Mashreq posts solid performance with 13% increase in Net Profit for first quarter 2015

Dubai, UAE; 19th April 2015: Mashreq, one of the leading financial institutions in the UAE, today reported its financial results for the first quarter ended 31st March 2015.

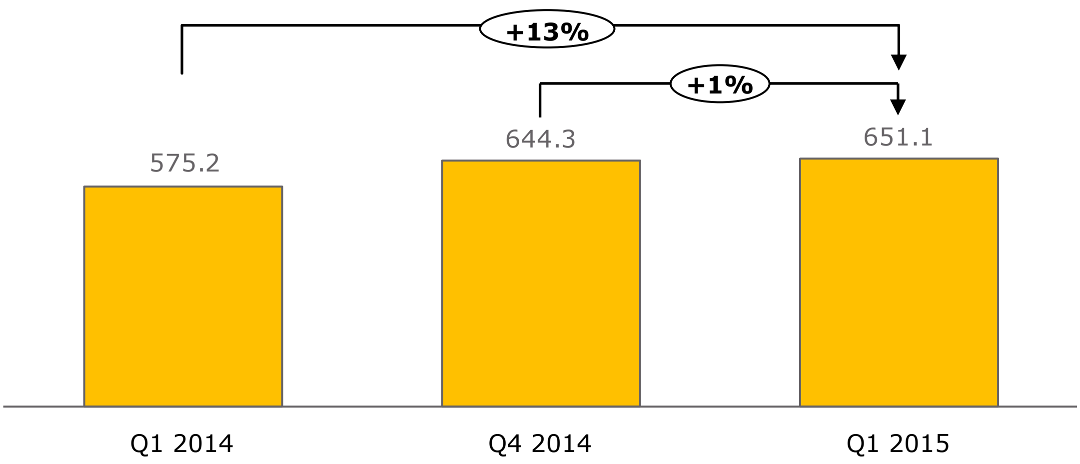
Key highlights [Q1 2015 vs Q1 2014]:

- ***Stable growth in Operating Income and Net Profit***
  - Net profit increased by 13.2% year-on-year to AED 651 million
  - Operating Income up 8.0% year-on-year to AED 1.5 billion driven by strong growth in Net Interest Income
  - Net Interest Income up by 17.2% year-on-year, driven by 6.4% year-on-year increase in loan volume and improvement in net interest margin
- ***Consistently high proportion of net fee and commission income***
  - Mashreq's best-in-class Net Fee, Commission and Other Income to operating income ratio remained high at 46.1%
  - Other Income grew by 12.1% year-on-year
- ***Strong balance sheet***
  - Total Assets increased marginally by 1.0% to AED 106.9 billion while Loans and Advances decreased slightly by 2.4% to AED 56.7 billion as compared to December 2014
  - Customer Deposits increased by 3.9% to reach AED 71.2 billion as compared December 2014
  - Loan-to-Deposit ratio remained robust at 79.6% at the end of March 2015
- ***Healthy liquidity and capital position***
  - Liquid Assets to Total Assets stood at 29.0% with Cash and Due from Banks at AED 31.1 billion

- Capital adequacy ratio and Tier 1 capital ratio continue to be significantly higher than the regulatory limit and stood at 16.2% and 15.0% respectively
- ***Sustained asset quality***
    - Non-Performing Loans to Gross Loans ratio remained stable at 3.7% at the end of March 2015
    - Total Provisions for Loans and advances reached AED 3.40 billion, constituting 131.0% coverage for Non-Performing Loans

Mashreq delivered strong financial results for the quarter ending March 2015, reporting a net profit of AED 651 million, an increase of 13.2% as compared to March 2014. Earnings per share strengthened to AED 3.67 at the end of March 2015 compared to AED 3.40 a year earlier.

Net profit [AED million]



Mashreq's CEO, H.E. AbdulAziz Al Ghurair, said: "Our first quarter financial results truly demonstrate a continued momentum across all of our banking divisions. Our results reflect the continued stability of the UAE economy in the face of the disruption in the Oil market. The banking industry and Mashreq in particular has displayed a remarkable immunity to the resultant economic turmoil in the region. I am pleased to announce a solid quarterly performance to begin the year, with an increase in the Net Profit of 13% and an Operating Income of AED 1.5 billion driven by strong growth in Net Interest Income, which went up by a substantive 17.2% year-on-year. We continue to benefit from an ongoing strong balance sheet, stable earnings and healthy liquidity. The importance of these fundamentals cannot be overstated. They enable us to put substantial resources into innovating and perfecting the market-leading products which our name is now synonymous with.”

Al Ghurair continued, “Looking to the wider economy, the rest of 2015 will present opportunities for Mashreq as it continues to position itself as a Regional leader. We believe that it is those that are committed to innovation, excellence and delivering a superior customer experience that will return the strongest results during the rest of 2015 and beyond.”

Operating Income

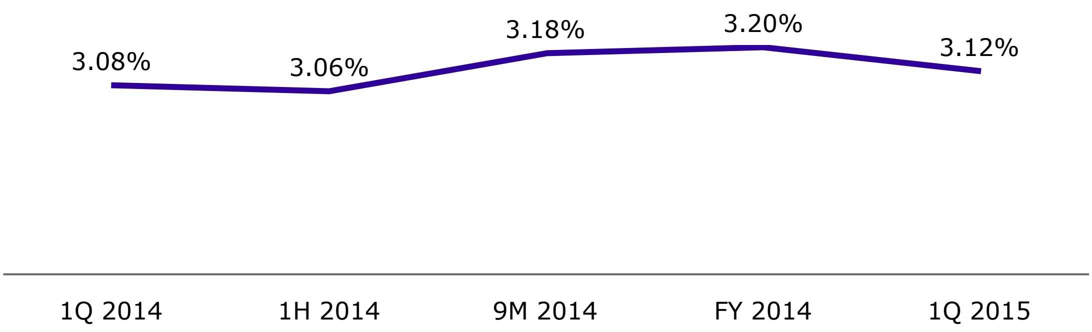
- Total operating income for Q1 2015 was AED 1.49 billion, a year-on-year increase of 8.0% compared to Q1 2014 operating income of AED 1.38 billion. On a quarterly basis, operating income reduced by 1.7% compared to Q4 2014 operating income of AED 1.52 billion.

- Net Interest Income at AED 804 million was up by 17.2% compared to a year earlier, driven by 6.4% year-on-year increase in loan volume and 5 bps improvement in net interest margin from 3.08% in March 2014 to 3.12% in March this year. On a quarterly basis, Net Interest Income fell moderately by 1.3% as compared to AED 814 million in Q4 2014.

- Net fee, commission and other income fell by 1.1% year-on-year to reach AED 688 million as a 2.3% fall in net fee and commission income and 31.3% drop in investment income was offset by 12.1% increase in other income. On a quarterly basis, net fee and commission income remained stable leading to a best in class non-interest income to operating income ratio of 46.1% for Q1 2015 (vs 50.4% in Q1 2014 and 46.4% in Q4 2014). Net fee and commission income represented 62.0% of total non-interest income in Q1 2015 as compared to 62.8% in Q1 2014 and 60.5% in Q4 2014.

- Operating expenses increased by 15.3% year-on-year and 1.3% quarter-on-quarter to reach AED 605 million; Efficiency Ratio at 40.5% increased slightly as compared to 37.9% in Q1 2014 and 39.3% in Q4 2014.

Net interest margin [%]



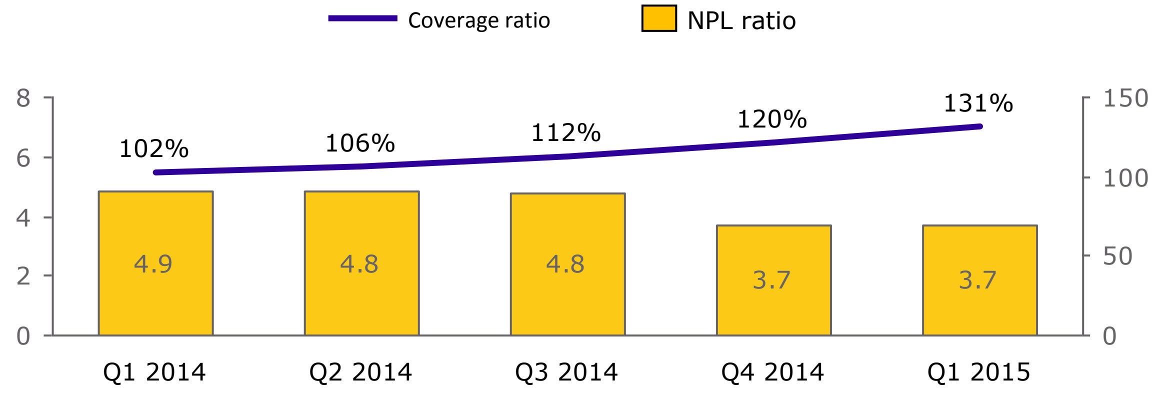
Assets and Asset quality

- Mashreq's Total Assets increased marginally by 1.0% to reach AED 106.9 billion in Q1 2015, compared to AED 105.8 billion at the end of 2014. Loans and Advances decreased slightly by 2.4% during the first three months of 2015 to reach AED 56.7 billion, compared to AED 58.0 billion at the end of December 2014 predominantly led by a 2.7% fall in conventional loans. On a year-on-year basis, Loans and Advances grew by 6.4% driven by 7.2% growth in conventional loans. Liquid Assets to Total Assets stood at 29.0% with Cash and Due from Banks at AED 31.1 billion at the end of the first quarter. Loan-to-Total Assets Ratio at 53.0% fell slightly as compared to 54.8% at the end of 2014.

- Customer Deposits at AED 71.2 billion, increased by 3.9% as compared to December 2014, driven by 12.6% growth in Islamic deposits and 3.2% growth in conventional deposits. Loan-to-Deposit ratio stood at 79.6% vs. 84.8% in December 2014. On a year-on-year basis, customer deposits grew by 15.0% from AED 61.9 billion in March 2014 driven by both conventional and Islamic deposits.

- Non-Performing Loans remained stable at AED 2.7 billion in March 2015 leading a Non-Performing Loans to Gross Loans ratio of 3.7% at the end of March 2015. Net Allowances for impairment for Q1 2015 was AED 196 million as compared to AED 251 million in Q1 2014 and AED 215 million in Q4 2014. Total Provisions for Loans and advances reached AED 3.40 billion, constituting 131.0% coverage for Non-Performing Loans as on March 31, 2015.

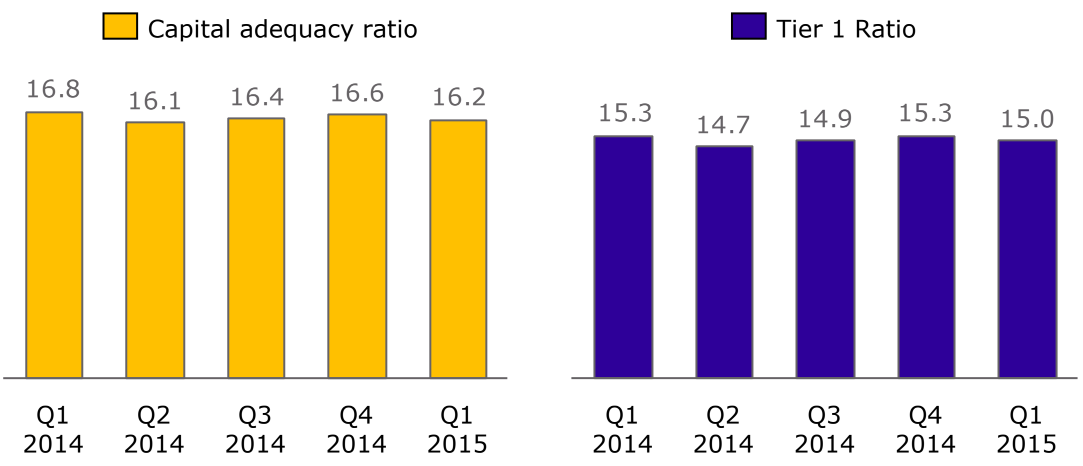
NPL and Coverage Ratio [%]



Capital and Liquidity

- Mashreq's Capital adequacy ratio stood at 16.2% (regulatory minimum of 12%) as at 31 March 2015 compared to 16.6% as at 31 December 2014. Tier 1 capital ratio at 15.0% continues to be significantly higher than the 8% regulatory minimum stipulated by the UAE Central Bank (15.3% as at 31 December 2014)

Capital Adequacy and Tier 1 Ratio [%]



2014 First Quarter Operational Update:

The Corporate Banking Group continued to deliver world class Investment Banking Services to its clients, especially in the fields of Corporate Finance, Real Estate, Investment Services, Cash & Trade Management Solutions.

Corporate Finance got off to a strong start in Q1 2015 with the closing of 4 transactions amounting to US$2.0 billion in transaction value. With a strong pipeline, the team expects to continue this growth in the next quarter, given its successful book running track record amounting to US$10.2 billion in 2014.

Real Estate Finance & Advisory with expertise in all the major sectors including commercial, hospitality, industrial, residential and retail has a RERA-mandated trust management business with a leading market share of close to 50%.

Government & GRE team booked two key transactions for TECOM INVESTMENTS LLC and Port & Freezone World FZE (PFZW). TECOM INVESTMENTS LLC transaction represents AED 4.0Billion syndication facility in which Mashreq bank participated for AED 875.0MM. Initial drawdown against this facility took place in January 2015 and during Q1. PFZW transaction represent Mashreq bank's participation of USD 50.0MM in a 5 year USD 1.1 Billion syndication term facility.

Global Transaction Services delivered a superlative performance in 2014 and is all charged up to make this year another successful one. The team has recently launched an exciting campaign to encourage Relationship Managers to boost utilization of mashreqMATRIX, their award-winning integrated online corporate banking platform.

Contracting Finance also continued to lead the way as a differentiating segment capturing significant market share in the UAE and actively expanding its regional presence including Qatar/Bahrain/Egypt and Kuwait through projects awarded. in 2015, Mashreq led major projects like the AD Midfield, Red Line North Rail project in Doha has financed 3 refineries in UAE and undertook several civil and infrastructure projects in UAE as well as in the region.

Large Corporate segment closed a 4-month Short term Bridge facility for USD 86 MM for Abraaj Holdings to enable the acquisition of shares of the dominant market leader in the Turkish online retail sector.

Commercial Banking Division and Emerging Corporates continued to show strong organic growth in their portfolio by deepening their relationships and ensuring stickiness.

Mashreq Al Islami, the one stop solution for Islamic Banking products, Services and Advisory engaged closely with all areas of Corporate Banking and many of the best deals of 2014 were done based on Sharia'h Compliance. From amongst these transactions Ezdan and Drake & Scull went on to win awards in their respective categories.

During the first quarter, Mashreq became the only financial institution in the Region to open the First Fully Automated Branch 'imashreq' technology store. With plans to open 4 imashreq branches across the UAE during the year, the newly opened automated branch is located in Deira City Centre Metro. All services are instant and digital.

Another first was the launch of the UAE's 1st 'Selfie' Credit Card. Mashreq have just made the impossible possible with the launch of Portraits, the nation's very first ***'Selfie'*** credit card, another example of Mashreq's continuing commitment to innovation in all areas of customer experience. Using Mashreq's unique online platform customers can simply upload a photo from their cell phone and receive a credit card with the same photo on the front. Packed with an exclusive set of rewards, travel benefits, golfing privileges, dining offers and health & wellness discounts, *Portraits* is already the epitome of personalization.

Continuing to offer ultimate customers convenience, Mashreq recently launched its mobile banking App Snapp with all new functionalities & features. The award winning mobile app takes care of all the banking functions customers need, among the most significant are Mobile Money Transfer and Cardless Cash Withdrawal, My Money Manager and ForEx Alerts.

Mashreq also launched its latest credit card "sMiles" - the UAE's first Anywhere, Anytime, Any Airline miles Card allowing customers to fly for free, instantly, with over 300 airlines including all domestic carriers of the UAE. The free-for-life card allows cardholders also get a guaranteed give-back of 1.25% on every domestic purchase and 3.25% on all international spends and have the flexibility to instantly redeem accumulated *sMiles* for free air tickets for Anyone (self, friends and family), from Anywhere and at Anytime.

The Bank continued to expand its E-cube branches network in Karama, offering customers a wide range of products and innovative financial solutions.

In the first 3 months and as part of its ongoing Emiratisation strategy, Mashreq announced the recruitment of a group of Emiratis to take up key management positions within the Bank.

The Bank launched the Mashreq ***Insure+*** Saver. Thanks to this latest savings product, the Bank can now offer Mashreq Gold customers UAE's highest interest rate of 4% per annum on a 3 month fixed deposit. This represents the highest interest rate investors can currently find in the market.

The International Banking Group continued to increase its contribution to the overall bank results. Mashreq's International business delivered excellent results for the quarter, received several awards, completed landmark transactions, grew market share in the countries it operates in and remained at the top of league tables in our chosen businesses, a performance that demonstrates that it is on the right path for a stronger and even better tomorrow as it continues to diversify revenue streams in high growth markets.

Some of the business highlights of the quarter were being mandated to the largest syndication in Qatar market and disbursing the single largest term loan facility for a major corporate and being the lead coordinator and agent for a very large syndication in Bahrain. Mashreq's upgraded branch in Hong Kong is now a direct member of the US Dollar and Hong Kong Dollar clearing attracting new and larger clients and is poised to start handling selective commercial banking business. In the first 3 months, the International Business Group launched an upgraded online banking facility for our FI clients offering real time global view of accounts.

2015 First Quarter Awards:

Global Banking & Finance Review Awards 2015

- Best Corporate Bank Qatar 2015
- Best Retail Bank Qatar 2015
- Best Customer Service Bank Qatar 2015
- Best Retail Bank UAE 2015
- Most Innovative Banking Initiative (imashreq) UAE 2015
- Innovative Islamic Banking Solutions Provider UAE 2015

Arab Organization for Social Responsibility Award

- Corporate Social Responsibility Award

Banker Middle East Product Awards 2015

- Best Premium Banking Service
- Best Mobile Banking Service
- Best Real Estate Advisory
- Best Self Employed Finance
- Best Debit Card
- Best SME Exchange Service
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Global Finance

- Best Regional Debt Bank in the Middle East 2015
- Best Investment Bank in the UAE 2015

MENA Fund Manager Awards

- Best Fixed Income fund in a 3 year category
- Sharia'h Compliant Fixed Income fund of the year

Super brands 2015

Global Finance magazine

- Best Debt Bank in the Middle East 2015
- Best Investment Bank in the UAE 2015

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Appendix 1: 2015 First Quarter Financial Highlights

Quarterly trend

Income statement [AED mn]	**Q1'15**	**Q4'14**	**Q1'14**	**Y-o-Y [%]**	**Q-o-Q [%]**
Net interest income	804	814	686	17%	(1%)
Fees and commission	427	425	437	(2%)	0%
Investment income	46	7	67	(31%)	534%
Other income	215	271	192	12%	(21%)
Total Operating income	1,492	1,518	1,382	8%	(2%)
Operating expenses	(605)	(597)	(524)	15%	1%
Operating profit	887	921	857	3%	(4%)
Impairment allowance	(196)	(215)	(251)	(22%)	(9%)
Overseas tax expense	(23)	(34)	(13)	78%	(33%)
Non-controlling interest	(17)	(27)	(18)	(5%)	(38%)
Net profit	**651**	**644**	**575**	**13%**	**1%**
EPS [AED]	3.67	3.81	3.40	13%	1%

Balance Sheet [AED bn]	**Mar'15**	**Dec'14**	**Mar'14**	**Y-o-Y [%]**	**Q-o-Q [%]**
Total Assets	107	106	94	14%	1%
Loans and Advances	57	58	53	6%	(2%)
Customer Deposits	71	68	62	15%	4%
Shareholder's funds	17	17	15	12%	(1%)

Key Ratios [%]			
Loans-to-Deposits	*79.6%*	*84.8%*	*86.0%*
Tier 1 Ratio	*15.0%*	*15.3%*	*15.3%*
CAR	*16.2%*	*16.6%*	*16.8%*
Return-on-Assets	*2.5%*	*2.5%*	*2.5%*
Return-on-Equity	*16.2%*	*15.7%*	*16.0%*

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