

Management Discussion & Analysis Report

Nine Months 2021

9th November 2021

Mashreq posts AED 265 million Net Profit for 9M 2021

Dubai, UAE; 9th November 2021: Mashreq, one of the leading financial institutions in the UAE, today has reported its financial results for the nine months ending 30th September 2021.

Key highlights:

- **Robust Growth in Operating Income**
 - Operating Income has increased by 8.2% over the previous year to AED 4.3 billion due to improvements in fees and commission
 - Mashreq's non-interest income to operating income ratio continues to remain high at 48.0% (48.1% as of September 2020)
 - Operating profit at AED 2.4 billion is a 14.3% increase compared to 9M 2020 as a result of increased operating income
- **Comfortable Liquidity & Capital position**
 - Growth of 7.4% YTD in Customer deposits to reach AED 94.8 billion
 - Liquid Assets ratio stood at 29.5% with Cash and Due from Banks at AED 45.7 billion as on 30th September 2021
- **Strong Growth in the Loan Portfolio**
 - Total assets increased by 7.0% YTD to AED 169.6 billion and Loans and Advances increased by 7.6% YTD to AED 77.0 billion
 - Loan-to-Deposit ratio remained stable at 81.2% at the end of September 2021
- **Uncertain Credit Environment**
 - Impairment allowance stands at AED 2.0 billion vs AED 1.6 billion for 9M 2020
 - Non-Performing Loans to Gross Loans ratio was at 5.6% as of end of September 2021 (4.7% as of June 2021)
 - Total provision for loans and advances reached AED 6.6 billion and coverage ratio stood at 125.0% as on 30th September 2021 (up from 117.0% in June 2021)

Abdul Aziz Al Ghurair, Chairman of Mashreq Bank, said: "Mashreq recorded a net profit of AED 265 million for the period ending 30th September 2021. The UAE national economy has returned to growth, providing new opportunities for Mashreq across all lines of business. The continued support from the UAE's national leadership, as well as significant milestones such as the Expo 2020 and the nation's upcoming Golden Jubilee, have resulted in a stronger business environment and increased consumer confidence.

Despite the bank's conservative risk strategy, the bank has been able to deliver robust growth and maintain a comfortable liquidity position, providing fiscal headroom to continue to invest in our most vital asset, our people. Skills development and the encouragement of digital innovation are embedded in our corporate strategy and remain critically important as we build market share to benefit our employees, customers and shareholders."

Ahmed Abdelaal, Group CEO of Mashreq Bank, said: "Mashreq's advanced digital transformation program has continued to deliver outstanding service to customers throughout the nine months ending 30th September 2021. Digital platforms supported growth of 7.4% YTD in customer deposits, a liquid asset ratio of 29.5% and a subsequent capital adequacy ratio and Tier 1 capital ratio of 14.4% and 13.3% respectively.

The bank's operating profit for 9M 2021 rose by 14.3% to AED 2.4 billion compared to the same period in 2020. This is generated mainly from a 26.2% increase in fee and commission income. These financial outcomes reflect not only the bank's fiscal resilience but a sustained economic recovery at home and abroad.

A growing sense of consumer and business confidence within the region has also supported strong growth across Mashreq's loan portfolio. Total assets increased by 7.0% YTD to AED 169.6 billion and loans and advances increased by 7.6% YTD to AED 77.0 billion. Meanwhile, the bank's loan-to-deposit ratio remained stable at 81.2% at the end of September 2021.

However, we believe that progress cannot be made without the development of a diverse, inclusive, and enabling working environment. The successful adoption of our 'work from anywhere' culture, which we rolled out in 2021 is one such step in this direction. We doubled down on our commitment to Emiratization by investing in young Emirati talent through our internal and external programs - such as our newly launched Al Mustaqbal initiative - which aims to boost the career growth and development of our high potential Emirati talents."

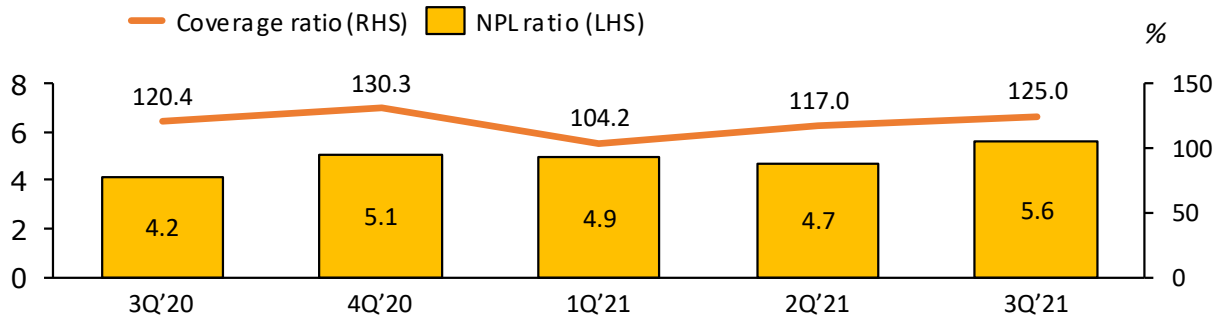
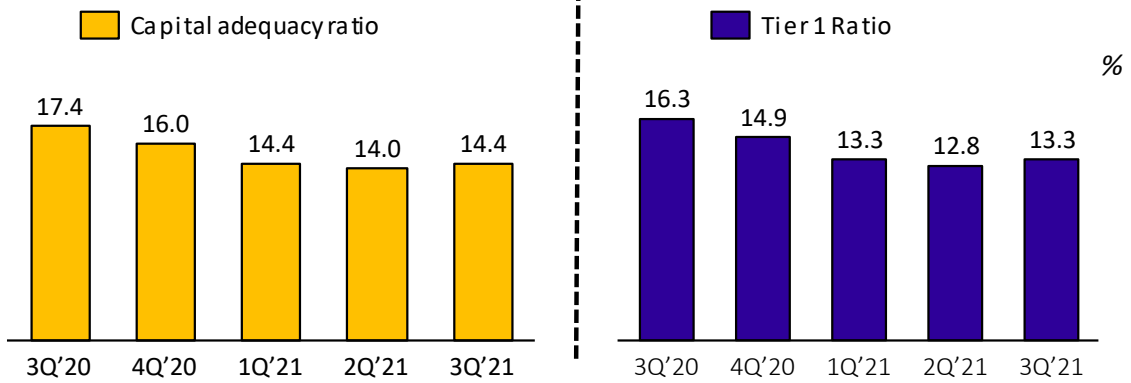
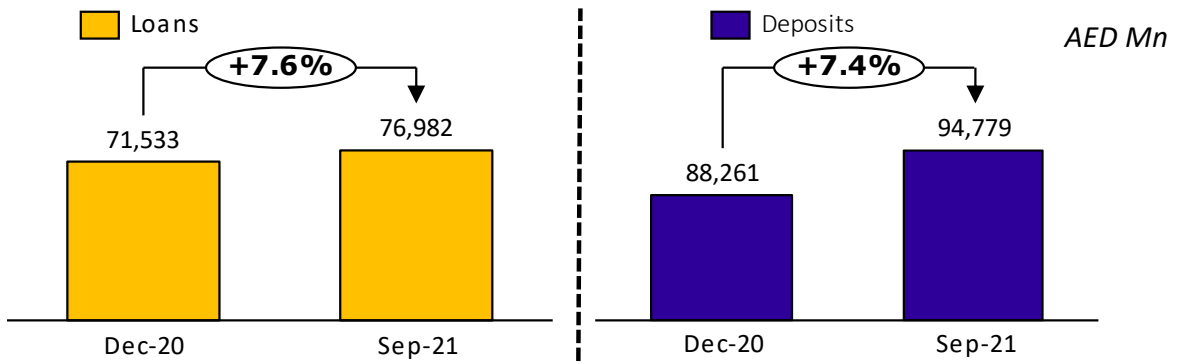
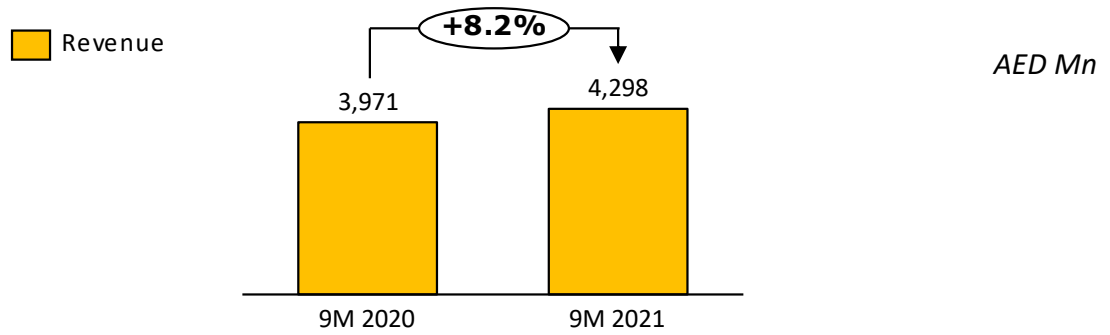
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Financial Highlights:

9M 2021 Financial Highlights	Nine Monthly Trend			Quarterly Trend				
	9M		Δ %	3Q	2Q	3Q	Δ %	
	2021	2020	YoY	2021	2021	2020	QoQ	YoY
Income statement (AED mn)								
Net Interest Income & Income from Islamic Financing	2,235	2,060	8.5	795	743	561	7.0	41.7
Fee and commission	1,180	935	26.2	362	369	283	(2.1)	28.0
Investment Income	174	289	(39.8)	40	105	67	(62.0)	(40.6)
Insurance,FX & Other Income	708	687	3.2	231	243	229	(4.8)	1.0
Total Operating Income	4,298	3,971	8.2	1,428	1,461	1,140	(2.2)	25.2
Operating Expenses	(1,912)	(1,884)	1.5	(691)	(601)	(629)	15.0	9.9
Operating Profit	2,386	2,087	14.3	737	860	511	(14.3)	44.2
Impairment Allowance	(2,035)	(1,643)	23.8	(538)	(785)	(665)	(31.5)	(19.0)
Tax Expense	(32)	(33)	(4.1)	(6)	(12)	(12)	(53.7)	(51.8)
Non-Controlling Interest	(54)	(59)	(8.3)	(13)	(20)	(18)	(32.8)	(27.1)
Net Profit for the Period	265	352	(24.7)	180	42	(183)	324.1	NM
EPS [AED]	1.49	1.98	(24.7)	1.01	0.24	(1.03)	324.1	NM
	Sep	Sep	Δ %	Sep	Jun	Dec	Δ %	
Balance Sheet (AED mn)	2021	2020	YoY	2021	2021	2020	QoQ	YTD
Total Assets	169,561	169,724	(0.1)	169,561	172,763	158,523	(1.9)	7.0
Loans and Advances	76,982	73,942	4.1	76,982	77,282	71,533	(0.4)	7.6
Customer Deposits	94,779	94,716	0.1	94,779	95,433	88,261	(0.7)	7.4
Shareholder's Funds	19,389	21,003	(7.7)	19,389	19,302	19,431	0.4	(0.2)
	Sep	Sep	Δ bps	Sep	Jun	Dec	Δ bps	
Key Ratios (%)	2021	2020	YoY	2021	2021	2020	QoQ	YTD
CAR (Capital Adequacy ratio)	14.44	17.42	(298)	14.44	13.97	16.01	48	(156)
Tier 1 Ratio	13.31	16.29	(298)	13.31	12.83	14.87	48	(156)
Loan-to-Deposits	81.22	78.07	316	81.22	80.98	81.05	24	18
Return-on Assets*	0.23	0.31	(8)	0.23	0.11	(0.88)	12	111
Return-on-Equity*	1.84	2.21	(37)	1.84	0.89	(6.24)	95	807

*Annualized

Exhibits:



3Q 2021 Awards:

- **Asiamoney**
 - Best Digital Bank in the Middle East
 - Best Transaction Bank in the Middle East
 - Best Digital Bank in Dubai

- **EMEA Finance's Treasury Services Awards:**
 - Best Factoring Services in the Middle East
 - Best Payment Services in the Middle East
 - Best Treasury Services in the Middle East

- **Global Private Banking Awards**
 - Best Private Bank in the UAE

- **Global Islamic Finance Awards (GIFA) 2021**
 - Best New Sukuk – Bahrain – Mashreq
 - Most Innovative Deal - Saudi Arabia - Mashreq Al Islami
 - Deal of the Year – UAE - Mashreq

- **Private Banker International Global Wealth awards**
 - Outstanding Private Bank Middle East

- **Finnovex Middle East Awards 2021**
 - CTO OF THE YEAR
 - EXCELLENCE IN NEOBANK

- **Global Finance - Best Digital Banks 2021**
 - Best Consumer Digital Bank
 - Best Corporate/Institutional Digital Bank in UAE
 - Best Trade Finance Services in UAE
 - Best Online Portal in UAE
 - Most Innovative Digital Bank in UAE

- **Asian Banking & Finance - Corporate & Investment Banking Awards 2021**
 - Debt deal of the year
 - Syndicated deal of the year

- **Euromoney Regional Awards for Excellence**
 - Middle East's Best Digital Bank

- **MEA Finance**
 - Digital Banking Innovation of the Year
 - Best Cybersecurity and Risk Management Implementation
 - Best Branch Digitisation Implementation

- **Finance Derivative**
 - Best Smart Retail Bank Middle East 2021
- **Global Finance**
 - Innovation in Cash Management – Collateral Cheque Management Solution
 - Innovation in Islamic Finance – Personal Finance Application
- **World Economic Magazine**
 - Best Digital Bank UAE 2021

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