

An aerial photograph of a multi-level highway interchange at sunset. The sun is a large, bright orange orb partially obscured by clouds, casting a warm glow over the scene. To the right, a tall skyscraper with a grid-like facade is visible, featuring a stylized orange leaf logo near the top. The highway below is filled with cars, their headlights and taillights creating a stream of light.

Management Discussion & Analysis Report

25 April 2024

FIRST
QUARTER
2024

Mashreq's 1Q 2024 Net Profit Climbs 25% Year-on-Year to AED 2 Billion (AED 2.3 billion up 36% pre-tax), Fueled by Strong Business Growth and Solid Margins

- **Net Interest Income continues its strong trajectory:** The 23% rise in Net Interest Income stemmed from a significant expansion of the balance sheet and robust client margins. Furthermore, non-interest income saw a marked increase of 29% over the previous year.
- **Significant quarterly balance sheet growth:** The ongoing organic growth momentum is evidenced by a 7% rise in loans and advances and a 6% increase in customer deposits year-to-date, continuing the trends established last year.
- **Enhanced Financial Standing and Improved Operational Efficiency:** Capital Adequacy Ratio Climbs to 17.7% highlighting the Bank's Sustained Resilience in a Dynamic Environment; Moreover, a Return on Equity of 28.0% together with a Cost-Income Ratio of 26.7% demonstrates Mashreq's Exceptional Financial Performance

Dubai, UAE; 25th April 2024: Mashreq Releases 1Q 2024 Financial Results: Paving the Way for Sustainable Growth.

Mashreq is pleased to disclose its financial results for the first quarter of 2024, demonstrating the bank's steadfast commitment to strategic priorities centered on client-centricity, operational and financial efficiency, robust risk management, and a people-first culture. These results emphasize the success of Mashreq's strategic initiatives.

Key highlights:

1. Operating Income & Net Profit

- Despite the new 9% corporate tax imposed from January 1, 2024, Mashreq's net profit soared to AED 2.0 billion in the first quarter of 2024, marking a substantial 25% increase year-on-year. On pre-tax basis, Net Profit stood at AED 2.3 billion up 36% year-on-year. This growth in operating income and net profit is primarily attributed to a 23% year-on-year surge in net interest income. The main drivers include exceptional business growth, healthy client margins, the current interest rate environment, and low risk costs. Additionally, non-interest income reached nearly AED 1 billion, representing an impressive 29% growth year-on-year.
- The Cost-Income ratio improved by 3.5% year-on-year, reflecting the bank's robust performance. This improvement is characterized by stringent control over operating expenses alongside continuous investments in client experience enhancements, risk management, and business expansion.
- Operating profit rose from AED 1.8 billion to AED 2.3 billion in 1Q 2024, a 31% increase compared to the same period in 2023.
- Risk costs decreased by 61% to AED 38 million, attributed to last year's accounting change concerning general provisions and prudent risk management.
- The Return on Equity (ROE) reached 28.0% in 1Q 2024, highlighting management's continued focus on driving efficiencies, accretive capital deployment, and creating optimal value for its shareholders.

2. Liquidity & Capital position

- Mashreq's solid liquidity position is indicated by a Liquid Assets ratio of 35.6% and a Liquidity Coverage Ratio of 154% as of March 2024.
- The bank's capitalization level is very strong and has further improved from the end of 2023, with a Capital Adequacy Ratio of 17.7%, a Tier 1 Capital Ratio of 15.5%, and a CET1 Ratio of 14.9% as of March 2024.

3. Credit Environment & Asset Quality

- The Non-Performing Loans to Gross Loans ratio declined to 1.3% as of end of March 2024 (1.9% as of March 2023) and is one of the lowest in the market.
- The Coverage ratio has increased to 249.8% as on 31st March 2024 (231.3% in March 2023).

25%
YoY Net Profit Growth
(36% pre-tax)

AED 2.0 billion
Net Profit
(AED 2.3 billion pre-tax)

17.7%
Capital Adequacy Ratio

31%
Operating Profit Growth

7%
YTD Loans & Advances Growth

6%
YTD Customer Deposits Growth
(CASA 62%)

1.3%
NPL Gross Loans Ratio

28.0%
Return on Equity

3.3%
Return on Assets

26.7%
Cost to Income Ratio

H.E. Abdul Aziz Al Ghurair

Chairman of Mashreq

“The UAE’s economy continues its upward trajectory, buoyed by robust policies and a conducive environment for investment. The recent projection by the International Monetary Fund underscores the resilience and potential of our nation’s economy. As highlighted in the World Economic Outlook, the UAE is poised for a GDP growth of 4.2% in 2025, reflecting confidence in the country’s policies and ability to attract talent and foreign direct investment across key sectors such as real estate, travel and tourism, and retail. Additionally, the current high oil prices further support our economic growth.

Mashreq, has demonstrated remarkable strength and adaptability amid global challenges, maintaining solid asset growth, financing, and capital adequacy ratios. These indicators reflect the sector’s flexibility and resilience to adapt to the changes the world is witnessing.

The 2024 Brand Finance report recognizes Mashreq as the fastest-growing banking brand in the Middle East, with our brand value increasing by an extraordinary 200% over the past three years. This growth underscores our strategic foresight, adaptability, and dedication to customer-centric innovation. The distinction of Mashreq NEO as the strongest digital banking brand in the UAE further underscores our capability to provide leading-edge solutions to our clients.

Mashreq’s strategic positioning within the banking ecosystem aligns with the broader banking outlook across the Gulf Cooperation Council region, which reflects continued growth in the non-oil economy and supportive operating conditions. As Mashreq continues to navigate and contribute to this dynamic environment, we remain steadfast in our commitment to driving sustainable growth and delivering exceptional value to our stakeholders.”

Ahmed Abdelaal

Group Chief Executive Officer

“Our Q1 2024 financial results have provided a robust start to the year, showcasing a significant 25% increase in net profit to AED 2.0 billion, despite the new Corporate Income Tax of 9% in the UAE. On pre-tax basis our Net Profit stood at AED 2.3 billion representing an increase of 36% like for like. This remarkable growth is fueled by substantial income expansion and reduced risk costs, highlighting our unyielding commitment to operational resilience and efficiency. Our net interest income has experienced a substantial 23% growth, demonstrating the effective expansion of our balance sheet and resilient client margins. Additionally, our non-interest income has surged by an impressive 29% year-on-year, representing 32% of our total income reflecting the versatility and revenue resilience of our bank.

As we continue to expand, our operational resilience remains a cornerstone of our growth and expansion strategies. It has allowed us to adapt swiftly to economic shifts, maintain service excellence during rapid expansion, and manage risks effectively.

Our efforts to launch our Digital Retail Bank in Pakistan remain a foot, which will mark a significant step in our international expansion. Additionally, the initiation of corporate banking operations in the United Kingdom and the opening of a new branch in Mumbai are pivotal in our mission to deliver innovative banking solutions across diverse markets. In Egypt, the launch of Mashreq NEO represents a key development in offering simplified and innovative banking experiences, which align with our goals to enhance customer satisfaction.

The success of our New Mashreq App in the UAE, evidenced by approximately 580,000 downloads and an excellent App Store rating in the last six months, highlights our dedication to exceptional customer service. This is part of our broader commitment to operational resilience, ensuring we maintain high standards of service delivery across all touchpoints.

In our pursuit of environmental stewardship and community engagement, we are proud to advance our Climb2Change initiative. Having completed the first phase of our mountain clean-up and partnering with Emirates Nature-WWF, we are committed to protecting to protect the biodiversity in the UAE.

As we navigate 2024, our focus on leveraging our core strengths, nurturing a culture of innovation, and pursuing sustainable growth remains unwavering. Our employees are key to our success, and we look forward to seizing new opportunities, continuing to deliver significant value to all stakeholders.”

1Q 2024 Financial Highlights

Income statement (AED mn)	Quarterly Trend							
	1Q		Δ%	1Q	4Q	1Q	Δ%	
	2024	2023	YoY	2024	2023	2023	QoQ	YoY
Net Interest Income & Income from Islamic Financing	2,144	1,746	23	2,144	2,089	1,746	3	23
Fee and Commission	548	583	(6)	548	237	583	131	(6)
Investment Income	67	18	264	67	29	18	130	264
Insurance, FX & Other Income	382	172	122	382	541	172	(29)	122
Non Interest Income	997	774	29	997	807	774	24	29
Total Operating Income	3,141	2,520	25	3,141	2,896	2,520	8	25
Operating Expenses	(839)	(761)	10	(839)	(1,038)	(761)	(19)	10
Operating Profit	2,303	1,759	31	2,303	1,858	1,759	24	31
Impairment Allowance	(38)	(96)	(61)	(38)	1,027	(96)	(104)	(61)
Profit before Tax	2,265	1,663	36	2,265	2,886	1,663	(22)	36
Tax Expense	(224)	(28)	687	(224)	(43)	(28)	420	687
Non-Controlling Interest	(34)	(24)	39	(34)	(22)	(24)	55	39
Net Profit for the Period	2,007	1,610	25	2,007	2,821	1,610	(29)	25
EPS [AED]	10.01	8.03	25	10.01	14.07	8.03	(29)	25

Balance Sheet (AED mn)	Mar	Mar	Δ%	Mar	Dec	Mar	Δ%	
	2024	2023	YoY	2024	2023	2023	YTD	YoY
	Total Assets	249,592	201,233	24	249,592	239,981	201,233	4
Loans and Advances**	159,457	122,192	30	159,457	149,483	122,192	7	30
Customer Deposits	155,498	120,162	29	155,498	146,232	120,162	6	29
Shareholder's Funds*	28,473	23,314	22	28,473	30,333	23,314	(6)	22

Key Ratios (%)	Mar	Mar	Δ bps	Mar	Dec	Mar	Δ bps	
	2024	2023	YoY	2024	2023	2023	YTD	YoY
	CAR (Capital Adequacy Ratio)	17.7	17.4	29	17.7	16.5	17.4	120
Tier 1 Ratio	15.5	15.1	45	15.5	14.3	15.1	120	45
CET 1 Ratio	14.9	14.4	54	14.9	13.7	14.4	120	54
Loan-to-Deposits***	71.1	75.8	(477)	71.1	75.5	75.8	(441)	(477)
Return-on-Assets	3.3	3.4	(4)	3.3	4.1	3.4	(81)	(4)
Return-on-Equity	28.0	28.4	(35)	28.0	34.3	28.4	(622)	(35)

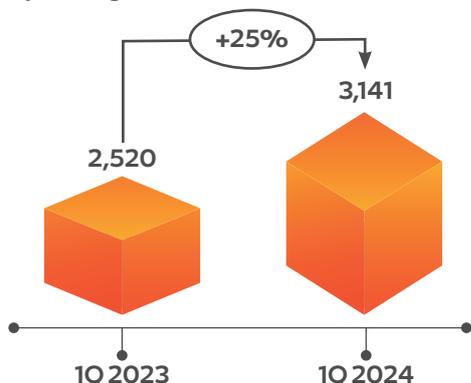
* Equity Attributable to owners of parent including noteholders of the Group

** Loans and Advances includes loans to customers and banks

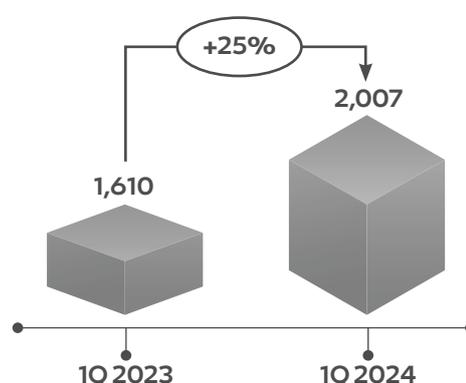
*** Loan to deposit ratio utilizes loans to customers

Exhibits

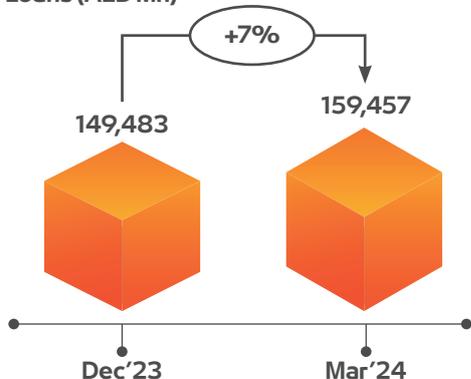
Operating Income (AED Mn)



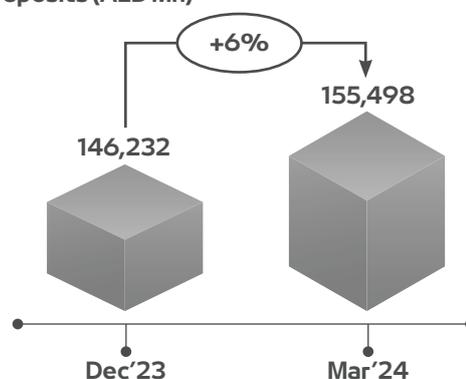
Net Profit (AED Mn)



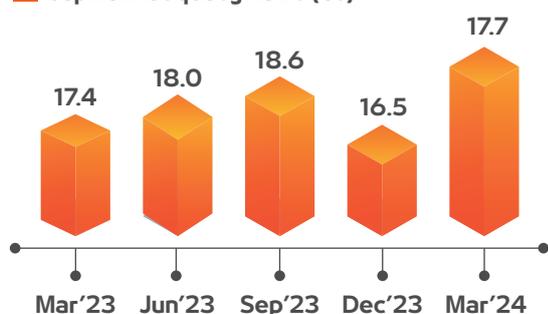
Loans (AED Mn)



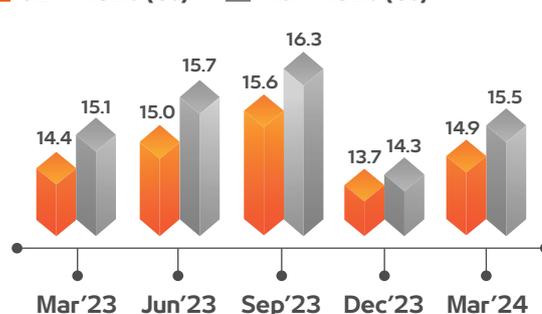
Deposits (AED Mn)



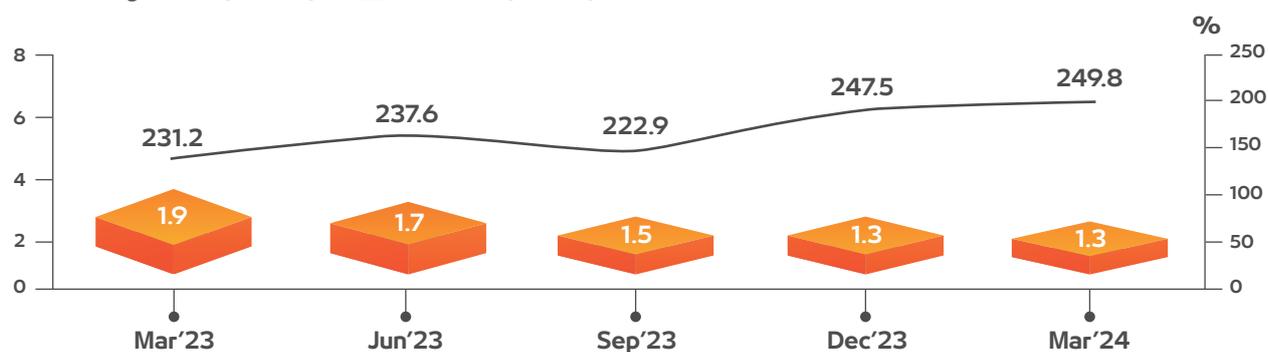
Capital Adequacy Ratio (%)



CET1 Ratio (%) Tier 1 Ratio (%)



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



1Q 2024 Awards

Brand Finance

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

7th Middle East Banking AI & Analytics Summit & Awards

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

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 Diversity, Equity & Inclusion Benchmarks (GDEIB) Awards

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

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

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

- Recruitment’ and ‘Work-Life Integration – Best Practices
- Flexibility and Benefits – Best Practices

Euromoney Private Banking

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

Global Private Banker WealthTech Awards

- Best Private Bank for Digitally Empowering Relationship Managers

1Q 2024 Awards

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

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

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