



Rise every day

FY 2022 Financial results presentation

JANUARY 2023

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▶ Performance Highlights

Financial Results

Appendix

Performance Highlights



> Operating Income for FY 2022 increased by 29.1% compared to last year and stands at AED 7.5 billion driven by robust results from both our domestic and international operations

> Despite high growth in interest income, Fee and other income proportion remains high at 39.0%

> Advances increased by 10.8% whereas, Deposits increased by 12.1% YTD hence strong Liquidity was maintained with Liquid Assets to Total Assets at 33.2% and Advances to Deposits at 79.4%

> Operating costs have increased w.r.t last year by 16.9% but positive jaws of 12.2% leading to efficiency ratio improving to 40.9% from 45.2% last year

> NPL to gross advances declined to 2.2% compared to 5.2% in December 2021. The coverage ratio rose to 190.8% (128.2% in December 2021)

> Operating Profit increased by 39.2% and is at AED 4.4 billion.

> Net Profit of AED 3.7 billion mainly as a result of the increased operating income and reduced risk charge (75.8%). Risk cost reduction was supported by higher recoveries.

Financial highlights – Consolidated Income statement [AED million]



Consolidated Income statement

	FY 2022	FY 2021	Variance
Operating income	7,496.0	5,806.1	29.1%
Operating expense	(3,066.3)	(2,623.0)	16.9%
Operating profit	4,429.8	3,183.1	39.2%
Impairment allowance	(497.5)	(2,058.6)	(75.8%)
Net profit	3,706.3	1,002.2	269.8%

Comments

- > **Operating income** is up mainly from increased interest income driven by organic growth across all business activities and a rising interest rate environment. Fee & commission income has also seen an increase of 10.4% and is at AED 1.7 Billion for YE 2022
- > **Operating expenses** have increased by 16.9% vis-à-vis last year in line with the increased business volumes and growth, however cost to income ratio has improved to 40.9% in FY 2022
- > **Impairment allowance** decreased by 75.8% as a result of significant asset quality improvement supplemented by recoveries
- > **Net Profit** of AED 3.7 billion (USD 1 billion) on account of increased operating income and reduced risk charge

Financial highlights – Consolidated Balance sheet [AED million]



Consolidated Balance sheet

	Dec 2022	Dec 2021	Variance
Total Assets	198,811	177,054	12.3%
Loans & Advances	90,303	81,486	10.8%
Customers' deposits	113,806	101,483	12.1%
Shareholders Equity¹⁾	23,541	20,228	16.4%
Risk weighted assets	157,007	148,169	6.0%

Comments

- > **Customer loans and advances** at AED 90.3 billion, increased by 10.8% year to date as a result of increased lending in the Services & Manufacturing segment (+AED 7.0 billion) and Personal segment (+AED 2.8 billion)
- > **Customer deposits** increased by 12.1% to AED 113.8 billion mainly as a result of an increase in current account deposits. CASA balances witnessed a 20.4% YTD increase and constitutes 63.6% of total deposits. Advances to Deposit ratio at 79.4% is well within established guidelines
- > **Risk weighted assets** increased by 6.0% to reach AED 157 billion in line with the increase in loans and advances

¹⁾ Equity Attributable to owners of parent including noteholders of the Group

Financial track record



	<u>31Dec 2022</u>	<u>30 Sep 2022</u>	<u>31Dec 2021</u>
Capital adequacy			
Tier I Capital Ratio	13.7%	14.0%	13.4%
Total Capital Ratio	16.0% ¹⁾	15.2%	14.5%
Liquidity			
Liquid Assets to Total Assets ²⁾	33.2%	29.5%	29.0%
Advances to Deposits	79.3%	83.5%	80.3%
Liquidity Coverage Ratio (LCR)	151.8%	135.3%	149.3%
Asset quality			
NPL Coverage Ratio	190.8%	149.7%	128.2%
NPL to Gross Advances	2.2%	3.6%	5.2%
Performance			
ROA	2.1%	2.0%	0.7%
ROE	17.6%	16.7%	5.2%
Net Margin ³⁾	2.9%	2.6%	2.2%
Efficiency Ratio	40.9%	40.5%	45.2%
Fee and other income to total income	39.0%	42.2%	47.5%

Note: 1) Post recommended dividend 2) Total Assets excludes contra items

3) Annualized; Net Margin represents Net Interest Margin & Margin for Islamic products

Classification: Confidential

FY 2022 Results

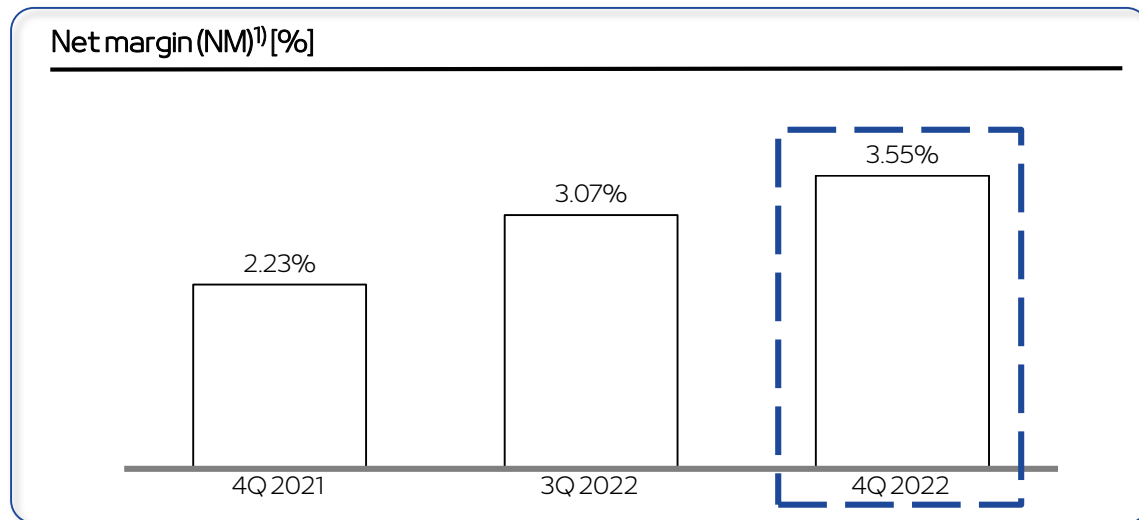
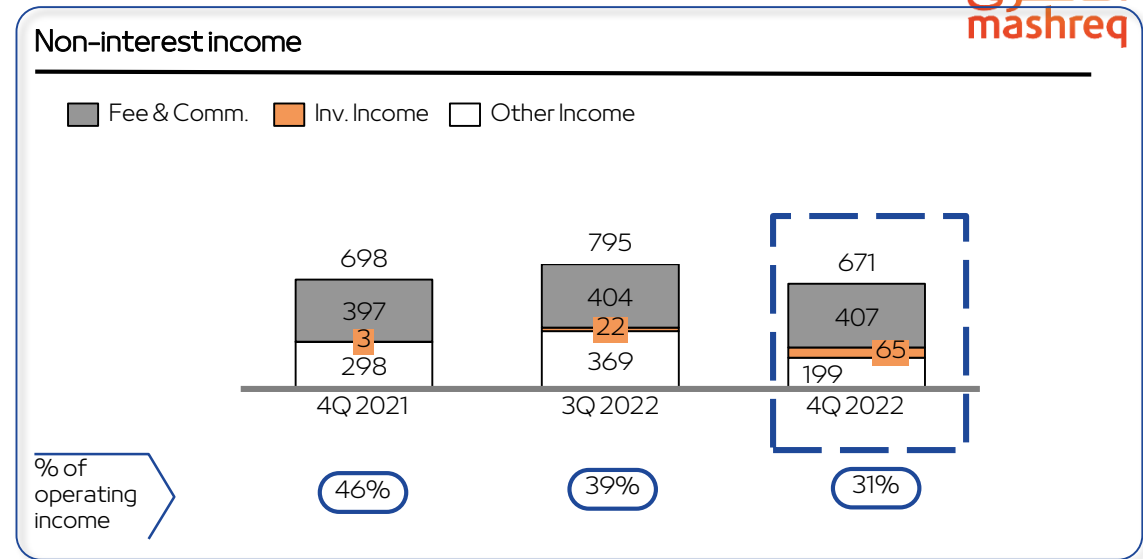
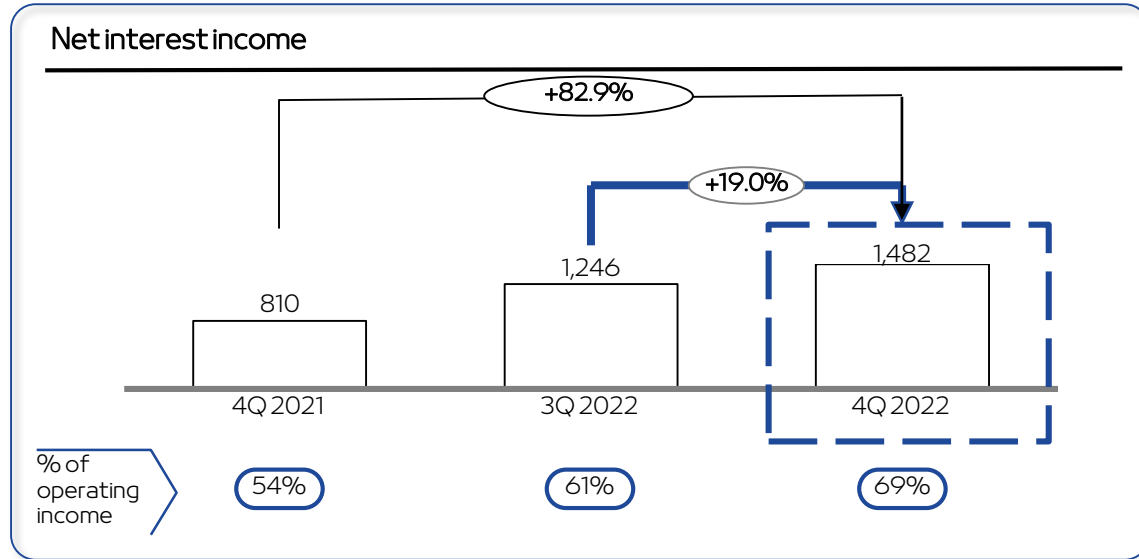


Performance Highlights

▶ **Financial Results**

Appendix

Operating income mix [AED million]



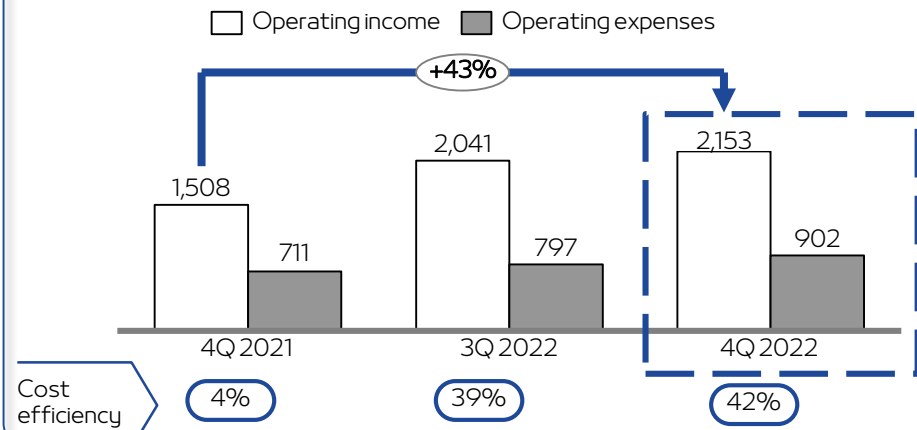
Key Points

- > Q4 2022 Net Interest Income increased by 19.0% Q-o-Q and 82.9% Y-o-Y. The increase is supported by increased volumes from loan growth and improvement in Net Margin. The NM's have improved by 132 bps Y-o-Y mainly due to the impact of increase in 3 month EIBOR
- > Q4 2022 Non-interest income decreased by 3.9% Y-o-Y. Net fee & commission income increased by 2.6%.
- > Non-interest income as % of total income remained high at 31% for Q4 2022

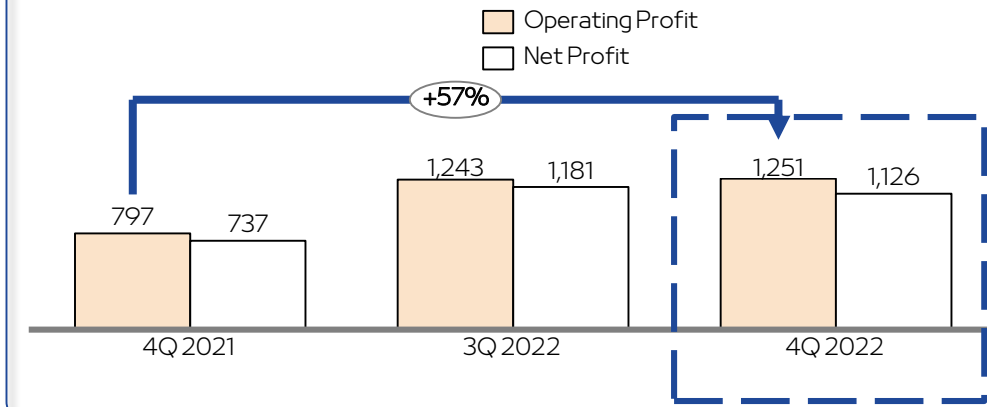
1) Annualized; Net Margin represents Net Interest Margin & Margin for Islamic products

Operating income, expense and net profit [AED million]

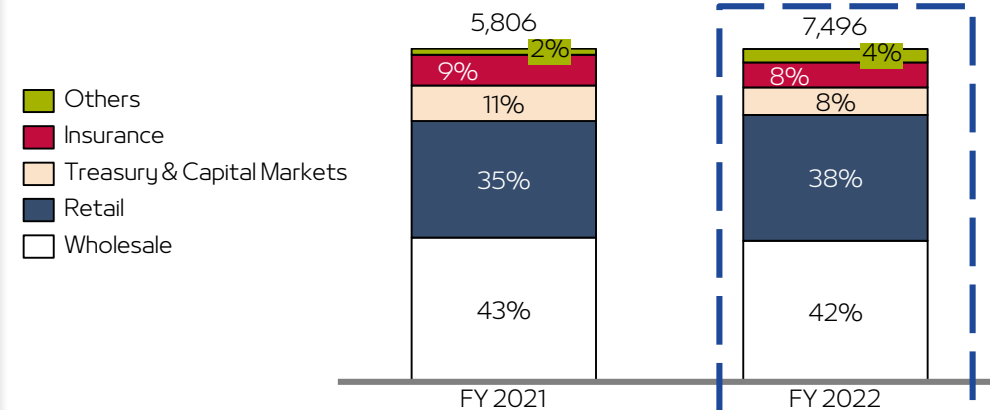
Operating income and expenses



Net profit/(loss)



Operating income split by segments ¹⁾



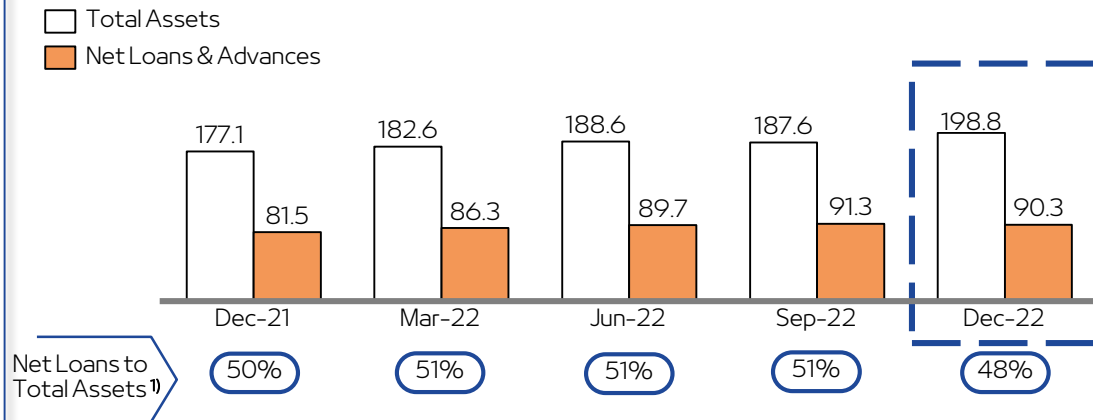
Key Points

- > Q4 2022 Operating Income has increased by 43% Y-o-Y and stands at AED 2.2 billion. This is mainly as a result of increased interest income.
- > Efficiency ratio for Q4 2022 stood at 42% vs Q3 2022 at 39%. The improvement is owed to a higher revenue growth vis a vis expense growth.
- > Operating profit for Q4 2022 increased to AED 1.25 billion compared to AED 1.24 billion in Q3 2022. This is primarily driven by increased operating income from FI and Business Banking
- > The bank registered a Net profit of AED 1.1 billion in Q4 2022 vs AED 737 million in Q4 2021. The decrease in risk charge and enhanced recoveries across segments were the main drivers of the increase.
- > Wholesale banking accounted for 42% and Retail Banking accounted for 38% of the operating income for FY 2022

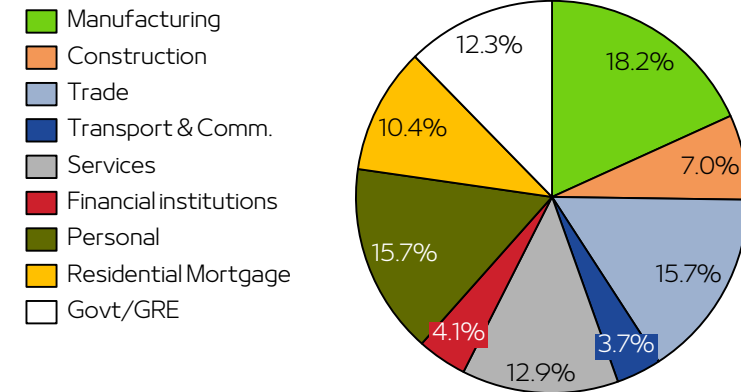
1) Wholesale banking includes International banking segment

Asset mix [AED billion]

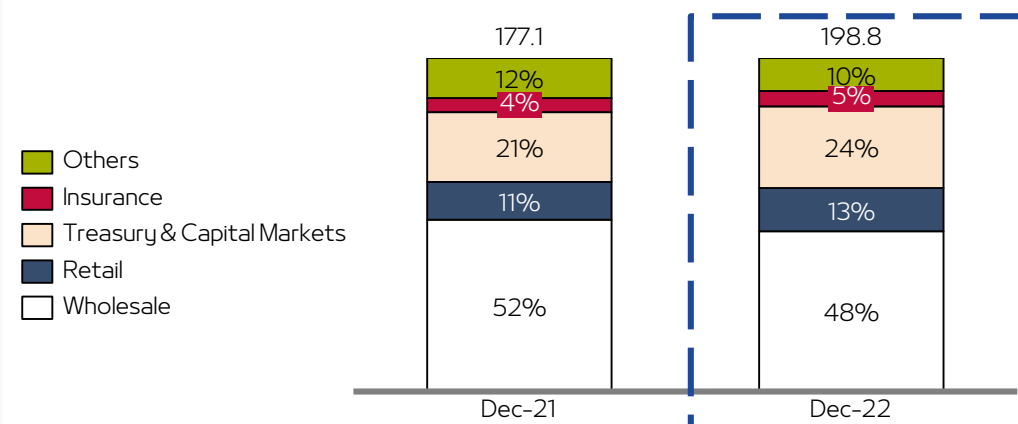
Total Assets and Net Loans & Advances ²⁾



Gross Loans & Advances ²⁾ portfolio split as of December 2022 (AED 97.7 billion)



Asset split by segments ³⁾



Key Points

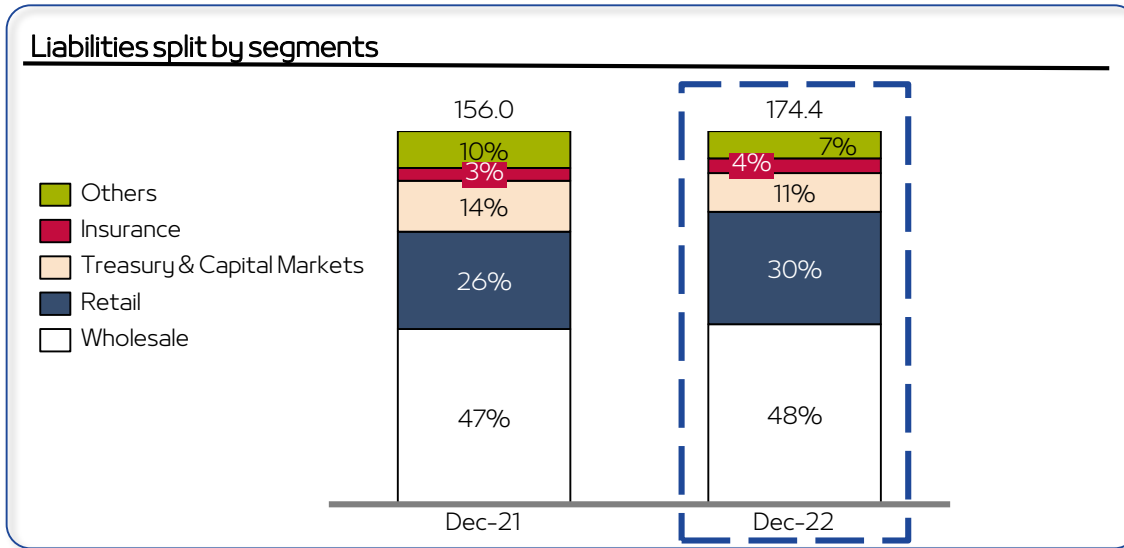
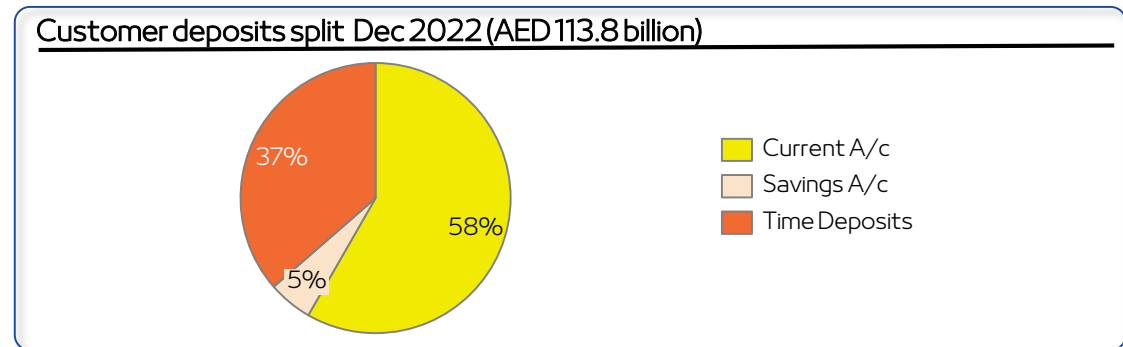
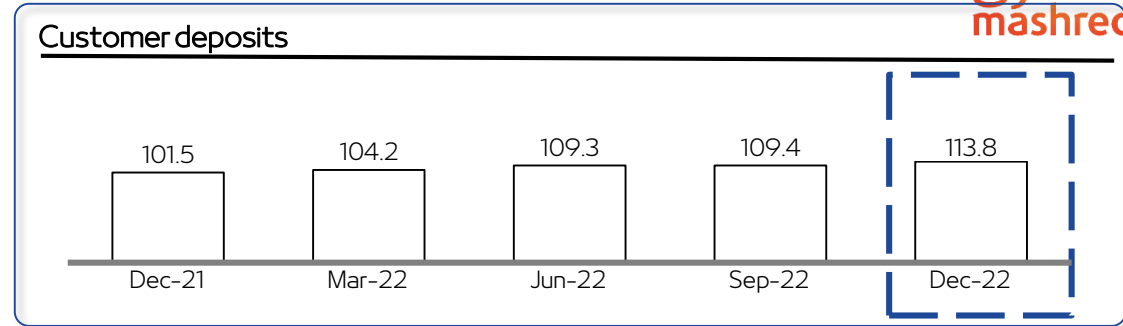
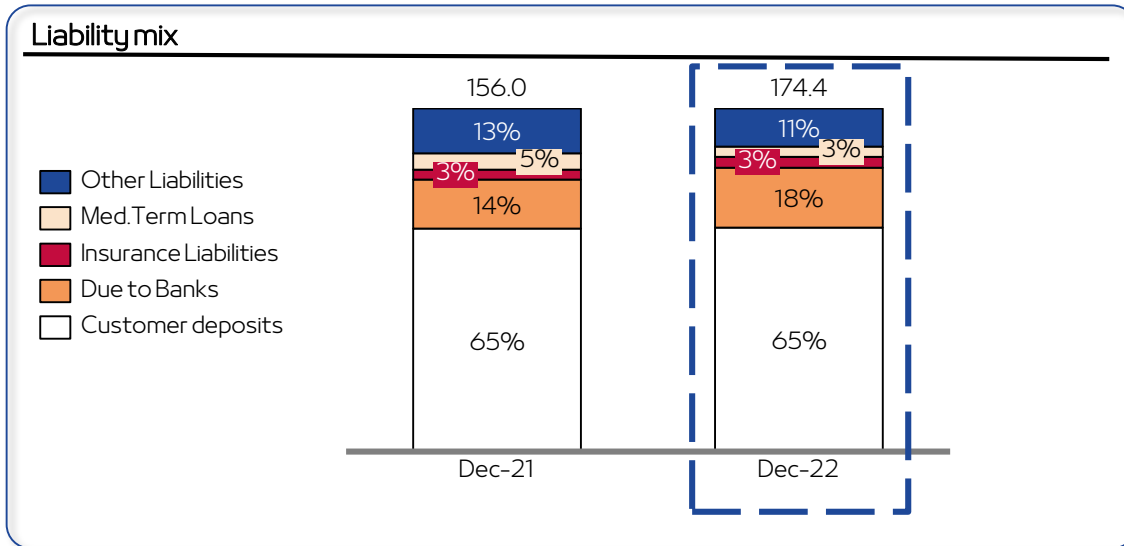
- > Net Loans & advances are at AED 90.3 billion, an increase of 10.8% compared to December 2021 primarily due to increased lending across the Personal segment
- > Personal segment contributes 15.7% of the Gross Loans while residential mortgage represents 10.4%
- > Manufacturing is the biggest proportion of Gross Loans at 18.2% followed by Personal at 15.7%. Diversified loans portfolio with no individual sector accounting for more than ~19% of the total loan portfolio
- > Wholesale Banking accounts for 48% of total assets as of Dec 2022. Retail Assets stand at 13%.

1) Total Assets excludes contra items

2) Includes Islamic Financing

3) Wholesale banking includes International banking segment

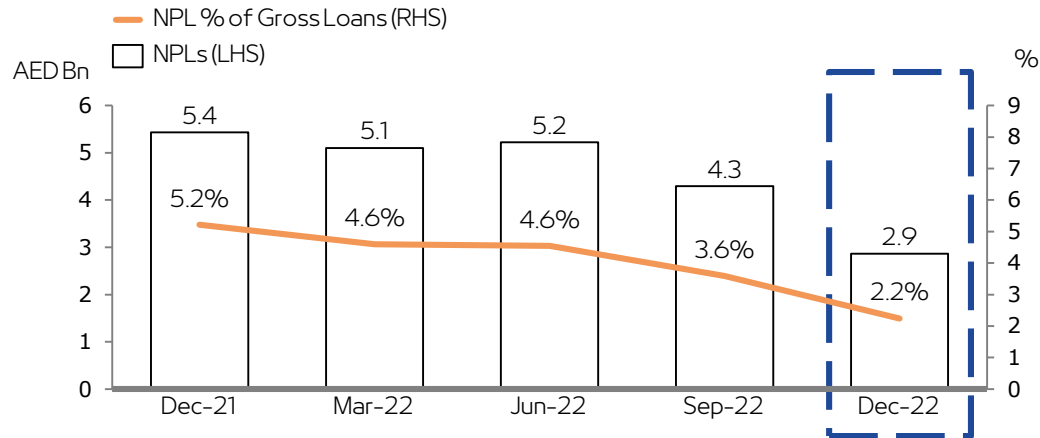
Liability mix [AED billion]



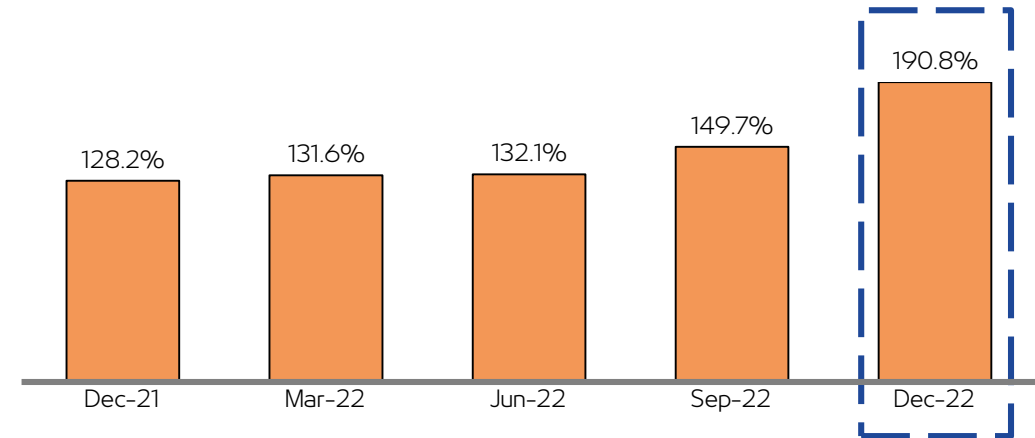
- ### Key Points
- > Customer deposits accounted for 65% of total liabilities
 - > CASA accounts for 63% of customer deposit as compared to 59% in Dec 2021; Time deposits contributed 37% of total deposits (41% in Dec 2021)
 - > Wholesale Banking accounts for the largest portion of liabilities at 48% as on Dec 2022

Asset quality and liquidity [AED billion]

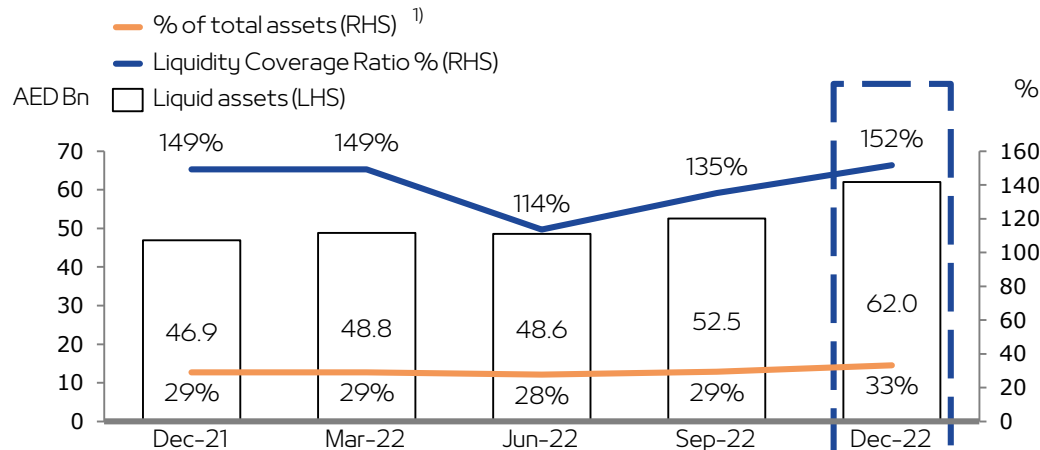
NPL's and % of Gross Loans



NPL Coverage Ratio [%]



Liquid assets trend



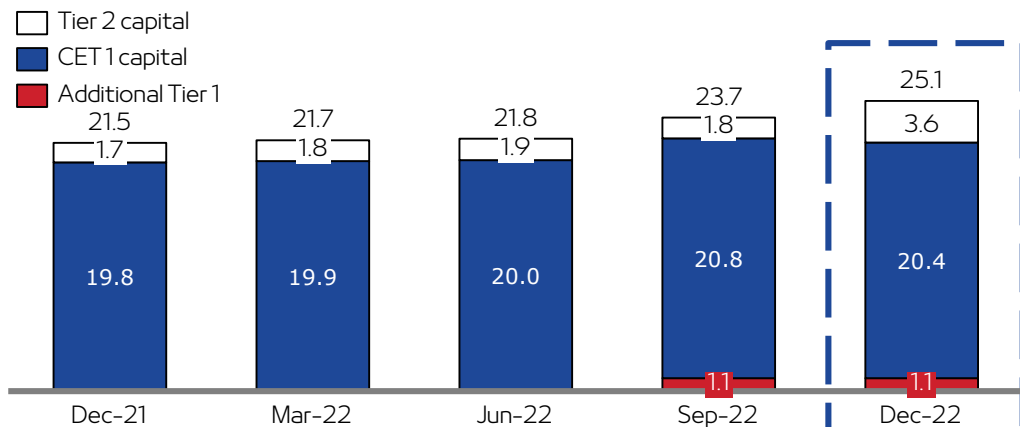
Key Points

- > Mashreq has set aside AED 845 million gross for Impaired assets with recoveries at AED 348 Mn in FY 2022. Net allowance for impairment thus stand at AED 497 Mn in 2022. General provisions are 1.7% of Credit Risk Weighted Assets
- > NPLs have decreased by 47% in the year to reach AED 2.9 billion. NPL's as % of Gross loans has decreased and is at 2.2% (5.2% in December 2021)
- > NPL Coverage ratio in December 2022 stands at 190.8% (128.2% in December 2021)
- > Liquid assets to total assets as of December 2022 was at 33.2%

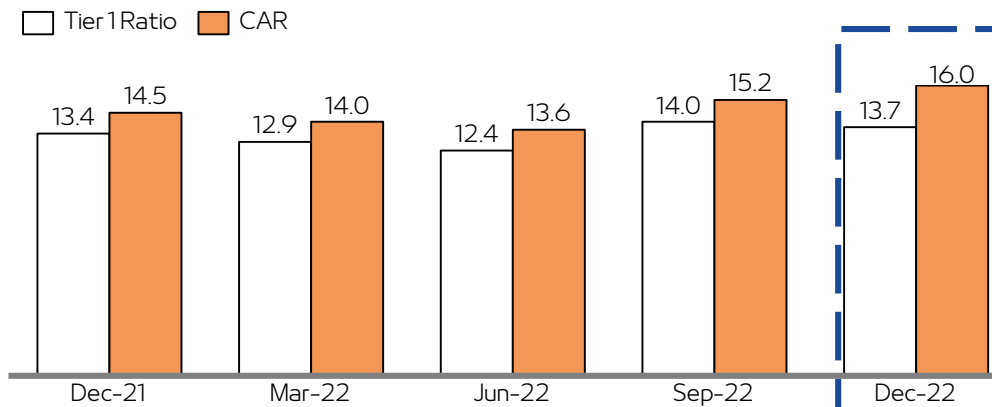
¹⁾ Total Assets excludes contra items

Capital adequacy [AED billion; %]

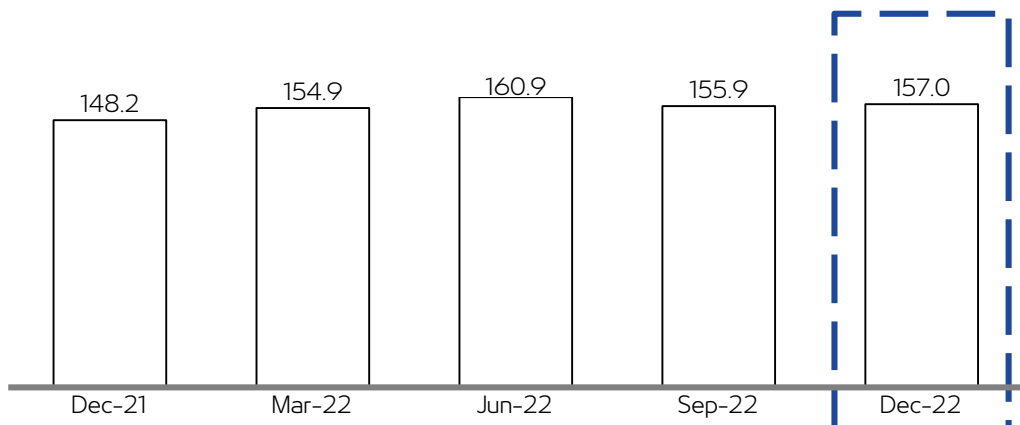
Tier I and Tier II Capital [AED billion]



Tier I and Capital Adequacy Ratios [%]



Risk-weighted assets [AED billion]



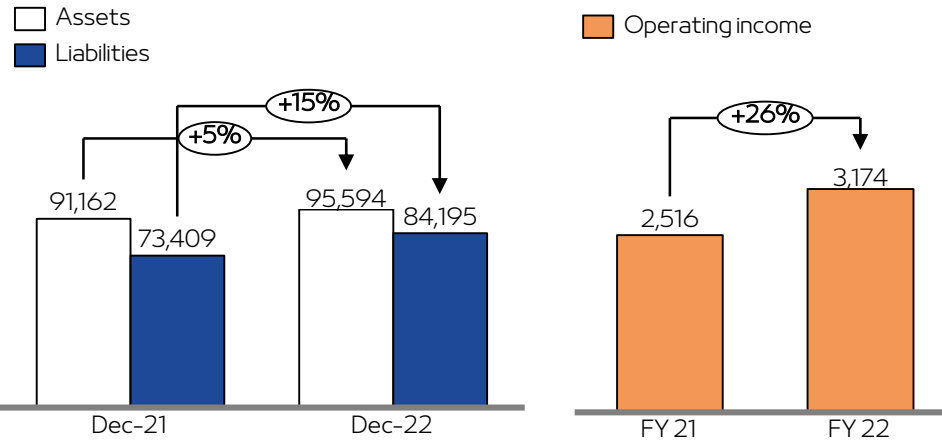
Key Points

- > Mashreq CAR stands at 16.0% (post recommended dividend) and is comfortably above the regulatory requirement of 13.0%
- > Mashreq Tier 1 capital ratio was at 13.7%
- > RWA/Total assets is at 79% in December 2022 compared to 84% in December 2021.

Business segment information [AED million] (1/2)



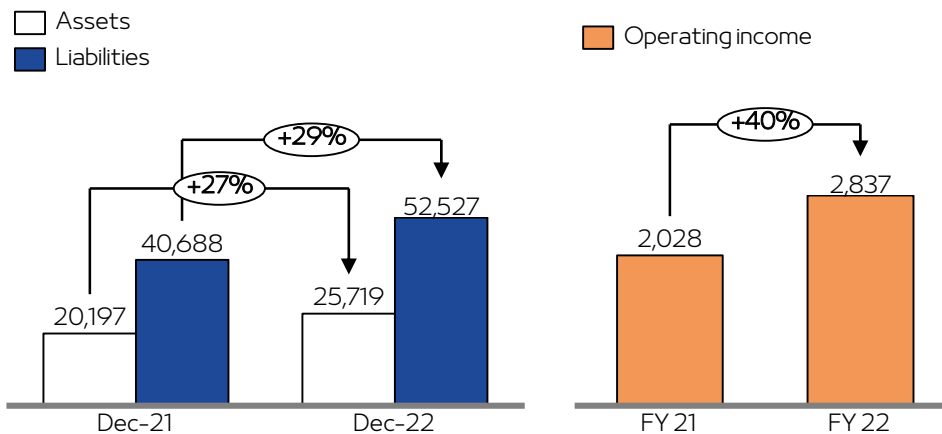
Wholesale Banking



Key Points

- > Wholesale banking is the biggest segment in Mashreq in terms of assets (48% of assets) and liabilities (48% of total liabilities) as of Dec 2022
- > Assets increased by 4.9% and stand at AED 95.6 billion
- > Operating income increased by 26% Y-o-Y and accounts for 42% of total operating income in FY 2022.

Retail Banking

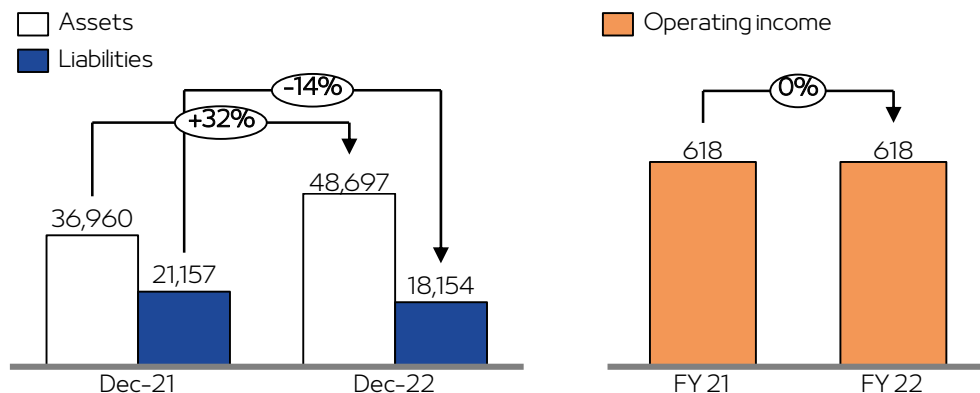


Key Points

- > Retail banking is a key contributor to the operating income at 38% in FY 2022.
- > Y-o-Y operating income increased by 40%.
- > Retail banking assets increased by 27.3% and stand at AED 25.7 billion. The Mortgages segment and loans to Emirati's were the top contributors of growth in FY 2022.
- > Liabilities have increased by 29.1% and are AED 52.5 billion as of Dec 2022 (30% of total liabilities)

Business segment information [AED million] (2/2)

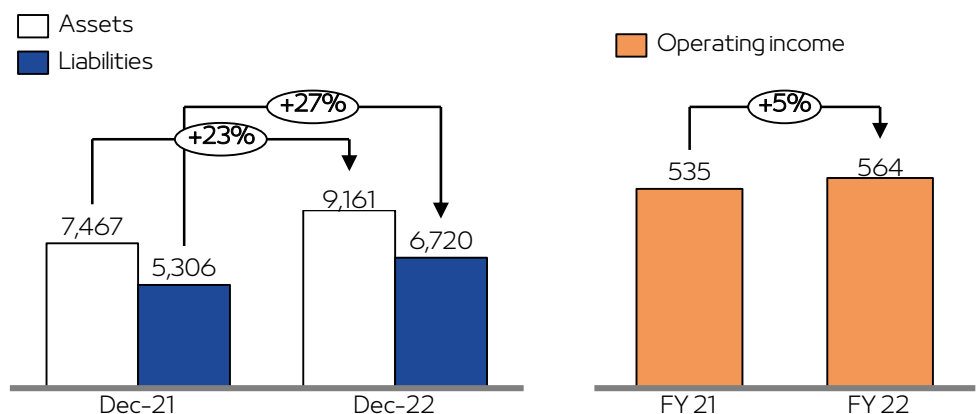
Treasury & Capital Markets



Key Points

- > Treasury & Capital Markets accounts for 24% of assets and 11% of liabilities as of Dec 2022
- > Assets increased by 31.8% year to date and stood at AED 48.7 billion.
- > TCM Operating income contributed 8% to the total operating income in FY 2022.
- > Though, operating income stands flat there has been growth in customer flow business which was offset by lower capital gains.

Insurance / Sukoon



Key Points

- > Sukoon (Oman Insurance) is a subsidiary of Mashreq
- > Insurance business contributed 8% of operating income and 4% of liabilities in FY 2022.
- > Insurance assets increased by 22.7% as compared to December 2021 and make up 5% of total assets. Liabilities increased by 26.6% and stand at AED 6.7 billion
- > Y-o-Y operating income increased by 5% to AED 564 million.

FY 2022 Results



Performance Highlights

Financial Results

▶ Appendix

FY 2022 financials – Consolidated Income statement [AED million]



Income statement	2022	2021	Variance (% change)
	FY	FY	FY 2022 vs FY 2021 (Y-o-Y)
Net interest income	4,572.0	3,045.5	50.1
Net Fees and commission	1,741.2	1,576.8	10.4
Net Investment income	91.9	176.8	(48.0)
Other income	1,091.0	1,007.0	8.3
Total operating income	7,496.0	5,806.1	29.1
Operating expenses	(3,066.3)	(2,623.0)	16.9
Operating profit	4,429.8	3,183.1	39.2
Impairment allowance	(497.5)	(2,058.6)	(75.8)
Tax expense	(146.1)	(48.8)	199.5
Non-Controlling Interest	(79.9)	(73.5)	8.7
Net Profit	3,706.3	1,002.2	269.8

4Q 2022 financials – Consolidated Income statement [AED million]



Income statement	2022		2021	Variance (% change)	
	4Q	3Q	4Q	4Q 2022 vs 3Q 2022 (Q-o-Q)	4Q 2022 vs 4Q 2021 (Y-o-Y)
Net interest income	1,482.4	1,245.5	810.3	19.0	82.9
Net Fees and commission	406.8	404.2	396.6	0.6	2.6
Net Investment income	65.2	22.5	2.8	189.8	NM
Other income	198.8	368.6	298.5	(46.1)	(33.4)
Total operating income	2,153.1	2,040.8	1,508.2	5.5	42.8
Operating expenses	(901.9)	(797.3)	(710.9)	13.1	26.9
Operating profit	1,251.2	1,243.4	797.3	0.6	56.9
Impairment allowance	(3.4)	(28.4)	(24.0)	(87.9)	(85.7)
Tax expense	(105.3)	(14.4)	(17.1)	631.7	514.0
Non-Controlling Interest	(16.3)	(19.6)	(19.1)	(16.8)	(14.3)
Net Profit/(Loss)	1,126.1	1,181.0	737.1	(4.6)	52.8

Dec 2022 financials – Consolidated Balance sheet [AED million]



Balance sheet	31Dec2022	31Dec2021	YTD(%)
Assets			
Cash and balances with central banks	31,436	17,508	80%
Deposits and balances due from banks	28,846	28,805	0%
Other financial assets measured at fair value	10,430	16,441	(37%)
Other financial assets measured at amortised cost	16,423	10,278	60%
Loans and advances measured at amortised cost	75,630	66,433	14%
Islamic financing and investment products measured at amortised cost	14,673	15,053	(3%)
Acceptances	9,311	14,341	(35%)
Other Assets	6,799	3,290	107%
Reinsurance contract assets	3,128	2,700	16%
Investment in Associate	44	35	25%
Investment properties	465	463	0%
Property and equipment	1,395	1,426	(2%)
Intangible Assets	231	281	(18%)
Total assets	198,811	177,054	12%
Liabilities			
Deposits and balances due to banks	28,399	19,566	45%
Repurchase agreements with banks	1,926	2,729	(29%)
Customers' deposits	98,827	87,151	13%
Islamic customers' deposits	14,979	14,332	5%
Acceptances	9,311	14,341	(35%)
Other Liabilities	8,253	6,028	37%
Medium-term loans	5,224	7,315	(29%)
Subordinated Debt	1,831	0	NM
Insurance and life assurance funds	5,642	4,567	24%
Total liabilities	174,393	156,029	12%
Total Equity¹⁾	24,419	21,024	16%
Total Liabilities and Equity	198,811	177,054	12%

1) Equity Attributable to owners of parent including noteholders of the Group and minority interest



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THANK YOU.