Rise every day

Management Discussion & Analysis Report

29 October 2024

NINE MONTHS
2024

Mashreq's 9M 2024 Profit Before Tax Rises 9% YoY to AED 6.5 Billion, reflecting strong business activity in a healthy business environment.

- **Increased operational activities drives revenue growth:** Net Interest Income (NII) increased by 13% year-on-year, propelled by sizable balance sheet expansion and sustained healthy client margins. This growth underscores our effective asset-liability management and strategic focus on core lending activities. In addition, non-interest income surged by 21% compared to the previous year, now comprising 30% of the total operating income. This significant contribution reflects our success in diversifying revenue streams through enhanced fee-based services and other non-interest-generating activities.

- **Continued Strength in Balance Sheet Expansion:** Our solid organic expansion carried through the third quarter, highlighted by a 12% year-to-date growth in lending and a 7% uplift in customer deposits. The growth in loans and advances demonstrates our commitment to meeting clients' financing needs across various sectors, while the uptick in deposits signifies increasing customer confidence and an expanding client base. This balance sheet growth positions us favorably to seize emerging market opportunities and support sustainable growth.

- **Solid Financial Position and Enhanced Operational Efficiency:** We maintained a strong capital position with a Capital Adequacy Ratio of 19.8%, surpassing regional benchmarks and reflecting prudent risk management practices and substantial capital buffers. This robust ratio ensures our readiness to meet regulatory requirements and absorb potential market shocks. Our Return on Equity is 25.8%, highlighting efficient capital utilization and our ability to generate attractive returns for shareholders. Moreover, the Cost-to-Income Ratio improved to 27.9%, showcasing our ongoing commitment to operational efficiency and effective cost management, which bolsters our capacity to invest in strategic initiatives and drive long-term profitability.

9%
YoY Net Profit Growth before tax

5.8
Billion AED Net Profit
(AED 6.5 billion pre-tax)

19.8%
Capital Adequacy Ratio

17%
Operating Profit Growth

12%
YTD Loans & Advances Growth

7%
YTD Customer Deposits Growth
(CASA 66%)

25.8%
Return on Equity

3.1%
Return on Assets

1.5%
NPL Gross Loans Ratio

27.9%
Cost to Income Ratio

Dubai, UAE; 29th October 2024: Mashreq is proud to report its strong financial performance for the first nine months of 2024, showcasing the bank's dedicated commitment to its strategic priorities. These include placing clients at the forefront of our efforts, enhancing operational and financial effectiveness, enforcing stringent risk management practices, and cultivating a culture that values and empowers our employees. The achievements highlight the successful execution of our strategic plans and our unwavering dedication to delivering an unparalleled, world-class experience to our clients.

Key highlights:

1. Operating Income & Net Profit

- Mashreq reported a pre-tax net profit of AED 6.5 billion in the first nine months of 2024, indicating a notable 9% increase over the same period last year, despite an increase in corporate income tax with almost AED 500 million. This growth in net profit is attributable to a 13% year-on-year surge in net interest income, as well as 21% year-on-year increase in non-interest income. Principal drivers of this increase are strong business growth with healthy margins, the benign interest rate environment, and relative low risk costs.
- The Cost-Income ratio at 27.9%, highlights the bank's strong overall performance and operational efficiency. The bank continued its focus on cost efficiency through digitalization and innovation, coupled with ongoing investments in business growth, enhancing client experience and strengthening of the overall operational resilience.
- Operating profit rose from AED 5.6 billion to AED 6.6 billion in 9M 2024, representing a 17% increase compared to the same period in 2023.
- Risk costs continue to be low at AED 73 million, highlighting the banks prudent risk management practices and the positive economic climate of most markets Mashreq operates in.
- Mashreq's Return on Equity (ROE) reached 25.8% for 9M 2024, showcasing the management's commitment to deliver optimal value to shareholders.

2. Liquidity & Capital position

- Mashreq's solid liquidity position is indicated by a Liquid Assets ratio of 31% and a Liquidity Coverage Ratio of 129% as of September 2024.
- As of September 2024, the bank's capitalization levels have further strengthened compared to the end of 2023, reflecting the bank's commitment to maintain a robust financial position. The Capital Adequacy Ratio improved to 19.8%, the Tier 1 Capital Ratio increased to 17.7%, and the Common Equity Tier 1 (CET1) Ratio rose to 16.1%. These enhancements underscore Mashreq's high profitability and sound capital management strategy, positioning the bank well to enable future growth, return a healthy dividend to its shareholders and withstand potential market fluctuations.

3. Credit Environment & Asset Quality

- As of end of September 2024 the Non-Performing Loans to Gross Loans ratio is at 1.5% and is one of the lowest in the market, while the Coverage ratio remains high at 191.3%.

H.E. Abdul Aziz Al Ghurair

Chairman of Mashreq

Despite decreased growth forecasts for the world economy, the UAE economy continues to show resilience and adaptability, supported by strategic policies, a stable investment environment, and sustained growth in key non-oil sectors. The banking sector has maintained strong capital buffers, providing a solid foundation for growth. The UAE's forward-looking economic policies, coupled with increasing foreign direct investment and an average capital adequacy ratio of 18.3%, ensures continued progress despite global economic shifts.

Mashreq's financial results reflect our alignment with the UAE's broader economic growth. Our focus on innovation, sustainable finance, and strategic market positioning keeps us ahead, seizing emerging opportunities while managing risks effectively. As we diversify revenue streams, enhance customer journeys, and lead in digital transformation, our commitment to long-term value creation remains steadfast. We are proud of our achievements and remain focused on delivering our strategic priorities, supporting the nation's growth and prosperity.

Ahmed Abdelaal

Group Chief Executive Officer

"Our strong performance in the first nine months of 2024 underscores Mashreq's strategic direction and operational resilience in navigating dynamic market conditions. Profit before tax rose 9% to AED 6.5 billion, reflecting the success of our growth story combined with cost discipline and sound risk management. Non-interest income now accounts for 30% of total operating income, showcasing our ability to generate value beyond traditional banking and diversify our revenue streams.

This year has been pivotal in expanding our footprint and enhancing digital capabilities. We launched the fully digitized NEO CORP platform for our wholesale banking customers clients in Bahrain, Kuwait, with Qatar to follow very soon, as a part of the initial roll out and made our first corporate banking loan transaction in the UK, strengthening our presence in key markets.

Our focus remains on digital transformation, operational resilience, and client-centricity. The growth of NEO CORP and record activations on NEO BIZ highlight our leadership in corporate and business banking.

Sustainability remains a core focus of our strategy, apart from growing our sustainable financing we witnessed the completion our Climb2Change initiative phase 3 in Pakistan. We are honored that Forbes has recognized this initiative as the most sustainable global initiative in the Middle East banking sector.

As we look ahead to 2025, we will continue to deliver value to our clients and stakeholders through innovation and commitment to our strategy, ensuring Mashreq's leadership in an ever evolving financial landscape."

9M 2024 Financial Highlights

Income statement (AED mn)	9M 2024	9M 2023	Δ% YoY	Quarterly Trend 3Q 2024	2Q 2024	3Q 2023	Δ% QoQ	Δ% YoY
Net Interest Income & Income from Islamic Financing	**6,334**	5,621	13	**2,108**	2,082	2,005	1	5
Fee and Commission	**1,164**	1,195	(3)	**280**	336	319	(17)	(12)
Investment Income	**208**	1	37,289	**71**	70	(3)	2	NM
Insurance, FX & Other Income	**1,393**	1,090	28	**512**	499	460	3	11
Non Interest Income	**2,765**	2,286	21	**863**	904	775	(5)	11
Total Operating Income	**9,099**	7,907	15	**2,971**	**2,986**	2,780	(1)	7
Operating Expenses	**(2,541)**	(2,304)	10	**(868)**	(834)	(853)	4	2
Operating Profit	**6,557**	5,603	17	**2,103**	2,152	1,927	(2)	9
Impairment Allowance	**(73)**	341	NM	**(118)**	83	395	NM	NM
Profit before tax	**6,484**	5,944	9	**1,985**	2,234	2,322	(11)	(15)
Tax Expense	**(644)**	(111)	482	**(197)**	(223)	(48)	(12)	307
Profit for the Period	**5,841**	5,833	0	**1,788**	2,011	2,274	(11)	(21)
Non-Controlling Interest	**(67)**	(65)	2	**(17)**	(16)	(22)	5	(23)
Profit attributable to Owners of the Parent	**5,774**	5,768	0	**1,771**	1,995	**2,252**	(11)	(21)
EPS (AED)	**28.78**	28.75	0	**8.83**	9.95	11.23	(11)	(21)

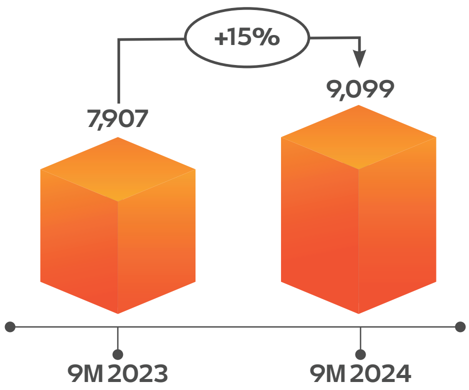
Balance Sheet (AED mn)	Sep 2024	Sep 2023	Δ% YoY	Sep 2024	Dec 2023	Sep 2023	Δ% YTD	Δ% YoY
Total Assets	**254,411**	218,342	17	**254,411**	239,981	218,342	6	17
Loans and Advances**	**168,130**	143,133	17	**168,130**	149,483	143,133	12	17
Customer Deposits	**156,063**	132,864	17	**156,063**	146,232	132,864	7	17
Shareholder's Funds*	**34,272**	26,983	27	**34,272**	30,333	26,983	13	27

Key Ratios (%)	Sep 2024	Sep 2023	Δ bps YoY	Sep 2024	Dec 2023	Sep 2023	Δ bps YTD	Δ bps YoY
CAR (Capital Adequacy Ratio)	**19.8**	18.6	121	**19.8**	16.5	18.6	326	121
Tier 1 Ratio	**17.7**	16.3	136	**17.7**	14.3	16.3	332	136
CET 1 Ratio	**16.1**	15.6	44	**16.1**	13.7	15.6	236	44
Loan-to-Deposits***	**76.0**	74.7	123	**76.0**	75.5	74.7	49	123
Return-on-Assets****	**3.1**	3.8	(73)	**3.1**	4.1	3.8	(103)	(73)
Return-on-Equity****	**25.8**	32.1	(631)	**25.8**	34.3	32.1	(850)	(631)

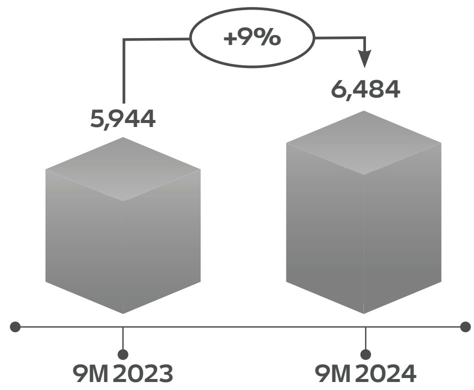
* Equity Attributable to owners of parent including noteholders of the Group
** Loans and Advances includes loans to customers and banks
*** Loan to deposit ratio utilizes loans to customers
**** Annualized

Exhibits

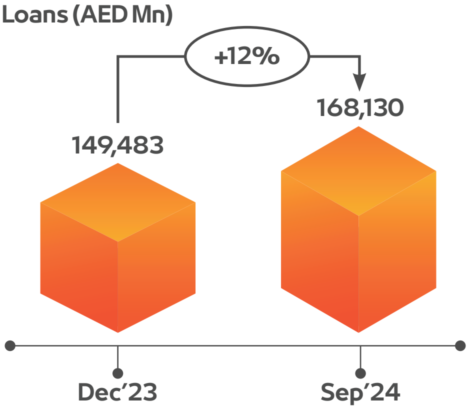
Operating Income (AED Mn)



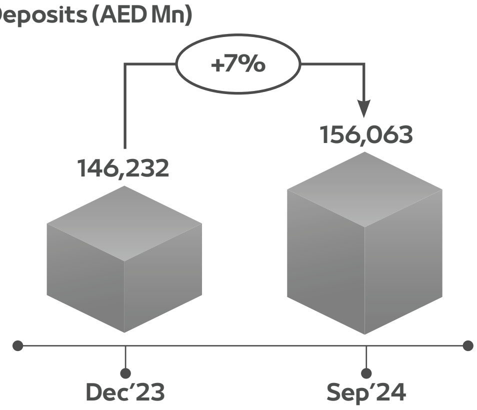
Net Profit pre-tax (AED Mn)



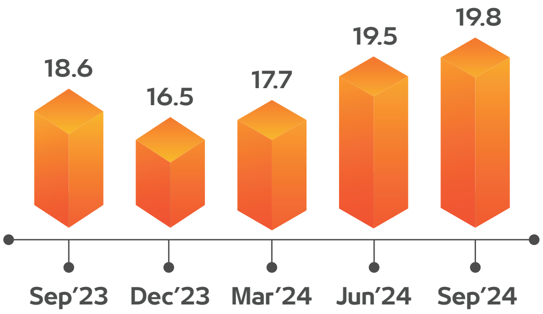
Loans (AED Mn)



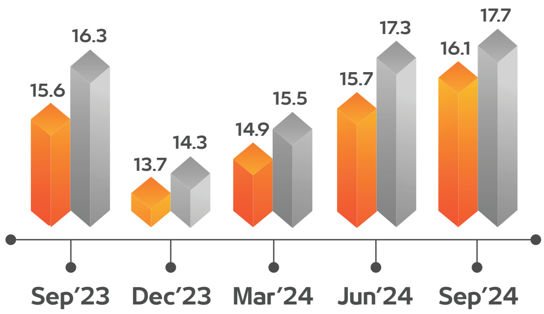
Deposits (AED Mn)



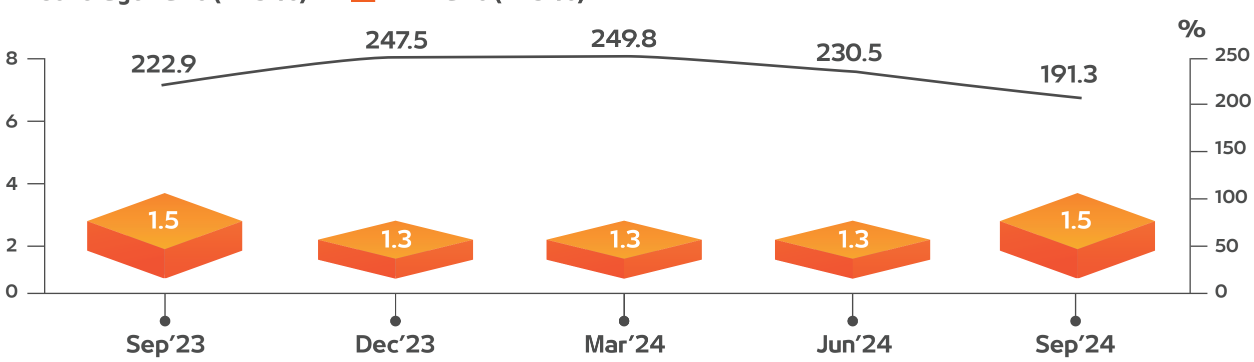
Capital Adequacy Ratio (%)



CET 1 Ratio (%) Tier 1 Ratio (%)



Coverage Ratio (RHS %) NPL Ratio (LHS %)



9M 2024 Awards

Forbes Middle East - Most Sustainable Projects in the Middle East

- Most Sustainable Project in the Middle East Banking and Financial Services - Climb2Change

Mashreq Global Network India named 'Great Place to Work® (GPTW)' certification, for the third consecutive year

Islamic Retail Banking Awards (IRBA)

- Mashreq Al Islami the Best Islamic Retail Banking Brand in the UAE for 2024

The Annual Global Economics Awards 2024

- Best Private Bank
- Best Digital Bank

MEA Finance Leaders in Payments Awards 2024

- Best Open Banking Payments Project
- Best Instant Payments Technology Implementation
- Best Digital Collections Platform for Corporate Banking
- Payment Innovation of the Year - UAE

Global Private Banking Innovation Awards

- Best Private Bank for Funds
- Best Private Bank – UAE (Ha)
- Best Private Bank – Digital Innovation (Ha)
- Outstanding Mobile Banking Initiative (Ha)

Private Banker International Global Wealth Awards

- Outstanding Private Bank - Middle East

Global Islamic Finance Awards (GIFA)

- Islamic Banking Window Operations
- Best Islamic Digital Banking Award

Euromoney Cash Management 2024

- Bahrain's Best Cash Management Bank
- Qatar's Best Cash Management Bank
- Bahrain's Best Cash Management Bank for Client Service
- Bahrain's Best Bank for Cash Management Products
- Bahrain's Best Bank for Cash Management Technology
- Lebanon's Best Cash Management Bank for Client Service
- Lebanon's Best Bank for Cash Management Products
- Qatar's Best Cash Management Bank for Client Service
- Qatar's Best Bank for Cash Management Products
- Qatar's Best Bank for Cash Management Technology

Global Finance's Innovators 2024 Awards

- Most Innovative Financial Institution in the Middle East
- Non-Resident Platform for Account Opening
- Carbon Footprint calculator
- Digital Thematic Investments

Asian Banking & Finance retail Banking awards

- Private Bank of the Year – UAE

Global Retail Banking Innovation Awards 2024

- Mortgage Product of the Year
- Best Digital Account – Insurance
- Best SME Bank – United Arab Emirates
- Best SME Bank – Middle East
- Best Digital Bank – United Arab Emirates
- Best Digital Bank – Middle East
- Best e-KYC
- Best Digital Sales Initiative
- Best New Product Launch of the Year – Islamic
- Credit Card of the Year – Cashback
- Best Open Banking Initiative
- Best Digital Account
- Highly Acclaimed: Best Hybrid Wealth Management Offering

9M 2024 Awards

Annual Global Economics Awards

- Best Private Bank- United Arab Emirates
- Best Digital Bank

Top 1000 Global Bank Rankings 2024 by The Banker

- Best Performing Bank in the UAE (Second Consecutive Year)
- First in the Middle East for Return on Capital
- First in the Middle East for Return on Assets

World Finance Corporate Governance Awards

- Best Corporate Governance in the UAE

International Finance Awards

- Most Innovative Islamic Banking Product - Nature Saver - UAE 2024
- Most Innovative Islamic Banking Window - UAE 2024

MEA Finance Banking Technology Awards

- Digital Banking Innovation of the Year
- Best Neobank
- Best Open Banking & API Implementation
- Most Innovative Emerging Technology Implementation
- Best Innovation in Investment Banking

Euromoney Awards for Excellence

- Middle East's Best Digital Bank
- UAE's Best Digital Bank
- Bahrain's Best International Bank
- Egypt's Best Bank for SMEs

7th Middle East Banking AI & Analytics Summit & Awards

- Best Use of Virtual Assistants in Banking for 2024
- Best CTO of the Year 2024

Asian Banking & Finance Retail Banking Awards 2024

- Best Private Bank award in the UAE
- Best Open Banking Initiative
- Best SME Bank of the Year

MEED's MENA Banking Excellence Awards

- Excellence in Client On-Boarding

Customer Experience Live Show Middle East 2024

- Best Use of Technology in a Contact Center

Brand Finance

- Mashreq - Fastest-growing Middle East banking brand
- Mashreq NEO - Strongest digital banking brand in the UAE

Euromoney Islamic Finance Awards

- Best Islamic Digital Bank Globally

Digital CX Awards 2024

- Outstanding Implementation of Digital CX Initiative by a Team
- Outstanding Product Innovation in Digital CX
- Excellence in Customer Service Innovation
- Best Retail Consumer Loyalty Program for Digital CX

EMEA finance Middle East Banking Awards 2023

- Best loan house in the UAE
- Best foreign bank in Bahrain
- Best foreign investment bank in Kuwait
- Best foreign investment bank in Oman

9M 2024 Awards

Global Diversity, Equity & Inclusion Benchmarks (GDEIB) Awards 2024 - MGN Pakistan

- 'Best Practices' in the categories of 'Recruitment' and 'Work-Life Integration, Flexibility and Benefits'

Euromoney Private Banking

- Middle East's Best and UAE's Best for family office services

PWM Wealth tech awards by FT

- Best Private Bank for digitally empowering relationship Managers- Middle East

Euromoney Trade Finance Survey

- Market Leader in the UAE for the fourth consecutive year.
- Market Leader in the Middle East (Domestic)
- Market Leader and Best Service in Egypt
- Best Service in Bahrain, Kuwait and Pakistan

Global Business Outlook Awards 2023 – Mashreq Al Islami

- Most Innovative Islamic Banking Window Award

U.S. Green Building Council's Leadership in Energy and Environmental Design v4 Gold Certification – Mashreq Innovation Hub

- Interior design and construction: commercial interiors

Global Private Banker WealthTech Awards – by FT

- Best Private Bank for Digitally Empowering Relationship Managers

UAE Internal Auditors Association (UAE IAA), an affiliate of the Global Institute of Internal Auditors (IIA)

- Generally Conforms – Egypt Internal Audit
- Generally Conforms – Mashreq Al Islami
- Generally Conforms – Mashreq UAE

mashreq

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