



Management Discussion & Analysis Report

Financial Year 2022

30th January 2023



Mashreq reports 39% increase in operating profits, Net Profit of AED 3.7bln and 11% growth in advances for the year 2022

Dubai, UAE; 30th January 2023: Mashreq, one of the leading financial institutions in MENA, today has reported its financial results for the year ending 31st December 2022.

Key highlights:

1. Robust Growth in Operating Income & Net Profit

- a) Operating profit at AED 4.4 billion represents a 39.2% increase compared to FY 2021 as a result of healthy operating income growth. Improved efficiency – cost to income ratio stands at 40.9% in FY 2022 compared to 45.2% in FY 2021
- b) Mashreq's non-interest income to operating income ratio continues to remain one of the industry's best at 39.0%
- c) Mashreq posted a strong Net Profit of AED 3.7 billion (US\$ 1 billion) in FY 2022

2. Comfortable Liquidity & Capital position

- a) Growth of 12.1% YTD in Customer deposits to reach AED 113.8 billion
- b) Liquid Assets ratio stood at 33.2% as of December 2022 (29.0% in December 2021)
- c) Very comfortable Capital adequacy ratio at 16.0% (*post recommended dividend*) and Tier 1 Capital ratio at 13.7% as of December 2022



3. *Healthy Growth in the Loan Portfolio*

- a) Total Loans and Advances increased by 10.8% in the year and stand at AED 90.3 billion
- b) Loan-to-Deposit ratio remained stable and was at 79.4% at the end of December 2022 (80.3% in December 2021)

4. *Improved Credit Environment*

- a) Impairment allowance reduced significantly to AED 497 million in FY 2022 on the back of improved asset quality and higher recoveries and represents only 0.6% of net loans
- b) Non-Performing Loans to Gross Loans ratio declined to 2.2% as of end of December 2022 (5.2% as of December 2021)
- c) Total provision for loans and advances reached AED 4.8 billion and coverage ratio improved to 190.8 % as on 31st December 2022 (128.2% in December 2021)



H.E AbdulAziz Al Ghurair, Chairman of Mashreq, said:

"As we look back upon a year of significant strategic and operational change at Mashreq, I am delighted to announce a full year net profit of AED 3.7 billion. I believe it is a testament to the commitment and dedication of the entire Mashreq team that operating profit increased by 39.2% in the year."

"Double-digit growth was recorded across each and every business unit in 2022. These outcomes were delivered at the same time as a new brand identity, 'Rise Every Day', which comes from Mashreq's strong belief in helping our clients to succeed and to fulfil their aspirations, supporting our people to realize their ambitions and to facilitate building better lives and livelihoods in the society through hard work and innovation while delivering the best-in-class banking experience."

"After such a transformative year, Mashreq can look forward with great confidence to shaping the future of finance through innovation, convenience, trust, and an unmatched customer experience through our products and services."

Ahmed Abdelaal, Group Chief Executive Officer, Mashreq, said:

"I am delighted to report solid growth in all business activities for the year 2022, a testament to the hard work of our team as we continue to solidify our status in the market as a power digital disruptor and challenger bank. Our operating income increased by 29.1% over the previous year to reach AED 7.5 billion in 2022. Operating profits soared by 39.2% year-on-year and despite the impact of the high growth in Net Interest Income, the Bank's non-interest income to operating income ratio remains one of the industry's best at 39%. These positive results created a comfortable liquidity and capital position, defined by a 12.1% increase in customer deposits, which reached AED 113.8 billion by the close of the year. The Bank also delivered healthy growth in its loan portfolio, which grew by 11% by the year end to stand at AED 90.3 billion."



"During 2022, our retail banking operations (RBG) continued to be the backbone of our business and revenues grew by 42% YoY. Not to mention that our flagship digital solutions such as Neo and personal banking net profit grew by 43%, while NeoBiz and NEOPAY have grown in net profit by 289% & 37% respectively. Similarly, the corporate and investment banking group (CIBG) revenues grew strongly, with a 37% YoY growth. The international banking group (IBG) remained focused on executing its strategic priorities and continued to strengthen the presence across its existing international markets with a YoY growth for IBG assets at 43% and revenues at 25%.

"In 2022, we developed a robust sustainability framework that is being deployed across the network and consequently we implemented a series of ESG initiatives. We were the only bank from the region to sponsor Egypt's COP27 and the fact that we have facilitated more than USD 15.5 Bn of sustainable finance as of end 2022 stands as a testament to our commitment to this cause. Declaring 2023 as the year of sustainability by the President of UAE His Highness Sheikh Mohamed bin Zayed Al Nahyan will accelerate UAE's journey towards a greener economy and will act as a perfect segue to COP 28 taking place this year in UAE, which we are looking forward to support."

"In 2023 we will continue our strategic drive toward developing and building experiences rather than just product and services, in a way that positively impact on our client's everyday life. Our employees are the backbone of our organization, and we are committed to investing in the growth and development of our global talent pool who in turn provide exceptional service to our customers."



Financial Highlights:

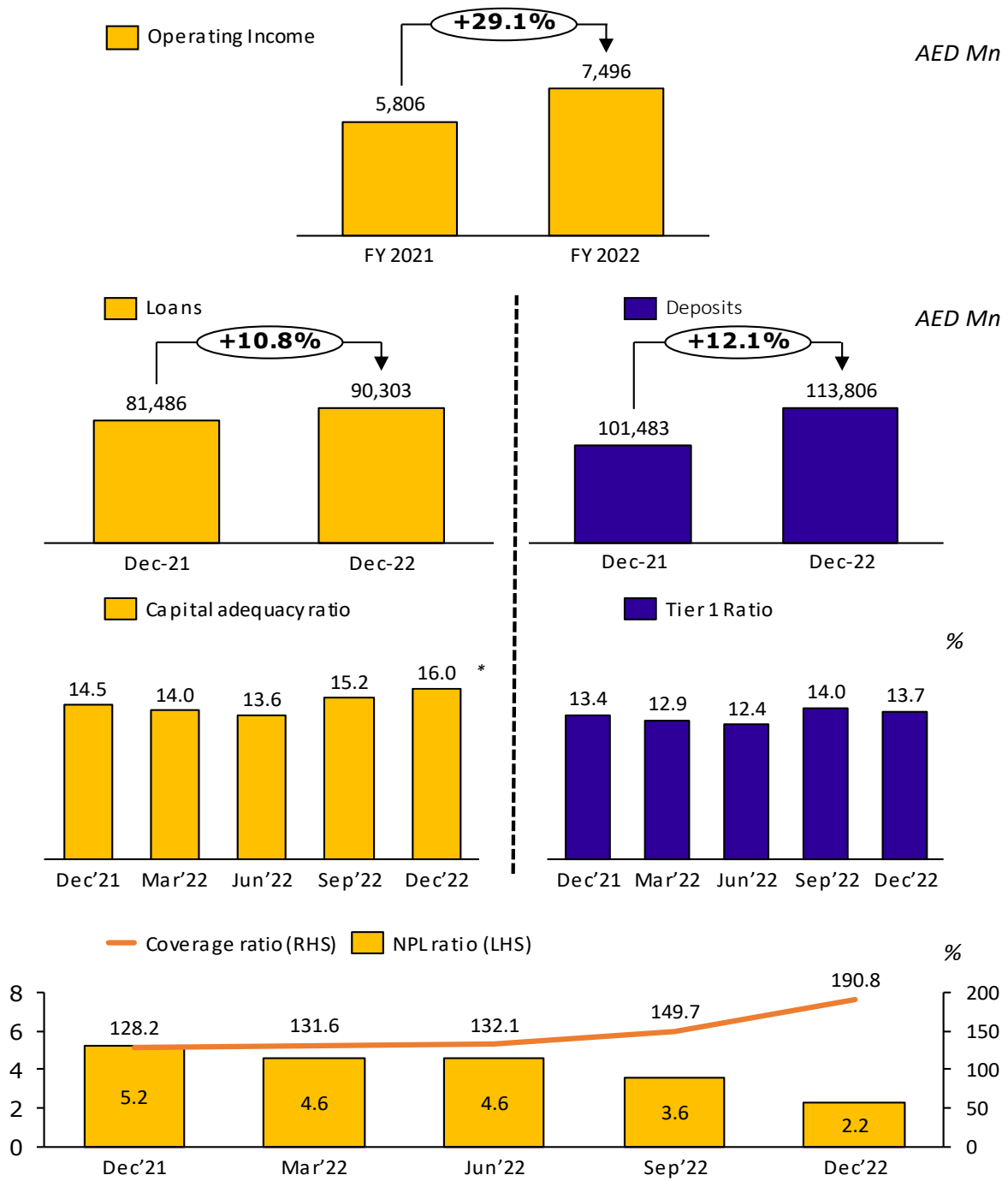
YE 2022 Financial Highlights	Annual Trend			Quarterly Trend				
	YE		Δ %	4Q	3Q	4Q	Δ %	
	2022	2021	YoY	2022	2022	2021	QoQ	YoY
Income statement (AED mn)								
Net Interest Income & Income from Islamic Financing	4,572	3,045	50.1	1,482	1,246	810	19.0	82.9
Fee and commission	1,741	1,577	10.4	407	404	397	0.6	2.6
Investment Income	92	177	(48.0)	65	22	3	189.8	2,199.8
Insurance, FX & Other Income	1,091	1,007	8.3	199	369	299	(46.1)	(33.4)
Total Operating Income	7,496	5,806	29.1	2,153	2,041	1,508	5.5	42.8
Operating Expenses	(3,066)	(2,623)	16.9	(902)	(797)	(711)	13.1	26.9
Operating Profit	4,430	3,183	39.2	1,251	1,243	797	0.6	56.9
Impairment Allowance	(497)	(2,059)	(75.8)	(3)	(28)	(24)	(87.9)	(85.7)
Tax Expense	(146)	(49)	199.5	(105)	(14)	(17)	631.7	514.0
Non-Controlling Interest	(80)	(74)	8.7	(16)	(20)	(19)	(16.8)	(14.3)
Net Profit for the Period	3,706	1,002	269.8	1,126	1,181	737	(4.6)	52.8
EPS [AED]	18.48	5.00	269.8	5.61	5.89	3.68	(4.6)	52.8
	Dec	Dec	Δ %	Dec	Sep	Dec	Δ %	
Balance Sheet (AED mn)	2022	2021	YoY	2022	2022	2021	QoQ	YTD
Total Assets	198,811	177,054	12.3	198,811	187,587	177,054	6.0	12.3
Loans and Advances	90,303	81,486	10.8	90,303	91,326	81,486	(1.1)	10.8
Customer Deposits	113,806	101,483	12.1	113,806	109,430	101,483	4.0	12.1
Shareholder's Funds*	23,541	20,228	16.4	23,541	22,111	20,228	6.5	16.4
	Dec	Dec	Δ bps	Dec	Sep	Dec	Δ bps	
Key Ratios (%)	2022	2021	YoY	2022	2022	2021	QoQ	YTD
CAR (Capital Adequacy ratio)**	16.02	14.50	152	16.02	15.18	14.50	84	152
Tier 1 Ratio	13.71	13.35	35	13.71	14.03	13.35	(32)	35
Loan-to-Deposits	79.35	80.30	(95)	79.35	83.46	80.30	(411)	(95)
Return-on Assets	2.10	0.65	145	2.10	1.99	0.65	11	145
Return-on-Equity	17.55	5.15	NM	17.55	16.66	5.15	89	NM

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

** Post recommended Dividend



Exhibits:



* Post recommended Dividend



FY 2022 Awards:

- **The Payment Card Industry's Data Security Standard (PCI-DSS) for 3rd year**
 - PCI-DSS compliance certification for 2022 – Mashreq UAE including Cloud and Digital Stack along with its Center of Excellence in India (MGN)
- **ISO 41001:2018 certification from ServeU**
- **MEA Finance Awards:**
 - Best Private Bank in the Middle East
 - Special achievement in Digital innovation – Retail Liabilities business
- **MEED – MENA Banking Awards 2022**
 - MENA Trailblazers – MENA Private Bank of the Year
- **Middle East & Africa Retail Banking Innovation Awards 2022 –**
 - Outstanding Digital Acceleration in response to COVID-19
 - The Best Pure Play digital initiative
 - The outstanding client onboarding & account opening
 - The outstanding personalized 1:1 marketing award
- **PWM's Wealth Tech Awards (FT Group)**
 - Best private bank for client acquisition
- **Middle East Wealthtech Awards 2022**
 - Top Bank in Wealth Management of Middle East 2022
- **Global Private Banking Innovation Awards – Best Family Office Offering (Highly Acclaimed)**
 - Best Private Bank – UAE
 - Best Private Bank for Funds
- **Global Private Banking Awards 2022 by PWM**
 - Best Private Bank in the United Arab Emirates
- **Private Banker International Global Wealth Awards 2022 (by FT)**
 - Outstanding private Bank – Middle East
- **MEA finance Wealth & Investments Summit**
 - Best Private Bank in the UAE
 - Best Digital Innovation and Services in Wealth Management
- **Leaders in Fintech Awards 2022 –presented by Entrepreneur Middle East**
 - SME Digital Market Place of the Year Award
- **MEA Retail Banking Innovation Awards 2022**
 - Outstanding Client On-boarding & Account Opening
 - Outstanding Personalized 1:1 Marketing Initiative
- **Finnovex Middle East Awards 2022**



- Excellence in Mobile Banking
- **Global Finance:**
 - World's Best Islamic Digital Banks 2022 for the UAE
- **Global Finance: World's Best Consumer Digital Banks in the Middle East:**
 - Best Online Deposit, Card and Investment Product Offerings in the UAE
 - Best Mobile Banking App in the UAE
- **Global Finance: World's Best Corporate Digital Bank Awards in the Middle East (in UAE):**
 - Best Corporate/Institutional Digital Bank
 - Best Online Cash Management Services
 - Best Trade Finance Services
 - Best Integrated Corporate Banking Site
 - Most Innovative Digital Bank
- **Global Finance: Regional Sub-Category Winners (Middle East) - Corporate**
 - Best Trade Finance Services
 - Most Innovative Digital Bank
- **Private Banker International Global Wealth Awards**
 - Outstanding Private Bank-Middle East
- **Great Place to Work – MGN India**
- **Euromoney Cash Management Survey**
 - Market Leader – UAE, Qatar and Bahrain
 - FI – Market Leader – Global – AED Currency
 - FI – Best Service – Africa
- **International Finance Awards**
 - Best Corporate Bank – Bahrain 2022
- **Global Business Magazine**
 - Best Corporate Bank Qatar 2022
- **The Global Economics awards 2022**
 - Best Use of Technology In Banking – UAE 2022
 - Most Innovative Retail Bank – UAE 2022
- **Seamless 2022**
 - Best Digital Banking Experience of the Year' for ETP-Onboarding Journey
- **Decarbonization and Climate Action (DACA) awards**
 - 'Torch bearer of Sustainable & Climate Friendly Investment'
 - 'Leader in Environmental, Social & Governance (ESG)'
- **The Banker Magazines "Deals of the Year Awards 2022"**



- Deal of the Year-APAC- FIG (Axis Bank's Inaugural USD600m 144A/Reg S Perpetual-NC5 AT1 Issuance)
- Deal of The Year-Middle East – BONDS: SSA (US\$ 4 Billion Triple Tranche Bond for Government of UAE)
- **World Finance**
 - Best Retail Bank in the UAE
- **MEA Finance Banking Technology Awards 2022**
 - Best Innovation in User Experience award by MEA Finance
- **Global Business Outlook**
 - Most Innovative Islamic Banking Window – UAE 2022
- **Euromoney Awards for Excellence 2022**
 - Regional awards: Middle East's Best Digital Bank
 - Country awards: Best Bank for Digital Solutions in the UAE
- **Customer Experience Live Middle East Awards 2022:**
 - Best Customer Care in the Middle East
 - Best Contact Center Middle East
- **Global Finance – World's Best Financial Innovation Labs**
- **Middle East and Africa Innovation Award 2022 from The Digital Banker**
 - Outstanding Achievement in AML / CFT in the Middle East' for CBIA – Correspondent Banking Interactive Analytics.
- **2022 Euromoney Trade Finance Survey**
 - Market Leader in the UAE
 - Market Leader in Middle East
 - Best Service – Africa, Pakistan and Qatar
- **International Business Magazine**
 - Best Digital Bank in the Middle East 2022
 - Banking CEO of the Year in the Middle East 2022 – Ahmed Abdelaal



- **LinkedIn's 2022 Top Companies list in the UAE - Mashreq**

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