

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, modern 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

26 July 2023

FIRST HALF  
**2023**

# Mashreq delivers strong performance with 150% Surge in Net Profit to AED 3.5 Bn for 1H 2023

**Dubai, UAE; 26th July 2023:** Mashreq announces the financial results for 1H 2023 displaying a strong performance and providing excellent shareholder value with an annualised return on equity of over 30%. Further details are outlined below.

## Key highlights:

### 1. Robust Growth in Operating Income & Net Profit

- Operating profit at AED 3.7 billion represents an 88% increase compared to 1H 2022 on the back of a healthy operating income growth of 60% - strong growth across all business units
- Operating income growth was primarily driven by net interest income which has increased significantly by 96.3% as a result of growth in the loan portfolio and the high interest rate environment; the non-interest income to total income ratio currently stands at 29.5%
- Positive jaws of 43.2% has led to a significant improvement in efficiency with the cost to income ratio at 28.3% in 1H 2023 compared to 38.7% in 1H 2022
- Credit cost decreased by 88% year on year to AED 54 million in 1H 2023. This, coupled with the solid operating income growth, allowed Mashreq to post a strong net profit of AED 3.5 billion in 1H 2023, representing 150% year on year growth
- Noteworthy increase in annualised return on equity to 30.2% (up from 13.9% in 1H 2022) demonstrating excellent shareholder value

**88%**  
Operating Profit Growth

**150%**  
YoY Net Profit Growth

**3.5 billion**  
Net Profit (AED)

**30%**  
Return on Equity

### 2. Steady Growth in the Loan Portfolio & Customer Deposits

- Total Loans and Advances increased by 5.2% year to date and stands at AED 95 billion
- Healthy growth of 11.4% year to date in customer deposits to reach AED 126.8 billion; CASA ratio continues to remain high at 65% exhibiting the strength of the franchise
- Loan-to-Deposit ratio was at 74.9% at the end of June 2023 (79.4% in December 2022)

**3.6%**  
Return on Assets

**5.2%**  
YTD Loan Growth

### 3. Comfortable Liquidity & Capital position

- Liquid Assets ratio stood at 30.8% as of June 2023 (33.5% in December 2022)
- Capitalization level remains robust with the Capital adequacy ratio at 18.0%, Tier 1 Capital ratio at 15.7%, and CET1 ratio at 15% as of June 2023

**18.0%**  
Capital Adequacy Ratio

### 4. Improved Credit Environment & Healthy Asset Quality

- Impairment allowance reduced significantly to AED 54 million in 1H 2023 driven by enhanced asset quality and higher recoveries and represents only 0.1% of net loans
- Non-Performing Loans to Gross Loans ratio declined to 1.7 % as of the end of June 2023 (2.2% as of December 2022) and is one of the lowest in the market
- Total provision for loans and advances reached AED 4.4 billion and coverage ratio improved to 237.6% as on 30th June 2023 (190.8% in December 2022)

**28.3%**  
Cost Income Ratio

**1.7%**  
NPL Gross Loans Ratio

**H.E. Abdul Aziz Al Ghurair**

**Chairman of Mashreq**

“In testament to the strategic execution of our vision, Mashreq has achieved a remarkable 150% surge in net profit to AED 3.5 Bn for the first half of 2023. As we demonstrate our financial prowess, we also take pride in providing our shareholders with impressive value, as evidenced by an annualised return on equity exceeding 30%. This robust performance stands as a tribute to the resiliency and vigour of the UAE banking system and its fortified capital buffers. These foundational strengths have enabled us to successfully navigate the complexities of the digital banking landscape and adapt our strategies seamlessly.

At Mashreq, we believe our growth trajectory is characterised by the symbiosis of strong revenue growth and bottom-line expansion. This is complemented by our keen focus on operational efficiencies and a robust liquidity framework, fortifying our stability and ensuring we continuously create value for our customers, employees, and the wider organisation. Our strategic direction is reflected in our successful growth across all our key business segments – corporate and investment banking, treasury and capital markets, international banking, and retail banking. This success is amplified by the global recognition and embrace of our pioneering digital platforms.

As we wrap up the first half of 2023, Mashreq stands tall as a dynamic digital challenger bank, delivering enticing returns for our stakeholders amidst a volatile global economy. With our eyes firmly set on the future, we are confident in our readiness and resilience to continue driving value and sustaining our growth momentum.”

**Ahmed Abdelaal**

**Group Chief Executive Officer**

“Assessing Mashreq’s robust performance in the first half of 2023, it is evident that our strategic initiatives have been instrumental in shaping this success. With an exceptional 88% YoY increase in operating profit, rising to AED 3.7 billion, and a marked reduction in our cost-to-income ratio to 28.3%, the strength of our approach is clear.

Mashreq’s growth is also a reflection of our commitment to enhancing customer experience. We are tirelessly striving to be the leading provider of customer experience, a goal which has necessitated a substantial internal cultural shift towards client-centricity. Coupled with this is our focus on digital transformation and personalisation, a strategy that demands robust data governance, AI-led technology, and a comprehensive understanding of clients’ needs. Our award-winning digital platforms bear testimony to our success in this area, with numerous accolades over the past three years driven by client recognition.

Our prudent risk management strategy, which prioritises improving asset quality, has been another critical factor in our success. It has led to considerable improvement in our risk position, significantly bolstering our profitability.

Meanwhile, Mashreq’s international expansion strategy, particularly our entry into Oman and the launch of digital banking operations in Pakistan, alongside our commitment to sustainability, embodied by our LEED Zero Energy certified headquarters, underline our forward-thinking and responsible approach.

The inclusion in the World Green Building Council programme further asserts our leadership in steering the MENA region towards a net-zero trajectory, in line with the principles of COP28 in the UAE, and the UAE Net Zero 2050 strategy.

Central to this triumph has been our emphasis on people. As much as we acknowledge the importance of AI and technology, we understand that people remain at the heart of our success. They propel innovation and engagement, and their commitment is crucial to any organisation aiming for success. The recruitment of top talent globally has been a key contributor to driving our strategic growth across all organisational levels.

At Mashreq, we know our role extends beyond providing financial services. It’s about enriching customer experiences and investing in our most significant asset—our people, who are pivotal in providing superior service to our customers and driving the bank’s continued success. As we continue to navigate forward, we pledge our unwavering commitment to delivering unparalleled value to our customers, shareholders, and the wider community.”

# 1H 2023 Financial Highlights

## 1H 2023 Financial Highlights

Income statement (AED mn)	Quarterly Trend							
	1H		Δ%	2Q	1Q	2Q	Δ%	
	2023	2022	YoY	2023	2023	2022	QoQ	YoY
Net Interest Income & Income from Islamic Financing	3,616	1,842	96.3	1,870	1,746	1,014	7.1	84.4
Fee and commission	877	733	19.7	293	583	376	(49.7)	(22.0)
Investment Income	4	4	(11.2)	(15)	18	(14)	(179.8)	7.8
Insurance, FX & Other Income	630	620	1.7	458	172	318	166.8	44.2
<b>Total Operating Income</b>	<b>5,127</b>	<b>3,198</b>	<b>60.3</b>	<b>2,607</b>	<b>2,520</b>	<b>1,695</b>	<b>3.4</b>	<b>53.8</b>
Operating Expenses	(1,451)	(1,239)	17.1	(690)	(761)	(633)	(9.3)	9.0
<b>Operating Profit</b>	<b>3,676</b>	<b>1,959</b>	<b>87.6</b>	<b>1,917</b>	<b>1,759</b>	<b>1,061</b>	<b>9.0</b>	<b>80.6</b>
Impairment Allowance	(54)	(440)	(87.8)	43	(96)	(212)	(144.3)	(120.1)
Tax Expense	(62)	(61)	2.0	(34)	(28)	(31)	19.0	8.9
Non-Controlling Interest	(44)	(49)	(11.3)	(19)	(24)	(22)	(21.4)	(12.1)
<b>Net Profit for the Period</b>	<b>3,516</b>	<b>1,409</b>	<b>149.6</b>	<b>1,906</b>	<b>1,610</b>	<b>796</b>	<b>18.4</b>	<b>139.4</b>
EPS [AED]	17.53	7.02	149.6	9.50	8.03	3.97	18.4	139.4

Balance Sheet (AED mn)	Jun	Jun	Δ%	Jun	Dec	Jun	Δ%	
	2023	2022	YoY	2023	2022	2022	YTD	YoY
	Total Assets	210,964	188,644	11.8	210,964	197,245	188,644	7.0
Loans and Advances	94,956	89,676	5.9	94,956	90,303	89,676	5.2	5.9
Customer Deposits	126,778	109,335	16.0	126,778	113,806	109,335	11.4	16.0
Shareholder's Funds*	25,260	20,220	24.9	25,260	23,599	20,220	7.0	24.9

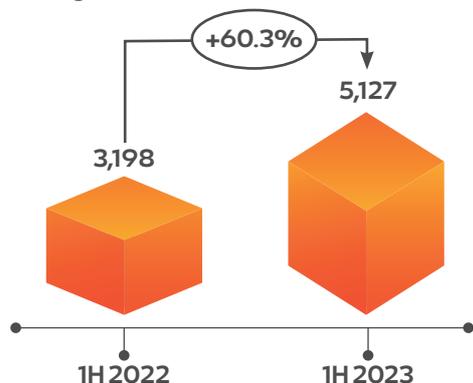
Key Ratios (%)	Jun	Jun	Δ bps	Jun	Dec	Jun	Δ bps	
	2023	2022	YoY	2023	2022	2022	YTD	YoY
	CAR (Capital Adequacy Ratio)	18.00	13.56	444	18.00	16.02	13.56	198
Tier 1 Ratio	15.71	12.41	330	15.71	13.71	12.41	200	223
CET 1 Ratio	15.01	12.41	260	15.01	13.01	12.41	201	260
Loan-to-Deposits	74.90	82.02	(712)	74.90	79.35	82.02	(445)	(712)
Return-on-Assets**	3.58	1.67	191	3.58	2.10	1.67	148	191
Return-on-Equity**	30.22	13.90	1,633	30.22	17.54	13.90	1,268	1,633

\* Equity attributable to owners of parent including noteholders of the Group

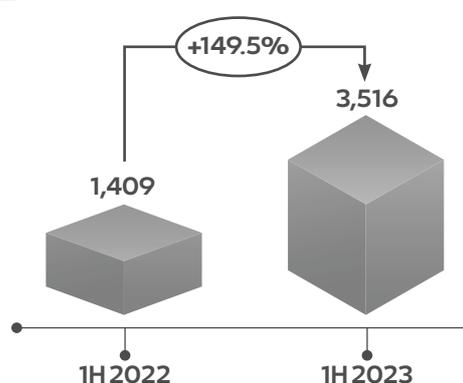
\*\* Annualised

# Exhibits

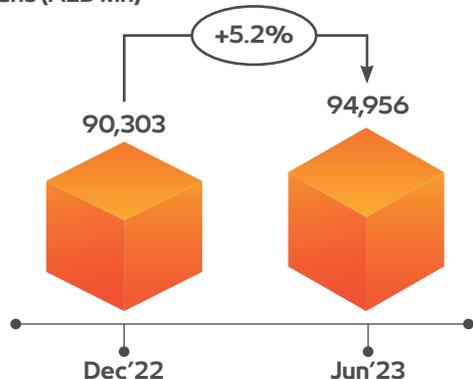
Operating Income (AED Mn)



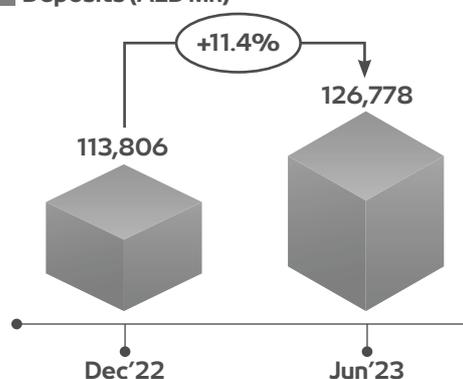
Net Profit (AED Mn)



Loans (AED Mn)



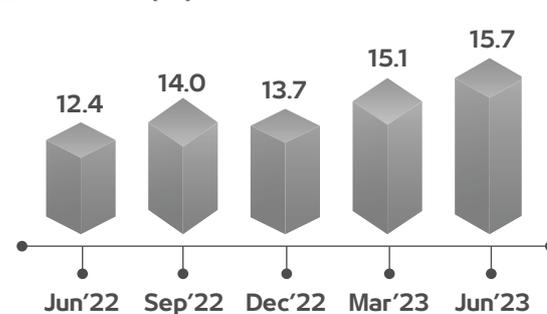
Deposits (AED Mn)



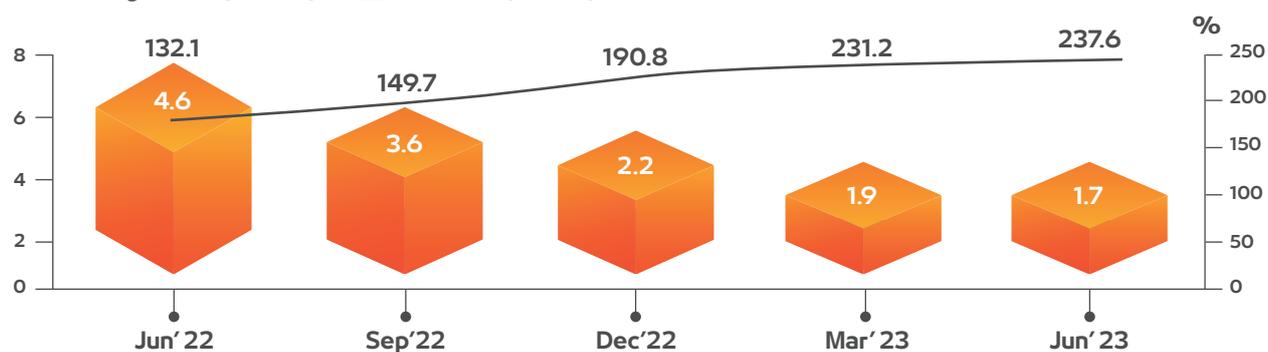
Capital Adequacy Ratio (%)



Tier 1 Ratio (%)



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



## 1H 2023 Awards

### The Asian Banking & Finance Retail Banking Awards 2023

- Wealth Management Platform of the Year - UAE

### Euromoney Awards for Excellence

- Best Digital Bank in the Middle East

### MEED's MENA Banking Excellence Awards 2023

- Best Private Bank UAE

### MEA Finance Summit & Awards 2023

- Best Innovation in Retail Banking'
- Digital Banking Innovation of the Year - UAE'

### Global Business Magazine

- Best Mobile Banking Application UAE 2023
- Most Innovative Corporate Bank UAE 2023
- Best Online Services Bank UAE 2023

### Global Finance – The Innovators 2023

- Most Innovative Bank in the Middle East
- Best Innovation Labs for 2023 - Mashreq Wholesale Digital Innovation Lab

### Forbes Middle East

- Top 100 listed companies in the Middle East for 2023

### LEED Zero Energy certification by the U.S. Green Building Council

### LEED Gold Certified by the U.S. Green Building Council

### International Banker Awards

- Best Banking CEO of the Year Middle East 2023
- Best Commitment to ESG Principles UAE 2023

### Infosys Finacle Innovation Awards 2023

- Business Model innovation - Federal-Mashreq Neo partnership for end-to-end digital NR onboarding journey

### Global Private Banking Innovation Awards 2023

- Best Private Bank for Funds
- Best Private Bank – UAE
- Best Family Office Offering

# 1H 2023 Awards

## Euromoney Islamic Finance Awards 2023

- Mashreq Al Islami - Best Islamic Digital Bank- Global

## EMEA Finance Achievement Awards 2022

- Best restructuring house in the Middle East

## Wealth Tech Awards 2023

- Best private bank for digital customer service in the Middle East
- Most Innovative Client Lifecycle Management of the Middle East

## MENA Banking Excellence Awards 2023

- Best Private Bank – UAE

## 2023 Middle East & North Africa Stevie® Awards

- Gold Stevie Trophy for Innovation Management in the Financial Industries

## Bonds, Loans & ESG Capital Markets Africa Award

- Financial Institutions Debt House of the Year

## Forbes Regions Most Valuable Banks 2023 list

- Mashreq is among the Top 50 most valuable banks in the MENA region

## Award by Visa

- 'Best Client Experience' for achieving the highest transaction approval rates in the UAE for the year of 2022.

## The Banker Magazines "Deals of the Year Awards 2023":

- Deal of the Year - Africa(Nigeria) - FIG - African DFI debut bond issue
- Deal of the Year - Middle East - FIG -Mashreq's inaugural Tier 2 issuance
- Deal of the Year - Middle East - High Yield and Leveraged Finance -AIR's \$525m syndicated term facilities
- Deal of the Year - Middle East - Restructuring - Gargash's refinancing, repricing and restructuring solution

## Euromoney Trade Finance 2023

- Market Leader in the UAE
- Best Service in Bahrain
- Best Service in Bangladesh
- Best Service in Kuwait
- Best Service in Qatar
- Best Service - Products - Africa
- Best Service - Industrial Goods - in Middle East
- Best Service - Retail Providers - in Middle East
- Best Service - Products - In Egypt

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