

Management Discussion & Analysis Report

First Quarter 2020

16th April 2020

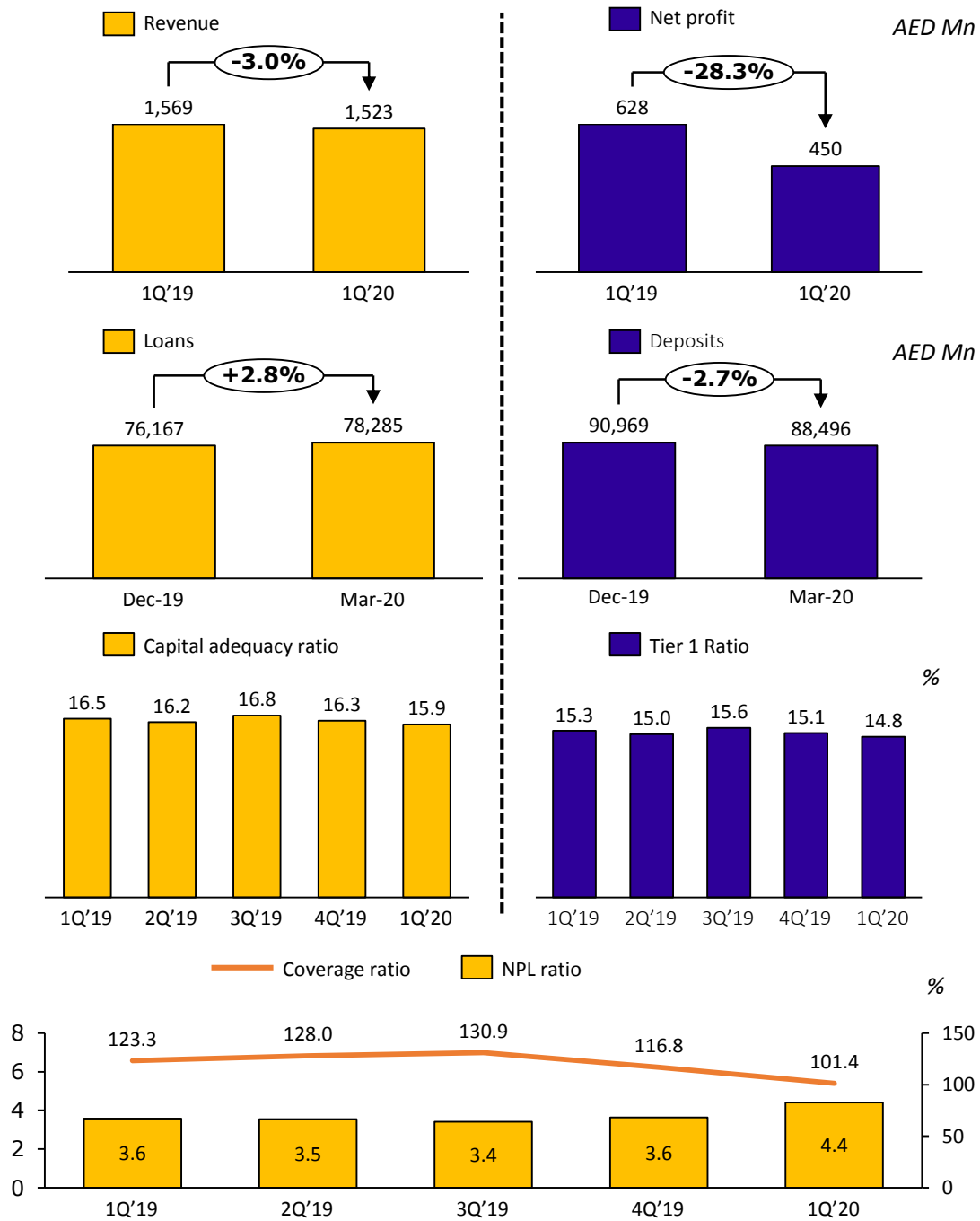
Mashreq posts AED 450 Million Net Profit for 1Q 2020

Dubai, UAE; 16th April 2020: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the first quarter ending 31st March 2020.

Key highlights [1Q 2020 vs 1Q 2019]:

- ***Stable Revenues***
 - Operating Income for 1Q 2020 stood at AED 1.5 billion, slight decline compared to last year.
 - Net Profit for the quarter stands at AED 450 million
- ***High proportion of non-interest income***
 - Mashreq's best-in-class non-interest income to operating income ratio increased to 48.7% vs 40.4% in 1Q 2019
 - Significant growth in Investment Income (AED 127 Mn in 1Q 2020 vs AED 48 Mn in 1Q 2019)
- ***Solid liquidity & Capital position***
 - Liquid Assets ratio stood at 31.8% with Cash and Due from Banks at AED 46.2 billion as on 31st March 2020
 - Capital adequacy ratio and Tier 1 capital ratio continue to be higher than the regulatory limit (15.9% and 14.8% respectively)
- ***Prudent Balance Sheet Growth***
 - Total Assets grew by 2.0% to AED 162.6 billion while Loans and Advances increased by 2.8% to reach AED 78.3 billion as compared to December 2019
 - Customer Deposits reduced by 2.7% to AED 88.5 billion
 - Loan-to-Deposit ratio remained strong at 88.5%
- ***Controlled Asset Quality in a Volatile Market***
 - Non-Performing Loans to Gross Loans ratio increased to 4.4% in March 2020 vs 3.6% in December 2019
 - Total Provisions for Loans and advances reached AED 4.3 billion, constituting 101.4% coverage for Non-Performing Loans

Exhibits:



Financial Highlights:

1Q 2020 Financial Highlights	Quarterly Trend							
	1Q		Δ %	1Q	4Q	1Q	Δ %	
Income statement (AED mn)	2020	2019	YoY	2020	2019	2019	QoQ	YoY
Net Interest Income & Income from Islamic Financing	782	936	(16.5)	782	960	936	(18.6)	(16.5)
Fee and commission	348	361	(3.5)	348	327	361	6.3	(3.5)
Investment Income	127	48	165.8	127	39	48	225.0	165.8
Insurance,FX & Other Income	266	225	18.5	266	142	225	87.8	18.5
Total Operating Income	1,523	1,569	(3.0)	1,523	1,468	1,569	3.8	(3.0)
Operating Expenses	(632)	(651)	(2.9)	(632)	(629)	(651)	0.4	(2.9)
Operating Profit	891	918	(3.0)	891	838	918	6.3	(3.0)
Impairment Allowance	(409)	(261)	56.5	(409)	(507)	(261)	(19.5)	56.5
Tax Expense	(11)	(8)	41.4	(11)	(7)	(8)	57.8	41.4
Non-Controlling Interest	(21)	(21)	(0.8)	(21)	(16)	(21)	s	(0.8)
Net Profit for the Period	450	628	(28.3)	450	308	628	46.3	(28.3)
EPS [AED]	2.54	3.54	(28.3)	2.54	1.73	3.54	46.3	(28.3)
	Mar	Mar	Δ %	Mar	Dec		Δ %	
Balance Sheet (AED mn)	2020	2019	YoY	2020	2019		YTD	
Total Assets	162,561	141,667	14.7	162,561	159,431		2.0	
Loans and Advances	78,285	69,859	12.1	78,285	76,167		2.8	
Customer Deposits	88,496	80,646	9.7	88,496	90,969		(2.7)	
Shareholder's Funds	21,001	20,080	4.6	21,001	21,533		(2.5)	
	Mar	Mar	Δ bps	Mar	Dec		Δ bps	
Key Ratios (%)	2020	2019	YoY	2020	2019		YTD	
CAR (Capital Adequacy ratio)	15.93	16.47	(54)	15.93	16.28		(35)	
Tier 1 Ratio	14.79	15.35	(56)	14.79	15.15		(36)	
Loan-to-Deposits	88.46	86.62	184	88.46	83.73		473	
Return-on Assets*	1.24	1.90	(67)	1.24	1.49		(25)	
Return-on-Equity*	8.47	12.49	(402)	8.47	9.91		(144)	

*Annualized

Ahmed Abdelaal, Group CEO at Mashreq Bank said: "These are difficult times for the whole world and despite a tough operating environment, Mashreq continued its positive growth trajectory in 1Q 2020.

We achieved a respectable AED 450 million in net profit for the first quarter of 2020 despite strong headwinds like steep decline in interest rates and impact of the COVID-19 crisis. Our revenue has also remained stable with our loans and advances growing by almost 3% in the first quarter of 2020. It is also worth mentioning that our best-in-class non-interest income to operating income ratio increased to 48.7%, compared to 40.4% over the same period last year. Furthermore, we also continued to show robust liquidity with a liquid assets ratio of 31.8%.

Given the unprecedented situation we are facing now, we invoked several management actions during the quarter, aimed at ensuring the safety and security of all our stakeholders as well as supporting their financial well-being. We constituted a task force with representation from all departments to monitor the COVID-19 situation and take proactive decisions to resolve any concerns.

As a result, today, 97% of our workforce operate from home and continue to provide uninterrupted service to our customers, which is testament to our robust business continuity planning measures. In March, we also rolled out a substantial banking benefits package for all customers that have been impacted by the outbreak. The package, which extends to new and current Mashreq customers, will provide relief to employees and businesses, particularly in stressed sectors, through assistance such as reduced costs, loan deferrals, reduced interest rates and processing fees.

Mashreq has taken every measure to ensure that during these testing times we do not compromise on our service levels. We continue to monitor local developments that affect our offices around the world, and remain in communication with our customers, to ensure that they have the access they need to all channels including our digital and online channels.

Mr. Abdelaal concluded, "In a time where people are increasingly adopting digital behaviors and embracing convenience, I believe that Mashreq is uniquely positioned in the market to realize the benefits from our early investments in innovation and digitization. I am confident

that we will get through this testing phase, and want to reiterate our commitment to creating long term value for our clients and shareholders.”

-ENDS-

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1Q 2020 Awards:

2020

- **Dubai Chamber of Commerce CSR Label –**

Mashreq is the only UAE financial institution to achieve this accreditation for the ninth consecutive year since 2009

- **Global Finance**

Best Bank for New Financial Technology in Middle East

- **UAE Ministry of Human Resources & Emiratization (MOHRE)**

Emiratization Award in the category of large establishments (1000+ employees)
Best Emirati in Supervisory Level across the country's private sector

- **Gartner Eye on Innovation Award**