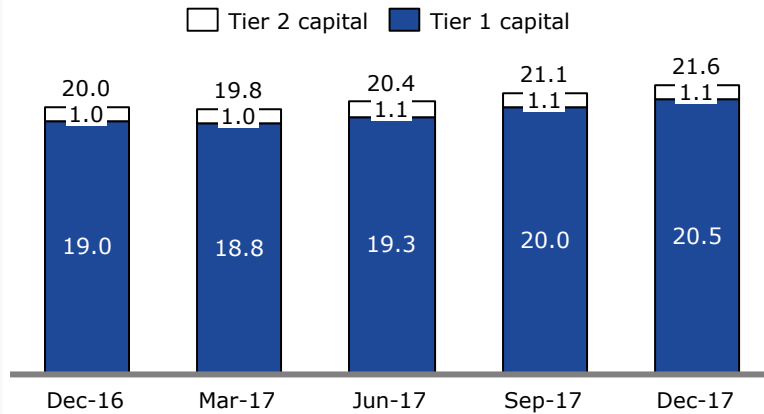


## Key Points

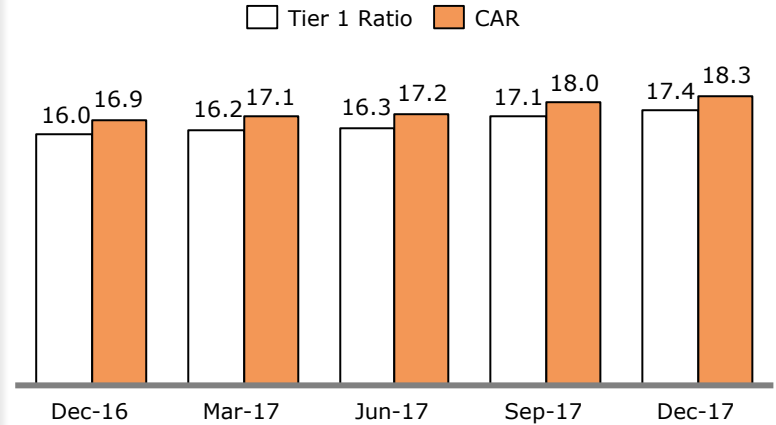
- > Mashreq has set aside AED 571 million net for Impaired assets in 4Q 2017. General provisions stand at 1.7% of Credit Risk Weighted Assets
- > NPLs have decreased by 24.1% in the fourth quarter compared to September 2017 to reach AED 2.2 billion; consequently the NPL's as % of Gross loans has decreased to 2.9%
- > Coverage ratio in December 2017 remains high at 149.7%
- > Liquid assets to total assets as of December 2017 was at 29.6%, as compared to 26.7% in September 2017 and 30.4% in December 2016

# Capital adequacy [AED billion; %]

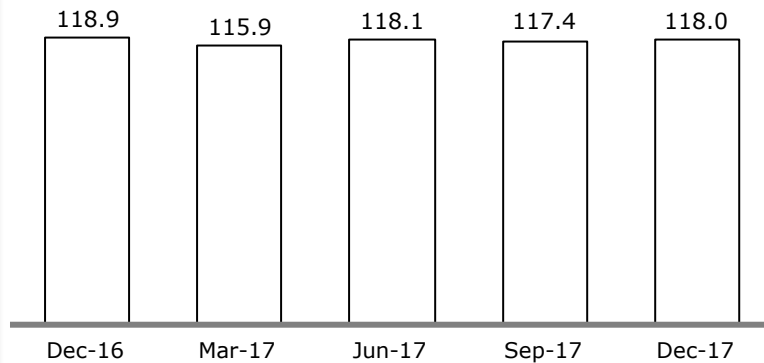
## Tier I and Tier II Capital [AED billion]



## Tier I and Capital Adequacy Ratios [%]



## Risk-weighted assets [AED billion]

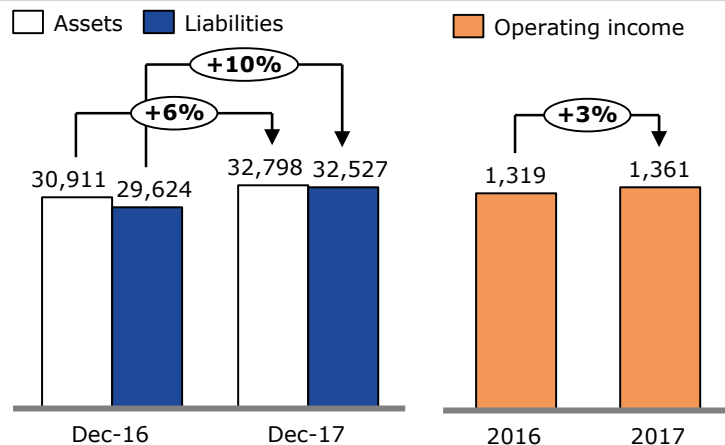


## Key Points

- > Tier 1 capital remained high at AED 20.5 billion
- > Tier 1 capital ratio of the bank was at 17.4% as of December 2017; 144 bps increase as compared to December 2016
- > The banks' overall capital adequacy ratio at 18.3% is higher than the regulatory requirements as per Central Bank of UAE (Basel II)
- > As per the Basel III regulations the total capital ratio is 17.2% and the Tier 1 ratio is 16.2%

## Business segment information [AED million]

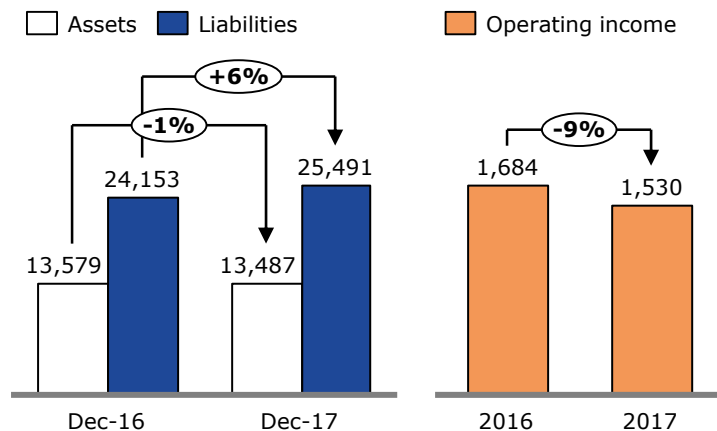
### Corporate Banking



### Key Points

- > Corporate banking is the biggest segment in Mashreq in terms of assets (26% of total assets) & liabilities (31% of total liabilities)
- > Assets at AED 32.8 billion increased by 6.1% year to date
- > Operating income increased by 3.1% in 2017 as compared to last year, accounting for 23% of total operating income in FY 2017
- > 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

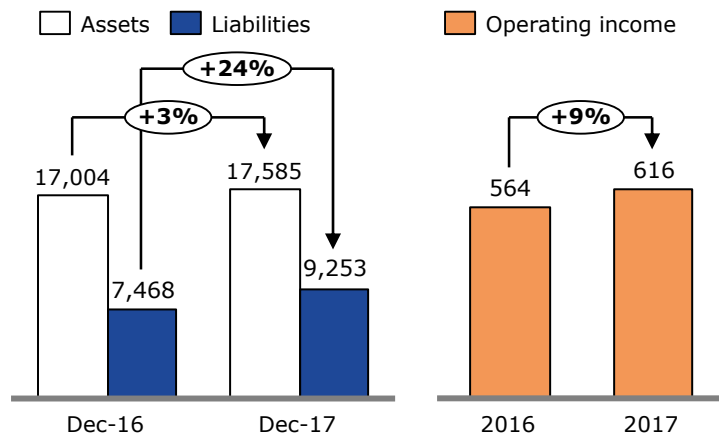


### Key Points

- > Retail banking is the largest contributor towards operating income at 25%
- > Y-o-Y operating income decreased by 9.1% driven by slowdown in Business Banking
- > Retail banking assets decreased by 0.7% and stand at AED 13.5 billion
- > Voted Middle East Retail Bank of the Year at Retail Banking Conference & Awards, London 2017
- > Received **EFMA 2017 Award** – Distribution and Marketing
- > Received award for the Best Mobile Banking Application in the UAE for 2017 - Snap

# Business segment information [AED million]

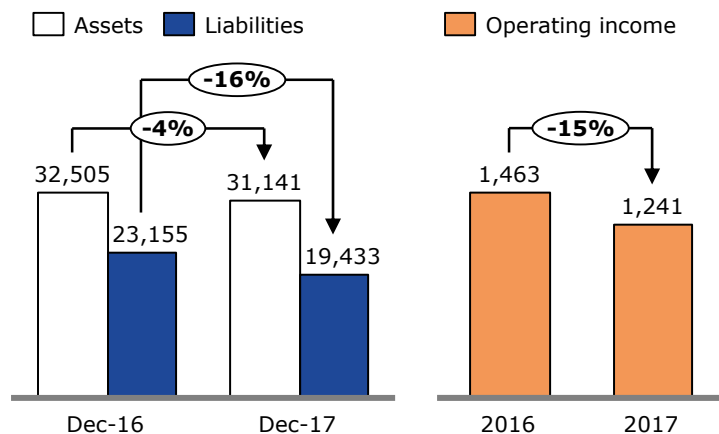
## Treasury & Capital Markets



## Key Points

- > Treasury & Capital markets accounts for 14% of assets and 9% of liabilities as of December 2017; Assets increased by 3% in the year and are at AED 17.6 billion
- > TCM Operating income contributed 10% to the total operating income in FY 2017
- > Operating income increased by 9.3% as compared to FY 2016 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

## International Banking



## Key Points

- > International business contributed 21% of operating income and 19% of liabilities
- > International Banking assets decreased by 4.2% as compared to December 2016 and make up 25% of total assets
- > Y-o-Y operating income reduced by 15.2% Y-o-Y primarily as a result of devaluation adjustment impact in Egypt





Performance Highlights

---

Financial Results

---

▶ Appendix

---

## 4Q 2017 financials – Consolidated Income statement [AED million]

Income statement	2017		2016	Variance (% change)		
	AED million	4Q	3Q	4Q	4Q 2017 vs 4Q 2016 (Y-o-Y)	4Q 2017 vs 3Q 2017 (Q-o-Q)
Net interest income <sup>1)</sup>		908	910	891	1.8%	(0.2%)
Fees and commission		381	414	392	(2.7%)	(7.9%)
Investment income / (loss) <sup>1)</sup>		4	29	(1)	(357.1%)	(86.9%)
Other income		288	88	223	29.4%	228.1%
<b>Total operating income</b>		<b>1,580</b>	<b>1,441</b>	<b>1,504</b>	<b>5.1%</b>	<b>9.7%</b>
Operating expenses		(605)	(581)	(620)	(2.5%)	4.0%
Operating profit		<b>976</b>	<b>860</b>	<b>884</b>	<b>10.4%</b>	<b>13.5%</b>
Impairment allowance		(571)	(265)	(425)	34.3%	115.9%
Overseas tax expense		(8)	(24)	(17)	(54.2%)	(68.3%)
Minority interest		(9)	(10)	(2)	486.0%	(9.3%)
<b>Net income</b>		<b>388</b>	<b>561</b>	<b>440</b>	<b>(11.9%)</b>	<b>(30.8%)</b>

1) NII component booked under net investment income as per IFRS, reclassified under NII; Includes Income from Islamic Financing

## FY 2017 financials – Consolidated Income statement [AED million]

Income statement	2017	2016	Variance (% change)
AED million	FY	FY	FY 2017 vs FY 2016 (Y-o-Y)
Net interest income <sup>1)</sup>	3,579	3,567	0.3%
Fees and commission	1,558	1,685	(7.5%)
Investment income / (loss) <sup>1)</sup>	107	58	84.9%
Other income	772	859	(10.1%)
<b>Total operating income</b>	<b>6,016</b>	<b>6,169</b>	<b>(2.5%)</b>
Operating expenses	(2,361)	(2,407)	(1.9%)
<b>Operating profit</b>	<b>3,655</b>	<b>3,762</b>	<b>(2.8%)</b>
Impairment allowance	(1,488)	(1,734)	(14.2%)
Overseas tax expense	(78)	(74)	4.5%
Non Controlling interest	(37)	(28)	35.3%
<b>Net income</b>	<b>2,052</b>	<b>1,926</b>	<b>6.5%</b>

1) NII component booked under net investment income as per IFRS, reclassified under NII; Includes Income from Islamic Financing

## 4Q 2017 financials – Consolidated Balance sheet [AED million]

Balance sheet	31 Dec 2017	31 Dec 2016	Variance (% change)
<b>Assets</b>			
Cash and balances with Central Banks	16,899	18,630	(9.3%)
Deposits and balances due from Banks	20,135	18,668	7.9%
Loans and advances	53,358	53,428	(0.1%)
Islamic financing and investment products	9,375	7,565	23.9%
Other financial assets	14,164	13,268	6.7%
Goodwill	14	15	(6.2%)
Other assets	9,381	9,552	(1.8%)
Investment properties	518	521	(0.6%)
Property and equipment	1,343	1,166	15.2%
<b>Total Assets</b>	<b>125,188</b>	<b>122,814</b>	<b>1.9%</b>
<b>Liabilities</b>			
Deposits and balances due to banks	9,313	8,932	4.3%
Repurchase agreements with banks	557	606	(8.0%)
Customers' deposits	69,380	69,947	(0.8%)
Islamic customers' deposits	6,681	7,093	(5.8%)
Insurance and life assurance funds	1,583	1,511	4.8%
Other liabilities	10,321	10,267	0.5%
Medium-term loans	6,226	4,972	25.2%
<b>Total Equity</b>	<b>21,126</b>	<b>19,486</b>	<b>8.4%</b>
<b>Total Liabilities and Equity</b>	<b>125,188</b>	<b>122,814</b>	<b>1.9%</b>