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# FY 2023 Financial Results Presentation

DECEMBER 2023

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## ▶ Performance Highlights

Financial Results Overview

Appendix

# Performance Highlights

Return on Equity (ROE) at record-high of 34.3% in FY 2023, doubling compared to FY 2022, while the cost income ratio decreased to 30.9%.

Operating income growth was primarily directed by an impressive 69% surge in Net Interest Income fueled by extraordinary growth in the balance sheet and solid client margins. Concurrently, non-interest income witnessed a robust increase of 13% year-on-year.

The bank has demonstrated positive jaws of 31.4% in FY 2023, and the Cost-Income ratio has improved by over 8% year-on-year

The Non-Performing Loans to Gross Loans ratio declined to 1.3% as of end of December 2023 (2.2% as of December 2022) and is one of the lowest in the market

Mashreq's Net Profit has surged to a record AED 8.6 billion for FY 2023, a substantial increase of 130% year-on-year

Capitalization level (excluding proposed dividend) remains robust with the Capital adequacy ratio at 16.5%, Tier 1 Capital ratio at 14.3% and CET1 ratio at 13.7% as of December 2023

Dynamic Expansion of Balance Sheet marked by a significant 25% year-on-year escalation in Loans and Advances, coupled with a substantial 29% boost in customer deposits (CASA 60%), showcasing a strong upward. High Liquidity denoted by a Liquid Assets ratio of 33.6% and an efficient Liquidity Coverage Ratio of 134% as of December 2023

# Financial highlights – Consolidated Income statement [AED million]



Consolidated Income Statement			
	<u>FY 2023</u>	<u>FY 2022</u>	<u>Variance</u>
Operating income	10,803.1	7,306.6	47.9%
Operating expense	(3,341.9)	(2,870.8)	16.4%
Operating profit	7,461.2	4,435.8	68.2%
Impairment allowance	1,368.8	(467.8)	(392.6%)
Net profit	8,589.4	3,729.3	130.3%

**Comments**

- > **Operating income** is up from increased interest income driven by organic growth across all business activities and a rising interest rate environment coupled with sustained low cost of funds. Non-Interest Income has reached AED 3.1 Billion for FY 2023, a notable 13% year-on-year growth in FY 2023
- > **Operating expenses** have increased by 16.4% vis-à-vis last year however cost to income ratio has reduced to 30.9% in FY 2023 (39.3% in FY 2022) as a result of effective control on operating costs while supporting continued investments in enhancing client experience, risk management and enabling business growth
- > **Impairment allowance** has experienced a net release of AED 1.4 billion, driven by prudent risk management, high recoveries from Non-Performing Loans (NPLs) and a one-off release of the General Provision
- > **Net Profit** of AED 8.6 billion on account of increased operating income from enhanced business volume and prudent risk management resulting in reduced risk charge

# Financial highlights – Consolidated Balance sheet [AED million]



Consolidated Balance Sheet			
	<u>Dec 2023</u>	<u>Dec 2022</u>	<u>Variance</u>
Total Assets	239,981	197,245	21.7%
<hr/>			
Loans & Advances <sup>2)</sup>	149,483	119,357	25.2%
<hr/>			
Customers' deposits	146,232	113,806	28.5%
<hr/>			
Shareholders Equity <sup>1)</sup>	30,333	23,599	28.5%
<hr/>			
Risk weighted assets	175,532	157,007	11.8%

Comments
<ul style="list-style-type: none"> <li>&gt; <b>Total loans and advances</b> at AED 149.5 billion, increased by 22.2% year on year from loans to customers and 34.7% from loans to banks. The loans to customers is driven by increased lending across segments, notably from the Trading sector and the Services and Manufacturing sector.</li> <li>&gt; <b>Customer deposits</b> increased by 28.5% to AED 146.2 billion mainly from an AED 15.2 billion increase in current deposits. CASA balances witnessed a 22.2% YOY increase and constitutes 60% of total deposits.</li> <li>&gt; <b>Risk weighted assets</b> increased by 11.8% to reach AED 175.5 billion mainly from increased Credit risk weighted assets from the solid Wholesale and Retail loan growth</li> </ul>

1) Equity Attributable to owners of parent including noteholders of the Group  
 2) Loans & Advances to customers and banks

# Financial track record



	31Dec 2023	30 Sep 2023	31Dec 2022
<b>Capital adequacy</b>			
CET1 Ratio	13.7%	15.6%	13.0%
Tier I Capital Ratio	14.3%	16.3%	13.7%
Total Capital Ratio	16.5%	18.6%	16.0%
<b>Liquidity</b>			
Liquid Assets to Total Assets <sup>1)</sup>	33.6%	32.3%	33.5%
Advances to Deposits	75.5%	74.7%	79.3%
Liquidity Coverage Ratio (LCR)	133.5%	126.6%	151.8%
<b>Asset quality</b>			
NPL Coverage Ratio	247.5%	222.9%	190.8%
NPL to Gross Advances	1.3%	1.5%	2.2%
<b>Performance</b>			
ROA <sup>2)</sup>	4.1%	3.8%	2.1%
ROE <sup>2)</sup>	34.3%	32.1%	17.7%
Net Margin <sup>3)</sup>	4.1%	4.1%	2.9%
Cost - Income Ratio	30.9%	29.1%	39.3%
Fee and other income to total income	28.6%	28.9%	37.5%

Note:1) Total Assets excludes contra items

2) Annualized;

3) Net Margin represents Net Interest Margin & Margin for Islamic products calculated on Earning Assets

Classification: Public

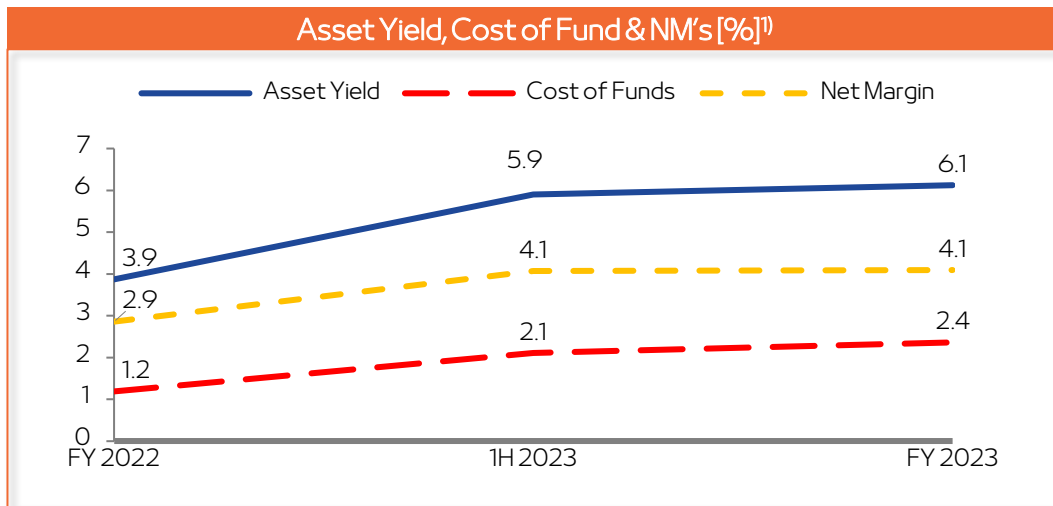
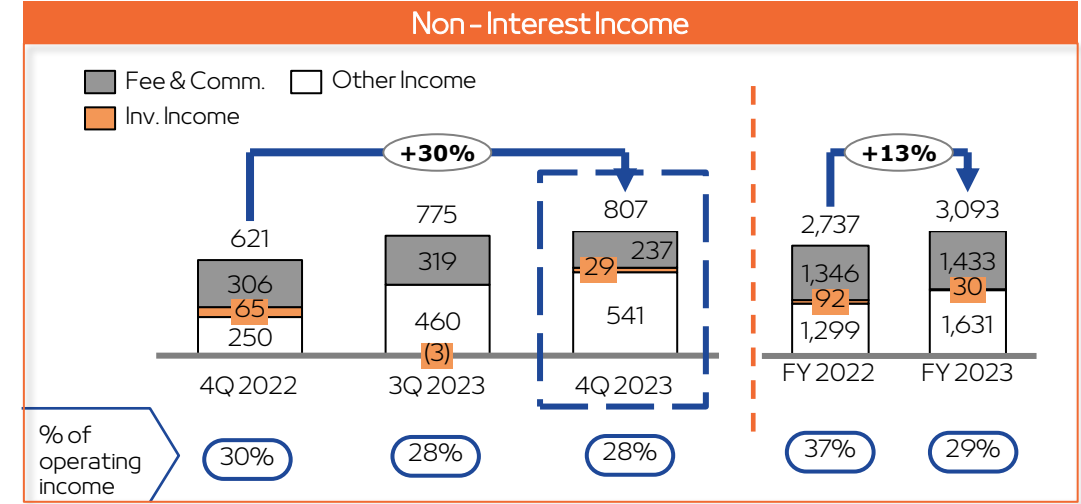
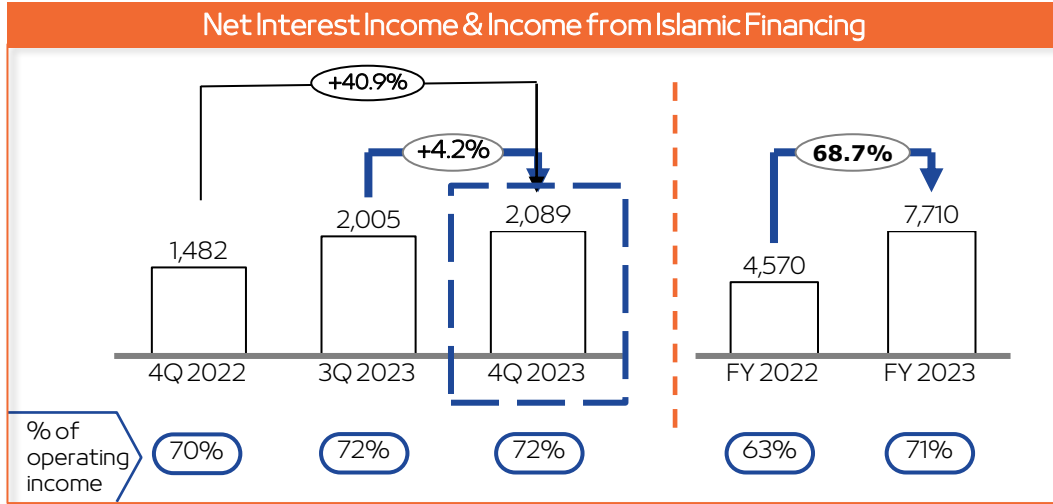
Performance Highlights

▶ **Financial Results Overview**

Appendix



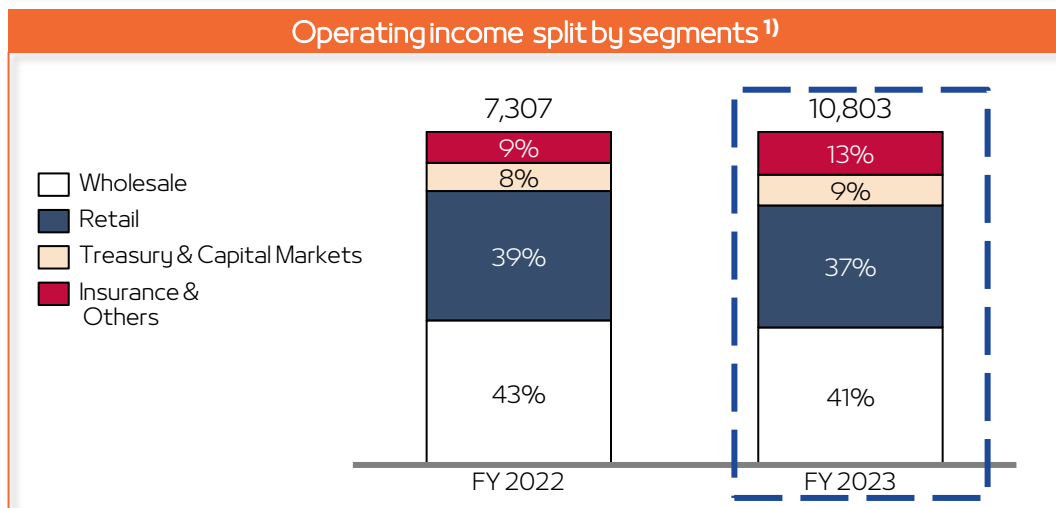
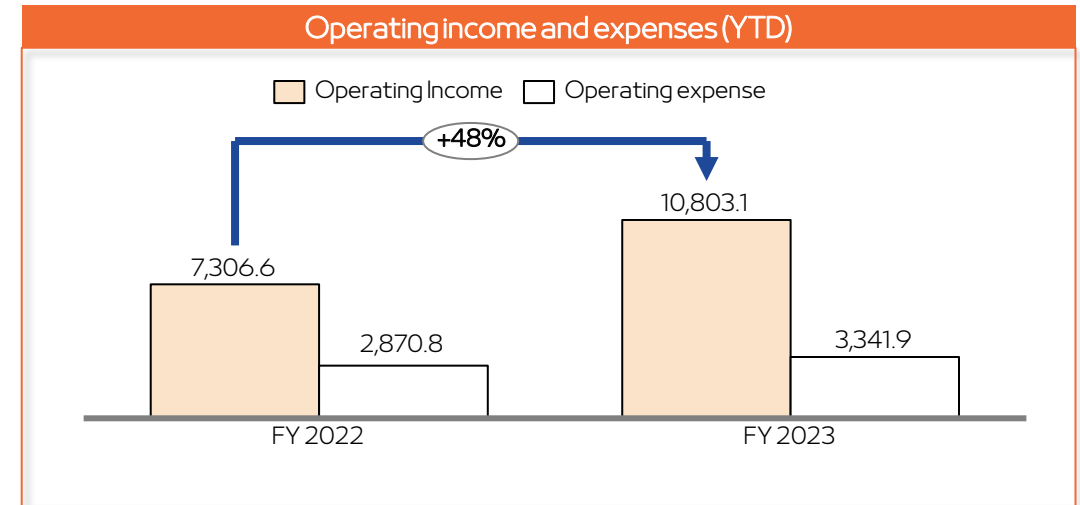
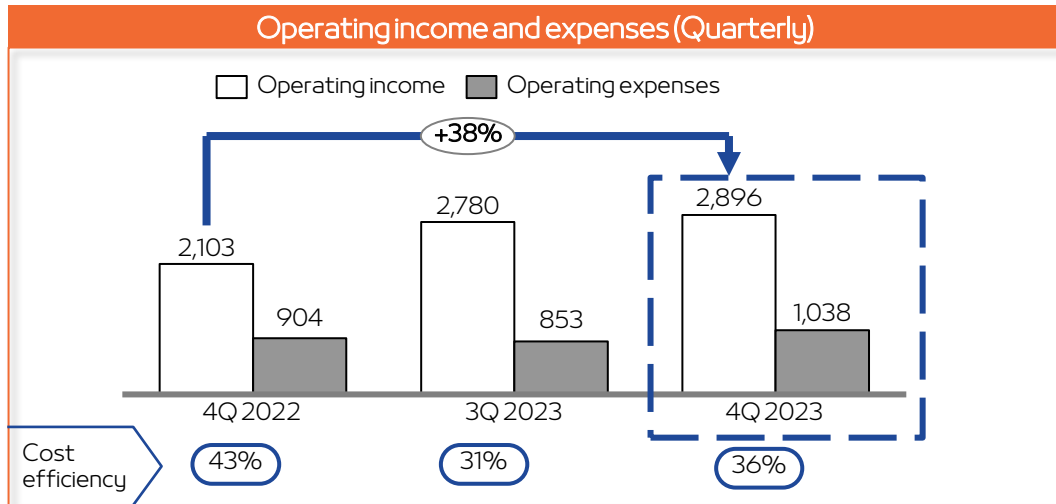
# Operating income mix [AED million,%]



- ### Key Points
- > 4Q 2023 Net Interest Income and income from Islamic Financing increased by 4.2% Q-o-Q and 40.9% Y-o-Y. The increase is supported by improvement in Net Margin(NM). The NM's have improved by 220 bps Y-o-Y mainly due to the impact of increase in 3 month EIBOR
  - > 4Q 2023 Non-interest income increased by 30% Y-o-Y. Insurance, FX & other income increased by 116.3% and is the main driver of the growth
  - > Non-interest income as % of total income stood at 28% for 4Q 2023
  - > Net Interest Income and income from Islamic financing for FY 2023 stands at AED 7.7 billion with an increase of 69% Y-o-Y contributing to 71% of operating income.

1) Annualized; Net Margin represents Net Interest Margin & Margin for Islamic products; Assets Yield is calculated on total assets, Cost of Funds is calculated on total liabilities & NIM's calculated on Earning Assets.

# Operating income and expense [AED million,%]



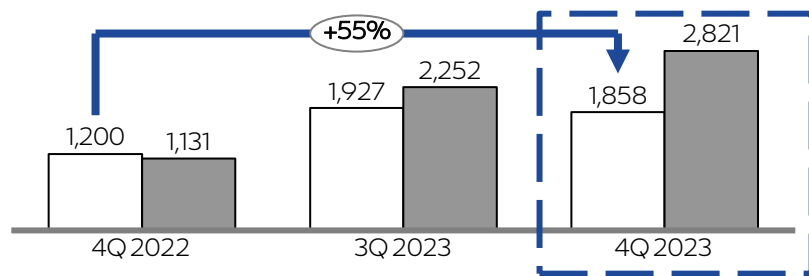
- ### Key Points
- > 4Q 2023 Operating Income has increased by 38% Y-o-Y and stands at AED 2.9 billion. This is mainly from increased interest income from growing business volume
  - > Cost to Income ratio for 4Q 2023 stood at 36% vs 4Q 2022 at 43%. The decrease indicates the diligent focus on enhancing efficiencies by optimizing cost growth vis a vis revenue growth
  - > Operating income growth for FY 2023 was primarily driven by net interest income which has increased significantly by 48% as a result of a robust business volume increase and the high interest rate environment; Given the extraordinary increase in interest income, as compared to the non-interest income, the non interest income to total income ratio stands at 28.6%
  - > Wholesale banking accounted for 41% and Retail Banking accounted for 37% of the operating income for FY 2023. collectively contribution to almost 80% of the banks revenues.

1) Wholesale banking includes International banking segment

# Operating profit and Net profit [AED million]

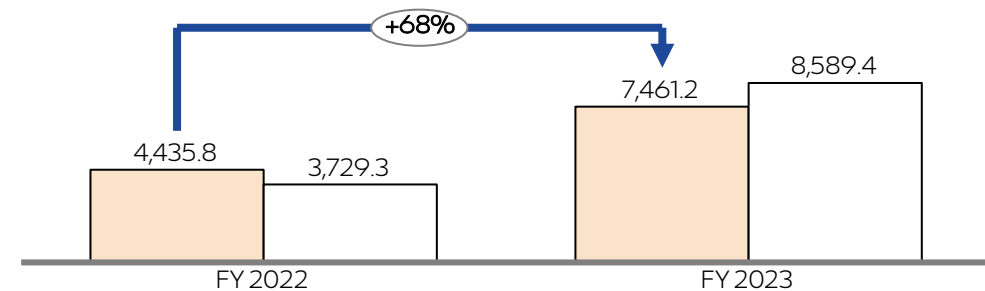
## Operating Profit and Net Profit (Quarterly)

□ Operating Profit ■ Net Profit

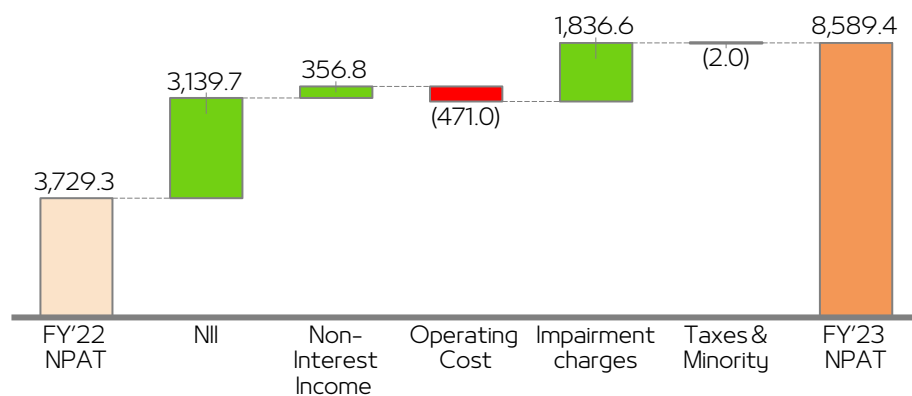


## Operating Profit and Net Profit (YTD)

■ Operating Profit □ Net Profit



## Net Profit Bridge

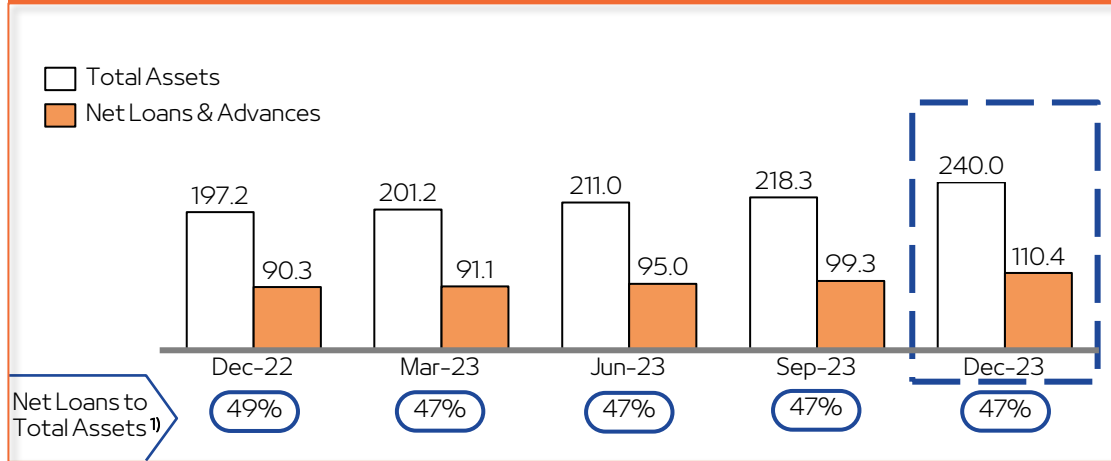


## Key Points

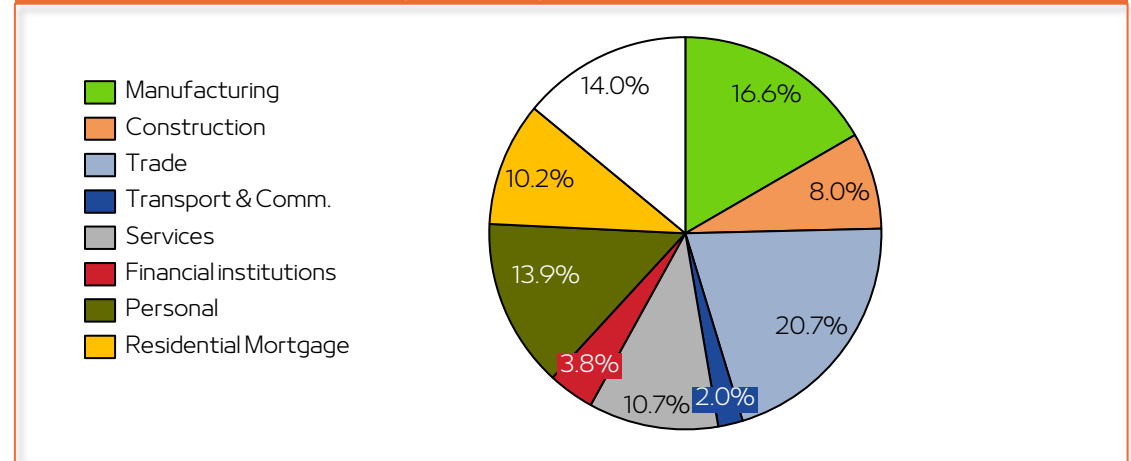
- > Operating profit for 4Q 2023 increased to AED 1.9 billion compared to AED 1.2 billion in 4Q 2022.
- > The bank registered a Net profit of AED 2.8 billion in the fourth quarter of 2023 vs AED 1.1 billion in 4Q 2022. Increased Operating income and the decrease in risk charge (improved assets quality coupled with enhanced recoveries) across segments were the main drivers of the increase

# Asset mix [AED billion,%]

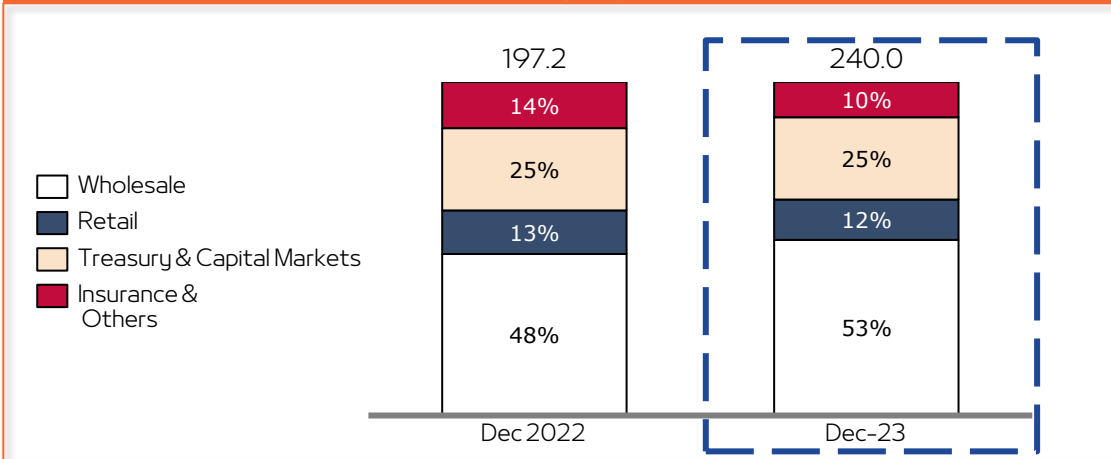
Total Assets and Net Loans & Advances <sup>2)</sup>



Gross Loans & Advances <sup>2)</sup> portfolio split as of December 2023 (AED 115.9 billion)



Asset Split by Segment <sup>3)</sup>

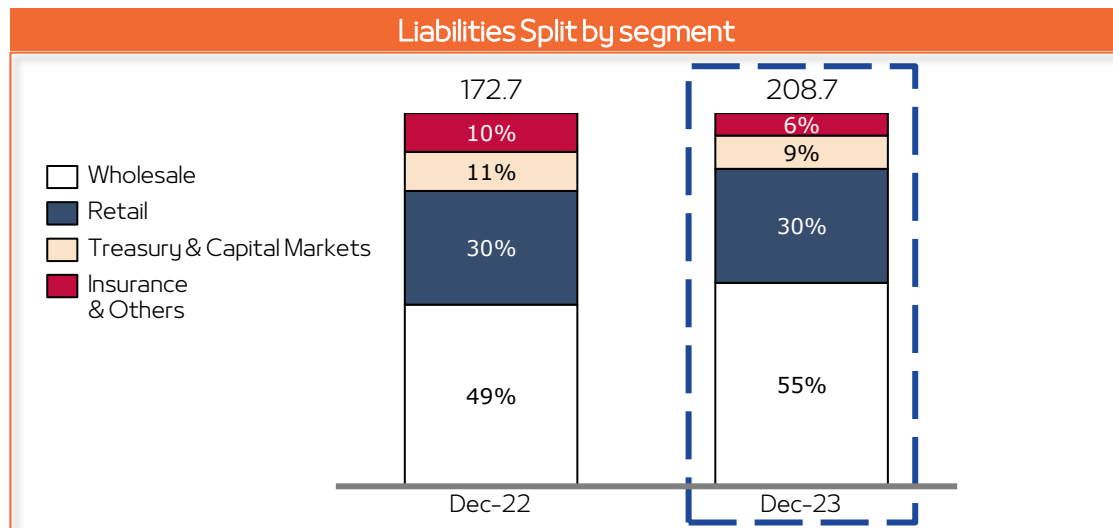
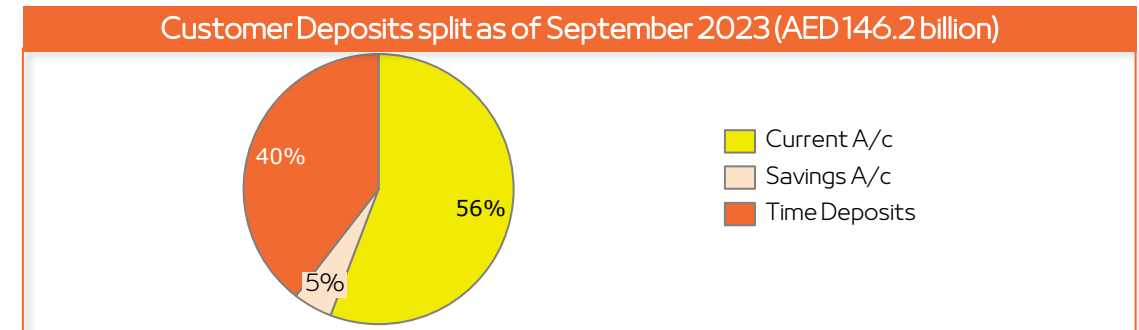
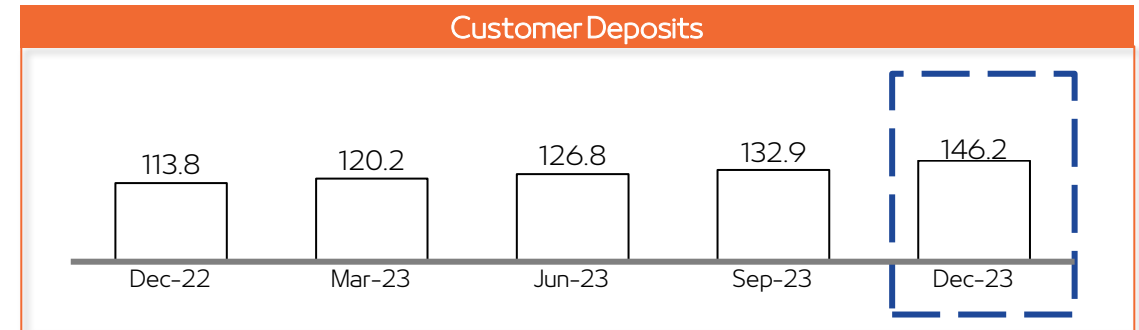
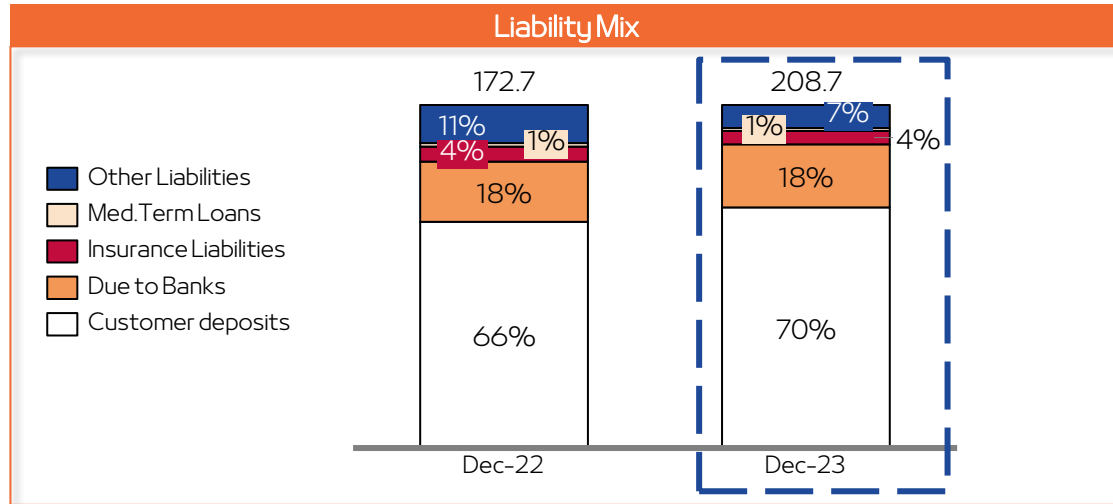


Key Points

- > Net Loans & advances to customers are at AED 110 billion, an increase of 23.8% compared to December 2022 primarily due to increased lending across both Wholesale and Retail segments
- > Personal segment contributes 13.9% of the Gross Loans while residential mortgage represents 10.2%. Trade is the biggest proportion of Gross Loans at 20.7% followed by Manufacturing at 16.6%. The bank has diversified loans portfolio with no individual sector accounting for more than ~21% of the total loan portfolio
- > Wholesale Banking accounts for 53% of total assets as of December 2023. Retail Assets stand at 12%.

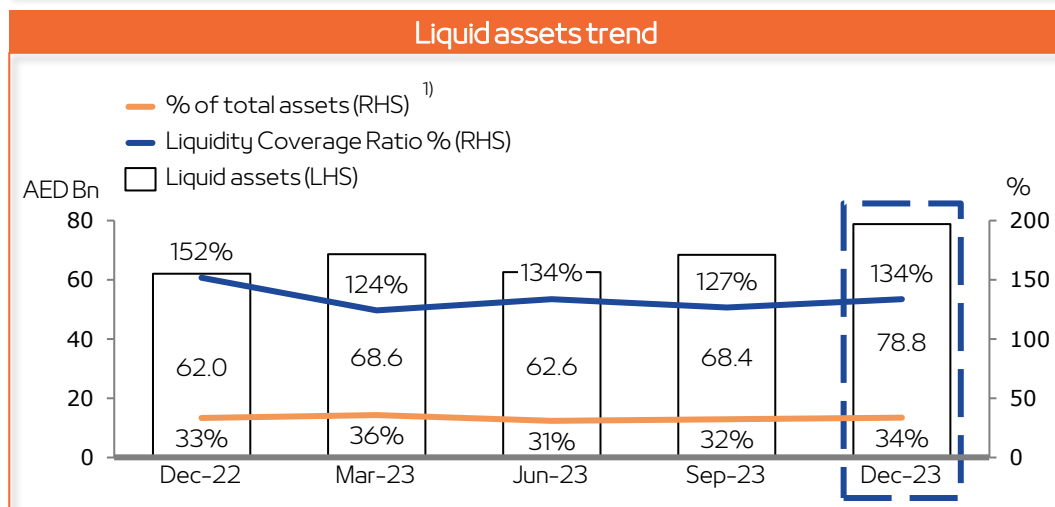
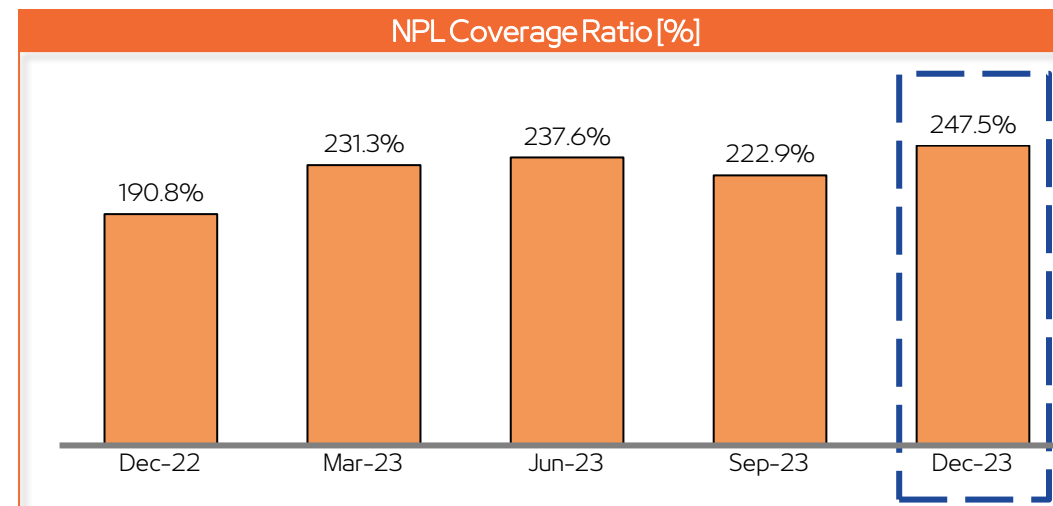
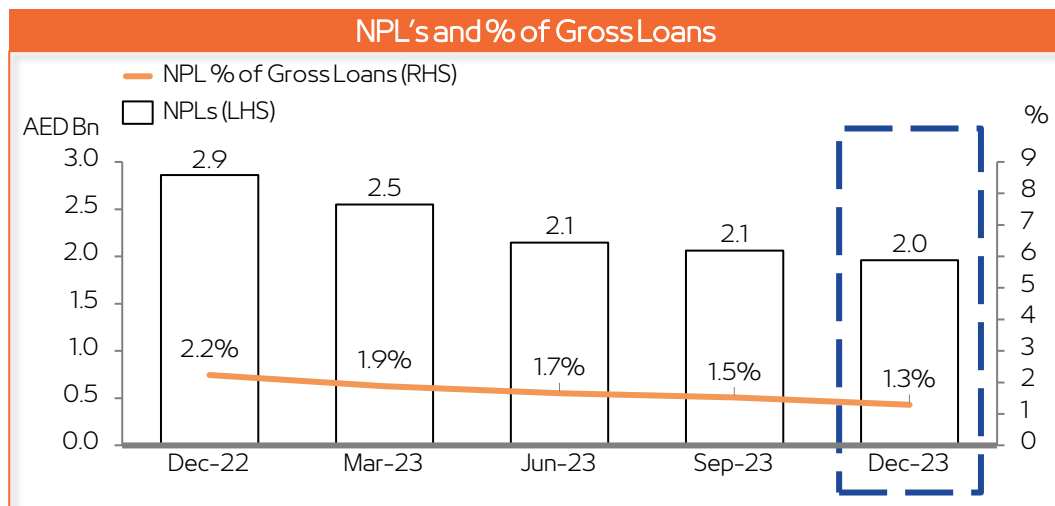
1) Total Assets excludes contra items; Net Loans and advances are to Customers  
 2) Includes Islamic Financing  
 3) Wholesale banking includes International banking segment

# Liability mix [AED billion,%]



- ### Key Points
- > Customer deposits accounted for 70% of total liabilities
  - > CASA accounts for 60% of customer deposit as compared to 64% in Dec 2022; Time deposits contributed 40% of total deposits (36% in Dec 2022). The shift from CASA to time deposits is primarily as a result of the high interest rates steering customer behavior
  - > Wholesale Banking accounts for the largest portion of liabilities at 55% as of December 2023

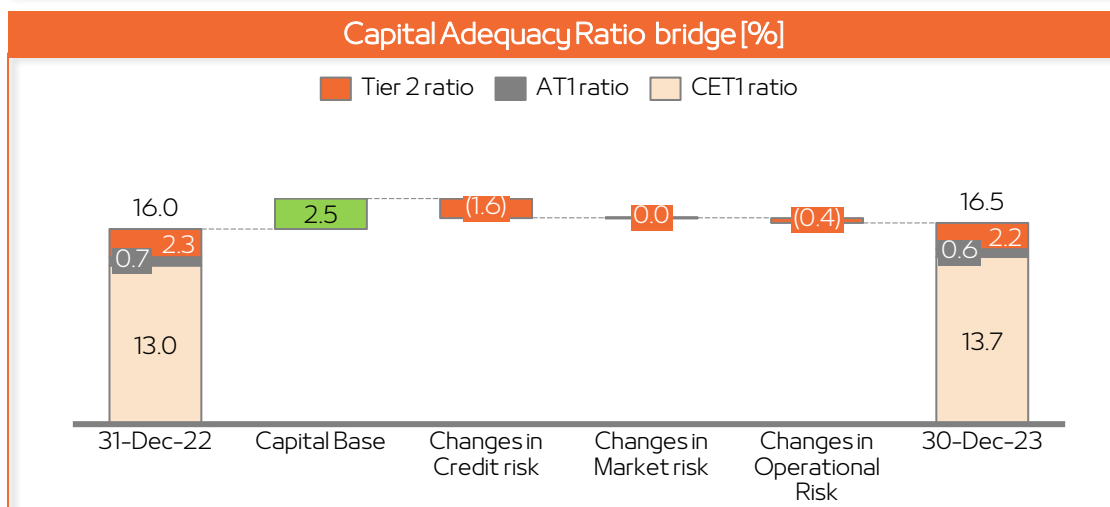
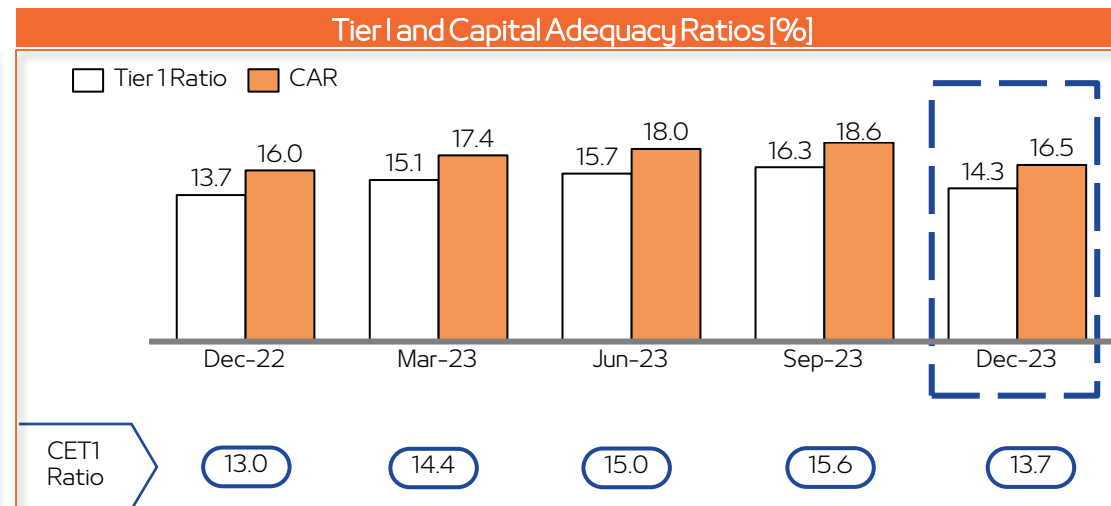
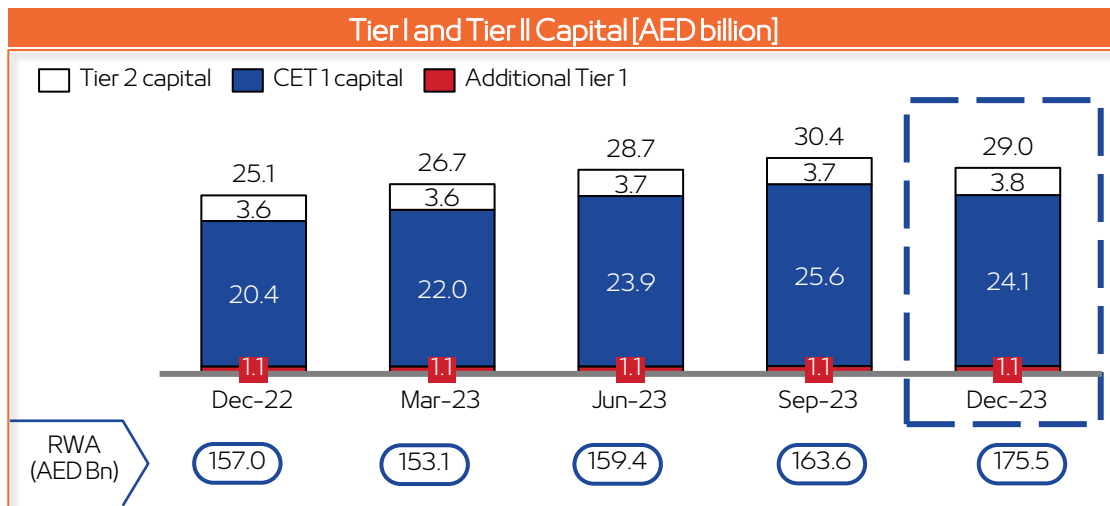
# Asset quality and liquidity [AED billion,%]



- ### Key Points
- > General provisions are 1.59% of Credit Risk Weighted Assets
  - > NPLs have decreased by 32% in the year to reach AED 2.0 billion. This development is on the back of write-offs and increased recoveries. The NPL ratio has decreased to 1.3% (2.2% in December 2022)
  - > NPL Coverage ratio in December 2023 stands healthy at 247.5% (190.8% in December 2022)
  - > Liquid assets to total assets as of December 2023 was at 33.6%

<sup>1)</sup> Total Assets excludes contra items

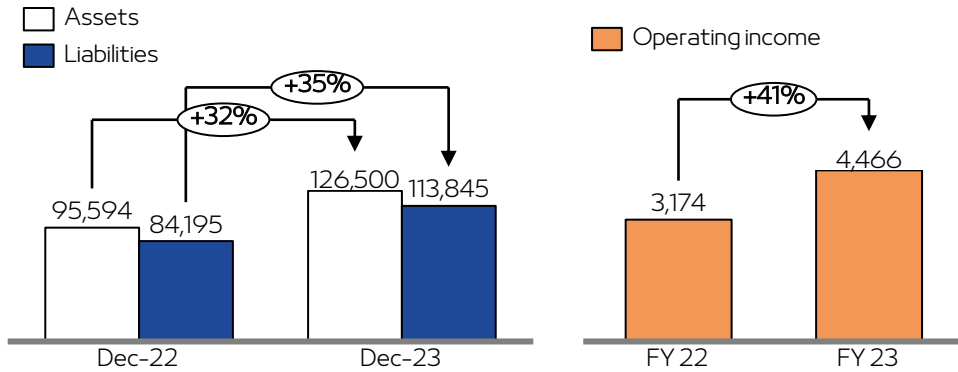
# Capital adequacy [AED billion; %]



- ### Key Points
- > Mashreq CAR stands at 16.5% and is comfortably above the regulatory requirement of 13.0%
  - > Mashreq Tier 1 capital ratio was at 14.3% with CET 1 at a healthy 13.7%. The CET1 ratio has increased compared to Dec-22 despite a substantial increase in proposed dividends
  - > RWA/Total assets is at 73% in December 2023 compared to 80% in December 2022. The increase is in line with business growth

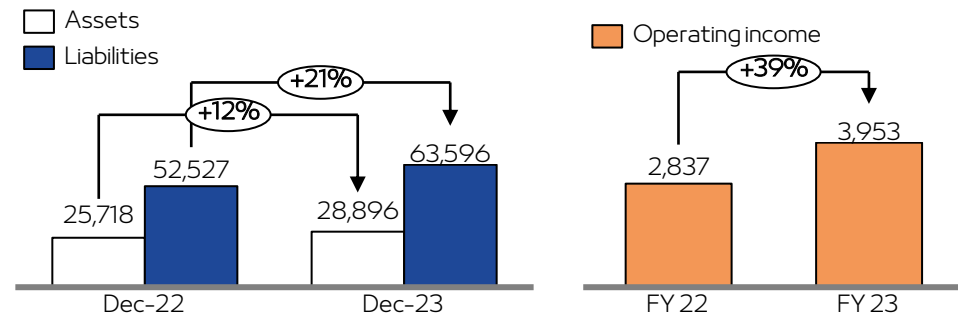
# Business segment information [AED million] (1/2)

## Wholesale Banking



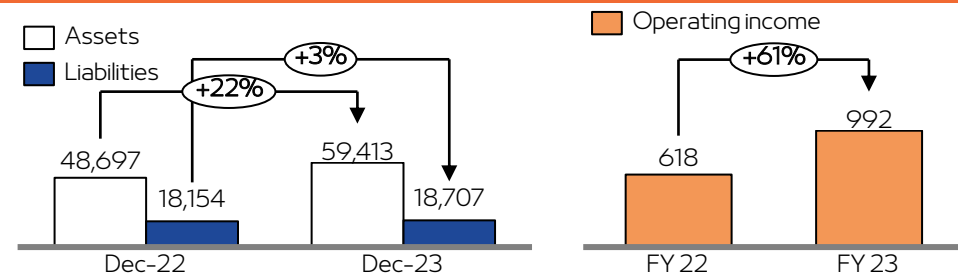
- > Wholesale banking is the biggest segment in Mashreq in terms of assets (53% of assets), liabilities (55% of total liabilities) and Operating Income (41% of total income) as of December 2023
- > Assets increased by 32% and stand at AED 126.5 billion. The increase was spearheaded by growth in the FI segment, Public Sector, Real Estate and Trading respectively
- > Operating income increased by 41% Y-o-Y

## Retail Banking



- > Retail banking is a key contributor to the operating income at 37% in FY 2023
- > Y-o-Y operating income increased by 39% mainly from business banking and the wealth segment which includes both Mashreq Gold and Private Banking
- > Retail banking assets increased by 12% and stand at AED 28.9 billion
- > Liabilities have increased by 21% and are AED 63.6 billion as of December 2023 (30% of total liabilities)

## Treasury & Capital Markets



- > Treasury & Capital Markets accounts for 25% of assets and 9% of liabilities as of December 2023
- > Assets increased by 22% year to date and stood at AED 59.4 billion.
- > TCM Operating income contributed 9% to the total operating income in FY 2023.
- > Y-o-Y operating income increased by 61% to AED 992 million. The increased customer penetration along with new to bank clients have contributed to the enhanced customer flow business thereby increasing the FX revenue significantly



Performance Highlights

Financial Results Overview

▶ Appendix

# FY 2023 financials – Consolidated Income statement [AED million]



Income statement	2023		2022	Variance (% change)	
	4Q	3Q	4Q	4Q 2023 vs 3Q 2023 (Q-o-Q)	4Q 2023 vs 4Q 2022 (Y-o-Y)
Net interest income	2,088.9	2,004.9	1,482.3	4.2	40.9
Net Fees and commission	237.3	318.6	305.9	(25.5)	(22.4)
Net Investment income	29.2	(3.2)	65.2	NM	(55.3)
Other income	541.0	459.8	250.1	17.6	116.3
<b>Total operating income</b>	<b>2,896.3</b>	<b>2,780.2</b>	<b>2,103.5</b>	<b>4.2</b>	<b>37.7</b>
Operating expenses	(1,037.9)	(853.1)	(903.8)	21.7	14.8
<b>Operating profit</b>	<b>1,858.5</b>	<b>1,927.1</b>	<b>1,199.7</b>	<b>(3.6)</b>	<b>54.9</b>
Impairment allowance	1,027.5	394.9	2.8	160.2	NM
Tax expense	(43.0)	(48.3)	(52.0)	(11.1)	(17.4)
Non-Controlling Interest	(21.8)	(21.8)	(19.2)	(0.1)	13.4
<b>Net Profit</b>	<b>2,821.2</b>	<b>2,251.9</b>	<b>1,131.3</b>	<b>25.3</b>	<b>149.4</b>

# FY 2023 financials – Consolidated Income statement [AED million]



Income statement	2023	2022	Variance (% change)
	FY	FY	FY 2023 vs FY 2022 (Y-o-Y)
Net interest income	7,709.6	4,569.9	68.7
Net Fees and commission	1,432.5	1,346.2	6.4
Net Investment income	29.7	91.9	(67.7)
Other income	1,631.2	1,298.5	25.6
<b>Total operating income</b>	<b>10,803.1</b>	<b>7,306.6</b>	<b>47.9</b>
Operating expenses	(3,341.9)	(2,870.8)	16.4
<b>Operating profit</b>	<b>7,461.2</b>	<b>4,435.8</b>	<b>68.2</b>
Impairment allowance	1,368.8	(467.8)	NM
Tax expense	(153.6)	(146.1)	5.1
Non-Controlling Interest	(87.1)	(92.6)	(6.0)
<b>Net Profit</b>	<b>8,589.4</b>	<b>3,729.3</b>	<b>130.3</b>

# December 2023 financials – Consolidated Balance sheet [AED million]



Balance sheet	31 Dec 2023	31 Dec 2022	YOY (%)
<b>Assets</b>			
Cash and balances with central banks	41,760	31,436	33%
Loans and advances to banks	39,127	29,054	35%
Financial assets measured at fair value	26,032	10,430	150%
Securities measured at amortised cost	9,952	16,423	(39%)
Loans and advances to customers	93,603	75,630	24%
Islamic financing and investment products	16,752	14,673	14%
Acceptances	3,537	9,311	(62%)
Reinsurance contract assets	2,757	2,374	16%
Investment in associate	36	44	(16%)
Investment properties	502	465	8%
Property and equipment	1,382	1,395	--%
Intangible assets	361	231	56%
Other assets	4,180	5,781	(28%)
<b>Total Assets</b>	<b>239,981</b>	<b>197,245</b>	<b>22%</b>
<b>Liabilities</b>			
Deposits and balances due to banks	37,335	28,399	31%
Repurchase agreements with banks	1,063	1,926	(45%)
Customers' deposits	132,610	98,827	34%
Islamic customers' deposits	13,622	14,979	(9%)
Acceptances	3,537	9,311	(62%)
Medium-term loans	5,159	5,224	(1%)
Subordinated debt	1,831	1,831	--%
Subordinated debt	5,335	4,618	16%
Other liabilities	8,171	7,621	7%
<b>Total Liabilities</b>	<b>208,663</b>	<b>172,737</b>	<b>21%</b>
<b>Total Equity</b>	<b>31,318</b>	<b>24,509</b>	<b>28%</b>
<b>Total Liabilities and Equity</b>	<b>239,981</b>	<b>197,245</b>	<b>22%</b>

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



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**THANK YOU.**