

# Management Discussion & Analysis Report

First Quarter 2021

29<sup>th</sup> April 2021

## Mashreq posts AED 43 Million Net Profit for 1Q 2021

**Dubai, UAE; 29<sup>th</sup> April 2021:** Mashreq, one of the leading financial institutions in the UAE, has today reported its financial results for the first quarter ending 31<sup>st</sup> March 2021.

### Key highlights:

- **Operating Income and Net Profit on a positive trajectory**
  - Operating Income has increased by 19.7% over the previous quarter to AED 1.4 billion due to improvements in net interest income and fees and commission
  - Mashreq's non-interest income to operating income ratio improved to 50.5% (48.0% as of December 2020)
  - Operating profit at AED 789 million is a meaningful increase compared to 4Q 2020 mainly as a result of increased operating income and reduced operating expense
  - Impairment allowance has reduced compared to the last quarter to stand at AED 711 million vs AED 1.7 billion for 4Q 2020. This has helped shift Mashreq into a profitable position in 1Q 2021
- **Adequate Liquidity & Capital position**
  - Growth of 2.2% YTD in Customer deposits to reach AED 90.2 billion
  - Liquid Assets ratio stood at 28.8% with Cash and Due from Banks at AED 42.4 billion as on 31<sup>st</sup> March 2021
  - Capital adequacy ratio and Tier 1 capital ratio stood at 14.4% and 13.3% respectively
- **Growth in the Loan Portfolio**
  - Total assets increased by 2.4% YTD to AED 162.3 billion and Loans and Advances increased by 6.0% YTD to AED 75.8 billion
  - Loan-to-Deposit ratio increased to 84.0% at the end of March 2021 vs 81% at the end of December 2020
- **Improving Credit Environment**
  - Non-Performing Loans to Gross Loans ratio was at 4.9% as of end of March 2021 down from 5.1% at the end of last quarter
  - Total provision for loans and advances reached AED 4.8 billion and coverage ratio stood at 104.3% as on 31<sup>st</sup> March 2021
  - The liquidity coverage ratio (LCR) stood at 133% and loans to deposits (LTD) ratio was at 84% as on March 2021 signifying a stable liquidity position.

**H.E AbdulAziz Al Ghurair, Chairman of Mashreq, said:** “Despite economic headwinds, Mashreq reported a net profit of AED 43 million during the first quarter of the year. The bank has continued to follow a prudent risk policy, which is reflected in the level of provisions. We feel fortunate to be operating in the UAE, where the country’s leadership continue to take proactive measures to respond to the current pandemic and protect business interests. While we still expect the first half of the year to remain challenging, we continue to be cautiously optimistic about an economic recovery in the second half of the year.

Looking ahead, we remain focused on expanding the bank’s digital offering through enhancing our operating model and continuing to strategically invest in key technology platforms to offer a seamless experience to our customers. This will ensure that we continue to generate solid returns for our shareholders and remain ahead of the existential change impacting our industry.”

**Ahmed Abdelaal, Group CEO, Mashreq Bank, said:** “The bank’s financials remain stable, as evidenced by our capital adequacy ratio of 14.4% (and Tier 1 ratio of 13.3%) and overall liquidity (liquid assets to total assets ratio of 28.8%). Additionally, our core businesses across retail banking, corporate and investment banking, as well as our international franchises remain strong, continue to generate sound earnings, and are well positioned for future growth as we emerge from the pandemic.

Our strategic focus on customer experience continues to drive our activity across the bank, from our digital investments to our investment in people. We’ve seen acceleration in our digital transformation from the branches to our partnerships with FinTechs, and are investing in solutions that are innovative, creative but more importantly add value to our customers and shareholders.

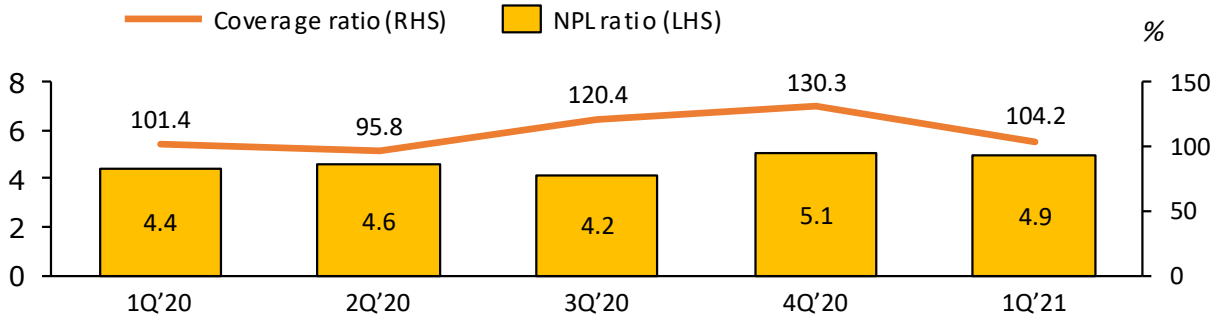
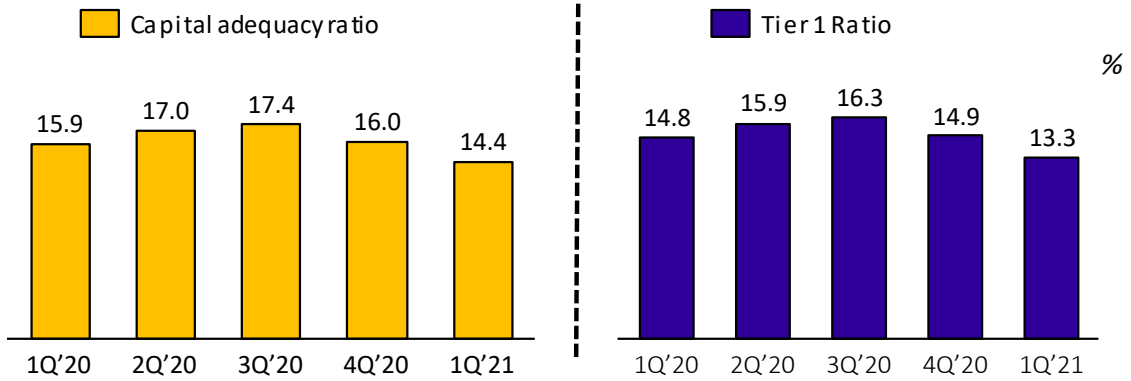
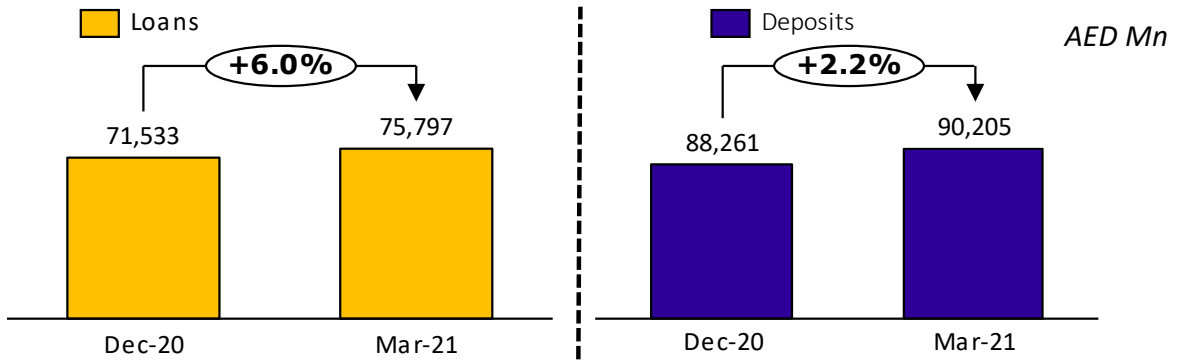
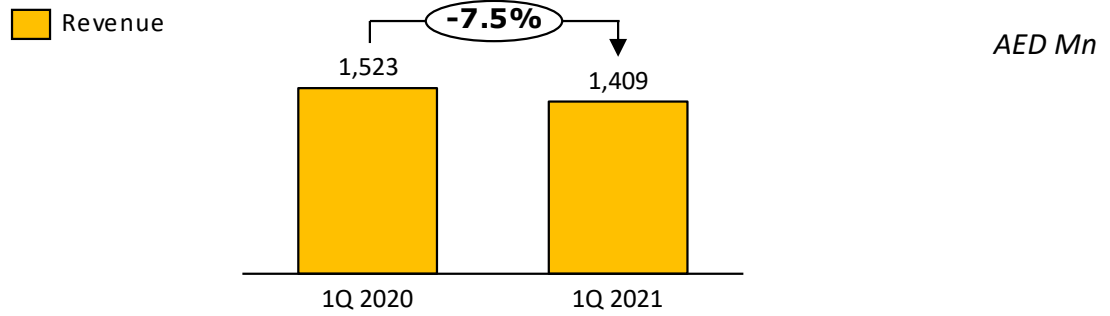
During these challenging times, we continue to concentrate on the well-being of our employees by enhancing our hygiene, safety and security standards across all our branches and offices. Adapting to the changing working environment, we have successfully implemented a revised operating structure, introduced a more flexible approach to working, and invested in a more diverse talent pool. We are confident that these initiatives will position us strongly to deliver on our core objective of meeting the evolving needs of our clients, as well as delivering operational cost efficiencies.”

## Financial Highlights:

1Q 2021 Financial Highlights			Δ %	Quarterly Trend				
	1Q			1Q	4Q	1Q	Δ %	
	2021	2020	YoY	2021	2020	2020	QoQ	YoY
<b>Income statement (AED mn)</b>								
Net Interest Income & Income from Islamic Financing	698	782	(10.7)	698	616	782	13.2	(10.7)
Fee and commission	449	348	29.0	449	284	348	58.1	29.0
Investment Income	29	127	(77.5)	29	32	127	(11.6)	(77.5)
Insurance, FX & Other Income	234	266	(12.1)	234	244	266	(4.3)	(12.1)
<b>Total Operating Income</b>	<b>1,409</b>	<b>1,523</b>	<b>(7.5)</b>	<b>1,409</b>	<b>1,177</b>	<b>1,523</b>	<b>19.7</b>	<b>(7.5)</b>
Operating Expenses	(620)	(632)	(1.9)	(620)	(1,061)	(632)	(41.6)	(1.9)
<b>Operating Profit</b>	<b>789</b>	<b>891</b>	<b>(11.4)</b>	<b>789</b>	<b>116</b>	<b>891</b>	<b>579.5</b>	<b>(11.4)</b>
Impairment Allowance	(711)	(409)	73.9	(711)	(1,714)	(409)	(58.5)	73.9
Tax Expense	(14)	(11)	28.0	(14)	(19)	(11)	(25.3)	28.0
Non-Controlling Interest	(21)	(21)	2.6	(21)	(13)	(21)	62.4	2.6
<b>Net Profit for the Period</b>	<b>43</b>	<b>450</b>	<b>(90.5)</b>	<b>43</b>	<b>(1,630)</b>	<b>450</b>	-	-
EPS [AED]	0.24	2.54	(90.5)	0.24	(9.18)	2.54	-	-
	Mar	Mar	Δ %	Mar	Dec	Mar	Δ %	
<b>Balance Sheet (AED mn)</b>	<b>2021</b>	<b>2020</b>	<b>YoY</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>	<b>YTD</b>	<b>YoY</b>
Total Assets	162,253	162,561	(0.2)	162,253	158,523	162,561	2.4	(0.2)
Loans and Advances	75,797	78,285	(3.2)	75,797	71,533	78,285	6.0	(3.2)
Customer Deposits	90,205	88,496	1.9	90,205	88,261	88,496	2.2	1.9
Shareholder's Funds	18,881	21,001	(10.1)	18,881	19,431	21,001	(2.8)	(10.1)
	Mar	Mar	Δ bps	Mar	Dec	Mar	Δ bps	
<b>Key Ratios (%)</b>	<b>2021</b>	<b>2020</b>	<b>YoY</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>	<b>YTD</b>	<b>YoY</b>
CAR (Capital Adequacy ratio)	14.44	15.99	(155)	14.44	16.01	15.99	(157)	(155)
Tier 1 Ratio	13.31	14.85	(154)	13.31	14.87	14.85	(156)	(154)
Loan-to-Deposits	84.03	88.46	(443)	84.03	81.05	88.46	298	(443)
Return-on Assets*	0.12	1.24	(112)	0.12	-0.88	1.24	100	(112)
Return-on-Equity*	0.90	8.47	(757)	0.90	-6.24	8.47	714	(757)

\*Annualized

**Exhibits:**



**1Q 2021 Awards:**

- E-Business Awards 2021
  - Digital SME Bank of the Year
- DFM Brokers Excellence Rating Model Award
  - 5 Stars DFM Brokers Excellence Rating for 2020
- World Business Outlook Awards 2021
  - Best Digital Bank of the Year UAE 2021
- Euromoney Trade Finance Survey
  - Market Leader in United Arab Emirates
  - Market Leader in Middle East
  - Best Service in Africa – Digital offering
  - Best Service in Africa – Support & Advisory
  - Best Service in Africa – All trade finance related services
- 2020 Euromoney Cash Management Survey for Financial Institutions
  - Market Leader in Africa – All currency
  - Market Leader in Africa – US Dollar
  - Market Leader in Middle East – All currency
  - Market Leader in Middle East – US Dollar
  - Market Leader in Middle East – Euro
  - Best Service in Africa – All currency
  - Best Service in Africa – Business functions
  - Best Service in Africa – Financial facilities
- 21st annual World’s Best Trade Finance Providers review
  - Best Trade Finance Provider in UAE.
  - Best Use of Artificial Intelligence in Trade Finance
- Global Finance – Best Investment Bank 2021
  - Best Bank for Crisis Finance Solutions – Regional Category for Middle East

For media enquiries, please contact:

**Rana AlBorno**

Public Relations, Mashreq

Tel: 04 –6083629

Email: [RanaAIB@mashreq.com](mailto:RanaAIB@mashreq.com)

For investor relations enquiries, please contact:

**Ali Zaigham Agha**

Investor Relations, Mashreq

Tel: 04 –2077543

Email: [AliAgha@mashreq.com](mailto:AliAgha@mashreq.com)