



# **INVESTOR RELATIONS PRESENTATION**

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November 2021



# Mashreq Investor Presentation

## ► UAE economy

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Mashreq heritage

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Structure and Leadership

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Strategy

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Financial track record

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Trading history, rating and dividends

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Corporate governance

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Accolades

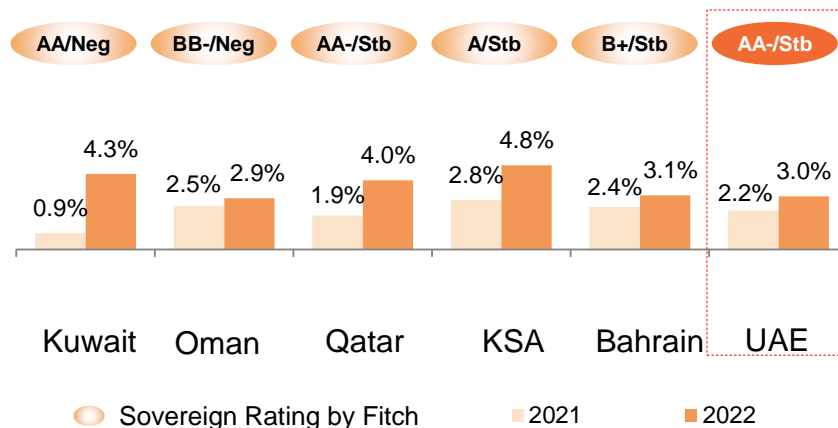
# UAE: Macroeconomic Outlook

## Underlying drivers remains Stable; Growth expected to recover by 2022

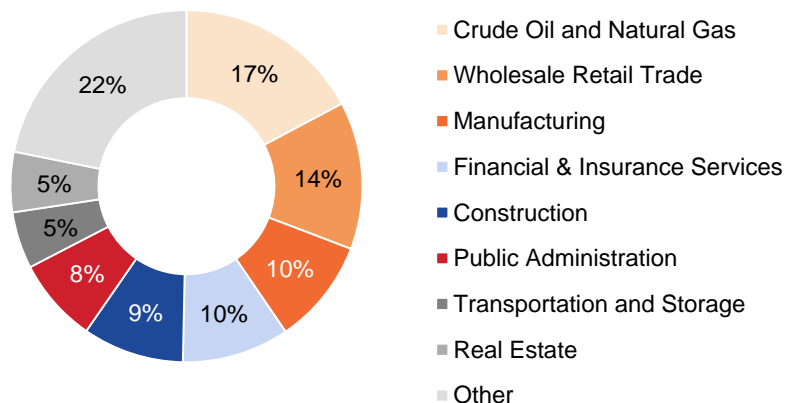
### UAE – The second largest economy in the GCC

- **Second largest economy** in the GCC with nominal GDP of USD 699 billion (at PPP) for 2021F
- Non-oil sector continued to improve in Q2 2021, benefiting from the pick-up in global travel; CBUAE forecasts real **non-hydrocarbon GDP to grow by 3.8% in 2021**
- **CBUAE expects real GDP to fully recover in 2022 and grow by 4.2%**; non-hydrocarbon real GDP to increase by 3.9%
- Holds 8% of the proven OPEC crude oil reserves, primarily concentrated in Abu Dhabi
- Young population with ~68.0% aged between 25-54 years and a literacy rate of ~94%

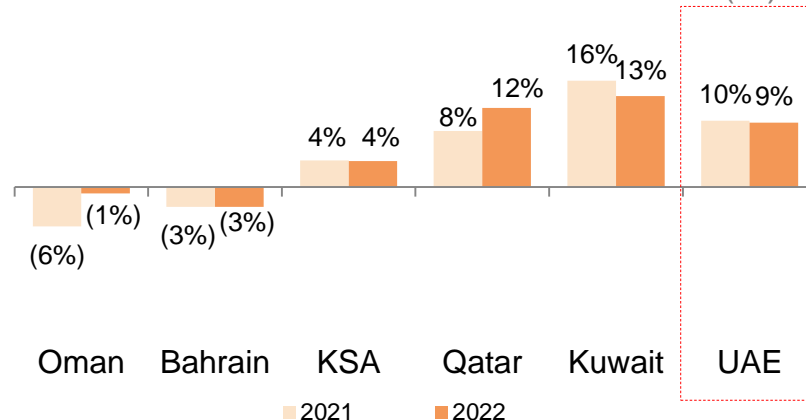
### Real GDP Growth – 2021-22F (%)



### GDP Breakdown by Sector – 2020 (%)



### Current Account Balance to GDP – 2021-22F (%)

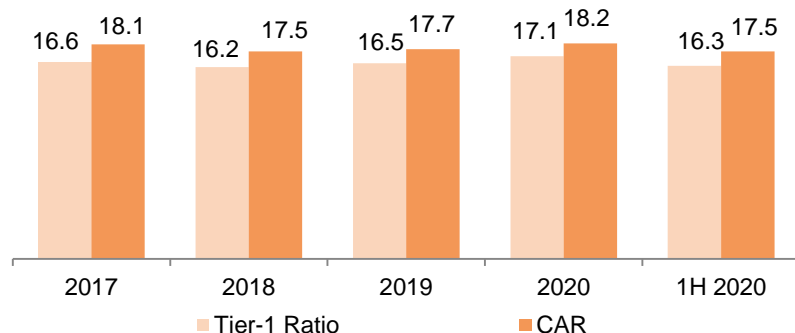


# UAE: Banking Sector

## Remained Stable supported by Strong Capitalization and Liquidity

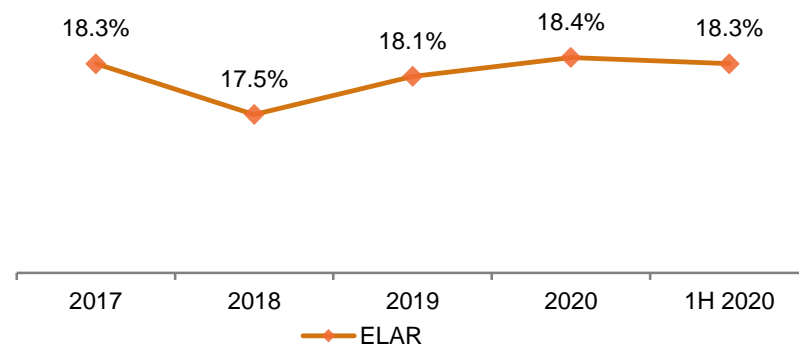
### UAE Banks maintain a strong capital position...

- Despite likelihood of lower profitability in 2020-2021, banks are expected to maintain strong capital buffers
- Some banks may raise additional capital in the form of Tier 1 or Tier 2 instruments to benefit from supportive market conditions
- Quality of capital is still good, with a modest – but increasing – contribution of hybrid instruments



### ...and ample liquidity supported by a strong resident's deposit base

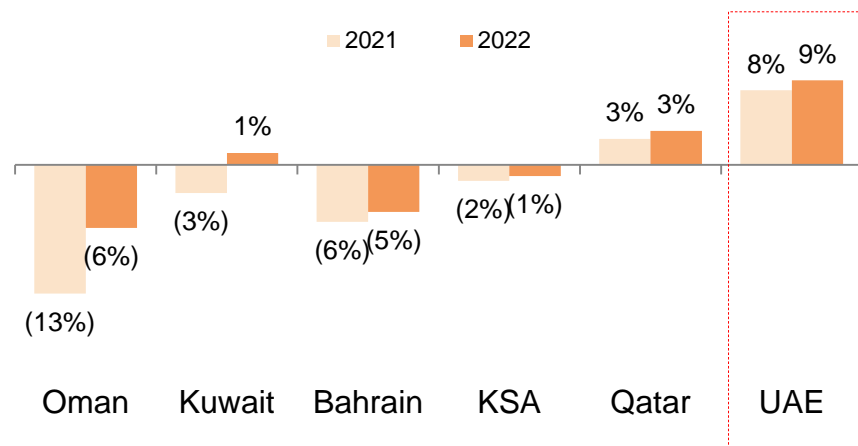
- Resident deposits (88.2% of total deposits) continued to increase, owing mainly to an increase in private sector deposits
- UAE banks benefited from AED 50 billion free liquidity injected by the CBUAE and relaxation of regulatory liquidity ratios in 2020
  - ELAR (Eligible liquid assets ratio) remained stable during 2021



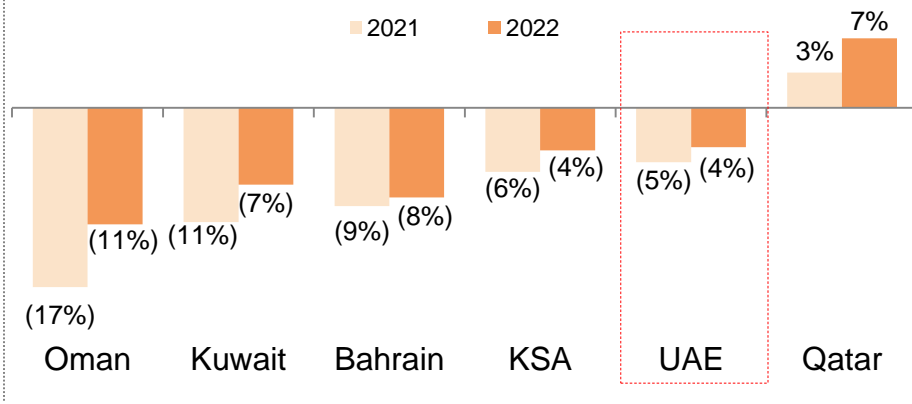
- UAE has already started to see a significant improvement in tourism with the EXPO which is expected to provide major positive impetus. Additionally, being a major tourism, transit and trade hub in the region, the UAE is expected to benefit from the opening of travel restrictions and events such as the FIFA World Cup
- Increasing fiscal spending, improvement in credit and employment metrics, better business sentiments and the improvement in the real estate market should help real non-oil and gas GDP growth to recover in 2021 & 2022
- Growth trajectory is expected to improve led by recent reform initiatives

# Best Ranked Economy on Ease of Doing Business and Global Competitive Index Among the GCC Nations

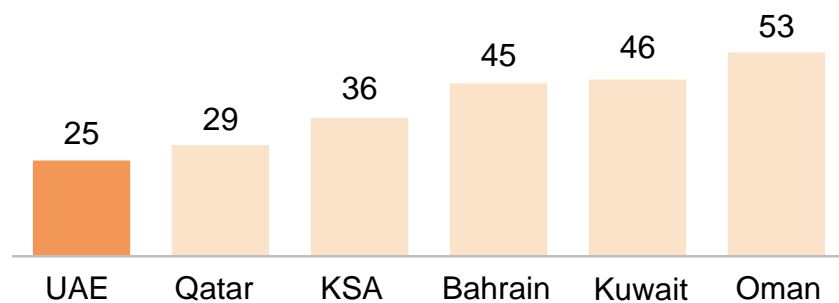
Current Account Balance to GDP – 2021-22F (%)



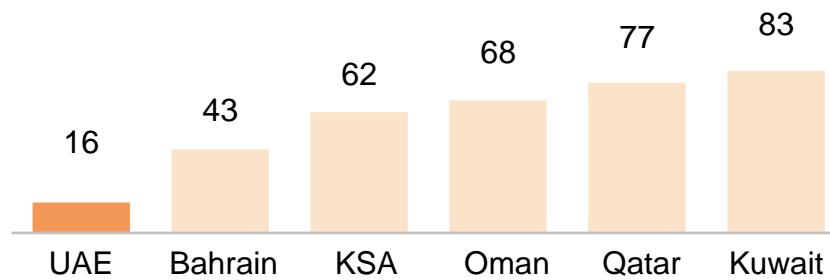
Govt. Net Lending/(Borrowings) to GDP – 2021-21F (%)



Global Competitiveness Index – 2019 Ranking<sup>1</sup>



Ease of Doing Business – 2019 Ranking<sup>2</sup>



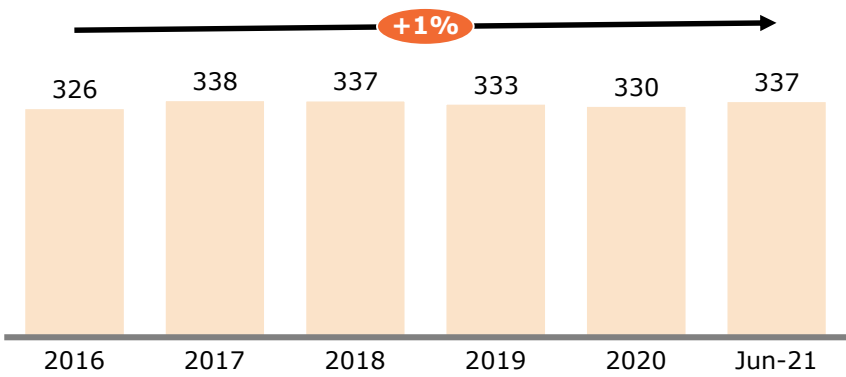
<sup>1</sup> Rank out of 141 economies; <sup>2</sup> Rank out of 190 countries

SOURCE: IMF WEO Oct 2020, World Economics Forum-Global Competitiveness Index 2019, Trading Economics

# Consumer borrowing has slowed due to weak economy and flat employment levels

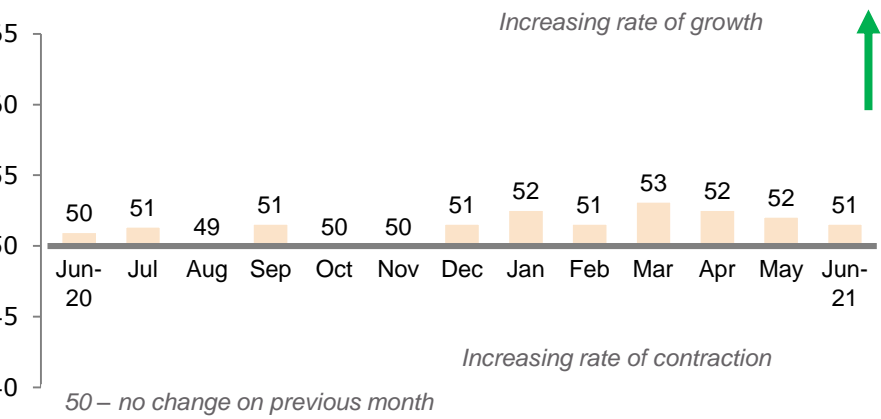
Consumer borrowing growth has slowed...

Domestic credit to Individuals [AED Bn]



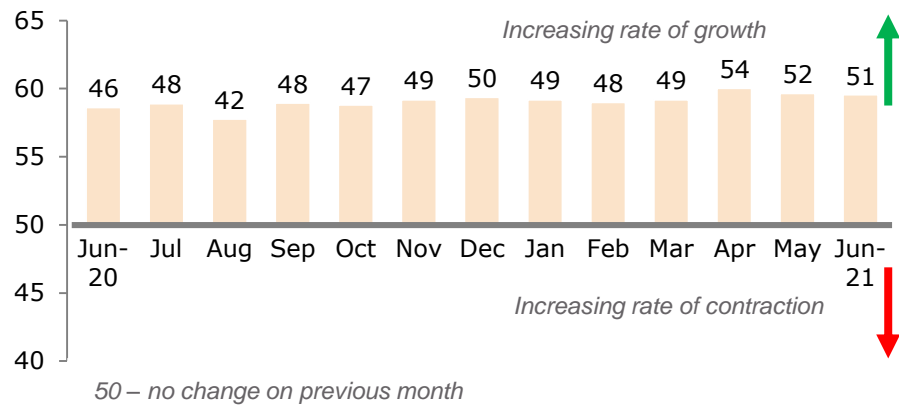
Non oil economy gaining slight traction as PMI slowly edges above 50

Emirates NBD UAE PMI [#]



... due to flat employment levels

Emirates NBD Employment index [#]



...while rents continue to bottom out

	Dubai 1H'21	Abu Dhabi 1H'21
Office	Average Grade A CBD rents down by 2% YOY	Average Grade A CBD rents down by 2% YOY
Residential	Average rental rates down by 10% YOY	Average rental rates down by 3.5% YOY
Retail	Average rental rates across primary & secondary malls down 10%	Average rental rates across primary & secondary malls down 7%





# Mashreq Investor Presentation

UAE economy

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► **Mashreq heritage**

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---

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---

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---

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Accolades

# Mashreq is one of UAE's leading financial institutions

## Heritage

- Established in 1967 by the Al-Ghurair family
- 54 years of experience in the UAE banking and financial services market

## Publicly listed

- Oldest regional bank based out of UAE
- Combines the entrepreneurial spirit of Dubai with enduring trade banking relationships across the region
- Listed on the DFM on the creation of the local stock exchange

## Strong regional / international presence

- Prominent Regional bank with a presence in most GCC countries and a leading international network with 24 branches / rep-offices in MENA, Asia, Europe and United States
- Well positioned to finance regional trade flows

## Diversified business case

- Universal bank offering a comprehensive suite of products and services to individuals and corporates across all lines of business
- Most diversified revenue streams with fee and other income contributing ~ 48% of total income

## Strong management team

- Mix of long serving senior executives and executives with international management expertise

## Strong and supportive ownership structure

- Stable ownership structure backed by strong institutional shareholders
- Mashreq has been the flagship business for the key shareholders since its inception in 1967



# Stable and supportive ownership structure

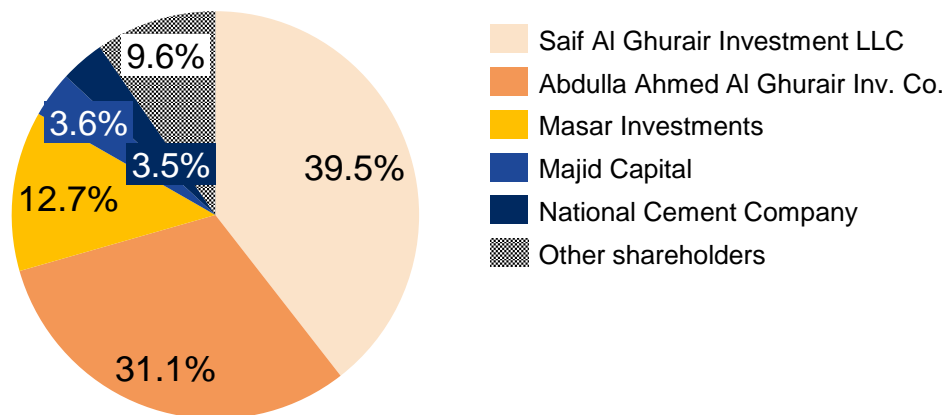
## Mashreq's Leadership



**H.E. Abdul Aziz Abdulla Al-Ghurair**  
Chairman

- Chairman of UAE Banks Federation
- Vice Chairman of the higher board of DIFC
- Chairman of Masafi
- Chairman of Oman Insurance
- Board Member of Emirates Foundation
- Former Speaker of the Federal National Council

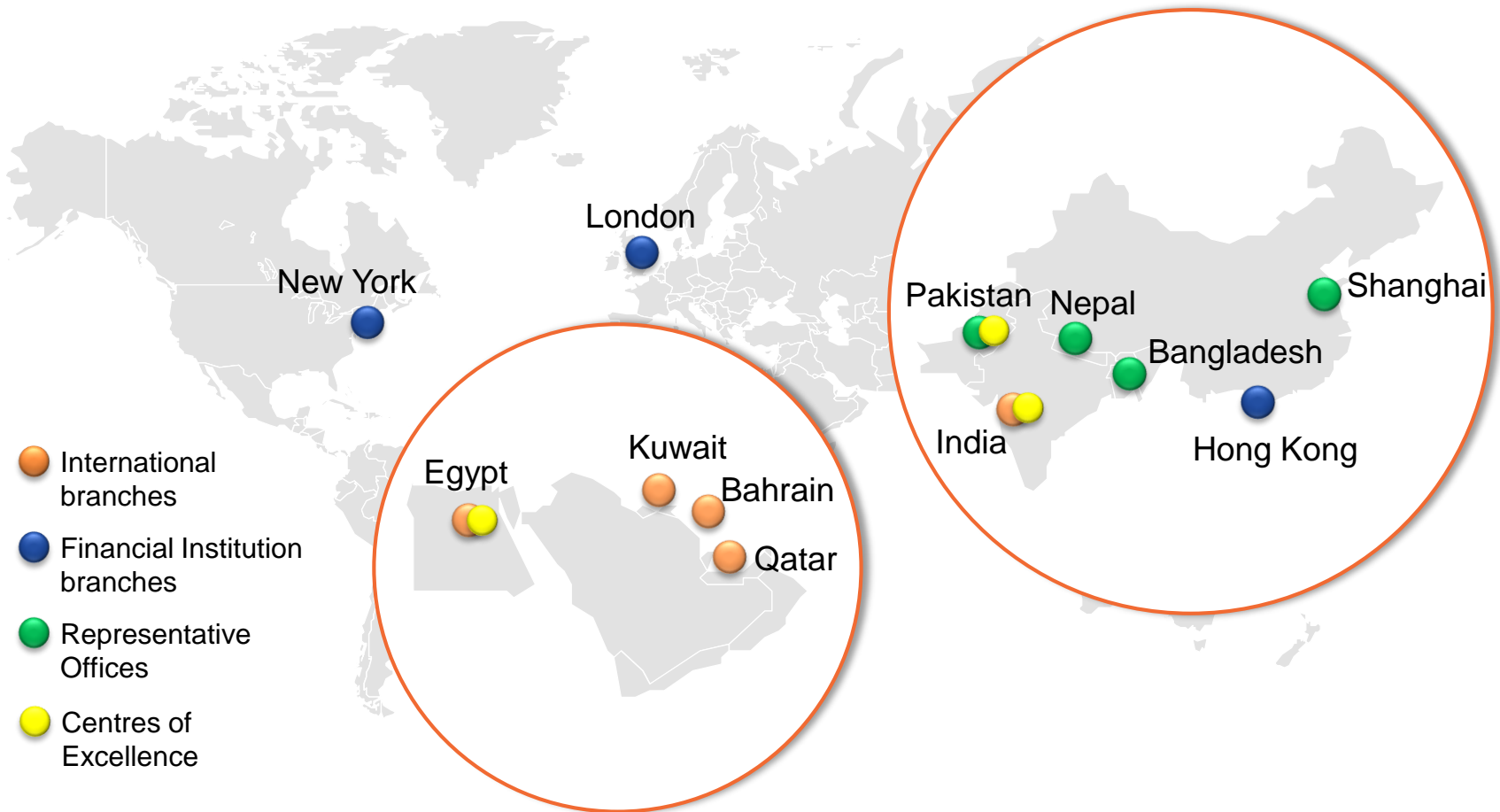
## Key shareholders (June 2021)



## Ownership – Al-Ghurair flagship brand

- Al-Ghurair families holds the majority stake in Mashreq (approximately 87%) and are the founders of the Bank
- Al-Ghurair family has a strong commitment to the continued growth and financial solidity of Mashreq
- Al-Ghurair family is one of the oldest and wealthiest families in the UAE
  - Featured in Forbes billionaire list for over 10 years
  - Business interests include shopping malls, real estate, cement manufacturing, food industries, Masafi (mineral) water, contracting, trading, retailing, shipping, printing & packaging, aluminium extrusion, building materials, oil refinery, manufacturing, steel and canning
- Mashreq's shares are listed and traded on the Dubai Financial Market

# Regional and international banking presence



# Digitalization

## Revamping business model from Physical to Digital Bank...

### DIGITAL ONLY



NEO and NEOBiz are the 2 new digital banks that give the customer an Omni-channel banking experience

### BRANCHES



29 branches incl. 17 full-service branches and 12 EBSUs

### MULTI - CHANNEL



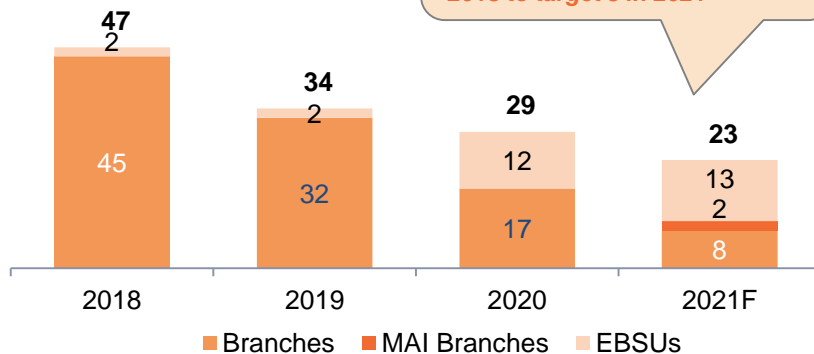
Customers experience innovative multi-channel banking functions like Mashreq Mobile, MOL, Smart Kiosks, ITMOs and Slim lines

### PARTNERSHIPS

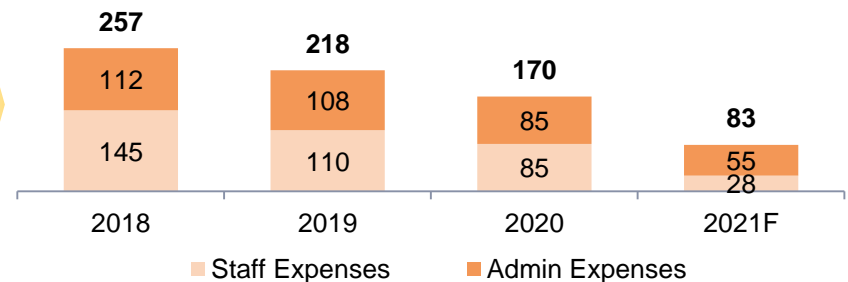


Building Ecosystems and Strategic Partnerships with key retailers to increase our presence

### Branch Network

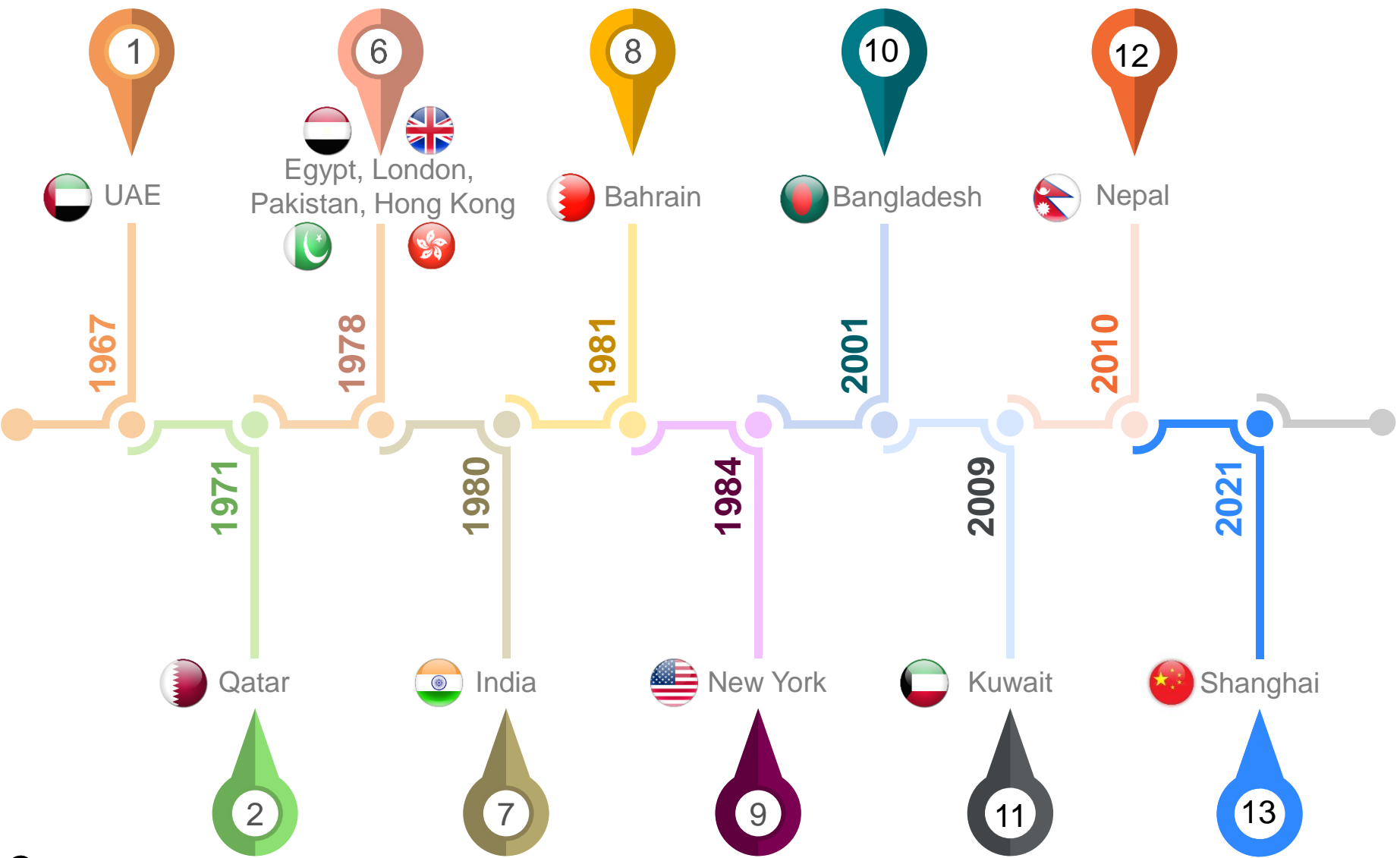


### Operating Expenses for Branches (AED million)



**Strong distribution network serving ~500k customers in the UAE with presence across the Emirates. Successfully transitioning to digital-focused distribution model while increasing number of customer touch points. Revamped branch strategy expected to result in sustainable cost saving of ~AED 90 million annually from 2021 onwards**

# Strong track record in International expansion





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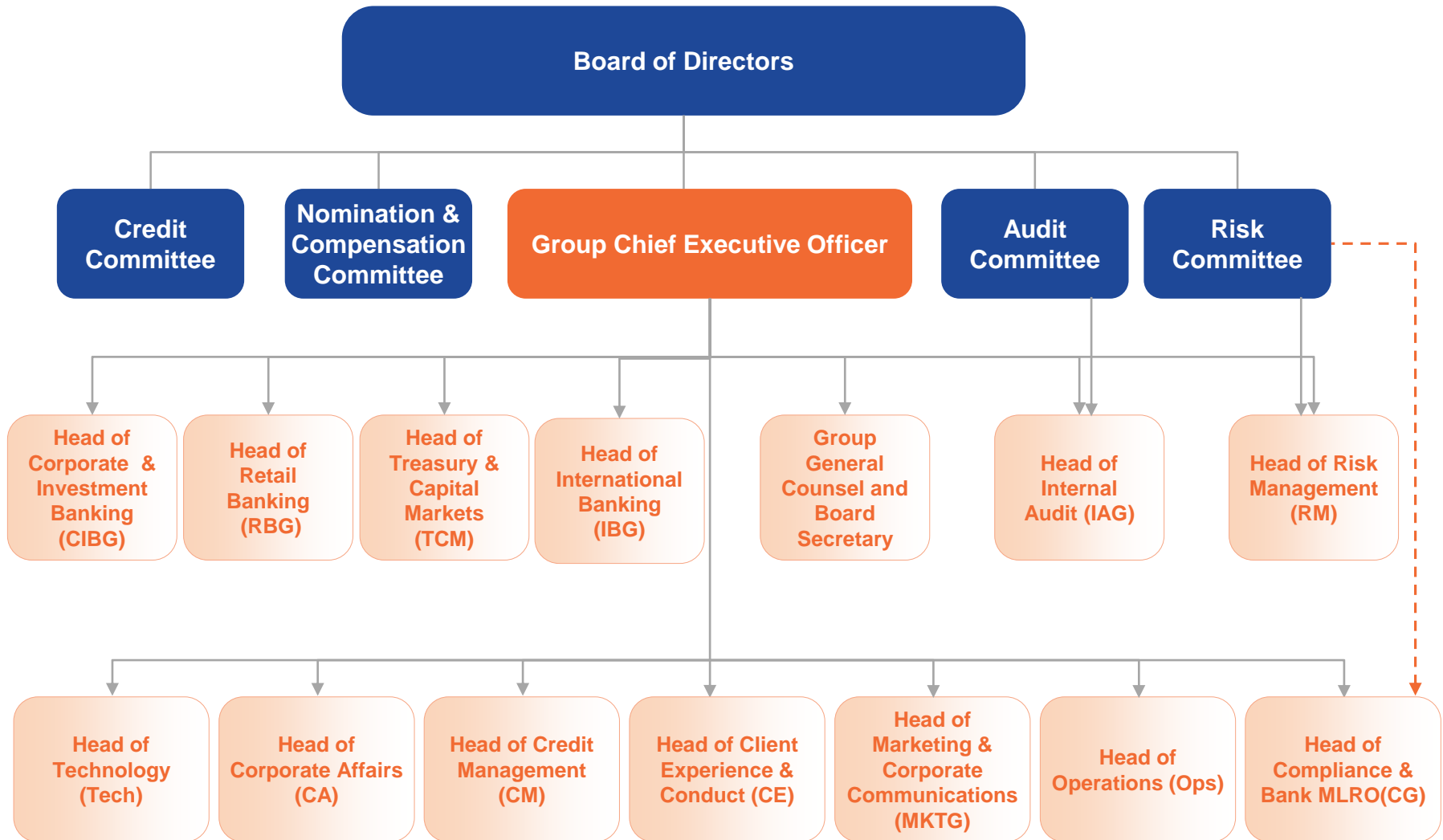
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Corporate governance

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Accolades

# Simple Organization Structure



# Professional and Experienced Management Team with Strong Execution Capabilities (1/2)



**Ahmed Abdelaal**

**Group Chief Executive Officer**

- MBA from London Business School
- Joined Mashreq in 2017 as Head of Corporate Banking; appointed as Chief Executive Officer in 2019
- 25 years of experience in MENA region across corporate finance, trade finance, contracting and real estate finance, payment and cash management, and investment banking



**Ali Raza Khan**

**Head of Corporate Affairs**

- Member of the Institute of Chartered Accountants of India (1978)
- Joined Mashreq in 1980 as Head of Corporate Affairs and is responsible for Finance, HR and Administrative functions in the Bank



**Nasser A. Paracha**

**Head of Internal Audit Group**

- BSc from the University of Leeds and completed a General Management Program from HBS
- Joined Mashreq in 1995 from Deutsche Bank AG in Pakistan
- Overall banking experience of c.25 years, covering corporate banking, internal audit and compliance



**Joel D Van Dusen**

**Head of Corporate and Investment Banking Group**

- BA in economics from Cornell University and read philosophy, politics and economics at the University of Oxford
- Prior to joining Mashreq in 2020, has held several senior corporate and investment banking roles, most recently as the Global Head of Large Corporates, CMB at HSBC, where he was also a member of the Global CMB Executive Committee.



**Tarek El Nahas**

**Head of International Banking Group**

- BA in economics and political science from the American University in Cairo and MSc in economics from the London School of Economics.
- Joined Mashreq in 2020
- Over 25 years of experience at Citibank, most recently as the Head of Corporate and Investment Banking for North Africa, Egypt and Levant



**Fernando Morillo Lopez**

**Head of Retail Banking Group**

- MBA from Instituto De Empresa – Madrid
- Holder of a General Management Program (G.M.P.) degree from Harvard Business School
- B.S. in Aeronautical Engineering (Specializing in Aircraft and Spacecraft design) from Universidad Politécnica De Madrid
- Fernando brings 30 years of experience in the financial sector
- He is experienced in Retail, Digital and Commercial banking across multiple segments including Private, Affluent, Emerging Affluent, Mass, SMEs and Middle market



**Hammad Naqvi**

**Head of Treasury & Capital Markets**

- MBA from the IBA, University of Karachi
- Prior to joining Mashreq in 1996, was the Head of Treasury with Bank of America, Pakistan and was also posted as the Treasurer of Bank of America, Poland
- He has also spent 2 years in the merchant banking division of ANZ Grindlays in Pakistan



# Professional and Experienced Management Team with Strong Execution Capabilities (2/2)



**Roy Philip Sebastian**  
**Head of Credit Management**

- Holds a Master's Degree in Commerce and is a Certified Associate of the Indian Institute of Bankers (CAIIB)
- Joined Mashreq in 2019 and has over 30 years of experience across both corporate banking and credit risk management
- Worked with HSBC Group in the Middle East for over 21 years, last position held as the Regional Head of Credit Approval, Wholesale Credit, MENAT



**Anuratna Chadha**  
**Head of Risk Management Group**

- MBA from IIM Ahmedabad and holds a Bachelor's Degree in Commerce from Shri Ram College of Commerce, Delhi
- Joined Mashreq in 2019 and has over 30 years of banking experience in risk management, wholesale and corporate banking across Singapore, Japan, India and South Africa



**Scott Ramsay**  
**Head of Compliance and Bank MLRO**

- Holds Masters of Laws (Hons.) degree from Victoria University, Wellington, New Zealand
- Joined Mashreq in 2020
- Over 15 years of banking and senior management experience, with an extensive background in areas of compliance, financial crimes and anti-money laundering



**Marouf Shweikeh**  
**Group General Counsel and Board Secretary**

- LLM from University of Sussex
- Joined Mashreq in 2021
- Over 25 years of experience working with various banks across the region: Central Bank of Bahrain, TAIB Bank, Alawwal Bank, and Hilal Bank



**Ellis Wang**  
**Head of Technology, Transformation and Information**

- Holds a Master's degree in Computer Science and Information Engineering from the National Cheng Kung University in Taiwan
- Joined Mashreq in 2020
- Over 25 years of diverse experience with organizations including McKinsey, ICONIQ Motors, EJY365, Alibaba Group and Google (China and US)
- In his latest role at McKinsey, was responsible for providing solution-based consulting services for its global customers (new energy vehicles, IoT, and new internet economy)



**Mark Edwards**  
**Head of Operations**

- Business Management graduate from the University of Stirling (UK) and completed an Executive Management Programme from INSEAD (France & Singapore)
- Joined Mashreq in 2020
- Has 25 years of experience in business operations and a banking veteran with international and regional experience across banking operations, shared services, business transformation, project management and corporate integration.



**Aimee Peters**  
**Head of Marketing and Corporate Communications Group**

- Holds a Bachelor's degree in English Language & Literature from the University of Manchester, and a Fellow of the Chartered Institute of Marketing
- Prior to joining Mashreq in 2020, served as the Head of Marketing – Global B2B Coverage & Capital Markets at HSBC
- Over 20 years of experience in Marketing, Communications and PR, across the Middle East, South Africa and the UK



**Rania Nerhal**  
**Head of Client Experience & Conduct Group**

- Holds a Bachelor's degree in Economics – Faculty of Commerce and Foreign Trade, Egypt
- Prior to joining Mashreq in 2018, held executive management roles at HSBC, Egyptian American Bank, Commercial Bank of Dubai, and Al Ahli Bank of Kuwait
- Over 25 years of experience in client relationship management in the banking industry

# Mashreq is a well diversified universal bank that covers significant lines of business with a full product and channel suite

## Corporate & Investment Banking Group (CIBG)

### ***Offers wholesale banking***

- Energy, Services & Manufacturing
- Trading
- Contracting Finance
- Real Estate
- NBFIs/ Financial Institutions Globally
- Emerging Corporates Division
- Global Transaction Services
- Corporate Finance
- Islamic Banking products

## Treasury & Capital Markets (TCM)

### ***Offers treasury and investment products***

- FX and Investments
- Rates & Structured Solutions
- Mashreq Capital
- Islamic Banking Products
- Equity Derivatives & Institutional Sales
- Mashreq Securities
- Investments

## Retail Banking Group (RBG)

### ***Offers personal banking***

- Personal Banking
- SME
- Mashreq Gold
- Private Banking
- Payments
- Islamic Banking Products
- Distribution
- Alternate Channels
- Direct Sales
- Direct Banking Centre
- Mashreq NEO (Digital Banking)

## International Banking Group (IBG)

### ***Offers banking services outside UAE***

- Wholesale and Investment Banking
- Treasury and Investment Products
- Personal Banking
- Islamic Banking Products



***Mashreq is a well diversified Universal Bank, covering significant lines of businesses while offering a comprehensive array of products and services***

# Oman Insurance is the largest subsidiary of Mashreq

## Mashreqbank Psc

### Oman Insurance Company (64.46%)

- Largest insurance company in the UAE
- Provides full range of Insurance Products & Services
- Mar '21 Equity: AED 2.1 Bn
- 3M 2021 profit: AED 60 Mn

### Mashreq Capital (100%)

- Registered in DIFC for Brokerage, Asset Management and Fund Management services
- One of the largest asset management in UAE with USD 1.8 Bn in asset under management
- Funds rated highest in the market
- Mar '21 Equity: AED 21 Mn
- 3M 2021 profit: AED 2.2 Mn

### Mashreq Al Islami Finance (99.8%)

- Islamic Finance Company
- Provides full range of Islamic Products & Services
- Mar '21 Equity: AED 788 Mn
- 3M 2021 profit: AED 11 Mn

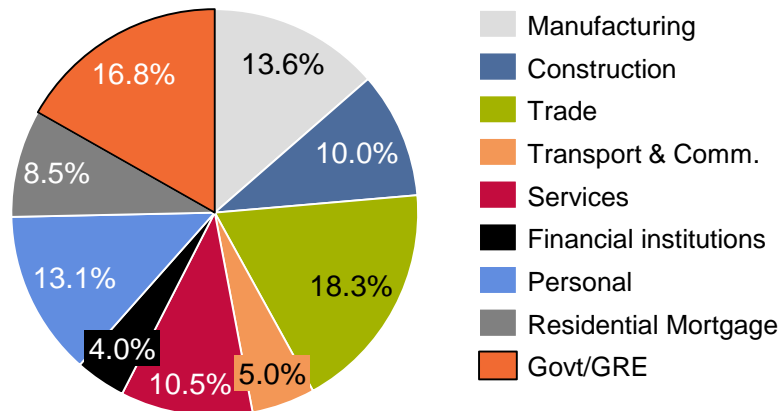
### Mashreq Securities (99.98%)

- Securities brokerage Company registered at Dubai Financial Market
- One of the leading brokerage in the UAE
- Mar '21 Equity: AED 64 Mn
- 3M 2021 loss: AED 0.38 Mn

# Diversified earnings base with strong growth potential

Gross Loans portfolio split as of June 2021

(AED 83.7 bn)

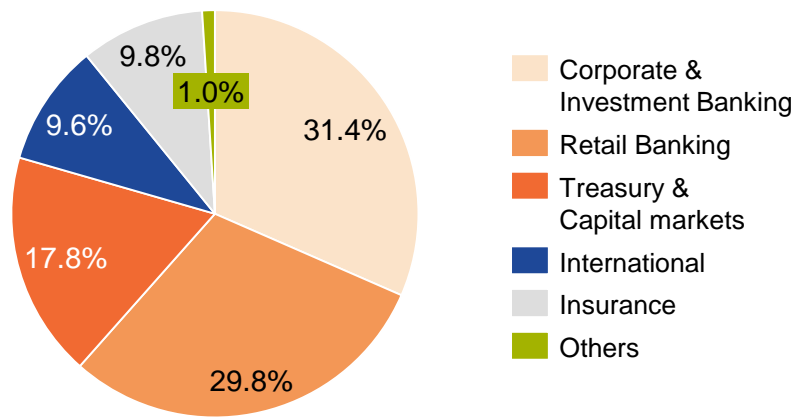


## Business segments outlook

- **Retail Banking:** Focus is on growth by leveraging digital and enhancing customer experience
- **Corporate & Investment Banking:** Industry specialization and expertise to be the anchor for providing sector specific support in a post COVID-19 world.
- **International Banking:** Tap and strengthen Regional market footprint to assist local corporations operating regionally
- **Insurance:** As the largest insurance company in the UAE, Mashreq's Oman Insurance Company (OIC) subsidiary is expected to grow in line with the market
- **Treasury:** Build on the market leading menu of TCM products including hedging and FX products and increase cross-sell

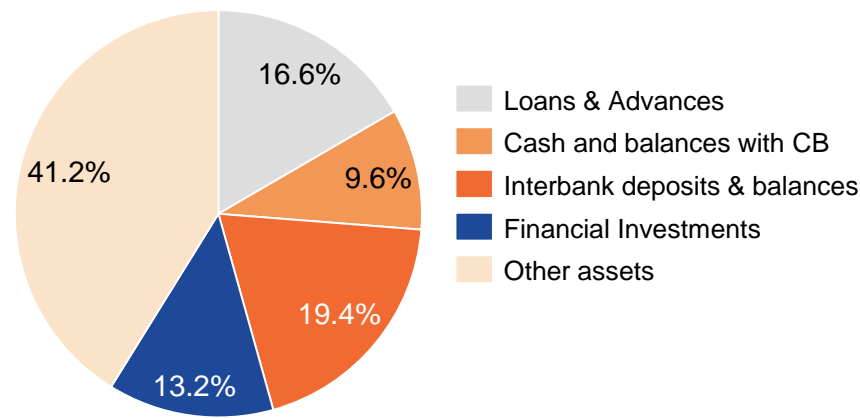
Revenue split 1H 2021

(AED 2.9 bn)



Asset split as of June 2021

(AED 172.5 bn)

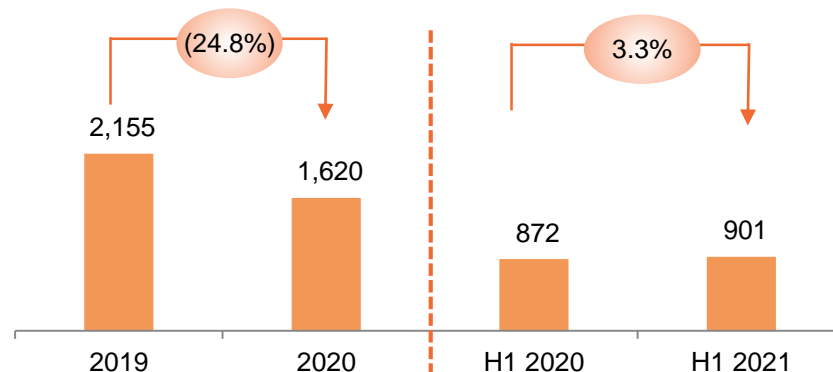


# Business Review – Corporate and Investment Banking

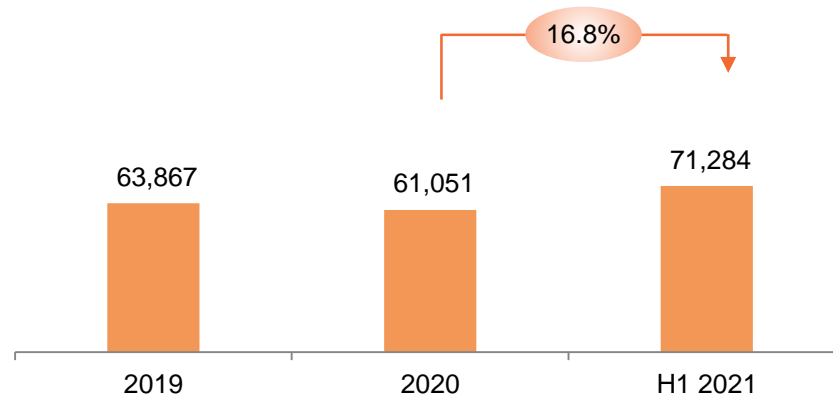
## Business Highlights

- Corporate and investment banking is the biggest segment in Mashreq in terms of assets (41% of assets) and liabilities (37% of total liabilities) as of June 2021
- Assets increased by 16.8% and stood at AED 71.3 billion as of H1 2021
- Operating income increased 3.3% YoY and accounts for ~31% of total operating income in H1 2021
- Key product offering includes solutions for Corporate clients and Financial Institutions across lending, cash management, trade finance, contracting and project finance, investment banking (syndications and debt capital markets, corporate advisory) and Islamic financing
- Operates via expertise-led sector coverage model catering to contracting companies, Retail and other Trading businesses, government, Healthcare and Education, Energy, Service companies, manufacturers, real estate, NBFIs and MNCs.
- The Investment Banking team has retained its position amongst the premier institutions for debt capital raising in the region
- Mashreq was also the 1<sup>st</sup> bank to go live in the region with SWIFT's Global Payment Initiative
- EMEA Finance – Middle East Banking Awards 2020
  - Best Investment Bank
  - Best Local Investment Bank
  - Best Loan House

## Operating Income (AED million)



## Segment Assets (AED million)



Note: From 2020 onwards, segments have been realigned, wherein Retail now includes Retail Overseas and Corporate and Investment banking includes global FI business. Previously both were included within International Banking. Prior period numbers have been restated accordingly

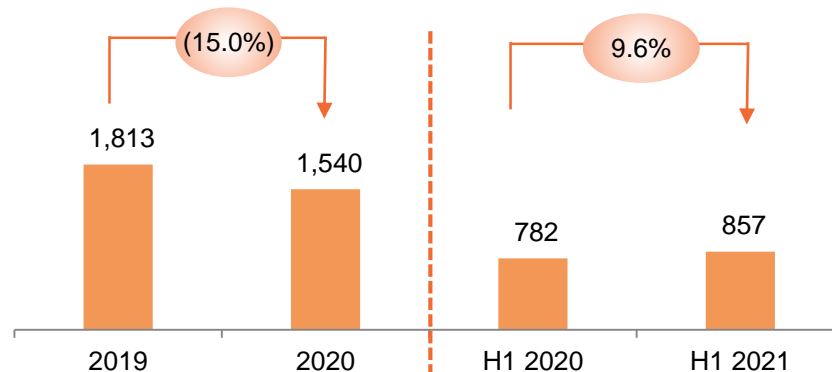
Classification: Confidential

# Business Review – Retail Banking

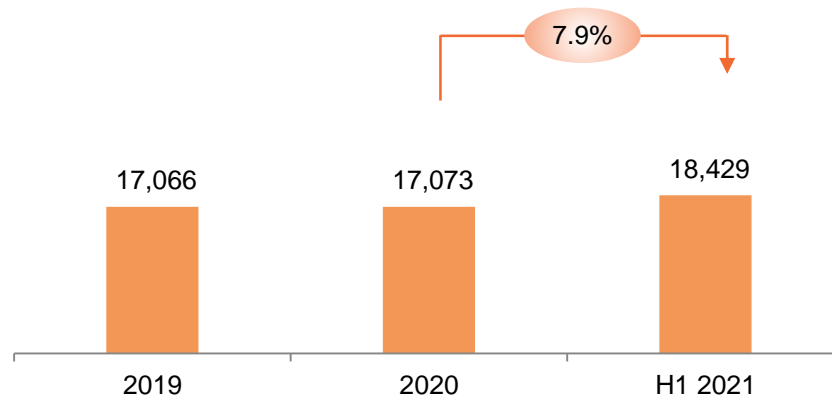
## Business Highlights

- Retail banking is the second largest contributor of operating income at 30% in H1 2021
- YoY operating income increased by 9.6% driven by an increase in non-interest income
- Assets increased by 7.9% and stood at AED 18.4 billion as of H1 2021
- Product offerings include current, savings & fixed deposits, investment products, personal loans, auto loans, small business loans, mortgages, credit cards, bank assurance, private banking, wealth management and Islamic financing
- Currently operates 35k POS machines spread across 14k merchant locations in the UAE
  - 2<sup>nd</sup> largest merchant acquirer in the UAE with ~30% market share
- Select focus on fee-based business including account management, forex and remittances, while unsecured lending has been ceased in the SME segment
- Key innovations include:
  - POS Plus - UAE's first ever handheld payment acceptance device with built-in digital product catalogue (customers can see a merchant's entire product line and variants on a digital tablet)
  - Launched Mashreq NEO, a full-service digital bank to cater to the day-to-day needs of customers
  - Launched Mashreq NeoBiz, a full-service digital bank exclusively for SMEs, start-ups and entrepreneurs in the UAE
- Key awards include:
  - World Finance: Best Consumer Digital Bank in UAE and Best Mobile Banking Application 2020 in the UAE
  - Euromoney Regional Awards for Excellence 2020: Middle East Digital Bank

## Operating Income (AED million)



## Segment Assets (AED million)

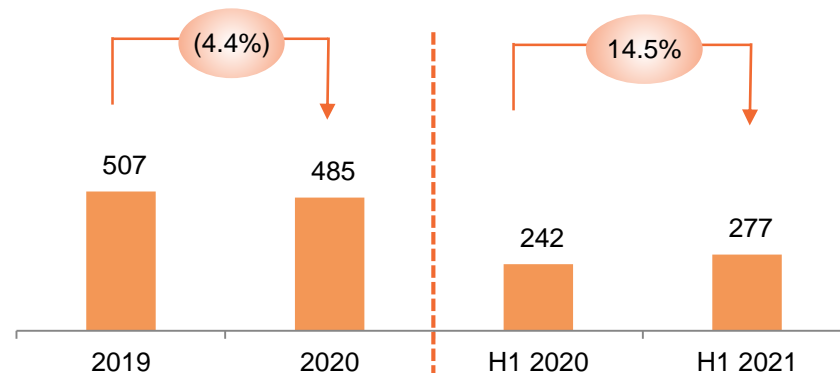


# Business Review – International Banking

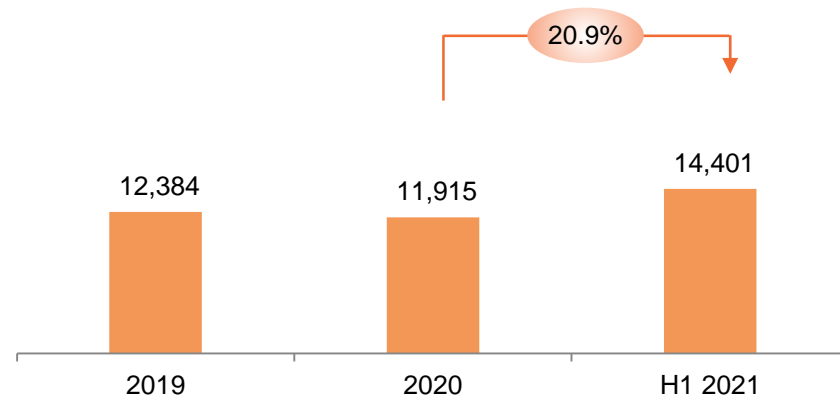
## Business Highlights

- International business contributed 10% of operating income and 8% of liabilities in H1 2021
- International Banking assets increased by 20.9% as compared to December 2020 and stood at AED 14.4 billion (8% of total assets) as of H1 2021
- Operating income increased 14.5% YoY to AED 277 million in H1 2020.
- International Banking business covers corporate clients in non-presence countries. Product range covers complete suite similar to domestic corporate.
- The Bank was mandated lead arranger in important loan syndications in overseas markets
- Introduced key sales management systems and processes like Client Relationship Management and Automated Account Planning
- In key African countries, the Bank assisted in raising funds for the top banks and development FIs and continued to be the leading Middle Eastern bank in the FI business
- IFN Awards 2020: Mashreq Al Islami Saudi Arabia Deal of the Year Arabian Centres Company's debut USD 500 million Sukuk and Islamic syndicated financing Arranger

## Operating Income (AED million)



## Segment Assets (AED million)



Note: From 2020 onwards, segments have been realigned, wherein Retail now includes Retail Overseas and Corporate and Investment banking includes global FI business. Previously both were included within International Banking. Prior period numbers have been restated accordingly

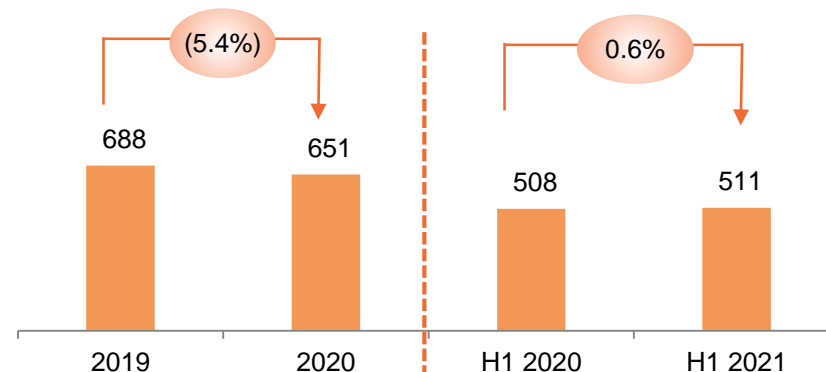


# Business Review – Treasury and Capital Markets

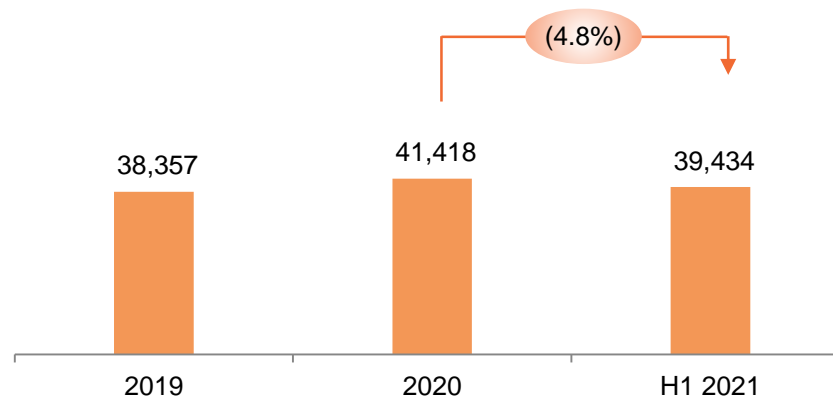
## Business Highlights

- Treasury & Capital Markets (TCM) accounts for 23% of assets and 15% of liabilities as of H1 2021
- Assets decreased by 4.8% during H1 2021 and stood at AED 39.4 billion
- TCM Operating income contributed 18% to the total operating income in H1 2021
- Operating income, which includes funding center income, increased by 0.6% YoY in H1 2021 and stood at AED 511 million
- Treasury and Capital Markets business consists of customer flow business and proprietary business
  - Customer flow business includes transactions for FX, derivatives, hedging, investment products, equities and regional asset management undertaken on behalf of customers
  - Proprietary business includes trading and investing activity undertaken on behalf of the Bank
- Treasury product suite grew across asset classes, supported by an online trading platform and 24 hour dealing room
- EMEA Finance : Treasury Services Awards:
  - Best Cash Management Services in the Middle East
  - Best Factoring Services in the Middle East

## Operating Income (AED million)



## Segment Assets (AED million)



Note: From 2020 onwards, segments have been realigned, wherein Retail now includes Retail Overseas and Corporate and Investment banking includes global FI business. Previously both were included within International Banking. Prior period numbers have been restated accordingly

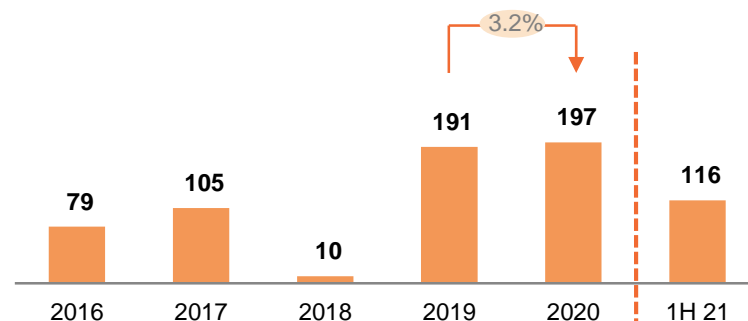
Classification: Confidential

# Business highlights – Insurance Business (Oman Insurance Company)

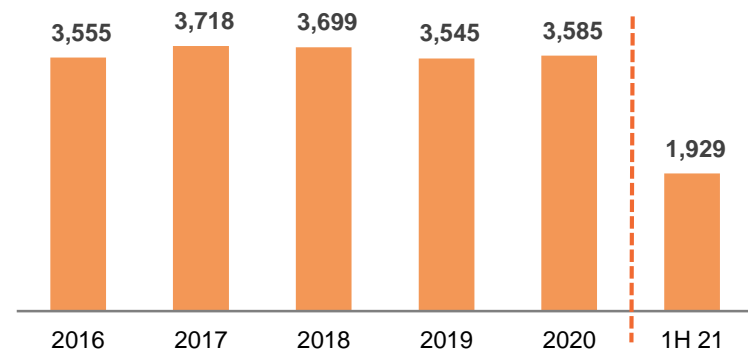
## Business Highlights

- Oman Insurance Company contributes c. 5% to total assets and 10% to total operating income (as of 1Q 2021)
- Oman Insurance Company (OIC) is the largest insurance company in the UAE in terms of Net Premium Written. Products offered include life, medical, motor, marine cargo and hull, aviation, property, fire and general accidents, engineering, energy, liabilities and personal lines insurance
- Oman Insurance Company has 8 branches to manage operations across all Emirates. OIC also has international branches in the Sultanate of Oman and Turkey.
- Oman Insurance Company maintains an A- rating from Standard & Poor's, a global rating agency, with a revised outlook to Positive. OIC is rated 'A Excellent' by AM Best with an improved outlook from Negative to Stable. S&P Global ratings further mentioned in its report that the outlook revision reflects positive operating performance and an improving capital base. The company also maintains robust capital adequacy, well above the 'AAA' level. Furthermore, Moody's, the largest rating agency worldwide alongside S&P, assigned an A2 Insurance Financial Strength to Oman Insurance.
- Oman Insurance Company continued its digital focus and successfully launched several projects including a new cloud-hosted corporate website, a Straight Through Process motor insurance sales portal and a fully digitalized motor claims system.
- In 2021, the management is persistently following the strategy defined in 2018 based on the following pillars: (i) be obsessed by customer satisfaction; (ii) improve our underwriting and reinsurance technical expertise and focus on risks having the right pricing; (iii) be leaner, more efficient and less costly by revisiting all the processes of our value chain; (iv) relentless and non-compromising focus on cash collection and free cash flow generation; (v) in-depth review and improvement of our technological platforms and implementation of our digital transformation strategy.
- 1H 21 exceptional achievements to ensure long term sustainable profitability:
  - Won multiple awards at 2021 Global Brands Magazine Awards
  - Net profit in 1H 21 increased by +5.0% to 115.7M compared to 1H 20
  - Net Investment income increased by +17.7% to 67.8M compared to 1H 20
  - 89% of clients are Satisfied or Very Satisfied with OIC's service

## Net Profit (AED million)



## Gross Written Premium (AED million)





# Mashreq Investor Presentation

UAE economy

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Mashreq heritage

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Structure and Leadership

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► **Strategy**

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Financial track record

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Trading history, rating and dividends

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Corporate governance

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Accolades

# Vision, Mission and Values



## Vision

“To be the region’s most  
**progressive bank** enabling  
**innovative possibilities**  
for our **colleagues, clients**  
and **communities**”

### *Build long-term relationships by:*

- Being the best place to work
- Delivering superior client experience
- Actively contributing to the community through responsible banking
- Leading with innovation
- Pursuing opportunities that grow shareholders’ value



## Mission

# S

Socially  
Responsible

# P

Passionate  
about  
clients

# I

Innovative

# R

Respect  
for  
colleague

# I

Integrity

# T

Transparent

### 3 Key Pillars of Our Strategy



**Put our  
people first**

- Become the best workplace in the UAE and a top talent house in the banking sector



**Deliver superior  
client  
experience**

- Be recognized by our customers, competitors and stakeholders as the best-in-class end to end (E2E) customer experience provider in the sector across the entire region



**Deliver  
shareholder  
value**

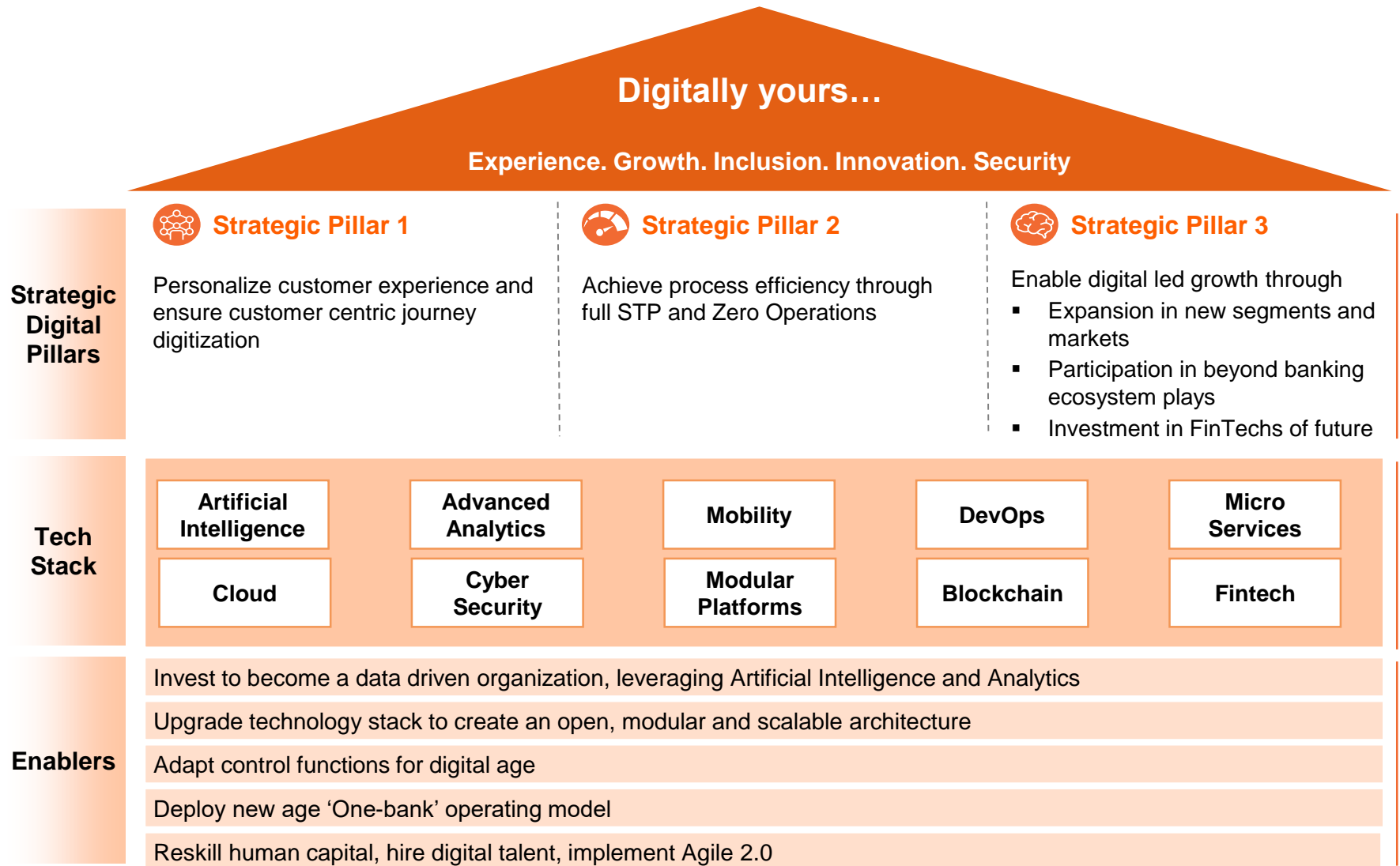
- Achieve sustainable and profitable growth and enhance financial returns to our shareholders

# Strategic Priorities – Simplify Our Business





# Digital Strategy and its Key Enablers



**Extensive deployment of advanced technology stacks such as Artificial Intelligence, Data Analytics and Mobility to offer personalized customer experience and drive strong customer acquisition**



# New Operating Model

## 3 Key Imperatives

- 1 Best-in-class Cost Efficiency
- 2 Best Customer Experience
- 3 Manage Risk & Controls Globally



With focus on optimizing workforce in HQ, identified 3 Centers of Excellence

**Mashreq India**  
Bengaluru

**Mashreq Egypt**  
Cairo



**Mashreq Pakistan**  
Karachi

*Offshoring a sizable percentage of positions to low-cost locations in India, Pakistan and Egypt by leveraging offshore Centers of Excellence*



# Mashreq Investor Presentation

UAE economy

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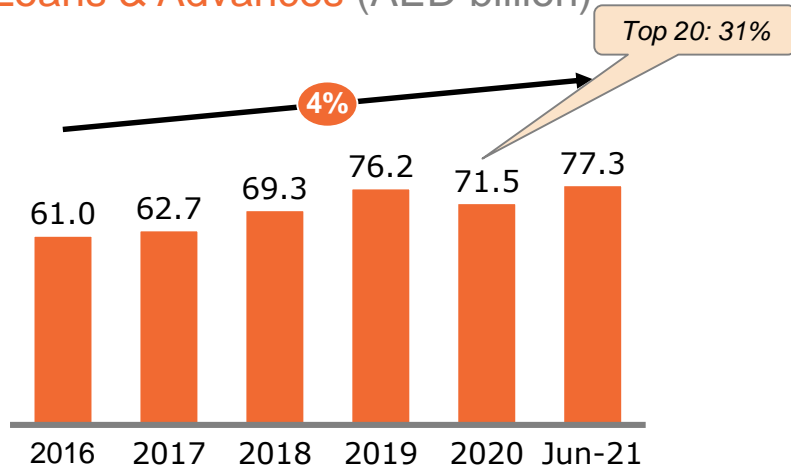
Corporate governance

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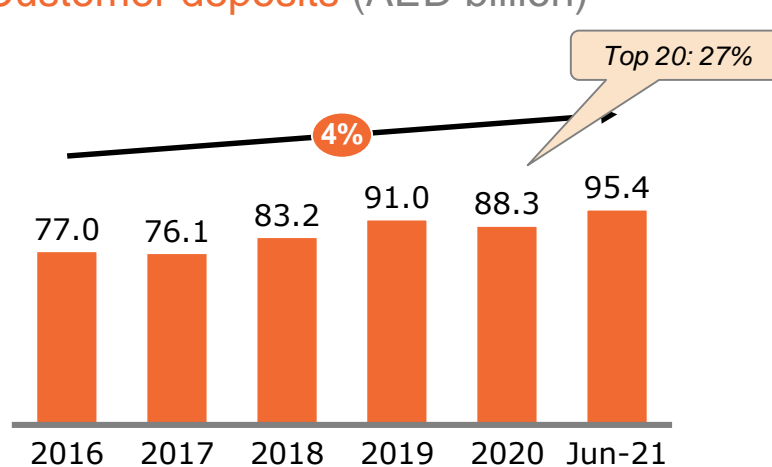
Accolades

# Steady performance over the last five years

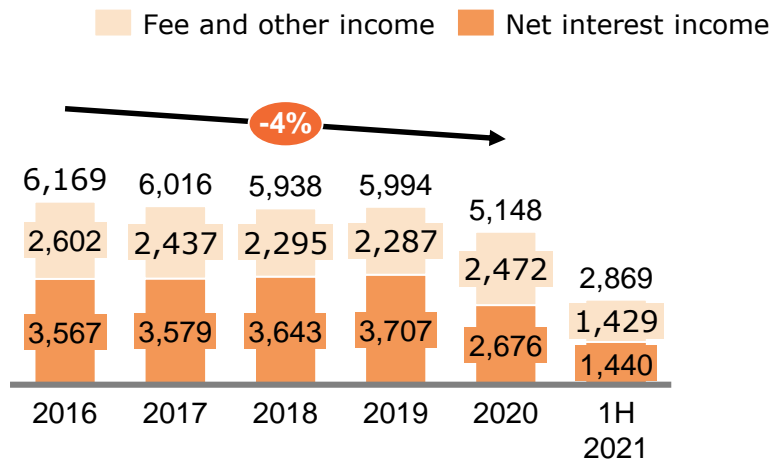
## Loans & Advances (AED billion)



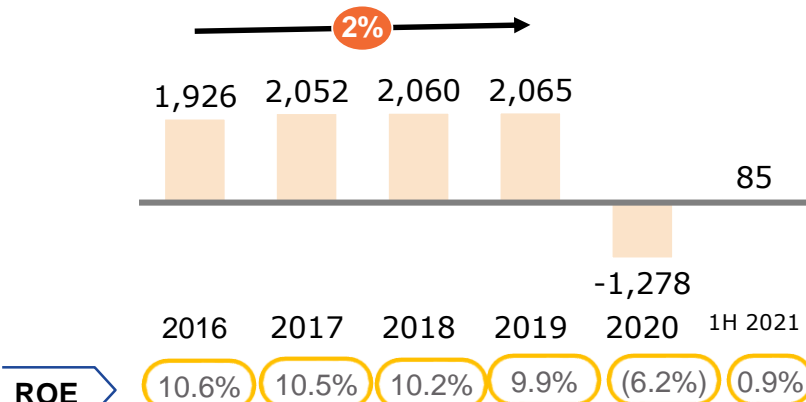
## Customer deposits (AED billion)



## Total Revenue (AED million)



## Net profit (AED million)



# 2020 impacted by Covid-19 pandemic, however, H1 2021 results shows a restoration of profitability...

Income Statement (AED mn)	FY 2019	FY 2020	Change (%)	H1 2020	H1 2021	Change (%)
Net Interest Income & Income from Islamic Products	3,707	2,676	(27.8%)	1,499	1,440	(3.9%)
Non-Interest Income	2,287	2,472	8.1%	1,333	1,430	7.3%
Total Operating Income	5,994	5,148	(14.1%)	2,831	2,870	1.4%
Operating Expenses	2,623	2,945^	12.3%	1,255	1,221	(2.7%)
Operating Profit	3,371	2,203	(34.6%)	1,576	1,649	4.6%
Net Provisions	1,212	3,357	176.9%	978	1,496	52.9%
Net Profit to Shareholders	2,065	(1,278)	N.M.	535	85	(84.0%)

Balance Sheet (AED mn)	Dec 2019	Dec 2020	Change (%)	June 2021	Change vs Dec'20 (%)
Net Loans and Advances	76,167	71,533	(6.1%)	72,282	8.0%
Total Assets	159,431	158,523	(0.6%)	172,763	9.0%
Customer Deposits	90,969	88,261	(3.0%)	95,433	8.1%
Shareholders' Equity	21,533	19,431	(9.8%)	19,302	(0.7%)

***Reported net loss in 2020 primarily due to decline in revenues as a result of reduction in policy rates & slowdown in economic activity, one off operating expenses and increase in risk charges. Provisions increased by AED 2.1 billion due to challenging credit conditions. However, the Bank demonstrated growth in Operating Profit in H1 2021 with strong growth in fee income & various efficiency measures and therefore expects to return to modest profitability in 2021***

## ...with Stable Financial Metrics

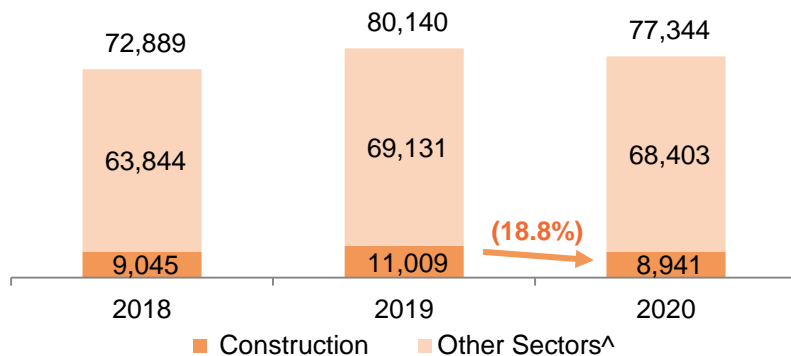
Capital Adequacy & Leverage	Dec 2019	Dec 2020	PP Change	Jun 2021	PP Change
Tier 1 Ratio	15.1%	14.9%	(0.2%)	12.8%	(2.1%)
Capital Adequacy Ratio (CAR)	16.3%	16.0%	(0.3%)	14.0%	(2.0%)
Liquidity and Funding					
Advances to Deposits Ratio	83.7%	81.0%	(2.7%)	81.0%	0.0%
Liquid Assets to Total Assets	32.6%	32.0%	(0.6%)	31.8%	(0.2%)
Liquidity Coverage Ratio	237%	160%	(77%)	123%	(37%)
Advances to Stable Resources	85.5%	86.2%	0.7%	82.8%	(3.4%)
Asset Quality					
NPL Ratio	3.6%	5.1%	1.5%	4.7%	(0.4%)
NPL Coverage Ratio	116.8%	130.3%	13.5%	117.0%	(13.3%)
Earnings and Profitability					
Net Margin	3.0%	2.0%	(1.0%)	2.1%	0.1%
Cost to Income Ratio	43.8%	57.2%	13.4%	42.5%	(14.7%)

**Capital levels remained above the regulatory requirements. Funding profile remained stable with robust liquidity. Although NPL ratio increased in 2020, it has reduced in H1 2021. Besides, the Bank continues to follow extremely conservative provisioning policy with strong coverage ratio of >100%**

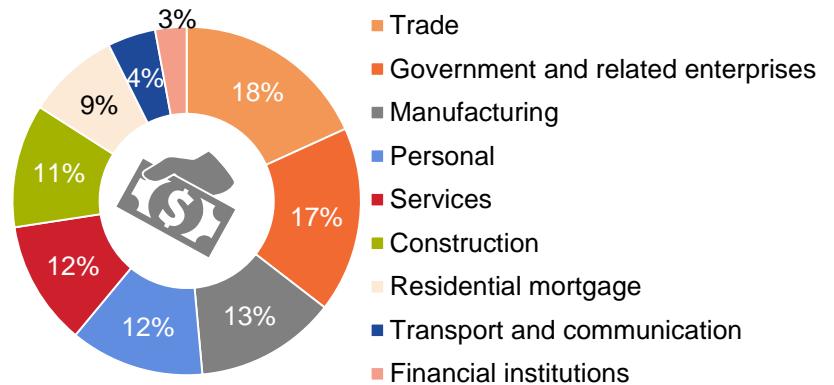
# Well Diversified Loan Portfolio

## Gross Loans (AED million)

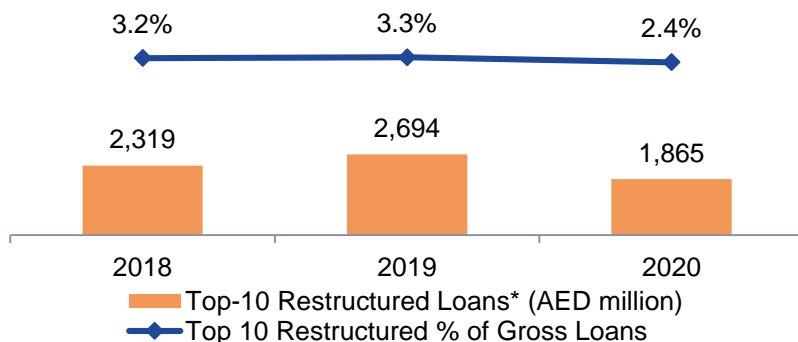
CAGR 2018-20: 1.6%



## Loan Portfolio by Sector – 2020

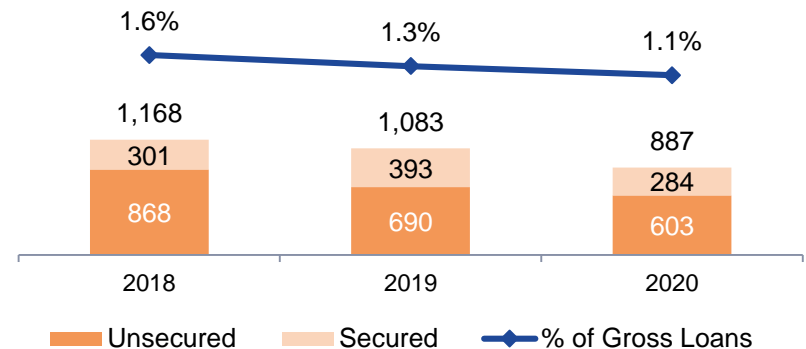


## Top-10 Restructured Exposure (AED million)



**All indicators moved in the right direction – 18.8% decline in exposure to construction sector and 30.8% decline in restructured exposure to 2.4% of gross loans. No individual sector accounting for >20% of the total portfolio. In addition, loan exposure to SMEs has consistently been declining**

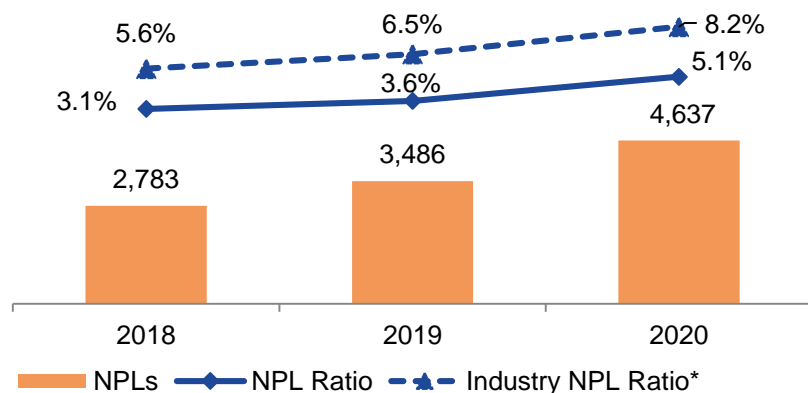
## Loans to SMEs



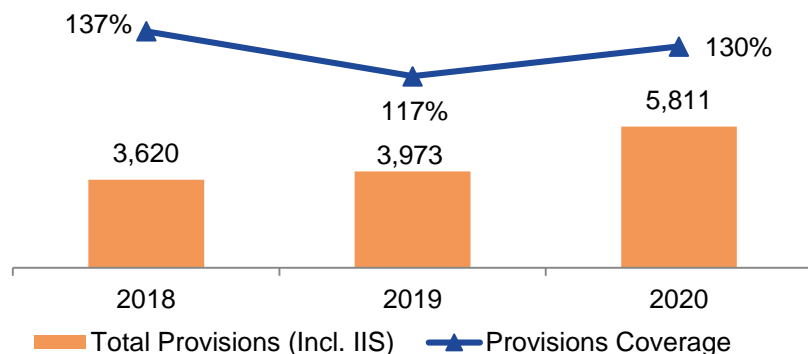
^Other sectors adjusted for Unearned Premium \* Excluding NPLs

# Better than Industry Average Asset Quality with High Coverage

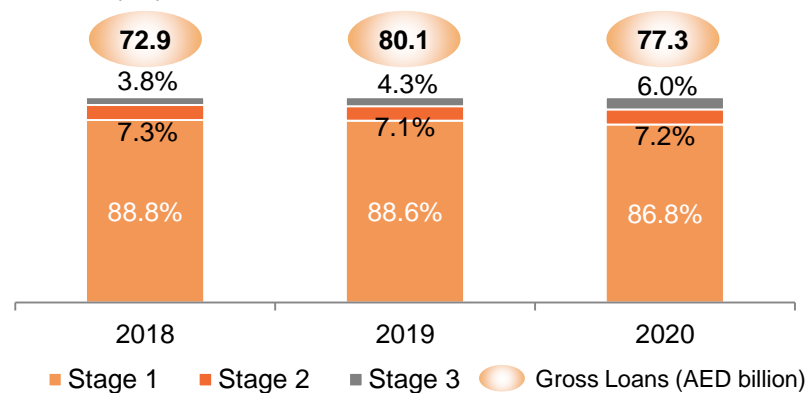
## NPLs (AED million) & NPL Ratio (%)



## Loan Loss Reserves (AED million) & Coverage (%)



## Loans and Advances Split by ECL Staging as per IFRS-9 (%)

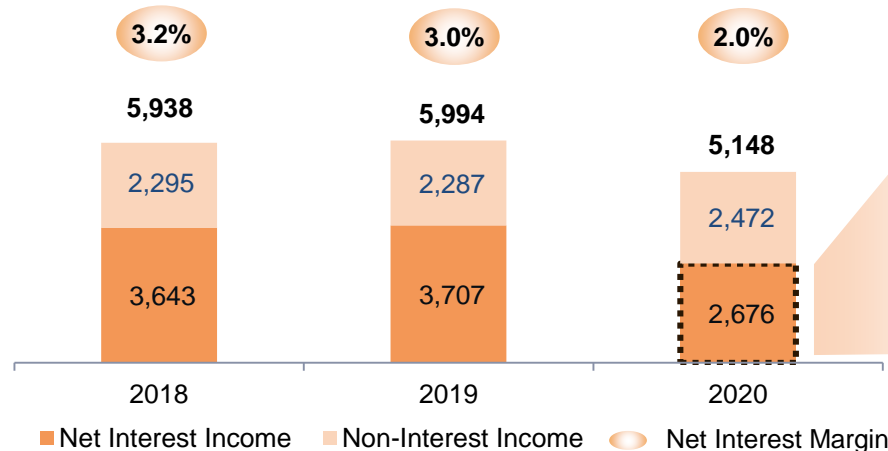


- ❖ **No significant deterioration in asset quality despite pandemic – c.87% of the loans are classified as Stage 1 in 2020.**
- ❖ **NPL ratio remained well below the industry average. Conservatively, the Bank has proactively built a war chest as evident from significant increase in coverage ratio to 130%.**
- ❖ **Moreover, Mashreq has better Asset Quality indicators compared to Peers**

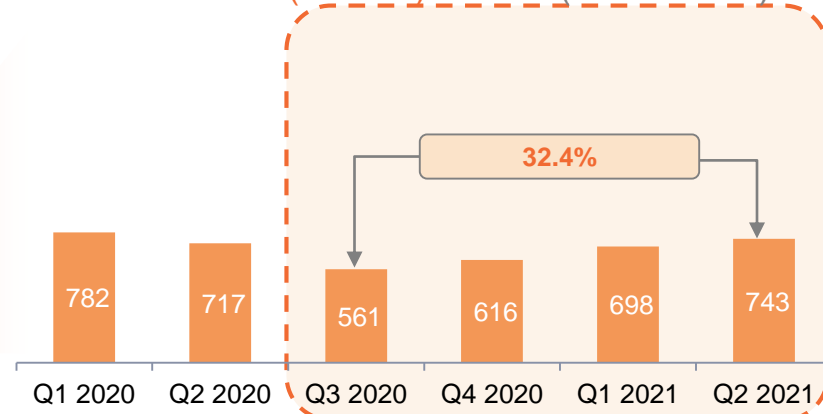


# Strong Recovery in Net Interest Income and Income from Islamic Products & Margin equally supported by Growth in Cross-Sell

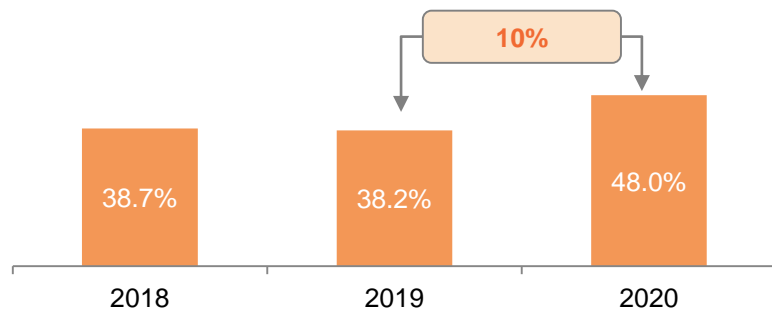
Operating Income (AED million)



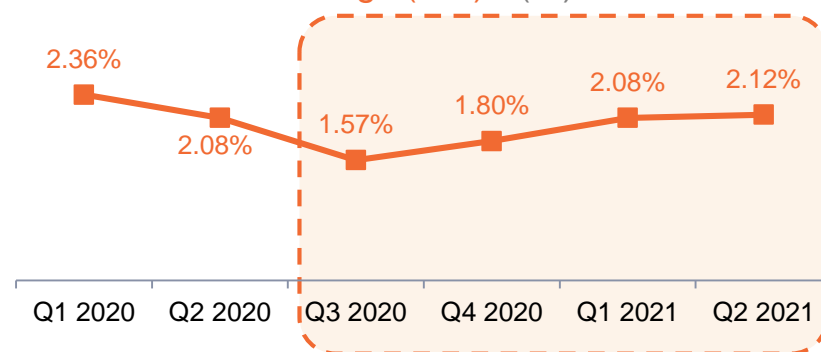
Evolution of Net Interest Income & Income from Islamic Products (NII&IIP) – 2020 (AED million)



Fee and other income to Operating Income (%)



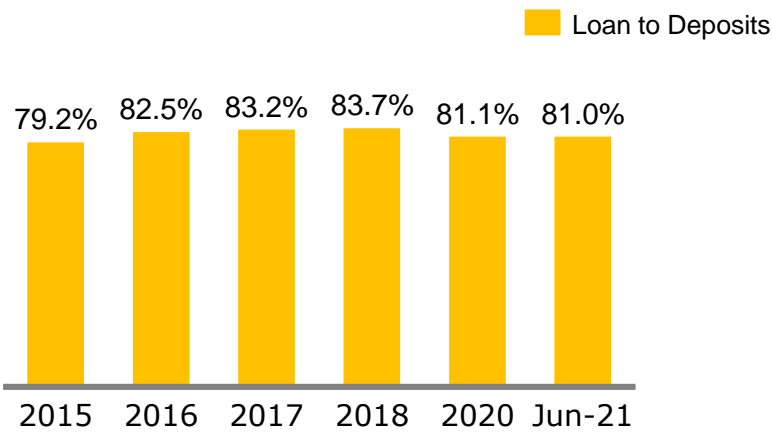
Evolution of Net Margin(NM)<sup>1)</sup> (%)



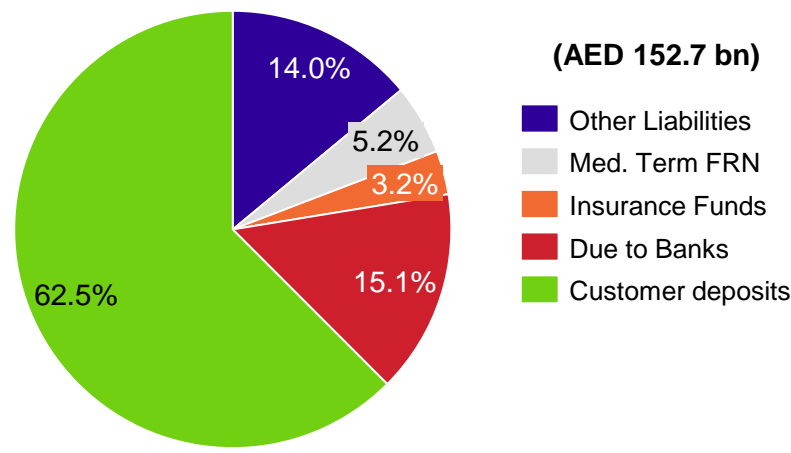
**Strong growth in cross-sell ratio to 48.0% in 2020 partially offset the decline in NII&IIP due to reduction in 3-months EIBOR (~45bps in H2 2019 & ~180bps in 2020) and prudent management strategy to maintain higher liquidity in Q2'20 and Q3'20. NMs bottomed-out in Q3 2020 and improved by 55bps in Q2 2021 vs Q3 2020**

# Well-funded balance sheet ...

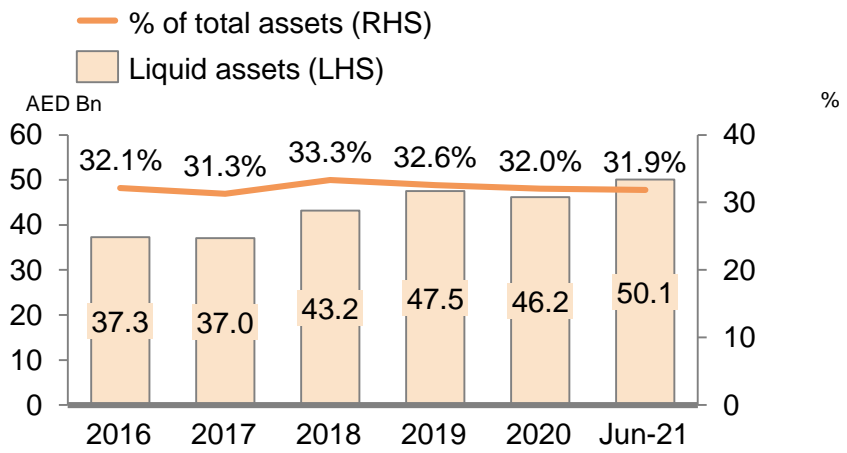
## Operating leverage (%)



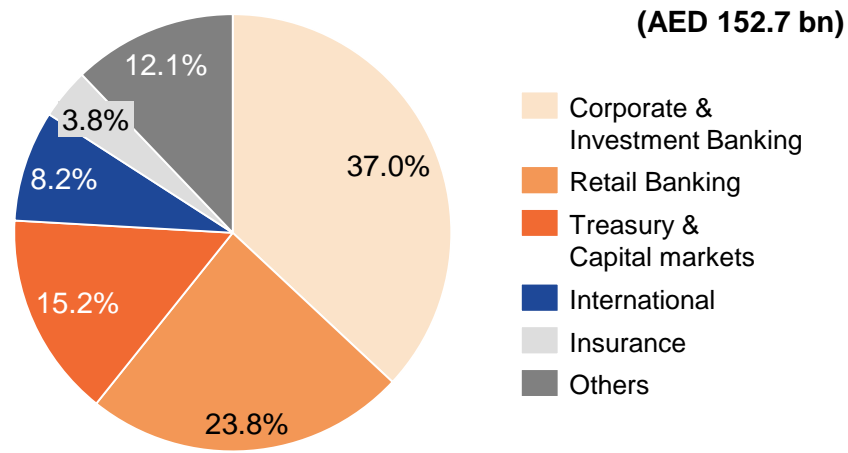
## Liability by type as of June 2021



## Liquidity (%)

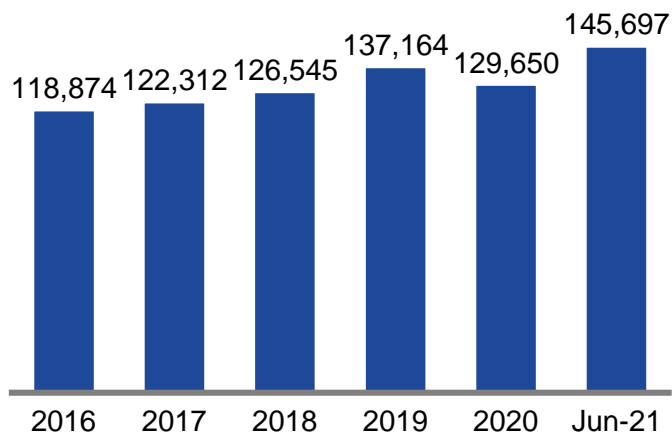


## Liability segment split as of June 2021

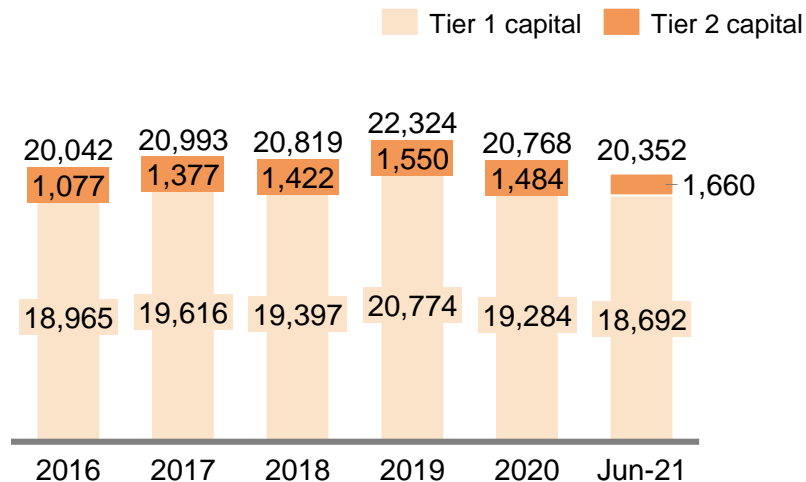


...along with stable adequacy

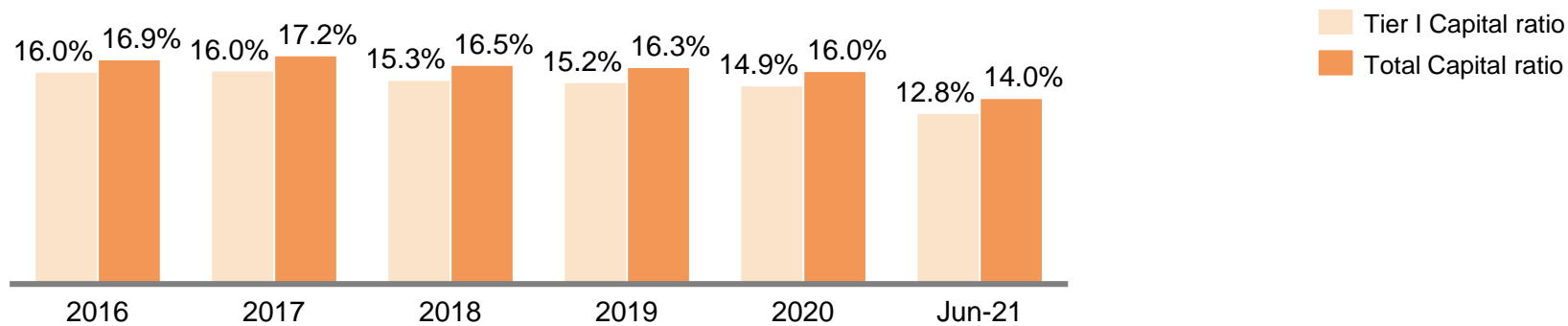
Risk weighted assets (AED million)



Tier 1 and Tier 2 capital (AED million)



Capital adequacy (%)

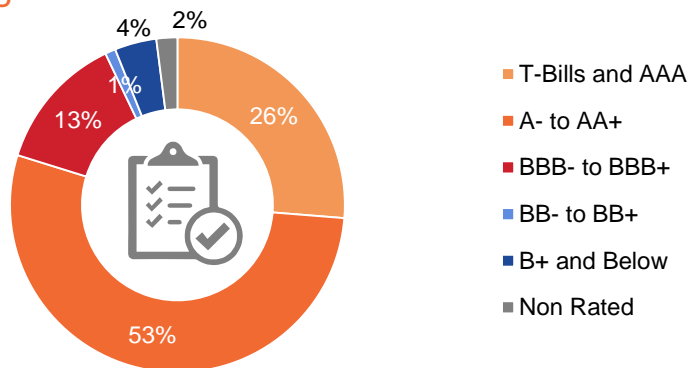


# Investment Portfolio Details

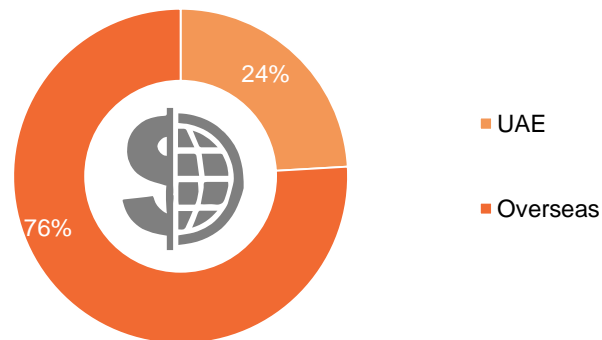
## Investment Details

Investments by Type (AED million)	2019	2020
<b>Financial assets measured at fair value</b>	<b>4,522</b>	<b>8,439</b>
(i) Investment measured at FVTPL	<b>1,491</b>	<b>1,453</b>
Debt Securities	876	816
Equities	15	7
Mutual and Other Funds	599	630
(ii) Investment measured at FVTOCI (net for provisions)	<b>3,031</b>	<b>6,986</b>
Equities	565	515
Debt Securities	2,467	6,471
<b>Financial assets measured at amortized cost (net for provisions)</b>	<b>10,875</b>	<b>11,001</b>
Debt Securities	10,902	11,022
<b>Total Investments</b>	<b>15,397</b>	<b>19,440</b>
Investments / Total Assets	9.7%	12.3%

## Investments Breakup (Debt Securities) by Rating – 2020



## Investments Breakup by Geography – 2020

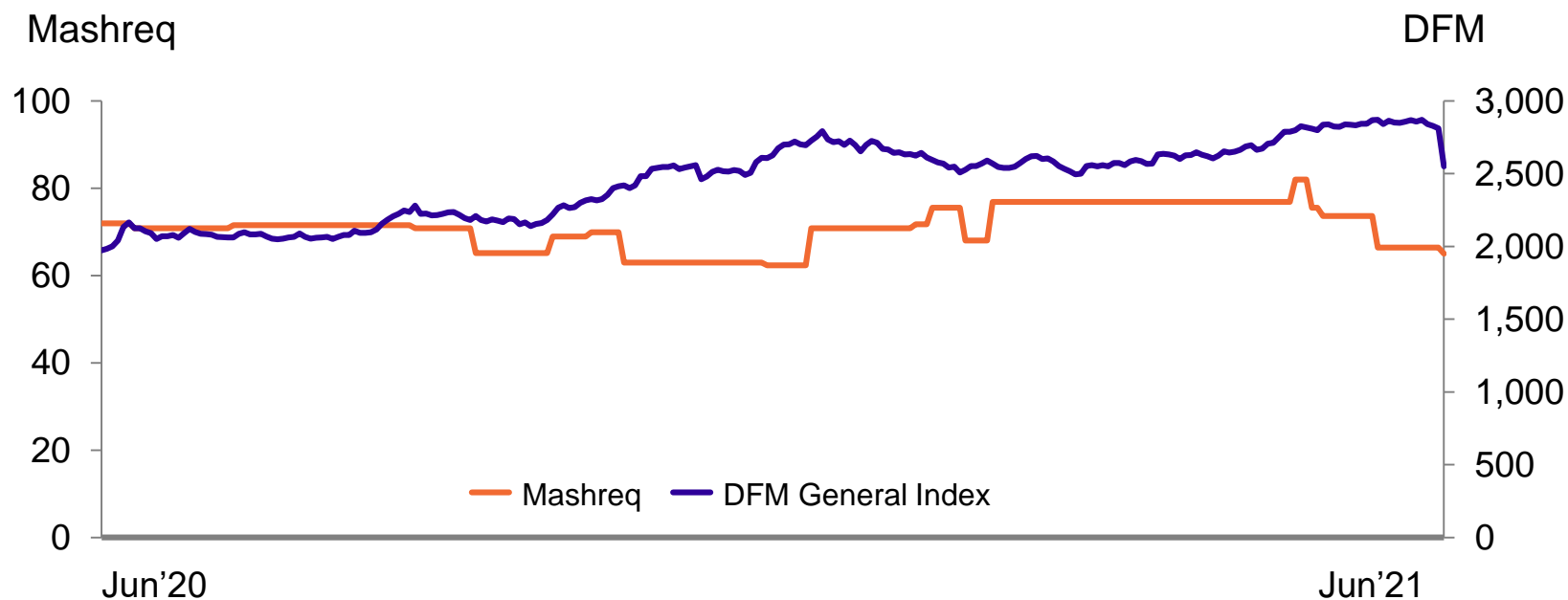


*Majority of the investment portfolio constitutes marketable securities, most of which are debt securities, implying high liquidity with low market risk*

# Trading performance over the year

## Mashreq's trading price (June 2020 – June 2021)

Share details		Share performance	
Currency	AED	Mashreq – 12 months	(6.9%)
Par value/ share	10	DFM GI – 12 months	42%
Number of shares (Mn)	177.5	P/E (8 Nov '21)	NM
Market Cap (8 Nov '21) (Bn)	12.87	P/B (8 Nov '21)	0.7x



# GROWTH - Mashreq YTD June 2021 performance compared to peer group<sup>1)</sup> [AED billion]



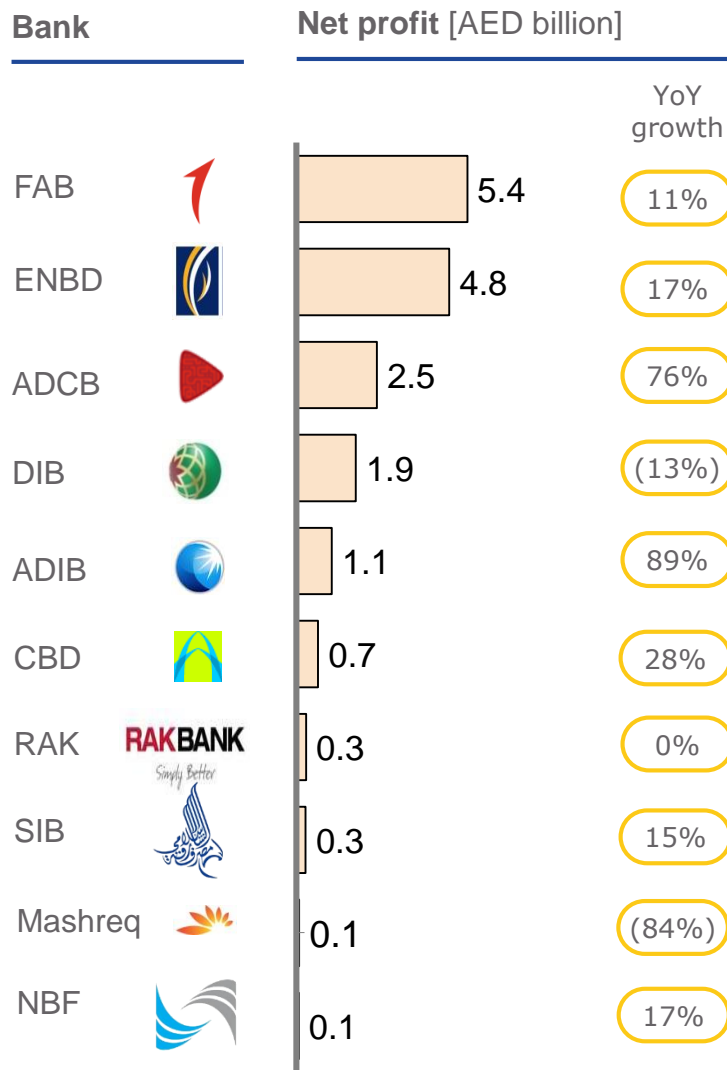
1) Total growth over the period and not CAGR  
Source: Banks' financial statements

# GROWTH - Mashreq 1H '21 performance compared to peer group<sup>1)</sup> [AED billion]

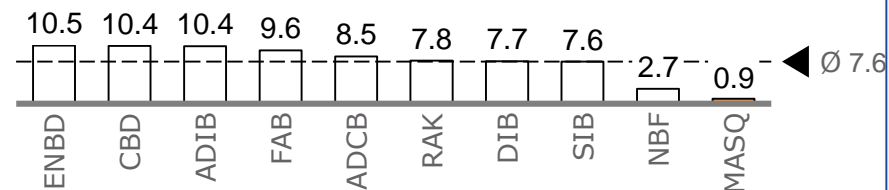




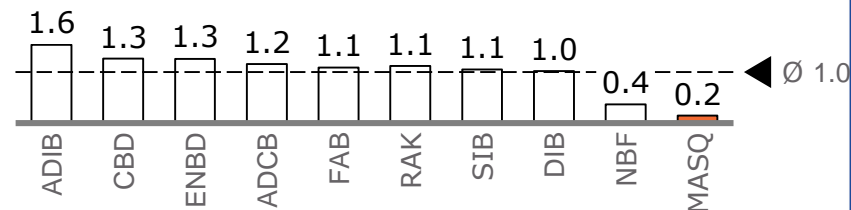
# PROFITABILITY - Mashreq 1H '21 performance compared to peer group [AED billion, %]



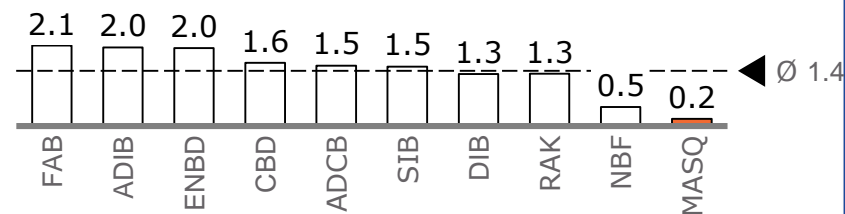
ROE<sup>1)</sup> [%]



ROA<sup>2)</sup> [%]



Return on RWA [%]



Source: Banks' financial statements

1) Equity excludes tier 1 capital notes and their interest expense is deducted from net profits (minority is included)

2) Total net profits (including minority) after Tier 1 interest expense divided by total assets minus tier 1 notes

Classification: Confidential



# Mashreq Investor Presentation

UAE economy

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Mashreq heritage

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Structure and Leadership

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Strategy

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Financial track record

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▶ Trading history, rating and dividends

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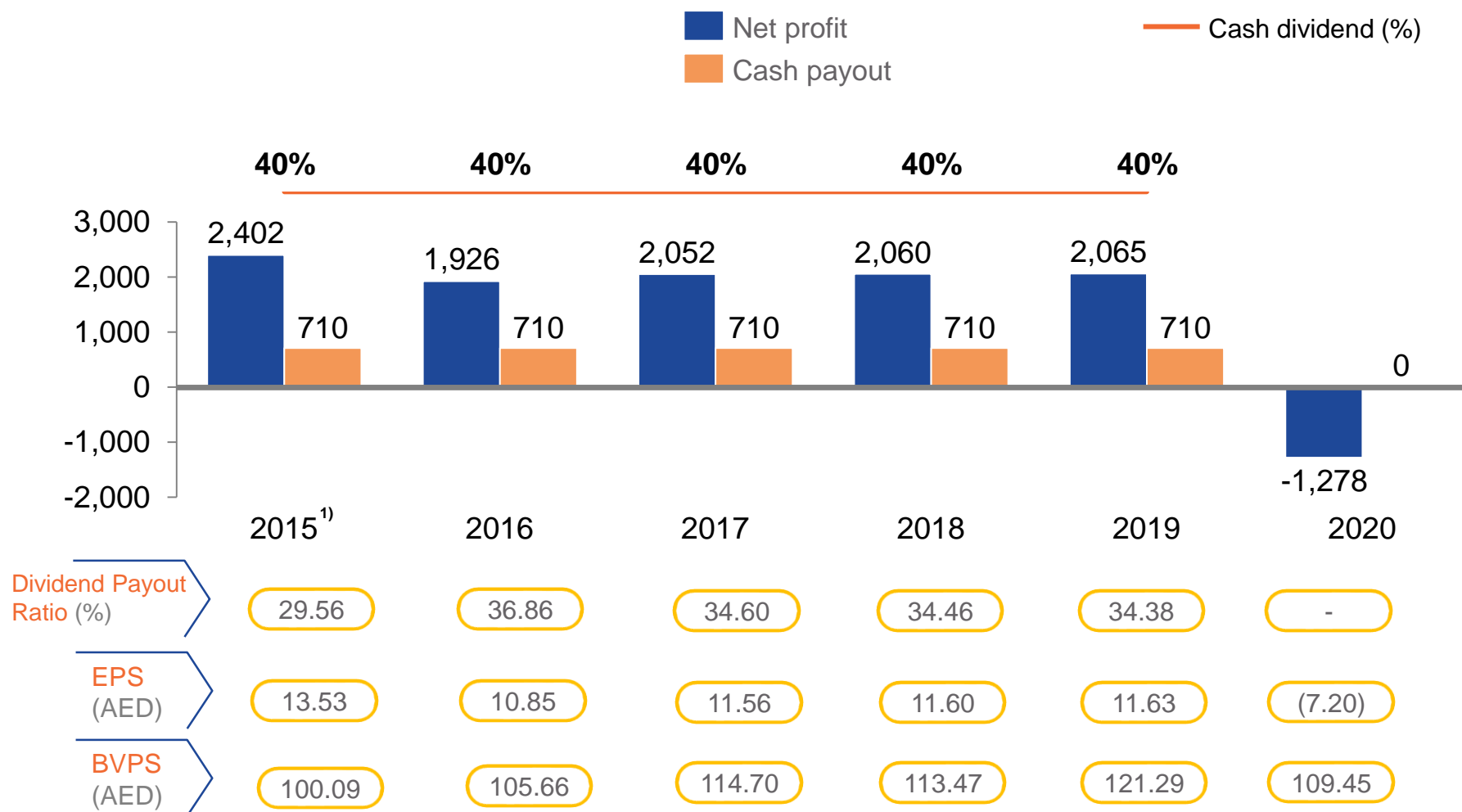
Corporate governance

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Accolades

# Progressive dividend policy

## Net profit and Cash Payout (AED million) and Cash dividend (%)



1) Plus 5% Bonus Shares

# Rated by four rating agencies

Rating Agency	Long term	Short term
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	A	
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		F1
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	A-	
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		A-2
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	Baa1	
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		P-2
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	A	
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		A1
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UAE economy

---

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---

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---

Strategy

---

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---

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---

► **Corporate governance**

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Accolades

# Mashreq is regulated by the UAE Central bank and follows international banking standards

## Supervisory Authority

- Mashreq's home supervisory authority is the UAE Central Bank which is responsible for licensing, monitoring and supervising banks, finance companies and exchange companies in the UAE
- Internationally, Mashreq comes under the purview of respective country regulators such as the Federal Reserve and NYSDFS in the USA and Prudential Regulation Authority & Financial Conduct Authority in the UK

## Basel III

- Banks are expected to follow the Standardized Approach for both credit and operational risks as per Basel III effective 1<sup>st</sup> Jan 2018.
- UAE CB in Nov 2020 updated Standards and Guidance re Capital Adequacy for Basel III, which includes additional Guidance on the topics of Credit Risk, Market Risk, and Operational Risk with a phased implementation till Q2 2022.

## Bank monitoring - liquidity

- Cash reserve ratio requirements (1% on Time Deposits and 7% on Demand Savings and Call deposits). The UAE CB effective 7<sup>th</sup> April 2020 reduced the cash reserve requirement on Demand Savings and Call deposits to 7% from 14% until further notice to mitigate the repercussions of COVID-19 pandemic .
- Maintenance of 1:1 ratio is mandatory, i.e. utilization of funds should not exceed stable sources.
- As per Basel III, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) have been implemented and submitted to Central Bank of UAE regularly.

## Accounting Standard

- The Central Bank made it mandatory in 2000 for all Banks to publish their Annual Financial Statement as per International Financial Reporting Standards (IFRS).

## Credit Limit

- Lending limits fixed by the Central Bank in relation to capital:
  - Commercial entities of Federal Govts and UAE Local Govts: 25%, 100% aggregate
  - UAE Local Govts and non-Commercial entities: No individual cap for Local Governments, 25% for each Non commercial entities, 100% aggregate
  - Principal shareholders and their related entities: 20% Individual, 50% aggregate

# Robust Corporate Governance Framework

## Board Supervision

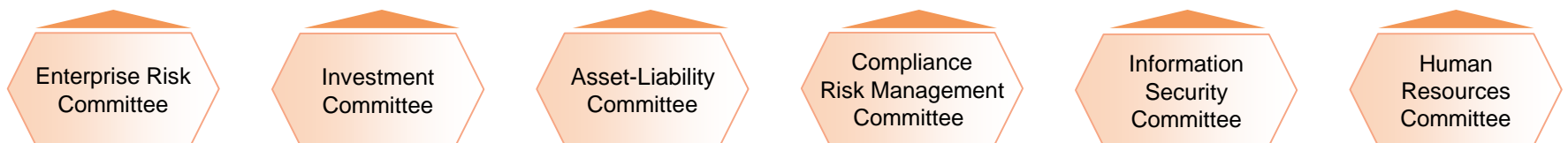
- ✓ Chairman, Vice-Chairman and five Directors form Mashreq's Board. Two of the seven board members are independent; the Board of Directors meet at least once every quarter
- ✓ Management issues are raised at Board level where the bank's senior management presents details to the Board; Board has delegated certain powers to CEO for effective day-to-day management
- ✓ The Chief Risk Officer (CRO) and Head of Compliance report to the Board Risk Committee and Head of Audit reports to Audit Committee
- ✓ To achieve high standards of Shari'ah Compliance, we have an Internal Shari'ah Supervision Committee that supervises every step of Islamic product development and its related contracts



## Management Supervision

- ✓ Executive Management Committee (reporting to the CEO) discusses and debates bank-wide issues, develops strategic plans for the Board's approval and takes decisions on pan-bank issues

## Executive Management Committee







# Mashreq Investor Presentation

UAE economy

---

Mashreq heritage

---

Structure and Leadership

---

Strategy

---

Financial track record

---

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---

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---

► **Accolades**

# Recognitions and Awards - 2020

## Gallup Great Workplace Award 2018, 2017, 2016, 2015, 2014 CSR Label Dubai Chambers – 2020, 2018, 2017, 2016, 2015, 2014, 2013, 2012

### *International Banker 2020 Banking Awards*

- Best Commercial Bank UAE 2020
- Best Innovation in Retail Banking UAE 2020
- Best Customer Service Provider Middle East 2020

### *Efma - Capgemini Financial NewTech Challenge*

- NewTech Effective Collaboration – MoEngage

### *Capital Finance International Awards*

- Best Smart Retail Bank Middle East

### *Bonds, Loans & Sukuk Awards Middle East*

- Export Finance Deal of the Year - Emirates Global Aluminium
- Structured Loan Deal of the Year - NESR / NPS Holdings Limited
- Syndicated Loan Deal of the Year by a Debut Borrower

### *Gartner Eye on Innovation Award 2020*

- Most Innovative Digital Initiative

### *UAE Ministry of HR & Emiratization*

- Emiratization Award - large establishments (1000+ employees)
- Best Emirati in Supervisory Level across the country's private sector

### *Dubai Chamber of Commerce*

- CSR Label

### *EMEA Finance*

- Best Cash Management Services in the Middle East
- Best Factoring Services in the Middle East
- Best FX Services in the Middle East
- Best Treasury Services in the Middle East
- Best Payment Services in the Middle East



# 1H 2021 financials – Consolidated Income statement [AED million]

Income statement	2021	2020	Variance (% change)
	1H	1H	1H 2021 vs 1H 2020 (Y-o-Y)
Net interest income & Income from Islamic products (net of distribution to depositors)	1,440	1,499	(3.9)
Net Fees and commission	819	653	25.4
Net Investment income	134	222	(39.6)
Other income	477	458	4.3
<b>Total operating income</b>	<b>2,870</b>	<b>2,831</b>	<b>1.4</b>
Operating expenses	(1,221)	(1,255)	(2.7)
<b>Operating profit</b>	<b>1,649</b>	<b>1,576</b>	<b>4.6</b>
Impairment allowance	(1,496)	(978)	52.9
Tax expense	(26)	(21)	21.5
Non-Controlling Interest	(41)	(41)	(0.1)
<b>Net Profit</b>	<b>85</b>	<b>535</b>	<b>(84.0)</b>

## 2Q 2021 financials – Consolidated Income statement [AED million]

Income statement	2021	2021	2020	Variance (% change)	
	2Q	1Q	2Q	2Q 2021 vs 1Q 2021 (Q-o-Q)	2Q 2021 vs 2Q 2020 (Y-o-Y)
Net interest income & Income from Islamic products (net of distribution to depositors)	743	698	717	6.4	3.5
Net Fees and commission	369	449	305	(17.7)	21.3
Net Investment income	105	29	95	268.5	11.4
Other income	243	234	191	4.0	27.0
<b>Total operating income</b>	<b>1,461</b>	<b>1,409</b>	<b>1,308</b>	<b>3.6</b>	<b>11.7</b>
Operating expenses	(601)	(620)	(623)	(3.0)	(3.5)
<b>Operating profit</b>	<b>860</b>	<b>789</b>	<b>685</b>	<b>8.9</b>	<b>25.4</b>
Impairment allowance	(785)	(711)	(570)	10.5	37.9
Tax expense	(12)	(14)	(10)	(14.9)	14.7
Non-Controlling Interest	(20)	(21)	(20)	(7.7)	(2.8)
<b>Net Profit/(Loss)</b>	<b>42</b>	<b>43</b>	<b>85</b>	<b>(1.4)</b>	<b>(50.1)</b>

# June 2021 financials – Consolidated Balance sheet [AED million]

Balance sheet	30 Jun 2021	31 Dec 2020	YTD (%)
<b>Assets</b>			
Cash and balances with central banks	16,602	17,942	(7%)
Deposits and balances due from banks	33,484	28,239	19%
Other financial assets measured at fair value	11,740	8,439	39%
Other financial assets measured at amortised cost	11,012	11,001	0%
Loans and advances measured at amortised cost	62,697	57,286	9%
Islamic financing and investment products measured at amortised cost	14,585	14,246	2%
Acceptances	14,078	12,767	10%
Other Assets	3,450	3,478	(1%)
Reinsurance contract assets	2,924	2,892	1%
Investment in Associate	42	21	100%
Investment properties	450	450	0%
Property and equipment	1,435	1,467	(2%)
Intangible Assets	266	294	(10%)
<b>Total assets</b>	<b>172,763</b>	<b>158,523</b>	<b>9%</b>
<b>Liabilities</b>			
Deposits and balances due to banks	19,021	14,844	28%
Repurchase agreements with banks	4,007	2,290	75%
Customers' deposits	80,700	76,376	6%
Islamic customers' deposits	14,732	11,885	24%
Acceptances	14,078	12,767	10%
Other Liabilities	7,283	5,809	25%
Medium-term loans	7,928	9,616	(18%)
Insurance and life assurance funds	4,948	4,748	4%
<b>Total liabilities</b>	<b>152,696</b>	<b>138,335</b>	<b>10%</b>
<b>Total Equity</b>	<b>20,067</b>	<b>20,188</b>	<b>(1%)</b>
<b>Total Liabilities and Equity</b>	<b>172,763</b>	<b>158,523</b>	<b>9%</b>

