



## **FY 2021 Financial results presentation**

---

31<sup>st</sup> January 2022

# Disclaimer

*The material in this presentation is general background information about MashreqBank's activities current at the date of the presentation. It does not constitute or form part of and should not be construed as, an offer to sale or issue or the solicitation of an offer to buy or acquire securities of MashreqBank in any jurisdiction or an inducement to enter into investment activity.*

*Although MashreqBank UAE has obtained the information provided from sources that should be considered reliable, it cannot guarantee its accuracy or completeness. The information provided is purely of an indicative nature and is subject to change without notice at any time.*

*The person retrieving information is responsible for its selection and all aspects of its use. The information may only be used by the person retrieving it. The person retrieving the information may not transfer, duplicate, process or distribute it. The person retrieving the information is obliged to follow all instructions from MashreqBank concerning its use. No part of the content of this presentation may be copied.*



## ▶ Performance Highlights

---

Financial Results

---

Appendix

---

## Performance highlights

- > Operating Income for YE 2021 increased by 12.8% compared to last year and stands at AED 5.8 billion
- > Fee and other income proportion remains high at ~ 47.5%
- > Advances increased by 13.9% in the year; Strong Liquidity maintained with Liquid Assets to Total Assets at 29% and Advances to Deposits at 80%
- > Operating costs have decreased w.r.t last year by 10.9% as a result of operational efficiencies
- > NPL to gross advances decreased to 5.2% compared to 5.6% in September 2021. The coverage ratio rose to 128.2% (125.0% in September 2021)
- > Operating Profit increased by 44.5% and is at AED 3.2 billion. Net Profit of AED 1.0 billion as a result of increase in operating income and reduction in risk charge

## Financial highlights – Consolidated Income statement [AED million]

### Consolidated Income statement

	YE 2021	YE 2020	Variance
<b>Operating income</b>	5,806	5,148	12.8%
<b>Operating expense</b>	(2,623)	(2,945)	(10.9%)
<b>Operating profit</b>	3,183	2,203	44.5%
<b>Impairment allowance</b>	(2,059)	(3,357)	(38.7%)
<b>Net profit</b>	1,002	(1,278)	NM

### Comments

- > **Operating income** increased by 12.8% Y-o-Y as a result of an increase in both the interest income & income from Islamic financing ( +13.8%) and the non-interest income ( +11.7%) respectively.
- > **Operating expenses** decreased by 10.9% vis-à-vis last year due to efficiencies
- > **Impairment allowance** decreased by 38.7% driven by reduction in risk charge in Corporate Banking
- > **Net Profit** of AED 1.0 billion as a result of increased operating income and reduced risk charge

# Financial highlights – Consolidated Balance sheet [AED million]

## Consolidated Balance sheet

	Dec 2021	Dec 2020	Variance
<b>Total Assets</b>	177,054	158,523	11.7%
<hr/>			
<b>Loans &amp; Advances *</b>	81,486	71,533	13.9%
<hr/>			
<b>Customers' deposits</b>	101,483	88,261	15.0%
<hr/>			
<b>Shareholders Equity</b>	20,228	19,431	4.1%
<hr/>			
<b>Risk weighted assets</b>	148,169	129,650	14.3%

## Comments

- > **Customer loans and advances\*** at AED 81 billion, increased by 13.9% as a result of increased lending to the personal and manufacturing segment
- > **Customer deposits** increased by 15.0% to AED 101.5 billion mainly as a result of an increase in current and other account deposits. CASA balances witnessed a 28% increase in 2021 and constitutes 59.3% of total deposits. Advances to Deposit ratio at 80.3% is well within established guidelines.
- > **Shareholders Equity** increased by 4.1% and is at AED 20.2 billion
- > **Risk weighted assets** increased by 14.3% to reach AED 148 billion mainly as a result of increase in loans and advances and implementation of the new Basel III regulations

\* Includes Islamic Financing

# Financial track record

	31 Dec 2021	31 Dec 2020	30 Sep 2021
<b>Capital adequacy</b>			
Tier I Capital Ratio	13.4%	14.9%	13.3%
Total Capital Ratio	14.5%	16.0%	14.4%
<b>Liquidity</b>			
Liquid Assets to Total Assets <sup>1)</sup>	29.0%	30.8%	28.6%
Advances to Deposits	80.3%	81.0%	81.2%
Liquidity Coverage Ratio (LCR)	149.3%	160%	150.1%
<b>Asset quality</b>			
NPL Coverage Ratio	128.2%	130.3%	125.0%
NPL to Gross Advances	5.2%	5.1%	5.6%
<b>Performance</b>			
ROA	0.7%	(0.9%)	0.2%
ROE	5.2%	(6.2%)	1.8%
Net Margin <sup>2)</sup>	2.16%	1.96%	2.15%
Efficiency Ratio	45.2%	57.2%	44.5%
Fee and other income to total income	47.5%	48.0%	48.0%

Note: 1) Total Assets excludes contra items

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

Classification: Confidential





Performance Highlights

---

▶ Financial Results

---

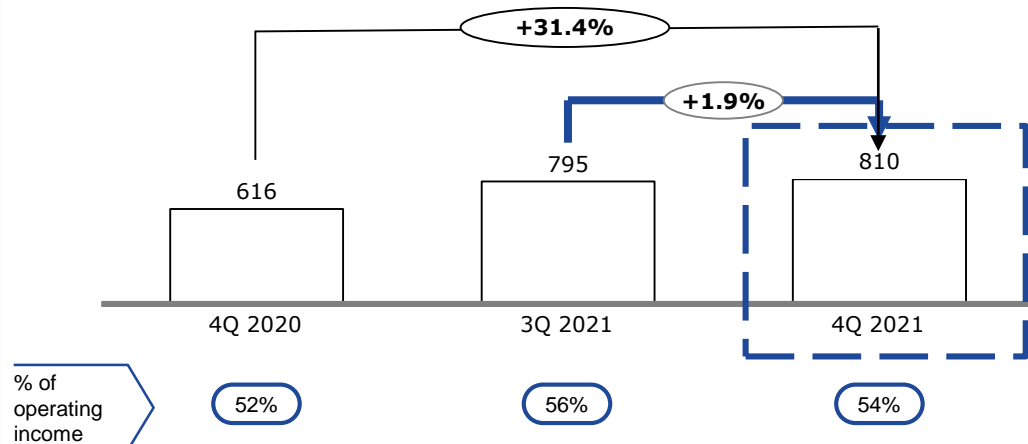
Appendix

---



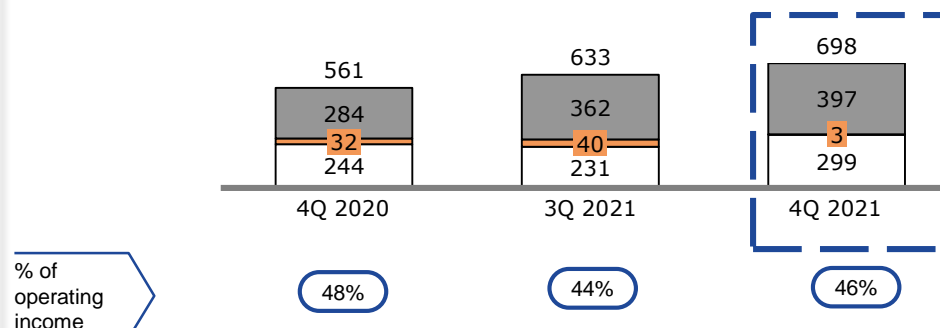
# Operating income mix [AED million]

## Net interest income & Income from Islamic Products

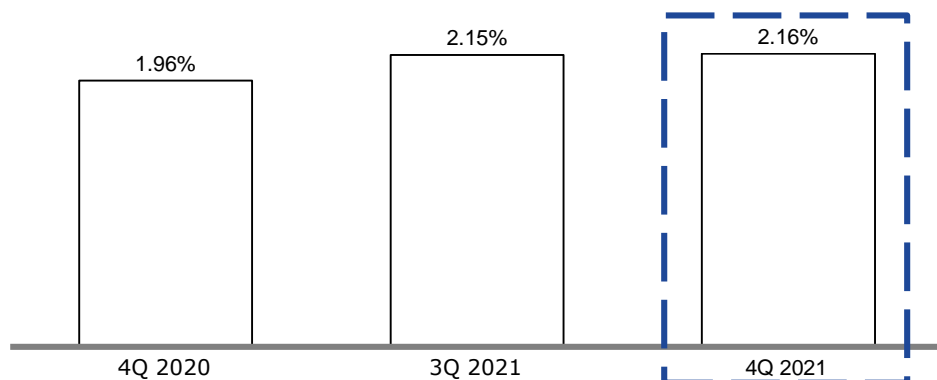


## Non-interest income

■ Fee & Comm. ■ Inv. Income □ Other Income



## Net margin (NM)<sup>1)</sup> [%]



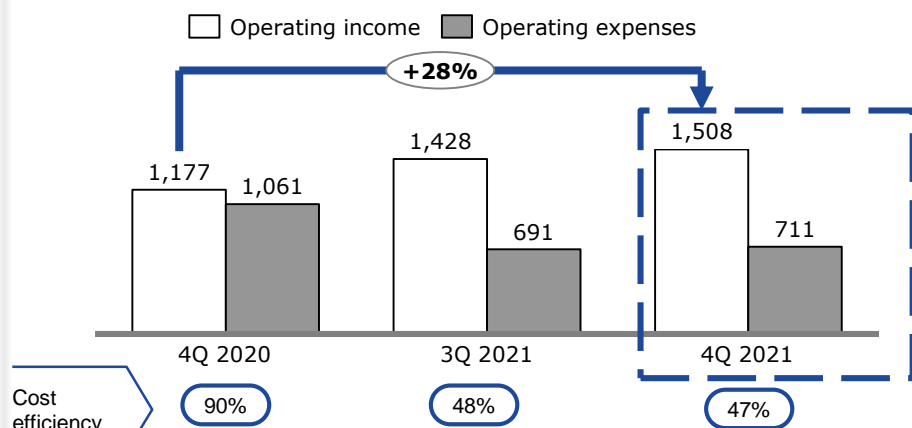
## Key Points

- > 4Q 2021 Net Interest Income and income from Islamic products increased by 1.9% Q-o-Q and 31.4% Y-o-Y. The NM's have improved by 20 bps Y-o-Y due to lower cost of deposits and better efficiencies as a result of liquidity management
- > 4Q 2021 Non-interest income increased by 24.5% Y-o-Y driven by an increase in Fee & Commission Income (+39.6%)
- > Non-interest income as % of total income remained high at 46% for 4Q 2021

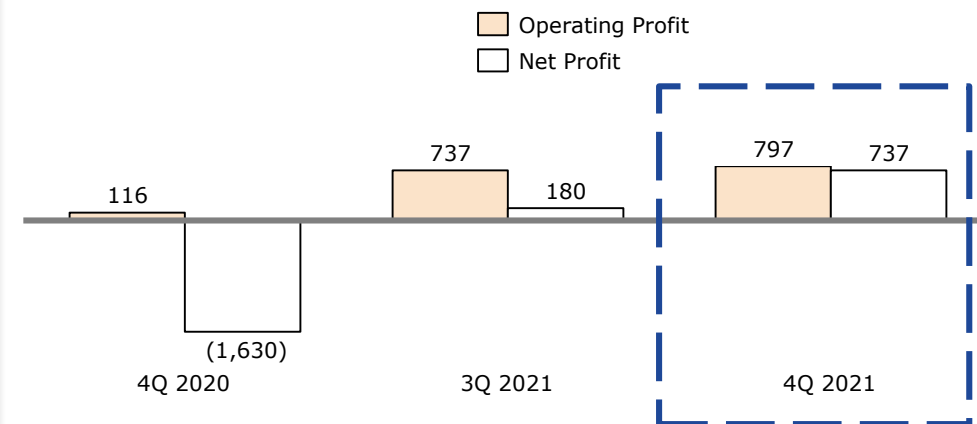
1) Annualized; Net Margin includes Net Interest Margin & Margin for Islamic products

# Operating income, expense and net profit [AED million]

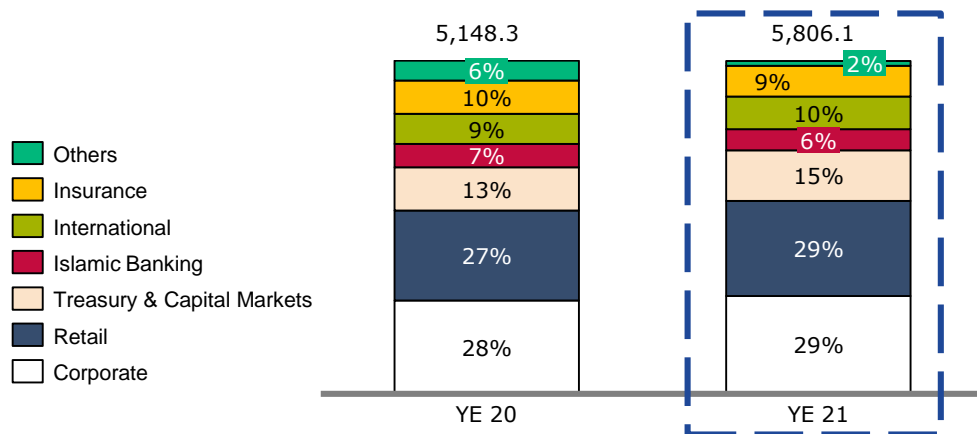
## Operating income and expenses



## Net profit/(loss)



## Operating income split by segments <sup>1)</sup>



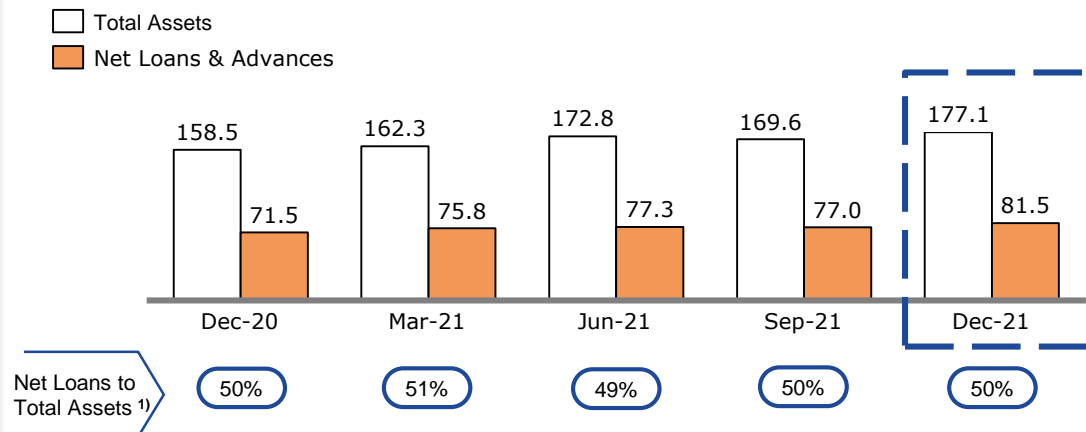
## Key Points

- > 4Q 2021 Operating Income has increased by 28% Y-o-Y and stands at AED 1.5 billion. This is mainly as a result of increased interest income and income from Islamic products.
- > Efficiency ratio for 4Q 2021 stood at 47% vs 3Q 2021 at 48%
- > Operating profit for 4Q 2021 increased to AED 797 million compared to AED 737 million in 3Q 2021. The bank registered a Net profit of AED 737 million in 4Q 2021 vs AED 180 million in 3Q 2021. The increase in net profit is as a result of increased operating income (+6% Q-o-Q) and reduced risk cost (-96% vs 3Q 2021).
- > Corporate banking and Retail Banking each accounted for 29% to the operating income for YE 2021

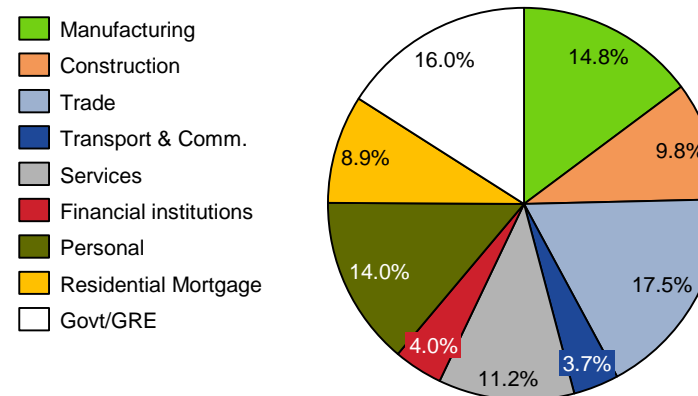
<sup>1)</sup> Segments have been realigned in the year wherein Islamic Banking is shown as a separate segment. Previously the same was included within Retail, Corporate and International Banking. Prior period numbers have been restated accordingly.

# Asset mix [AED billion]

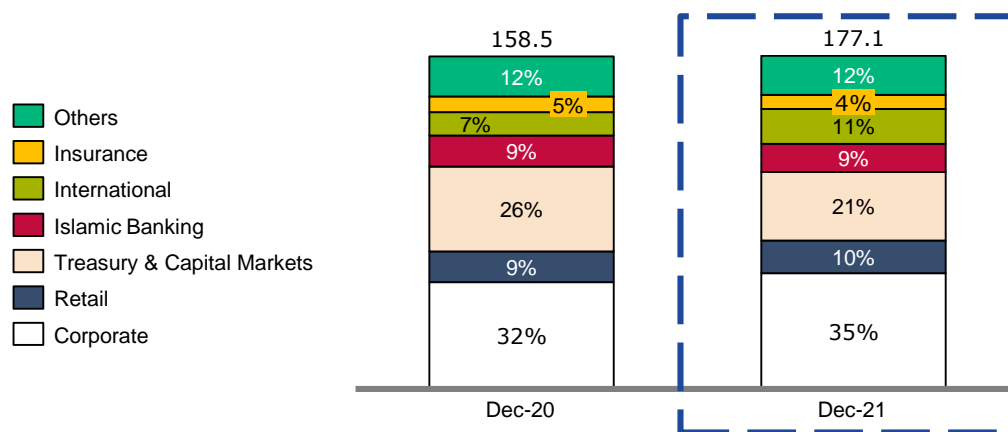
## Total Assets and Net Loans & Advances <sup>2)</sup>



## Gross Loans & Advances <sup>2)</sup> portfolio split as of Dec 2021 (AED 89.7 billion)



## Asset split by segments <sup>3)</sup>



## Key Points

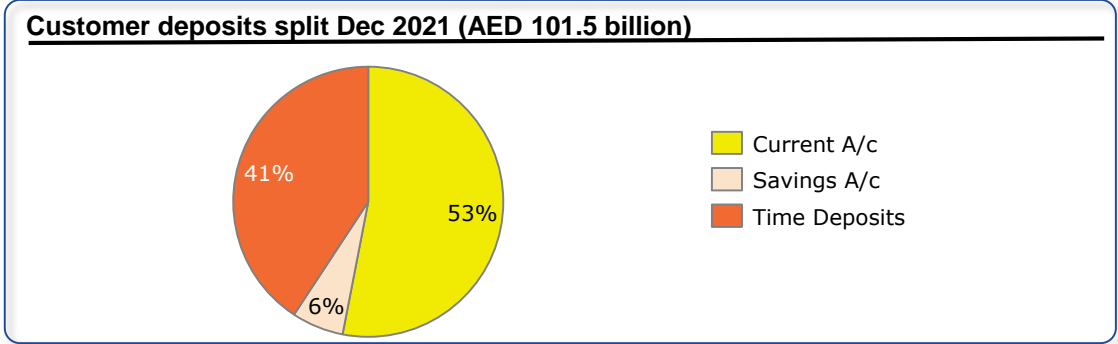
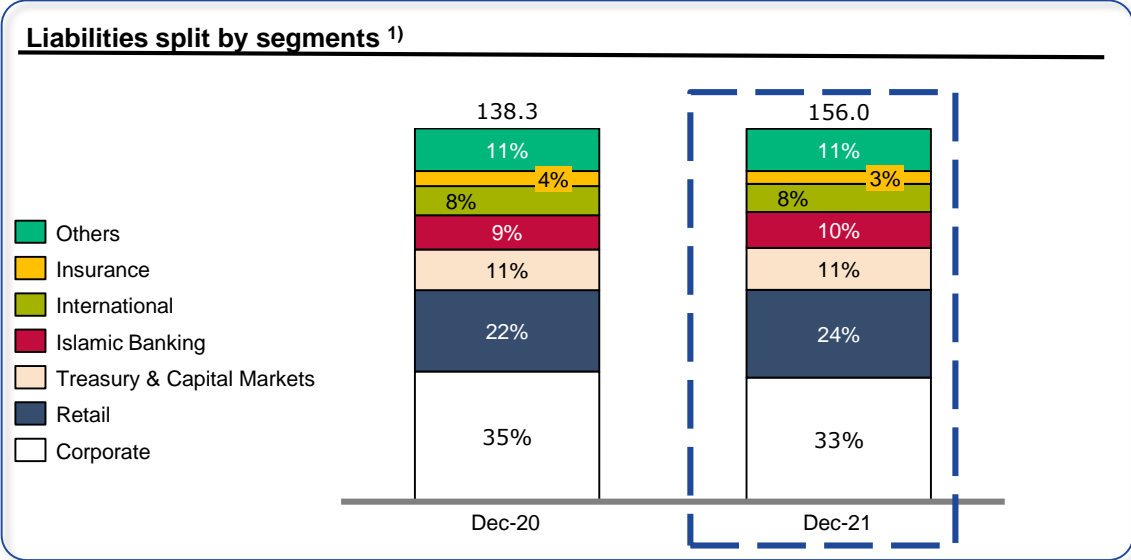
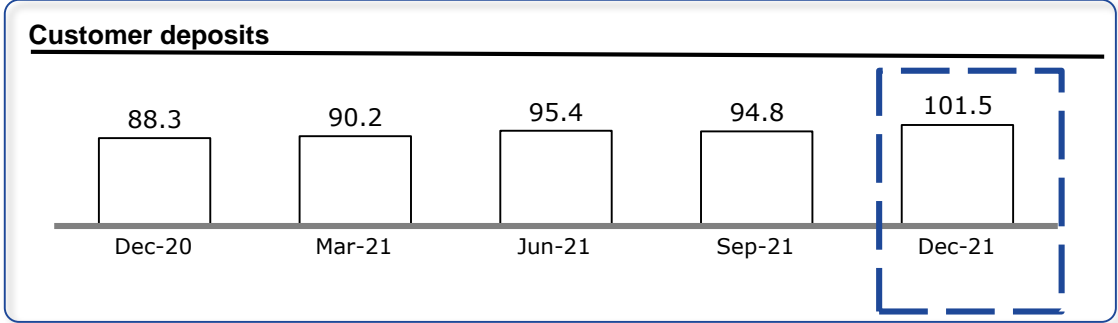
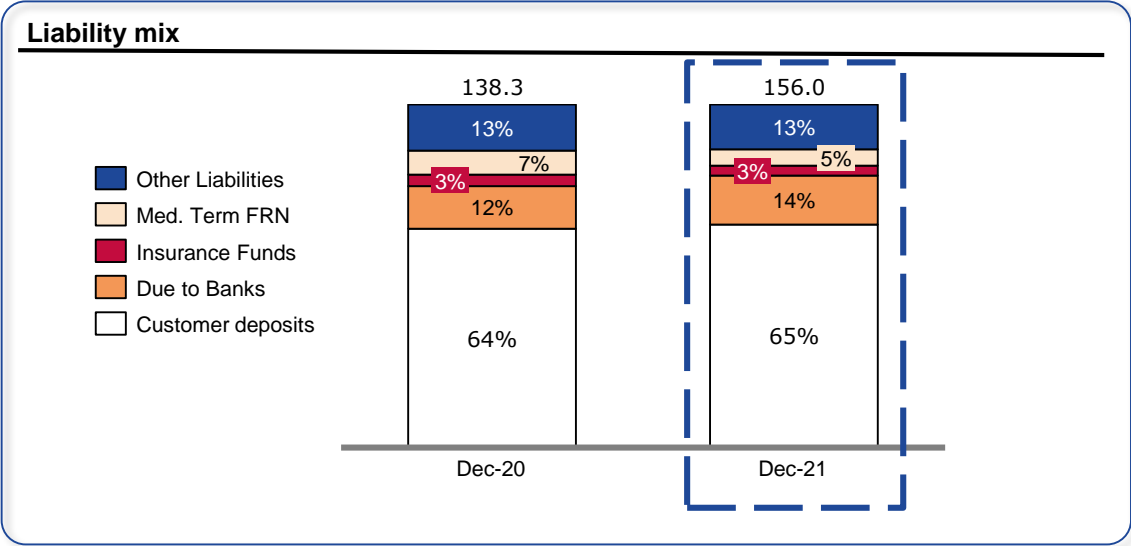
- > Net Loans & advances are at AED 82 billion, an increase of 13.9% compared to December 2020 primarily due to increased lending across Personal and Manufacturing segment
- > Personal segment contributes 14.0% of the Gross Loans while residential mortgage represents 9.0%
- > Trade is the biggest proportion of Gross Loans at 17.5% followed by Govt/ GRE at 16.0%. Diversified loans portfolio with no individual sector accounting for more than ~18% of the total loan portfolio
- > Corporate Banking accounts for 35% of total assets as of December 2021. Retail Assets stand at 10%.

1) Total Assets excludes contra items

2) Includes Islamic Financing

3) Segments have been realigned in the year wherein Islamic Banking is shown as a separate segment. Previously the same was included within Retail, Corporate and International Banking. Prior period numbers have been restated accordingly

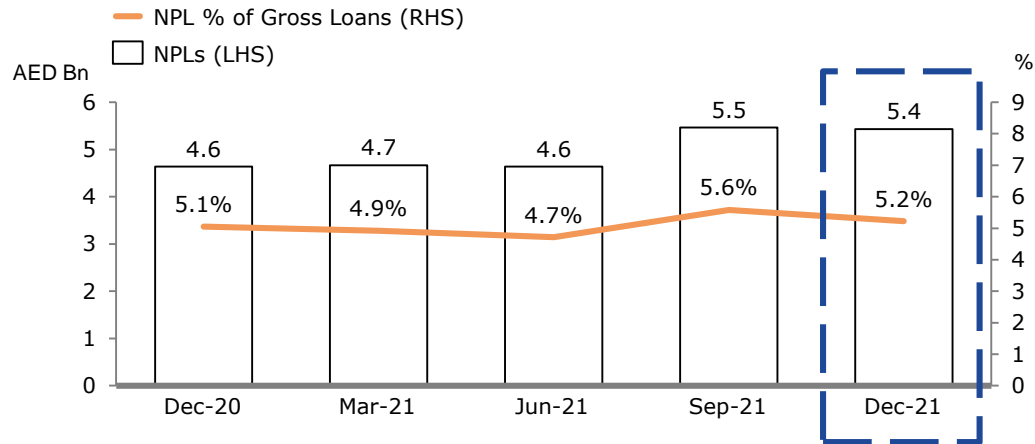
# Liability mix [AED billion]



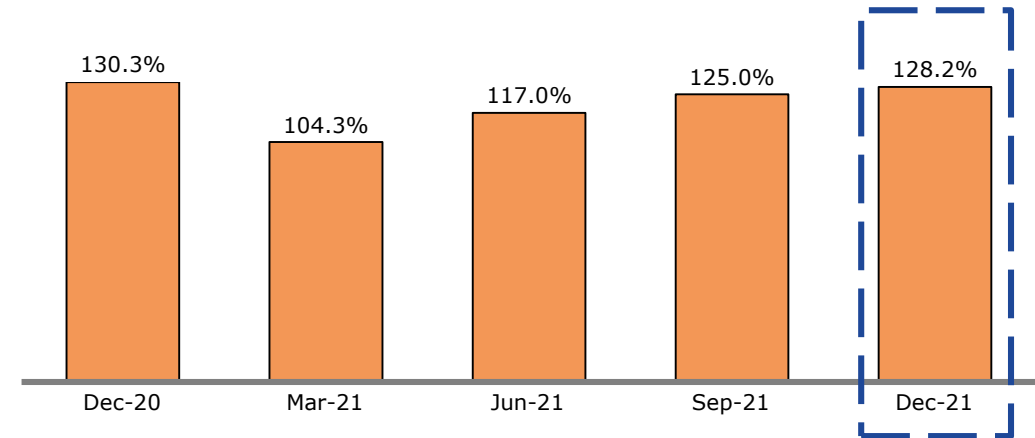
- Key Points**
- > Customer deposits accounted for 65% of total liabilities
  - > CASA accounts for 59% of customer deposit as compared to 53% in Dec 2020; Time deposits contributed 41% of total deposits (47% in Dec 2020)
  - > Corporate Banking accounts for the largest portion of liabilities at 33% as on 31 December 2021

# Asset quality and liquidity [AED billion]

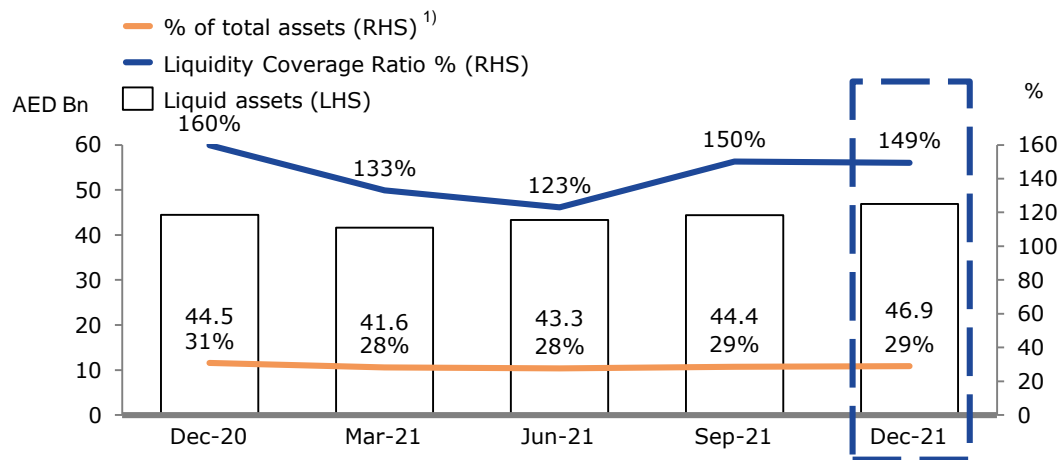
## NPL's and % of Gross Loans <sup>2)</sup>



## NPL Coverage Ratio [%]



## Liquid assets trend



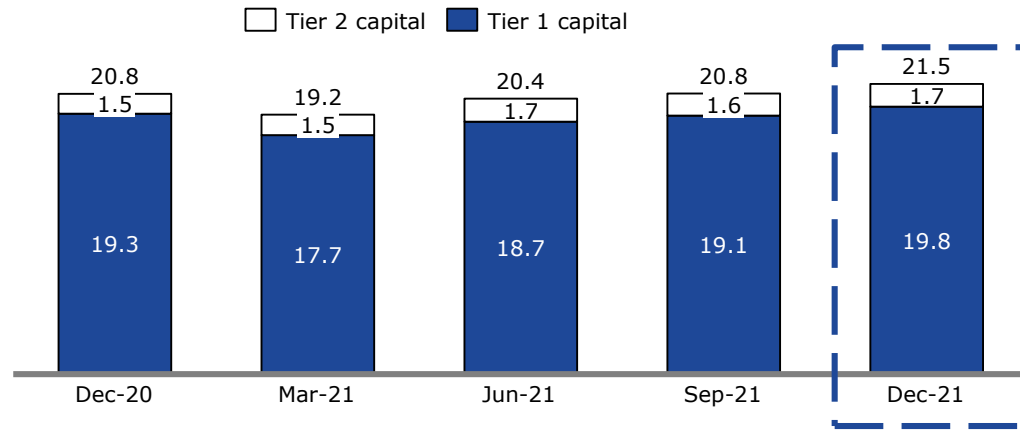
## Key Points

- > Mashreq has set aside AED 2.1 billion net for Impaired assets in FY 2021. General provisions stand at 1.5% of Credit Risk Weighted Assets
- > NPLs have increased by 17.2% in the year to reach AED 5.4 billion. NPL's as % of Gross loans has decreased vs the previous quarter and is at 5.2%
- > NPL Coverage ratio in December 2021 stands at 128% (125% in September 2021)
- > Liquid assets to total assets as of December 2021 was at 29%

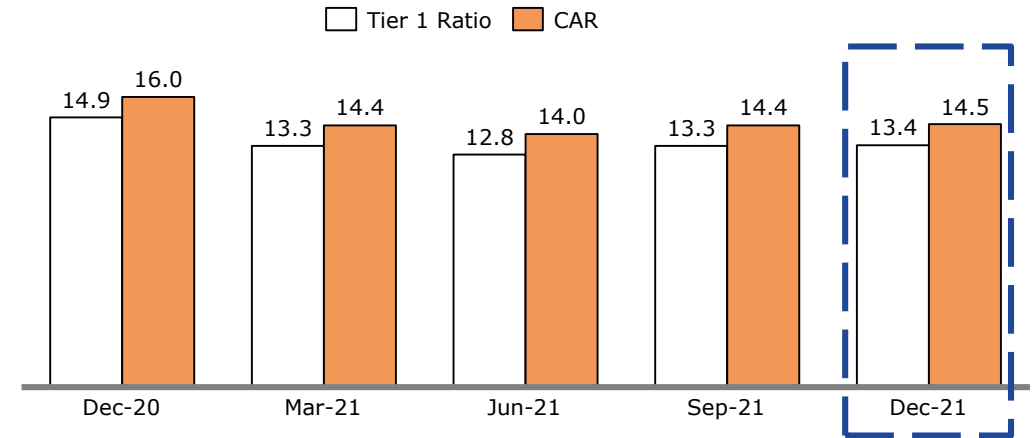
1) Total Assets excludes contra items  
2) Includes Islamic Financing

# Capital adequacy [AED billion; %]

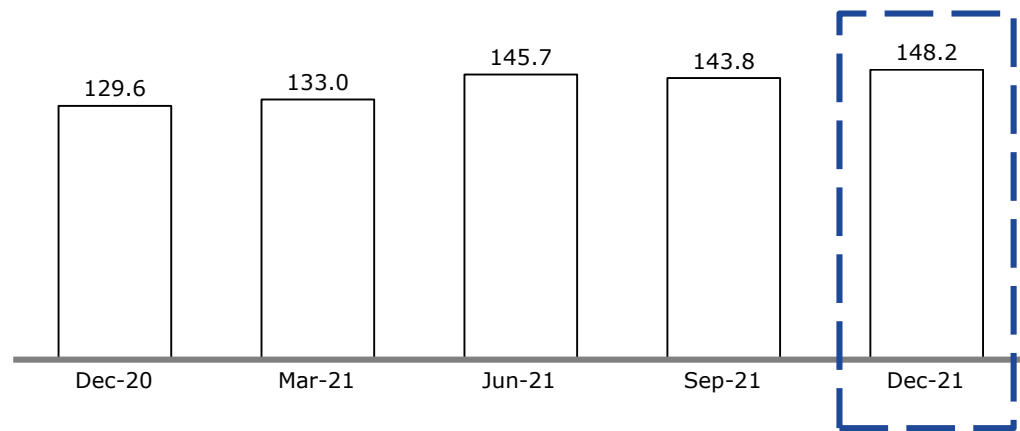
## Tier I and Tier II Capital [AED billion]



## Tier I and Capital Adequacy Ratios [%]



## Risk-weighted assets [AED billion]

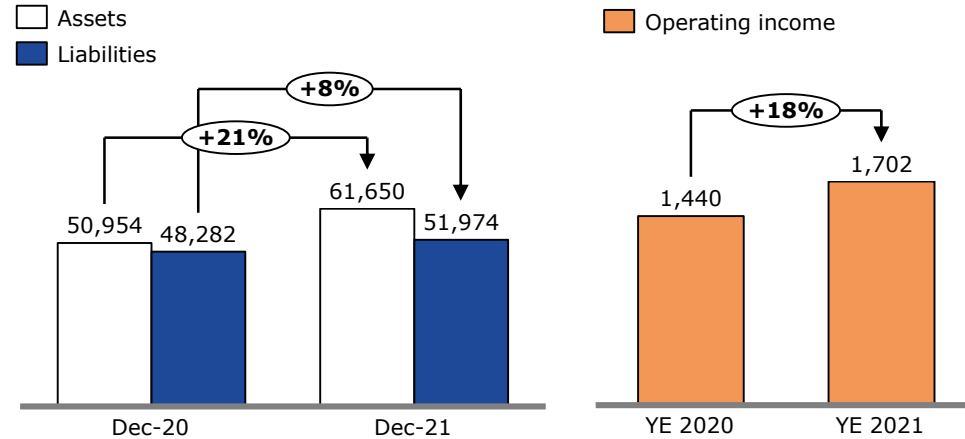


## Key Points

- > As per Central bank regulation, the CAR requirement is 13% (inclusive of capital conservation buffer), Mashreq ratio stands at 14.5%
- > Mashreq Tier 1 capital ratio was at 13.4% (against a regulatory requirement of 8.5%)
- > RWA/Total assets is at 84% in December 2021 compared to 82% in December 2020

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

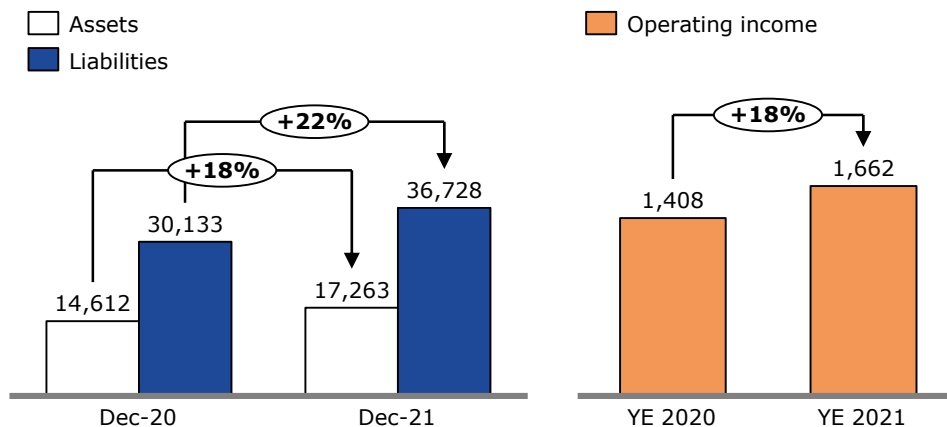
## Corporate & Investment Banking



## Key Points

- > Corporate banking is the biggest segment in Mashreq in terms of assets (35% of assets) and liabilities (33% of total liabilities) as of December 2021
- > Assets increased by 21% and stand at AED 61.7 billion
- > Operating income increased by 18% Y-o-Y and accounts for 29% of total operating income in YE 2021. Main growth area has been from the lending to the Services & Manufacturing segment, Financial Institutions and Trading Companies
- > Recognized as the Best Corporate/Institutional Digital Bank in UAE 2021 by Global finance

## Retail Banking



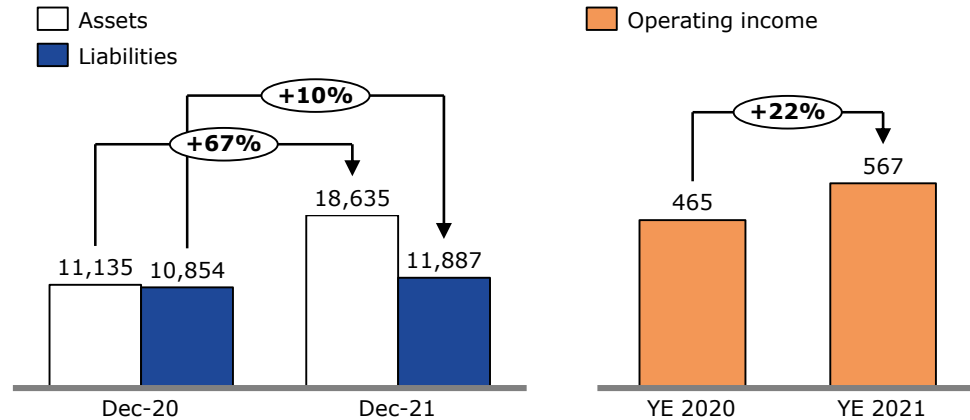
## Key Points

- > Retail banking is a key contributor to the operating income at 29% in YE 2021
- > Y-o-Y operating income increased by 18% driven by an increase in non-interest income (FER income)
- > Retail banking assets increased by 18% and stand at AED 17.3 billion. The personal loans segment along with residential mortgages were the top contributors to the growth in 2021
- > Liabilities have increased by 22% and are AED 36.7 billion as of December 2021 (24% of total liabilities)



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

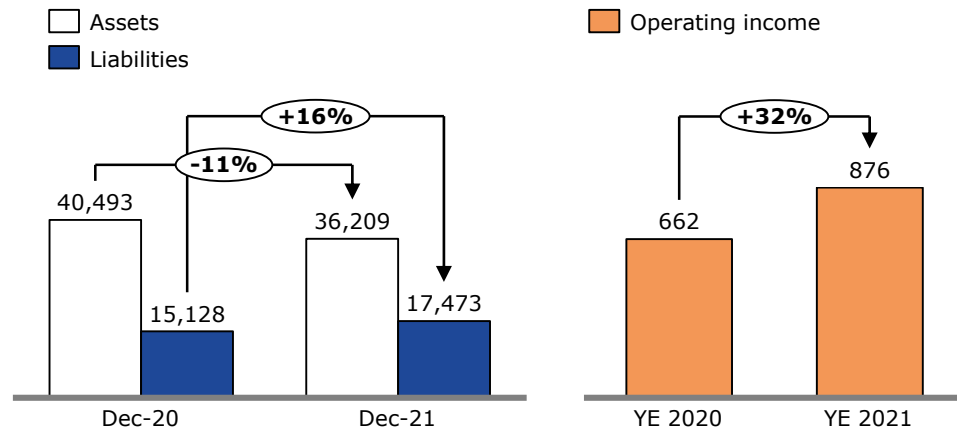
### International Banking



### Key Points

- > International business contributed 10% of operating income and 8% of liabilities in YE 2021
- > International Banking assets increased by 67% as compared to December 2020 and make up 11% of total assets. Liabilities increased by 10% and stand at AED 11.9 billion
- > Y-o-Y operating income increased by 22% to AED 567 million. Main contributions are from growth in Egypt and India

### Treasury & Capital Markets



### Key Points

- > Treasury & Capital Markets accounts for 21% of assets and 11% of liabilities as of December 2021
- > Assets decreased by 11% year to date and stood at AED 36.2 billion
- > TCM Operating income contributed 15% to the total operating income in YE 2021.
- > Operating income, which includes funding center income, increased by 32% and is at AED 876 million



Performance Highlights

---

Financial Results

---

► Appendix

---

## YE 2021 financials – Consolidated Income statement [AED million]

Income statement	2021	2020	Variance (%)
	YE	YE	YE 2021 vs YE 2020 (Y-o-Y)
Net interest income & income from Islamic Financing	3,045	2,676	13.8
Net Fees and commission	1,577	1,220	29.3
Net Investment income	177	321	(45.0)
Other income	1,007	931	8.2
<b>Total operating income</b>	<b>5,806</b>	<b>5,148</b>	<b>12.8</b>
Operating expenses	(2,623)	(2,945)	(10.9)
<b>Operating profit</b>	<b>3,183</b>	<b>2,203</b>	<b>44.5</b>
Impairment allowance	(2,059)	(3,357)	(38.7)
Tax expense	(49)	(52)	(5.9)
Non-Controlling Interest	(74)	(73)	1.3
<b>Net Profit/(Loss)</b>	<b>1,002</b>	<b>(1,278)</b>	<b>NM</b>

## 4Q 2021 financials – Consolidated Income statement [AED million]

Income statement	2021	2021	2020	Variance (% change)	
	4Q	3Q	4Q	4Q 2021 vs 3Q 2021 (Q-o-Q)	4Q 2021 vs 4Q 2020 (Y-o-Y)
Net interest income & income from Islamic Financing	810	795	616	1.9	31.4
Net Fees and commission	397	362	284	9.6	39.6
Net Investment income	3	40	32	(92.9)	(91.2)
Other income	299	231	244	29.0	22.2
<b>Total operating income</b>	<b>1,508</b>	<b>1,428</b>	<b>1,177</b>	<b>5.6</b>	<b>28.1</b>
Operating expenses	(711)	(691)	(1,061)	2.9	(33.0)
<b>Operating profit</b>	<b>797</b>	<b>737</b>	<b>116</b>	<b>8.2</b>	<b>586.4</b>
Impairment allowance	(24)	(538)	(1,714)	(95.5)	(98.6)
Tax expense	(17)	(6)	(19)	209.0	(9.1)
Non-Controlling Interest	(19)	(13)	(13)	43.6	44.7
<b>Net Profit/(Loss)</b>	<b>737</b>	<b>180</b>	<b>(1,630)</b>	<b>310.2</b>	<b>NM</b>

## December 2021 financials – Consolidated Balance sheet [AED million]

Balance sheet	31 Dec 2021	31 Dec 2020	YoY (%)
<b>Assets</b>			
Cash and balances with central banks	17,508	17,942	(2%)
Deposits and balances due from banks	28,805	28,239	2%
Other financial assets measured at fair value	16,441	8,439	95%
Other financial assets measured at amortised cost	10,278	11,001	(7%)
Loans and advances measured at amortised cost	66,433	57,286	16%
Islamic financing and investment products measured at amortised cost	15,053	14,246	6%
Acceptances	14,341	12,767	12%
Other Assets	3,290	3,478	(5%)
Reinsurance contract assets	2,700	2,892	(7%)
Investment in Associate	35	21	66%
Investment properties	463	450	3%
Property and equipment	1,426	1,467	(3%)
Intangible Assets	281	294	(4%)
<b>Total Assets</b>	<b>177,054</b>	<b>158,523</b>	<b>12%</b>
<b>Liabilities</b>			
Deposits and balances due to banks	19,566	14,844	32%
Repurchase agreements with banks	2,729	2,290	19%
Customers' deposits	87,151	76,376	14%
Islamic customers' deposits	14,332	11,885	21%
Acceptances	14,341	12,767	12%
Other Liabilities	6,028	5,809	4%
Medium-term loans	7,315	9,616	(24%)
Insurance and life assurance funds	4,567	4,748	(4%)
<b>Total Liabilities</b>	<b>156,029</b>	<b>138,335</b>	<b>13%</b>
<b>Total Equity</b>	<b>21,024</b>	<b>20,188</b>	<b>4%</b>
<b>Total Liabilities and Equity</b>	<b>177,054</b>	<b>158,523</b>	<b>12%</b>

