



1Q 2021 Financial results presentation

29th April 2021

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Performance Highlights

Financial Results

Appendix

Performance highlights

- > Operating Income for 1Q 2021 increased by 19.7% compared to the last quarter and stands at AED 1.4 billion
- > Consistently high fee and other income proportion (50.5%) maintained
- > Advances increased by 6.0%; Strong Liquidity maintained amidst economic turmoil with Liquid Assets to Total Assets at 29% and Advances to Deposits at 84%
- > Operating costs have decreased w.r.t last year by 1.9% (-41.6% Q-o-Q) on the back of operational efficiencies, in spite of continued investments in digital
- > NPL to gross advances is at 4.9% and the coverage ratio is at 104.3%. Impairment allowance decreased sharply to AED 711 million in 1Q 2021 vs AED 1.7 billion in 4Q 2020
- > Shift into a profitable position with Net Profits of AED 43 million for 1Q 2021

Financial highlights – Consolidated Income statement [AED million]

Consolidated Income statement

	1Q 2021	1Q 2020	Variance
Operating income	1,409	1,523	(7.5%)
Operating expense	(620)	(632)	(1.9%)
Operating profit	789	891	(11.4%)
Impairment allowance	(711)	(409)	73.9%
Net profit	43	450	(90.5%)

Comments

- > **Operating income** decreased by 7.5% primarily due to lower Net Interest Income and Income from Islamic Financing (fall in NIM) as a result of lower interest rates
- > **Operating expenses** decreased by 1.9% vis-à-vis last year due to operational efficiencies. Investment in digital is ongoing
- > **Impairment allowance** increased by 73.9% driven by challenging credit conditions especially in corporate banking (Contracting & Healthcare)
- > **Net Profit** of AED 43 million as a result of lower operating income and increased risk charge

Financial highlights – Consolidated Balance sheet [AED million]

Consolidated Balance sheet

	Mar 2021	Dec 2020	Variance
Total Assets	162,253	158,523	2.4%
Loans & Advances	75,797	71,533	6.0%
Customers' deposits	90,205	88,261	2.2%
Shareholders Equity	18,881	19,431	(2.8%)
Risk weighted assets	132,968	129,650	2.6%

Comments

- > **Customer loans and advances** at AED 76 billion, increased by 6.0% mainly as a result of an increase from conventional loans in the education , healthcare and energy segment of corporate banking
- > **Customer deposits** increased by 2.2% to AED 90.2 billion mainly as a result of an increase in current account deposits. CASA balances witnessed a 9.1% YTD increase and constitutes 56.8% of total deposits. Advances to Deposit ratio at 84.0% is well within established guidelines.
- > **Shareholders Equity** decreased by 2.8% due to revaluation of the investments reserve and is at AED 18.9 billion
- > **Risk weighted assets** increased by 2.6% to reach AED 133 billion driven by a 2.1% increase in Credit RWA

Financial track record

	31 Mar 2021	31 Mar 2020	31 Dec 2020
Capital adequacy			
Tier I Capital Ratio	13.3%	14.8%	14.9%
Total Capital Ratio	14.4%	15.9%	16.0%
Liquidity			
Liquid Assets to Total Assets ¹⁾	28.8%	31.8%	32.0%
Advances to Deposits	84.0%	88.5%	81.0%
Liquidity Coverage Ratio (LCR)	133%	103%	160%
Asset quality			
NPL Coverage Ratio	104.2%	101.4%	130.3%
NPL to Gross Advances	4.9%	4.4%	5.1%
Performance			
ROA	0.1%	1.2%	(0.9%)
ROE	0.9%	8.5%	(6.2%)
Net Interest Margin	2.1%	2.4%	2.0%
Efficiency Ratio	44.0%	41.5%	57.2%
Fee and other income to total income	50.5%	48.7%	48.0%

Note: 1) Total Assets excludes contra items

Performance Highlights

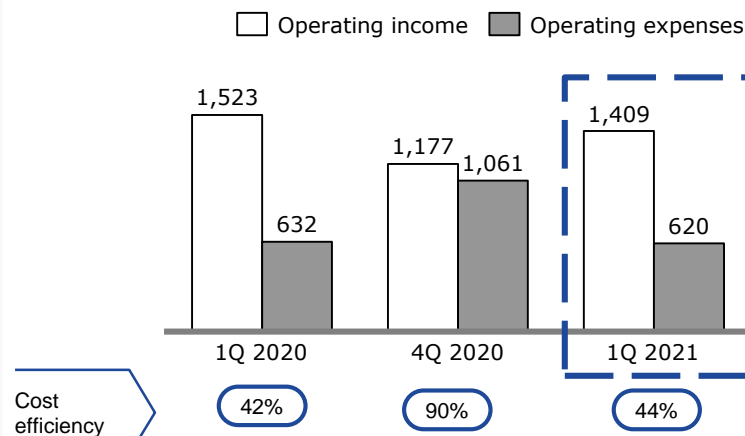


Financial Results

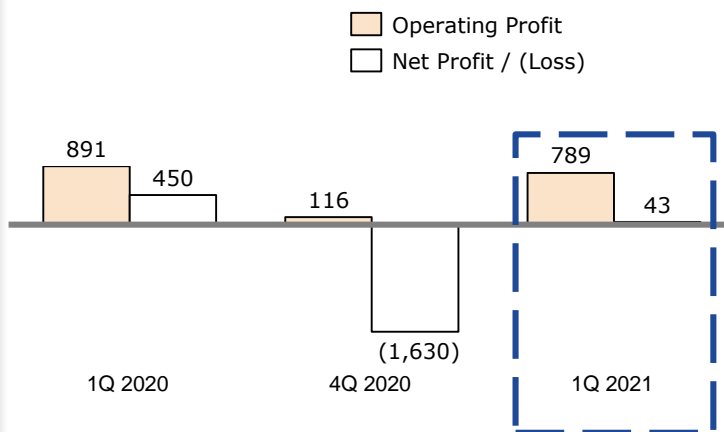
Appendix

Operating income, expense and net profit [AED million]

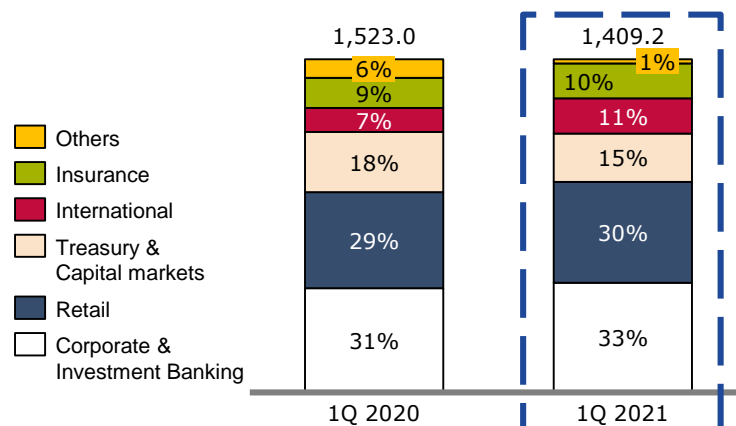
Operating income and expenses



Net profit/(loss)



Operating income split by segments



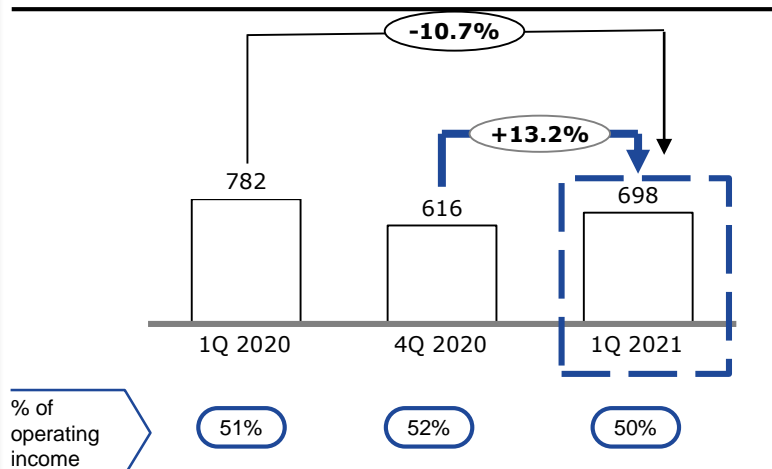
Note: Segments have been realigned in the year wherein Retail now includes Retail Overseas and Corporate and Investment banking includes global FI business. Previously both were included within International Banking. Prior period numbers have been restated accordingly

Key Points

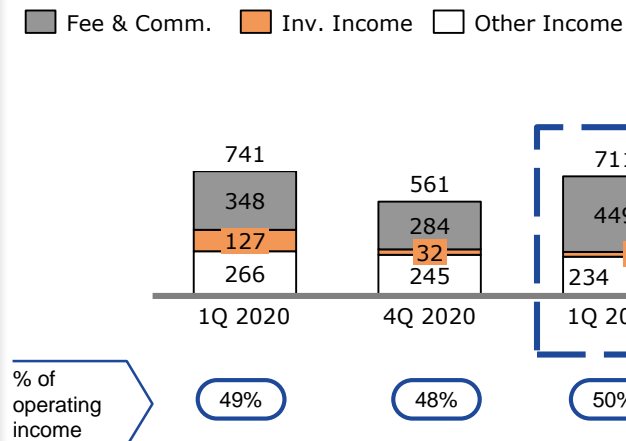
- > 1Q 2021 Operating Income has decreased by 7.5% Y-o-Y and stands at AED 1.4 billion. Fee & Commission income has increased significantly by AED 101 million Y-o-Y.
- > On a Q-o-Q basis, 1Q 2021 operating income increased by 19.7% driven by an increase in Fee & Commission income by AED 165 million (+58.1%)
- > Efficiency ratio for 1Q 2021 stood at 44% vs 4Q 2021 at 90%
- > Operating profit for 1Q 2021 increased significantly to AED 789 million. The bank registered a Net profit of AED 43 million in 1Q 2021 vs a loss in 4Q 2020 mainly as a result of reduced risk cost (-59% vs 4Q 2020)
- > Corporate banking accounted for the largest portion of 1Q 2021 Operating Income with a 33% contribution, followed by Retail Banking at 30%

Operating income mix [AED million]

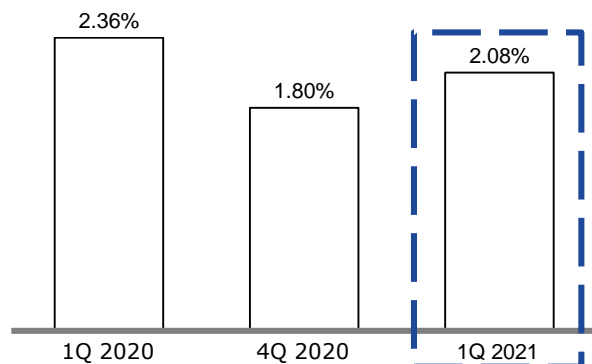
Net interest income



Non-interest income



Net interest margin [%]

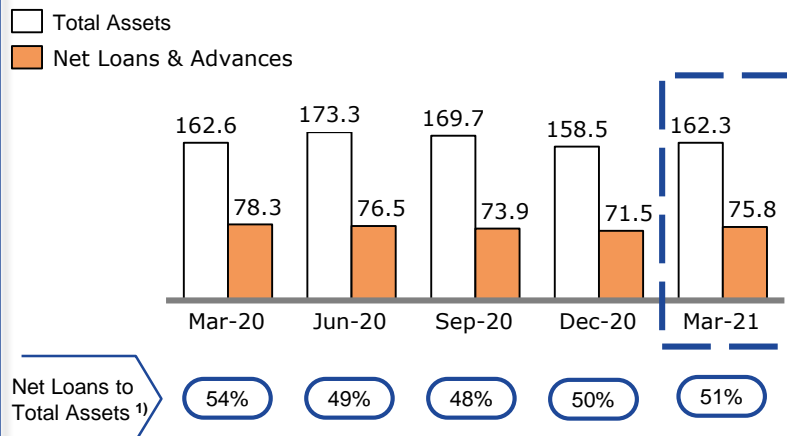


Key Points

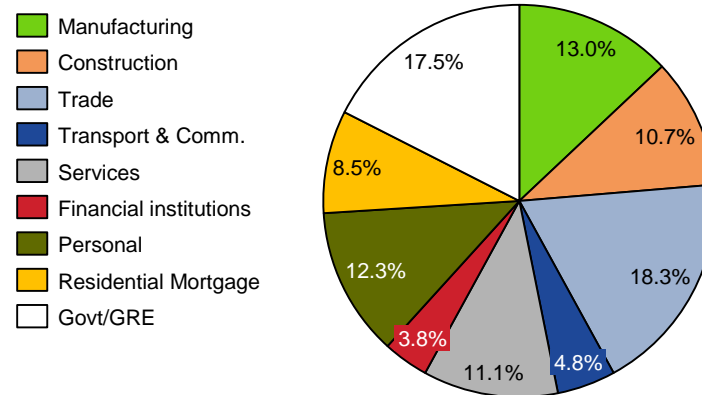
- > 1Q 2021 Net Interest Income increased by 13.2% Q-o-Q but decreased 10.7% Y-o-Y mainly due to a decrease in EIBOR
- > Quarterly NIM's have fallen by 28 bps Y-o-Y but increased by 28 bps Q-o-Q. The YoY decline is as a result of lower asset yields
- > 1Q 2021 Non-interest income increased by 26.9% Q-o-Q driven by an increase in Fee & Commission Income.
- > Non-interest income as % of total income remained high at 50% for 1Q 2021

Asset mix [AED billion]

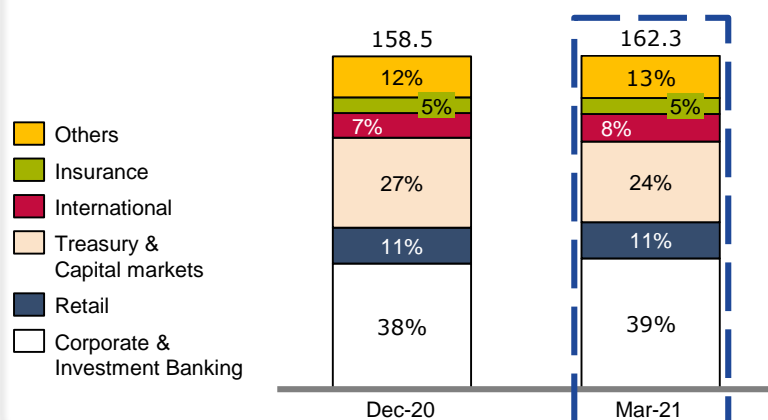
Total Assets and Net Loans & Advances



Gross Loans portfolio split as of Mar 2021 (AED 81.5 billion)



Asset split by segments ²⁾



Key Points

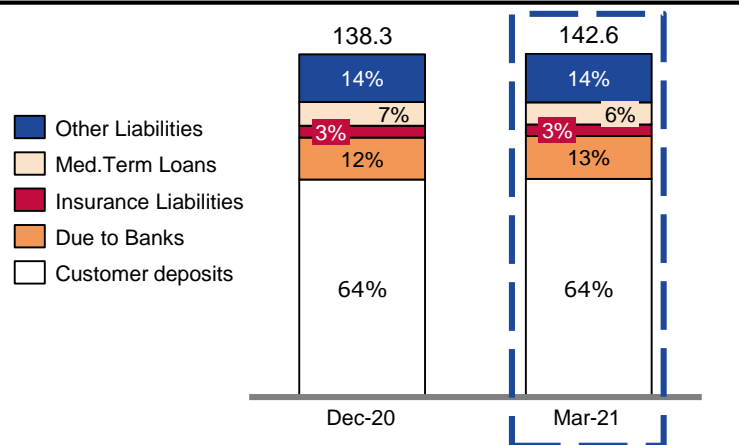
- > Total assets increased by 2.4% YTD to AED 162.3 billion, as compared to AED 158.5 billion in December 2020.
- > Net Loans & advances are at AED 75.8 billion, a increase of 6.0% compared to December 2020 primarily due to a 7.2% increase in conventional loans
- > Personal segment contributes 12.3% of the Gross Loans while residential mortgage represents 8.5%
- > Trade is the biggest proportion of Gross Loans at 18.3% followed by Govt/ GRE at 17.5%. Diversified loans portfolio with no individual sector accounting for more than ~18% of the total loan portfolio
- > Corporate Banking accounts for 39% of total assets as of March 2021. Retail Assets stand at 11%.

1) Total Assets excludes contra items

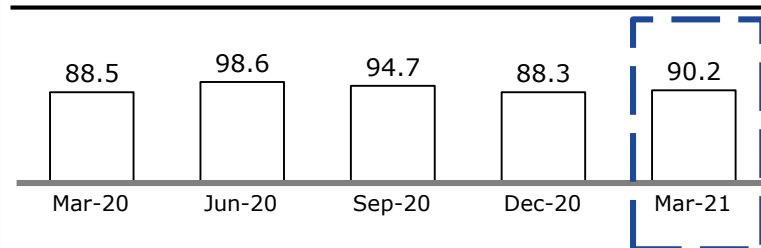
2) Segments have been realigned in the year wherein Retail now includes Retail Overseas and Corporate and Investment banking includes global FI business. Previously both were included within International Banking. Prior period numbers have been restated accordingly.

Liability mix [AED billion]

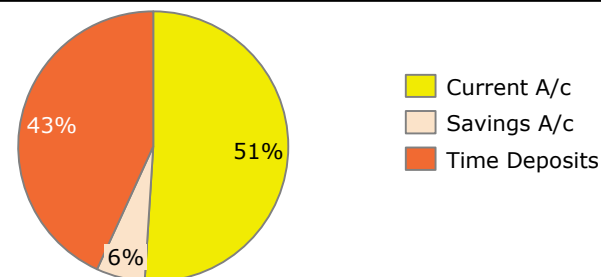
Liability mix



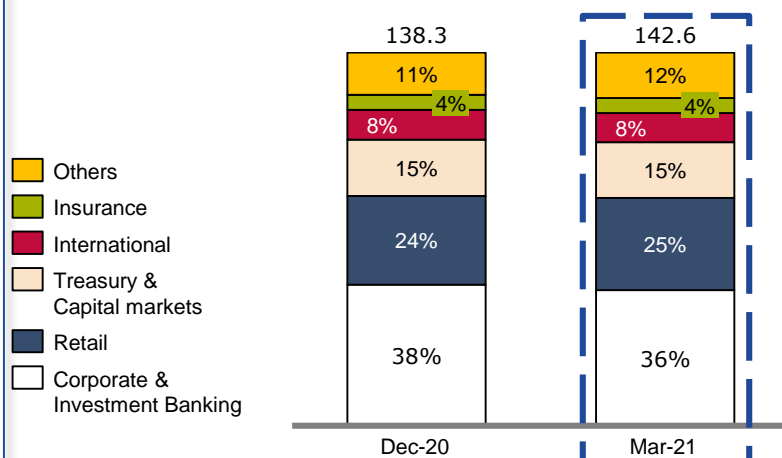
Customer deposits



Customer deposits split Mar 2021 (AED 90.2 billion)



Liabilities split by segments ¹⁾



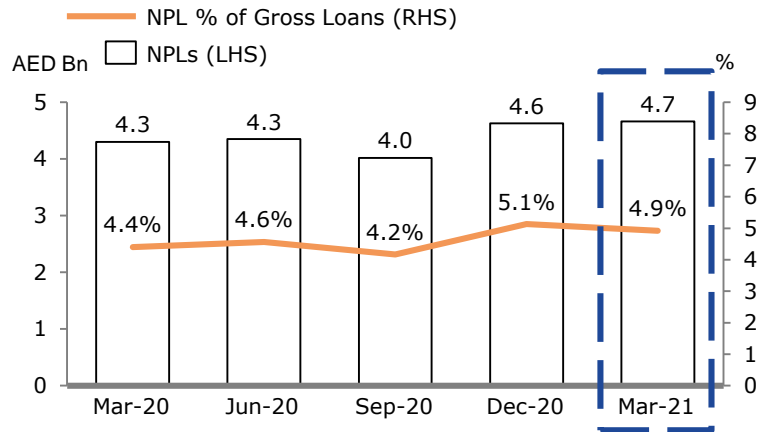
Key Points

- > Customer deposits accounted for 64% of total liabilities
- > CASA accounts for 57% of customer deposit as compared to 53% in Dec 2020; Time deposits contributed 43% of total deposits (47% in Dec 2020)
- > Corporate Banking accounts for the largest portion of liabilities at 36% as on March 2021

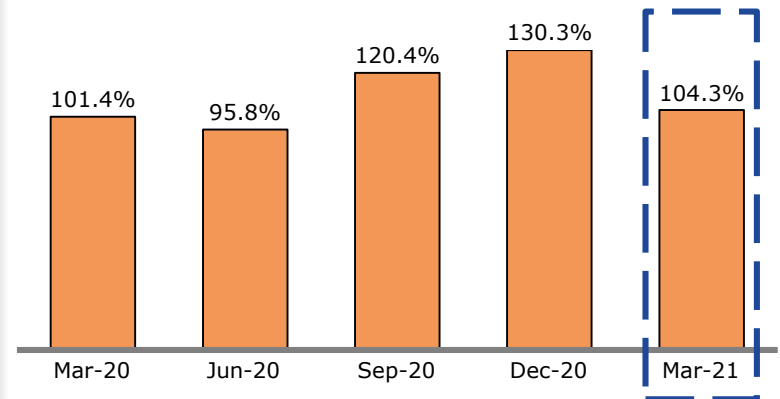
1) Segments have been realigned in the year wherein Retail now includes Retail Overseas and Corporate and Investment banking includes global FI business. Previously both were included within International Banking. Prior period numbers have been restated accordingly.

Asset quality and liquidity [AED billion]

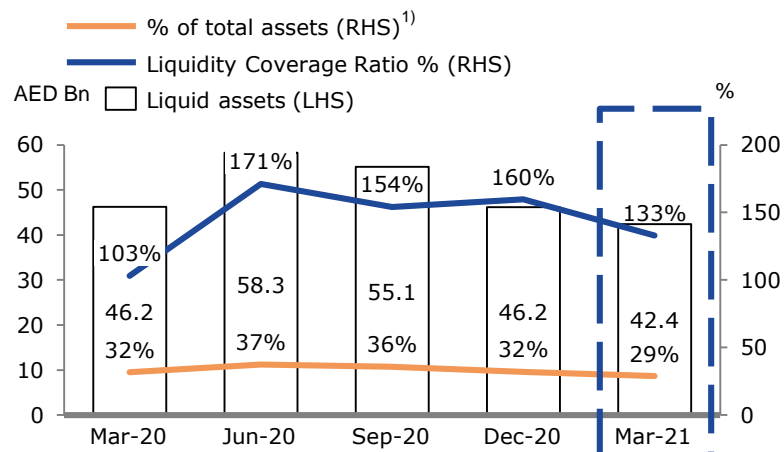
NPL's and % of Gross Loans



NPL Coverage Ratio [%]



Liquid assets trend

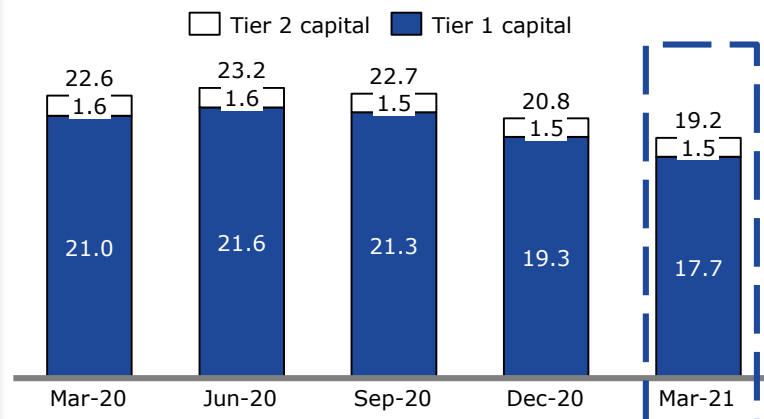


Key Points

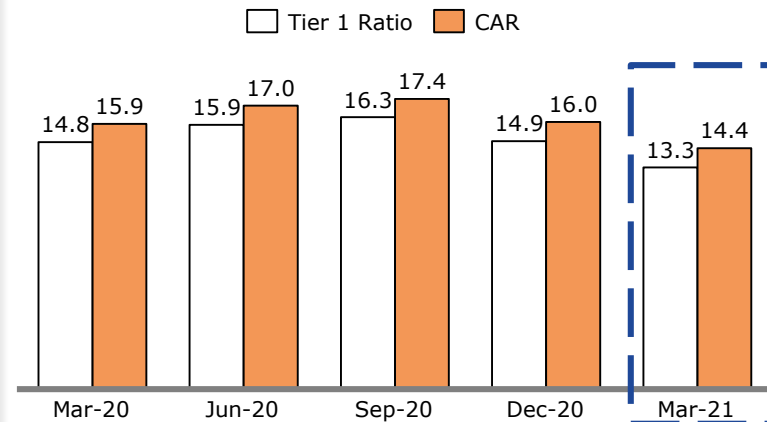
- > Mashreq has set aside AED 711 million net for Impaired assets in 1Q 2021. General provisions stand at 1.8% of Credit Risk Weighted Assets
- > NPLs have increased only slightly by 0.6% in the quarter to reach AED 4.7 billion. NPL's as % of Gross loans has reduced vs the previous quarter and is at 4.9%
- > Coverage ratio in March 2021 stands at 104.3% down from 130.3% in December 2020
- > Liquid assets to total assets as of March 2021 was at 29% - a decline compared to 32% in December 2020
- > LCR ratio stands at 133% which has fallen from 160% in Dec 2020 due to increase in net cash outflows.

Capital adequacy [AED billion; %]

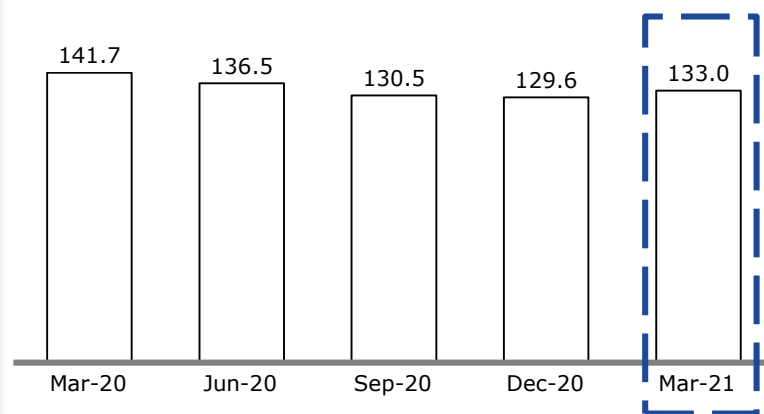
Tier I and Tier II Capital [AED billion]



Tier I and Capital Adequacy Ratios [%]



Risk-weighted assets [AED billion]

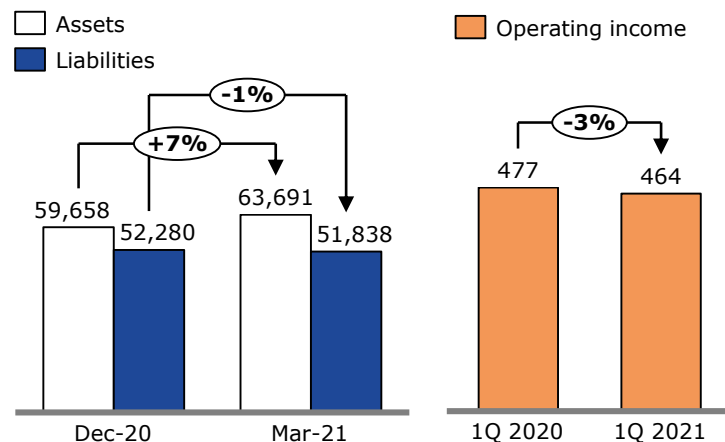


Key Points

- > As per Central bank regulation for Basel III, the CAR requirement is 13% (inclusive of capital conservation buffer) and 8.5% of RWA for Tier 1 capital.
- > Tier 1 capital ratio of the bank was at 13.3% as of March 2021
- > The bank's overall capital adequacy ratio at 14.4% is higher than the regulatory requirements as per Central Bank of UAE (Basel III)
- > RWA/Total assets has remained at 82% in March 2021 stable vs December 2020

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

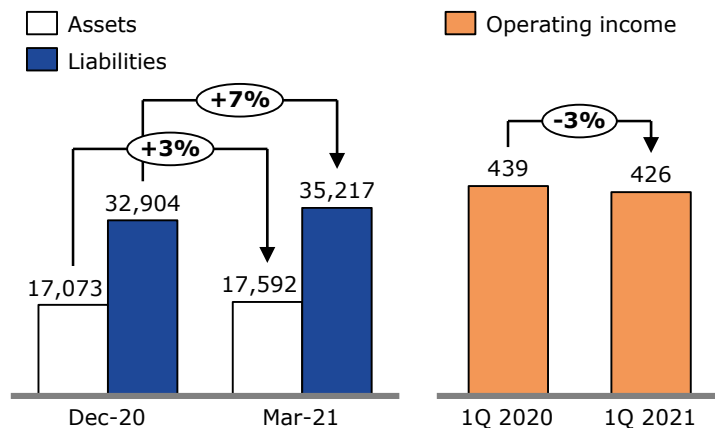
Corporate & Investment Banking



Key Points

- > Corporate banking is the biggest segment in Mashreq in terms of assets (39% of assets) and liabilities (36% of total liabilities) as of March 2021
- > Assets increased by 7% and stand at AED 63.7 billion
- > Operating income decreased by 3% Y-o-Y - accounts for 33% of total operating income in 1Q 2021

Retail Banking



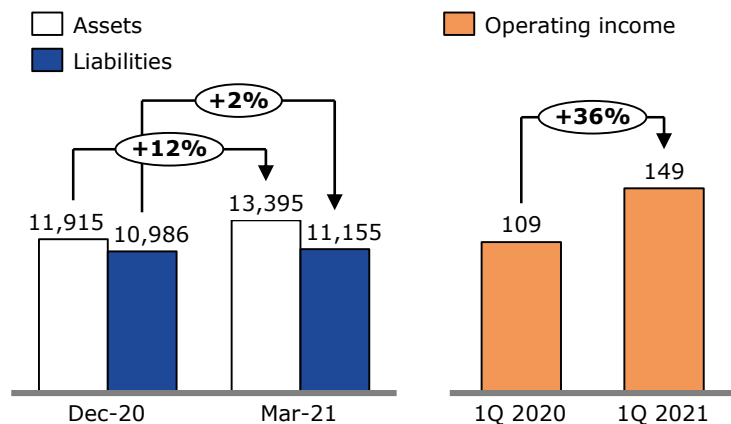
Key Points

- > Retail banking is the second largest contributor of operating income at 30% in 1Q 2021
- > Y-o-Y operating income decreased by 3% driven by a change in EIBOR
- > Retail banking assets increased by 3% and stand at AED 17.6 billion. Liabilities have increased by 7% and are AED 35.2 billion as of March 2021 (25% of total liabilities)

Note: Segments have been realigned in the year wherein Retail now includes Retail Overseas and Corporate and Investment banking includes global FI business. Previously both were included within International Banking. Prior period numbers have been restated accordingly.

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

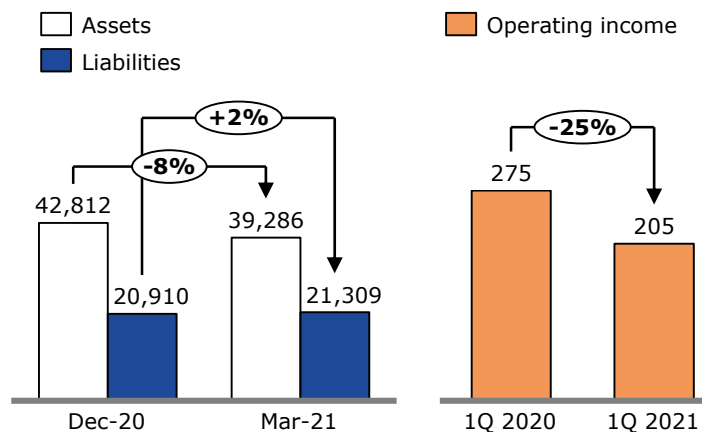
International Banking



Key Points

- > International business contributed 11% of operating income and 8% of liabilities in 1Q 2021
- > International Banking assets increased by 12% as compared to December 2020 and make up 8% of total assets. Liabilities increased by 2% and stand at AED 13 billion
- > Y-o-Y operating income increased by 36% to AED 149 million

Treasury & Capital Markets



Key Points

- > Treasury & Capital Markets accounts for 24% of assets and 15% of liabilities as of March 2021
- > Assets decreased by 8% year to date and stood at AED 39.3 billion
- > TCM Operating income contributed 15% to the total operating income in 1Q 2021.
- > Operating income, which includes funding center income, decreased by 25%. 1Q 2020 operating income was inflated due to a few one-off transactions

Performance Highlights

Financial Results

► Appendix

1Q 2021 financials – Consolidated Income statement [AED million]

Income statement	2021	2020	2020	Variance (% change)	
	1Q	4Q	1Q	1Q 2021 vs 4Q 2020 (Q-o-Q)	1Q 2021 vs 1Q 2020 (Y-o-Y)
Net interest income	698	616	782	13.2	(10.7)
Net Fees and commission	449	284	348	58.1	29.0
Net Investment income	29	32	127	(11.6)	(77.5)
Other income	234	244	266	(4.3)	(12.1)
Total operating income	1,409	1,177	1,523	19.7	(7.5)
Operating expenses	(620)	(1,061)	(632)	(41.6)	(1.9)
Operating profit	789	116	891	579.5	(11.4)
Impairment allowance	(711)	(1,714)	(409)	(58.5)	73.9
Tax expense	(14)	(19)	(11)	(25.3)	28.0
Non-Controlling Interest	(21)	(13)	(21)	62.4	2.6
Net Profit/(Loss)	43	(1,630)	450	NM	(90.6%)

March 2021 financials – Consolidated Balance sheet [AED million]

Balance sheet	31 Mar 2021	31 Dec 2020	YTD (%)
Assets			
Cash and balances with central banks	14,862	17,942	(17%)
Deposits and balances due from banks	27,571	28,239	(2%)
Other financial assets measured at fair value	11,077	8,439	31%
Other financial assets measured at amortised cost	11,160	11,001	1%
Loans and advances measured at amortised cost	61,419	57,286	7%
Islamic financing and investment products measured at amortised cost	14,377	14,246	1%
Acceptances	13,384	12,767	5%
Other Assets	3,313	3,478	(5%)
Reinsurance contract assets	2,885	2,892	(0%)
Investment in Associate	21	21	0%
Investment properties	450	450	0%
Property and equipment	1,452	1,467	(1%)
Intangible Assets	282	294	(4%)
Total assets	162,253	158,523	2%
Liabilities			
Deposits and balances due to banks	15,568	14,844	5%
Repurchase agreements with banks	2,442	2,290	7%
Customers' deposits	77,080	76,376	1%
Islamic customers' deposits	13,125	11,885	10%
Acceptances	13,384	12,767	5%
Other Liabilities	6,978	5,809	20%
Medium-term loans	9,177	9,616	(5%)
Insurance and life assurance funds	4,848	4,748	2%
Total liabilities	142,601	138,335	3%
Total Equity	19,652	20,188	(3%)
Total Liabilities and Equity	162,253	158,523	2%

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