

Management Discussion & Analysis Report

25 July 2024

FIRST HALF

**20
24**

Strong business performance and positive outlook underpinned by robust customer activity and stable macroeconomic environment see Mashreq's Net Profit in the first half increase by 14% to AED 4bn.

- **Income growth of 20% year-on-year:** Net Interest Income grew with 17% driven by a substantial expansion of the balance sheet supported by healthy client margins. Non-interest income saw a marked increase of 26% over prior year and contributed a noteworthy 31% to the total operating income.
- **Strong balance sheet growth:** The organic growth momentum continued in the second quarter, evidenced by a 9% rise in loans and advances and a 5% increase in customer deposits year-to-date.
- **Solid capital position and Operational Efficiency:** Capital Adequacy Ratio at 19.5% surpasses regional benchmarks and reflects the financial strength of Mashreq with ample room for further growth. The Return on Equity of 27.6% underscores an efficient use of capital for the benefit of shareholders, while the Cost-Income Ratio of 27.3% demonstrates Mashreq's operational resilience.

14%

YoY Net Profit Growth
(24% pre-tax)

4.0

Billion AED Net Profit
(AED 4.5 billion pre-tax)

19.5%

Capital Adequacy
Ratio

21%

Operating Profit
Growth

9%

YTD Loans &
Advances Growth

5%

YTD Customer
Deposits Growth
(CASA 62%)

27.6%

Return on
Equity

3.3%

Return on
Assets

1.3%

NPL Gross
Loans Ratio

27.3%

Cost to
Income Ratio

Dubai, UAE; 25th July 2024: Mashreq is pleased to announce its financial performance for the first half of 2024, highlighting the bank's strong commitment to achieve its strategic goals focused on putting clients first, achieving operational and financial efficiency, maintaining robust risk management, ensuring operational resilience, while fostering a culture that prioritizes its employees. These results emphasize the successful implementation of Mashreq's strategic initiatives capitalizing on providing a world class client experience which is second to none.

Key highlights:

1. Operating Income & Net Profit

- Mashreq shows a net profit to shareholders of AED 4.0 billion in the first half of 2024, reflecting a significant 14% increase compared to the same period in the previous year. This growth is largely driven by a 17% year-on-year increase in net interest income. The primary factors contributing to this success include robust business expansion, favorable client margins in the prevailing interest rate environment, and minimal risk costs. In addition, non-interest income rose to AED 1.9 billion, demonstrating a very strong 26% growth year-on-year. The net profit before tax grew by 24% year-on-year and stands at an impressive AED 4.5 billion.
- The Cost-Income ratio improved to 27.3%, highlighting the bank's strong performance. This enhancement is characterized by stringent control over operating expenses, coupled with ongoing investments in client experience improvements as well as business growth.
- Operating profit rose from AED 3.7 billion to AED 4.5 billion in 1H 2024, representing a 21% increase compared to the same period in 2023.
- Risk costs are low at AED 45 million, highlighting the bank's sensible risk management practices.
- Mashreq's Return on Equity (ROE) reached 27.6% in the first half of 2024, reflecting the management's ongoing commitment to operational efficiency, strategic capital allocation, and delivering optimal value to shareholders. The decrease compared to last year is due to the increase in capital, as returns improved.

2. Liquidity & Capital position

- Mashreq's solid liquidity position is indicated by a Liquid Assets ratio of 35.4% and a Liquidity Coverage Ratio of 154.1% as of June 2024.
- The bank's capitalization level is very strong and has further improved from the end of 2023, with a Capital Adequacy Ratio of 19.5%, a Tier 1 Capital Ratio of 17.3%, and a CET1 Ratio of 15.7% as of June 2024.

3. Credit Environment & Asset Quality

- The Non-Performing Loans to Gross Loans ratio declined to 1.3% as of end of June 2024 (1.7% as of June 2023) and is one of the lowest in the market. The decline demonstrates the addition of further loans without a simultaneous increase in NPLs.
- The Coverage ratio remains high at 230.5% as on 30th June 2024.

H.E. Abdul Aziz Al Ghurair

Chairman of Mashreq

"The UAE's economy continues to demonstrate remarkable resilience and stability, buoyed by robust policies and a conducive investment environment. As we witness a significant downtrend in inflation, the strength of our nation's economy is further solidified, reflecting strong capital adequacy ratios and increasing foreign investments. This macroeconomic stability has provided a favorable backdrop for Mashreq's continued growth.

Our recent successful pricing of the \$500 million additional Tier 1 bond offering, which marked the largest price tightening by any UAE bank in the last five years, underscores our robust financial health and strategic market positioning. The transaction was well distributed across international and regional investors, reaffirming the investor community's longstanding trust in Mashreq's credit. Additionally, the upgrade of Mashreq's long-term deposit ratings to A3 with a stable outlook by Moody's is a testament to our sound financial management and resilient operational framework.

Our results for the second quarter keep us on track to deliver strong performance in 2024. We are determined to push forward with our strategic priorities and further improve customer experience, operational performance and risk controls.

We are proud of our achievements and remain committed to our strategic vision of innovation, customer-centric solutions. Our ambition remains unchanged – to be the preferred financial partner for customer success journeys."

Ahmed Abdelaal

Group Chief Executive Officer

"In the first half of the year, we continued to deliver on our strategic ambitions, improving profitability and reporting a strong return on equity, driven by strong commercial momentum, robust customer activity, excellent credit quality, and focused cost management. Our results demonstrate that, despite the challenging global environment, we are making excellent progress on our strategic priorities and achieving industry-leading financial performance. This progress was primarily driven by sustained, strong net interest income, while our high customer activity across the business led to a significant uplift in non-interest income, resulting in a second-quarter return on equity of 27.6%.

We continue to invest in our capabilities to accelerate digital transformation across our business and functions, enhancing customer journeys, improving the customer experience, and reducing costs and operational risks. Additionally, we have completed our Tier 1 capital enhancement to solidify our capital base and support growth.

Our commitment to sustainability is a core focus, driving us to integrate our wide-ranging ESG initiatives and milestones through global initiatives under Climb2Change. This program is expanding across the markets we operate in, highlighting our dedication to accelerating environmental and social impacts and our sustainable finance commitments.

Overall, we are confident that the implementation of our strategy during the first six months has built a robust foundation for continued execution."

1H 2024 Financial Highlights

Income statement (AED mn)	Quarterly Trend							
	1H		Δ%	2Q	1Q	2Q	Δ%	
	2024	2023	YoY	2024	2024	2023	QoQ	YoY
Net Interest Income & Income from Islamic Financing	4,226	3,616	17	2,082	2,144	1,870	(3)	11
Fee and Commission	884	877	1	336	548	293	(39)	14
Investment Income	137	4	3,570	70	67	(15)	4	NM
Insurance, FX & Other Income	881	630	40	499	382	458	31	9
Non Interest Income	1,902	1,511	26	904	997	737	(9)	23
Total Operating Income	6,127	5,127	20	2,986	3,141	2,607	(5)	15
Operating Expenses	(1,673)	(1,451)	15	(834)	(839)	(690)	(0)	21
Operating Profit	4,454	3,676	21	2,152	2,303	1,917	(7)	12
Impairment Allowance	45	(54)	NM	83	(38)	43	NM	94
Profit before tax	4,499	3,622	24	2,234	2,265	1,959	(1)	14
Tax Expense	(447)	(62)	618	(223)	(224)	(34)	(0)	559
Profit for the Period	4,052	3,560	14	2,011	2,041	1,925	(1)	4
Non-Controlling Interest	(50)	(44)	14	(16)	(34)	(19)	(53)	(16)
Profit attributable to Owners of the Parent	4,003	3,516	14	1,995	2,007	1,906	(1)	5
EPS (AED)	19.95	17.53	14	9.95	10.01	9.50	(1)	5

Balance Sheet (AED mn)	Jun	Jun	Δ%	Jun	Dec	Jun	Δ%	
	2024	2023	YoY	2024	2023	2023	YTD	YoY
	2024	2023	YoY	2024	2023	2023	YTD	YoY
Total Assets	253,467	210,964	20	253,467	239,981	210,964	6	20
Loans and Advances**	162,970	133,950	22	162,970	149,483	133,950	9	22
Customer Deposits	153,964	126,778	21	153,964	146,232	126,778	5	21
Shareholder's Funds*	32,252	25,260	28	32,252	30,333	25,260	6	28

Key Ratios (%)	Jun	Jun	Δ bps	Jun	Dec	Jun	Δ bps	
	2024	2023	YoY	2024	2023	2023	YTD	YoY
	2024	2023	YoY	2024	2023	2023	YTD	YoY
CAR (Capital Adequacy Ratio)	19.5	18.0	145	19.5	16.5	18.0	294	145
Tier 1 Ratio	17.3	15.7	160	17.3	14.3	15.7	297	160
CET 1 Ratio	15.7	15.0	64	15.7	13.7	15.0	195	64
Loan-to-Deposits***	73.9	74.9	(97)	73.9	75.5	74.9	(153)	(97)
Return-on-Assets****	3.3	3.6	(32)	3.3	4.1	3.6	(87)	(32)
Return-on-Equity****	27.6	30.2	(265)	27.6	34.3	30.2	(668)	(265)

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

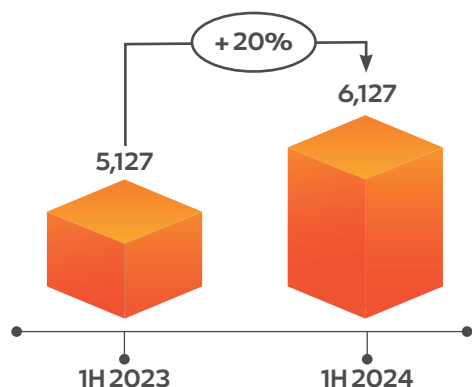
** Loans and Advances includes loans to customers and banks

*** Loan to deposit ratio utilizes loans to customers

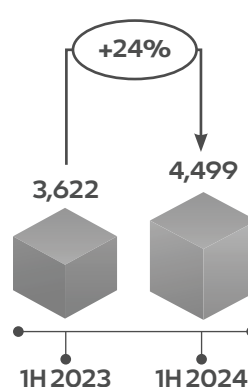
**** Annualized

Exhibits

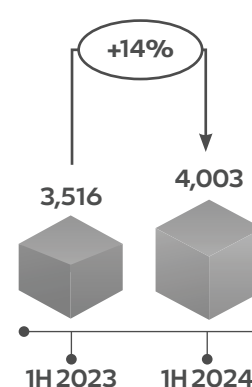
Operating Income (AED Mn)



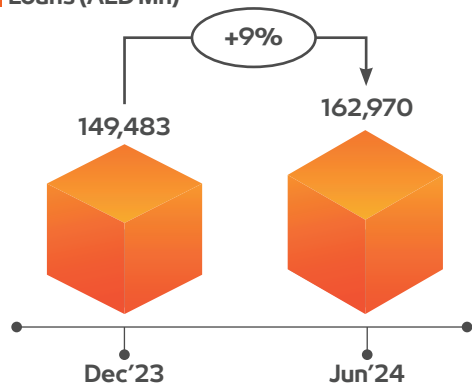
Net Profit pre-tax (AED Mn)



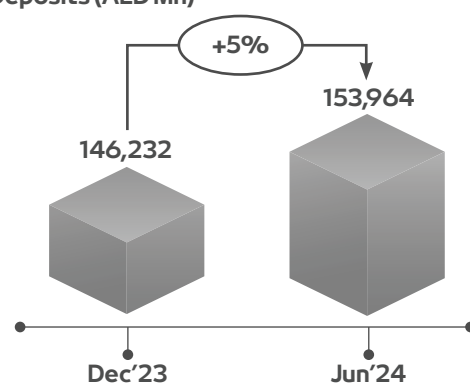
Net Profit



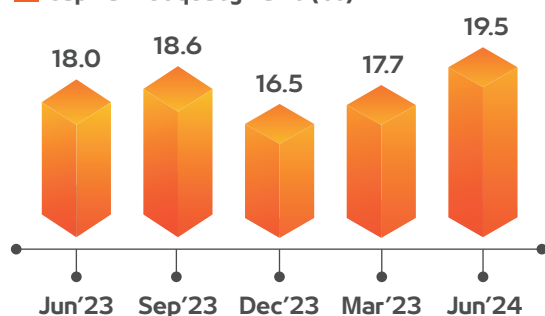
Loans (AED Mn)



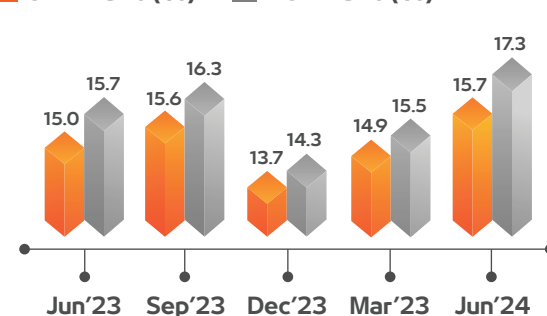
Deposits (AED Mn)



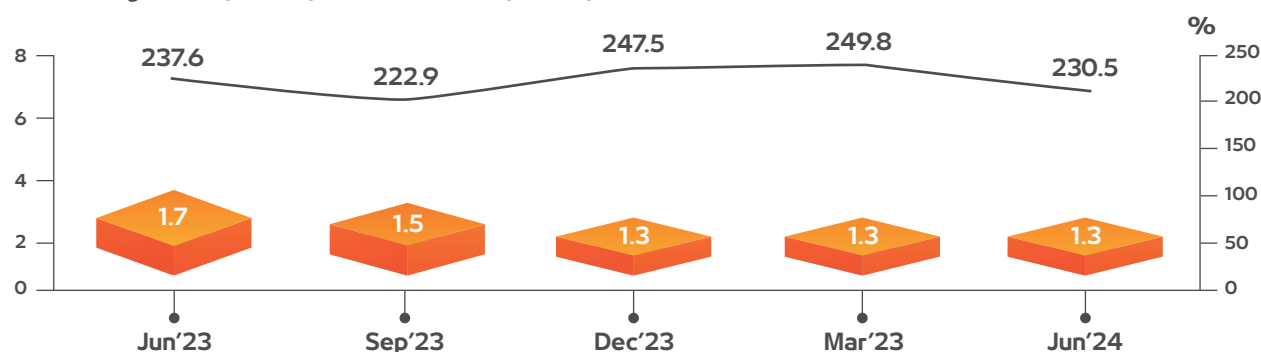
Capital Adequacy Ratio (%)



CET1 Ratio (%) Tier 1 Ratio (%)



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



1H 2024 Awards

ABF Retail Banking Awards 2024

- Best Private Bank award in the UAE
- Best Open Banking Initiative
- Best SME Bank of the Year

MEED's MENA Banking Excellence Awards

- Excellence in Client On-Boarding

Customer Experience Live Show Middle East 2024

- Best Use of Technology in a Contact Center

Euromoney Islamic Finance Awards

- Best Islamic Digital Bank Globally

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

Brand Finance:

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

World Finance Corporate Governance Awards 2024

- Best Corporate Governance in the UAE

International Finance Awards

- Outstanding Implementation of Digital CX
- Most Innovative Islamic Banking Product - Nature Saver - UAE 2024
- Most Innovative Islamic Banking Window - UAE 2024

MEA Finance Banking Technology Awards

- Digital Banking Innovation of the Year
- Best Neobank
- Best Open Banking & API Implementation
- Most Innovative Emerging Technology Implementation
- Best Innovation in Investment Banking

Asian Banking & Finance Retail Banking Awards 2024

- SME Bank of the Year - UAE

Euromoney Awards for Excellence

- Middle East's Best Digital Bank
- UAE's Best Digital Bank
- Bahrain's Best International Bank
- Egypt's Best Bank for SMEs

Islamic Finance News Awards

- Social Impact, SRI ESG Deal of the Year 2023
- Corporate Finance Deal of the Year 2023
- Syndicated Finance Deal of the Year 2023
- Real Estate Deal of the Year 2023
- Sovereign & Multilateral Deal of the Year 2023
- Hybrid Deal of the Year 2023
- UAE Deal of the Year 2023

1H 2024 Awards

Islamic Finance News Awards

- Social Impact, SRI ESG Deal of the Year 2023
- Corporate Finance Deal of the Year 2023
- Syndicated Finance Deal of the Year 2023
- Real Estate Deal of the Year 2023
- Sovereign & Multilateral Deal of the Year 2023
- Hybrid Deal of the Year 2023
- UAE Deal of the Year 2023

Global Private Banking Innovation Awards 2024

- Best Private Bank for Funds – Winner
- Best Private Bank UAE – Highly Acclaimed
- Best Private Bank Digital Innovation – Highly Acclaimed
- Outstanding Mobile Banking Initiative – Highly Acclaimed

7th Middle East Banking AI & Analytics Summit & Awards

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

EMEA finance Middle East Banking Awards

- Best loan house in the UAE
- Best foreign bank in Bahrain
- Best foreign investment bank in Kuwait
- Best foreign investment bank in Oman

Global Business Outlook Awards – Mashreq Al Islami

- Most Innovative Islamic Banking Window Award

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

- Recruitment' and 'Work-Life Integration – Best Practices
- Flexibility and Benefits – Best Practices

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 Private Banker WealthTech Awards

- Best Private Bank for Digitally Empowering Relationship Managers

Euromoney Private Banking

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

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

For media enquiries, please contact:

Rana AlBorno

Public Relations, Mashreq

Tel: +971 4 6083703

Email: Media@masheq.com

For investor relations enquiries, please contact:

Ali Zaigham Agha

Investor Relations, Mashreq

Tel: +971 4 2077543

Email: AliAgha@mashreq.com