

An aerial photograph of a multi-level highway interchange at sunset. The sun is a large, bright orange orb partially obscured by clouds, casting a warm glow over the scene. To the right, a tall, modern skyscraper with a grid-like facade is visible, featuring a stylized orange leaf logo near the top. The highway below is filled with cars, their headlights and taillights creating a stream of light.

Management Discussion & Analysis Report

26 October 2023

NINE MONTHS
2023

Mashreq's Net Profit surges 122% to AED 5.8 billion in the first 9 months of 2023 driven by robust income growth and low risk cost

- Net interest income surges by 82%, benefiting from balance sheet growth, healthy client margins, while non-interest income shows a strong increase of 8.1% year on year.
- Balance sheet growth is fuelled by Loans and Advances growth (9.9% year to date) and customer deposits growth (16.7% year to date).
- Capital adequacy ratio of 18.6% reaffirms robust capital position in a dynamic market, while ROE increases to 32.1%.

Mashreq announces its financial results for 9M 2023 continuing its strong sustainable growth trajectory and enhancing shareholder value with an Earnings per Share of AED 28.75.

Key highlights:

1. Operating Income & Net Profit

- The increase in operating income and net profit is primarily attributed to a significant 82% increase in net interest income. This growth is a result of several factors, including the expansion of our balance sheet, healthy client margins, and the prevailing high-interest rate environment. Additionally, our non-interest income has reached AED 2.3 billion, marking a notable 8.1% year-on-year growth in 9M 2023.
- The bank has demonstrated a positive jaws ratio of 34.8% in 9M 2023, and the Cost-Income ratio has improved by over 8% year-on-year. This indicates effective control over operating costs while enabling continued investments in enhancing our client experience, risk management and supporting business growth.
- Operating profit has surged from AED 3.2 billion to AED 5.6 billion in 9M 2023, representing a remarkable 73% increase compared to the same period in 2022.
- The allowance for impairments has experienced a net release of AED 341 million, driven by a decrease of 69% year-on-year in low-risk charges, amounting to AED 244 million.
- Mashreq's Net Profit has soared to AED 5.8 billion for 9M 2023, a substantial increase of 122% year-on-year. This performance is attributed to our successful growth strategy, commitment to customer excellence, strong operating performance, efficient cost management, and prudent risk management capabilities.
- Return on Equity (ROE) at record-high of 32.1% in 9M 2023, doubling compared to 9M 2022.

2. Liquidity & Capital position

- High Liquidity denoted by a Liquid Assets ratio of 32.3% and an efficient Liquidity Coverage Ratio of 126.6% as of September 2023
- Capitalization level remains robust with the Capital adequacy ratio at 18.6%, Tier 1 Capital ratio at 16.3% and CET1 ratio at 15.6% as of September 2023

3. Credit Environment & Asset Quality

- Overall loan portfolio quality has improved significantly with gross impairments to gross assets at just 0.2% (0.8% in 9M 2022)
- The Non-Performing Loans to Gross Loans ratio declined to 1.5% as of end of September 2023 (2.2% as of December 2022) and is one of the lowest in the market.
- Total provision for loans and advances reduced to AED 4.0 billion in September 2023 from AED 4.8 billion in December 2022 and coverage ratio improved to 222.9% as on 30th September 2023 (190.8% in December 2022)

122%
YoY Net Profit Growth

5.8 billion
Net Profit (AED)

18.6%
Capital Adequacy Ratio

73.1%
Operating Profit Growth

9.9%
YTD Loans Growth

16.7%
YTD Customer Deposits Growth
(CASA 63%)

1.5%
NPL Gross Loans Ratio

32.1%
Return on Equity

3.8%
Return on Assets

29.1%
Cost to Income Ratio

H.E. Abdul Aziz Al Ghurair

Chairman of Mashreq

“The UAE banking sector continues to demonstrate remarkable resilience and growth, laying a strong foundation for the entire financial landscape of the country. Our recent achievement, a remarkable 122% year-on-year surge in net profits, stands as a testament to Mashreq’s enduring strengths and forward momentum. However, our vision extends beyond numbers. At Mashreq, we are firm in spearheading the region’s sustainability journey by offering tailored financial solutions that catalyse the transition to a greener economy, paving the way for the UAE’s goal of Net Zero by 2050. Through our association with COP28, we reiterate our dedication to combating climate change and championing a sustainable tomorrow. It is a time of reinvention, of looking ahead, and ensuring that as leaders in the banking industry, we not only drive profits but also champion the cause of a sustainable future for all.”

Ahmed Abdelaal

Group Chief Executive Officer

“Mashreq’s remarkable financial performance this year is a clear reflection of our relentless commitment to innovation and putting our customers first. The significant growth in net profit to AED 5.8 billion in the third quarter, spurred by an 82% increase in net interest income, underlines our strength and adaptability in an ever-changing financial landscape. Internationally, we continued to see the benefits of our diversified business model and strong balance sheet growth and our digital strides in Pakistan and licensing in Oman usher in a new era of exciting global growth. Our digital transformation continues to gain momentum with strategic partnerships with the likes of Alipay through NeoPay, enhancing our position in the digital banking revolution.

However, our commitments extend beyond business. Through our alliance with the Science-Based Targets Initiative (SBTi), we are expanding our environmental responsibility, solidifying our position at the frontline of industry sustainability, and underlining our pledge to a Net-Zero future.

Looking ahead, our strategy is multifaceted. Beyond financial investment, we aim to elevate the customer experience, fortify our security measures with cutting-edge fraud prevention, and optimize operations through automation. We are enthusiastic about amplifying our digital capabilities, especially by harnessing AI and nurturing flagship digital platforms like Neo and NeoBiz. Our journey has been commendable, but our vision remains expansive, awaiting the countless possibilities the future holds.”

9M 2023 Financial Highlights

Income statement (AED mn)	Quarterly Trend							
	9M		Δ%	3Q	2Q	3Q	Δ%	
	2023	2022	YoY	2023	2023	2022	QoQ	YoY
Net Interest Income & Income from Islamic Financing	5,621	3,088	82.0	2,005	1,870	1,246	7.2	60.9
Fee and commission	1,195	1,040	14.9	319	293	308	8.6	3.5
Investment Income	1	27	(97.9)	(3)	(15)	23	(78.4)	NM
Insurance, FX & Other Income	1,090	1,048	4.0	460	458	429	0.3	7.2
Total Operating Income	7,907	5,203	52.0	2,780	2,607	2,005	6.7	38.7
Operating Expenses	(2,304)	(1,967)	17.1	(853)	(690)	(728)	23.6	17.2
Operating Profit	5,603	3,236	73.1	1,927	1,917	1,277	0.5	50.9
Impairment Allowance	341	(471)	NM	395	43	(30)	826.2	NM
Tax Expense	(111)	(94)	17.6	(48)	(34)	(33)	42.9	46.3
Non-Controlling Interest	(65)	(73)	(11.0)	(22)	(19)	(24)	13.7	(10.5)
Net Profit for the Period	5,768	2,598	122.0	2,252	1,906	1,189	18.1	89.3
EPS [AED]	28.75	12.95	122.0	11.23	9.50	5.93	18.1	89.3

Balance Sheet (AED mn)	Sep	Sep	Δ%	Sep	Jun	Dec	Δ%	
	2023	2022	YoY	2023	2023	2022	QoQ	YTD
	Total Assets	218,342	187,587	16.4	218,342	210,964	197,245	3.5
Loans and Advances	99,275	91,326	8.7	99,275	94,956	90,303	4.5	9.9
Customer Deposits	132,864	109,430	21.4	132,864	126,778	113,806	4.8	16.7
Shareholder's Funds*	26,983	22,111	22.0	26,983	25,260	23,599	6.8	14.3

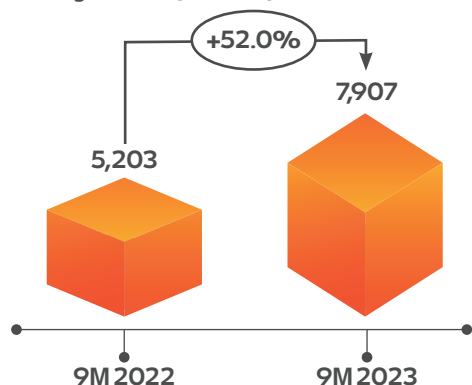
Key Ratios (%)	Sep	Sep	Δ bps	Sep	Jun	Dec	Δ bps	
	2023	2022	YoY	2023	2023	2022	QoQ	YTD
	CAR (Capital Adequacy Ratio)	18.56	15.18	338	18.56	18.00	16.02	56
Tier 1 Ratio	16.30	14.03	227	16.30	15.71	13.71	60	259
CET 1 Ratio	15.63	13.32	231	15.63	15.01	13.01	61	262
Loan-to-Deposits	74.72	83.46	(874)	74.72	74.90	79.35	(18)	(463)
Return-on-Assets**	3.83	2.01	183	3.83	3.58	2.10	25	173
Return-on-Equity**	32.07	16.78	1,529	32.07	30.22	17.54	184	1,453

* Equity attributable to owners of parent including noteholders of the Group

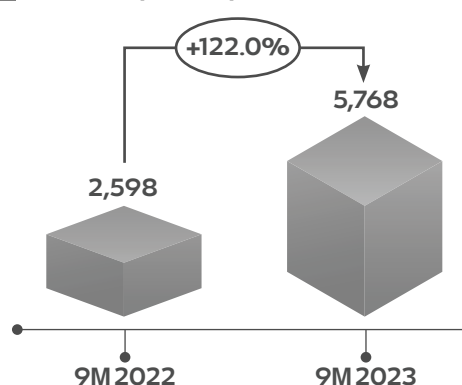
** Annualised

Exhibits

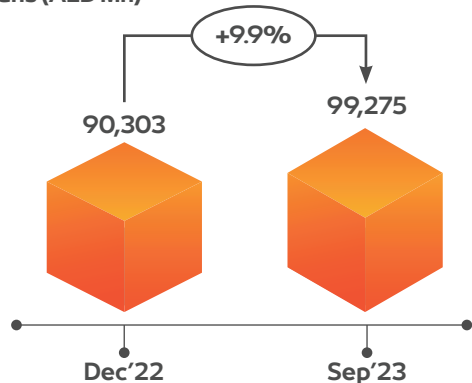
Operating Income (AED Mn)



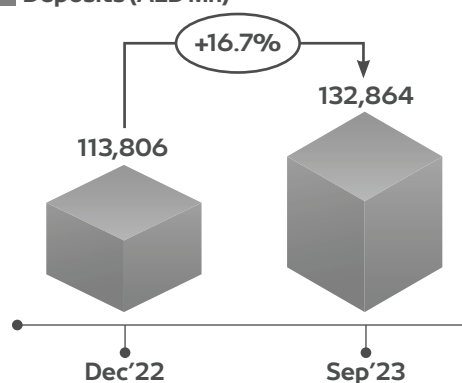
Net Profit (AED Mn)



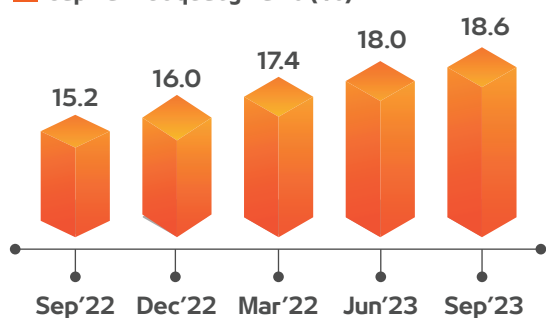
Loans (AED Mn)



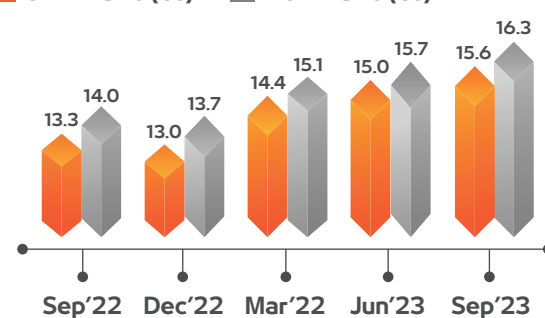
Deposits (AED Mn)



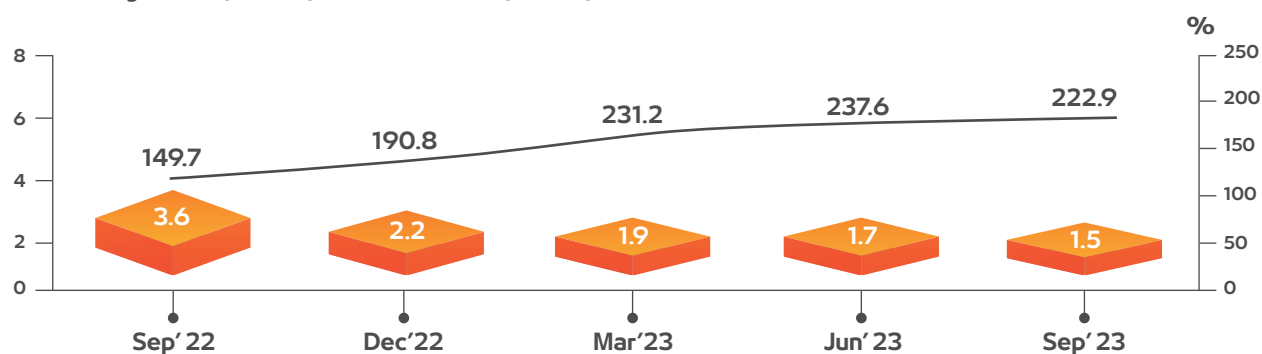
Capital Adequacy Ratio (%)



CET1 Ratio (%) Tier 1 Ratio (%)



Coverage Ratio (RHS %) NPL Ratio (LHS %)



9M 2023 Awards

World Finance

- Best Retail Bank in the UAE
- Best Private Bank

Great Place to Work for the second consecutive year

- Mashreq Global Network in India

The Digital Banker Middle East & Africa Retail Banking Innovation Awards 2023

- Best Hybrid Wealth Management Offering
- Outstanding Digital Transformation by a Islamic Retail Bank
- Best Islamic Loan Offering of the Year
- Best Islamic Retail Bank
- Best Customer Centric Business Model
- Best Digital Bank

Finnovex Middle East Awards 2023

- Excellence in Neo Banking

The Banker – Investment Banking Award 2023

- Syndicated Loans

The European Global Banking & Finance Awards 2023

- Best Bank for sustainable Finance 2023
- Best Performing Private Bank 2023
- Most Innovative Digital Bank for Business Banking 2023

Finance Derivative

- Best Retail Bank UAE 2023
- Best Customer Centric Retail Bank UAE 2023
- Best Bank For Online Product Offerings UAE 2023
- Best Bank For Savings Solution Provider UAE 2023
- Best SME Bank UAE 2023

UAE IAA

- Leading Practices in Internal Audit

The Banker Top 100 Arab Bank Rankings

- Mashreq Bank ranked 1st Best Performing Bank in the UAE
- Mashreq Bank ranked 1st in the Middle East for Pre-Tax profit growth
- Mashreq Bank ranked 1st in the Middle East for Return On Capital over 15%

The Asian Banking & Finance Retail Banking Awards 2023

- Digital Banking Initiative of the Year – UAE
- Service Innovation of the Year - UAE
- New consumer lending product of the year – UAE
- Wealth Management Platform of the Year - UAE

9M 2023 Awards

Forbes Middle East

- Top 100 listed companies in the Middle East for 2023

LEED Gold Certified by the U.S. Green Building Council

International Banker Awards

- Best Banking CEO of the Year Middle East 2023
- Best Commitment to ESG Principles UAE 2023

Infosys Finacle Innovation Awards 2023

- Business Model innovation - Federal-Mashreq Neo partnership for end-to-end digital NR onboarding journey

MEA Finance Summit & Awards 2023

- Best Innovation in Retail Banking'
- Digital Banking Innovation of the Year - UAE'.

Global Private Banking Innovation Awards 2023

- Best Private Bank for Funds
- Best Private Bank - UAE
- Best Family Office Offering

Euromoney Awards for Excellence

- Best Digital Bank in the Middle East
- Best Bank for Digital Solutions

The Asian Banking & Finance Retail Banking Awards 2023

- Wealth Management Platform of the Year - UAE Best Bank for Digital Solutions

LEED Zero Energy certification by the U.S. Green Building Council

MEED's MENA Banking Excellence Awards 2023

- Best Private Bank UAE

Global Business Magazine

- Best Mobile Banking Application UAE 2023
- Most Innovative Corporate Bank UAE 2023
- Best Online Services Bank UAE 2023

Global Finance - The Innovators 2023

- Most Innovative Bank in the Middle East
- Best Innovation Labs for 2023 - Mashreq Wholesale Digital Innovation Lab

9M 2023 Awards

EMEA Finance Achievement Awards 2022

- Best restructuring house in the Middle East

Wealth Tech Awards 2023

- Best private bank for digital customer service in the Middle East
- Most Innovative Client Lifecycle Management of the Middle East

2023 Middle East & North Africa Stevie® Awards

- Gold Stevie Trophy for Innovation Management in the Financial Industries

Forbes Regions Most Valuable Banks 2023 list.

- Mashreq is among the Top 50 most valuable banks in the MENA region

Euromoney Trade Finance 2023

- Market Leader in the UAE
- Best Service in Bahrain
- Best Service in Bangladesh
- Best Service in Kuwait
- Best Service in Qatar
- Best Service – Products – Africa
- Best Service - Industrial Goods – in Middle East
- Best Service - Retail Providers – in Middle East
- Best Service – Products – In Egypt

Euromoney Islamic Finance Awards 2023

- Mashreq Al Islami - Best Islamic Digital Bank- Global

MENA Banking Excellence Awards 2023

- Best Private Bank – UAE

Bonds, Loans & ESG Capital Markets Africa Award

- Financial Institutions Debt House of the Year

Award by Visa

- 'Best Client Experience' for achieving the highest transaction approval rates in the UAE for the year of 2022.

The Banker Magazines "Deals of the Year Awards 2023"

- Deal of the Year - Africa(Nigeria) - FIG - African DFI debut bond issue
- Deal of the Year - Middle East - FIG -Mashreq's inaugural Tier 2 issuance
- Deal of the Year - Middle East - High Yield and Leveraged Finance -AIR's \$525m syndicated term facilities
- Deal of the Year - Middle East - Restructuring - Gargash's refinancing, repricing and restructuring solution

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