Management Discussion & Analysis Report

Nine Months 2022

25th October 2022

Mashreq reports 33% increase in operating profits,

AED 2.6 billion Net Profit and 12.1% growth in advances for 9M 2022

Dubai, UAE; 25th October 2022: Mashreq, one of the leading financial institutions in MENA, today has reported its financial results for the nine months ending 30th September 2022.

Key highlights:

1. *Strong Growth in Operating Income & Net Profit*

a) Operating Income has increased by 24.3% over the previous year to AED 5.3 billion mainly due to increased Net Interest Income driven by organic growth across all business activities

b) Mashreq's non-interest income to operating income ratio continues to remain one of the industry's best at 42.2%

c) Operating profit at AED 3.2 billion represents a 33.2% increase compared to 9M 2021 as a result of healthy operating income and control over operational costs

d) Mashreq posted a healthy Net Profit of AED 2.6 billion in 9M 2022.

2. *Comfortable Liquidity & Capital position*

a) Growth of 7.8% YTD in Customer deposits to reach AED 109.4 billion

b) Liquid Assets ratio stood at 29.5% as of September 2022 (29.0% in December 2021)

c) Very comfortable Capital adequacy ratio at 15.2% and Tier 1 Capital ratio at 14.0% as of September 2022

3. Healthy Growth in the Loan Portfolio

a) Total Loans and Advances increased by 12.1% YTD to AED 91.3 billion

b) Loan-to-Deposit ratio remained stable at 83.5% at the end of September 2022

4. Improved Credit Environment

a) Impairment allowance reduced significantly to AED 494 million in 9M 2022 and represents only 0.6% of loans

b) Non-Performing Loans to Gross Loans ratio declined to 3.6% as of end of September 2022 (5.2% as of December 2021)

c) Total provision for loans and advances reached AED 6.0 billion and coverage ratio improved to 149.7 % as on 30th September 2022 (128.2% in December 2021)

H.E AbdulAziz Al Ghurair, Chairman of Mashreq, said:

"As we approach the end of the year, it is my pleasure to announce a healthy net profit of AED 2.6 billion for Mashreq Bank for the first nine months of the year. With the rapid adoption of our innovative digital services by our customers in the UAE and beyond, these figures are a true testament to the hard work, commitment and dedication of the entire team at Mashreq."

"Our recent launch of the new brand identity 'Rise Every Day', reflects our new direction that aims at building deeper and more personalized connections with our customers and partners. The principles behind Rise Every Day comes from Mashreq's strong belief in helping our clients to succeed and to fulfil their aspirations, supporting our people to realize their ambitions and to facilitate building better lives and livelihoods in the society through hard work and innovation. These principles are core to our professional genes and have been hard wired over many decades in the DNA of every business that we do and governs our aspiration to shape the future of financial services through convenience, innovation and trust, while consistently delivering unmatched experience to our customers."

Ahmed Abdelaal, Group Chief Executive Officer, Mashreq, said:

"I am delighted to report solid growth in our balance sheet for the first nine months of the year, an achievement everyone at Mashreq can be hugely proud of as we continue to cement our position in the market as a powerful digital disruptor. Our Total Loans and Advances increased by 12.1% to reach AED 91.3 billion, while at the same time, our Loan-to-Deposit ratio remained stable at 83%."

"The latest positive results were achieved largely by a 24.3% increase in operating income over the same period last year to reach AED 5.3 billion driven by robust results from both our domestic and international operations. Our non-interest income to operating income ratio, at 42.2%, also continues to be well above the industry benchmark."

"Over the last nine months, we have launched innovative new products, including Mashreq Business Banking Value Added Services, our non-banking business services platform enabling business success and helping SMEs do business better. We have joined the United Nations Global Compact initiative – a voluntary leadership platform for the development, implementation, and disclosure of responsible business practices. We also made good headway in embedding ESG practices, with the development of a robust sustainability framework and initiatives that is being deployed across our network in addition to the escalation of our regional and international engagement to support and sponsor some of the most prestigious global events in this domain over the coming months. This quarter also marked the launch of our inaugural US$300 million Additional Tier 1 offering in Q3, which attracted orders of more than US$500 million, further strengthening Mashreq's capital structure and leverage ratios, and positioning the Bank for further balance sheet growth."

“Despite the financial headwinds enveloping the world, the bank remains on point to build on the robust results achieved so far in 2022. This success was achieved, with our customers at the front and center, in a responsible fashion as we continue our mission to preserve the environment, develop corporate governance, support philanthropy and strengthen our commitment to society.”

“With the efforts of our employees, we know we can continue to achieve great things, innovating and creating to unlock greater choice and opportunities for our loyal customers globally.”

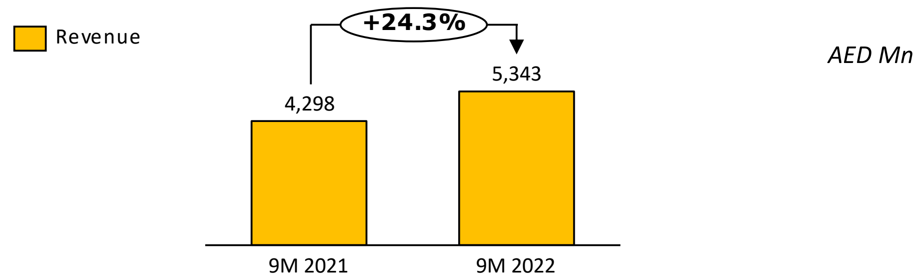
Financial Highlights:

9M 2022 Financial Highlights	Nine Monthly Trend			Quarterly Trend				
	9M		Δ %	3Q	2Q	3Q	Δ %	
Income statement (AED mn)	**2022**	**2021**	**YoY**	**2022**	**2022**	**2021**	**QoQ**	**YoY**
Net Interest Income	**3,090**	2,235	38.2	**1,246**	1,015	795	22.7	56.7
Fee and commision	**1,334**	1,180	13.1	**404**	476	362	(15.1)	11.7
Investment Income	**27**	174	(84.7)	**22**	(14)	40	(264.9)	(43.8)
Insurance,FX & Other Income	**892**	708	25.9	**369**	261	231	41.3	59.3
Total Operating Income	**5,343**	4,298	24.3	**2,041**	**1,738**	1,428	17.4	42.9
Operating Expenses	**(2,164)**	(1,912)	13.2	**(797)**	(697)	(691)	14.4	15.4
Operating Profit	**3,179**	2,386	33.2	**1,243**	1,041	737	19.4	68.7
Impairment Allowance	**(494)**	(2,035)	(75.7)	**(28)**	(213)	(538)	(86.7)	(94.7)
Tax Expense	**(41)**	(32)	29.0	**(14)**	(15)	(6)	(1.2)	159.3
Non-Controlling Interest	**(64)**	(54)	16.8	**(20)**	(20)	(13)	(1.6)	47.9
Net Profit for the Period	**2,580**	265	NM	**1,181**	793	180	48.9	NM
EPS [AED]	***12.86***	*1.49*	*NM*	***5.89***	*3.95*	*1.01*	*48.9*	*NM*
	Sep	**Sep**	**Δ %**	**Sep**	**Jun**	**Dec**	**Δ %**	
Balance Sheet (AED mn)	**2022**	**2021**	**YoY**	**2022**	**2022**	**2021**	**QoQ**	**YTD**
Total Assets	**187,587**	169,561	10.6	**187,587**	188,644	177,054	(0.6)	5.9
Loans and Advances	**91,326**	76,982	18.6	**91,326**	89,676	81,486	1.8	12.1
Customer Deposits	**109,430**	94,779	15.5	**109,430**	109,335	101,483	0.1	7.8
Shareholder's Equity *	**22,111**	19,389	14.0	**22,111**	20,220	20,228	9.4	9.3
	Sep	**Sep**	**Δ bps**	**Sep**	**Jun**	**Dec**	**Δ bps**	
Key Ratios (%)	**2022**	**2021**	**YoY**	**2022**	**2022**	**2021**	**QoQ**	**YTD**
CAR (Capital Adequacy ratio)	***15.18***	*14.44*	*73*	***15.18***	*13.56*	*14.50*	*161*	*68*
Tier 1 Ratio	***14.03***	*13.31*	*72*	***14.03***	*12.41*	*13.35*	*161*	*67*
Loan-to-Deposits	***83.46***	*81.22*	*223*	***83.46***	*82.02*	*80.30*	*144*	*316*
Return-on Assets **	***1.99***	*0.23*	*176*	***1.99***	*1.66*	*0.65*	*33*	*134*
Return-on-Equity **	***16.66***	*1.84*	*NM*	***16.66***	*13.80*	*5.15*	*286*	*NM*

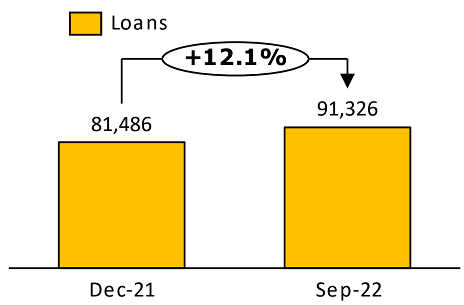
** Equity Attributable to owners of parent including noteholders of the Group*

***Annualized*

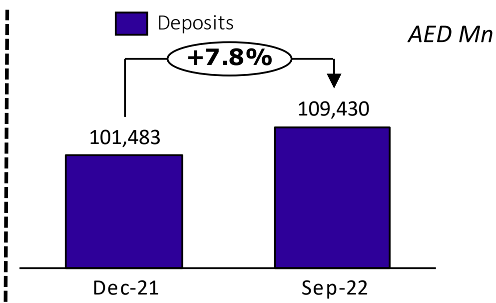
Exhibits:



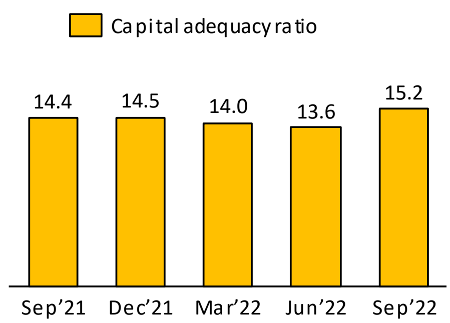
Revenue
AED Mn
+24.3%
4,298
5,343
9M 2021
9M 2022



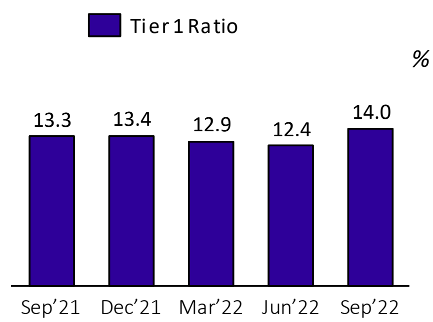
Loans
+12.1%
81,486
91,326
Dec-21
Sep-22



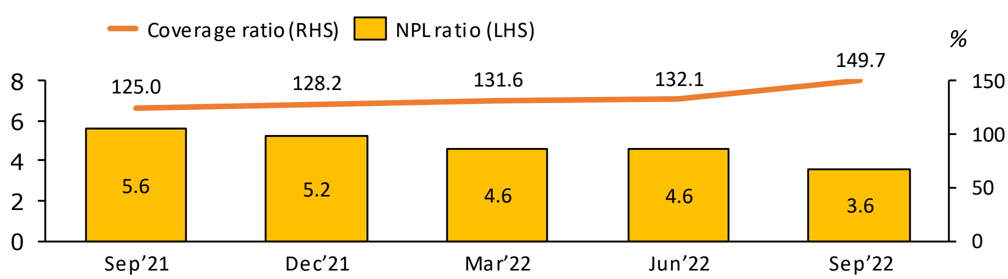
Deposits
AED Mn
+7.8%
101,483
109,430
Dec-21
Sep-22



Capital adequacy ratio
14.4
14.5
14.0
13.6
15.2
Sep'21
Dec'21
Mar'22
Jun'22
Sep'22



Tier 1 Ratio
%
13.3
13.4
12.9
12.4
14.0
Sep'21
Dec'21
Mar'22
Jun'22
Sep'22



Coverage ratio (RHS)
NPL ratio (LHS)
%
125.0
128.2
131.6
132.1
149.7
5.6
5.2
4.6
4.6
3.6
Sep'21
Dec'21
Mar'22
Jun'22
Sep'22

9M 2022 Awards:

- **MEED - MENA Banking Awards 2022**
    - MENA Trailblazers - MENA Private Bank of the Year
- **PWM's Wealth Tech Awards (FT Group)**
    - Best private bank for client acquisition
- **MIDDLE EAST WEALTHTECH AWARDS 2022**
    - Top Bank in Wealth Management of Middle East 2022
- **Global Private Banking Innovation Awards Best Family Office Offering (Highly Acclaimed)**
    - Best Private Bank – UAE
    - Best Private Bank for Funds
- **Global Private Banking Awards 2022 by PWM**
    - Best Private Bank in the United Arab Emirates
- **Private Banker International Global Wealth Awards 2022 (by FT)**
    - Outstanding private Bank - Middle East
- **MEA finance Wealth & Investments Summit**
    - Best Private Bank in the UAE
    - Best Digital Innovation and Services in Wealth Management
- **Leaders in Fintech Awards 2022 -presented by Entrepreneur Middle East**
    - **SME Digital Market Place of the Year Award**
- **MEA Retail Banking Innovation Awards 2022**
    - Outstanding Client On-boarding & Account Opening
    - Outstanding Personalized 1:1 Marketing Initiative
- **Finnovex Middle East Awards 2022**
    - Excellence in Mobile Banking AWARD
- **Global Finance:**
    - World's Best Islamic Digital Banks 2022 for the UAE
- **Global Finance Names the World's Best Consumer Digital Banks in the Middle East 2022:**

- **Country Awards (UAE)**
    - Best Online Deposit, Card and Investment Product Offerings
    - Best Mobile Banking App
- **World's Best <u>Corporate Digital Bank Awards</u> in the Middle East:**
- **Country Awards (UAE)**
  - Best Corporate/Institutional Digital Bank
  - Best Online Cash Management Services
  - Best Trade Finance Services
  - Best Integrated Corporate Banking Site
  - Most Innovative Digital Bank
- **REGIONAL SUB-CATEGORY WINNERS (Middle East) - Corporate**
  - Best Trade Finance Services
  - Most Innovative Digital Bank
- **Private Banker International Global Wealth Awards**
  - Outstanding Private Bank-Middle East
- **Great Place to Work – MGN India**

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