

Management Discussion & Analysis Report

Year End 2020

10th February 2021

Mashreq posts AED 5.1 Billion Revenue for YE 2020

Dubai, UAE; 10th February 2021: Mashreq, one of the leading financial institutions in the UAE, has reported its financial results for the year ending 31st December 2020.

- **YoY decline in revenue by 14.1% to AED 5.1bn**
 - The decline is mainly driven by the low interest rate regime, the impact of the pandemic and slower economic activities as a result of the lower oil prices.
 - Non-interest income to operating income ratio remained strong at 48%, an industry leading position in the UAE.
 - Newly introduced digital channels supported a 55% increase in the client base, where CASA balances witnessed a 23.5% YoY increase of AED 8.9bn.
 - 84% of retail clients were onboarded digitally and corporate payments shifted to 100% digital during the year, substantiating the effectiveness of the bank's transformation strategy.
- **Expenses & Revenues from Operations**
 - While we continued to invest in our transformation programs across all verticals, which will be crucial for delivering our future strategic objectives, our operational costs saw a drop of 5% driven mainly by the digitization efficiencies. However, YoY overall costs position was up by 12.3% due to one off cost associated with branches rationalization in UAE and enablement of remote working for our global staff during the pandemic.
 - Income from operations before risk charges was AED 2.2bn, which is down 34.6% YoY, a result of the drop in revenue and one-off operational costs.
- **Impairment Allowance: charge of AED 3.4bn up from AED 1.2bn in FY'19**
 - Despite the pandemic the quality of the international corporate book along with that of retail banking remained intact. However, the UAE Corporate portfolio was impacted over the course of the year, particularly within a few sectors such as contracting and healthcare.
 - NPL ratio is 5.1% and coverage is 130% reflecting prudent measures taken to maintain the quality of the portfolio.
- **Net Profit down: AED 1.3bn loss from AED 2.1bn profit in FY'19**
 - This is a direct result of lower operating income and higher risk charges.
- **Adequate Liquidity & Capital position**
 - Capital adequacy ratio at 16.0% and Tier 1 capital ratio at 14.9%

- We proactively managed our liquidity position throughout the year and have consistently taken a conservative approach to our liquidity position. At year end liquidity coverage ratio (LCR) stood at 160% and loans to deposits (LTD) ratio is 81% signifying a solid liquidity position.

Management Comments:

H.E AbdulAziz Al Ghurair, Chairman of Mashreq, said: "COVID-19 has been both a significant disruptor as well as a catalyst for positive change in business operations. The pace of vaccine rollout in the UAE as well as in other countries provides us with cautious optimism that the regional and global economies will steadily recover as the year progresses, fuelling future growth.

These have been unprecedented times, and our focus throughout has been to work closely with our clients, and colleagues, delivering uninterrupted services, consistency of standards and the safest possible working environment. I am very proud of how our people have risen to the challenge, and gone above and beyond for all our clients.

In 2020, we focused on enhancing our already advanced digital transformation, delivering innovative digital, AI and data-centric solutions, and completely new propositions for our clients. We also continued to invest in fundamental programmes that will position this bank for long term growth, as our industry changes shape around us, and to keep pace with the technologies that drive us forward. I firmly believe this is the right strategy, for our shareholders, for this country, and for our clients. Mashreq is, and will continue to be, a core contributor to the UAE economy for many years to come."

Ahmed Abdelaal, Group CEO, Mashreq Bank, said: "Over the course of 2020, we actively managed our position and took a prudent approach to safeguard Mashreq's position, whilst doing everything in our power to help our customers prosper. We expect to see a challenging first half in 2021, but are cautiously optimistic for a recovery in the second half.

As we begin to look forward, it is important to recognise that the future of banking is rapidly merging with the trajectory of technology. We believe investments in our digital platforms and operating model will deliver sustainable savings in the long term, and position us strongly for this existential change impacting our industry.

Our strategy is clear; we will continue to focus on customer-centricity, which we believe will fuel future growth. We will continue to invest in strategic digital fundamentals, which deliver

sustainable efficiencies and growth. Further building and growing our international franchise will allow us to continue to connect the UAE with financial centres and trade around the world and access a global pool of talent to further accelerate this growth. And we will continue to strive to be first to market with innovative products and solutions, that our customers want and need.

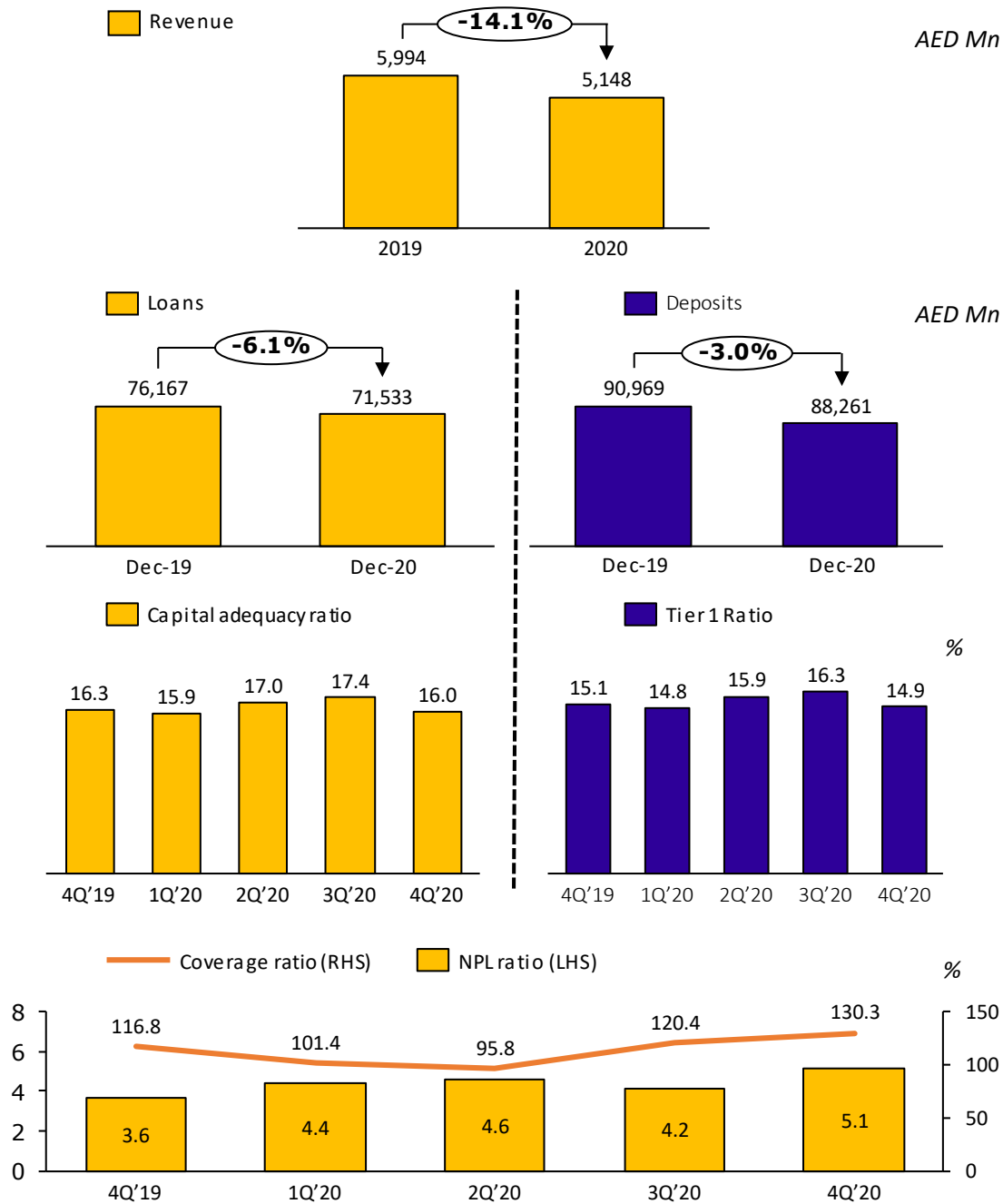
I would like to thank our customers, staff, and shareholders for their unwavering commitment and support.

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Financial Highlights:

YE 2020 Financial Highlights	Annual Trend			Quarterly Trend				
	YE		Δ %	4Q	3Q	4Q	Δ %	
Statement of Profit/(Loss) (AED mn)	2020	2019	YoY	2020	2020	2019	QoQ	YoY
Net Interest Income & Income from Islamic Financing	2,676	3,707	(27.8)	616	561	960	9.9	(35.8)
Fee and commission	1,220	1,365	(10.7)	284	283	327	0.5	(13.3)
Investment Income	321	150	114.6	32	67	39	(52.0)	(17.3)
Insurance, FX & Other Income	931	772	20.6	244	229	142	6.6	72.4
Total Operating Income	5,148	5,994	(14.1)	1,177	1,140	1,468	3.2	(19.8)
Operating Expenses	(2,945)	(2,623)	12.3	(1,061)	(629)	(629)	68.7	68.6
Operating Profit	2,203	3,371	(34.6)	116	511	838	(77.3)	(86.1)
Impairment Allowance	(3,357)	(1,212)	176.9	(1,714)	(665)	(507)	157.9	237.8
Tax Expense	(52)	(23)	127.7	(19)	(12)	(7)	63.9	170.4
Non-Controlling Interest	(73)	(71)	2.3	(13)	(18)	(16)	(27.6)	(18.9)
Net Profit / (Loss) for the Period	(1,278)	2,065	(161.9)	(1,630)	(183)	308	-	-
(Loss)/Earning per share [AED]	(7.20)	11.63	-	(9.18)	(1.03)	1.73	-	-
	Dec	Dec	Δ %	Dec	Sep	Dec	Δ %	
Balance Sheet (AED mn)	2020	2019	YoY	2020	2020	2019	QoQ	YTD
Total Assets	158,523	159,431	(0.6)	158,523	169,724	159,431	(6.6)	(0.6)
Loans and Advances	71,533	76,167	(6.1)	71,533	73,942	76,167	(3.3)	(6.1)
Customer Deposits	88,261	90,969	(3.0)	88,261	94,716	90,969	(6.8)	(3.0)
Shareholder's Funds	19,431	21,533	(9.8)	19,431	21,003	21,533	(7.5)	(9.8)
	Dec	Dec	Δ bps	Dec	Sep	Dec	Δ bps	
Key Ratios (%)	2020	2019	YoY	2020	2020	2019	QoQ	YTD
CAR (Capital Adequacy ratio)	16.01	16.28	(27)	16.01	17.42	16.28	(141)	(27)
Tier 1 Ratio	14.87	15.15	(28)	14.87	16.29	15.15	(142)	(28)
Loan-to-Deposits	81.05	83.73	(268)	81.05	78.07	83.73	298	(268)
Return-on Assets	(0.88)	1.49	-	(0.88)	0.31	1.49	-	-
Return-on-Equity	(6.24)	9.91	-	(6.24)	2.21	9.91	-	-

Exhibits:



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