Management Discussion & Analysis Report

27 April 2023

FIRST QUARTER 2023

Mashreq reports a Net Profit of AED 1.6 Billion on the back of a 96% increase in operating profits for the first quarter 2023

Mashreq announces the financial results for Q1 2023 demonstrating a robust performance and crossing the AED 200 billion in total assets milestone, as outlined below:

Key highlights:

1. Strong Growth in Operating Income & Net Profit

a) Operating profit at AED 1.8 billion represents a 96% increase compared to Q1 2022 driven by healthy operating income growth in the UAE and across other countries. Improved efficiency – cost to income ratio stands at 30.2% in Q1 2023 compared to 40.3% in Q1 2022
b) Mashreq's non-interest income to operating income ratio continues to remain one of the industry's best at 30.7%
c) Credit cost decreased by 58% year on year. This coupled with a solid operating income growth allowed Mashreq to post a strong Net Profit of AED 1.6 billion in Q1 2023

2. Stable Growth in the Loan Portfolio & Healthy Asset Quality

a) Total Loans and Advances increased by 5.6% year-on-year and stands at AED 91.1 billion
b) Loan-to-Deposit ratio was at 75.8% at the end of March 2023 (79.4% in December 2022)
c) Non-Performing Loans to Gross Loans ratio declined to 1.9% as of end of March 2023 (2.2% as of December 2022)

3. Healthy Liquidity & Capital Position

a) Growth of 5.6% YTD in Customer deposits to reach AED 120.2 billion
b) Liquid Assets ratio stood at 35.6% as of March 2023 (33.5% in December 2022)
c) Capitalization levels have improved significantly with the Capital adequacy ratio at 17.4% and Tier 1 Capital ratio at 15.1% as of March 2023

4. Enhanced Credit Environment

a) Impairment allowance reduced significantly to AED 96 million in Q1 2023 on the back of improved asset quality and represents only 0.1% of net loans
b) Total provision for loans and advances reached AED 4.9 billion and coverage ratio improved to 231.3 % as on 31st March 2023 (190.8% in December 2022)

96%
Operating profit growth

1.6 billion
Net profit (AED)

28.4%
Return on equity

3.4%
Return on assets

4.0%
Net interest margin

17.4%
Capital adequacy ratio

30.2%
Cost income ratio

1.9%
NPL gross loans ratio

H.E. Abdul Aziz Al Ghurair

Chairman of Mashreq, said:

"Owing to robust growth in operating income, enhanced efficiencies, and improved risk position, Mashreq concluded the first quarter of 2023 with outstanding financial results, demonstrating nearly double year-on-year operating profits and crossing the AED 200 billion in total assets milestone.

As a challenger bank, Mashreq actively participated in the UAE's innovation ecosystem during Q1, becoming a founding member of the DIFC's venture-building program, Launchpad. The Bank's performance was further supported by the introduction of numerous platforms and digital journeys, both domestically and internationally, across retail, business, and corporate and investment banking.

The effectiveness of Mashreq's digital strategy is evident through the substantial increase in customer deposits, improved cost-to-income ratio, and remarkable net profit growth. These achievements have been driven by various factors, such as enhanced asset quality, a decrease in non-performing loans, and a favorable non-interest income to operating income ratio.

Moreover, the progress made in product expansion and geographic reach during Q1 marks a crucial milestone for the Bank, with the approval of a digital license in Pakistan and considerable expansion in Egypt. Mashreq's performance in these and other international markets led to numerous awards in Q1, not only in the UAE but also in Egypt, Kuwait, and Qatar.

Mashreq places a strong emphasis on sustainability, especially as the UAE is set to host COP 28, further highlighting the nation's commitment to environmental and social responsibility. In Q1, the Bank made significant strides in its sustainability journey, obtaining third-party assurance for its Sustainability Report in line with international standards.

We foresee that through our proactive involvement in the innovation ecosystem, technology-driven customer personalization, and an unwavering focus on efficiencies, Mashreq will persist in supporting the UAE economic growth across economic cycles and amidst global uncertainties throughout 2023."

AED 200 Bn Crossed total assets milestone

Ahmed Abdelaal

Group Chief Executive Officer, said:

"I am delighted to announce Mashreq's strong financial performance in Q1 2023, a testament to our ability to adapt to changing market conditions and our unwavering commitment to delivering sustained value to our stakeholders. Our focus on healthy operating income growth and enhanced efficiency has resulted in an impressive operating profit growth of 96% compared to Q1 2022. We have maintained a strong liquidity and capital position, with customer deposits growing by 5.6% YTD to reach AED 120.2 billion, and our non-interest income to operating income ratio remaining high at 30.7%, showcasing our ability to create diversified income streams.

We continue to achieve stable growth in our loan portfolio, with 5.6% YoY increase in total loans and advances to reach AED 91.1 billion, while maintaining a prudent approach to risk management as reflected in our reduced impairment allowance and declining non-performing loans to gross loans ratio. Our commitment to sustainability has been further strengthened through third-party assurance on our sustainability report in accordance with AA1000AS standards, and our participation in the World Green Building Council's MENA net zero collaborators program, demonstrating our dedication to creating a sustainable future.

Looking ahead, we remain focused on developing and building experiences that positively impact our clients' everyday lives, beyond just products and services. We recognize that our employees are the backbone of our organization and we are committed to investing in their growth and development, enabling them to provide exceptional service to our customers. We are excited to continue on this journey of growth and success, and remain dedicated to delivering exceptional value to our customers, shareholders, and the wider community."

96%	Operating profit growth
28.4%	Return on equity
30.2%	Cost income ratio

Q1 2023 Financial Highlights

Q1 2023 Financial Highlights				Quarterly Trend				
	Q1		Δ%	Q1	Q4	Q1	Δ%	
Income statement (AED mn)	**2023**	**2022**	**YoY**	**2023**	**2022**	**2022**	**QoQ**	**YoY**
Net Interest Income & Income from Islamic Financing	**1,746**	828	111.0	**1,746**	1,482	828	17.8	111.0
Fee and commision	**583**	356	63.7	**583**	407	356	43.4	63.7
Investment Income	**18**	18	3.4	**18**	65	18	(71.7)	3.4
Insurance, FX & Other Income	**172**	302	(43.0)	**172**	199	302	(13.5)	(43.0)
Total Operating Income	**2,520**	1,504	67.6	**2,520**	2,153	1,504	17.0	67.6
Operating Expenses	**(761)**	(606)	25.6	**(761)**	(902)	(606)	(15.7)	25.6
Operating Profit	**1,759**	898	95.9	**1,759**	1,251	898	40.6	95.9
Impairment Allowance	**(96)**	(228)	(57.9)	**(96)**	(3)	(228)	2,704.8	(57.9)
Tax Expense	**(28)**	(30)	(5.1)	**(28)**	(105)	(30)	(73.0)	(5.1)
Non-Controlling Interest	**(24)**	(27)	(10.7)	**(24)**	(16)	(27)	49.1	(10.7)
Net Profit for the Period	**1,610**	612	163.0	**1,610**	1,126	612	43.0	163.0
EPS [AED]	**8.03**	3.05	163.0	**8.03**	5.61	3.05	43.0	163.0

	Mar	Mar	Δ%	Mar	Dec	Mar	Δ%	
Balance Sheet (AED mn)	**2023**	**2022**	**YoY**	**2023**	**2022**	**2022**	**YTD**	**YoY**
Total Assets	**201,233**	182,581	10.2	**201,233**	197,245	182,581	2.0	10.2
Loans and Advances	**91,109**	86,295	5.6	**91,109**	90,303	86,295	0.9	5.6
Customer Deposits	**120,162**	104,228	15.3	**120,162**	113,806	104,228	5.6	15.3
Shareholder's Funds*	**23,314**	20,369	14.5	**23,314**	23,599	20,369	(1.2)	14.5

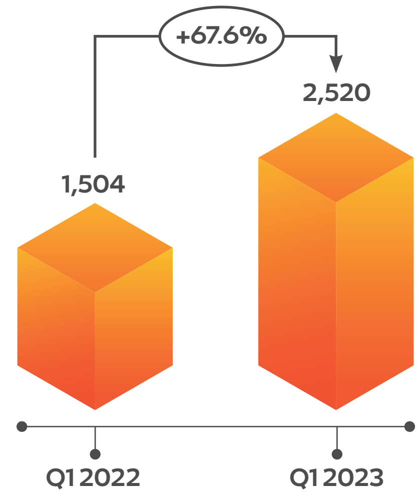
	Mar	Mar	Δ bps	Mar	Dec	Mar	Δ bps	
Key Ratios (%)	**2023**	**2022**	**YoY**	**2023**	**2022**	**2022**	**YTD**	**YoY**
CAR (Capital Adequacy ratio)	**17.43**	14.00	342	**17.43**	16.02	14.00	141	342
Tier 1 Ratio	**15.09**	12.86	223	**15.09**	13.71	12.86	138	223
Loan-to-Deposits	**75.82**	82.79	(697)	**75.82**	79.35	82.79	(353)	(697)
Return-on-Assets**	**3.36**	1.48	188	**3.36**	2.10	1.48	126	188
Return-on-Equity**	**28.39**	12.06	1,633	**28.39**	17.54	12.06	1,085	1,633

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

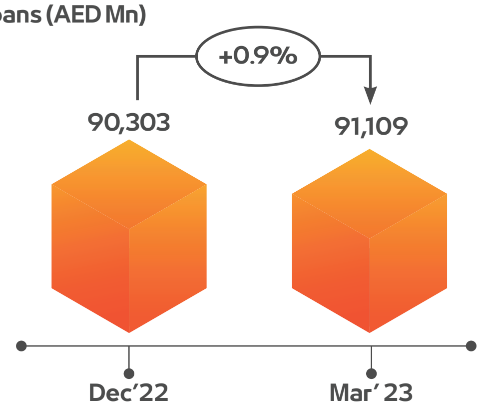
** Annualized

Exhibits

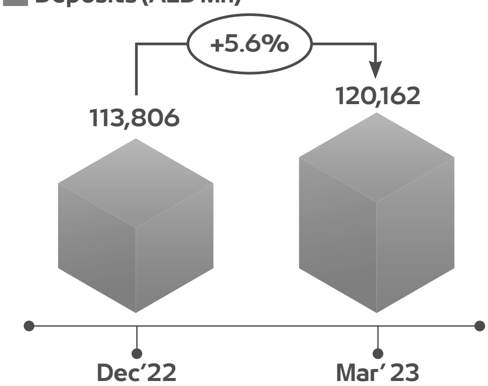
Operating Income (AED Mn)



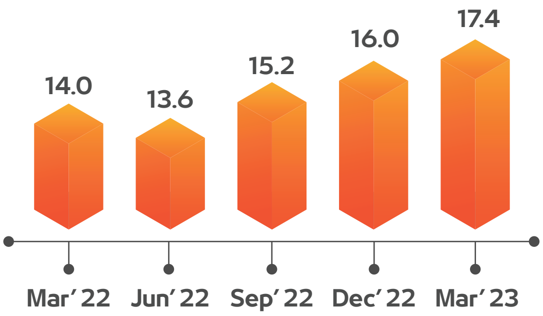
Loans (AED Mn)



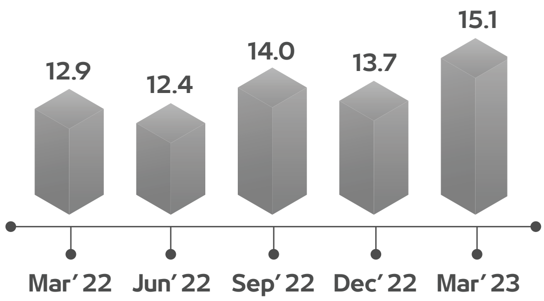
Deposits (AED Mn)



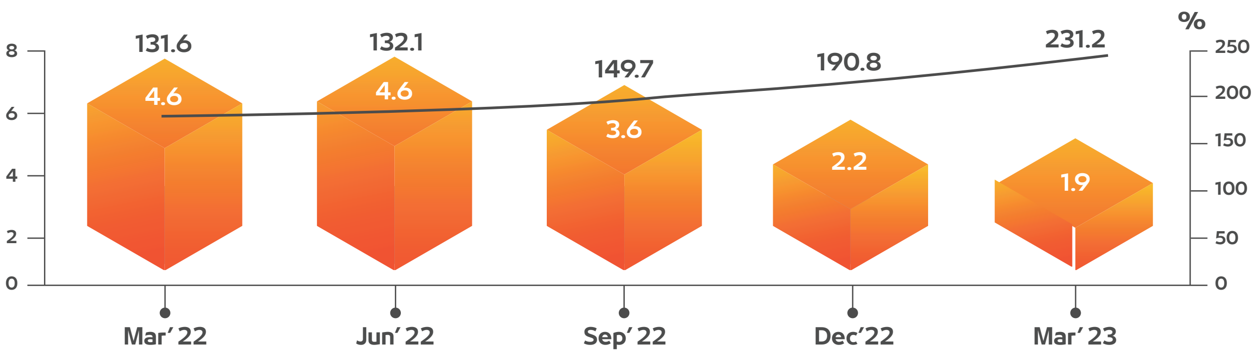
Capital adequacy ratio (%)



Tier 1 ratio (%)



Coverage ratio (RHS %) NPL ratio (LHS %)



Q1 2023 Awards

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

MENA Banking Excellence Awards 2023

Best Private Bank – UAE

The Economic Times

Best Organization for Women 2023 - Mashreq Global Network, India

Award by Visa

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

Bonds, Loans & ESG Capital Markets Africa Award

Financial Institutions Debt House of the Year

2023 Middle East & North Africa Stevie® Awards

Gold Stevie Trophy for Innovation Management in the Financial Industries

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