

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

29 January 2024

FINANCIAL YEAR  
**2023**

## Mashreq Achieves Historical Financial Milestone in 2023, with its net profit soaring by an impressive 130% to reach an unprecedented AED 8.6 billion amidst Exceptional Income Growth and Significantly Reduced Risk Costs

- **Net Interest Income Skyrockets:** Witnessed an impressive 69% surge, fuelled by extraordinary growth in the balance sheet and solid client margins. Concurrently, non-interest income witnessed a robust increase of 13% year-on-year.
- **Dynamic Expansion of Balance Sheet:** Marked by a significant 25% year-on-year escalation in Loans and Advances, coupled with a substantial 29% boost in customer deposits, showcasing a strong upward trajectory.
- **Financial Strength and Efficiency:** The Capital Adequacy Ratio stands at a notable 16.5% (excluding proposed dividend), highlighting Mashreq's robust financial resilience in a competitive market. Moreover, a stellar Return on Equity (ROE) of 34.3% and an efficient Cost-Income Ratio of 30.9% reflect Mashreq's exceptional financial performance throughout 2023.

**Dubai, UAE; 29th January 2024:** Mashreq proudly announces its financial results for the fiscal year 2023, showcasing an unwavering commitment to and achievement of a robust and sustainable growth trajectory. The company's dedication to client centricism and operational excellence is evident in the noteworthy Earnings per Share (EPS) of AED 42.82, a testament to its resilience and ability to create substantial value for shareholders.

### Key highlights:

#### 1. Operating Income & Net Profit

- Mashreq's Net Profit has surged to a record AED 8.6 billion for FY 2023, a substantial increase of 130% year-on-year. The increase in operating income and net profit is primarily attributed to net interest income soaring by 69% year-on-year. The main drivers are significant business growth with robust client margins, the continuation of the prevailing high-interest rate environment as well as positive one-offs relating to loan loss provisioning. Additionally, our non-interest income has reached AED 3.1 billion, marking a notable 13% year-on-year growth in FY 2023.
- The bank has demonstrated positive jaws of 31.4% in FY 2023, and the Cost-to-Income ratio has improved by over 8% year-on-year. This indicates strong business performance with effective control over operating costs while enabling continued investments in enhancing our client experience, risk management, and supporting business growth.
- Operating profit has surged from AED 4.4 billion to AED 7.5 billion in FY 2023, representing almost 70% increase compared to the same period in 2022.
- The allowance for impairments has experienced a net release of AED 1.4 billion, driven by prudent risk management, high recoveries from Non-Performing Loans (NPLs) and a one-off release of the General Provision.
- Return on Equity (ROE) at record-high of 34.3% in FY 2023, doubling compared to FY 2022, while the cost-to-income ratio decreased to 30.9%.

#### 2. Liquidity & Capital position

- High Liquidity denoted by a Liquid Assets ratio of 33.6% and an efficient Liquidity Coverage Ratio of 134% as of December 2023
- Capitalisation level (excluding proposed dividend) remains robust with the Capital adequacy ratio at 16.5%, Tier 1 Capital ratio at 14.3% and CET1 ratio at 13.7% as of December 2023.

#### 3. Credit Environment & Asset Quality

- Overall loan portfolio quality has improved significantly with gross impairments to gross advances at just 0.3% (0.9% in FY 2022)
- The Non-Performing Loans to Gross Loans ratio declined to 1.3% as of end of December 2023 (2.2% as of December 2022) and is one of the lowest in the market.
- The Coverage ratio has improved to 247.5% as on 31st December 2023 (190.8% in December 2022)

\*Loans & Advances to Customers & Banks

**130%**  
YoY Net Profit Growth

**8.6 billion**  
Net Profit (AED)

**16.5%**  
Capital Adequacy Ratio

**68.2%**  
Operating Profit Growth

**25%**  
YoY Loans & Advances\* Growth

**29%**  
YoY Customer Deposits Growth  
(CASA 60%)

**1.3%**  
NPL Gross Loans Ratio

**34.3%**  
Return on Equity

**4.1%**  
Return on Assets

**30.9%**  
Cost to Income Ratio

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

**Chairman of Mashreq**

“In recent years, our track record of consistent performance and profitability improvement has been nothing short of impressive. Our franchise continues to yield outstanding results, bolstered by the addition of a substantial number of new clients and the deepening of existing relationships across the bank. This remarkable achievement mirrors the nation’s significant economic expansion and the resilience and dynamic growth of the UAE’s financial services, setting a precedent in the global banking arena.

Our steadfast dedication to delivering exceptional omnichannel customer experiences remains unwavering, underpinning our pursuit of focused, profitable, and sustainable growth.

Simultaneously, our unceasing investments in enhancing operational efficiency and fortifying risk controls underscore the enduring strength and resilience of our business model. This success owes much to the exceptional talents that grace Mashreq.

The year has been especially significant with the UAE successfully bringing the United Nations Climate Change Conference, COP28, to our nation, a testament to our leadership in addressing global environmental challenges. In alignment with this event, Mashreq has reinforced its commitment to sustainable finance, ensuring that our business strategies are fully integrated with the environmental objectives underscored by COP28.

Our mantra, “Rise Every Day,” has transcended mere words to become an intrinsic part of our organisational DNA. It serves as a guiding beacon, illuminating our path and influencing our actions and decisions in every facet of our business.

With the UAE banking sector reaching a historic high, and total assets crossing the AED 4 trillion mark, we look forward to 2024 with a sense of optimism and readiness to uphold and extend this trajectory of dynamic and continued growth.”

**Ahmed Abdelaal**

**Group Chief Executive Officer**

“Our performance this year has truly been exceptional, serving as a testament to the success of our strategic direction within the ever-evolving global economic and political landscape. As a modern, digitally empowered challenger bank, we have firmly cemented our position in the market.

Our strategy and robust operational execution have been pivotal in achieving this growth which spans across all businesses and geographies. Our consistent recognition by prestigious institutions like Euromoney Market Leaders across local, regional, and international levels, driven by votes from our clients, reaffirms our commitment to delivering superior customer experiences and pioneering innovative technology.

Our AED 110 billion (USD 30 Billion) 2030 commitment to sustainable finance announced during COP28, is part of our “Climb2Change” global initiative, which integrates the bank’s wide spectrum of ESG milestones and its impactful contributions to facilitating the finance required to combat climate change and a net zero inclusive future.

Internationally, the benefits of our diversified business model have become prominently evident. We have achieved robust growth in our international operations, notably expanding into new markets such as Pakistan and Oman. Additionally, our intensified efforts in well-established markets like the UK, Hong Kong, and the US is primed to fuel future growth. Furthermore, our heightened focus on established markets, within the GCC and Egypt, further solidifying our growth prospects.

Looking ahead, our course and position remain resolute, even in the face of ongoing uncertainty. We possess a stable, robust, and resilient business model, characterised by high-quality earnings and a well-diversified loan portfolio spanning our various markets. It is imperative, however, that we brace ourselves for the normalisation of interest rates, which will necessitate adjustments in operational strategies to align with this new reality.

Nevertheless, our formidable presence within the banking sector, underpinned by a wealth of intellectual capital, an unwavering commitment to leveraging technology to enhance clients experience, and a prudent approach to risk management, will empower us to maintain our prominent market position.”

# YE 2023 Financial Highlights

Income statement (AED mn)	Quarterly Trend							
	YE		Δ%	4Q	3Q	4Q	Δ%	
	2023	2022	YoY	2023	2023	2022	QoQ	YoY
Net Interest Income & Income from Islamic Financing	7,710	4,570	68.7	2,089	2,005	1,482	4.2	40.9
Fee and commission	1,433	1,346	6.4	237	319	306	(25.5)	(22.4)
Investment Income	30	92	(67.7)	29	(3)	65	NM	(55.3)
Insurance, FX & Other Income	1,631	1,299	25.6	541	460	250	17.6	116.3
<b>Total Operating Income</b>	<b>10,803</b>	<b>7,307</b>	<b>47.9</b>	<b>2,896</b>	<b>2,780</b>	<b>2,103</b>	<b>4.2</b>	<b>37.7</b>
Operating Expenses	(3,342)	(2,871)	16.4	(1,038)	(853)	(904)	21.7	14.8
<b>Operating Profit</b>	<b>7,461</b>	<b>4,436</b>	<b>68.2</b>	<b>1,858</b>	<b>1,927</b>	<b>1,200</b>	<b>(3.6)</b>	<b>54.9</b>
Impairment Allowance	1,369	(468)	NM	1,027	395	3	160.2	NM
Tax Expense	(154)	(146)	5.1	(43)	(48)	(52)	(11.1)	(17.4)
Non-Controlling Interest	(87)	(93)	(6.0)	(22)	(22)	(19)	(0.1)	13.4
<b>Net Profit for the Period</b>	<b>8,589</b>	<b>3,729</b>	<b>130.3</b>	<b>2,821</b>	<b>2,252</b>	<b>1,131</b>	<b>25.3</b>	<b>149.4</b>
EPS [AED]	42.82	18.59	130.3	14.07	11.23	5.64	25.3	149.4

Balance Sheet (AED mn)	Dec	Dec	Δ%	Dec	Sep	Dec	Δ%	
	2023	2022	YoY	2023	2023	2022	QoQ	YoY
	Total Assets	239,981	197,245	21.7	239,981	218,342	197,245	9.9
Loans and Advances**	149,483	119,357	25.2	149,483	143,133	119,357	4.4	25.2
Customer Deposits	146,232	113,806	28.5	146,232	132,864	113,806	10.1	28.5
Shareholder's Funds*	30,333	23,599	28.5	30,333	26,983	23,599	12.4	28.5

Key Ratios (%)	Dec	Dec	Δ bps	Dec	Sep	Dec	Δ bps	
	2023	2022	YoY	2023	2023	2022	QoQ	YoY
	CAR (Capital Adequacy Ratio)	16.51	16.02	49	16.51	18.56	16.02	(205)
Tier 1 Ratio	14.34	13.71	63	14.34	16.30	13.71	(197)	63
CET 1 Ratio	13.71	13.01	70	13.71	15.63	13.01	(192)	70
Loan-to-Deposits***	75.47	79.35	(388)	75.47	74.72	79.35	75	(388)
Return-on-Assets	4.13	2.12	202	4.13	3.83	2.12	30	202
Return-on-Equity	34.26	17.65	1,661	34.26	32.07	17.65	219	1,661

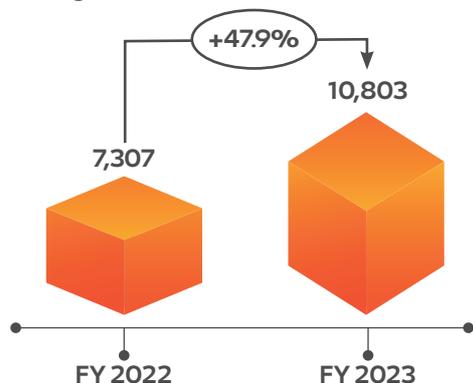
\* Equity Attributable to owners of parent including noteholders of the Group

\*\* Loans and Advances includes loans to customers and banks

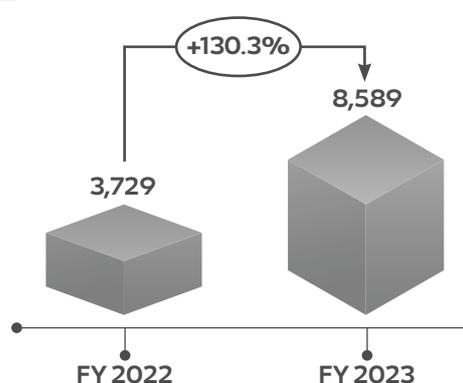
\*\*\* Loan to deposit ratio utilises loans to customers

# Exhibits

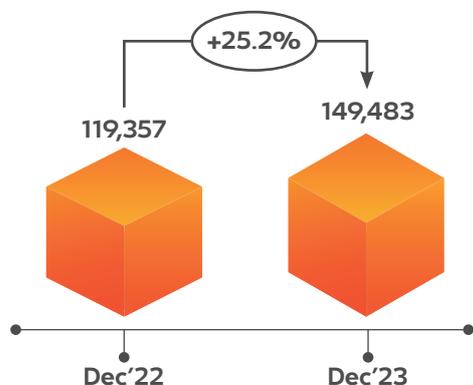
Operating Income (AED Mn)



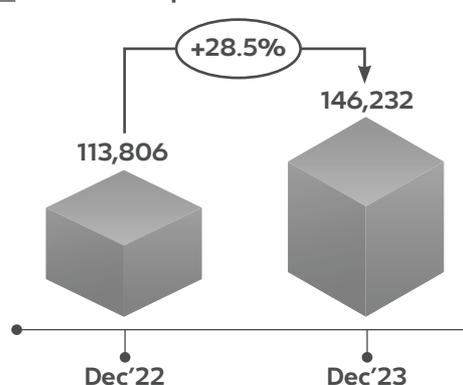
Net Profit (AED Mn)



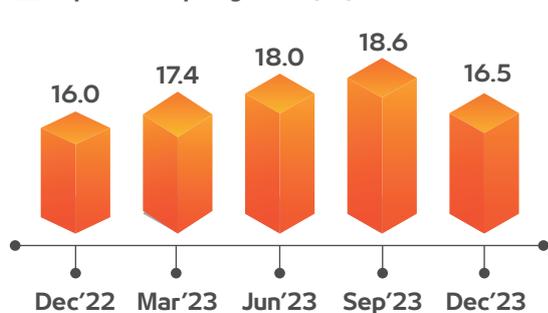
Loans & Advances\*



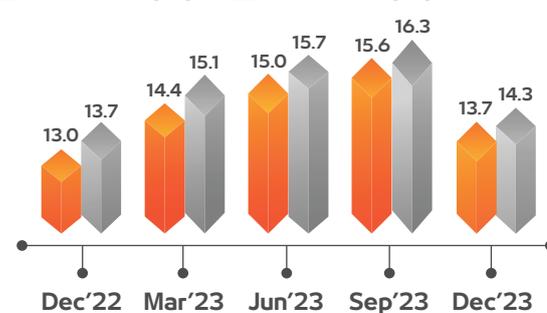
Customer Deposits



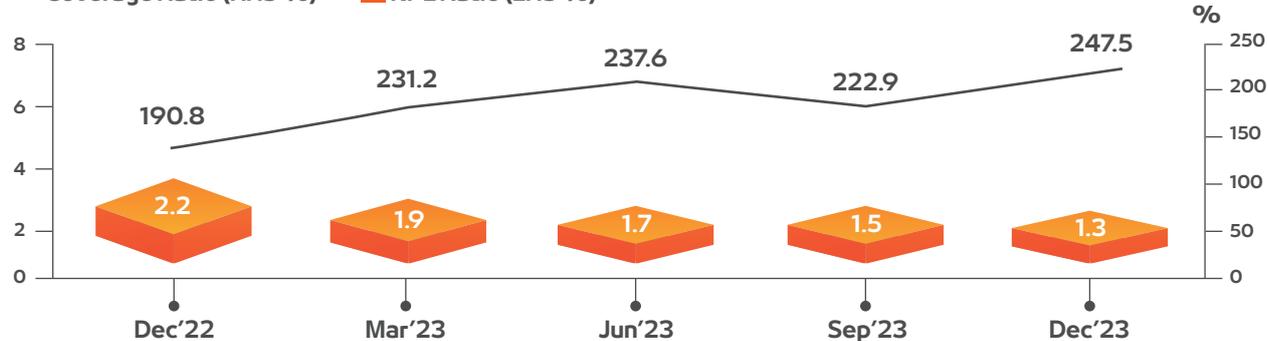
Capital Adequacy Ratio (%)



CET1 Ratio (%) Tier 1 Ratio (%)



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



\*Loans & Advances to Customers & Banks

## FY 2023 Awards

### Euromoney Market Leaders

- United Arab Emirates – Corporate banking – Market Leader
- United Arab Emirates – Digital solutions – Market Leader
- United Arab Emirates – Islamic Finance – Highly Regarded
- United Arab Emirates – ESG – Notable
- United Arab Emirates – Investment banking – Notable

### 10th annual WealthBriefing MENA Awards for Excellence 2023

- Best Client Digital Offering
- Best Investment Management Platform
- Best Overall Private Bank Investment Team

**‘Best Mobile Remittance App Award’ at the FXB payment summit 2023.**

**Impact Seal – Gold Tier by Majra, National CSR Fund**

**GIFA Excellence Award for Islamic Banking Window Operations 2023**

### MEA Finance Awards 2023 – Mashreq:

- Best Online Banking Services
- Best User Experience
- Best Digital Banking Innovation Implementation

### Global Finance – 3rd annual SME Bank Awards for 2024

- Best SME Bank in UAE

### The Asian Banker (TAB) Global Middle East and Africa Awards 2023

- Best Digital Deposit Service

### The Middle East & Africa (MEA) Finance Industry Awards 2023

- Best Online Banking Services
- Best User Experience

### GIFA Excellence Award for Islamic Banking Window Operations 2023

**‘Most Innovative Companies Middle East Award’ by Fast Company Middle East, under the ‘Advertising, Branding & PR’ category**

**Best Use Case of AI and Analytics in Customer Analytics for UAE – 6th Middle East Enterprise AI and Analytics Summit.**

### MEA Finance Awards 2023 – Mashreq Private Banking:

- Best Investment Management Firm
- Best Private Bank in the Middle East
- Best Domestic Private Bank
- Best Digital Innovation and Services in Wealth Management

## FY 2023 Awards

### Sustainability Star Award by No More Bottles

### Best Mobile Remittance App (Banking) at Future Cross Border Payment Summit

### Citywire Middle East Asset Management Awards 2023

- Mashreq Capital - 'Best Brand - Regional Firm'

### Great Place To Work Certification 2023 - MGN India

### Euromoney Cash Management awards - Financial and non-financial institutions survey

- Global, Middle East and Asia Pacific Market Leader for UAE Dirham clearing.
- Global, and Asia Pacific Best Service for UAE Dirham clearing.
- Regional Market Leader in various industry sectors in the Middle East and Africa.
- Best Service in various industry sectors and service groups in the Middle East, Qatar, Bahrain and Egypt.
- Domestic Market Leader in Egypt and the UAE.

### 'Best Payment Technology Implementation - UAE' - NEO PAY, MEA Finance Leaders in Payments Awards 2023

### Best Bank for Digital Solutions in the UAE by Euromoney Awards for Excellence 2023

### The Asian Banker - The Middle East and Africa Awards 2023

- Best Digital Deposit Service Award
- Best Digital-Only Bank in the Middle East - Mashreq Neo

### ME Enterprise AI and Analytics Summit

- Best Use case of AI and Advanced Analytics in Customer Analytics for UAE 2023

### World Finance

- Best Retail Bank in the UAE
- Best Private Bank

### Finnovex Middle East Awards 2023

- Excellence in NEO Banking

### The Digital Banker Middle East & Africa Retail Banking Innovation Awards 2023

- Best Hybrid Wealth Management Offering
- Outstanding Digital Transformation by Islamic Retail Bank
- Best Islamic Loan Offering of the Year
- Best Islamic Retail Bank
- Best Customer Centric Business Model
- Best Digital Bank

# FY 2023 Awards

## Global Retail Banking Innovation Awards 2023

- Best Retail Bank – United Arab Emirates

## The European Global Banking & Finance Awards 2023:

- Best Bank for sustainable Finance 2023
- Best Performing Private Bank 2023
- Most Innovative Digital Bank for Business Banking 2023

## MMA Smarties – Bronze Category

## UAE IAA - Leading Practices in Internal Audit

## The Asian Banking & Finance Retail Banking Awards 2023

- Digital Banking Initiative of the Year – UAE
- Service Innovation of the Year - UAE
- New consumer lending product of the year – UAE
- Wealth Management Platform of the Year - UAE

## Middle East & Africa Retail Banking Innovation Awards 2023

- Best Hybrid Wealth Management Offering
- Outstanding Digital Transformation by an Islamic Retail Bank
- Best Islamic Loan Offering of the Year
- Best Islamic Retail Bank
- Best Customer Centric Business Model
- Best Digital Bank

## The Banker – Investment Banking Award 2023

- Syndicated Loans

## Finance Derivative

- Best Retail Bank UAE 2023
- Best Customer Centric Retail Bank UAE 2023
- Best Bank For Online Product Offerings UAE 2023
- Best Bank For Savings Solution Provider UAE 2023
- Best SME Bank UAE 2023

## PRCA - Highly commended initiative in the “Event of the Year - Large Companies” category

## PBI Global Wealth Awards 2023, Singapore

- Outstanding Private Bank-Middle East

## The Banker Top 100 Arab Bank Rankings

- Mashreq Bank ranked 1st Best Performing Bank in the UAE
- Mashreq Bank ranked 1st in the Middle East for Pre-Tax profit growth
- Mashreq Bank ranked 1st in the Middle East for Return On Capital over 15%

## Forbes Middle East

- Top 100 listed companies in the Middle East for 2023

## FY 2023 Awards

### Euromoney Awards for Excellence

- Best Digital Bank in the Middle East

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

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

### International Banker Awards

- Best Commitment to ESG Principles UAE 2023

### MEED's MENA Banking Excellence Awards 2023

- Best Private Bank UAE

### Infosys Finacle Innovation Awards 2023

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

### MEA Finance Summit & Awards 2023

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

### Global Private Banking Innovation Awards 2023

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

### Global Business Magazine

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

### Euromoney Islamic Finance Awards 2023

- Mashreq Al Islami - Best Islamic Digital Bank- Global

### Global Finance - The Innovators 2023

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

### Wealth Tech Awards 2023

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

### EMEA Finance Achievement Awards 2022

- Best restructuring house in the Middle East

### MENA Banking Excellence Awards 2023

- Best Private Bank - UAE

### Bonds, Loans & ESG Capital Markets Africa Award

- Financial Institutions Debt House of the Year

## FY 2023 Awards

### 2023 Middle East & North Africa

#### Stevie® Awards

- Gold Stevie Trophy for Innovation Management in the Financial Industries

### Award by Visa

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

### Forbes Regions Most Valuable Banks 2023 list.

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

### Wealth Tech Awards 2023

- Best private bank for digital customer service in the Middle East

### 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

### The Banker Magazines “Deals of the Year Awards 2023”

- Deal of the Year - Africa (Nigeria) - FIG
- Deal of the Year - Middle East - FIG
- Deal of the Year - Middle East - High Yield and Leveraged Finance
- Deal of the Year - Middle East - Restructuring

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