



9M 2021 Financial results presentation

09th November 2021

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▶ Performance Highlights

Financial Results

Appendix

Performance highlights

> Operating Income for 9M 2021 increased by 8.2% compared to last year and stands at AED 4.3 billion

> Fee and other income proportion remains high at ~ 48.0%

> Advances increased by 7.6% YTD; Strong Liquidity maintained with Liquid Assets to Total Assets at 29% and Advances to Deposits at 81%

> Operating costs have increased marginally w.r.t last year by 1.5%

> NPL to gross advances increased to 5.6% however the coverage ratio rose to 125.0% vs last year

> Operating Profit increased by 14.3% and is at AED 2.4 billion. Net Profit of AED 265 million mainly as a result of increased risk charge

Financial highlights – Consolidated Income statement [AED million]

Consolidated Income statement

	9M 2021	9M 2020	Variance
Operating income	4,298	3,971	8.2%
Operating expense	(1,912)	(1,884)	1.5%
Operating profit	2,386	2,087	14.3%
Impairment allowance	(2,035)	(1,643)	23.8%
Net profit	265	352	(24.7%)

Comments

- > **Operating income** increased by 8.2% Y-o-Y as a result of an increase in both the interest income & income from Islamic financing (+8.5%) and the non-interest income (+ 7.9%) respectively.
- > **Operating expenses** increased marginally by 1.5% vis-à-vis last year due to continued investments in digital
- > **Impairment allowance** increased by 23.8% driven by risk charge in Corporate Banking
- > **Net Profit** of AED 265 million as a result of increased risk charge

Financial highlights – Consolidated Balance sheet [AED million]

Consolidated Balance sheet

	Sep 2021	Dec 2020	Variance
Total Assets	169,561	158,523	7.0%
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Loans & Advances *	76,982	71,533	7.6%
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Customers' deposits	94,779	88,261	7.4%
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Shareholders Equity	19,389	19,431	(0.2%)
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Risk weighted assets	143,789	129,650	10.9%

Comments

- > **Customer loans and advances*** at AED 77 billion, increased by 7.6% as a result of increased lending across all segments
- > **Customer deposits** increased by 7.4% to AED 94.8 billion mainly as a result of an increase in current account deposits. CASA balances witnessed a 18.3% YTD increase and constitutes 58.6% of total deposits. Advances to Deposit ratio at 81.0% is well within established guidelines.
- > **Shareholders Equity** decreased marginally by 0.2% and is at AED 19.4 billion
- > **Risk weighted assets** increased by 10.9% to reach AED 144 billion mainly as a result of increased loans and advances

* Includes Islamic Financing

Financial track record

	<u>30 Sep 2021</u>	<u>31 Dec 2020</u>	<u>30 Sep 2020</u>
Capital adequacy			
Tier I Capital Ratio	13.3%	14.9%	16.3%
Total Capital Ratio	14.4%	16.0%	17.4%
Liquidity			
Liquid Assets to Total Assets ¹⁾	29.5%	32.0%	35.9%
Advances to Deposits	81.2%	81.0%	78.1%
Liquidity Coverage Ratio (LCR)	150.1%	159.8%	153.6%
Asset quality			
NPL Coverage Ratio	125.0%	130.3%	120.4%
NPL to Gross Advances	5.6%	5.1%	4.2%
Performance			
ROA	0.2%	(0.9%)	0.3%
ROE	1.8%	(6.2%)	2.2%
Net Margin ²⁾	2.1%	2.0%	2.0%
Efficiency Ratio	44.5%	57.2%	47.4%
Fee and other income to total income	48.0%	48.0%	48.1%

Note: 1) Total Assets excludes contra items

2) Net Margin includes Net Interest Margin & Margin for Islamic products

Classification: Confidential

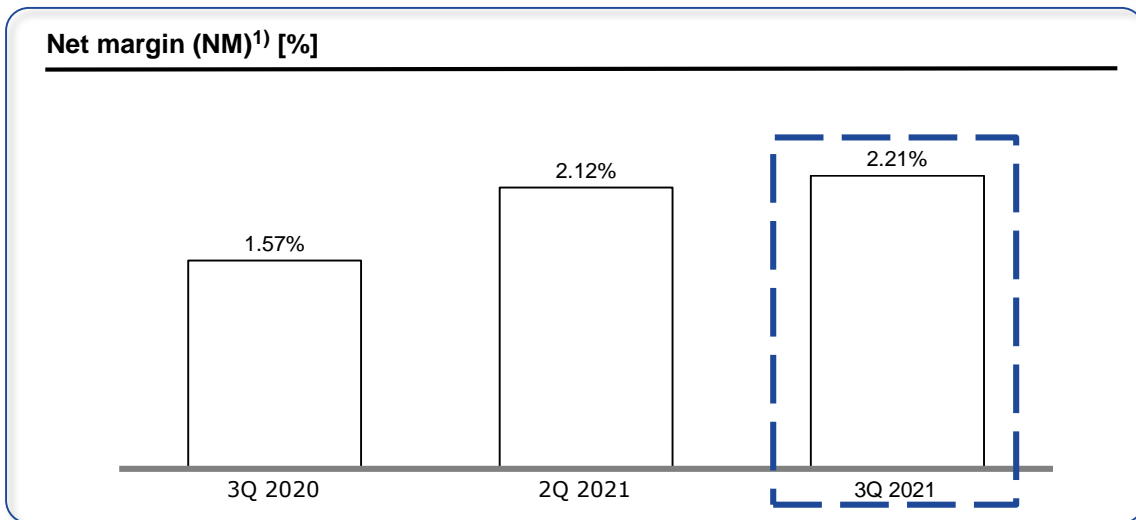
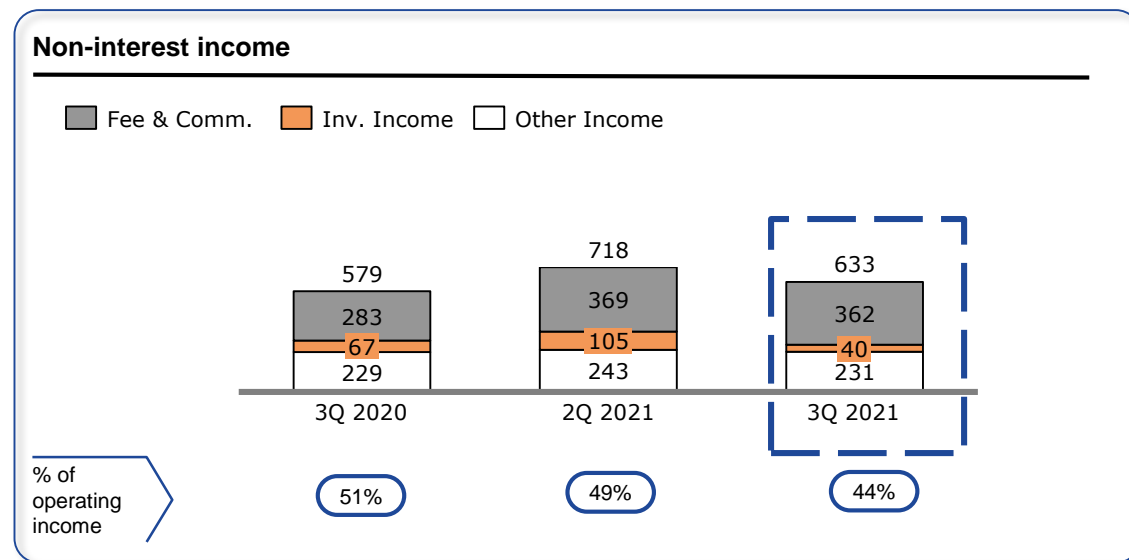
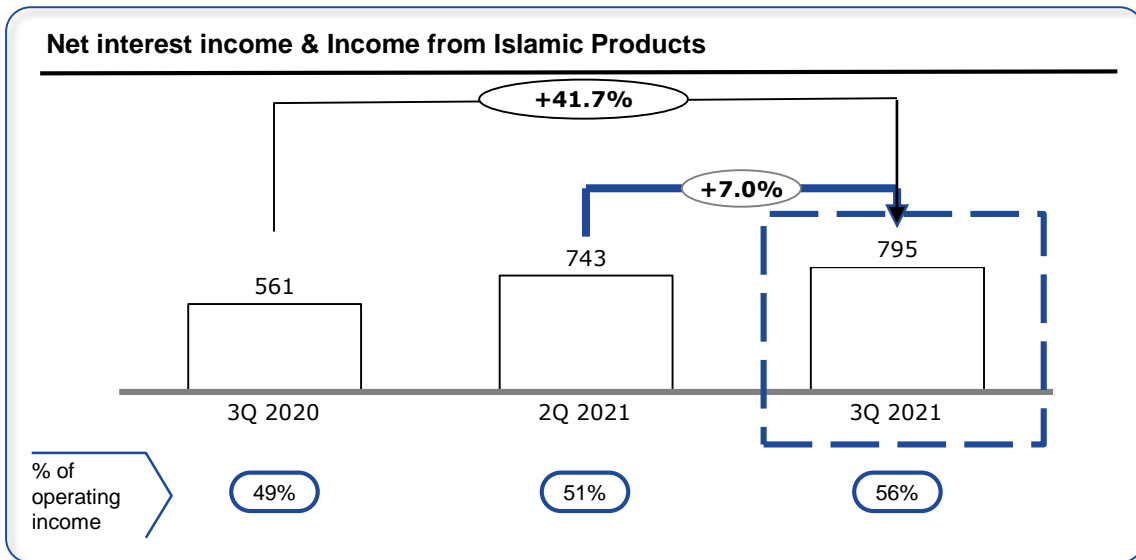


Performance Highlights

▶ **Financial Results**

Appendix

Operating income mix [AED million]

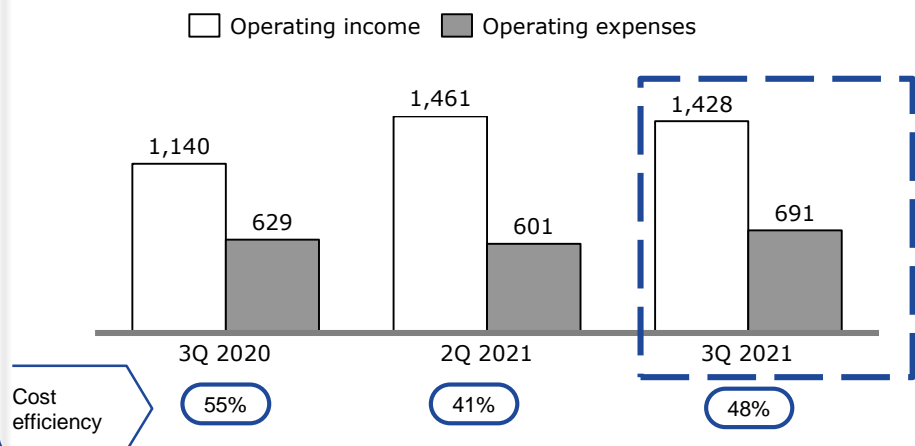


- ### Key Points
- > 3Q 2021 Net Interest Income and income from Islamic products increased by 7.0% Q-o-Q and 41.7% Y-o-Y. The Quarterly NM's have improved by 64 bps Y-o-Y as a result of higher yield on loans.
 - > 3Q 2021 Non-interest income increased by 9.3% Y-o-Y driven by an increase in Fee & Commission Income (+28.0%)
 - > Non-interest income as % of total income remained high at 44% for 3Q 2021

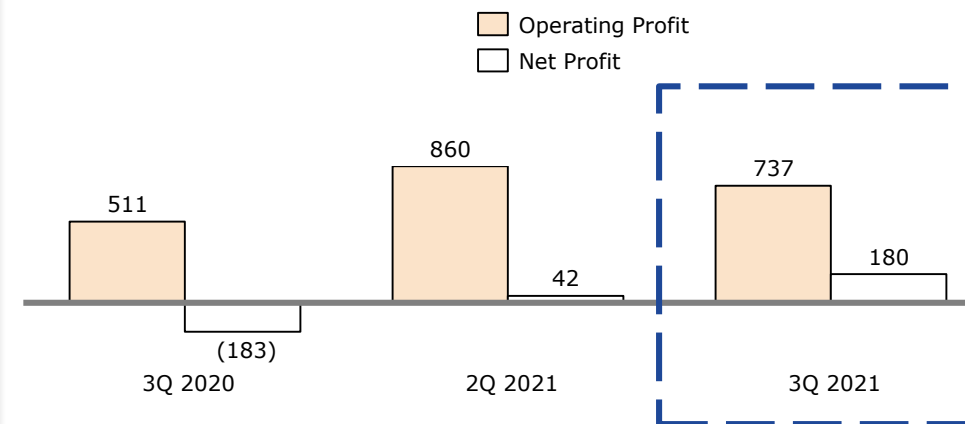
1) Annualized & Quarterly ; Net Margin includes Net Interest Margin & Margin for Islamic products

Operating income, expense and net profit [AED million]

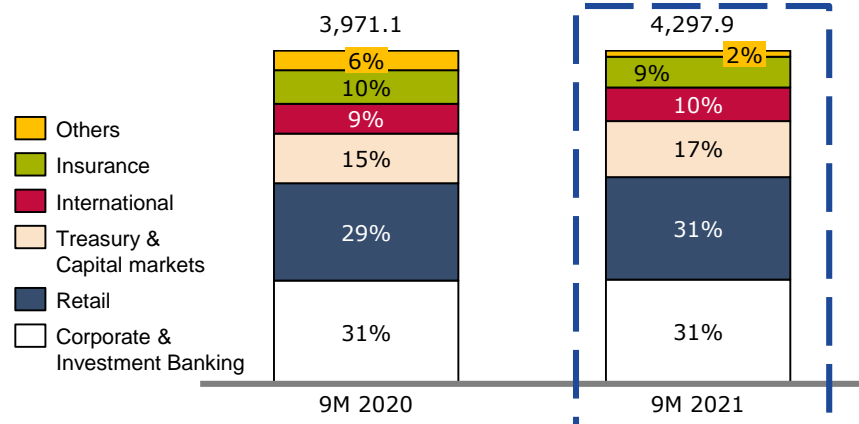
Operating income and expenses



Net profit/(loss)



Operating income split by segments

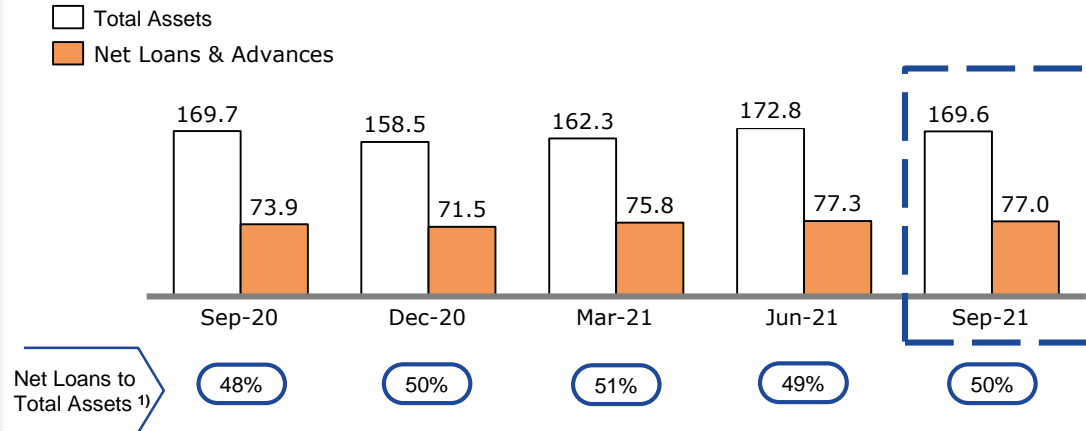


Key Points

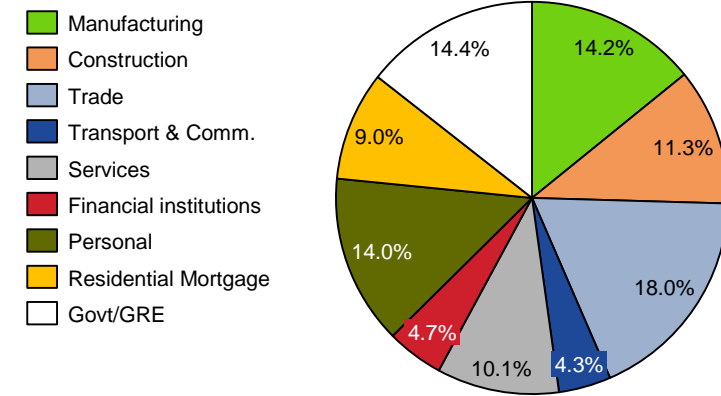
- > 3Q 2021 Operating Income has increased by 25.2% Y-o-Y and stands at AED 1.4 billion. This is mainly as a result of increased interest income and income from Islamic products.
- > Efficiency ratio for 3Q 2021 decreased to 48% vs 3Q 2020 at 55% mainly due to cost optimizations
- > Operating profit for 3Q 2021 increased to AED 737 million compared to AED 511 million in 3Q 2020. The bank registered a Net profit of AED 180 million in 3Q 2021 vs a loss of AED 183 million in 3Q 2020. The increase in net profit is as a result of increased operating income (+25.2% Y-o-Y) and reduced risk cost (-19% vs 3Q 2021).
- > Corporate banking and Retail Banking both accounted for the largest portion of 9M 2021 Operating Income with a 31% contribution each

Asset mix [AED billion]

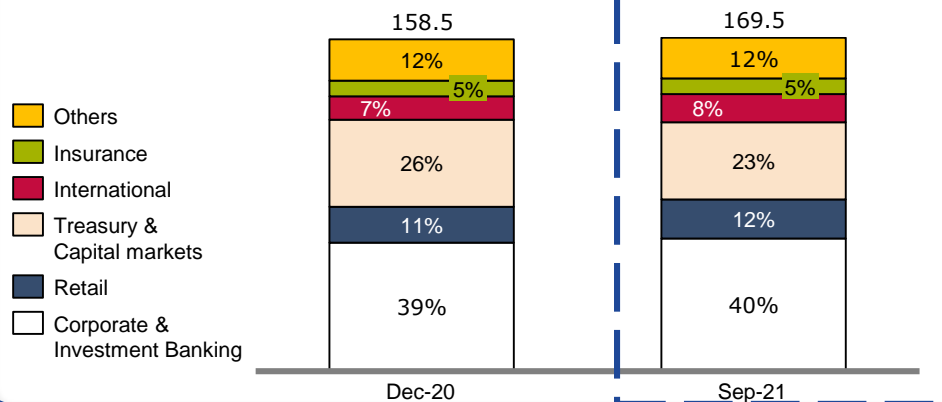
Total Assets and Net Loans & Advances ²⁾



Gross Loans & Advances ²⁾ portfolio split as of Sep 2021 (AED 83.6 billion)



Asset split by segments



Key Points

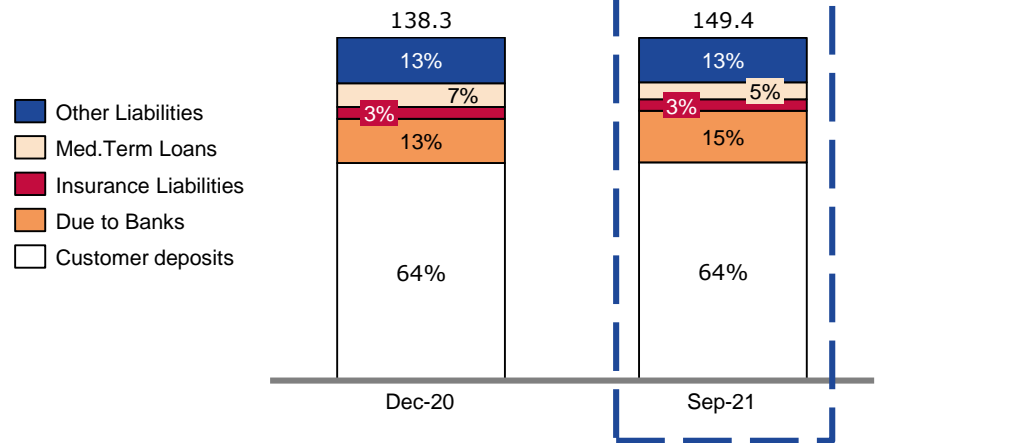
- > Net Loans & advances are at AED 77 billion, an increase of 7.6% compared to December 2020 primarily due to increased lending across all segments
- > Personal segment contributes 14.0% of the Gross Loans while residential mortgage represents 9.0%
- > Trade is the biggest proportion of Gross Loans at 18.0% followed by Govt/ GRE at 14.4%. Diversified loans portfolio with no individual sector accounting for more than ~18% of the total loan portfolio
- > Corporate Banking accounts for 40% of total assets as of September 2021. Retail Assets stand at 12%.

1) Total Assets excludes contra items

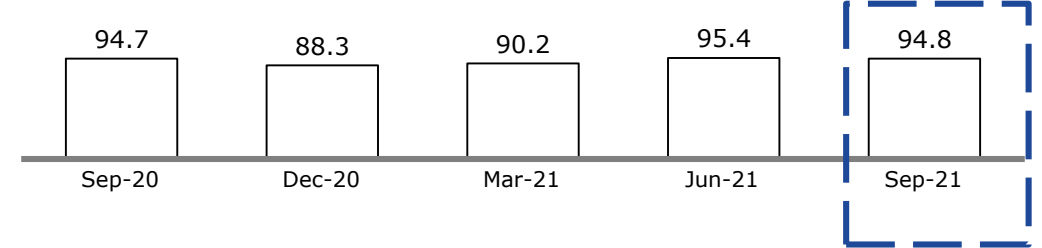
2) Includes Islamic Financing

Liability mix [AED billion]

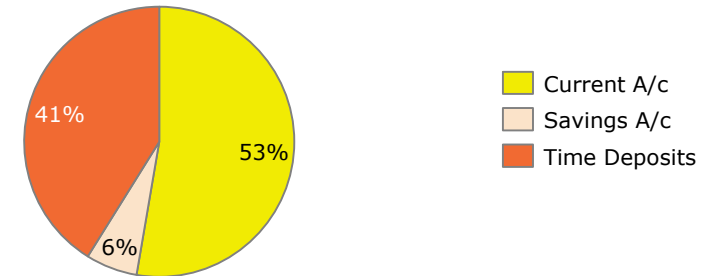
Liability mix



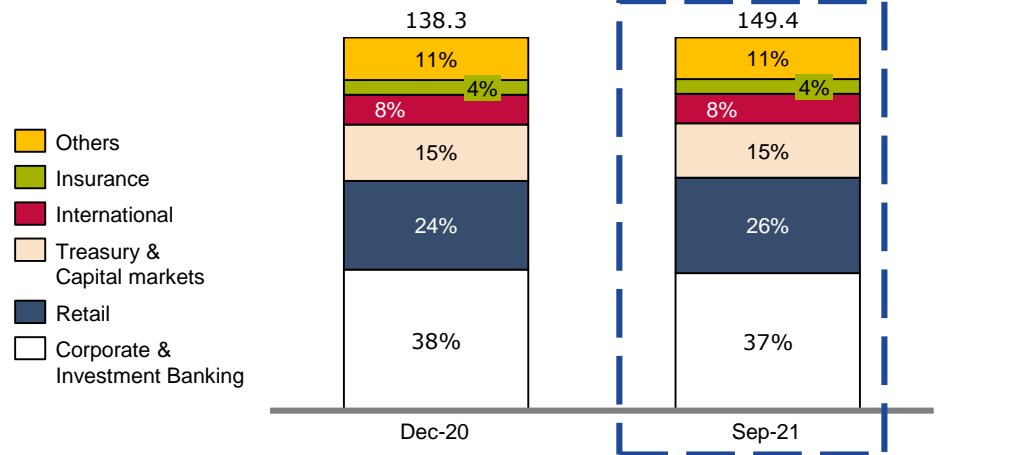
Customer deposits



Customer deposits split Sep 2021 (AED 94.8 billion)



Liabilities split by segments

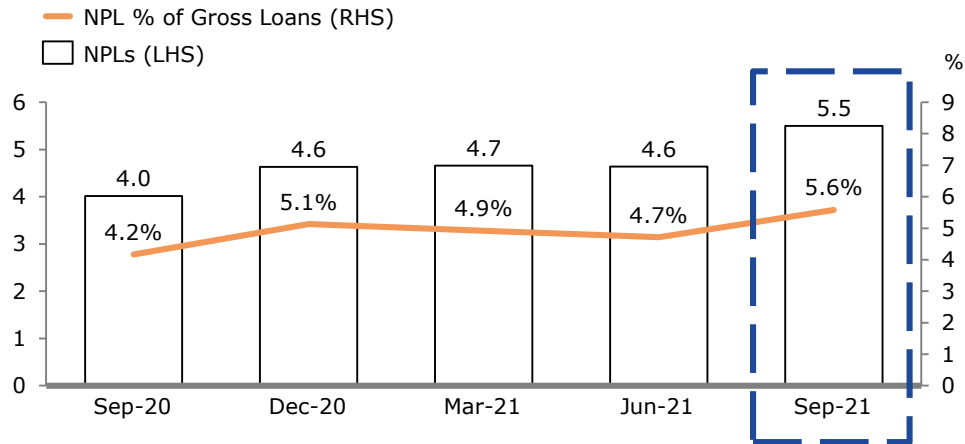


Key Points

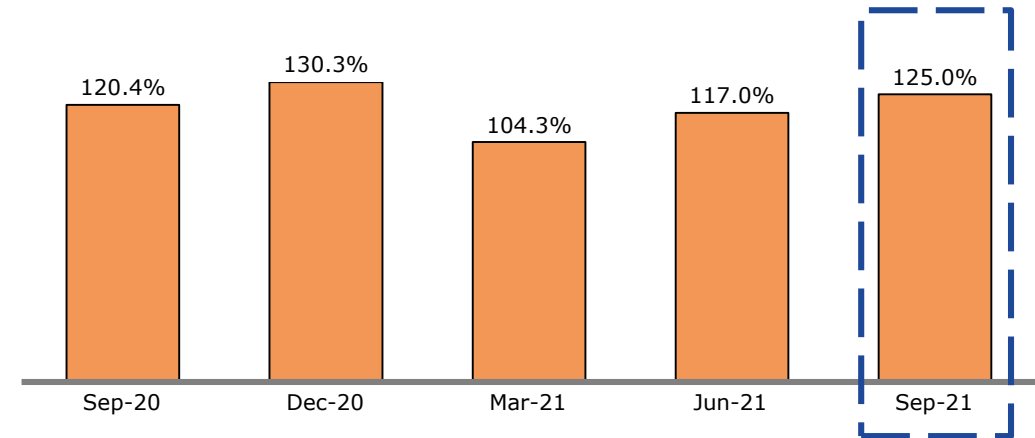
- > Customer deposits accounted for 64% of total liabilities
- > CASA accounts for 59% of customer deposit as compared to 53% in Dec 2020; Time deposits contributed 41% of total deposits (47% in Dec 2020)
- > Corporate Banking accounts for the largest portion of liabilities at 37% as on September 2021

Asset quality and liquidity [AED billion]

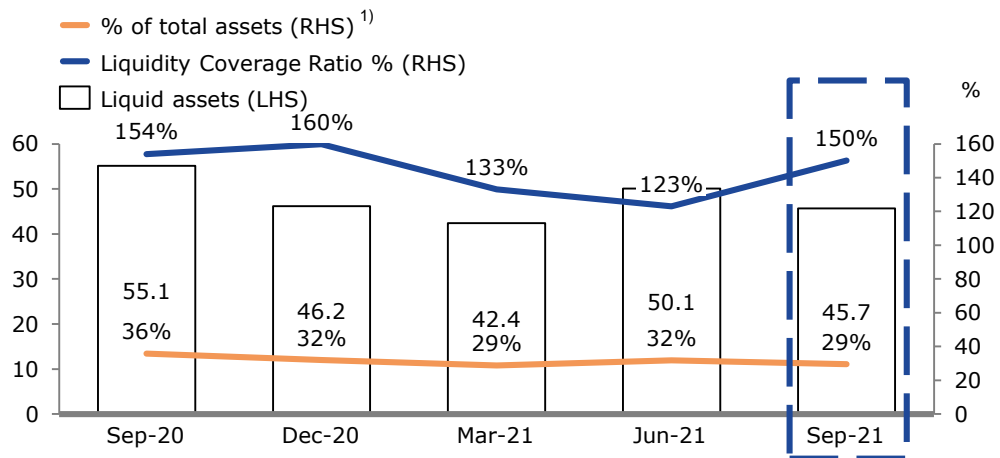
NPL's and % of Gross Loans ²⁾



NPL Coverage Ratio [%]



Liquid assets trend



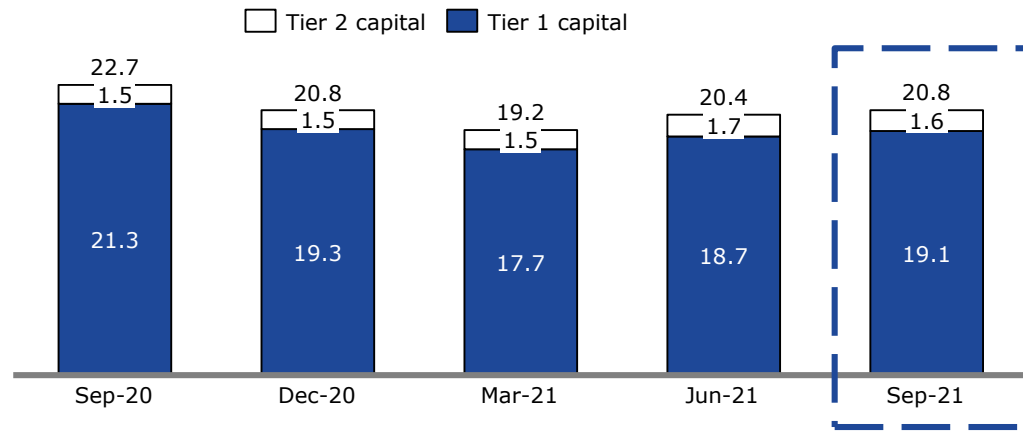
Key Points

- > Mashreq has set aside AED 2.0 billion net for Impaired assets in 9M 2021. General provisions stand at 2.2% of Credit Risk Weighted Assets
- > NPLs have increased by 17.9% in the quarter to reach AED 5.5 billion. NPL's as % of Gross loans has increased vs the previous quarter and is at 5.6%
- > Coverage ratio in September 2021 stands at 125.0% up from 117.0% in June 2021
- > Liquid assets to total assets as of September 2021 was at 29%

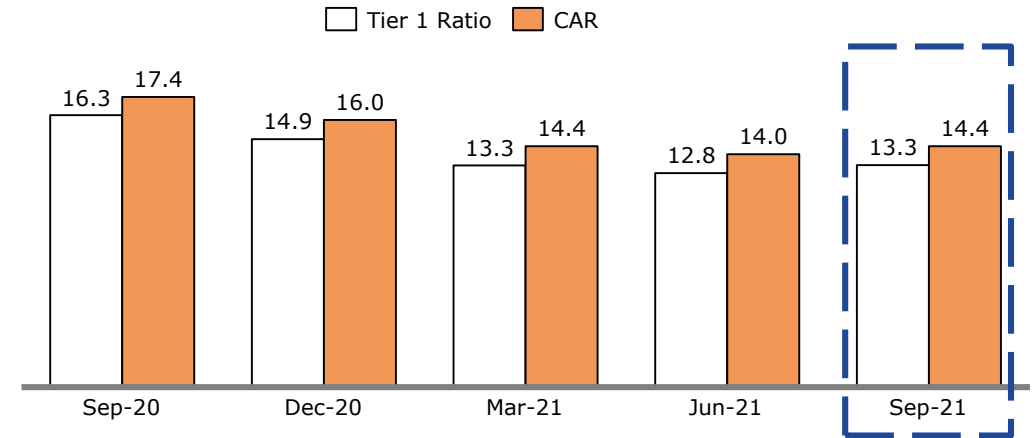
1) Total Assets excludes contra items
2) Includes Islamic Financing

Capital adequacy [AED billion; %]

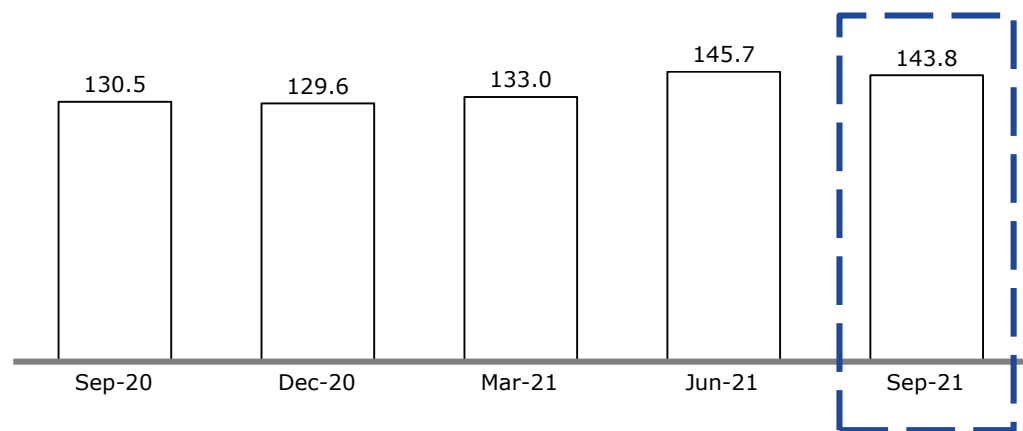
Tier I and Tier II Capital [AED billion]



Tier I and Capital Adequacy Ratios [%]



Risk-weighted assets [AED billion]

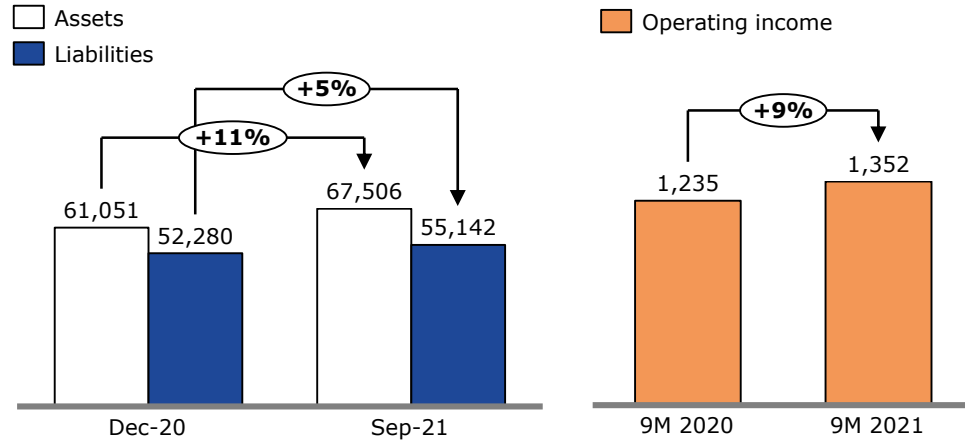


Key Points

- > As per Central bank regulation, the CAR requirement is 13% (inclusive of capital conservation buffer), Mashreq ratio stands at 14.4%;
- > Mashreq Tier 1 capital ratio was at 13.3% (against a regulatory requirement of 8.5%)
- > RWA/Total assets is at 85% in September 2021 compared to 82% in December 2020

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

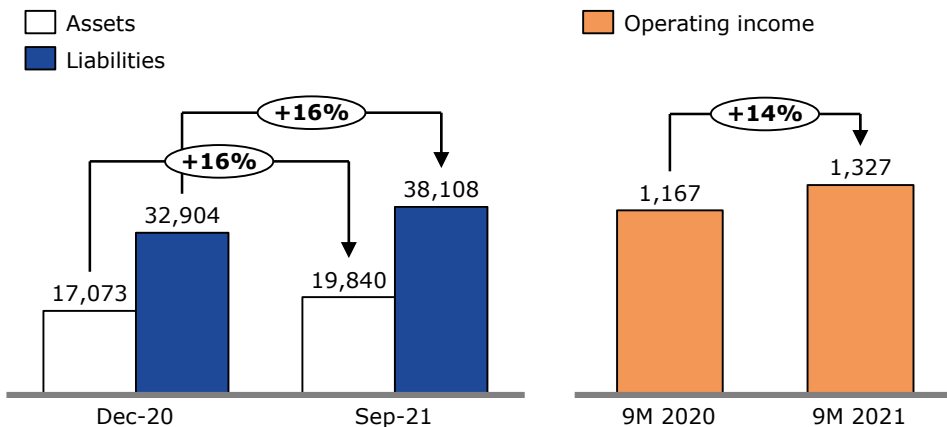
Corporate & Investment Banking



Key Points

- > Corporate banking is the biggest segment in Mashreq in terms of assets (40% of assets) and liabilities (37% of total liabilities) as of September 2021
- > Assets increased by 11% and stand at AED 67.5 billion
- > Operating income increased by 9% Y-o-Y and accounts for 31% of total operating income in 9M 2021. Main growth area has been from the lending to Financial Institutions, Trading Companies and the Services & Manufacturing segment
- > Recognized as the Market Leader in the UAE in the 2021 Euromoney Cash Management Survey for the second year in a row

Retail Banking

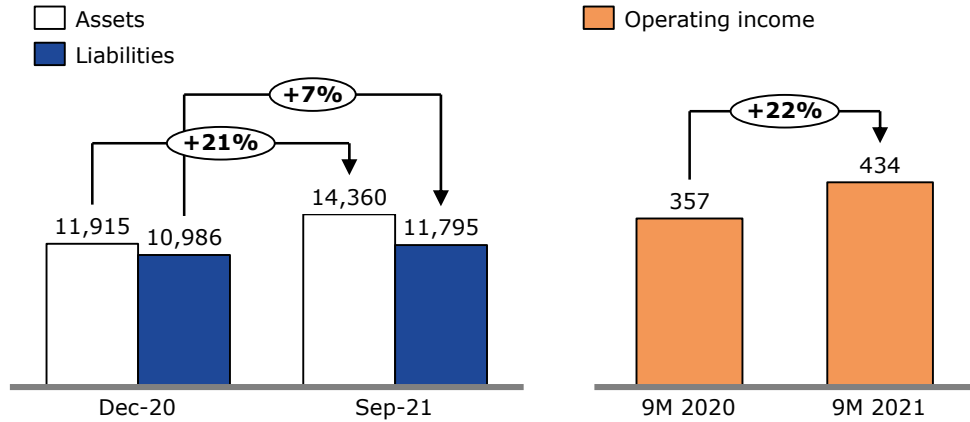


Key Points

- > Retail banking is the second largest contributor of operating income at 31% in 9M 2021
- > Y-o-Y operating income increased by 14% driven by an increase in non-interest income (FER income)
- > Retail banking assets increased by 16% and stand at AED 19.8 billion. The personal loans have grown by AED 2.1 billion off which AED 1.4 billion is to the Emirati segment. Further Mortgages volumes for YTD '21 stand at ~AED 2 billion - almost double that of the previous year
- > Liabilities have increased by 16% and are AED 38.1 billion as of September 2021 (26% of total liabilities)

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

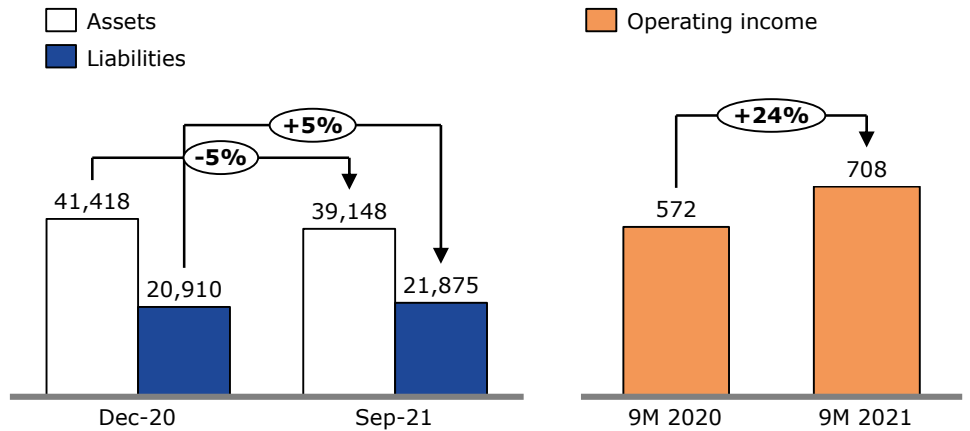
International Banking



Key Points

- > International business contributed 10% of operating income and 8% of liabilities in 9M 2021
- > International Banking assets increased by 21% as compared to December 2020 and make up 8% of total assets. Liabilities increased by 7% and stand at AED 11.8 billion
- > Y-o-Y operating income increased by 22% to AED 434 million. Main contributions are from growth in Egypt and India

Treasury & Capital Markets



Key Points

- > Treasury & Capital Markets accounts for 23% of assets and 15% of liabilities as of September 2021
- > Assets decreased by 5% year to date and stood at AED 39.1 billion
- > TCM Operating income contributed 17% to the total operating income in 9M 2021.
- > Operating income, which includes funding center income, increased by 24% and is at AED 708 million



Performance Highlights

Financial Results

▶ Appendix

9M 2021 financials – Consolidated Income statement [AED million]

Income statement	2021	2020	Variance (% change)
	9M	9M	9M 2021 vs 9M 2020 (Y-o-Y)
Net interest income and income from Islamic products (net of distribution to depositors)	2,235	2,060	8.5
Net Fees and commission	1,180	935	26.2
Net Investment income	174	289	(39.8)
Other income	708	687	3.2
Total operating income	4,298	3,971	8.2
Operating expenses	(1,912)	(1,884)	1.5
Operating profit	2,386	2,087	14.3
Impairment allowance	(2,035)	(1,643)	23.8
Tax expense	(32)	(33)	(4.1)
Non-Controlling Interest	(54)	(59)	(8.3)
Net Profit	265	352	(24.7)

3Q 2021 financials – Consolidated Income statement [AED million]

Income statement	2021	2021	2020	Variance (% change)	
	3Q	2Q	3Q	3Q 2021 vs 2Q 2021 (Q-o-Q)	3Q 2021 vs 3Q 2020 (Y-o-Y)
Net interest income and income from Islamic products (net of distribution to depositors)	795	743	561	7.0	41.7
Net Fees and commission	362	369	283	(2.1)	28.0
Net Investment income	40	105	67	(62.0)	(40.6)
Other income	231	243	229	(4.8)	1.0
Total operating income	1,428	1,461	1,140	(2.2)	25.2
Operating expenses	(691)	(601)	(629)	15.0	9.9
Operating profit	737	860	511	(14.3)	44.2
Impairment allowance	(538)	(785)	(665)	(31.5)	(19.0)
Tax expense	(6)	(12)	(12)	(53.7)	(51.8)
Non-Controlling Interest	(13)	(20)	(18)	(32.8)	(27.1)
Net Profit/(Loss)	180	42	(183)	324.1	NM

September 2021 financials – Consolidated Balance sheet [AED million]

Balance sheet	30 Sep 2021	31 Dec 2020	YTD (%)
Assets			
Cash and balances with central banks	15,541	17,942	(13%)
Deposits and balances due from banks	30,118	28,239	7%
Other financial assets measured at fair value	14,346	8,439	70%
Other financial assets measured at amortised cost	10,342	11,001	(6%)
Loans and advances measured at amortised cost	62,796	57,286	10%
Islamic financing and investment products measured at amortised cost	14,186	14,246	(0%)
Acceptances	13,557	12,767	6%
Other Assets	3,518	3,478	1%
Reinsurance contract assets	2,953	2,892	2%
Investment in Associate	42	21	100%
Investment properties	450	450	0%
Property and equipment	1,421	1,467	(3%)
Intangible Assets	293	294	(1%)
Total assets	169,561	158,523	7%
Liabilities			
Deposits and balances due to banks	19,584	14,844	32%
Repurchase agreements with banks	3,043	2,290	33%
Customers' deposits	80,829	76,376	6%
Islamic customers' deposits	13,950	11,885	17%
Acceptances	13,557	12,767	6%
Other Liabilities	6,057	5,809	4%
Medium-term loans	7,424	9,616	(23%)
Insurance and life assurance funds	4,953	4,748	4%
Total liabilities	149,397	138,335	8%
Total Equity	20,165	20,188	(0%)
Total Liabilities and Equity	169,561	158,523	7%

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